

CTB

# Gulf Oil Exploration and Production Company

R. C. Anderson  
PRODUCTION MANAGER  
HOBBBS AREA

May 10, 1984

P O Box 670  
Hobbs, NM 88240

Re: Lee Stebbins (NCT-A) #1 Tank Battery  
Section 5-T22S-R37E  
Lea County, New Mexico  
Proposed Surface Commingling of  
Production from the Lee Stebbins (NCT-B)  
and Lee Stebbins (NCT-A) Leases

Mr. Joe D. Ramey  
Energy and Minerals Department  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Dear Sir:

The South Penrose Skelly Unit has been disbanded as of April 1, 1984. The Lee Stebbins (NCT-B) #2 (formerly SPSU #105) is currently going into the Lee Stebbins (NCT-A) #1 Tank Battery (formerly SPSU Commingled Battery). When the Unit was disbanded they reverted to their former leases and this will be commingling of two separate leases.

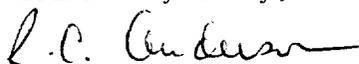
In order to avoid considerable expense in constructing and maintaining a new tank battery for the subject lease, Gulf hereby seeks an exception to Rule 309B. This will allow Gulf to commingle production from the Lee Stebbins (NCT-B) and Lee Stebbins (NCT-A) Leases. All wells will be tested periodically for allocation of production.

The attached tabulation shows the volumes, gravities and monetary values of the liquid hydrocarbons from individual pools, as well as commingled production. The tabulation also shows total average daily production for a 2 month period and the results of recent production tests for the new completion. The calculated revenue from the commingled production is approximately three cents per day more than the total revenue from the individual pools.

Also attached is a schematic diagram of the storage facilities for the commingled production and a lease plat. Shell Oil Company has agreed to purchase the commingled production as proposed herein.

The commingling proposal is in the interest of conservation in that it prevents unnecessary waste and production expense.

Yours very truly,

  
R. C. ANDERSON





CNB/skc  
Att'd

cc: OCD-Hobbs

J. R. Frank-Midland

LEE STEBBINS (NCT-A) #1 TANK BATTERY  
Section 5-T22S-R37E  
Lea County, New Mexico

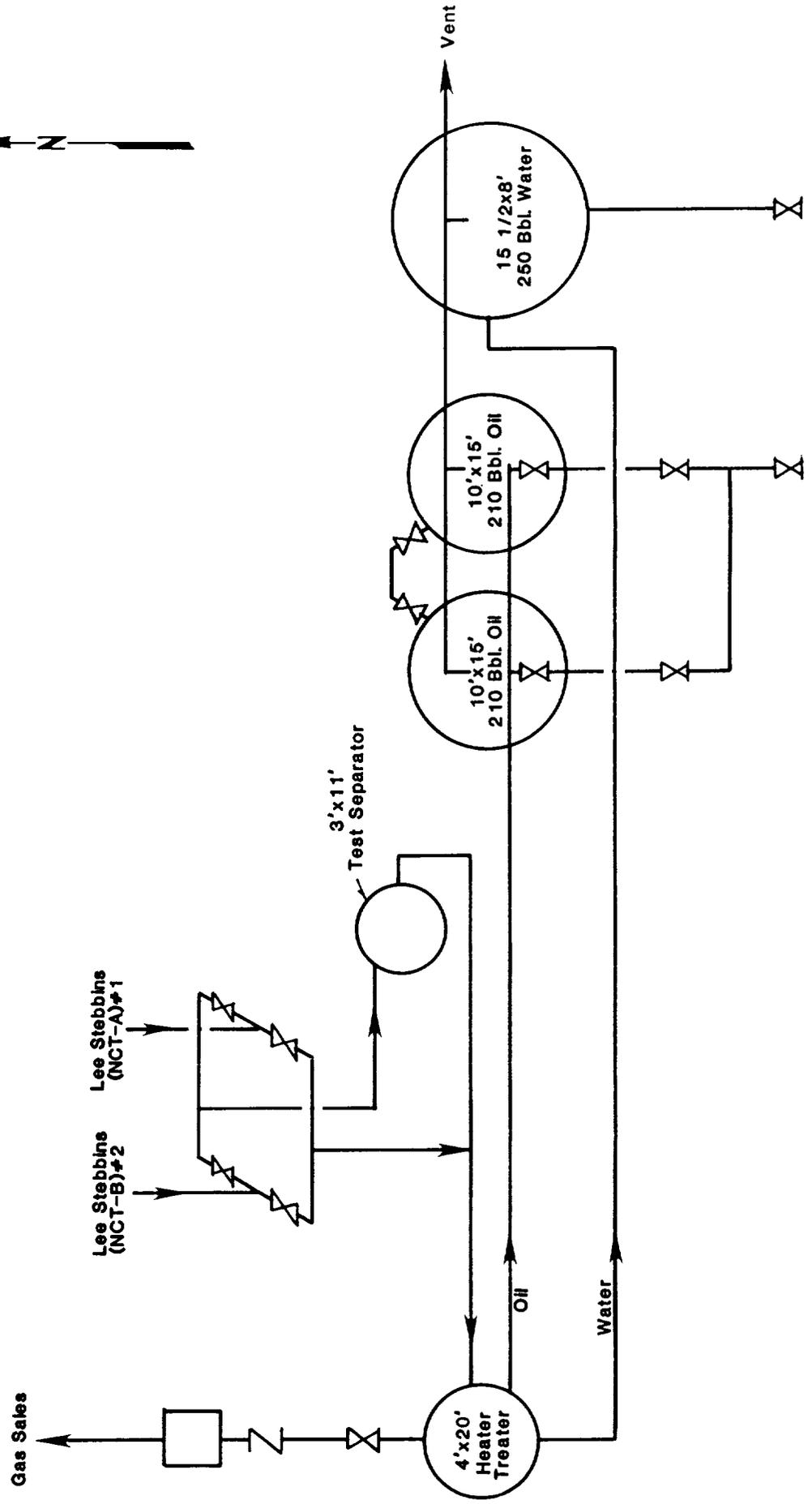
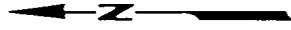
| <u>Wells and Pools</u>                    | <u>Production</u> |                | <u>Total</u> | <u>Average<br/>BOPD</u> |
|---|-------------------|----------------|--------------|-------------------------|
|   | <u>Feb. 84</u>    | <u>Mar. 84</u> |              |                         |
| Lee Stebbins (NCT-B) #2<br>Penrose Skelly | 89                | 92             | 181          | 3.0                     |
| Lee Stebbins (NCT-A) #1<br>Penrose Skelly | 90                | 93             | 183          | 3.1                     |

| <u>Lease</u>            | <u>BOPD</u> | <u>Gravity</u> | <u>\$/Bbl</u> | <u>\$/Day</u> |
|-------------------------|-------------|----------------|---------------|---------------|
| Lee Stebbins (NCT-B) #2 | 3.0         | 35.7           | \$28.91       | \$ 86.73      |
| Lee Stebbins (NCT-A) #1 | 3.1         | 35.9           | \$28.92       | \$ 89.65      |
| Total                   |             |                |               | \$176.38      |
| Commingled              | 6.1         | 35.8           | \$28.92       | \$176.41      |
|                         |             |                | Difference    | +0.03         |

# LEE STEBBINS (NCT-A)#1 Tank Battery

Section 5 - T22S - R37E

Lea County, New Mexico



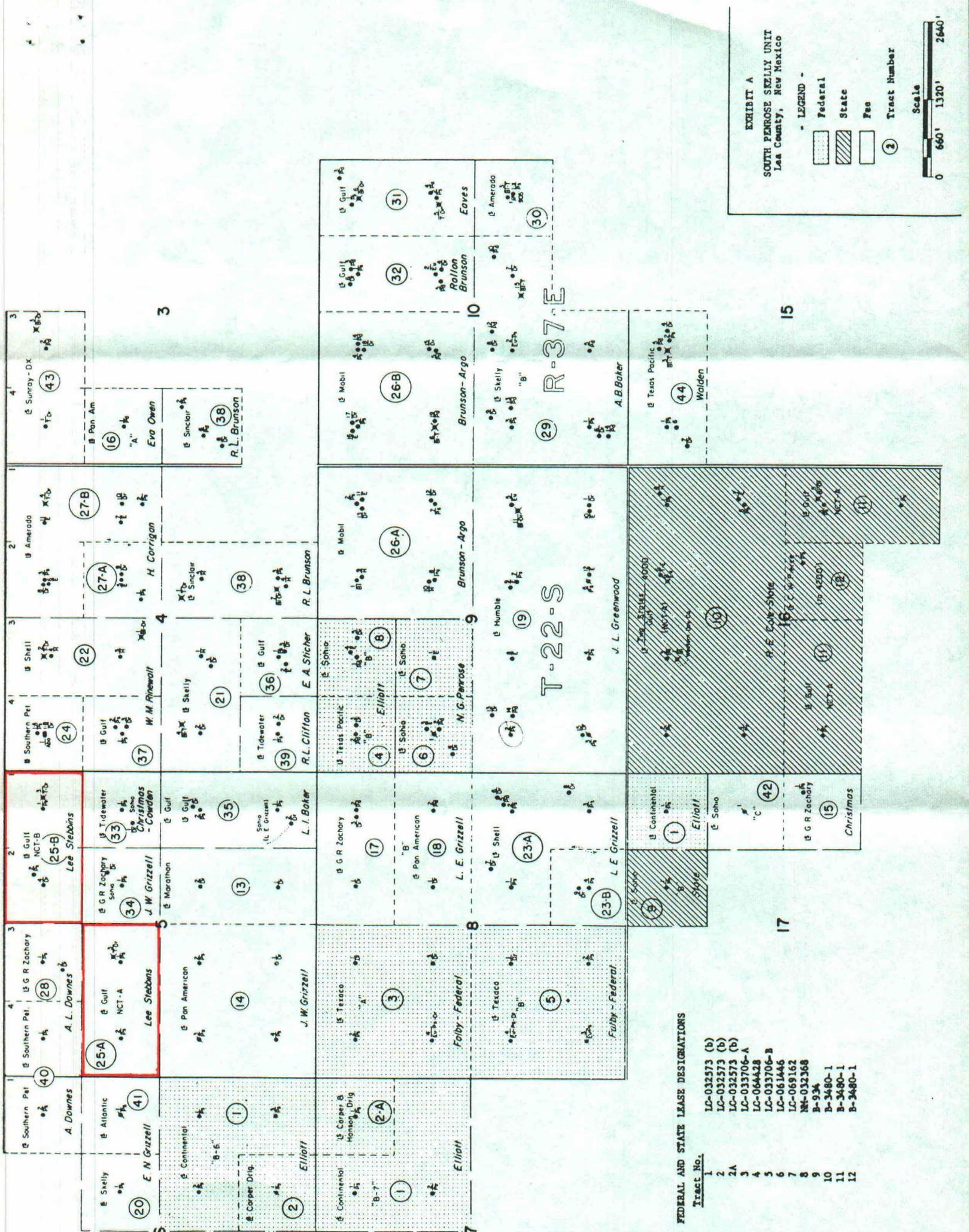


EXHIBIT A

SOUTH PENROSE SKELLY UNIT  
 Lea County, New Mexico

LEGEND -

-  Federal
-  State
-  Fee
-  Tract Number

Scale



FEDERAL AND STATE LEASE DESIGNATIONS

Tract No.

- 1 LC-032373 (b)
- 2 LC-032373 (b)
- 2A LC-032373 (b)
- 3 LC-033706-A
- 4 LC-064428
- 5 LC-033706-B
- 6 LC-061446
- 7 LC-069162
- 8 NK-032368
- 9 B-934
- 10 B-3480-1
- 11 B-3480-1
- 12 B-3480-1

~~KEA~~ ~~HP~~ *True file*  
Equip. Section

Shell Oil Company



600 N. Mariefeld  
Suite 310  
Midland, Texas 79701

MAY 13 1984  
May 7, 1984

Gulf Oil Corporation  
ATTN Mr. R. C. Anderson  
P. O. Box 670  
Hobbs, New Mexico 88240

GULF OIL CORPORATION  
LFE STEBBINS NCT-A LSE,  
PENROSE SKELLY (GRAYBURG) FLD.  
LEA COUNTY, NEW MEXICO  
SHELL I.D. #X83665A00

This is to confirm the phone conversation between your Mr. Randy Roble and the undersigned concerning the subject lease.

As discussed, we will continue to purchase the commingled production from the Penrose Skelly (Grayburg) formation.

Yours very truly,

A handwritten signature in black ink that reads "R. R. Minus, Jr." with a stylized flourish at the end.

R. R. Minus, Jr.  
Crude Oil Representative  
Midland Office

RRM:ec

cc: Gulf Oil Corporation  
ATTN Randy Roble  
P. O. Box 1150  
Midland, Texas 79702