

MAIN OFFICE OGC

MAR 21 AM 7 55

Mr. J. E. Cole (NCT-A)
 Penrose Skelly Oil Wells
 Atlantic City, N.J.

Re: R. E. Cole (NCT-A) Lease
 Section 16-22S-37E, 1

Dear Sir:

Gulf now has only one producing oil well (no. 4) and two producing Penrose Skelly oil wells (no. 1 and no. 2) on its R. E. Cole (NCT-A) lease. Increasing oil emulsion problems coupled with no treating system and bad tankage in the present Drinkard tank battery will soon necessitate a considerable expense for new production equipment, which may lead to the early abandonment of Drinkard well. To alleviate these additional expenses, Gulf hereby seeks administrative approval from the Oil Conservation Commission to commingle the Drinkard and Penrose Skelly oil production on the R. E. Cole (NCT-A) lease. The oil produced from both pools are marginal and will be tested periodically and production of production as directed by the commingling order.

The following tabulation shows the volumes, gravities, and monetary value of the liquid hydrocarbons from the individual pools, as well as the commingling production:

Pool	Bbls./Day	API Gravity	\$/Bbl.	\$/Day
Drinkard	3	30.9°	2.93	8.79
Penrose Skelly	13	35.1°	2.91	37.83
				<u>\$46.62</u>
Commingling	16	35.0°	2.91	<u>\$46.56</u>
			Difference -	\$.06

The commingling production from the commingled production will be slightly less than the total production from the individual pools.

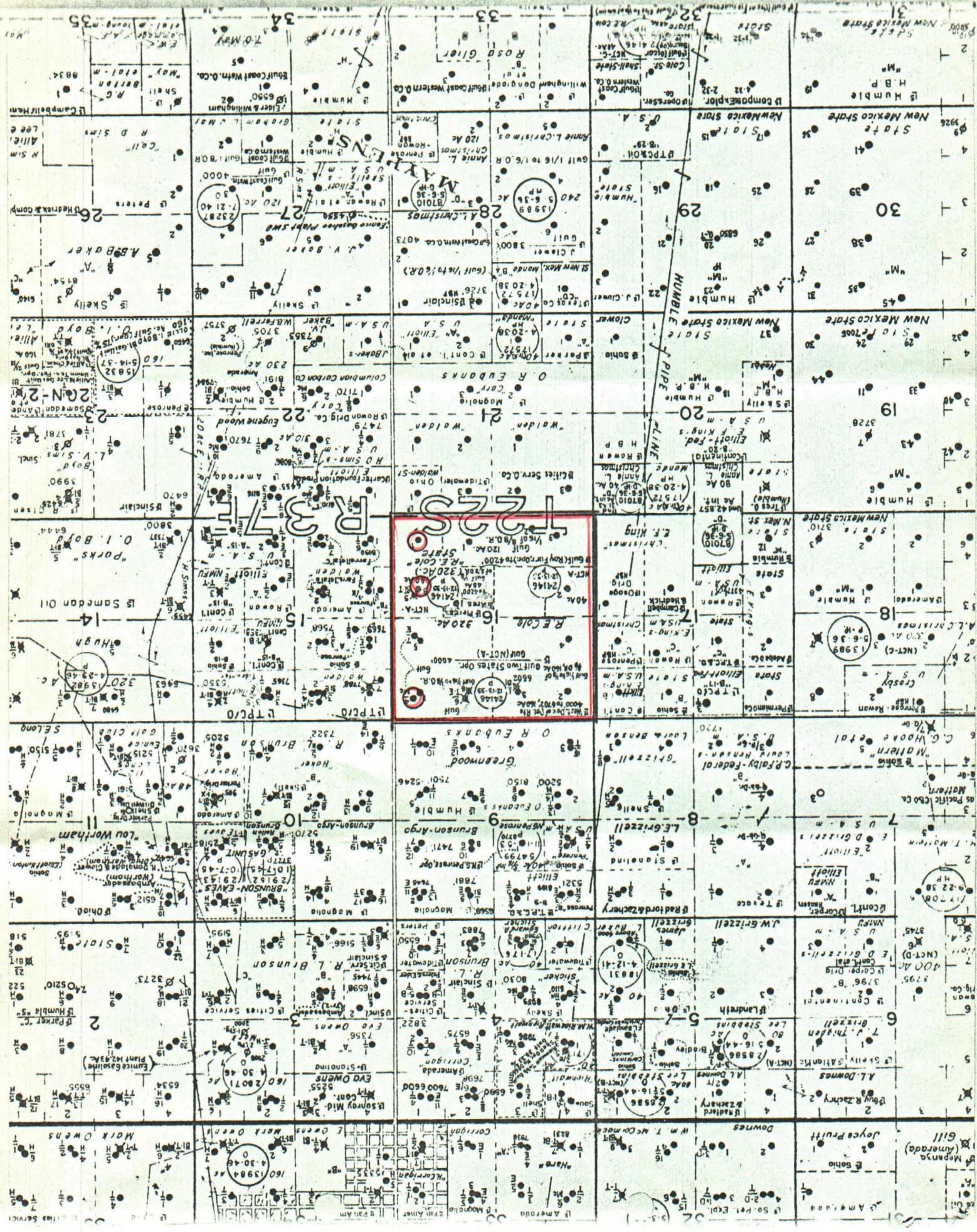
The proposed commingling of the proposed installation, along with the necessary equipment, is subject to approval from Shell Pipe Line Company, which is the sole purchaser of the oil produced for a 60-day period.

The proposed commingling of the proposed installation, along with the necessary equipment, is subject to approval from the Oil Conservation Commission, which is the sole purchaser of the oil produced for a 60-day period.

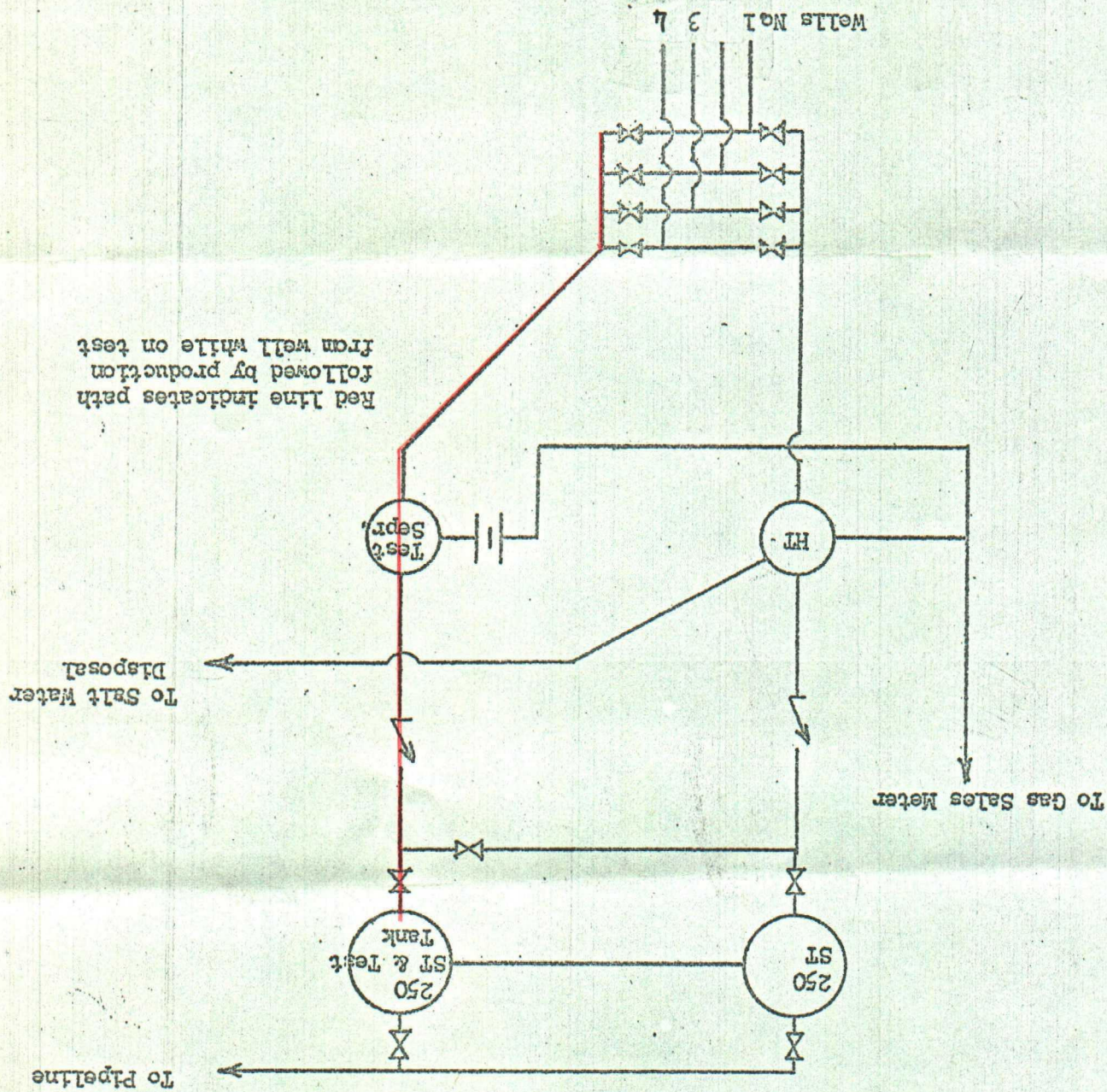
The proposed commingling of the proposed installation, along with the necessary equipment, is subject to approval from the Oil Conservation Commission, which is the sole purchaser of the oil produced for a 60-day period.

ILLEGIBLE

[Signature]
 J. E. COLE



SCHMATIC DIAGRAM
PROPOSED COMMINGLING INSTALLATION
H. E. COLE (NGL-A) LEASE



Penrose Skelly Production - Wells No. 1, 2, 3
Drinkard Production - Well No. 4