

OIL CONSERVATION

Shell Western E&P Inc.

An affiliate of Shell Oil Company



P. O. Box 576
Houston, TX 77001

March 4, 1996

Mr. Ben Stone
Energy, Mineral and Natural Resources Department
Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Dear Mr. Stone:

SUBJECT: SURFACE COMMINGLING REQUEST FOR EXCEPTION TO RULE 303-A
VACUUM FIELD - MIDDLE PENN, WOLFCAMP AND DRINKARD POOLS
STATE "A", WELL #9, STATE "A", WELL #10 AND WARN STATE A/C #1, WELL #1
SECTION 31, T17S, R35E
LEA COUNTY, NM

Shell Western E&P Inc. (SWEPI) respectfully requests administrative approval for an exception to Rule 303-A to authorize the permanent surface commingling of the Vacuum Middle Penn, Wolfcamp and Drinkard production from the three subject wells into the State "A" Battery. Presently, SWEPI is surface commingling said production under a temporary authority granted by the Oil Conservation Division District Office located in Hobbs, New Mexico.

The following detailed data is being submitted to support SWEPI's request.

1. Gravities, values and volumes of liquid hydrocarbons produced from each of the subject pools, by well.
 - **State "A", Well No. 9 - Vacuum Drinkard production**
Gravity - 38@60 degrees, posted price - \$18.21 and current production rate - 40 BOPD.
 - **State "A", Well No. 10 - Administrative Order DHC-1149 granted the downhole commingling authority for this well.**
Vacuum Middle Penn production - Gravity - 41.6@60 degrees, posted price - \$18.25 and current production rate - 150 BOPD.
Vacuum Wolfcamp production - Gravity - 38@60 degrees, posted price - \$18.21 and current production rate - 20 BOPD.
 - **Warn State A/C #1, Well #1 - Vacuum Drinkard production**
Gravity - 38@60 degrees, posted price - \$18.21 and current production rate - 30 BOPD.
2. Gravity and value of the commingled liquid hydrocarbons produced.
Gravity of commingled production - 40@60 degrees - Posted price - \$18.25. *The stated posted price reflects that there will be no commercial value lost due to the surface commingling of the subject production.*

Attached, please find the following:

- Schematic diagram of the current installation for the State "A" Battery.
- Plat reflecting the current flowlines from the subject wells to the State "A" Battery.
- Plat reflecting the location of all of SWEPI's wells on the State "A" lease and the Warn State A/C #1 lease and the pools from which each well is producing.

It should be noted that although both of the leases involved, being the State "A" lease and the Warn State A/C #1 lease, cover State of New Mexico acreage and are 100 percent SWEPI working interest, the Warn State A/C #1 lease is subject to an overriding royalty interest retained by Marathon Oil Company. In order to ensure the proper reporting of production rates from the subject well, SWEPI has installed and is using a 3 phase separator, to continually measure oil, water and gas production from said well, prior to being commingled with the production from the other two mentioned wells, in the State "A" battery. The provided schematic diagram of the State "A" Battery reflects the 3 phase separator.

A copy of this application is being forwarded this date to the Commissioner of Public Lands for the State of New Mexico for their consent to this surface commingling application.

Should you have any questions or need any additional information regarding this matter, please do not hesitate to contact Yvonne Iverson at (713) 544-3226.

Yours very truly,



Yvonne T. Iverson
Western Asset - Asset Administration
Continental Division

Attachments

cc: Mr. Pete Martinez
State of New Mexico
Commissioner of Public Lands
310 Old Santa Fe Trail
Santa Fe, NM 87504-1148

Mr. Jerry Sexton
State of New Mexico
Oil Conservation Division
P. O. Box 1980
Hobbs, NM 88240