

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.

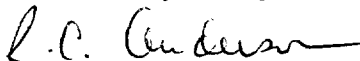
In order to avoid considerable expense in constructing and maintaining a new tank battery for the subject lease, Gulf hereby seeks an exception to Rule 309B. This will allow Gulf to commingle production from the Lee Stebbins (NCT-B) and Lee Stebbins (NCT-A) Leases. All wells will be tested periodically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

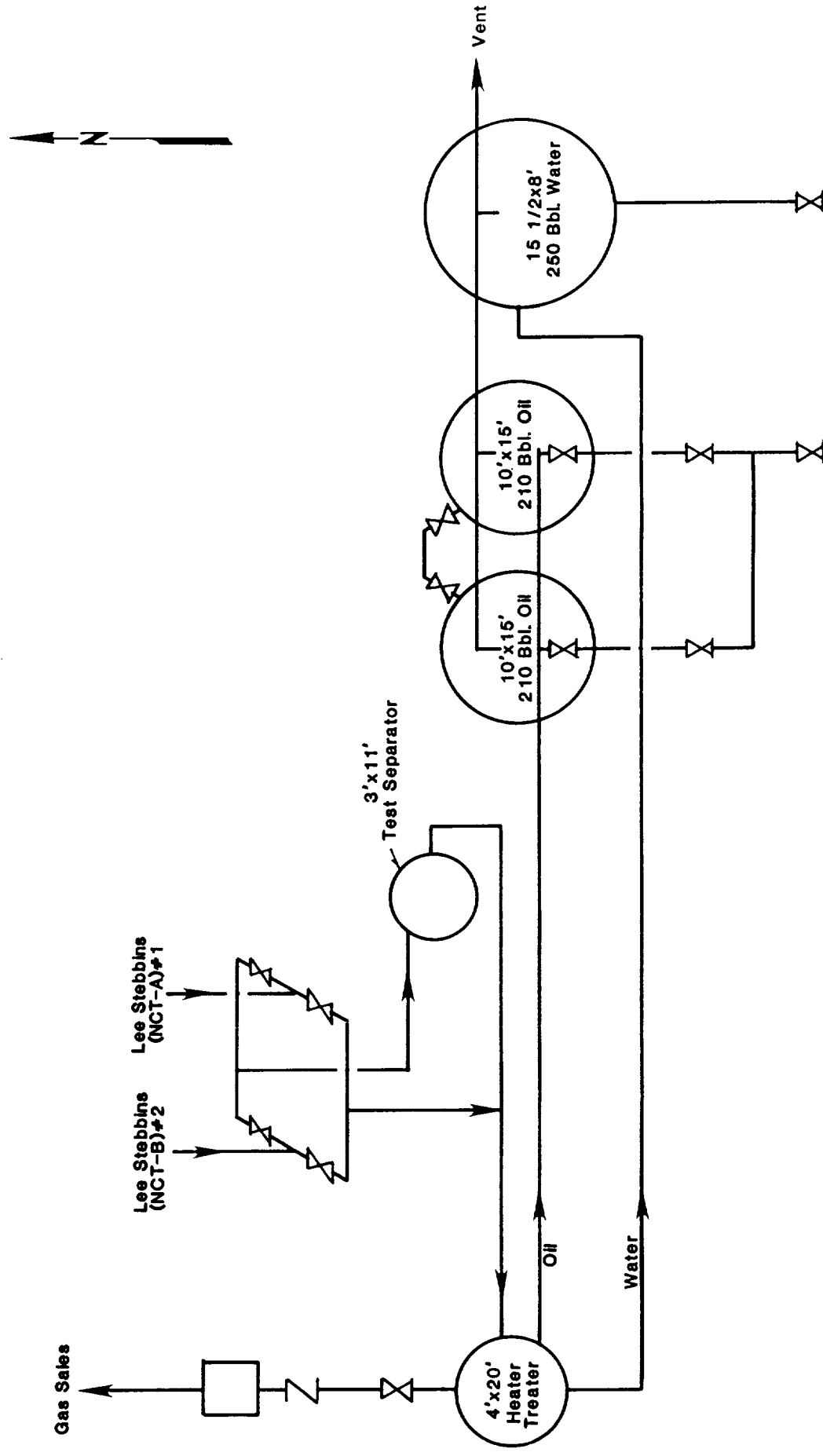
A DIVISION OF GULF OIL CORPORATION

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 BOPD</u>
	<u>Feb. 84</u>	<u>Mar. 84</u>		
Lee Stebbins (NCT-B) #2 Penrose Skelly	89	92	181	3.0
Lee Stebbins (NCT-A) #1 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

Lea County, New Mexico



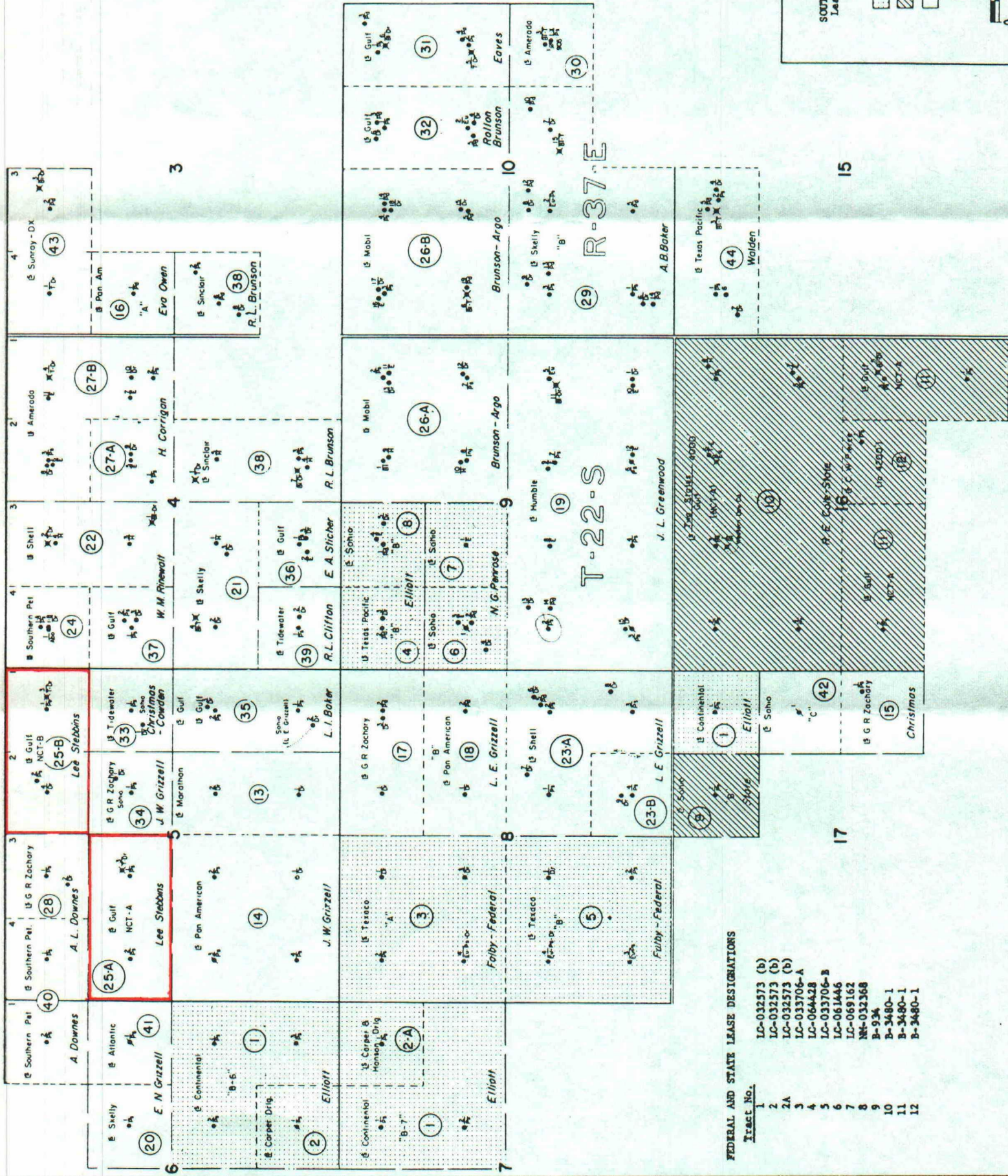
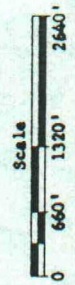


EXHIBIT A

SOUTH PENESE SKELLY UNIT
Lea County, New Mexico

LEGEND -

- Federal
- State
- Private
- Tract Number



FEDERAL AND STATE LEASE DESIGNATIONS

Tract No.	Designation
1	LC-032373 (b)
2	LC-032373 (b)
2A	LC-032373 (b)
3	LC-032373 (b)
4	LC-064428
5	LC-033706-A
6	LC-033706-B
7	LC-061446
8	LC-069162
9	NK-032368
10	B-934
11	B-3480-1
12	B-3480-1

~~KEA~~ ~~HP~~ ~~File~~
Equip. Section

Shell Oil Company



600 N. Mariefeld
Suite 310
Midland, Texas 79701

MAY 13 '84
May 7, 1984

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

GULF OIL CORPORATION
LEE 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 cursive script, appearing to read "R. R. Minus, Jr.".

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