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SHELL OIL COMPANY

P. O. Box 1858
Roswell, New Mexico

January 2, 1963

Mr. A. L. Porter, Jr.
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Mr. Porter:

Please refer to your Administrative Order #PC-52 giving us permission to commingle the Wolfcamp and Devonian Zones on our Priest Lease, Denton Field, without separately measuring the production from each pool.

We have recently restored Well No. 2 (Devonian) to top allowable status. In order to comply with those regulations set forth in the "Manual for the Installation and Operation of Commingling Facilities," we plan to continuously meter and sample production from the Wolfcamp Pool and to determine Devonian production by the subtraction method.

The Wolfcamp Zone was chosen for metering because of (1) lower average gravity (43.2° API versus 44.1° API for Devonian), (2) lower volumes to be metered (two Devonian wells are Kobe pumped), and (3) the marginal nature of the two Wolfcamp wells which allows staggered pumping and will facilitate well testing.

Attached please find a schematic diagram which depicts the equipment arrangement to be used.

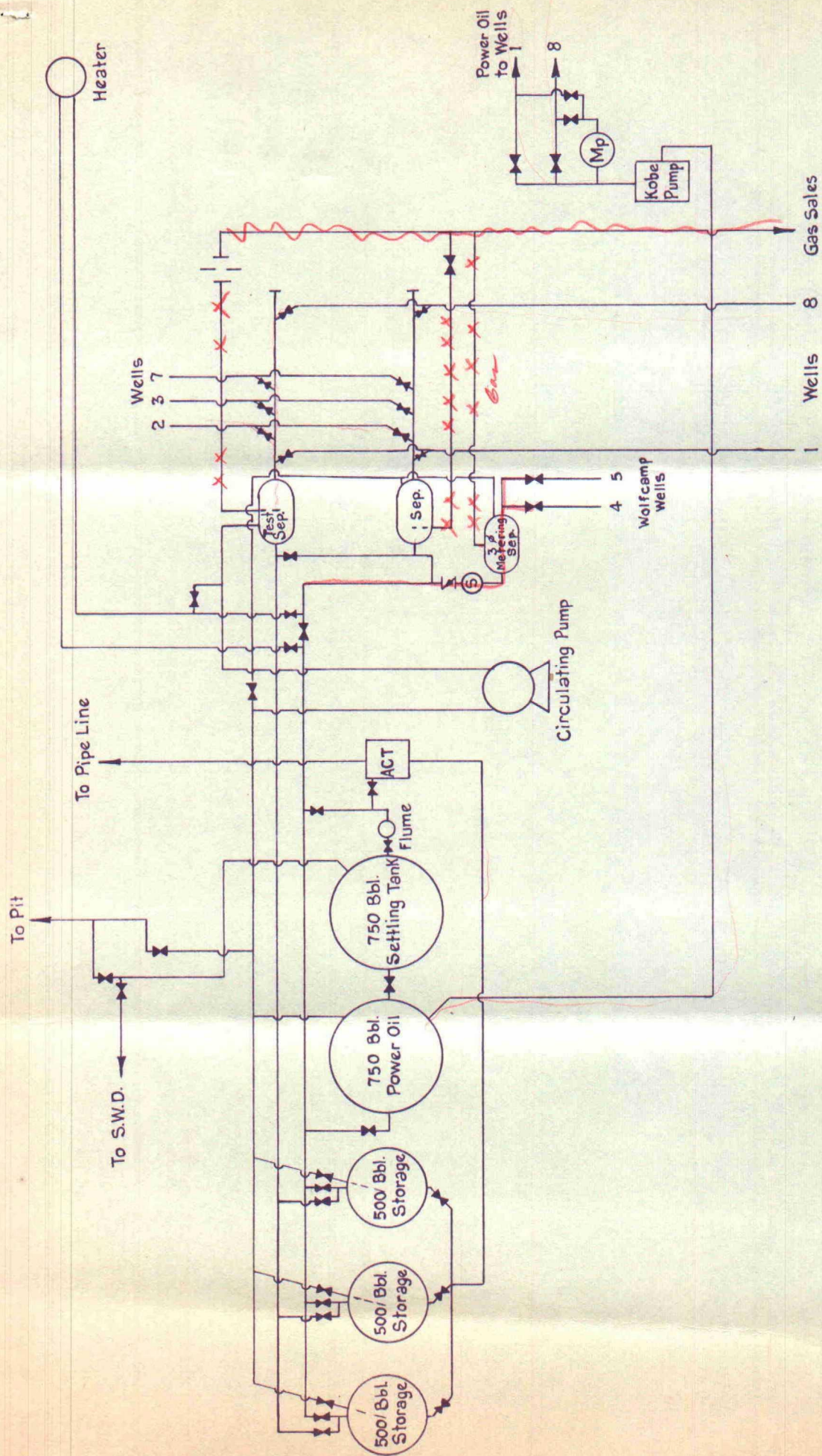
In view of the presented information we request your approval of this project.

Yours very truly,

A handwritten signature in cursive script that reads "R. L. Rankin".

R. L. Rankin
Division Production Manager

Attachment



SHELL OIL CO.
PRIEST LEASE
DENTON FIELD
PROPOSED TANK BATTERY
11-20-61