

# Gulf Oil Exploration and Production Company

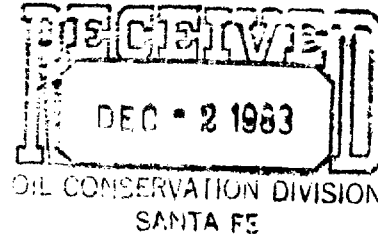
R. C. Anderson  
PRODUCTION MANAGER  
HOBBS AREA

November 28, 1983

P O Box 670  
Hobbs, NM 88240

Re: Surface Commingling Application  
Hugh Lease Section 14-T22S-R37E

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



Dear Sir:

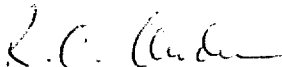
In order to avoid the considerable expense for maintaining two tank batteries for the subject lease, Gulf hereby seeks an exception to Rule 303A. This will allow Gulf to commingle production from the Blinebry Gas and Tubb Gas currently being produced into the Hugh #4 Battery, with the Drinkard, Wantz Abo, and Wantz Granite Wash currently being produced into the Hugh #1 Battery. All wells will be tested periodically for allocation of production.

The attached tabulation shows the volume, gravities, and monetary values of the liquid hydrocarbons from the currently commingled pools, as well as the proposed commingled production. The tabulation shows the total average daily production for a two month period and the results of recent production tests. The calculated revenue from the proposed commingled production is greater than the current non-commingled revenue.

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

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

Yours very truly,

  
R. C. ANDERSON

TSM/skc  
Att'd

cc: OCD-Hobbs  
J. R. Frank-Midland  
E. L. Allen-Eunice



HUGH #1 TANK BATTERY AND HUGH #4 TANK BATTERY  
Section 14-T22S-R37E  
Lea County, New Mexico

<u>Wells and Pool</u>	<u>Production</u>		<u>Total</u>	<u>Average BOPD</u>
	<u>Sept 83</u>	<u>Oct 83</u>		
Hugh #1 Drinkard; Wantz Abo; Wantz Granite Wash; Well No.s 3, 4, 6, 8, 10; 5, 15; 10, 11, 12, 13, 14	2330	3856	6186	99.8
Hugh #4 Blinebry Gas, Tubb Gas No.s 6, 7; 4	83	62	145	2.3

<u>Pool</u>	<u>BOPD</u>	<u>Gravity</u>	<u>\$/Bbl</u>	<u>\$/Day</u>
Hugh #1 Drinkard, Wantz Abo, Wantz Granite Wash	99.8	42.1	\$28.50	\$2844.30
Hugh #4 Blinebry Gas, Tubb Gas	2.3	39.4	\$28.49	65.53
Total				\$2909.83
Surface Commingled	102.1	42.0	\$28.50	\$2909.85
			Difference	+.02

Calculations

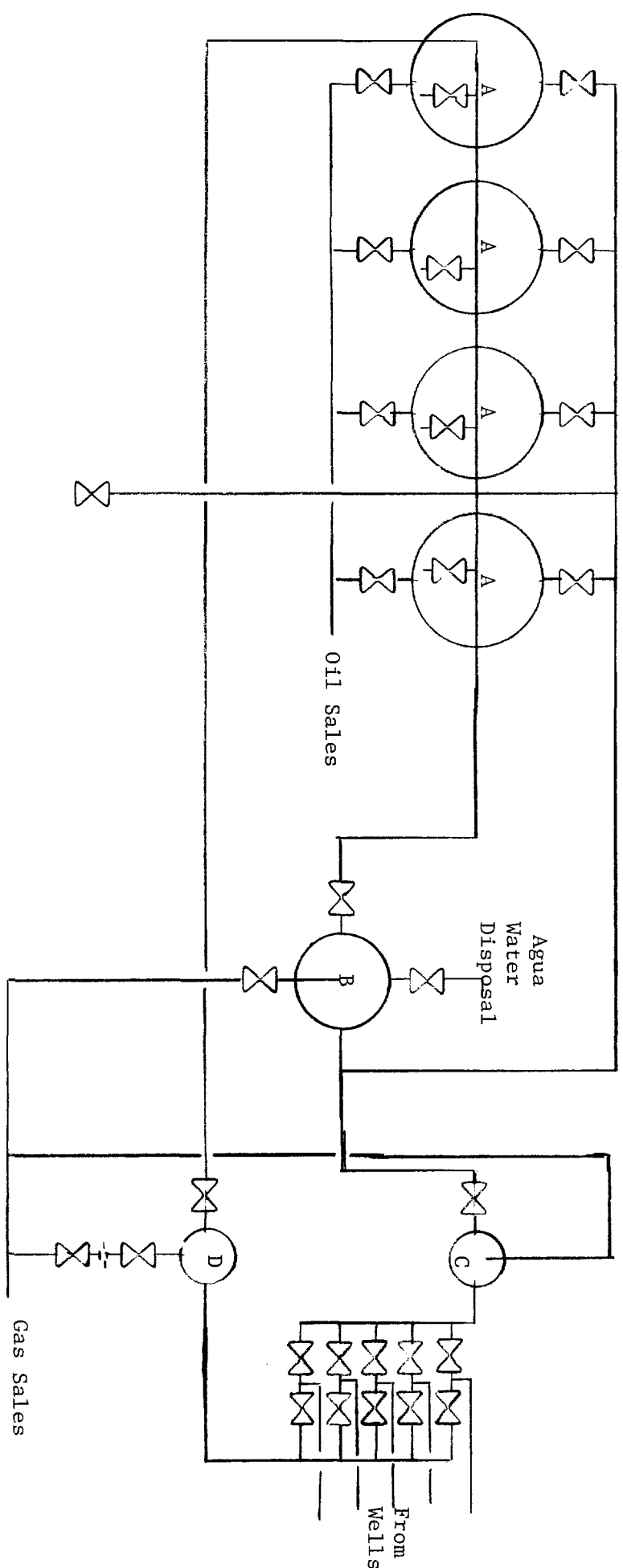
Commingled Gravity:  $\frac{99.8 (42.1) + 2.3 (39.4)}{102.1} = 42.0$

Hugh #4 Battery Price:  $\$/bbl = 28.50 - .02 (40 - \text{API Gravity})$

$$\begin{aligned} \$/bbl &= 28.50 - .02 (40-39.4) \\ &= 28.50 - .01 \\ &= 28.49 \end{aligned}$$

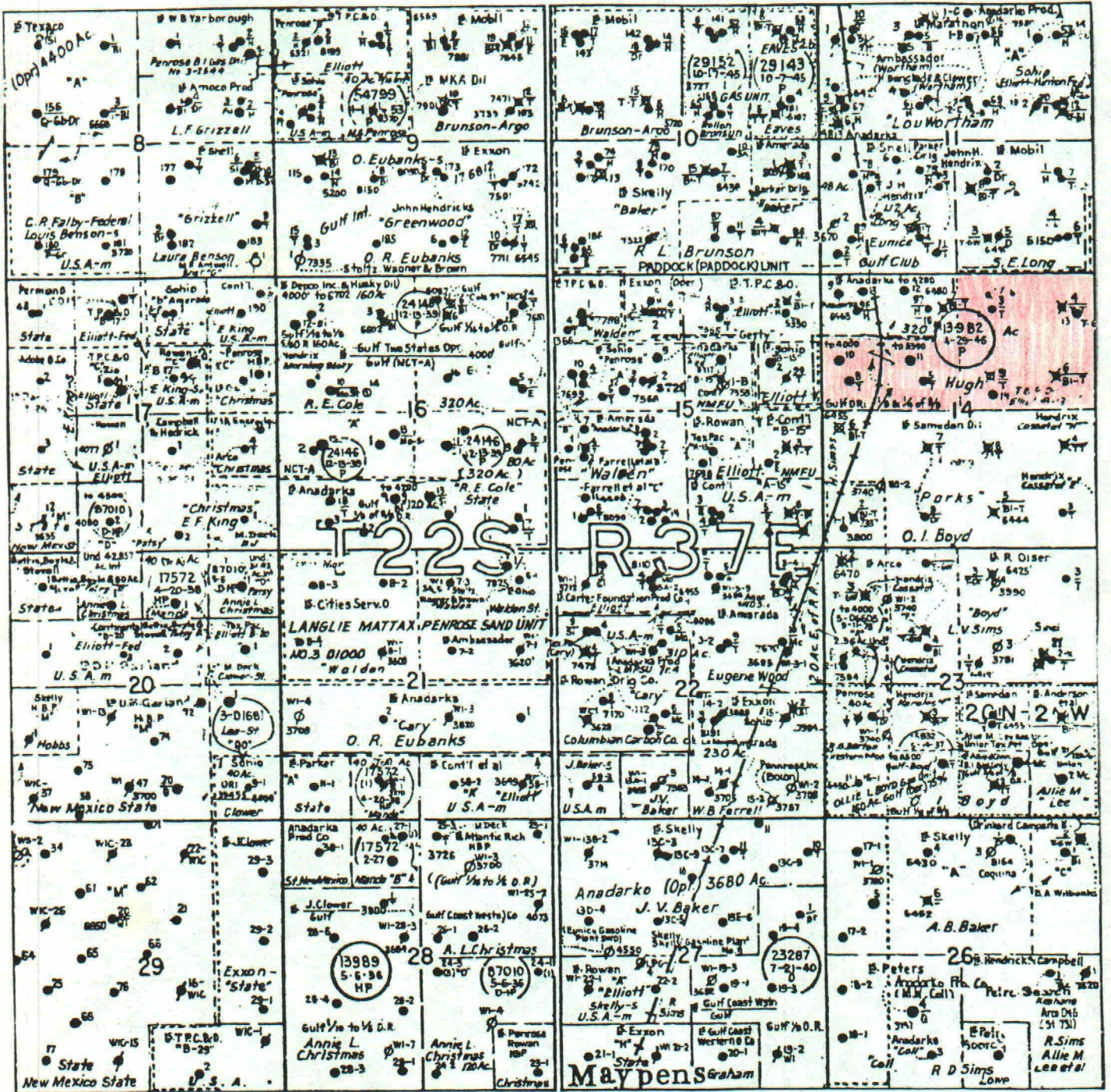
Hugh #1, 4 Surface Commingled Tank Battery  
 Section 14-T22S-R37E  
 Lea County, New Mexico

- A. 500 Barrel Oil Stock Tank
- B. 6 x 20 Heater Treater
- C. 3 x 11 Production Separator
- D. 3 x 11 Test Separator



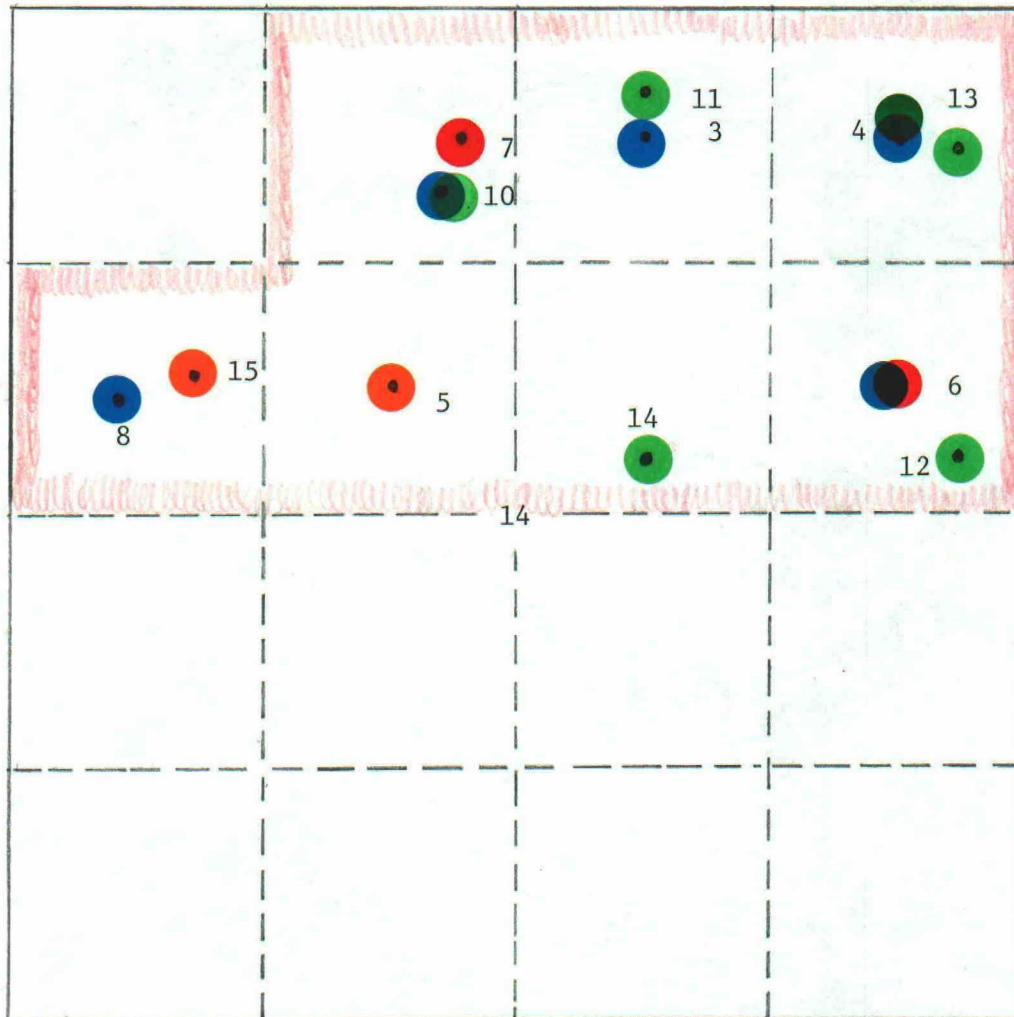







Hugh #1 and Hugh #4 Tank Batterys  
Section 14 T22S-R37E  
Lea County, New Mexico





HUGH LEASE  
 Section 14-T22S-R37E  
 Lea County, New Mexico



CODE	POOL	WELL NUMBERS
	Drinkard	3, 4, 6, 8, 10
	Wantz Abo	5, 15
	Wantz Granite Wash	10, 11, 12, 13, 14
	Blinebry Gas	6, 7
	Tubb Gas	4

Shell Oil Company



600 N. Mariefeld  
Suite 310  
Midland, Texas 79701

November 14, 1983

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

Gentlemen:

GULF OIL CORPORATION  
HUGH LSE.  
DRINKARD, WANTZ (ABO)(GRANITE WASH),  
BLINEBRY GAS, TUBB GAS FLD.  
LEA COUNTY, NEW MEXICO  
SHELL I.D. #X88841A00

This is to confirm the phone conversation between your Midland office and the undersigned concerning the subject lease.

As discussed, we will continue to purchase the commingled production from the Drinkard, Wantz (Abo)(Granite Wash), Blinebry Gas & Tubb Gas formations.

Yours very truly,

A handwritten signature in cursive script that reads "R. R. Minus, Jr." The signature is written in dark ink and is positioned above the typed name.

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

RRM:ec

cc: Gulf Oil Corporation  
ATTN Crude Oil Department  
P. O. Box 1150  
Midland, Texas 79702