



SHELL OIL COMPANY

MIDLAND AREA

MAILING ADDRESS
P. O. BOX 1509
MIDLAND, TEXAS

GENERAL OFFICES
PETROLEUM BUILDING
MIDLAND, TEXAS

JUN 1955
RECEIVED

BEFORE THE
CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Subject: Lea County, New Mexico
Terry-Blinebry Field
NM-1294 - Chesher

EXHIBIT No. 2

CASE 924 - 132 (Terry)

Mr. Ross L. Malone
Roswell Petroleum Building
Roswell, New Mexico

Dear Mr. Malone:

Shell Oil Company is the owner of 100% of the working interest in oil and gas leases covering, in the aggregate, the entire South One-half (S-1/2) of Section 12, Township 21 South, Range 37 East, Lea County, New Mexico. The several leases cover various tracts and interests therein included in said South One-half (S-1/2) of Section 12.

Our records show that you are a mineral or royalty owner under one or more of the several tracts included in said Half Section of land.

Shell presently has a producing well located on the Northeast Quarter (NE-1/4) of the Southwest Quarter (SW-1/4) of Section 12, and another producing well located on the Southeast Quarter (SE-1/4) of the Southwest Quarter (SW-1/4) of said Section. Both of these wells presently produce from the Terry-Blinebry zone.

We are presently considering the drilling of additional wells on the South-half (S-1/2) of Section 12. These would be Terry-Blinebry tests. The carrying out of such drilling program, and the extent thereof, would, of course, depend upon the results of drilling and well performance.

In order to effect operating savings and thus prolong the economic life of the wells it is our desire to use one central tank battery to handle the Terry-Blinebry production from all of the wells drilled on the South-half (S-1/2) of Section 12. Our plan would be to have the central battery located at the site of the present tank battery on the Northeast Quarter (NE-1/4) of the Southwest Quarter (SW-1/4) of Section 12. All Terry-Blinebry wells on the South-half (S-1/2) of Section 12 would produce into this one battery, where the production of all such wells would be commingled.

In order that production from each well would be correctly determined, we would conduct a monthly test on each well through metering separators and the production in the central tankage would be allocated to each

well on the basis of such tests. This procedure has been used by us elsewhere and has proved to be an accurate method of gauging actual production from each well producing into the central tankage, so that each mineral and royalty owner receives proper payment on the production of the well or wells under which he has an interest.

We would like to have your consent to putting into effect this program of central tankage for Terry-Blinberry production. We would also like to have your agreement that, if production from other formations is developed on the South-half (S-1/2) of Section 12, a similar system of central tankage and gauging may be used to handle such production.

This letter is sent to you in duplicate. If you are in agreement with our plan, it would be appreciated if you would so signify at the space provided, and would return the executed duplicate to us in the enclosed envelope at your earliest convenience.

Very truly yours,

SHELL OIL COMPANY

By R. D. Monkress
R. D. Monkress - Land Agent

I (We) agree to your proposal this _____ day of _____, 1955.

(Signature) _____

Ross L. Malone

(Signature) _____

Mineral or royalty owner(s) under the

SW-1/4 SE-1/4, NE-1/4 SW-1/4 & SW-1/4 SE-1/4
of Section 12, T-21-S, R-37-E,
Lea County, New Mexico.