



SHELL OIL COMPANY

101 South Behrend Avenue
Farmington, New Mexico

FEB 27 1958

Subject: Application of Shell Oil Company
for Exception to Rule 309 of the
Rules and Regulations of the New
Mexico Oil Conservation Commission

New Mexico Oil Conservation Commission
Post Office Box 872
Santa Fe, New Mexico

Attention Mr. A. L. Porter, Jr.

Gentlemen:

Shell Oil Company hereby requests approval of an Exception to Section (a) of Rule 309 of the Rules and Regulations of the New Mexico Oil Conservation Commission. This Exception would permit oil to be transported from a lease for measurement and storage.

Shell proposes to produce two contiguous leases in the Bisti Field into common tankage located on one of the leases. Both leases have the same royalty interests. The location of these leases is as follows:

1. E. W. Mudge #4 Lease - T25N, R12W, N.M.P.M.

Section 21: All
Section 28: All
Section 33: All
Section 34: All

2. L. M. Phillips #2 Lease - T25N, R12W, N.M.P.M.

Section 4: Lots 1, 2, S $\frac{1}{2}$, NE $\frac{1}{4}$
Section 9: N $\frac{1}{2}$
Section 10: SW $\frac{1}{4}$, E $\frac{1}{2}$
Section 15: All
Section 22: N $\frac{1}{2}$, SE $\frac{1}{4}$
Section 27: W $\frac{1}{2}$

San Juan County, New Mexico

At present there is only one well on the E. W. Mudge #4 lease. This well is a small producer and no more drilling is currently anticipated. Consequently, the estimated reserves do not justify an extension of the Four Corners

pipeline to this lease. The field facilities on the L. M. Phillips #2 lease consist of (1) three individual test stations, and (2) central surge tankage and automatic custody transfer meters. (These facilities were described in the supporting information of Shell's "Application for Permission to use Centralized Production Test Facilities and Automatic Custody Transfer Equipment" presented before the NMOCC on July 17, 1957.) Four Corners Pipe Line Company is currently taking oil from this lease via pipeline connection.

It is proposed that a flow line be laid from the existing E. W. Mudge #4 well to the central plant on the L. M. Phillips #2 lease (approximately 4000'). An oil and gas separator, positive displacement oil meter and automatic sampler would be installed to serve the E. W. Mudge #4 well at this location. The metered oil from the E. W. Mudge #4 lease would then flow to common surge tankage with the L. M. Phillips #2 oil and through common automatic custody transfer meters to the pipeline. The total production is metered from each test station on the L. M. Phillips #2 lease; thus, the production from the lease can be obtained by adding the production from each test station. This will provide an accurate method of allocating the produced oil to each of the two leases involved.

By comingling the oil from these two leases as outlined above, a trucking charge of approximately 30¢/bbl. for the E. W. Mudge #4 oil will be saved. This will result in increased revenue to the royalty owners as well as the lease operator.

Wherefore, Shell Oil Company requests that the foregoing application for an exception to Rule 309 be heard at the Examiners Hearing of the New Mexico Oil Conservation Commission to be held in Santa Fe on or about March 19, 1958.

Very truly yours,



R. R. Robison
Division Production Manager

cc - United States Geological Survey (2)
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