

TESORO PETROLEUM CORPORATION

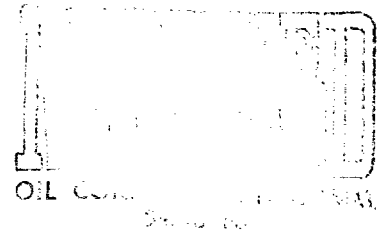
ROCKY MOUNTAIN DISTRICT

SUITE 1012, 1776 LINCOLN STREET

DENVER, COLO. 80203

PHONE 303-572-8337

October 7, 1974



Mr. A. L. Porter, Secretary Director  
New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

RE: Administrative Approval - Surface  
Commingling Tesoro Petroleum's  
Upper Hospah Oil and Dakota Oil  
on the Hanson 'A' Lease (USNM #  
052931) SE/4; SE/4, Sec. 6,  
T17N, R8W, & NW/4; NW/4,  
Sec. 8, T17N R8W  
McKinley County, New Mexico

Dear Sir:

Tesoro Petroleum Corporation respectfully requests an exception to rule 303(a) as provided in rule 303(b) in order to commingle Upper Hospah Oil with Dakota Oil on the above captioned lease. The tank battery for this lease is located in Unit P, Section 6, T17N, R8W. Lease and royalty interest ownership is common for both the Upper Hospah (depth 1600') and the Dakota production (depth 2600') on this lease.

Tesoro has three producing wells on this lease (see attached plat). Two of these wells, no. 23 and 26 are marginal oil producers (no. 23 Hospah Dakota; no. 26 Upper Hospah). The no. 25 well is an 80 BOPD (top allowable) Lone Pine Dakota completion. A tabulation of the last 60 days production for well no. 23 and the production for well no. 26 is attached for your information.

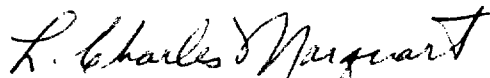
Shell Pipeline Company, purchaser of oil in this field pays \$4.86/bbl. for oil from these wells. Shell pays no price differential based on oil gravity in this field, therefore there would be no loss in income to any parties with an interest in the wells on this lease due to difference in oil gravities. A summary of the oil and gas being produced by each well on this lease along with the oil gravities and sale price is tabulated on the following page.

Mr. A. L. Porter  
Page 2  
October 7, 1974

| Well No. | Producing<br>Formation | Daily Production |            | Gravity<br>Crude (API) | Price of Oil<br>\$/Bbl. |
|----------|------------------------|------------------|------------|------------------------|-------------------------|
|          |                        | Oil (B/D)        | Gas (MCFD) |                        |                         |
| 23       | Dakota 'D'             | 16               | 98         | 52                     | \$ 4.86                 |
| 25       | Dakota 'D'             | 80               | 119        | 51                     | \$ 4.86                 |
| 26       | U. Hospah              | 60               | TSTM       | 29                     | \$ 4.86                 |

A schematic diagram of the proposed commingling facility along with a proposed LACT unit for this lease is also attached. A form C-106 will be filed with the NMOCC District Office in Aztec for permission to install the LACT unit indicated on this schematic diagram in the event installation of this unit is deemed necessary.

Yours very truly,



L. Charles Marquart  
District Engineer

LCM/pm

Tabulation of Marginal Oil Production

Hanson 'A' Well No. 23 (Hospah Dakota)  
Unit P., Sec. 6, T17N, R8W  
McKinley County, New Mexico

| <u>Date</u> | <u>BO</u> |
|-------------|-----------|
| 5/ 7/74     | 8         |
| 5/ 8/74     | 8         |
| 5/ 9/74     | 8         |
| 5/10/74     | 8         |
| 5/11/74     | 8         |
| 5/12/74     | 8         |
| 5/13/74     | 8         |
| 5/14/74     | 8         |
| 5/15/74     | 8         |
| 5/16/74     | 8         |
| 5/17/74     | 8         |
| 5/18/74     | 8         |
| 5/19/74     | 8         |
| 5/20/74     | 8         |
| 5/21/74     | 8         |
| 5/22/74     | 8         |
| 5/23/74     | 8         |
| 5/24/74     | 8         |
| 5/25/74     | 8         |
| 5/26/74     | 9         |
| 5/27/74     | 9         |
| 5/28/74     | 9         |
| 5/29/74     | 9         |
| 5/30/74     | 9         |
| 5/31/74     | 9         |

TOTAL 206

| <u>Date</u> | <u>BO</u> |
|-------------|-----------|
| 6/ 1/74     | 14        |
| 6/ 2/74     | 14        |
| 6/ 3/74     | 14        |
| 6/ 4/74     | 14        |
| 6/ 5/74     | 14        |
| 6/ 6/74     | 14        |
| 6/ 7/74     | 14        |
| 6/ 8/74     | 14        |
| 6/ 9/74     | 14        |
| 6/10/74     | 14        |
| 6/11/74     | 15        |
| 6/12/74     | 15        |
| 6/13/74     | 15        |
| 6/14/74     | 15        |
| 6/15/74     | 15        |
| 6/16/74     | 15        |
| 6/17/74     | 15        |
| 6/18/74     | 15        |
| 6/18/74     | 15        |
| 6/19/74     | 15        |
| 6/20/74     | 15        |
| 6/21/74     | 15        |
| 6/22/74     | 15        |
| 6/23/74     | 15        |
| 6/24/74     | 15        |
| 6/25/74     | 15        |
| 6/26/74     | 15        |
| 6/27/74     | 15        |
| 6/28/74     | 15        |
| 6/29/74     | 15        |
| 6/30/74     | 15        |

TOTAL 440

| <u>Date</u> | <u>BO</u> |
|-------------|-----------|
| 7/ 1/74     | 13        |
| 7/ 2/74     | 13        |
| 7/ 3/74     | 13        |
| 7/ 4/74     | 14        |
| 7/ 5/74     | 14        |
| TOTAL       | 67        |

7/ 6/74 Shut in due to  
excessive gas production.  
Preparing to inject surplus  
gas in Tenneco's Lower  
Hospah Sand Unit Water  
Flood.

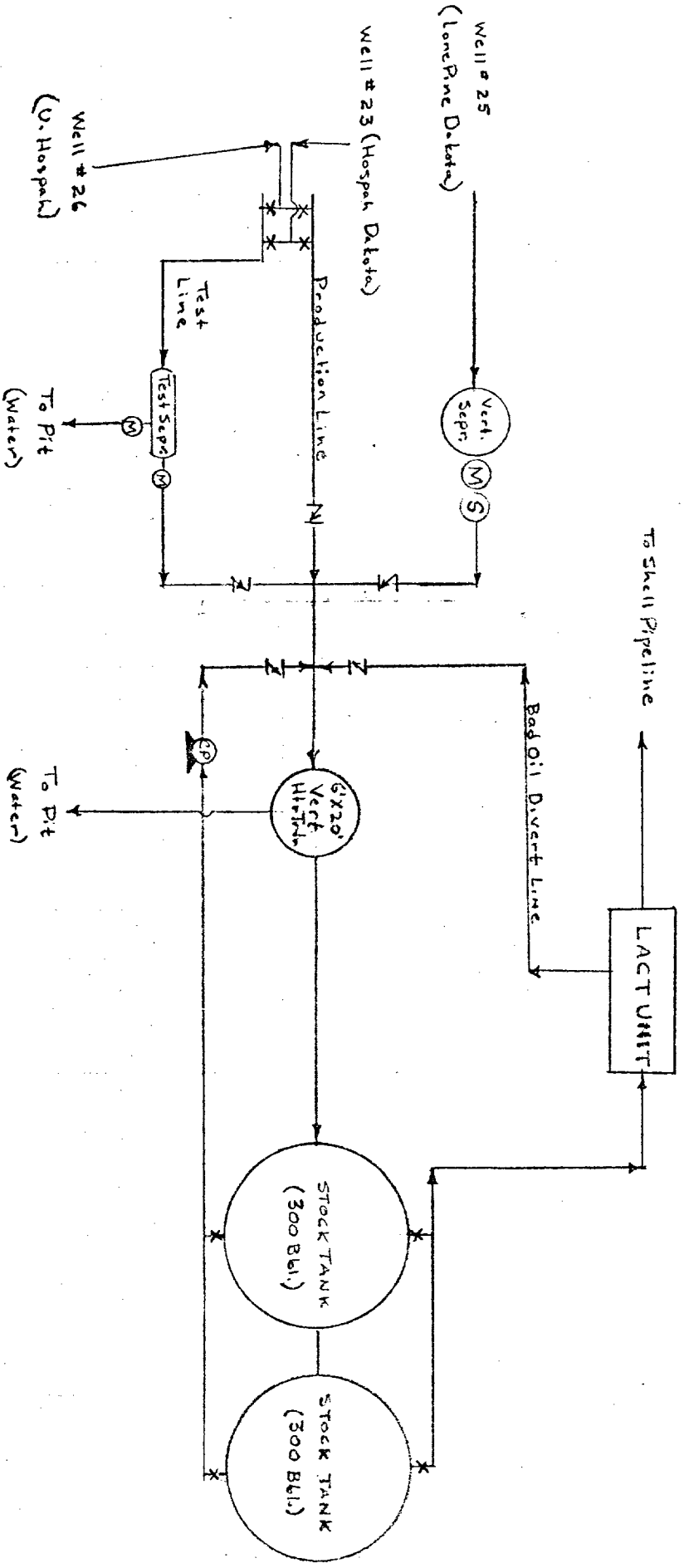
Tabulation of Marginal Oil Production

Hanson 'A' Well No. 26 (So. Upper Hospah)  
Unit D, Sec. 8, T17N, R8W  
McKinley County, New Mexico

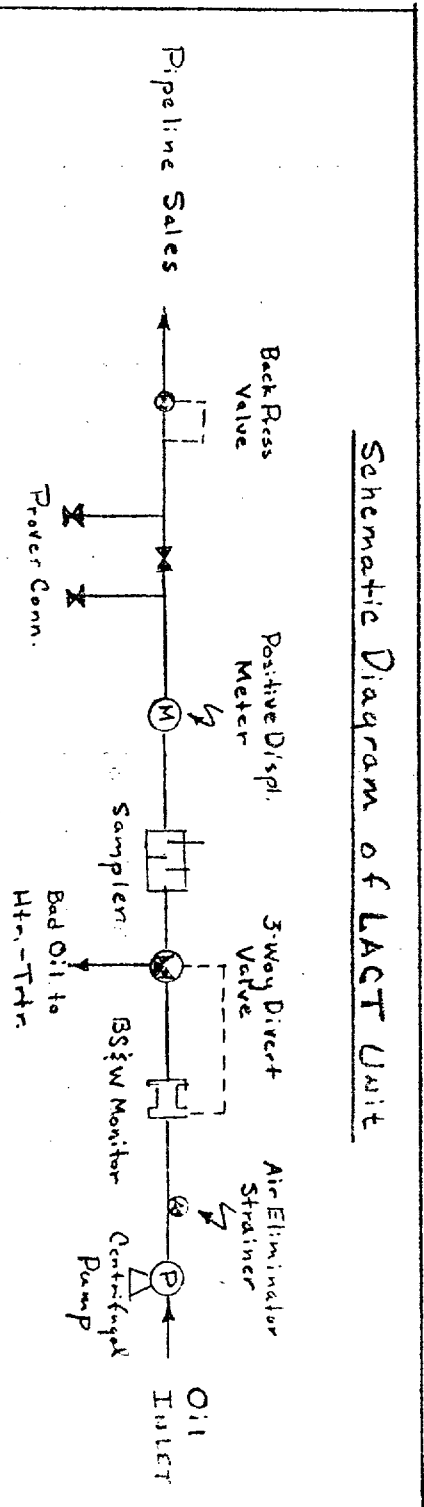
| <u>Date</u>  | <u>BO</u>   |
|--------------|-------------|
| 9/ 9/74      | 60          |
| 9/10/74      | 60          |
| 9/11/74      | 60          |
| 9/12/74      | 60          |
| 9/13/74      | 60          |
| 9/14/74      | 60          |
| 9/15/74      | 60          |
| 9/16/74      | 60          |
| 9/17/74      | 60          |
| 9/18/74      | 60          |
| 9/19/74      | 60          |
| 9/20/74      | 60          |
| 9/21/74      | 60          |
| 9/22/74      | 60          |
| 9/23/74      | 60          |
| 9/24/74      | 60          |
| 9/25/74      | 60          |
| 9/26/74      | 60          |
| 9/27/74      | 60          |
| 9/28/74      | 60          |
| 9/29/74      | 60          |
| 9/30/74      | 60          |
| <u>TOTAL</u> | <u>1320</u> |

| <u>Date</u>  | <u>BO</u>  |
|--------------|------------|
| 10/1/74      | 60         |
| 10/2/74      | 60         |
| 10/3/74      | 60         |
| 10/4/74      | 60         |
| <u>TOTAL</u> | <u>240</u> |

Schematic Diagram  
 Proposed Hospah Oil & Dakota Oil  
 Commingling Facilities  
 Tesoro Petroleum Corporation's  
 Hanson "A" Lease  
 Unit P Section 6, T17N, R8W  
 McKinley County, New Mexico



Schematic Diagram of LACT Unit



S.F.P.R.R.

TEXACO

TESORO

0557107

5

33

24

Hanson 'A'

32

30

U.S.N.M. No. 052931

23

Tesoro

S.F.P.R.R.

Hanson 'A'

26 25

2

29

Tesoro

Tenneco

10

C.C. Kennedy  
BSX Edna

Tenneco  
Lillie

28

22

8

(Beard Oil Co.)  
(J. Toledo)

1 (2)

(12) 2

11-A

4

Lone Pine 'D' Unit

(J. Toledo)  
3 (1)

7 (11)

NIT

(Beard Oil Co.)  
(Dosh-e-pi-Henio)

(1) 9

(Yazzie)  
10 (1)

7

(Yazzie)

(2) 16 Templeton

5

(Dosh-e-pi-Henio)  
2 x (2)