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February 4, 1966

New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

Attention: Mr. Daniel S. Nutter
Chief Engineer

Re: Application of Tesoro Petroleum Corporation
For Authority To Commingle Production,
Hospah Field, McKinley County, New Mexico

Gentlemen:

On behalf of Tesoro Petroleum Corporation application is hereby made for authority to commingle the oil production from the Hospah Sand Unit with production from Hospah Sand derived from Tesoro Production Corporation's Santa Fe Lease in Section 1, Township 17 North, Range 9 West, McKinley County, New Mexico. In support of this application the following information is submitted:

1. The production from the Hospah Sand in the two areas from which production is proposed to be commingled is believed to be from separate pools separated by a fault.
2. Production from both producing areas of the Hospah Sand is from approximately the same depth, and the gravity of the oil from each source is approximately 31 degrees API.
3. At the present time the Hospah Sand Unit produces approximately 250 barrels of oil a day, and production from the Santa Fe Lease is currently 10 barrels of oil a day. At its expected maximum the Sand Unit will produce approximately 1,000 barrels a day and the Santa Fe Lease will produce approximately 150 barrels a day.

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4. Attached to this letter are a plat of the Hospah Field and a schematic diagram of the proposed commingling installation. It should be especially noted that the production from both sources will be separately metered prior to commingling.
5. Attached to this letter is a copy of Tesoro Petroleum Corporation's letter to all interest owners in the Hospah Sand Unit concerning the subject application.

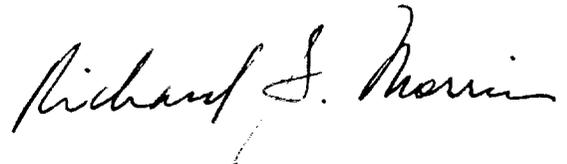
On the basis of our previous conferences with you concerning this matter we trust that this application will be eligible for administrative approval so long as the State Land Office approves the installation and no objection is received from other interest owners.

Very truly yours,

RSM:dd
Enclosures

CC - Mr. Ted Bilberry
State Land Office
Santa Fe, New Mexico

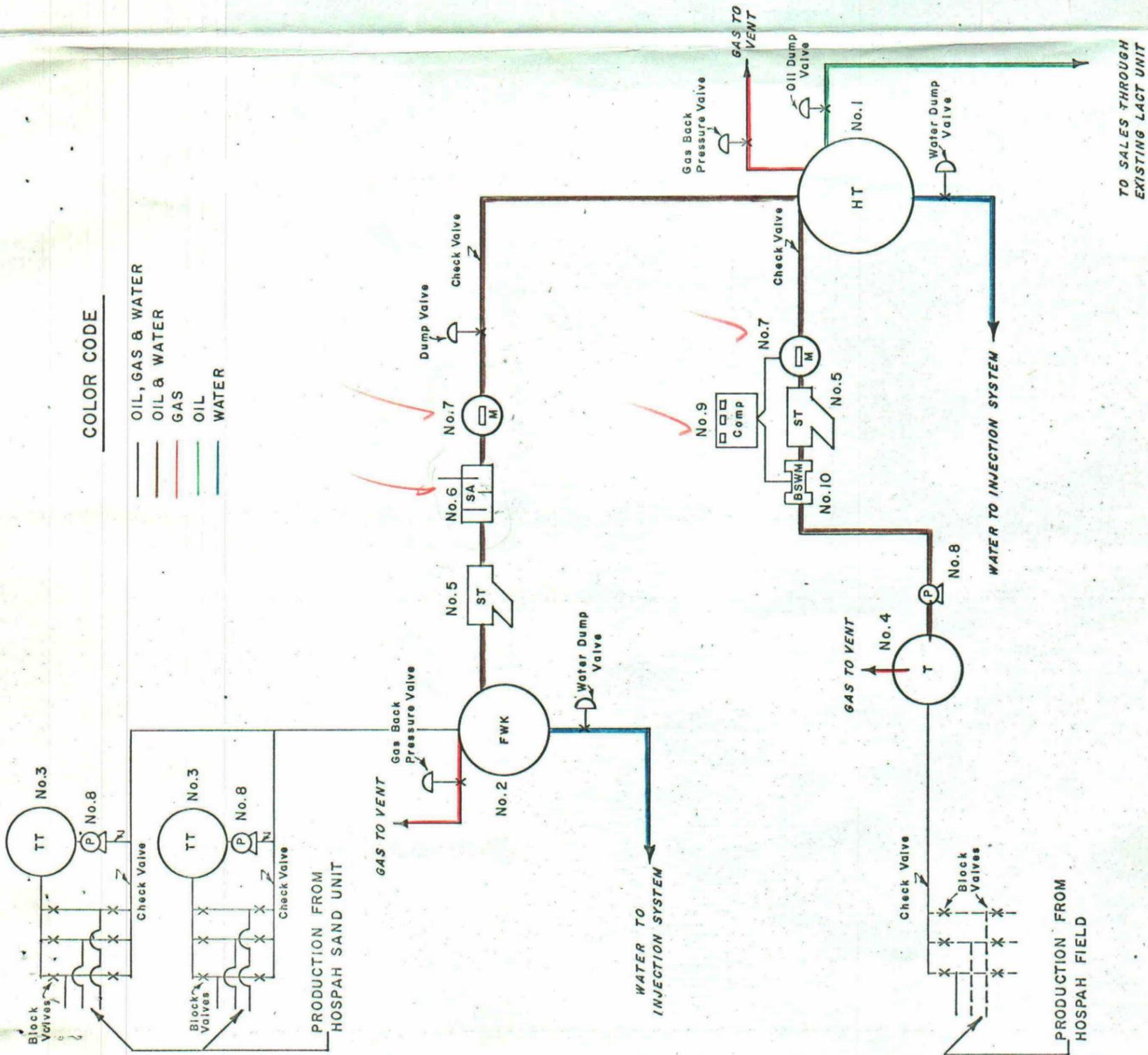
Mr. Gilbert M. Andreen
Tesoro Petroleum Corporation
533 Busby Drive
San Antonio, Texas 78209



LARGE FORMAT
EXHIBIT HAS
BEEN REMOVED
AND IS LOCATED
IN THE NEXT FILE

COLOR CODE

- OIL, GAS & WATER
- OIL & WATER
- GAS
- OIL
- WATER



TO SALES THROUGH EXISTING LACT UNIT

LEGEND

- NO.1 HEATER TREATER
- NO.2 FREE WATER KNOCKOUT
- NO.3 TEST TANKS
- NO.4 STORAGE TANK
- NO.5 STRAINERS
- NO.6 SAMPLER
- NO.7 TEMPERATURE COMPENSATED A.O. SMITH METER
- NO.8 PUMPS
- NO.9 ODEX BS&W COMPUTER
- NO.10 BS&W MONITOR

TESORO PETROLEUM CORPORATION

SCHEMATIC DIAGRAM OF COMMINGLING INSTALLATION

HOSPAP FIELD

McKINLEY COUNTY, NEW MEXICO