TESORO PETROLEUM CORPORATION
533 BUSBY DRIVE
512-TAYLOR 4-0261
SAN ANTONIO, TEXAS 78209

December 19, 1968

PC-365

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

Dear Mr. Porter:

We have recently drilled and completed a Dakota Sand producing well on our Santa Fe Lease, South Hospah Field, McKinley County, New Mexico.

This well, the Santa Fe No. 16, is located in the NE/4 of the NW/4, Section 7, Township 17 North, Range 8 West. The well is perforated from 2521-38 in the so-called second bench of the Dakota series. Early tests indicate the well is capable of producing 60 to 80 barrels of 52° API crude with a gas-oil ratio of approximately 2,000 cubic feet per barrel at a water cut of 30 per cent.

In addition to the Dakota production on this lease, we have nine wells completed in the South Hospah Lower Sand (Massive Gallup) at approximately 1,600 ft. producing a total of 90 barrels per day. The Massive Gallup production is separated from the associated water in a gun barrel and passes through a heater treater into a sales tank. From there the crude is sold through a LACT Unit to Shell Oil Company.

We are requesting administrative approval to commingle the two crude streams at the surface. We propose to produce the Dakota crude through a three-phase heater treater (National Thermo-Pak) into a sales tank where it will be gauged. The Massive Gallup crude will be gauged in a separate tank. The two streams will then be commingled just prior to passing through the LACT Unit.

We propose to utilize the produced Dakota gas in the Santa Fe Lease heater treaters and as quickly as possible to install the necessary lines to use this gas on our other leases in the Field. There is no gas pipeline within

many miles of the Hospah Field and we realize that we will have to reach an agreement with Santa Fe Railroad as to the value of the gas before it can be transferred across lease lines. The gas utilized will be metered using positive displacement meters.

What we are requesting now is permission to commingle the produced crude which will result in considerable savings to us as operator. The present tankage and LACT Unit capacity far exceed the current Massive Gallup production rate. We wish to point out that the royalty ownership in both the Massive Gallup and Dakota zones is identical.

We are attaching a map showing the location of the various producing wells on the Santa Fe Lease, a Schematic diagram showing the proposed treating and sales facilities and a tabulation of data required in Rule 303 of the New Mexico Oil Conservation Commission regulations.

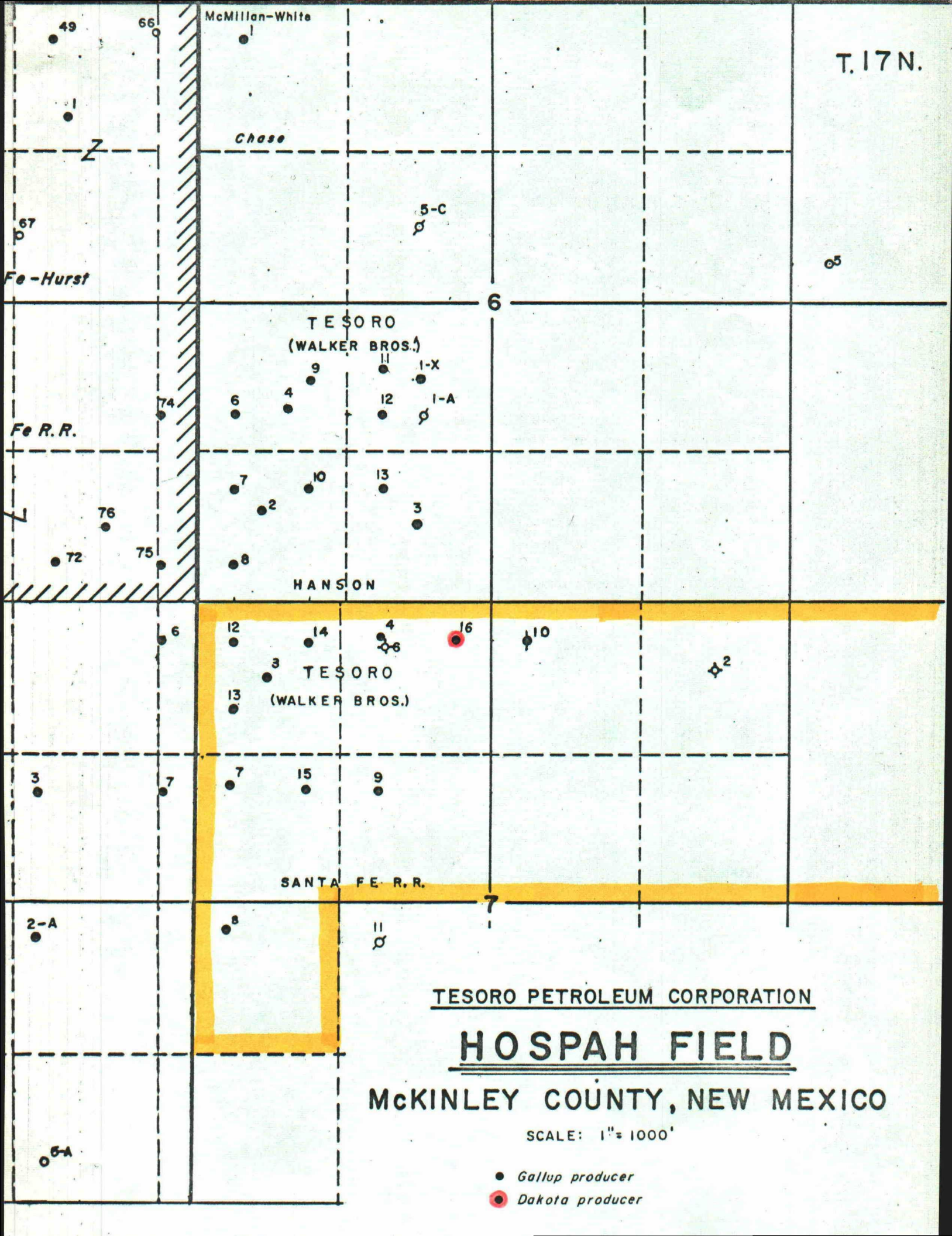
We would appreciate your favorable consideration of this request.

Yours very truly,

Harold Vagtborg Jr.

Harold Vagtborg, Jr.

HV:lt
Attachments



TESORO PETROLEUM CORPORATION

HOSPAH FIELD

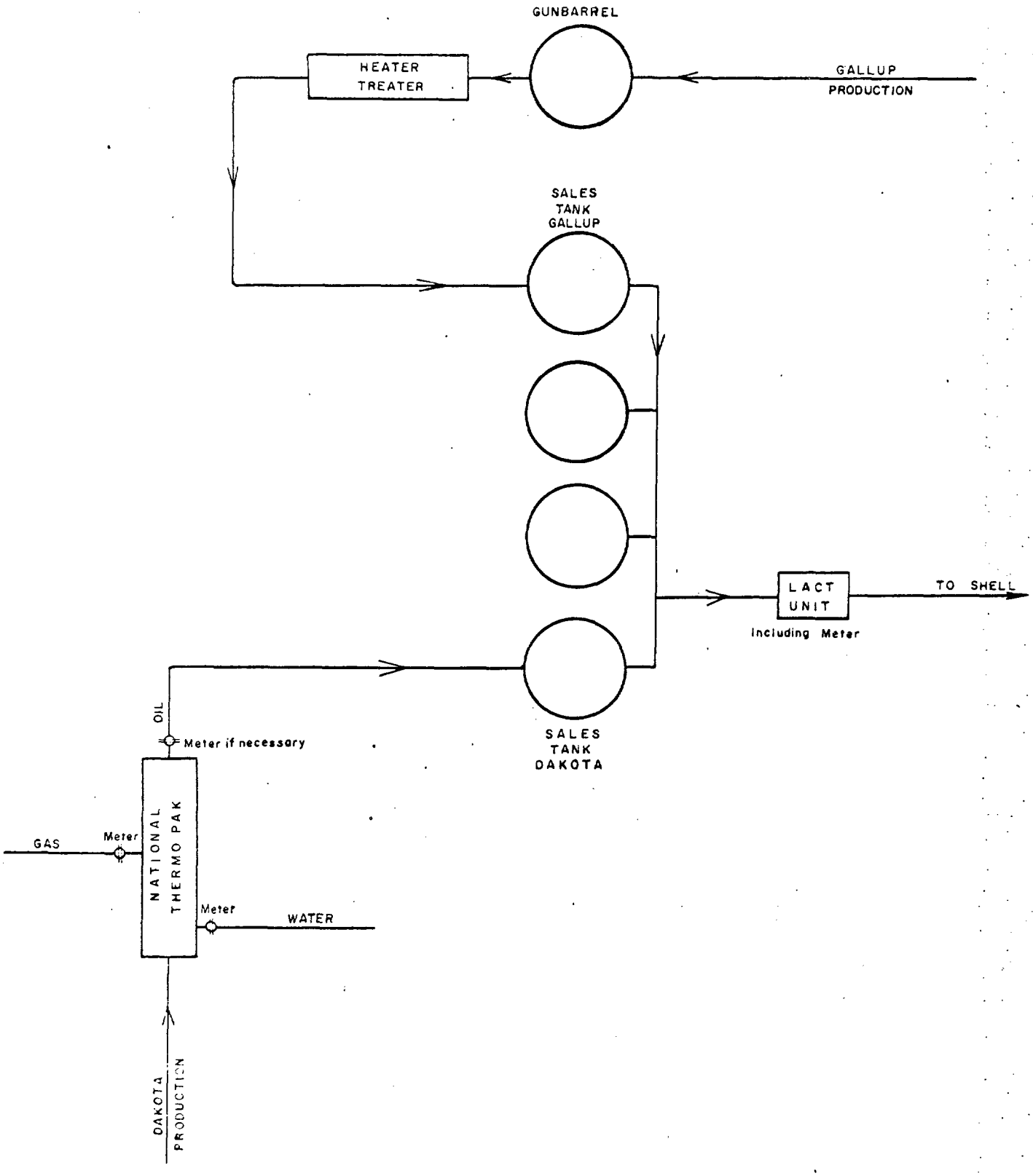
McKINLEY COUNTY, NEW MEXICO

SCALE: 1" = 1000'

● Gallup producer

● Dakota producer

SOUTH HOSPAH FIELD
SANTA FE RAILROAD LEASE
TREATING AND SALES FACILITIES



12-19-68

INFORMATION SUMMARY

1. Crude Gravities

South Hospah Lower Sand (Massive Gallup)	25° API
Dakota	52° API

2. Estimated Produced Volumes

South Hospah Lower Sand	85 - 90 Bbls./Day
Dakota	40 - 50 Bbls./Day

3. Net Wellhead Price (Before Taxes)

South Hospah Lower Sand	$2.40/Bbl.
Dakota *	

4. Estimated Gravity & Price of Commingled Stream

South Hospah Lower Sand]	Combined 31°API	$2.54/Bbl.
Dakota]		

* Value of Dakota crude cannot be determined at this time because of Reid vapor pressure penalties if RVP above 12 Lbs. RVP not known.

It is anticipated the commingled stream will have no less value than the individual streams.

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