

TESORO PETROLEUM CORPORATION

8520 CROWN HILL

512-824-0261

SAN ANTONIO, TEXAS 78209

May 25, 1970

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

Dear Mr. Porter:

Commission Order R-3955 dated 5 May, 1970 entered in Case No. 4340 approved Tesoro's Hanson-Federal, Santa Fe Railroad "A", and Santa Fe Railroad waterflood projects in the Upper Hospah Sand Zone, South Hospah Field, McKinley County, New Mexico. We are now requesting Commission's approval herewith to commingle the Upper Hospah Sand production in common lease storage facilities with the Lower Hospah Sand production on the Hanson-Federal USNM 052931 Lease, Section 6, Township 17 North, Range 8 West. Attached is copy of letter from the Regional Supervisor of the United States Department of the Interior, Geological Survey, granting approval of Tesoro's request to commingle production.

Production from the Upper and Lower Hospah Sand reservoirs on the lease will be established on the basis of monthly well tests. Well header manifolds permit production of any one well into a test tank. The working interest and royalty ownership in the Upper Hospah and Lower Hospah zones are identical. Commingling in the tanks the Upper Hospah crude from the four wells with the twelve Lower Hospah producing wells will result in an increase of the blended crude price from the lease.

Attached is a map showing the location of the producing wells by reservoir on the Hanson-Federal Lease and a tabulation of data required in Ruld 303 of the New Mexico Conservation Commission Regulations.

Tesoro respectfully requests administrative approval of this proposed surface commingling of oil production.

Very truly yours,

O. Lewis Smith, Jr.

OLS/gm
Attachments

INFORMATION SUMMARY

1. Crude Gravities

Lower Hospah Sand	25° API
Upper Hospah Sand	32° API

2. Estimated Produced Volumes

Lower Hospah Sand	150 - 160 BOPD
Upper Hospah Sand	75 - 100 BOPD

3. Net Wellhead Prices (Before Taxes)

Lower Hospah Sand	\$2.70/Bbl.
Upper Hospah Sand	\$2.80/Bbl.

4. Estimated Gravity and Price of Commingled Stream

Upper and Lower combined	27° API
	\$2.74/Bbl.

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



United States Department of the Interior

GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

May 22, 1970

Tesoro Petroleum Corporation
8520 Crownhill Boulevard
San Antonio, Texas 78209

Attention: Mr. O. Lewis Smith, Jr.

Gentlemen:

By letter of May 18, 1970, you request permission to commingle in common lease storage facilities production from the upper Hospah Sand and lower Hospah Sand, lease New Mexico 052931, sec. 6, T. 17 N., R. 8 W., McKinley County, New Mexico.

Your proposed method of commingling by which production from all wells on the leasehold will be established on the basis of monthly well tests is acceptable to this office and is hereby approved subject to like approval of the New Mexico Oil Conservation Commission. Upon completion of the commingling facilities please inform the District Engineer, U. S. Geological Survey, Farmington, New Mexico 87401 in order that a physical inspection can be made.

Sincerely yours,

A handwritten signature in cursive script, reading "Carl C. Traywick".

CARL C. TRAYWICK
Acting Oil and Gas Supervisor

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