

TESORO PETROLEUM CORPORATION

8520 CROWN HILL BOULEVARD

512-824-0261

SAN ANTONIO, TEXAS 78209

May 18, 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 No. R-3955 dated 5 May 1970 entered in Case No. 4340 approved Tesoro's Santa Fe Railroad "A", Santa Fe Railroad, and Hanson-Federal waterflood projects in the Upper Hospah Sand zone, South Hospah Field, McKinley County, New Mexico. We are now requesting permission herewith to commingle the Upper Hospah Sand production on the surface with the Lower Hospah Sand and Dakota zones presently being commingled on Tesoro's Santa Fe Railroad Lease in the North Half and Northwest Quarter of the Southwest Quarter of Section 7, Township 17 North, Range 8 West.

Administrative Order PC-365 dated 17 January 1969 provided under Rule 303 (b) of the Commission rules and regulations authorized Tesoro to commingle the production of the Dakota and Lower Hospah Sand zones after separately measuring the production from each pool in tanks prior to commingling. There will be no change in this installation or manner of operations.

Production from the new Upper Hospah Sand wells and all other wells on the lease will be allocated on the basis of monthly well tests. Wellheader manifolds permit production of any one well into a test tank. The working interest and royalty ownership in the Upper Hospah, Lower Hospah, and Dakota zones are identical.

We are attaching a map showing the location of the various producing wells on the Santa Fe Railroad Lease and a tabulation of data required in Rule 303 of the New Mexico Oil Conservation Commission regulations.

Handwritten:
PC 365

Mr. A. L. Porter, Jr.

May 18, 1970

Tesoro respectfully requests administrative approval of this proposed surface commingling.

Yours very truly,

A handwritten signature in cursive script, appearing to read "O. Lewis Smith, Jr.", written in dark ink.

O. Lewis Smith, Jr.

OLS/rw
Attachments

INFORMATION SUMMARY

1. Crude Gravities

Lower Hospah Sand	25° API
Dakota	52° API
Combined(Lower and Dakota)	26° API
Upper Hospah Sand	32° API

2. Estimated Produced Volumes

Lower Hospah Sand	70 - 80 Bbls/Day
Dakota	10 - 15 Bbls/Day
Upper Hospah Sand	75 -100 Bbls/Day

3. Net Wellhead Price (Before Taxes)

Lower Hospah Sand	\$2.70/Bbl.
Dakota	\$3.00/Bbl.
Combined (Lower and Dakota)	\$2.72/Bbl.
Upper Hospah Sand	\$2.80/Bbl.

4. Estimated Gravity and Price of Commingled Stream

Upper, Lower and Dakota Combined	28° API
	\$2.76/Bbl.

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