ENERSOURCE, INC.
P. O. BOX 2521
HOBBS, NEW MEXICO 88281

November 27, 1985

FEDERAL EXPRESS

State of New Mexico
Energy & Minerals Department
Oil Conservation Division
State Land Office Bldg.
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: David Boyer

Re: Application for Treating Plant by Enersource, Inc.

Dear Mr. Boyer:

Please accept this letter as an application for an oil treating plant to be located in the Northwest quarter of Section 1, Township 20 South, Range 36 East, N.M.P.M., Lea County, New Mexico, and more particularly described as follows:

> Beginning at a point which lies North 89°58' East 720 feet and South 0°6' West 660 feet from the Northwest corner of Section 1, Township 20 South, Range 36 East, N.M.P.M.; Thence South 0°6' West 350 feet to the Southwest corner of this tract; Thence North 89°58' East 600 feet to a point; Thence North 0°6' East 100 feet to a point; Thence North 89°58' East 500 feet to a point, being the Southeast corner of said tract; Thence North 0°6' East 350 feet to a point, which is the Northeast corner of this tract; Thence North 75°51' West 512.2 feet to a point; Thence South 0°6' West 225 feet to a point; Thence South 89°58' West 600 feet to the beginning corner of this tract.

This location was formerly the property of Famariss Oil & Refining Company, and thereafter belonged to Southern Union Refining. The 9.56 acre tract is presently laid out with a number of tanks and processing equipment, all as shown on

Exhibit "A", which is attached hereto. A proposed realignment and processing flow is shown on Exhibit "B", which is attached hereto.

Plant operations will consist of the following:

1. Sediment oil will be unloaded into a 500 barrel tank, which contains internal air roll lines.

2. Chemicals shall be added to the above tank, and the mixture rolled and pumped into a storage tank.

3. The storage tank classification will be based on percentage of BS&W content. The BS&W content of the sediment oil shall determine which tank it shall thereafter be pumped into.

4. There shall be eight tanks with the following classifications:

Tank 1 0 to 10% BS&W
Tank 2 11 to 25% BS&W
Tank 3 26 to 40% BS&W
Tank 4 41 to 55% BS&W
Tank 5 55 to 70% BS&W
Tank 6 71% and over BS&W
Tank 7 Mud oil
Tank 8 Water

5. Oil shall be transferred from one of the above tanks to the other as the chemical begins to separate the oil from the sediment.

6. Oil will ultimately end up in the 0 to 10% storage tank and shall then be pumped by transfer pump to the cracking tower.

7. The cracking tower shall boil off the high lighter ends of the oil and the water contained in the oil.

8. The above high lighter ends shall be cooled down in a condenser and returned to a cool, liquid state.

9. The liquid will be pumped through a gun barrel, where the water will be knocked out and the higher gravity light ends will go to the high end storage tank.

10. The oil in the cracking tower is continually circulated through a coil tube heater to keep the cracking tower at 300 degrees Fahrenheit.

11. Oil is pumped from the heater through a water-enclosed condenser.

12. The oil is cooled in the condenser and pumped to storage for sale.

13. The bottom of the cracking tower shall contain BS&W, which will be transferred via a two inch centrifugal pump to a mud oil sales storage tank.

14. Plant capacity is estimated to be at least 1000 barrels per day with a high end potential of 5000 barrels per day.

The proposed location and method of treating is calculated to retrieve the optimum amount of hydrocarbons and shall release no hydrocarbons into the atmosphere, nor shall there be any disposal of any waste whatsoever, as all waste shall be reclaimed and utilized. Water produced at the facility shall be disposed of via an authorized disposal location. Exhibit "C" is a working drawing and not to scale, which is enclosed to assist in your consideration.

This application is submitted in accordance with Rule 312(a) of the Rules and Regulations of the State of New Mexico, Energy and Minerals Department, Oil Conservation Division.

Respectfully submitted,

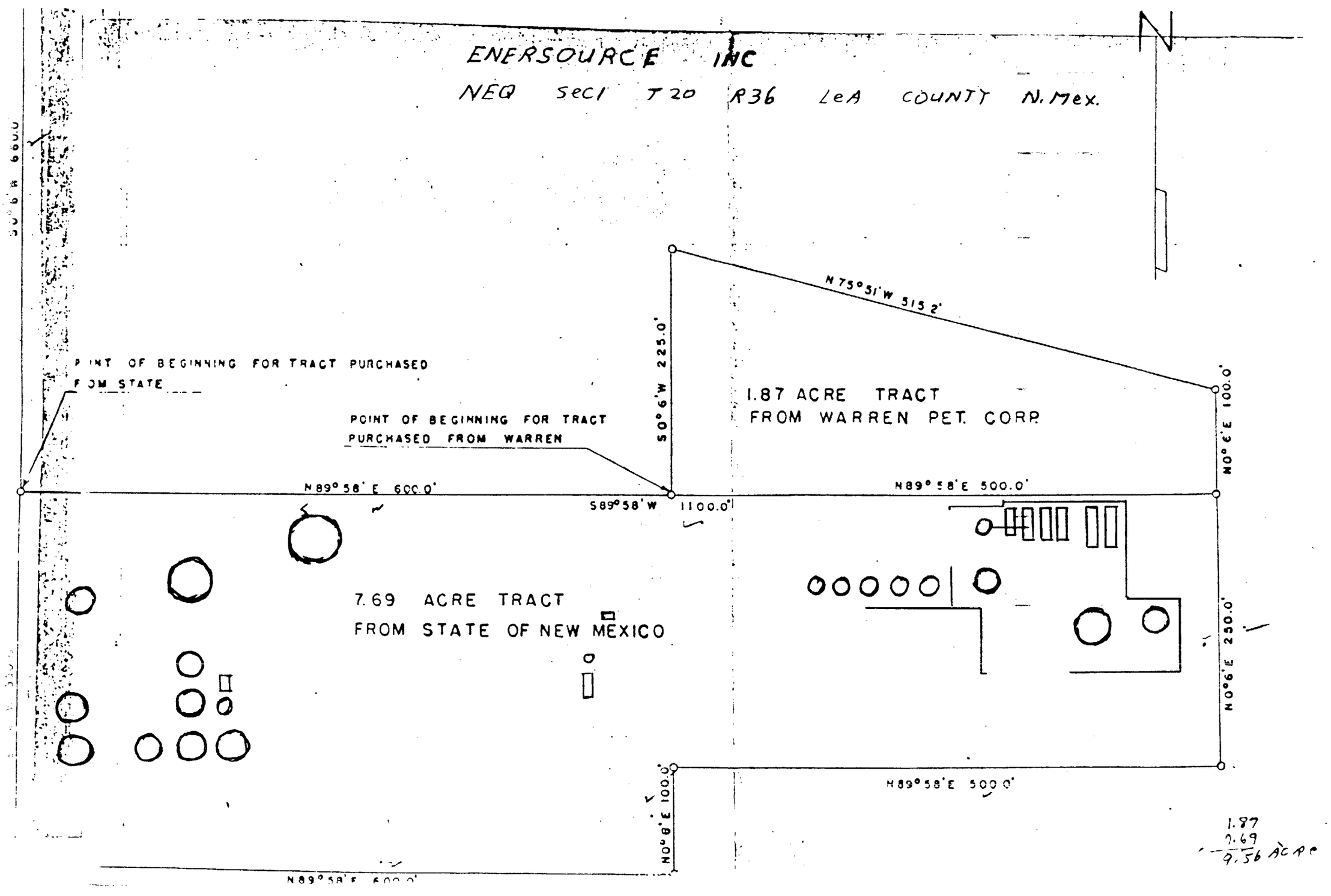
E. WARREN GOSS
Vice President
ENERSOURCE, INC.

EWG/bs
Encl.

ENERSOURCE INC

NEQ Sec 1 T 20 R 36 LEA COUNTY N. Mex.

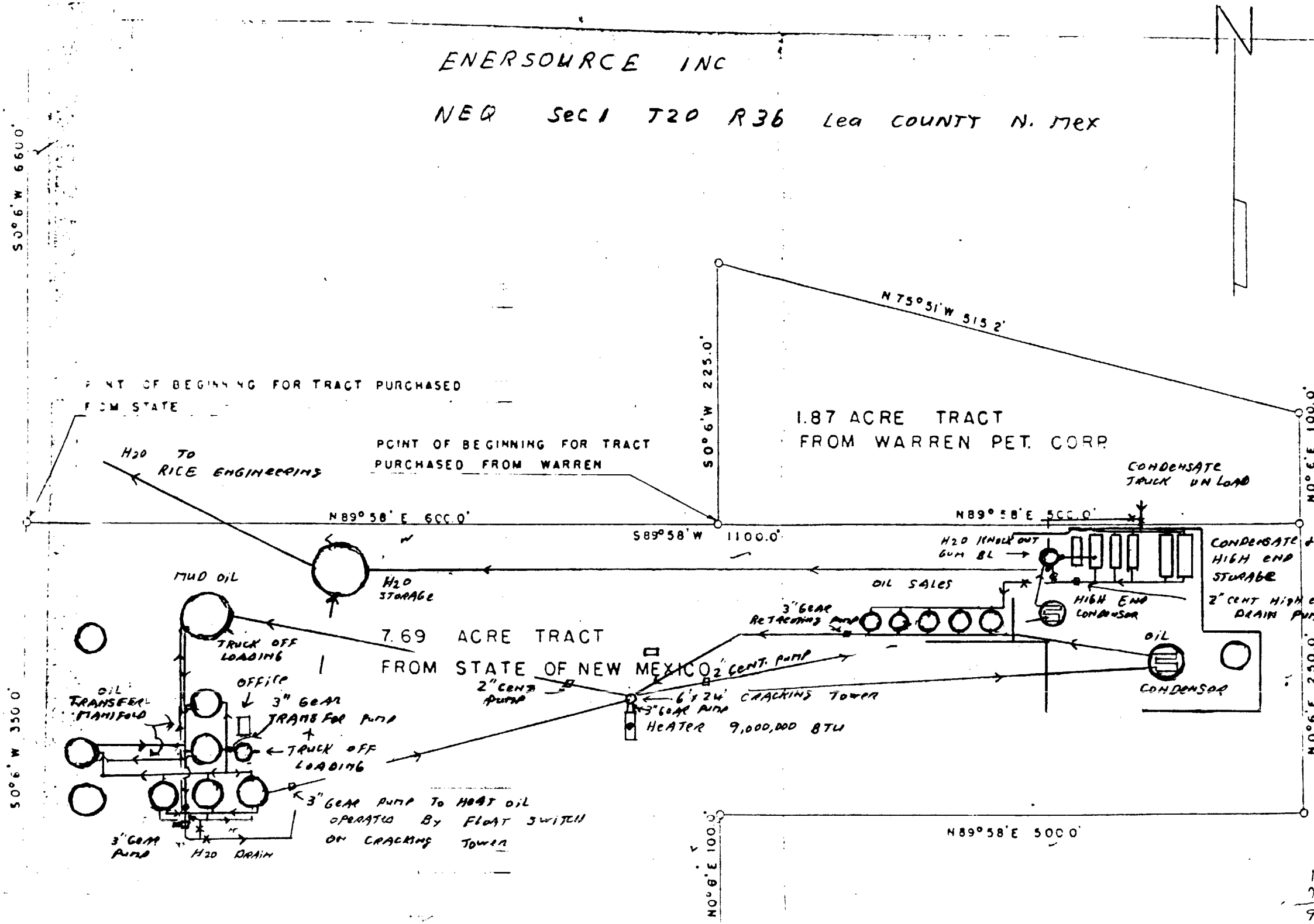
EXHIBIT "A"



1.87
7.69
9.56 ACRE

ENERSOURCE INC

NEQ Sec 1 T20 R36 Lea COUNTY N. Mex



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

December 12, 1985

50 YEARS

1935 - 1985

TONEY ANAYA
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Enersource, Inc.
P. O. Box 2521
Hobbs, New Mexico 88281

Attention: E. Warren Goss

Re: Application of Treating Plant to be located NE/4, 1, T20S, R36E Lea County, New Mexico

Dear Mr. Goss

Per your application dated November 27, 1985 and pursuant to Rule 312(a) of the NMOCD General Rules, this matter will be slated for hearing scheduled for January 8, 1986.

If you should have any questions concerning this matter, please contact me.

Sincerely,

Michael E. Stogner

MICHAEL E. STOGNER
Acting Chief Engineer

MES/et

EXHIBIT "C"

ENERSOURCE INC.