Unocal Oil & Gas Division
Unocal Corporation
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UNOCAL

July 20, 1992

CERTIFIED RETURN RECEIPT
P-671-272-507

Farmington District

New Mexico Oil Conservation Division
310 Old Santa Fe Trail, Box 2088
Santa Fe, NM 87504-2088
Attn: David Catanach

SUBJECT:
Requesting Approval for
Surface Commingling of
Condensate Production from
Rincon Unit, Well No. 125-M
Sec 26, T-27-N, R-6-W
Rio Arriba County, New Mexico

Union Oil Company of California, dba Unocal, requests permission to surface commingle condensate from its Rincon Unit, Well No. 125-M, Rio Arriba County, New Mexico. The following describes and demonstrates how Unocal proposes to allocate production under the context of BLM Onshore Oil and Gas orders for commingling, and under the New Mexico Oil Conservation Commission Manual for the Installation and Operation of Commingling Facilities.

The Rincon Unit No. 125-M well is a development gas well scheduled to be drilled by Unocal. The well is to be completed as a dual Dakota/Mesa Verde producer; and it is anticipated that it will be ready for pipeline deliveries August 31, 1992.

Unocal is proposing to surface commingle produced fluids from individual separators into a common stock tank (Exhibit No. 1). Royalties will be paid on the liquid volumes sold from the tank.

The proposed location is within existing Dakota and Mesa Verde participating areas within the Rincon Unit (Exhibit No. 2). The lease is a federal lease and it is described in Exhibit No. 3. The royalty in the two formations is the same.

Unocal is requesting from the New Mexico Oil Conservation Division, approval for surface commingling of the produced condensate and the following method for allocating production. Unocal will conduct initial condensate production tests of equivalent time frames for each of the two zones. The condensate produced during the test period from each pool will be used to calculate an average daily rate (Exhibit No. 4, Part 1). Each

month this rate will be multiplied by the days on production, to yield a volume produced for the month (Exhibit No. 4, Part 3). The corrected volumes will be allocated as per Exhibit 4, Part 5. To ensure the accuracy of the allocation factor, Unocal will retest the zones every six months after the initial test.

Should you have any questions or need any additional information to process this request, please feel free to contact me at the above letterhead address or phone.

Very truly yours,

Union Oil Company of California
dba Unocal

Glen O. Papp
District Production Engineer

pmh

cc:NMOCD Aztec Office--Frank Chavez
BLM--Ken Townsend

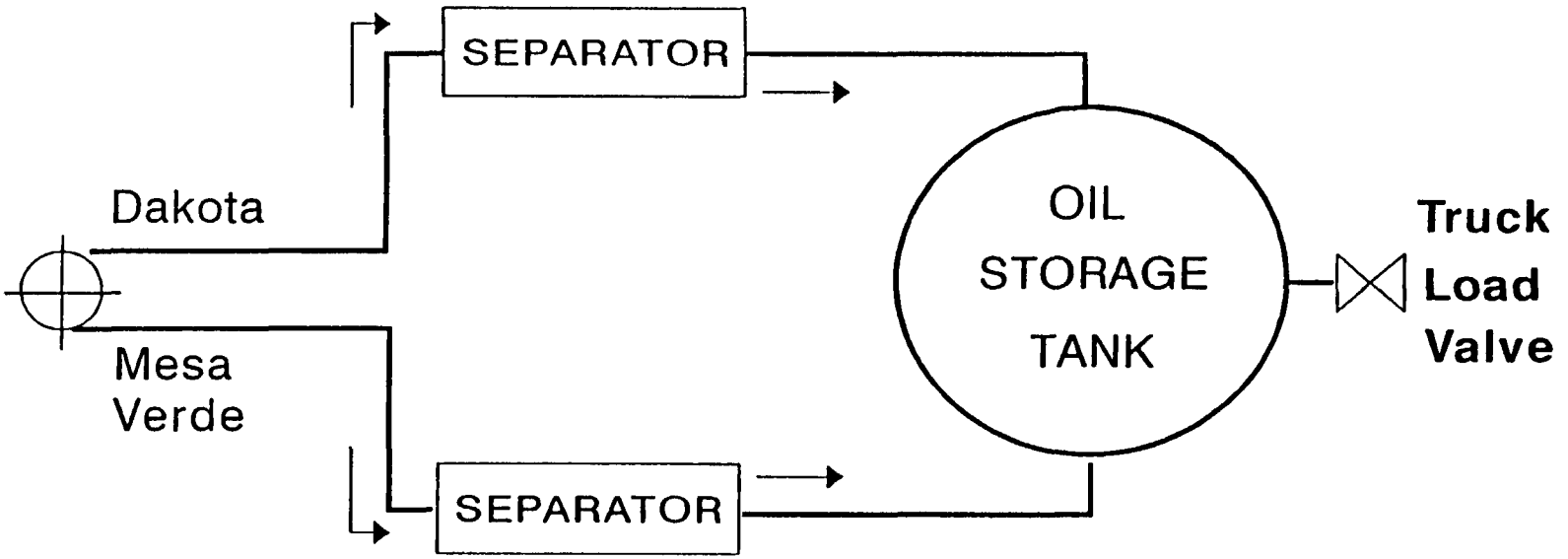
EXHIBIT No. 1

UNOCAL 76

CONDENSATE ACCOUNTING SCHEMATIC

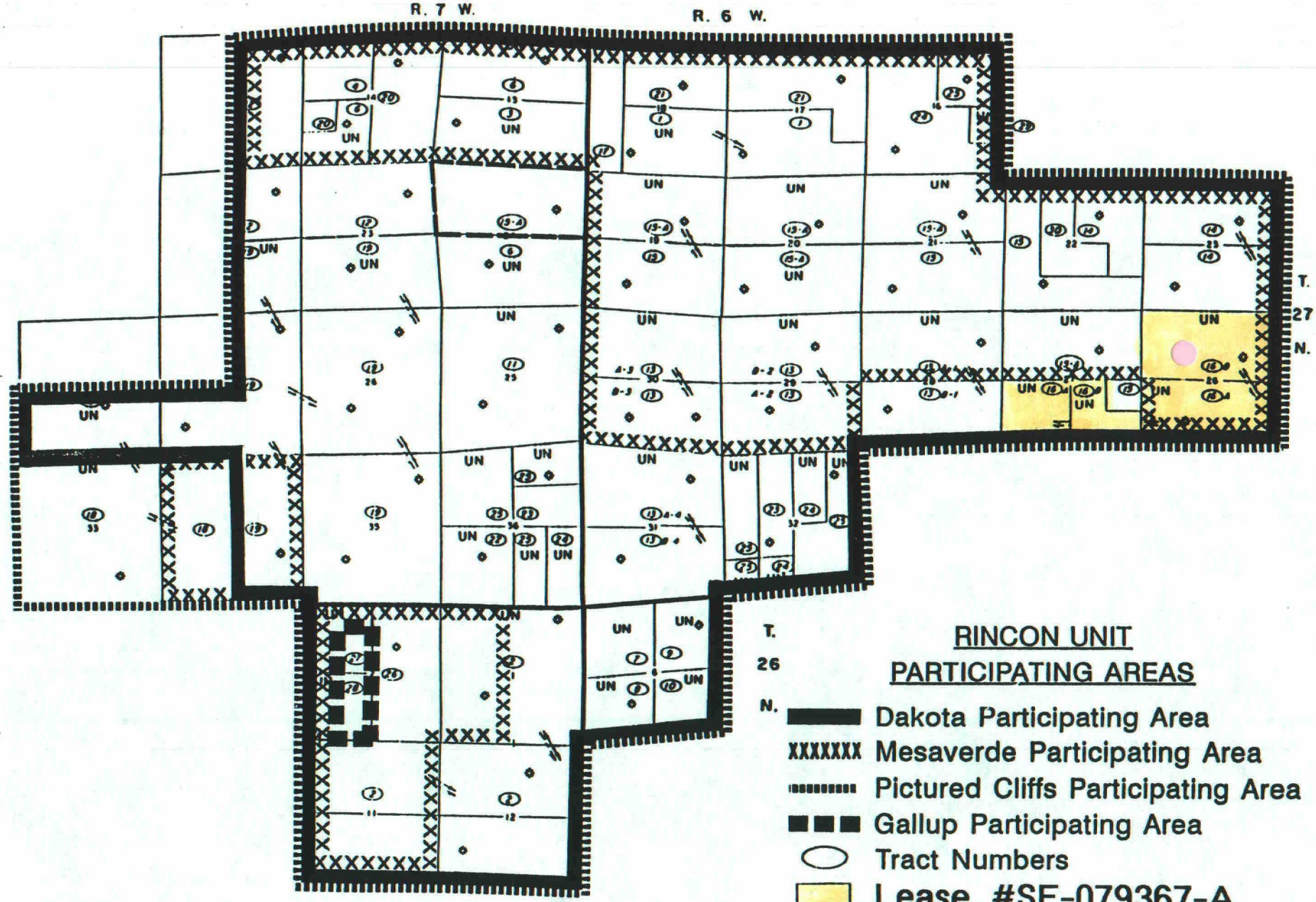
RINCON UNIT # 125-M

RIO ARRIBA COUNTY, NEW MEXICO



OILMAP1

EXHIBIT No. 2



RINCON UNIT
PARTICIPATING AREAS

- Dakota Participating Area
- Mesaverde Participating Area
- Pictured Cliffs Participating Area
- Gallup Participating Area
- Tract Numbers
- Lease #SF-079367-A
- Proposed Well #125M

Rio Arriba County, New Mexico

EXHIBIT NO #3
LEASE DISCRIPTION

FEDERAL LEASE	# ACRES	DESCRIPTION
SF – 079365–A	840.00	SEC. 23: ALL SEC. 22: NE/4, NE4 SE/4

OTHER WELLS ON LEASE # SF – 079365–A

WELL #	PRODUCING ZONE	LOCATION	WELL STATUS
29–A	MV	930' FNL 1030' FEL Sec. 22	Producing
82	MV	835' FNL 1780' FWL Sec. 23	Producing
82	MV	1030' FSL 810' FWL Sec. 23	Producing
83–A	MV	1140' FSL 1050' FEL Sec. 23	Producing
83	MV	990' FNL 1650' FEL Sec. 23	Producing
118	PC	790' FNL 790' FEL Sec. 22	Producing
121	PC	990' FSL 1650' FEL Sec. 23	Disconnected
146	DK	1620' FNL 1550' FEL Sec. 23	Producing
148	PC	1140' FNL 990' FWL Sec. 23	Producing
160	PC	1090' FSL 1650' FWL Sec. 23	Producing
173	DK	790' FSL 1190' FWL Sec. 23	Producing
181	DK	1550' FNL 1750' FEL Sec. 22	Producing
242	FC	790' FSL 1810' FWL Sec. 23	Producing
246	FC	1323' FNL 1300' FEL Sec. 23	Producing

EXHIBIT No. 4

CONDENSATE
ALLOCATION CALCULATIONS

1) Production Test completed on both zones, yields:

Mesa Verde Test Rate = R_1 (BPD)

Dakota Test Rate = R_2 (BPD)

2) Days On / Month

Mesa Verde Days On = A

Dakota Days On = B

3) i) Actual Total Monthly Gauge Volume: G (BPM)

ii) Calculated Individual Volumes:

Mesa Verde = $R_1 \times A$

Dakota = $R_2 \times B$

Total Volume = $R_1(A) + R_2(B)$

4) Allocation Factor (AF):

$$AF = \frac{G}{R_1(A) + R_2(B)}$$

5) Corrected Allocation Volumes:

Mesa Verde = AF x $R_1(A)$

Dakota = AF x $R_2(B)$