Unocal North American
Oil & Gas Division
Unocal Corporation
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Farmington, New Mexico 87401
Telephone (505) 326-7600
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UNOCAL 76

August 20, 1992

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. 130-E
Sec 32, 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. 130-E, 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. 130-E well is a development gas well scheduled to be drilled by Unocal. The well is to be completed as a dual Dakota/Gallup producer; and it is anticipated that it will be ready for pipeline deliveries September 28, 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 participating area (PA) within the Rincon Unit (Exhibit No. 2). Upon completion of the Gallup formation in this well, Unocal will apply to the Bureau of Land Management (BLM) for expansion of the Gallup PA to include this lease. The royalty in the two formations is the same. The lease is a state lease and is described in Exhibit No. 3.

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
SLO--Pete Martinez

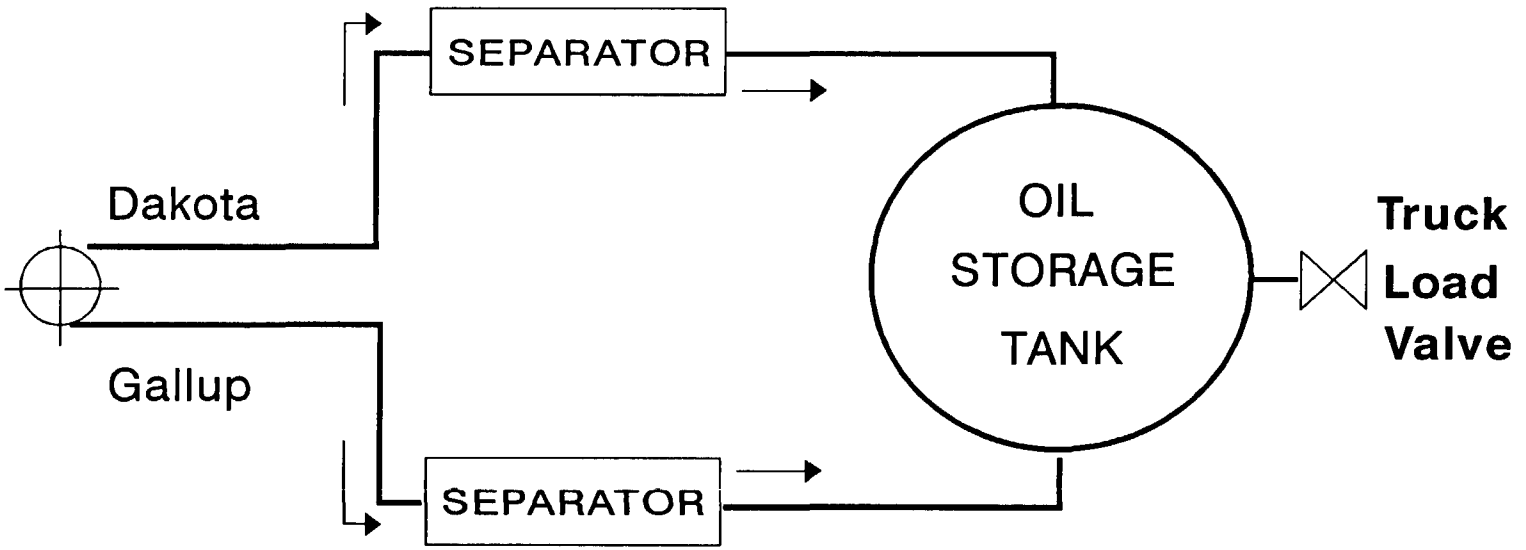
EXHIBIT No. 1

UNOCAL 76

CONDENSATE ACCOUNTING SCHEMATIC

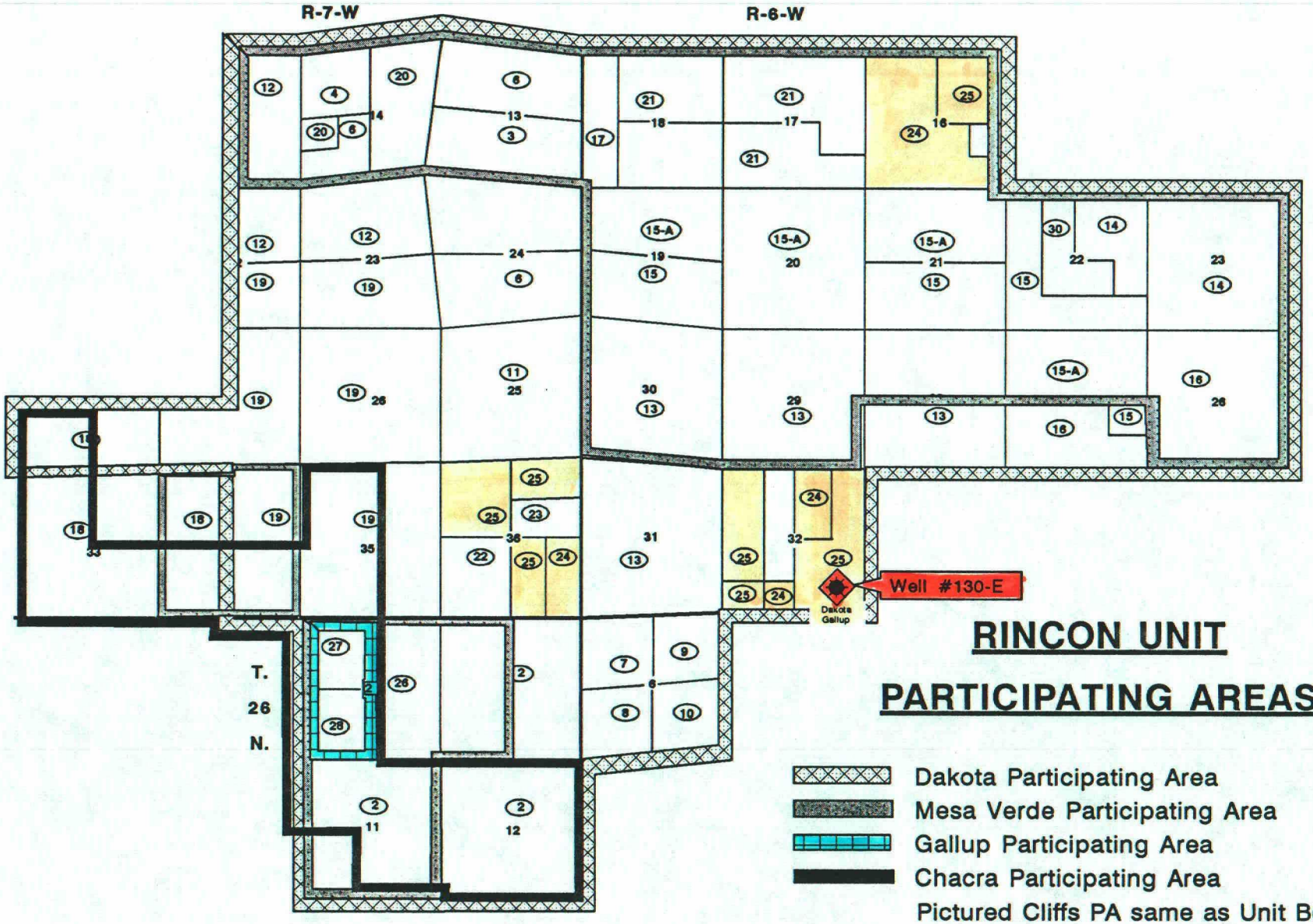
RINCON UNIT # 130-E

RIO ARRIBA COUNTY, NEW MEXICO



OILMAP1

EXHIBIT No. 2



RINCON UNIT

PARTICIPATING AREAS

- Dakota Participating Area
- Mesa Verde Participating Area
- Gallup Participating Area
- Chacra Participating Area
- Pictured Cliffs PA same as Unit Boundry
- Tract Numbers

State Lease No. E 290-28

Rio Arriba County, New Mexico

EXHIBIT NO #3
LEASE DISCRIPTION

STATE LEASE #	# ACRES	DESCRIPTION
NM E-290-28	1520	RANGE 6 - SEC 16: W/2, W/2 SE/4, SE/4 SE/4, NE/4 SEC 32: E/2, W/2 NW/4, W/2 SW/4, SE/4 SW/4
		RANGE 7 - SEC 36: NW/4, SE/4, N/2 NE/4

OTHER WELLS ON LEASE # NM E-290-28

WELL #		PRODUCING ZONE	LOCATION	WELL STATUS
			T-27-N R-6-W	
21		MV	1170' FNL 845' FWL Sec. 16	Producing
179		DK	1490' FNL 1540' FEL Sec. 16	Producing
32		MV	1653' FNL 993' FEL Sec. 16	Producing
194		PC	1850' FNL 1460' FEL Sec. 16	Producing
257		FC	2223' FNL 1837' FEL Sec. 16	Producing
32	A	MV	800' FSL 855' FEL Sec. 16	Producing
21		MV	1650' FSL 1190' FWL Sec. 16	Producing
156		DK	1090' FSL 1050' FWL Sec. 16	Producing
256		FC	780' FSL 1500' FWL Sec. 16	Producing
130		DK	990' FNL 990' FEL Sec. 32	Producing
130		MV	990' FNL 990' FEL Sec. 32	Producing
198		PC	1180' FNL 800' FEL Sec. 32	Producing
260		FC	1566' FNL 1207' FEL Sec. 32	Producing
5		PC	990' FSL 990' FEL Sec. 32	Producing
24		PC	990' FSL 990' FWL Sec. 32	Producing
			T-27-N R-7-W	
10		PC	990' FNL 1650' FWL Sec. 36	Producing
168		DK	190' FNL 1190' FEL Sec. 36	Producing
25		PC	990' FNL 990' FEL Sec. 36	Producing
31		PC	660' FSL 660' FEL Sec. 36	Producing

EXHIBIT #4
CONDENSATE
ALLOCATION CALCULATIONS

1) Production Test completed on both zones, yields:

Gallup Test Rate $= R_1$ (BPD)

Dakota Test Rate $= R_2$ (BPD)

2) Days On / Month

Gallup Days On $= A$

Dakota Days On $= B$

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

ii) Calculated Individual Volumes:

Gallup $= R_1 \times A$

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:

Gallup $= AF_1 \times R\ (A)$

Dakota $= AF_2 \times R\ (B)$