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September 9, 1991

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OIL CONSERVATION DIV.
SANTA FE

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
Exception To Rule 303-A
Rincon Unit Lateral #2
Rio Arriba County, New Mexico

Union Oil Company of California, dba Unocal, is proposing to build a gas gathering system, Rincon Unit Lateral #2, surface commingle existing conventional gas, and deliver it through a central metering facility. The following demonstrates how Unocal proposes to allocate gas production under the context of BLM Onshore Oil and Gas Order No. 5, Measurement of Gas.

The proposed Rincon Unit Lateral #2 will gather gas from 12 conventional gas wells as shown on Exhibit #1. Rincon Unit well #192-E is a dual completion, therefore the system will include 13 completions. The gas from the 13 completions will flow to a common point where it will be compressed. At the Central Delivery Point (CDP), the gas will flow through a master meter as the custody is transferred to the field transporter (see Exhibit #2).

Other than the #192-E, all the wells to be connected to the proposed system have been producing for at least 20 years (see attached well histories). Over the years the bottom-hole producing pressures have declined. The pressures have declined to the point that some of the wells have trouble overcoming the pipeline pressure. Recently, Unocal has employed wellhead compressors to test lowering the back-pressure on some on these wells. Results of these tests have proven that deliverability can be increased, in addition, the remaining life of the reserves can be extended.

The gas that will flow on the proposed system will be from the following conventional San Juan Basin Pools; Blanco-Mesa Verde, South Blanco-Pictured Cliffs, Basin-Dakota, and the Largo-Gallup. Gas production is prorated from all these pools except the Largo-Gallup.

The wells to be connected to the proposed system are all within established participating areas in the Rincon Unit (see Exhibit #3). The Rincon Unit is a Federal Unit comprised of a number of Federal and State leases. The leases that the 12 Rincon Unit wells are on, are shown in Exhibit #4. The royalty ownership in all formations within a given tract is identical.

Unocal will employ existing well-site facilities to remove liquids and dehydrate. New meter runs will be installed to measure the volume of gas produced from each of the 13 completions. At the CDP site, a separator will be set in front of the compressor to ensure that only single phase flow exists. Pulsation dampening equipment and a sufficient distance between the compressor discharge and the sales meter will be used to ensure the accuracy of the meter measurements.

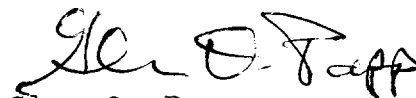
Unocal is requesting from the New Mexico Oil Conservation Division, approval for surface commingling of the produced gas and of the following method for allocating the production from the central meter to the individual wells. Unocal will calculate a monthly allocation factor, as shown in Exhibit #5, part I. The allocation factor, will then be used as illustrated in Exhibit #5, part II, to determine individual meter volumes. To ensure the accuracy of the individual meters, Unocal will continue to calibrate, perform orifice plate inspections, and settlement tests as described in BLM Onshore Oil and Gas Order No. 5, Measurement of Gas.

Unocal has notified the other working interest owners in the Rincon Unit of this proposal. Variations of this letter are being sent to the agencies administering the royalty interests via certified mail; the Mineral Management Service (MMS), and the New Mexico Oil Conservation Division (NMOCD). Exhibit #6 shows the names and addresses of those contacted.

Unocal also requests from the NMOCD guidance on how to expand authority, once granted, to add other wells to the system should capacity become available.

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,

A handwritten signature in black ink, appearing to read "Glen O. Papp", written in a cursive style.

Glen O. Papp
District Production Engineer

bjt9591nm