

Unocal North American
Oil & Gas Division
Unocal Corporation
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OIL CONSERVATION DIVISION

RECEIVED

AUG 9 1992



August 6, 1992

Certified Return Receipt
P-671-272-433

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
Central Metering
Rincon Unit CDP #3
Rio Arriba County, New Mexico

Union Oil Company of California, dba Unocal, seeks NMOCDD approval for a central meter facility, Rincon Unit Central Delivery Point #3 (CDP #3), to deliver existing Rincon Unit gas. 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 CDP #3 will gather gas from ten existing gas wells as shown on Exhibit #1. The gas will flow to CDP #3 where it will be compressed and measured by a master meter before custody is transferred to the field transporter (see Exhibit #2).

Most of the wells to be connected to the proposed system have been producing for over 15 years and the bottom-hole producing pressures have declined significantly. 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; Basin Dakota, South Blanco-Pictured Cliffs, Basin Fruitland Coal, and the Otero Chacra. Gas production is prorated in only the Basin Dakota and South Blanco-Pictured Cliffs.

All of the wells producing from the Dakota, Pictured Cliffs, and Chacra formations are within the bounds of their respective participating areas (PA) (Exhibit No. 3). Application for the Fruitland Coal PA is before the BLM for approval.

The Rincon Unit is a fixed interest Federal Unit comprised of individual Federal and State leases. The lease that encompasses the ten Rincon Unit wells to be included in this system, is described in Exhibit #4. The royalty ownership in all formations within tract # 2 is identical.

Unocal will employ existing facilities to remove liquids, dehydrate, measure, and transport the gas. Currently, El Paso Natural Gas (EPNG) takes possession of the gas at sale meters located at each of the wells. Unocal provides three phase separation and dehydration of the produced stream just downstream of the wellhead. The sales meter on each well is located downstream of the separation and dehydration facilities.

Unocal has recently been negotiating with EPNG to install a compressor on their K-44 gathering lateral in order to lower back-pressure on these ten gas producers. An agreement between Unocal and EPNG to provide this service is in its final stages. Under this arrangement, EPNG will set a central meter just downstream of the compressor, this meter will serve as the custody transfer point. Pulsation dampening equipment at the compressor discharge will ensure steady flow rates. The gas will then flow a sufficient distance to a dehydrator which will further dampen pulsation caused by the compressor's reciprocating motion. From the outlet of the dehydrator the gas will flow a significant distance to the sales meter further ensuring the accuracy of meter measurement. Note that no new pipeline constructing is involved in this agreement, only the placement of a compressor on the existing EPNG line.

Unocal is requesting from the New Mexico Oil and Gas Division approval to surface commingle gas production and approval 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 1. The allocation factor, will then be used as illustrated in Exhibit #5, part 2, 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.

At the central delivery point, Unocal will collect liquids dropped out in the separators and scrubbers. Unocal does not expect to recover marketable quantities of hydrocarbon liquids from the commingled gas. However, should the site begin to recover significant liquid volumes, Unocal will allocate the volumes as per Exhibit No. 6.

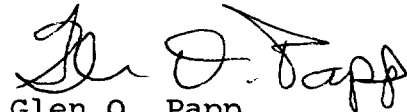
In addition, Unocal also requests that following the first year of operation, that calibrations on the allocation meters move from a quarterly test schedule to semi-annual. Orifice plate

inspections will remain semi-annual and settlement testing will be done annually as per the current rules.

Unocal has notified the other working interest owners in the Rincon Unit of this proposal. Variations of this letter are being sent to the agency administering the federal royalty interests, the Mineral Management Service (MMS). In addition, surface commingling approval is being applied for from the BLM. Exhibit #7 shows the names and addresses of these agencies.

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

A handwritten signature in black ink, appearing to read "Glen O. Papp", written over the typed name.

Glen O. Papp
District Production Engineer

pmh:lat3

Attachment

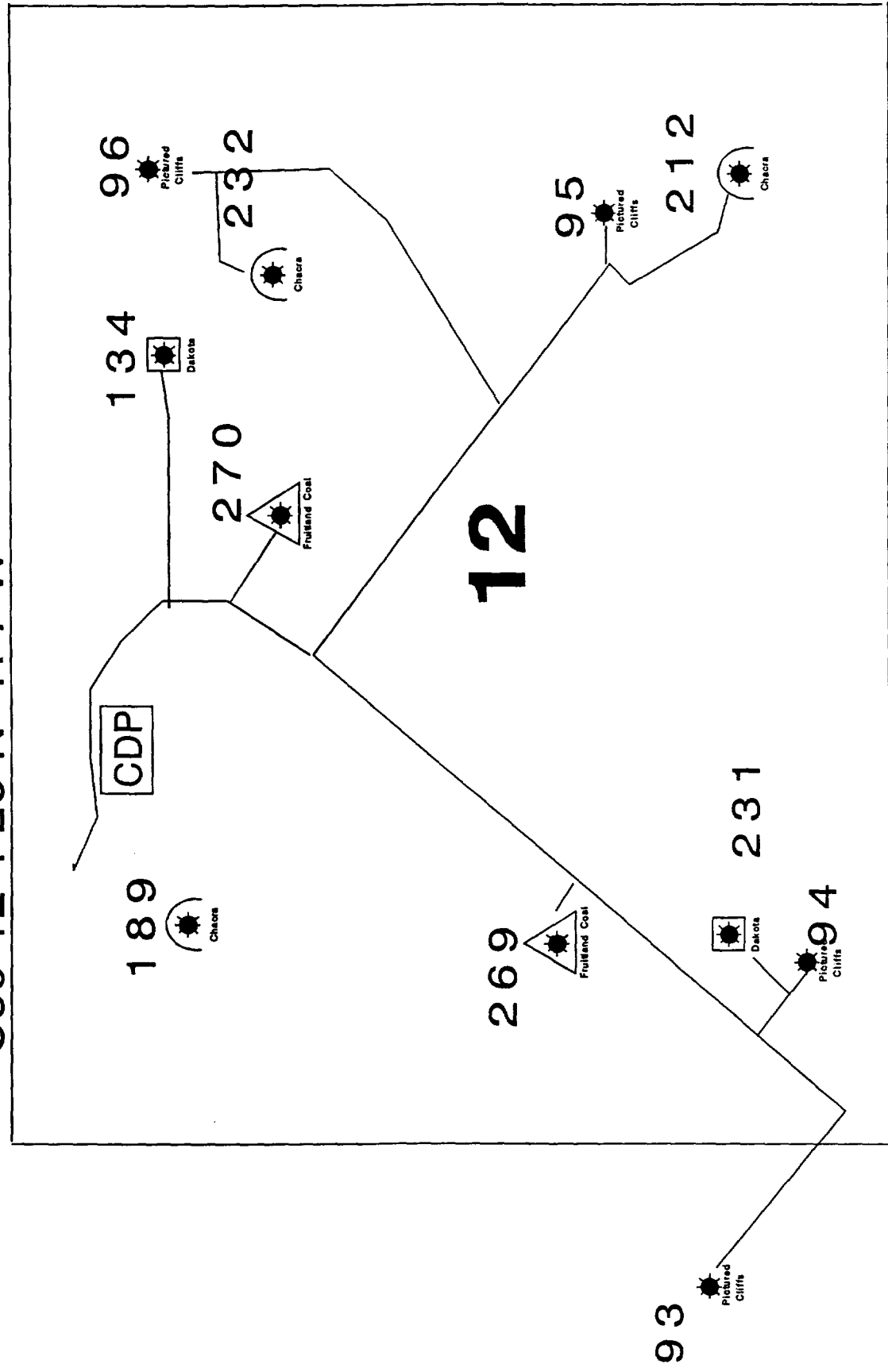
cc: BLM, Ken Townsend
MMS, James W. Shaw

EXHIBIT No. 1

Rincon Unit

Lateral #3

Sec 12 T-26-N R-7-W



Rio Arriba County, New Mexico

EXHIBIT # 2

RINCON UNIT LATERAL #3

GAS ACCOUNTING SCHEMATIC

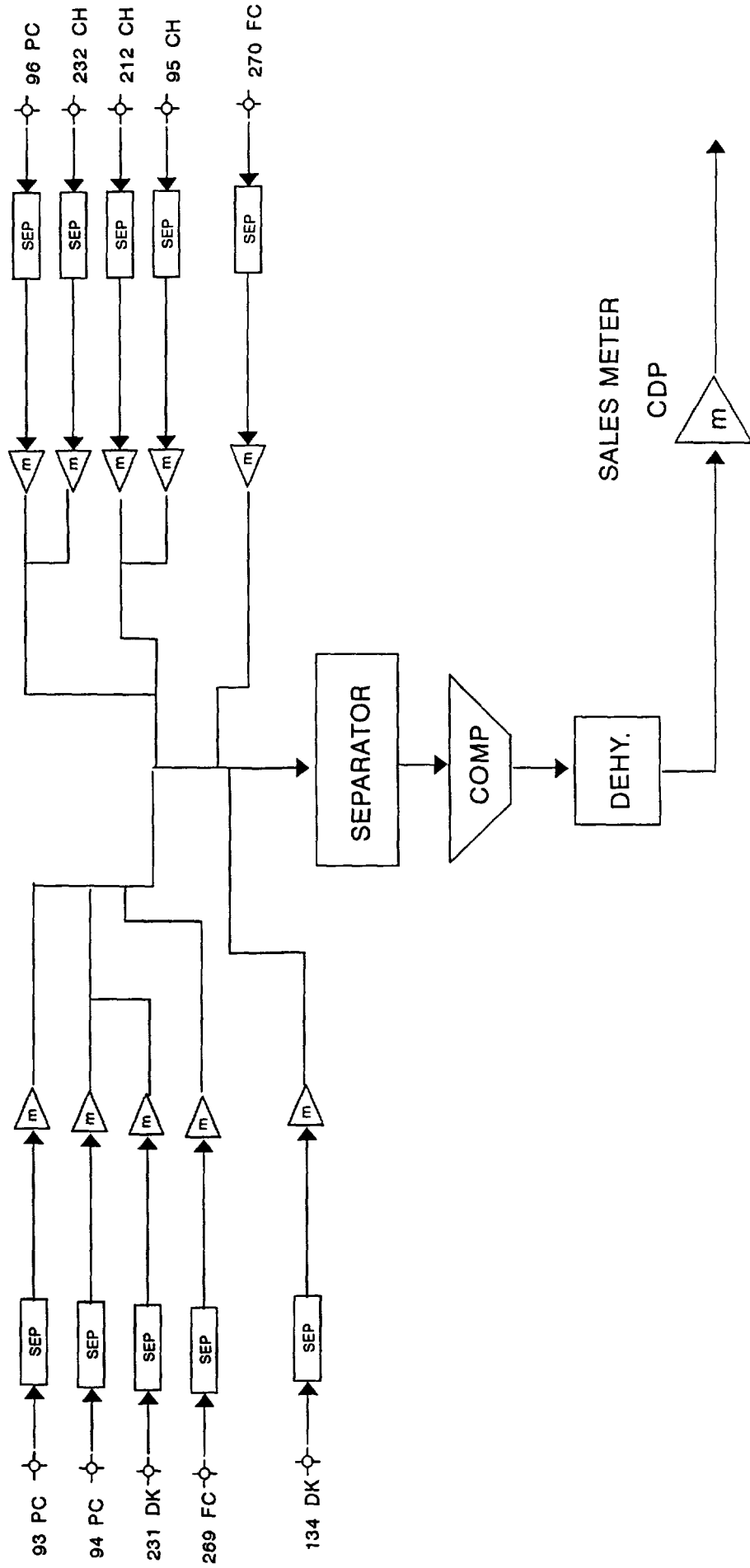






EXHIBIT No. 3

R-7-W R-6-W

T. 27 N.

RINCON UNIT

PARTICIPATING AREAS

-  Dakota Participating Area
-  Mesa Verde Participating Area
-  Gallup Participating Area
-  Chacra Participating Area

Pictured Cliffs PA same as Unit Boundary
 Tract Numbers

Location of Lateral #3

Rio Arriba County, New Mexico

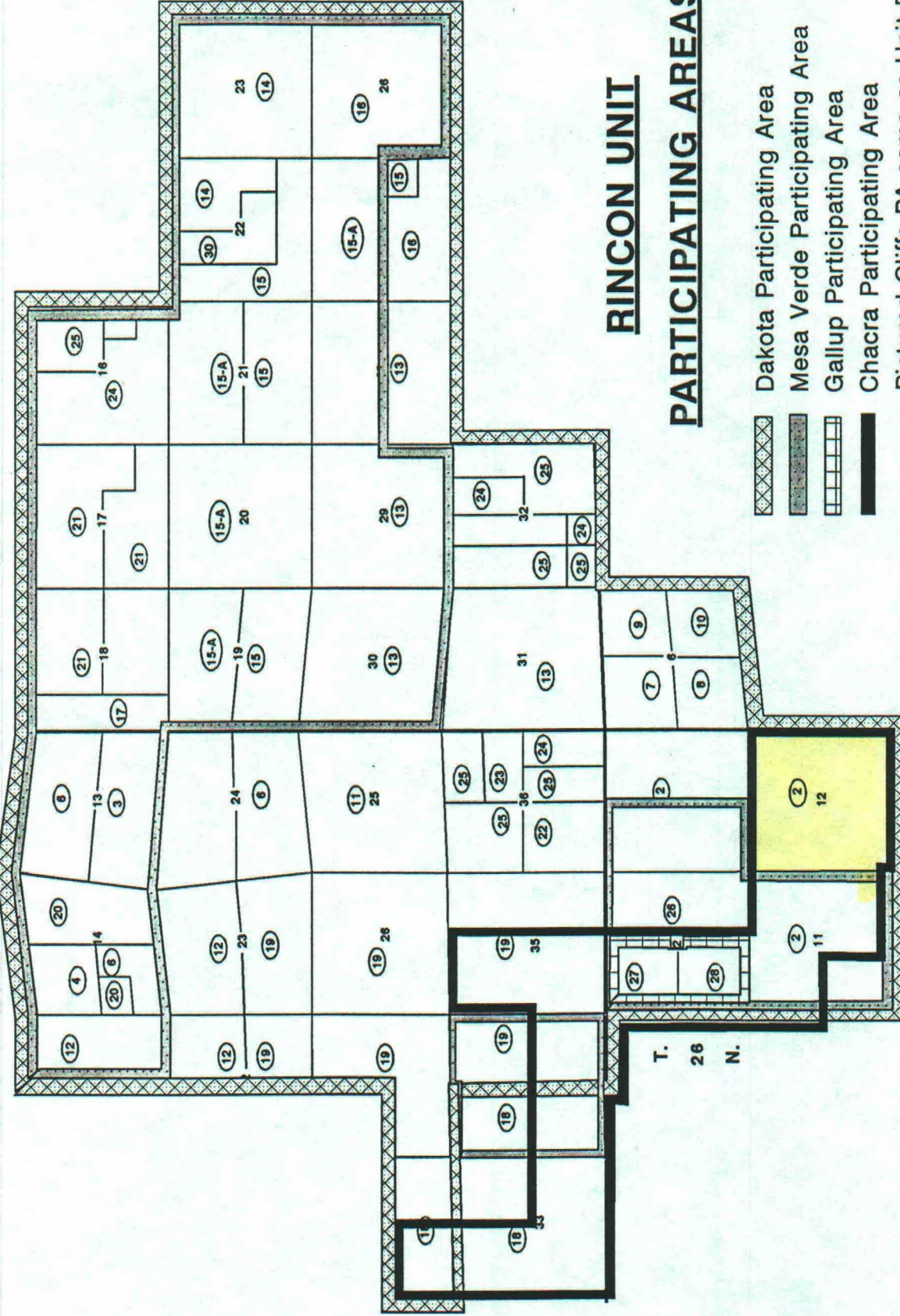


EXHIBIT No. 4

LEASE DESCRIPTION

FEDERAL LEASE #	# ACRES	DISCRIPTION
SF - 079160	1920.8	T-26-N R-7-W All of Sec. 1, 11, 12

OTHER WELLS ON LEASE # SF - 079160

WELL #	PRODUCING ZONE	LOCATION T-26-N R-7-W
7	PICTURED CLIFF	65' FNL, 1655' FWL - Sec. 1
12	PICTURED CLIFF (P&A)	1550' FSL, 990' FEL - Sec. 1
14	PICTURED CLIFF	1700' FNL, 1800' FWL - Sec. 12
15	PICTURED CLIFF	1713' FSL, 1002' FWL - Sec. 11
46	PICTURED CLIFF	990' FNL, 1650' FEL - Sec. 1
47	PICTURED CLIFF	1518' FSL, 980' FWL - Sec. 1
57	DAKOTA	790' FSL, 1825' FEL - Sec. 1
91	PICTURED CLIFF	921' FNL, 1004' FWL - Sec. 11
92	PICTURED CLIFF	1650' FNL, 1835' FEL - Sec. 11
93	PICTURED CLIFF	800' FSL, 1050' FEL - Sec. 11
94	PICTURED CLIFF	800' FSL, 990' FWL - Sec. 12
95	PICTURED CLIFF	890' FEL, 1650' FSL - Sec. 12
96	PICTURED CLIFF	990' FNL, 800' FEL - Sec. 12
101	MESA VERDE	1850' FSL, 850' FWL - Sec. 1
102	MESA VERDE	990' FSL, 990' FWL - Sec. 11
134	DAKOTA	800' FNL, 1800' FEL - Sec. 12
189	CHACRA	1190' FNL, 790' FWL - Sec. 12
191	CHACRA	1460' FNL, 800' FWL - Sec. 11
192	CHACRA	1700' FSL, 1700' FWL - Sec. 1
212	CHACRA	1000' FSL, 975' FEL - Sec. 12
231	DAKOTA	1140' FSL, 970' FWL - Sec. 12
232	CHACRA	1710' FNL, 1550' FEL - Sec. 12
269	FRUITLAND	1800' FSL, 1200' FWL - Sec. 12
270	FRUITLAND	1658' FNL, 2311' FEL - Sec. 12
271	FRUITLAND	1155' FSL, 1155' FWL - Sec. 1
272	FRUITLAND	790' FNL, 1200' FEL - Sec. 1
295	FRUITLAND	1645' FNL, 1125' FEL - Sec. 11

EXHIBIT No. 5

GAS ALLOCATION CALCULATIONS

LATERAL #3

1) Allocation Factor (AF):

$$GAF = \frac{\text{Integrated Central Meter Volume; MCF/MO}}{\sum_{i=1}^{10} \text{Integrated Individual Meter Volumes, MCF/MO}}$$

2) Allocation To Individual Wells:

WELL #	Integrated Individual Meter Volume (MCF/MO)	Monthly GAF	Allotted Volumes (MCF/MO)
SEC 11 - 93 -PC	Vol.1	GAF	Vol.1 X GAF
94 -PC	Vol.2	GAF	Vol.2 X GAF
95 -PC	Vol.3	GAF	Vol.3 X GAF
96 -PC	Vol.4	GAF	Vol.4 X GAF
134 -DK	Vol.5	GAF	Vol.5 X GAF
212 -CH	Vol.6	GAF	Vol.6 X GAF
SEC 12 - 231 -DK	Vol.7	GAF	Vol.7 X GAF
232 -CH	Vol.8	GAF	Vol.8 X GAF
269 -FC	Vol.9	GAF	Vol.9 X GAF
270 -FC	Vol.10	GAF	Vol.10 X GAF

2611-7W

#93 - 160 AC - SE 1/4 of SEC 11
 94 - 160 SW 1/4 of SEC 12
 95 - 160 SE 1/4 of SEC 12
 96 - 160 NE 1/4 of SEC 12
 134 - 320 E 1/2 of SEC 12
 212 - 160 SW 1/4 of SEC 12
 231 - 320 W 1/2 of SEC 12
 269 - 320 S 1/2 of SEC 12
 270 - 320 N 1/2 of SEC 12

SE 1/4 of 11
 SW 1/4
 ALL of 12

ALLOCATION CALCULATIONS FOR LIQUIDS RECOVERED AT CENTRAL COMPRESSOR SITE

1) **Liquids Allocation Factor (LAF):**

2) Allocation To Individual Wells:

The Three Pictured Cliffs Wells do not make hydrocarbon liquids, and therefore they are excluded from sharing in the liquids recovered at the compressor site.

EXHIBIT No. 7

FEDERAL AND STATE AGENCIES

FEDERAL

Mineral Management Service
P.O. Box 25165
Mail Stop 3000
Denver, CO 80225
Attn: James W. Shaw

Bureau of Land Management
1235 LaPlata Highway
Farmington, NM 87401
Attn: Ken Townsend

STATE

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

New Mexico Oil Conservation Division
1000 rio Brazos Rd.
Aztec, New Mexico 87410
Attn: Frank Chavez