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**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

CASE NO. 12120

**APPLICATION OF UNIVERSAL RESOURCES
CORPORATION FOR SURFACE COMMINGLING
RIO ARRIBA AND SAN JUAN COUNTIES, NEW MEXICO.**

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Universal Resources Corporation as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Universal Resources Corporation
1331 17th Ste 300
Denver, Colorado 80202
(303) 672-6900
attn: Dennis Beccue

ATTORNEY

W. Thomas Kellahin
KELLAHIN AND KELLAHIN
P.O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

STATEMENT OF CASE

Universal Resources Corporation ("URC") seeks approval for the surface commingling, off-lease measurement and storage for its South Lybrook Gathering System which includes some 38 wells in Sandoval and San Juan Counties, New Mexico located on 6 federal and 2 State of New Mexico oil & gas leases.

The proposed surface commingling and off-lease measurement method will maximize royalties paid and will protect the rights of all interest owners.

The BLM has already approved this request and has agreed with URC that measurement at a central delivery point is necessary to operate the wells effectively and prevent premature abandonment of these low volume wells due to excessive operating costs.

A majority of the wells produce with a gas lift (plunger) system which maximizes recovery through a more cost effective operation, thus extending the economic life of the wells. However, gas lift operations can create inaccuracies in volumes measured on charts on conventional gas flow measurement equipment. To obtain more reliable daily gas volumes, URC uses a formula which calculates the volume of gas produced during each cycling of the plunger lift. This formula is based on the individual wells' tubing volume and tubing pressure.

The daily gas volumes are then used to determine each well's share of the total gas sales to El Paso Natural Gas Company. The liquids associated with gas production which are captured at the gas sales point are also sold and allocated to each well based upon these same daily gas volumes.

PROPOSED EVIDENCE

APPLICANT:

WITNESSES	EST. TIME	EXHIBITS
Dennis Beccue (petroleum engineer)	30 Min	@ 13 exhibits

PROCEDURAL MATTERS

None anticipated at this time

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By: 

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