



Snyder Oil Corporation

P.O. Box 2038
Farmington, New Mexico 87499
(505) 632-8056

March 15, 1995

Frank Chavez
NM Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410

Re: Request for Administrative Approval of Surface Commingling
and Off-Lease Measurement of Gas & Liquid Production
Sandrock CDP Site - Sunterra Gas Meter #105330
1650' FSL & 1700' FWL
NE/SW Sec 23K, T31N, R13W
San Juan County, New Mexico

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MAR 20 1995
OIL CON. DIV.
DIST. 3

Dear Mr. Chavez,

Snyder Oil Corporation requests an administrative approval from the NMOCD to commingle, measure and sell gas and liquid hydrocarbons from our Sandrock CDP Compression site as documented in the following attachments. A package requesting approval for surface commingling and off-lease measurement had been submitted to the BLM office at Farmington in April, 1994. Our request along with other companies are pending review by a joint sub-committee of industry and BLM experts. Rather than wait for final resolution of our permit, Snyder is submitting for approval the method of accounting for all gas and liquids measured off-lease.

The Sandrock CDP is a closed gas gathering system with one master sales meter connected to and maintained by Sunterra gas gathering company. The attached list of eighteen wells, consisting of 23 individually metered completions, comprise the productive capacity of the entire system. Each completion has a separate dry flow gas check meter for measuring and allocating all gas leaving each lease into the Sandrock system. Additionally, each lease has individual production equipment for capturing and measuring any liquid hydrocarbons produced in conjunction with the gas. Check meters are calibrated a minimum of once every three months by a qualified Snyder technician. Giant Refinery is the authorized transporter and purchaser of any oil products.

At the off-lease CDP site our facility consists of a liquid receiver & pig catcher which captures any liquid falling out of the gas stream and places the condensate in a 300 bbl tank. Any produced water is placed in a 95 bbl steel lined pit. Gas from the catcher goes to a Joy Compressor (Air Quality Permit - # 1294) which in turn goes to a dehydrator and Sunterra's master sales meter # 105330. Lease-use gas from the gathering system powers the compressor and dehydrator along with any liquid dumps. Any variance between the total check meter gas volumes and Sunterra's master sales meter is attributed to shrinkage from temperature and pressure changes, pipeline storage, and off-lease gas used to fuel the compressor, dehydrator and liquid dumps. All equipment is serviced periodically to insure that no gas is wasted during the gathering and transmission phase of this system. No other pipeline ties into this system to divert produced gas for any other purpose.



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To insure a fair and equitable division of gas and oil measured at the CDP facility, the following procedure is used to allocate and report gas and oil products to the BLM and NMOCD at the individual completion level: (See Attachments "A" page 1 & "B" page 4).

- 1). Sunterra Gas Gathering Company collects and reports to Snyder a total integrated volume within each calander month from their Master meter # 105330.
- 2). Snyder Oil Corporation collects and delivers all check meter charts from each lease to R & L Chart Service in Bloomfield, NM. R & L provides total integrated volumes from each check meter to Snyder Oil Corporation for each report month.
- 3). Snyder Oil Corporation keys the integrated volumes from Sunterra and R & L service into a spreadsheet template which calculates the relative percent of gas contributed from each check meter location. Sunterra's total volume is multiplied by each check meter's fractional contribution to arrive at an allocated volume. All allocated volumes are added together and compared with Sunterra's total volume at the 14.730 psia pressure base. Any small variances are due to rounding errors.
- 4). Any condensate oil sales from the off-lease tank #3738 are divided and credited to each measurement point based on the last available gas allocation percentages calculated and distributed. Percentages will change from month to month based on the relative contribution of each check meter at each lease. (See Attachment "A" page 1).

Contract agreements exist between the affected working interest parties in wells connected to the Sandrock CDP system and Sunterra Gas Gathering Company pertaining to the division and reporting of all off-lease measured hydrocarbons.

Any questions to clarify this method may be addressed to Wayne Converse, District Engineer, Snyder Oil Corporation at 505-632-8056.

Sincerely,

A handwritten signature in cursive script that reads "Wayne L. Converse".

Wayne L. Converse
District Engineer

WC/rb

Attachments