Unocal North American
Oil & Gas Division
Unocal Corporation
3300 North Butler Avenue
Suite 200
Farmington, New Mexico 87401
Telephone (505) 326-7600
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UNOCAL 76

August 10, 1992

CERTIFIED RETURN RECEIPT
P-671-272-436

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. 136-E
Sec 23, T-27-N, R-7-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. 136-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. 136-E well is a development gas well scheduled to be drilled by Unocal. The well is to be completed as a dual Dakota/Mesa Verde producer; and it is anticipated that it will be ready for pipeline deliveries September 21, 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). The location is also adjacent to the existing Mesa Verde PA. Upon completion of the Mesa Verde formation in this well, Unocal will apply to the Bureau of Land Management (BLM) for expansion of the Mesa Verde PA to include the acreage dedicated to this well. The lease is a federal lease and it is described in Exhibit No. 3. The royalty in the two formations is the same.

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

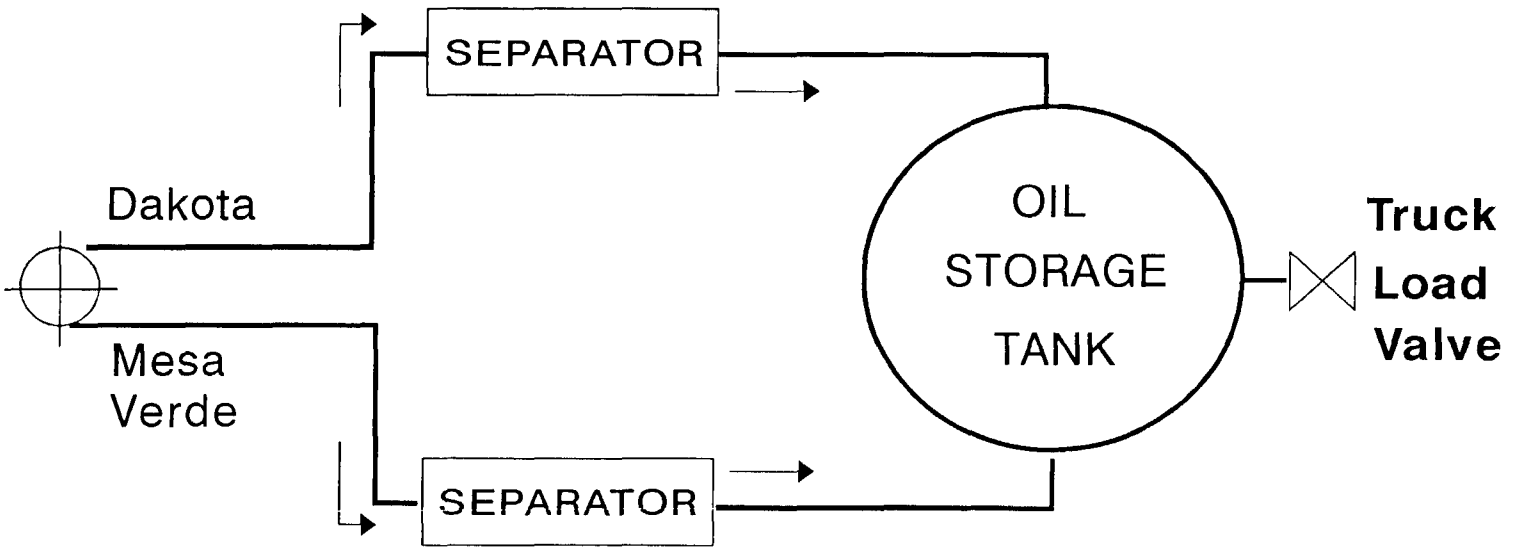
EXHIBIT No. 1

UNOCAL 76

CONDENSATE ACCOUNTING SCHEMATIC

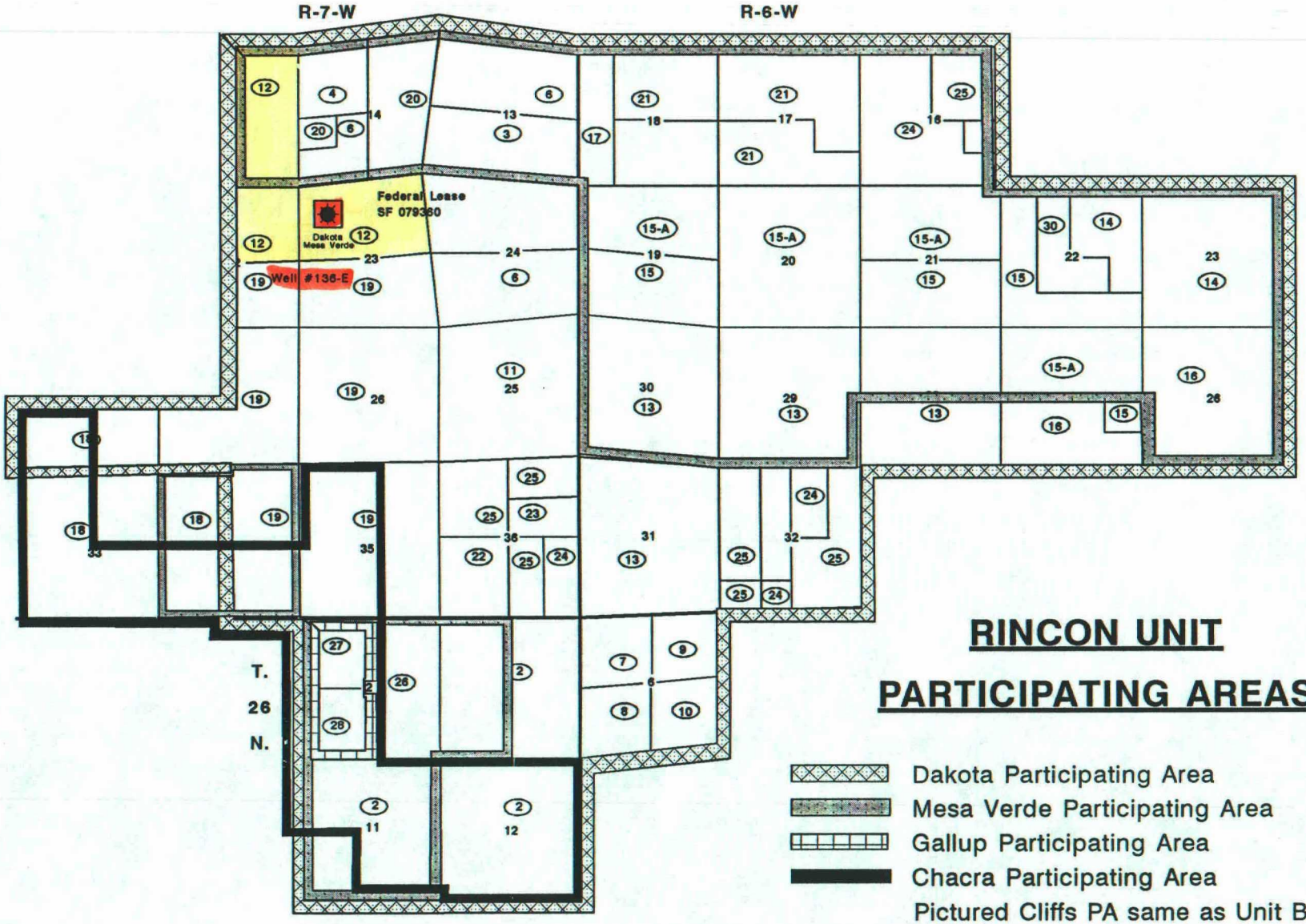
RINCON UNIT # 136-E

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

Rio Arriba County, New Mexico

EXHIBIT NO #3
LEASE DISCRIPTION

FEDERAL LEASE	# ACRES	DESCRIPTION
SF – 079360	800	SEC.15: E/2 SEC.22: NE/4 SEC.23: N/2

OTHER WELLS ON LEASE # SF – 079360

WELL #	PRODUCING ZONE	LOCATION	WELL STATUS
63	PC	990' FNL 890' FWL Sec. 23	Producing
64	PC	1650' FNL 1190' FEL Sec. 23	Producing
66	PC	1645' FNL 990' FEL Sec. 22	Producing
85	MV	1650' FNL 890' FEL Sec. 15	Producing
85	PC	1650' FNL 890' FEL Sec. 15	Producing
86	PC	890' FSL 900' FEL Sec. 15	Producing
136	DK	1840' FNL 870' FWL Sec. 23	Producing
185	DK	990' FNL 990' FEL Sec. 22	Producing
184	DK	1022' FNL 840' FEL Sec. 15	Producing
280	FC	2240' FNL 1315' FEL Sec. 15	Producing
281	FC	880' FNL 830' FEL Sec. 23	Producing

EXHIBIT No. 4

CONDENSATE
ALLOCATION CALCULATIONS

1) Production Test completed on both zones, yields:

Mesa Verde Test Rate = R_1 (BPD)

Dakota Test Rate = R_2 (BPD)

2) Days On / Month

Mesa Verde Days On = A

Dakota Days On = B

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

ii) Calculated Individual Volumes:

Mesa Verde = $R_1 \times A$

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:

Mesa Verde = $AF \times R_1(A)$

Dakota = $AF \times R_2(B)$

EXHIS