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Oil & Gas Division
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UNOCAL

September 18, 1992

Farmington District

New Mexico Oil Conservation Division
310 Old Santa Fe Trail
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Attn: David Catanach

SUBJECT:
Requesting Approval for
Surface Commingling of
Condensate Production from
Rincon Unit, Well No. 168-E
Sec 36, 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. 168-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. 168-E well is a development gas well scheduled to be drilled in October 1992 by Unocal. The well is expected to be completed as a dual Dakota/Gallup producer; and it is anticipated that it will be ready for pipeline deliveries December 15, 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 an existing Dakota participating area (PA), and adjacent to the existing Gallup PA within the Rincon Unit (Exhibit No. 2). Upon completion of the Gallup formation in this well, Unocal will apply to the Bureau of Land Management (BLM) for expansion of the

Gallup PA to include this lease. The royalty in the two formations is the same. The lease is a state lease and is described in Exhibit No. 3.

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 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.

Attached are Exhibit No. 5, a copy of the State Land Office Rule 1.055 check list, Exhibit No. 6, the completed Commingle Pre-application and Exhibit No. 7, an economic analysis of the proposed surface commingling. All stipulations have been addressed.

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

bjt30

Enclosure

cc: NMOCD Aztec Office--Frank Chavez
State of New Mexico--Pete Martinez
BLM--Ken Townsend

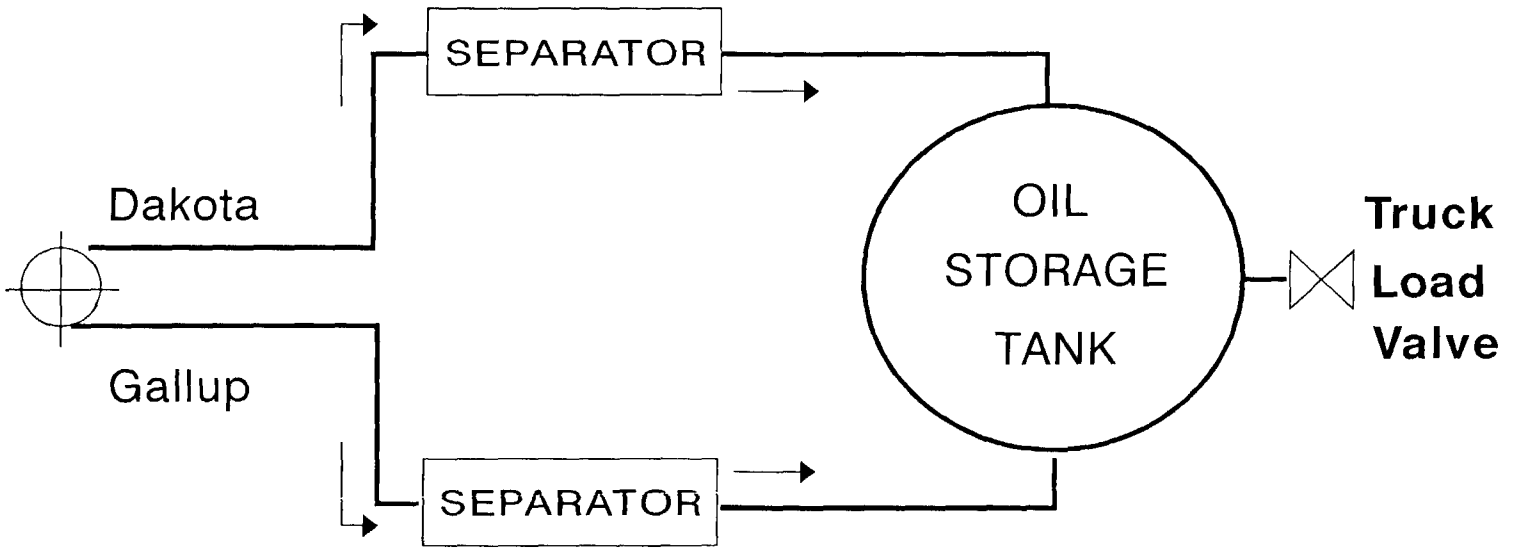
EXHIBIT No. 1

UNOCAL 76

CONDENSATE ACCOUNTING SCHEMATIC

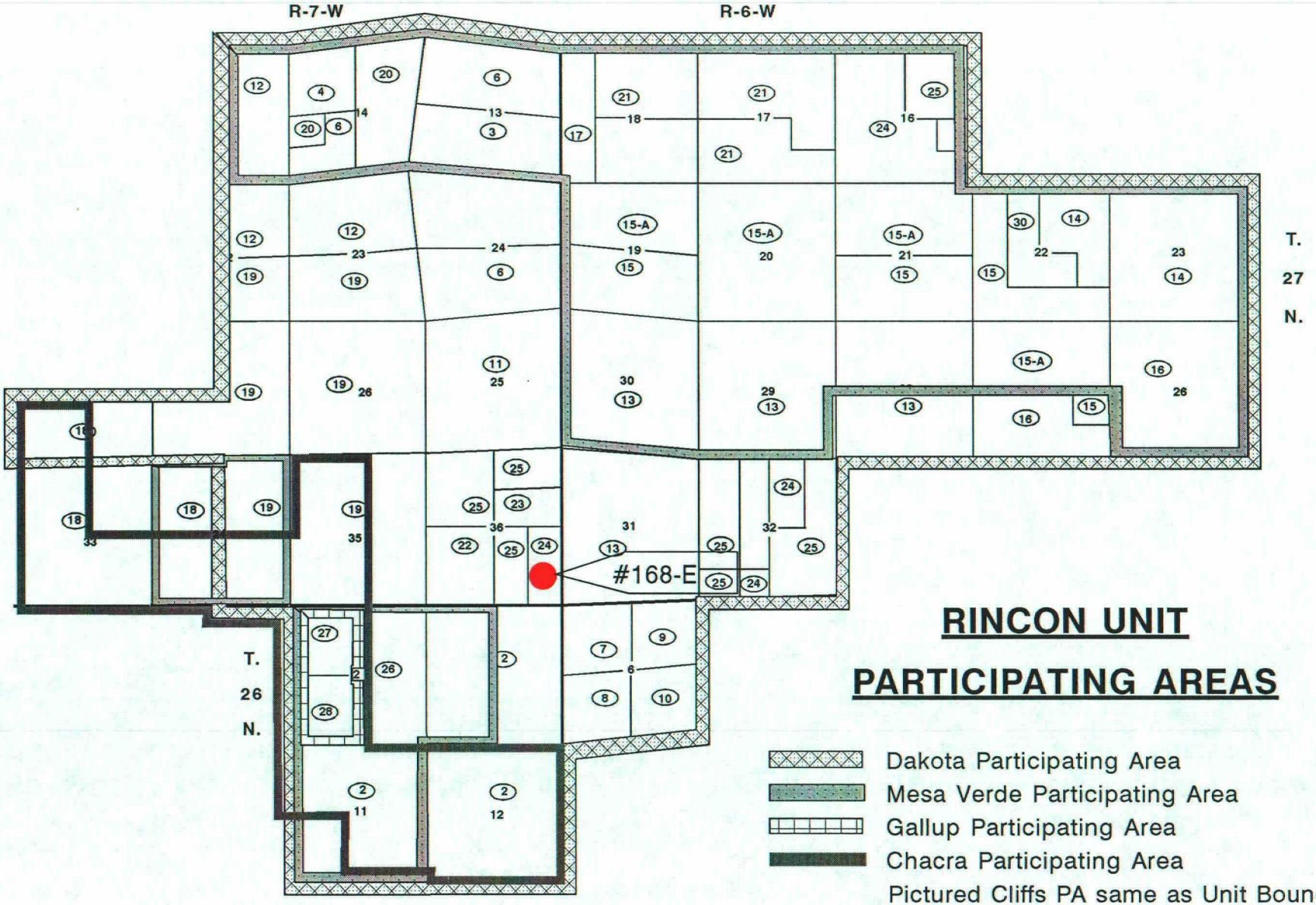
RINCON UNIT # 168-E

RIO ARRIBA COUNTY, NEW MEXICO



OILMAP1

EXHIBIT No. 2



Rio Arriba County, New Mexico

EXHIBIT #3

LEASE DISCRIPTION

STATE LEASE #	# ACRES	LOCATION
E-290-28	1520	T27N-R7W SEC 36 SE/4, NW/4, N/2 NW/4 T27N-R6W SEC 16 W/2, S/2SE/4, NW/4 SE/4, NE/4 SEC 32 E/2, S/2 SW/4, W/2 NW/4, NW/4 SW/4

OTHER WELLS ON LEASE E-290-28

RINCON UNIT WELL #	PRODUCING ZONE	LOCATION
* 168-E	GALLUP/DAKOTA	1845' FSL, 840'FEL
10	PICTURED CLIFFS	990' FN & 1650' FW, SEC 36, 27 & 7
25	PICTURED CLIFFS	990' FN 990' FE, SEC 36, 27 & 7
168	DAKOTA	1190' FN & 1190' FE, SEC 36, 27 & 7
130	MESA VERDE/DAK	990' FN & 990' FE, SEC 32, 27 & 6
198	PICTURED CLIFFS	1180' FN & 800' FE, SEC 32, 27 & 6
260	FRUITLAND COAL	1566' FN & 1207' FE, SEC 32, 27 & 6
5	PICTURED CLIFFS	990' FS & 990' FE, SEC 32, 27 & 6
24	PICTURED CLIFFS	990' FS & 990' FW, SEC 32, 27 & 6
21-A	MESA VERDE	1170' FN & 845 FW, SEC 16, 27 & 6
104	PICTURED CLIFFS	1650' FN & 840' FE, SEC 16, 27 & 6
21	MESA VERDE	1650' FS & 1190' FW, SEC 16, 27 & 6
156	DAKOTA	1090' FS & 1050' FW, SEC 16, 27 & 6
256	FRUITLAND COAL	790' FS & 1500' FW, SEC 16, 27 & 6
257	FRUITLAND COAL	2223' FN & 1837' FE, SEC 16, 27 & 6
32-A	MESA VERDE	800' FS & 855' FE, SEC 16, 27 & 6
179	DAKOTA	1490' FN & 1540' FE, SEC 16, 27 & 6
32	MESA VERDE	1653' FN & 993' FE, SEC 16, 27 &6
194	PICTURED CLIFFS	1850' FN & 1460' FE, SEC 16, 27 & 6

* PROPOSED WELL

EXHIBIT #4
CONDENSATE
ALLOCATION CALCULATIONS

1) Production Test completed on both zones, yields:

Gallup Test Rate $= R_1$ (BPD)

Dakota Test Rate $= R_2$ (BPD)

2) Days On / Month

Gallup Days On $= A$

Dakota Days On $= B$

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

ii) Calculated Individual Volumes:

Gallup $= R_1 \times A$

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:

Gallup $= AF_1 \times R\ (A)$

Dakota $= AF_2 \times R\ (B)$