

United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

IN REPLY REFER TO:

3162.7-3

South Lybrook Gas Gathering System CDP
07400

MAR - 8 1999

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 112120 Exhibit No. — 9
Submitted By:
Universal Resources
Hearing Date: April 15, 1999

Universal Resources Corporation
Attn.: Jane Seiler
1331 17th Street, Suite 300
Denver, Colorado 80202

Dear Ms. Seiler:

Reference is made to your application for surface commingling and off-lease sales and measurement of gas and associated liquid hydrocarbons from the South Lybrook Gas Gathering System. You propose to measure and sell gas production at the El Paso Natural Gas Company (EPNG) central delivery point (CDP) at the following location :

SWNW Section 25, T. 23N., R. 7W., Sandoval, New Mexico.

In addition, you propose to measure the associated liquid hydrocarbons at the South Lybrook Compressor Facility located in the :

SENW Section 26, T. 23N., R. 7W., Sandoval County, New Mexico.

Your application indicates that measurement at a central delivery point is necessary to effectively and economically operate these wells and extend the economic life of the properties. We have reviewed your application and the supplemental information you supplied and concur with these findings. Your application also requests certain variances from the Onshore Order No. 5 requirements, in particular:

- 1) Use of an alternative method of measurement which utilizes a produced gas computation in lieu of an orifice meter primary element.
- 2) Semi-annual meter calibration and chart integrations for wells producing less than 100 mcf/d.
- 3) Semi-annual BTU measurements at the South Lybrook CDP, rather than annual BTU measurements at each individual well site.
- 4) Waiver of the temperature recording requirement on all wells making less than 200 mcf/d.
- 5) Allocation of liquid hydrocarbons based on the allocated gas sales.

Pursuant to the provisions outlined in Onshore Order No. 5, Measurement of Gas and NTL 92-5, Standards for Meters Measuring Low Gas Volumes, you are hereby authorized to measure natural gas and associated liquid hydrocarbons in accordance with the procedures requested in your application. The following are conditions of this approval:

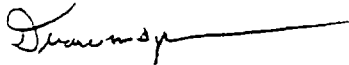
- Allocation methodology must be made on an MMBTU basis. By May 1, 1999, file a report of well head versus allocated volumes and MMBTUs for each well under this approval
- Unless waived herein, measurement of gas and associated liquid hydrocarbons at both the well sites and the central delivery point must be conducted in accordance with the requirements outlined in Onshore Order No. 4, Site Security, Onshore Order No. 5, Gas Measurement, and Onshore Order No. 5, Gas Measurement.
- In order to prevent waste and conserve natural gas, periodic review of each well's venting procedures must be conducted in accordance with the requirements outlined in NTL-ADO-93-1.

- No other wells can be added to this system of measurement without the prior approval of this office.
- Contact this office in the event of any lost hydrocarbons between the lease and the central delivery point.
- Provide evidence or demonstrate that the South Lybrook Gas Gathering System has adequate mechanical integrity

Failure to operate this facility in accordance with the conditions outlined above may subject this approval to revocation. In addition, this office reserves the right to rescind this approval should future evaluation of this method of measurement indicate that federal royalties would be reduced.

Attached is a list of the wells recognized as contributing to the South Lybrook Gas Gathering System. If you have any questions regarding the above, contact Jim Lovato at (505) 599-6367.

Sincerely,



Duane Spencer
Team Leader, Petroleum Management Team

Attachment (List of Contributing wells)

**South Lybrook Gas Gathering System
Well List**

<u>Well Name and No.</u>	<u>Lease No.</u>	<u>Formation</u>	<u>Location</u>
Federal B 2	NM6682	Gallup	SWNE 34-23N-7W
Federal B 3	NM6682	Gallup	NWSE 34-23N-7W
Federal B 4	NM6682	Gallup	NWSW 34-23N-7W
Federal B 5	NM6682	Gallup	NWNW 34-23N-7W
Federal B 6	NM6682	Gallup	SWSW 27-23N-7W
Federal B 7	NM6682	Gallup	NENE 21-23N-7W
Federal C 1	NM6681	Gallup	SESE 31-23N-7W
Federal C 2	NM6681	Gallup	NESE 31-23N-7W
Federal C 3	NM6681	Gallup	SESW 31-23N-7W
Federal I 2	NM16586	Gallup	NESE 33-23N-7W
Federal I 3	NM16586	Gallup	SWSW 33-23N-7W
Federal I 4	NM16586	Gallup	SWNW 33-23N-7W
Federal I 5	NM16586	Gallup	SWNE 21-23N-7W
Federal I 8	NM16586	Gallup	SWNW 21-23N-7W
Federal I 9	3NM16586	Gallup	NWNE 21-23N-7W
Federal L 1	NM58878	Gallup	SWSE 28-23N-7W
Federal G 1	NM048989A	Gallup	NENE 2-22N-7W
Federal G 2	NM048989A	Gallup	NWNE 2-22N-8W
Federal A 1	NM10087	Gallup	SWNW 23-23N-7W
Federal B 8	NM6682	Gallup	NENW 22-23N-7W
Federal B 9	NM6682	Gallup	SWNW 22-23N-7W
Federal B 20	NM6682	Gallup	SENE 21-23N-7W
Federal B 23	NM6682	Gallup	NWSW 22-23N-7W
Alamito 2	State	Gallup	SESW 32-23N-7W
Alamito 3	State	Gallup	SWNW 32-23N-7W
Alamito 4	State	Gallup	SWNE 32-23N-7W
Federal B 10	NM6682	Gallup	NENE-22-23N-7W
Federal B 11	NM6682	Gallup	NWSE 22-23N-7W
Federal B 13	NM6682	Gallup	SESE 22-23N-7W
Federal B 22	NM6682	Gallup	NWSE 22-23N-7W
Federal B 12	NM6682	Gallup	SWSE 27-23N-7W
Federal B 14	NM6682	Gallup	NENE 27-23N-7W
Federal B 15	NM6682	Gallup	NESE 27-23N-7W
Federal B 21	NM6682	Gallup	SESW 22-23N-7W
Federal B 24	NM6682	Gallup	SWSE 22-23N-7W
Federal B-25	NM6682	Gallup	NESW 22-23N-7W
State K 1	State	Gallup	SESE 36-23N-7W