

CAMPBELL, CARR, BERGE

& SHERIDAN, P.A.

LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY

PATRICIA A. MATTHEWS
MICHAEL H. FELDEWERT

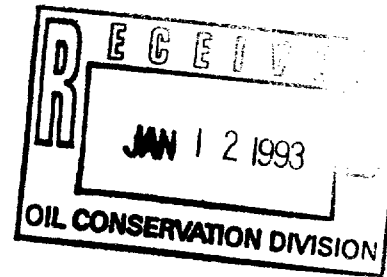
JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

January 12, 1993

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503



Case 10663

Re: Application of Union Oil Company of California d/b/a Unocal for the administrative downhole commingling procedure for the Rincon Unit, Rio Arriba County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the Application of Union Oil Company of California d/b/a Unocal in the above-referenced case as well as a copy of a legal advertisement. Unocal respectfully request that this matter be placed on the docket for the February 4, 1993 Examiner hearings.

Very truly yours,

WILLIAM F. CARR

WFC:mlh

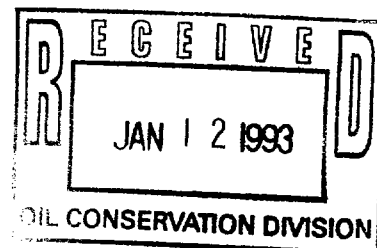
Enclosures

cc w/enclosures: Mr. Bill Irwin

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION
FOR THE PURPOSE OF CONSIDERING:



APPLICATION OF UNION OIL COMPANY
OF CALIFORNIA d/b/a UNOCAL, FOR AN
ADMINISTRATIVE DOWNHOLE COMMINGLING
PROCEDURE FOR THE RINCON UNIT,
RIO ARriba COUNTY, NEW MEXICO.

CASE NO. 10663

APPLICATION

UNION OIL COMPANY OF CALIFORNIA d/b/a UNOCAL ("Unocal"), through its undersigned attorneys, makes application to the New Mexico Oil Conservation Division for approval of an administrative procedure for the Rincon Unit to downhole commingle production from the Blanco-Mesaverde Gas Pool or the Largo-Gallup Pool or Undesignated Gallup production with production from the Basin-Dakota Gas Pool in the wellbores of existing and subsequently drilled wells within the Rincon Unit Area and in support thereof states:

1. Unocal is operator of the Rincon Unit which consists of 20,642.7 acres described as follows:

Township 26 North, Range 6 West, N.M.P.M.

Section 6: All

Township 27 North, Range 6 West, N.M.P.M.

Sections 16 through 23: All
Sections 26 through 32: All

Township 26 North, Range 7 West, N.M.P.M.

Sections 1 and 2:	All
Sections 11 and 12:	All

Township 27 North, Range 7 West, N.M.P.M.

Sections 13 and 14:	All
Section 15:	E/2
Section 22:	E/2
Sections 23 through 26:	All
Section 27:	NE/4, S/2
Section 28:	S/2
Sections 33 through 36:	All

and as identified on the Plat attached hereto as Exhibit "A".

2. Unocal seeks an administrative procedure for obtaining approval to downhole commingle Mesaverde or Gallup production with production from the Dakota formation within the Rincon Unit Area without notice and hearing.

3. Unocal has evaluated the potential to drill unit wells to the Gallup or Mesaverde formation as single completions, as dual completions with the Dakota formation or as downhole commingled completions with the Dakota formation.

4. The only economic option available to Unocal is the downhole commingling of production from the Mesaverde or Gallup formations with Dakota production so the gas production from the Dakota can aid in lifting production from the Mesaverde and Gallup formations.

5. In accordance with Division Rule 103 C 1(b), Unocal states it will demonstrate at hearing:

a. The proposed commingling is necessary to permit the Gallup and Mesaverde formations to be produced because it is not economically feasible to attempt to drill and complete separate wells for Gallup or Mesaverde production.

b. There will be no cross-flow between the commingled zones.

c. The ownership in each of the participating areas in this unit is not common, but the ownership interest in each of the pools has been fully committed to the Rincon Unit. In addition as a result of the ratification of the Rincon Unit Agreement by all working interest and royalty interest owners, the parties entitled to share in the production in the participating areas established for each of the subject pools have contractually agreed on how they will participate and share in that production. Accordingly, no impairment of correlative rights will occur.

d. It is expected the bottomhole pressure of the lower pressure zones is not less than 50% of the bottomhole pressure of the higher pressure zone adjusted to a common datum.

e. The value of the commingled production will not be less than the sum of the values of production from the individual formations.

6. Applicant seeks the approval of an allocation formula for the equitable distribution of production between the downhole commingled pools based upon separate production tests of each zone prior to commingling.

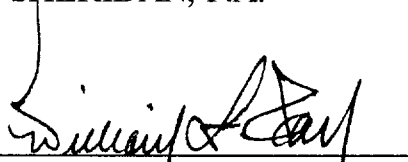
7. Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for February 4, 1993.

8. Copies of this application have been sent to all offsetting operators and to the owners of interest in the affected production within the Rincon Unit.

WHEREFORE, Union Oil Company of California d/b/a Unocal requests that this matter be set for hearing before a duly appointed Examiner of the Oil Conservation Division on February 4, 1993 and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 

WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR UNION OIL
COMPANY OF CALIFORNIA
d/b/a UNOCAL

CASE _____: Application of Union Oil Company of California d/b/a Unocal for an administrative downhole commingling procedure within the Rincon Unit Area, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval to commingle gas production from the Blanco-Mesaverde Gas Pool or the Largo-Gallup Gas Pool or Undesignated Gallup production with production from the Basin-Dakota Gas Pool in the wellbores of existing and subsequently drilled wells within the Rincon Unit Area located in portions of Township 26 and 27 North, Ranges 6 and 7 West. Said Unit is located approximately 24 miles southeast by east of Blanco, New Mexico.