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October 23, 1990

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

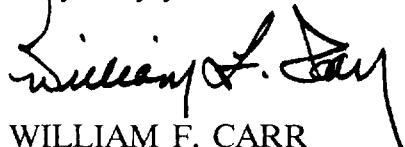
Re: Case No. 9930
Amended Application of Union Oil Company of California for Amendment
of Order No. R-6375 to Allocate Production Between Zones Downhole
Commingled in the Rincon Unit Well No. 164, Rio Arriba County, New
Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the Amended Application of Union Oil Company of California in the above-referenced case. Union Oil Company of California respectfully requests that this matter be included on the docket for the Examiner hearings scheduled for November 14, 1990.

Your attention to this matter is appreciated.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosures

cc w/enclosures: Mr. George Bennett
Mr. Bill Hering
Union Oil Company of California
Post Office Box 3100
Midland, Texas 79702

W. Perry Pearce, Esq.

"Hand-Delivered"

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF UNION OIL COMPANY OF CALIFORNIA
FOR AMENDMENT OF ORDER R-6375 TO
ALLOCATE PRODUCTION BETWEEN ZONES
DOWNHOLE COMMINGLED IN THE
RINCON UNIT WELL NO. 164,
RIO ARRIBA COUNTY, NEW MEXICO.

CASE NO. 10195

**AMENDED
APPLICATION**

UNION OIL COMPANY OF CALIFORNIA, hereby makes application to the Oil Conservation Division ("Division") for Amendment of Division Order R-6375 to provide for allocation of downhole commingled production from the Dakota and Gallup formations in the Rincon Unit Well No. 164, located in Unit L of Section 2, Township 26 North, Range 7 West, N.M.P.M., Rio Arriba County, New Mexico and in support thereof states:

1. By Order R-6375 entered in Case No. 6909 on June 18, 1980, the Division authorized El Paso Natural Gas Company ("El Paso") to downhole commingle Basin-Dakota and Largo-Gallup production within the wellbore of the Rincon Unit Well No. 164 and, further directed El Paso to consult with the Supervisor of the Aztec District Office of the Division to determine an allocation formula for the allocation of production to each zone in the subject well. A copy of Order R-6375 is attached hereto as Exhibit "A".

2. The District Supervisor of the Division's Aztec Office, by letter dated February 13, 1981, determined that 69% of the gas production and 87% of the oil production from the Rincon Unit Well No. 164 should be allocated to the owners of the Gallup formation and 31% of the gas production and 13% of the oil production should be allocated to the owners of the Dakota formation. A copy of the District Supervisor's February 13, 1981 letter is attached hereto as Exhibit "B".

* 3. While El Paso operated the Rincon Unit Well No. 164, payments were made by El Paso to the owners of production from the well but the production was not allocated between zones in accordance with the formula set forth in the February 13, 1981 letter from the Division.

4. Unocal took over operation of this well in 1986 and has made payment based on the allocation formula prescribed by the District Supervisor's February 13, 1981 letter.

5. To resolve questions concerning the proper allocation of production between the Basin-Dakota and Largo-Gallup Pools in the Rincon Unit Well No. 164 and to enable the operator of the well to correctly allocate production between these commingled zones, Order R-6375 should be amended to establish a proper allocation formula.

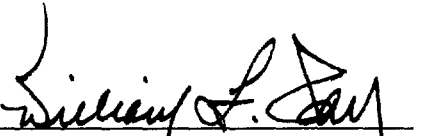
6. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Union Oil Company of California hereby requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on November 14, 1990 and that, after notice and hearing as prescribed by law,

the Division enter its Order establishing the proper allocation of the production which is downhole commingled in the wellbore of the Rincon Unit Well No. 164 from the Basin-Dakota and the Gallup-Largo Pools.

Respectfully submitted,

CAMPBELL & BLACK, 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

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

CASE NO. 6909
Order No. R-6375

APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR DOWNHOLE COMMINGLING,
RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 4, 1980,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 18th day of June, 1980, the Division
Director, having considered the testimony, the record, and
the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Division has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, El Paso Natural Gas Company, is
the owner and operator of the Rincon Unit Well No. 164,
located in Unit L of Section 2, Township 26 North, Range 7
West, NMPM, Rio Arriba County, New Mexico.

(3) That the applicant seeks authority to commingle
Basin-Dakota and Largo-Gallup production within the wellbore
of the above-described well.

(4) That from the Basin-Dakota zone, the subject well
is capable of low marginal production only.

(5) That from the Largo-Gallup zone, the subject well is
expected to be capable of low marginal production only.

(6) That the proposed commingling may result in the
recovery of additional hydrocarbons from each of the subject
pools, thereby preventing waste, and will not violate correla-
tive rights.

(7) That the reservoir characteristics of each of the subject zones are such that underground waste would not be caused by the proposed commingling provided that the well is not shut-in for an extended period.

(8) That to afford the Division the opportunity to assess the potential for waste and to expeditiously order appropriate remedial action, the operator should notify the Aztec district office of the Division any time the subject well is shut-in for 7 consecutive days.

(9) That in order to allocate the commingled production to each of the commingled zones in the wells, applicant should consult with the supervisor of the Aztec district office of the Division and determine an allocation formula for each of the production zones.

(10) That the Division should reserve the right to rescind the authority for downhole commingling of the subject zones in the subject well if the reservoir and producing characteristics of the Gallup zone prove to be incompatible with the Dakota zone and waste would be prevented by such rescission.

IT IS THEREFORE ORDERED:

(1) That the applicant, El Paso Natural Gas Company, is hereby authorized to commingle Basin-Dakota and Largo-Gallup production within the wellbore of the Rincon Unit Well No. 164, located in Unit L of Section 2, Township 26 North, Range 7 West, NMPM, Rio Arriba County, New Mexico.

(2) That the applicant shall consult with the Supervisor of the Aztec district office of the Division and determine an allocation formula for the allocation of production to each zone in the subject well.

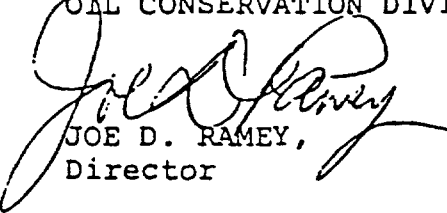
(3) That the operator of the subject well shall immediately notify the Division's Aztec district office any time the well has been shut-in for 7 consecutive days and shall concurrently present to the Division, a plan for remedial action.

(4) That the Division reserves the right to rescind the commingling authority herein contained if the reservoir and producing characteristics of the Gallup zone in the subject well are incompatible to inefficient commingling of said zone with the Basin Dakota Pool and if it appears that waste will be prevented by such rescission.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JOE D. RAMEY,
Director

S E A L

dr/

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

February 13, 1981

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

El Paso Natural Gas Co.
P.O. Box 990
Farmington, N.M. 87401

Re: Production Allocation
Rincon Unit #164 L-2-26N-7W

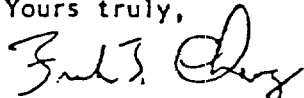
Gentlemen:

The recommended production allocation to the above well,
as per Order R-6375 will be accepted as follows:

	Gas	Oil
Gallup	69%	87%
Dakota	31%	13%

If you have any questions please contact this office.

Yours truly,



Frank T. Chavez
District Supervisor

Xc: Santa Fe

Exhibit B