

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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OIL CON. DIV.
DIST. 3
CASE NO. 8337
Order No. R-7749

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

APPLICATION OF SCHALK DEVELOPMENT
CO. FOR HARDSHIP GAS WELL CLASSIFICATION,
RIO ARriba COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on October 17, 1984, at Santa Fe, New Mexico, before Examiner Gilbert P. Quintana.

NOW, on this 19th day of December, 1984, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Schalk Development Co., seeks a determination that its Schalk 62 Well No. 1, located in Unit P of Section 33, Township 32 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

(3) The Schalk 62 Well No. 1 was completed in the Basin Dakota Pool in 1973, produced relatively small volumes of water until May, 1982, and thereafter experienced substantial increases in water production.

(4) When the well is shut in, extensive swabbing is required to return it to production.

(5) The applicant has tried unsuccessfully to utilize a plunger lift system in the well to remove the build-up of water in the wellbore.

(6) Reduction of the current tubing size in the well would be ineffective in obtaining better flow characteristics from the formation because of the high volumes of produced water needed to be lifted from the wellbore.

(7) Approximately \$15,000 has been expended in swabbing and treatment costs to restore the well to production. Production was interrupted because of loading up of water in the wellbore due to production curtailments by the pipeline.

(8) Evidence was presented to show that a substantial amount of remaining recoverable gas reserves may be lost if said well continues to be shut-in because of pipeline curtailments or further workovers.

(9) Production testing demonstrates that the Schalk 62 Well No. 1 should be produced at a rate of 35 MCFD in order to lift the water from the formation.

(10) Said well is currently not overproduced in the Basin-Dakota Pool, but should not be permitted to produce at a rate in excess of 35 MCFD should the well become overproduced in said pool and until such overproduction is made up.

(11) To prevent waste, applicant's Schalk 62 Well No. 1 should be designated a hardship gas well and be given priority access to the available market for gas.

(12) Such classification should be subject to the limitations described in Rule 412 of the Division's Rules and Regulations.

IT IS THEREFORE ORDERED THAT:

(1) The Schalk 62 Well No. 1 located in Unit P of Section 33, Township 32 North, Range 5 West, NMPM, Basin-Dakota Pool, Rio Arriba County, New Mexico, is hereby designated as a hardship gas well subject to the following terms and conditions:

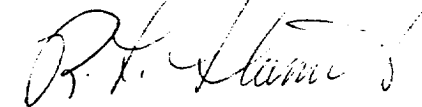
- (a) The well will be given priority access to the available gas market;
- (b) The well shall accumulate overproduction and underproduction but shall not be shut-in because of overproduction;
- (c) The minimum approved flow rate for the well shall be 35 MCFD;

- (d) The well shall not be produced at a rate in excess of 35 MCFD so long as it is overproduced on a cumulative basis;
- (e) The hardship classification shall be retained only through May 31, 1985, unless the operator obtains an extension thereof under the terms of Division Rule 412 A; and,
- (f) The well shall be subject to all terms and provisions of Division Rule 412.

(2) 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



R. L. STAMETS,
Director

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