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A. R. KENDRICK

P. O. Box 516
Aztec, New Mexico 87410

August 28, 2001

Ms. Lori Wrotenbery
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505



Re: Application for Downhole Commingling
Schalk Development Company
Schalk 94 #2A, 1020' FSL 1120' FEL, P-26-32N-8W, San Juan County
Albino-Pictured Cliffs Pool and Blanco-Mesaverde Pool
Federal Lease No. NM-6894

sf
Dear Ms. Wrotenbery:

Enclosed are Form C-107-A and supplemental documents as an application for authority to downhole commingle the production from the Albino-Pictured Cliffs Pool and the Blanco-Mesaverde Pool within the subject wellbore.

Based on the history of offset and other nearby Pictured Cliffs attempts, this will be a marginally economic operation. The intent is to attempt to produce the Pictured Cliffs gas while a viable wellbore exists.

Offset operators are being notified by Certified Mail at the same time as this application.

If there are questions, please contact me by phone or fax at (505) 334-2555.

Yours very truly,

A. R. Kendrick
Agent for Schalk Development Company

Enclosures as stated

cc: Oil Conservation Division, 1000 Rio Brazos Road, Aztec, NM 87410
Bureau of Land Management, 1235 La Plata Highway, Farmington, NM 87401
Burlington Resources Oil & Gas Company, P O Box 4289, Farmington, NM 87499-4289
Phillips Petroleum Company, 5525 Highway 64, Farmington, NM 87401
Schalk Development Company, P O Box 25825, Albuquerque, NM 87125

District I
1625 N. French Drive, Hobbs, NM 88240

District II
811 South First Street, Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-107A
Revised May 15, 2000

APPLICATION TYPE
☒ Single Well
☐ Establish Pre-Approved Pools
EXISTING WELLBORE
☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

Schalk Development Company, P O Box 25825, Albuquerque, NM 87125

Operator Address
Schalk 94 2A P-26-32N-8W San Juan
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 020389 Property Code _____ API No. 30-045-25279 Lease Type: ☒ Federal ☐ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	<u>Albino</u>		<u>Blanco</u>
	<u>Pictured Cliffs</u>		<u>Mesaverde</u>
Pool Code	<u>70120</u>		<u>72319</u>
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	<u>3544' to 3624'</u>		<u>5542' to 5998'</u>
Method of Production (Flowing or Artificial Lift)	<u>Flow</u>		<u>Flow</u>
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	<u>est 1300 psi</u>		<u>est 400 psi</u>
Oil Gravity or Gas BTU (Degree API or Gas BTU)	<u>est 1120</u>		<u>est 1220</u>
Producing, Shut-In or New Zone	<u>Producing</u>		<u>Producing</u>
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	<u>Production 6/01</u> Date: <u>Oil- 0 Bbl</u> Rates: <u>Gas-21 Mcf</u> <u>Wat-.1 Bbl</u>	Date: Rates:	<u>Estimate</u> Date: <u>Oil- 0 Bbl</u> Rates: <u>Gas-72 Mcf</u> <u>Wat-.1 Bbl</u>
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil <u>100%</u> Gas <u>18%</u>	Oil <u>%</u> Gas <u>%</u>	Oil <u>0 %</u> Gas <u>82 %</u>

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ☒ No _____
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes _____ No _____

Are all produced fluids from all commingled zones compatible with each other? Yes ☒ No _____

Will commingling decrease the value of production? Yes _____ No ☒

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands
or the United States Bureau of Land Management been notified in writing of this application? Yes ☒ No _____

NMOC Reference Case No. applicable to this well: _____

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE A.R. Kendrick TITLE Agent DATE August 28, 2001
TYPE OR PRINT NAME A.R. Kendrick TELEPHONE NO. (505) 334-2555

Attachments to Application for Downhole Commingling
Schalk Development Company
Schalk 94 #2A
P-26-32N-8W

Forms C-102 for each zone.

The Albino-Pictured Cliffs pool is a small pool, therefore a plat is enclosed.

The recommended gas production allocation formula is based on the averages of the values shown on the enclosed gas production plots for the latest 18 months for the Schalk 94 #2A (Mesaverde), P-26-32N-8W and the Schalk 94 #3 (Pictured Cliffs), M-26-32N-8W. The Pictured Cliffs rate from the new completion is not known; using this estimate cannot be exact, but should be close. $(1397 + 298 = 1695; 1397 \div 1695 = 82\%$, and $298 \div 1695 = 18\%)$

The Schalk 94 #3 is the nearest well completed in the Pictured Cliffs formation as shown by the Offset Wells plat. Most other Pictured Cliffs wells within two miles of the subject well have been abandoned.

Condensate production from either formation is expected to be minimal; therefore, any condensate production should be allocated to the Pictured Cliffs formation.

A plat showing the offset operators and proration units for Pictured Cliffs and Mesaverde wells is enclosed.

Also enclosed is a schematic of the proposed wellbore after downhole commingling.

It is believed that if cross-flow does occur, all the products can and will be produced from this wellbore.

It is believed that downhole commingling will be in the best interests of conservation and the prevention of waste.

Notification of this application is being forwarded to each offset operator by Certified Mail, plus the Bureau of Land Management, and the Aztec District Office of the Oil Conservation Division at the addresses on the enclosed list.

State of New Mexico
Energy, Minerals & Mining Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Form C-102

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-045-25278	Pool Code 70120	Pool Name Albino-Pictured Cliffs
Property Code	Property (Well) Name Schalk 94	Well Number 2A
OGRID No. 020389	Operator Name Schalk Development Company	Elevation 6636' GR

Surface Location

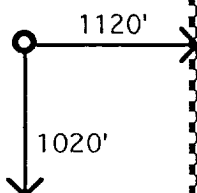
UL or Lot P	Sec. 26	Twp. 32N	Rge. 08W	Lot Idn.	Feet from > 1020	North/South South	Feet from > 1120	East/West East	County San Juan
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Bottom Hole Location If Different From Surface

UL or Lot	Sec.	Twp.	Rge.	Lot Idn.	Feet from >	North/South	Feet from >	East/West	County
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Dedication 160	Joint? N	Consolidation	Order No.
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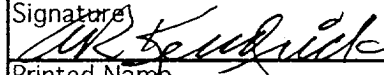
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

		NM-6894	
			

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature



Printed Name
A. R. Kendrick

Title
Agent

Date
8/27/01

SURVEYOR CERTIFICATION

I hereby certify that the well location on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey

Signature and Seal of
Professional Surveyor

Certificate Number

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

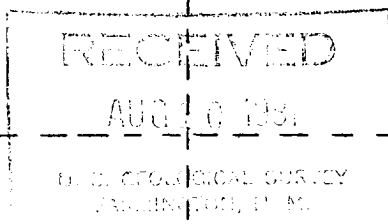
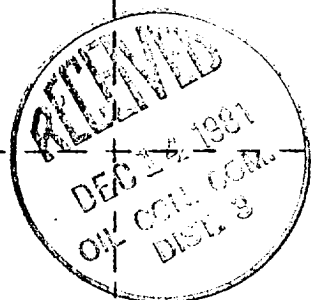
Operator Schalk Development Co.		Lease Schalk 94		Well No. 2-A	
Unit Letter P	Section 26	Township 32 North	Range 8 West	County San Juan	
Actual Footage Location of Well: 1020 feet from the South line and 1120 feet from the East line					
Ground Level Elev. 6636	Producing Formation Mesa Verde		Pool Blanco Mesa Verde		Dedicated Acreage: 5 320 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

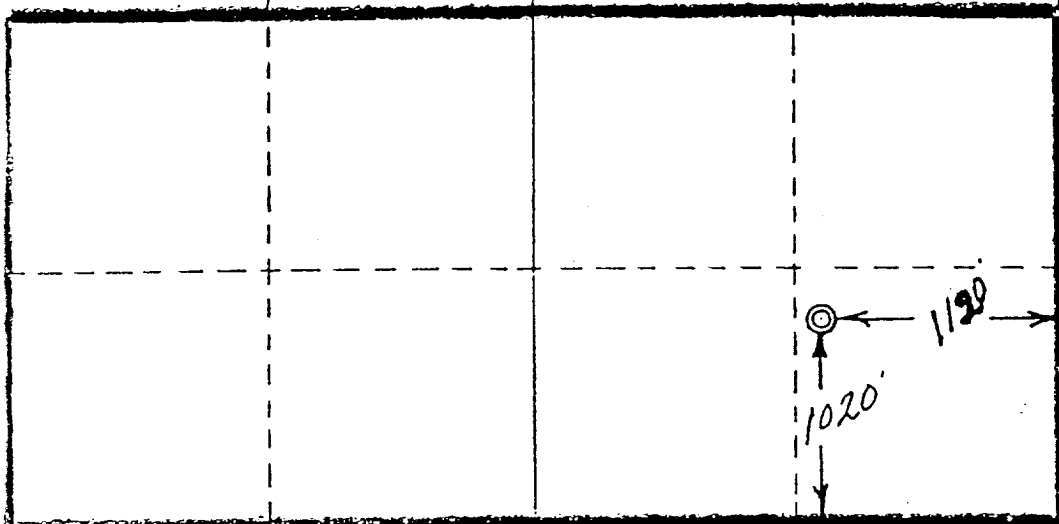
☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



Section 26



CERTIFICATION

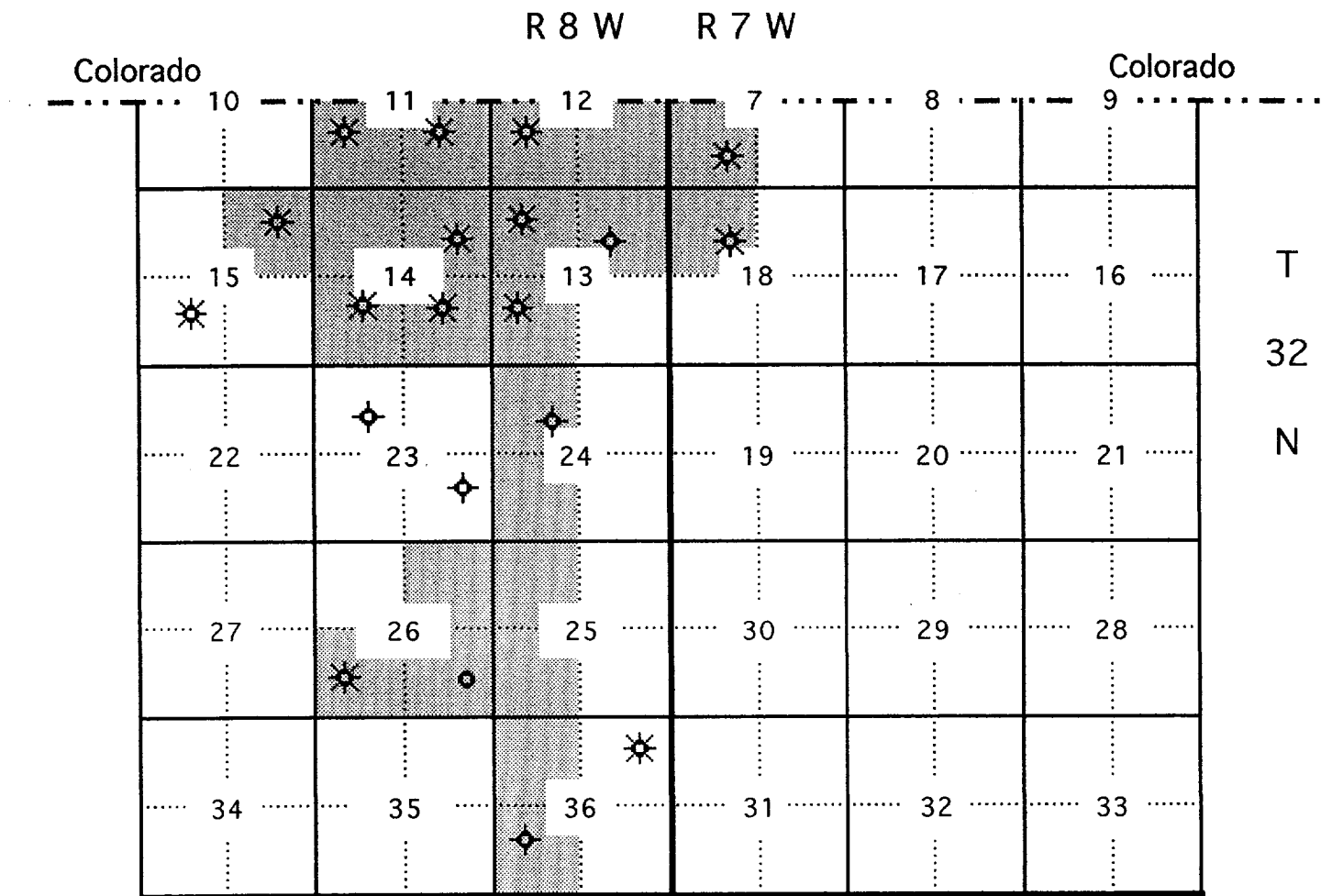
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name
John E. Schalk
Position
Managing Partner
Company
Schalk Development Co.
Date
July 31, 1981

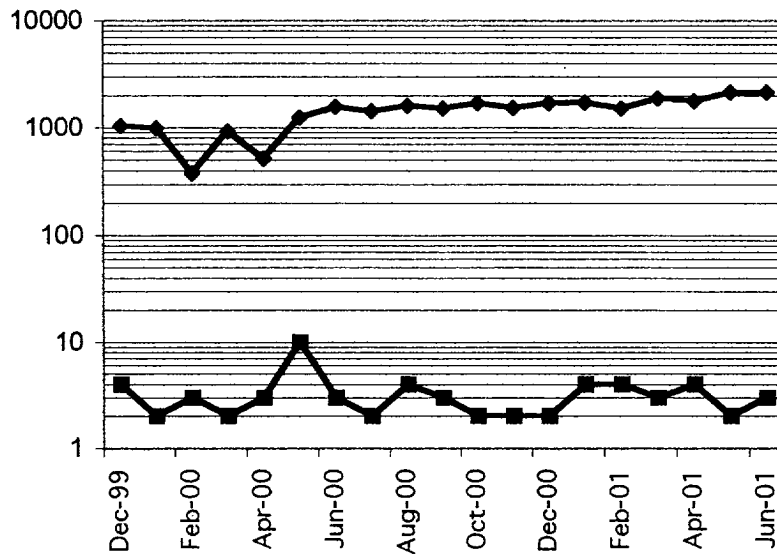
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
July 30, 1981
Registered Professional Engineer
3084
L. POTEET
STATE OF NEW MEXICO
Certification No. **58081**

Albino-Pictured Cliffs Pool



Schalk 94 #2A
P-26-32N-8W
Blanco-Mesaverde Pool



AVERAGES

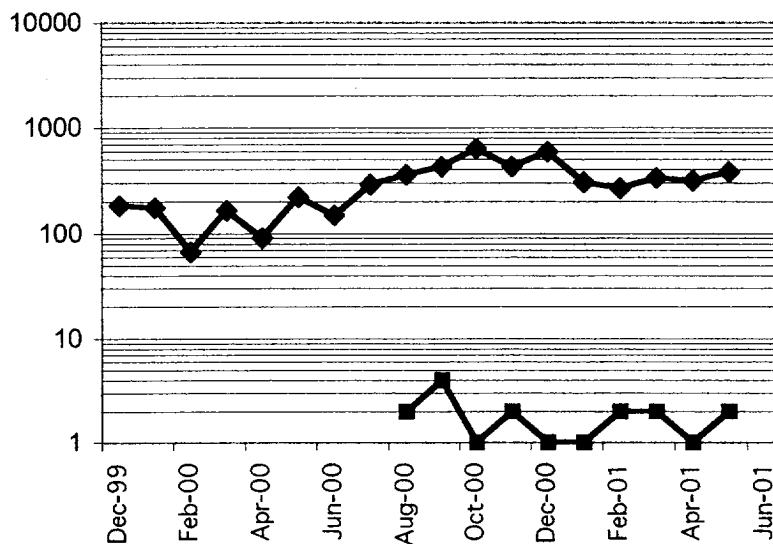
MESAVERDE

GAS
1397 MCF

WATER
3 BBL

CONDENSATE
ZERO

Schalk 94 #3
M-26-32N-8W
Albino-Pictured Cliffs Pool



PICTURED CLIFFS

GAS
298 MCF

WATER
2 BBL

CONDENSATE
ZERO

PROPOSED ALLOCATION FORMULAE

	Gas	Condensate	Water
Mesaverde:	82%	0.00%	60%
Pictured Cliffs:	18%	100%	40%

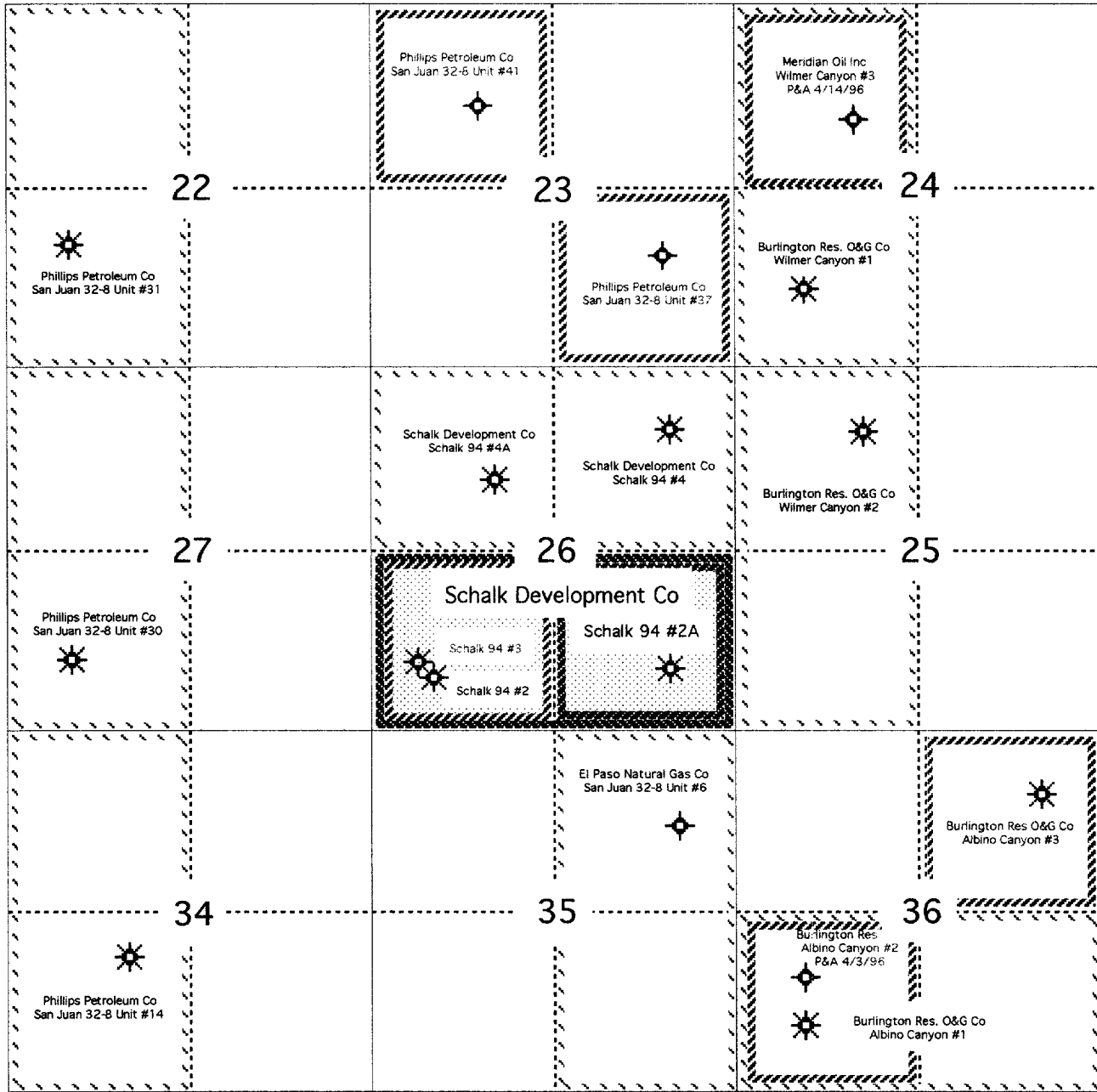
Offset Wells

Schalk 94 #2A Well
1020' FSL 1120' FEL, P-26-32N-08W



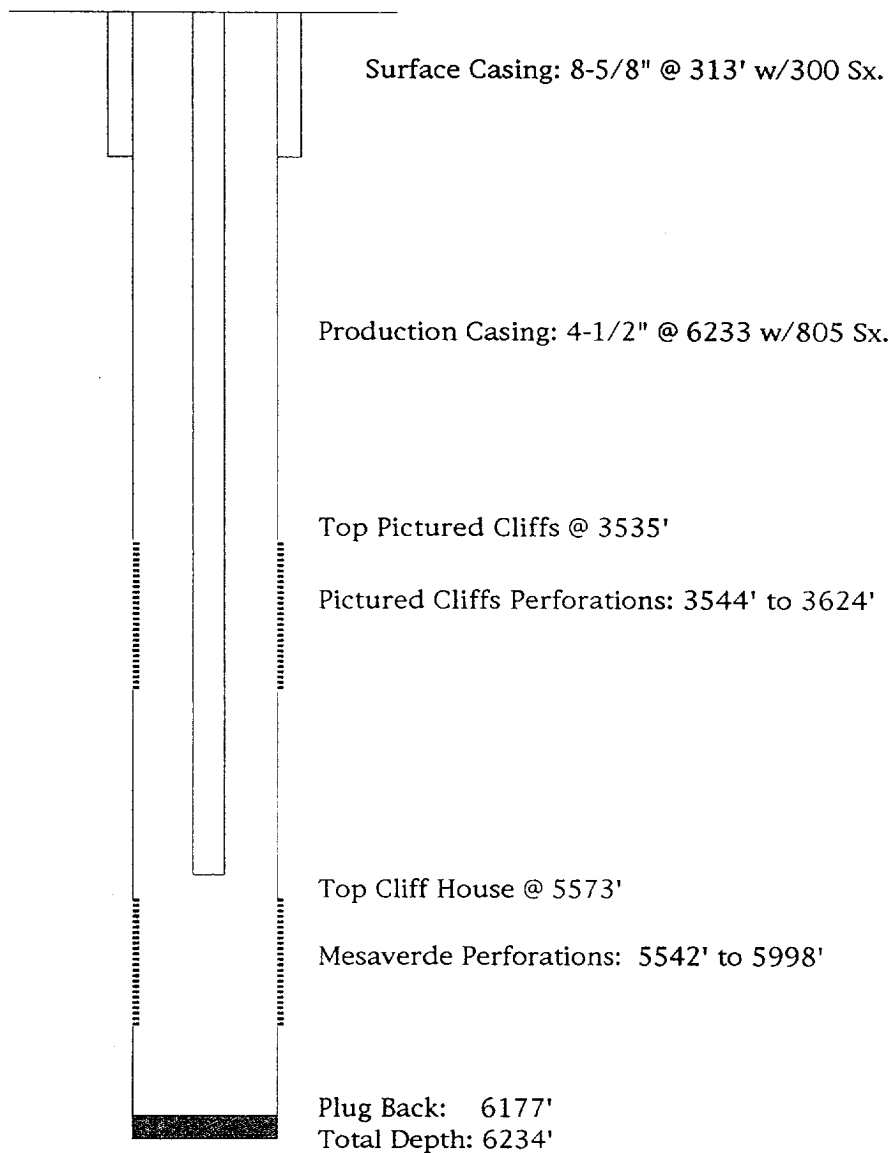
Pictured Cliffs Dedication
Mesaverde Dedication

R 8 W



T
32
N

Schematic
Schalk Development Company
Schalk 94 #2A
1020' FSL 1120' FEL 26-32N-08W



NOTICES SENT TO:

Burlington Resources Oil & Gas Company - via CERTIFIED MAIL
P O Box 4289
Farmington, New Mexico 87499-4289

Phillips Petroleum Company - via CERTIFIED MAIL
5525 Highway 64
Farmington, New Mexico 87401

Bureau of Land Management
1235 La Plata Highway
Farmington, New Mexico 87401

Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

Schalk Development Company
P O Box 25825
Albuquerque, New Mexico 87125