

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE No. 9096
Order No. R-6496-B

APPLICATION OF JOHN E. SCHALK FOR AN
EXCEPTION TO RULE 5(a)2(2) OF DIVISION
ORDER NO. R-8170, AS AMENDED, RIO
ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 4, 1987, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 2nd day of May, 1988, 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) At the time of the hearing Division Case Nos. 9096, 9097, 9098, 9099, 9100 and 9101 were consolidated for the purpose of testimony.

(3) Division Order No. R-6496, dated October 21, 1980 and affirmed by the Oil Conservation Commission by Order No. R-6496-A, dated February 9, 1981, authorized a 160-acre non-standard gas proration unit comprising the NE/4 of Section 8, Township 25 North, Range 3 West, NMPM, Blanco-Mesaverde Pool, Rio Arriba County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon.

(4) Subsequently, this acreage was dedicated to the Schalk Gulf Well No. 2 located 1725 feet from the North line and 1640 feet from the East line (Unit G) of said Section 8.

(5) The applicant, John E. Schalk, now seeks an exception to Rule 5(a)2(2) of the General Rules for the Prorated Gas Pools in New Mexico as promulgated by Division Order No. R-8170, as amended, permitting the application of a full deliverability factor in the formula utilized in determining the allowable in the Blanco- Mesaverde Pool for said non-standard gas spacing and proration unit.

(6) In utilizing the current formula for calculating gas allocations in the Blanco-Mesaverde Pool as contained in said Order No. R-8170, according to the testimony presented at the hearing there exists an inequity in that the gas allowable assigned a standard 320-acre proration unit (GPU) containing two wells is greater than the sum of the gas allowables assigned to two adjacent 160-acre non-standard gas proration units of equal deliverability.

(7) The effect of granting the application would be to substitute a deliverability (D) factor in place of the acreage times deliverability (AD) factor contrary to the applicable pool rules and would create other inequities in the pool.

(8) This particular variation of GPU sizes is a common phenomenon in the Blanco-Mesaverde Pool; therefore, a pool-wide rule change would be a more appropriate approach to solving this problem rather than filing exceptions in each case such as this.

(9) Granting this application would also invite numerous applications for similar treatment and would discourage rather than encourage the formation of standard 320-acre GPU's, all of which could disrupt the allocation of gas on an equitable basis in the pool.

(10) This application should therefore be denied.

IT IS THEREFORE ORDERED THAT:

(1) The application of John E. Schalk for an exception to Rule 5(a)2(2) of the General Rules for the Prorated Gas Pools of New Mexico as promulgated by Division Order No. R-8170, as amended, permitting the application of the well's deliverability multiplied by one (1.0) in the AD portion of the allowable formula for the 160-acre non-standard gas spacing and proration unit authorized by Division Order No. R-6496, as amended, comprising the NE/4 of Section 8, Township 25 North, Range 3 West, NMPM, Blanco-Mesaverde Pool, Rio Arriba County, New Mexico, and

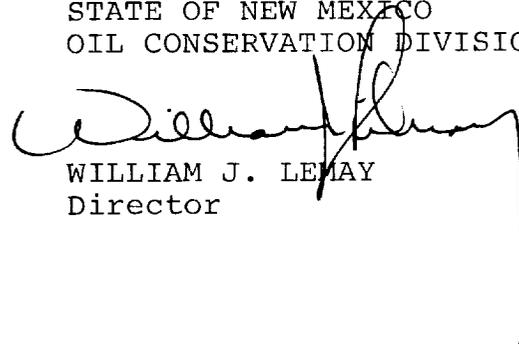
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dedicated to the Schalk Gulf Well No. 2 located 1725 feet from the North line and 1640 feet from the East line (Unit G) of said Section 8, is hereby denied.

(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



WILLIAM J. LEMAY
Director

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