

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Directional Drilling
- NSL NSP DD SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
- DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
- WFX PMX SWD IPI EOR PPR

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

A.R. KENDRICK
Print or Type Name

A.R. Kendrick
Signature

AGENT
Title

9/13/01
Date

PKRVO124836276

DHC

N/R

A. R. KENDRICK

P. O. Box 516
Aztec, New Mexico 87410

OIL CONSERVATION DIV.

~~SKK - [scribble]~~

August 28, 2001 AUG 30 PM 1:02

DHC-2955

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

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

A. R. KENDRICK
P. O. Box 516
Aztec, New Mexico 87410

September 18, 2001

By Electronic Facsimile to (505) 476-3462

Mr. Richard Ezeanyim
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Application for Downhole Commingling
Schalk Development Company (020389)
Schalk 94 #2A, API No. 30-045-25279
1020' FSL 1120' FEL, P-26-32N-08W, San Juan County
Albino-Pictured Cliffs Pool (70120) and Blanco-Mesaverde Pool (72319)

Dear Mr. Ezeanyim:

Please cause this ADMINISTRATIVE APPLICATION COVERSHEET to be attached to the subject application.

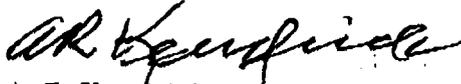
I realize that this is not the new ADMINISTRATIVE APPLICATION CHECKLIST as requested for the application - this what is available at the District Office in Aztec.

The copy Faxed to me was not usable.

The letter requiring these new forms was not sent to the people who file the applications - it was sent to a mailing-list of operators.

If further information is needed, please call or fax me at (505) 334-2555.

Yours very truly,



A. R. Kendrick

Encl.

DINE-2955

**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

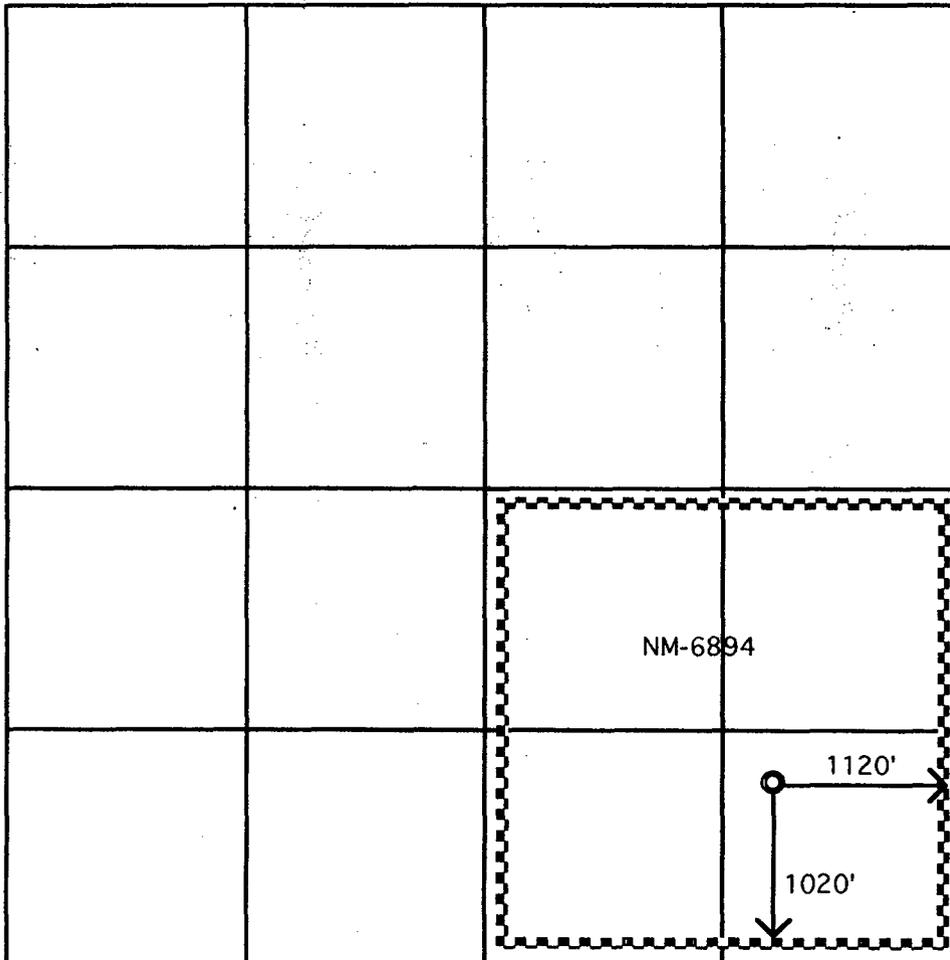
UL or Lot	Sec.	Twp.	Rge.	Lot Idn.	Feet from >	North/South	Feet from >	East/West	County
P	26	32N	08W		1020	South	1120	East	San Juan

Bottom Hole Location If Different From Surface

UL or Lot	Sec.	Twp.	Rge.	Lot Idn.	Feet from >	North/South	Feet from >	East/West	County

Dedication	Joint?	Consolidation	Order No.
160	N		

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



OPERATOR CERTIFICATION	
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
Signature	<i>A. R. Kendrick</i>
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 O-102
 Supersedes O-128
 Effective 1-1-85

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

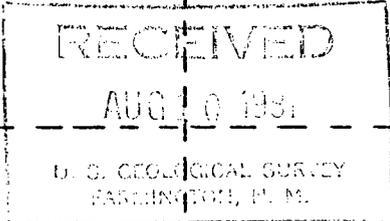
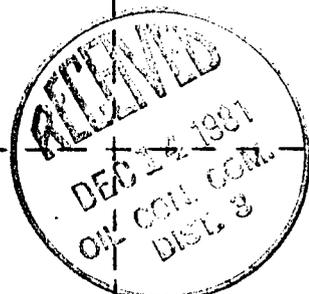
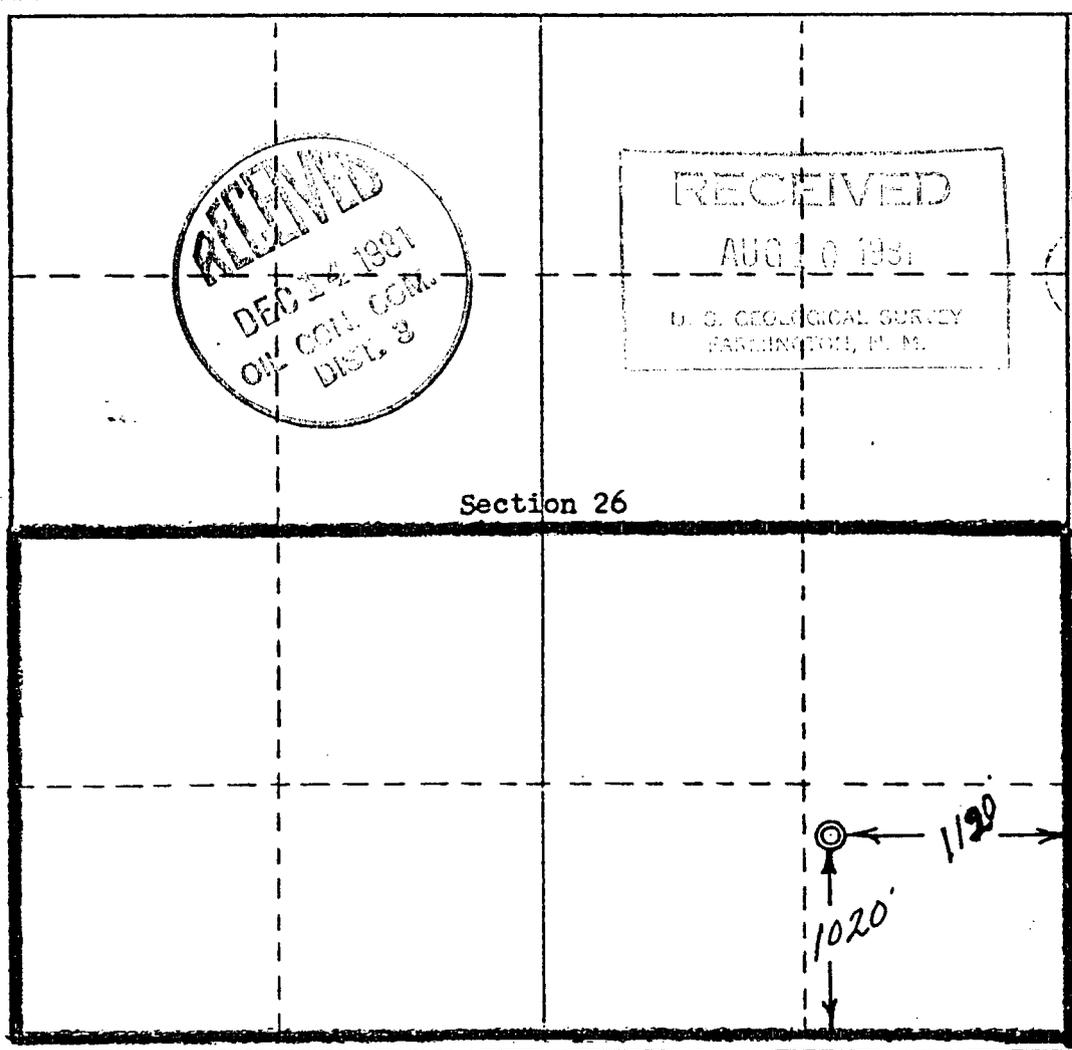
Operator Schalk Development Co.		Lease Schalk 94		Well No. 2-A
Unit Letter P	Section 26	Township 32 North	Range 8 West	County San Juan
Actual Footage Location of Well: 1020 feet from the South line and 1120 feet from the East line				
Ground Level Elev: 6636	Producing Formation Mesa Verde	Foot: Blanco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



CERTIFICATION

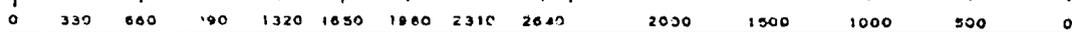
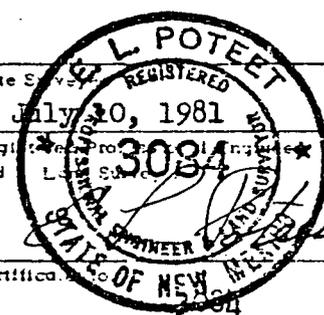
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

John E. Schalk

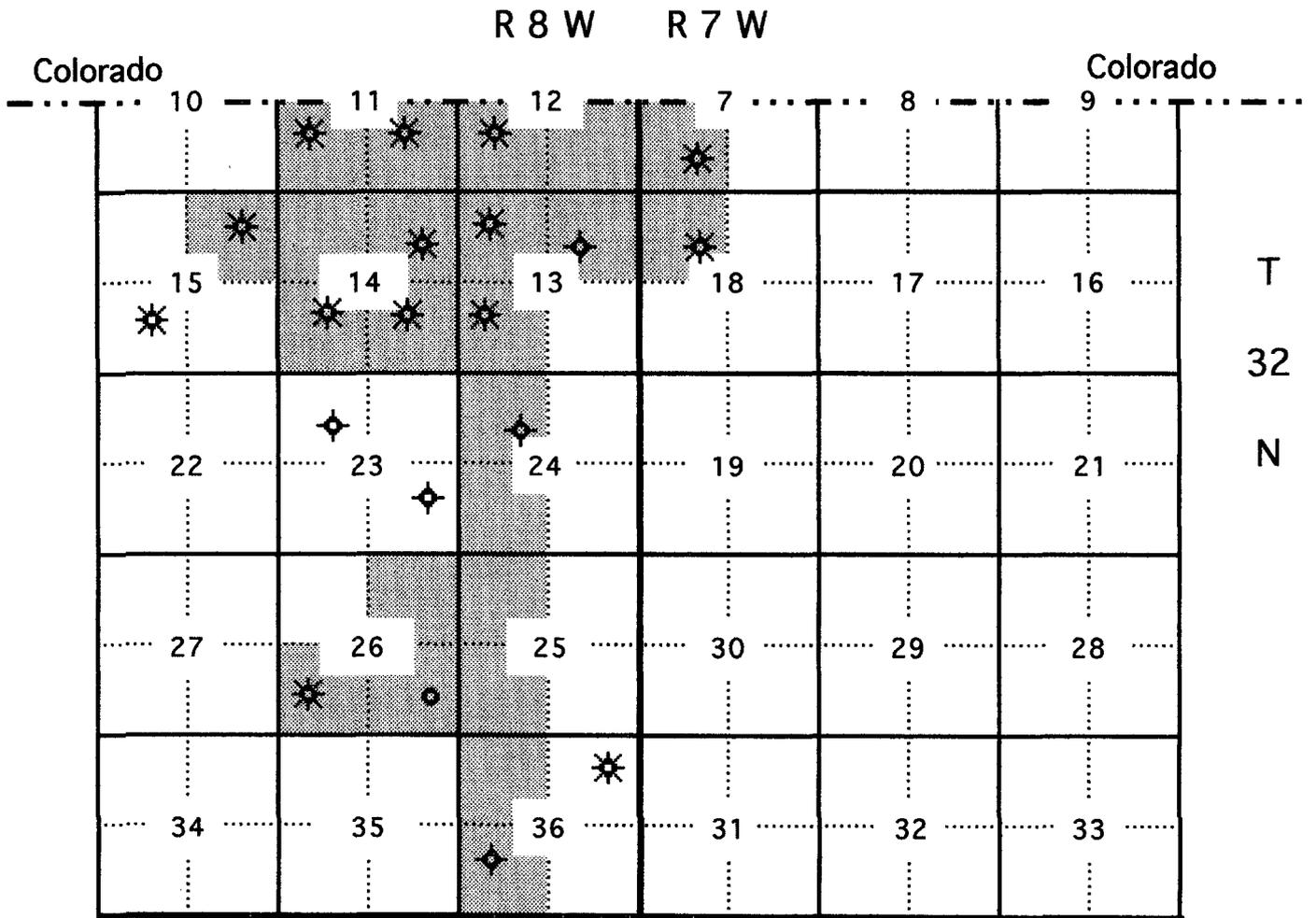
Name John E. Schalk
Position Managing Partner
Company Schalk Development Co.
Date July 31, 1981

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.

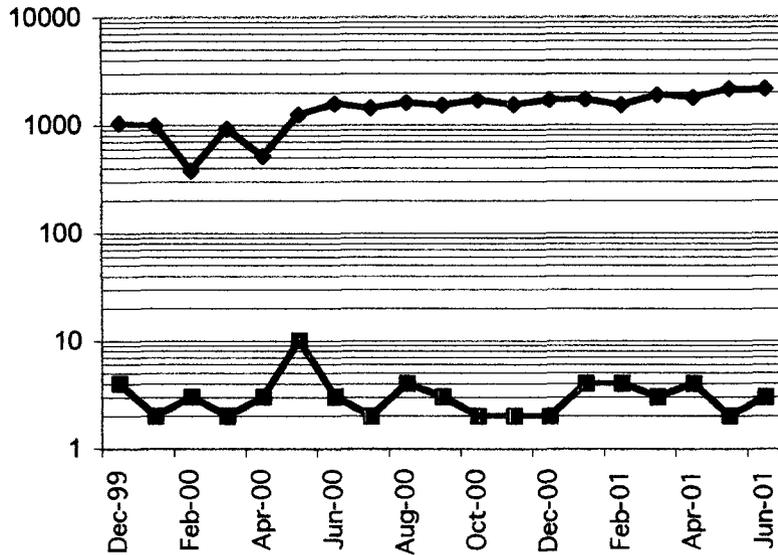
Date Surveyed July 30, 1981
Registered Professional Engineer 3084
Certification STATE OF NEW MEXICO



Albino-Pictured Cliffs Pool



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



AVERAGES

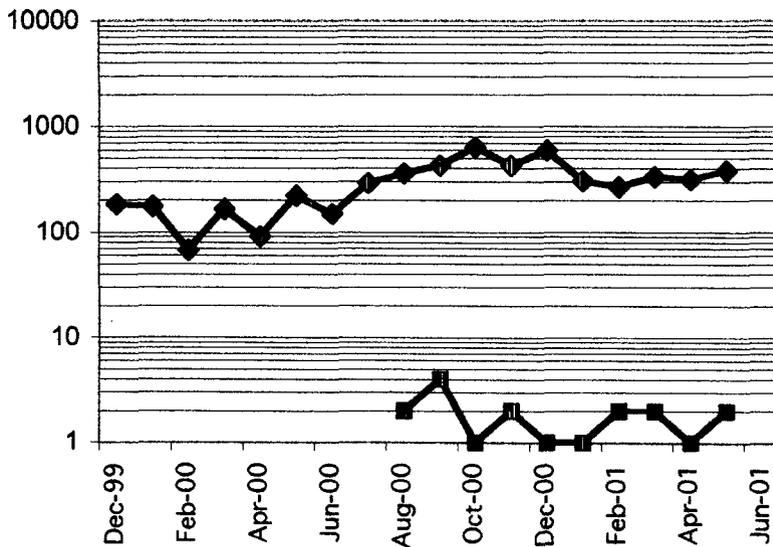
MESAVERDE

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

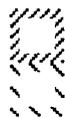
CONDENSATE
ZERO

PROPOSED ALLOCATION FORMULAE

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

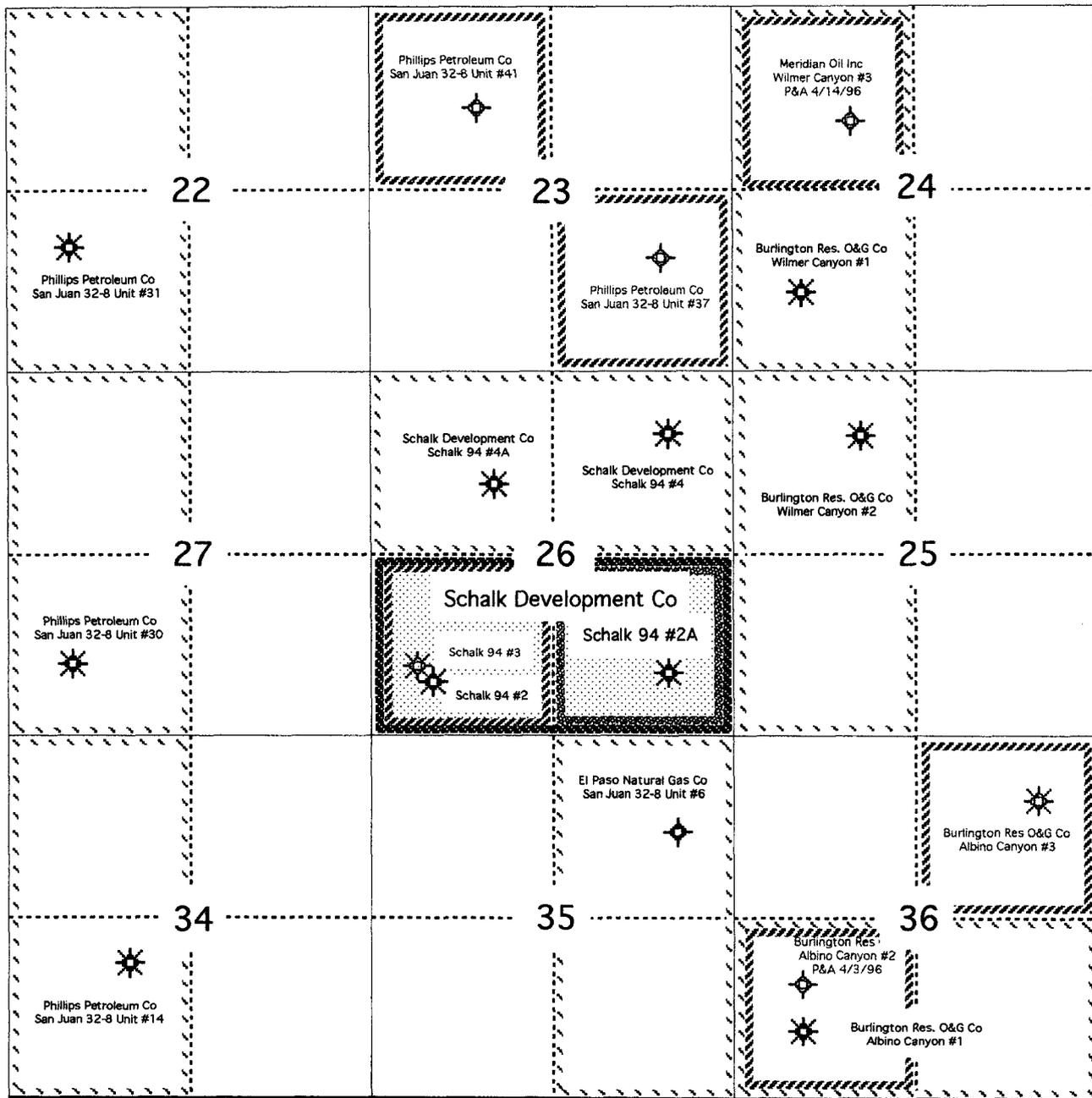
Offset Wells

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



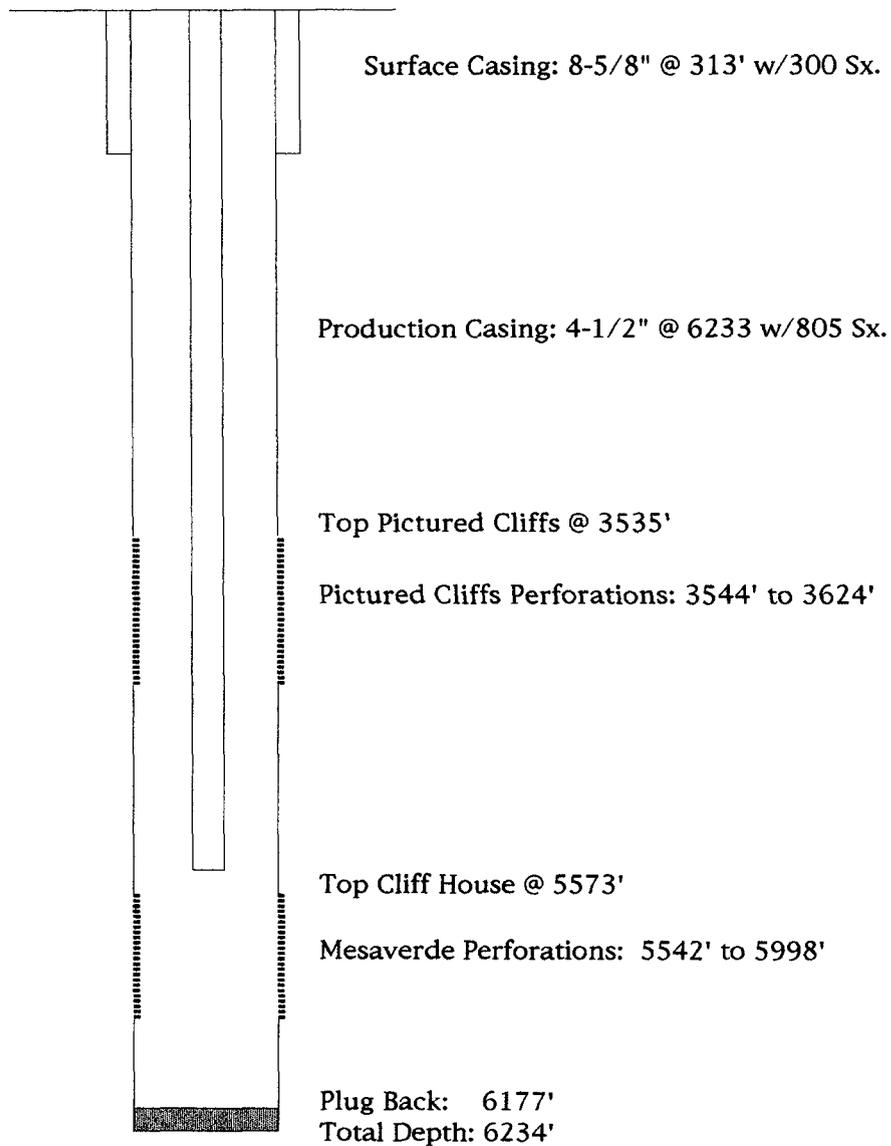
Pictured Cliffs Dedication
Mesaverde Dedication

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

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

A. R. KENDRICK
P. O. Box 516
Aztec, New Mexico 87410

Oil Div.

August 31, 2001

8:38

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

Dear Ms. Wrotenbery:

Enclosed are the Return Receipt Cards proving delivery of the copies of the subject application to the offset operators.

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

7 14

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. Addressee's Address

2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
Phillips Petroleum Co.
5525 Highway 64
Farmingington, NM 87401

4a. Article Number
7000 0520 0018 0515 1650

4b. Service Type

Registered Certified

Express Mail Insured

Return Receipt for Merchandise COD

5. Received By: (Print Name)
Kennel Wootenman

7. Date of Delivery
8-30-01

6. Signature: (Addressee or Agent)
Kennel Wootenman

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994 102595-98-B-0229 Domestic Return Receipt

Thank you for using Return Receipt Service.

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
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I also wish to receive the following services (for an extra fee):

1. Addressee's Address

2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
Burlington Resources O&G Co.
PO Box 4289
Farmingington, NM 87499-4289

4a. Article Number
7000 0520 0018 0515 1667 03

4b. Service Type

Registered Certified

Express Mail Insured

Return Receipt for Merchandise COD

5. Received By: (Print Name)
Judith Bee

7. Date of Delivery
8-30-01

6. Signature: (Addressee or Agent)
Judith Bee

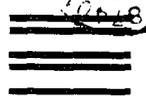
8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994 102595-98-B-0229 Domestic Return Receipt

Thank you for using Return Receipt Service.

UNITED STATES POSTAL SERVICE

9711
 2001
 AUG 30 2001

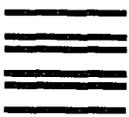


First-Class Mail
 Postage & Fees Paid
 USPS
 Permit No. G-10

Print your name, address, and ZIP Code in this box ●

A. Kendrick
P.O. Box 516
Aztec, NM 87410-0516

UNITED STATES POSTAL SERVICE



First-Class Mail
 Postage & Fees Paid
 USPS
 Permit No. G-10

Print your name, address, and ZIP Code in this box ●

A R Kendrick
Box 516
Aztec, NM 87410-0516