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September 14, 1999

Via Fax

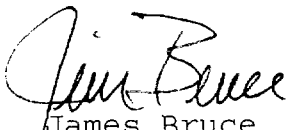
Florene Davidson
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Call 1258

Dear Florene:

Enclosed are an application for an exception to the special rules for the Blanco-Mesaverde Gas Pool, together with a proposed advertisement, filed on behalf of Schalk Development Co. Please set this matter for the October 7, 1999 Examiner hearing. I will deliver the originals tomorrow. Thank you.

Very truly yours,


James Bruce

Attorney for Schalk Development Co.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SCHALK DEVELOPMENT
CO. FOR AN EXCEPTION TO THE WELL
DENSITY REQUIREMENTS OF DIVISION
ORDER NO. R-10987-A TO PERMIT TWO
BLANCO-MESAVERDE GAS POOL WELLS
IN THE SAME QUARTER-QUARTER SECTION,
RIO ARriba COUNTY, NEW MEXICO.

No. 1253

APPLICATION

Schalk Development Co. applies for an exception to the well density requirements of Division Order No. R-10987-A, and in support thereof, states:

1. Applicant is the operator of the E½ of Section 2, Township 30 North, Range 5 West, N.M.P.M., Rio Arriba County, New Mexico, as to the Blanco-Mesaverde Gas Pool.

2. Applicant is the operator of the Schalk 54 Well No. 2, which is completed in and producing from the Blanco-Mesaverde Gas Pool at an orthodox gas well location 1650 feet from the south line and 790 feet from the east line (Unit I) of Section 2. The E½ of Section 2 is dedicated to the well.

3. Applicant is also operator of the Schalk 54 Well No. 1E, located 1760 feet from the south line and 965 feet from the east line (Unit I) of Section 2. The well produced from the Basin-Dakota Gas Pool until recently, with the E½ of Section 2 dedicated to the well.

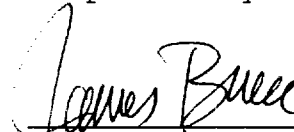
4. Applicant proposes to produce both of the above-described wells from the Blanco-Mesaverde Gas Pool, with the E½ of Section 2 dedicated thereto.

5. The special rules for the Blanco-Mesaverde Gas Pool, set forth in Division Order No. R-10987-A, require that wells be located in different quarter-quarter sections within a well unit, and applicant requests an exception to this rule.

6. Approval of two Blanco-Mesaverde Gas Pool wells in Unit I of Section 2, with the E½ of Section 2 dedicated thereto, will prevent waste and protect correlative rights.

WHEREFORE, applicant requests that the Division enter its order approving the relief requested above.

Respectfully submitted,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in dark ink and is positioned above a horizontal line.

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Schalk Development Co.

PROPOSED ADVERTISEMENT

CASE 12258: APPLICATION OF SCHALK DEVELOPMENT CO. FOR AN EXCEPTION TO THE WELL DENSITY REQUIREMENTS OF DIVISION ORDER NO. R-10987-A TO PERMIT TWO BLANCO-MESAVERDE GAS POOL WELLS IN THE SAME QUARTER-QUARTER SECTION, RIO ARRIBA COUNTY, NEW MEXICO. The applicant requests an exception to the special rules for the Blanco-Mesaverde Gas Pool to permit the Schalk 54 Well No. 1E and Schalk 54 Well No. 2, both located in Unit I of Section 2, Township 30 North, Range 5 West, N.M.P.M., to produce from the Blanco-Mesaverde Gas Pool. The E½ of Section 2 will be dedicated to the wells. The unit is located approximately _____ miles _____ of _____.