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November 2, 1984

Mr. Gilbert Quintana
Oil Conservation Division
P. O. Box 2208
Santa Fe, New Mexico 87501

RECEIVED

Re: Case 8337
Schalk Development Company
Hardship Gas Well Classification
Schalk 62 #1 Well

NOV 8 1984

OIL CONSERVATION DIVISION

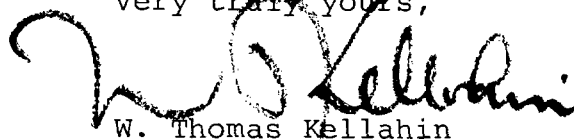
Dear Mr. Quintana:

On October 17, 1984, when we presented the referenced case to you for consideration, you requested that we submit a proposed order. Please find that proposed order enclosed.

In addition, you requested additional information from Mr. Kendrick which I have obtained and is attached to his letter to you dated October 22, 1984, which is also enclosed.

Please call me if you need anything further.

Very truly yours,



W. Thomas Kellahin

WTK:ca
Enc.

cc: A. R. Kendrick
P. O. Box 516
Aztec, New Mexico 87410

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

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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OCT 2 1984

OIL CONSERVATION DIVISION

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

CASE NO. 8337
ORDER NO. R-

APPLICATION OF SCHALK DEVELOPMENT
COMPANY 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 ____ day of October, 1984, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Schalk Development Company seeks a determination that its Schalk 62 Well No. 1 located in Unit P of Section 33, Township 33 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) That said Schalk 62 well No. 1 was completed in 1973, produced relatively small volumes of water until May, 1982, when it was shut-in for approximately seven days as a result of the pipeline purchaser, Northwest Pipeline, repair of a dehydrator, and thereafter experienced substantial increases in water production.

Case No. 8337
Order No. R-

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

(5) That the applicant has tried a plug or lift in the well to obtain better flow characteristics from the formation without success.

(6) That the Applicant has expended between \$13,700 and \$15,000 in swabbing costs and treatments to restore production to the well after its ability to produce has been curtailed by the pipeline.

(7) That the applicant is the operator of the Schalk 63 Well No. 1 located in Unit M of Section 34, T32N, R5W, NMPM, a Basin Dakota well that is the immediate eastern offset to the subject Well 62 No. 1.

(8) That the applicant expended in excess of \$114,000 from May, 1978, to December, 1982, in an attempt to swabb back and otherwise restore production when that wells' ability to produce into the pipeline was curtailed by Northwest Pipeline.

(9) That despite the best efforts of the applicant, the Schalk 63 Well No. 1 eventually could not be restored to production and gas reserves in the Basin Dakota pool that otherwise would have been produced were lost.

(10) That the evidence established that it is reasonably probable that the Schalk 62 Well No. 1 will also fail to produce and that it is reasonable to assume that approximately 278,620 MCF of remaining recoverable gas reserves will be lost that otherwise could have been produced.

(11) That the applicant has made a reasonable effort to rectify the fluid problem in the subject well without success.

(12) That further swabbing of the well or attempts to rectify the problem mechanically are unwarranted.

(13) That offset operators and Northwest Pipeline have been provided with notice of this application and no interested party has objected.

(14) That the production rate versus cumulative production plot indicates that the probable recoverable

Case No. 8337
Order No. R-

reserves could be reduced from approximately 278,000 Mcf to 10,000 Mcf if the hardship gas well classification is not granted.

(15) That production testing demonstrates that the Schalk 62 well No. 1 should be produced daily for approximately 3-4 hours at a minimum rate of 50-60 MCF/day in order to avoid having the well log off.

(16) That to prevent waste, applicants Schalk 62 Well No. 1 should be designated a hardship gas well and be given priority access to the available market for gas.

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

IT IS THEREFORE ORDERED:

(1) The the Schalk Development Company 62 Well No. 1 located in Unit F of Section 33, Township 32 North, Range 5 West, NMPM, Basin Dakota Gas 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 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 50 MCFD;

(d) The well shall not be produced at a rate in excess of 100 MCFD;

(e) The well shall be produced a minimum of 4 hours daily, seven days a week;

(f) The hardship classification shall be retained only through _____, unless the operator obtains an extension thereof under the terms of Division Rule 412 A; and,

Case No. 8337
Order No. R-

(g) The well shall be subject to all terms and provisions of Division Rule 412.

(2) That 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

RICHARD L. STAMETS
Acting Director

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