

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 11,655

APPLICATION OF MARALO, INC., FOR A)
NONSTANDARD GAS PRORATION UNIT AND AN)
UNORTHODOX GAS WELL LOCATION,)
LEA COUNTY, NEW MEXICO)

ORIGINAL

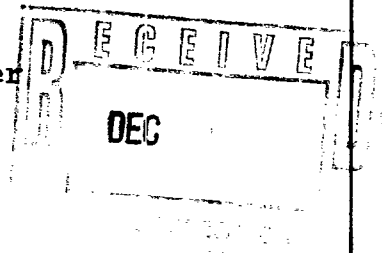
REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

December 19th, 1996

Santa Fe, New Mexico



This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, December 19th, 1996, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

December 19th, 1996
 Examiner Hearing
 CASE NO. 11,655

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REPORTER'S CERTIFICATE

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit A	4	5
Exhibit B	4	5
Exhibit C	4	5

* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
 Attorney at Law
 Legal Counsel to the Division
 2040 South Pacheco
 Santa Fe, New Mexico 87505

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE and SHERIDAN, P.A.
 Suite 1 - 110 N. Guadalupe
 P.O. Box 2208
 Santa Fe, New Mexico 87504-2208
 By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 8:26 a.m.:

3 EXAMINER CATANACH: At this time we'll call Case
4 11,655.

5 MR. CARROLL: Application of Maralo, Inc., for a
6 nonstandard gas proration unit and an unorthodox gas well
7 location, Lea County, New Mexico.

8 EXAMINER CATANACH: Are there appearances in this
9 case?

10 MR. CARR: May it please the Examiner, my name is
11 William F. Carr with the Santa Fe law firm Campbell, Carr,
12 Berge and Sheridan. We represent Maralo, Inc., in this
13 matter.

14 As you will recall, four weeks ago this case was
15 presented to you. This involves a nonstandard proration
16 unit comprised of the south half of the northwest quarter
17 and the north half of the southwest quarter of Section 16,
18 Township 18 South, Range 35 East, and an unorthodox well
19 location.

20 At the time of the Examiner hearing in early
21 November, there were three matters that you requested
22 Maralo pursue. The first concerned negotiations with other
23 parties in the west half of that spacing unit, primarily
24 Devon, the principal owner in that acreage.

25 Those negotiations have been conducted, and I do

1 have a letter reflecting an agreement to form a west-half
2 unit with -- working-interest unit with that Devon. Swift,
3 the other principal owner, has agreed to this, and they are
4 now negotiating the terms of an operating agreement with
5 Swift. And the only other parties not voluntarily in now
6 are very small owners from whom, as you may recall, we were
7 unable to get any response to our proposals. So we've
8 addressed that. That's our Exhibit B.

9 We have an Exhibit C which addresses the
10 questions you raised about authority to produce. It
11 consists of two letters from Maralo to the Hobbs District
12 Office early this year and a letter from Dorothea Logan,
13 landperson at Maralo, stating that she had contacted the
14 Hobbs office several times following that to advise them
15 that the well was producing.

16 That's the only evidence I have on that point,
17 Mr. Catanach.

18 And finally, notice has been provided in-house to
19 each of the individuals affected by this Application. And
20 that notice did not provide the date of the hearing, so I
21 have renotified each of the parties, and Exhibit A is an
22 affidavit providing notice of our exhibits, a notice
23 affidavit, letters confirming that these negotiations have
24 taken place with Devon, and the letters concerning contacts
25 with the OCD related to producing this well during 1996.

1 And I would offer Exhibits A, B and C.

2 EXAMINER CATANACH: Exhibits A, B and C will be
3 admitted as evidence in this case.

4 Mr. Carr, is it your understanding that with the
5 Devon and Swift interest, are all the interests
6 consolidated in the proposed unit at this time?

7 MR. CARR: No, they're not. They're probably --
8 Well, it's well in excess of 70 percent. It may be much
9 higher than that. I don't have the percentage.

10 But there are three principal owners, and they
11 are Maralo, Devon and Swift, and then a number of very
12 small interest owners. But the three principal owners are
13 agreeing to the formation of a working interest unit in the
14 west half and also concur in the formation of this spacing
15 unit. That's as far as they've been able to get it, but
16 they do have those three parties in, or there are those
17 three parties in agreement.

18 EXAMINER CATANACH: So Maralo may still have to
19 force-pool the remaining interest?

20 MR. CARR: I don't know.

21 EXAMINER CATANACH: Because I mean, if we issue
22 an order approving nonstandard unit --

23 MR. CARR: That's right, if they're not able to
24 get them voluntarily in, there would be a follow-up pooling
25 application, would have to be filed.

1 EXAMINER CATANACH: The Division's approval of a
2 nonstandard unit doesn't allow them to --

3 MR. CARR: It wouldn't combine the interests, no.
4 It would then be the basis for a pooling Application.

5 EXAMINER CATANACH: I just want to make sure they
6 understand that.

7 MR. CARR: I'm sure they do. I mean, we've
8 talked about this at some length.

9 EXAMINER CATANACH: Okay. Is there anything
10 further?

11 MR. CARR: That's all in that case.

12 EXAMINER CATANACH: There being nothing further,
13 Case 11,655 will be taken under advisement.

14 (Thereupon, these proceedings were concluded at
15 8:31 a.m.)

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CERTIFICATE OF REPORTER

[illegible]

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL December 22nd, 1996.

John E. Krumm

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 11655, heard by me on December 19, 1996.

David P. Litch, Jr. 10
Oil Conservation Division

STEVEN T. BRENNER, CCR
(505) 989-9317