

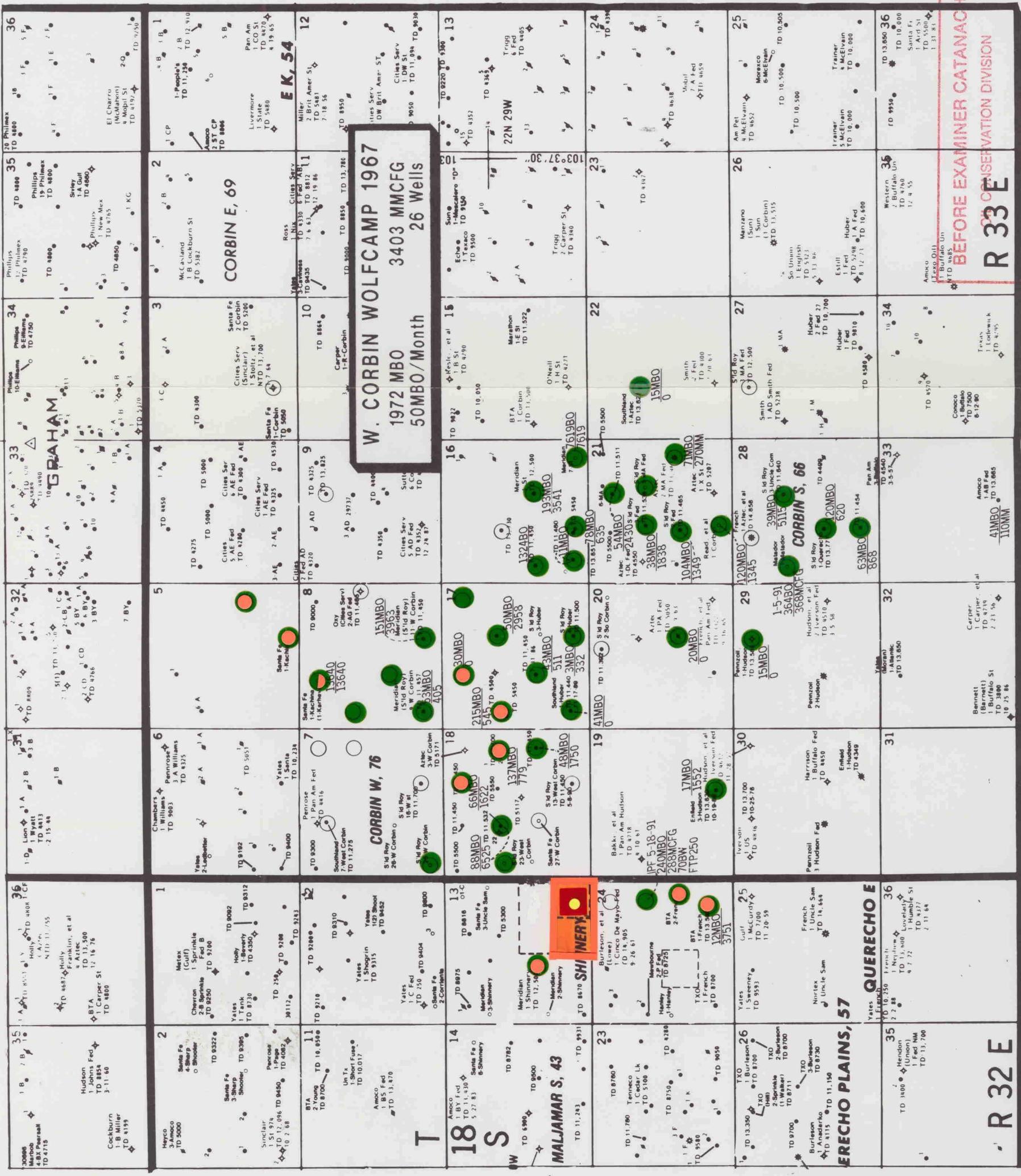
Proposed Location



AF Producer

'AF' CLEAN CO₂ ISOPACH
CONTOUR INTERVAL 25'
GR ≤ 40 APIU

BEFORE EXAMINER CANTANACH
R 33 E OIL CONSERVATION DIVISION
HARAP-2 EXHIBIT NO. 5
CASE NO. 10470



Proposed Location



Wolfcamp Producer

PRODUCTION MAP 1-1-91

MBO
MCFG

BEFORE EXAMINER CANTANACH
R 33 E
CONSERVATION DIVISION
EXHIBIT NO. 4

MARALO

CASE NO. 1047D

R 32 E

QUERECHO E

EREDOCHO PLAINS, 57

W. CORBIN WOLFCAMP 1967
3403 MCFG
26 Wells

CORBIN E, 69

1972 MBO
50MBO/Month

CORBIN W, 76

GRAHAM

R 32 E

QUERECHO E

EREDOCHO PLAINS, 57

W. CORBIN WOLFCAMP 1967
3403 MCFG
26 Wells

CORBIN E, 69

1972 MBO
50MBO/Month

CORBIN W, 76

GRAHAM

Insert

Color Page/Photo

Here

MARALO INC. AFE

DATE 4/8, 19 92

WELL West Corbin 13 Fed #1 PROSPECT _____ AFE # _____
 COUNTY Lea STATE NM LOCATION 660' FEL & 660' FSL, Sec 13,
 PROPOSED DEPTH 11,450' PM Wolfcamp T-18-S, R-32-E
 FIELD West Corbin

WELL COST

	CODE	COMPLETED	DRY HOLE
INTANGIBLES	240-XXX		
LOCATION, ROADWAY, DAMAGES	001	\$ 20,000	\$ 20,000
RIG MOBILIZATION	002	-0-	-0-
DRILLING: FTG <u>11,450</u> ' @ \$ <u>14.50</u> /FT	003	166,025	166,025
DAYWORK <u>5</u> DAYS @ \$ <u>4500</u> /DAY	004	22,500	22,500
TURNKEY <u>-0-</u>	018	-0-	-0-
FUEL & WATER	005	13,000	13,000
MUD & CHEMICALS	006	35,000	35,000
CEMENT & CEMENTING SERVICES	007	45,000	25,000
FORMATION TESTING	008	7,000	7,000
ELECTRICAL LOGGING	009	27,000	27,000
PERFORATING & TREATING SERVICES	010	15,000	-0-
SPECIAL SERVICES, (INSPECTION, RENTAL)	011	15,000	10,000
WELL SERVICE UNIT	012	8,400	-0-
SUPPLIES (BITS, REAMERS, ETC)	013	7,000	6,000
SUPERVISION + MUD LOGGER	014	18,000	18,000
LABOR & TRUCKING	015	15,000	10,000
MISC AND <u>5</u> % CONTINGENCY	017	20,700	18,000
TOTAL WELL INTANGIBLES		\$ 434,625	\$ 377,525

	CODE	COMPLETED	DRY HOLE
TANGIBLES	230-XXX		
WELLHEAD ASSEMBLY	001	13,000	5,000
CASING: CONDUCTOR 20" x 40' + cnt	002	146,000	60,000
SURFACE <u>13 3/4</u> "OD <u>450</u> ' @ \$ _____		9,000	
1ST INTERMEDIATE <u>8 5/8</u> "OD <u>4,500</u> ' @ \$ _____		48,000	
2ND INTERMEDIATE _____ "OD _____ ' @ \$ _____			
PRODUCTION/LINER <u>5 1/2</u> "OD <u>11,450</u> ' @ \$ _____		86,000	
TUBING <u>2 7/8</u> "OD <u>11,450</u> ' @ \$ _____	003	47,300	-0-
MISC. EQUIPMENT (PACKERS, DOWNHOLE, ETC)	004	2,000	-0-
ARTIFICIAL LIFT EQUIPMENT	005	20,000	-0-
SUCKER RODS + PUMP	006	27,000	-0-
TOTAL WELL TANGIBLES		\$ 285,300	\$ 65,000

PRODUCTION & LEASE FACILITIES

	CODE	COMPLETED	DRY HOLE
TANGIBLES	230-XXX		
STORAGE TANKS	010	12,000	-0-
HEATER TREATER	011	7,500	-0-
SEPARATOR	012	-0-	-0-
GAS PRODUCTION UNIT	013	-0-	-0-
FLOW LINE & LINE PIPE	014	2,000	-0-
MISC EQUIPMENT	015	5,000	-0-
TOTAL FACILITY TANGIBLES		\$ 26,500	\$ -0-
TOTAL TANGIBLES		\$ 311,800	\$ 65,000
TOTAL EXPENDITURE		\$ 746,425	\$ 442,525

COMPANY _____
 BY: _____ DATE: _____
 APPROVED _____ DISAPPROVED _____ W.I. _____

ADP
 MARALO INC.

BY: _____ DATE: _____
 APPROVE _____ DISAPPROVED _____ W.I. _____

10470

MARALO

April 28, 1992



BEFORE ENGINEER TAKEBACK	
OF CONVEYANCE	
MARALO	CHEST NO. 2
CASE NO.	10470

Re: Detail of Communications
with Mewbourne Oil Company
W. Corbin Pros. (NM-189)
Lea County, New Mexico

The following documents the contacts made with Mewbourne Oil Company in Maralo Inc.'s attempt to secure either Mewbourne's joinder or farmout of the SW/4 SE/4 of Section 13, T-18-S, R-32-E, NMPM, Lea County, New Mexico:

1. February 6, 1992 - Mark Wheeler, Maralo's landman forwarded a letter (copy attached) requesting a farmout of the captioned acreage.
2. February 24, 1992 - Mewbourne forwarded a letter (copy attached) to Maralo replying to our February 6th letter and declining to farmout.
3. March 17, 1992 - John Thoma, Maralo's geologist, spoke on the telephone with Paul Haden, Mewbourne's landman regarding the possibility of pooling Maralo's leasehold with Mewbourne's and drilling a Wolfcamp test well. Mr. Haden replied by stating that Mewbourne "did not want to drill a Wolfcamp well at this time." Mr. Thoma requested when Mewbourne might be ready to drill such a test well and Mr. Haden responded, "I don't know". Mr. Thoma asked if Mewbourne's problem was with the Wolfcamp formation and Mr. Haden confirmed that fact, further stating that Mewbourne felt that Maralo could satisfactorily space and drill a Wolfcamp well in the E/2 SE/4 and not involve Mewbourne at all. Mr. Thoma informed Mr. Haden that Maralo was not interested in diluting Mewbourne's interest and would work to keep them whole. Mr. Haden replied that "while their Midland staff would like to drill a Wolfcamp well the SE/4 of Section 13, their owner (Mr. Mewbourne) did not."
4. March 31, 1992 - Maralo forwarded a letter to Mewbourne (copy attached) stating that since Maralo was confronted with an impending deadline obligation due to its farmout from Enron that it would be a necessity for Maralo to apply for a force pooling hearing and requested that Mewbourne again reconsider its position and either participate or farmout the captioned acreage to Maralo.

5. April 8, 1992 - Mr. Haden and Dexter Harmon, Mewbourne's geologist accepted a lunch invitation from Mr. Thoma and Mr. Wheeler. During lunch Maralo's general ideas for development of the area were discussed and Mr. Harmon stated that they would see if Mewbourne would agree to commit to either participate or farmout on the same terms Maralo had negotiated with Enron if Mr. Thoma would then agree to show Mr. Harmon his geologic interpretation and present Maralo's AFE.
6. April 9, 1992 - Mewbourne was notified by Mr. William Carr, Maralo's attorney, that Maralo had filed for a hearing set for April 30, 1992.
7. April 13, 1992 - Mr. Haden and Mr. Wheeler spoke by telephone two times and Mr. Haden informed that Mewbourne would agree to either participate or farmout under the same terms as Enron had. Mr. Wheeler asked if Mr. Haden would forward a written commitment letter and Mr. Haden stated he would.
8. April 16, 1992 - Mr. Haden delivered said commitment letter (copy attached) and Mr. Wheeler executed same, subject to Mewbourne advising, in writing, of its election to either participate or farmout on or before April 24, 1992. Later that same afternoon, Mr. Harmon visited Mr. Thoma at Maralo's offices and reviewed Mr. Thoma's geologic interpretation and returned to Mewbourne's offices with a proposed AFE from Maralo and a signed original of Mewbourne's commitment letter dated April 13, 1992.
9. April 20, 1992 - Mr. Wheeler called Mr. Haden who stated that Mewbourne would notify Maralo in writing before April 24, 1992 of its decision. Mr. Wheeler stated that if Mewbourne could notify Maralo by said date, that Maralo would not go through with the proposed hearing.
10. April 22, 1992 - Ken Waits, Exploration Manager for Mewbourne, informed Mr. Wheeler at the Federal Lease Sale in Santa Fe that Mewbourne's owner was coming to their Midland office on April 27th and that could be the earliest that Mewbourne could notify Maralo of its decision. Mr. Waits also stated that Mewbourne would not protest at the proposed hearing, if it came to pass. Mr. Wheeler contacted Mr. Carr to update him and Mr. Carr stated that Mr. Jim Bruce, Mewbourne's attorney, had contacted him and confirmed that Mewbourne would not be protesting at the hearing.

11. April 23, 1992 - Mr. Haden called Mr. Thoma and advised that Mewbourne would be able to notify Maralo on Monday, April 27th or Tuesday, April 28th. Mr. Thoma inquired as to which way Mewbourne was leaning, but Mr. Haden did not know. Mr. Thoma offered to show Mr. Harmon some updated Wolfcamp work he had just finished. Mr. Thoma asked Mr. Haden to contact Maralo as soon as possible on Monday or Tuesday.
12. April 24, 1992 - Mr. Harmon called Mr. Thoma to discuss Mr. Thoma's additional Wolfcamp work and stated that the Midland office intended to show this proposed test well information to Mewbourne's owner on Monday or Tuesday.
13. April 28, 1992 - After not hearing from Mewbourne on Monday, April 27th, Mr. Wheeler called Mr. Haden and inquired if any decision had been reached. Mr. Haden stated that it appeared that Mewbourne's owner was not going to make said election at this point, and that Maralo should keep its reservations and attend the hearing on April 30th. Mr. Haden stated that Mr. Bruce would attend said hearing to observe but would not protest.

Respectfully submitted,

MARALO INC.



Mark Wheeler, C.P.L.
District Landman

Certified Return Receipt



February 6, 1992

Mewborne Oil Company
500 W. Texas, Suite 1020
Midland, Texas 79701

Attn: Mr. Paul Haden

Re: Farmout Request
SE/4 SW/4, SW/4 SE/4 of
Section 13, T-18-S, R-32-E,
NMPM; Federal Lease #68817
South Corbin Prospect (NM-189)
Lea County, New Mexico

Dear Paul:

Pursuant to our telephone conversation today, this letter will serve as Maralo Inc.'s formal request for a farmout from Mewborne Oil Company ("Mewborne") of Mewborne's leasehold interest in the captioned acreage. The following terms and conditions are requested for said farmout:

1. Maralo will drill or cause to be drilled a well to a depth sufficient to test the Wolfcamp formation at a depth of approximately 11,450' at a legal location in the SE/4 SE/4 of Section 13, T-18-S, R-32-E NMPM, Lea County, New Mexico within one hundred twenty (120) days of Mewborne's execution of a formal farmout agreement. The proposed 80 acre proration unit for said well would be the S/2 SE/4 of said Section 13, which includes a portion of the captioned acreage.

2. Upon establishment of commercial production from said well, Maralo proposes to earn the following:

a. One hundred percent (100%) of Mewborne's leasehold interest in the captioned acreage subject to Mewborne reserving an Overriding Royalty Interest ("ORRI") equal to the difference between currently existing burdens on the acreage and twenty percent (20%), proportionately reduced, it being the intention of Mewborne to deliver Maralo an eighty percent (80%) Net Revenue Interest Lease.

b. Mewborne would be allowed to increase said reserved ORRI referred to in paragraph 2 a. herein to an amount equal to the difference between currently existing burdens on the acreage and twenty five percent (25%), proportionately reduced, after payout of said well. It would be the intent of Mewborne to deliver Maralo a seventy five percent (75%) Net Revenue Interest Lease after payout of said well.

c. All rights earned by Maralo shall be limited in depth from the surface of the earth down to one hundred feet (100') below the deepest depth drilled in Maralo's well.

3. In the event the drilling of said well results in a dry hole, and no acreage is earned, Maralo will have the option to drill a similar test on said acreage, within one hundred twenty (120) days of the plugging of the initial well. If the drilling of said second well results in the establishment of commercial production, Maralo shall earn the same interest outlined above.

4. There shall be no obligation upon Maralo to commence operations on the initial well pursuant to the terms of the formal agreement, and the only penalty for failure to commence said operations will be the forfeiture of all rights that might be earned by said operations.

5. In order for Maralo to maintain its earned acreage outside of the proration unit established for the initial test well, Maralo must commence a continuous development program which would allow no more than one hundred eighty (180) days to elapse between the completion or plugging of the previous well and the commencement of actual drilling operations on the next succeeding well.

Please advise as soon as possible if the foregoing terms meet with your approval and begin preparation of a formal agreement. Should you have any questions concerning this request, please feel free to contact the undersigned.

Yours very truly,



Mark Wheeler, CPL
District Landman

MW/pjd:A.022(26)
xc: Joe Pulido
R. A. Lowery
John Thoma

✓ INC - ...
INC - ...

RECEIVED

FEB 25 1992

MARALO, INC.
Land Dept. - Midland

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170
February 24, 1992

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Maralo, Inc.
P. O. Box 832
Midland, Texas 79701

Attention: Mr. Mark Wheeler

WEST CORNER (NM-189)

RE: Farmout Request
T18S, R32E
Section 13: SE/4SW/4 and
SW/4SE/4
Lea County, New Mexico

Gentlemen:

Thank you for your letter of February 6, 1992 wherein Maralo requested a farmout of Mewbourne's acreage under the captioned land under certain terms and conditions.

As set out in your letter referenced above, Maralo, Inc. as Operator proposes drilling an initial test well to a depth of 11,450' to test the Wolfcamp formation at a location in the SE/4SE/4 with the S/2SE/4 of the captioned Section 13 being dedicated to the well. It is our understanding Maralo has obtained a farmin of Enron's interest regarding said well.

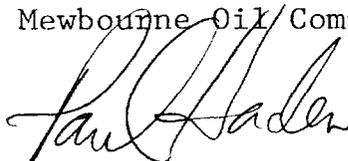
Our ownership map of the area shows Enron owns Federal Lease NM-53239 which appears to cover the N/2SE/4 and SE/4SE/4 of the subject Section 13. Accordingly, your proposed test well could be dedicated to the E/2SE/4 of Section 13, being part of the acreage Maralo presumably obtained from Enron.

Please be advised, we acknowledge the governmental regulations imposed by the Bureau of Land Management regarding communitization. It is apparent that you can drill your proposed test well on acreage you already control.

In view of the above, Mewbourne respectfully declines to farmout its acreage under the captioned land and reserves its rights as an oil and gas lessee to develop its Federal lease NM-68817.

Sincerely,

Mewbourne Oil Company

A handwritten signature in cursive script, appearing to read "D. Paul Haden".

D. Paul Haden
Landman

DPH/nb

CC: U.S. Department of the Interior
Bureau of Land Management
P. O. Box 1778
Carlsbad, New Mexico 88220
Attn: Richard L. Manus

Certified / Return Receipt Requested



March 31, 1992

Mewbourne Oil Company
500 W. Texas, Suite 1020
Midland, Texas 79701

Attn: D. Paul Haden
Landman

Re: T-18-S, R-32-E, NMPM
Section 13: SW/4 SE/4
W. Corbin Prospect (NM-189)
Lea County, New Mexico

Gentlemen:

As you are aware, Maralo Inc. ("Maralo") has previously requested a farmout of the captioned acreage from Mewbourne Oil Company ("Mewbourne") as well as requesting that Mewbourne participate with Maralo in the drilling of a Wolfcamp formation Test Well in the S/2 SE/4 of the captioned Section. Since Maralo is confronted with time deadline obligations under the terms of our farmout agreement from Enron Oil & Gas Company ("Enron"), we are currently in the position of having to apply for a forced pooling order so as to maximally explore the Enron farmout lands for the Wolfcamp formation.

Maralo desires to avoid the necessity of a pooling hearing and hereby requests that Mewbourne reconsider its position and either participate in our planned test well or farmout the captioned acreage to Maralo.

Should you have any questions concerning this matter, please feel free to contact us. We would be happy to arrange a meeting between our companies in the near future.

Yours very truly,

A handwritten signature in black ink, appearing to read "Mark Wheeler", written in a cursive style with a long horizontal flourish extending to the right.

Mark Wheeler, CPL
District Landman

MW/pjd:A.022

xc: Joe Pulido / John Thoma

U. S. Department of the Interior - BLM

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

April 13, 1992

RECEIVED

APR 13 1992

MARALO, INC.
Land Dept. — Midland

Maralo, Inc.
P. O. Box 832
Midland, Texas 79701

Attention: Mark Wheeler

RE: Maralo Well Proposal
T18S, R32E
Section 13: SE/4
Lea County, New Mexico

Gentlemen:

As discussed this date, Mewbourne Oil Company agrees to do one (1) of the following in regard to Maralo's well to be drilled in the SE/4SE/4 of the captioned Section 13:

- 1) Mewbourne is agreeable to farming its interest in the operating rights to Maralo under the SW/4SE/4 as to rights from the surface to the base of the Wolfcamp formation for an initial test well to be drilled in the SE/4SE/4 with the spacing unit comprising the S/2SE/4. Mewbourne would deliver Maralo a 75% net revenue interest lease before payout with Mewbourne having the option to convert its override at payout to a 25% working interest or increasing Mewbourne's override to 17.5% of 8/8 subject to existing burdens. The above referenced override or working interest if converted would be subject to proportionate reduction as to Mewbourne's interest applicable to the spacing unit assigned to Maralo's well.
- 2) In the event Mewbourne elects not to farmout its interest as described above, Mewbourne is agreeable to joining Maralo in the proposed test well on a 160 acre unit basis. Said unit would comprise the SE/4 of the subject Section 13 covering all rights from the surface to the base of the Wolfcamp formation. It is understood Mewbourne would contribute its 83.5% net revenue interest as to its lease in the SW/4SE/4 to the unit with Maralo contributing its 75% net revenue interest lease in the N/2SE/4 and SE/4SE/4 of said Section 13 which is subject to the terms of an Enron farmout agreement granted to Maralo.

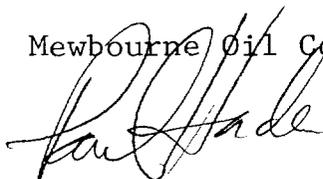
The above terms agreed to by Mewbourne are general terms acceptable to Mewbourne. A mutually acceptable farmout agreement or working interest unit agreement between Mewbourne and Maralo shall be prepared at a later date.

The above general terms and conditions are submitted by Mewbourne at Maralo's request with the understanding Maralo, Inc. agrees to meet with Mewbourne Oil Company to discuss geology in regard to Maralo's proposed test well.

If the above terms are acceptable to Maralo Inc. please indicate Maralo's acceptance by signing and returning the copy of this letter to the undersigned.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman

AGREED and ACCEPTED^{*} this 16th day of April, 1992. * SUBJECT TO
MARALO INC. MEWBOURNE

BY: Mark Wheeler

MARK WHEELER, CPL
District Landman

ADVISING, IN
WRITING, OF ITS
CHOICE OF OPTIONS
ABOVE OR OR
BEFORE APRIL 24,
1992 AT 5:00 P.M.
CDT.

DPH/nb
CC: Gary L. Winter
Ken Waits

CMW

EXHIBIT A

Mewbourne Oil Company
500 West Texas, Suite 1020
Midland, Texas 79701

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY

PATRICIA A. MATTHEWS
MICHAEL H. FELDEWERT

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

April 8, 1992

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mewbourne Oil Company
500 West Texas, Suite 1020
Midland, Texas 79701

Re: Application of Maralo, Inc. for Compulsory Pooling, Lea County, New Mexico

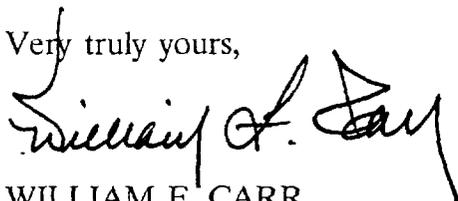
Gentlemen:

This letter is to advise you that Maralo, Inc. has filed an application with the New Mexico Oil Conservation Division seeking the force pooling of all mineral interests in the S/2 SE/4 of Section 13, Township 18 South, Range 32 East, N.M.P.M., Lea County, New Mexico. Maralo, Inc. proposes to dedicate the referenced pooled acreage to a well to be located at an orthodox location in the SE/4 SE/4 of said Section 13 in the Wolfcamp formation.

This application has been set for hearing before a Division Examiner on April 30, 1992. You are not required to attend this hearing, but as an owner of an interest that may be subject to pooling, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Prehearing Statement substantially in the form prescribed by the Division. Prehearing statements should be filed by 4:00 o'clock p.m. on the Friday before a scheduled hearing.

Very truly yours,



WILLIAM F. CARR
ATTORNEY FOR MARALO, INC.

WFC:mlh

cc: Mark Wheeler

P-106 677 376

RECEIPT FOR REGISTERED MAIL
 To the FAVOR of the PROVERBIAL
 NATIONAL INTERNATIONAL MAIL
 (See Reverse)

Sent to Mewbourne Oil Company	
Street and No 500 West Texas, Suite 1020	
P.O. State and ZIP Code Midland, TX 79701	
Postage	\$ 1.29
Certified Fee	1.00
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	1.00
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	\$ 2.29
Postmark or Date April 8, 1992	

PS Form 3800, June 1985

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-885

DOMESTIC RETURN RECEIPT

3. Article Addressed to: Mewbourne Oil Company 500 West Texas, Suite 1020 Midland, Texas 79701		4. Article Number P 106 677 376
5. Signature - Address X <i>Mary Barber</i>		Type of Service: <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> COD <input type="checkbox"/> Return Receipt for Merchandise
6. Signature - Agent X		
7. Date of Delivery 4/9		8. Addressee's Address (ONLY if requested and fee paid) 500 W Texas # 1020

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
 Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for additional services requested.
 1. Show to whom delivered, date, and addressee's address.
 2. Restricted Delivery (Extra charge)
 3. Insured
 4. COD
 5. Return Receipt for Merchandise (Extra charge)