

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:

NOMENCLATURE
Case No. 10670 (Reopened)
Order No. R-9912-B

**TEMPORARY SPECIAL POOL RULES FOR THE NORTHEAST JENKINS-
DEVONIAN POOL, LEA COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 9, 1994, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 11th day of July 1994, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) Case No. 10670 was reopened pursuant to the provisions of Division Order No. R-9912 which promulgated temporary special rules and regulations for the Northeast Jenkins-Devonian Pool including a provision for 80-acre spacing. The hearing was reopened to permit operators to show cause why the temporary rules should not be rescinded and the pool developed on 40-acre spacing.

(3) Maralo, Inc. was the applicant in the original 1993 hearing which resulted in Order R-9912. Maralo presented exhibits and testimony at the June 9, 1994 hearing to support continuation of the temporary rules.

(4) Devonian isopach and structure maps and a cross-section were presented by Maralo. These showed the Northeast Jenkins-Devonian structure to be relatively small, approximately 400 acres. The exhibits also showed the pool to be separate from other Devonian pools in the area.

(5) The pool is currently developed with two wells, the Barnes "20" Well No.1 completed in September 1992, and the Bonds Well No. 1 completed April 1, 1993. Both are operated by Maralo. Through March 1994 the Barnes "20" Well No.1 had recovered 14,514 barrels of oil and the Bonds Well No.1 had recovered 97,728 barrels.

(6) Data from two nearby Devonian Pools was presented as an indication of the ultimate recovery which may be expected from the Northeast Jenkins-Devonian Pool. The South Crossroads Pool recovered 44.40% of the oil in place and the Bough Pool recovered 38.52%.

(7) Oil in place and recovery calculations for the Bonds Well No.1 using a 42% recovery factor show that the well should recover 375,363 barrels of oil from an 80-acre drainage area. Decline curve analysis using production history indicates the well may recover a total of 408,574 barrels.

(8) Bottom-hole pressure data presented by Maralo indicates the possibility of a waterdrive. Initial shut-in bottom-hole pressure in the Barnes "20" Well No.1 on August 31, 1992 was 4807 PSIA. Shut-in bottom-hole pressure in the Bonds Well No.1 was 4699 PSIA on April 12, 1994.

(9) Maralo requested continued 80-acre spacing and testified that 40-acre spacing would result in the drilling of unnecessary wells. Their witness indicated that three additional wells could be drilled using an 80-acre spacing pattern.

(10) The evidence presented indicates that Maralo's request for continued 80-acre spacing should be approved.

(11) No operator or interest owner appeared at the hearing in opposition to 80-acre spacing for the pool.

IT IS THEREFORE ORDERED THAT:

(1) The Temporary Special Rules and Regulations for the Northeast Jenkins-Devonian Pool, Lea County, New Mexico, as set out in Decretory Paragraph No.(2), Rules Nos. 1 through 6 of Division Order R-9912 dated June 15, 1993, are hereby made permanent.

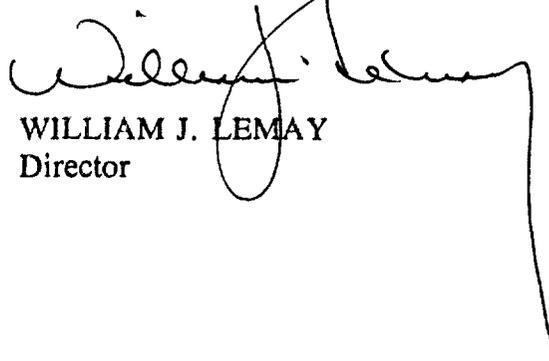
(2) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 10670 (Reopened)
Order No. R-9912-B
Page 3

Done at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "William J. Lemay", written over the typed name and extending to the right.

WILLIAM J. LEMAY
Director

TIM

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. 10670 (Reopened)

IN THE MATTER OF CASE NO. 10670 BEING
REOPENED PURSUANT TO THE PROVISIONS
OF ORDER NO. R-9912 WHICH ORDER
PROMULGATED SPECIAL RULES AND REGULATIONS
FOR THE NORTHEAST JENKINS-DEVONIAN POOL
INCLUDING A PROVISION FOR 80-ACRE SPACING.

JUN 2 1994

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Campbell, Carr, Berge & Sheridan, P.A., as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

ATTORNEY

Maralo, Inc. _____
c/o Shane Lough _____
Post Office Box 832 _____
Midland, TX 79702 _____
(915) 684-7441 _____

William F. Carr, Esq. _____
Campbell, Carr, Berge & Sheridan, P.A. _____
Post Office Box 2208 _____
Santa Fe, New Mexico 87504 _____
(505) 988-4421 _____

name, address, phone and
contact person

OPPOSITION OR OTHER PARTY

ATTORNEY

name, address, phone and
contact person

STATEMENT OF CASE

APPLICANT

(Please make a concise statement of what is being sought with this application and the reasons therefore.)

Maralo will present testimony in support of permanent pool rules including provisions for 80-acre spacing.

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

PROPOSED EVIDENCE

APPLICANT

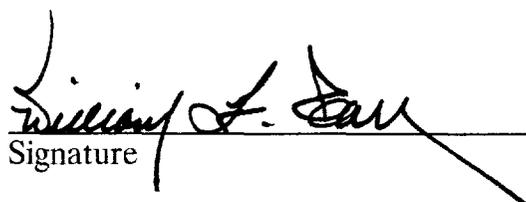
WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
Shane Lough, Geologist	10 Min.	Approximately 7
Richard Gill, Petroleum Engineer	10 Min.	Approximately 3

OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
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PROCEDURAL MATTERS

(Please identify any procedural matters which need to be resolved prior to hearing)


Signature

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:

Handwritten: DAL 7/18/94
Handwritten: WJ 7/18/94
NOMENCLATURE
Case No. 10670 (Reopened)
Order No. R-9912-~~A~~
Handwritten: B

TEMPORARY SPECIAL POOL RULES FOR THE NORTHEAST JENKINS-DEVONIAN
POOL, LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 9, 1994, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this ___ day of July 1994, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) Case No. 10670 was reopened pursuant to the provisions of Division Order No. R-9912 which promulgated temporary special rules and regulations for the Northeast Jenkins-Devonian Pool including a provision for 80-acre spacing. The hearing was reopened to permit operators to show cause why the temporary rules should not be rescinded and the pool developed on 40-acre spacing.

(3) Maralo, Inc. was the applicant in the original 1993 hearing which resulted in Order R-9912. Maralo presented exhibits and testimony at the June 9, 1994 hearing to support continuation of the temporary rules.

(4) Devonian isopach and structure maps and a cross-section were presented by Maralo. These showed the Northeast Jenkins-Devonian structure to be relatively small, approximately 400 acres. The exhibits also showed the pool to be separate from other Devonian pools in the area.

(5) The pool is currently developed with two wells, the Barnes "20" Well No.1 completed in September 1992, and the Bonds Well No. 1 completed April 1, 1993. Both are operated by Maralo.

Through March 1994 the Barnes "20" Well No.1 had recovered 14,514 barrels of oil and the Bonds Well No.1 had recovered 97,728 barrels.

(6) Data from two nearby Devonian Pools was presented as an indication of the ultimate recovery which may be expected from the Northeast Jenkins-Devonian Pool. The (Crossroads) (South) Pool recovered 44.40% of the oil in place and the Bough Pool recovered 38.52%.

(7) Oil in place and recovery calculations for the Bonds Well No.1 using a 42% recovery factor show that the well should recover 375,363 barrels of oil from an 80 acre-drainage area. Decline curve analysis using production history indicates the well may recover a total of 408,574 barrels.

(8) Bottom hole pressure data presented by Maralo indicates the possibility of a waterdrive. Initial shut-in bottom hole pressure in the Barnes "20" Well No.1 on August 31, 1992 was 4807 PSIA. Shut-in bottom hole pressure in the Bonds Well No.1 was 4699 PSIA on April 12, 1994.

(9) Maralo requested continued 80-acre spacing and testified that 40-acre spacing would result in the drilling of unnecessary wells. Their witness indicated that three additional wells could be drilled using an 80-acre spacing pattern.

(10) The evidence presented indicates that Maralo's request for continued 80-acre spacing should be approved.

(11) No operator or interest owner appeared at the hearing in opposition to 80-acre spacing for the pool.

IT IS THEREFORE ORDERED THAT:

(1) The Temporary Special Rules and Regulations for the Northeast Jenkins-Devonian Pool, Lea County, New Mexico, as set out in Decretory Paragraph No.(2), Rules Nos. 1 through 6 of Division Order R-9912 dated June 15, 1993, are hereby made permanent.

(2) 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

WILLIAM J. LEMAY
Director

S E A L

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:

NOMENCLATURE
CASE NO. 10670
ORDER NO. R-9912

**APPLICATION OF MARALO, INC. FOR POOL CREATION, SPECIAL POOL RULES
AND A DISCOVERY ALLOWABLE, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 18, 1993, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 15th day of June, 1993 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Maralo, Inc., is the owner and operator of the Barnes "20" Well No. 1 located 766 feet from the North line and 2201 feet from the West line (Unit C) of Section 20, Township 9 South, Range 35 East, NMPM, Lea County, New Mexico, which was completed in September, 1992 as an oil well in the Devonian formation in the open hole interval from approximately 12,635 feet to 12,656 feet.

(3) The applicant now seeks the creation of a new pool comprising the E/2 NW/4 of said Section 20 for the production of oil from the Devonian formation, and the promulgation of special rules therefor including provisions for 80-acre spacing and proration units, designated well location requirements whereby wells would be no closer than 330 feet to the outer boundary of a spacing unit. Further, the applicant seeks the assignment of an oil discovery allowable, pursuant to Division General Rule 509, to the aforementioned Barnes "20" Well No. 1.

(4) At the time of the hearing the applicant requested that the portion of this application requesting the assignment of a discovery allowable for its Barnes "20" Well No. 1 and for consideration of the poolwide 330 foot set-back requirements for well locations be dismissed.

(5) Division records indicate that the subject well and proposed pool are within one mile of the now abandoned (no current producing wells) Jenkins-Devonian Pool, which currently comprises the NE/4 of Section 30, Township 9 South, Range 35 East, NMPM, Lea County, New Mexico and is subject to the General Statewide Rules and Regulations including 40-acre oil spacing and proration units with wells to be located no closer than 330 feet from the outer boundary of the spacing unit.

(6) The evidence presently available indicates that the aforesaid Barnes "20" Well No. 1 has discovered a completely separate common source of supply in the Devonian formation that is structurally separated from the Jenkins Pool.

(7) Geologic evidence presented further indicates that the subject reservoir or structure has a limited areal extent that may comprise only portions of the NE/4 and E/2 NW/4 of Section 20, the S/2 SE/4 of Section 17, and the NW/4 NW/4 of Section 21, Township 9 South, Range 35 East, NMPM, Lea County, New Mexico.

(8) The preliminary engineering evidence indicates that the small Devonian structure encountered by the above-described well is of high permeability and that the drainage radius of the well will be in excess of 40 acres.

(9) In order to prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for said pool.

(10) To assure orderly development of the proposed pool and to protect correlative rights, the temporary rules and regulations to be adopted should also provide for the same restrictive well location requirements being utilized in the majority of those pools with 80-acre spacing.

(11) At the request of the applicant, temporary special rules and regulations for the proposed pool should be established for a period of twelve months in order to allow the operators in the subject pool the opportunity to gather sufficient reservoir information to show that an 80-acre unit in this relatively small structure can be efficiently and economically drained and developed by one well.

(12) A new pool classified as an oil pool for Devonian oil production should be created and designated the Northeast Jenkins-Devonian Pool, with vertical limits to include the Devonian formation and the horizontal limits comprising the E/2 NW/4 of Section 20, Township 9 South, Range 35 East, NMPM, Lea County, New Mexico. Further, the proposed pool should be established for a twelve-month period in order to allow the operators in the subject pool to gather sufficient reservoir information to show that an 80-acre unit in the area can be sufficiently and economically drained and developed by one well.

(13) This case should therefore be reopened at an examiner hearing in June, 1994, at which time the operators in the subject pool should be prepared to appear and show cause why the Temporary Special Rules and Regulations for the Northeast Jenkins-Devonian Pool should not be rescinded and to show cause why said pool should not be developed on 40 acre spacing.

IT IS THEREFORE ORDERED THAT:

(1) A new pool in Lea County, New Mexico, classified as an oil pool for Devonian production is hereby created and designated the Northeast Jenkins-Devonian Pool, with vertical limits comprising the Devonian formation and the horizontal limits comprising the following described area:

TOWNSHIP 9 SOUTH, RANGE 35 EAST, NMPM
Section 20: E/2 NW/4.

(2) The Temporary Special Rules and Regulations for the Northeast Jenkins-Devonian Pool, Lea County, New Mexico, are hereby promulgated as follows:

**TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE
NORTHEAST JENKINS-DEVONIAN POOL**

RULE 1: Each well completed or recompleted in the Northeast Jenkins-Devonian Pool or in the Devonian formation within one mile thereof, and not nearer to or within the limits of another Devonian oil pool, shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2: Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2 or W/2 of a governmental quarter section; provided however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in that unit.

RULE 3: The Director of the Oil Conservation Division, hereinafter referred to as the "Director", may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit comprising two governmental quarter-quarter sections or lots, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within thirty days after the Director has received an application.

RULE 4: Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

RULE 5: The Director may grant an exception to the requirements of Rule 4 without hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to a deeper horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within twenty days after the Director has received the application.

RULE 6: A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth-bracket allowable of 490 barrels of oil per day. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

(3) The locations of all wells presently drilling to or completed in the Northeast Jenkins-Devonian Pool or in the Devonian formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well within thirty days from the date of this order.

(4) Pursuant to Paragraph A of Section 70-2-18, NMSA (1978), contained in Chapter 271, Laws of 1969, existing wells in the Northeast Jenkins-Devonian Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within sixty days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said sixty-day limitation, each well presently drilling to or completed in the Northeast Jenkins-Devonian Pool or in the Devonian formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(5) Unless called earlier upon the motion of the Division, this case shall be reopened at an examiner hearing in June 1994, at which time the operators in the subject pool should be prepared to appear and show cause why the temporary special pool rules for the Northeast Jenkins-Devonian Pool should not be rescinded and said pool not be developed on 40-acre spacing units.

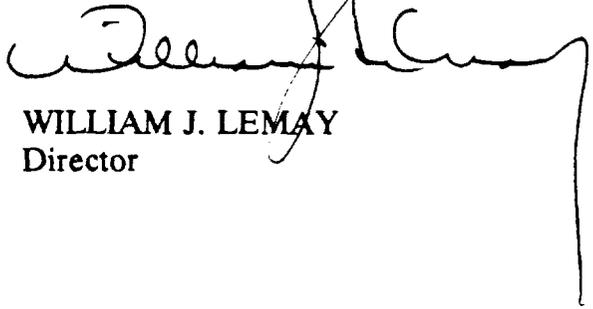
(6) The applicant's request for a discovery allowable to be assigned its Barnes "20" Well No. 1 located 766 feet from the North line and 2201 feet from the West line (Unit C) of Section 20, Township 9 South, Range 35 East, NMPM, Lea County, New Mexico, is hereby dismissed.

(7) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 10670
Order No. R-9912
Page No. 6

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

SEAL

**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. 10670 (Reopened)
Order No. R-9912-A**

**IN THE MATTER OF CASE NO. 10670 BEING
REOPENED UPON THE APPLICATION OF MARALO,
INC. TO SET AN EFFECTIVE DATE FOR THE
TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE NORTHEAST JENKINS-DEVONIAN POOL
PROMULGATED BY DIVISION ORDER NO. R-9912.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 15, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 4th day of August, 1993, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) By Order No. R-9912 issued in Case No. 10670 on June 15, 1993, the Division, upon application of Maralo, Inc., promulgated Temporary Special Rules and Regulations for the Northeast Jenkins-Devonian Pool, Lea County, New Mexico, including 80-acre spacing and proration units and designated well locations.
- (3) The discovery well for the Northeast Jenkins-Devonian Pool was the Maralo, Inc. Barnes "20" Well No. 1 located in Unit C of Section 20, Township 9 South, Range 35 East, NMPM, Lea County, New Mexico.
- (4) The applicant, Maralo, Inc., seeks to reopen this case at this time in order to set an effective date of March 1, 1993, for the Special Rules and Regulations for the Northeast Jenkins-Devonian Pool.

(5) The original application was heard by a Division Examiner on February 18, 1993 and although testimony was presented concerning potential lease expiration in the area, no specific request for an effective date for the Temporary Special Rules and Regulations was made.

(6) The establishment of an effective date of March 1, 1993 as proposed by the applicant will avoid the expiration of a lease in this pool which has been dedicated to the Barnes "20" Well No. 1, will otherwise preserve the equities in the Barnes "20" Well No. 1, and will serve to protect correlative rights.

(7) No interest owner and/or offset operator appeared at the hearing in opposition to the application.

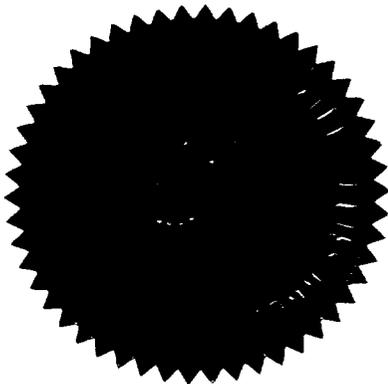
(8) The application of Maralo, Inc. for a March 1, 1993 effective date for the Temporary Special Rules and Regulations for the Northeast Jenkins-Devonian Pool should be granted.

IT IS THEREFORE ORDERED THAT:

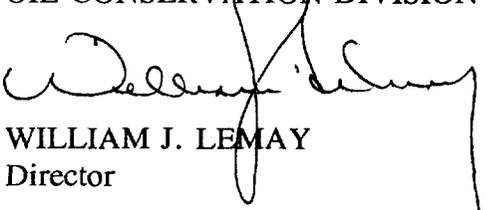
(1) The effective date for the Temporary Special Rules and Regulations for the Northeast Jenkins-Devonian Pool, as promulgated by Division Order No. R-9912, is hereby established as March 1, 1993.

(2) Jurisdiction is hereby 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


WILLIAM J. LEMAY
Director

S E A L

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:

NOMENCLATURE
CASE NO. 10670
ORDER NO. R-9912

**APPLICATION OF MARALO, INC. FOR POOL CREATION, SPECIAL POOL RULES
AND A DISCOVERY ALLOWABLE, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 18, 1993, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 15th day of June, 1993 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Maralo, Inc., is the owner and operator of the Barnes "20" Well No. 1 located 766 feet from the North line and 2201 feet from the West line (Unit C) of Section 20, Township 9 South, Range 35 East, NMPM, Lea County, New Mexico, which was completed in September, 1992 as an oil well in the Devonian formation in the open hole interval from approximately 12,635 feet to 12,656 feet.

(3) The applicant now seeks the creation of a new pool comprising the E/2 NW/4 of said Section 20 for the production of oil from the Devonian formation, and the promulgation of special rules therefor including provisions for 80-acre spacing and proration units, designated well location requirements whereby wells would be no closer than 330 feet to the outer boundary of a spacing unit. Further, the applicant seeks the assignment of an oil discovery allowable, pursuant to Division General Rule 509, to the aforementioned Barnes "20" Well No. 1.

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
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CONSIDERING:

NOMENCLATURE
CASE NO. 10670
ORDER NO. R-9912

**APPLICATION OF MARALO, INC. FOR POOL CREATION, SPECIAL POOL RULES
AND A DISCOVERY ALLOWABLE, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 18, 1993, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 15th day of June, 1993 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Maralo, Inc., is the owner and operator of the Barnes "20" Well No. 1 located 766 feet from the North line and 2201 feet from the West line (Unit C) of Section 20, Township 9 South, Range 35 East, NMPM, Lea County, New Mexico, which was completed in September, 1992 as an oil well in the Devonian formation in the open hole interval from approximately 12,635 feet to 12,656 feet.

(3) The applicant now seeks the creation of a new pool comprising the E/2 NW/4 of said Section 20 for the production of oil from the Devonian formation, and the promulgation of special rules therefor including provisions for 80-acre spacing and proration units, designated well location requirements whereby wells would be no closer than 330 feet to the outer boundary of a spacing unit. Further, the applicant seeks the assignment of an oil discovery allowable, pursuant to Division General Rule 509, to the aforementioned Barnes "20" Well No. 1.

(4) At the time of the hearing the applicant requested that the portion of this application requesting the assignment of a discovery allowable for its Barnes "20" Well No. 1 and for consideration of the poolwide 330 foot set-back requirements for well locations be dismissed.

(5) Division records indicate that the subject well and proposed pool are within one mile of the now abandoned (no current producing wells) Jenkins-Devonian Pool, which currently comprises the NE/4 of Section 30, Township 9 South, Range 35 East, NMPM, Lea County, New Mexico and is subject to the General Statewide Rules and Regulations including 40-acre oil spacing and proration units with wells to be located no closer than 330 feet from the outer boundary of the spacing unit.

(6) The evidence presently available indicates that the aforesaid Barnes "20" Well No. 1 has discovered a completely separate common source of supply in the Devonian formation that is structurally separated from the Jenkins Pool.

(7) Geologic evidence presented further indicates that the subject reservoir or structure has a limited areal extent that may comprise only portions of the NE/4 and E/2 NW/4 of Section 20, the S/2 SE/4 of Section 17, and the NW/4 NW/4 of Section 21, Township 9 South, Range 35 East, NMPM, Lea County, New Mexico.

(8) The preliminary engineering evidence indicates that the small Devonian structure encountered by the above-described well is of high permeability and that the drainage radius of the well will be in excess of 40 acres.

(9) In order to prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for said pool.

(10) To assure orderly development of the proposed pool and to protect correlative rights, the temporary rules and regulations to be adopted should also provide for the same restrictive well location requirements being utilized in the majority of those pools with 80-acre spacing.

(11) At the request of the applicant, temporary special rules and regulations for the proposed pool should be established for a period of twelve months in order to allow the operators in the subject pool the opportunity to gather sufficient reservoir information to show that an 80-acre unit in this relatively small structure can be efficiently and economically drained and developed by one well.

(12) A new pool classified as an oil pool for Devonian oil production should be created and designated the Northeast Jenkins-Devonian Pool, with vertical limits to include the Devonian formation and the horizontal limits comprising the E/2 NW/4 of Section 20, Township 9 South, Range 35 East, NMPM, Lea County, New Mexico. Further, the proposed pool should be established for a twelve-month period in order to allow the operators in the subject pool to gather sufficient reservoir information to show that an 80-acre unit in the area can be sufficiently and economically drained and developed by one well.

(13) This case should therefore be reopened at an examiner hearing in June, 1994, at which time the operators in the subject pool should be prepared to appear and show cause why the Temporary Special Rules and Regulations for the Northeast Jenkins-Devonian Pool should not be rescinded and to show cause why said pool should not be developed on 40 acre spacing.

IT IS THEREFORE ORDERED THAT:

(1) A new pool in Lea County, New Mexico, classified as an oil pool for Devonian production is hereby created and designated the Northeast Jenkins-Devonian Pool, with vertical limits comprising the Devonian formation and the horizontal limits comprising the following described area:

TOWNSHIP 9 SOUTH, RANGE 35 EAST, NMPM
Section 20: E/2 NW/4.

(2) The Temporary Special Rules and Regulations for the Northeast Jenkins-Devonian Pool, Lea County, New Mexico, are hereby promulgated as follows:

**TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE
NORTHEAST JENKINS-DEVONIAN POOL**

RULE 1: Each well completed or recompleted in the Northeast Jenkins-Devonian Pool or in the Devonian formation within one mile thereof, and not nearer to or within the limits of another Devonian oil pool, shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2: Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2 or W/2 of a governmental quarter section; provided however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in that unit.

RULE 3: The Director of the Oil Conservation Division, hereinafter referred to as the "Director", may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit comprising two governmental quarter-quarter sections or lots, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within thirty days after the Director has received an application.

RULE 4: Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

RULE 5: The Director may grant an exception to the requirements of Rule 4 without hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to a deeper horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within twenty days after the Director has received the application.

RULE 6: A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth-bracket allowable of 490 barrels of oil per day. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

(3) The locations of all wells presently drilling to or completed in the Northeast Jenkins-Devonian Pool or in the Devonian formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well within thirty days from the date of this order.

(4) Pursuant to Paragraph A of Section 70-2-18, NMSA (1978), contained in Chapter 271, Laws of 1969, existing wells in the Northeast Jenkins-Devonian Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within sixty days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said sixty-day limitation, each well presently drilling to or completed in the Northeast Jenkins-Devonian Pool or in the Devonian formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(5) Unless called earlier upon the motion of the Division, this case shall be reopened at an examiner hearing in June 1994, at which time the operators in the subject pool should be prepared to appear and show cause why the temporary special pool rules for the Northeast Jenkins-Devonian Pool should not be rescinded and said pool not be developed on 40-acre spacing units.

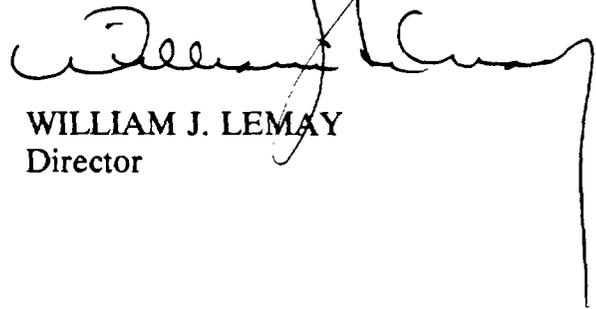
(6) The applicant's request for a discovery allowable to be assigned its Barnes "20" Well No. 1 located 766 feet from the North line and 2201 feet from the West line (Unit C) of Section 20, Township 9 South, Range 35 East, NMPM, Lea County, New Mexico, is hereby dismissed.

(7) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 10670
Order No. R-9912
Page No. 6

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read 'William J. Lemay', is written over the typed name. The signature is fluid and cursive, with a long vertical line extending downwards from the end of the name.

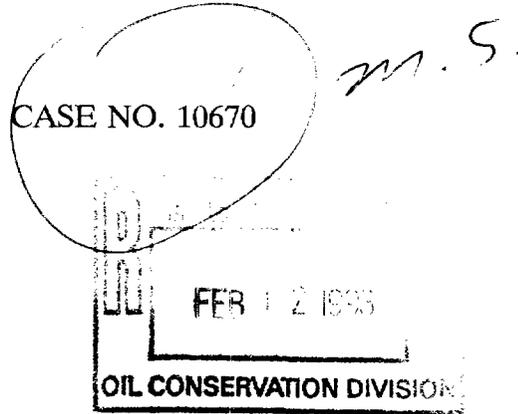
WILLIAM J. LEMAY
Director

SEAL

**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:

APPLICATION OF MARALO, INC.
FOR POOL CREATION, SPECIAL POOL
RULES AND A DISCOVERY ALLOWABLE,
LEA COUNTY, NEW MEXICO.



PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Campbell, Carr, Berge & Sheridan, P.A., as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Maralo, Inc. _____
c/o Shane Lough _____
Post Office Box 832 _____
Midland, TX 79702 _____
(915) 684-7441 _____
name, address, phone and
contact person

ATTORNEY

William F. Carr, Esq. _____
Campbell, Carr, Berge & Sheridan, P.A.
Post Office Box 2208 _____
Santa Fe, New Mexico 87504 _____
(505) 988-4421 _____

OPPOSITION OR OTHER PARTY

name, address, phone and
contact person

ATTORNEY

STATEMENT OF CASE

APPLICANT

(Please make a concise statement of what is being sought with this application and the reasons therefore.)

Maralo, Inc., applicant in the above-captioned cause, seeks the creation of a new pool for the production of oil from the Devonian formation comprising the E/2 NW/4 of Section 20, Township 9 South, Range 35 East, and the promulgation of special rules therefor including a provision for 80-acre spacing and proration units and designated well location requirements. Applicant further seeks the assignment of an oil discovery allowable, pursuant to Division General Rule 509, to the Barnes "20" Well No. 1 located 766 feet from the North line and 2201 feet from the West line (Unit C) of said Section 20.

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

PROPOSED EVIDENCE

APPLICANT

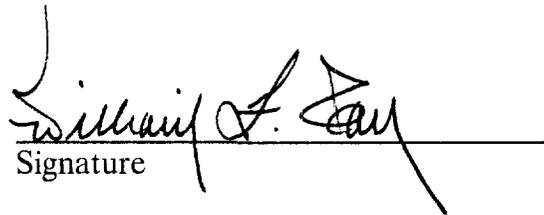
WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
Shane Lough, Geologist	10 Min.	Approximately 6
Richard Gill, Petroleum Engineer	10 Min.	Approximately 4

OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
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PROCEDURAL MATTERS

(Please identify any procedural matters which need to be resolved prior to hearing)

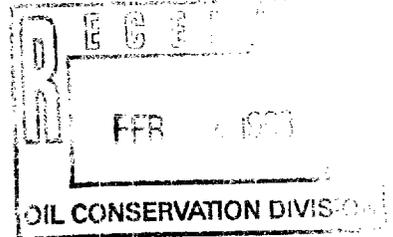

Signature

**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. 10670

APPLICATION OF MARALO, INC.
FOR POOL CREATION, SPECIAL POOL
RULES AND A DISCOVERY ALLOWABLE,
LEA COUNTY, NEW MEXICO.



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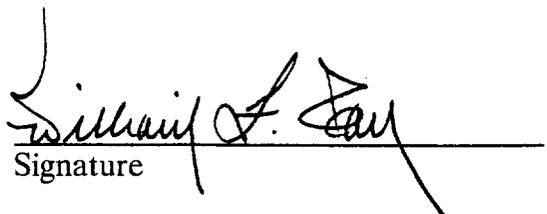
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OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
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PROCEDURAL MATTERS

(Please identify any procedural matters which need to be resolved prior to hearing)


Signature