

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

APR 4 1994

IN THE MATTER OF THE APPLICATION  
OF MARALO, INC. FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

CASE NO. 10962

APPLICATION

Comes now MARALO INC., by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the NE/4SE/4 Section 30, T23S, R30E, NMPM, Eddy County, New Mexico, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within said vertical extent, which presently includes but is not necessarily limited to the Nash Draw-Brushy Canyon Pool, the Nash Draw-Cherry Canyon Pool or the Forty Niner Ridge-Delaware Pool. Said unit is to be dedicated to a well to be drilled and completed at a standard oil well location in Unit I of said Section 30. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well.

In support of its application, Maralo Inc. states:

1. Maralo, Inc. has recently obtained a farmout of a working interest in the oil and gas minerals underlying a portion of the NE/4SE/4 of Section 30, T23S, R30E, NMPM, Lea County, New Mexico.

2. Maralo, Inc. has obtained the right to drill this well based upon a farmout of H. M. Bettis Inc.'s interest in an oil and gas lease which is due to expire on July 1, 1994.

3. The subject tract is located in the proximity of the Nash Draw-Cherry Canyon Pool, the Nash Draw-Brush Canyon Pool and the Forty Niner Ridge-Delaware Pool, each of which is spaced on 40-acre oil spacing and proration units.

4. If the well on the subject tract is to be dedicated to any pool spaced on 40-acre oil spacing and proration units, then Maralo proposes that a standard 40-acre oil spacing and proration unit consisting of the NE/4SE/4 of said Section 30 be pooled and dedicated to its well to be drilled and located at a standard oil well location in Unit I of said Section 30.

5. All of the working interest ownership of the oil & gas minerals from the surface to the base of the Delaware formation underlying the NE/4SE/4 of Section 30 have voluntarily agreed to the formation of this spacing unit for this well with the exception of those parties listed on Exhibit "A."

6. Maralo, Inc. has proposed the subject well to all parties but, as of the date of this application, Maralo, Inc. has not been able to obtain a written voluntary agreement from the parties listed on Exhibit "A".

7. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Maralo, Inc. needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

8. In accordance with the Division's notice requirements, a copy of this application has been sent to the interest parties listed on Exhibit "A" notifying them of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for April 28, 1994.

WHEREFORE, Maralo, Inc., as applicant, requests that this application be set for hearing on April 28, 1994 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the drilling of the subject well at the proposed standard gas well location upon terms and conditions which include:

- (1) Maralo, Inc. be named operator;
- (2) The order make provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200 %;
- (4) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN  
KELLAHIN & KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87501  
(505) 982-4285

EXHIBIT "A"

NAME	INTEREST
Meridian Oil Inc. P. O. Box 51810 Midland, Texas 79710 Attn: Mr. Don Davis	37.5 %
KCM Co. P. O. Drawer 10646 Midland, Texas 79702	3.00 %
Norman D. Stoval, Jr. Box 10 Graham, Texas 76046	2.50 %
W. T. Boyle & Co. Box 57 Graham, Texas 76046	1.25 %
James R. Guinn Estate 201 E. Abram #650 Arlington, Texas 76010	0.50 %
Edward K. Gaylord Rt 5 Box 393 Guthrie, Oklahonma 73044	1.25 %
RBM-Co Ross McDonough 2201 N. Palm St. Little Rock, Arkansas 72203	3.375 %

Massey & Herell Steve Massey 310 W. Wall #915 Midland, Texas 79701	3.00 %
Turnco Inc. Box 1240 Graham, Texas 76046	4.062 %
W. T. Boyle Box 57 Graham, Texas 76046	1.25 %
S. B. Street & Co. Box 206 Graham Texas, 76046	1.00 %
Allar Co. Box 630 Graham, Texas 76046	8.50 %
Bagam Ltd. Box 37 Graham Texas 76046	3.75 %