

CASE 7082: MARALO, INC. AND DALPORT OIL  
CORPORATION FOR A WATERFLOOD PROJECT,  
LEA COUNTY, NEW MEXICO

Case No.

7082

Application

Transcripts

Small Exhibits

ETC

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 7082  
Order No. R-6533

APPLICATION OF MARALO, INC. AND  
DALPORT OIL CORPORATION FOR A  
WATERFLOOD PROJECT, LEA COUNTY,  
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on November 12, 1980, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 11th day of December, 1980, 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 applicants, Maralo, Inc. and Dalport Oil Corporation, seek authority to institute a joint waterflood project on Dalport's Winters Lease offsetting Maralo's Jalmat Yates Unit waterflood project, by the injection of water into the Yates formation through a well to be jointly drilled at an unorthodox location 1260 feet from the South line and 1250 feet from the West line of Section 7, Township 25 South, Range 36 East, NMPM, Lea County, New Mexico.

(3) That the wells in the project area are in an advanced state of depletion and should properly be classified as "stripper" wells.

(4) That the proposed waterflood project should result in the recovery of otherwise unrecoverable oil, thereby preventing waste.

(5) That the operators should take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface from injection, production, or plugged and abandoned wells.

(6) That the injection well or injection pressurization system should be so equipped as to limit injection pressure at the wellhead to no more than 575 psi, but the Division Director should have authority to increase said pressure limitation, should circumstances warrant.

(7) That the subject application should be approved and the project should be governed by the provisions of Rules 701, 702, and 703 of the Division Rules and Regulations.

IT IS THEREFORE ORDERED:

(1) That the applicants, Maralo, Inc. and Dalport Oil Corporation, are hereby authorized to institute a joint waterflood project on Dalport's Winters Lease offsetting Maralo's Jalmat Yates Unit waterflood project by the injection of water into the Yates formation through a well to be jointly drilled at an unorthodox location 1260 feet from the South line and 1250 feet from the West line of Section 7, Township 25 South, Range 36 East, NMPM, Jalmat Pool, Lea County, New Mexico.

(2) That injection into said well shall be through internally coated tubing, set in a packer which shall be located as near as practicable to the uppermost perforation; that the casing-tubing annulus of the injection well shall be loaded with an inert fluid and equipped with an approved pressure gauge or attention-attracting leak detection device.

(3) That the operator shall immediately notify the supervisor of the Division's Hobbs district office of the failure of the tubing or packer in said injection well, the leakage of water or oil from or around any producing well, or the leakage of water or oil from any plugged and abandoned well within the project area and shall take such timely steps as may be necessary or required to correct such failure or leakage.

(4) That the injection well herein authorized and/or the injection pressurization system shall be so equipped as to limit injection pressure at the wellhead to no more than 575 psi, provided however, the Division Director may authorize a higher surface injection pressure upon satisfactory showing that such pressure will not result in fracturing of the confining strata.

-3-

Case No. 7082

Order No. R-6533

(5) That the subject waterflood project is hereby designated the Maralo-Dalport Jalmat Yates Cooperative Waterflood Project and shall be governed by the provisions of Rules 701, 702, and 703 of the Division Rules and Regulations.

(6) That monthly progress reports of the waterflood project herein authorized shall be submitted to the Division in accordance with Rules 704 and 1120 of the Division Rules and Regulations.

(7) 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

  
JOE D. RAMEY  
Director

S E A L

fd/



BRUCE KING  
GOVERNOR  
LARRY KEHOE  
SECRETARY

December 15, 1980

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
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Mr. Conrad E. Coffield  
Hinkle, Cox, Eaton, Coffield  
& Hensley  
Attorneys at Law  
P. O. Box 3580  
Midland, Texas 79702

Re: CASE NO. 7082  
ORDER NO. R-6533

Applicant:

~~Marano, Inc. and Dalport Oil Corporation~~

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Yours very truly,

JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD \_\_\_\_\_ x  
Artesia OCD \_\_\_\_\_ x  
Aztec OCD \_\_\_\_\_

Other

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
12 November 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Maralo, Inc., and )  
Dalport Oil Corporation for a water- ) CASE  
flood project, Lea County, New Mexico.) 7082

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

Ernest L. Padilla, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

Conrad E. Coffield, Esq.  
HINKLE LAW FIRM  
P. O. Box 3580  
Midland, Texas 79701

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2

I N D E X

RICHARD A. LOWRY

Direct Examination by Mr. Coffield	3
Cross Examination by Mr. Stamets	16

E X H I B I T S

Applicant Exhibit One, Plat	5
Applicant Exhibit Two, Plat	10
Applicant Exhibit Three, Table	10
Applicant Exhibit Four, Schematics	13
Applicant Exhibit Five, Log	14
Applicant Exhibit Six, Water Analysis	14



MR. STAMETS: Call next Case 7082.

MR. PADILLA: Application of Maralo, Inc., and Dalport Oil Corporation for a waterflood project, Lea County, New Mexico.

MR. COFFIELD: I'm Conrad Coffield with the Hinkle Law Firm in Midland, Texas, appearing on behalf of Maralo, Inc., and Dalport Oil Corporation.

I have one witness.

(Witness sworn.)

RICHARD A. LOWRY

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. COFFIELD:

Q Mr. Lowry, for the record would you please state your name, address, occupation, and employer?

A I am Richard A. Lowry, presently reside in Midland, Texas, and currently employed as Production Manager for Maralo, Incorporated.

Q Mr. Lowry, have you previously testified before the Division as a petroleum engineer?

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A. I have.

Q. Were your qualifications made a matter of record and accepted by the Division?

A. They were.

Q. And are you familiar with the application of Maralo and Dalport in this case?

A. I am.

Q. Further, are you familiar with the area involved, the unit area involved, and the proposed well locations involved in this case?

A. I am.

MR. COFFIELD: Mr. Examiner, any other questions of Mr. Lowry?

MR. STAMETS: The witness is considered qualified.

Q. Mr. Lowry, would you please state what it is that Maralo and Dalport seek in this application?

A. We seek authority to institute a joint waterflood with Dalport on Dalport's 80-acre Winters lease, which is a direct east offset to the Maralo operated Jalmat Yates waterflood unit.

We also request approval to drill the Dalport B-10 Well at an unorthodox location; also to inject water into that well, and eventually to convert Dalport Winters

1  
2 B-2 to a water injection well and inject water into the same  
3 formations in that well.

4 MR. COFFIELD: Mr. Examiner, I would  
5 draw your attention to the fact that the matters that Mr. Lowry  
6 has just recited as to what Dalport and Maralo seek is slightly  
7 at variance with the way the matter is set out in the docket,  
8 in that the docket does not talk about the injection -- or  
9 converting to injection well the Dalport B No. 2 Well, although  
10 that was included in the application.

11  
12 MR. STAMETS: Lists either of them, okay.

13 MR. COFFIELD: It talks about the new  
14 well.

15 MR. STAMETS: That's unfortunate; how-  
16 ever the administrative procedures are there to allow conver-  
17 sion of this well at a later time. We could -- we could either  
18 readvertise this case and pick up the other well, or allow  
19 Maralo to file for the second well administratively at a later  
20 date, whichever you prefer.

21  
22 A. I think it's fine to file administratively  
23 at a later date. It happens to be a regular location so all  
24 we'd be asking for is permission to inject water.

25  
26 MR. STAMETS: All right.

27 Q Mr. Lowry, would you please refer to  
28 what we've marked as Exhibit One and explain that exhibit to

1  
2 the Examiner?

3 A. Exhibit One is a plat showing the out-  
4 line of the Jalmat Yates Unit in yellow. It -- it shows all  
5 the wells within two miles of the boundaries of the Jalmat  
6 Yates Unit. It shows the original seven injection wells  
7 drilled on the Jalmat Yates Unit in red. It shows the addi-  
8 tional ten wells that were planned in green around the line --  
9 boundary of the unit.  
10

11 It further shows the 80-acre Dalport  
12 lease outlined in blue, and it shows the two wells that we  
13 ultimately plan to inject on the Dalport lease in blue.  
14

15 It also shows that two of the original  
16 ten line wells are "Xd" out. What we plan to do is drill the  
17 Dalport B-10 and convert the Dalport Winters 2 in lieu of  
18 drilling what was originally approved as the Jalmap Yates Unit  
19 No. 5 and 10 on the east boundary of the unit.

20 Q. Mr. Lowry, with respect to Maralo's  
21 interests and position in this area as operator of the various  
22 wells, would you please explain that matter to the Examiner,  
23 both as to the Jalmat Yates Unit itself, of which Maralo is  
24 the operator, but also explain the relationship that Maralo  
25 has relative to the two new wells that you'd like to complete.  
26

27 A. Well, Maralo, of course, is the operator  
28 of the Jalmat Yates Unit and owns approximately 70 percent of

1  
2 it.

3 When the unit was originally formed  
4 there was an effort made to include the 80-acre Dalport  
5 Winters lease in the original waterflood, but there were --  
6 we were never able to work out parameters that were acceptable  
7 to both Dalport and to the rest of the operators within the  
8 Jalmat Unit. So the effort to include that failed, and as  
9 an alternative it was decided that we would drill the Jalmat  
10 Yates Unit 5 and No. 10 injection wells on the line between  
11 Dalport's lease and the Jalmat Unit.  
12

13 And subsequent to that decision we've  
14 been unsuccessful in trying to work out a line agreement with  
15 Dalport. And finally we attempted to buy Dalport's 80-acre  
16 lease and were unsuccessful in that effort, but in the end  
17 we were able to work out an operating agreement with them  
18 which allowed us to drill a jointly owned new well which we're  
19 going to call the Jalmat Unit Dalport B-10, and in which they  
20 would pay half the cost and also they will eventually give  
21 us their Dalport Winters B-2 and allow us to convert it to  
22 an injection well so that we would inject into those two  
23 wells in lieu of the original two planned on -- on the line  
24 between our unit and Dalport.  
25

26 MR. COFFIELD: Mr. Examiner, I would --  
27 reference has been made here several times already to the  
28

1  
2 Jalmat Yates Unit and the waterflood operations conducted  
3 thereon. I'd respectfully request that you take administrative  
4 notice of Case Number 6313, which resulted in Order R-5816,  
5 which related to the authority to conduct the waterflood  
6 operations in connection with the unit itself. A number of  
7 the exhibits that we introduced there will be matters with  
8 which you should concern yourself by reference to matters  
9 that we will talk about here today.  
10

11 MR. STAMETS: What was the order number?

12 MR. COFFIELD: 5816.

13 MR. STAMETS: Thank you.

14 Q Mr. Lowry, one more point of clarification,  
15 I believe, if you will, probably you've covered this  
16 but, is it your opinion that the addition of the 80-acre Dal-  
17 port tract, of which you've spoken, completes the inclusion  
18 of the geologic anomaly with which you're involved in connection  
19 with the Jalmat Yates Unit operations generally?  
20

21 A Yes. We, as I stated earlier, tried to  
22 include this 80 acres in the beginning, because we feel it  
23 definitely has secondary recovery possibilities, and we feel  
24 that if we're not allowed to drill the -- to drill the B-10  
25 and convert the No. 2 Well, that something on the order of  
26 40 or 50,000 barrels of oil would be lost, and if we don't  
27 drill those, or continue to be unable to work out a line  
28

1  
2 agreement with Dalport, then we think we're talking about  
3 probably 70 to 80 acres of Yates oil-bearing formation that  
4 will not be flooded, and we feel like that this represents  
5 120,000 barrels of oil that would never be produced, if we  
6 fail in this effort.  
7

8 Q All right, Mr. Lowry, I suppose generally  
9 that gets to the -- to the reason as to why the B-10 Well is  
10 located where it is. Do you have anything further to add on  
11 that matter?

12 A Well, we located it, of course, on Dal-  
13 port's east boundary, which happens to be where we -- we think  
14 the original gas/oil contact was located in the Yates Field,  
15 and that gives us an optimum location to sweep for the maxi-  
16 mum amount of oil back towards the Yates producing wells.  
17

18 There are no Yates oil wells to the east  
19 of Dalport's east line. The -- the Yates wells to the east  
20 are gas wells and for the most part depleted gas wells.

21 Q Do you have a line agreement with the  
22 operator on the acreage offsetting the Dalport acreage to the  
23 east?  
24

25 A We do. We do have a line agreement be-  
26 tween Dalport, Maralo, and Getty Reserve, who operates the  
27 South Langlie Jal Unit to the east of us.

28 Q Do you have anything further on this?

1  
2 A. I do not.

3 Q. Let's go to Exhibit Two and please ex-  
4 plain that to the Examiner.

5 A. Exhibit Two shows once again the loca-  
6 tion of the Jalmat Yates Unit and the boundaries outlined in  
7 yellow. We have once again the Dalport 80-acre tract out-  
8 lined in blue, and then we've shown a red line around the out-  
9 side of Jalmat Unit, which represents the area included with-  
10 in a half a mile of the original seven interior injection  
11 wells. Then we show a green line, which represents the area  
12 included within a half mile of the line injection wells that  
13 we plan, and then a little area up to the northeast outlined  
14 in blue includes the additional area taken in that would be  
15 one-half mile from the new planned injection wells on Dalport's  
16 lease.  
17

18 Q. Let's go now to Exhibit Three. Would  
19 you please describe that exhibit?  
20

21 A. Okay. Exhibit -- Exhibit Three is a  
22 continuation of a table that was originally included in the  
23 hearing two years ago that listed all the wells within a half  
24 mile of the Jalmat Yates Unit. The three wells shown on our  
25 Exhibit Three were not drilled or completed at the time that  
26 the previous exhibit was prepared.  
27

28 Q. The exhibit you're making reference



1  
2 to is the tabular summary of the wells within the half mile  
3 radius?

4 A. Right, and the three wells that we list  
5 on this table include, first of all, an ARCO Oil and Gas Hana-  
6 gan No. 5, which is located in Section 12 over on the north-  
7 west corner of the Jalmat Yates Unit. It really doesn't have  
8 any bearing on the proposed expansion, other than it's a well  
9 that according to our records was drilled in 1980, completed  
10 dry and abandoned, and I haven't been able to find out whether  
11 casing was pulled in it or not, but it's definitely a well  
12 that's located within a half mile of the Jalmat Unit and was  
13 not included on the previous tabulation.  
14  
15

16 Then the next well on that Exhibit Three  
17 is the Doyle Hartman X No. 3, which is located in Section 7  
18 up to the north, directly north of the Dalport Winters 80-  
19 acre lease that we've been discussing, and we have the perti-  
20 nent information on it.

21 It's a newly drilled well.

22 And then the third one we show is the  
23 Tahoe Oil and Cattle Company Judy No. 3, also located in Sec-  
24 tion 7, just northeast of the Dalport Winters lease, and we  
25 show on that Exhibit Two a Hartman X No. 4 Well, which is  
26 currently drilling, to the best of our knowledge, and we don't  
27 have any completion date on it.  
28

Q. Okay, now we're ready for Exhibit Number Four.

MR. STAMETS: Let me ask you a question. You indicated the ARCO Well was spudded and abandoned, and you don't have detail on the pressure.

A. I don't think the casing's been pulled on it.

MR. STAMETS: But in any event, they did the top of cement back up to 950 feet? That seems to be what the exhibit indicates there.

A. The --

MR. STAMETS: Or that's the calculated top.

A. Okay, now that's -- that's a calculated top based on the sacks of cement that were used and what we would -- we would calculate the size of the hole to be for a well drilled in this area. Now I'm sure that they have a cement top on that well but their office was closed yesterday when I was trying to get that information and so I -- that's strictly a calculated top by our calculations and not the official top at all.

MR. STAMETS: Okay, if you could get some additional detail on that well for the record and submit that at any later date, that would be helpful.

1  
2 A. We'll do that.

3 Q. Now we're ready for Exhibit Number Four,  
4 Mr. Lowry. Let's look at that and describe that for the Exa-  
5 miner's benefit.  
6

7 A. Exhibit Number Four is a schematic on  
8 three wells that -- the first one is the B-10 that we're  
9 seeking approval to inject water into, and this schematic  
10 shows that the TD of the well is 3497; that we cemented 5-1/2  
11 inch casing with 1800 sacks of cement; that we did circulate  
12 cement on the production string. We also circulated cement  
13 on the 8-5/8ths casing string, which was set at 416 feet. It  
14 shows that we have plastic-coated tubing in the well; a packer,  
15 which is nickel-plated, packer set at 2855. It also shows that  
16 the proposed perforations that we intend to inject into are  
17 from 2873 to 3106, which is in the Yates formation.  
18

19 The second sketch on Exhibit Four is  
20 just a diagrammatic sketch of Dalport's B-2 Well, which is  
21 currently a producing Yates well but ultimately will be con-  
22 verted to a water injection well if our request is granted  
23 here today.  
24

25 And the third diagram is -- is a sketch  
26 on the ARCO well that I discussed earlier, that was drilled  
27 this year, in 1980, and the best of our knowledge it's shut-in  
28 or it shows completed and abandoned. But I'll get you some

1  
2 more information on that well.

3 Q Okay, next is Exhibit Five. Would you  
4 please describe that exhibit?

5 A And we go to Exhibit Six --

6 Q Do you want to talk about Exhibit Five  
7 first? That's the log.

8 A Oh, I'm -- yeah. Exhibit Five is a  
9 copy of the log that was run on the Dalport B-10 Well, and  
10 it shows the top of the Yates at 2871 and we have the perfor-  
11 ations marked on the well.

12  
13 And that's -- I have no further comments  
14 on that.

15 Q Okay, now go on to Exhibit Six, if you  
16 would please, Mr. Lowry.

17 A Exhibit Six is a copy of a water ana-  
18 lysis run on the produced water from the Jalmat Yates Unit,  
19 and our source water, which is the Santa Rosa formation, is  
20 about 600 feet, and the source wells are located in the north-  
21 east 160 acres of Section 13.

22 And what this does, it just demonstrates  
23 the compatibility of the two -- two waters, so that while  
24 we're initially injecting Santa Rosa water in the flood, we  
25 intend to also include produced water once we start getting  
26 some response, and we're further considering the use of pro-  
27  
28

1  
2       duced water from Tenneco up to the north, which they've offered  
3       to make available to us, and we're currently running compati-  
4       bility tests on it to see whether it's feasible to -- to mix  
5       that water with our produced water and source water.  
6

7               Q           Mr. Lowry, if this application of Maralo  
8       and Dalport is denied, what do you believe will be the effect?

9               A           Well, if we're unable to convert the  
10       two wells in question to injection wells, we'll have no backup  
11       on the northeast side of our unit, and as I said earlier, we  
12       feel like there will be 80 acres of Yates formation that's  
13       certainly floodable that will not be flooded at all and the  
14       end result of that will be that we'll lose out on 120,000  
15       barrels of oil that could have been produced that would not be  
16       if we do not convert those two wells to injection and give our  
17       flood some backup.  
18

19              Q           Did you have anything further to add to  
20       your testimony?

21              A           I have nothing further.  
22

23              Q           Were these Exhibits One through Six pre-  
24       pared by you or under your supervision?

25              A           They were.

26              Q           And in your opinion will the approval  
27       of this application of Maralo and Dalport be in the best in-  
28       terests of conservation and the prevention of waste and pro-

1  
2 tection of correlative rights?

3 A. It will.

4 MR. COFFIELD: Mr. Examiner, I move the  
5 admission of Exhibits One through Six.  
6

7 MR. STAMETS: These exhibits will be  
8 admitted.

9  
10 CROSS EXAMINATION

11 BY MR. STAMETS:

12 Q Mr. Lowry, who will operate the injection  
13 wells?

14 A. The Jalmat Yates Unit will operate the  
15 injection wells, and the source water will come from the same  
16 place that the Jalmat Unit water is coming.  
17

18 Q Who will operate the producing wells on  
19 the mentioned lease?

20 A. Okay, Dalport Oil Company will operate  
21 the producing wells and they in turn will receive no income  
22 from oil produced on the Jalmat Yates Unit. The Jalmat Yates  
23 Unit will not receive any income from oil or gas produced on  
24 the Dalport 80-acre Winters lease.  
25

26 Q Okay. I see from some of the exhibits  
27 that the intention is at least to call the injection wells by  
28 the unit name and this is even though they aren't actually

1  
2 within the unit boundary.

3 Q Well, that was the intention, since they  
4 are replacing 5 and 10. We thought we'd try and keep the --  
5 keep those numbers in the well somewhere. Now we're certainly  
6 agreeable to changing those names to anything that the Commis-  
7 sion would wish.  
8

9 Q I'm not sure what to do with them but  
10 we'll worry about that later.

11 A All right.

12 MR. STAMETS: Are there any other ques-  
13 tions of the witness? He may be excused.

14 Anything further in this case?

15 The case will be taken under advisement.  
16  
17 And the hearing will recess until 1:30.

18  
19 (Hearing concluded.)  
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that  
the foregoing Transcript of Hearing before the Oil Conserva-  
tion Division was reported by me; that the said transcript  
is a full, true, and correct record of the hearing, prepared  
by me to the best of my ability.

Sally W. Boyd C.S.R.

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 7002  
heard by me on 11-12-1980.  
Richard L. Stamm Examiner  
Oil Conservation Division



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
12 November 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Maralo, Inc., and  
Dalport Oil Corporation for a water-  
flood project, Lea County, New Mexico.)

CASE  
7082

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

Ernest L. Padilla, Esq.  
Legal Counsel to the Division  
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Conrad E. Coffield, Esq.  
HINKLE LAW FIRM  
P. O. Box 3580  
Midland, Texas 79701

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I N D E X

RICHARD A. LOWRY

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E X H I B I T S

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MR. STAMETS: Call next Case 7082.

MR. PADILIA: Application of Maralo, Inc., and Dalport Oil Corporation for a waterflood project, Lea County, New Mexico.

MR. COFFIELD: I'm Conrad Coffield with the Hinkle Law Firm in Midland, Texas, appearing on behalf of Maralo, Inc., and Dalport Oil Corporation.

I have one witness.

(Witness sworn.)

RICHARD A. LOWRY

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. COFFIELD:

Q Mr. Lowry, for the record would you please state your name, address, occupation, and employer?

A I am Richard A. Lowry, presently reside in Midland, Texas, and currently employed as Production Manager for Maralo, Incorporated.

Q Mr. Lowry, have you previously testified before the Division as a petroleum engineer?

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A. I have.

Q Were your qualifications made a matter of record and accepted by the Division?

A. They were.

Q And are you familiar with the application of Maralo and Dalport in this case?

A. I am.

Q Further, are you familiar with the area involved, the unit area involved, and the proposed well locations involved in this case?

A. I am.

MR. COFFIELD: Mr. Examiner, any other questions of Mr. Lowry?

MR. STAMETS: The witness is considered qualified.

Q Mr. Lowry, would you please state what it is that Maralo and Dalport seek in this application?

A. We seek authority to institute a joint waterflood with Dalport on Dalport's 80-acre Winters lease, which is a direct east offset to the Maralo operated Jalmat Yates waterflood unit.

We also request approval to drill the Dalport B-10 Well at an unorthodox location; also to inject water into that well, and eventually to convert Dalport Winters

1  
2 B-2 to a water injection well and inject water into the same  
3 formations in that well.

4 MR. COFFIELD: Mr. Examiner, I would  
5 draw your attention to the fact that the matters that Mr. Lowry  
6 has just recited as to what Dalport and Maralo seek is slightly  
7 at variance with the way the matter is set out in the docket,  
8 in that the docket does not talk about the injection -- or  
9 converting to injection well the Dalport B No. 2 Well, although  
10 that was included in the application.

11  
12 MR. STAMETS: Lists either of them, okay.

13 MR. COFFIELD: It talks about the new  
14 well.

15 MR. STAMETS: That's unfortunate; how-  
16 ever the administrative procedures are there to allow conver-  
17 sion of this well at a later time. We could -- we could either  
18 readvertise this case and pick up the other well, or allow  
19 Maralo to file for the second well administratively at a later  
20 date, whichever you prefer.

21  
22 A. I think it's fine to file administratively  
23 at a later date. It happens to be a regular location so all  
24 we'd be asking for is permission to inject water.

25  
26 MR. STAMETS: All right.

27 Q Mr. Lowry, would you please refer to  
28 what we've marked as Exhibit One and explain that exhibit to

1  
2 the Examiner?

3 A. Exhibit One is a plat showing the out-  
4 line of the Jalmat Yates Unit in yellow. It -- it shows all  
5 the wells within two miles of the boundaries of the Jalmat  
6 Yates Unit. It shows the original seven injection wells  
7 drilled on the Jalmat Yates Unit in red. It shows the addi-  
8 tional ten wells that were planned in green around the line --  
9 boundary of the unit.  
10

11 It further shows the 80-acre Dalport  
12 lease outlined in blue, and it shows the two wells that we  
13 ultimately plan to inject on the Dalport lease in blue.  
14

15 It also shows that two of the original  
16 ten line wells are "Xd" out. What we plan to do is drill the  
17 Dalport B-10 and convert the Dalport Winters 2 in lieu of  
18 drilling what was originally approved as the Jalmap Yates Unit  
19 No. 5 and 10 on the east boundary of the unit.  
20

21 Q. Mr. Lowry, with respect to Maralo's  
22 interests and position in this area as operator of the various  
23 wells, would you please explain that matter to the Examiner,  
24 both as to the Jalmat Yates Unit itself, of which Maralo is  
25 the operator, but also explain the relationship that Maralo  
26 has relative to the two new wells that you'd like to complete.  
27

28 A. Well, Maralo, of course, is the operator  
of the Jalmat Yates Unit and owns approximately 70 percent of

1  
2 it.

3 When the unit was originally formed  
4 there was an effort made to include the 80-acre Dalport  
5 Winters lease in the original waterflood, but there were --  
6 we were never able to work out parameters that were acceptable  
7 to both Dalport and to the rest of the operators within the  
8 Jalmat Unit. So the effort to include that failed, and as  
9 an alternative it was decided that we would drill the Jalmat  
10 Yates Unit 5 and No. 10 injection wells on the line between  
11 Dalport's lease and the Jalmat Unit.  
12

13 And subsequent to that decision we've  
14 been unsuccessful in trying to work out a line agreement with  
15 Dalport. And finally we attempted to buy Dalport's 80-acre  
16 lease and were unsuccessful in that effort, but in the end  
17 we were able to work out an operating agreement with them  
18 which allowed us to drill a jointly owned new well which we're  
19 going to call the Jalmat Unit Dalport B-10, and in which they  
20 would pay half the cost and also they will eventually give  
21 us their Dalport Winters B-2 and allow us to convert it to  
22 an injection well so that we would inject into those two  
23 wells in lieu of the original two planned on -- on the line  
24 between our unit and Dalport.  
25

26 MR. COFFIELD: Mr. Examiner, I would --  
27 reference has been made here several times already to the  
28

1  
2 Jalmat Yates Unit and the waterflood operations conducted  
3 thereon. I'd respectfully request that you take administrative  
4 notice of Case Number 6313, which resulted in Order R-5816,  
5 which related to the authority to conduct the waterflood  
6 operations in connection with the unit itself. A number of  
7 the exhibits that we introduced there will be matters with  
8 which you should concern yourself by reference to matters  
9 that we will talk about here today.  
10

11 MR. STAMETS: What was the order number?

12 MR. COFFIELD: 5816.

13 MR. STAMETS: Thank you.  
14

15 Q Mr. Lowry, one more point of clarification,  
16 I believe, if you will, probably you've covered this  
17 but, is it your opinion that the addition of the 80-acre Dal-  
18 port tract, of which you've spoken, completes the inclusion  
19 of the geologic anomaly with which you're involved in connection  
20 with the Jalmat Yates Unit operations generally?

21 A Yes. We, as I stated earlier, tried to  
22 include this 80 acres in the beginning, because we feel it  
23 definitely has secondary recovery possibilities, and we feel  
24 that if we're not allowed to drill the -- to drill the B-10  
25 and convert the No. 2 Well, that something on the order of  
26 40 or 50,000 barrels of oil would be lost, and if we don't  
27 drill those, or continue to be unable to work out a line  
28



1  
2 agreement with Dalport, then we think we're talking about  
3 probably 70 to 80 acres of Yates oil-bearing formation that  
4 will not be flooded, and we feel like that this represents  
5 120,000 barrels of oil that would never be produced, if we  
6 fail in this effort.  
7

8 Q All right, Mr. Lowry, I suppose generally  
9 that gets to the -- to the reason as to why the B-10 Well is  
10 located where it is. Do you have anything further to add on  
11 that matter?

12 A Well, we located it, of course, on Dal-  
13 port's east boundary, which happens to be where we -- we think  
14 the original gas/oil contact was located in the Yates Field,  
15 and that gives us an optimum location to sweep for the maxi-  
16 mum amount of oil back towards the Yates producing wells.  
17

18 There are no Yates oil wells to the east  
19 of Dalport's east line. The -- the Yates wells to the east  
20 are gas wells and for the most part depleted gas wells.

21 Q Do you have a line agreement with the  
22 operator on the acreage offsetting the Dalport acreage to the  
23 east?  
24

25 A We do. We do have a line agreement be-  
26 tween Dalport, Maralo, and Getty Reserve, who operates the  
27 South Langlie Jal Unit to the east of us.

28 Q Do you have anything further on this?

1  
2 A I do not.

3 Q Let's go to Exhibit Two and please ex-  
4 plain that to the Examiner.

5 A Exhibit Two shows once again the loca-  
6 tion of the Jalmat Yates Unit and the boundaries outlined in  
7 yellow. We have once again the Dalport 80-acre tract out-  
8 lined in blue, and then we've shown a red line around the out-  
9 side of Jalmat Unit, which represents the area included with-  
10 in a half a mile of the original seven interior injection  
11 wells. Then we show a green line, which represents the area  
12 included within a half mile of the line injection wells that  
13 we plan, and then a little area up to the northeast outlined  
14 in blue includes the additional area taken in that would be  
15 one-half mile from the new planned injection wells on Dalport's  
16 lease.

17 Q Let's go now to Exhibit Three. Would  
18 you please describe that exhibit?

19 A Okay. Exhibit -- Exhibit Three is a  
20 continuation of a table that was originally included in the  
21 hearing two years ago that listed all the wells within a half  
22 mile of the Jalmat Yates Unit. The three wells shown on our  
23 Exhibit Three were not drilled or completed at the time that  
24 the previous exhibit was prepared.

25 Q The exhibit you're making reference

1  
2 to is the tabular summary of the wells within the half mile  
3 radius?

4 A Right, and the three wells that we list  
5 on this table include, first of all, an ARCO Oil and Gas Hana-  
6 gan No. 5, which is located in Section 12 over on the north-  
7 west corner of the Jalmat Yates Unit. It really doesn't have  
8 any bearing on the proposed expansion, other than it's a well  
9 that according to our records was drilled in 1980, completed  
10 dry and abandoned, and I haven't been able to find out whether  
11 casing was pulled in it or not, but it's definitely a well  
12 that's located within a half mile of the Jalmat Unit and was  
13 not included on the previous tabulation.  
14

15 Then the next well on that Exhibit Three  
16 is the Doyle Hartman X No. 3, which is located in Section 7  
17 up to the north, directly north of the Dalport Winters 80-  
18 acre lease that we've been discussing, and we have the perti-  
19 nent information on it.  
20

21 It's a newly drilled well.

22 And then the third one we show is the  
23 Tahoe Oil and Cattle Company Judy No. 3, also located in Sec-  
24 tion 7, just northeast of the Dalport Winters lease, and we  
25 show on that Exhibit Two a Hartman X No. 4 Well, which is  
26 currently drilling, to the best of our knowledge, and we don't  
27 have any completion date on it.  
28

1  
2 Q Okay, now we're ready for Exhibit Num-  
3 ber Four.

4 MR. STAMETS: Let me ask you a question.  
5 You indicated the ARCO Well was spudded and abandoned, and  
6 you don't have detail on the pressure.

7 A I don't think the casing's been pulled  
8 on it.

9 MR. STAMETS: But in any event, they  
10 did the top of cement back up to 950 feet? That seems to be  
11 what the exhibit indicates there.

12 A The --

13 MR. STAMETS: Or that's the calculated  
14 top.

15 A Okay, now that's -- that's a calculated  
16 top based on the sacks of cement that were used and what we  
17 would -- we would calculate the size of the hole to be for a  
18 well drilled in this area. Now I'm sure that they have a  
19 cement top on that well but their office was closed yesterday  
20 when I was trying to get that information and so I -- that's  
21 strictly a calculated top by our calculations and not the offi-  
22 cial top at all.

23 MR. STAMETS: Okay, if you could get some  
24 additional detail on that well for the record and submit that  
25 at any later date, that would be helpful.  
26  
27  
28

1  
2 A. We'll do that.

3 Q. Now we're ready for Exhibit Number Four,  
4 Mr. Lowry. Let's look at that and describe that for the Exa-  
5 miner's benefit.  
6

7 A. Exhibit Number Four is a schematic on  
8 three wells that -- the first one is the B-10 that we're  
9 seeking approval to inject water into, and this schematic  
10 shows that the TD of the well is 3497; that we cemented 5-1/2  
11 inch casing with 1800 sacks of cement; that we did circulate  
12 cement on the production string. We also circulated cement  
13 on the 8-5/8ths casing string, which was set at 416 feet. It  
14 shows that we have plastic-coated tubing in the well; a packer,  
15 which is nickel-plated, packer set at 2855. It also shows that  
16 the proposed perforations that we intend to inject into are  
17 from 2973 to 3106, which is in the Yates formation.  
18

19 The second sketch on Exhibit Four is  
20 just a diagrammatic sketch of Dalport's B-2 Well, which is  
21 currently a producing Yates well but ultimately will be con-  
22 verted to a water injection well if our request is granted  
23 here today.  
24

25 And the third diagram is -- is a sketch  
26 on the ARCO well that I discussed earlier, that was drilled  
27 this year, in 1980, and the best of our knowledge it's shut-in  
28 or it shows completed and abandoned. But I'll get you some

1  
2 more information on that well.

3 Q Okay, next is Exhibit Five. Would you  
4 please describe that exhibit?

5 A And we go to Exhibit Six --

6 Q Do you want to talk about Exhibit Five  
7 first? That's the log.

8 A Oh, I'm -- yeah. Exhibit Five is a  
9 copy of the log that was run on the Dalport B-10 Well, and  
10 it shows the top of the Yates at 2871 and we have the perfor-  
11 ations marked on the well.  
12

13 And that's -- I have no further comments  
14 on that.

15 Q Okay, now go on to Exhibit Six, if you  
16 would please, Mr. Lowry.

17 A Exhibit Six is a copy of a water ana-  
18 lysis run on the produced water from the Jalmat Yates Unit,  
19 and our source water, which is the Santa Rosa formation, is  
20 about 600 feet, and the source wells are located in the north-  
21 east 160 acres of Section 13.  
22

23 And what this does, it just demonstrates  
24 the compatibility of the two -- two waters, so that while  
25 we're initially injecting Santa Rosa water in the flood, we  
26 intend to also include produced water once we start getting  
27 some response, and we're further considering the use of pro-  
28

1  
2 duced water from Tenneco up to the north, which they've offered  
3 to make available to us, and we're currently running compati-  
4 bility tests on it to see whether it's feasible to -- to mix  
5 that water with our produced water and source water.  
6

7 Q Mr. Lowry, if this application of Maralo  
8 and Dalport is denied, what do you believe will be the effect?

9 A Well, if we're unable to convert the  
10 two wells in question to injection wells, we'll have no backup  
11 on the northeast side of our unit, and as I said earlier, we  
12 feel like there will be 80 acres of Yates formation that's  
13 certainly floodable that will not be flooded at all and the  
14 end result of that will be that we'll lose out on 120,000  
15 barrels of oil that could have been produced that would not be  
16 if we do not convert those two wells to injection and give our  
17 flood some backup.  
18

19 Q Did you have anything further to add to  
20 your testimony?

21 A I have nothing further.

22 Q Were these Exhibits One through Six pre-  
23 pared by you or under your supervision?  
24

25 A They were.

26 Q And in your opinion will the approval  
27 of this application of Maralo and Dalport be in the best in-  
28 terests of conservation and the prevention of waste and pro-

1  
2 tection of correlative rights?

3 A. It will.

4 MR. COFFIELD: Mr. Examiner, I move the  
5 admission of Exhibits One through Six.

6 MR. STAMETS: These exhibits will be  
7 admitted.  
8

9  
10 CROSS EXAMINATION

11 BY MR. STAMETS:

12 Q Mr. Lowry, who will operate the injection  
13 wells?  
14

15 A. The Jalmat Yates Unit will operate the  
16 injection wells, and the source water will come from the same  
17 place that the Jalmat Unit water is coming.

18 Q Who will operate the producing wells on  
19 the mentioned lease?

20 A. Okay, Dalport Oil Company will operate  
21 the producing wells and they in turn will receive no income  
22 from oil produced on the Jalmat Yates Unit. The Jalmat Yates  
23 Unit will not receive any income from oil or gas produced on  
24 the Dalport 80-acre Winters lease.  
25

26 Q Okay. I see from some of the exhibits  
27 that the intention is at least to call the injection wells by  
28 the unit name and this is even though they aren't actually



1  
2 within the unit boundary.

3 Q Well, that was the intention, since they  
4 are replacing 5 and 10. We thought we'd try and keep the ---  
5 keep those numbers in the well somewhere. Now we're certainly  
6 agreeable to changing those names to anything that the Commis-  
7 sion would wish.

8  
9 Q I'm not sure what to do with them but  
10 we'll worry about that later.

11 A All right.

12 MR. STAMETS: Are there any other ques-  
13 tions of the witness? He may be excused.  
14

15 Anything further in this case?

16 The case will be taken under advisement.  
17 And the hearing will recess until 1:30.

18  
19 (Hearing concluded.)  
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C E R T I F I C A T E

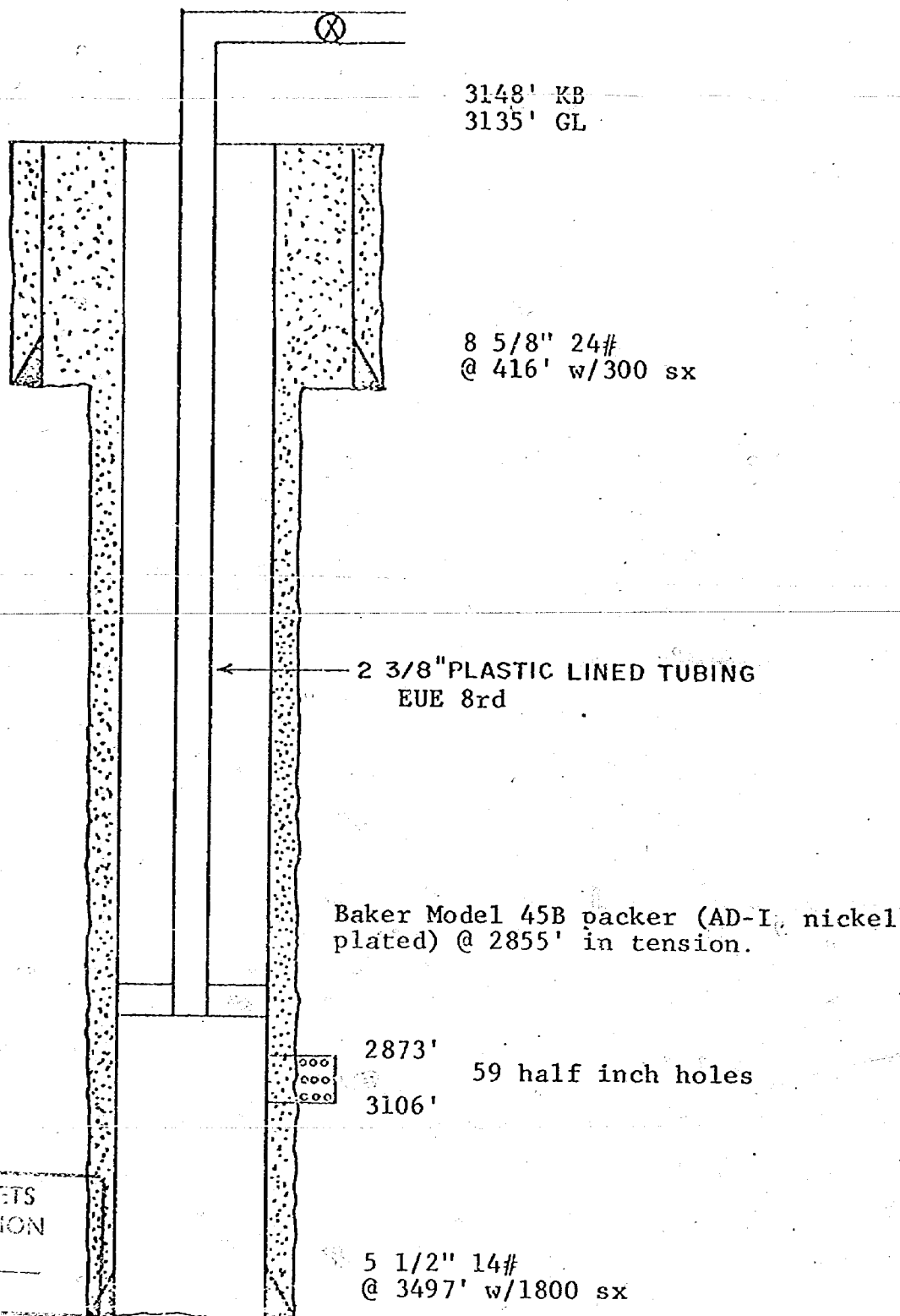
I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that  
the foregoing Transcript of Hearing before the Oil Conserva-  
tion Division was reported by me; that the said transcript  
is a full, true, and correct record of the hearing, prepared  
by me to the best of my ability.

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

\_\_\_\_\_, Examiner  
Oil Conservation Division

MARALO, IUC.

JALMAT YATES WATERFLOOD UNIT #B-10  
JALMAT FIELD, LEA COUNTY, NEW MEXICO



BEFORE EXAMINER STAMETS  
CIL. CONSERVATION DIVISION  
EXHIBIT NO. 4

CASE NO. 7082

Submitted by Maralo

Hearing Date 11/12/80

DALPORT OIL CORPORATION

DALPORT "B" #2

DRILLED AS HUMBLE WINTERS O&R CO. #2

ELYDIA C. WINTERS ETAL

1980' FSL & 660' FSL, SEC. 7-25S-37E

COOPER JAL FIELD

LEA COUNTY, NEW MEXICO

Completed 8-26-51

3150' DF

8 5/8" 304'  
w/150 sx

Yates  
2875' (+275')

5 1/2" 2875'  
w/800 sx.

3034' TD

ARCO OIL & GAS COMPANY

W. F. HANAGAN NO. 5  
760' FSL & 2080' FWL, SEC. 12-25S-36E  
JALMAT FIELD, LEA COUNTY, NEW MEXICO

D&A Complete 5-21-80

3150' GL

8 5/8" 1100'  
w/370 sx

Yates 2865'  
(+292')

Perf'd 2710-2970'  
AT & FT - Sqzd w/300  
sx & DOC  
Perf'd 2992-3042'  
AT & FT

PI Information reported  
7-2-80 did not report  
abandonment plugs, etc.

Seven Rivers  
3102' (-55')

5 1/2" @ 3200' TD  
w/650

ARCO OIL & GAS COMPANY

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5 1/2" @ 3200' TD  
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P. O. BOX 1408  
MONAHANS, TEXAS 79786  
PHONE 943-3234 OR 963-1040

Midland Water Laboratories, Inc.

709 W. INDIANA  
MIDLAND, TEXAS 79701  
PHONE 683-4521

RESULT OF WATER ANALYSIS

TO: Mr. R. A. Lowery  
P.O. Box 832, Midland, Texas

LABORATORY NO. 680122  
SAMPLE RECEIVED 6-11-80  
RESULTS REPORTED 6-16-80

COMPANY Maralo, Inc. LEASE Jalmat Yates Unit  
FIELD OR POOL Jalmat  
SECTION BLOCK SURVEY COUNTY Lea STATE New Mexico  
SOURCE OF SAMPLE AND DATE TAKEN:

NO. 1 Santa Rosa water - taken from water supply well. 6-9-80  
NO. 2 Produced water - taken from storage tank. 6-9-80  
NO. 3  
NO. 4

REMARKS:

CHEMICAL AND PHYSICAL PROPERTIES				
	NO. 1	NO. 2	NO. 3	NO. 4
Specific Gravity at 60° F.	1.0021	1.0375		
pH When Sampled				
pH When Received	8.0	6.9		
Bicarbonate as HCO <sub>3</sub>	368	1,025		
Supersaturation as CaCO <sub>3</sub>	6	70		
Undersaturation as CaCO <sub>3</sub>	-	-		
Total Hardness as CaCO <sub>3</sub>	253	15,100		
Calcium as Ca	38	1,560		
Magnesium as Mg	38	2,722		
Sodium and/or Potassium	171	13,668		
Sulfate as SO <sub>4</sub>	252	2,805		
Chloride as Cl	41	29,118		
Iron as Fe	4.7	4.7		
Barium as Ba				
Turbidity, Electric				
Color as Pt				
Total Solids, Calculated	908	50,898		
Temperature °F.				
Carbon Dioxide, Calculated				
Dissolved Oxygen, Winkler				
Hydrogen Sulfide	0.0	0.0		
Resistivity, ohms/m at 77° F.	9.20	0.157		
Suspended Oil				
Filtrable Solids as mg/l				
Volume Filtered, ml				
Carbonate, as CO <sub>3</sub>	0	0		

Results Reported As Milligrams Per Liter

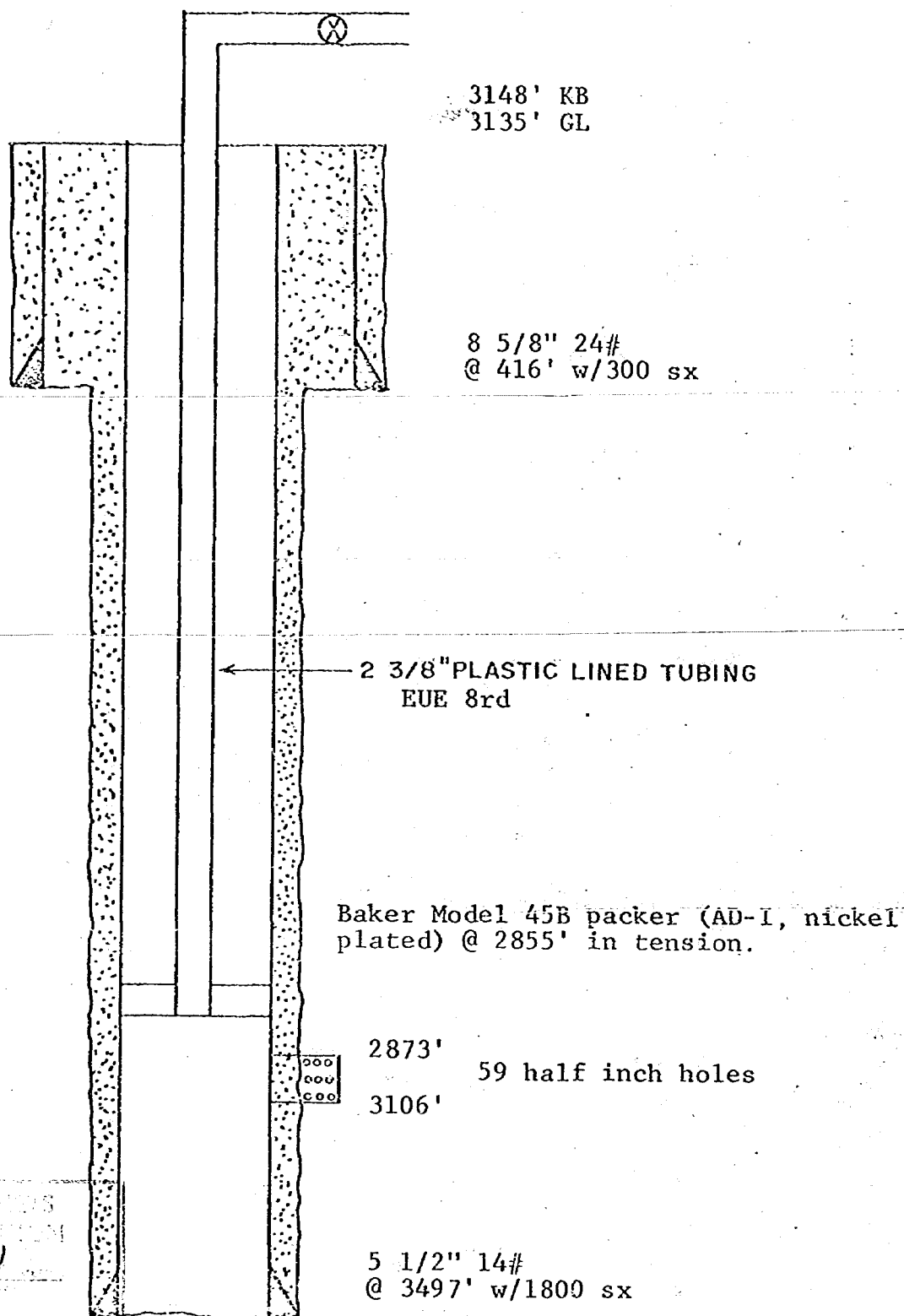
Additional Determinations And Remarks The above results show no evidence of any clear-cut incompatibility between these two waters. It should be clarified that we are assuming that there is no oxygen in the supply water though we could not test for this. We would not expect the iron encountered here in the supply water to be present in a normal producing water well; therefore, if air got into the water, we would expect iron precipitation from what is likely a normal soluble iron content in the produced water. We would also suggest consideration be given to testing a combination of these waters under actual field conditions for a possible calcium carbonate scaling tendency in the mixture of waters, but we doubt seriously that it will warrant any attention.

Form No. 3

By Wavlan C. Martin  
Wavlan C. Martin M A

MARALO, INC.

JALMAT YATES WATERFLOOD UNIT #B-10  
JALMAT FIELD, LEA COUNTY, NEW MEXICO



BEFORE THE BOARD OF  
OIL AND GAS COMMISSION

CASE NO. 7082

Submitted by Maralo

Hearing Date 11/12/80



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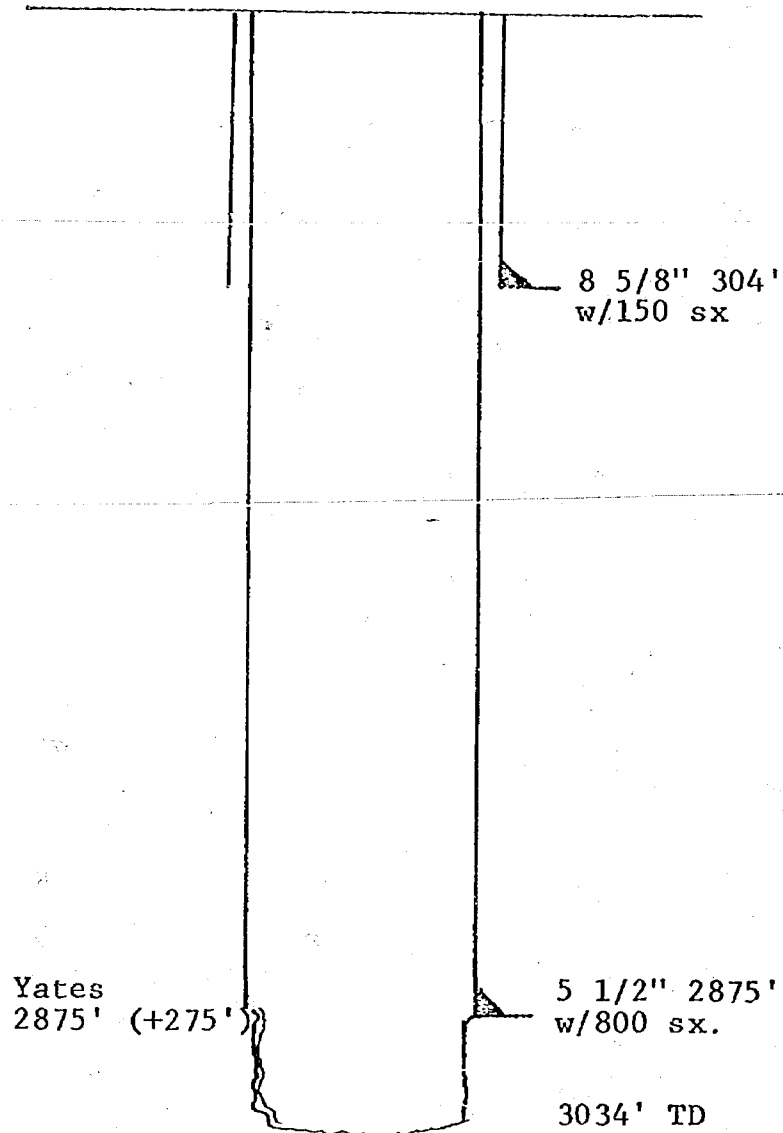
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Martin Water Laboratory  
7082  
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MIDLAND, TEXAS 79701  
PHONE 683-4521

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P.O. Box 832, Midland, Texas

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Temperature °F.				
Carbon Dioxide, Calculated				
Dissolved Oxygen, Winkler				
Hydrogen Sulfide	0.0	0.0		
Resistivity, ohms/m at 77° F.	9.20	0.157		
Suspended Oil				
Filtrable Solids as mg/l				
Volume Filtered, ml				
Carbonate, as CO <sub>3</sub>	0	0		

Results Reported As Milligrams Per Liter

Additional Determinations And Remarks The above results show no evidence of any clear-cut incompatibility between these two waters. It should be clarified that we are assuming that there is no oxygen in the supply water though we could not test for this. We would not expect the iron encountered here in the supply water to be present in a normal producing water well; therefore, if air got into the water, we would expect iron precipitation from what is likely a normal soluble iron content in the produced water. We would also suggest consideration be given to testing a combination of these waters under actual field conditions for a possible calcium carbonate scaling tendency in the mixture of waters, but we doubt seriously that it will warrant any attention.

Form No. 3

By *[Signature]*  
Navlan C. Martin M. A.

Dockets Nos. 37-80 and 38-80 are tentatively set for November 25 and December 10, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 12, 1980

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for December, 1980, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for December, 1980, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.
- CASE 7076: Application of Vista Resources, Inc. for an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its John H. Dashko Federal Well No. 1 to be drilled 2510 feet from the South line and 790 feet from the East line of Section 11, Township 24 North, Range 7 West, Basin-Dakota Pool, the E/2 of said Section 11 to be dedicated to the well.
- CASE 7077: Application of Threshold Development Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Conoco "10" State Com Well No. 1 located in Unit I of Section 10, Township 19 South, Range 29 East, Turkey Track Field, to produce oil from the Wolfcamp formation and gas from the Atoka formation through parallel strings of tubing.
- CASE 7046: (Continued from October 15, 1980, Examiner Hearing)
- Application of Cotton Petroleum Corporation for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Chacra and Pictured Cliffs production in the wellbores of wells in the South Blanco-Pictured Cliffs Pool located in Sections 1, 2, 3, 4, 9, 10, 11, 13, 23, and 24, Township 24 North, Range 4 West.
- CASE 7078: Application of Conoco Inc. for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Warren Unit Well No. 82 located in Unit G of Section 35, Township 20 South, Range 38 East, to produce oil from the Blinberry Oil and Gas or Warren-Tubb Pools and the D-K Abo Pool.
- CASE 7079: Application of HNG Oil Company for the amendment of Order No. R-5727, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5727 to include the entire Pennsylvanian formation under the compulsory pooling order rather than only the Morrow formation as previously ordered.
- CASE 7080: Application of Franks Petroleum, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 660 feet from the North and East lines of Section 9, Township 21 South, Range 32 East, Hat Mesa-Morrow Gas Pool, the E/2 of said Section 9 to be dedicated to the well.
- CASE 7081: Application of Belco Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 19, Township 23 South, Range 28 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7070: (Continued from October 29, 1980, Examiner Hearing)
- Application of Tesoro Petroleum Corporation for a pilot caustic flood project, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a one-acre pilot caustic flood project in the Hospah Field by the injection of caustic fluid into the Seven Lakes Sand of the Upper Hospah Field at an approximate depth of 300-500 feet through four injection wells in Unit K of Section 1, Township 17 North, Range 9 West.
- CASE 7082: Application of Mazelo, Inc. and Dalport Oil Corporation for a waterflood project, Lea County, New Mexico. Applicants, in the above-styled cause, seek authority to institute a joint waterflood project on Dalport's Winters Lease offsetting Mazelo's Jalmat Yates Unit waterflood project by the injection of water into the Yates-Seven Rivers-Queen formations through a well to be jointly drilled at an unorthodox location 1260 feet from the South line and 1250 feet from the West line of Section 7, Township 25 South, Range 36 East, Jalmat Pool.

# Memo

Set for Hearing

From

R. L. STAMETS  
Technical  
Support Chief

To

Application for cooperative  
water flood project,  
~~also~~ unorthodox well location  
(#10 at 1260 FSL - 1250 FWL  
7-255-37E) and two  
injection wells.

Dalport will operate any  
producing wells on the  
Winters lease and Maralo  
will operate the injection  
wells

OIL CONSERVATION DIVISION SANTA FE



October 7, 1980

New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey

Re: Application to drill non-standard location,  
Jalmat Field, Lea County, New Mexico

Case 7082

Gentlemen:

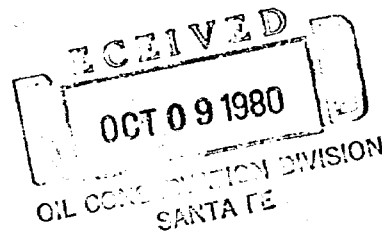
Maralo, Inc. requests approval to drill an unorthodox location 1250' FWL & 1260' FSL of Section 7, T-25-S, R-37-E, Lea County, New Mexico. This well will be used as a water injection well in the Yates Jalmat Unit Waterflood. Order No. R-5816 authorized drilling Jalmat Yates Unit #5 and #10 at the following locations:

<u>Well</u>	<u>Approved Location</u>
#5	1550' FSL & 70' FEL Sec 12 25-S 36-E
#10	400' FSL & 50' FEL Sec 12 25-S 36-E

Dalport objected to drilling these two wells on their lease line. After several months of negotiations, we have worked out an agreement with Dalport to drill #10, 1250' FWL & 1260' FSL of Section 7-25S-37E and eventually to convert their Dalport B No. 2, 660' FWL & 1980' FSL, Section 7-25S-37E to injection service in lieu of drilling Jalmat Yates Unit #5 and #10 at the line locations listed above.

Attached for your consideration are copies of the following:

1. An ownership plat showing who the offset operators are, where Jalmat Yates Unit No. 5 and No. 10 were originally located, and where we plan to locate these two injection wells now.
2. A list of all offset operators.
3. A copy of the operating agreement between Dalport and Maralo as operator of the Jalmat Yates Unit.



A Subsidiary of M. Ralph Lowe Inc. / P. O. Box 832 / Midland, Texas 79701 / (915) 684-7441

4. A copy of the line agreement with Getty Reserve waiving objections to drilling well No. 10 on their lease line.

*R. A. Lowery*  
R. A. Lowery

RAL/dmc

cc: NMOC - Hobbs  
Conrad Coffield

RECEIVED  
OCT 09 1980  
OIL CONSERVATION DIVISION  
SANTA FE

March 20, 1980

Getty Reserve Oil, Inc.  
312 HBF Building  
Midland, Texas 79701

Re: Water Injection Wells Effecting  
the Jalmat Yates Unit and the  
South Langlie Jal Unit,  
Lea County, New Mexico

RECEIVED  
OCT 09 1980  
OIL & GAS DIVISION  
SALTATE

Gentlemen:

Case 7082

Getty Reserve Oil, Inc. is the operator of the South Langlie Jal Unit in Lea County, New Mexico which covers, among other lands, the E/2 SW/4 of Section 7, T-25-S, R-37-E.

Subject to Maralo, Inc., as operator of the Jalmat Yates Unit (covering among other lands the SE/4 Section 12, the NE/4 Section 13 and the NW/4 Section 18, T-25-S, R-37-E, Lea County, New Mexico) obtaining the necessary rights and permission from Dalport Oil Company, then Maralo, Inc. proposes to drill and operate, at no cost to you, a water injection well to be located 1280' FWL and 1320' FSL of Section 7, T-25-S, R-37-E, Lea County, New Mexico for the purpose of injecting water into the YATES FORMATION, and in the SEVEN RIVERS-QUEEN FORMATION at the intervals of 3390' to 3460' as indicated on the attached copy of the Density Neutron Log run on September 4, 1979 in the Maralo Jalmat Yates Unit well #20 located 1250' FNL and 70' FWL of Section 18, T-25-S, R-37-E, Lea County, New Mexico.

It is further agreed that:

- (1) In addition to Maralo, Inc. drilling and operating the above proposed water injection well, it will at convenient times once each year run a survey in said injection well to determine that water is being injected into the Seven Rivers-Queen formation at intervals set forth above and the results of such survey shall be furnished Getty Reserve Oil, Inc. and
- (2) Getty Reserve Oil, Inc. agrees, at their sole cost and expense to continue the injection of water into the Seven Rivers-Queen formation of the South Langlie Jal Unit, Lea County, New Mexico; and
- (3) The parties hereto shall carry on waterflood operations in the manner herein provided, until the property it operates no longer derives any reasonable benefit from same. It is the intention of the parties hereto that nothing herein contained shall be construed to require either party hereto to continue to operate any water input well if such operation is no longer economically profitable to the operating party.

By your acceptance and execution in the space provided below, Getty Reserve Oil, Inc. as operator of the South Langlie Jal Unit, and insofar as you have the legal right to do so, does hereby waive any objections it might have and does hereby consent to Maralo, Inc. drilling and operating the above-described water injection well to be located 1280' FWL and 1320' FSL of Section 7, T-25-S, R-37-E, Lea County, New Mexico, subject, however, to the terms, conditions and covenants hereinabove set forth.

Dalport Oil Corporation is being requested to show their approval of the above described proposed operations by their execution of a duplicate of this letter. The parties hereto do hereby agree this letter may be executed in counterpart, each of which shall be considered an original for all purposes.

Yours very truly,  
MARALO, INC.

By: R. D. Lawrey

AGREED TO and ACCEPTED this  
20<sup>th</sup> day of March, 1980  
GETTY RESERVE OIL, INC.

By: E. M. [Signature]

AGREED TO and ACCEPTED this 22<sup>nd</sup>  
of SEPT., 1980  
DALPORT OIL CORPORATION

By: W. D. [Signature]



March 20, 1980

Getty Reserve Oil, Inc.  
312 HBF Building  
Midland, Texas 79701

Re: Water Injection Wells Effecting  
the Jalmat Yates Unit and the  
South Langlie Jal Unit,  
Lea County, New Mexico

Gentlemen:

Getty Reserve Oil, Inc. is the operator of the South Langlie Jal Unit in Lea County, New Mexico which covers, among other lands, the E/2 SW/4 of Section 7, T-25-S, R-37-E.

Subject to Maralo, Inc., as operator of the Jalmat Yates Unit (covering among other lands the SE/4 Section 12, the NE/4 Section 13 and the NW/4 Section 18, T-25-S, R-37-E, Lea County, New Mexico) obtaining the necessary rights and permission from Dalport Oil Company, then Maralo, Inc. proposes to drill and operate, at no cost to you, a water injection well to be located 1280' FWL and 1320' FSL of Section 7, T-25-S, R-37-E, Lea County, New Mexico for the purpose of injecting water into the YATES FORMATION, and in the SEVEN RIVERS-QUEEN FORMATION at the intervals of 3390' to 3460' as indicated on the attached copy of the Density Neutron Log run on September 4, 1979 in the Maralo Jalmat Yates Unit well #20 located 1250' FNL and 70' FWL of Section 18, T-25-S, R-37-E, Lea County, New Mexico.

It is further agreed that:

- (1) In addition to Maralo, Inc. drilling and operating the above proposed water injection well, it will at convenient times once each year run a survey in said injection well to determine that water is being injected into the Seven Rivers-Queen formation at intervals set forth above and the results of such survey shall be furnished Getty Reserve Oil, Inc. and
- (2) Getty Reserve Oil, Inc. agrees, at their sole cost and expense to continue the injection of water into the Seven Rivers-Queen formation of the South Langlie Jal Unit, Lea County, New Mexico; and
- (3) The parties hereto shall carry on waterflood operations in the manner herein provided, until the property it operates no longer derives any reasonable benefit from same. It is the intention of the parties hereto that nothing herein contained shall be construed to require either party hereto to continue to operate any water input well if such operation is no longer economically profitable to the operating party.

By your acceptance and execution in the space provided below, Getty Reserve Oil, Inc. as operator of the South Langlie Jal Unit, and insofar as you have the legal right to do so, does hereby waive any objections it might have and does hereby consent to Maralo, Inc. drilling and operating the above-described water injection well to be located 1280' FWL and 1320' FSL of Section 7, T-25-S, R-37-E, Lea County, New Mexico, subject, however, to the terms, conditions and covenants hereinabove set forth.

Dalport Oil Corporation is being requested to show their approval of the above described proposed operations by their execution of a duplicate of this letter. The parties hereto do hereby agree this letter may be executed in counterpart, each of which shall be considered an original for all purposes.

Yours very truly,  
MARALO, INC.

By: R. B. Lawrence

AGREED TO and ACCEPTED this 22<sup>nd</sup>  
of SEPT., 1980  
DALPORT OIL CORPORATION

By: W. D. T. T. T.

AGREED TO and ACCEPTED this  
20<sup>th</sup> day of March, 1980  
GETTY RESERVE OIL, INC.

By: E. M. D.

March 20, 1980

Getty Reserve Oil, Inc.  
312 HBF Building  
Midland, Texas 79701

Re: Water Injection Wells Effecting  
the Jalmat Yates Unit and the  
South Langlie Jal Unit,  
Lea County, New Mexico

Gentlemen:

Getty Reserve Oil, Inc. is the operator of the South Langlie Jal Unit in Lea County, New Mexico which covers, among other lands, the E/2 SW/4 of Section 7, T-25-S, R-37-E.

Subject to Maralo, Inc., as operator of the Jalmat Yates Unit (covering among other lands the SE/4 Section 12, the NE/4 Section 13 and the NW/4 Section 18, T-25-S, R-37-E, Lea County, New Mexico) obtaining the necessary rights and permission from Dalport Oil Company, then Maralo, Inc. proposes to drill and operate, at no cost to you, a water injection well to be located 1280' FWL and 1320' FSL of Section 7, T-25-S, R-37-E, Lea County, New Mexico for the purpose of injecting water into the YATES FORMATION, and in the SEVEN RIVERS-QUEEN FORMATION at the intervals of 3390' to 3460' as indicated on the attached copy of the Density Neutron Log run on September 4, 1979 in the Maralo Jalmat Yates Unit well #20 located 1250' FNL and 70' FWL of Section 16, T-25-S, R-37-E, Lea County, New Mexico.

It is further agreed that:

- (1) In addition to Maralo, Inc. drilling and operating the above proposed water injection well, it will at convenient times once each year run a survey in said injection well to determine that water is being injected into the Seven Rivers-Queen formation at intervals set forth above and the results of such survey shall be furnished Getty Reserve Oil, Inc. and
- (2) Getty Reserve Oil, Inc. agrees, at their sole cost and expense to continue the injection of water into the Seven Rivers-Queen formation of the South Langlie Jal Unit, Lea County, New Mexico; and
- (3) The parties hereto shall carry on waterflood operations in the manner herein provided, until the property it operates no longer derives any reasonable benefit from same. It is the intention of the parties hereto that nothing herein contained shall be construed to require either party hereto to continue to operate any water input well if such operation is no longer economically profitable to the operating party.

By your acceptance and execution in the space provided below, Getty Reserve Oil, Inc. as operator of the South Langlie Jal Unit, and insofar as you have the legal right to do so, does hereby waive any objections it might have and does hereby consent to Maralo, Inc. drilling and operating the above-described water injection well to be located 1280' FWL and 1320' FSL of Section 7, T-25-S, R-37-E, Lea County, New Mexico, subject, however, to the terms, conditions and covenants hereinabove set forth.

Dalport Oil Corporation is being requested to show their approval of the above described proposed operations by their execution of a duplicate of this letter. The parties hereto do hereby agree this letter may be executed in counterpart, each of which shall be considered an original for all purposes.

Yours very truly,  
MARALO, INC.

By: R. A. Lawrence

AGREED TO and ACCEPTED this 20<sup>th</sup> day of SEPT., 1980  
DALPORT OIL CORPORATION

By: W. D. T. [Signature]

AGREED TO and ACCEPTED this  
20<sup>th</sup> day of March, 1980  
GETTY RESERVE OIL, INC.

By: [Signature]

March 23, 1980  
Getty Reserve Oil, Inc.  
312 HBF Building  
Midland, Texas 79701

Re: Water Injection Wells Eff. atg  
the Yates Unit and the  
South Langlie Unit,  
Lea County, New Mexico

Gentlemen:

Getty Reserve Oil, Inc. is the operator of the South Langlie Jal Unit in Lea County, New Mexico which covers, among other lands, the E/4 SW/4 of Section 7, T-25-S, R-37-E.

Subject to Maralo, Inc., as operator of the Jalmat Yates Unit (covering among other lands the SE/4 Section 12, the NE/4 Section 13 and the NW/4 Section 18, T-25-S, R-37-E, Lea County, New Mexico) obtaining the necessary rights and permission from Dalport Oil Company, then Maralo, Inc. proposes to drill and operate, at no cost to you, a water injection well to be located 1280' FWL and 1320' FSL of Section 7, T-25-S, R-37-E, Lea County, New Mexico for the purpose of injecting water into the YATES FORMATION, and in the SEVEN RIVERS-QUEEN FORMATION at the intervals of 3390' to 3460' as indicated on the attached copy of the Density Neutron Log run on September 4, 1979 in the Maralo Jalmat Yates Unit well #20 located 1250' FNL and 70' FWL of Section 18, T-25-S, R-37-E, Lea County, New Mexico.

It is further agreed that:

- (1) In addition to Maralo, Inc. drilling and operating the above proposed water injection well, it will at convenient times once each year run a survey in said injection well to determine that water is being injected into the Seven Rivers-Queen formation at intervals set forth above and the results of such survey shall be furnished Getty Reserve Oil, Inc. and
- (2) Getty Reserve Oil, Inc. agrees, at their sole cost and expense to continue the injection of water into the Seven Rivers-Queen formation of the South Langlie Jal Unit, Lea County, New Mexico; and
- (3) The parties hereto shall carry on waterflood operations in the manner herein provided, until the property it operates no longer derives any reasonable benefit from same. It is the intention of the parties hereto that nothing herein contained shall be construed to require either party hereto to continue to operate any water input well if such operation is no longer economically profitable to the operating party.

By your acceptance and execution in the space provided below, Getty Reserve Oil, Inc. as operator of the South Langlie Jal Unit, and insofar as you have the legal right to do so, does hereby waive any objections it might have and does hereby consent to Maralo, Inc. drilling and operating the above-described water injection well to be located 1280' FWL and 1320' FSL of Section 7, T-25-S, R-37-E, Lea County, New Mexico, subject, however, to the terms, conditions and covenants hereinabove set forth.

Dalport Oil Corporation is being requested to show their approval of the above described proposed operations by their execution of a duplicate of this letter. The parties hereto do hereby agree this letter may be executed in counterpart, each of which shall be considered an original for all purposes.

AGREED TO and ACCEPTED this  
20<sup>th</sup> day of March, 1980  
GETTY RESERVE OIL, INC.

By: [Signature]

Yours very truly,  
MARALO, INC.

By: [Signature]

AGREED TO and ACCEPTED this 22<sup>nd</sup>  
of SEPT., 1980  
DALPORT OIL CORPORATION

By: [Signature]

AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, Dalport Oil Corporation, Mobil Oil Corporation, Fluor Oil & Gas Corporation and Edward Wright, Jr., et ux (sometimes herein collectively referred to as "Dalport, et al"), are the owners of the leasehold estate under the W $\frac{1}{2}$ SW $\frac{1}{2}$  Section 7, Township 25 South, Range 37 East, Lea County, New Mexico; and,

WHEREAS, Maralo, Inc. (hereinafter referred to as "Maralo") is the Operator of the Jalmat Yates Unit covering the SE $\frac{1}{4}$  Section 12, NE $\frac{1}{4}$  Section 13, Township 25 South, Range 36 East, and the NW $\frac{1}{4}$ , N $\frac{1}{2}$ SW $\frac{1}{4}$  Section 18, Township 25 South, Range 37 East, Lea County, New Mexico; and,

WHEREAS, it is the desire of the parties hereto to enter into an agreement for the conservation and production of oil and/or gas from all of the above described lands,

NOW, THEREFORE, in consideration of the premises and the mutual benefits to be divided by the parties hereto, and subject to approval by any affected mineral owners, royalty owners, owners of the surface rights, any regulatory body having jurisdiction over the premises, and the consent of "Non-Operators" under the Jalmat Yates Unit Agreement, the parties hereto agree as follows:

DALPORT, ET AL, AGREE AS FOLLOWS:

(1) They do hereby give their consent and permission for Maralo to drill and operate a water injection well at a location approximately 1280' FWL and 1320' FSL of Section 7, Township 25 South, Range 37 East, Lea County, New Mexico, for the purpose of injecting water into the interval described as the "Unitized Zone" in said Jalmat Yates Unit Agreement. The costs to drill and complete said injection well, including water flow lines, easements, roadways and damages shall be borne 50% by Dalport, et al, and 50% by Maralo but Dalport, et al, shall not be required to pay any of the operating costs of said well as a water injection well.

(2) At such time, in Dalport, et al's sole opinion, as Dalport, et al's Winters #2 Well which is located approximately 660' FNL and 660' FWL of the SW $\frac{1}{4}$  Section 7, Township 25 South, Range 37 East, Lea County, New Mexico, becomes uneconomical to operate as a producing well then, Dalport, et al, shall execute such instrument or instruments in form suitable for recording as may be necessary or desirable to assign and transfer to Maralo an undivided one-half (1/2) interest in and to the casing and wellhead equipment (excluding any other above-ground production equipment) in and on said Winters #2 Well together with an undivided one-half (1/2) leasehold estate and operating rights that may be required for the purpose of permitting Maralo to operate said well for the injection of water into the interval defined as the

"Unitized Zone" in the Jalmat Yates Unit Agreement. Provided, however, Dalport, et al, shall be required to pay one-half (1/2) of the costs and expenses incurred by Maralo to recompleat and convert said Winters #2 well to a water injection well, including one-half of the costs of any water flow lines to said well and any costs of roadways, easements and damages incurred in connection therewith. Dalport, et al, shall not be required to pay any of the costs to operate said well as a water injection well.

(3) Dalport, et al, shall not, from and after the effective date of this Agreement, drill any new production test well or wells on the W $\frac{1}{2}$ SW $\frac{1}{4}$  Section 7, Township 25 South, Range 37 East, Lea County, New Mexico, which well or wells would be completed in such manner as to permit production from the interval defined as the "Unitized Zone" in the Jalmat Yates Unit Agreement.

(4) All expenses incurred under operations for the production of oil or gas, or both, from any now existing wells located on said W $\frac{1}{2}$ SW $\frac{1}{4}$  Section 7, Township 25 South, Range 37 East, shall be borne by Dalport, et al.

(5) Subject to the provisions of Paragraph (C) following, Dalport, et al, hereby give their consent, insofar as they have the legal right to do so, for Maralo to drill and operate a water injection well to be located approximately 1350' FWL and 122' FNL of Section 18, Township 25 South, Range 37 East, Lea County, New Mexico, for the purpose of injecting water into the interval defined as the "Unitized Zone" in the Jalmat Yates Unit Agreement. Likewise Dalport, et al, agree that they will cooperate fully by giving their consent in connection with any application which Maralo may file with the New Mexico Oil Conservation Commission, or other appropriate governmental agency having jurisdiction, seeking approval of such a project.

MARALO AGREES AS FOLLOWS:

Subject to the consent and approval of any governmental agency having jurisdiction over the premises, any required lessor's consent and the necessary required consent of Non-Operators under the Jalmat Yates Unit Agreement, Maralo, as Operator of said Jalmat Yates Unit, will,

(A) On or before October 1, 1980, commence the drilling of a water injection well to be located approximately 1280' FWL and 1320' FSL of Section 7, Township 25 South, Range 37 East, Lea County, New Mexico, and drill said well only to a depth sufficient to permit injection of water through said well into the interval defined as the "Unitized Zone" in the Jalmat Yates Unit Agreement, and thereafter, at Maralo's sole cost, risk and expense, operate said well so as to inject water into the interval defined as the "Unitized Zone" in the Jalmat Yates

Unit Agreement in a manner compatible to the efficient operations of the Jalmat Yates Unit. The costs to drill and complete said injection well, including one-half of the costs of any water flow lines to said well and any costs for roadways, easements and damages incurred in connection therewith shall be borne 50% by Maralo and 50% by Dalport, et al, but Dalport, et al, shall not be required to pay any of the operating costs of said well; and

- (B) Take over and operate the Dalport-Winters #2 Well -- fully described in Paragraph (2) above -- at such time and in the manner hereinabove provided, and thereafter, at Maralo's expense, operate said well as a water injection well for injection of water into the interval defined as the "Unitized Zone" in the Jalmat Yates Unit Agreement. Water for such injection into said well shall be supplied by Maralo at its expense; and
- (C) Within thirty (30) days after final completion of the well provided to be drilled in Paragraph (5) above, Maralo shall commence drilling operations for a water injection well to be located approximately 1350' FWL and 122' FWL of Section 18, Township 25 South, Range 37 East, Lea County, New Mexico, and shall drill and operate said injection well at no costs or expenses to Dalport, et al.
- (D) Maralo, acting as Operator of the Jalmat Yates Unit, does hereby agree not to drill the two previously proposed water injection wells which were proposed to be drilled along the extreme East line of the SE $\frac{1}{4}$  Section 12, Township 25 South, Range 37 East, Lea County, New Mexico.
- (E) Agrees to take and dispose of Dalport, et al's, produced water from their Winters "B" #1 and "B" #2 Wells which are located on the W $\frac{1}{2}$ SW $\frac{1}{4}$  Section 7, Township 25 South, Range 37 East, Lea County, New Mexico. Provided, however, Dalport, et al, at their sole cost, risk and expense shall install and operate the necessary facilities to deliver said produced water to Maralo at the nearest Jalmat Yates Unit disposal system.
- (F) To furnish to Dalport, et al, copies of periodic reports reflecting the volumes of water being injected into the Jalmat Yates Unit.

It is further agreed between the parties hereto that:

- (i) Should any party hereto be prohibited by legal action, force majeure, or for any other reason beyond such party's control, to carry out or perform its

respective covenant and/or agreement as herein provided, then in such event such delay shall not be deemed a default under the provisions of this Agreement and the parties hereto agree that a good faith effort shall be exercised to remedy such cause or delay; and

- (ii) The right of ingress and egress necessary for Maralo's operations on the Dalport, et al lease(s) shall be given by Dalport, et al, to Maralo insofar as they have the legal right to do so.
- (iii) Should it be determined that instruments of a legal nature should be required to accomplish and perform any terms, conditions or covenants herein provided, then said instrument shall forthwith be prepared and executed by each party hereto; and
- (iv) Any notices or correspondence required under the provisions of this Agreement shall be deemed to be properly given by directing same to:

Maralo, Inc.  
P. O. Box 832  
Midland, Texas 79702  
Telephone: 915-684-7441

Dalport Oil Corporation  
3471 First National Bank Building  
Dallas, Texas 75202  
Telephone: 214-748-7609

Mobil Oil Corporation  
Nine Greenway Plaza  
Suite 2700  
Houston, Texas 77046

Fluor Oil & Gas Corporation  
615 Midland Tower  
Midland, Texas 79701

Edward Wright, Jr.  
c/o Dalport Oil Corporation  
3471 First National Bank Building  
Dallas, Texas 75202  
Telephone: 214-748-7609

This Agreement shall be binding upon Dalport Oil Corporation, Mobil Oil Corporation, Fluor Oil & Gas Corporation and Edward Wright, Jr., et ux, and upon Maralo, Inc., and shall inure to the benefit of each party and their respective heirs, successors and assigns and shall constitute covenants running with the land and any leasehold estate affected hereby. Provided, however, any covenant or agreement made by Maralo under the provisions hereof, and as Operator of the Jalmat Yates Unit Agreement, shall be subject to any required ratification, confirmation or consent as same might be required under the terms and provisions of the Jalmat Yates Unit Agreement; and provided, however, further that any covenant or agreement made by Dalport, et al, under the provisions hereof shall not be binding upon any party constituting "Dalport, et al" until executed by all parties constituting "Dalport, et al".



IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

MARALO, INC.

Date: \_\_\_\_\_

By \_\_\_\_\_

DALPORT OIL CORPORATION

Date: 10/1/80

By [Signature]  
PRESIDENT

MOBIL OIL CORPORATION

Date: \_\_\_\_\_

By \_\_\_\_\_

FLUOR OIL & GAS CORPORATION

Date: \_\_\_\_\_

By \_\_\_\_\_

Date: \_\_\_\_\_

EDWARD WRIGHT, JR.

\_\_\_\_\_, wife  
of Edward Wright, Jr.

STATE OF TEXAS

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1980, by \_\_\_\_\_, President of Maralo, Inc., a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public



JALMAT YATES UNIT

Offset Operators

WECO  
P. O. Box 2377  
Midland, Texas 79702

Tahoe Oil  
P. O. Box 3084  
Midland, Texas 79702

Doyle Hartman Oil  
P. O. Box 10426  
Midland, Texas 79702

Arco  
P. O. Box 1610  
Midland, Texas 79702

Exxon  
P. O. Box 1600  
Midland, Texas 79702

Maralo, Inc.  
P. O. Box 832  
Midland, Texas 79702

Getty Oil  
P. O. Box 1231  
Midland, Texas 79702

JALPAT YATES UNIT

Offset Operators

WECC  
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Midland, Texas 79702

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Midland, Texas 79702

Getty Oil  
P. O. Box 1231  
Midland, Texas 79702

R-37-E



SHOWING PROPOSED LOCATION OF

DALPORT "B"-- No 10

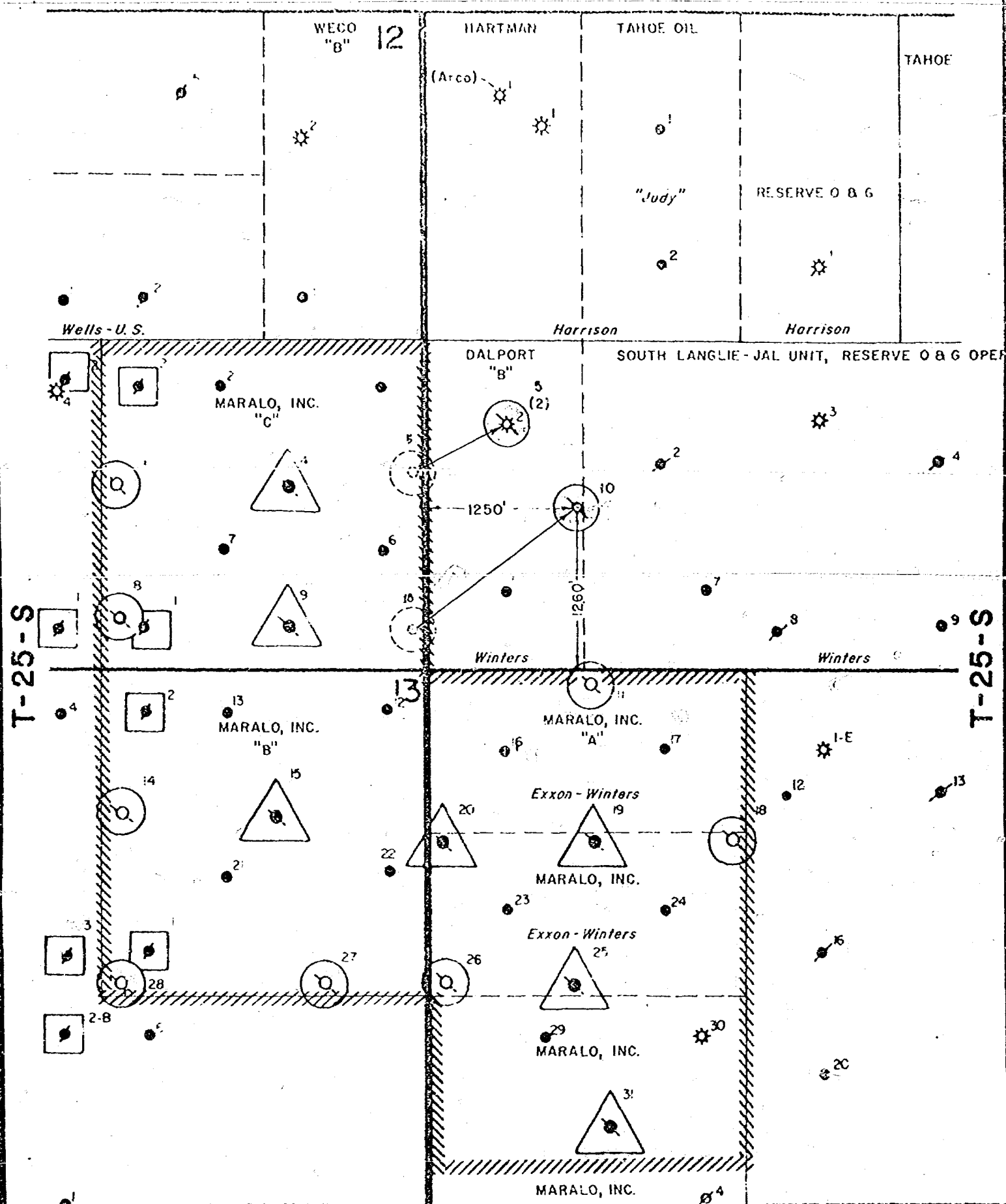
LEA COUNTY, NEW MEXICO

SCALE 1"=1000'

DATE .

R-36-E.

R-37-E



**maralo inc.**

# JALMAT YATES UNIT

SHOWING PROPOSED LOCATION OF

DALPORT "B" -- No 10

LEA COUNTY, NEW MEXICO

SCALE 1"=1000'

DATE \_\_\_\_\_

March 20, 1980

Getty Reserve Oil, Inc.  
312 HBF Building  
Midland, Texas 79701

Case 7082

Re: Water Injection Wells Effecting  
the Jalmat Yates Unit and the  
South Langlie Jal Unit,  
Lea County, New Mexico

Gentlemen:

Getty Reserve Oil, Inc. is the operator of the South Langlie Jal Unit in Lea County, New Mexico which covers, among other lands, the E/2 SW/4 of Section 7, T-25-S, R-37-E.

Subject to Maralo, Inc., as operator of the Jalmat Yates Unit (covering among other lands the SE/4 Section 12, the NE/4 Section 13 and the NW/4 Section 18, T-25-S, R-37-E, Lea County, New Mexico) obtaining the necessary rights and permission from Dalport Oil Company, then Maralc, Inc. proposes to drill and operate, at no cost to you, a water injection well to be located 1280' FWL and 1320' FSL of Section 7, T-25-S, R-37-E, Lea County, New Mexico for the purpose of injecting water into the YATES FORMATION, and in the SEVEN RIVERS-QUEEN FORMATION at the intervals of 3390' to 3460' as indicated on the attached copy of the Density Neutron Log run on September 4, 1979 in the Maralo Jalmat Yates Unit well #20 located 1250' FNL and 70' FWL of Section 18, T-25-S, R-37-E, Lea County, New Mexico.

It is further agreed that:

- (1) In addition to Maralo, Inc. drilling and operating the above proposed water injection well, it will at convenient times once each year run a survey in said injection well to determine that water is being injected into the Seven Rivers-Queen formation at intervals set forth above and the results of such survey shall be furnished Getty Reserve Oil, Inc. and
- (2) Getty Reserve Oil, Inc. agrees, at their sole cost and expense to continue the injection of water into the Seven Rivers-Queen formation of the South Langlie Jal Unit, Lea County, New Mexico; and
- (3) The parties hereto shall carry on waterflood operations in the manner herein provided, until the property it operates no longer derives any reasonable benefit from same. It is the intention of the parties hereto that nothing herein contained shall be construed to require either party hereto to continue to operate any water input well if such operation is no longer economically profitable to the operating party.

By your acceptance and execution in the space provided below, Getty Reserve Oil, Inc. as operator of the South Langlie Jal Unit, and insofar as you have the legal right to do so, does hereby waive any objections it might have and does hereby consent to Maralo, Inc. drilling and operating the above-described water injection well to be located 1280' FWL and 1320' FSL of Section 7, T-25-S, R-37-E, Lea County, New Mexico, subject, however, to the terms, conditions and covenants hereinabove set forth.

Dalport Oil Corporation is being requested to show their approval of the above described proposed operations by their execution of a duplicate of this letter. The parties hereto do hereby agree this letter may be executed in counterpart, each of which shall be considered an original for all purposes.

AGREED TO and ACCEPTED this 20<sup>th</sup> day of March, 1980  
GETTY RESERVE OIL, INC.

By: E. M. [Signature]

Yours very truly,  
MARALO, INC.

By: R. A. Lawley

AGREED TO and ACCEPTED this 22<sup>nd</sup> of SEPT., 1980  
DALPORT OIL CORPORATION

By: W. E. T. [Signature]

March 20, 1980

Getty Reserve Oil, Inc.  
312 HBF Building  
Midland, Texas 79701

Re: Water Injection Wells Effecting  
the Jalmat Yates Unit and the  
South Langlie Jal Unit,  
Lea County, New Mexico

Gentlemen:

Getty Reserve Oil, Inc. is the operator of the South Langlie Jal Unit in Lea County, New Mexico which covers, among other lands, the E/2 SW/4 of Section 7, T-25-S, R-37-E.

Subject to Maralo, Inc., as operator of the Jalmat Yates Unit (covering among other lands the SE/4 Section 12, the NE/4 Section 13 and the NW/4 Section 18, T-25-S, R-37-E, Lea County, New Mexico) obtaining the necessary rights and permission from Dalport Oil Company, then Maralo, Inc. proposes to drill and operate, at no cost to you, a water injection well to be located 1280' FWL and 1320' FSL of Section 7, T-25-S, R-37-E, Lea County, New Mexico for the purpose of injecting water into the YATES FORMATION, and in the SEVEN RIVERS-QUEEN FORMATION at the intervals of 3390' to 3460' as indicated on the attached copy of the Density Neutron Log run on September 4, 1979 in the Maralo Jalmat Yates Unit well #20 located 1250' FNL and 70' FWL of Section 18, T-25-S, R-37-E, Lea County, New Mexico.

It is further agreed that:

- (1) In addition to Maralo, Inc. drilling and operating the above proposed water injection well, it will at convenient times once each year run a survey in said injection well to determine that water is being injected into the Seven Rivers-Queen formation at intervals set forth above and the results of such survey shall be furnished Getty Reserve Oil, Inc. and
- (2) Getty Reserve Oil, Inc. agrees, at their sole cost and expense to continue the injection of water into the Seven Rivers-Queen formation of the South Langlie Jal Unit, Lea County, New Mexico; and
- (3) The parties hereto shall carry on waterflood operations in the manner herein provided, until the property it operates no longer derives any reasonable benefit from same. It is the intention of the parties hereto that nothing herein contained shall be construed to require either party hereto to continue to operate any water input well if such operation is no longer economically profitable to the operating party.

By your acceptance and execution in the space provided below, Getty Reserve Oil, Inc. as operator of the South Langlie Jal Unit, and insofar as you have the legal right to do so, does hereby waive any objections it might have and does hereby consent to Maralo, Inc. drilling and operating the above-described water injection well to be located 1280' FWL and 1320' FSL of Section 7, T-25-S, R-37-E, Lea County, New Mexico, subject, however, to the terms, conditions and covenants hereinabove set forth.

Dalport Oil Corporation is being requested to show their approval of the above described proposed operations by their execution of a duplicate of this letter. The parties hereto do hereby agree this letter may be executed in counterpart, each of which shall be considered an original for all purposes.

Yours very truly,  
MARALO, INC.

By: R. A. Lawrence

AGREED TO and ACCEPTED this 22<sup>nd</sup>  
of SEPT., 1980  
DALPORT OIL CORPORATION

By: W. D. T. ...

AGREED TO and ACCEPTED this  
20<sup>th</sup> day of March, 1980  
GETTY RESERVE OIL, INC.

By: E. M. ...

March 20, 1980

Getty Reserve Oil, Inc.  
312 HBF Building  
Midland, Texas 79701

Re: Water Injection Wells Effecting  
the Jalmat Yates Unit and the  
South Langlie Jal Unit,  
Lea County, New Mexico

Gentlemen:

Getty Reserve Oil, Inc. is the operator of the South Langlie Jal Unit in Lea County, New Mexico which covers, among other lands, the E/2 SW/4 of Section 7, T-25-S, R-37-E.

Subject to Maralo, Inc., as operator of the Jalmat Yates Unit (covering among other lands the SE/4 Section 12, the NE/4 Section 13 and the NW/4 Section 18, T-25-S, R-37-E, Lea County, New Mexico) obtaining the necessary rights and permission from Dalport Oil Company, then Maralo, Inc. proposes to drill and operate, at no cost to you, a water injection well to be located 1280' FWL and 1320' FSL of Section 7, T-25-S, R-37-E, Lea County, New Mexico for the purpose of injecting water into the YATES FORMATION, and in the SEVEN RIVERS-QUEEN FORMATION at the intervals of 3390' to 3460' as indicated on the attached copy of the Density Neutron Log run on September 4, 1979 in the Maralo Jalmat Yates Unit well #20 located 1250' FNL and 70' FWL of Section 18, T-25-S, R-37-E, Lea County, New Mexico.

It is further agreed that:

- (1) In addition to Maralo, Inc. drilling and operating the above proposed water injection well, it will at convenient times once each year run a survey in said injection well to determine that water is being injected into the Seven Rivers-Queen formation at intervals set forth above and the results of such survey shall be furnished Getty Reserve Oil, Inc. and
- (2) Getty Reserve Oil, Inc. agrees, at their sole cost and expense to continue the injection of water into the Seven Rivers-Queen formation of the South Langlie Jal Unit, Lea County, New Mexico; and
- (3) The parties hereto shall carry on waterflood operations in the manner herein provided, until the property it operates no longer derives any reasonable benefit from same. It is the intention of the parties hereto that nothing herein contained shall be construed to require either party hereto to continue to operate any water input well if such operation is no longer economically profitable to the operating party.

By your acceptance and execution in the space provided below, Getty Reserve Oil, Inc. as operator of the South Langlie Jal Unit, and insofar as you have the legal right to do so, does hereby waive any objections it might have and does hereby consent to Maralo, Inc. drilling and operating the above-described water injection well to be located 1280' FWL and 1320' FSL of Section 7, T-25-S, R-37-E, Lea County, New Mexico, subject, however, to the terms, conditions and covenants hereinabove set forth.

Dalport Oil Corporation is being requested to show their approval of the above described proposed operations by their execution of a duplicate of this letter. The parties hereto do hereby agree this letter may be executed in counterpart, each of which shall be considered an original for all purposes.

Yours very truly,  
MARALO, INC.

By: R. A. Sawery

AGREED TO and ACCEPTED this 22<sup>nd</sup>  
of SEPT., 1980  
DALPORT OIL CORPORATION

By: W. D. T. T. T.

AGREED TO and ACCEPTED this  
20<sup>th</sup> day of March, 1980  
GETTY RESERVE OIL, INC.

By: E. M. D.

March 20, 1980

Getty Reserve Oil, Inc.  
312 HBF Building  
Midland, Texas 79701

Re: Water Injection Wells Effecting  
the Jalmat Yates Unit and the  
South Langlie Jal Unit,  
Lea County, New Mexico

Gentlemen:

Getty Reserve Oil, Inc. is the operator of the South Langlie Jal Unit in Lea County, New Mexico which covers, among other lands, the E/2 SW/4 of Section 7, T-25-S, R-37-E.

Subject to Maralo, Inc., as operator of the Jalmat Yates Unit (covering among other lands the SE/4 Section 12, the NE/4 Section 13 and the NW/4 Section 18, T-25-S, R-37-E, Lea County, New Mexico) obtaining the necessary rights and permission from Dalport Oil Company, then Maralo, Inc. proposes to drill and operate, at no cost to you, a water injection well to be located 1280' FWL and 1320' FSL of Section 7, T-25-S, R-37-E, Lea County, New Mexico for the purpose of injecting water into the YATES FORMATION, and in the SEVEN RIVERS-QUEEN FORMATION at the intervals of 3390' to 3460' as indicated on the attached copy of the Density Neutron Log run on September 4, 1979 in the Maralo Jalmat Yates Unit well #20 located 1250' FNL and 70' FWL of Section 18, T-25-S, R-37-E, Lea County, New Mexico.

It is further agreed that:

- (1) In addition to Maralo, Inc. drilling and operating the above proposed water injection well, it will at convenient times once each year run a survey in said injection well to determine that water is being injected into the Seven Rivers-Queen formation at intervals set forth above and the results of such survey shall be furnished Getty Reserve Oil, Inc. and
- (2) Getty Reserve Oil, Inc. agrees, at their sole cost and expense to continue the injection of water into the Seven Rivers-Queen formation of the South Langlie Jal Unit, Lea County, New Mexico; and
- (3) The parties hereto shall carry on waterflood operations in the manner herein provided, until the property it operates no longer derives any reasonable benefit from same. It is the intention of the parties hereto that nothing herein contained shall be construed to require either party hereto to continue to operate any water input well if such operation is no longer economically profitable to the operating party.

By your acceptance and execution in the space provided below, Getty Reserve Oil, Inc. as operator of the South Langlie Jal Unit, and insofar as you have the legal right to do so, does hereby waive any objections it might have and does hereby consent to Maralo, Inc. drilling and operating the above-described water injection well to be located 1280' FWL and 1320' FSL of Section 7, T-25-S, R-37-E, Lea County, New Mexico, subject, however, to the terms, conditions and covenants hereinabove set forth.

Dalport Oil Corporation is being requested to show their approval of the above described proposed operations by their execution of a duplicate of this letter. The parties hereto do hereby agree this letter may be executed in counterpart, each of which shall be considered an original for all purposes.

Yours very truly,  
MARALO, INC.

By: R. L. Sawyer

AGREED TO and ACCEPTED this 22<sup>nd</sup>  
of SEPT., 1980  
DALPORT OIL CORPORATION

By: W. T. T. T. T.

AGREED TO and ACCEPTED this  
20<sup>th</sup> day of March, 1980  
GETTY RESERVE OIL, INC.

By: E. M. D.



AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, Dalport Oil Corporation, Mobil Oil Corporation, Fluor Oil & Gas Corporation and Edward Wright, Jr., et ux (sometimes herein collectively referred to as "Dalport, et al"), are the owners of the leasehold estate under the W $\frac{1}{2}$ SW $\frac{1}{4}$  Section 7, Township 25 South, Range 37 East, Lea County, New Mexico; and,

WHEREAS, Maralo, Inc. (hereinafter referred to as "Maralo") is the Operator of the Jalmat Yates Unit covering the SE $\frac{1}{4}$  Section 12, NE $\frac{1}{4}$  Section 13, Township 25 South, Range 36 East, and the NW $\frac{1}{4}$ , N $\frac{1}{2}$ SW $\frac{1}{4}$  Section 18, Township 25 South, Range 37 East, Lea County, New Mexico; and,

WHEREAS, it is the desire of the parties hereto to enter into an agreement for the conservation and production of oil and/or gas from all of the above described lands.

NOW, THEREFORE, in consideration of the premises and the mutual benefits to be divided by the parties hereto, and subject to approval by any affected mineral owners, royalty owners, owners of the surface rights, any regulatory body having jurisdiction over the premises, and the consent of "Non-Operators" under the Jalmat Yates Unit Agreement, the parties hereto agree as follows:

DALPORT, ET AL, AGREE AS FOLLOWS:

(1) They do hereby give their consent and permission for Maralo to drill and operate a water injection well at a location approximately 1280' FWL and 1320' FSL of Section 7, Township 25 South, Range 37 East, Lea County, New Mexico, for the purpose of injecting water into the interval described as the "Unitized Zone" in said Jalmat Yates Unit Agreement. The costs to drill and complete said injection well, including water flow lines, easements, roadways and damages shall be borne 50% by Dalport, et al, and 50% by Maralo but Dalport, et al, shall not be required to pay any of the operating costs of said well as a water injection well.

(2) At such time, in Dalport, et al's sole opinion, as Dalport, et al's Winters #2 Well which is located approximately 660' FNL and 660' FWL of the SW $\frac{1}{4}$  Section 7, Township 25 South, Range 37 East, Lea County, New Mexico, becomes uneconomical to operate as a producing well then, Dalport, et al, shall execute such instrument or instruments in form suitable for recording as may be necessary or desirable to assign and transfer to Maralo an undivided one-half (1/2) interest in and to the casing and wellhead equipment (excluding any other above-ground production equipment) in and on said Winters #2 Well together with an undivided one-half (1/2) leasehold estate and operating rights that may be required for the purpose of permitting Maralo to operate said well for the injection of water into the interval defined as the

"Unitized Zone" in the Jalmat Yates Unit Agreement. Provided, however, Dalport, et al, shall be required to pay one-half (1/2) of the costs and expenses incurred by Maralo to recomplate and convert said Winters #2 well to a water injection well, including one-half of the costs of any water flow lines to said well and any costs of roadways, easements and damages incurred in connection therewith. Dalport, et al, shall not be required to pay any of the costs to operate said well as a water injection well.

(3) Dalport, et al, shall not, from and after the effective date of this Agreement, drill any new production test well or wells on the W $\frac{1}{2}$ SW $\frac{1}{4}$  Section 7, Township 25 South, Range 37 East, Lea County, New Mexico, which well or wells would be completed in such manner as to permit production from the interval defined as the "Unitized Zone" in the Jalmat Yates Unit Agreement.

(4) All expenses incurred under operations for the production of oil or gas, or both, from any now existing wells located on said W $\frac{1}{2}$ SW $\frac{1}{4}$  Section 7, Township 25 South, Range 37 East, shall be borne by Dalport, et al.

(5) Subject to the provisions of Paragraph (C) following, Dalport, et al, hereby give their consent, insofar as they have the legal right to do so, for Maralo to drill and operate a water injection well to be located approximately 1350' FWL and 122' FNL of Section 18, Township 25 South, Range 37 East, Lea County, New Mexico, for the purpose of injecting water into the interval defined as the "Unitized Zone" in the Jalmat Yates Unit Agreement. Likewise Dalport, et al, agree that they will cooperate fully by giving their consent in connection with any application which Maralo may file with the New Mexico Oil Conservation Commission, or other appropriate governmental agency having jurisdiction, seeking approval of such a project.

MARALO AGREES AS FOLLOWS:

Subject to the consent and approval of any governmental agency having jurisdiction over the premises, any required lessor's consent and the necessary required consent of Non-Operators under the Jalmat Yates Unit Agreement, Maralo, as Operator of said Jalmat Yates Unit, will,

(A) On or before October 1, 1980, commence the drilling of a water injection well to be located approximately 1280' FWL and 1320' FSL of Section 7, Township 25 South, Range 37 East, Lea County, New Mexico, and drill said well only to a depth sufficient to permit injection of water through said well into the interval defined as the "Unitized Zone" in the Jalmat Yates Unit Agreement, and thereafter, at Maralo's sole cost, risk and expense, operate said well so as to inject water into the interval defined as the "Unitized Zone" in the Jalmat Yates

Unit Agreement in a manner compatible to the efficient operations of the Jalmat Yates Unit. The costs to drill and complete said injection well, including one-half of the costs of any water flow lines to said well and any costs for roadways, easements and damages incurred in connection therewith shall be borne 50% by Maralo and 50% by Dalport, et al, but Dalport, et al, shall not be required to pay any of the operating costs of said well; and

- (B) Take over and operate the Dalport-Winters #2 Well -- fully described in Paragraph (2) above -- at such time and in the manner hereinabove provided, and thereafter, at Maralo's expense, operate said well as a water injection well for injection of water into the interval defined as the "Unitized Zone" in the Jalmat Yates Unit Agreement. Water for such injection into said well shall be supplied by Maralo at its expense; and
- (C) Within thirty (30) days after final completion of the well provided to be drilled in Paragraph (5) above, Maralo shall commence drilling operations ~~for~~ a water injection well to be located approximately 1350' FWL and 122' FNL of Section 18, Township 25 South, Range 37 East, Lea County, New Mexico, and shall drill and operate said injection well at no costs or expenses to Dalport, et al.
- (D) Maralo, acting as Operator of the Jalmat Yates Unit, does hereby agree not to drill the two previously proposed water injection wells which were proposed to be drilled along the extreme East line of the SE $\frac{1}{4}$  Section 12, Township 25 South, Range 37 East, Lea County, New Mexico.
- (E) Agrees to take and dispose of Dalport, et al's, produced water from their Winters "B" #1 and "B" #2 Wells which are located on the W $\frac{1}{2}$ SW $\frac{1}{4}$  Section 7, Township 25 South, Range 37 East, Lea County, New Mexico. Provided, however, Dalport, et al, at their sole cost, risk and expense shall install and operate the necessary facilities to deliver said produced water to Maralo at the nearest Jalmat Yates Unit disposal system.
- (F) To furnish to Dalport, et al, copies of periodic reports reflecting the volumes of water being injected into the Jalmat Yates Unit.

It is further agreed between the parties hereto that:

- (i) Should any party hereto be prohibited by legal action, force majeure, or for any other reason beyond such party's control, to carry out or perform its

respective covenant and/or agreement as herein provided, then in such event such delay shall not be deemed a default under the provisions of this Agreement and the parties hereto agree that a good faith effort shall be exercised to remedy such cause or delay; and

- (ii) The right of ingress and egress necessary for Maralo's operations on the Dalport, et al lease(s) shall be given by Dalport, et al, to Maralo insofar as they have the legal right to do so.
- (iii) Should it be determined that instruments of a legal nature should be required to accomplish and perform any terms, conditions or covenants herein provided, then said instrument shall forthwith be prepared and executed by each party hereto; and
- (iv) Any notices or correspondence required under the provisions of this Agreement shall be deemed to be properly given by directing same to:

Maralo, Inc.  
P. O. Box 832  
Midland, Texas 79702  
Telephone: 915-684-7441

Dalport Oil Corporation  
3471 First National Bank Building  
Dallas, Texas 75202  
Telephone: 214-748-7609

Mobil Oil Corporation  
Nine Greenway Plaza  
Suite 2700  
Houston, Texas 77046

Fluor Oil & Gas Corporation  
615 Midland Tower  
Midland, Texas 79701

Edward Wright, Jr.  
c/o Dalport Oil Corporation  
3471 First National Bank Building  
Dallas, Texas 75202  
Telephone: 214-748-7609

This Agreement shall be binding upon Dalport Oil Corporation, Mobil Oil Corporation, Fluor Oil & Gas Corporation and Edward Wright, Jr., et ux, and upon Maralo, Inc., and shall inure to the benefit of each party and their respective heirs, successors and assigns and shall constitute covenants running with the land and any leasehold estate affected hereby. Provided, however, any covenant or agreement made by Maralo under the provisions hereof, and as Operator of the Jalmat Yates Unit Agreement, shall be subject to any required ratification, confirmation or consent as same might be required under the terms and provisions of the Jalmat Yates Unit Agreement; and provided, however, further that any covenant or agreement made by Dalport, et al, under the provisions hereof shall not be binding upon any party constituting "Dalport, et al" until executed by all parties constituting "Dalport, et al".

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

MARALO, INC.

Date: \_\_\_\_\_

By \_\_\_\_\_

DALPORT OIL CORPORATION

Date: 10/1/80

By [Signature]  
PRESIDENT

OK  
(initials)

MOBIL OIL CORPORATION

Date: \_\_\_\_\_

By \_\_\_\_\_

FLUOR OIL & GAS CORPORATION

Date: \_\_\_\_\_

By \_\_\_\_\_

Date: \_\_\_\_\_

EDWARD WRIGHT, JR.

\_\_\_\_\_, wife  
of Edward Wright, Jr.

STATE OF TEXAS

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1980, by \_\_\_\_\_, President of Maralo, Inc., a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public

JALMAT YATES UNIT

Offset Operators

WECO  
P. O. Box 2377  
Midland, Texas 79702

Tahoe Oil  
P. O. Box 3084  
Midland, Texas 79702

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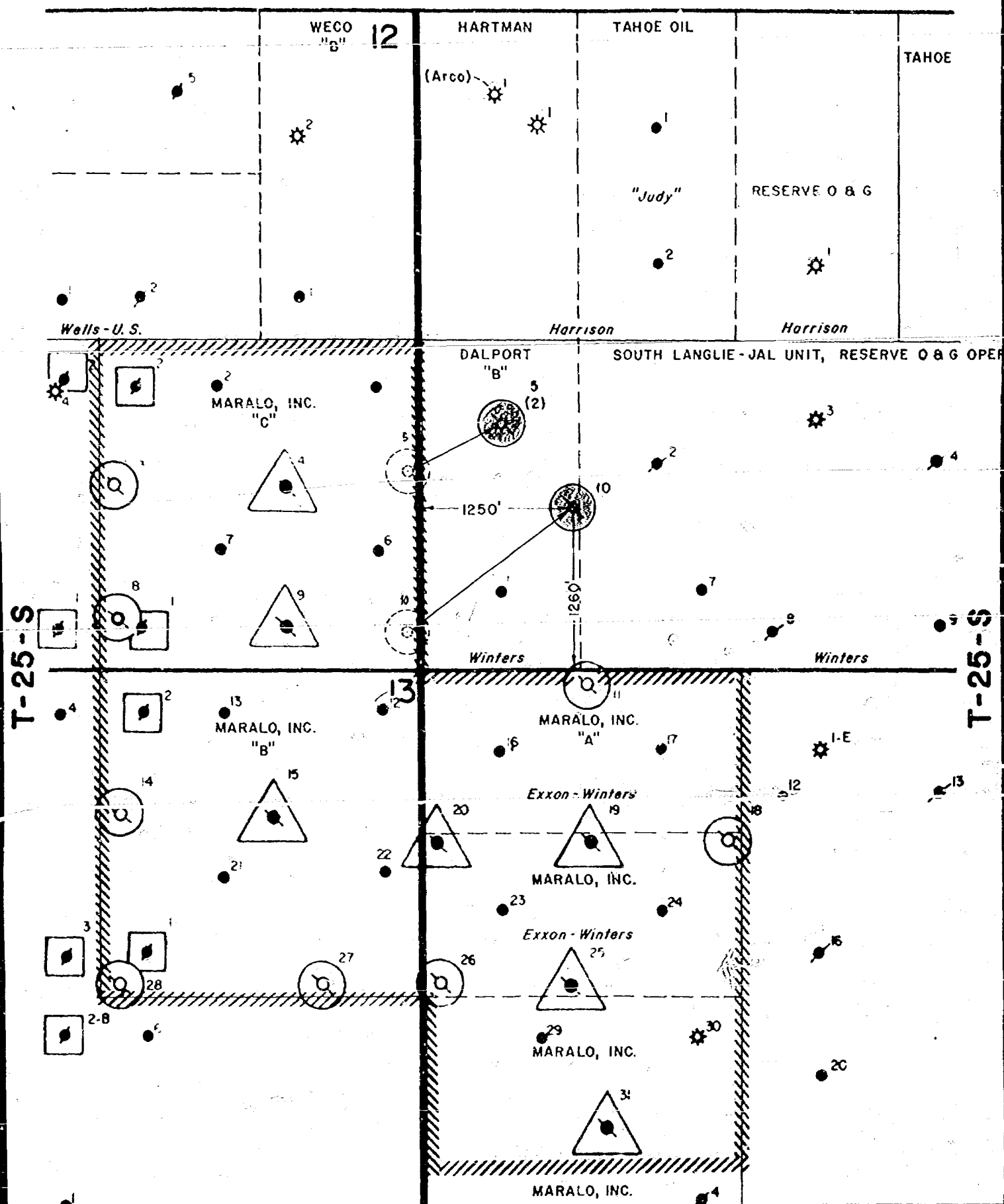
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Midland, Texas 79702

Maralo, Inc.  
P. O. Box 832  
Midland, Texas 79702

Getty Oil  
P. O. Box 1231  
Midland, Texas 79702

R-36-E

R-37-E



**maralo**

# JALMAT YATES UNIT

SHOWING PROPOSED LOCATION OF

DALPORT "B" -- No 10

LEA COUNTY, NEW MEXICO

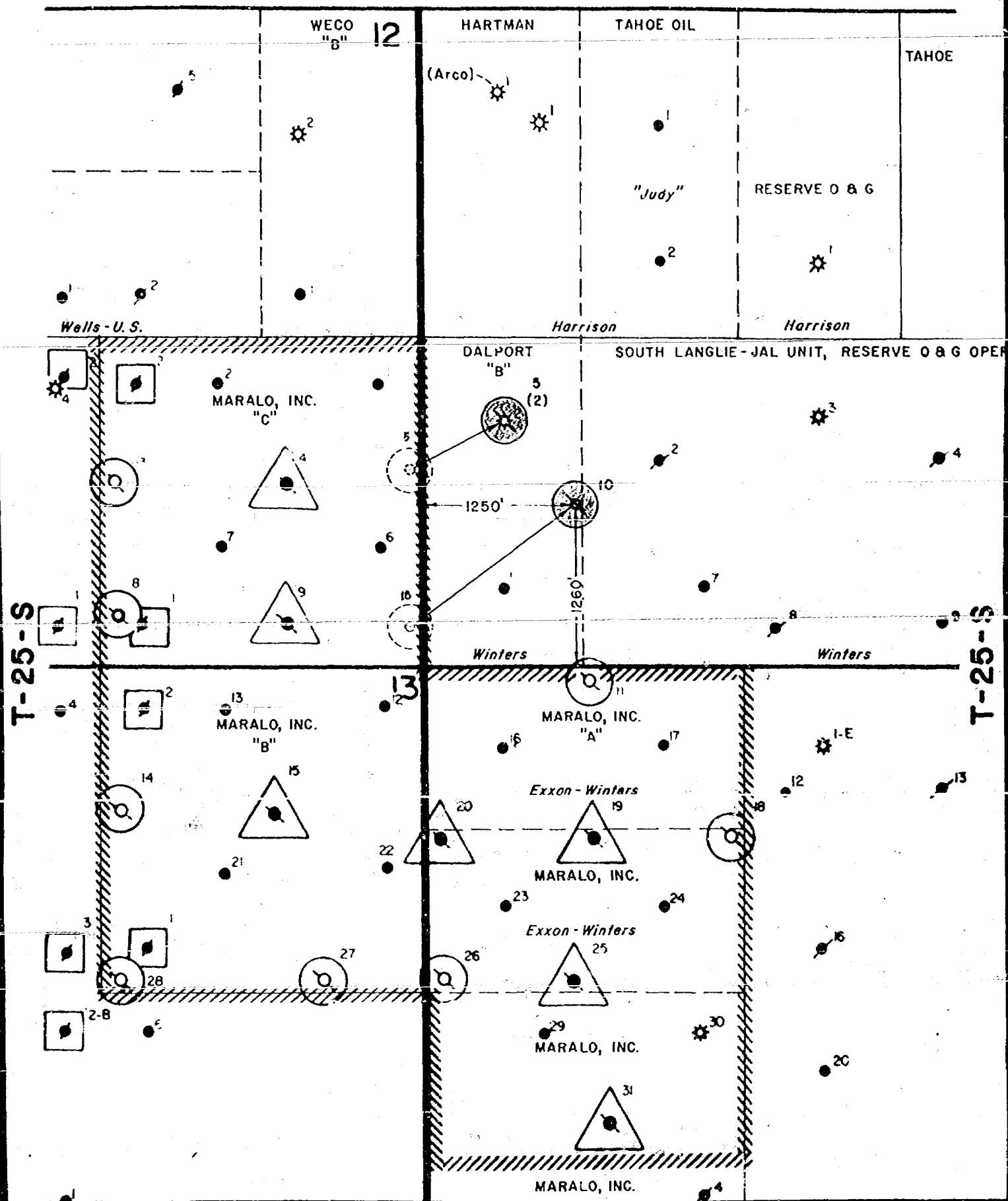
SCALE 1" = 1000'

DATE \_\_\_\_\_



R-36-E

R-37-E



**maralo<sup>INC</sup>**

# JALMAT YATES UNIT

SHOWING PROPOSED LOCATION OF

DALPORT "B" -- No 10

LEA COUNTY, NEW MEXICO

SCALE 1"=1000'

DATE \_\_\_\_\_

DRAFT

dr/

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 7082

Order No. R- 6533

APPLICATION OF MARALO, INC. and DALPORT OIL CORPORATION  
FOR A WATERFLOOD PROJECT, LEA  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on November 12,  
1980, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this \_\_\_\_\_ day of November, 1980, 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 applicants, Maralo, Inc. and Dalport Oil Corporation  
<sup>joint</sup>  
seek authority to institute a/waterflood project on ~~its~~  
offsetting Maralo's Jalmat Yates Unit waterflood project  
Dalport's Winters Lease/ \_\_\_\_\_ Lease,

~~pool~~, by the injection of water into the Yates ~~Section 22~~  
be jointly drilled at an unorthodox location  
formation through a well to/ ~~injection wells in Sections~~ ~~xxxxxxxxxxxxxx~~  
1260 feet from the South line and 1250 feet from the West line of Sec. 7,  
Township 25 South, Range 36 East, NMPM, Lea  
County, New Mexico.

(3) That the wells in the project area are in an advanced  
state of depletion and should properly be classified as  
"stripper" wells.

(4) That the proposed waterflood project should result  
in the recovery of otherwise unrecoverable oil, thereby preventing  
waste.

(5) That the operator, should take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface from injection, production, or plugged and abandoned wells.

(6) That the injection well~~s~~ or injection pressurization system should be so equipped as to limit injection pressure at the wellhead to no more than 575 psi, but the Division Director should have authority to increase said pressure limitation, should circumstances warrant.

(7) That the subject application should be approved and the project should be governed by the provisions of Rules 701, 702, and 703 of the Division Rules and Regulations.

IT IS THEREFORE ORDERED:

(1) That the applicant, Maralo, Inc. and Dalport Oil Corporation <sup>joint</sup> ~~are~~ hereby authorized to institute a/waterflood project on ~~the~~ Dalport's Winters Lease offsetting Maralo's Jalmat Yates Unit waterflood project by the injection ~~of water into the Yates River Queen~~ <sup>formation</sup> through a well to be jointly drilled at an ~~unorthodox location 1260 feet~~ <sup>by the injection of water into the</sup> from the South line and 1250 feet from the West line of Section 7, ~~formation through the following described wells in Township~~ <sup>Jalmat Pool,</sup> 25 South           , Range 36 East, NMPM, / Lea County, New Mexico:

(2) That injection into ~~each~~ of said wells shall be through internally coated tubing, set in a packer which shall be located as near as practicable to the uppermost perforation; that the casing-tubing annulus of ~~each~~ <sup>the</sup> injection well shall be loaded with an inert fluid and equipped with an approved pressure gauge or attention-attracting leak detection device.

(3) That the operator shall immediately notify the supervisor of the Division's Hobbs district office of the failure of the tubing or packer in ~~any of~~ said injection wells,

the leakage of water or oil from around any producing well, or the leakage of water or oil from any plugged and abandoned well within the project area and shall take such timely steps as may be necessary or required to correct such failure or leakage.

(4) That the injection wells herein authorized and/or the injection pressurization system shall be so equipped as to limit injection pressure at the wellhead to no more than 575 psi, provided however, the Division Director may authorize a higher surface injection pressure upon satisfactory showing that such pressure will not result in fracturing of the confining strata.

(5) That the subject waterflood project is hereby designated the Maraño-Dalport Talma Yates Cooperative Waterflood Project and shall be governed by the provisions of Rules 701, 702, and 703 of the Division Rules and Regulations.

(6) That monthly progress reports of the waterflood project herein authorized shall be submitted to the Division in accordance with Rules 704 and 1120 of the Division Rules and Regulations.

(7) 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.