

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

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

CASE NO. 11040

APPLICATION OF MARALO INC. FOR  
POOL CREATION AND CLASSIFICATION AS  
AN ASSOCIATED POOL WITH SPECIAL POOL RULES  
EDDY COUNTY, NEW MEXICO.

**PRE-HEARING STATEMENT**

This pre-hearing statement is submitted by MARALO INC. as required  
by the Oil Conservation Division.

**APPEARANCE OF PARTIES**

**APPLICANT**

Maralo Inc.  
P. O. Box 832  
Midland, Texas 79702  
attn: Mark Anderson  
(915) 684-7441

**ATTORNEY**

W. Thomas Kellahin  
KELLAHIN AND KELLAHIN  
P.O. Box 2265  
Santa Fe, NM 87504  
(505) 982-4285

**STATEMENT OF CASE**

**APPLICANT**

Maralo Inc. has drilled, completed and now operates its Keystone Well  
No. 1, located 1980 feet from the North and East lines (Unit G) of Section 32,  
Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico,  
which constitutes a "new oil discovery" for the production of oil from the Bone  
Springs formation.

Based upon this discovery, Maralo Inc. seeks the creation of a new pool to be designated the Burton Flat-Bone Springs Pool which shall be defined as all of the Bone Springs formation as identified on the log of the discovery well, the top of which is located at 6310 feet and the bottom of which is located 6545 feet with an initial pool boundary consisting of:

TOWNSHIP 20 SOUTH, RANGE 28 EAST  
Section 32: NE/4

In addition, Maralo requests that this pool be classified as an "Associated Pool" and operated in accordance with the Division's General Rules and Regulations for Associated Pools as promulgated by Division Order R-5353 subject to the adoption of the following Special Rules and Regulations for this pool:

- (a) 80-acre oil spacing and proration units;
- (b) 160-acre gas spacing or proration units; and
- (c) a special limiting gas oil ratio of 8,000 cubic feet of gas per barrel of oil;
- (d) a special depth bracket maximum oil allowable of 222 barrels of oil per day per spacing unit;
- (e) with a maximum gas allowable of 1776 MCFPD per 80-acre oil proration and spacing unit; and
- (f) that each well completed or recompleted in the Burton Flat-Bone Springs Pool or the Bone Springs formation within one mile thereof, shall be spaced, drilled operated and produced in accordance with these special rules.

Based upon data from the discovery well, including PVT data, the initial rules for the pool should provide for a special gas-oil ratio of 8,000 cubic feet of gas per barrel of oil which when combined with 80-acre oil spacing provides the opportunity to produce the discovery well at its most efficient rate thereby preventing waste.

The special GOR limitation when combined with 80-acre oil spacing and proration units will prevent the drilling of unnecessary wells, protect correlative rights and provide for the orderly development of the reservoir.

### PROPOSED EVIDENCE

#### APPLICANT:

WITNESSES	EST. TIME	EXHIBITS
Mark Wheeler (landman)	15 min.	2 exhibits
John Thoma (geologist)	20 Min.	3 exhibits
Richard Gill (petroleum engineer)	30 Min.	6 exhibits

### PROCEDURAL MATTERS

None applicable at this time.

KELLAHN AND KELLAHN

By: 

W. Thomas Kellahin

P.O. Box 2265

Santa Fe, New Mexico 87504

(505) 982-4285