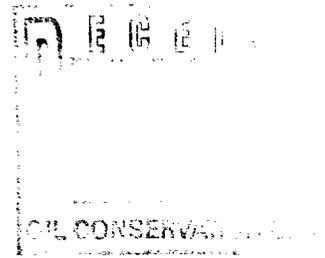


BEFORE THE
OIL CONSERVATION DIVISION



NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

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

CASE NO. 11409

APPLICATION

MARALO, INC., by its undersigned attorneys, hereby makes application to the Oil Conservation Division for an Order (1) designating a new pool as a result of discovery of hydrocarbons in the Wolfcamp formation, in its Maralo Inc. Lowe "20" Well No. 1 located 350 feet from the North line and 1550 feet from the East line in Unit B of Section 20, Township 13 South, Range 38 East, N.M.P.M., Lea County, New Mexico, (2) promulgating special pool rules and regulations for this pool, including (a) 80-acre spacing or proration units on a permanent basis or, in the alternative, on a temporary basis; and (b) special well location requirements, and (3) granting a discovery allowable and in support of this application states:

1. Applicant has recently completed its Lowe "20" Well No. 1 in the Wolfcamp formation, located 350 feet from the North line and 1550 feet from the East line of Section 20, Township 13 South, Range 38 East, Lea County, New Mexico. Said well is producing through the perforated interval from 9754 feet to 9894 feet at a rate of approximately 480

barrels of oil per day.

2. Applicant believes that the following described lands are reasonably proven to be productive of oil and gas in paying quantities from the Wolfcamp formation and should be included in the original definition of the pool to be created because of this discovery:

Township 13 South, Range 38 East, N.M.P.M.

Section 20: N/2 NE/4

3. In order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid augmentation of risk arising from the drilling of an excessive number of wells and otherwise prevent waste and protect correlative rights, special rules and regulations providing for 80-acre spacing units should be promulgated for the new pool.

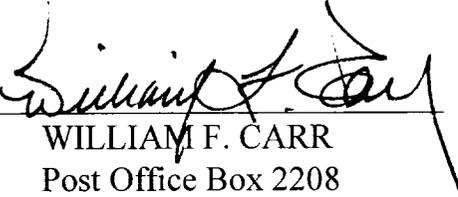
4. Applicant requests that the special pool rules provide that each well should be located on a standard unit containing 80-acres, more or less, consisting of the N/2, S/2, E/2 or W/2 of a governmental quarter section and that each well shall be located no closer than 330 feet to the outer boundary of the spacing unit.

5. Pursuant to the provisions of Division Rule 509, Maralo Inc. seeks assignment of a discovery allowable to its Lowe "20" Well No. 1.

WHEREFORE, Maralo, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 19, 1995, that notice be given as required by law and the rules of the Division, and that the application be approved.

Respectfully submitted,

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