

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

APR 4 1991

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

CASE NO. 10963

A P P L I C A T I O N

Comes now MARALO INC., by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the N/2 Section 30, T23S, R30E, NMPM, Eddy County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently includes but is not necessarily limited to the Nash Draw-Morrow Gas Pool. Said unit is to be dedicated to a well to be drilled and completed at a standard gas well location in Unit G of said Section 30. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well.

In support of its application, Maralo Inc. states:

1. Maralo, Inc. has recently obtained a farmout of a working interest in the oil and gas minerals underlying a portion of the N/2 of Section 30, T23S, R30E, NMPM, Lea County, New Mexico.

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

3. The subject tract is located south from and within one mile of the Nash Draw-Morrow Gas Pool which is spaced on 320-acre gas spacing and proration units.

4. If the well to be drilled on the subject tract is dedicated to the Nash Draw-Morrow Gas Pool or any other pool spaced on 320-acre gas spacing and proration units, then Maralo proposes that a standard 320-acre gas spacing and proration unit consisting of the N/2 of said Section 30 be pooled and dedicated to its well to be drilled and located at a standard gas well location in Unit G of said Section 30.

5. All of the working interest ownership of the oil & gas minerals from the top of the Wolfcamp to the base of the Morrow formation underlying the N/2 of Section 30 have voluntarily agreed to the formation of this spacing unit for this well WITH THE EXCEPTION OF:

Party:

Texaco, Inc.
P. O. Box 2100
Denver, Colorado 80201
Attn: David Sleeper

INTEREST:

25 %

Bass Enterprises Production Co., 201 Main Str. Ste 3100 Fort Worth, Texas 76102 Attn: Mr. Jens Hanson	25 %
Meridian Oil Inc. P. O. Box 51810 Midland, Texas 79710 Attn: Mr. Don Davis	09.375 %
Norcen Explore, Inc. 200 Westlake Park Blvd. Suite 800 Houston, Texas 77079 Attn: Mr. Richard H. Smith	06.25 %
Bureau of Land Management P. O. Box 27115 Santa Fe, New Mexico 87502-0115	25 %

6. Maralo, Inc. has proposed the subject well to all parties but, as of the date of this application, Maralo, Inc. has not be able to obtain a written voluntary agreement from the parties listed in paragraph (5) above.

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

8. In accordance with the Division's notice requirements, a copy of this application has been sent to the interest parties listed in paragraph (5) above notifying them of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for April 28, 1994.

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

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

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name and address.

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