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July 30, 1999

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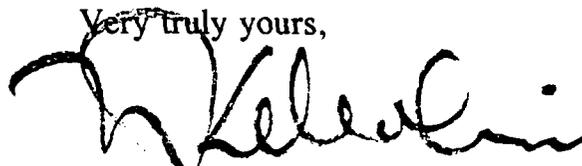
Re: **MOTION TO DISMISS** Case 12222
Application of Mewbourne Oil Company
for Compulsory Pooling, Eddy County, New Mexico

Gentlemen:

On behalf of Matador Petroleum Corporation ("Matador"), I have been informed that the Bureau of Land Management ("BLM") will reject any request by Mewbourne Oil Company ("Mewbourne") to communitize the E/2 of Section 18, T18S, R23E, Eddy County, New Mexico.

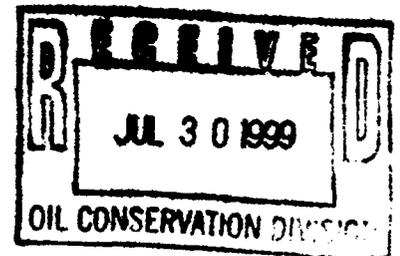
This action by the BLM in exercising its jurisdiction over these federal oil and gas leases, has made moot Division Case 12222. Accordingly, Matador moves that the Division dismiss Case 12222 as set forth in the enclosed Motion to Dismiss. This case is currently set for hearing on the Examiner's Docket scheduled for August 5, 1999.

Very truly yours,



W. Thomas Kellahin

cc: James Bruce, Esq., Attorney for applicant
Matador Petroleum Corporation
Attn: Barry Osborne, Esq.



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

**IN THE MATTER OF THE APPLICATION CASE NO. 12222
OF MEWBOURNE OIL COMPANY
FOR COMPULSORY POOLING
EDDY COUNTY, NEW MEXICO**

MOTION TO DISMISS

Comes now MATADOR PETROLEUM CORPORATION ("Matador"), by its attorneys, Kellahin and Kellahin, hereby moves the Division to dismiss this case which is now moot because the Bureau of Land Management ("BLM") will deny any request by Mewbourne Oil Company ("Mewbourne") to communitize the E/2 of Section 18, T23S, R27E, NMPM, Eddy County, New Mexico.

RELEVANT FACTS

(1) In NMOCD Case 12222, Mewbourne seeks a compulsory pooling order in an attempt to dedicate the E/2 of Section 18, T23S, R27E, NMPM, Eddy County, New Mexico, for a well it wants to drill on Matador's lease in the SE/4 of this section to be dedicated to any pool spaced on 320-acre gas spacing.

(2) Matador Petroleum Corporation ("Matador") has obtained a term assignment from Phillips Petroleum Company for Federal Lease NM-0275360 which covers Lots 3, 4, E/2SW/4 and SE/4 (S/2 equivalent) of Section 18, T23S, R27E, NMPM, Eddy County, New Mexico.

(3) Matador has filed a notice of staking and an APD for its proposed Drag C Well No. 1, a Morrow well to be drilled 1980 feet FSL and 660 feet FEL of this section and dedicated to a standard 317.46-acre spacing unit consisting of the S/2 equivalent of this section.

(4) Mewbourne's compulsory pooling application is an attempt by Mewbourne to consolidate portions of two separate federal leases for a spacing unit consisting of the E/2 of this section.

(5) Mewbourne has obtained a farmout from Texas Independent Exploration for Federal Lease NM-0540701-A which covers Lots 1, 2, E/2NW/4 and NE/4 (N/2 equivalent) of this section but is attempting to have the Division issue a compulsory pooling order consolidating the E/2 of this section into a standard 320-acre spacing unit for a Morrow gas well. If successful, Mewbourne will be able to extend two separate Federal leases with a single Morrow well.

(6) The problem with Mewbourne's application is that it violates Federal regulations regarding communitization of federal leases for drilling which provide:

"3105.2-2 Purpose.

When a lease or a portion thereof **cannot** be independently developed and operated in conformity with an established well-spacing or well development program, the authorized officer may approve communitization or drilling agreements for such lands with other lands, whether or not owned by the United States, upon a determination that it is in the public interest." **(emphasis added).**

(7) Here, the S/2 of Section 18 is covered entirely by one federal lease which can be independently developed in conformity with the established 320-acre well spacing program.

(8) It is Matador's geologic opinion that both the S/2 and N/2 of Section 18 can each be independently developed in conformity with the Division established well spacing patterns with wells located in the SE/4 and in the NE/4.

(6) On July 29, 1999, Matador contacted Amando Lopez of the BLM-Roswell concerning this issue and was advised that, in accordance with 43 C.F. R. 3105.2-2, the BLM will reject Mewbourne's request to communitize the E/2 of this section.

(9) In addition, the BLM will require that the gas formations below the top of the Wolfcamp shall be developed using a S/2 spacing unit as proposed by Matador.

(10) Finally, the BLM has advised that regardless of any action taken by the Oil Conservation Division in this compulsory pooling case, the BLM will refuse to approve an E/2 orientation.

DISCUSSION

The BLM has determined that it is in the best interest of the public for the BLM to maximize potential royalty income by requiring a 320-acre gas spacing unit oriented in the S/2 of Section 18 for all gas production below the top of the Wolfcamp formation. This orientation will result in Matador drilling a Morrow well in the SE/4.

By approving the S/2 orientation for this spacing unit so that it includes one federal lease, the BLM will allow Matador, as operator, the opportunity to produce this unit in the S/2 of Section 18 in such a manner as will maximize the federal royalty income.

If Mewbourne desires to develop its federal lease in the N/2 of this section, it can do so without the need for compulsory pooling and in compliance with both the BLM and Division rules.

CONCLUSION

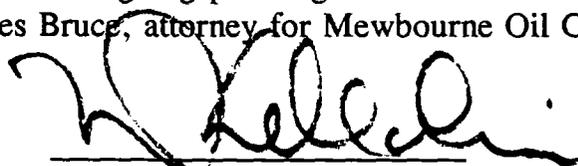
This is a matter within the exclusive jurisdiction of the BLM who will reject Mewbourne's proposal. Accordingly, the Division has no alternative but to dismiss this case.

Respectfully submitted,

W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing pleading was transmitted by facsimile this 30th day of July, 1999 to James Bruce, attorney for Mewbourne Oil Company



W. Thomas Kellahin