

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION - Check Those Which Apply for [A]**

Case 12718

- [A] Location - Spacing Unit - Directional Drilling
- NSL NSP DD SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
- DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
- WFX PMX SWD IPI EOR PPR

[2] **NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply**

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding**

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

KELLAHIN & KELLAHIN
Attorneys At Law
P.O. Box 2265
Santa Fe, N.M. 87504-2265

 Print or Type Name

Note: Statement must be completed by an individual with supervisory capacity.

[Signature]

 Signature

Attorney

 Title

7/13/01

 Date

KELLAHIN AND KELLAHIN

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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

July 13, 2001

HAND DELIVERED

Mr. Michael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RE: **Williams "34" Well No. 3**
230 feet NSL and 1750 feet FEL
SW/4SE/4 Section 34, T19S, R37E
Administrative Application of
Matador Petroleum Corporation for Approval
of an Unorthodox Oil Well Location,
Wildcat Strawn, Lea County, New Mexico

Case 12718

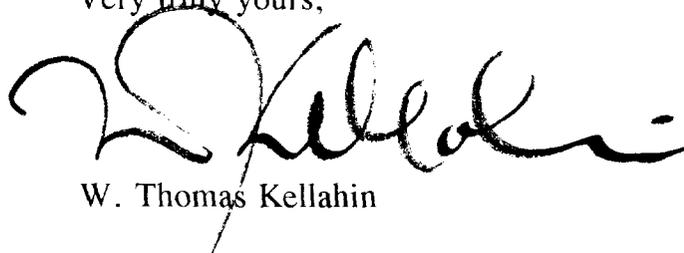
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Dear Mr. Stogner:

On behalf of Matador Petroleum Corporation, please find enclosed our administrative application for approval of an unorthodox oil well location for its Williams "34" Well No. 3 to be drilled at an unorthodox location 230 feet from the south line and 1750 feet from the east line of Section 34, T19S, R37E to test the Strawn, Drinkard, Blinebry, Abo and Paddock formations and if productive, to be dedicated to a standard 40-acre oil spacing unit consisting of the SW/4SE/4 of this section.

Matador Petroleum Corporation is also the operator of the Strawn well in the NW/4NE/4 of Section 3 towards which this well encroaches. All of the working interest owners in that spacing unit have been notified.

Very truly yours,



W. Thomas Kellahin

fx: Matador Petroleum Corporation
Attn: Jay Beavers

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

**IN THE MATTER OF THE ADMINISTRATIVE
APPLICATION OF MATADOR PETROLEUM
CORPORATION FOR APPROVAL OF AN
UNORTHODOX OIL WELL LOCATION,
LEA COUNTY, NEW MEXICO**

ADMINISTRATIVE APPLICATION

Comes now Matador Petroleum Corporation, by and through its attorneys, Kellahin and Kellahin, and in accordance with Division General Rule 104.F applies to the New Mexico Oil Conservation Division for administrative approval to produce the Strawn, Abo, Paddock, Blinebry, and Drinkard formations in its Williams "34" Well No. 3 to be drilled at an unorthodox location 230 feet from the south line and 1750 feet from the east line of Section 34, T19S, R37E to test the following formations, and if productive, to be dedicated to a standard 40-acre oil spacing units consisting of the SW/4SE/4 of this section for the following pools/formations:

Primary objective:

- (a) Strawn wildcat

Secondary objectives:

- (b) Northwest Skaggs-Drinkard Pool
- (c) Blinebry wildcat
- (d) Abo wildcat
- (e) Paddock wildcat
(nearest pool is the East Monument Paddock
Pool in SE/4 of Section 36)

And in support states:

- (1) Matador Petroleum Corporation ("Matador") is the proposed operator of the Williams "34" Well No. 3. **See Exhibit 1**

**Administrative Application of
Matador Petroleum Corporation
Page 2**

(2) The proposed unorthodox Strawn location encroaches towards the NW/4NE/4 which contains the Cooper "3" Well No. 6 an existing Strawn oil well operated by Matador. **See Exhibit 2.**

(3) A review of the Division well files and pool nomenclature books indicates that the Cooper "3" Well No. 6 is still listed as a "wildcat" well.

(4) The proposed unorthodox Strawn location of 230 feet from the South line and 1750 feet from the East line is based upon a combination of surface restrictions and geologic necessity:

(a) Strawn Geology: See Exhibit 3

The Strawn structural map made from 3-D seismic indicates that a higher on structure location increases the probability of production. For example, Matador's Cooper "3" Well No. 6 in Section 3, T20S, R37E has produced oil from a structural location of -4040 feet. **See Exhibit 4 (production history)** The proposed Williams "34" Well No 3 is targeted for a structural position of -4070 feet. A location further down-dip (to the north) would decrease the possibility of production from the Strawn formations. Therefore the best structural position in Unit O of Section 34 is in the SE/4SE/4.

(b) Topography: See Exhibit 5

However, the closest standard locations along a line 330 feet from the south line are not available due to the presence of existing active production lines. It is necessary to move south of these production lines in order to maintain the structural opportunity.

(c) Secondary geologic objectives:

All of the following secondary objectives for new production share the same structural concerns as the Strawn. The best possible location for each is also in Unit O of Section 34 and are affected by the same topographical limitations.

**Paddock: See Exhibit 6
Blinebry: See Exhibit 7
Drinkard: See Exhibit 8
Abo: See Exhibit 9**

(5) Notice: See Exhibit 10

(a) Matador has sent notice to Me-Tex Oil and Gas, Inc. who operates the Blinebry, Tubb and Drinkard wells in the NW/4NE/4 of Section 3.

(b) Matador is also the operator of the Strawn well in the NW/4NE/4 of Section 3 towards which this well encroaches. All of the working interest owners in this well have been notified.

(6) Approval of this application will afford the interest owners in this spacing unit an opportunity to recovery gas which might otherwise not be recovered and to do so without violating correlative rights.

WHEREFORE, Matador Petroleum Corporation requests that this matter be approved administratively by the Division.

Respectfully submitted,



W. Thomas Kellahin
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Attorneys for Applicant