

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]

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

Check One Only for [B] and [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 understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

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

W. T. KELLAHIN
 Print or Type Name

[Signature]
 Signature

Attorney
 Title

6/29/99
 Date

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

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)

June 29, 1999

HAND DELIVERED

Mr. Michael E. Stogner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87501

RE: **Maduro Federal Unit Well No. 4**
460 feet NFL and 1980 feet FEL
N/2 Section 29, T19S, R33E
Administrative Application of
Matador Petroleum Corporation for Approval
of an Unorthodox Gas Well Location,
Lea County, New Mexico

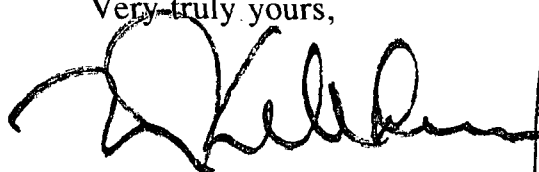
OIL CONSERVATION DIV.
99 JUN 29 AM 4:20

Dear Mr. Stogner:

On behalf of Matador Petroleum Corporation, please find enclosed our administrative application for approval of an unorthodox gas well location for its Maduro Federal Unit Well No. 1 which is an existing well currently approved by Order R-8973 at an unorthodox gas well location for the Gem-Morrow Gas Pool at a location 460 feet from the North and 1980 feet from the East line (Unit B) Section 29, T19S, R33E, Lea County, New Mexico and dedicated to the N/2 of this section. Matador proposes to abandon the Morrow and perforate the Atoka formation in this wellbore.

Matador Petroleum Corporation is also the operator in Section 20 towards whom this well encroaches. All of the working interest owners in Section 20 are also participating in the Maduro well and have approved this recompletion. Therefore, I have not sent any notifications.

Very truly yours,



W. Thomas Kellahin

fx: Matador Petroleum Corporation
Attn: Mona Ables

*
I'm assuming
the WT owners
approval is required
under the Maduro
Unit Agreement.

**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 GAS 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 Atoka formation in its Maduro Federal Unit Well No. 4 which is an existing well located 460 feet from the North line and 1980 feet from the East line (Unit B) Section 29, T19S, R33E, Lea County, New Mexico, and dedicated to a standard 320-acre gas proration and spacing unit consisting of the N/2 of this section;

and in support states:

(1) Matador Petroleum Corporation ("Matador") is the operator of the Maduro Federal Unit Well No. 4. **See Exhibit 1**

(2) As a result of Order R-8973 entered in Case 9705, Matador is currently producing this well from the Gem-Morrow Gas Pool at an unorthodox gas well location. **See Exhibit 2**

(3) The Morrow zone is marginal. **See Exhibit 3**

(4) The subject well is offset by potential 320-acre spacing units in Section 20 which Matador operates for the benefit of working interest owners who are also working interest owners in the N/2 of Section 29. **See Exhibit 4.**

(5) The Morrow zone is marginal and Matador proposes to abandon the Morrow perforations this well and recomplete it in the Atoka formation. **See Exhibit 5,6 and 7**

Administrative Application of
Matador Petroleum Corporation
Page 2

(6) The subject well provides a unique opportunity to re-enter an existing well and to test for potential Atoka gas production rather than undertake the additional expense of drilling a new well at a standard well location. **See Exhibit 8**

(7) Available data indicates that an Atoka well needs to be located in the northern side of Section 29 in order to be located in the thicker portion of the Atoka channel and this existing wellbore is equal to or better an redrilling this well at a standard location. **See Exhibits 9, 10 and 11**

(8) This combination of geologic reasons along with the ability to use an existing wellbore provides an advantage over drilling a new well at the closest standard gas well location in Section 29.

(9) 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,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized, flowing script.

W. Thomas Kellahin
Kellahin and Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
(505) 982-4285
Attorneys for Applicant

RECEIVED
AUG 15 1989
CAMPBELL & BLACK

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. 9705
Order No. R-8973

APPLICATION OF UNION OIL COMPANY
OF CALIFORNIA FOR AN UNORTHODOX
GAS WELL LOCATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 26, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 11th day of August, 1989, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) Division Case Nos. 9704 and 9705 were consolidated at the time of the hearing for the purpose of testimony.

(3) The applicant, Union Oil Company of California, seeks approval of an unorthodox gas well location 460 feet from the North line and 1980 feet from the East line (Unit B) of Section 29, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico, to test the Morrow formation, Un-



CASE NO. 9705
Order No. R-8973
Page -2-

designated Gem-Morrow Gas Pool, the N/2 of said Section 29 to be dedicated to the well forming a standard 320-acre gas spacing and proration unit for said pool.

(4) The applicant presented evidence and testimony which indicates that the proposed unorthodox gas well location is necessitated by a combination of topographic (archaeological) and geologic considerations.

(5) A well at the proposed location will better enable the applicant to drill and produce the gas underlying the proposed proration unit.

(6) The subject well is located within the boundaries of the applicant's Maduro Unit, and the affected offset acreage to the north is currently operated by the applicant.

(7) No other offset operator or interest owner appeared at the hearing in opposition to the application.

(8) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Union Oil Company of California, is hereby authorized to drill a well at an unorthodox gas well location 460 feet from the North line and 1980 feet from the East line (Unit B) of Section 29, Township 19 South, Range 33 East, NMPM, to test the Morrow formation, Undesignated Gem-Morrow Gas Pool, Lea County, New Mexico.

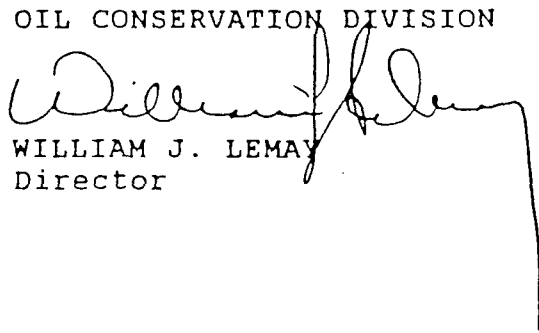
(2) The N/2 of said Section 29 shall be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit for said pool.

CASE NO. 9705
Order No. R-8973
Page -3-

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

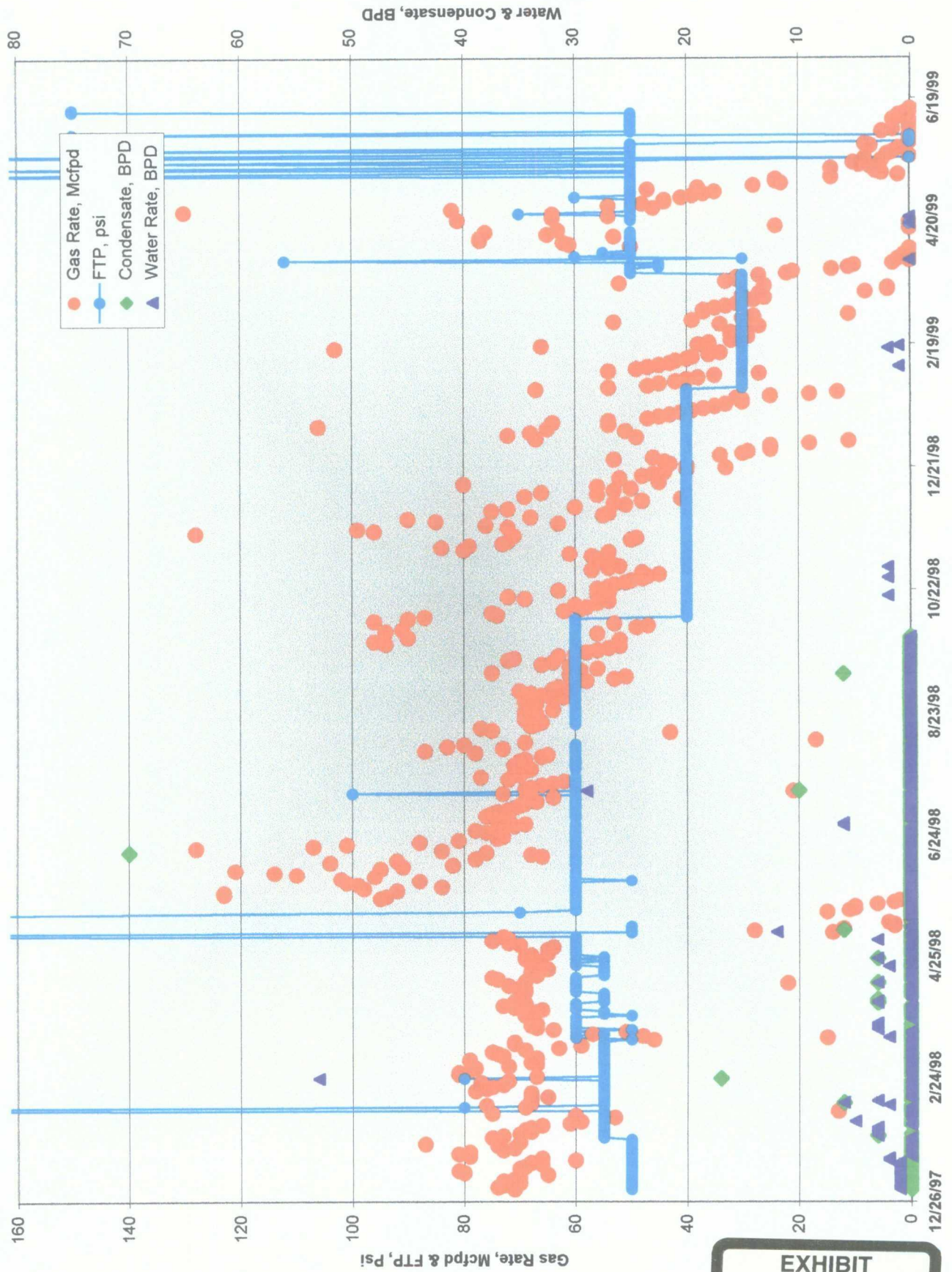
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

Maduro Fed #4



OFFSET OWNERSHIP SUMMARY

The Maduro Federal Unit Contract Area includes **all of Section 29, the W/2 Section 28**, N/2 Section 32 and NW/4 Section 33, T-19-S, R-33-E, Lea County, New Mexico. The following parties own a working interest in the Maduro Federal Unit:

Finwing Corporation
Edward R. Hudson Trust #1, #2 and #3
Lindy's Living Trust
Olwick Corporation
S.E.S. Oil & Gas Inc.
Matador Petroleum Corporation

Edward R. Hudson Trust #4
Delmar Hudson Lewis
Moore & Shelton Co. Ltd.
Petratis Oil & Gas Inc.
Harvey E. Yates Company

The North Maduro Federal Unit Contract Area includes **all of Section 20**, T-19-S, R-33-E, Lea County, New Mexico. The following parties own a working interest in the North Maduro Federal Unit:

Edward R. Hudson Trust #1, #2 and #3
Delmar Hudson Lewis
Moore & Shelton Co. Ltd.

Edward R. Hudson Trust #4
Lindy's Living Trust
Matador Petroleum Corporation

All of these parties own a working interest in Section 29 and have approved the work to recomplete the Maduro Federal Unit #4 to the Atoka.

The **S/2 Section 21**, T-19-S, R-33-E, Lea County, New Mexico is owned 100% by Matador Petroleum Corporation and its internal partners.

The attached Division Of Interest listing for the Maduro Federal Unit #4 well provides mailing addresses for each party in the event you deem additional notification is required.



**Maduro Federal #4
Recomplete to Atoka**

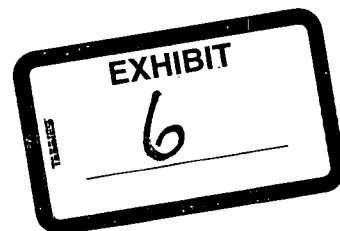
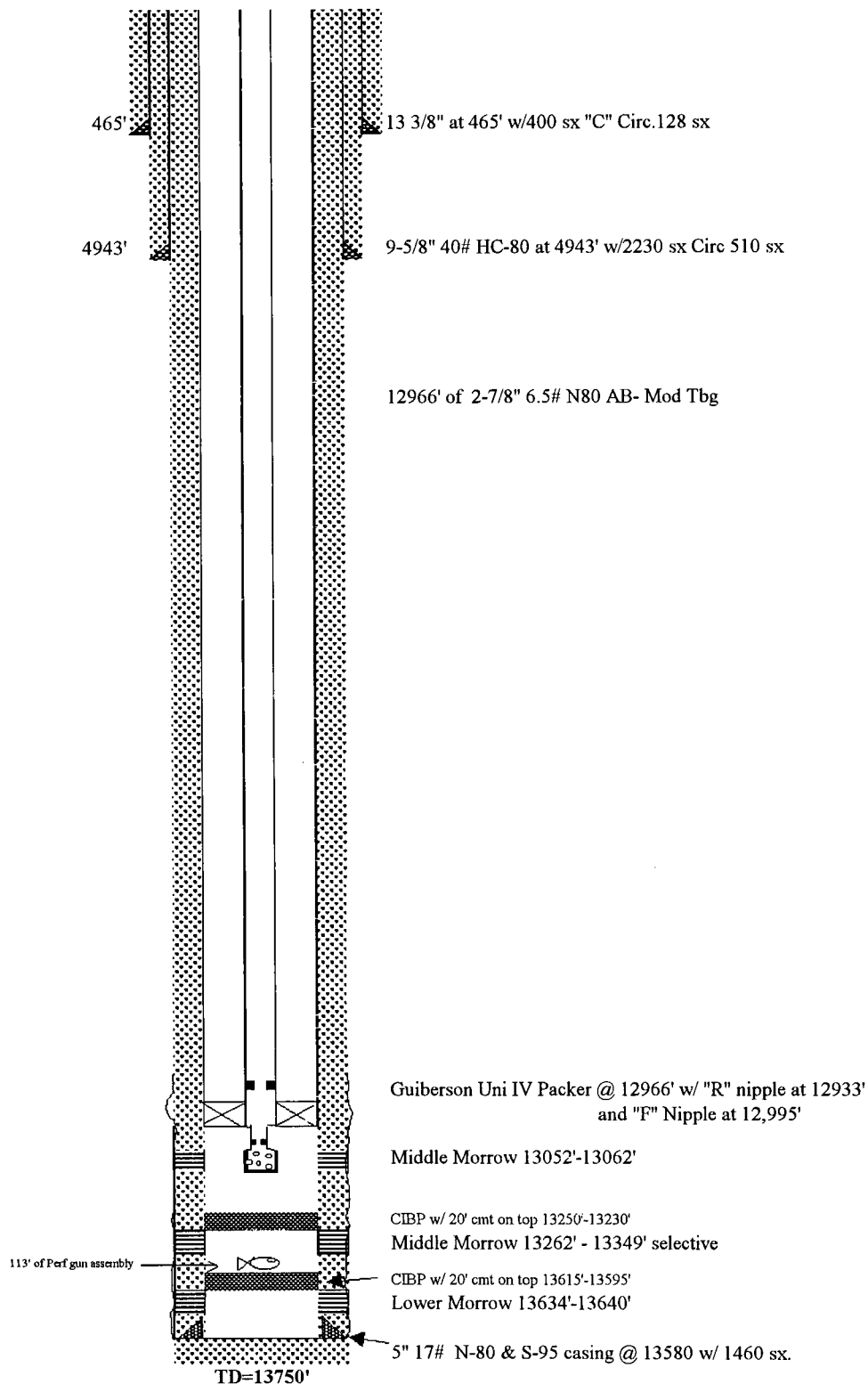
1. RU SLU. Set plug in 2.25" "F" nipple @ 12,995.
2. Load tbg w/6% KCL. Test plug to 2500.
3. ND Tree, NU BOP.
4. Release on/off tool from pkr.
5. POH w/tbg. Visually observe condition of tbg.
6. RIH w/ 4 3/4" bit and 5 1/2" csg scraper to pkr @ 12,966'.
7. Circ hole w/6% KCL and pkr fluid.
8. POH
9. PU 5 1/2" PLS pkr w/10' pup jt below and 2.31 "X" nipple and WL entry guide on bottom. Pkr to have on/off tool w/ "X" nipple. Install "X" nipple 1jt above pkr.
10. RIH on 2 7/8" tbg. Note pending condition of tbg. The tbg may be tested above slips.
11. Set pkr @ $\pm 12,400'$. Test pkr and tbg to 5000 psi.
12. ND BOP. Install tree. Internally test tree to 5000 psi.
13. Externally test tree and csg to 2500 psi.
14. Swab well down to 6,000'.
15. RU Schlumberger Wireline unit complete with 5000 psi Lubricator and grease injector. Perforate Atoka from 12,505-12,522 and 12,687-12,694' using 2 1/8" strip gun loaded at 4 jspf @ $\pm 45^\circ$ phasing.
16. Run 4 pt test and place on production.



Maduro Fed Com #4
460' FSL & 1980' FEL
Sec 29 - 19S - 33E
Lea County, New Mexico
Current Completion

GL = 3629'
 KB = 3618'
 DF = 3600'

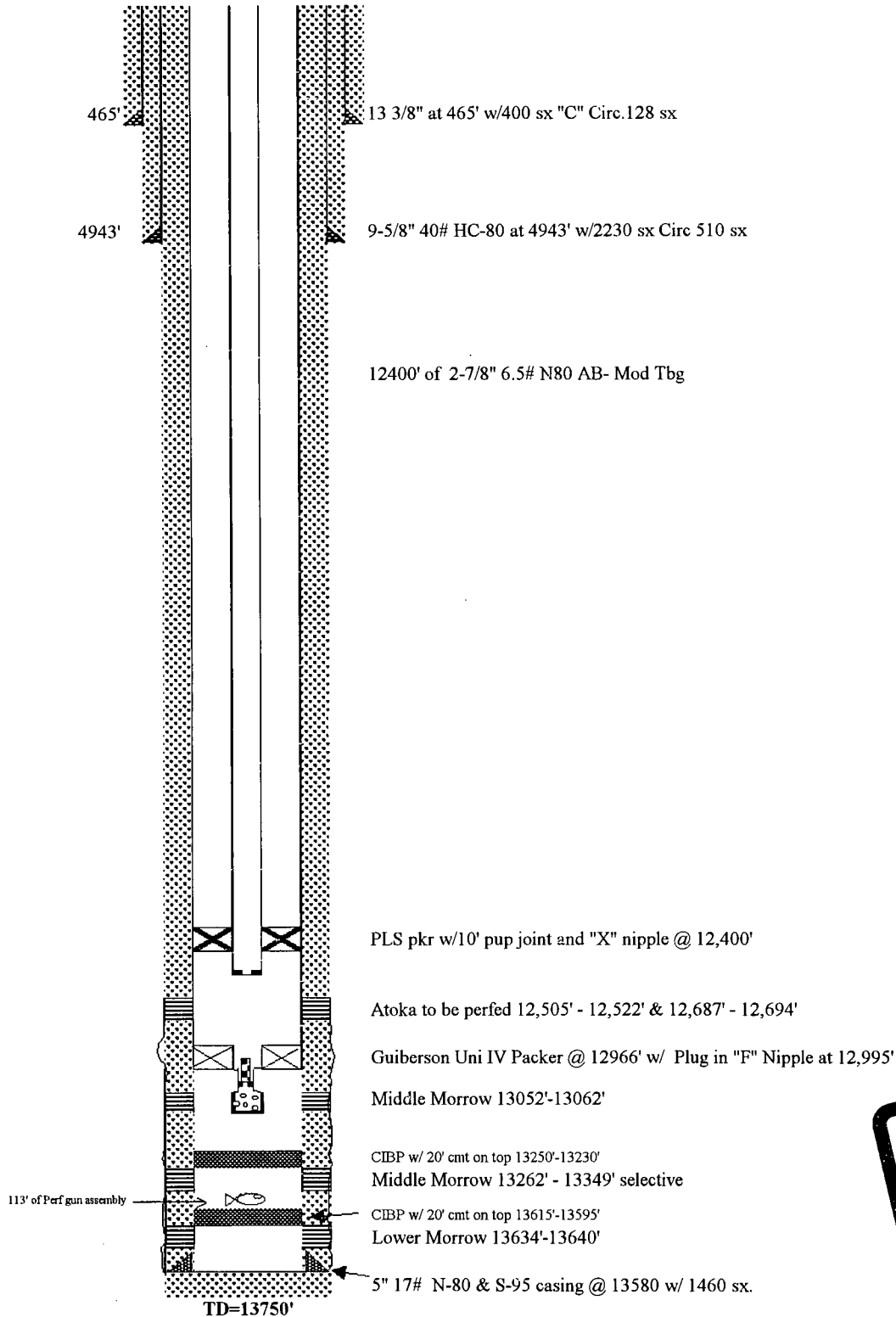
Original Completion: 03/90



Maduro Fed Com #4
460' FSL & 1980' FEL
Sec 29 - 19S - 33E
Lea County, New Mexico
Proposed Completion

GL = 3629'
 KB = 3618'
 DF = 3600'

Original Completion: 03/90



MATADOR PETROLEUM CORPORATION

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TEXAS 75231-3751
(214) 987-3650
FAX # (214) 891-1415

ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

DATE: 3/9/99 AFE NO.: 300531-04-001
PROSPECT NAME: Gem Morrow OPERATOR: Matador
LEASE NAME: Maduro Fed #14
DESCRIPTION: Plug off existing Morrow Perfs at 13052-62. Perforate Atoka at 12505-522, 12567-12894
LOCATION: Sec 29 T19S R33E
COUNTY: Lea STATE: NM PROPOSED TO:

INTANGIBLE COSTS		DRILLING COSTS	COMPLETION COSTS	TOTAL COSTS
01 Land/Legal/Regulatory		\$ 0	\$ 0	\$ 0
02 Location, surveys & damages		0	0	0
10 Contract Drilling/Footage		0	0	0
11 Contract Drilling Daywork		0	0	0
12 Contract Drilling-Turnkey		0	0	0
18 Cementing Services		0	0	0
19 Drillstem Test & Coring		0	0	0
20 Open Hole Logging		0	0	0
21 Contract Geological		0	0	0
22 Geological Supervision		0	0	0
24 Mud & Chemicals		0	1,000	1,000
26 Trucking		0	500	500
28 Supervision/Engineering	5 Days	0	2,000	2,000
30 Bits & Equipment Rental		0	1,000	1,000
32 Fuel & Water		0	1,750	1,750
34 Combined Fixed Rates		0	0	0
36 Plugging & Abandonment	CIBP/CMT/INSTALLATION	4,000	0	4,000
38 Well Surveys/Test Services	Night watchman	0	750	750
40 Completion Unit	5 Days	0	7,000	7,000
44 Perforating/Logging		0	10,000	10,000
46 Stimulation	N2 Unit	0	3,000	3,000
48 Well Control & CGL Insurance		0	0	0
50 Labor		0	0	0
52 Other		0	0	0
54 Contingency	10%	0	2,650	2,650
TOTAL INTANGIBLES >		\$ 4,000	\$ 29,650	\$ 33,650

TANGIBLE COSTS		DRILLING COSTS	COMPLETION COSTS	TOTAL COSTS
40 Conductor Casing		\$ 0	\$ 0	\$ 0
41 Surface Casing		0	0	0
42 Intermediate Casing		0	0	0
43 Drilling Casing Liner		0	0	0
44 Production Casing		0	0	0
45 Production Casing Liner		0	0	0
46 Tubing		0	2,000	2,000
47 Wellhead	TREE SERVICE	0	2,000	2,000
48 Other Subsurface Equip.	PKR SERVICE	0	1,500	1,500
49 Tanks		0	0	0
50 Production Vessels		0	0	0
51 Flow Lines		0	0	0
52 Rod string		0	0	0
53 Pump Unit & Prime Mover		0	0	0
55 Installation Costs		0	0	0
57 Miscellaneous Equipment		0	0	0
TOTAL TANGIBLES >		\$ 0	\$ 5,500	\$ 5,500
TOTAL COSTS >		\$ 4,000	\$ 35,150	\$ 39,150

MATADOR OPERATING COMPANY

Prepared By: Russ Mathis
Russ Mathis, Production Manager

Date: 3/9/99

Approved By: R. F. Burke, Vice President

Date: 4/22/99

APPROVAL:
NON-OPERATOR:

Approved:

Disapproved:

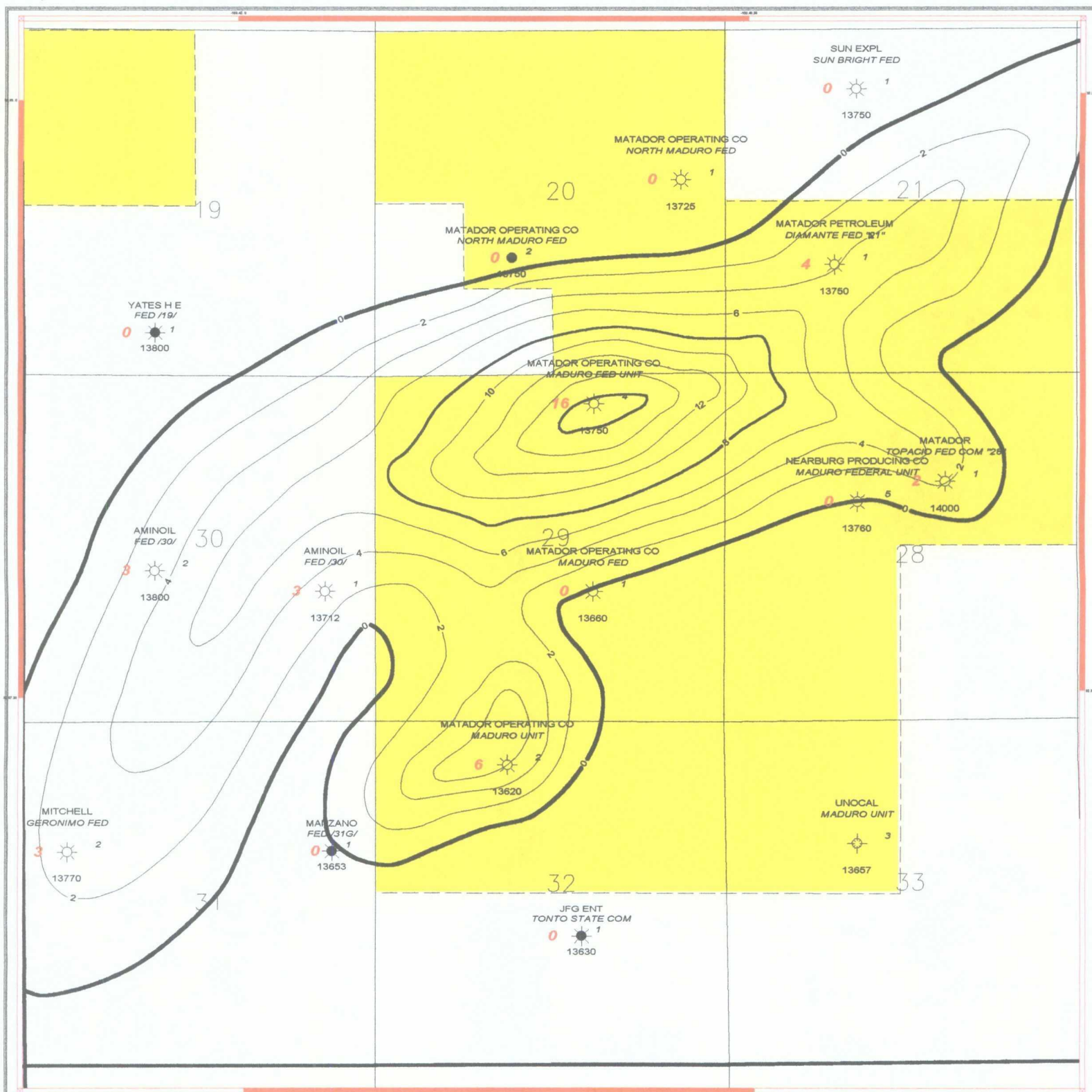
Tax ID:

Working Interest (%):

Signed by:

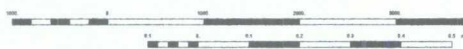
EXHIBIT

8



UPPER ATOKA NET ISOPACH MAP
GR <= 70 API UNITS
POR >= 3%

Scale 1:24000



EXHIBIT

9

MATADOR PETROLEUM CORPORATION

MADURO FED #4
29-19S-33E
Wells >=11,000'

K.SPARKLING

C.I.: 2'

6/22/99

madhear1.gpf

Scale 1:24000.

LEA CO., NM



June 23, 1999

Re: **MADURO FEDERAL #4**
29-19S-33E

Matador Petroleum Corporation
Atoka Recompletion
Lea Co., N.M.

GEOLOGICAL

An analysis of the Atoka section in the Gem Morrow Field of Section 29-19S-33E reveals the occurrence of two Atoka zones that warrant recompletion attempts in the Matador-Maduro Fed. #4 well. The two proposed recompletion intervals are shown on **Stratigraphic Cross-Section A-A'** and are designated as the upper and middle Atoka zones.

The **Production Map** displays wells that are productive from the Delaware, Yates-Seven Rivers, Bone Spring, Atoka and Morrow. Section 29 contains five wells, three dry-holes and two Morrow producers. The Maduro Fed. #4 well has produced 389.0 MMCF and 18.7 MBO from the Morrow since 4/90. The Yates-Bright Fed. Com. #1 well, approximately one mile north of the Maduro Fed. #4 well, of section 21-19S-33E produces from the Atoka section.

The **Upper Atoka Net Isopach Map** reveals the Maduro Fed. #4 well exhibits the thickest net accumulation of the upper Atoka interval. Surrounding wells display a thinner net reservoir accumulation (2'-6') or an absence of reservoir as observed on the **Upper Atoka Net Isopach Map**. The upper Atoka zone is a fine-grained sandstone deposit that is oriented NE-SW in the area. The Atoka section consists primarily of limestones and shales; however, during periods of diminished carbonate deposition the region is subject to periodic floods of fine clastic material from areas to the north and northeast. The resulting Atoka sandstone deposits are generally thin (5'-10' thick), exhibit low porosity (.03-.06) and display erratic distribution patterns. An examination of wells in the area indicates the thickest reservoir development in the upper Atoka zone occurs in the Maduro Fed. #4 well.

The middle Atoka zone is also developed in the Maduro Fed. #4 well. The middle Atoka zone exhibits poor porosity development in the Maduro Fed. #4 well as shown on the **Stratigraphic Cross-Section A-A'**. The middle Atoka zone, while thin and tight, may contribute additional hydrocarbons.



INTENTIONAL OMISSIONS

The following document(s) have been intentionally omitted from this file due to the indicated reasons.

FILE # NSL 4324

DESCRIPTION OF OMITTED DOCUMENTS

OMITTED DOCUMENT

REASON OMITTED

ATOKA STRATIGRAPHIC CROSS SEC. AA TOO LARGE

County LEA

Pool TONTA ATOKA GAS

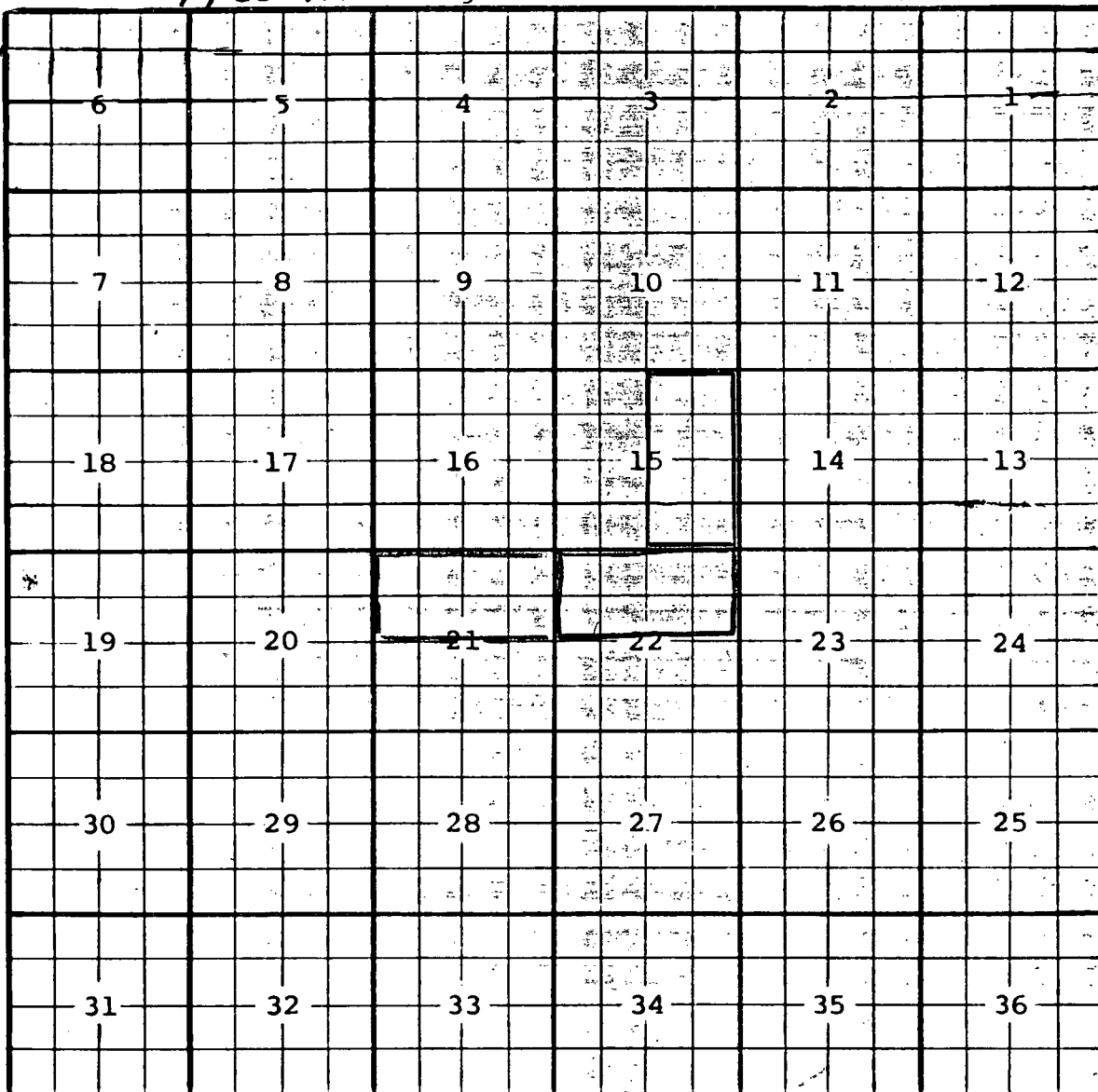
TOWNSHIP

19 SOUTH

Range

33 EAST

NMPM



DESC: E/2 SEC 15 (R-9120, 3-1-90) EXT. N/2 SEC 22 (R-9447, 3-1-91)

Ext: N/2 Sec. 21 (R-9937, 8-12-93)

MADURO UNIT AREA

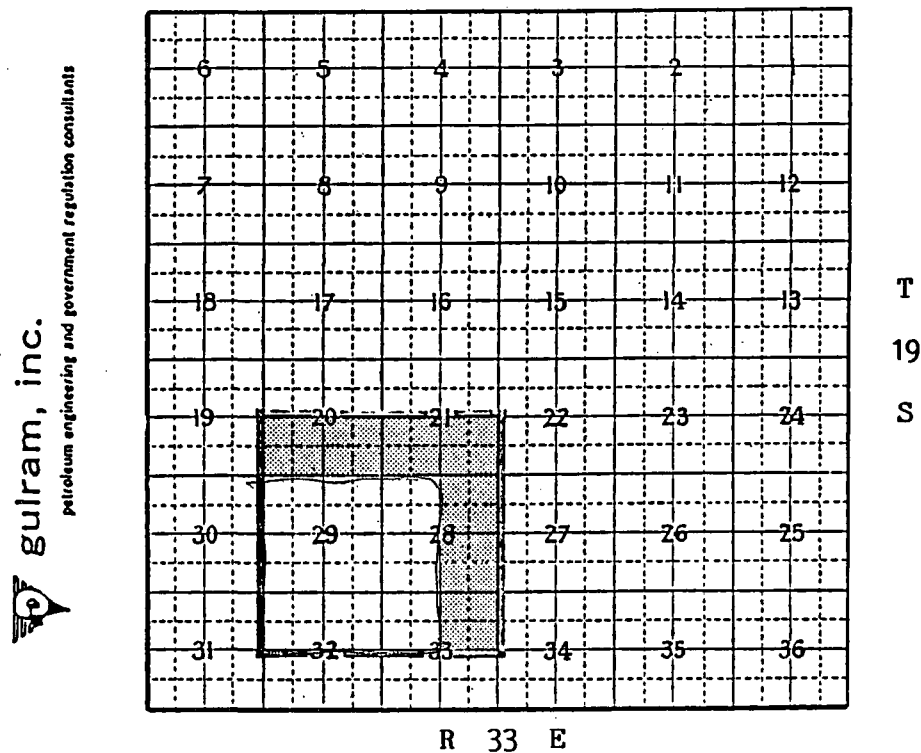
No. 14-08-0001-18028

APPROVED: May 3, 1979


EFFECTIVE: May 3, 1979

EXPLORATORY

Lea County, New Mexico



Federal Lands	2,160.00 acres
State Lands	<u>400.00</u> acres
Total	2,560.00 acres

 - Lands Automatically Eliminated, effective August 2, 1984

Remaining Unit Land - Federal	1,040.00 acres
State	<u>400.00</u> acres
Total	1,440.00 acres

R-8973

Rec: 6-29-99
Susp: NA
Released: 6-30-99
7-2-99

July 2, 1999

Matador Petroleum Corporation
c/o **W. Thomas Kellahin**
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

Telefax No. (505) 982-2047

Administrative Order NSL- 4324

Dear Mr. Kellahin:

Reference is made to the following: (i) your application on behalf of the operator Matador Petroleum Corporation ("Matador") dated June 29, 1999; (ii) your meeting in Santa Fe with Mr. Michael E. Stogner, Engineer/Chief Hearing Officer with the New Mexico Oil Conservation Division ("Division") on Friday, July 2, 1999; and (iii) the Division's records in Santa Fe: all concerning Matador's request to recompleting its Maduro Federal Unit Well No. 4 (**API No. 30-025-30840**), located 460 feet from the North line and 1980 feet from the East line (Unit B) of Section 29, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico, from the deeper Morrow formation up-hole into the Atoka formation.

According to the Division's well records, the Maduro Federal Unit Well No. 4 was drilled in 1989 by Union Oil Company of California to a total depth of 13,750 feet and was subsequently completed in the Gem-Morrow Gas Pool at an unorthodox gas well location within a standard 320-acre lay-down gas spacing and proration unit comprising the N/2 of Section 29 (approved by Division Order No. R-8973, issued in Case No. 9705 and dated August 11, 1989).

It is our understanding that Matador intends to abandon the Morrow interval in this well at this time and attempt a recompletion up-hole into the Undesignated Tonto-Atoka Gas Pool, whereby the N/2 of Section 29 is to be dedicated to this well in order to form a standard 320-acre gas spacing and proration unit. Pursuant to Division Rule 104.C(2)(b) this location is also considered to be unorthodox.

This application has been duly filed under the provisions of Division Rule 104.F.

By the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox Atoka gas well location for Matador's Maduro Federal Unit Well No. 4 is hereby approved.

Further, Division Order No. R-8973 shall be placed in abeyance until further notice.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad