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October 31, 1996

VIA HAND DELIVERY

Mr. David R. Catanach
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: Ogden State No. 3 Well - Application of Murchison Oil & Gas, Inc. for an Exception from Rule 2.B of the Special Rules and Regulations for the White City-Penn Gas Pool, Eddy County, Texas - Consolidated Cases No. 11624 and No. 11636

Dear Mr. Catanach:

On behalf of Murchison Oil & Gas, Inc. please find enclosed our Prehearing Statement for Murchison's Case No. 11624, which has been consolidated for hearing on the same docket with the Matador Case No. 11636. These cases are to be heard on November 7, 1996.

Thank you.

Very truly yours,

**HINKLE, COX, EATON, COFFIELD,
& HENSLEY, L.L.P.**

Conrad E. Coffield

CEC/bc

Enclosure

cc: W. Thomas Kellahin, Esq. (via fax)
Michael S. Daugherty

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

IN THE MATTER OF THE APPLICATION
OF MURCHISON OIL & GAS, INC.
FOR AN EXCEPTION FROM RULE 2.B
OF THE WHITE CITY - PENN POOL
RULES, EDDY COUNTY, NEW MEXICO

Case No. 11624

APPLICATION OF MATADOR OPERATING
COMPANY FOR AN EXCEPTION FROM RULE
2.B OF THE WHITE CITY - PENN POOL
RULES, EDDY COUNTY, NEW MEXICO

Case No. 11636

PREHEARING STATEMENT

This Prehearing Statement is submitted by applicant Murchison Oil & Gas, Inc. as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT IN CASE 11624

ATTORNEY

Murchison Oil & Gas, Inc.
1445 Ross Avenue
Dallas, Texas 75202
Attn: Michael S. Daugherty
(214) 953-1414

Conrad E. Coffield, Esq.
Post Office Box 2068
Santa Fe, New Mexico 87504
(505) 982-4554

APPLICANT IN CASE 11636

ATTORNEY

Matador Operating Company
8340 Meadow Road
Dallas, Texas 75231-3751
Attn: Tracy Evans
(214) 987-7135

W. Thomas Kellahin, Esq.
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

STATEMENT OF CASE

1. Applicant, Murchison Oil & Gas, Inc. is the operator of two wells located in Section 2, Township 25 South, Range 26 East, N.M.P.M., Eddy County, New Mexico. One of said wells is completed in the Atoka Formation at an orthodox location, 1650 feet from the

north line, and 1650 feet from the east line of said Section 2. The second well is completed in the Morrow Formation and is located at an orthodox location, 1650 feet from the north line, and 1650 feet from the west line of said Section 2.

2. The Special Pool Rules and Regulations for the White City-Penn Gas Pool (Order R-2429-D) provides, *inter alia*, that "There shall be no more than two producible wells on any one proration unit at one time."

3. Applicant proposes to drill a third well in said Section 2 dedicating all of said Section 2 to its Ogden State No. 3 Well, to be located at an orthodox location 1650 feet from the south line and 1650 feet from the west line of said Section 2.

4. To obtain its just and equitable share of potential production underlying said Section 2, applicant seeks an order of the Division granting an exception to the existing field rules cited above to permit the applicant to drill applicant's proposed well in order to protect correlative rights and prevent waste.

PROPOSED EVIDENCE

Murchison Oil & Gas, Inc.

WITNESSES	ESTIMATED TIME	EXHIBITS
Michael S. Daugherty (Petroleum Engineer)	10 min.	1
Marion E. Causey (Geologist)	15 min.	3


PROCEDURAL MATTERS

The Murchison case was originally set for hearing on the October 17, 1996 docket, but following the filing of a motion to

consolidate the Murchison case with the Matador case, the applicant in the Murchison case has agreed to consolidation of the Murchison case with the Matador case and that the same be set for hearing on November 7, 1996.

Respectfully submitted,

HINKLE, COX, EATON,
COFFIELD & HENSLEY, L.L.P.


Conrad E. Coffield
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(505) 982-4554

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **Prehearing Statement** was sent by facsimile this 31st day of October, 1996 to:

W. Thomas Kellahin, Esq.
Kellahin and Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504


Conrad E. Coffield