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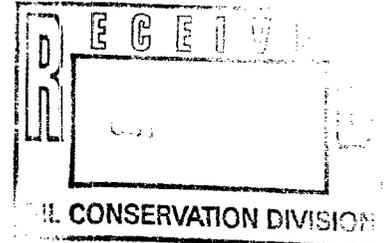
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W. THOMAS KELLAHIN*

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

JASON KELLAHIN (RETIRED 1991)

September 30, 1996



HAND DELIVERED

Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: Grynberg "11" Federal Com Well No. 4
Application of Matador Operating Company
for an Exception from Rule 2.B of the Special
Rules and Regulations for the White City-
Pennsylvanian Gas Pool,
Eddy County, New Mexico

11636

Dear Mr. LeMay:

On behalf of Matador Operating Company, please find enclosed our Application for an exception from Rule 2.B of the Special Rules and Regulations for the White City-Pennsylvanian Gas Pool which we request be set for hearing on the next available Examiner's docket now scheduled for November 7, 1996. Also enclosed is our proposed notice for the advertisement.

Very truly yours,

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin". The signature is written in a cursive style with a large, sweeping initial "W".

W. Thomas Kellahin

cc: Matador Operating Company
Attn: Tracy Evans

OK

Proposed notification/advertisement for OCD docket

Case 11636: Application of Matador Operating Company for an exception from Rule 2.B of the special rules and regulations for the White City-Pennsylvanian Gas Pool, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception in order to drill its Grynberg 11 Federal Com Well No. 4 at a standard well location 1650 feet from the North and West lines (Unit F) of Section 11, Township 25 South, Range 26 East, NMPM and to simultaneously dedicate it to a standard 640-acre gas spacing unit consisting of all of said Section 11 which is currently dedicated the existing Grynberg 11 Federal Com Well Nos. 1 and 2.

Said unit is located approximately 7 miles southeast of Whites City, New Mexico.

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

IN THE MATTER OF THE APPLICATION
OF MATADOR OPERATING COMPANY FOR
AN EXCEPTION FOR RULE 2.B OF THE
SPECIAL RULES AND REGULATIONS FOR
THE WHITE CITY-PENNSYLVANIAN GAS
POOL, EDDY COUNTY, NEW MEXICO

CASE: 11636

APPLICATION

Comes now MATADOR OPERATING COMPANY, by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division ("NMOCD") for approval an exception from Rule 2.B of the special rules and regulations for the White City-Pennsylvanian Gas Pool, Eddy County, New Mexico, in order to drill its Grynberg 11 Federal Com Well No. 4 at a standard well location 1650 feet from the North and West lines (Unit F) of Section 11, Township 25 South, Range 26 East, NMPM and to simultaneously dedicate it to a standard 640-acre gas spacing unit consisting of all of said Section 11 which is currently dedicated the existing Grynberg 11 Federal Com Well Nos. 1 and 2.

In support thereof, Applicant states:

1. Applicant, Matador, is the operator of the Grynberg "11" Federal Com Well No. 1 (Unit F) which is completed in the Morrow formation and of the Grynberg "11" Federal Com Well No. 2 (Unit J) which is completed in the Atoka formation, both located in Section 11 T25S, R26E, Eddy County, New Mexico. See Exhibit "A" attached.

2. Despite the fact that these wells produce from different formations, they are subject to the Special Rules and Regulations of the White City-Pennsylvanian Gas Pool (Order R-2429-D) which provides that:

Rule 2.B. Nothing in this rule shall be constructed as prohibiting the drilling of additional wells on a standard proration unit provided that there shall be **provided that there shall be no more than two producible wells on any one proration unit at one time.**

3. On September 16, 1996, Murchison Oil & Gas, Inc. filed an application with the NMOCD seeking to drill a third well in Section 2 to the north of Matador's Section 11.

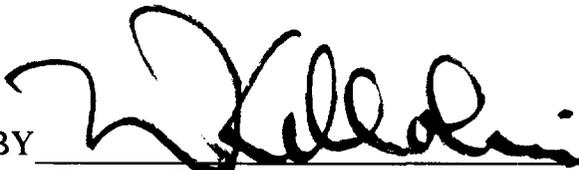
4. Matador's proposed Grynberg "11" Federal Com Well No. 4 is necessary in order to protect its spacing unit from drainage from the Murchison proposed third well should it be approved by the NMOCD.

5. Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the remaining gas underlying this unit, 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.

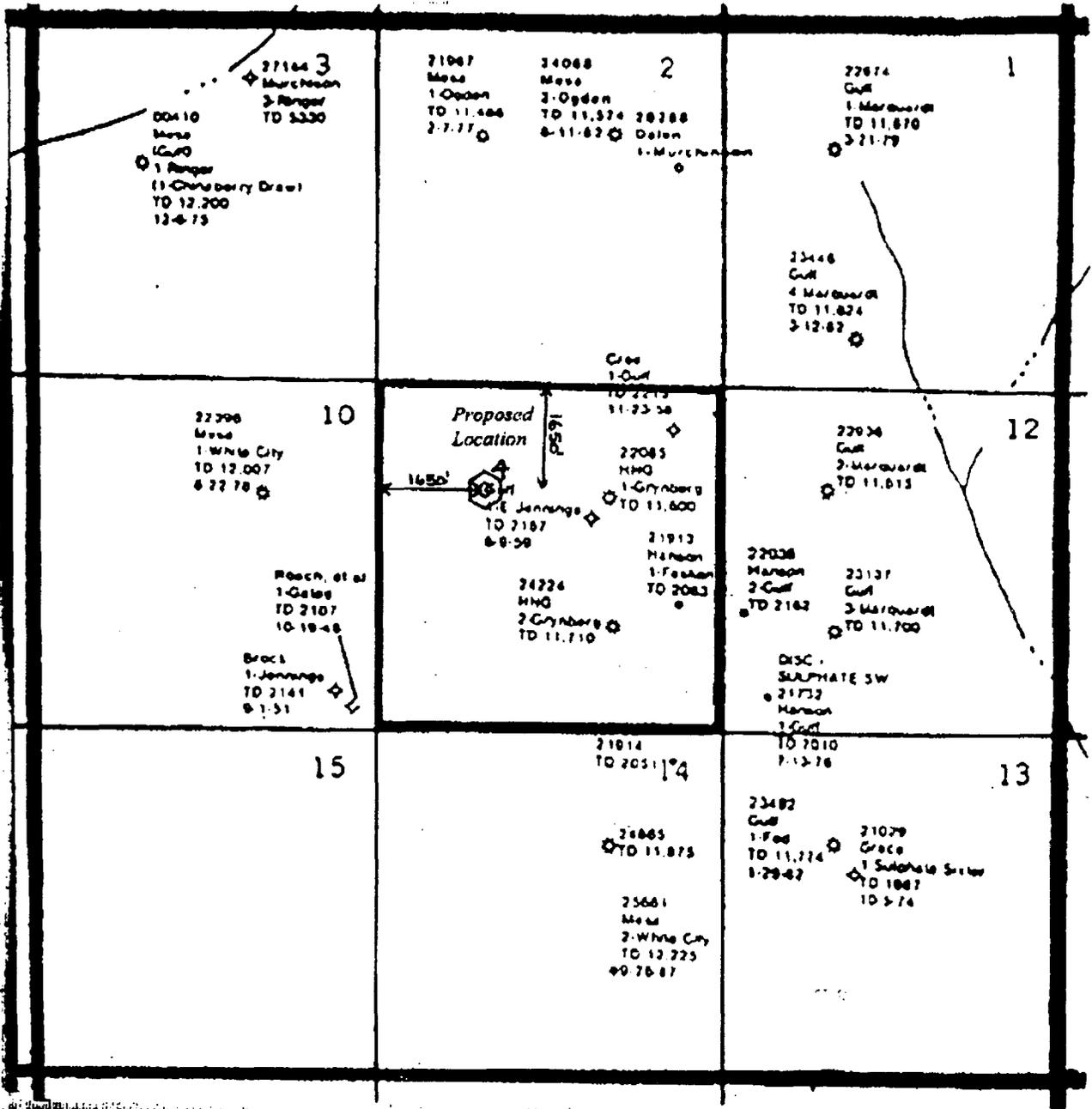
6. Notification of this application has been sent to all adjoining and offsetting operator as set forth on Exhibit "B" attached.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

BY 

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



Matador Petroleum Corporation
 Proposed Location
 Grynberg 11 Fed Com Well No. 4
 Section 11 Township 25 South Range 26 East
 Eddy County, New Mexico

EXHIBIT
 A

Offset Operators
Proposed Grynberg 11 Fed Com Well No. 4
Section 11 T25S R26E
Bddy County, New Mexico

Operators:	Sections:
Chevron U.S.A. Inc. Permian Basin Production P. O. Box 1150 Midland, TX 79702-1150 (915) 687-7100 / (915) 687-7666 (Fax #)	1, 12, 13
Enserch Exploration, Inc 4819 Greenville Ave Suite 1200 Dallas, Texas 75206 Attn: Charlie Hagen	2
Hanson Operating Company, Inc. P. O. Box 1515 400 N. Pennsylvania, Suite 1200 Roswell, NM 88202-1515 (505) 622-7330 / (505) 622-7331 (Fax #)	12
Murchison Oil & Gas, Inc. 1445 Ross Ave., Suite 5300, LB 152 Dallas, TX 75202-2807 (214) 953-1414 / (214) 953-0263 (Fax #)	2, 3, 10
Bill and Patsy Rich P. O. Box 755 Hobbs, NM 88241	11, 14

