

**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:**

**APPLICATION OF MATADOR OPERATING
COMPANY FOR AN UNORTHODOX WELL
LOCATION AND SIMULTANEOUS DEDICATION
EDDY COUNTY, NEW MEXICO.**

CASE NO. 12786

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OIL CONSERVATION DIVISION

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by MATADOR OPERATING COMPANY, as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Matador Operating Company
8340 Meadow Road Ste 158
Dallas, Texas 75231
(214) 987-3650
attn: Barry Osborne

ATTORNEY

W. Thomas Kellahin
KELLAHIN & KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

OPPOSITION OR OTHER PARTY

Chevron Texaco

Kerr-McGee Oil & Gas Onshore, LLC

ATTORNEY

William F. Carr, Esq.

James Bruce, Esq.

STATEMENT OF CASE

(1) Matador seeks approval of an unorthodox gas well location in the Indian Basin-Upper Pennsylvanian Gas Pool for its Mershon Com Well No. 2 which has been drilled at an unorthodox location 415 feet from the North line and 1201 feet from the and West line (Unit D) of Section 21, T22S, R23E, NMPM, Eddy County, New Mexico;

(2) Chevron Texaco is the operator of Sections 16 and 17, T22S, R23E, in the Indian Basin-Upper Pennsylvanian Gas Pool;

(3) Kerr-McGee is a working interest owner in Section 17, T22S, R23E;

(4) Matador's unorthodox location encroaches towards Section 16 and 17;

(5) In order to protect the correlative rights of Chevron Texaco, Kerr-McGee and the interest owners in Sections 16 and 17 and at the same time to prevent waste by providing for the drilling of the Matador's well as requested, the parties have stipulated and agreed that Matador shall request from the Oil Conservation Division a penalty so that the producing allowable for the penalized well shall be 40.7% of a full unpenalized allowable for this pool (59.3% PENALTY) which is calculated by averaging two factors as follows:

(a) Productive acreage Method
in Section 21:
 $360/640 = 56.15\%$ of allowable

(b) Ratio of Distance:
 $415/1650 = 25.15\%$ of allowable

(6) This penalty method is consistent with the penalty applied in numerous Indian Basin Gas Pool well location cases.

PROPOSED EVIDENCE

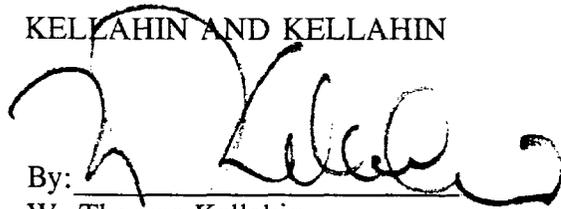
APPLICANT:

WITNESSES	EST. TIME	EXHIBITS
Sharon Cook (land/regulatory)	20 min.	@ 8 exhibits
Mike Miller (geologist)	15 Min.	@ 4 exhibits
Mike Ernest (PE)	10 Min.	@ 2 exhibits

PROCEDURAL MATTERS

None anticipated at this time.

KELLAHIN AND KELLAHIN



By: _____
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