

(21) On August 12, 1998, Matador filed its application in Case 12034 seeking an amendment to Order R-10872-B so that the Fasken location that was the subject of Case No. 11755 (proposed Avalon Federal Well No. 2) could now be drilled and to combine the middle one-third and the bottom one-third of Section 1 to form a standard spacing and proration unit pursuant to the rules governing the Catclaw Draw-Morrow Gas Pool.

(22) The Application for Permit to Drill ("APD") for the proposed Avalon Federal Well No. 2 has been approved and extended to June 25, 1999.

(23) On August 25, 1998, Texaco filed its compulsory pooling application for the upper two-thirds of Section 1 based upon its July 30, 1998 well location and the application was docketed as Case 12051.

(24) On August 26, 1998, Texaco asked the Division to consolidate its case with the Matador case and asked that the consolidated cases be heard on September 17, 1998.

(25) On September 1, 1998, Matador concurred in the consolidation and, by agreement of counsel, these cases were continued to October 8, 1998.

(26) On September 9, 1998, at the request of Melbourne's attorney and with the concurrence of counsel, these two cases were continued to November 5, 1998. Both cases were further continued at the November 5, 1998 hearing until finally these cases were set for hearing on December 3, 1998.

(27) On Tuesday, November 25, 1998, counsel for Texaco and counsel for Matador exchanged data in preparation for the hearing on December 3, 1998.

(28) On Wednesday, November 25, 1998, Texaco's counsel delivered to Matador's counsel Texaco's amended application which sought to continue Texaco's case to December 17, 1998 and to include its request that the Division enter a compulsory pooling for all of Irregular Section 1 for a well to be drilled by Texaco. This amendment was mistakenly docketed as a separate case (No. 12105).

(29) By letter agreement dated December 1, 1998, all of the working interest owners reached a voluntary agreement for the consolidation of the lower two-thirds of this section and for the drilling of the Fasken location.

(30) On December 3, 1998, Matador presented its evidence and witnesses and the case was continued to the hearing scheduled for January 7, 1999 at which Texaco was to present its evidence and witnesses.

(31) On January 7, 1999, Texaco declined to present any evidence or witnesses and requested that the case be taken under advisement based upon the evidence presented on December 3, 1998.

(32) Penwell advised that it would waive objection to the unorthodox well locations.

(33) The geological and engineering testimony presented by Matador indicates that the proposed location of the Avalon Federal Well No. 2 will intersect the Morrow gas-bearing interval at a more favorable geologic position than a standard location, thereby increasing the likelihood of obtaining commercial gas production within the proposed 600.01-acre unit. Further, Matador presented production and engineering data which demonstrate that the existing Catclaw Draw "1" Federal Well No. 1 is draining Morrow gas reserves from a limited area within the SW/4 of Section 1. Therefore, the proposed Avalon Federal Well No. 2 in Unit "T" is necessary to produce the recoverable reserves in the Morrow formation underlying the lower two-thirds of Section 1 thereby preventing waste.

(34) The formation of this 600.01-acre standard gas spacing and proration unit is a reasonable request because:

- (a) a full sized, as nearly as possible, standard shaped 640-acre spacing and proration unit can now be formed within this irregularly shaped section because the needed acreage has been offered by the U. S. Bureau of Land Management for mineral leasing;
- (b) the formation of the requested 600.01-acre standard gas spacing and proration unit is in the best interest of conservation, will serve to prevent waste, and should therefore be approved; and
- (c) the formation of a spacing unit comprising the southern two-thirds of this section best conforms to the potentially productive reservoir in the Morrow formation.

(35) The simultaneous dedication of the proposed 600.01-acre unit to the (i) existing Catclaw Draw "1" Federal Well No. 1 and (ii) proposed Avalon Federal Well No. 2 should result in the recovery of hydrocarbons that otherwise will be wasted.

(36) Approval of an unorthodox gas well location within the Catclaw Draw-Morrow Gas Pool for the proposed Avalon Federal Well No. 2 and the simultaneous dedication of the proposed 600.01-acre unit comprising the lower two-thirds of Section 1 to these two wells will afford all mineral interest owners the opportunity to produce the recoverable reserves under this unit thereby protecting correlative rights.