

(4) The Mershon Gas Com No. 2 is located within the Indian Basin-Upper Pennsylvanian Gas Pool. This pool is currently a prorated gas pool governed by Division Rule 605 and the "*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool*" as established by Division Order No. R-8170, as amended, which require standard 640-acre gas spacing and proration units with wells to be located no closer than 1650 feet to the outer boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section line or subdivision inner boundary.

(5) At the hearing, Matador requested that the portion of its application seeking approval to simultaneously dedicate the existing 360-acre gas spacing and proration unit to the Mershon Gas Com Wells No. 1 and 2 be dismissed. In support of this request, Matador testified that the Mershon Gas Com Well No. 1 is uneconomic to produce, and that the Mershon Gas Com Wells No. 1 and 2 will not be produced simultaneously within the Indian Basin-Upper Pennsylvanian Gas Pool.

(6) The applicant presented evidence that demonstrates:

- (a) the Mershon Gas Com No. 1 has drained a small area within the subject non-standard gas proration unit and is substantially depleted;
- (b) there are remaining gas reserves underlying the subject non-standard gas proration unit that cannot be recovered by the existing Mershon Gas Com No. 1;
- (c) water encroachment from the east in this gas reservoir will ultimately adversely affect gas production from this proration unit;
- (d) geologic and topographic factors were considered by Matador in locating the Mershon Gas Com No. 2 at the proposed unorthodox location;
- (e) the Mershon Gas Com No. 2 was drilled at the unorthodox gas well location described above in order to penetrate the Upper Pennsylvanian formation in an area of high structural position and reservoir thickness; and