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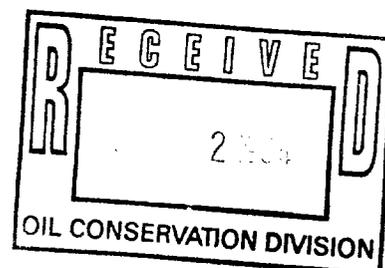
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July 12, 1994

HAND DELIVERED



Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
P. O. Box 2088
Santa Fe, New Mexico 87501

11049

Re: Peery Federal Well No. 3
W/2 Section 29, T15S, R30E, NMPM
Application of Matador Petroleum Corporation
for Compulsory Pooling, Chaves County, New Mexico

Dear Mr. Stogner:

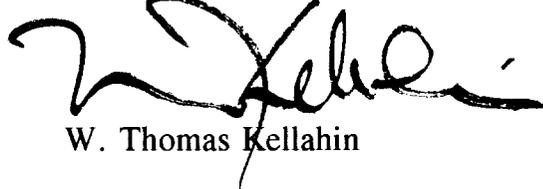
On behalf of Matador Petroleum Corporation, please find enclosed our application for compulsory pooling which we request be set for hearing on the Examiner's docket now scheduled for August 18, 1994. Also enclosed is our proposed notice of publication for this case.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

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July 12, 1994
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Pursuant to the Division's Memorandum 2-90, all interested parties are hereby informed that if they appear in the case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 pm on Friday, August 12, 1994, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. Thomas Kellahin

Enclosure

cc: Matador Petroleum Corporation
BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED
to: Paloma Resources, Inc.

11 12 1994

PROPOSED ADVERTISEMENT FOR NMOCD DOCKET

CASE 11049: Application of Matador Petroleum Corporation for compulsory pooling, Chaves County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the W/2 of Section 29, T15S, R30E, NMPM, Chaves County, New Mexico, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently may include but is not necessarily limited to the Little Lucky Lake-Morrow Gas Pool. Said unit is to be dedicated to Paloma Resources, Inc.'s Peery Federal Well No. 3 which is completed at a location 1820 feet FSL and 2140 feet FWL (Unit K) of said Section 29. Also to be considered will be the costs of participation in said well and the allocation of the costs and income thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well. Said unit is located approximately 11.5 miles north by east of Loco Hills, New Mexico.

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

IN THE MATTER OF THE APPLICATION
OF MATADOR PETROLEUM CORPORATION
FOR COMPULSORY POOLING,
CHAVES COUNTY, NEW MEXICO.

12 1997

CASE NO. 11049

APPLICATION

Comes now MATADOR PETROLEUM CORPORATION, by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the W/2 of Section 29, T15S, R30E, NMPM, Chaves County, New Mexico, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Little Lucky Lake-Morrow Gas Pool. Said unit is to be dedicated to the Paloma Resources, Inc.'s Peery Federal #3 Well which is completed at a standard gas well location within said unit being 1820 feet FSL and 2140 feet FWL of said Section 29. Also to be considered will be the costs of participation in said well and the allocation of the costs and income thereof as well as actual operating costs and charges for supervision, and designation of applicant as the operator of the well.

In support of its application, Matador Petroleum Corporation ("Matador") states:

Matador Petroleum Corporation
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1. Matador has a working interest ownership in the oil and gas minerals underlying the NW/4NW/4 of Section 29, T15S, R30E, NMPM, Chaves County, New Mexico.

2. Paloma Resources, Inc.'s Peery Federal #3 Well is completed at a standard gas well location 1820 feet FSL and 2140 feet FWL of said Section 29 and is dedicated to the Little Luck Lake-Morrow Gas Pool which is spaced on 320-acre gas spacing and proration units.

3. Matador has proposed to Paloma Resources Inc. that this well be dedicated to a 320-acre gas spacing and proration unit consisting of the W/2 of Section 29.

4. Despite its good faith efforts, Matador has been unable to obtain a written voluntary agreement from Paloma Resources, Inc.

5. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of past and future production from the subject well and this spacing unit, Matador needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

6. In accordance with the Division's notice requirements, a copy of this application has been sent to:

Paloma Resources, Inc.
P. O. Box 1814
Roswell, New Mexico 88201
Attn: Mr. H. E. Gene Lee

7. applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for August 18, 1994.

WHEREFORE, Matador, as applicant, requests that this application be set for hearing on August 18, 1994 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the drilling of the subject well at a standard gas well location upon terms and conditions which include:

- (1) Matador Petroleum Corporation be named operator;
- (2) The order make provisions for applicant to participate in the costs and revenue from the subject well;
- (3) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



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