

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:

CASE NO. 11566
ORDER NO. R-8496-A

**APPLICATION OF MATADOR PETROLEUM CORPORATION FOR AN
UNORTHODOX GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 11, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 16th day of September, 1996 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Matador Petroleum Corporation ("Matador"), seeks approval to re-enter the plugged and abandoned Terra Resources, Inc. Chevron "7" Federal Well No. 1 (**API No. 30-015-25808**) at an unorthodox gas well location 663 feet from the North line and 665 feet from the East line (Unit A) of Section 7, Township 16 South, Range 28 East, NMPM, Eddy County, New Mexico, to test all prospective gas bearing intervals from the top of the Wolfcamp formation to the base of the Morrow formation developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Diamond Mound-Atoka Gas Pool and the Undesignated Diamond Mound-Morrow Gas Pool. Lots 1 and 2, the NE/4, and the E/2 NW/4 (N/2 equivalent) of said Section 7 is to be dedicated to the subject well to form a standard 323.21-acre gas spacing and proration unit within said vertical extent.

(3) Division records indicate that currently all gas bearing intervals from the top of the Wolfcamp formation to the base of the Morrow formation, including the aforementioned Diamond Mound-Atoka Gas and Diamond Mound-Morrow Gas Pools are subject to the Division's statewide rules and regulations, which provides for 320-acre spacing and proration units with wells to be located no closer than 1650 feet from the nearest end boundary, nor closer than 660 feet from the nearest side boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

(4) By Division Order No. R-8496, issued in Case 9192 and dated August 26, 1987, Terra Resources, Inc. was designated the operator of a standard 320-acre gas spacing and proration unit comprising the E/2 of said Section 7 in which all mineral interests in the Atoka and Morrow formations were subject to forced pooling provisions. Terra Resources, Inc. was also granted authorization by said Order No. R-8496 to drill its Chevron "7" Federal Well No. 1 to test the Morrow and Atoka formations within the subject 320-acre gas spacing and proration unit at an unorthodox gas well location 660 feet from the North and East lines (Unit A) of said Section 7. In late 1987 Terra Resources, Inc. drilled said well to a total depth of 9,300 feet, however after testing dry the wellbore was properly plugged and abandoned. At the time of abandonment the subject wellbore had a total of 310 feet of 13-3/8 inch surface casing and 1,725 feet of 8-5/8 inch intermediate casing cemented in place. The interval from 1,725 feet to total depth (9,300 feet) was open hole and never cased.

(5) Upon having the "dry-hole marker" for the subject Chevron "7" Federal Well No. 1 resurveyed Matador has determined the well is actually located "663" feet from the North line and "665" feet from the East line (Unit A) of said Section 7.

(6) At this time Matador is proposing to re-enter the previously plugged and abandoned wellbore of the Chevron "7" Federal Well No. 1 and test for possible overlooked gas production within the Atoka and Morrow formations and to further test for gas production within the interval from the top of the Wolfcamp formation to the top of the Atoka formation and if any zone therein is found to be commercially productive of gas will run a "production" string of 4-1/2 inch casing.

(7) Matador has notified all affected offset operators of its application, and no offset operator and/or interest owner appeared at the hearing in opposition to the subject unorthodox location or the proposed 323.21-acre "lay-down" gas spacing and proration unit.

(8) Approval of the subject application will afford the applicant the opportunity to economically and efficiently test for and possibly recover gas reserves from the subject interval within the N/2 equivalent of said Section 7, thereby preventing waste, will serve

to 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.

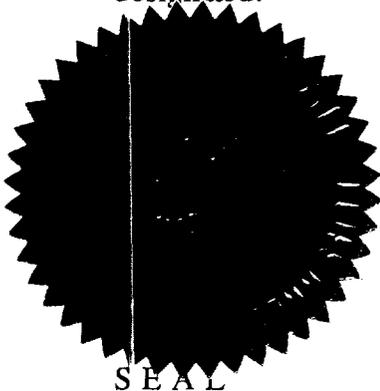
IT IS THEREFORE ORDERED THAT:

(1) The applicant, Matador Petroleum Corporation ("Matador"), is hereby authorized to re-enter the plugged and abandoned Terra Resources, Inc. Chevron "7" Federal Well No. 1 (API No. 30-015-25808) at an unorthodox gas well location 663 feet from the North line and 665 feet from the East line (Unit A) of Section 7, Township 16 South, Range 28 East, NMPM, Eddy County, New Mexico, in order to test all prospective gas bearing intervals from the top of the Wolfcamp formation to the base of the Morrow formation developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Diamond Mound-Atoka Gas Pool and the Undesignated Diamond Mound-Morrow Gas Pool.

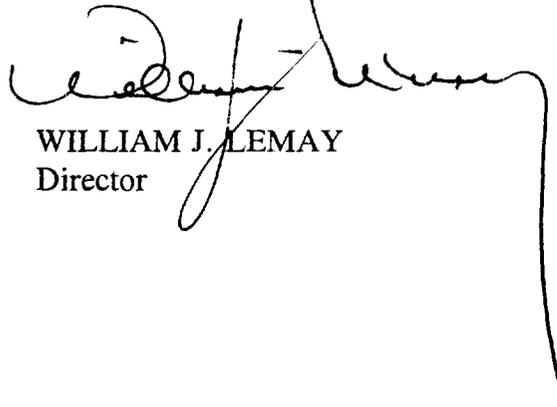
(2) Lots 1 and 2, the NE/4, and the E/2 NW/4 (N/2 equivalent) of said Section 7 shall be dedicated to the subject well to form a standard 323.21-acre gas spacing and proration unit within said vertical extent.

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director