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October 31, 1996

VIA HAND DELIVERY

Mr. David R. Catanach  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Re: Ogden State No. 3 Well - Application of Murchison Oil & Gas, Inc. for an Exception from Rule 2.B of the Special Rules and Regulations for the White City-Penn Gas Pool, Eddy County, Texas - Consolidated Cases No. 11624 and No. 11636

Dear Mr. Catanach:

On behalf of Murchison Oil & Gas, Inc. please find enclosed our Prehearing Statement for Murchison's Case No. 11624, which has been consolidated for hearing on the same docket with the Matador Case No. 11636. These cases are to be heard on November 7, 1996.

Thank you.

Very truly yours,

HINKLE, COX, EATON, COFFIELD,  
& HENSLEY, L.L.P.

  
Conrad E. Coffield

CEC/bc

Enclosure

cc: W. Thomas Kellahin, Esq. (via fax)  
Michael S. Daugherty

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

IN THE MATTER OF THE APPLICATION  
OF MURCHISON OIL & GAS, INC.  
FOR AN EXCEPTION FROM RULE 2.B  
OF THE WHITE CITY - PENN POOL  
RULES, EDDY COUNTY, NEW MEXICO

Case No. 11624

APPLICATION OF MATADOR OPERATING  
COMPANY FOR AN EXCEPTION FROM RULE  
2.B OF THE WHITE CITY - PENN POOL  
RULES, EDDY COUNTY, NEW MEXICO

Case No. 11636

PREHEARING STATEMENT

This Prehearing Statement is submitted by applicant Murchison Oil & Gas, Inc. as required by the Oil Conservation Division.

**APPEARANCE OF PARTIES**

APPLICANT IN CASE 11624

ATTORNEY

Murchison Oil & Gas, Inc.  
1445 Ross Avenue  
Dallas, Texas 75202  
Attn: Michael S. Daugherty  
(214) 953-1414

Conrad E. Coffield, Esq.  
Post Office Box 2068  
Santa Fe, New Mexico 87504  
(505) 982-4554

APPLICANT IN CASE 11636

ATTORNEY

Matador Operating Company  
8340 Meadow Road  
Dallas, Texas 75231-3751  
Attn: Tracy Evans  
(214) 987-7135

W. Thomas Kellahin, Esq.  
Post Office Box 2265  
Santa Fe, New Mexico 87504  
(505) 982-4285

**STATEMENT OF CASE**

1. Applicant, Murchison Oil & Gas, Inc. is the operator of two wells located in Section 2, Township 25 South, Range 26 East, N.M.P.M., Eddy County, New Mexico. One of said wells is completed in the Atoka Formation at an orthodox location, 1650 feet from the

north line, and 1650 feet from the east line of said Section 2. The second well is completed in the Morrow Formation and is located at an orthodox location, 1650 feet from the north line, and 1650 feet from the west line of said Section 2.

2. The Special Pool Rules and Regulations for the White City-Penn Gas Pool (Order R-2429-D) provides, *inter alia*, that "There shall be no more than two producible wells on any one proration unit at one time."

3. Applicant proposes to drill a third well in said Section 2 dedicating all of said Section 2 to its Ogden State No. 3 Well, to be located at an orthodox location 1650 feet from the south line and 1650 feet from the west line of said Section 2.

4. To obtain its just and equitable share of potential production underlying said Section 2, applicant seeks an order of the Division granting an exception to the existing field rules cited above to permit the applicant to drill applicant's proposed well in order to protect correlative rights and prevent waste.

#### **PROPOSED EVIDENCE**

##### Murchison Oil & Gas, Inc.

WITNESSES	ESTIMATED TIME	EXHIBITS
Michael S. Daugherty (Petroleum Engineer)	10 min.	1
Marion E. Causey (Geologist)	15 min.	3


#### **PROCEDURAL MATTERS**

The Murchison case was originally set for hearing on the October 17, 1996 docket, but following the filing of a motion to

consolidate the Murchison case with the Matador case, the applicant in the Murchison case has agreed to consolidation of the Murchison case with the Matador case and that the same be set for hearing on November 7, 1996.

Respectfully submitted,

HINKLE, COX, EATON,  
COFFIELD & HENSLEY, L.L.P.

  
\_\_\_\_\_  
Conrad E. Coffield  
Post Office Box 2068  
Santa Fe, New Mexico 87505  
(505) 982-4554

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing **Prehearing Statement** was sent by facsimile this 5<sup>th</sup> day of October, 1996 to:

W. Thomas Kellahin, Esq.  
Kellahin and Kellahin  
Post Office Box 2265  
Santa Fe, New Mexico 87504

  
\_\_\_\_\_  
Conrad E. Coffield

**HINKLE, COX, EATON, COFFIELD & HENSLEY,  
L.L.P.**

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October 9, 1996

**VIA HAND DELIVERY**

Mr. David R. Catanach  
Hearing Examiner  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

**Re: NMOCD Case 11624  
Application of Murchison Oil & Gas, Inc.  
for an Exception from Rule 2.B of the  
White City-Penn Pool Rules, Eddy County, New Mexico**

**NMOCD Case (number pending)  
Application of Matador Operating Company  
for an Exception from Rule 2.B of the  
White City-Penn Pool Rules, Eddy County, New Mexico**

Dear Mr. Catanach:

Reference is made to Mr. Tom Kellahin's hand-delivered letter addressed to you, dated October 7, 1996 in connection with the captioned cases. Mr. Kellahin, on behalf of Matador Operating Company transmitted a motion to consolidate the Matador and Murchison cases and continue the Murchison case from the October 17 docket to the November 7 docket.

This letter is to provide written evidence of our concurrence in the consolidation of the cases for the purpose of hearing the testimony for the cases and to continue the Murchison Case 11624 from the October 17 docket to the November 7, 1996 docket.

Mr. David R. Catanach  
October 9, 1996  
Page 2

In line with the appropriate OCD requirements, we will be filing, on behalf of Murchison Oil & Gas, Inc., a prehearing statement on or prior to November 1, 1996.

Very truly yours,

HINKLE, COX, EATON, COFFIELD  
& HENSLEY, L.L.P.

  
Conrad E. Coffield

CEC/bc

cc: W. Thomas Kellahin, Esq.  
Attorney for Matador Operating Company  
(via hand delivery)

Mike S. Daugherty  
(via facsimile transmission)

**KELLAHIN AND KELLAHIN**

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W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

October 7, 1996

**HAND DELIVERED**

Mr. David R. Catanach  
Hearing Examiner  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

*DRC*

**MOTION TO CONTINUE AND TO CONSOLIDATE CASES**

Re: *NMOCD Case (number pending)*  
*Application of Matador Operating Company*  
*for an Exception from Rule 2.B of the*  
*White City-Penn Pool Rules, Eddy County, New Mexico*

*NMOCD Case 11624*  
*Application of Murchison Oil & Gas, Inc.*  
*for an Exception from Rule 2.B of the*  
*White City-Penn Pool Rules, Eddy County, New Mexico*

Dear Mr. Catanach:

On behalf of Matador Operating Company, please find enclosed our MOTION TO CONSOLIDATE the referenced cases and to CONTINUE CASE 11624 from the October 17th docket to the November 7, 1996 docket so that Murchison case can be consolidated for hearing on the same docket with the Matador case which was filed on October 2, 1996.

Very truly yours,

  
W. Thomas Kellahin

Hand Delivered:

James Bruce, Esq.  
Attorney for Murchison

cfx:

Matador Operating Company  
Attn: Tracy Evans.

**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.**

**APPLICATION OF MATADOR OPERATING COMPANY FOR AN  
EXCEPTION FROM RULE 2.B OF THE WHILE CITY-PENN POOL  
RULES, EDDY COUNTY, NEW MEXICO.**

**CASE NO. 11624**

**APPLICATION OF MURCHISON OIL & GAS, INC. FOR AN  
EXCEPTION FROM RULE 2.B OF THE WHILE CITY-PENN POOL  
RULES, EDDY COUNTY, NEW MEXICO.**

**MOTION FOR CONSOLIDATION  
AND  
CONTINUANCE  
PREHEARING STATEMENT**

This pre-hearing statement is submitted by Matador Operating Company,  
as required by the Oil Conservation Division.

**APPEARANCE OF PARTIES**

**APPLICANT IN CASE \_\_\_\_\_**

**ATTORNEY**

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**APPLICANT IN CASE 11624**

Murchison Oil & Gas, Inc.  
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**ATTORNEY**

James Bruce, Esq.  
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(505) 982-4554

### **STATEMENT OF CASE**

1. Applicant, Matador, is the operator of the Grynberg "11" Federal Com Well No. 1 (Unit F) which is completed in the Morrow formation and of the Grynberg "11" Federal Com Well No. 2 (Unit J) which is completed in the Atoka formation, both located in Section 11 T25S, R26E, Eddy County, New Mexico. See Exhibit "A" attached.

2. Despite the fact that these wells produce from different formations, they are subject to the Special Rules and Regulations of the White City-Pennsylvanian Gas Pool (Order R-2429-D) which provides that:

**Rule 2.B. Nothing in this rule shall be constructed as prohibiting the drilling of additional wells on a standard proration unit provided that there shall be provided that there shall be no more than two producible wells on any one proration unit at one time.**

3. On September 16, 1996, Murchison Oil & Gas, Inc. filed an application with the NMOCD seeking to drill a third well in Section 2 to the north of Matador's Section 11.

4. Matador's proposed Grynberg "11" Federal Com Well No. 4 is necessary in order to protect its spacing unit from drainage from the Murchison proposed third well should it be approved by the NMOCD.

5. Murchison's application is pending hearing on October 17, 1996 while Matador's application is pending hearing on November 7, 1996

6. If the Murchison case is presented on October 27, 1996, Matador will request at the conclusion of their case that the hearing be continued to November 7, 1996 at which time Matador will present its evidence. If the cases are not heard at the same time on November 7, 1996, the only opportunity to have all issues resolved concerning these two wells offsetting each other will be before the Commission at some date in the future thereby delaying the drilling of either or both of these wells.

**PROPOSED EVIDENCE**

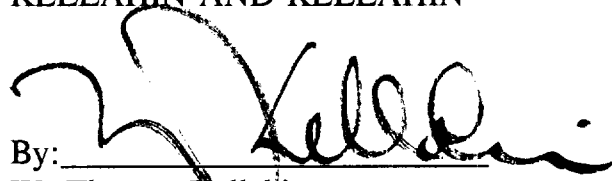
MATADOR OPERATING COMPANY:

WITNESSES	EST. TIME	EXHIBIT
Tracy Evans petroleum engineer	30-45 Min	@ 5
(geologist)	30-45 Min.	@ 3

**PROCEDURAL MATTERS**

Motion to continue the Murchison case from the October 17, 1996 docket to be consolidated with the Matador case now set for hearing on November 7, 1996.

KELLAHIN AND KELLAHIN

By: 

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