

Revised in Case 12034

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

CASE NO. 12034

**APPLICATION OF MATADOR PETROLEUM CORPORATION
FOR APPROVAL OF AN UNORTHODOX GAS WELL LOCATION
AND TO AMEND ORDER R-10872-B
EDDY COUNTY, NEW MEXICO.**

CASE NO. 12051

**APPLICATION OF TEXACO EXPLORATION AND PRODUCTION INC.
FOR COMPULSORY POOLING, AN UNORTHODOX WELL LOCATION
AND A NON-STANDARD PRORATION UNIT
EDDY COUNTY, NEW MEXICO.**

**CONSOLIDATED
PRE-HEARING STATEMENT**

This pre-hearing statement is submitted by MATADOR PETROLEUM CORPORATION as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

**APPLICANT IN CASE 12034
OPPONENT IN CASE 12051**

ATTORNEY

Matador Petroleum Corporation
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APPLICANT IN CASE 12051

ATTORNEY

Texaco Exploration and Production Inc.

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STATEMENT OF THE CASE

Applicant, Matador, is a working interest owner in Irregular Section 1, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico.

Irregular Section 1 consists of 853.62 acres and is divided into thirds with the "middle third" of this section being a formerly "unleased" federal oil and gas minerals the surface of which was subject to a federal environmental study.

On September 12, 1997, the Division entered Order R-10872 which approved the formation of a 297.88 acre non-standard gas spacing and proration unit (consisting of the southern third of this Section) "because a full sized, as nearly as possible, standard shaped 640-acre spacing and proration unit cannot be formed within this irregularly shaped section since the needed acreage will not be offered by the U.S. Bureau of Land Management for mineral leasing;"

In December, 1997, the New Mexico Oil Conservation Commission entered Order R-10872-B which confirmed the Division's approval of this 297.88 acre non-standard proration and spacing unit (southern third of Section 1)

However, in July, 1998, the U. S. Bureau of Land Management changed its practice concerning the leasing of the 302.13 acre area (middle third of Section 1) and approved this tract for sale by listing it in the competitive oil and gas lease sale.

Fasken Land and Minerals, Ltd. was the successful bidder for this lease with the working interest therein now shared among Fasken Land and Minerals, Ltd., Devon Energy Corporation and Matador.

Matador seeks an amendment to Order R-10872-B in order to dedicate this middle third of Section 1 to the southern third of Section 1 in order comply with Finding (10) of Order R-10872 by forming a standard spacing and proration unit pursuant to the rules and regulations governing the Catclaw Draw-Morrow Gas Pool.

Matador proposes to drill an "infill well" at an unorthodox gas well location 750 feet from the West line and 2080 from the South line of Irregular Section 1.

Based upon geology, Matador has concluded that its proposed infill well location is the optimum location in the proposed spacing unit at which to drill this "infill well" to test for Morrow gas production.

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After Matador filed its case, Texaco filed its case seeking a compulsory pooling order so it can drill its well in the middle third of Section 1 and dedicate it to a non-standard gas spacing and proration unit consisting of the northern third and middle third of Irregular Section 1.

PROPOSED EVIDENCE

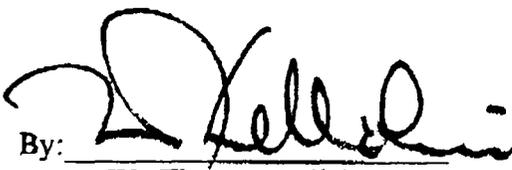
APPLICANT in Case 12034:

WITNESSES	EST. TIME	EXHIBITS
Barry Osborne (land)	30 Min.	@ 6 exhibits
Mike Miller (geology)	45-60 Min.	@ 6 exhibits
Jeff Ventura (petroleum engineer)	45-60 Min.	@ 10 exhibits

PROCEDURAL MATTERS

Motion to Strike Texaco's amended application in Case 12051

KELLAHIN AND KELLAHIN

By: 
 W. Thomas Kellahin