

Record in 12051

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

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)

August 11, 1998

#12034

**HAND DELIVERED**

Ms. Lori Wrotenberg, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

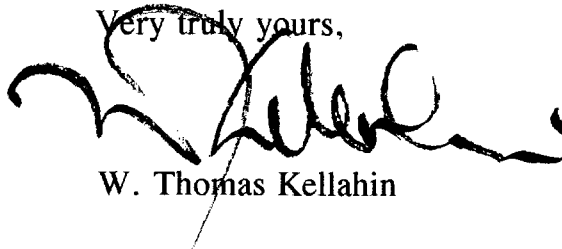
OIL CONSERVATION DIV.  
93 AUG 11 AM 10:25

Re: Application of Matador Petroleum Corporation  
for approval of an unorthodox gas well location  
and to amend Order R-10872-B to approve a standard  
600.01-acre gas proration and spacing unit,  
Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico

Dear Ms. Wrotenberg:

On behalf of Matador Petroleum Corporation, please find enclosed  
our referenced application which we request be set for hearing on the next  
available Examiner's docket now scheduled for September 3, 1998. Also  
enclosed is our proposed notice for the advertisement.

Very truly yours,



W. Thomas Kellahin

cc: Matador Petroleum Corporation  
Attn: Barry Osborne, Esq.

OIL CONSERVATION DIV.

Proposed notification/advertisement for OCD docket

98 AUG 11 AM 10:27

Case 12034: Application of Matador Petroleum Corporation for approval of an unorthodox gas well location and to amend Order R-10872-B to approve a standard 600.01-acre gas spacing and proration unit, Eddy County, New Mexico. Applicant seeks to amend Order R-10872-B to create a standard 600.01-acre gas spacing and proration unit consisting of Lots 11 through 14, 25 through 32 and SW/4 (South two thirds equivalent) of Irregular Section 1, Township 21 South, Range 25 East, NMPM. In addition, applicant seeks authority for the drilling of an "infill well" to a depth sufficient to test the Morrow formation at an unorthodox gas well location 750 feet from the West line and 2080 feet from the South line of Irregular Section 1 and for approval of this unorthodox location for any and all gas producing formations from the top of the Wolfcamp to the base of the Morrow, including but not limited to the Catclaw Draw-Morrow Gas Pool. In the event this well is productive from the Morrow formation, then it will be dedicated to this standard 600.0-1 acre gas proration and spacing unit. Said unit is located approximately 9 miles northwest from Carlsbad, New Mexico.

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

OIL CONSERVATION DIV.  
98 AUG 11 AM 10: 27

**IN THE MATTER OF THE APPLICATION OF  
MATADOR PETROLEUM CORPORATION FOR  
APPROVAL OF AN UNORTHODOX GAS WELL  
LOCATION AND TO AMEND ORDER R-10872-B  
TO APPROVE A STANDARD 600.01 ACRE  
GAS PRORATION AND SPACING UNIT,  
EDDY COUNTY, NEW MEXICO**

CASE: 12034

**APPLICATION**

Comes now MATADOR PETROLEUM CORPORATION ("Matador") by and through its attorneys, KELLAHIN and KELLAHIN, and for its first amended application, applies to the New Mexico Oil Conservation Division ("NMOCD") to amend Order R-10872-B to create a standard 600.01-acre gas spacing and proration unit consisting of Lots 11 through 14, 25 through 32 and SW/4 (South two thirds equivalent) of Irregular Section 1, Township 21 South, Range 25 East, NMPM. In addition, applicant seeks authority for the drilling of an "infill well" to a depth sufficient to test the Morrow formation at an unorthodox gas well location 750 feet from the West line and 2080 feet from the South line of Irregular Section 1 and for approval of this unorthodox location for any and all gas producing formations from the top of the Wolfcamp to the base of the Morrow, including but not limited to the Catclaw Draw-Morrow Gas Pool. In the event this well is productive from the Morrow formation, then it will be dedicated to this standard 600.0-1 acre gas proration and spacing unit.

In support thereof, Applicant states:

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

3. 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;"

4. In addition, Order R-10872 included the following finding:

"(10) Section 1 of Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico comprises a total area of 853.62 acres consisting of a row of six lots and/or quarter-quarter sections being a legal governmental subdivision therein....A spacing and proration unit for either the requested well locations that would be considered "standard" pursuant to the rules and regulations governing the Catclaw Draw-Morrow Gas Pool would need to incorporate the Lots 11, 12, 13, 14, 25, 26, 27, 28, 29, 30, 31 and 32 and the SW/4 of said Section 1. Even though this area comprises a total of 600.01 acres said area would satisfy the Division's requirements for the formations as near as possible of a standard sized and shaped drilling tract. Also, the oil and gas mineral rights underlying this 600.01 acre drilling tract is under the jurisdiction of the United States government. HOWEVER, the 302.13 acre area that comprises Lots 11,12,13,14,15,16,17 and 28 of said Section 1 <sup>1</sup> is currently an unleased federal tract that is under additional wildlife restrictions that makes the leasing of this particular area from the U.S. Bureau of Land Management impossible at this time."

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<sup>1</sup> this is description for the "middle third" of Section 1

5. 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)

6. 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.

7. 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.

8. 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.

9. 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.

10. This well location is within one mile of the current boundary of the Catclaw Draw-Morrow Gas Pool which is subject to the Division's Special Rules and Regulations (Order R-4157-D) which include:

"Rule: 2...shall be located no closer than 1650 feet to the outer boundary of the section nor closer than 330 feet to any governmental quarter-quarter section line."

11. 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.

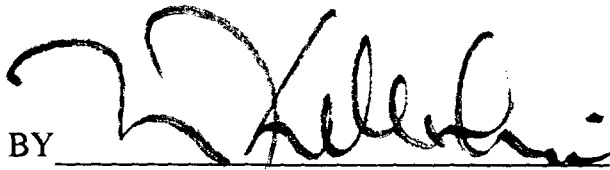
12. Matador proposes that this well be drilled to an approximate total depth of 10,650 feet to test for gas production from the Morrow formation and shallower formations.

13. Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the gas underlying this unit, will 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.

14. Notification of this application has been sent to all adjoining and offsetting operators and all interest owners within Irregular Section 1.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

BY

W. Thomas Kellahin

P. O. Box 2265

Santa Fe, New Mexico 87504

(505) 982-4285

**Insert**

**Color Page/Photo**

**Here**