

CASE 12114: **Application of Chesapeake Operating Inc. for compulsory pooling and an unorthodox well location, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the SE/4 SW/4 of Section 21, Township 15 South, Range 36 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within that vertical extent. This unit is to be dedicated to its I.M. Allen "21" Well No. 1 which will be located at an unorthodox location 1028 feet from the South line and 1744 feet from the West line (Unit N) of Section 21. Also to be considered will be the cost of drilling and completing this well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling the well. This unit is located approximately 4 miles northeast of the center of the City of Lovington, New Mexico.

CASE 12115: **Application of Matador Petroleum Corporation for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the top of the surface to the base of the Morrow formation underlying the S/2 of Section 31, Township 18 South, Range 31 East, in the following manner: the S/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within that vertical extent, which presently may include the North Shugart-Morrow Gas Pool and the SW/4 to form a standard 160-acre gas proration and spacing unit for any and all formations and/or pools spaced on 160-acre gas spacing within this vertical extent. These unit(s) are to be dedicated to its proposed Shugart Deep Federal "31" Com. Well No. 1 to be drilled and completed at a standard gas well location in Unit K of this Section. Also to be considered will be the cost of drilling and completing this well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling the well. This unit is located approximately 9 miles southeast of Loco Hills, New Mexico.

CASE 12034: **Continued from December 3, 1998, Examiner Hearing.**

Application of Matador Petroleum Corporation for approval of an unorthodox gas well location and to amend Order No. R-10872-B to approve a standard 600.01-acre gas spacing and proration unit, Eddy County New Mexico. Applicant seeks to amend Order No. 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. 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 2080 feet from the South line and 750 feet from the West 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 600.01-acre gas proration and spacing unit. Said unit is located approximately 9 miles northwest of Carlsbad, New Mexico.

CASE 12051: **Continued from December 3, 1998, Examiner Hearing.**

Application of Texaco Exploration and Production Inc. for compulsory pooling, an unorthodox gas well location and non-standard spacing and proration units, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests in the Upper Pennsylvanian formation and Morrow formation, Catclaw Draw-Morrow Gas Pool, underlying the following described acreage in irregular Section 1, Township 21 South, Range 25 East, in the following manner: Lots 11 through 14 and 17 through 28 to form a 555.74-acre non-standard gas spacing and proration unit for any and all formations and/or pools developed on 640-acre spacing within that vertical extent and, Lots 11 through 14 and Lots 19 through 22 to form a 288.19-acre non-standard spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent. The units are to be dedicated to the proposed Rocky Arroyo Federal Com Well No. 1 which is proposed at an unorthodox location 3200 feet from the North line and 660 feet from the West line (Unit L) of Section 1. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling the well. The area is located approximately 1 3/4 mile east of the junction of State Highway 137 and U.S. Highway 285, Eddy County, New Mexico.

CASE 12105: **Continued from December 17, 1998, Examiner Hearing.**

Application of Texaco Exploration and Production Inc. for compulsory pooling, an unorthodox gas well location and non-standard proration units, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the base of the Wolfcamp formation to the base of the Morrow formation underlying the following described acreage in irregular Section 1, Township 21 South, Range 25 East, as follows: all or irregular Section 1 forming a 853.62-acre non-standard gas spacing and proration unit for any and all formations and/or pools developed on 640-acre spacing within said vertical extent or, in the alternative, Lots 11 through 14 and 17 through 28 to form a 555.74 acre non-standard gas spacing and proration unit for any and all formations and/or pools developed on 640-acre spacing within said vertical extent, which is currently limited to the Catclaw Draw-Morrow Gas Pool and, Lots 11 through 14 and Lots 19 through 22 to form a 288.19 acre non-standard spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent. Said units are to be dedicated to the proposed Rocky Arroyo Federal Com Well No. 1 which is proposed at an unorthodox location 3200 feet from the North line and 660 feet from the West line of Section 1. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling the well. The area is located approximately 1 3/4 miles east of the Junction of State Highway 137 and U.S. Highway 285, New Mexico.

CASE 12037: (Readvertised)

Application of Yates Petroleum Corporation for pool contraction, pool extension and special pool rules, or in the alternative, simultaneous dedication, Lea County, New Mexico. Applicant seeks contraction and extension of the boundaries of the North Shoe Bar-Atoka Gas Pool to conform to the acreage dedicated to the wells therein, and the promulgation of Special Pool Rules which authorize a second well on each standard spacing and proration unit in the pool. In the alternative, applicant seeks authorization to simultaneously dedicate its Brunson "AQK" State Com Well No. 1 located 2260 feet from the North line and 1795 feet from the East line and its Big Flat "ASN" State Com. Well No. 1 located 1650 feet from the South line and 1980 feet from the East line, both in Section 10, Township 16 South, Range 35 East, to a standard gas spacing unit comprised of the E/2 of Section 10 in the North Shoe Bar-Atoka Gas Pool. Said wells are located approximately 6 miles west of Lovington, New Mexico.

CASE 12103: Continued from December 17, 1998, Examiner Hearing.

Application of Shackelford Oil Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation, underlying the SE/4 SE/4 (Unit P) of Section 3, Township 20 South, Range 33 East, thereby forming a standard 40-acre oil spacing and proration unit for any and all formations and or pools developed on 40-acre oil spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Teas Yates-Seven Rivers Pool and Undesignated West Teas Yates-Seven Rivers Pool. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing said well. The proposed 40-acre unit is located approximately one mile north of U.S. Highway 62/180 at mile marker No. 77.

CASE 12112: **Application of GP II Energy, Inc. for approval of a waterflood project, Eddy County, New Mexico** Applicant seeks approval of its Square Lake Unit Waterflood Project by injection of water into the Grayburg and San Andres formations through 147 injection wells located in the following described area:

Township 16 South, Range 30 East
Section 25: E/2
Section 36: N/2

Township 16 South, Range 31 East
Section 19: S/2
Section 20: S/2
Section 27: SW/4, S/2 NW/4, NW/4 NW/4, S/2 SE/4, NW/4 SE/4, SW/4 NE/4
Sections 28 through 34: All

The applicant requests that the Division establish procedures for the administrative approval of additional injection wells within the unit area without the necessity of further hearings and the adoption of any provisions necessary for such other matters as may be appropriate for the waterflood operations. This area is located approximately 5 miles northeast of Loco Hills, New Mexico.

CASE 12113: **Application of GP II Energy, Inc. for statutory unitization, Eddy County, New Mexico.** Applicant seeks an order unitizing, for the purpose of establishing an enhanced recovery project, all mineral interests in the Grayburg and San Andres formations, Square Lake Grayburg-San Andres Pool, underlying 6120 acres, more or less, of Federal and State lands in the following described area:

Township 16 South, Range 30 East
Section 25: E/2
Section 36: N/2

Township 16 South, Range 31 East
Section 19: S/2
Section 20: S/2
Section 27: SW/4, S/2 NW/4, NW/4 NW/4, S/2 SE/4, NW/4 SE/4, SW/4 NE/4
Sections 28 through 34: All

This unit is to be designated the Square Lake Unit. Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the designation of horizontal and vertical limits of the unit area; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations; including but not limited to, unit voting procedures, selection, removal or substitution of unit operator, and time of commencement and termination of unit operations. Applicant also requests that any such order issued in this case include a provision of carrying any non-consenting; working interest owner within the unit area upon such terms and conditions to be determined by the Division as just and reasonable. This area is located 5 miles northeast of Loco Hills, New Mexico.

*Record in Case
12105*

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2285

SANTA FE, NEW MEXICO 87504-2285

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)

December 2, 1998

VIA FACSIMILE

Mr. Michael E. Stogner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

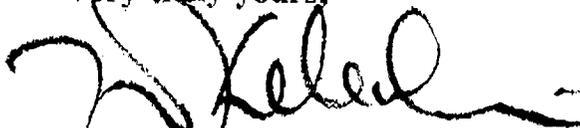
URGENT

Re: **Matador Petroleum Corporation's Response
to Texaco's Motion to Continue Cases 12034 and 12051**

Dear Mr. Stogner:

On behalf of Matador Petroleum Corporation, this morning I received Texaco's Motion to Continue the referenced cases which are currently set for hearing tomorrow morning. Matador's witnesses are already in route to Santa Fe for the hearing tomorrow. Matador is opposed to a continuance and would like your permission to put its case on. I have enclosed a Response to Texaco's Motion for your consideration. We would appreciate hearing your decision as soon as possible.

Very truly yours,



W. Thomas Kellahin

ccx: William F. Carr, Esq.
Attorney for Texaco
Matador Petroleum Corporation
Attn: Barry Osborne, Esq.

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

**IN THE MATTER OF THE APPLICATION OF CASE NO. 12034
MATADOR PETROLEUM CORPORATION FOR
APPROVAL OF AN UNORTHODOX GAS WELL
LOCATION AND TO AMEND ORDER NO. R-10872-B
TO APPROVE A STANDARD 600.01-ACRE
GAS PRORATION AND SPACING UNIT,
EDDY COUNTY, NEW MEXICO.**

**IN THE MATTER OF THE APPLICATION OF CASE NO. 12051
TEXACO EXPLORATION AND PRODUCTION INC. FOR
COMPULSORY POOLING, AN UNORTHODOX WELL LOCATION
AND A NON-STANDARD PRORATION UNIT,
EDDY COUNTY, NEW MEXICO**

RESPONSE TO MOTION FOR CONTINUANCE

Comes now Matador Petroleum Corporation ("Matador"), by its attorneys, Kellahin and Kellahin, and responds to Texaco Exploration and Production Inc.'s ("Texaco") motion to continue the referenced cases now scheduled for hearing on December 3, 1998. Texaco's motion to continue should be denied.

And in support states:

RELEVANT FACTS

1. By letter dated July 30, 1998, Texaco proposed its Rocky Arroyo Federal Com Well No. 1 as a Morrow well to be dedicated to a non-standard spacing and proration unit consisting of the northern third and the middle third of Section 1.

NMOCD Cases 12034 and 12051
Matador Petroleum Corporation's
Response to Motion to Continue
Page -2-

2. On August 12, 1998, Matador filed its application in Case 12034 seeking an amendment to Order R-10872-B so as 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.

3. On August 25, 1998, Texaco's filed its compulsory pooling application based upon its July 30, 1998 well and spacing unit proposal and the application was docketed as Case 12051.

4. On August 26, 1998, Texaco asked the Division to consolidate its case with the Matador Case and asked that the consolidated cases be heard on September 17, 1998.

5. On September 1, 1998, Matador concurred in the consolidation and, by agreement of counsel, these cases were continued to October 8, 1998.

6. On September 9, 1998, at the request of Mewbourne Oil Corporation's attorney and with the concurrence of counsel, these two cases were continued to November 5, 1998.

7. These cases are currently set for hearing on December 3, 1998

8. On October 28, 1998, Texaco's counsel delivered to Matador's counsel a subpoena seeking data to be produced on November 3, 1998. Texaco sought Matador's hearing exhibits and nothing else. Texaco had other subpoenas issued to Devon and to Mewbourne who are not represented by Matador's counsel.

9. On or before November 3, 1998, Matador's counsel advised Texaco's counsel what was Texaco actually seeking and was lead to believe that Texaco wanted the logs on the Devon well and the Mewbourne well. Matador's counsel advised Texaco's counsel that Matador would attempt to get that data without a subpoena in exchange to Texaco providing pressure and production data on its Lever's Well No. 2.

10. On Tuesday, November 25, 1998, counsel for Texaco advised counsel for Matador that Texaco had finally sent him the pressure and production data on the Levers Well No 2 and he was ready to exchange data in preparation for the hearing on December 3, 1998.

NMOCD Cases 12034 and 12051
Matador Petroleum Corporation's
Response to Motion to Continue
Page -3-

11. On Tuesday, November 25, 1998, data was exchanged but Texaco failed to provide the agreed upon pressure data.

12. On Monday, November 30, 1998, Counsel for Texaco provided pressure data and Counsel for Mewbourne provided pressure and production data on the Mewbourne well.

ARGUMENT

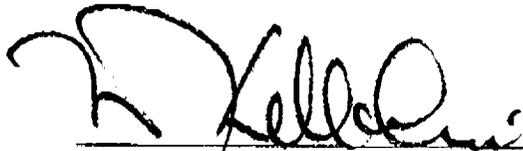
Texaco's motion to continue is nothing more than a "last minute" blatant attempt to delay the Division's December 3, 1998 hearing. Texaco has had more than three months to get ready for this hearing. Its failure to get ready is its own fault and not that of Matador. If Texaco thought that it needed its data sooner why did it wait more than a month to do anything about it?

A delay benefits Texaco because it can continue to delay Matador's efforts to drill a drainage protection well to protect the southern two-thirds of this section from drainage by the Texaco Levers Well No. 2 in the adjoining spacing unit to the south.

Why did Texaco wait until the day before the hearing to file its motion? What prevented it from filing a motion last week prior to Matador spending time and money to bring its witness to Santa Fe? Texaco should not be rewarded for its lack of diligence.

NMOCD Cases 12034 and 12051
Matador Petroleum Corporation's
Response to Motion to Continue
Page -4-

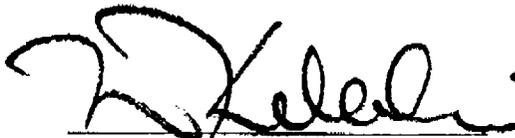
WHEREFORE Matador Petroleum Corporation requests that the Division Hearing Examiner deny Texaco's motion to continue, require that these cases consolidated at Texaco' request be heard on December 3, 1998 and allow Matador to present its case without further delay.



W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87505

CERTIFICATE OF SERVICE

I certify that a copy of this pleading was transmitted by facsimile to counsel for applicant this 2nd day of December, 1998.



W. Thomas Kellahin