

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

February 23, 1999

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)

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

HAND DELIVERED

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

12140

99 FEB 23 PM 1:43

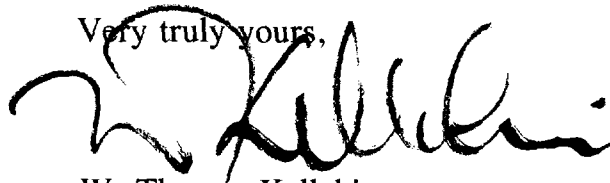
OIL CONSERVATION DIV.

Re: Red Hills Unit Well No. 4
Section 32, T25S, R33E, NMPM
Application of Matador Petroleum Corporation
for an Unorthodox Gas Well Location,
Lea 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 March 18, 1999. Also enclosed is our proposed notice for the advertisement.

Very truly yours,



W. Thomas Kellahin

cc: Matador Petroleum Corporation
Attn: Mona D. Ables

Proposed notification/advertisement for OCD docket

12140

Case _____: Application of Matador Petroleum Corporation for an unorthodox gas well location, Lea County, New Mexico. Applicant seeks approval to drill its proposed Red Hills Well No. 4 at an unorthodox gas well location 1500 feet from the west line and 454 feet from the south line (Unit N) of Section 32, Township 25 South, Range 33 East, NMPM, to be dedicated to a 640-acre gas spacing and proration unit consisting of all of this section for any pools/formations spaced on 640-acre spacing including but not necessarily limited to the Red Hills Wolfcamp Gas Pool and the Red Hills-Devonian Gas Pool, and to a 320-acre gas spacing and proration unit consisting of all of the S/2 of this section for any pools/formations spaced on 320-acre spacing and to a 160-acre gas spacing and proration unit consisting of the SW/4 of this section for any pools/formations spaced on 160-acre spacing. This location is approximately 21-1/2 miles west of Jal, New Mexico.

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

**IN THE MATTER OF THE APPLICATION
OF MATADOR PETROLEUM CORPORATION
FOR AN UNORTHODOX GAS WELL,
LEA COUNTY, NEW MEXICO**

CASE: 12148

APPLICATION

Comes now MATADOR PETROLEUM CORPORATION ("Matador") by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division ("NMOCD") for approval to drill its proposed Red Hills Unit Well No. 4 at an unorthodox gas well location 1500 feet from the west line and 454 feet from the south line (Unit N) of Section 32, Township 25 South, Range 33 East, NMPM, to be dedicated to a 640-acre gas spacing and proration unit consisting of all of this section for any pools/formations spaced on 640-acre spacing including but not necessarily limited to the Red Hills Wolfcamp Gas Pool and the Red Hills-Devonian Gas Pool, and to a 320-acre gas spacing and proration unit consisting of all of the S/2 of this section for any pools/formations spaced on 320-acre spacing and to a 160-acre gas spacing and proration unit consisting of the SW/4 of this section for any pools/formations spaced on 160-acre spacing.

In support thereof, Applicant states:

1. Matador is the proposed operator of the Red Hills Unit Well No. 4 to be located 1500 feet from the west line and 454 south line (Unit N) of Section 32, T25S, R33E, Lea County, New Mexico.
2. Matador proposes to drill this well to a depth sufficient to test for gas production from the surface to the base of the Devonian formation.
3. The well location is within one mile from the current boundary of the Red Hills-Wolfcamp Gas Pool and the Red Hills-Devonian Gas Pool which require 640-acre gas spacing units with standard well locations not closer than 1650 feet to the outer boundary.

4. This well location also is subject to the Division's General Rule 104 which provides for 320-acre spacing units and standard well locations not closer than 1650 feet to any end boundary nor closer than 660 feet to any side boundary of a spacing unit.

5. Matador proposes to dedicate all of Section 32 to any pool/formation spaced on 640 acres and the S/2 of Section 32 to the well if it is capable of gas production from formations spaced on 320-acres and the SW/4 of Section 32 if the well is capable of gas production from any pool/formation spaced on 160-acre spacing.

6. This proposed location is the optimum location in this section at which to drill to test for gas production.

7. 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.

8. Notification of this application has been sent to all adjoining and offsetting operators/owners towards who this location encroaches.

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

KELLAHIN and KELLAHIN

BY 

W. Thomas Kellahin

P. O. Box 2265

Santa Fe, New Mexico 87504

(505) 982-4285