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ATTORNEYS AT LAW

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SANTA FE, NEW MEXICO 87504-2265

February 22, 2000

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)

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HAND DELIVERED

12355

Mr. Lori Wrotenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

OIL CONSERVATION DIV.
00 FEB 22 PM 1:59

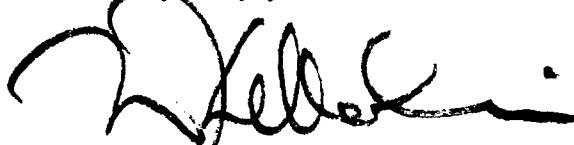
Re: *Application of Matador E & P Company to
establish infill well procedures and to amend well
locations requirements for the Red Hills-Wolfcamp
Gas Pool, or in the alternative for simultaneous
dedication, Lea County, New Mexico.*

Dear Ms. Wrotenbery:

On behalf of Matador E & P Company, please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for March 21, 2000.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Matador E & P Company
 Attn: Barry Osborne

NOTICE FOR DOCKET ADVERTISEMENT

CASE 12355: Application of Matador E & P Company to establish infill well procedures and to amend well location requirements for the Red Hills-Wolfcamp Gas Pool or in the alternative, for simultaneous dedication, Lea County, New Mexico. Applicant seeks an order amending the Special Rules and Regulations of the Red Hills-Wolfcamp Gas Pool as follows: (a) amend Rule 2 to provide that a second well may be drilled within a standard 640-acre spacing unit but on a governmental quarter section not containing a first well and to amend Rule 4 to conform the well location rules to Division Rule 104.C(2). In the alternative, applicant seeks the simultaneous dedication of the Red Hills Unit Well No. 2 located in Unit B and the Red Hills Unit Well No. 3 in Unit K of Section 5, T26S, R33E, NMPM, to a standard 640-acre gas spacing unit consisting of this section. This pool is located approximately 21-1/2 miles west of Jal, New Mexico.

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OIL CONSERVATION DIV.

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

OIL CONSERVATION DIV.
00 FEB 22 PM 2:02

**IN THE MATTER OF THE APPLICATION OF
MATADOR E & P COMPANY TO ESTABLISH
INFILL DRILLING PROCEDURES AND AMEND
WELL LOCATION REQUIREMENTS FOR THE
RED HILLS-WOLFCAMP GAS POOL, OR IN
THE ALTERNATIVE, FOR SIMULTANEOUS
DEDICATION, LEA COUNTY, NEW MEXICO**

CASE: 12355

APPLICATION

COMES NOW MATADOR E & P COMPANY, by its attorneys, Kellahin & Kellahin and applies to the New Mexico Oil Conservation Division for an order amending the Special Rules and Regulations of the Red Hills-Wolfcamp Gas Pool as follows: (a) amend Rule 2 to provide that a second well may be drilled within a standard 640-acre spacing unit but on a governmental quarter section not containing a first well and to amend Rule 4 to conform the well location rules to Division Rule 104.C(2). In the alternative, applicant seeks the simultaneous dedication of the Red Hills Unit Well No. 2 located in Unit B and the Red Hills Unit Well No. 3 in Unit K of Section 5, T26S, R33E, NMPM, to a standard 640-acre gas spacing unit consisting of this section;

and in support states:

(1) Applicant, Matador E & P Company, is an operator in the Red Hills Wolfcamp Gas Pool ("the Pool").

(2) The Pool was established by Order R-3073 issued June 2, 1966, with Special Rules and Regulation adopted to include a provision for 640-acre spacing units (Rule 2) with standard well locations not closer than 1650 feet to an outer boundary and not nearer than 330 feet to a quarter-quarter section line (Rule 4).

(3) The current boundaries of the Pool are shown on Exhibit A, attached, and are as follows:

Township 25 South, Range 33 East, NMPM

Sections 21, 28, 31, 32, 33: All

Township 26 South, Range 33 East, NMPM

Sections 4, 5, 6, 7: All

(4) The following producing wells are currently dedicated to the Pool:

Matador E & P Company's
Red Hills Unit Well No. 2
Unit B, Section 5, T26S, R33E

Matador E & P Company's
Red Hills Unit Well No. 1
Unit O, Section 32, T25S, R33E

Matador E & P Company's
Red Hills Federal Well No. 2
Unit E, Section 28, T25S, R33E

BTA Oil Producer's
Mesa B 8115 JV-P Well No. 1
Unit F, Section 7, T26S, R33E

Kaiser-Francis Oil Company's
Red Hills Federal Well No. 1
Unit A, Section 6, T26S, R33E

(5) Applicant seeks an Infill Drilling Provision which will allow a second gas well on a 640-acre spacing unit, and proposes to delete Pool Rule 2 and substitute a new Pool Rule 2 as follows:

Rule 2(a) INITIAL WELL: The initial well shall be located on a standard unit containing 640 acres, more or less consisting of a governmental section,

Rule 2(b) INFILL WELL: A second well shall be located within a standard spacing unit and on a governmental quarter section not containing an initial well.

Rule 2(c) The Division-designated operator for the infill well is the same operator currently designated by the Division for the initial well.

(6) Since November 1, 1975, statewide gas well spacing for wells of this depth has been on 320 acre spacing units with standard well locations not closer than 1650 to the end boundary nor closer than 660 to a side boundary nor closer than 330 feet to an interior quarter-quarter line

(7) Effective August 31, 1999, by Order R-11231 the Division amended Rule 104 to relax the well locations requirements for wells from the top of the Wolfcamp and below such that standard well locations are not closer than 660 feet to the outer boundary of a 160-acre tract nor closer than 10 feet to an interior quarter-quarter line.

(8) Applicant will show that wells completed in the Pool have not drained in excess of 320 acres and that current wells still producing in the Pool are not expected to drain in excess of 320 acres.

(9) The Pool is not a prorated gas pool and in absence of an Infill Drilling Provision for the Pool, a second well on a spacing unit is precluded by Division Rule 104.D(3)

(10) The adoption of an Infill Drilling Provision for the Pool will afford an opportunity to improve ultimate recovery from the Pool thereby preventing waste.

(11) The adoption of an Infill Drilling Provision for the Pool will not result in the drilling of unnecessary wells, will protect correlative rights and will be in the best interests of conservation.

(12) Conforming the pool rules to the well location requirements of Division Rule 104.C(2)(b) will provide greater flexibility to drilling future wells in this pool while still protecting correlative rights.

(13) In the alternative, applicant seeks the simultaneous dedication of the Red Hills Unit Well No. 2 located in Unit B and the Red Hills Unit Well No. 3 in Unit K of Section 5, T26S, R33E, NMPM, to a standard 640-acre gas spacing unit consisting of this section because:

(a) Applicant' Red Hills Unit Well No. 2 located in Unit B of Section 5, T26S, R33E, NMPM, currently produces from a portion of the lower Wolfcamp formation which is included within the Red Hills-Wolfcamp Gas Pool (Order R-3073), while the Red Hills Unit Well No. 3 in Unit K of this section is currently completed in the Upper Wolfcamp formation which is not included within the Red Hills-Wolfcamp Gas Pool; and

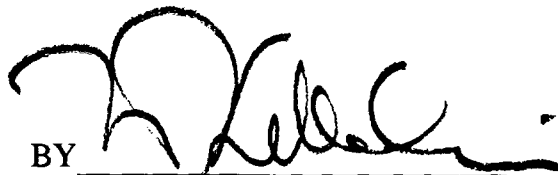
(b) Applicant desires to recomplete the Red Hills Unit Well No. 3 into the Lower Wolfcamp formation in order to recover gas from the Red Hills-Wolfcamp Gas Pool which cannot be recovered by the Red Hills Unit Well No. 2.

(14) Notice of this application and applicant's request for a hearing to be held on March 16, 2000, has been given in accordance with Division Rule 1207.A (4) as set forth on Exhibit "B".

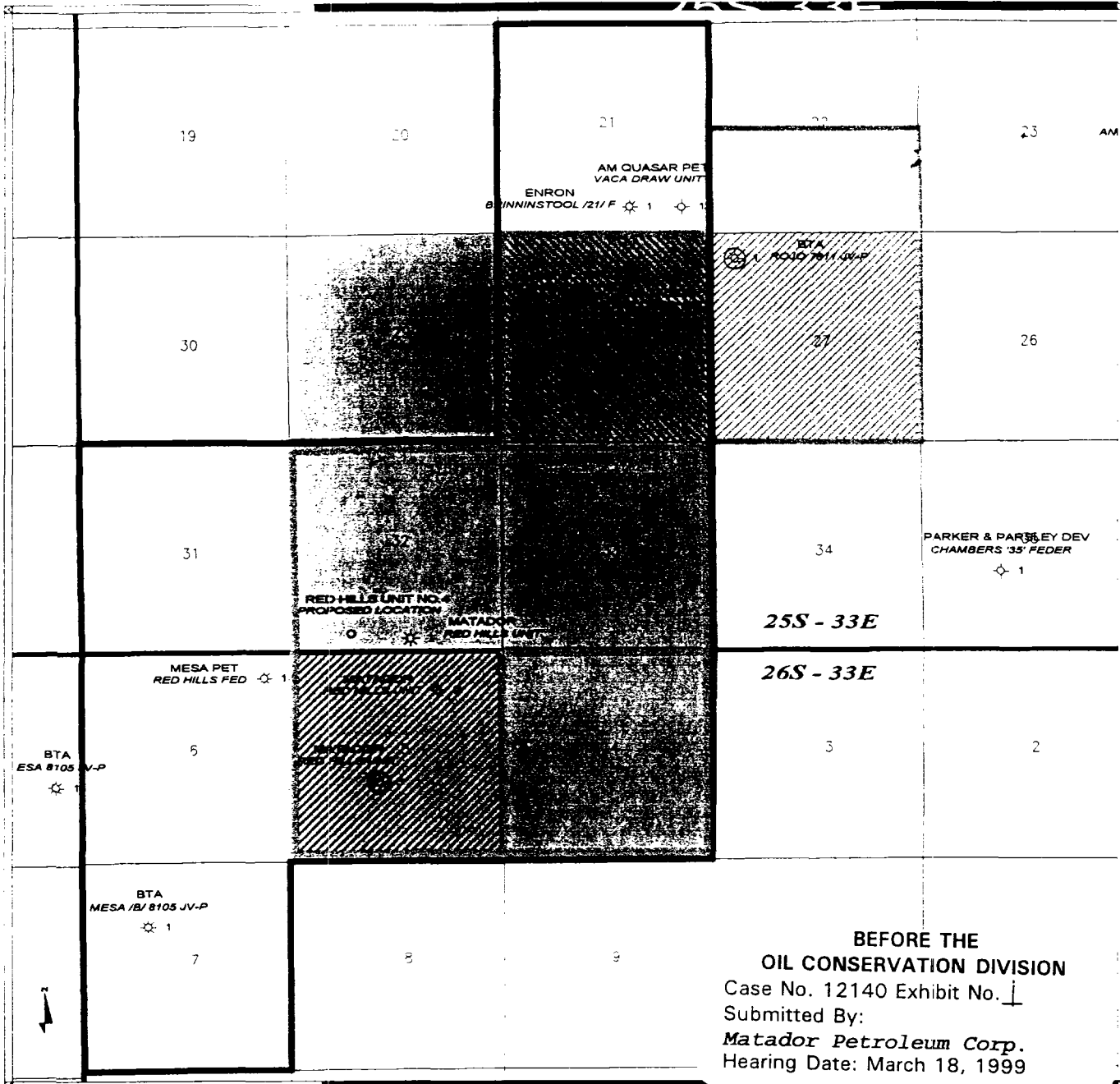
WHEREFORE, Applicant requests that this application be set for hearing before the Division's duly appointed Examiner on March 16, 2000, and that after notice and hearing as required by law, the Division enter its order establishing an Infill Drilling Provision and amending well locations requirements for the Red Hills-Wolfcamp Gas Pool, or in the alternative approving simultaneous dedication and for such other and further relief as may be proper.







Respectfully submitted:

KELLAHIN & KELLAHIN

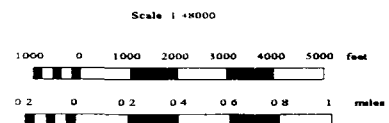
A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

BY
W. THOMAS KELLAHIN
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285



-  Red Hills Unit #3 Spacing Unit - Inactive
Operator: Matador Petroleum Corporation
-  ROJO 7811 JV-P #1 Spacing Unit - Active
Operator: BTA Oil Producers
-  Red Hills 28 Federal #1 Spacing Unit - Active
Operator: Matador Petroleum Corporation
-  Red Hills - Devonian Gas Pool Order No. R-6183
-  Red Hills - Wolfcamp Gas Pool Order No. R-9723
-  Leasehold - Matador Petroleum Corporation
Sec.28,29,32,33 T25S-R33E & Sec.4,5 T26S-R33E

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12140 Exhibit No. 1
Submitted By:
Matador Petroleum Corp.
Hearing Date: March 18, 1999



Matador Petroleum Corporation

Red Hills No. 4
Application for Unorthodox Location
Lea County, New Mexico

Scale 1"=

EXHIBIT

A

EXHIBIT B

Division designated operators in the pool:

BTA Oil Producers
104 S. Pecos
Midland, Texas 79701
Attn: Bob Crawford

Kaiser-Francis Oil Company
Box 21468
Tulsa, Oklahoma 74121-1468
Attn: Jim Wakefield

Division designated operators of Wolfcamp gas wells
within one (1) mile of the outer boundary of the pool:

None