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December 19, 2000

HAND DELIVERED

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

Case 12572

CONF 18 PM 11:38

OIL CONSERVATION DIV.

**Re: New Mexico "H" State NCT-4 Well No. 36
S/2 Section 19, T20S, R37E, NMPM
Application of Matador Petroleum Corporation
for Compulsory Pooling and an Unorthodox Well Location
Lea County, New Mexico**

Dear Ms. Wrotenbery:

On behalf of Matador Petroleum Corporation, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for January 11, 2001. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Matador Petroleum Corporation
Attn: Mark Virant

CASE 12572: Application of Matador Petroleum Corporation for compulsory pooling and an unorthodox gas well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the McKee formation underlying the S/2 of Section 19, T20S, R37E, NMPM, Lea County, New Mexico, 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 this vertical extent. This unit is to be dedicated to its New Mexico "H" State NCT-4 Well No. 36 which is located at an unorthodox location 1981 feet from the West line and 2205 feet from the South line (Unit K) of Section 19 which is to be re-entered and deepened to a depth sufficient to test all formations from the top of the Wolfcamp to the base of the McKee formation. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of this spacing unit and this well and a charge for risk involved in this well. This unit is located approximately 14 miles southwest of Hobbs, 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 COMPULSORY POOLING AND AN
UNORTHODOX WELL LOCATION,
LEA COUNTY, NEW MEXICO.**

CASE NO. 12572

A P P L I C A T I O N

Comes now MATADOR PETROLEUM CORPORATION by its attorneys, Kellahin & Kellahin, and in accordance with NMSA 1978 Section 70-2-17(c) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the McKee formation underlying the S/2 of Section 19, T20S, R37E, NMPM, Lea County, New Mexico, 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 this vertical extent. This unit is to be dedicated to its New Mexico "H" State NCT-4 Well No. 36 which is located at an unorthodox location 1981 feet from the West line and 2205 feet from the South line (Unit K) of Section 19 which is to be re-entered and deepened to a depth sufficient to test all formations from the top of the Wolfcamp to the base of the McKee formation. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of this spacing unit and this well and a charge for risk involved in this well.

In support of its application, Matador Petroleum Corporation ("Matador") states:

1. Matador has the right to drill and develop the oil and gas minerals from the base of the Abo formation to the base of the McKee formation underlying the S/2 of Section 19, T20S, R37E, NMPM, Lea County, New Mexico.

2. Matador proposes to form a standard 320-acre gas proration and spacing unit consisting of the $\frac{5}{2}$ of this section for any and all formations and/or pools spaced on 320-acre gas spacing.

3. Matador has proposed the re-entry of this well and its spacing unit to the working interest owners in the spacing unit as identified on Exhibit "A."

4. Despite its good faith efforts, Matador has been unable to obtain a written voluntary agreement from all of the parties listed on Exhibit "A".

5. Pursuant to NMSA 1978 Section 70-2-17(c) and in order to obtain its just and equitable share of potential production underlying this spacing unit, the applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

6. This well is located at an unorthodox surface location 1981 feet from the West line and 2206 feet from the South line of this Section. The ability to use the existing wellbore for this re-entry will result in a substantial economic savings and it at a location which is suitable for testing the deep gas formations. The affected offsetting interest owners are set forth on Exhibit "B".

7. In accordance with the Division's notice requirements, a copy of this application has been sent to the affected offsetting interest owners as listed on Exhibit "B" and to the parties whose interest are to be pooled as listed on Exhibit "A" and of the applicant's request for a hearing of this matter before the Division on the Examiner's docket now scheduled for January 11, 2001.

WHEREFORE, Matador Petroleum Corporation, as applicant, requests that this application be set for hearing on January 11, 2001 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the drilling of this well at a standard well location upon terms and conditions which include:

- (1) Matador Petroleum Corporation be named operator of this spacing unit;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (4) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200 %;
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized, flowing script.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

EXHIBIT "A"

Chevron USA Inc.
P. O. Box 1150
Midland, Texas 79702-1150
Attn: Denise K. Beckham

EXHIBIT "B"

Texaco Exploration and Production, Inc.
P. O. Box 3109
Midland, Texas 79702
Attn: Mike Mullins

Icon Exploration Joint Venture
P. O. Box 1117
Shawnee, Oklahoma 74802-1117
Attn: Sidney R. Clarke, III

Southwestern Energy Production Corporation
2350 N. Sam Houston Parkway East, Ste 300
Houston, Texas 77032
Attn: Sam Thompson