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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 19, 2000

**HAND DELIVERED**

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

*Case 12573*

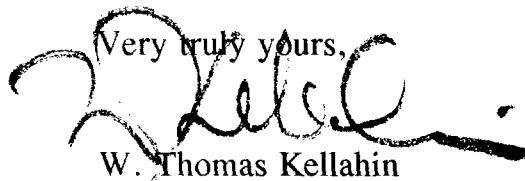
**Re: Laura State "13" Com Well No. 1  
E/2 Section 13, T21S, R34E, NMPM  
Application of Matador Petroleum Corporation  
for Compulsory Pooling  
Lea County, New Mexico**

OL CONSERVATION DIV  
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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 12573:** Application of Matador Petroleum Corporation for compulsory pooling, Lea 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 following described acreage in Section 13, T21S, R34E, NMPM, Lea County, New Mexico, and in the following manner: the E/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 this vertical extent, including but not limited to the Wilson-Morrow Gas Pool, the Wilson-Strawn Gas Pool and the North Grama Ridge Wolfcamp Gas Pool; and the NE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre gas spacing within this vertical extent, including but not limited to the Wilson-Bone Springs Gas Pool. The units are to be dedicated to its proposed Laura State "13" Com Well No. 1 to be drilled at a standard location in Unit B of Section 13 to a depth sufficient to test all formations from the surface to the base of the Morrow 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 15 miles west northwest of Eunice, 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  
LEA COUNTY, NEW MEXICO.**

CASE NO. 12573

**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 surface to the base of the Morrow formation underlying the following described acreage in Section 13, T21S, R34E, NMPM, Lea County, New Mexico, and in the following manner: the E/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 this vertical extent, including but not limited to the Wilson-Morrow Gas Pool, the Wilson-Strawn Gas Pool and the North Grama Ridge Wolfcamp Gas Pool; and the NE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre gas spacing within this vertical extent, including but not limited to the Wilson-Bone Springs Gas Pool. The units are to be dedicated to its proposed Laura State "13" Com Well No. 1 to be drilled at a standard location in Unit B of Section 13 to a depth sufficient to test all formations from the surface to the base of the Morrow 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:

NMOCD Application  
Matador Petroleum Corporation  
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1. Matador has the right to drill and develop the oil and gas minerals from the surface to the base of the Morrow formation underlying the E/2 of Section 13, T21S, R34E, NMPM, Lea County, New Mexico.

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

3. Matador has proposed 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. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is 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) 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 %;
- (4) 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;
- (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

**LAURA STATE "13" COM NO. 1**  
**Working Interest Ownership**

Matador E & P Company	28.125000%
Attn: Mark Virant	
8340 Meadow Road, Suite 158	
Dallas, Texas 75231	

Devon Energy Production Company, L.P.	25.000000%
Attn: Ken Gray	
20 N. Broadway, Suite 1500	
Oklahoma City, OK 73102	

Chevron USA Inc.	2.812500%
Attn: Denise K. Beckham	
P.O. Box 1150	
Midland, Texas 79702-1150	

Southwestern Energy	14.375000%
Attn: Sam Thompson	
2350 N. Sam Houston Pkwy. E	
Suite 300	
Houston, Texas 77032	

Nearburg Exploration Company, L.L.C.	22.509766%
Attn: Duke Roush	
3300 North "A" Street	
Building 2, Suite 120	
Midland, Texas 79705	

DelMar Holdings, L.P.	7.177734%
Attn: Pete Preston	
1200 McKinney Street	
Suite 411-101	
Houston, Texas 77010	

Southwest Royalties, Inc.	*
Attn: Jon Tate	
407 N. Big Spring	
Midland, Texas 79702	

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100%

\* Southwest Royalties, Inc. claims the interest credited to DelMar Holdings, L.P.