

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

**IN THE MATTER OF THE APPLICATION
OF CHEVRON U.S.A., INC.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

OIL CONSERVATION DIV.
CLERK - 8 PM 4/30
CASE NO. 12621

APPLICATION

CHEVRON U.S.A., INC. ("Chevron"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat.Ann. § 70-2-17, (1978), for an order pooling all mineral interests in all formations from the surface to the base of the Tubb formation in the W/2 NW/4 of Section 35, Township 19 South, Range 37 East, N.M.P.M., Lea County, New Mexico, in the following manner:

1. the W/2 NW/4 for all formations developed on 80-acre spacing , and
2. the SW/4 NW/4 for all formations developed on 40-acre spacing.

Said spacing units are to be dedicated to a well to be drilled at a standard location in the SW/4 NW/4 of said Section 35.

In support of this application Chevron states:

1. Chevron is a working interest owner in the W/2 NW/4 of Section 35 and has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced spacing or proration units to a well to be drilled at a standard location in the SW/4 NW/4 of said Section 35, to a depth sufficient to

test any and all formations from the surface to the base of the Tubb formation, undesignated Monument-Tubb Pool.

3. Applicant has sought and been unable to obtain either voluntary agreement for drilling pooling or farmout from Matador Petroleum Corporation, 8340 Meadow Road, Suite 158, Pecan Creek, Dallas, Texas 75231-3751 (Attention Jay Beavers).

4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Chevron U.S.A., Inc. should be designated the operator of the well to be drilled.

WHEREFORE, Chevron U.S.A., Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 31, 2001 and, after notice and hearing as required by law, the Division enter its order:

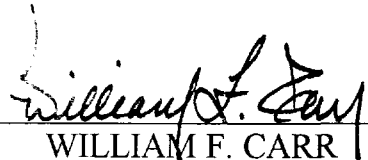
- A. pooling all mineral interests in the subject spacing and proration units,
- B. designating Chevron U.S.A., Inc. operator of these units and the well to be drilled thereon,
- C. authorizing Chevron to recover its costs of drilling, equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and

- E. imposing a penalty for the risk assumed by the Applicant in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

HOLLAND & HART, LLP
AND
CAMPBELL & CARR

By:


WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR CHEVRON U.S.A., INC.

Case 12671 :

Application of Chevron U.S.A., Inc. for compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests in all formations and pools developed on 80-acre spacing in the W/2 NW/4 and for all formations and pools developed on 40-acre spacing in the SW/4 NW/4 of Section 35 Township 19 South, Range 37 East, NMPM. Said units are to be dedicated to a well to be drilled at a standard location in the SW/4 NW/4 of said Section 35 to a depth sufficient to test all formations from the surface to the base of the Tubb formation, undesignated Monument-Tubb Pool. 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 Chevron U.S.A., Inc. as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 2.5 miles East Southeast of Monument, 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. 12671

APPLICATION

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 Tubb formation underlying S/2NW/4 Section 35, T19S, R37E, NMPM, Lea County, New Mexico, to form a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within this vertical extent including but not limited to the Monument Tubb Pool. This unit is to be dedicated to its proposed Shelley State "34" Well No. 2 to be drilled and completed at a standard oil well location in Unit F of this Section. 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 surface to the base of the Tubb formation underlying the S/2 of Section 35, T19S, R37E, NMPM, Eddy County, New Mexico.

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Matador Petroleum Corporation
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2. Matador proposes to form a standard 80-acre oil proration and spacing unit consisting of the S/2NW/4 of this section for any and all formations and/or pools spaced on 80-acre gas spacing including the Monument Tubb Pool.

3. Matador, with 100% of the working interest in the SE/4NW/4 of this spacing unit, 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 May 31, 2001.

WHEREFORE, Matador Petroleum Corporation, as applicant, requests that this application be set for hearing on May 31, 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;

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Matador Petroleum Corporation
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(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', written over a horizontal line.

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

CASE 1267 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 Tubb formation underlying S/2NW/4 Section 35, T19S, R37E, NMPM, Lea County, New Mexico, to form a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within this vertical extent including but not limited to the Monument Tubb Pool. This unit is to be dedicated to its proposed Shelley State "34" Well No. 2 to be drilled and completed at a standard oil well location in Unit F of this Section. 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 2-1/2 miles east-southeast of Monument, New Mexico.

including the Southwest Austin-Mississippian Gas Pool; (b) the SE/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 said vertical extent; and (c) the SW/4 SE/4 to form 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, including the Southwest Austin-Wolfcamp Pool. This unit(s) is to be dedicated to its Alice "13" Well No. 1 which will be located at a standard location within Unit O of this section. 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 applicant as the operator of the well and a charge for risk involved in this well. This unit is located approximately 4 miles north of the center of the City of Lovington, New Mexico.

CASE 12670: **Application of Matador Petroleum Corporation for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Tubb formation underlying the S/2 NW/4 of Section 35, Township 19 South, Range 37 East, to form a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within this vertical extent including but not limited to the Monument-Tubb Pool. This unit is to be dedicated to its proposed Shelley State "34" Well No. 2 to be drilled and completed at a standard oil well location in Unit F of this section. 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 2-1/2 miles east-southeast of Monument, New Mexico.

CASE 12652: **Continued from May 17, 2001, Examiner Hearing.**

Application of OXY USA WTP Limited Partnership for compulsory pooling, Eddy County, New Mexico. Applicant, in accordance with Division Rule 1207.A(1)(b), seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 21, Township 17 South, Range 28 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools spaced on 320-acre spacing, including but not limited to the Empire-Pennsylvanian Gas Pool. This unit is to be dedicated to its PIB Well No. 1 which was drilled and completed at a standard well location in Unit G of this section. This unit is located approximately 11 miles east of Artesia, New Mexico. **IN THE ABSENCE OF OBJECTION THIS MATTER WILL BE TAKEN UNDER ADVISEMENT.**

CASE 12671: **Application of Chevron U.S.A., Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in all formations and pools developed on 80-acre spacing in the W/2 NW/4 and for all formations and pools developed on 40-acre spacing in the SW/4 NW/4 of Section 35, Township 19 South, Range 37 East. Said units are to be dedicated to a well to be drilled at a standard location in the SW/4 NW/4 of said Section 35 to a depth sufficient to test all formations from the surface to the base of the Tubb formation, undesignated Monument-Tubb Pool. 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 operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 2.5 miles East Southeast of Monument, New Mexico.

DOCKET: EXAMINER HEARING - THURSDAY – May 31, 2001
8:15 A.M. - 1220 South St. Francis
Santa Fe, New Mexico

Docket Nos. 19-01 and 20-01 are tentatively set for June 14, 2001 and June 28, 2001. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 12646: Continued from May 17, 2001, Examiner Hearing.

Application of Strata Production Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations developed on 160-acre spacing underlying the NW/4 of Section 15, Township 24 South, Range 34, East. Applicant proposes to dedicate the above-described spacing or proration unit to its Buckeye No. 1 well to be reentered at a standard location 660 feet from the North line and 1980 feet from the West line of Section 15, to a depth sufficient to test any and all formations down to the base of the Bone Spring Formation.

CASE 12668: **Application of Patterson Petroleum, LP for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation in the following manner: the S/2 for all formations developed on 320-acre spacing, including but not necessarily limited to the undesignated Vacuum Morrow Gas Pool; the SE/4 for all formations developed on 160-acre spacing; and the SW/4 SE/4 for all formations developed on 40-acre spacing, including but not necessarily limited to the undesignated East Corbin-Wolfcamp, the undesignated EK Yates-Seven Rivers Queen, the undesignated Corbin-Abo, the undesignated North Vacuum-Abo, and the undesignated Vacuum Grayburg San Andres Pools, all in Section 31, Township 17 South, Range 34 East. Applicant proposes to dedicate these pooled units to its proposed Gach "31" State Well No. 1, to be drilled at a standard gas well location in the SW/4 SE/4 of said Section 31. 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 operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 4.5 miles southwest of Buckeye, New Mexico.

CASE 12660: Continued from May 17, 2001, Examiner Hearing.

Application of Chesapeake Operating Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the following described acreage in Section 21, Township 16 South, Range 37 East, in the following manner: the N/2 SE/4 to form a standard 80-acre spacing and proration unit for any and all formations and/or pools developed on 80-acre gas spacing within said vertical extent including but not limited to the Northeast Lovington-Upper Pennsylvanian Pool; and the NE/4 SE/4 to form a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. This unit(s) is to be dedicated to its Nellie "21" Well No. 1 which will be located at a standard well location in Unit I of this section. 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 applicant as the operator of the well and a charge for risk involved in this well. This unit(s) is located approximately 6 miles southeast of the center of the City of Lovington, New Mexico.

CASE 12669: **Application of Chesapeake Operating Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the following described acreage in Section 13, Township 15 South, Range 35 East, in the following manner: (a) 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,