

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

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:**

**APPLICATION OF MATADOR OPERATING  
COMPANY FOR AN UNORTHODOX WELL  
LOCATION AND SIMULTANEOUS DEDICATION  
EDDY COUNTY, NEW MEXICO.**

**CASE NO. 12786**

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OIL CO. - 12786

**PRE-HEARING STATEMENT**

This pre-hearing statement is submitted by MATADOR OPERATING COMPANY, as required by the Oil Conservation Division.

**APPEARANCE OF PARTIES**

**APPLICANT**

Matador Operating Company  
8340 Meadow Road Ste 158  
Dallas, Texas 75231  
(214) 987-3650  
attn: Barry Osborne

**ATTORNEY**

W. Thomas Kellahin  
KELLAHIN & KELLAHIN  
P.O. Box 2265  
Santa Fe, NM 87504  
(505) 982-4285

**OPPOSITION OR OTHER PARTY**

Chevron Texaco

Kerr-McGee Oil & Gas Onshore, LLC

**ATTORNEY**

William F. Carr, Esq.

James Bruce, Esq.

STATEMENT OF CASE

(1) Matador seeks approval of an unorthodox gas well location in the Indian Basin-Upper Pennsylvanian Gas Pool for its Mershon Com Well No. 2 which has been drilled at an unorthodox location 415 feet from the North line and 1201 feet from the and West line (Unit D) of Section 21, T22S, R23E, NMPM, Eddy County, New Mexico;

(2) Chevron Texaco is the operator of Sections 16 and 17, T22S, R23E, in the Indian Basin-Upper Pennsylvanian Gas Pool;

(3) Kerr-McGee is a working interest owner in Section 17, T22S, R23E;

(4) Matador's unorthodox location encroaches towards Section 16 and 17;

(5) In order to protect the correlative rights of Chevron Texaco, Kerr-McGee and the interest owners in Sections 16 and 17 and at the same time to prevent waste by providing for the drilling of the Matador's well as requested, the parties have stipulated and agreed that Matador shall request from the Oil Conservation Division a penalty so that the producing allowable for the penalized well shall be 40.7 % of a full unpenalized allowable for this pool (59.3 % PENALTY) which is calculated by averaging two factors as follows:

(a) Productive acreage Method  
in Section 21:  
 $360/640 = 56.15\%$  of allowable

(b) Ratio of Distance:  
 $415/1650 = 25.15\%$  of allowable

(6) This penalty method is consistent with the penalty applied in numerous Indian Basin Gas Pool well location cases.

**PROPOSED EVIDENCE**

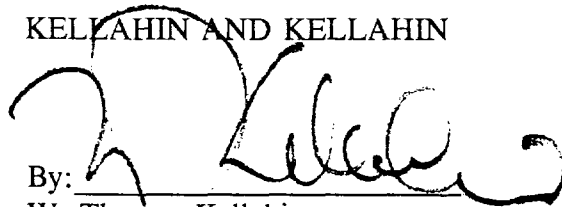
**APPLICANT:**

WITNESSES	EST. TIME	EXHIBITS
Sharon Cook (land/regulatory)	20 min.	@ 8 exhibits
Mike Miller (geologist)	15 Min.	@ 4 exhibits
Mike Ernest (PE)	10 Min.	@ 2 exhibits

**PROCEDURAL MATTERS**

None anticipated at this time.

KELLAHIN AND KELLAHIN

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

By:

W. Thomas Kellahin

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Santa Fe, New Mexico 87504

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