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February 18, 2003

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HAND DELIVERED

RECEIVED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

FEB 18 2003

Oil Conservation Division

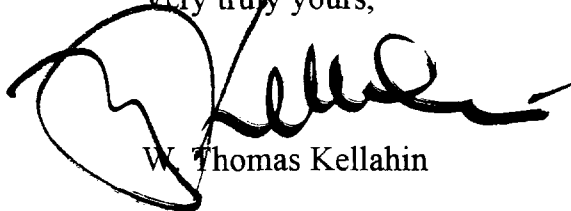
Re: Laughlin "8" Well No. 1
Unit A, N/2NE/4 Section 8, T20S, R37E
Application of Matador E & P Company
for Compulsory Pooling
Lea County, New Mexico

Case 13014

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 Examiner's docket now scheduled for March 13, 2003. 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: Mark Virant

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Oil Conservation Division

CASE 13014: Application of Matador E & P Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests on the Tubb formation underlying the N/2NE/4 of Section 8, T20S, R37E, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools spaced on 80-acre spacing, including but not limited to the Monument-Tubb Pool. In addition, Applicant requested that in the absence of objection filed with the Division on or before March 7, the Division order provide for a 200% risk factor penalty based upon the presentation of technical data by affidavit. This unit is to be dedicated to its Laughlin "8" Well No. 1 to be drilled at a standard well location in Unit A of this section. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Matador Operating Company as the operator of the well and a charge for risk involved in this well. This unit is located approximately 2 miles south from Monument, New Mexico. **IN THE ABSENCE OF OBJECTION THIS MATTER WILL BE TAKEN UNDER ADVISEMENT**

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

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FEB 18 2003

Oil Conservation Division

**IN THE MATTER OF THE APPLICATION
OF MATADOR E & P COMPANY
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 13014

APPLICATION

MATADOR E & P COMPANY ("Matador") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA 1978) seeks an order pooling all mineral interests in the Tubb formation underlying the N/2NE/4 of Section 8, T20S, R37E, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools spaced on 80-acre spacing, including but not limited to the Monument-Tubb Pool. **In addition, Applicant requested that in the absence of objection filed with the Division on or before March 7, the Division order provide for a 200% risk factor penalty based upon the presentation of technical data by affidavit. This unit is to be dedicated to its Laughlin "8" Well No. 1 to be drilled and completed at a standard well location in Unit A of this section. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Matador Operating Company as the operator of the well and a charge for risk involved in this well.**

In support of its application Matador states:

1. Matador has a working interest ownership in the oil and gas minerals from top of the Grayburg to the base of the Tubb formation underlying the NE/4NE/4 of Section 8, T20S, R37E, NMPM, Lea County, New Mexico.
2. The subject tract is located within the Monument-Tubb Pool.

3. This well is to be drilled at a standard oil well location in Unit A of Section 8 to test any and all formations in the pooled interval.

4. Matador has Tubb rights in the NE/4NE/4 of Section 8 and Arch Petroleum Inc. ("Arch") has the Tubb rights in the balance of the NE/4 of Section 8.

5. On August 6, 2002, Matador proposed a Tubb well to Arch to be dedicated to the E/2NE/4 of Section 8. Arch responded that they wanted the well to be drilled to include the Abo Formation. Matador agreed, and by letter dated January 14, 2003, re-proposed it well to now include the Abo. Last week, Arch asked that the N/2NE/4 to be dedicated to the well. When Matador declined, Arch disclosed for the first time that Arch has permitted an Abo well in the SE/4NE/4 of Section 8. On February 18, 2003, Matador learned that Arch had obtained an approved APD from the Division that included the Tubb to be dedicated to the S/2NE/4 of Section 8.

6. By its actions, Arch has rejected Matador's offer to form an 80-acre Tubb spacing unit by voluntary agreement and precluded Matador from dedicating the E/2NE/4 of Section 8 to the Matador Well and left Matador with no alternative but to pool Arch's interest in the NW/4NE/4 of Section 8. to form the N/2NE/4 of Section 8 as the 80-acre spacing unit in the Tubb formation.

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

8. Matador requests that this application be processed in accordance with Division Rule 1207.A(1)(b) and at the time of hearing will submit this geological and petroleum engineering evidence and data by AFFIDAVIT.

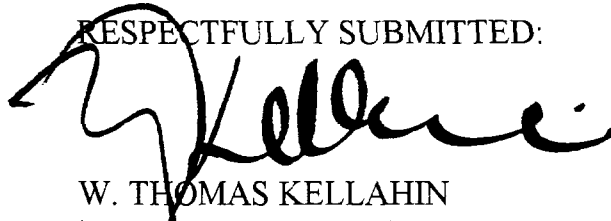
9. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's

request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for March 13, 2003.

WHEREFORE, Matador, as applicant, requests that this application be set for hearing on March 13, 2003 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 the appropriate spacing unit for this well at a standard well location upon terms and conditions which include:

- (1) Matador Operating Company be named operator;
- (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 mineral interest or 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', is written over the typed name and address.

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

EXHIBIT "A"
PARTIES TO BE POOLED

Arch Petroleum Inc.
P. O. Box 10340
Midland, Texas 79702
Attn: Tom Land