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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:

CASE NO. 12140
Order No. R-11154

APPLICATION OF MATADOR PETROLEUM CORPORATION FOR AN
UNORTHODOX GAS WELL LOCATION, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 18, 1999, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 30th day of March, 1999, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.
- (2) The applicant, Matador Petroleum Corporation (Matador), seeks authority to drill its Red Hills Well No. 4 at an unorthodox gas well location 454 feet from the South line and 1500 feet from the West line (Unit N) of Section 32, Township 25 South, Range 33 East, NMPM, Lea County, New Mexico, for all formations and/or pools spaced on 160, 320 and 640 acres, including, but not limited to the Red Hills-Devonian and Red Hills-Wolfcamp Gas Pools. All of Section 32 is to be dedicated to the well in the Red Hills-Devonian and Red Hills-Wolfcamp Gas Pools thereby forming a standard 640-acre gas spacing and proration unit. The S/2 and SW/4 of Section 32 are to be dedicated to the well thereby forming standard 320- and 160-acre proration units, respectively.
- (3) The Red Hills Well No. 4 is located within the Red Hills-Devonian and Red Hills-Wolfcamp Gas Pools, both of which are currently governed by the special rules set forth in Division Orders No. R-6183 and R-3073, respectively, which require standard 640-acre spacing and proration units with wells to be located no closer than 1650 feet from the outer boundary of the section nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary.
- (4) Robert Witten, an interest owner within the affected offset acreage in Section 5, appeared at the hearing through legal counsel.

(5) The applicant presented geologic evidence and testimony indicating that:

- a) the primary target within the Red Hills Well No. 4 is the Devonian formation. Secondary targets include the Wolfcamp and Atoka formations;
- b) by utilizing geologic and geophysical data, Matador has identified a Devonian structure within the SW/4 of Section 32; and
- c) a well drilled at the proposed unorthodox gas well location should penetrate the Devonian structure at a more structurally advantageous position above the gas-water contact than a well drilled at a standard location within the SW/4 of Section 32, thereby increasing the likelihood of obtaining commercial gas production.

(6) Matador presented further evidence and testimony indicating that:

- a) Kaiser-Francis Oil Company, who currently operates a Red Hills-Wolfcamp Gas Pool producing well within the affected offset acreage to the southwest in Section 6, has waived objection to the proposed unorthodox gas well location;
- b) Matador currently operates the affected offset acreage to the south in Section 5. This proration unit contains a well that previously produced from the Red Hills-Devonian Gas Pool and currently produces from the Red Hills-Wolfcamp Gas Pool; and
- c) Robert Witten has withdrawn his objection to the proposed unorthodox gas well location by virtue of arriving at a voluntary settlement with Matador.

(7) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(8) Approval of the proposed unorthodox gas well location will afford the applicant the opportunity to produce its just and equitable share of the gas in the Red Hills-Devonian Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

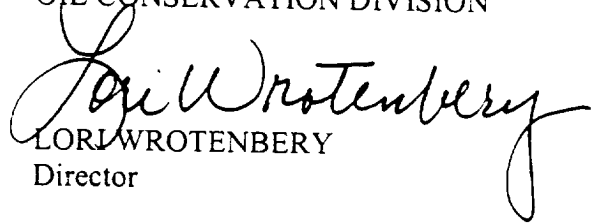
(1) The applicant, Matador Petroleum Corporation, is hereby authorized to drill its Red Hills Well No. 4 at an unorthodox gas well location for all formations and/or pools spaced on 160, 320 and 640 acres, 454 feet from the South line and 1500 feet from the West line (Unit N) of Section 32, Township 25 South, Range 33 East, NMPM, Lea County, New Mexico.

(2) All of Section 32 shall be dedicated to the well in the Red Hills-Devonian and Red Hills-Wolfcamp Gas Pools thereby forming a standard 640-acre gas spacing and proration unit. The S/2 and SW/4 of Section 32 shall be dedicated to the well thereby forming standard 320- and 160-acre gas spacing and proration units, respectively.

(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

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