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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)

February 22, 1994

HAND DELIVERED

FEB 22 1994

Mr. William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
P. O. Box 2088
Santa Fe, New Mexico 87501

10946

Re: Application of Louis Dreyfus Natural Gas Corp.
for Compulsory Pooling, Eddy County, New Mexico

Dear Mr. LeMay:

On behalf of Louis Dreyfus Natural Gas Corp., please find enclosed our application for compulsory pooling which we request be set for hearing on the Examiner's docket now scheduled for March 17, 1994.

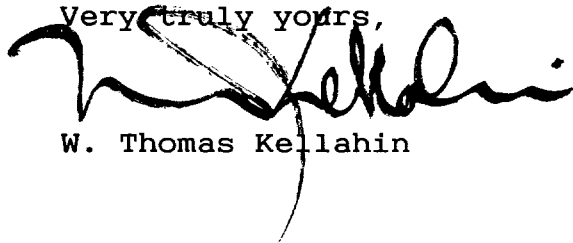
Also enclosed is our proposed notice of publication for this case.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

Oil Conservation Division
February 22, 1994
Page 2.

Pursuant to the Division's Memorandum 2-90, all interested parties are hereby informed that if they appear in the case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 pm on Friday, March 11, 1994, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'W. Thomas Kellahin', is written over the typed name. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

W. Thomas Kellahin

Enclosure

cc: Louis Dreyfus Natural Gas Corp.

BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED

All parties listed in Paragraph 4 of the Application

CASE_____: Application of Louis Dreyfus Natural Gas Corp. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N/2 of Section 21, T18S, R28E, NMPM, Eddy County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the North Illinois Camp-Morrow Gas Pool to be dedicated to its Artesia "21" State #1 Well to be drilled at a standard gas well location in the NE/4NW/4 (Unit C) of said Section 21. 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 applicant as the operator of the well and a charge for risk involved in said operation. Said unit is located approximately 14.5 miles southeast from Artesia, New Mexico.

10946

FEB 22 1991

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

IN THE MATTER OF THE APPLICATION
OF LOUIS DREYFUS NATURAL GAS CORP.
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

FEB 22 1991

CASE NO. 10946

A P P L I C A T I O N

Comes now Louis Dreyfus Natural Gas Corp., by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N/2 of Section 21, T18S, R28E, NMPM, Eddy County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the North Illinois Camp-Morrow Gas Pool to be dedicated to its Artesia "21" State #1 Well to be drilled at a standard gas well location in the NE/4NW/4 (Unit C) of said Section 21. 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 applicant as the operator of the well and a charge for risk involved in said operation. Said unit is located approximately 14.5 miles southeast from Artesia, New Mexico.

NMOCD Application
Louis Dreyfus Natural Gas Corp.
Page 2.

In support of its application, Louis Dreyfus Natural Gas Corp. (Dreyfus") states:

1. Dreyfus has a working interest ownership in the oil and gas minerals underlying the N/2 of Section 21, T18S, R28E, NMPM, Eddy County, New Mexico.

2. The subject unit is located within one mile of the North Illinois Camp-Morrow Gas Pool which is spaced on 320-acre gas spacing and proration units.

3. Dreyfus proposes to drill its Artesia "21" State #1 Well at a standard gas well location in the NE/4NW/4 (Unit C) of said Section 21 for production from any gas formation including but not limited to the North Illinois Camp-Morrow Gas Pool and to dedicate this well to a unit consisting of the N/2 of said Section 21.

4. All of the working interest ownership of the oil & gas minerals from the surface to the base of the Morrow formation underlying the N/2 of said Section 21 have voluntarily agreed to the formation of this spacing unit for this well WITH THE EXCEPTION OF:

<u>Party:</u>	<u>INTEREST:</u>
Yates Petroleum Corporation 105 S. Fourth Street Artesia, New Mexico 88210 Attn: Mr. Randy Patterson	9.0278% WI
Arco Oil & Gas Company 1601 Bryan Street Dallas Texas 75201	25% WI
Marathon Oil Company Box 552 Midland, Texas 79702 Attn: Mr. Thomas C. Lowry, Esq.	7.9861% WI

5. Dreyfus has proposed the subject well to all parties but, as of the date of this application, Dreyfus has not be able to obtain a written voluntary agreement from the parties listed in paragraph (4) above.

6. 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, Dreyfus needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

7. In accordance with the Division's notice requirements, a copy of this application has been sent to the interest parties listed in paragraph (4) above notifying them 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 17, 1994.

WHEREFORE, Dreyfus, as applicant, requests that this application be set for hearing on March 17, 1994 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 from the top of the Wolfcamp to the base of the Morrow formation described in this spacing unit for the drilling of the subject well at the proposed standard gas well location upon terms and conditions which include:

(1) Louis Dreyfus Natural Gas Corp. be named operator;

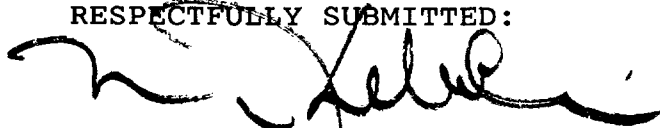
(2) The order make provisions for applicant and all working interest owners to participate in the costs of the well including the drilling, completing, equipping and operating the well;

NMOCD Application
Louis Dreyfus Natural Gas Corp.
Page 4.

(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 well including the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;

(4) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in dark 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
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