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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)

October 9, 1995

HAND DELIVERED

Mr. William J. LeMay
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

11-110

Re: Application of
Louis Dreyfus Natural Gas Corp.
for Compulsory Pooling and
an Unorthodox Gas Well Location
Eddy County, New Mexico

Dear Mr. LeMay:

On behalf of Louis Dreyfus Natural Gas Corp., please find enclosed our application for compulsory pooling and an unorthodox gas well location which we request be set for hearing on the Examiner's docket now scheduled for November 2, 1995.

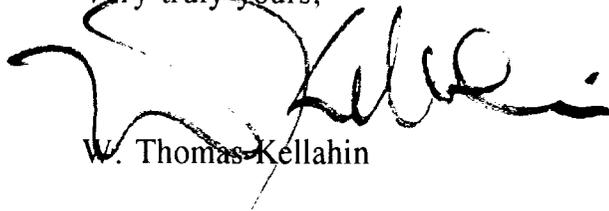
By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or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

William J. LeMay
October 9, 1995
Page 2.

It is our understanding that the November 2, 1995 Division Examiner Hearing will be scheduled to commence at 8:15 AM at the Roswell City Council Chambers, North Richardson Street, Roswell, New Mexico. Any potential party desiring to appear in this matter should call the Division at (505) 827-7132 to determine and confirm the time and place of hearing.

Pursuant to the Division's Memorandum 2-90, all interested parties are hereby informed that if they appear in this case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 pm on Friday, October 29, 1995, with a copy delivered to the undersigned.

Very truly yours,

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

W. Thomas Kellahin

Enclosure

cc: Louis Dreyfus Natural Gas Corp.
Attn: Carol Myers

BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED
All parties listed in the Application

CASE 11476: Application of Louis Dreyfus Natural Gas Corp. for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of the Wolfcamp to the base of the Pennsylvanian underlying the S/2 of Section 21, T18S, R28E, NMPM, Eddy County, New Mexico, forming a standard 320-acre 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. Said unit is to be dedicated to its Artesia "21" State Well No. 2 to be drilled and completed at an unorthodox gas well location 1943 feet from the West line and 1980 feet from the South line (Unit K) 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 drilling said well.

Said unit is located approximately 15 miles southeast from Artesia, New Mexico.

**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, AND AN
UNORTHODOX GAS WELL LOCATION
EDDY COUNTY, NEW MEXICO.**

CASE NO. 11416

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 top of the Wolfcamp to the base of the Pennsylvanian underlying the S/2 of Section 21, T18S, R28E, NMPM, Eddy County, New Mexico, forming a standard 320-acre 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. Said unit is to be dedicated to its Artesia "21" State Well No. 2 to be drilled and completed at an unorthodox gas well location 1943 feet from the West line and 1980 feet from the South line (Unit K) 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 drilling said well.

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

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

2. Louis Dreyfus proposes that a standard 320-acre spacing unit be pooled and dedicated to its Artesia "21" State Well No. 2 to be drilled and located at an unorthodox gas well location 1943 feet from the West line and 1980 feet from the South line (Unit K) of said Section 21.

3. The subject location is required by a combination of geologic and topographic reasons.

4. All of the working interest ownership of the oil & gas minerals from the top of the Wolfcamp formation to the base of the Pennsylvanian formation underlying the S/2 of Section 21 have voluntarily agreed to the formation of this spacing unit for this well with the exception of those interest owners identified on Exhibit "A" attached.

5. Louis Dreyfus has proposed the subject well to all parties but, as of the date of this application, Louis Dreyfus has not be able to obtain a voluntary agreement from those parties identified on Exhibit "A" attached.

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, Louis 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 Division notice requirements, notice of the requested unorthodox well location will be sent to all parties towards which the well encroaches who are entitled to said notice.

8. In accordance with the Division's notice requirements, a copy of this application will be sent to all interested parties notifying it 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 November 2, 1995.

WHEREFORE, Louis Dreyfus Natural Gas Corporation, as applicant, requests that this application be set for hearing on November 2, 1995 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 interests described in this spacing unit for the drilling of the subject well at the proposed unorthodox 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 drilling, completing, equipping and operating the well;
- (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) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

EXHIBIT "A"

Yates Petroleum Corporation 105 South 4th Street Artesia, New Mexico 88201	6.700000%
Marathon Oil Company P.O. Box 552 Midland, Texas 79702	5.98958%
The Rudman Partnership 1700 Pacific Avenue, Suite 4700 Dallas, Texas 75201	21.85700%
Mewbourne Oil Company 500 West Texas, Suite 1020 Midland, Texas 79701	3.12500%
Alvorne Sater c/o Sater Enterprises P.O. Box 2509 Evansville, IN 47728-0509	25.00000%

OFFSET OPERATORS, LEASEHOLD OWNERS AND MINERAL OWNERS:

BCP RESOURCES
300 W. TEXAS AVENUE, SUITE 730
MIDLAND, TEXAS 79701

EXXON CORPORATION
P. O. BOX 2180
EXXON BLDG, 800 BELL
HOUSTON, TX 77252-2180

M.W. STAPLES & KATHRYN M. JONES
P. O. BOX 2040
TULSA, OK 74102

THE ORO NEGRO PARTNERSHIP
P. O. BOX 1756
ROSWELL, NM 88202

KAISER FRANCIS OIL COMPANY
P. O. BOX 21468
TULSA, OK 74136

DEVON ENERGY CORPORATION
20 N BROADWAY, STE 1500
OKLAHOMA CITY, OK 73102-8260

TEXACO EXPLORATION & PRODUCTION INC.
P. O. BOX 2100
DENVER, COLORADO 80202

PLAINS PETROLEUM OPERATING COMPANY
P. O. BOX 281306
LAKEWOOD, COLO 80228-8306