

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

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)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

March 24, 1997

HAND DELIVERED

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

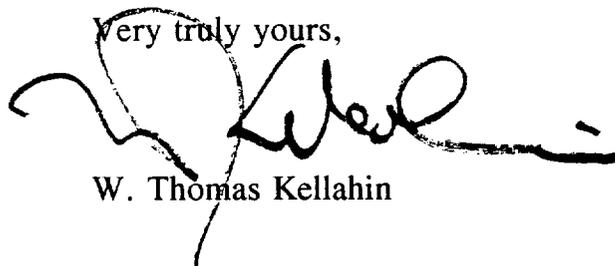
**Re: Happy Valley "29" Well No. 23
Application of Louis Dreyfus Natural Gas Corp.
for Compulsory Pooling
Eddy County, New Mexico**

11764

Dear Mr. LeMay:

On behalf of Louis Dreyfus Natural Gas Corp., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for April 17, 1997. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Louis Dreyfus Natural Gas Corp.
Attn: Russell R. Waters
Attn: Blaine Hess

CASE 11764: 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 Delaware formation underlying the NE/4SW/4 of Section 29, T22S, R26E, NMPM, Eddy County, New Mexico, forming a standard 40-acre oil spacing and proration unit underlying the NE/4SW/4 of said Section 29 for any and all formations and/or pools spaced on 40-acre spacing, including but not limited to the Happy Valley-Delaware Pool or the West Carlsbad-Delaware Pool. Said unit is to be dedicated to its Happy Valley "29" Well No. 23 to be drilled and completed at a standard well location in Unit K of said Section 29. 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 well.

Said unit is located approximately 6 miles southwest from Carlsbad, 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,
EDDY COUNTY, NEW MEXICO.

CASE NO. 11764

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 Delaware formation underlying the NE/4SW/4 of Section 29, T22S, R26E, NMPM, Eddy County, New Mexico, forming a standard 40-acre oil spacing and proration unit underlying the NE/4SW/4 of said Section 29 for any and all formations and/or pools spaced on 40-acre spacing, including but not limited to the West Carlsbad-Delaware Pool. Said unit is to be dedicated to its Happy Valley "29" Well No. 23 to be drilled and completed at a standard well location in Unit K of said Section 29. 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 well.

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 from the surface to the base of the Delaware formation underlying the NE/4SW/4 of Section 29, T22S, R26E, NMPM, Eddy County, New Mexico.
2. The subject tract is located near the West Carlsbad-Delaware Pool.
3. The subject well is to be drilled at a standard oil well location in the NE/4SW/4 (Unit K) of Section 29 to test any and all formations in the pooled interval from the surface to the base of the Delaware formation

4. Dreyfus has the voluntary agreement of certain of the working interest ownership of the oil & gas minerals from the surface to the base of the Delaware formation underlying the NE/4SW/4 of said Section 29.

5. Dreyfus has proposed the subject well and its appropriate spacing unit to the remaining working interest owners in the spacing unit as identified on Exhibit "A."

6. Despite its good faith efforts, Dreyfus has been unable to obtain a written voluntary agreement from all of the parties listed on Exhibit "A."

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

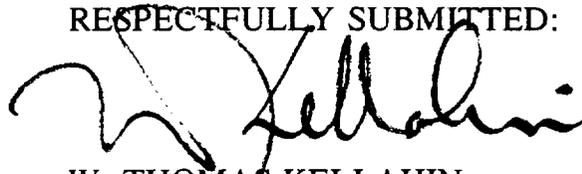
8. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for May 1, 1997.

WHEREFORE, Dreyfus, as applicant, requests that this application be set for hearing on May 1, 1997 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 the drilling of the subject well at a standard well location upon terms and conditions which include:

- (1) Louis Dreyfus Natural Gas Corp. 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 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', written over the typed name below.

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

EXHIBIT "A"

Andrews Royalty, Inc.
P. O. Box 7808
Dallas, Texas 75209-0808
Attn: Kathy Conaway

John A. Matthews, Jr.
P. O. Box 176
Abilene, Texas 79604
Attn: Linda Buckner

Julia Jones Matthews
Trustees of the Julia
Jones Matthews Living Trust
P. O. Box 176
Abilene, Texas 79604
Attn: Linda Buckner

Dodge Jones Foundation
P. O. Box 176
Abilene, Texas 79604
Attn: Linda Buckner

MATT-TEX, L.L.P.
P. O. Box 176
Abilene, Texas 79604
Attn: Linda Buckner

Republic Royalty Company
3738 Oak Lawn Ave
Suite 300
Dallas, Texas 75219
Attn: Casey McManemin