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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals.

SUBMIT IN TRIPLICATE

FORM APPROVED

Budget Bureau No. 1004-0135

Expires: March 31, 1993

5. Lease Designation and Serial No.

NMNM34247

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

SHEEP DRAW FEDERAL #2

9. API Well No.

30-015-27015 S1

10. Field and Pool, or Exploratory Area

Happy Valley Delaware

11. County or Parish, State

Eddy County, NM

1. Type of Well
☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator
LOUIS DREYFUS NATURAL GAS CORP.

(405) 749-5251

3. Address and Telephone No.

14000 Quail Springs Parkway, Ste. 600, OKC, OK 73134

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

990' FNL & 2310' FWL of Sec. 33-22S-26E

2. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- ☒ Notice of Intent
☐ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

- ☐ Abandonment
☐ Recompletion
☐ Plugging Back
☐ Casing Repair
☐ Altering Casing
☒ Other Gas Flaring
☐ Change of Plans
☐ New Construction
☐ Non-Routine Fracturing
☐ Water Shut-Off
☐ Conversion to Injection
☐ Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

See attached NM OCD form C-129 Application for Exception to Non-Flare Rule 306 and letter of explanation.

RECEIVED

MAR 14 1995

OIL CON. DIV.
DIST. 2

Subject to
State Approval
By State

Approved For 12 Month Period

Ending 2/23/96

14. I hereby certify that the foregoing is true and correct

Signed Adam Salameh

Title Engineer

Date 2/23/95

(This space for Federal or State office use)

Approved by Orig. Signed by Adam Salameh

Title Petroleum Engineer

Date 3/9/95

Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*See Instruction on Reverse Side

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

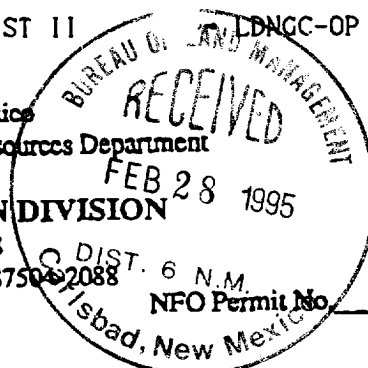
DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410

Submit 3 Copies to
Appropriate District Office

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088



Form C-129
Revised 4-1-91

(For Division Use Only)

APPLICATION FOR EXCEPTION TO NO-FLARE RULE 306
(See Rule 306 and Rule 1129)

- A. Applicant Louis Dreyfus Natural Gas Corp,
whose address is 14000 Quail Springs Pkwy, Suite 600, Oklahoma City, OK 73134
hereby requests an exception to Rule 306 for 365 days or until
February 23, 19 96, for the following described tank battery (or LACT):
Name of Lease Sheep Draw Federal #2 Name of Pool Happy Valley (Delaware)
Location of Battery: Unit Lener C Section 33 Township 22S Range 26E
Number of wells producing into battery 1
- B. Based upon oil production of 64 barrels per day, the estimated * volume
of gas to be flared is 110 MCF; Value \$154 per day.
- C. Name and location of nearest gas gathering facility:
Well is connected to Llano
- D. Distance _____ Estimated cost of connection _____
- E. This exception is requested for the following reasons: Well has H2S content of 1600 ppm
and costs \$200/day to chemically treat the H2S. Expense to treat the
gas to sales quality exceeds the value of sales.

OPERATOR

I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Signature

Kenton L. Sams

Printed Name
& Title Kenton L. Sams, Production Engineer

Date 02/23/95 Telephone No. (405) 749-1300

OIL CONSERVATION DIVISION

Approved Until _____

By _____

Title _____

Date _____

* Gas-Oil ratio test may be required to verify estimated gas volume.



February 23, 1995

Department of Interior
Bureau of Land Management
P.O. Box 1778
Carlsbad, New Mexico 88221

RE: Application for Exception to Non-Flare Rule 306 for the following wells: Dall Federal 1,
Sheep Draw Federal 2,3, & 5

Dear District Supervisor:

Louis Dreyfus Natural Gas Corp respectfully request that an Exception to Non-Flare Rule 306 be granted on the before mentioned wells.

LDNGC recently acquired the before mentioned wells from Collins & Ware on January 1, 1995. Since that time we have determined that the cost of treating the gas associated with the oil production from these wells is very expensive due to the H₂S content of said gas. The treatments are so expensive that the cost to treat the gas exceeds the revenue received from the treated gas. The wells are currently transported by Llano, Inc and they will not accept gas into there system with H₂S contents higher than 4 ppm. The working interest owners associated with these wells have also complained about the high treatment costs and have requested that treatment be ceased.

LDNGC would like this Exception to be granted for one year so that we may investigate the possibility of treating the gas in an alternate and economical manner or locate a gas transporter that would accept the H₂S gas. LDNGC would abide by the rules of the Exception and report the estimated volume of gas for each well that is flared on the monthly production report, Form C-115.

We at LDNGC would like to thank you in advance for your attention in this matter. Should you need additional information please feel free to contact me at (405) 749-1300.

Sincerely;

Kent Sams
LDNG Production Engineer

cc: Well File