

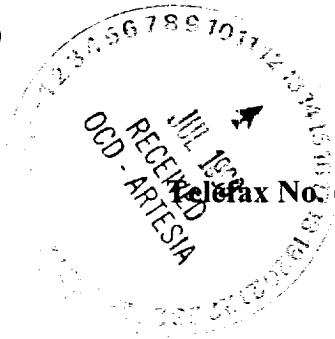


NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

July 7, 1999

Louis Dreyfus Natural Gas Corporation  
14000 Quail Springs Parkway - Suite 600  
Oklahoma City, Oklahoma 73134-2600  
Attention: Joe W. Hammond



Telex No. (405) 749-6662

*Administrative Order NSL-3869-B*

Dear Mr. Hammond:

Reference is made to the following: (i) your application to the New Mexico Oil Conservation Division ("Division"), dated June 15, 1999; and (ii) the records of the Division in Santa Fe, including the files on Division Administrative Orders NSL-3869 and NSL-3869-A and Division Case No.11858: all concerning Louis Dreyfus Natural Gas Corporation's request for an unorthodox oil well location in both the Bone Spring and Delaware formations for the existing White Wing "22" Federal Com. Well No. 23 (API No. 30-015-29833), located 1980 feet from the South line and 2635 feet from the West line (Unit K) of Section 22, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico.

The NE/4 SW/4 of Section 22, being a standard 40-acre oil spacing and proration unit in both the Bone Spring formation and the Undesignated Happy Valley-Delaware Pool, is to be dedicated to this well.

The subject request has been duly filed under the provisions of Division Rule 104.F.

Division Administrative Order NSL-3869, dated September 16, 1997 authorized the drilling of the White Wing "22" Federal Com. Well No. 23 at the above-described unorthodox gas well location within a standard 320-acre gas spacing and proration unit, comprising the S/2 of Section 22 in order to test the Undesignated Happy Valley-Morrow Gas Pool. Division Administrative Order NSL-3869-A, dated April 20, 1998, expanded the provisions of this order to include the Undesignated Southeast Carlsbad-Wolfcamp Gas Pool.

Review of the Division's records indicate that:

- drilling commenced on the White Wing "22" Federal Com. Well No. 23 on September 30, 1997;
- a total depth of 11,850 feet was reached on November 16, 1997;

- the Morrow interval was subsequently perforated from 11,402 feet to 11,719 feet;
- in May, 1998 a cast iron bridge plug was set at a depth of 9,600 feet and the Wolfcamp horizon was perforated from 9,250 feet to 9,384 feet;
- In early September, 1998 a cast iron bridge plug was set at a depth of 7,900 feet and the Bone Spring horizon was perforated from 7,745 feet to 7,752 feet;
- September 16, 1998 is the reported date of first production from the Bone Spring interval;
- from September, 1998 to April, 1998 this well has produced a total of 1,262 barrels of oil and 12,525 MCF of gas from the Bone Spring formation;
- first contact with the Division for a location exception under Division Rule 104.F was by letter of application dated April 30, 1999, and
- this particular application however was subsequently deemed incomplete and was returned on May 26, 1999.

Our review of this application indicates that in this instance the issue of correlative rights of all Delaware and Bone Spring mineral interest owners affected by this well within the both the NE/4 SW/4 (Unit K) and the NW/4 SE/4 (Unit J) of Section 22 has been adequately addressed. However, if any future application by Louis Dreyfus Natural Gas Corporation for an unorthodox location is not filed in a more timely fashion, all such subsequent applications will be subject to the Division's hearing process.

By the authority granted me under the provisions of Division Rule 104.F(2) the above-described unorthodox oil well location for the Louis Dreyfus Natural Gas Corporation's White Wing "22" Federal Com. Well No. 23 is hereby approved for oil production from both the Bone Spring formation and the Undesignated Happy Valley-Delaware Pool.

At this time both Division Administrative Orders NSL-3869 and NSL-3869-A shall be placed in abeyance until further notice.

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Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery by DA".

Lori Wrotenbery  
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia /  
U. S. Bureau of Land Management - Carlsbad  
Files: NSL-3869  
NSL-3869-A  
Case 11858