

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

APPLICATION OF LOUIS DREYFUS NATURAL
GAS CORP. FOR COMPULSORY POOLING AND
AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

CASE NO. 11859

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by LOUIS DREYFUS NATURAL
GAS CORP., as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT:

Louis Dreyfus Natural Gas Corp.
1400 Quail Springs Pkwy
Oklahoma City, OK 73134-2600
(455) 749-1300
attn: Rusty Waters

ATTORNEY

W. Thomas Kellahin
KELLAHIN & KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

OTHER PARTIES

Penwell Energy, Inc.

ATTORNEY

William F. Carr, Esq.
(505) 988-4421

STATEMENT OF CASE

Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this S/2 of Section 13, T22S, R25E, Louis Dreyfus Natural Gas Corp. needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste to form a 320-acre gas spacing and proration unit for any and all formations and/or pools spaced on 320-acre gas spacing, including but not limited to the Happy Valley-Morrow Gas Pool; to form a 160-acre gas proration and spacing unit underlying the SE/4 of said Section 13 for any and all formations and/or pools spaced on 160-acre gas spacing; and to form a 40-acre oil proration and spacing unit underlying the SW/4SE/4 of said Section 13 for any and all formations and/or pools spaced on 40-acre oil spacing and proration units below the base of the Delaware formation. Said unit(s) are to be dedicated to its McGruder Federal Com "13" Well No. 1 which will be a directional wellbore with a surface location 1930 feet FWL and 280 feet FSL and with a bottom hole location 710 feet FSL and 1650 feet FEL of said Section 13 and with the possibility of encountering the Bone Springs formation at a point not closer than 200 feet from the west side of the SW/4SE/4 of said Section 13.

Dreyfus requests an order pooling the mineral interest of described in this spacing unit(s) for the drilling of its McGruder Federal Com "13" Well No. 1 including:

- (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) A provision for overhead rates and a method for adjusting those rates in accordance with COPAS accounting procedures;
- (5) For such other and further relief as may be proper.

PROPOSED EVIDENCE

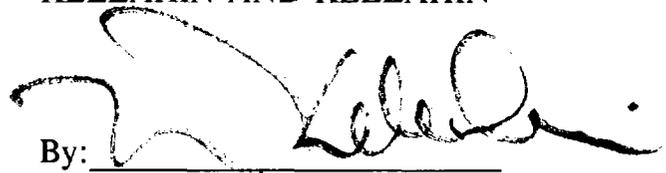
APPLICANT:

WITNESSES	EST. TIME	EXHIBITS
Rusty Waters (landman)	20 min.	@ 6 exhibits
Craig Stephenson (geologist)	20 Min.	@ 4 exhibits
Jay Gabbard (petroleum engineer)	20 Min.	@ 4 exhibits

PROCEDURAL MATTERS

None anticipated at this time.

KELLAHIN AND KELLAHIN



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