

**NADEL AND GUSSMAN PERMIAN, L.L.C.**

601 N. Marienfeld, Suite #508  
Midland, Texas 79701  
(432) 682-4429  
Fax (432) 682-4325

Oil Conservation Division  
Attn: William Jones  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

2006 JUL 20 PM 1 47

RE: Downhole Commingling and Measurement of  
Hydrocarbon Production for:  
Angler State #2  
Section 15, T16S, R33E  
Lea County, New Mexico

Nadel and Gussman Permian L.L.C as operator of the referenced well respectfully requests administrative approval for downhole commingling and measurement of production.

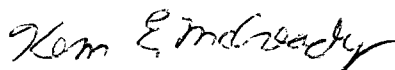
Nadel and Gussman Permian proposes to commingle Hume Queen West and Hume Grayburg West production in the Angler State #2 API 30-025-37874 (State of NM Lease OG-1430). Production of both pools will be measured at the Angler State Tank Battery.

Nadel and Gussman has notified to all parties owning an interest in this lease of the intent to commingle.

Nadel and Gussman Permian is respectfully requesting administrative approval of this application to downhole commingle. As of 07/17/06 several downhole commingling orders have been approved for these two zones. The approved orders are DHC - 3442, 3466, 3497, 3498, 3499 and 3599. In addition our existing Angler State #1 well is producing from both zones under DHC -3628.

NGP also requests that we be allowed 60 days following completion to submit the allocation percentages. A 60 day time period is necessary to allow us to adequately test all intervals to be commingled.

Yours truly,



Kem E. McCready  
Operations Manager  
Nadel and Gussman Permian  
kemmm@naguss.com

|                 |          |              |                   |          |                         |
|-----------------|----------|--------------|-------------------|----------|-------------------------|
| DATE IN 7/20/06 | SUSPENSE | ENGINEER WED | LOGGED IN 7/21/06 | TYPE DHC | APP NO. PTP 20620250003 |
|-----------------|----------|--------------|-------------------|----------|-------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

## NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



### ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

#### Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]  
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]  
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]  
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]  
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]  
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

#### [1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication  
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement  
☒ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify \_\_\_\_\_

#### [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☒ Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☐ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO  
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

#### [3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

**Note:** Statement must be completed by an individual with managerial and/or supervisory capacity.

K. E. McCready  
 Print or Type Name

*K.E. McCready*  
 Signature

Operations Manager  
 Title

07/17/2006  
 Date

kemm@naguss.com  
 e-mail Address

DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II  
811 South First, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Artesia, NM 87410

DISTRICT IV  
2940 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 South Pacheco  
Santa Fe, New Mexico 87504-2088

MAY 01 2006

Form C-102  
Revised March 17, 1999

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

|                                   |   |  |
|-----------------------------------|---|--|
| API Number<br><b>30-025-37874</b> | Pool Code<br><b>3356097444</b>                    | Pool Name<br><b>Hane Green West / Hane Greghung West</b> |
| Property Code<br><b>35253</b>     | Property Name<br><b>ANGLER STATE</b>              | Well Number<br><b>2</b>                                  |
| OGED No.<br><b>155615</b>         | Operator Name<br><b>NADEL AND GUSSMAN PERMIAN</b> | Elevation<br><b>4198'</b>                                |

Surface Location

|               |           |             |             |         |               |                  |               |                |            |
|---------------|-----------|-------------|-------------|---------|---------------|------------------|---------------|----------------|------------|
| UL or lot No. | Section   | Township    | Range       | Lot 1/4 | Feet from the | North/South line | Feet from the | East/West line | County     |
| <b>A</b>      | <b>15</b> | <b>16 S</b> | <b>33 E</b> |         | <b>990</b>    | <b>NORTH</b>     | <b>990</b>    | <b>EAST</b>    | <b>LEA</b> |

Bottom Hole Location If Different From Surface

|                              |                 |                    |           |         |               |                  |               |                |        |
|------------------------------|-----------------|--------------------|-----------|---------|---------------|------------------|---------------|----------------|--------|
| UL or lot No.                | Section         | Township           | Range     | Lot 1/4 | Feet from the | North/South line | Feet from the | East/West line | County |
|                              |                 |                    |           |         |               |                  |               |                |        |
| Dedicated Acres<br><b>40</b> | Joint or Infill | Consolidation Code | Order No. |         |               |                  |               |                |        |

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

|  |  |
|--|--|
|  | <b>OPERATOR CERTIFICATION</b><br>I hereby certify the information contained herein is true and complete to the best of my knowledge and belief.<br><b>Josh Fernau</b><br>Signature<br><b>Josh Fernau</b><br>Printed Name<br><b>Staff Engineer</b><br>Title<br><b>05/16/06</b><br>Date  |
|  | <b>SURVEYOR CERTIFICATION</b><br>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.<br><b>MAY 17 2006</b><br>Notary Public<br>State of New Mexico<br>Professional Surveyor<br>1977<br><b>GARY L. JONES</b><br>W.C. # <b>8537</b><br>Certificate No. <b>Gary L. Jones 7977</b> |
|  | <b>BASIN SURVEYS</b>   |

District I  
1625 N. French Drive, Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107A  
Revised June 10, 2003

Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

APPLICATION TYPE  
  X   Single Well  
       Establish Pre-Approved Pools  
EXISTING WELLBORE  
  X   Yes        No

APPLICATION FOR DOWNHOLE COMMINGLING

DHC-3752

Nadel and Gussman, Permian LLC601 N. Marienfeld, Suite 508 Midland, Texas, 79701

OperatorAddress

Angler State No. 22UL A Sec 15 16 S, R33LEA

LeaseWell No. Unit Letter-Section-Township-RangeCounty

OGRID No. 155615Property Code 35253API No. 30-025-37874Lease Type: FederalX StateFee

| DATA ELEMENT  | UPPER ZONE                                | INTERMEDIATE ZONE                    | LOWER ZONE                                |
|---|---|--------------------------------------|---|
| Pool Name   | Hume Queen West                           |                                      | Hume Grayburg West                        |
| Pool Code   | 33560                                     |                                      | 97444                                     |
| Top and Bottom of Pay Section<br>(Perforated or Open-Hole Interval)   | 3,927' -3,3952'                           |                                      | 4,387' - 4,401'                           |
| Method of Production<br>(Flowing or Artificial Lift)  | Artificial                                |                                      | Artificial                                |
| Bottomhole Pressure<br>(Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)    |   |                                      |   |
| Oil Gravity or Gas BTU<br>(Degree API or Gas BTU)   | 36.8                                      |                                      | 36.8                                      |
| Producing, Shut-In or New Zone  | New Zone                                  |                                      | New Zone                                  |
| Date and Oil/Gas/Water Rates of Last Production.<br>(Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.) | Date:<br><br>Rates:                       | Date:<br><br>Rates:                  | Date:<br><br>Rates:                       |
| Fixed Allocation Percentage<br>(Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)                  | Oil<br>Later<br><br>%<br><br>Gas<br><br>% | Oil<br><br><br>%<br><br>Gas<br><br>% | Oil<br>Later<br><br>%<br><br>Gas<br><br>% |

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?  
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?  
Are all produced fluids from all commingled zones compatible with each other?  
Will commingling decrease the value of production?  
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application?  
NMOCD Reference Case No. applicable to this well: DHC\_3628

Yes x No  
Yes No  
Yes x No  
Yes No x  
Yes No  
Yes No

- Attachments:
- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
  - Production curve for each zone for at least one year. (If not available, attach explanation.)
  - For zones with no production history, estimated production rates and supporting data.
  - Data to support allocation method or formula.
  - Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
  - Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE K. E. McCreadyTITLE Operations ManagerDATE 7/1-7/06

TYPE OR PRINT NAME K. E. McCreadyTELEPHONE NO. ( 432 ) 682-4429

E-MAIL ADDRESS kemm@naguss.com