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2012 APR 25 A 11:00

April 24, 2012


Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case 14841

Dear Florene:

Enclosed for filing, on behalf of Nadel and Gussman Heyco, L.L.C., are an original and one copy of an application for pool creation, *etc.*, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the May 24, 2012 Examiner hearing. Thank you.

Very truly yours,


James Bruce

Attorney for Nadel and Gussman Heyco, L.L.C.

Iron Duke #2H

Section: 9

T-18 S, R-26 E (N/2S/2)

SHL: 2310' FSL & 330' FEL

BHL: 2310' FSL & 330' FWL

Completed Drill Costs

\$3,136,846.00

| Working Interest Owner | Working Interest | Completed Cost |
|--|------------------|----------------|
| Nadel and Gussman HEYCO, LLC | 0.5831 | \$1,829,193.38 |
| Yates Petroleum Corporation | 0.0125 | \$39,210.58 |
| OXY Y-1 | 0.0018 | \$5,600.84 |
| MYCO, Industries, Inc. | 0.0018 | \$5,600.84 |
| ABO Petroleum Corporation | 0.0018 | \$5,600.84 |
| Lila Torres | 0.0179 | \$56,015.25 |
| Sofia Navarette | 0.0179 | \$56,015.25 |
| Dave Torres, Jr. | 0.0179 | \$56,015.25 |
| Sam Torres, Jr. | 0.0179 | \$56,015.25 |
| The Josephine Garcia Revocable Trust | 0.0179 | \$56,015.25 |
| Lita Gravatt | 0.0179 | \$56,015.25 |
| Angelita Dorado | 0.0179 | \$56,015.25 |
| John M. Torres, Jr. | 0.0089 | \$28,007.55 |
| Steven John Gutierrez | 0.0036 | \$11,203.02 |
| Scott Allen Gutierrez | 0.0036 | \$11,203.02 |
| Carolyn Holmstrom, Trustee of John A. Holstrom | 0.1107 | \$347,192.49 |
| COG Operating LLC | 0.0760 | \$238,400.30 |
| Willis Edward Morgan, Jr. | 0.0196 | \$61,586.74 |
| EHW LLC | 0.0160 | \$50,189.54 |
| Betty Jo Highsmith | 0.0156 | \$49,013.22 |
| B & G Royalties | 0.0053 | \$16,729.85 |
| Octillo Production LLC | 0.0053 | \$16,729.85 |
| William C. White | 0.0053 | \$16,729.85 |
| Concho Oil & Gas LLC | 0.0040 | \$12,547.38 |
| Total | 1.0000 | \$3,136,846.00 |

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF NADEL AND GUSSMAN HEYCO,
L.L.C. FOR A NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

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Case No. 14841

APPLICATION

Nadel and Gussman Heyco, L.L.C. applies for an order (i) approving a non-standard oil spacing and proration unit in the Glorieta-Yeso formation in the N $\frac{1}{2}$ S $\frac{1}{2}$ of Section 9, Township 18 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and (ii) pooling all mineral interests from the surface to the top of the Glorieta-Yeso formation in the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 9, and in the Glorieta-Yeso formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the N $\frac{1}{2}$ S $\frac{1}{2}$ of Section 9, and has the right to drill a well thereon.
2. Applicant proposes to drill the Iron Duke Well No. 2 to a depth sufficient to test the Glorieta-Yeso formation. Applicant seeks to dedicate (i) the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 9 to the well to form a standard 40 acre oil spacing and proration unit, and (ii) the N $\frac{1}{2}$ S $\frac{1}{2}$ of Section 9 to the well to form a non-standard 160 acre oil spacing and proration unit (project area), for any formations and/or pools developed on 40 acre spacing within that vertical extent. The well is a horizontal well with a surface location in the NE $\frac{1}{4}$ SE $\frac{1}{4}$, and a terminus in the NW $\frac{1}{4}$ SW $\frac{1}{4}$, of Section 9.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N $\frac{1}{2}$ S $\frac{1}{2}$ of Section 9 for the purposes set forth herein.

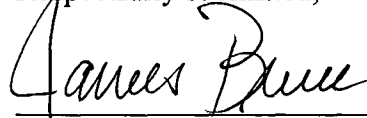
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the wells or to otherwise commit their interests to the wells, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the N½S½ of Section 9, pursuant to NMSA 1978 §§70-2-17, 18.

5. Approval of the non-standard unit and the pooling of all mineral interests underlying the N½S½ of Section 9 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit (project area) in the Glorieta-Yeso formation in the N½S½ of Section 9;
- B. Pooling all mineral interests (i) in the NE¼SE¼ of Section 9, and (ii) the N½S½ of Section 9, from the surface to the base of the Glorieta-Yeso formation;
- C. Designating applicant as operator of the well;
- E. Considering the cost of drilling and completing the well, and allocating the costs among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- E. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", written over a horizontal line.

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Nadel and Gussman Heyco,
L.L.C.

PROPOSED ADVERTISEMENT

Case No. 14841:

Application of Nadel and Gussman Heyco, LLC for approval of a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Glorieta-Yeso formation comprised of the N/2S/2 of Section 9, Township 18 South, Range 26 East, NMPM. Applicant further seeks the pooling of all mineral interests (i) from the surface to the top of the Glorieta-Yeso formation in the NE/4SE/4 of Section 9, and (ii) the Glorieta-Yeso formation underlying the non-standard spacing and proration unit (project area), for all pools or formations developed on 40 acre spacing within that vertical extent. The units are to be dedicated to the Iron Duke Well No. 2, a horizontal well with a surface location in the NE/4SE/4, and a terminus in the NW/4SW/4, of Section 9. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 1 mile southeast of Atoka, New Mexico.

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