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May 10, 2005

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

Dear Florene:

Enclosed for filing, on behalf of Nadel and Gussman Permian, L.L.C., are an original and one copy of an application for compulsory pooling, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the June 2, 2005 hearing. Thanks.

Very truly yours,


James Bruce

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

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MAY 10 2005

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Case 13500

Parties Being Pooled

Xerix Oil & Gas Corporation
P.O. Box 352
Midland, Texas 79702

Ronadero Company
P.O. Box 4606
Frisco, Colorado 80443

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF NADEL AND GUSSMAN
PERMIAN, L.L.C. FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

RECEIVED Case No. 13500

MAY 10 2005

APPLICATION

Nadel and Gussman Permian, L.L.C. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the W $\frac{1}{2}$ of Section 19, Township 19 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is an interest owner in the W $\frac{1}{2}$ of Section 19, and has the right to drill a well thereon.
2. Applicant proposes to drill its Highwayman Fed. Well No. 1, at an orthodox gas well location in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 19, to a depth sufficient to test the Morrow formation, and seeks to dedicate the following acreage to the well:
 - (a) The SE $\frac{1}{4}$ SW $\frac{1}{4}$ to form a standard 40 acre oil spacing and proration unit for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the Undesignated Parkway-Upper Pennsylvanian Pool;
 - (b) The SW $\frac{1}{4}$ to form a standard 160 acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent; and
 - (c) The W $\frac{1}{2}$ to form a 320 acre gas spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W $\frac{1}{2}$ of Section 19 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 well or to otherwise commit their interests to the well, 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 W½ of Section 19, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the W½ of Section 19 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. Pooling all mineral interests in the W½ of Section 19, from the surface to the base of the Morrow formation;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost 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,


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

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

PROPOSED ADVERTISEMENT

Case No. 13500 : **Application of Nadel and Gussman Permian, L.L.C. for compulsory pooling, Eddy County, New Mexico:** Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 19, Township 19 South, Range 30 East, NMPM, and in the following morning: The W/2 to form a standard 320-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent; the SW/4 to form a standard 160-acre gas spacing and proration unit for any and all formations or pools developed on 160-acre spacing within that vertical extent; and the SE/4SW/4 to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent, including the Undesignated Parkway Upper Pennsylvanian Pool. The units are to be designated to the Highwayman Federal Well No. 1, to be located at an orthodox gas well location in the SE/4SW/4 of Section 19. 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 12-1/2 miles south-southwest of Loco Hills, New Mexico.

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MAY 1 2005

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505