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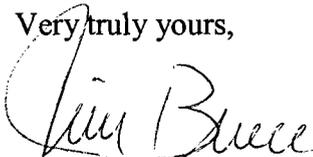
May 10, 2005

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.

RECEIVED

MAY 10 2005

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

Case 13499

Parties Being Pooled

Saratoga Royalty Corporation / Latigo Petroleum, Inc.  
Saratoga - P.O. Box 2804  
Conroe, Texas 77305  
Latigo - 550 W. Texas, Suite 700  
Midland, Texas 79701

Marathon Oil Company  
P.O. Box 3128  
Houston, Texas 77001

Claremont Corporation  
P.O. Box 549  
Claremore, Oklahoma 74018

Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88211

Merit Group II Partnership  
P.O. Box 3634  
Midland, Texas 79702

Devon Energy Production Company, LP  
20 North Broadway, Suite 1500  
Oklahoma City, Oklahoma 73102

Nolan H. and Jacquelyn P. Brunson  
P.O. Box 2390  
Hobbs, New Mexico 88240

Hanagan Properties  
P.O. Box 1887  
Santa Fe, New Mexico 87502

Hugh E. and Betty L. Hanagan  
P.O. Box 1737  
Roswell, New Mexico 88202

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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. 13499  
MAY 10 2005

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

APPLICATION for compulsory pooling all mineral interests  
Nadel and Gussman Permian, L.L.C. applies for an order pooling  
from the surface to the base of the Morrow formation underlying the E $\frac{1}{2}$  of Section 18,  
Township 21 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, and in support  
thereof, states:

1. Applicant is an interest owner in the E $\frac{1}{2}$  of Section 18, and has the right to drill a well thereon.
2. Applicant proposes to drill its Tornillo "18" Fed. Well No. 1, at an orthodox well location in the SE $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 18, to a depth sufficient to test the Morrow formation, and seeks to dedicate the following acreage to the well:
  - (a) The SE $\frac{1}{4}$ SE $\frac{1}{4}$  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;
  - (b) The SE $\frac{1}{4}$  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 E $\frac{1}{2}$  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, including the Undesignated Indian Basin-Upper Pennsylvanian Associated Pool and Undesignated Indian Basin-Strawn Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the E½ of Section 18 for the purposes set forth herein.

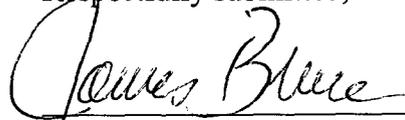
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the E½ of Section 18, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the E½ of Section 18 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 E½ of Section 18, 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,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in black ink and is positioned above a horizontal line.

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. 13499 : **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 18, Township 21 South, Range 24 East, NMPM, and in the following morning: The E/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, including the Undesignated Indian Basin-Upper Pennsylvanian Associated Pool and Undesignated Indian Basin-Strawn Gas Pool; the SE/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/4SE/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. The units are to be designated to the Tornillo "18" Federal Well No. 1, to be located at an orthodox location in the SE/4SE/4 of Section 18. 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 10-1/2 miles southwest of Seven Rivers, New Mexico.

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MAY 1 2005

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