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April 29, 2008

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

Case 14131

Dear Florene:

Enclosed for filing, on behalf of Nadel and Gussman HEYCO, LLC, are an original and one copy of an application for an order authorizing the drilling of a well in the potash area, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the May 29, 2008 Examiner hearing. Thank you.

Very truly yours,


James Bruce

Attorney for Nadel and Gussman HEYCO, LLC

Parties Being Notified

Intrepid Mining NM LLC
1996 Potash Mines road
P.O. Box 101
Carlsbad, New Mexico 88220

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF NADEL AND GUSSMAN
HEYCO, LLC FOR AN ORDER AUTHORIZING
THE DRILLING OF A WELL IN THE POTASH
AREA, EDDY COUNTY, NEW MEXICO.

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Case No. 14131

APPLICATION

Nadel and Gussman HEYCO, LLC, pursuant to the provisions of Division Order No. R-111-P ("The Rules and Regulations Governing the Exploration and Development of Oil and Gas in Certain Areas Herein Defined, Which Are Known to Contain Potash Reserves"), applies for an order approving the drilling of its HEYCO State Well No. 2 to test the Morrow formation within the Potash Area, at a location 1650 feet from the north line and 1980 feet from the west line (Unit F) of Section 32, Township 20 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, and in support of thereof, states:

1. Applicant is a lessee of certain oil and gas rights under the W $\frac{1}{2}$ of Section 32, and has the right to develop the oil and gas reserves underlying this property.
2. Applicant proposes to drill its HEYCO State Well No. 2 to a total depth of approximately 12,675 feet to test the Morrow formation (Golden Lane-Morrow Gas Pool) on a standard 320-acre gas spacing unit comprised of the W $\frac{1}{2}$ of Section 32.
3. The W $\frac{1}{2}$ of Section 32, the tract upon which applicant proposes to drill, is state land that is located within the Potash Area.
4. Order R-111-P states that "no mining operations shall be conducted in the Potash Area that would, in the opinion of the Division or its duly authorized representative, constitute a hazard to oil or gas production, or that would unreasonably interfere with the orderly development and production from any oil or gas pool." C(2).

5. Applicant proposes to drill in an area where oil and gas are currently being produced, and therefore potash mining operations would unreasonably interfere with oil and gas development and production.

6. Applicant's application for permit to drill ("APD") was improperly rejected because it was not afforded the opportunity to show that potash would not be unduly affected by applicant's well.

7. Applicant should be afforded the opportunity to show that its proposed well location would not unduly waste commercial potash. See R-111-P ¶ 20.

8. Further, by rejecting applicant's APD, the Division has denied applicant, its lessor, and other owners of the oil and gas rights underlying the W½ of Section 32 the opportunity to produce the recoverable oil and gas under their property. Unless reversed, this will cause the waste of hydrocarbons. Applicant therefore requests that this matter be set for hearing before a Division Hearing Examiner.

9. Since the W½ of Section 32 is unsuitable for potash mining, future oil and gas drilling in the W½ of Section 32 should be approved without the necessity of coming to hearing. Therefore, applicant also requests that applications for permit to drill in the W½ of Section 32 should not be denied simply because the area is within the buffer zone of an LMR.

10. Approval of this application will protect correlative rights for it will afford applicant and the other owners of the oil and gas rights in the W½ of Section 32 the opportunity to produce their just and equitable share of the reserves under their property, for it will honor the mutual agreement between the owners of both the potash and the oil and gas interests for the development of these lands. Approval of this application will otherwise be in the best interests of conservation and the prevention of waste.

WHEREFORE, applicant requests that this application be set for hearing before an Examiner of the Division, and that, after notice and hearing, the Division enter its order authorizing applicant to drill its proposed HEYCO State Well No. 2 to test the Morrow formation, and granting other appropriate relief.

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, LLC

PROPOSED ADVERTISEMENT

Case No. 14131: Application of Nadel and Gussman HEYCO, LLC for an order authorizing the drilling of a well in the Potash Area, Eddy County, New Mexico. Applicant seeks an order approving the drilling of its proposed HEYCO State Well No. 2 to an approximate depth of 12,675 feet to test the Morrow Formation (Golden Lane-Morrow Gas Pool) within the Potash Area at a location 1650 feet from the north line and 1980 feet from the west line (Unit F) of Section 32, Township 20 South, Range 30 East, NMPM, Eddy County, New Mexico. The W/2 of Section 32 will be dedicated to the well. Applicant also seeks approval of future oil and gas drilling in the W/2 of Section 32 without the necessity of going to hearing. The unit is located approximately 5 miles north-northwest of Halfway, New Mexico.

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