

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

ORIGINAL

APPLICATION OF NADEL AND GUSSMAN
PERMIAN, LLC, FOR APPROVAL OF A UNIT
AGREEMENT, CHAVEZ COUNTY, NEW MEXICO

Case 14622

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Technical Examiner
DAVID K. BROOKS, Legal Examiner

April 14, 2011

Santa Fe, New Mexico

This matter came on for hearing before the
New Mexico Oil Conservation Division, RICHARD EZEANYIM,
Technical Examiner, and DAVID K. BROOKS, Legal Examiner,
on Thursday, April 14, 2011, at the New Mexico Energy,
Minerals and Natural Resources Department, 1220 South St.
Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
Paul Baca Professional Court Reporters
500 Fourth Street, N.W., Suite 105
Albuquerque, NM 87103 505-843-9241

A P P E A R A N C E S

FOR THE APPLICANT:

JAMES G. BRUCE, ESQ.
P.O. Box 1056
Santa Fe, New Mexico 87504-1056
(505) 982-2043

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EXHIBITS 1, 2 AND 3 WERE ADMITTED

5

REPORTER'S CERTIFICATE

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1 EXAMINER EZEANYIM: At this point I will
2 call Case Number 14622. This is the application of Nadel
3 and Gussman Permian, LLC, for approval of a Unit
4 Agreement, Chaves County, New Mexico. Call for
5 appearances.

6 MR. BRUCE: Mr. Examiner, Jim Bruce of
7 Santa Fe, representing the applicant. I have no
8 witnesses.

9 EXAMINER EZEANYIM: Any other appearances?
10 You may proceed. You want to proceed by
11 affidavit?

12 MR. BRUCE: Yes, sir.

13 EXAMINER EZEANYIM: Go ahead.

14 MR. BRUCE: Mr. Examiner, I've handed you
15 some exhibits. Exhibit 1 is the affidavit of Doug
16 Laufer, who's a landman. This case involves formation of
17 the proposed South Tobac Unit Area which comprises 1,280
18 acres of stand lands in Chaves County. The lands are in
19 8 South, 33 East, and the unit is comprised of the west
20 half of 28, all of 29, and the east half of 30. Nadel
21 and Gussman Permian is the designated operator.

22 Attached to his affidavit is the proposed Unit
23 Agreement as Attachment 1. That is, of course, the form
24 mandated by the Commissioner of Public Lands.

25 Exhibit A to the Unit Agreement is a land plat

1 showing the tracts involved, and Exhibit B is the
2 schedule of ownership.

3 Attachment 2 to the affidavit is the letter of
4 preliminary approval from the Commissioner of Public
5 Lands, and Attachment 3 is an AFE for the initial unit
6 well.

7 Upon final approval by the Commissioner, 100
8 percent of the royalty interest and 100 percent of the
9 overriding royalty interest will be committed to the
10 unit. And at this point, 71.875 percent of the working
11 interest is committed.

12 The initial well will be in the northwest
13 quarter/northwest quarter of Section 29 and will test the
14 San Andres Formation. And the initial well cost is just
15 short of a million dollars.

16 Exhibit 2 is the Operating Agreement for the
17 Unit Agreement. Exhibit 3 is the affidavit of David
18 Andrews, who's a geologist. And there is a write-up and
19 attachment, together with several geological exhibits.
20 As I said, the target formation is the San Andres, and
21 the unit is formed based on porosity pinchout to the
22 west, north and east of the unit acreage.

23 The unit is formed based on a well that Nadel
24 and Gussman drilled on offsetting acreage. Last year
25 they drilled a well that has been static in production at

1 30 to 35 barrels per day. And since there is virtually a
2 flat decline curve, they believe there are additional
3 resources to recover in the unit area.

4 As the landman and the engineer or the
5 geologist state in their affidavits, the formation of the
6 unit is in the interest of conservation and the
7 prevention of waste.

8 And with that, I move the admission of Nadel
9 and Gussman Exhibits 1 through 3.

10 EXAMINER EZEANYIM: Exhibits 1, 2 and 3
11 will be admitted.

12 Do you have any questions?

13 (Exhibits 1, 2 and 3 were admitted.)

14 EXAMINER BROOKS: No questions.

15 EXAMINER EZEANYIM: Are you talking about
16 the participation ratios? You represent the royalty
17 interest was 1.7 percent of the working interest?

18 MR. BRUCE: At this time it's 71.87.

19 EXAMINER EZEANYIM: Now you are quite
20 confident about the percentage; right?

21 MR. BRUCE: Acutally, there's nothing in
22 the Commissioner's regulations. They like to see about
23 75 percent approval. And I do not have all of the
24 signatures and ratifications. I will submit those after
25 the hearing. But they believe they'll get close to 100

1 percent approval.

2 EXAMINER EZEANYIM: Of the working
3 interest?

4 MR. BRUCE: Of the working interests, yes,
5 sir.

6 EXAMINER EZEANYIM: You believe you'll get
7 100 percent?

8 MR. BRUCE: Yes.

9 EXAMINER EZEANYIM: It's a new well;
10 right?

11 MR. BRUCE: It will be a new well that
12 they're drilling, yes.

13 EXAMINER EZEANYIM: What is the target
14 formation?

15 MR. BRUCE: The San Andres.

16 EXAMINER EZEANYIM: Anything further?

17 MR. BRUCE: Nothing further.

18 EXAMINER EZEANYIM: Okay. At this point,
19 Case Number 14622 will be taken under advisement.

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21 * * *

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14622
heard by me on


Examiner
Oil Conservation Division

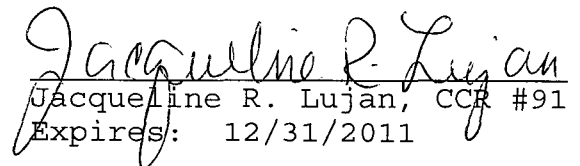
REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on April 14, 2011, proceedings in the
above captioned case were taken before me and that I did
report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by
nor related to nor contracted with any of the parties or
attorneys in this case and that I have no interest
whatsoever in the final disposition of this case in any
court.

WITNESS MY HAND this 26th day of April, 2011.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2011