

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
 [DD-Directional Drilling] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Directional Drilling

☒ NSL ☐ NSP ☐ DD ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☒ Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☐ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO

U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

JAMES BRUCE
 P.O. BOX 1056
 SANTA FE, NM 87504

Print or Type Name

Note: Statement must be completed by an individual with supervisory capacity.

James Bruce
 Signature

Attorney for Applicant
 Title

5/8/00
 Date

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

May 8, 2000

Hand Delivered

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rule 104.F.(2), Nadel and Gussman Permian, L.L.C. ("NGP") applies for administrative approval of an unorthodox gas well location for the following well:

Sombrero State Well No. 2
660 feet FSL & 2310 feet FWL
S½ §10, Township 16 South, Range 33 East, NMPM
Lea County, New Mexico

The well has two primary objectives: It will be drilled to test the Atoka formation (Undesignated West Sombrero-Atoka Gas Pool), but the Queen formation (West Hume-Queen Pool) is also a target. Both pools are developed on statewide rules. A C-102 for the well is attached as Exhibit A, which shows both the Queen and Atoka well units.

Attached as Exhibit B is a land plat of the area. All of Section 10 is one State Lease (V-4640), with common royalty, overriding royalty, and working interest ownership. Thus, there is no adverse effect on anyone due to the unorthodox Atoka location. In addition, the well only moves toward an interior boundary of the section, and thus no offset interest owners were notified of this application.

The proposed location is based upon geological reasons. Attached as Exhibit C is an isopach of the Queen formation, which shows that locating the well at the eastern-most orthodox oil well location in the SE¼SW¼ places it at an optimum location in that formation. Attached as Exhibit D is an isopach of the Atoka formation, which shows that moving the well east of an orthodox location will allow the well to have approximately 20 feet of net sand in the Atoka,

which is about the same as the offsetting well in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 15. Also, NGP desires to remain close to the well in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 15, which was just recently successfully completed. Finally, attached as Exhibit E is a structure map of the Atoka formation. The wells marked in blue were wet in the Atoka. The unorthodox location allows proposed the well to maximize its structural position in the Atoka. The proposed location substantially increases the chance of encountering commercial quantities of hydrocarbons in both primary zones.

This application is submitted in duplicate. Please call me if you need anything further regarding this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "James Bruce". The signature is fluid and cursive, with the first name "James" and last name "Bruce" clearly distinguishable.

James Bruce

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

DISTRICT I
1628 N. French Dr., Hobbs, NM 88240

DISTRICT II
511 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

■ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-35021	Pool Code	Pool Name Sombrero Atoka, West
Property Code 25119	Property Name SOMBRERO STATE	Well Number 2
UGM No. 155615	Operator Name NADEL & GUSSMAN PERMIAN, LLC	Elevation 4208'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	10	16 S	33 E		660	SOUTH	2310	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

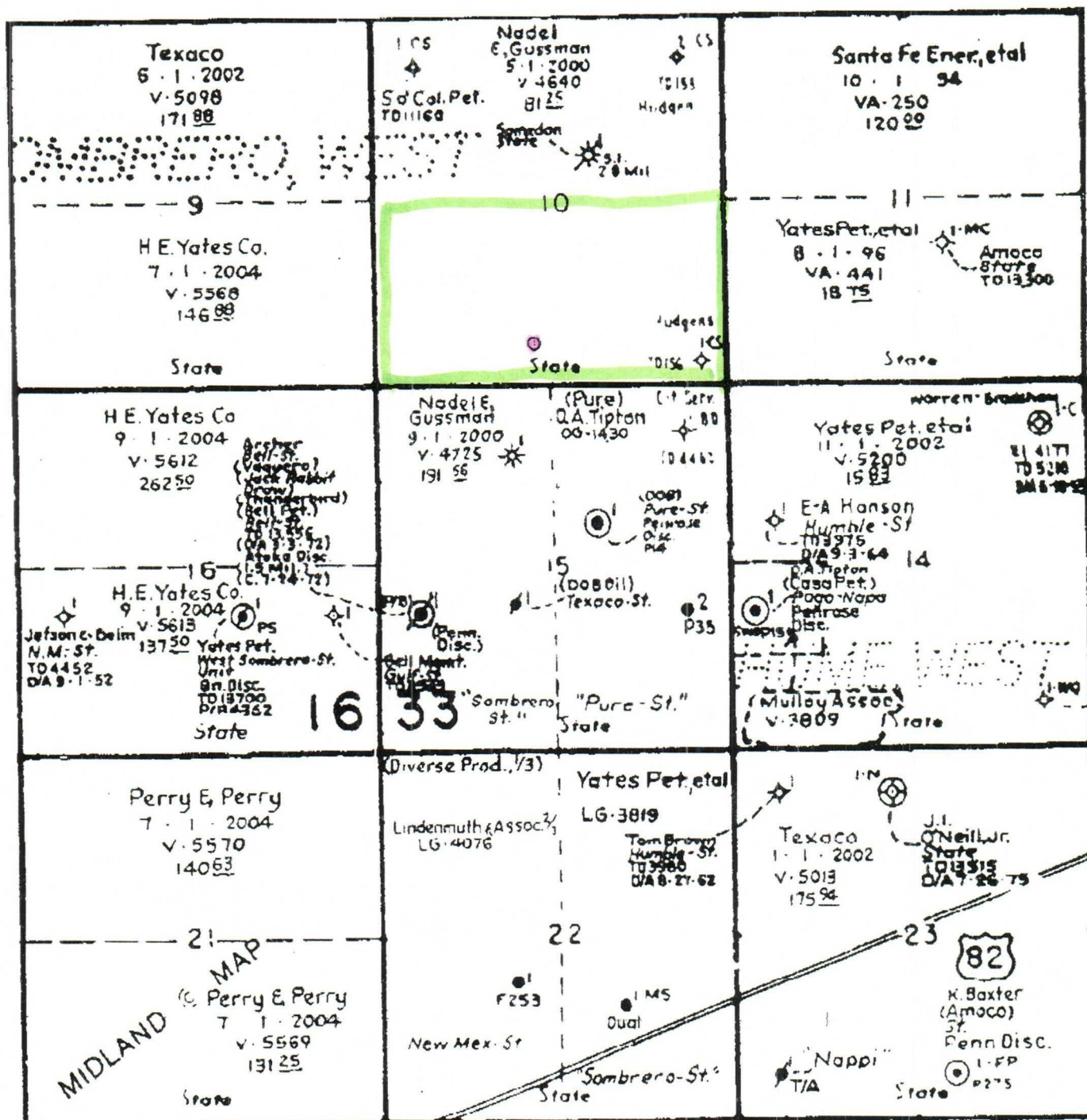
Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

1 AT-N32°55'51.0" LONG-W103°39'07.7" 4208.2' 4208.2' 2310 4208.5' 4208.5' 660	OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <u><i>Robert McNaughton</i></u> Signature <u>Robert McNaughton</u> Printed Name <u>Operations Engineer</u> Title <u>5-5-00</u> Date
	SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief. <u>April 27, 2000</u> Date Surveyed <u><i>GARY L. JONES</i></u> Signature of Surveyor <u>Professional Surveyor</u> Title <u>W.O. No. 02578</u> Well Owner's No. <u>7977</u> Certificate No. PROFESSIONAL SURVEYOR

EXHIBIT

A



NADEL AND GUSSMAN PERMIAN, L.L.C.

SOMBBERO PROSPECT

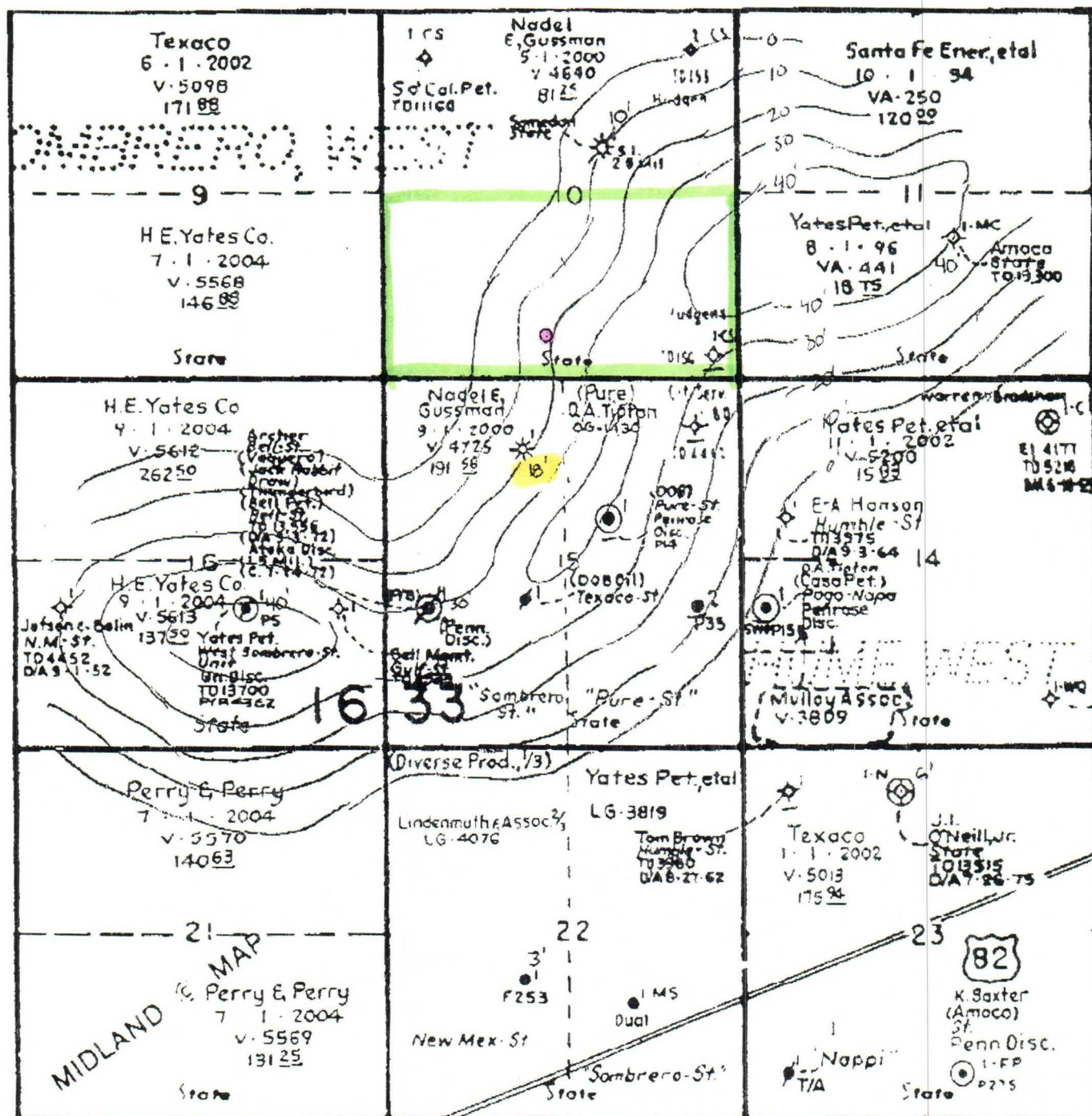
SECTIONS 10 & 15-1168-RJ3E

LEA CO, NM

SHG

EXHIBIT

B



ATOKA NET SAND ISOPACH
CI=10'

NADEL AND GUSSMAN PERMIAN, L.L.C.

SOMBRERO PROSPECT

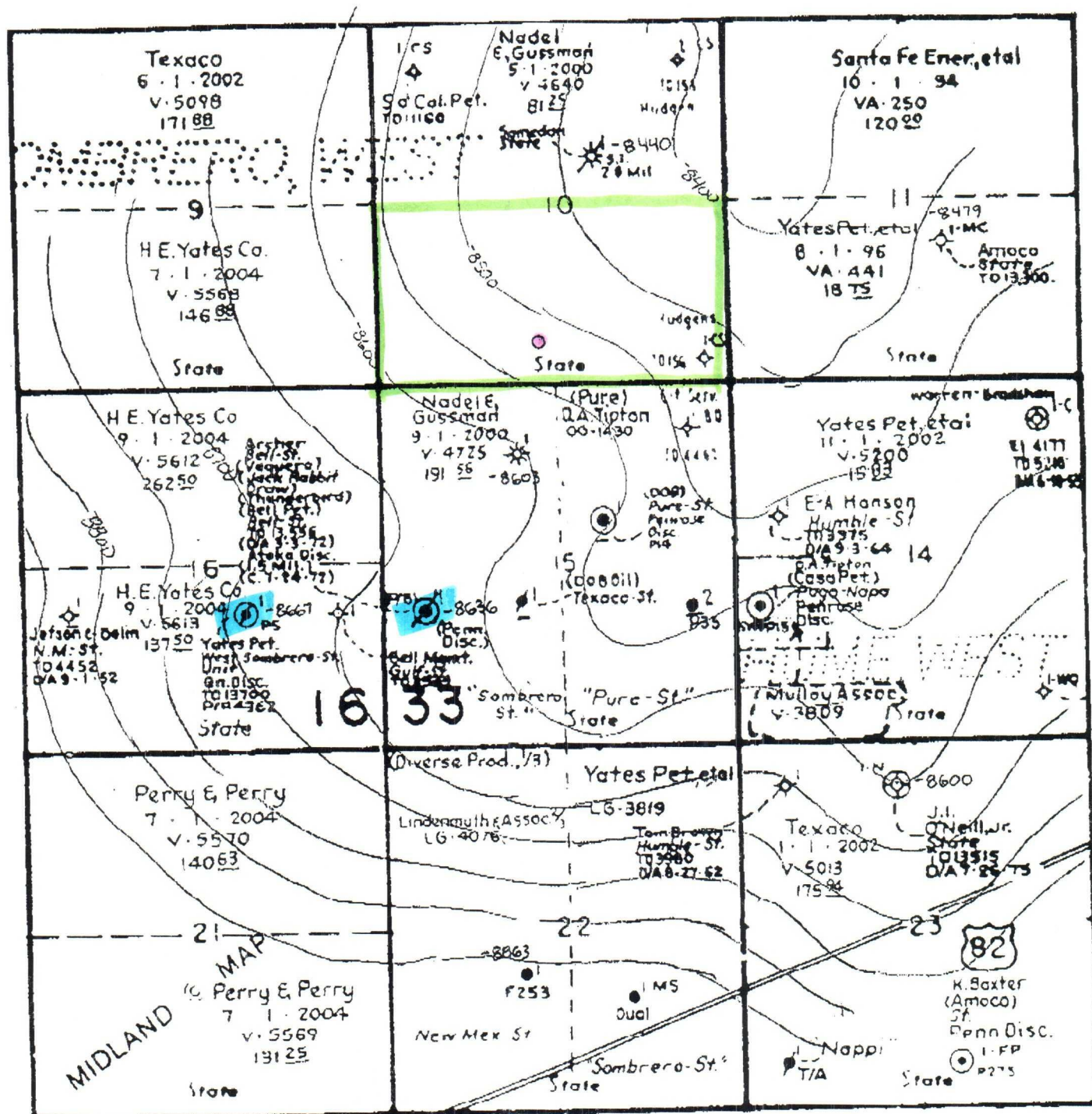
SECTIONS 10 & 13-T16S-R33E

LFA CO, NM

SHO

EXHIBIT





STRUCTURE MAP
TOP OF ATOKA SAND
CI=50'

NADEL AND GUSSMAN PERMIAN, L.L.C.

SOMBRERO PROSPECT

SECTIONS 10 & 15-T168 R336

LEA CO. NM

SHG

EXHIBIT

E