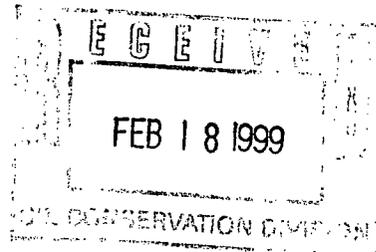


NSL 3/10/99

NADEL AND GUSSMAN PERMIAN, L.L.C.  
601 N. Marienfeld, Suite 508  
Midland, TX 79701  
Office: (915)682-4429  
Fax: (915)682-4325



February 16, 1999

NEW MEXICO OIL CONSERVATION DIVISION  
2040 S. Pacheco  
Santa Fe, New Mexico 87505  
Attn: Mr. Michael E. Stogner

Re: Application of Nadel and Gussman Permian, LLC for Unorthodox Well Location  
Rolling Rock State #1  
990' FWL, 990' FSL, Section 31, T-23-S, R-25-E, NMPM  
Eddy County, New Mexico

Dear Mr. Stogner:

Nadel and Gussman Permian, LLC ("NGP") respectfully requests administrative approval under Rule 104(F) to drill and produce its Rolling Rock State #1 at the captioned unorthodox location, which well is a proposed Morrow test well. NGP requests to designate the west half (W/2) of Section 31 as the spacing unit for said well, and to be produced from the Baldrige Canyon - Morrow Gas Pool.

The request for the unorthodox location is due to the geology of the Morrow Formation. Attached is a Morrow structure map which illustrates the presence of a northeast-southwest trending fault bisecting Section 31 from the acreage to the west. Drilling the Rolling Rock State #1 at a non-standard location will allow us to capture undrained Morrow reserves and reduce drilling risk.

Also attached is a land / lease plat, and a list of affected parties. A copy of this letter and a copy of the lease plat are being sent certified mail to each affected party on the attached list. By copy of this letter, the affected parties are being advised that any objections to this application must be filed within twenty days from the date of this notice.

Please advise if you have any questions or need further information. Thank you for your assistance in this matter.

Sincerely,

Sam H. Jolliffe IV  
Land Manager

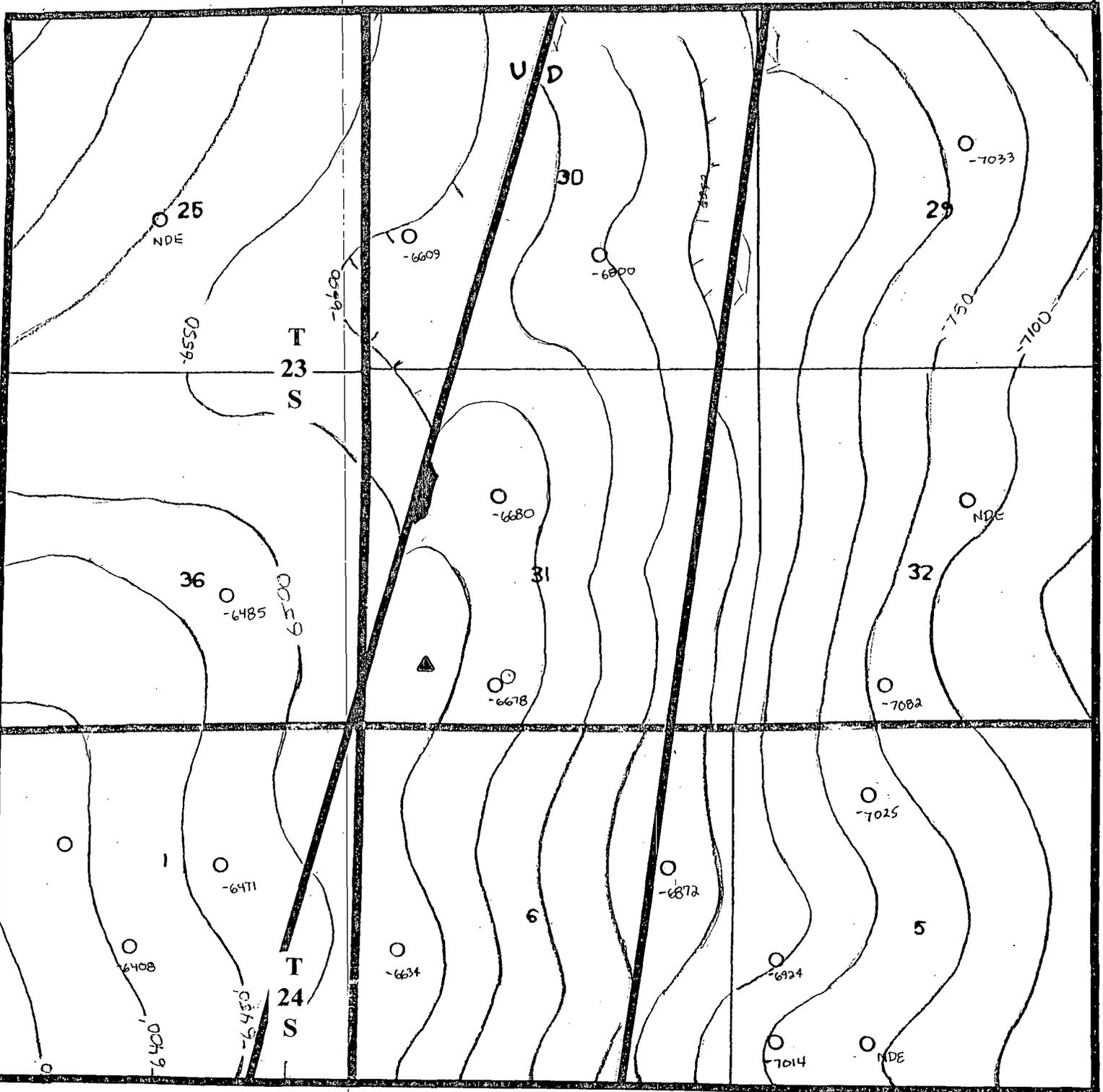
c: Offset Operators  
NMOCD - Artesia District Office  
Mr. Jeff Albers - New Mexico State Land Office

**OFFSET OPERATORS (AFFECTED PARTIES)**

Central Resources Inc.  
2600 Mellon Center  
1775 Sherman Street  
Denver, Colorado 80203-4313

RKC, Inc.  
1527 Hillside Road  
Fairfield, CT 06430

Yates Petroleum Corporation  
Yates Drilling Company  
ABO Petroleum Corporation  
MYCO Industries, Inc.  
105 South 4<sup>th</sup> Street  
Artesia, New Mexico 88210



R 24 E

R 25 E

MIDDLE MORROW SHALE  
CI= 50'

▲ PROPOSED LOCATION

NADEL AND GUSSMAN PERMIAN, L.L.C.

ROCK TANK PROSPECT

STRUCTURE MAP

T23S-R24E & R25E  
T24S-R24E & R25E

EDDY COUNTY, NM

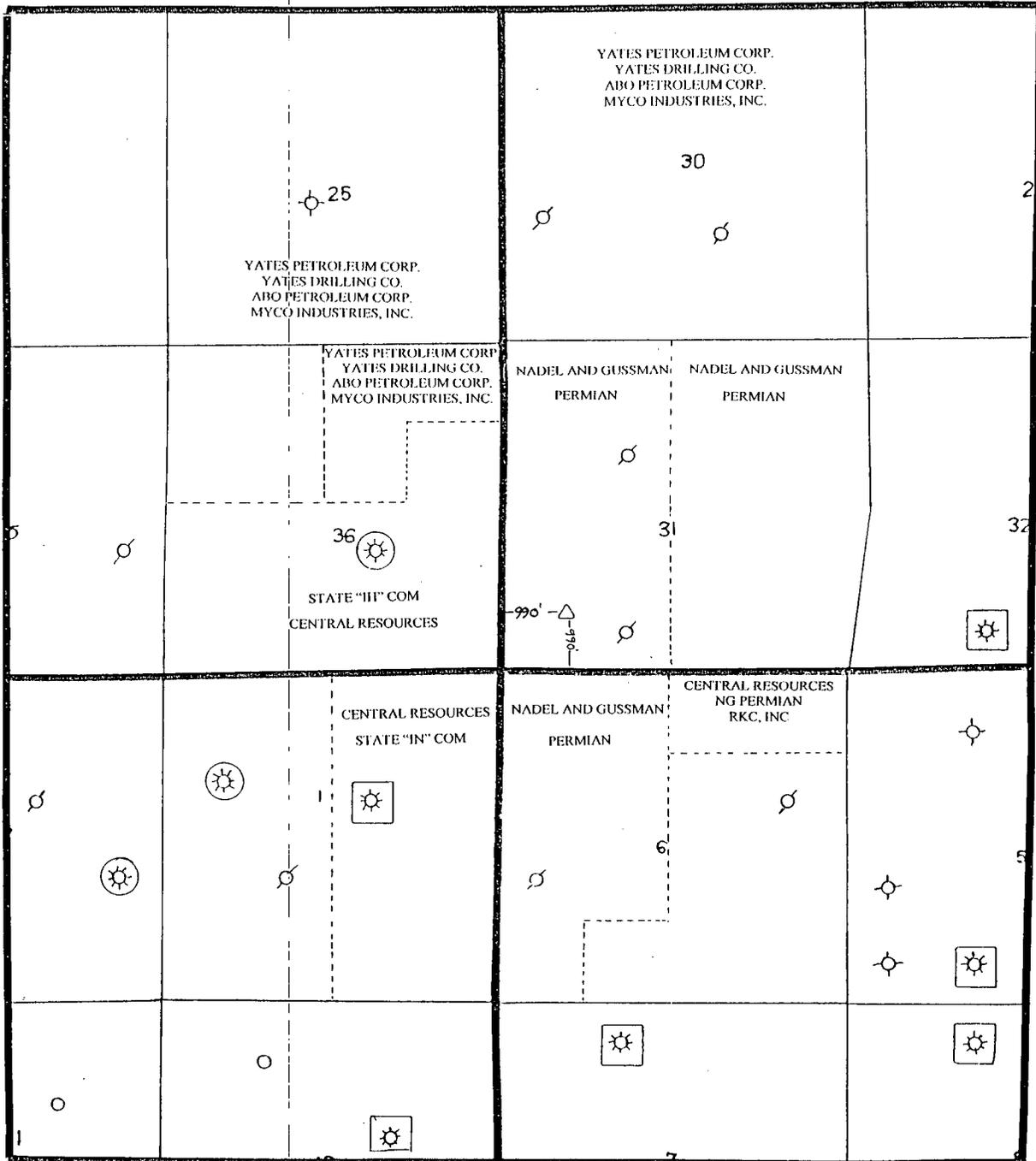
SHG

1 INCH = 2000'

12/98

T  
23  
S

T  
24  
S



R 24 E

R 25 E

-  MORROW PRODUCER
-  STRAWN PRODUCER
-  PROPOSED LOCATION

NADEL AND GUSSMAN PERMIAN, L.L.C.

ROCK TANK PROSPECT

T23S-R24E & R25E  
T24S-R24E & R25E  
EDDY COUNTY, NM

SIG 1 INCH = 2000' 12/98

CMD :  
OG5SECT

ONGARD  
INQUIRE LAND BY SECTION

02/19/99 16:38:33  
OGOMES -TPFQ  
PAGE NO: 2

Sec : 31 Twp : 23S Rng : 25E Section Type : NORMAL

3 40.07 UNIV VB0528 0000 07/03 NADEL AND GUSSMAN	K 40.00 UNIV VB0528 0000 07/03 NADEL AND GUSSMAN	J 40.00 UNIV VB0528 0000 07/03 NADEL AND GUSSMAN	I 40.00 UNIV VB0528 0000 07/03 NADEL AND GUSSMAN  C
4 40.02 UNIV VB0528 0000 07/03 NADEL AND GUSSMAN	N 40.00 UNIV VB0528 0000 07/03 NADEL AND GUSSMAN	O 40.00 UNIV VB0528 0000 07/03 NADEL AND GUSSMAN	P 40.00 UNIV VB0528 0000 07/03 NADEL AND GUSSMAN

PF01 HELP    PF02            PF03 EXIT    PF04 GoTo    PF05            PF06  
PF07 BKWD   PF08 FWD      PF09 PRINT   PF10 SDIV    PF11            PF12

80.09  
80.27  

---

160.36  

---

16  

---

320.36

CMD :  
OG5SECT

ONGARD  
INQUIRE LAND BY SECTION

02/19/99 16:38:26  
OGOMES -TPFC  
PAGE NO: 1

Sec : 31 Twp : 23S Rng : 25E Section Type : NORMAL

1 40.16 UNIV VB0528 0000 07/03 NADEL AND GUSSMAN	C 40.00 UNIV VB0528 0000 07/03 NADEL AND GUSSMAN	B 40.00 UNIV VB0528 0000 07/03 NADEL AND GUSSMAN	A 40.00 UNIV VB0528 0000 07/03 NADEL AND GUSSMAN
2 40.11 UNIV VB0528 0000 07/03 NADEL AND GUSSMAN	F 40.00 UNIV VB0528 0000 07/03 NADEL AND GUSSMAN  A	G 40.00 UNIV VB0528 0000 07/03 NADEL AND GUSSMAN	H 40.00 UNIV VB0528 0000 07/03 NADEL AND GUSSMAN

PF01 HELP    PF02            PF03 EXIT    PF04 GoTo    PF05            PF06  
PF07 BKWD   PF08 FWD      PF09 PRINT   PF10 SDIV     PF11            PF12

80.27

County Eddy Pool Baldrige Canyon - Morrow Gas

TOWNSHIP 23 South Range 25 East NMPM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Ext:  $\frac{1}{2}$  Sec 31 (A-6698, 6-2-81)



**Stogner, Michael**

---

**From:** Stogner, Michael  
**Sent:** Friday, February 19, 1999 5:02 PM  
**To:** Arrant, Bryan  
**Subject:** 31-T23S-R25E

What is the vertical limits of the Dark Canyon-Pennsylvanian Gas Pool? Does it include the Morrow formation?

I'm reviewing an NSL request by Nadel & Gussman and I'm confused with what pool their completion will be placed in and of course other matters that may transpire with your answer. Thanks.

## Stogner, Michael

---

**From:** Arrant, Bryan  
**Sent:** Monday, February 22, 1999 8:39 AM  
**To:** Stogner, Michael  
**Subject:** RE: 31-T23S-R25E

The Dark Canyon-Penn. Gas Pool was created by R-Order 2760 back in 1964, and includes all of the Penn (Top of Cisco to Base of Morrow). This order however only refers to a creation of this particular pool as Pennsylvanian Gas. The discovery well, the Dark Canyon State #1, in Sec. 30 of unit J was completed in the top of the Canyon. There is another well in unit L of 30 that was completed in the Morrow, the State "IW" Com. #1.

-----  
**From:** Stogner, Michael  
**Sent:** February 19, 1999 5:02 PM  
**To:** Arrant, Bryan  
**Subject:** 31-T23S-R25E

What is the vertical limits of the Dark Canyon-Pennsylvanian Gas Pool? Does it include the Morrow formation?

I'm reviewing an NSL request by Nadel & Gussman and I'm confused with what pool their completion will be placed in and of course other matters that may transpire with your answer. Thanks.

-----  
**From:** Stogner, Michael  
**Sent:** Monday, February 22, 1999 3:23 PM  
**To:** Arrant, Bryan  
**Subject:** RE: 31-T23S-R25E

Your suggestion sounds great, when you get a chance include this in the next nomenclature case. In the mean time I'll process Nadel and Gussman's NSL request for their Rolling Rock State #1 to be drilled 990' FS & WL (M) 31-T23S-R25E, Baldrige Canyon-Morrow Gas Pool with a W/2 dedication. Thanks again.

-----  
**From:** Arrant, Bryan  
**Sent:** Monday, February 22, 1999 2:35 PM  
**To:** Stogner, Michael  
**Subject:** RE: 31-T23S-R25E

Mike, to answer your question, I would suggest abolishing the Dark Canyon; Penn Gas Pool if possible. As you may be aware, the Baldrige Canyon-Morrow Gas Pool overlaps with the Dark Canyon-Penn. and already exists in Sec. 30 of 23-25. Baldrige Canyon was created back in 5/79 and has been extended through subsequent R-Orders and began to overlap the Dark Canyon back in the early 80's. I think why the overlapping was never picked up is because the pool book I refer to does not correctly show the Dark Canyon Pool through out the Penn section.

We have been in the process of interviewing for Jennifer's old job so I have not found the time to check if any wells are currently placed in the Dark Canyon and are still producing. Anyway, tell me what you need, and I will be happy to oblige.

-----  
**From:** Stogner, Michael  
**Sent:** February 22, 1999 11:24 AM  
**To:** Arrant, Bryan  
**Subject:** RE: 31-T23S-R25E

Yes, Bryan therein lies the problem, doesn't this constitute an overlapping of pools in this Section? What are your plans to correct this.

-----  
**From:** Arrant, Bryan  
**Sent:** Monday, February 22, 1999 8:39 AM  
**To:** Stogner, Michael  
**Subject:** RE: 31-T23S-R25E

The Dark Canyon-Penn. Gas Pool was created by R-Order 2760 back in 1964, and includes all of the Penn (Top of Cisco to Base of Morrow). This order however only refers to a creation of this particular pool as Pennsylvanian Gas. The discovery well, the Dark Canyon State #1, in Sec. 30 of unit J was completed in the top of the Canyon. There is another well in unit L of 30 that was completed in the Morrow, the State "IW" Com. #1.

-----  
**From:** Stogner, Michael  
**Sent:** February 19, 1999 5:02 PM  
**To:** Arrant, Bryan  
**Subject:** 31-T23S-R25E