

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:

CASE NO. 13043 (Reopened)
ORDER NO. R-11953-A

APPLICATION OF NADEL AND GUSSMAN PERMIAN, L.L.C. TO REOPEN CASE
NO. 13043 FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION;

This case came on for hearing at 8:15 a.m. on October 9, 2003, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 25th day of November, 2003, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.
- (2) By Order No. R-11953 issued in Case No. 13043 on May 6, 2003, the Division, upon the application of Nadel and Gussman Permian, L.L.C., pooled all uncommitted mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 28, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico, to form a standard 320-acre gas spacing and proration unit for all formations or pools spaced on 320 acres within this vertical extent, which presently include, but are not necessarily limited to, the Undesignated La Huerta-Atoka Gas Pool, Undesignated La Huerta-Strawn Gas Pool and the Burton Flat-Morrow Gas Pool.
- (3) This unit was to be dedicated to the applicant's proposed Domino Federal Well No. 1 (API No. 30-015-32931) to be drilled at a standard gas well location within the NE/4 of Section 28.
- (4) Pursuant to the provisions of Order No. R-11953, drilling operations on the Domino Federal Well No. 1 were to have commenced by August 31, 2003, unless the operator obtained a time extension from the Division Director for good cause.
- (5) Division records demonstrate that Nadel and Gussman Permian, L.L.C. applied for, and was granted by the Division, a drilling extension for the Domino Federal Well No. 1. This drilling extension expired on October 31, 2003.

(6) The applicant, Nadel and Gussman Permian, L.L.C. ("Applicant"), seeks an additional pooling order to compulsory pool certain interest owners within the E/2 of Section 28, Township 21 South, Range 27 East, NMPM, that were unknown at the time that Case No. 13043 was originally heard (April 10, 2003), and consequently were not pooled by Order No. R-1 1953.

(7) The applicant presented evidence that demonstrates that:

- (a) subsequent to the issuance of Order No. R-11953, it identified four additional interest owners within the E/2 of Section 28 that own approximately 4.4% of the interest in the proposed spacing unit;
- (b) it has made a reasonable attempt to secure the voluntary joinder of these additional interest owners, but has been unable to do so; and
- (c) it has commenced drilling the Domino Federal Well No. 1 at a location 660 feet from the North line and 1300 feet from the East line (Unit A) of Section 28.

(8) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all newly identified uncommitted interest owners within the Unit.

(9) The risk penalty and charges for supervision established by Division Order No. R-1 1953 should apply to those interest owners being pooled by this order.

IT IS THEREFORE ORDERED THAT:

(1) The application of Nadel and Gussman Permian, L.L.C. to amend Division Order No. R-1 1953 dated May 6, 2003 is hereby approved.

(2) All newly identified uncommitted mineral interests in the oil and gas from the surface to the base of the Morrow formation underlying the E/2 of Section 28, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico, (all as shown on Applicant's Exhibit No. 2) are hereby pooled to form a standard 320-acre gas spacing and proration unit for all formations or pools spaced on 320 acres within this vertical extent, which presently include, but are not necessarily limited to, the Undesignated La Huerta-Atoka Gas Pool, Undesignated La Huerta-Strawn Gas Pool and the Burton Flat-Morrow Gas Pool.

This unit shall be dedicated to the applicant's Domino Federal Well No. 1 (API No. 30-015-32931) which is currently being drilled at a standard gas well location 660 feet from the North line and 1300 feet from the East line (Unit A) of Section 28.

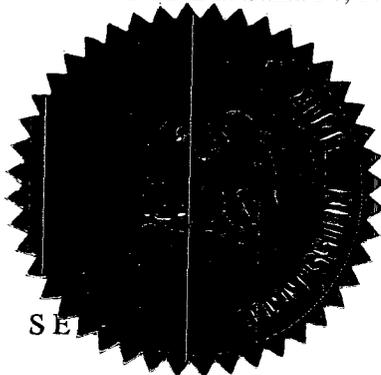
(3) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including **unleased** mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each newly identified pooled working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").

(4) Within 30 days from the date the schedule of estimated well costs is furnished, any newly identified pooled working interest owners shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(5) All other provisions contained within Division Order No. R-1 1953, including those that set forth the risk penalty and overhead rates, shall remain in full force and effect.

(6) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery

LORI WROTENBERY
Director