

**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. 14622  
ORDER NO. R-13386**

**APPLICATION OF NADEL AND GUSSMAN PERMIAN, L.L.C. FOR  
APPROVAL OF A UNIT AGREEMENT, CHAVES COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing on April 14, 2011, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 27<sup>th</sup> day of April, 2011, 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) The applicant, Nadel and Gussman Permian, L.L.C. ("NGP" or "Applicant"), seeks approval of its South Tobac Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the San Andres formation underlying the following-described 1,280 acres, more or less, of State of New Mexico lands situated in Chaves County, New Mexico:

**TOWNSHIP 8 SOUTH, RANGE 33 EAST, NMPM**

Section 28: W/2

Section 29: All

Section 30: E/2

(3) The Applicant presented testimony that demonstrates that:

- (a) Seventy-one and seven-eighths (71.875%) percent of the working interest and one hundred (100%) percent of the royalty and overriding royalty interest within the Unit area are committed to the Unit;
  - (b) The Commissioner of Public Lands has given preliminary approval for the proposed Unit;
  - (c) The initial well will be drilled at a standard well location 875 feet from the North line and 875 feet from the West line (Unit D) of Section 29, Township 8 South, Range 33 East, NMPM, Chaves County, New Mexico, to an approximate depth of 4,700 feet to test all formations from the surface to the base of the San Andres formation;
  - (d) The primary target for this initial well will be the San Andres formation; and
  - (e) NGP plans to drill additional wells to develop the unit if the initial well is successful.
- (4) No other party appeared at the hearing or otherwise opposed this application.
- (5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the Applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.
- (6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The South Tobac Exploratory Unit Agreement executed by Nadel and Gussman Permian, LLC is hereby approved for all oil and gas in all formations from the surface to the base of the San Andres formation underlying the following-described 1,280 acres, more or less, of State of New Mexico lands situated in Chaves County, New Mexico:

**TOWNSHIP 8 SOUTH, RANGE 33 EAST, NMPM**

Section 28: W/2  
Section 29: All  
Section 30: E/2

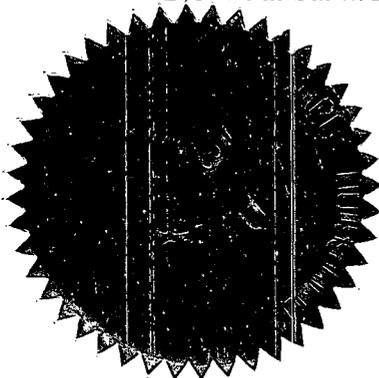
(2) The plan contained in the South Tobac Exploratory Unit Agreement for the development and operation of the above-described unit area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. This order shall terminate upon the termination of the unit agreement. The last unit operator shall notify the Division immediately in writing of such termination.

(5) 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.



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STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Jami Bailey".

JAMI BAILEY  
Director