



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

November 3, 2004

Nadel and Gussman Permian, L.L.C.
c/o **James Bruce**
P. O. Box 1056
Santa Fe, New Mexico 87504

Administrative Order NSL-5130 (BHL)

Dear Mr. Bruce:

Reference is made to the following: (i) your application on behalf of the operator, Nadel and Gussman Permian, L.L.C. ("Nadel and Gussman") submitted to the New Mexico Oil Conservation Division ("Division") on November 1, 2004 (***administrative application reference No. pSEM0-430744525***); and (ii) the Division's records in Santa Fe: all concerning Nadel and Gussman's request for an unorthodox subsurface gas well location within a standard 320-acre lay-down gas spacing unit comprising the N/2 of Section 12, Township 9 South, Range 29 East, NMPM, Chaves County, New Mexico, for the Undesignated Lost Lake-Strawn Gas Pool (**80693**), Undesignated Broke Tank Lake-Atoka Gas Pool (**97166**), and the wildcat Morrow formation (**96070**).

This application has been duly filed under the provisions of Division Rules 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, and 111.C (2).

From the Division's records and your application, it is our understanding that Concho Oil & Gas Corporation drilled its O'Brien Well No. 2 (**API No. 30-005-63541**) at a standard deep gas well location pursuant to Division Rule 104.C (2) (a) 1500 feet from the North and West lines (Unit F) of Section 12 to a total depth of 8,880 feet in the spring of 2003 to test the Morrow formation for commercial gas production within the N/2 of Section 12. The well was found to be non-commercial and has been shut-in.

Per your application, Nadel and Gussman, at this time, intends to recompleat the wellbore, which is to be redesignated the Moonlight Fee Well No. 1, by kicking-off from vertical at a depth of 5,800 feet to the east-southeast, and drill directionally to a targeted unorthodox bottomhole deep gas well location at an approximate depth of 9,348 feet (MD), or 9,200 feet (TVD), that is 1882 feet from the North line and 2391 feet from the West line (Unit F) of Section 12.

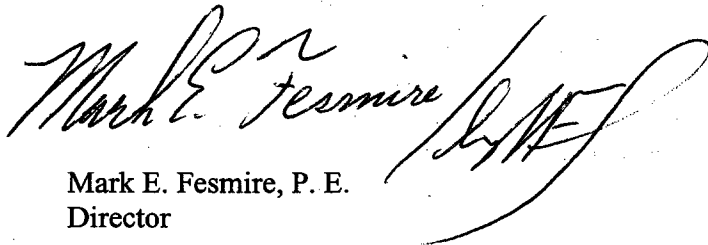
It is further understood that recompleting the well in this manner will allow Nadel and Gussman to penetrate the Morrow formation at a location appearing to be more geologically favorable within the N/2 of Section 12, thereby increasing the likelihood of encountering commercial quantities of gas from this zone, and by utilizing an existing wellbore, Nadel and Gussman is preventing waste and caused by drilling an excessive number of wells.

In accordance with Division Rules 111.A (7), 111.C (3), and 104.F (2) the planned recompletion/directional drilling of the Moonlight Fee Well No. 1/O'Brien Well No. 2 to the above-described subsurface deep gas well location within the Strawn, Atoka, and Morrow formations underlying the N/2 of Section 12 is hereby approved.

Further, Nadel and Gussman shall comply with all provisions of Division Rule 111 applicable in this matter.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, reading "Mark E. Fesmire". The signature is stylized with a large, sweeping "M" and a long, horizontal flourish extending to the right.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia