

NSL 3/10/99

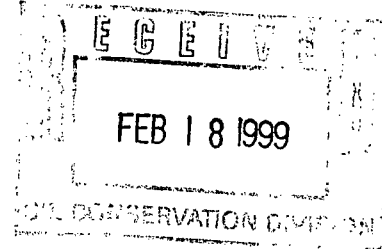
NADEL AND GUSSMAN PERMIAN, L.L.C.

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

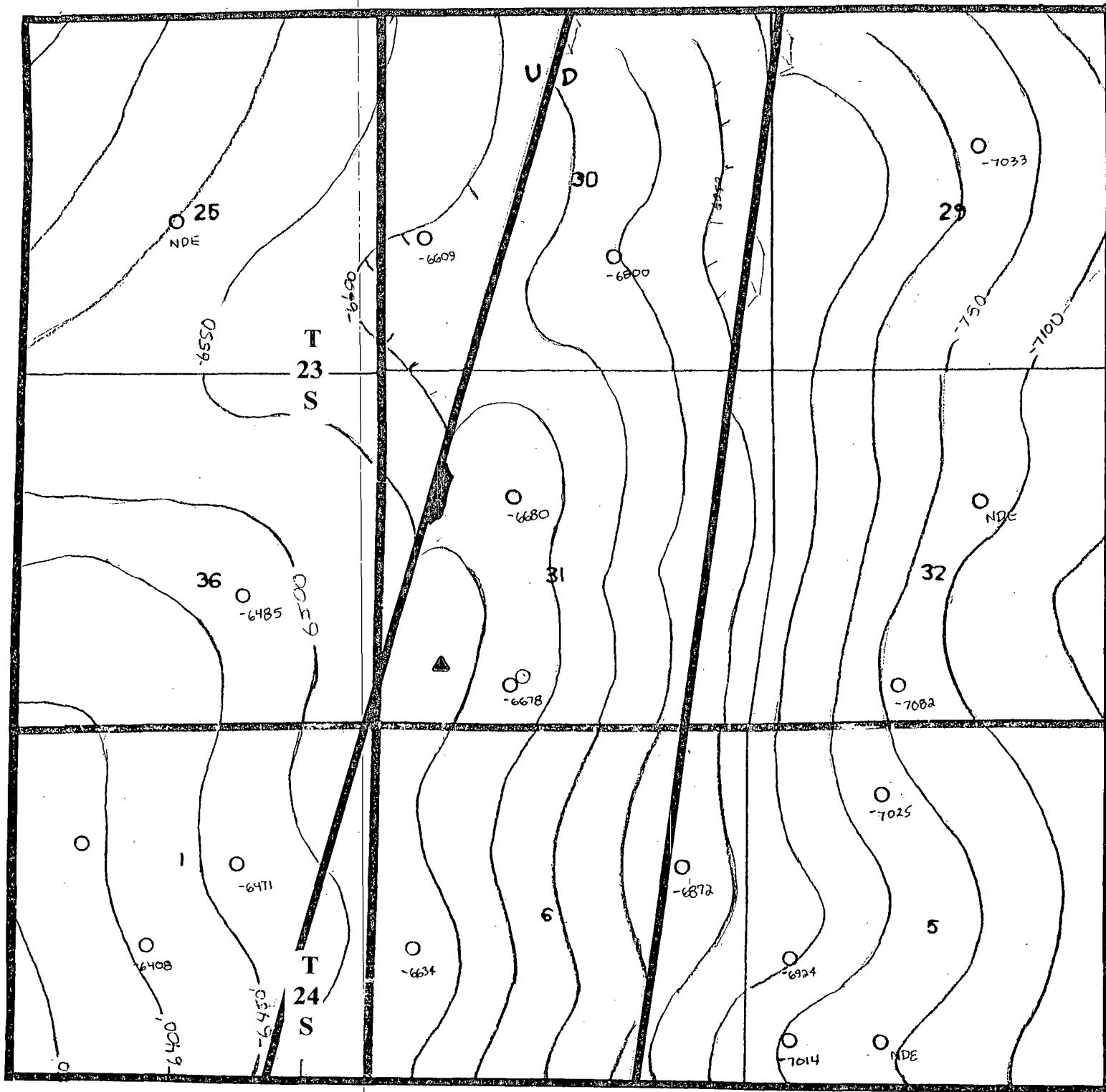
Mr. Jeff Albers - New Mexico State Land Office

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 4th 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

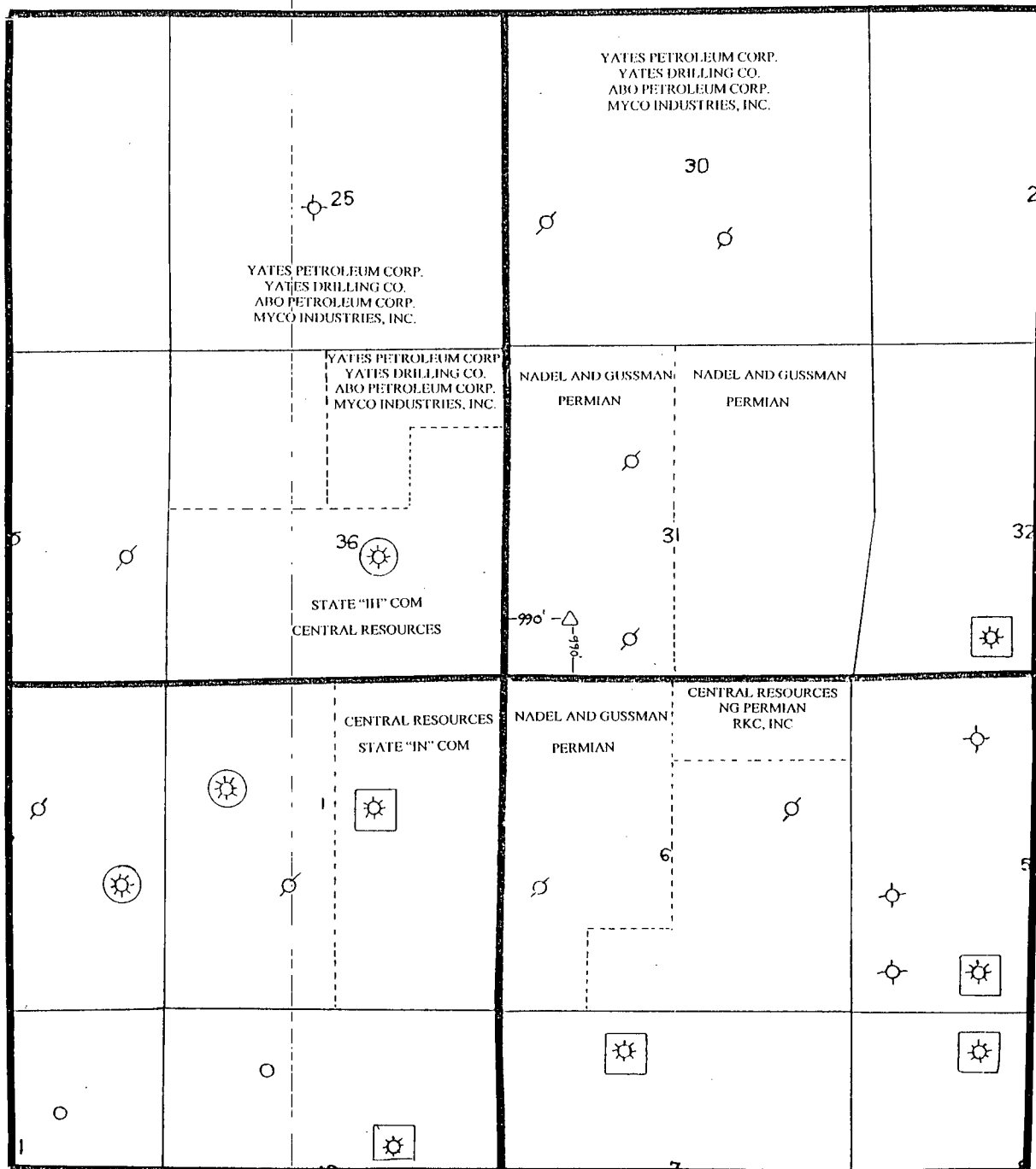
SHG

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 :
OG5SECTONGARD
INQUIRE LAND BY SECTION02/19/99 16:38:33
OGOMES -TPFC
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
PF07 BKWDPF02
PF08 FWDPF03 EXIT
PF09 PRINTPF04 GoTo
PF10 SDIVPF05
PF11PF06
PF12

80.09
80.27
160.36
16
320.36

CMD :
OG5SECTONGARD
INQUIRE LAND BY SECTION02/19/99 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: $\frac{5}{2}$ Sec 31 (A-6698, 6-2-81)

COUNTY EddyPOOL Dark Canyon - Pennsylvanian GasTOWNSHIP 23 SouthRANGE 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

Description: All Sec. 30 (R-2760, 9-1-64) EXT: $\frac{1}{2}$ sec 31 (R-823, 3-9-82)

EXT: $\frac{5}{2}$ sec 31, $\frac{5}{2}$ sec 32 (R-8847, 1-10-89)

EXT: $\frac{1}{2}$ sec. 32 (R-9326, 11-7-90)

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