



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

BETTY RIVERA

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

July 18, 2002

Nadel and Gussman Permian, L.L.C.

c/o James Bruce

P. O. Box 1056

Santa Fe, New Mexico 87504

Telefax No. (505) 982-2151

*Administrative Order NSL-4761*

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*application reference No. pKRV0-218447293*) dated July 3, 2002 on behalf of the operator Nadel and Gussman Permian, L.L.C.; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe.

**The Division Director Finds That:**

(1) Nadel and Gussman Permian, L.L.C. ("NGP"), as operator, proposes to drill its Mia Michelle State Well No. 1 at a location that is 457 feet from the North line and 1200 feet from the East line (Unit A) of Section 32, Township 15 South, Range 30 East, NMPM, Chaves County, New Mexico, to a depth that is sufficient to test the Devonian formation.

(2) Pursuant to NGP's request, the primary objective for this well is the deeper oil bearing Devonian interval, with the shallower Morrow formation as a secondary target.

(3) NGP therefore seeks an exception to the applicable well location set-back requirements governing the aforementioned intervals for its Mia Michelle State Well No. 1, which is to be dedicated to the following described spacing and proration units:

- (a) the E/2 to form a standard 320-acre stand-up gas spacing unit [Division Rule 104.C (2)] for the Undesignated Little Lucky Lake-Morrow Gas Pool (**80285**); and
- (b) the NE/4 NE/4 to form a standard 40-acre oil spacing and proration unit (Division Rule 104.B) for the Undesignated Little Lucky Lake-Devonian Pool (**39230**);

(4) It is the Division's understanding that the E/2 of Section 32 is included within a single state lease issued by the New Mexico State Land Office (State Lease No. V-03756) in which NGP is the leasehold operator and all mineral interest is common; therefore, there are no adversely effected offsets to the subject 40-acre tract within the Devonian formation.

(5) The geologic interpretation submitted herein indicates that a well drilled at the proposed unorthodox oil well location will be at a more favorable geologic position within the deeper Devonian

formation then a well drilled at a location considered to be standard within the proposed standard 40-acre oil spacing and proration unit comprising the NE/4 NE/4 of Section 32.

(6) The subject application has been duly filed under the provisions of Division Rule 104.F (2); and

(7) The subject application, which serves to prevent waste and being in the best interest of conservation, should be approved.

**The Division Director Finds That:**

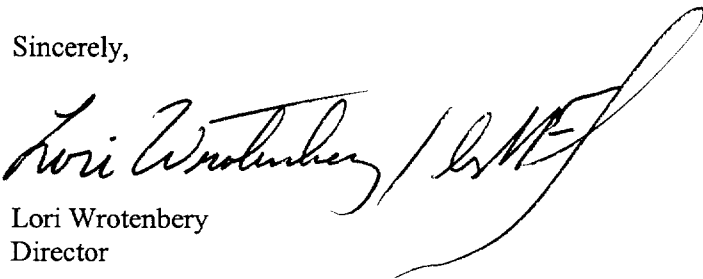
(1) Nadel and Gussman Permian, L.L.C. ("NGP") is hereby authorized to drill its proposed Mia Michelle State Well No. 1 at an unorthodox location that is 457 feet from the North line and 1200 feet from the East line (Unit A) of Section 32, Township 15 South, Range 30 East, NMPM, Chaves County, New Mexico, to a depth that is sufficient to test down to the Devonian formation.

(2) This well is to be dedicated to the following described oil and/or gas spacing and proration units in Section 32:

- (a) the E/2 to form a standard 320-acre stand-up gas spacing unit [Division Rule 104.C (2)] for the Undesignated Little Lucky Lake-Morrow Gas Pool (80285); and
- (b) the NE/4 NE/4 to form a standard 40-acre oil spacing and proration unit (Division Rule 104.B) for the Undesignated Little Lucky Lake-Devonian Pool (39230).

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

Sincerely,



Lori Wrotenbery  
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs  
New Mexico State Land Office - Santa Fe