

January 25, 2005

**HAND-DELIVERED**

*Case 13416*

2005 JAN 25 PM 3 19

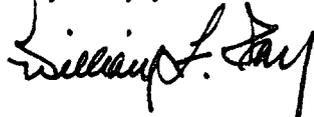
Mark E. Fesmire, P.E.  
Director  
Oil Conservation Division  
New Mexico Energy, Minerals and  
Natural Resources Department  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

Re: Application of Nadel and Gussman Permian, LLC for compulsory pooling,  
Eddy County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the application of Nadel and Gussman Permian, LLC in the above-referenced case as well as a copy of a legal advertisement. Nadel and Gussman Permian, LLC requests that this matter be placed on the docket for the February 17, 2005 examiner hearings.

Very truly yours,



William F. Carr

Enclosures

cc: Sam H. Jolliffe IV  
Nadel and Gussman Permian, LLC

**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION  
OF NADEL AND GUSSMAN PERMIAN, L.L.C.  
FOR COMPULSORY POOLING, EDDY  
COUNTY, NEW MEXICO.**

CASE NO. 1557

2005 JAN 25 PM 3 19  
2005 JAN 25 PM 3 19

**APPLICATION**

NADEL AND GUSSMAN PERMIAN, L.L.C., ("Nadel and Gussman") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17(C), for an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described acreage in Section 12, Township 17 South, Range 28 East, NMPM: the S/2 to form a standard 320-acre spacing and proration unit for all formations developed on a 320-acre spacing within that vertical extent which includes but is not necessarily limited to the Undesignated South Empire-Morrow Gas Pool; and the SW/4 to form a standard spacing and proration unit for all formations developed on 160-acre spacing within that vertical extent which includes but is not necessarily limited to the Undesignated Vandagriff Keyes-Queen Gas Pool, and in support thereof states:

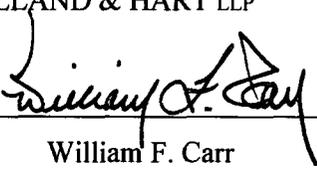
1. Nadel and Gussman is a working interest owner in the S/2 of said Section 12 and has the right to drill thereon.
2. Nadel and Gussman proposes to dedicate the above-referenced spacing and proration unit to its Carrington State Well No. 1 to be drilled at a standard location approximately 1650 feet from the South line and 1500 feet from the West line to an approximate depth of 10,600 feet to test all formations from the surface to the base of the Morrow formation.
3. Nadel and Gussman has sought and been unable to obtain a voluntary agreement for the development of these lands from those interest owners identified on Exhibit A to this application.
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.
5. In order to permit Nadel and Gussman the opportunity to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Nadel and Gussman Permian, LLC should be designated the operator of the well to be drilled.

WHEREFORE, Nadel and Gussman Permian, LLC requests that this application be set for hearing before an Examiner of the Oil Conservation Division on February 17, 2005 and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing units,
- B. designating Nadel and Gussman Permian, LLC operator of this spacing unit and the well to be drilled thereon,
- C. authorizing Nadel and Gussman Permian, LLC to recover its costs of drilling, equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- E. imposing a 200% penalty for the risk assumed by Nadel and Gussman Permian, LLC in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

HOLLAND & HART LLP

By: 

William F. Carr  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR NADEL AND GUSSMAN  
PERMIAN, LLC

**EXHIBIT A**

**Application of Nadel and Gussman Permian  
for compulsory pooling  
Eddy County, New Mexico  
Section 12:Unit Letter K  
Township 17 South, Range 28 East, NMPM  
Eddy County, New Mexico.**

**Carrington State Well No. 1**

Merchinson Oil & Gas, Inc.  
1100 Mira Vista Blvd.  
Plano, Texas 75093  
Attention: Michael S. Daugherty  
Vice President Operations

Chase Oil Corporation  
Post Office Box 1767  
Artesia, New Mexico 88211-1767

Mack C. Chase and Marilyn Y. Chase Trust  
u/t/a dated November 21, 1983  
Post Office Box 693  
Artesia, new Mexico 88211-0693

Robert C. Chase  
2306 Sierra Vista  
Artesia, New Mexico 88210

Richard L. Chase  
Post Office Box 359  
Artesia, New Mexico 88211-0359

Rebecca S. Ericson, Attorney in Fact  
for Gerene Dianne Chase Crouch, S&SP  
Post Office Box 693  
Artesia, New Mexico 88211-0693

Marbob Energy Corporation  
Post Office Box 227  
Artesia, New Mexico 88211-0227  
Attention: Raye Miller

Pitch Energy Corporation  
Post Office Box 304  
Artesia, New Mexico 88211-0304

CASE 13416:

**Application of Nadel and Gussman Permian, LLC for compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described acreage in Section 12, Township 17 South, Range 28 East, NMPM: the S/2 to form a standard 320-acre spacing and proration unit for all formations developed on a 320-acre spacing within that vertical extent which includes but is not necessarily limited to the Undesignated South Empire-Morrow Gas Pool; and the SW/4 to form a standard spacing and proration unit for all formations developed on 160-acre spacing within that vertical extent which includes but is not necessarily limited to the Undesignated Vandagriff Keyes-Queen Gas Pool. Said units are to be dedicated to applicant's Carrington State Well No. 1 to be drilled 1650 feet from the South line and 1500 feet from the West line of said Section 12 to an approximate depth of 10,600 feet. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Nadel and Gussman Permian, LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 15 miles east of Artesia, New Mexico.

January 27, 2005

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

TO ALL AFFECTED INTEREST OWNERS

Re: Application of Nadel and Gussman Permian, LLC for compulsory pooling, Eddy County, New Mexico.

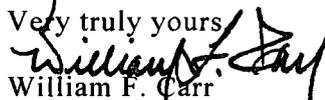
Ladies and Gentlemen:

This letter is to advise you that Nadel and Gussman Permian, LLC has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described acreage in Section 12, Township 17 South, Range 28 East, NMPM: the S/2 to form a standard 320-acre spacing and proration unit for all formations developed on a 320-acre spacing within that vertical extent which includes but is not necessarily limited to the Undesignated South Empire-Morrow Gas Pool; and the SW/4 to form a standard spacing and proration unit for all formations developed on 160-acre spacing within that vertical extent which includes but is not necessarily limited to the Undesignated Vandagriff Keyes-Queen Gas Pool. Said units are to be dedicated to Nadel and Gussman Permian, LLC's Carrington State Well No. 1 to be drilled 1650 feet from the South line and 1500 feet from the West line of said Section 12 to a depth sufficient to test all formations from the surface to the base of the Morrow formation.

This application has been set for hearing before a Division Examiner on February 17, 2005. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement three days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

  
William F. Carr

ATTORNEY FOR NADEL AND GUSSMAN PERMIAN, LLC

cc: Sam H. Jolliffe, IV  
Nadel and Gussman Permian, LLC