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July 1, 2003

Via Hand Delivery

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing are an original and one copy of an application for compulsory pooling, together with a proposed advertisement, filed on behalf of Nadel and Gussman Permian, L.L.C. Please set this matter for the July 24, 2003 Examiner hearing. Thank you.

The advertisement is also on the enclosed disk.

Very truly yours,



James Bruce

Attorney for Nadel and Gussman Permian, L.L.C.

RECEIVED

JUL 1 2003

Oil Conservation Division

Case 13114

Parties Being Pooled

Yates Petroleum Corporation
Yates Drilling Company
Abo Petroleum Corporation
MYCO Industries, Inc.
John A. Yates
S.P. Yates
Martin Yates, III

c/o Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

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JUL 1 2003

Oil Conservation Division

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

Case No. 13114

APPLICATION

Nadel and Gussman Permian, L.L.C. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 1, 2, S $\frac{1}{2}$ NE $\frac{1}{4}$ and SE $\frac{1}{4}$ (the E $\frac{1}{2}$ equivalent) of Section 4, Township 18 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the E $\frac{1}{2}$ of Section 4, and has the right to drill a well thereon.

2. Applicant proposes to drill its Dulce Amor Well No. 1, at an orthodox location in Lot 2 of Section 4, to a depth sufficient to test the Morrow formation, and seeks to dedicate the following acreage to the well:

(a) Lot 2 of Section 4 to form a standard 40.20 acre oil spacing and proration unit for any formations and/or pools developed on 40 acre spacing within that vertical extent;

(b) Lots 1, 2, and the S $\frac{1}{2}$ NE $\frac{1}{4}$ (the NE $\frac{1}{4}$ equivalent) of Section 4 to form a standard 160.48 acre gas spacing and proration unit for any formations and/or pools developed on 160 acre spacing within that vertical extent; and

(c) The E $\frac{1}{2}$ of Section 4 to form a standard 320.48 acre gas spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent, including the Undesignated Kennedy Farms-Upper Pennsylvanian

Gas Pool and Undesignated North Kennedy Farms-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the E½ of Section 4 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the E½ of Section 4, pursuant to NMSA 1978 §70-2-17.

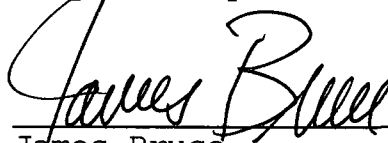
5. The pooling of all mineral interests underlying the E½ of Section 4 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the E½ of Section 4, from the surface to the base of the Morrow formation;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates pursuant to the COPAS accounting procedure; and

E. Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", written over a horizontal line.

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Nadel and Gussman
Permian, L.L.C.