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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

JAN 13 2004

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

Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505  
Case No. 13211

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 the N½ of Section 17, Township 23 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the N½ of Section 17, and has the right to drill a well thereon.

2. Applicant proposes to drill its Romulus Fee Well No. 1, at an orthodox location in the NW¼NW¼ of Section 17, to a depth sufficient to test the Morrow formation, and seeks to dedicate the N½ of Section 17 to the well to form a standard 320 acre gas spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent, including the Undesignated Loving-Upper Pennsylvanian Gas Pool, North Loving-Strawn Gas Pool, North Loving-Atoka Gas Pool, and North Loving-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N½ of Section 17 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

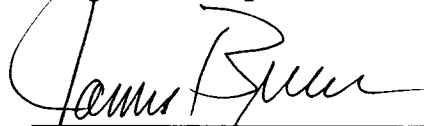
dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the N½ of Section 17, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the N½ of Section 17 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 N½ of Section 17, 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 200% charge 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,



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

PROPOSED ADVERTISEMENT

Case 13211: Application of Nadel and Gussman Permian, L.L.C. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order to pooling all mineral interests from the surface to the base of the Morrow formation underlying the N½ of Section 17, Township 23 South, Range 28 East, NMPM, to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the Undesignated Loving-Upper Pennsylvanian Gas Pool, North Loving-Strawn Gas Pool, North Loving-Atoka Gas Pool, and North Loving-Morrow Gas Pool. The unit is to be dedicated to applicant's Romulus Fee Well No. 1, to be drilled at an orthodox location in the NW¼NW¼ of Section 17. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 1½ miles north-northwest of Loving, New Mexico.

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