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September 30, 2002

Hand Delivered

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

Case 12957

RECEIVED
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10:07 AM '02

Dear Florene:

Enclosed for filing are an original and one copy of 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 **November 14**, 2002 Examiner hearing.

The documents are also on the enclosed disk.

Very truly yours,


James Bruce

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

Parties Being Pooled

Unlocatable mineral interest owners

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

No. 12957

APPLICATION

Nadel and Gussman Permian, L.L.C. applies for an order pooling all mineral and leasehold interests from the surface to the base of the Morrow formation underlying the E½ of Section 35, Township 23 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the E½ of Section 35, and has the right to drill a well thereon.

2. Applicant proposes to drill its Palo Duro Well No. 1, at an orthodox location in the NE¼SE¼ of the section, to a depth sufficient to test the Morrow formation, and seeks to dedicate the E½ of Section 35 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 Southeast Loving-Atoka Gas Pool and the Undesignated Black River-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral and leasehold interest owners in the E½ of Section 35 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral and leasehold 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

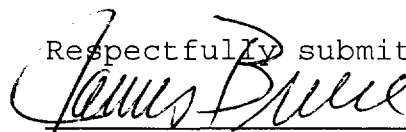
refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral and leasehold interest owners in the E½ of Section 35, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral and leasehold interests underlying the E½ of Section 35 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 and leasehold interests in the E½ of Section 35, 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 those 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,



James Bruce
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(505) 982-2043

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

PROPOSED ADVERTISEMENT

Case 12952: Application of Nadel and Gussman Permian, L.L.C. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E½ of Section 35, Township 23 South, Range 27 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 Southeast Loving-Atoka Gas Pool and the Undesignated Black River-Morrow Gas Pool. The units are to be dedicated to applicant's Palo Duro Well No. 1, to be drilled at an orthodox location in the NE¼SE¼ (Unit I) of Section 35. 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 charge for the risk involved in drilling and completing the well. The unit is located approximately 3½ miles southwest of Loving, New Mexico.

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