



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

October 6, 1998

Nadel and Gussman Permian, L.L.C.
601 N. Marienfield - Suite 508
Midland, Texas 79701

Telefax No. (915) 682-4325

Attention: Sam H. Jolliffe, IV

RECEIVED
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OIL - AIRTEL

Administrative Order NSL-4134

Dear Mr. Jolliffe:

Reference is made to your application dated August 19, 1998 for an unorthodox gas well location in the South Carlsbad-Morrow Gas Pool for your proposed Express State Well No. 1 to be drilled 660 feet from the North line and 1150 feet from the West line (Unit C) of Section 34, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico.

The N/2 of Section 34 being a standard 320-acre gas spacing and proration unit for the South Carlsbad-Morrow Gas Pool is to be dedicated to this well.

Rules, regulations, and policies currently governing the South Carlsbad-Morrow Gas Pool include, but are not necessarily limited to, the following:

- (I) Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division");
- (ii) the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the South Carlsbad-Morrow Gas Pool*," as promulgated by Division Order No. R-8170, as amended, which includes provisions for 320-acre spacing and requirements for well locations to be no closer than 660 feet to the side boundary nor 1980 feet from the end boundary of the proration unit nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary;
- (iii) Division Order No. R-10328, issued by the New Mexico Oil Conservation Commission in Case 11211 on March 27, 1995, which order suspended gas prorationing in the South Carlsbad-Morrow Gas Pool; and,
- (vi) Division General Rule 104.D(3), which limits the number of wells in a single spacing unit in non-prorated pools to one.

Nadel and Gussman Permian, L.L.L.

October 6, 1998

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The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Morrow formation than a well drilled at a location considered to be standard within the NW/4 of Section 34 for the South Carlsbad-Morrow Gas Pool.

By the authority granted me under the provisions of RULE 2(d) of the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the South Carlsbad-Morrow Gas Pool*," as promulgated by Division Order No. R-8170, as amended, and Division General Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lori Wrotenbery', followed by a large, stylized flourish or mark.

Lori Wrotenbery
Director

LW/MES/kv

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

NADEL AND GUSSMAN PERMIAN, L.L.C.
601 N. Marienfeld, Suite 508
Midland, TX 79701
Office: (915)682-4429
Fax: (915)682-4325

August 19, 1998

NEW MEXICO OIL CONSERVATION DIVISION
2040 S. Pacheco
Santa Fe, New Mexico 87505
Attn: Mr. Michael E. Stogner

Re: Application of Nadel and Gussman Permian, LLC for Unorthodox Well Location
Express State #1
660' FNL, 1,150' FWL Section 34, T-23-S, R-26-E
Eddy County, New Mexico

Dear Mr. Stogner:


Nadel and Gussman Permian, LLC ("NGP") respectfully requests administrative approval under Rule 104(F) to drill and produce its Express State #1 well at the captioned unorthodox location, which well is a proposed Morrow test well. NGP requests to designate the north half (N/2) of Section 34 as the 320 acre spacing unit for said well, and to be produced from the Carlsbad Morrow-South Gas Pool. A Communitization Agreement is currently in place for the N/2 Section 34, covering the Strawn, Atoka, and Morrow Formations. NGP currently operates the Carlsbad State #1, which is a producing Atoka well located in the NW/4NE/4 Section 34.

The request for the unorthodox location is due to geology of the Morrow Formation. Attached is a Morrow structure map which illustrates the presence of a northeast - southwest trending fault bisecting the NW/4 Section 34. Drilling the Express State #1 at a non-standard location will allow us to capture undrained Morrow reserves and reduce drilling risk.

Also attached is a land / lease plat, and a list of affected parties. A copy of this letter and a copy of the lease plat are being sent certified mail to each affected party on the attached list. By copy of this letter, the affected parties are being advised that any objections to this application must be filed within twenty days from the date of this notice.

Please advise if you have any questions or need further information. Thank you for your assistance in this matter.

Sincerely,


Sam H. Jolliffe IV
Land Manager

c: Offset Operators
Mr. Jeff Albers - New Mexico State Land Office

OFFSET OPERATORS (AFFECTED PARTIES)

Rhombus Energy Company
200 N. Loraine
Midland, Texas 79701

Redstone Oil & Gas Company
8235 Douglas Avenue, Suite 1050
Dallas, Texas 75225

Loro Corporation
214 W. Texas, Suite 900
Midland, Texas 79701

Oxy USA Inc.
P.O. Box 50250
Midland, Texas 79710-0250

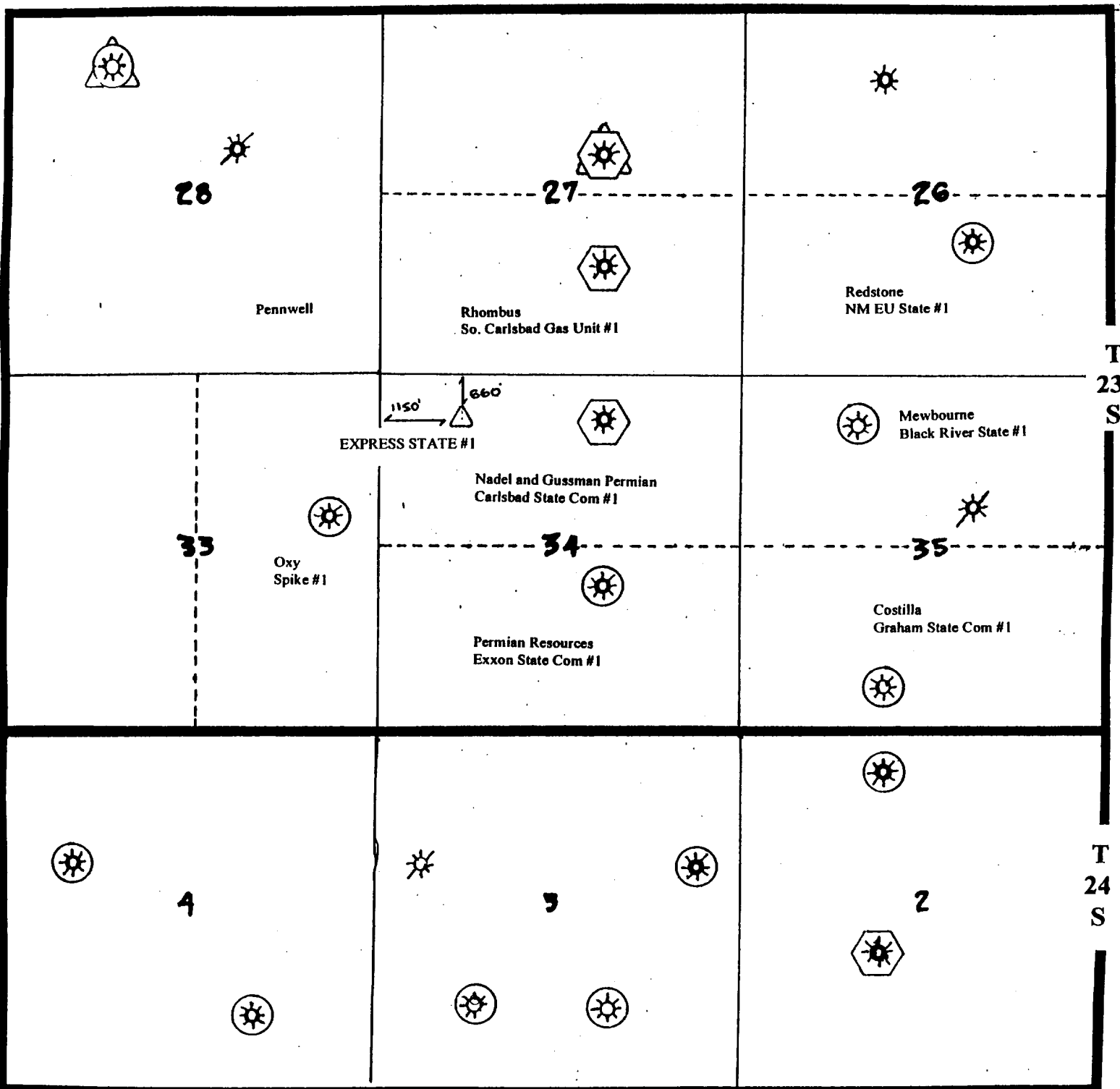
Penwell Energy, Inc.
600 N. Marienfeld, Suite 1100
Midland, Texas 79701

Costilla Energy, Inc.
P.O. Box 10369
Midland, Texas 79702

Mewbourne Oil Company
500 W. Texas, Suite 1020
Midland, Texas 79701

Permian Resources
P.O. Box 1422
Midland, Texas 79702

R E



R 26 E



ACTIVE STRAWN PRODUCER



ACTIVE ATOKA PRODUCER



ACTIVE MORROW PRODUCER

NADEL AND GUSSMAN PERMIAN, L.L.C.

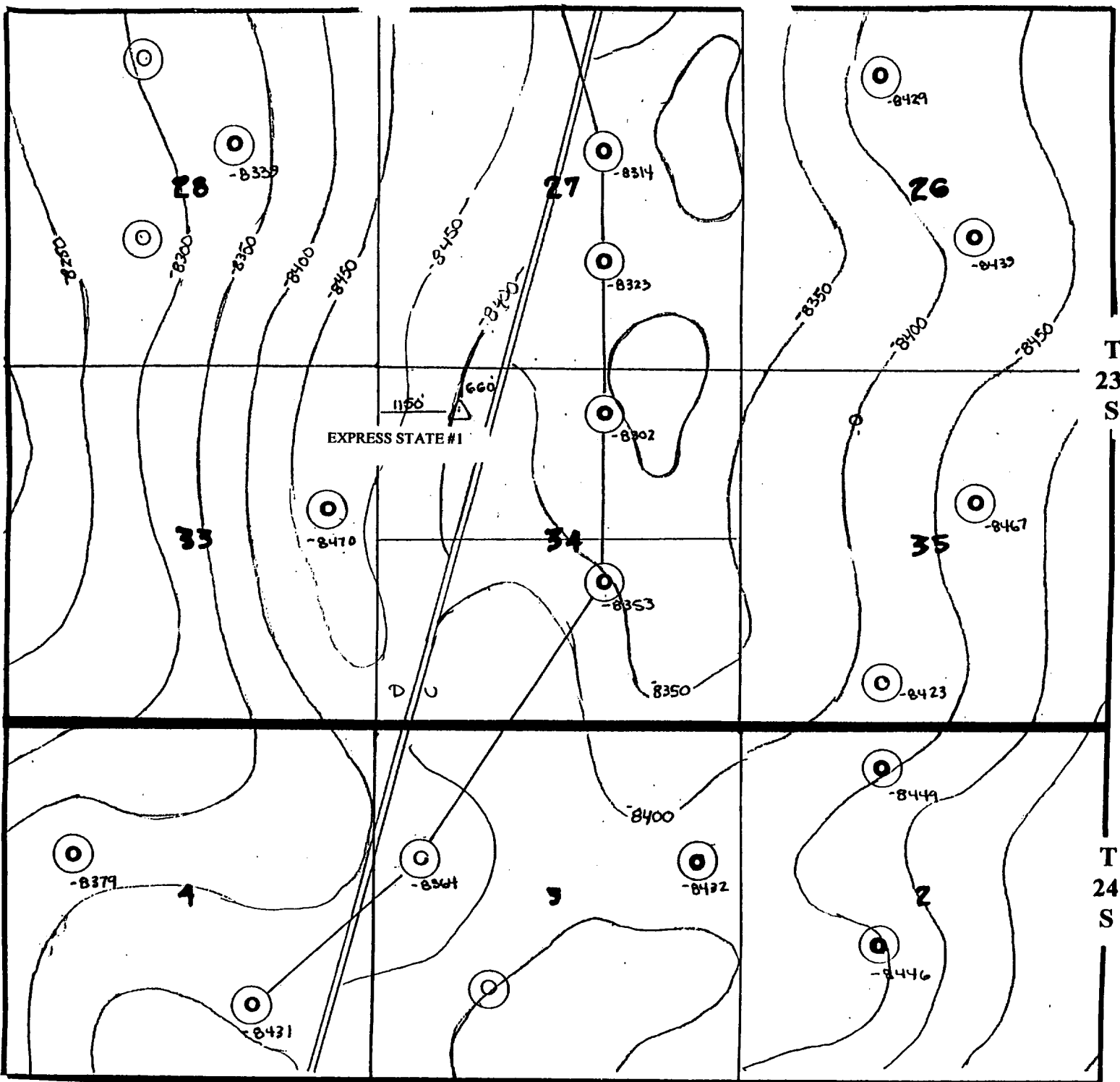
EXPRESS STATE #1

T23S-R26E
T24S-R26E

EDDY COUNTY, NM

SHG

9/98



R 26 E

NADEL AND GUSSMAN PERMIAN, L.L.C.

EXPRESS STATE #1

MIDDLE MORROW SHALE
STRUCTURE MAP

CI = 50'

T23S-R26E
T24S-R26E

EDDY COUNTY, NM

SHG

9/98

DATE IN	SUSPENSE	ENGINEER	LOGGED BY	TYPE
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

2040 South Pacheco, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATION FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
 [DD-Directional Drilling] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Directional Drilling
☒ NSL ☐ NSP ☐ DD ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
 [B] ☒ Offset Operators, Leaseholders or Surface Owner
 [C] ☐ Application is One Which Requires Published Legal Notice
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] ☐ Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Certification

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data (including API numbers, pool codes, etc.), pertinent information and any required notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Sam H. Jolliffe IV
Print or Type Name

Sam H. Jolliffe IV
Signature

Land Manager
Title

8/19/98
Date