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RECEIVED

AUG 06 2004

OIL CONSERVATION
DIVISION

Re:

*Info re: Case No. 13,309 (Nadel
and Gussman Permian, L.L.C.)*

Jan

NADEL AND GUSSMAN PERMIAN, L.L.C.
601 N. Marienfeld, Suite 508
Midland, TX 79701
Office: (432) 682-4429
Fax: (432) 682-4325

July 29, 2004

Bureau of Land Management
Roswell District Office
2909 W. Second Street
Roswell, New Mexico 88201-2019
Attn: Mr. Armando Lopez

Re: Quick Draw Federal #1
W/2 Section 23, T-7-S, R-26-E, Chaves County, New Mexico
Docket No. 20-04, Case 13309

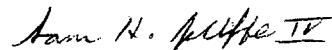
Dear Armando:

As follow up to our phone conversation of July 27, please find enclosed a geologic discussion, structure map, and isopach map with reference to our proposed Quick Draw Federal #1. As you are aware, Nadel and Gussman has proposed a W/2 spacing unit, which will require a communitization of a Federal Lease covering the NW/4 Section 23, and fee leasehold in the SW/4 Section 23.

Please review and advise at your earliest convenience as we have a case pending with the NMOCD, and which case has been held open pending your review and approval. Please advise if you have any questions or need further information.

Thank you for your time and attention to this matter.

Sincerely,



Sam H. Jolliffe IV
Land Manager

c: w/attachments
Mr. James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504

NADEL AND GUSSMAN PERMIAN, L.L.C. MIDLAND, TEXAS

LOBO DRAW PROSPECT: GEOLOGIC DISCUSSION

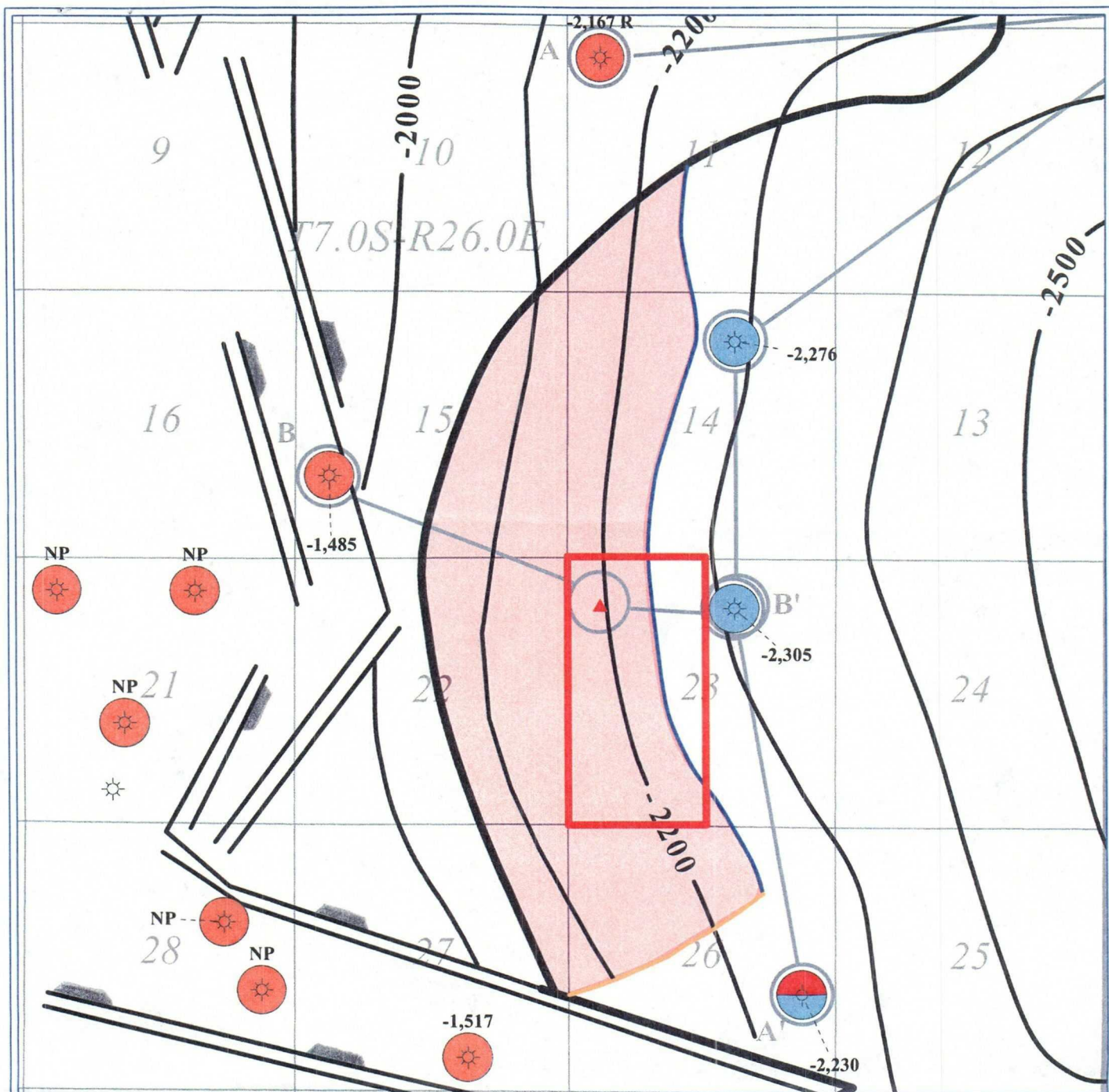
W/2 of Section 23, T7S, R26E, Chaves Co., NM.

The Nadel and Gussman Permian, LLC proposed Montoya Formation wildcat location is 26.2 miles NNW of Roswell, New Mexico, in Chaves County. The proposed location requires a standup W/2 unit in Section 23, T7S, R26E due to the north-south trend of the mapped Montoya anomaly.

The most promising location for the first well is 990' FNL & 660' FWL in the NW/4 of Section 23, on the west edge of a Federal lease covering the NW 1/4 of the section. The initial well is keyed off a "deep" well drilled by Stevens Operating Corporation located 990' FNL & 1980' FEL in the NE/4 of the Federal lease. The Stevens well had 53 feet of effective Montoya porosity, but all 53 feet calculated "wet" on the electric logs with bulk volume water ranging between 0.051 and 0.087, values far exceeding the hydrocarbon cutoff for dolomites at 0.040. The outcome of the Stevens well condemns the Montoya across the E/2 of Section 23, which is below the mapped Montoya gas/water contact. An exploration test in the W/2 of Section 23 should gain 100 to 125 feet of structure at the top of Montoya and even more at the base of Montoya as the Montoya thins from east to west, eventually pinching out across the E/2 of Section 22.

Two exhibits are included with the text; a structure map on top of the Montoya, and an isopach map of gross Montoya thickness. Montoya effective porosity thickness values are presented alongside the gross thickness values on the isopach map. In map view, the porosity is shown to cutoff before reaching the well in Unit I, Section 26. The Section 26 well had only 10 feet of marginal Montoya porosity but recorded a good gas show when swabbing load water. The Montoya gas/water contact is keyed off of the Section 26 well.

There is currently no active Montoya production in the township. This proposed test is considered a wildcat since there is no active Montoya production in the township. Nadel and Gussman Permian respectfully requests a stand up unit granted to fully evaluate the economic viability of this prospective unit.



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Nadel and Gussman Permian

Lobo Draw

Structure Map

TD > 5,100'

Chaves County, NM

0 3,000 6,000

FEET

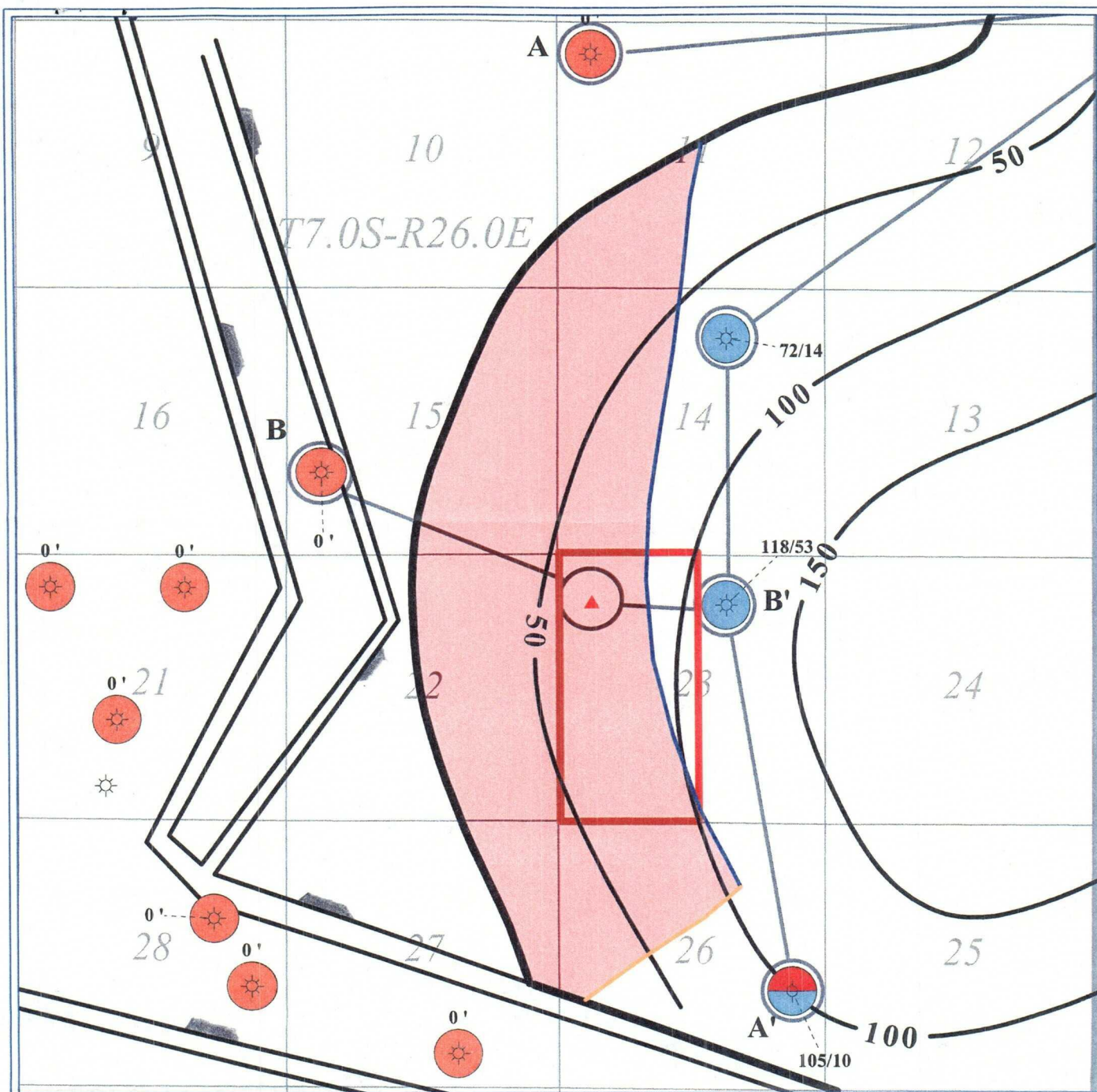
ATTRIBUTE MAP



REMARKS
CI=100'

By: GMK/EMV

July 28, 2004



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Nadel and Gussman Permian

Lobo Draw

Isopach Map

TD > 5,100'

Chaves County, NM

0 3,000 6,000



FEET

ATTRIBUTE MAP



By: GMK/EMV

July 29, 2004