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August 31, 2010

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

Dear Florene:

Enclosed for filing, on behalf of Nadel and Gussman Permian, L.L.C., are an original and one copy of an application for compulsory pooling, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the September 30, 2010 Examiner hearing. Thank you.

Very truly yours,


James Bruce

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

RECEIVED OCD

2010 SEP -1 A 9:15

Case 14551

Parties Being Pooled

Chesapeake Exploration, LLC
P.O. Box 18496
Oklahoma City, Oklahoma 73154

Attention: Justin Zerkle

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF NADEL AND GUSSMAN PERMIAN,
L.L.C. FOR FOUR NON-STANDARD OIL SPACING AND
PRORATION UNITS AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

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Case No. 14551

APPLICATION

Nadel and Gussman Permian L.L.C. applies for an order (i) approving four non-standard oil spacing and proration units in the Bone Spring formation in Section 12, Township 26 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, and (ii) pooling all mineral interests in the Bone Spring formation underlying the non-standard units, and in support thereof, states:

1. Applicant is an interest owner in Section 12, and has the right to drill wells thereon.

2. Applicant proposes to drill the following wells to a depth sufficient to test the Bone Spring formation:

(a) The Picou Fed. Well No. 1, a horizontal well with a surface location in the NE/4NE/4, and a terminus in the NW/4NW/4, of Section 12. The N/2N/2 will be dedicated to the well;

(b) The Picou Fed. Well No. 2, a horizontal well with a surface location in the SE/4NE/4, and a terminus in the SW/4NW/4, of Section 12. The S/2N/2 will be dedicated to the well;

(c) The Picou Fed. Well No. 3, a horizontal well with a surface location in the NE/4SE/4, and a terminus in the NW/4SW/4, of Section 12. The N/2S/2 will be dedicated to the well; and

(d) The Picou Fed. Well No. 4, a horizontal well with a surface location in the SE/4SE/4, and a terminus in the SW/4SW/4, of Section 12. The S/2S/2 will be dedicated to the well.

Applicant seeks to pool the Bone Spring formation underlying the non-standard 160 acre oil spacing and proration units (project areas) for all pools or formations developed on 40 acre spacing within that vertical extent.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in Section 12 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 wells or to otherwise commit their interests to the wells, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in Section 12, pursuant to NMSA 1978 §§70-2-17, 18.

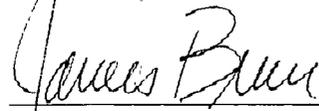
5. Approval of the non-standard units and the pooling of all mineral interests underlying Section 12 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

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

- A. Approving four non-standard oil spacing and proration units (project areas) in the Bone Spring formation comprised of the above described acreage in Section 12;
- B. Pooling all mineral interests in the Bone Spring formation underlying Section 12;
- C. Designating applicant as operator of the wells;

- E. Considering the cost of drilling and completing the wells, and allocating the costs among the wells' working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- E. Setting a 200% charge for the risk involved in drilling and completing the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,



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

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

PROPOSED ADVERTISEMENT

Case No. 14551 :

Application of Nadel and Gussman Permian, L.L.C. for approval of four non-standard oil spacing and proration units and compulsory pooling, Eddy County, New Mexico. Nadel and Gussman Permian, L.L.C. seeks an order approving four 160-acre non-standard oil spacing and proration units (project areas) in the Bone Spring formation comprised of the following lands in Section 12, Township 26 South, Range 29 East, NMPM:

- (a) The N/2N/2, to be dedicated to the Picou Fed. Well No. 1, a horizontal well with a surface location in the NE/4NE/4, and a terminus in the NW/4NW/4, of Section 12;
- (b) The S/2N/2, to be dedicated to the Picou Fed. Well No. 2, a horizontal well with a surface location in the SE/4NE/4, and a terminus in the SW/4NW/4, of Section 12;
- (c) The N/2S/2, to be dedicated to the Picou Fed. Well No. 3, a horizontal well with a surface location in the NE/4SE/4, and a terminus in the NW/4SW/4, of Section 12; and
- (d) The S/2S/2, to be dedicated to the Picou Fed. Well No. 4, a horizontal well with a surface location in the SE/4SE/4, and a terminus in the SW/4SW/4, of Section 12.

Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the four non-standard spacing and proration units (project areas) for all pools or formations developed on 40 acre spacing within that vertical extent. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. The units are located approximately 14 miles southeast of Malaga, New Mexico.

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