KELLAHIN & KELLAHIN ATTORNEY AT LAW

W. Thomas Kellahin 706 Gonzales Road Santa Fe, New Mexico 87501 phone 505.982.4285 Facsimile 505.216.2780 tkellahin@comcast.net

February 23, 2012

VIA EMAIL AND HAND DELIVERY

Ms. Jami Bailey Director Oil Conservation Division 1220 South Saint Francis Drive Santa Fe, New Mexico 87505

Case 14804

Re: Application of Nadel and Gussman Permian, LLC for approval of four non-standard horizontal wellbore project areas Eddy County, New Mexico

Dear Ms. Bailey:

On behalf of Nadel and Gussman Permian, LLC, please find enclosed our referenced application to be set for hearing on the March 29, 2012 Division Examiner's docket.

Very truly your homas Kellahin

CC: Nadel and Gussman Permian, LLC Attn: Emerald Johnson

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

APPLICATION OF NADEL AND GUSSMAN, LLC FOR APPROVAL OF FOUR NON-STANDARD HORIZONTAL WELLBORES PROJECT EDDY COUNTY, NEW MEXICO

APPLICATION

Comes now NADEL AND GUSSMAN PERMIAN, LLC ("NGP") and by and through its attorneys, Kellahin & Kellahin, and pursuant to Commission Order R-13499 and adopted amendments to Rule 19.15.14.8 NMAC and 19.15.16 NMAC, applies to the New Mexico Oil Conservation Division ("Division") for approval of four non-standard horizontal wellbores project areas to be dedicated to any production from the Yeso Formations to be configured as follows:

- (1) Lawman 1-H (API #30-015-39874) consisting of the W/2SW/4 of Sec 12 and the W/2NW/4 of Sec 13, T19S, R25E; See Exhibit "A" attached
- (2) Lawman 2-H (API #30-015-39875) consisting of the E/2SW/4 of Sec 12 and the E/2NW/4 of Sec 13, T19S, R25E; See Exhibit "B" attached
- (3) Lawman 3-H (API #30-015-39876) consisting of the W/2SE/4 of Sec 12 and the W/2NE/4 of Sec 13, T19S, R25E; See Exhibit "C" attached
- (4) Lawman 4-H (API #30-015-39877) consisting of the E/2SE/4 of Sec 12 and the E/2NE/4 of Sec 13, T19S, R25E; See Exhibit "D" attached

In support, NGP states:

(1) It has an interest in each of the four 40-acre tracts that constitute each of the four nonstandard horizontal wellbores project areas.

(2) On January 31, 2012, the Division approved NGP's Applications for permits to drill, with C-102s attached, for these four wellbores and assigned API numbers as stated above.

(3) Nadel and Gussman Permian's development plan for these four horizontal wellbores is predicated upon a development pattern established by Mewbourne Oil Company when it drilled its Wyatt Draw "24/25" LE Well #1H (API # 30-015-38038) crossing over two sections with a horizontal wellbore starting in the W/2NW/4 of Sec 25 and ending in the W/2SW/4 of Sec 25.

(4) This Mewbourne wellbore set up a pattern of development that affected future horizontal wellbore planned by Nadel and Gussman "NGP"

(5) On December 7, 2010, the Division approved Mewbourne filed an application to drilled its Wyatt Draw 13ML#001H (API #30-015-38306) for and 80-acre unit consisting of theW/2SW/4 of Sec 13, T19S, R25E; See C-102 Attached as Exhibit "E"

(6) On July 28, 2011, Nearburg Producing Company's completed its Fairchild 24 #2H well (API #30-015-39013) and dedicated an 80-acre unit consisting of the N/2 NW/4 of Sec 224, T19S, R25E, see C-102-Exhibit "F" attached

(7) By filing its APD, including C-102, Mewbourne is using an 80-acre NSP consisting of the W/2SW/4 of Sec 13 thereby avoiding encroaching into the N/2 of Sec 13. By doing so, Mewbourne voluntarily chose to avoid the N/2 of Section 13

(8) In reliance upon Mewbourne's development pattern for horizontal wellbores, Nadel and Gussman has commence a plan of development for this horizontal wellbores in Section 12 and 13 and has obtained approved APDs for its Lawman Wells Nos. #1-H, #2-H, #3-H and #4-H and are in the process of consolidation the working interest owners upon a voluntary basis.

(9) The establishment of the proposed non-standard horizontal wellbore project areas will ensure the orderly development of the oil reserves within the Yeso formation.

(10) Approval of this application will afford the owners and the applicant the opportunity to produce their just and equitable share of the hydrocarbons in the Yeso formation, will promote the orderly development in this area, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

WHEREFORE, Applicant requests that this application be approve by the Division.

Respectfully Submitted:

W. Thomas Kellahin

DISTRICT I 1625 N. French Dr., Hobbs, NN 68240 Phone (676) 393-6161 Pex; (575) 392-0720

DISTRICT II 1301 W. Grand Avenue, Artesis. NN 88210 Phone (576) 748-1283 Vax: (575) 748-9720

DISTRICT III 1000 Rio Brazos Rd., Aztec, NM 87410 Phone (505) 334-6178 Fax: (605) 334-6170

DISTRICT IV 1220 S. BL. Francis Dr., Santa Fe, NM 87505 Phone (805) 476-3460 Pax: (605) 470-3462

State of New Mexico Energy, Minerals and Natural Resources Department

Form C-102 Revised August 1, 2011

Submit one copy to appropriate **District** Office

OIL CONSERVATION DIVISION 1220 South St. Francis Dr. Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

D AMENDED REPORT

	API	Number			Pool Code Pool Name					<u></u>		
Property Code					Property Name					mber		
						LAWMAN	1		1H			
	OGRID N),				Operator Na	me		Elevat			
					NADEL	& GUSSMA	N PERMIAN		340	6'		
						Surface Lo	cation					
UL or	lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County		
	E	13	19 S	25 E		2310	NORTH	330	WEST	EDD		
				Bottom	Hole Lo	cation If Diff	erent From Sur	face				
UL or	lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County		
İ	L	12	19 S	25 E		2310	SOUTH	330	WEST	EDDY		
Dedica	ated Acres	Joint o	r Infill C	onsolidation	Code Or	der No.		<u> </u>	· .			
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4620					l 1	 		SURVEYO	OR CERTIFICAT	ION		
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DISTRICT I 1625 N. French Dr., Hobbs, NN 68240 Phone (373) 303-8101 Fax: (378) 363-0720 DISTRICT II 1801 N. Grand Avenue, Artesia, NN 88210 Phone (375) 746-1283 Fax: (378) 748-0720 DISTRICT III 1000 Rio Brazos Rd., Aztec, NM 87410 Phone (505) 334-6170 Fax: (605) 234-6170 DISTRICT IV 1220 S. St. Francis Dr., Santa Fe, NN 87605 Phone (604) 476-3400 Fax: (806) 476-3482

State of New Mexico Energy, Minerals and Natural Resources Department

Form C-102 Revised August 1, 2011

Submit one copy to appropriate District Office

OIL CONSERVATION DIVISION 1220 South St. Francis Dr. Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

D AMENDED REPORT

API 1	umber			Pool Code					
Property C	ode		- I		Well Number 2H				
OGRID No	•			NADEL	Operator Na & GUSSMA	AN PERMIAN	······	Elevation 3399'	
					Surface Lo	cation			
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the			East/West line	County
F	13	19 S	25 E		2310	NORTH	1650	WEST	EDDY
			Bottom	Hole Loc	ation If Dif	ferent From Su	rface		
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	12	19 S	25 E		2310	SOUTH	1650	WEST	EDDY
Dedicated Acres	Joint o	r Infill C	onsolidation (Code Ord	ler No.				
NO ALLO	WABLE W					UNTIL ALL INTE		EN CONSOLIDA	ATED
		2310	1	HOLE Lat - N Long - W NMSPCE-	ED BOTTOM LOCATION 32*40*26:95" 104*26'30.09" N 609004.984 E 507996.083 D-83)		I horeby cer contained herei ihe best of my this organisation interest or unle location or has this location pu owner of such c or to a volunta compulsory pool the division. Signature Printed Name Email Address		nation lete to ; and that ing vole well at with an interest, or a sentered by Date
		2310		Lat - N Long - W NMSPCE-	E LOCATION 32'39'41.26" 104'26'29.23" N 604387.009 5 508064.623 -83)	an Z	on this plat we actual surveys supervison an correct to the DF Signature Professional State Certificate No		noles of under my irue and

DISTRICT I 1625 N. French Dr., Hobbs, NN 88240 Phone (575) 595-5161 Fax: (575) 555-6720 DISTRICT II 1501 W. Grand Avenue, Ariosia, NM 88210 Phone (575) 746-1853 Fax: (575) 745-9720 DISTRICT III 1000 Ric Brezos Rd., Aztec, NM 87410 Phone (505) 584-6176 Fax: (505) 534-6170 DISTRICT IV DISTRICT IV DISTRICT V DISTRICT V DISTRICT ST., Santa Fe, NM 87505 Phone (505) 476-3462

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OIL CONSERVATION DIVISION 1220 South St. Francis Dr. Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

D AMENDED REPORT

API N	lumber		1	Pool Code		Pool Name	Pool Name			
Property C		<u>.</u>		Property Nam LAWMAN		Well No 3H				
OGRID No.			NADEL	Operator Nam & GUSSMA			Eleva 339			
					Surface Loc	ation				
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County	
G	13	19 S	25 E		2310	NORTH	2310	EAST	EDDY	
		•	Bottom	Hole Loo	cation If Diffe	erent From Sur	face	• · · · · · · · · · · · · · · · · · · ·	•	
UL or lot No. Section Township			Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County	
J	J 12 19 S		25 E		2310	SOUTH	2310	EAST	EDDY	
Dedicated Acres	Joint o	r Infill Co	nsolidation (Code Or	der No.		L	L , ,, ; ,, , , , , , , , , , , , , , ,		
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DISTRICT I 1625 N. French Dr., Hobbs, NM 88240 Phone (573) 393-8161 Fax: (575) 393-0720 DISTRICT II 1301 W. Grand Avenue, Arizsis, NM 88210 Phone (575) 745-1283 Fax: (575) 748-9720 DISTRICT III 1000 Rio Brazos Rd., Aztec, NM 87410 Phone (505) 334-6176 Fax: (605) 534-6170 DISTRICT IV 1220 &, St. Francis Dr., Banta Po, NM 87505 Fhome (605) 476-3400 Fax: (603) 476-3402

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WELL LOCATION AND ACREAGE DEDICATION PLAT

D AMENDED REPORT

API N	lumber		Pool Code			Pool Name					
Property Co	ade				Propert	y Nam	.e		Well N	umber	
			LAWMAN						4H		
OGRID No.	•				Operato			Elevat			
L		L		NADEL	& GUSS	<u>SMAN</u>	I PERMIAN	- 	339	9	
					Surface	Loca	tion				
UL or lot No.	Section	Township	Range	Lot idn	Feet from	the	North/South line	Feet from the	East/West line	County	
н	13	19 S	25 E		231	0	NORTH	990	EAST	EDDY	
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UL or lot No.	Section	Township	Range	Lot Idn	Feet from		North/South line	Feet from the	East/West line	County	
1	12	19 S	25 E		231	0	SOUTH	990	EAST	EDDY	
Dedicated Acres	Joint of	r Infill Co	nsolidation (Code Or	ler No.		· ·				
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DISTRICT I 1625 N. French Dr., Hobbs, NM 88240

DISTRICT II 1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III

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1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV 1220 S. St. Francis Dr., Santa Fe. NM 87505 State of New Mexico Energy, Minerals and Natural Resources Department Form C-102 Revised July 16, 2010

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OIL CONSERVATION DIVISION 1220 South St. Francis Dr.

Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

□ AMENDED REPORT

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	Number <u>9-38</u>	306	^ .	Pool Code 1565	-	NORTH SEVEN	Pool Name I RIVERS GL	ORIETTA YES	D
Property 3840				Well No. 1H					
OGRID N 14744				WYAT MEWR	T DRAW "13 Operator Nam OURNE OIL	ne		Elevation 3422'	
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UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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DISTRICT I

1625 N. FRENCH DR., HOBBS, NM 88240 DISTRICT II 1301 W. GRAND AVENUE, ARTESIA, NM 88210

1301 W. GRAND AVENUE, ARTESIA, NM 88210 DISTRICT III

1000 RIO BRAZOS RD., AZTEC, NM 87410 DISTRICT IV

11885 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico

Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr. Santa Fe, New Mexico 87505 Form C-102 Revised July 16, 2010 Submit to Appropriate District Office

□ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

4	PI Number		Pool Code Pool Name								
				97565	N.	Seven Rive	ers; Glorie	eta-Yeso			
Property (Code	T	Property Name								
ž	21143	ļ.	FAIRCHILD 24								
OGRID	No.		Operator Name								
			NE		3417						
					Surface Local	lion					
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County		
L	24	19-S	25-E		2520	SOUTH	750	WEST	EDDY		
	1	la 2077 non-		Bottom Hole	e Location If Diffe	rent From Surface			I		
Lill or lot No	Section	Toumehin	Ponge	Lotida	Foot from the	North/South line	Feet from the	Fast/West line	County		

UL or lot No. D	Section 24	Township 19-S	Range 25-E	Lot Idn	Feet from the 330	North/South line	Feet from the 330	East/West line WEST	County EDDY
Dedicated Acres	Joint or	Infill C	onsolidation C	ode Ord	ler No.	I	I	L	
80					· .		· .		

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

