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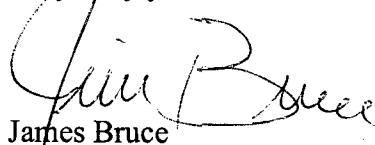
May 10, 2005

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 June 2, 2005 hearing. Thanks.

Very truly yours,



James Bruce

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

RECEIVED

MAY 10 2005

Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

Case 13498

Parties Being Pooled

Saratoga Royalty Corporation  
c/o Latigo Petroleum, Inc.  
Suite 700  
550 West Texas  
Midland, Texas 79701

Marathon Oil Company  
P.O. Box 3487  
Houston, Texas 77253

**BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION**

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FEB 10 2005

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

Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505  
Case No. 13448

**APPLICATION**

Nadel and Gussman Permian, L.L.C. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the W½ of Section 18, Township 21 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is an interest owner in the W½ of Section 18, and has the right to drill a well thereon.
2. Applicant proposes to drill its Tornillo "18" State Well No. 1, at an orthodox well location in the SW¼SW¼ of Section 18, to a depth sufficient to test the Morrow formation, and seeks to dedicate the following acreage to the well:
  - (a) The SW¼SW¼ to form a standard 40 acre oil spacing and proration unit for any formations and/or pools developed on 40 acre spacing within that vertical extent;
  - (b) The SW¼ to form a standard 160 acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent; and
  - (c) The W½ to form a 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 Indian Basin-Upper Pennsylvanian Associated Pool and Undesignated East Indian Basin-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W½ of Section 18 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 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 interest owners in the W½ of Section 18, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the W½ of Section 18 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 interests in the W½ of Section 18, 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 among the well's 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 well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", written over a horizontal line.

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. 13498: **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 following described acreage in Section 18, Township 21 South, Range 24 East, NMPM, and in the following morning: The W/2 to form a standard 320-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent, including the Undesignated Indian Basin-Upper Pennsylvanian Associated Pool and Undesignated East Indian Basin-Morrow Gas Pool; the SW/4 to form a standard 160-acre gas spacing and proration unit for any and all formations or pools developed on 160-acre spacing within that vertical extent; and the SW/4SW/4 to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent. The units are to be designated to the Tornillo "18" State Well No. 1, to be located at an orthodox location in the SW/4SW/4 of Section 18. 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 200% charge for the risk involved in drilling and completing the well. The units are located approximately 11 miles southwest of Seven Rivers, New Mexico.

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Santa Fe, NM 87505