

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**NOMENCLATURE
CASE NO. 13115
ORDER NO. R-12040**

**APPLICATION OF NADEL AND GUSSMAN PERMIAN, L.L.C. FOR SPECIAL
POOL RULES, OR IN THE ALTERNATIVE FOR A NON-STANDARD GAS
SPACING UNIT AND AN UNORTHODOX GAS WELL LOCATION, EDDY
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 7 and September 4, 2003, at Santa Fe, New Mexico, before Examiners William V. Jones and Michael E. Stogner, respectively.

NOW, on this 21st day of October, 2003, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) By Division Order No. R-11444, dated August 31, 2003, the North Esperanza-Delaware Pool (97030) was established for the production of oil from the Delaware formation. The horizontal limits for this pool, as currently defined, include the following-described lands in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 28: N/2 and SE/4.

(3) The North Esperanza-Delaware Pool is currently governed by the Division's General Statewide Rules and Regulations with development on 40-acre spacing units each having a top unit depth bracket allowable of 80 barrels of oil per day and a gas/oil ratio of 2,000 cubic feet of gas per barrel of oil, which results in a casinghead gas allowable of 160 MCF per day.

(4) Nadel and Gussman Permian, L.L.C. as the applicant in the immediate case (hereinafter referred to as the "Applicant") is the operator of the existing Tucker Fee Well No. 1Y (API No. 30-015-32615), located 1600 feet from the South line and 2300 feet from the East line (Unit J) of Section 28, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico.

(5) The Applicant seeks an order from the Division: (i) increasing the limiting gas/oil ratio for the North Esperanza-Delaware Pool from its current limit of 2,000 cubic feet of gas per barrel of oil to 15,000 cubic feet of gas per barrel of oil; or in the alternative (ii) approving a non-standard 80-acre gas spacing unit in the Delaware formation comprising the W/2 SE/4 of Section 28 for the above-described Tucker Fee Well No. 1Y located at an unorthodox gas well location pursuant to Division Rule 104.C (3).

(6) Snow Oil & Gas, Inc., an offsetting operator of a North Esperanza Delaware oil well in the NE/4 SW/4 (Unit K) of Section 28 [Cawley "A" Well No. 1 (API No. 30-015-20763), located at a standard oil well location 1980 feet from the South and West line of Section 28] appeared at both hearings through legal counsel. Snow Oil & Gas, Inc. is in agreement with the Applicant to increase the limiting gas/oil ratio for the North Esperanza-Delaware Pool.

(7) The Applicant presented evidence showing that when the Tucker Fee Well No. 1Y was completed in the Lower Brushy Canyon interval of the North Esperanza-Delaware Pool earlier this year the well produced casinghead gas in excess of the pool's assigned limiting gas/oil ratio.

(8) The evidence indicates that those wells capable of producing from the subject pool may now be operated at a limiting gas/oil ratio of 15,000 to one without creating or causing waste.

(9) In order to afford the owner of each property in the North Esperanza-Delaware Pool the opportunity to produce its just and equitable share of oil and gas in the subject pool and to use its just and equitable share of the reservoir energy, a limiting gas/oil ratio of 15,000 cubic feet of gas per barrel of oil should be established for this pool.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Nadel and Gussman Permian, L.L.C., special rules and regulations for the North Esperanza-Delaware Pool (97030) in Eddy County, New Mexico, previously defined and classified, are hereby promulgated as follows:

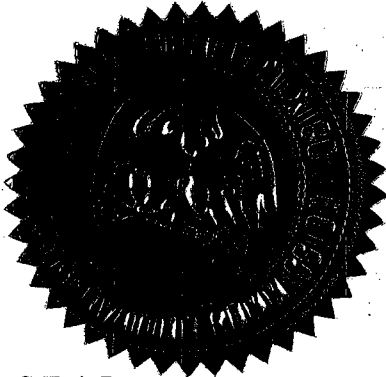
**SPECIAL RULES AND REGULATIONS
FOR THE
NORTH ESPERANZA-DELAWARE POOL**

RULE 1. Each well completed or re-completed within the designated boundary of the North Esperanza-Delaware Pool or in the Delaware formation within one mile thereof, and not nearer to or within the limits of another Delaware pool, shall be produced in accordance with the special rules and regulations herein set forth.

RULE 2. The limiting gas/oil ratio for the North Esperanza-Delaware Pool shall be 15,000 cubic feet of gas per barrel of oil produced; each standard 40-acre oil spacing and proration unit in this pool shall produce only that volume of gas equivalent to 15,000 multiplied by the top unit depth bracket allowable set for the pool (which remains at 80 barrels of oil per day).

(2) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery

LORI WROTENBERY
DIRECTOR