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September 11, 1998

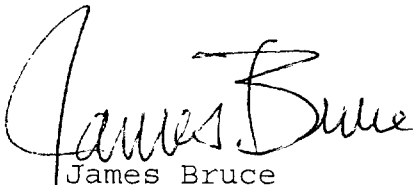
Hand Delivered

Florene Davidson
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed are an original and two copies of a compulsory pooling application, together with a proposed advertisement, filed on behalf of Nadel and Gussman Permian, L.L.C. Please set this matter for the October 8, 1998 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for Southwestern
Energy Production Company

OIL CONSERVATION DIV.
98 SEP 11 AM 11:30

Case 12054

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

No. 12059

OIL CONSERVATION DIV.
93 SEP 11 AM 11:31

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 N $\frac{1}{2}$ of Section 36, Township 20 South, Range 21 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the N $\frac{1}{2}$ of said Section 36, and has the right to drill a well thereon.

2. Applicant proposes to drill its Little Box State Well No. 3, at an orthodox well location in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of the section, to a depth sufficient to test the Morrow formation, and seeks to dedicate the following acreage to the well:

(a) The N $\frac{1}{2}$ of Section 36 to form a standard 320 acre gas spacing and proration unit for any and all formations and/or pools developed on 320 acre spacing within said vertical extent, including but not limited to the Undesignated Loafer Draw-Upper Pennsylvanian Gas Pool, Undesignated Little Box Canyon-Strawn Gas Pool, Undesignated Little Box Canyon-Atoka Gas Pool, and Undesignated Little Box Canyon-Morrow Gas Pool;

(b) The NW $\frac{1}{4}$ of Section 36 to form a standard 160 acre gas spacing and proration unit for any and all formations and/or pools developed on 160 acre spacing within said vertical extent; and

(c) The SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 36 to form a standard 40 acre oil spacing and proration unit for any and all formations and/or pools developed on 40 acre spacing within said vertical extent.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N $\frac{1}{2}$ of Section 36 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 N $\frac{1}{2}$ of Section 36, pursuant to NMSA 1978 §70-2-17 (1995 Repl. Pamp.).

5. The pooling of all mineral interests underlying the N $\frac{1}{2}$ of Section 36, as set forth above, 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:

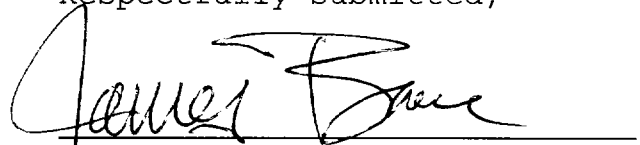
- A. Pooling all mineral interests in the N $\frac{1}{2}$ of Section 36, from the surface to the base of the Morrow formation;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating charges and costs charged for

supervision, together with a provision adjusting said rates pursuant to the COPAS accounting procedure;

E. Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well; and

F. Granting such further relief as the Division deems proper.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James Bruce", is 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

OIL CONSERVATION DIV.

98 SEP 11 AM 11:31

Case 12054:

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 36, Township 20 South, Range 21 East, NMPM, and in the following manner: The N $\frac{1}{2}$ to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, including but not limited to the Undesignated Loafer Draw-Upper Pennsylvanian Gas Pool, Undesignated Little Box Canyon-Strawn Gas Pool, Undesignated Little Box Canyon-Atoka Gas Pool, and Undesignated Little Box Canyon-Morrow Gas Pool; the NW $\frac{1}{4}$ to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and the SE $\frac{1}{4}$ NW $\frac{1}{4}$ to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said units are to be dedicated to applicant's Little Box State Well No. 3, to be drilled at an orthodox well location in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of said Section 36. Also to be considered will be the cost of drilling and completing said 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 charge for the risk involved in drilling the well. Said unit is located approximately 19 miles southwest of Hope, New Mexico.