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OIL CONSERVATION DIV.

99 NOV 23 PM 2:39

12307

November 23, 1999

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 an application for compulsory pooling, together with a proposed advertisement, filed on behalf of Nadel and Gussman Permian, L.L.C. Please set this case for the December 16, 1999 Examiner hearing. Thank you.

Very truly yours,



James Bruce

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

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

99 NOV 23 PM 2:30

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

Case No. 12307APPLICATION

Nadel and Gussman Permian, L.L.C. applies for an order pooling all mineral interests from the surface to the base of the Atoka formation underlying the N $\frac{1}{2}$ of Section 15, Township 16 South, Range 33 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the N $\frac{1}{2}$ of Section 15, and has the right to drill a well thereon.

2. Applicant proposes to drill its Sombrero State Com. Well No. 1, at an orthodox well location 990 feet from the north line and 1980 feet from the west line of the section, to a depth sufficient to test the Atoka formation, and seeks to dedicate the N $\frac{1}{2}$ of Section 15 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.

3. Applicant has in good faith sought to obtain the voluntary joinder of all mineral interest owners in the N $\frac{1}{2}$ of Section 15 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

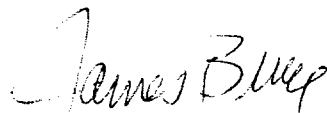
pooling all mineral interest owners in the N½ of Section 15, pursuant to NMSA 1978 §70-2-17 (1996).

5. The pooling of all mineral interests underlying the N½ of Section 15 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 N½ of Section 15, from the surface to the base of the Atoka 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; and
- 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.

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 12307 : Application of Nadel and Gussman Permian, L.L.C. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Atoka formation underlying the N½ of Section 15, Township 16 South, Range 33 East, NMPM, to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent. The unit is to be dedicated to applicant's Sombrero State Com. Well No. 1, to be located 990 feet from the north line and 1980 feet from the west line (Unit C) of Section 15. 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 charge for the risk involved in drilling and completing the well. The unit is located approximately 8 miles northeast of Maljamar, New Mexico.