



NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT

FOR RECORD ONLY

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

May 24, 2000

Nadel and Gussman Permian, L.L.C.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Telefax No. (505) 982-2151

Administrative Order NSL-4453

Dear Mr. Bruce:

Reference is made to the following: (i) your application dated May 8, 2000 on behalf of the operator, Nadel and Gussman Permian, L.L.C.; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning the operator's request to drill its Sombrero State Well No. 2 (API No. 30-025-35021) 660 feet from the South line and 2310 feet from the West line (Unit N) in Section 10, Township 16 South, Range 33 East, NMPM, Lea County, New Mexico, in order to test: (i) the deeper Atoka formation for gas within the S/2 of Section 10, being a standard 320-acre gas spacing and proration unit for the Undesignated West Sombrero-Atoka Gas Pool; and (ii) the shallower Queen formation for oil within the SE/4 SW/4 of Section 10, being a standard 40-acre oil spacing and proration unit for the Undesignated West Hume-Queen Pool.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed location will be at a more favorable geologic position within both the Atoka and Queen formations, thereby increasing the likelihood of encountering commercial quantities of hydrocarbons in both zones.

Pursuant to Division Rule 104.B (1) the proposed location is considered to be standard for the 40-acre Queen oil test, but, pursuant to Division Rule 104.C (2) is unorthodox within the 320-acre Atoka gas unit.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

By the authority granted me under the provisions of Division Rule 104.F (2) the above-described unorthodox Atoka gas well location within the above-described 320-acre standard gas spacing and proration unit for the Nadel and Gussman Permian, L.L.C.'s Sombrero State Well No. 2 is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs /
New Mexico State Land Office - Santa Fe