

**NADEL AND GUSSMAN PERMIAN, L.L.C.**  
**601 N. Marienfeld, Suite 508**  
**Midland, TX 79701**  
**Office: (432) 682-4429**  
**Fax: (432) 682-4325**

July 21, 2006

TO: Major Gant Federal #1 Working Interest Owners  
Address List Attached

FROM: Sam Jolliffe Nadel and Gussman Permian, LLC

*Sam Jolliffe*

Re: Major Gant Federal #1  
S/2 Section 12, T-21-S, R-21-E  
Eddy County, New Mexico

Nadel and Gussman Permian, LLC ("NGP"), as a working interest owner under the captioned acreage, hereby proposes the drilling of the Major Gant Federal #1 at a legal location in the SW/4 Section 12, T-21-S, R-21-E, Eddy County, New Mexico. Said well will be drilled to test the Morrow Formation at an approximate depth of 8,500 feet. The S/2 Section 12 will be the designated spacing unit for the well. As a working interest owner, you have the opportunity to participate in the drilling of this well. An AFE is enclosed for evaluation. If you elect to participate, please return a copy of an executed AFE to our office. We will also attempt to enter into a mutually acceptable Joint Operating Agreement. If you elect not to participate, NGP will consider a farm-in of your interest on terms acceptable to NGP.

Please advise if you have any questions. Thank you for your attention to this matter.

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Oil Conservation Division  
Case No. 3  
Exhibit No.

**Major Gant Federal #1**

**Address list (revised)**

Primex Energy Partnership, Ltd. (conveyed to Crown Oil Partners III, LP)  
4849 Greenville Ave., #1600  
Dallas, Texas 78206

Yates Petroleum Corporation  
Yates Drilling Company  
Martin Yates, II  
Basic Energy 1983 - A General Partnership  
John A. Yates  
105 South Fourth Street  
Artesia, New Mexico 88210

Los Chicos  
207 South Fourth Street  
Artesia, New Mexico 88210

Roger Elliott  
415 W. Wall, Suite 1510A  
Midland, Texas 79701

Rio Pecos Corporation  
Mark Wilson  
4501 Greentree Blvd.  
Midland, Texas 79707

Heather Wilson Echols  
6003 Meadowview Lane  
Midland, Texas 79707

Scott Wilson  
4601 Mirador Drive  
Austin, Texas 78735

Todd Wilson  
3608 SCR 1184  
Midland, Texas 79701

James D. Brown, Jr.  
312 W. Grand  
Artesia, New Mexico 88210

Roy L. Crow  
2324 Cravath Ct.  
West Covina, California 91792-2577

MARTIN YATES, III

1912-1985

FRANK W. YATES

1936-1986



AUG 18 2006

105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210-2118  
TELEPHONE (505) 748-1471

S.P. YATES  
CHAIRMAN EMERITUS

JOHN A. YATES  
CHAIRMAN OF THE BOARD

PEYTON YATES  
PRESIDENT

FRANK YATES, JR.  
EXECUTIVE VICE PRESIDENT

JOHN A. YATES, JR.  
SENIOR VICE PRESIDENT

August 17, 2006

Nadal and Gussman Permian, L.L.C.  
601 N. Marienfeld, Suite 508  
Midland, TX 79701

Attention: Mr. Sam Jolliffe

Re: Major Gant Federal #1  
Township 21 South, Range 21 East  
Section 12: S2  
Eddy County, New Mexico

Gentlemen:

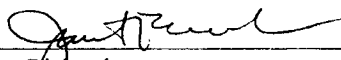
We are in receipt of your proposal to drill the Major Gant Federal #1 well; however, Yates Petroleum Corporation, Yates Drilling Company, John A. Yates, Trust Q, Sharbro Oil Ltd. Co. and Los Chicos do not wish to participate in the drilling of this well. We do; however, want to help support the drilling of this well and would farmout our interest in the S2 of Section 12, from surface to 100'; below total depth drilled, retaining an overriding royalty equal to the difference between existing burdens and 20%, delivering an 80% net revenue interest until payout, with the option at payout of converting the retained overriding royalty to a 33.34% working interest, all subject to proportionate reduction.

Please let us know if this Farmout is acceptable and we will prepare our standard Farmout Agreement for your review and execution.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

  
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Janet Richardson  
Assistant Land Manager

JR/pjb

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November 16, 2006

Crown Oil Partners III, LP  
303 Veterans Airpark Lane  
Midland, Texas 79705  
Attn: Mr. Michael Black, President

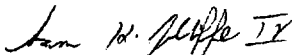
Re: Major Gant Federal #1  
S/2 Section 12, T-21-S, R-21-E  
Eddy County, New Mexico

Gentlemen:

Nadel and Gussman Permian, LLC ("NGP"), as a working interest owner under the captioned acreage, hereby proposes the drilling of the Major Gant Federal #1 at a legal location in the SW/4 Section 12, T-21-S, R-21-E, Eddy County, New Mexico. Said well will be drilled to test the Morrow Formation at an approximate depth of 8,500 feet. The S/2 Section 12 will be the designated spacing unit for the well. As a working interest owner, you have the opportunity to participate in the drilling of this well. Our title inspection indicates Crown Oil Partners owns approximately 25% leasehold interest from the top of the Morrow Formation to 8,450 feet in the SW/4 Section 12, with Crown therefore owning an approximate 12.5% interest in the Major Gant Federal #1 spacing unit. An AFE is enclosed for evaluation. If you elect to participate, please return a copy of an executed AFE to our office. We will also attempt to enter into a mutually acceptable Joint Operating Agreement. If you elect not to participate, NGP will consider a farm-in of your interest on terms acceptable to NGP. We plan to drill this well in January, so your prompt response will be greatly appreciated.

Please advise if you have any questions. Thank you for your attention to this matter.

Sincerely,



Sam H. Jolliffe IV  
Land Manager