



Mr. Jay Bilberry
Production Superintendent
NADEL & GUSSMAN HEYCO, LLC
PO Box 1936
Roswell, New Mexico 88202

8 March 2012

Mr. Mike Bratcher
OIL CONSERVATION DIVISION
District 2
811 South First Street
Artesia, NM 88210

Re: Rock Island 16 State No. 1H Blowout *Corrective Action Plan* (API No.: 30-01538461)

Dear Mr. Bratcher:

On 7 March 2012, at approximately 1430 Hrs., Nadel & Gussman HEYCO, LLC (NGH) had a blowout occur on the Rock Island 16 State No. 1H located in Sec 16, T18S, R26E, 2260' FNL and 1650' FEL in Eddy County, New Mexico during active workover operations at approximately 2,000'.

The blowout occurred during the time NGH had opened the backside of the well and finding the well in a static condition, nipped down the wellhead in preparation to set the blowout preventer (BOP). The BOP was over the 2-7/8" tubing when the kick hit before it could be properly set due to a pressure increase that prevented it from being tightened down. Subsequently, the BOP did not seal on the flange due to the fact the bolts could not be securely fastened because of the high pressure fluid velocity coming out of the well. As a result of a continual blowout, NGH had the vacuum truck disconnected from the backside and moved out of harms way. Currently, the top seal and the tubing rams are holding on the 2-7/8" tubing.

NGH contacted CUDD Well Control who is currently on location and has made their assessment of the well conditions. Following this, a fresh water mist system was set up over the wellhead to ensure reduced fire danger. Berms were pushed up to contain discharged fluids on location that will be hauled off by vacuum trucks to an authorized disposal site.

NGH is keeping all interested parties apprised of infield conditions, as is appropriate. From the beginning, the New Mexico Oil Conservation Division (NMOCD), the New Mexico State University, Lands Division (NMSU) and all appropriate Eddy County and New Mexico state authorities have been continuously informed of the blowout situation.

Thank you for your assistance. Please call should you have questions:

Sincerely,

Jay Bilberry