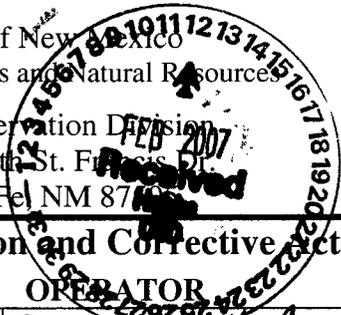


District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-141
Revised October 10, 2003

Submit 2 Copies to appropriate
District Office in accordance
with Rule 116 on back
side of form



Release Notification and Corrective Action

OPERATOR Initial Report Final Report

Name of Company <i>NADEL & Gussman Permian LLC</i>	Contact <i>KEM McCreedy</i>
Address <i>501 N. MACENFELT, MIDLAND, TX 79701</i>	Telephone No. <i>432-682-4429/432-425-6347 (C)</i>
Facility Name <i>TP STATE NO. 2</i>	Facility Type <i>GRS</i>

Surface Owner <i>STATE</i>	Mineral Owner <i>NEW MEXICO</i>	Lease No. <i>E75671</i>
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LOCATION OF RELEASE API No: *30-025-23950*

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
<i>I</i>	<i>24</i>	<i>179</i>	<i>35E</i>					<i>LEA COUNTY</i>

37'

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release <i>UNKNOWN</i>	Volume of Release <i>5-10 bbls</i>	Volume Recovered <i>2 bbls</i>
Source of Release <i>HYDROCARBON</i>	Date and Hour of Occurrence	Date and Hour of Discovery <i>UNKNOWN</i>
Was Immediate Notice Given? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Required	If YES, To Whom? <i>N/A</i>	
By Whom? <i>N/A</i>	Date and Hour <i>N/A</i>	
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse. <i>N/A</i>	

If a Watercourse was Impacted, Describe Fully.*
N/A

Describe Cause of Problem and Remedial Action Taken.*
Water leg froze on gum barrel tank forcing tank contents to continue to rise and overflowed out of small holes in tank skin and thief hatch.

Describe Area Affected and Cleanup Action Taken.*
Pad area, less than 50' of road bed. Caliche applied to soak up liquids. Will be land farmed later.

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.

Signature: <i>Kem McCreedy</i>	OIL CONSERVATION DIVISION	
Printed Name: <i>Kem McCreedy</i>	Approved by District Supervisor: <i>[Signature]</i>	
Title: <i>Operations Engineer</i>	Approval Date: <i>2-20-07</i>	Expiration Date: <i>5-20-07</i>
E-mail Address: <i>KEMM@naguss.com</i>	Conditions of Approval: <i>141</i>	Attached <input type="checkbox"/>
Date: <i>11 February 2007</i> Phone: <i>432-425-6347</i>	<i>SUBMIT FINAL w/ ATTACHMENTS</i>	

* Attach Additional Sheets If Necessary

2 SAMPLES

*Facility - APAC 0710634999
Incident - NPAC 0710635093
Application - pPAC 0710635176*

RPT# 1258

Mr. Kern McCready
Operations Engineer
NADEL AND GUSSMAN PERMIAN, LLC
601 N. Marienfeld
Suite 508
Midland, TX 79701

11 February 2007

Mr. Larry Johnson
OIL CONSERVATION DIVISION
1625 N. French Drive
Hobbs, NM 88240



Re: TP State No. 2 "Corrective Action Work Plan" for Hydrocarbon Fluid Release
Reference Letter of Violation No.: iMGB0703661710

Dear Mr. Johnson:

Pursuant to your Letter of Violation No. iMGB0703661710 issued on 7 February 2007 with corrective action cited to be completed by 11 May 2007, Nadel & Gussman Permian, LLC, hereinafter "NGP", herewith notifies Lea County, State of New Mexico, Oil Conservation Division of its receipt of the LOV for their location TP State No. 2 (API No. 30-025-23950) located in the U/L I S24 T17S R35E (Lease No. E75671). NGP intends to engage remediation action as soon as approval to commence is granted by the OCD.

In accordance with the State of New Mexico regulatory requirements and guidelines for *Remediation of Leaks, Spills and Releases*, please find enclosed NGP's, Form C-141 in compliance with New Mexico Administrative Code 19.15.3.116 for the release of approximately 5 to 10 barrels of oil and oil laden hydrocarbon fluids leaking from the thief hatch and small holes in the gum barrel tank located on the northeast corner of the pad at an unknown time of day, approximately two weeks prior to this transmittal.

In summation, the spill occurred consequential of the water leg on the gum barrel tank freezing, forcing the rise of its contents to the top of the tank at which point it simultaneously released through several small holes in the tank skin and the thief hatch (refer to photos). Compounding the action was the intermittent presence of inclement weather releasing both snow and rain over a several day period, preventing adequate implementation of measures to both clean up and assess the spill. Ineluctably, the spill became diffuse across portions of the pad with an exiguous amount traveling a short distance down the road wherein it pooled at the grassy berm but did not exit the roadbed.

To date the following actions have been undertaken: (1) NGP placed several loads of caliche on the active spill area to absorb excess hydrocarbon fluids for the purpose of preparing them for removal from the spill area and to prevent further spread of the spill.

(2) A backhoe and cleanup crew has been contracted to pick up said contaminated soils, land farm them and apply them to construction of the berms required to meet regulatory Performa on location.

(3) Due to the location exhibiting highly compacted soils, the prospective estimation is that the hydrocarbon penetration rate was inhibited, at least to some degree creating a semi-impermeable situation retarding the spill spread.

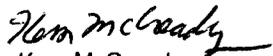
(4) The location has been checked for potential groundwater contamination and offsite spill areas. To the best of our knowledge at this juncture, groundwater has not been contaminated. Depth to groundwater in this area ranges from 35 to 60 feet with existing contamination manifest to approximately eight inches. Offsite spill areas are located along the northeastern and southern boundaries, impounding somewhat in the southwest corner of the pad (see photos). Known private domestic water sources are significantly up-dip and greater than 2,000 feet from the location.

NGP intends to implement the following "Corrective Action Work Plan" for remediation of the spill action:

1. Remove contaminated materials to utilize for land farming and berm construction.
2. Construct berms around the tank farm area and make necessary repairs to achieve compliance and safety regulatory Performa.
3. NGP intends to meet New Mexico, OCD Rule 50 remediation requirements regarding spill cleanup and provide notification to Lea County, OCD prior to closure. A final closure report shall be submitted at culmination of said actions.

Should you have questions, please call 432-682-4429 (office) or 432-425-6347 (cell).

Sincerely,


Kem McCready
NM Operations Manager

