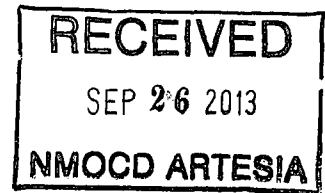


Mr. Joel Martin
Operations Manager
NADEL AND GUSSMAN PERMIAN, LLC
600 N. Marienfeld Street
Suite 500
Midland, Texas 79701



September 23, 2013

Mr. Mike Bratcher
NEW MEXICO OIL CONSERVATION DIVISION
District 2
811 South First Street
Artesia, New Mexico 88210

Re: Valero State No. 1 *Final Remediation Report*
U/L C Section 35 18S 28E 660 FNL 1980 FWL
Eddy County, New Mexico

API No.: 30-015-31848
2RP No.: 1463

Dear Mr. Bratcher:

Kurt Hood, Field Foreman for Nadel and Gussman Permian, LLC (NGP) verbally notified the New Mexico Oil Conservation Division (NMOCD) that the Valero State No. 1 had a reportable condensate discharge discovered on 10 December 2012 of approximately 104 barrels of hydrocarbon and produced water. He reported a recovered volume of 50 barrels of produced water and 50 barrels of hydrocarbon, leaving 4 barrels unrecoverable as shown on the Initial C-141 submitted to the NMOCD on 17 December 2012.

Subsequently, NGP submitted its *Corrective Action Plan* for the Valero State No. 1 discharge remediation, which began on 20 December 2012 per our consultant's telephone notification to the NMOCD that infield implementation, would be enacted immediately. NMOCD concurred with NGP's notification to begin work. NGP's frequent communication with the NMOCD throughout the infield operations, including an onsite visit from them, ensured compliance with NMOCD Recommended Remediation Action Levels (RRAL's).

A total of 634 yards, of contaminated material were removed from the site for disposal at R360 and the remainder (375 yards) was placed on location for reduction of the BTEX and TPH values to become commensurate with NMOCD regulatory standards per authorization from the NMOCD. Excavation in some areas exceeded 20 feet in depth. No threat to groundwater existed in the area as is documented in the attached hydrologic report, which was also provided to the NMOCD very early in the infield remediation efforts to ensure state compliance issues and/or concerns were addressed. The attached sample analyticals provides compliance results of the excavated areas and in place remediation actions.

Final sampling occurred on 6 August 2013 and was reported out of the laboratory on 16 August 2013. The NMOCD was contacted and the sample analyticals forwarded for final authorization to begin backfilling the onsite material which was being treated, followed by additional caliche fill to bring the battery floor back to its previous grade in the excavated areas. The area was then bermed with 2.5' high walls, pea graveled and the perimeter fence restored.

Please call (432-682-4429) should you have questions.

Sincerely,



Joel Martin
Operations Manager

Enclosures: Sample Analyticals, Hydrology Report, Photos