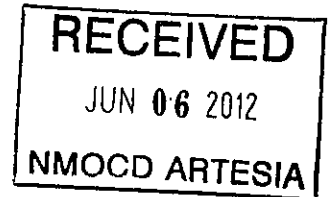


Mr. Keith Cannon
Drilling Superintendent
NADEL & GUSSMAN HEYCO, LLC
PO Box 1936
Roswell, New Mexico 88202



6 June 2012

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

Re: Rock Island 16 State No. 1H Interim Remediation Status Report
(API No.: 30-01538461)

Dear Mr. Bratcher:

Nadel & Gussman HEYCO, LLC (NGH) is providing this Interim Remediation Status Report to update the New Mexico Oil Conservation Division (NMOCD) regarding the remediation activities for the Rock Island 16 State No. 1H release which occurred on 7 March 2012. Please refer to the Corrective Action Plan (CAP) and the amended CAP for detailed information.

At this time, NGH has completed all backfilling and preparation of most of these areas for seeding when the monsoon season occurs. The NMSU, Agricultural Science Center has provided the plant species for a seed mix which has been obtained by NGH and will be given to the NMSU, Agricultural Science Center for application at the time they deem appropriate.

The land farming project is proceeding as anticipated but it will take time for the microbes to work and the soil fully prepared for use in planting. This time frame will be strictly dependent upon weather conditions. The NMOCD will be notified once the final sampling is to begin.

The drilling pad has been replaced and is currently functional along with all other access to the well site.

Should you have questions, please call (432-425-7386).

Sincerely,

Keith Cannon

A handwritten signature in black ink, appearing to read "Keith Cannon", written over a horizontal line.