

CACTUS ENERGY, INC.

P. O. Box 2412 • Midland, Texas 79702

Office (432) 684-5824 • FAX (432) 686-7109

March 31, 2011

James Bruce
P. O. Box 1056
Santa Fe, NM 87504

RECEIVED OCD

2011 APR -4 A 1:36

Re: Compulsory Pooling Application
Nadel and Gussman Permian, L.L.C.
W2E2 of Section 7, T-19-S, R-26-E
N.M.P.M., Eddy County, New Mexico

Dear Jim:

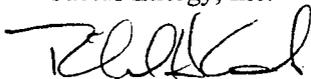
I am in receipt of your March 24, 2011 Certified Letter notifying Cactus Energy, Inc. ("Cactus") of the above referenced Compulsory Pooling Application.

Please be advised that Cactus did not receive a well proposal from Nadel and Gussman Permian, L.L.C. ("Nadel") covering the above referenced acreage until March 31, 2011. Furthermore, the leasehold interest owned by Cactus has been assigned to Concho Oil and Gas and should be of record by now in Eddy County, New Mexico. Lastly, E3 Energy, Ltd. and Saquaro Resources, Inc., joined Cactus in assigning their respective leasehold interests to Concho. Therefore, please direct all future correspondence regarding this matter to Concho.

Please let me know if you have any questions or comments.

Sincerely,

Cactus Energy, Inc.



Richard H. Coats
President

xc: New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505