

30-015-34492



Mr. Lee Ledbetter
Southeast New Mexico Field Superintendent
NADEL AND GUSSMAN PERMIAN, LLC
2408 Freeman
Artesia, NM 88210

25 August 2006

Mr. Mike Bratcher
OIL CONSERVATION DIVISION
1301 West Grand Avenue
Artesia, NM 88210

Re: Dinero State No. 5 Notification of Reclaimed Site Damage

Dear Mr. Bratcher:

This transmittal constitutes notification of significant site damage due to climatically, unusual precipitous events occurring on 21 and 22 August in the area of the Dinero State No. 5, hereinafter "Dinero No. 5", (API No. 30-015-34492) operated by Nadel and Gussman Permian, LLC, hereinafter "NGP", located in U/L G S16 T22S, R28E, 1,980 FNL and 1,980 FEL of Eddy County, New Mexico.

Pursuant to the State of New Mexico, Rule 50, reclamation activities were initiated 6 June on the Dinero No. 5 drilling pit, permanently closed on 20 July and reseeded 6 August. NGP installed a waterbar or drain ditch around the location as well as between the newly reclaimed pit area and the pad to ensure conveyance of water away from both the pad and the pit in the event of an unusual precipitous event. The soil types found on location constitute (1) large amounts of gypsum and pulverized gypsum (gyp dirt), (2) insignificant and very narrow horizons of Rustler, (3) narrow veins of soft caliche within streaks of sandy clay and (4) light brown sand.

Prior to arrival of a series of storms which produced significant amounts of rainfall during mid to late August, the soils were so dry that reclamation activities were challenged as can be visualized by the attached photos of the backfill process. However, the (1) duration of the storm, (2) continuous accumulation of rainfall and (3) significant dryness of the entire area prior to the storm proved inadequate for containability of rainwater in the drain ditch designed to route water around the location. Thus, conditions on the Dinero No. 5 location were extremely susceptible to potential serious erosive action. The *insitu* pit was not exposed nor in any way compromised by the erosive action of the water. Photos of the storm's effect on the location are included for your review.

Consequently, NGP will commence with corrective action on the Dinero No. 5 as soon as weather permits effective manipulation of the soils. The gully formed by the water will be filled in, returned to natural contours and reseeded. New Mexico, OCD will be notified prior to this reclamation activity which may be accomplished early during the week of September 11th.

Should you have questions, please call 505-746-1428 (office) or 505-631-6071 (cell) or call Cheryl Winkler (406-431-2528).

Sincerely,



Lee Ledbetter
SE New Mexico Field Superintendent

Enclosures: Photos

