

015 - 34739

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



18 April 2007

Mr. Ron Harvey  
OIL CONSERVATION DIVISION  
1301 West Grand Avenue  
Artesia, NM 88210

Re: Callahan Federal No. 1 LOV No. 029207 (Inspection No. iREH0709337504)  
API No. 30-015-34739 U/L I S26 T20S, R23E, 1980' FSL 660' FEL

Dear Mr. Harvey:

Pursuant to the State of New Mexico regulatory requirements for permanent closure of drilling pits, please be advised Nadel & Gussman Permian, LLC (NGP) are in receipt of New Mexico, Oil Conservation Division's (NMOCD) LOV (Inspection No. iREH0709337504) citing failure to meet NMOCD's Regulatory Performa pursuant to Rule 50 mandating drilling pit closure within 6 months from the date production casing is set. NGP also recognizes failure to post accurate well identification information (Rule 103 violation) on location and herewith attends to engage corrective action as soon as possible for the above cited dispositions.

As delineated in NGP's approved *Closure Plan* submitted 10 November 2006, remediation of the Callahan Federal No. 1 drilling pit was to begin 18 November 2006 with completion expected by 18 December 2006. Subsequent to this approval, NGP made the decision that completion of the well was not economically justifiable and had elected to plug the well as soon as a (1) pulling unit could be procured and (2) interested parties had come to agreement on the P&A. NGP has now established its legal requirements for enacting a P&A but unfortunately cannot secure a pulling unit by the LOV mandated time of 3 May 2007. On 25 January 2007 NGP also requested an extension of the closure period, which led us to this hour of communication.

Summarily, NGP has communicated to the NMOCD its intensions regarding the Callahan location and now herewith commits to both comply with the LOV inspection comments and complete said closure of the entire location not later than 1 November per NMOCD's extended authorization, unless extenuating circumstances beyond NGP's control inhibit said closure actions (i.e. inclement weather) at which juncture NMOCD shall immediately be notified.

Further, NGP shall notify MNOCD prior to and after completion of compliance actions. Therefore, please be advised this transmittal shall serve as (1) notification of correction (via temporary measures - handwritten over-taping onto existing signs) to both the API number and the well number not later than end April 2007; and (2) as an amendment to the existing approved C-144 and *Closure Plan's* cited dates of closure to a future time when NGP has realistic knowledge of P&A completion timelines for the Callahan but in any case, not later than 1 November 2007.

I would also like to extend NGP's gratitude to the NMOCD for their leniency and understanding of our professional responsibilities and industry related timelines, which so often are difficult to present as

exactitudes, even given ideal circumstances. NGP subsequently commits to assert aggressive closure of the Callahan location so as to not unnecessarily further burden NMOCD timelines and mandates, if at all possible prior to 1 November. Thank you again for your understanding and cooperation with our scheduling limitations.

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

Sincerely,

*Kem McCready*  
Kem McCready  
Operations Engineer