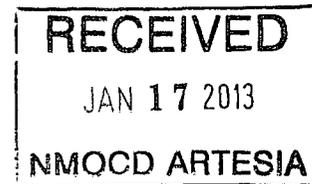


Mr. Joel Martin
Operations Manager
NADEL AND GUSSMAN PERMIAN, LLC
600 N. Marienfeld Street
Suite 500
Midland, Texas 79701

December 19, 2012

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



Re: Valero State No. 1 *Corrective Action Plan* Submittal
U/L C Section 35 18S 28E 660 FNL 1980 FWL
Eddy County, New Mexico

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

Dear Mr. Bratcher:

Nadel and Gussman Permian, LLC (NGP) notified the New Mexico Oil Conservation Division (NMOCD) that their well, the Valero State No. 1 had a discharge discovered on 10 December 2012 and reported it to the NMOCD as a reportable discharge of approximately 104 barrels of hydrocarbon and produced water in their C-141, previously submitted for this action. Subsequently, NGP herewith submits its *Corrective Action Plan* for the Valero State No. 1 discharge clean up, which shall begin on 20 December 2012 per our consultant's telephone conversation with the NMOCD.

Since the hydrocarbon and produced water were released from the oil tank release valve due to cold weather conditions that froze the valve causing it to fracture, the point of discharge was by its mechanical location contained within the bermed walls of the tank battery. The valve condition was discovered by the pumper who then repaired it. Vacuum trucks were immediately called to the site and began sucking up the discharged fluids contained within the bermed area. The oil was returned to the oil tank with a recovered volume of 50 barrels of produced water and 50 barrels of hydrocarbon, leaving 4 barrels unrecoverable.

The contaminated pea gravel within the bermed area will be excavated and hauled to disposal at CRI. Following this, the area which was initially sampled (see attached) will be resampled when the discharged material is sufficiently cleared and the NMOCD will be notified prior to closure of operations or backfilling of the inside of the berm with clean material. Simultaneously, the interior bermed area will then be treated with calcium sulfate to enhance degradation of any remaining

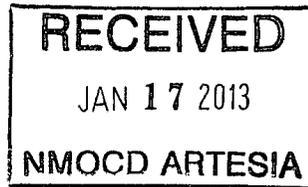
hydrocarbons for the protection of groundwater and local surface runoff areas. There were no soil chlorides present in exceedence of regulatory limits.

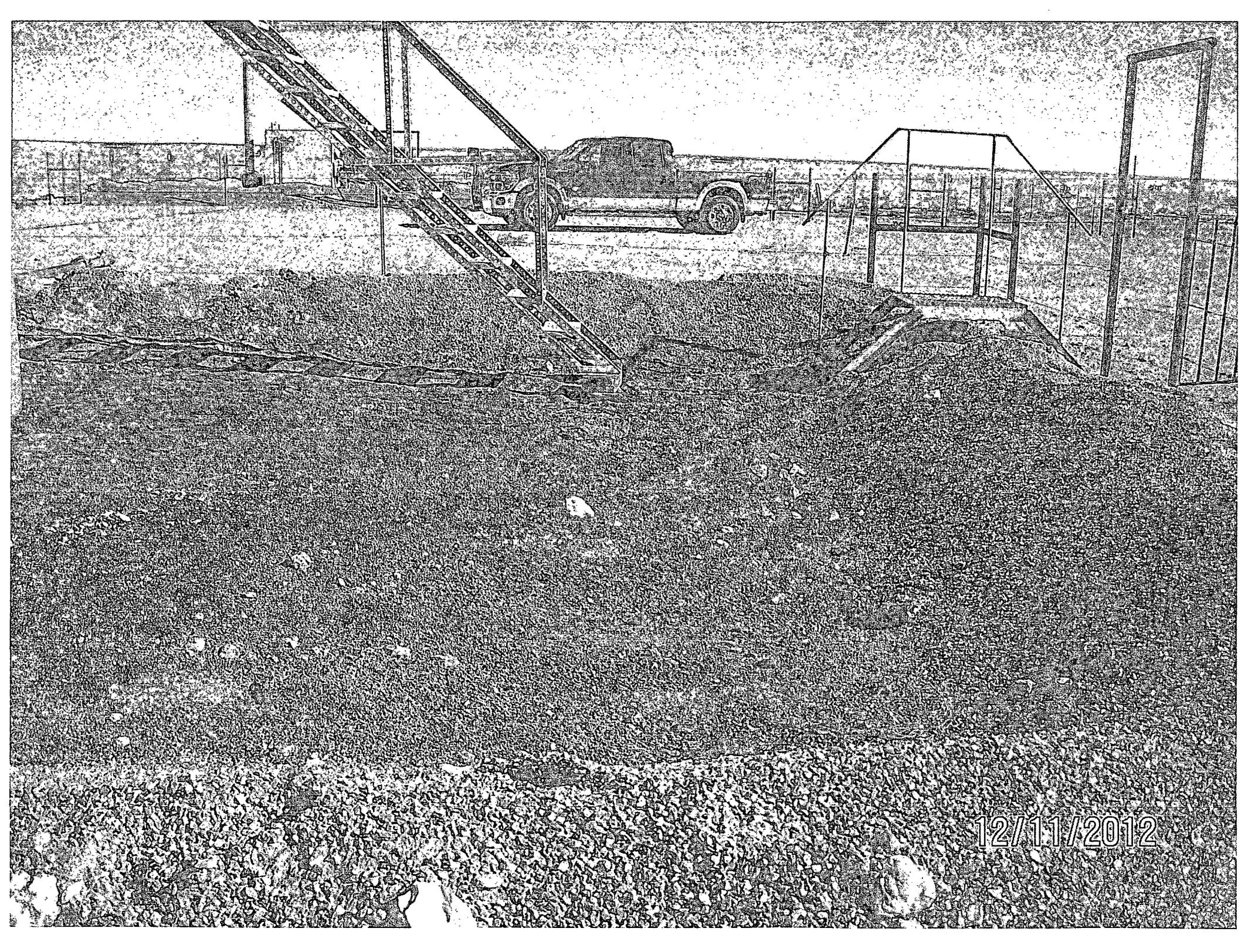
NGP will ensure compliance with NMOCD Recommended Remediation Action Levels (RRAL's). The interior bermed area will then be treated with calcium sulfate to enhance degradation of any remaining hydrocarbons for the protection of groundwater and local surface runoff areas.

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

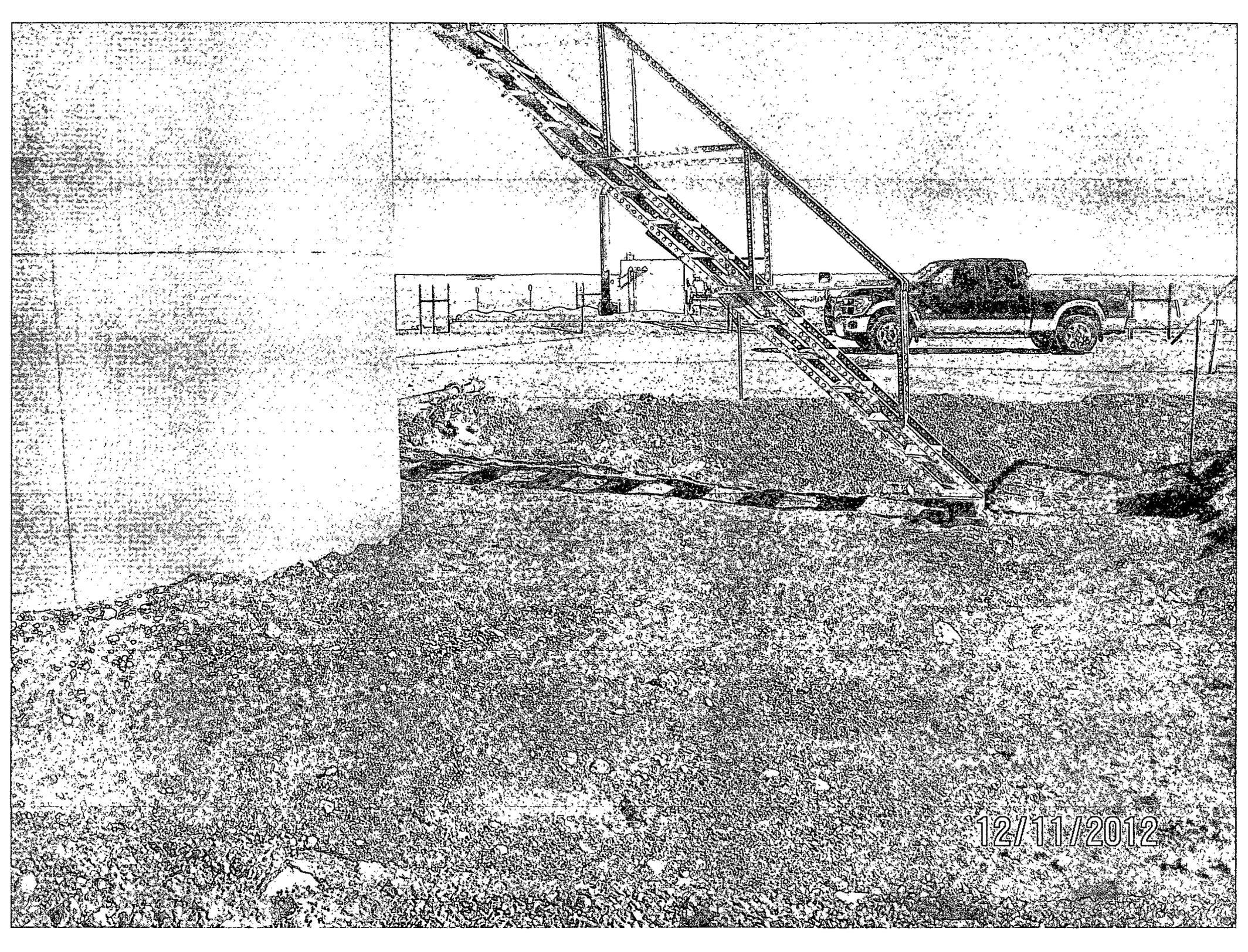
Sincerely,


Joel Martin
Operations Manager





12/11/2012



12/11/2012