

**NADEL AND GUSSMAN PERMIAN, L.L.C.**  
**601 N. Marienfeld, Suite 508**  
**Midland, TX 79701**  
**Office: (432) 682-4429**  
**Fax: (432) 682-4325**

December 9, 2005

Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210

Via Facsimile and Certified Mail

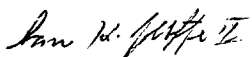
Re: Hermes Fee #1  
E/2 Section 30, T-23-S, R-28-E  
Eddy County, New Mexico

Gentlemen:

Nadel and Gussman Permian, LLC ("NGP"), as a working interest owner under the captioned acreage, hereby proposes the drilling of the Hermes Fee #1 at an approximate location 660' FNL & 1,980' FEL Section 30, T-23-S, R-28-E. Said well will be drilled to test the Morrow Formation at an approximate depth of 12,900 feet. The E/2 Section 30 will be the designated spacing unit for the well. As a working interest owner under the captioned acreage, you have the right to participate in this drilling proposal. An AFE is enclosed for your evaluation. NGP will be the designated Operator of the well. In the event you elect not to participate, NGP will consider a farm-in of your interest on terms acceptable to NGP.

Please advise if you have any questions. Thank you for your prompt attention to this matter.

Sincerely,



Sam H. Jolliffe IV  
Land Manager

OIL CONSERVATION DIVISION  
CASE NUMBER  
EXHIBIT NUMBER 3

**NADEL AND GUSSMAN PERMIAN, L.L.C.**  
**601 N. Marienfeld, Suite 508**  
**Midland, TX 79701**  
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December 9, 2005

Chi Energy, Inc.  
212 N. Main St., Suite 200  
Midland, Texas 79701  
Attn: Mr. John Qualls  
Land Manager

Via Facsimile and Certified Mail

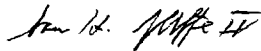
Re: Hermes Fee #1  
E/2 Section 30, T-23-S, R-28-E  
Eddy County, New Mexico

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Sincerely,



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Land Manager

**NADEL AND GUSSMAN PERMIAN, LLC**

601 North Marienfeld, Suite 508

Midland, Texas 79701

Phone: (432) 682-4429

Fax: (432) 682-4325

December 12, 2005

CERTIFIED MAIL

R.M. Williams  
P.O. Box 2010  
Hobbs, New Mexico 88240

Re: Hermes Fee No.1  
NE/4 Section 30, T-23-S, R-28-E  
Eddy County, New Mexico

Dear Mr. Williams:

Nadel and Gussman Permian, LLC ("NGP"), as a working interest owner under the captioned acreage, hereby proposes the drilling of the Hermes Fee Well No.1 at an approximate location 660' FNL & 1980' FEL of Section 30, T-23-S, R-28-E. Said well is being proposed to test the Morrow Formation at an approximate depth of 12,900 feet. The E/2 of Section 30 will be the designated spacing unit for this well. NGP request a prompt response to this proposal due to rig availability. An AFE is enclosed for your evaluation. In the event you elect not to participate as a working interest owner, NGP will agree to lease your mineral interest for \$200.00 per net mineral acre for a three (3) year paid-up lease, providing for a 1/5 royalty.

Your early attention to this matter will be appreciated and if you have any questions please feel free to call the undersigned at the above number.

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601 North Marienfeld, Suite 508

Midland, Texas 79701

Phone: (432) 682-4429

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December 12, 2005

Chevron Texaco  
15 Smith Road  
Midland, Texas 79705  
Attn: Ms. Denise Beckham  
Staff Landman

VIA FACSIMILE AND CERTIFIED MAIL

Re:Hermes Fee No.1  
E/2 Section 30, T-23-S, R-28-E  
Eddy County, New Mexico

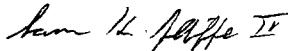
Dear Ms. Beckham:

Our inspection of the county records of Eddy County, New Mexico indicates that Hallwood Consolidated Partners owned 50% working interest in the W/2 NW/4 NE/4 & W/2 E/2 NW/4 NE/4, containing 30 acres more or less, in the captioned land. We assume that Chevron Texaco is now the owner of this interest via your acquisition of Pure Resources.

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601 North Marienfeld, Suite 508

Midland, Texas 79701

Phone: (432) 682-4429

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December 12, 2005

CERTIFIED MAIL

Jim L. ~~Antweil~~ <sup>Sharp</sup>  
P.O. Box 2010  
Hobbs, New Mexico 88240

Re: Hermes Fee No.1  
NE/4 Section 30, T-23-S, R-28-E  
Eddy County, New Mexico

Dear Mr. Sharp:

Nadel and Gussman Permian, LLC ("NGP"), as a working interest owner under the captioned acreage, hereby proposes the drilling of the Hermes Fee Well No.1 at an approximate location 660' FNL & 1980' FEL of Section 30, T-23-S, R-28-E. Said well is being proposed to test the Morrow Formation at an approximate depth of 12,900 feet. The E/2 of Section 30 will be the designated spacing unit for this well. NGP request a prompt response to this proposal due to rig availability. An AFE is enclosed for your evaluation. In the event you elect not to participate as a working interest owner, NGP will agree to lease your mineral interest for \$200.00 per net mineral acre for a three (3) year paid-up lease, providing for a 1/5 royalty.

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December 12, 2005

CERTIFIED MAIL

DEBCO

106 Flowing Spring Trail

Marble Falls, Texas 78654

Re: Hermes Fee No.1

NE/4 Section 30, T-23-S, R-28-E

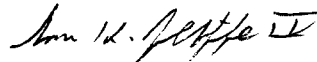
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December 12, 2005

CERTIFIED MAIL

H. W. Smith

P. O. Box 2010

Hobbs, New Mexico 88240

Re: Hermes Fee No.1

NE/4 Section 30, T-23-S, R-28-E

Eddy County, New Mexico

Dear Mr. Smith:

Nadel and Gussman Permian, LLC ('NGP'), as a working interest owner under the captioned acreage, hereby proposes the drilling of the Hermes Fee Well No.1 at an approximate location 660' FNL & 1980' FEL of Section 30, T-23-S, R-28-E. Said well is being proposed to test the Morrow Formation at an approximate depth of 12,900 feet. The E/2 of Section 30 will be the designated spacing unit for this well. NGP request a prompt response to this proposal due to rig availability. An AFE is enclosed for your evaluation. In the event you elect not to participate as a working interest owner, NGP will agree to lease your mineral interest for \$200.00 per net mineral acre for a three (3) year paid-up lease, providing for a 1/5 royalty.

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Midland, Texas 79701

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December 12, 2005

CERTIFIED MAIL

Barry L. Antweil  
P.O. Box 2010  
Hobbs, New Mexico 88240


Re: Hermes Fee No.1  
NE/4 Section 30, T-23-S, R-28-E  
Eddy County, New Mexico

Dear Mr. Antweil:

Nadel and Gussman Permian, LLC ('NGP'), as a working interest owner under the captioned acreage, hereby proposes the drilling of the Hermes Fee Well No.1 at an approximate location 660' FNL & 1980' FEL of Section 30, T-23-S, R-28-E. Said well is being proposed to test the Morrow Formation at an approximate depth of 12,900 feet. The E/2 of Section 30 will be the designated spacing unit for this well. NGP request a prompt response to this proposal due to rig availability. An AFE is enclosed for your evaluation. In the event you elect not to participate as a working interest owner, NGP will agree to lease your mineral interest for \$200.00 per net mineral acre for a three (3) year paid-up lease, providing for a 1/5 royalty.

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December 12, 2005

CERTIFIED MAIL

Mark R. Antweil

P.O. Box 2010

Hobbs, New Mexico 88240

Re: Hermes Fee No.1

NE/4 Section 30, T-23-S, R-28-E

Eddy County, New Mexico

Dear Mr. Antweil:

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December 12, 2005

CERTIFIED MAIL

Earl Cochell  
7914 West Dodge Road  
Omaha, NE 68114

Re: Hermes Fee No.1  
NE/4 Section 30, T-23-S, R-28-E  
Eddy County, New Mexico

Dear Mr. Cochell:

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December 12, 2005

CERTIFIED MAIL

Larry A. Jones  
Route One, Box 29  
Central City, Nebraska 68826

Re: Hermes Fee No.1  
NE/4 Section 30, T-23-S, R-28-E  
Eddy County, New Mexico

Dear Mr. Jones:

Nadel and Gussman Permian, LLC ('NGP'), as a working interest owner under the captioned acreage, hereby proposes the drilling of the Hermes Fee Well No.1 at an approximate location 660' FNL & 1980' FEL of Section 30, T-23-S, R-28-E. Said well is being proposed to test the Morrow Formation at an approximate depth of 12,900 feet. The E/2 of Section 30 will be the designated spacing unit for this well. NGP request a prompt response to this proposal due to rig availability. An AFE is enclosed for your evaluation.

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