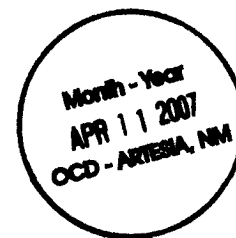


015-34572

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



2 April 2007

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

Re: Hermes Fee No. 1 LOV No. 024407

Dear Mr. Harvey:

Nadel & Gussman Permian, LLC (NGP) is in receipt of your Letter of Violation (Inspection No. iREH0705431900) issued 26 February 2007 mandating compliance with NMOC Rule 50 regarding closure of the Hermes Fee No. 1 drilling pit (API No. 30-015-34572) located in U/L H S30 T23S, R28E, 660' FNL, 1980' FEL of Eddy County, New Mexico.

Please be advised NGP is in the process of closing the Hermes drilling pit anticipating completion within the next 2 weeks. The closure delay resulted from NGP's attempt to develop another format of closure for their *water sensitive area* pits other than hauling material to foreign depositories due to the significant and unacceptable increase in liability for the Operator. Consequently, the timeframe expired unintentionally.

NGP shall also be closing all *water sensitive area* pits within the next two to three months implementing the solidification process with insitu burial on location. These locations already permitted for said closure activities are the Bond Fee No. 2 and the Hannibal Fee No. 1. As soon as the Hermes Fee No. 1 closes, NGP shall open closure of the Hannibal Fee No. 1.

Feel free to visit our Hermes location during this closure period should your time allow. Please call 432-682-4429 (office) or 432-425-6347 (cell) should you need additional information.

Thank you for your considerations.

Sincerely,


Kem McCready
Operations Engineer