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WRITER:

Kelcey C. Nichols
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Via Federal Express

September 8, 2008

Mr. Frank McCreight
Bass Enterprises Production Co.
201 Main St
Ft. Worth, TX 76102

Re: Mesquite SWD, Inc. Application to Modify Permit No. SWD 180 for the Exxon State No. 8 Produced Water Disposal Well

Dear Mr. McCreight:

It has come to our attention that Bass Enterprises Production Co. may hold a leasehold interest in the west half of Section 15-21S-21E, and the north half of Section 22-21S-27E in Eddy County, New Mexico. Our client, Mesquite SWD, Inc. ("Mesquite"), operates the nearby Exxon State No. 8 salt water disposal well. Mesquite has filed an application to deepen the permit of the Exxon State No. 8 and we are required to provide all leaseholders within one half mile of the well with notice and a copy of Mesquite's application.

In 1977, the New Mexico Oil Conservation Division ("NMOCD") permitted the Exxon State No. 8 to dispose of salt water at a depth of 700 feet under amended Order No. SWD-180. Pursuant to amended Order No. SWD-180, since 1978, the Exxon State No. 8 has operated at a total depth of 694 feet and disposed of produced water in the Yates formation. However, in May 2008, the NMOCD mistakenly issued an order shutting in the Exxon State No. 8 based on the misapprehension that the Exxon State No. 8 had only been permitted to a depth of 600 feet. To resolve this situation, Mesquite filed an application to formally deepen the well. Mesquite has also moved for the NMOCD to quash the emergency order and allow the well to operate under Order No. SWD-180 as amended.

I have enclosed Mesquite SWD, Inc.'s application and a brief history of the Exxon State No. 8 well for your review. Interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 South St. Francis Drive, Santa Fe, NM, 87505 within 15 days of receipt of this letter.

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As this matter is set for hearing on September 18, 2008, I would greatly appreciate it if you could let me know if you oppose Mesquite's application at your earliest convenience. If you have any questions, or if I can be of assistance, please do not hesitate to contact me at (505) 982-4554.

Very truly yours,



Kelcey C. Nichols

cc:

Thomas M. Hnasko
Clay Wilson
David and Anita Perini
Cindy Perini
Kay Havenor, PhD