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WRITER:

Keicey C. Nichols
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Via Federal Express

September 24, 2008

Westall Operating
13745 Lovington Highway
Loco Hills, NM 88255

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

Dear Sirs:

We understand that Westall Operating holds a mineral 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.

There is some confusion about the history of the well and the permit. The original operator of the well, Mr. A.H. Rains, operated several wells under the Pure State Lease. Mr. Rains applied to use another well under the lease, the Pure State No. 1, as a production well. The New Mexico Oil Conservation Division ("NMOCD") approved Mr. Rains' application and gave him permission to have an alternate salt water disposal well administratively approved under Order No. 5217-A.

In 1977, the NMOCD permitted the Exxon State No. 8 to dispose of salt water at a depth of 600 feet under Order No. SWD-180. The NMOCD then administratively approved the Mr. Rains' application to drill the Exxon State No. 8 well to 700 feet, subsequent sundry notices, and the well completion report. It is our client's position that the NMOCD authorized the Exxon State No. 8 to dispose of salt water at a depth of up to 700 feet.

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

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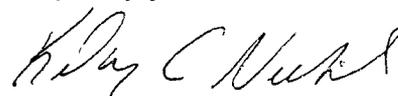
mistakenly issued an order shutting in the Exxon State No. 8 based on the misapprehension that the Exxon State No. 8 had only been permitted to a depth of 600 feet. To resolve this situation, Mesquite filed an application to formally deepen the well. Mesquite also moved for the NMOCD to quash the emergency order and allow the well to operate under Order No. SWD-180 as amended. The NMOCD has withdrawn the emergency order. Mesquite will proceed with its application to formally amend Order No. SWD-180 to allow the well to dispose of water at a depth of 700 feet.

I have enclosed Mesquite SWD, Inc.'s application and a brief history of the Exxon State No. 8 well for your review. Our geoscientist, Mr. Kay Havenor, PhD, has verified that the Exxon State No. 8 is disposing of water within the Yates formation. The base of the Yates formation is at a depth of 802 feet and the bottom of the Exxon State No. 8 is at a depth of 694 feet. The Exxon State No. 8 is not hydrologically connected to any protected groundwater. The BLM, which provided comments on the initial application, has reversed its position and Mr. John Simitz has stated that he agrees 100% with Mr. Havenor's conclusions.

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. This matter is now set for hearing on October 15, 2008, in Santa Fe, New Mexico.

I would be happy to answer any questions you may have about Mesquite's application and can be reached 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



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