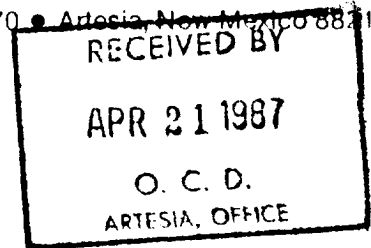


# La Rue and Muncy

Phone (505) 746-6651 • P. O. Box 470 • Artesia, New Mexico 88210

April 17, 1987



RE: LaRue & Muncy  
Saunders Nos. 9 & 10  
Battery NW/4 SE/4  
S-13, T-17S, R-27E  
Eddy County, N.M.  
LC064023

Bureau of Land Management  
Carlsbad Resource Area  
PO Box 1778  
Carlsbad, NM 88220

Dear Sirs:

The above captioned battery is receiving produced water and oil from the above captioned wells. Total lease production is under 2 barrels per day. The producing formation(s) is the 7 Rivers and Queen.

Produced water is stored on location in a steel 250 barrel tank. Produced water is transported by Hughes Services of Loco Hill, N.M. The water is disposed of in their facility located in SW/4 of S-16, T-17S, R-30E, Eddy Co., N.M.

We maintain an emergency pit on location and request permission to maintain that pit. It will not be contaminated by lease oil or water, and will be used as an emergency pit only. The emergency pit is fenced and adequate in size to hold 250 barrels of fluid in an emergency.

Water evaluation of produced water is enclosed.

Sincerely,

LARUE & MUNCY

C.E. LaRue

CEL/ts