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BASS ENTERPRISES PRODUCTION CO.

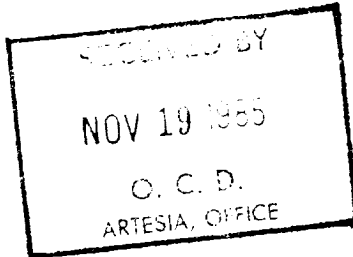
3700 CLAYDESTA NATIONAL BANK, 6 DESTA DRIVE

P. O. BOX 2760

MIDLAND, TEXAS 79702

NOVEMBER 14, 1985

(915) 688-3300



✓ Re: Removal of LACT Unit  
Merchant State No. 1  
Unit H, Sec. 1, T19S, R28E  
Palmillo (Bone Spring) Field  
Eddy County, New Mexico  
File: 400-WF

State of New Mexico  
Energy and Minerals Department  
Oil Conservation Division  
P.O. Drawer DD  
Artesia, NM 88210

ATTN: MR. LES CLEMENTS

Dear Mr. Clements:

The Merchant State No. 1, located in Unit H of Section 1, T19S, R28E, Eddy County, New Mexico, declined to an October, 1985, production rate of 163 BO. Production is currently being sold through a LACT Unit. Effective immediately, Bass Enterprises, as operator of the Merchant State Lease, will remove the LACT Unit from service and begin selling oil by tank gauges. This operation is necessary due to the low efficiency and costliness of maintaining the LACT unit on this low production rate lease.

If additional information is necessary concerning this action, please contact me or John Rodgers at the letterhead address.

Very truly yours,

*J. E. Pullig*  
J. E. Pullig  
Division Manager

*PR*  
JEP:JDR/gp  
CC: John Brown  
Murphy Oil Corporation  
12000 Ford Road  
Suite 114  
Dallas, TX 75234

Owen Mobley  
The Permian Corp.  
P. O. Box 3119  
Midland, TX 79702