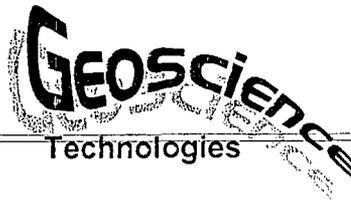


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December 9, 2008

Thomas M. Hnasko, Esq.
Hinkle, Hensley, Shanor & Martin, LLP
P.O. Box 2068
Santa Fe, New Mexico 87504

Re: Cross-section and clarification on wells
in Sec. 15, T21S-R27E, Eddy Co., NM

Dear Mr. Hnasko:

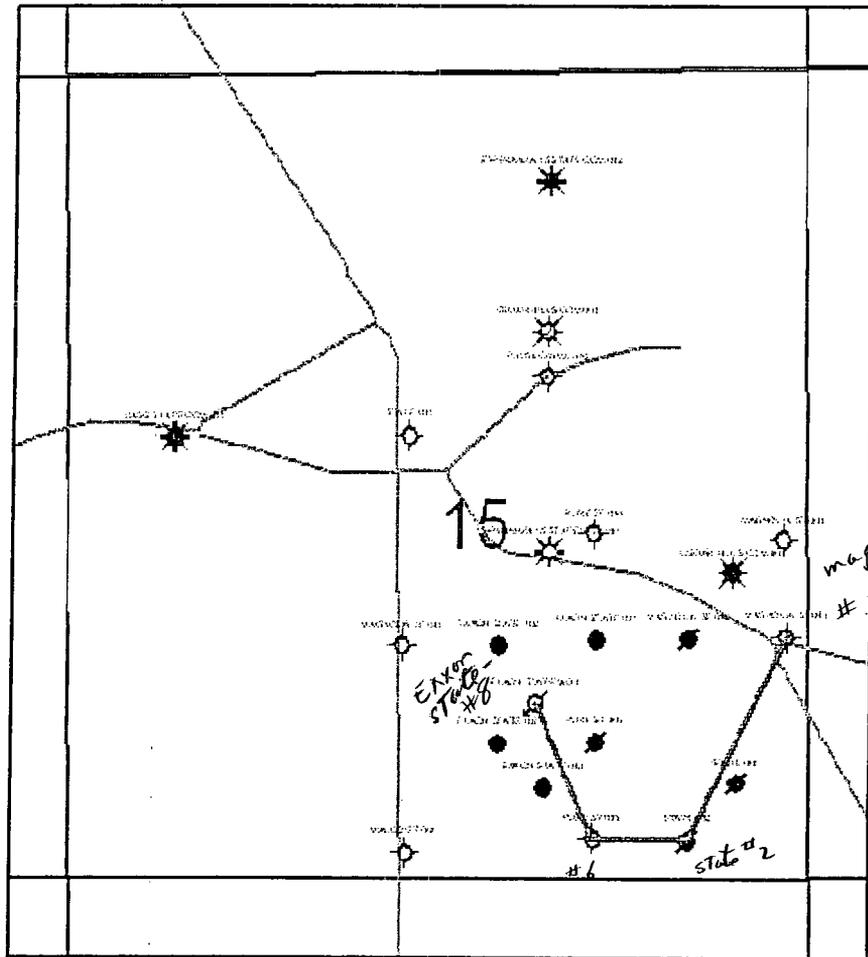
An examination of the relationship of the Mesquite SWD, Inc. Exxon State No.8 casing with the hole conditions, TD, plugging, and subsurface location of the Magruder Yates field pay zone in three other wells of interest was deemed necessary to clarify some existing confusion.

Concerns had been raised in Case No. 14178, Order No. R-13043 as to the plugging of API 30-015-01087 Magnolia State No. 3 and API 30-015-01090 Pure State No. 6. The Geoscience Technologies report dated November 21, 2008 submitted corrected plugging diagrams for both of those wells. The November 21, 2008 report also correct the API number for the Pure State No. 6 (incorrectly shown as 30-015-01099) in our earlier reports.

The confusion resulted from the OCD records filed under 30-015-01090. There are actually two different well record sets contained in that one file. One set is for the Pure State No. 6, located 330' FSL and 1650' FEL and the second set is for State No. 2 well located 330' FSL and 990' FEL of Section 15. My well data and records are filed by API number. Early in the initial investigation I assigned an unused API number (30-015-01099) to one of those two wells and retained the current file number for the second well. I used the 01099 number for the Pure State #6, obviously a mistake in hindsight, which left 30-015-01090 on the State No. 2. Unfortunately, later when preparing the plugging diagrams from the OCD records, obviously no plugging reports for 30-015-01099 were found, because it does not exist. The OCD relied upon that diagram, which has since been corrected. However, the State No. 2 remains without an API number, although my records and this report now show it as the 30-015-01099, an unused API number.

A cross-section is presented below to illustrate the structural and stratigraphic relationships of four wells in the Magruder Yates field, along with casing and plugging relationships between the wells. The locations of the wells are shown in Figure 1.

Mesquite SWD, Inc.
Section 15, T21S-R27E, Eddy County, NM
Well Identification and Cross-section Location



- Cross-section
- Water Disposal well
- Oil well
- ★ Gas well
- ✱ Gas - Oil well
- ✱ Abandoned Gas well
- ✱ Abandoned Gas well
- ✱ Abandoned Oil/Gas well
- ◇ Dry hole

Location of Well Cross-section
 Illustrating Casing, Plugging and
 Top of Magruder pay zone

Map source: USGS topo NAD 27 base
 DeLorme XMap 4.0

GeoScience Technologies
Kay Havenor, Ph.D., R.P.G.
Roswell, New Mexico
December 9, 2008

Figure 1. Location of wells in cross-section, Sec. 15, T21S-R27E, Eddy Co., NM

**Cross-section Surface and Subsurface Wellbore
Relationships of TDs to Base of Casing
Mesquite Exxon State 8**

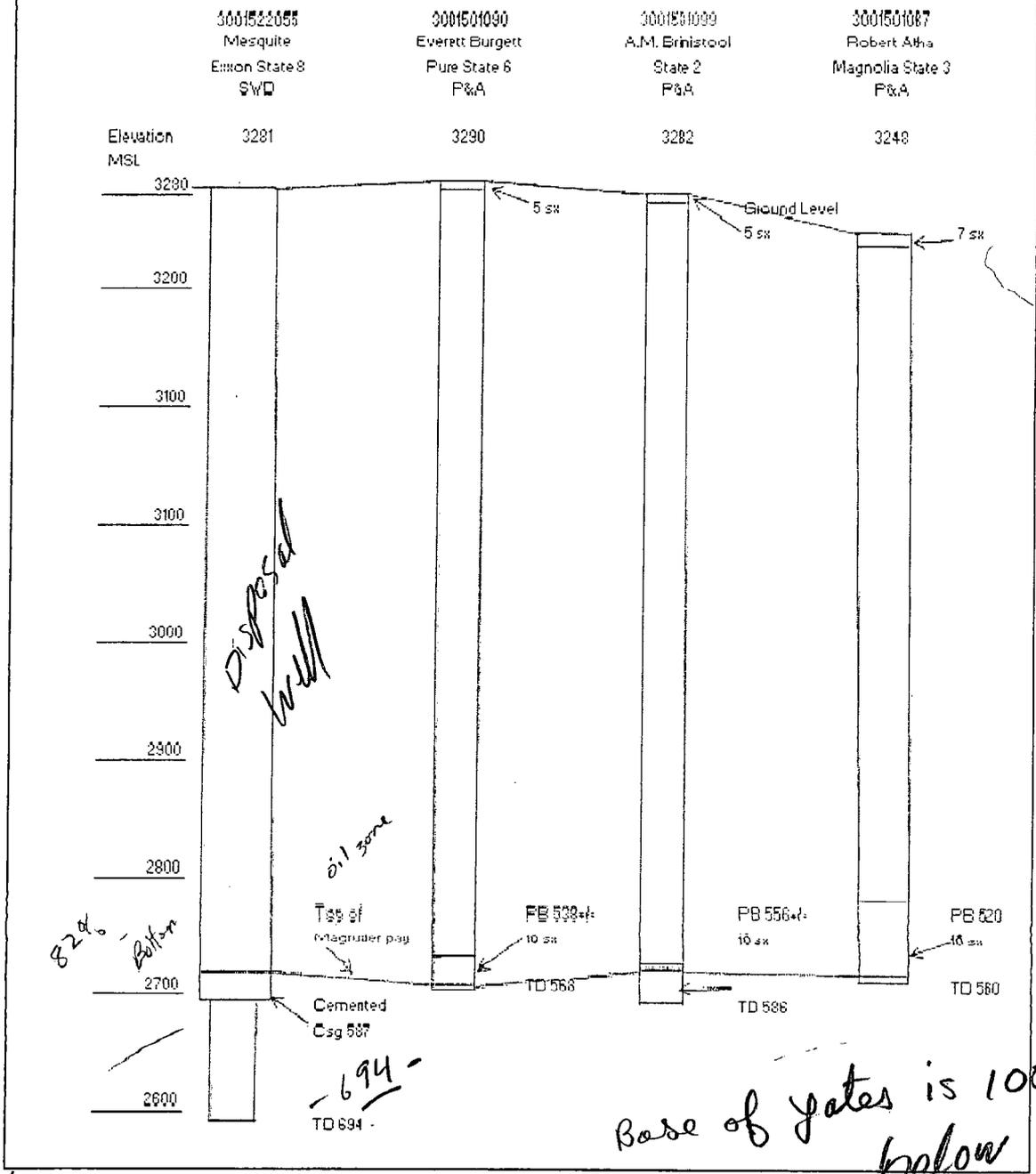


Figure 2. Cross-section of plugging showing casing relations to plugged wells.

*Tubing
3
Packer*

*Base of gates is 100'
below bottom
of hole*

*Exxon State
1, 2, 3, 37,
All
Mag vuder
pog*

gates For matric -

Figure 2 illustrates the relationships of the total depths, the plugging configurations of the abandoned wells, and their subsurface structural and stratigraphic relationships. This diagram graphically illustrates that none of the three plugged and abandoned wells have a total depth (TD) equal to or greater than the base of the cemented casing in the Exxon State No. 8. More importantly, the cement plugs located above the top of the Magruder Yates pay zone to TD of each well further separate each well from the stratigraphic and physical depth base of the cemented casing in the Exxon No. 8 – and from the other wells.

One additional consideration, also described in our previous reports, is that the drilling histories of the wells in the Section 15 portion of the Magruder Yates field have repeatedly demonstrated a lack of formation water above the Magruder Yates pay zone. This shows lithologic separation and lack of up-hole hydrologic connections.

Lithologic separation from the Magruder Yates pay zones and the bottom of the casing in the Exxon State No. 8 has previously been demonstrated to provide hydrologic separation from the oil producing wells that surround the Exxon State No. 8 water disposal well. Those wells are the Exxon No. 1, 2, 3, and 7 shown above in Figure 1. No water injection from the Exxon State No. 8 enters these wells.

Respectfully submitted,



Kay C. Havenor