153 SOUTHWEST ROYALTIES

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CPERATIONS DEPARTMENT

April 14, 1999

SOUTHWEST ROYALTIES INC

407 N. Big Spring, Midland, TX, 79701-4326 P.O. Box 11390, Midland, TX, 79702-8390 (915) 686-9927 1-800-433-7945

Southwest Royalnes Building

Attn: Chuck Morgan SDX Resources. Inc. P.O. Box 5061

Midland, Texas 79704

499 - 3 1995

Re:

Cities Federal SWD

Jalmat Tansill Yates 7 Rivers Field

Section 3u, T22S, R36E Lea County, New Mexico

Dear Mr. Morgan:

As discussed, Southwest Royalties, Inc. has been disposing of water in its Cities Federal #1 well (Unit L), under Permit R7504. The well has experienced downhole mechanical problems and has been shut in pending approval to plug and abandon. Southwest Royalties, Inc, pending regulatory approval, plans to convert Cities Federal #2 (Unit M), to a disposal well. Southwest plans to dispose of water in the Seven Rivers and Queen formations. The Cities Federal is a commercial disposal handling water from several leases in the area. Therefore your assistance in providing a waiver of objection to this proposal will be appreciated. A copy of the permit application will be provided as soon as possible.

Please sign in the space provided below and return to the undersigned in the postage paid envelope provided. Thank your assistance with this project.

Sincerely,

C.M. Bloodworth, P.E.

Area Supervisor

The undersigned has no objection to conversion of the Cities Federal #2 to disposal.