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September 29, 1998

Bureau of Land Management
1717 W. Second
Roswell, NM 88201

Bureau of Land Management
620 E. Green
Carlsbad, NM 88220

Attn: Armando Lopez
Assistant District Manager, Minerals

Attn: Richard L. Manus
Area Manager

Re: **High-Pressure Brine Flow at Salado MB 144 Level**
C.T. Bates No. 4
660' FSL and 2145' FWL (N)
Section 10, T-26-S, R-37-E
Lea County, New Mexico

Gentlemen:

Please find enclosed a C-103 Sundry Notice that is being filed with the NMOCD District I office in Hobbs, New Mexico, corresponding to our currently drilling C.T. Bates No. 4 well located in N-10-26S-37E. The herein enclosed C-103 documents the occurrence of a new and additional high-volume high-pressure saturated brine flow at Salado MB 144 level, in the Rhodes Pool of T-26-S, R-37-E, Lea County, New Mexico.

Since our 320-acre C.T. Bates lease is totally surrounded by Federal leases, we are furnishing the BLM with a copy of the subject filing so that the proper precautions will be taken by surrounding operators who are contemplating drilling wells in the vicinity of the C.T. Bates lease, and also so as to ensure that the excessively-pressured brine water is contained at Salado MB 144 level, and not allowed to spread to other geologic strata, which would make future drilling in the Rhodes area even more expensive and difficult, and, if not properly handled, could also cause serious pollution of the water strata lying above the Salado.