TARGA

Targa Midstream Services Limited Partnership
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432.688.0555
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July 16, 2007

Mr. Wayne Price
Bureau Chief
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: Additional Information Relevant to Case 13865
Application for a Permit to Drill and Operate an Injection Well
Targa Midstream Services Limited Partnership
South Eunice Compressor Station, Lea County, New Mexico

Dear Mr. Price:

Targa Midstream Services Limited Partnership (Targa) would like to provide the Bureau with additional information regarding the proposed Acid Gas Injection (AGI) Well site. This information is in addition to the information submitted to the Bureau by Mr. Alberto Gutierrez in his letter to Mr. William Jones dated June 5, 2007 (attached for your convenience). This additional information relates to a sonar survey to identify the cavern size and cavern location for Skelly #4 Y-Grade Product Storage Well to demonstrate there is no potential for impact to the proposed AGI well.

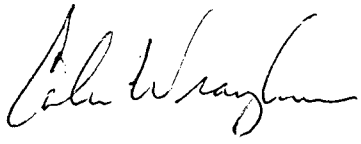
Targa hired Gray Wireline, 2400 E. I-20, Odessa, TX. 79766 to do gauge and density surveys on the #4 well. Mr. Monty Holmes of Gray Wireleine did the surveys on July 9, 2007. These gauge run survey identified the well tubing was 7.0 inch OD and was clear of any obstructions. The gauge run survey also determined the bottom of the casing and well depth at 2038 feet. The density run indicated the brine water level at 50 feet below the well head and that there is no product or pockets of product in the well. These surveys were conducted to gather the information needed to prepare for a well sonar survey. Find enclosed the density and CCL strip chart report.

On July 12, 2007 Gray Wireline returned with Sonarwire, Inc. of Abita Springs, LA. 70420, to conduct a sonar survey. The survey was witnessed by Mr. Leonard Lowe of the NMOCD, Santa Fe and myself. The sonar indicated a circular cavern with a maximum radius of 61.6 feet. See enclosed documents titled Max Range vs Bearing, Vertical Cross Section (north to south), and Vertical Cross Section (east to west).

The survey identifies the cavern radius to be approximately 20 yards in the direction of the proposed AGI drill site. The horizontal distance separating the #4 well and the proposed AGI well site is approximately 170 yards. With the approximately 150 yards horizontal distance separating these borings Targa feels there is no potential impact from #4 well on the proposed drilling location.

Please contact me at 432.688.0542 if you have questions.

Sincerely,



Cal Wrangham
Targa Midstream Services
Sr. ES&H Specialist

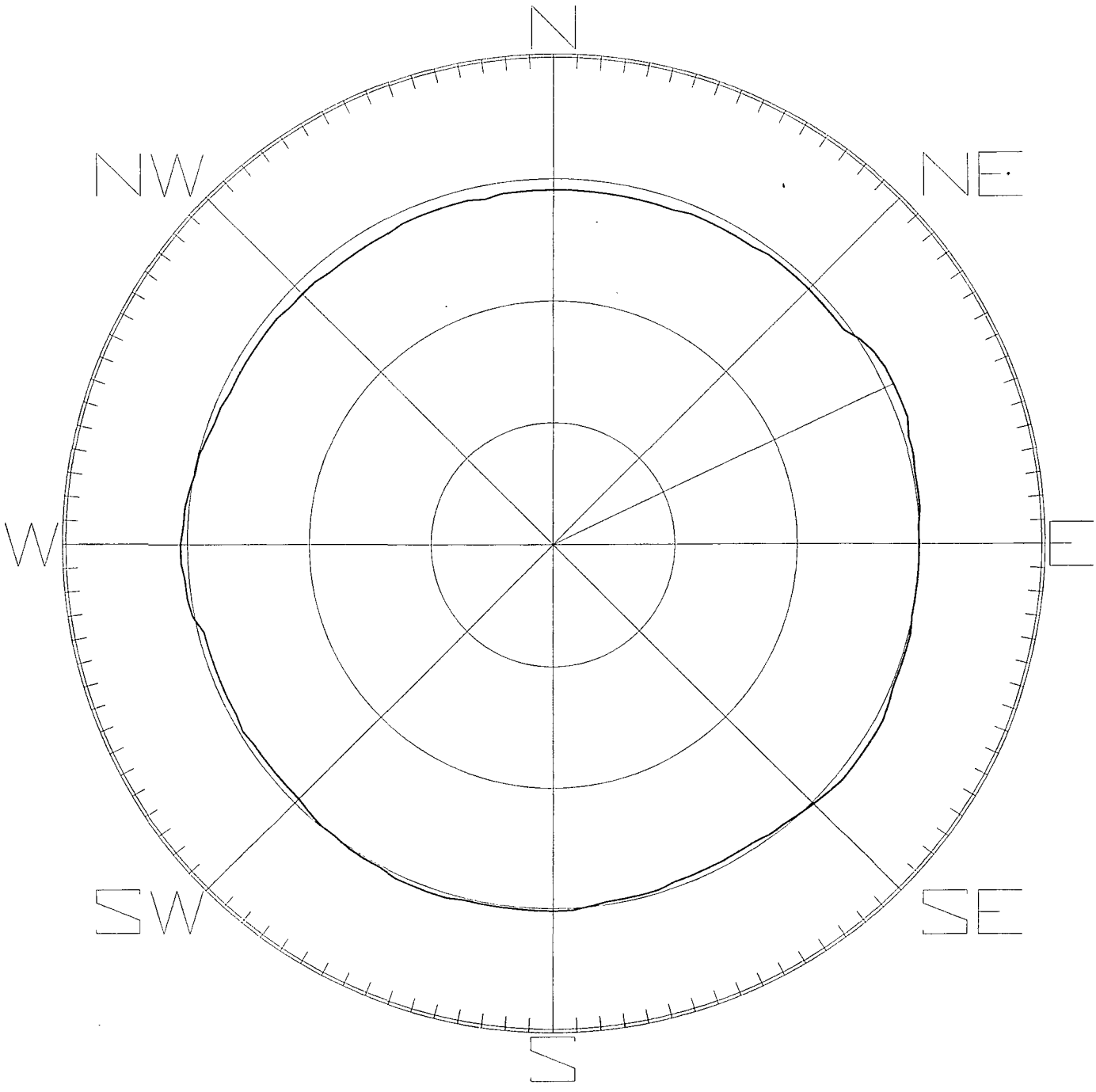
cc: Chris Williams – NMOCD Hobbs
Jessica Keiser – Targa ES&H Manager
William Carr, Holland & Hart

TARGA RESOURCES
WELL Y GRADE #4
EUNICE, NM

SONARWIRE, INC

Max Range vs Bearing

Max Radius= 61.6 ft @ 64.7 deg
Depth= 1990 ft. Thu, Jul 12, 2007



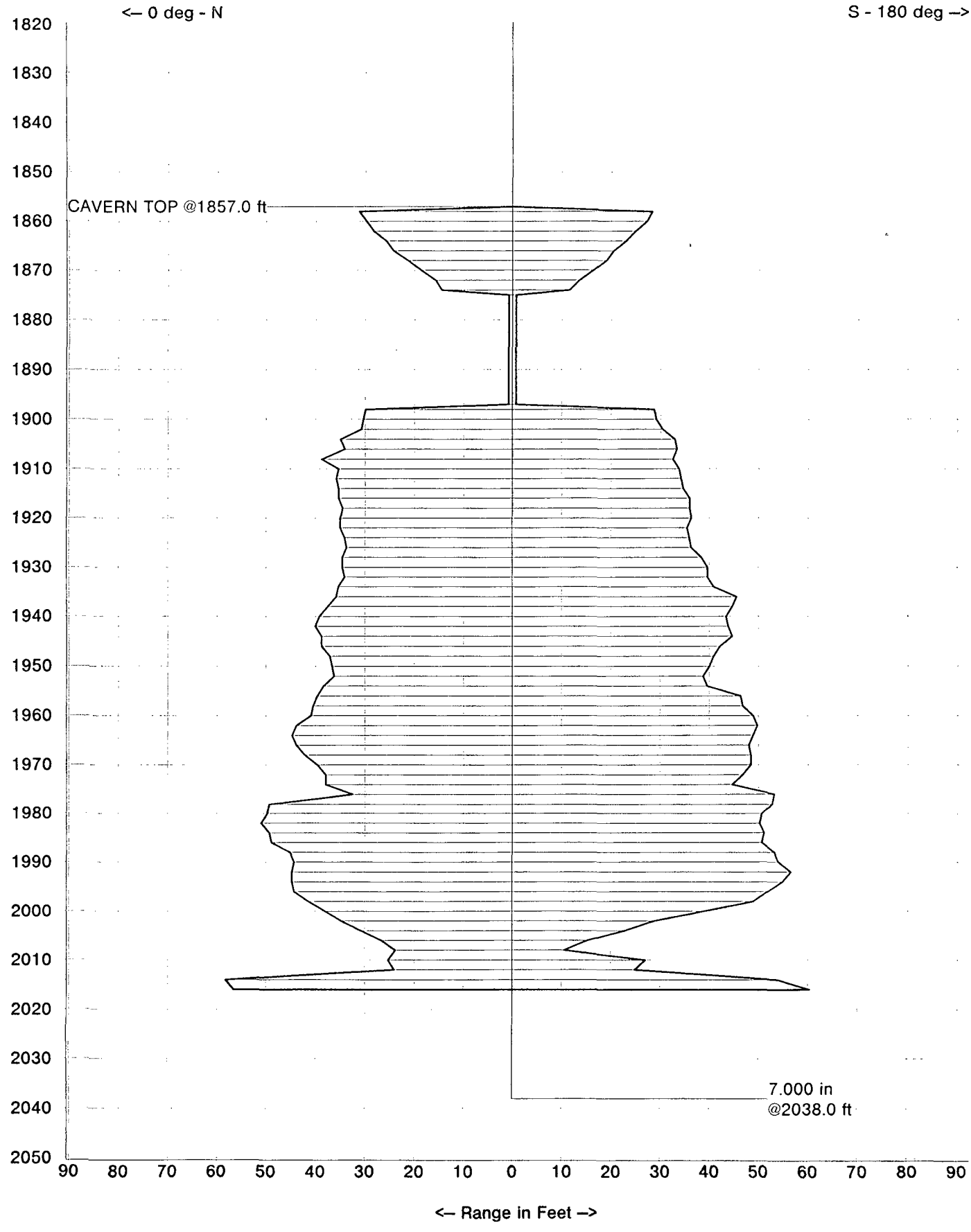
1 inch = 25.0 ft.

80 70 60 50 40 30 20 10 0 10 20 30 40 50 60 70 80

TARGA RESOURCES
EUNICE, NM

SONARWIRE, INC
Vertical Cross Section

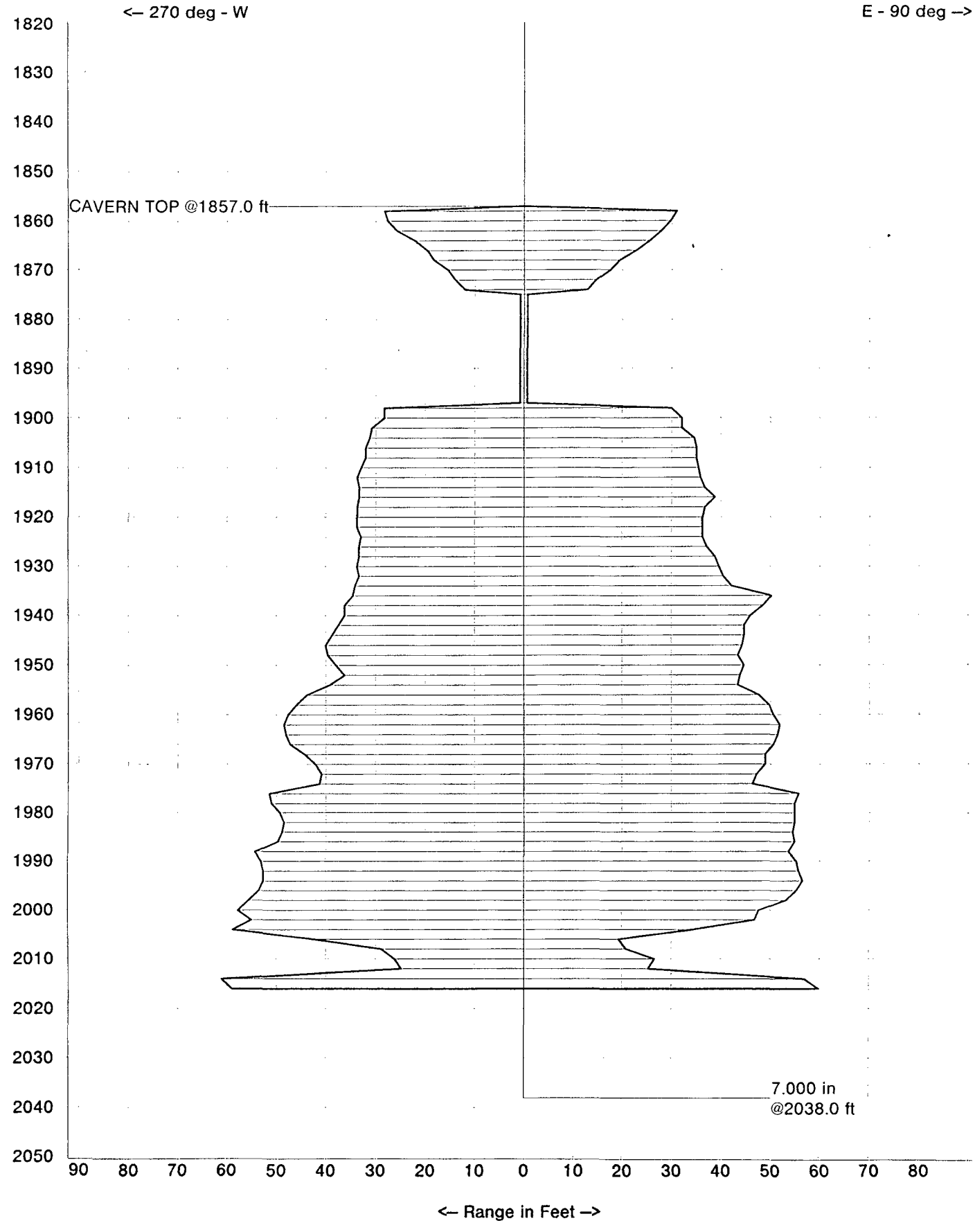
WELL Y GRADE #4
Thu, Jul 12, 2007



TARGA RESOURCES
EUNICE, NM

SONARWIRE, INC
Vertical Cross Section

WELL Y GRADE #4
Thu, Jul 12, 2007



June 5, 2007

Mr. William Jones
Hearing Officer
NM Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

VIA E-MAIL
ORIGINAL VIA 1ST CLASS MAIL

RE: ADDITIONAL INFORMATION RELEVANT TO CASE 13865 (TARGA REQUEST FOR AUTHORIZATION TO INJECT IN SECTION 27, T22S, R37E; LEA COUNTY, NEW MEXICO) IN RESPONSE TO ISSUES RAISED BY NMOCD ENVIRONMENTAL BUREAU

Dear Hearing Officer Jones:

As you know, since the February 1 hearing, we have been in contact with Mr. Carl Chavez, Mr. Wayne Price of the NMOCD Environmental Bureau and Mr. Chris Williams of the District Office to provide additional information and clarification with respect to the above-referenced case which was heard on February 1, 2007. In an attempt to resolve all the outstanding issues in this case and allow you to issue an order permitting Targa to proceed with the drilling of this well, I have put together this additional package of supplemental information to address enquiries and questions raised by NMOCD staff.

I have put together this letter and attachments to address all of the comments that have been raised to us relative to this case by NMOCD staff. Furthermore, we have requested a meeting to go over these issues with Mr. Chavez and Mr. Price to assure that we have provided all requested information and answered their questions satisfactorily.

It should be noted from the outset, as is clear from the hearing testimony that I presented and the answers to questions at the hearing posed by you and Mr. Brooks, that TARGA, by this C-108 application, is merely seeking approval for the injection well and not consideration or approval of any of the appurtenant surface facilities which will be required if the well is found to be adequate for the proposed injection of acid gas and produced fluids currently being injected into the existing SWD at the site (API #3002521497). As you know this existing SWD well will be replaced by the proposed injection well. We are aware that Targa will have to separately apply for approval of the surface facilities associated with the acid gas injection well including any pipeline or compression facilities which will handle H_2S at the wellhead. Furthermore, we are aware that NMOCD Environmental Bureau (EB) will require modifications to the existing discharge plans at Targa's Eunice Plant before injection of acid gas can commence. We have been, and continue to be, in discussions with the NMOCD EB to accomplish this after we have determined that the well is going to be capable of taking the required volume of injection fluid.

I have organized this document to follow the EB comments and concerns expressed in a June 1, 2007 email from Mr. Chavez dated to me and copied to you, Mr. Price and Mr. Williams. In addition, I address several issues that raised in previous correspondence including issues about the final exact location of the well and questions on well construction. These issues are all discussed separately in the pages and attachments that follow.

ISSUE 1: INACTIVE GAS STORAGE FACILITIES IN CAVITIES IN SALADO FORMATION AT THE SITE

Since the February 1st hearing, NMOCD has raised additional questions regarding the potential impacts of the four existing natural gas-storage wells (NGS) located in the vicinity of the proposed AGI well located on the South Eunice Gas Plant. As discussed below, it is clear from the geology of the site and the size, location and relative positions of the salt cavities associated with the 4 inactive NGS wells that there is no potential for impacts to the proposed AGI well nor do they communicate with or impact in any way the existing SWD well.

The relative locations of the existing SWD well, the proposed AGI well and the NGS wells with the associated gas storage cavities in question are shown on Figure 1, plotted on a 2007 aerial photograph. For additional reference, the site and locations are shown on the USGS Eunice 7 ½ Minute Quadrangle map. As shown on Figures 1 and 2, the proposed AGI well will be located approximately 500 feet southwest of the nearest NGS (Skelly #4), and is also over 250 feet from the existing SWD (please recall that this SWD will be plugged and abandoned as it will be replaced by the proposed AGI well).

It is critical to understand the small size and capacity of the cavities in the salt associated with each of the NGS wells and it is important to visualize the vertical and horizontal separations between the existing NGS cavities and the proposed AGI zone. Geolex has provided schematic cross-sections to illustrate the relative geological spacing between the inactive gas storage cavities and NGS wells and the proposed location of the AGI well and its associated injection zone. The locations of these cross-sections are shown on Figure 3. Figure 4 is a cross-section along NGS wells J.V. Baker 001, 002 and 003, and includes the projected location of the existing SWD and the Langlie Mattix #136. The Langlie Mattix #136 is added to provide vertical control to the existing SWD injection zone and the proposed AGI zone. This section shows that the storage cavities are stratigraphically and vertically separated by a distance of approximately 2500 feet, including approximately 500 feet of the Salado Formation beneath the cavities. Figure 5, which connects the wells J.V. Baker #1 and #2, as well as Skelly #4 and has the proposed AGI well (located 350' to the SW of the section line) projected onto the section, also clearly shows the separation of the proposed AGI from the salt cavities associated with the NGS wells.

With respect to horizontal separation, it is critical to understand the insignificant sizes of the gas storage cavities associated with the NGSs. The cavities associated with the J.V. Baker #1, #2 and #3 have a combined total volume of 302,381 barrels, and the Skelly #4 has a total volume of 59,524 barrels. (See information included as Attachment A) As detailed in the calculations presented in the table below, these volumes would represent roughly spherical cavities with a diameter of only approximately 27 feet for the Skelly #4 and approximately 32.5 feet each for the J.V. Baker #1, #2 and #3 (at an average capacity of approximately 101,000 barrels each). If the cavities were more cube-shaped than spherical, then the cube associated with Skelly #4 would be approximately 22 feet on a side and 26 feet on a side for the cavities associated with the J.V. Baker #1, #2 and #3. It is clear that the size of these cavities and their stratigraphic position are such that they will not interfere in any way or endanger the integrity of the proposed AGI or provide any conduit for injected fluids to in any way affect the cavities.