

**MERIDIAN OIL**

March 31, 1993

Pronghorn SWD System  
Attn.: Mr. Larry R. Scott  
P. O. Box 1979  
Hobbs, New Mexico 88241

**Re: NMOCD Hearing - April 8, 1993  
Proposed Capitan Reef Disposal Operation  
Lea County, New Mexico**

Mr. Scott:

Meridian Oil is anxious for the results of the referenced hearing and is ready to begin water disposal into your system at its earliest convenience. We fully support your efforts to implement a SWD system in western Lea County, New Mexico.

Meridian is continually searching for cost effective solutions to reduce our operation expenses. Current trucking fees for water disposal in this area are extremely expensive and have made numerous wells uneconomic to produce. Through utilization of the existing Laguna Pipeline, and your proposed disposal well into the Capitan Reef, Pronghorn can supply operators in this area with an economic alternative for water disposal. This can benefit the operators and the State of New Mexico with additional revenues through extended production.

We support your proposal and wish you success in the upcoming hearing; please notify us with the results as available.

Sincerely,



Jeff N. Stansbury  
Facilities Engineering Supervisor

JNS/RJC/mos

PRONGSWD.DOC

P.O. Box 51810, Midland, Texas 79710-1810, Telephone 915-688-6800  
3300 N. "A" St., Bldg. 6, 79705-5406

**EXHIBIT 2**  
PRONGHORN SWD CASE NO.10693  
Before Examiner Stogner  
May 6, 1993



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Manzano Oil Corporation

P.O. Box 2107  
Roswell, New Mexico 88202-2107  
(505) 623-1996  
FAX (505) 625-2620

March 30, 1993

To: Oil Conservation Division  
Santa Fe, New Mexico

Re: Case 10693  
Application of Pronghorn SWD System  
Lea County, New Mexico

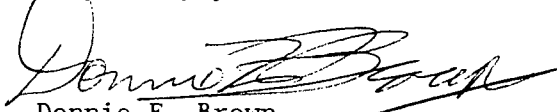
Gentlemen:

Manzano Oil Corporation is in support of the Pronghorn SWD System's application to dispose of produced salt water into the Capitan Reef in the Brook Federal "7" Well No. 6.

Manzano has several wells that were on the Laguna Gatuna System before it was shut down. These wells are now operating at a much higher operating cost as a result and are subject to premature abandonment and loss of reserves.

In particular, the Manzano Jewett Federal #1, SESE Section 15, T18S, R32E, Lea County, New Mexico was operating economically at 50 BOPD + 620 BWPD on the Laguna Gatuna System. The well is now shut in because it is too expensive to truck produced water. Our only hope of returning this well to producing status is to have an economical method, such as the Pronghorn SWD System, of disposing of the produced water.

Very truly yours,

  
Donnie E. Brown  
Vice President, Engineering

DB:ar



March 25, 1993

Pronghorn SWD System  
P. O. Box 1979  
Hobbs, NM 88241

Re: NMOCD Hearing  
April 8, 1993  
Capitan Reef SWD  
Lea County, New Mexico

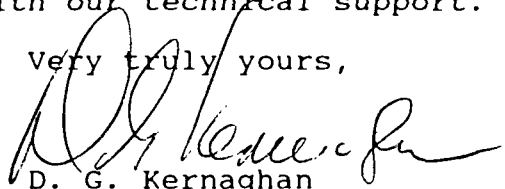
Gentlemen:

Anadarko Petroleum Corporation extends to Pronghorn SWD System our support of your application for the disposal of produced water into the Capitan Reef.

Anadarko is convinced that the Capitan Reef in western Lea County would serve both as an environmentally safe disposal zone as well as an economically useful disposal zone. The Capitan located below 3500 feet contains very poor quality water in an extremely permeable limestone at a depth which would permit reasonable expenditures for the creation of disposal wells. The high permeability of the Capitan along with its low BHP would further serve as a safeguard of the upper salt and fresh water zones due to the need for little or no surface pressure to inject water into the reef. The area contains very few disposal wells, and thus most produced water has to be trucked to some other disposal area. The trucking fees are extremely expensive and thus have caused us to suspend development of what are perceived as economical properties. The creation of Capitan disposal systems would reduce the cost of disposal from approximately \$2.00 per barrel trucked to \$0.20 - \$0.40 per barrel disposed into a local Capitan Reef well.

My company and I encourage you in your endeavor and will continue to aid you with our technical support.

Very truly yours,



D. G. Kernaghan  
Division Operations Manager

DGK/GRSB/jad

gb-pronghorn.

March 22, 1993

Pronghorn SWD System  
P.O. Box 1979  
Hobbs, New Mexico 88241

Dear Sirs,

I would like to express the support of Mitchell Energy in your endeavor to put the Laguna Gatuna SWD pipeline back in operation. It is my understanding that you have a hearing before the Oil Conservation Division set for April 8, 1993 requesting permission to dispose into the Capitan Reef formation at the southern end of the pipeline system. Mitchell Energy supports your request and strongly urges the OCD to grant permission.



Our Geronimo lease in Lea County has nine wells producing a total of 440 BWPD. We currently are forced to haul this water at a cost of \$1.56/bbl for a monthly disposal cost of approximately \$20600. With the pipeline in operation our costs should drop to about \$4000/month. Obviously this represents a tremendous cost saving.

Much of our current drilling in the Lea County area is for the Delaware which typically makes large volumes of water. With surface disposal no longer available disposal costs have gone up dramatically. The best disposal zones in the area appear to be the Devonian and the Capitan Reef. The Devonian is too deep to drill only for disposal leaving the Capitan Reef as the ideal candidate. Approval of the Reef for disposal will greatly reduce our current operating costs and make future drilling more attractive.

Good luck in your endeavor. Please let me know if I can be of further assistance.

Sincerely,

E.R. Earles  
District Production Manager

DLT/tl

MARTIN YATES, III  
1912 - 1985  
FRANK W. YATES  
1936 - 1986



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

S. P. YATES  
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EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

March 25, 1993

Lynx Petroleum Company  
P. O. Box 1979  
Hobbs, New Mexico 88241

RE: Pronghorn SWD System

Gentlemen:

Yates Petroleum has reviewed your proposal for the referenced Pronghorn SWD system. Yates has many prospects for development in this area and will have future needs for additional disposal capacity and supports the application for the disposal system.

Sincerely yours,

Paul Ragsdale  
Facilities Engineer

PR/cvg

C. W. Trainer Operating Account  
P. O. Box 755 Hobbs, New Mexico 88241 (505) 393-2727

March 23, 1993

State of New Mexico  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87504-2088

Re: Case Number 10693  
Pronghorn SWD System  
Capitan Reef-April 8, 1993

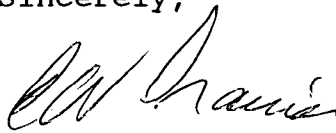
Gentlemen:

I respectfully request you grant this application because this reef is the best place for our increasing volumes of produced water. Surface disposal has been discontinued.

Disposing into the lower reef will help maintain water levels. Future production of upper reef water will be enhanced.

I see no problems - only good results - from your granting this application.

Sincerely,



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C. W. Trainer