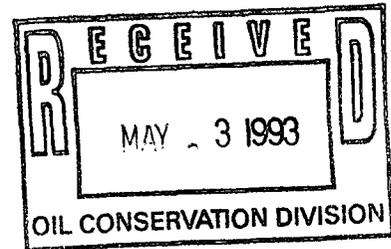


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10693

APPLICATION OF PRONGHORN SWD SYSTEM
FOR SALT WATER DISPOSAL, LEA COUNTY,
NEW MEXICO



PRE-HEARING STATEMENT

This pre-hearing statement is submitted by NMOCD as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Pronghorn SWD Systems
(see applicant's pre-hearing statement)
name, address, phone and contact
person

ATTORNEY

Karen Aubrey

OPPOSITION OR OTHER PARTY

NM Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87504
827-5805

name, address, phone and contact
person

ATTORNEY

Robert G. Stovall
P.O. Box 2088
Santa Fe, NM 87504
505 827-5805
in association with
Susan Kery, State Engineer's office

STATEMENT OF CASE

APPLICANT

(Please make a concise statement of what is being sought with this application and the reasons therefore.)

Applicant seeks authority to inject produced water into the Capitan Reef

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

The Oil Conservation Division is charged with protecting fresh water as defined by the State Engineer. The Capitan reef is a large aquifer which contains fresh water. Although the applicant proposes to inject water into a portion of the reef which does not contain fresh water, it is hydrologically connected to the fresh water. In order to meet its responsibilities under the Oil and Gas Act and under Underground Injection Control regulations the Division must be certain that the proposed injection, and any other injection into the reef, will not adversely affect fresh water supplies, whether or not those supplies are being beneficially used at the present time.

The OCD has asked the State Engineer's office to provide information and testimony which will help it determine whether or not injection into the aquifer could adversely affect fresh water, and the State Engineer's office will present testimony on behalf of the OCD to help determine what must be proven in order to grant the application and evaluating the applicant's model in the context of those requirements.

PROPOSED EVIDENCE

APPLICANT

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

NMOCD

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

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Tom Morrison -
(Peggy Barroll and Andy Core will
be available to testify if needed)

20-30 minutes

2 or 3
evaluation of model and
explanation of the reef and
the knowledge of its
hydrologic mechanisms

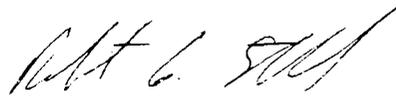
15 minutes

David Catanach
Petroleum Engineer

15 minutes

None - testimony about UIC
requirements

PROCEDURAL MATTERS
(Please identify any procedural matters which
need to be resolved prior to the hearing)



Signature