ANADARKO PRODUCTION COMPANY
A Panhandle Eastern Pipe Line Company Subsidiary

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March 11, 1975

Agua, Inc.
P. O. Box 1978
Hobbs, New Mexico 88240

Attention: Mr. W. G. Abbott, Manager

Gentlemen:

A copy of your letter dated January 30, 1975, addressed to "all parties - Blinebry-Drinkard salt water disposal system" has been received by Anadarko. We hope your letter has not been misunderstood by those receiving it. Anadarko is sincerely interested in cooperating to solve the current water problem in the area. If Agua can deliver suitable quality water at Anadarko's plant site, Anadarko will be pleased to discuss terms of taking some of the water. However, Anadarko has not agreed to take the water and has not negotiated price, delivery or quality terms with you.

Anadarko, as operator of the Langlie Mattix Penrose Sand Unit, injected 7,950 barrels of water per day in February, 1975, into the Langlie Mattix Penrose Sand Unit. Approximately 6,450 barrels/day of this total were produced water and 1,500 barrels/day were purchased from Skelly Oil Company under a contract. With the injection rates reduced to match withdrawals, the make-up water requirements will continue to decrease and vary each month.

Water samples taken from your disposal well during the period February 7, 1975, through February 11, 1975, were analyzed by Martin Water Laboratories. The analyses indicated the following conditions:

1. The disposal water consistently has a supersaturation of calcium carbonate.

2. The suspensions in the water were extremely variable from sample to sample; some of the samples showed an extremely high and unacceptable amount of filterable solids.

3. There was a mild amount of suspended oil in all samples but in no case any excessive oil.

4. Generally, the disposal water was classified as being severely corrosive.

5. The lab encountered such large quantities of paraffinic and asphaltic particles in the water that they were unable to establish whether or not any sulfur was present.

6. No evidence of any incompatibility with the LMPSU produced water was found.

Additional samples from another point on Agua's system have been taken and forwarded to Martin Water Laboratories for analyses and, hopefully, such analyses will be completed shortly. However, it is obvious that it will be necessary for Agua to treat and filter the water prior to delivery to Anadarko. In addition, it can be seen from the above that, under present injection authorization, Anadarko will be able to use only approximately 1,500 barrels of non-produced unit water (i.e., water secured from outside sources).

Therefore, with the above taken into consideration, Anadarko is willing to enter into discussions with Agua in an effort to aid Agua in disposing of a portion of its water, subject, however, to:

1. Anadarko being able to arrange with Skelly to amend its contract so that Anadarko can receive water for injection purposes from sources other than Skelly and to maintain its present source of water from Skelly on a "standby" basis in the event Agua's water, for any reason, becomes unfit for injection purposes;

2. Agua delivering to Anadarko the water Anadarko needs (i) at a mutually agreeable delivery point; (ii) such water being treated and filtered to Anadarko's satisfaction so that it can be used by Anadarko for

injection purposes; (iii) such other arrangements to which Anadarko and Agua may mutually agree; and (iv) consent and approval of the non-operators in the Langlie Mattix Unit.

If you are interested in discussing this matter as outlined above, please contact the undersigned at your convenience.

Very truly yours,

R. L. Casey, Jr.
By Acuff

R. L. Casey, Jr.
Regional Operations Manager

RLCJr/bl

cc: A. L. Porter, Jr.
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