

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

**APPLICATION OF AGAVE ENERGY COMPANY  
FOR AUTHORITY TO INJECT,  
LEA COUNTY, NEW MEXICO**

**APPLICATION OF TARGA NORTHERN DELAWARE,  
LLC TO SUBMIT INJECTION DATA COVERING THE  
FIRST FOUR YEARS OF THE OPERATION OF THE  
RED HILLS AGI #1 WELL**

**CASE NO. 14720  
ORDER NO. R-13507-E**

**ORDER OF THE COMMISSION**

**THIS MATTER** comes before the New Mexico Oil Conservation Commission (“Commission”) on Targa Northern Delaware, LLC’s (“Targa”) application to submit injection data covering the first four years of the operation of the Red Hills AGI #1 Well and to amend Order No. R-13507-D. Pursuant to Sections 70-2-6(B) and 70-2-13 NMSA 1978 of the Oil and Gas Act and 19.15.4.20 NMAC, the Commission, having considered the motion, enters the following findings of fact, conclusions of law, and order.

**FINDINGS OF FACT**

1. On January 23, 2012, the Commission issued Order No. R-13507 (“Order”) authorizing Agave Energy Company (“Agave”) to drill and operate an acid gas injection (“AGI”) well called the Red Hills AGI # 1 in Lea County, New Mexico. Order No. R-13507 authorized Agave to use the Red Hills AGI # 1 well to dispose of treated acid gas (“TAG”) containing carbon dioxide and hydrogen sulfide from Agave’s Red Hills Gas Processing Plant into the Cherry Canyon formation at an open hole depth interval between 6,200 and 6,530 feet below the surface.
2. In the original Order, the Commission imposed certain conditions on Agave including the requirement to (i) reenter the plugged and abandoned Sims #001, Government L Com #001, and Smith Federal #001 wells, perforate and squeeze cement across the injection zone in each well, and replug the wells in accordance with current Oil Conservation Division (“Division”) requirements, and (ii) reenter the plugged and abandoned Government L Com #001 well, place a balanced cement plug across the injection zone, and replug the well in accordance with the current Division requirements.
3. The Order provided that “Agave may request relief from the Commission in the event that it encounters problems upon reentering the plugged and abandoned wells or has new data

to present to the Commission regarding the wells.”

4. On May 14, 2012, Agave filed a Motion to Amend Order No. R-13507. On July 18, 2012, the Commission issued Order No. R-13507-A granting Agave’s motion and amending the Order to remove the Smith Federal #001 well from the list of wells that the Commission required to be reentered and replugged.
5. On August 13, 2012, Agave filed an Amended Second Motion to Amend Order No. R-13507 requesting the Commission to (i) eliminate the requirement that Agave place a balanced plug across the injection zone in the Government L Com #002 well, (ii) eliminate the requirement that Agave reenter the Government L Com #001 well, perforate and squeeze cement across the injection zone, and replug the well, and (iii) reduce either the thirty-year life span of Agave’s injection authority or the total volume of TAG to be injected over that period of time.
6. The Commission considered the Amended Second Motion at a hearing on October 25, 2012, and granted it in part.
7. The Commission issued amended Order No. R-13507-D on December 6, 2012, ordering Agave to proceed with its alternative plugging program for Government L Com #002 well and delaying the requirement for reentry and replugging of the Government L Com #001 by five years from the date Agave commenced injecting TAG into the Red Hills AGI #1 well.
8. In addition, the Commission ordered Agave to submit (1) injection data covering the first four years of Agave’s operation of the Red Hills AGI #1 Well and, (2) an updated model of the projected scope of the injection plume after 30 years of injection. After submitting the injection data and updated model, Agave may renew its request that the Commission eliminate the Government L Com #001 replugging requirement. The Commission also ordered Agave to report the drilling of any new wells within a one-mile radius of the Red Hills AGI #1 well and report any injection of TAG that has a hydrogen sulfide content exceeding 5%.
9. All other terms and conditions of the original Order No. R-13507 remained in full force and effect.
10. On May 11, 2023, Targa Northern Delaware, LLC (“Targa”), the current operator of the Red Hills AGI #1, submitted to the Commission (1) injection data for the first four years of Agave’s operation of the Red Hills AGI #1 Well, located in Section 13, Township 24 South, Range 33 East, and (2) an updated model of the projected scope of the injection plume after 30 years of injection, which was based on the injection data and other relevant data concerning the reservoir.
11. Targa also renewed its request that the Commission eliminate or extend the Order’s requirement that it plug the Government L Com #001 Well (API 30-025-25604).

12. The Oil Conservation Division (“OCD”) entered its appearance and noted its approval of the Targa report.
13. OCD did not oppose the requested extension of the waiver on the Government L Com #001 Well plugging requirement, however, OCD recommended that the Order be amended to include a requirement for annual inspections of the Well to monitor the TAG plume and provide subsequent progress reports to the Commission.
14. OCD took no position as to Targa’s request to eliminate the requirement to plug the Government L Com #001 Well.
15. OCD included recommendations for additional information that Targa should include in its progress report, specifically:
  - a. Details of any workover or treatment program done on the well with reasons for the workover, workover daily reports, and results of the workover.
  - b. A general review of the operation of the projecting, including identification of problems, corrective action taken, and results of the corrective action on project performance.
  - c. A copy of MIT and Bradenhead Test performed.
  - d. Any gas analyses as a condition of the approval for AGI well and on AOR wells that penetrate the injection zone of the AGI well. Even if the AOR wells do not belong to the operator of AGI well, an effort should be made to acquire gas analyses on those wells and make the results available to OCD and the public.
  - e. Safety valve testing results with comparison to previous test results (a valve operational track record).
  - f. A summary of seismicity data for events that have been identified and note if no events have occurred.
  - g. An assessment of all monitoring conducted during the reporting period, including corrosion protection, bio acid treatment, logs, reservoir summary, and any other data gathered including data from AOR wells, if any.
  - h. Any other reporting that is required as a condition of the approval.

### **CONCLUSIONS OF LAW**

1. The Commission has jurisdiction over the Parties and the subject matter of this case.
2. Proper public notices of the Submissions and Application were given.
3. The Submissions and the Application are complete.
4. Targa’s request to extend the waiver of the replugging requirement of the Government L Com #001 Well (API 30-025-25604) will comply with the requirements of 19.15.26 NMAC and will not result in waste, impair correlative rights, or harm public health or the environment.
5. Moreover, the annual inspection and reporting requirement with the OCD recommended information outlined in paragraph 15 (a-h), will comply with the requirements of 19.15.26

NMAC and will not result in waste, impair correlative rights, or harm public health or the environment.

**ORDER**

1. Targa's request for an extension of the waiver of the time limit to replug the Government L Com #001 Well (API 30-025-25604) is approved and Order No. R-20912-D is amended as follows:
  - a. The waiver of the requirement to reenter and replug the Government L Com #001 Well (API 30-025-25604) is extended for five years from the date of this Order.
  - b. Targa shall visit and inspect the Government L Com #001 Well on an annual basis to monitor the TAG plume.
  - c. Targa shall submit to OCD and the Commission a progress report of the information resulting from the annual visitation and inspection, and shall include the information recommended for inclusion by OCD outlined above in paragraph 15 (a-h).
2. All other conditions set out in Order No. R-20913-D shall remain in full force and effect.

DONE at Santa Fe, New Mexico on the 8th day of June 2023.

**STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION**

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**GREG BLOOM, Commissioner**

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**WILLIAM AMPOMAH, Commissioner**

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**DYLAN FUGE, Chair**