

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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**APPLICATION OF LOS LOBOS RENEWABLE
POWER, LLC TO PLACE GEOTHERMAL WELLS
LDG-55-7 AND LDG 53-7 ON INJECTION IN
SECTION 7, TOWNSHIP 25 SOUTH, RANGE 19
WEST, NMPM, HIDALGO COUNTY, NEW MEXICO**

Case No. 14948

PRE-HEARING STATEMENT

Los Lobos Renewable Power, LLC ("Los Lobos"), by and through its attorney Michelle Henrie, LLC, respectfully asks the Oil Conservation Division (OCD) to dismiss the objection by AmeriCulture, dated December 26, 2012, regarding two pending form G-112s. These pending form G-112s request permission to use existing geothermal wells, LDG-55-7 and LDG 53-7, as re-injection wells in connection with Los Lobos' geothermal power plant project in Section 7, Township 25 South, Range 19 West, Hidalgo County, New Mexico.

STATEMENT OF THE CASE

1. Los Lobos is developing a utility-scale binary (two closed loops) geothermal power facility to provide base-load renewable electricity to Public Service Company of New Mexico (PNM).
2. Los Lobos seeks to place two geothermal wells (wells LDG 55-7 and LDG 53-7) on injection for well testing and potential future re-injection of geothermal fluids.
3. Well LDG 55-07, a well that has been in existence since 1985, is located in Unit J, 2390 FSL and 2412 FEL, Section 7, Township 25 South, Range 19 West, Hidalgo County, New Mexico.

4. Well LDG 53-7, completed in November 2011, is located in Unit G, 1525 feet FNL and 2228 feet FEL Section 7, Township 25 South, Range 19 West, Hidalgo County, New Mexico.

5. AmeriCulture asserts that its State Well No. 1 is in direct hydraulic connection with the production interval in well LDG-55-7 and references an October 2000 pump test and observation data from well LDG-55-7. Los Lobos has not seen this data, which (but for an executive summary) is not available via OCD Online. Regardless, even if these wells are in direct hydraulic connection, Los Lobos' request is to reinject into well LDG-55-7—i.e., to augment the water table.

6. With regard to well LDG 53-7, AmeriCulture speculates regarding “migration” of disposed geothermal power plant “fluids”. AmeriCulture’s email of January 10, 2013, clarifies that the “fluids” are alleged to include “copious quantities of cooling tower chemicals.” Even if Los Lobos were to build a water-cooled cooling tower (it no longer plans to do so), the issue of cooling tower “chemicals” was already addressed at the 2009 hearing and the Discharge Permit expressly addresses mitigation measures.

7. Los Lobos should be allowed to place wells LDG 55-7 and LDG 53-7 on injection because all water produced for geothermal power plant operations will be reinjected to the same geothermal reservoir from which it was produced, thus conserving the geothermal reservoir and preventing waste.

8. Los Lobos should be allowed to place wells LDG 55-7 and LDG 53-7 on injection because doing so preserves and protects correlative rights. Los Lobos' federal geothermal lease is for over 2,500 acres. AmeriCulture's state geothermal lease is for 10 acres. Moreover, in an

agreement between AmeriCulture and Los Lobos' predecessor—and agreement which has been assigned to Los Lobos—AmeriCulture agreed that “If LDG's drilling activities result in a depletion of AmeriCulture's heat source for non-power purposes, then upon the commencement of geothermal production by LDG, LDG shall provide AmeriCulture with effluent heat in an amount equivalent to that by which AmeriCulture's resource is depleted.”

9. Los Lobos should be allowed to place wells LDG 55-7 and LDG 53-7 on injection because well completion logs and well testing has established that these wells are cased, cemented, and equipped in such a manner that there will be no danger to any natural resource, including geothermal resources, useable underground water supplies, and surface resources.

10. Los Lobos should be allowed to place wells LDG 55-7 and LDG 53-7 on injection because Los Lobos has provided OCD with geothermal fluid analytical results that indicate consistent concentrations of analytes from the geothermal fluid flow intervals in LDG 45-7, LDG 53-7, and LDG 55-7 and these concentrations are not substantially different from those in the shallow alluvial wells within the geothermal fluid up-flow area.

11. Los Lobos should be allowed to place wells LDG 55-7 and LDG 53-7 on injection because Los Lobos has provided geological information that indicates the geothermal fluid production zones in LDG 53-7 and LDG 55-7 is the same. The producing geothermal fluid flow interval in LDG 53-7 ranges from approximately 2,400 to 3,000 feet bgs and is comprised of the lower portion of the Tertiary volcanoclastic rocks and the upper portion of the Horquilla Formation. The producing geothermal fluid flow interval in LDG 55-7 ranges from approximately 1,200 to 1,800 feet bgs and is also comprised of the lower portion of the Tertiary volcanoclastic rocks and the upper portion of the Horquilla Formation. Regardless of the depths

below surface, these geothermal fluid flow intervals occur in the same geological formations and are not directly connected to the alluvial aquifer at 400 feet bgs in AmeriCulture's State Well No. 1.

LOS LOBOS'S INITIAL WITNESS LIST

Applicant may call the following witnesses to testify or rebut:

1. John W. Shomaker, Ph.D.
John Shomaker & Associates, Inc.
2611 Broadbent Parkway NE
Albuquerque, NM, 87107

Mr. Shomaker may testify as both a fact and expert witness regarding hydrology issues, Los Lobos's pending C-112 applications, and/or any of the issues stated in paragraphs 1-11 above.

Los Lobos anticipates Mr. Shomaker's testimony will require approximately 30 minutes, and that approximately 20 minutes will be needed for rebuttal.

2. David W. Janney, PG
Senior Geologist
AMEC Environment and Infrastructure
8519 Jefferson, NE
Albuquerque, NM 87113

Mr. Janney may testify as both a fact and expert witness regarding geology issues, Los Lobos's pending C-112 applications, and/or any of the issues stated in paragraphs 1-11 above. Los Lobos anticipates Mr. Janney's testimony will require approximately 30 minutes, and that approximately 20 minutes will be needed for rebuttal.

3. Chuck Smiley, Site Manager
Lightning Dock Geothermal Site
P.O. Box 86
Animas, New Mexico 88020

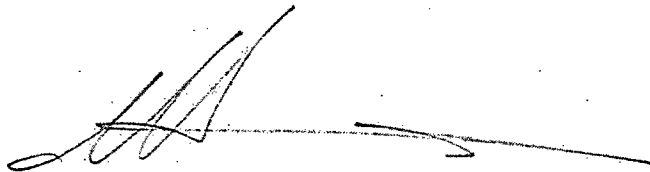
Mr. Smiley may testify as a fact witness regarding geothermal technology issues, Los Lobos's pending C-112 applications, and/or any of the issues stated in paragraphs 1-11 above. Los Lobos anticipates Mr. Smiley's testimony will require approximately 10 minutes.

PROCEDURAL ISSUES

Los Lobos is not aware of any procedural issues requiring resolution at this time.

Respectfully Submitted,

MICHELLE HENRIE, LLC

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Michelle Henrie
P.O. Box 7035
Albuquerque, NM 87194
Attorney for Lightning Dock Geothermal HI-01, LLC

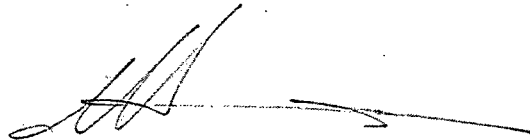
CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Pre-Hearing Statement was e-mailed and mailed first-class, postage pre-paid, to the following on January 31, 2013:

Damon Seawright, President
AmeriCulture, Inc.
25 Tilapia Trail
Animas, NM 88020
dseawright@gmail.com

David Brooks
EMNRD
1220 South St. Francis Dr
Santa Fe, NM 87505
david.brooks@state.nm.us

Dated this 31 day of January, 2013.

A handwritten signature in black ink, appearing to read 'Michelle Henrie', with a long horizontal line extending to the right.

Michelle Henrie