

**MINUTES OF THE MEETING
OF THE OIL CONSERVATION COMMISSION
HELD ON JUNE 28, 2012**

The Oil Conservation Commission met at 9 o'clock a.m. on June 28, 2012, in Porter Hall, Wendell Chino Building, 1220 S. St. Francis Drive, Santa Fe, New Mexico.

PRESENT: **SCOTT DAWSON, Member**
 ROBERT BALCH, Member
 JAMI BAILEY, Chair

Bill Brancard served as the Commission counsel.

The meeting was called to order by Chairman Bailey.

De Novo Case 14763, the application of Mack Energy Corporation for compulsory pooling, Lea County, New Mexico, to be heard De Novo upon the application of Siana Oil and Gas LLP and Tom Ragsdale, was called and continued to the Commission meeting scheduled for July 18, 2012.

De Novo Case 14764, the application of Cimarex Energy Co. of Colorado for approval of a non-standard oil spacing and proration unit, an unorthodox location, and compulsory pooling, Lea County, New Mexico, to be heard De Novo upon the application of Thomas M. Beall, Carolyn R. Beall, Fuel Products, Inc., Pear Resources, and Gardenia Investments, Ltd., was called and continued to the Commission meeting scheduled for July 18, 2012.

Case 14720, Agave Energy Company's motion to amend Order No. R-13507, Lea County, New Mexico, was called. Appearances were made by Gary Larson for Agave Energy Company (Agave).

Mr. Larson's first witness was Ivan Villa, Engineering Manager for Agave in Artesia, New Mexico. He explained that Agave did not begin operating the Red Hills Plant by March, 2012. He presented a construction update for the plant and said it was scheduled for completion September 1 with commissioning of the plant scheduled for October 1, 2012. He described the preparations for plugging three of the wells listed in Order No. R-13507. He said that Geolex will oversee the plugging program for the wells. Commissioner Balch cross-examined the witness, and he was excused.

The next witness was Jennifer Knowlton, Environmental Manager for Agave in Artesia. She said that remedial work has already begun on the Government "L" Com No. 2 well. She gave an estimate of the cost of re-entering and plugging the wells listed in the order, and said that she does not believe it is necessary to plug the Smith Federal No.1 well. Commissioner Balch cross-examined the witness, and she was excused.

The next witness was Alberto Gutierrez, President of Geolex in Albuquerque, New Mexico. He explained the work done by Geolex, including reviewing the plugging records from the Oil Conservation Division (OCD) and the Bureau of Land Management (BLM). He said he looked at the initial analysis of the potential extent of the acid gas plume over a period of 30 years. He looked at the vulnerability of the wells ordered to be plugged to see how they would be affected by the plume. He said that after his study he decided it was reasonable for three of the wells to be plugged. He stated that he concluded that the Smith Federal well was not a potential conduit for acid gas out of the injection zone. He explained how he calculated the area impacted by injection. He

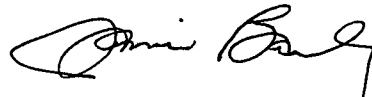
outlined the current plugging configuration of the Smith well and described its structural position. He summarized Agave's request and reported that remedial work is now being done on the Government No. 2 well, after which they will move to the Government No. 1 well and then to the Sims No. 1 well. He said that, depending on the outcome of this hearing, he will then move onto the Smith No. 1 well or remove it from the plugging program. He said he believes the Smith well does not pose any hazard to the proposed AGI well, and its current plugging condition is protective of the Cherry Canyon formation. Commissioner Dawson, Commissioner Balch, and Chairman Bailey cross-examined the witness, and he was excused.

Mr. Larson made a closing statement.

After a motion by Commissioner Balch and a second to the motion by Commissioner Dawson, the Commission, on a roll call vote, voted unanimously to close the session pursuant to NMSA 1978, Section 10-15-1 H, to deliberate on Case 14720. After a motion by Commissioner Dawson and a second to the motion by Commissioner Balch, the Commission voted unanimously to return the meeting back into open session. Chairman Bailey announced that the only matter discussed during the closed session was Case 14720. On a roll call vote, the Commission voted unanimously to grant Agave's request. Chairman Bailey asked Mr. Larson to prepare a draft order to this effect.

After a motion by Commissioner Balch and a second to the motion by Commissioner Dawson, the Commission voted to adjourn the meeting at 10:45 a.m.

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**



JAMI BAILEY, Chair