



Agave Energy Company

Dark Canyon Station Release Report

Sec 32, T23S – R 24E

Eddy County, New Mexico

February 24, 2016

Location

Traveling from Artesia, head south on US Hwy 285 to the intersection with Queens Hwy (US Hwy 137). Turn west and continue for 23.0 miles, to mile marker 35.2, then turn southeast on CR 408. Go 5.9 miles and turn right on dirt road, go 1.6 miles. Compressor station is on left side.

Introduction

The Dark Canyon Compressor Station is a natural gas compressor station gathering sweet field gas. The gathering system was constructed and began operating in 1997 under Yates Petroleum Corporation, and has been in continuous operation since then. In 2014 ownership of the gathering system was transferred to Agave Energy Company.

The facility consists of one compressor engine, inlet separator, and one 210 bbl tank for storing pipeline liquids.

On Friday February 12, 2016 Agave personnel discovered a release at the location. Upon discovery the location was shut in to minimize the risk of further release, and a vac truck was called immediately to recover the free standing liquid. Upon investigation it was determined that at one of the production facilities producing into the gas line, a dump valve most likely froze and hung open delivering a large amount of produced water to the station. This liquid overflowed the tank in the morning of 2/12/16, releasing approximately 135-140 bbls of produced water, a minimal amount of oil (<5bbls), and an undetermined amount of gas. The tank was located in an earthen berm, which contained the liquids a small area. Agave was able to recover 130 bbls of liquid. The remaining 5-10 bbls of produced water was unrecoverable, and soaked into the walls of the earthen containment.

Site Ranking

Based on the *Guidelines for Remediation of Leaks, Spills and Releases* (NMOCD, August 13, 1993), hereafter referred to as “the Guidelines”, the site ranking criteria are as follows.

Depth to Ground Water: The nearest Depth to Groundwater record (C-01301) listed on the New Mexico Office of the State Engineer (Sec 29, T23S-R24E) shows depth of groundwater to be approximately 170 feet. Average depth to groundwater in this Township is reported as 307 feet. Exhibiting a depth to groundwater of greater than 100 feet, results in a ranking score of 0.

Wellhead Protection Area: The nearest water source to the station is one well (C-01301) used for livestock watering, located 7,050 feet to the north of the site. According to the *Guidelines*, not being within 1000 feet of a water source results in a site ranking of 0.

Distance to Surface Water Body: The nearest surface water body is the Pecos River, located 20.6 miles to the northeast, resulting in a site ranking of 0.

Total Site Ranking:

Depth to Ground water	0
Wellhead Protection Area	0
Distance to Surface Water Body	<u>0</u>
Total:	0

Recommended Remediation Action Level

According to the *Guidelines*, a location with a site ranking of 19 or greater is subject to the following Recommended Remediation Action Level (RRAL).

Benzene	10 ppm
BTEX	50 ppm
TPH	5000 ppm

There are no standards set for chloride contamination set within the *Guidelines*. If chlorides are determined to be present, Agave will work with the District II Oil Conservation office to determine an appropriate action level.

Proposed Remediation Work

Prior to any excavation work, Agave will collect samples from the site, as well as background samples to determine the extent of chloride contamination, and an appropriate action level for remediation. Agave proposes to excavate the affected caliche pad material, pending the results of soil sampling. The bedrock in this area is very shallow, ranging from 4-20 inches below surface. As such Agave will be limited in the excavation of material. All excavated material will be disposed of at an NMOCD approved facility, and clean material will be used to fill in the excavation upon NMOCD approval of the spill.