

**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**

APPLICATION FOR REHEARING

In accordance with NMAC 19.15.4.25, Targa Northern Delaware LLC (“Targa”) files this application for rehearing of Oil Conservation Commission (“Commission”) Order R-13507-E (“Order”), issued on July 12, 2023.¹ Specifically, Targa requests that the Commission reconsider the requirements in Ordering Paragraph 1(c) regarding Targa’s monitoring of the Government L Com #001 well because the conditions: (1) were not requested by the Oil Conservation Division (“Division”); (2) were not agreed upon by Targa; and (3) are not feasible. In support of this Application, Targa states as follows.

1. On May 11, 2023, Targa submitted to the Commission: (1) injection data for the first four years of operation of the Red Hills AGI #1 (“AGI #1”), 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. Targa also renewed its request that the Commission eliminate or

¹ Although the order is dated June 8, 2023, it was provided to the parties and uploaded to the Commission’s website on July 12, 2023. As a result, this application is timely filed within 20 days of the date the order was entered.

postpone the requirement in Order No. R-13507 that Targa plug the Government L Com #001 Well (API 30-025-25604).

2. At the hearing, the Division noted its approval of the Targa AGI #1 report, did not oppose Targa's requested extension of the waiver on the Government L Com #001 Well plugging requirement, and took no position on Targa's request to eliminate the requirement to plug the Government L Com #001 Well. As explained at the hearing, Targa does not own or operate the Government L Com #001 Well. *See* Tr. 85:11-14.

3. Regarding Targa's four-year report on AGI #1, the Division requested that Targa provide the additional information set out in Paragraph 15 of the Order. *See* Tr. 73:12-14, 74:25, and 75:1-5. Targa agreed to provide the requested information, which includes:

- a) Details of any workover or treatment program with reasons for the workover, workover daily reports, and results;
- b) A general review of the operation and project, including identification of problems, corrective action, and results of corrective action on project performance;
- c) A copy of MIT and Bradenhead Tests performed;
- d) Any gas analyses as a condition of approval for the 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 the 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 results;
- f) A summary of seismicity data;
- 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; and
- h) Any other reporting condition required as a condition of approval.

4. Regarding Targa's request that the Commission eliminate or extend the waiver of the requirement that Targa plug the Government L Com #001 Well, the Division recommended that Targa inspect the well on an annual basis and report its findings to the Division. *See* Tr. 75:6-13, 78:22-25, and 79:1-5. Targa subsequently communicated with OCD, and OCD confirmed the requirement would be satisfied by Targa inspecting the wellhead on an annual basis, conducting an H₂S detection test, and providing the results to the Division.

5. At the hearing, the Division did *not* propose to apply the four-year reporting requirements regarding AGI #1 to the Government L Com #001 Well, and those requirements are infeasible with respect to the Government L Com #001 Well because Targa does not own or operate the well and it is partially plugged. In addition, the requirements in Paragraph 15 of the Order apply to an AGI well, not a partially plugged oil well. For example, Targa cannot: conduct workover or treatment programs on the Government L Com #001 Well; perform any corrective action; conduct MIT or Bradenhead tests; test safety valves; monitor seismicity impacts of the Government L Com #001 well; or gather data regarding corrosion protection, bio acid treatment, logs, or reservoir summary.

6. Because no party recommended that the monitoring provisions in Paragraph 15 apply to the Government L Com #001 well and the requirements are infeasible with respect to the well, Targa submitted to the Commission a proposed order that limited the monitoring requirements to those proposed by the Division and agreed upon by Targa. Specifically, the proposed monitoring provision provides that Targa will inspect the wellhead on an annual basis, conduct an H₂S detection test, and submit the results to the Division. A copy of the proposed order is attached as Exhibit 1.

7. However, the Commission did not adopt the proposed order and instead included in Paragraph 1(c) of the Order a requirement that Targa provide the four-year AGI reporting information set out in Paragraph 15 in relation to the Government L Com #001 well on an annual basis. As explained above, this requirement was not recommended by the Division and is not reasonably applied to the Government L Com #001 well. Ordering Paragraph 1(c) also requires Targa to inspect the Government L Com #001 well on an annual basis to monitor the TAG plume. However, as agreed upon by Targa and the Division, the Government L Com #001 monitoring requirement should state that Targa will inspect the wellhead on an annual basis, conduct H₂S detection testing; and submit the information to the Division.

8. As a result of the above, Targa requests that the Commission: (1) grant rehearing of the Order with respect to the monitoring requirements on the Government L Com #001 well set forth in Ordering Paragraph 1(c); and (2) enter a revised order in the form attached as Exhibit 1.

WHEREFORE, Targa respectfully requests that the Commission grant rehearing with respect to Ordering Paragraph 1(C) and enter a revised order in the form attached as Exhibit 1.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing Application was sent to the following counsel by electronic mail on August 1, 2023.

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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 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 that Targa inspect the well and conduct an H₂S detection test at the wellhead on an annual basis and report its findings to OCD.
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 report covering the first four years of injection into the Red Hills AGI #1, 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 well, including identification of problems, corrective action taken, and results of the corrective action on project performance.
 - c. A copy of MIT and Bradenhead Tests performed.
 - d. Any gas analyses gathered as a condition of the approval for the AGI well and on AOR wells that penetrate the injection zone of the AGI well. 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. The annual inspection and reporting requirement regarding the Government L Com #001H Well, 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.
6. Targa's submission of the information set out above in Paragraph 15(a) through (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 inspect the Government L Com #001 Well and conduct an H₂S detection test at the wellhead on an annual basis, and will provide the results to OCD via the OCD engineering email address.
2. Regarding Targa's report covering the first four years of injection into the Red Hills AGI #1, Targa will file the additional information identified above in Paragraphs 15 (a) - (h) in the docket for this proceeding, with notice to OCD's counsel.
3. 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 ____ day of August 2023.

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**

Dylan Fuge, Chair