

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

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IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION
FOR THE PURPOSE OF CONSIDERING:

AGAVE ENERGY COMPANY'S MOTION TO
AMEND ORDER NO. R-13507, LEA COUNTY,
NEW MEXICO.

Case No. 14720

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Kaiser-Francis Oil Company as required by the Oil Conservation Commission.

APPEARANCES

APPLICANT

Agave Energy Company

APPLICANT'S ATTORNEY

Gary W. Larson

OPPONENT

Kaiser-Francis Oil Company

P.O. Box 21468

Tulsa, Oklahoma 74121

Attention: Jim Wakefield

OPPONENT'S ATTORNEY

James Bruce

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STATEMENT OF THE CASE

APPLICANT

OPPONENT

Order No. R-13507 granted Agave Energy Company ("Agave") authority to inject acid gas into its proposed Red Hills AGI Well No. 1, to be located 150 feet FEL & 1600 feet FSL (Unit I) of Section 13-T24S-R33E, Lea County, New Mexico, as part of its Red Hills Gas Plant located on a 79.69 acre tract in the SE/4 of Section 13. The natural gas processing facility will furnish to the injection well a gas stream comprised of 95% carbon dioxide and 5% hydrogen sulfide, which Agave plans to inject into the Delaware Cherry Canyon formation at approximate depths of 6200-6530 feet subsurface. The order contained certain conditions, including that Agave re-enter and perform remedial work on the Smith Fed. Well No. 1.

Kaiser-Francis Oil Company ("KFOC") is the operator of the South Bell Lake Unit, which lies immediately to the north of the injection well. The Delaware Cherry Canyon injection zone underlies the South Bell Lake Unit and is considered to be a continuous depositional feature with hydraulic communication between the injection well and South Bell Lake Unit wells in Section 12-T24S-R33E and Sections 7 and 8-T24S-34E. As a result, KFOC objected to the original application, and still objects to the AGI project.

Agave now seeks to amend the order to eliminate the requirement that it re-enter and re-plug the Smith Fed. Well No. 1. KFOC considers the Smith Fed. Well No. 1 a potential pollution risk, but without re-entering the well and testing the Cherry Canyon injection zone, we cannot know if it has been adequately protected during the original plugging operation. Consequently, KFOC is willing to abide by the ruling of the Commission in this matter based on the testimony and guarantees/warranties made by Agave that the Smith Fed. Well No. 1 poses no pollution risk

KFOC notes that it is ironic that Agave, in its motion, uses the downdip structural position of the Smith Fed. Well No. 1 as a reason for re-plugging relief, when its witnesses discounted structural position as being meaningful in the original hearing.

PROPOSED EVIDENCE

APPLICANT

WITNESSES

EST. TIME

EXHIBITS

OPPONENT

WITNESSES

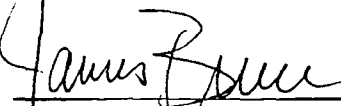
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EXHIBITS

KAISER-FRANCIS OIL COMPANY DOES NOT INTEND TO APPEAR OR PRESENT A WITNESS AT HEARING.

PROCEDURAL MATTERS

Respectfully submitted,



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Attorney for Kaiser-Francis Oil Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 21st day of June, 2012 by facsimile transmission:

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