

HINKLE, HENSLEY, SHANOR & MARTIN, L.L.P.

ATTORNEYS AT LAW

218 MONTEZUMA

SANTA FE, NEW MEXICO 87501

505-982-4554 (FAX) 505-982-8623

RECEIVED OGD
WRITER:
Gary W. Larson,
Partner
glarson@hinklelawfirm.com
2012 AUG 13 P 4:38

August 13, 2012

Via Hand Delivery

Florene Davidson
Oil Conservation Commission
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: Case No. 14720

Dear Florene:

Enclosed for filing is Applicant Agave Energy Company's Amended Second Motion to Amend Order No. R-13507. Also enclosed is a proposed hearing notice.

As stated in the motion, Agave Energy requests that the Commission set the motion for hearing on the September 13, 2012 docket.

Thank you for your assistance.

Very truly yours,

Gary W. Larson

GWL:js

cc: James Bruce (via email)
Gabrielle Gerholt (via email)

Case No. 14720: Agave Energy Company's Amended Second Motion to Amend Order No. R-

RECEIVED OGD

13507. Agave Energy Company has filed a motion requesting the Oil Conservation Commission to amend Order No. R-13507, which authorizes Agave Energy to dispose of treated acid gas (TAG) from its Red Hills Gas Processing Plan by injecting the TAG stream into Agave Energy's Red Hills AGI #1 well. The motion requests that the Commission: (1) eliminate the requirement in Order No. R-13507 that Agave Energy reenter and replug the plugged and abandoned Government L Com #2 well (API 30-025-26369) well, place a balanced plug in the injection zone and replug the well; (2) eliminate the requirement in the order that Agave Energy reenter and replug the plugged and abandoned Government L Com #001 (API 30-025-25604) well; and (3) reduce either the life span of Agave Energy's injection authority or the total amount of acid gas to be injected. The Red Hills AGI #1 well is located in Section 13, Township 24 South, Range 33 East, NMPM, in Lea County, approximately twenty (20) miles northwest of Jal, New Mexico.

2012 AUG 13 P 4: 38

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

RECEIVED OGD

2012 AUG 13 P 4: 38

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

**APPLICATION OF AGAVE ENERGY COMPANY
FOR AUTHORITY TO INJECT, LEA
COUNTY, NEW MEXICO**

**Reopened
Case No. 14720**

**APPLICANT AGAVE ENERGY COMPANY'S
AMENDED SECOND MOTION TO AMEND ORDER NO. R-13507**

Applicant Agave Energy Company ("Agave") moves the Oil Conservation Commission ("the Commission") to amend its Order No. R-13507 by (i) eliminating the requirement that Agave place a balanced plug across the injection zone in the plugged and abandoned Government L Com #002 (API 30-025-26369) well, (ii) eliminating the requirement that Agave reenter the plugged and abandoned Government L Com #001 (API 30-025-25604) well, perforate and squeeze cement across the injection zone, and replug the well in accordance with current Oil Conservation Division ("Division") requirements, and (iii) reducing either the life span of Agave's injection authority or the total volume of acid gas to be injected. In support of its motion, Agave states:

1. On January 23, 2012, the Commission entered its Order No. R-13507, which authorizes Agave to drill and operate the Red Hills AGI #1 well to dispose of treated acid gas containing carbon dioxide and hydrogen sulfide into the Cherry Canyon Formation.

2. Order No. R-13507 enumerates certain conditions, including requirements that Agave: (a) reenter the plugged and abandoned Smith Federal #001 (API 30-025-27491), Sims #001 (API 30-025-26958) and Government L Com #001 wells, perforate and squeeze cement

across the injection zone in each well, and replug the wells in accordance with current Division requirements; and (b) reenter the plugged and abandoned Government L Com #2 well, place a balanced cement plug across the injection zone, and replug the well in accordance with current Division requirements. **Order No. R-13507 at 7-8, Ordering ¶¶ 1(i) and 1(j).** Order No. R-13507 provides that Agave's injection authority shall automatically terminate 30 years after the date of the order. **Id. at 8, Ordering ¶ m.**

3. In relation to the replugging requirements, Order No. R-13507 further provides that "Agave may request relief from the Commission in the event that it . . . *has new data to present to the Commission regarding the wells.*" **Id. at 8, Ordering ¶ 1(k)** (emphasis added). This motion requests such relief.

4. On May 14, 2012, Agave filed its first motion to amend Order No. R-13507, which requested the Commission to eliminate the Smith Federal #001 well replugging requirement. On July 18, 2012, the Commission entered its Order No. R-13507-A, which granted Agave's motion and eliminated the requirement that Agave reenter and replug the Smith Federal #001 well. **Order No. R-13507-A at 8, Ordering ¶ 1.**

5. On July 16, 2012, Agave filed its second motion to amend Order No. R-13507, which similarly sought an amendment of Order No. R-13507 to eliminate one of the replugging requirements, but for a different reason. Specifically, Agave stated in the motion that it had encountered insurmountable problems with reentering the Government L Com #002 well that neither the Commission nor Agave could have anticipated based on the available plugging records for the well.

6. Subsequently, the Division entered an appearance in this case. Representatives of Agave and the Division then entered into discussions regarding the problems that Agave had

encountered in the reentry of the Government L Com #002 well, the current plugging configuration of the well, and potential alternatives for reducing the radius of the plume resulting from Agave's injection of acid gas.

7. As a result of those negotiations, Agave decided to withdraw its second motion. Accordingly, Agave filed the Withdrawal of Its Second Motion to Amend Order No. R-13507 on August 8, 2012.

8. This motion similarly seeks the elimination of the Commission's requirement that Agave place a balanced plug across the injection zone in the Government L Com #002 well, on the grounds that it is not feasible for Agave to reach the requisite depth to place a balanced plug in the well.

9. As the Commission has found in its two orders entered in this case, the radius of the plume resulting from Agave's injection of acid gas for 30 years would be 0.39 miles. The Government L Com #002 well is located 0.40 miles from the surface location of Agave's Red Hills AGI #1 well.

10. In order to increase the distance between the outer edge of the injection plume and the Government L Com #002 well, Agave requests the Commission to either decrease the thirty-year life span of its injection authority or the total volume of acid gas to be injected, as established in Order No. 13507-A. At the hearing on this motion, Agave will demonstrate that the reduction of the injection plume will create a safe distance between the outer edge of the plume and the Government L Com #002 well.

11. The reduction of the injection plume also will result in the creation of additional distance between the Government L Com #001 well and the outer edge of the acid gas plume.

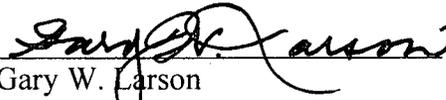
Accordingly, Agave now requests that the Commission eliminate the requirement that Agave reenter and replug the Government L Com #001 well.

12. Agave's counsel has contacted counsel for Kaiser-Francis Oil Company ("Kaiser-Francis"), which opposed Agave's application for injection authority, and counsel for the Division regarding this motion. The Division does not oppose the motion, while Kaiser-Francis opposes it.

WHEREFORE, Agave requests that the Commission:

- (1) Set this motion for hearing on its September 13, 2012 docket;
- (2) Grant the motion;
- (3) Amend Order No. R-13507 by: (i) eliminating the requirement that Agave place a balanced plug in the Government L Com #2 well across the injection zone; (ii) eliminating the requirement that Agave reenter and replug the Government L Com #001 well; and (iii) reducing either the life span of Agave's injection authority or the total volume of acid gas to be injected; and
- (4) Grant Agave such further relief as the Commission deems appropriate.

HINKLE, HENSLEY, SHANOR &
MARTIN, LLP


Gary W. Larson
P.O. Box 2068
Santa Fe, NM 87504-2068
Phone: (505) 982-4554
Facsimile: (505) 982-8623
glarson@hinklelawfirm.com

Counsel for Applicant Agave Energy Company

CERTIFICATE OF SERVICE

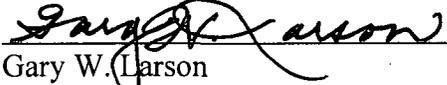
I hereby certify that on this 13th day of August, 2012, I served a true and correct copy of the foregoing *Agave Energy Company's Amended Second Motion to Amend Order No. R-13507* via email to:

James Bruce, Esq.
P.O. Box 1056
Santa Fe, NM 87504-1056
jamesbruc@aol.col

*Counsel for Kaiser-Francis Oil
Company*

Gabrielle A. Gerholt, Esq.
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505
Gabrielle.Gerholt@state.nm.us

*Counsel for the Oil Conservation
Division*



Gary W. Larson