

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

2014 NOV 12 P 3:42

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

**AGAVE ENERGY COMPANY'S  
PRE-HEARING STATEMENT**

Pursuant to 19.15.4.13(B)(1) NMAC, applicant Agave Energy Company ("Agave") submits its Pre-Hearing Statement.

**APPEARANCES**

Agave's business address is 105 S. Fourth Street, Artesia, New Mexico 88210. It is represented by the undersigned counsel.

Kaiser-Francis Oil Company ("Kaiser-Francis") appeared with counsel at the Commission hearing held on December 8 and 9, 2011 and opposed Agave's application requesting authorization to inject treated acid gas ("TAG") from its Red Hills Gas Processing Plant into the proposed Red Hills AGI #1 disposal well. Kaiser-Francis is represented by James Bruce.

The Oil Conservation Division ("the Division") entered an appearance on July 20, 2012. The Division is now represented by Gabriel Wade.

**STATEMENT OF THE CASE**

On January 23, 2012, the Commission issued Order No. R-13507 authorizing Agave to drill and operate the Red Hill AGI #1 well to be located 1,600 feet from the South line and 150

feet from the East line in Section 13, Township 24 South, Range 33 East, NMPM, in Lea County. Order No. R-13507 imposes certain conditions, including the requirements that: (1) Agave commence the injection of TAG within three years after the issuance of the order; and (2) any extension of the deadline for commencing injection will require the Commission's approval. The current deadline is January 23, 2015.

On October 29, 2014, Agave filed its Amended Third Motion to Amend Order No. R-13507. The motion requests the Commission to grant a two-year extension of the January 23, 2015 deadline for Agave to commence injection. Agave intends to introduce evidence demonstrating that: (1) having previously incurred substantial costs to remediate offset wells and to develop the Red Hills AGI #1 disposal well and remaining fully committed to completing and operating the disposal well, Agave has made a reasonable business decision to postpone completing the well and putting it into operation; and (2) its decision was based on unanticipated market conditions and appropriate financial and engineering factors.

Counsel for Kaiser-Francis and the Division have indicated that they do not oppose the relief requested by Agave.

**PROPOSED EVIDENCE**

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Ivan Villa (Engineer)	15 min.	1
Alberto Gutierrez (Geologist)	15 min.	

In accordance with 19.15.4.13(B)(2) NMAC, Agave has attached a copy of the exhibit that it will offer into evidence at the hearing.

**PROCEDURAL MATTERS**

Agave is not aware of any procedural matters to be resolved prior to the hearing.

HINKLE SHANOR LLP

  
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*Counsel for Agave Energy Company*

**CERTIFICATE OF SERVICE**

I hereby certify that on this 12th day of November, 2014, I served a true and correct copy of the foregoing *Agave Energy Company's Pre-Hearing Statement* via email to:

James Bruce, Esq.  
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Company*

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*Counsel for the Oil Conservation  
Division*

  
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Gary W. Larson

**OFFSET WELL REMEDIATION AND AGI WELL  
DEVELOPMENT COSTS INCURRED BY AGAVE ENERGY**

The following identifies the costs incurred to date by Agave Energy for: (1) reentering and replugging the plugged and abandoned Sims #001 (API 30-025-26958) well and attempting to reenter the plugged and abandoned Government L Com #002 (API 30-025-26939) well; and (2) designing, permitting and developing the Red Hills AGI #1 disposal well.

Red Hills AGI #1 well	\$4,120,527
Smith #001 and Government L Com #002 wells	<u>\$2,077,223</u>
	Total: \$6,197,750

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AGAVE ENERGY  
Exhibit #1