

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

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

ORIGINAL

APPLICATION OF AGAVE ENERGY
COMPANY'S UNOPPOSED THIRD
MOTION TO AMEND ORDER
NUMBER R-13507.

CASE NO. 14720
(Reopened)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

November 19, 2014

Santa Fe, New Mexico

BEFORE: JAMI BAILEY, CHAIRPERSON
TERRY WARNELL, COMMISSIONER
ROBERT S. BALCH, COMMISSIONER
BILL BRANCARD, ESQ.

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This matter came on for hearing before the
New Mexico Oil Conservation Commission on Wednesday,
November 19, 2014, at the New Mexico Energy, Minerals
and Natural Resources Department, Wendell Chino
Building, 1220 South St. Francis Drive, Porter Hall,
Room 102, Santa Fe, New Mexico.

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1 (9:11 a.m.)

2 CHAIRPERSON BAILEY: Now I'll call Case
3 14720, which is reopened, Agave Energy Company's
4 unopposed third motion to amend Order Number R-13507.

5 Call for appearances.

6 MR. LARSON: Good morning, Madam Chair,
7 Commissioners. Gary Larson, with Hinkle & Shanor in
8 Santa Fe, for Agave Energy.

9 MR. WADE: Gabriel Wade for OCD. I didn't
10 really intend to enter an appearance but for rebuttal
11 testimony if needed.

12 CHAIRPERSON BAILEY: Okay.

13 MR. LARSON: I have two witnesses this
14 morning.

15 CHAIRPERSON BAILEY: Okay.

16 MR. LARSON: Ivan's ready to go.

17 CHAIRPERSON BAILEY: Well, why not? Come
18 on up.

19 MR. LARSON: I was just going to do a brief
20 opening.

21 CHAIRPERSON BAILEY: Call your first
22 witness, and if you would come to the table to testify
23 and first stand to be sworn.

24 (Mr. Ivan Villa sworn.)

25 CHAIRPERSON BAILEY: Mr. Larson, would you

1 like to make an opening statement first?

2 MR. LARSON: I would, please.

3 CHAIRPERSON BAILEY: Okay.

4 MR. LARSON: We have one exhibit, which
5 I'll distribute.

6 OPENING STATEMENT

7 MR. LARSON: I'm going to ask you to
8 present a decision today as to whether Agave Energy
9 should be granted a two-year extension of the January
10 23, 2015 deadline for commencing injection of treated
11 acid gas into Agave Energy's Red Hills AGI No. 1 well.
12 That deadline was established by the Commission's
13 initial order in this case that was issued on January
14 23, 2012. That order also includes a requirement that
15 Agave must request the Commission's approval of any
16 extension of the January 23rd, 2015 deadline.

17 And given that requirement, on October
18 10th, Agave filed its unopposed third motion to amend
19 the Commission's initial order. That motion requested
20 the Commission extend the deadline until January 23 of
21 2017, and the motion also requests the Commission to
22 approve Agave's proposal to cap the unfinished AGI well
23 for purposes of obtaining temporary abandonment status
24 from the Oil Conservation Division and the BLM.

25 You'll hear testimony this morning

1 regarding the unanticipated circumstances Agave's been
2 presented with since the initial hearing in this matter.
3 Agave recently decided that based on economic and
4 engineering factors the best course of action for it to
5 take was postponing the completion of the well until it
6 becomes necessary for Agave to treat sour gas from the
7 Avalon Shale Gas Plant.

8 You will also hear testimony that Agave
9 remains fully committed to completing and operating the
10 well at the appropriate time, a commitment demonstrated
11 by the more \$6 million Agave's spent to date developing
12 the AGI well and remediating offset wells as required by
13 the Commission in its order.

14 On October 29th, I filed an amended motion
15 on behalf of Agave, the sole purpose of which is to ask
16 the Commission to put in its order a provision that any
17 further extension be granted by the OCD
18 administratively. And I recognize that there is new
19 rulemaking coming in the near future, but we thought
20 conservatively it would be best to have that provision
21 in our order.

22 And in conclusion, Agave will sustain its
23 burden of demonstrating that the Commission should grant
24 the relief requested by Agave. And in that regard,
25 neither of the parties that initially appeared in this

1 case, Kaiser-Francis Oil Company and the Division,
2 opposes the relief requested by Agave.

3 I'm ready for Mr. Villa.

4 CHAIRPERSON BAILEY: You may proceed.

5 MR. LARSON: He's been sitting patiently.

6 IVAN VILLA,

7 after having been previously sworn under oath, was
8 questioned and testified as follows:

9 DIRECT EXAMINATION

10 BY MR. LARSON:

11 Q. Mr. Villa, would you state your full name for
12 the record, please?

13 A. Ivan Villa.

14 Q. Where do you reside?

15 A. Artesia, New Mexico.

16 Q. And by whom are you employed and in what
17 capacity?

18 A. I'm the engineering manager to Agave Energy
19 Company.

20 Q. And did you testify on behalf of Agave in the
21 three previous hearings in this case?

22 A. I did.

23 Q. And at each of those hearings, did the
24 Commission accept your qualifications as an expert in
25 engineering?

1 A. Yes, they did.

2 MR. LARSON: Madam Chair, I request that
3 Mr. Villa be qualified as an expert for the purposes of
4 today's hearing.

5 CHAIRPERSON BAILEY: He is accepted.

6 MR. LARSON: Thank you.

7 Q. (BY MR. LARSON) What is the current deadline
8 the Commission has sent for Agave to commence injection?

9 A. The current deadline is January 23rd of 2015.

10 Q. And what relief is Agave requesting in its
11 motion hearing today?

12 A. We are asking for a two-year reprieve from
13 completion of the well or initial injection. That date
14 would be January 23rd, 2017.

15 Q. And is Agave also requesting that any future
16 extensions be addressed administratively by the
17 Division?

18 A. Yes.

19 Q. And taking you back in time to the initial
20 hearing in this case and the two hearings in 2012, do
21 you recall your testimony regarding Agave's plans for
22 building the Red Hills Gas Processing Plant and
23 developing the Red Hills AGI well?

24 A. I do. I do. We were in the initial phases of
25 construction of the Red Hills Gas Plant in preparation

1 for the Avalon Shale gas that we expected -- containing
2 H2S and unusually high amounts of CO2 in the gas stream.

3 Q. And was the information you were getting from
4 producers is that this would be a significant amount of
5 sour gas sent to the facility?

6 A. Yes, it was.

7 Q. Do you recall your estimate on the time frame
8 when you believed Agave would begin receiving sour gas
9 at the plant?

10 A. At the time the time frame was one to four
11 years, with the possibility of the first treatment of
12 sour gas in 2013.

13 Q. And what information did you base your
14 estimates on in the first hearings?

15 A. Those were based on forecasts of three of our
16 major producers' forecasts and also a sample gas
17 analysis for the gas coming from this area.

18 Q. And has the Avalon Shale gas play proceeded at
19 the pace you accepted in 2012?

20 A. It has not.

21 Q. What gas is Agave receiving at the plant now?

22 A. At the moment the plant is full with the richer
23 non-CO2 gas out of the 2nd and 3rd Bone Spring play in
24 and around the Red Hills area.

25 Q. And how has that affected Agave's completion of

1 the acid gas injection well?

2 A. Well, with the minimum amount of H2S coming
3 in -- H2S and CO2 coming into the plant, we feel we'd
4 like to better focus our capital towards upgrading of
5 our sweet gas facilities, so we are asking for an
6 extension on completion of the AGI well.

7 Q. And as you sit here today, what is your best
8 estimate on the time frame for sour gas being
9 transported?

10 A. I think right now as far as the time frame, we
11 are in that two-to-five-year period, with a minimum of
12 two years, that number being based on permitting of sour
13 gas into the Red Hills facility and also long lead times
14 for compression and pipeline and also construction of
15 facilities.

16 Q. And after Agave received the Commission's order
17 authorizing development of the AGI well, when did Agave
18 begin drilling the well?

19 A. We began drilling the well November 2013. The
20 initial remediation of the wells of the Smith and the
21 Government No. 2 took place in June 2012.

22 Q. And those are both offset plugged and abandoned
23 wells?

24 A. They are.

25 Q. And did Agave retain a third party to perform

1 that remediation work?

2 A. We did. That was Geolex.

3 Q. And is Geolex also performing -- has performed
4 the drilling work on the Red Hills AGI well?

5 A. Yes, they have.

6 Q. And next I'd ask you to identify the exhibit
7 marked as Agave Energy Exhibit Number 1.

8 A. Okay. Exhibit Number 1 is the cost for
9 drilling of the Red Hills AGI No. 1 well and also for
10 the remediation of the Smith No. 1 and Government No. 2
11 wells.

12 Q. Do you have personal knowledge of the
13 information contained in Exhibit Number 1?

14 A. I do.

15 Q. Was it prepared at your direction?

16 A. It was.

17 Q. What is the total cost associated with the work
18 done on the offset wells?

19 A. The total cost was approximately 2.1 million.

20 Q. And what are the sunken costs on the AGI well
21 to date?

22 A. To date, about 4.1 million.

23 Q. And what is the current status of the Red Hills
24 AGI well?

25 A. The Red Hills AGI well is drilled. The

1 casing's been cemented, but it has not been perforated.

2 Q. And after spending approximately \$6.2 million
3 doing the remedial work and developing the well, did
4 Agave make a business decision about completion of the
5 well?

6 A. Yes, we did.

7 Q. And what were the factors of Agave considering
8 making that decision?

9 A. The factors, as I mentioned earlier, is just
10 the sheer amount of sweet gas that we're currently
11 processing at the plant, the plant being full, and
12 future forecasts from three of our major producers in
13 the area for the next two to three years.

14 Q. Has Agave -- or I'm sorry -- Geolex informed
15 you that there are potential detriments to the well
16 casing if it's completed --

17 A. Yes, sir.

18 Q. -- before you have a need to inject?

19 A. Yes, they have.

20 Q. And Mr. Gutierrez will address that?

21 A. Right.

22 Q. And what are the factors you will consider or
23 Agave will consider when it makes a decision to go ahead
24 and complete the well?

25 A. I think we'll keep our finger on the pulse of

1 the drilling activity in the area and just pay close
2 attention to our producers. As soon as we start seeing
3 the Avalon Shale begin to develop, as originally
4 expected, we'll then make the decision to go back in and
5 complete the well.

6 Q. And in your opinion, was the decision to
7 postpone completion of the AGI well reasonable and
8 appropriate under the circumstances?

9 A. It is.

10 MR. LARSON: That's all I have for
11 Mr. Villa.

12 I would move the admission of Agave 1.

13 CHAIRPERSON BAILEY: Any objections?

14 MR. WADE: No objections.

15 CHAIRPERSON BAILEY: Then it will be
16 admitted as an exhibit.

17 (Agave Energy Company Exhibit Number 1 was
18 offered and admitted into evidence.)

19 CHAIRPERSON BAILEY: Mr. Warnell, do you
20 have any questions?

21 COMMISSIONER WARNELL: I do. Thank you.

22 CROSS-EXAMINATION

23 BY COMMISSIONER WARNELL:

24 Q. Good morning. On the Red Hills well, I believe
25 you stated that it's been drilled and cased?

1 A. It has.

2 Q. And cemented?

3 A. Yes.

4 Q. And that has been done in accordance with the
5 order, 14720?

6 A. Yes, it has.

7 Q. And I believe you mentioned that Agave is
8 looking at probably two to five years out before you
9 want to start injecting into the Red Hills well?

10 A. That's correct. That's our best guess at the
11 moment.

12 Q. And correct me if I'm wrong, but you're asking
13 for a two-year extension here today; and then in the
14 future, if you go beyond the two years, you would like
15 administrative --

16 A. That's correct.

17 Q. -- that to be done with administrative
18 application?

19 Thank you. That's all I've got.

20 CHAIRPERSON BAILEY: Commissioner Balch, do
21 you have any questions?

22 COMMISSIONER BALCH: Yeah. I have just
23 one.

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CROSS-EXAMINATION

BY COMMISSIONER BALCH:

Q. Are you satisfied with the integrity of the AGI well as it sits today?

A. Absolutely.

Q. And you can secure that well for the two-to-five-year period in a temporarily abandoned state? How will you do that?

A. And that's something Alberto can brief us on. But we've talked about that in length, and we feel very confident that we can go back and cap the well. And we feel, as the well sits today, it is in very good shape, so there is absolutely no question about the integrity of the well.

COMMISSIONER BALCH: That's all I have.

CHAIRPERSON BAILEY: And I have no questions.

THE WITNESS: Thank you.

CHAIRPERSON BAILEY: You may be excused. Call your next witness.

MR. LARSON: Alberto Gutierrez.

ALBERTO A. GUTIERREZ,
after having been first duly sworn under oath, was questioned and testified as follows:

DIRECT EXAMINATION

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BY MR. LARSON:

Q. Good morning. Can you please state your full name for the record?

A. Yes. Alberto Alejandro Gutierrez.

Q. Where do you reside, Mr. Gutierrez?

A. In Albuquerque.

Q. What is the name of your company?

A. Geolex, Incorporated.

Q. What is your position at Geolex?

A. I'm the president.

Q. And did you also testify on behalf of Agave at the three previous hearings in this case?

A. Yes, I have.

Q. And at each of those hearings, did the Commission accept your qualifications as an expert in petroleum geology and hydrogeology?

A. Yes, they did.

MR. LARSON: Madam Chair, I'd request that Mr. Gutierrez be qualified as an expert in petroleum geology and hydrogeology for purposes of today's hearing.

CHAIRPERSON BAILEY: Yes, he is accepted.

MR. LARSON: Thank you.

Q. (BY MR. LARSON) And are you the point person at

1 Geolex for the purposes of development of the Red Hills
2 AGI well?

3 A. Yes, sir. I'm the principal in charge of the
4 project.

5 Q. Were you also responsible for Geolex's remedial
6 work on the two wells -- two offset wells?

7 A. Yes, we were, and I was.

8 Q. When did Geolex begin drilling the Red Hills
9 AGI well?

10 A. The actual drilling of the well began in
11 November of 2013 and was completed in December of 2013.

12 Q. And following up on the question from
13 Commissioner Warnell, what work has been performed on
14 the well to date?

15 A. Sure. I want to just bring up one thing that
16 is important for everyone to remember. This well, in
17 addition to being governed by the order that this
18 Commission issued, is on federal land, and so it is also
19 governed by the BLM's permit to drill, which was issued
20 subsequent to the Commission's order. And that has some
21 pretty stringent requirements that are much more
22 specific than the -- than what are included in the order
23 relative to how the well is constructed.

24 So with that as a lead-in, we drilled the
25 well beginning in November 2013, and we drilled it as

1 specified in the order and in the application for permit
2 to drill that was approved by the BLM. And the well
3 consists of three strings of casing that are essentially
4 telescoping into the injection zone, with the production
5 string being a 7-inch casing, nine-and-five-eighths for
6 the intermediate, 13 -- I mean thirteen-and-three-
7 eighths for the surface casing.

8 The well was drilled and each of the
9 strings of casing cemented, and cement was returned to
10 the surface. There were cement circumferential -- the
11 BLM requires circumferential bond logs be done on every
12 string of casing, so we did that. And you do that
13 typically when you're about to -- when you've finished
14 the drilling of the next string. So, for example, we
15 did the CBL for the nine-and-five-eighths when we
16 finished drilling the 7-inch and when we did the
17 open-hole logging for the 7-inch well. Both of those
18 cement jobs have been approved by the BLM and the OCD
19 district office.

20 Similarly, the cement job for the
21 production string, we also got cement to the surface,
22 but we have not yet run a CBL for that string because
23 that's what we would do immediately prior to our
24 completion. And, of course, that production string was
25 cemented with corrosion-resistant cement. It has a

1 corrosion-resistant alloy casing where the packer would
2 be set, et cetera.

3 We also did perform detailed logging of the
4 well as was required by our order and by the BLM, and we
5 did demonstrate to the BLM's satisfaction that the
6 injection zone is free of any recoverable hydrocarbons.
7 So basically the BLM -- and we have identified what
8 zones we would perforate in the injection zone
9 preliminarily, and currently the well is just -- has not
10 been perforated. So it's essentially sitting as a straw
11 in the earth cemented in there but not in any connection
12 to the formation.

13 There were basically two options that we
14 had when we decided whether or not we were going to
15 postpone the completion of the well, and those are
16 considerations that I can talk about later. But
17 basically the well is sitting there cemented, as
18 approved in the order and as approved by the BLM,
19 consistent with the application of permit to drill.

20 Q. And before Agave made a business decision to
21 postpone completion of the well, did they seek your
22 opinion on what would be the best course of action to
23 take?

24 A. Yes, they did.

25 Q. And what was your opinion?

1 A. Well, they basically said to me, as Mr. Villa
2 just testified, that they weren't getting sour gas at
3 the plant yet, and it looked like it might be two and
4 maybe as many as five years before they really start
5 getting sour gas and need to use this well. And they
6 said -- I don't think Mr. Villa testified to this, but
7 just so you would know, one component of that \$4 million
8 is all of the completion equipment for the well, which
9 has already been purchased, which Agave has in their
10 yard. So they've got the packer, the tubing, the
11 subsurface AP valve, the panel, the tree, everything
12 that is needed to complete the well.

13 So they asked me, Well, do you think we
14 ought to just complete the well? In any case, we're
15 going to need to temporarily abandon the well because
16 we're not going to use it for at least a period of two
17 to five years. So they said, What do you think? Do you
18 think we ought to go ahead and complete the well and
19 perforate it and run the down-hole equipment in the well
20 and then temporarily abandon it, or do you think we
21 ought to do it just the way it stands?

22 And, you know, after thinking about it --
23 and I discussed it with the Division as well, with
24 Mr. Goetze and Mr. Dawson and Mr. Wade. And I think all
25 of us agreed that from a technical perspective it's much

1 better to just leave it the way it is now rather than
2 perforate it and put tubing and packer in and then just
3 let the well sit. It's been our experience in the past
4 that when that happens, when you just do that and let
5 the well sit, you end up getting scaling on the
6 perforations and other potential issues just because the
7 well is essentially not being used and you're not
8 injecting into the formation.

9 So my recommendation -- and I think the
10 Division concurred with that recommendation -- was to
11 just leave the well as is. It is filled with
12 corrosion-inhibited packer fluid, basically, from top to
13 bottom, and what we would propose is to put a cap on the
14 well with a pressure gauge so that it could be monitored
15 and just sit there essentially like a straw in the
16 subsurface.

17 Q. And if Agave were to complete the well and the
18 scaling that you suggested occurred, that would require
19 remedial work before the well could be put in operation?

20 A. Yes, it could. And that's particularly
21 difficult in these kinds of wells below the packer
22 because we use a permanent packer. So once you put that
23 packer in there, the only way you can work on the well
24 below the packer is to do it through the tubing or mill
25 out the packer, which is a serious problem.

1 Q. Uh-huh. And you mentioned you had discussions
2 with several representatives of the Division. Did you
3 make clear to them what Agave's preferred option is in
4 terms of capping the well and asking for TA status?

5 A. Yes. You know, it was a little -- it's a
6 little different than your normal situation. You know,
7 most wells that people seek TA status for have either
8 been producing or injecting for some period of time, and
9 then they plan to shut them in. This well has really
10 never been completed, so we weren't even quite sure
11 whether TA status was appropriate. But we felt that --
12 we wanted to make sure that both the Division and the
13 BLM know exactly what condition the well is in and what
14 the plans are.

15 Q. And you also have an issue with the BLM in
16 terms of the well being on drilling status?

17 A. Yes, that's correct. The well right now -- I
18 mean, the BLM has a little bit different process than
19 the TA process that the Division has. The well's kind
20 of on drilling status because it's not -- not kind of.
21 It is -- as far as the BLM is concerned, the well is
22 still being drilled, because it hasn't been completed.
23 When I spoke to the BLM, they said that they could --
24 that if we got an extension from this Commission, then
25 they would place -- take the well off of that drilling

1 status, so it would not -- so essentially it would be in
2 the TA status for them as well.

3 Q. Could you go into a little more detail on the
4 procedure on capping the well?

5 A. Yeah. It is capped already. What we would do
6 is to put a -- we're not going to put a well tree on it.
7 We're going to put a night cap on it with a pressure
8 gauge, and we're going to top up, if necessary --
9 although I don't anticipate that it would be necessary
10 because we already have the thing completely full of
11 corrosion-inhibited packer fluid, and there is nowhere
12 for it to go. So, I mean, we'll just open up the well
13 and make sure we've got it completely full of fluid, put
14 the cap back on and secure the wellhead, secure the area
15 around the well, and basically leave it until we're
16 ready to come back to it.

17 Q. And in your opinion, would it be appropriate
18 for the Commission to put a provision in its order that
19 the appropriate option would be to cap the well and seek
20 TA status from the Division and the BLM?

21 A. That would be our request, yes.

22 MR. LARSON: That's all I have for
23 Mr. Gutierrez.

24 THE WITNESS: And I'll mention to the
25 Commission that maybe you're really happy I don't have a

1 PowerPoint today (laughter).

2 MR. LARSON: I was going to mention that,
3 but I didn't want to embarrass you.

4 THE WITNESS: It's all right.

5 CHAIRPERSON BAILEY: Mr. Wade, do you have
6 any cross-examination?

7 MR. WADE: We do not have any questions.

8 CHAIRPERSON BAILEY: Commissioner Warnell?

9 COMMISSIONER WARNELL: I have no questions.

10 CROSS-EXAMINATION

11 BY COMMISSIONER BALCH:

12 Q. Well, I'm curious about your well log analysis.
13 Have you had a chance to review that prior to your
14 estimates of what the well would be able to take,
15 porosity and permeability thickness, et cetera?

16 A. Yeah. The zone looks very good. It looks
17 quite similar to what we anticipated. You know, we have
18 not -- obviously, we have done the triple combo and the
19 FMI well. It looks pretty much as we anticipated in the
20 area. Of course, we didn't really have a lot of well
21 control detail, well control in that zone, but it looks
22 pretty good. But we haven't perforated it and tested it
23 yet.

24 Q. Based on your analysis of the logs you have
25 taken, you think it will sufficient to the volumes that

1 were anticipated?

2 A. Yes. And not only logs, we did core -- do
3 sidewall coring and had those analyzed, and it looks
4 quite good.

5 Q. Thank you.

6 CROSS-EXAMINATION

7 BY CHAIRPERSON BAILEY:

8 Q. This well was permitted for acid gas injection,
9 which was H2S and CO2. You've explained that the H2S
10 volumes have not increased to the point where it's
11 economical. How about the carbon dioxide levels? Have
12 they increased at the facility? And if so, are they
13 being vented, or are they being injected?

14 A. No. They -- they -- they have increased -- or
15 they haven't increased. They were -- they're about the
16 same as what were projected originally, and they are
17 being vented.

18 There was another consideration back in
19 2012. You may recall that the administration -- the
20 federal government had directed the EPA to consider CO2
21 as a criteria pollutant and to be able to govern that
22 through a PSD type of permitting process. And so that
23 was one of the additional concerns that Agave had, that
24 even if the well did not -- or even if the gas had less
25 H2S or no H2S than what was anticipated, that they might

1 still be required to inject CO2 as a result of that
2 policy.

3 However, one of the things that happened
4 last year is that the Supreme Court overturned that
5 particular provision, and so consequently, that
6 requirement doesn't exist. So just like every other
7 sweet gas facility in the state, they're venting the
8 CO2.

9 Q. And is that regulated by the Environment
10 Department through permitting?

11 A. It is. They have an -- they have an air
12 permit, although they would be required to get a
13 separate air permit once they start getting H2S. And
14 that's another -- you know, about a nine-month process
15 to get that permit approved.

16 Q. So you're saying that the current venting is
17 permitted and is authorized by the Environment
18 Department currently?

19 A. That's correct.

20 Q. And for any increase, there will still be that
21 regulatory environment that will watch the amount of CO2
22 that's vented?

23 A. That's correct. I mean, the CO2 -- there are
24 no specific limits on the amount of CO2 that can be
25 vented. Not just at this facility but at any.

1 Q. Those are all the questions I have.

2 MR. LARSON: I just have one follow-up
3 question.

4 REDIRECT EXAMINATION

5 BY MR. LARSON:

6 Q. The New Mexico Air Quality Bureau regulations
7 basically are monitoring that, aren't they --

8 A. Yes.

9 Q. -- the amount of CO2?

10 A. That's correct.

11 Q. That's all I have.

12 CHAIRPERSON BAILEY: Thank you. You may be
13 excused.

14 MR. LARSON: I have nothing further other
15 than to again request that the Commission grant the
16 relief requested in our initial motion and in the
17 amended motion.

18 CHAIRPERSON BAILEY: Then, Commissioners,
19 do I hear a motion to go into executive closed session
20 in accordance with Statute 10-15-1 and the OCC
21 resolution on open meetings?

22 COMMISSIONER BALCH: I make that motion.

23 COMMISSIONER WARNELL: I second that
24 motion.

25 CHAIRPERSON BAILEY: All those in favor?

1 (Ayes are unanimous.)

2 (Executive closed session, 9:24 a.m. to

3 (9:52 a.m.)

4 CHAIRPERSON BAILEY: Do I hear a motion to
5 go back on the record?

6 COMMISSIONER WARNELL: I'll make the
7 motion.

8 COMMISSIONER BALCH: I second the motion.

9 CHAIRPERSON BAILEY: All those in favor?

10 (Ayes are unanimous.)

11 CHAIRPERSON BAILEY: The only thing that
12 was discussed was Case Number 14720.

13 And, Counsel Brancard, would you summarize
14 the decision of the Commission?

15 MR. BRANCARD: The Commission proposes to
16 amend Order R-13507 to, one, extend the deadline for
17 Agave to commence injection until January 23, 2017; two,
18 to authorize Agave to cap the Red Hills AGI No. 1 well
19 for the purposes of seeking temporary abandonment status
20 for the well from the Division and the BLM; and, three,
21 allow the Division director to administratively approve
22 any further extension of the deadline for commencing
23 injection.

24 CHAIRPERSON BAILEY: Thank you.

25 Do I hear a motion for us to approve this

1 order as it will be presented to us?

2 COMMISSIONER WARNELL: I make that motion.

3 COMMISSIONER BALCH: I second the motion.

4 CHAIRPERSON BAILEY: All those in favor?

5 (Ayes are unanimous.)

6 CHAIRPERSON BAILEY: Then I will try to
7 have my signature, at least, on this order by this
8 afternoon.

9 MR. LARSON: Very good. Thank you. I've
10 been working with Mr. Brancard on a proposed order, so I
11 think we're getting there anyway.

12 CHAIRPERSON BAILEY: Great.

13 Is there any other business before the
14 Commission?

15 Yes. We have the scheduling of hearings.
16 Shall we take a ten-minute break before we begin with
17 that? Let's come back by 10:00.

18 (Case Number 14720 concludes, 9:53 a.m.;
19 break taken, 9:53 a.m. to 10:04 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

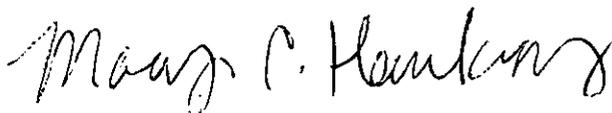
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CERTIFICATE OF COURT REPORTER

I, MARY C. HANKINS, New Mexico Certified Court Reporter No. 20, and Registered Professional Reporter, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings that were reduced to printed form by me to the best of my ability.

I FURTHER CERTIFY that the Reporter's Record of the proceedings truly and accurately reflects the exhibits, if any, offered by the respective parties.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this case.



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