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WRITER:

Gary W. Larson,

Partner

2012 MAY 14 11:11 AM
glarson@hinklelawfirm.com

May 14, 2012

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

Re: Case No. 14720

Dear Florene:

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

As stated in the motion, Agave Energy requests that the motion be placed on the Commission's June 28, 2012 hearing docket.

Thank you for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary W. Larson".

Gary W. Larson

GWL:js

cc: James Bruce (via email)

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

2012 MAY 14 A 11: 27

**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**

Case No. 14720

**APPLICANT AGAVE ENERGY COMPANY'S
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 eliminating the requirement that Agave reenter and replug the plugged and abandoned Smith Federal #001 (API 30-025-27491) well. In support of its motion, Agave states:

1. On January 23, 2012, the Commission issued Order No. R-13507, which authorizes Agave to drill and operate the Red Hills AGI #1 well to dispose of treated acid gas ("TAG") 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, Sims #001 (API 30-025-2695) and Government L Com #001 (API 30-025-25604) 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 (b) reenter the plugged and abandoned Government L Com #2 (API 30-025-26369) 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).**

3. In relation to the replugging requirements for the four wells, the order 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. Since the Commission entered Order No. R-13507, Agave has prepared replugging plans for the Government L Com #1, Government L Com #2 and Sims #1 wells, has requested landowner access to the wells, has submitted plugging program notices to the Division, and currently is negotiating with plugging contractors.

5. Agave also has obtained additional data pertaining to the Smith Federal #001 well and has analyzed the plugging configuration of the well and the spatial relationship between the well and the Red Hills AGI #1 injection well. Based on its post-hearing analysis, Agave has concluded that, in light of the documented status of the cementing of the well as currently plugged, the Smith Federal #001 in its existing condition is fully protective of the zones outside of the injection zone.

6. Moreover, given the location of the Smith Federal #001 well, which is down dip from the Red Hills AGI #1 well and is well outside of the anticipated maximum extent of the injected plume, the Smith Federal #001 will not be impacted by Agave’s injection of TAG into the Red Hills AGI #1 well.

7. Consequently, Agave requests that the Commission eliminate the requirement that it reenter and replug the Smith Federal #001 well.

8. Agave requests a hearing on this motion, at which it will provide new data demonstrating that: (a) the Smith Federal #001 well's current plugging configuration is more than adequate to protect the Cherry Canyon Formation; and (b) the Smith Federal #001 is located safely beyond the calculated radius of the TAG stream to be injected over the thirty-year period authorized by Order No. R-13507.

9. Agave's counsel has contacted counsel for Kaiser-Francis Oil Company ("Kaiser Francis"), which opposed Agave's application for injection authority, regarding this motion. Kaiser-Francis takes no position at this time regarding the relief requested by Agave.

WHEREFORE, Agave requests that the Commission:

- (1) Set this motion for hearing on its June 28, 2012 docket;
- (2) grant the motion;
- (3) amend Order No. R-13507 by eliminating the requirement that Agave reenter and replug the plugged and abandoned Smith Federal #001 well; and
- (4) grant Agave such further relief as the Commission deems appropriate.

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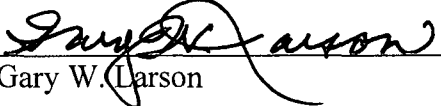
Counsel for Applicant Agave Energy Company

CERTIFICATE OF SERVICE

I hereby certify that on this 14th day of May, 2012, I served a true and correct copy of the foregoing *Applicant Agave Energy Company's Motion to Amend Order No. R-13507* via email to:

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

*Counsel for Kaiser-Francis Oil
Company*



Gary W. Larson