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2012 JUL 16 P 4: 13

July 16, 2012

Via Hand Delivery

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 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 motion be placed on the Commission's August 16, 2012 hearing docket.

Thank you for your assistance.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Gary W. Larson".

Gary W. Larson

GWL:js

cc: James Bruce (via email)

Case No. 14720: Agave Energy Company's Second Motion to Amend Order No. R-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 Plant by injecting the TAG stream into Agave Energy's Red Hills AGI #1 well. The motion requests the Commission to eliminate the requirement in Order No. R-13507 that Agave Energy reenter the plugged and abandoned Government L Com #2 well (API 30-025-26369), place a balanced plug in the injection zone and replug the well in accordance with Oil Conservation Division requirements. 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.

**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:**

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

Case No. 14720

**APPLICANT AGAVE ENERGY COMPANY'S
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 eliminating the requirement that Agave replug the plugged and abandoned Government L Com #2 (API 30-025-26369) well in the manner required by Order No. R-13507. 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 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 30-025-2749), 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 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. On May 14, 2012, Agave filed its first motion to amend Order No. R-13507, which requested the Commission to eliminate the requirement that Agave reenter and replug the Smith Federal #001 well. At the conclusion of the hearing on that motion conducted on June 28, 2012, the Commission announced that it granted Agave’s motion.

5. This motion similarly seeks an amendment of Order No. R-13507 to eliminate one of the replugging requirements, but for a different reason. Specifically, Agave has encountered insurmountable problems with reentering the Government L Com #2 well that neither the Commission nor Agave could have anticipated based on the available plugging records for the well.

6. Agave will establish at the hearing that it is not technically feasible for Agave to conduct further reentry work on the Government L Com #2 well for purposes of placing a balanced plug across the injection zone, as required by Order No. R-13507. Due to the infeasibility of conducting further reentry work on the well, Agave proposed an alternative plugging program to the Oil Conservation Division, which has approved the program.

7. Agave will further establish at the hearing that the current plugging configuration of the Government L Com #2 well, as augmented by Agave’s alternative plugging program, is fully protective of all producing and fresh water zones.

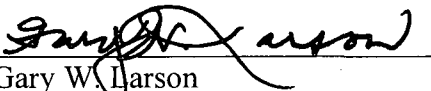
8. Consequently, Agave requests that the Commission eliminate the requirement that it plug a balanced plug in the Government L Com #2 well across the injection zone.

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; however, Agave's counsel has not been informed of Kaiser-Francis' position on the motion.

WHEREFORE, Agave requests that the Commission:

- (1) Set this motion for hearing on its August 16, 2012 docket;
- (2) grant the motion;
- (3) amend Order No. R-13507 by eliminating the requirement that Agave place a balanced plug in the Government L Com #2 well across the injection zone; and
- (4) grant Agave such further relief as the Commission deems appropriate.

HINKLE, HENSLEY, SHANOR &
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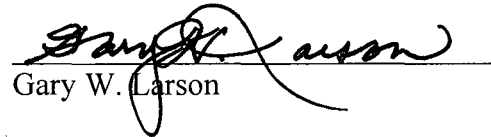
Counsel for Applicant Agave Energy Company

CERTIFICATE OF SERVICE

I hereby certify that on this 16th day of July, 2012, I served a true and correct copy of the foregoing *Applicant Agave Energy Company's 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.com

*Counsel for Kaiser-Francis Oil
Company*



Gary W. Larson