

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

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

APPLICATION OF AGAVE ENERGY COMPANY
FOR APPROVAL OF A SALT WATER DISPOSAL
WELL EDDY COUNTY, NEW MEXICO.

17812
CASE NO. ~~12832~~

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Modrall, Sperling, Roehl, Harris & Sisk, P.A. pursuant to the rules of the Oil Conservation Division.

APPEARANCES OF PARTIES

OBJECTING PARTY

Gretchen E. Ainsworth
4681 Mt. Longs Drive
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ATTORNEY

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STATEMENT OF CASE

OBJECTING PARTY

Ms. Ainsworth objects to Agave Energy Company's proposal to use its Metropolis "AZL" State Com well No. 1 located in Unit K of Section 36, Township 18 South, Range 25 East for disposal of produced water and acid gas into the Devonian and Ellenburger formations. The proposal may threaten the integrity of underground sources of drinking water, may result in waste of oil or gas resources, and may directly or indirectly affect Ms. Ainsworth's contiguous property interests.

Agave Energy Company's application is facially deficient for reasons which include, but are not limited to, the following:

1. The well data required by Oil Conservation Division Form C-108 is incomplete;

2. Although the application identifies the sources of the proposed injection water in the most general terms, no source of the acid gas is identified, nor is there any analysis whatsoever of compatibility of the proposed injections with the receiving formations;
3. Although the application implies that disposal will be into zones not productive of oil or gas, no analysis of present or future productivity is provided, nor is there any chemical analysis of the disposal zone formation water;
4. The application does not include appropriate geologic data on the injection zone with appropriate lithologic detail, etc.;
5. The application does not give the depth to bottom of all underground sources of drinking water overlying the proposed injection zone, nor does it give any such sources known to be immediately underlying the injection interval;
6. The general description of the proposed stimulation program involving the use of acids is insufficient to allow meaningful evaluation of potential adverse consequences of the program;
7. Although referring to log data filed with the Oil Conservation Division, the application provides no test data whatsoever on the proposed disposal well;
8. The application provides no chemical analyses of fresh water from any fresh water wells in the vicinity;
9. Although the application contains a self-serving and conclusory statement that there is no evidence of faulting in the proposed interval, there is no identification of geologic and engineering data examined to make that conclusion, nor is there any affirmative statement about other possible hydrologic connection between the disposal zone and any underground sources of drinking water.

Agave's application also provides no showing that the well will be equipped, operated, monitored and maintained to facilitate periodic testing or to assure continued mechanical integrity which will result in no significant leak in the tubular goods and packing materials used, and no significant fluid movement through vertical channels adjacent to the well bore. There is an inadequate description of how the well will be cased with safe and adequate casing or tubing so as to prevent leakage and the movement of formation or injected fluid from the injection zone into any other zone or to the surface around the outside of any casing string. The application further provides no showing that the well will be operated and maintained at all times in such a manner as will confine the injected fluids to the proposed interval and prevent surface damage or pollution resulting from leaks, breaks or spills. The application also makes no mention of the equipment that will be used to ensure that the injection pressure and annular pressure may be determined at the wellhead and the injected volume determined monthly.

Agave's application is lacking any information whatsoever of underground seismic features or subsurface channels, nor does it contain any adequate geologic assessment supporting a conclusion that there would be no groundwater contamination or adverse consequences to, or waste of, unrecovered resources. Although Agave's C-108 application states that no wells within the area of review penetrate the proposed injection zone, there is no assessment or analysis of whether there may be future recovery from the proposed injection zone or other adjacent zones. Further, although Agave's C-108 application states that Agave has examined geologic and engineering data, there is no specific reference to that data or when, by whom, and under what circumstances the data was collected. For all of these reasons, and others not herein specified, Agave's showing is inadequate to meet its burden or to justify the proposed use.

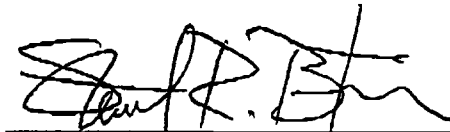
PROPOSED EVIDENCE

OBJECTING PARTY

At this time Ms. Ainsworth does not propose the use of any witnesses or exhibits concerning the injection proposal, but reserves the right to use background exhibits in cross-examination and possible rebuttal witnesses.

PROCEDURAL MATTERS

Agave's Proof of Notice is insufficient for reasons which include, but are not limited to, the failure to include all leasehold operators within one-half mile of the well location, as required by the Oil Conservation Division.



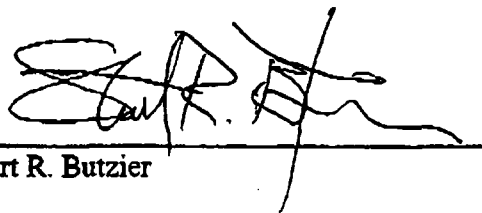
STUART R. BUTZIER

Attorney for Gretchen Ainsworth

CERTIFICATE OF MAILING

I hereby certify that on this 4th day of March, 2002, I have caused to be delivered by facsimile a copy of the Pre-Hearing Statement of Gretchen E. Ainsworth in the above-captioned case to the following counsel of record.

William F. Carr
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A handwritten signature in black ink, appearing to read "Stuart R. Butzier", is written over a horizontal line.

Stuart R. Butzier

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