Submit 1 Copy To Appropriate District Office
District I – (575) 393-6161
1625 N. French Dr., Hobbs, NM 88240
District II – (575) 748-1283
811 S. First St., Artesia, NM 88210
District III – (505) 334-6178
1000 Rio Brazos Rd., Aztec, NM 87410
District IV – (505) 476-3460
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

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Form C-103
Revised August 1, 2011

	WELL API NO. 3002526369
	5. Indicate Type of Lease STATE ☐ FEE ☒
	6. State Oil & Gas Lease No.
SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.) 1. Type of Well: Oil Well ☐ Gas Well ☒ Other	7. Lease Name or Unit Agreement Name Government L Com.
	8. Well Number #2
2. Name of Operator: Agave Energy Company	9. OGRID Number 147831
3. Address of Operator 104 S. Fourth St., Artesia NM 88210 (575-748-4528)	10. Pool name or Wildcat W. Pitchfork Ranch Atoka
4. Well Location Unit Letter K: 1980 feet from the S line and 1800 feet from the W line Section 18 Township 24S Range 34E NMPM Lea County	
	11. Elevation *(Show whether DR, RKB, RT, GR, etc.)*

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK ☐	PLUG AND ABANDON ☐	REMEDIAL WORK ☐	ALTERING CASING ☐
TEMPORARILY ABANDON ☐	CHANGE PLANS ☐	COMMENCE DRILLING OPNS. ☐	P AND A ☐
PULL OR ALTER CASING ☐	MULTIPLE COMPL ☐	CASING/CEMENT JOB ☐	
DOWNHOLE COMMINGLE ☐			
OTHER: ☒ Modify plugging procedure to address well conditions encountered in attempting to remediate well per NMOCC order R13507		OTHER:	☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion. Beginning on June 27th, Agave reentered the hole with a plugging plan approved by OCD. The well bore diagram in the attached report has been modified to reflect what we have actually encountered in the attempt to reenter and place the balanced plug. Over the two week period between 6/27 and 7/6 we battled to drill through the uppermost plugs in the 608' of surface casing and the third plug at a depth of about 1180-1280 in the open hole because of significant metal debris and trash that was in the open hole. Then we continued to run/drill with our 12 ¼" bit through a few tight/collapsed open hole sections at various depths including around 1740' until we tagged the top of the 10 ¾" casing stub at 2371-2373 (original plugging records showed it at 2373'). We ran back in with a smaller bit (9 ¼") to attempt to drill back into the 10 ¾" section on our way down to the base of that casing at 5500' and then again into open hole to place a balanced plug across the injection zone (6200-6500'). Despite numerous attempts we have not been able reenter the casing and all evidence indicates that continuing attempts will continue to be unsuccessful. We are at a total depth of 2565' along the side of the 10 ¾" in a washout. The attached report details the history of the remediation attempt. ***Modification of the plugging procedure is as follows: Run an impression block to attempt to confirm configuration at 2373'. Reenter with a 2 7/8" smooth work string with a bottom hole assembly with a bull plug below a perforated sub. We will run in to depth of our reentry attempt (about 2565') and close the BOPs, establish a pumping rate and inject 320sx of cement. After waiting on cement overnight we will reenter, tag the plug to make sure we are at least 50 feet above the 2373' depth 10 ¾" casing stub. If additional cement is needed to reach 2323', we will set additional cement as needed. We will then replace all former cement plugs based on current NMOCD plugging requirements. We will then remove BOP, weld top plate, and reclaim site to original status.*** The attached report provides our analysis that demonstrates that this approach combined with the current plugging conditions of the well across the proposed injection zone (as described in the attached report and shown on the original diagram in the approved C-103for Red Hills AGI #1) is fully protective of any actual or potential productive zones and all fresh water at any depth.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE _____ TITLE Consultant to Agave Energy Company DATE 7/15/2012

Type or print name Alberto A. Gutierrez, RG E-mail address: aag@geolex.com PHONE: 505-842-8000

For State Use Only **Accepted for Record Only** EG 7-16-2012

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any):

JUL 16 2012

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RATIONALE FOR MODIFYING PLUGGING APPROACH TO GOVERNMENT "L" COM #2

Background

As part of NMOCC Order # R-13507 Agave is required to reenter the Govt. "L" Com #2 and "place a balanced plug across the injection zone". Beginning on June 27th, Agave reentered the hole with a plugging plan approved by OCD. The configuration of the plugged well based on the plugging records is shown in the attached well bore diagram. In addition the well bore diagram has been modified to reflect what we have actually encountered in the attempt to reenter and place the balanced plug. Over the two week period between 6/27 and 7/6 we battled to drill through the uppermost plugs in the 608' of surface casing and the third plug at a depth of about 1180-1280 in the open hole because of significant metal debris and trash that was in the open hole. Then we continued to run/drill with our 12 ¼" bit through a few tight/collapsed open hole sections at various depths including around 1740' until we tagged the top of the 10 ¾" casing stub at 2371-2373 (original plugging records showed it at 2373'). This was on 7/6/12. Then we ran back in with a smaller bit (9 ¼") to attempt to drill back into the 10 ¾" section on our way down to the base of that casing at 5500' and then again into open hole to place a balanced plug across the injection zone from approximately 6200-6500'. We then drilled on into what we believed was the 10 ¾" casing and had several free joints which ran in with little resistance making us think we were in the casing. Yesterday (7/11/12) around noon we hit some unexpected rough drilling at 2560' (about 180' below the top of the 10 ¾". Since we should not have encountered such resistance in the casing (which is only supposed to be filled with heavy mud below the plug), we decided pull out of the hole and go back in with a short mill/core barrel to see what we were in. At that time we recovered a core after drilling about 1.5' that upon examination last night and this morning confirmed that we were not in the casing but instead along the side of it in a washed out section of the original hole (see wellbore diagram and photos of core).

Proposed Revised Plugging Procedure Developed in Conjunction with OCD District

Early this morning I (Alberto Gutierrez, Geolex, Inc.) contacted E.L. Gonzales and presented the situation in detail to him and later to Gabrielle Gerholt and Will Jones (via email). I provided a copy of the report that I provide Agave each day to show what we had encountered and discussed alternatives of what we should do since it did not appear we would be successful in reentering the 10 ¾" as needed to get to set the balanced plug. We then, jointly with the OCD district office came up with an alternative of setting cement to anchor the free 10 ¾" casing and plugging up the washout zone up to about 2250' (180' above 10 ¾" casing stub) and proceeding up hole to place additional required plugs to surface and not set a balanced plug due to our inability to reenter the 10 ¾". Agave has made an extreme effort to achieve the OCC order requirement expending approximately $400 K to date and 21 days (original anticipated 10 days, $220K) and we continue to believe as we presented at the original NMOCC hearing on the C-108 that this well will not result in acid gas leaving the injection zone for the reasons described below.

Analysis of Well Condition after Implementation of Proposed Plugging Approach Approved by OCD District

The injection zone occurs between approximately 6200' and 6500' in the Cherry Canyon. The closest producing wells are located over a mile north of this location and produce out of the Delaware Sand at the top of the Bell Canyon immediately below the Castile at 5190'-5240'. This is still in the section of the hole where the 10 ¾" casing is cemented in place to a depth of 5500'. There is also a plug at the base of the 10 ¾" casing that isolates the open hole below 5500' from all zones above. Furthermore, the lithology of the cap rock which envelopes the injection zone runs from 5240' to 6200' (960' of relatively impermeable siltstones, shales with some sand stringers above the injection zone) and from 6200' to the

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base of the Brushy Canyon at 9005' (approximately 2800' of relatively impermeable siltstones, shales with some sand stringers below the injection zone) prevents migration either above or below out of the injection zone. There is also a plug at 7834' where the base of the 10 ¾" casing was and the 7 5/8" casing continues down to TD further isolating the basal section. *The open hole area across the injection zone and the caprock above and below from 5500' to 7834' is filled with heavy mud which effectively acts as a balanced plug across the injection zone and caprock.* Combined with the fact that the Government "L" Com #2 is located just at the edge of the 30 yr. calculated injection radius (about .4 mile), we are confident that the injection zone is well-isolated no acid gas will escape the injection zone if it even ever gets this far after 3 decades of injection. See attached location map showing relationship of Govt. "L" Com #2 to proposed Red Hills AGI and estimated plume extent after 30 years.

Summary of Agave's Request

For the reasons described above, and after making every reasonable attempt to comply with the original plugging requirement expressed in R-13507, Agave Energy Company respectfully requests that the NMOCC modify the order or enter into an agreed order upon consent to allow us to complete the attempt to remediate this well using the method described above as approved and suggested by NMOCD Hobbs District. Agave is currently preparing a C-103 NOI for the revision of the plugging program for formal approval by the District office as a follow-up to the approved NOI with the initial proposed plugging plan.

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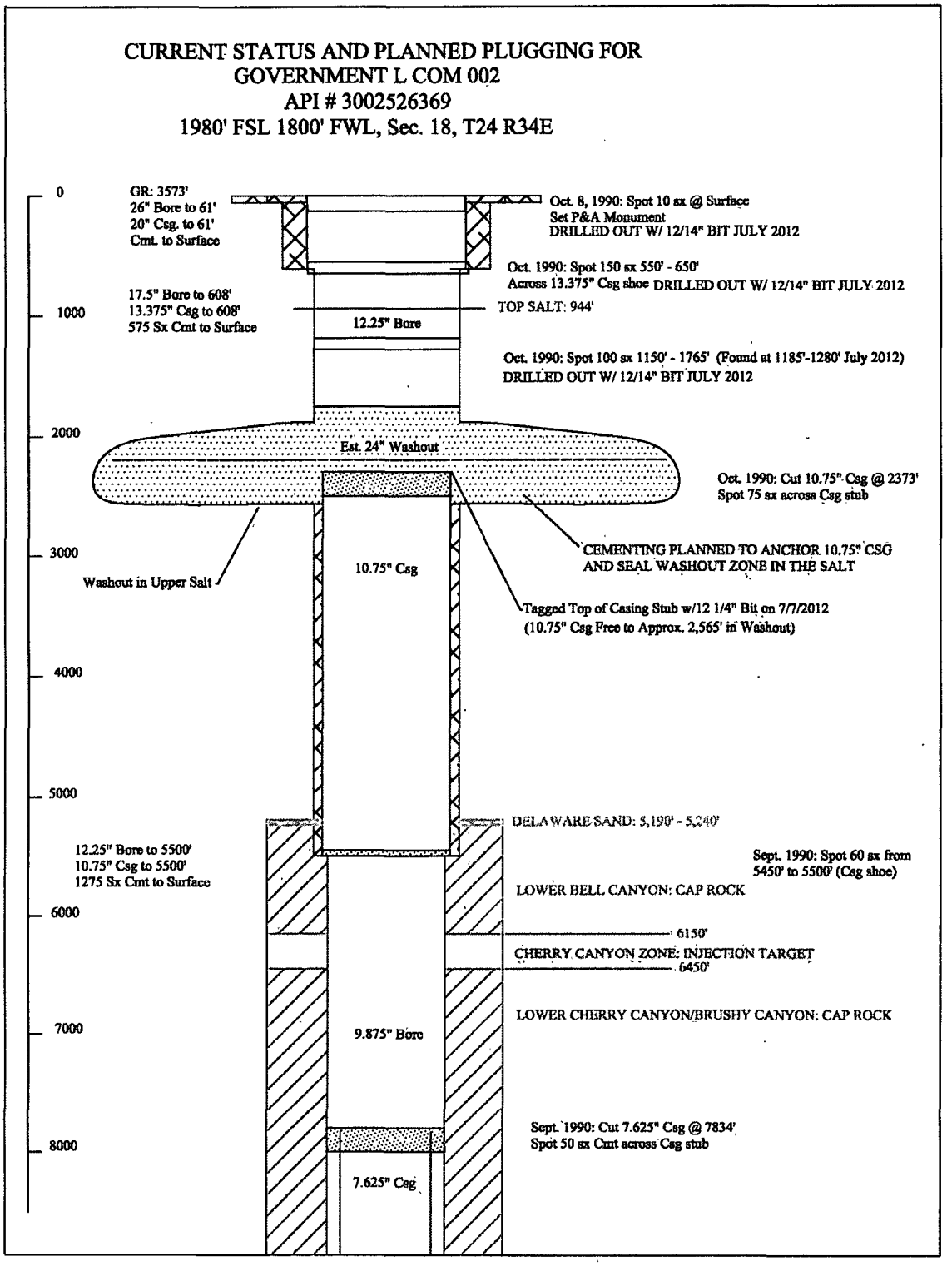

Govt "L" Com #2 Current Status of Remediation and Proposed Plugging Plan

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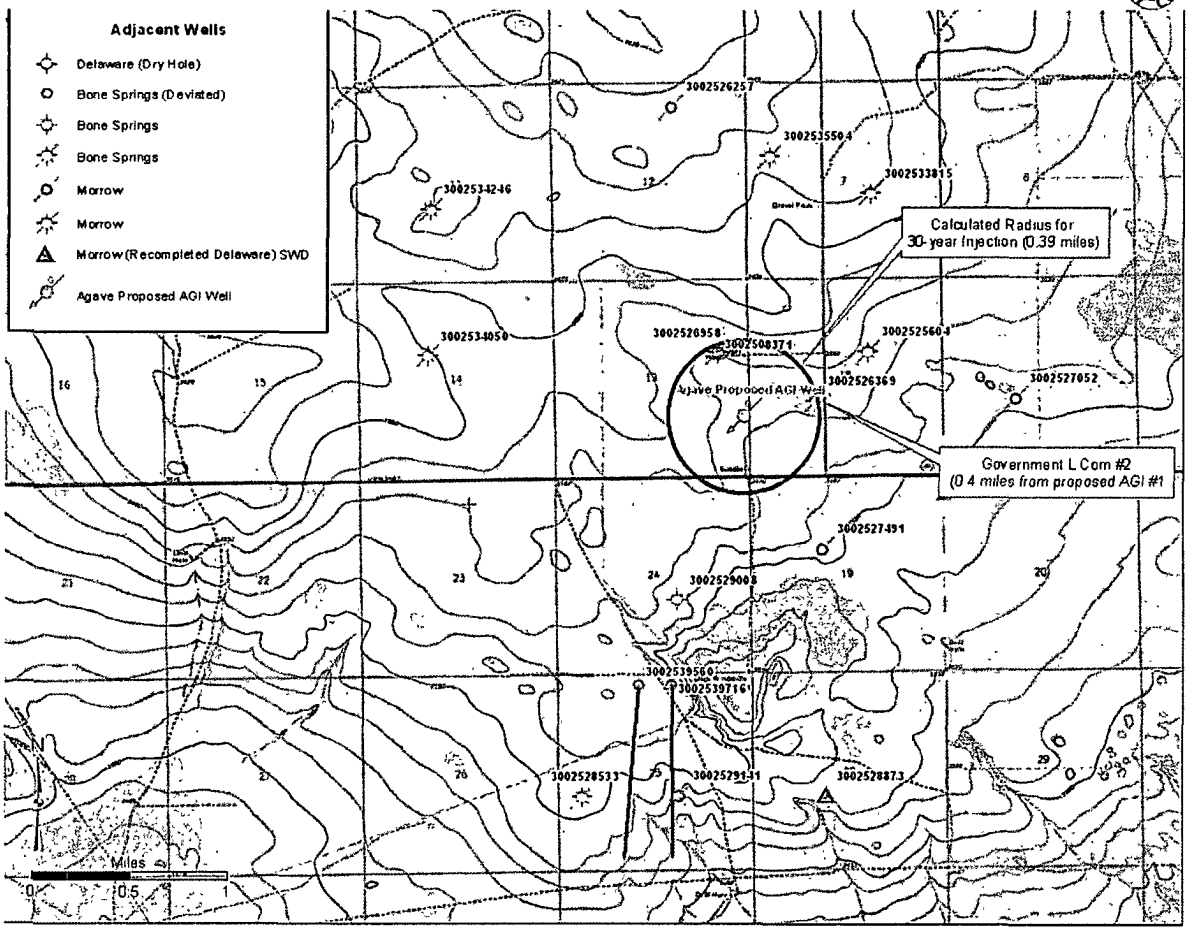

Map Showing Location of Government "L" Com #2 Relative to Proposed Red Hills AGI #1 and Area Affected by Injection after 30 years

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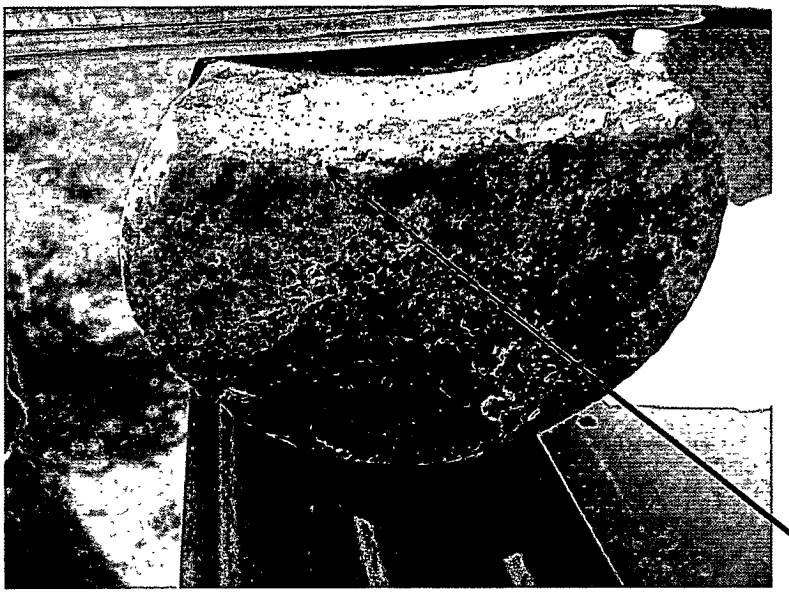
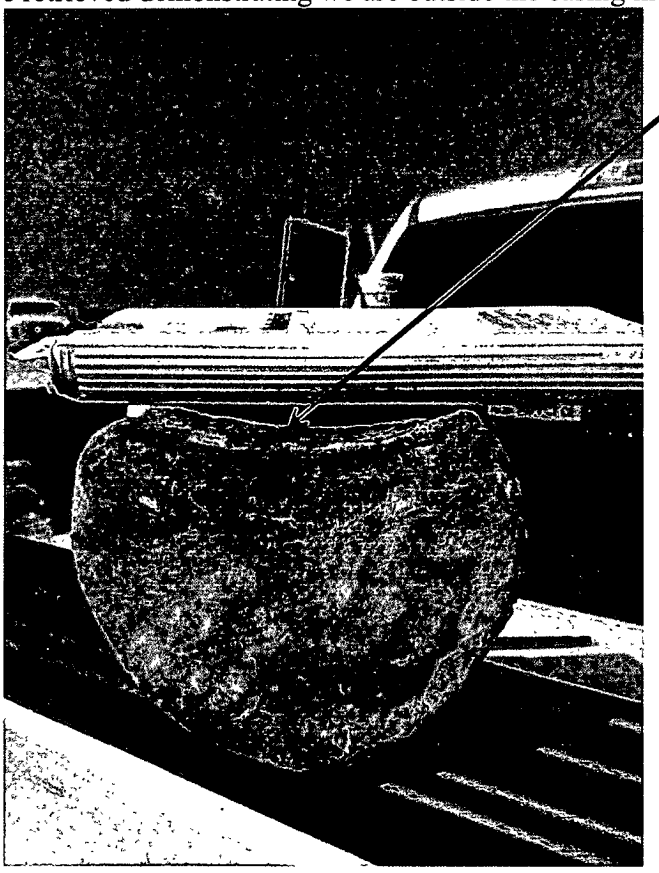
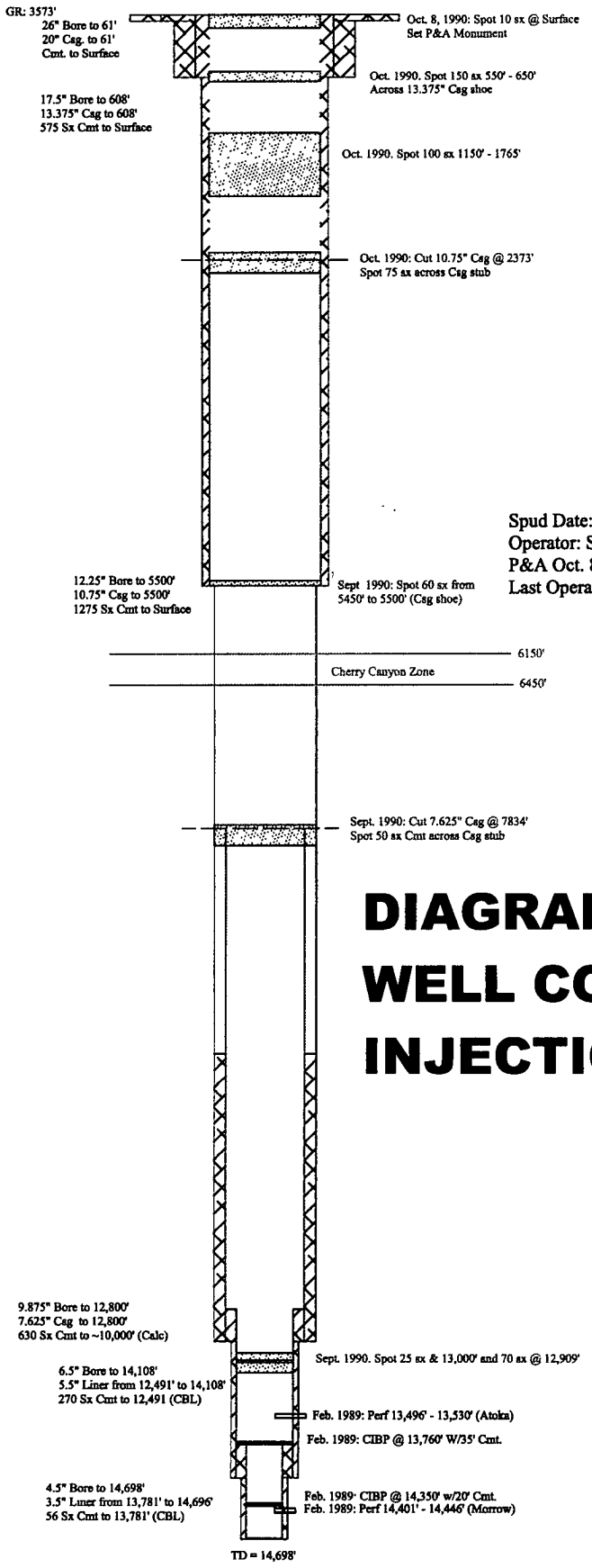


Photos of core retrieved demonstrating we are outside the casing in the old hole



GOVERNMENT L COM 002
API # 3002526369
1980' FSL 1800' FWL, Sec. 18, T24 R34E

Attached Report to C-103 for Modified Plugging



Spud Date: Sept. 15, 1979
Operator: Superior Oil Co.
P&A Oct. 8, 1990
Last Operator: Enron Oil & Gas Co.

DIAGRAM SHOWING ORIGINAL WELL CONFIGURATION ACROSS INJECTION ZONE