

**MINUTES OF THE MEETING
HELD BY THE OIL CONSERVATION COMMISSION
ON OCTOBER 25, 2012**

The Oil Conservation Commission met at 9 o'clock a.m. on October 25, 2012, in Porter Hall, Wendell Chino Building, 1220 S. St. Francis Drive, Santa Fe, New Mexico.

PRESENT: **SCOTT DAWSON, Member**
 ROBERT BALCH, Member
 JAMI BAILEY, Chair

Bill Brancard served as the Commission counsel.

The meeting was called to order by Chair Bailey. Commissioner Dawson announced that he is currently working for the State Land Office but has applied for the Deputy Director position with the Oil Conservation Division. He asked if that created a problem with the Commission or the applicant in today's hearing insofar as his sitting on the Commission for this hearing. Chair Bailey, Commissioner Balch, and Gary Larson, speaking for the applicant, had no objection.

After a motion by Commissioner Dawson and a second by Commissioner Balch, the minutes of the September 13, 2012 Commission meeting were unanimously approved and adopted. After a motion by Commissioner Dawson and a second by Commissioner Balch, the minutes of the September 24-27, and October 1, 4 and 5, 2012 deliberations were unanimously approved and adopted.

De Novo Case 14763, the application of Mack Energy Corporation for compulsory pooling, Lea County, New Mexico, was called for final action. After a motion by Commissioner Dawson and a second by Commissioner Balch, the Commission unanimously approved and signed Order No. R-13519-E in De Novo Case 14763. Chair Bailey did not vote.

Case 14720, Agave Energy Company's amended second motion to amend Order No. R-13507, was called. An appearance was made by Gary Larson for Agave Energy Company (Agave). Mr. Larson made an opening statement presenting the history of the original case and subsequent re-openings dealing with the plugging of four wells. He stated that Agave and the Oil Conservation Division (OCD) had held discussions which resulted in an agreed stipulation regarding the elimination of the requirements that the Government L Com No. 1 well be re-entered and re-plugged and that a balanced plug be placed in the Government L Com No. 2 well.

Mr. Larson's first witness was Ivan Villa, Engineering Manager with Agave in Artesia, New Mexico. He stated that Agave did not meet the projected dates for plugging the wells and new plans provide for finishing the plugging in December of 2012. He requested that the placing of the balanced plug in the Government L Com No. 2 well and the plugging provisions for the Government L Com No. 1 well be removed from the requirements. He explained that Geolex performed the plugging work for Agave but was unsuccessful in re-entering the Government L Com Well No. 2. He said the re-entry and plugging of the Sims Well No. 1 had been completed, and he described the plugging costs. He said new data was made available in June, 2012, and he discussed an updated calculation of treated acid gas (TAG) composition which differs from the initial projections. Commissioner Dawson, Commissioner Balch, and Chair Bailey cross-examined the witness, and he was excused.

After a short break, Mr. Villa was recalled to testify about placing a limit on the daily injection rate. The witness was excused.

The next witness was Alberto Gutierrez, President of Geolex, Inc. in Albuquerque, New Mexico. He stated that the concentration of H₂S in the TAG was lower than originally projected. He said that during the plugging of the Sims well, some injection tests were performed in the Cherry Canyon formation. He stated his belief that the Government 1 and 2 wells are protected from the TAG in the reservoir. He gave the characteristics of the injection zone. He discussed the Government No. 2 well remedial operations and the problems encountered in the re-entry. He said a balanced plug could not be placed as required in the order. He told of re-entry operations in the Sims No. 1 well and discussed the costs. He said the original plugging of the Government No. 2 well did not pose a problem. He summarized new data obtained from testing the injection formation, and he explained that the new data led him to look at the extent of the plume. He described the method of determining the new plume radius from new modeling. He summarized why the modification of the remediation requirements for the Government No. 1 and 2 wells is being requested. Commissioner Dawson, Commissioner Balch, Counsel Brancard, and Chair Bailey cross-examined the witness, and he was excused.

Mr. Larson made a closing statement.

After a motion by Commissioner Balch and a second to the motion by Commissioner Dawson, the Commission voted unanimously to close the meeting pursuant to NMSA 1978, Section 10-15-1-H, to deliberate on the case. After a motion by Commissioner Balch and a second to the motion by Commissioner Dawson, the Commission voted unanimously to return the meeting back into open session. Chair Bailey announced that the only matter discussed during the closed session was Case 14720. She said a decision had been reached by the Commission, and Counsel Brancard summarized the unanimous decision of the Commission as follows: the Commission agrees with the motion to eliminate the requirement to place a balanced plug in the Government L Com No. 2 well across the injection zone and directs Agave to move ahead with the cementing and plugging plan it has proposed for the well; the Commission will delay the requirement to re-enter and re-plug the Government L Com No. 1 well for five years from the commencement of injection; six months prior to the five-year anniversary, Agave is required to submit data and results from the injection that occurred during the first four years of injection; at that time Agave may reapply to eliminate the requirement on the Government No. 1 well if it is supported by data; Agave will report any new drilling that may have occurred during that time. Agave should have the responsibility to determine if the sources coming into the well exceed the 5 percent H₂S limitation discussed earlier, and it should be reported to the Division and Commission. Chair Bailey asked Mr. Larson to prepare a draft order and submit it to the Commission counsel so an order can be signed at the December 6, 2012 Commission meeting.

The meeting was adjourned at 11:55 a.m.

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**

JAMI BAILEY, Chair