

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

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

CASE NO. 8082
Order No. 2-7582

APPLICATION OF LLANO, INC. FOR
SPECIAL WELL TESTING REQUIREMENTS
OR EXPANSION OF ITS GAS STORAGE
PROJECT, LEA COUNTY, NEW MEXICO.

SECTION 5 WELL

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on May 13, 1984, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 20th day of June, 1984, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That the applicant, Llano, Inc., is the operator of the Grama Ridge Morrow Unit which was approved by the Commission on January 19, 1973, by Order No. 2-4473 and has been subsequently expanded to include the following described state lands:

(2) That the applicant, Llano, Inc., is the operator of the Grama Ridge Morrow Unit which was approved by the Commission on January 19, 1973, by Order No. 2-4473 and has been subsequently expanded to include the following described state lands:

LEA COUNTY, NEW MEXICO, MORROW

TOWNSHIP 11 NORTH, RANGE 14 EAST, SECTION 11 and 14. All

TOWNSHIP 11 NORTH, RANGE 14 EAST, SECTION 11. All

That the applicant, Llano, Inc., is the operator of the Grama Ridge Morrow Unit which was approved by the Commission on January 19, 1973, by Order No. 2-4473 and has been subsequently expanded to include the following described state lands:

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Range 34 East, NMPM, under which gas storage rights have been acquired by applicant through agreement with the United States, acting by and through the Secretary of the Interior (Agreement for Subsurface Storage of Gas, Morrow Formation, Grama Ridge Area, Lea County, New Mexico, Agreement No. 14-00-0001-14277, as amended).

(4) That Llano injects gas into the Morrow formation in its GRM Unit Well No. 1 (formerly State GRM Well No. 1) located in Unit 2, Section 3, Township 22 South, Range 34 East, NMPM, and in the GRM Unit Well No. 2 (formerly State GRM Well No. 1) located in Unit 1 of Section 34, Township 21 South, Range 34 East, NMPM, Grama Ridge-Morrow Gas Pool, Lea County, New Mexico, pursuant to Commission Order R-4491 entered on March 16, 1971.

(5) That L & B Oil Company proposes to drill its Federal Well No. 1 at a location 660 feet from the South line and 1980 feet from the East line of Section 5, Township 22 South, Range 34 East, NMPM, which directly offends the Llano Storage Project.

(6) That the boundaries of the Grama Ridge Storage Reservoir cannot be precisely determined.

(7) That L & B Oil Company proposes to test and possibly complete its Federal Well No. 1 in the same Morrow interval into which Llano injects natural gas for storage and in so doing could damage Llano's storage project and produce gas which is the property of Llano, Inc.

(8) That applicant seeks an order compelling L & B Oil Company to test the Morrow sand beneath the top of the Morrow clastics in its Federal Well No. 1 by using a Repeat Formation Tester (RFT) to establish the pressure in each Morrow stringer and thereby determine if the well is in communication with Llano's storage project.

(9) That Llano should be required to bear the cost of conducting this test and should further be required to indemnify L & B Oil Company for any damage to their well which results from this test.

(10) That testing at the L & B Oil Company Federal Well No. 1 shall not cause any damage to the Morrow sand which is the property of Llano, Inc. and shall be approved.

(11) That the L & B Oil Company shall be required to provide a bond in the amount of \$100,000 to protect the Morrow sand which is the property of Llano, Inc. and shall be approved.

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Case No. 2000
Order No. 2000

17 IN REPLY TO ORDER

(1) That the applicant, Llano, Inc., shall be permitted, at its option, to run an API log on the L & B Oil Company Federal Well No. 1 to be drilled at a location 660 feet from the south line and 1980 feet from the east line of section 5, Township 22 South, Range 14 East, NMRM, Lea County, New Mexico.

(2) That L & B Oil Company shall provide Llano, Inc. with the following information on the said Federal Well No. 1 from the top of the Morrow formation to total depth:

- (a) Drilling data, including time, weight, bit changes, etc.
- (b) Copies of drill stem tests.
- (c) Mud log information.
- (d) Samples or drilling cuttings.
- (e) Copy of the CML-MOC porosity log or equivalent porosity log.

(3) Within twenty-four hours after receipt of the data required in paragraph (2) of this order, Llano at its sole option, shall determine if the Morrow formation in the L & B Oil Company Well is geologically equivalent to Llano's Morrow formation. If it is, Llano shall certify to the L & B Oil Company that the Morrow formation in the L & B Oil Company Well is geologically equivalent to Llano's Morrow formation. If it is not, Llano shall certify to the L & B Oil Company that the Morrow formation in the L & B Oil Company Well is not geologically equivalent to Llano's Morrow formation.

(4) As Llano, Inc. desires to run an API log on the well:

(a) L & B Oil Company will temporarily turn over control of the well to Llano, Inc. for the sole purpose of running an API log from the top of the Morrow formation to the well's total depth.

(b) Llano will have all information with the service company to run the API log.

(c) Llano will be liable for any damage to the well or the Morrow formation caused by the API log. The L & B Oil Company will be liable for any damage to the well or the Morrow formation caused by the Morrow formation. The L & B Oil Company will be liable for any damage to the well or the Morrow formation caused by the Morrow formation.

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Case No. 8089
Order No. W-7822

- (d) Llano will promptly relinquish control of the well to L & B Oil Company upon completion of running the RFT log; and
- (e) Llano will furnish a copy of the RFT log on the well to L & B Oil Company.

PROVIDED FURTHER, that L & B Oil Company will not run casing in the well until Llano has run the RFT log on the well or failed to notify L & B Oil Company and the Oil Conservation Division's District Office of its intention to run the RFT log in accordance with the provisions of Paragraph (3) of this Order.

(5) That if it is established by the data obtained from the RFT log that the Morrow stringers in the said L & B well have pressures similar to those of Llano's gas storage project, L & B Oil Company shall not produce gas from those stringers and shall demonstrate this fact to the satisfaction of Llano, Inc. and the District Office of the Oil Conservation Division located in Hobbs, New Mexico.

(6) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

WILLIAMS, Member

WILLIAMS, Member

JOHN J. HANLEY, Chairman and Secretary