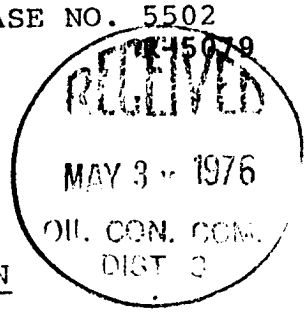
BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

SAN YSIDRO #13
M-17-15N-1E

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

CASE NO. 5502
5079

APPLICATION OF SOUTHERN UNION
GAS COMPANY FOR UNDERGROUND GAS
STORAGE FINDINGS, SANDOVAL COUNTY,
NEW MEXICO.



ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 10, 1975, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 27th day of April, 1976, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant in the subject case, Southern Union Gas Company, is in the process of developing an underground natural gas storage project in Sandoval County, New Mexico, to be known as the Las Milpas Gas Storage Project.

(3) That the applicant has conducted geological and engineering studies to confirm the existence of a geological structure underlying Sections 17, 18, 19, 20, 29, 30, 31, and 32 of Township 15 North, Range 1 East, NMPM, and Sections 13, 24, 25, and 36 of Township 15 North, Range 1 West, NMPM, Sandoval County, New Mexico, and to determine the suitability of said geological structure for the underground storage of natural gas.

(4) That the applicant has determined that the above-described geological structure does exist, and that the Aqua Zarca formation within said structure, being a permeable sandstone overlain by an impermeable shale layer, should constitute a satisfactory bed for the storage of gas.

(5) That although preliminary investigation of the geological structure being proposed for underground gas storage indicates that its areal extent may be somewhat less than the entire area described in Finding No. (3) above, all of said lands should be included within the horizontal limits of the Las Milpas Gas Storage Project in order to protect the structure from drainage by non-project wells in the event the areal extent of the structure is larger than presently believed.

(6) That the Poleo formation, which overlays the impermeable shale described in Finding No. (4) above, should be included within the vertical limits of the Las Milpas Gas Storage Project in order that pressure observation wells may be drilled into the Poleo formation to verify the integrity of the shale bed and to assure that gas in storage in the Agua Zarca formation is not migrating upward and escaping from the Agua Zarca formation.

(7) That the applicant has attempted to acquire gas storage rights in the interval from the top of the Poleo formation to the base of the Agua Zarca formation underlying Sections 17, 18, 19, 20, 29, 30, 31, and 32, Township 15 North, Range 1 East, NMPM, and Sections 13, 24, 25, and 36, Township 15 North, Range 1 West, NMPM, Sandoval County, New Mexico, and has indeed acquired such rights underlying more than 80 percent of said lands, and is in the process of acquiring such rights underlying portions of the remaining lands.

(8) That despite the efforts of the applicant, it appears that gas storage rights underlying certain portions of the lands described in Finding No. (7) above may remain outstanding.

(9) That it appears that to obtain gas storage rights underlying all of the lands described in Finding No. (7) above, the applicant may find it necessary to resort to eminent domain proceedings as provided by Sections 65-9-1 through 65-9-8, NMSA 1953 Comp.

(10) That pursuant to Section 65-9-5 NMSA, 1953 Comp., the instant case was called to consider the propriety of utilization for underground storage of natural gas of the sub-surface strata from the top of the Poleo formation to the base of the Agua Zarca formation underlying Sections 17, 18, 19, 20, 29, 30, 31, and 32, Township 15 North, Range 1 East, NMPM, and Sections 13, 24, 25, and 36, Township 15 North, Range 1 West, NMPM, Sandoval County, New Mexico, and consequently thereto, the Commission finds:

A. That the above-described sub-surface interval underlying the above described lands is suitable for the underground storage of natural gas and should be designated as the Las Milpas Gas Storage Project.

B. That the Las Milpas Gas Storage Project is incapable of producing oil in paying quantities through any known recovery method.

C. That the Las Milpas Gas Storage Project does not underlie any known commercial deposits of potash.

D. That storage of natural gas in the Las Milpas Gas Storage Project will not cause injury to surface or underground water resources.

E. That the Las Milpas Gas Storage Project does not, or has not been known, to contain native gas capable of production in paying quantities.

F. That the horizontal extent of the displaced or injected gas in the above-described subsurface interval will be within the outer boundaries of the above-described lands.

G. That no portion of the above-described subsurface interval underlying the above-described lands has been appropriated or is being utilized for the injection, storage and withdrawal of natural gas by any other than the applicant, Southern Union Gas Company.

(11) That jurisdiction of this cause is retained for the entry of such further findings as may be necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Member

JOE D. RAMEY, Member & Secretary

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