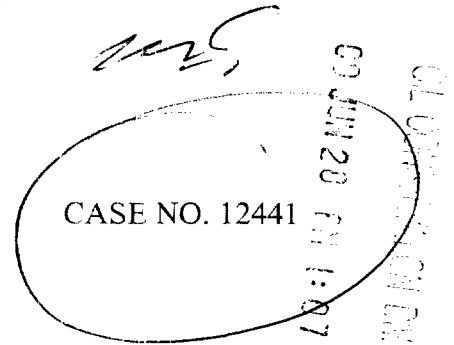


STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF LG&E NATURAL PIPELINE LLC FOR
SPECIAL PROJECT RULES FOR THE
GRAMA RIDGE GAS STORAGE UNIT
LEA COUNTY, NEW MEXICO



**LG&E'S RESPONSE
TO
MOTION FOR CONTINUANCE**

LG&E Natural Pipeline, LLC, (“LG&E” or “Applicant”), hereby responds to the Motion For Continuance filed on behalf of Nearburg Exploration Company, LLC, Yates Petroleum Corporation, BTA Oil Producers and C.W. Trainer, (“Nearburg, et al.”).

Nearburg, *et al.* do not present adequate justification for a continuance of the hearing on LG&E’s Application, and correspondingly, their motion should be denied.

As grounds for their motion, Nearburg, et al. claim, incorrectly, that LG&E’s application involves “complicated” land, title geological and engineering issues. Nearburg, et al. also claim that they need more time to prepare expert testimony to address “substantial technical issues”. Yet, in the same breath, Nearburg, et al. acknowledge that they received timely notification of the hearing date.

The claims that this case is “complicated” and that “substantial technical issues” are involved are vastly overblown. This is a simple and non-controversial matter. By its Application, LG&E seeks little more than to protect the integrity of the Grama Ridge Morrow Gas Storage Project which the Division approved in 1973 in Order No. R-4473. Generally, LG&E seeks to have the Division provide special project rules whereby the operators of wells penetrating the Morrow formation would provide certain data and take

such steps to assure that such activity would not interfere with unit operations. Indeed, it is not the first time that the Operator of the Grama Ridge Gas Storage Unit has applied for, and obtained such relief from the agency. In 1974, the Commission (Chairman Ramey, et al.) granted a similar application that was made applicable to a Morrow well drilled adjacent to the Unit in Section 5, T-22-S, R-34-E. (See Order No. R-7582, Case No. 8088, Exhibit 1, attached.) The Order granted by the Commission in that case is not dissimilar from what LG&E seeks by its application now. A review of the findings in Order R-7582 shows that no particularly complex technical issues should be involved in cases of this type.

It also appears that the Nearburg group is attempting to manufacture some dispute over the subpoena where no dispute appears to exist.¹ In fact, before this Motion was filed, Counsel for Nearburg was advised that documents would be produced. (See correspondence to counsel, Exhibit 2, attached.) Accordingly, this claimed justification for a continuance should be rejected outright.


Finally, Nearburg, *et al.*, fail to offer any explanation at all why they are opposed to the Application. Without further elaboration, these parties present no justification to the Division why the additional time is “vital” to their case preparation. Given the simplicity of the issues involved and the absence of any explanation, the Nearburg group offers the Division inadequate justification for the continuance of this matter.

¹ LG&E intends to respond to the subpoena and produce documents at the time and date specified. However, LG&E will point out that it is less burdensome for Nearburg, et al. to obtain certain of the data requested (e.g., Subpoena Exhibit “A”, Item 6) directly from the public records at the NMOCD and State Land Office. Instead of waiting, Nearburg’s counsel should avail itself of the opportunity to obtain those documents today.

WHEREFORE, the Applicant, LG&E Natural Pipeline LLC requests the Examiner to deny the Motion For Continuance. This matter should proceed to hearing as scheduled.

Respectfully submitted,

MILLER, STRATVERT & TORGERSON, P.A.

By 

J. Scott Hall
Post Office Box 1986
Santa Fe, New Mexico 87504-1986
(505) 989-9614

ATTORNEYS FOR LG&E NATURAL PIPELINE

Certificate of Mailing

I hereby certify that a true and correct copy of the foregoing was forwarded to counsel of record on the 27 day of June, 2000, as follows: ^{*Faxed*}

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Santa Fe, New Mexico 87504

Marilyn Hebert
Legal Counsel
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505



J. Scott Hall

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. 8088
Order No. R-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 15, 1984, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 29th 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:

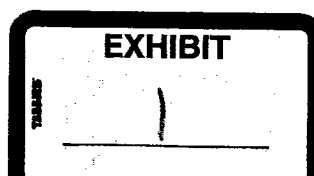
- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Llano, Inc., is the operator of the Grama Ridge Morrow Unit which was approved by the Commission on January 29, 1973, by Order No. R-4473 and has been subsequently expanded to include the following described state lands:

LEA COUNTY, NEW MEXICO, NMPM

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM
Sections 33 and 34: All

TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM
Section 3: All

- (3) That the applicant operates an underground gas storage project in the Morrow Formation, Grama Ridge Morrow Gas Pool, under the Grama Ridge Morrow Unit Area described in Paragraph (2) and under Sections 4 and 10, Township 22 South,



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, Grana Ridge Area, Lea County, New Mexico, Agreement No. 14-08-0001-14277, as amended).

(4) That Llano injects gas into the Morrow formation in its GRM Unit Well No. 1 (formerly State GRA Well No. 1) located in Unit E, Section 3, Township 22 South, Range 34 East, NMPM, and in the GRM Unit Well No. 2 (formerly State GRB Well No. 1) located in Unit L of Section 34, Township 21 South, Range 34 East, NMPM, Grana Ridge-Morrow Gas Pool, Lea County, New Mexico, pursuant to Commission Order R-4491 entered on March 16, 1973.

(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 offsets the Llano Storage Project.

(6) That the boundaries of the Grana 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 requiring L & B Oil Company to test the Morrow sands encountered below 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 the tests.

(10) That testing at the L & B Oil Company Federal Well No. 1 will not cause waste nor violate correlative rights and should be approved.

(11) That there was insufficient evidence presented to warrant the expansion of the gas storage project to include the E/2 of Section 5, Township 22 South, Range 34 East.

IT IS THEREFORE ORDERED:

(1) That the applicant, Llano, Inc., shall be permitted, at its option, to run an RFT 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 34 East, NMPM, 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 Clastics 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 CNL-FDC 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 discretion, shall determine if the Morrow formation in the L & B Oil Company well is structurally equivalent to Llano's storage system and shall notify L & B Oil Company and the District Office of the Oil Conservation Division in Hobbs, New Mexico, whether or not it will run an RFT log on the well.

- (4) If Llano, Inc. decides to run an RFT 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 RFT log from the top of the Morrow Clastics to the well's total depth;
 - (b) Llano will make all arrangements with the service company to run the RFT log;
 - (c) Llano will be liable for any damage to the well during the time Llano has control of the well and will reimburse L & B Oil Company for rig time costs for the period while Llano is determining whether or not to run the RFT log, rig time costs involved in running the RFT log, and any other costs incurred by L & B Oil Company as a result of running the RFT log.

- (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.

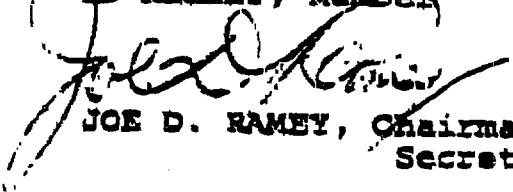
(6) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member


ED KELLEY, Member


JOE D. RAMEY, Chairman and
Secretary

S E A L

MILLER, STRATVERT & TORGERSON, P.A.

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PLEASE REPLY TO SANTA FE

June 27, 2000

BY FACSIMILE TRANSMISSION: 983-6043

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Campbell, Carr, Berge and Sheridan
Post Office Box 2208
Santa Fe, New Mexico 87504-2208

Re: NMOCD Case No. 12441; Application of LG&E Natural Pipeline, LLC

Dear Mike:

I acknowledge receipt of the subpoena *duces tecum* in the above matter. Although much of the documentation identified in the subpoena is not relevant to the application, we plan on responding and producing materials at the time and place you have identified.

Separately, the hearing on this application should not be "complicated and lengthy" as your letter suggests and the parties have been afforded ample time to prepare. Consequently, there are no grounds for continuing the hearing in this matter.

As always, should you wish to discuss, please do not hesitate to call.

Very truly yours,

MILLER, STRATVERT & TORGERSON, P.A.



J. Scott Hall

cc: Tim Cashion
Terri Watson

JSH/ao

7401/24822/letters/Feldewert ltr.doc

