

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 19th 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 Grana Ridge Morrow Unit which was approved by the Commission on January 29, 1973, by Order No. R-4472 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, Grana Ridge Morrow Gas Pool, under the Grana Ridge Morrow Unit Area described in Paragraph (2) and under Sections 4 and 10, Township 22 South,

that it is not, and that it has no 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. 14-00-0001-14277, 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 24 East, NMPM, and in the GRM Unit Well No. 2 (Formerly State GRM Well No. 1) located in Unit 1 of Section 14, Township 21 South, Range 24 East, NMPM, Grana 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 1900 feet from the East line of Section 5, Township 22 South, Range 24 East, NMPM, which directly obstructs 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 N/2 of Section 3, Township 22 South, Range 24 East.

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17. THE HERRING FORMATION

(1) That the Herring Formation, Llano, Inc., shall be restricted, at its option, to run an RPT log on the L & B Oil Company Well No. 1 to be drilled at a location 500 feet from the south line and 1000 feet from the east line of Section 5, Township 22 South, Range 14 East, N.M.P., Lea County, New Mexico.

(2) That L & B Oil Company shall provide Llano, Inc. with the following information on the said 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 of drilling cuttings.
- (e) Copy of the CAL-PDC 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 RPT log on the well.

(4) If Llano, Inc. decides to run an RPT 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 RPT log from the top of the Morrow Formation to the well's total depth;
- (b) Llano will make all arrangements with the service company to run the RPT 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 RPT log, rig time costs involved in running the RPT log, and any other costs incurred by L & B Oil Company as a result of running the RPT log.

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(d) Ilano will immediately relinquish control of the well to I & B Oil Company upon completion of running the RTT log; and

(e) Ilano will furnish a copy of the RTT log on the well to I & B Oil Company.

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

(3) That if it is established by the data obtained from the RTT log that the Mexico stringers in the said I & B well have pressures similar to those of Ilano's gas storage project, I & B Oil Company shall not produce gas from those stringers and shall demonstrate this fact to the satisfaction of Ilano, 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 hereinafore designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN BACA, Member

ED KELLEY, Member

JOHN D. HAMEY, Chairman and Secretary

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