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*Case 8318*

August 10, 1984

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OIL CONSERVATION DIVISION

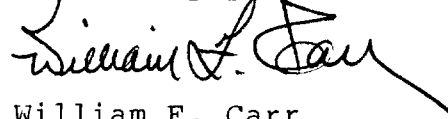
Mr. Joe D. Ramey, Director  
Oil Conservation Division  
New Mexico Department of  
Energy and Minerals  
Post Office Box 2088  
Santa Fe, New Mexico 87501

Re: Application of Llano, Inc. for Special Well Testing  
Requirements for the L & B State Com. No. 2 Well, Lea  
County, New Mexico.

Dear Mr. Ramey:

Enclosed in triplicate is the Application of Llano, Inc. in  
the above-referenced case. Llano, Inc. requests that this matter  
be included on the docket for the Examiner hearings scheduled for  
August 22, 1984.

Very truly yours,

  
William F. Carr

WFC/cv  
enclosures

cc: Mr. Al Klaar

BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

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AUG 10 1984

APPLICATION OF LLANO, INC. FOR  
SPECIAL WELL TESTING REQUIREMENTS  
FOR THE L & B STATE COM. NO. 2 WELL.  
LEA COUNTY, NEW MEXICO.

OIL CONSERVATION DIVISION

Case 8318

APPLICATION

Comes now, LLANO, INC., by and through its undersigned attorneys and hereby makes application to the Oil Conservation Division for an order requiring testing of the Morrow formation at Llano's option by use of a RFT (Repeat Formation Tester) in the L & B Oil Company's State Com. No. 2 Well to be drilled in Section 11, Township 22 South, Range 34 East, N.M.P.M., and in support thereof states:

1. Llano operates an underground gas storage project in Sections 3, 4 and 10, Township 22 South, Range 34 East, and Sections 33 and 34, Township 21 South, Range 34 East, N.M.P.M., Lea County, New Mexico which was approved by the Oil Conservation Division by Order R-4473 which was entered in Case 4895 on January 29, 1973.

2. L & B Oil Company proposes to drill a Morrow well at a location in Section 11, Township 22 South, Range 34 East, N.M.P.M., Lea County, New Mexico which is a direct offset to Llano's storage project.

3. L & B Oil Company proposes to test and possibly complete its State Com. No. 2 Well 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. (Section 70-6-8, N.M.S.A., 1978 Comp.).

4. The laws and Division rules and regulations relating to the conservation of oil and gas are applicable to the underground storage of natural gas.

5. Section 70-2-12B(7), N.M.S.A., 1978 Comp. authorizes the Division "to require wells to be drilled, operated and produced in such a manner as to prevent injury to neighboring leases or properties."

6. L & B Oil Company should be required to test all Morrow sands appearing below the "Morrow clastics" top in its State Com. No. 2 Well by using a Repeat Formation Tester to establish the pressure in each Morrow stringer and thereby determine if the well is in communication with Llano's storage project.

7. Llano should be required to bear the costs of conducting this test and should be required to indemnify L & B Oil Company for any damage to this well which results from the test.

8. Granting this application is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

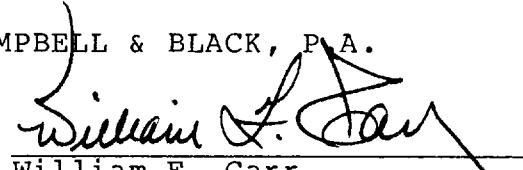
WHEREFORE, Llano, Inc. requests that this matter be set for hearing before a duly appointed examiner of the Oil Conservation Division on August 22, 1984 and that, after notice and hearing as required by law, the Division enter its order (1) requiring L & B Oil Company to test the Morrow formation in its State Com. No. 2 Well by use of a Repat Formation Tester at Llano's option to

determine whether or not the well is in communication with Llano's storage project; (2) 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, ordering L & B Oil Company not to produce from those stringers, requiring L & B to demonstrate this fact to the satisfaction of Llano, Inc. and the District Office of the Oil Conservation Division located in Hobbs, New Mexico; (3) requiring Llano to bear the costs of conducting the test and reimburse L & B Oil Company for any damage resulting to its State Com. No. 2 Well as a result of these tests; and (4) making such other and further provisions as are proper in the premises.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

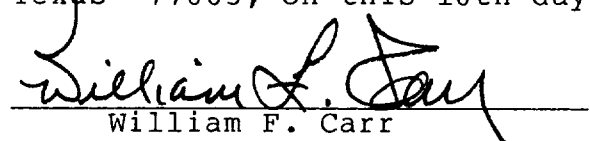
BY

  
William F. Carr  
Post Office Box 2208  
Santa Fe, New Mexico 87501

ATTORNEYS FOR LLANO, INC.

Certificate of Mailing

I hereby certify that a true and correct copy of the foregoing Application was mailed to L & B Oil Company at 2600 South Gessner, Suite 220, Houston, Texas 77063, on this 10th day of August, 1984.

  
William F. Carr