



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

July 17, 2003

Lori Wrotenbery

Director

Oil Conservation Division

Williams Production Company, L.L.C.
c/o **Holland & Hart LLP**
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: William F. Carr

Administrative Order NSL-4921
(Non-Standard Subsurface Location/Producing Area)

Dear Mr. Carr:

Reference is made to the following: (i) your application on behalf of the operator, Williams Production Company, L.L.C. ("Williams") dated May 29, 2003 (*administrative application reference No. pKRV0-315350317*); (ii) Mr. John Thompson's e-mail concerning this application to Mr. Michael E. Stogner, Engineer/Chief Hearing Officer with the New Mexico Oil Conservation Division ("Division") in Santa Fe on Monday morning, June 23, 2003; and (iii) the Division's records in Aztec and Santa Fe: all concerning Williams's request for exception to Division Rules 111.A (13) and 111.C (2), and Rule 7 (a) of the *"Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool,"* as promulgated by Division Order No. R-8768, as amended.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Division Rule 111.C (2) and the applicable provisions of the special rules governing the Basin-Fruitland Coal (Gas) Pool (71629);
- (2) The "project area" that is the subject of this application will consist of an existing standard 320-acre lay-down gas spacing unit comprising the S/2 of Section 8, Township 31 North, Range 6 West, NMPM, San Juan County, New Mexico;
- (3) The special rules governing the Basin-Fruitland Coal (Gas) Pool in this area provide for 320-acre gas spacing units, infill drilling with one well per quarter section, and for wells to be located no closer than 660 feet from any outer boundary of the spacing unit nor closer than 10 feet from any quarter-quarter section line or subdivision inner boundary;
- (4) This unit is currently dedicated to William's Rosa Unit Well No. 273 (API No. 30-045-28248), located at a standard coal gas well location 1690 feet from the South line and 925 feet from the West line (Unit L) of Section 8;

- (5) It is our understanding that Williams intends to drill its Rosa Unit Well No. 273-A (API No. 30-045-31634), from a surface location 2405 feet from the South line and 2450 feet from the West line (Unit K) of Section 8 vertically to an approximate depth of 2,549 feet (TVD), kick-off in a east-southeasterly direction, build angle at a rate of 12 degrees per 100 feet until 90 degrees off of vertical is achieved at a depth of 3,026 feet (TVD), set casing at an approximate subsurface location 2336 feet from the South line and 2375 feet from the East line (Unit J) of Section 8, and continue drilling a horizontal drainhole a lateral distance of approximately 2388 feet to a target point 1855 feet from the South line and 10 feet from the East line (Unit I) of Section 8;
- (6) The applicable drilling window or "producing area" within the Basin-Fruitland Coal (Gas) Pool for this horizontal/high angle directional drilling project is to be confined to that area within the S/2 of Section 8 that is:
 - (a) no closer than the normal setback requirement of 660 feet to the South line of Section 8;
 - (b) no closer than 2450 feet to the West line of Section 8;
 - (c) no closer than 235 feet to the northern boundary line of this lay-down gas spacing unit; and
 - (d) definitely no closer than 10 feet to the East line of Section 8;
- (7) It appears that the applicant has satisfied all of the appropriate requirements prescribed in Division Rule 111.C (2) and Rules 7 (b), 8, and 9 (B) of the Basin-Fruitland coal gas special pool rules; therefore, the subject application should be approved; and
- (8) The provisions contained within this order and all other applicable provisions of Division Rule 111 and Division Order No. R-8768, as amended, should govern the subject well and 320-acre gas spacing unit/project area.

It Is Therefore Ordered That:

- (1) By the authority granted me under the provisions of Rules 7 (b), 8, and 9 (B) of the "*Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool*," as promulgated by Division Order No. R-8768, as amended, the application (*administrative application reference No. pKRV0-315350317*) of Williams Production Company, L.L.C. ("Williams") for exception to Rule 7 (a) of the special pool rules governing the Basin-Fruitland Coal (Gas) Pool (71629), is hereby approved. Williams is authorized to initiate a horizontal/high angle directional drilling project with its proposed Rosa Unit Well No. 273-A (API No. 30-045-31634) to be drilled in the manner described above in Finding Paragraph (5).

(2) The "project area" shall comprise a single standard 320-acre lay-down gas spacing unit, being the S/2 of Section 8, Township 31 North, Range 6 West, NMPM, San Juan County, New Mexico.

(3) The applicable drilling window or "producing area" within the Basin-Fruitland Coal (Gas) Pool for this horizontal/high angle directional drilling project shall be confined to that area within the S/2 of Section 8 that is:

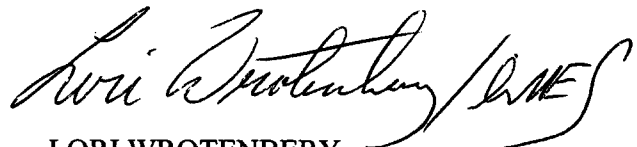
- (a) no closer than the normal setback requirement of 660 feet to the South line of Section 8;
- (b) no closer than 2450 feet to the West line of Section 8;
- (c) no closer than 235 feet to the northern boundary line of this lay-down gas spacing unit; and
- (d) definitely no closer than 10 feet to the East line of Section 8;

(4) The operator of this gas spacing unit shall comply with all applicable provisions and conditions set forth in Division Rule 111 and Division Order No. R-8768, as amended.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



LORI WROTENBERY
Director

LW/mes

cc: New Mexico Oil Conservation Division – Aztec
U. S. Bureau of Land Management – Farmington
John Thompson, Williams Production Company, L.L.C. – john@walsheng.net