

HOLLAND & HART



Michael Stogner

William F. Carr
wcarr@hollandhart.com

June 9, 2006

HAND-DELIVERED

Mark E. Fesmire, P. E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

2006 JUN 9 PM 3 19

Re: URGENT Request to Return or Keep Wells on Production

Applications of Williams Production Company for Horizontal Drilling and Unorthodox Surface and Bottomhole Location in the Basin-Fruitland Coal Gas Pool, Rio Arriba County, New Mexico.

Dear Mr. Fesmire:

On June 6, 2006, Williams Production Company filed applications for approval of horizontal drilling and unorthodox surface and bottomhole locations in the Basin-Fruitland Coal Gas Pool, Rio Arriba County, New Mexico and has requested that these applications be set for hearing on the July 6, 2006 Examiner Hearing Docket. Williams filed these applications for hearing at the direction of Mr. Stogner.

These applications were originally filed administratively in July 2005. At that time, Williams was advised that the applications could be approved at the district level. The applications were then sent to the Aztec District Office for approval. No action was taken on the applications by either the Santa Fe or Aztec offices. After waiting several months, and obtaining approval from the Bureau of Land Management, Williams proceeded to drill all three wells. Williams was contacted by the district office approximately two weeks ago and was told to shut-in the Rosa Unit Well No. 350, located in Section 10, Township 31 North, Range 5 West, to which Williams complied. The district office is now ordering the Rosa Unit Well No. 382 located in Section 12, Township 31 North, Range 5 West, to be shut-in.

After discussing the matter with both the Santa Fe and district offices, Williams attempted to re-submit the applications for administrative approval at the Santa Fe office on June 6, 2006. However, Mr. Stogner advised that these applications should be set for hearing and that additional notice should be provided. Although the wells are located within the boundaries of the Rosa Unit in which is operated by Williams, they are not located within a participating area and, therefore, Williams was directed to provide notice to those working interest owners in the adjoining tracts on which Williams is encroaching. Division Rule 1210 requires that:

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C.



In the event the proposed unorthodox well's operator is also the operator of an existing, adjoining spacing unit, and ownership is not common between the adjoining spacing unit and the spacing unit containing the proposed unorthodox well, then "affected persons" include all working interest owners in that spacing unit.

For each application, the subject spacing unit is offset of all sides by the Rosa Unit except for in Section 2 which is part of the Carracas Canyon Unit operated by Energen Resources Corporation. Energen was duly notified pursuant to Division rules. Williams has reviewed the ownership of all affected offsetting tracts and has confirmed that all proper notice has been given pursuant to applicable Division rules. In all other adjoining spacing units toward which the unorthodox well locations encroach in Sections 10, 11 and 13, the ownership is identical with the tracts on which these wells are located and therefore, no notice is required.

Shutting in these wells pending approval of these applications will run the risk of causing permanent damage to the well bores and the loss of reserves. Accordingly, Williams seeks immediate interim relief from the Division to allow it to return or keep the subject wells on production pending the issuance of an order following the July 6, 2006 Examiner hearing on these applications.

Your attention to this request is appreciated.

Sincerely,

William F. Carr

Enclosures

cc: Vern Hansen (w/enclosures)
Charlie Perrin
Michael Stogner

CASE NO.13740: Application of BEP Co., L.P. for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described spacing and proration units located in the E/2 of Section 25, Township 23 South, Range 29 East, N.M.P.M., Eddy County, New Mexico: the E/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Laguna Grande-Wolfcamp Gas Pool, the Undesignated Nash Draw-Atoka Gas Pool, the Undesignated Nash Draw-Strawn Gas Pool and the Undesignated Remuda -Wolfcamp Gas Pool; the SE/4 for all formation and/or pools developed on 160-acre spacing within this vertical extent; and the NE/4 SE/4 for all formation and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Undesignated Nash Drawn-Delaware Pool and the Undesignated Remuda -Wolfcamp Pool. Said units are to be dedicated to its Remuda Basin 25 State Well No. 1 to be drilled at a standard location 1980 feet from the South line and 660 feet from the East line (Unit I) of said Section 25 to an approximate depth 14,200 feet. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of BEPCo., L.P. as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 9 miles East of Loving, New Mexico.

CASE NO. 13741: Application of EOG Resources, Inc. for Approval of an Unorthodox Well Location, Eddy County, New Mexico. Applicant seeks authorization for an unorthodox well location for its Rhine 13 Federal Well No. 1 (API No. 30-015-34184) to be re-entered and completed from the Wolfcamp formation 1680 feet from the South line and 150 feet from the East line (Unit I) of Section 13, Township 17 South, Range 24 East, NMPM, Eddy County, New Mexico. Said well will be dedicated to a standard 320-acre spacing and proration unit comprised of the S/2 of Section 13. Said well is located approximately 7 miles West of Artesia, New Mexico.

CASE NO. 13742: Application of OXY USA WTP Limited Partnership for Compulsory Pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described spacing and proration unit located in the S/2 of Section 31, Township 16 South, Range 32 East, N.M.P.M., Lea County, New Mexico: the W/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Fren Northeast-Morrow Gas Pool. OXY proposes to dedicate the above-referenced spacing or proration unit to its Great Horned Owl State Well No. 1 to be drilled at a standard gas well location 1120 feet from the South line and 1930 feet from the East line (Unit O) of said Section 31. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OXY USA WTP Limited Partnership as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 3 miles Northwest of Maljamar, New Mexico.

CASE NO. 13743: Application of Williams Production Co. for Horizontal Drilling and an Unorthodox Surface and Bottomhole Location in the Basin-Fruitland Coal Gas Pool, Rio Arriba County, New Mexico. Applicant seeks an exception to the requirements of Rule 7 of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool to authorize the drilling of its Rosa Unit Well No. 351A as an intentionally deviated horizontal wellbore on a standard coalbed methane gas spacing unit comprised of the W/2 of Section 11, Township 31 North, Range 5 West, NMPM, Rio Arriba County, New Mexico. The spacing unit will be the Project Area for this horizontal well. The surface location for said well is 1310 feet from the North line and 215 feet from the West line of said section. The Point of Entry into the Fruitland Coal is 1390 feet from the North line and 705 feet from the West line and the



June 29, 2006

HAND-DELIVERED

Mr. Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

2006 JUN 29 AM 11 25

Re: Case No. 13743: Application of Williams Production Co. for Horizontal Drilling and an Unorthodox Surface and Bottomhole Location in the Basin-Fruitland Coal Gas Pool, Rio Arriba County, New Mexico

Case No. 13744: Application of Williams Production Co. for Horizontal Drilling and an Unorthodox Surface and Bottomhole Location in the Basin-Fruitland Coal Gas Pool, Rio Arriba County, New Mexico.

Case No. 13745: Application of Williams Production Co. for Horizontal Drilling and an Unorthodox Surface and Bottomhole Location in the Basin-Fruitland Coal Gas Pool, Rio Arriba County, New Mexico.

Dear Mr. Fesmire:

Williams Production Co. hereby requests that the Examiner Hearing in the above-referenced cases that is currently scheduled for July 6, 2006, Examiner hearing docket be dismissed as the cases are being handled administratively.

Your attention to this request is appreciated.

Very truly yours,


Ocean Munds-Dry
for Holland & Hart LLP

WFC:keh

Holland & Hart LLP

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 13743
Order No. R-12592

APPLICATION OF WILLIAMS PRODUCTION COMPANY FOR
HORIZONTAL DRILLING AND AN UNORTHODOX SURFACE AND
BOTTOMHOLE LOCATION IN THE BASIN-FRUITLAND COAL GAS POOL,
RIO ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 6, 2006, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 7th day of July, 2006, the Division Director, having considered the record and the recommendations of the Examiner,

FINDS THAT:

The applicant's request for dismissal should be granted.

IT IS THEREFORE ORDERED THAT:

Case No. 13743 is hereby dismissed.

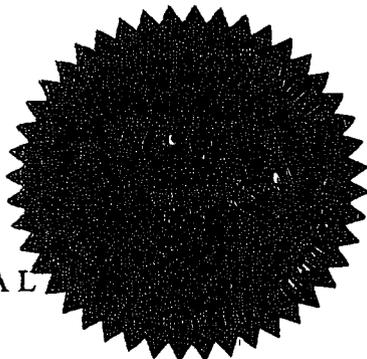
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MARK E. FESMIRE, PE
Director

SEAL



HOLLAND & HART ^{LLP}



Ocean Munds-Dry

Associate

omundsdry@hollandhart.com

June 6, 2006

HAND-DELIVERED

Mark E. Fesmire, P. E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13743

2006 JUN 6 PM 4 33

Re: **Application of Williams Production Company for Horizontal Drilling and Unorthodox Surface and Bottomhole Location in the Basin-Fruitland Coal Gas Pool, Rio Arriba County, New Mexico.**

Dear Mr. Fesmire:

Enclosed is the Application of Williams Production Company in the above-referenced case as well as a copy of a legal advertisement. Williams requests that this application be placed on the docket for the July 6, 2006 Examiner hearings.

Sincerely,

Ocean Munds-Dry
Ocean Munds-Dry

Enclosures

cc: Vern Hansen (w/enclosures)

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Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ♻️

CASE 13743:

Application of Williams Production Co. for Horizontal Drilling and an Unorthodox Surface and Bottomhole Location in the Basin-Fruitland Coal Gas Pool, Rio Arriba County, New Mexico. Applicant in the above-styled cause seeks an exception to the requirements of Rule 7 of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool to authorize the drilling of its Rosa Unit Well No. 351A as an intentionally deviated horizontal wellbore on a standard coalbed methane gas spacing unit comprised of the W/2 of Section 11, Township 31 North, Range 5 West, NMPM, Rio Arriba County, New Mexico. The spacing unit will be the Project Area for this horizontal well. The surface location for said well is 1310 feet from the North line and 215 feet from the West line of said section. The Point of Entry into the Fruitland Coal is 1390 feet from the North line and 705 feet from the West line and the terminus is 1700 feet from the North line and 2620 feet from the West line of the section. Said area is located approximately 9 miles southeast of Arboles, Colorado.

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



Case 13743

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

- [D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

WILLIAM F. CARR
 Print or Type Name

William F. Carr
 Signature

ATTORNEY
 Title

6/6/06
 Date

wcarr@hollandhart.com
 e-mail Address

2006 JUN 6 PM 12 41



June 6, 2006

HAND DELIVERED

Case 13743

Mark Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of Williams Production Company, L.L.C. for Administrative Approval of Horizontal Drilling and an Unorthodox Surface and Bottomhole Location in the Basin-Fruitland Coal Gas Pool, Rio Arriba County, New Mexico. Rosa Unit Well No. 351A

Dear Mr. Fesmire:

Pursuant to the provisions of Division Rule 111.C(2) and Rules 8 and 9 of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool, as promulgated by Division Order No. R-8768 dated October 17, 1988, Williams Production Company, L.L.C. hereby files its application for an administrative exception to the requirements of Rule 7 as amended by Division Order No. R-8768-B, effective February 10, 2000, for the drilling of its Rosa Unit Well No. 351A as an intentionally deviated horizontal wellbore on a standard coalbed methane gas spacing unit comprised of the W/2 of Section 11, Township 31 North, Range 5 West, NMPM, Rio Arriba County, New Mexico. This spacing unit will be the Project Area for this horizontal well.

Rule 7 of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool provides that wells shall be located in the NE/4 or SW/4 of a single governmental section and shall be located no closer than 660 feet to any outer boundary of the spacing unit nor closer than 10 feet to any interior quarter or quarter-quarter section line.

The Rosa Unit Well No. 351A has been drilled by Williams Production Company as operator of the Rosa Unit. The surface location for the proposed Rosa Unit Well No. 351A well is 1310 feet from the North line and 215 feet from the West line of said Section 11, Township 31 North, Range 5 West, and is therefore does not comply with Rule 7 of the Special Rules and Regulations for the Basin Fruitland Coal Gas Pool. This unorthodox surface location is necessary to enable Williams to enter the Fruitland

Holland & Hart^{LLP}

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Coal at the proposed Entry Point and thereby have as much of the horizontal portion of the wellbore as possible in the Project Area for the well. The Point of Entry into the Fruitland Coal is 1390 feet from the North line and 705 feet from the West line of Section 11. The lateral portion of the well is projected to a point 1700 feet from the North line and 2620 feet from the West line of the section or approximately 10 feet from the outer boundary of the Project Area for the well (W/2 of Section 11). The horizontal portion of the wellbore of the Rosa Unit Well No. 351A will be entirely confined within the NW/4 of Section 11. The wellbore is therefore unorthodox under to Division Rule 111.C (2) and Rule 7 of the Special Pool Rules and Regulations for the Basin-Fruitland Coal Gas Pool.

Williams proposes to drill a vertical well to a kick-off point at a depth of 3147.83 feet and build a curve at a rate of 12.00 degrees per 100 feet and drill until a 90 degree curve is achieved at a true vertical depth of 4053.61 feet. Williams proposes to then drill a lateral in an easterly direction along an azimuth of 98.85 degrees for a bottomhole displacement of approximately 1942.4 feet to a terminus in the NW/4 of Section 11 at a point 1700 feet from the North line and 2620 feet from the West line of said Section 11.

The spacing unit for the proposed horizontal well comprised of the W/2 of said Section 11 is located within the Rosa Unit, a voluntary exploratory unit operated by Williams Production Company, LLC. This spacing unit/project area is offset on the all sides by the Rosa Unit except for Section 2 which offsets this spacing unit project/area to the north that is located in the Carracas Canyon Unit which is operated by Energen Resources Corporation. Pursuant to Rules 8 and 9(A) of the Special Pool Rules for the Basin Fruitland Coal Gas Pool, Energen Resources Corporation has been notified of this application by certified mail and have been advised that if they have objections to this application the objection must be filed in writing with the Santa Fe Office of the Division located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505, within 20 days of the date of this application or the application may be approved.

Attached to this application are the following documents:

- Exhibit A.** Plats showing the proposed spacing unit, the unorthodox surface location, projected horizontal wellbore and the proposed lateral end of the wellbore and the boundary of the offsetting Carracas Unit;
- Exhibit B.** A copy of Division Form C-102 identifying the proposed 320-acre standard gas spacing or proration unit/project area to be dedicated to the well; and
- Exhibit C.** The Halliburton Sperry-Sun Proposal Report for the Rosa Unit Well No. 351A which contains schematic drawings of the proposed well that fully

June 6, 2005

Page 3

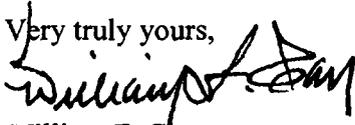


describe the casing, tubing, perforated or open hole interval, kick-off point, and proposed trajectory of the directional wellbore.

Enclosed in hard copy and on disc is a proposed order granting this application.

Your attention to this matter is appreciated.

Very truly yours,



William F. Carr
Attorney for Williams Production Company

Enclosures

cc: Oil Conservation Division-Aztec

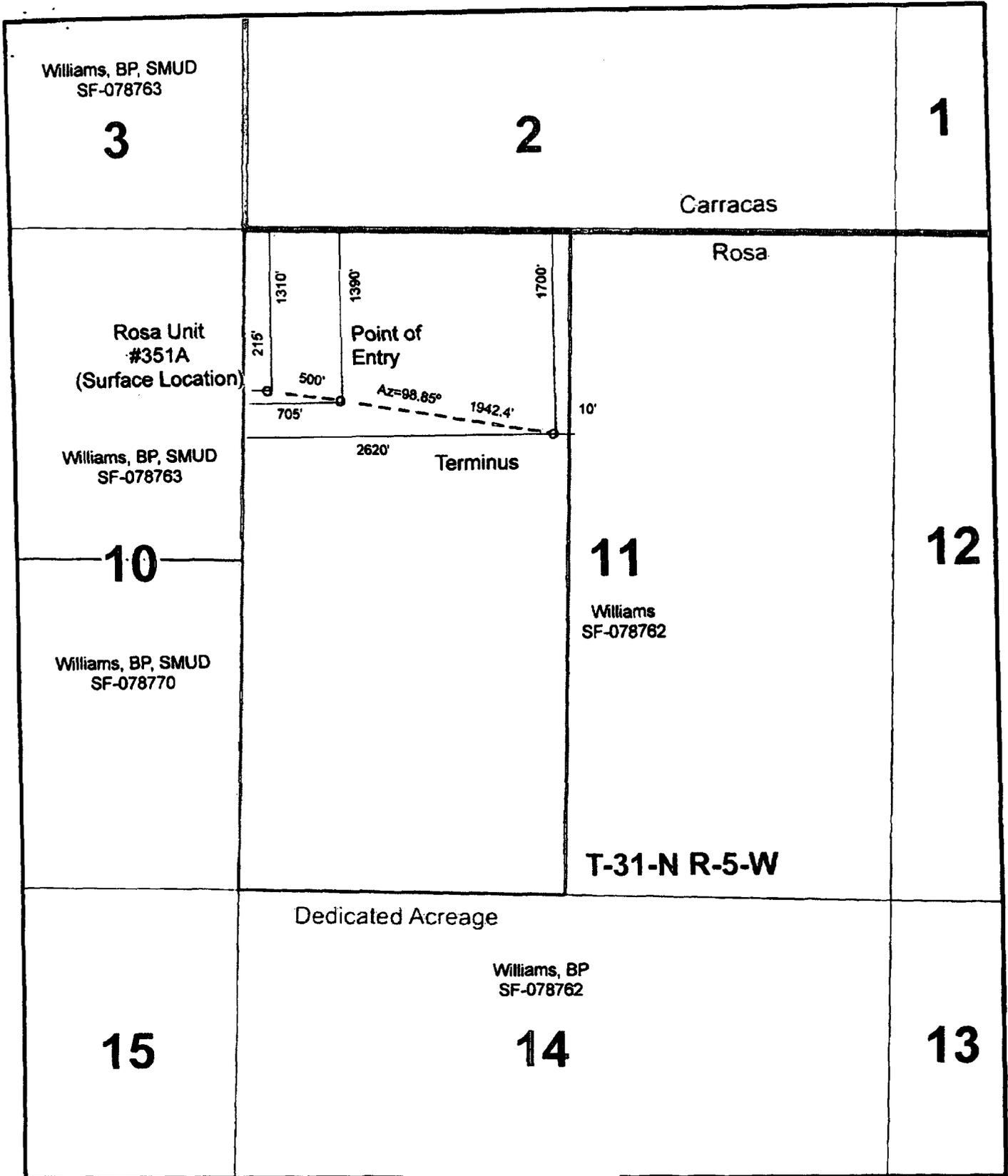
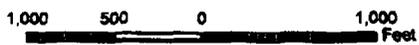


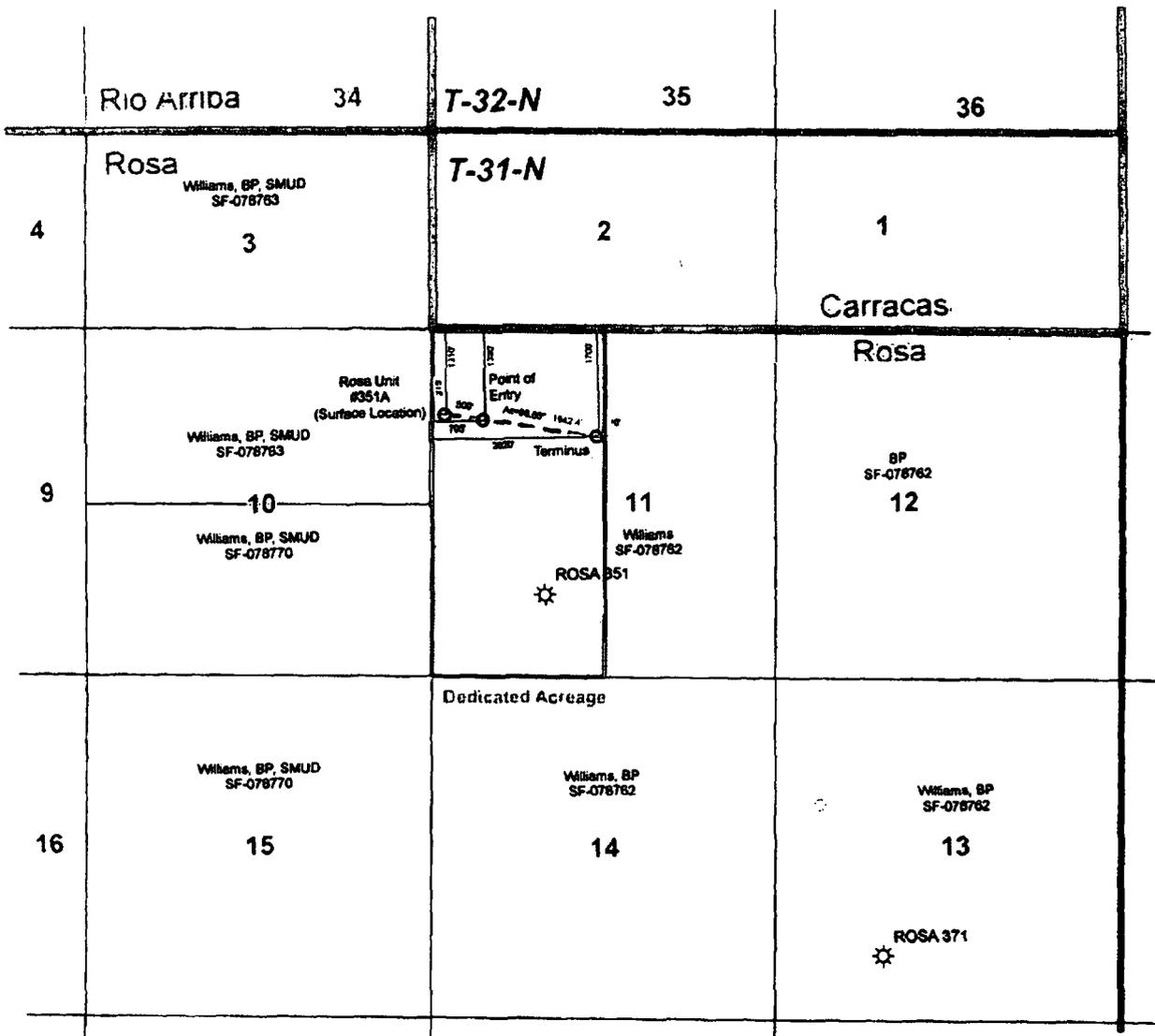
EXHIBIT A



Map Document: (G:\Project\Employees\Ivern_Hansen\Rosa_Unit_351A\LARGE_PLAT_351A.mxd)
6/10/2005 - 11:13:01 AM



Exploration & Production	
Rosa Unit #351A Sec. 11, T-31-N, R-5-W	
Scale: 1:30000	Projection: UTM 1827, Zone 13
Author: Suzanne Armstrong	



Map Document: (G:\Project\Employee\VERN_H-1\ROSA_U-2\9_SECT-2.MXD)
8/18/2005 - 4:37:38 PM



Exploration & Production	
Rosa Unit #351A Sec. 11, T-31-N, R-5-W	
Scale: 1:30000	Projection: UTM 1927, Zone 13
Author: Suzanne Armstrong	

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer 00, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 17033	*Property Name ROSA UNIT		*Well Number 351A
*OGRID No 120782	*Operator Name WILLIAMS PRODUCTION COMPANY		*Elevation 6825'

¹⁰ Surface Location

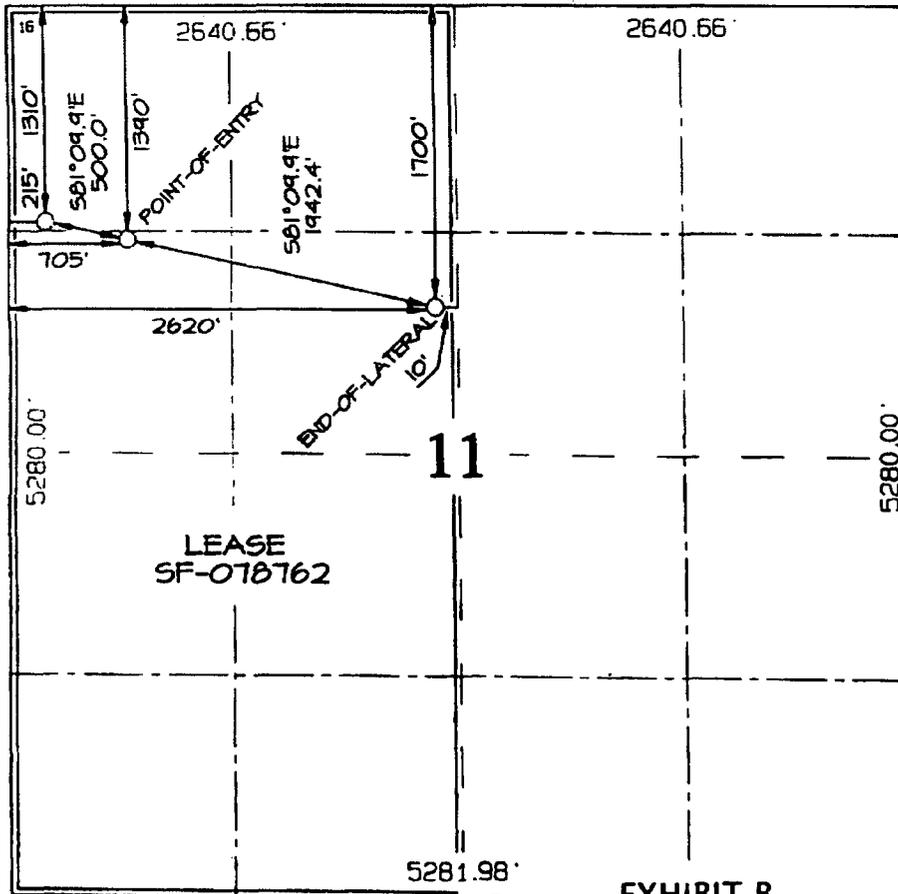
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	11	31N	5W		1310	NORTH	215	WEST	RIO ARRIBA

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	11	31N	5W		1700	NORTH	2620'	WEST	RIO ARRIBA

¹² Dedicated Acres 320.0 Acres - (W/2)	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



¹⁷ OPERATOR CERTIFICATION
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature _____

Printed Name _____

Title _____

Date _____

¹⁸ SURVEYOR CERTIFICATION
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.

Date Revised: JUNE 7, 2005
Date of Survey: JUNE 8, 2004

Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269

EXHIBIT B



Williams Production Company
New Mexico
Rio Arriba County
Sec. 11-T31N-R05W
Rosa Unit #351A - Plan 052605

Revised: 8 June, 2005

Halliburton Sperry-Drilling Proposal Report

8 June, 2005

Data Source: Mr. Gary Sizemore
Surface Coordinates: 2153778.88 N, 644275.04 E (36° 55' 04.6882" N, 107° 20' 23.2724" W)
Grid Coordinate System: NAD27 New Mexico State Planes, Western Zone

Surface Coordinates relative to Global Coordinates: 648767.56 N, 346594.28 E (Grid)
Surface Coordinates relative to Structure: 1310.00 S, 215.00 E (True)
Kelly Bushing Elevation: 6840.00ft above Mean Sea Level
Kelly Bushing Elevation: 73.00ft above Structure

Proposal Ref: pro8521

HALLIBURTON

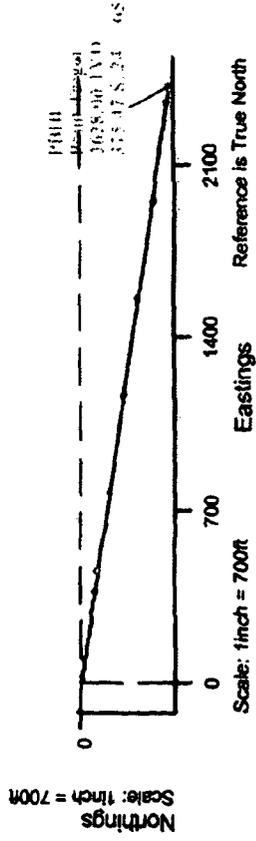
Sperry Drilling Services

EXHIBIT C

New Mexico
Rio Arriba County
Sec. 11-T31N-R05W
Rosa Unit #351A
Plan 052605

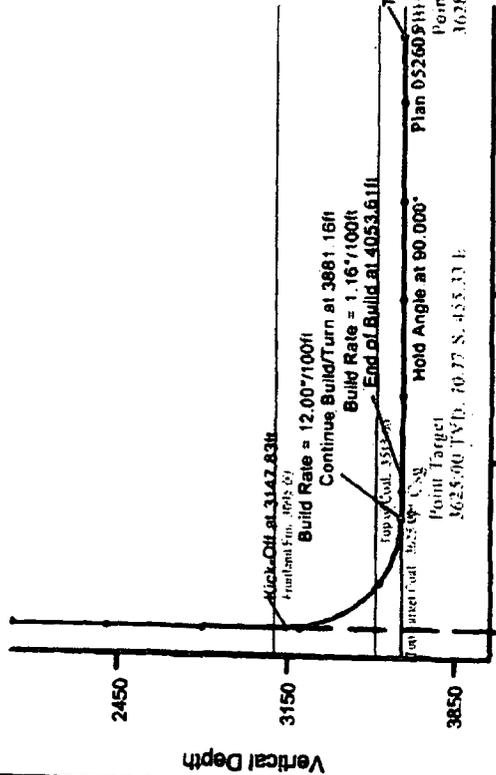


Rosa Unit #351A Surface Location
 RKB Elevation: 5840 ft(1811 above Mean Sea Level)
 Ref. Structure: 1310 00 S, 215.00 E
 Ref. Global Coordinates: 2153778.68 N, 844275.04 E
 Ref. Geographical Coordinates: 38° 55' 04.6882" N, 107° 20' 23.2724" W



Plan 052605 Proposal Data

Measured Depth	Incl.	Azim.	Vertical Depth	Northings	Eastings	Vertical Section	Dogleg Ratio
Kick-Off Point	0.000	0.000	0.00	0.00 N	0.00 E	0.00	0.00
Continue Build/Turn	0.000	0.000	3147.83	0.00 N	0.00 E	0.00	0.00
Hold Angle	88.000	98.835	3625.00	70.77 S	435.33 E	460.80	12.00
Total Depth	90.000	98.835	3628.01	97.26 S	625.71 E	633.22	1.16
	90.000	98.835	3628.00	375.47 S	2415.65 E	2444.66	0.00



Plan 052605 Bottom Hole Location

Ref. RKB(6825*15 KB):	3628.00ft
Ref. Structure:	3555.00ft
Ref. Mean Sea Level:	-3212.00ft
Ref. Wellhead:	375.47 S, 2415.65 E (True North)
Ref. Structure:	1685.40 S, 2630.66 E (True North)
Ref. Global Coordinates:	2153415.71 N, 846682.61 E
Ref. Geographical Coordinates:	38° 55' 00.9724" N, 107° 19' 53.5249" W



Proposal Report for Sec. 11-T31N-R05W - Rosa Unit #351A - Plan 052605
Data Source: Mr. Gary Sizemore
Revised: 8 June, 2005

Measure Depth (ft)	Incl. Angle (Deg)	Drift Direction (Deg)	True Vertical Depth	Vertical Section (ft)	Local Coordinates		Degrees Severit (°/1000')	Lease Calls			Global Coordinates	
					N-S (ft)	E-W (ft)		FNL-FSL (ft)	FEL-FWL (ft)	Grnd Y (ft)	Grnd X (ft)	
0.00	0.000	0.000	0.00	0.00	0.00 N	0.00 E	0.00	1310.00 FNL	215.00 FWL	2153778.68 N	644275.04 E	
Kirtland Shale												
1625.00	0.000	0.000	1625.00	0.00	0.00 N	0.00 E	0.00	1310.00 FNL	215.00 FWL	2153778.68 N	644275.04 E	
Fruitland Fm												
3095.00	0.000	0.000	3095.00	0.00	0.00 N	0.00 E	0.00	1310.00 FNL	215.00 FWL	2153778.68 N	644275.04 E	
Kick-Off at 3147.83ft												
3147.83	0.000	0.000	3147.83	0.00	0.00 N	0.00 E	0.00	1310.00 FNL	215.00 FWL	2153778.68 N	644275.04 E	
3200.00	6.261	98.835	3189.90	2.85	0.44 S	2.81 E	12.00	1310.44 FNL	217.81 FWL	2153778.26 N	644277.88 E	
3300.00	18.261	98.835	3297.44	24.05	3.69 S	23.76 E	12.00	1313.69 FNL	238.78 FWL	2153775.11 N	644286.82 E	
3400.00	30.261	98.835	3388.44	65.06	9.99 S	64.29 E	12.00	1318.99 FNL	279.29 FWL	2153769.02 N	644336.38 E	
3500.00	42.261	98.835	3468.92	124.10	19.06 S	122.63 E	12.00	1328.06 FNL	337.63 FWL	2153760.26 N	644397.76 E	
Top of Coal												
3596.70	50.265	98.835	3515.00	172.25	28.45 S	170.21 E	12.00	1336.45 FNL	385.21 FWL	2153753.11 N	644445.38 E	
3600.00	54.261	98.835	3535.38	198.58	30.50 S	198.22 E	12.00	1340.50 FNL	411.22 FWL	2153749.20 N	644471.42 E	
3700.00	66.261	98.835	3584.89	285.25	43.81 S	281.87 E	12.00	1353.81 FNL	486.87 FWL	2153736.33 N	644557.13 E	
3800.00	78.261	98.835	3616.30	380.32	58.41 S	375.81 E	12.00	1368.41 FNL	580.81 FWL	2153722.21 N	644651.15 E	
Continue Build/Turn at 3881.16ft, Top Target Coal, Target - 7" Csg, Current Target												
3881.16	88.000	98.835	3625.00	460.80	70.77 S	455.33 E	12.00	1380.77 FNL	670.33 FWL	2153710.26 N	644730.74 E	
3900.00	88.218	98.835	3625.62	479.63	73.66 S	473.94 E	1.16	1383.66 FNL	688.94 FWL	2153707.47 N	644749.36 E	
4000.00	88.378	98.835	3627.72	579.61	88.02 S	572.73 E	1.16	1388.02 FNL	787.73 FWL	2153692.62 N	644848.23 E	

End of Build at 4053.61ft

Measure Depth (ft)	Incl. Angle (Deg)	Drift Direction (Deg)	True Vertical Depth	Vertical Section (ft)	Local Coordinates		Degrees Severit ("1000ft)	Lease Calls		Global Coordinates	
					N-S (ft)	E-W (ft)		FNL-FSL (ft)	FEL-FWL (ft)	Grid Y (ft)	Grid X (ft)
4033.61	90.000	98.835	3628.01	633.22	97.25 S	625.71 E	1.16	1407.26 FNL	840.71 FWL	2153684.66 N	644801.24 E
4100.00	90.000	98.835	3628.01	679.61	104.38 S	671.54 E	0.00	1414.38 FNL	886.54 FWL	2153677.78 N	644947.12 E
4200.00	90.000	98.835	3628.01	779.61	119.73 S	770.36 E	0.00	1429.73 FNL	985.36 FWL	2153662.93 N	645046.01 E
4300.00	90.000	98.835	3628.01	879.61	135.09 S	869.17 E	0.00	1445.09 FNL	1084.17 FWL	2153648.08 N	645144.90 E
4400.00	90.000	98.835	3628.01	979.61	150.45 S	967.98 E	0.00	1460.45 FNL	1182.98 FWL	2153633.23 N	645243.79 E
4500.00	90.000	98.835	3628.01	1079.61	165.81 S	1066.80 E	0.00	1475.81 FNL	1281.80 FWL	2153618.39 N	645342.68 E
4600.00	90.000	98.835	3628.01	1179.61	181.17 S	1165.61 E	0.00	1491.17 FNL	1380.61 FWL	2153603.54 N	645441.58 E
4700.00	90.000	98.835	3628.01	1279.61	196.52 S	1264.43 E	0.00	1506.52 FNL	1479.43 FWL	2153588.69 N	645540.47 E
4800.00	90.000	98.835	3628.01	1379.61	211.88 S	1363.24 E	0.00	1521.88 FNL	1578.24 FWL	2153573.84 N	645639.36 E
4900.00	90.000	98.835	3628.01	1479.61	227.24 S	1462.05 E	0.00	1537.24 FNL	1677.05 FWL	2153559.00 N	645738.25 E
5000.00	90.000	98.835	3628.00	1579.61	242.60 S	1560.87 E	0.00	1552.60 FNL	1775.87 FWL	2153544.15 N	645837.14 E
5100.00	90.000	98.835	3628.00	1679.61	257.96 S	1659.68 E	0.00	1567.96 FNL	1874.68 FWL	2153529.30 N	645936.03 E
5200.00	90.000	98.835	3628.00	1779.61	273.32 S	1758.49 E	0.00	1583.32 FNL	1973.49 FWL	2153514.45 N	646034.93 E
5300.00	90.000	98.835	3628.00	1879.61	288.67 S	1857.31 E	0.00	1598.67 FNL	2072.31 FWL	2153499.61 N	646133.82 E
5400.00	90.000	98.835	3628.00	1979.61	304.03 S	1956.12 E	0.00	1614.03 FNL	2171.12 FWL	2153484.76 N	646232.71 E
5500.00	90.000	98.835	3628.00	2079.61	319.39 S	2054.93 E	0.00	1629.39 FNL	2269.93 FWL	2153469.91 N	646331.60 E
5600.00	90.000	98.835	3628.00	2179.61	334.75 S	2153.75 E	0.00	1644.75 FNL	2368.75 FWL	2153455.06 N	646430.49 E
5700.00	90.000	98.835	3628.00	2279.61	350.11 S	2252.56 E	0.00	1660.11 FNL	2467.56 FWL	2153440.22 N	646529.38 E
5800.00	90.000	98.835	3628.00	2379.61	365.47 S	2351.38 E	0.00	1675.47 FNL	2566.38 FWL	2153425.37 N	646628.27 E
Total Depth at 5865.05ft, Target - PBHL, Current Target											
5865.05	90.000	98.835	3628.00	2444.66	375.46 S	2415.66 E	0.00	1695.46 FNL	2630.66 FWL	2153415.71 N	646682.61 E

All data is in Feet (US) unless otherwise stated. Directions and coordinates are relative to True North. Vertical depths are relative to RKB(6825'+15'KB). Northings and Eastings are relative to Wellhead.

Based upon Minimum Curvature type calculations, at a Measured Depth of 5865.05ft, The Bottom Hole Displacement is 2444.66ft, in the Direction of 98.835' (True).

Proposal Report for Sec. 11-T31N-R05W - Rosa Unit #351A - Plan 052605
Data Source: Mr. Gary Sizemore
Revised: 8 June, 2005

Comments

Measured Depth (ft)	Station Coordinates			Comment
	TVD (ft)	Northings (ft)	Eastings (ft)	
3147.83	3147.83	0.00 N	0.00 E	Kick-Off at 3147.83ft
3881.16	3825.00	70.77 S	455.33 E	Continue Build/Turn at 3881.16ft
4053.61	3828.01	97.25 S	625.71 E	End of Build at 4053.61ft
5665.05	3828.00	375.46 S	2415.66 E	Total Depth at 5665.05ft

Formation Tops

Formation Plane (Below Well Origin)			Profile Penetration Point					
Sub-Sea (ft)	Dip Angle	Up-Dip Dim.	Measured Depth (ft)	Vertical Depth (ft)	Sub-Sea Depth (ft)	Northings (ft)	Eastings (ft)	Formation Name
-5215.00	0.000	180.683	1825.00	1825.00	-5215.00	0.00 N	0.00 E	Kirtland Shale
-3745.00	0.000	180.683	3085.00	3085.00	-3745.00	0.00 N	0.00 E	Fruiland Fm
-3325.00	0.000	180.683	3566.70	3515.00	-3325.00	28.49 S	170.21 E	Top of Coal
-3215.00	0.000	180.683	3881.16	3825.00	-3215.00	70.77 S	455.33 E	Top Target Coal

Proposal Report for Sec. 11-T31N-R05W - Rosa Unit #351A - Plan 052605
Data Source: Mr. Gary Sizemore
Revised: 8 June, 2005

Targets associated with this wellpath

Target Name	Target TVD (ft)	Target Entry Coordinates Northings (ft)	Target Entry Coordinates Eastings (ft)	Target Shape	Target Type
7" Csg	3625.00	70.77 S	455.33 E	Point	Current Target
	-3215.00	2153710.26 N	644730.74 E		
		36° 55' 03.9863" N	107° 20' 17.6651" W		
		Mean Sea Level/Global Coordinates: Geographical Coordinates:			
FHL	3628.00	375.46 S	2415.68 E	Point	Current Target
	-3212.00	2153415.71 N	646692.61 E		
		36° 55' 00.9724" N	107° 18' 53.5249" W		
		Mean Sea Level/Global Coordinates: Geographical Coordinates:			

North Reference Sheet for Sec. 11-T31N-R05W - Rosa Unit #351A

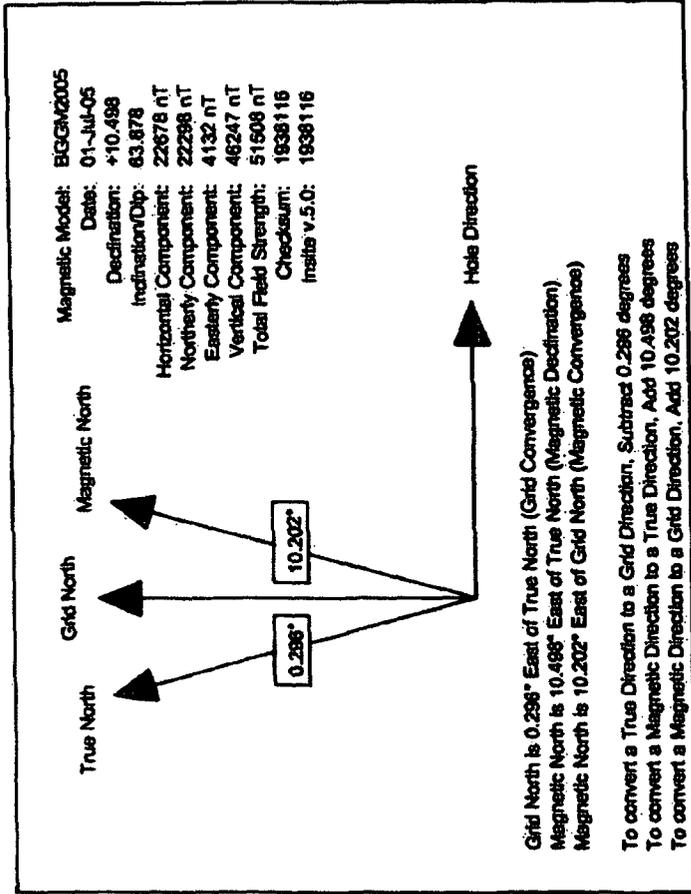
Coordinate System is NAD27 New Mexico State Planes, Western Zone, US Foot
 Source: Snyder, J.P., 1987, Map Projections - A Working Manual

Datum is North American Datum of 1927 (US48, AK, HI, and Canada)

Spheroid is Clarke - 1866
 Equatorial Radius: 6378206.400m.
 Polar Radius: 6356583.800m.
 Inverse Flattening: 294.979696213901

Projection method is Transverse Mercator or Gauss Kruger Projection
 Central Meridian is -107.833°
 Longitude Origin: 0.000°
 Latitude Origin: 31.000°
 False Easting: 162400.000m
 False Northing: 0.00m
 Scale Reduction: 0.99991667

Grid Coordinates of Well: 2153778.68 N, 644275.04 E
 Geographical Coordinates of Well: 36° 55' 04.8882" N, 107° 20' 23.2724" W
 Surface Elevation of Well: 6640.00ft
 Grid Convergence at Surface is +0.298°
 Magnetic Declination at Surface is +10.498° (1 July, 2005)



Halliburton Sperry-Sun
 Williams Production Company
 Rosa Unit #351A - Plan 052605
 New Mexico
 Rio Arriba County
 Sec. 11-T31N-R05W
 Data Source: Mr. Gary Sizemore

Meas.	Sub-Sea	Vert.	Local	Local	Global	Global	Global	Vert.	Dogleg
0	0	0	0.00 N	0.00 N	2153778.68 N	644275.04 E	0	0	
1625	0	-6940	0.00 N	0.00 E	2153778.68 N	644275.04 E	0	0	
3095	0	-3745	0.00 N	0.00 E	2153778.68 N	644275.04 E	0	0	
3147.83	0	-3692.17	0.00 N	0.00 E	2153778.68 N	644275.04 E	0	0	
3200	6.261	-3640.1	0.44 S	2.81 E	2153778.26 N	644277.86 E	2.85	12	
3300	18.261	-3542.56	3.69 S	23.78 E	2153776.11 N	644296.62 E	24.05	12	
3400	30.261	-3451.56	9.99 S	64.29 E	2153769.02 N	644339.38 E	65.06	12	
3500	42.261	-3371.08	34.69 S	122.83 E	2153760.26 N	644397.78 E	124.1	12	
3566.7	50.265	-3325	28.48 S	170.21 E	2153753.11 N	644445.38 E	172.25	12	
3600	54.261	-3304.62	30.60 S	198.22 E	2153749.20 N	644471.42 E	188.59	12	
3700	68.261	-3255.11	43.61 S	281.97 E	2153722.21 N	644651.15 E	285.25	12	
3800	78.261	-3224.7	58.41 S	375.81 E	2153710.26 N	644730.74 E	380.32	12	
3881.16	88	-3215	70.77 S	455.93 E	2153707.47 N	644749.38 E	460.8	1.16	
3900	98.218	-3214.38	73.67 S	473.94 E	2153692.62 N	644848.23 E	478.63	1.16	
4000	88.378	-3212.28	69.02 S	572.73 E	2153684.68 N	644901.24 E	633.22	1.16	
4053.61	90	-3211.99	97.26 S	625.71 E	2153677.78 N	644947.12 E	679.61	0	
4100	90.8335	-3211.99	104.38 S	671.54 E	2153662.93 N	645046.01 E	779.61	0	
4200	90.8335	-3211.99	119.74 S	770.38 E	2153648.08 N	645144.90 E	879.61	0	
4300	90.8335	-3211.99	135.10 S	869.17 E	2153633.23 N	645243.79 E	979.61	0	
4400	90.8335	-3211.99	150.46 S	967.98 E	2153618.39 N	645342.68 E	1079.61	0	
4500	90.8335	-3211.99	165.82 S	1066.80 E	2153603.54 N	645441.58 E	1179.61	0	
4600	90.8335	-3211.99	181.18 S	1165.61 E	2153588.69 N	645540.47 E	1279.61	0	
4700	90.8335	-3211.99	196.53 S	1264.42 E	2153573.84 N	645639.36 E	1379.61	0	
4800	90.8335	-3211.99	211.89 S	1363.24 E	2153559.00 N	645738.25 E	1479.61	0	
4900	90.8335	-3211.99	227.25 S	1462.05 E	2153544.15 N	645837.14 E	1579.61	0	
5000	90.8335	-3212	242.61 S	1560.86 E	2153529.30 N	645936.03 E	1679.61	0	
5100	90.8335	-3212	257.97 S	1659.68 E	2153514.45 N	646034.93 E	1779.61	0	
5200	90.8335	-3212	273.33 S	1758.49 E	2153499.61 N	646133.82 E	1879.61	0	
5300	90.8335	-3212	288.69 S	1857.31 E	2153484.76 N	646232.71 E	1979.61	0	
5400	90.8335	-3212	304.05 S	1956.12 E	2153469.91 N	646331.60 E	2079.61	0	
5500	90.8335	-3212	319.41 S	2054.93 E	2153455.06 N	646430.49 E	2179.61	0	
5600	90.8335	-3212	334.76 S	2153.75 E	2153440.22 N	646529.38 E	2279.61	0	
5700	90.8335	-3212	350.12 S	2252.56 E	2153425.37 N	646628.27 E	2379.61	0	
5800	90.8335	-3212	365.48 S	2351.37 E	2153410.51 N	646727.16 E	2479.61	0	
5865.05	90	-3212	375.47 S	2415.89 E	2153401.71 N	646826.05 E	2444.68	0	

All data is in feet (us) unless otherwise stated. Directions and coordinates are relative to True North.
 Vertical depths are relative to FKB(8625' +15' KB). Northings and Eastings are relative to Wellhead.

The Dogleg Severity is in Degrees per 100 feet.
 Vertical Section is from Wellhead and calculated along an Azimuth of 98.835° (True).

Based upo at a Measured Depth of 5865.05ft.
 The Bottom in the Direction of 98.835° (True).

12 Continue Build/ Turn at 3881.16ft - Top Target Coal - Target - 7' Dog Current Target
 1.16 End of Build at 4053.61ft

0 Total Depth at 5865.05ft - Target - PBHL Current Target

June __, 2006

Williams Production Company, L.L.C.
c/o **Holland & Hart LLP**
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
Attention: **William F. Carr**

Telefax No. (505) 983-6043

Administrative Order NSL- _____
(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 July 1, 2005 (*application reference No. _____*); (ii) the records of the New Mexico Oil Conservation Division ("Division") in Aztec and Santa Fe: all concerning William's request for exception to Division Rules 111.A (13) and 111.C (2) and Rule 7 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 special rules governing the Basin-Fruitland Coal (Gas) Pool provides for 320-acre gas spacing units and wells to be located within either the NE/4 or SW/4 of the section and not 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) The "project area" proposed by Williams is to consist of a single standard 320-acre stand-up gas spacing unit comprising the W/2 of Section 11, Township 31 North, Range 5 West, NMPM, Rio Arriba County, New Mexico;
- (5) It is our understanding that Williams intends to drill its Rosa Unit Well No. 351A (API No. 30-039-_____) from a surface location 1310 feet from the North line and 215 feet from the West line (Unit D) of Section 11, Township 31 North, Range 5 West, and directionally drill a vertical wellbore to an approximate depth of 3147.83 feet, kick-off in an easterly direction, build angle at a rate of 12 degrees per 100 feet until 90 degrees of vertical is achieved at a depth of 4053.61 feet (TVD). The point of entry into the Fruitland Coal will be at a point 1390 feet

from the North line and 705 feet from the West line of Section 11, Township 31 North, Range 5 West and Williams will then directionally drill a horizontal drainhole a lateral distance of 1942.4 feet to an unorthodox terminus location at a point 1700 feet from the North line and 2620 feet from the West line of said Section 11;

- (6) It appears that the applicant has satisfied all of the appropriate requirements prescribed in Division Rule 111.C (2) and Rule 9 (B) of the Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool; therefore the subject application should be approved; and
- (7) 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.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Rule 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 of Williams Production Company, L.L.C. ("Williams") for exception to Division Rules 111.A (13) and 111.C (2) and Rule 7 of the Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool (71629), is hereby approved. Williams is further authorized to drill its Rosa Unit Well No. 351A (API No. _____) at a surface location 1310 feet from the North line and 215 feet from the West line (Unit D) of Section 11, Township 31 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, drill vertical to an approximate depth of 3147.83 feet, kick-off in an easterly direction, build angle at a rate of 12 degrees per 100 feet until 90 degrees off of vertical is achieved at a depth of 4053.61 feet (TVD). The point of entry into the Fruitland Coal will be at a point 1390 feet from the North line and 705 feet from the East line of Section 11, Township 31 North, Range 5 West and Williams will then directionally drill a horizontal drainhole a lateral distance of 1942.4 feet to an unorthodox location at a point 1700 feet from the North line and 2620 feet from the West line of said Section 11.

(2) The "project area" for this well shall consist of a single standard 320-acre stand-up gas spacing unit comprising the W/2 of Section 11.

(3) An exception to the provisions of Rule 7 of the Special Rules for the Basin-Fruitland Coal (Gas) Pool is hereby granted to permit the horizontal portion of the wellbore to be within a drilling window or producing area for the within the Basin-Fruitland Coal (Gas) Pool for this wellbore 10 feet from the outer boundary of the project area.

(4) The operator shall comply with all applicable requirements and conditions set forth in Division Rule 111 and Division Order No. R-8768, as amended.

(6) 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

MARK E. FESMIRE, P.E.
Director

cc: New Mexico Oil Conservation Division – Aztec
U. S. Bureau of Land Management - Farmington



June 6, 2006

CERTIFIED MAIL - RETURN RECEIPT REQUESTED**AFFECTED INTEREST OWNERS**

Re: Application of Williams Production Company, L.L.C. for Administrative Approval of Horizontal Drilling and an Unorthodox Surface and Bottomhole Location in the Basin-Fruitland Coal Gas Pool, Rio Arriba County, New Mexico.

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application which was filed with the Oil Conservation Division on this date by Williams Production Company, L.L.C. for administrative approval of horizontal drilling and an unorthodox surface and bottomhole location in the Basin-Fruitland Coal Gas Pool for its proposed Rosa Unit Well No. 351A. The Project Area for the well will be a standard Fruitland Coal Gas Unit comprised of the W/2 of Section 11, Township 31 North, Range 5 West, NMPM, and the horizontal portion of the wellbore will be entirely confined to the NW/4 of Section 11. The surface location for the well will be at a point 1310 feet from the North line and 215 feet from the West line of Section 11. Williams proposes to drill a vertical well to a kick-off point at a depth of 3147.83 feet and build a curve at a rate of 12.00 degrees per 100 feet and drill until a 90 degree curve is achieved at a true vertical depth of 4053.61 feet. Williams proposes to then drill a lateral in an easterly direction along an azimuth of 98.85 degrees for a bottomhole displacement of approximately 1942.4 feet to a terminus in the NW/4 of Section 11 at a point 1700 feet from the North line and 2620 feet from the West line of Section 11.

As the owner of an interest which will be affected by the proposed well, you may object to this application. Objections must be filed in writing at the Division's Santa Fe office located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505, within twenty days from the date this notice was sent to you. If no objection is received within twenty days after the Division Director receives this application, the unorthodox location may be approved.

Very truly yours,

William F. Carr
ATTORNEY FOR WILLIAMS PRODUCTION COMPANY
enc.

Holland & Hart LLPPhone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ♻