

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. 14667
ORDER NO. R- 13457

APPLICATION OF WILLIAMS PRODUCTION CO.
LLC FOR A PROJECT AREA FOR THE MANCOS
PARTICIPATING AREA IN THE ROSA UNIT, SAN
JUAN AND RIO ARRIBA COUNTIES, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 7, 2011, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 8th day of September, 2011, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.

(2) Williams Production Co. LLC ("Applicant") seeks to establish a special project area for the drilling of horizontal wells in the Basin-Mancos Pool comprising the entire Mancos Participating Area within Williams' Rosa Unit, a federal exploratory unit located in San Juan and Rio Arriba Counties, New Mexico, and that provision be made for future expansion of the project area so established by administrative process, without necessity for hearing.

(3) Applicant appeared at the hearing through counsel and presented evidence as follows:

(a) Applicant is the operator of the Rosa Unit.

(b) On May 19, 2011, the United States Bureau of Land Management (BLM) approved Applicant's proposal to establish a Mancos Participating Area within the Unit comprising the following lands:

Township 31 North, Range 5 West, NMPM

Sections 5 through 8 All
Sections 17 through 21 All
Sections 27 through 34 All

Township 31 North, Range 6 West, NMPM

Sections 1 through 5 All
Sections 8 through 17 All
Sections 21 through 26 All

Township 32 North, Range 6 West, NMPM

Sections 32 through 36 All

consisting of 24,118.76 acres, more or less,

SAVE AND EXCEPT the following lands ("uncommitted tracts") that are not committed to the Rosa Unit:

Township 31 North, Range 6 West, NMPM

Section 3 38.12 acres of H.E.S. #6721 (approximately the NW/4 SW/4)
Section 4 2.54 acres of H.E.S. #6721 (approximately the E/2 NE/4 NE/4)

Township 32 North, Range 6 West, NMPM

Section 33 E/2 SE/4
Section 34 NW/4 SW/4

consisting of 170.01 acres, more or less,

making a net included area of 23,948.75 acres, more or less.

(c) T.H. McElvain Oil & Gas, LLP ("McElvain") originally protested the application in this case, but has now withdrawn its protest and signed a letter agreement indicating that it does not oppose the application.

(d) Applicant anticipates that it will submit one or more proposals to the BLM to expand the Mancos Participating Area to include additional lands in the eastern part of the Rosa Unit, not included in the lands described above.

(e) Applicant wants to include the entire Mancos Participating Area in one project area in order to have more flexibility in drilling multiple horizontal wells utilizing common surface pads and centralized fracing ponds (thereby

minimizing surface disturbance), and to avoid the necessity of filing applications for non-standard locations.

(f) By establishing a project area comprising the entire Mancos Participating Area, Applicant will be able to locate wells without regard to setbacks otherwise provided from spacing unit boundaries, except the outer boundaries of the Mancos Participating Area.

(g) Applicant will not locate any well within 660 feet of the outer boundary of any uncommitted tract unless and until it has concluded an agreement with the owners of such uncommitted tract.

(h) Applicant gave notice of this application and hearing to all owners of interests in the Mancos Participating Area and offsetting units, to the BLM and United States Forest Service, and to the New Mexico State Land Office (SLO).

(4) San Juan Basin Resources, Inc. (SBR), an owner of one or more of the uncommitted tracts, appeared at the hearing through counsel but did not oppose the application. Further, counsel for SBR specifically stated that SBR was not requesting that any particular language be included in the Order to be entered in this case.

The Division concludes that:

(5) Applicant's request to establish a project area including the entire Mancos Participating Area of the Rosa Unit, as described in Finding Paragraph (3)(b) above, will allow recovery of additional hydrocarbons that might not otherwise be recovered, therefore preventing waste, and will not impair correlative rights. Accordingly, the application should be granted.

(6) Applicant should be allowed to expand the project area so formed to conform to future expansions of the Mancos Participating Area approved by the BLM. Such expansions should be allowed without notice or hearing (except notice to BLM and SLO), unless it is proposed to expand the project area to include partial spacing units.

IT IS THEREFORE ORDERED THAT:

(1) The application of Williams Production Co., LLC to establish a project area including the entire Mancos Participating Area of the Rosa Unit, as described in Finding Paragraph (3)(b) above, is approved.

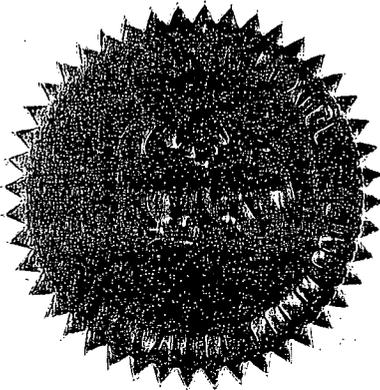
(2) No portion of the "producing interval" (as defined in Order No. R-13204) of any well drilled in the project area established by this Order shall be located within 660 feet of any outer boundary of the Mancos Participating Area, unless approved by the Division pursuant to Rule 15.13 [19.15.15.13 NMAC], nor within 660 feet of the outer boundary of any spacing unit that includes uncommitted tract or tracts, within the Mancos Participating Area, unless operator files, along with its Application for Permit to

Drill (APD) for such well, a certification that it has in place an agreement with all owners of such uncommitted tract or tracts, consenting to such operation.

(3) Applicant may subsequently expand the project area so formed to conform its boundaries to future expansion of the Mancos Participating Area of the Rosa Unit approved by the BLM by filing a notice describing such expansion, referring to this Order by number and accompanied by a plat depicting the expanded boundaries of the project area, with the Aztec District Office of the Division, and filing a copy of such notice with the BLM, and, if the expansion includes State Trust Lands, with the SLO. If, however, any proposed expansion will include a portion of a spacing unit of which the entire unit is not to be included, Applicant shall first file an application for hearing, and notify the owners of the portion of the spacing unit to be excluded from the project area. If no such owner protests or appears at the hearing in opposition to such application, and the reasons for splitting the spacing unit or units at issue is shown at the hearing, such application may be granted.

(4) Jurisdiction of this case 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JAMI BAILEY
Director