

**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. 13766
ORDER NO. R-12679**

**APPLICATION OF WILLIAMS PRODUCTION COMPANY FOR TWO NON-
STANDARD SPACING UNITS, SAN JUAN COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 14, 2006, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 13th day of December, 2006, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

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

(2) Williams Production Company (“Williams” or “applicant”), seeks an exception to the spacing provisions of the Basin-Dakota Prorated Gas Pool (71599) allowing development of Dakota gas production on the same two spacing and proration units (“GPU”) previously approved for the Blanco-Mesaverde Prorated Gas Pool (72319) within portions of Sections 8 and 17 of Township 32 North, Range 11 West, NMPM, San Juan County, New Mexico. These two proposed GPUs consist of the following lands:

(i) 320 acres consisting of the E/2 W/2 and W/2 E/2 of Section 17; and the

(ii) 328.28 acres consisting of Lots 1 and 2 and the S/2 SE/4 (E/2 equivalent) of Irregular Section 8 and the E/2 E/2 of Section 17.

(3) Acreage and Well Location Requirements within the Basin-Dakota Prorated Gas Pool, for non-Indian lands, are governed by the “Special Rules for the Basin-Dakota Pool,” as promulgated January 29, 2002, in Exhibit “A” of Division Order

R-10987-B(2) in Case No. 12745. These special rules establish a standard GPU in the Basin-Dakota Pool as 320 acres, more or less, comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U.S. Public Lands Survey. The two proposed GPUs, detailed in Finding (2) above, are non-standard since they either extend across section lines or do not consist of two contiguous quarter sections.

(4) Great Western Drilling Company entered an appearance and was represented at the hearing through counsel. No other party entered an appearance in this case or otherwise opposed this application.

(5) Williams presented testimony at the hearing from a landman as follows.

(a) These two requested GPUs are wholly located within the Williams operated Cox Canyon Unit.

(b) The same areas requested as GPUs in the Dakota formation were approved as GPUs in the Mesaverde formation, Blanco-Mesaverde Prorated Gas Pool (72319), in 1956:

(i) the E/2 W/2 of Section 17 of Township 32 North, Range 11 West was approved February 16, 1956 as a 320-acre non-standard gas proration unit in the Blanco-Mesaverde Prorated Gas Pool with Division administrative order NWU-162; and

(ii) acreage consisting of Lots 1 and 2 and the S/2 SE/4 (E/2 equivalent) of Irregular Section 8 and the E/2 E/2 of Section 17 was approved April 16, 1956, as a 328.28-acre non-standard gas proration unit in the Blanco-Mesaverde Prorated Gas Pool with Commission order R-784 in Case 1026.

(c) These two GPUs were formed after Great Western Drilling Company applied for a non-standard gas proration unit for Mesaverde production within the Blanco-Mesaverde Prorated Gas Pool consisting of the W/2 equivalent of Section 8 and the W/2 W/2 of Section 17. Therefore, formation of the two Williams GPUs completed allocation of acreage within these two governmental sections.

(d) The Dakota productivity in this area is low and the Williams cannot justify drilling Dakota wells without being able to down hole commingle the Dakota formation with the Mesaverde formation. Therefore, having identical GPUs within both formations will enable both formations to be developed at the same time.

(e) Section 8 is offset on the north by partial (approximately 400-acre) governmental sections within the State of Colorado. Colorado oil and gas rules

require the Dakota gas to be spaced on one governmental 640-acre section with up to 4 wells per spacing unit.

(f) The only affected offset owner is Great Western Drilling Company and Williams has now reached an agreement with Great Western.

(6) Great Western Drilling Company stated through counsel at the hearing that the two parties have now agreed not to oppose each other's applications for Dakota non-standard spacing units.

(7) Division records indicate currently there are no Dakota wells in these two sections.

(8) Approval of this application will prevent waste of resources and protect correlative rights.

(9) Williams' application to create two non-standard spacing and proration units for Dakota production within the Basin-Dakota Prorated Gas Pool should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The application of Williams Production Company to create two non-standard Dakota gas spacing and proration units is hereby approved. The two Dakota GPUs shall consist of the following lands within Sections 8 and 17 of Township 32 North, Range 11 West, NMPM, San Juan County, New Mexico:

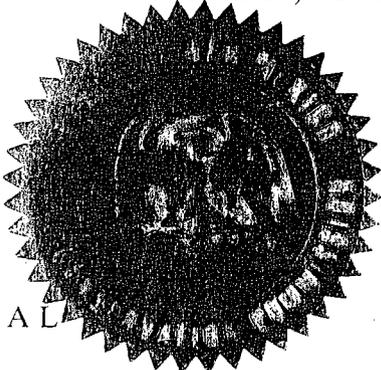
(i) 320 acres consisting of the E/2 W/2 and W/2 E/2 of Section 17; and the

(ii) 328.28 acres consisting of Lots 1 and 2 and the S/2 SE/4 (E/2 equivalent) of Irregular Section 8 and the E/2 E/2 of Section 17.

(2) Jurisdiction is hereby retained for the entry of such further orders as deemed necessary by the Division.

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

SEAL



STATE OF NEW MEXICO
 OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.
 Director