

HOLLAND & HART LLP



May 28, 2008

**HAND DELIVERY**

Mr. Mark 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

Re: Application of the New Mexico Oil Conservation Division for Pool Creation, Pre-approval for Downhole Commingling and Designation of Special Pool Rules, Basin-Mancos Gas Pool (97232), Rio Arriba, San Juan and Sandoval Counties.

Dear Mr. Fesmire:

This firm has been asked on behalf of Williams Production Company ("Williams") to write this letter in support of the New Mexico Oil Conservation Division's *Application for Pool Creation, Pre-approval for Downhole Commingling and Designation of Special Pool Rules, Basin Mancos Gas Pool (97232), Rio Arriba, San Juan and Sandoval Counties.*

Williams is the operator of the Rosa Unit which is located in the San Juan Basin, Rio Arriba and San Juan counties. Williams is currently drilling four wells to test the Mancos interval in the Rosa Unit.

Williams supports the designation of the pool and pre-approval for downhole commingling. It would not be economic to produce the Mancos formation on its own and Williams will likely seek to produce the Mancos with the Dakota and the Mesaverde formations. Accordingly, it also makes sense to establish the same spacing and setback requirements as for the Basin Dakota and Blanco Mesaverde gas pools.

Thank you for your attention to this matter.

Sincerely,

*Ocean Munds-Dry*

Ocean Munds-Dry  
ATTORNEY FOR WILLIAMS PRODUCTION  
CO.

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**CASE 14133: APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION FOR POOL CREATION, PRE-APPROVAL FOR DOWNHOLE COMMINGLING AND DESIGNATION OF SPECIAL POOL RULES, BASIN MANCOS GAS POOL (97232), RIO ARRIBA, SAN JUAN AND SANDOVAL COUNTIES.** Applicant in the above-styled cause seeks the creation of the Basin Mancos Gas Pool for the production of natural gas and natural gas liquids from natural fractures and from sandstone/siltstone intervals in the Mancos Formation, which will allow a small resource to be developed in conjunction with the Basin Dakota Gas Pool and the Blanco Mesaverde Gas Pool wells. Applicant seeks the promulgation of special pool rules for this new pool, including the pre-approval for downhole commingling with the Basin Dakota and Blanco Mesaverde Gas Pool wells pursuant to OCD Rule 303.C.3.b [19.15.5.303.C.3.b NMAC], that spacing requirements and setbacks be the same as for the Basin Dakota and Blanco Mesaverde Pools, and that special pool rules also be created to address well locations, gas proration units and well density limits. Applicant further seeks necessary adjustments (expansion and contraction) of the existing Gallup pools in San Juan and Rio Arriba Counties to facilitate the establishment of the Basin Mancos Gas Pool as shown below. Vertical limits of the proposed new pool will extend from the base of the Point Lookout Formation to the base of the Greenhorn Member (Bridge Creek Limestone) of the Mancos Formation, and horizontal limits of the proposed new pool will be San Juan and Rio Arriba Counties, New Mexico, plus Section 21, Township 23 North, Range 5 West in Sandoval County.

A. The following pools in Rio Arriba, Sandoval and San Juan Counties will be contracted, as shown, on the outer margins due to lack of production and abandonment of wells around the margins of existing Gallup Pools:

- (a) B.S. Mesa-Gallup Gas Pool (72920)

TOWNSHIP 27 NORTH, RANGE 4 WEST, NMPM

Section 32: S/2

- (b) Devil's Fork-Gallup Associated Pool (17610)

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM

Section 29: N/2 and SE/4

TOWNSHIP 24 NORTH, RANGE 7 WEST, NMPM

Section 11: E/2

Section 14: E/2 and SW/4

TOWNSHIP 25 NORTH, RANGE 6 WEST, NMPM

Section 17: E/2

Section 18: All

Section 21: NE/4

Section 26: SE/4

Section 35: NE/4

TOWNSHIP 25 NORTH, RANGE 7 WEST, NMPM

Section 13: NW/4

Section 25: All

Section 36: N/2

- (c) Dufer's Point-Gallup-Dakota Oil Pool **(19859)**

TOWNSHIP 24 NORTH, RANGE 8 WEST, NMPM

Section 1: SE/4

TOWNSHIP 25 NORTH, RANGE 8 WEST, NMPM

Section 5: SW/4

Section 19: W/2 and NE/4

Section 20: NW/4

- (d) Escrito-Gallup Associated Pool **(22619)**

TOWNSHIP 24 NORTH, RANGE 7 WEST, NMPM

Section 7: S/2 SW/4

Section 23: W/2 NW/4 and SW/4

Section 33: E/2

Section 35: W/2 NW/4

- (e) Gallegos-Gallup Associated Pool **(26980)**

TOWNSHIP 26 NORTH, RANGE 11 WEST, NMPM

Section 6: SW/4

TOWNSHIP 26 NORTH, RANGE 12 WEST, NMPM

Section 1: S/2

Section 2: S/2

Section 3: S/2 and NW/4

Section 4: All

Section 24: SW/4

Section 25: NW/4

TOWNSHIP 27 NORTH, RANGE 12 WEST, NMPM

Section 30: SW/4

Section 31: N/2

Section 32: S/2

Section 33: SW/4

TOWNSHIP 27 NORTH, RANGE 13 WEST, NMPM

Section 22: SW/4

Section 25: S/2

- (f) Ice Canyon-Gallup Gas Pool (93235)

TOWNSHIP 26 NORTH, RANGE 7 WEST, NMPM

Section 23: W/2

- (g) Kutz-Gallup Oil Pool (36550)

TOWNSHIP 27 NORTH, RANGE 10 WEST, NMPM

Section 5: NW/4

TOWNSHIP 28 NORTH, RANGE 10 WEST, NMPM

Section 32: SW/4

- (h) Laguna Seca-Gallup Gas Pool (79870)

TOWNSHIP 31 NORTH, RANGE 5 WEST, NMPM

Section 19: SE/4

Section 20: S/2

Section 21: S/2

Section 22: SW/4

Section 27: W/2

Sections 28 and 29: All

Section 30: NE/4

Section 32: N/2

Section 33: NW/4

TOWNSHIP 31 NORTH, RANGE 6 WEST, NMPM

Section 14: E/2

Section 23: N/2

Section 36: NE/4

- (i) Northeast Ojito-Gallup-Dakota Oil Pool (48025)

TOWNSHIP 26 NORTH, RANGE 2 WEST, NMPM

Sections 30 and 31: All

- (j) Otero-Gallup Oil Pool (48450)

TOWNSHIP 24 NORTH, RANGE 5 WEST, NMPM

Section 1: W/2 NW/4 and SE/4 NW/4

Section 2: N/2 N/2

- (k) Tapacito-Gallup Associated Pool (58090)

TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM

Section 18: SW/4

Section 19: W/2 and SE/4  
Section 20: S/2  
Section 21: S/2

(l) Totah-Gallup Oil Pool (59750)

TOWNSHIP 28 NORTH, RANGE 13 WEST, NMPM

Section 13: S/2 NE/4

TOWNSHIP 29 NORTH, RANGE 13 WEST, NMPM

Section 18: S/2  
Section 19: NE/4  
Section 20: W/2 NW/4 and S/2  
Section 21: W/2 SW/4  
Section 27: N/2  
Section 28: N/2  
Section 35: N/2

TOWNSHIP 29 NORTH, RANGE 14 WEST, NMPM

Section 11: S/2 SW/4  
Section 15: N/2 NE/4  
Section 23: E/2 NE/4  
Section 24: NW/4 and E/2 SE/4

(m) Wild Horse-Gallup Gas Pool (87360)

TOWNSHIP 26 NORTH, RANGE 3 WEST, NMPM

Section 3: S/2  
Section 4: S/2  
Section 5: SE/4  
Section 6: N/2  
Section 19: W/2

(n) Willow-Gallup Gas Pool (96379)

TOWNSHIP 31 NORTH, RANGE 4 WEST, NMPM

Section 10: E/2  
Section 11: N/2 and SW/4  
Section 14: W/2  
Section 22: NE/4  
Section 23: SE/4  
Section 24: W/2

**B.** The following pools in Rio Arriba, Sandoval and San Juan Counties will be extended as shown:

- (a) Baca-Gallup Oil Pool (3745)

TOWNSHIP 26 NORTH, RANGE 8 WEST, NMPM

Section 5: SW/4 SE/4, W/2 W/2, and SE/4 SW/4

Section 8: N/2 SE/4 and NE/4 SW/4

Section 9: N/2 SW/4

- (b) B. S. Mesa-Gallup Gas Pool (72920)

TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM

Section 2: NW/4

Section 3: N/2

- (c) Counselors-Gallup-Dakota Oil Pool (13379)

TOWNSHIP 23 NORTH, RANGE 6 WEST, NMPM

Section 13: NW/4

- (d) Devil's Fork-Gallup Associated Pool (17610)

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM

Section 14: SE/4

Section 23: NE/4

Section 24: NW/4

- (e) Dufer's Point-Gallup-Dakota Oil Pool (19859)

TOWNSHIP 25 NORTH, RANGE 8 WEST, NMPM

Section 23: W/2

Section 26: W/2

- (f) Escrito-Gallup Associated Pool (22619)

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM

Section 30: E/2 NE/4

- (g) Gallegos-Gallup Associated Pool (26980)

TOWNSHIP 26 NORTH, RANGE 11 WEST, NMPM

Section 19: SW/4

Section 22: S/2

Section 23: SW/4

Section 30: W/2

Section 31: NW/4

- (h) Gallo Canyon-Gallup-Dakota Oil Pool (96369)

TOWNSHIP 23 NORTH, RANGE 5 WEST, NMPM

Section 4: SW/4 SW/4

Section 5: E/2 NE/4, SW/4 NE/4, and SE/4

Section 9: W/2 NW/4

- (i) Ice Canyon-Gallup Gas Pool **(93235)**

TOWNSHIP 26 NORTH, RANGE 7 WEST, NMPM

Section 14: SE/4

- (j) Laguna Seca-Gallup Gas Pool **(79870)**

TOWNSHIP 31 NORTH, RANGE 6 WEST, NMPM

Section 19: SE/4

Section 20: SW/4

Section 30: E/2

- (k) La Jara Canyon-Gallup Gas Pool **(96483)**

TOWNSHIP 30 NORTH, RANGE 5 WEST, NMPM

Section 26: S/2

Section 27: S/2

Section 34: W/2

- (l) South Lindrith-Gallup-Dakota Oil Pool **(96483)**

TOWNSHIP 23 NORTH, RANGE 4 WEST, NMPM

Section 13: SE/4

- (m) Munoz Canyon-Gallup Gas Pool **(96767)**

TOWNSHIP 28 NORTH, RANGE 5 WEST, NMPM

Section 17: SW/4

Section 18: S/2 and NW/4

- (n) Otero-Gallup Oil Pool **(48450)**

TOWNSHIP 24 NORTH, RANGE 5 WEST, NMPM

Section 3: S/2 NE/4

- (o) Tapacito-Gallup Associated Pool **(58090)**

TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM

Section 13: SE/4

Section 24: NE/4