

PAUL BACA PROFESSIONAL COURT REPORTERS

**OIL CONSERVATION
DIVISION**

CASE #: 14291

EXHIBIT

10



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401



IN REPLY REFER TO:
Rosa Unit MV Pilot Infill Project

March 18, 2009

Mark Fesmire
New Mexico Oil Conservation Division
1220 S. St. Frances Drive
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Reference is made to Case No. 14291, whereby Williams Production Company (Williams) is seeking approval for a pilot infill project in selected areas of the Rosa Unit in the San Juan Basin. The purpose of the pilot is to determine maximum ultimate recovery, optimal well density and the commercial feasibility for Mesaverde well development the Rosa Unit area. The Mesaverde Formation in the Rosa Unit is currently being developed on an effective 80 acre well density. To assess these parameters, Williams is proposing to drill five (5) wells in calendar year 2009, eight (8) wells in 2010 and seven (7) wells in 2011. These proposed wells are in various stages of environmental review and permitting with my office.

We recently reviewed the technical merits of this case with representatives of Williams. Their preliminary findings suggest that reservoir heterogeneity, gas in place estimates and current wellbore recoveries warrant further study. This pilot study will help Williams and our respective agencies determine optimal well density for the Mesaverde Formation in the Rosa Unit Area. In addition, this pilot project is consistent with Plan of Development requirements under Section 9 of the Rosa Unit Agreement.

Pursuant to the Memorandum of Understanding between the BLM and the NMOCD, we support Williams' application for an increased well density pilot project contingent upon the following:

- Williams will be expected to gather sufficient geologic and reservoir engineering data to determine wellbore interference, drainage area and orientation, incremental recovery and rate acceleration factors.
- Williams will be expected to annually present to the Bureau and the NMOCD their geologic and engineering data and findings for the wells drilled in the previous calendar year. Within six (6) months of completion of the pilot project, Williams will be required to provide their overall findings and well density recommendations.

If you have any questions regarding the above, contact me at (505) 599-6340.

Steve Henke

A handwritten signature in black ink, appearing to read 'Steve Henke', with a long horizontal flourish extending to the left.

Field Office Manager,
BLM, Farmington

CC: Williams Production Company