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February 17, 2009

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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 14290

Re: **Application of Williams Production Company, LLC for approval of an exception to the provisions of Rule 19.15.16, or in the alternative, a special rule for the Rosa Unit, that authorizes the use of the point where the directional wellbore penetrates the top of the producing interval within the pool as the penetration point for the directional wells in the Rosa Unit Area, San Juan and Rio Arriba Counties, New Mexico.**

Dear Mr. Fesmire:

Enclosed is the Application of Williams Production Company, LLC in the above-referenced case as well as a copy of the legal advertisement. Williams Production Company Inc. requests that this matter be placed on the docket for the March 19, 2009 Examiner hearings.

Very truly yours,

William F. Carr

Enclosures

cc: Mr. Ken McQueen
Williams Production Company

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

APPLICATION OF WILLIAMS PRODUCTION COMPANY, LLC FOR APPROVAL OF AN EXCEPTION TO THE PROVISIONS OF RULE 19.15.16, OR IN THE ALTERNATIVE, A SPECIAL RULE FOR THE ROSA UNIT, THAT AUTHORIZES THE USE OF THE POINT WHERE THE DIRECTIONAL WELLBORE PENETRATES THE TOP OF THE PRODUCING INTERVAL WITHIN THE POOL AS THE PENETRATION POINT FOR THE DIRECTIONAL WELLS IN THE ROSA UNIT AREA, SAN JUAN AND RIO ARriba COUNTIES, NEW MEXICO.

CASE NO. 14290

APPLICATION

Williams Production Company, LLC ("Williams"), through its undersigned attorneys, hereby makes application for an exception to the provisions of Rule 19.15.16, or in the alternative, a special rule for the Rosa Unit, that authorizes the use of the point where a directional wellbore penetrates the top of the producing interval within a pool as the penetration point for directional wells in the Rosa Unit Area.

In support of its application, Williams states:

1. Williams is an interest owner in and the operator of the Rosa Unit that was approved by Order No. 759 on April 22, 1948, and is comprised of approximately 54,209.49 acres of land located in San Juan and Rio Arriba Counties, New Mexico. The Unit Area is more particularly defined as follows:

TOWNSHIP 31 NORTH, RANGE 4 WEST, NMPM

Sections 1 through 31: All

TOWNSHIP 31 NORTH, RANGE 5 WEST, NMPM

Sections 3 through 36: All

TOWNSHIP 31 NORTH, RANGE 6 WEST, NMPM

Sections 1 through 5: All

Sections 8-17: All

Sections 21-26: All

TOWNSHIP 32 NORTH, RANGE 6 WEST, NMPM

Sections 32 through 36: All

2. Williams plans to drill a number of directional wells (horizontal wellbores) in the Rosa Unit Area to produce reserves from the Mancos.

3. Division Rule 19.15.16 governs the drilling of directional wells and defines the "producing interval" as that portion of a directional well drilled inside a pool's vertical limits between its penetration point and its terminus. 19.15.16.7.H NMAC.

4. Division Rules also define "penetration point" as "the point where a directional well penetrates the top of the pool from which it is intended to produce." 19.15.16.7.F NMAC.

5. In the Rosa Unit, the defined top of the pools from which Williams will produce hydrocarbons is significantly above the producing interval within each formation pool.

6. Compliance with the provisions of Rules 19.15.16.7 and 14 NMAC prevent the penetration of a significant portion of the productive formation [the portion between the top of the formation and where the wellbore intersects the producing interval within the formation] in each producing interval as defined by Division rules in the formations in the Rosa Unit.

7. Compliance with these rules impairs Williams ability to efficiently and effectively produce the reserves under each directional well's producing area in the Rosa Unit thereby impairing its correlative rights and causing waste.

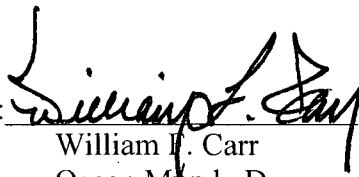
8. Williams requests that for the purpose of developing the formations and pools in the Rosa Unit, the Division authorize the penetration point for directional wells to be the point where a directional wellbore penetrates the top of the producing interval within a formation from — which it is intended to produce. *Casing shoe* 2

9. This authorization will permit the access to more of the producing formation with the directional/horizontal portion of the wellbore resulting in more efficient production of these reserves thereby preventing waste.

10. This authorization will not impair the correlative rights of any interest owner for no well will have perforations in, or produce from, any reservoir from a point that is closer to the outer boundary of the well's project area than permitted by existing spacing rules.

WHEREFORE, Williams Production Company requests that this application be set for hearing before a Division Examiner on March 19, 2009 and that after notice and hearing as required by the rules of the Division, this application be granted.

Respectfully submitted,
HOLLAND & HART LLP

By: 
William L. Carr
Ocean Munds-Dry

ATTORNEYS FOR WILLIAMS
PRODUCTION COMPANY

EXHIBIT A

APPLICATION OF WILLIAMS PRODUCTION COMPANY, LLC FOR APPROVAL OF AN EXCEPTION TO THE PROVISIONS OF RULE 19.15.16, OR IN THE ALTERNATIVE, A SPECIAL RULE FOR THE ROSA UNIT, THAT AUTHORIZES THE USE OF THE POINT WHERE THE DIRECTIONAL WELLBORE PENETRATES THE TOP OF THE PRODUCING INTERVAL WITHIN THE POOL AS THE PENETRATION POINT FOR THE DIRECTIONAL WELLS IN THE ROSA UNIT AREA, SAN JUAN AND RIO ARRIBA COUNTIES, NEW MEXICO.

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CASE 14290. Application of Williams Production Company, LLC for approval of an exception to the provisions of Rule 19.15.16, or in the alternative, a special rule for the Rosa Unit, that authorizes the use of the point where the directional wellbore penetrates the top of the producing interval within the pool as the penetration point for the directional wells in the Rosa Unit Area, San Juan and Rio Arriba Counties, New Mexico. Applicant seeks the approval of an exception to the provisions of rule 19.15.16 to authorize the penetration point for directional wells in the Rosa Unit to be the point where the directional wellbore penetrates the top of the producing interval within the pool from which it is intended to produce, San Juan and Rio Arriba Counties, New Mexico. The Rosa Unit Area is comprised of the following lands located in San Juan and Rio Arriba, Counties, New Mexico:

TOWNSHIP 31 NORTH, RANGE 4 WEST, NMPM

Sections 1 through 31: All

TOWNSHIP 31 NORTH, RANGE 5 WEST, NMPM

Sections 3 through 36: All

TOWNSHIP 31 NORTH, RANGE 6 WEST, NMPM

Sections 1 through 5: All

Sections 8-17: All

Sections 21 through 26: All

TOWNSHIP 32 NORTH, RANGE 6 WEST, NMPM

Sections 32 through 36: All

The requested authorization will permit the access of more of the producing formation with the directional/horizontal portion of the wellbore resulting in more efficient production of these reserves thereby preventing waste and protecting correlative rights. This area is located approximately 9 miles southeast of Arbolies, New Mexico.