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March 25, 2010

VIA HAND-DELIVERY

Mr. Richard Ezeanyim
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 Williams Production Company, LLC for Approval of a Closed-Loop System for the Rosa SWD Well No. 2 and for the In-Place Burial of Drilling Wastes or an Alternative Closure Method and/or Exception to the Pit Rule, Rio Arriba County, New Mexico.

Dear Mr. Ezeanyim:

I am in receipt of your letter dated March 18, 2010 rejecting Williams Production Company, LLC's ("Williams") application for hearing. Your letter states that the application appears to seek an exception to 19.15.17 NMAC ("Pit Rule"). Williams' application was not seeking an exception because it does not believe its application falls outside the provisions of the Pit Rule. Williams applied for an exception **in the alternative** in the event it was determined by a Hearing Examiner that it was necessary for Williams to do so. Furthermore, the Pit Rule authorizes the Division Director to set any application for an exception for hearing. See 19.15.17.15(A)(4). Williams does not therefore read the Pit Rule as requiring Williams to first seek review from the Environmental Bureau. It should be noted that the Environmental Bureau was consulted by the Aztec District Office, and the Bureau already determined that Williams' application should be denied. Another review by the Environmental Bureau is accordingly not necessary. A brief summary of the history of Williams' application may be helpful to explain why it is seeking a hearing onits application.

On November 6, 2009, Williams submitted a Form C-144 seeking to construct and use a temporary pit for the drilling and completion of the Rosa SWD Well No. 2. Williams also proposed in-place closure of the temporary pit. This application was denied by the Aztec District Office because it was determined that groundwater was less than fifty feet from the bottom of the pit based on soil borings at the proposed wellsite.

Williams submitted a new Form C-144 on January 26, 2010, proposing to use a closed-loop system at the Rosa SWD No. 2 well site for drill cuttings and fluids associated

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with drilling and completing the well. Williams then proposed to haul the cuttings and fluids to another temporary pit located at a to-be drilled producing wellsite. The wellsite is part of the same lease and same pooled acreage.

On or around March 11th, the Aztec District Office denied this application and stated: "The OCD District office reviewed the permit and due to the complexities the District office also contacted the OCD Environmental Bureau regarding the permit. As a result the OCD hereby denies Williams permit application." Concluding that the application sought "off-site" closure not allowed by the Pit Rule, the District Office added: "Off-site disposal would require the operator to obtain a surface waste management facility permit (landfill permit) in accordance with 19.15.36 NMAC, unless the waste material is hauled to a division-approved facility."

Since the Aztec office denied the application in consultation with the Environmental Bureau, Williams applied for a hearing in order to have this matter reviewed by an Examiner. Yet, Williams' application for hearing has been denied because it seeks an exception only in the alternative. Williams is now unclear how it may proceed. You indicated that Williams must first seek an exception from the Environmental Bureau. However, it was made clear from the District Office's denial that the Environmental Bureau has already reviewed the application and determined that Williams must seek a permit pursuant to Rule 36.

Williams is not seeking an exception to the Pit Rule and therefore believes the application should properly be set for hearing. If the language seeking an exception in the alternative will prevent Williams from getting a hearing date, then Williams requests it be permitted to amend its application to delete any reference to seeking an exception. An amended application is attached and being filed today for your consideration.

Thank you for your attention to this matter. Please let me know if you have any questions.

Sincerely,

Ocean Munds-Dry

Ocean Munds-Dry
Attorney for Williams Production Co., LLC