



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

December 23, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Burlington Resources Oil & Gas Company, L. P.

c/o Williams Production Company, L.L.C.

@ Holland & Hart LLP

P. O. Box 2208

Santa Fe, New Mexico 87504-2208

Attention: William F. Carr

Administrative Order NSL-5147

(Non-Standard Subsurface Location/Producing Area)

Dear Mr. Carr:

Reference is made to the following: (i) your application dated November 12, 2004 (*administrative application reference No. pSEM0-432147393*) filed on behalf of Williams Production Company, L.L.C. ("Williams"), who is acting as agent on behalf of the operator, Burlington Resources Oil & Gas Company, L. P. ("Burlington"); and (iii) the Division's records in Aztec and Santa Fe: all concerning Williams's request for exception to Division Rules 111.A (13) and 111.C (2), and Rule 7 (a) of the "*Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool*," as promulgated by Division Order No. R-8768, as amended.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Division Rule 111.C (2) and the applicable provisions of the special rules governing the Basin-Fruitland Coal (Gas) Pool (71629);
- (2) The special rules governing the Basin-Fruitland Coal (Gas) Pool in this area provide for 320-acre gas spacing units, infill drilling with one well per quarter section, and for wells to be located no closer than 660 feet from any outer boundary of the spacing unit nor closer than 10 feet from any quarter-quarter section line or subdivision inner boundary;
- (3) The "project area" that is the subject of this application will consist of an existing standard 320-acre stand-up gas spacing unit comprising the W/2 of Section 35, Township 29 North, Range 7 West, NMPM, Rio Arriba County, New Mexico;

- (4) This unit is currently dedicated to Burlington's San Juan "29-7" Unit Well No. 577 (API No. 30-039-24991), located at a standard coal gas well location 790 feet from the South line and 1430 feet from the West line (Unit N) of Section 35;
- (5) It is the Division's understanding that the proposed San Juan "29-7" Unit Well No. 577-S is to be drilled from a surface location 1515 feet from the North line and 340 feet from the East line (Unit H) of Section 34, Township 29 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, vertically to an approximate depth of 2,758 feet (TVD), kicked-off in an easterly direction with a build angle rate of 12 degrees per 100 feet until 90 degrees off of vertical is achieved at a depth of 3,246 feet (TVD), or 3,829 feet (MD,) casing is to be set at a depth of 3,236 feet (TVD), or 3,492 feet (MD), at an approximate subsurface location 1555 feet from the North line and 119 feet from the West line (Unit E) of Section 35, and a horizontal drainhole will be drilled a lateral distance of approximately 2,000 feet to a target point 2730 feet from the North line and 2150 feet from the West line (Unit F) of Section 26;
- (6) The applicable drilling window or "producing area" within the Basin-Fruitland Coal (Gas) Pool for this horizontal/high angle directional drilling project is to be confined to that area within the NW/4 of Section 35 that is:
 - (a) no closer than the normal setback requirement of 660 feet to the North line of Section 35;
 - (b) no closer than 490 feet to the eastern boundary line of this stand-up gas spacing unit;
 - (c) no closer than the normal 10 feet setback requirement to the southern boundary of the NW/4 of Section 35; and
 - (d) no closer than 119 feet to the West line of Section 35;
- (7) It appears that the applicant has satisfied all of the appropriate requirements prescribed in Division Rule 111.C (2) and Rules 7 (b), 8, and 9 (B) of the Basin-Fruitland coal gas special pool rules; therefore, the subject application should be approved; and

- (8) The provisions contained within this order and all other applicable provisions of Division Rule 111 and Division Order No. R-8768, as amended, should govern the subject well and 320-acre gas spacing unit/project area.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Rules 7 (b), 8, and 9 (B) of the “*Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool*,” as promulgated by Division Order No. R-8768, as amended, the application (*administrative application reference No. pSEM0-432147194*) of Williams Production Company, L.L.C. (“Williams”) for exception to Division Rules 111.A (13) and 111.C (2) and Rule 7 (a) of the special pool rules governing the Basin-Fruitland Coal (Gas) Pool (71629), is hereby approved. Burlington Resources Oil & Gas Company, L. P. (“Burlington”) as the operator is authorized to initiate a horizontal/high angle directional drilling project with its proposed San Juan “29-7” Unit Well No. 577-S to be drilled as an infill coal gas well in the manner described above in Finding Paragraph (5).

(2) The “project area” shall comprise a single standard 320-acre stand-up gas spacing unit, being the W/2 of Section 35, Township 29 North, Range 7 West, NMPM, Rio Arriba County, New Mexico.

(3) The applicable drilling window or “producing area” within the Basin-Fruitland Coal (Gas) Pool for this horizontal/high angle directional drilling project shall be confined to that area within the NW/4 of Section 35 that is:

(a) no closer than the normal setback requirement of 660 feet to the North line of Section 35;

(b) no closer than 490 feet to the eastern boundary line of this stand-up gas spacing unit;

(c) no closer than the normal 10 feet setback requirement to the southern boundary of the NW/4 of Section 35; and

(d) no closer than 119 feet to the West line of Section 35.

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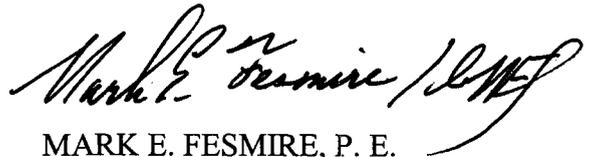
(4) Further, the operator of the unit is hereby authorized to simultaneously dedicate production attributed to the Basin-Fruitland Coal (Gas) Pool from the existing San Juan "29-7" Unit Well No. 577 (API No. 30-039-24991), located at a standard coal gas well location 790 feet from the South line and 1430 feet from the West line (Unit N) of Section 35 with the proposed San Juan "29-7" Unit Well No. 577-S.

(5) The operator of this gas spacing unit shall comply with all applicable provisions and conditions set forth in Division Rule 111 and Division Order No. R-8768, as amended.

(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MARK E. FESMIRE, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Aztec
U. S. Bureau of Land Management – Farmington