NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

February 16, 2004

Lori Wrotenbery
Director
Oil Conservation Division

Williams Production Company, L.L.C.
c/o   Holland & Hart LLP
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: William F. Carr

Administrative Order NSL-5002
(Non-Standard Subsurface Location/Producing Area)

Dear Mr. Carr:

Reference is made to the following: (i) your application on behalf of the operator, Williams Production Company, L.L.C. ("Williams") dated January 20, 2004 (*administrative application reference No. pLR0-402131380*); (ii) the Division's initial response by e-mail on the morning of Monday, January 26, 2004 from Mr. Michael E. Stogner, Engineer/Chief Hearing Officer in Santa Fe requesting clarification of certain information contained in your application; (iii) your reply by e-mail on the same day; (iv) your telephone conversation with Mr. Stogner on January 26, 2004; and (v) 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 comprise the W/2 of Section 21, Township 32 North, Range 11 West, NMPM, San Juan County, New Mexico, being a standard 320-acre stand-up gas spacing unit for the Basin-Fruitland Coal (Gas) Pool;

(4)   It is the Division's understanding that Williams intends to drill its Cox Canyon Unit Well No. 204 from a surface location 1920 feet from the South line and 1950 feet from the West line (Unit K) of Section 21 vertically to an approximate depth of 2,997 feet (TVD), kick-off in a westerly direction, build angle at a rate of 0.70 degrees per 100 feet until 90 degrees off of vertical is achieved at a depth of 4,016 feet (MD), set 7-inch casing at a depth of 3,730 feet (MD) at an approximate subsurface location 2001 feet from the South line and 1490 feet from

the West line of Section 21, and continue drilling a horizontal drainhole a lateral distance of approximately 1224 feet to a target bottomhole point located 2265 feet from the South line and 10 feet from the West line (Unit L) of Section 21;

(5)   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 W/2 of Section 21 that is:

> **(a)**   no closer than the normal setback requirement of 660 feet to the eastern boundary of this stand-up gas spacing unit;
>
> **(b)**   no closer than 1920 feet to the South line of Section 8;
>
> **(c)**   no closer than 375 feet to the northern quarter section line between the NW/4 and the SW/4 of Section 21; and
>
> **(d)**   definitely no closer than 10 feet to the West line of Section 21;

(6)   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

(7)   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. pLR0-402131380*) of Williams Production Company, L.L.C. ("Williams") for exception to Rule 7 (a) of the special pool rules governing the Basin-Fruitland Coal (Gas) Pool (**71629**), is hereby approved. Williams is authorized to initiate a horizontal/high angle directional drilling project with its proposed Cox Canyon Unit Well No. 204 to be drilled in the manner described above in Finding Paragraph No. (4).
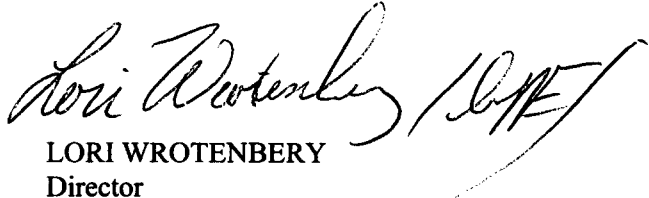
(2)   The "project area" shall comprise a single standard 320-acre stand-up gas spacing unit, being the W/2 of Section 21, Township 32 North, Range 11 West, NMPM, San Juan County, New Mexico.

(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 W/2 of Section 21 that is:

        (a)   no closer than the normal setback requirement of 660 feet to the eastern boundary of this stand-up gas spacing unit;

        (b)   no closer than 1920 feet to the South line of Section 21;

        (c)   no closer than 375 feet to the northern quarter section line between the NW/4 and the SW/4 of Section 21; and

        (d)   definitely no closer than 10 feet to the West line of Section 21.

    (4)   The operator of this coal 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.

    (5)   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

        LORI WROTENBERY
        Director

LW/mes

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