



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
BETTY RIVERA
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

September 17, 2002

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

Telefax No. (505) 983-6043

Administrative Order NSL-4781
(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 September 10, 2002 (*application reference No. pKRV0-225427473*); and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Aztec and Santa Fe: all concerning Williams's request for exception to the set-back requirements of Rule 7 of the "*Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool,*" as promulgated by Division Order No. R-8768, as amended, and pursuant to Division Rules 111.A (13) and 111.C (2) and Basin-Fruitland coal gas Rules 8 and 9, in order to initiate a horizontal/high angle directional drilling project.

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 Basin-Fruitland Coal (Gas) Pool is an "unprorated gas pool" not subject to Part H of the Division's rules entitled "*Gas Proration and Allocation*" (Rules 601 through 605). However, the Basin-Fruitland Coal (Gas) Pool is subject to: (a) Division Rule 104.D (3), which restricts the number of producing wells within a single gas spacing unit within non-prorated gas pools to only one (see official notice to all operators issued by the Division Director on October 25, 1999), and allows producing wells within this pool to produce at capacity; and (b) the "*Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool,*" established by Division Order No. R-8768, as amended by Orders No. R-8768-A and R-8768-B, which rules provide for:
 - (i) 320-acre spacing units (Rule 4);

- (ii) wells to be located in the NE/4 or SW/4 of a single governmental section and no closer than 660 feet to the outer boundary of the spacing unit nor closer than 10 feet to any interior quarter or quarter-quarter section line or subdivision inner boundary (Rule 7); and
 - (iii) infill wells only after notice and hearing (Rule 4).
- (3) The “project area” proposed by Williams is to consist of a single standard 320-acre stand-up gas spacing unit comprising the E/2 of Section 10, Township 31 North, Range 6 West, NMPM, in both Rio Arriba and San Juan Counties, New Mexico;
- (4) It is our understanding that Williams intends to drill its Rosa Unit Well No. 381 (**API No. 30-039-27041**), from a surface location 1425 feet from the North line and 495 feet from the West line (Unit E) of offsetting Section 11, Township 31 North, Range 6 West, NMPM, Rio Arriba County, New Mexico, vertically to an approximate depth of 2,464 feet (TVD), kick-off in a westerly direction, build angle at a rate of 11.125 degrees per 100 feet until 90 degrees of vertical is achieved at a depth of 2979 feet (TVD), set casing at an approximate subsurface location 1425 feet from the North line and 10 feet from the East line (Unit H) of Section 10, and continue drilling a horizontal drainhole a lateral distance of approximately 2,600 feet;
- (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 NE/4 of Section 10 that is:
 - (a) no closer than the normal setback requirement of 660 feet to the North line of this quarter section line;
 - (b) no closer than the normal set-back requirement of 130 feet to the South line of this quarter section; and
 - (b) no closer than 10 feet to the West and East lines of this quarter section;
- (6) It appears that the applicant has satisfied all of the appropriate requirements prescribed in Division Rule 111.C (2) and Rules 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 Rules 104.D (3) and 111 and Division Order No. R-8768, as amended, shall serve to govern the subject well, 320-acre gas spacing unit, and associated horizontal directional drilling project.

It Is Therefore Ordered That:

- (1) By the authority granted me under the provisions of Rules 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 of Williams Production Company, L.L.C. ("Williams") for exception to Rule 7 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 Rosa Unit Well No. 381 (API No. 30-039-27041) to be drilled vertically from a surface location 1425 feet from the North line and 495 feet from the West line (Unit E) of Section 11, Township 31 North, Range 6 West, NMPM, Rio Arriba County, New Mexico to an approximate depth of 2,464 feet (TVD), kick-off in a westerly direction building angle at a rate of 11.125 degrees per 100 feet until 90 degrees off of vertical is achieved at a depth of approximately 2979 feet (TVD), at which time casing will be set at an approximate subsurface location 1425 feet from the North line and 10 feet from the East line (Unit H) of offsetting Section 10, Township 31 North, Range 6 West, NMPM, Rio Arriba County, New Mexico, and continue drilling a horizontal drainhole a lateral distance of approximately 2,600 feet.

- (2) The "project area" shall comprise a single standard 320-acre stand-up gas spacing unit, being the E/2 of Section 10, Township 31 North, Range 6 West, NMPM, in both Rio Arriba and San Juan Counties, 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 NE/4 of Section 10 that is:

- (a) no closer than the normal setback requirement of 660 feet to the North line of this quarter section line;

- (b) no closer than the normal set-back requirement of 130 feet to the South line of this quarter section;
and;

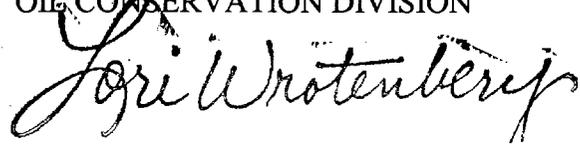
(c) no closer than 10 feet to the West and East lines of this quarter section.

(4) The operator shall comply with all applicable requirements and conditions set forth in Division Rule 111 and Rule 9 of Division Order No. R-8768, as amended.

(5) Jurisdiction of this case 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/kv

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