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2008 JUL 11 AM 10 16

July 10, 2008

Via Hand Delivery

Mark E. Fesmire, P.E., Director
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

**Re: Amended Application of Williams Production Co., LLC for
Establishment of a Downhole Commingling "Reference Case" and
Pre-Approval of Downhole and Surface Commingling, 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 a legal advertisement. Williams requests that this matter be placed on the docket for the August 7, 2008 Examiner hearings.

Sincerely,

Ocean Munds-Dry
for Holland & Hart LLP

cc: Mr. Vern Hansen

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

IN THE MATTER OF THE APPLICATION
OF WILLIAMS PRODUCTION CO., LLC FOR
ESTABLISHMENT OF A DOWNHOLE COMMINGLING
"REFERENCE CASE" AND PRE-APPROVAL OF
DOWNHOLE AND SURFACE COMMINGLING
IN THE ROSA UNIT, SAN JUAN AND
RIO ARRIBA COUNTIES, NEW MEXICO.

*06 RIO
120782*

CASE NO. 14146

AMENDED APPLICATION

WILLIAMS PRODUCTION COMPANY, LLC, ("Williams") through its undersigned attorneys, hereby makes application to the Oil Conservation Division for an order establishing a downhole commingling "reference case" and pre-approval of downhole and surface commingling for formations and pools in the Rosa Unit from any and all existing and future wells in the Unit, San Juan and Rio Arriba Counties and in support of this application states:

1. Williams is a working interest owner and the designated operator of the Rosa Unit. The horizontal limits of said Unit Area are described as follows:

Township 32 North, Range 6 West

Section 32: All
Section 33:
Section 34:
Section 35 & 36: All

Sec 32-36 All

Township 31 North, Range 6 West

Section s 1 & 2: All
Section 3:

*Sec 1-5 all
Sec 8-17
~~3-17~~
21-28*

Sections 4,5,8-17, 21-26: All

from Meridian

*Amoco
BP American
Northwest Pipeline
Burlington*

Township 31 North Range 5 West

Sections 3-36: All

*Miss
Pools*

Township 31 North Range 4 West

Sections 1-31: All

2. Williams produces from the Dakota, Mesaverde, Fruitland Coal, Pictured Cliffs and Mancos formations in the Rosa Unit. Williams seeks to commingle production in the following pools within the Rosa Unit: Basin Dakota Pool, Basin Fruitland Coal Gas Pool, Rosa Pictured Cliffs Pool, East Blanco Pictured Cliffs Pool, Carracas Pictured Cliffs Pool, Blanco Mesaverde Pool, Cottonwood Fruitland Sand Pool, Laguna Seca Gallup Pool, Cedro Gallup Pool, Willow Gallup Pool and the Basin Mancos Pool.

3. Williams seeks to downhole and surface commingle these gas pools in the Rosa Unit in any combination of pools in all existing and future wells.

4. In the absence of the establishment of pre-approved commingling on a pool-wide or area-wide basis or of a downhole commingling "reference case," applications for downhole and surface commingling must be submitted, processed and approved on an individual well-by-well basis. This procedure includes providing a copy of the application to all interest owners in the unit by certified mail.

5. Sufficient data exists from wells for the pools and formations which are the subject of this application to render it unnecessary to repeatedly provide the data required by Division Rule 303. Williams will show:

*586 Well
in ABMS*

a) The fluids from each pool which are the subject of this application are compatible and combining the fluids will not result in damage to any pool;

b) The commingling of fluids as proposed in this application will not result in shut-in or flowing wellbore pressure in excess of the fracture parting pressure of any commingled pool;

c) The commingling of fluids as proposed in this application will not result in the permanent loss of reserves due to cross-flow in the wellbore; and

d) The allocated production from each producing pool in each commingled wellbore will not exceed the top oil or gas allowable rate for a well in that pool or other rate restriction applicable to such well.

6. All surface commingled production will be separately metered and allocated to the various leases or pools in accordance with the methods contained in Rule 303 and as approved by the Division.

7. Sufficient data exists to support this application and to provide for the modification of the notification rules such that any future or further notice concerning downhole or surface commingling applications or orders within the Rosa Unit shall not be required to any owner of the commingled production including but not limited to instances where ownership is not common or percentages are not identical in the zones to be commingled.

8. Williams seeks an order from the Division that no additional notice of downhole or surface commingling of production from the subject formations in the Rosa Unit shall be provided to the owners of any interest in the commingled production.

9. The approval of this application will extend the economic life of the existing wells and thereby increase the ultimate recovery from these formations and prevent waste.

10. Exhibit A to this application is a list of affected persons as defined by Division Rules. Williams has given notice to the listed parties in accordance with Division Rules.

11. Approval of this application will result in the production of hydrocarbons which otherwise will not be produced and will be in the best interest of conservation and the protection of correlative rights.

WHEREFORE, Williams Production Company, LLC requests that this application be set for hearing before an Examiner of the Oil Conservation Division on August 7, 2008 and, after notice and hearing as required by law, that the application be approved.

Respectfully submitted,

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EXHIBIT A
WILLIAMS PRODUCTION CO., LLC's APPLICATION TO COMMINGLE IN
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Same

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CASE 14146:

(Readvertised) Amended Application of Williams Production Co., LLC for Establishment of a Downhole Commingling "Reference Case" and Pre-Approval of Downhole and Surface Commingling in the Rosa Unit, San Juan and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause seeks establishment of a downhole commingling "reference case" and pre-approval for downhole and surface commingling in the Basin Dakota Pool, Basin Fruitland Coal Gas Pool, Rosa Pictured Cliffs Pool, East Blanco Pictured Cliffs Pool, Carracas-Pictured Cliffs Pool, Blanco Mesaverde Pool, Cottonwood-Fruitland Sand Pool, Laguna Seca Gallup Pool, Cedro Gallup Pool, Willow Gallup Pool and the Basin Mancos Pool in any and all existing and future wells in the Rosa Unit without further notice to owners of interest in the commingled production. The Rosa Unit is located in in Township 32 North, Range 6 West, Township 31 North, Ranges 4, 5 and 6 West, NMPM, San Juan and Rio Arriba Counties. Said area is located approximately 9 miles southeast of Arbolies, Colorado.