

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**CASE NO. 13347
ORDER NO. R-12274**

**APPLICATION OF WILLIAMS PRODUCTION COMPANY FOR AN EXCEPTION
TO RULE 7(d)(1)(i) OF THE SPECIAL RULES AND REGULATIONS FOR THE
BASIN-FRUITLAND COAL GAS POOL AUTHORIZING THE SIMULTANEOUS
DEDICATION WITHIN AN EXISTING STANDARD 320-ACRE SPACING UNIT
TO TWO COAL GAS WELLS LOCATED IN THE SAME QUARTER SECTION,
RIO ARRIBA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION;

This case came on for hearing at 8:15 a.m. on October 21, 2004, at Santa Fe, New Mexico before Examiner Michael E. Stogner.

NOW, on this 14th day of January, 2005, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT;

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Williams Production Company ("Williams" or "Applicant"), seeks an exception to Rule 7 (d) (1) (i) of the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*" as promulgated by Division Order No. R-8768, issued in Case No. 9420 on October 17, 1988, as amended by: (i) Division Order No. R-8768-A, issued in Reopened Case No. 9420 on July 16, 1991; (if) Division Order No. R-8768-B, issued in Case No. 12296 on February 10, 2000; (iii) Division Order No. R-8768-C, issued in Case No. 12888 on October 15, 2002; and (iv) Division Order No. R-8768-F, issued by the New Mexico Oil Conservation Commission in de novo Case No. 12888 on July 17, 2003, in order to locate and complete two coal gas wells within the same quarter section of an existing 320-acre lay-down gas spacing unit in the Basin-Fruitland Coal (Gas) Pool (71629) comprising the S/2 of Section 8, Township 31 North, Range 5 West, Rio Arriba County, New Mexico.

(3) This unit is within the boundaries of the "low productivity area" of the Basin-Fruitland Coal (Gas) Pool and the aforementioned special pool rules provide for:

(a) 320-acre spacing units comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the United States Public Lands Survey (Rule 4);

(b) most wells to be located no closer than 660 feet to the outer boundary of its assigned spacing unit nor closer than 10 feet to any interior quarter-quarter section line or subdivision inner boundary [Rule 7 (a) (1)]; however if a well is within an federal exploratory unit the 660 foot setback requirement may be waived [Rule 7 (a) (2)];

(c) two wells to be simultaneously dedicated to a standard 320-acre spacing unit [Rule 7 (d) (1)]; provided however "*the optional infill well drilled on an existing spacing unit shall be located in the quarter section not containing the initial Fruitland coal gas well*" [Rule 7 (d) (1) (i)]; and

(d) procedures for operating and permitting horizontal wellbores (Rule 9).

(4) This 320-acre coal gas spacing unit is currently dedicated to Williams' Rosa Unit Well No. 379 (API No. 30-039-26949), which was drilled as an intentionally deviated horizontal wellbore from a surface location 1710 feet from the South line and 1680 feet from the West line (NE/4 SW/4 or Unit K) of Section 8 with the horizontal **drainhole** extending in an east-southeasterly direction approximately 2,500 feet ending at a point 1090 feet from the South line and 1233 feet from the East line (Unit P) of Section 8.

(5) Williams drilled its Rosa Unit Well No. 379 in August, 2002 and under the rules governing the Basin-Fruitland Coal (Gas) Pool at that time, well density was limited to only one well per 320-acre unit and for wells to be within either the NE/4 or SW/4 of a governmental section (see Rule 7 as revised by Division Order No. R-8786-B). By Administrative Order NSL-4758, dated July 17, 2002, the Division granted Williams an exception to the well setback provisions, then in effect, allowing for the horizontal portion of this well to penetrate into both quarter sections, provided however that no portion of the

wellbore extend any closer than 660 feet to the outer boundary of this 320-acre lay-down unit.

(6) At this time, the Applicant proposes to drill its Rosa Unit Well No. 379-A, as a vertical infill well on this 320-acre unit within the SE/4 SW/4 (Unit N) of Section 8 at a location 1130 feet from the South line and 1680 feet from the West line of Section 8. Because the surface locations of both wells are within the SW/4 of Section 8, Rule 7(d)(1)(iii) applies, which requires a hearing to grant such an exception.

(7) Section 8 and all of the surrounding Sections 4, 5, 6, 7, 9, 16, 17, and 18 in Township 31 North, Range 5 West, NMPM, Rio Arriba County, New Mexico are within the Rosa Unit, a federal exploratory unit that was the subject of Division Order No. 759 (no "R"), issued in Case No. 133 on April 28, 1948. According to the testimony presented, this area of the Rosa Unit has no participating areas for **Basin-Fruitland** coal gas production; therefore, Rule 7 (d) (2) (v) applies, which requires wells within the subject 320-acre coal gas spacing unit to be located no closer to the outer boundary of the spacing unit and for the proposed Rosa Unit Well No. 379-A no closer than 10 to any quarter-quarter section line or subdivision inner boundary.

(8) Williams intends to complete the Rosa Unit Well No. 379-A by **cavitating** the Basin-Fruitland coal gas interval.

(9) **The S/2** of Section 8:

(a) is located at the end of the Cabresto Canyon arm of the Navajo Dam Reservoir;

(b) is comprised of federal lands that are primarily administered by the U. S. Bureau of Land Management and, to some degree because of its proximity to the reservoir, the U. S. Bureau of Reclamation;

(c) has extreme topographic relief (canyon, cliffs, and mesa) contained within;

(d) is limited in the availability of acceptable well sites, especially in the eastern half.

(10) The proposed location for the Rosa Unit Well No. 379-A is located just off of Rio Arriba County Road No. 362, thereby making it accessible and serves to minimize surface damage.

(11) The technical evidence presented by the Applicant indicates that:

- (a) the existing horizontal wellbore is completed in a coal seam that is 12 to 14 feet thick;
- (b) the proposed Rosa Unit Well No. 379-A is expected to encounter 25 to 27 feet of pay in its cavitated section;
- (c) the coal thins to the east of the proposed location;
- (d) the SE/4 of Section 8 is effectively being drained by the existing horizontal wellbore of its Rosa Unit Well No. 379;
- (e) the close proximity of the two coal gas wells, only 580 feet apart on the surface, will provide comparison information between the two completion techniques, but should be far enough apart as not to interfere with the drainage in each;
- (f) this side-by-side comparison of a horizontal well and a cavitated well will offer Williams a means to effectively evaluate future development plans for the Fruitland coal gas in the area.

(12) Approval of this application will afford Williams the opportunity to produce its just and equitable share of Basin-Fruitland coal gas in this unit and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Williams Production Company, is hereby granted an exception to Rule 7 (d) (1) (i) of the "Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool." as promulgated by Division Order No. R-8768, as amended, for the following two wells to be completed within the same quarter section and simultaneously dedicated to the S/2 of Section 8, Township 31 North, Range 5 West, NMPM, Rio Arriba County, New Mexico,

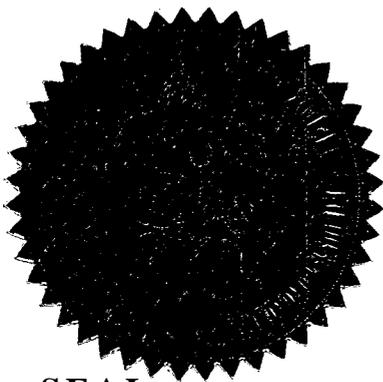
being a standard 320-acre lay-down gas spacing unit in the Basin-Fruitland Coal (Gas) Pool (71629):

(a) Williams' existing Rosa Unit Well No. 379 (API No. 30-039-26949), a deviated horizontal wellbore located on the surface 1710 feet from the South line and 1680 feet from the West line (NE/4 SW/4 or Unit K) of Section 8; and

(b) Williams' proposed Rosa Unit Well No. 379-A to be drilled as a vertical infill well within the same quarter section (SW/4 of Section 8) 1130 feet from the South line and 1680 feet from the West line (SE/4 SW/4 or Unit N) of Section 8.

(2) 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P. E.
Director