

**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. 14727
ORDER NO. R- 13491**

**APPLICATION OF WILLIAMS PRODUCTION COMPANY, LLC,
FOR A PROJECT AREA FOR THE FRUITLAND COAL
PARTICIPATING AREA IN THE ROSA UNIT, SAN JUAN AND
RIO ARRIBA COUNTIES, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 10, 2011, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 15th day of December, 2011, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.
- (2) Williams Production Company, LLC ("Applicant") seeks an order establishing a project area for horizontal wells, pursuant to Division Rules 19.15.16.7 NMAC and 19.15.16.14.B NMAC, which shall comprise the entire Fruitland Coal Participating Area ("the Participating Area") within the Rosa Unit, excluding uncommitted or partially committed tracts. Applicant further seeks establishment of an administrative process to permit expansion of the project area so constituted to coincide with future expansions of the Participating Area.
- (3) The Rosa Unit is a federal exploratory unit located in San Juan and Rio Arriba Counties, New Mexico, the horizontal boundaries of which are specifically described in Finding Paragraph (3) of Order No. R13200-B, issued on February 15, 2010.
- (4) Applicant is the operator of the Rosa Unit.

(5) The Fruitland Coal formation in the Rosa Unit is located in the Basin Fruitland Coal Gas Pool (Pool Code 71629).

(6) The Participating Area, including pending expansion requests that have been submitted to the United States Bureau of Land Management (BLM), and excluding tracts not committed to the unit or partially committed to the unit, consists of the following lands:

Township 31 North, Range 4 West

Section 2	W/2
Section 3	E/2
Sections 19 and 29	All
Section 20	W/2
Section 30	W/2
Section 31	W/2

Township 31 North, Range 5 West

Sections 4 through 7	All
Section 8	S/2
Section 9	All
Section 10	N/2
Section 13	W/2
Sections 16 through 22	All
Section 23	S/2
Section 24	W/2
Section 25	S/2 and NW/4
Section 26	S/2
Section 27	W/2
Sections 28 through 35	All
Section 36	W/2

Township 31 North, Range 6 West

Sections 1 and 5	All
Section 2	S/2 and Lots 6 through 8
Section 3	SE/4, S/2 SW/4, NE/4 SW/4 and Lots 5 through 9
Section 4	SW/4, S/2 SE/4, NW/4 SE/4 and Lots 5 through 9
Sections 8 through 17	All
Sections 21 through 26	All

Township 32 North, Range 6 West

Sections 32, 35 and 36	All
Section 33	W/2, W/2 E/2 and E/2 NE/4
Section 34	E/2, NW/4, E/2 SW/4 and SW/4 SW/4

(7) Applicant appeared at the hearing through counsel and presented evidence as follows:

(a) Applicant has an ongoing program for development of the Fruitland Coal formation in the Rosa Unit by means of horizontal wells.

(b) Approval of the proposed project area comprising the entire Participating Area will prevent waste by allowing Applicant to locate its wells in the optimal manner to drain the maximum amount of reserves from the formation, and will protect the environment by minimizing the number of well pads required.

(c) Applicant has agreed with the owners of uncommitted and partially committed tracts within the Rosa Unit that no horizontal well will be drilled within, or within 660 feet of the outer boundary of, any spacing unit that contains an uncommitted or partially committed tract without the consent of the owners of the uncommitted interest in such tract.

(8) San Juan Resources, LLC appeared at the hearing through counsel, but did not oppose the Application. T.H. McElvain Oil & Gas LLP, an owner of an uncommitted interest within the Participating Area, initially protested the Application, but withdrew its protest by letter to Applicant which was admitted in evidence at the hearing as Exhibit 7.

The Division concludes that:

(9) Establishment of a project area for horizontal wells comprising the entire Participating Area, as requested, will prevent waste and protect the environment, and, because the owners in the Participating Area share in production, and the interest of owners of uncommitted and partially committed tracts are protected by Applicant's agreement, will not impair correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Williams Production Company, LLC [OGRID 120782], a project area for the drilling of horizontal wells, pursuant to Rules 19.15.16.7 NMAC and 19.15.16.14 NMAC, is hereby established in the Basin Fruitland Coal Gas Pool, comprising the entire Basin Fruitland Coal Participating Area within the Rosa Unit, excluding uncommitted or partially committed tracts. The project area so established consists of the lands described in Finding Paragraph (6) of this Order.

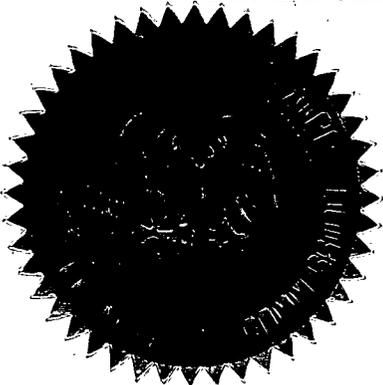
(2) Notwithstanding any other applicable rule, no horizontal well shall be drilled in the project area so established having any part of its completed interval (as defined in proposed amendment to Rule 19.15.16.7 NMAC, filed in Case No. 14744 before the Oil Conservation Commission) within, or within 660 feet of the outer boundary of, any spacing unit that includes a tract that is either uncommitted or partially committed to the Rosa Unit, without the consent of the owners of uncommitted tract or interest.

(3) In the event of any expansion of the Fruitland Coal Participating Area within the Rosa Unit, whether by approval of the addition of one or more drill blocks to

the Participating Area, or by commitment of additional tracts or interests, the operator of the Rosa Unit may expand the project area hereby established to conform to such expansion by filing a Form C-102 describing the expansion with the Aztec District Office of the Division, and simultaneously mailing or delivering a copy thereof to the New Mexico State Land Office.

(4) 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

A handwritten signature in cursive script, appearing to read "Jami Bailey".

JAMI BAILEY
Director