

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



July 3, 2008
Administrative Order NSL-5851

Williams Production Co., LLC
Attention: Ms. Heather Riley
P.O. Box 640
Aztec, New Mexico 87410

Dear Ms. Riley:

Williams NSL Application: Rosa Unit Well No. 88C

API No. 30-045-34458
1060' FNL & 2230' FEL, Unit B, (Surface)
330' FNL & 2310' FWL, Unit C, (Bottom Hole)
Section 8, T-31 North, R-6 West, NMPM,
San Juan County, New Mexico

Reference is made to the following:

- (a) Williams Production Company's ("Williams") application for a non-standard well location (***administrative application reference No. pKVR0813534623***) for the Rosa Unit Well No. 88C that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on May 13, 2008; and
- (b) the Division's records pertinent to Williams' request.

Williams requests authority to drill its Rosa Unit Well No. 88C to test the **Basin-Dakota (Prorated Gas-71599) and Blanco-Mesaverde (Prorated Gas-72319) Pools** to a non-standard gas well location for the Dakota formation 330 feet from the North line and 2310 feet from the West line (Unit C) of Section 8, Township 31 North, Range 6 West, NMPM, San Juan County, New Mexico. The W/2 of Section 8 is to be dedicated to the well in the Basin-Dakota Gas Pool forming a standard 320-acre gas spacing and



proration unit, and the well is also to be dedicated to an existing standard 320-acre gas spacing and proration unit in the Blanco-Mesaverde Gas Pool comprising the W/2 of Section 8. The Basin-Dakota and Blanco-Mesaverde Gas Pools are currently governed by special pool rules established by Division Order No. R-10987-B(2), as amended, which provide that for wells located within federal exploratory units:

- (a) a standard unit shall consist of 320 acres, more or less, comprising the N/2, S/2, E/2 or W/2 of a governmental section; and
- (b) wells may be drilled no closer than 10 feet from any section, quarter-section, or interior quarter-quarter section line or subdivision inner boundary; provided however, that in order to qualify for the more lenient well setback requirements, the well and gas proration unit (GPU) must meet the following criteria:

the well must be located within a GPU that is fully committed to the unit and must not be located adjacent to an existing or prospective GPU that is non-committed or partially committed to the unit;

the well must be located within a GPU that is within the Participating Area (PA) for that formation and must not be located adjacent to an existing or prospective GPU that is not within the producing area (PA) for that formation.

Williams' application stated that the well was staked at the proposed location after consideration of engineering drainage data from existing Mesaverde gas wells, and in order to maximize the recovery of gas from the Mesaverde formation. The location is standard for the Blanco-Mesaverde Gas Pool since the proposed GPU and the adjacent GPU's are fully committed to the unit and are within the Mesaverde PA. However, the location is unorthodox for the Basin-Dakota Gas Pool since the proposed GPU and several of the adjacent GPU's are not located within the Dakota PA.

It is our understanding that the well will be spudded on a standard surface location and the horizontal (producing) portion of the well bore is non-standard in the Dakota. Horizontal drilling is governed by Division Rule 19.15.3.111.

Williams intends to complete the well as a dual horizontal well thereby capturing the reserves from the Dakota and the Mesaverde with a single well bore. Utilizing a single well bore for a dual completion will also negate the need for additional disturbance of another wellpad, road and pipeline.

Williams is the offset operator of the affected acreage, being the E/2 of Section 8. Williams stated in its application that the interest ownership between the W/2 and the E/2 of Section 8 is common, therefore, notice of this application to any offset interest owner is not required.

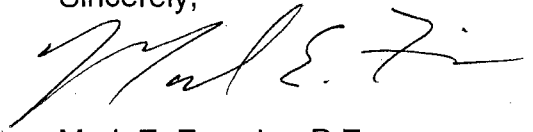
Division records show that the Rosa Unit Well No. 88C will be the fourth well producing from the Blanco-Mesaverde Gas Pool, and the first well producing from the Basin-Dakota Gas Pool within the W/2 of Section 8.

Pursuant to the authority granted under the provisions of Division Rule 19.15.3.104.F(2), the above-described unorthodox gas well location in the Basin-Dakota Gas Pool is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', written in a cursive style.

Mark E. Fesmire, P.E.
Division Director

MEF/tw

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