

HOLLAND & HART^{LLP}



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February 17, 2009

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

Case 14291

Re: **Application of Williams Production Company, LLC for exceptions to the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool for a pilot project to determine the proper well density requirements for Mesaverde formation wells, 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 the legal advertisement. Williams Production Company, LLC requests that this matter be placed on the docket for the March 19, 2009 Examiner hearings.

Very truly yours,

William F. Carr

Enclosures

cc: Mr. Ken McQueen
Williams Production Company

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

APPLICATION OF WILLIAMS PRODUCTION COMPANY, LLC FOR EXCEPTIONS TO THE SPECIAL RULES AND REGULATIONS FOR THE BLANCO-MESAVERDE GAS POOL FOR A PILOT PROJECT TO DETERMINE THE PROPER WELL DENSITY REQUIREMENTS FOR MESAVERDE FORMATION WELLS AND APPROVAL OF UNORTHODOX WELL LOCATIONS FOR PROJECT WELLS, SAN JUAN AND RIO ARriba COUNTIES, NEW MEXICO.

CASE NO. 14291

APPLICATION

Williams Production Company, LLC ("Williams"), through its undersigned attorneys, hereby makes application for exceptions to the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool for a two year pilot project in the Mesaverde formation for the purpose of determining the appropriate well density for Mesaverde formation wells.

In support of its application, Williams states:

1. Williams is an interest owner in and the operator of the Rosa Unit comprised of approximately 54,209.49 acres of land located in San Juan and Rio Arriba Counties, New Mexico. Williams operates wells located in the Rosa Unit that produce natural gas from the Blanco-Mesaverde Gas Pool.

2. This pool is governed by the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool which provide for 320-acre gas proration units (GPU) [Rule I.A] with up to four (4) wells drilled on each standard GPU. [Rule 1.B(1)] Wells may be drilled no closer than 660 feet to the outer boundary of the GPU and no closer than 10 feet to any interior quarter-quarter line or subdivision inner boundary. [Rule I.C(1)]

3. Williams desires to conduct a pilot project in the Mesaverde formation in a project area comprised of the following acreage:

TOWNSHIP 31 NORTH, RANGE 6 WEST, NMPM

Sections 1-5: All

Sections 8-17: All

Sections 21-26: All

TOWNSHIP 32 NORTH, RANGE 6 WEST, NMPM

Sections 32-36: All

4. The purpose of this pilot project is to study the feasibility of increased density for all Mesaverde formation wells in the Rosa Unit Area to permit the drilling of one additional wells on each 320-acre GPU (effective 40-acre spacing).

5. The Mesaverde formation demonstrates the following characteristics:

- A. low permeability enhanced by varying degrees of natural fracturing; and
- B. variable depositional environments.

6. Analysis of existing data on this formation suggests that increasing the well density to five wells for each 320-acre GPU would increase the recoverable reserves from each unit.

7. Based on the current data available there is a need for a pilot project to study the current density and ultimate recovery of gas from this formation.

8. The data currently available on the Mesaverde formation is inadequate to enable Williams to determine the proper well density and ultimate recoverable reserves that can be produced from the formation.

9. Williams therefore desires to initiate a pilot program for the drilling of infill wells in this formation to obtain geological and engineering data to enable it to study and ascertain the appropriate spacing requirements for this formation.

10. The pilot project is intended to accomplish the following:

- (A) acquisition of pressure measurements in inter-well areas;
- (B) acquisition of open-hole well log data to permit study of pay sand continuity;
- (C) provide actual production data to verify the absence of significant interference between wells;
- (D) improve estimates of original gas-in-place and recoverable reserves; and
- (E) evaluate the economic success of infill development.

11. Williams proposes to drill pilot project wells in 2009 within existing Participating Areas as long as the wells are located no closer than the required minimum orthodox distance (660 feet) to the outer boundary of the Rosa Unit Area and from uncommitted acreage within the boundaries of the Unit.

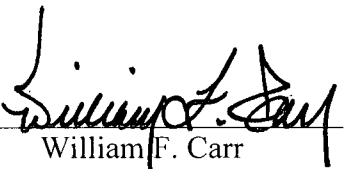
12. Notice of this application has been provided in accordance with Division Rules. These affected parties are identified on Exhibit A to this application.

13. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Williams Production Company requests that this application be set for hearing before an examiner of the Oil Conservation Division on March 19, 2009, and after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted,

HOLLAND & HART LLP

By: 
William F. Carr
Ocean Munds-Dry

ATTORNEYS FOR WILLIAMS
PRODUCTION COMPANY

EXHIBIT A

APPLICATION OF WILLIAMS PRODUCTION COMPANY FOR EXCEPTIONS TO THE SPECIAL RULES AND REGULATIONS FOR THE BLANCO-MESAVERDE GAS POOL FOR A PILOT PROJECT TO DETERMINE THE PROPER WELL DENSITY REQUIREMENTS FOR MESAVERDE FORMATION WELLS AND APPROVAL OF UNORTHODOX WELL LOCATIONS FOR PROJECT WELLS, SAN JUAN AND RIO ARriba COUNTIES, NEW MEXICO.

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CASE 14296 Application of Williams Production Company for exceptions to the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool for a pilot project to determine the proper well density requirements for Mesaverde formation wells, San Juan and Rio Arriba Counties, New Mexico. Applicant seeks exceptions to the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool for a two year Pilot Project in the Rosa Unit Area to be comprised of the following lands located in San Juan and Rio Arriba, Counties, New Mexico:

TOWNSHIP 31 NORTH, RANGE 6 WEST, NMPM

Sections 1-5: All

Sections 8-17: All

Sections 21-26: All

TOWNSHIP 32 NORTH, RANGE 6 WEST, NMPM

Sections 32-36: All-

Applicant also seeks the authorization to drill additional wells on each standard 320-acre gas proration unit in the pilot project area to increase density from the current maximum of four wells as provided by The Special Rules and Regulations for the Blanco-Mesaverde Gas Pool, to a maximum of eight wells (40-acre infill wells) per 320-acre gas proration unit. This area is located approximately 9 miles southeast of Arboles, Colorado.