

PAUL BACA PROFESSIONAL COURT REPORTERS

**OIL CONSERVATION
DIVISION**

CASE #: 14289

EXHIBIT

1

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. 14146
ORDER NO. R-12991

APPLICATION OF WILLIAMS PRODUCTION COMPANY, LLC FOR
ESTABLISHMENT OF A DOWNHOLE COMMINGLING "REFERENCE
CASE" AND PRE-APPROVAL OF DOWNHOLE AND SURFACE
COMMINGLING OF PRODUCTION FROM ALL FORMATIONS AND/OR
POOLS IN THE ROSA UNIT FROM EXISTING AND FUTURE WELLS, 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 August 7, 2008, at Santa Fe, New Mexico, before Examiner Terry Warnell.

NOW, on this 5th day of September, 2008, 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, LLC ("Williams"), seeks to downhole commingle the gas from pools in the Rosa Unit, in any combination of pools in all existing and future wells pursuant to Division Rule 303.B, and seeks an exception to the provisions of Division Rule 303.A to authorize surface commingling without additional notice or hearing of hydrocarbon production from all current or future productive formations in the Rosa Unit ("the Unit") Area.

(3) Williams, pursuant to the provisions of Division Rule 303.C(4)(a), also seeks to establish a downhole commingling reference case to provide for modification of notification rules on a unit-wide basis for downhole commingling of gas production within existing or future wells producing from the Rosa Unit in San Juan and Rio Arriba

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No.14289 Exhibit No. 1
Submitted by:
Williams Production Co., LLC
Hearing Date: March 19, 2009

Counties, New Mexico.

(4) Williams is the present operator of the Rosa Unit, which was approved by Division Order No. 759, Case No. 133 dated April 22, 1948, and which currently encompasses 54,209.49 acres, more or less, of Federal, State, and fee owned lands in San Juan County, New Mexico, as described below:

Township 32 North, Range 6 West, NMPM

Sections 32 through 36: All

Township 31 North, Range 6 West, NMPM

Sections 1 through 5: All

Sections 8 through 17: All

Section 21 through 26: All

Township 31 North, Range 5 West, NMPM

Sections 3 through 36: All

Township 31 North, Range 4 West, NMPM

Sections 1 through 31: All

(5) According to Division records, the Rosa Unit currently has approximately 610 wells with 592 wells reporting production. The Dakota, Mesaverde, Fruitland Coal, Pictured Cliffs and Mancos formations have produced to date within the Unit from the following pools: Basin-Dakota Prorated Gas (71599), Basin Fruitland Coal Gas Pool (71629), Rosa Pictured Cliffs Gas (96175), East Blanco Pictured Cliffs Pool (72400), Carracas-Pictured Cliffs Pool (96154), Blanco Mesaverde Pool (72319), Cottonwood-Fruitland Sand Pool (75320), Laguna Seca Gallup Pool (79870), Cedro Gallup Pool (96467), Willow Gallup Pool (96379) and Basin Mancos Gas Pool (97232).

(6) In support of its application, Williams Production Company appeared through its attorney and presented evidence and testimony, which shows:

(a) The interest ownership between wells in the Rosa Unit is generally not common, since the Participating Areas for each formation do not necessarily cover the same aerial extent. Because of this, Williams is currently required to notify approximately 145 owners by certified mail every time an application for surface commingling or downhole commingling is submitted to the Division.

(b) None of these wells is producing at top allowable or is expected to produce at top allowable. The Dakota formation has historically produced the largest volume of gas within the Unit, followed by the Pictured Cliffs formation and then the Fruitland Coal formation.

(c) Williams intends to surface commingle these wells in order to decrease the number of required gas compressors and other surface facilities. Williams will install and maintain separate allocation meters on all commingled wells. Fuel gas will be allocated to each well based on that well's metered gas production and its percentage of the total gas entering each compressor.

(d) Approval of this application will not reduce the value of the commingled production or otherwise adversely affect the interest owners within the Unit. 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.

(7) The proposed commingling of production should reduce operating expenses, increase efficiency of operations, increase the amount of gas gathered and sold, lower the reservoir abandonment pressure, and increase the life of the project.

(8) Williams has provided notice of this application and of this hearing to all interest owners within the Unit including the United States Bureau of Land Management ("BLM") and the New Mexico State Land Office. This application was unopposed with no other parties entering an appearance.

(9) Pre-approval of the notification necessary to surface commingle production from wells located in the Unit or downhole commingle wells within the Unit will be in the best interest of conservation, will increase the volume of gas recovered from the unit thereby preventing waste, and will protect the correlative rights of all interest owners in the Unit, and should therefore be approved.

(10) Approval of this proposed reference case will not adversely or otherwise influence the accuracy of William's production splits from each of the formations within the downhole commingled wells, and will not absolve Williams of Division or other legal requirements to keep accurate records of production between pools and therefore to protect owner's rights and prevent waste.

(11) Williams should be allowed to use this Division order number in this case as a reference when applying for commingling within the Unit. When applying, Williams should follow the instructions in Division Rule 303.B(3)(b) by submitting a Sundry form and production schematic as is required for identically owned Pool commingles, and should reference this order as proof of notice to diverse interest owners.

IT IS THEREFORE ORDERED THAT:

(1) The application of Williams Production Company, LLC (OGRID 120782) for pre-approval of downhole commingling and surface comingling from all current and future wells producing from all current or future pools within the 54,209.49

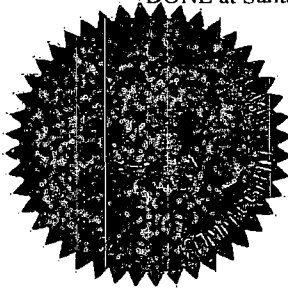
acres, more or less, Rosa Unit, San Juan and Rio Arriba Counties, New Mexico is hereby approved.

(2) The application of Williams Production Company, LLC to establish a reference case for modification of notice rules on a unit-wide basis for downhole commingling and surface comingling of gas and oil production within existing and future wells within the Rosa Unit, San Juan and Rio Arriba Counties, New Mexico is hereby approved.

(3) Henceforth, the procedure used to obtain Division authorization to surface commingle production within this Unit shall be as required in Division Rule 303.C(3)(b) for identically owned Pool commingles. The applicant shall submit a form C-103 to the Division and shall reference this order as proof of notice to diverse interest owners. Separately owned production streams that are surface commingled shall be equipped with allocation meters. The allocation meters shall be calibrated quarterly. There shall be no mandatory suspense or waiting period prior to approving such applications.

(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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.
Director