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3160 (9200)

United States Department of the Interior

BUREAU OF LAND MANAGEMENT

New Mexico State Office

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Santa Fe, New Mexico 87502-0115

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July 28, 2010

Mark Fesmire
New Mexico Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Reference is made to Case No. 14463, whereby Williams Production Company (Williams) is seeking approval from the New Mexico Oil Conservation District (NMOCD) to use a closed loop drilling mud system for the Rosa Salt Water Disposal (SWD) No. 2, and burial of associated drill cuttings and completion waste at an off-site well location within the Rosa Unit. The proposed off-site well locations are the Rosa Unit No. 634B and the Rosa Unit No. 635C. A closed loop system is necessary due to shallow groundwater concerns at the Rosa SWD No. 2 well location.

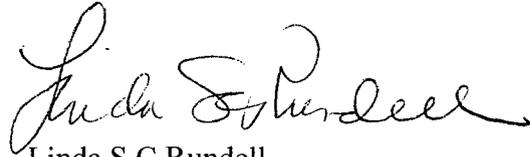
Although the Bureau of Land Management (BLM) Farmington Field Office (FFO) met with Williams in March, 2010, to discuss Williams' proposal to NMOCD, no formal application for a closed loop drilling mud system and off-site burial of drilling wastes has been received by the FFO. The original application submitted to the FFO was in the form of an Application for Permit to Drill (APD), in which Williams requested approval to dispose of the drilling wastes into an earthen reserve pit. Therefore, at this time, the BLM has only granted Williams approval for disposal of drilling wastes within an earthen reserve pit - not for a closed loop drilling mud system with off-site disposal. The BLM approved the APD for the Rosa SWD No. 2 on November 23, 2009.

Since a closed loop drilling mud system is necessary to mitigate potential impacts to groundwater, if Williams proposed to dispose of the drilling wastes at an off-site location, Williams would be required to submit a written variation request, BLM Sundry Notice, Form 3160-5, to the FFO. Upon receipt of the Sundry Notice, the FFO will then evaluate the existing environmental analysis performed for the subject wells to determine if it is adequate to allow for the variation or complete additional environmental analysis.

Given the desire of all parties to meet resource conservation needs in concert with the NMAC 19.15.17, "Pits, Closed Loop Systems, Below-grade Tanks and Sumps", and with the understanding that the NMOCD will be considering better ways to operate within this rule, we would like to discuss with you the opportunity to participate in this process. We feel it is imperative that both agencies and other relevant parties work together in evaluating acceptable methods of drilling waste disposal.

Please contact Mike Tupper, Acting Deputy State Director, at 505-954-2138 to discuss this opportunity and to arrange future meetings.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda S.C. Rundell". The signature is fluid and cursive, with a large initial "L" and "R".

Linda S.C. Rundell
State Director

cc:
NMF0000

Williams Production Co, LLC
PO Box 640
Aztec, NM 87410