

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

September 20, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Williams Production Company, L.L.C.

c/o **Holland & Hart LLP**

P. O. Box 2208

Santa Fe, New Mexico 87504-2208

Attention: William F. Carr

Administrative Order NSL-5458 (BHL)

Dear Mr. Carr:

Reference is made to the following: (i) your application on behalf of the operator, Williams Production Company, L.L.C. ("Williams") dated June 12, 2006 (***administrative application reference No. pTDS0-616455229***); (ii) your telephone conversations with Mr. Michael E. Stogner, Staff Engineer with the Division in Santa Fe, on August 7 and 8, 2006; (iii) your meeting with Mr. Stogner on Tuesday afternoon, August 8, 2006; (iv) Mr. Stogner's verbal request for additional information on August 17, 2006; (v) Ms. Ocean Munds-Dry's e-mail of August 28, 2006 with the supplemental that Mr. Stogner requested on August 8 and 17, 2006; (vi) yours and Mr. Stogner's subsequent telephone conversations and meetings, including Wednesday afternoon, September 20, 2006; and (vii) the Division's records in Aztec and Santa Fe, including the files on Williams' previous administrative filing (***see administrative application reference No. pSEM0-518625438***) and Division Case No. 13744: all concerning Williams' request for exception to Division Rules 111.A (13) and 111.C (2), and Rule 7 (a) of the "*Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool*," as promulgated by Division Order No. R-8768, as amended.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Division Rules 104.F, 111.A (13), 111.C (2), and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005]; and the applicable provisions of the special rules governing the Basin-Fruitland Coal (Gas) Pool (**71629**).
- (2) The "project area" that is the subject of this application comprises a single standard 320-acre lay-down gas spacing unit consisting of the N/2 of Section 10, Township 31 North, Range 5 West, NMPM, Rio Arriba County, New Mexico.
- (3) The special rules governing the Basin-Fruitland Coal (Gas) Pool provide for 320-acre gas spacing units, infill drilling with one well per quarter section, and for wells to be located no closer than 660 feet from any outer boundary of the spacing unit nor closer than 10 feet from any quarter-quarter section line or subdivision inner boundary.

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- (4) Information provided within your application and the Division's records indicate that Williams recently drilled (spud date: October 27, 2005) its Rosa Unit Well No. 350 (*API No. 30-039-29366*) from a surface location 1290 feet from the North line and 170 feet from the West line (Unit D) of Section 11, Township 31 North, Range 5 West, NMPM, Rio Arriba County, New Mexico and completed the well within the Basin-Fruitland Coal (Gas) Pool in the offsetting N/2 of Section 10 with a horizontal drainhole in the following manner.
- (a) The vertical portion of the well was drilled to a depth of 3,100 feet at which point the wellbore was kicked-off in a west-northwesterly direction at a build rate of 12 degrees per 100 foot of depth.
 - (b) The wellbore crossed from Section 11 into Section 10 at an approximated depth of 3,617 feet (MD).
 - (c) A 90-degree inclination in the wellbore was achieved at a measured depth of 4,078 feet at a corresponding subsurface location approximately 1119 feet from the North line and 437 feet from the East line (Unit A) of Section 10.
 - (d) The top of the Basin-Fruitland coal gas formation was intersected by the wellbore at a measured depth of 3,543 feet (as reported by Williams) at a corresponding subsurface location approximately 1246 feet from the North line and 50 feet from the West line (Unit D) of Section 11.
 - (e) On November 16, 2005, a total depth of 5,575 feet was reached at a subsurface location approximately 791 feet from the North line and 1896 feet from the East line (Unit B) of Section 10.
 - (f) A 7-inch production string of casing was set at 3,860 feet [subsurface location approximately 1177 feet from the North line and 227 feet from the East line (Unit A) of Section 10] and cemented to the surface.
 - (g) The following described 4-1/2 inch liner was set in the well from 3,088 feet to 5,574 feet:
 - (i) Four joints of non-perforated pipe at the top.
 - (ii) With 56 joints of pre-perforated pipe at the bottom end.
 - (iii) Liner perforations are from 3,260 feet (MD) to 5,570 feet (MD) for a 2310 feet perforated interval with 24 holes (0.50-inch diameter) per foot totaling 55,440 holes.
 - (iv) The liner was not cemented.

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- (5) The resulting productive interval of this wellbore extends a distance of 1,715 feet from the 7-inch production-casing shoe to total depth; therefore, the first 440 feet, more or less, of this wellbore is considered unorthodox pursuant to the setback requirements of the special pool rules governing the Basin-Fruitland Coal (Gas) Pool and Division Rule 111.A (13).
- (6) It appears that the applicant has satisfied all of the appropriate requirements prescribed in Division Rule 111.C (2) and Rules 7 (b) and 8 of the Basin-Fruitland coal gas special pool rules; therefore, the subject application should be approved.
- (7) The provisions contained within this order and all other applicable provisions of Division Rule 111 and Division Order No. R-8768, as amended, should govern the subject well and 320-acre gas spacing unit/project area.

It Is Therefore Ordered That:

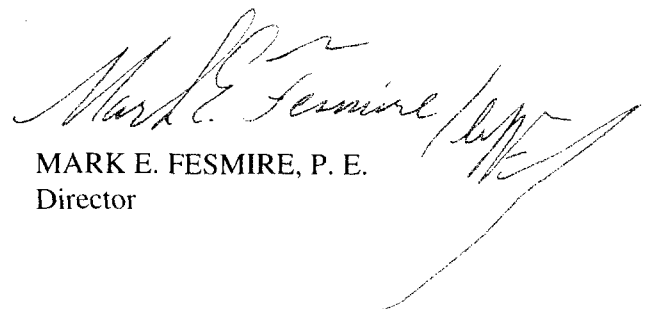
(1) Williams Production Company, L.L.C. ("Williams") is hereby authorized to continue operating its horizontal/high angle directional drilling "Project Area" within the standard 320-acre lay-down gas spacing unit comprising the N/2 of Section 10, Township 31 North, Range 5 West, NMPM, Basin-Fruitland Coal (Gas) Pool (**71629**), Rio Arriba County, New Mexico, in which its above-described Rosa Unit Well No. 350 (**API No. 30-039-29366**) is herein dedicated.

(2) The operator of this gas spacing unit shall comply with all applicable provisions and conditions set forth in Division Rule 111 and Division Order No. R-8768, as amended.

(3) Jurisdiction of this cause 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


MARK E. FESMIRE, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Aztec
U. S. Bureau of Land Management – Farmington
File: Case No. 13744