



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



June 11, 2011

Williams Production Company
c/o Ms. Ocean Munds-Dry
Holland & Hart, LLP
P.O. Box 2208
Santa Fe, NM 87504

Administrative Order SD-201105

**Re: Williams Production Company
Schalk 32 Well No. 1A
API No. 30-039-30915
1965 FNL & 660 FWL
Unit E, Section 32-31N-4W
Rio Arriba County, New Mexico**

Dear Ms Munds-Dry:

Reference is made to the following:

(a) your application (**administrative SD application reference No. pTGW11-11152859**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on April 21, 2011, on behalf of Williams Production Company (Williams) [OGRID 120782];

(b) your supplemental e-mail communication dated May 20, 2011; and

(c) the Division's records pertinent to this request.

Williams has requested to simultaneously dedicate the N/2 of Section 32, Township 31 North, Range 4 West in Rio Arriba County, New Mexico, in the Basin Fruitland Coal Gas Pool, to:

(a) its proposed Schalk 32 Well No. 1A (API No. 30-039-30915) (the proposed well), a horizontal gas well to be drilled to the Fruitland Coal formation from an orthodox surface

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location 1965 feet from the North line and 660 feet from the West line (Unit E) of Section 32 to an orthodox terminus, or bottom-hole location, 1800 feet from the North line and 1500 feet from the East line (Unit G) of said Section; and

(b) its existing Schalk 32 Well No. 1 (API No. 30-039-25257) (the existing well), a vertical gas well completed in the Fruitland Coal formation at an orthodox surface and bottom hole location 790 feet from the North line and 1055 feet from the East line (Unit A) of Section 32.

The N/2 of Section 32 is a standard 320-acre, more or less, gas spacing unit in the Basin Fruitland Coal Gas Pool (71629). Well density in this pool is governed by the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool, as amended by Order No. R-8768-F, effective July 17, 2003, which, as applied to this unit, allow two wells to be completed in the unit, but require that the wells be in different quarter sections. Because the proposed well will be completed within both quarter sections of this 320-acre unit, and the existing well is producing from the Fruitland Coal in one of those quarter sections, division approval for simultaneous dedication is required.

Your application on behalf of Williams has been duly filed under the provisions of Division Rules 15.11.C [19.15.15.11.C NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

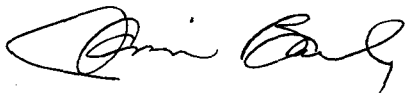
It is our understanding Williams has proposed the simultaneous dedication of this unit to the two wells described for geologic and engineering reasons, in order to prevent waste and maximize production from this unit.

We further understand that all affected persons who are owners of interests in offsetting units within the Fruitland Coal formation have been duly notified of the filing of this application.

Pursuant to the authority granted by Rule 15.11.C [19.15.15.11.C NMAC], the above-described simultaneous dedication is hereby approved.

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 "Jami Bailey", is written over a horizontal line.

Jami Bailey
Director

JB/db

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