

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. 14290
ORDER NO. R-13204

APPLICATION OF WILLIAMS PRODUCTION COMPANY, LLC FOR APPROVAL OF AN EXCEPTION TO THE PROVISIONS OF RULE 19.15.16, OR IN THE ALTERNATIVE, A SPECIAL RULE FOR THE ROSA UNIT, THAT AUTHORIZES THE USE OF THE POINT WHERE THE DIRECTIONAL WELLBORE PENETRATES THE TOP OF THE PRODUCING INTERVAL WITHIN THE POOL AS THE PENETRATION POINT FOR THE DIRECTIONAL WELLS IN THE ROSA UNIT AREA, 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 October 15, 2009, at Santa Fe, New Mexico, before Examiner Terry Warnell.

NOW, on this 17th day of December, 2009, 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 the subject matter.

(2) Williams Production Company, LLC ("Williams" or "Applicant"), seeks approval for an exception to the provisions of Rule 19.15.16, or in the alternative, a special rule for the Rosa Unit, that authorizes the use of the point where a directional wellbore penetrates the producing interval within a pool as the penetration point for directional wells in the Rosa Unit Area.

(3) Williams is an interest owner and the operator of the Rosa Unit that was approved by Order No. 759 on April 22, 1948, and is comprised of approximately

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 14642 Exhibit No. 4
Submitted by:
BLACK HILLS GAS RESOURCES, INC.
Hearing Date: June 23, 2011

54,209.49 acres of land located in San Juan and Rio Arriba Counties, New Mexico. The Unit Area is more particularly defined as follows:

TOWNSHIP 31 NORTH, RANGE 4 WEST, NMPM

Sections 1 through 31: All

TOWNSHIP 31 NORTH, RANGE 5 WEST, NMPM

Sections 3 through 36: All

TOWNSHIP 31 NORTH, RANGE 6 WEST, NMPM

Sections 1 through 5: All

Sections 8-17: All

Sections 21-26: All

TOWNSHIP 32 NORTH, RANGE 6 WEST, NMPM

Sections 32 through 36: All

(4) Williams plans to drill a number of horizontal wellbores in the Rosa Unit Area to produce the reserves.

(5) Division Rule 19.15.16 governs the drilling of directional wells and defines the "producing interval" as "that portion of a directional well drilled inside a pool's vertical limits between its penetration point and its terminus." 19.15.16.7.H NMAC.

(6) Division Rules also define "penetration point" as "the point where a directional well penetrates the top of the pool from which it is intended to produce." 19.15.16.7.F NMAC.

(7) In the Rosa Unit, the defined top of the pools from which Williams will produce hydrocarbons is significantly above the top of the zone or interval which Williams expects to perforate and produce within the pool.

(8) Compliance with the provisions of Rules 16.7 and 14 NMAC prevent the penetration of a significant portion of the productive zone or interval within the pool, unless the well penetrates the pool at a non-standard location for which an exception is required pursuant to Rule 16.14.B (2) and the definitions in Rule 16.7. This is true because the well must be deviated with the portion between the top of the formation and where the wellbore intersects the producing zone within the formation.

(9) Compliance with these rules impairs Williams' ability to efficiently and effectively produce the reserves under each directional well's producing area in the Rosa Unit thereby impairing its correlative rights and causing waste.

(10) Williams produced one witness at this hearing, Ken McQueen, Jr. the Regional Director for the San Juan Asset Team who testified as follows:

- (a) Under current rules, obtaining the maximum horizontal lateral in a spacing unit is not possible without a NSL application.
- (b) A better definition of the penetration point and the producing interval is needed.
- (c) These changes would maximize the horizontal length of the lateral wellbore and prevent waste.
- (d) This would also allow Williams to utilize many existing well pads in the Rosa Unit.

(11) Williams requests that for the purpose of developing the formations and pools in the Rosa Unit, the Division authorize the penetration point for directional wells to be the point where a directional wellbore penetrates the top of the producing interval within a formation from which it is intended to produce.

(12) Representatives of Williams met with the Bureau of Land Management (BLM) and Steve Hayden of New Mexico Oil Conservation Division (NMOCD) regarding this application.

(13) Steve Hayden, District 3 Geologist, testified by phone that the Aztec office has no concerns regarding the application and is in total support of it.

(14) This authorization will permit the access to more of the producing formation with the directional/horizontal portion of the wellbore resulting in more efficient production of these reserves thereby preventing waste.

(15) This authorization will not impair the correlative rights of any interest owner, for no well will have perforations in, or produce from, any reservoir from a point that is closer to the outer boundary of the well's project area than permitted by existing spacing rules.

IT IS THEREFORE ORDERED THAT:

(1) Williams Production Company, LLC ("Williams" or "operator") is hereby authorized an exception to the provisions of Division Rule 19.15.16, and allowed to use the casing shoe of the cemented intermediate string within a pool as the "penetration point" or, if the production string is cemented, at the occurrence of the first perforation, for directional wells drilled in the Rosa Unit Area.

(2) In such wells, the "producing interval" shall be from the modified penetration point, as defined in Ordering Paragraph 1, to the terminus.

(3) The wells shall be drilled, cased, and cemented using information gathered during drilling and according to the requirements of the District. A cement bond log shall

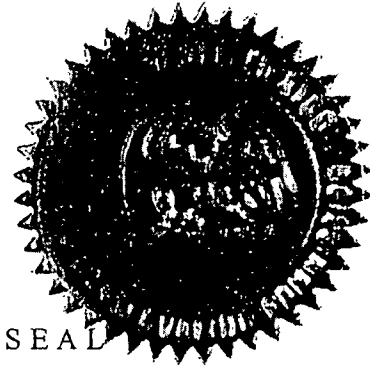
be run from total depth to the surface on any casing which did not circulate cement to the surface.

(4) Compliance with this order does not relieve the operator of the obligation to comply with other applicable federal, state or local laws or rules, or to exercise due care for the protection of fresh water, public health and safety and the environment.


(5) The Division may, after notice and hearing, or without prior notice and hearing in the event of an emergency, terminate the authority granted herein.

(6) 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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


MARK E. FESMIRE, P.E.
Director