

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. 14663
ORDER NO. R-13200-C

APPLICATION OF WILLIAMS PRODUCTION CO., LLC FOR AN
EXCEPTION TO THE SPECIAL RULES AND REGULATIONS FOR THE
BASIN MANCOS GAS POOL TO INCREASE THE WELL DENSITY
REQUIREMENTS IN THE ROSA UNIT, 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 July 7, 2011 and August 18, 2011, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 1st day of December, 2011, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.

(2) Williams Production Co., LLC ("Applicant") seeks an order increasing the number of wells that may be completed in, and simultaneously produced from, the Basin Mancos Gas Pool, within the boundaries of the Rosa Unit, from four wells per 320-acre spacing unit to eight wells per spacing unit.

(3) The Rosa Unit is an existing federal exploratory unit that comprises 54,209.49 acres, more or less, in San Juan and Rio Arriba Counties, New Mexico, specifically described in Finding Paragraph (3) of Order No. R13200-B, issued on February 15, 2010.

(4) Applicant is the operator of the Rosa Unit.

(5) The Mancos formation in the Rosa Unit is located within the horizontal boundaries of the Basin Mancos Gas Pool (Pool Code 97232).

(6) Spacing and well density within the Basin Mancos Gas Pool are governed by the Special Rules for the Basin Mancos Gas Pool, promulgated in Order No. R-12984, issued on September 3, 2008. These rules provide for standard 320-acre spacing units, each consisting of one half of a governmental section, and allow up to four wells per spacing unit.

(7) By Order No. R-13200-B, the Division dispensed with the well location requirements of existing pool rules for certain pools, including the Basin Mancos Gas Pool, as applied to wells within the Rosa Unit, so long as such wells are located at least 660 feet from the outer boundary of the Rosa Unit and at least 660 feet from any non-committed or partially committed tract, and not closer than 10 feet to any interior quarter section or quarter-quarter section line or subdivision inner boundary. However, that order did not dispense with the provisions of pool rules limiting the number of wells that may be simultaneously dedicated to a spacing unit.

(8) At the hearing, Applicant appeared through counsel, and presented the testimony of a petroleum engineer as follows:

(a) The Basin Mancos formation within the Rosa Unit includes a shale section approximately 1800 feet in thickness. The challenge is to identify specific intervals of reservoir quality rock within the shale in which wells can be placed to maximize production.

(b) Applicant employed a confidential and proprietary method described in testimony and exhibits presented under seal to identify prospective zones within this shale. By this method Applicant has identified four separate and distinct intervals that appear prospective. The distinctness and continuity of these intervals across the area tested indicate that this is a favorable area for development by drilling horizontal laterals into each of these intervals.

(c) In order to determine the potential drainage areas of each horizontal lateral, Applicant employed another confidential and proprietary method (also described in sealed testimony and exhibits), which enables an analyst to calculate stimulated reservoir area (SRA) during the fracture stimulation process. The SRA values thus derived define the upper limits of potential drainage area for a fracture stimulated horizontal lateral within this type of formation.

(d) Applicant's tests indicate an SRA range of 183 to 206 acres for a one-mile lateral.

(e) Taking into consideration that the SRA describes a maximum drainage area per lateral, the derived SRA values indicate a need for two laterals

per 320-acre unit for each of the four identified zones of interests, or a total of eight laterals per spacing unit to fully produce the Mancos formation in the Rosa Unit.

(f) Applicant proposes to drill a separate well for each lateral, rather than branching laterals from a single wellbore, in order to have wellbores suitable for use of plunger lift if and when that method is indicated.

(9) San Juan Basin Resources, LLC appeared at the hearing through counsel, but specifically stated that they do not oppose the Application. No other party appeared in the case.

The Division concludes that:

(10) The testimony presented by Applicant demonstrates that there is a need to authorize up to eight wells per spacing unit in the Basin Mancos Gas Pool within the horizontal boundaries of the Rosa Unit in order to achieve maximum recovery of hydrocarbons.

(11) Granting of this Application will permit recovery of additional hydrocarbons that would not otherwise be recovered, thereby preventing waste, and will not impair correlative rights.

(12) The methods employed by Applicant to analyze the Mancos reservoir within the Rosa Unit are confidential and proprietary trade secrets of Applicant's contractor and its customers. Accordingly, the testimony and exhibits presented concerning such methods at the hearing in this case ought to remain sealed, pursuant to NMSA 1978 Section 71-2-8, as amended, unless otherwise ordered by the Division Director.

IT IS THEREFORE ORDERED THAT:

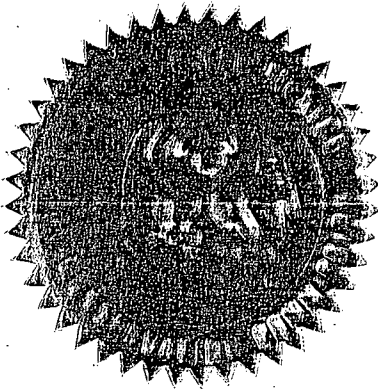
(1) Pursuant to the Application of Williams Production Co., LLC, and notwithstanding the provisions of the Special Rules for the Basin Mancos Gas Pool, as adopted by Order No. R-12984, issued on September 3, 2008, up to eight wells may be drilled into, and simultaneously produced from, the Basin Mancos Gas Pool on each spacing unit in said pool located within the Rosa Unit.

(2) The sealed testimony received at the hearing of this case, together with the exhibits admitted under seal (lettered Exhibits A-O) shall be kept under seal pursuant to NMSA 1978 Section 71-2-8, as amended, and shall not be disclosed to, nor shall inspection thereof be permitted by, any person other than the attorneys who appeared in this case, authorized employees of Applicant, or employees of the Division, and any person having custody of such sealed testimony or exhibits shall not divulge the contents thereof to, or allow inspection thereof by, any person not authorized access thereto as above provided, except with the express written authorization of Applicant, or pursuant to

written order of the Division Director after notice to Applicant and opportunity for hearing.

(3) 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

A handwritten signature in cursive script, appearing to read "Jami Bailey".

JAMI BAILEY
Director