

August 1, 2006

HAND-DELIVERED

Mark E. Fesmire, P. E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13766

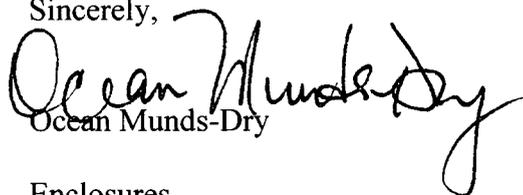
2006 JUL 32 PM 2 33

Re: Application of Williams Production Company for approval of two non-standard spacing units, San Juan County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the Application of Williams Production Company in the above-referenced case as well as a copy of a legal advertisement. Williams requests that this application be placed on the docket for the August 31, 2006 Examiner hearings.

Sincerely,


Ocean Munds-Dry

Enclosures

cc: Vern Hansen (w/enclosures)

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

2008 JUL 32 PM 2 33

**IN THE MATTER OF THE APPLICATION
OF WILLIAMS PRODUCTION COMPANY
FOR TWO NON-STANDARD GAS PRORATION
UNITS IN THE BASIN-DAKOTA POOL,
SAN JUAN COUNTY, NEW MEXICO**

CASE NO. 13766

APPLICATION

Williams Production Company ("Williams") through its undersigned attorneys, hereby makes application to the Oil Conservation Division for an order authorizing two non-standard gas proration units in the Basin-Dakota Pool, San Juan County, New Mexico and in support of its application states:

1. Williams is the operator of the Cox Canyon Unit located in Sections 8, 9, 16, 17, 20, 21 and 28, Township 32 North, Range 11 West, NMPM, San Juan County, New Mexico.
2. Williams seeks an exception to the spacing provisions of the Basin-Dakota Pool (71599) to allow development of Dakota gas production on two spacing and proration units ("GPU") previously approved for the Blanco-Mesaverde Pool (72319).
3. These two GPU's comprise the following lands: (1) E/2 W/2, W/2 E/2 of Section 17 containing 320 acres; (2) E/2 of Section 8 and the E/2 /E/2 of Section 17 containing 328.28 acres.
4. The spacing unit in Section 17 was approved for the Blanco-Mesaverde Gas Pool by Administrative Order NWU-162 on February 16, 1956.
5. The spacing unit in Section 8 and Section 17 was approved by Order R-784 on April 16, 1956.

6. Acreage requirements within the Basin-Dakota Prorated Gas Pool are governed by the "Special Rules for the Basin-Dakota Pool," as promulgated January 29, 2002, in Division Order R-10987(B)(2). These rules establish a standard GPU in the Basin-Dakota Pool as 320 acres, more or less, comprising any two contiguous quarter section that is a legal subdivision. The spacing units described above do not meet these requirements.

7. Williams is interested in drilling new wells in these spacing units to be completed in both the Mesaverde and Dakota formations.

8. Exhibit A to this application is a list of affected persons as defined by Division Rules. Williams has given notice to the listed parties and advised that if they have objection to this application it must be filed in writing in the Division's Santa Fe office within twenty days from the date this notice was sent.

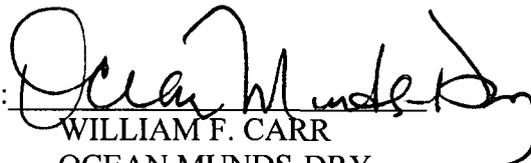
9. Approval of these non-standard spacing units will prevent waste and will protect correlative rights.

WHEREFORE, Williams Production Company requests this application be set for hearing before a Division Examiner on August 31, 2006 and, after notice and hearing as required by law, the Division enter its order approving the two non-standard gas proration units in the Basin-Dakota Pool, San Juan County, New Mexico.

Respectfully Submitted,

HOLLAND & HART LLP

By:



WILLIAM F. CARR
OCEAN MUNDS-DRY
Post Office Box 2208
Santa Fe, New Mexico 87504

Telephone: (505) 988-4421
ATTORNEYS FOR WILLIAMS PRODUCTION CO

EXHIBIT A

**APPLICATION OF
WILLIAMS PRODUCTION CO.
FOR TWO NON-STANDARD SPACING UNITS
SECTION 8 AND 17, TOWNSHIP 32 NORTH, RANGE 11 WEST, N.M.P.M.
SAN JUAN COUNTY, NEW MEXICO.**

Great Western Drilling Co.
P. O. Box 1659
Midland, TX 79702-1659

CASE _____: Application of Williams Production Company for two non-standard spacing units, San Juan County, New Mexico. Applicant in the above-styled cause seeks an exception to the spacing provisions of the Basin-Dakota Pool (71599) allowing development of Dakota gas production on the same two spacing and proration units previously approved for the Blanco-Mesaverde Pool (72319) in Sections 8 and 17 of Township 32 North, Range 11 West, NMPM. These two spacing units comprise the following lands: (1) E/2 W/2, W/2 E/2 of Section 17 containing 320 acres; (2) E/2 of Section 8 and E/2 E/2 of Section 17 containing 328.28 acres. Said area is located approximately 11 miles north of Aztec, New Mexico.



August 1, 2006

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

AFFECTED INTEREST OWNERS

Re: Application of Williams Production Company for approval two non-standard spacing units, San Juan County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Williams Production Company has filed the enclosed application with the New Mexico Oil Conservation Division seeking an exception to the spacing provisions of the Basin-Dakota Pool (71599) allowing development of Dakota gas production on the same two spacing and proration units previously approved for the Blanco-Mesaverde Pool (72319) in Sections 8 and 17 of Township 32 North, Range 11 West, NMPM. These two spacing units comprise the following lands: (1) E/2 W/2, W/2 E/2 of Section 17 containing 320 acres; (2) E/2 of Section 8, E/2 E/2 of Section 17 containing 328.28 acres.

This application has been set for hearing before a Division Examiner on August 31, 2006. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-Hearing Statement with the Oil Conservation Division's Santa Fe office located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505, four days in advance of a scheduled hearing, but at least on the Thursday preceding the hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Sincerely,

Ocean Munds-Dry

ATTORNEY FOR WILLIAMS PRODUCTION CO.