

NEW MEXICO OIL CONSERVATION COMMISSION

Case No. 12888 (De Novo)

Application of the Fruitland Coalbed Methane Study Committee to amend Rule 4 and 7 of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool for the purposes of amended well density requirements for coalbed methane wells in Rio Arriba, San Juan, McKinley and Sandoval Counties, New Mexico.

STATEMENT OF WILLIAMS PRODUCTION COMPANY

Williams Production Company is an interest owner in the Basin-Fruitland Coal Gas Pool and operates approximately 110 wells in this pool. Williams is a member of the Fruitland Coalbed Methane Study Committee and has fully participated in the work of this Committee and the development of the proposal for infill development of this reservoir that is now before the Oil Conservation Commission.

Williams supports the adoption of amendments to Rules 4 and 7 of the Special Pool Rules and Regulations for the Basin-Fruitland Coal Gas Pool to authorize infill drilling in both the Low Productivity Area and the High Productivity Area of the pool. The data upon which the Committee's recommendations are based establishes that infill development of this reservoir pursuant to rules that allow operators to drill a second well on each 320-acre unit will result in the recovery of additional reserves. These amendments will prevent the waste of natural gas for they will result in the production of incremental reserves, not just in rate acceleration.

Williams recognizes the variations in reservoir quality in this pool that have caused it to be divided into a Low Productivity Area and a High Productivity Area. However, the boundary between these areas does not accurately reflect the complex changes that are occurring in the reservoir. Williams believes that the decision as to whether an infill well is needed on a spacing unit is best left to the operator who is most familiar with the reservoir characteristics under the particular spacing unit. Adoption of different spacing rules for separate portions of the pool, will not afford each operator an equal opportunity to produce its fair and equitable share of the gas from this pool. Correlative rights will be impaired where operators of spacing units in the Low Productivity Area are allowed to drill twice as many wells as offset operators in the High Productivity Area with no concern for the reservoir characteristics. Williams therefore opposes amendments to the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool that create two productivity areas within this pool and then prescribe different rules for each area.

The Study Committee recommends a Low Productivity Area and a High Productivity Area only for the purpose of determining the procedures to be followed by an operator who proposes an infill well in this pool. In the Low Productivity Area, infill wells may be drilled. In the High Productivity Area, infill wells may be drilled after notice is given to offsetting operators who may object and have an application called before the Division for hearing. Under the Committee's recommendation, an operator may drill an infill well unless an affected offset operator presents technical reasons that convince the Division the well should not be drilled. Williams supports the Committee's recommendation, for it allows reservoir characteristics to dictate the development of this pool.

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