

**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. 13939
ORDER NO. R-2046-B**

**APPLICATION OF WILLIAMS
PRODUCTION COMPANY, LLC FOR
AMENDMENT OF ORDER NO. R-2046,
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 June 21, 2007, at Santa Fe, New Mexico, before Examiners David K. Brooks and Richard Ezeanyim.

NOW, on this 18th day of July, 2007, 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 the subject matter of this case.

(2) In this application, Williams Production Company, LLC ("Applicant" or "Williams"), the operator of the Rosa Unit in San Juan and Rio Arriba Counties, New Mexico, seeks the realignment of certain non-standard gas spacing and proration units established in the Basin-Dakota Gas Pool (Pool Code 71599) by Order No. R-2046, which was issued by the Oil Conservation Commission in Case No. 2327 on August 14, 1961.

(3) Applicant appeared at the hearing through counsel and presented evidence of the following:

(a) The Rosa Unit ("the Unit") is a federal exploratory unit that covers approximately 54,000 acres, including parts of four townships in San Juan and Rio Arriba Counties.

(b) Existing development of the Dakota formation in the Unit is concentrated in the western portion of Township 31 North, Range 5 West, and the eastern portion of Township 31 North, Range 6 West, NMPM. The boundary between Ranges 5 West and 6 West is irregular, such that each of the governmental sections along the western boundary of Township 31 North, Range 5 West, and the eastern boundary of Township 31 North, 6 West, comprises less than 640 acres.

(c) In order to adjust spacing in the Basin-Dakota Gas Pool to the irregular sizes of the sections in this and other areas of the pool, the Commission, in Order No. R-2046, established irregularly configured non-standard gas spacing and proration units comprising, in many instances, parts of more than one section.

(d) This Application affects the Tracts designated in Order No. R-2046 as Tracts F, G and H in Township 31 North, Range 5 West, which lie along the western boundary of that Range 5 West, and Tracts A, G and H in Township 31 North, Range 6 West, which lie along the eastern boundary of Range 6 West.

(e) These tracts do not conform to the pattern of development that has actually occurred in this particular area. The operator of the Unit, other owners, the United States Bureau of Land Management ("the BLM") and the Division have treated particular wells as though they were dedicated to units inconsistent with the pattern of units established by Order No. R-2046.

(f) Tract F of Township 31 North, Range 5 West, as described in Order No. R-2046, comprises all of Section 6 and Lots 1 and 2 (NW/4 equivalent) of Section 7. The Rosa Unit Well No. 108 (API No. 30-039-23506), located in Unit G of Section 7, was originally dedicated to a standard, stand-up 320-acre unit consisting of the E/2 of Section 7, a unit consistent with the spacing pattern established by Order No. R-2046. However, according to the testimony of Applicant's witness, Mr. Hansen, BP America Production Company, which drilled this well, assigned the N/2 of Section 7 to XTO Energy, Inc., intending thereby to assign this well. This well is not included in the Dakota Participating Area of the Rosa Unit. Re-dedication of this well to a non-standard, lay-down unit consisting of the N/2 of Section 7 would give effect to the intention of the parties to that assignment, but would be inconsistent with the designation of Tract F as a Dakota unit.

(g) Tract G of Township 31 North, Range 5 West, as described in Order No. R-2046, comprises Lots 3 and 4 (SW/4 equivalent) of Section 7, Lots 1-4 (W/2 equivalent) of Section 18, and Lots 1, 2 and 3 (NW/4 equivalent and N/2 SW/4 equivalent) of Section 19. The Rosa Unit Well No. 119 (API No. 30-

039-25143), located in Lot 4 (Unit N) of Section 18, was dedicated to a unit comprising the S/2 of Section 18, a dedication inconsistent with inclusion of Lots 3 and 4 of Section 18 in Tract G as defined in Order No. R-2046. Had Order No. R-2046 been observed, that well should have been dedicated to Tract G. The Division approved the S/2 dedication of this well, without reference to Order No. R-2046, in Administrative Order NSP-1637(L), issued on October 25, 1991. Consistently with the S/2 dedication, the S/2 of Section 18 is included in the Rosa Unit Dakota Participating Area.

(h) Tract H of Township 31 North, Range 5 West, as described in Order No. R-2046, comprises Lot 4 (S/2 SW/4 equivalent) of Section 19, Lots 1 through 4 (W/2 equivalent) of Section 30, and Lots 1 through 4 (W/2 equivalent) of Section 31. The Rosa Unit Well No. 159, located in Unit O of Section 19, was dedicated to a unit comprising the S/2 of Section 19, a dedication inconsistent with inclusion of Lot 3 of Section 19 in Tract G, and Lot 4 in Tract H as defined in Order No. R-2046. Consistently with the S/2 dedication, the S/2 of Section 19 is included in the Rosa Unit Dakota Participating Area.

(i) Tract A of Township 31 North, Range 6 West, as described in Order No. R-2046, comprises all of Section 1 and Lot 1 (NE/4 NE/4 equivalent) of Section 12. The Rosa Unit Well No. 149B (API No. 30-039-26599), located in Unit E of Section 12, was dedicated to a unit comprising the N/2 of Section 12, a dedication inconsistent with inclusion of Lot 1 of Section 12 in Tract A. The Division implicitly approved this dedication, without reference to Order No. R-2046, in Administrative Order NSL-4602, issued on July 7, 2001.

(j) The Rosa Unit Well No. 164B (API No. 30-039-27242), located in Unit N of Section 1 was dedicated to a unit comprising only Section 1, a dedication inconsistent with inclusion of Lot 1 of Section 12, in addition to Section 1, in Tract A. The Division approved this dedication, without reference to Order No. R-2046, in Order No. R-11841, issued in Case No. 12898 on October 8, 2002.

(k) Tract G of Township 31 North, Range 6 West, as described in Order No. R-2046, comprises Lots 2, 3 and 4 (SE/4 NE/4 equivalent and E/2 SE/4 equivalent) and the W/2 E/2 of Section 12, and also the NE/4 equivalent of Section 13. The Rosa Unit Well No. 30 (API No. 30-039-25570), located in Unit O of Section 12, was dedicated to a unit comprising the S/2 of Section 12, a dedication inconsistent with inclusion of the SE/4 equivalent of Section 12 in Tract G. Consistently with the S/2 dedication, the S/2 of Section 12 is included in the Rosa Unit Dakota Participating Area.

(l) Tract H of Township 31 North, Range 6 West, as described in Order No. R-2046, comprises the SE/4 equivalent of Section 13 and the E/2 equivalent of Section 24. The Rosa Unit Well No. 125E (API No. 30-039-25526), located in Unit J of Section 13, was dedicated to a unit comprising the

E/2 equivalent of Section 13, a dedication inconsistent with inclusion of the NE/4 of Section 13 in Tract G, and the SE/4 of Section 13 in Tract H. The Division approved this dedication, without reference to Order No. R-2046, in Administrative Order NSP-1638-A, issued on March 23, 1995. Consistently with this dedication, the SE/4 of Section 13 is included in the Rosa Unit Dakota Participating Area. The NE/4 of Section 13 was not included in the Dakota Participating Area because the Rosa Unit Well No. 125 (API No. 30-039-25144), previously drilled in Unit B of Section 13, was unproductive in the Dakota.

(m) The Rosa Unit Well No. 116 (API No. 30-039-23484), located in Unit A of Section 24, was dedicated to a unit comprising the E/2 equivalent of Section 24, a dedication inconsistent with inclusion of both the E/2 of Section 24 and the S/2 of Section 13 in Tract H. Consistently with the E/2 dedication, the E/2 of Section 24 is included in the Rosa Unit Dakota Participating Area.

(n) Applicant proposes to drill additional Dakota wells in the portion of the Rosa Unit affected by these inconsistent dedications that overlap units established by Order No. R-2046.

(o) The new units proposed by Applicant, described in Exhibit A to this order, are consistent with the existing dedications and with the areas designated for inclusion in the Rosa Unit Dakota Participating Area.

(p) Deletion of the units described in Order No. R-2046 as Tracts F, G and H in Township 31 North, Range 5 West and Tracts A, G and H in Township 31 North, Range 6 West, and establishment of the units described in Exhibit A to this order, will facilitate development of the Dakota in the Rosa Unit by ending the present uncertainty regarding the appropriate spacing and development pattern caused by the existence of dedications and spacing orders inconsistent with Order No. R-2046.

(q) All of the portion of the Rosa Unit included in the spacing units Applicant seeks to delete and in the new spacing units applicant seeks to form is federal land except for a fee in Section 19. This fee tract is fully dedicated to the Unit. There is no well located on this fee tract.

(r) Under the terms of the Unit Agreement and the Unit Operating Agreement governing the Rosa Unit, production from wells in a participating area is allocated, as to all interests, on the basis of acreage included in the participating area, and not on the basis of ownership in particular spacing units.

(s) Applicant mailed notice of this Application and hearing to all owners of interests in the Rosa Unit.

(4) No party other than Applicant appeared at the hearing or otherwise entered an appearance in this case.

(5) The realignment of Dakota spacing units in the Rosa Unit, as requested by Applicant, will establish spacing units that conform to existing well dedications and to drilling blocks used in delineating the Dakota Participating Area in the Rosa Unit.

(6) The realignment of Dakota spacing units in the Rosa Unit, as requested by Applicant, will prevent waste by facilitating the drilling of additional Dakota wells in the Unit.

(7) Because owners in the affected portions of the Unit are bound to share production based on their acreage ownership in the Dakota Participating Area, as approved, from time to time, by the BLM, and not on the basis of their ownership in particular spacing units, the realignment of spacing units will not adversely affect any party's correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The following non-standard proration units in the Basin-Dakota Gas Pool, as described in Order No. R-2046, are hereby deleted:

Township 31 North, Range 5 West

Tracts F, G and H

Township 31 North, Range 6 West

Tracts A, G and H

(2) Non-standard units are hereby established in the Basin-Dakota Gas Pool, as described in Exhibit A to this Order.

(3) In all other respects, except as hereby specifically amended, Order No. R-2046, as amended by Order No. R-2046-A, shall continue in full force and effect.

(4) 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 black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director

EXHIBIT A
Order R-2046-B
Case No. 13939

Township 31 North, Range 5 West

<u>Tract 1</u> Section 6: All 264.56 acres	<u>Tract 2</u> Section 7: N/2 231.86 acres
<u>Tract 3</u> Section 7: S/2 231.9 acres	<u>Tract 4</u> Section 18: N/2 231.89 acres
<u>Tract 5:</u> Section 18: S/2 231.83 acres	<u>Tract 6</u> Section 19: N/2 232.03 acres
<u>Tract 7</u> Section 19: S/2 232.43 acres	<u>Tract 8</u> Section 30: N/2 232.69 acres
<u>Tract 9</u> Section 30: S/2 232.79 acres	<u>Tract 10</u> Section 31: N/2 232.89 acres
<u>Tract 11</u> Section 31: S/2 232.99 acres	

Township 31 North, Range 6 West

Tracts 12 and 13
Tracts 12 and 13 are identical to Tracts C and D, respectively, in Township 31 North, Range 6 West, as described in Order No. R-2046.

<u>Tract 14</u> Section 12: N/2 271.17 acres	<u>Tract 15</u> Section 12: S/2 271.35 acres
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Tract 16

Section 13: Lots 1-4, W/2 E/2
(E/2 equivalent)
233.38 acres

Tract 17

Section 13: W/2
320 acres

Tract 18

Section 24: Lots 1-4, WW/2 E/2
(E/2 equivalent)
233.92 acres

Tract 19

Section 24: W/2
320 acres