

**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:**

**APPLICATION OF WILLIAMS PRODUCTION CO., LLC, TO ABOLISH OR
CONTRACT ALL GALLUP POOLS IN THE ROSA UNIT, SAN JUAN AND RIO
ARRIBA COUNTIES, NEW MEXICO.**

**CASE NO. 14240
ORDER NO. R-13063**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a. m. on November 13, 2008 at Santa Fe, New Mexico, before Examiners Richard Ezeanyim, Terry Warnell, and David Brooks.

NOW, on this 18th day of December 2008, the Division Director, having considered the testimony, the record and the recommendations of the Examiners;

FINDS THAT:

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

(2) The applicant, Williams Production Co., LLC ("Applicant" or "Williams"), seeks authority to abolish or contract the three Gallup pools located wholly or partially within the Rosa Unit, which are the Laguna Seca-Gallup Pool (79870), the Cedro-Gallup Pool (96467), and the Willow Lake-Gallup Pool (96379).

(3) No operator or other party appeared in this case in opposition to the application.

(4) Williams is the present operator of the Rosa Unit which was approved by Division Order No. R-759, in Case No. 133 dated April 22, 1948, and which currently encompasses 54,209.49 acres, more or less, of federal, state and fee lands in San Juan and Rio Arriba Counties, as described below:

Township 32 North, Range 6 West, NMPM
Sections 32 through 36: All

Township 31 North, Range 6 West, NMPM

Sections 1 through 5: All
Sections 8 through 17: All
Sections 21 through 26: All

Township 31 North, Range 5 West, NMPM

Sections 3 through 36: All

Township 31 North, Range 4 West, NMPM

Sections 1 through 31: All

(5) The Applicant appeared at the hearing through legal counsel and presented the following land testimony:

(a) The Laguna Seca-Gallup Gas Pool (79870) was established by Division Order No. R-7277 on May 5, 1983. The boundaries of the pool, as heretofore amended, are as follows:

Township 31 North, Range 5 West, NMPM

Section 30: S/2
Section 31: All
Section 32: S/2
Section 33: SW/4

Township 31 North, Range 6 West, NMPM

Section 19: SE/4
Section 20: S/2
Section 21: S/2
Section 22: S/2, NE/4
Section 23: S/2
Sections 24 through 26: All
Section 30: E/2

Part of this pool is located outside of the Rosa Unit boundaries. Therefore, Williams seeks to contract this pool so that the pool boundaries no longer include any portion of the Unit. This would mean that the pool boundaries as contracted would consist of the SE/4 of Section 19, the S/2 of Section 20 and the E/2 of Section 30, Township 31 North, Range 6 West, NMPM.

(b) The Willow-Gallup Gas Pool (96379) was established by Division Order No. R-8712 on September 1, 1988. The boundaries of the pool, as heretofore amended, are as follows:

Township 31 North, Range 4 West, NMPM

Section 11: SE/4
Section 12: W/2
Section 14: E/2
Section 22: SE/4
Section 23: N/2, SW/4
Section 27: N/2
Section 28: NE/4

Since the entire boundary of this pool is located within the Rosa Unit, Applicant requests this pool be abolished.

(c) The Cedro-Gallup Gas Pool (96467) was created by Division Order No. R-8713 on September 11, 1988. The boundaries, as heretofore amended, are as follows:

Township 31 North, Range 5 West, NMPM

Section 4: SW/4
Section 9: W/2

The entire boundary of this pool is also wholly within the Rosa Unit and Applicant also seeks for this pool to be abolished.

(d) The Laguna Seca-Gallup Pool, the Willow-Gallup Pool and the Cedro-Gallup Pool all require a gas well producing from the Gallup formation to be dedicated to a 160-acre spacing unit.

(e) There are Gallup-producing gas wells in the Unit and approximately ninety (90%) percent of the Rosa Unit is federal lands. None of these wells is considered commercial by the Bureau of Land Management. Therefore, as this is a federal Unit, there are no Gallup Participating Areas in the Unit.

(f) Division Order No. R-12984, dated September 3, 2008, created a new gas pool called the Basin-Mancos Gas Pool and created Special Pool Rules for this gas pool. The Basin-Mancos Gas Pool's horizontal boundaries are all of San Juan and Rio Arriba Counties and all of Section 21, Township 23 North, Range 5 West, NMPM in Sandoval County, New Mexico. The vertical limits of the pool are from the base of the Point Lookout formation to the base of the Greenhorn member of the Mancos formation.

(g) Division Order No. R-12984 also contracted and expanded existing Gallup pools and promulgated Special Pool Rules that are consistent with the rules for the Mesaverde and Dakota formations.

(h) Abolishing or contracting the Gallup gas pools in the Rosa Unit would not have any negative effect on interest owners because ownership is common.

(i) The granting of this application would allow for all current and future Mancos gas wells to be dedicated to the Basin-Mancos Gas Pool, which would allow for uniformity of spacing and density, and would result in more efficient operation of the Unit. Williams plans to commingle Mancos production with Mesaverde and/or Dakota production.

(j) The Bureau of Land Management (BLM) has no objection to this application.

(6) Steve Hayden, the Oil Conservation Division District 3 Geologist, supported the abolishment of the three Gallup Pools in a letter to the conducting technical examiner. In the letter, Mr. Hayden stated that the original intent of the work-group that developed the Gallup pools was to do away with the Gallup pools entirely, and produce gas from the Mesaverde, the Mancos, and the Dakota formations.

(7) The Applicant's engineering witness testified as follows:

(i) There are currently a total of eight (8) wells producing from the Gallup formation in the Rosa Unit. The Rosa Unit Well Nos. 86 and 87 are dedicated to the Willow-Gallup Pool and had cumulative production of 60 and 84 Mcf respectively. The Rosa Unit Well No. 109 is dedicated to the Cedro-Gallup Pool and had cumulative production of 107 Mcf. The Rosa Unit Well Nos. 59, 77, 98, 101 and 116 are dedicated to the Laguna Seca-Gallup Pool and had cumulative production of 173, 386, 336, 104, and 209 Mcf respectively.

(ii) Each of these Gallup wells could be re-designated to the Basin-Mancos Gas Pool because the wells are all completed in sands that are within the vertical limits of the Mancos formation.

(iii) Re-designating these wells to the Mancos formation will not cause any drainage problems, or harm correlative rights, given the cumulative production numbers and daily production rates. In fact, Williams intends to downhole commingle production from the Mancos pool with production from the Mesaverde and/or the Dakota pools.

(iv) Williams has a Mancos development program in progress and has thus far completed four (4) wells in the Mancos formation. Williams plans to complete several more wells in the Mancos formation next year.

(8) Williams has provided notice of this application and of this hearing to all interest owners within the Unit including the United States Bureau of Land Management and the New Mexico State Land Office.

(9) This application should be approved.

IT IS THEREFORE ORDERED:

(1) The application of Williams Production Company, LLC (OGRID 120782) to abolish or contract all or portions of the Gallup pools which are located within the Rosa Unit is hereby approved.

(2) The Willow-Gallup Pool and the Cedro-Gallup Pool are hereby abolished.

(3) The Laguna Seca-Gallup Pool is contracted by removing therefrom the following lands:

Township 31 North, Range 5 West, NMPM

Section 30: S/2
Section 31: All
Section 32: S/2
Section 33: SW/4

Township 31 North, Range 6 West, NMPM

Section 21: S/2
Section 22: S/2, NE/4
Section 23: S/2
Sections 24 through 26: All

(4) The horizontal boundaries of the remaining Laguna Seca-Gallup Pool shall be as follows:

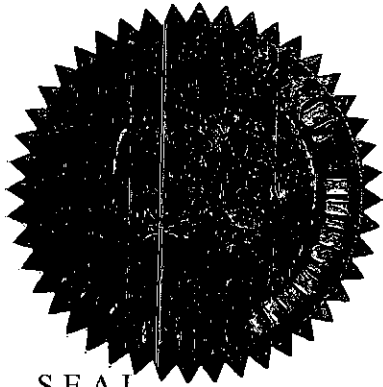
Township 31 North, Range 6 West, NMPM

Section 19: SE/4
Section 20: S/2
Section 30: E/2

(5) Production from wells currently completed in the Gallup shall be re-designated as Mancos production as of the first day of the first month following the date of this Order. Williams shall amend the necessary Division filings to indicate this re-designation. All future gas wells completed and produced in the Mancos formation shall be dedicated to the Basin-Mancos Gas Pool and conform to the Special Pool Rules for that pool.

(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

A handwritten signature in dark ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
DIRECTOR