



April 12, 2005

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87504

Case 13483

Re: Application of BP America, Inc. for an exception to the well density requirements of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool, San Juan County, New Mexico.

Dear Mr. Fesmire:

Enclosed in triplicate is the Application of BP America, Inc. in the above-referenced case as well as a copy of a legal advertisement. BP requests that this application be placed on the docket for the May 5, 2005 examiner hearings.

Very truly yours,

William F. Carr

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Enclosures

cc: Bill Hawkins (w/ enclosures)
BP America, Inc.

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

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**IN THE MATTER OF THE APPLICATION OF
BP AMERICA PRODUCTION COMPANY,
FOR AN EXCEPTION TO THE WELL
DENSITY REQUIREMENTS FOR THE
BLANCO-MESAVERDE GAS POOL,
SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. 1348320

APPLICATION

BP America Production Company, (BP), through its undersigned attorneys, hereby makes application for an order granting an exception to the well density requirements of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool to permit it to simultaneously produce two wells in a single quarter-quarter section and in support of its application states:

1. BP is the operator of a standard 320-acre spacing and proration unit in the Blanco-Mesaverde Gas Pool comprised of the E/2 of Section 28, Township 32 North, Range 10 West, NMPM, San Juan County, New Mexico.

2. The Blanco-Mesaverde Gas Pool is governed by Special Rules and Regulations which provide for 320-acre spacing and proration units on which as many as four wells may be drilled. (Order No. R-8170, as superseded by Order No. R-10987-A, effective February 1, 1999 and amended by Order No. R-10987-A(1), effective December 2, 2002). These Special Pool Rules and Regulations provide:

II. ACREAGE AND WELL LOCATION REQUIREMENTS

- A. Standard GPU (Gas Proration Unit): A Standard GPU in the Blanco-Mesaverde Pool shall be 320-acres, more or less, comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U. S. Public Land Surveys.

B. Well density:

- (1) Up to four (4) wells may be drilled on a standard GPU, as follows:
 - (a) the FIRST OPTIONAL INFILL WELL drilled on a GPU shall be located in the quarter section not containing the INITIAL Mesaverde well;
 - (b) the SECOND OPTIONAL INFILL WELL drilled on a GPU shall be located in the quarter-quarter not containing a Mesaverde Well and within a quarter section of the GPU not containing more than one (1) Mesaverde well;
 - (c) the THIRD OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section of the GPU not containing a Mesaverde well and within a quarter section of the GPU not containing more than one (1) Mesaverde well;
 - (d) at the discretion of the operator, the second or third optional infill well may be drilled prior to the drilling of the first optional infill well;
 - (e) no more than two wells shall be located within either quarter section in a GPU, and
 - (f) any deviation from the above-described well density requirements shall be authorized only after hearing....

3. In the fall 1995, BP directionally drilled the Holmberg Gas Com Well No. 1R (API No. 30-045-29299) as a high-angle well on this 320-acre GPU from a surface location 990 feet from the North line and 1710 feet from the East line (Unit B) to a bottomhole location 1847 feet from the North line and 823 feet from the East line (Unit H) of said Section 28, Township 32 North, Range 10 West, NMPM, San Juan County, New Mexico.

4. The primary objective in the Holmberg Gas Com Well No. 1R was the Blanco-Mesaverde Gas Pool and the well was permitted as a Mesaverde test. The well fully complied with applicable Mesaverde well density requirements.

5. In the summer of 2001, BP drilled its Holmberg Gas Com Well No. 1B (API No. 30-045-30270) on this 320-acre GPU at a location 2200 feet from the North line and 1220 feet from the East line (Unit H) of said Section 28, Township 32 North, Range 10 West, NMPM, San Juan County, New Mexico.

6. The primary objective in this the Holmberg Gas Com Well No. 1B was the Blanco-Mesaverde Gas Pool and the Well was permitted as a Mesaverde test.

7. The Holmberg Gas Com Well No. 1R and the Holmberg Gas Com Well No. 1B produce form correlative intervals in the Mesaverde formation until BP discovered that both Wells were completed in the same quarter-quarter section in violation of the density requirements of the Special Pool Rules and Regulations for the Blanco-Mesaverde Gas Pool at which time BP shut in the Holmberg Gas Com Well No. 1B(?). The well remains shut-in and is not producing from the Mesaverde formation.

8. While the total number of wells on this Mesaverde GPU is less than what is allowed, both the Holmberg Gas Com Well No. 1R and the Holmberg Gas Com Well No. 1B are located in the same quarter-quarter Section.

9. BP therefore requests that the Division enter its order granting an exception to the well density requirements of Rule I B. of the Special Pool Rules and Regulations for the Blanco-Mesaverde Gas Pool approving the location of the Holmberg Gas Com Well No. 1B in the Mesaverde formation and authorizing BP to simultaneously produce both the Holmberg Gas Com Wells No. 1R and 1B located in the SE/4 NE/4 of said Section 28. At full development of the GPU, BP will operate only two Mesaverde wells in the NE/4 of said Section 28 and no more than four wells in this 320-acre GPU. BP therefore does not seek to increase the number of wells in this GPU.

10. Approval of this application will not impair the correlative rights of any other interest owner in the Blanco-Mesaverde Gas Pool, and will afford BP the opportunity to utilize the existing wells to produce the reserves from this GPU.

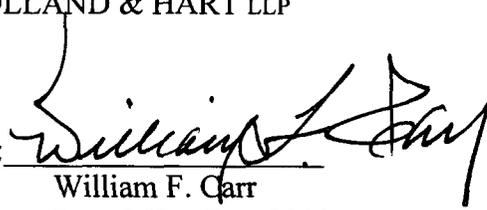
11. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, BP America Production Company requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 5, 2005 and after notice and hearing as required by law, the Division enter its order granting an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool approving location of the Holmberg Gas Com Well No. 1B in the Mesaverde formation and authorizing BP to simultaneously produce both the Holmberg Gas Com Wells No. 1R and 1B located in the SE/4 NE/4 of Section 28, Township 32 North, Range 10 West, NMPM.

Respectfully submitted,

HOLLAND & HART LLP

By:



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Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR BP AMERICA
PRODUCTION COMPANY

CASE 19483:

Application of BP America, Inc. for an exception to the well density requirements for the Blanco-Mesaverde Gas Pool, San Juan County, New Mexico. Applicant in the above-styled cause seeks an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool to permit it to produce the following two Mesaverde wells located in the same quarter-quarter section (SE/4 NE/4) on a standard spacing and proration unit comprised of the East half of Section 28, Township 32 North, Range 10 West, NMPM:

the Holmberg Gas Com Well No. 1R (**API No. 30-045-29299**) which was directionally drilled from a surface location 990 feet from the North line and 1710 feet from the East line (Unit B) to a bottomhole location 1847 feet from the North line and 823 feet from the East line (Unit H) of said section, and

the Holmberg Gas Com Well No. 1B (**API No. 30-045-30270**) located 2200 feet from the North line and 1220 feet from the East line (Unit H) the section.

Said wells are located approximately 12 miles northeast of Aztec, New Mexico.