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December 6, 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 13614*

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 January 5, 2006 examiner hearings.

Very truly yours,

William F. Carr  
Attorney for BP America, Inc.

Enclosures

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

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

**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.**

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CASE NO. 13614

**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 three wells in a single 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 W/2 of Section 14, Township 31 North, Range 11 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 (Order No. R-8170, as superseded by Order No. R-10987-A, effective February 1, 1999 and amended by Order No. R-10981-A(1), effective December 2, 2002).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 1953, the Neil LS Well No. 5 (**API No. 30-045-10653**) was drilled at a location 880 feet from the South line and 1600 feet from the West line (Unit N) of Section 14, Township 31 North, Range 11 West, NMPM, and produced from the Mesaverde formation, Blanco-Mesaverde Gas Pool. This well was plugged and abandoned in 1996.

4. The Mudge Com B Well No. 2A (**API No. 30-045-23063**) was drilled in 1979 at a location 800 from the North line and 1580 feet from the West line (Unit C) of said section. This well was the first infill well drilled on this spacing unit. The well has been shut in since June 2005.

5. The Mudge Com B Well No. 2E (**API No. 30-045-25381**) was drilled in 1982 at a location 1350 feet from the South line and 685 feet from the West line (Unit L) of said section to test the Dakota formation, Basin-Dakota Gas Pool. The well was recompleted to the Mesaverde formation in 1993. This well was the second infill well on this spacing unit.

6. The Mudge B Com <sup>UNIT E</sup> Well No. 2 (API No. 30-045-24040) was drilled in 2000 to test the Dakota formation. It was recompleted in that year in the Mesaverde formation. This was the third infill well on this spacing unit.

7. The Mudge B Com Well No. 2M (API No. 30-045-31898) was drilled in April 2004 as a Mesaverde and Dakota test. When BP discovered that this well was the third well in this quarter section, BP planned to directionally drill the well from a surface location 2370 feet from the North line and 1680 feet from the West line in the SE/4 NW/4 (Unit F) of Section 14 to a bottomhole location 2634 feet from the North line and 1392 feet from the West line in the NE/4 SW/4 (Unit K) . After the well was drilled, it was discovered that due to Section 14 being an irregular section, the bottomhole location was still in the NW/4 of the Section.

8. The objective formation in each of the above-described wells is the Blanco-Mesaverde Gas Pool and each well was permitted and drilled as a Mesaverde test.

9. While the total number of wells on this Mesaverde spacing unit is allowed under the Special Pool Rules and Regulations for the Blanco-Mesaverde Gas Pool, the Mudge Com B Well Nos. 2, 2A and 2M are located in the same quarter-quarter section.

10. 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 to authorize it BP to simultaneously produce the Mudge B Wells Nos. 2, 2A and 2M At full development of the spacing unit, BP will operate no more than four wells in this 320-acre spacing unit. BP therefore does not seek to increase the number of wells in this spacing unit.

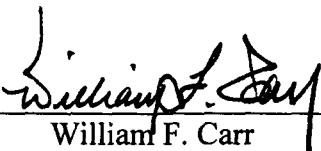
11. Approval of this application will not impair the correlative rights of any other interest owner in the Blanco-Mesaverde Gas Pool, and will afford BP the opportunity to utilize the existing wells to produce the reserves from this spacing unit.

12. 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 January 5, 2006 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 Mudge B Com Well No. 2A in the Mesaverde formation and authorizing BP to simultaneously produce the Mudge B Well Nos. 2, 2A and 2M located in the NW/4 of Section 14, Township 31 North, Range 11 West, NMPM.

Respectfully submitted,

HOLLAND & HART LLP

By: 

William F. Carr  
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Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR BP AMERICA  
PRODUCTION COMPANY

**EXHIBIT A**

**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.**

**NOTIFICATION LIST**

Burlington Resources Oil & Gas Company  
Post Office Box 4289  
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ConocoPhillips  
Three WestLake Park, WL 3003  
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George William Umbach  
Bank of Oklahoma, Agent  
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Robert Umbach Cancer Foundation  
Bank of Oklahoma, Agent  
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Post Office Box 3499  
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CASE 13614:

**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 three Mesaverde wells located in the same quarter section (NW/4) on a standard spacing and proration unit comprised of the West half of Section 14, Township 31 North, Range 11 West, NMPM:

1. the Mudge Com B Well No. 2A (API No. 30-045-23063) located 800 feet from the North line and 1580 feet from the West line (Unit C) of said section;
2. the Mudge B Com Well No. 2 (API No. 30-045-24040) located 1660 feet from the North line and 810 feet from the West line (Unit E) of said section; and
3. The Mudge B Com Well No. 2M (API No. 30-045-31898) that was directionally drilled from a surface location 2370 feet from the North line and 1680 feet from the West line in the SE/4 NW/4 (Unit F) of Section 14 to a bottomhole location 2634 feet from the North line and 1392 feet from the West line of said section.

Said wells are located approximately 2 miles west of Canyon, New Mexico.