



APPLICATION FOR SURFACE COMMINGLING
GALLEGOS CANYON UNIT
SAN JUAN COUNTY, NEW MEXICO

BP AMERICA PRODUCTION COMPANY

NEW MEXICO OIL CONSERVATION DIVISION
CASE NUMBER 13842
DECEMBER 13, 2006



November 13, 2006

VIA HAND DELIVERY

Mark E. Fesmire, P. E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

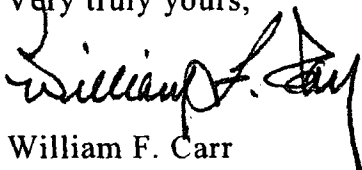
Re: Application of BP America Production Company for surface commingling of production from all formations and/or pools in the Gallegos Canyon Unit from existing and future wells, San Juan County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the application of BP America Production Company in the above-referenced case. BP America Production Company requests that this case be set for hearing before a Division Examiner on December 13, 2006.

Your attention to this application is appreciated.

Very truly yours,



William F. Carr

Enclosure

cc: J. William Hawkins
BP America Production Company

**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 SURFACE COMMINGLING OF PRODUCTION FROM ALL FORMATIONS AND/OR POOLS, IN THE GALLEGOS CANYON UNIT FROM EXISTING AND FUTURE WELLS, SAN JUAN COUNTY, NEW MEXICO.

CASE _____

APPLICATION

BP AMERICA PRODUCTION COMPANY ("BP") through its undersigned attorneys, hereby makes application pursuant to Oil Conservation Division Rule 303.B for an exception to the provisions of Division Rule 303.A to authorize surface commingling of production from all formations in the Gallegos Canyon Unit from any and all existing and future wells in the Unit Area without additional notice or hearing. The Gallegos Canyon Unit is located in Townships 27, 28 and 29 North and Ranges 11, 12 and 13 West, NMPM, San Juan County, New Mexico and in support of its application states:

1. BP is the operator of the Gallegos Canyon Unit which was approved by Division Order No. R-68 dated April 24, 1951. The unitized interval includes all formations and contains wells that produce oil and natural gas from many formations and pools including, but not necessarily limited to, the Farmington formation, Fruitland Sand formation (West Kutz-Fruitland Sand Pool, Pinon-Fruitland Sand Pool, and North Pinon-Fruitland Sand Pool), Fruitland Coal formation (Basin-Fruitland Coal (Gas) Pool), Pictured Cliffs formation (Fulcher Kutz-Pictured Cliffs Pool and West Kutz-Pictured Cliffs Pool), Gallup formation (Totah-Gallup Oil Pool, Armenta-Gallup Oil Pool, Pinon-Gallup Oil Pool, Totah-Gallup Pool, Simpson-Gallup Oil Pool, and Cha Cha-Gallup Oil Pool) and Dakota formation (Basin-Dakota Pool). This unit now encompasses 43,146.62 acres, more or less, of Federal, Indian Allotted, State and Fee lands, and is more fully described as follows:

TOWNSHIP 29 NORTH, RANGE 13 WEST, NMPM

Section 13:	All
Sections 23 through 26:	All
Sections 34 through 36:	All

TOWNSHIP 29 NORTH, RANGE 12 WEST, NMPM

Section 16:	SW/4
Sections 17 through 21:	All
Section 22:	W/2, SE/4
Section 25:	W/2, SE/4
Sections 26 through 36:	All

TOWNSHIP 28 NORTH, RANGE 11 WEST, NMPM

Section 7:	All
Sections 18 and 19:	All
Section 31:	S/2

TOWNSHIP 28 NORTH, RANGE 12 WEST, NMPM

Sections 7 through 36:	All
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TOWNSHIP 28 NORTH, RANGE 13 WEST, NMPM

Sections 11 through 14:	All
Sections 23 through 26:	All
Sections 35 and 36:	All

TOWNSHIP 27 NORTH, RANGE 12 WEST, NMPM

Sections 4 through 6:	All
Section 9:	N/2

2. Pursuant to Division Order No. R-11567, dated April 26th, 2001, BP was pre-approved to downhole commingle production from all formations in the Gallegos Canyon Unit within existing and future wellbores in the Gallegos Canyon Unit.
3. With this application BP seeks authority for surface commingling production from all existing and future wells in the Gallegos Canyon Unit.
4. Approval of this application will not, with reasonable probability, reduce the value of the commingled production of otherwise adversely affect the interest owners in the unit.
5. Approval of this application will enable BP to more efficiently operate this unit thereby effecting economic savings that will increase the ultimate recovery of hydrocarbons from the unit area.
6. All surface commingled production will be separately metered and allocated to

the various leases or pools in accordance with methods contained in Rule 303.B (2) and as approved by the Division.

7. the United States Bureau of Land Management and the Commissioner of Public Lands for the State of New Mexico have been notified of this proposed commingling as well as all other interest owners in the unit area in accordance with Division Rule 303 .B(4).

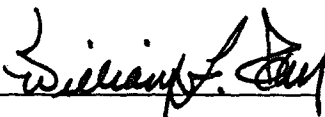
8. BP also requests authorization, prospectively, for surface commingle of production from existing and future wells from additional formations and/or pools within the Unit Area, without additional notice or hearing, by filing Division forms C-103 and C-107-B, and has notified all interest owners of this request.

9. Approval of the proposed surface commingling is necessary for efficient operation of the Gallegos Canyon Unit and is otherwise in the 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 December 13, 2006, and after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted,

HOLLAND & HART, LLP

By 

William F. Carr

ATTORNEYS FOR BP AMERICA
PRODUCTION COMPANY

PROPOSED LEGAL ADVERTISEMENT:

CASE NO. _____.

Application of BP America Production Company for surface commingling of production from all formations and/or pools in the Gallegos Canyon Unit from existing and future wells, San Juan County, New Mexico. Pursuant to Oil Conservation Division Rule 303.B applicant seeks an exception to the provisions of Division Rule 303.A to authorize surface commingling of hydrocarbon production from the all formations, in the Gallegos Canyon Unit from existing and future wells located in the Unit Area, San Juan County, New Mexico. This unit now encompasses 43,146.62 acres, more or less, of Federal, Indian Allotted, State and Fee lands, and is more fully described as follows:

TOWNSHIP 29 NORTH, RANGE 13 WEST, NMPM

Section 13:	All
Sections 23 through 26:	All
Sections 34 through 36:	All

TOWNSHIP 29 NORTH, RANGE 12 WEST, NMPM

Section 16:	SW/4
Sections 17 through 21:	All
Section 22:	W/2, SE/4
Section 25:	W/2, SE/4
Sections 26 through 36:	All

TOWNSHIP 28 NORTH, RANGE 11 WEST, NMPM

Section 7:	All
Sections 18 and 19:	All
Section 31:	S/2

TOWNSHIP 28 NORTH, RANGE 12 WEST, NMPM

Sections 7 through 36:	All
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TOWNSHIP 28 NORTH, RANGE 13 WEST, NMPM

Sections 11 through 14:	All
Sections 23 through 26:	All
Sections 35 and 36:	All

TOWNSHIP 27 NORTH, RANGE 12 WEST, NMPM

Sections 4 through 6:	All
Section 9:	N/2

The unitized interval includes all formations and contains wells that produce oil and natural gas from many formations and pools including, but not necessarily limited to, the Farmington formation, Fruitland Sand formation (West Kutz-Fruitland Sand Pool, Pinon-Fruitland Sand Pool, and North Pinon-Fruitland Sand Pool), Fruitland Coal formation (Basin-Fruitland Coal (Gas) Pool), Pictured Cliffs formation (Fulcher Kutz-Pictured Cliffs Pool and West Kutz-Pictured Cliffs Pool), Gallup formation (Totah-Gallup Oil Pool, Armenta-Gallup Oil Pool, Pinon-Gallup Oil Pool, Totah-Gallup Pool, Simpson-Gallup Oil Pool, and Cha Cha-Gallup Oil Pool) and Dakota formation (Basin-Dakota Pool). BP also requests authorization, prospectively, for surface commingling of production from additional formations and/or pools within the lands covered by this application in existing and future wells without additional notice or hearing. The center of the unit area is located approximately 5 miles Southeast of Farmington, New Mexico.



November 15, 2006

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

AFFECTED INTEREST OWNERS

Re: Application of BP America Production Company for surface commingling of production from all formations and/or pools in the Gallegos Canyon Unit from existing and future wells, San Juan County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that BP America Production Company has filed the enclosed application with the New Mexico Oil Conservation Division seeking authorization surface commingling of hydrocarbon production from the all formations and/or pools in the Gallegos Canyon Unit from existing and future wells located in the Unit Area, San Juan County, New Mexico. The Gallegos Canyon Unit encompasses 43,146.62 acres, more or less, located in Townships 27, 28 and 29 North, Ranges 11, 12, and 13 West, NMPM, San Juan County, New Mexico. The unitized interval includes all formations and contains wells that produce oil and natural gas from many formations and pools including, but not necessarily limited to, the Farmington formation, Fruitland Sand formation (West Kutz-Fruitland Sand Pool, Pinon-Fruitland Sand Pool, and North Pinon-Fruitland Sand Pool), Fruitland Coal formation (Basin-Fruitland Coal (Gas) Pool), Pictured Cliffs formation (Fulcher Kutz-Pictured Cliffs Pool and West Kutz-Pictured Cliffs Pool), Gallup formation (Totah-Gallup Oil Pool, Armenta-Gallup Oil Pool, Pinon-Gallup Oil Pool, Totah-Gallup Pool, Simpson-Gallup Oil Pool, and Cha Cha-Gallup Oil Pool) and Dakota formation (Basin-Dakota Pool). BP also requests authorization, prospectively, for surface commingling and off-lease storage of production from additional pools and/or leases within the Unit Area without additional notice of hearing.

This application has been set for hearing before a Division Examiner at 8:15 a. m. on December 13, 2006 at Porter Hall located at 1220 South Saint Francis Drive, Santa Fe, New Mexico. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-Hearing Statement with the Oil Conservation Division's Santa Fe office located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505, four days in advance of a scheduled hearing, but at least on the Thursday preceding the hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party



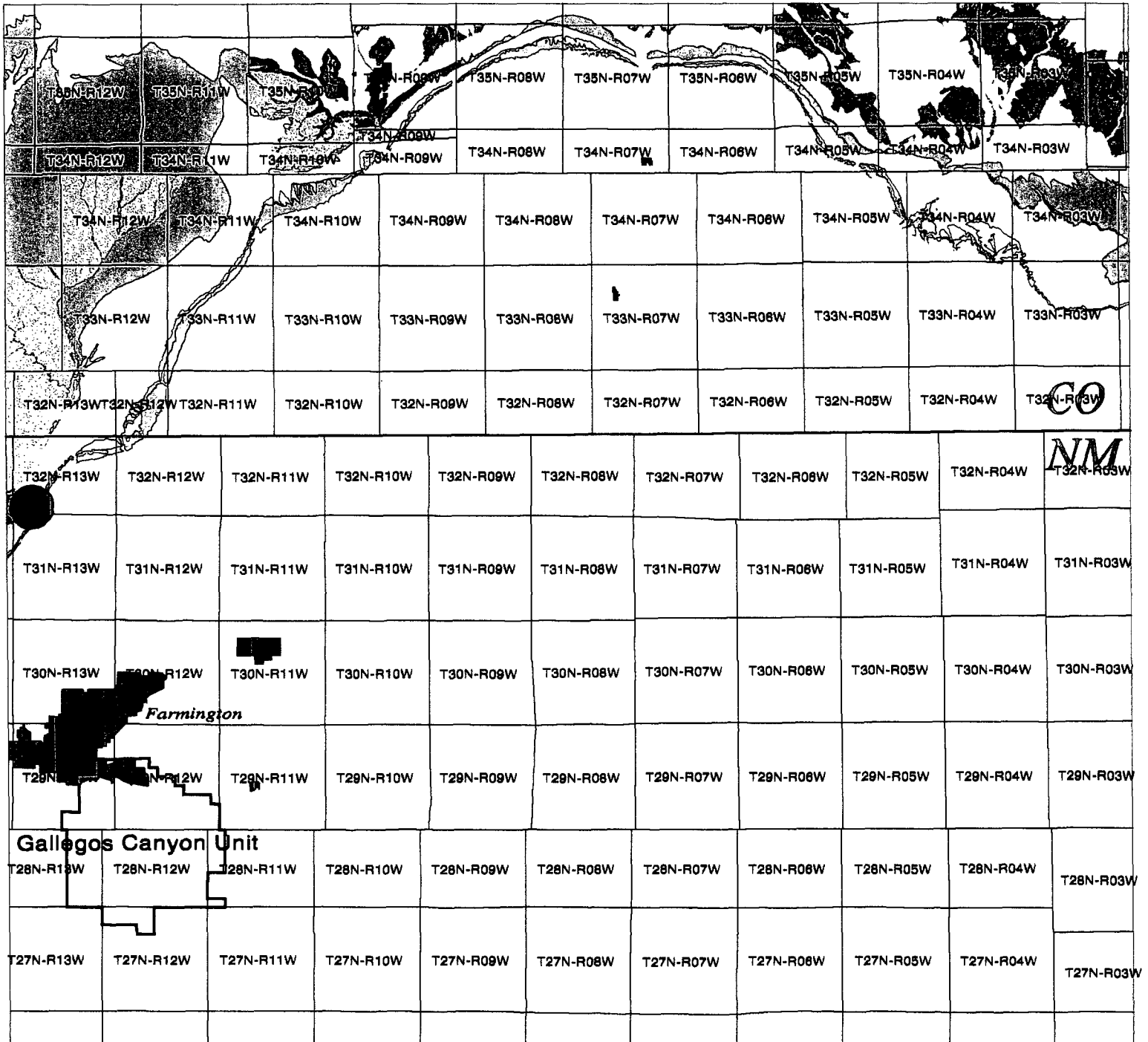
will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Sincerely,

A handwritten signature in cursive script, appearing to read "William F. Carr".

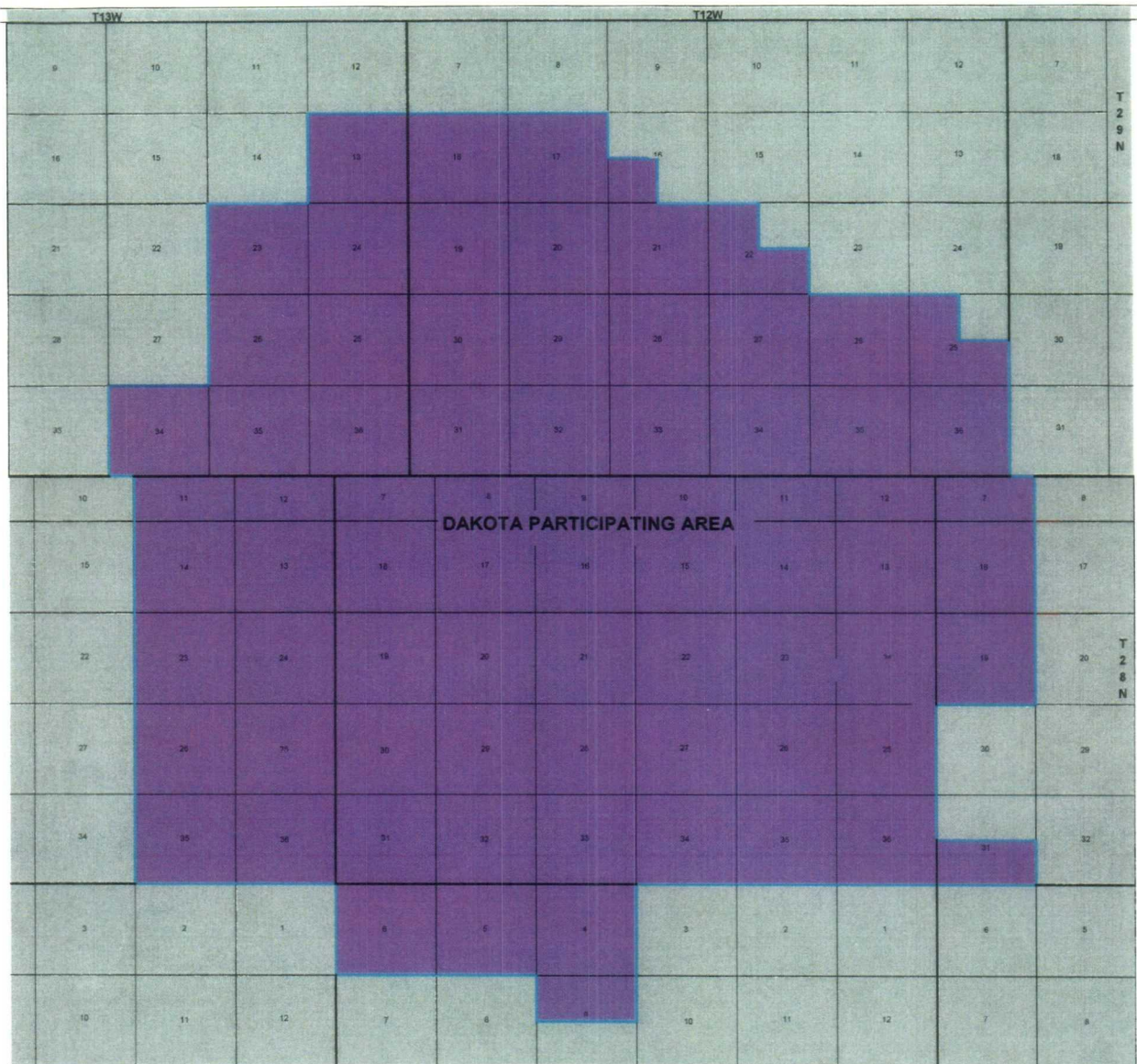
William F. Carr
Attorney for BP America Production Company

cc: Mr. J. William Hawkins
BP America Production Company



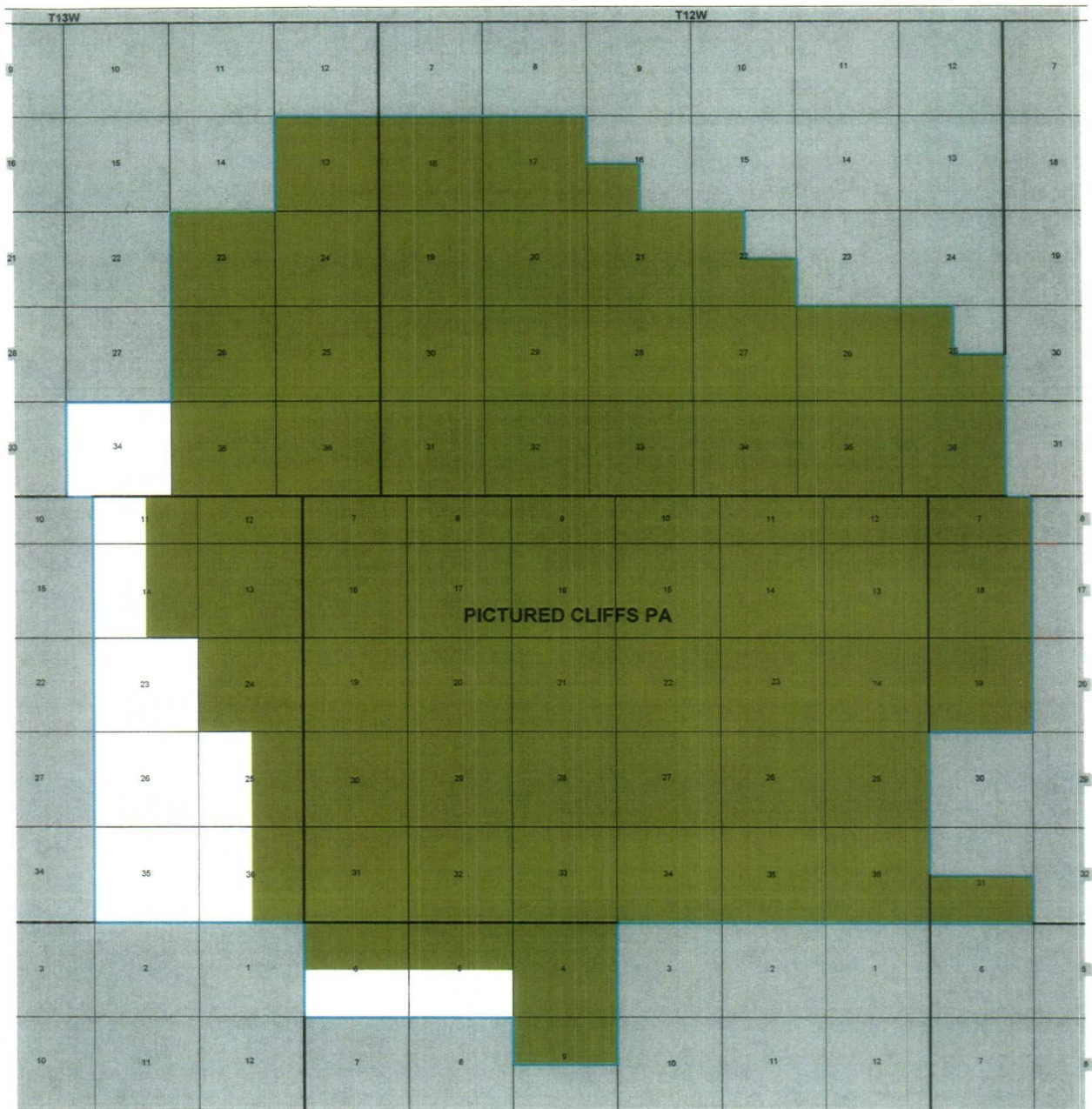
PARTICIPATING AREA

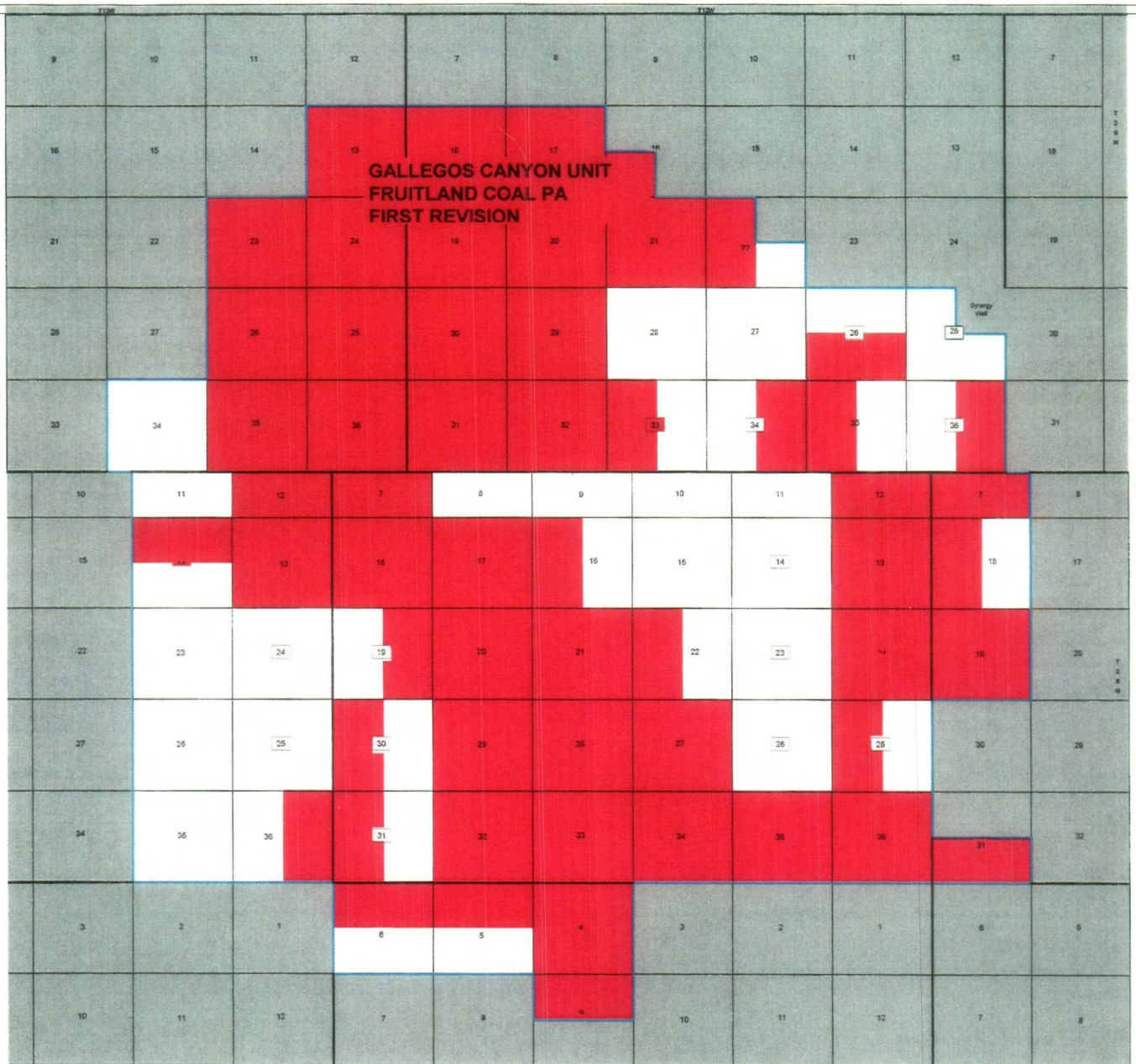
DAKOTA



PARTICIPATING AREA

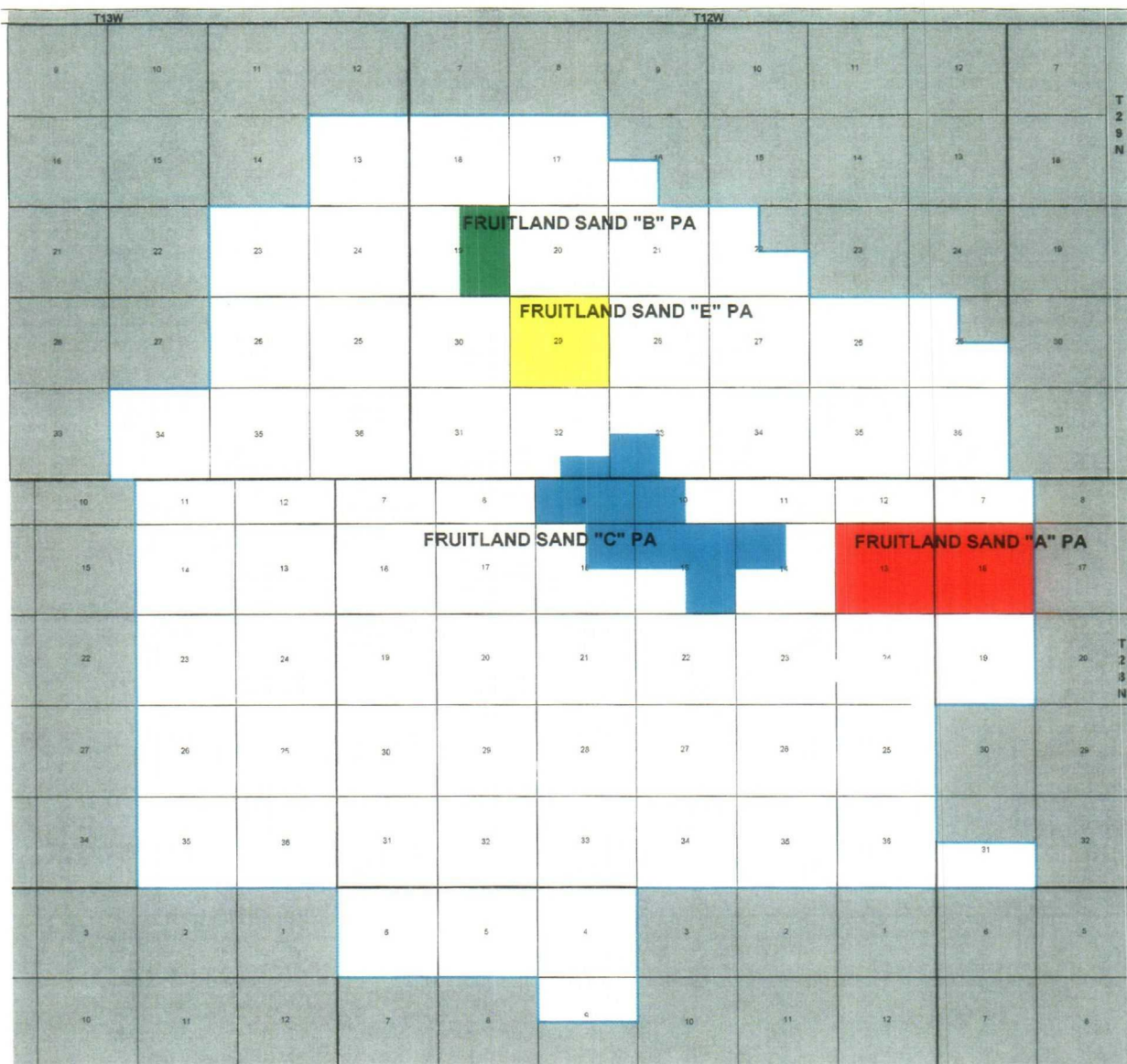
PICTURED CLIFFS





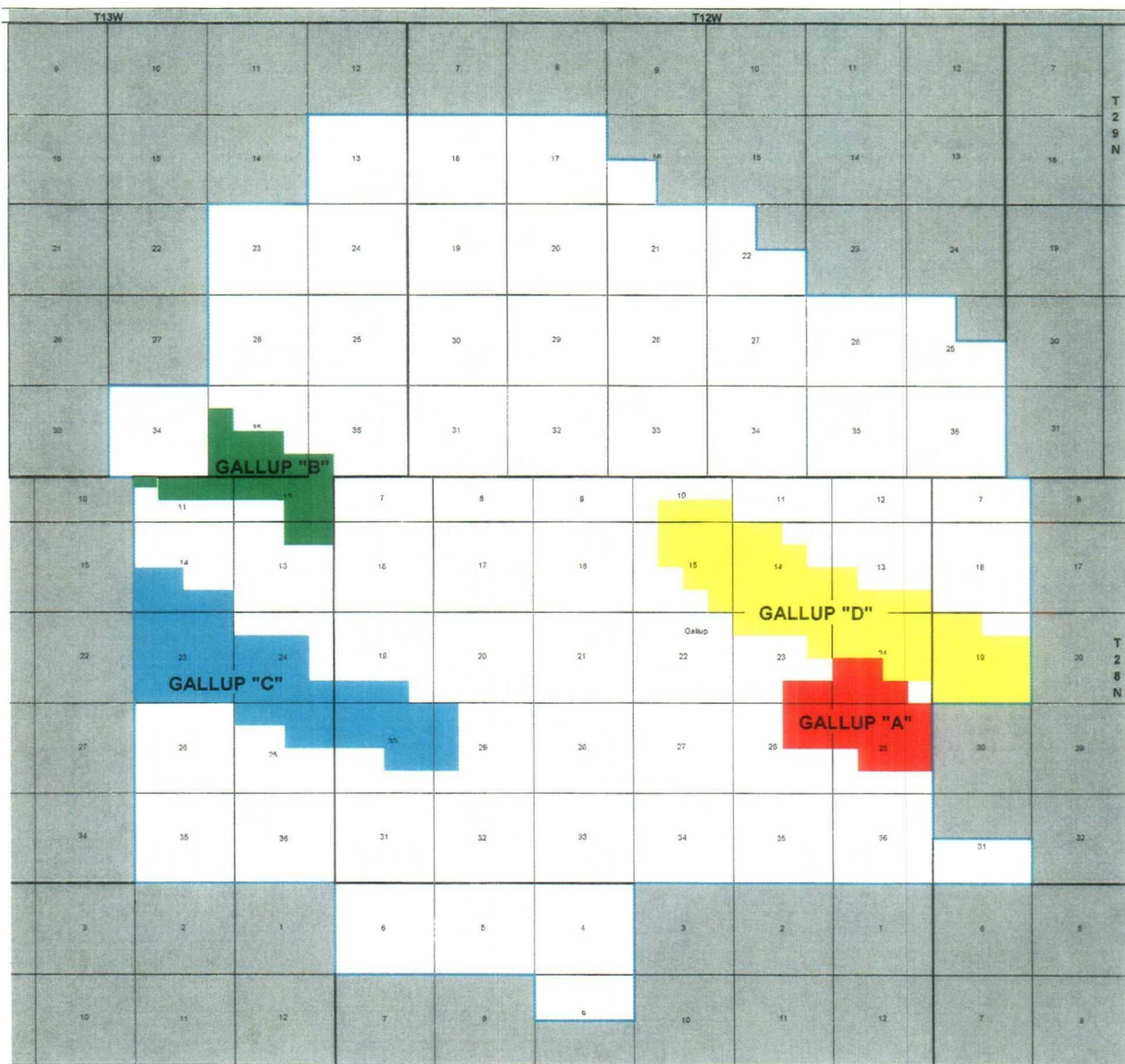
PARTICIPATING AREAS

FRUITLAND SAND A, B, C AND E



PARTICIPATING AREAS

GALLUP A, B, C AND D



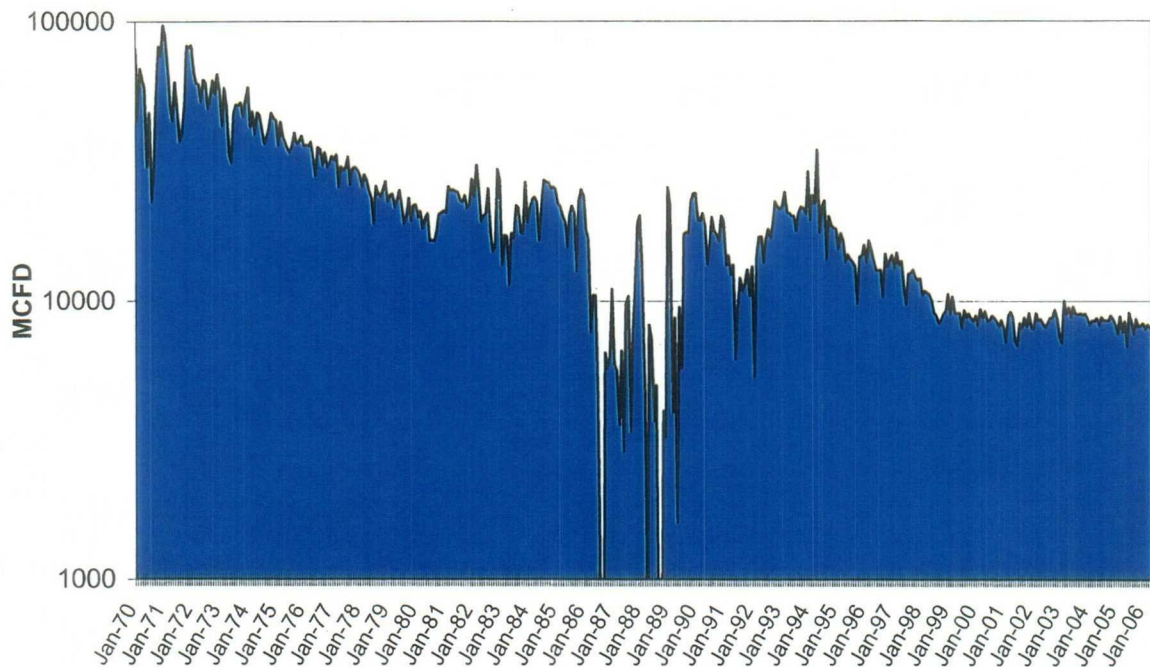
PARTICIPATING AREA

FARMINGTON A

T13W						T12W						T 2 9 N
9	10	11	12	7	8	9	10	11	12	7		
16	15	14	13	18	17	16	15	14	13	18		
21	22	23	24	19	20	21	22	23	24	19		
28	27	26	25	30	29	28	27	26	25	30		
33	34	35	36	31	32	33	34	35	36	31		
10	11	12	7	8	9	10	11	12	7	8		T 2 8 N
15	14	13	18	17	16	15	14	13	18	17		
22	23	24	19	20	21	22	23	24	19	20		
27	26	25	30	29	28	27	26	25	30	29		
34	36	35	31	32	33	34	35	36	31	32		
3	2	1	6	5	4	3	2	1	6	5		T 2 7 N
10	11	12	7	8	9	10	11	12	7	8		

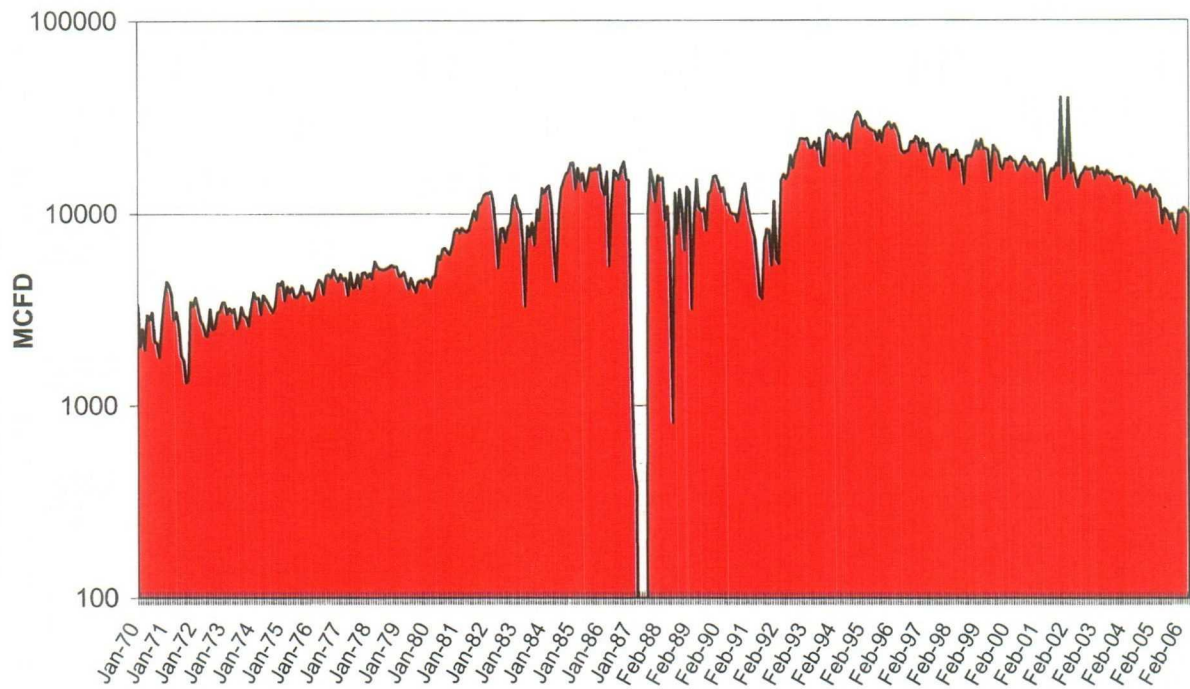
FARMINGTON "A" PA

GCU - Dakota Production



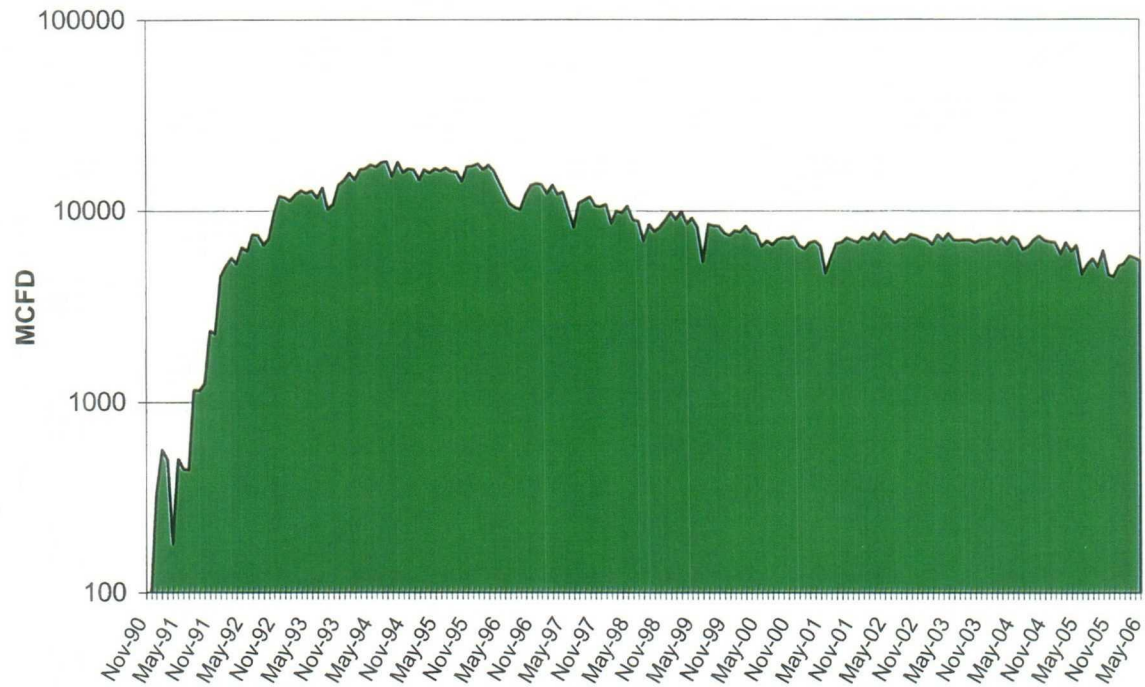
CUMULATIVE PRODUCTION, BCF	AVERAGE WELL GAS RATE, MCFD	AVERAGE WELL WATER RATE, BPD	AVERAGE WELL CONDENSATE RATE, BPD	NUMBER PRODUCING WELLS
417.5	49	0.7	0.3	171

GCU - Pictured Cliffs



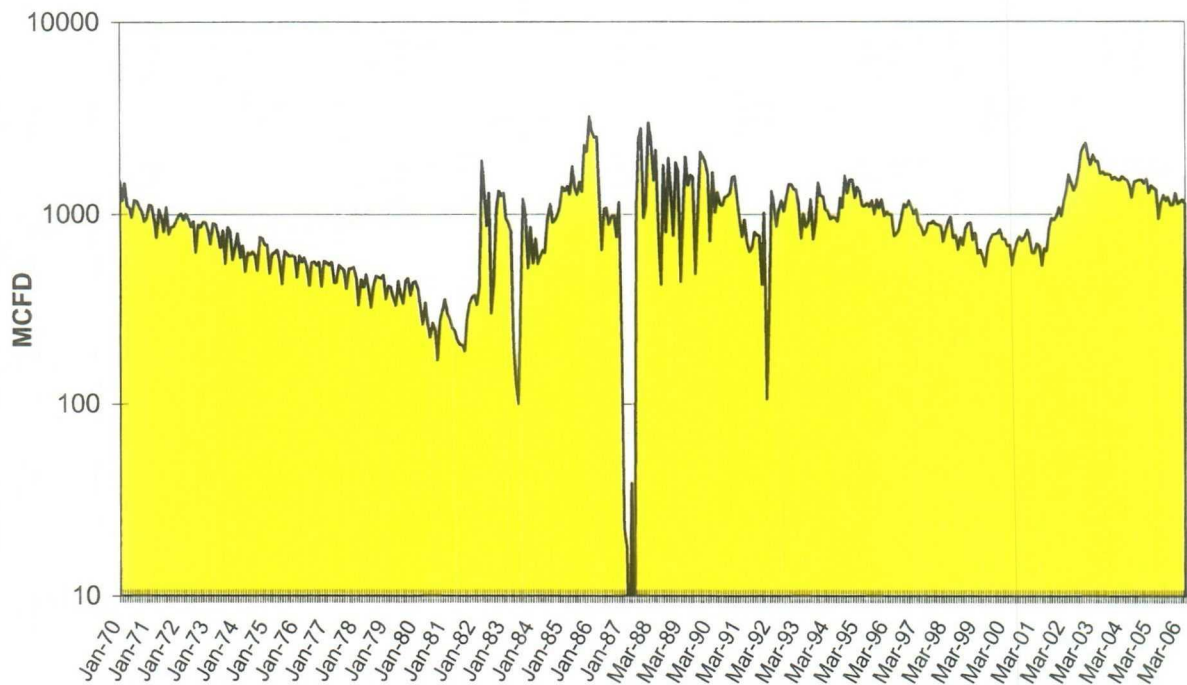
CUMULATIVE PRODUCTION, BCF	AVERAGE WELL GAS RATE, MCFD	AVERAGE WELL WATER RATE, BPD	AVERAGE WELL CONDENSATE RATE, BPD	NUMBER PRODUCING WELLS
198	70	4	0	149

GCU - Fruitland Coal



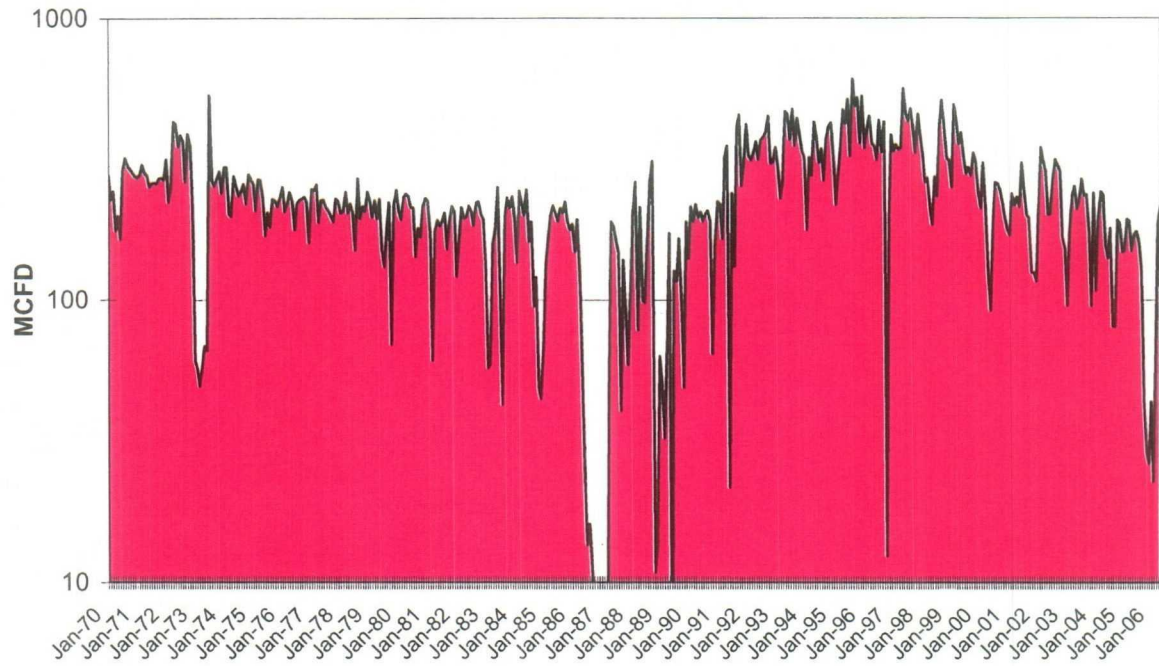
CUMULATIVE PRODUCTION, BCF	AVERAGE WELL GAS RATE, MCFD	AVERAGE WELL WATER RATE, BPD	AVERAGE WELL CONDENSATE RATE, BPD	NUMBER PRODUCING WELLS
50.3	64	4	0	88

GCU - Fruitland Sand



CUMULATIVE PRODUCTION, BCF	AVERAGE WELL GAS RATE, MCFD	AVERAGE WELL WATER RATE, BPD	AVERAGE WELL CONDENSATE RATE, BPD	NUMBER PRODUCING WELLS
14.5	35	1	0	37

GCU - Gallup



CUMULATIVE PRODUCTION, BCF	AVERAGE WELL GAS RATE, MCFD	AVERAGE WELL WATER RATE, BPD	AVERAGE WELL CONDENSATE RATE, BPD	NUMBER PRODUCING WELLS
8.9	35	1.0	0.6	5

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
Revised March 25, 1999

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.
Reference Below
5. Indicate Type of Lease STATE FEE
6. State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.) 1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		7. Lease Name or Unit Agreement Name: GCU & GCU COM F (Federal Lease SF - 078194 BLM Notified on Form 3160-5)
2. Name of Operator BP America Production Company Attn: KRISTINA HURTS	8. Well No. 568 & 162E	
3. Address of Operator P.O. Box 3092 Houston, TX 77253	9. Pool name or Wildcat FT & DK	
4. Well Location Unit Letter <u>B</u> (see C-102) feet from the <u>NORTH</u> line and _____ feet from the <u>EAST</u> line Section <u>36</u> Township <u>29N</u> Range <u>12W</u> NMPM <u>San Juan</u> County 10. Elevation (Show whether DR, RKB, RT, GR, etc.)		

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPLETION <input type="checkbox"/>	CASING TEST AND CEMENT JOB <input type="checkbox"/>	
OTHER: Surface Commingle <input checked="" type="checkbox"/>		OTHER: <input type="checkbox"/>	

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompilation.

BP America Production Company respectfully request authorization to surface commingle gas production from the Basin Dakota & Fruitland Coal from our Gallegos Canyon Unit Com 568 & Gallegos Canyon Unit Com F 162E. Surface commingling Basin Dakota production will consist of the Gallegos Canyon Unit Com F Well No. 162E API 30-045-25223 and Fruitland Coal production will be from the GCU Com 568 Well No. 568 API 30-045-30220. The production from each well will be metered prior to commingling then the commingled production will flow into through the separator where the liquids will be removed. The commingled gas will then be sent through compression prior to entering the sales meter.

The working interest, royalty and overriding royalty interest owners in the subject wells are different therefore notification is required. The proposed commingling of production is to reduce operating expenses between the wells and will result in increased economic life of the wells.

BLM has also been notified of this proposal by copy of BLM Form 3160-5.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Kristina Hurts TITLE Regulatory Analyst DATE 11/03/06
Type or print name KRISTINA HURTS Telephone No. 281-366-3866
(This space for State use)

APPROVED BY _____ TITLE _____ DATE _____
Conditions of approval, if any:

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS
*Do not use this form for proposals to drill or to re-enter an
Abandoned well. Use Form 3160-3 (APD) for such proposals.*

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

SUBMIT IN TRIPLICATE – Other instructions on reverse side

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No.
2. Name of Operator BP America Production Company Attn: Kristina Hurts		6. If Indian, Allottee or tribe Name
3a. Address P.O. Box 3092 Houston, TX 77253	3b. Phone No. (include area code) 281-366-3866	7. If Unit or CA/Agreement, Name and/or No.
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) GCU Com 568 - 1265' FNL & 1680' FEL GCU Com F 162E - 1180' FNL & 1590' FEL Sec 36 T29N R12W		8. Well Name and No. GCU Com 568 & GCU COM F 162E
		9. API Well No. 30-045-30220 & 30-045-25223
		10. Field and Pool, or Exploratory Area Fruitland Coal & Basin Dakota
		11. County or Parish, State San Juan County, New Mexico

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OR NOTICE, REPORT, OR OTHER DATA

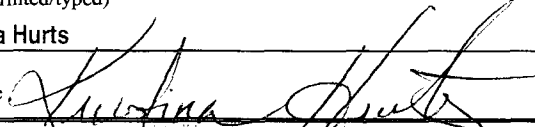
TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water shut-Off
	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
Subsequent Report	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Water Disposal	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	Other	<u>Surface Commingle</u>

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomple horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recomple in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.

BP America Production Company respectfully request authorization to surface commingle gas production from Fruitland Coal & Basin Dakota from our GCU Com 568 & GCU Com F 162E. Surface commingling Fruitland Coal production will consist of the GCU Com 568 Well No. API 30-045-30220 and Basin Dakota production will be from the GCU Com F 162E Well No. 15N API 30-045-25223. The production from each well will be metered prior to commingling then the commingled production will flow into through the separator where the liquids will be removed. The commingled gas will then be sent through compression prior to entering the sales meter.

The working interest, royalty and overriding royalty interest owners in the subject wells are different therefore notification is required. The proposed commingling of production is to reduce operating expenses between the wells and will result in increased economic life of the wells.

Attached in support of our application are copies of documentation submitted to the NMOCD for State approval.

14. I hereby certify that the foregoing is true and correct
Name (Printed/typed)
Kristina Hurts
Signature  Title Regulatory Analyst
Date 11/14/06

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by	Title	Date
Conditions of approval, if any, are attached. Approval of this notice does not warrant or Certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.	Office	

District I
1625 N. French Dr., Hobbs, NM 88240

District II
811 South First, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
Revised August 15, 2000

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-3220 & 30-045-25223	² Pool Code 71599 & 71629	³ Pool Name Basin Dakota & Basin Fruitland Coal
⁴ Property Code 000572 & 020831	⁵ Property Name GCU COM & GCU COM F	⁶ Well Number 568 & 162E
⁷ OGRID No. 000778	⁸ Operator Name BP America Production Company	⁹ Elevation

¹⁰ Surface Location

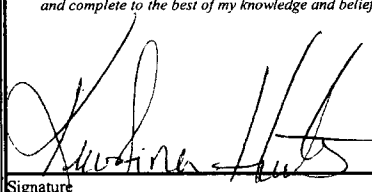
UL or lot no. B	Section 36	Township 29N	Range 12W	Lot Idn	Feet from	North/South NORTH	Feet from	East/West EAST	County San Juan
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from	North/South	Feet	East/West	County
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¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

GCU COM F 162E 30-045-25223 1180' FNL & 1590' FEL DK Unit outline				¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i>  Signature KRISTINA HURTS Printed Name Regulatory Analyst Title 11/3/2006 Date
			GCU 568 30-045-30220 1265' FNL & 1680' FEL FT Unit outline	¹⁸ SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i> on file Date of Survey Signature and Seal of Professional Surveyor: Certificate Number

District I
1625 N. French Drive, Hobbs, NM 88240
District II
1301 W. Grand Ave, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St Francis Dr, Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107-B
Revised June 10, 2003

OIL CONSERVATION DIVISION
1220 S. St Francis Drive
Santa Fe, New Mexico 87505

Submit the original
application to the Santa Fe
office with one copy to the
appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: BP America Production Company
OPERATOR ADDRESS: P O Box 3092 Houston, TX 77253
APPLICATION TYPE:
☒ Pool Commingling ☐ Lease Commingling ☐ Pool and Lease Commingling ☐ Off-Lease Storage and Measurement (Only if not Surface Commingled)
LEASE TYPE: ☐ Fee ☐ State ☒ Federal

Is this an Amendment to existing Order? ☐ Yes ☒ No If "Yes", please include the appropriate Order No. _____
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling
☒ Yes ☐ No

(A) POOL COMMINGLING
Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes
Basin Fruitland Coal (GCU Com 56A)	1038 BTU	1038 BTU		110	110
Basin Dakota (GCU Com F 162E)	1264 BTU	1264 BTU		130	130

- (2) Are any wells producing at top allowables? ☐ Yes ☒ No
(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No
(4) Measurement type: ☒ Metering ☐ Other (Specify)
(5) Will commingling decrease the value of production? ☐ Yes ☒ No If "yes", describe why commingling should be approved

(B) LEASE COMMINGLING
Please attach sheets with the following information

- (1) Pool Name and Code.
(2) Is all production from same source of supply? ☐ Yes ☐ No
(3) Has all interest owners been notified by certified mail of the proposed commingling? ☐ Yes ☐ No
(4) Measurement type: ☐ Metering ☐ Other (Specify)

(C) POOL and LEASE COMMINGLING
Please attach sheets with the following information

- (1) Complete Sections A and E.

(D) OFF-LEASE STORAGE and MEASUREMENT
Please attached sheets with the following information

- (1) Is all production from same source of supply? ☐ Yes ☐ No
(2) Include proof of notice to all interest owners.

(E) ADDITIONAL INFORMATION (for all application types)
Please attach sheets with the following information

- (1) A schematic diagram of facility, including legal location.
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.
(3) Lease Names, Lease and Well Numbers, and API Numbers.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: Kristina Hurts TITLE: Regulatory Analyst DATE: 11/04/06
TYPE OR PRINT NAME Kristina Hurts TELEPHONE NO.: 281-366-3866
E-MAIL ADDRESS: hurtk0@bp.com

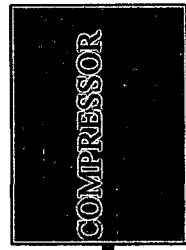
SHARED COMPRESSOR SCHEMATIC FOR GCU COM 568 & GCU COM F 162E SECTION 36 T29N R12W

Access Road

GCU COM 568 (FT)

SEPARATOR

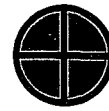
CDP SALES
METER



Approximately
100 feet of
undisturbed land

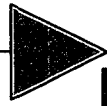
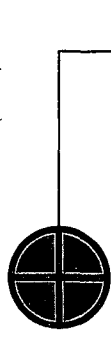
ALLOCATION
METER

GCU COM F
162E (DK)



SEPARATOR

Access Road



ALLOCATION OF FUEL USE GAS:

Each well is measured at the well head (see diagram) Gas then flows through the compressor and is then measured again through the sales meter. The difference between what is measured at the well head and what is sold through the sales meter is the fuel usage. This fuel usage is allocated back to each well based on the well production.

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
Revised March 25, 1999

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.
Reference Below
5. Indicate Type of Lease STATE FEE
6. State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH
PROPOSALS.)

7. Lease Name or Unit Agreement Name: GCU (Federal Lease SF - 078194 BLM Notified on Form 3160-5)
--

1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other
--

2. Name of Operator BP America Production Company Attn: Kristina Hurts

8. Well No. Nos. 138E & 516

3. Address of Operator P.O. Box 3092 Houston, TX 77253

9. Pool name or Wildcat Basin Dakota & W. Kutz Pictured Cliffs

4. Well Location Unit Letter <u>L</u> (see C-102) feet from the <u>South</u> line and _____ feet from the <u>West</u> line Section <u>7</u> Township <u>28N</u> Range <u>11W</u> NMPM <u>San Juan</u> County
--

10. Elevation (Show whether DR, RKB, RT, GR, etc.)
--

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPLETION <input type="checkbox"/>

OTHER: Surface Commingle ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
CASING TEST AND CEMENT JOB <input type="checkbox"/>	

OTHER: ☐

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

BP America Production Company respectfully request authorization to surface commingle gas production from the Basin Dakota and W. Kutz Pictured Cliffs from our GCU wells No. 138E & 516. Surface commingling Basin Dakota production will consist of the GCU No. 138E API 30-045-26155 and W. Kutz Pictured Cliffs production will be from the GCU Well No. 516 API 30-045-28063. The production from each well will be metered prior to commingling then the commingled production will flow into through the separator where the liquids will be removed. The commingled gas will then be sent through compression prior to entering the sales meter.

The working interest, royalty and overriding royalty interest owners in the subject wells are different therefore notification is required. The proposed commingling of production is to reduce operating expenses between the wells and will result in increased economic life of the wells.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Kristina Hurts TITLE Regulatory Analyst DATE 12/05/2006
Type or print name Kristina Hurts Telephone No. 281-366-3866
(This space for State use)

APPROVED BY _____ TITLE _____ DATE _____
Conditions of approval, if any:

Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-101
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

P.O. Drawer DD, Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator BHP PETROLEUM (AMERICAS) INC.			Lease GALLEGOS CANYON UNIT		Well No. 516
Unit Letter L	Section 7	Township 28 N	Range 11 W	County San Juan	
Actual Footage Location of Well: 1745 feet from the South line and 950 feet from the West line					
Ground level Elev. 5426	Producing Formation Pictured Cliffs		Pool W. Kutz Pictured Cliffs EXT		Dedicated Acreage: 132.99 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.

2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

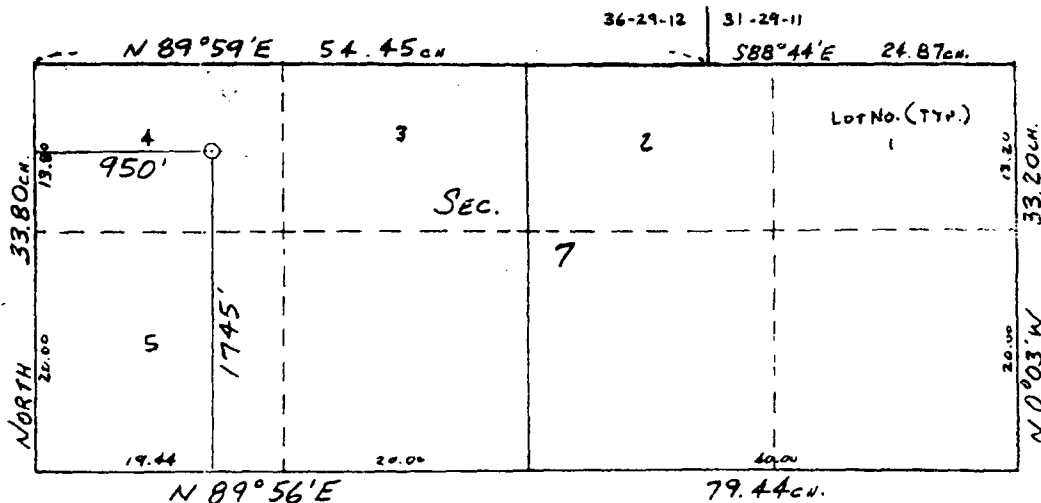
☐ Yes

☐ No

If answer is "yes" type of consolidation

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature
Chuck Williams
Printed Name
Chuck Williams

Position
Field Services Administrator
Company
BHP Petroleum (Americas) Inc.
Date
7/26/90

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

7-5-90

Date Surveyed
William E. Burke II

Signature & Seal of
Professional Surveyor

Certificate No.
8466

All distances must be from the outer boundaries of the Section.

Operator AMOCO PRODUCTION COMPANY			Lease GALLEGOS CANYON UNIT			Well No. 138E		
Unit Letter L	Section 7	Township 28N	Range 11W	County San Juan				
Actual Footage Location of Wells 1650 feet from the South line and 890 feet from the West line								
Ground Level Elev: 5427	Producing Formation Dakota		Pool Basin Dakota			Dedicated Acreage: 320 Acres		

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☒ Yes ☐ No If answer is "yes," type of consolidation Unitized

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Original Signed By

B. D. Shaw

Name

B. D. Shaw

Position

Administrative Supervisor

Company

Amoco Production Company

Date

12-6-84

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

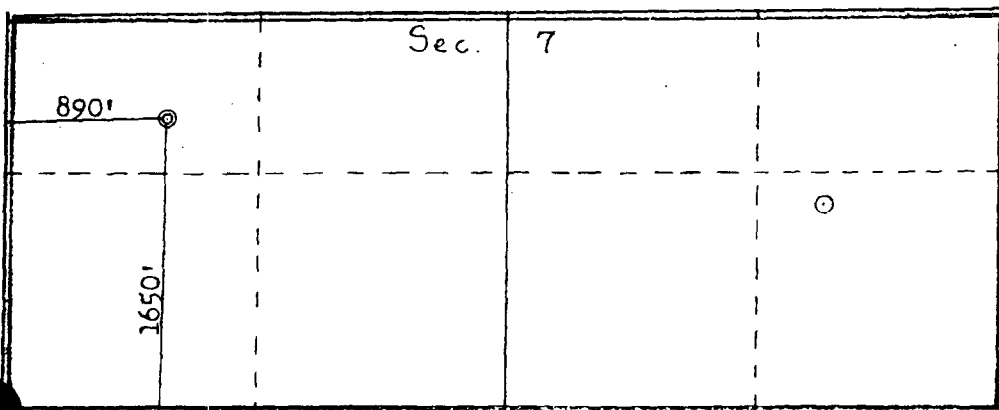
Date Surveyed

November 27, 1984

Registered Professional Engineer and Land Surveyor

Fred B. Kerr Jr.

Certificate No. **3950**



Scale: 1"=1000'

District I
1625 N. French Drive, Hobbs, NM 88240
District II
1301 W. Grand Ave, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St Francis Dr, Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107-B
Revised June 10, 2003

OIL CONSERVATION DIVISION
1220 S. St Francis Drive
Santa Fe, New Mexico 87505

Submit the original
application to the Santa Fe
office with one copy to the
appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: **BP America Production Company**

OPERATOR ADDRESS: **P O Box 3092 Houston, TX 77253**

APPLICATION TYPE:

☒ Pool Commingling ☐ Lease Commingling ☐ Pool and Lease Commingling ☐ Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE: ☐ Fee ☐ State ☒ Federal

Is this an Amendment to existing Order? ☐ Yes ☒ No If "Yes", please include the appropriate Order No. _____

Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling

☒ Yes ☐ No

(A) POOL COMMINGLING

Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes
Basin Dakota (#138E)	1213 BTU	1213 BTU		160	160
W. Kutz Pictured Cliffs (#516)	1034 BTU	1034 BTU		80	80

(2) Are any wells producing at top allowables? ☐ Yes ☒ No

(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No.

(4) Measurement type: ☒ Metering ☐ Other (Specify)

(5) Will commingling decrease the value of production? ☐ Yes ☒ No If "yes", describe why commingling should be approved

(B) LEASE COMMINGLING

Please attach sheets with the following information

(1) Pool Name and Code.

(2) Is all production from same source of supply? ☐ Yes ☐ No

(3) Has all interest owners been notified by certified mail of the proposed commingling? ☐ Yes ☐ No

(4) Measurement type: ☐ Metering ☐ Other (Specify)

(C) POOL and LEASE COMMINGLING

Please attach sheets with the following information

(1) Complete Sections A and E.

(D) OFF-LEASE STORAGE and MEASUREMENT

Please attached sheets with the following information

(1) Is all production from same source of supply? ☐ Yes ☐ No

(2) Include proof of notice to all interest owners.

(E) ADDITIONAL INFORMATION (for all application types)

Please attach sheets with the following information

(1) A schematic diagram of facility, including legal location.

(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.

(3) Lease Names, Lease and Well Numbers, and API Numbers.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: Kristina Hurts TITLE: Regulatory Analyst DATE: 12/05/06

TYPE OR PRINT NAME Kristina Hurts TELEPHONE NO.: 281-366-3866

E-MAIL ADDRESS: hlavacl@bp.com

SHARED COMPRESSOR SCHEMATIC FOR GCU 138E & GCU 516

SECTION 7, T28N, R11W

Access Road

SEPARATOR

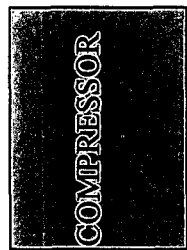
GCU #138E (DK)



ALLOCATION
METER



Approximately
100 feet of
undisturbed land



CDP SALES
METER



ALLOCATION
METER



GCU #516
(PC)



SEPARATOR

Access Road

ALLOCATION OF FUEL USE GAS:

Each well is measured at the well head (see diagram) Gas then flows through the compressor and is then measured again through the sales meter. The difference between what is measured at the well head and what is sold through the sales meter is the fuel usage. This fuel usage is allocated back to each well based on the well production.



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401



IN REPLY REFER TO:
Case No. 13842

December 11, 2006

Mark Fesmire
New Mexico Oil Conservation Division
1220 S. St. Frances Drive
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Reference is made to Case No. 13842, whereby BP America Production Company (BP) is seeking approval for a unit wide surface commingling provision for all formations within the Gallegos Canyon Unit (GCU). The Gallegos Canyon Unit is located in San Juan County New Mexico and includes lands in Townships 27, 28 and 29 North and Ranges 11, 12 and 13 West. The unit encompasses approximately 43,146 acres of Federal, Navajo Allotted, State and Fee lands. Under Order R-11567, issued by the Division on April 26, 2001, BP was granted pre-approval to down-hole commingle production from multiple formations in the GCU area. BP now seeks a similar provision for surface commingling of multiple formations within the GCU area. In support of this request, BP provides the following:

- BP indicates that approval of their request will not reduce the value of the commingled production or otherwise adversely affect the mineral interest owners.
- Approval of their application will enable BP to operate more efficiently and thus increase the ultimate recovery of hydrocarbons from the unit area.
- All surface commingled production will be separately metered and allocated to the respective leases in accordance with appropriate rules.
- Approval is necessary for efficient operation of the GCU and is in the best interest of conservation, prevention of waste and the protection of correlative rights.

The Bureau of Land Management supports BP's request for the reasons referenced above. In addition, surface commingling of production will eliminate unnecessary surface production facilities, reduce surface disturbance and reduce emissions from compression operations.

BP would be expected to file a Sundry Notice application on site specific basis for each surface commingled well combination. This would allow the BLM to effectively perform field inspection efforts and perform production accountability audits when necessary.

If you have any questions regarding the above, please contact me at (505) 599-6367.

Jim Lovato

/s/ Jim Lovato

Senior Technical Advisor,
Petroleum Engineer

Cc:
BP America Inc.



BP America Production Company
1660 Lincoln Street, Suite 3000
Denver CO 80264

November 28, 2006

Mr. Carroll E. Crawford
83 Road 5295
Farmington NM, 87401

Re: NMOCD Case No. 13842, BP America Application for Surface Commingling
Gallegos Canyon Unit
San Juan County, New Mexico

Dear Mr. Crawford,

This letter is pursuant to our telephone conversation of November 27, 2006 regarding BP America Production Company's application for surface commingling in the Gallegos Canyon Unit. This will confirm the description of our plans for surface commingling operations in the unit as we discussed. I am also sending a copy of this letter to Mr. William V. Jones, Hearing Officer at the New Mexico Oil Conservation Division to be included in the hearing file.

BP is planning to surface commingle production from a number of wells in the unit. We are focusing on situations with two wells that are located on a common well pad or in close proximity to a well pad with an existing compressor. Our plan is to produce the wells individually through separators and individually meter production from each well prior to commingling the gas production into a single onsite compressor. Individually metering the production prior to commingling will ensure we are able to properly account for the gas production from each well. This will allow BP America to economically produce more gas through the compressor and protect the correlative rights of all owners sharing in the production from the wells.

Please feel free to give me a call for any other questions you may have about our application. My office phone number is (303)-830-3259.

Sincerely,

A handwritten signature in cursive script that reads "Bill Hawkins".

Bill Hawkins
San Juan Regulatory Consultant

Copy: Mr. William V. Jones
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87505