

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.

Vary 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-Pictuted 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

APPLICATION FOR SURFACE COMMINGLING AND OFF-LEASE MEASUREMENT PAGE 1

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 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

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 preapproved 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

APPLICATION FOR SURFACE COMMINGLING AND OFF-LEASE MEASUREMENT PAGE 2

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

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: Section 22:

W/2, SE/4

Section 25:

W/2, SE/4

Sections 26 through 36:

All

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

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

APPLICATION FOR SURFACE COMMINGLING AND OFF-LEASE MEASUREMENT PAGE 4

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-Pictuted 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). requests authorization, prospectively, for surface commingle 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

<u>CERTIFIED MAIL</u> <u>RETURN RECEIPT REQUESTED</u>

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-Pictuted 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

HOLLAND&HART

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,

William F. Carr

Attorney for BP America Production Company

cc:

Mr. J. William Hawkins

BP America Production Company

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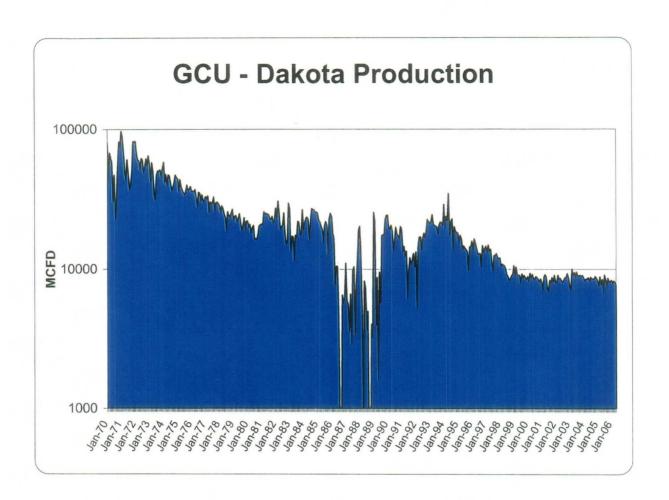
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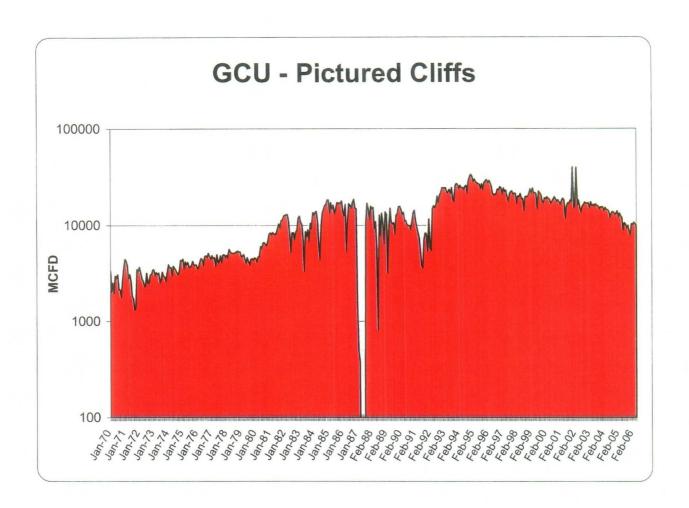
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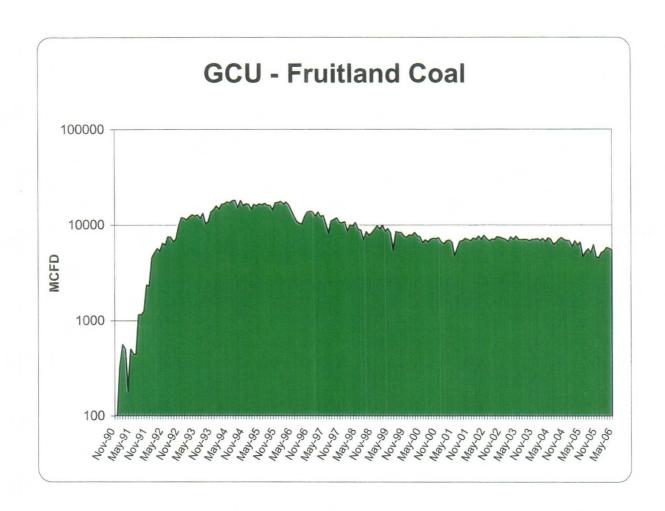
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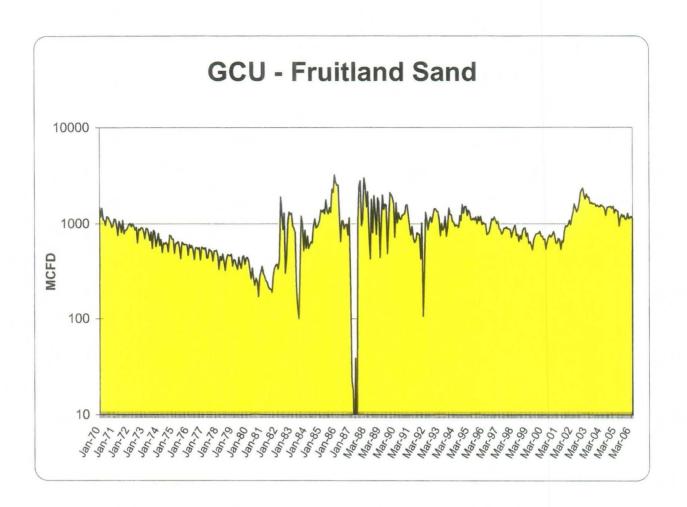
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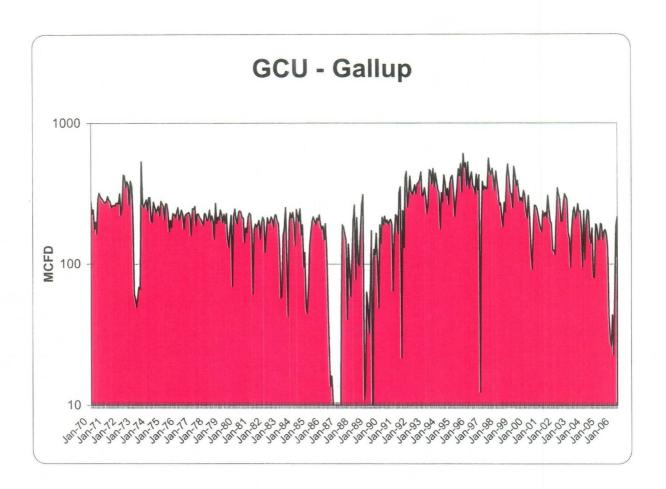
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CUMULATIVE	AVERAGE WELL	AVERAGE WELL	AVERAGE WELL	NUMBER	
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Submit 3 Copies To Appropriate District Office	State of New Mexico		Form C-103		
District I	Energy, Minerals and Natur	ral Resources	Revised March 25, 1999 LL API NO.		
1625 N. French Dr., Hobbs, NM 88240 District II	OH CONCERNATION		Reference Below		
811 South First, Artesia, NM 88210	OIL CONSERVATION	1 5 1	ndicate Type of Lease		
<u>District III</u> 1000 Rio Brazos Rd., Aztec, NM 87410	1220 South St. Fran		STATE FEE		
<u>District IV</u> 1220 S. St. Francis Dr., Santa Fe, NM	Santa Fe, NM 87	6.	State Oil & Gas Lease No.		
87505					
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PROPOSALS.)	· · ·	į .	deral Lease SF - 078194 BLM Notified on		
1. Type of Well: Oil Well Gas Well	X Other		Form 3160-5)		
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2. Name of Operator	AM. PRIOTINA HURTO	8. \	Well No.		
BP America Production Company 3. Address of Operator	Attn: KRISTINA HURTS	0.1	568 & 162E Pool name or Wildcat		
P.O. Box 3092 Houston, TX 77253			b DK		
4. Well Location					
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11. Check	Appropriate Box to Indicate Na	ature of Notice, Repo	ort or Other Data		
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PERFORM REMEDIAL WORK] PLUG AND ABANDON 🔲	REMEDIAL WORK	☐ ALTERING CASING ☐		
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• • • •	c). SEE RULE 1103. For Multiple (Completions: Attach well	bore diagram of proposed completion		
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GCU Com 568 Well No. 568 API 30	-045-30220. The production from eac	h well will be metered pri	or to commingling then the commingled		
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The working interest, royalty a	nd overriding royalty interest own	ers in the subject wells	are different therefore notification is		
required. The proposed comm	ningling of production is to redu		between the wells and will result in		
increased economic life of the w	ells.				
PI M has also been notified of t	his proposal by copy of BLM Form	2160 5			
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I hereby certify that the information	on above is true and complete to the	best of my knowledge an	d belief.		
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Type or print name KRISTINA	nun 15 lelephone	No. 281-366-3866			
(This space for State use)					
APPPROVED BY	TITLE		DATE		
Conditions of approval, if any:					

Form 3160-5 (August 1999)

UNITED STATES

FORM APPROVED	
OMB No. 1004-0135	
Euminea Merrember 20, 20	Ŋ.

DEP	PARTMENT OF THE INTER	<u></u>	Expires November 30, 2000					
SUNDRY N	REAU OF LAND MANGEMI NOTICES AND REPORTS (5	. Lease Serial No.					
	s form for proposals to drill o . Use Form 3160-3 (APD) for	6	6. If Indian, Allottee or tribe Name					
SUBMIT IN TRIPLIC	CATE – Other instru	ide 7	. If Unit or CA/Ag	rreement, Name and/or No.				
1. Type of Well			8	. Well Name and	No.			
Oil Well X C	Gas Well			GCU Com 568 & GCU COM F 162E				
2. Name of Operator			9	. API Well No.				
		n: Kristina Hurts			30220 & 30-045-25223			
3a. Address P.O. Box 3092 Houston, TX 7	l l	. (include area code) 281-366-3866	10		or Exploratory Area d Coal & Basin Dakota			
4. Location of Well (Footage, Se GCU Com 568 - 1265' FNL & 1 Sec 36 T29N R12W			0' FEL 11	-	n, State In County, New Mexico			
12. CHE	CK APPROPRIATE BOX(ES	S) TO INDICATE NATUR	E OR NOTIC	E, REPORT, OR O	THER DATA			
TYPE OF SUBMISSION]	YPE OF AC	TION				
⋈	Acidize	Deepen	Production (Start/Resume) Water shut-Off					
Notice of Intent	Alter Casing	Fracture Treat	t Reclamation Well Integrity					
Subsequent Report	Casing Repair	New Construction	Reco	nplete				
Final Abandonment Notice	Change Plans	Plug and Abandon	☐ Wat	er Disposal				
	Convert to Injection	Plug Back		Other	Surface Commingle			
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 recomplete 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 recompletion 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 fromFruitland 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 foregoin Name (Printed/typed)	ing is true and correct	.5						
Kristina Hurts / ,	. /	Regulatory	Analyst					
Signature July 1								
	THIS SPAC	E FOR FEDERAL OR	STATE OF	FICE USE				
Approved by		Title		Date				
Conditions of approval, if any, are attach Certify that the applicant holds lega	al or equitable title to those rig	10.00						
subject lease which would entitle th	he applicant to conduct operat							

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter witin its jurisdiction.

<u>District I</u> 1625 N. French Dr., Hobbs, NM 88240 State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102 Revised August 15, 2000

<u>District II</u> 811 South First, Artesia, NM 88210

OIL CONSERVATION DIVISION 2040 South Pacheco Santa Fe, NM 87505 Submit to Appropriate District Office

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

<u>District IV</u> 2040 South Pacheco, Santa Fe, NM 87505

AMENDED REPORT

State Lease - 4 Copies

Fee Lease - 3 Copies

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	GCU C	⁵ Property Name OM & GCU COM F	⁶ Well Number 568 & 162E	
⁷ OGRID No. 000778	BP America	⁸ Operator Name a Production Company	⁹ Elevation	

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Surface Loc	North/South	Feet from	East/West	County
В	36	29N	12W			NORTH		EAST	San Juan
Bottom Hole Location If Different From Surface									
UL or lot no.	Section	Township	Range	Lot Idn	Feet from	North/South	Feet	East/West	County
11									
12 Dedicated Acres 13 Joint or Infill 14 Consolidation Code 15 Order No.									

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	→ ⊚	30-045-30220	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature KRISTINA HURTS Printed Name Regulatory Analyst Title 11/3/2006 Date
			18 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 belief. 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

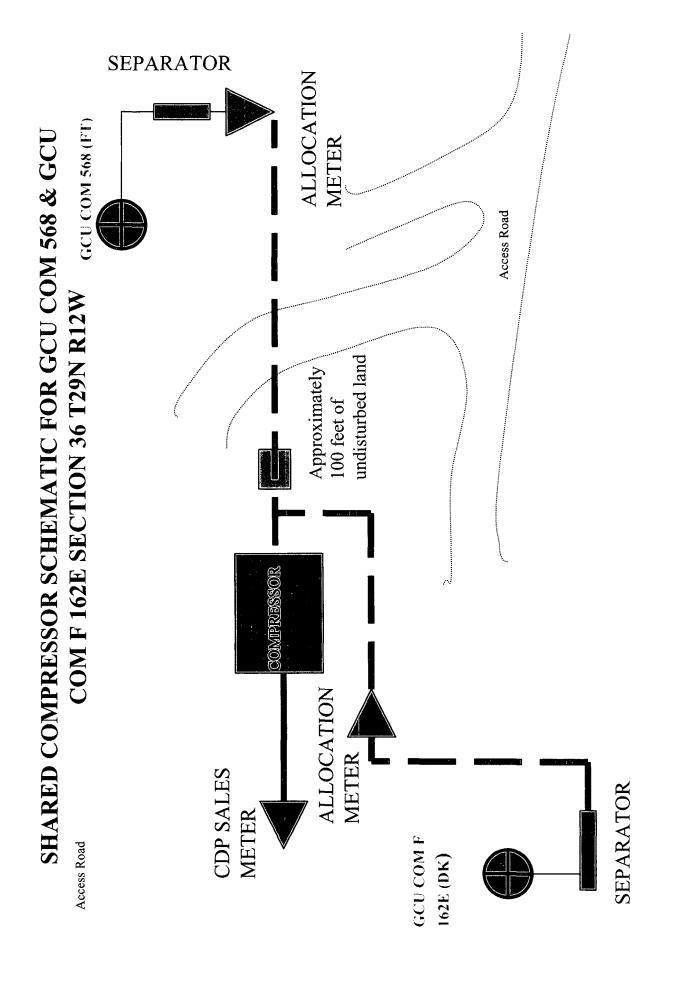
Form C-107-B Revised June 10, 2003

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 I	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	_		torage and Measure	ment (Only if not Surface	Commingled)			
LEASE TYPE: Fee	State X Feder							
Is this an Amendment to existing Order					1.			
Have the Bureau of Land Management XYes □No	(BLM) and State Land	office (SLO) been no	unea in writing o	or the proposed commi	ingiing			
	(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 5	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 allowa								
(4) Measurement type: X Metering (5) Will commingling decrease the value of	Other (Specify) of production? Yes	XNo If "yes", describ	oe why commingli	ng should be approved				
		SE COMMINGLINGS with the following in						
(1) Pool Name and Code. (2) Is all production from same source of (3) Has all interest owners been notified by (4) Measurement type: Metering	certified mail of the prop Other (Specify)	posed commingling?	□Yes □N	io				
	, ,	LEASE COMMIN						
(1) Complete Sections A and E.	riease attach sheet	ts with the following i	mormation	<u></u>				
(1		ORAGE and MEA						
(1) Is all production from same source of		ets with the following	<u>information</u>					
(1) Is all production from same source of(2) Include proof of notice to all interest of	• • • • • •	10						
1								
(E) Al		DRMATION (for all ts with the following i		ypes)				
 A schematic diagram of facility, inclu A plat with lease boundaries showing Lease Names, Lease and Well Number 	ding legal location. all well and facility locat			ate lands are involved.				
I hereby certify that the information above is	s true and complete to the	best of my knowledge ar	nd belief.					
SIGNATURE: XULLING	Hunts T	ITLE: Regulatory	Analyst 1	DATE: 111/04/06				
TYPE OR PRINT NAME Kristi	na Hurts		TELEPHO	NE NO.: 281-366	-3866			
E MAII ADDRESS - hurtk@hn	eom							



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 Offfice	State of Energy, Minera	of New Me			Form C-103 Revised March 25, 1999
District I 1625 N. French Dr., Hobbs, NM 88240	Energy, williera	is and i value	iai icosoarees	WELL API NO.	
District II 811 South First, Artesia, NM 88210	OIL CONSE	RVATION	DIVISION		rence Below
District III	1220 Sou	ith St. Fran	icis Dr.	5. Indicate Type of STATE	of Lease FEE
1000 Rio Brazos Rd., Aztec, NM 87410 District IV	Santa	Fe, NM 87	505	6. State Oil & G	
1220 S. St. Francis Dr., Santa Fe, NM					
87505 SUNDRY NOT	TICES AND REPORTS	ON WELLS	· · · · · · · · · · · · · · · · · · ·	7 Lease Name or	Unit Agreement Name:
(DO NOT USE THIS FORM FOR PROPO	OSALS TO DRILL OR TO DI	EEPEN OR PLU	JG BACK TO A	. 20000 1,0000 0.	ome rigited ment.
DIFFERENT RESERVOIR. USE "APPL PROPOSALS.)	CATION FOR PERMIT" (FO	ORM C-101) FC	OR SUCH		GCU
1. Type of Well:					- 078194 BLM Notified on
Oil Well Gas Well	X Other			FOI	rm 3160-5)
2. Name of Operator				8. Well No.	
BP America Production Company	Attn: Kristina Hurts	<u> </u>			138E & 516
3. Address of Operator				9. Pool name or V	
P.O. Box 3092 Houston, TX 77253 4. Well Location				Basin Dakota & W.	Kutz Pictured Cliffs
4. Well Escation					
Unit LetterL_(se	e C-102) feet from the _	South lir	ne andfeet	from the West	line
S. C. 7	T1: 20N	D 11	W NEA	DM Com luon	Commen
Section 7	Township 28N 10. Elevation (Show	Range 11 www.whether DI			County
11 (11-	À Des 4	T., J 4 . NT.	-4 CNI-4:	D Ada Odla	
	Appropriate Box to	indicate Na			
PERFORM REMEDIAL WORK	NTENTION TO: PLUG AND ABANDO	ON 🗆	SUB REMEDIAL WOR	SEQUENT REI	PORT OF: ALTERING CASING [
PERFORM REMEDIAL WORK	J PLUG AND ABANDO		REWEDIAL WOR	K \square	ALTERING CASING L
TEMPORARILY ABANDON	CHANGE PLANS		COMMENCE DRI	LLING OPNS.	PLUG AND ABANDONMENT
PULL OR ALTER CASING	MULTIPLE		CASING TEST A	ND 🗆	
	COMPLETION		CEMENT JOB		
OTHER: Surface Commingle		X	OTHER:		
12. Describe proposed or comple					
of starting any proposed work	(). SEE RULE 1103. F	or Multiple (Completions: Attac	h wellbore diagram	of proposed completion
or recompilation. BP America Production Company	roopootfully roquoet out	acrization to	curface comminate	ass production from	the Besin Dakets and W
Kutz Pictured Cliffs from our GCU					
API 30-045-26155 and W. Kutz Pict					
well will be metered prior to comm					where the liquids will be
removed. The commingled gas will	I then be sent through co	ompression p	rior to entering the	sales meter.	
The working interest, royalty a	nd overriding royalty i	interest own	ars in the subject	walle ara diffarant	therefore notification is
required. The proposed comm					
increased economic life of the w					
I hereby certify that the information	on above is true and con	plete to the	best of my knowled	ge and belief.	
SIGNATURE XULTIN	in And	TITLE Re	egulatory Analyst	DATE	12/05/2006
Type or print name Kristina H	urts				ne No. 281-366-3866
(This space for State use)	4.10			r erebiton	C 110. 201-000-0000
•					
APPPROVED BY		TITLE			_DATE

Submit 40 Appropriate District Office State Lease - 4 copies Fee Lease - 3 copies

State of New Mexico Energy, Minerals and Natural Resources Department

Form C-102 Revised 2-1-89

DISTRICT I P.O. Box 1980, Hobbs, NM 88240

OIL CONSERVATION DIVISION P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT II P.O. Drawer DD, Arlesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aziec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

OU KIO BIZZOS AS., AZI	All Dis	tances must be from	he outer boundaries	of the section		
perator BHP PETR	oleum (Americas) II	NC.	GALLEGOS CA	ANYON UNIT	Γ	Well No. 516
it Letter Sec	Township 28	N Rung	11 W	NMP	County San	Juan
Hal Footage Location 1745	of Well: from the South	line and	950	feet from	Wast	- line
ound level lilev. 5426	Producing Formation Pictured Cliff:	Pool W.	Kutz Pictur	ed Cliffs	ET	Dedicated Acreage: 132.99
3. If more than unitization, (Yes If answer is "b	o" list the owners and tract descrip	s dedicated to the well,	have the interest of all	owners beeft con	solidated by com	
	will be assigned to the well until al standard unit, eliminating such inte	rest, has been approved		500 0	OPERAT	g, or otherwise) OR CERTIFICATION certify that the information
N 89°59′E	54.45an		-29-11 88 <u>°44'E</u> 24.8	37cu.	Signature Signature Chuck W Position Field Ser	illiams vices Administrat
950'	3 Sec.	٤	Lot No. (T	3.20cm.	Company BHP Petro Date 7/26/	leum (Americas) I 90
N 89°5	20.00	79.	44cu.	20.00 N 0 03 W 33	I hereby certifion this plat we actual surveys supervison, an correct to the balist. Date Surveyed	
					12,4	(S)=1 (S466)

EHERGY AIR MINERALS DEPARTMENT

P, O, BOX 2044

SANTA FE, NEW MEXICO 87501

Form C-102 Revised 10-1

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Operator			Leas	•		Well No.		
AMUCO PRODUCT	ION COMPANY		GA	LLEGOS CANY	TINU NO		138E	
	ction	Township		Romge	County			
L	7	28N		1.1M	San J	uan		
ctual Footage Lucation	on of Wells					·····	}	
1650	eet from the	outh .	ine and 89	0	feet from the	West	line	
round Level Elev:	Producting Form		P∞I					.,,
5427	I	akota	}	Basin Dako	a	1	-320 -S	ک تریت Acrei
1. Outline the							a alas balan	
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this form if no No allowable	will be assigned	to the well	ıntil all inte	rests have bee	en consolidate	ed (by come	munitization, un approved by the	itizatio
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				•			ertify that the infor	
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							knowledge and bel	lef.
•						Origin	al Signed By	
				•		B.	D. Shaw	.
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						B.D. S	пам	
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						12-6-	84	···
8901	S	ec. 7		 	· .	I hereby shown on on notes of c under my i Is true as knowledge Date Surveys Novembe Registered P	certify that the wathis plat was platted screen surveys made supervision, and the and belief.	d from fie e by me st the son best of n
1650,	S 1	ec. 7				I hereby shown on on notes of c under my i Is true as knowledge Date Surveys Novembe Registered P	certify that the was platted this plat was platted surveys made supervision, and the land belief. 27, 1981	d from fie e by me at the ear best of n
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<u>District I</u> 1625 N. French Drive, Hobbs, NM 88240 <u>District II</u>

District III
1000 Rio Brazos Road, Aztec, NM 87410

<u>District IV</u> 1220 S. St Francis Dr, Santa Fe, NM

E-MAIL ADDRESS:___

hlavacl@bp.com

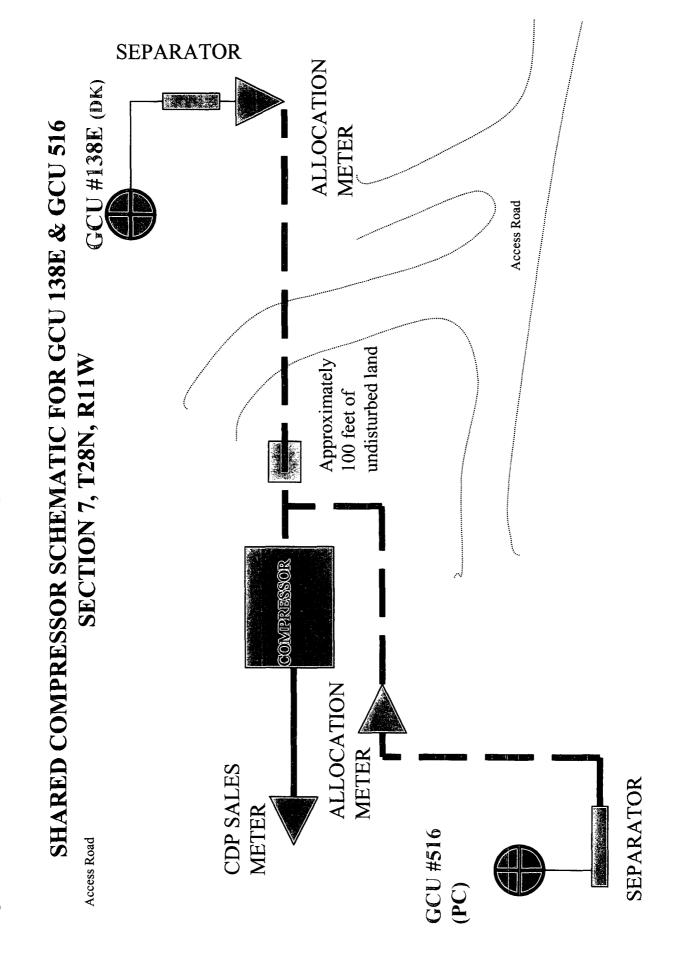
State of New Mexico Energy, Minerals and Natural Resources Department

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.

Form C-107-B Revised June 10, 2003

87505		342-10-2-3, 2			appropriate Dis	trict Office.		
APPLICA	ATION F	OR SURFACE (COMMINGLING	(DIVERSE	OWNERSHIP)			
OPERATOR NAME: BP America Production Company								
OPERATOR ADDRESS:	PO Box	3092 Houston, T	X 77253					
APPLICATION TYPE:		_	_					
NPool Commingling Lease (torage and Measurer	ment (Only if not Surface	Commingled)		
LEASE TYPE:		State X Federa						
Is this an Amendment to exist Have the Bureau of Land Ma	sting Order?	"Yes [X]No If I SIM) and State Land	Yes", please include the	ne appropriate Or	rder No.	ingling		
X Yes \square No	anagement (1	JENN) and State Land	office (SEO) been not	inica in writing c	The proposed confin	mgmig		
			L COMMINGLIN s with the following in					
		Gravities / BTU of	Calculated Gravities /		Calculated Value of			
(1) Pool Names and Codes		Non-Commingled	BTU of Commingled		Commingled	Volumes		
D 1 D 1 (#100E)		Production	Production		Production	1.0		
Basin Dakota (#138E)	(#510)	1213 BTU	1213 BTU	ļ	160	160		
W. Kutz Pictured Cliffs	(#510)	1034 BTU	1034 BTU		80	80		
			-					
						<u> </u>		
(1) Pool Name and Code. (2) Is all production from san (3) Has all interest owners bee (4) Measurement type: M	ne source of su	(B) LEAS Please attach sheet apply? □Yes □N certified mail of the prop	SE COMMINGLINGS with the following in	NG				
		` '	LEASE COMMIN					
(1) Complete Sections A and	E.	Please attach sheet	s with the following i	niormation				
			ORAGE and MEA					
(1) Is all production from san			X	111011111111111111111111111111111111111	NO. TO SEC. STATE OF THE SEC.			
(2) Include proof of notice to	all interest ov	mers.						
	(E) AD		RMATION (for al		ypes)			
(1) A schematic diagram of fi	noility includi		s with the following i	nformation				
(2) A plat with lease boundar			ions. Include lease numb	ers if Federal or St	ate lands are involved			
(3) Lease Names, Lease and								
I handky goutify that the inf	sion ob		h-4-61	11-11-6				
I hereby certify that the information SIGNATURE:	hina -	11 1	best of my knowledge and the strict of my knowledge and the strict of th		DATE: 12/05/06			
TYPE OR PRINT NAME_Kri	istina U	4 100						
TITE ON PRINT NAME_NT	เรยมส ศนศไ	3	T	ELEPHONE NO.:_	<u>281-366-3866</u>	_		



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.

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