

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

Case 13842

2006 NOV 13 PM 3 20

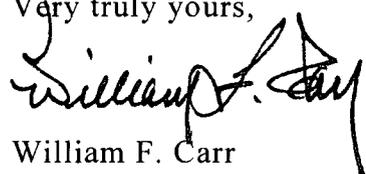
Re: Application of BP America Production Company for surface commingling of production from all formations and/or pools in the Gallegos Canyon Unit from existing and future wells, San Juan County, New Mexico.

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.**

2006

NEW

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 13842
3

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
------------------------	-----

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. 13842

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

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

1' 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 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

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.

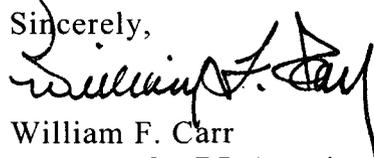
This application has been set for hearing before a Division Examiner at 8:15 a. m. on December 13, 2006 at Porter Hall located at 1220 South Saint Francis Drive, Santa Fe, New Mexico. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, 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

HOLLAND & HART^{L.P.} 

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