

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

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)
APPLICATION OF BP AMERICA, INC., FOR AN)
EXCEPTION TO THE REQUIREMENTS FOR THE)
BASIN-DAKOTA GAS POOL, SAN JUAN COUNTY,)
NEW MEXICO)

CASE NO. 13,104

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

July 10th, 2003

Santa Fe, New Mexico

RECEIVED

JUL 24 2003

Oil Conservation Division

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, July 10th, 2003, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

July 10th, 2003
 Examiner Hearing
 CASE NO. 13,104

	PAGE
APPEARANCES	3
APPLICANT'S WITNESS:	
<u>JAMES WILLIAM HAWKINS</u> (Engineer)	
Direct Examination by Mr. Carr	4
Examination by Examiner Catanach	16
REPORTER'S CERTIFICATE	23

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	9	16
Exhibit 2	7	16
Exhibit 3	11	16
Exhibit 4	12	16
Exhibit 5	13	16
Exhibit 6	14	16

* * *

A P P E A R A N C E S

FOR THE DIVISION:

DAVID K. BROOKS, JR.
Attorney at Law
Energy, Minerals and Natural Resources Department
Assistant General Counsel
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR
110 N. Guadalupe, Suite 1
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 9:45 a.m.:

3 EXAMINER CATANACH: At this time I will call Case
4 13,104, the Application of BP America, Inc., for an
5 exception to the requirements for the Basin-Dakota Gas
6 Pool, San Juan County, New Mexico.

7 Call for appearances.

8 MR. CARR: May it please the Examiner, my name is
9 William F. Carr with the Santa Fe office of Holland and
10 Hart, L.L.P. We represent BP America, Inc., in this
11 matter, and I have one witness.

12 EXAMINER CATANACH: Any additional appearances?

13 There being none, will the witness please stand
14 to be sworn in?

15 (Thereupon, the witness was sworn.)

16 JAMES WILLIAM HAWKINS,

17 the witness herein, after having been first duly sworn upon
18 his oath, was examined and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. CARR:

21 Q. Would you state your name for the record, please?

22 A. James William Hawkins.

23 Q. Mr. Hawkins, where do you reside?

24 A. I reside in Golden, Colorado.

25 Q. By whom are you employed?

1 A. I'm employed by BP America Production, Inc.

2 Q. And what is your position with BP?

3 A. I'm a petroleum engineer, I handle our regulatory
4 affairs in San Juan Basin, both Colorado and New Mexico.

5 Q. Have you previously testified before the New
6 Mexico Oil Conservation Division and had your credentials
7 as an expert in petroleum engineering accepted and made a
8 matter of record?

9 A. Yes, I have.

10 Q. Are you familiar with the Application filed in
11 this case on behalf of BP?

12 A. I am.

13 Q. Are you familiar with the Rules that govern
14 development of the Basin-Dakota Gas Pool?

15 A. Yes, I am.

16 Q. And are you familiar with the status of the wells
17 that are the subject of this hearing?

18 A. Yes, I am.

19 MR. CARR: We tender Mr. Hawkins as an expert
20 witness in petroleum engineering.

21 EXAMINER CATANACH: He is so qualified.

22 Q. (By Mr. Carr) I think initially I'd ask you just
23 to summarize for Mr. Catanach what it is BP seeks with this
24 Application.

25 A. BP is seeking an exception to the Basin-Dakota

1 Pool Rules to allow the Childers 1M well to be produced in
2 the same quarter quarter section as the Childers 1E well.

3 Q. What are the density requirements that govern the
4 development of these wells in the Basin-Dakota Gas Pool?

5 A. Well, the Basin-Dakota Pool is spaced on 320-acre
6 spacing units and currently allows up to four wells to be
7 drilled on that 320.

8 There's some further specifications for locating
9 those wells. First off, you can only locate two wells in
10 each quarter section, and each of those wells is supposed
11 to be located in different quarter quarters, so that the
12 wells are spread apart.

13 Q. On the spacing unit which is the subject of
14 today's hearing there are currently three Dakota wells; is
15 that correct?

16 A. That's correct.

17 Q. And what we're here today for is to address the
18 situation where a well was -- the Childers 1M was actually
19 drilled in the same quarter quarter section as the Childers
20 1E?

21 A. That is correct.

22 Q. Are there also special pool rules in effect for
23 the Blanco-Mesaverde Gas Pool?

24 A. Yes, there are, and they're basically identical
25 to the Basin-Dakota Pool.

1 Q. When BP and other operators develop the Dakota
2 and the Mesaverde formations in this area, is it typical to
3 complete the wells in both formations?

4 A. Yes, the current practice, basically, is to drill
5 the well primarily for the Mesaverde, since they have a
6 much higher rate and typically higher EUR, expected
7 ultimate recovery. The Dakota can then be added onto the
8 length of the wellbore below the Mesaverde and commingled
9 with the Mesaverde production and still be able to recover
10 that Dakota production economically.

11 Most operators do not drill stand-alone Dakota
12 wells. Typically the rate of production and the cumulative
13 production from those Dakota wells does not justify a
14 stand-alone well cost.

15 Q. Let's go to the subject spacing unit, the north
16 half of Section 1, and could you provide Mr. Catanach with
17 a general historical background for the development of this
18 320-acre unit in the Dakota formation?

19 Maybe we ought to go to --

20 A. That must be Exhibit 2.

21 Q. Yeah, let's look at that while we go through each
22 of the wells on the Exhibit, and we'll come back to that.

23 A. Okay. Well, on Exhibit 2 is a nine-section plat
24 around Section 1, which is the section in question. It
25 shows three wells in the north half of Section 1 that BP

1 operates.

2 The Childers Number 1 was the original well. I
3 don't know the exact date that well was drilled, but it was
4 drilled in the west -- the northwest quarter. The Childers
5 1E was subsequently drilled in the northeast quarter at a
6 legal location, and the Childers 1M is the well that we
7 have most recently drilled, again drilled primarily for the
8 Mesaverde location. And unfortunately through an
9 oversight, we have located this well in the same quarter
10 quarter as the Childers 1E.

11 Q. The primary objective in the 1M was the Blanco-
12 Mesaverde Gas Pool?

13 A. Yes.

14 Q. And the well was permitted as a Mesaverde-Dakota
15 test; is that right?

16 A. That's correct.

17 Q. The Rules applicable to the Mesaverde, there's no
18 issue there; this well complies with the Mesaverde Rules;
19 is that right?

20 A. Yes, it does.

21 Q. And it was after the well was actually drilled
22 that BP discovered that they were actually in the same
23 quarter quarter section?

24 A. Yes.

25 Q. Let's go back for a minute, and let's go back to

1 Exhibit Number 1. Just explain what this is.

2 A. Well, Exhibit Number 1 is a similar exhibit on
3 the -- showing the wells in the Mesaverde, and in Section 1
4 in the north half where BP operates we have the Mudge 4
5 well. It was originally drilled in the northeast, was
6 plugged and replaced with the Mudge A 4R. The Mudge A 4A
7 would have been the infill well over in the northwest, and
8 in this case the Childers 1M would have been the first --
9 or second optional infill well in the Mesaverde. It's
10 located in the -- a different quarter quarter and at a
11 legal location with all respects to the Mesaverde Pool
12 Rules.

13 Q. So the purpose of Exhibit 1 is simply to show
14 what BP was intending to do with its primary objective in
15 the well, being the Mesaverde formation?

16 A. Yes.

17 Q. Okay, then go back to Exhibit Number 2. On
18 Exhibit 2 can you explain what the lines and boxes are in
19 the north half of the section?

20 A. Well, the lines and boxes outline the legal
21 drilling locations within the spacing unit. They recognize
22 a 660-foot setback from the boundary of the spacing unit
23 and also identify the quarter quarter interior section
24 lines, or interior quarter quarter lines, so you can
25 determine which quarter quarter the well would be in.

1 Q. It also shows the Childers 1E and 1M both being
2 in the northwest of the northeast?

3 A. That's correct.

4 Q. A number of the spacing units in the area show no
5 Dakota development. Why is that?

6 A. Well, as I said, the Dakota isn't really as much
7 of a prospective zone in this area. Many of the wells were
8 drilled strictly to the Mesaverde, because that was deemed
9 to be the most economic prospect.

10 There are some Dakota wells, and many of the
11 wells that we have here are -- at least in our spacing
12 unit, are commingled with Mesaverde production. But as you
13 can see, there isn't a lot of Dakota development in this
14 general area.

15 Q. If we look at each of the wells, the Childers 1E
16 and the 1M, they both on a stand-alone basis would be at
17 standard locations; they're not encroaching on someone
18 else; is that right?

19 A. That's correct, they do not exceed the 660-foot
20 setback to the offset spacing units.

21 Q. If both were authorized to produce from the
22 Dakota formation, would you anticipate interference between
23 the two wells?

24 A. Well, the wells are actually located a little
25 over 600 feet apart, and if circumstances had been slightly

1 different these same two wells could have been located in
2 different quarter sections and still be 600 -- excuse me,
3 different quarter quarter sections, and still be 600 feet
4 apart, we would not expect that there would be much
5 interference between those two wells.

6 Unfortunately in this case, both of the wells are
7 located in the same quarter quarter, but we still would not
8 anticipate any difference in the ultimate recovery between
9 the two wells, whether they were in this one quarter
10 quarter or had been moved over slightly and one in -- each
11 in separate quarter quarters.

12 Q. So in fact, with the wells as they are, you're
13 not exceeding the well density in terms of the number of
14 wells authorized for the spacing unit, you've just got one
15 well in the wrong quarter quarter section?

16 A. That's correct.

17 Q. In your opinion, if both were allowed to produce,
18 would incremental reserves be recovered by the Number 1M
19 well?

20 A. Yes, we do expect incremental reserves to be
21 recovered by the 1M well.

22 Q. Let's go to what has been marked Exhibit Number
23 3. Would you identify and review that, please?

24 A. Exhibit Number 3 is a production performance plot
25 for the Childers 1E, and that is the well that's in the

1 same quarter quarter that we're in.

2 The rate scale is located on the left Y axis, and
3 the cumulative production scale is located on the right Y
4 axis. The dotted line is the rate curve. And you can see
5 that this well initially came on at about 300 MCFD, was the
6 peak rate, and it subsequently declined pretty rapidly to
7 about 100 MCFD. And it's been holding that rate fairly
8 consistently for a number of years.

9 Q. Let's go to Exhibit Number 4.

10 A. Exhibit Number 4 is a similar curve for the
11 Childers Number 1, which was the first well in the spacing
12 unit. Again, it initially produced at about 400 MCFD. It
13 subsequently has declined to about 50 MCFD and has shown
14 some improvement back up to about 100 MCFD, probably due to
15 some line pressure improvement.

16 Q. Now, you have curves on the first two wells
17 drilled on the north half of this section. What
18 information do you have on the ability of the Childers 1M
19 to actually produce?

20 A. Well, the Childers 1M was drilled to the Dakota
21 and tested, and then -- frac'd and tested -- and then the
22 wellbore has been plugged back, and we're currently
23 completing in the Mesaverde. There's a bridge plug set
24 between the two horizons, so we've isolated the Dakota, and
25 there is no production beyond the initial test.

1 The well tested at about 200 MCFD, not quite as
2 good as either of these wells' initial tests, but we would
3 still expect that well would decline pretty rapidly and
4 produce on the order of 50 to 100 MCFD, similar to the
5 first two wells.

6 Q. And what you're seeking is authority to also
7 produce the Dakota in this well?

8 A. That's correct.

9 Q. What does it cost to drill a stand-alone Dakota
10 well?

11 A. Well, it's on the order of \$500,000.

12 Q. Could you economically justify drilling an
13 additional well in the northeast quarter to just test the
14 Dakota alone?

15 A. No, we could not.

16 Q. Let's go to Exhibit Number 5. Would you just
17 identify that for Mr. Catanach?

18 A. Exhibit Number 5 is a sundry notice of intent to
19 temporarily abandon the Dakota zone, set a bridge plug,
20 cast-iron bridge plug, at 5400 feet and complete in the
21 Mesaverde, with the intention to produce as a single
22 Mesaverde completion, pending the results of the hearing
23 that we're having today.

24 If we get an exception to the density Rules for
25 the Basin-Dakota, we would then drill out the bridge plug

1 and produce this well as a downhole commingle with both
2 Mesaverde and Dakota.

3 Q. Is Exhibit Number 6 an affidavit confirming that
4 notice of this hearing has been provided in accordance with
5 OCD Rules?

6 A. Yes, it is.

7 Q. And has notice been provided to all designated
8 operators or, where there is none, the working interest
9 owners in the offsetting tracts?

10 A. That's correct.

11 Q. The problem with this well is, it was drilled as
12 a Mesaverde test, and it was a mistake that it was -- wound
13 up in the same quarter quarter section in the Dakota
14 formation, with another Dakota well?

15 A. That's correct.

16 Q. You don't have too many wells you've gotten in
17 the wrong place?

18 A. That's right.

19 Q. You're not planning to drill additional wells in
20 the northeast quarter?

21 A. No, we are not.

22 Q. You couldn't do that economically, even if you
23 were thinking about it --

24 A. Correct.

25 Q. -- is that fair to say?

1 A. That's correct.

2 Q. A well could be as close to the existing well as
3 you have it, again just in the wrong place?

4 A. That's right, the two wells are, as I said, 600
5 feet apart. Circumstances being slightly different, those
6 two wells could have been in two separate quarter quarters
7 and still be 600 feet apart.

8 Q. Okay, and the wells are at legal setbacks?

9 A. Yes, they are.

10 Q. You can drain more with two wells producing than
11 one?

12 A. That's correct.

13 Q. You're not going to be adversely affecting the
14 correlative rights of anyone else?

15 A. That's right, these wells will not have any
16 adverse impact on the offset spacing units.

17 Q. And if you are allowed to produce wells, is it
18 your opinion you will ultimately recover more from the
19 north half of Section 1 than if one of the wells was
20 required to remain shut-in in the Dakota?

21 A. Yes, that's correct.

22 Q. And thereby, by producing both, prevent waste?

23 A. Correct.

24 Q. What has BP done internally to assure this isn't
25 going to happen again?

1 Insofar as the Mesaverde goes, first of all, the
2 Mudge A 4A was the initial Mesaverde well on that north-
3 half spacing unit?

4 A. You know, my -- I don't have an exact clear
5 history of this. What it appears to me is that the Mudge 4
6 well, which has either been plugged or temporarily
7 abandoned, plugged back to another horizon, was probably
8 the first well in the section, or in the north half, and it
9 was replaced with the Mudge A 4R. The Mudge A 4A, I would
10 expect, would have been the second well drilled. Whether
11 it was before or after the A 4R, I'm not certain.

12 But there is -- Prior to us drilling the Childers
13 1M, there was only one well in each quarter section
14 producing in the Mesaverde.

15 Q. Okay, it's your understanding that the Mudge 4 is
16 not producing from the Mesaverde at this time?

17 A. That's correct.

18 Q. However, the 4A and the 4R are producing from the
19 Mesaverde?

20 A. Yes.

21 Q. Now, those are single completions, those aren't
22 Dakota at all? They're not completed in the Dakota?

23 A. They're not completed in the Dakota.

24 Q. Okay, so you have two Mesaverde wells, then
25 you're authorize to drill a third well, so you go and you

1 drill the Childers 1M?

2 A. Correct.

3 Q. Okay. And that's permitted as a Dakota-Mesaverde
4 test, I presume, a commingled test; is that right?

5 A. Yes, intended to be a downhole commingled well.

6 Q. And was this approved by -- Is this a federal
7 acreage?

8 A. I believe it is, yes.

9 MR. CARR: It is.

10 Q. (By Examiner Catanach) So it was approved by
11 BLM, and the drilling permit --

12 MR. CARR: Yes.

13 Q. (By Examiner Catanach) -- was approved by BLM?

14 A. Yes.

15 Q. And I guess they didn't see any error in the
16 Dakota infill?

17 A. You know, I don't have -- I think there probably
18 was some recognition, either by the BLM or the Aztec
19 District, when they took a look at it.

20 Unfortunately, there was an oversight within our
21 organization, and the well was drilled -- the APD was
22 approved, probably with the caveat that it not be produced
23 to the Dakota, or only one well could be produced in this
24 quarter quarter.

25 When we drilled the well, we subsequently saw the

1 problem, and we've taken steps to, you know, isolate that
2 zone and not produce it.

3 We do think that although it was an oversight, we
4 don't see that there's going to be any harm or foul to
5 allow an exception to the Rule in this instance.

6 Q. Now, the Dakota zone, you currently have the
7 Childers 1 and the Childers 1E, are currently only Dakota
8 producers?

9 A. That's correct.

10 Q. They're not Mesaverde at all?

11 A. No.

12 Q. Okay, and let's see. Now, you've only tested the
13 1M; you haven't produced it, right?

14 A. That's correct.

15 Q. So you don't know if there's going to be any kind
16 of interference between the 1E and the 1M?

17 A. Well, we don't have any testing information on
18 that, although, as I said, I don't expect there will be
19 significant interference. These wells are not expected to
20 drain large areas.

21 The two wells, although you would like them to be
22 further than 600 feet apart, certainly that's a reasonable
23 distance apart to still get incremental recovery.

24 Q. Given the fact that you now have two Mesaverde
25 wells in the northeast quarter, it's unlikely that you

1 would drill any additional Mesaverde wells?

2 A. That's correct.

3 Q. And if, in fact, we denied the Application to
4 produce the Dakota in this well, would BP entertain any
5 thoughts of drilling an additional Dakota well?

6 A. We have looked at the economics to do that, and
7 the production from the two existing wells, and it doesn't
8 appear that we could drill a stand-alone Dakota well in
9 this case, so we would not drill a replacement.

10 Q. Do you have any idea, Mr. Hawkins, on what
11 incremental Dakota reserves the 1M might recover?

12 A. I don't have an exact figure. I think we're
13 expecting something on the order of a half a BCF.

14 Q. So if the Application is denied, those reserves
15 would not otherwise get produced?

16 A. That's correct.

17 Q. Looks like the affected offset operator to the
18 east, it looks like that is BP; is that correct? In
19 Section 6?

20 A. In Section 6. Well, in the Mesaverde Conoco is
21 the operator.

22 Q. In the Mesaverde?

23 A. In the Mesaverde, in Section 6.

24 Q. Okay.

25 A. And they were notified.

1 Q. Are they also the Dakota operator?

2 A. Well, there hasn't been an operator declared in
3 the Dakota, but I would expect Conoco would be the operator
4 if a well were drilled there.

5 Q. Okay. How about to the north and northeast
6 there? Is there anything up there that --

7 A. Burlington operates in Section 31, Conoco
8 operates in the Mesaverde in Section 36.

9 Q. But there's no Dakota development up there?

10 A. There's no Dakota development there.

11 Q. Okay. If you had drilled a well, a Dakota well,
12 not in the same quarter section, do you have an opinion as
13 to whether or not it would have recovered more Dakota
14 reserves?

15 A. I really don't know that I could say it would
16 recover more or not. It would be maybe a little further
17 away.

18 Potentially you could locate a well more than 600
19 feet from the 1E. But given the fact that these wells
20 apparently are expected to drain pretty small areas, it
21 might not have much difference in ultimate recovery.

22 EXAMINER CATANACH: Okay, I have nothing further
23 of this witness, Mr. Carr.

24 MR. CARR: That concludes our presentation in
25 this case.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MR. BROOKS: No questions.

EXAMINER CATANACH: There being nothing further,
Case 13,104 will be taken under advisement.

(Thereupon, these proceedings were concluded at
10:11 a.m.)

* * *

I do hereby certify that the foregoing is
a complete record of the proceedings at
the examiner hearing of Case No. 13104,
heard by me on July 10 1983.
David J. Catanach, Examiner
Conservation Division

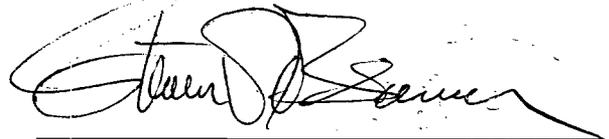
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

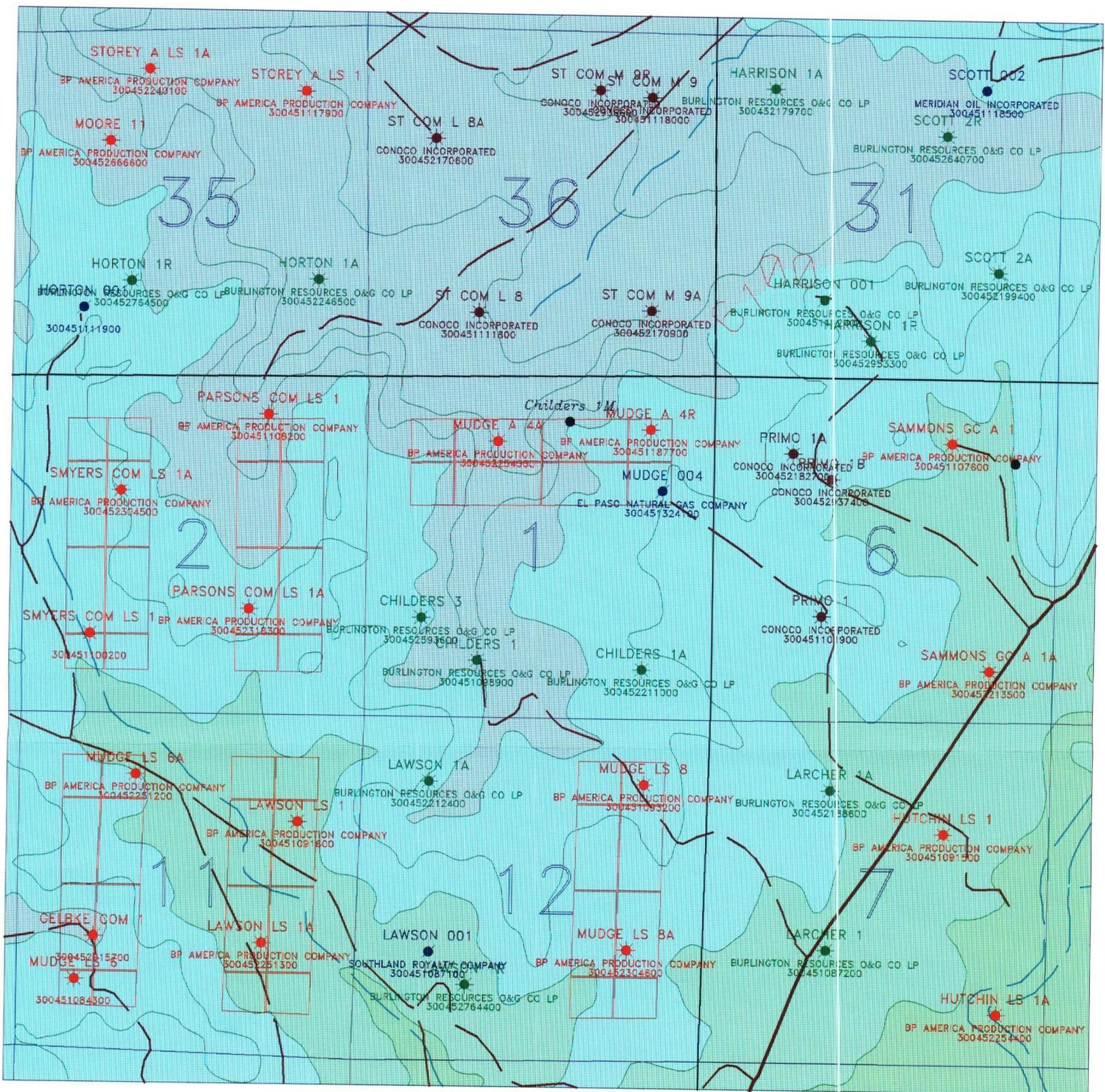
I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL July 11th, 2003.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006



WELL SYMBOL LEGEND

- Active Well
- Abandoned Well
- Inactive Prior Year

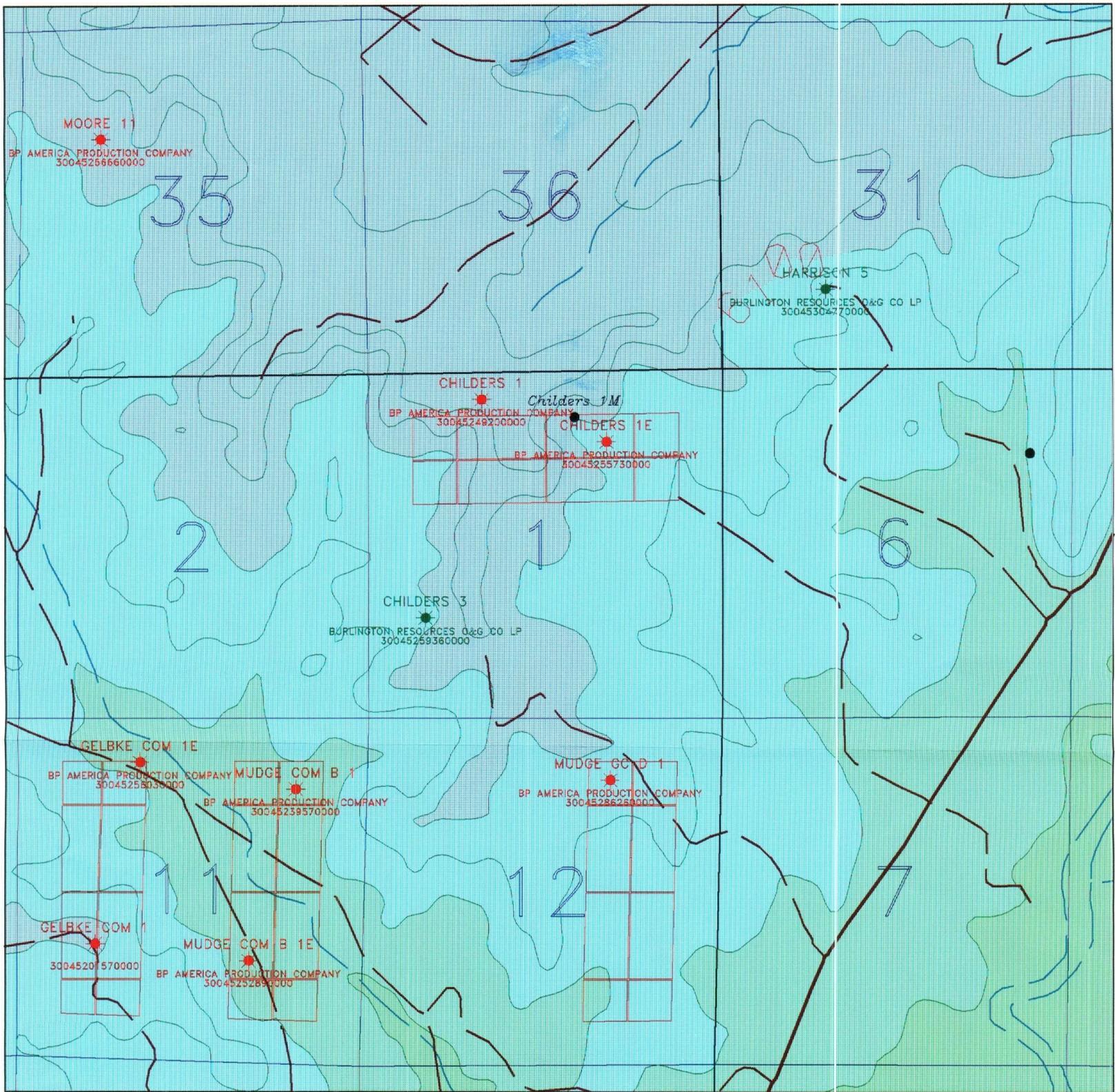
COLOR LEGEND

- BP America Production Co.
- Burlington Operated
- Conoco Operated
- Phillips Operated
- Other Co. Operated

Special Well Legend

- 2003 Drilled Location

BP America Production Company Houston, Texas		
San Juan Basin 9 Section 31 N 11 W Section 1 Mesaverde Wells Childers 1M		
SCALE	DRAWN C. SACKETT	DATE 30-JUN-2003
BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case No. 13104 Exhibit No. 1 Submitted by: BP AMERICA, INC. Hearing Date: July 10, 2003		



WELL SYMBOL LEGEND

- * Active Well
- Abandoned Well
- / Inactive Prior Year

COLOR LEGEND

- BP America Production Co.
- Burlington Operated
- Conoco Operated
- Phillips Operated
- Other Co. Operated

Special Well Legend

- 2003 Drilled Location

BP America Production Company
Houston, Texas

San Juan Basin
9 Section
31 N 11 W Section 1
Dakota Wells
Childers 1M

SCALE	DRAWN C. SHCKETT	DATE 30-JUN-2003
DRAWING		

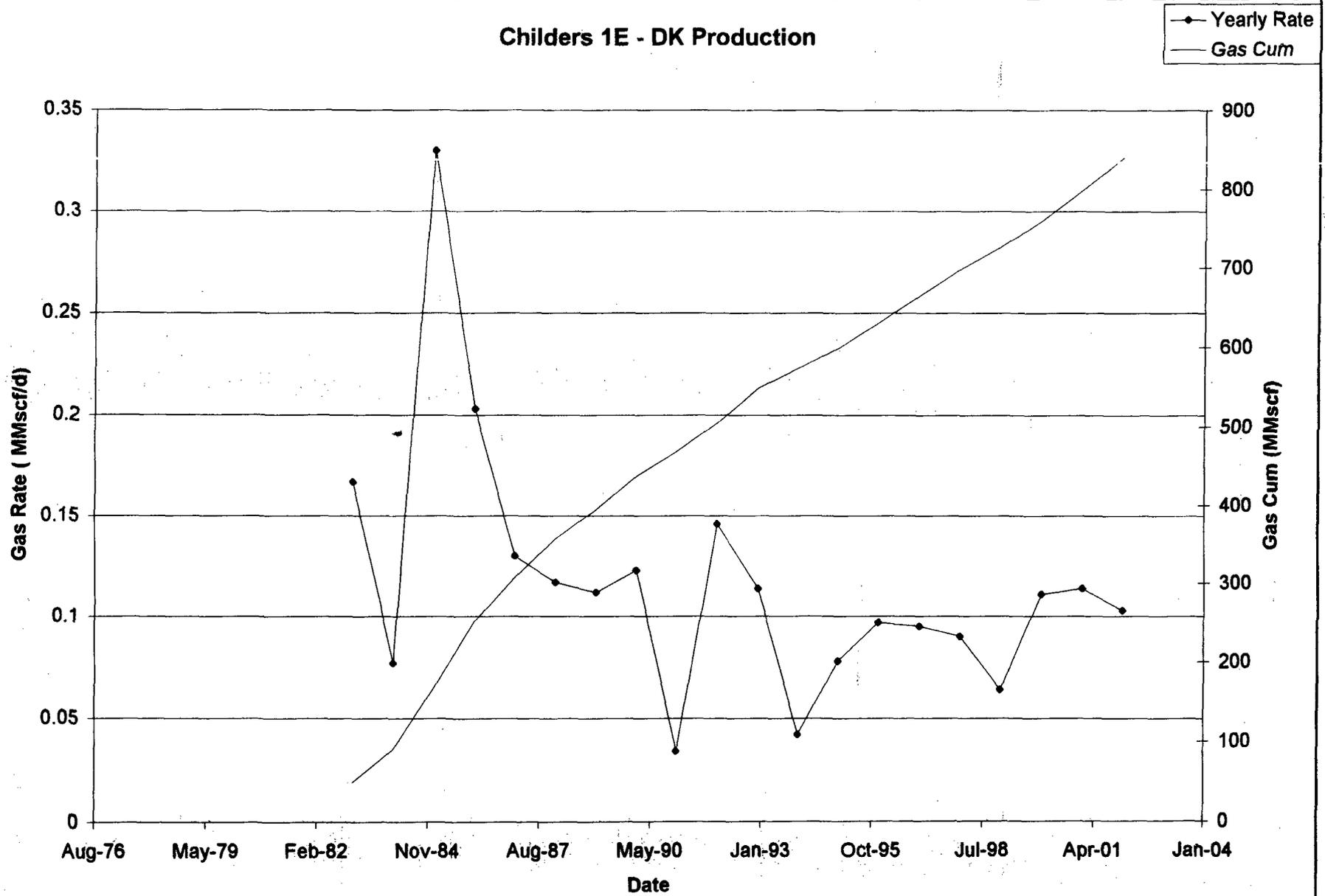
BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico
Case No. 13104 Exhibit No. 2

Submitted by:
BP AMERICA, INC.

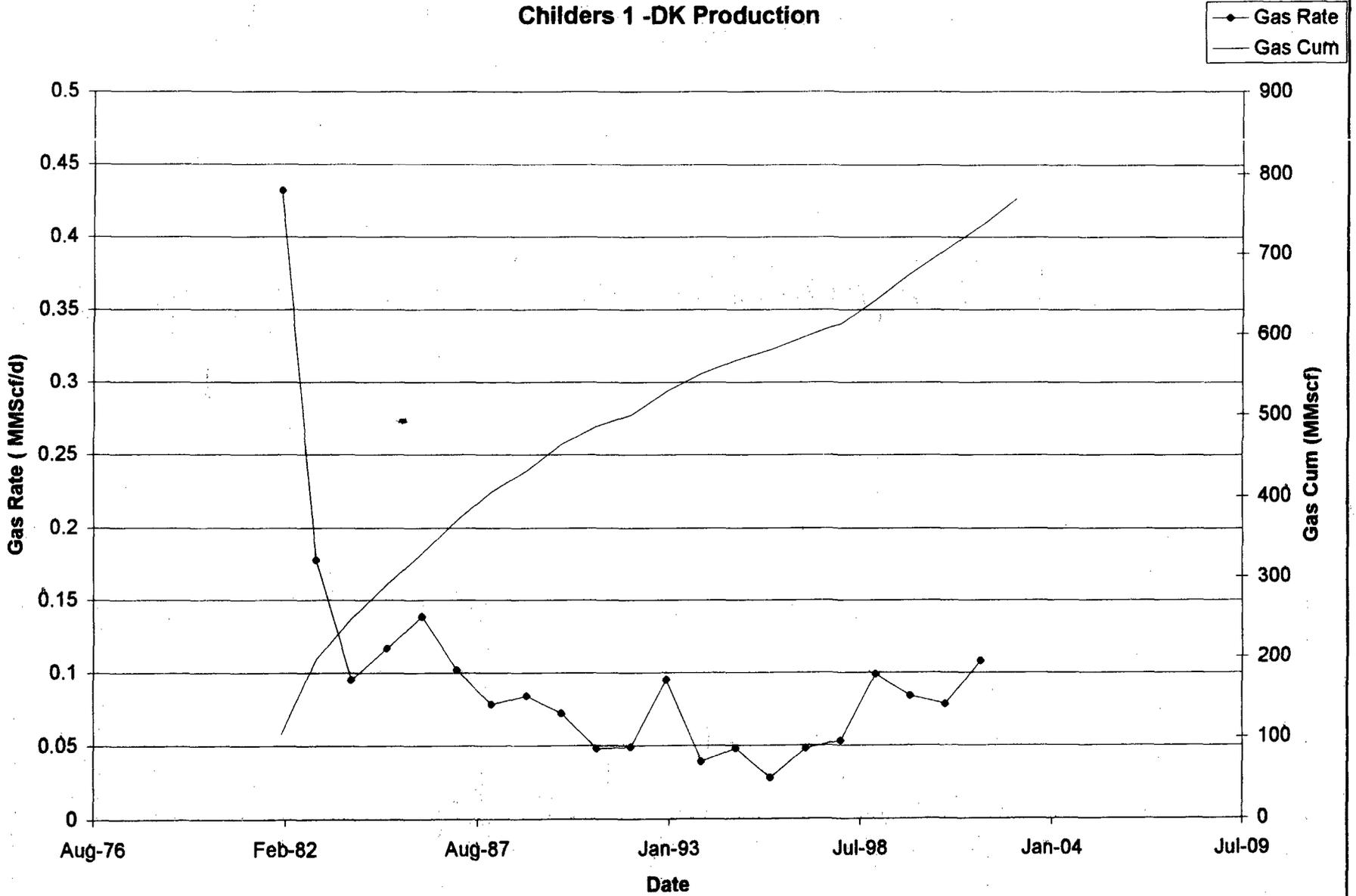
Hearing Date: July 10, 2003

Childers 1E - DK Production



BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 13104 Exhibit No. 3
Submitted by:
BP AMERICA, INC.
Hearing Date: July 10, 2003

Childers 1 -DK Production



BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 13104 Exhibit No. 4
Submitted by:
BP AMERICA, INC.
Hearing Date: July 10, 2003

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

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.

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. NMSF078040
2. Name of Operator BP AMERICA PRODUCTION CO		6. If Indian, Allottee or Tribe Name
3a. Address P. O. BOX 3092 HOUSTON, TX 77253		7. If Unit or CA/Agreement, Name and/or No.
3b. Phone No. (include area code) Ph: 281.366.4491 Fx: 281.366.0700		8. Well Name and No. CHILDERS 1M
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Sec 1 T31N R11W NWNE Lot B 705FNL 2225FEL 36.56000 N Lat, 107.56400 W Lon		9. API Well No. 30-C45-31374-00-S1
		10. Field and Pool, or Exploratory BLANCO MV / BASIN DAKOTA
		11. County or Parish, and State SAN JUAN COUNTY, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF 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"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input checked="" type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

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.)

The subject well was recently completed into the Dakota formation with the intent to downhole commingle with the Mesaverde. Upon completion of the Dakota it was noted that the well was located on the same 40 acre tract as the Childers # 1E. The subject well was subsequently shut-in pending NMOCD approval of a density exception. It is our intent temporarily abandon the Dakota by setting a CIBP @ 5400' and complete into the Mesaverde formation with the intent to produce the well as a single Mesaverde completion pending the results of NMOCD hearing for a density exception for the Dakota formation. If density exception is granted we will drill out the CIBP & proceed with downhole commingling. If density exception is denied the CIBP will remain in place pending the depletion of well # 1E.

14. I hereby certify that the foregoing is true and correct.
**Electronic Submission #23517 verified by the BLM Well Information System
 For BP AMERICA PRODUCTION CO, sent to the Farmington
 Committed to AFSS for processing by Steve Mason on 06/26/2003 (03SXM0975 SE)**

Name (Printed/Typed) MARY CORLEY	Title AUTHORIZED REPRESENTATIVE
Signature (Electronic Submission)	Date 06/23/2003

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By <u>STEPHEN MASON</u>	Title <u>PETROLEUM ENGINEER</u>	Date <u>06/26/2003</u>
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 <u>Farmington</u>		

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 within its jurisdiction.

**** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED**

BEFORE THE OIL CONSERVATION DIVISION
 Santa Fe, New Mexico
 Case No. 13104 Exhibit No. 5
 Submitted by:
BP AMERICA, INC.
 Hearing Date: July 10, 2003

BEFORE THE OIL CONSERVATION DIVISION
NEW MEXICO ENERGY, MINERALS AND
NATURAL RESOURCES DEPARTMENT

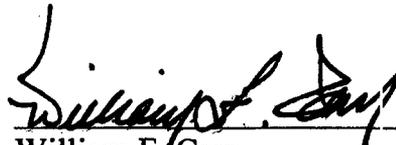
APPLICATION OF BP AMERICA PRODUCTION
COMPANY, FOR AN EXCEPTION TO THE WELL
DENSITY REQUIREMENTS FOR THE BASIN-DAKOTA
GAS POOL, SAN JUAN COUNTY, NEW MEXICO

CASE NO. 13104

AFFIDAVIT

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

William F. Carr, attorney in fact and authorized representative of BP America
Production Company, the Applicant herein, being first duly sworn, upon oath, states that
notice has been given to all interested persons entitled to receive notice of this application
under Oil Conservation Division rules, and that notice has been given at the addresses shown
on Exhibit "A" attached hereto.



William F. Carr

SUBSCRIBED AND SWORN to before me this 9th day of July 2003.



Notary Public

My Commission Expires:

August 23, 2005

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 13104 Exhibit No. 6
Submitted by:
BP AMERICA, INC.
Hearing Date: July 10, 2003

**APPLICATION OF
BP AMERICA PRODUCTION COMPANY
FOR AN EXCEPTION TO THE
WELL DENSITY REQUIREMENTS FOR THE
BASIN-DAKOTA GAS POOL,
SAN JUAN COUNTY, NEW MEXICO**

EXHIBIT A

Burlington Resources Oil and Gas Co.
Attention: Mr. Alan Alexander
Post Office Box 4289
Farmington, New Mexico 87499-4289

Herd Partners Ltd.
Post Office Box 130
Midland, Texas 79702-0130

Evko Development Companies
P. O. Box 245
Sausalito, CA 94966-0245

ConocoPhillips Company
Attention: Chief Landman-San
Juan/Rockies
Three Westlake Parkway, WL 3003
Post Office Box 2197
Houston, Texas 77252-2197

Energen Resources Corporation
Attention: Mr. Richard Corcoran
2198 Bloomfield Highway
Farmington, New Mexico 87401

Hannett Steele Partners
Post Office Box 840738
Dallas, Texas 74284-0738

George William Umbach
Post Office Box 3499
Tulsa, Oklahoma 74101-3499

Wayne Moore
403 N. Marienfeld
Midland, Texas 79701-4323

Robert Umbach Cancer Foundation
Post Office Box 3499
Tulsa, OK 74101

W. P. Carr
8333 Douglas Avenue
Suite 950
Dallas, Texas 75225

HOLLAND & HART LLP
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
DENVER TECH CENTER
BILLINGS • BOISE
CHEYENNE • JACKSON HOLE
SALT LAKE CITY • SANTA FE
WASHINGTON, D.C.

P.O. BOX 2208
SANTA FE, NEW MEXICO 87504-2208
110 NORTH GUADALUPE, SUITE 1
SANTA FE, NEW MEXICO 87501-6525

TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043

William F. Carr

wcarr@hollandhart.com

June 19, 2003

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO AFFECTED INTEREST OWNERS:

Re: Application of BP America Production Company for an exception to the well density requirements for the Basin-Dakota Gas Pool, 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 an exception to the well density requirements of Rule II.B of the Special Rules and Regulations of the Basin-Dakota Gas Pool to permit it to produce the following two Dakota wells located in the same quarter-quarter section (NW/4 NE/4) on a standard spacing unit comprised of the North half of Section 1, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico:

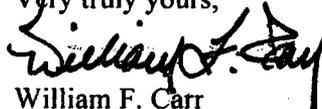
Childers Well No. 1-E located 100 feet from the North line and 1750 feet from the East line of Section 1, and

Childers Well No. 1-M located 705 feet from the North line and 2225 feet from the East line of Section 1.

This application has been set for hearing before a Division Examiner on July 10, 2003. 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 three days in advance of a scheduled hearing at the Oil Conservation Division's Santa Fe Office located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. 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.

Very truly yours,



William F. Carr
ATTORNEY FOR BP AMERICA
PRODUCTION COMPANY

Enc.

**U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage)**

WFC BPwell density	Postage	\$.60
	Certified Fee	2.30
	Return Receipt Fee (Endorsement Required)	1.75
	Restricted Delivery Fee (Endorsement Required)	
	Total Postage & Fees	\$ 4.65



Sent To Burlington Resources Oil and Gas Co.
Attention: Mr. Alan Alexander
 Post Office Box 4289
 Farmington, NM 87499-4289

PS Form 3800, J

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Burlington Resources Oil and Gas Co.
 Attention: Mr. Alan Alexander
 Post Office Box 4289
 Farmington, NM 87499-4289

2. Article Number (Copy fro) **7001 1140 0002 5601 4105**

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) **Bob Williams** B. Date of Delivery **6-23-03**

C. Signature *[Signature]* Agent Addressee

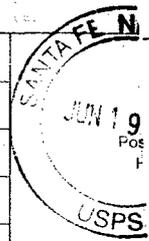
D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

**U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage)**

WFC/BP well density	Postage	\$.60
	Certified Fee	2.30
	Return Receipt Fee (Endorsement Required)	1.75
	Restricted Delivery Fee (Endorsement Required)	
	Total Postage & Fees	\$ 4.65



Sent To W. P. Carr
 8333 Douglas Avenue
 Suite 950
 Dallas, Texas 75225

PS Form 3800, J

- item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 W. P. Carr
 8333 Douglas Avenue
 Suite 950
 Dallas, Texas 75225

2. Article Number (Copy fro) **7001 1140 0002 5601 4198**

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

A. Received by (Please Print Clearly) **B. BENNETT** B. Date of Delivery **6-23-03**

C. Signature *[Signature]* Agent Addressee

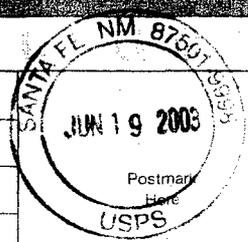
D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

**U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)**

WFC/BP well density	Postage	\$.60
	Certified Fee	2.30
	Return Receipt Fee (Endorsement Required)	1.75
	Restricted Delivery Fee (Endorsement Required)	
	Total Postage & Fees	\$ 4.65



Sent To ConocoPhillips Company
 Attn: Chief Landman-San Juan/Rockies
 Three Westlake Parkway, WL 3003
 Post Office Box 2197
 Houston, Texas 77252-2197

PS Form 3800, J

**U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage)**

WFO/BP well density	Postage \$.60	
	Certified Fee 2.30	
	Return Receipt Fee (Endorsement Required) 1.75	
	Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$ 4.65		

Sent To **Energen Resources Corporation**
 Attention: Mr. Richard Corcoran
 2198 Bloomfield Highway
 Farmington, New Mexico 87401

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Energen Resources Corporation
 Attention: Mr. Richard Corcoran
 2198 Bloomfield Highway
 Farmington, New Mexico 87401

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) _____ B. Date of Delivery **6-23-03**

C. Signature
 X *Cindy Taylor* Agent Addressee

D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below: _____

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

PS Form 3800, January 2001

2. Article Number (Copy from service) **7001 1140 0002 5601 4143**

PS Form 3811, July 1999 Domestic Return Receipt 102595-00-M-0952

**U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage)**

WFO/BP well density	Postage \$.60	
	Certified Fee 2.30	
	Return Receipt Fee (Endorsement Required) 1.75	
	Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$ 4.65		

Sent To **Evko Development Company**
 P.O. Box 245
 Sausalito, CA 94966-0245

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Evko Development Cos.
 P.O. Box 245
 Sausalito, CA 94966-0245

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) _____ B. Date of Delivery **JUN 24 2003**

C. Signature
 X *J. Bayne* Agent Addressee

D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below: _____

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

PS Form 3800, January 2001 See Reverse for Instructions

2. Article Number (Copy from service) **7001 1140 0002 5601 4204**

PS Form 3811, July 1999 Domestic Return Receipt 102595-00-M-0952

**U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage)**

WFO/BP well density	Postage \$.60	
	Certified Fee 2.30	
	Return Receipt Fee (Endorsement Required) 1.75	
	Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$ 4.65		

Sent To **Hannett Steele Partners**
 Post Office Box 840738
 Dallas, Texas 74284-0738

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Hannett Steele Partners
 Post Office Box 840738
 Dallas, Texas 74284-0738

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) _____ B. Date of Delivery **JUN 21 2003**

C. Signature
 X *R. Steeman* Agent Addressee

D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below: _____

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

PS Form 3800, January 2001

2. Article Number (Copy from service) **7001 1140 0002 5601 4150**

PS Form 3811, July 1999 Domestic Return Receipt 102595-00-M-0952

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

WFC/BP Postage	\$.60
well density Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.65

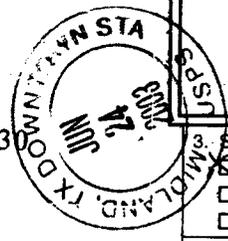


SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Herd Partners Ltd.
Post Office Box 130
Midland, Texas 79702-0130



COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) _____ B. Date of Delivery _____

C. Signature
 X *Hylen Budick* Agent Addressee

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Copy from se) **7001 1140 0002 5601 4112**

PS Form 3811, July 1999 Domestic Return Receipt 102595-00-M-0952

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

WFC/BP Postage	\$.60
well density Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.65



- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Wayne Moore
403 N. Marienfeld
Midland, Texas 79701-4323

C. Signature
 X *Wayne Moore* Agent Addressee

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Copy from service label) **7001 1140 0002 5601 4174**

PS Form 3811, July 1999 Domestic Return Receipt 102595-00-M-0952

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

WFC/BP Postage	\$.60
well density Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.65



- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

George William Umbach
Post Office Box 3499
Tulsa, Oklahoma 74101-3499

A. Received by (Please Print Clearly) _____ B. Date of Delivery _____

C. Signature
 X *George William Umbach* Agent Addressee

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

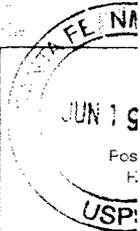
2. Article Number (Copy from) **7001 1140 0002 5601 4167**

PS Form 3811, July 1999 Domestic Return Receipt 102595-00-M-0952

Sent To **George William Umbach**
Post Office Box 3499
Tulsa, Oklahoma 74101-3499

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage)

Postage	\$.60
well density Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.65



SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Robert Umbach Cancer Foundation
Post Office Box 3499
Tulsa, OK 74101

2. Article Number (Copy from):

7001 1140 0002 5601 4181

COMPLETE THIS SECTION ON CN DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery
 JUN 29 2000

C. Signature Agent
 Addressee

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

Sent To **Robert Umbach Cancer Found**
Post Office Box 3499
Tulsa, OK 74101

Street, Apt. No.,
 or PO Box No.,
 City, State, ZIP+4