

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

**IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION COMMISSION FOR THE
PURPOSE OF CONSIDERING:**

**APPLICATION OF KOCH EXPLORATION COMPANY,
LLC FOR AN ORDER AUTHORIZING INCREASED
WELL DENSITY AND SIMULTANEOUS DEDICATION
ON CERTAIN NON-STANDARD SPACING UNITS IN THE
BASIN-FRUITLAND COAL GAS POOL, SAN JUAN
COUNTY, NEW MEXICO.**

Case No. 13,841 (*de novo*)

2007 MAY 10 PM 3 48

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by BP America Production Company as required by the Oil Conservation Commission.

APPEARANCES

APPLICANT

Koch Exploration Company, LLC

APPLICANT'S ATTORNEY

J. Scott Hall

OPPONENT

BP America Production Company
P.O. Box 3092
Houston, Texas 77253

OPPONENT'S ATTORNEY

James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attention: J. William Hawkins
(303) 830-3259

STATEMENT OF THE CASE

APPLICANT

Applicant seeks to drill three Fruitland Coal infill wells on three non-standard spacing units. Each non-standard unit comprises approximately 330 acres.

OPPONENT

BP America Production Company is a working interest owner in the subject well units, as well as an offset operator. It believes that additional wells on the subject well units are unnecessary, for the following reasons:

1. The pool rules for the Basin-Fruitland Coal Gas Pool allow two wells per standard spacing unit. The offset well units are allowed 2 wells/spacing unit, while Koch is seeking 3 wells/spacing unit.
2. The Fruitland Coal reservoir in this area is continuous, and essentially forms one large pool, which is highly competitive.
3. Koch's well units are recovering their fair share of reserves from the pool. Allowing additional wells on Koch's spacing units will give them an unfair advantage over offsetting well units.
4. If Koch's application is granted, offset operators may be compelled to seek permission to drill additional offset wells, which would be wasteful.

PROPOSED EVIDENCE

APPLICANT

WITNESSES

EST. TIME

EXHIBITS

OPPONENT

WITNESSES

EST. TIME

EXHIBITS

Michael Beirne
(landman)

10 min. (direct)

1

J.M. Perkins
(reservoir engineer)

20 min. (direct)

6

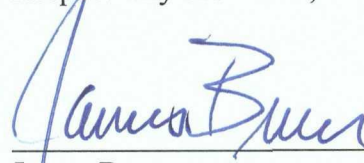
D.D Reese
(reservoir engineer)

40 min. (direct)

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PROCEDURAL MATTERS

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for BP America Production
Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading, and a complete set of Opponent's exhibits, has been served upon the following counsel of record via hand delivery this 10th day of May, 2007:

J. Scott Hall
Miller Stratvert P.A.
P.O. Box 1986
Santa Fe, New Mexico 87504



James Bruce