

**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:**

**CASE NO. 13612
ORDER NO. R-12543**

**APPLICATION OF BP AMERICA, INC. FOR AN EXCEPTION TO THE WELL
DENSITY REQUIREMENTS FOR THE BLANCO-MESAVERDE GAS POOL,
SAN JUAN COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 2, 2006, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 4th day of May, 2006, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, BP America, Inc. ("BP"), seeks an exception to the well density provisions of the Special Rules and Regulations of the Blanco-Mesaverde (Prorated Gas) Pool (72319) within an existing standard 320-acre Mesaverde spacing and proration unit consisting of the E/2 of Section 28, Township 30 North, Range S West, NMPM, San Juan County, New Mexico as follows: (i) approval of two producing gas wells within Unit H (SE/4 NE/4) of Section 28; and (ii) approval of three gas wells within the northeast quarter of Section 28.

(3) No other party entered an appearance in this case or otherwise opposed this application.

(4) Spacing and location of wells within the Blanco-Mesaverde (Prorated Gas) Pool, are governed by the Special Rules and Regulations as detailed in Division Order No. R-10987-A(1) effective December 2, 2002, which read in part as follows:

I. A CREAGE AND WELL LOCATION REQUIREMENTS

A. Standard GPU (Gas Proration Unit): A standard GPU in the Blanco-Mesaverde Pool shall be 320 acres, more or less, comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U. S. Public Land Surveys.

B. Well density:

(1) Up to four (4) wells may be drilled on a standard GPU, as follows:

(a) the FIRST OPTIONAL INFILL WELL drilled on a GPU shall be located in the quarter section not containing the INITIAL Mesaverde well;

(b) the SECOND OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section not containing a Mesaverde well and within a quarter section not containing more than one (1) Mesaverde well;

(c) the THIRD OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section not containing a Mesaverde well and within a quarter section not containing more than one (1) Mesaverde well;

(d) at the discretion of the operator, the second or third optional infill well may be drilled prior to the drilling of the first optional infill well;

(e) no more than two wells shall be located within either quarter section in a GPU; and

(f) any deviation from the above-described well density requirements shall be authorized only after hearing.

(5) Currently, the 320-acre E/2 of Section 28 spacing and proration unit contains the following wells:

(a) Gartner A Well No. 2 (API No. 30-045-09191) located 1650 feet from the North line and 1500 feet from the East line, Unit G of Section 28.

(b) Gartner A Well No. 2A (API No. 30-045-22433) located 1720 feet from the South line and 1530 feet from the East line, Unit J of Section 28.

(c) Gartner A Well No. 2R (API No. 30-045-29137) located at a surface location 790 feet from the North line and 1840 feet from the East line (Unit B) and drilled as a high angle horizontal well to a bottomhole location 2580 feet from the North line and 790 feet from the East line, Unit H of Section 28; and the

(d) Gartner A Well No. 2B (API No. 30-045-31006) located 2340 feet from the North line and 750 feet from the East line, Unit H of Section 28.

(6) The applicant presented the following testimony from a petroleum engineer.

(a) The first well drilled inside this spacing unit was the Gartner A Well No. 2. This well was produced from 1951 until it was shut-in during 1988. It was re-activated as a producer in 2002 after receiving a demand letter from the Bureau of Land Management. It currently makes about 200 Mcf gas per day.

(b) The Gartner A Well No. 2A was completed in 1977 and currently produces about 200 Mcf gas per day.

(c) The Gartner A Well No. 2R was drilled as a high angle horizontal well, completed December 8, 1994, and currently produces around 250 Mcf gas per day.

(d) The Gartner A Well No. 2B was drilled in 2002 and prior to shut-in produced about 100 Mcf gas per day.

(e) The Gartner A Well 2B was voluntarily shut-in in January of 2005 after BP discovered that this well is located in the same Unit H as the bottomhole location of the Gartner A Well No. 2R and is therefore in violation of the Blanco-Mesaverde Special Rules and Regulations. In addition, these two wells and the Gartner A Well No. 2 are located in the same quarter section (NE/4 of Section 28).

(f) Notice of this application was provided to Burlington as the only offsetting operator and to ConocoPhillips as a partner in this spacing unit.

(g) BP has no plans to produce more than the maximum of four Mesaverde wells in this 320-acre spacing and proration unit.

(7) The Gartner A Well No. 2R was approved as a horizontal well in the Cliff House member of the Mesaverde formation by Division Order R-10108 on April 29, 1994. Division Order No. R-10108-A amended the order on September 15, 1994, to approve a horizontal well in any member of the Mesaverde formation in case the Cliff House attempt was unsuccessful. This order as amended was approved prior to the Division allowing more than 2 wells within any Mesaverde spacing and proration unit and with the understanding that the horizontal well would be the replacement well for the shut-in Gartner A Well No. 2. The well was successfully drilled on December 8, 1994, in the Cliff House in a southeasterly direction in order to intersect northeast to southwest oriented fractures.

(8) If this application were approved, BP would be allowed to resume production from the Gartner A Well No. 2B located in Unit H and increase production within this spacing unit by 100 to 150 Mcf gas per day.

(9) Within a Mesaverde 320-acre proration unit with uniform geologic and reservoir properties, the four allowed wells should be located as dictated in the Special Rules and Regulations of the Blanco-Mesaverde Pool in order to ensure uniform drainage and maximum recovery of the gas in place. Geologic testimony was not presented to bolster the applicant's case. However, the following facts support approval of the proposed exceptions.

(a) Production from offset spacing units will not be harmed by this small amount of incremental production.

(b) Allowing both of the two wells completed within Unit H to simultaneously produce will allow the recovery of natural gas that may otherwise not be produced and will allow the use of a drilling investment that has already been made.

(c) Allowing this well will complete the complement of four wells in this spacing unit and negate the reason to drill an additional well. Any additional well would likely be expensive to drill and of low productivity in the Mesaverde formation.

(10) This application should be approved in order to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

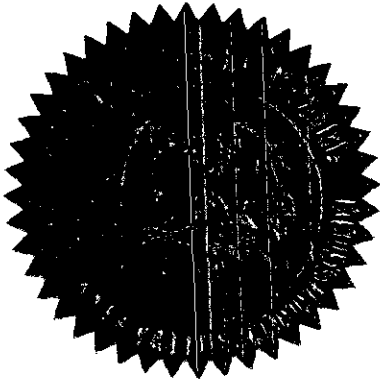
(1) The application of BP America, Inc. ("BP") in this case is approved and BP is hereby granted an exception to the well density provisions of the Special Rules and Regulations of the Blanco-Mesaverde (Prorated Gas) Pool (72319) as promulgated by Division Order No. R-10987-A(1) and allowed to simultaneously produce the following four wells within an existing standard 320-acre Mesaverde spacing and proration unit consisting of the E/2 of Section 28, Township 30 North, Range 8 West, NMPM, San Juan County, New Mexico,

- (a) Gartner A Well No. 2 (API No. 30-045-09191) in Unit G
- (b) Gartner A Well No. 2A (API No. 30-045-22433) in Unit J
- (c) Gartner A Well No. 2R (API No. 30-045-29137) in Unit H
- (d) Gartner A Well No. 2B (API No. 30-045-31006) in Unit H

(2) All other rules and regulations governing production from the Blanco-Mesaverde (Prorated Gas) Pool shall remain in full force and effect including the limit of four wells per spacing and proration unit.

(3) Jurisdiction is hereby retained for the entry of such further orders, as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director