



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

BP America Production Company

P. O. Box 3092

Houston, Texas 77253-3092

Attention: Mary Corley

corleym@bp.com

July 19, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Administrative Order NSL-5082 (BHL)

Dear Ms. Corley:

Reference is made to the following: (i) your application that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on June 28, 2004 (*administrative application reference No. pSEM0-418126462*); and (ii) the Division's records in Santa Fe and Aztec: all concerning BP America Production Company's ("BP") request for an exception to the well location requirements provided within the "*Special Rules for the Blanco-Mesaverde Pool*," as promulgated by Division Order No. R-10987-A, issued in Case No. 12069 and dated February 1, 1999, as amended by Division Order No. R-10987-A (1), dated December 2, 2002, for BP's existing Florance Well No. 46-B (API No. 30-045-31027), drilled in April, 2002 from a surface location 750 feet from the North line and 1490 feet from the East line (Lot 2/Unit B) of Section 29, Township 30 North, Range 8 West, NMPM, San Juan County, New Mexico, to a targeted standard bottomhole location 660 feet from the North line and 1980 feet from the East line (Lot 2/Unit B) of Section 29.

This application has been duly filed under the provisions of Division Rules 104.F, 111.C (2), and 605.B and the applicable rules governing the Blanco-Mesaverde Pool.

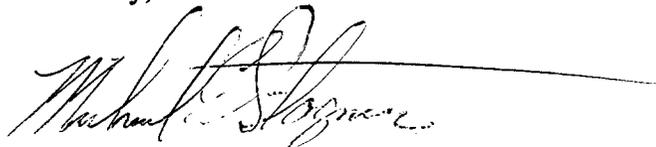
From the information provided, the bottomhole location of this well within the Mesaverde formation at a depth of 5,708 feet (MD) is approximately 676 feet from the North line and 2042 feet from the East line (Lot 2/Unit B) of Section 28.

The Blanco-Mesaverde gas production from this well is to be included within an existing standard 287.20-acre lay-down gas spacing and proration unit ("GPU") comprising Lots 1, 2, 7, 8, 9, 10, 15, and 16 (E/2 equivalent) of Section 29, which is currently dedicated to BP's: (i) Florance Well No. 46 (API No. 30-045-09190), located at a standard gas well location 1650 feet from the North line and 950 feet from the East line (Lot 8/Unit H) of Section 29; (ii) Florance Well No. 46-A (API No. 30-045-22351), located at a standard infill gas well location 1450 feet from the South line and 1515 feet from the East line (lot 10/Unit J) of Section 29; and (iii) Florance Well No. 3 (API No. 30-045-24153), located at a standard infill gas well location 1030 feet from the South line and 1040 feet from the East line (Lot 16/Unit P) of Section 29.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described subsurface unorthodox Blanco-Mesaverde infill gas well location for BP's Florance Well No. 46-B is hereby approved. Further, all four of the aforementioned Florance Wells No. 3, 46, 46-A, and 46-B, and existing 287.20-acre GPU shall be subject to all existing rules, regulations, policies, and procedures applicable to prorated gas pools in Northwest, New Mexico and to the Blanco-Mesaverde Pool.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", is written over a horizontal line.

Michael E. Stogner
Engineer/Hearing Officer

MS/ms

cc: **New Mexico Oil Conservation Division – Aztec**
U. S. Bureau of Land Management – Farmington