



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

November 18, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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

Attention: Mary Corley
corleym@bp.com

Administrative Order NSL-5134

Dear Ms. Corley:

Reference is made to the following: (i) your application dated November 8, 2004 (*administrative application reference No. pSEM0-432148054*); and (ii) the New Mexico Oil Conservation Division's ("Division") records in Santa Fe: all concerning BP America Production Company's ("BP") request for an unorthodox Pictured Cliffs replacement gas well location within a former standard 160-acre gas spacing unit in the West Kutz-Pictured Cliffs Pool (79680) comprising the SW/4 of Section 28, Township 28 North, Range 12 West, NMPM, San Juan County, New Mexico.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

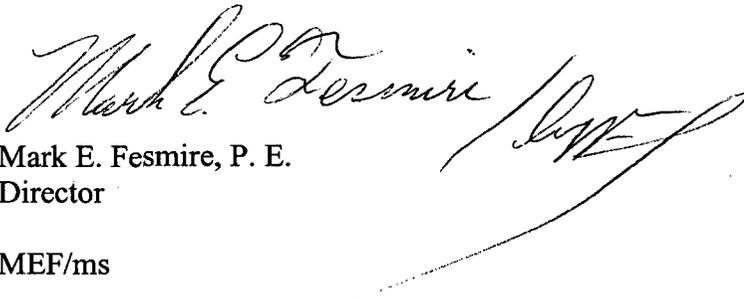
From the Division's public records initial development of Pictured Cliffs gas production within this 160-acre unit commenced in the 1953 when Benson-Montin of Oklahoma City, Oklahoma drilled and completed its Gallegos Canyon Unit Well No. 34 (API No. 30-025-07144) at a standard gas well location 1650 feet from the South and West line of Section 28. Fowler-Devonian oil production ceased in July, 1993 when BHP Petroleum (Americas) Inc. of Houston, Texas abandoned the Pictured Cliffs interval within this wellbore and recompleted up-hole into the Basin-Fruitland Coal (Gas) Pool (71629).

The well that is the subject of this application, BP's existing Gallegos Canyon Unit Well No. 174 (API No. 30-045-07165), was initially drilled in 1964 by Pan American Petroleum Corporation and completed in the Basin-Dakota Pool (71599) within a standard 320-acre stand-up gas spacing and proration unit comprising the W/2 of Section 28 at a gas well location considered to be standard at that time 2510 feet from the South line and 1850 feet from the West line (Unit K) of Section 28.

It is the Division's understanding that BP now intends to abandon the deeper Dakota gas producing interval within its above-described Gallegos Canyon Unit Well No. 174 and recomplete up-hole into the shallower gas bearing Pictured Cliffs formation. The location of this well is considered to be unorthodox within the West Kutz-Pictured Cliffs Pool pursuant Division Rule 104.C (3). Further, this replacement well at the above-described unorthodox location will enable BP to further develop and deplete the Pictured Cliffs reserves underlying the SW/4 of Section 28 that might not otherwise be recovered.

By the authority granted me under the provisions of Division Rule 104.F (2), as revised, the above-described Gallegos Canyon Unit Well No. 174 to be recompleted at an unorthodox gas well location within this former 160-acre West Kutz-Pictured Cliffs gas spacing unit is hereby approved.

Sincerely,



Handwritten signature of Mark E. Fesmire in cursive script.

Mark E. Fesmire, P. E.
Director

MEF/ms

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