

**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. 13483
ORDER NO. R-12385**

**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 May 19, 2005, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 8th day of July, 2005, 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 and approval for the following two gas wells to simultaneously produce in the same quarter-quarter (SE/4 NE/4 or Unit H) within an existing standard 320-acre spacing and proration unit consisting of the E/2 of Section 28, Township 32 North, Range 10 West, NMPM, San Juan County, New Mexico, for production from the Mesaverde formation, Blanco-Mesaverde Prorated Gas Pool (72319):

(a) Holmberg Gas Com Well No. 1R (API No. 30-045-29299) located at a surface location 990 feet from the North line and 1,710 feet from the East line (Unit B) and drilled as a high angle well to a bottom hole location 1,847 feet from the North line, and 823 feet from the East line, Unit H of Section 28; and the

(b) Holmberg Gas Com Well No. 1B (API No. 30-045-30270) located 2,200 feet from the North line, and 1,220 feet from the East line, Unit H of Section 28.

(3) 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:

1. ACREAGE 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.

(4) The applicant presented testimony at the hearing from a petroleum engineer as follows:

(a) The first well drilled inside this spacing unit was the Holmberg Gas Com Well No. 1 which was drilled in Unit B and has since been abandoned.

(b) The first infill well was the Holmberg South Gas Com Well No. 1A drilled in Unit P.

(c) The Holmberg Gas Com Well No. 1R with a surface location in Unit B was drilled by Amoco in 1995 as a high angle S-shaped wellbore in order to encounter fractures or otherwise encounter better quality reservoir. After drilling, the surveys show that the producing bottom hole location is actually in Unit H.

(d) In 2001, BP drilled the Holmberg Gas Com Well No. 1B as a vertical well within Unit H, without realizing that the actual bottom hole location for the No. 1R well was also within Unit H.

(e) In early 2005, after realizing that two wells were producing from Unit H, the No. 1B well was shut-in and remains shut-in pending the outcome of this application for an exception to the density rules.

(f) These well locations are "standard" and do not encroach on any surrounding spacing unit.

(g) Notice was provided to all working interest owners within surrounding BP operated spacing units as well as to Burlington who operates a spacing unit to the Northwest.

(h) Both wells producing from Unit H are marginal, low productivity wells and both are capable of producing no more than 150 Mcf/d at the existing line pressures.

(i) The two Unit H wells do not appear to be interfering with one another.

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

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

(6) Allowing both of these two marginal wells as located within the same quarter-quarter section to simultaneously produce will prevent waste and protect correlative rights.

(7) This application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, BP America, Inc. ("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 produce two wells within the same quarter-quarter section. The following two gas wells are approved to simultaneously produce from the Mesaverde within an existing standard 320-acre spacing and proration unit consisting of the E/2 of Section 28, Township 32 North, Range 10 West, NMPM, San Juan County, New Mexico:

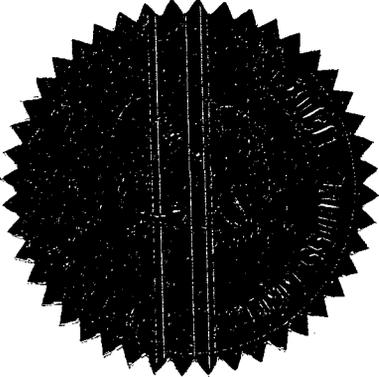
(a) Holmberg Gas Com Well No. 1R (API No. 30-045-29299) located at a bottom hole location (within Unit H), 1,847 feet from the North line, and 823 feet from the East line of Section 28; and the

(b) Holmberg Gas Com Well No. 1B (API No. 30-045-30270) located (within Unit H), 2,200 from the North line, and 1,220 from the East line of Section 28.

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

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



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.
Director