

**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. 13613
ORDER NO. R-12544**

**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 19, Township 29 North, Range 8 West, NMPM, San Juan County, New Mexico through approval of three gas wells within the SE/4 of Section 19.

(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:

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.

(5) Currently, the 320-acre E/2 of Section 19 spacing and proration unit contains the following wells with a completion in the Mesaverde formation:

(a) Hughes B Well No. 2 (API No. 30-045-08089)
SHL: 990 FNL, 800 FEL, Unit A,
Drilled in 1952, Producing over 100 Mcf gas per day

(b) Hughes B Well No. 2A (API No. 30-045-22716)
SHL: 875 FSL, 1610 FEL, Unit O,
Drilled in 1978, Producing 100 Mcf gas per day

(c) Hughes Well No. 7 (API No. 30-045-24032)
SHL: 875 FSL, 945 FEL, Unit P,
Began Production in 2002 and last produced 100 Mcf gas per day
Currently Shut-in

(d) Hughes B Well No. 2B (API No. 30-045-30937)
SHL: 895 FSL, 1660 FEL, Unit P,
BHL: 2300 FSL, 1785 FEL, Unit J,
Began Production in 2002, making 120 Mcf gas per day

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

(a) The order of drilling, history, current status, and producing rate of all Mesaverde wells within this spacing unit – see above.

(b) The Hughes Well 7 was voluntarily shut-in in early 2005 after BP discovered that the SE/4 of Section 19 had three producing Mesaverde wells which is a violation of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool.

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

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

(7) If this application were approved, BP would be allowed to resume production from the Hughes Well No. 7 located in Unit P and increase production within this spacing unit by approximately 100 Mcf gas per day.

(8) 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 three Mesaverde wells to simultaneously produce within the SE/4 of Section 19 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.

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

IT IS THEREFORE ORDERED THAT :

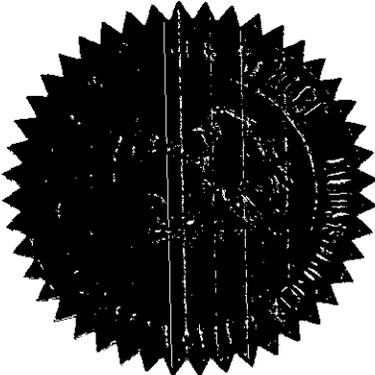
(1) The application of BP America, Inc. ("BP") in this case is approved and BP is hereby granted an exception to the well density provisions of the Special Rules and Regulations of the Blanco-Mesaverde (Prorated Gas) Pool (72319) as promulgated by Division Order No. R-10987-A(1) and allowed to simultaneously produce the following four wells within an existing standard 320-acre Mesaverde spacing and proration unit consisting of the E/2 of Section 19, Township 29 North, Range 8 West, NMPM, San Juan County, New Mexico.

- (a) Hughes B Well No. 2 (API No. 30-045-08089) in Unit A
- (b) Hughes B Well No. 2A (API No. 30-045-22716) in Unit O
- (c) Hughes Well No. 7 (API No. 30-045-24032) in Unit P
- (d) Hughes B Well No. 2B (API No. 30-045-30937) in Unit J (BHL)

(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 black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director