



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

December 7, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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

Attention: Cherry Hlava
hlavacl@bp.com

Administrative Order NSL-5310 (BHL)
(Non-Standard Subsurface Location/Producing Area)

Dear Ms. Hlava:

Reference is made to the following: (i) your application (***administrative application reference No. pMES0-532731583***) filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on October 25, 2005; (ii) your e-mail communiqué with Mr. Michael E. Stogner, Engineer with the Division in Santa Fe, on November 28, 2005; and (iii) the Division's records in Aztec and Santa Fe: all concerning Burlington's request under the provisions Division Rules 111.A (13) and 111.C (2) for exception to and Rule 7 (a) of the "*Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool*," as promulgated by Division Order No. R-8768, as amended.

The Division Director Finds That:

- (1) Your application for BP America Production Company ("BP") has been duly filed under the provisions of: (i) Rule 7 (b) of the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*;" and (ii) Division Rules 104.F, 111.C (2), and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].
- (2) The special rules governing the Basin-Fruitland Coal (Gas) Pool (**71629**) provide for 320-acre gas spacing units, infill drilling with one well per quarter section, and for wells to be located no closer than 660 feet from any outer boundary of the spacing unit nor closer than 10 feet from any quarter-quarter section line or subdivision inner boundary.
- (3) The "Project Area" that is the subject of this application also corresponds with the existing 320-acre-acre stand-up gas spacing unit comprising the W/2 of Section 11, Township 29 North, Range 8 West, NMPM, San Juan County, New Mexico.
- (4) This 320-acre unit was initially established in 1992 with the completion of BP's Vandewart "B" Well No. 3 (**API No. 30-045-26148**) into the Basin-Fruitland Coal (Gas) Pool at a standard gas well location 870 feet from the South line and 1600 feet from the West line (Unit N) of Section 11.

- (5) Under the provisions of Division Rules 111.A (7) and 111.C (1), BP filed the necessary information with the Division's district office in Aztec and received authorization to directionally drill its Vandewart "B" Well No. 3S (**API No. 30-045-32295**) in a north-northwesterly direction from a surface location 900 feet from the South line and 740 feet from the West line (Unit N) of Section 11 to a subsurface location approximately 2586 feet from the North line and 1370 feet from the West line (Unit F) of Section 11, where the horizontal portion of the wellbore will commence and extend approximately 1,914 feet to a targeted bottomhole location, or subsurface end point, at depth of approximately 2,973 feet (TVD), or 6,012 feet (MD), 675 feet from the North line and 740 feet from the West line (Unit D) of Section 11; it was BP's intent to set a 7-inch intermediate string of casing at an approximate depth of 3,996 (MD) and complete the Basin-Fruitland coal gas interval within the wellbore open-hole.
- (6) In accordance with Division Rule 111.A (7) and C (1) the applicable drilling window or "Producing Area" within the Basin-Fruitland Coal (Gas) Pool for this horizontal/high angle directional drilling project would correspond to the standard distance allowed from the outer boundary of the spacing unit [see Rule 7 (a) (1) of the special rules governing the Basin-Fruitland Coal (Gas) Pool], or no part of the wellbore for BP's Vandewart "B" Well No. 3S within the Basin-Fruitland Coal (Gas) Pool, or producing interval [see Division Rule 111.A (8)] would be permitted to encroach no closer to the outer of the W/2 of Section 11 then 660 feet.
- (7) It is the Division's understanding from your application however while drilling the wellbore drifted outside of the intended producing area to the east to within 600 feet of the eastern boundary of the W/2 stand-up spacing unit.
- (8) It appears that the applicant has satisfied all of the appropriate requirements prescribed in Division Rule 111.C (2) and Rules 7 (b) and 8 of the Basin-Fruitland coal gas special pool rules; therefore, the subject application should be approved.
- (9) The provisions contained within this order and all other applicable provisions of Division Rule 111 and Division Order No. R-8768, as amended, should govern the subject well and 320-acre gas spacing unit/project area.

It Is Therefore Ordered That:

- (1) BP America Production Company ("BP") is hereby authorized to continue operating its horizontal/high angle directional drilling "Project Area" within the standard 320-acre stand-up gas spacing unit comprising the W/2 of Section 11, Township 29 North, Range 8 West, NMPM, Basin-Fruitland Coal (Gas) Pool (**71629**), San Juan County, New Mexico, in which the two above-described Vandewart "B" Wells No. 3 and 3S are herein dedicated.
- (2) The applicable drilling window or "Producing Area" within the Basin-Fruitland Coal (Gas) Pool for this horizontal/high angle directional drilling project shall be confined to that area within the W/2 of Section 11 that is:

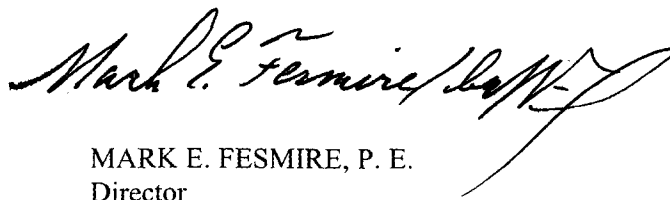
(a) no closer than the normal setback requirement of 660 feet to the North, West, and South lines of Section 11; and

(b) no closer than 600 feet to the eastern boundary line of this stand-up 320 gas spacing unit.

(3) Jurisdiction of this cause is 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


MARK E. FESMIRE, P. E.
Director

MEF/ms

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