

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



January 11, 2017

BP America Production Company
Attn: Ms. Toya Colvin

ADMINISTRATIVE NON-STANDARD LOCATION ORDER

Administrative Order NSL-7499

BP America Production Company
OGRID 778
Northeast Blanco Unit 602 Com. Well No. 1H
API No. 30-045-Pending

Proposed Location:

	<u>Footages</u>	<u>Unit</u>	<u>Sec.</u>	<u>Twsp</u>	<u>Range</u>	<u>County</u>
Surface	674' FNL & 825' FWL	D	12	31N	7W	San Juan
Penetration Point	719' FNL & 818' FWL	D	12	31N	7W	San Juan
Final Penetration	709' FNL & 250' FEL	A	7	31N	6W	San Juan
Terminus	704' FNL & 50' FEL	A	7	31N	6W	San Juan

Proposed Project Area:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
N/2 Section 12	320	Basin Mancos	97232
N/2 Section 7	320.02		

Reference is made to your application received on December 28, 2016.

You have requested to drill this horizontal well at an unorthodox gas well location described above in the referenced pool or formation. This location is governed by the Special Rules for the Basin Mancos Gas Pool, which provides for 320-acre units with wells to be located at least 660 feet from outer unit boundaries, and Rule 19.15.16.14.B (2) NMAC concerning directional wells in designated project areas. This location is unorthodox because portions of the proposed completed interval are closer to outside boundaries of the proposed project area than any location that would be a standard location under the applicable pool rules.

Your application has been duly filed under the provisions of Division Rules 19.15.15.13 NMAC and 19.15.4.12.A(2) NMAC.

It is our understanding that you are seeking this location due to avoid stranding reserves at the toe of the wellbore. The Mancos shale is a low permeability formation which is incapable of production without stimulation. The East-West orientation of the wellbore will allow BP America Production to take advantage of the anticipated North-South fracture orientation. As a result, extending the toe allows BP America Production to capture addition reserves north and south of the wellbore. At the same time BP America Production expects very little stimulated area east of the toe of the proposed well, and consequently very little drainage in this direction.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 19.15.4.12 (A) 2 NMAC, in all adjoining units towards which the proposed location encroaches. However, the affected party signed a waiver, removing any objection to the Non-standard location.

The Applicant shall submit to the Aztec District Office a drilling plan of the Proposed Pilot Hole.


If the Applicant seeks to produce from the Proposed Pilot Hole portion of the wellbore, the Applicant shall file a new Administrative Non-standard Location Application.

Pursuant to the authority conferred by Division Rule 19.15.15.13 (B) NMAC, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 19.15.5.9 NMAC.

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

Done at Santa Fe, New Mexico, on January 11, 2017.


DAVID R. CATANACH
Director

DRC/mam

cc: Oil Conservation Division – Aztec District Office
Bureau of Land Management - Farmington