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December 6, 2005

**HAND-DELIVERED**

Mark E. Fesmire, P.E.  
Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87504

*Case 13613*

Re: Application of BP America, Inc. for an exception to the well density requirements of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool, San Juan County, New Mexico.

Dear Mr. Fesmire:

Enclosed in triplicate is the Application of BP America, Inc. in the above-referenced case as well as a copy of a legal advertisement. BP requests that this application be placed on the docket for the January 5, 2006 examiner hearings.

Very truly yours,

William F. Carr  
Attorney for BP America, Inc.

Enclosures

cc: Bill Hawkins (w/ enclosures)  
BP America, Inc.

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION OF BP AMERICA PRODUCTION COMPANY, FOR AN EXCEPTION TO THE WELL DENSITY REQUIREMENTS FOR THE BLANCO-MESAVERDE GAS POOL, SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. 13663

**APPLICATION**

BP America Production Company, (BP), through its undersigned attorneys, hereby makes application for an order granting an exception to the well density requirements of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool to permit it to simultaneously produce three wells in a quarter section and in support of its application states:

1. BP is the operator of a standard 320-acre spacing and proration unit in the Blanco-Mesaverde Gas Pool comprised of the E/2 of Section 19, Township 29 North, Range 8 West, NMPM, San Juan County, New Mexico.

2. The Blanco-Mesaverde Gas Pool is governed by Special Rules and Regulations which provide for 320-acre spacing and proration units on which as many as four wells may be drilled. (Order No. R-8170, as superseded by Order No. R-10987-A, effective February 1, 1999 and amended by Order No. R-10981-A(1), effective December 2, 2002). These Special Pool Rules and Regulations provide:

**II. 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 the quarter-quarter not containing a Mesaverde Well and within a quarter section of the GPU 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 of the GPU not containing a Mesaverde well and within a quarter section of the GPU 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....

3. In the 1952, the Hughes B Well No. 2 (**API No. 30-045-08089**) was drilled at a location 990 feet from the North line and 800 feet from the East line (Unit A) of Section 19, Township 29 North, Range 8 West, NMPM, and produced from the Mesaverde formation, Blanco-Mesaverde Gas Pool.

4. The Hughes B Well No. 2A (**API No. 30-045-22716**) was drilled in 1978 at a location 875 from the South line and 1610 feet from the East line (Unit O) of said section. This well was the first infill well drilled on this spacing unit.

5. The Hughes No. 7 Well (**API No. 30-045-24032**) was drilled in 1980 at a location 875 feet from the South line and 945 feet from the East line (Unit P) of said section to test the Dakota formation, Basin-Dakota Gas Pool. The Dakota formation was plugged and abandoned in 2000 and recompleted to the Mesaverde formation but did not produce. This well was the second infill well on this spacing unit. Following a demand from the BLM that the well

be returned to production, the well was restored to production in the Mesaverde formation in 2002. The well has been shut in since April 2005.

6. The Hughes B Well No. 2B (API No. 30-045-30937) was permitted in 2001 and drilled in 2002 as a directional well during the time the Hughes Well No. 7 was not producing from a surface location 895 feet from the South line and 945 feet from the East line (Unit P) with a bottomhole location 2350 feet from the South line and 1800 feet from the East line (Unit J) of said Section 19. The entire producing interval in the well is located in Unit J. This was the third infill well on this spacing unit.

7. The objective formation in each of the above-described wells is the Blanco-Mesaverde Gas Pool and each well was permitted and drilled as a Mesaverde test.

8. While the total number of wells on this Mesaverde GPU is allowed under the Special Pool Rules and Regulations for the Blanco-Mesaverde Gas Pool, the Hughs B Well No. 2A, the Hughes B Well No. 2B, and the Hughes Well No. 7 are located in the same quarter-quarter section.

9. BP therefore requests that the Division enter its order granting an exception to the well density requirements of Rule I B. of the Special Pool Rules and Regulations for the Blanco-Mesaverde Gas Pool approving the location of the Hughes Well No. 7 in the Mesaverde formation and authorizing BP to simultaneously produce the Hughes B well Nos. 2A and 2B and the Hughes Well No. 7 located in the SE/4 of said Section 19. At full development of the GPU, BP will operate no more than four wells in this 320-acre GPU. BP therefore does not seek to increase the number of wells in this GPU.

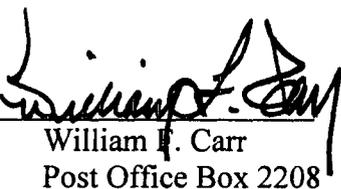
10. Approval of this application will not impair the correlative rights of any other interest owner in the Blanco-Mesaverde Gas Pool, and will afford BP the opportunity to utilize the existing wells to produce the reserves from this GPU.

11. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, BP America Production Company requests that this application be set for hearing before an Examiner of the Oil Conservation Division on January 5, 2006 and after notice and hearing as required by law, the Division enter its order granting an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool approving location of the Hughes Well No. 7 in the Mesaverde formation and authorizing BP to simultaneously produce the Hughes B Well Nos. 2A and 2B and the Hughes Well no. 7 located in the SE/4 of Section 19, Township 29 North, Range 8 West, NMPM.

Respectfully submitted,

HOLLAND & HART LLP

By:   
William F. Carr  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR BP AMERICA  
PRODUCTION COMPANY

**EXHIBIT A**

**APPLICATION OF  
BP AMERICA PRODUCTION COMPANY,  
FOR AN EXCEPTION TO THE WELL  
DENSITY REQUIREMENTS FOR THE  
BLANCO-MESAVERDE GAS POOL,  
SAN JUAN COUNTY, NEW MEXICO.**

**NOTIFICATION LIST**

Burlington Resources Oil & Gas Company  
Post Office Box 4289  
Farmington, New Mexico 87499

ConocoPhillips  
Three WestLake Park, WL 3003  
Post Office Box 2197  
Houston, Texas 77252

CASE 13613

**Application of BP America, Inc. for an exception to the well density requirements for the Blanco-Mesaverde Gas Pool, San Juan County, New Mexico.** Applicant in the above-styled cause seeks an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool to permit it to produce the following three Mesaverde wells located in the same quarter section (SE/4) on a standard spacing and proration unit comprised of the East half of Section 19, Township 29 North, Range 8 West, NMPM:

the Hughes B Well No. 2A (API No. 30-045-22716) located 875 feet from the South line and 1610 feet from the East line (Unit O) of said section;

the Hughes No. 7 Well (API No. 30-045-24032) located 875 feet from the South line and 945 feet from the East line (Unit P) of said section; and

the Hughes B Well No. 2B (API No. 30-045-30937) which was directionally drilled from at a surface location 895 feet from the South line and 1650 feet from the East line (Unit O) with a bottomhole location 2350 feet from the South line and 1800 feet from the East line (Unit J) of said section.

Said wells are located approximately 5 miles Southwest of Navajo City New Mexico.