



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

April 27, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

BP America Production Company

Permian Basin Asset

P. O. Box 3092

Houston, Texas 77253-3092

RECEIVED

MAY 01 2006

UCC-ANTECH

Attention: **Susan Becnel**
Regulatory Analyst

Re: *Administrative application (application reference No. pTDS0-603357638) for an exception to Division Rule 104.B (1) for BP America Production Company's ("BP") recently drilled Slider State "6" Well No.1 (API No. 30-015-34028), located on the surface 2285 feet from the North line and 1366 feet from the East line (Unit G) of Section 6, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico, and penetrating the Undesignated Empire-Wolfcamp Pool (22420) at an unorthodox subsurface oil well location approximately 1956 feet from the North line and 1489 feet from the East line (Unit G) of Section 6, within a standard 40-acre oil spacing and proration unit comprising the SW/4 NE/4 of Section 3.*

Dear Ms. Becnel:

On March 14, 2006, I sent a letter (see copy attached) requesting additional information to support BP's subject application filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on February 2, 2006.

Approximately five years ago the Division enacted a policy whereby any incomplete administrative filing older than 30 days is to be withdrawn and returned. This policy, as I understand, was adopted to better serve our customers and help assure a quicker turn around time by this agency on administrative filings. To date I have not received from you a response to this letter; therefore, this application is deemed to be incomplete and in order to fully comply with this policy, is hereby **denied** and being returned to you at this time.

Should you have any questions concerning this matter, please contact: (i) your legal counsel, Mr. William F. Carr in Santa Fe, New Mexico at (505) 988-4421; or (ii) perhaps Ms. Cherry Hlava and /or Ms. Mary Corley with BP in Houston, Texas.

Sincerely,

Michael E. Stogner
Engineer

cc: New Mexico Oil Conservation Division – Artesia
New Mexico State Land Office – Santa Fe
William F. Carr, Legal Counsel for BP America Production Company – Santa Fe



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WULF CAMP

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

Attention: Susan Becnel
Regulatory Analyst

Re: Administrative application (application reference No. *pTDS0-603357638*) for an exception to Division Rule 104.B (1) for BP America Production Company's ("BP") recently drilled Slider State "6" Well No.1 (API No. 30-015-34028), located on the surface 2285 feet from the North line and 1366 feet from the East line (Unit G) of Section 6, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico, and penetrating the Undesignated Empire-Wolfcamp Pool (22420) at an unorthodox subsurface oil well location approximately 1956 feet from the North line and 1489 feet from the East line (Unit G) of Section 6, within a standard 40-acre oil spacing and proration unit comprising the SW/4 NE/4 of Section 3.

Dear Ms. Becnel:

This letter acknowledges the above-described administrative application received by the Division on February 2, 2006 and assigned *administrative application reference No. pTDS0-603357638*. Please refer to this number in future correspondence with the Division.

My preliminary review indicates your application may be incomplete with respect to notice. Please refer to Division Rule 1210.A (2) which reads in its entirety:

- "(2) Unorthodox well locations.**
- (a) "Affected persons" are the following persons owning interests in the adjoining spacing units:**
 - (i) the division-designated operator;**
 - (ii) in the absence of an operator, any lessee whose interest is evidenced by a written conveyance document either of record or known to the applicant as of the date he files the application; and**
 - (iii) in the absence of an operator or lessee, any mineral interest owner whose interest is evidenced by a written conveyance document either of record or known to the applicant as of the date he filed the application.**
 - (b) In the event the proposed unorthodox well's operator is also the operator of an existing, adjoining spacing unit, and ownership is not common between the adjoining spacing unit and the spacing unit containing the proposed unorthodox well, then "affected persons" include all working interest owners in that spacing unit.**

- (c) *If the proposed location is unorthodox by being located closer to the spacing unit's outer boundary than 19.15.3.104 NMAC or applicable special pool rules permit, the applicant shall notify the affected persons in the adjoining spacing units towards which the unorthodox location encroaches.*
- (d) *If the proposed location is unorthodox by being located in a different quarter-quarter section or quarter section than special pool orders provide, the applicant shall notify all affected persons."*

The subject well encroaches the two potential 40-acre, more or less, Wolfcamp proration units to the east and northeast (Lot 1/Unit A and Unit H of Section 6).

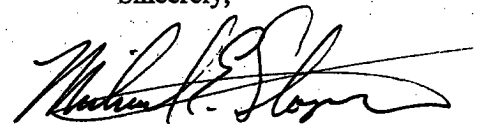
You state within your application that "[T]here are no offset owners/operators within the 9-section plat that are producing from the Empire Wolfcamp formation; therefore, no notification were required." I don't know if this means that just because you are not aware of any Wolfcamp production within this 9-section area, which by-the-way is not necessarily true (unless you don't count the Logan Draw-Wolfcamp production in Unit M-Section 36-T1S-R27E; see API No. 30-015-27286), that BP is not obligated to send out notice. Regardless of the meaning I will either need an explanation from BP as to why the two offsetting 40-acre, more or less, tracts do not require notification (i.e. with respect to the Wolfcamp formation all three of the 40-acre tracts comprising Units A, G, and H of Section 6 are within the same lease with identical ownership or that BP owns 100% of the working interest within Units A and H of Section 6) or identify the working interests of the Wolfcamp rights within Units A and H of Section 6 and submit proof of notice.

Since the submitted information is insufficient to review, the application was ruled as incomplete on March 14, 2006. Please submit the above stated information by Monday, March 27, 2006.

The Division cannot proceed with your application until the required information is submitted. Upon receipt, the Division will continue to process your application. The additional information can be: (i) faxed to (505) 476-3462; (ii) e-mailed to "michael.stogner@state.nm.us"; or (iii) mailed to the address shown above.

Should you have any questions concerning this matter, please contact: (i) your legal counsel, Mr. William F. Carr in Santa Fe, New Mexico at (505) 988-4421; or (ii) perhaps Ms. Cherry Hlava and/or Ms. Mary Corley with BP in Houston, Texas.

Sincerely,



Michael E. Stogner
Engineer

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New Mexico State Land Office -- Santa Fe
William F. Carr, Legal Counsel for BP America Production Company -- Santa Fe