



New Mexico Energy, Minerals and Natural Resources Department

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BP America Production Company
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Rebuttal of Presumption of Inactivity

Expiring as to the Hughes #002M on February 16, 2012, and
Expiring as to the Nye Gas Com #001E on March 16, 2012

Re: BP America Production Company (OGRID #778)
Wells: • Hughes #002M API #30-045-23341
 • Nye Gas Com #001E API #30-045-24233

Dear Operator:

Subsection (F)(2) of Oil Conservation Division (OCD) Rule 19.15.5.9 NMAC provides that the listing of a well on the OCD's inactive well list as a well inactive for more than one year plus 90 days creates a "rebuttable presumption" that the well is out of compliance with OCD Rule 19.15.25.8 NMAC (the inactive well rule).

An operator may rebut that presumption by providing evidence that the well is in compliance with OCD Rule 19.15.25.8 NMAC.

The wells identified above currently appear on the OCD's inactive well list as wells operated by BP America Production Company (BP) that have been inactive for more than one year plus 90 days. BP has provided the OCD with information indicating that the Hughes #002M was returned to production on December 2, 2011, and that the Nye Gas Com #001E was returned to production on January 10, 2012.

BP has satisfactorily rebutted the presumption created by OCD Rule 19.15.5.9.F.2 that the 2 wells identified above are in violation of OCD Rule 19.15.25.8 NMAC because the wells have been "active" as defined by OCD rules within the past year plus 90 days.

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Although the above-named wells appear on BP's inactive well list, the OCD should not consider the wells as out of compliance with OCD Rule 19.15.5.9.A.4.d NMAC or include them in calculating BP's compliance with OCD Rule 19.15.5.9 NMAC.

The presumption that the wells are not inactive will remain until the date when BP is required to file C-115 production reports for the wells. Division Rule 19.15.7.24 requires operators to file C-115 reports on or before the 15th day of the second month following the month of injection, or if such day falls on a weekend or holiday, the first workday following the 15th.

Since BP has indicated that the Hughes #002M was returned to production on December 2, 2011, **the C-115 reports for the Hughes #002M must be filed on or before February 15, 2012.** If BP fails to file the C-115 reports for the Hughes #002M on or before February 15, 2012, the presumption that the well is inactive will return.

On February 16, 2012, if the Hughes #002M appears on the inactive well list the presumption that the well is inactive will return.

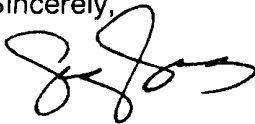
Since BP has indicated that the Nye Gas Com #001E was returned to production on January 10, 2012, **the C-115 reports for the Nye Gas Com #001E must be filed on or before March 15, 2012.** If BP fails to file the C-115 reports for the Nye Gas Com #001E on or before March 15, 2012, the presumption that the well is inactive will return.

On March 16, 2012, if the Nye Gas Com #001E appears on the inactive well list the presumption that the well is inactive will return.

As stated above, the OCD should not consider the two wells identified above as out of compliance with OCD Rule 19.15.5.9.A.4.d NMAC or include them in calculating BP's compliance with OCD Rule 19.15.5.9 NMAC. However, until BP files C-115 reports for the wells, the wells will remain on the inactive well list.

BP should attach a copy of this letter to any applications for a drilling permit, requests for allowable and authorization to transport, change of operator, or injection permits that BP might file with the OCD so that the OCD knows that it should not count any of the two wells identified above towards BP's compliance with OCD Rule 19.15.5.9 NMAC.

Sincerely,



Sonny Swazo, OCD Assistant General Counsel

ec: Daniel Sanchez, OCD Compliance and Enforcement Manager
E.L. Gonzales, District I
Randy Dade, District II
Charlie Perrin, District III
Ed Martin, District IV