



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

BP America Production Company

San Juan Business Unit

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Attention: Cherry Hlava

hlavacl@bp.com

August 8, 2003

Lori Wrotenbery

Director

Oil Conservation Division

Administrative Order NSL-4933 (SD-Coal)

Dear Ms. Hlava:

Reference is made to the following: (i) your application dated July 1, 2003 (*administrative application reference No. pMES0-319744446*) that was submitted to the New Mexico Oil Conservation Division's ("Division") on July 15, 2003; and (ii) the Division's records in Santa Fe and Aztec: all concerning BP America Production Company's ("BP") request for an unorthodox gas well location in both the West Kutz-Pictured Cliffs Pool (79680) and Basin-Fruitland Coal (Gas) Pool (71629) for BP's existing Gallegos Canyon Unit Well No. 244 (API No. 30-045-11690), located 1850 feet from the South line and 2510 feet from the East line (Unit J) of Section 36, Township 28 North, Range 12 West, NMPM, San Juan County, New Mexico.

This application 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*," as promulgated by Division Order No. R-8768, as amended; (ii) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission ("Commission") in Case No. 12119 on August 12, 1999; and (iii) Rule 1207.A (2), revised by Division Order No. R-11205, issued by the Commission in Case No. 12177 on June 17, 1999.

According to the Division's well records the Gallegos Canyon Unit Well No. 244 was initially drilled in 1966 by Pan American Petroleum Corporation to a total depth of 6,520 feet and completed at a standard gas well location in the Basin-Dakota Pool within a standard 320-acre lay-down gas spacing and proration unit comprising the S/2 of Section 36. It is our understanding that BP now intends to abandon the Dakota interval and dually recompleate this well up-hole into the Fruitland coal and Pictured Cliffs intervals. Pursuant to Division Rule 104.C (3) and Rule 7 (a) of the special Basin-Fruitland Coal (Gas) Pool rules, this location is considered to be unorthodox for both the West Kutz-Pictured Cliffs Pool and Basin-Fruitland Coal (Gas) Pool, respectively.

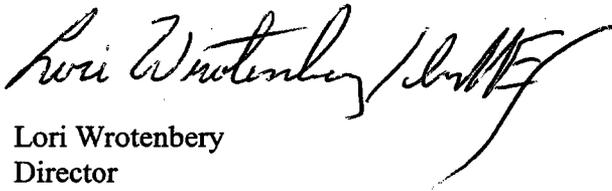
Gas production from the Basin-Fruitland Coal (Gas) Pool is to be included within an existing standard 320-acre stand-up gas spacing unit comprising the E/2 of Section 36, which is currently dedicated to BP's Gallegos Canyon Unit Well No. 245-E (API No. 30-045-26290), located at a standard coal gas well location 1660 feet from the North line and 1680 feet from the East line (Unit G) of Section 36.

Further, this well is to be a replacement gas well within a former standard 160-acre gas spacing unit in the West Kutz-Pictured Cliffs Pool that comprised the SE/4 of Section 36. Initial development of Pictured Cliffs gas production within this 160-acre unit commenced in March, 1954 when Stanolind Oil and Gas Company initially completed its Gallegos Canyon Unit Well No. 54 (API No. 30-045-07077), located at a standard gas well location 990 feet from the South line and 1650 feet from the East line (Unit O) of Section 36. In August, 1960, Pan American Petroleum Corporation plugged and abandoned this well.

By the authority granted me under the provisions of Division Rule 104.F (2) and in accordance with Rule 8 of the special Basin-Fruitland Coal (Gas) Pool rules, the above-described unorthodox Fruitland coal infill gas well location/replacement Pictured Cliffs gas well location for BP's above-described Gallegos Canyon Unit Well No. 244 is hereby approved.

Jurisdiction of this cause is retained for the entry of such further orders as the Division deems necessary.

Sincerely,



Lori Wrotenberg
Director

LW/mes

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