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William F. Carr

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June 17, 2003

**HAND-DELIVERED**

Lori Wrotenbery, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87504

**RECEIVED**

JUN 17 2003

Oil Conservation Division

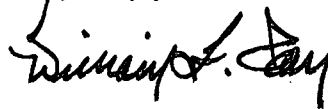
*Case 13104*

Re: Application of BP America, Inc. for an Exception to the Well Density Requirements of the Special Rules and Regulations for the Basin-Dakota Gas Pool, San Juan County, New Mexico.

Dear Ms Wrotenbery:

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 July 10, 2003 Examiner hearings.

Very truly yours,



William F. Carr

Enclosures

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

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

**RECEIVED**

JUN 17 2003

Oil Conservation Division

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

CASE NO. 13104

**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 Basin-Dakota Gas Pool to permit it to simultaneously produce two wells in a single quarter-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 Basin-Dakota Gas Pool and the Blanco-Mesaverde Gas Pool comprised of the N/2 of Section 1, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico.

2. The Basin-Dakota 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 (Order No. R-8170, as amended by Order No. R-10987-B, effective June 30, 2000 and superseded by Order No. R-10981-B(1), effective January 29, 2002).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 Basin-Dakota 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 Dakota well;
- (b) the SECOND OPTIONAL INFILL WELL drilled on a GPU shall be located in the quarter-quarter not containing a Dakota Well and within a quarter section of the GPU not containing more than one (1) Dakota 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 Dakota well and within a quarter section of the GPU not containing more than one (1) Dakota 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 shall be authorized only after hearing....

3. The Blanco-Mesa Verde Gas Pool is governed by the same well density requirements as the Basin-Dakota Gas Pool (Order No. R-8170, as superseded by Order No. R-10987-A, effective February 1, 1999 and Amended by Order No. R-10987-A(1), effective December 2, 2002).

4. In the spring of 2003, BP drilled the Childers Well No. 1-M as the SECOND OPTIONAL INFILL WELL on this 320-acre GPU at a location 705 feet from the North line and 2225 feet from the East line of said Section 1. The INITIAL DAKOTA WELL on this GPU is the Childer Well No. 1 located 420 feet from the North line and 1660 feet from the West line and the FIRST OPTIONAL DAKOTA INFILL WELL is the Childer 1-E located 1100 feet from the North line and 1750 feet from the East line of said Section 1.

5. The primary objective in the Childers Well No. 2-M was the Blanco-Mesaverde Gas Pool and the well was permitted as a Mesaverde/Dakota test. The well fully complies with applicable Mesaverde well density requirements. After the well was drilled, the Division

advised BP that the location violates the density requirements for the Basin-Dakota Gas Pool. The well is not producing from the Dakota formation.

6. While the total number of wells on this Dakota GPU is less than what is allowed, both the Childer Well No 1-E and the Childer Well No. 1-M are located in the same quarter-quarter Section.

7. BP therefore requests that the Division enter its order granting an exception to the well density requirements of Rule II B. of the Special Pool Rules and Regulations for the Basin-Dakota Gas Pool approving the location of the Childers Well No. 1-M in the Dakota formation and authorizing BP to simultaneously produce both the Childer Wells 1-E, and 1-M located in the NW/4 NE/4 of Section 1. At full development of the GPU, BP will operate only two Dakota in the NE/4 of said Section 1 and no more than four wells in this 320-acre GPU. BP therefore does not seek to increase the number of wells in this GPU.

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

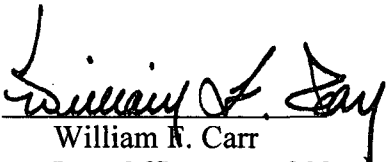
9. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, BP America Production Company requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 10, 2003 and after notice and hearing as required by law, the Division enter its order granting an exception to the well density requirements of Rule II. B of the Special Rules and Regulations for the Basin-Dakota Gas Pool approving location of the Childers Well No. 1-M in the Dakota formation and

authorizing BP to simultaneously produce both the Chandler Wells 1-E and 1-M located in the NW/4 NE/4 of Section 1, Township 31 South, Range 11 West, NMPM.

Respectfully submitted,

HOLLAND & HART LLP

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

ATTORNEYS FOR BP AMERICA  
PRODUCTION COMPANY

CASE 13104:

**Application of BP America, Inc. for an exception to the well density requirements for the Basin-Dakota Gas Pool, San Juan County, New Mexico.** Applicant in the above-styled cause seeks an exception to the well density requirements of Rule II. B of the Special Rules and Regulations for the Basin-Dakota Gas Pool to permit it to produce the following two Dakota wells located in the same quarter-quarter section (NW/4 NE/4) on a standard spacing and proration unit comprised of the North half of Section 1, Township 31 South, Range 11 West, NMPM:

the Childers Well 1-E located 1100 feet from the North line and 1750 feet from the East line of the section, and

the Childers Well No. 1-M located 705 feet from the North line and 2225 feet from the East line of the section.

Said wells are located approximately 20 miles northeast of Farmington, New Mexico.