

**SPECIAL RULES AND REGULATIONS FOR THE
BLANCO-MESAVERDE GAS POOL**

(Superseded by Order No. R-10987-A, Effective February 1, 1999,
and Amended by Order No. R-10987-A(1), Effective December 2,
2002.) (Except for Indian Lands)

The **VERTICAL LIMITS** for the Blanco-Mesaverde Gas Pool shall be as follows:

- North and east of a line generally running from the northwest corner of Township 31 North, Range 13 West, San Juan County New Mexico, to the southwest corner of Township 24 North Range 1 East, NMPM, Rio Arriba County, New Mexico, (as fully described on Exhibit "A" of Order R-5459, August 1, 1977, as amended, and in Rule 25 of this order), the vertical limits shall be from the Huerfanito Bentonite marker to a point 500 feet below the top of the Point Lookout Sandstone.

- South and west of the line described in (a) above, the vertical limits shall be from a point 750 feet below said Huerfanito Bentonite marker to a point 500 feet below the top of the Point Lookout Sandstone.

- The Blanco-Mesaverde Gas Pool was created February 25, 1949 and gas proration became effective March 1, 1955.

I. 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 a quarter-quarter section not containing a Mesaverde well and within a quarter section 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 not containing a Mesaverde well and within a quarter section 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 GPU; and

(f) any deviation from the above-described well density requirements shall be authorized only after hearing.

(2) The plat (Form C-102) accompanying the "Application for Permit to Drill ("APD")" (Form C-101 or federal equivalent) for subsequent wells on a GPU shall have outlined the boundaries of the GPU and shall show the location (well name, footage location, API number) of all existing Mesaverde wells on the GPU plus the proposed new well.

C. Well locations:

(1) Except as provided in subparagraph I.C (2) below, wells drilled on a GPU shall be located no closer than 660 feet to the outer boundary of the GPU and no closer than 10 feet to any interior quarter or quarter-quarter section line or subdivision inner boundary.

(2) A well drilled or recompleted within a federal exploratory unit is not subject to the 660-foot setback requirement to the outer boundary of a GPU, provided however:

(a) the well shall not be closer than 10 feet to any section, quarter section, or interior quarter-quarter section line or subdivision inner boundary;

(b) the well shall not be closer than 660 feet to the outer boundary of the federal exploratory unit;

(c) if the well is located within the federal exploratory unit area but adjacent to an existing or prospective GPU containing a non-committed tract or partially committed tract, it shall not be closer than 660 feet to the outer boundary of its GPU;

(d) if the well is located within a non-committed or partially committed GPU, it shall not be closer than 660 feet to the outer boundary of its GPU;

(e) if the well is located within a participating area but adjacent to an existing or prospective GPU that is not within the same participating area, it shall not be closer than 660 feet to the outer boundary of the participating area; and

(f) if the well is located within the federal exploratory unit area but in an existing or prospective GPU that is a non-participating GPU, it shall not be closer than 660 feet to the outer boundary of its GPU.

(3) The operator filing an APD for any well within a federal exploratory unit area that is closer to the outer boundary of its assigned GPU than 660 feet shall provide proof in the form of a participating area that such well meets the requirements of I.C(2) above.

II. ADMINISTRATIVE EXCEPTIONS:

The Division Director, in accordance with Division Rule 104, may administratively grant an exception to the well location requirements of I.C above upon application to the Division which includes notification by certified mail-return receipt requested to affected parties [see Division Rule 1207.A(2)].

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Case No. 13483 Exhibit No. 1

Submitted by:

BP AMERICA, INC.

Hearing Date: May 19, 2005

(GENERAL RULES AND REGULATIONS FOR THE PRORATED
GAS POOLS OF NEW MEXICO - Cont'd.)

III. ALLOCATION AND GRANTING ALLOWABLES:

A. Non-Marginal GPU Allowable: The pool allowable remaining each month after deducting the total allowable assigned to marginal GPU's shall be allocated among the non-marginal GPU's entitled to an allowable in the following manner:

(1) Seventy-five percent (75%) of the pool allowable remaining to be allocated to the non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's AD Factor bears to the total AD Factor for all non-marginal GPU's in the pool.

When calculating the allowable for a GPU containing one or more infill wells, the deliverability of the wells shall be added in calculating the AD Factor and the allowable may be produced from all wells.

(2) Twenty-five percent (25%) of the pool allowable remaining to be allocated to non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's acreage factor bears to the total acreage factor for all non-marginal GPU's in the pool.

B. Minimum Allowable: A minimum allowable of 250 MCF per month per GPU is assigned to prevent the premature abandonment of wells.

C. A GPU in the Blanco-Mesaverde Pool shall be classified as marginal unless reclassified by the Director pursuant to Division Rule 605.F.(2). Any operator in the Blanco-Mesaverde Pool may request a reclassification of a GPU in that pool.

IV. VERTICAL LIMITS OF THE BLANCO-MESAVERDE POOL:

The vertical limits for the Blanco-Mesaverde Pool are described in relation to the Chacra line and to the Huerfanito Bentonite Marker as follows: (i) Southwest of the Chacra line the top of the pool is a point 750 feet below the Huerfanito Bentonite Marker and the base of the pool is a point 500 feet below the top of the Point Lookout Sandstone; and (ii) Northeast of the Chacra line the top of the pool is a point 300 feet above the Huerfanito Bentonite Marker and the base of the pool is a point 500 feet below the top of the Point Lookout Sandstone.

The northwest southeast trending Chacra Line (originally established by Order R-5459, as amended) divides the Blanco-Mesaverde pool for purposes of defining the vertical limits of the pool. This line traverses the south side or west side of the sections listed below.

TOWNSHIP 24 NORTH, RANGE 1 EAST, NMPM

Section 31: West

TOWNSHIP 24 NORTH, RANGE 1 WEST, NMPM

Section 3: West

Section 10: West and South

Section 14: West and South

Section 24: West

Section 25: West and South

TOWNSHIP 25 NORTH, RANGE 1 WEST, NMPM

Section 7: West

Section 18: West and South

Section 20: West and South

Section 28: West

Section 33: West and South

TOWNSHIP 25 NORTH, RANGE 2 WEST, NMPM

Section 1: West and South

TOWNSHIP 26 NORTH, RANGE 2 WEST, NMPM

Sections 7 and 8: South

Section 16: West and South

Section 22: West and South

Section 26: West

Section 35: West and South

TOWNSHIP 26 NORTH, RANGE 3 WEST, NMPM

Sections 2 and 3: South

Section 4: West and South

Section 12: West and South

TOWNSHIP 27 NORTH, RANGE 3 WEST, NMPM

Sections 31 and 32: South

TOWNSHIP 27 NORTH, RANGE 4 WEST, NMPM

Sections 31 through 36: South

TOWNSHIP 27 NORTH, RANGE 5 WEST, NMPM

Section 31: West and South

Sections 32 through 36: South

TOWNSHIP 27 NORTH, RANGE 6 WEST, NMPM

Section 6: West

Section 7: West and South

Sections 8 and 9: South

Section 14: South

Section 15: West and South

Section 24: West

Section 25: West and South

TOWNSHIP 28 NORTH, RANGE 6 WEST, NMPM

Sections 7, 18, 19, 30, and 31: West

TOWNSHIP 29 NORTH, RANGE 7 WEST, NMPM

Section 31: West and South

Sections 32 through 36: South

TOWNSHIP 29 NORTH, RANGE 8 WEST, NMPM

Section 17: South

Section 18: West and South

Section 21: West and South

Section 22: South

Section 25: South

Section 26: West and South

TOWNSHIP 29 NORTH, RANGE 9 WEST, NMPM

Section 3: South

Section 4: West and South

Section 11: West and South

Section 12: South

TOWNSHIP 30 NORTH, RANGE 9 WEST, NMPM

Section 31: West and South

Section 32: South

TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM

Section 18: South

Section 20: West and South

Sections 21 and 22: South

Section 25: South

Section 26: West and South

TOWNSHIP 30 NORTH, RANGE 11 WEST, NMPM

Section 6: West and South

Section 8: West and South

Sections 9, 10, 11: South

Section 13: West and South

TOWNSHIP 31 NORTH, RANGE 12 WEST, NMPM

Section 19: South

Sections 27 and 28: South

Section 29: West and South

Section 35: West and South

Section 36: South

TOWNSHIP 31 NORTH, RANGE 13 WEST, NMPM

Sections 7 and 8: South

Sections 14 and 15: South

Section 16: West and South

Section 24: West and South

TOWNSHIP 31 NORTH, RANGE 14 WEST, NMPM

Section 12: South

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)