

HOLLAND & HART^{LLP}



Ocean Munds-Dry
omundsdry@hollandhart.com

January 31, 2006

2006 JAN 31 PM 4 35

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13653

Re: Application of BP America Production Company for compulsory pooling and
downhole commingling, San Juan County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the application of BP America Production Company in the above-
referenced case as well as a copy of a legal advertisement. BP America Production
Company requests that this matter be placed on the docket for the March 2, 2006
Examiner hearings.

Very truly yours,

Ocean Munds-Dry for
William F. Carr

Enclosures

cc: Brett Woody
BP America Production Company
Post Office Box 3092
Houston, Texas 77253-3092

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ♻

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

**IN THE MATTER OF THE APPLICATION
OF BP AMERICA PRODUCTION COMPANY
FOR COMPULSORY POOLING AND
DOWNHOLE COMMINGLING, SAN JUAN
COUNTY, NEW MEXICO.**

CASE NO. 13653

2006 JUN 31 PM 4 35

APPLICATION

BP AMERICA PRODUCTION COMPANY, ("BP") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of NMSA 1978 § 70-2-17 (2005), for an order pooling all mineral interests in the Mesaverde formation at an approximate depth interval of 4300 feet to 5440 feet below the surface and the Dakota formation from an approximate depth of 7170 feet to an approximate depth of 7440 feet in the following described spacing and proration units located in the W/2 of Section 32, Township 31 North, Range 10 West, N.M.P.M., San Juan County, New Mexico: the W/2 for all formations and/or pools developed on 320-acre spacing which includes but is not limited to the Blanco-Mesaverde Gas Pool and the Basin Dakota-Gas Pool, and the SW/4 for all formations and/or pools developed on 160-acre spacing, and in support of its application states:

1. On June 1, 1953 the interest owners in the W/2 of Section 32 entered an Operating Agreement and Communitization Agreement combining the interests in this spacing unit in the Mesaverde formation only for the drilling of a well. These agreements contain no provisions concerning: (i) operations on this spacing unit by less than all parties; (ii) subsequent wells; or (iii) non-consent percentages because the

agreements were for the sole purpose of drilling one Mesaverde well on this spacing unit.

2. In 1953, the rules governing the Blanco Mesaverde pool provided for one well on each 320-acre spacing unit and this unit was therefore fully developed when the parties to the original agreements drilled the El Paso Natural Gas Company State Well No. 3 at a location 1650 feet from the South and West of Section 32 in July of 1953.

3. The Special Pool Rules and Regulations for the Blanco-Mesaverde Gas Pool currently provide up to four wells on a 320-acre spacing unit and the W/2 of said Section 32 is therefore not fully developed in the Blanco-Mesaverde Gas Pool.

4. BP America Production Company is a working interest owner in the W/2 of said Section 32 and has the right to drill thereon.

5. Pursuant to Rule I.B.(1)(a) of the Special Pool Rules and Regulations for the Blanco-Mesaverde Gas Pool, BP America Production Company desires to drill its EPNG Gas Com B LS Well No. 3M at a standard gas well location 2150 feet from the South line and 725 feet from the West line (Unit L) of said Section 32, to an approximate depth of 7432 feet to test any and all formations from the surface to the base of the Dakota formation. This well will be the THIRD OPTIONAL INFILL WELL as to the Mesaverde formation in the W/2 of Section 32. There is no operating agreement covering the Dakota formation in this spacing unit.

6. BP also desires to commingle production from the Mesaverde formation, Blanco-Mesaverde Gas Pool and the Dakota formation, Basin-Dakota Gas Pool in the wellbore of the EPNG Com B LS Well No. 3M. The Blanco-Mesaverde Gas Pool and the Basin-

Dakota Gas Pool are pre-approved for downhole commingling By Division Rule 303.C(5).

7. As operator of this spacing unit BP owes an obligation to the other interest owners in this spacing unit, including the state of New Mexico, to prudently develop and produce the reserves under this acreage. To do so, additional wells need to be drilled on this acreage.

8. BP has sought and been unable to obtain a voluntary agreement for the development of these lands from certain mineral interest owners in the subject spacing units who are identified on Exhibit A to this application.

9. Said pooling of interests and the drilling of the proposed well will not violate any provision of the 1953 Operating Agreement, will result in the efficient development of the reserves under this spacing unit, will prevent waste and will protect correlative rights. As no operating agreement is fully executed for the development of the Dakota formation, this application is necessary to force pool the unsigned parties.

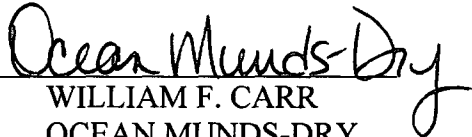
10. In order to permit BP to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and BP America Production Company should be designated the operator of the well to be drilled.

WHEREFORE, BP America Production Company requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 2, 2006 and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration units,
- B. designating BP America Production Company operator of these units and the well to be drilled thereon,

- C. authorizing BP America Production Company to recover its costs of drilling, equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- E. imposing a penalty for the risk assumed by BP America Production Company in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,
HOLLAND & HART LLP

By: 
WILLIAM F. CARR
OCEAN MUNDS-DRY

Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR BP AMERICA
PRODUCTION COMPANY

EXHIBIT A

**APPLICATION OF BP AMERICA PRODUCTION
COMPANY, FOR COMPULSORY POOLING
W/2 OF SECTION 32, TOWNSHIP 31 NORTH, RANGE 10 WEST, N.M.P.M.
SAN JUAN COUNTY, NEW MEXICO.**

Burlington Resources Oil & Gas Company LP
3401 East 30th St.
Farmington, NM 87402

Westport Oil and Gas Company LP
c/o Kerr-McGee Corporation
1670 Broadway, Suite 2800
Denver, CO 80202-4800

Energen Resources Corporation
2198 Bloomfield Hwy
Farmington, NM 87041-8108

Marcia Berger
c/o Petroleum Asset Mgmt LLC
P.O. Box 745
Hobbs, NM 88241

WWR Enterprises, Inc.
c/o Petroleum Asset Mgmt LLC
P.O. Box 745
Hobbs, NM 88241

William C. Briggs
c/o Sunwest Bank of Albuquerque, N.A., Agent
P.O. Box 26900
Albuquerque, NM 87125

Herbert R. Briggs
6729 Academy Rd. Suite D
Albuquerque, NM 87109

CEEFAM LLC
3117 Hyder, SE
Albuquerque, NM 87104

Cyrene Inman
Bank of America, NA Agent Trust Oil & Gas
P.O. Box 26900
Albuquerque, NM 87125-6900

Pennies From Heaven LLC
901 Rio Grande Blvd. NW
Albuquerque, NM 87106

Roger B. Nielsen
1200 Danbury Dr.
Mansfield, TX 76063-3809

Carolyn Nielsen Sedberry
Little Oil & Gas Inc., Agent
P.O. Box 1258
Farmington, NM 87499

ConocoPhillips Company
600 N. Dairy Ashford-WL3
Suite 4000
Houston, TX 77079

Production Gathering Company LP
8080 N. Central Expy, Suite 1090
Dallas, TX 75206

Fred Luthy Jr.
Bank of America, NA Agent
Trust Oil & Gas
P.O. Box 840738
Dallas, TX 75284-0738

Fritts Living Trust No.2, as amended
P.O. Box 53445
Lubbock, TX 79453

Duff Leach Family Trust
P.O. Box 30396
Albuquerque, NM 87190

Stanley W. Hatch
1455 Hardscrabble Rd.
Cadyville, NY 12918

Sheila J. Hatch
920 Mckendrie St.
San Jose, CA 95126

T.E. Duff, Trust
P.O. Box 398
Ruidoso, NM 88345

CASE 13653:

Application of BP America Production Company for compulsory pooling and downhole commingling, San Juan County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Dakota formation to an approximate depth of 7432 feet in the following described spacing and proration units located in the W/2 of Section 32, Township 31 North, Range 10 East, N.M.P.M., San Juan County, New Mexico: the W/2 for all formations and/or pools developed on 320-acre spacing which includes but is not limited to the Blanco-Mesaverde Gas Pool and the Basin Dakota-Gas Pool; and the SW/4 for all formations and/or pools developed on 160-acre spacing. Said units are to be dedicated to its EPNG Com B LS Well No. 3M to be drilled at a standard gas well location 2150 feet from the South line and 725 feet from the West line (Unit L) of said Section 32. Applicant also seeks to commingle production from the Mesaverde formation, Blanco-Mesaverde Gas Pool and the Dakota formation, Basin-Dakota Gas Pool in said well. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of BP America Production Company as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 15 miles northeast of Farmington, New Mexico.



February 2, 2006

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: AFFECTED INTEREST OWNERS

Re: Application of BP America Production Company for compulsory pooling and downhole commingling, San Juan County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that BP America Production Company has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests from the surface to the base of the Dakota formation in certain spacing and proration units in the W/2 of Section 32, Township 31 North, Range 10 West, N.M.P.M., San Juan County, New Mexico. Said pooled units are to be dedicated to BP's EPNG Com B LS Well No. 3M to be drilled at a standard gas location 2150 feet from the South line and 725 feet from the West line of Section 32. BP also seeks to commingle production from the Mesaverde formation, Blanco-Mesaverde Gas Pool and the Dakota formation, Basin-Dakota Gas Pool in the wellbore of the EPNG Com B LS Well No. 3M.

This application has been set for hearing before a Division Examiner on March 2, 2006. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement at least four business days in advance of a scheduled hearing, but in no event later than 5:00 pm MST, on the Thursday preceding the scheduled hearing date. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

Ocean Munds-Dry
ATTORNEY FOR BP AMERICA PRODUCTION
Co.