

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 13104
ORDER NO. R-12027**

**APPLICATION OF BP AMERICA, INC. FOR AN EXCEPTION TO THE
REQUIREMENTS FOR THE BASIN-DAKOTA POOL, SAN JUAN COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 10, 2003, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of September, 2003, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, BP America, Inc. ("BP"), seeks an exception to the "*Special Rules for the Basin-Dakota Pool*," as contained within Division Order No. R-10987-B(1), to allow it to produce the following two Dakota wells in the same quarter-quarter section on a standard spacing and proration unit comprising the N/2 of Section 1, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico:

<u>Well Name</u>	<u>API Number</u>	<u>Well Location</u>
Childers No. 1E	30-045-25573	1100' FNL & 1750' FEL (Unit B)
Childers No. 1M	30-045-31374	705' FNL & 2225' FEL (Unit B)

(3) The subject wells are located within the Basin-Dakota Pool and are subject to the aforesaid "*Special Rules for the Basin-Dakota Pool*," which provide:

- (a) a standard GPU in the Basin-Dakota Pool shall be 320 acres comprising any two contiguous quarter sections of a single section;
- (b) up to four (4) wells may be drilled on a standard GPU;
- (c) the first optional infill well on a GPU shall be located in the quarter section not containing the initial Dakota well;
- (d) the second optional infill well on a GPU shall be located in a quarter-quarter section not containing a Dakota well and within a quarter section of the GPU not containing more than one Dakota well;
- (e) the third optional infill well 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 Dakota well; and
- (f) wells 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.

(4) In addition to the Childers Wells No. 1E and 1M, BP currently operates a third well in the N/2 of Section 1 producing from the Basin-Dakota Pool, being the Childers Well No. 1 (API No. 30-045-24920) located 420 feet from the North line and 1660 feet from the West line (Unit C).

(5) BP presented evidence and testimony that demonstrates that:

- (a) the Childers Well No. 1 and the Childers Well No. 1E were existing and producing from the Basin-Dakota Pool prior to the drilling of the Childers Well No. 1M;

- (b) the Childers Well No. 1M was originally permitted with the intent that the Blanco-Mesaverde Pool would be the primary target and the Basin-Dakota Pool would be a secondary target. It was BP's intent to ultimately downhole commingle the Mesaverde and Dakota formations within the wellbore;
- (c) the Childers Well No. 1M has been drilled to and tested in the Dakota formation. The well tested in the Dakota at a rate of approximately 200 MCF of gas per day. The well was then plugged back and completed in the Mesaverde formation;
- (d) the Blanco-Mesaverde Pool is currently being produced in the N/2 of Section 1 by BP's Mudge "A" No. 4R (API No. 30-045-11877) located in Lot 1 (NE/4 NE/4), and Mudge "A" No. 4A (API No. 30-045-22545) located in Lot 3 (NE/4 NW/4). These wells are dedicated to a standard 320-acre spacing and proration unit in the Blanco-Mesaverde Pool comprising the N/2 of Section 1; and
- (e) the Childers Well No. 1M is at a standard infill well location for the Blanco-Mesaverde Pool.

(6) BP presented testimony to the effect that the Childers Well No. 1M was inadvertently permitted and drilled at an off-pattern unorthodox gas well location in the Basin-Dakota Pool.

(7) BP presented further evidence that demonstrates that the Dakota gas reserves in this area are not sufficient to economically justify drilling a stand alone Dakota well; consequently if BP is unable to obtain approval to produce the Childers Well No. 1M in the Basin-Dakota Pool, an estimated 0.5 BCF of gas reserves may not be recovered.

(8) BP provided notice of its application to the affected offset operators, ConocoPhillips Company and Burlington Resources Oil and Gas Company.

(9) No offset operator appeared at the hearing in opposition to the application.

(10) Approval of the application will provide BP the opportunity to economically produce the gas reserves in the Basin-Dakota Pool underlying the N/2 of Section 1, will allow the recovery of gas reserves from the Dakota formation that may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

(11) BP, as a prudent operator, should familiarize itself with the Oil Conservation Division's rules that govern development of oil and gas in the San Juan Basin, and should make every effort to locate its future wells at standard locations for all possible producing horizons.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, BP America, Inc., is hereby granted an exception to the "Special Rules for the Basin-Dakota Pool," as contained within Division Order No. R-10987-B(1), and is hereby allowed to produce the following two Dakota wells in the same quarter-quarter section on a standard spacing and proration unit comprising the N/2 of Section 1, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico:

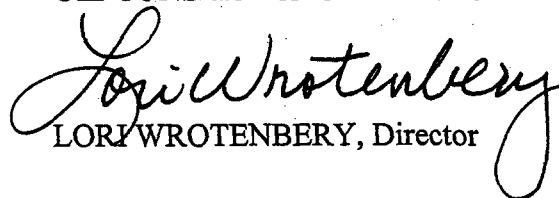
<u>Well Name</u>	<u>API Number</u>	<u>Well Location</u>
Childers No. 1E	30-045-25573	1100' FNL & 1750' FEL (Unit B)
Childers No. 1M	30-045-31374	705' FNL & 2225' FEL (Unit B)

(2) The N/2 of Section 1 shall be dedicated to the above-described Childers Wells No. 1E and 1M, and to the existing Childers Well No. 1 (API No. 30-045-24920) located 420 feet from the North line and 1660 feet from the West line (Unit C) of said Section 1.

(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY, Director

