

**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. 13614
ORDER NO. R-12545**

**APPLICATION OF BP AMERICA, INC. FOR AN EXCEPTION TO THE WELL
DENSITY REQUIREMENTS FOR THE BLANCO-MESAVERDE GAS 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 February 2, 2006, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 4th day of May, 2006, 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 well density provisions of the Special Rules and Regulations of the Blanco-Mesaverde (Prorated Gas) Pool (72319) within an existing standard 320-acre Mesaverde spacing and proration unit consisting of the W/2 of Irregular Section 14, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico by approval of three gas wells within the northwest quarter.

(3) No other party entered an appearance in this case or otherwise opposed this application.

(4) Spacing and location of wells within the Blanco-Mesaverde (Prorated Gas) Pool, are governed by the Special Rules and Regulations as detailed in Division Order No. R-10987-A(1) effective December 2, 2002, which read in part as follows:

1. 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 a GPU; and

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

(5) Currently, the 320-acre W/2 of Section 14 spacing and proration unit contains the following non-plugged wells:

(a) Mudge Com B Well No. 2A (API No. 30-045-23063) located 800 feet from the North line and 1580 feet from the West line, Unit C of Section 14.

(b) Mudge Com B Well No. 2E (API No. 30-045-25381) located 1350 feet from the South line and 685 feet from the West line, Unit L of Section 14.

(c) Mudge Com B Well No. 2 (API No. 30-045-24040) located 1660 feet from the North line and 810 feet from the West line, Unit E of Section 14.

(d) Mudge Com B Well No. 2M (API No. 30-045-31898) located at a surface location 2370 feet from the North line and 1680 feet from the West line (Unit F) and drilled as a high angle well to a bottomhole location approximately 2630 feet from the North line and 1391 feet from the East line, Unit F of Section 14.

(6) The applicant presented the following testimony from a petroleum engineer.

(a) The first well drilled inside this spacing unit was the Neil LS 5A, completed in 1953 and located in Unit M. It produced for 3 years, then was plugged in 1956.

(b) The second well drilled was the Mudge Com B Well No. 2A in Unit C. This well was drilled in 1979 and was shut-in voluntarily by BP in June of 2005 while producing approximately 150 Mcf gas per day.

(c) The third well drilled was the Mudge Com B Well No. 2E in Unit L which was recompleted to the Mesaverde in 1993. This well is downhole commingled in the Dakota and Mesaverde and is making a total of approximately 80 Mcf gas per day.

(d) The fourth well drilled was the Mudge Com B Well No. 2 in Unit E. This well was drilled and recompleted to the Mesaverde in 2000. It produces approximately 150 Mcf gas per day.

(e) The final well in the spacing and proration unit is the Mudge Com B Well No. 2M which was drilled in 2004 from a surface location in Unit F to a final location in the southern portion of Unit F. The intended bottomhole target was slightly into the north portion of Unit K, but the target was not reached due to Section 14 being Irregular in shape and size and the target being too close to the midpoint of the Section. The well is currently making approximately 180 Mcf gas per day.

(f) After the failure of the deviated well to reach its intended target, the NW/4 of Irregular Section 14 contained three producing Mesaverde wells and BP chose to shut-in Well No. 2A in order to reach compliance with the Special Rules and Regulations of the Blanco-Mesaverde Pool.

(g) Notice was provided to all affected parties, including Burlington as the operator of one of the adjacent spacing units.

(h) BP has no plans to produce more than the maximum of four Mesaverde wells in this 320-acre spacing and proration unit.

(7) If this application were approved, BP would be allowed to resume production from the Mudge Com B Well No. 2A located in Unit C and increase production within this spacing unit by approximately 150 Mcf gas per day.

(8) Within a Mesaverde 320-acre proration unit with uniform geologic and reservoir properties, the four allowed wells should be located as dictated in the Special

Rules and Regulations of the Blanco-Mesaverde Pool in order to ensure uniform drainage and maximum recovery of the gas in place. Geologic testimony was not presented to bolster the applicant's case. However, the following facts support approval of the proposed exception.

(a) Production from offset spacing units will not be harmed by this small amount of incremental production.

(b) Allowing all three wells completed within the NW/4 of Irregular Section 14 to simultaneously produce will allow the recovery of natural gas that may otherwise not be produced and will allow the use of a drilling investment that has already been made.

(c) Allowing this well will complete the complement of four wells in this spacing unit and negate the reason to drill an additional well. Any additional well would likely be expensive to drill and of low productivity in the Mesaverde formation.

(9) This application should be approved in order to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of BP America, Inc. ("BP") in this case is approved and BP is hereby granted an exception to the well density provisions of the Special Rules and Regulations of the Blanco-Mesaverde (Prorated Gas) Pool (72319) as promulgated by Division Order No. R-10987-A(1) and allowed to simultaneously produce the following four wells within an existing standard 320-acre, more or less, Mesaverde spacing and proration unit consisting of the W/2 of Irregular Section 14, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico.

(a) Mudge Com B Well No. 2 (API No. 30-045-24040) in Unit E

(b) Mudge Com B Well No. 2A (API No. 30-045-23063) in Unit C

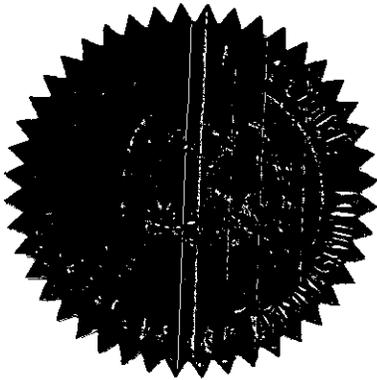
(c) Mudge Com B Well No. 2E (API No. 30-045-25381) in Unit L

(d) Mudge Com B Well No. 2M (API No. 30-045-31898) in Unit F

(2) All other rules and regulations governing production from the Blanco-Mesaverde (Prorated Gas) Pool shall remain in full force and effect including the limit of four wells per spacing and proration unit.

(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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director