

December 6, 2002



Mr. Gerry Guy
New Mexico Oil Conservation Commission
1301 W. Grand Avenue
Artesia, NM 88210

Dear Mr. Guy:

Please be advised that the Application for Downhole Commingling for the Nasser Federal #1 has been filed with the NMOCD in Santa Fe, NM. It is our expectation that approval will be received within the next 20-30 days therefore eliminating the requirement to perform a Packer Leakage Test on this well.

Should you have any questions regarding this matter, please do not hesitate to contact Robert Cortes at our Artesia office. He can be reached at 505.677.3642.

Sincerely,

A handwritten signature in cursive script that reads "Kellie D. Murrish".

Kellie D. Murrish
Sr. Administrative Assistant

\kdm

xc: Robert Cortes - Artesia
Bob Manthei - Eunice



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Betty Rivera

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

File
Copy

12 December 2002

BP America Production Co.
P. O. Box 1089
Eunice, New Mexico 88231

RE: Nasser Federal # 1 H-1-21-21 API 30-015-27865 Violation of Rule 112 A.B :
Segregation Test

Dear Sirs:

This directive is to notify you that this well is in violation of 112 A.B.

On 19 July, 2002 a letter was sent notifying you on the need to test. To date no test has been conducted. You were granted an extension to 12-1-02. On 6 December 2002 we received a letter advising us of an application for Downhole Commingling. Also enclosed was a copy of the application dated 5 December, 2002. In the letter it was stated that an approval was expected within 30 days.

Rule 112-A.B. of the New Mexico Oil Conservation Division provides as follows:

112-A.B. Operation and Testing

- (1) Wells shall be completed and produced so that no commingling of hydrocarbons from separate pools occurs.
- (2) The operator shall commence a segregation and/or packer leakage test within 20 days after the multiple completion. Segregation tests and/or packer leakage tests shall also be made any time the packer is disturbed. The operator shall also conduct any other tests and determinations required by the Division. The appropriate district office shall be notified 48 hours in advance of tests so the district office may schedule personnel to witness the tests. Offset operators may witness such tests and shall advise the operator in writing if they desire to be notified of the tests. Test results shall be filed with the Division within 20 days of test completion. In the event a segregation and/or packer leakage test indicates communication between separate pools, the operator shall immediately notify the Division and commence corrective action on the well

Your failure to respond to OCD directives and failure to bring this well into compliance are serious violations and merit a severe sanction, up to and including abandonment and plugging as well as civil penalties. In the event that this well is not brought into compliance **on or before January 15, 2002** this **Notice of Direction** may precede a request to the Division that you be summoned to a hearing in Santa Fe to **Show Cause why this well should not be plugged and civil penalties assessed.**

Sincerely,

Van Barton
Field Rep. II



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

BETTY RIVERA

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

ADMINISTRATIVE ORDER DHC-3088

BP America Production Company
P.O. Box 1089
Eunice, New Mexico 88231

Attention: Kellie D. Murrish

Nasser Federal No. 1

API No. 30-015-27865

*Unit H, Section 1, Township 21 South, Range 21 East, NMPM,
Eddy County, New Mexico.*

*Indian Loafer Draw-Upper Penn (Gas – 79122) and
Little Box Canyon-Morrow (Gas – 80240) Pools*



Dear Ms. Murrish:

Reference is made to your recent application for an exception to Rule 303.A. of the Division Rules and Regulations to permit the above described well to commingle production from the subject pools in the wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 303.C., and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion and required separation of the zones is hereby placed in abeyance.

The maximum amount of gas which may be produced daily from the well shall be determined by Division Rules and Regulations or by the gas allowable for each respective prorated gas pool as printed in the Division's Southeast Gas Proration Schedule.

Assignment of allowable to the well and allocation of production from the well shall be on the following basis:

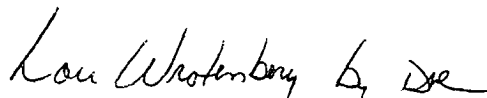
Indian Loafer Draw-Upper Penn Gas Pool	Oil-N/A	Gas-35%
Little Box Canyon-Morrow Gas Pool	Oil-N/A	Gas-65%

REMARKS: The operator shall notify the Artesia District Office of the Division upon implementation of commingling operations.

Pursuant to Rule 303.C.(2), the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 16th day of December, 2002.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

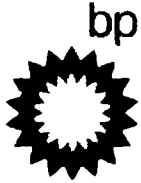


LORI WROTENBERY
Director

S E A L

LW/DRC

cc: Oil Conservation Division - Artesia /
Bureau of Land Management-Carlsbad



BP America Production Company
P.O. Box 1089
Eunice, NM 88231

January 6, 2003



Mr. Van Barton
New Mexico Oil Conservation Commission
1301 W. Grand Ave.
Artesia, NM 88210

Re: Nasser Federal #1, H-01.21.21, 30.015.27865
Violation of Rule 112 A.B.: Segregation Test

Dear Mr. Barton:

Please be advised that in response to your Notice of Violation dated 12.12.02, the subject well has received down hole commingle approval under Administrative Order DHC-3088. A copy of said approval has been attached for your information.

This approval shall remove the requirement to perform Segregation Testing under Rule 112 A.B. respectively. If I can be of further assistance regarding this matter please do not hesitate to contact me at 505.677.3642.

Respectfully,

A handwritten signature in cursive script that reads "Robert Cortes".

Robert Cortes
Production Engineer

RC/kdm /

Attachments (2)



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
BETTY RIVERA
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

ADMINISTRATIVE ORDER DHC-3088

BP America Production Company
P.O. Box 1089
Eunice, New Mexico 88231

Attention: Kellie D. Murrish



HOBBS OFFICE
DEC 19 2002
DATE REC'D

*Nasser Federal No. 1
API No. 30-015-27865
Unit H, Section 1, Township 21 South, Range 21 East, NMPM,
Eddy County, New Mexico.
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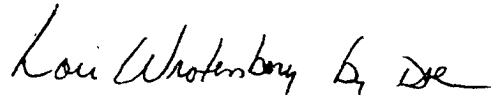
FAX: R. Cortes
X: R. Davidson
V. OWENS
12.19.02

REMARKS: The operator shall notify the Artesia District Office of the Division upon implementation of commingling operations.

Pursuant to Rule 303.C.(2), the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 16th day of December, 2002.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery", followed by a small mark that looks like "L" and "De".

LORI WROTENBERY
Director

S E A L

LW/DRC

cc: Oil Conservation Division - Artesia
Bureau of Land Management-Carlsbad



C/U 01.06.03

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

HOBBS OFFICE

DEC 16 2002

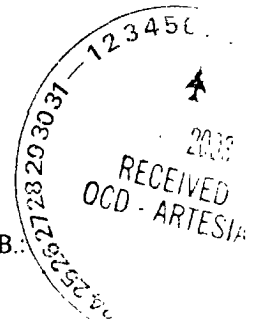
DATE REC'D.

Lori Wrotenbery
Director
Oil Conservation Division

12 December 2002

BP America Production Co.
P. O. Box 1089
Eunice, New Mexico 88231

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Sincerely,

Van Barton
Field Rep. II

FAX: R. Cortes
xc: B. MARTINEZ
12.16.02