

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

**APPLICATION OF B.C. OPERATING, INC.
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

Case No. _____

APPLICATION

B.C. Operating, Inc. ("BC") hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order pooling all mineral interests in the Bone Spring formation (Winchester; Bone Spring [65010]) in a standard 640-acre, more or less, horizontal spacing and proration unit ("HSU") comprised of the N/2 of Section 32 and the N/2 of Section 31, Township 19 South, Range 28 East, NMPM, in Eddy County, New Mexico. In support of its application, BC states as follows:

1. BC is a working interest owner in the proposed HSU and has the right to drill thereon.
2. BC proposes to drill the following two-mile wells in the proposed HSU:
 - **Fadeaway Ridge 32-31 SB State 201H** well, to be horizontally drilled from an approximate surface hole location 1219' FNL and 332' FEL of Section 32, T19S-R28E, to an approximate bottom hole location 990' FNL and 50' FWL of Section 31, T19S-R28E.
 - **Fadeaway Ridge 32-31 SB State 202H** well, to be horizontally drilled from an approximate surface hole location 1249' FNL and 330' FEL of Section 32, T19S-R28E, to an approximate bottom hole location 2310' FNL and 50' FWL of Section 31, T19S-R28E.

- **Fadeaway Ridge 32-31 TB State 301H** well, to be horizontally drilled from an approximate surface hole location 1596' FNL and 305' FEL of Section 32, T19S-R28E, to an approximate bottom hole location 1000' FNL and 50' FWL of Section 31, T19S-R28E.
- **Fadeaway Ridge 32-31 TB State 302H** well, to be horizontally drilled from an approximate surface hole location 1626' FNL and 303' FEL of Section 32, T19S-R28E, to an approximate bottom hole location 2300' FNL and 50' FWL of Section 31, T19S-R28E.

3. The completed intervals and first and last take points will meet the setback requirements set forth in the statewide rules for horizontal oil wells.

4. BC has in good faith sought and been unable to obtain voluntary agreement for the development of these lands from all of the mineral interest owners in the HSU.

5. Approval of the HSU and the pooling of all mineral interest owners in the Bone Spring formation underlying the HSU will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

6. In order to permit BC to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this HSU should be pooled and BC should be designated the operator of the HSU.

WHEREFORE, BC requests that this application be set for hearing before an Examiner of the Oil Conservation Division on August 6, 2020, and that, after notice and hearing as required by law, the Division enter an order:

- A. Creating a standard 640-acre, more or less, horizontal spacing and proration unit comprised of the N/2 of Section 32 and the N/2 of Section 31, Township 19 South, Range 28 East, NMPM, in Eddy County, New Mexico;
- B. Pooling all mineral interests in the Bone Spring formation underlying the HSU;
- C. Allowing the drilling of the two-mile Fadeaway Ridge 32-31 SB State 201H, the two-mile Fadeaway Ridge 32-31 SB State 202H, the two-mile Fadeaway Ridge 32-31 TB State 301H, and the two-mile Fadeaway Ridge 32-31 TB State 302H in the HSU;
- D. Designating BC as operator of the HSU and the wells to be drilled thereon;
- E. Authorizing BC to recover its costs of drilling, equipping and completing the wells;
- F. Approving the operating charges and costs of supervision while drilling of \$7,000/month and, after completion, \$700/month, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- G. Imposing a 200% penalty for the risk assumed by BC in drilling and completing the wells against any interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

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