

**BEFORE THE OIL CONSERVATION DIVISION
EXAMINER HEARING AUGUST 4, 2016**

CASE No. 15527

**APPLICATION OF BC OPERATING, INC. AND
CROWN OIL PARTNERS V, LP TO REMOVE
KEY ENERGY SERVICES, INC. AS OPERATOR OF
RECORD FOR THE GRACE CARLSBAD WELL
NO. 1 LOCATED ON STATE LANDS, EDDY
COUNTY, NEW MEXICO.**

BC  OPERATING, INC.
Crown Oil Partners V, LP
Crump Energy Partners II, LLC

From Assignor Name/ To Assignee Name	Assg Num	Termn Stat	To Acrg	Execution Date Effective Date	Filing Date Approval Date
SANDEL ENERGY, INC.	4	FA	640.00	09-15-2005	09-23-2005
BOLD ENERGY, L.P.	5	EX		09-01-2005	09-27-2005
LYNX PETROLEUM CONSULTANTS INC	3	FA	640.00	02-09-2004	03-26-2004
SANDEL ENERGY, INC.	4	FA		02-09-2004	04-23-2004
MARBOB ENERGY CORPORATION	2	FA	640.00	02-10-2003	02-18-2003
LYNX PETROLEUM CONSULTANTS INC	3	FA		02-10-2003	02-21-2003
MRS CORINNE B GRACE	1	FA	640.00	08-28-2000	09-01-2000
MARBOB ENERGY CORPORATION	2	FA		08-28-2000	09-28-2000

BEFORE THE OIL CONVERSION
DIVISION
Santa Fe, New Mexico
Exhibit No. 1
Submitted by: BC Operating, Inc.
Hearing Date: August 4, 2016

1 Record found.

Company Name	Ogrid Number	Lease Number	Status
BOLD ENERGY, L.P.	233545	K0 -6290-0005	Terminated 11/30/2007

District I
1625 N. French Dr., Hobbs, NM 88240
Phone:(505) 393-6161 Fax:(505) 393-0720
District II
1301 W. Grand Ave., Artesia, NM 88210
Phone:(505) 748-1283 Fax:(505) 748-9720

State of New Mexico
Energy, Minerals and Natural Resources

Form C-145
Permit 77339

Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Change of Operator

Previous Operator Information

OGRID: 233545
Name: BOLD ENERGY, L.P.
Address: PO Box 4294
Address:
City, State, Zip: Houston, TX 77210

New Operator Information

Effective Date: 6/1/2008
OGRID: 16696
Name: OXY USA INC
Address: PO Box 4294
Address:
City, State, Zip: Houston, TX 77210

I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information on this form and the certified list of wells is true to the best of my knowledge and belief.

Previous Operator

Signature: Elizabeth S. Bush-Ivie
Printed Name: Elizabeth S. Bush-Ivie
Title: Regulatory Lead
Date: 9/11/08 Phone: 713-366-5303

New Operator

Signature: Elizabeth S. Bush-Ivie
Printed Name: Elizabeth S. Bush-Ivie
Title: Regulatory Team Leader
Date: 9/11/08 Phone: 713-366-5303

NMOCD Approval
Electronic Signature: Paul Kautz, District 1
Electronic Signature: Tim Gum, District 2
Date: January 06, 2009

ChangeOp Comments

OGRID: [233545] BOLD ENERGY, L.P.
 Permit Number: 77339
 Permit Type: ChangeOp

Created By	Comment	Comment Date
ESBUSHVIE	Letter sent to D. Brooks regarding acquisition of BOLD, name change and change of operator 8/20/08	8/20/2008
ESBUSHVIE	Bond on Antelope Ridge submitted 9/8/08. Will submit an ACO for consideration for OXY regarding the inactive well list next week.	9/11/2008
DPHILLIPS	I show OXY USA under Rule 40 Violation. Please contact Sonny Swazo at 505-478-3463 and I also show one well requiring bonding on your FINANCIAL ASSURANCE REPORT - 30-025-22931. Questions? Call me 505-478-3461.	9/12/2008
DPHILLIPS	I show one well requiring bonding on your financial assurance report - 30-025-22931 in the amount of \$15,315. I also show that you are in violation of Rule 40. Please contact Sonny Swazo at 505-478-3463. Thank you.	11/3/2008
DPHILLIPS	Bonding required on one well for OXY on Financial Assurance report - 30-025-22931. Call me 505-478-3461	11/20/2008
ESBUSHVIE	ACOI executed 11/19/08. Aztec well is not inactive production information is being resubmitted. Please approve COO.	11/24/2008
DPHILLIPS	A well is out of compliance on your financial assurance report. I cannot approve any change of operator until I receiving bonding for 30-025-22931. Questions? Call me at 505-478-3461	12/1/2008
ESBUSHVIE	30-025-22931 is on the agreed compliance order. It is not out of compliance per the TA rules because it has continued to operate. However, PXP incorrectly filed the information and we are waiting for them to correct the issue so we can correct the data to date. Please process this COO as we have previously explained.	12/18/2008
DPHILLIPS	I cannot approve any change of operator until OXY is in good financial status. I show one well requiring bonding 30-025-22931 in the amount of \$15,315.	12/18/2008
DPHILLIPS	Cannot approve change of operator until no wells appear requiring bonding on Financial Assurance. One well requires bonding 30-025-22931.	12/18/2008

District II
1301 W. Grand Ave., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

State of New Mexico
Energy, Minerals and Natural
Resources

Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-145
Permit 121711

Change of Operator

Previous Operator Information

OGRID: 16696
Name: OXY USA INC
Address: PO Box 4294
City, State, Zip: Houston, TX 77210

New Operator Information

Effective Date: Effective on the date of approval by the OCD
OGRID: 19797
Name: KEY ENERGY SERVICES, LLC
Address: 6 DESTA DRIVE
SUITE 4400
City, State, Zip: MIDLAND, TX 79703

I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information on this form and the certified list of wells is true to the best of my knowledge and belief.

Additionally, by signing below, KEY ENERGY SERVICES, LLC certifies that it has read and understands the following synopsis of applicable rules.

Previous Operator

Signature: Brent G. Sannier
Printed Name: Brent G. Sannier
Title: Sr. Regulatory Advisor
Date: 10/14/10 Phone: 713.346.5654

New Operator

Signature: [Signature]
Printed Name: Dennis Douglas
Title: SR VP FMS
Date: 10-21-10 Phone: _____

30-015-20573

BEFORE THE OIL CONSERVATION
DIVISION
Santa Fe, New Mexico
Exhibit No. 3
Submitted by: BC Operating, Inc.
Hearing Date: August 4, 2016

KEY ENERGY SERVICES, LLC certifies that all below-grade tanks constructed and installed prior to June 16, 2008 associated with the selected wells are in compliance with 19.15.17 NMAC, have been closed pursuant to 19.15.17.13 NMAC, or have been retrofitted to comply with Paragraphs (1) through (4) of Subsection I of 19.15.17.11 NMAC.

KEY ENERGY SERVICES, LLC understands that the OCD's approval of this operator change:

1. constitutes approval of the transfer of the permit for any permitted pit, below-grade tank or closed-loop system associated with the selected wells; and
2. constitutes approval of the transfer of any below-grade tanks constructed and installed prior to June 16, 2008 associated with the selected wells, regardless of whether the transferor has disclosed the existence of those below-grade tanks to the transferee or to the OCD, and regardless of whether the below-grade tanks are in compliance with 19.15.17 NMAC.

As the operator of record of wells in New Mexico, KEY ENERGY SERVICES, LLC agrees to the following statements:

1. I am responsible for ensuring that the wells and related facilities comply with applicable statutes and rules, and am responsible for all regulatory filings with the OCD. I am responsible for knowing all applicable statutes and rules, not just the rules referenced in this list. I understand that the OCD's rules are available on the OCD website under "Rules," and that the Water Quality Control Commission rules are available on the OCD website on the "Publications" page.
2. I understand that if I acquire wells from another operator, the OCD must approve the operator change before I begin operating those wells. See 19.15.9.9.B NMAC. I understand that if I acquire wells or facilities subject to a compliance order addressing inactive wells or environmental cleanup, before the OCD will approve the operator change it may require me to enter into an enforceable agreement to return those wells to compliance. See 19.15.9.9.C(2) NMAC.
3. I must file a monthly C-115 report showing production for each non-plugged well completion for which the OCD has approved an allowable and authorization to transport, and injection for each injection well. See 19.15.7.24 NMAC. I understand that the OCD may cancel my authority to transport from or inject into all the wells I operate if I fail to file C-115 reports. See 19.15.7.24.C NMAC.
4. I understand that New Mexico requires wells that have been inactive for certain time periods to be plugged or placed on approved temporary abandonment. See 19.15.25.8 NMAC. I understand the requirements for plugging and approved temporary abandonment in 19.15.25 NMAC. I understand that I can check my compliance with the basic requirements of 19.15.25.8 NMAC by using the "Inactive Well List" on OCD's website.
5. I must keep current with financial assurances for well plugging. I understand that New Mexico requires each state or fee well that has been inactive for more than two years and has not been plugged and released to be covered by a single-well financial assurance, even if the well is also covered by a blanket financial assurance and even if the well is on approved temporary abandonment status. See 19.15.8.9.C NMAC. I understand that I can check my compliance with the single-well financial assurance requirement by using the "Inactive Well Additional Financial Assurance Report" on the OCD's website.
6. I am responsible for reporting releases as defined by 19.15.29 NMAC. I understand the OCD will look to me as the operator of record to take corrective action for releases at my wells and related facilities, including releases that occurred before I became operator of record.
7. I have read 19.15.5.9 NMAC, commonly known as "Part 5.9," and understand that to be in compliance with its requirements I must have the appropriate financial assurances in place, comply with orders requiring corrective action, pay penalties assessed by the courts or agreed to by me in a settlement agreement, and not have too many wells out of compliance with the inactive well rule (19.15.25.8 NMAC). If I am in violation of Part 5.9, I may not be allowed to drill, acquire or produce any additional wells, and will not be able to obtain any new injection permits. See 19.15.16.19 NMAC, 19.15.26.8 NMAC, 19.15.9.9 NMAC and 19.15.14.10 NMAC. If I am in violation of Part 5.9 the OCD may, after notice and hearing, revoke my existing injection permits. See 19.15.26.8 NMAC.
8. For injection wells, I understand that I must report injection on my monthly C-115 report and must operate my wells in compliance with 19.15.26 NMAC and the terms of my injection permit. I understand that I must conduct mechanical integrity tests on my injection wells at least once every five years. See

19.15.26.11 NMAC. I understand that when there is a continuous one-year period of non-injection into all wells in an injection or storage project or into a saltwater disposal well or special purpose injection well, authority for that injection automatically terminates. See 19.15.26.12 NMAC. I understand that if I transfer operation of an injection well to another operator, the OCD must approve the transfer of authority to inject, and the OCD may require me to demonstrate the well's mechanical integrity prior to approving that transfer. See 19.15.26.15 NMAC.

9. I am responsible for providing the OCD with my current address of record and emergency contact information, and I am responsible for updating that information when it changes. See 19.15.9.8.C NMAC. I understand that I can update that information on the OCD's website under "Electronic Permitting."
10. If I transfer well operations to another operator, the OCD must approve the change before the new operator can begin operations. See 19.15.9.9.B NMAC. I remain responsible for the wells and related facilities and all related regulatory filings until the OCD approves the operator change. I understand that the transfer will not relieve me of responsibility or liability for any act or omission which occurred while I operated the wells and related facilities.

- 19.15.26.11 NMAC. I understand that when there is a continuous one-year period of non-injection into all wells in an injection or storage project or into a saltwater disposal well or special purpose injection well, authority for that injection automatically terminates. See 19.15.26.12 NMAC. I understand that if I transfer operation of an injection well to another operator, the OCD must approve the transfer of authority to inject, and the OCD may require me to demonstrate the well's mechanical integrity prior to approving that transfer. See 19.15.26.15 NMAC.
9. I am responsible for providing the OCD with my current address of record and emergency contact information, and I am responsible for updating that information when it changes. See 19.15.9.8.C NMAC. I understand that I can update that information on the OCD's website under "Electronic Permitting."
10. If I transfer well operations to another operator, the OCD must approve the change before the new operator can begin operations. See 19.15.5.9.3 NMAC. I remain responsible for the wells and related facilities and all related regulatory filings until the OCD approves the operator change. I understand that the transfer will not relieve me of responsibility or liability for any act or omission, which occurred while I operated the wells and related facilities.

<http://www.enrmd.state.nm.us/oed/OCDPermitting/Report/C104A/C104AReport.aspx?Permi...> 10/14/2010

NMOCD Approval

Electronic Signature: Randy Dade, District 2

Date: October 27, 2010



**BEFORE THE OIL CONVERSATION
DIVISION**
Santa Fe, New Mexico
Exhibit No. 4
Submitted by: BC Operating, Inc.
Hearing Date: August 4, 2016



KEY ENERGY SERVICES LP

Graco Washbad # 1

Sec 36 - T22S - R26E

361 - 22S - 26E

Deer Creek, New Mexico

API #30-015-20 720000

EMERGENCY # TOLL FREE

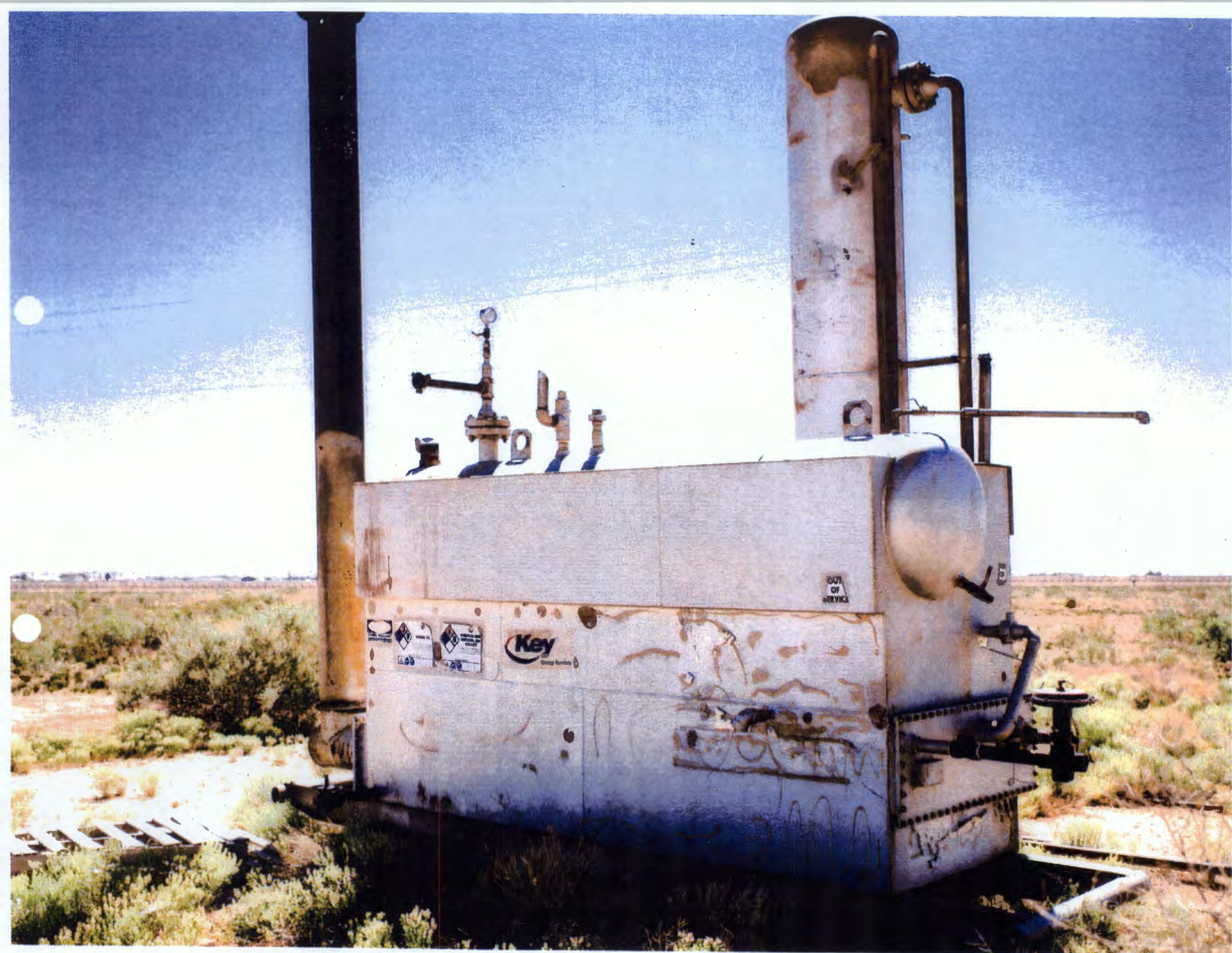
1-866-321-2531











BC PERATING, INC.

PO Box 50820 • Midland, Texas 79710
Office (432) 684-9696 • Fax (432) 686-0600

VIA FEDEX DELIVERY: STANDARD OVERNIGHT

June 16, 2016

Key Energy Services, Inc.
1301 McKinney, Suite 1800
Houston, Texas 77010

RE: **C-145 Change of Operator Request ("Request")**
NM State Lease VB-9614 (E/2 of Section 36, T22S-R26E) ("Lease")
Grace Carlsbad #001, API #:30-015-20573 ("Well")

Gentlemen:

Reference is hereby made to a letter dated May 19, 2016 ("Letter"), whereby Michael H. Feldewert, Attorney for Holland & Hart LLP, delivered to the New Mexico Oil Conservation Division ("NMOCD") and the State Land Office ("SLO"), as well as a copy to Key Energy Services ("Key") corporate headquarters, the Letter which seeks clarification in regard to BC Operating, Inc.'s ("BC") right to utilize the Well, a request that Key be denied any action which would "junk" or impair the ability to use the Well, and a request to remove Key as Operator of record of the Well so that BC may utilize the well for exploration and production of state minerals.

Please note that as of the date of this letter, neither BC nor Holland & Hart LLP has received a response from Key in regard to the Letter.

As you will recall, the New Mexico Oil Conservation Division denied Key's application to convert the Well into a salt water disposal well ("SWD"), by Order No. R-14052, issued in Case No. 15322 on September 23, 2015. Additionally, Key filed a *de novo* appeal seeking review of that Order by the Oil Conservation Commission, but subsequently dismissed the application.

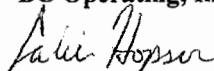
BC's desire to utilize the Well for the exploration and production of state minerals from the Lease remains the same as written in the Letter as delivered to the NMOCD, SLO, and Key. BC hereby requests that Key execute and return the enclosed C-145 Change of Operator form, designating BC Operating, Inc. as Operator of record of the Well, within fifteen (15) days from receipt of this Request. BC will notify Key of its receipt of said form, at which time Key will need to approve the transfer in the online portal.

Should you have any questions or concerns, please don't hesitate to contact the undersigned at the letterhead address above.

Thank you for your timely cooperation.

Sincerely,

BC Operating, Inc.


Caleb Hopson

cc. Holland & Hart LLP
Attn: Michael Feldewert
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

**BEFORE THE OIL CONSERVATION
DIVISION**
Santa Fe, New Mexico
Exhibit No. 5
Submitted by: **BC Operating, Inc.**
Hearing Date: August 4, 2016

District I

1625 N. French Dr., Hobbs, NM 88240
Phone:(575) 393-6161 Fax:(575) 393-0720

District II

811 S. First St., Artesia, NM 88210
Phone:(575) 748-1283 Fax:(575) 748-9720

District III

1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV

1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural
Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505
Change of Operator

Previous Operator Information**New Operator Information**Effective Date: Effective on the date of approval by the OCDOGRID: 19797OGRID: 160825Name: KEY ENERGY SERVICES, LLCName: BC OPERATING, INC.Address: 1301 MCKINNEY STREET
SUITE 1800Address: P O Box 50820City, State, Zip: HOUSTON, TX 77010City, State, Zip: Midland, TX 79710

I hereby certify that the rules of the Oil Conservation Division ("OCD") have been complied with and that the information on this form and the certified list of wells is true to the best of my knowledge and belief.

Additionally, by signing below, BC OPERATING, INC. certifies that it has read and understands the following synopsis of applicable rules.

PREVIOUS OPERATOR certifies that all below-grade tanks constructed and installed prior to June 16, 2008 associated with the selected wells being transferred are either (1) in compliance with 19.15.17 NMAC, (2) have been closed pursuant to 19.15.17.13 NMAC or (3) have been retrofitted to comply with Paragraphs 1 through 4 of 19.15.17.11(I) NMAC.

BC OPERATING, INC. understands that the OCD's approval of this operator change:

1. constitutes approval of the transfer of the permit for any permitted pit, below-grade tank or closed-loop system associated with the selected wells; and
2. constitutes approval of the transfer of any below-grade tanks constructed and installed prior to June 16, 2008 associated with the selected wells, regardless of whether the transferor has disclosed the existence of those below-grade tanks to the transferee or to the OCD, and regardless of whether the below-grade tanks are in compliance with 19.15.17 NMAC.

As the operator of record of wells in New Mexico, BC OPERATING, INC. agrees to the following covenants:

1. I am responsible for ensuring that the wells and related facilities comply with applicable statutes and rules, and am responsible for all regulatory filings with the OCD. I have familiarized myself with all applicable statutes and rules, not just the rules referenced in this list. I understand that the OCD's rules (19.15.2-19.15.112 NMAC) and the Water quality Control Commission's rules (20.6.2-20.6.7 NMAC) are available at the New Mexico State Records Center and Archives website (www.nmcpr.state.nm.us).
2. I understand that if I acquire wells from another operator, the OCD must approve the operator change before I begin operating those wells, see 19.15.9.9(B) NMAC. I understand that if I acquire wells or facilities subject to a compliance order addressing inactive wells or environmental cleanup, before the OCD will approve the operator change it may require me to enter into an enforceable agreement to return those wells to compliance. See 19.15.9.9(C)(2) NMAC.
3. I must file a monthly C-115 report showing production for each non-plugged well completion for which the OCD has approved an allowable and authorization to transport, and injection for each injection well. See 19.15.7.24 NMAC. I understand that the OCD may cancel my authority to transport from or inject into all the wells I operate if I fail to file C-115 reports. See 19.15.7.24(C) NMAC.
4. I UNDERSTAND THAT New Mexico requires wells that have been inactive for certain time periods to be plugged or placed on approved temporary abandonment. See 19.15.25.8 NMAC. I understand the requirements for plugging and approved temporary abandonment in 19.15.25 NMAC. I understand that I can check my compliance with the basic requirements of 19.15.25.8 NMAC by using the "Inactive Well List" on OCD's website.
5. I must keep current with financial assurances for well plugging. I understand that New Mexico requires each state or fee well that has been inactive for more than two years and has not been plugged and released to be covered by a single-well financial assurance, or blanket plugging financial assurance for wells in temporarily abandoned status, even if the well is also covered by a blanket financial assurance and even if the well is on approved temporary abandonment status. See 19.15.8.9(C) NMAC. I understand that I can check my compliance with the single-well financial assurance requirement by using the "Inactive Well Additional Financial Assurance Report" on the OCD's website.
6. I am responsible for reporting releases as defined by 19.15.29 NMAC. I understand the OCD will look to me as the operator of record to take corrective action for releases at my wells and related facilities, including releases that occurred before I became operator of record.
7. I have read 19.15.5.9 NMAC, commonly known as "Rule 5.9" and understand that to be in compliance with its requirements I must have the appropriate financial assurances in place, comply with orders requiring corrective action, pay penalties assessed by the courts or agreed to by me in a settlement agreement, and not have too many wells out of compliance with the inactive well rule (19.15.25.8 NMAC). If I am in violation of 19.15.5.9 NMAC, I may not be allowed to drill, acquire or produce any additional wells, and will not be able to obtain any new injection permits. See 19.15.16.19 NMAC, 19.15.26.8 NMAC, 19.15.9.9 NMAC and 19.15.14.10 NMAC. If I am in violation of 19.15.5.9 NMAC the OCD may, after notice and hearing, revoke my existing injection permits. See 19.15.26.8 NMAC.
8. For injection (or disposal) wells, I acknowledge that I have read and agree to operate my wells in compliance with 19.15.26 NMAC. I acknowledge that I have read and agree to the terms of my injection permit. I understand that I must report injection volume and injection pressure on my monthly C-115 report. I understand that I must conduct mechanical integrity tests on my injection wells at least once every five years. See 19.15.26.11 NMAC. I understand that when there is a continuous one-year period of non-injection into all wells in an injection or storage project or into a saltwater disposal well or special purpose injection well, authority for that injection automatically terminates. See 19.15.26.12 NMAC. I understand that if I transfer operation of any injection well to another operator, the OCD must approve the transfer or authority to inject, and the OCD may require me to demonstrate the well's mechanical integrity prior to approving that transfer. See 19.15.26.15 NMAC.
9. I am responsible for providing the OCD with my current address of record and emergency contact information, and I am responsible for updating that information when it changes. See 19.15.9.8.C NMAC. I understand that I can update that information on the OCD's website under "Electronic Permitting."
10. If I transfer well operations to another operator, the OCD must approve the change before the new operator can begin operations. See 19.15.9.9(B) NMAC. I remain responsible for the wells and related facilities and all related regulatory filings until the OCD approves the operator change. I understand that the transfer will not relieve me of responsibility or liability for any act or omission which occurred while I operated the wells and related facilities.

6/16/2016

C-145

Previous Operator

Signature: _____

Printed Name: _____

Title: _____

Date: _____ Phone: _____

New Operator

Signature: Sarah Presley

Printed Name: Sarah Presley

Title: Regulatory Analyst

Date: 6-16-2016 Phone: 432-684-9696

Permit 222547

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

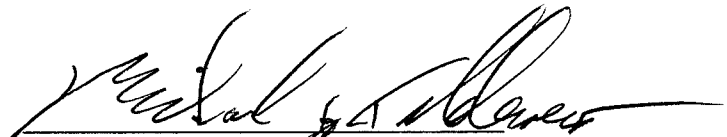
APPLICATION OF BC OPERATING, INC. AND CROWN OIL PARTNERS V, LP TO REMOVE KEY ENERGY SERVICES, INC. AS OPERATOR OF RECORD FOR THE GRACE CARLSBAD WELL NO. 1 LOCATED ON STATE LANDS EDDY, COUNTY, NEW MEXICO.

CASE NO. 15527

AFFIDAVIT

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

Michael H. Feldewert, attorney in fact and authorized representative of BC Operating, Inc. and Crown Oil Partners V, LP, the Applicant herein, being first duly sworn, upon oath, states that the above-referenced Application has been provided under the notice letters and proof of receipts attached hereto.



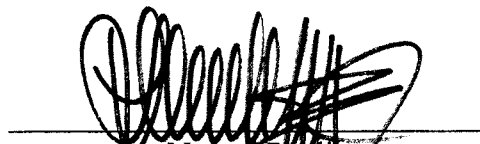
Michael H. Feldewert

SUBSCRIBED AND SWORN to before me this 3rd day of August 2016 by Michael H.

Feldewert.

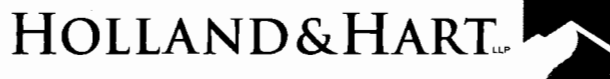


**OFFICIAL SEAL
LISAMARIE ORTIZ
NOTARY PUBLIC-STATE OF NEW MEXICO**
My commission expires 01/14/19



Notary Public

**BEFORE THE OIL CONSERVATION
DIVISION
Santa Fe, New Mexico
Exhibit No. 6
Submitted by: BC Operating, Inc.
Hearing Date: August 4, 2016**



Jordan L. Kessler
Associate
Phone (505) 988-4421
Fax (505) 983-6043
JLKessler@hollandhart.com

July 15, 2016

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: AFFECTED PARTIES

Re: Application of BC Operating, Inc. and Crown Oil Partners V, LP to remove Key Energy Services, Inc. as operator of record for the Grace Carlsbad Well No. 1 located on state lands, Eddy County, New Mexico.

This letter is to advise you that BC Operating, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division. This application has been set for hearing before a Division Examiner at 8:15 AM on August 4, 2016. 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 that intend to present evidence are required by Division Rule 19.15.4.13.B to file a Pre-hearing Statement four business days in advance of a scheduled hearing. This statement must 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.

If you have any questions about this matter please contact Caleb Hopson, at (432) 684-9696 or chopson@bcoperating.com.

Sincerely,

A handwritten signature in black ink, appearing to read "J.L. Kessler".

Jordan L. Kessler
ATTORNEY FOR BC OPERATING, INC.

7015 3010 0001 8827 4636

U.S. Postal ServiceTM **CERTIFIED MAIL[®] RECEIPT**

Domestic Mail Only

For delivery information, visit [usps.com](#)

**MHF/BC OPERATING
 GRACE CARLSBAD**

Certified Mail Fee

\$

Extra Services & Fees (check box, add fee as appropriate)

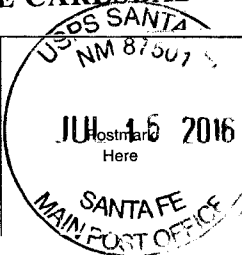
- ☒ Return Receipt (hardcopy) \$ 3.45
- ☐ Return Receipt (electronic) \$ 2.80
- ☐ Certified Mail Restricted Delivery \$
- ☐ Adult Signature Required \$
- ☐ Adult Signature Restricted Delivery \$

Postage

Key Energy Services, LLC
 1301 McKinney, Suite 1800
 Houston, Texas 77010

PS Form 3800, April 2015 PSN 7530-02-000-9047

See Reverse for Instructions



7015 3010 0001 8827 4629

U.S. Postal ServiceTM **CERTIFIED MAIL[®] RECEIPT**

Domestic Mail Only

For delivery information, visit [usps.com](#)

**MHF/BC OPERATING
 GRACE CARLSBAD**

Certified Mail Fee

\$

Extra Services & Fees (check box, add fee as appropriate)

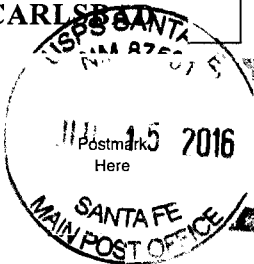
- ☒ Return Receipt (hardcopy) \$ 3.45
- ☐ Return Receipt (electronic) \$ 2.80
- ☐ Certified Mail Restricted Delivery \$
- ☐ Adult Signature Required \$
- ☐ Adult Signature Restricted Delivery \$

Postage

New Mexico State Land Office
 Post Office Box 1148
 Santa Fe, New Mexico 87504

PS Form 3800, April 2015 PSN 7530-02-000-9047

See Reverse for Instructions



SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Key Energy Services, LLC
 1301 McKinney, Suite 1800
 Houston, Texas 77010

9590 9401 0132 5225 4702 60

2. Article Number (Transfer from service label)

7015 3010 0001 8827 4636

PS Form 3811, July 2015 PSN 7530-02-000-9053

Domestic Return Receipt

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *[Signature]*

☐ Agent

☐ Addressee

B. Received by (Printed Name)

2108 Mimich

C. Date of Delivery

7-19

D. Is delivery address different from item 1?

☐ Yes

If YES, enter delivery address below:

☐ No

3. Service Type

- ☐ Adult Signature
- ☐ Adult Signature Restricted Delivery
- ☒ Certified Mail[®]
- ☐ Certified Mail Restricted Delivery
- ☐ Collect on Delivery
- ☐ Collect on Delivery Restricted Delivery

- ☐ Priority Mail Express[®]
- ☐ Registered MailTM
- ☐ Registered Mail Restricted Delivery
- ☐ Return Receipt for Merchandise
- ☐ Signature ConfirmationTM
- ☐ Signature Confirmation Restricted Delivery

☐ Insured Mail

☐ Restricted Delivery

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

New Mexico State Land Office
 Post Office Box 1148
 Santa Fe, New Mexico 87504

9590 9403 1012 5271 2727 59

2. Article Number (Transfer from service label)

7015 3010 0001 8827 4629

PS Form 3811, July 2015 PSN 7530-02-000-9053

Domestic Return Receipt

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *[Signature]*

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1?

☐ Yes

If YES, enter delivery address below:

☐ No

3. Service Type

- ☐ Adult Signature
- ☐ Adult Signature Restricted Delivery
- ☒ Certified Mail[®]
- ☐ Certified Mail Restricted Delivery
- ☐ Collect on Delivery
- ☐ Collect on Delivery Restricted Delivery

- ☐ Priority Mail Express[®]
- ☐ Registered MailTM
- ☐ Registered Mail Restricted Delivery
- ☐ Return Receipt for Merchandise
- ☐ Signature ConfirmationTM
- ☐ Signature Confirmation Restricted Delivery

☐ Insured Mail

☐ Restricted Delivery

