

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

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

Case No.: 15538

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APPLICATION

BC Operating, Inc., ("BC") (OGRID No. 160825), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order pooling all uncommitted interests in the Wolfcamp formation (WC; Salt Draw; Wolfcamp, (Gas) (97721)) underlying the 320-acre, more or less, spacing and proration unit comprised of the E/2 of Section 34, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico. In support of its application, BC states:

1. BC Operating, Inc. is a working interest owner in the E/2 of Section 34 and has the right to drill thereon.
2. BC proposed to dedicate the above-referenced spacing and proration unit as the project area for its proposed **Kyle 34 Federal Com No. 5H Well**, which will be drilled horizontally from the SE/4 SE/4 (Unit P) to a non-standard bottomhole location in the NE/4 NE/4 (Unit A) of Section 34.¹
3. BC has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the proposed non-standard spacing unit.

¹ By separate application (Application No. PLEL1619456356), BC Operating has applied for a request for an unorthodox well location. This application is currently pending before the Division,

4. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

5. 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 spacing unit should be pooled and BC Operating, Inc. should be designated operator of this proposed horizontal well and non-standard spacing unit.

WHEREFORE, BC Operating, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on September 1, 2016, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the Wolfcamp formation in the spacing and proration unit comprised of the E/2 of Section 34, Township 24 South, Range 28 East, Eddy County, New Mexico;
- B. Designating BC Operating, Inc. operator of this non-standard spacing and proration unit and the horizontal well to be drilled thereon;
- C. Authorizing BC Operating, Inc. to recover its cost of drilling, completing, and equipping the well;
- D. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- E. Imposing a 200% risk penalty for the risk assumed by BC in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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ATTORNEYS FOR BC OPERATING, INC.

Case No. 15538. **Application of BC Operating, Inc. for compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an pooling all uncommitted interests in the Wolfcamp formation (WC; Salt Draw; Wolfcamp, (Gas) (97721)) underlying the 320-acre, more or less, spacing and proration unit comprised of the E/2 of Section 34, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico. Said unit is to be dedicated to applicant's proposed **Kyle 34 Federal Com No. 5H Well**, which will be drilled horizontally from the SE/4 SE/4 (Unit P) to a non-standard bottomhole location in the NE/4 NE/4 (Unit A) of Section 34. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of BC Operating, Inc., as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 3 miles south of Malaga, New Mexico.