Goetze, Phillip, EMNRD

From:	Seth McMillan <smcmillan@montand.com></smcmillan@montand.com>
Sent:	Thursday, July 28, 2016 8:34 AM
То:	Goetze, Phillip, EMNRD
Cc:	J. Scott Hall
Subject:	RE: Case No. 15398 & FW: Review Issue for the Lackey 34 SWD No. 1

Phil, good morning,

I'm pleased to report that BC has successfully reduced its inactive well list down to just five (5) wells. BC is now in compliance with Rule 5.9. Please let me know if there's anything else you need from us in this regard. We remain hopeful that the Pearson order will see the light of day shortly.

Thanks, Seth



MONTGOMERY & ANDREWS LAW FIRM

Seth C. McMillan Attorney at Law Montgomery & Andrews, P.A. 325 Paseo de Peralta Santa Fe, NM 87501 P. O. Box 2307 Santa Fe, NM 87504-2307 T: (505) 986-2519 F: (505) 982-4289 smcmillan@montand.com

THIS MESSAGE CONTAINS INFORMATION WHICH MAY BE CONFIDENTIAL AND PRIVILEGED. UNLESS YOU ARE THE ADDRESSEE (OR AUTHORIZED TO RECEIVE FOR THE ADDRESSEE), YOU MAY NOT USE, COPY OR DISCLOSE TO ANYONE THE MESSAGE OR ANY INFORMATION CONTAINED IN THE MESSAGE. IF YOU HAVE RECEIVED THIS MESSAGE IN ERROR, PLEASE ADVISE THE SENDER BY REPLY E-MAIL TO <u>smcmillan@montand.com</u> AND DELETE THE MESSAGE. THANK YOU.

From: Seth McMillan Sent: Friday, July 22, 2016 9:32 AM To: 'Goetze, Phillip, EMNRD' Cc: J. Scott Hall Subject: RE: Case No. 15398 & FW: Review Issue for the Lackey 34 SWD No. 1

Phil, good morning,

Thanks again for letting me know about BC Operating's Rule 5.9 noncompliance. I'm pleased to report that BC has quickly developed an initiative to get into compliance. BC has been in touch with Daniel Sanchez, with whom I would also encourage you to connect, so he can confirm all the moving parts discussed herein. Please note that, in working through these issues, Mr. Sanchez has taken into consideration the merger of NGP and BC, which is what ultimately led to this noncompliance issue.

Here, with appropriate attachments, is what BC has been up to:

As you noted in your email below, at the start of this week 7/18/16, BC had nine (9) wells on the noncompliance list. At this moment, BC is down to eight (8), with others coming off very soon.

1. Abe Unit #002 - Production has been re-established. BC has submitted a sundry report with production attached via USPS. This report is also attached to this email.

2. Boggs Fee #001 - We have verbal approval to TA this well. This is where the BC Pulling unit will be going next. (The Pulling unit is at another TA at this moment.) Emails and TA request are attached hereto.

3. Carlsbad Pecos #001 - BC is working to get this well back online and producing. As soon as it is complete, a sundry report will be submitted showing production. Attached to this email is the daily workover report.

4. Gourley Fed Com #002Q - This well has been producing since BC took it over from Unit Petroleum. BC's production analyst has consulted with Unit's production analyst and production will be input into NM OCD shortly (today or Monday). BC submitted a sundry report showing this production. This report is also attached hereto.

5. State HH Delaware #002 - MIT is being run today. Maxey Brown should be present and once this holds, the TA should be accepted for this well. (This is where BC's Pulling unit is at this moment, from here it will be heading to the Boggs Fee #001.) Attached is the daily workover report and the approved permission to TA this well.

6. State HH Delaware #012 – This well has been approved for P&A. BC has sent an AFE to all partners. Please see attached.

7. Templar State #001 - This TA is complete. Please see attached.

8. Hulda A Townsend #006 - BC will P&A this well. This will be done once noncompliance has happened.

9. Bond #001 – BC is applying for a short term TA, as BC will then begin working on P&A this well. The MIT test for this well is attached hereto.

I hope this is helpful. Please let me know if, after reviewing this plan of action and the supporting documentation, and after consulting with Mr. Sanchez, there is anything more you need from my client with respect to this noncompliance issue. We are hopeful that the actions BC is taking will minimize or eliminate further delays in the issuance of pending orders. Please let me know what else I can do to facilitate communication and ease concerns. I am available by phone throughout the day today if you'd like to discuss.

Thanks, Seth



MONTGOMERY & ANDREWS

Seth C. McMillan Attorney at Law Montgomery & Andrews, P.A. 325 Paseo de Peralta Santa Fe, NM 87501 P. O. Box 2307 Santa Fe, NM 87504-2307 T: (505) 986-2519 F: (505) 982-4289 smcmillan@montand.com

THIS MESSAGE CONTAINS INFORMATION WHICH MAY BE CONFIDENTIAL AND PRIVILEGED. UNLESS YOU ARE THE ADDRESSEE (OR AUTHORIZED TO RECEIVE FOR THE ADDRESSEE), YOU MAY NOT USE, COPY OR DISCLOSE TO ANYONE THE MESSAGE OR ANY INFORMATION CONTAINED IN THE MESSAGE. IF YOU HAVE RECEIVED THIS MESSAGE IN ERROR, PLEASE ADVISE THE SENDER BY REPLY E-MAIL TO smcmillan@montand.com AND DELETE THE MESSAGE. THANK YOU.

From: Goetze, Phillip, EMNRD [mailto:Phillip.Goetze@state.nm.us]
Sent: Wednesday, July 20, 2016 12:29 PM
To: Seth McMillan
Cc: Jones, William V, EMNRD
Subject: Case No. 15398 & FW: Review Issue for the Lackey 34 SWD No. 1

Seth:

I am forwarding this e-mail I sent to Caleb since it will also impact Case No. 15398. Need to impress upon your client the necessity to get the inactive well count down. My draft order will be circulating on Friday. PRG

Phillip R. Goetze, PG Engineering Bureau Oil Conservation Division New Mexico Energy, Minerals and Natural Resources Department 1220 South St. Francis Drive Santa Fe, NM 87505 Direct: 505.476.3466 E-mail: phillip.goetze@state.nm.us



From: Goetze, Phillip, EMNRD Sent: Wednesday, July 20, 2016 8:38 AM To: 'Caleb Hopson' <<u>chopson@bcoperating.com</u>> Cc: Jones, William V, EMNRD <<u>WilliamV.Jones@state.nm.us</u>>; McMillan, Michael, EMNRD <<u>Michael.McMillan@state.nm.us</u>>; Lowe, Leonard, EMNRD <<u>Leonard.Lowe@state.nm.us</u>> Subject: RE: Review Issue for the Lackey 34 SWD No. 1 - Second Application

Caleb:

Thank you for the information in support of the application. One item not tied to the content of the application, but needs to be addressed before an order is approved, is BC Operating's Rule 5.9 compliance status. Today's summary of inactive wells shows BC Operating with nine (9) IA wells. BC Operating is allowed five (5) under rule. You might want to take this to management and resolve this item while the application is being revisited. There are no issues with regards to financial assurance. Call with any questions. PRG

Phillip R. Goetze, PG Engineering Bureau Oil Conservation Division New Mexico Energy, Minerals and Natural Resources Department 1220 South St. Francis Drive Santa Fe, NM 87505 Direct: 505.476.3466 E-mail: <u>phillip.goetze@state.nm.us</u>



From: Caleb Hopson [mailto:chopson@bcoperating.com] Sent: Wednesday, July 20, 2016 8:05 AM To: Goetze, Phillip, EMNRD <<u>Phillip.Goetze@state.nm.us</u>> Cc: Jones, William V, EMNRD <<u>WilliamV.Jones@state.nm.us</u>> Subject: RE: Review Issue for the Lackey 34 SWD No. 1 - Second Application

Mr. Goetze – Thanks for taking my phone call this morning. As we discussed, BC Operating is in the final stages of a deal with VF Petroleum regarding the Oxy Spike #1 well. They have agreed to let us take over operations of this wellbore and seal the annulus in the section that is equivalent to 3,500'.

We plan to spud a well less than 3 miles NE of the proposed Lackey SWD towards the end of August.

Please advise if any additional information is needed. Thank you.

Caleb Hopson BC Operating, Inc. 4000 N. Big Spring, ste 310 Midland, Tx 79705 OFF: 432-684-9696 ext. 762



From: Goetze, Phillip, EMNRD [mailto:Phillip.Goetze@state.nm.us] Sent: Monday, January 11, 2016 5:26 PM To: Caleb Hopson <<u>chopson@bcoperating.com</u>> Cc: Jones, William V, EMNRD <<u>WilliamV.Jones@state.nm.us</u>> Subject: Review Issue for the Lackey 34 SWD No. 1 - Second Application

Caleb:

The review of the second application has provided a unique situation that needs to be addressed. One of the two wells in the Area of Review, the Spike No. 1 (30-015-28938), has a cement completion which provides a possible conduit behind casing to deeper formations including the Bone Spring and possible Bradenhead issues for the Spike No. 1 (see attached PDF). There are two possible solutions – re-enter the Spike and seal the annulus in the section that is equivalent to 3500' (remedial cement work), or reduce the injection interval by reducing the lower portion to the same projected depth (based on a mean sea level datum) as the shoe of the 8 5/8-inch casing of the Spike No. 1. The Spike No. 1 is up-dip of the proposed SWD location, but it is within a ¼ mile of the proposed well which will have a commercial disposal status. Please discuss and see what BC wishes to pursue. And always open to alternatives. Thanks. PRG

Ω

Phillip R. Goetze, PG Engineering and Geological Services Bureau Oil Conservation Division New Mexico Energy, Minerals and Natural Resources Department 1220 South St. Francis Drive Santa Fe, NM 87505 Direct: 505.476.3466 e-mail: phillip.goetze@state.nm.us



From: Caleb Hopson [mailto:chopson@bcoperating.com] Sent: Friday, January 08, 2016 1:21 PM To: Goetze, Phillip, EMNRD <<u>Phillip.Goetze@state.nm.us</u>> Cc: Billy Moore <<u>bmoore@bcoperating.com</u>> Subject: RE: Lackey 34 SWD No. 1 - Second Application

Mr. Goetze-

Thank you for the update. Attached for your records, please find our affirmation statement for faults and hydrologic connectivity with protectable waters. Please let us know if any additional information is needed.

Thanks again,

Caleb Hopson BC Operating, Inc. 4000 N. Big Spring, ste 310 Midland, Tx 79705 OFF: 432-684-9696 ext. 762



From: Goetze, Phillip, EMNRD [mailto:Phillip.Goetze@state.nm.us] Sent: Friday, January 08, 2016 10:21 AM To: Caleb Hopson <<u>chopson@bcoperating.com</u>> Subject: Lackey 34 SWD No. 1 - Second Application

Caleb:

I have the application, started the review, then placed it to the side as result of other business that was designated more important. The application I have is the second version which reduced the interval as a result of protests by Operators with projects in the lower Brushy Canyon. I put on today's project list and will contact you next week with the results. Meanwhile, I would request that BC Operating provide a written affirmation statement for faults and hydrologic connectivity with protectable waters (see attachment) by a qualified individual (i.e. geologist, engineer, environmental scientist, etc.) to go with the application. Brian Wood's applications are very good, but the affirmation

statement has to be made by an individual and not a generic company name as the party. Just e-mail a copy when possible. Thanks. Call/e-mail with any questions. PRG

Phillip R. Goetze, PG Engineering and Geological Services Bureau Oil Conservation Division New Mexico Energy, Minerals and Natural Resources Department 1220 South St. Francis Drive Santa Fe, NM 87505 Direct: 505.476.3466 e-mail: phillip.goetze@state.nm.us



Goetze, Phillip, EMNRD

From:	Seth McMillan <smcmillan@montand.com></smcmillan@montand.com>
Sent:	Friday, July 22, 2016 9:32 AM
То:	Goetze, Phillip, EMNRD
Cc:	J. Scott Hall
Subject:	RE: Case No. 15398 & FW: Review Issue for the Lackey 34 SWD No. 1
Attachments:	Abe Unit #2.C-103. Producing.07 19 2016.pdf; C-103.Boggs Fee #1.TA.Signed. Sent to
	OCD 07 14 2016.pdf; C-103.Boggs Fee #1.TA.Approval email from Richard Inge.pdf;
	Carlsbad Pecos #1 DWR 7-15-2016.xls; Gourley Fed Com 2Q - 3160-5.Producing.07 19
	2016.pdf; Copy of State H H Delaware _ 2 7-21-2016 - TA.XLSX; C-103.State HH #
	2.TA.Approved.07 14 2016.pdf; State HH #12.C-103.P&A.Approved.05 19 2016.pdf;
	State HH #12 - P&A AFE.PDF; IMG_0333.jpg; IMG_0332.jpg; IMG_0331.jpg

Phil, good morning,

Thanks again for letting me know about BC Operating's Rule 5.9 noncompliance. I'm pleased to report that BC has quickly developed an initiative to get into compliance. BC has been in touch with Daniel Sanchez, with whom I would also encourage you to connect, so he can confirm all the moving parts discussed herein. Please note that, in working through these issues, Mr. Sanchez has taken into consideration the merger of NGP and BC, which is what ultimately led to this noncompliance issue.

Here, with appropriate attachments, is what BC has been up to:

As you noted in your email below, at the start of this week 7/18/16, BC had nine (9) wells on the noncompliance list. At this moment, BC is down to eight (8), with others coming off very soon.

1. Abe Unit #002 - Production has been re-established. BC has submitted a sundry report with production attached via USPS. This report is also attached to this email.

2. Boggs Fee #001 - We have verbal approval to TA this well. This is where the BC Pulling unit will be going next. (The Pulling unit is at another TA at this moment.) Emails and TA request are attached hereto.

3. Carlsbad Pecos #001 - BC is working to get this well back online and producing. As soon as it is complete, a sundry report will be submitted showing production. Attached to this email is the daily workover report.

4. Gourley Fed Com #002Q - This well has been producing since BC took it over from Unit Petroleum. BC's production analyst has consulted with Unit's production analyst and production will be input into NM OCD shortly (today or Monday). BC submitted a sundry report showing this production. This report is also attached hereto.

5. State HH Delaware #002 - MIT is being run today. Maxey Brown should be present and once this holds, the TA should be accepted for this well. (This is where BC's Pulling unit is at this moment, from here it will be heading to the Boggs Fee #001.) Attached is the daily workover report and the approved permission to TA this well.

6. State HH Delaware #012 – This well has been approved for P&A. BC has sent an AFE to all partners. Please see attached.

7. Templar State #001 - This TA is complete. Please see attached.

8. Hulda A Townsend #006 - BC will P&A this well. This will be done once noncompliance has happened.

9. Bond #001 – BC is applying for a short term TA, as BC will then begin working on P&A this well. The MIT test for this well is attached hereto.

I hope this is helpful. Please let me know if, after reviewing this plan of action and the supporting documentation, and after consulting with Mr. Sanchez, there is anything more you need from my client with respect to this noncompliance issue. We are hopeful that the actions BC is taking will minimize or eliminate further delays in the issuance of pending orders. Please let me know what else I can do to facilitate communication and ease concerns. I am available by phone throughout the day today if you'd like to discuss.

Thanks, Seth



Seth C. McMillan Attorney at Law Montgomery & Andrews, P.A. 325 Paseo de Peralta Santa Fe, NM 87501 P. O. Box 2307 Santa Fe, NM 87504-2307 T: (505) 986-2519 F: (505) 982-4289 smcmillan@montand.com

THIS MESSAGE CONTAINS INFORMATION WHICH MAY BE CONFIDENTIAL AND PRIVILEGED. UNLESS YOU ARE THE ADDRESSEE (OR AUTHORIZED TO RECEIVE FOR THE ADDRESSEE), YOU MAY NOT USE, COPY OR DISCLOSE TO ANYONE THE MESSAGE OR ANY INFORMATION CONTAINED IN THE MESSAGE. IF YOU HAVE RECEIVED THIS MESSAGE IN ERROR, PLEASE ADVISE THE SENDER BY REPLY E-MAIL TO <u>smcmillan@montand.com</u> AND DELETE THE MESSAGE. THANK YOU.

From: Goetze, Phillip, EMNRD [mailto:Phillip.Goetze@state.nm.us]
Sent: Wednesday, July 20, 2016 12:29 PM
To: Seth McMillan
Cc: Jones, William V, EMNRD
Subject: Case No. 15398 & FW: Review Issue for the Lackey 34 SWD No. 1

Seth:

I am forwarding this e-mail I sent to Caleb since it will also impact Case No. 15398. Need to impress upon your client the necessity to get the inactive well count down. My draft order will be circulating on Friday. PRG

Phillip R. Goetze, PG Engineering Bureau Oil Conservation Division New Mexico Energy, Minerals and Natural Resources Department 1220 South St. Francis Drive Santa Fe, NM 87505 Direct: 505.476.3466 E-mail: phillip.goetze@state.nm.us



From: Goetze, Phillip, EMNRD Sent: Wednesday, July 20, 2016 8:38 AM To: 'Caleb Hopson' <chopson@bcoperating.com> Cc: Jones, William V, EMNRD <WilliamV.Jones@state.nm.us>; McMillan, Michael, EMNRD <Michael.McMillan@state.nm.us>; Lowe, Leonard, EMNRD <Leonard.Lowe@state.nm.us> Subject: RE: Review Issue for the Lackey 34 SWD No. 1 - Second Application

Caleb:

Thank you for the information in support of the application. One item not tied to the content of the application, but needs to be addressed before an order is approved, is BC Operating's Rule 5.9 compliance status. Today's summary of inactive wells shows BC Operating with nine (9) IA wells. BC Operating is allowed five (5) under rule. You might want to take this to management and resolve this item while the application is being revisited. There are no issues with regards to financial assurance. Call with any questions. PRG

Phillip R. Goetze, PG
Engineering Bureau
Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department 1220 South St. Francis Drive
Santa Fe, NM 87505
Direct: 505.476.3466
E-mail: phillip.goetze@state.nm.us



From: Caleb Hopson [mailto:chopson@bcoperating.com] Sent: Wednesday, July 20, 2016 8:05 AM To: Goetze, Phillip, EMNRD <<u>Phillip.Goetze@state.nm.us</u>> Cc: Jones, William V, EMNRD <<u>WilliamV.Jones@state.nm.us</u>> Subject: RE: Review Issue for the Lackey 34 SWD No. 1 - Second Application

Mr. Goetze – Thanks for taking my phone call this morning. As we discussed, BC Operating is in the final stages of a deal with VF Petroleum regarding the Oxy Spike #1 well. They have agreed to let us take over operations of this wellbore and seal the annulus in the section that is equivalent to 3,500'.

We plan to spud a well less than 3 miles NE of the proposed Lackey SWD towards the end of August.

Please advise if any additional information is needed. Thank you.

Caleb Hopson BC Operating, Inc. 4000 N. Big Spring, ste 310 Midland, Tx 79705 OFF: 432-684-9696 ext. 762



Crump Energy Partners II, LLC

From: Goetze, Phillip, EMNRD [mailto:Phillip.Goetze@state.nm.us] Sent: Monday, January 11, 2016 5:26 PM To: Caleb Hopson <<u>chopson@bcoperating.com</u>> Cc: Jones, William V, EMNRD <<u>WilliamV.Jones@state.nm.us</u>> Subject: Review Issue for the Lackey 34 SWD No. 1 - Second Application

Caleb:

The review of the second application has provided a unique situation that needs to be addressed. One of the two wells in the Area of Review, the Spike No. 1 (30-015-28938), has a cement completion which provides a possible conduit behind casing to deeper formations including the Bone Spring and possible Bradenhead issues for the Spike No. 1 (see attached PDF). There are two possible solutions – re-enter the Spike and seal the annulus in the section that is equivalent to 3500' (remedial cement work), or reduce the injection interval by reducing the lower portion to the same projected depth (based on a mean sea level datum) as the shoe of the 8 5/8-inch casing of the Spike No. 1. The Spike No. 1 is up-dip of the proposed SWD location, but it is within a ¼ mile of the proposed well which will have a commercial disposal status. Please discuss and see what BC wishes to pursue. And always open to alternatives. Thanks. PRG

Phillip R. Goetze, PG
Engineering and Geological Services Bureau
Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, NM 87505
Direct: 505.476.3466
e-mail: phillip.goetze@state.nm.us



From: Caleb Hopson [mailto:chopson@bcoperating.com] Sent: Friday, January 08, 2016 1:21 PM To: Goetze, Phillip, EMNRD <<u>Phillip.Goetze@state.nm.us</u>> Cc: Billy Moore <<u>bmoore@bcoperating.com</u>> Subject: RE: Lackey 34 SWD No. 1 - Second Application

Mr. Goetze-

Thank you for the update. Attached for your records, please find our affirmation statement for faults and hydrologic connectivity with protectable waters. Please let us know if any additional information is needed.

Thanks again,

Caleb Hopson BC Operating, Inc. 4000 N. Big Spring, ste 310 Midland, Tx 79705 OFF: 432-684-9696 ext. 762



From: Goetze, Phillip, EMNRD [mailto:Phillip.Goetze@state.nm.us] Sent: Friday, January 08, 2016 10:21 AM To: Caleb Hopson <<u>chopson@bcoperating.com</u>> Subject: Lackey 34 SWD No. 1 - Second Application

Caleb:

I have the application, started the review, then placed it to the side as result of other business that was designated more important. The application I have is the second version which reduced the interval as a result of protests by Operators with projects in the lower Brushy Canyon. I put on today's project list and will contact you next week with the results. Meanwhile, I would request that BC Operating provide a written affirmation statement for faults and hydrologic connectivity with protectable waters (see attachment) by a qualified individual (i.e. geologist, engineer, environmental scientist, etc.) to go with the application. Brian Wood's applications are very good, but the affirmation statement has to be made by an individual and not a generic company name as the party. Just e-mail a copy when possible. Thanks. Call/e-mail with any questions. PRG

Phillip R. Goetze, PG
Engineering and Geological Services Bureau
Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, NM 87505
Direct: 505.476.3466
e-mail: phillip.goetze@state.nm.us

