

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

APPLICATION OF BC OPERATING, INC. TO RE-OPEN CASE NO. 15538 TO
POOL THE INTERESTS OF ADDITIONAL MINERAL INTEREST OWNERS
UNDER THE TERMS OF COMPULSORY POOLING ORDER R-14227, EDDY
COUNTY, NEW MEXICO.

CASE NO. 15538 (re-opened)

AFFIDAVIT OF CALEB HOPSON

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

Caleb Hopson, being first duly sworn on oath, states as follows:

1. My name is Caleb Hopson. I reside in Midland County, Texas. I am the Landman employed by BC Operating Inc., which is the operating entity for Nadel and Gussman Permian, LLC, Crown Oil Partners V, LP, and Crump Energy Partners II, LLC (collectively "BC"). I am familiar with the status of the lands in Section 34, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico. I have previously been qualified as an expert witness in petroleum land matters in front of the Oil Conservation Division. I previously testified by affidavit to the Division in Case No. 15538.
2. Division Order R-14227, entered on October 31, 2016, created a 320-acre spacing and proration unit in the Wolfcamp formation (WC; Salt Draw; Wolfcamp (G) Pool (97721)) consisting of the E/2 of Section 34, Township 24 South, Range 28 East, NMPM, in Eddy County, New Mexico, and pooled certain uncommitted working interest owners in this spacing and proration unit ("the Unit"). This Unit was dedicated to the **Kyle 34 Federal Com Well No. 5H** (API No. 30-015-43295), which has not yet been drilled. **Attachment A** to this affidavit is a copy of Order R-14227.
3. Since the entry of Order R-14227, BC has discovered an additional working interest owner. **Attachment B** lists the nature and percentage of the additional working interest owner in the subject project area.
4. The additional interest owner is a working interest owner who does not oppose this application.
5. BC has undertaken good faith efforts to locate and gain voluntary participation for the development of the Unit from this additional interest owner.

A. The well was proposed to the additional working interest owner, RKC, Inc., via certified mail on September 21, 2016, with AFE enclosed. A copy of the well proposal letter sent to the additional working interested owner is included as Attachment C.

B. BC has conducted a diligent search of the county records of Eddy County, as well as conducting searches and computer searches of phone directories. RKC, Inc., the sole additional working interest owner, has been located.

C. RKC, Inc. has contacted BC and notified BC that they will not voluntarily participate in this well, necessitating that they be brought under the terms of the existing pooling order.

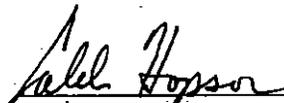
D. Notice of this application and hearing has been provided to the additional interest owner subject to pooling in compliance with Division rules.

6. Attachment D is a copy of the authorization for expenditure (AFE) for the well. The AFE was completed September 21, 2016.

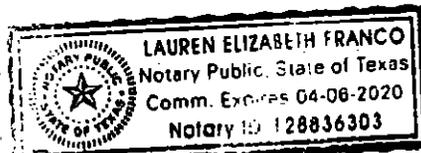
7. Attachment E is an affidavit and letter from my attorney at Holland & Hart providing notice of this hearing to the party that BC seeks to pool.

8. For these reasons, BC respectfully requests that the additional working interest owner be pooled pursuant to the terms of Order R-14227.

FURTHER AFFIANT SAYETH NOT.


Caleb Hopson

SUBSCRIBED AND SWORN before me on this 30 day of November, 2016.




Notary Public

My Commission Expires

April 6, 2020

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15538
ORDER NO. R-14227**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 1, 2016, at Santa Fe, New Mexico, before Examiner Richard Ezeanyim.

NOW, on this 31st day of October, 2016, the Division Director, having considered the testimony, the record and the recommendations of the Examiner.

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) BC Operating, Inc. ("Applicant" or "BC"), seeks an order pooling all uncommitted interests in the Wolfcamp formation, WC; Salt Draw; Wolfcamp, (G) pool (Pool code: 97721), underlying the E/2 of Section 34, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico, to form a standard 320-acre, gas spacing unit (the "Unit").

(3) The Unit will be dedicated to the Applicant's Kyle 34 Federal Com Well No. 5H (the "proposed well"; API No: 30-015-43295); a horizontal well to be drilled from a surface location 225 feet from the South line and 990 feet from the East line (Unit P) of Section 34 to a terminus or bottom hole location 330 feet from the North line and 990 feet from the East line (Unit A) of Section 34. The completed interval of the subject well in the Wolfcamp formation will be unorthodox.

(4) The subject well is within the WC; Salt Draw; Wolfcamp, (G) Pool (Pool code 97221). This pool is governed by statewide Rule 19.15.15.10.B NMAC which

**ATTACHMENT
A**

provides for 320-acre gas spacing units with wells to be located no closer than 660 feet from a unit outer boundary.

(5) Applicant appeared at the hearing through counsel and presented land evidence to the effect that:

- (a) The Wolfcamp formation in this area is suitable for development by horizontal drilling;
- (b) the proposed orientation of the horizontal well from South to North or North to South is appropriate for the proposed Unit;
- (c) Administrative Order NSL-7445, issued on August 15, 2016 approved a surface location of 225 feet from the South line and 990 feet from the East line (Unit P), a penetration point of 330 feet from the South line and 990 feet from the East line (Unit P), and final perforation (terminus) of 330 feet from the North line and 990 feet from the East line (Unit A) of Section 34.
- (d) Applicant seeks to compulsory pool uncommitted leasehold interest owners and uncommitted contractual owners of interests in the Unit, along with working interest owners;
- (e) notice was provided to all working interest owners including an Authorization for Expenditure (AFE), and a well proposal letter;
- (f) notice was provided to all interest owners in the Unit whose interests are evidenced by conveyance instrument of record or known to the Applicant as affected parties of the proposed compulsory pooling within the Unit; and
- (g) although all parties entitled to notice were located and personally served, Applicant also provided notice of this application by publication before hearing in a newspaper of general circulation in Eddy County, New Mexico, the county in which the property is located.

(6) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes that:

(7) The administrative order approving the non-standard location for the proposed well should remain in effect.

(8) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(9) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the subject well to a common source of supply within the Unit at the proposed location.

(10) "Contractual owners" are owners of interest in the Unit pursuant to earlier joint operating agreements.

(11) There are interest owners in the Unit that have not agreed to pool their interests.

(12) The administrative non-standard location was approved to allow for efficient well spacing and prevent waste of a productive reservoir.

(13) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(14) BC Operating, Inc. should be designated the operator of the proposed well and the Unit.

(15) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the proposed well.

(16) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,000 per month while drilling and \$700 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations."

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of BC Operating, Inc., all uncommitted interests, whatever they may be, in the oil and gas in the Wolfcamp formation, WC; Salt Draw; Wolfcamp, (G) pool (Pool code 97221), underlying the E/2 of Section 34, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico (the "Unit"), are hereby pooled.

(2) The Unit shall be dedicated to the Applicant's Kyle 34 Federal Com Well No. 5H (the "proposed well"; API No. 30-015-43295), a horizontal well to be drilled from a surface location 225 feet from the South line and 990 feet from the East line (Unit P) of Section 34 to a terminus or bottom hole location 330 feet from the North line and 990 feet from the East line (Unit A) of Section 34. The completed interval of the subject well is authorized to be located at an unorthodox location, the penetration point being 330 feet from the South line and 990 feet from the East line (Unit P) of Section 34, and the final perforation being 330 feet from the North line and 990 feet from the East line (Unit A) of Section 34.

(3) The operator of the Unit shall commence drilling the proposed well on or before October 31, 2017, and shall thereafter continue drilling the proposed well with due diligence to test the Wolfcamp formation.

(4) In the event the operator does not commence drilling the proposed well on or before October 31, 2017, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(5) Should the proposed well not be drilled and completed within 120 days after commencement thereof, then Ordering Paragraph (1) shall be of no further effect, and the unit and project area created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence.

(6) Upon final plugging and abandonment of the proposed well and any other well drilled on that Unit pursuant to Division Rule 19.15.13.9 NMAC, the Unit created by this Order shall terminate, unless this Order has been amended to authorize further operations.

(7) BC Operating, Inc. (OGRID 160825) is hereby designated the operator of the well and the Unit.

(8) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").

(9) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(10) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(11) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(12) The operator is hereby authorized to withhold the following costs and charges from production from each well:

- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and
- (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(14) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(15) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$7,000 per month while drilling and \$700 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners.

(16) Except as provided in Paragraphs (12) and (14) above, all proceeds from production from the proposed well that are not disbursed for any reason shall be held for the account of the person or persons entitle thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A7-8A-28, as amended).

(17) Any unleased mineral interests shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

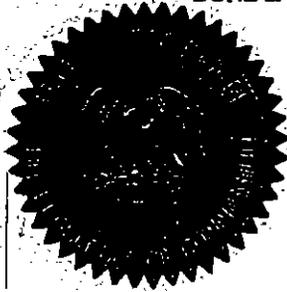
(18) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this Order, this Order shall thereafter be of no further effect.

(19) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of parties subject to the compulsory pooling provisions of this Order.

Case Nos. 15538
Order No. R-14227
Page 6 of 6

(20) Jurisdiction of this case is retained for the entry of such further Order as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



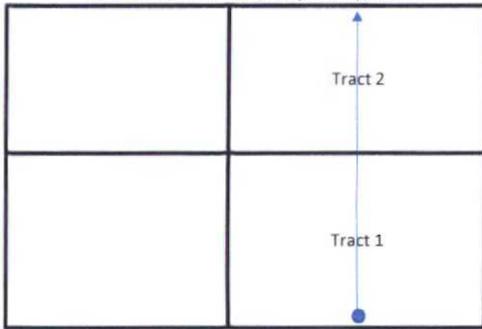
SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

David R. Catanach

DAVID R. CATANACH
DIRECTOR

Section 34, T24S-R28E, Eddy County, NM



<u>Tract 1 Ownership (160 Acres)</u>	<u>WI Percentage:</u>
Chevron U.S.A., Inc.	45.650027%
Chevron MidContinent, L.P.	19.520845%
Nadel and Gussman Permian, L.L.C	1.205699%
Crown Oil Partners V, LP	1.119578%
Crump Energy Partners II, LLC	1.119578%
Magnum Hunter Production, Inc.	10.947485%
Childress Royalty Company	6.260390%
RKC, Inc.	13.393411%
Mona L. Coffield	0.782987%
	100.000000%

<u>Tract 2 Ownership (160 Acres)</u>	<u>WI Percentage:</u>
Magnum Hunter Production, Inc.	5.473740%
Nadel and Gussman Permian, L.L.C	16.557752%
Crown Oil Partners V, LP	15.375055%
Crump Energy Partners II, LLC	15.375055%
Hanley Petroleum, Inc.	7.265620%
LHAH Properties LLC	0.937500%
H-6 Holdings, LLC	0.937500%
TBO Oil & Gas LLC	0.234375%
Boyd & McWilliams Energy Group, Inc.	5.000000%
J. Cleo Thompson and James Cleo Thompson Jr., LP	25.000000%
Featherstone Development Corporation	1.000000%
Big Three Energy Group LLC	1.000000%
Prospector, LLC	3.000000%
Bear Energy	0.500000%
Mona L. Coffield	0.391494%
Wells Fargo Bank, N.A., Trustee of Robert N. Enfield Irrevocable Trust	0.391494%
Chevron USA, Inc.	1.560415%
	100.000000%

<u>Ownership in E/2 of Sec. 34, T24S-R28E, Eddy County, NM</u>	
Crown Oil Partners V, LP	10.423747%
Crump Energy Partners II, LLC	10.423747%
Nadel and Gussman Delaware, LLC	11.225574%
Chevron Midcontinent, L.P.	9.760422%
Chevron U.S.A. Inc.	16.908514%
Mona L. Coffield	0.391494%
Wells Fargo Bank, N.A., Trustee of Robert N. Enfield Irrevocable Trust	0.391494%
Magnum Hunter Production, Inc.	8.210612%
Hanley Petroleum, Inc.	3.632809%
Childress Royalty Company	3.130195%
LHAH Properties LLC	0.468750%
H-6 Holdings, LLC	0.468750%
TBO Oil & Gas LLC	0.117187%
Boyd & McWilliams Energy Group, Inc.	2.500000%
J. Cleo Thompson and James Cleo Thompson Jr., LP	12.500000%
Prospector, LLC	1.500000%
Featherstone Development Corporation	0.500000%
Big Three Energy Group LLC	0.500000%
Bear Energy	0.250000%
RKC, Inc.	6.696706%
	100.000000%
Parties currently pooled	
Parties to be pooled	

September 21st, 2016

VIA FEDEX: PRIORITY OVERNIGHT

RKC, Inc.
Attn: Land Department
7500 E. Arapahoe Road, Suite 380
Centennial, CO 80112-6116

Re: **Well Proposal Letter**
Section 34, Township 24 South, Range 28 East
Eddy County, New Mexico

*Kyle 34 Federal Com #5H ("Well")
Section 34, T24S-R28E, Eddy County, NM
SHL: 225' FSL & 990' FEL
BHL: 330' FNL & 990' FEL*

Gentlemen,

BC Operating, Inc. ("BC") as Operator, hereby proposes to form a 640.00 acre Working Interest Unit ("WIU") covering all of Section 34, Township 24 South, Range 28 East, Eddy County, New Mexico, limited in depth to the Wolfcamp formation only. The proposed WIU shall supersede any existing Operating Agreements governing same lands, limited to the Wolfcamp formation only. Exhibit "A" attached hereto represents each Working Interest Owner's percentage interest in said WIU.

In reference to the above, BC as Operator hereby proposes to drill the captioned Well at the referenced surface hole location ("SHL") to the referenced bottom hole location ("BHL"). The Well will be drilled to a true vertical depth ("TVD") of approximately 10,575 feet subsurface to evaluate the Middle Wolfcamp Shale interval of the Wolfcamp formation for oil and gas production. The proposed well will have a horizontal measured depth ("MD") of approximately 15,100 feet. The E/2 of Section 34 will be dedicated to the well as the pooled proration unit and project area. Enclosed herewith, please find our Authority for Expenditure ("AFE") in the amount of \$6,844,840.00, which represents the total estimated cost to drill and complete the Well.

BC is proposing to drill the Well under the terms of a modified 1989 AAPL form of Operating Agreement which will be mailed under separate cover. The proposed Operating Agreement, dated June 1st, 2016, by and between BC Operating, Inc., as Operator, and Chevron U.S.A. Inc., et al, as Non-Operators, shall govern operations of the WIU described above, and will have the following general provisions:

- 100/300/300 Non-consenting penalty;
- \$7,000/\$700 Drilling and Producing rate;
- BC Operating, Inc. named as Operator;

If you do not wish to participate in the Well and WIU, BC would like to acquire your leasehold for the following general terms:

- \$2,000 per net mineral acre;
- Delivering full net revenue interest.

Please indicate your participation election in the space provided below, and execute and return a copy of the enclosed AFE and Well Proposal Letter at your earliest convenience. **We have contracted a rig to be on location in roughly two weeks. An expedited election would be greatly appreciated.** If you have any questions or prefer to discuss this Well Proposal Letter in greater detail, please do not hesitate to give me a call at 432.253.7762, or 806.898.1717.

Sincerely,

BC Operating, Inc.

Caleb Hopson
(432) 253-7762 Office
(806) 898-1717 Cell
chopson@bcoperating.com

Enclosures: AFE

PARTICIPATION ELECTION:

Please elect of the following and return to sender:

_____ I/We hereby elect to participate in the Well and proposed WIU for its proportionate share of the costs detailed in the enclosed AFE associated with the Well.

_____ I/We hereby elect NOT to participate in the Well and proposed WIU.

_____ I/We elect NOT to participate in the Well and proposed WIU and hereby elect to sell our leasehold interest for the general terms described above.

NAME/COMPANY: _____

SIGNATURE: _____

NAME: _____

DATE: _____

EXHIBIT "A"
Working Interest Partners

Crown Oil Partners V, LP 4000 N. Big Spring, Suite 310 Midland, Texas 79705	10.423747%	LHAH Properties, LLC 415 W. Wall Street, Suite 1500 Midland, Texas 79701	0.468750%
Crump Energy Partners II, LLC 4000 N. Big Spring, Suite 310 Midland, Texas 79705	10.423747%	H-6 Holdings, LLC P.O. Box 1212 Midland, Texas 79702	0.468750%
Nadel and Gussman Delaware, LLC 15 East 5 th Street, Suite 3200 Tulsa, Oklahoma 74103	11.225574%	TBO Oil & Gas LLC P.O. Box 10502 Midland, Texas 79702	0.117187%
Chevron Midcontinent, L.P. 1400 Smith Street Houston, Texas 77002	9.760422%	Boyd & McWilliams Energy Group, Inc. 550 West Texas, Suite 310 Midland, Texas 79701	2.500000%
Chevron U.S.A. Inc. 1400 Smith Street Houston, Texas 77002	16.908514%	J. Cleo Thompson and James Cleo Thompson Jr., LP 325 North St. Paul, Suite 4300 Dallas, Texas 75201-3993	12.500000%
Mona L. Coffield 465 Camino Manzano Santa Fe, New Mexico 87505	0.391494%	Prospector, LLC P.O. Box 429 Roswell, New Mexico 88202	1.500000%
Wells Fargo Bank, N.A., Trustee of Robert N. Enfield Irrevocable Trust P.O. Box 40909 Austin, Texas 78704	0.391494%	Featherstone Development Corporation P.O. Box 429 Roswell, New Mexico 88202	0.500000%
Magnum Hunter Production, Inc. 202 Cheyenne Avenue, Suite 1000 Tulsa, Oklahoma 74103-4346	8.210612%	Big Three Energy Group LLC P.O. Box 429 Roswell, New Mexico 88202	0.500000%
Hanley Petroleum, Inc. 415 W. Wall Street, Suite 1500 Midland, Texas 79701-4473	3.632809%	Bear Energy Inc. P.O. Box 1734 Edmond, Oklahoma 73083	0.250000%
Childress Royalty Company P.O. Box 66 Joplin, Missouri 64802	3.130195%	RKC, Inc. 7500 E. Arapahoe Road, Suite 380 Centennial, CO 80112-6116	6.696706%

BC Operating, Inc.
Authorization for Expenditure

Well Name:	Kyle 34 Federal Com #5H	Prospect:	Wolfcamp - No Pilot Hole
Location:	SHL: 225' FSL, 990' FEL; BML: 330 FNL, 990' FEL	County:	EDDY
Section:	34	Horizontal TVD:	10,575ft
		Township:	24S
		Range:	Z8E
		ST:	NM
		Prop. Depth:	15,100ft MD

INTANGIBLE COST	Code	TCP	Code	CC-ACP
Legal: Drilling Title Opinion	4-01	\$25,000		
Location, Roads, Conductor, Damages, ROW, Frac Pit	4-36	\$100,000	5-28	\$25,000
Day work Drilling Cost: \$14,500/day 35 Days TCP, 4 Days ACP	4-15	\$507,500	5-12	\$60,000
Fuel \$4,000/day	4-66	\$140,000	4-66	\$16,000
Mud	4-51	\$125,000		\$15,000
Cementing: 13-3/8", 9-5/8", 7" Casing, 4-1/2" Liner	4-06	\$100,000		\$40,000
Logging: Gyro, Cased Hole CBL, Perforating	4-39	\$15,000		\$15,000
Casing Crews, Laydown Machine	4-05	\$20,000	5-05	\$40,000
Mud Logging and Geosteering	4-52	\$25,000		
Stimulation: Pressure Pumping Service			5-80	\$2,000,000
Stimulation: Surface Rentals, Transfer Services, etc.			5-61	\$200,000
Water	4-84	\$50,000	5-66	\$200,000
Bits	4-03	\$85,000	5-04	\$5,000
Drill String Inspection	4-31	\$5,000	5-31	\$35,000
Rig Mobilization	4-14	\$75,000		
Transportation: Surf. CSG, Surface Rentals, Prod. CSG, Drill pipe, etc.	4-78	\$10,000	5-92	\$45,000
Directional Drilling 20 days at \$8,500/day	4-16	\$212,500		
Surface Rentals: \$4,000/day	4-61	\$140,000	5-61	\$75,000
Sub Surface Rentals: Drill Pipe, Stabilization, Mud Motor, etc.	4-62	\$75,000		\$75,000
Overhead	4-18	\$5,000	5-18	\$5,000
Supervision	4-72	\$42,000	5-84	\$16,800
Well Control Insurance	4-87	\$7,500		
Welding, Cut off Casing, Set Slips, etc.	4-08	\$6,000	5-77	\$3,000
Pulling Unit/Completion Unit			5-09	\$30,000
Testing BOP/Nipple up Crews	4-04	\$20,000		\$10,000
Drill String Corrosion	4-12	\$8,000		
Trucking Clean Pits, SWD, Solids Disposal			5-66	\$175,000
Float Equipment	4-23	\$30,000		\$0
Coil Tubing and N2			5-53	\$150,000
Battery, Flowline, Electric Line Installation			5-77	\$50,000
Contingencies 10% TCP 5% CC		\$182,850		\$164,290
TOTAL		\$2,011,350		\$3,450,090
TANGIBLE				
Surface Casing: 13-3/8" J-55, 54.5#; 400ft @ \$31/ft	6-71	\$12,400		
Intermediate Casing: 9-5/8" 36# J-55; 2,500ft @ \$29/ft	6-32	\$72,500		
Production Casing: 72" 26#, P-110; 11,000ft @ \$23/ft	6-32	\$264,000		
Production Liner: 4-1/2" 11.6#, P-110 4,500ft @ \$15/ft		\$67,500	6-60	
Tubing: 2-7/8" 6.5# L-80; 9,500ft @ \$7.00/ft			6-80	\$66,500
Wellhead	6-84	\$15,000	6-84	\$15,000
Down hole Equipment: Gas Lift Valves			6-56	\$25,000
Liner Hanger & NCS Sleeves			6-56	\$465,000
Pumping Unit			6-68	\$0
Tanks			6-76	\$175,000
Separator- Heater Treater			6-24	\$55,500
Metering Equipment			6-44	\$10,000
Flowline Equipment			6-42	\$15,000
Valves, Connections, Fittings			6-12	\$50,000
Electrical Equipment			6-14	\$75,000
TOTAL		\$431,400		\$952,000
TOTAL TANGIBLE AND INTANGIBLE		\$2,442,750		\$4,402,090
TOTAL WELL COST				\$6,844,840

Created by: Jason Goss

Date: 9/21/2016

Joint Owner: _____

Joint Owner Approval: _____

By: _____

Date: _____

**ATTACHMENT
D**

November 11, 2016

VIA CERTIFIED MAIL
CERTIFIED RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: CASE 15538 (re-opened): Application of BC Operating, Inc. to Re-Open Case No. 15538 To Pool The Interests Of Additional Leasehold Owners Under The Terms Of Compulsory Pooling Order R-14227, Eddy County, New Mexico.

Ladies & Gentlemen:

This letter is to advise you that BC Operating, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division. This application will be set for hearing before a Division Examiner at 8:15 a.m. on December 1, 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 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 be filed at the Division's Santa Fe office at the above specified address and should 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,



Jordan L. Kessler
ATTORNEY FOR BC OPERATING, INC.

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