

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

**APPLICATION OF BC OPERATING, INC.,
CROWN OIL PARTNERS V, CRUMP ENERGY
PARTNERS, AND NADEL AND GUSSMAN PERMIAN, LLC
FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.**

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Case No.: 15661

APPLICATION

BC Operating, Inc., (OGRID No. 160825), Crown Oil Partners V, Crump Energy Partners, and Nadel and Gussman Permian, LLC ("Applicants"), through its undersigned attorneys, hereby file 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 underlying the 320-acre, more or less, spacing and proration unit comprised of the E/2 of Section 22, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico. In support of its application, Applicants state:

1. BC Operating, Inc. is a working interest owner in the E/2 of Section 22 and has the right to drill thereon.
2. Applicants propose to dedicate the above-referenced spacing and proration unit as the project area for its proposed **Chicken Fry Federal Com No. 1H Well**, which will be drilled horizontally from the NE/4 NE/4 (Unit A) to a standard bottomhole location in the SE/4 SE/4 (Unit P) of Section 22.
3. Applicants have 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.

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

5. Pursuant to Rule 2 of the Special Rules set forth in Order No. R-14232, the proposed wellbore will be at an orthodox location because it will be no closer than 330 feet to the exterior boundary of the spacing unit.

6. In order to permit Applicants to obtain their 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 standard spacing unit.

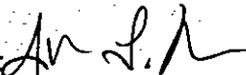
WHEREFORE, Applicants request that this application be set for hearing before an Examiner of the Oil Conservation Division on March 30, 2017, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the Wolfcamp formation in the spacing and proration unit comprised of the E/2 of Section 22, Township 24 South, Range 28 East, Eddy County, New Mexico;
- B. Designating BC Operating, Inc. operator of this spacing and proration unit and the horizontal well to be drilled thereon;
- C. Authorizing Applicants 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 Applicants 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 APPLICANTS

Case No. 1566 Application of BC Operating, Inc., Crown Oil Partners V, Crump Energy Partners, and Nadel and Gussman Permian, LLC for compulsory pooling, Eddy County, New Mexico. Applicants in the above-styled cause seeks a pooling all uncommitted interests in the Wolfcamp formation (underlying the 320-acre, more or less, spacing and proration unit comprised of the E/2 of Section 22, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico. Said unit is to be dedicated to applicant's proposed **Chicken Fry Federal Com No. 1H Well**, which will be drilled horizontally from the NE/4 NE/4 (Unit A) to a standard bottomhole location in the SE/4 SE/4 (Unit P) of Section 22. 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 1 mile south of Malaga, New Mexico.