

B.C. Operating, Inc.

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December 14, 2006

Mr. Daniel Sanchez and Ms. Gail MacQuesten
New Mexico Energy, Minerals and Natural Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505

Delivered via:

Facsimile #505.476.3462

Email Addresses: daniel.sanchez@state.nm.us and gail.macquesten@state.nm.us

USPS: Regular Mail

Re: Notice of Violation Letter dated July 18, 2006
C.W. Trainer
"State GB #1" API #30-025-03689

Dear Mr. Sanchez and Ms. Gail MacQuesten:

As we have briefly discussed on previous occasions, Crown Oil Partners III, LP, an affiliate of BC Operating, Inc., purchased the 40-acre lease surrounding the above-captioned well. It has been our intent to reenter the captioned well since Crown's purchase in April of this year, but the location of a new saltwater disposal well has delayed those efforts. However, our goal is to finalize the location and permitting of said SWD within the next 120-150 days.

As to the change of operator filing, Ms. Sheryl L. Jonas, an employee of O'Briant & Associates representing Mr. C.W. Trainer, is initiating the "e-permitting" on the NMOCD's website. Once her portion is completed, she is going to email the data file number to my attention for further delivery to Ms. Pam Botkin, BC's manager of regulatory issues. Ms. Botkin will notify me when this process is completed, and I will in turn notify each of you.

I truly appreciate the time you have spent with us so far, and I hope that this letter and online permitting will put to rest the confusion surrounding this lease.

Should you have any questions, please do not hesitate to call me directly.

Sincerely,



Jeffrey G. Bane