

APPLICATION FOR AUTHORIZATION TO INJECT

- I. PURPOSE: Secondary Recovery Pressure Maintenance X Disposal Storage
Application qualifies for administrative approval? X Yes No
- II. OPERATOR: B C Operating
ADDRESS: P.O. Box 50820 Midland, TX 79710
CONTACT PARTY: Star Harrell PHONE: 432-684-9696 X 253
- III. WELL DATA: Complete the data required on the reverse side of this form for each well proposed for injection.
Additional sheets may be attached if necessary.
- IV. Is this an expansion of an existing project? Yes X No
If yes, give the Division order number authorizing the project: _____
- V. Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.
- VI. Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.
- VII. Attach data on the proposed operation, including:
1. Proposed average and maximum daily rate and volume of fluids to be injected;
 2. Whether the system is open or closed;
 3. Proposed average and maximum injection pressure;
 4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and,
 5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).
- *VIII. Attach appropriate geologic data on the injection zone including appropriate lithologic detail, geologic name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such sources known to be immediately underlying the injection interval.
- IX. Describe the proposed stimulation program, if any.
- *X. Attach appropriate logging and test data on the well. (If well logs have been filed with the Division, they need not be resubmitted).
- *XI. Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken.
- XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground sources of drinking water.
- XIII. Applicants must complete the "Proof of Notice" section on the reverse side of this form.
- XIV. Certification: I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

NAME: Star L. Harrell TITLE: Regulatory Analyst

SIGNATURE: [Signature] DATE: 5/10/10

E-MAIL ADDRESS: sharrell@blackoakres.com

- * If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be resubmitted. Please show the date and circumstances of the earlier submittal: _____

III. WELL DATA

- A. The following well data must be submitted for each injection well covered by this application. The data must be both in tabular and schematic form and shall include:

- (1) Lease name; Well No.; Location by Section, Township and Range; and footage location within the section.
- (2) Each casing string used with its size, setting depth, sacks of cement used, hole size, top of cement, and how such top was determined.
- (3) A description of the tubing to be used including its size, lining material, and setting depth.
- (4) The name, model, and setting depth of the packer used or a description of any other seal system or assembly used.

Division District Offices have supplies of Well Data Sheets which may be used or which may be used as models for this purpose. Applicants for several identical wells may submit a "typical data sheet" rather than submitting the data for each well.

- B. The following must be submitted for each injection well covered by this application. All items must be addressed for the initial well. Responses for additional wells need be shown only when different. Information shown on schematics need not be repeated.

- (1) The name of the injection formation and, if applicable, the field or pool name.
- (2) The injection interval and whether it is perforated or open-hole.
- (3) State if the well was drilled for injection or, if not, the original purpose of the well.
- (4) Give the depths of any other perforated intervals and detail on the sacks of cement or bridge plugs used to seal off such perforations.
- (5) Give the depth to and the name of the next higher and next lower oil or gas zone in the area of the well, if any.

XIV. PROOF OF NOTICE

All applicants must furnish proof that a copy of the application has been furnished, by certified or registered mail, to the owner of the surface of the land on which the well is to be located and to each leasehold operator within one-half mile of the well location.

Where an application is subject to administrative approval, a proof of publication must be submitted. Such proof shall consist of a copy of the legal advertisement which was published in the county in which the well is located. The contents of such advertisement must include:

- (1) The name, address, phone number, and contact party for the applicant;
- (2) The intended purpose of the injection well; with the exact location of single wells or the Section, Township, and Range location of multiple wells;
- (3) The formation name and depth with expected maximum injection rates and pressures; and,
- (4) A notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, within 15 days.

NO ACTION WILL BE TAKEN ON THE APPLICATION UNTIL PROPER PROOF OF NOTICE HAS BEEN SUBMITTED.

NOTICE: Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them.

INJECTION WELL DATA SHEETTubing Size: 2 7/8" Lining Material: Plastic CoatedType of Packer: Baker Lok-setPacker Setting Depth: 6300'Other Type of Tubing/Casing Seal (if applicable): Additional Data

1. Is this a new well drilled for injection?
- X
- Yes
- No

If no, for what purpose was the well originally drilled?

2. Name of the Injection Formation:
- San Andres

3. Name of Field or Pool (if applicable):
- SWD; San Andres

4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail, i.e. sacks of cement or plug(s) used.
- No

5. Give the name and depths of any oil or gas zones underlying or overlying the proposed injection zone in this area:
- None

New Mexico Oil Conservation Division – Form C-108

I. Purpose : Disposal

II. Operator : BC Operating, Inc.
Address : 303 Veterans Airpark Lane, Midland, Texas 79710
Contact Party : Star Harrell (432) 684-9696

III. Salt Water Disposal Well Data

South Denton "6" State #2SWD

Unit Letter D, 330' FNL, 330' FWL, Section 6, T-16-S, R-38-E

Lee County, New Mexico

The above mentioned well will be drilled for use as a saltwater disposal well. The proposed injection zone is to the San Andres formation. No oil or gas zones are known to exist above the disposal interval. One dry hole is located in this Section.

IV. This is not an expansion of an existing project.

V. Subject Area Maps and Area of Review

A map of the subject area, South Denton field, including all wells within a 2 mile radius is attached. Also attached is a map showing the subject well's area of review (or half mile radius circle).

VI. Southern Union State #1 is the only well within the area of review that penetrated the proposed injection interval. It was a dry hole and is now plugged. See attached information.

VII. Proposed Operation

1. Average Injection Rate = 2000 BWPD
Maximum Injection Rate = 2500 BWPD
2. The system will be closed.
3. Average Injection Pressure = 960 psig at surface
Maximum Injection Pressure = 1280 psig at surface
4. See attached water analysis from offset San Andres well.

VIII. Injection zone: San Andres Dolomite lithology

Top San Andres: 5200'

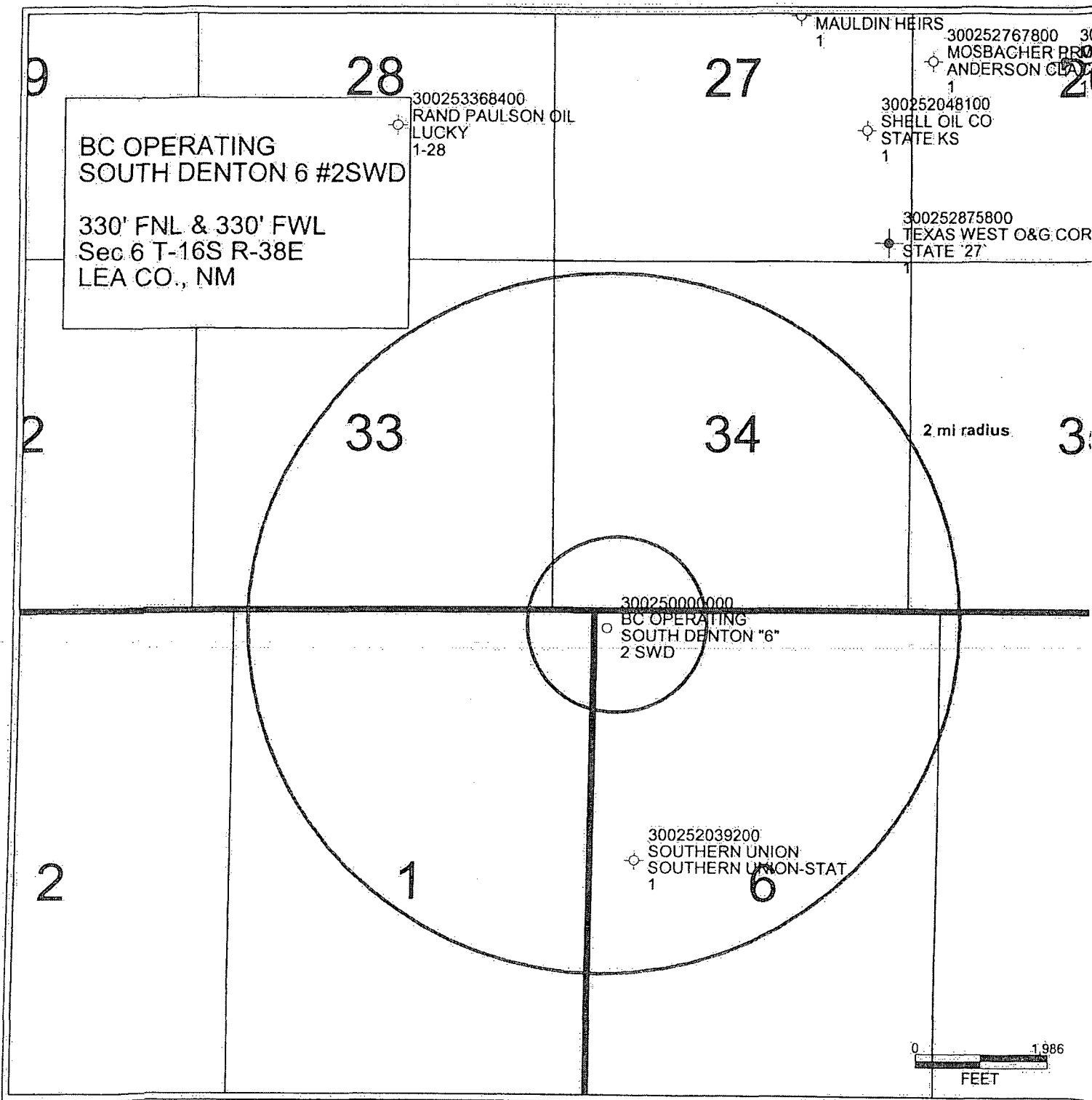
Base San Andres: 6500'

Injection Interval: 1300'

Fresh Water Aquifer: Ogallala formation (Quaternary) near surface to 200'

IX. Acidize San Andres perfs from 6400' – 6440' (40') with 4000 gal 15%NEFE HCl and 120 ball sealers.

- X. Appropriate well logs will be filed with the BLM/NMOCD when the well is drilled.
- XI. Freshwater Wells within the Area of Review: There are none.
- XII. After examining available geologic and engineering data, BC Operating, Inc. finds no evidence of open faults, or other hydrologic connection, between the disposal zone and any underground source of drinking water.
- XIII. "Proof of Notice"
- XIV. Certification



P.O. BOX 98
MIDLAND, TX. 79702
PHONE (432) 683-4521

Martin Water Laboratories, Inc.

709 W. INDIANA
MIDLAND, TEXAS 79701
FAX (432) 682-8819

RESULT OF WATER ANALYSES

TO: Mr. Jason Wacker LABORATORY NO. 109-166
P.O. Box 50820, Midland, TX 79710 SAMPLE RECEIVED 1-16-09
RESULTS REPORTED 1-20-09

COMPANY BC Operating LEASE Cleveland #1 & #2

FIELD OR POOL _____

SECTION _____ BLOCK _____ SURVEY _____ COUNTY Yoakum STATE Texas

SOURCE OF SAMPLE AND DATE TAKEN:

NO. 1 Cleveland #1 taken 1-16-09

NO. 2 Cleveland #2 taken 1-16-09

NO. 3 _____

NO. 4 _____

REMARKS: Sample taken by Tyler Ogden, Martin Water Laboratories, Inc.

CHEMICAL AND PHYSICAL PROPERTIES				
	NO. 1	NO. 2	NO. 3	NO. 4
Specific Gravity at 60° F.	1.0385	1.0395		
pH When Sampled				
pH When Received	6.04	7.00		
Bicarbonate as HCO ₃	598	549		
Supersaturation as CaCO ₃				
Undersaturation as CaCO ₃				
Total Hardness as CaCO ₃	7,800	7,700		
Calcium as Ca	2,400	2,440		
Magnesium as Mg	437	389		
Sodium and/or Potassium	18,814	18,361		
Sulfate as SO ₄	2,076	2,034		
Chloride as Cl	32,660	31,950		
Iron as Fe	12.4	5.4		
Barium as Ba				
Turbidity, Electric				
Color as Pt.				
Total Solids, Calculated	56,985	55,723		
Temperature, °F.				
Carbon Dioxide, Calculated				
Dissolved Oxygen				
Hydrogen Sulfide	0.0	0.0		
Resistivity, ohms/m at 77° F.	0.146	0.149		
Suspended Oil				
Filtrable Solids as mg/l				
Volume Filtered, ml				
Results Reported As Milligrams Per Liter				
Additional Determinations And Remarks				
These results show no significant changes in the water from well #1				
as compared to sample taken 8/7/08. Well #2 shows substantially lower sodium, sulfate and chloride levels				
than was seen on the sample from this well taken 8/7/08. At this time both samples show very similar salt levels				
and ratios.				

Form No. 3

By

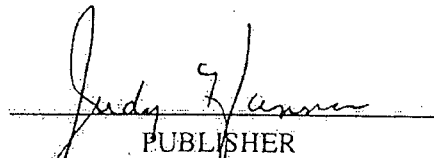
Greg Ogden, B.S.

Affidavit of Publication

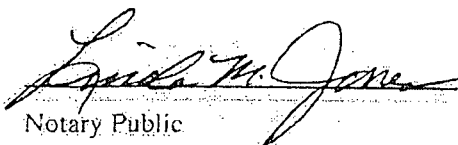
State of New Mexico,
County of Lea.

I, JUDY HANNA
PUBLISHER
of the Hobbs News-Sun, a
newspaper published at Hobbs, New
Mexico, do solemnly swear that the
clipping attached hereto was
published in the regular and entire
issue of said newspaper, and not a
supplement thereof for a period

of 1 issue(s).
Beginning with the issue dated
April 25, 2010
and ending with the issue dated
April 25, 2010


PUBLISHER

Sworn and subscribed to before me
this 27th day of
April, 2010


Notary Public

My commission expires
June 16, 2013
(Seal)



This newspaper is duly qualified to
publish legal notices or
advertisements within the meaning of
Section 3, Chapter 167, Laws of
1937 and payment of fees for said
publication has been made.

LEGAL LEGAL

LEGAL
APRIL 25, 2010
NOTICE

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

STATE OF NEW MEXICO TO: All persons, owners,
producers, operators, purchasers, and takers of oil and
gas, and all other interested persons, particularly in Lea
County, New Mexico:

NOTICE IS HEREBY GIVEN: That B.C. Operating, Inc.
located at 303 Veterans Air Park Lane Suite 6101, Midland,
TX 79705, attention Jason Wacker (432) 684-9696 is re-
questing that the Oil Conservation Commission, pursuant to
NM Rule 19.15.26.B administratively authorize the approval
of the injection of produced saltwater for enhanced recov-
ery into the following well:

South Denton "6" State #2
API #30-025-39734
Unit D; Section 6, Township 16S; Range 38E
330 FNL & 330 FWL
9 miles due East of Lovington on County Road 83

Injection Zone and Interval: San Andres
6400'-6450'

Injection Pressure and Rate: 1280 psi and 2500 BWPD

OBJECTIONS may be filed with the Oil Conservation
Division within fifteen (15) days after the publication of this
notice. Objections, if any, should be mailed to Oil Conser-
vation Division, 1220 South St. Francis Dr., Santa Fe, New
Mexico 87505.
#25803

67106074

00050647

BC OPERATING INC
PO BOX 30820
MIDLAND, TX 79710

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-101
June 16, 2008

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

RECEIVED
APR 12 2010
HOBBSOCD

Permit to appropriate District Office

☐ AMENDED REPORT

**APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN,
PLUGBACK, OR ADD A ZONE**

¹ Operator Name and Address BC OPERATING, INC P.O. BOX 50820 MIDLAND, TX 79710		² OGRID Number 160825
		³ API Number 30 - 025 - 39734
³ Property Code 38111	³ Property Name SOUTH DENTON "6" STATE	⁶ Well No. 002
⁹ Proposed Pool 1 SWD; SAN ANDRES		¹⁰ Proposed Pool 2

Surface Location

UL or lot no. D.	Section 6	Township 16S	Range 38E	Lot 1dn 5	Feet from the 330	North/South line N	Feet from the 330	East/West line W	County LEA
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Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot 1dn	Feet from the	North/South line	Feet from the	East/West line	County
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Additional Well Information

¹¹ Work Type Code NEW WELL	¹² Well Type Code C02	¹³ Cable/Rotary	¹⁴ Lease Type Code STATE	¹⁵ Ground Level Elevation 3781'
¹⁶ Multiple N	¹⁷ Proposed Depth 6500'	¹⁸ Formation SAN ANDRES	¹⁹ Contractor	²⁰ Spud Date

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12 1/4"	8 5/8"	32	2025'	600	Surface
7 7/8"	5 1/2"	15.5	6500'	900	Surface

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

**Permit Expires 2 Years From Approval
Date Unless Drilling Underway**

Per SH

Proposed Blowout Prevention Program
Type: Double Ram
Working Pressure: 5000
Test Pressure: 5000
Manufacturer: 3M

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature:

Printed name:

STAR L. HARRELL

Title:

REGULATORY ANALYST

E-mail Address:

sharrell@blackoakres.com

Date:

4/9/10

Phone:

432-684-9696

Approved by:

Title:

PETROLEUM ENGINEER

Approval Date:

APR 15 2010

Expiration Date:

Condition of Approval: Notify OCD Hobbs office 24 hours prior to running MIT Test & Chart.

Condition of Approval: Approval to recomplete and Test each zone for injection, but cannot inject into wellbore until OCD Santa Fe approves injection order.

DISTRICT I
1925 N. Fernob Dr., Hobbs, NM 88240

DISTRICT II
1301 T. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised October 15, 2009
Submit one copy to appropriate
District Office

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-025-39734	Pool Code 90121	Pool Name SWD; San Andres
Property Code 38111	Property Name SOUTH DENTON "6" STATE	Well Number 2 SWD
OGRID No. 140825	Operator Name BC OPERATING	Elevation 3781'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
D	6	16 S	38 E		330	NORTH	330	WEST	LEA

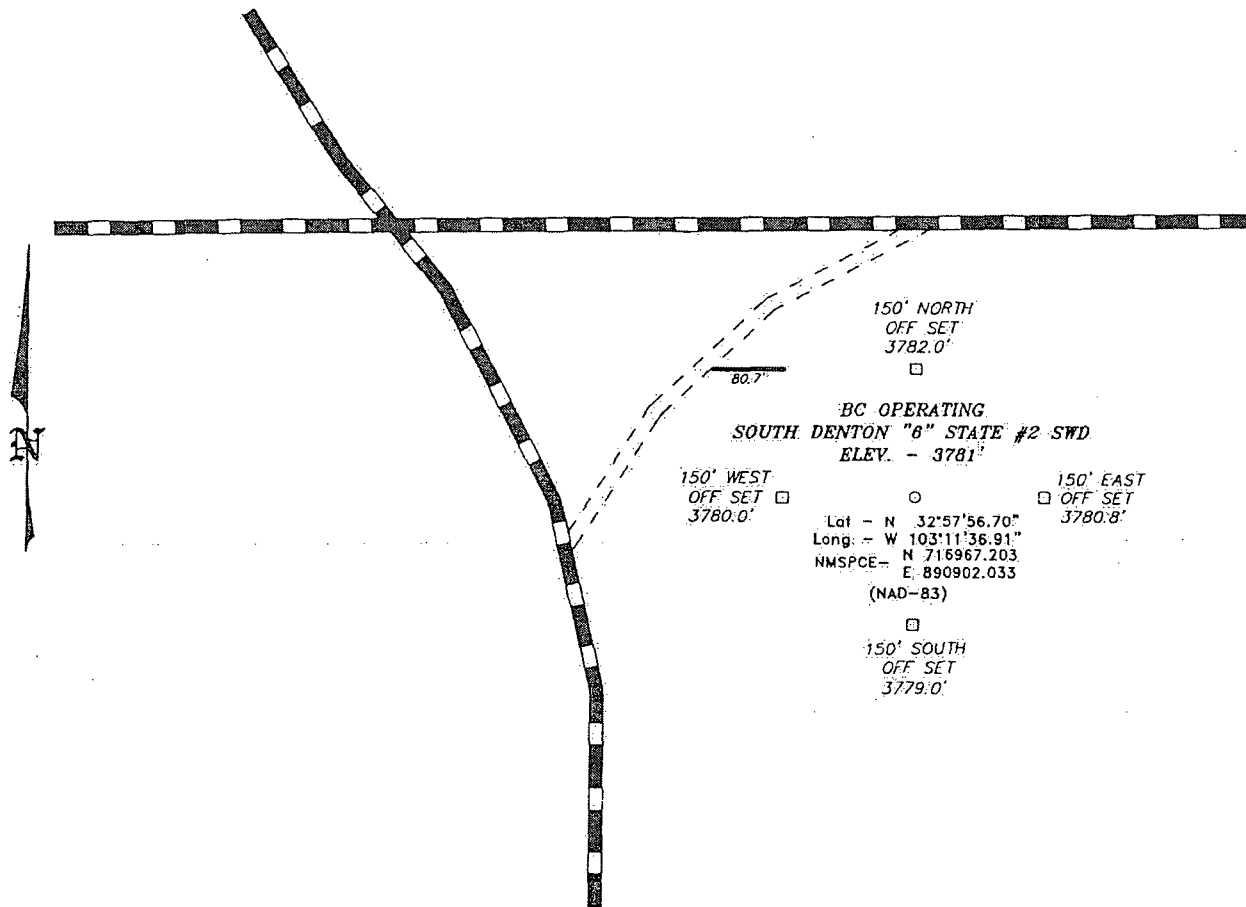
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

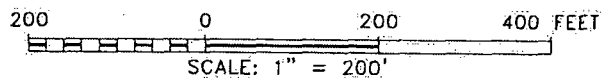
<p>SURFACE LOCATION Lat - N 32°57'56.70" Long - W 103°11'38.91" NMSPC - N 716967.203 E 890902.033 (NAD-83)</p>	OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. Signature Date 4/13/10 Star L. Harrell Printed Name
	SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief. Date Surveyed Signature Professional Surveyor Certificate No. Cory L. Jones 7977 BASIN SURVEYS

SECTION 6, TOWNSHIP 16 SOUTH, RANGE 38 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.



Directions to Location:

AT THE JUNCTION OF MIDWAY AND PRAIRIE VIEW,
LOOK SOUTHEASTERLY AND THERE LIES THE
PROPOSED LOCATION.



BC OPERATING

REF: SOUTH DENTON "6" STATE #2 SWD / WELL PAD TOPO

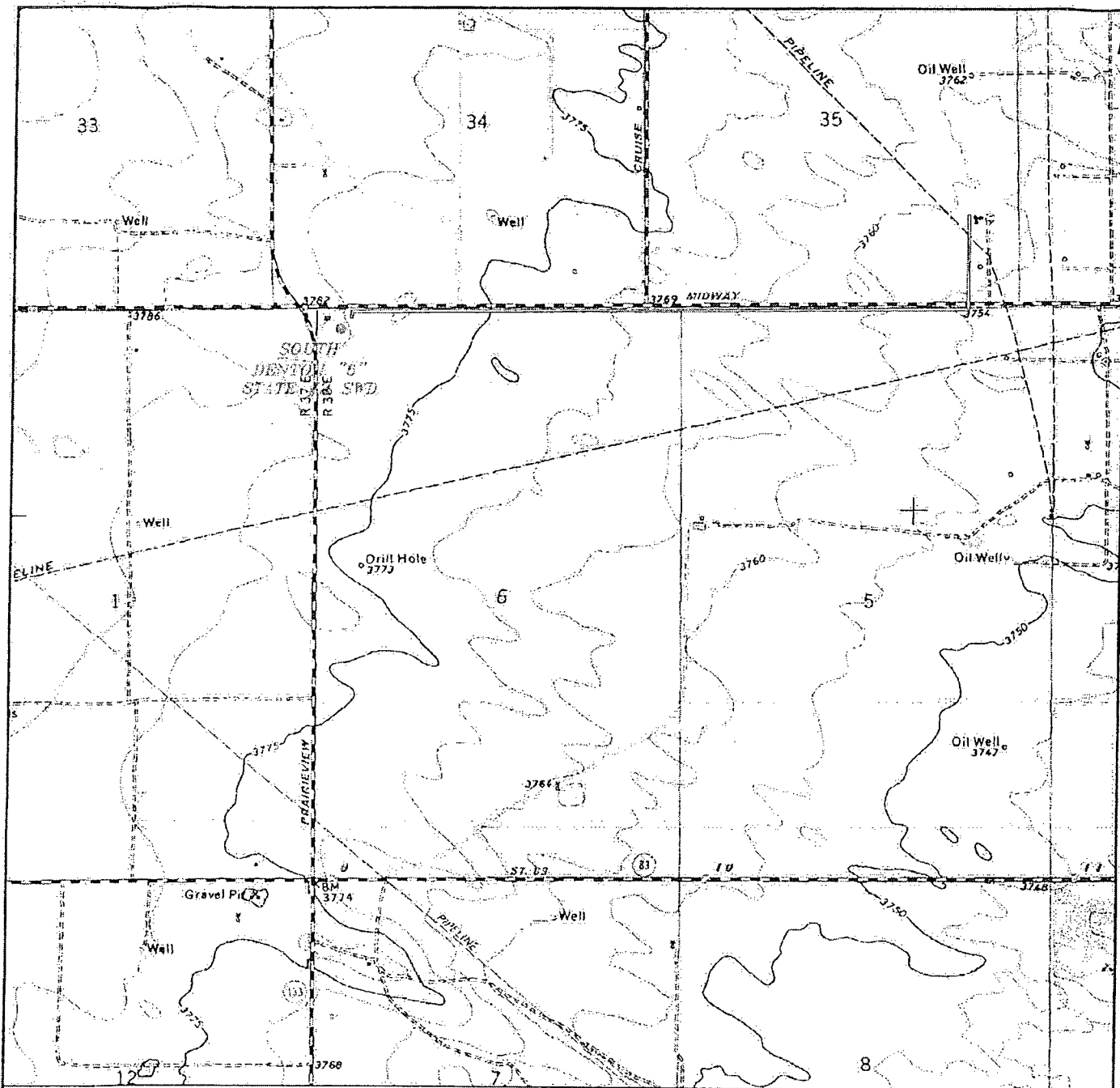
THE SOUTH DENTON "6" STATE #2 SWD LOCATED 330'
FROM THE NORTH LINE AND 330' FROM THE WEST LINE OF
SECTION 6, TOWNSHIP 16 SOUTH, RANGE 38 EAST,
N.M.P.M., LEA COUNTY, NEW MEXICO.

BASIN SURVEYS P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 22417 Drawn By: J. SMALL

Date: 03-11-2010 Disk: JMS 22417

Survey Date: 03-10-2010 Sheet 1 of 1 Sheets



SOUTH DENTON "6" STATE #2 SWD
 Located 330' FNL and 330' FWL
 Section 6, Township 16 South, Range 38 East,
 N.M.P.M., Lea County, New Mexico.



focused on excellence
 in the oilfield

P.O. Box 1756
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (575) 393-7316 - Office
 (575) 392-2206 - Fax
 basinsurveys.com

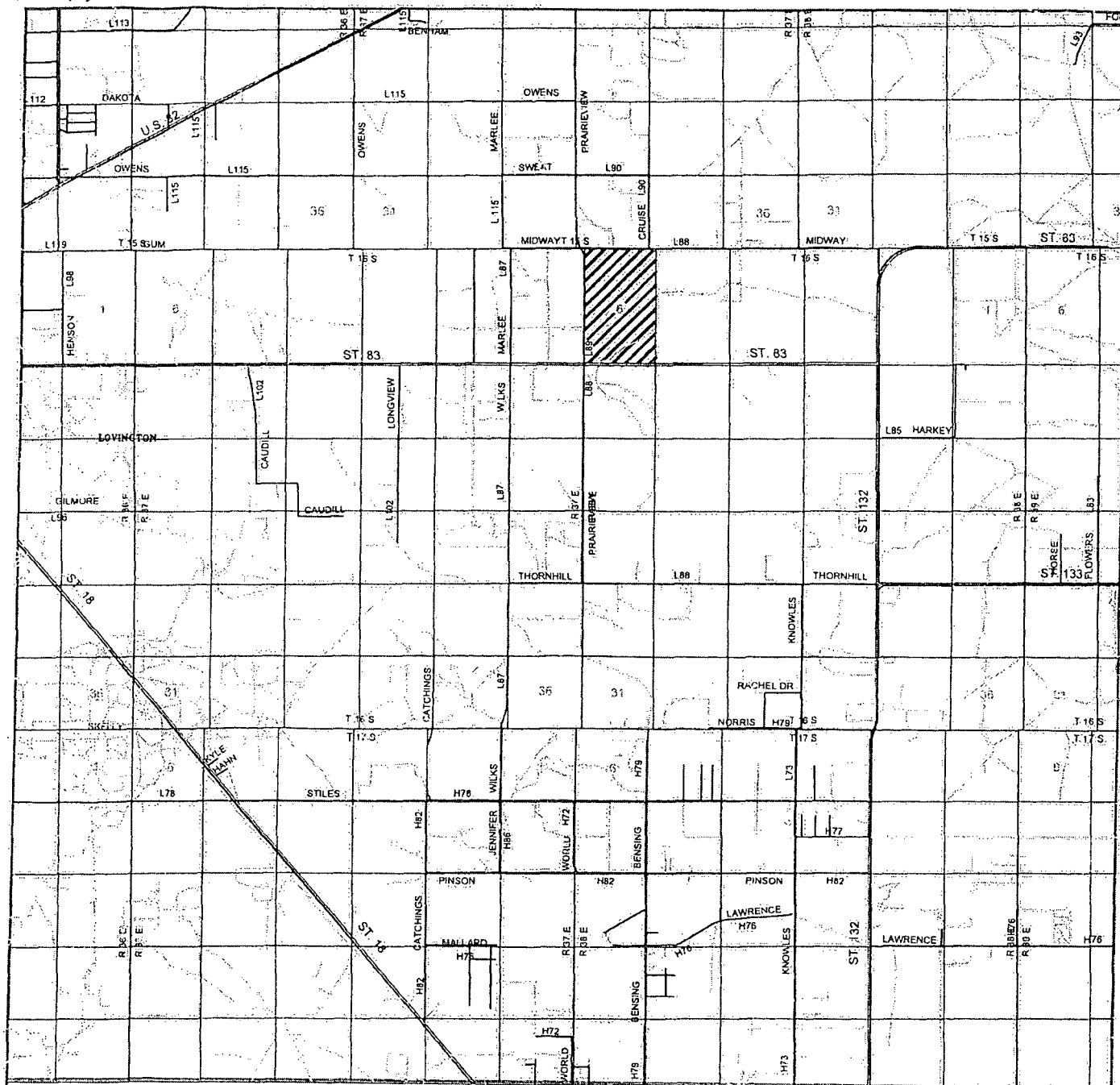
W.O. Number: JMS 22417

Survey Date: 03-10-2010

Scale: 1" = 2000'

Date: 03-11-2010

BC OPERATING



SOUTH DENTON "6" STATE #2 SWD
 Located 330' FNL and 330' FWL
 Section 6, Township 16 South, Range 38 East,
 N.M.P.M., Lea County, New Mexico.



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 basin-surveys.com

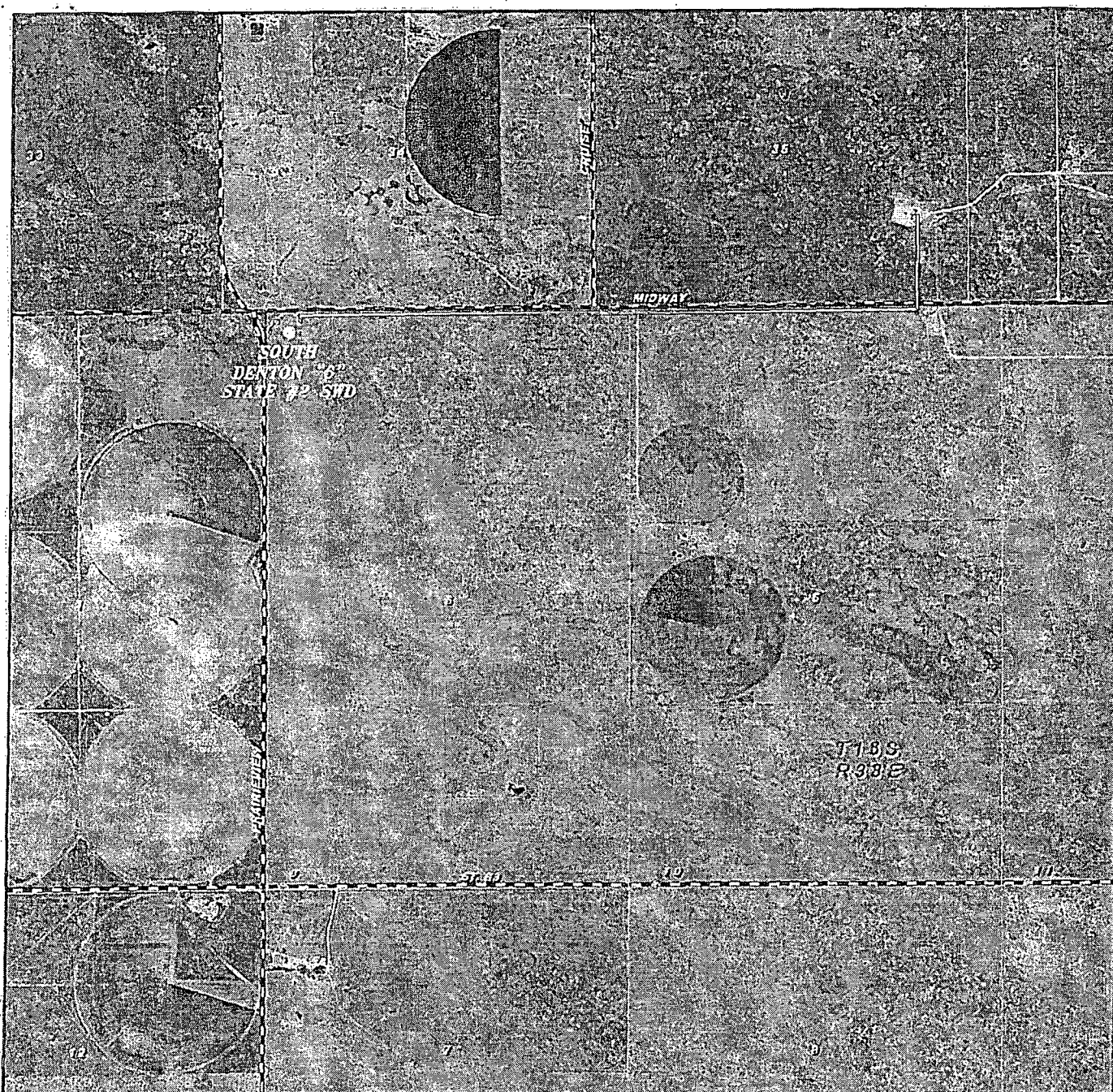
W.O. Number: JMS 22417

Survey Date: 03-10-2010

Scale: 1" = 2 Miles

Date: 03-11-2010

BC OPERATING



SOUTH DENTON "6" STATE #2 SWD
 Located 330' FNL and 330' FWL
 Section 6, Township 16 South, Range 38 East,
 N.M.P.M., Lea County, New Mexico.



focused on excellence
 in the oilfield

P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (575) 393-7316 - Office
 (575) 392-2206 - Fax
 basinsurveys.com

W.O. Number: JMS 22417

Scale: 1" = 2000'

YELLOW TINT - USA LAND
 BLUE TINT - STATE LAND
 NATURAL COLOR - FEE LAND

BC OPERATING

District I
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District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources
Department
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144 CLEZ
July 21, 2008

For closed-loop systems that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, submit to the appropriate NMOC District Office.

Closed-Loop System Permit or Closure Plan Application

(that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure)

Type of action: ☒ Permit ☐ Closure

Instructions: Please submit one application (Form C-144 CLEZ) per individual closed-loop system request. For any application request other than for a closed-loop system that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, please submit a Form C-144.

Please be advised that approval of this request does not relieve the operator of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve the operator of its responsibility to comply with any other applicable governmental authority's rules, regulations or ordinances.

1. Operator: BC Operating, Inc. OGRID #: 160825
Address: P.O. Box 50820, Midland, TX 79710-0820
Facility or well name: South Denton "6" State #2 SWD
API Number: 30-025-39734 OCD Permit Number: P1-D1942
U/L or Qtr/Qtr D Section 6 Township 16S Range 38E County Lea
Center of Proposed Design: Latitude _____ Longitude _____ NAD: ☐ 1927 ☐ 1983
Surface Owner: ☐ Federal ☒ State ☐ Private ☐ Tribal Trust or Indian Allotment

2. ☒ Closed-loop System: Subsection H of 19.15.17.11 NMAC
Operation: ☒ Drilling a new well ☐ Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) ☐ P&A
☐ Above Ground Steel Tanks or ☐ Haul-off Bins

3. Signs: Subsection C of 19.15.17.11 NMAC
☒ 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers
☐ Signed in compliance with 19.15.3.103 NMAC

4. Closed-loop Systems Permit Application Attachment Checklist: Subsection B of 19.15.17.9 NMAC
Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached:
☒ Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
☒ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
☐ Closure Plan (Please complete Box 5) - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC
☒ Previously Approved Design (attach copy of design) API Number: 30-025-39076
☒ Previously Approved Operating and Maintenance Plan API Number: 30-025-39076

5. Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only: (19.15.17.13.D NMAC)
Instructions: Please identify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings. Use attachment if more than two facilities are required.
Disposal Facility Name: Controlled Recovery, Inc. Disposal Facility Permit Number: NM01-0006
Disposal Facility Name: _____ Disposal Facility Permit Number: _____
Will any of the proposed closed-loop system operations and associated activities occur on or in areas that will not be used for future service and operations?
☐ Yes (If yes, please provide the information below) ☐ No
Required for impacted areas which will not be used for future service and operations:
☐ Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

6. Operator Application Certification:
I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.
Name (Print): Star L. Harrell Title: Regulatory Analyst
Signature: [Signature] Date: 4/14/10
e-mail address: sharrell@blackoakres.com Telephone: 432-684-9696 X 253

7. **OCD Approval:** ☒ Permit Application (including closure plan) ☐ Closure Plan (only).

OCD Representative Signature: *[Signature]* Approval Date: 04/15/2010
Geologist

Title: _____ OCD Permit Number: P1-01942

8. **Closure Report (required within 60 days of closure completion):** Subsection K of 19:15:17.13 NMAC
Instructions: Operators are required to obtain an approved closure plan prior to implementing any closure activities and submitting the closure report. The closure report is required to be submitted to the division within 60 days of the completion of the closure activities. Please do not complete this section of the form until an approved closure plan has been obtained and the closure activities have been completed.

☐ Closure Completion Date: _____

9. **Closure Report Regarding Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:**
Instructions: Please identify the facility or facilities for where the liquids, drilling fluids and drill cuttings were disposed. Use attachment if more than two facilities were utilized.

Disposal Facility Name: _____ Disposal Facility Permit Number: _____
 Disposal Facility Name: _____ Disposal Facility Permit Number: _____

Were the closed-loop system operations and associated activities performed on or in areas that will not be used for future service and operations?
☐ Yes (If yes, please demonstrate compliance to the items below) ☐ No

Required for impacted areas which will not be used for future service and operations:

☐ Site Reclamation (Photo Documentation)
☐ Soil Backfilling and Cover Installation
☐ Re-vegetation Application Rates and Seeding Technique

10. **Operator Closure Certification:**
 I hereby certify that the information and attachments submitted with this closure report is true, accurate and complete to the best of my knowledge and belief. I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure plan.

Name (Print): Star L. Harrell Title: _____ Regulatory Analyst _____
 Signature: *[Signature]* Date: 4-14-10
 e-mail address: sharrell@blackoakres.com Telephone: 432-684-9696 X.253

BC Operating, Inc. Closed Loop System

Design Plan

Equipment List

- 2 - 414 MI Swaco *Centrifuges*
 - 2 - MI Swaco 4 screen *Moongoose Shale Shakers*
 - 2 - double screen *Shakers* with rig inventory
 - 2 - CRI *Haul off bins* with track system
 - 2 - additional 500bbl *Frac tanks* for fresh and brine water
 - 2 - 500bbl *water tanks* with rig inventory
- * *Equipment manufactures may vary due to availability but components will not.*

Operation and Maintenance

The system along with equipment will be inspected numerous times a day by each four to make sure all equipment is operating correctly. Routine maintenance will be done to keep system running properly. Any leak in system will be repaired and/or contained immediately and the OCD notified within 48 hours of the remediation process start.

Closure Plan

While drilling all cuttings and fluids associated with drilling will be hauled off and disposed of via Controlled Recovery Incorporated facilities Permit R-9166/ND1-0006

South Denton 6 State WBD

LEASE & WELL NO. South Denton "6" State
FIELD NAME SWD; San Andres
LOCATION 330' FNL & 330' FWL, Sec 6, T16S, R38E

Also Known As: _____
COUNTY & STATE Lea Co., New Mexico
API NO. 30-025-39734

K.B. ELEV. _____
D.F. ELEV. _____
GROUND LEVEL 3781'

CURRENT COMPLETION

Formation Tops MD

San Andres 5200'
Glorieta 6500'

SURFACE CASING
SIZE 13-3/8" WEIGHT 48.0# DEPTH 2025'
GRADE J-55 SX. CMT. 500 sx TOC @ Surf
INTERMEDIATE CASING
SIZE 8-5/8" WEIGHT 32.0# DEPTH 3500'
GRADE _____ SX. CMT. 500 sx TOC @ Surf

WELL HISTORY

COMPLETION DATE: _____

TUBING DETAIL
← 2-7/8" Tubing

PRODUCTION CASING
SIZE 5-1/2" WEIGHT 15.5# DEPTH 6500'
GRADE _____ SX. CMT. 900 sx TOC @ Surf
PBTD @ _____
TD @ 6500'

Baker Lok-set packer @ 6300'

4/22/2010

HJW