

District I
 625 N. French Dr., Hobbs, NM 88240
 Phone: (575) 393-6161 Fax: (575) 393-0720
 District II
 811 S. First St., Artesia, NM 88210
 Phone: (575) 748-1283 Fax: (575) 748-9720
 District III
 1000 Rio Brazos Road, Aztec, NM 87410
 Phone: (505) 334-6178 Fax: (505) 334-6170
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505
 Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
 Energy Minerals and Natural Resources

Form C-101
 Revised December 16, 2011

Oil Conservation Division

HOBBS OCD

Permit

1220 South St. Francis Dr.

Santa Fe, NM 87505

MAR 27 2013

RECEIVED

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

| | | |
|---|--------------------------------|----------------------------|
| Operator Name and Address BC Operating, Inc. P.O. Box 50820 Midland, Texas 79710 | | OGRID Number 160825 |
| Property Code 39782 | Property Name Sims State Am | API Number 30-025 41078 |
| | | Well No. 3H |

Surface Location

| | | | | | | | | | |
|---------------|---------------|-----------------|--------------|---------|------------------|-------------------|-------------------|------------------|---------------|
| UL - Lot B | Section 34 | Township 20S | Range 35E | Lot Idn | Feet from 160 | N/S Line South | Feet From 1980 | E/W Line East | County Lea |
|---------------|---------------|-----------------|--------------|---------|------------------|-------------------|-------------------|------------------|---------------|

Pool Information

| | |
|---------------------------------|-------|
| Grama Ridge; Bone Spring, North | 28434 |
|---------------------------------|-------|

Additional Well Information

| | | | | |
|-----------------------|--|--|-------------------------|-----------------------------------|
| Work Type New Well | Well Type Oil | Cable/Rotary Rotary | Lease Type Fee State | Ground Level Elevation 3709' |
| Multiple No | Proposed Depth 10,250' TVD/15,000' MD | Formation Bone Spring | Contractor TBD | Spud Date TBD |
| Depth to Ground water | | Distance from nearest fresh water well | | Distance to nearest surface water |

Proposed Casing and Cement Program

| Type | Hole Size | Casing Size | Casing Weight/ft | Setting Depth | Sacks of Cement | Estimated TOC |
|--------------|-----------|-------------|------------------|---------------|-----------------|---------------|
| Surface | 17 1/2" | 13 3/8" | 54.5# | 1850' | 1450 | 0' |
| Intermediate | 12 1/4" | 9 5/8" | 36# | 5700' | 1250 | 0' |
| Production | 8 3/4" | 5 1/2" | 17# | 15,000' | 2000 | 0' |

Casing/Cement Program: Additional Comments

This will be a horizontal well w/BHL Unit N, Sec. 34, T-20S, R-35E, 240' FNL & 1980' FWL in Lea County.

Proposed Blowout Prevention Program

| | | | |
|--------------------|------------------|---------------|------------------|
| Type | Working Pressure | Test Pressure | Manufacturer |
| Double Ram Annular | 3000# | 2000# | Hydrill/Shaeffer |

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

I further certify that the drilling pit will be constructed according to NMOCD guidelines ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Signature: Pam Stevens

Printed name: Pam Stevens

Title: Regulatory Analyst

E-mail Address: pstevens@bcoperating.com

Date: 03/25/13

Phone: 432-684-9696

OIL CONSERVATION DIVISION

Approved By:

Title:

Approved Date:

Expiration Date:

Permit Expires 2 Years From Approval Date Unless Drilling Underway

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

HOBBS OCD

State of New Mexico

Energy, Minerals & Natural Resources Department

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

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

MAR 27 2013

OIL CONSERVATION DIVISION

1220 South St. Frances Dr.

Santa Fe, NM 87505

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

RECEIVED

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------------|--|---|
| API Number 30025-41078 | Pool Code 28434 | Pool Name Grama Ridge; Bone Spring, North |
| Property Code 39782 | Property Name SIMS State Com | Well Number 3-H |
| GRID No. 160825 | Operator Name BC OPERATING, INC. | Elevation 3709' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| B | 34 | 20-S | 35-E | | 160 | SOUTH | 1980 | EAST | 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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| 0 | 34 | 20-S | 35-E | | 240 | NORTH | 1980 | EAST | LEA |

| Dedicated Acres | Joint or Infill | Consolidation Code | Order No. |
|-----------------|-----------------|--------------------|-----------|
| 160 | | | |

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>NOTE:</p> <p>1) Plane Coordinates and Bearings shown hereon are Transverse Mercator Grid and Conform to the "New Mexico Coordinate System", New Mexico East Zone, North American Datum of 1927. Distances shown hereon are mean horizontal surface values.</p> | <p>240'</p> <p>(BHL) Plane Coordinate X = 774,541.3 Y = 559,893.3</p> | <p>1980'</p> |
| | <p>4887.4'</p> | |
| | <p>N 0°27'05" W</p> | |
| | <p>160'</p> | <p>1980'</p> |

OPERATOR CERTIFICATION

I hereby certify 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 unleased 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.

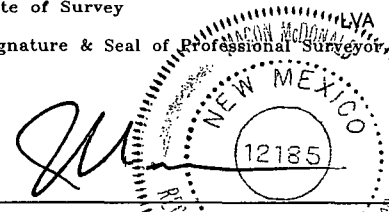
Pam Stevens 3/25/13
Signature Date

Pam Stevens
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.

March 19, 2013
Date of Survey

Signature & Seal of Professional Surveyor


W.O. Num. 2013-0455

Certificate No. MACON McDONALD 12185