

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 333-6161 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
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-101
Revised December 16, 2011

HOBBS OCD

Permit

JUL 09 2014

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 40445		API Number 30-025-42066
Property Name Abe State		Well No. 2H

Surface Location

UL - Lot B-P	Section 3229	Township 21S	Range 33E	Lot Idn	Feet from 240 185	N/S Line North	Feet From 1980 360	E/W Line East	County Lea
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Pool Information

WC-025 G-07	S213330E	BONE SPRING	97927
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Additional Well Information

Work Type New Well	Well Type Oil	Cable/Rotary Rotary	Lease Type State	Ground Level Elevation 3727'
Multiple No	Proposed Depth 16,850'	Formation Bone Spring	Contractor TBD	Spud Date 09/01/14
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#	1700'	1450	0'
Intermediate	12 1/4"	9 5/8"	40#	5300'	1650	0'
Production	8 3/4"	5 1/2"	17#	16,850'	2500	0'

Casing/Cement Program: Additional Comments

This will be a horizontal well w/BHL Unit B, Sec. 29, T-21S, R-33E, 240' FNL & 1980' FEL in Lea County.

Proposed Blowout Prevention Program

Type Double Ram Annular	Working Pressure 3000#	Test Pressure 2000#	Manufacturer 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 <input checked="" type="checkbox"/> , a general permit <input type="checkbox"/> , or an (attached) alternative OCD-approved plan <input checked="" type="checkbox"/> .		OIL CONSERVATION DIVISION Approved By:  Title: Petroleum Engineer	
Signature: Pam Stevens Printed name: Pam Stevens Title: Regulatory Analyst		Approved Date: 07/10/14 Expiration Date: 07/10/16	
E-mail Address: pstevens@bcoperating.com			
Date: 07/07/14	Phone: 432-684-9696		

AUG 26 2014

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

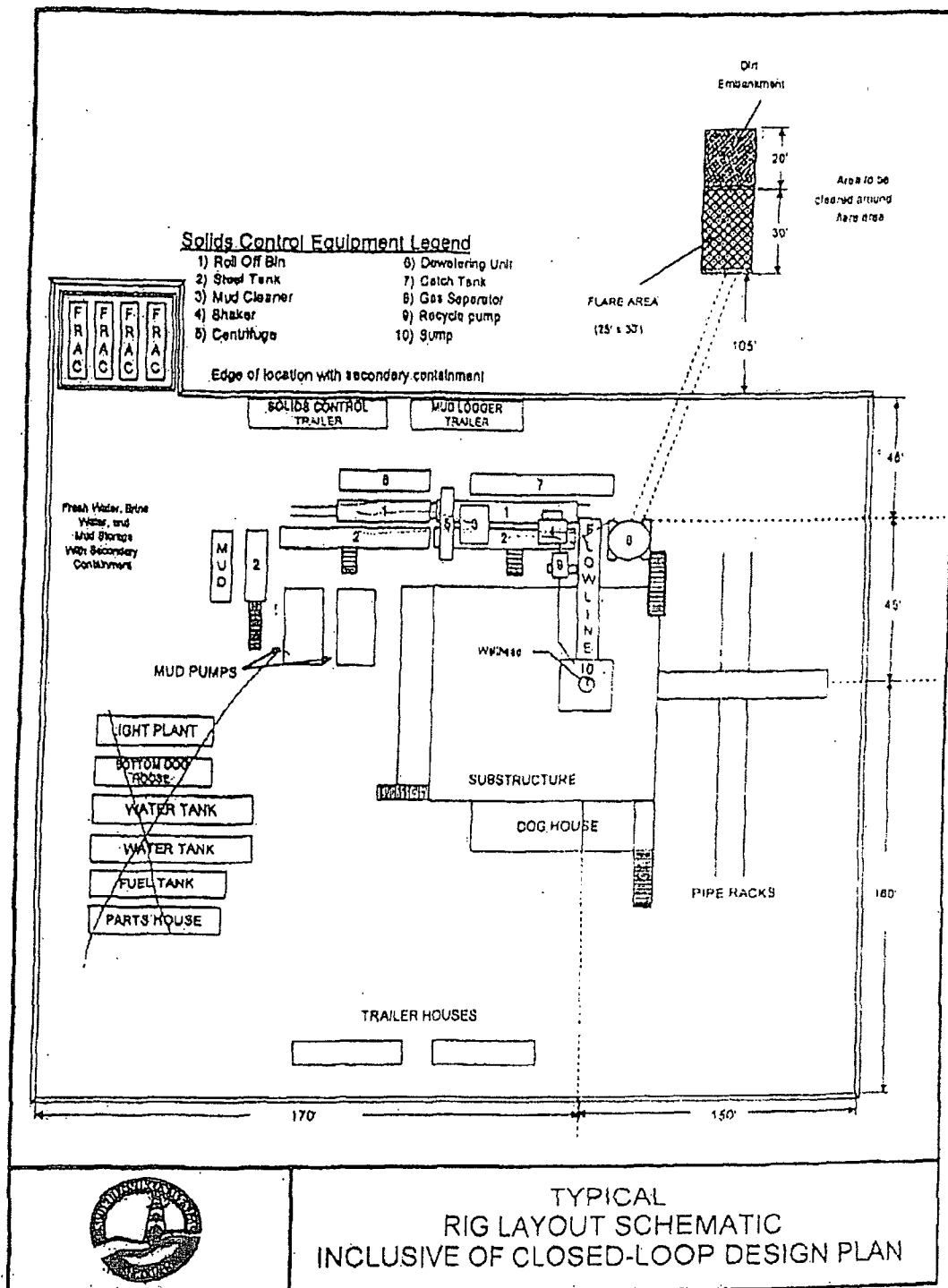
**Equipment manufactures may vary due to availability but components will not.*

Operation and Maintenance

The system along with equipment will be inspected numerous times a day by each tour 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 NM01-0006.



TYPICAL
RIG LAYOUT SCHEMATIC
INCLUSIVE OF CLOSED-LOOP DESIGN PLAN