

ABOVE THIS LINE FOR DMSION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location]** **[NSP-Non-Standard Proration Unit]** **[SD-Simultaneous Dedication]**
- [DHC-Downhole Commingling]** **[CTB-Lease Commingling]** **[PLC-Pool/Lease Commingling]**
- [PC-Pool Commingling]** **[OLS - Off-Lease Storage]** **[OLM-Off-Lease Measurement]**
- [WFX-Waterflood Expansion]** **[PMX-Pressure Maintenance Expansion]**
- [SWD-Salt Water Disposal]** **[IPI-Injection Pressure Increase]**
- [EOR-Qualified Enhanced Oil Recovery Certification]** **[PPR-Positive Production Response]**

NSL-7427

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

BC OPERATING, INC [160825]

API# 30-015-42733

NAME: CASE 16 STATE #2H

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

POOL: FOREHAND RANCH; WOLFCAMP (GAS)

[76780]

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

- [D] Other: Specify _____

2016 MAY 27 P 3:18
 RECEIVED OOD

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Jordan L. Kessler
 Print or Type Name

Jordan L. Kessler
 Signature

Attorney
 Title

5/27/16
 Date

jlkessler@hollandhart.com
 e-mail Address

HOLLAND & HART^{LLP}



Jordan L. Kessler
Associate
Phone (505) 988-4421
Fax (505) 983-6043
jlkessler@hollandhart.com

May 27, 2016

VIA HAND DELIVERY

David Catanach
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

RECEIVED OGD
2016 MAY 27 P 3:18

Re: Application of BC Operating, Inc. for administrative approval of an unorthodox well location for its Cass 16 State No. 2H Well to be located in the N/2 of Section 16, Township 23 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

Dear Mr. Catanach:

BC Operating, Inc. (OGRID No. 160825) seeks administrative approval of an unorthodox well location for its **Cass 16 State No. 2H Well** to be completed within the Forehand Ranch Wolfcamp (Gas) Pool (Pool Code 76780) underlying the N/2 of Section 16, Township 23 South, Range 27 East, N.M.P.M., Eddy County, New Mexico. This well will be drilled from a surface location 1650 feet from the North line and 240 feet from the East line of Section 17, Township 23 South, Range 27 East. The upper most perforation will be 1650 feet from the North line and 330 feet from the West line of Section 16 (Unit E) and the lower most perforation will be 1650 feet from the North line and 330 feet from the East line of 16 (Unit H). Since this acreage is governed by the Division Rule 19.15.15.10.B which provides for wells in defined gas pools in Eddy County to be spaced on 320 acres and located no closer than 660 feet to the outer boundary of the spacing unit, the completed interval for this well will be unorthodox. Approval of the unorthodox completed interval will allow for efficient well spacing and prevent waste of a productive reservoir.

Exhibit A is the Well Location and Acreage Dedication Plat (Form C-102), which shows that the completed interval of the proposed **Cass 16 State No. 2H Well** encroaches on the spacing and proration units to the West and to the East.

Exhibit B is a Midland map showing an outline of the subject acreage and the surrounding sections.

Holland & Hart^{LLP}

Phone (505) 988-4421 Fax (505) 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, New Mexico 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

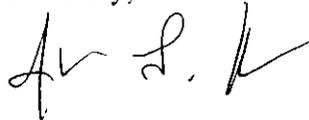
Aspen Boulder Carson City Colorado Springs Denver Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Reno Salt Lake City Santa Fe Washington, D.C. ☉

Exhibit C is a land plat for Section 16 and the surrounding sections that shows the proposed **Cass 16 State No. 2H Well** in relation to adjoining units and existing wells. Exhibit C also contains a list of the parties affected by the encroachment. A copy of this application with all attachments has been sent by certified mail to each affected party advising them that if they have an objection it must be filed in writing with the division within 20 days from the date the division receives this application. A courtesy copy of this application has also been provided to the New Mexico State Land Office.

Exhibit D is a notice of publication directed to unlocatable unknown heirs of affected interest owners.

Your attention to this matter is appreciated.

Sincerely,



Jordan L. Kessler

ATTORNEY FOR BC OPERATING, INC.

cc: New Mexico State Land Office
P.O. Box 1148
Santa Fe, NM 87504

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

District II
111 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 & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-15-42733		² Pool Code 76780	³ Pool Name FOREHAND RANCH; WOLFCAMP (GAS)
⁴ Property Code 313297	⁵ Property Name CASS 16 STATE		⁶ Well Number 2H
⁷ OGRID No. 160825	⁸ Operator Name B.C. OPERATING, INC.		⁹ Elevation 3164

" Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	17	T23S	R27E		1650'	NORTH	240'	EAST	EDDY

" 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
H	16	T23S	R27E		1650'	NORTH	240'	EAST	EDDY

¹¹ Dedicated Acres 320.00	¹² Joint or Infill	¹³ Consolidation Code	¹⁴ Order No.
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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>" OPERATOR CERTIFICATION</p> <p>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 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.</p> <p>Signature: Pam Stevens Date: 10/1/14</p> <p>Printed Name: Pam Stevens</p> <p>E-mail Address: dstevens@bcoperating.com</p>
<p>" SURVEYOR CERTIFICATION</p> <p>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.</p> <p>Date of Survey: SEPTEMBER 30, 2014</p> <p>Signature and Seal of Professional Surveyor: Lloyd P. Short</p> <p>Certificate Number: 21653</p>		
<p>SURFACE HOLE LOCATION 1650' FNL 240' FEL NAD 83, SPCS NM EAST X581189.42' / Y475666.16' LAT32.30761341N / LDM104.20435429W NAD 27, SPCS NM EAST X540003.33' / Y475607.32' LAT32.30749431N / LDM104.20385422W</p>	<p>LAST TAKE POINT 1650' FNL 330' FEL NAD 83, SPCS NM EAST X586381.09' / Y475825.03' LAT32.30803182N / LDM104.18753638W NAD 27, SPCS NM EAST X545198.92' / Y475766.12' LAT32.30791268N / LDM104.18703693W</p>	<p>CORNER COORDINATES NAD 27, SPCS NM EAST A - Y: 477257.62' / X: 540238.91' B - Y: 477427.41' / X: 545525.10' C - Y: 474714.11' / X: 545531.33' D - Y: 474602.50' / X: 540245.92'</p>
<p>FIRST TAKE POINT 1650' FNL 330' FVL NAD 83, SPCS NM EAST X581733.34' / Y475676.39' LAT32.30763963N / LDM104.20350953W NAD 27, SPCS NM EAST X540573.24' / Y475617.55' LAT32.30752070N / LDM104.20200953W</p>	<p>BOTTOM HOLE LOCATION 1650' FNL 240' FEL NAD 83, SPCS NM EAST X586471.08' / Y475827.92' LAT32.30803943N / LDM104.18724508W NAD 27, SPCS NM EAST X545288.91' / Y475769.01' LAT32.30792026N / LDM104.18674564W</p>	



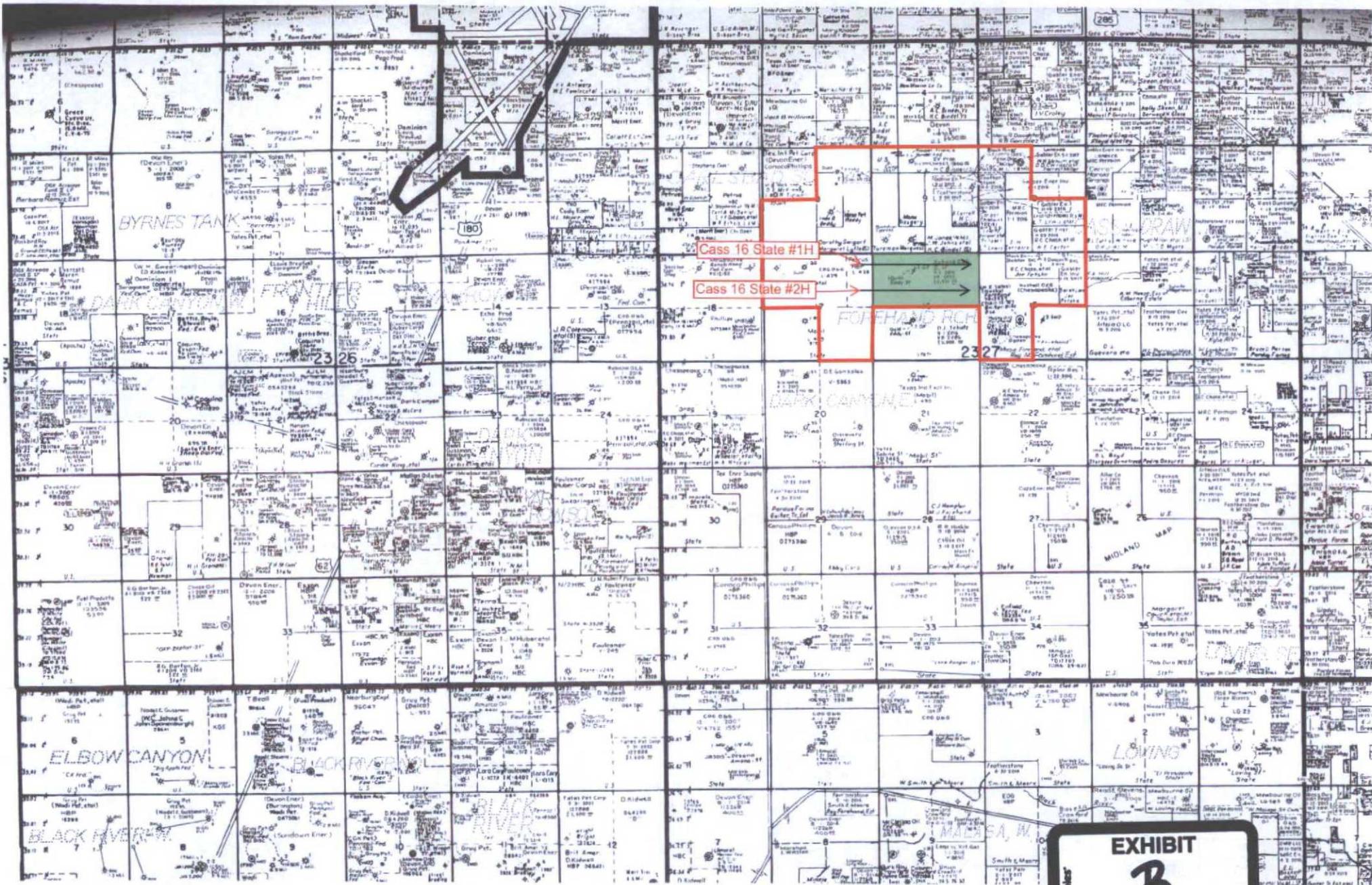


EXHIBIT
B

Offset Tracts That Need Notification

BC Operating, Inc. Tract

Unaffected Tracts

Cass 16 State #1H

→

SHL: 330' FNL & 240' FEL, 17-T23S-27E
 BHL: 330' FNL 240' FEL, 16-T23S-27E

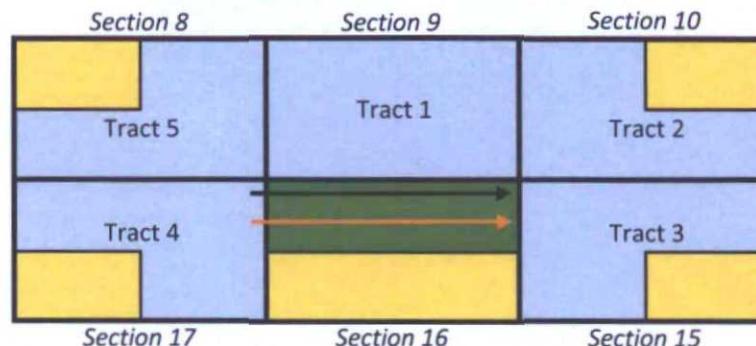
First Take Point: 330' FNL & 330' FWL, 16-T23S-R27E

Cass 16 State #2H

→

SHL: 1650' FNL & 240' FEL, 17-T23S-27E
 BHL: 1650' FNL 240' FEL, 16-T23S-27E

First Take Point: 1650' FNL & 330' FWL, 16-T23S-R27E



<u>Tract 1 Ownership:</u>		TRACKING NUMBER INFORMATION
Merit Management Partners IV, L.P. 13727 Noel Road, Suite 500 Dallas, Texas 75240	SENE, NESE (100%)	7015 3010 0001 8827 3127
	SWNE, SESE, W2SE (100%)	
	SWNW, NWSW, S2SW (100%)	
	SENW, NESW (100%) N2N2 (100%)	
<u>Tract 2 Ownership:</u>		TRACKING NUMBER INFORMATION
Chase Oil Corporation 11344 Lovington Hwy. Artesia, New Mexico 88210	S2SE (64.166667%)	7015 3010 0001 8827 3134
	W2SW (17.708334%)	
	E2SW (85%)	
Robert Chase P.O. Box 297 Artesia, New Mexico 88211	S2SE (5%)	7015 3010 0001 8827 3141
	W2SW (1.041667%)	
	E2SW (5%)	



Ventana Minerals LLC P.O. Box 359 Artesia, New Mexico 88211	S2SE (5%) W2SW (1.041667%) E2SW (5%)	7015 3010 0001 8827 3158
DiaKan Minerals LLC P.O. Box 693 Artesia, New Mexico 88211	S2SE (5%) W2SW (1.041667%) E2SW (5%)	7015 3010 0001 8827 3165
BC Operating, Inc. P.O. Box 50820 Midland, Texas 79701	S2SE (20.833333%)	NOT APPLICABLE
MRC Permian Company 5400 LBJ Freeway, Suite 1500 Dallas, Texas 75240	SENE (100%) N2NW, SWNW (100%) N2SE (100%) W2SW (79.166666%)	7015 3010 0001 8827 3172
<u>Tract 3 Ownership:</u>		
Chase Oil Corporation 11352 Lovington Highway Artesia, NM 88210	E2NE (48.875%) NENW, NWNE (85%)	7015 3010 0001 8827 3134
Robert Chase P.O. Box 297 Artesia, New Mexico 88211	E2NE (2.875%) NENW, NWNE (5%)	7015 3010 0001 8827 3141
DiaKan Minerals LLC P.O. Box 693 Artesia, New Mexico 88211	E2NE (2.875%) NENW, NWNE (5%)	7015 3010 0001 8827 3165
Ventana Minerals LLC P.O. Box 359 Artesia, New Mexico 88211	E2NE (2.875%) NENW, NWNE (5%)	7015 3010 0001 8827 3158
Tritex Energy A, LP 15455 Dallas Parkway, Suite 600 Addison, Texas 75001	SWNE, NWNW, S2NW (100%) SW (100%)	7015 3010 0001 8827 3196
Charlie Thomas Stewart Unknown Heirs	E2NW (2.5%)	PUBLISHED NOTICE
Austin E. Stewart Unknown Heirs	E2NW (20%)	PUBLISHED NOTICE

Blanche M. Stewart	E2NW (20%)	PUBLISHED NOTICE
Unknown Heirs		
<u>Tract 4 Ownership:</u>		
Mobil Producing Texas & NM Inc. P.O. Box 2305 Houston, Texas 77252	Lessee of Record - L0-0428 (E2SE - 100%) Lessee of Record - L0-0429 (NW, W2NE, S2 -100%)	7015 3010 0001 8827 3202
<u>Tract 5 Ownership:</u>		
ConocoPhillips Company P.O. Box 7500 Bartlesville, Oklahoma 74005	Lessee of Record - BLM NMNM 0 540701A (SW)	7015 3010 0001 8827 3219
Merit Management Partners IV, LP 13727 Noel Road, #500 Dallas, Texas 75240	N2NE (91.666666%) SENE, NESE, S2SE (91.666666%) SWNE, NWSE (100%)	7015 3010 0001 8827 3127
BC Operating, Inc. P.O. Box 50820 Midland, Texas 79701	N2NE (8.333333%) SENE, NESE, S2SE (8.333333%)	NOT APPLICABLE

Affidavit of Publication

State of New Mexico,
County of Eddy, ss.

Erin CoatsSmith, being first duly sworn, on oath says:

That she is the Publisher of the Carlsbad Current-Argus, a newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements may be published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in supplement thereof on the date as follows, to wit:

May 10 2016

That the cost of publication is \$73.49 and that payment thereof has been made and will be assessed as court costs.

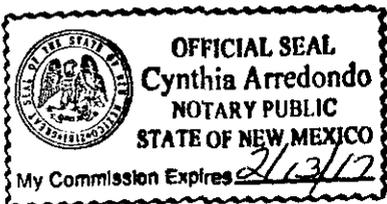
Erin CoatsSmith

Subscribed and sworn to before me this 18 day of May, 2016

Cynthia Arredondo

My commission Expires 2/13/17

Notary Public



May 10, 2016
To: Charlie Thomas Stewart, his heirs and devisees, Austin E. Stewart, his heirs and devisees, Blanche M. Stewart, her heirs and devisees.
Application of BC Operating, Inc. for administrative approval of an unorthodox well location for its Cass 16 State No. 2H Well to be located in the N/2 of Section 16, Township 23 South, Range 27 East, N.M.P.M., Eddy County, New Mexico. Applicant seeks an order approval of an unorthodox well location for its Cass 16 State No. 2H Well to be completed within the Forehand Ranch Wolfcamp (Gas) Pool (Pool Code 76780) underlying the N/2 of Section 16, Township 23 South, Range 27 East, N.M.P.M., Eddy County, New Mexico. The completed interval of the proposed Cass 16 State No. 2H Well encroaches on the spacing and proration units to the West and to the East. If you have any questions about this application, please contact Caleb Hopson at BC Operating, Inc. 432-684-9696 ext. 762 or chopson@bcoperating.com. If no objection is received within this twenty-day period, this application may be approved administratively by the Division.



HOLLAND & HART



Jordan L. Kessler
Associate
Phone (505) 988-4421
Fax (505) 983-6043
jlkessler@hollandhart.com

May 27, 2016

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: Affected Parties

Re: Application of BC Operating, Inc. for administrative approval of an unorthodox well location for its Cass 16 State No. 2H Well to be located in the N/2 of Section 16, Township 23 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

To Land Manager:

Enclosed is a copy of the above-referenced application which was filed with the New Mexico Oil Conservation Division on this date. Any objection to this application must be filed in writing within twenty days from this date with the applicant and the New Mexico Oil Conservation Division, 1220 South St. Francis Drive, Santa Fe, New Mexico, 87505. If no objection is received within this twenty-day period, this application may be approved administratively by the Division.

If you have any questions about this application, please contact the following:

Caleb Hopson
BC Operating, Inc.
T 432-684-9696 ext. 762
F 432-686-0600
chopson@bcoperating.com

Sincerely,

Jordan L. Kessler
ATTORNEY FOR BC OPERATING, INC.

Holland & Hart LLP

Phone (505) 988-4421 Fax (505) 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, New Mexico 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Boulder Carson City Colorado Springs Denver Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Reno Salt Lake City Santa Fe Washington, D.C. ☐

Lowe, Leonard, EMNRD

From: Lowe, Leonard, EMNRD
Sent: Tuesday, June 21, 2016 4:21 PM
To: 'Jordan L. Kessler'
Cc: McMillan, Michael, EMNRD; Goetze, Phillip, EMNRD; Jones, William V, EMNRD; Bayliss, Randolph, EMNRD; Sharp, Karen, EMNRD; McMillan, Michael, EMNRD; Goetze, Phillip, EMNRD; Jones, William V, EMNRD; 'lisa@rwbyram.com'; Holm, Anchor E.; Martin, Ed
Subject: NSL - 7427 _Cass 16 State Well No. 2H _16 23S 27E, Eddy County
Importance: High

Ms. Jordan Kessler,

The following permits has been issued and will soon be available on the Division's web site:
<http://ocdimage.emnrd.state.nm.us/imaging/WellFileCriteria.aspx>

NSL-7427

BC Operating, Inc.

API: 30-015-42733

WELL: Cass 16 State Well No. 2H; 16 23S 27E; Eddy County

Leonard Lowe

Engineering Bureau

Oil Conservation Division

Energy Minerals and Natural Resources Department

1220 South St. Frances

Santa Fe, New Mexico 87004

Office: 505-476-3492

Fax: 505-476-3462

E-mail: leonard.lowe@state.nm.us

Website: <http://www.emnrd.state.nm.us/ocd/>