



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

April 21, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

B. C. Operating, Inc.
c/o **La Vida Energy Corporation**
P. O. Box 2158
Midland, Texas 79702

Attention: Kenneth C. Dickson

Administrative Order NSL-5370

Dear Mr. Dickson:

Reference is made to the following: (i) your application filed on behalf of the operator, B. C. Operating, Inc. of Midland, Texas ("BCO"), and submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on March 27, 2006 (*pMES0-611156127*); and (ii) the Division's records in Santa Fe and Artesia: all concerning BCO's request for an unorthodox deep gas well location within a proposed 320-acre lay-down gas spacing unit comprising the S/2 of Section 4, Township 23 South, Range 24 East, NMPM, Eddy County, New Mexico, for both the Bandana Point-Upper Pennsylvanian Gas Pool (*71500*) and the Undesignated South Bandana Point-Strawn Gas Pool (*71490*).

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

This 320-acre unit is to be dedicated to the plugged and abandoned W. A. Moncrief, Jr. ("Moncrief") Robinia Draw Federal Well No. 1 (*API No. 30-015-26097*), located 2310 feet from the South line and 990 feet from the West line (Unit L) of Section 4.

From your application and the Division's records, Moncrief originally drilled this well in 1989 to a total depth of 10,830 feet to initially test the Morrow formation. This well was subsequently completed in and produced from the Bandana Point-Upper Pennsylvanian Gas Pool within a standard 318.31-acre stand-up gas spacing unit comprising Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 4. At that time, this deep gas well location was considered to be standard for this 318.31-acre unit. This well was subsequently plugged and abandoned by Moncrief in March, 2005.

It is the Division's understanding that BCO now intends to reenter this well in order to: (i) reestablish production from the shallower Bandana Point-Upper Pennsylvanian Gas Pool; and (ii) test the deeper Strawn interval for gas production.

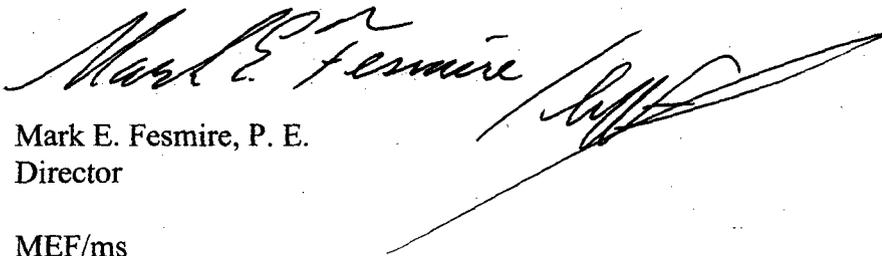
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By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox deep gas well location for the: (i) Bandana Point-Upper Pennsylvanian Gas Pool; and (ii) Undesignated South Bandana Point-Strawn Gas Pool within the S/2 of Section 4 is hereby approved.

Sincerely,



Handwritten signature of Mark E. Fesmire in cursive script.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad