



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

December 31, 2007

Mr. James Bruce
P.O. Box 1056
Santa Fe, NM 87504

Administrative Order NSL-5739

**Re: BC Operating, Inc.
Jammer Well No. 1
API No. 30-025-37858
Unit P, Section 21-16S-33E
Lea County**

Dear Mr. Bruce:

Reference is made to the following:

- (a) your application (**administrative application reference No. pTDS07-21451295**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on behalf of BC Operating, Inc. (BC) on August 1, 2007,
- (b) supplemental information furnished with your letter of October 4, 2007, and
- (c) the Division's records pertinent to this request.

BC has requested to produce the above-referenced well at an unorthodox oil well location in the Kemnitz-Lower Wolfcamp Pool (35530), 660 feet from the South line and East lines (Unit P) of Section 21, Township 16 South, Range 33 East, N.M.P.M., in Lea County, New Mexico. The E/2 SE/4 of Section 21 will be dedicated to this well in order to form a standard 80-acre spacing unit. Spacing in this pool is governed by the Special Rules and Regulations for the Kemnitz-Wolfcamp Pool, as adopted by Order R-1011 issued on May 31, 1957, which provide for 80-acre units with wells to be located within 150 feet of the center of the NE/4 or SW/4 of a quarter section. This location is in the SE/4 of a quarter section.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

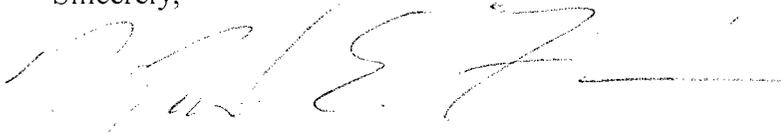
It is our understanding that BC is seeking this location because this well was drilled prior to incorporation of the SE/4 of Section 21 into the Kemnitz-Lower Wolfcamp Pool, in the belief that the location would be incorporated into the also proximate Sanmal-Wolfcamp Pool, which is governed by statewide spacing rules. If the location had been so incorporated, it would have been standard.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 1210.A(2), in all adjoining units.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a horizontal line extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe