

OCD-HOBBS

Form 3160-5
(September 2001)UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB No 1004-0135
Expires January 31, 2004

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.**SUBMIT IN TRIPLICATE- Other instructions on reverse side.**

| | | |
|---|---|---|
| 1 Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other | | 5 Lease Serial No NMNM114631 |
| 2 Name of Operator BC Operating, Inc. | | 6 If Indian, Allottee or Tribe Name N/A |
| 3a Address P.O. Box 50820, Midland, TX 79710 | 3b Phone No (include area code) 432.683.2950 | 7 If Unit or CA/Agreement, Name and/or No N/A |
| 4 Location of Well (Footage, Sec, T, R, M, or Survey Description) 1980' FNL & 660' FWL, Section 7, T23S-R38E | | 8 Well Name and No T41 #1 |
| | | 9 API Well No 30-025-38049 |
| | | 10 Field and Pool, or Exploratory Area Brunson (Drinkard Abo), South |
| | | 11 County or Parish, State Lea |

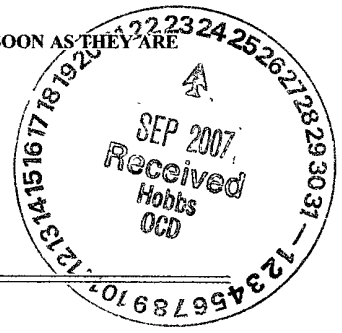
12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

| TYPE OF SUBMISSION | TYPE OF ACTION | | | |
|---|---|---|--|---|
| <input checked="" type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input checked="" type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recombine | <input type="checkbox"/> Other |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input checked="" type="checkbox"/> Water Disposal | |

- 13 Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomple horizontal, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recomple in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Attached are the water tickets from both companies having hauled water from BC's T41 lease, Running M Services and JWS. The current, and exclusive company hauling water from the lease is Running Man Services out of Hobbs (505.441.0235). The water is hauled in trucks to the Crazy Horse SWD located in Section 16-T19S-R38E, SE of Hobbs, 1-mile from the Truck Bypass on Hwy 18. All extant water tickets have been attached hereto, and the daily volumes are included in the "Notice of Written Order" submitted on this same date, but in another package of information.

THE STATE PERMITS AND WATER ANALYSIS HAVE BEEN REQUESTED, AND WILL BE SUBMITTED AS SOON AS THEY ARE RECEIVED BY AGENT-IN-FACT.



| | | |
|---|--|---|
| 14 I hereby certify that the foregoing is true and correct Name (Printed/Typed) Jeffrey G. Bane | | Title President of I-43 Associates, Inc. Agent-In-Fact for BC Operating |
| Signature | | Date 08/29/2007 |

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

| | | |
|--|--------------------|---------------------|
| Approved by /S/ DAVID R. GLASS | PETROLEUM ENGINEER | Date SEP 20 2007 |
| Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. | | |
| Office SEE ATTACHED FOR | | |
| Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction. | | |

(Instructions on page 2)

GWW

Water Production & disposal Information

In order to process your disposal request, the following information must be completed:

1. Name of formations producing water on the lease. Leonard T766

2. Amount of water produced from all formations in barrels per day. 40-50 B.W.D

3. Attach a current water analysis of produced water from all zones showing at least the total dissolved solids, ph, and the concentrations of chlorides and sulfates. (one sample will suffice if the water is commingled) - Requested

4. How water is stored on the lease. Tanks

5. How water is moved to the disposal facility. Trucks

6. Identify the Disposal Facility by :

A. Facility operators name. Crazy Horse SWD

B. Name of facility or well name & number. Well # P16

C. Type of facility or well (WDW) (WIW) etc. WDW

D. Location by 1/4 1/4 P section 16 township 19S range 38E

7. Attach a copy of the State issued permit for the Disposal Facility.

~~Permit is attached~~ Analysis are forthcoming.
Permit is attached

Submit to this office, 414 West Taylor, Hobbs, NM 88240, the above required information on a Sundry Notice 3160-5. Submit 1 original and 5 copies, within the required time frame. (This form may be used as an attachment to the Sundry Notice.) Call me at 505-393-3612 if you need to further discuss this matter.

505-441-0235

432-553-7244



ARDINAL LABORATORIES

PHONE (505) 813-7001 211 BEECHWOOD APT. NE 73 10503

PHONE (505) 392-2226 10 E MARLAND HOBBBS NM 88240

ANALYTICAL RESULTS FOR
TM SERVICES
ATTN: JEFF MANRY
10622 MONARCH
HOBBBS, NM 88240
FAX TO (505) 392-9037

Receiving Date 08/27/07
Reporting Date 08/30/07
Project Owner NOT GIVEN
Project Name B C OPERATING
Project Location T 41 - BATTERY

Sampling Date 08/25/07
Sample Type PRODUCED WATER
Sample Condition INTACT
Sample Received By HM
Analyzed By HM/KS

| LAB NUMBER | SAMPLE ID | Na (mg/L) | Ca (mg/L) | Mg (mg/L) | K (mg/L) | Conductivity (uS/cm) | T-Alkalinity (mgCaCO ₃ /L) |
|-----------------------------|--------------|--------------|--------------|--------------|-------------|-------------------------|--|
| ANALYSIS DATE | | 08/30/07 | 09/30/07 | 08/30/07 | 08/30/07 | 08/27/07 | 08/29/07 |
| H13177-1 | WATER SAMPLE | 35,345 | 5788 | 1573 | 825 | 129,900 | 156 |
| Quality Control | | NR | 50.6 | 51.6 | 1.81 | 1423 | NR |
| True Value QC | | NR | 50.0 | 50.0 | 2.00 | 1413 | NR |
| % Recovery | | NR | 101 | 103 | 95.7 | 101 | NR |
| Relative Percent Difference | | NR | 2.5 | 4.8 | 1.6 | 0.4 | NR |

| | | | | | |
|---------|-------------|-----------|------|-------|-------|
| METHODS | SM3500-Ca-D | 3500-Mg-E | 8049 | 120.1 | 310.1 |
|---------|-------------|-----------|------|-------|-------|

| | Cl ⁻ (mg/L) | SO ₄ (mg/L) | CO ₃ (mg/L) | HCO ₃ (mg/L) | pH (s.u.) | TDS (mg/L) |
|-----------------------------|---------------------------|---------------------------|---------------------------|----------------------------|--------------|---------------|
| ANALYSIS DATE | 08/27/07 | 08/27/07 | 08/29/07 | 08/29/07 | 08/27/07 | 08/29/07 |
| H13177-1 WATER SAMPLE | 68,979 | 1,455 | 0 | 190 | 7.07 | 120,124 |
| | | | | | | |
| | | | | | | |
| Quality Control | 500 | 26.1 | NR | 964 | 6.98 | NR |
| True Value QC | 500 | 25.0 | NR | 1000 | 7.00 | NR |
| % Recovery | 100 | 104 | NR | 95.4 | 99.7 | NR |
| Relative Percent Difference | < 0.1 | 2.8 | NR | 2.6 | 0.6 | NR |

| | | | | | | |
|---------|-------------|-------|-------|-------|-------|-------|
| METHODS | SM4500-Cl-B | 375.4 | 310.1 | 310.1 | 150.1 | 160.1 |
|---------|-------------|-------|-------|-------|-------|-------|

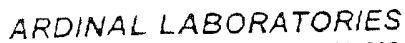
Jeff Manry

Chemist

08-31-07

Date

PLEASE NOTE: Liability and Damages: Cardinal's liability and client's exclusive remedy to any claim arising, whether based in contract or tort, shall be limited to the amount paid by the client to Cardinal for the services rendered by Cardinal. Cardinal shall not be liable for any consequential or special damages, including without limitation, business interruptions, loss of use, loss of data, or profits, incurred by client, its officers, employees or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above stated or otherwise.



CHAIN-OF-CUSTODY AND ANALYSIS REQUEST

[illegible]

† Cardinal cannot accept verbal changes. Please fax written changes to 505-393-2476

BUREAU OF LAND MANAGEMENT
Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220-6292
(505) 234-5972

Disposal of Produced Water From Federal Wells
Conditions of Approval

Approval of the produced water disposal methodology is subject to the following conditions of approval:

1. This agency shall be notified of any change in your method or location of disposal.
2. Compliance with all provisions of Onshore Order No. 7.
3. This agency shall be notified of any spill or discharge as required by NTL-3A.
4. This agency reserves the right to modify or rescind approval whenever it determines continued use of the approved method may adversely affect the surface or subsurface environments.
5. Any on-lease open top storage tanks shall be covered with a wire screen to prevent entry by birds and other wildlife.
6. This approval should not constitute the granting of any right-of-way or construction rights not granted by the lease instrument.
7. If water is transported via a pipeline that extends beyond the lease boundary, then you need to submit within 30 days an application for right-of-way approval to the Realty Section to this office for wells in Chaves or Roosevelt County or the BLM Carlsbad Field office at 620 East Greene Street, Carlsbad, New Mexico 88220-6292 for wells in Eddy or Lea County if you have not already done so.