

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



May 5, 2008

B.C. Operating, Inc.
Attn: Ms. Pam Botkin
303 Veterans Air Park Ln
Suite 600
Midland, TX 79705

Administrative Order NSL-5815

Re: Faisan State Well No. 1
API No. 30-005-21124
Unit H, Section 36-12S-31E
Chaves County

Dear Ms. Botkin:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-09558577**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on April 4, 2008, and

(b) the Division's records pertinent to this request.

BC Operating, Inc. (BC) has requested to re-complete the above-referenced well at an unorthodox Wolfcamp oil well location, 1435 feet from the North line and 757 feet from the East line (Unit H) of Section 36, Township 12 South, Range 31 East, N.M.P.M., in Chaves County, New Mexico. The SE/4 NE/4 of Section 36 will be dedicated to this well in order to form a standard 40-acre oil spacing unit in the Caprock-Wolfcamp Pool (9180). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the northern unit boundary.

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

It is our understanding that you are seeking this location for geologic reasons.



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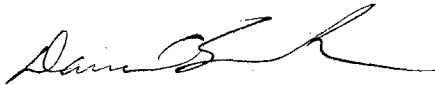
It is also understood that notice of this application to offsetting operators or owners is unnecessary because ownership of the working interest in the offsetting unit is identical to the subject unit.


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

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

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 stylized flourish at the end.

 Mark E. Fesmire, P.E.
Director

MEF/db

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