

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

NMOCD ACOI 173-C

IN THE MATTER OF BC OPERATING, INC.,

Respondent.

**AMENDED
AGREED COMPLIANCE ORDER**

Pursuant to Ordering Paragraph 4 of Agreed Compliance Order 173, the Director of the Oil Conservation Division ("OCD") hereby amends that order as follows:

FINDINGS

1. Agreed Compliance Order 173 ("ACOI 173" or "Order") required BC Operating, Inc., ("Operator") to return to compliance with OCD Rule 201 at least four of the wells identified in the Order by March 1, 2008 and file a compliance report by that date.

2. ACOI 173 provided that if Operator returned to compliance with OCD Rule 201 at least four of the wells identified in the Order by March 1, 2008 and filed a timely compliance report, the OCD would issue an amendment extending the terms of ACOI 173 for a second six-month period, requiring Operator to return an additional four wells to compliance by that deadline.

3. Operator filed a timely compliance report, and OCD records verified that Operator returned the following four wells identified in the Order to compliance:

- | | |
|---------------------------------------|--------------|
| • Mary E Wills A Federal No. 008 | 30-025-12776 |
| • Rhodes Yates Coop Fed Com 5 No. 001 | 30-025-32378 |
| • W H Rhodes B Federal NCT 2 No. 004 | 30-025-25691 |
| • W H Rhodes B Federal NCT 2 No. 006 | 30-025-28911 |

4. Because Operator met its compliance goal of four wells for the first six-month period, the OCD amended the Order to extend its terms by six months, and required Operator to return four additional wells identified in the Order to compliance with OCD Rule 201 by October 1, 2008, and file a compliance report by that date.

5. Operator filed a timely compliance report, and OCD records verified that Operator returned the following well identified in the Order to compliance:

- | | |
|-----------------------------|--------------|
| • Rhodes Yates Unit No. 002 | 30-025-24575 |
|-----------------------------|--------------|

6. Ordering Paragraph 5 of ACOI 173 provides that if Operator fails to meet its compliance goal in any applicable six-month period, Operator may be subject to a penalty and OCD may exercise discretion determining whether to issue an amendment.

7. Although Operator failed to meet its compliance goal for the second period, OCD waived the penalty and exercised its discretion and amended ACOI 173, extending its terms for an additional six-month period and requiring Operator to bring four additional wells identified in the ACOI into compliance by April 1, 2009.

8. Operator filed a timely compliance report, and the OCD has verified that OCD records indicate that Operator has returned the following six wells identified in the Order to compliance:

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|--------------------------------------|--------------|
| • Rhodes Yates Unit No. 012 | 30-025-12062 |
| • South Langlie Jal Unit No. 018 | 30-025-11642 |
| • W H Rhodes A Federal No. 005 | 30-025-12037 |
| • W H Rhodes B Federal NCT-1 No. 009 | 30-025-12070 |
| • W H Rhodes B Federal NCT-1 No. 013 | 30-025-12071 |
| • W H Rhodes B Federal NCT-1 No. 018 | 30-025-24576 |

9. ACOI 173 provides that if, in any six-month period, Operator returns more wells to compliance than the number required under the Order for that six-month period, the wells in excess of the number required will count towards the Operator requirements for the next six-month period.

CONCLUSIONS

1. Operator has met its goal of returning four of the wells identified in the Order to compliance by April 1, 2009, and exceeded that goal by two wells.

2. The OCD should amend ACOI 173 to extend its terms through October 1, 2009, requiring Operator to return to compliance by that date two additional wells identified in the Order, and file a compliance report by that date.

ORDER

1. Operator shall return to compliance by October 1, 2009 two wells identified in the Order that are not identified in Findings Paragraphs 3, 5, and 8 above.

2. Operator shall file a written compliance report by October 1, 2009 identifying the wells returned to compliance in the fourth period, identifying each well returned to compliance, stating the date it was returned to compliance and describing how the well was returned to compliance (restored to production or other approved beneficial use, plugged wellbore, approved temporary abandonment status). The written compliance report must be mailed or e-mailed to the OCD's Enforcement and Compliance Manager (email: daniel.sanchez@state.nm.us) and Assistant General BC Operating, Inc. OGRID 160825

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Counsel Sonny Swazo (email: sonny.swazo@state.nm.us) so that it is received by the compliance deadline of October 1, 2009.

3. The terms of ACOI 173 otherwise remain in effect.

Done at Santa Fe, New Mexico this 30 day of March, 2009

By: _____


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