



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 8, 2007

BC Operating, Inc.
Attn: Ms. Pam Botkin
P.O. Box 50820
Midland, TX 79710

Administrative Order NSL-5737

**Re: Cambio 31 Well No. 1
API No. 30-025-36480
Unit D, Section 31-15S-35E
Lea County**

Dear Ms Botkin:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR07-33241602**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on November 28, 2007,

(b) your email communication dated December 5, 2007, and

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

BC Operating, Inc. (BC) has requested to complete the above-referenced well at an unorthodox well location, 1230 feet from the North line and 1054 feet from the West line (Unit D) of Section 31, Township 15 South, Range 35 East, N.M.P.M., in Lea County, New Mexico. The NW/4 NW/4 of Section 31 will be dedicated to this well in order to form a standard 40-acre spacing unit in the undesignated Townsend Permo Upper Pennsylvanian Pool (59847). 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 southern unit boundary.

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

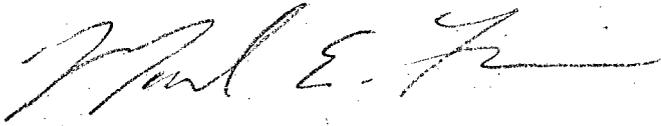
It is our understanding that you are seeking this location in order to utilize an existing wellbore that was originally drilled to a different horizon.

It is also understood that notice of this application to offsetting operators or owners is unnecessary because BC owns 100% of the working interest in the offsetting unit towards which this location encroaches.

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". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs