

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

APPLICATION OF BC OPERATING, INC., CROWN OIL PARTNERS V, CRUMP ENERGY PARTNERS, AND NADEL AND GUSSMAN PERMIAN, LLC FOR A NON-STANDARD SPACING AND PRORATION UNIT AND COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

Case No.: 15594

APPLICATION

BC Operating, Inc., (OGRID No. 160825), Crown Oil Partners V, Crump Energy Partners, and Nadel and Gussman Permian, LLC ("Applicants") through their undersigned attorneys, hereby file this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a 160-acre, more or less, non-standard spacing and proration unit comprised of the SE/4 of Section 25, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interest owners in the Wolfcamp formation (WC; Salt Draw; Wolfcamp (G) Pool (Pool Code 97721)) underlying the E/2 of Section 36 and the proposed non-standard spacing and proration unit comprised of the SE/4 of Section 25 to form a 480-acre spacing and proration unit for the proposed horizontal well.

1. Crown Oil Partners V, Crump Energy Partners, and Nadel and Gussman Permian, LLC are working interest owners in the E/2 of Section 36 and the SE/4 of Section 25, and have the right to drill thereon. BC Operating, Inc. is the operating entity for these working interests.

2. BC proposed to dedicate the above-referenced spacing and proration unit as the project area for its proposed **Southern Comfort 25-36 State Com X #2H Well**, which will be

drilled horizontally from the NE/4 SE/4 (Unit I) of Section 25 to a non-standard bottomhole location in the SE/4 SE/4 (Unit P) of Section 36.¹

3. Applicants have sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the proposed non-standard spacing unit.

4. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

5. In order to permit Applicants to obtain their just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this spacing unit should be pooled and BC Operating, Inc. should be designated operator of this proposed horizontal well and non-standard spacing unit.

WHEREFORE, Applicants request that this application be set for hearing before an Examiner of the Oil Conservation Division on December 1, 2016, and, after notice and hearing as required by law, the Division enter an order:

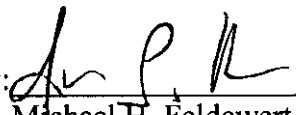
- A. Creating a 160-acre, more or less, non-standard spacing and proration unit comprised of the SE/4 of Section 25, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico;
- B. Pooling all uncommitted pooling all uncommitted interest owners in the Wolfcamp formation (WC; Salt Draw; Wolfcamp (G) Pool (Pool Code 97721)) underlying the E/2 of Section 36 and the proposed non-standard spacing and proration unit comprised of the SE/4 of Section 25 to form a 480-acre spacing and proration unit for the proposed horizontal well;

¹ Applicants will apply administratively for approval of an unorthodox location.

- C. Designating BC Operating, Inc. operator of this non-standard spacing and proration unit and the horizontal well to be drilled thereon;
- D. Authorizing BC Operating, Inc. to recover its cost of drilling, completing, and equipping the well;
- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- F. Imposing a 200% risk penalty for the risk assumed by Applicants in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

HOLLAND & HART LLP

By: 
Michael H. Feldewert
Jordan L. Kessler
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421
(505) 983-6043 Facsimile
mfeldewert@hollandhart.com
jlkessler@hollandhart.com

ATTORNEYS FOR APPLICANTS

Case No. 155:94 **Application of BC Operating, Inc., Crown Oil Partners V, Crump Energy Partners, and Nadel and Gussman Permian, LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order (1) creating a 160-acre, more or less, non-standard spacing and proration unit comprised of the SE/4 of Section 25, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interest owners in the Wolfcamp formation (WC; Salt Draw; Wolfcamp (G) Pool (Pool Code 97721)) underlying the E/2 of Section 36 and the proposed non-standard spacing and proration unit comprised of the SE/4 of Section 25 to form a 480-acre spacing and proration unit for the proposed horizontal well. Said non-standard unit is to be dedicated to applicants' proposed **Southern Comfort 25-36 State Com X #2H Well**, which will be drilled horizontally from the NE/4 SE/4 (Unit I) of Section 25 to a non-standard bottomhole location in the SE/4 SE/4 (Unit P) of Section 36. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of BC Operating, Inc., as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 10 miles southwest of Carlsbad, New Mexico.