

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15538 Re-Opened
ORDER NO. R-14227-A**

**APPLICATION OF BC OPERATING, INC. TO RE-OPEN CASE NO. 15538 TO
POOL THE INTERESTS OF ADDITIONAL LEASEHOLD OWNERS UNDER
THE TERMS OF COMPULSORY POOLING ORDER NO. R-14227, EDDY
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on December 1, 2016, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 6th day of March, 2017, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.
- (2) Pursuant to the previous hearing, the Division, on October 31, 2016, issued Order No. R-14227, granting the application of BC Operating, Inc. for approval of compulsory pooling of all uncommitted interests in the Wolfcamp formation, WC; Salt Draw; Wolfcamp Gas Pool (Pool Code 97721), underlying a standard 320-acre gas spacing unit comprising the E/2 of Section 34, Township 24 South, Range 28 East, NMPM, in Eddy County, New Mexico.
- (3) Order No. R-14227 designated that this Unit be dedicated to the Kyle 34 Federal Com Well No. 5H (API No. 30-015-43295; the "proposed well"), a proposed horizontal well to be drilled from a surface location 225 feet from the South line and 990 feet from the East line (Unit P) of Section 34 to a terminus or bottom hole location 330 feet from the North line and 990 feet from the East line (Unit A) of Section 34.

(4) The non-standard gas well location was approved on August 15, 2016 by Administrative Order NSL-7445. Effective February 1, 2017, the proposed well completion will be placed within the Purple Sage-Wolfcamp Gas Pool (Pool Code 98220) which pool contains Special Pool Rules, promulgated in Division Order No. R-14262, allowing 330-foot setbacks within standard 320-acre gas well spacing units.

(5) BC Operating, Inc. (OGRID 160825) was designated as the operator of the proposed well and of the Unit.

(6) The proposed well has not yet been spud.

(7) BC Operating, Inc. has recently discovered an additional working interest owner, not listed in the original hearing, and attempted to obtain joinder of this owner. However, this owner, as identified in Exhibit No. 2, does not intend to voluntarily participate in the proposed well.

(8) BC Operating, Inc. ("Applicant") seeks to amend Order No. R-14227 to compulsory pool the additional owner under the terms of Order No. R-14227.

(9) At the hearing, Applicant, presented through counsel, testimony and evidence that it had given notice of the application and the re-opened hearing to the recently identified interest owner, or its heirs, successors or assigns, by certified mail pursuant to 19.15.4.12(B) NMAC.

(10) No appearance was entered for this owner, nor any personal representative, heir or successor, and no person claiming to own or represent a claimant to an interest derived from this mineral owner has otherwise communicated with the Division.

(11) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division therefore concludes:

(12) Order No. R-14227 should be amended to compulsory pool the interests of the recently identified owner and its heirs, devisees, personal representatives, successors and assigns, whoever they may be.

(13) The recently identified party should be afforded the opportunity, after issuance of this order, to pay its share of well costs, and thereby to become a consenting working interest owner under the terms of Order No. R-14227.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of BC Operating, Inc. (OGRID 160825), Order No. R-14227, issued in this case on October 31, 2016, is hereby amended to compulsory pool the recently identified owner and its heirs, devisees, personal representatives,

successors and assigns, as well as all other owners of interests in the Unit established thereby, from the date said Order was originally issued.

(2) After the effective date of this order, the operator shall furnish the Division and the recently identified party whom it has located a schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs"). Within 30 days after receiving the schedule of estimated well costs, the recently identified party shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as provided in Order No. R-14227, and if it pays its share of estimated well costs as provided above shall, as to such well, remain liable for operating costs but shall not be liable for risk charges.

(3) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(4) Within 60 days following determination of reasonable well costs, any pooled party, including the recently identified party, who has paid its share of estimated costs as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

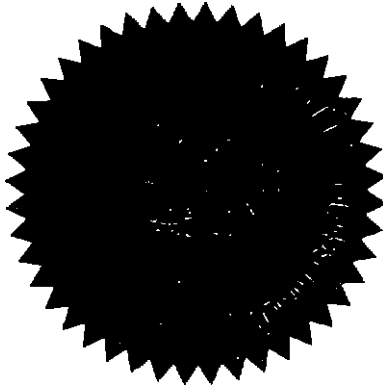
(5) Ordering Paragraph (16) of Order No. R-14227 is hereby amended to read in its entirety as follows:

(16) Except as provided in Paragraphs (13) and (15) above, all proceeds from production from the proposed well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 7-8A-31, as amended).

(6) All other provisions of Order No. R-14227 remain in full force and effect.

(7) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, reading "David R. Catanach".

DAVID R. CATANACH
Director