

P.O. Box 50820  
Midland, Texas 79710  
Phone (432) 684-9696



4000 N Big Spring, Suite 310  
Midland, Texas 79705  
Fax (432) 686-0600

6/28/2016

CL&F Resources, LP  
111 Veterans Memorial Blvd., Suite 500  
Metairie, LA 70005

Attention: Allison Gill

Re: Well Proposal – Red Light 27-34 State Com #2H  
W/2, Sec. 27 - T23S - R26E &  
NW/4, Sec. 34 - T23S - R26E  
SHL: 150' FNL & 990' FWL, or a legal location in Section 27 (Unit D)  
BHL: 2400' FNL & 990' FWL, or a legal location in Section 34 (Unit E)  
Eddy County, New Mexico

Dear Ms. Gill:

BC Operating, LLC ("BC"), as Operator, proposes to drill the Red Light 27-34 State Com #2H well as a horizontal well at the above-captioned location to a TVD of approximately 9,500' and a MD of 16,500' to test the Wolfcamp formation ("Operation"). The total cost of the Operation is estimated to be \$6,980,540 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE").

BC is proposing to drill this well under the terms of a modified 1989 AAPL form of Operating Agreement which will be mailed under separate cover. The Operating Agreement covers All of Section 27, T23S-R26E and the N/2 of Section 34, T23S-R26E, Eddy County, New Mexico. It has the following general provision:

- 100/300 Non-Consent penalty
- BC named as Operator
- 100/300/300 Non-consenting penalty

If you do not wish to participate in the Operation, BC would you to acquire your leasehold under the following general terms:

- \$2,000.00 per net mineral acres
- Delivering a full net revenue interest

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. 5  
Submitted by:  
**BC OPERATING, INC.**  
Hearing Date: September 15, 2016

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Please indicate your participation election in the space provided below, and execute and return a copy of the enclosed AFE and Well Proposal Letter within thirty (30) days of receipt of this notice. If you have any questions or prefer to discuss this Well Proposal Letter in greater detail, please do not hesitate to give me a call at 432.684.9696. This offer is subject to the approval of BC's management and verification of title.

Sincerely,

**BC Operating, Inc.**

A handwritten signature in black ink, appearing to read "H. Murphy", is written over the printed name "Harmon Murphy".

Harmon Murphy

Senior Landman

(432) 684-9696  
hnmurphy@bcoperating.com  
Enclosures: AFE

**PARTICIPATION ELECTION:**

Please elect of the following and return to sender:

\_\_\_\_\_ I/We hereby elect to participate in the Well for its proportionate share of the costs detailed in the enclosed AFE associated with the Well.

\_\_\_\_\_ I/We hereby elect NOT to participate in the Well.

\_\_\_\_\_ I/We elect NOT to participate in the Well and hereby elect to sell our leasehold interest for the general terms described above.

NAME/COMPANY: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

NAME: \_\_\_\_\_

DATE: \_\_\_\_\_

**BC Operating, Inc.**  
Authorization for Expenditure

<b>Well Name:</b> Red Light 27-34 State Com #1H		<b>Prospect:</b> Wolfcamp - No Pilot Hole, 1.5 mile lateral	
<b>Location:</b> SHL: 190' FNL & 1650' FEL Sec. 27; BHL: 2310' FNL & 1650' FEL Sec. 34		<b>County:</b> EDDY	<b>ST:</b> NM
<b>Section:</b> 27	<b>Horizontal TVD:</b> 9,500ft	<b>Township:</b> 23S	<b>Range:</b> 26E
		<b>Prop. Depth:</b> 16,500ft MD	

  

INTANGIBLE COST	Code	TCP	Code	CC-ACP
Legal: Drilling Title Opinion	4-01	\$25,000		
Location, Roads, Conductor, Damages, ROW, Frac Pit	4-36	\$100,000	5-28	\$100,000
Day work Drilling Cost: \$14,000/day - 40 Days TCP, 4 Days ACP	4-15	\$600,000	5-12	\$60,000
Fuel \$4,000/day	4-56	\$160,000	4-66	\$16,000
Mud	4-51	\$150,000		\$15,000
Cementing: 13-3/8", 9-5/8", 7" Casing, 4-1/2" Liner	4-06	\$100,000		\$40,000
Logging: Gyro, Cased Hole CBL, Perforating	4-39	\$15,000		\$150,000
Casing Crews, Laydown Machine	4-05	\$20,000	5-05	\$40,000
Mud Logging and Geosteering	4-52	\$25,000		
Stimulation: Pressure Pumping Service			5-80	\$2,400,000
Stimulation: Surface Rentals, Transfer Services, etc.			5-61	\$45,000
Water	4-84	\$50,000	5-66	\$200,000
Bits	4-03	\$85,000	5-04	\$5,000
Drill String Inspection	4-31	\$5,000	5-31	\$35,000
Rig Mobilization	4-14	\$75,000		
Transportation: Surf. CSG, Surface Rentals, Prod. CSG, Drill pipe, etc.	4-78	\$10,000	5-92	\$45,000
Directional Drilling 25 days at \$7,500/day	4-16	\$187,500		
Surface Rentals: \$4,000/day	4-61	\$160,000	5-61	\$75,000
Sub Surface Rentals: Drill Pipe, Stabilization, Mud Motor, etc.	4-62	\$75,000		\$75,000
Overhead	4-18	\$5,000	5-18	\$5,000
Supervision	4-72	\$56,000	5-84	\$16,800
Well Control Insurance	4-87	\$7,500		
Welding, Cut off Casing, Set Slips, etc.	4-08	\$9,000	5-77	\$3,000
Pulling Unit/Completion Unit			5-09	\$30,000
Testing BOP/Nipple up Crews	4-04	\$20,000		\$10,000
Drill String Corrosion	4-12	\$8,000		
Trucking Clean Pits, SWD, Solids Disposal			5-66	\$175,000
Float Equipment	4-23	\$30,000		\$0
Coil Tubing and N2			5-53	\$0
Battery, Flowline, Electric Line Installation			5-77	\$50,000
Contingencies 10% TCP 5% CC		\$197,800		\$179,540
<b>TOTAL</b>		<b>\$2,175,800</b>		<b>\$3,770,340</b>

  

TANGIBLE				
Surface Casing: 13-3/8" J-55, 54.5#, 400ft at \$31/ft	6-71	\$12,400		
Intermediate Casing: 9-5/8" 36# J-55; 2,500ft @ \$29/ft	6-32	\$72,500		
Production Casing: 72" 26#, P-110; 11,000ft @ \$23/ft	6-32	\$264,000		
Production Liner: 4-1/2" 11.6#, P-110 7,000ft @ \$15/ft		\$105,000	6-60	
Tubing: 2-7/8" 6.5# L-80; 10,000ft @ \$7.00/ft			6-80	\$70,000
Wellhead	6-84	\$15,000	6-84	\$15,000
Down hole Equipment: Gas Lift Valves			6-56	\$25,000
Liner Hanger			6-56	\$110,000
Pumping Unit			6-68	\$0
Tanks			6-76	\$175,000
Separator- Heater Treater			6-24	\$55,500
Metering Equipment			6-44	\$10,000
Flowline Equipment			6-42	\$5,000
Valves, Connections, Fittings			6-12	\$50,000
Electrical Equipment			6-14	\$50,000
<b>TOTAL</b>		<b>\$468,900</b>		<b>\$565,500</b>
<b>TOTAL TANGIBLE AND INTANGIBLE</b>		<b>\$2,644,700</b>		<b>\$4,335,840</b>
<b>TOTAL WELL COST</b>				<b>\$6,980,540</b>

Created by: Jason Goss

Date: 5/24/2016

Joint Owner: \_\_\_\_\_

Joint Owner Approval: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_