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

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A
COMPLIANCE ORDER AGAINST B C & D OPERATING, INC. REQUIRING IT
TO RETURN FOUR WELLS TO COMPLIANCE WITH 19.15.4.201 NMAC BY A
DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE,
AUTHORIZING THE DIVISION TO PLUG SAID WELLS AND FORFEIT THE
APPLICABLE FINANCIAL ASSURANCE; LEA COUNTY, NEW MEXICO.**

CASE NO. 13874

AFFIDAVIT OF SERVICE

In accordance with Division Rule 1227.D [19.15.14.1227.D NMAC] and Rule 1210 (19.15.14.1210 NMAC) I hereby certify that notice of the March 1, 2007 hearing in the above-captioned case was mailed to the following by certified mail, return receipt requested, at least 20 days prior to the hearing date, with a copy of the application:

BC & D Operating Inc.
P.O. Box 1680
Hobbs, NM 88241

BC & D Operating, Inc.
3001 Knox St., Suite 407
Dallas, TX 75205
Attn: Gay Arrington or Mark Ariail

BC & D Operating, Inc.
2225 N. West County Rd.
Hobbs, NM 88241

Gary Don Reagan, Agent
BC & D Operating, Inc.
1819 N. Turner, Suite G
Hobbs, NM 88240


BC & D Operating, Inc.
P.O. Box 5926
Hobbs, NM 88241

A copy of the notice, with attachments, is Exhibit A to this affidavit. Copies of the certified mail receipts are attached as Exhibit B to this affidavit. Copies of signed return

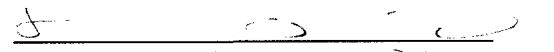
Affidavit of Notice
Case 13874
Page 1 of 2

B C & D Operating Inc.
Case 13874
OCD Ex. No. 1

receipt cards and the unclaimed or returned envelopes are attached as Exhibit C to this affidavit.


Gail MacQuesten

SUBSCRIBED AND SWORN to before me this 26th day of February 2007.


Notary Public Dorothy Phillips

My Commission Expires:

4/2/07



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

January 22, 2007

BC & D Operating Inc.
P.O. Box 1680
Hobbs, NM 88241

Certified Mail No. 7002 2030 0006 2712 9889

BC & D Operating, Inc.
3001 Knox St., Suite 407
Dallas, TX 75205
Attn: Gay Arrington or Mark Ariail

Certified Mail No. 7002 2030 0006 2712 9872

BC & D Operating, Inc.
2225 N. West County Rd.
Hobbs, NM 88241

Certified Mail No. 7002 3150 0004 4924 0823

Gary Don Reagan, Agent
BC & D Operating, Inc.
1819 N. Turner, Suite G
Hobbs, NM 88240

Certified Mail No. 7002 2030 0006 2712 9865

BC & D Operating, Inc.
P.O. Box 5926
Hobbs, NM 88241

Certified Mail No. 7002 2030 0006 2712 9858

CASE 13874: APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST BC & D OPERATING, INC. REQUIRING IT TO RETURN FOUR WELLS TO COMPLIANCE WITH 19.15.4.201 NMAC BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE, AUTHORIZING THE DIVISION TO PLUG SAID WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE; LEA COUNTY, NEW MEXICO.

Ladies and Gentlemen:

You are hereby notified that the New Mexico Oil Conservation Division ("Division") has filed the above-captioned application seeking an order requiring B C & D Operating Inc. ("Operator") to return the following wells to compliance with 19.15.4.201 NMAC by a date certain, and in the event of non-compliance, authorizing the Division to plug said wells and forfeit the applicable financial assurance:

Blankenship #001, API #30-025-07766, E-12-20S-38E
Blankenship A #001, API #30-025-07769, L-12-20S-38E
Peoples Security #001, API #30-025-07281, L-23-16S-38E
G W Shahan #002, API #30-025-11873, B-33-25S-37E

A copy of the application is enclosed.

A hearing on this application will take place before a Division hearing examiner on Thursday, March 1, 2007, at 8:15 a.m., in Porter Hall, First Floor, 1220 South St. Francis Drive in Santa Fe, New Mexico. At that hearing you will have an opportunity to show cause why an order should not be entered as requested in the application. . **If you intend to present evidence at the hearing, you should file a pre-hearing statement at least four business days in advance of the hearing, as required by 19.15.14.1211.B NMAC.** A copy of that rule is enclosed. I have also enclosed a copy of 19.15.14.1212, which addresses representation at administrative hearings before the Division.

B C & D posted a \$50,000 cash bond through the United New Mexico Bank in Albuquerque, New Mexico to secure its obligation to plug and abandon its wells located in New Mexico. The Division will draw on that financial assurance if an order is entered as requested in the attached application and the Division plugs the wells.

Inquiries concerning this application may be directed to the undersigned in the Santa Fe office of the Division at (505) 476-3451.

Very truly yours,



Gail MacQuesten
Assistant General Counsel

ec: Chris Williams , District I Supervisor
Daniel Sanchez, Enforcement and Compliance Manager

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION 18 JAN 10 22

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A
COMPLIANCE ORDER AGAINST B C & D OPERATING, INC. REQUIRING IT
TO RETURN FOUR WELLS TO COMPLIANCE WITH 19.15.4.201 NMAC BY A
DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE,
AUTHORIZING THE DIVISION TO PLUG SAID WELLS AND FORFEIT THE
APPLICABLE FINANCIAL ASSURANCE; LEA COUNTY, NEW MEXICO.**

CASE NO. 13874

APPLICATION FOR COMPLIANCE ORDER AGAINST
B C & D OPERATING, INC.

1. BC & D Operating, Inc. ("Operator") is a corporation operating wells in New Mexico under OGRID 25670.

2. Operator has posted a \$50,000 cash blanket bond, No. OCD 413, through the United New Mexico Bank, Albuquerque, New Mexico to secure its obligation to properly plug and abandon its wells in the State of New Mexico.

3. Operator is the operator of record for the following wells (hereinafter, "wells") located in Lea County, New Mexico:

- Blankenship #001, API #30-025-07766, E-12-20S-38E
- Blankenship A #001, API #30-025-07769, L-12-20S-38E
- Peoples Security #001, API #30-025-07281, L-23-16S-38E
- G W Shahan #002, API #30-025-11873, B-33-25S-37E

4. The records of the Oil Conservation Division ("OCD") show that the wells are currently inactive, and there has been no reported production or other use for the wells for a continuous period in excess of one year plus 90 days.

5. The wells are neither properly plugged and abandoned nor on approved temporary abandonment status.

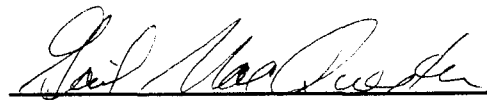
6. OCD Rule 19.15.4.201 NMAC requires that a well shall be either properly plugged and abandoned or placed on approved temporary abandonment within 90 days after a period of one year in which a well has been continuously inactive.

7. NMSA 1978, § 70-2-14(B) provides that if any of the requirements of an OCD rule is not complied with, the OCD, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with division rules, and if the order is not complied with in the time period set out in the order, the financial assurance shall be forfeited.

WHEREFORE, the Enforcement and Compliance Manager hereby applies to the Director to enter an order:

- A. Requiring BC & D Operating, Inc. to return the above referenced four wells to compliance with 19.15.4.201 NMAC by a date certain;
- B. Authorizing the Oil Conservation Division to plug the above-referenced four wells and forfeit the applicable financial assurance if BC & D Operating, Inc. fails to return the wells to compliance by the deadline set in the order; and
- C. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
January 18, 2007 by



Gail MacQuesten
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State of
New Mexico
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505)-476-3451

Attorney for The New Mexico Oil
Conservation Division

Case No. _____. **Application of the New Mexico Oil Conservation Division for a compliance order against BC & D Operating, Inc.** The Applicant seeks a compliance order requiring BC & D Operating, Inc. to return four inactive wells in Lea County, New Mexico, to compliance with 19.15.4.201 NMAC by a date certain, and authorizing the Division to plug the wells and forfeit the applicable financial assurance if the operator fails to meet the deadline set in the order. The affected wells are: Blankenship #001, API #30-025-07766, Unit Letter E, Section 12, Township 20 South, Range 38 East; Blankenship A #001, API #30-025-07769, Unit Letter L, Section 12, Township 20 South, Range 38 East; Peoples Security #001, API #30-025-07281, Unit Letter L, Section 23, Township 16 South, Range 38 East; and G W Shahan #002, API #30-025-11873, Unit Letter B, Section 33, Township 25 South, Range 37 East;.

19.15.14.1211 PLEADINGS, COPIES, PRE-HEARING STATEMENTS, EXHIBITS AND MOTIONS FOR CONTINUANCE:

A. Pleadings. Applicants shall file two sets of pleadings and correspondence in cases pending before a division examiner with the division clerk and six sets of pleadings and correspondence in cases pending before the commission with the commission clerk. For cases pending before the commission, the commission clerk shall disseminate copies of pleadings and correspondence to the commission members. The party filing the pleading or correspondence shall at the same time serve a copy of the pleading or correspondence upon each party who has entered an appearance in the case on or prior to the business day immediately preceding the date when the party files the pleading or correspondence with the division or the commission clerk, as applicable. Parties shall accomplish service by hand delivery or transmission by facsimile or electronic mail to any party who has entered an appearance or, if the party is represented, the party's attorney of record. Service upon a party who has not filed a pleading containing a facsimile number or e-mail address may be made by ordinary first class mail. Parties shall be deemed to have made an appearance when they have either sent a letter regarding the case to the division or commission clerk or made an in person appearance at any hearing before the commission or before a division examiner. A written appearance, however, shall not be complete until the appearing party has provided notice to other parties of record. Any initial pleading or written entry of appearance a party other than the applicant files shall include the party's address or the address of the party's attorney and an e-mail and facsimile number if available.

B. Pre-hearing statements.

(1) Any party to an adjudicatory proceeding who intends to present evidence at the hearing shall file a pre-hearing statement, and serve copies on other parties or, for parties that are represented, their attorneys in the manner Subsection A of 19.15.14.1211 NMAC provides, at least four business days in advance of a scheduled hearing before the division or the commission, but in no event later than 5:00 pm mountain time, on the Thursday preceding the scheduled hearing date. The statement shall include:

- (a) the names of the party and the party's attorney;
- (b) a concise statement of the case;
- (c) the names of witnesses the party will call to testify at the hearing, and in the case of expert witnesses, their fields of expertise;
- (d) the approximate time the party will need to present its case; and
- (e) identification of any procedural matters that are to be resolved prior to the hearing.

(2) Any party other than the applicant shall include in its pre-hearing statement a statement of the extent to which the party supports or opposes the issuance of the order the applicant seeks and the reasons for such support or opposition. In cases to be heard by the commission, each party shall include copies of all exhibits that it proposes to offer in evidence at the hearing with the pre-hearing statement. The commission may exclude witnesses the party did not identify in the pre-hearing statement, or exhibits the party did not file and serve with the pre-hearing statement, unless the party offers such evidence solely for rebuttal or makes a satisfactory showing of good cause for failure to disclose the witness or exhibit.

(3) A pre-hearing statement filed by a corporation or other entity not represented by an attorney shall identify the person who will conduct the party's presentation at the hearing and include a sworn and notarized statement attesting that the corporation's or entity's governing body or chief executive officer authorizes the person to present the corporation or entity in the matter.

(4) For cases pending before the commission, the commission clerk shall disseminate copies of pre-hearing statements and exhibits to the commission members.

C. Motions for continuance. Parties shall file and serve motions for continuance no later than 48 hours prior to time the hearing is set to begin, unless the reasons for requesting a continuance arise after the deadline, in which case the party shall file the motion as expeditiously as possible after becoming aware of the need for a continuance.

[19.15.14.1211 NMAC - Rp, 19.15.14.1208 NMAC, 09/30/05]

19.15.14.1212 CONDUCT OF ADJUDICATORY HEARINGS:

A. Testimony. Hearings before the commission or a division examiner shall be conducted without rigid formality. The division or commission shall take or have someone take a transcript of testimony and preserve the transcript as a part of the division's permanent records. Any person testifying shall do so under oath. The division examiner or commission shall designate whether or not an interested party's un-sworn comments and observations are relevant and, if relevant, include the comments and observations in the record.

B. Pre-filed testimony. The division director may order the parties to file prepared written testimony in advance of the hearing for cases pending before the commission. The witness shall be present at the hearing and shall adopt, under oath, the prepared written testimony, subject to cross-examination and motions to strike unless the witness' presence at hearing is waived upon notice to other parties and without their objection. The parties shall number pages of the prepared written testimony, which shall contain line numbers on the left-hand side.

C. Appearances pro se or through an attorney. Parties may appear and participate in hearings either pro se (on their own behalf) or through an attorney. Corporations, partnerships, governmental entities, political subdivisions, unincorporated associations and other collective entities may appear only through an attorney or through a duly authorized officer or member. Participation in adjudicatory hearings shall be limited to parties, as defined in 19.15.14.1208 NMAC, except that a representative of a federal, state or tribal governmental agency or political subdivision may make a statement on the agency's or political subdivision's behalf. The commission or division examiner shall have the discretion to allow any other person present at the hearing to make a relevant statement, but not to present evidence or cross-examine witnesses. Any person making a statement at an adjudicatory hearing shall be subject to cross-examination by the parties or their attorneys.

[19.15.14.1212 NMAC - Rp, 19.15.14.1210 NMAC, 09/30/05]

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Postage	\$	
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Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	7.64

Sent To
 BC & D Operating, Inc.
 Street, Apt. No.,
 or PO Box No. P.O. Box 5926
 City, State, ZIP+4 Hobbs, NM 88241

PS Form 3800, June 2002

See Reverse for Instructions

U.S. Postal Service™
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OFFICIAL USE

Postage	\$	
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	7.64

Sent To
 Gary Don Reagan BC & D Operating
 Street, Apt. No.,
 or PO Box No. 1819 N. Turner, Suite G
 City, State, ZIP+4 Hobbs, NM 88240

PS Form 3800, June 2002

See Reverse for Instructions

7002 2030 0006 2712 9889

U.S. Postal Service™
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OFFICIAL USE

Postage	\$	
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	7.64

Sent To
 BC & D Operating, Inc.
 Street, Apt. No.,
 or PO Box No. P.O. Box 1680
 City, State, ZIP+4 Hobbs, NM 88241

PS Form 3800, June 2002

See Reverse for Instructions

7002 2030 0006 2712 9872

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Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	4.64

Sent To
 Gay Arrington Mark Ariail BC & D
 Street, Apt. No.,
 or PO Box No. 3001 Knox St., Suite 407
 City, State, ZIP+4 Dallas, TX 75205

PS Form 3800, June 2002

See Reverse for Instructions

7002 3150 0004 4924 0823

U.S. Postal Service™
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For delivery information visit our website at www.usps.com

Postage	\$	
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	7.64

Sent To
 BC & D Operating, Inc.
 Street, Apt. No.,
 or PO Box No. 2225 N. West County Rd.
 City, State, ZIP+4 Hobbs, NM 88241

PS Form 3800, June 2002

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

BC & D Operating, Inc.
3001 Knox St., Suite 407
Dallas, TX 75205
Attn: Gay Arrington or Mark Arias

2. Article Number

(Transfer from service label) 7002 2030 0006 2712 9872

PS Form 3811, August 2001

Domestic Return Receipt

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

G. Jack☐ Agent☐ Addressee

B. Received by (Printed Name)

G. JACK

C. Date of Delivery

D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☒ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Gary Don Reagan, Agent
BC & D Operating, Inc.
1819 N. Turner, Suite G
Hobbs, NM 88240

2. Article Number

(Transfer from service label) 7002 2030 0006 2712 9865

PS Form 3811, August 2001

Domestic Return Receipt

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

Aime Cervantes☐ Agent☐ Addressee

B. Received by (Printed Name)

Aime Cervantes

C. Date of Delivery

*1-24-07*D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☒ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

102595-02-M-1540

STATE OF NEW MEXICO
ENERGY MINERALS AND
NATURAL RESOURCES DEPARTMENT
1220 SOUTH SAINT FRANCIS DRIVE
SANTA FE, NEW MEXICO 87505

7002 2030 0006 2712 9858

0219



UNCLAIMED BC & D Operating, Inc.

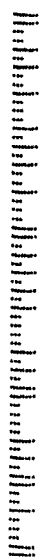
P.O. Box 5926
Hobbs, NM 88241

1-24

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2-8

UNC

8824115326



RETURN MAIL

STATE OF NEW MEXICO
ENERGY MINERALS AND
NATURAL RESOURCES DEPARTMENT
1220 SOUTH SAINT FRANCIS DRIVE
SANTA FE, NEW MEXICO 87505

7002 2030 0006 2712 9889

02-10-
Return

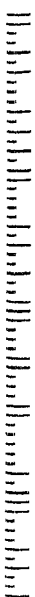
BC & D Operating Inc.
P.O. Box 1680
Hobbs, NM 88241

NIXIE 871 1 10 01/27/07

RETURN TO SENDER
NOT DELIVERABLE AS ADDRESSED
UNABLE TO FORWARD

BC: 87505400020 *0768-03147-22-46

8750574000



STATE OF NEW MEXICO
ENERGY MINERALS AND
NATURAL RESOURCES DEPARTMENT
1220 SOUTH SAINT FRANCIS DRIVE
SANTA FE, NEW MEXICO 87505

CERTIFIED MAIL™



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\$04.640
04/22/2007
15 125000000



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RECEPTACLE

BC & D Operating, Inc.
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Hobbs, NM 88241

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22240+5274

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