

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-HOBBS

FORM APPROVED
OMB No. 1004-0137
Expires: March 31, 2007

HOBBS OCD

APR 24 2012

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other	5. Lease Serial No. NMNM91015, 91016, 91017
2. Name of Operator BC Operating, Inc.	6. If Indian, Allottee or Tribe Name RECEIVED
3a. Address PO Box 50820, Midland, TX 79710	7. If Unit or CA/Agreement, Name and/or No.
3b. Phone No. (include area code) 432-684-9696	8. Well Name and No. Rhodes NCT Coop Fed Com 1-1; 1-2, 1-3
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Rhodes NCT Coop Fed Com 1-1: J-27-26S-37E; Rhodes NCT Coop Fed Com 1-2: G-27-26S-37E; Rhodes NCT Coop Fed Com 1-3: B-27-26S-37E	9. API Well No. 30-025-32095, 32096, 32126
	10. Field and Pool, or Exploratory Area Rhodes Yates Seven Rivers
	11. County or Parish, State Lea County, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other add leases to surface
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	commingle permit
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

We would like to add the federal leases listed below to the surface commingling of oil for NMLC030174B and NMLC030174A. This approval was approved for surface commingling Rhodes Yates Seven Rivers - #7 WH Rhodes A with production from #23, #31, #28, #30, #24, #21, #29, #25 and #20 WH Rhodes B.

NMNM91015 (Rhodes NCT Coop Fed Com 1-1: J-27-26S-37E, 30-025-32095)

NMNM91016 (Rhodes NCT Coop Fed Com 1-2: G-27-26S-37E, 30-025-32096)

NMNM91017 (Rhodes NCT Coop Fed Com 1-3: B-27-26S-37E, 30-025-32126)

A map showing the well locations as well as an updated facility diagram describing the proposed operation in detail are included with this submission. All production is allocated based on monthly well tests which includes oil and water. All of these wells combined produce approximately 1800-2000 BO/month, 37.0 gravity. Because of the number of wells on these leases, it is economically more feasible to commingle the wells and extends the production life of the wells. Otherwise, some of the wells would have to be plugged due to the expense of setting up separate tank batteries.

It was thought that these leases were already included in the commingle permit; however, the BLM discovered that they were not listed and have requested that we add them. All interest owners were contacted with the original permit filing.

BC Operating is NOT THE APPROVED OPERATOR OF ALL WELLS

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Linda Gregg

Title Regulatory Analyst

Signature

Linda Gregg

Date

03/08/2012

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by DENIED Is/ JD Whitlock Jr	Title LPET	Date 4/22/12
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.	Office CFO	

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

ATTACHED Guidelines

APR 25 2012

7
●
RHODES W H FED
32102

3 25 24
● ● ●
RHODES NCT COOP FED RHODES W H FED RHODES W H FED
32126 32099 32098

27 2 29 23-B-NCT-1 1-26-B-NCT 26
● ● ● ● ●
RHODES NCT COOP FED RHODES W H FED W H RHODES FED WH RHOADES FED
32096 32109 32097 32100

1 21 20 30 31
● ● ● ● ●
RHODES NCT COOP FED RHODES W H 'B' FED RHODES W H 'B' FED RHODES W H FED RHODES W H FED
32095 31765 31764 32101 32127

BC OPERATING, INC.

T26S R37E Sec 22, 26, 27

Lea County, NM

0 1,090
FEET

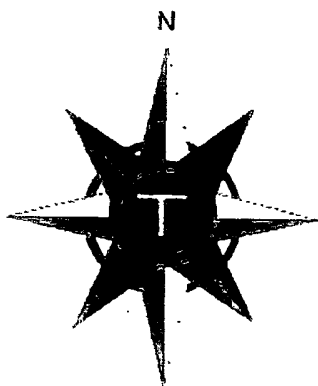
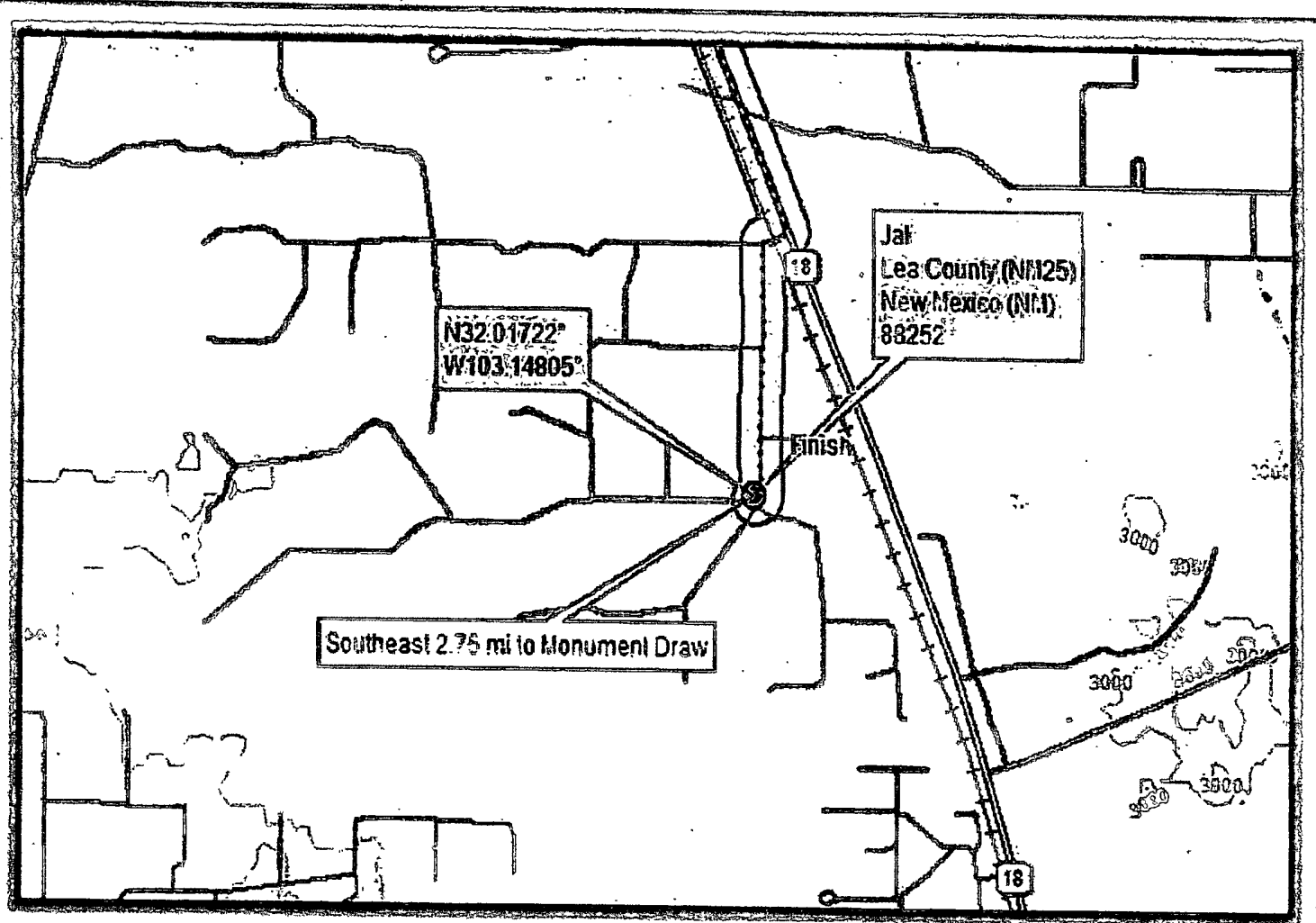
POSTED WELL DATA

Well Number

●
Well Name
API Series

WELL SYMBOLS
● Oil Well

March 8, 2012



Turn Dist	Turn	Road	Total Distance
	Depart Jal (S)	SR 265 (S 3rd St)	0.00 mi
0.04 mi	Turn left (E)	E Utah Ave	0.04 mi
0.32 mi	Turn right (S)	SR 18	0.36 mi
6.38 mi	Turn right (WSW)	<unnamed>	6.75 mi
0.89 mi	Continue straight (S)	Arrive at Finish	7.55 mi

Handwritten: Route BNCT-1

500 GBL
OVERFLOW

STORAGE

500 GBL
OVERFLOW

500
GAS SALES METER

30" x 10' 20" GAS
SCRUBBER

36" x 10' 20"
PRODUCTION SEPARATOR

PHASE B 30" TESTER
36" x 15'
30"

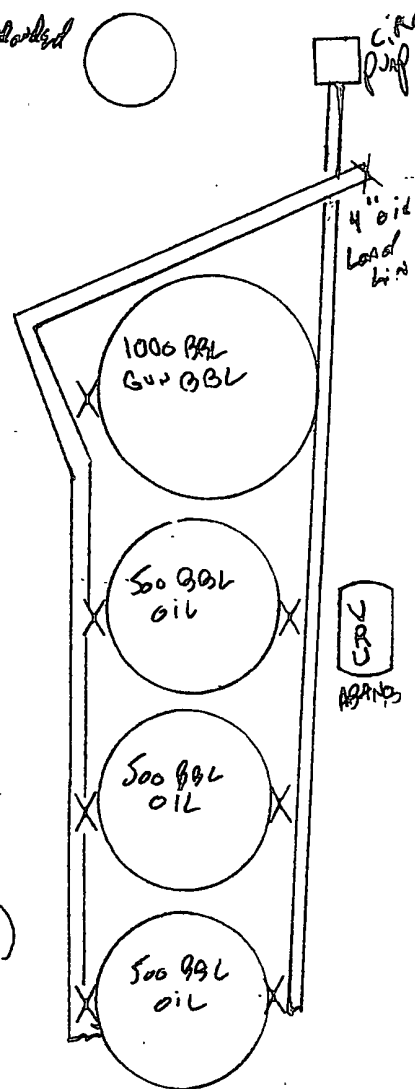
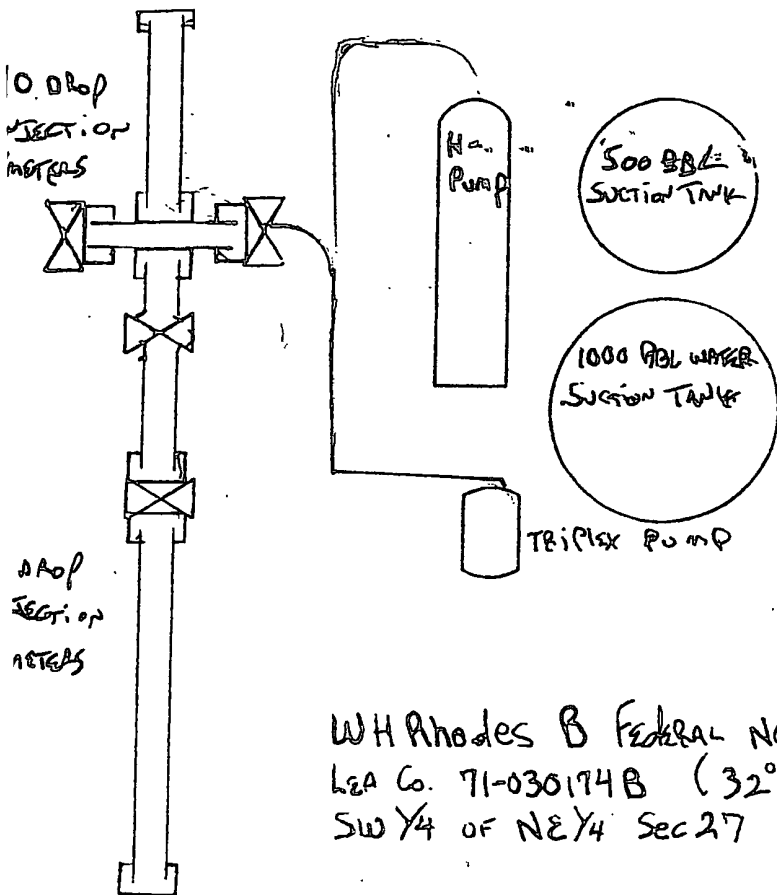
WATER TRANSFER PUMP
O/FLOW TO 200 GBL

GAS METER
OIL METER
H₂O METER

60" x 15' 30" FedCon
PRODUCTION SEPARATOR

FedCon 30" TESTER
H₂O METER
OIL METER
GAS METER

30" 20" REHANDLED



WH Rhodes Yates B Federal NCT 1 Battery
Lea Co New Mexico , 71-030174B , SW ¼ of NE ¼ Sec 27 , T26S R37E

Rhodes Yates B- 1 wells go through production side of 9 drop header into the primary vessel (36" x 10' 2 phase vertical) . The gas is stripped off this vessel and goes directly to the gas sales meter. The combined liquids go directly to the 1000 bbl gun bbl and are separated. Oil is dumped into the oil sales tanks and the water is pushed over the water leg to the 500 bbl suction tank on North side of the battery.

During testing of wells the fluids go into a 3 phase vertical (36" x 15'). Oil , water and gas are measured with meters. Gas goes directly into gas sales meter. The fluids are recombined after testing and are dumped into the 1000 bbl gun bbl where they are separated once again going into the water and oil tanks.

Vessels not in use : 30" x 10' vertical 2 phase by Gun BBL / Vapor Recovery Unit

Rhodes Yates Fed Com wells (1-1 , 1-2 , 1-3) are in a 3 drop header isolated from other production.

The primary production vessel is a (60" x 15') horizontal 3 phase unit. Gas is stripped from the vessel and goes directly to gas sales meter and liquids are dumped directly to the 1000 bbl gun bbl and are separated.

The Fed Com tester is a 3 phase horizontal (36" x 10') . Oil , water and gas are measured with meters. Gas goes directly into gas sales meter. The fluids are recombined after testing and are dumped into the 1000 bbl gun bbl where they are separated once again into water and oil tanks.

There is a 30" x 10' 2 Phase vertical Gas Scrubber on the East end of the Production vessels to capture any fluids that might carry over in the event of a vessel malfunction. The fluids that are captured are then dumped mechanically back into the 1000 gun bbl.

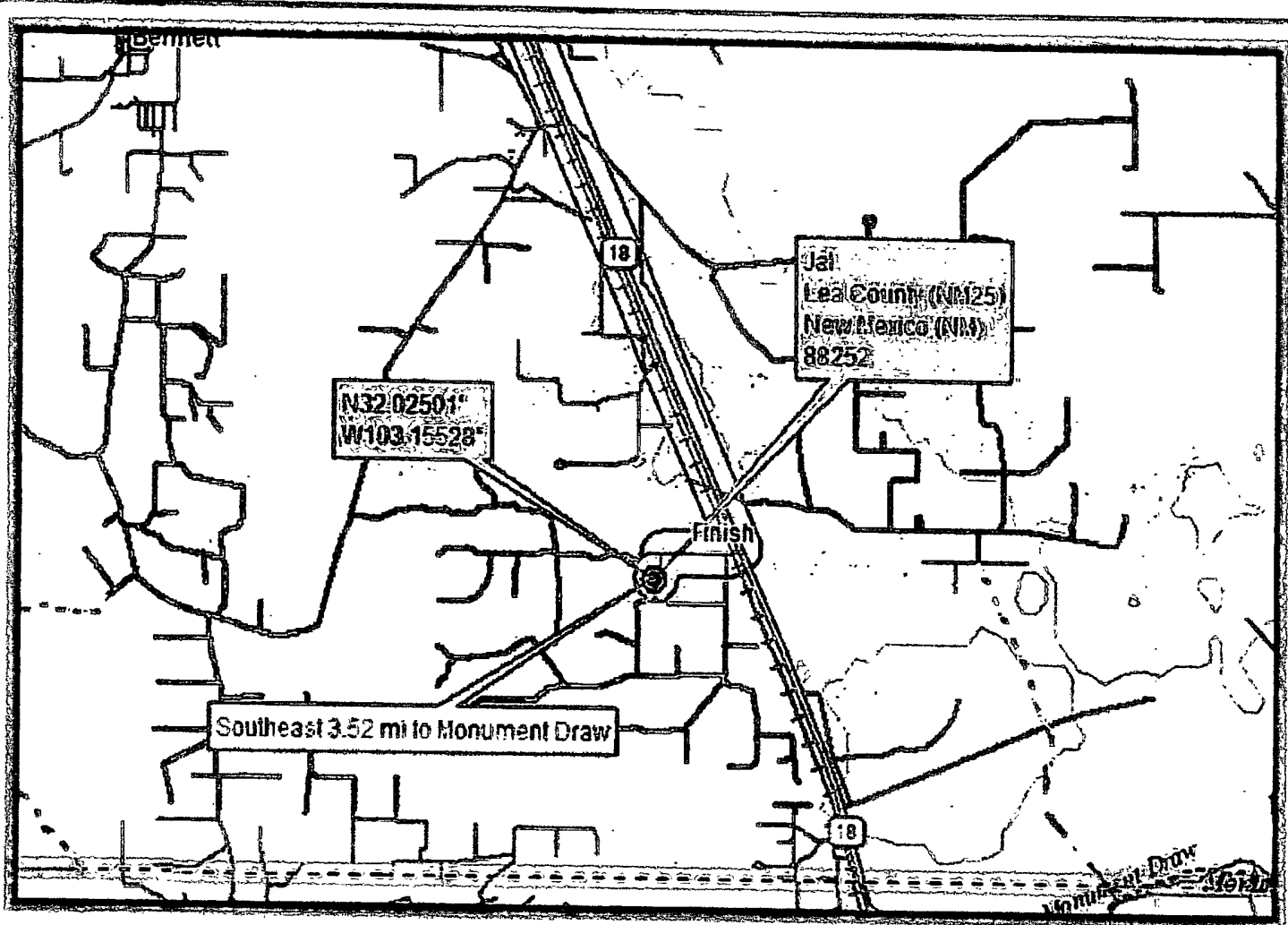
There is an injection station on the North end of the Battery where an H – Pump (primary SWD pump) and Triplex (secondary SWD pump) are located. The suction tanks are 1000 bbl fresh water and 500 bbl produced water tanks. Then injection header has individual meters going from the header to the wells.

There is an 18 drop header on the West End and a 10 drop header on the East end.

There is a Master Meter on the H – Pump for daily total volumes. When the primary pump is down the Triplex is activated and there is also a Master Meter for this pump .

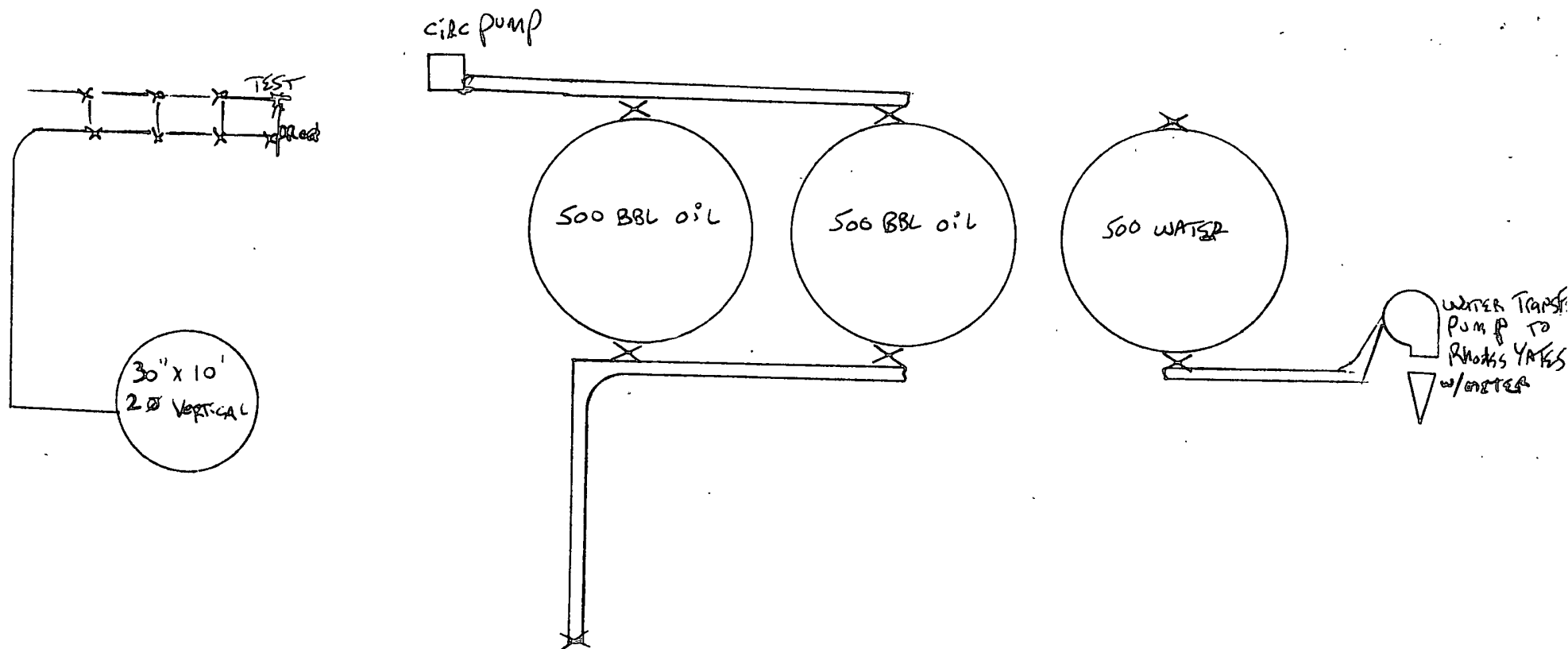
There are two 500 bbl overflow tanks on the NE end of the battery when the system overflows. There is a centrifugal pump that transfers captured waters back into the 1000 gun bbl. There are no overflow pits on site.

Oil tanks are sealed on BS&W lines and on Sales lines and on the load line going to the fence line. These seals are in place and only the BS&W seal may be broken to circulate off bottoms. After tank bottoms are drawn off the seal is replaced. After working the tanks then the oil hauler is called. Plains PPL seals the load line valve as well as all 3 oil tank load valves. There are some 2" valves where head switches were located and they are sealed as well by BC Employees. These seal stay in place. There is a trapper enclosure to catch oil @ the load line valve during oil sales .



Turn Dist	Turn	Road	Total Distance
0.04 mi	Depart Jal (S)	SR 205 (S 3rd St)	0.09 mi
0.32 mi	Turn left (E)	E Utah Ave	0.04 mi
0.32 mi	Turn right (S)	SR 13	0.36 mi
6.38 mi	Turn right (WSW)	<unnamed>	6.75 mi
0.48 mi	Turn left (S)	<unnamed>	7.23 mi
0.14 mi	Continue straight (SSW)	Arrive at Finish	7.37 mi

Photos & NCT-2



WH Rhodes B Federal NCT-2 BATTERY 1 71-030174-B hsa Co.
 NEY4 of SEY4 SEC. 28 T26S R37E
 32° 0' 42" N / 103° 9' 43" W

INACTIVE BATTERY - NO PRODUCTION WELL PTA'D - WATER TRANSFER STATION ONLY

**Bureau of Land Management
Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220
575-234-5972**

**Guidelines for Off-Lease Measurement,
Storage and Surface Commingling Approvals**

At a minimum the following information must be included with any application to combine, store or measure production off-lease:

1. A formal request (Sundry Notice Form 3160-5 or letter) for approval to combine, store, or measure production off-lease with an appropriate explanation and diagram(s) describing the proposed operation in detail.
2. A map showing the lease numbers and location of all leases and wells that will contribute production to the proposed commingling, off-lease measurement, and/or storage facility. All lease numbers, unitized or communitized areas, producing zones or pools must be clearly illustrated or detailed by suitable means. Any wells or leases proposed to be added to an approved commingling and off-lease storage and or measurement facility must be approved by the Authorized Officer prior to their being included in the facility.
3. An updated facility diagram which clearly identifies and places all equipment that will be utilized. A diagram which identifies all flow lines, sales points and give location of gas sales (transfer point) meter if it is not at this facility. Include gas sales meter station name and number and location of meter to include $\frac{1}{4}$ $\frac{1}{4}$, Section, Township and Range.
4. Estimated monthly production from each contributing well, including type of product, gravity, and/or BTU content.
5. Details of the proposed method for measuring and allocating production for each lease involved. Include calculated "beneficial use" volumes both on and off-lease.
6. A statement that all interest owners have been notified of the proposal.
7. Evidence that Federal or Indian royalties will not be reduced through approval of the application, and the proposed commingling of production is in the interest of conservation and will not result in improper measurement of production.
8. Detailed economic justification, when the application to combine production is based on economic necessity, i.e., that approval is necessary to extend the economic life of the Federal or Indian Lease(s). Commingling with State or Fee wells will be on a very limited basis and will have to prove this is the only economical way to keep that well/lease from being plugged.

Approval for combining production from various sources is a privilege which is granted to lessees for the purpose of aiding conservation and extending the economic life of leases. Applicants should be cognizant that failure to operate in accordance with the provisions outlined in the Authorized Officer's conditions of approval and/or subsequent stipulations or modifications will subject such approval to revocation.

_____ (Operator's Name) is requesting approval for surface commingling and off-lease storage and measurement of hydrocarbon production from the following formation(s) and well(s):

Federal Lease No. _____

<u>Well Name</u>	<u>API No.</u>	<u>Loc: ¼ ¼ Sec.Twp.Rng.</u>	<u>Formation</u>	<u>BOPD</u>	<u>Oil Gravity</u>	<u>MCFPD</u>	<u>BTU</u>
4-Deep Pockets 16 Federal	30015xxxxx	SWSW,Sec.15,T16S,R30E	Delaware	12	45.2/@60°	102	1315

With hydrocarbon production from:

Federal Lease No. _____

<u>Well Name</u>	<u>API No.</u>	<u>Loc: ¼ ¼ Sec.Twp.Rng.</u>	<u>Formation</u>	<u>BOPD</u>	<u>Oil Gravity</u>	<u>MCFPD</u>	<u>BTU</u>
4-Deep Pockets 16 Federal	30015xxxxx	SWSW,Sec.15,T16S,R30E	Delaware	12	45.2/@60°	102	1315

The storage and measuring facility is located at _____ ¼, Sec. _____, T _____ S, R _____ E, on Lease No. _____, Lea/Eddy (circle one), New Mexico. BLM will be notified if there is any future change in the facility location.

Details of the proposed method for allocating production to contributing sources are as follows: