ATS-07-439

OCD-HOBBS

Form 3160-3
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

JUN 2007 Received Hobbs OCD

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

1a. Type of work: ☑ DRILL ☐ REENTER	5. Lease Serial No. NMNM-116573
1b. Type of Well: ☑ Oil Well ☐ Gas Well ☐ Other ☑ Single Zone ☐ Multiple Zone	6. If Indian, Allotee or Tribe Name N/A
2. Name of Operator BC Operating, Inc. (160825)	7. If Unit or CA Agreement, Name and No. N/A
3a. Address P.O. Box 50820 Midland, TX 79710	3b. Phone No. (include area code) 432.553.7244
4. Location of Well (Report location clearly and in accordance with any State requirements.*) At surface 660' FSL & 1980' FWL, Section 20-23S- R32E Unit N At proposed prod. zone Same	8. Lease Name and Well No. (36548) Lonecat Federal #1
	9. API Well No. 30-025-38447 ~~Not Yet Issued~~
	10. Field and Pool, or Exploratory (59943) Triste Draw Delaware West
	11. Sec., T. R. M. or Blk. and Survey or Area Sec. 20-T23S-R32E
14. Distance in miles and direction from nearest town or post office* 36.5 miles east of Carsbad, NM	12. County or Parish Lea / 13. State NM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'	16. No. of acres in lease 40 / 17. Spacing Unit dedicated to this well 40
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. ~1320'	19. Proposed Depth ~9,000 / 20. BLM/BIA Bond No. on file ON FILE
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3,692' GL	22. Approximate date work will start* 06/15/2007 / 23. Estimated duration Three Weeks

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature	Name (Printed/Typed) Jeffrey G. Bane	Date 04/25/2007
Title Agent-In-Fact		
Approved by (Signature) /s/ Don Peterson	Name (Printed/Typed)	Date JUN 15 2007
Title FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

Application approval 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.
Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

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)

CARLSBAD CONTROLLED WATER BASIN

SEE ATTACHED FOR CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

dm

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
Revised August 15, 2000
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-025-38447	59945	Triste Draw Delaware West

Property Code	Property Name	Well Number
36546	LONECAT FEDERAL	1

OGRID No.	Operator Name	Elevation
160825	BC OPERATING, INC.	3692'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	20	23 S	32 E		660	SOUTH	1980	WEST	LEA

Bottom Hole Location If Different From Surface

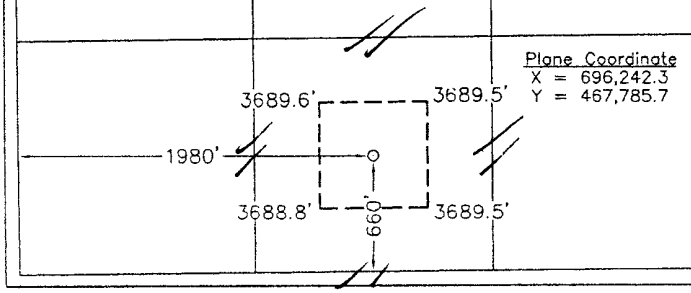
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

NOTE:

1) Plane Coordinates shown hereon are Transverse Mercator Grid and Conform to the "New Mexico Coordinate System", New Mexico East Zone, North American Datum of 1927. Distances shown hereon are mean horizontal surface values.



OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Signature

Jeffrey G. Rose
Printed Name

President
Title

4/16/07
Date

SURVEYOR CERTIFICATION

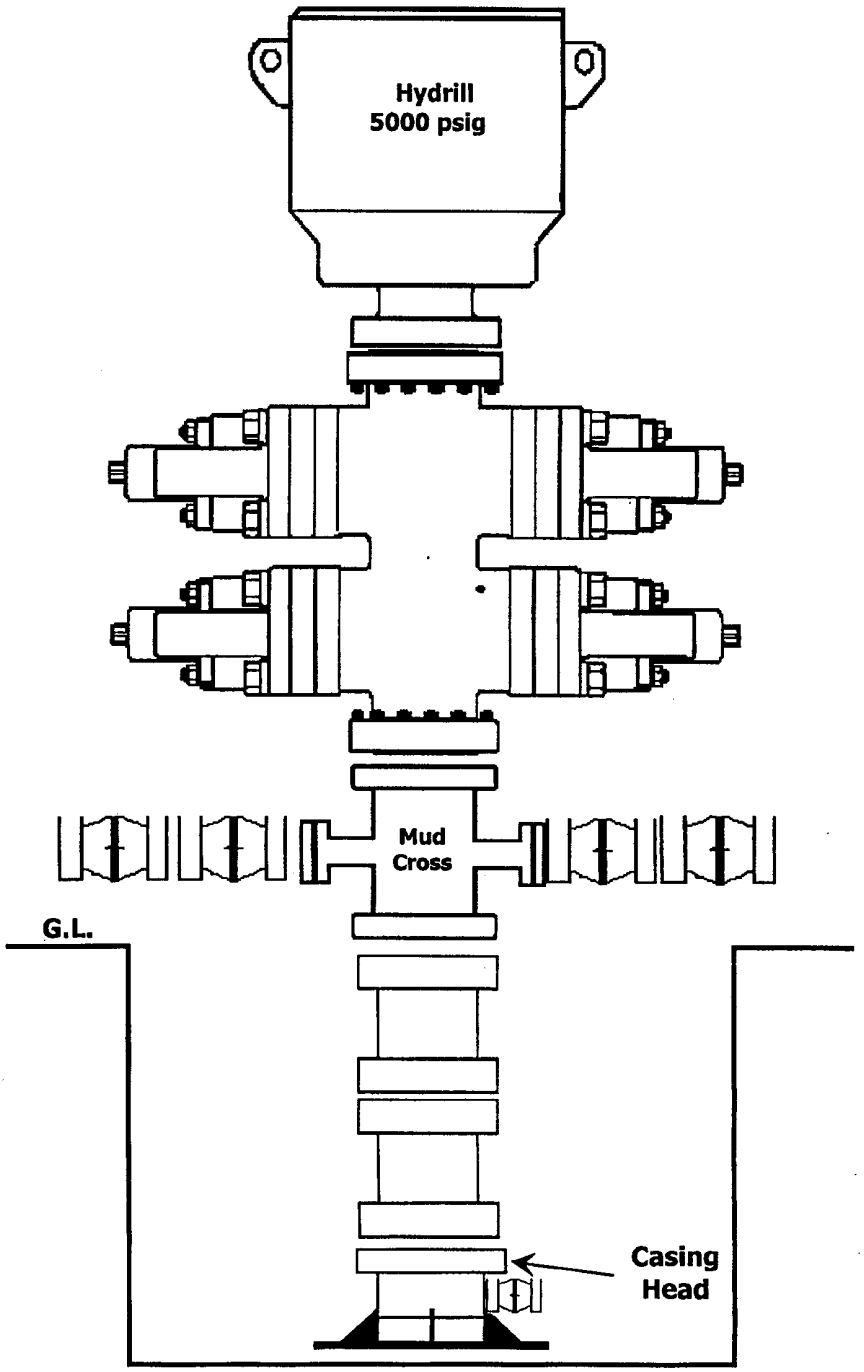
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervison and that the same is true and correct to the best of my belief.

January 25, 2007
Date Surveyed KMT

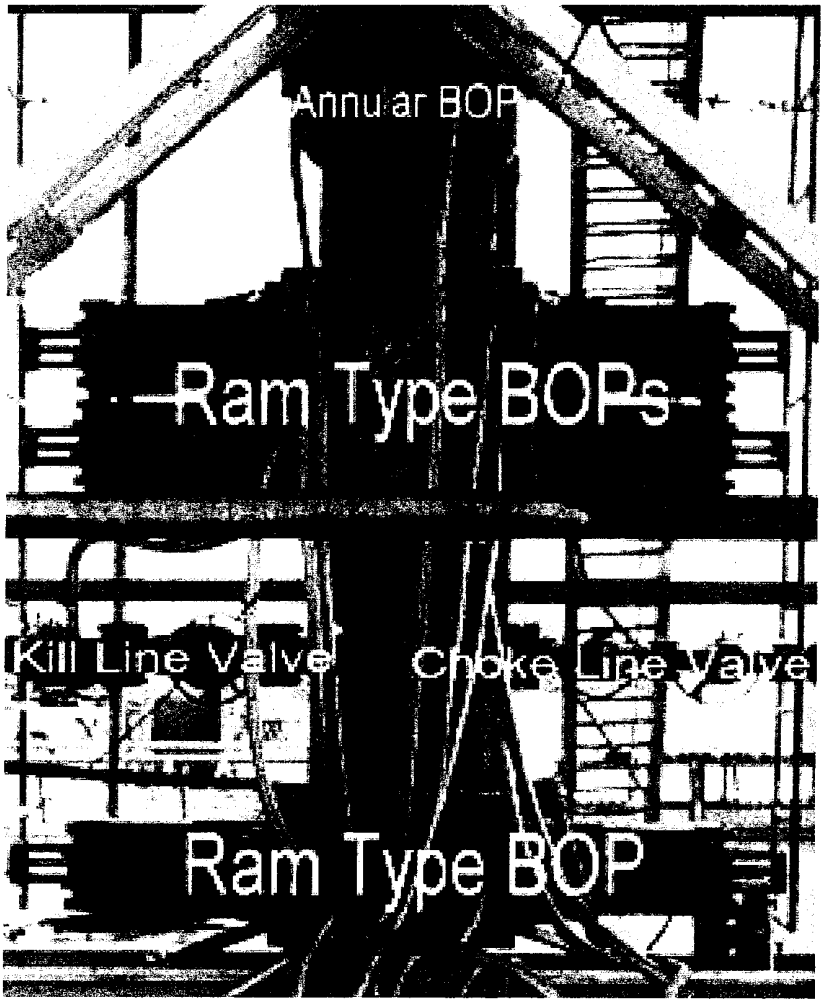
Signature & Seal of Professional Surveyor

W.O. Num. 2007-0128

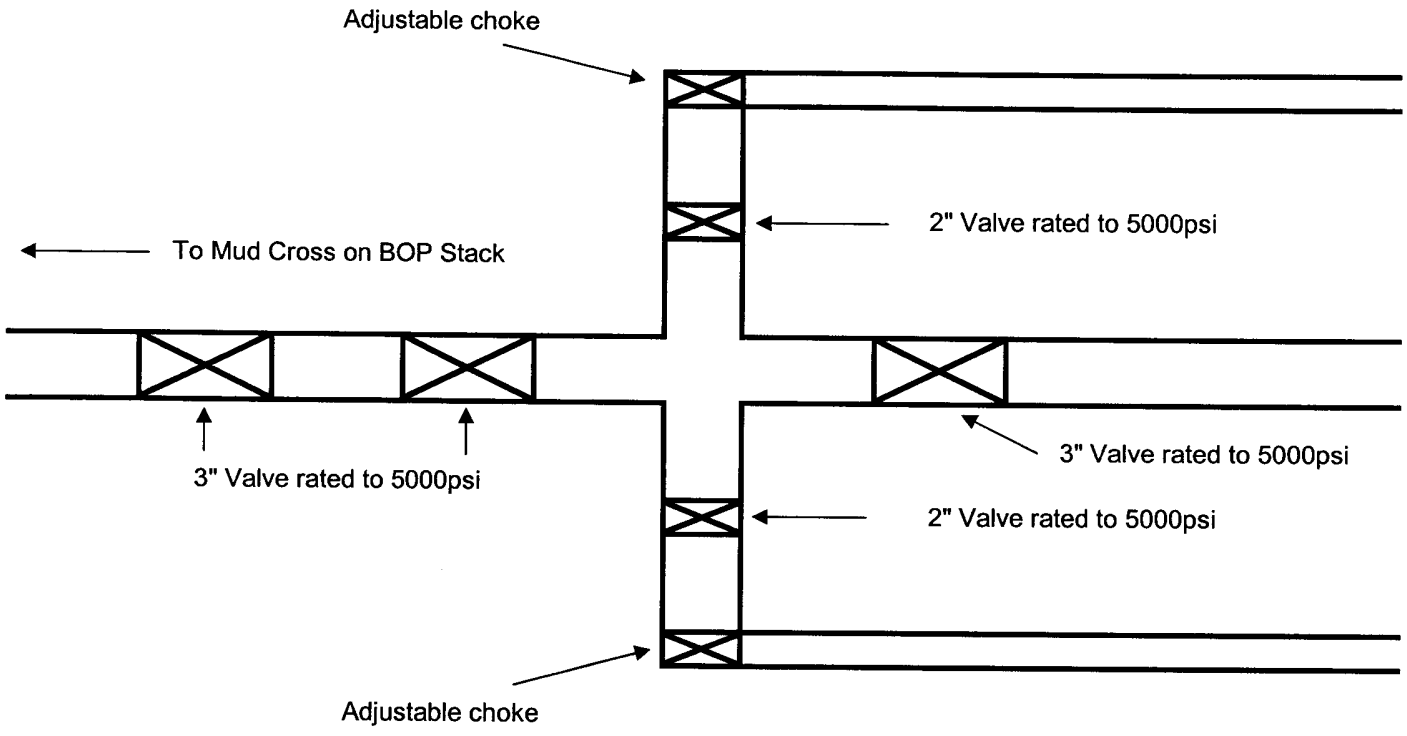
Certificate No. MACON McDONALD 12185


Hydrill
5000 psig
Mud
Cross
G.L.
Casing
Head

Example of Blowout Preventer
Tested to 5,000#



3 M Choke Manifold



Hydrogen Sulfide Drilling Operations Plan

for

BC Operating, Inc.'s

Lonecat Federal #1

660' FSL & 1980' FWL (Unit Letter "N")
Section 20, T-23-S, R-32-E, N.M.P.M.
Lea County, New Mexico

Lease Serial # NM-116573

ONE - Hydrogen Sulfide Training:

All personnel, whether regularly assigned, contracted or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

- The hazards and characteristics of hydrogen sulfide (H2S);
- The proper use and maintenance of personal protective equipment and life support systems;
- The proper use of H2S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds; and,
- The proper techniques of first aid and rescue procedures.

In addition, the supervisory personnel will be trained in the following areas;

- The effects of H2S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements;
- Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
- The contents and requirements of the H2S Drilling Operations Plan.

There will be an initial training session just prior to encountering a known or probable H2S zone (within 3 days or 500') and weekly H2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H2S Drilling Operations Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

TWO - H2S Safety Equipment and Systems:

NOTE: All H2S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or, three days prior to penetration of the first zone containing, or reasonably expected to contain, H2S.

1. Well Control Equipment:

- Flare line with flare igniter;
- Choke manifold with one remote hydraulic choke installed;
- Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit;
- Auxiliary equipment to include an Annular Preventer.

2. **Protective equipment for essential personnel:**

- The designated safety expert will provide 5-minute escape units located in the doghouse, and 30-minute air units at briefing areas.

3. **H2S detection and monitoring equipment:**

- Three portable H2S monitors will be positioned on location for the best coverage and response. These units have warning lights and audible sirens when triggered by H2S levels > 20 PPM.
- One portable SO2 monitor will be positioned near flare line during H2S flaring operations.

4. **Visual warning systems:**

- Wind direction indicators will be placed in accordance with the directives issued by the designated H2S expert.
- Caution/Danger signs shall be posted on roads providing direct access to the location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be legible from the immediate location.

5. **Mud Program:**

- The mud program will minimize the volume of H2S circulated to the surface. Proper mud weight safe drilling practices, and, if necessary, the use of H2S scavengers will minimize hazards when penetrating H2S bearing zones.

6. **Metallurgy:**

- All drill strings, casing, tubing, wellhead, blowout preventers, drilling spools kill lines, choke manifold and line valves shall be suitable for H2S service.
- All elastomers used for packing and seals shall be H2S trimmed.

7. **Communications:**

- Radio and telephone communications will be available in company vehicles and rig doghouse.

8. **Well Testing:**

- Drill stem testing will be performed with a minimum number of personnel necessary to safely and adequately conduct the test. The drill stem testing of any known formation that contains H2S will be conducted during daylight hours.

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: B C Operating, Inc.
Well Name & No. Lonecat Federal # 1
Location: 660'FSL, 1980'FWL,SEC20, T23S, R32E Lea County, NM
Lease: NM-116573

I. DRILLING OPERATIONS REQUIREMENTS:

A. The Bureau of Land Management (BLM) is to be notified a minimum of 4 hours in advance for a representative to witness:

1. Spudding well
2. Setting and/or Cementing of all casing strings
3. BOPE tests

- Lea County call the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612

B. A Hydrogen Sulfide (H2S) Drilling Plan is N/A.

C. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

D. If floor controls are required, (3M or Greater) controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

II. CASING:

A. The **13.375** inch surface casing shall be set **above the salt, at least 25 feet into the Rustler Anhydrite @ approximately 1200 feet** and cemented to the surface.

1. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
2. Wait on cement (WOC) time for a primary cement job will be a minimum of 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compression strength, whichever is greater. (This is to include the lead cement)
3. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compression strength, whichever is greater.
4. If cement falls back, remedial action will be done prior to drilling out that string.

B. The minimum required fill of cement behind the **8.625** inch intermediate casing is cement shall circulate to the surface. If cement does not circulate see A.1 thru 4.

C. The minimum required fill of cement behind the **5.5 inch** production casing is cement shall circulate to at least **200 feet above the shoe of the 8.625 inch intermediate casing.**

D. If hardband drill pipe is rotated inside casing; returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool I joints of the drill pipe will be installed prior to continuing drilling operations.

III. PRESSURE CONTROL:

A. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2.

B. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **2000**- psi.

C. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the **5.5** inch Intermediate casing shoe shall be **3000** psi.

D. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
   1. The tests shall be done by an independent service company.
   2. The results of the test shall be reported to the appropriate BLM office.
   3. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.
   4. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi in accordance with API RP 53, section 17. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

IV. Drilling Mud:

A. Fresh water based mud will be used to 1200 feet.

V. HAZARDS:

A. Our geologist has indicated that there is potential for flows in the Salado.
B. Our geologist has indicated that there is potential for lost circulation in the Delaware and the Bone Spring.

Engineering can be reached at 505-706-2779 for any variances necessary.

FWright 6/12/07

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144
June 1, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes [X] No [ ]
Type of action: Registration of a pit or below-grade tank [X] Closure of a pit or below-grade tank [ ]

Operator: BC Operating, Inc. Telephone: 432.683.2950 e-mail address: jsimon@usaonline.net
Address: P.O. Box 50820, Midland, TX 79710
Facility or well name: Lonecat Federal #1 API #: 30-025-38447 U/L or Qtr/Qtr N Sec 20 T 23S R 32E
County: Lea Latitude X=696,242.3 Longitude Y=467,785.7 NAD: 1927 [X] 1983 [ ]
Surface Owner: Federal [ ] State [ ] Private [ ] Indian [ ]

Pit	**Below-grade tank**	
Type: Drilling [X] Production [ ] Disposal [ ] Workover [ ] Emergency [ ] Lined [X] Unlined [ ] Liner type: Synthetic [X] Thickness >20 mil Clay [ ] Pit Volume 12,000 bbl	Volume: ____ bbl Type of fluid: ____ Construction material: ____ Double-walled, with leak detection? Yes [ ] If not, explain why not	
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet 50 feet or more, but less than 100 feet 100 feet or more	(20 points) (10 points) (0 points) XXX
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes No	(20 points) (0 points) XXX
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet 200 feet or more, but less than 1000 feet 1000 feet or more	(20 points) (10 points) (0 points) XXX
	Ranking Score (Total Points)	0 Points

If this is a pit closure: (1) Attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if your are burying in place) onsite [ ] offsite [ ] If offsite, name of facility____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No [ ] Yes [ ] If yes, show depth below ground surface____ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments:
After drilling operations are complete, BC Operating Inc. will follow NMOCD and Federal guidelines for pit closure, including any updated forms.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. **I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines [X], a general permit [ ], or an (attached) alternative OCD-approved plan [ ].**

Date: 6/20/07
Printed Name/Title Jeffrey G. Bane Signature

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:
Printed Name/Title CHRIS WILLIAMS/DIST. SUP. Signature Chris Williams Date: 6/21/07