NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Response Required - Deadline Enclosed

31-Dec-09

BC OPERATING, INC. P. O. BOX 50820 MIDLAND,TX 79710-

LETTER OF VIOLATION Delinquent Regulatory Filings

Dear Operator:

Oil Conservation Division ("OCD") records indicate that you failed to file the required reports identified below, or that your filings were incomplete or inaccurate.

NON-COMPLIANT WELL DETAIL SECTION

IKE FEDERAL No.001

Location: 28-25S-32E

30-025-38151-00-00

Original Well Type: Oil (Producing)

Well Status:

Determination or Violation Date: 12/31/2009 Delinquent Report or

Delinquent Report or Filing(s): - Logs - Sundry Notice - Other

Monitoring and Reporting Violation

Comments: OCD has received BLM form 3160-4, completion form, but still needs more paperwork. OCD needs the back page of the completion form, Sundry with dates and what was done to TA this well, copy of MIT chart. A full set of logs is also required on all new drilled wells, no matter if it is Federal, State or Fee lease. If you have questions on this matter, please call Donna Mull (575) 393-6161 ext 115.

CORRECTIVE ACTION ON THIS WELL DUE BY: 1/15/2010

Please file or correct the reports identified above by the corrective action due date indicated. If you fail to file or correct the reports by that date, the OCD will take enforcement action that may include but is not limited to applying for an order assessing civil penalties and/or requiring you to plug and abandon the wells associated with those reports.

Thank you for your prompt attention to this matter and your efforts in helping to protect our environment and the infrastructure of the oil and gas industry.

Sincerely,

Hobbs OCD District Office