

OCD-ARTESIA

ATS-07-340

Form 3160-3
(April 2004)UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTMonth - Year
MAY 1 2007
OCD - ARTESIA, NMFORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7. If Unit or CA Agreement, Name and No.	
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		8. Lease Name and Well No. BIG EDDY UNIT #167 1776	
2. Name of Operator BEPCO, L.P.		9. API Well No. 30-015-35571	
3a. Address P.O. BOX 2760 MIDLAND, TX 79702	3b. Phone No. (include area code) (432) 683-2277	10. Field and Pool, or Exploratory Indian Flats (Morrow) Field	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface NESE, 1030 FSL, 1980 FEL, Lat N 32.475861 deg, Long W 104.055028 At proposed prod. zone Same CAPITAN CONTROLLED WATER BASIN		11. Sec., T. R. M. or Blk. and Survey or Area Sec. 14, T21S, R28E, Mer. NMP	
14. Distance in miles and direction from nearest town or post office* 13 MILES NE OF CARLSBAD, NM		12. County or Parish EDDY COUNTY	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 1680	17. Spacing Unit dedicated to this well 320	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 3010'	19. Proposed Depth 12,600	20. BLM/BIA Bond No. on file 103997445 NM 2204	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3297' GL	22. Approximate date work will start* 10/01/2007	23. Estimated duration 40 DAYS	

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. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 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). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <i>Annette Childers</i>	Name (Printed/Typed) ANNETTE CHILDERS	Date 03/05/2007
Title		

Approved by (Signature) <i>James Stovall</i>	Name (Printed/Typed) James Stovall	Date APR 27 2007
Title ACTING 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 1 YEAR

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)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHEDIf earthen pits are used in
association with the drilling of this
well, an OCD pit permit must be
obtained prior to pit construction.SEE ATTACHED FOR
CONDITIONS OF APPROVAL

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

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

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

DISTRICT IV
1220 St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005

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 79080	Pool Name INDIAN FLATS 1 (MORROW)
Property Code 001776	Property Name BIG EDDY UNIT	Well Number 167
OGRID No. 001801	Operator Name BEPCO, L.P.	Elevation 3297'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	14	21 S	28 E		1030	SOUTH	1980	EAST	EDDY

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 320	Joint or Infill N	Consolidation Code	Order No.						

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

160.03 ACRES	160.01 ACRES
160.11 ACRES	160.09 ACRES
LAT - N32°28'33.1" LONG - W104°03'18.1" (NAD-83)	
3300.4' 3302.5' 1980' 3297.8' 3303.8' 1030'	

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the Division.

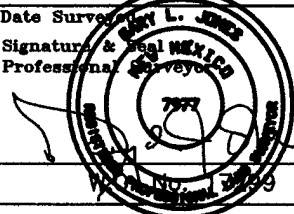
 3/2/07
Signature Date

Stephen M. Martinez
Printed Name

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 supervision, and that the same is true and correct to the best of my belief.

OCTOBER 31, 2006
Date Surveyed


Signature & Professional Seal
Professional Surveyor

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

SM
3/2/07

**EIGHT POINT DRILLING PROGRAM
BASS ENTERPRISES PRODUCTION CO.**

NAME OF WELL: BIG EDDY UNIT #167

LEGAL DESCRIPTION - SURFACE: 1030 FSL & 1480 FEL, Section 14, T21S, R28E, Eddy County, New Mexico.

POINT 1: ESTIMATED FORMATION TOPS

(See No. 2 Below)

POINT 2: WATER, OIL, GAS AND/OR MINERAL BEARING FORMATIONS

Anticipated Formation Tops: KB 3318' (est)
GL 3297'

FORMATION	ESTIMATED SUBSEA TOP	ESTIMATED TOP FROM KB	BEARING
T/Rustler	3,100	218	Barren
T/Salado	2,820	498	Barren
B/Salado	575	2,743	Barren
T/1st Delaware Sand	419	2,899	Barren
T/Old Indian Draw Sand	-415	3,733	Oil/Gas
T/Bone Spring Lime	-2,990	6,308	Oil/Gas
T/Wolfcamp	-6,390	9,708	Oil/Gas
T/Strawn	-7,479	10,797	Oil/Gas
T/Atoka	-7,835	11,153	Oil/Gas
T/Upper Morrow	-8,375	11,693	Oil/Gas
T/Middle Morrow	-8,705	12,023	Oil/Gas
T/Lower Morrow	-9,005	12,323	Oil/Gas
TD	-9,282	12,600	

POINT 3: CASING PROGRAM

<u>TYPE</u>	<u>INTERVALS</u>	<u>PURPOSE</u>	<u>CONDITION</u>
20"	0' - 64'	Conductor	Contractor Discretion
13-3/8", 48#, H-40, STC	0' - 488'	Surface	New
9-5/8", 36#, J-55, LTC	0' - 2,800'	Intermediate	New
5-1/2", 17#, HCP-110, LTC	0' - 12,600'	Production Casing	New

POINT 4: PRESSURE CONTROL EQUIPMENT (SEE ATTACHED DIAGRAM)

A rotating head will be nipped up on the surface casing. The rotating head will not be hydro-tested.

SEE DIAGRAM MODIFICATION

SEE CDA
A BOP equivalent to Diagram 1 will be nipped up on the first and second intermediate casings. The BOP stack, choke, kill lines, kelly cocks, inside BOP, etc. will be hydro-tested to 5,000 psi on the first intermediate and the second intermediate casing. The annular will be tested to 2500 psi. In addition to the rated working pressure test, a low pressure (250 psi) test will be required. These tests will be performed:

- a) Upon installation
- b) After any component changes
- c) Twenty-one days after a previous test
- d) As required by well conditions

A function test to insure that the preventers are operating correctly will be performed on each trip. See the attached Diagram 1 for the minimum criteria for the choke manifold.

POINT 5: MUD PROGRAM

<u>DEPTH</u>	<u>MUD TYPE</u>	<u>WEIGHT</u>	<u>FV</u>	<u>PV</u>	<u>YP</u>	<u>FL</u>	<u>Ph</u>
0' - 498'	FW	8.6 - 9.0	55-60	NC	NC	NC	9.5 - 10.0
498' - 2,800'	FW	8.6 - 9.2	28 -29	NC	NC	NC	9.5 - 10.5
2,800' - 9,400'	FW	8.4 - 8.6	28-30	4	2	NC	9.5 - 10.5
9,400' - 10,500'	CBW	9.0 - 9.5	28-30	6	4	NC	9.6 - 10.0
10,500' - 11,500'	CBW/Polymer	9.5 - 11.2	34-38	6-10	8-12	<20	9.5 - 10.0
11,500' - TD'	CBW/Polymer	9.5 - 11.2	34-38	6-10	8-12	<10	9.5 - 10.0

POINT 6: TECHNICAL STAGES OF OPERATION**A) TESTING**

Drill stem tests may be performed on significant shows in zones of interest, but none are planned at this time.

B) LOGGING

Run #1:

GR-CNL-LDT-LLD-CAL run from 12,600' to intermediate casing, GR-CNL to surface.

C) CORING

No cores are anticipated.

D) CEMENT

<u>INTERVAL</u>	<u>AMOUNT SX</u>	<u>FT OF FILL</u>	<u>TYPE</u>	<u>GALS/SX</u>	<u>PPG</u>	<u>FT³/SX</u>
SURFACE	(100% excess)					
Lead						
0' - 288'	175	288	Light Premium Plus + 0.125 lbm/sk Poly-E-Flake	10.30	12.80	1.89
Tail						
238' - 488'	260	250	Premium Plus + 2% CaCl ₂ + 0.125 lbm/sk Pol-E-flake	6.32	14.80	1.34
INTERMEDIATE	(100% Excess)					
Lead						
0 - 2,300'	485	2300	Interfill C + 0.125 lbm/sk Pol-E-Flake	16.43	11.50	2.76
Tail						
2,300' - 2,800'	250	500	Premium Plus Cement +.2% CaCl ₂	6.34	14.80	1.34
PRODUCTION	(50% Excess - Two stage w/DV tool @ 6,500' and circulate cement to 2,800')					
1 st Stage						
Lead						
6,500' - 10,600'	630	4100	Interfill H + 0.25 lbm/sk Flocele+5 lbm/sk Gilsonite + 0.5 % Halad@-9	13.63	11.90	2.47
Tail						
10,600' - 12,600'	455	2000	Super H + 0.5% Halad 344 + 0.4% CFR3 + 5 pps Gilsonite + 1 pps Salt + 0.2% HR7	8.23	13.00	1.67
2 nd Stage						
Lead						
2,500' - 6,500'	620	4000	Interfill H + .125 pps Pol-e-flake + 0.5% Halad 9	14.08	11.90	2.46
Tail						
5,500' - 6,500'	225	1000	Super H + 0.5% Halad 344 + 0.4% CFR3 + 5 pps Gilsonite + 1 pps Salt + 0.2% HR7	8.23	13.00	1.67

E) DIRECTIONAL DRILLING

No directional services anticipated. A straight hole will be drilled to 12,600' TD.

POINT 7: ANTICIPATED RESERVOIR CONDITIONS

Normal pressures are anticipated throughout the Delaware and Bone Spring. The Wolfcamp and Strawn sections will have pressures in the 5,000 - 6,000 psi range (10.0 - 10.5 ppg). Due to the tight nature of the Atoka reservoir rock (high pressure, low volume), the maximum BHP could be as high as 7,000 psi (12.0 ppg). The well will be drilled under balanced utilizing a rotating head. The Morrow will be normally pressured. The expected BHT at TD is 200°F. No H₂S is anticipated.

SEE CDP

POINT 8: OTHER PERTINENT INFORMATION

A) Auxiliary Equipment

Upper and lower kelly cocks. Full opening stab in valve on the rig floor.

B) Anticipated Starting Date

Upon approval

35 days drilling operations

20 days completion operations

SMM

Surface casing is to be set into the Rustler below all fresh water sands. Production casing will be cemented using Halliburton Premium Plus with TOC 500' above upper-most pay zones. Drilling procedure, BOP diagram, anticipated tops and surface plans are attached.

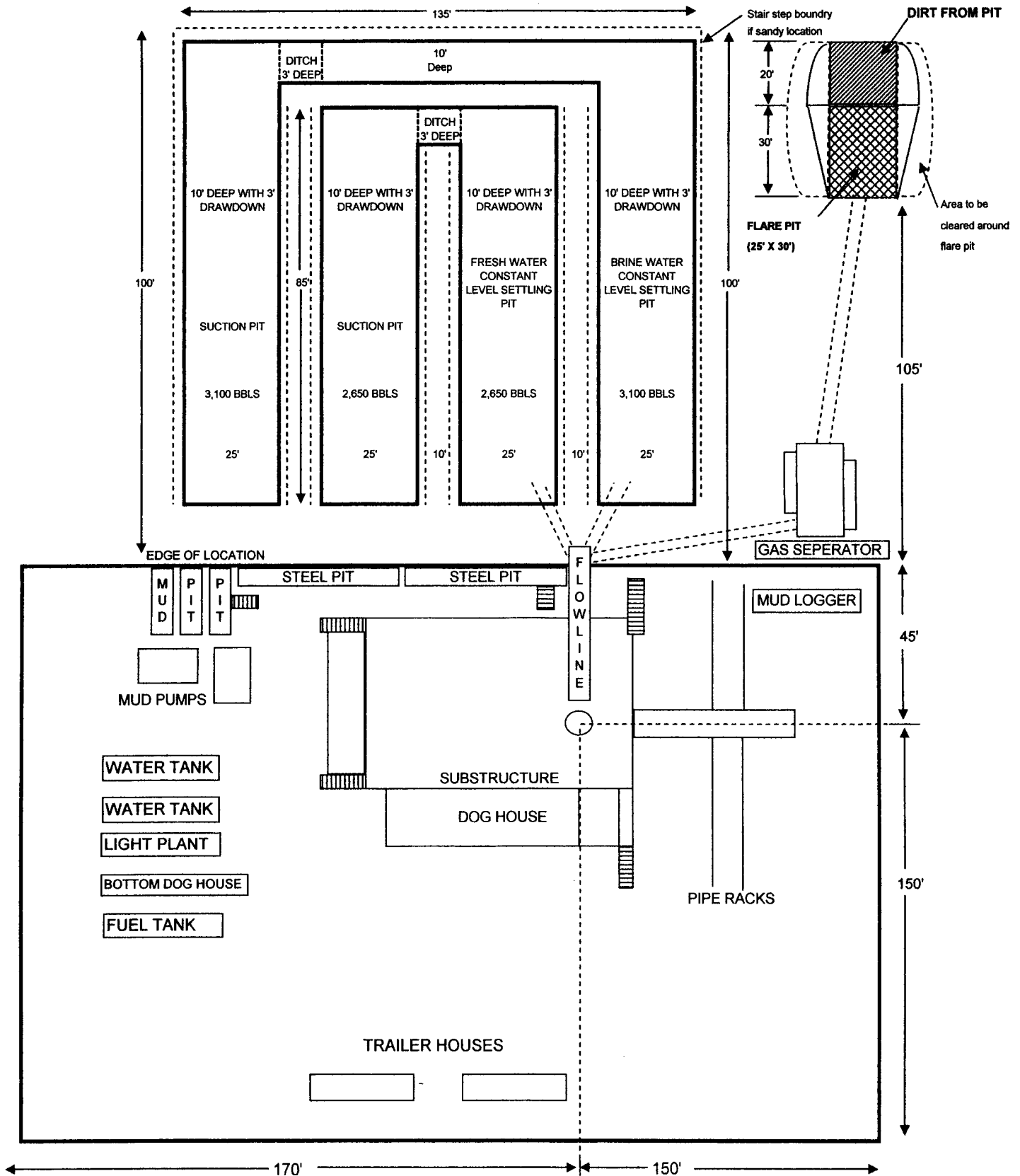
This well is located outside the Secretary's Order for the Potash Area and outside the R-111 Potash area. There are no potash leases within 5 miles of the location.

ADOBE IRONHORSE

Exhibit "D"

Rig Layout Schematic

*Pits East
V-L Drilling South*



5 M CHOKE MANIFOLD EQUIPMENT-CONFIGURATION MAY VARY



MULTI-POINT SURFACE USE PLAN

NAME OF WELL: BIG EDDY UNIT #164 ¹⁶⁷

LEGAL DESCRIPTION - SURFACE: 1030' FSL & 1980' FEL, Section 14, T21S, R28E, Eddy County, NM

POINT 1: EXISTING ROADS

- A) Proposed Well Site Location

See Exhibit "A".

- B) Existing Roads:

From the junction of State Highway 62-180 and CR 699 (Landfill Road), proceed southeast 1.0 miles thence 0.5 miles southeast around the landfill. Proceed on the lease road 0.5 miles southeast thence 0.2 miles southwest. Proceed south 0.4 miles past the cattle guard to the proposed lease road.

- C) Existing Road Maintenance or Improve Plan:

See Exhibit "B"

POINT 2: NEW PLANNED ACCESS ROUTE

- A) Route Location:

See Exhibit "B". The new road will be 12' wide and approximately 2,400' long from existing lease road. The road will be constructed of watered and compacted caliche.

- B) Width

12' Wide.

- C) Maximum Grade

Not Applicable.

- D) Turnouts

As required by BLM stipulations

- E) Culverts, Cattle Guards, and Surfacing Equipment

None

POINT 3: LOCATION OF EXISTING WELLS

Exhibit "C" indicates existing wells within the surrounding area.

POINT 4: LOCATION OF EXSITING OR PROPOSED FACILITIES

- A) Existing facilities within one mile owned or controlled by lessee/operator (Exhibit "C"):

Bass production facilities are located at the Bass Big Eddy Unit #76 - NE/4, Sec. 23, T21S, R28E

POINT 4: LOCATION OF EXSITING OR PROPOSED FACILITIES

B) New Facilities in the Event of Production:

New production facilities will be installed at the new location.

C) Rehabilitation of Disturbed Areas Unnecessary for Production:

Following the construction of production facilities, those access areas required for continued production will be graded to provide drainage and minimize erosion. The areas necessary for use will be graded to blend in the surrounding topography – See Point 10.

POINT 5: LOCATION AND TYPE OF WATER SUPPLY

A) Location and Type of Water Supply

Fresh water will be hauled from the City of Carlsbad. Brine water will be hauled from Champion Brine Water Station, 3.5 miles east and 2.5 miles south of Carlsbad.

B) Water Transportation System

Water hauling to the location will be over the existing and proposed roads.

POINT 6: SOURCE OF CONSTRUCTION MATERIALS

A) Materials

Onsite Caliche.

B) Land Ownership

Federally Owned.

C) Materials Foreign to the Site

No construction materials foreign to this area are anticipated for this drill site.

D) Access Roads

No additional access roads are required.

POINT 7: METHODS FOR HANDLING WASTE MATERIAL

A) Cuttings

Cuttings will be contained in the reserve pit.

B) Drilling Fluids

Drilling fluids will be contained in the reserve pit.

C) Produced Fluids

Water Production will be contained in the reserve pit.

Hydrocarbon fluid or other fluids that may be produced during testing will be retained in the test tanks. Prior to cleanup operations, any hydrocarbon material in the reserve pit will be removed by skimming or burning as the situation would dictate.

D) Sewage

Current laws and regulations pertaining to the disposal of human waste will be complied with.

E) Garbage

Portable containers will be utilized for garbage disposal during the drilling of this well.

F) Cleanup of Well Site

Upon release of the drilling rig, the surface of the drilling pad will be graded to accommodate a completion rig if testing indicates potential productive zones. In any case, the "mouse" hole and the "rat" hole will be covered. The reserve pit will be fenced and the fence maintained until the pit is backfilled. Reasonable cleanup will be performed prior to the final restoration of the site.

POINT 8: ANCILLARY FACILITIES

None Required.

POINT 9: WELL SITE LAYOUT

A) Rig Orientation and Layout

Exhibit "D" show the dimensions of the well pad and reserve pits and the location of major rig components. Only minor leveling of the well site will be required. No significant cuts or fills will be necessary.

B) Locations of Pits and Access Road

See Exhibits "B" and "D"

C) Lining of the Pits

The reserve pit will be lined with plastic.

POINT 10: PLANS FOR RESTORATION OF THE SERVICE

A) Reserve Pit Cleanup

A pit will be fenced at the time of rig release and shall be maintained until the pit is backfilled. Previous to backfill operations, any hydrocarbon material on the pit surface shall be removed. The fluids and solids contained in the pit shall be backfilled with soil excavated from the site and soil adjacent to the reserve pit. The restored surface of the pit shall be contoured to prevent impoundment of surface water flow. Water – bars will be constructed as needed to prevent excessive erosion. Topsoil, as available, shall be placed over the restored surface in a uniform layer. The area will be seeded according to the BLM stipulations during the appropriate season following restoration.

B) Restoration Plans – Production Developed

The reserve pit will be backfilled and restored as described above under Item A. In addition, those areas not required for production will be graded to blend with the surrounding topography. Topsoil, as available, will be placed upon those areas and seeded. The portion of the site required for production will be graded to minimize erosion and provide access during inclement conditions. Following depletion and abandonment of the site, restoration procedures will be those that follow under Item C.

C) Restoration Plans – No Production Developed

The reserve pit will be restored as described above. With no production developed, the entire surface disturbed by construction of the well site will be restored. The site will be contoured to blend with the surrounding topography and provide drainage of surface water. The topsoil, as available, shall be replaced in a uniform layer and seeded according to the BLM stipulations.

D) Rehabilitation Timetable

Upon completion of drilling operations, the initial cleanup of the site will be performed as soon as weather and site conditions allow economic execution of the work.

POINT 11: OTHER INFORMATION

A) Terrain

Relatively Flat

B) Soil

Caliche and sand.

C) Vegetation

Sparse, primarily grasses and mesquite with very little grass.

D) Surface Use

Primarily grazing.

E) Surface Water

There are no ponds, lakes, streams, or rivers within several miles of the wellsite.

F) Water Wells

There are no water wells within 1 mile of location.

G) Residences and Buildings

None in the immediate vicinity.

H) Historical Sites

None observed.

I) Archeological Resources

An archeological survey will be obtained for this area. The survey area will be a 600' x 600' square with its center on the wellhead stake. Before any construction begins, a full and complete archeological survey will be submitted to the BLM. Any location or construction conflicts will be resolved before construction begins.

J) Surface Ownership

The well site and access road are both on federally owned land.

K) Well signs will be posted at the drilling site.

L) Open Pits

All pits containing liquid or mud will be fenced and bird-netted.

POINT 12: OPERATOR'S FIELD REPRESENTATIVE

(Field personnel responsible for compliance with development plan for surface use).

DRILLING
William R. Dannels
Box 2760
Midland, Texas 79702
(432) 683-2277

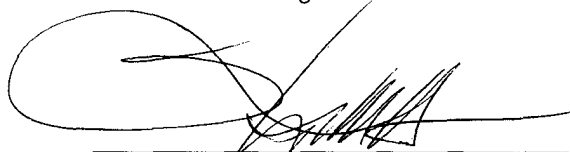
PRODUCTION
Mike Waygood
3104 East Green Street
Carlsbad, New Mexico 88220
(505) 887-7329

Michael Lyon
Box 2760
Midland, Texas 79702
(432) 683-2277

POINT 13: CERTIFICATION

I hereby certify that I, or persons under my direct supervision have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in the plan are, to the best of my knowledge, true and correct; and that the work associated with operations proposed herein will be performed by Bass Enterprises Production Co. and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

3/2/2007
Date


Stephen M. Martinez

smm

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: BEPCO, LP
Well Name & No. Big Eddy Unit # 167
Location: 1030'FSL, 1980'FEL, SEC14, T21S, R28E, Eddy County, NM
Lease: LC-069219

I. DRILLING OPERATIONS REQUIREMENTS:

A. The Bureau of Land Management (BLM) is to be notified a minimum of 4 hours in advance, at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 - for wells in Eddy County, in sufficient time for a representative to witness:

1. Spudding
2. Cementing casing: 20 inch 13.375 inch 9.625 inch, 5.5 inch
3. BOP tests

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. Gamma-Ray/Neutron logs shall be run from the base of the Salado Formation to the surface; cable speed not to exceed 30 feet per minute.

E. 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 at least 25 feet into the Rustler Anhydrite @ approximately 488 feet and cement circulated 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 12 hours for a non-water basin, 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compression strength, which ever is greater. (This is to include the lead cement)
3. WOC time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds of compression strength, which ever is greater.
4. If cement falls back, Remedial cementing shall be completed prior to drilling out that string.

B. The minimum required fill of cement behind the 9.625 inch intermediate casing is cement shall extend to the surface. This string will be set below the Capitan Reef, at least 25 feet into the Delaware @ approximately 2800', but above any hydrocarbon bearing formations.

C. The minimum required fill of cement behind the 5.5 inch production casing is cement shall extend upward a minimum of 300 feet above the base of the intermediate casing string.

E. If hard band 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 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 and related equipment (BOPE) required for drilling the intermediate casing well bore shall be 2000 psi. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the 9.625 inch casing shall be 5000 psi.
- C. 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 the 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. The test will be held for a minimum of 10 minutes if the test is done with a test plug and 30 minutes without a test plug.
 5. BOP/BOPE must be tested by an independent service within 500 feet of the top of the **Wolfcamp** Formation. This test does not exclude the test prior to drilling out the casing shoe as per onshore order No. 2.
 6. A variance to test the _____ to the reduced pressure of ____psi with the rig pumps is approved the BOP/BOPE must be tested by an independent service company.

IV. DRILLING MUD:

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the **Wolfcamp** Formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

1. Recording pit level indicator to indicate volume gains and losses.
2. Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
3. Flow-sensor on the flow line to warn of abnormal mud returns from the well.

V. Hazards:

1. Our geologist has indicated that there is potential for lost circulation in the Capitan Reef, Delaware and Bone Spring.
2. Our geologist has indicated that there is potential for abnormal pressure in the Wolfcamp, Strawn, Atoka and Morrow.

Engineering may be contacted at 505-706-2779 for variances if necessary.

FWright 4/19/07