

Jul 16 07:08:46p

BEPCO

432-556-8196

p.1

07/16/2007 12:15 FAX 432 687 0329

BASS ENTERPRISES

→ COMBO #1

002/006

ATS-07-569

Form 3160-3
(April 2004)JUL 19 2007
OCD-ARTESIA

OCD-ARTESIA

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OAS No. 1084-0137
Expires March 31, 2007

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		2. If Unit or CA Agreement, Name and No. NMINM 71016X
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		3. Lease Name and Well No. Golden Lane 17 Federal #2Y
2. Name of Operator BEPCO, L. P.		9. API Well No. 30-015-35712
3a. Address P. O. Box 2760 Midland, TX 79701	3b. Phone No. (include area code) 432-683-2277	10. Field and Pool, or Exploratory Golden Lane (Delaware), S
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface NENE, UL A, 775 ENL, 330 FEL, Lat N32.484639, Lon W103.999194 At proposed prod. zone Same		11. Sec., T, R, M. or Bkt. and Survey or Area Sec 17, T21S, R29E
14. Distance in miles and direction from nearest town or post office* 10 miles East of Carlsbad, New Mexico		12. County or Parish Eddy County
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg., unit line, if any) 330'		13. State NM
16. No. of acres in lease 800		17. Spacing Unit dedicated to this well 40.00
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 25'		20. BLM/BIA Bond No. on file NM 2204
19. Proposed Depth (4760' M/D) 4700'		21. Estimated duration 7 days
22. Approximate date work will start* 07/14/2007		23. Estimated duration 7 days
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3346' GL		

24. Attachments

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

- Well plat certified by a registered surveyor
- A Drilling Plan
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office)
- Bond to cover the operations unless covered by an existing bond on file (see item 20 above).
- Operator certification.
- 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 7-16-2007
Title Administrative Assistant		
Approved by <i>[Signature]</i>	Name (Printed/Typed)	Date 7/16/07
Title Acting PM		
Office CFO		

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.

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)

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

DISTRICT I

1226 N. French Dr., Dallas, TX 75240

DISTRICT II

1601 W. Grand Avenue, Austin, TX 78719

DISTRICT III

1000 E. Duane Rd., Austin, TX 78710

DISTRICT IV

1200 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 87505Form C-102
Revised October 12, 2006Submit 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
	28340	Golden Lane (Delaware), South
Property Code	Property Name	Well Number
35943	GOLDEN LANE "17" FEDERAL	2Y
OGED No.	Operator Name	Elevation
001801	BEPCO, L.P.	3346'

Surface Location

UL or Lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South Line	Feet from the	East/West Line	County
A	17	21 S	29 E		775	NORTH	330	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or Lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South Line	Feet from the	East/West Line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						
40	N								

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

	OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that the organization either owns a working interest or has a mineral interest in the land underlying 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. Signature: <i>William R. Dannels</i> 7/16/07 Date:
	W. R. (Bill) Dannels 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. Date Surveyed: APR 02, 2007 Signature: <i>[Signature]</i> Professional Surveyor State of New Mexico No. 10111
	Certificate No. Gary L. Jones 7977 BASS SURVEYS

Form 3160-5
(April 2004)UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

5 Lease Serial No

NMNM 02918

6 If Indian, Allottee or Tribe Name

7 If Unit or CA/Agreement, Name and/or No

NMNM 71016X

8. Well Name and No.

Golden Lane 17 Federal #2Y

9 API Well No.

30-015-

10 Field and Pool, or Exploratory Area

Golden Lane (Delaware), S

11 County or Parish, State

Eddy County, NM

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1 Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

2 Name of Operator

BEPCO, L. P.

3a Address

P. O. Box 2760 Midland, TX 79702

3b Phone No (include area code)

432-683-2277

4 Location of Well (Footage, Sec., T, R, M, or Survey Description)

NENE, UL A, 250' FNL, 330' FEL, Sec 17, T21S, R29E
Lat N32.484639, Lon W103.999194

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

TYPE OF SUBMISSION

- ☒
- Notice of Intent
-
- ☐
- Subsequent Report
-
- ☐
- Final Abandonment Notice

TYPE OF ACTION

- ☐
- Acidize
- ☐
- Deepen
- ☐
- Production (Start/Resume)
- ☐
- Water Shut-Off
-
- ☐
- Alter Casing
- ☐
- Fracture Treat
- ☐
- Reclamation
- ☐
- Well Integrity
-
- ☐
- Casing Repair
- ☐
- New Construction
- ☐
- Recomplete
- ☐
- Other
-
- ☒
- Change Plans
- ☐
- Plug and Abandon
- ☐
- Temporarily Abandon
-
- ☐
- Convert to Injection
- ☐
- Plug Back
- ☐
- 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 recompleate 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 recompleation 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.)

BEPCO, L.P. request permission to skid the rig 25' south and drill a replacement well which will be named Golden Land 17 Federal #2Y. The proposed drilling program will be similar to the one approved on 5/19/2007 for the original hole except the 9-5/8" surface casing will be set at 890' (55' above the lost zone in the original wellbore) and a 7", 23#, K55, LTC intermediate string of casing may be set at +/- 3150' and cemented to surface only if lost returns are encountered.

SEE ATTACHED FOR
CONDITIONS OF APPROVALEng. OK
WHL
7/16/0714 I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Annette Childers

Title Administrative Assistant

Signature

Annette Childers

Date

7-16-2007

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Hq. PM

Date

07/16/07

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.

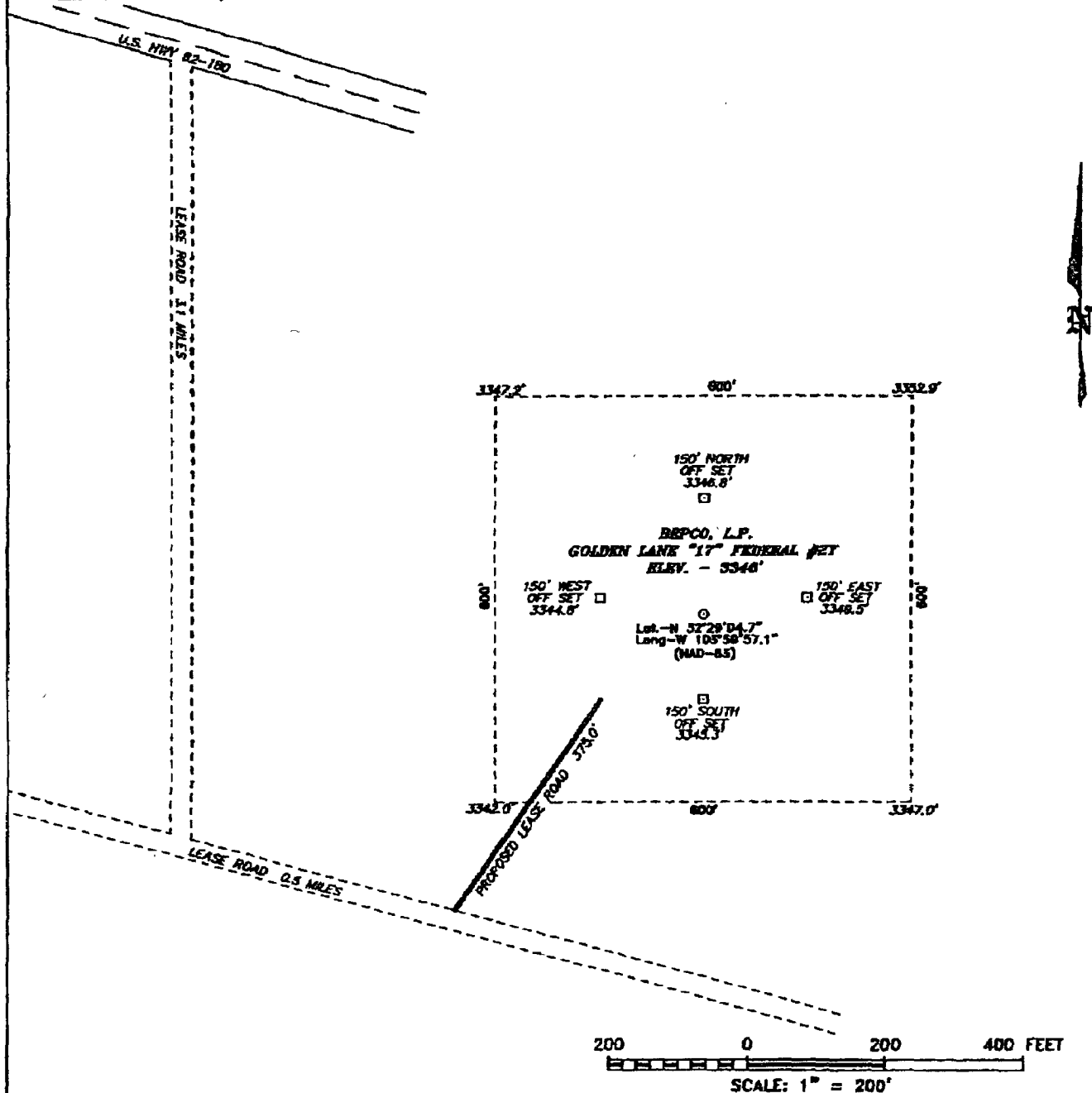
Office

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)

SECTION 17, TOWNSHIP 21 SOUTH, RANGE 29 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



BEPCO, L.P.

REF: GOLDEN LANE "17" FEDERAL #2Y / WELL PAD AND TOPO

THE GOLDEN LANE "17" FEDERAL #2Y LOCATED 775'

FROM THE NORTH LINE AND 330° FROM THE EAST LINE OF

SECTION 17, TOWNSHIP 21 SOUTH, RANGE 29 EAST.

N.M.P.M., EDDY COUNTY, NEW MEXICO.

DIRECTIONS TO LOCATION:

FROM MILE MARKER 51.7 ON U.S. HWY 62-180, TURN SOUTH ON LEASE ROAD AND FOLLOW FOR 3.1 MILES TO LEASE ROAD, TURN LEFT AND FOLLOW LEASE ROAD GOING SOUTHEAST FOR 0.5 MILES TO PROPOSED LEASE ROAD.

BASIN SURVEYS P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 17911

Drawn By: J. SMALL

Date: 04-03-2007

Disk: 17911W JMS

Survey Date: 04-02-2007

Sheet 1 of 1 Sheets

**EIGHT POINT DRILLING PROGRAM
BEPCO, L.P.**

NAME OF WELL: Golden Lane 17 Federal #2

Legal Description - Surface: 750' FNL & 330' FEL, Section 17, T-21-S, R-29-E, 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 3363' (est) GL 3346'

<u>FORMATION</u>	<u>ESTIMATED TOP FROM KB</u>	<u>ESTIMATED SUBSEA TOP</u>	<u>BEARING</u>
T/Rustler	783'	+2580'	Barren
T/Salt	1083'	+2280'	Barren
T/Anhydrite	1663'	+1700'	Barren
B/Anhydrite	2833'	+ 530'	Barren
T/Delaware	3088'	+ 275'	Oil/Gas
T/49er	4163'	- 800'	Oil/Gas
TD	4300'	- 937'	

POINT 3: CASING PROGRAM

<u>TYPE</u>	<u>INTERVALS</u>	<u>Hole Size</u>	<u>PURPOSE</u>	<u>CONDITION</u>
16" 36#	0' - 40'	20"	Conductor	Contractor Discretion
9-5/8", 32#, K-55, LT&C	WITNESS - 1073'	12-1/4'	Surface	New
5-1/2", 15.5#, J-55, LT&C	0' - 4300'	8-3/4'	Production	New

POINT 4: PRESSURE CONTROL EQUIPMENT (SEE ATTACHED DIAGRAM)

A BOP equivalent to Diagram 1 will be nipped up on the surface casing head. The BOP stack, choke, kill lines, kelly cocks, inside BOP, etc. when rigged up on the surface casing will be hydro-tested to 70% of internal yield pressure of casing or 1000 psig whichever is less with the rig pump.

These tests will be performed:

- a) Upon installation
- b) After any component changes
- c) Fifteen 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.

POINT 5: MUD PROGRAM

DEPTH	MUD TYPE	WEIGHT	FV	PV	YP	FL	Ph
0' - 1073'	FW Spud Mud	8.5 - 9.2	38-70	NC	NC	NC	10.0
1073' - 3100'	Brine Water	9.8 - 10.2	28-30	NC	NC	NC	9.5 - 10.5
3100' - 4000'	FW/Gel	8.8 - 9.2	30-34	NC	NC	NC	9.5 - 10.5
4000' - 4300'	FW/Gel/Starch	8.8 - 9.2	30-34	8	2	<100 cc	9.5 - 10.5

NOTE: May increase vis for logging purposes only.

POINT 6: TECHNICAL STAGES OF OPERATION

A) TESTING

None anticipated.

B) LOGGING

GR-CNL-LDT-AIT from TD to base of Anhydrite (+/- 2800').
GR-CNL-CAL from base of Anhydrite to surface.

C) CONVENTIONAL CORING

None anticipated.

D) CEMENT

INTERVAL	AMOUNT SXS	FT OF FILL	TYPE	GALS/SX	PPG	FT ³ /SX
SURFACE:						
Lead: 0 - 773' (100% excess circ to surface)	285	773	35/65 Poz C + 6% D20 + 3% S1 + 5 pps D130	10.27	12.6	1.98
Tail: 773' - 1073' (100% excess)	155	300	Class C + 2% S1	6.34	14.8	1.34
PRODUCTION:						
Lead: 0' - 2800' (50% excess circ to surface)	460	2800	LiteCrete 39:31 (D961:D124) + 2% D153 +0.05 gps 4AM + 0.03 gps M45 + ps D24 + 0.04 gps D801	9.755	10.2	2.33
DV Tool @ 2800'						
Tail: 2800' - 4300' (50% excess)	285	1500	LiteCrete 39:31 (D961:D124) + 2% D153 +0.05 gps 4AM + 0.03 gps M45 + ps D24 + 0.04 gps D801	6.32	13.6	1.82

E) DIRECTIONAL DRILLING

No directional services anticipated.

POINT 7: ANTICIPATED RESERVOIR CONDITIONS

Normal pressures are anticipated throughout Delaware section. A BHP of 1950 psi (max) or MWE of 8.7 ppg is expected. Lost circulation may exist in the Delaware Section from 3088' - 4300'.

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

7 days drilling operations

7 days completion operations

GEG/mac
April 16, 2007

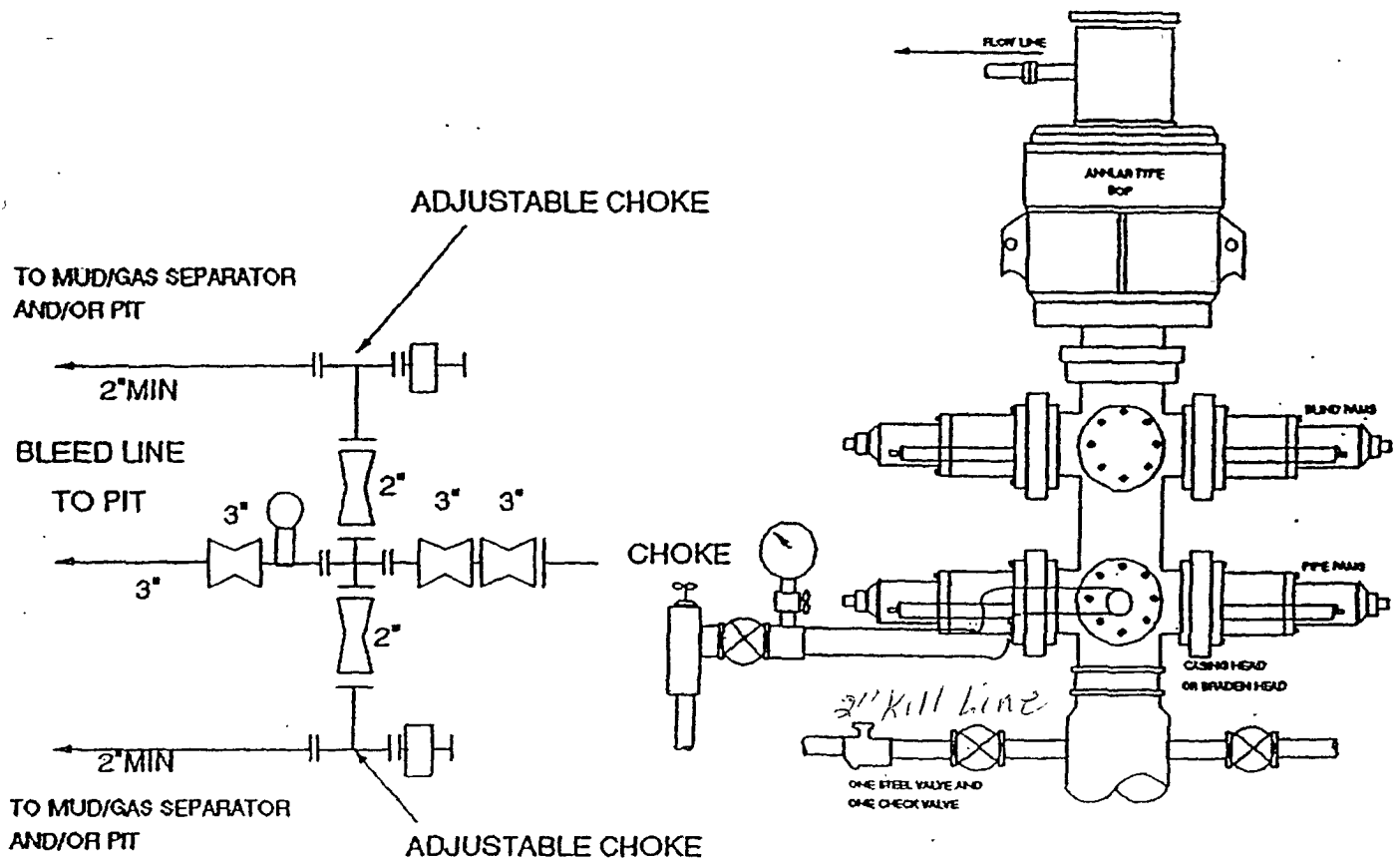
Surface casing to be set into the Rustler below all fresh water sands.

Production casing will be cemented using Schlumberger LiteCrete system with TOC 500' above all productive pay zones.

Drilling procedure, BOP diagram, anticipated tops and surface plans attached.

This well is located outside the Secretary's Potash area and outside the R-111 Potash area. There are no potash leases within 1 mile of the location.

3000 PSI WP



THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS.

- A. One double gate blowout preventer with lower rams for pipe and upper rams blind, all hydraulically controlled.
- B. Opening on preventers between rams to be flanged, studded or clamped and at least two inches in diameter.
- C. All connections from operating manifold to preventers to be all steel hose or tube a minimum of one inch in diameter.
- D. The available closing pressure shall be at least 15% in excess of that required with sufficient volume to operate (close, open, and re-close) the preventers.
- E. All connections to and from preventers to have a pressure rating equivalent to that of the BOP's.
- F. Manual controls to be installed before drilling cement plug.
- G. Valve to control flow through drill pipe to be located on rig floor.
- H. All chokes will be adjustable. Choke spool may be used between rams.

MULTI-POINT SURFACE USE PLAN

NAME OF WELL: Golden Lane 17 Federal #2 ✓

Legal Description - Surface: ^{R 775'} 750' FNL & 330' FEL, Section 17, T-21-S, R-29-E, Eddy County, New Mexico.

POINT 1: EXISTING ROADS

A) Proposed Well Site Location:

See Exhibit A and Survey Plats

B) Existing Roads:

From the junction of Co. Rd. 31 and US Highway 62-180, proceed east on 62/180 for approximately 1 mile to lease road (Mile Marker 51.7); thence south 3.1 miles past Golden "8" Federal #2 location to lease road; thence southeast 0.6 miles to proposed location.

C) Existing Road Maintenance or Improvement Plan:

See Exhibit B and Survey Plats.

POINT 2: NEW PLANNED ACCESS ROUTE

A) Route Location:

No new road is required.

B) Width

12'

C) Maximum Grade

Grade to match existing topography or as per BLM requirements.

D) Turnout Ditches

Spaced per BLM requirements.

E) Culverts, Cattle Guards, and Surfacing Equipment

If required, culverts and cattle guards will be set per BLM Specs.

POINT 3: LOCATION OF EXISTING WELLS

Exhibit A indicates existing wells within the surrounding area.

POINT 4: LOCATION OF EXISTING OR PROPOSED FACILITIES

Page 2

- A) Existing facilities are located within one mile which are owned or controlled by lessee/operator:

Closest Oil/Gas production facilities are located at the Golden "D" Federal #1 wellsite. The Golden "D" Federal #1 is located approximately 5/8 of a mile northwest of the proposed well.

- B) New Facilities in the Event of Production:

BEPCO, L.P. will install an electric line and a flowline that will service the Golden Lane "17" Federal # 2. The electric line will consist of 12,470 volts 3 phase. The electric line will connect with the existing line that services Golden Lane "17" Federal # 1. The flowline will consist of 2-7/8" steel pipe and will run along the side of the lease road to the Golden Federal battery located at Sec. 8, T21S, R29E. The flowline and electric line will lie within 30' of the center line of the roadway. The existing ROW's have been arch cleared. A map is attached showing the proposed route of the electric line and flowline. BEPCO will install additional production facilities as needed for oil and gas measurement. See Exhibit "C".

- C) Rehabilitation of Disturbed Areas Unnecessary for Production:

Following flowline construction, those access areas required for continued production will be graded to provide drainage and minimize erosion. The areas unnecessary for use will be graded to blend in with 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 Johnson Station 50 miles east of Carlsbad, New Mexico or other commercial facilities. Brine water will be hauled from commercial facilities.

- 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

Nearest location of caliche source is in Section 5 (NWSE) approximately 2 miles north of Golden Lane 17 Federal #1. (See Exhibit A)

- 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

See Exhibit B.

POINT 7: METHODS FOR HANDLING WASTE MATERIAL

Page 3

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 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 electric log analysis indicates potential productive zones. The reserve pit will be fenced and bird netted. The fence will be 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" shows 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", "C" & "D".

C) Lining of the Pits

The reserve pit will be lined with plastic.

POINT 10: PLANS FOR RESTORATION OF THE SURFACE

A) Reserve Pit Cleanup

The pits will be fenced immediately after construction and shall be maintained until they are backfilled. Previous to backfill operations, any hydrocarbon material on the pits' surfaces shall be removed. The fluids and solids contained in the pits shall be backfilled with soil excavated from the site and soil adjacent to the reserve pits. The restored surface of the pits 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 Bureau of Land Management stipulations during the appropriate season following restoration.

B) Restoration Plans - Production Developed

The reserve pits 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 pits 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 Bureau of Land Management's stipulations.

D) Rehabilitation's 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

Page 5

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 1-1/2 miles of the wellsite.

F) Water Wells

There are no water wells located within a 1 mile radius of the proposed well.

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. Before any construction begins, a full and complete archeological survey will be submitted to the Bureau of Land Management. Any location or construction conflicts will be resolved before construction begins.

J) Surface Ownership

The well site is 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

Page 6

(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 L. 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 it's 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.

4/16/07

Date
GEG/mac

Gary E. Gerhard

Gary E. Gerhard

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: BEPCO, L.P.
Well Name & No. Golden Lane 17 Federal # 2Y
Location: 0775' FNL, 0330' FEL, Sec. 17, T-21-S, R-29-E
Lease: NMNM 02918

.....

I. DRILLING OPERATIONS REQUIREMENTS:

- A. The Bureau of Land Management (BLM) is to be notified a minimum of 2 hours in advance for a representative to witness:
1. Spudding well
 2. Setting and/or Cementing of all casing strings
 3. BOPE tests
- Eddy County call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822.
- B. **Although no Hydrogen Sulfide has been reported in this section, it is always a possible hazard.**
- 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.

II. CASING:

- A. The 9-5/8 inch surface casing shall be set @ approximately 850 feet; **WHEN THE DRILLING RATE DROPS TO APPROXIMATELY 50 FEET PER HOUR OR LESS**, and cemented to the surface. **The BLM geologist estimates that the Rustler is probably about 950 feet.**
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 compressive 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 compressive 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 7 inch intermediate casing is **cement to surface**. If cement does not circulate see A.1 thru 4. **This casing will be run only if lost returns are encountered and will be set at approximately 3150 feet. Lead cement will be 35/65 Poz C with tail cement being Class C + 2% S1**
- C. The minimum required fill of cement behind the 5-1/2 inch production casing is **cement shall come to surface**. If cement does not circulate see A.1 thru 4.

- 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 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 and API RP 53 Sec. 17.
- B. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **2000 (2M) PSI**.
- C. The appropriate BLM office shall be notified a minimum of 2 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. 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.

Engineer on call phone (after hours): Carlsbad - 505-706-2779

FWright 07/16/07