

365

BEPCO, L.P.
201 MAIN ST
FORT WORTH, TEXAS 76102-3131
817/390-8400

RECEIVED

2008 JUL 16 PM 1 40

July 15, 2008

FEDERAL EXPRESS

Bureau of Land Management
Roswell District Office
2909 W. 2nd Street
Roswell, New Mexico 88201
Attn: Ms. Alexis Swoboda

New Mexico State Land Office
Commissioner of Public Lands
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501
Attention: Mr. Pete Martinez

New Mexico Oil Conservation Division
1220 St. Francis
Santa Fe, New Mexico 87505
Attention: William Jones

Re: Commercial Determination
Big Eddy Unit #148
Morrow Formation
Eddy County, New Mexico

Gentlemen:

Please find attached hereto one (1) copy of Bass' commercial determination worksheets and exhibits which indicate that the subject well is a commercial well in the Morrow Formation. Please indicate your concurrence to the above Commercial Determination. Upon your execution hereof, Bass will submit a participating area for the well.

Thank you very much and should you have any questions or comments in regard to the attached commercial determination, please do not hesitate to contact the undersigned.

Very truly yours,



Brad Glasscock

Bureau of Land Management

New Mexico State Land Office

New Mexico Oil Conservation Division

By: _____

By: _____

By: _____

Its: _____

Its: _____

Its: _____

Date: _____

Date: _____

Date: _____


INTER-OFFICE MEMORANDUM
MIDLAND OFFICE

September 6, 2007

TO: FORT WORTH, FILES
FOR: FRANK McCREIGHT
FROM: KENT A. ADAMS
RE: COMMERCIAL DETERMINATION
BIG EDDY UNIT NO. 148
CARLSBAD, E. (MORROW)
BIG EDDY UNIT
EDDY COUNTY, NEW MEXICO
FILE: 400-WF, BEU148CD.XLS

Attached are the worksheets and necessary attachments for the subject well to be submitted for commercial determination. The Big Eddy Unit #148 was drilled in 2007 to a TD of 12,400 and was completed in the Morrow. The well is producing from perforations 11666 - 11992'.

The Big Eddy Unit No. 148 will be a commercial well and should receive a participating area. If additional information is required, please advise.



Kent A. Adams

xc: Ross Sutton
George Hillis


cdp

WORKSHEET FOR COMMERCIAL DETERMINATION AND PARTICIPATING AREA IN FEDERAL UNITS

WELL DATA

WELL _____ BIG EDDY UNIT # 148 _____ FORMATION _____ MORROW _____
 LOCATION _____ J _____ UNIT, _____ 1450 _____ FEET FROM SOUTH LINE & _____ 1980 _____ FEET FROM EAST LINE
 SECTION _____ 6 _____ TOWNSHIP _____ 22S _____ RANGE _____ 28E _____ COUNTY _____ EDDY _____ NEW MEXICO
 SPUD DATE _____ 3/26/2007 _____ COMPLETION DATE _____ 07/05/2007 _____ INITIAL PRODUCTION _____ 07/05/2007 _____
 PERFORATIONS _____ 11,666-678', 11,864-879', 11,936-950', 11,984-992' _____

STIMULATION:

ACID _____ 11666-11992' w/ 4000 gal 15% NEFE HCL acid _____

FRACTURE _____ Frac 11864-11992' w/ 93366 gal 40# 70Q Binary Foam & 84543# 18/40 Ultraprop _____

POTENTIAL _____ (07/13/2007): 110 BOPD, 11700 MCFPD, & 28 BWPD _____

(Attach Copy of C-105. Attach Copy of Wellbore Sketch of Completed Well.)

VOLUMETRIC CALCULATION

| | SANDS PERFORATED | SANDS NOT PERFORATED BUT POTENTIALLY PRODUCTIVE |
|---------------------------------------|------------------|--|
| Area (A) proration unit size, acres | 320 | |
| Porosity (por), % | 10% | |
| Water saturation (Sw), % | 35% | |
| Net Thickness (h), ft. | 57 | |
| Temperature (T), Fahrenheit | 192 | |
| Bottom Hole pressure (P), psia | 9,542 | |
| Recovery factor (RF), % | 75% | |
| Recoverable gas, BCF *(See eq. below) | 4.9 | |

*Sometimes unable to match performance due to volumetric uncertainty.

Formula = $(7758) (A) (h) (por) (1-S_w)(RF)/B_{gi}$

B_{gi} = 0.61 RB/MCF

Continued

PERFORMANCE DATA

(If sufficient history exists, attach plot of oil production rate v time.)

CUMULATIVE PRODUCTION TO 07/31/2007 274,006 MCF Gas 351 BBL OilINITIAL RATE (qi) 7,800ECONOMIC LIMIT (qli) 173HYPERBOLIC DECLINE RATE, dy b = .9 d = 93.96REMAINING GAS (Q) = 4,582,564ULTIMATE RECOVERABLE GAS (mcf) 4,856,570

(Attach plot showing proration unit and participating area.)

ECONOMIC

GROSS WELL COST \$ \$4,001,734 (to the depth of formation completed)COMPLETION COST \$ 711,238GROSS TOTAL COST \$ \$4,712,972

| YEAR | GROSS GAS MMCF | BFIT NET INCOME (\$M) | OPERATING COST (\$M) INCL SEV & AD VAL TAX | 5% NET BFIT DISCOUNTED CASH FLOW |
|-----------|-------------------|--------------------------|---|--|
| ZERO | | | | |
| 1 | <u>1,149.4</u> | <u>5,350.8</u> | <u>802.808</u> | <u>4,497.9</u> |
| 2 | <u>1,003.6</u> | <u>6,109.6</u> | <u>851.032</u> | <u>5,022.4</u> |
| 3 | <u>539.5</u> | <u>3,288.6</u> | <u>462.891</u> | <u>2,567.1</u> |
| 4 | <u>365.6</u> | <u>2,260.7</u> | <u>320.476</u> | <u>1,677.9</u> |
| 5 | <u>274.6</u> | <u>1,714.3</u> | <u>245.161</u> | <u>1,209.7</u> |
| 6 | <u>219.3</u> | <u>1,379.4</u> | <u>199.163</u> | <u>925.3</u> |
| 7 | <u>181.2</u> | <u>1,145.9</u> | <u>167.185</u> | <u>730.7</u> |
| 8 | <u>154.3</u> | <u>980.3</u> | <u>144.556</u> | <u>594.2</u> |
| 9 | <u>134.1</u> | <u>855.3</u> | <u>127.504</u> | <u>492.8</u> |
| 10 | <u>118.7</u> | <u>759.7</u> | <u>114.475</u> | <u>416.0</u> |
| REMAINDER | <u>550</u> | <u>3,552.1</u> | <u>556.941</u> | <u>1,634.7</u> |
| TOTAL | <u>4,690</u> | <u>27,396.8</u> | <u>3992.192</u> | <u>19,768.6</u> |

WELL IS COMMERCIAL

ECONOMIC PROJECTION

Date : 9/17/2007

Lior: 1189074

11:20:36AM

Project Name : RESERVEPROP Extract-Creating new PH
 Partner : 99999
 Case Type : LEASE CASE
 Archive Set : default

As Of Date : 07/01/2007
 Discount Rate (%) : 5.00
 1189074/BIG EDDY UNIT/MOR

Lease Name : 1189074/BIG EDDY UNIT/MOR
 Reserv Cat. : Proved Producing
 Field : CARLSBAD, E. (MORROW)
 Operator : BEPCO
 Reservoir : MORROW
 Co., State : EDDY, NM

Cum Oil (mbbls) : 0.00
 Cum Gas (mmcf) : 0.00

| Year | Gross Wet Production | | Gross Dry Gas & NGL | | Sales | | |
|------|----------------------|----------------|---------------------|------------|------------|------------|------------|
| | Oil (Mbbl) | Wet Gas (MMCF) | Dry Gas (MMCF) | NGL (MGal) | Oil (Mbbl) | Gas (MMCF) | NGL (MGal) |
| 2007 | 8.042 | 1,149.389 | 1,149.389 | 0.000 | 6.635 | 948.246 | 0.000 |
| 2008 | 13.362 | 1,003.591 | 1,003.591 | 0.000 | 11.024 | 827.962 | 0.000 |
| 2009 | 9.056 | 539.492 | 539.492 | 0.000 | 7.471 | 445.081 | 0.000 |
| 2010 | 6.871 | 365.607 | 365.607 | 0.000 | 5.669 | 301.626 | 0.000 |
| 2011 | 5.539 | 274.564 | 274.564 | 0.000 | 4.569 | 226.515 | 0.000 |
| 2012 | 4.652 | 219.338 | 219.338 | 0.000 | 3.838 | 180.954 | 0.000 |
| 2013 | 3.991 | 181.169 | 181.169 | 0.000 | 3.293 | 149.465 | 0.000 |
| 2014 | 3.503 | 154.267 | 154.267 | 0.000 | 2.890 | 127.270 | 0.000 |
| 2015 | 3.122 | 134.066 | 134.066 | 0.000 | 2.575 | 110.605 | 0.000 |
| 2016 | 2.822 | 118.671 | 118.671 | 0.000 | 2.329 | 97.904 | 0.000 |

| | | | | | | | |
|-------|--------|-----------|-----------|-------|--------|-----------|-------|
| Rem | 13.798 | 550.001 | 550.001 | 0.000 | 11.383 | 453.751 | 0.000 |
| Total | 74.759 | 4,690.156 | 4,690.156 | 0.000 | 61.676 | 3,869.378 | 0.000 |
| Ult. | 74.759 | 4,690.156 | | | | | |

| Year | Average Price | | | Net Revenue | | | |
|-------|---------------|------------|------------|-------------|------------|-----------|-------------|
| | Oil \$/BBL | Gas \$/MCF | NGL \$/Gal | Oil (M\$) | Gas (M\$) | NGL (M\$) | Total (M\$) |
| 2007 | 60.67 | 5.22 | 0.00 | 402.543 | 4,948.290 | 0.000 | 5,350.833 |
| 2008 | 57.95 | 6.61 | 0.00 | 638.823 | 5,470.817 | 0.000 | 6,109.640 |
| 2009 | 52.95 | 6.50 | 0.00 | 395.589 | 2,893.028 | 0.000 | 3,288.617 |
| 2010 | 52.95 | 6.50 | 0.00 | 300.162 | 1,960.569 | 0.000 | 2,260.731 |
| 2011 | 52.95 | 6.50 | 0.00 | 241.953 | 1,472.349 | 0.000 | 1,714.302 |
| 2012 | 52.95 | 6.50 | 0.00 | 203.214 | 1,176.198 | 0.000 | 1,379.412 |
| 2013 | 52.95 | 6.50 | 0.00 | 174.362 | 971.521 | 0.000 | 1,145.883 |
| 2014 | 52.95 | 6.50 | 0.00 | 153.038 | 827.255 | 0.000 | 980.293 |
| 2015 | 52.95 | 6.50 | 0.00 | 136.368 | 718.930 | 0.000 | 855.297 |
| 2016 | 52.95 | 6.50 | 0.00 | 123.297 | 636.375 | 0.000 | 759.671 |
| Rem | 52.95 | 6.50 | 0.00 | 602.745 | 2,949.383 | 0.000 | 3,552.127 |
| Total | 54.67 | 6.21 | 0.00 | 3,372.094 | 24,024.713 | 0.000 | 27,396.807 |

| Year | Expenditures | | | | Future Net Revenue | | | |
|-------|-----------------------|-----------------------|-----------------------|-------------------------|--------------------|------------------|----------------------------|----------------------------|
| | Total Sev Taxes (M\$) | Total Adv Taxes (M\$) | Net Investments (M\$) | Total Net Opcosts (M\$) | Annual (M\$) | Cumulative (M\$) | Disc. Ann. CF 5.00 % (M\$) | Cum. Disc. CF 5.00 % (M\$) |
| 2007 | 433.765 | 107.017 | 0.000 | 262.026 | 4,548.025 | 4,548.025 | 4,497.923 | 4,497.923 |
| 2008 | 493.289 | 122.193 | 0.000 | 235.550 | 5,258.608 | 9,806.634 | 5,022.418 | 9,520.341 |
| 2009 | 264.947 | 65.772 | 0.000 | 132.172 | 2,825.726 | 12,632.360 | 2,567.063 | 12,087.404 |
| 2010 | 181.822 | 45.215 | 0.000 | 93.439 | 1,940.255 | 14,572.615 | 1,677.897 | 13,765.301 |
| 2011 | 137.716 | 34.286 | 0.000 | 73.159 | 1,469.141 | 16,041.756 | 1,209.685 | 14,974.986 |
| 2012 | 110.718 | 27.588 | 0.000 | 60.857 | 1,180.248 | 17,222.004 | 925.338 | 15,900.323 |
| 2013 | 91.912 | 22.918 | 0.000 | 52.355 | 978.698 | 18,200.702 | 730.665 | 16,630.988 |
| 2014 | 78.587 | 19.606 | 0.000 | 46.363 | 835.737 | 19,036.439 | 594.190 | 17,225.178 |
| 2015 | 68.535 | 17.106 | 0.000 | 41.863 | 727.793 | 19,764.232 | 492.787 | 17,717.964 |
| 2016 | 60.848 | 15.193 | 0.000 | 38.434 | 645.196 | 20,409.427 | 416.020 | 18,133.984 |
| Rem | 284.229 | 71.043 | 0.000 | 201.669 | 2,995.188 | 2,995.188 | 1,634.657 | 1,634.657 |
| Total | 2,206.368 | 547.936 | 0.000 | 1,237.888 | 23,404.615 | 23,404.615 | 19,768.641 | 19,768.641 |

Major Phase : Gas
 Perfs : 0 0
 Initial Rate : 274.01 mmcf/month
 Abandonment : 5.29 mmcf/month
 Initial Decline : 92.01 % year b = 0.900
 Beg Ratio : 0.00 bbl/mmcf
 End Ratio : 0.03

Working Int : 1.00000000
 Revenue Int : 0.82500000
 Disc. Initial Invest. (m\$) : 0.000
 Internal ROR (%) : 0.00
 ROInvestment (disc/undisc) : 0.00 / 0.00
 Years to Payout : 0.00
 Abandonment Date : 08/09/2023

Present Worth Profile (M\$)

5.00% : 19,768.64
 8.00% : 18,196.55
 10.00% : 17,322.96
 12.00% : 16,559.20
 15.00% : 15,578.49
 20.00% : 14,272.43
 30.00% : 12,437.72
 40.00% : 11,195.54
 50.00% : 10,286.66
 60.00% : 9,585.61

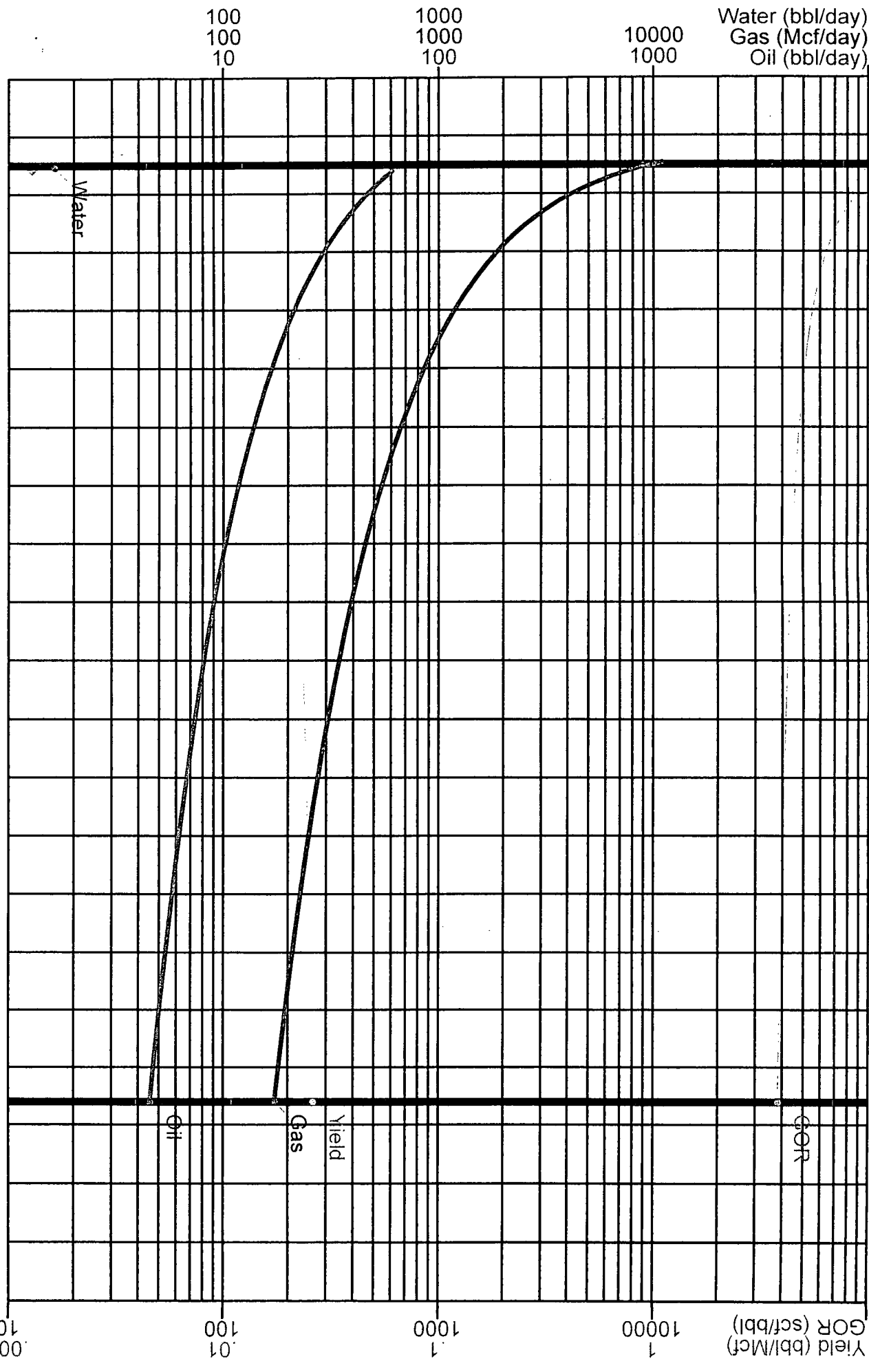
| | | | |
|--------------------|------------|------------|------------|
| | Initial | 1st Rev. | 2nd Rev. |
| Working Interest : | 1.00000000 | 0.00000000 | 0.00000000 |
| Revenue Interest : | 0.82500000 | 0.00000000 | 0.00000000 |
| Rev. Date : | | | |

1189074/BIG EDDY UNIT/MOR
Major Phase: Gas
APP EUR OIL:

Field: CARLSBAD, E. (MORROW)
WELL_NAME: BIG EDDY UNIT # 148
APP EUR GAS:

ASOF

ECL: 8/9/2023



Proj Gas Cum: 0.00 MMcf
Gas Rem: 4,690.16 MMcf
Gas EUR: 4,690.16 MMcf

Proj Oil Cum: 0.00 Mbbl
Oil Rem: 74.76 Mbbl
Oil EUR: 74.76 Mbbl

UNITED STATES OPERATOR'S COPY
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB NO. 1004-0137
Expires: March 31, 2007

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

1a. Type of Well ☐ Oil Well ☒ Gas Well ☐ Dry ☐ Other
b. Type of Completion ☒ New Well ☐ Work Over ☐ Deepen ☐ Plug Back ☒ Diff. Resvr.,
Other _____

2. Name of Operator
BEPCO, L.P.

3. Address
P.O. BOX 2760 MIDLAND TX 79702-2760

3.a Phone No. (Include area code)
(432)683-2277

4. Location of Well (Report location clearly and in accordance with Federal requirements)*

At Surface 1450' FSL, 1980' FEL LAT 32.418250 LONG 104.125444

At top prod. interval reported below

At total depth Same

CONFIDENTIAL

14. Date Spudded
03/26/2007

15. Date T.D. Reached
05/14/2007

16. Date Completed
☐ D & A ☒ Ready to Prod.
07/05/2007

5. Lease Serial No.
NMLC 060853A

6. If Indian, Allottee or Tribe Name

7. Unit or CA Agreement Name and no.
NMNM68249

8. Lease Name and Well No.

BIG EDDY UNIT 148

9. API Well No.

30-015-35146

10. Field and Pool, or Exploratory

CARLSBAD, EAST (MORROW)

11. Sec., T., R., M., on Block and

Survey or Area SEC 6, T22S, R28E

12. County or Parish

EDDY

13. State

NM

17. Elevations (DF, RKB, RT, GL)*

3115' GL

18. Total Depth: MD 12400
TVD

19. Plug Back T.D.: MD 12380'
TVD

20. Depth Bridge Plug Set: MD
TVD

21. Type of Electric & Other Mechanical Logs Run (Submit copy of each)

Hi-Res Laterolog Array Micro-CFL/GR

Platform Express Three Detector Litho-Density Compensated Neutron/GR

Gamma Ray

23. Casing and Liner Record (Report all strings set in well)

| Hole Size | Size/Grade | Wt. (#/ft.) | Top (MD) | Bottom (MD) | Stage Cementer Depth | No. of Sk. & Type of Cement | Slurry Vol. (BBL) | Cement Top* | Amount Pulled |
|-----------|------------|-------------|----------|-------------|----------------------|-----------------------------|-------------------|-------------|---------------|
| 17-1/2" | 13-3/8" | 54.5# | 0' | 414' | | 530 | | 0' | |
| 12-1/4" | 9-5/8" | 40# | 0' | 6045' | | 1700 | | 0' | |
| 8-3/4" | 5-1/2" | 17# | 0' | 12399' | 8011' | 1315 | | 5123' by TS | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |

24. Tubing Record

| Size | Depth Set (MD) | Packer Depth (MD) | Size | Depth Set (MD) | Packer Depth (MD) | Size | Depth Set (MD) | Packer Depth (MD) |
|--------|----------------|-------------------|--------|----------------|-------------------|------|----------------|-------------------|
| 2-7/8" | 11630' | 11605' | 2-3/8" | 11798-11815' | 11798' W/BROKEN | 3/4" | 11798-11815' | 11798' W/BROKEN |

25. Producing Intervals

26. Perforation Record

| Formation | Top | Bottom | Perforated Interval | Size | No. Holes | Perf. Status |
|-----------|--------|--------|---------------------|-------|-----------|--------------|
| A) Morrow | 11666' | 11992' | 11666-11678' | 0.380 | 73 | PRODUCING |
| B) | | | 11864-11879' | 0.380 | 23 | PRODUCING |
| C) | | | 11936-11950' | 0.380 | 21 | PRODUCING |
| D) | | | 11984-11992' | 0.380 | 12 | PRODUCING |

27. Acid, Fracture, Treatment, Cement Squeeze, Etc.

| Depth Interval | Amount and Type of Material |
|----------------|---|
| 11864-11992' | FRACTURED WITH 93366 GALS 40# 70Q BINARY FOAM AND 84543 LBS 18/40 ULTRAPROP |
| 11666-11992' | STIMULATED WITH 4000 GALLONS 15% NEFE HCL ACID |

28. Production - Interval A

| Date First Produced | Test Date | Hours Tested | Test Production | Oil BBL | Gas MCF | Water BBL | Oil Gravity Corr. API | Gas Gravity | Production Method |
|---------------------|----------------------|--------------|-----------------|---------|---------|-----------|-----------------------|-------------|-------------------|
| 07/05/07 | 07/13/07 | 24 | → | 110 | 11700 | 28 | | 0.601 | Flowing |
| Choke Size | Tbg. Press. Flwg. SI | Csg. Press. | 24 Hr. Rate | Oil BBL | Gas MCF | Water BBL | Gas : Oil Ratio | Well Status | |
| WO | 10750 | | → | 110 | 11700 | 28 | 106364 | Producing | |

Production - Interval B

| Date First Produced | Test Date | Hours Tested | Test Production | Oil BBL | Gas MCF | Water BBL | Oil Gravity Corr. API | Gas Gravity | Production Method |
|---------------------|----------------------|--------------|-----------------|---------|---------|-----------|-----------------------|-------------|-------------------|
| | | | → | | | | | | |
| Choke Size | Tbg. Press. Flwg. SI | Csg. Press. | 24 Hr. Rate | Oil BBL | Gas MCF | Water BBL | Gas : Oil Ratio | Well Status | |
| | | | → | | | | | | |

ACCEPTED FOR RECORD

AUG 8 2007

JERRY FANT
PETROLEUM GEOLOGIST

28b. Production - Interval C

| Date First Produced | Test Date | Hours Tested | Test Production → | Oil BBL | Gas MCF | Water BBL | Oil Gravity Corr. API | Gas Gravity | Production Method |
|---------------------|----------------------------|--------------|----------------------|---------|---------|-----------|--------------------------|-------------|-------------------|
| Choke Size | Tbg. Press. Flwg. SI | Csg. Press. | 24 Hr. Rate → | Oil BBL | Gas MCF | Water BBL | Gas : Oil Ratio | Well Status | |

28c. Production - Interval D

| Date First Produced | Test Date | Hours Tested | Test Production → | Oil BBL | Gas MCF | Water BBL | Oil Gravity Corr. API | Gas Gravity | Production Method |
|---------------------|----------------------------|--------------|----------------------|---------|---------|-----------|--------------------------|-------------|-------------------|
| Choke Size | Tbg. Press. Flwg. SI | Csg. Press. | 24 Hr. Rate → | Oil BBL | Gas MCF | Water BBL | Gas : Oil Ratio | Well Status | |

29. Disposition of Gas (Sold, used for fuel, vented, etc.)

SOLD

30. Summary of Porous Zones (Include Aquifers):

Show all important zones or porosity and contents thereof: Cored intervals and all drill-stem tests, including depth interval tested, cushion used, time tool open, flowing and shut-in pressures and recoveries.

31. Formation (Log) Markers

| Formation | Top | Bottom | Descriptions, Contents, etc. | Name | Top Meas. Depth |
|-----------|-------|--------|------------------------------|-----------------------|--------------------|
| | 12750 | | | T/SALT | 750' |
| | | | | B/SALT | 2020' |
| | | | | T/DELAWARE MTN. GROUP | 2370' |
| | | | | T/BONE SPRING | 5808' |
| | | | | T/WOLFCAMP | 9272' |
| | | | | T/STRAWN | 10562' |
| | | | | T/ATOKA | 10934' |
| | | | | T/MORROW | 11516' |
| | | | | T/BARNETT | 12380' |

32. Additional remarks (include plugging procedure):

WELL TA'D IN MORROW FORMATION AND PRODUCING FROM STRAWN.

33. Indicate which items have been attached by placing a check in the appropriate boxes:

- ☒ Electrical/Mechanical Logs (I full set req'd.)
 ☐ Geological Report
 ☐ DST Report
 ☒ Directional Survey
☐ Sundry Notice for plugging and cement verification
 ☐ Core Analysis
 ☐ Other

34. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records (see attached instructions)*

Name (please print) Ann MooreTitle PRODUCTION CLERKSignature Ann MooreDate 07/27/2007

Title 18 U.S.C. Section 101 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 and false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Date Surveyed: July 1, 1997
 Signature & Seal of
 Professional Surveyor 7977
 State of NEW MEXICO
 License No. 6880

Certificate No. Gary L Jones 7977

BASIN SURVEYS