

366

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

RECEIVED

October 20, 2008 OCT 21 PM 2 53

FEDERAL EXPRESS

Bureau of Land Management
Carlsbad District Office
3471 620 E. Green St.
Carlsbad, New Mexico 88220
Attn: Mr. Les Babyak

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: Mr. William Jones

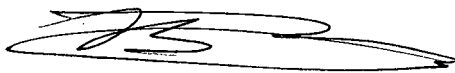
Re: Commercial Determination
Poker Lake Unit 261
Delaware Formation
Eddy County, New Mexico

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 Delaware 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: _____

CDP

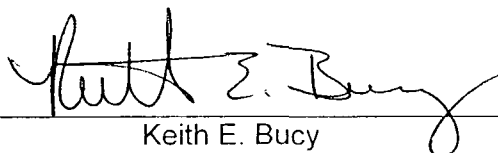
INTER-OFFICE MEMORANDUM
MIDLAND OFFICE

March 16, 2007

TO: FORT WORTH, FILES
FOR: FRANK McCREIGHT
FROM: KEITH E. BUCY
RE: COMMERCIAL DETERMINATION
POKER LAKE UNIT #261
NASH DRAW (DELAWARE) FIELD
EDDY COUNTY, NEW MEXICO
FILE: 100-WF: PLU261CD.DOC

Attached are the worksheets and necessary exhibits for the subject well to be submitted for commercial determination. The Poker Lake Unit #261 was drilled in 2006 to a total depth of 7,905' and was completed in the Delaware and Bone Spring (Avalon). The well is producing from perforations 7418-7762'. On test 10/19/2006 the well pumped at the rate of 66 BOPD, 63 MCFPD, and 344 BWPD. This well is expected to recover approximately 85.5 MBOE from the current completion.

The most recent price file from Fort Worth was utilized and adjusted by -\$1.20/MMBTU (1,010 MMBTU gas) and -\$2.40/BO. An operating cost of \$3,550/mo was also incorporated in this evaluation. The Poker Lake Unit #261 will be a commercial well.


Keith E. Bucky


KAA/cdp

cc: Wayne Bailey
George Hillis

PLS ADVISE US AS SOON AS THE PARTICIPATING AREA IS
ESTABLISHED.

WORKSHEET FOR COMMERCIAL DETERMINATION AND PARTICIPATING AREA IN FEDERAL UNITS

WELL DATA

WELL _____ POKER LAKE UNIT # 261 _____ FORMATION _____ Delaware, Bone Spring (Avalon) _____
 LOCATION _____ F _____ UNIT, _____ 1980 _____ FEET FROM SOUTH LINE & _____ 1880 _____ FEET FROM EAST LINE
 SECTION _____ 21 _____ TOWNSHIP _____ 24S _____ RANGE _____ 30E _____ COUNTY _____ Eddy _____ NEW MEXICO
 SPUD DATE _____ 6/19/2006 _____ COMPLETION DATE _____ 10/1/2006 _____ INITIAL PRODUCTION _____ 10/5/2006
 PERFORATIONS _____ 7418-7762' _____

STIMULATION:

ACID _____

FRACTURE _____ 7418-7538' 115,550 gals PW + 10,000# 14/30 Lite Prop
 7752-7762' 112,963 gal PW + 10,000# 14/30 Lite Prop

POTENTIAL _____ (10/19/2006): 66 BOPD, 63 MCFPD, 344 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	40	_____	_____	_____
Porosity (Φ), %	11%	_____	_____	_____
Water saturation (Sw), %	60%	_____	_____	_____
Net Thickness (H), ft.	61	_____	_____	_____
Temperature (T), Fahrenheit	120	_____	_____	_____
Bottom Hole pressure (P), psia	3,189	_____	_____	_____
Recovery factor (RF), %	15%	_____	_____	_____
Recoverable Oil, Bbls *(See eq. below)	83,290	_____	_____	_____

*Sometimes unable to match performance due to volumetric uncertainty.

Formula = $(7758) (A) (H) (\Phi) (1-S_w) (1/B_o) (RF)$

B_o = 1.50

Continued

PERFORMANCE DATA

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

CUMULATIVE PRODUCTION TO 1/31/2007 12,591 MCF Gas 5,827 BBL OilINITIAL RATE (qi) 60ECONOMIC LIMIT (ql) 2HYPERBOLIC DECLINE RATE, dy n = 0.99, d = 73.9%/yrREMAINING OIL (Q) = 39,758ULTIMATE RECOVERABLE OIL (BO) 45,585

(Attach plat showing proration unit and participating area.)

ECONOMIC

GROSS WELL COST \$1,400,000 (to the depth of formation completed)

RECOMPLETION COST _____

GROSS TOTAL COST \$1,400,000

YEAR	GROSS OIL MBBLS	BFIT NET INCOME (\$M)	OPERATING COST (\$M) INCL SEV & AD VAL TAX	10% NET BFIT DISCOUNTED CASH FLOW
ZERO				
1	4.381	260.7	42.6	-1185.2
2	11.563	851.1	148.6	661.5
3	6.028	490.9	104.4	333.5
4	4.076	351.3	86.9	209.1
5	3.087	274.4	77.3	143.0
6	2.484	225.0	71.1	102.4
7	2.083	191.0	66.8	75.8
8	1.785	165.0	63.5	56.8
9	1.564	145.5	61.0	43.4
10	1.392	130.0	59.1	33.4
REMAINDER	7.142	670.6	394.7	98.1
TOTAL	45.585	3755.6	1176.0	571.6

WELL IS COMMERCIAL

ECONOMIC PROJECTION

Date : 3/16/2007

Lior: 1000382

8:14:46AM

Project Name : PROPZONE2
 P r : 99999
 C ype : LEASE CASE
 Archive Set : CURRENT

As Of Date : 10/01/2006
 Discount Rate (%) : 9.00
 1000382/POKER LAKE UNIT/DEL

Lease Name : 1000382/POKER LAKE UNIT/DEL
 Reserv Cat : Proved Producing
 Field : NASH DRAW (DEL, BS, AV)
 Operator : BEPCO
 Reservoir : DEL, BS, AV
 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)
2006	4.381	7.941	7.941	0.000	3.711	6.727	0.000
2007	11.563	45.206	45.206	141.542	9.795	38.294	72.215
2008	6.028	31.797	31.797	110.970	5.107	26.935	56.617
2009	4.076	24.266	24.266	84.688	3.453	20.555	43.208
2010	3.087	19.575	19.575	68.316	2.615	16.582	34.855
2011	2.484	16.354	16.354	57.075	2.104	13.853	29.120
2012	2.083	14.047	14.047	49.023	1.764	11.899	25.012
2013	1.785	12.229	12.229	42.681	1.512	10.359	21.776
2014	1.564	10.838	10.838	37.823	1.325	9.180	19.298
2015	1.392	9.719	9.719	33.920	1.180	8.233	17.306

Rem	7.142	50.385	50.385	89.716	6.050	42.681	89.716
Total	45.585	242.357	242.357	801.883	38.615	205.298	409.122
Ult.	45.585	242.357					

Year	Average Price			Net Revenue			
	Oil \$/BBL	Gas \$/MCF	NGL \$/Gal	Oil (M\$)	Gas (M\$)	NGL (M\$)	Total (M\$)
2006	58.77	6.34	0.00	218.084	42.645	0.000	260.730
2007	57.60	5.79	0.90	564.190	221.866	64.993	851.050
2008	52.60	6.36	0.90	268.602	171.385	50.955	490.942
2009	52.60	6.36	0.90	181.622	130.794	38.887	351.303
	52.60	6.36	0.90	137.527	105.509	31.370	274.406
	52.60	6.36	0.90	110.661	88.148	26.208	225.016
2012	52.60	6.36	0.90	92.799	75.713	22.511	191.022
2013	52.60	6.36	0.90	79.514	65.917	19.598	165.029
2014	52.60	6.36	0.90	69.704	58.415	17.368	145.487
2015	52.60	6.36	0.90	62.043	52.386	15.575	130.004
Rem	52.60	6.36	0.90	318.243	271.579	80.745	670.567
Total	54.46	6.26	0.90	2,102.990	1,284.356	368.210	3,755.556

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 9.00 % (M\$)	Cum. Disc. CF 9.00 % (M\$)
2006	18.955	13.036	1,400.000	10.650	-1,181.911	-1,181.911	-1,185.219	-1,185.219
2007	63.495	42.552	0.000	42.600	702.402	-479.509	661.480	-523.739
2008	37.254	24.547	0.000	42.600	386.541	-92.968	333.473	-190.266
2009	26.774	17.565	0.000	42.600	264.364	171.396	209.055	18.789
2010	20.961	13.720	0.000	42.600	197.124	368.521	142.960	161.749
2011	17.212	11.251	0.000	42.600	153.954	522.474	102.411	264.160
2012	14.624	9.551	0.000	42.600	124.247	646.721	75.810	339.970
2013	12.641	8.251	0.000	42.600	101.536	748.257	56.825	396.795
2014	11.149	7.274	0.000	42.600	84.464	832.722	43.366	440.161
2015	9.965	6.500	0.000	42.600	70.939	903.661	33.414	473.575
Rem	51.419	33.528	0.000	309.732	275.888	275.888	98.060	98.060
Total	284.447	187.778	1,400.000	703.782	1,179.549	1,179.549	571.634	571.634

Major Phase : Oil
 Perfs : 0 0
 Initial Rate : 1.45 mbbbl/month
 Abandonment : 0.06 mbbbl/month
 Initial Decline : 73.99 % year b = 0.990
 Beg Ratio : 3.22 mcf/mbbl
 E io : 7.07

Working Int : 1.00000000
 Revenue Int : 0.84708916
 Disc. Initial Invest. (m\$) : 1,400.000
 Internal ROR (%) : 28.17
 ROInvestment (disc/undisc) : 1.41 / 1.84
 Years to Payout : 2.57
 Abandonment Date : 04/10/2023

Present Worth Profile (M\$)

5.00% : 792.89
 9.00% : 571.63
 10.00% : 524.91
 12.00% : 439.69
 15.00% : 329.10
 20.00% : 179.75
 30.00% : -33.92
 40.00% : -180.73
 50.00% : -288.88
 60.00% : -372.51

	Initial	1st Rev.	2nd Rev.
Working Interest :	1.00000000	0.00000000	0.00000000
Revenue Interest :	0.84708916	0.00000000	0.00000000
Rev. Date :			

000382/POKER LAKE UNIT/DEL

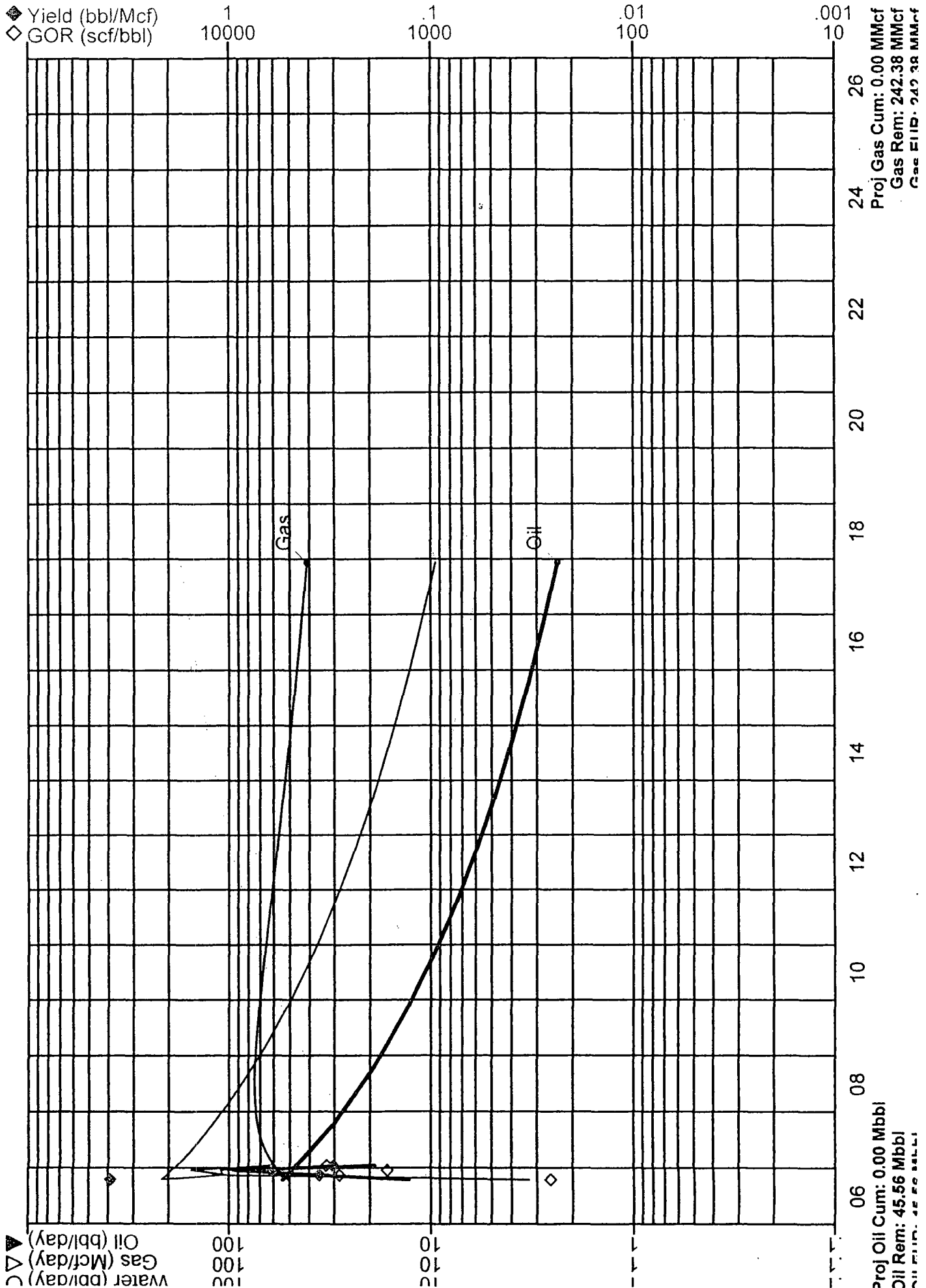
Major Phase: C

APP EUR OIL: 5,127

Field: NASH DRAW (DEL, BS, AV)

DY,NM

APP EUR GAS: 289,566



LEASE: POKER LAKE UNIT WELL #: 261 SIDETRACK
 FIELD: NASH DRAW (DELAWARE, BONE SPRING, AVALON SAND)
 LOCATION: SL: 1980' FSL & 1880' FEL, SECTION 21, T24S, R30E
 BHL: 2039 FSL & 1987' FEL, SECTION 21, T24S, R30E
 COUNTY: EDDY ST: NM API# 30-015-34877

X:
 Y:
 Lat:
 Long:

SURFACE CASING

SIZE: 11-3/4"
 WT/GRD: 42# H-40
 SET @: 943'
 SX CMT: 350 35/65 POZ
 SX CMT: 400 C
 CIRC: YES 392 SX
 TOC: SURF
 HOLE SIZE: 14-3/4" 0-947' SIDETRACK

ORIG SURF HOLE 14-3/4" 0-1023'
 FISH 563-776' CMT'D & SIDETRACKED

INTERMEDIATE CASING

SIZE: 8-5/8"
 WT/GRD: 32# J-55
 SET @: 1835'
 SX CMT: 200 35/65 POZ
 SX CMT: 175 35/65 POZ
 CIRC: N
 TOC: 1500' TS (KB)
 HOLE SIZE: 11" 947-2050'

ORIG INTERMEDIATE HOLE:

11" 947-3818' 7-7/8" 3818-6292'

CMT PLUG 2050-386' FISH 2386-6292' SIDETRACK

PRODUCTION CASING

SIZE: 7"
 WT/GRD: 23#
 SET @: 3797'
 SX CMT: 400 LITE
 SX CMT: 100 C
 CIRC: Y 58 SX
 TOC: SURF
 HOLE SIZE: 7-7/8" 2050-3801'

7-7/8" SIDETRACK 2050-3801'

PRODUCTION LINER

SIZE: 4-1/2"
 WT/GRD: 11.6 J55 0-7316'
 WT/GRD: 11.6# HCL80 7316-7899'
 SET @: 7899'
 SX CMT: 265 LITECRETE
 SX CMT: 85 LITECRETE
 CIRC: N
 TOC: 3665' TS (KB)
 HOLE SIZE: 6-1/4" 3801-7905'

TUBING DATA

(224 JTS) 2-3/8" 4.7#/FT J55 TBG
 TAC @ 7333'
 (13 JTS) 2-3/8" 4.7#/FT J55 TBG
 3 SS BLAST SUB
 SN w/ GA @ 7764'
 STANLEY GAS SEPARATOR
 (10') TBG SUB
 (4') TBG SUB

RODS & PUMP

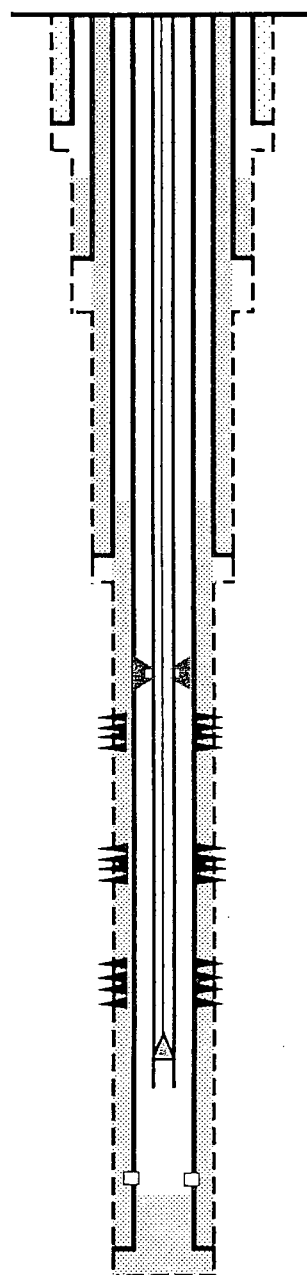
2325' 7/8" API "D" STEEL RODS
 5400' 3/4" API "D" STEEL RODS
 1-1/2" RHBM-HVR-TS PUMP
 LUFKIN M640-365-168 W/ AJAX DP60 GAS ENGINE

PERFORATION DATA

09/06 PERF 7752-62' AVALON
 F: 20kg PW pad+93kg PW w/ 10k# 14/30 LP+1.3kg 7-1/2% Acid+3.7kg PW Flush
 09/06 PERF 7418-28' LBC "V", 7528-38' LBC "Y"
 F: 20kg PW Pad+95.5kg PW w/ 10k# 14/30 LP+4.8kg PW Flush

D30-015-34877

****CURRENT****



17.5' GL
 0' KB

KB: 3332.2
 GL: 3314.7
 SPUD DATE: 6/19/2006
 COMP DATE: 10/10/2006

943' 11-3/4" 42# CSG
 947' 14-3/4" HOLE

1500' TOC

1835' 8-5/8" 32# CSG

2050' 11" HOLE

3665' TOC (TS) LINER
 3797' 7" 23# CSG
 3801' 7-7/8" HOLE

7012' 4-1/2" 11.6# J55 MRKR JT (21.8')
 7333' TAC

7418' TOP PRODUCING PERF
 7428' PERF 7418-28' LBC "V" SAND 10 HOLES

7528' PERF 7525-38' LBC "Y" SAND 10 HOLES
 7538'

7752' PERF 7752-62' AVALON 20 HOLE
 7762' BOTTOM PRODUCING PERF

7764' SN
 7787' EOT

7808' FC
 7809' PBD (TAGGED)
 7899' 4-1/2" 11.6# HCL80 LINER
 7905' 6-1/4" HOLE (LOG)

PBD: 7809' (TAGGED)
 TD: 7905' (LOG)

TOPS
 U 7184
 LBC 8A 7356.2
 MRKR 7369
 V 7416
 W 7432
 X 7464
 Y 7506.2
 Z 7599
 BS 7650
 AV 7746

Updated: 11/6/2006

Author: KRA

Engr: BJC

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

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

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

2. Name of Operator

BEPCO, L. P.

3. Address

P. O. Box 2760 Midland TX 79702

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 NWSE, UL J, 1980' FSL, 1880' FEL

At top prod. interval reported below

At total depth 2039' FSL, 1987' FEL

5. Lease Serial No.
NMLC068431

6. If Indian, Allottee or Tribe Name

7. Unit or CA Agreement Name and no.
NMNM71016

8. Lease Name and Well No.

POKER LAKE UNIT 261

9. API Well No.

30-015-34877

10. Field and Pool, or Exploratory

NASH DRAW-DEL/BS/AV SAND

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

Survey or Area SEC 21, T24S, R30E

12. County or Parish

EDDY

13. State

NM

14. Date Spudded

06/19/2006

15. Date T.D. Reached

09/15/2006

16. Date Completed

☐ D & A ☒ Ready to Prod.

10/10/2006

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

3314' GL

18. Total Depth: MD 7905'
TVD19. Plug Back T.D.: MD 7809'
TVD20. Depth Bridge Plug Set: MD
TVD21. Type of Electric & Other Mechanical Logs Run (Submit copy of each)
GR-CLN-LDT; GR-AIT22. Was well cored? ☒ No ☐ Yes (Submit analysis)
Was DST run? ☒ No ☐ Yes (Submit analysis)
Directional Survey? ☐ No ☒ Yes (Submit copy)

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
14-3/4"	11-3/4"	42#	0'	943'		750		0'	
11"	8-5/8"	32#	0'	1835'		375		1500' TS	
7-7/8"	7"	23#	0'	3797'		500		0'	
6-1/4"	4-1/2"	11.6#	0'	7899'		350		3665' 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)
2-3/8"	7787'							

25. Producing Intervals

26. Perforation Record

Formation	Top	Bottom	Perforated Interval	Size	No. Holes	Perf. Status
A) DELAWARE	7418'	7762'	7418' - 7428'	0.380	10	PRODUCING
B)			7528' - 7538'	0.380	10	PRODUCING
C)			7752' - 7762'	0.380	20	PRODUCING
D)						

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

Depth Interval	Amount and Type of Material
7418' - 7538'	115,550 GALS PW + 10,000# 14/30 LITE PROP
7752' - 7762'	112,963 GALS PW + 10,000# 14/30 LITE PROP

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
10/5/06	10/19/06	24	→	66	63	344			PUMPING
Choke Size	Tbg. Press. Flwg. SI	Csg. Press.	24 Hr. Rate	Oil BBL	Gas MCF	Water BBL	Gas : Oil Ratio	Well Status	
14/64"	250	150	→	66	63	344		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	
			→						

(See Instructions and spaces for additional data on page 2)

DISTRICT I

1625 N. French Dr., Hobbs, NM 88240

DISTRICT II

South First, Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised March 17, 1999

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco

Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-34877	Pool Code 47545	Pool Name Nash Draw - Delaware, BS, Avalon, Sd
Property Code 001796	Property Name POKER LAKE UNIT	Well Number 261
OGRID No. 001801	Operator Name BASS ENTERPRISES PRODUCTION COMPANY	Elevation 3314'

Surface Location

UL or lot No. J	Section 21	Township 24-S	Range 30-E	Lot Idn	Feet from the 1980	North/South line SOUTH	Feet from the 1880	East/West line EAST	County EDDY
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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 40	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

				OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <u>William R. Dannels</u> Signature W.R. DANNELS Printed Name DIVISION DRILLING SUPT. Title 3-17-06 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 supervision and that the same is true and correct to the best of my belief. JANUARY 19, 2006 Date Surveyed Signature & Seal of Professional Surveyor Professional Surveyor Certificate No. 6074 7977				