

R-111-POTASH

Form 3160-3
(April 2004)UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

la. Type of work. <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER	7 If Unit or CA Agreement, Name and No.		
lb. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone	8. Lease Name and Well No. James Ranch Unit #126H <i>(306407)</i>		
2. Name of Operator BOPCO, L. P. <i>(260737)</i>	9. API Well No. 30-08-39254		
3a. Address P. O. Box 2760 Midland, TX 79702	3b. Phone No. (include area code) 432-683-2277		
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface SWNE, 1441' FNL, 1821' FEL, Lat N32.380983, Lon W103.883497 At proposed prod. zone 660' FNL, 330' FWL, Sec 19-T22S-R30E, Lat N32.383194, Lon W103.928617	10. Field and Pool, or Exploratory Quahada Ridge (Delaware) <i>(50470)</i>		
11. Sec., T. R. M. or Blk. and Survey or Area Sec 21, T22S, R30E, Mer NMP	12. County or Parish Eddy County		
13. State NM			
14. Distance in miles and direction from nearest town or post office* 12 miles Northeast of Loving, New Mexico	15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 121'	16. No. of acres in lease 1760 (total of all leases)	17. Spacing Unit dedicated to this well 400 acres
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 12.7'	19. Proposed Depth <i>7023'</i> 21,017' MD, 6,943' TVD	20. BLM/BIA Bond No. on file COB000050	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3169' GL	22. Approximate date work will start* 04/01/2010	23. Estimated duration 30 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>Katy Holster</i>	Name (Printed/Typed) Katy Holster	Date <i>1/28/11</i>
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Title
Administrative Assistant

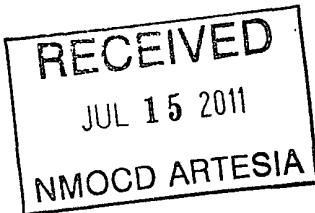
Approved by (Signature) <i>/s/ Tony J. Herrell</i>	Name (Printed/Typed)	Date JUL - 1 2011
Title STATE DIRECTOR	Office NM STATE OFFICE	

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 TWO YEARS

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)

*KZ 07/29/11*

Carlsbad Controlled Water Basin

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

**Approval Subject to General Requirements
& Special Stipulations Attached**

Surface casing will be set at ~~543'~~ and cement circulated to surface.

7" casing will be set at approximately 8,650' MD (7,019') TVD – thru curve & turn. Casing will be cemented in two stages with DV Tool at approximately 5000'. Cement will be circulated to surface. Production casing will be 4-1/2" run with Baker hydraulic packers. Top of 4-1/2" liner will be approximately 200' above KOP (+/- 6,345' MD 6,345' TVD).

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

This well is located within the R111 Potash area. Potash waiver attached.

The surface location is unorthodox. The bottom hole location of lateral ending in Sec 19 T22S R30E is orthodox.

BOPCO, L.P., at P. O. Box 2760, Midland, TX, 79702 is a division office of BOPCO, L.P., 201 Main Street, Ft. Worth, TX 76102, Bond No. COB 000050 (Nationwide).

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

NAME OF WELL: JAMES RANCH UNIT #126H

LEGAL DESCRIPTION - SURFACE: 1441' FNL, 1821' FEL, Section 21, T22S, R30E, Eddy County, NM.

Lateral BHL: 660' FNL, 330' FWL, Section 19, T22S, R30E, 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 3,188'
GL 3,169'

James Ranch Unit #126H

Formation	Estimated Top From KB		Estimated Subsea Top	BEARING
	TVD	MD		
T/Rustler	188'	188'	+3,000'	Barren
B/Fresh Water	262'	262'	+2,896	Fresh Water
B/Rustler	553'	553'	+2,635'	Barren
T/Salt	553'	553'	+2,635'	Barren
B/Salt	3,279'	3,279'	-91'	Barren
T/Lamar Lime	3,533'	3,533'	-345'	Barren
T/Ramsey	3,556'	3,556'	-368'	Oil/Gas
KOP #1	6,545'	6,545'	-3,357'	Oil/Gas
Brush Canyon "U" Sand	6,898'	6,942'	-3,710'	Oil/Gas
Brush Canyon Lo "U" Sand	6,978'	7,087'	-3,790'	Oil/Gas
Horizontal Landing Point	7,023'	7,296'	-3,835'	Oil/Gas
KOP #2 (Lo "U" Sand)	7,023'	7,319'	-3,835'	Oil/Gas
Horizontal Landing Point	7,023'	8,450'	-3,835'	Oil/Gas
TD	6,943'	21,017'	-3,755'	Oil/Gas

POINT 3: CASING PROGRAM

TYPE	INTERVALS (MD)	HOLE SIZE	PURPOSE	CONDITION
20" ^{3/8} 13-7/8", 48#, H-40, 8rd, STC or 54.5#, J-55*	0'-80' 0'-543' ⁵²⁵	26"	Conductor Surface	Contractor Discretion New
9-5/8", 40#, J-55, 8rd, LTC	0'-3,553'	12-1/4"	Intermediate	New
7", 26#, N-80, 8rd, LTC or Buttress	0'-8,650'	8-3/4"	Production	New
4-1/2", 11.6#, HCP110, 8rd, LTC	6,495'-21,017' ⁶³⁴⁵	6-1/8"	Production	New

* Depending on availability

see COA

POINT 3: CASING PROGRAM cont'd...

CASING DESIGN SAFETY FACTORS:

<u>TYPE</u>	<u>TENSION</u>	<u>COLLAPSE</u>	<u>BURST</u>
13-3/8", 48#, J55, 8rd, STC	14.6	2.98	3.30
13-3/8", 54.5#, J-55, 8rd, STC	20.12	4.56	5.21
9-5/8", 40#, J55, 8rd, LTC	3.67	1.39	1.97
7", 26#, N80, 8rd, LTC	3.31	1.63	1.45
7", 26#, J-55, Buttress	4.25	1.63	1.45
4-1/2", 11.6#, HCP110, 8rd, LTC	3.99	2.63	2.14

DESIGN CRITERIA AND CASING LOADING ASSUMPTIONS:

SURFACE CASING

- Tension A 1.6 design factor utilizing the effects of buoyancy (9.2 ppg).
- Collapse A 1.0 design factor with full internal evacuation and a collapse force equal to the mud gradient in which the casing will be run (0.48 psi/ft). The effects of axial load on collapse will be considered.
- Burst A 1.0 surface design factor and a 1.3 downhole design factor with a surface pressure equivalent to the fracture gradient at setting depth less a gas gradient to the surface. Internal burst force at the shoe will be fracture pressure at that depth. Back pressure will be formation pore pressure. In all cases a conservative fracture pressure will be used such that it represents the upper limit of potential fracture resistance up to a 1.0 psi/ft gradient.

PROTECTIVE CASING

- Tension A 1.6 design factor utilizing the effects of buoyancy (10 ppg).
- Collapse A 1.0 design factor with full internal evacuation and a collapse force equal to the mud gradient in which the casing will be run (0.52 psi/ft). The effects of axial load on collapse will be considered.
- In the case of development drilling, collapse design should be analyzed using internal excavation equal to 1/3 the proposed total depth of the well. The criterion will be used when there is absolutely no potential of the protective string being used as a production casing string.
- Burst A 1.3 design factor with a surface pressure equal to the fracture gradient at setting depth less a gas gradient to the surface. Internal burst force at the shoe will be fracture pressure at that depth. Backup pressure will be formation pore pressure. In all cases a conservative fracture pressure will be used such that it represents the upper limit of potential fracture resistance up to a 1.0 psi/ft gradient. The effects of tension on burst will not be utilized.

POINT 3: CASING PROGRAM cont'd...

PRODUCTION CASING

- Tension A 1.6 design factor utilizing the effects of buoyancy (9.2 ppg).
- Collapse A 1.0 design factor with full internal evacuation and a collapse force equal to the mud gradient in which the casing will be run (0.48 psi/ft). The effects of axial load on collapse will be considered.
- Burst A 1.25 design factor with anticipated maximum tubing pressure (3575 psig) on top of the maximum anticipated packer fluid gradient. Backup on production will be formation pore pressure. The effects of tension on burst will not be utilized.

POINT 4: PRESSURE CONTROL EQUIPMENT (SEE ATTACHED BOP DIAGRAM)

The blowout preventer for 12-1/4" intermediate hole will consist of 13-5/8" X 5000 psi dual ram BOP's with mud cross, choke manifold, chokes, and hydri ls per Diagram 1 (5000 psi WP). The BOP stack, choke, kill lines, kelly cocks, inside BOP, etc. when installed on the surface casing head will be hydro-tested to 250-300 psig and 2000 psig by independent tester. The BOPE when rigged up on the 9-5/8" intermediate casing spool will consist of annular, pipe & blind rams with choke manifold and chokes as in Diagram 1 and will be tested to 3000 psig by independent tester. In addition to the high pressure test, a low pressure (250-300 psig) test will be required. Hydri ls will be tested to 2500 psig.

The BOPE when rigged up on the 7" intermediate casing spool will consist of annular, pipe & blind rams with choke manifold and chokes as in Diagram 1 and will be tested to 3000 psig by independent tester. In addition to the high pressure test, a low pressure (250-300 psig) test will be required. Hydri ls will be tested to 2500 psig.

These tests will be performed:

- Upon installation
- After any component changes
- 30 days after a previous test
- 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'-543' 525'	FW Spud Mud	8.5 - 9.2	38-70	NC	NC	NC	10.0
543'-3,553'	Brine Water	9.8 - 10.2	28-30	NC	NC	NC	9.5-10.0
3,553'-8,650'	FW/Gel	8.7 - 9.2	28-36	NC	NC	20	9.5-10.0
8,650'-21,017'	FW/Gel	8.7 - 9.2	28-36	NC	NC	20	9.5-10.0

POINT 6: TECHNICAL STAGES OF OPERATION

A) TESTING

None anticipated.

B) LOGGING *See roA*

Run #1: GR with MWD during drilling of build and horizontal portions of 8-3/4" hole and 6-1/8" hole. Mud logger will be used from 3000' to TD.

Run #2: Drill pipe conveyed GR/PE/NL/Density/Resistivity/Caliper log run from TD to KOP.

Mud Logger: 3000' to TD.

C) CONVENTIONAL CORING

None anticipated.

D) CEMENT

<u>INTERVAL</u>	<u>AMOUNT</u> <u>SXS</u>	<u>FT OF</u> <u>FILL</u>	<u>TYPE</u>	<u>GALS/SX</u>	<u>PPG</u>	<u>FT3/SX</u>
SURFACE: Lead: 0'-243' (100% excess circ to surface)	180	243	Class "C" 35/65+6% gel+3 pps star-seal+0.4% FL10+0.25% R-38+5% salt	9.95	12.8	1.91
Tail: 235'-543' (100% excess)	300	300	Class "C"+2% CaCL2+3 lb star-seal+0.25% R-38	6.12	14.8	1.36
INTERMEDIATE: Lead: 0'-3,053' (100% circ to surface)	1,000	3,053	Class "C" 35/65+6% gel+3 pps star-seal+0.4% FL10+0.25% R-38+5% salt	9.95	12.8	1.91
Tail: 3,053'-3,553' (100% excess)	250	500	Class "C"+2% CaCL2+0.25% R-38	6.34	14.8	1.35

POINT 6: TECHNICAL STAGES OF OPERATION cont'd...

D) CEMENT

<u>INTERVAL</u>	<u>AMOUNT</u> <u>SXS</u>	<u>FT OF</u> <u>FILL</u>	<u>TYPE</u>	<u>GALS/SX</u>	<u>PPG</u>	<u>FT3/SX</u>
INTERMEDIATE Stage 1: Lead: 5,000'-6,545' (50% excess)	175	1,545	RSS Micro+35% FMS+0.3% FL10+0.8% C-12+3 pps Gilsonite+0.25% R38	10.09	10.5	2.41
Tail: 6,545'-8,650' (50% excess)	350	2,105	RSS Micro+0.2% C- 37+0.2%+C-12+0.2% FL10+0.25% R38	7.03	13.0	1.38
DV Tool @ 5,000'						
Stage 2: Lead: 0'-4,900' (50% excess)	500	4,900	RSS Micro+35% FMS+0.5% C- 45+0.5%+C-12+3 pps gilsonite+0.2% R38	10.16	10.5	2.42
Tail: 4,900'-5,000' (50% excess)	100	100	Class "C"+0.25% R-38	6.31	14.8	1.33

E) DIRECTIONAL DRILLING

BOPCO, L.P. plans to drill out the 9-5/8" intermediate casing with an 8-3/4" bit to a TVD of approximately 6,545' at which point a directional hole will be kicked off and drilled at an azimuth of 316 degrees, building angle at 12 deg/100' to a maximum angle of 90 degrees at a TVD of 7,023' (MD 7,296'). At this point the hole direction will be turned at a rate of 4 deg/100' to a final azimuth of 269.9 degrees at a TVD of 7,019', MD 8,449.5'. this angle and azimuth will be maintained for 200' to a measured depth of 8,650'. At this depth 7", 26#, N80, 8rd, LTC casing will be installed and cemented in two stages (DV Tool @ approximately 5,000') with cement being circulated to surface. A 6-1/8" open hole lateral will then be drilled out from 7" casing at an azimuth of 269.9 degrees, inclination of 90.348 degrees to a measured depth of 21,017', TVD 6,943 degrees. At this depth 4-1/2", 11.6#, HCP110, 8rd, LTC casing will be installed with Baker hydraulic packers installed for zone isolation in the lateral. Liner hanger will be set at approximately 6,345'.

POINT 7: ANTICIPATED RESERVOIR CONDITIONS

Normal pressures are anticipated throughout Delaware section. A BHP of 3,533 psi (max) or MWE of 9.0 ppg is expected. Lost circulation may exist in the Delaware Section from 3,844'-7,550' TVD. No H₂S is expected.

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

30 days drilling operations

20 days completion operations

SMM/keh



BOPCO, L.P.

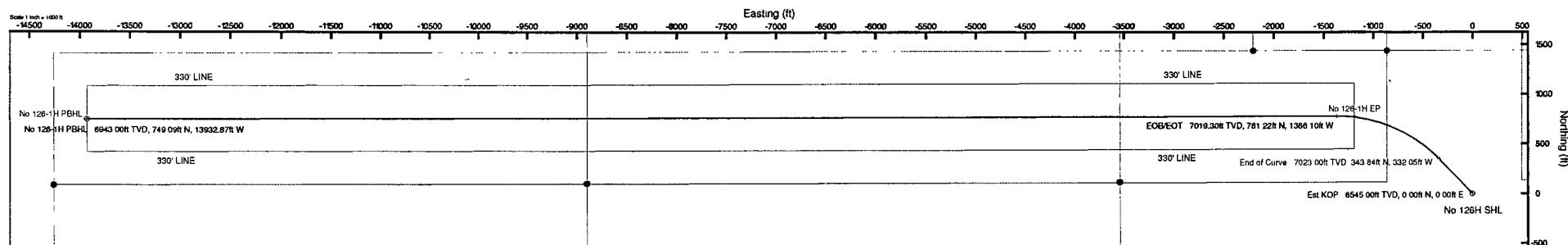
Location Eddy County, NM
Field: JRU Project
Facility JRU 126H

Slot: No.126H SHL
Well: No.126H
Wellbore No.126-1H PWB

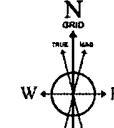
BAKER HUGHES
INTEQ

Well Profile Data

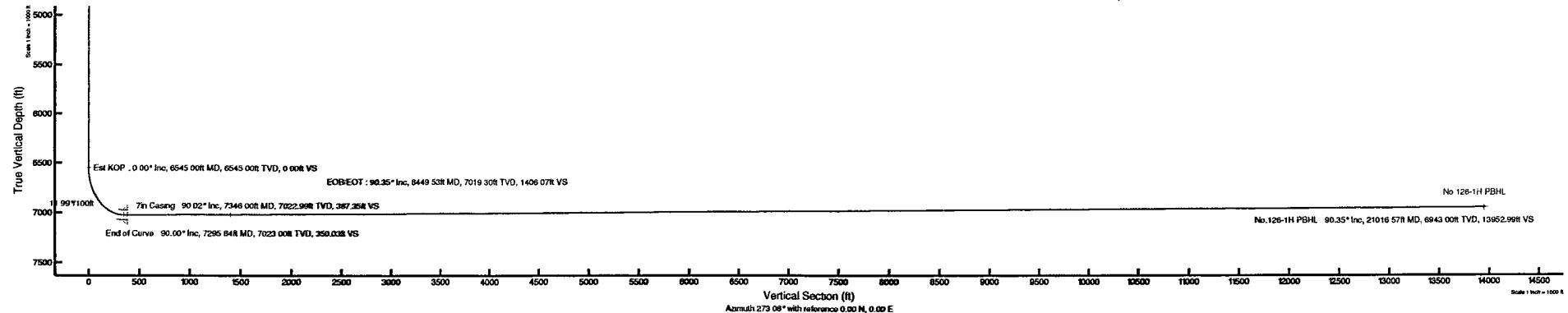
Design Comment	MD (ft)	Inc (°)	Az (°)	TVD (ft)	Local N (ft)	Local E (ft)	DLS ('1000ft)	VS (ft)
Tie On	0 00	0.000	316 000	0 00	0.00	0 00	0.00	0 00
Est KOP	6545.00	0.000	316.000	6545.00	0.00	0.00	0.00	0 00
End of Curve	7295.84	90.000	316 000	7023 00	343.84	-332.05	11.99	350.03
EOB/EOT	8449.53	90.348	269.854	7019.30	781.22	-1366.10	4.00	1406.07
No.126-1H PBHL	21016.57	90.348	269.854	6943 00	749.09	-13932.87	0.00	13952.99



Plot reference wellpath is Prelim_1	Grid System: NAD83 / TM New Mexico State Planes, Eastern Zone (3001), US feet
True vertical depths are referenced to Rig on No.126H SHL (RT)	
Measured depths are referenced to Rig on No.126H SHL (RT)	North Reference: Grid north
Rig on No.126H SHL (RT) to Mean Sea Level: 3188 feet	Scale: True distance
Mean Sea Level to Mud line (Facility: JRU 126H) -3188 feet	Depths are in feet
Coordinates are in feet referenced to Facility Center	Created by goomeoscr on 11/29/2010



BGGM (1945.0 to 2011.0) is 60.31° Field 4602.1 NT
Magnetic North is 7.6 degrees East of True North (at 11/28/2010)
Grid North is 0.24 degrees East of True North
To correct azimuth from True to Grid subtract 0.24 degrees
To correct azimuth from Magnetic to Grid add 7.60 degrees
For example if the Magnetic North Azimuth = 90 degrees, then the Grid North Azimuth = 90 + 7.60 = 97.60





Planned Wellpath Report

Prelim_1
Page 1 of 7

**BAKER
HUGHES**
INTEQ

REFERENCE WELLPATH IDENTIFICATION

Operator	BOPCO, L.P.	Slot	No.126H SHL
Area	Eddy County, NM	Well	No.126H
Field	JRU Project	Wellbore	No.126-1H PWB
Facility	JRU 126H		

REPORT SETUP INFORMATION

Projection System	NAD83 / TM New Mexico State Planes, Eastern Zone (3001), US feet	Software System	WellArchitect® 2.0
North Reference	Grid	User	Gomeoscr
Scale	0.999931	Report Generated	12/6/2010 at 11:44:56 AM
Convergence at slot	0.24° East	Database/Source file	WA Midland/No.126-1H_PWB.xml

WELLPATH LOCATION

	Local coordinates		Grid coordinates		Geographic coordinates	
	North[ft]	East[ft]	Easting[USft]	Northing[USft]	Latitude	Longitude
Slot Location	0.00	0.00	680202.40	502625.00	32°22'51.538"N	103°53'00.588"W
Facility Reference Pt			680202.40	502625.00	32°22'51.538"N	103°53'00.588"W
Field Reference Pt			697621.65	485218.03	32°19'58.517"N	103°49'38.415"W

WELLPATH DATUM

Calculation method	Minimum curvature	Rig on No.126H SHL (KB) to Facility Vertical Datum	19.00ft
Horizontal Reference Pt	Facility Center	Rig on No.126H SHL (KB) to Mean Sea Level	3188.00ft
Vertical Reference Pt	Rig on No.126H SHL (KB)	Facility Vertical Datum to Mud Line (Facility)	0.00ft
MD Reference Pt	Rig on No.126H SHL (KB)	Section Origin	N 0.00, E 0.00 ft
Field Vertical Reference	Mean Sea Level	Section Azimuth	273.08°



Planned Wellpath Report

Prelim_1
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BAKER HUGHES
INTEQ

REFERENCE WELLPATH IDENTIFICATION

Operator	BOPCO, L.P.	Slot	No.126H SHL
Area	Eddy County, NM	Well	No.126H
Field	JRU Project	Wellbore	No.126-1H PWB
Facility	JRU 126H		

HOLE & CASING SECTIONS Ref Wellbore: No.126-1H PWB Ref Wellpath: Prelim_1

String/Diameter	Start MD [ft]	End MD [ft]	Interval [ft]	Start TVD [ft]	End TVD [ft]	Start N/S [ft]	Start E/W [ft]	End N/S [ft]	End E/W [ft]
9.625in Casing	19.00	3564.00	3545.00	19.00	3564.00	0.00	0.00	0.00	0.00
8.75in Open Hole	3564.00	7365.00	3801.00	3564.00	7022.99	0.00	0.00	392.41	-381.27
7in Casing	3564.00	7365.00	3801.00	3564.00	7022.99	0.00	0.00	392.41	-381.27
6.125in Open Hole	7365.00	21016.57	13651.57	7022.99	6943.00	392.41	-381.27	749.09	-13932.87

TARGETS

Name	MD [ft]	TVD [ft]	North [ft]	East [ft]	Grid East [srft]	Grid North [srft]	Latitude	Longitude	Shape
1) No.126-1H PBHL	21016.57	6943.00	749.09	13932.87	666270.52	503374.04	32°22'59.501"N	103°55'43.022"W	point
No.126-1H EP		6962.00	778.26	-1192.68	679009.80	503403.20	32°22'59.288"N	103°53'14.458"W	point

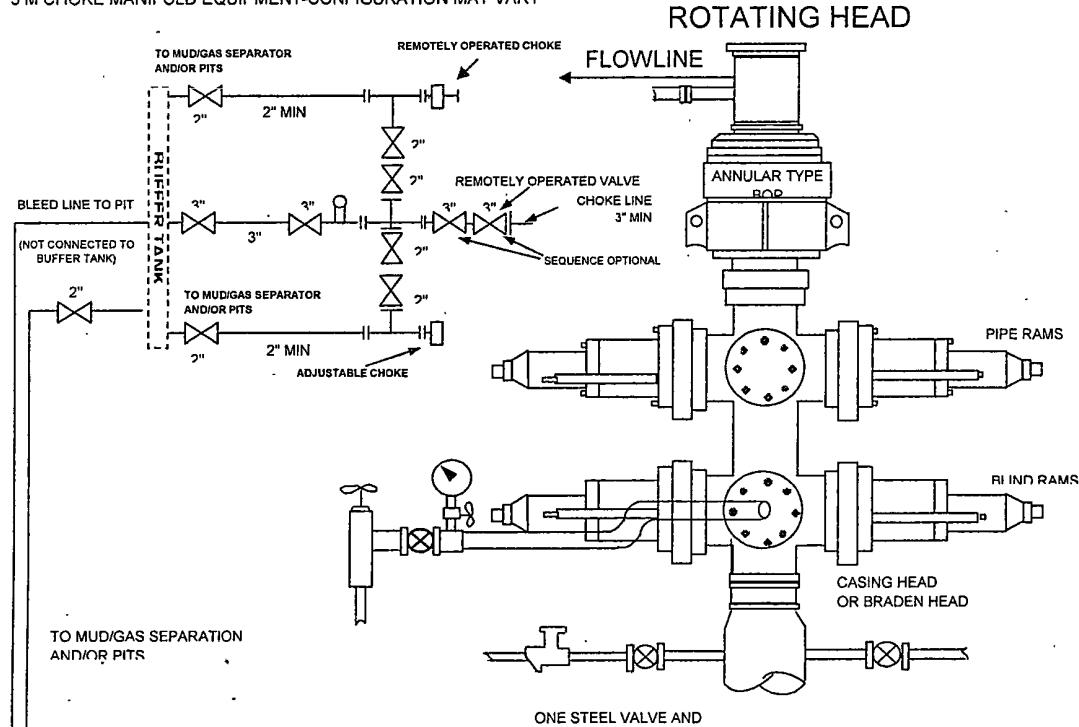
SURVEY PROGRAM Ref Wellbore: No.126-1H PWB Ref Wellpath: Prelim_1

Start MD [ft]	End MD [ft]	Positional Uncertainty Model	Log Name/Comment	Wellbore
19.00	21035.57	NaviTrak (Standard)		No.126-1H PWB

BOPCO, L. P.

5-M WP BOPE WITH 5-M WP ANNULAR

5 M CHOKE MANIFOLD EQUIPMENT-CONFIGURATION MAY VARY



THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS

- A. One double gate Blowout preventer with lower pipe rams and upper blind rams, 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 BOPs.
- 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. Chokes must be adjustable. Choke spool may be used between rams.

DIAGRAM 1

