

1264

OCD-ARTESIA

K-06-54

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

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-108024
1b. Type of Well: <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Echo Production, Inc. 6742		7. If Unit or CA Agreement, Name and No.
3a. Address PO Box 1210, Graham, TX 76450		8. Lease Name and Well No. 33131 Stiletto 21 Fed Com #2
3b. Phone No. (include area code) (940) 549-3292		9. API Well No. 30-015-35133
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 660' FSL 660' FEL At proposed prod. zone		10. Field and Pool, or Exploratory Cemetery-Morrow
14. Distance in miles and direction from nearest town or post office* 13 miles NW of Carlsbad, NM		11. Sec., T. R. M. or Blk. and Survey or Area Sec 21 T20S R25E
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 320'	17. Spacing Unit dedicated to this well 320
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 2642	19. Proposed Depth 9850'	20. BLM/BIA Bond No. on file NM2692
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3493' GR	22. Approximate date work will start* 9/20/06	23. Estimated duration 4 weeks

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 Ken Seligman	Name (Printed/Typed) Ken Seligman	Date 8/21/06
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Approved by Tony J. Herrell	Name (Printed/Typed) Tony J. Herrell	Date SEP 05 2006
Title 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)

CARLSBAD CONTROLLED WATER BASIN

Witness Surface &  
Intermediate Casing

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED

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

SESE P  
BLM  
NOT POTASH  
NO POD

AUG 22 2006

## BLM-CARLSBAD FIELD OFFICE

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  
OM B No. 1004-0137  
Expires: March 31, 2007

5. Lease Serial No.

NM-108024

6. If Indian, Alibates or Tribe Name

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

8. Well Name and No.

Stiletto 21 Fed Com #2

9. API Well No.

10. Field and Pool, or Exploratory Area

Cemetery; Morrow (Gas)

11. County or Parish, State

Eddy, NM

## SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well

☐ Oil Well☒ Gas Well☐ Other

2. Name of Operator

Echo Production, Inc.

3a. Address

PO Box 1210, Graham, TX 76450

3b. Phone No. (include area code)

(940) 549-3292

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

660' FSL &amp; 660' FEL

Sec 21 T20S R25E

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

## TYPE OF SUBMISSION

## TYPE OF ACTION

☐ Notice of Intent☒ Subsequent Report☐ Final Abandonment Notice☐ Acidize☐ Alter Casing☐ Casing Repair☒ Change Plans☐ Convert to Injection☐ Deepen☐ Fracture Treat☐ New Construction☐ Plug and Abandon☐ Plug Back☐ Production (Start/Resume)☐ Reclamation☐ Recomplete☐ Temporarily Abandon☐ Water Disposal☐ Water Shut-Off☐ Well Integrity☐ Other

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 recomplate 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 recomplate 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.)

Drilling permit was submitted proposing that 8 5/8" casing be set at 1400' and cemented to surface. A BLM review resulted in requiring that 13 3/8" casing also be set at 406'.

Please change drilling permit to include: 17 1/2" hole to 406'. Set 13 3/8" 48# csg at 406' w/ approximately 500 sx circulating cement to surface.

Remaining casing proposal (8 5/8" at 1400' and 5 1/2" at TD) will remain the same.

14. I hereby certify that the foregoing is true and correct.

Name (Printed/Typed)

Tom Golden

Title Operations Manager

Signature



Date 9/1/06

## THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by



Title Petr. Engr

Date

9/1/2006

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)

ENTERED  
IN AFMSS

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

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

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

DISTRICT IV  
1220 S. 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

K-06-54  
8/22/06

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 74640	Pool Name Cemetery; Morrow (Gas)
Property Code 33131	Property Name STILETTO "21" FEDERAL COM	Well Number 2
OGRID No. 06742	Operator Name ECHO PRODUCTION COMPANY	Elevation 3493'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	21	20 S	25 E		660	SOUTH	660	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	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

	<p><b>OPERATOR CERTIFICATION</b></p> <p>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.</p> <p><u>Ken Seligman</u> Signature Date</p> <p>Engineer 8/21/06 Printed Name</p> <p><b>SURVEYOR CERTIFICATION</b></p> <p>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.</p> <p>AUGUST 10, 2006 Date Surveyed</p> <p><u>W. D. Jones</u> Signature &amp; Seal of Professional Surveyor</p> <p>W.D. No. 3049 Certificate No. 7977</p> <p>BASIN SURVEYS</p>
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SURFACE USE AND OPERATING PLAN  
FORM 3160-3 APPLICATION FOR PERMIT TO DRILL  
ECHO PRODUCTION, INC.  
STILETTO '21' FEDERAL #2  
660' FSL & 660' FEL  
SECTION 21-20S-25E  
EDDY COUNTY, NEW MEXICO

Submitted with Form 3160-3, Application For Permit to Drill covering the above proposed well. The purpose of the plan is to describe the location, the proposed construction activities, the operations, the surface disturbance involved, and the rehabilitation of the surface after completion of proposed well so that an appraisal can be made of the environment affected by the proposed well.

1. Existing Roads:

- A. The Well Location and Acreage Dedication Plat for the proposed wellsite was staked by Gary L. Jones, Registered Professional Surveyor, Carlsbad, New Mexico and is attached.
- B. All roads to the location are shown on Exhibit "B". The existing roads are adequate for travel during drilling and production operations.
- C. Directions to location: From the junction of State Hwy 285 and Co. Rd. 28 (White Pine Rd.) Go West, Southwest, 4.7 Mi., to proposed road on left.
- D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as operations continue on the lease.

2. Proposed Access Road:

A new access road of approximately 3535' will be required as illustrated on Exhibit B.

- A. The average grade will be less than 5%.
- B. No turnouts will be necessary.
- C. No culverts, gates or low water crossing will be necessary.

SURFACE USE AND OPERATING PLAN  
STILETTO '21' FEDERAL #2  
PAGE 2

D. Surfacing material will consist of native caliche. Caliche will be obtained from the nearest BLM approved caliche pit. Any additional materials that are required will be purchased from the dirt contractor.

3. Location of Existing Wells:

All existing wells within a one mile radius of proposed well are show on Exhibit "C".

4. Location of Existing and/or Proposed Facilities:

In the event the proposed well proves to be productive Echo Production, Inc. will furnish plats showing "on well pad" facilities and "off well pad" facilities (if necessary) by Sundry Notice prior to construction.

5. Location and Type of Water Supply:

The proposed well will be drilled with a fresh water-brine mud system as outlined in the Hole Prognosis. The water will be purchased from commercial water stations in the area and trucked to the location by transport over the existing access roads as indicated on Exhibit "B". No water well will be drilled on the location.

**SURFACE USE AND OPERATING PLAN  
STILETTO '21' FEDERAL #2  
PAGE 3**

**6. Source of Construction Materials:**

All caliche required for construction of the drill pad will be obtained from a BLM approved caliche pit. All roads and pads will be constructed of 6" rolled and compacted caliche.

**7. Methods of Handling Water Disposal:**

- A. Drill cuttings not retained for evaluation purposes will be disposed into the reserve pit.
- B. Drilling fluids will be contained in steel mud tanks. The reserve pit will contain any excess drilling fluid or flow from the well during drilling, cementing and completion operations. The reserve pit will be an earthen pit approximately 150' x 150' x 6' deep and fenced on three sides prior to drilling. The fourth side will be fenced immediately following rig removal. The reserve pit will be plastic lined (12 mil thickness) to minimize loss of drilling fluids and saturation of the ground with brine water. Drilling fluids will be allowed to evaporate in the reserve pits until dry.
- C. Water produced from the proposed well during completion may be disposed into the reserve pit or a steel tank (depending upon rates). After the proposed well is permanently placed on production, produced water will be collected in a fiberglass tank and piped to an approved disposal system. Produced oil will be collected in steel tanks until sold.
- D. A portable chemical toilet will be provided on the location for human waste during the drilling and completion operations. Compliance with current laws and regulations will be followed pertaining to the disposal of human waste.
- E. Garbage and trash produced during drilling or completion operations will be disposed in a separate trash trailer on location. All waste material will be contained to prevent scattering by the wind. All water and fluids will be disposed of into the reserve pit. Salts and other chemicals produced during drilling or testing will be disposed into the reserve pit. No toxic waste or hazardous chemicals will be produced by the operation.

**SURFACE USE AND OPERATING PLAN**  
**STILETTO '21' FEDERAL #2**  
**PAGE 4**

- F. After the rig is moved out and the proposed well is either completed or abandoned, all waste materials will be removed within 30 days. No adverse materials will be left on the location. The reserve pit will be completely fenced and kept closed until dried. When the reserve pit is dry enough to breakout and fill and, as weather permits, the unused portion of the well site will be leveled and reseeded as per BLM specifications. Only that portion of the pad required for production operations will remain in use. In the event of a dry hole, only a dry hole marker will remain.

**8. Ancillary Facilities:**

No airstrip, campsite or other facility will be built as a result of the operations of the proposed well.

**9. Well Site Layout:**

- A. The drill pad layout is shown on Exhibit "D". Dimensions of the pad, pits and location of major rig components are shown. Top soil, if available, will be stockpiled per BLM specifications as determined at the on-site inspection. Since the pad is fairly level no major cuts will be required.
- B. Planned orientation for the rig and associated drilling equipment, reserve pit, pipe racks, turn-around and parking areas, and access road are shown on Exhibit "D". No permanent living facilities are planned, however, a temporary foreman/toolpusher's trailer will be on location during drilling operations.

**SURFACE USE AND OPERATING PLAN**  
**STILETTO '21' FEDERAL #2**  
**PAGE 5**

- C. The reserve pit will be lined with a high quality plastic sheeting (12 mil thickness).

**10. Plan for Restoration of the Surface:**

- A. Upon completion of the proposed operations, should the proposed well be abandoned, the pit area, after allowed to dry, will be broken out and leveled. The original topsoil will be returned to the entire location, and leveled and contoured to the original topography as closely as possible.

All trash, garbage and pit lining will be removed in order to leave the location in an aesthetically pleasing condition. All pits will be closed and restored per BLM and OCD regulations.

- B. The disturbed area will be revegetated and reseeded during the proper growing season with a seed mixture of native grasses as recommended by the BLM.
- C. Three sides of the reserve pit will be fenced prior to and during drilling operations. At the time the rig is removed, the reserve pit will be fence on the rig (fourth) side to prevent livestock or wildlife from becoming entrapped. The fencing will remain in place until the pit area is cleaned and leveled. No oil will be left on the surface of the fluid in the pit.
- D. Upon completion of the proposed operations, should the proposed well be productive, the reserve pit area will be treated as outlined above. The caliche from an area of the original drillsite not needed for production operations or facilities will be removed and used for construction of thicker pads or firewalls for the tank battery installation. Any additional caliche required for facilities will be obtained from a BLM approved caliche pit. Topsoil removed from the drillsite will be used to recontour the pit area and unused portions of the drill pad to the original natural level and reseeded as per BLM specifications.



SURFACE USE AND OPERATING PLAN  
STILETTO '21' FEDERAL #2  
PAGE 6

11. Surface Ownership:

The wellsite is located entirely on Federal surface.

12. Other Information:

- A. The topography around the wellsite is fairly flat terrain with vegetation of sagebrush and native grass. The vegetation cover consists of prairie grasses and flowers. Wildlife in the area includes those typical of semiarid desert land.
- B. The soils are clayey sand over caliche base.
- C. There is no permanent or live water in the immediate area.
- D. There are no residences and other structures in the area.
- E. The land in the area is used primarily for grazing purposes.
- F. An archaeological study has been performed and will be submitted separately.

13. Lessee's and Operator's Representative:

Ken Seligman  
PO Box 1210  
Graham, Texas 76450  
Phone Number: (940) 549-3292 – office  
(940) 550-4390 – cellular


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SURFACE USE AND OPERATING PLAN  
STILETTO '21' FEDERAL #2  
PAGE 7

14. Certification:

I hereby certify that I, or persons under my direct supervision have inspected the proposed drillsite which currently exists; that the statements made in the plan are to the best of my knowledge, true and correct; and the work associated with the operations proposed herein will be performed by Echo Production, Inc. and its contractors and sub-contractors in conformity with the plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 USC 1001 for the filing of a false statement.

ECHO PRODUCTION, INC.

  
\_\_\_\_\_  
Ken Seligman  
Engineer

DATE: August 21, 2006

HOLE PROGNOSIS  
FORM 3160-3 APPLICATION FOR PERMIT TO DRILL  
ECHO PRODUCTION, INC.  
STILETTO '21' FED COM #2  
660' FSL & 660' FEL  
SECTION 21-20S-25E  
EDDY COUNTY, NEW MEXICO

In conjunction with Form 3160-3 Application for Permit to Drill, Echo Production, Inc. submits the following items in accordance with Onshore Oil and Gas Order Numbers 1 and 2, and all other applicable federal and state regulations.

1. Geological Name of Surface Formation:

Permian

2. Estimated Tops of Geologic Markers:

San Andres	900'	Strawn	8250'
Glorieta	2700'	Atoka	9050'
Bone Spring	3400'	Morrow	9300'
3 <sup>rd</sup> Bone Spring Sand	6450'	Barnett	9700'
Wolfcamp	6800'		
Cisco Lime	7750'		

3. Estimated Depths of Anticipated Fresh Water, Oil or Gas:

Surface	150'	Fresh Water
Glorieta	2510'	Oil or Gas
Wolfcamp	6800'	Oil or Gas
Cisco Lime	7750'	Oil or Gas
Atoka	9050'	Oil or Gas
Morrow	9300'	Oil or Gas

No other formations are expected to produce oil, gas or fresh water in measurable quantities. The surface fresh water sands will be protected by setting 8 5/8" casing at 1400' and circulating cement back to surface. Any shallower zones above TD that contain commercial quantities of oil and/or gas will have cement circulated across the zone.

HOLE PROGNOSIS  
STILETTO '21' FED COM #2  
PAGE 2

4. Casing Program:

<u>Hole Size</u>	<u>Interval</u>	<u>OD Csg</u>	<u>Weight, Grade, JT. Cond. Type</u>
17 1/2"	0-406'	13 3/8"	40#
12 1/4"	0-1400'	8 5/8"	32# J-55 LT&C
7 7/8"	1400'-TD	5 1/2"	17# N-80

5. Cementing Program:

*Surface*

13 3/8" set at 406' and cemented with approximately 500 sx, circ to surface.

**Surface Casing:**

*Intermediate*

8 5/8" casing will be set at approximately 1400' and cemented with approximately 875 sacks of 35/65 Poz "c" with additives. The amount may be adjusted dependent upon fluid caliper results, however, cement in sufficient quantities to circulate will be utilized. ✓

**Production Casing:**

If appropriate, 5 1/2" casing will be set at Total Depth. Echo will utilize cement in sufficient quantities to bring cement back to intermediate string. Well will be cemented w/appropriate number of sacks of Class C Lite w/ additives and 200 sacks of neat for tail

200'

HOLE PROGNOSIS  
STILETTO '21' FEDERAL #2  
PAGE 3

6. Minimum Specifications for Pressure Control:

The blowout preventer equipment (BOP) show in Exhibit "A" will consist of a double ram-type (5000 psi WP) preventer and a bag-type (hydril) preventer (5000 psi WP). Both units will be hydraulically operated and the ram-type preventer will be equipped with blind rams on top and 4 1/2" drill pipe rams on bottom. Both BOP's will be nipped up on the 8 5/8" surface casing and used continuously until TD is reached. Before drilling out of surface casing, the ram-type BOP and accessory equipment will be tested to at least 3000 psi, and the hydril to 70% of rated working pressure (2100 psi).

7. Types and Characteristics of the Proposed Mud System:

0' to 1400'	Fresh water with lime, gel paper and fiber will be used for drilling purposes. MW 8.7 – 9.2, Vis 29-36, pH > 8.
1400' to 6000'	Fresh water with lime, gel, and paper. Caustic to adjust pH. Sweep hole w/ MF-55. MW 8.4-8.7, Vis 28, WL – NC, pH >10, Chlorides 5-35k ppm.
6000' to 8000'	Same as above, continuing to circulate reserve. Begin brine additions to increase MW 8.7-9.1 lb/gal. Sweep hole w/bentonite pills. MW 8.7-9.1 ppg, Vis 28, WL – NC, pH 10, Chlorides 25-90k ppm.
8000 to 9850'	Cut brine to brine mud. Return to steel pits and pre-treat w/ biocide. Use starch to control water loss (WL) and polymer for WL and viscosity. Increase MW up to 10.0 w/ brine and Barite if needed above 10.0 ppg. Use Mica for seepage control. MW 9.3-10.0 ppg, Vis 28-32, WL 10-6cc, pH 10.0, Chlorides 70-140k ppm.

Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be available at the well site at all times.

HOLE PROGNOSIS  
STILETTO '21' FEDERAL #2  
PAGE 4

8. Auxiliary Well Control and Monitoring Equipment:

- A. A kelly cock will be kept in the drill string at all times.
- B. A full opening drill pipe stabbing valve (inside BOP) with proper drill pipe connections will be on the rig floor at all times.

9. Testing, Logging and Coring Program:

Mudlogging unit will be employed from approximately 6000' to 9850' (Total Depth).

If indicated, DLL-GR, CNL-LDT-GR logs and Caliper logs will be run at TD. The Gamma Ray AIT will be run from TD back to the surface casing. The Gamma Ray Compensated Neutron Log will be run from TD back to surface. If indicated, Echo may elect to run rotary sidewall cores from selected intervals from approximately 6700' to 9650' dependent upon logging results.

10. Abnormal Conditions, Pressures, Temperatures and Potential Hazards:

No abnormal pressures or temperatures are anticipated. Anticipated bottomhole pressure is 4300# PSI.

Loss of circulation is possible in the upper section of the hole, and possible total losses in surface section of the hole, no other major loss circulation zones have been reported in offsetting wells.

From previous drilling in the area, Hydrogen Sulfide is not expected. Hydrogen Sulfide training will be provided and appropriate breathing apparatus is located on site. If necessary, the well can be shut in utilizing the blow out preventer and other equipment to prevent the migration of Hydrogen Sulfide to the surface.

HOLE PROGNOSIS  
STILETTO '21' FEDERAL #2  
PAGE 5

11. Anticipated Starting Date and Duration of Operations:

Road and location work will not begin until approval has been received from the BLM. The anticipated spud date is September 20, 2006. Once commenced, the drilling operation will be completed in approximately 21 days. If the well is productive, an additional 15 days will be required for completion and testing before a decision is made to install permanent facilities. In conjunction with Form 3160-3, Application for Permit to Drill, Echo Production, Inc submits the following items in accordance with Onshore Oil and Gas Order Numbers 1 and 2, and all other applicable federal and state regulations.

## EXHIBIT "A"

### EQUIPMENT DESCRIPTION

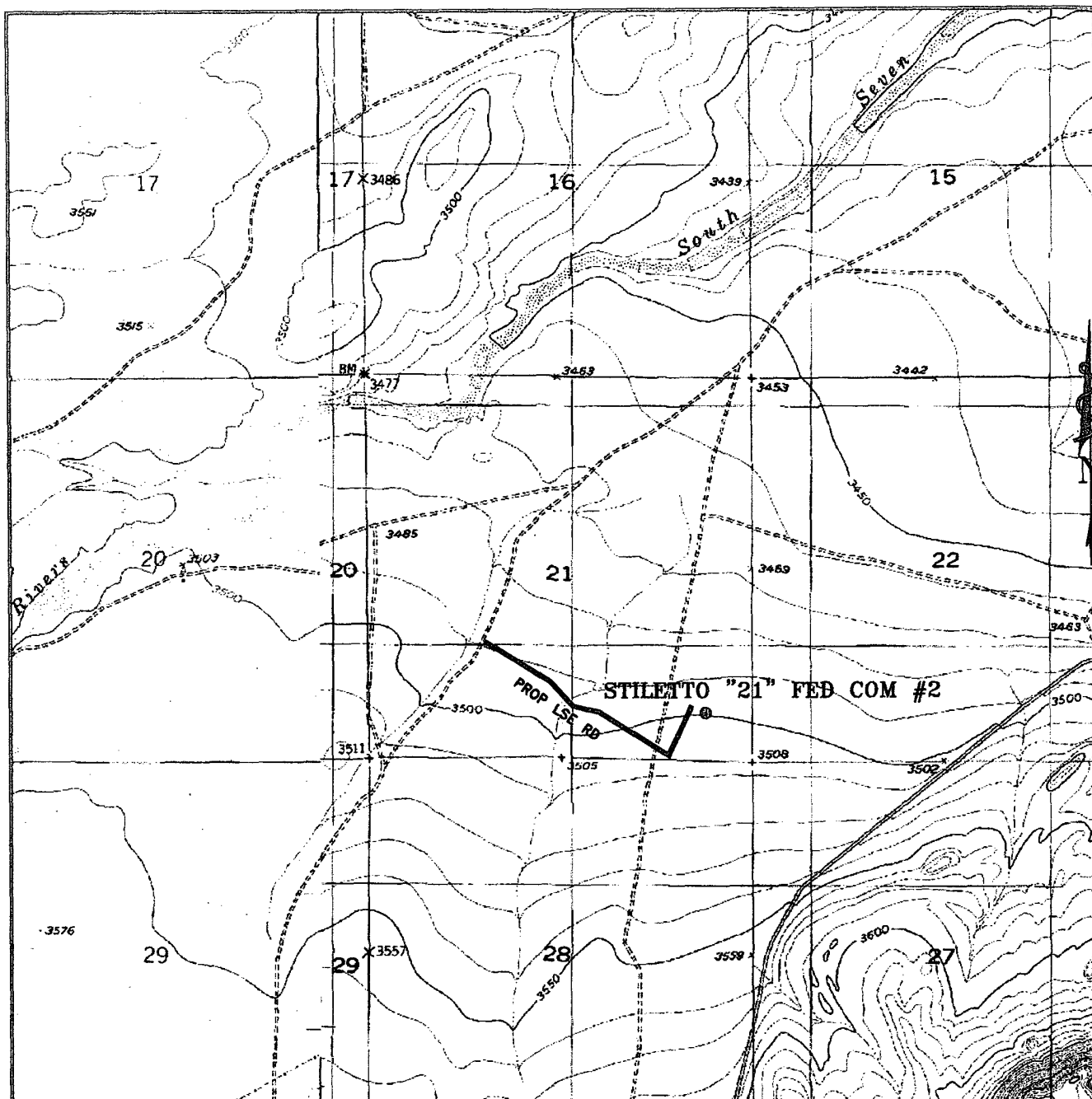
All equipment should be at least 3,000 psi WP or higher unless otherwise specified.

1. Bell nipple
2. Hydril bag type preventer
3. Ram type pressure operated blowout preventer with blind rams.
4. Flanged spool with one 3" and one 2" (minimum) outlet.
5. 2" (minimum) flanged plug or gate valve.
6. 2"x 2"x 2" (minimum) flanged.
7. 3" gate valve.
8. Ram type pressure operated blowout preventer with pipe rams.
9. Flanged type casing head with one side outlet.
10. 2" threaded (or flanged) plug or gate valve. Flanged on 5000# WP, threaded on 3000# WP or less.
11. 3" flanged spacer spool.
12. 3"x 2"x 2"x 2" flanged cross.
13. 2" flanged plug or gate valve.
14. 2" flanged adjustable choke.
15. 2" threaded flange.
16. 2" XXH nipple.
17. 2" forged steel 90° Ell.
18. Cameron (or equal) threaded pressure gauge.
19. Threaded flange.
20. 2" flanged tee.
21. 2" flanged plug or gate valve.
22. 2 1/2" pipe, 300' to pit, anchored.
23. 2 1/2" SE valve.
24. 2 1/2" line to steel pit or separator.

#### NOTES:

- 1). Items 3, 4 and 8 may be replaced with double ram type preventer with side outlets between the rams.
- 2). The two valves next to the stack on the fill and kill line to be closed unless drill string is being pulled.
- 3). Kill line is for emergency use only. This connection shall not be used for filling.
- 4). Replacement pipe rams and blind rams shall be on location at all times.
- 5). Only type U, LSW and QRC ram type preventers with secondary seals are acceptable for 5000 psi WP and higher BOP stacks.
- 6). Type E ram-type BOP's with factory modified side outlets may be used on 3000 psi or lower WP BOP stacks.





STILETTO "21" FEDERAL COM #2  
 Located at 660' FSL and 660' FEL  
 Section 21, Township 20 South, Range 25 East,  
 N.M.P.M., Eddy County, New Mexico.

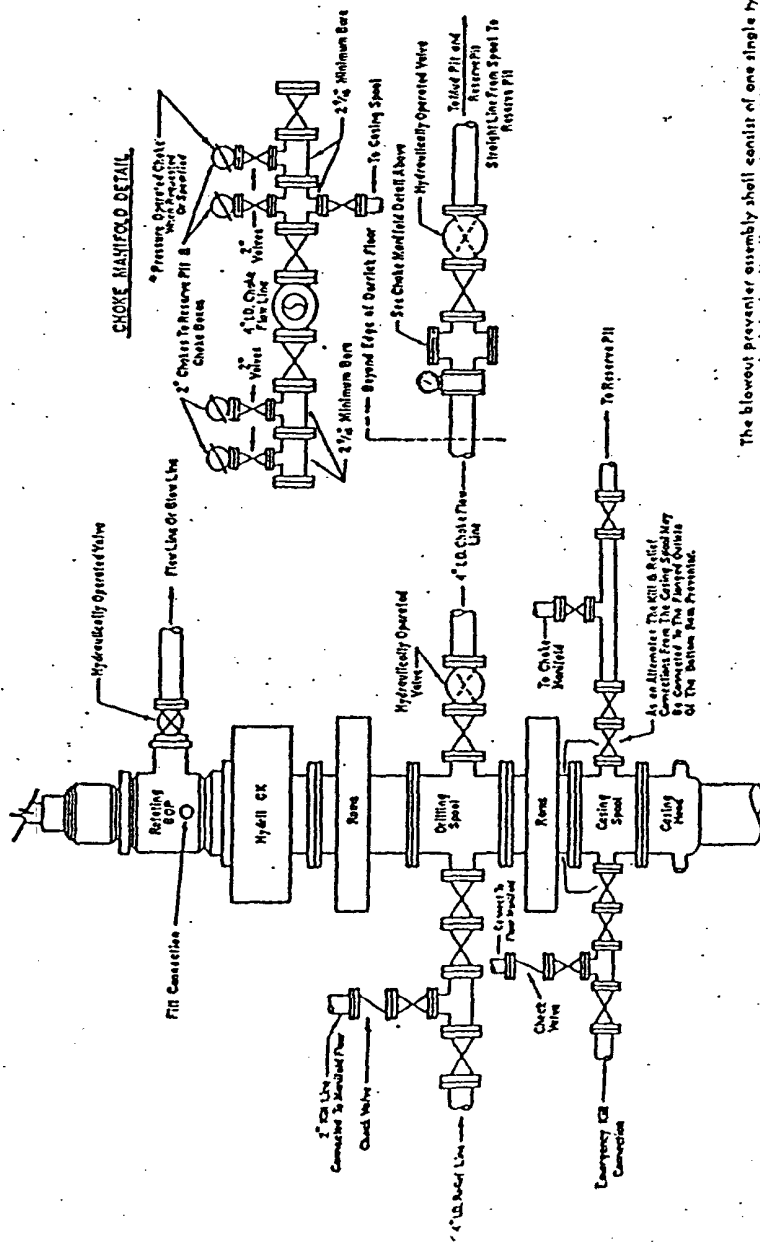
Exhibit B-2

**basin**  
**surveys**  
 focused on excellence  
 in the oilfield

P.O. Box 1786  
 1120 N. West County Rd.  
 Hobbs, New Mexico 88241  
 (505) 393-7316 - Office  
 (505) 392-3074 - Fax  
 basin-surveys.com

W.O. Number: JMS 7049T  
 Survey Date: 08-09-2006  
 Scale: 1" = 2000'  
 Date: 08-10-2006

**ECHO**  
**PRODUCTION**  
**COMPANY**



### 3000 # PSI WORKING PRESSURE BLOWOUT PREVENTER HOOK-UP

The blowout preventer assembly shall consist of one single type blind ram preventer and one single type pipe ram preventer, both hydraulically operated, a Hydril "OK" preventer, a rotating blowout preventer, valves, chokes and connections, as illustrated. If a tapered drill string is used, a ram preventer must be provided for each size of drill pipe. Casing and tubing rams to fit the preventers are to be available as needed. If correct in size, the flanged outlet of the ram preventer may be used for connecting to the 4-inch I.D. choke flow line and 4-inch I.D. relief line, except when air or gas drilling. All preventer connections are to be open-face flanged.

Minimum operating equipment for the preventer and hydraulically operated valves shall be as follows: (1) Multiple pumps, driven by a continuous source of power, capable of fluid charging the total accumulator volume from the nitrogen precharge pressure to its rated pressure within \_\_\_\_\_ minutes. Also, the pumps are to be connected to the nitrogen precharge pressure to not less than 750 PSI and connected to as to receive the aforementioned fluid charge. With the charging pumps shut down, the pressurized fluid volume stored in the accumulator must be sufficient to close all the pressure-operated devices simultaneously within \_\_\_\_\_ seconds after starting. The remaining accumulator pressure shall be not less than 1000 PSI with the remaining accumulator fluid volume at least \_\_\_\_\_ percent of the original. (3) When requested, an additional source of power, remote and equivalent, is to be available to operate the above pumps or there shall be additional pumps operated by separate power and equal in performance capabilities.

The closing manifold and remote closing manifold shall have a separate control for each pressure-operated device. Controls are to be labeled, with control handles indicating open and closed positions. A pressure reducer and regulator must be provided for operating the Hydril preventer. When requested, a second pressure reducer shall be available to limit circulating fluid pressure to ram preventer. Gulf Legion No. 38 hydraulic oil, an equivalent or better, is to be used as the fluid to operate the hydraulic equipment.

The choke manifold, choke flow line, relief line, and choke lines are to be supported by metal stands and adequately anchored. The choke flow line, relief line, and choke lines shall be constructed as straight as possible and without sharp bends. Easy and safe access is to be maintained to the choke manifold. If deemed necessary, walkways and stairways shall be erected in and around the choke manifold. All valves are to be selected for operation in the presence of oil, gas, and drilling fluids. The choke flow line valves and relief line valves connected to the drilling spool and all ram type preventers must be equipped with stem extensions, universal joints if needed, and hand wheels which are to extend beyond the edge of the derrick substructure. All other valves are to be equipped with handles.

\* To include derrick floor mounted controls.

## STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

Operator Name: ECHO PRODUCTION, INC.  
Street or PO Box: PO Box 1210  
City, State: Graham, Texas  
Zip Code: 76450

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Lease No.: NM 108024 (Stiletto '21' Federal)

Legal Description of Land: E/2 Sec 21 T20S R25E

Formation(s) (if applicable): Morrow

Bond Coverage: (State if individually bonded or another's bond)  
Statewide Bond - Echo Production, Inc.

BLM Bond File No.: NM 2692

Authorized Signature: Ken Seligman  
Ken Seligman

Title: Engineer

Date: August 21, 2006

## **Conditions of Approval**

### **Cave and Karst**

**EA#: NM-080-06-1264**

**Lease #: NM-108024**

**Echo Production, Inc.**

**Stiletto 21 Fed. Com. #2**

#### **Cave/Karst Surface Mitigation**

The following stipulations will be applied to minimize impacts during construction, drilling and production.

##### **Berming:**

Any tank batteries will be constructed and bermed large enough to contain any spills that may occur.

Bermed areas will be lined with rip-stop padding to prevent tears or punctures in liners and lined with a permanent 20 mil plastic liner.

#### **Cave/Karst Subsurface Mitigation**

The following stipulations will be applied to protect cave/karst and ground water concerns:

##### **Rotary Drilling with Fresh Water:**

Rotary drilling techniques in cave or karst areas will include the use of fresh water as a circulating medium in zones where caves or karst features are expected. See geologist report for depth.

##### **Casing:**

All casing will meet or exceed National Association of Corrosion Engineers specifications pertaining to the geology of the location and be run to American Petroleum Institute and BLM standards.

##### **Cementing:**

All casing strings will be cemented to the surface.

##### **Lost Circulation:**

ALL lost circulation zones from the surface to the base of the cave occurrence zone will be logged and reported.

Regardless of the type of drilling machinery used, if a bit drops of four feet or more and circulation losses greater than 75 percent occur simultaneously while drilling in any cave-bearing zone, drilling operations will immediately stop and the BLM will be notified by the operator. The BLM will assess the consequences of the situation and work with operator on corrective actions to resolve the problem.

**Abandonment Cementing:**

Upon well abandonment the well bore will be cemented completely from 100 feet below the bottom of the cave bearing zone to the surface.

**Pressure Tests:**

Annual pressure tests will be performed by the Operator on all casing annuli. If the test results indicated a casing failure, remedial actions approved by the BLM will be undertaken to correct the problem.

**Differential Shut-off Systems:**

A leak detection system and differential shut off systems will be installed for pipelines and tanks used in production or drilling.

**Record Keeping:**

The Operator will track customary drilling activities, including the rate of penetration, pump pressure, weight on bit, bit drops, percent of mud returns, and presence of absence of cuttings returning to the surface. As part of customary record keeping, each detectable void or sudden increase in the rate of penetration not attributable to a change in the formation type should be documented and evaluated as it is encountered.

## CONDITIONS OF APPROVAL - DRILLING

**Well Name & No. Stiletto 21 Fed Com #2**

**Operator's Name: Echo Production, Inc.**

**Location: 660' FSL, 660" FEL, Section 21, T-20-S, R-25-E**

**Lease: NM-108024**

### **I. DRILLING OPERATIONS REQUIREMENTS:**

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5972 or (505) 361-2822 (After hours) - for wells in Eddy County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 13-3/8 inch 8-5/8 inch 5-1/2 inch

C. BOP tests

2. A Hydrogen Sulfide (H<sub>2</sub>S) Drilling Plan should be available prior to drilling into the Wolfcamp Formation. A copy of the plan shall be posted at the drilling site. **H<sub>2</sub>S is always a possible hazard. It has been reported in Sec. 5 from the Dagger Draw Upper Penn pool on the order of 2000 ppm in the gas stream. It is the only measured value in the entire township.**

3 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.

4. Submit a Sundry Notice (Form 3160-5, one original and four copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing ( size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

6. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

7. 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.

### **II. CASING:**

**NB! Third casing string added.**

**Possible lost circulation zones in the San Andres, Wolfcamp, and Strawn.**

1. The 13-3/8 inch surface casing shall be set at 406 feet, below usable water and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 8-5/8 inch intermediate casing is circulate cement to the surface. The intermediate is to be set at 1500 feet.

3. The minimum required fill of cement behind the 5-1/2 inch production casing is cement to extend 200' into the intermediate casing.

### **III. PRESSURE CONTROL:**

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13-3/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling the surface and intermediate casing shall be 2000 psi. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the 8-5/8 inch casing shall be 3000 psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.
- BOPE must be tested **500'** prior to drilling into the Wolfcamp Formation 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.