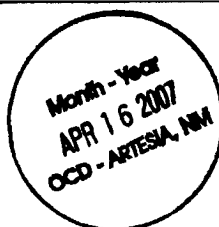


Form 3160-3
(April 2004)



OCD-ARTESIA



ATS-07-320

EA-07-577

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM 02860
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator BEPCO, L. P.		7. If Unit or CA Agreement, Name and No. NMNM 71016
3a. Address P. O. Box 2760 Midland, TX 79702		8. Lease Name and Well No. Poker Lake Unit #295 1796
3b. Phone No. (include area code) 432-683-2277		9. API Well No. 30-015-35549
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface SENE, UL-11 1700' FWL, 990' FWL, Lat N32.205556, Lon W103.926306 At proposed prod. zone Same		10. Field and Pool, or Exploratory Nash Draw (Dela, BS, Avalon Sd)
14. Distance in miles and direction from nearest town or post office 14 Miles East of Malaga, NM		11. Sec., T. R. M. or Bk. and Survey or Area Sec 19, T24S, R30E, MER NMP
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 990'	16. No. of acres in lease 2520.68	12. County or Parish Eddy County
17. Spacing Unit dedicated to this well 40	18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1436'	13. State NM
19. Proposed Depth 7550' MD	20. BLM/BIA Bond No. on file NM 2204	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3148' GL	22. Approximate date work will start* 04/15/2007	23. Estimated duration 12 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:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature <i>Annette Childers</i>	Name (Printed/Typed) Annette Childers	Date 2-20-2007
Title Administrative Assistant		
Approved by (Signature) <i>/s/ Don Peterson</i>	Name (Printed/Typed) Don Peterson	Date APR 12 2007
Office BLM-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)

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED
SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

CARLSBAD CONTROLLED WATER BASIN

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

Surface casing to be set into the Rustler below all fresh water sands.
Production casing will be cemented using DS Litecrete w/TOC 500' above uppermost pay.
Drilling procedure, BOP diagram, anticipated tops and surface plans attached.

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

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 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

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	Pool Name
		47545	Nash Draw (Delaware, Bone Spring, Avalon Sand)
Property Code	Property Name		Well Number
26860	POKER LAKE UNIT		295
OGRID No.	Operator Name		Elevation
001801	BEPCO, L.P.		3148'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
LOT 2	19	24 S	30 E		1700	NORTH	990	WEST	EDDY

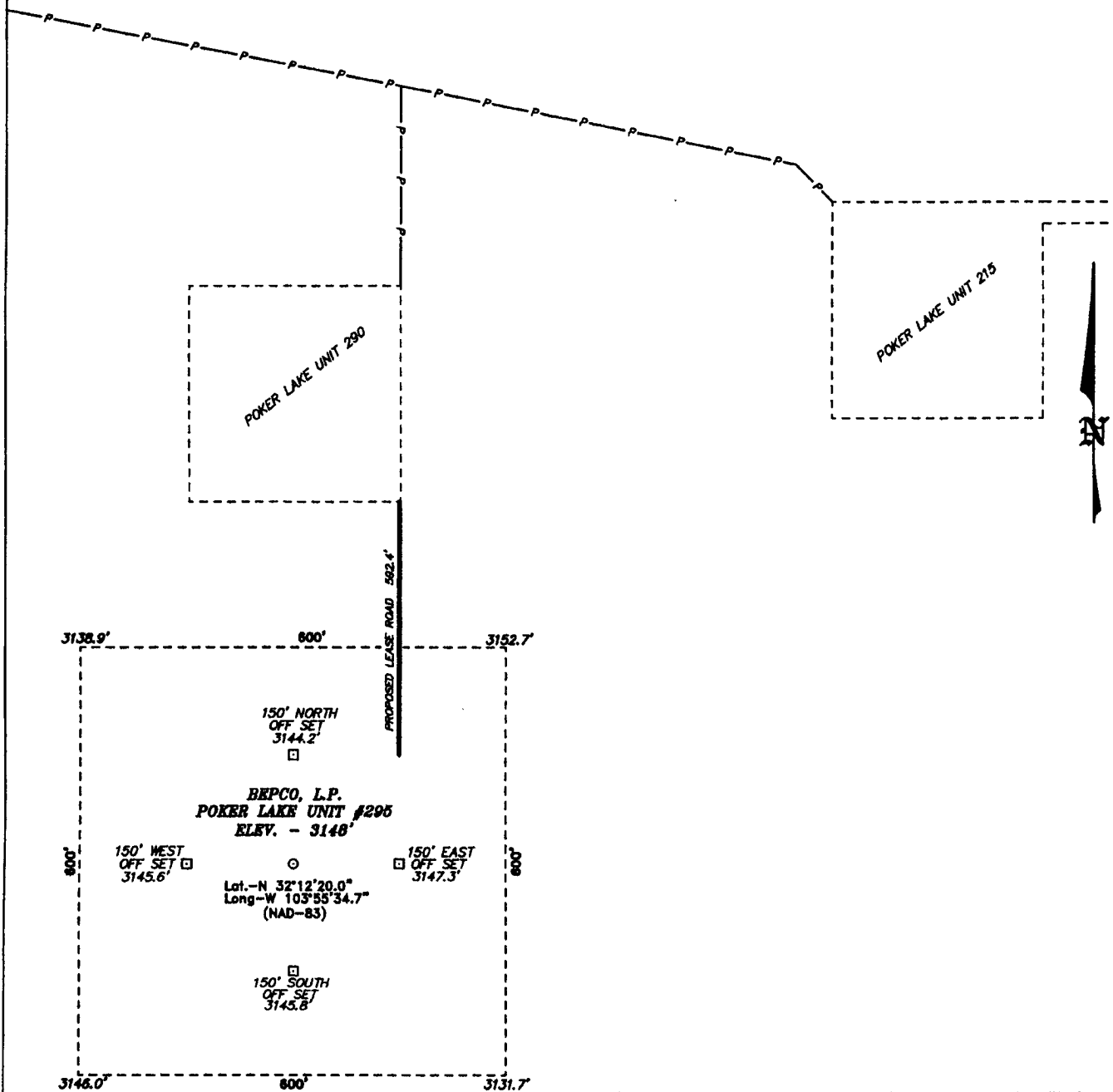
Bottom Hole Location If Different From Surface

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

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	80.00 ACRES		160.00 ACRES		<p>OPERATOR CERTIFICATION</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 is a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Gary E. Gerhard</i> 2/16/07 Signature Date</p> <p>Gary E. Gerhard Printed Name</p> <p>SURVEYOR CERTIFICATION</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>JANUARY 05, 2007 Date Surveyed</p> <p><i>Gary L. Jones</i> Signature Professional Surveyor</p> <p>7977 Certificate No.</p> <p>608 Basin No.</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>
	80.00 ACRES		160.00 ACRES		
	80.00 ACRES		160.00 ACRES		
	80.00 ACRES		160.00 ACRES		

SECTION 19, TOWNSHIP 24 SOUTH, RANGE 30 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



DIRECTIONS TO LOCATION:

FROM THE JUNCTION OF STATE HWY 128 AND CO. RD. 793 (RAWHIDE), PROCEED SOUTH ON CO. RD. 793 11.4 MILES TO LEASE ROAD, ON LEASE ROAD GO WEST 0.6 MILES AROUND PLU #21 TO THE PLU #215 AND FOLLOW PROPOSED LEASE ROAD TO BEPCO WELL AND PROPOSED LEASE ROAD TO THE PLU 290 AND PROPOSED LEASE ROAD..

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

W.O. Number: 17608

Drawn By: J. SMALL

Date: 01-08-2007

Disk: 17608W JMS

BEPCO, L.P.	
REF: POKER LAKE UNIT #295 / WELL PAD AND TOPO	
THE POKER LAKE UNIT No. 295 LOCATED 1700'	
FROM THE NORTH LINE AND 990' FROM THE WEST LINE OF	
SECTION 19, TOWNSHIP 24 SOUTH, RANGE 30 EAST,	
N.M.P.M., EDDY COUNTY, NEW MEXICO.	
Survey Date: 01-05-2007	Sheet 1 of 1 Sheets

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

NAME OF WELL: Poker Lake Unit #295

LEGAL DESCRIPTION - SURFACE: 1700' FNL & 990' FWL, Section 19, T-24-S, R-30-E, Eddy County, New Mexico.

POINT 1: ESTIMATED FORMATION TOPS

(See No. 2 Below)

POINT 2: WATER, OIL, GAS AND/OR MINERAL BEARING FORMATIONS

Anticipated Formation Tops: KB 3165' (est) GL 3148'

<u>FORMATION</u>	<u>ESTIMATED TOP FROM KB</u>	<u>ESTIMATED SUBSEA TOP</u>	<u>BEARING</u>
T/Rustler	245'	+2920'	
B/Rustler	545'	+2620'	Barren
T/Salt	575'	+2590'	Barren
B/Salt	3183'	-18'	Barren
T/Lamar	3395'	-230'	Oil/Gas
T/Bone Spring	7180'	-4015'	Oil/Gas
T/Avalon	7255'	-4090'	Oil/Gas
TD	7550'	-4385'	

POINT 3: CASING PROGRAM

<u>TYPE</u>	<u>INTERVALS</u>	<u>Hole Size</u>	<u>PURPOSE</u>	<u>CONDITION</u>
16"	0' - 40'	20"	Conductor	Contractor Discretion
8-5/8", 32#, J-55, LT&C	0' - 565'	12-1/4"	Surface	New
5-1/2", 15.5#, J-55, LT&C	0' - 6300'	7-7/8"	Production	New
5-1/2", 17#, J-55, LT&C	6300' - 7550'	7-7/8"	Production	New

POINT 4: PRESSURE CONTROL EQUIPMENT (SEE ATTACHED DIAGRAM)

A BOPE equivalent to requirements of Onshore Oil & Gas Order No. 2 – 3000 psi system (Diagram 1) will be nipped up on the surface casing head. The BOP stack, choke, kill lines, kelly cocks, inside BOP, etc. when installed on the surface casing head will be hydro-tested to 70% of internal yield pressure of casing or 1000 psig whichever is less with the rig pump.

- a) Upon installation
- b) After any component changes
- c) Fifteen days after a previous test
- d) As required by well conditions

A function test to insure that the preventers are operating correctly will be performed on each trip.

POINT 5: MUD PROGRAM

DEPTH	MUD TYPE	WEIGHT	FV	PV	YP	FL	Ph
0' - 575'	FW Spud Mud	8.5 - 9.2	38-70	NC	NC	NC	10.0
575' - 5600'	Brine Water	9.8 - 10.2	28-30	NC	NC	NC	9.5 - 10.5
5600' - TD	BW/Diesel	8.8 - 9.0	40	8	2	<100 cc	9.5 - 10.5

NOTE: May increase vis for logging purposes only.

POINT 6: TECHNICAL STAGES OF OPERATION**A) TESTING**

None anticipated.

B) LOGGING

GR-CNL-LDT-AIT from TD to base of Salt (+/- 3183').
GR-CNL-CAL from base of Salt to surface.

C) CONVENTIONAL CORING

None anticipated.

D) CEMENT

INTERVAL	AMOUNT SXS	FT OF FILL	TYPE	GALS/SX	PPG	FT ³ /SX	W/L
SURFACE:							
Lead 0 - 265' (100% excess circ to surface)	120	265	35/65 Class "C" Poz + 3% S1 + 0.25ppsD29 + 6% D20	10.70	12.6	1.98	<100
Tail 265' - 565'	200	300	Class "C" + 2% CaCl ₂	6.33	14.8	1.34	<100
PRODUCTION:							
Lead 2895' - 6000' (50% excess)	350	3005	Litecrete 39/61 (D961/ D124) + 2% bwob D153 + 0.05gps D604AM + 0.03 gps DM45 + 2ppg D24 + 0.04gpsD801	9.825	10.2	2.37	<400
Tail 6000' - 7550' (50% excess)	200	1550	Litecrete 39/61 (D961/ D124)+ 2% bwob D153 + 0.05gps D604AM + 0.03 gps DM45 + 2ppg D24 + 0.04gpsD801	7.335	10.5	2.04	<400

E) DIRECTIONAL DRILLING

No directional services anticipated.

POINT 7: ANTICIPATED RESERVOIR CONDITIONS

Normal pressures are anticipated throughout Delaware section. A BHP of 3285 psi (max) or MWE of 8.7 ppg is expected. Lost circulation may exist in the Delaware Section from 3183-7180'. No H₂S is anticipated.

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

12 days drilling operations

14 days completion operations

GEG/cnt

February 19, 2007

MULTI-POINT SURFACE USE PLAN

NAME OF WELL: Poker Lake Unit #295

LEGAL DESCRIPTION - SURFACE: 1700 FNL & 990' FWL, Section 19, T-24-S, R-30-E, Eddy County, New Mexico.

POINT 1: EXISTING ROADS

A) Proposed Well Site Location:

See Exhibit A and Survey Plats

B) Existing Roads:

From the junction of State Hwy 128 and County Road 793, proceed south on CR 793 11.4 miles to lease road, thence west on lease road 0.6 miles around PLU #21 to PLU #215 and follow proposed lease road northwest 600', turn south on proposed lease road to PLU #290 and follow proposed lease road to PLU #295.

C) Existing Road Maintenance or Improvement Plan:

See Exhibit B and Survey Plats.

POINT 2: NEW PLANNED ACCESS ROUTE

A) Route Location:

From PLU #215, follow proposed lease road northwest 600', turn south on proposed lease road approximately 1132' to PLU #295.

B) Width

NA

C) Maximum Grade

Grade to match existing topography or as per BLM requirements.

D) Turnout Ditches

Spaced per BLM requirements.

E) Culverts, Cattle Guards, and Surfacing Equipment

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

POINT 3: LOCATION OF EXISTING WELLS

Exhibit A indicates existing wells within the surrounding area.

POINT 4: LOCATION OF EXISTING OR PROPOSED FACILITIES

Page 2

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

Closest Oil/Gas production facilities are located at Poker Lake Unit #213 wellsite. Poker Lake Unit #213 is located approximately 4500' northeast of proposed well.

- B) New Facilities in the Event of Production:

Production facilities located at Poker Lake Unit #213 battery will be used via flowline. Additional separators/treaters will be added as necessary. A new flowline consisting of 2-7/8" steel pipe will be laid within 30' of the center line of the access road and existing roads which have previously been Arch cleared. A power line will be installed, consisting of 12,470 volts 3-phase. The power line will also follow the road and will connect with the existing power line that services the PLU #215 well.

- C) Rehabilitation of Disturbed Areas Unnecessary for Production:

Following flowline construction, those access areas required for continued production will be graded to provide drainage and minimize erosion. The areas unnecessary for use will be graded to blend in with the surrounding topography (see Point 10)

POINT 5: LOCATION AND TYPE OF WATER SUPPLY

- A) Location and Type of Water Supply

Fresh water will be hauled from Johnson Station 50 miles east of Carlsbad, New Mexico or other commercial facilities. Brine water will be hauled from commercial facilities.

- B) Water Transportation System

Water hauling to the location will be over the existing and proposed roads.

POINT 6: SOURCE OF CONSTRUCTION MATERIALS

- A) Materials

Onsite caliche pit will be used.

- B) Land Ownership

Federally Owned.

- C) Materials Foreign to the Site

If onsite caliche is not sufficient, we will haul caliche from a BLM approved site.

- D) Access Roads

See Exhibit B.

POINT 7: METHODS FOR HANDLING WASTE MATERIAL

Page 3

A) Cuttings

Cuttings will be contained in the reserve pit.

B) Drilling Fluids

Drilling fluids will be contained in the reserve pit.

C) Produced Fluids

Water production will be contained in the reserve pit.

Hydrocarbon fluid or other fluids that may be produced during testing will be retained in test tanks. Prior to cleanup operations, any hydrocarbon material in the reserve pit will be removed by skimming or burning as the situation would dictate.

D) Sewage

Current laws and regulations pertaining to the disposal of human waste will be complied with.

E) Garbage

Portable containers will be utilized for garbage disposal during the drilling of this well.

F) Cleanup of Well Site

Upon release of the drilling rig, the surface of the drilling pad will be graded to accommodate a completion rig if electric log analysis indicate potential productive zones. The reserve pit will be fenced and bird netted. The fence will be maintained until the pit is backfilled. Reasonable cleanup will be performed prior to the final restoration of the site.

POINT 8: ANCILLARY FACILITIES

None required.

POINT 9: WELL SITE LAYOUT

A) Rig Orientation and Layout

Exhibit "D" shows the dimensions of the well pad and reserve pits, and the location of major rig components. Only minor leveling of the well site will be required. No significant cuts or fills will be necessary.

B) Locations of Pits and Access Road

See Exhibits "B", "C" & "D".

C) Lining of the Pits

The reserve pit will be lined with plastic.

POINT 10: PLANS FOR RESTORATION OF THE SURFACE

A) Reserve Pit Cleanup

The pits will be fenced immediately after construction and shall be maintained until they are backfilled. Previous to backfill operations, any hydrocarbon material on the pits' surfaces shall be removed. The fluids and solids contained in the pits shall be backfilled with soil excavated from the site and soil adjacent to the reserve pits. The restored surface of the pits shall be contoured to prevent impoundment of surface water flow. Water-bars will be constructed as needed to prevent excessive erosion. Topsoil, as available, shall be placed over the restored surface in a uniform layer. The area will be seeded according to the Bureau of Land Management stipulations during the appropriate season following restoration.

B) Restoration Plans - Production Developed

The reserve pits will be backfilled and restored as described above under Item A. In addition, those areas not required for production will be graded to blend with the surrounding topography. Topsoil, as available, will be placed upon those areas and seeded. The portion of the site required for production will be graded to minimize erosion and provide access during inclement conditions. Following depletion and abandonment of the site, restoration procedures will be those that follow under Item C.

C) Restoration Plans - No Production Developed

The reserve pits will be restored as described above. With no production developed, the entire surface disturbed by construction of the well site will be restored. The site will be contoured to blend with the surrounding topography and provide drainage of surface water. The topsoil, as available, shall be replaced in a uniform layer and seeded according to the Bureau of Land Management's stipulations.

D) Rehabilitation's Timetable

Upon completion of drilling operations, the initial cleanup of the site will be performed as soon as weather and site conditions allow economic execution of the work.

POINT 11: OTHER INFORMATION

Page 5

A) Terrain

Relatively flat.

B) Soil

Caliche and sand.

C) Vegetation

Sparse, primarily grasses and mesquite with very little grass.

D) Surface Use

Primarily grazing.

E) Surface Water

There are no ponds, lakes, streams or rivers within several miles of the wellsite.

F) Water Wells

There is one water well located within 1-3/4 miles of the proposed well. This well is approximately 9240' Southeast of the proposed well. (See Exhibit A)

G) Residences and Buildings

None in the immediate vicinity.

H) Historical Sites

None observed.

I) Archeological Resources

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

J) Surface Ownership

The well site is on federally owned land.

K) Well signs will be posted at the drilling site.

L) Open Pits

All pits containing liquid or mud will be fenced and bird-netted.

POINT 12: OPERATOR'S FIELD REPRESENTATIVE

Page 6

(Field personnel responsible for compliance with development plan for surface use).

DRILLING

William R. Dannels
Box 2760
Midland, Texas 79702
(432) 683-2277

PRODUCTION

Mike Waygood
3104 East Green Street
Carlsbad, New Mexico 88220
(505) 887-7329

Michael Lyon
Box 2760
Midland, Texas 79702
(432) 683-2277

POINT 13: CERTIFICATION

I hereby certify that I, or persons under my direct supervision have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in the plan are, to the best of my knowledge, true and correct; and that the work associated with operations proposed herein will be performed by Bass Enterprises Production Co. and it's contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

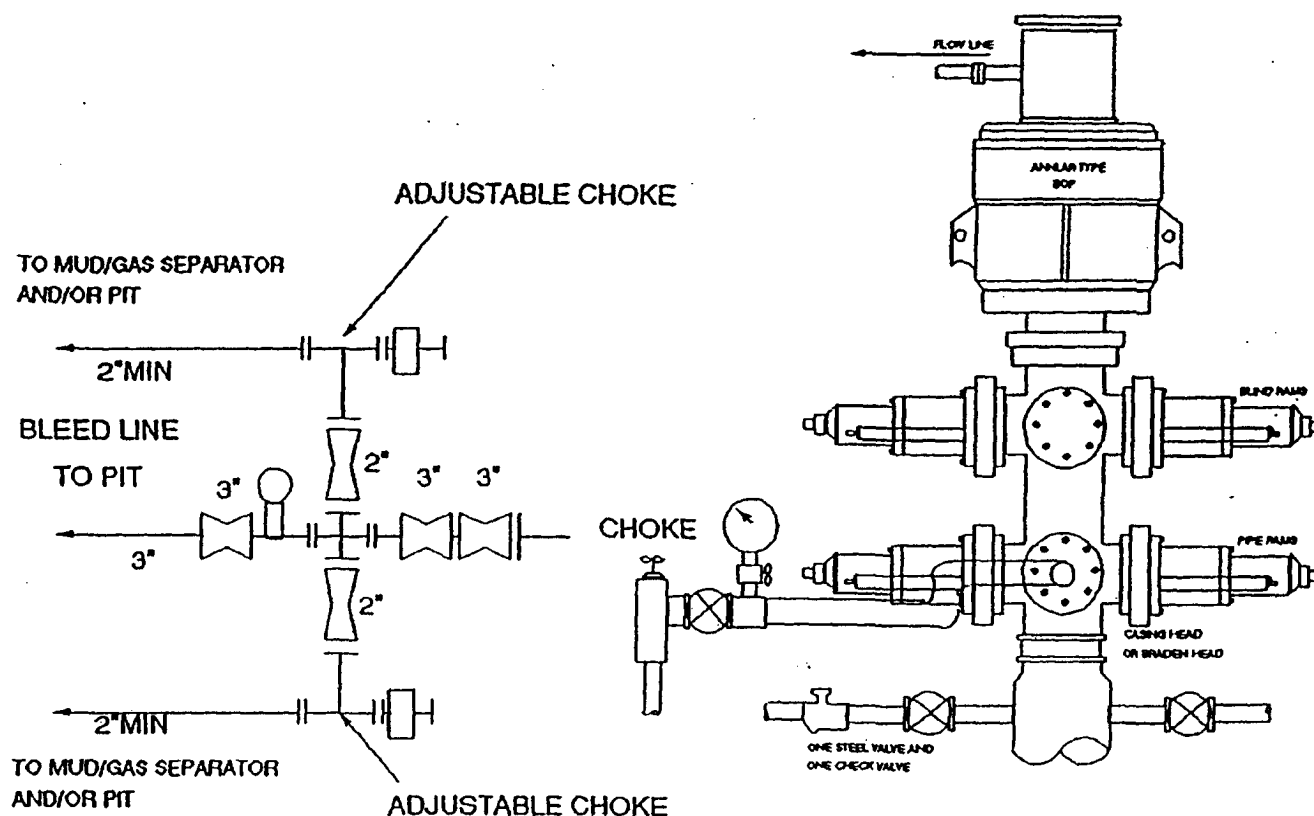
2/19/07

Date

GEG/cnt

Gary E. Gerhard
Gary E. Gerhard

3000 PSI WP



THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS

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

DIAGRAM 2

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: BEPCO LP
Well Name & No. Poker Lake Unit # 295
Location: 1700'FNL, 990'FWL, SEC19, T24S, R30E, Eddy County, NM
Lease: NM-02860

I. DRILLING OPERATIONS REQUIREMENTS:

A. The Bureau of Land Management (BLM) is to be notified a minimum of 4 hours in advance, at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

1. Spudding
2. Cementing casing: 16 inch 8.625 inch 5.5 inch
3. BOP tests

B. A Hydrogen Sulfide (H₂S) Drilling Plan is N/A. A copy of the plan shall be posted at the drilling site.

C. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

D. 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. (R-111-P area only)

E. If floor controls are required, (3M or Greater) controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

II. CASING:

A. The 8.625 inch surface casing shall be set above the salt, should it occur more shallow, at least 25 feet into the Rustler Anhydrite @ approximately 565 feet and cement circulated to the surface.

1. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
2. Wait on Cement (WOC) time for a primary cement job will be a minimum of 12 hours for a non-water basin, 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compression strength, which ever is greater. (This is to include the lead cement)
3. WOC time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds of compression strength, which ever is greater.
4. If cement falls back, Remedial cementing shall be completed prior to drilling out that string.

B. The minimum required fill of cement behind the 5.5 inch production casing is cement shall extend upward a minimum of 200 feet above the base of the surface casing string.

C. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

III. PRESSURE CONTROL:

A. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2.

B. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the 8.625 inch casing shall be 2000 psi.

C. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

1. The tests shall be done by an independent service company.
2. The results of the test shall be reported to the appropriate BLM office.
3. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of the independent service company test will be submitted to the appropriate BLM office.
4. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi in accordance with API RP 53. The test will be held for a minimum of 10 minutes if the test is done with a test plug and 30 minutes without a test plug.
5. A variance to test the BOP / BOPE to the reduced pressure of 1000 psi with the rig pumps is approved.

IV. Hazards:

1. Our geologist has indicated a high potential for Karst features in this area and possible lost circulation in the Delaware and Bone Spring.

Engineering may be contacted at 505-706-2779 for variances if necessary.

FWright 2/26/07