

Month - Year  
MAY 23 2007  
OCD - ARTESIA, NM

OCD-ARTESIA

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. NMNM 0509
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 71016X
3a. Address P. O. Box 2760 Midland, TX 79702		8. Lease Name and Well No. Golden Lane 17 Federal #3 35943
3b. Phone No. (include area code) 432-683-2277		9. API Well No. 30-015-35636
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface NESE, UL 1, 2310 FSL, 330 FEL, Lat N32.478528, Lon W103.999194 At proposed prod. zone Same CAPITAN CONTROLLED WATER BASIN		10. Field and Pool, or Exploratory Golden Lane (Delaware), S
11. Sec., T. R. M. or Blk. and Survey or Area Sec 17, T21R, R29E		12. County or Parish Eddy County
13. State NM		14. Distance in miles and direction from nearest town or post office* 10 miles East of Carlsbad, New Mexico
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 330'	16. No. of acres in lease 640	17. Spacing Unit dedicated to this well 40.00
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 3987'	19. Proposed Depth 4300' MD	20. BLM/BIA Bond No. on file NM 2204
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3352' GL	22. Approximate date work will start* 06/23/2007	23. Estimated duration 7 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 *Annette Childers* Name (Printed/Typed) Annette Childers Date 4-19-2007  
Title Administrative Assistant

Approved by (Signature) */s/ Don Peterson* Name (Printed/Typed) */s/ Don Peterson* Date MAY 23 2007  
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 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)

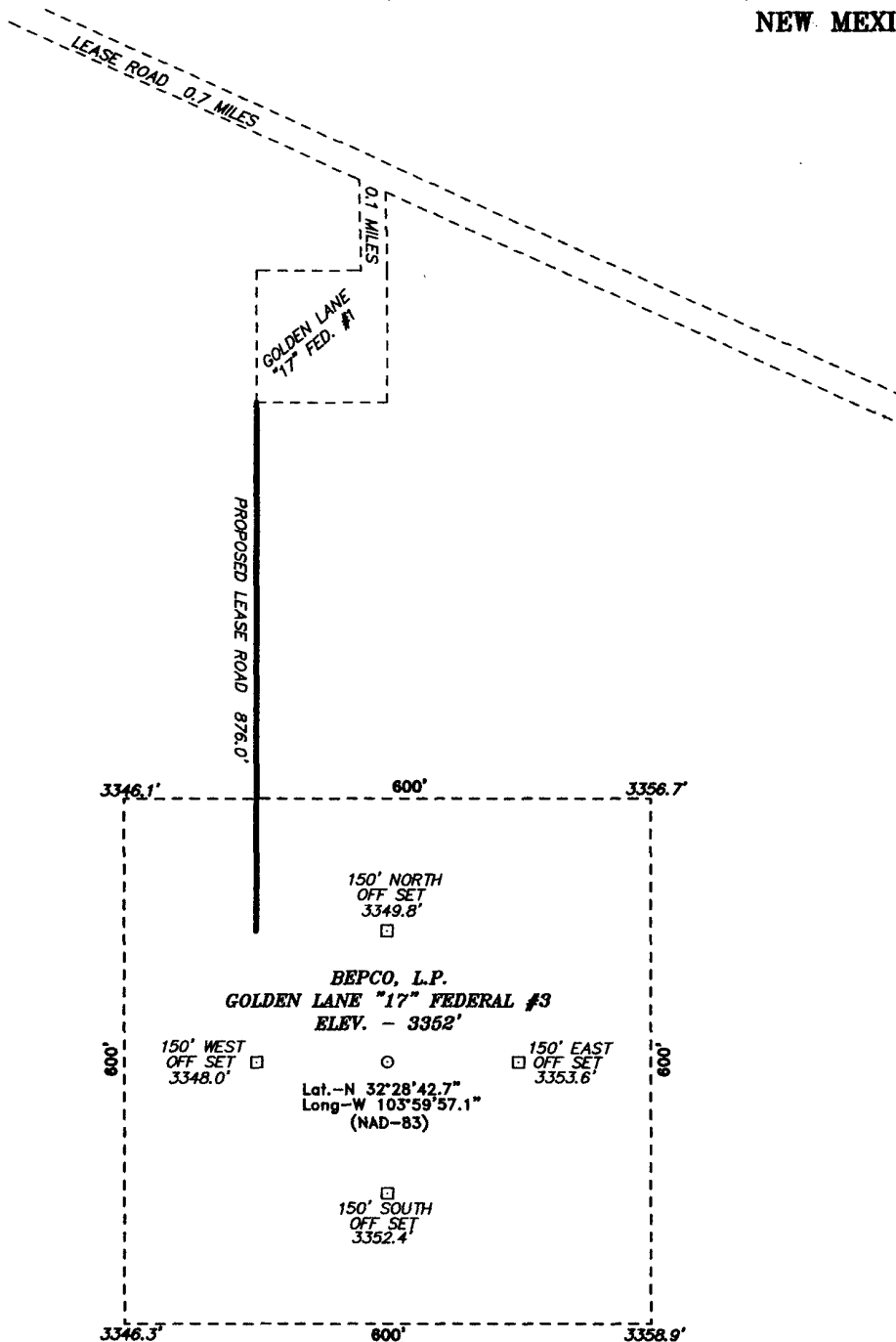
SEE ATTACHED FOR  
CONDITIONS OF APPROVAL

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

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED

## BASIN SURVEYS

SECTION 17, TOWNSHIP 21 SOUTH, RANGE 29 EAST, N.M.P.M.,  
EDDY COUNTY, NEW MEXICO.



**DIRECTIONS TO LOCATION:**

FROM MILE MARKER 51.7 ON U.S. HWY 62-180, TURN SOUTH ON LEASE ROAD AND FOLLOW FOR 3.1 MILES TO LEASE ROAD, TURN LEFT AND FOLLOW LEASE ROAD GOING SOUTHEAST FOR 0.7 MILES THENCE SOUTH 0.1 MILES TO GOLDEN LANE '17' FEDERAL #1 AND PROPOSED LEASE ROAD.

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

W.O. Number: 17912

Drawn By: J. SMALL

Date: 04-03-2007

Disk: 17912W JMS

**BEPCO, L.P.**

REF: GOLDEN LANE '17' FEDERAL #3 / WELL PAD AND TOPO

THE GOLDEN LANE '17' FEDERAL #3 LOCATED 2310' FROM THE SOUTH LINE AND 330' FROM THE EAST LINE OF SECTION 17, TOWNSHIP 21 SOUTH, RANGE 29 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 04-02-2007

Sheet 1 of 1 Sheets

Surface casing to be set into the Rustler below all fresh water sands.

Production casing will be cemented using Schlumberger LiteCrete system with TOC 500' above all productive pay zones.

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.

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

**NAME OF WELL: Golden Lane 17 Federal #3**

Legal Description - Surface: 2310' FSL & 330' FEL, Section 17, T-21-S, R-29-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 3369' (est)      GL 3352'

<u>FORMATION</u>	<u>ESTIMATED TOP FROM KB</u>	<u>ESTIMATED SUBSEA TOP</u>	<u>BEARING</u>
T/Rustler	469'	+2900'	Barren
T/Salt	769'	+2600'	Barren
T/Anhydrite	1269'	+2100'	Barren
B/Anhydrite	2969'	+ 400'	Barren
T/Delaware	3094'	+ 275'	Oil/Gas
T/49er	4074'	- 705'	Oil/Gas
TD	4300'	- 931'	

**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
9-5/8", 36#, K-55, LT&C	0' - 759'	12-1/4"	Surface	New
5-1/2", 15.5#, J-55, LT&C	0' - 4300'	8-3/4"	Production	New

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

A BOP equivalent to Diagram 1 will be nipped up on the surface casing head. The BOP stack, choke, kill lines, kelly cocks, inside BOP, etc. when rigged up on the surface casing will be hydro-tested to 70% of internal yield pressure of casing or 1000 psig whichever is less with the rig pump.

These tests will be performed:

- 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' - 769'	FW Spud Mud	8.5 - 9.2	38-70	NC	NC	NC	10.0
769' - 3100'	Brine Water	9.8 - 10.2	28-30	NC	NC	NC	9.5 - 10.5
3100' - 4000'	FW/Gel	8.8 - 9.2	30-34	NC	NC	NC	9.5 - 10.5
4000' - 4300'	FW/Gel/Starch	8.8 - 9.2	30-34	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 Anhydrite (+/- 2970').  
GR-CNL-CAL from base of Anhydrite to surface.

**C) CONVENTIONAL CORING**

None anticipated.

**D) CEMENT**

INTERVAL	AMOUNT SXS	FT OF FILL	TYPE	GALS/SX	PPG	FT <sup>3</sup> /SX
<b>SURFACE:</b>						
Lead: 0 - 459' (100% excess circ to surface)	185	459	35/65 Poz C + 6% D20 + 3% S1 + 5 pps D130	10.27	12.6	1.98
Tail: 459' - 759' (100% excess)	155	300	Class C + 2% S1	6.34	14.8	1.34
<b>PRODUCTION:</b>						
Lead: 0' - 2800' (50% excess circ to surface)	460	2800	LiteCrete 39:31 (D961:D124) + 2% D153 +0.05 gps 4AM + 0.03 gps M45 + ps D24 + 0.04 gps D801	9.755	10.2	2.33
DV Tool @ 2800'						
Tail: 2800' - 4300' (50% excess)	290	1500	LiteCrete 39:31 (D961:D124) + 2% D153 +0.05 gps 4AM + 0.03 gps M45 + ps D24 + 0.04 gps D801	6.32	13.6	1.82

**E) DIRECTIONAL DRILLING**

No directional services anticipated.

**POINT 7: ANTICIPATED RESERVOIR CONDITIONS**

Normal pressures are anticipated throughout Delaware section. A BHP of 1950 psi (max) or MWE of 8.7 ppg is expected. Lost circulation may exist in the Delaware Section from 3094' - 4300'.

**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**

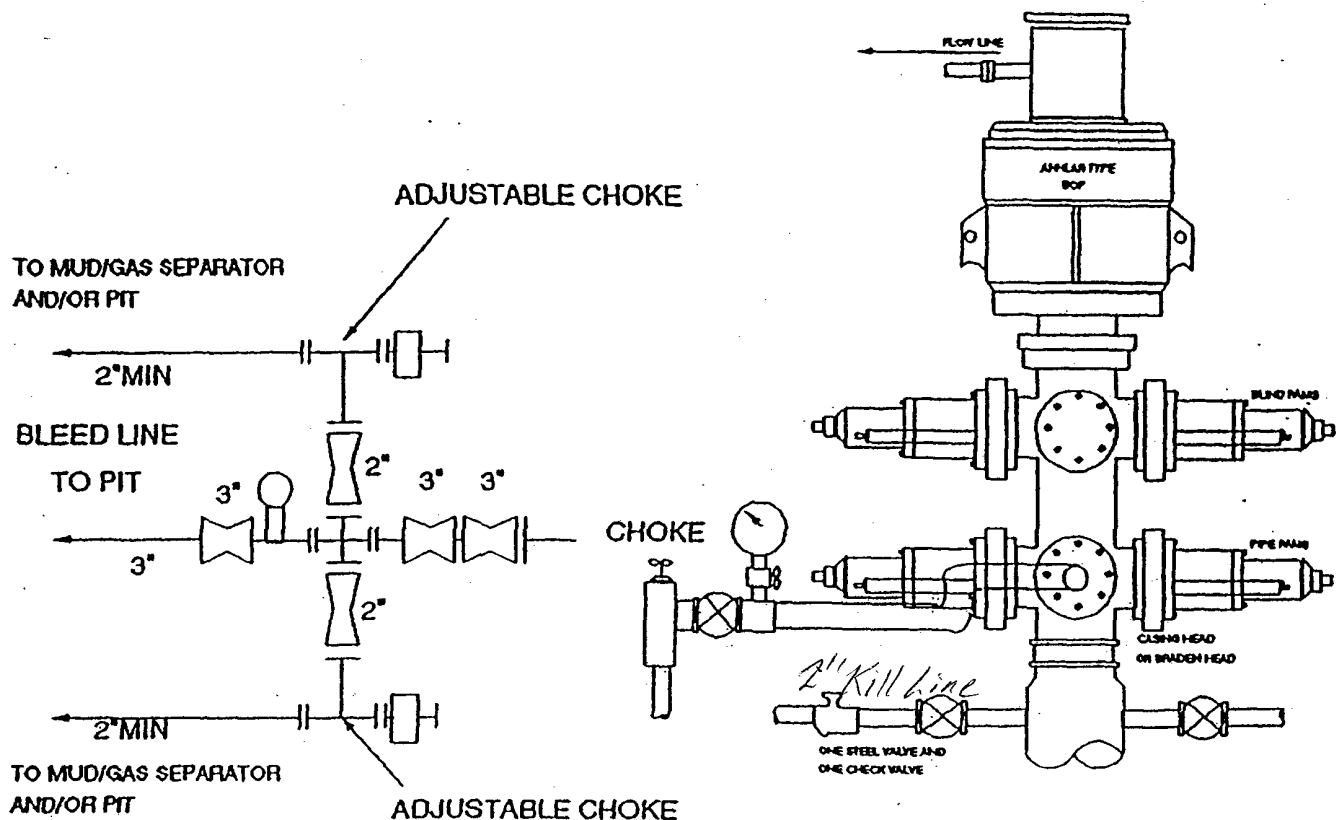
Upon approval

7 days drilling operations

7 days completion operations

GEG/mac  
April 17, 2007

# 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



## **MULTI-POINT SURFACE USE PLAN**

**NAME OF WELL: Golden Lane 17 Federal #3**

Legal Description - Surface: 2310' FNL & 330' FEL, Section 17, T-21-S, R-29-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 Co. Rd. 31 and US Highway 62-180, proceed east on 62/180 for approximately 1 mile to lease road (Mile Marker 51.7); thence south 3.1 miles past Golden "8" Federal #2 location to lease road; thence southeast 0.7 miles thence south 0.1 mile to Golden Lane 17 Federal #1 and the proposed lease road.

C) Existing Road Maintenance or Improvement Plan:

See Exhibit B and Survey Plats.

### **POINT 2: NEW PLANNED ACCESS ROUTE**

A) Route Location:

No new road is required.

B) Width

12'

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.

## CONDITIONS OF APPROVAL - DRILLING

Operator's Name: BEPCO, LP  
Well Name & No. Golden Lane 17 Federal # 3  
Location: 2310'FSL, 330'FEL, SEC17, T21S, R29E, Eddy County, NM  
Lease: NM-0509

### I. DRILLING OPERATIONS REQUIREMENTS:

- A. The Bureau of Land Management (BLM) is to be notified a minimum of 4 hours in advance for a representative to witness:
1. Spudding well
  2. Setting and/or Cementing of all casing strings: 16 inch 9.625 inch 5.5 inch
  3. BOPE tests
    - Eddy County call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822
- B. A Hydrogen Sulfide (H<sub>2</sub>S) Drilling Plan is N/A.
- 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.
- 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 9.625 inch surface casing shall be set above the salt, at least 25 feet into the Rustler Anhydrite @ approximately 759 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 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 circulate to the surface.
- C. If hard band 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 **9.625 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.

### **IV. Hazards:**

1. Our geologist has indicated that there is High Cave / Karst potential.
2. Our geologist has indicated that there is potential for lost circulation in the Artesia and Delaware groups.

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

**FWright 4/25/07**