

Form 3160-3 (April 2004)



UNITED STATES DEPARTMENT OF THE INTERIOR

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

SEP - 5 2008

Lease Serial No

BUREAU OF LAND MAN	JAGEMENT		MILLE 005140A	
APPLICATION FOR PERMIT TO	6 If Indian, Allotee or T	ribe Name		
1a Type of work DRILL REENT	ER	· ·	7 If Unit or CA Agreemen	it, Name and No
1b Type of Well ☐Oil Well ☐Offer Other	✓ Single Zone Mul	tiple Zone	8 Lease Name and Well 1 Big Eddy Unit #20	1110
2 Name of Operator		_	9 API Well No.	7//17
BEPCO, L. P. 1801	2h Dhono No. ( ) 1		50-013-	36625
3a Address P. O. Box 2760 Midland, TX 79702	3b Phone No (include area code) 432-683-2277		10 Field and Pool or Explo  Indian Flats (Morr	•
4 Location of Well (Report location clearly and in accordance with a	rtv State requirements *)		11 Sec TRM or Blk and	d Survey of Area
At surface NWNW, 990' FNL, 660' FWL, Lat At proposed prod zone Same	t N 32.426792, Long W 104.0466	606	Sec 1, T22S, R28E	Mer NMP
14 Distance in miles and direction from nearest town or post office.			12 County or Parish	13 State
9 miles east of Carlsbad, NM			Eddy County	NM
15 Distance from proposed* 660' location to nearest	16 No of acres in lease	17 Spacin	g Umt dedicated to this well	
property or lease line fit (Also to nearest drig unit line, if any)	2029.25	320	3	
18 Distance from proposed location*	19 Proposed Depth	20 BLM/	BIA Bond No on file	
to nearest well, drilling, completed, applied for on this lease, it 7092.88'	12,900'	NM 2	204	
21 Elevations (Show whether DF, KDB, RT, GL, etc.) 3210' GL	22 Approximate date work will s 12/15/2008	tart*	23 Estimated duration 36 days	<del>_</del>
	24 Attachments			
The following, completed in accordance with the requirements of Onsho	ore Oil and Gas Oider No 1. shall be	attached to th	is form	
1 Well plat certified by a registered surveyor 2. A Drilling Plan	4 Bond to cover Item 20 above		ns unless covered by an exist	ing bond on file (see
3 A Surface Use Plan (if the location is on National Forest System SUPO shall be filed with the appropriate Forest Service Office)		te specific infi	ormation and/or plans as may	be required by the
25 Signature	Name (Printed/Typed) Annette Childers		Date	-29-08
Title Administrative Assistant	Ametic Cinders			0100
\$50 <b>8</b>				
Approved by (Signature) Approved A. AMOS	Name (Printed/Type	85 A. A	mes Date	SEP - 3 200
Title FIELD MANAGER	Office	RLSBAD F	IELD OFFICE	
Application approval does not warrant or certify that the applicant hole	ds legal or equitable title to those rig	ghts in the sub	yect lease which would entitle	the applicant to
conduct operations thereon. Conditions of approval, if any, are attached		APPR	OVAL FOR TWO	YEARS
Title 18 USC Section 1001 and Title 43 USC Section 1212, make it a Grates any false, fictitious or fraudulent statements or representations as	crime for any person knowingly and s to any matter within its jurisdiction	I willfully to n	nake to any department or age	ncy of the United

\*(Instructions on page 2)

Carlsbad Controlled Water Basin

DESTRICT I
1625 N. French Dr., Hobbs, NM 88240
DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

State of New Mexico Energy, Minerals and Natural Resources Department

Form C-102 Revised October 12, 2005

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

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT IV 1220 St. Francis Dr., Santa Fe, NM 87505

☐ AMENDED REPORT

### WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name		
	79080 INDIAN FLATS (MORROW			
Property Code	Property Name		Well Number	
	BIG EI	208		
OGRID No.	Opera	Operator Name		
001801	BEPCO, L.P. 3210'			

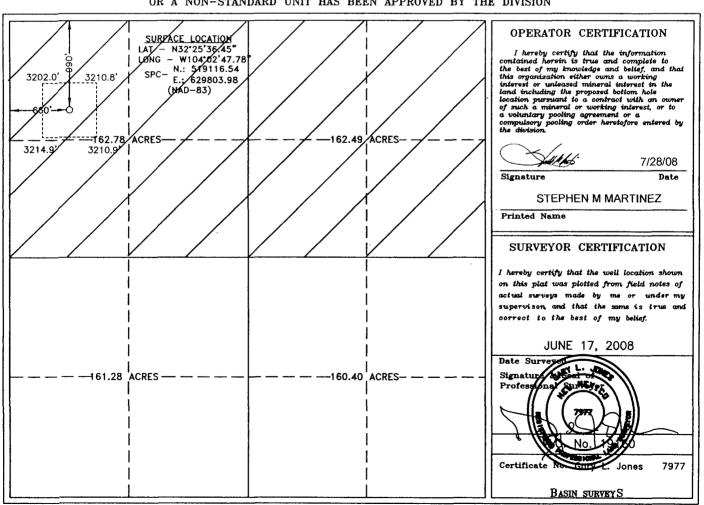
#### Surface Location

1	UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
	D	1	22 S	28 E		990	NORTH	660	WEST	EDDY 1

### 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
ŀ	Dedicated Acres	Joint o	r Infill C	Consolidation C	ode Or	der No.				L
	320	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



SECTION 1, TOWNSHIP 22 SOUTH, RANGE 28 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO. 600' 150' NORTH OFF SET 3209.9' PROPOSED LEASE RD 1382.5' BEPCO, L.P. BIG EDDY UNIT #208 ELEV. - 3210' 0 LAT N.: 32°25'36.45" LONG W.: 104°02'47.78" N.: 519116.54 629803.98 E.: (NAD-83) ⊡ 150' SOUTH OFF SET 3210.8' 3214.9 600' 200 400 FEET 200 BBBBB DIRECTIONS TO LOCATION: SCALE: 1" = 200'FROM THE JUNCTION OF CO. RD. 605 AND CO. RD. 607, GO NORTHEAST ON CO. RD.607 FOR APPROX, BEPCO, L.P. 2.0 MILES TO LEASE ROAD, ON LEASE ROAD GO NORTHEAST 2.2 MILES TO LEASE ROAD, ON LEASE ROAD GO NORTHWEST 2.7 MILES TO LEASE ROAD, THENCE EASTERLY 2.0 MILES TO LEASE ROAD, ON LEASE ROAD TO NORTH TO PROPOSED LEASE ROAD. REF: BIG EDDY UNIT #208 / WELL PAD AND TOPO THE BIG EDDY UNIT #208 LOCATED 990' FROM THE NORTH LINE AND 660' FROM THE WEST LINE OF

W.O. Number: 19160 Date: 0618-2008 Drawn By: J. SMALL
Disk: 19160 JMS

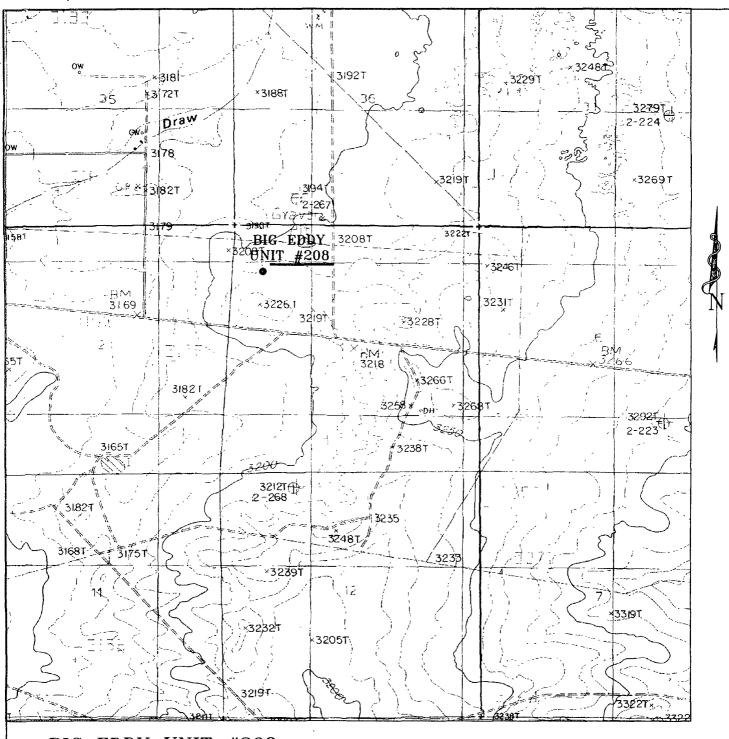
BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

SECTION 1, TOWNSHIP 22 SOUTH, RANGE 28 EAST,

N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 06-17-2008 | Sheet 1

1 of 1 Sheets



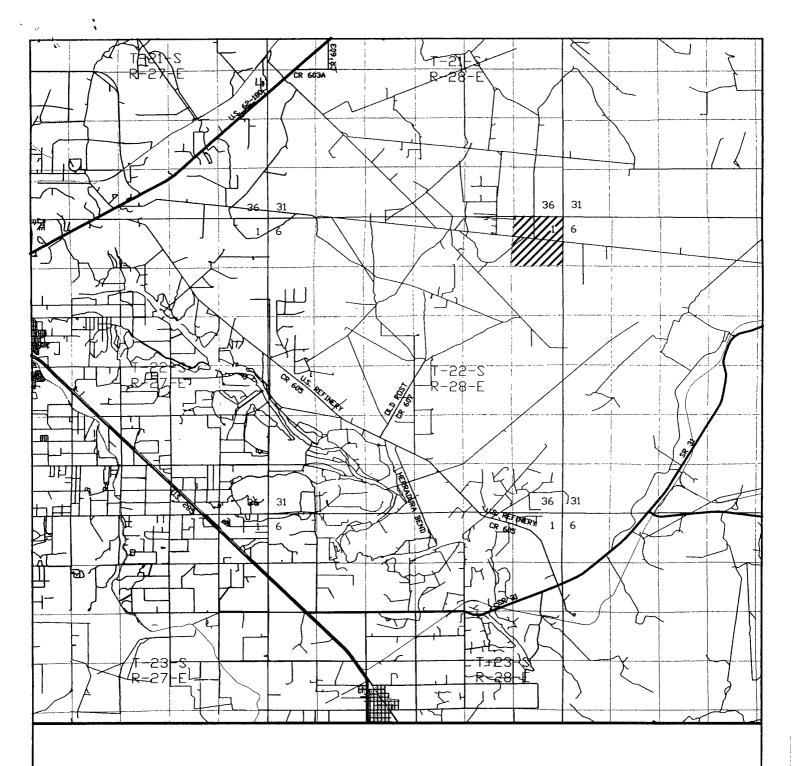
BIG EDDY UNIT #208 990' FNL and 660' FWL Section 1, Township 22 South, Range 28 East, N.M.P.M., Eddy County, New Mexico.



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

W O. 1	lumber <sup>.</sup>	JMS	19160	
Survey	Date	06	17-2008	y ang sa Carlin Pi <u>ren</u> y ang p <sub>al</sub> abil ng
Scale	1" = 20	000,	agent of the Spanisher of the second	
Date	06-18-	2008		and the second s

BEPCO, L.P.



BIG EDDY UNIT #208 990' FNL and 660' FWL Section 1, Township 22 South, Range 28 East, N.M.P.M., Eddy County, New Mexico.



in the oilfield

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

W.O. Number: JMS 19160
Survey Date: 06-17-2008
Scale: 1" = 2 MILES
Date: 06-18-2008

BEPCO, L.P.

Surface casing to be set into the Rustler below all fresh water sands. Production casing will be cemented using Halliburton Class "H" plus additives with TOC 500' into intermediate casing. 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 5 miles of the location.

BEPCO, L.P., at P. O. Box 2760, Midland, TX, 79702 is a division office of BEPCO, L.P., 201 Main Street, Ft. Worth, TX 76102, Bond No. NM 2204 (Nationwide).

## EIGHT POINT DRILLING PROGRAM BASS ENTERPRISES PRODUCTION CO.

NAME OF WELL: BIG EDDY UNIT #208

LEGAL DESCRIPTION - SURFACE: 990' FNL & 660' FWL, Section 1, T22S, R28E, 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 3228'

GL 3210'

	Estimated	Estimated	
Formation	Top From KB	Subsea Top	BEARING
T/Salt	548	2,680	Barren
B/Salt	2,453	775	Barren
T/Delaware Lime	2,753	475	Oil/Gas
T/Delaware Sands	2,838	390	Oil/Gas
T/Old Indian Draw Sand	3,628	-400	Oil/Gas
T/Bone Spring Lime	6,363	-3,135	Oil/Gas
B/Avalon	6,498	-3,270	Oil/Gas
T/Wolfcamp	9,728	-6,500	Oil/Gas
T/Strawn	10,878	-7,650	Oil/Gas
T/Atoka	11,311	-8,083	Oil/Gas
T/Upper Morrow	11,888	-8,660	Oil/Gas
T/Middle Morrow	12,176	-8,948	Oil/Gas
T/Lower Morrow	12,518	-9,290	Oil/Gas
TD	12,900	-9,672	

### **POINT 3: CASING PROGRAM**

<u>TYPE</u>	HOLE SIZE	INTERVALS	PURPOSE	CONDITION
20", 94#, H-40, STC	26"	0' - 40'	Conductor	Contractor Discretion
13-3/8", 48#, H-40, STC	17-1/2"	0' –⁄ <del>53</del> 8'540 <b>′</b>	Surface	New
9-5/8", 36#, J-55, LTC	12-1/4"	0' – <del>2,813</del> '2815'	Intermediate	New
5-1/2", 17#, HCP-110, LTC	8-3/4"	0' – 10,860'	Production Casing	New
5-1/2", 20#, P-110, LTC	8-3/4"	10,860' – <del>12,80</del> 0'	Production Casing	New
		12.900	· ·	

### **CASING DESIGN SAFETY FACTORS:**

TYPE	<b>TENSION</b>	COLLAPSE	BURST
13-3/8", 48#, H-40, STC	24.37	2.83	5.76
9-5/8", 36#, J-55, LTC	6.60	1.27	2.24
5-1/2", 17#, HCP-110, LTC	2.93	1.14	2.10
5-1/2", 20#, P-110, LTC	19.78	1.52	2.48

#### 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 (0.478 psi/ft). The effects of axial load on collapse

will be considered.

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

less a gas gradient to the surface. Internal burst force at the shoe will be fracture pressure a 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

### PROTECTIVE CASING

Tension A 1 6 design factor utilizing the effects of buoyancy (10 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 (0.53 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 evacuation equal to 1/3 the proposed total depth of the well. This criterion will be used when there is absolutely no potential of the protective string being used as a production

casing string.

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.

### PRODUCTION CASING

Tension A 1.6 design factor utilizing the effects of buoyancy (10.8 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 (0.608 psi/ft). The effects of axial load on collapse

will be considered.

Burst A 1.25 design factor with anticipated maximum tubing pressure (4,974 psig) on top of the maximum anticipated packer fluid gradient. Backup on production strings will be formation

pore pressure (0.562 psi/ft). The effects of tension on burst will not be utilized.

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

A rotating head will be nippled up on the intermediate casing. The rotating head will not be hydro-tested.

A BOP equivalent to Diagram 1 will be nippled up on the surface casing head and the intermediate casing. The BOP stack, choke, etc. when rigged up on surface casing, will be tested to 70% of interval yield of casing or 1000 psig whichever is less. On the intermediate casing, the BOP stack, choke, kill lines, kelly cocks, inside BOP, etc. will be hydro-tested to 5,000 psi on the intermediate casing. The annular will be tested to 2500 psi. In addition to the rated working pressure test, a low pressure (250 psi) test will be required. These tests will be performed as per Onshore Oil and Gas Order No. 2, Drilling Operations, paragraph III.A.2.h.iv:

- a) When initially installed
- b) Whenever any seal subject to test pressure is broken
- c) Following related repairs
- d) At 30 day intervals

A function test to insure that the preventers are operating correctly will be performed on each trip. See the attached Diagram 1 for the minimum criteria for the choke manifold.

### POINT 5: MUD PROGRAM

DEPTH	MUD TYPE	WEIGHT_	FV	PV	YP	FL	<u>Ph .</u>
0' – 538'	FW	85-92	45-35	NC	NC	NC	9.5
538' - 2,813'	BW	10.0 - 10 2	28-30	NC	NC	NC	9.5
2,813' - 9,000'	FW	8.6 - 8.9	28-30	NC	NC	NC	- 9.5
9,500' - 10,800'	BW	10.0 - 10 2	28-30	NC	NC	NC	9.5
10,800' - 12,900'	BW/Polymer	9.0 - 10.8	32-55	12-20	12-22	<10	9.5-10.0

### POINT 6: TECHNICAL STAGES OF OPERATION

### A) TESTING

Drill stem tests may be performed on significant shows in zones of interest, but none are anticipated.

### B) LOGGING

#### Run #1:

PEX(GR-CNL/LDT-HRLA run from TD to ICP, GR-CNL to surface Possible GR-CNL/LDT-AIT over Delaware.

### C) CORING

No cores are anticipated.

#### CEMENT - See COA FT3/SX INTERVAL AMOUNT SX FT OF FILL **TYPE** GALS/SX PPG SURFACE Lead Haliburton Light + Premium Plus 0 0 10.14 1 87 12 80 (100% excess) + 2.7 pps salt Tail 0' - 538' (100% excess) 590 538 Premium Plus + 1% CaCl<sub>2</sub> 6.37 14.80 1.35 INTERMEDIATE Lead See CON 0 –2300 (100% Excess) 490 2300 Premium Interfill H + 8 pps Gilsonite 16,43 11 50 2 76 Super H + 5 pps Gilsonite + 3 pps Salt Tail 2,300' -2,813' + 0 5% LAP-1 + 0 4% CFR-3 + 0 25 (100% Excess) 240 513 pps Defoamer + 0 25 pps Pol-E-Flake 4 72 132 1 60 (Two stage w/DV tool @ 7500' and circulate cement to 7000') **PRODUCTION** 1<sup>st</sup> Stage Interfill H + 5 pps Gilsonite + 0 125 pps Lead 7,500'-9,500' Pol-E-Flake + 0 5% Halad 9 + 0 3% (50% excess) 320 2000 HR-601 13 61 11 90 2 46 Super H + 05% Halad 344 + 04% 9,500-12,800 12,900 CFR3 + 5 pps Gilsonite + 1 pps Salt + 800 3300 0 3% HR-601 7 73 (50% excess) 13 20 1 60

Premium Interfill H + 0 125 pps

Premium Cement + 0.5% Halad 9

14 10

5.20

11 90

15.6

2.46

1 18

### **CEMENTING SUMMARY**

2<sup>nd</sup> Stage Lead 2,313'-7,000'

Tail 7,000-7,500'

(50% excess)

(50% excess)

CASING	HOLE SIZE	INTERVAL	TOC	COMPRESSIVE STRENGTH
20", 94#, H-40, STC	26"	0' - 40'	Surface	N/A
13-3/8", 48#, H-40, STC	17-1/2"	0' 538'	Surface	950 psi
9-5/8", 36#, J-55, LTC	12-1/4"	0' - 2,813'	Surface	2250 psi
5-1/2", 17#, HCP-110, LTC	8-3/4"	0' - 10,860'	2,313'	1700 psi
5-1/2", 20#, P-110, LTC	8-3/4"	10,860' - <u>128<del>0</del>0</u> ' 12900'	2,313'	1700 psi
		12900'		

Pol-E-Flake

### DIRECTIONAL DRILLING

720

175

4687

500

No directional services anticipated. A straight hole will be drilled to 12,800' TD.

### **POINT 7: ANTICIPATED RESERVOIR CONDITIONS**

Normal pressures are anticipated throughout the Delaware, Bone Spring & Wolfcamp sections. The Strawn expected BHP is 5650 (max) or an equivalent mud weight of 10.0 ppg. The Atoka may have pressures of 6300 - 6700 psi (10.8 ppg). The Morrow will be normally pressured. Due to the tight nature of the reservoir rock (high pressure, low volume), the well will be drilled under balanced utilizing a rotating head. The expected BHT at TD is 200°F. No  $\rm H_2S$  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

Spud date is 12/15/2008.

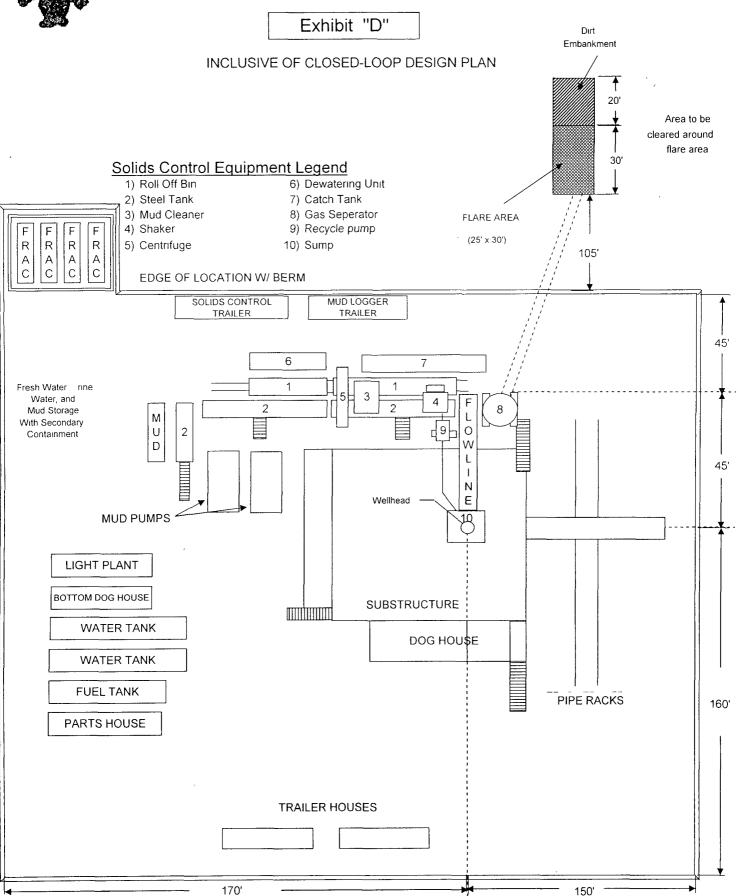
36 days drilling operations

20 days completion operations

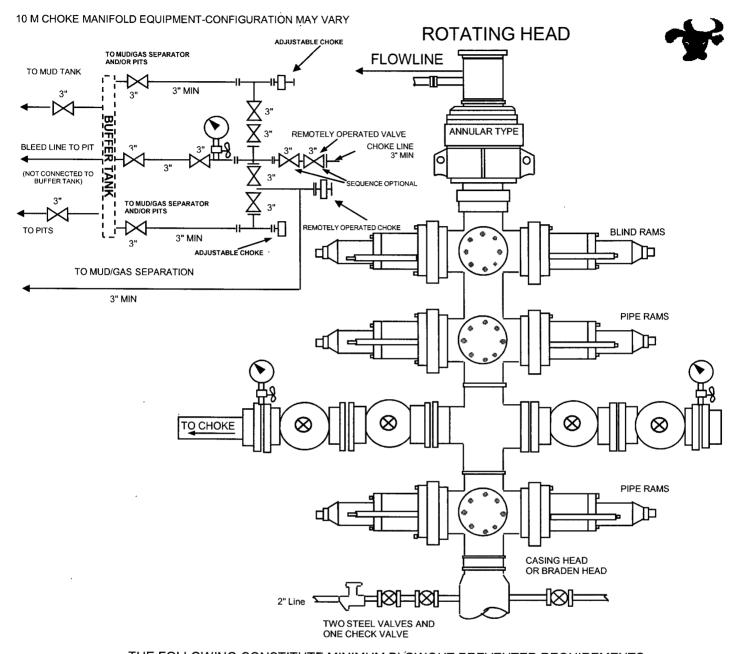
SMM/bmt



### BEPCO, L.P. RIG LAYOUT SCHEMATIC



## BEPCO, L. P. 10-M WP BOPE WITH 5-M WP ANNULAR

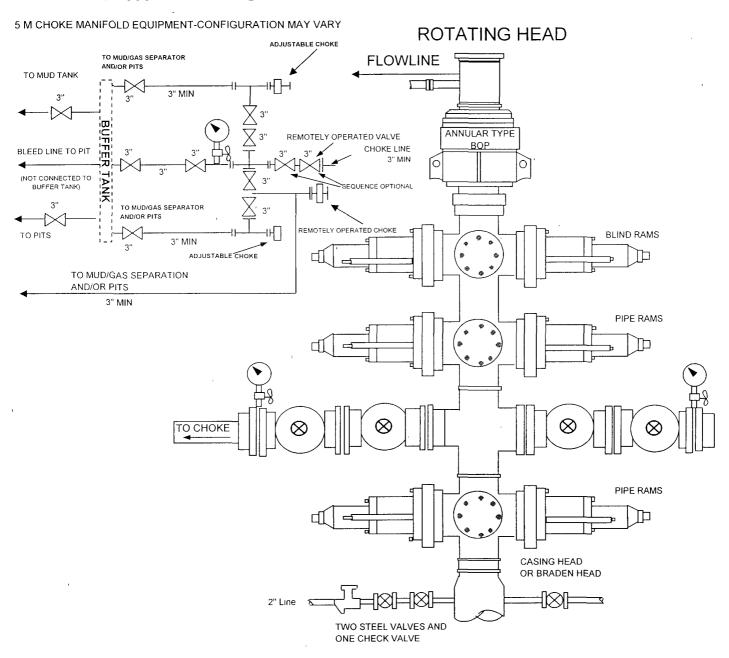


### THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS

- A. Opening between the ram to be flanged, studded, or clamped.
- B. All connections from operating manifolds to preventers to be all steel hose or tube a mininum of one inch in diameter.
- C. The available closing pressure shall be at least 15% in excess of that required with suffficient volume to operate (close, open, and re-close) the preventers.
- D. All connections to and from preventer to have a pressure rating equivalent to that of the BOPs.
- E. Manual controls to be installed before drilling cement plug.
- F. Kelly cock to be installed on kelly.
- G. Inside blowout preventer to be available on rig floor.
- H. Dual operating controls: one located by drillers position and the other located a safe distance from the rig floor.
- All chokes will be adjustable.

**DIAGRAM 1** 

## **BEPCO, L. P.** 5-M WP BOPE WITH 5-M WP ANNULAR



### **DIAGRAM 1**

### MULTI-POINT SURFACE USE PLAN

### NAME OF WELL: BIG EDDY UNIT #208

LEGAL DESCRIPTION - SURFACE: 990' FNL & 660' FWL, Section 1, T22S, R28E, Eddy County, NM.

### POINT 1: EXISTING ROADS

A) Proposed Well Site Location

See Exhibit "A".

B) Existing Roads

From the junction of County road 605 and County road 607, go northeast on County road 607 2 0 miles to lease road, on lease road go northeast 2 2 miles, thence northwest 2 7 miles, then go in a easterly direction 2.0 miles; thence north to proposed lease road

C) Existing Road Maintenance or Improve Plan

See Exhibit "B"

### POINT 2: NEW PLANNED ACCESS ROUTE

A) Route Location

See Exhibit "B". The new road will be 12' wide and approximately 1382 5' long from existing lease road. The road will be constructed of 6" of watered and compacted caliche

B) Width

12' Wide.

C). Maximum Grade

Not Applicable.

D) Turnouts

As required by BLM stipulations.

E) Culverts, Cattle Guards, and Surfacing Equipment

None.

### POINT 3: LOCATION OF EXISTING WELLS

Exhibit "C" indicates existing wells within the surrounding area.

### POINT 4: LOCATION OF EXSITING OR PROPOSED FACILITIES

- A) One existing facility is within approximately 1.5 miles owned or controlled by lessee/operator: Big Eddy Unit #156, Sec.11, T22S, R28E
- B) New Facilities in the Event of Production.

New production facilities will be installed at the new location

C) Rehabilitation of Disturbed Areas Unnecessary for Production:

Following the construction of production facilities, those access areas required for continued production will be graded to provide drainage and minimize erosion. The areas necessary for use will be graded to blend in 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 the City of Carlsbad or piped from the IMC Booster Station water well located 5.2 miles east of Carlsbad. Brine water will be hauled from I & W Brine Water Station 0.75 miles southeast of Carlsbad.

B) Water Transportation System

Water hauled to the location will be over the existing and proposed roads or transported via temporary poly-line from the fresh water source.

### POINT 6: SOURCE OF CONSTRUCTION MATERIALS

A) Materials-

Caliche source located in Sec. 35, T21S, R28E

B) Land Ownership

Federally Owned.

C) Materials Foreign to the Site

On site caliche will be used, but if necessary caliche will be hauled from the nearest BLM approved caliche pit.

D) Access Roads

1382.5' of new access roads are required. See Exhibit "B".

### POINT 7: METHODS FOR HANDLING WASTE MATERIAL

A) Cuttings

A closed loop system will be utilized. Cuttings will be contained in roll off bins and hauled off to Controlled Recovery Inc. located approximately 25 miles NE of Carlsbad, N.M.

### B) Drilling Fluids

Drilling fluids will be contained in the steel pits as part of the closed loop system Excess drilling fluids including fresh water and brine water used for drilling will be contained within steel storage tanks located on location.

Produced Fluids

Water production will be contained in the steel pits as part of the closed loop system.

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

### C) Sewage

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

### D) Garbage

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

### E) 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 testing indicates potential productive zones. In any case, the "mouse" hole and the "rat" hole will be covered. 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 the location of major rig components. Only minor leveling of the well site will be required. No significant cuts or fills will be necessary. An earthen berm preventing fluids from entering the location or leaving the location will encompass the entire location. A secondary containment berm will encompass the steel "frac" tanks used for temporary fluids storage.

#### B) Locations of Access Road

See Exhibits "B" & "D"

### C) Lining of the Pits

No earthen pits for fluid storage are planned. A closed loop mud system with steel pits will be employed for liquid storage. An unlined flare pit may be required as gas is liberated from the drilling fluid. Any well fluids left standing within the flare pit shall be immediately suctioned off and sent to disposal. All other earthen pits will be allowed only in case of an emergency.

### POINT 10: PLANS FOR RESTORATION OF THE SERVICE

### A) Closed loop system.

The closed loop system will be utilized to drill the subject well. No earthen pits will be used that require remediation. All solids and drill fluids will be hauled off location to Controlled Recovery Inc. located approximately 25 miles Northeast of Carlsbad, N.M.

### B) Restoration Plans - Production Developed

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

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 BLM stipulations.

### D) Rehabilitation 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

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 are no water wells within 1 mile of location. See Exhibit "C".

G) Residences and Buildings

None in the immediate vicinity.

### H) Historical Sites

None observed.

### 1) Archeological Resources

An archeological survey will be obtained for this area. The survey area will be a  $600^{\circ} \times 600^{\circ}$  square with its center on the wellhead stake. Before any construction begins, a full and complete archeological survey will be submitted to the BLM. Any location or construction conflicts will be resolved before construction begins.

### J) Surface Ownership

The well site and access road are both on federally owned land

- K) Well signs will be posted at the drilling site
- L) Open Pits

No earthen pits will be used A closed loop system will be used and employ steel pits only

### POINT 12: OPERATOR'S FIELD REPRESENTATIVE

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

DRILLING Stephen M Martinez Box 2760 Midland, Texas 79702 (432) 683-2277 PRODUCTION Mike Waygood 3104 East Green Street Carlsbad, New Mexico 88220 (505) 887-7329

Steve Johnson Box 2760 Midland, Texas 79702 (432) 683-2277

### BEPCO, LP.

P. O. Box 2760 Midland, Texas 79702

432-683-2277

FAX-432-687-0329

July 28, 2008

Bureau of Land Management Carlsbad Field Office 620 East Green Street Carlsbad, New Mexico 88220-6292

Attn: Mr. Don Peterson – Assistant Field Manager, Minerals

RE: APPLICATION FOR PERMIT TO DRILL – 3162 4 BIG EDDY UNIT #208, LEASE NMLC 069140

990' FNL, 660' FWL, SEC. 1, T22S, R28E, EDDY COUNTY, NM

Dear Mr Peterson,

In reference to the above captioned well, 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 attached eight point drilling plan and multi-use surface plan are, to the best of my knowledge, true and correct, and that the work associated with operations proposed herein will be performed by BEPCO, L P 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 filling of a false statement.

If you have any questions regarding the accuracy of the plan provided herein, please do not hesitate to

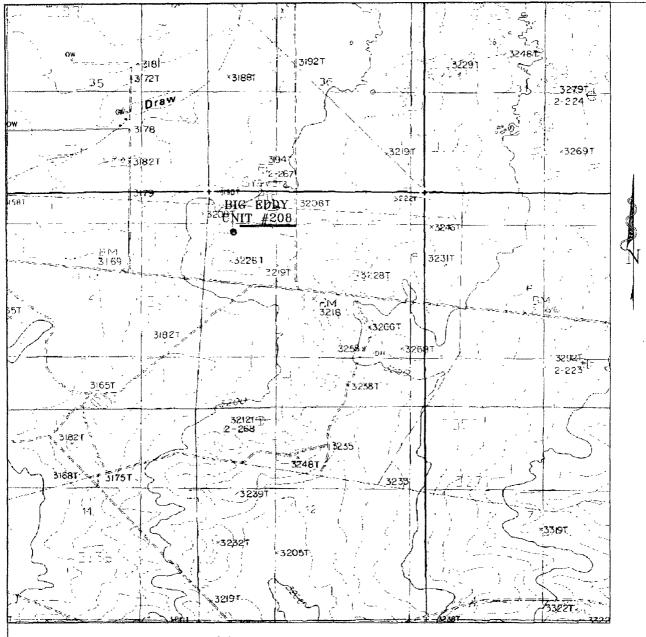
contact me at (432) 683-2277.

Stephen M. Martinez Drilling Engineer

Sincere

### BEPCO, L.P.

# Exhibit 'A' Proposed Well Site Location



BIG EDDY UNIT #208 990' FNL and 660' FWL Section 1, Township 22 South, Range 28 East, N.M.P.M., Eddy County, New Mexico.



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

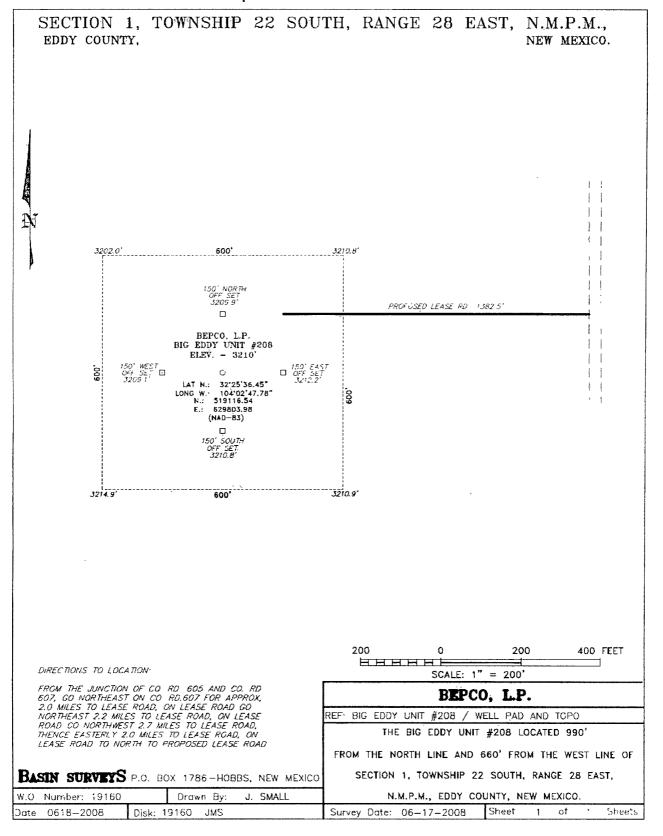
-	WIC Number: IME 19160
	Survey Date: 55-17-2008
	Scale 11 = 20001
- sections	Date 06-18-2008

BEPCO, L.P.

### BEPCO L.P.



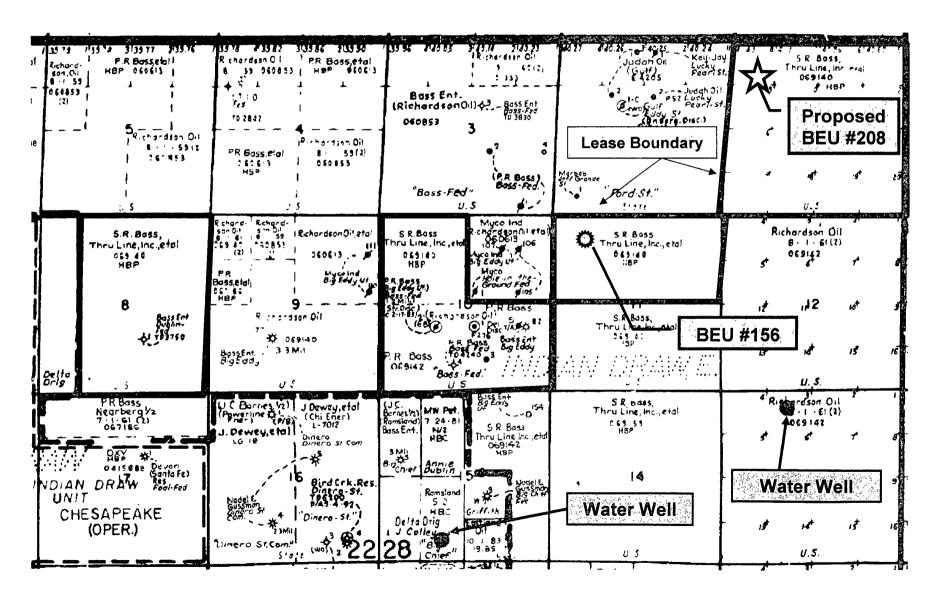
# Exhibit 'B' Proposed Access Route



### BEPCO L.P.



# Exhibit 'C' Location of Existing Wells



### PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	BEPCO
LEASE NO.:	LC069140A
WELL NAME & NO.:	208-Big Eddy Unit
SURFACE HOLE FOOTAGE:	990' FNL & 660' FWL
BOTTOM HOLE FOOTAGE	'FL& 'FL
LOCATION:	Section 1, T. 22 S., R 28 E., NMPM
COUNTY:	Eddy County, New Mexico

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Standard Conditions of Approval (COA) apply to this APD. If any deviations to these standards exist or special COAs are required, the section with the deviation or requirement will be checked below.

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### I. GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

### II. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD. (Filing of a Sundry Notice is required for this 60 day extension.)

### III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

### IV. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

### CONSTRUCTION

### V-DOOR SOUTH

### A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (505) 234-5972 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved APD and Conditions of Approval (COA) on the well site and they shall be made available upon request by the Authorized Officer.

### B. TOPSOIL

The operator shall stockpile the topsoil of the well pad. The topsoil to be stripped is approximately 6 inches in depth. The topsoil shall not be used to backfill the reserve pit and will be used for interim and final reclamation.

### C. RESERVE PITS

Tanks are required for drilling operations: No Pits.

The operator shall properly dispose of drilling contents at an authorized disposal site.

### D. FEDERAL MINERAL MATERIALS PIT

If the operator elects to surface the access road and/or well pad, mineral materials extracted during construction of the reserve pit may be used for surfacing the well pad and access road and other facilities on the lease.

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the Carlsbad Field Office at (505) 234-5972.

### E. WELL PAD SURFACING

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational needs.

### F. ON LEASE ACCESS ROADS

### Road Width

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed thirty (30) feet.

### Surfacing

Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

### Crowning

Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

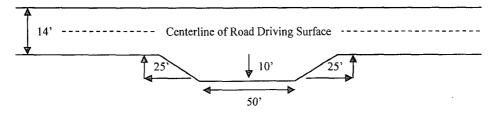
### Ditching

Ditching shall be required on both sides of the road.

### Turnouts

Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:

### Standard Turnout - Plan View



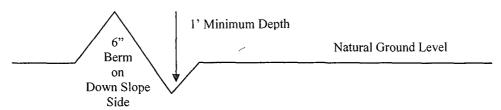
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### Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outsloping and insloping, lead-off ditches, culvert installation, and low water crossings).

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.

### Cross Section of a Typical Lead-off Ditch



All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval are variable for lead-off ditches and shall be determined according to the formula for spacing intervals of lead-off ditches, but may be amended depending upon existing soil types and centerline road slope (in %);

### Formula for Spacing Interval of Lead-off Ditches

Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

400 foot road with 4% road slope: 
$$\frac{400'}{40\%} + 100' = 200'$$
 lead-off ditch interval

### **Culvert Installations**

Appropriately sized culvert(s) shall be installed at the deep waterway channel flow crossing.

### Cattleguards

An appropriately sized cattleguard(s) sufficient to carry out the project shall be installed and maintained at fence crossing(s).

Any existing cattleguard(s) on the access road shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for

the condition of the existing cattleguard(s) that are in place and are utilized during lease operations.

A gate shall be constructed and fastened securely to H-braces.

### Fence Requirement

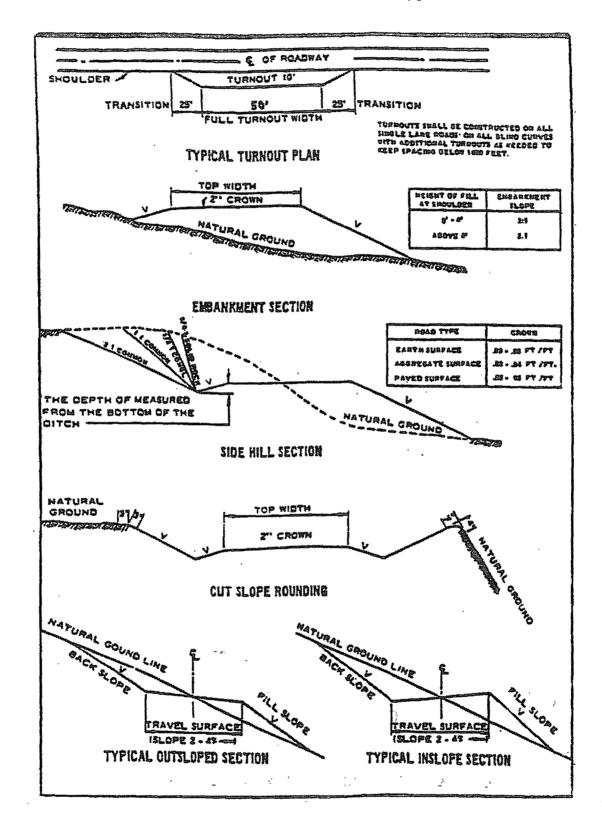
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

The operator shall notify the private surface landowner or the grazing allotment holder prior to crossing any fence(s).

### **Public Access**

Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

Figure 1 - Cross Sections and Plans For Typical Road Sections



### V. DRILLING

### A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:

- a. Spudding well
- b. Setting and/or Cementing of all casing strings
- c. BOPE tests

### **Eddy County**

Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (575) 361-2822

- 1. Although Hydrogen Sulfide has not been reported in this section, it is always a potential hazard. It has been reported within a mile of the proposed location in Sec 35, T-21-S, R-28-E. It is recommended that monitoring equipment be onsite for potential Hydrogen Sulfide. If Hydrogen Sulfide is encountered, please report measured amounts and formations to the BLM.
- 2. 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.
- 3. Floor controls are required for 3M or Greater systems. These 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.

### B. CASING

Changes to the approved APD casing and cement program require submitting a sundry and receiving approval prior to work. Failure to obtain approval prior to work will result in an Incident of Non-Compliance being issued.

Centralizers required on surface casing per Onshore Order 2.III.B.1.f.

Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater for all casing strings. Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. See individual casing strings for details regarding lead cement slurry requirements.

No pea gravel permitted for remedial or fall back remedial without prior authorization from the BLM engineer.

### Medium cave/karst.

•

Possible lost circulation in the Delaware, Bone Spring and Capitan Reef formations. Possible high pressure gas bursts in the Wolfcamp and over pressure in the Pennsylvanian formations.

- 1. The 13-3/8 inch surface casing shall be set at approximately 540 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt) and cemented to the surface.
  - a. 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.
  - b. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.
  - c. If cement falls back, remedial cementing will be done prior to drilling out that string.
- 2. The minimum required fill of cement behind the 9-5/8 inch intermediate casing is:
  - Example 2015 Cement to surface. If cement does not circulate see B.1.a-d above. Casing to be set in the top of the Bell Canyon formation at approximately 2815'. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to cave/karst concerns. Another option is to increase the tail cement volume to tie-back to the surface casing.

Formation below the 9-5/8" shoe to be tested according to Onshore Order 2.III.B.1.i. Test to be done as a mud equivalency test using the mud weight necessary for the pore pressure of the formation below the shoe (not the mud weight required to prevent dissolving the salt formation) and the mud weight for the bottom of the hole. If formation fails test, casing design will require review. Report results to BLM office.

- 3. The minimum required fill of cement behind the 5-1/2 inch production casing is:
  - a. First stage to DV tool, cement shall:
  - Cement to circulate. If cement does not circulate, contact the appropriate BLM office, before proceeding with second stage cement job.
  - b. Second stage above DV tool, cement shall:
  - Cement should tie-back at least 500 feet into previous casing string. Operator shall provide method of verification.
- 4. 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.

### C. PRESSURE CONTROL

:

- 1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.
- 2. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
  - a. The tests shall be done by an independent service company.
  - b. The results of the test shall be reported to the appropriate BLM office.
  - c. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.
  - d. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.
  - e. BOP/BOPE must be tested by an independent service company within 500 feet of the top of the **Wolfcamp** formation if the time between the setting of the intermediate casing and reaching this depth exceeds 20 days. This test does not exclude the test prior to drilling out the casing shoe as per Onshore Order No. 2.

f. A variance to test the surface casing and BOP/BOPE (entire system) to the reduced pressure of 1000 psi is approved.

### D. 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 easing is run and cemented.

### E. DRILL STEM TEST

If drill stem tests are performed, Onshore Order 2.III.D shall be followed.

WWI 090208

### VI. PRODUCTION (POST DRILLING)

### A. WELL STRUCTURES & FACILITIES

### **Placement of Production Facilities**

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

### **Containment Structures**

:

The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

### **Painting Requirement**

All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color Shale Green, Munsell Soil Color Chart # 5Y 4/2

### VII. INTERIM RECLAMATION & RESERVE PIT CLOSURE

### A. INTERIM RECLAMATION

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If the well is a producer, interim reclamation shall be conducted on the well site in accordance with the orders of the Authorized Officer. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting interim reclamation.

During the life of the development, all disturbed areas not needed for active support of production operations should undergo interim reclamation in order to minimize the environmental impacts of development on other resources and uses.

The operators should work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Any reductions should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche may be used for road repairs, fire walls or for building other roads and locations. In order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

Seed Mixture 3, for Shallow Sites

The holder shall seed all disturbed areas with the seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed (PLS)\* per acre. There shall be <u>no</u> primary or secondary noxious weeds in the seed mixture. Seed will be tested and the viability testing of seed will be done in accordance with State law(s) and within nine (9) months prior to purchase. Commercial seed will be either certified or registered seed. The seed container will be tagged in accordance with State law(s) and available for inspection by the authorized officer.

Seed will be planted using a drill equipped with a depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture will be evenly and uniformly planted over the disturbed area (smaller/heavier seeds have a tendency to drop the bottom of the drill and are planted first). The holder shall take appropriate measures to ensure this does not occur. Where drilling is not possible, seed will be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre are to be doubled. The seeding will be repeated until a satisfactory stand is established as determined by the authorized officer. Evaluation of growth will not be made before completion of at least one full growing season after seeding.

Species to be planted in pounds of pure live seed\* per acre:

Species		<u>lb/acre</u>
Plains Bristlegrass (Setaria magrostachya)	1.0	
Green Spangletop (Leptochloa dubia)		2.0
Side oats Grama (Bouteloua curtipendula)		5.0

<sup>\*</sup>Pounds of pure live seed:

Pounds of seed x percent purity x percent germination = pounds pure live seed (Insert Seed Mixture Here)

### X. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer shall issue instructions and/or orders for surface reclamation and restoration of all disturbed areas.

On private surface/federal mineral estate land the reclamation procedures on the road and well pad shall be accomplished in accordance with the private surface land owner agreement.