

DATE IN 6/20/06	SUSPENSE	ENGINEER WILL JONES	LOGGED IN 6/20/06	TYPE DHC	APP NO. PTDSD617155164
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ABOVE THIS LINE FOR DIVISION USE ONLY

3732

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
- [D] Other: Specify _____
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name	Signature	Title	Date
		e-mail Address	

District III
1000 Rio Grande Road, Alamogordo, NM 87410

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

Single Well
Establish Pre-Approved Pools
EXISTING WELLBORE
 Yes No

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

APPLICATION FOR DOWNHOLE COMMINGLING

BOLD ENERGY, LP Operator 415 W. WALL MIDLAND, TX 79701 Address DHC-3732

SARAH STATE Lease 001 Well No. UNIT LETTER O SEC 10 T 19S R 29E Unit Letter-Section-Township-Range EDDY County

OGRID No. 233545 Property Code 35447 API No. 30-015-34693 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	UNDESIGNATED TURKEY TRACK ATOKA <u>(Gas)</u>		TURKEY TRACK MORROW <u>(Gas)</u>
Pool Code	86445 <input checked="" type="checkbox"/>		86480 <input checked="" type="checkbox"/>
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	10762 - 10791		11261 - 11562
Method of Production (Flowing or Artificial Lift)	FLOWING		FLOWING
Bottomhole Pressure <small>(Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)</small>			
Oil Gravity or Gas BTU (Degree API or Gas BTU)			1411 BTU/CF (OFFSET)
Producing, Shut-In or New Zone	NEW ZONE		NEW ZONE
Date and Oil/Gas/Water Rates of Last Production. <small>(Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)</small>	Date: Rates:	Date: Rates:	Date: Rates:
Fixed Allocation Percentage <small>(Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)</small>	Oil 50% Gas 50%	Oil % Gas %	Oil 50% Gas 50%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes No
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes No

Are all produced fluids from all commingled zones compatible with each other? Yes No

Will commingling decrease the value of production? Yes No

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes No

NMOCD Reference Case No. applicable to this well: _____

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE [Signature] TITLE Ops. Engineering Mgr. DATE June 20 2006

TYPE OR PRINT NAME Shannon L. Klier TELEPHONE NO. (432) 686-1100

E-MAIL ADDRESS shannon.klier@boldenergy.com

415 W. Wall, Suite 500 Midland, Texas 79701
(432) 686-1100 fax (432) 686-1104

Bold Energy LP

Fax

To: Mr. William Jones From: Shannon L. Klier
Fax: 505-476-3462 Pages: 9 (including cover)
Phone: 505-476-3448 Date: 6/20/06
Re: Application to DR Comingle CC:

Urgent For Review Please Comment Please Reply Please Recycle

• Comments:

Mr. Jones -

Please call with any questions regarding the accompanying application.

Thanks & regards,
Shannon Klier

Originals will be sent via U.S. mail.

IMPORTANT NOTICE: THIS TRANSMISSION (INCLUDING ALL ATTACHED PAGES) IS INTENDED ONLY FOR THE USE OF THE NAMED ADDRESSEE(S), AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED OR EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAW. IF YOU ARE NOT A NAMED ADDRESSEE, YOU ARE HEREBY NOTIFIED THAT ANY USE, DISSEMINATION, DISTRIBUTION OR COPYING OF THIS TRANSMISSION IS STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS TRANSMISSION IN ERROR, PLEASE DESTROY ALL COPIES AND NOTIFY US IMMEDIATELY AT THIS TELEPHONE NUMBER (432) 686-1100. THANK YOU FOR YOUR ATTENTION TO THIS MATTER.

415 W. WALL, SUITE 500
MIDLAND, TEXAS 79701

MAIN: 432-686-1100
FAX: 432-686-1104

June 20, 2006

Mr. William Jones
Oil Conservation Division
Engineering and Geological Services Bureau
1220 South St. Francis Drive
Sante Fe, NM 87505

Re: Application to Downhole Commingle
Sarah State #1
Turkey Track (Atoka) & Turkey Track (Morrow) Pools
Eddy County, NM

Dear Mr. Jones,

Bold Energy, LP hereby respectfully requests an exception to Rule 303A to downhole commingle the Atoka and Morrow zones in the subject well.

To aid in processing this request, I have enclosed, in duplicate, the following:

1. Present wellbore diagram
2. Proposed wellbore diagram (with well history)
3. Drilling permit and location plat
4. Form C-107A
5. Memo Stating that royalty and working interests are common for both zones

As discussed, once production has stabilized we will obtain an accurate measurement of gas contribution from the Atoka and Morrow, through either production logging or independent testing. We will notify the OCD with the results and the proposed fixed allocation percentages. Prior to this test, a 50/50 split will be used to allocate production.

Should you require additional information or if I can be of any further help, kindly advise.

Regards,

BOLD ENERGY, LP



Shannon Klier
Operations Engineering Manager

Enclosure

CC: OXY Permian
P.O. Box 50250
Midland, TX 79719

Oil Conservation Division
P.O. Box DD
Artesia, NM 88210

New Mexico State Land Office
P.O. Box 1148
Santa Fe, NM 87504-1148

BOLD ENERGY, LP

415 W. WALL, SUITE 300
MIDLAND, TEXAS 79701

PHONE 432-686-1100
FAX 432-686-1104

June 19, 2006

TO: OCD & NM State Land Office

RE: Commingling Ownership in the
Atoka and Morrow formations for the
Sarah State # 1
E/2 Sec. 10-19S 29E
Eddy County, New Mexico
Turkey Track Prospect

Gentlemen:

Bold Energy LP, as operator, has drilled the captioned well and desires to commingle production from the Atoka and Morrow Zones.

The ownership in the Atoka and Morrow zones is identical and documented within a Title Opinion rendered May 1, 2006 by Don M. Fedric with the Law Office of Hunker-Fredric, P.A., Roswell, New Mexico .

Please call me at (432) 686-1100 or e-mail peggy.kerr@boldenergy.com should there be any questions.

Sincerely for Bold Energy LP,



Peggy Kerr
Vice President-Land

VENDOR COM0002 CHECK 3731 DATE 04/20/06 30.00

WARNING: THE FACE OF THIS DOCUMENT HAS A COPY PROOF BACKGROUND ON WHITE PAPER AND A MICROPRINT SIGNATURE LINE

BOLD ENERGY LP
P.O. BOX 10927
MIDLAND, TX 79702
(432) 686-1100

Community National Bank
Midland, TX 79702
88-1287/1163

3731

*** Thirty Dollars and No Cents

CHECK NO	CHECK DATE	CHECK AMOUNT
3731	04/20/06	*****30.00

TO THE ORDER OF

Commissioner of Public Lands
State of New Mexico
PO Box 1148
Santa Fe, NM 87501

VOID AFTER (60) DAYS

[Signature]

TWO SIGNATURES REQUIRED IF OVER \$5,000.00

SECURITY FEATURES INCLUDED. DETAILS ON BACK

⑈003731⑈ ⑆163128731⑆ 1001001⑆ ⑆E3E00⑆

CURRENT

BOLD ENERGY, LP

Sarah State #1

WI: 37.1% NRI: 50.0%
 Elevation: 3,368 API: 30-015-34693
 KB: 18' Surface Location 660' FNL & 1980' FEL
 Meas. TD: 11680' Legal Description Section 10 - T19S - R29E
 TVD: 11680' Field: Turkey Track
 PBD: 11,637' (FC) County: Eddy
 Zone: Morrow State: New Mexico

Casing	Hole	Weight	Grade	Depth	Burst	80% Burst	TOC
20"				40'			Surface
13-3/8"	17-1/2"	48#	H-40	300'	1,730	1,384	Surface (1")
8-5/8"	11"	32#	J-55	3,020'	2,950	2,160	Surface (circ)
5-1/2"	7-7/8"	17#	P-110	11,670'	10,640	8,512	

Date	Event
5/15/2006	Spud
6/17/2006	OH Logs
6/18/2006	SW cores at 11,547 11,402 11,273 11,264 10,790 10,434 10,432 10,024 9,098 7,914 7,884 5,684 4,440 4,272 4,198 4,124
6/19/2006	RUN casing
6/20/2006	Release Rig

Surface Casing
13-3/8" set at 300'

Intermediate Casing
8-5/8" set at 3,020'

Production Casing
5-1/2" set at 11,670'

TD at 11,680'

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address Bold Energy, LLC 415 W. Wall St. Midland, TX 79701		OGRID Number 233545
Property Code 35447		API Number 30-015-34693
Property Name Sarah State		Well No. 1
Proposed Pool 1 Turkey Track; Morrow (Gas) Pool Code #86480		Proposed Pool 2 Turkey Track; Atoka (Gas)

Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
O	10	19-S	29-E		660'	South	1980'	East	Eddy

Proposed 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

Additional Well Information

Work Type Code N	Well Type Code G	Cable/Rotary R	Lease Type Code S	Ground Level Elevation 3368'
Multiple No	Proposed Depth 11,800'	Formation Turkey Track; Atoka	Contractor Nabors 142	Spud Date 3/31/06
Depth to Groundwater 120'	Distance from nearest fresh water well >1000'		Distance from nearest surface water >1000'	
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 mils thick Clay <input type="checkbox"/>		Pit Volume: 12,000 bbls		Drilling Method:
Closed-Loop System <input type="checkbox"/>		Fresh Water <input checked="" type="checkbox"/> Brine <input checked="" type="checkbox"/> Discal/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>		

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2"	13 3/8"	48#	275'	325 sx	Circulate
11"	8 5/8"	37#	3000'	875 sx	Circulate
7 7/8"	5 1/2"	17# & 20#	11,800'	900 sx	7000'

Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Drill 17 1/2" hole to 275' (approx. 50' above Salt) using FW spud mud. Set 13 3/8" casing and cement to surface with 325 sx Class 'C' w/2% CaCl2. If necessary, use 1" tbg for top job to bring cement to surface. Install BOP and test BOP & csg to 1000 psi.
 Drill 11" hole to 3000' w/brine and sweeps. Set 8 5/8" casing and cement with 600 sx 35:65 Poz, Class 'C' w/5% salt, 10% gel, 0.2% antifoamer & 1/4# cello-flake per sx followed by 275 sx Class 'C' neat. If necessary, use 1" tbg for top job to bring cement to surface. Install and test BOP to 3000 psi, test casing to 1500 psi.
 Drill 7 7/8" hole to 11,800' TD w/FW & out brine, adjusting MW-VIS-WL as needed to maintain hole stability and well control (annular seal MW=10.5 sg).
 open hole logs and set 5 1/2" production casing at TD and cement with 900 sx TXL Lightweight cont'g 0.2% FLA, 0.2% 7000'. Completion procedure will be based upon drilling results and log evaluation.

CEMENT TO COVER ALL OIL GAS AND WATER BEARING ZONES

BOP: a 5000 psi double ram preventer w/annular will be utilized; if needed, a rotating head will be added to this stack.

H2S Contingency Plan: copy is enclosed with this APD.

I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines , a general permit , or an (attached) alternative OCD-approved plan

OIL CONSERVATION DIVISION	
Approved by:	<i>Richard H. Segreman</i>
Printed name: W. E. (Ellis) Gray, Jr.	Title:
Title: Agent for Bold Energy, LLC	Approval Date: MAR 16 2006
E-mail Address: ellis@graysurfacespecialties.com	Expiration Date: MAR 16 2007
Date: 3/15/06	Phone: (432) 685-9158
Conditions of Approval Attached <input type="checkbox"/>	

DISTRICT III
1000 Rio Brazos Rd., Artec, NM 87410
DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, New Mexico 87505

Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 86480	Pool Name Turkey Track; Morrow (Gas)
Property Code 35447	Property Name SARAH STATE	Well Number 1
OGRID No. 233545	Operator Name BOLD ENERGY	Elevation 3368'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	10	19 S	29 E		660	SOUTH	1980	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.
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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>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p>	
	<p>Signature: </p> <p>Printed Name: W.E. (Ellis) Gray Jr.</p> <p>Title: Agent - Bold Energy</p> <p>Date: 3/17/06</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>Date Surveyed: _____</p> <p>Signature: </p> <p>Professional Surveyor No. 7977</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>	