

ABOVE THIS LINE FOR DIVISION USE ONLY

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



BEP CO, LP
 Horned Toad 36A#1H
 5358-A

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.

Signature

Signature

Title

Date

email Address

BEPCO, L.P.
P. O. Box 2760
Midland, Texas 79702

432-683-2277

March 15, 2007

2007 MAR 16 AM 9 03

FAX: 432-687-0329

FEDERAL EXPRESS

New Mexico Oil Conservation Division
1220 St. Francis
Santa Fe, New Mexico 87505
Attention: David Brooks
Engineering Bureau

Re: BEPCO, L.P. – Horned Toad 36 St. No. 1H
Section 36, T24S-R29E
Eddy County, New Mexico

Dear Mr. Brooks:

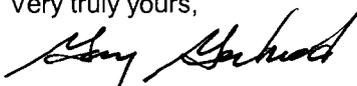
Please reference our prior conversations concerning the drilling of the referenced well by BEPCO, L.P. as a horizontal oil well targeted to the Lower Cherry Canyon Formation. As set forth on the attached survey, the surface location for the above well is now set on a non-standard location due to topographical issues. Normally, this would require NSL approval from your office. Since a vertical well was approved as a NSL 5358 on 4/5/2006 (copy attached) BEPCO, L.P. requests that this NSL be amended to allow for the drilling of a horizontal well from this location. As we discussed 3/14/2007 the horizontal drilling plan and our completion procedure will cause the shallowest producing zone and corresponding perforations to be at a standard location. A summary of our plans and pertinent distances are as follows:

Drilling Plan:	Drill vertical hole to a depth of approx 5077' TVD at which point a directional hole will be kicked off at an azimuth of 180° building angle at 13.48°/100' to a max of 89.6°. This angle will be maintained to a MD of 8644' (TVD 5542').
Distance from SL to nearest 40 ac. proration unit line:	305 ft.
Penetration point at top of the L. Cherry Canyon:	515 ft. from nearest 40 acre proration unit line
Top of L. Cherry Canyon at penetration point:	5,465' TVD
Footage Call for penetration point of L. Cherry Canyon:	1,835' FNL & 660' FWL, Sec. 36, T24S-R29E
Project Area for wellbore:	SE/4 NE/4 and E/2 SE/4 of Section 36
BEPCO, L.P. Lease:	BEPCO, L.P. has oil & gas leases covering all acreage surrounding the project area except for the E/2 Sec 1, T25S, R29E which is not being encroached upon. (See attached map).

Based on our discussion, this information is being provided for you in order to facilitate the permitting of the well and initiation of production without a formal NSL application.

Thank you very much and should you have any questions or comments in the above regard, please don't hesitate to call me at (432) 683-2277.

Very truly yours,



Gary Gerhard
Drilling Engineer

cc: Bryan Arrant

Wm
Des

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

Form C-102
Revised October 12, 2005

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

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-34764	Pool Code 47545	Pool Name NASH DRAW; DELAWARE/BONE SPRING (AVALON SD)
Property Code V 7100	Property Name HORNED TOAD "36" STATE	Well Number 1H
OGRED No. 001801	Operator Name BEPCO, L.P.	Elevation 3130'

Surface Location

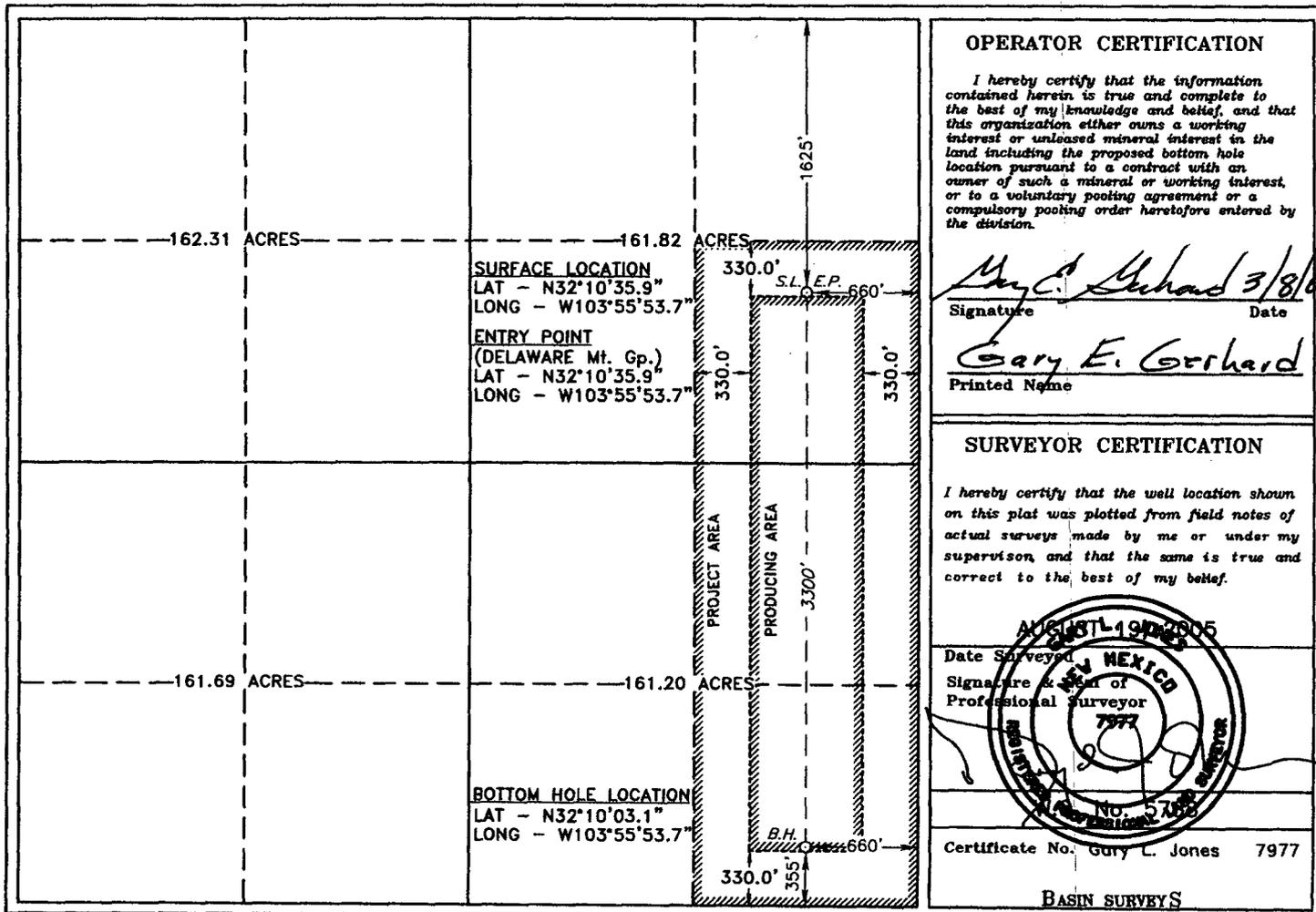
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	36	24 S	29 E		1625	NORTH	660	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	36	24 S	29 E		355	SOUTH	660	EAST	EDDY

Dedicated Acres 120	Joint or Infill N	Consolidation Code	Order No. ENTRY POINT - DELAWARE Mt. Gp.
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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



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

M. C. Gerhard 3/8/07
Signature Date

Gary E. Gerhard
Printed Name

SURVEYOR CERTIFICATION

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.

August 19, 2005
Date Surveyed
Professional Surveyor
7977
Certificate No. Gary L. Jones 7977

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

RECEIVED

Form C-101
May 27, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

SEP 14 2005
Submit to appropriate District Office
OCD-ARTESIA
 AMENDED REPORT

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

Operator Name and Address Bass Enterprises Production Co. P. O. Box 2760 Midland, TX 79702		OGRID Number 001801
Property Code 35100	Property Name HORNED TOAD 36 STATE	API Number 30-015-34764
Proposed Pool 1 Unders. DELAWARE Carral Canyon		Proposed Pool 2

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/Westline	County
H	36	24S	29E		1625'	NORTH	660'	EAST	EDDY

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/Westline	County
Proposed Bottom Hole Location If Different From Surface									

Additional Well Information				
Work Type Code N	Well Type Code O	Cable/Rotary R	Lease Type Code S	Ground Level Elevation 3130' GL
Multiple NO	Proposed Depth 7800'	Formation DELAWARE	Contractor ADOBE DRILLING	Spud Date 11/01/2005
Depth to Groundwater 150'		Distance from nearest fresh water well 2-1/2 miles		Distance from nearest surface water 6 miles
Liner: Synthetic <input checked="" type="checkbox"/> 12 mil thick Clay <input type="checkbox"/>		Pit Volume: 11500 bbls		
Closed-Loop System <input type="checkbox"/>		Drilling Method: Fresh Water <input checked="" type="checkbox"/> Brine <input checked="" type="checkbox"/> Diesel/Oil-based <input checked="" 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
14-3/4"	11-3/4"	42#	790'	480	SURFACE*
11"	8-5/8"	32#	3340'	1026	1000'
7-7/8"	5-1/2"	15.5 & 17#	7800'	750	3040'

²² 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.

SURFACE IS OWNED BY THE STATE OF NEW MEXICO. ATTACHED IS A DRILLING PROGNOSIS AND A BOP DIAGRAM. This is an unorthodox location.

*Bass proposes to drill 10' into the salt section to insure all zones above the salt are penetrated. The casing will be set 10'-20' above the total depth and cemented to surface.

* *This intermediate casing is a contingency string to be installed only if we encounter "free flowing sand" as was found in our Poker Lake Unit #217 located in section 19, T24S, R30E. In Poker Lake Unit #217 this sand occurred at several depths (+ 1500', + 1800', + 1950', + 2300') and we were only able to control it by "Mudding Up" with a high vis drilling fluid which with the resultant mud weight exceeded the low frac gradient in the Delaware Lower Brushy Canyon Sands. Therefore, the 11" casing is proposed in order to put this problem behind pipe and thereby allow for the drilling of the Delaware Sands with a fresh water low weight drilling fluid. If the flowing sand problem is not encountered the intermediate casing will not be run. Hole size will be reduced to 7-7/8" and the production hole drilled with a brine water/diesel emulsion mud. This drilling fluid has been used successfully by Bass in the (Nash Draw) Delaware Field.

²³ 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 .

Printed name: Cindi Goodman

Title: Production Clerk

E-mail Address: cdgoodman@basspet.com

Date: 09/08/2005

Phone: (432)683-2277

OIL CONSERVATION DIVISION	
Approved by:	<i>Jim W. Green</i> District II Supervisor
Title:	
Approval Date: APR 05 2006	Expiration Date: APR 05 2007
Conditions of Approval Attached <input type="checkbox"/>	

NSL - 5358

24 19 20 21 22
River Bend Fed.
Pogo Prod. Conty. Fed.
OXY, USA
88138
Bass Ent.
Poker Lk.
U.S.

25 28 27
Enron, 1/2
HBC W/2
Forest Oil
59386
Richardson Oil
HBU
069627
Continental
HBU
02862
Surface location
30 Horned Toad "36" 29
State #1
Ford Chapman
Ver/ies
TO 3905
DIA 6-7-66
Bass Ent.
7-12-83
Bass Ent.
6-19-83

36 31 32 33 34
Lease Boundary
Mewbourne
Pierce Crossing
Fed. Com.
Crown Oil
Richardson Oil
Mobil
HBP
B 0685
S.R. Bass
Thru Line
Inc. etal
HBP
068431
S.R. Bass
Thru Line
Inc. etal
5-1-61(2)
068430
BHL
660' FSL
355' FSL
Bass Ent.
Poker Lk.
U.S.

6 5
Mewbourne
Pierce Crossing
Fed. Com.
Yates Pet., etal
B-1-2007
V-6670
73 12
Yates Pet., etal
B-1-2007
V-6670
73 12
Yates Pet., etal
B-1-2007
V-6670
73 12
S.R. Bass
Thru Line Inc. etal
HBP
061616
Patrol
R. EvB Fed
E. 3203
T. 3399
D. 3399
40A-5-5-61
J.M.C. Ritchie, etal
Hoop Fed.
TO 4855
DIA 6-16-60
POKER
"Poker Lake U."
U.S.

12 9 10
Yates Pet., etal
B-1-2008
VA-2975
153 21
Marbob
V-7066
Mobil
HBP
B 10678
S.R. Bass
Thru Line Inc. etal
HBP
061616
PR Bass
Poker Lake
U
TO 4300
DIA 4-13-81
B.J. Graham
P41
061616
Rich. Bass
U.S.

13 17 16 25 30
Pogo Prod.
15303
Pogo
12-1-2007
100341
375 02
PR Bass
Jennings
Tempo Ener
045705
S.R. Bass
Thru Line Inc. etal
HBP
065705
Alamo "A-9"
Poker Lk. U.
TO 3710
DIA 3-13-59
Richardson Oil
HBP
06894
Richardson Oil
HBP
063875
Alamo
Poker Lake
Unit
TO 3930
DIA 3-13-59
P.R. Bass, Inc.
HBP
E 2643
Superior
Orig.
(C. Garber
(T. Garber
etal)

24 19 20 21 22
EOG Res. 1/2
Pogo 1/2
12-1-2007
100339
350 00
Central States
JR Stewart
Poker Lake Unit
070341
Tex Ind Expl
070341
Bass
Cont'l Fed
2
TO 3686
DIA 5-10-63
Richardson Oil
HBP
06894
Richardson Oil
HBP
063875
Alamo
Poker Lake
Unit
TO 3930
DIA 3-13-59
P.R. Harrison, etal
H.M. Sweeney
Poker Lake
Del Disc
2 Mil.
Sun
U.S. Permit
TO 3565
U.S.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

March 31, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Bass Enterprises Production Company
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Administrative Order NSL-5358

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-607234155*) filed on behalf of the operator Bass Enterprises Production Company ("Bass") and initially submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico by telefax on March 12, 2006; (ii) your follow-up hard copy received by the Division on March 14, 2006; and (iii) the Division's records in Artesia and Santa Fe: all concerning Bass' request to drill its proposed Horned Toad "36" State Well No. 1 at an unorthodox Delaware oil well location 1625 feet from the North line and 660 feet from the East line (Unit H) of Section 36, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico. The SE/4 NE/4 of Section 36 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit within the Nash Draw-Delaware/Bone Spring (Avalon Sand) Pool (47545).

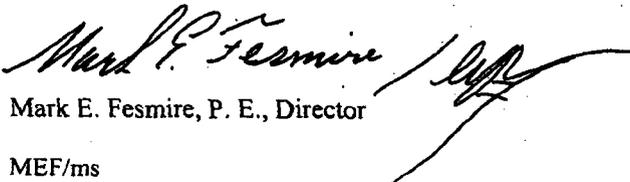
Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

It is the Division's understanding that the area comprising the E/2 of Section 36 comprises a single state lease issued by the New Mexico State Land Office (*State Lease No. V-7100*) in which Bass is the leasehold operator and all mineral interest is common; therefore, there are no adversely effected offsets to the subject 40-acre tract.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox oil well location within the Nash Draw-Delaware/Bone Spring (Avalon Sand) Pool for Bass' proposed Horned Toad "36" State Well No. 1 is hereby approved.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,


Mark E. Fesmire, P. E., Director

MEF/ms

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe

Brooks, David K., EMNRD

From: Arrant, Bryan, EMNRD
Sent: Friday, March 23, 2007 10:52 AM
To: Brooks, David K., EMNRD
Cc: Brad Glasscock
Subject: Horned Toad 36 State # 1H/API # 30-015-34764

David,
I believe this NSL application needs to go in the Nash Draw; Delaware/Bone Spring (Avalon Sand) Oil Pool.
The code # is: 47545 The surface location is within the boundaries of this pool.

Thanks,

Bryan Arrant