

REVISED

Form C-101
May 27, 2004

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
JUL 19 2006
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to appropriate District Office
 AMENDED REPORT

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

¹ Operator Name and Address BEPCO, L.P. P.O. BOX 2760 MIDLAND, TX 79702-2760		² OGRID Number 001801
³ Property Code 35867		³ API Number 30-015-35019
⁴ Property Name PALMILLO 12 STATE COM		⁶ Well No. 1
⁵ Proposed Pool 1 TURKEY TRACK (MORROW)		⁵ Proposed Pool 2

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/Westline	County
E	12	19S	28E		1650	NORTH	660	WEST	EDDY

⁸ 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/Westline	County

Additional Well Information

¹¹ Work Type Code PN	¹² Well Type Code G	¹³ Cable/Rotary R	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 3409'
¹⁶ Multiple N	¹⁷ Proposed Depth 11,355'	¹⁸ Formation MORROW	¹⁹ Contractor Adobe	²⁰ Spud Date 09/01/2006
Depth to Groundwater None		Distance from nearest fresh water well None		Distance from nearest surface water None
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 milsthick Clay <input type="checkbox"/>		Pit Volume: 1200 bbls		Drilling Method: Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>
Closed-Loop System <input type="checkbox"/>				

²¹ 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#	411'	290	SURFACE
11"	8-5/8"	32#	3356'	845	SURFACE
7-7/8"	5-1/2"	15.5# & 17#	11,355'	1160	2850' ✓

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.
BEPCO, L.P. proposes to drill & cement three strings of casing as described in the attached procedure. A BOP diagram is also attached.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case Nos. 13758 Exhibit No. 3
Submitted by:
BEPCO., L.P.
Hearing Date: August 17, 2006

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 .

OIL CONSERVATION DIVISION

Approved by:

BRYAN G. ARRANT

DISTRICT II GEOLOGIST

Printed name: Annette Childers *Annette Childers*

Title:

Title: Administrative Assistant

Approval Date: JUL 22 2006

Expiration Date: JUL 22 2007

E-mail Address: machilders@basspet.com

Date: 07/17/2006

Phone: (432)683-2277

Conditions of Approval:

CEMENT TO COVER ALL OIL,
GAS AND WATER BEARING
ZONES ✓

59.1

[Handwritten mark]

New Mexico Office of the State Engineer
POD Reports and Downloads

Township: Range: Sections:

NAD27 X: Y: Zone: Search Radius:

County: Basin: Number: Suffix:

Owner Name: (First) (Last) Non-Domestic Domestic All

POD / Surface Data Report Avg Depth to Water Report Water Column Report

AVERAGE DEPTH OF WATER REPORT 07/17/2006

Bsn	Tws	Rng	Sec	Zone	X	Y	Wells	(Depth Water in Feet)		
							Min	Max	Avg	

No Records found, try again

New Mexico Office of the State Engineer
POD Reports and Downloads

Township: 19S Range: 29E Sections: 6,17,18

NAD27 X: [] Y: [] Zone: [] Search Radius: []

County: [] Basin: [] Number: [] Suffix: []

Owner Name: (First) [] (Last) [] Non-Domestic Domestic All

POD / Surface Data Report
 Avg Depth to Water Report
 Water Column Report

Clear Form iwATERS Menu Help

AVERAGE DEPTH OF WATER REPORT 07/17/2006

Ben	Tws	Rng	Sec	Zone	X	Y	Depth Water in Feet)		
							Min	Max	Avg
No Records found, try again									

DISTRICT I
1220 N. French St., Hobbs, NM 88240

DISTRICT II
1221 N. Grant Avenue, Artesia, NM 88210

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

DISTRICT IV
1220 N. French St., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-108
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	Pool Code	Pool Name
	36480	Turkey Track (Morrow)
Property Code	Property Name	Well Number
	PALMILO "12" STATE COM	1
OCED No.	Operator Name	Elevation
001801	BEPCO, L.P.	3409'

Surface Location

UL or Lot No.	Section	Township	Range	Lot Mn	Feet from the	North/South line	Feet from the	East/West line	County
E	12	19 S	28 E		1650	NORTH	660	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or Lot No.	Section	Township	Range	Lot Mn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
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

	<p align="center">OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unshared mineral interest in the land including the proposed bottom hole location proposed 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.</p> <p><u>William R. Dannels</u> Signature 6/30/66 Date</p> <p>W. R. DANNELS Printed Name <u>WILLIAM R. DANNELS</u></p>
	<p align="center">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: <u>June 10, 1966</u> Signature of Professional Surveyor: <u>[Signature]</u> Professional Surveyor: <u>7977</u></p> <p align="center"> </p> <p>Certificate No. Gary L. Jones 7977</p> <p align="center">BASIN SURVEYS</p>

SECTION 12, TOWNSHIP 19 SOUTH, RANGE 28 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.

150' NORTH
 OFF SET
 3409.1'
 □

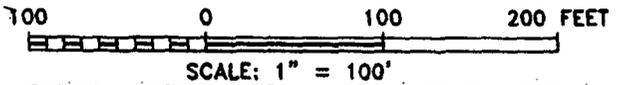
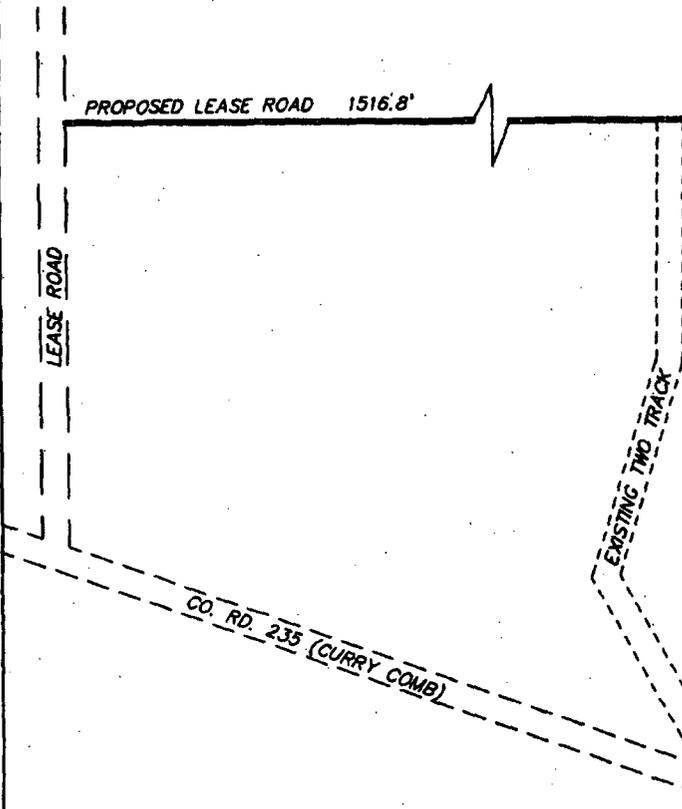
BEPCO, L.P.
 PALMILLO "12" STATE COM #1
 ELEV. - 3409'

150' WEST
 OFF SET □
 3409.2'

150' EAST
 OFF SET
 3407.8'

○
 Lat.-N 32°40'40.0"
 Long.-W 104°08'13.8"
 (NAD-83)

□
 150' SOUTH
 OFF SET
 3408.3'



DIRECTIONS TO LOCATION:

FROM THE JUNCTION OF STATE HWY 62-180 AND STATE HWY 31, PROCEED WEST 2.2 MILE OR 0.2 MILE WEST OF MILE MARKER 51 TO STATE HWY 36; ON STATE HWY 36 GO NORTH 5.6 MILE TO CO. RD. 235 (CURRY COMB); THENCE NORTHWEST ON CO. RD 235 11.8 MILE TO LEASE ROAD; ON LEASE ROAD PROCEED NORTH 0.2 MILE PROPOSED LEASE ROAD.

BEPCO, L.P.

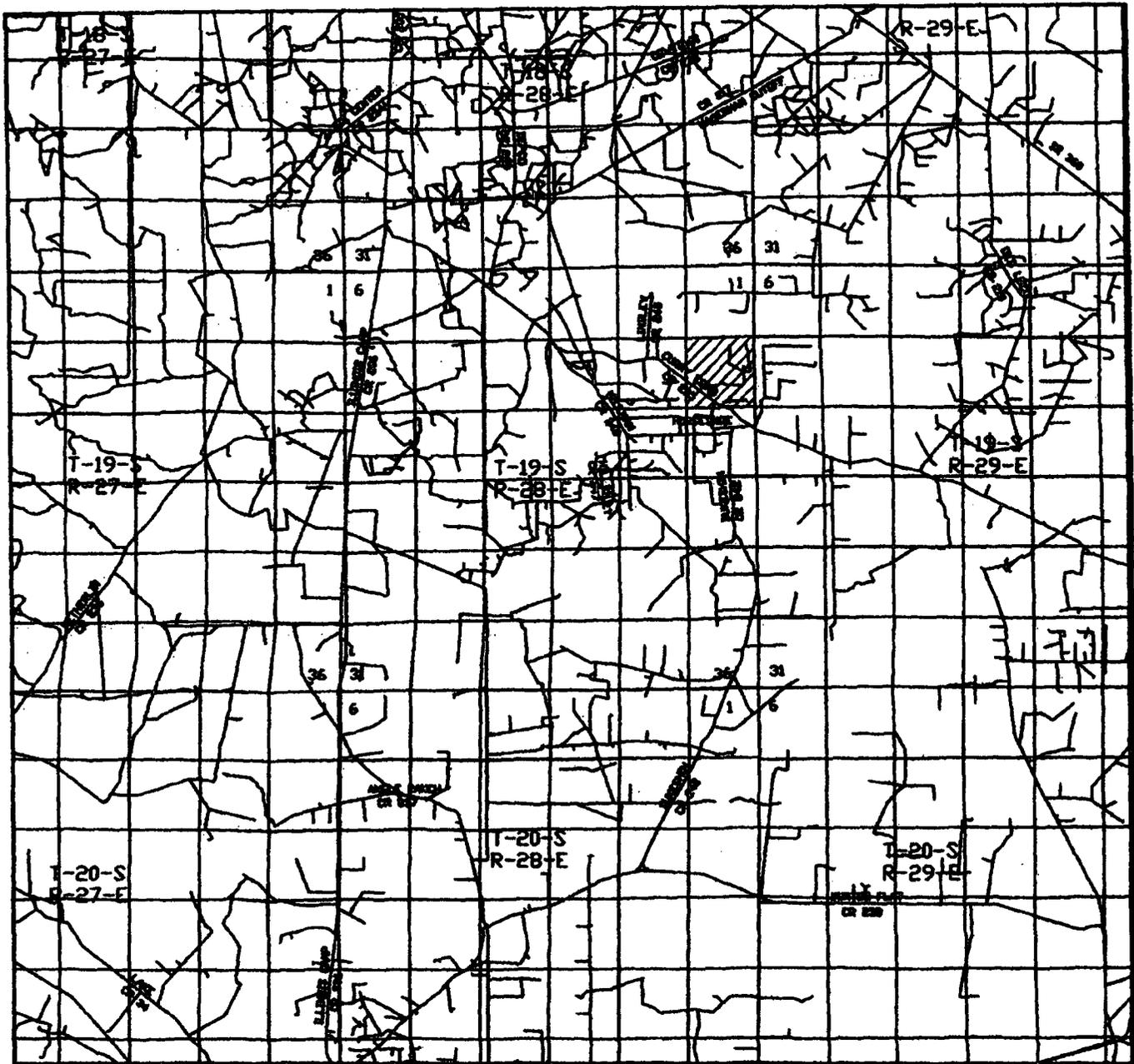
REF: PALMILLO "12" STATE COM #1/ WELL PAD AND TOPO
 THE PALMILLO "12" STATE COM #1 LOCATED 1650'
 FROM THE NORTH LINE AND 660' FROM THE WEST LINE OF
 SECTION 12, TOWNSHIP 19 SOUTH, RANGE 28 EAST,
 N.M.P.M., EDDY COUNTY, NEW MEXICO.

Basin Surveys P.O. BOX 1786-HOBBS, NEW MEXICO

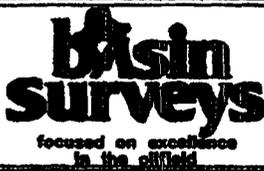
W.O. Number: 6811 Drawn By: J. SMALL

Date: 06-19-2006 Disk: 6811W JMS

Survey Date: 06-16-2006 Sheet 1 of 1 Sheets



PALMILLO "12" STATE COM #1
 Located at 1650' FNL and 660' FWL
 Section 12, Township 19 South, Range 28 East,
 N.M.P.M., Eddy County, New Mexico.



P.O. Box 1788
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (505) 393-7316 - Office
 (505) 392-3074 - Fax
 basin-surveys.com

W.O. Number: JMS 6811T
 Survey Date: 08-18-2006
 Scale: 1" = 2000'
 Date: 08-19-2006

BEPCO, L.P.

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

NAME OF WELL: PALMILLO 12 STATE COM #1

LEGAL DESCRIPTION - SURFACE: 1650' FNL & 660' FWL, Section 12, T-19-S, R-28-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 3431' (est)
GL 3409'

<u>FORMATION</u>	<u>ESTIMATED TOP FROM KB</u>	<u>ESTIMATED SUBSEA TOP</u>	<u>BEARING</u>
T/Rustler	321'	+ 3,110'	
T/Salt	421'	+ 3,010'	
B/Salt	661'	+ 2,770'	
T/Queen	1,711'	+ 1,720'	Oil/Gas
T/San Andres	2,531'	+ 900'	Oil/Gas
T/Bone Springs	3,331'	+ 100'	Oil/Gas
T/Wolf	8,681'	- 5,250'	Oil/Gas
T/Strawn	9,881'	- 6,450'	Oil/Gas
T/Atoka	10,261'	- 6,830'	Oil/Gas
T/Morrow	10,691'	- 7,260'	Oil/Gas
T/L. Morrow	10,991'	- 7,560'	Oil/Gas
TD	11,355'	- 7,924'	Oil/Gas

POINT 3: CASING PROGRAM

<u>TYPE</u>	<u>INTERVALS</u>	<u>PURPOSE</u>	<u>CONDITION</u>
16"	0' - 60'	Conductor	Contractor Discretion
11-3/4", 42#, J-55, ST&C	0' - 408'	Surface	New
8-5/8", 32#, J-55, LT&C	0' - 3,350'	Intermediate	New
5-1/2", 15.50#, K-55, LT&C	0' - 2,200'	Production	New
5-1/2", 17#, K-55, LT&C	2,200' - 6,000'	Production	New
5-1/2", 17#, N-80, LT&C	6,000' - 11,355'	Production	New

POINT 4: PRESSURE CONTROL EQUIPMENT (SEE ATTACHED DIAGRAM)

A BOP equivalent to Diagram 1 will be nipped up on the surface casinghead and on the intermediate casinghead. 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 which ever is less with the rig pump. The BOP stack, etc. when rigged up on the intermediate casing spool, all equipment will be tested to 5000 psig by independent tester. In addition to the high pressure test, a low pressure (200 psi) test will be required.

These tests will be performed:

- a) Upon installation
- b) After any component changes
- c) Twenty-one 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

<u>DEPTH</u>	<u>MUD TYPE</u>	<u>WEIGHT</u>	<u>FV</u>	<u>PV</u>	<u>YP</u>	<u>FL</u>	<u>Ph</u>
0' - 418'	FW	8.5 - 9.2	45-35	NC	NC	NC	9.5
418' - 3,356'	BW	10.0	28-30	NC	NC	NC	9.5
3,356' - 8,500'	FW	8.6 - 8.9	28-30	4	2	NC	9.5
8,500' - TD	CBW/Polymer	8.9 - 10.5	30-34	6	4	50	9.5

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:

GR-CNL-LDT-LLD run from 11,355' (TD) to intermediate casing at 3,356', GR-CNL to surface.

C) CORING

No cores are anticipated.

D) CEMENT

<u>INTERVAL SURFACE:</u>	<u>AMOUNT SXS</u>	<u>FT OF FILL</u>	<u>TYPE</u>	<u>GALS/SX</u>	<u>PPG</u>	<u>FT³/SX</u>
Circ to surface Lead 0'-411' (100% excess)	290	411	Premium Plus + 2% CaCl ₂ + 1/4#/sk Flocele	6.32	14.8	1.34
<u>INTERMEDIATE</u>						
Circ to surface Lead 0'-2856' (100% excess)	635	2856	Interfill C + 1/4#/sx Flocele	14.10	11.9	2.45
Tail 2856'-3356' (100% excess)	210	500	Premium Plus + 2% CaCl ₂	6.34	14.8	1.34
<u>PRODUCTION</u>						
Lead 2856'-8000' (50% excess)	545	5144	Interfill H + 5pps Gilsonite + 0.5% Halad 9 + 1/4pps Flocelel	13.61	11.9	2.47
Tail: 8000'-11355' (50% excess)	615	3355	Super H + 0.5% Halad 344 + 0.4% CFR3 + 5pps Gilsonite + 1pps Salt + 0.2% HRT	8.20	13.0	1.67

E) DIRECTIONAL DRILLING

No directional services anticipated.

POINT 7: ANTICIPATED RESERVOIR CONDITIONS

Normal pressures are anticipated throughout the Delaware, Bone Spring & Wolfcamp sections. The Strawn expected BHP is 5400 (max) or an equivalent mud weight of 10.5 ppg. 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 140° F. No H₂S is anticipated.

POINT 8: OTHER PERTINENT INFORMATION

A) Auxiliary Equipment

Upper and lower kelly cocks. Full opening stab in valve on the rig floor.

B) Anticipated Starting Date

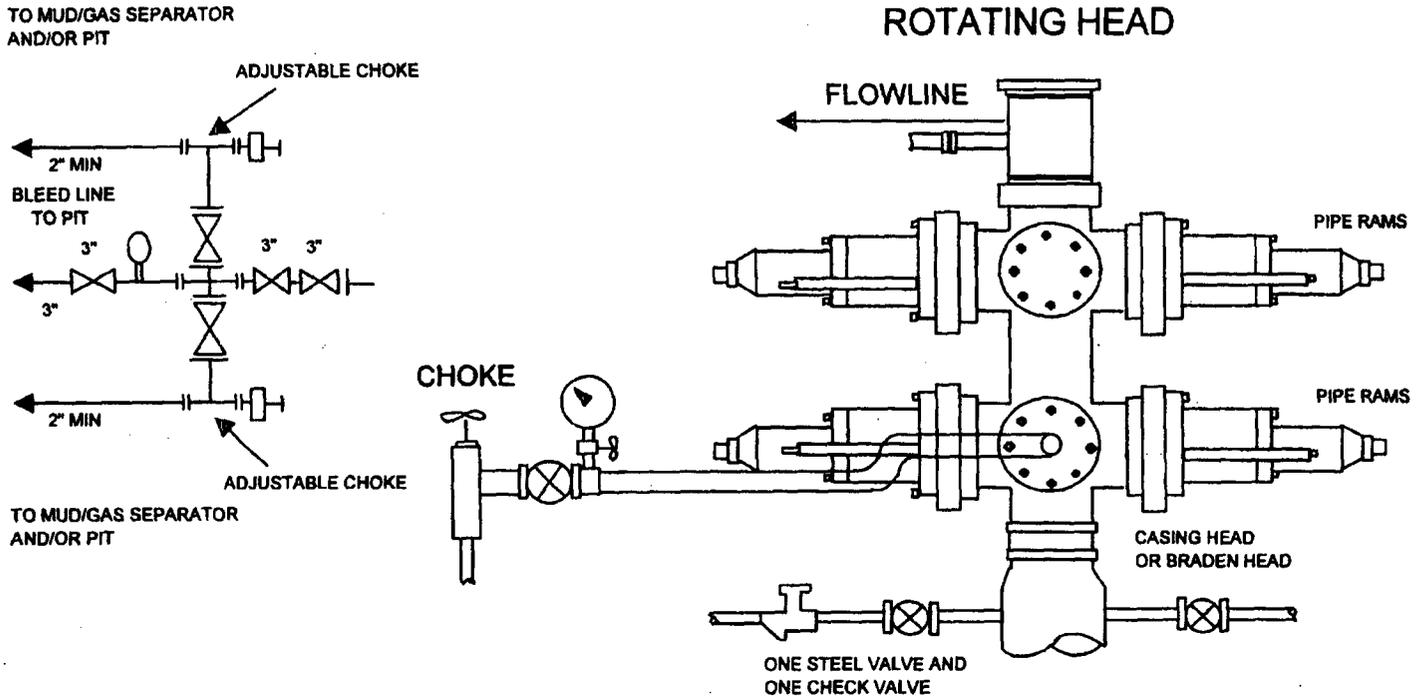
Upon approval

45 days drilling operations

20 days completion operations

GEG/cnt

5000 PSI WP



5000# PSI CHOKE MANIFOLD EQUIPMENT - CONFIGURATION MAY VARY

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. Chokes must be adjustable. Choke spool may be used between rams.

DIAGRAM 1