

OCD-ARTESIA

SECRETARY'S POTASH

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RESUBMITTAL

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM 03075	
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name	
2. Name of Operator 1801 BEPCO, L. P. CARLSBAD CONTROLLED WATER BASIN		7. If Unit or CA Agreement, Name and No. NMNM 71016	
3a. Address P. O. Box 2760 Midland, TX 79702		8. Lease Name and Well No. Poker Lake Unit #162 1796	
3b. Phone No. (include area code) 432-683-2277		9. API Well No. 30-015-35522	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 660' FNL & 1980' FWL, Lat N 32.252028 deg, Lon W 103.923389 deg At proposed prod. zone Same Persundry received 1-11-07		10. Field and Pool, or Exploratory Nash Draw, Delano (Bene Spring)	
11. Sec., T. R. M. or Blk. and Survey or Area Sec 6, T24S, R30E, Mer NMP		12. County or Parish Eddy	
13. State NM		14. Distance in miles and direction from nearest town or post office* 14 miles east of Malaga, NM	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'	16. No. of acres in lease 1843.32	17. Spacing Unit dedicated to this well 40.00	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1328'	19. Proposed Depth 7550' MD, 7550' TVD	20. BLM/BIA Bond No. on file NM 2204	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3208' GL	22. Approximate date work will start* 01/01/2007	23. Estimated duration 12 days	

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <i>Annette Childers</i>	Name (Printed/Typed) Annette Childers	Date 10-18-06
Title Administrative Assistant		

Approved by (Signature) /s/ Linda S.C. Rundell	Name (Printed/Typed) /s/ Linda S.C. Rundell	Date MAR 26 2007
Title STATE DIRECTOR		Office NM STATE OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

SUBJECT TO LIKE
APPROVAL BY STATE

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

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

OCD-ARTESIA

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

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 47545	Pool Name Nash Draw (Dela, BS, Avalon Sd)
Property Code 068545	Property Name POKER LAKE UNIT	Well Number 162
OGRIID No. 001801	Operator Name BEPCO, L.P.	Elevation 3207'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	6	24 S	30 E		660	NORTH	1855	WEST	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 40	Joint or Infill N	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

LOT 1 40.72 ACRES		LAT - N32°15'09.2" LONG - W103°55'24.8" (NAD-83)	<div style="border: 1px solid black; padding: 5px;"> OPERATOR CERTIFICATION <small>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.</small> <div style="display: flex; justify-content: space-between;"> <div>Signature <i>Gary E. Corhard</i></div> <div>Date <i>2/28/07</i></div> </div> <div style="display: flex; justify-content: space-between;"> <div>Printed Name Gary E. Corhard</div> </div> </div>
LOT 2 40.58 ACRES		162.65 ACRES	
LOT 3 40.42 ACRES			
LOT 4 40.28 ACRES		162.74 ACRES	

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.

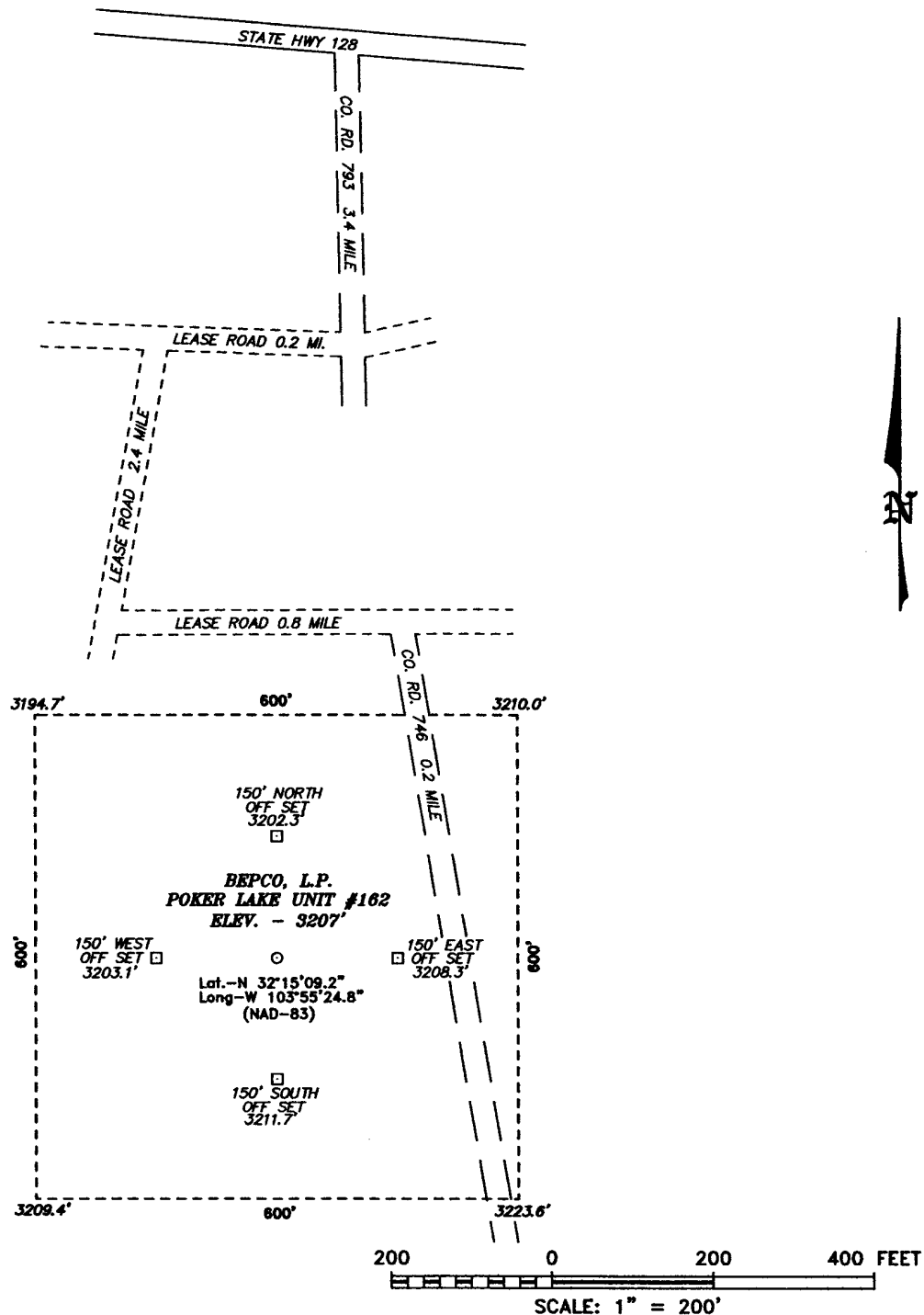
DECEMBER 14, 2006

Date Surveyed
Signature: **GARY L. JONES**
Professional Surveyor

Certificate No. **Gary L. Jones 7977**

BASIN SURVEYS

SECTION 6, TOWNSHIP 24 SOUTH, RANGE 30 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



DIRECTIONS TO LOCATION:

FROM THE JUNCTION OF STATE HWY 128 AND CO. RD. 793, PROCEED SOUTH ON CO. RD. 793 FOR 3.4 MILES TO LEASE ROAD. ON LEASE ROAD PROCEED WEST 0.2 MILES TO LEASE ROAD, ON LEASE ROAD PROCEED SOUTH THENCE EAST 3.2 MILES TO CO. RD. 746 (GAVILAN), ON CO. RD. 746 PROCEED SOUTH 0.2 MILE TO PROPOSED LOCATION.

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

W.O. Number: 17522

Drawn By: J. SMALL

Date: 12-18-2006

Disk: 17522W JMS

BEPCO, L.P.

REF: POKER LAKE UNIT #162 / WELL PAD AND TOPO

THE POKER LAKE UNIT No. 162 LOCATED 660'

FROM THE NORTH LINE AND 1855' FROM THE WEST LINE OF
SECTION 6, TOWNSHIP 24 SOUTH, RANGE 30 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 12-14-2006

Sheet 1 of 1 Sheets

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

NAME OF WELL: POKER LAKE UNIT #162

LEGAL DESCRIPTION - SURFACE: 660' FNL & ^{1855' 32} ~~1980'~~ FWL, Section 6, T-24-S, R-30-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 3223' (est)
GL 3208'

<u>FORMATION</u>	<u>ESTIMATED TOP FROM KB</u>	<u>ESTIMATED SUBSEA TOP</u>	<u>BEARING</u>
T/Salt	577'	+2,646'	Barren
B/Salt	3,249'	- 26'	Barren
T/Lamar	3,458'	- 253'	Barren
T/Ramsey	3,503'	- 280'	Oil/Gas
T/Lwr Brushy Canyon 8A	6,960'	- 3,737'	Oil/Gas
T/Y" Sand	7,138'	- 3,915'	Oil/Gas
T/Bone Spring	7,198'	- 3,975'	Oil/Gas
TD	7,650'	- 4,427'	

POINT 3: CASING PROGRAM

<u>TYPE</u>	<u>INTERVALS</u>	<u>Hole Size</u>	<u>PURPOSE</u>	<u>CONDITION</u>
16"	0' - 40'	20"	Conductor	Contractor Discretion
8-5/8", 24#, WC-50, LTC	0' - 500'	12-1/4"	Surface	New
5-1/2", 15.50#, K-55, LT&C	0' - 6,500'	7-7/8"	Production	New
5-1/2", 17#, K-55, LT&C	6,500' - 7,650'	7-7/8"	Production	New

POINT 4: PRESSURE CONTROL EQUIPMENT (SEE ATTACHED DIAGRAM)

A BOP equivalent to Diagram 1 will be nipped up on the surface casing head. The BOP stack, choke, kill lines, kelly cocks, inside BOP, etc. will be hydro-tested to 70% of internal yield pressure of casing or 1000 psig whichever is less with the rig pump. 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) Fifteen days after a previous test
- d) As required by well conditions

A function test to insure that the preventers are operating correctly will be performed on each trip.

POINT 5: MUD PROGRAM

DEPTH	MUD TYPE	WEIGHT	FV	PV	YP	FL	Ph
0' - 500'	FW Spud Mud	8.5 - 9.2	45-35	NC	NC	NC	NC
500' - 5600'	BW	9.8 -10.2	28-30	NC	NC	NC	9.5-10.5
5600' - TD	BW/Diesel Emulsion	8.8 - 9.2	34-38	4	8	<100 cc	9.5-10.5

**Will increase vis for logging purposes only.*

POINT 6: TECHNICAL STAGES OF OPERATION**A) TESTING**

None anticipated.

B) LOGGING

GR-CNL-LDT-LLD from TD to Base of Salt (+/-3,249'). Run GR-CNL from Base of Salt to surface.

C) CONVENTIONAL CORING

None anticipated.

D) CEMENT

INTERVAL	AMOUNT SXS	FT OF FILL	TYPE	ATER GALS/SK	SLURRY PPG	YIELD FT ₃ /SX	WL	PT
SURFACE:								
Lead: 0'-300' (100% excess)	Circulate cement to surface 165	300	35:65 Poz + 6% D20 + 3% SI + 5pps D130	10.44	12.6	2.00	<300	7:56
Tail: 300-500' (100% excess)	135	200	Class "C" + 2% CaCl ₂	6.38	14.8	1.35	<400	3:33
PRODUCTION:								
INTERVAL	AMOUNT SXS	FT OF FILL	TYPE	ATER GALS/SK	SLURRY PPG	YIELD FT ₃ /SX	WL	PT
Lead: 3003'-6000' (50% excess)	365	2997	Litecrete 39:51 (D961:D124) + 2% D15 + 0.05gps D604AM + 0.03gps M45 + 2pps D24 + 0.04gps D801	9.16	10.2	2.37	<100	5:56
Tail: 6000'-7650' (50% excess)	225	1650	Litecrete 39:51 (D961:D124) + 2% D15 + 0.05gps D604AM + 0.03gps M45 + 2pps D24 + 0.04gps D801	6.70	10.5	2.04	<100	3:16

E) DIRECTIONAL DRILLING

No directional services anticipated.

POINT 7: ANTICIPATED RESERVOIR CONDITIONS

Normal pressures are anticipated throughout Delaware section. A BHP of 3256 psi (max) or MWE of 8.7 ppg is expected. Lost circulation may exist in the Delaware section from 3,503'-7,198". No H₂S is anticipated.

Estimated BHT is 146° F.

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

12 days drilling operations

14 days completion operations

GEG/cnt
October 16, 2006

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

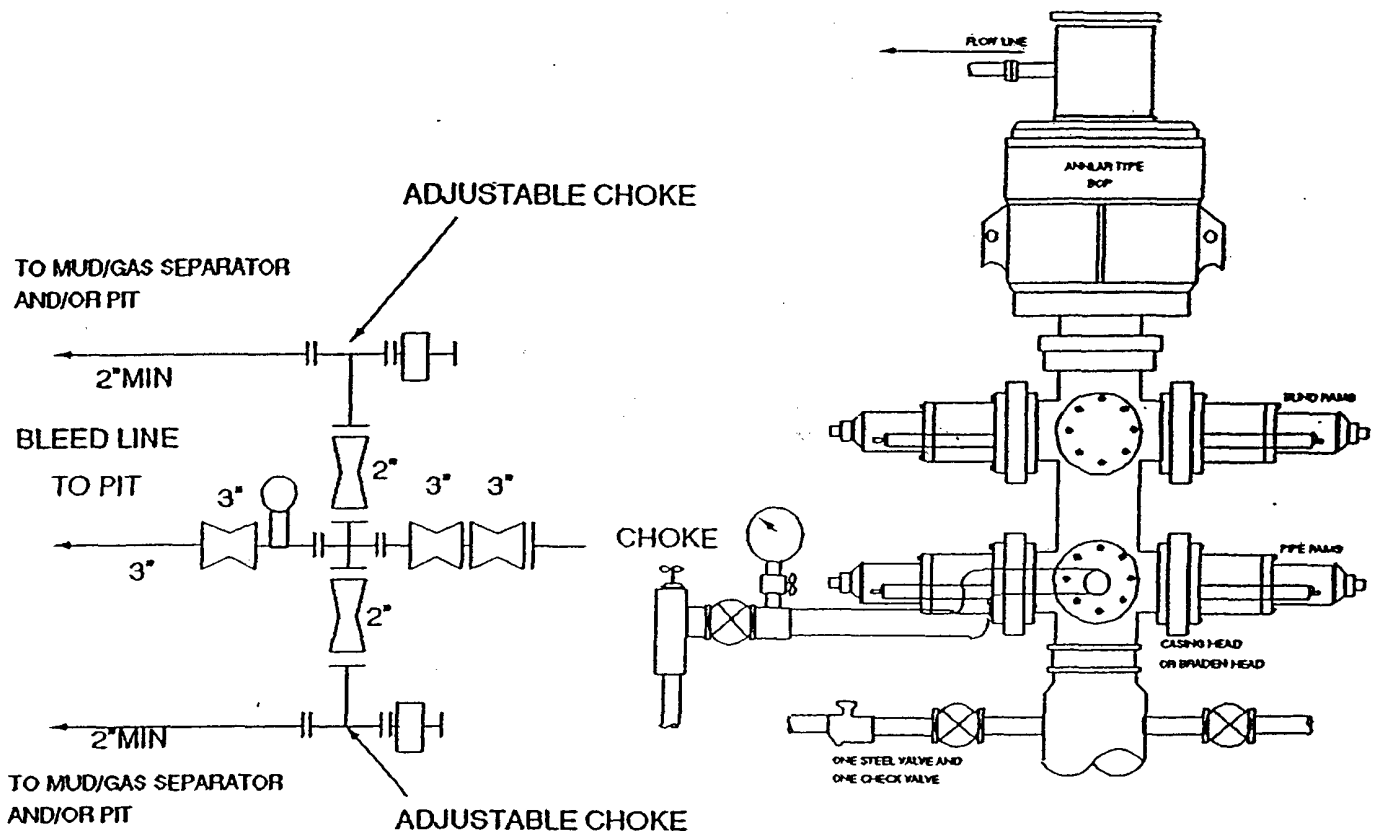
Production casing will be cemented using Schlumberger Litecrete with TOC @ 500' above uppermost pay.

Drilling procedure, BOP diagram, anticipated tops and surface plans attached.

This well is located outside the Secretary's Potash area and outside the R-111 Potash area. There are no potash leases within 1 mile of the location.

This APD was originally approved on March 28, 2001.

3000 PSI WP



THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS

- A. One double gate blowout preventer with lower rams for pipe and upper rams blind, all hydraulically controlled.
- B. Opening on preventers between rams to be flanged, studded or clamped and at least two inches in diameter.
- C. All connections from operating manifold to preventers to be all steel hose or tube a minimum of one inch in diameter.
- D. The available closing pressure shall be at least 15% in excess of that required with sufficient volume to operate (close, open, and re-close) the preventers.
- E. All connections to and from preventers to have a pressure rating equivalent to that of the BOP's.
- F. Manual controls to be installed before drilling cement plug.
- G. Valve to control flow through drill pipe to be located on rig floor.
- H. All chokes will be adjustable. Choke spool may be used between rams.

DIAGRAM 2

MULTI-POINT SURFACE USE PLAN

NAME OF WELL: POKER LAKE UNIT #162

LEGAL DESCRIPTION - SURFACE: 660' FNL & ^{1855' JL} 1980' FWL, Section 6, T-24-S, R-30-E, Eddy County, New Mexico.

POINT 1: EXISTING ROADS

A) Proposed Well Site Location:

See Exhibit "A", "B" and survey plats.

B) Existing Roads:

From Carlsbad, New Mexico, go 8 miles south on Highway 285 to Highway 31. Turn north and 7 miles on Highway 31. Turn east on Highway 128 and go 4 miles to Rawhide Road (located between mile markers 4 and 5). Turn southeast onto Rawhide Road and go approximately 6.5 miles southerly.

C) Existing Road Maintenance or Improvement Plan:

See Exhibit "A", "B", and survey plats.

POINT 2: NEW PLANNED ACCESS ROUTE

A) Route Location:

See Exhibit "A" and "B".

B) Width

12' wide.

C) Maximum Grade

Not applicable.

D) Turnout Ditches

Spaced per BLM requirements.

E) Culverts, Cattle Guards, and Surfacing Equipment

None.

POINT 3: LOCATION OF EXISTING WELLS

Exhibit "A" and "B" indicates existing wells within the surrounding area.

CONDITIONS OF APPROVAL - DRILLING

Well Name & No. Poker Lake Unit # 162
Operator's Name: BEPCO, LP
Location: 660' FNL, 1855' FEL, SEC 6, T24S, R30E, Eddy County, NM
Lease: NM-03075

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 16 inch, 8 5/8 inch 5 1/2 inch

C. BOP tests

2. A Hydrogen Sulfide (H₂S) Drilling Plan should be activated prior to drilling into the N/A Formation. A copy of the plan shall be posted at the drilling site.

3. 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.

4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

6. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

7. Gamma-Ray/Neutron logs shall be run from the base of the Salado Formation to the surface; cable speed not to exceed 30 feet per minute.

II. CASING:

1. The 8 5/8 inch surface casing shall be set ABOVE THE SALT, AT LEAST 25 feet INTO THE RUSTLER ANHYDRITE @ APPROXIMATELY 500 FEET, below usable water and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 5-1/2 inch production casing is cement shall CIRCULATE TO AT LEAST 200 FEET ABOVE THE shoe of the surface casing.

5. Whenever a casing string is cemented in the R-111-P Potash Area, cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.

CONDITIONS OF APPROVAL - DRILLING

Well Name & No. Poker Lake Unit # 162
Operator's Name: BEPCO, LP
Location: 660' FNL, 1855' FEL, SEC 6, T24S, R30E, Eddy County, NM
Lease: NM-03075

I. DRILLING OPERATIONS REQUIREMENTS:

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 - A. Spudding
 - B. Cementing casing: 16 inch, 8 5/8 inch 5 1/2 inch
 - C. BOP tests
2. A Hydrogen Sulfide (H₂S) Drilling Plan should be activated prior to drilling into the N/A Formation. A copy of the plan shall be posted at the drilling site.
- 3 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.
4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.
5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.
6. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.
7. Gamma-Ray/Neutron logs shall be run from the base of the Salado Formation to the surface; cable speed not to exceed 30 feet per minute.

II. CASING:

1. The 8 5/8 inch surface casing shall be set **ABOVE THE SALT, AT LEAST 25 feet INTO THE RUSTLER ANHYDRITE @ APPROXIMATELY 500 FEET**, below usable water and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.
2. The minimum required fill of cement behind the 5-1/2 inch production casing is **cement shall CIRCULATE TO AT LEAST 200 FEET ABOVE THE shoe of the surface casing.**
5. Whenever a casing string is cemented in the R-111-P Potash Area, cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 8 5/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.
2. Minimum working pressure of the blowout preventer and related equipment (BOPE) is 2000 psi.
3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
 - A variance to test the 8 5/8 casing, BOP and BOPE to the reduced pressure of 1000 psi with the rig pumps is approved.
 - The tests shall be done by an independent service company.
 - The results of the test shall be reported to the appropriate BLM office.
 - Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
 - Testing must be done in a safe workman-like manner. Hard line connections shall be required.

Engineers can be reached at 505-706-2779 for any variances that might be necessary.