EA-07-477 R-111-POTASH ATS-07-290

Form 3160-3
(April 2004)

OCD-ARTESIA

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Month - Year APR 11 2007 OCD - ARTESIA, NM

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. ~~NMNM 071988~~ LC0719883

6. If Indian, Allotee or Tribe Name

1a. Type of work: ☑ DRILL ☐ REENTER

7. If Unit or CA Agreement, Name and No.

1b. Type of Well: ☐ Oil Well ☑ Gas Well ☐ Other ☑ Single Zone ☐ Multiple Zone

8. Lease Name and Well No. **James Ranch Unit #101** #1786

2. Name of Operator **BEPCO, L. P.** #1801

CARLSBAD CONTROLLED WATER BASIN

9. API Well No. 30-015-35543

3a. Address **P. O. Box 2760, Midland, TX 79702**

3b. Phone No. *(include area code)* **432-683-2277**

10. Field and Pool, or Exploratory **Los Medanos - Morrow**

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)*

At surface **NWSE, 1980 FSL, 2550 FEL, Lat N32.317222, Long W103.799833**

At proposed prod. zone **SENW, 1980 FNL, 1965 FWL, Lat N32.320889, Long W103.802250**

11. Sec., T. R. M. or Blk. and Survey or Area **Lot J, S8-T23S-R31E-NMP**

14. Distance in miles and direction from nearest town or post office* **18 MILES EAST OF CARLSBAD, NM**

12. County or Parish **EDDY**

13. State **NM**

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of acres in lease	17. Spacing Unit dedicated to this well
663'	**1088**	**320**
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth	20. BLM/BIA Bond No. on file
140'	**14,727' TVD, 14,980 MD**	**NM2204**
21. Elevations (Show whether DF, KDB, RT, GL, etc.)	22. Approximate date work will start*	23. Estimated duration
GL 3325'	**07/01/2007**	**55 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.
2. A Drilling Plan.
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).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature	Name *(Printed/Typed)*	Date
Annette Childers	**Annette Childers**	**01/29/2007**

Title: **Administrative Assistant**

Approved by *(Signature)*	Name *(Printed/Typed)*	Date
/s/ Linda S.C. Rundell	/s/ Linda S.C. Rundell	APR 2 2007

Title	Office
STATE DIRECTOR	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)

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

SEE ATTACHED FOR CONDITIONS OF APPROVAL

SUBJECT TO LIKE APPROVAL BY STATE

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

BASS ENTERPRISES PRODUCTION CO.
201 MAIN ST.
FORT WORTH, TEXAS 76102-3131
817/390-8400

March 15, 2007

FEDERAL EXPRESS

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

Attention: Mr. Jim Stovall

Re: Subsurface Easement
James Unit No. 101 APD
1980' FSL 2250' FEL
Section 8, T23S-R31E
Eddy County, New Mexico

Dear Mr. Stovall:

Please reference the BLM's letter dated February 2, 2007, noting that the APD for the above well requires a surface use plan and statement from Devon Energy regarding the drilling pad for the Bass-JRU 101 Well, which will be next to Devon's location for the Devon-North Pure Gold Federal No. 6.

Attached hereto is the original, fully-executed Subsurface Easement whereby Devon has verified its consent to the Bass location, as well as the right to drill through Devon's lease to arrive at a bottomhole location under Bass' lease.

It is Bass' understanding that the APD for the JRU No. 101 Well will now be approved by the BLM; however, should there be any further requirements in that regard, please contact the undersigned at your earliest convenience at (817) 390-8671.

Very truly yours,

J. Wayne Bailey

JWB:mc
Attachment

cc: Stephen Martinez – Bass Midland Office

F:\LandSecs\Merryn Documents\Docs\WB\BLM-Stovall-Subsurface Easement.doc

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

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

Form C-102
Revised October 12, 2005

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	Pool Name
	80560	LOS MEDANOS - MORROW

Property Code	Property Name	Well Number
071988	JAMES RANCH UNIT	102

OGRID No.	Operator Name	Elevation
001801	BEPCO, L.P.	3318'

Surface Location

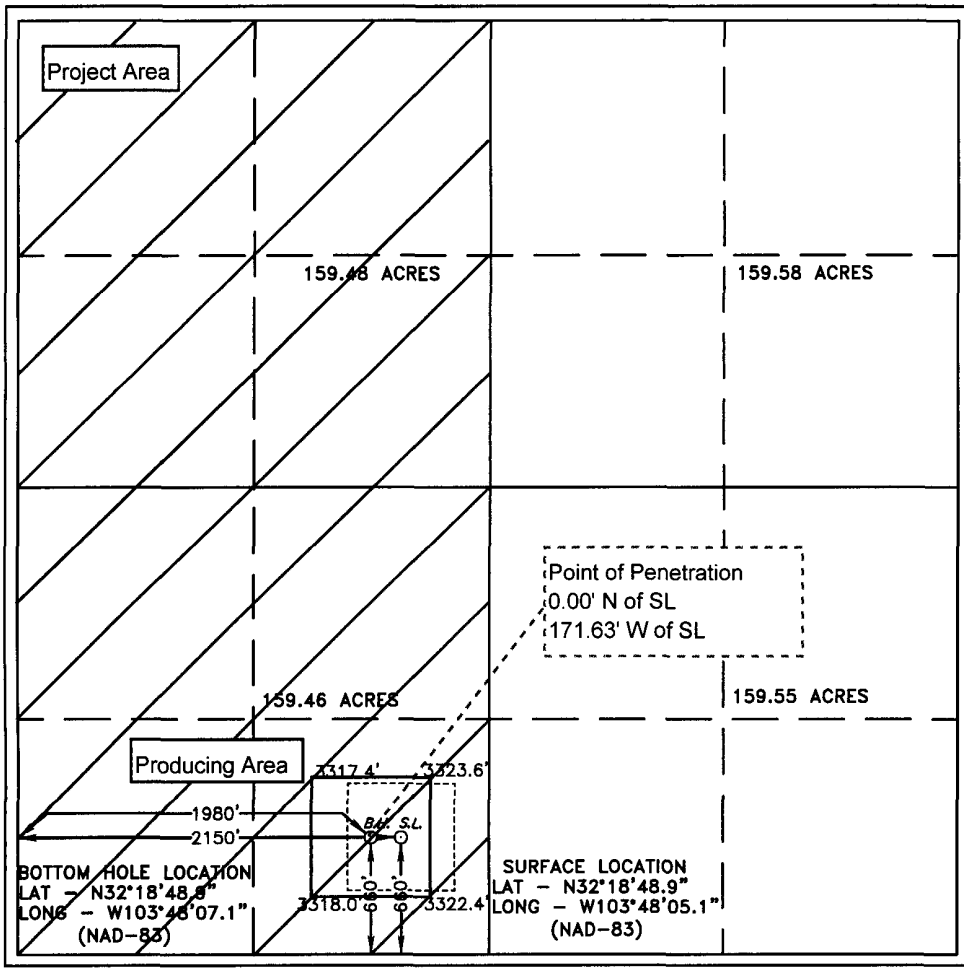
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	8	23 S	31 E		660	SOUTH	2150	WEST	EDDY

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
N	8	23 S	31 E		660	SOUTH	1980	WEST	EDDY

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



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.

April 16, 2007
Signature Date

Stephen M. Martinez
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 supervison, and that the same is true and correct to the best of my belief.

DECEMBER 05, 2006
Date Surveyed
Signature & Seal of Professional Surveyor

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

SUBSURFACE EASEMENT

This Subsurface Easement is entered into this 1st day of March, 2007 by and between DEVON ENERGY PRODUCTION COMPANY, L.P. ("DEVON") and BASS ENTERPRISES PRODUCTION CO. ("BEPCO")

NOTICE IS TAKEN OF THE FOLLOWING FACTS:

1. BEPCO intends to drill the James Ranch Unit #101 as a directional 13,000' (total vertical depth) Morrow test well with a SHL of 2550' FEL & 1980' FSL of and a BHL of 1980' FNL & 1965' FWL all in Section 8-T23S-R31E, in Eddy County, New Mexico as depicted on the attached State of New Mexico form C-102; and

2. Due to certain Potash drilling restrictions imposed by the Bureau of Land Management, drilling a vertical well at a surface location in the W/2 of said section 8 is not permitted, and

3. BEPCO has staked and permitted its proposed well at the above mentioned SHL and DEVON is the owner of the leasehold estate underlying the E/2 of said section 8. Additionally, DEVON is the operator of the North Pure Gold Federal #6 well located 1980' FSL & 2310' FEL of said section 8, and

4. As the record oil and gas leasehold owner underlying the E/2 of said section 8 and as operator of the North Pure Gold Federal #6 well, DEVON desires to grant to BEPCO a subsurface easement to drill and produce through the rock strata underlying the leasehold estate in the E/2 of said Section 8 to a BHL of 1980' FNL & 1965' FWL of said Section 8 pursuant to the terms of this agreement.

NOW, THEREFORE, for adequate consideration, the receipt of which is hereby acknowledged, and in consideration of the premises and covenants contained herein, DEVON does hereby without warranties or covenants of title, or of any nature, express or implied or otherwise, grant to BEPCO a subsurface easement through the rock strata underlying the leasehold estate in the E/2 of Section 8-T23S-R31E, Eddy County New Mexico such that BEPCO may locate its proposed James Ranch Unit #101 well at a surface location in the E/2 of said Section 8 and from said surface location drill through and across the underground rock strata of DEVON to a bottom hole location in the W/2 of Section 8, T23-R31E, Eddy County, New Mexico. The easement granted herein includes the right of BEPCO to drill, complete, rework, sidetrack, operate, produce, plug and abandon such well through the rock strata underlying the leasehold estate of DEVON.

All operations conducted by BEPCO with respect to the James Ranch Unit #101 well shall be conducted in a good and workmanlike manner and shall be at BEPCO's sole cost, risk and expense. Furthermore, all operations conducted by BEPCO with respect to the well (including without limitation, plugging and abandonment operations) shall be conducted in strict compliance with the statutes, rules, regulations, requirements and orders of any governmental agency having jurisdiction thereof.

BEPCO, its successors and assigns shall fully defend, indemnify, release and completely hold harmless DEVON, and it's affiliates, partners, subsidiaries, officers, employees, and directors from and against all actions, claims, demands, liabilities, damages, losses, costs and expenses, including, but not limited to attorneys' fees (and any other costs associated with handling of or defense of any such action or claim of any kind), for injuries to or illness or death or for damage to, loss of or loss of use of the DEVON operated North Pure Gold Federal #6 well, to the extent such injury, illness, death, loss or loss of use arises out of BEPCO's operations hereunder.

This Subsurface Easement shall continue in full force and effect through a period ending ninety (90) days following the plugging and abandonment of the James Ranch Unit #101 well.

Executed as of the date first above written.

BASS ENTERPRISES PRODUCTION CO.

By: _____

DEVON ENERGY PRODUCTION COMPANY, L.P.

By: _____
D. D. DeCarlo, Vice President

STATE OF TEXAS §
§
COUNTY OF §

This instrument was acknowledged before me on the 15th day of March, 2007 by W. Frank McCreight, _____, on behalf of said corporation.

My Commission Expires:

6-18-2010

Notary Public

MERRYN E. CROMARTIE
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 06-18-2010

STATE OF OKLAHOMA §
§
COUNTY OF OKLAHOMA §

This instrument was acknowledged before me on the 2nd day of March, 2007 by D. D. DeCarlo, Vice President of Devon Energy Production Company, L.P., an Oklahoma limited partnership, on behalf of said partnership.

My Commission Expires:

6/23/09

Notary Public

KELLY W. ROBERTSON
NOTARY PUBLIC
#05005789
EXP. 6/23/09
STATE OF OKLAHOMA

EIGHT POINT DRILLING PROGRAM
BEPCO, L.P.

NAME OF WELL: JAMES RANCH UNIT #101

LEGAL DESCRIPTION - SURFACE: 1980' FSL & 2550' FEL, Section 8, T-23-S, R-31-E, Eddy County, New Mexico. BOTTOM HOLE: 1980' FSL & 1965' FWL, Section 8, T-23-S, R-31-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 3346' (est); GL 3325'

FORMATION	ESTIMATED TVD FROM KB	ESTIMATED SUBSEA TOP	BEARING
T/Rustler	371'	2,975'	Barren
T/Salt	706'	2,630'	Barren
T/Lamar Lime	4,066'	-725'	Barren
T/Delaware	4,081'	-735'	Oil/Gas
T/Bone Spring Lime	7,941'	-4,600	Oil/Gas
T/Wolfcamp	11,176'	-7,830'	Oil/Gas
T/Strawn	12,721'	-9,375'	Oil/Gas
T/Atoka	12,934'	-9,588'	Oil/Gas
T/Atoka Sand	13,146'	-9,800'	Oil/Gas
T/Atoka Bank	13,225'	-9,879'	Oil/Gas
T/Upper Morrow	13,753'	-10,407'	Oil/Gas
T/Middle Morrow	14,161'	-10,815'	Oil/Gas
T/Lower Morrow	14,527'	-11,191'	Oil/Gas
TD	14,727'	-11,381'	Oil/Gas

POINT 3: CASING PROGRAM

TYPE	INTERVAL (TVD)	PURPOSE	CONDITION
20"	0' – 120'	Conductor	Contractor Discretion
13-3/8", 48#, H-40, STC	0' – 696'	Surface	New
9-5/8", 40#, J-55, LTC	0' – 4,075'	Intermediate	New
7", 26#, HCP-110, LTC	0' – 12,000'	Production Casing	New
4-1/2", 13.5#, HCP-110 LTC	11,700' – 14,727'	Production Liner	New

POINT 4: PRESSURE CONTROL EQUIPMENT (SEE ATTACHED DIAGRAM)

The BOPE 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. In addition to the high pressure test, a low pressure (200 psi) test will be required. This same BOP stack, choke, kill lines, kelly cocks, inside BOP etc. will be nipped up an 8-5/8" intermediate casing and will be hydrostatically tested to 3,000 psig by independent tester. A 200 psi test will also 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 (TVD)	MUD TYPE	WEIGHT	FV	PV	YP	FL	Ph
0' – 706'	FW	8.6 - 9.2	55-60	NC	NC	NC	9.5
760' – 4,075'	BW	10.0 – 10.2	28-30	NC	NC	NC	9.5 – 10.0
4,075' – 10,500'	FW	8.4 – 8.6	28-30	4	2	NC	9.5 – 10.0
10,500' – 12,000'	CBW	9.0 – 9.5	28-30	6	4	NC	9.5
12,000' – 13,500'	CBW/Polymer	9.0 – 13.0	34-38*	6-10	8-12	<20	9.5-10
13,500' – TD	CBW/Polymer	9.0 – 12.1	34-38*	6-10	8-12	<10	9.5-10

*Will increase viscosity for logging purposes only.

POINT 6: TECHNICAL STAGES OF OPERATION

A) TESTING

None anticipated.

B) LOGGING

GR-CNL-LDT w/Dual Induction Log (12,000'-4,075' TVD); GR-CNL (4,075' TVD – surface); GR-CNL-LDT w/Dual Lateral Log (14,727'-12,000' TVD).

C) CONVENTIONAL CORING

None anticipated.

D) CEMENT (All Depths MD)

INTERVAL	# SACKS	FILL	TYPE	GALS/SX	PPG	FT^3/SX
SURFACE						
Lead (100% excess)						
0' – 396'	295	396'	Light Premium Plus + 2.7lbm/sk NaCl	10.14	12.80	1.87
Tail (100% excess)						
396' – 696'	340	300'	Premium Plus + 2% $CaCl_2$	6.34	14.80	1.34
INTERMEDIATE						
Lead (100% Excess)						
0 – 3,500' ft	745	3500'	Interfill 'C' Cement	16.43	11.50	2.76
Tail (100% Excess)						
3,500' - 4075'	295	575'	Premium Plus + 1% $CaCl_2$	6.33	14.80	1.33
PRODUCTION	(Three stage with DV tools set at ± 4,000' and ± 7,500'; circulate cement to surface)					
1st Stage (50% excess)						
Lead						
7,500' – 11,000'	290	3500'	Interfill 'H" Halad®-9 (Low Fluid Loss Control)	16.43	11.50	2.76
Tail						
11,000' - 12,253'	225	1253'	50/50 Poz Premium + 5 lbm/sk Gilsonite + 1 lbm/sk salt + 0.6% Halad R-9 + 0.4% CFR-3 + 0.2% HR-7	5.43	14.20	1.30
2nd Stage (75% excess)						
Lead						
4,000' - 7,000'	285	3000'	Interfill 'C'	16.43	11.50	2.76
Tail						
7,000' - 7,500'	100	500'	Premium Plus Neat	6.32	14.80	1.32
3rd Stage						
Lead						
0' – 3,579'	235	3579'	Interfill 'C'	14.12	11.90	2.45
Tail						
3,579' - 4,000'	50	421'	Premium Plus + 1% $CaCl_2$	6.33	14.80	1.33
PRODUCTION LINER						
Tail (50% Excess)						
11,953" – 14,980"	290	3327'	Super 'H' + 0.5% Halad R-344 + 0.4% CFR-3 + 5 lbm/sk Gilsonite + 1 lbm/sk Salt + 0.2% HR-7	8.24	13.00	1.67

E) DIRECTIONAL DRILLING

The directional plan for this well is a standard 'S' curve. This well will be drilled vertically to a depth of 5,992' TVD. It will then be directionally drilled at a build rate of 2.50°/100' in a NW (330.77°) direction to a maximum angle of 20°. At a depth of 10,216' TVD (10,453' MD), the hole angle will be dropped at rate of 2.5°/100' becoming vertical again at 11,000' TVD (11,253' MD). The well will continue vertically until a total depth of 14,727' TVD (14,980' MD) is reached with a proposed total displacement of 1,529' (1334' N, 747' W). See the directional plan attached..

POINT 7: ANTICIPATED RESERVOIR CONDITIONS

Normal pressures are anticipated throughout the Delaware, Bone Spring & Wolfcamp sections. The Atoka Bank may be abnormally pressured with a maximum anticipated BHP of 8,200 psi or an equivalent mud weight of 12.2 ppg. The Morrow expected BHP is 7,500 (max) or an equivalent mud weight of 10.5 ppg @ TD. 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 230°. 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

55 days drilling operations

30 days completion operations

WRD:smm
January 23, 2007

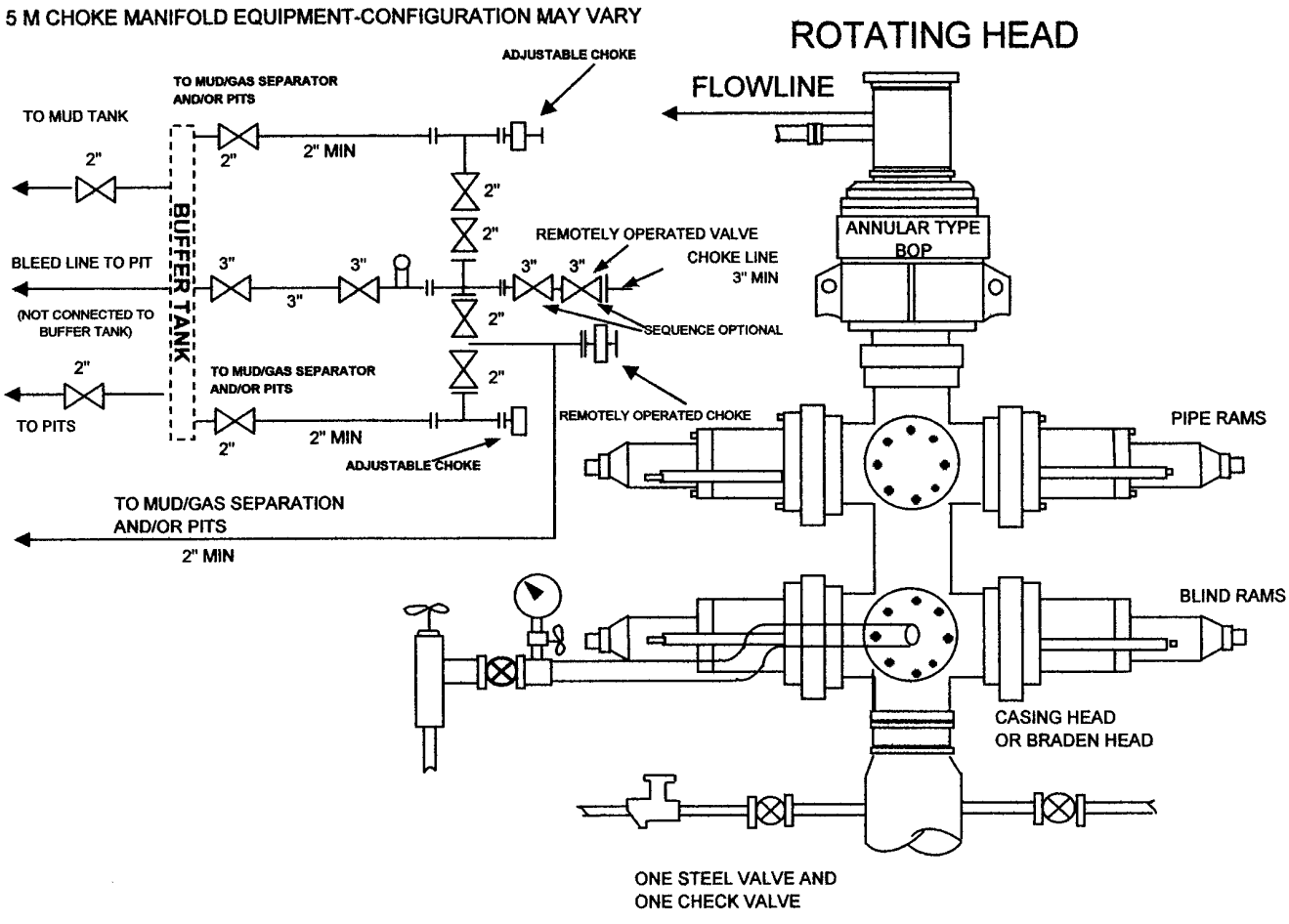
Surface casing is to be set +/- 10' above top of salt and below all fresh water sands.
Intermediate casing will be set in the top of the Lamar. Production casing will be cemented using a multi-stage cement tool with the cement circulated to surface. A production liner will be set through the Strawn, Atoka, and Morrow groups. The proposed TD is 200' below the Lower Morrow at ±14,727' TVD.

Drilling procedure, BOP diagram, anticipated tops and surface plans are attached along with the proposed directional drilling plan.

This well is located inside the Secretary's Potash area and inside the R-111 Potash area.

The surface location is located within the Devon Pure Gold Lease, a lease operated by Devon Energy Production Company, LP.

BEPCO, L. P.
5-M WP BOPE WITH 5-M WP ANNULAR
Diagram 1



THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS

A. One double gate Blowout preventer with lower pipe rams and upper blind rams, 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 mininum of one inch in diameter.
D. 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.
E. All connections to and from preventers to have a pressure rating equivalent to that of the BOPs.
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.

MULTI-POINT SURFACE USE PLAN

NAME OF WELL: James Ranch Unit #101

LEGAL DESCRIPTION - SURFACE: 1980' FSL & 2550' FEL, Section 8, T-23-S, R-31-E, Eddy County, New Mexico.

LEGAL DESCRIPTION – BOTTOM HOLE: 1980' FSL & 1965' FWL, Section 8, T-23-S, R-31-E, Eddy County, New Mexico.

POINT 1: EXISTING ROADS

A) Proposed Well Site Location:

See Exhibit "A".

B) Existing Roads:

From the junction of State Highway 128 and County Road 802 (WIPP Road), go southeast on Highway 128 for 2.3 miles to the existing lease road; thence north for 1.4 miles, thence west for 0.3 miles to the existing well pad.

C) Existing Road Maintenance or Improvement Plan:

See Exhibit "B". Maintenance of existing lease road may be required.

POINT 2: NEW PLANNED ACCESS ROUTE

A) Route Location:

See Exhibit "B". No new road construction will be required.

B) Width

Not applicable.

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

Exhibits "A" and "B" indicate existing wells within the surrounding area.

POINT 4: LOCATION OF EXISTING OR PROPOSED FACILITIES

A) Existing facilities owned or controlled by lessee/operator.

Bass' facilities located at JRU #17 (+/- 5,280' northeast of wellbore).

B) New Facilities in the Event of Production:

The location of additional production facilities have yet to be determined. A Sundry notice will be submitted for approval after completion.

C) Rehabilitation of Disturbed Areas Unnecessary for Production:

Following flowline construction, those access areas required for continued production will be graded to provide drainage and minimize erosion. The areas unnecessary for use will be graded to blend in with 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 Johnson Water Station 27 miles east of Carlsbad, New Mexico. Brine water will be hauled from Champion Brine Water Station, 3.5 miles east and 2.5 miles south of Carlsbad, New Mexico.

B) Water Transportation System

Water hauling to the location will be over the existing and proposed roads.

POINT 6: SOURCE OF CONSTRUCTION MATERIALS

A) Materials

Onsite caliche if available.

B) Land Ownership

Federally owned.

C) Materials Foreign to the Site

No construction materials foreign to this area are anticipated for this drill site.

D) Access Roads

See Exhibit "B" - none required.

POINT 7: METHODS FOR HANDLING WASTE MATERIAL

A) Cuttings

Cuttings will be contained in the reserve pit.

B) Drilling Fluids

Drilling fluids will be contained in the reserve pit.

C) Produced Fluids

Water production will be contained in the reserve pit.

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

D) Sewage

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

E) Garbage

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

F) 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 electric log analysis indicates potential productive zones. The reserve pit will be fenced and bird netted. The fence will be maintained until the pit is backfilled. 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 "C" shows the dimensions of the well pad and reserve pits, 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.

B) Locations of Pits and Access Road

See Exhibits "B" and "C".

C) Lining of the Pits

The reserve pit will be lined with plastic.

POINT 10: PLANS FOR RESTORATION OF THE SURFACE

A) Reserve Pit Cleanup

The pits will be fenced immediately after construction and shall be maintained until they are backfilled. Previous to backfill operations, any hydrocarbon material on the pits' surfaces shall be removed. The fluids and solids contained in the pits shall be backfilled with soil excavated from the site and soil adjacent to the reserve pits. The restored surface of the pits shall be contoured to prevent impoundment of surface water flow. Water-bars will be constructed as needed to prevent excessive erosion. Topsoil, as available, shall be placed over the restored surface in a uniform layer. The area will be seeded according to the Bureau of Land Management stipulations during the appropriate season following restoration.

B) Restoration Plans - Production Developed

The reserve pits will be backfilled and restored as described above under Item A. In addition, 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

The reserve pits will be restored as described above. 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 Bureau of Land Management's stipulations.

D) Rehabilitation's 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

One water well is located within the SE/4 of Sec. 6, T23S, R31E, approximately ½ mile northwest of the surface location. One water well is located within the SW/4 of Sec. 4, T23S, R31E, approximately ½ mile northeast of the surface location. There are several other water wells within 2 miles north of the surface location (WIPP site).

G) Residences and Buildings

There are no dwellings within 1 mile of the surface location.

H) Historical Sites

None observed.

I) Archeological Resources

An archeological survey will be obtained for this area. The survey area will be a 600' x 600' 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

All pits containing liquid or mud will be fenced and bird-netted.

POINT 12: OPERATOR'S FIELD REPRESENTATIVE

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

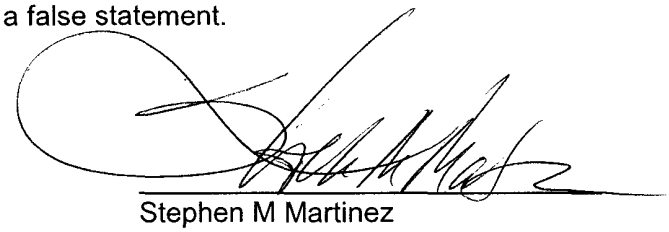
DRILLING
William R. Dannels
Box 2760
Midland, Texas 79702
(432) 683-2277

PRODUCTION
Mike Waygood
3104 East Green Street
Carlsbad, New Mexico 88220
(505) 887-7329

Michael L. Lyon
Box 2760
Midland, Texas 79702
(432) 683-2277

POINT 13: CERTIFICATION

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 plan are, to the best of my knowledge, true and correct; and that the work associated with operations proposed herein will be performed by Bass Enterprises Production Co. 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 filing of a false statement.

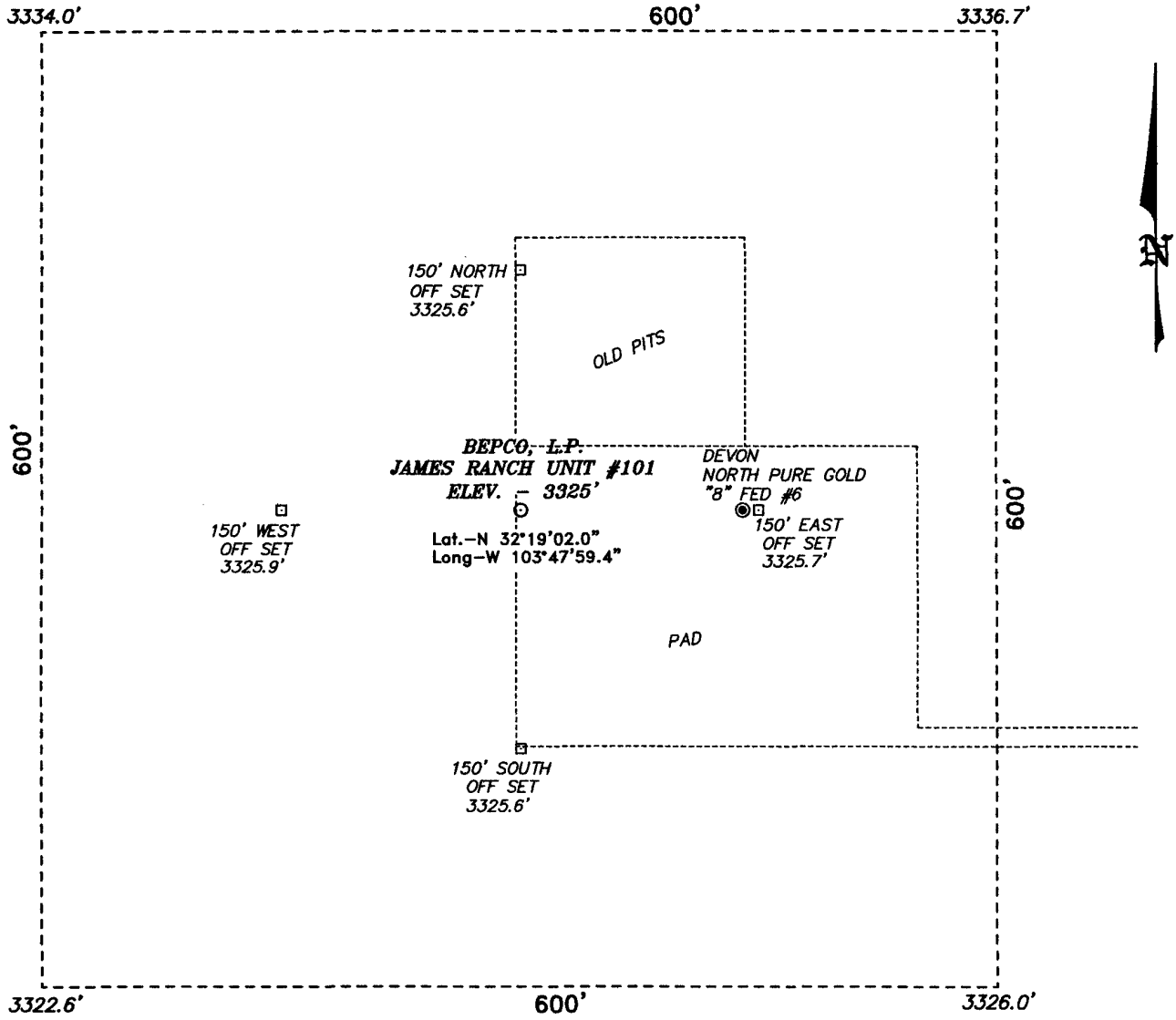


1-25-2007
Date

Stephen M Martinez

WRD:smm

SECTION 8, TOWNSHIP 23 SOUTH, RANGE 31 EAST, N.M.P.M.,
EDDY COUNTY, **NEW MEXICO.**



100 0 100 200 FEET

SCALE: 1" = 100'

DIRECTIONS TO LOCATION:

FROM THE JUNCTION OF STATE HWY 128 AND CO. RD. 802 (MPP ROAD), GO SOUTHEAST ON HWY 128 FOR 2.3 MILES TO LEASE ROAD; THENCE NORTH ON LEASE ROAD FOR 1.4 MILE; THENCE WEST FOR 0.3 MILE TO PAD.

BEPCO, L.P.

REF: JAMES RANCH UNIT No. 101 / Well Pad Topo

THE JAMES RANCH UNIT No. 101 LOCATED 1980' FROM THE SOUTH LINE AND 2550' FROM THE EAST LINE OF SECTION 8, TOWNSHIP 23 SOUTH, RANGE 31 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.

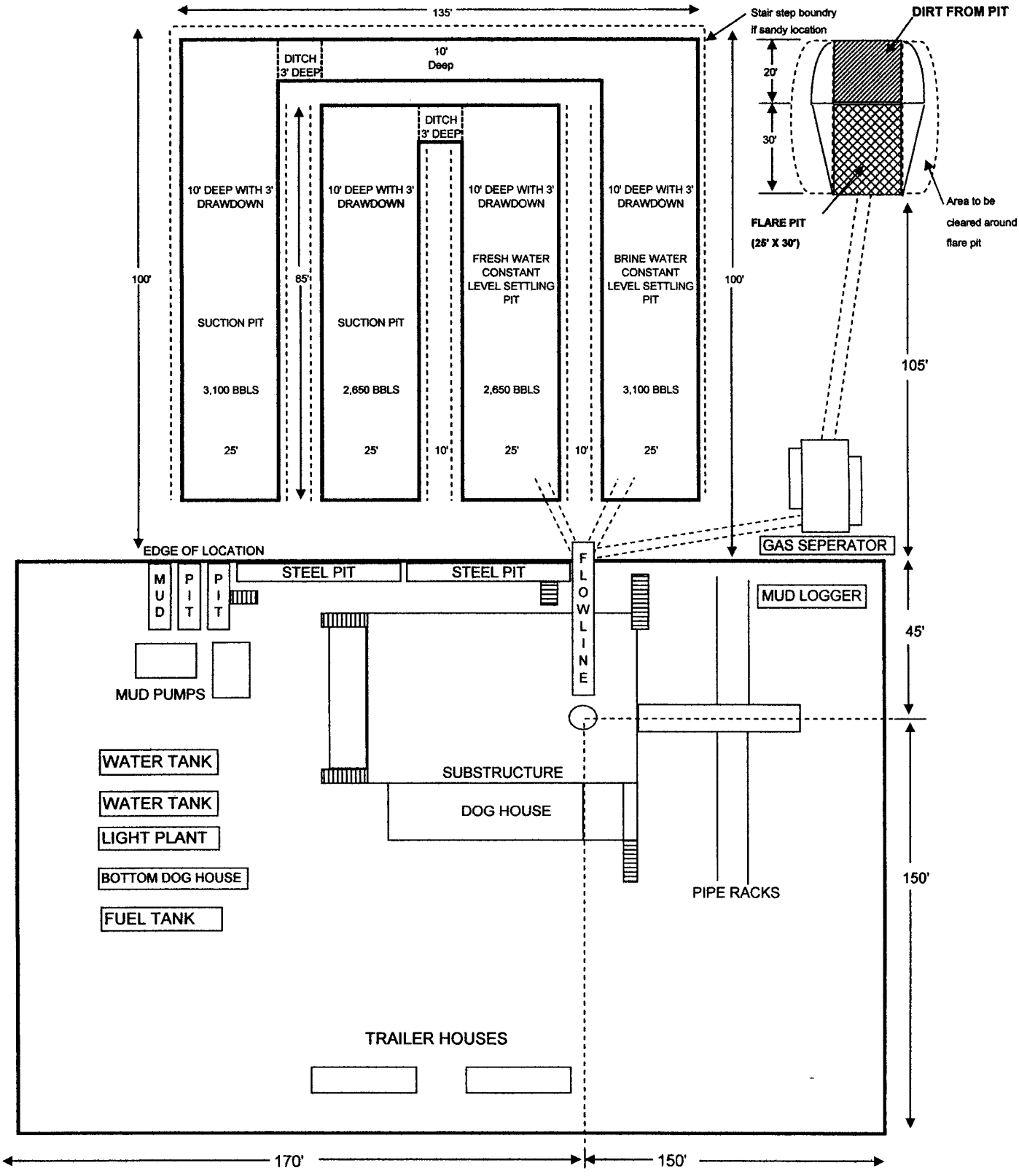
BASIN SURVEYS P.O. BOX 1786 – HOBBS, NEW MEXICO

W.O. Number: 7045	Drawn By: K. GOAD		
Date: 08-28-2006	Disk: KJG CD#7 – 7045A.DWG	Survey Date: 08-22-2006	Sheet 1 of 1 Sheets

ADOBE IRONHORSE

Exhibit "C"

Rig Layout Schematic



Wtd-ser/Drilling/DrillingDiagrams/Adobe Ironhorse Exhibit.xlsRes Pit Exibit D w-rig

Bass Enterprises Production Co.

Eddy Co., New Mexico (Nad 83)
James Ranch Unit #101
James Ranch #101
S-Well #1

Plan: Plan #2

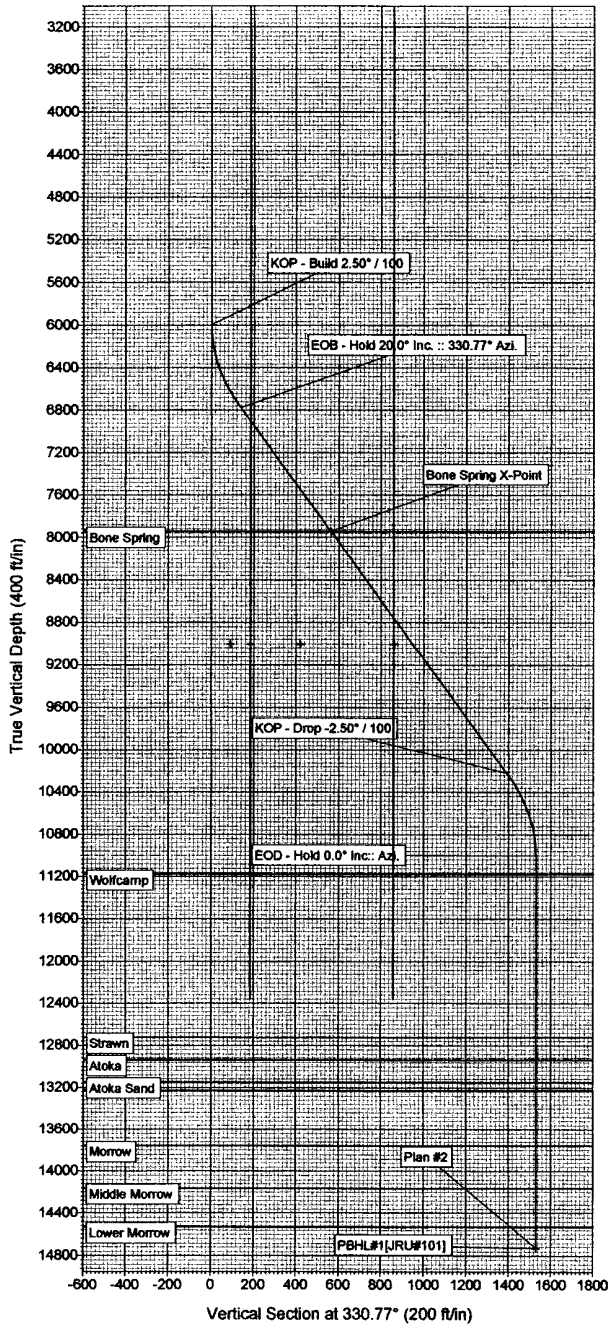
Standard Survey Report

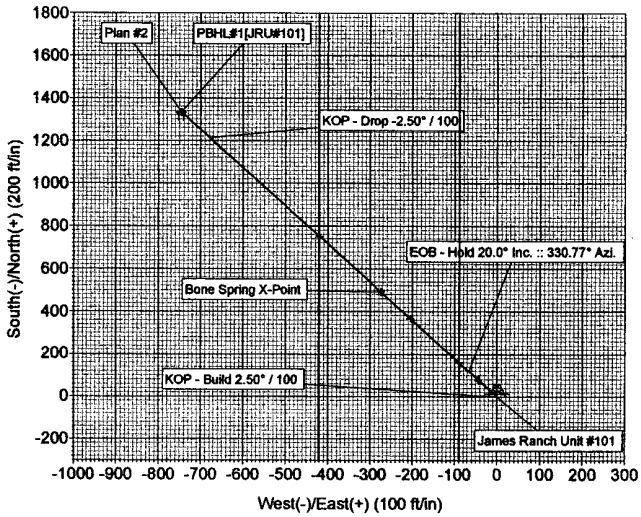
22 January, 2007

BLACK VIPER
ENERGY SERVICES, LTD.

Project: Eddy Co., New Mexico (Nad 83)
Site: James Ranch Unit #101
Well: James Ranch #101
Wellbore: S-Well #1
Plan: Plan #2 (James Ranch #101/S-Well #1)

BLACK VIPER ENERGY SERVICES, LTD.





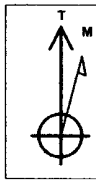
ANNOTATIONS

TVD	MD	Annotation
5991.90	5991.90	KOP - Build 2.50° / 100
6775.75	6791.90	EOB - Hold 20.0° Inc. :: 330.77° Azi.
10216.15	10453.09	KOP - Drop -2.50° / 100
11000.00	11253.09	EOD - Hold 0.0° Inc:: Azi.

PROJECT DETAILS: Eddy Co., New Mexico (Nad 83)

Geodetic System:US State Plane 1983
Datum: North American Datum 1983
Ellipsoid: GRS 1980
Zone: New Mexico Eastern Zone

System Datum: Ground Level



Azimuths to True North
Magnetic North: 8.25°

Magnetic Field
Strength: 49139.4nT
Dip Angle: 60.36°
Date: 9/22/2006
Model: IGRF200510

SECTION DETAILS

Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	DLeg	TFace	VSec	Target
1	5990.00	0.00	0.00	5990.00	0.00	0.00	0.00	0.00	0.00	
2	5991.90	0.00	0.00	5991.90	0.00	0.00	0.00	0.00	0.00	
3	6791.90	20.00	330.77	6775.75	120.61	-67.50	2.50	330.77	138.21	
4	10453.09	20.00	330.77	10216.15	1213.33	-679.04	0.00	0.00	1390.42	
5	11253.09	0.00	0.00	11000.00	1333.94	-746.54	2.50	180.00	1528.63	
6	14960.09	0.00	0.00	14727.00	1333.94	-746.54	0.00	0.00	1528.63	PBHL#1[JRU#101]

Plan: Plan #2 (James Ranch #101/S-Well #1)
Created By: L.D. Burton Date: January 19, 2007

Black Viper Energy
Survey Report

Company:	Bass Enterprises Production Co.	**Local Co-ordinate Reference:**	Well James Ranch #101
Project:	Eddy Co., New Mexico (Nad 83)	**TVD Reference:**	WELL @ 3325.00ft (Original Well Elev)
Site:	James Ranch Unit #101	**MD Reference:**	WELL @ 3325.00ft (Original Well Elev)
Well:	James Ranch #101	**North Reference:**	True
Wellbore:	S-Well #1	**Survey Calculation Method:**	Minimum Curvature
Design:	Plan #2	**Database:**	EDM 2003.14.1.0 Server DB

Project	Eddy Co., New Mexico (Nad 83)		
Map System:	US State Plane 1983	**System Datum:**	Ground Level
Geo Datum:	North American Datum 1983		
Map Zone:	New Mexico Eastern Zone		

Site	James Ranch Unit #101				
Site Position:		**Northing:**	479,548.90 ft	**Latitude:**	32° 19' 2.000 N
From:	Lat/Long	**Easting:**	706,146.65 ft	**Longitude:**	103° 47' 59.400 W
Position Uncertainty:	0.00 ft	**Slot Radius:**	"	**Grid Convergence:**	0.29 °

Well	James Ranch #101					
Well Position	**+N/-S**	0.00 ft	**Northing:**	479,548.90 ft	**Latitude:**	32° 19' 2.000 N
	+E/-W	0.00 ft	**Easting:**	706,146.65 ft	**Longitude:**	103° 47' 59.400 W
Position Uncertainty		0.00 ft	**Wellhead Elevation:**	ft	**Ground Level:**	0.00 ft

Wellbore	S-Well #1				
Magnetics	**Model Name**	**Sample Date**	**Declination (°)**	**Dip Angle (°)**	**Field Strength (nT)**
	IGRF200510	9/22/2006	8.25	60.36	49,139

Design	Plan #2				
Audit Notes:					
Version:		**Phase:**	PROTOTYPE	**Tie On Depth:**	5,990.00
Vertical Section:	**Depth From (TVD) (ft)**	**+N/-S (ft)**	**+E/-W (ft)**	**Direction (°)**	
	0.00	0.00	0.00	330.77	

Survey Tool Program	**Date** 1/4/2007			
From (ft)	**To (ft)**	**Survey (Wellbore)**	**Tool Name**	**Description**
5,990.00	14,980.09	Plan #2 (S-Well #1)	GM	Gyro Multi-Shot

Planned Survey

Measured Depth (ft)	Inclination (°)	Azimuth (°)	Vertical Depth (ft)	+N/-S (ft)	+E/-W (ft)	Vertical Section (ft)	Dogleg Rate (°/100ft)	Build Rate (°/100ft)	Turn Rate (°/100ft)
5,990.00	0.00	0.00	5,990.00	0.00	0.00	0.00	0.00	0.00	0.00
5,991.90	0.00	0.00	5,991.90	0.00	0.00	0.00	0.00	0.00	0.00
KOP - Build 2.50° / 100									
6,791.90	20.00	330.77	6,775.75	120.61	-67.50	138.21	2.50	2.50	0.00
EOB - Hold 20.0° Inc. :: 330.77° Azi.									
8,031.93	20.00	330.77	7,941.00	490.71	-274.63	562.33	0.00	0.00	0.00
Bone Spring									
10,453.09	20.00	330.77	10,216.15	1,213.33	-679.04	1,390.42	0.00	0.00	0.00
KOP - Drop -2.50° / 100									
11,253.09	0.00	0.00	11,000.00	1,333.94	-746.54	1,528.63	2.50	-2.50	0.00
EOD - Hold 0.0° Inc:: Azi.									

Black Viper Energy
Survey Report

Company:	Bass Enterprises Production Co.	**Local Co-ordinate Reference:**	Well James Ranch #101
Project:	Eddy Co., New Mexico (Nad 83)	**TVD Reference:**	WELL @ 3325.00ft (Original Well Elev)
Site:	James Ranch Unit #101	**MD Reference:**	WELL @ 3325.00ft (Original Well Elev)
Well:	James Ranch #101	**North Reference:**	True
Wellbore:	S-Well #1	**Survey Calculation Method:**	Minimum Curvature
Design:	Plan #2	**Database:**	EDM 2003.14.1.0 Server DB

Planned Survey

Measured Depth (ft)	Inclination (°)	Azimuth (°)	Vertical Depth (ft)	+N/-S (ft)	+E/-W (ft)	Vertical Section (ft)	Dogleg Rate (°/100ft)	Build Rate (°/100ft)	Turn Rate (°/100ft)
11,429.09	0.00	0.00	11,176.00	1,333.94	-746.54	1,528.63	0.00	0.00	0.00
Wolfcamp									
12,974.09	0.00	0.00	12,721.00	1,333.94	-746.54	1,528.63	0.00	0.00	0.00
Strawn									
13,187.09	0.00	0.00	12,934.00	1,333.94	-746.54	1,528.63	0.00	0.00	0.00
Atoka									
13,399.09	0.00	0.00	13,146.00	1,333.94	-746.54	1,528.63	0.00	0.00	0.00
Atoka Sand									
13,478.09	0.00	0.00	13,225.00	1,333.94	-746.54	1,528.63	0.00	0.00	0.00
Atoka Bank									
14,006.09	0.00	0.00	13,753.00	1,333.94	-746.54	1,528.63	0.00	0.00	0.00
Morrow									
14,414.09	0.00	0.00	14,161.00	1,333.94	-746.54	1,528.63	0.00	0.00	0.00
Middle Morrow									
14,780.09	0.00	0.00	14,527.00	1,333.94	-746.54	1,528.63	0.00	0.00	0.00
Lower Morrow									
14,980.09	0.00	0.00	14,727.00	1,333.94	-746.54	1,528.63	0.00	0.00	0.00

Company:	Bass Enterprises Production Co.	**Local Co-ordinate Reference:**	Well James Ranch #101
Project:	Eddy Co., New Mexico (Nad 83)	**TVD Reference:**	WELL @ 3325.00ft (Original Well Elev)
Site:	James Ranch Unit #101	**MD Reference:**	WELL @ 3325.00ft (Original Well Elev)
Well:	James Ranch #101	**North Reference:**	True
Wellbore:	S-Well #1	**Survey Calculation Method:**	Minimum Curvature
Design:	Plan #2	**Database:**	EDM 2003.14.1.0 Server DB

Targets

Target Name - hit/miss target - Shape	Dip Angle (°)	Dip Dir. (°)	TVD (ft)	+N/-S (ft)	+E/-W (ft)	Northing (ft)	Easting (ft)	Latitude	Longitude
x3	0.00	0.00	9,000.00	160.57	-89.85	479,709.03	706,056.00	32° 19' 3.589 N	103° 48' 0.447 W
- plan misses by 717.71ft at 8897.67ft MD (8754.53 TVD, 749.10 N, -419.23 E)									
- Point									
x1	0.00	0.00	9,000.00	78.54	-43.95	479,627.22	706,102.31	32° 19' 2.777 N	103° 47' 59.912 W
- plan misses by 806.05ft at 8865.52ft MD (8724.32 TVD, 739.50 N, -413.86 E)									
- Point									
x2	0.00	0.00	9,000.00	366.52	-205.09	479,914.40	705,939.74	32° 19' 5.627 N	103° 48' 1.790 W
- plan misses by 495.95ft at 8978.39ft MD (8830.38 TVD, 773.19 N, -432.72 E)									
- Point									
PBHL#1[JRU#101]	0.00	0.00	14,727.00	1,333.94	-746.54	480,879.11	705,393.48	32° 19' 15.200 N	103° 48' 8.100 W
- plan hits target									
- Point									
x4	0.00	0.00	9,000.00	750.49	-419.95	480,297.30	705,722.97	32° 19' 9.427 N	103° 48' 4.294 W
- plan misses by 82.48ft at 9128.87ft MD (8971.79 TVD, 818.10 N, -457.85 E)									
- Point									

Casing Points

Measured Depth (ft)	Vertical Depth (ft)	Name	Casing Diameter (")	Hole Diameter (")
11,553.09	11,300.00	7"	7	7-1/2

Formations

Measured Depth (ft)	Vertical Depth (ft)	Name	Lithology	Dip (°)	Dip Direction (°)
8,031.93	7,941.00	Bone Spring		0.00	
11,429.09	11,176.00	Wolfcamp		0.00	
12,974.09	12,721.00	Strawn		0.00	
13,187.09	12,934.00	Atoka		0.00	
13,399.09	13,146.00	Atoka Sand		0.00	
13,478.09	13,225.00	Atoka Bank		0.00	
14,006.09	13,753.00	Morrow		0.00	
14,414.09	14,161.00	Middle Morrow		0.00	
14,780.09	14,527.00	Lower Morrow		0.00	

Plan Annotations

Measured Depth (ft)	Vertical Depth (ft)	Local Coordinates +N/-S (ft)	Local Coordinates +E/-W (ft)	Comment
5,991.90	5,991.90	0.00	0.00	KOP - Build 2.50° / 100
6,791.90	6,775.75	120.61	-67.50	EOB - Hold 20.0° Inc. :: 330.77° Azi.
10,453.09	10,216.15	1,213.33	-679.04	KOP - Drop -2.50° / 100
11,253.09	11,000.00	1,333.94	-746.54	EOD - Hold 0.0° Inc:: Azi.

Checked By: _____ Approved By: _____ Date: _____

CONDITIONS OF APPROVAL - DRILLING

Operator's Name:	**BEPCO, L.P.**
Well Name & No.	**101 – JAMES RANCH UNIT**
Location:	**1980' FSL & 2550' FEL – SEC 8 – T23S – R31E – EDDY COUNTY (SHL)**
	1980' FNL & 1965' FWL – SEC 8 – T23S – R31E – EDDY COUNTY (BHL)
Lease:	**LC-071988-B**

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5909 or (505) 361-2822 (After hours) - 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: **13-3/8** inch **9-5/8** inch **7** inch **4-1/2** inch liner

C. BOP tests

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. 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.

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

5. 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 **13-3/8** inch surface casing shall be set at **700 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 **9-5/8** inch salt protection casing is **circulate cement to the surface. Note: If Delaware Formation is penetrated (approx. 4000') set 9-5/8 inch casing above the sands in the Lamar limestone.**

3. The minimum required fill of cement behind the **7** inch production casing is **circulate cement to the surface.**

4. The minimum required fill of cement behind the **4-1/2** inch production liner is **cement shall extend upward to the top of the production liner at approx. 11,700 feet.**

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 **13-3/8** 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) required for drilling the surface and intermediate casing shall be **2000** psi. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the **9-5/8** inch casing shall be **5000** psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
- 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.
- BOPE must be tested prior to drilling into the **Wolfcamp** Formation by an independent service company.

IV. 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 casing is run and cemented. Monitoring equipment shall consist of the following:

1. Recording pit level indicator to indicate volume gains and losses.
2. Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
3. Flow-sensor on the flow line to warn of abnormal mud returns from the well.