

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

CISF

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

5. Lease Serial No. NMMN 106832X 03361
6. If Indian, Allottee or Tribe Name 29649
7. If Unit or CA Agreement, Name WEST HIGH LONESOME UNIT
8. Lease Name and Well No. WHLPSU #20
9. API Well No. 30-015- 32254
10. Field and Pool, or Exploratory HIGH LONESOME QUEEN 30780
11. Sec., T., R., M., or Blk. and Survey or Area SEC 19, T16S, R29E
12. County or Parish EDDY
13. State NM

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone
2. Name of Operator BEACH EXPLORATION, INC 1903
3a. Address 800 N MARIENFELD, STE 200, MIDLAND, TX 79701
3b. Phone No. (include area code) 915-683-6226
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 660' FNL & 1980' FEL, UNIT B At proposed prod. zone HIGH LONESOME QUEEN
14. Distance in miles and direction from nearest town or post office* 10 MILES NW OF LOCO HILLS, NM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1980'
16. No. of Acres in lease 1156.6
17. Spacing Unit dedicated to this well 40 ACRES
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1043'
19. Proposed Depth 1900'
20. BLM/BIA Bond No. on file NM0920
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3642' GL
22. Approximate date work will start* APRIL 22, 2002
23. Estimated duration 3 WEEKS
24. Attachments Reswell Controlled Water Basin

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>Lizbeth Lodle</i>	Name (Printed/Typed) LIZBETH LODLE	Date APRIL 2, 2002
Title ENGINEERING ANALYST		
Approved by (Signature) /s/ JOE G. LARA	Name (Printed/Typed) /s/ JOE G. LARA	Date APR 11 2002
Title ACTING FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

Application approval does not warrant or certify the 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 reverse)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

BOHEO OF LINDHGMT
ROSWELL OFFICE

2002 APR -3 AM 10: 22

RECEIVED

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

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

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name WEST HIGH LONESOME PENROSE SAND UNIT	Well Number 20
OGRID No.	Operator Name BEACH EXPLORATION, INC	Elevation 3642

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	19	16 S	29 E		660	NORTH	1980	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						

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									
25.49 AC									
LOT 2									
25.53 AC									
LOT 3									
25.55 AC									
LOT 4									
25.59 AC									

GEODETIC COORDINATES
NAD 27 NME
Y=695763.8
X=568055.2

660'

1980'

OPERATOR CERTIFICATION

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

Lizbeth Lode
Signature

LIZBETH Lode
Printed Name

Engineering Analyst
Title

April 2, 2002
Date

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.

MARCH 18, 2002

Date Surveyed WKT

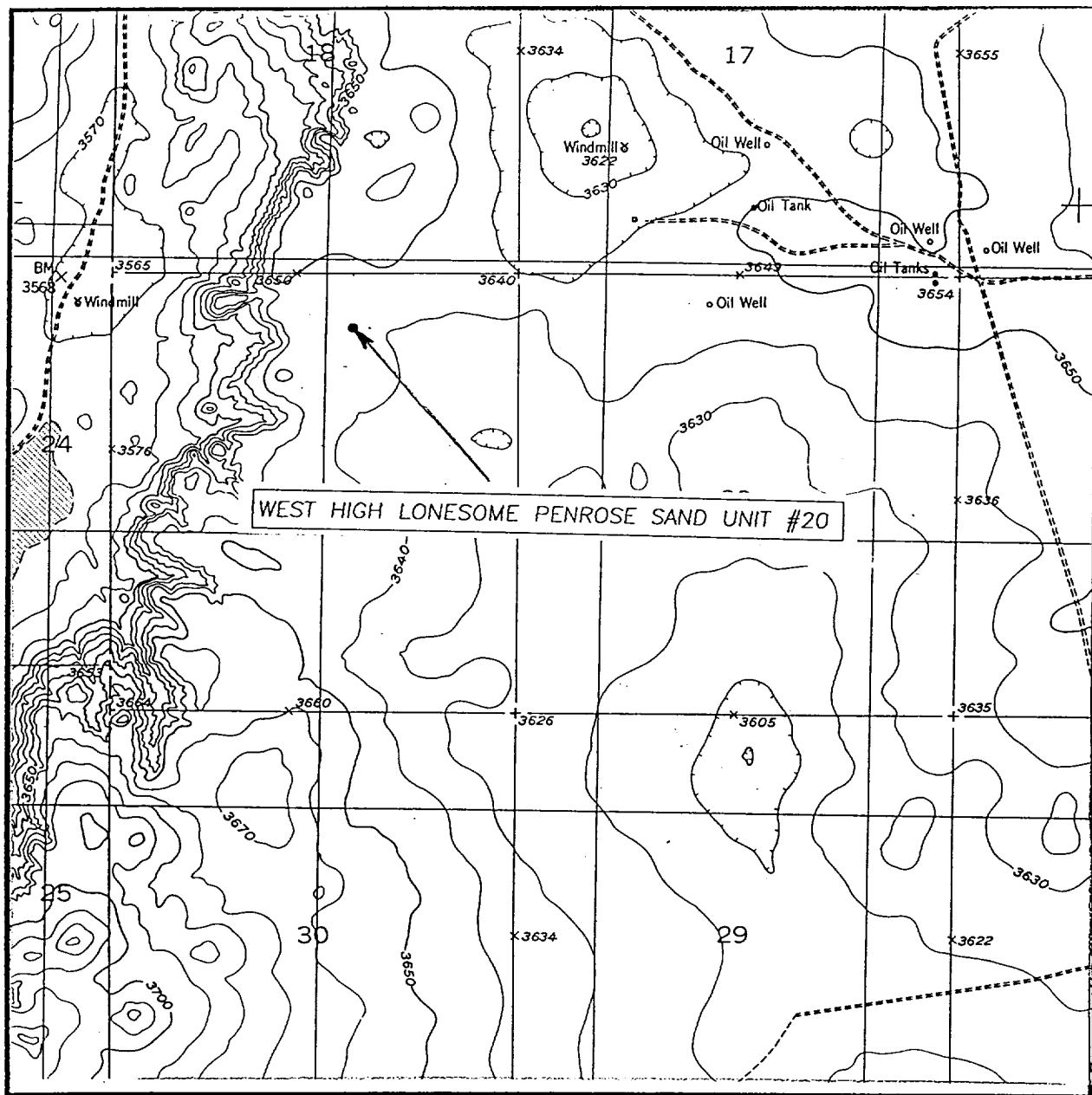
Signature & Seal of Professional Surveyor

Gary B. Eidson 3/22/02

02-11-Q194

Certificate No. RONALD J. EIDSON 3239
GARY EIDSON 12641

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'

SEC. 19 TWP. 16-S RGE. 29-E

BASIN WELL QUAD

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 660' FNL & 1980' FEL

ELEVATION 3642

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

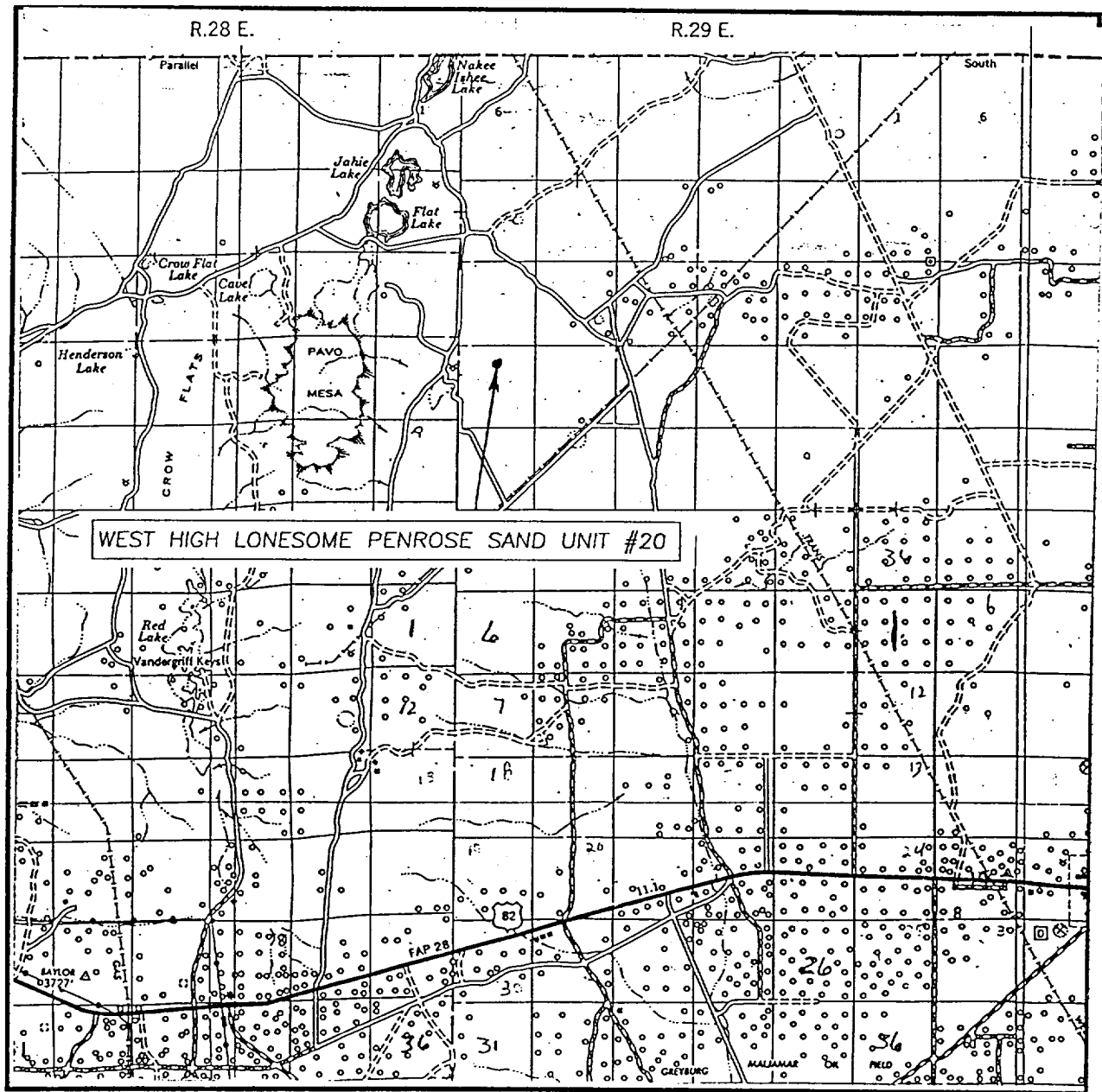
OPERATOR BEACH EXPLORATION INC

LEASE WEST HIGH LONESOME PENROSE SAND UNIT

U.S.G.S. TOPOGRAPHIC MAP

BASIN WELL QUAD

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 19 TWP. 16-S RGE. 29-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 660' FNL & 1980' FEL

ELEVATION 3642

OPERATOR BEACH EXPLORATION INC

LEASE WEST HIGH LONESOME PENROSE SAND UNIT

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

APPLICATION FOR PERMIT TO DRILL

BEACH EXPLORATION, INC.
WHLPSU Well No. 20
660' FNL & 1980' FEL, Unit B
NW/4 NE/4 of SEC. 19, T16S, R29E
EDDY COUNTY, NEW MEXICO

LOCATED: 10 Miles NW of Loco Hills

OIL AND GAS LEASE: NMNM106832X 03361

ACRES IN LEASE: 1,156.6 Acres

RECORD LESSEE: BEACH EXPLORATION, INC.

OPERATOR'S AUTHORITY: Designated operator

BOND COVERAGE: BEACH'S \$100,000 BOND (NM0920)

SURFACE OWNER: United States

WELL SPACING: 40 Acres High Lonesome Oil Pool

ROAD LOG (US82)
BEACH EXPLORATION, INC.
WHLPSU WELL No. 20

Starting 19-1/2 miles east of Artesia, NM at the junction of County Road E124 and Federal Highway US-82. Milepost Marker 237.96.

- 0.00 Exit US-82 to the north on Eddy Co., #214 (Barnaval Draw) and proceed in a northerly direction for a distance of 6.75 miles to a double fork in road.
- 6.75 Take left turn on lease road and proceed in a north-westerly direction for a distance of 0.77 mile to a NE-SW crossroad.
- 7.52 Turn left (southwest) on an oilfield road and proceed for a distance of 0.66 miles to a west sideroad.
- 8.18 Turn right (west) on sideroad and proceed for a distance of 0.48 miles to WHLPSU #20 location.

DRILLING PLAN

BEACH EXPLORATION, INC.
WHLPSU Well No. 20
660' FNL & 1980' FEL, Unit B
NW/4 NE/4 of SEC. 19, T16S, R29E
EDDY COUNTY, NEW MEXICO

1. Estimated Tops:

Top of Salt	265'
Base of Salt	580'
Yates	750'
Seven Rivers	900'
Queen	1485'
Penrose	1725'

2. Anticipated Porosity Zones:

Water: Above 250'
Oil: Seven Rivers, Queen and Penrose

3. Pressure Control Equipment: Double Ram-Type Preventer
Refer to attached drawing of Blowout Preventer Arrangement

4. Existing Casing Design: WITNESS SURFACE CASING

HOLE SIZE	Size	Interval	Weight	Grade	Joints
11"	8 5/8"	0'-300'	24#	J-55	ST&C CIRCULATE*
7 7/8"	4 1/2"	0'-1,900'	10.5#	J-55	ST&C CIRCULATE*

5. Circulating Medium:

*CEMENT: SURFACE W/ 175 SX CLC, 20% CaCl₂ & 1/4" FLO-SEAL
" 4 1/2" LEAD W/ 175 SX HALL LITE, TAIL W/ 225 SX CLC.
0' - 300' Fresh Water mud with gel or lime as needed for viscosity control. *per Jack Rose 4/9/2002*
300' - 1450' Brine Water
1450' - 1900' Salt water mud, conditioned as necessary for control of viscosity and water loss.

6. Testing, logging and coring program: No DST's or coring anticipated. Open hole GR, Compensated Neutron Density or cased hole GR, Neutron.

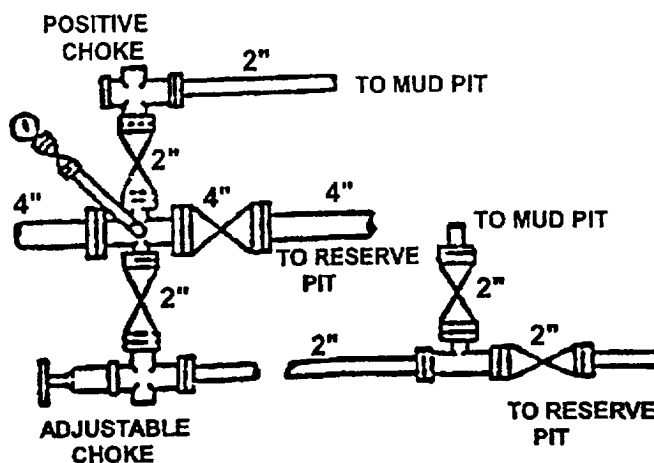
7. Abnormal pressure, temperature or other hazards: None Anticipated

8. Auxiliary Equipment: Drill string safety valve.

RECEIVED

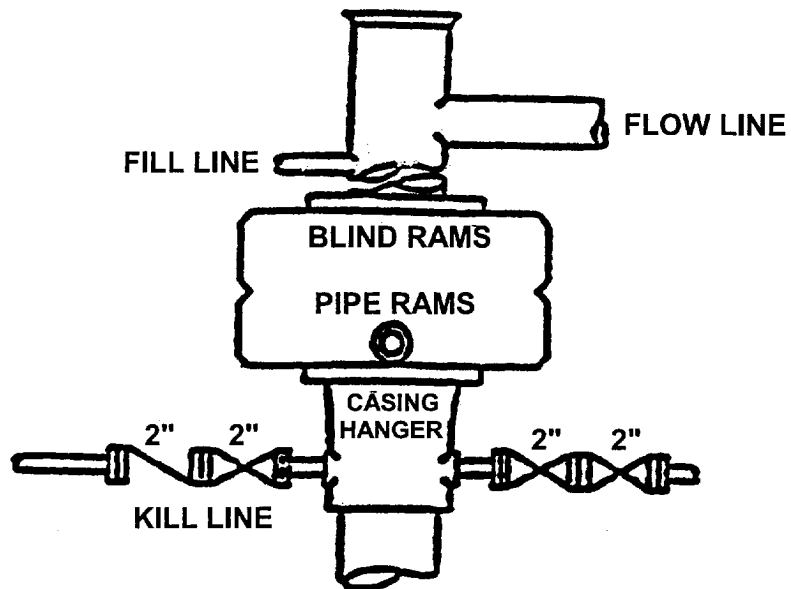
APR 10 '02

BLM
ROSWELL, NM



Choke Manifold Diagram

BEACH EXPLORATION, INC.
Well No. 20 WHLPSU
660' FNL & 1980' FEL, Unit B
NW/4 NE/4 of Sec. 19, T-16-S, R-29-E
Eddy County, New Mexico



Blowout Preventer Arrangement

**BEACH EXPLORATION, INC.
Well No. 20 WHLPSU
660' FNL & 1980' FEL, Unit B
NW/4 NE/4 of Sec. 19, T-16-S, R-29-E
Eddy County, New Mexico**

SURFACE USE PLAN

BEACH EXPLORATION, INC.

WHLPSU Well No. 20
660' FNL & 1980' FEL, Unit B
NW/4 NE/4 of SEC. 19, T16S, R29E
EDDY COUNTY, NEW MEXICO

THIRTEEN POINT PROGRAM

EXHIBITS: A. Area Road Map
B. Topographic Map
C. Surface Map
D. Sketch of Well Pad

1. Existing Roads: Existing roads are shown on Exhibit "A".
2. Proposed Roads: An existing East-West road will intersect the well pad. This road will be routed through the southern edge of the location.
3. Location of Existing Wells: The WHLPSU #19, #21 and #25 are all 1320' from the proposed location in the West, East and South direction respectively. The WHLPSU #15 is 1043' North-Northeast of the proposed location. (Shown on Exhibit "B")
4. Location of Existing or Proposed Facilities:
 - A. There will be no production or storage facilities on the well pad.
 - B. If Well No. 20 is productive, production and storage facilities will initially be at WHLPSU #21. Once unit installation is complete all production and storage facilities for the Unit will be at the WHLPSU #16.
5. Location and Type of Water Supply: Water for drilling of the proposed well will be purchased off lease.
6. Source of Construction Materials: Materials needed for reconstruction of the road and well pad will be obtained from material found in place.
7. Methods of Handling Waste Disposal:
 - A. Drill cuttings will be disposed of in the drilling pits.
 - B. Drilling fluids will be allowed to evaporate in the drilling pits until the pits are dry.
 - C. Water produced during tests will be disposed of in drilling pits.
 - D. Oil produced during test will be stored in test tanks until sold.

- E. Trash, waste paper, garbage and junk will be placed in a trash trailer and hauled to land fill. All waste material will be contained to prevent scattering by the wind.
 - F. All trash and debris will be removed from wellsite within 45 days after finishing drilling and/or completion operations.
8. Ancillary Facilities: None anticipated.
9. Wellsite Layout:
- A. The wellsite has been surveyed and a 400' X 400' area has been staked and flagged.
 - B. The dimensions and relative location of the drill pad, mud pit, and trash trailer with respect to the well bore are shown on Exhibit "D" or Sketch of Well Pad.
 - C. The well pad will be resurfaced with caliche found in place.
10. Plans for Restoration of the Surface:
- A. After completion of drilling and/or completion operations, all equipment and other material not needed for operations will be removed. Pits will be filled and the location cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing condition as possible.
 - B. Any ungraded pits containing fluids will be fenced until they are filled.
 - C. After abandonment, all equipment, trash and junk will be removed and the location cleaned.
11. Surface Ownership: Refer to Surface Map Exhibit "C"
12. Other Information:
- A. Topography: The wellsite is at an elevation of 3642' and situated on a plain approximately 700' east of an escarpment that drops off to the west.
 - B. Soil: The soil is sandy and rocky.
 - C. Land Type & Use: The vicinity surrounding the drill site is semi-arid rangeland and its primary use is for the production of oil and gas and for grazing.
 - D. Flora: Vegetative cover is sparse. Flora consists primarily of brush, range grasses and cacti.
 - E. Water Wells: There is one fresh water well 2/3 mile west-northwest of the proposed location. Windmill used for watering livestock.

- F. Residences and Other Structures: There are no occupied dwellings within two miles.
- G. Archaeological, Historical, & Cultural Sites:
Archaeological Survey Consultants conducted an archaeological study of the proposed drillsite on 3/27/02. A faxed copy of their report is attached.

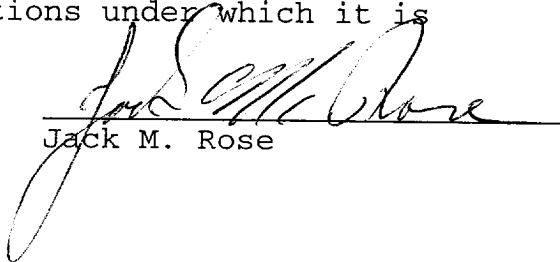
13. Operator's Representatives:

- A. Jack M. Rose
Beach Exploration, Inc.
800 N. Marienfeld Ste. 200
Midland, Texas 79701
Telephone: 915/683-6226
- B. William N. Beach
Beach Exploration, Inc.
800 N. Marienfeld Ste. 200
Midland, Texas 79701
Telephone: 915/683-6226

13. Certification:

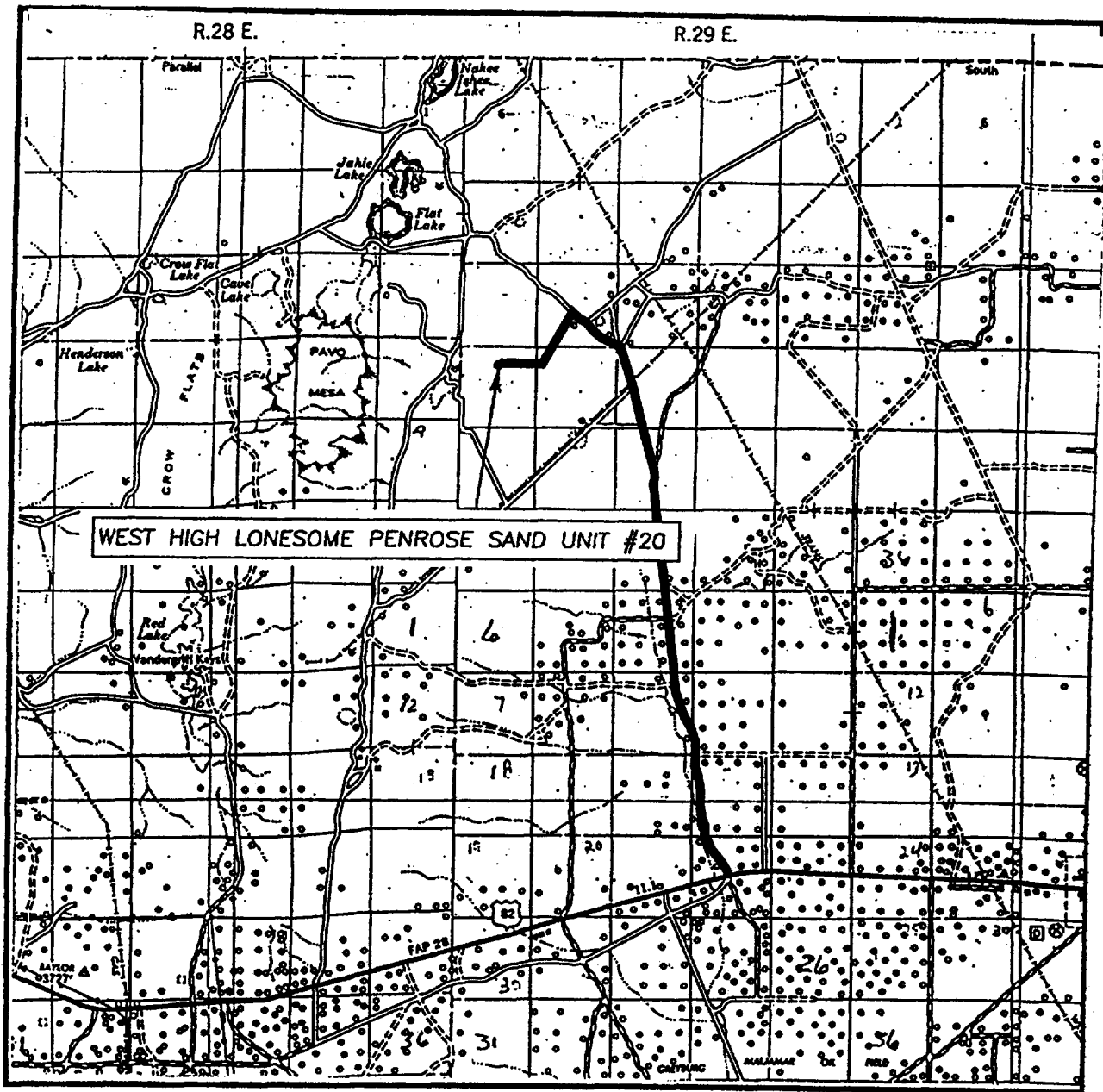
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access road; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge true and correct; and, that the work associated with the operations proposed herein will be performed by BEACH EXPLORATION, INC. and its sub-contractors in conformity with this plan and the terms and conditions under which it is approved.

03/27/2002
Date



Jack M. Rose

VICINITY MAP



SEC. 19 TWP. 16-S RGE. 29-E
 SURVEY N.M.P.M.
 COUNTY EDDY
 DESCRIPTION 660' FNL & 1980' FEL
 ELEVATION 3642
 OPERATOR BEACH EXPLORATION INC
 LEASE WEST HIGH LONESOME PENROSE SAND UNIT

Exhibit "A"

Area Road Map

Beach Exploration, Inc.
 WHLPSU Well No. 20
 NW/4 NE/4 of Sec. 19, T16S, R29E
 Eddy County, New Mexico

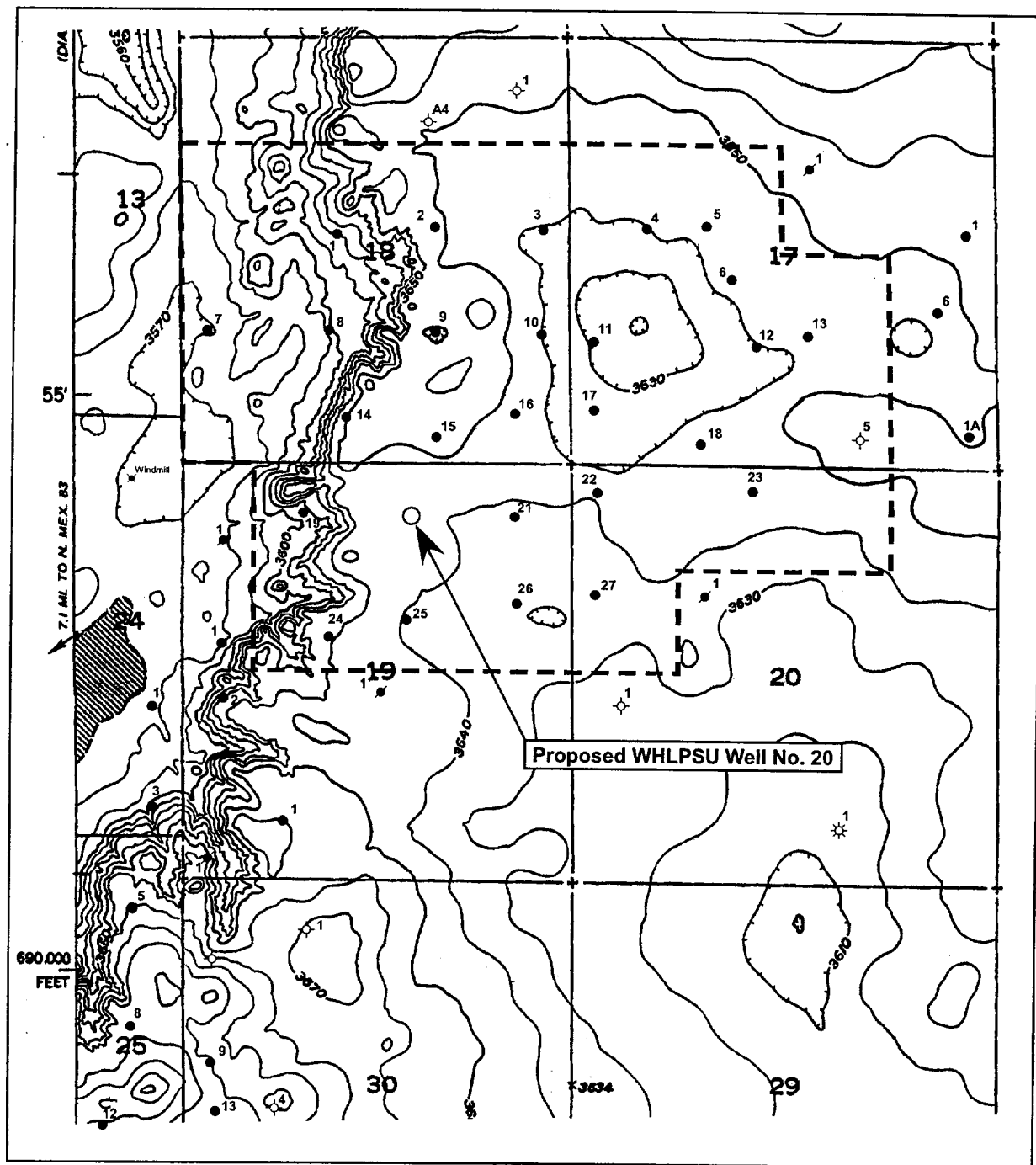


Exhibit "B"

Topographic Map

Beach Exploration, Inc.
 WHLPSU Well No. 20
 NW/4 NE/4 of Sec. 19, T16S, R29E
 Eddy County, New Mexico

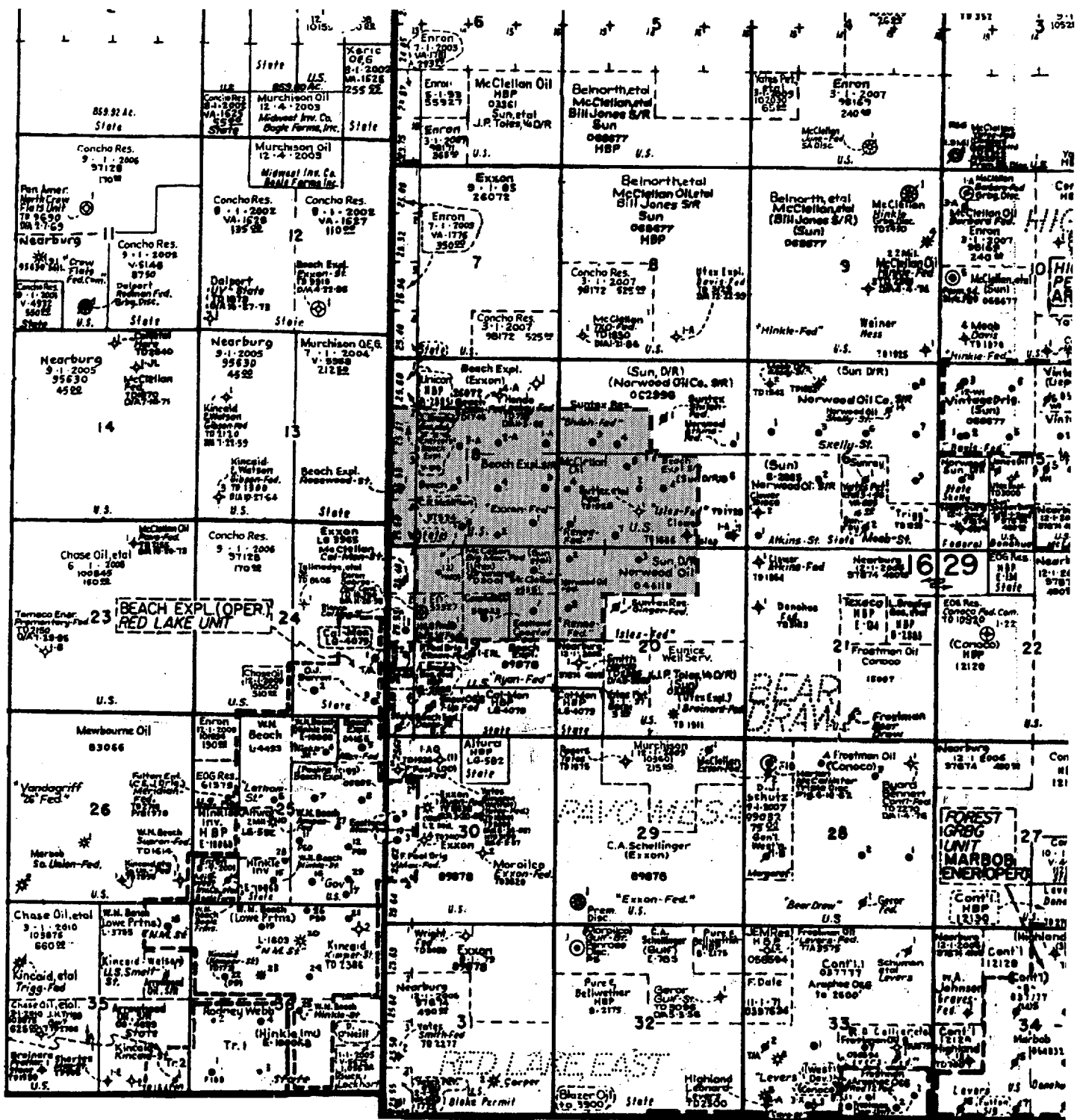


Exhibit "C"

Surface Map

Beach Exploration, Inc.
 WHLPSU Well No. 20
 NW/4 NE/4 of Sec. 19, T16S, R29E
 Eddy County, New Mexico

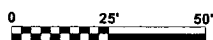
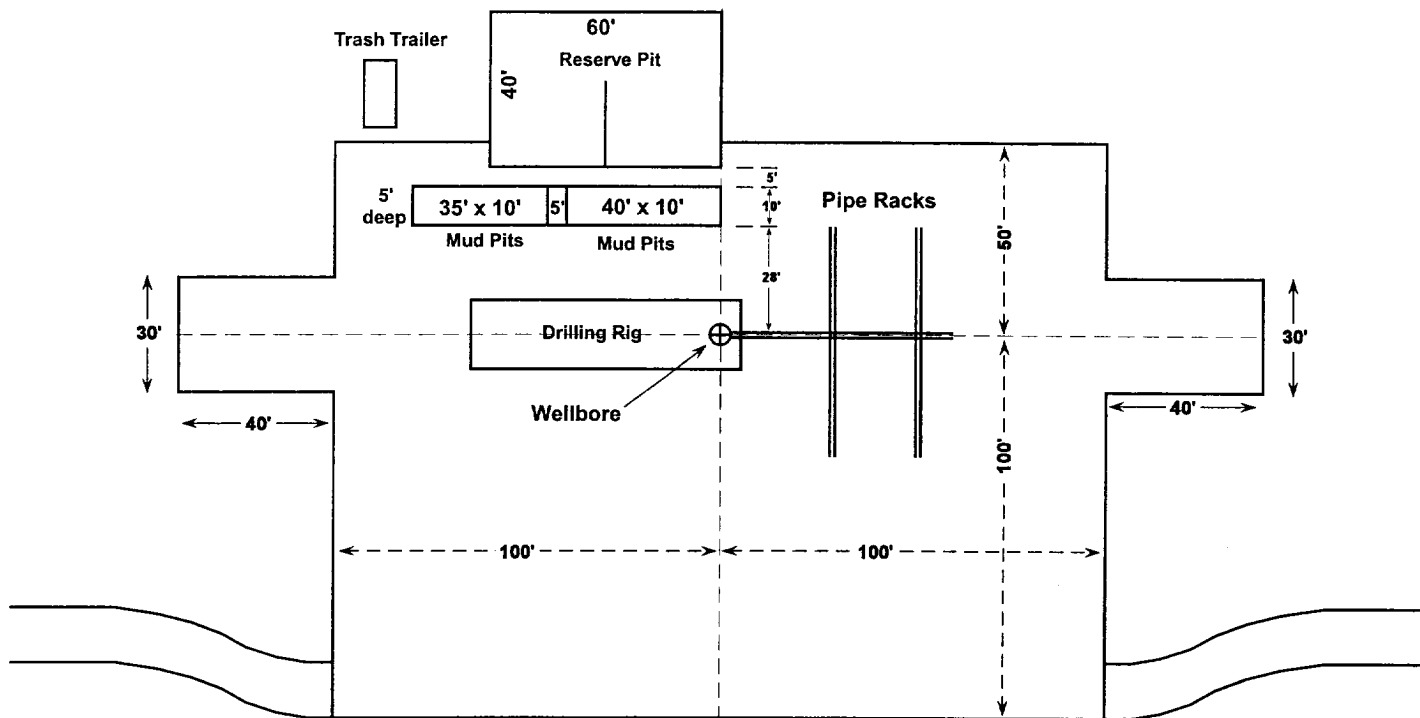


Exhibit "D"

Sketch of Well Pad

Beach Exploration, Inc.
WHLPSU Well No. 20
NW/4 NE/4 of Sec. 19, T16S, R29E
Eddy County, New Mexico

ARCHAEOLOGICAL SURVEY of the BEACH EXPLORATION, INC.
WEST HIGH LONESOME PENROSE SAND UNIT FEDERAL WELL NO. 20
T16S, R29E, SECTION 19 (NW $\frac{1}{4}$ NE $\frac{1}{4}$)
[660 FNL, 1980 FEL]. EDDY COUNTY, NEW MEXICO

FEDERAL LAND SURFACE
(U.S.G.S. 7.5 minute series, BASIN WELL, NEW MEXICO, 1975)

ASC Report 02-013 (NMCRIS NO. 78341)

by Dorothy M. Griffiths, Project Archaeologist
and James V. Sciscenti, Principal Investigator

ARCHAEOLOGICAL SURVEY CONSULTANTS
P.O. Box 2285, Roswell, New Mexico 88202-2285
[505] 623-5012

BUREAU of LAND MANAGEMENT PERMIT NO.: 18-2920-01-S

March 28, 2002

Prepared for:

Beach Exploration Company
800 North Marienfeld, Suite 200
Midland, Texas 79701

Attention: Jack Rose

Distribution:

Beach Exploration Company (1)
BLM - Carlsbad Field Office (2)
Griffiths (1)

TITLE PAGE/ABSTRACT/NEGATIVE PROJECT REPORT FORM

CARLSBAD FIELD OFFICE

BLM/CFO

1. BLM Report #	2. (ACCEPTED) (REJECTED)	3. NMCRIS #: 78341
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4. **Report Title:**
ARCHAEOLOGICAL SURVEY of the BEACH EXPLORATION, INC., WEST HIGH LONESOME PENROSE SAND UNIT FEDERAL WELL NO. 20. T16S, R29E, SECTION 19, NW $\frac{1}{4}$ NE $\frac{1}{4}$ [660 FNL, 1980 FEL]. EDDY COUNTY, NEW MEXICO.

5. **Fieldwork Date(s):** 3/27/2002

6. **Report Date:** 3/28/2002

7. **Consultant Name & Address:**
ARCHAEOLOGICAL SURVEY CONSULTANTS
P.O. Box 2285, Roswell, New Mexico 88202-2285. Phone: 505-623-5012.

Principal Investigator: D.M. Griffiths and/or J.V. Sciscenti
Project Archaeologist: D.M. Griffiths, J.V. Sciscenti; L.J. Jaramillo
Field Personnel: D.M. Griffiths; J.V. Sciscenti

8. **CONSULTANT PERMIT #:** 18-2920-01-S

9. **Consultant Report No.:** ASC Report 02-013

10. **Sponsor Name, Address, & Phone Number:**

Individual Responsible: Jack Rose
BEACH EXPLORATION INC.
800 North Marienfeld, Suite 200
Midland, Texas 79701. Phone: 915-683-6226

11. **For BLM Use Only:**

12. **ACREAGE: Total Acres Surveyed:** 3.67

Surface Ownership by Acres: Federal: 3.67 State: 0 Private: 0

13. **Location:** a. State: New Mexico b. County: Eddy

c. BLM Field Office: Carlsbad d. Nearest Town: Riverside

e. **Well Pad Location:** T16S, R29E, Section 19 (NW $\frac{1}{4}$ NE $\frac{1}{4}$).
Footages: 660 FNL, 1980 FEL.

f. **Map Name(s):** U.S.G.S. 7.5 minute series, BASIN WELL, NEW MEXICO, 1975 [32104-H1].

g. **Impacted Block Area:** 300 ft. square **Surveyed Block Area:** 400 ft. square.

Linear Impact Area: not applicable (straddles extant caliche road: see BLM # 85-611).

Surveyed Linear Impact Area: not applicable.

TITLE PAGE/ABSTRACT/NEGATIVE PROJECT REPORT FORM (continued):

BLM/CFO

14 a. **Records Search:** as of 3/25/2002, ARMS & BLM records do not indicate the prior recording of sites within 0.25 miles of the project; LA 42696 is ca. 0.25 miles from the project; LA 34386 and LA 59581 are in excess of 0.25 miles from the project area.

b. **Description of Undertaking:** archaeological survey of a proposed well pad (400 ft. square), with a total federal land surface of 3.67 acres, was inspected for cultural remains.

The proposed well pad straddles an extant caliche oilfield road (see BLM # 85-611).

c. **Environmental Setting:** situated 1700 ft. SW of a large enclosed sunken basin and west of a drainageway, which terminates with an enclosed sunken basin, ca. 1000 ft. SSE of the project area. The well pad is ca. 600 ft. east of a 60 ft. descent in elevation to an extensive NNE/SSW trending drainage area dominated by Nakee Ishee Lake, Jahie Lake, Flat Lake, Crow Flat Lake, and Henderson Lake. The project area has a low incline, with a high incidence of popcorn caliche intermixed with shallow loam soils; low psuedo-coppice dunes occur around mesquite vegetation. Soils: Kimbrough-Stegall loams. Vegetation: Grassland Formation Scrub-grass Scrub Disclimax community. Surface Visibility: ca. 90% to 100%, averaging ca. 95%.

d. **Field Methods:** straight and zig-zag transects, spaced no greater than 15 metres apart. Work Hrs. on Ground: ca. 1.0 hours. Crew Size: 2. Artifacts Collected: 0.

15. **Cultural Resource Findings:** archaeological survey did not reveal any prehistoric or historic cultural resources.

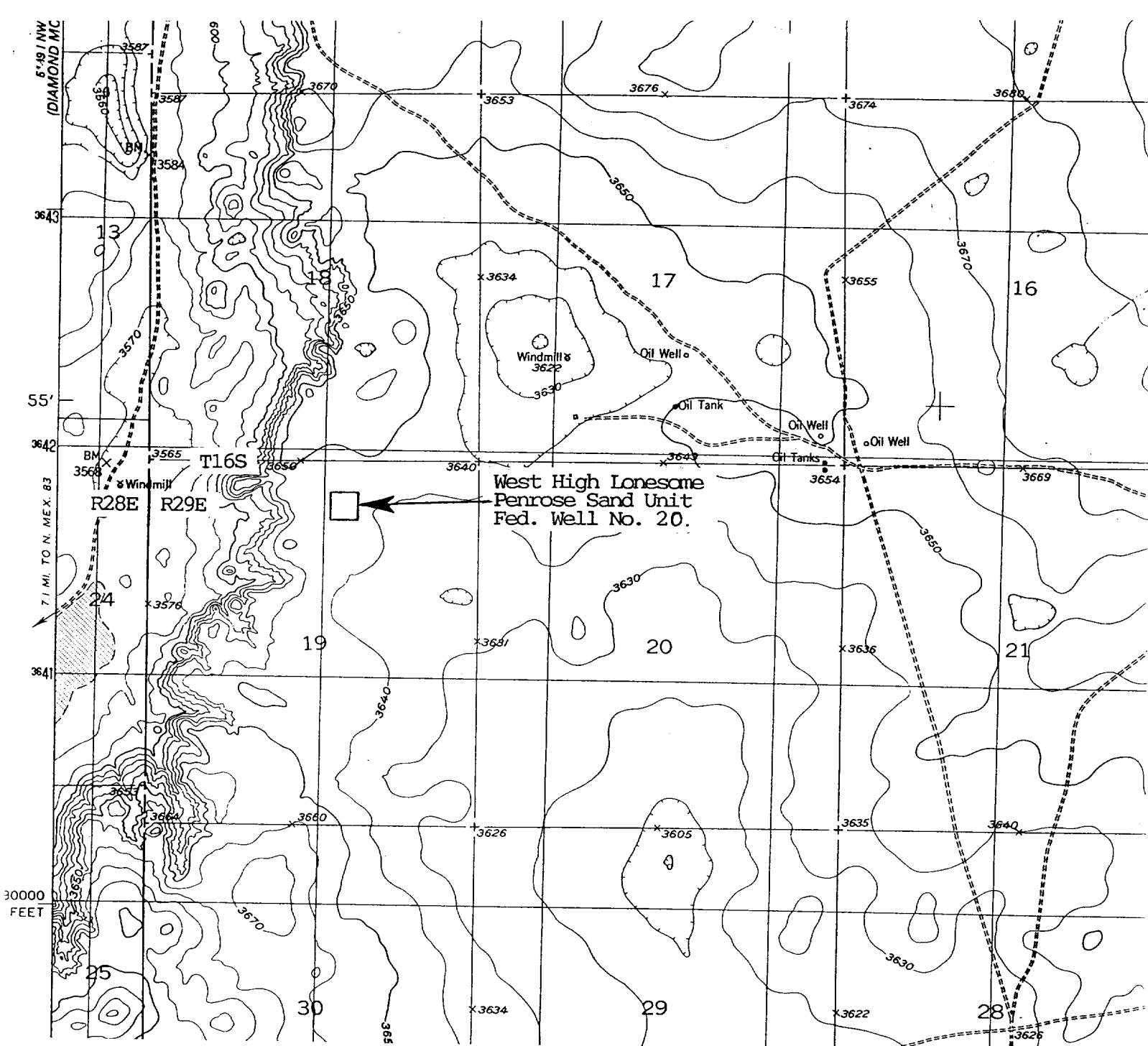
16. **Management Summary & Recommendations:** archaeological CLEARANCE for the Beach Exploration Company West High Lonesome Penrose Sand Unit Federal Well No. 20 is RECOMMENDED, without provisos.

I certify that the information provided above is correct and accurate, and meets all applicable BLM standards.

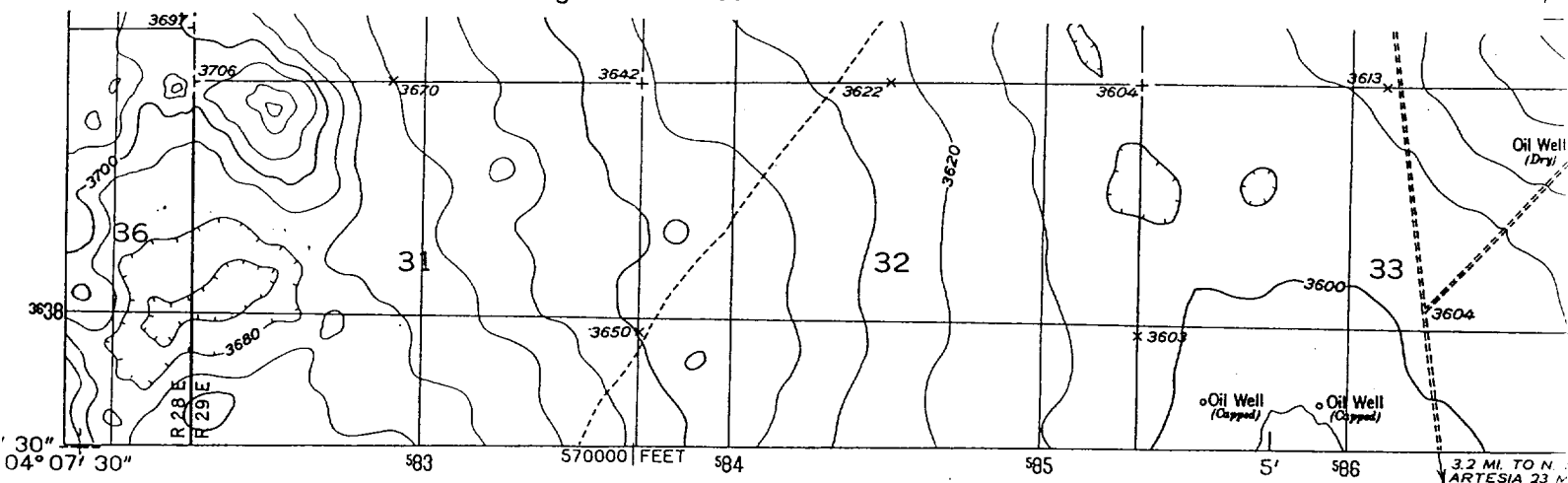
Project Archaeologist

D.M. Griffiths.

Principal Investigator



Map showing the location of the Beach Exploration, Inc., West High Lonesome Penrose Sand Unit Federal Well No. 20. T16S, R29E, Section 19, Eddy County, New Mexico [BIM, Carlsbad Field Office, New Mexico]. Square shows location of well pad. U.S.G.S. 7.5 minute series, BASIN WELL, NEW MEXICO, 1975. ASC Project 02-013.



Travelers Insurance

A member of Citigroup



Debra C Barn
7920 Belt Line Rd.
DALLAS, TX 75254
Phone: (972) 866-4273
Fax: (972) 866-4405

September 26, 2001

Bond

MIMS & STEPHENS INC (062345)
1030 ANDREWS HIGHWAY STE 109
MIDLAND, TX 79701

This is the Renewal for:

Beach Exploration, Inc.
P. O. Box 3669
MIDLAND, TEXAS 79702-0000 USA

Bond Number: 103114568 This Policy Replaces 799G1745
Type of Bond: Reclamation - Oil/Gas
Obligee Name: USA Dept. of the Interior
Obligee Address: Land Management Bureau PO Box 1449
Obligee City, State & Zip: SANTA FE, NEW MEXICO 87501-0000 USA
Transaction Effective Date: November 21, 2001
Premium Effective Date: November 21, 2001
Premium Expiry Date: November 21, 2002
Bond Limit: \$25,000.00
Bond Premium: \$375
Commission - Percentage: 20.00%
Special Commission: \$0.00
Countersignature Branch:
Countersignature Commission: \$0.00
State Tax: \$0.00
State Surcharge: \$0.00
TOTAL PREMIUM: \$375.00

271649 P/E DATA BASE ✓
ENTER IN CARS 2ND FEB
DATE 10-16-01 INITIALS (a) 3

Comments:

Thank you for placing your business with us.

AGENT COPY

S-4123 (9/96)
Premium Evidence