

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



July 3, 2008

Mr. James Bruce
P.O. Box 1056
Santa Fe, NM 87504

Administrative Order NSL-5868

Re: BEPCO, L.P.
Poker Lake Unit Well No. 256H
API No. 30-015-
Unit P, Section 31-24S-30E
Eddy County

Dear Mr. Bruce:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-0815752595**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of BEPCO, L.P. (BEPCO), on June 5, 2008, and

(b) the Division's records pertinent to this request.

BEPCO has requested to drill the above-referenced well as a horizontal well in the Delaware formation, at a location that will be unorthodox under Division Rule 111. The proposed surface location, point of penetration and terminus of the well are as follows:

Surface Location: 130 feet from the South line and 1060 feet from the East line
(Unit P) of Section 31, Township 24S, Range 30E, NMPM
Eddy County, New Mexico

Point of Penetration: Same as surface location.

Terminus 2065 feet from the South line and 1745 feet from the East line
(Unit K) of said Section 31.



The NE/4 of the SW/4 and the W/2 and SE/4 of the SE/4 of Section 31 will be dedicated to the proposed well to form a project area comprising four standard 40-acre spacing units in the Nash Draw-Delaware/Bone Spring (Avalon Sands) Pool (47545). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is unorthodox because portions of the producing interval will be less than 330 feet from the boundaries of the project area, and therefore outside the producing area.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location in order to prevent waste by penetrating the maximum amount of the target formation in the lateral portion of the well.

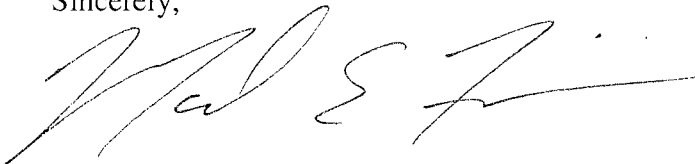
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 1210.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
United States Bureau of Land Management - Carlsbad