



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
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Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



July 25, 2008
Administrative Order NSL-5885

James Bruce, Esq.
Agent for BEPCO, L.P.
Post office Box 1056
Santa Fe, NM 87504

RE: BEPCO's NSL Application: Poker Lake Unit Well No. 252-H

1875' FSL, 1875' FEL, Unit J (Surface Location)
1400' FNL, 1580' FWL, Unit F (Bottom Hole Location)
Section 30, T24S, R30E, NMPM, Eddy County, NM
40 Acre Oil Spacing Unit
Nash Draw Delaware Pool (97148)

Dear Mr. Bruce;

Reference is made to the following:

- (a) BEPCO, L.P. ("BEPCO") application for a non-standard oil well location (***administrative application reference No. pKVR0815545458***) for the subject well that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on June 3, 2008; and
- (b) the Division's records pertinent to BEPCO's request.

BEPCO has requested authority to drill the above referenced well at this non-standard location in order to capture oil reserves from the Delaware Formation. The SW/4 NE/4, SE/4 NW/4, NE/4 SW/4 and NW/4 SE/4 of Section 30 is to be dedicated to the well forming a standard 40-acre oil spacing and proration unit. The Southwest Poker Lake-Delaware Pool is currently governed by Division Rule 19.15.3.104.B(1).



It is our understanding that notice of this application to offsetting operators or owners is unnecessary because working interest ownership is 100% BEPCO between the subject unit and the offsetting unit towards which this location will encroach.

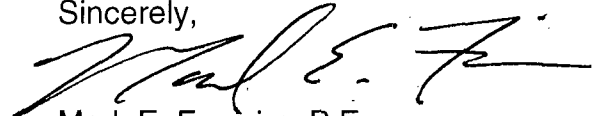
BEPCO's evidence demonstrates that the proposed non-standard well location is necessitated by topographic considerations within Section 30.

Pursuant to the authority granted under the provisions of Division Rule 104.F(2), the above-described unorthodox oil well location in the Poker Lake-Delaware Pool including but not limited to is hereby approved.

Please remember that the Oil Conservation Division may deny APDs and must deny requests for allowables and authority to transport to operators who are in violation of 19.15.1.40 NMAC (Rule 40). An operator is in violation of Rule 40 if it is out of compliance with OCD's financial assurance requirements, is in violation of an order requiring corrective action, has an unpaid penalty assessment which is more than 70 days old, or has more than a certain number of wells out of compliance with the inactive well rule (19.15.4.201 NMAC).

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

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/tw

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