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RECEIVED

2007 AUG 13 PM 1 37

August 10, 2007

Florene Davidson  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Re: Case No. 13973/Beach Exploration, Inc.

Dear Florene:

Please attach the enclosed, original verification to the application in the above case.

Very truly yours,


  
James Bruce

Attorney for Bold Energy, LP

VERIFICATION

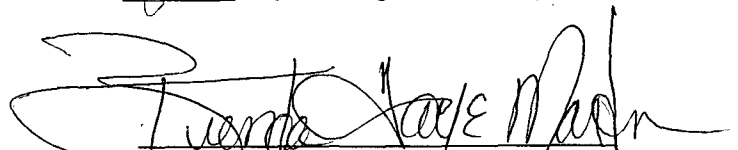
STATE OF TEXAS            )  
                                          ) ss.  
COUNTY OF MIDLAND    )

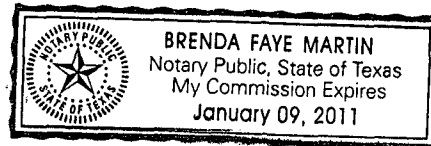
Jack M. Rose, being duly sworn upon his oath, deposes and states that: He is a petroleum engineer for Beach Exploration, Inc.; he is authorized to make this verification on its behalf; he has read the foregoing application, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.

  
\_\_\_\_\_  
Jack M. Rose

SUBSCRIBED AND SWORN TO before me this 11 day of August, 2007 by Jack M. Rose.

My Commission Expires: 1-9-2011

  
\_\_\_\_\_  
Notary Public



BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF BEACH EXPLORATION,  
INC. FOR APPROVAL OF A WATERFLOOD  
PROJECT AND TO QUALIFY THE PROJECT  
FOR THE RECOVERED OIL TAX RATE,  
EDDY COUNTY, NEW MEXICO.

Case No. 13973

APPLICATION

Beach Exploration, Inc. ("Beach"), whose address is Suite 200, 800 North Marienfeld, Midland, Texas 79701, applies for an order approving a waterflood project and qualifying the project for the recovered oil tax rate. In support thereof, Beach states:

1. Beach is the operator of the proposed Eastland Queen Unit Area (the "Unit Area"), which covers the following lands located in Eddy County, New Mexico:

Township 19 South, Range 29 East, N.M.P.M.

Section 1: N $\frac{1}{2}$ , N $\frac{1}{2}$ SW $\frac{1}{4}$ , SW $\frac{1}{4}$ SW $\frac{1}{4}$ , and NW $\frac{1}{4}$ SE $\frac{1}{4}$

Section 2: SE $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ , and SE $\frac{1}{4}$

Section 11: N $\frac{1}{2}$

Containing 1,040.00 acres of state lands.

The unitized interval is the Queen Sand, as further described in the unitization application filed concurrently with this application.

2. Beach proposes to institute a waterflood project in the Unit Area.

3. Beach proposes to inject water into the Queen Sand from approximately 18 existing or planned wells. A plat outlining the Unit Area, and marking the locations of the injection and producing wells, is attached hereto as Exhibit A. A listing of the injection wells is attached as Exhibit B.

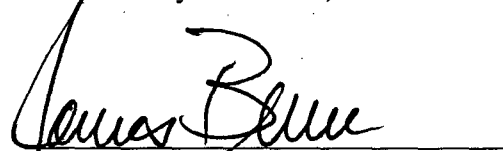
4. Beach requests that the waterflood project for the Unit Area be qualified for the recovered oil tax rate, pursuant to the Enhanced Oil Recovery Act (L. 1992, ch. 38) and Division regulations. Project data includes:

- |     |                                            |                          |
|-----|--------------------------------------------|--------------------------|
| (a) | Number of producing wells:                 | 12                       |
| (b) | Number of injection wells:                 | 18                       |
| (c) | Capital cost of additional facilities:     | \$2,475,000.00           |
| (d) | Estimated total project cost:              | \$2,500,000.00           |
| (e) | Estimated value of incremental production: | \$21,000,000.00          |
| (f) | Estimated injection commencement date:     | November 2007            |
| (g) | Type of injected fluid:                    | Produced and fresh water |
| (h) | Anticipated injection volumes:             | 150 BWPD/well            |

5. The Form C-108 for the project is attached hereto as Exhibit C. *See Hearing EXHIBIT*
6. Approval of this application will prevent waste and protect correlative rights.

**WHEREFORE**, Beach requests that, after notice and hearing, the Division enter its order approving the injection application, and qualifying the project as an Enhanced Oil Recovery Project.

Respectfully submitted,



James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Beach Exploration, Inc.

VERIFICATION

STATE OF TEXAS            )  
                                      ) ss.  
COUNTY OF MIDLAND    )

Jack M. Rose, being duly sworn upon his oath, deposes and states that: He is a petroleum engineer for Beach Exploration, Inc.; he is authorized to make this verification on its behalf; he has read the foregoing application, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.

\_\_\_\_\_  
Jack M. Rose

SUBSCRIBED AND SWORN TO before me this \_\_\_\_\_ day of August, 2007 by Jack M. Rose.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

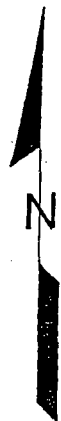
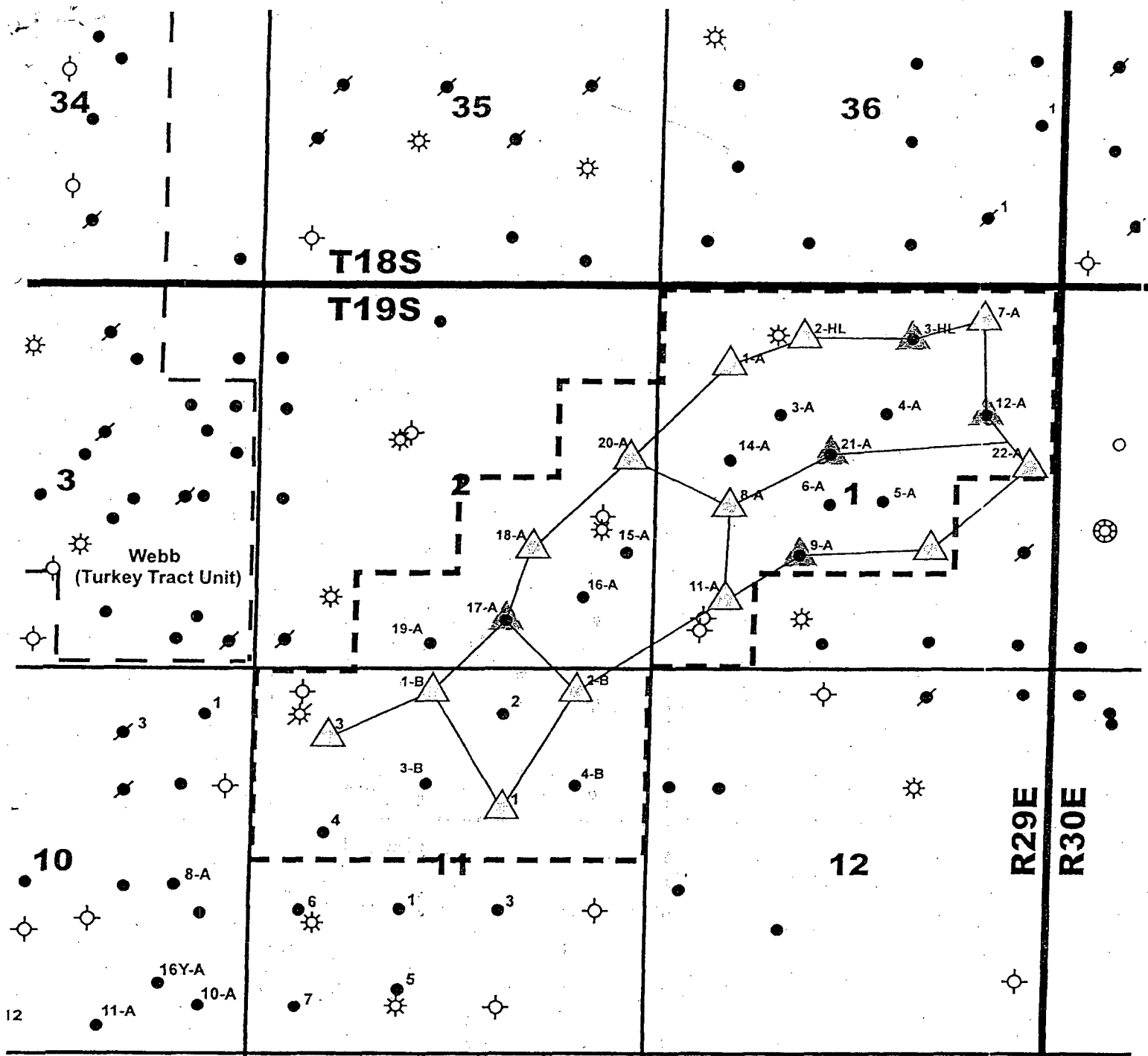
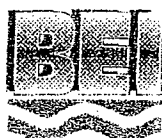


EXHIBIT **A**



Beach Exploration, Inc.

**Beach Exploration, Inc.**  
**EASTLAND QUEEN UNIT**  
 EDDY COUNTY, NEW MEXICO

**INJECTION**  
**PHASE I & II**  
 18 Inj - 12 Prd

GEOLOGY :  
 ENGINEERING :

SCALE : 1in. = 2000 ft.

Beach Exploration, Inc.  
Proposed Eastland Queen Unit  
Injection Well Data Sheet (wellbore schematics attached)  
Form C-108, Item III

<u>Operator</u>	<u>Lease &amp; Well #</u>	<u>Location</u>	<u>Sec.-Unit, Twp., Rge.</u>
<u>PHASE I</u>			
1. Re-enter P&A well	State B-7717 #4	1650' FSL 1650' FEL	1-J, 19S, 29E
2. Eastland Oil Company	State HL-1 #2	660' FNL 1980' FWL	1-C, 19S, 29E
3. Eastland Oil Company	P.J. State A #1	990' FNL 990' FWL	1-D, 19S, 29E
4. Eastland Oil Company	P.J. State A #7	330' FNL 990' FEL	1-A, 19S, 29E
5. Eastland Oil Company	P.J. State A #8	2310' FSL 990' FWL	1-L, 19S, 29E
6. Eastland Oil Company	P.J. State A #11	990' FSL 990' FWL	1-M, 19S, 29E
7. Eastland Oil Company	P.J. State A #18	1650' FSL 1650' FEL	2-J, 19S, 29E
8. Eastland Oil Company	P.J. State A #20	2310' FNL 330' FEL	2-H, 19S, 29E
9. Eastland Oil Company	P.J. State A #22	2310' FNL 330' FEL	1-H, 19S, 29E
10. Eastland Oil Company	P.J. State B #1	330' FNL 2310' FWL	11-C, 19S, 29E
11. Eastland Oil Company	P.J. State B #2	330' FNL 990' FEL	11-A, 19S, 29E
12. Myco Industries, Inc.	BBOC State #1	1980' FNL 1980' FEL	11-G, 19S, 29E
13. Myco Industries, Inc.	BBOC State #3	990' FNL 990' FWL	11-D, 19S, 29E
<u>PHASE II</u>			
14. Eastland Oil Company	State HL-1 #3	660' FNL 1980' FEL	1-B, 19S, 29E
15. Eastland Oil Company	P.J. State A #9	1470' FSL 2420' FWL	1-K, 19S, 29E
16. Eastland Oil Company	P.J. State A #12	1650' FNL 990' FEL	1-H, 19S, 29E
17. Eastland Oil Company	P.J. State A #17	660' FSL 1980' FEL	2-O, 19S, 29E
18. Eastland Oil Company	P.J. State A #21	2310' FNL 2310' FWL	1-F, 19S, 29E

EXHIBIT

**B**

PROPOSED ADVERTISEMENT

Case No. 13973: **Application of Beach Exploration, Inc. for approval of a waterflood project and to qualify the project for the Recovered Oil Tax Rate, Eddy County, New Mexico.** Applicant seeks approval to institute a waterflood project in the Queen Sand member of the Turkey Track Seven Rivers-Queen-Grayburg-San Andres Pool by the injection of water into eighteen wells located on state lands covering parts of Sections 1, 2, and 11, Township 19 South, Range 29 East, N.M.P.M. Applicant further seeks to qualify the project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1-5). The project is centered approximately 10 miles south-southwest of Loco Hills, New Mexico.

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