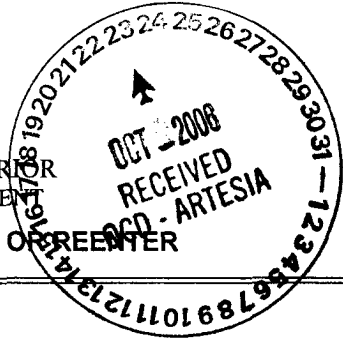


OCD-ARTESIA

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER



FORM APPROVED
OMB No. 1004-0136
Expires March 31, 2007

5. Lease Serial No.
NMLC-0069159A

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.
NMNM-68249

8. Lease Name and Well No. **1775**
Big Eddy Unit 157

9. API Well No.
30-015-35206

10. Field and Pool, or Exploratory
Dublin Ranch (Morrow)

11. Sec., T., R., M., or Blk, and Survey or Area
Sec 23, T22S, R28E, Mer NMP

1a. Type of Work: ☒ DRILL ☐ REENTER

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

2. Name of Operator
BEPCO, L.P.

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

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

4. Location of Well (Report location clearly and in accordance with any State requirements. *)
At surface **SWSE 660' FSL 1980' FWL - Lat N32.369222 deg, Long W104.060861 deg**
At proposed prod. zone **SAME**

CARLSBAD CONTROLLED WATER BASIN

14. Distance in miles and direction from nearest town or post office*
9 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) **660'**

16. No. of Acres in lease
3956.13

17. Spacing Unit dedicated to this well
320.00

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. **9610'**

19. Proposed Depth
13,200' MD

20. BLM/BIA Bond No. on file
NM2204

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3143' GL

22. Approximate date work will start*
10/15/2006

23. Estimated duration
45 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. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan | 5. Operation 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
Annette Childers
Title
Administrative Assistant

Name (Printed/Typed)
Annette Childers

Date
08/23/2006

Approved by (Signature) **/s/ James Stovall**

Name (Printed/Typed)

Date
OCT 13 2006

Title
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 and false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED**

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

OCD-ARTESIA

Form 3160-5
(April 2004)UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB No. 1004-0137
Expires: March 31, 2007**SUNDRY NOTICES AND REPORTS ON WELLS****Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.****SUBMIT IN TRIPLICATE- Other instructions on reverse side.**1. Type of Well
☐ Oil Well ☐ Gas Well ☐ Other2. Name of Operator
BEPCO, L. P.3a. Address
P. O. Box 2760 Midland, TX 797023b. Phone No. (include area code)
432-683-2277

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

**660' FSL & 1980' FWL, Sec 23, T22S, R28E
Lat N 32.369222 deg, Lon W 104.060861 deg**

5. Lease Serial No.

NMLC 069159A

6. If Indian, Allottee or Tribe Name

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

NMNM 68249

8. Well Name and No.

Big Eddy Unit #157

9. API Well No.

10. Field and Pool, or Exploratory Area
Dublin Ranch (Morrow)

11. County or Parish, State

Eddy Co., NM**12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Change Mud Program
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompletable horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletable in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

BEPCO, L. P. request approval of the following revised mud program for the BEU #157. This revision is the result of obtaining actual mud weight data from the direct offset well - Marshall & Winston, Inc. - Dublin Federal 23 #1. (See attached map) The Dublin Federal 23 #1 was drilled using a maximum mud wt of 11 ppg. The BEU #157 mud program for the interval 11,000' to TD should read as follows:
Depth - 11,000' to TD -- Mud Type: CBW/Polymer -- Weight: 10.0-11.0 -- FV: 32-37 -- PV: 5-12 -- FL: <15 -- PH: 9.5-10.0.

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Annette ChildersTitle **Administrative Assistant**

Signature

Annette Childers

Date

10-5-06**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by

/s/ James Stovall**ACTING**

Title

FIELD MANAGER

Date

OCT 18 2006

Conditions of approval, if any, are attached. Approval of this notice 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.

Office

CARLSBAD FIELD OFFICE

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)

Surface casing to be set into the Rustler below all fresh water sands.

Production casing will be cemented using Halliburton Class "H" plus additives w/TOC 500' into intermediate casing.

Drilling procedure, BOP diagram, anticipated tops and surface plans attached.

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

There are no potash leases within 1 mile of the location.

DISTRICT I
1000 N. French St., Hobbs, NM 88240

DISTRICT II
1201 E. Grand Avenue, Artesia, NM 88210

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

DISTRICT IV
1200 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

K-06-67
Rec'd 8/28/06
Form C-108
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 76140	Pool Name Dublin Ranch (Morrow)
Property Code 001775	Property Name BIG EDDY UNIT	Well Number 157
OGED No. 001801	Operator Name BEPCO, L.P.	Elevation 3143'

Surface Location

UL or lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
N	23	22 S	28 E		660	SOUTH	1980	WEST	EDDY

Bottom Hole Location If Different From Surface

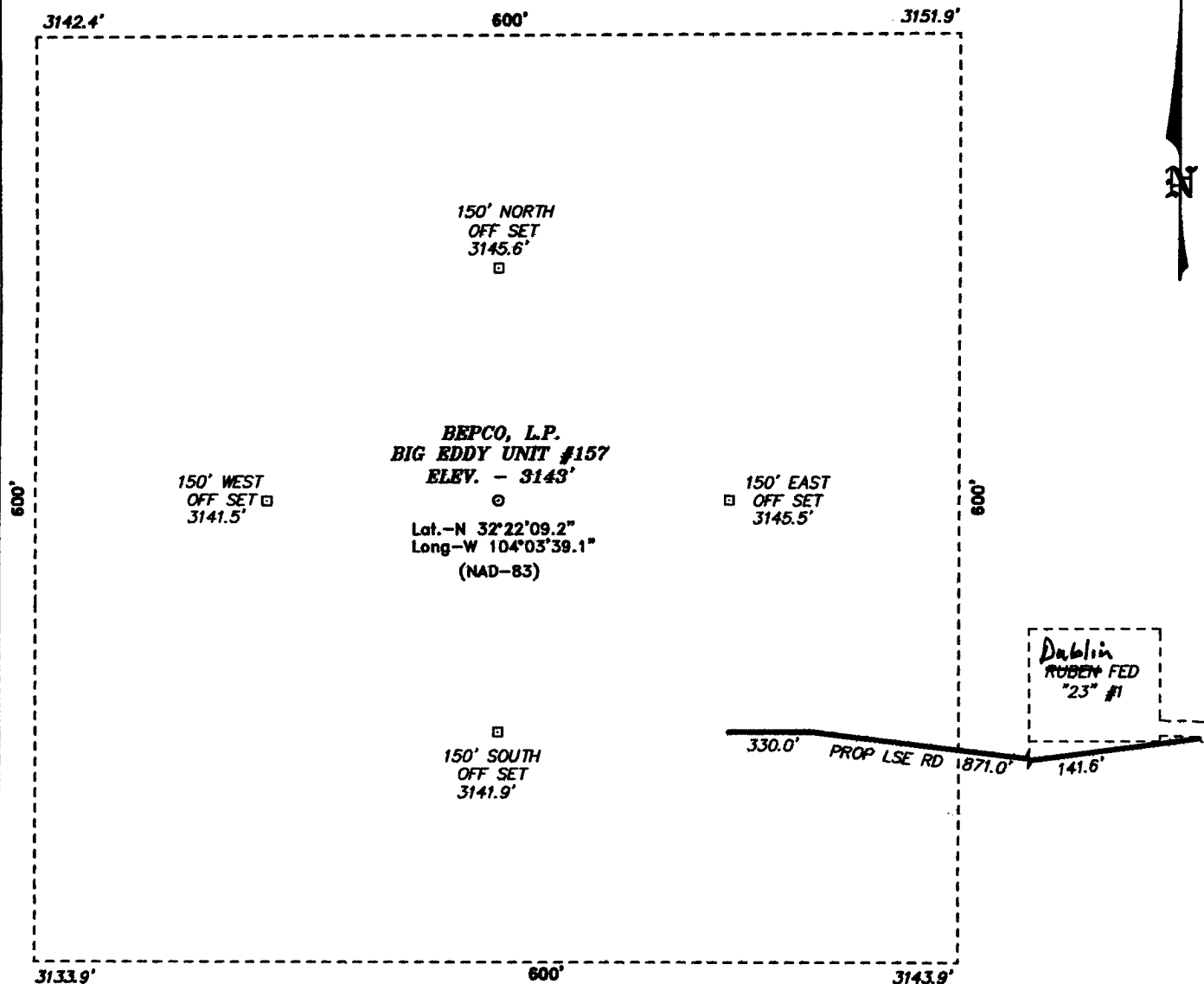
UL or lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 320	Joint or Infill N	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

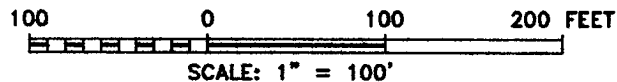
	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location pursuant 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.</p> <p>Signature: <i>W.R. Dannels</i> Date: 8/23/06 Printed Name: W.R. Dannels</p>
	<p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>Date Surveyed: 8/23/06 Signature: <i>[Signature]</i> Professional Surveyor: [Stamp] Certificate No. 7977 Jones</p> <p>BASIN SURVEYS</p>

SECTION 23, TOWNSHIP 22 SOUTH, RANGE 28 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



DIRECTIONS TO LOCATION:

FROM THE JUNCTION OF STATE HWY 62-180 AND CO.
RD 605 (U.S. REFINERY), PROCEED SOUTHEAST ON CO.
RD. 605 FOR 8.6 MILE TO LEASE ROAD, ON LEASE ROAD
GO NORTHEAST 0.5 MILE, THENCE NORTHWEST 0.2 MILE;
THENCE 0.2 MILE NORTH; THENCE 0.2 MILE NORTHWEST
TO PROPOSED LEASE ROAD.



BEPCO, L.P.

REF: BIG EDDY UNIT No. 157 / Well Pad Topo

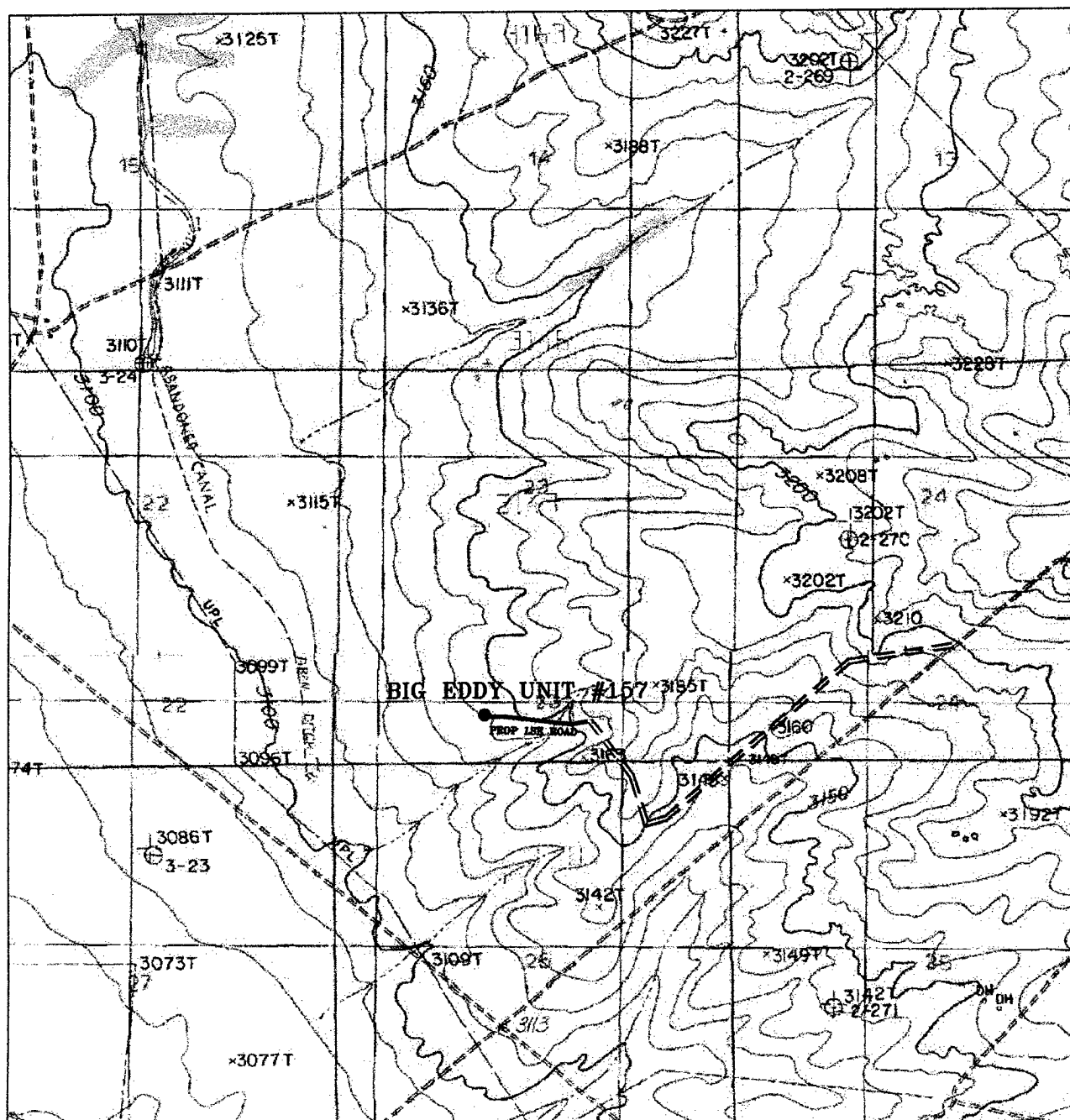
THE BIG EDDY UNIT No. 157 LOCATED 660' FROM
THE SOUTH LINE AND 1980' FROM THE WEST LINE OF
SECTION 23, TOWNSHIP 22 SOUTH, RANGE 28 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

Basin SURVEYS P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 6597 Drawn By: J. M. SMALL

Date: 07-10-2006 Disk: JMS 6597W

Survey Date: 07-06-2006 Sheet 1 of 1 Sheets



BIG EDDY UNIT #157

Located at 660' FSL and 1980' FWL

Section 23, Township 22 South, Range 28 East,
N.M.P.M., Eddy County, New Mexico.

basin
surveys

focused on excellence
in the oilfield

P.O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
(505) 393-7316 - Office
(505) 392-3074 - Fax
basinsurveys.com

W.O. Number: 6597T

Survey Date: 07-05-2006

Scale: 1" = 2000'

Date: 07-10-2006

BEPCO, L.P.

BEPCO, L. P.
EIGHT POINT DRILLING PROGRAM

NAME OF WELL: BIG EDDY UNIT #157

LEGAL DESCRIPTION - SURFACE: 660' FSL & 1980' FWL, Section 23, T22S, R28E, 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 3162' (est)
GL 3143'

<u>FORMATION</u>	<u>ESTIMATED TOP FROM KB</u>	<u>ESTIMATED SUBSEA TOP</u>	<u>BEARING</u>
T/Salt	464'	+ 2,698'	Barren
B/Salt	2,518'	+ 644'	Barren
T/Lamar	2,748'	+ 414'	Barren
T/Bell Canyon	2,784'	+ 378'	Oil/Gas
T/Old Indian Draw	3,674'	- 512'	Oil/Gas
T/Bone Spring	6,302'	- 3,140'	Oil/Gas
T/Wolfcamp	9,664'	- 6,502'	Oil/Gas
T/Strawn	11,042'	- 7,880'	Oil/Gas
T/Atoka	11,352'	- 8,180'	Oil/Gas
T/Upper Morrow	11,952'	- 8,790'	Oil/Gas
T/Middle Morrow	12,302'	- 9,140'	Oil/Gas
T/Lower Morrow	12,622'	- 9,460'	Oil/Gas
TD	13,200'	- 10,038'	

POINT 3: CASING PROGRAM

<u>TYPE</u>	<u>INTERVALS</u>	<u>PURPOSE</u>	<u>CONDITION</u>
20"	0' - 40'	Conductor	Contractor Discretion
13-3/8", 54.5#, J-55, STC	0' - 454'	Surface	New
9-5/8", 40#, N80, LTC	0' - 6,352'	Intermediate	New
5-1/2", 17#, HCP-110 LT&C	0' - 13,200'	Production	New

WITNESS

POINT 4: PRESSURE CONTROL EQUIPMENT (SEE ATTACHED DIAGRAM)

A BOP equivalent to Diagram 1 will be nipped up on the surface casinghead and the BOP stack, choke, kill lines, kelly cocks, inside BOP etc. will be hydrostatically tested to 70% of internal yield pressure of casing or 1000 psig whichever is less with rig pump.

A BOP equivalent to Diagram 1 will be nipped up on the intermediate casing. On the intermediate casing, the BOP stack, choke, kill lines, kelly cocks, inside BOP, etc. will be hydro-tested to 5,000 psi by independent tester. The annular will be tested to 2500 psi. In addition to the rated working pressure test, a low pressure (250 psi) test will be required. These tests will be performed:

- a) Upon installation
- b) After any component changes
- c) Twenty-one 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. See the attached Diagram 1 for the minimum criteria for the choke manifold.

POINT 5: MUD PROGRAM

DEPTH	MUD TYPE	WEIGHT	FV	PV	YP	FL	Ph
0' - 454'	FW	8.5 - 9.2	45-35	NC	NC	NC	9.5
454' - 6,352'	BW	10.0 - 10.2	28-30	NC	NC	NC	9.5
6,352' - 9,600'	FW	8.6 - 8.9	28-30	4	2	NC	9.5
9,600' - 11,000'	CBW	8.9 - 10.2	28-30	6	4	<20	9.5
11,000' - TD	CBW/Polymer	8.9 - 12.1	32-55	12-20	12-22	10-15	9.5-10.0

POINT 6: TECHNICAL STAGES OF OPERATION

A) TESTING

Drill stem tests may be performed on significant shows in zones of interest, but none are anticipated.

B) LOGGING

Run #1:

GR-CNL-LDT-LLD-CAL run from 6352' to surface csg. GR-CNL to surface.

Run #2:

GR-CNL-LDT-LLD-CAL run from TD to intermediate casing, FMI as required.

C) CORING

No cores are anticipated.

D) CEMENT*

<u>INTERVAL</u>	<u>AMOUNT SX</u>	<u>FT OF FILL</u>	<u>TYPE</u>	<u>GALS/SX</u>	<u>PPG</u>	<u>FT³/SX</u>
<u>SURFACE</u>						
Tail						
0' - 454'	470	454	Premium Plus + 2% CaCl ₂	6.57	14.80	1.35
(100% excess)						
<u>INTERMEDIATE</u>						
<u>INTERVAL</u>	<u>AMOUNT SXS</u>	<u>FT OF FILL</u>	<u>TYPE</u>	<u>GALS/SX</u>	<u>PPG</u>	<u>FT³/SX</u>
Lead						
0' - 5352'	1240	5352	Interfill H	16.43	11.50	2.79
(100% Excess)						
Tail						
5352' - 6352'	570	1000	Premium Plus + 0.6% Halad R-9	4.72	15.6	1.18
(100% Excess)						
<u>PRODUCTION</u> (Two stage DV tool @ 8500' and TOC @ 5852'.)						
<u>INTERVAL</u>	<u>AMOUNT SXS</u>	<u>FT OF FILL</u>	<u>TYPE</u>	<u>GALS/SX</u>	<u>PPG</u>	<u>FT³/SX</u>
1 st Stage						
LEAD						
8500'-11,500'	725	3000	Interfill H + 5pps Gilsonite + 0.5% Halad 9	13.63	11.90	2.47
(50% excess)						
TAIL						
11,500'-13,200'	600	1700	Super H + 0.5% Halad 344 + 0.4% CFR3 + 5 pps Gilsonite + 1 pps Salt + 0.2% HR7	7.73	13.20	1.60
(50% excess)						
2 nd Stage						
TAIL:						
5852'-8500'	627	2648	Super H + 0.5% Halad 344 + 0.4% CFR3 + 5 pps Gilsonite + 1 pps Salt + 0.2% HR7	7.73	13.20	1.60
(50% excess)						

* BEPCO, L.P. reserves the right to alter the cementing program as hole conditions dictate.

E) DIRECTIONAL DRILLING

No directional services anticipated. A straight hole will be drilled to 13,200' TD.

POINT 7: ANTICIPATED RESERVOIR CONDITIONS

Normal pressures are anticipated throughout the Delaware and Bone Spring sections. The Wolfcamp and Strawn are expected to have a BHP of 5515 (max) or an equivalent mud weight of 10.0 ppg. The Atoka may have pressures of 6800-7800 psi (12.1 ppg). 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 Morrow will be normally pressured. The expected BHT at TD is 200°F. 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

45 days drilling operations

20 days completion operations

MULTI-POINT SURFACE USE PLAN

NAME OF WELL: BIG EDDY UNIT #157

LEGAL DESCRIPTION – SURFACE: 660' FSL & 1980' FWL, Section 23, T22S-R28E, Eddy County, NM

POINT 1: EXISTING ROADS

A) Proposed Well Site Location

See Exhibit "A".

B) Existing Roads:

From junction of Hwy 62-180 and CR 605 (US Refinery), proceed southeast on CR 605 for 8.6 miles to lease road. On lease road, go northeast 0.5 miles, then northwest 0.2 miles, then 0.2 miles north, then 0.2 miles northwest to proposed lease road.

C) Existing Road Maintenance or Improve Plan:

None

POINT 2: NEW PLANNED ACCESS ROUTE

A) Route Location:

See Exhibit "B". The new road will be 12' wide and approximately 1343' long from existing lease road. The road will be constructed of watered and compacted caliche.

B) Width

12' Wide.

C) Maximum Grade

Not Applicable.

D) Turnouts

As required by BLM stipulations

E) Culverts, Cattle Guards, and Surfacing Equipment

None

POINT 3: LOCATION OF EXISTING WELLS

Exhibit "A" indicates existing wells within the surrounding area.

POINT 4: LOCATION OF EXSITING OR PROPOSED FACILITIES

- A) Existing facilities within one mile owned or controlled by lessee/operator:

None

- B) New Facilities in the Event of Production:

New production facilities will be installed at the new location.

- C) Rehabilitation of Disturbed Areas Unnecessary for Production:

Following the construction of production facilities, those access areas required for continued production will be graded to provide drainage and minimize erosion. The areas necessary for use will be graded to blend in 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 the City of Carlsbad. Brine water will be hauled from Champion Brine Water Station, 3.5 miles east and 2.5 miles south of Carlsbad.

- 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.

- B) Land Ownership

Federally Owned.

- C) Materials Foreign to the Site

On site caliche will be used, but if necessary caliche will be hauled from approved BLM pits.

- D) Access Roads

1343' of new access road will be required. See Exhibit "B".

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 the 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 testing indicates potential productive zones. In any case, the "mouse" hole and the "rat" hole will be covered. The reserve pit will be fenced and the fence maintained until the pit is backfilled. Reasonable cleanup will be performed prior to the final restoration of the site.

POINT 8: ANCILLARY FACILITIES

We will be constructing a new gathering line to the north or east to tie into existing pipelines.

POINT 9: WELL SITE LAYOUT

A) Rig Orientation and Layout

Exhibit "C" & "D" show 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 SERVICE

A) Reserve Pit Cleanup

A pit will be fenced at the time of rig release and shall be maintained until the pit is backfilled. Previous to backfill operations, any hydrocarbon material on the pit surface shall be removed. The fluids and solids contained in the pit shall be backfilled with soil excavated from the site and soil adjacent to the reserve pit. The restored surface of the pit 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 BLM stipulations during the appropriate season following restoration.

B) Restoration Plans – Production Developed

The reserve pit 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 pit 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 BLM stipulations.

D) Rehabilitation 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 or lakes within several miles of the wellsite. The Pecos river is located approximately 3 miles south of this wellsite.

F) Water Wells

There is one water well within 1 mile of location (SWSE Sec 15, T22S, R28E). A second well is approximately 2 miles NE located in NWNENE Sec 13, T22S, R28E.

G) Residences and Buildings

None in the immediate vicinity.

H) Historical Sites

None observed.

I) Archeological Resources

An archeological survey will be obtained for this area. 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 Lyon
Box 2760
Midland, Texas 79702
(432) 683-2277

POINT 13: CERTIFICATION

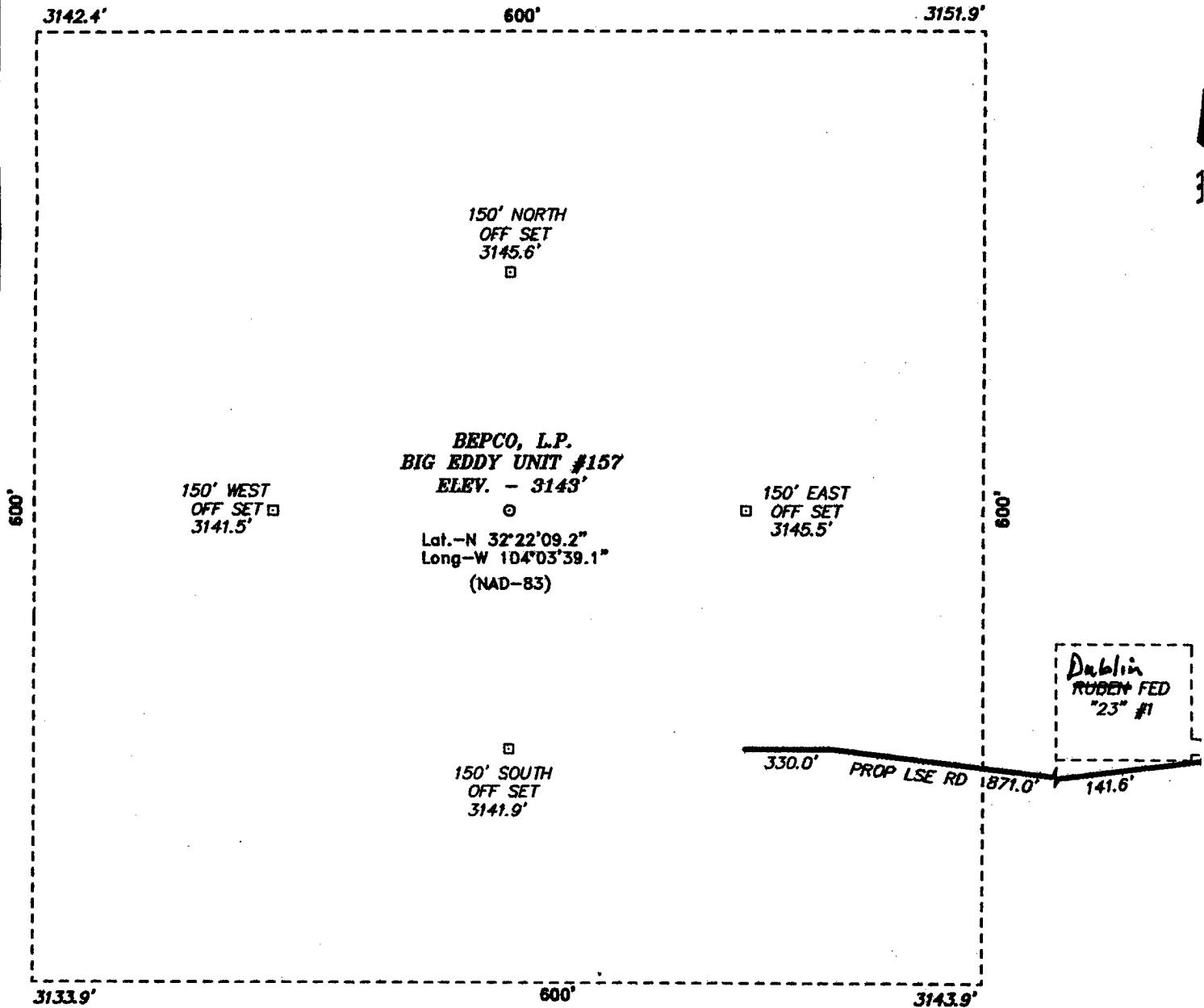
I hereby certify that I, or persons under my direct supervision have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in the plan are, to the best of my knowledge, true and correct; and that the work associated 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.

8/24/06
Date

William R. Dannels for WRD
William R. Dannels

WRD:cnt

SECTION 23, TOWNSHIP 22 SOUTH, RANGE 28 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



- Exhibit "C" -

Adobe Drilling Rig No. Iron Horse

432-552-5553

KB 15.3'

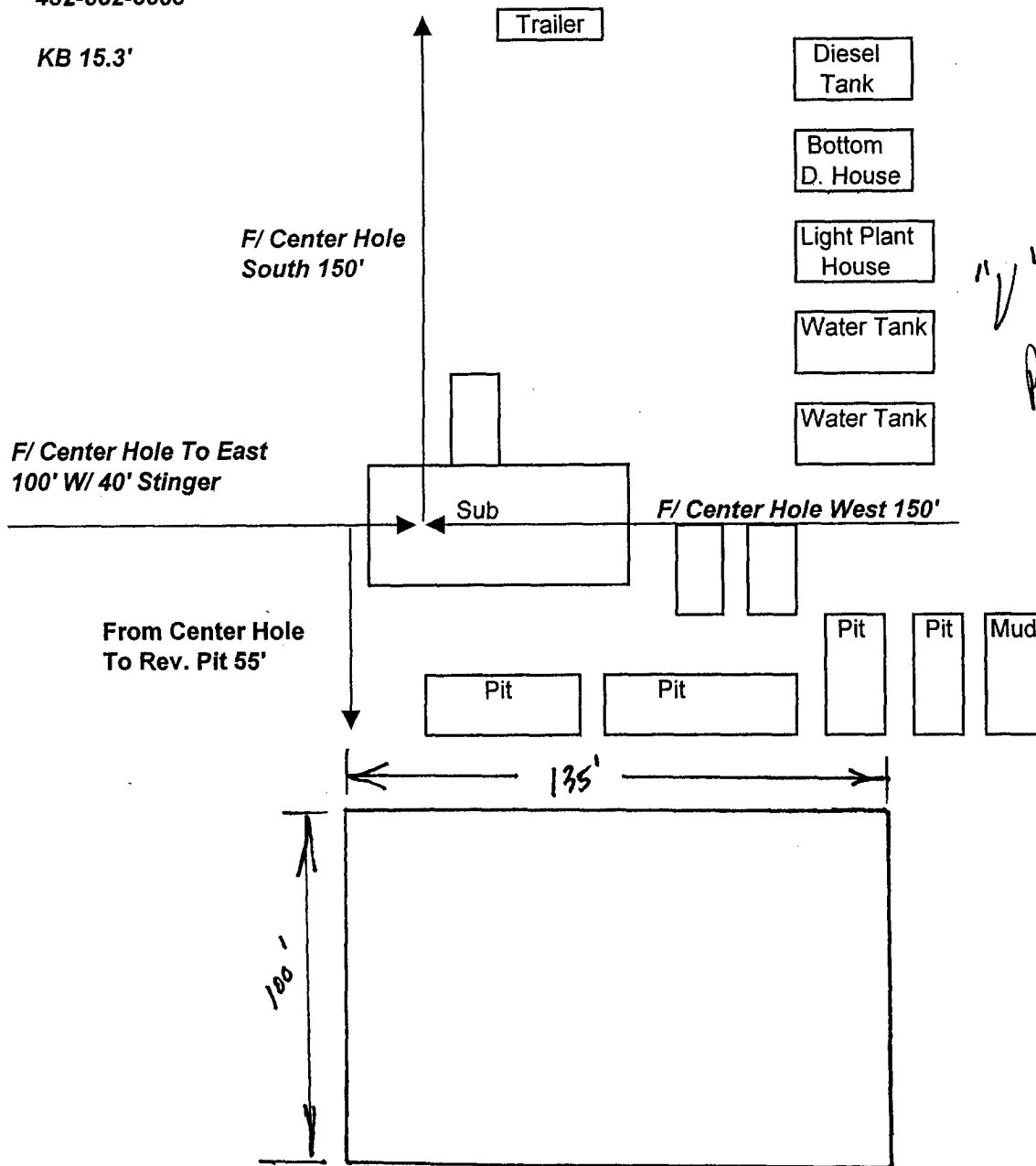
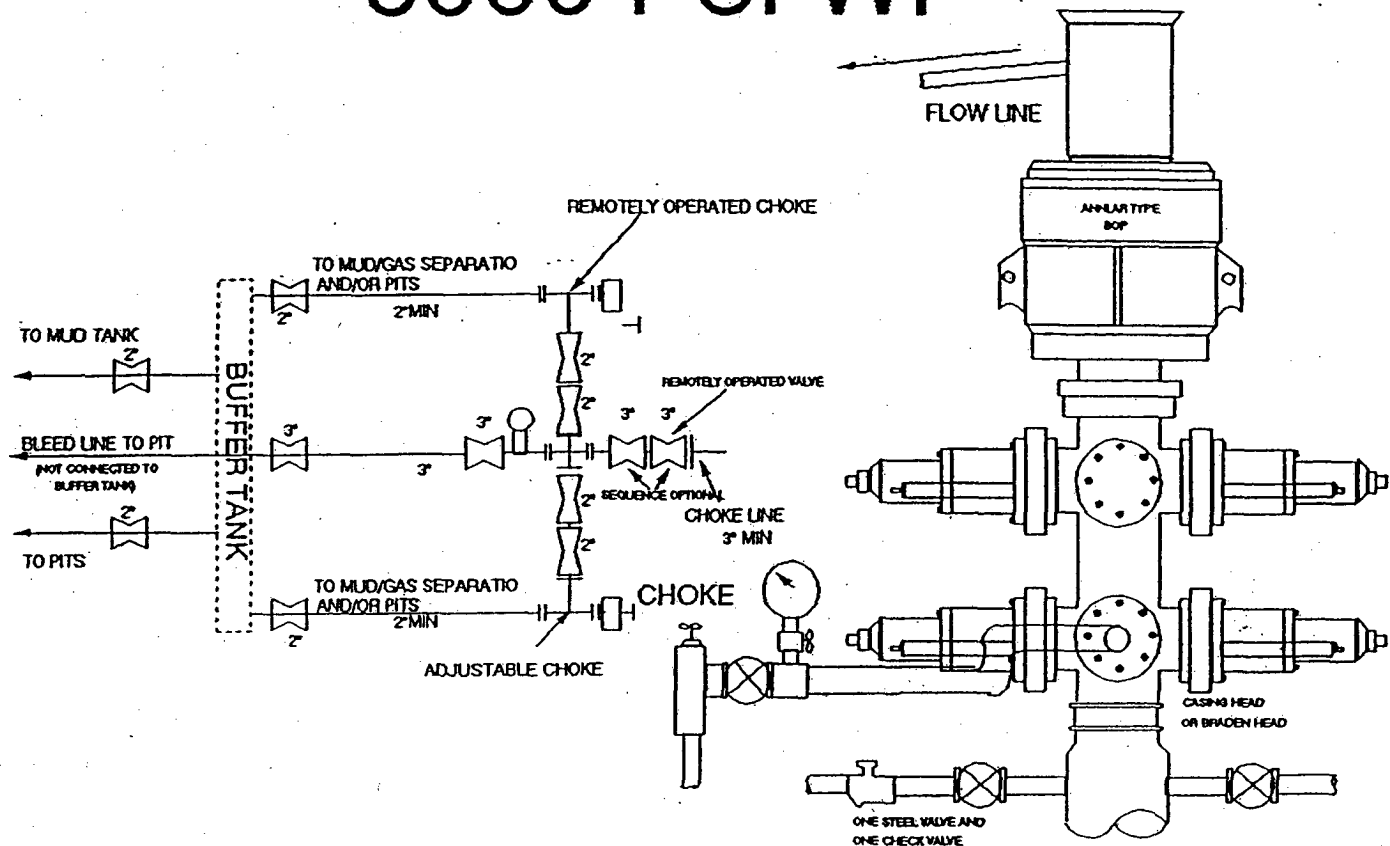


Exhibit "D"

5000 PSI WP



THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS

- A. One double gate blowout preventer with lower rams for pipe and upper rams blind, 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 minimum of one inch in diameter.
- D. The available closing pressure shall be at least 15% in excess of that required with sufficient 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 BOP's.
- 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. All chokes will be adjustable. Choke spool may be used between rams.

DIAGRAM 1

SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name: BEPCO, L.P. Well Name & #: Big Eddy Unit # 157
Location 660' F S L & 1980' F W L; Sec. 23, T. 22 S., R. 28 E.
Lease #: NMLC-0069159-A County: Eddy State: New Mexico

The Special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CFR 3165.3 AND 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

I. SPECIAL ENVIRONMENT REQUIREMENTS

- ☐ Lesser Prairie Chicken (stips attached) ☐ Flood plain (stips attached)
☐ San Simon Swale (stips attached) ☐ Other

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

☒ The BLM will monitor construction of this drill site. Notify the ☒ Carlsbad Field Office at (505) 234-5972 ☐ Hobbs Office (505) 393-3612, at least 3 working days prior to commencing construction.

☒ Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche upon completion of well and it is determined to be a producer.

☐ All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately _____ inches in depth. Approximately _____ cubic yards of topsoil material will be stockpiled for reclamation.

☒ Other. **Pits North V- Door East**

III. WELL COMPLETION REQUIREMENTS

☐ A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the BLM. The effective date of the agreement must be prior to any sales.

☒ Surface Restoration: If the well is a producer, the reserve pit(s) will be backfilled when dry, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at depth of 1/2 inch) with the following seed mixture, in pounds of Pure Live Seed (PLS), per acre. If broadcasting, the seeding rate must be doubled.

☒ A. Seed Mixture 1 (Loamy Sites)
Side Oats Grama (*Bouteloua curtipendula*) 5.0
Sand Dropseed (*Sporobolus cryptandrus*) 1.0
Plains lovegrass (*Eragrostis intermedia*) 0.5

☐ B. Seed Mixture 2 (Sandy Sites)
Sand Dropseed (*Sporobolus crptandrus*) 1.0
Sand Lovegrass (*Eragrostis trichodes*) 1.0
Plains Bristlegrass (*Setaria magrostachya*) 2.0

☐ C. Seed Mixture 3 (Shallow Sites)
Side oats Grama (*Bouteloua curtipendula*) 5.0
Green Spangletop (*Leptochloa dubia*) 2.0
Plains Bristlegrass (*Setaria magrostachya*) 1.0

☐ D. Seed Mixture 4 (Gypsum Sites)
Alkali Sacaton (*Sporobolus airoides*) 1.0
Four-Wing Saltbush (*Atriplex canescens*) 5.0

☐ OTHER SEE ATTACHED SEED MIXTURE

Seeding should be done either late in the fall (September 15 - November 15, before freeze up, or early as possible the following spring to take advantage of available ground moisture.

☐ Other

RESERVE PIT CONSTRUCTION STANDARDS

The reserve pit shall be constructed entirely in cut material and lined with 6-mil plastic.

Mineral material extracted from within the boundary of the APD during construction of the well pad and reserve pits and be used for the construction of this well pad and its immediate access road only, as long as that portion of the access road it is use on remains on-lease. Removal of any additional material from this location for construction or improvement of other well pads and other access or lease roads must first be purchased from BLM.

Reclamation: Reclamation of this type of deep pit will consist of pushing the pit walls into the pit when sufficiently dry to support track equipment. The pit liner is NOT TO BE RUPTURED to facilitate drying; a ten month period after completion of the well is allowed for drying of the pit contents.

The pit area must be contoured to the natural terrain with all contaminated drilling mud buried with at least 3 feet of clean soil. The reclaimed area will then be seeded as specified in this permit.

OPTIONAL PIT CONSTRUCTION STANDARDS

The reserve pit may be constructed in predominantly fill material if:

- (1) Lined as specified above and
- (2) A temporary or emergency pit may be constructed immediately adjacent to the reserve pit as long as the pit remains within the APD boundary. Mineral material removed from this pit may be used for the construction of this well pad only and its immediate access road, as long as that portion of the access road the material is used on remains on-lease. Removal of any material from the APD boundary for use on other well locations or roads must first be purchased from BLM.

Reclamation of the reserve pit consists of bulldozing all reserve pit contents and contaminants into the borrow pit and covering with a minimum of 3 feet of clean soil material. The entire area must be re-contoured, all trash removed, and reseeded as specified in this permit.

CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to process by BLM.

TRASH PIT STIPS

All trash, junk, and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: BEPCO, LP
Well Name & No. Big Eddy Unit # 157
Location: 660' FSL, 1980' FWL, SEC 23, T22S, R28E, Eddy County, NM
Lease:

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 - 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: 20 inch 13 3/8 inch 9 5/8 inch 5 1/2
 - C. BOP tests
2. A Hydrogen Sulfide (H₂S) Drilling Plan should be activated prior to drilling into the N/A Formation. A copy of the plan shall be posted at the drilling site.
3. 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.
4. 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.
5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.
6. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.
7. 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 approximately 454 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 intermediate casing is circulate cement to the surface.
4. The minimum required fill of cement behind the 5-1/2 inch production casing is cement shall extend upward a minimum of 200 feet above the base of the intermediate casing string.
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.
 - A variance to test the _____ to the reduced pressure of _____ psi with the rig pumps is approved.
 - 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.

4. The BLM Geological Report has noted the potential for lost circulation in the Delaware and Bone Springs formations with potentially abnormally high pressures in the Wolfcamp, Strawn, Atoka and Morrow formations. All of these formation will be simultaneously exposed to the open well bore in the interval in which the mud weight was changed from 12.1 lb/gal to 11.0 lb/gal, by the sundry notice date 10/05/06 and received on 10/10/06.

Engineering may be contacted at 505-706-2779 for variances if necessary.