L-06-24
9/13/06

Form 3160-3
(April 2002)

1419

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA
R-111-POTASH

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

RESUBMITTAL

1a. Type of Work: [X] DRILL [ ] REENTER	5. Lease Serial No. NMNM 04473
	6. If Indian, Allottee or Tribe Name NA
	7. If Unit or CA Agreement, Name and No. NMNM 70965X 1780
1b. Type of Well: [X] Oil Well [ ] Gas Well [ ] Other [ ] Single Zone [ ] Multiple Zone	8. Lease Name and Well No. James Ranch Unit 85
2. Name of Operator BEPCO, L.P. 1801	9. API Well No. 30-015- 35322
3a. Address P. O. Box 2760 Midland, Texas 79702	3b. Phone No. *(include area code)* (432)683-2277
	10. Field and Pool, or Exploratory Quahada Ridge Delaware
4. Location of Well *(Report location clearly and in accordance with any State requirements.*)* At surface NWSW, Lot 6, 2180' FSL, 185' FWL At proposed prod. zone Same	11. Sec., T., R., M., or Blk, and Survey or Area Sec 6, T23S, R31E Mer NMP
14. Distance in miles and direction from nearest town or post office* 16 miles east of Loving, NM	12. County or Parish Eddy County / 13. State NM

15. Distance from porposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 185'	16. No. of Acres in lease 282.09	17. Spacing Unit dedicated to this well 40.00
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 183'	19. Proposed Depth 7930' MD	20. BLM/BIA Bond No. on file 103997445
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3299' GL	22. Approximate date work will start* 11/01/2006	23. Estimated duration 12 days

24. Attachments

Carlsbad 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.
2. A Drilling Plan
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).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operation certification.
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature Annette Childers	Name *(Printed/Typed)* Annette Childers	Date 09/11/2006
Title Administrative Assistant		
Approved by *(Signature)* /s/ Linda S.C. Rundell	Name *(Printed/Typed)* /s/ Linda S.C. Rundell	Date DEC 19 2006
Title STATE DIRECTOR	Office NM STATE 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 fradulent statements or representations as to any matter within its jurisdiction.

**(Instructions on page 2)*

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

NSL- 5051

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.

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
DISTRICT II
811 South First, Artesia, NM 88210
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

L-06-24
9/13/06

Form C-102
Revised March 17, 1999
Submit to Appropriate District Office
State Lease – 4 Copies
Fee Lease – 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
	50443	Quahada Ridge (Delaware), SE

Property Code	Property Name	Well Number
	JAMES RANCH UNIT	85

OGRID No.	Operator Name	Elevation
001801	BASS ENTERPRISES PRODUCTION COMPANY	3299'

Surface Location

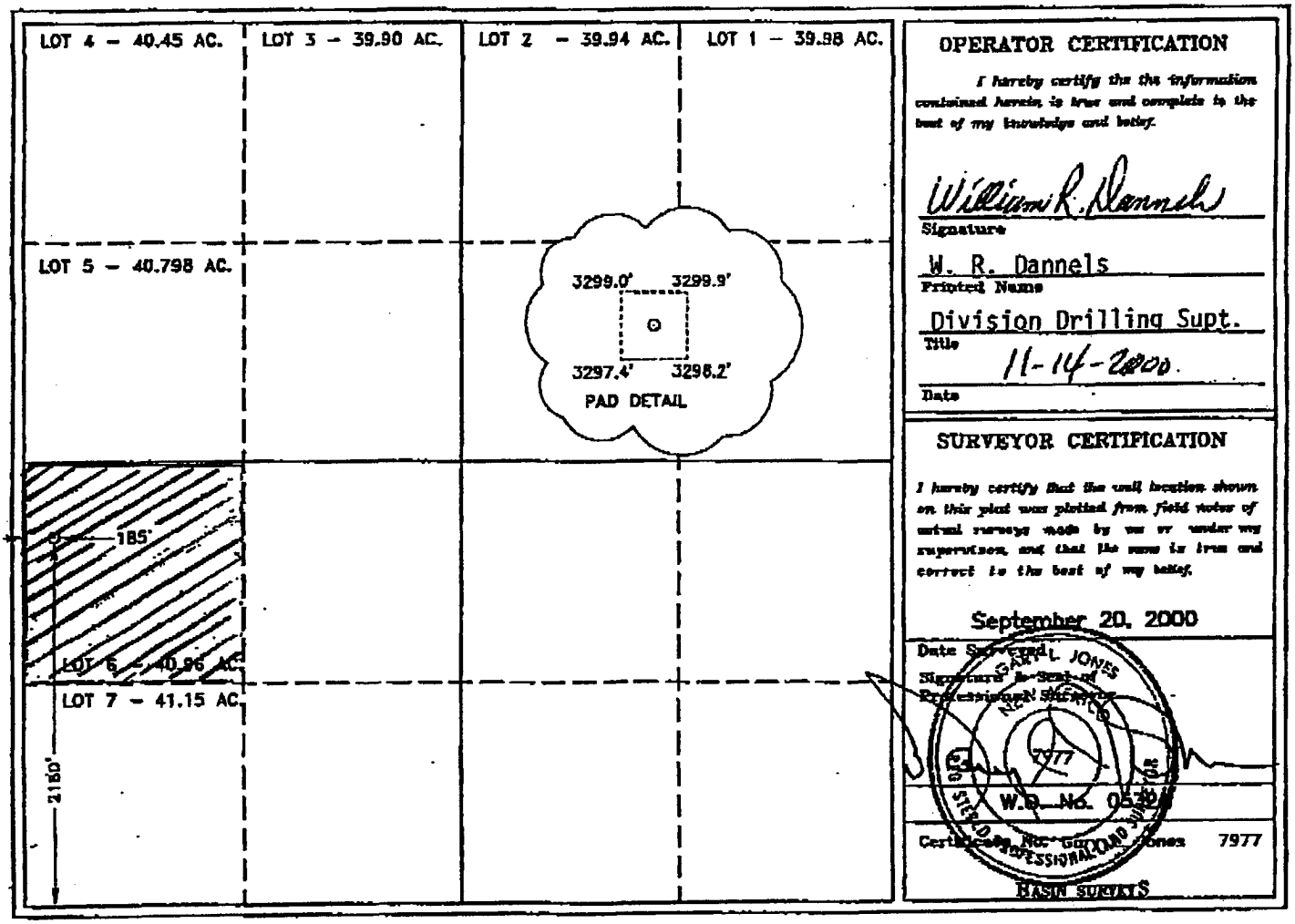
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
LOT 6	6	23 S	31 E		2180	SOUTH	185	WEST	EDDY

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.
40	N		

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



OPERATOR CERTIFICATION

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

William R. Dannels
Signature

W. R. Dannels
Printed Name

Division Drilling Supt.
Title

11-14-2000
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.

September 20, 2000
Date Surveyed

GARY L. JONES
NEW MEXICO
7977
REGISTERED PROFESSIONAL SURVEYOR

Signature & Seal of Professional Surveyor

W.O. No. 05

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

Surface casing to be set +/- 10' above top of salt and below all fresh water sands.
Intermediate casing will be set in top of Lamar. The proposed TD is 100' below Bone Spring Lime +/- 7814'.
Production casing will be cemented using DS LiteCrete system with TOC 500' above all productive pay zones.
Drilling procedure, BOP diagram, anticipated tops and surface plans attached.

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

This well was staked as far away from the Mill's Ranchhouse as possible and will require an exception to statewide spacing (location 551' from Ranchhouse - see attached Basin Survey exhibit).

This is an unorthodox location.

This APD was originally approved on 11/12/03, extended to 12/08/04, and expired on 11/13/05.

A waiver from Mosaic Potash Carlsbad, Inc. is attached.

A surface agreement between Stacy Mills and BEPCO, L.P. was made on 9/8/06.

Mosaic Potash Carlsbad Inc.
PO Box 71
1361 Potash Mines Road
Carlsbad, NM 88220
www.mosaicco.com

Tel 505-887-2871
Fax 505-887-0569

July 28, 2006

Mr. Brad Glasscock
Bass Enterprises Production Co.
201 Main Street
Fort Worth, TX 76102-3131
(817) 339-7185

Dear Mr. Glasscock:

We are in receipt of your request dated June 7, 2006 concerning a Delaware test well 2180' FSL and 185' FWL in Section 6, T-23-S, R-31-E. Mosaic Potash Carlsbad Inc. does have a potash lease 185 feet west of this location.

The locations requested (JRU #85) is located within ¼ mile of measured ore as delineated by the BLM but just over ¼ mile of Mosaic's LMR. Several oil wells have already been drilled in the area therefore Mosaic Potash does not object to drilling at this location.

As more information becomes available, our estimates of the extent of potash resources in any given area may change. Therefore, please consider this "no objection" to this location to be valid for one year only. If you are still considering this well location at a date later than one year from today, notify us again at that time so we can make the decision on information current at that time. Do not consider a "no objection offered" or an "objection offered" decision to be permanent.

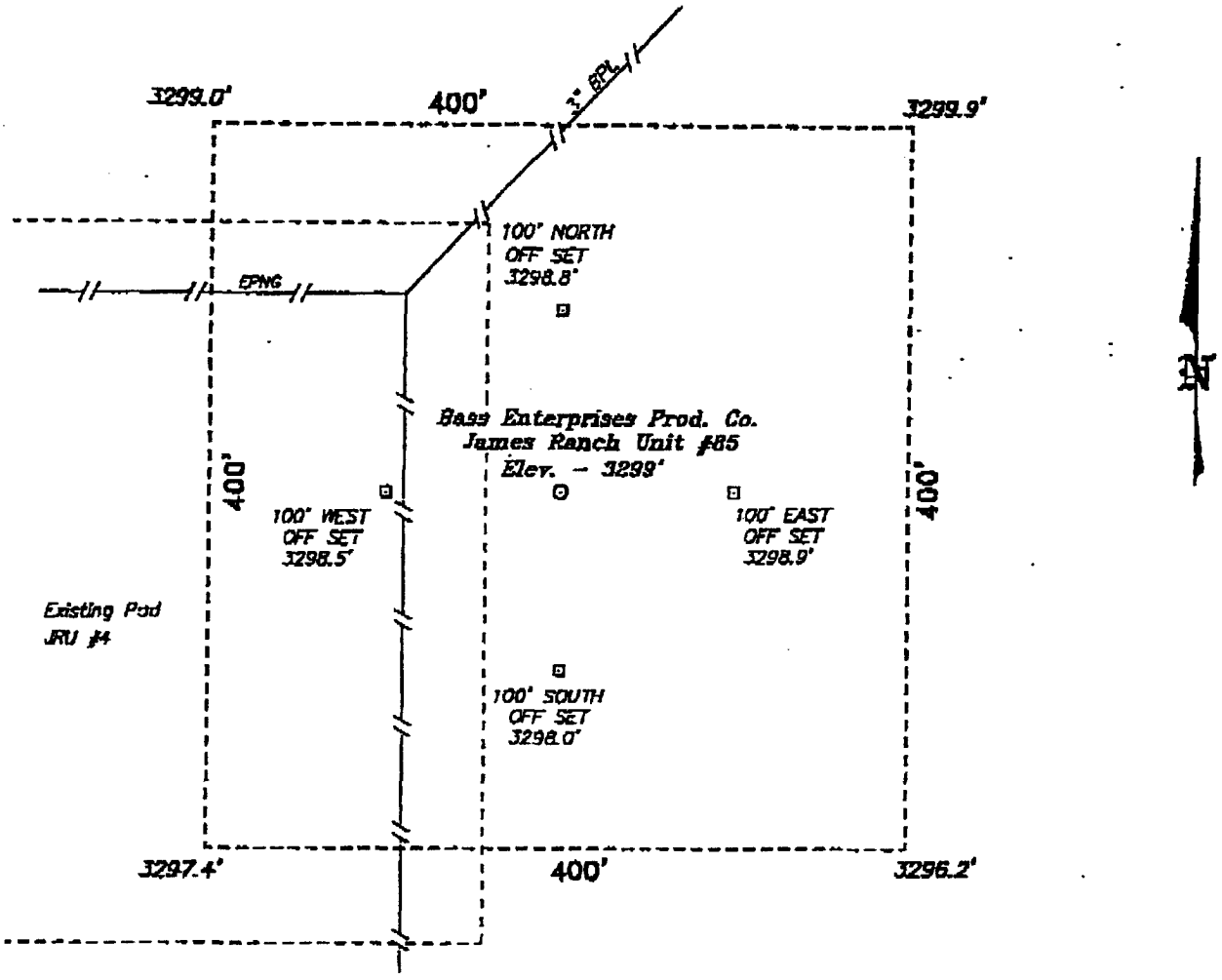
Mosaic Potash submits this letter in lieu of the forms requested.

Sincerely,

Dan Morehouse
Mine Engineering Superintendent

cc: Don Purvis Charlie High David Waugh

SECTION 6, TOWNSHIP 23 SOUTH, RANGE 31 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.



100 0 100 200 FEET

SCALE: 1" = 100'

DIRECTIONS TO LOCATION:

FROM THE JUNCTION OF STATE HIGHWAY 128 AND THE WIPP ROAD (C-802), GO APPROX. 1/2 MILE NORTH AND EAST 0.1 MILES TO LOCATION.

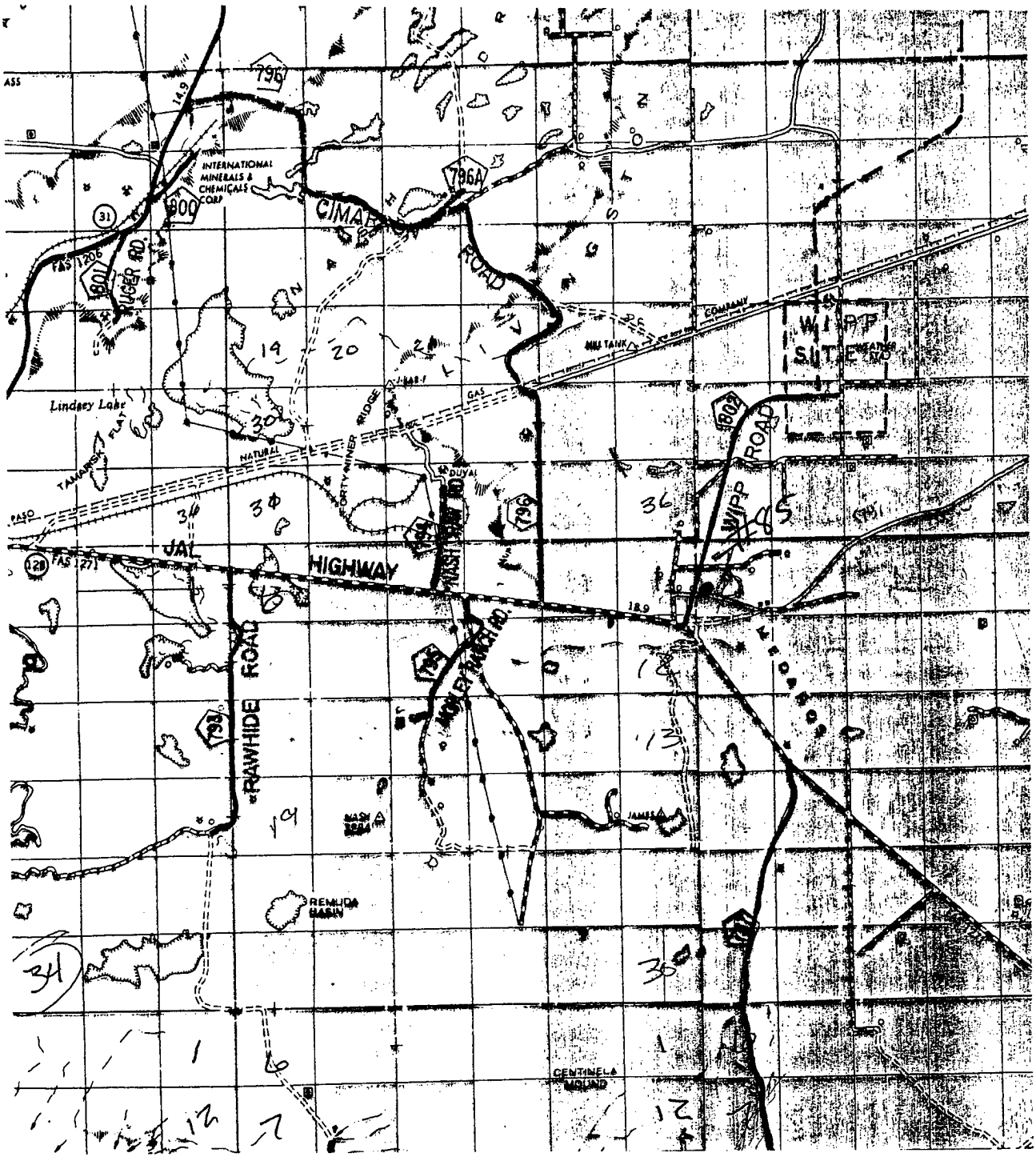
BASS ENTERPRISES PRODUCTION CO.

REF: James Ranch Unit #85 / Well Pad Topo

THE JAMES RANCH UNIT No. 85 LOCATED 2180' FROM THE SOUTH LINE AND 185' FROM THE WEST LINE OF SECTION 6, TOWNSHIP 23 SOUTH, RANGE 31 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.

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

W.O. Number: 0359	Drawn By: K. GOAD		
Date: 09-25-2000	Disk: KJG #122 - 0532A.DWG	Survey Date: 09-21-2000	Sheet 1 of 1 Sheets

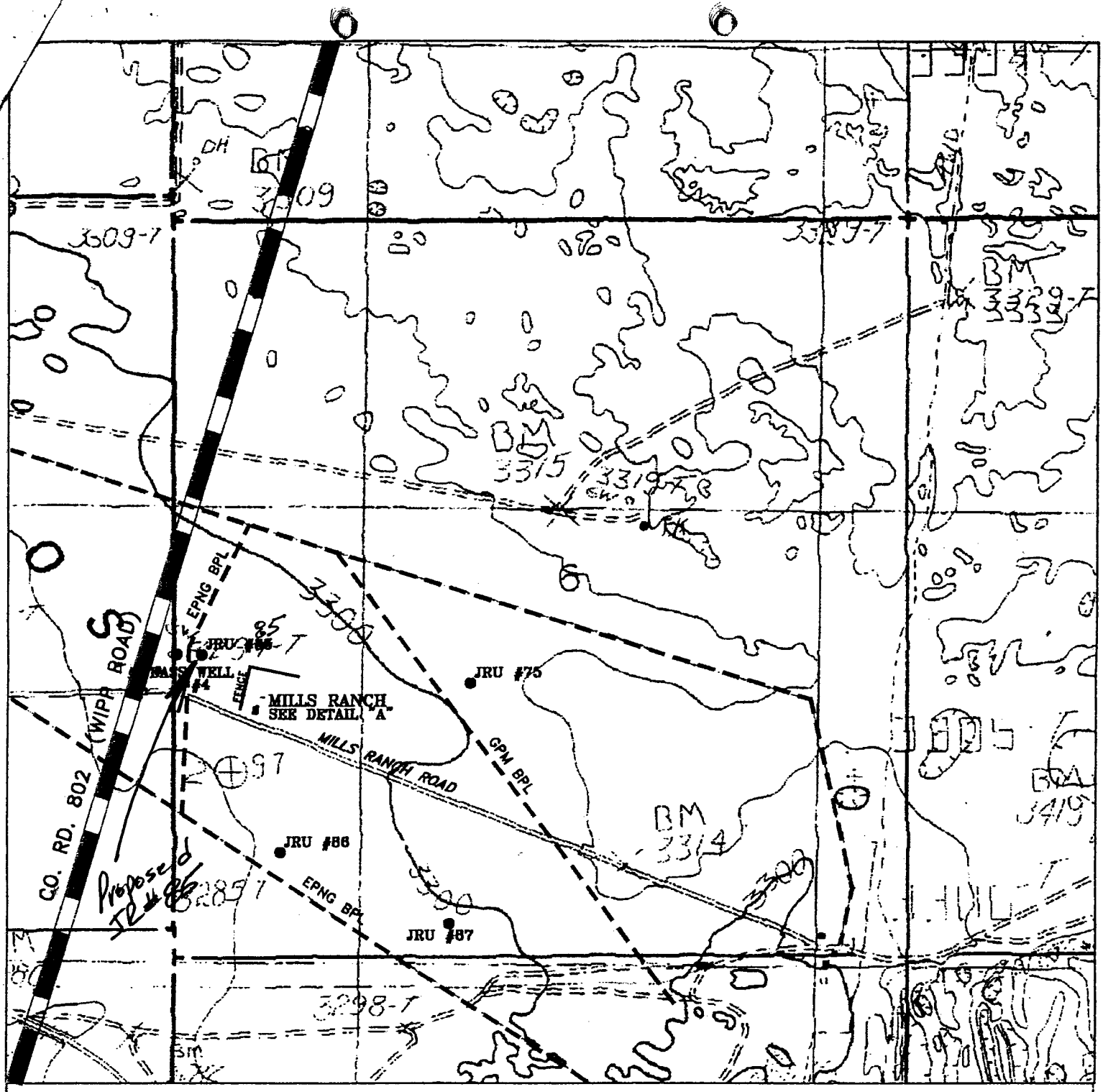


JAMES RANCH UNIT #85
Located at 2180' FSL and 185' FWL
Section 6, Township 23 South, Range 31 East,
N.M.P.M., Eddy County, New Mexico.

basin surveys
focused on excellence
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:	0359AA - KJG #122
Survey Date:	06-23-2000
Scale:	1" = 2 MILES
Date:	07-02-2000

BASS ENTERPRISES
PRODUCTION CO.



JAMES RANCH UNIT #85

Section 6, Township 23 South, Range 31 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

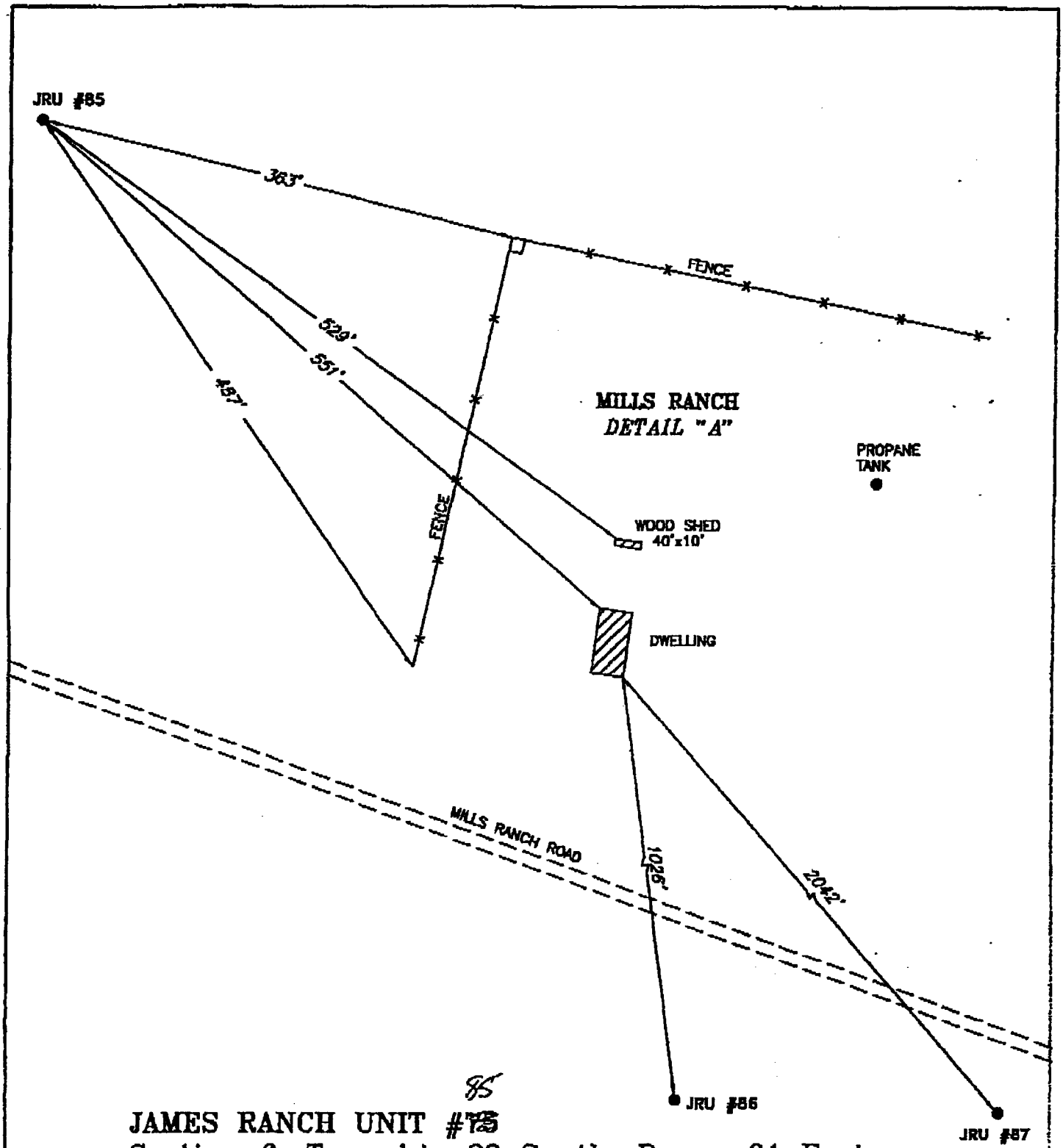
W.O. Number: BASS531A – KJG #122

Survey Date: 09-20-2000

Scale: 1" = 1000'

Date: 09-25-2000

BASS ENTERPRISES PRODUCTION CO.



85

JAMES RANCH UNIT #~~75~~

Section 6, Township 23 South, Range 31 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: BASS0531B - KJG #122
Survey Date: 09-20-2000
Scale: NONE
Date: 09-25-2000

BASS ENTERPRISES PRODUCTION CO.

EIGHT POINT DRILLING PROGRAM
BEPCO, L.P.

NAME OF WELL: JAMES RANCH UNIT #85

LEGAL DESCRIPTION - SURFACE: 2180' FSL & 185' FWL, Section 6, T-23-S, R-31-E, 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 3316' (est)
GL 3299'

FORMATION	ESTIMATED TOP FROM KB	ESTIMATED SUBSEA TOP	BEARING
T/Rustler	216	+3,100'	Barren
T/Salt	671'	+2,645'	Barren
T/Lamar	3,906'	- 590'	Barren
T/Delaware MTN Group	3,951'	- 635'	Oil/Gas
T/Shell Zone	6,746'	-3,430'	Oil/Gas
T/Lwr Brushy Canyon 8A	7,434'	-4,118'	Oil/Gas
T/Bone Spring	7,714'	-4,398'	Oil/Gas
TD	7,930'	-4,611'	

POINT 3: CASING PROGRAM

TYPE	INTERVALS	HOLE SIZE	PURPOSE	CONDITION
16"	0'- 40'	20"	Conductor	Contractor Discretion
11-3/4", 42#, WC-40, STC	0'- 661'	14-3/4"	Surface	New
8-5/8", 28#, WC-50, LT&C	0' -3000'	11"	Intermediate	New
8-5/8", 32#, WC-50, LT&C	3000' -3925'	11"	Intermediate	New
5-1/2", 15.50#, K-55, LT&C	0' -6500'	7-7/8"	Production	New
5-1/2", 17#, K-55, LT&C	6500' -7930'	7-7/8"	Production	New

POINT 4: PRESSURE CONTROL EQUIPMENT (SEE ATTACHED DIAGRAM)

The BOPE equivalent to Diagram 1 will be nipped up on the surface casing head. The BOP stack, choke, kill lines, kelly cocks, inside BOP, etc. will be hydro-tested to 70% of internal yield pressure of casing. In addition to the high pressure test, a low pressure (200 psi) test will be required. This same BOP stack, choke, kill lines, kelly cocks, inside BOP etc. will be nipped up an 8-5/8" intermediate casing and will be hydrostatically tested to 3,000 psig by independent tester. A 200 psi test will also be performed.

a) Upon installation
b) After any component changes
c) Fifteen 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.

POINT 5: MUD PROGRAM

DEPTH	MUD TYPE	WEIGHT	FV	PV	YP	FL	Ph
0' - 671'	FW Spud Mud	8.5 - 9.2	45-35	NC	NC	NC	NC
671' - 3925'	Brine	9.8 -10.0	29-30	NC	NC	NC	10
3925' - 6200'	FW	8.3 - 8.5	28-30	NC	NC	NC	9 - 9.5
6200' - 7500'	FW/Starch	8.4 - 8.6	28-30	NC	NC	<100 cc	9 - 9.5
7500' - TD	FW/Starch/Gel	8.4 - 8.8	36-42	6-10	8-10	<100 cc	9 - 9.5

***Will increase vis for logging purposes only.**

POINT 6: TECHNICAL STAGES OF OPERATION

A) TESTING

None anticipated.

B) LOGGING

GR-CNL-LDT-AIT from TD to 8-5/8" casing shoe.
GR-CNL from base of 8-5/8" casing to surface.

C) CONVENTIONAL CORING

None anticipated.

D) CEMENT

INTERVAL	AMOUNT SXS	FT OF FILL	TYPE	GALS/SX	PPG	FT^3/SX	W/C	P/T HOURS
SURFACE:	Circulate cement to surface							
Lead 0 – 300' (100% exces)	135	300	35:65 Poz C containing 6% Do20, 3% 5001, 5#/sk Do24, 0.125#/sk D130	10.27	12.6	1.97	NC	4:00
Tail 300' – 661' (100% excess)	235	361	Class 'C' + 2% $CaCl_2$	6.38	14.8	1.35	NC	4:00
INTERMEDIATE:	Circulate cement to surface							
Lead 0' – 3420' (50% excess)	900	3420	35:65 Poz C containing 6% Do20, 3% 5001, 5#/sk Do24, 0.125#/sk D130	10.27	12.6	1.97	NC	4:00
Tail 3420' – 3920' (100% excess)	200	500	Class 'C' + 2% $CaCl_2$	6.38	14.8	1.35	NC	4:00
PRODUCTION:	Circulate cement to surface							
Lead 0' – 6000' (50% excess)	635	6000	LiteCrete 39:61 (D961:D124) + 2% bwob D153 + 0.05gps D604AM + 0.03gps M45 + 2pps D24 + 0.04gps D801.	9.755	10.2	2.47	<400	6:00
DV Tool @ 6,000'								
Tail 6000' – 7930' (50% excess)	250	1930	Litecrete 39/61 (D961:D124) + 2% bwob D153 + 0.05gps D604AM + 0.03gps M45 + 2pps D24 + 0.04gps D801.	7.216	10.5	2.10	<400	3:30

E) DIRECTIONAL DRILLING

No directional services anticipated.

POINT 7: ANTICIPATED RESERVOIR CONDITIONS

Normal pressures are anticipated throughout Delaware section. A BHP of 3534 psi (max) or MWE of 8.7 ppg is expected. Lost circulation may exist in the Delaware Section from 3,949'-7,714'. No H_sS is anticipated.

Estimated BHT is 146° F.

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

16 days drilling operations

10 days completion operations

GEG/CDW:cnt
September 11, 2006

MULTI-POINT SURFACE USE PLAN

NAME OF WELL: James Ranch Unit #85

LEGAL DESCRIPTION - SURFACE: 2180' FSL & 185' FWL, Section 6, T-23-S, R-31-E, Eddy County, New Mexico.

POINT 1: EXISTING ROADS

A) Proposed Well Site Location:

See Exhibit "A".

B) Existing Roads:

Between mile markers 10 & 11 on Highway 128, turn north on WIPP road and go 0.4 miles north. Turn east and go 0.1 mile to the location.

C) Existing Road Maintenance or Improvement Plan:

See Exhibit "B".

POINT 2: NEW PLANNED ACCESS ROUTE

A) Route Location:

See Exhibit "B". No new road construction will be required.

B) Width

Not applicable.

C) Maximum Grade

Not applicable.

D) Turnout Ditches

Spaced per BLM requirements.

E) Culverts, Cattle Guards, and Surfacing Equipment

None.

POINT 3: LOCATION OF EXISTING WELLS

Exhibits "A & B" indicates existing wells within the surrounding area.

POINT 4: LOCATION OF EXISTING OR PROPOSED FACILITIES

A) Existing facilities owned or controlled by lessee/operator.

Bass' facilities located at JRU #17 (+/- 2000' northeast of wellbore).

B) New Facilities in the Event of Production:

The location of additional production facilities have yet to be determined. A Sundry notice will be submitted for approval after completion.

C) Rehabilitation of Disturbed Areas Unnecessary for Production:

Following flowline construction, those access areas required for continued production will be graded to provide drainage and minimize erosion. The areas unnecessary for use will be graded to blend in with 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 Johnson Water Station 27 miles east of Carlsbad, New Mexico or Mills ranch. Brine water will be hauled from Champion Brine Water Station, 3.5 miles east and 2.5 miles south of Carlsbad, New Mexico.

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

Exhibit "A" shows location of caliche source.

B) Land Ownership

Mills Ranch. A surface land damage agreement has been reached between the Operator and Mills Ranch.

C) Materials Foreign to the Site

No construction materials foreign to this area are anticipated for this drill site.

D) Access Roads

See Exhibit "A" - none required.

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 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 electric log analysis indicate potential productive zones. The reserve pit will be fenced and bird netted. The fence will be maintained until the pit is backfilled. Reasonable cleanup will be performed prior to the final restoration of the site.

POINT 8: ANCILLARY FACILITIES

None required.

POINT 9: WELL SITE LAYOUT

A) Rig Orientation and Layout

Exhibit "C" shows 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 "A" and "C".

C) Lining of the Pits

The reserve pit will be lined with plastic.

POINT 10: PLANS FOR RESTORATION OF THE SURFACE

A) Reserve Pit Cleanup

The pits will be fenced immediately after construction and shall be maintained until they are backfilled. Previous to backfill operations, any hydrocarbon material on the pits' surfaces shall be removed. The fluids and solids contained in the pits shall be backfilled with soil excavated from the site and soil adjacent to the reserve pits. The restored surface of the pits 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 Bureau of Land Management stipulations during the appropriate season following restoration.

B) Restoration Plans - Production Developed

The reserve pits 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 pits 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 Bureau of Land Management's stipulations.

D) Rehabilitation's 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, lakes, streams or rivers within several miles of the wellsite.

F) Water Wells

One water well is located on Mills Ranch (0.1 miles east of this location).

G) Residences and Buildings

J.C. Mills Ranch House is located 0.1 miles east of this location.

H) Historical Sites

None observed.

I) Archeological Resources

An archeological survey was obtained for this area and submitted to the Bureau of Land Management. Copy Attached. Any location or construction conflicts will be resolved before construction begins.

J) Surface Ownership

The well site and new access road is on land owned by the J.C. & Francis Mills Family Partnership. A damage agreement has been negotiated between the operator and surface land owners.

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 L. 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.

9/11/06
Date

Gary E. Gerhard

GEG/CDW:cnt

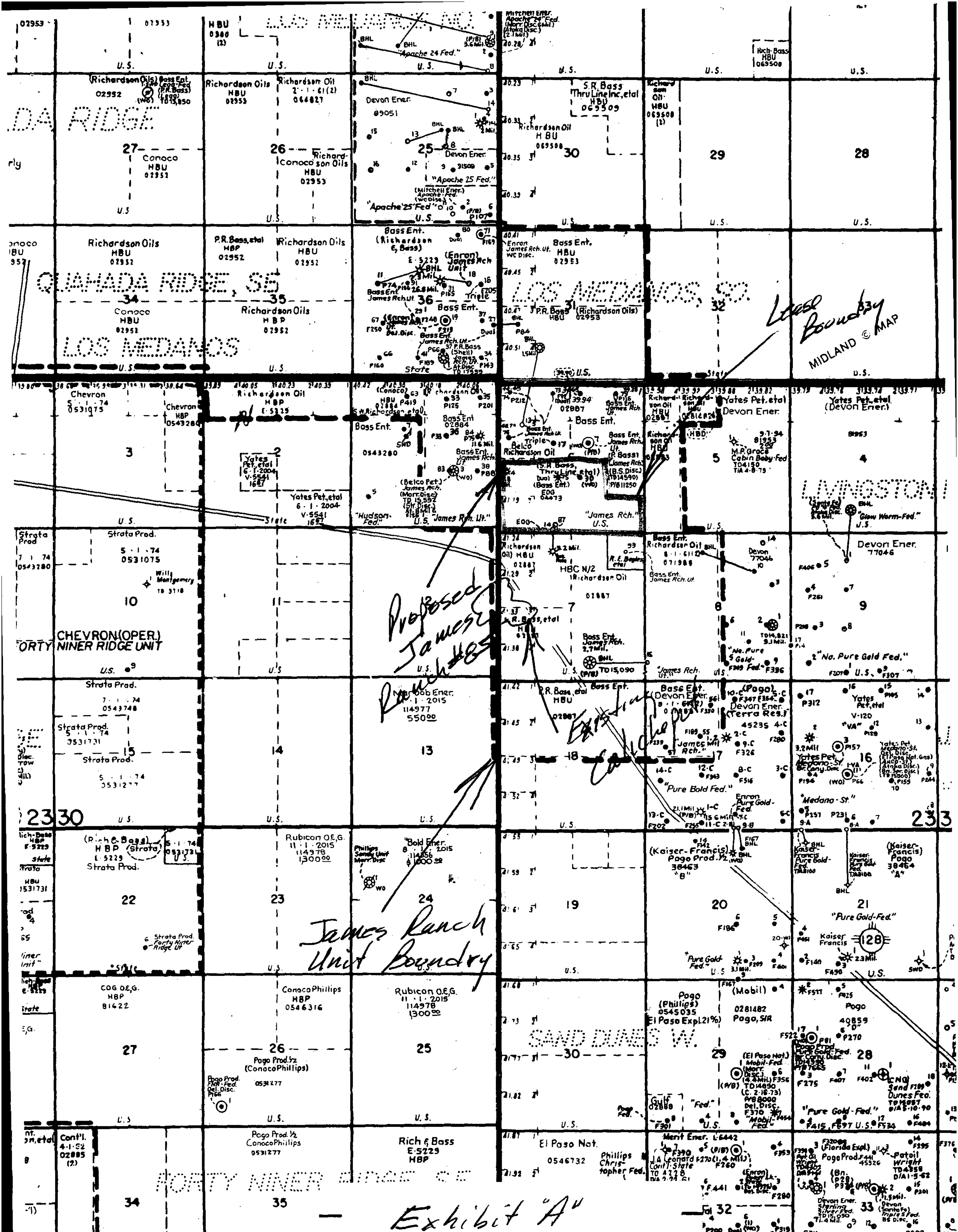
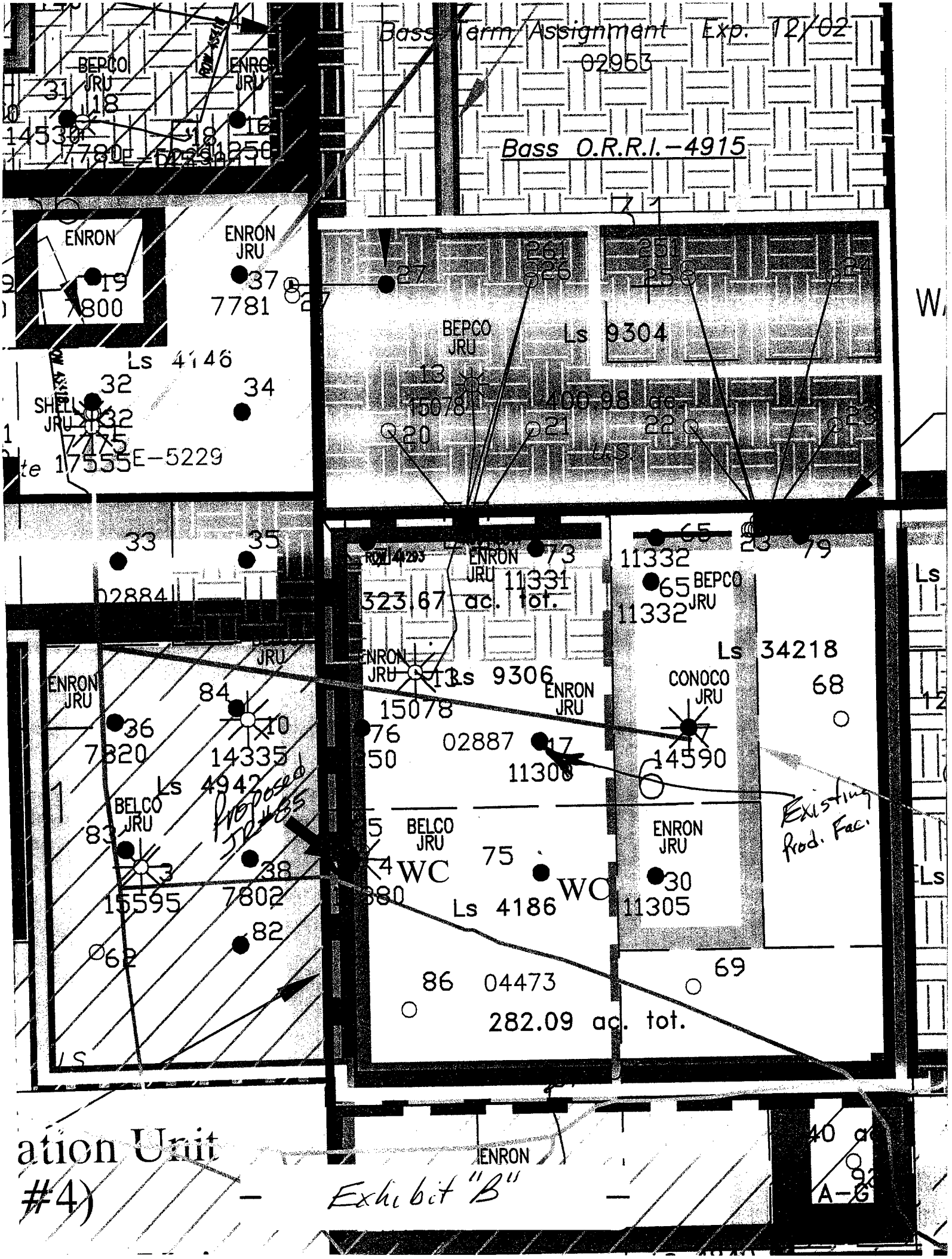

Lease Boundary
MIDLAND © MAP
Proposed James Ranch #85
Existing Caliche
James Ranch Unit Boundry
LOS MEDANOS
LOS MEDANOS, SO.
QUAHADA RIDGE, SE
LIVINGSTON
SAND DUNES W.
FORTY NINER RIDGE, SE
CHEVRON(OPER.) FORTY NINER RIDGE UNIT
"Apache 24 Fed."
"Apache 25 Fed."
"James Rch. Ut."
"No. Pure Gold Fed."
"Pure Gold Fed."
"Pure Gold-Fed."
"Medano-St."
Richardson Oils HBU 02952
Conoco HBU 02952
Richardson Oils HBP 02952
Devon Ener. 89051
Bass Ent.
Yates Pet.,etal (Devon Ener.) 81963
Devon Ener. 77046
Strata Prod.
Richardson Oil HBU 02887
Bold Ener. 8 · 1 · 2015 114977 550.00
Rubicon O.E.G. 11 · 1 · 2015 114978 1300.00
Rich & Bass E-5229 HBP
ConocoPhillips HBP 0546316
COG O.E.G. HBP 81622
Pogo Prod. ½ ConocoPhillips 0531277
El Paso Nat. 0546732
(Kaiser-Francis) Pogo Prod. ½ 38463 "B"
Pogo 40859
23 30
23 31

Exhibit "A"


Bass Term Assignment Exp. 12/02
02953
Bass O.R.R.I.-4915
BEPCO JRU
ENRON JRU
ENRON
SHELL JRU
BELCO JRU
CONOCO JRU
Ls 4146
Ls 9304
Ls 9306
Ls 34218
Ls 4942
Ls 4186
400.98 ac.
323.67 ac. tot.
282.09 ac. tot.
Proposed JR #85
Existing Prod. Fac.
WC
7555E-5229
ation Unit
#4)
Exhibit "B"
A-G

Adobe Drilling Rig No. Longhorn

432-552-5553

KB 17'

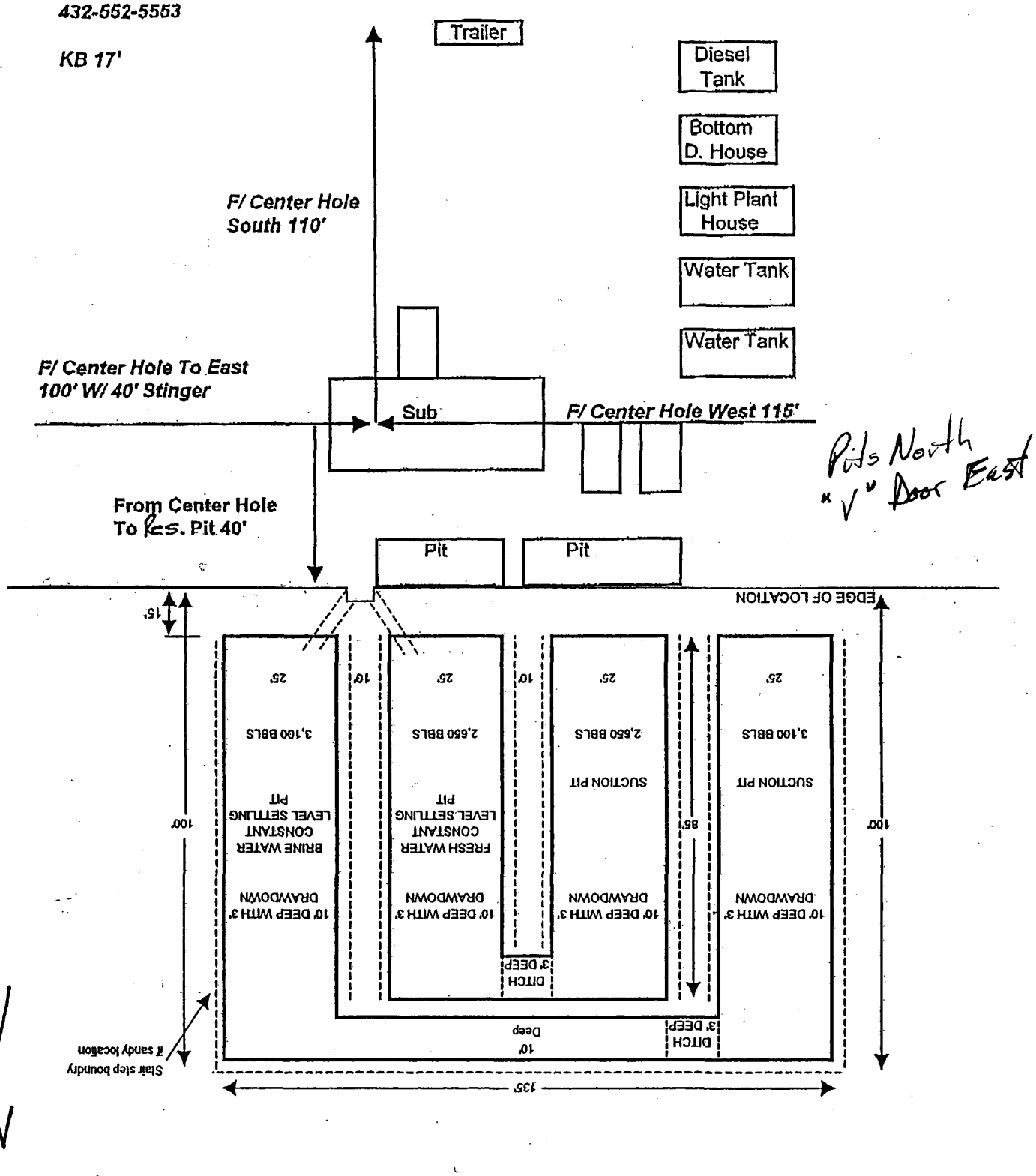
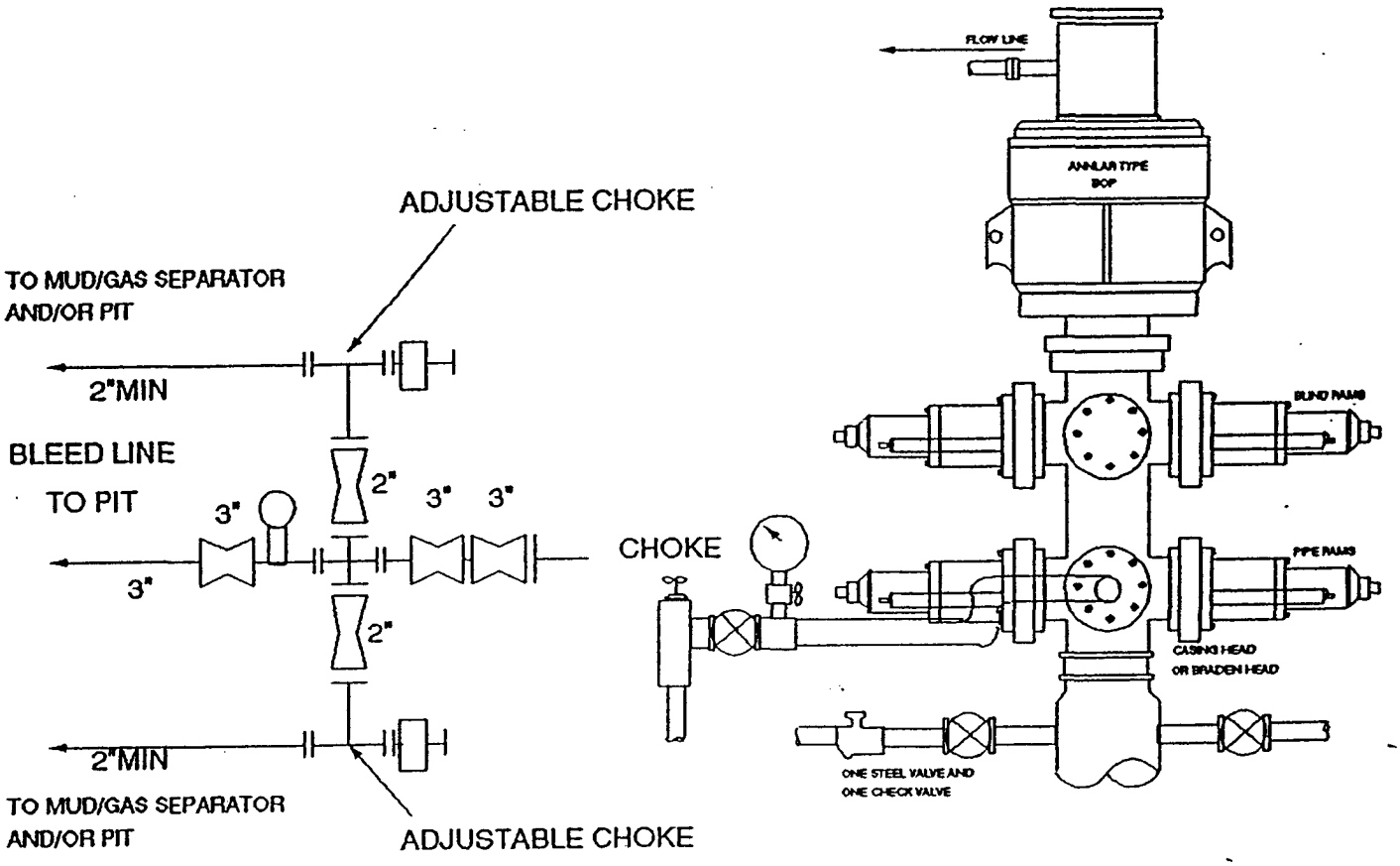


Exhibit "C"

5/25/06

3000 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 I

SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name: Bass Enterprises Production Company (BEPCO) Well Name & #: James Ranch Unit #85
Location 2180 F S L & 185 F W L; Sec. 06, T. 23 S., R. 31 E.
Lease #: NM-04473 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)
( ) San Simon Swale (stips attached)
( ) Flood plain (stips attached)
( ) Other

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

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

(x) 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.

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.

(x) 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 ½ 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 (*Eragostis trichodes*) 1.0
Plains Bristlegrass (*Setaria magrostachya*) 2.0

(x) 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.

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

Well Name & No. James Ranch Unit 85
Operator's Name: BEPCO LP
Location: 2180 FSL, 185 FWL, SEC 6, T23S, R31E, EDDY Co., NM
Lease: NM-04473

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: 16 inch 11 3/4 inch 8 5/8 inch, 5 ½ inch

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 11 3/4 inch surface casing shall be set **ABOVE THE SALT, AT LEAST 25 feet INTO THE RUSTLER ANHYDRITE @ APPROXIMATELY 660 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 8 5/8 inch salt protection casing is **CIRCULATE CEMENT TO THE SURFACE. This casing string shall be set a minimum of 100 feet below the base of the salt and no more than 600 feet below the salt, but above the highest known productive sand.**

3. The minimum required fill of cement behind the _____inch intermediate casing is

4. The minimum required fill of cement behind the **5-1/2** inch production casing is **cement shall CIRCULATE TO THE SURFACE.**

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 11 3/4 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) is 3000 psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
- A variance to test the 11 ¾ inch casing BOP and BOPE to the reduced pressure of 400 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.

4. Engineers can be reached at 505-706-2779 for any variances that might be necessary.