

BEPCO, L.P.
P. O. Box 2760
Midland, Texas 79702



432-683-2277

March 15, 2007

FAX: 432-687-0329

FEDERAL EXPRESS

New Mexico Oil Conservation Division
1220 St. Francis
Santa Fe, New Mexico 87505
Attention: David Brooks
Engineering Bureau

API # 30-015-34764

Re: BEPCO, L.P. - Horned Toad 36 St. No. 1H
Section 36, T24S-R29E
Eddy County, New Mexico

Dear Mr. Brooks:

Please reference our prior conversations concerning the drilling of the referenced well by BEPCO, L.P. as a horizontal oil well targeted to the Lower Cherry Canyon Formation. As set forth on the attached survey, the surface location for the above well is now set on a non-standard location due to topographical issues. Normally, this would require NSL approval from your office. Since a vertical well was approved as a NSL 5358 on 4/5/2006 (copy attached) BEPCO, L.P. requests that this NSL be amended to allow for the drilling of a horizontal well from this location. As we discussed 3/14/2007 the horizontal drilling plan and our completion procedure will cause the shallowest producing zone and corresponding perforations to be at a standard location. A summary of our plans and pertinent distances are as follows:

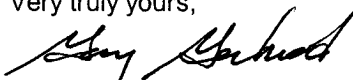
Drilling Plan:	Drill vertical hole to a depth of approx 5077' TVD at which point a directional hole will be kicked off at an azimuth of 180° building angle at 13.48°/100' to a max of 89.6°. This angle will be maintained to a MD of 8644' (TVD 5542').
Distance from SL to nearest 40 ac. proration unit line:	305 ft.
Penetration point at top of the L. Cherry Canyon:	515 ft. from nearest 40 acre proration unit line
Top of L. Cherry Canyon at penetration point:	5,465' TVD
Footage Call for penetration point of L. Cherry Canyon:	1,835' FNL & 660' FWL, Sec. 36, T24S-R29E
Project Area for wellbore:	SE/4 NE/4 and E/2 SE/4 of Section 36
BEPCO, L.P. Lease:	BEPCO, L.P. has oil & gas leases covering all acreage surrounding the project area except for the E/2 Sec 1, T25S, R29E which is not being encroached upon. (See attached map).

Based on our discussion, this information is being provided for you in order to facilitate the permitting of the well and initiation of production without a formal NSL application.

BA

Thank you very much and should you have any questions or comments in the above regard, please don't hesitate to call me at (432) 683-2277.

Very truly yours,

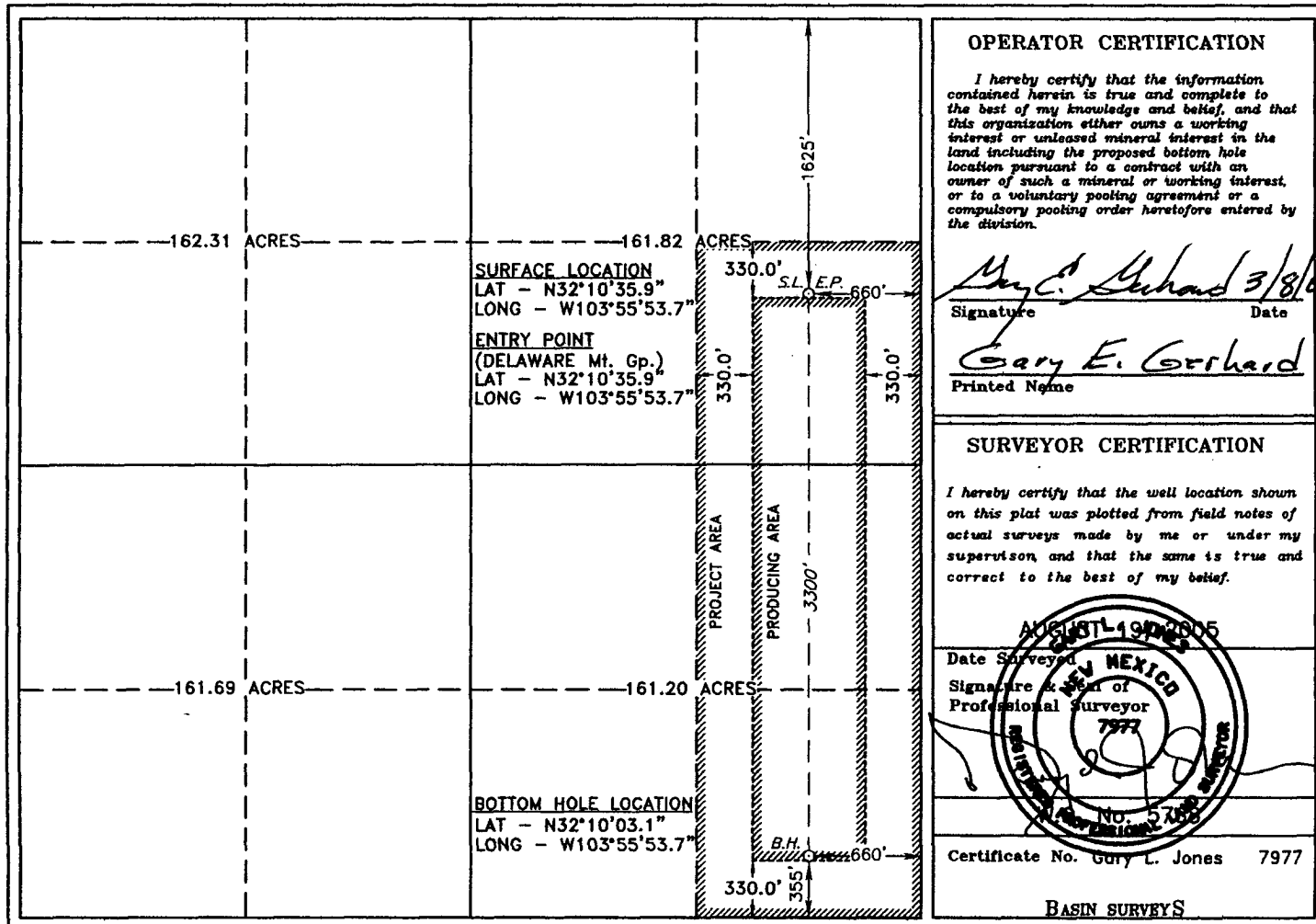
A handwritten signature in black ink, appearing to read "Gary Gerhard", written in a cursive style.

Gary Gerhard
Drilling Engineer

cc: Bryan Arrant

WMV
BES

☐ AMENDED REPORT



District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

RECEIVED

Form C-101
May 27, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

SEP 14 2005

Submit to appropriate District Office

OCD-ARTESIA

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Bass Enterprises Production Co. P. O. Box 2760 Midland, TX 79702		² OGRID Number 001801
³ Property Code 35100	⁴ Property Name HORNED TOAD 36 STATE	⁵ API Number 30-015-34764
⁶ Well No. 1		
⁷ Proposed Pool 1 Unders. Carrai Canyon, DELAWARE 13360		⁸ Proposed Pool 2

⁹ Surface Location

UL or lot no. H	Section 36	Township 24S	Range 29E	Lot Idn	Feet from the 1625'	North/South line NORTH	Feet from the 660'	East/Westline EAST	County EDDY
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¹⁰ Proposed 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/Westline	County
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Additional Well Information

¹¹ Work Type Code N	¹² Well Type Code O	¹³ Cable/Rotary R	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 3130' GL
¹⁶ Multiple NO	¹⁷ Proposed Depth 7800'	¹⁸ Formation DELAWARE	¹⁹ Contractor ADOBE DRILLING	²⁰ Spud Date 11/01/2005
Depth to Groundwater 150'		Distance from nearest fresh water well 2-1/2 miles		Distance from nearest surface water 6 miles
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 mil thick Clay <input type="checkbox"/> Pit Volume: 11500 bbls Drilling Method: Closed-Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input checked="" type="checkbox"/> Diesel/Oil-based <input checked="" type="checkbox"/> Gas/Air <input type="checkbox"/>				

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
14-3/4"	11-3/4"	42#	790'	480	SURFACE*
11"	8-5/8"	32#	3340'	1026	1000'
7-7/8"	5-1/2"	15.5 & 17#	7800'	750	3040'

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

SURFACE IS OWNED BY THE STATE OF NEW MEXICO. ATTACHED IS A DRILLING PROGNOSIS AND A BOP DIAGRAM. This is an unorthodox location.

*Bass proposes to drill 10' into the salt section to insure all zones above the salt are penetrated. The casing will be set 10'-20' above the total depth and cemented to surface.

**This intermediate casing is a contingency string to be installed only if we encounter "free flowing sand" as was found in our Poker Lake Unit #217 located in section 19, T24S, R30E. In Poker Lake Unit #217 this sand occurred at several depths (+ 1500', + 1800', + 1950', + 2300') and we were only able to control it by "Mudding Up" with a high vis drilling fluid which with the resultant mud weight exceeded the low frac gradient in the Delaware Lower Brushy Canyon Sands. Therefore, the 11" casing is proposed in order to put this problem behind pipe and thereby allow for the drilling of the Delaware Sands with a fresh water low weight drilling fluid. If the flowing sand problem is not encountered the intermediate casing will not be run. Hole size will be reduced to 7-7/8" and the production hole drilled with a brine water/diesel emulsion mud. This drilling fluid has been used successfully by Bass in the (Nash Draw) Delaware Field.

5-h 29.5

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Printed name: Cindi Goodman

Title: Production Clerk

E-mail Address: cdgoodman@basspet.com

Date: 09/08/2005

Phone: (432)683-2277

OIL CONSERVATION DIVISION

Approved by:

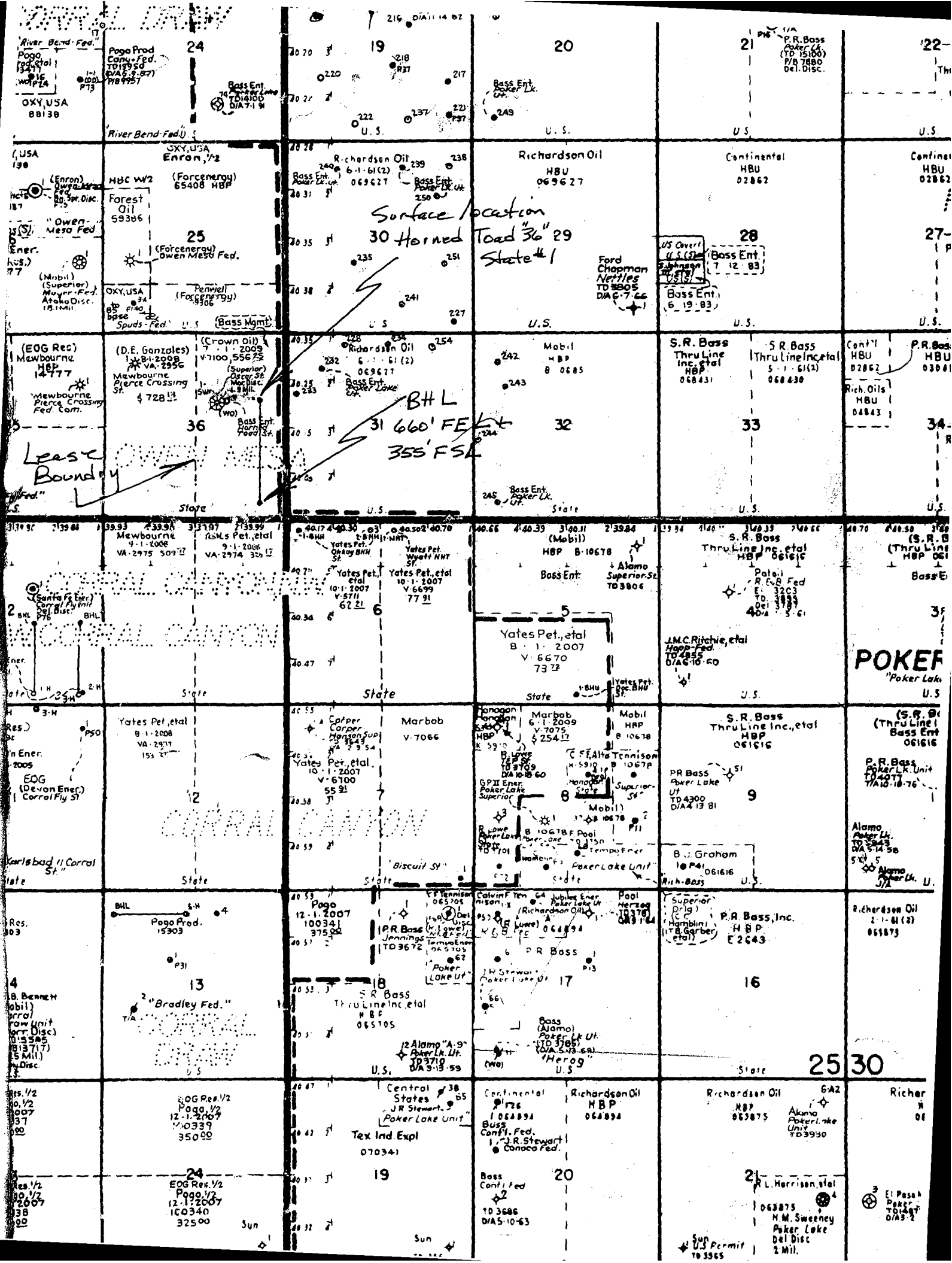
Title:

Approval Date: APR 05 2006

Expiration Date: APR 05 2007

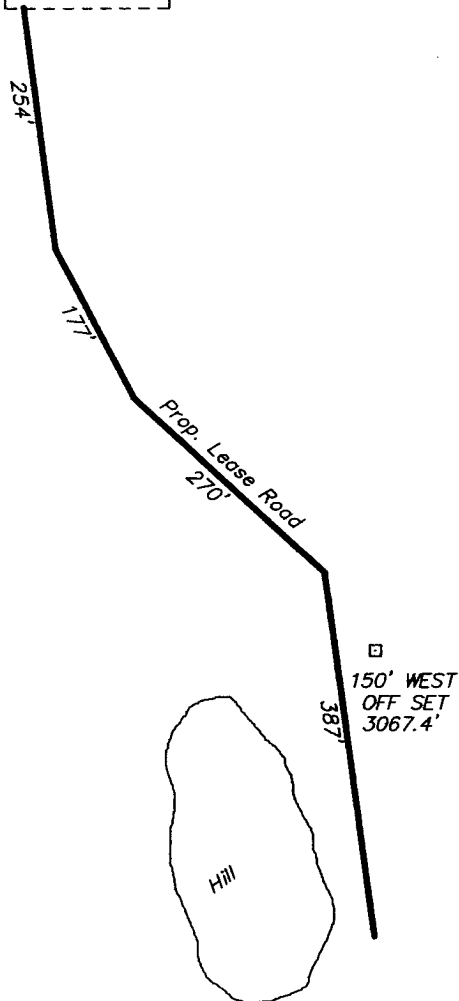
Conditions of Approval Attached ☐

NSL - 5358



SECTION 36, TOWNSHIP 24 SOUTH, RANGE 29 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

HORNED TOAD #7
(DRY HOLE)



BASS ENTERPRISES PROD. CO.
HORNED TOAD "36" STATE #4
ELEV. - 3068'

Lat.-N 32°10'22.6"
Long.-W 103°56'04.4"

150' SOUTH
OFF SET
3066.8'

Big Draw

100 0 100 200 FEET

SCALE: 1" = 100'

DIRECTIONS TO LOCATION:

FROM THE JUNCTION OF STATE HWY 128 AND CO. RD. 793, GO SOUTH 10.2 MILES TO CO. RD. 748; THENCE SOUTH 1.5 MILE TO LEASE ROAD; THENCE SOUTH FOR 0.5 MILE; THENCE WEST FOR 1.6 MILE TO DRY HOLE AND PROPOSED LEASE ROAD.

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

W.O. Number: 5652

Drawn By: K. GOAD

Date: 08-24-2005

Disk: KJG CD#7 - 5652A.DWG

BASS ENTERPRISES PRODUCTION CO.

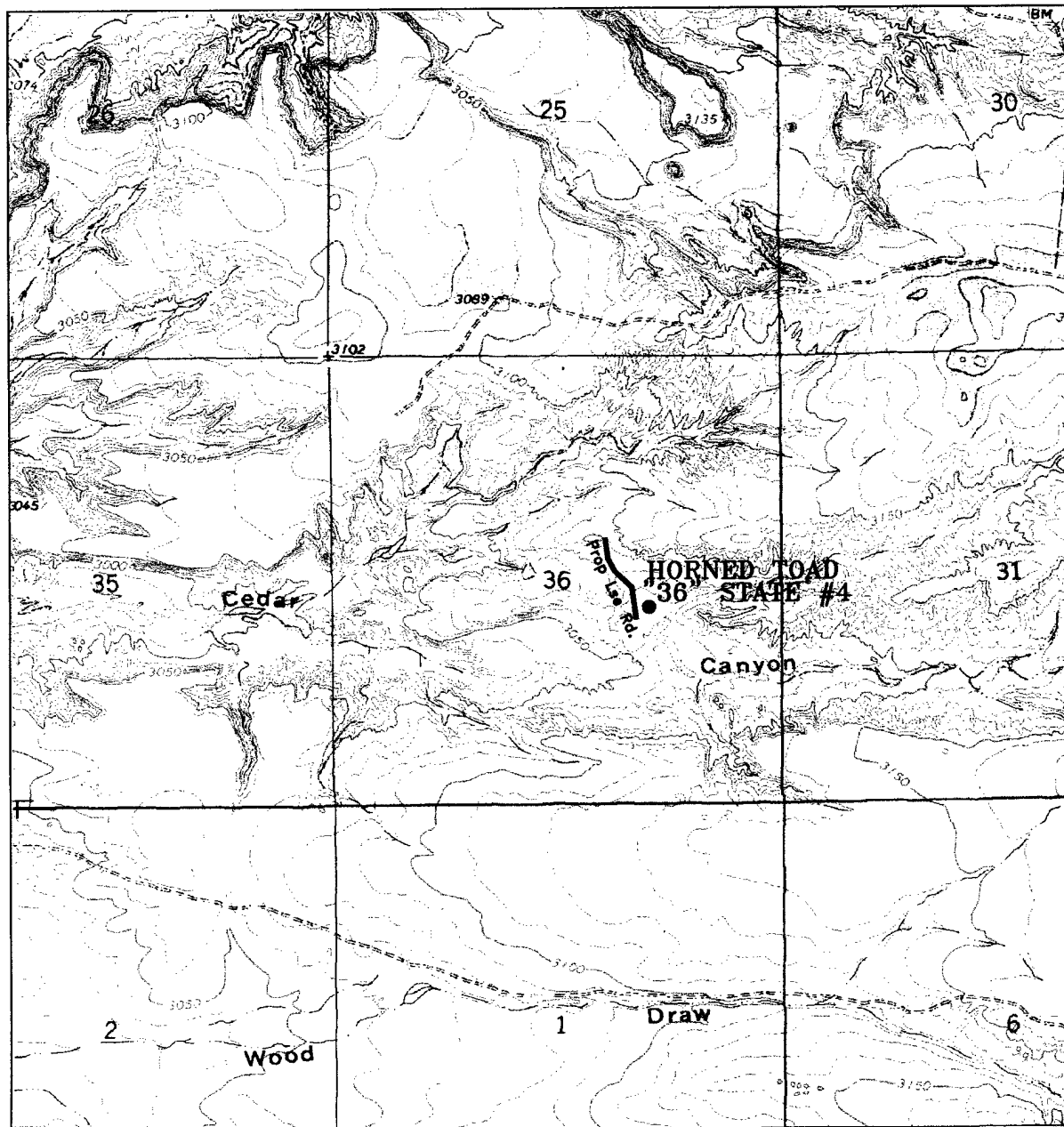
REF: HORNED TOAD "36" STATE No. 4 / Well Pad Topo

THE HORNED TOAD "36" STATE No. 4 LOCATED 2310' FROM
THE SOUTH LINE AND 1575' FROM THE EAST LINE OF
SECTION 36, TOWNSHIP 24 SOUTH, RANGE 29 EAST,

N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 08-23-2005

Sheet 1 of 1 Sheets



HORNED TOAD "36" STATE #4
 Located at 2310' FSL and 1575' FEL
 Section 36, Township 24 South, Range 29 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: 5652AA - KJG #7

Survey Date: 08-23-2005

Scale: 1" = 2000'

Date: 08-24-2005

BASS ENTERPRISES
PRODUCTION CO.

**EIGHT POINT DRILLING PROGRAM
BASS ENTERPRISES PRODUCTION CO.**

NAME OF WELL: HORNER TOAD 36 STATE #4

LEGAL DESCRIPTION - SURFACE: 2310' FSL & 1575' FEL, Section 36, T-24-S, R-29-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 3085' (est)
GL 3068'

<u>FORMATION</u>	<u>ESTIMATED TOP FROM KB</u>	<u>ESTIMATED SUBSEA TOP</u>	<u>BEARING</u>
T/Salt	985'	+ 2,100'	Barren
T/Lamar	3,260'	- 175'	Barren
T/Lwr Brushy Canyon	6,835'	- 3,750'	Oil/Gas
TD	7,800'	- 4,715'	

POINT 3: CASING PROGRAM

<u>TYPE</u>	<u>INTERVALS</u>	<u>PURPOSE</u>	<u>CONDITION</u>
16"	0' - 60'	Conductor	Contractor Discretion
11-3/4", 42#, WC-50, ST&C	0' - 970'	Surface	New
8-5/8", 32#, WC-50, LT&C	0' - 3,275'	Intermediate	New (Contingent)
5-1/2", 15.50#, K-55, LT&C	0' - 6,400'	Production	New
5-1/2", 17#, K-55, LT&C	6,400' - 7,800'	Production	New

POINT 4: PRESSURE CONTROL EQUIPMENT (SEE ATTACHED DIAGRAM)

A BOPE consistent with API RP-53 will be nipped up on the surface casing head. The BOP stack, choke, kill lines, kelly cocks, inside BOP, etc. when installed on the surface casing head will be hydro-tested to 70% of internal yield pressure of casing or 1000 psig whichever is less with the rig pump. The BOPE when rigged up on the intermediate casing spool will be tested to 3000 psig by independent tester. In addition to the high pressure test, a low pressure (200 psig) test will be required. These tests will be performed:

- a) Upon installation
- b) After any component changes
- c) 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' - 970'	FW Spud Mud	8.5 - 9.2	45-35	NC	NC	NC	10.0
970' - 3275'	BW	10.0	28-30	NC	NC	NC	9.5-10.5 **
3275' - 6000'	Fresh Water	8.4 - 8.9	28-30	NC	NC	NC	9.5-10.5 **
6000' - 6900'	FW/Starch	8.7 - 8.9	30-35	4	8	<100	9.5-10.5 **
6900' - 7800'	FW/Starch	8.7 - 8.9	40-45	4	8	<25	9.5-10.5 **

**Will increase vis for logging purposes only.*

*** If there is no intermediate casing set @ 3275', the drilling fluid will be 10 ppg BW to 5600' where it will be converted to BW/Diesel with properties as follows: 8.8 ppg, 32 - 40 funnel secs vis, YP2, PV 8, FL 25 cc or less, Ph 9.5 - 10.*

POINT 6: TECHNICAL STAGES OF OPERATION

A) TESTING

None anticipated.

B) LOGGING

GR-CNL-LDT-LLD from TD to Base of Salt (+/-3,322'). Run GR-CNL from Base of Salt to surface.

C) CONVENTIONAL CORING

None anticipated.

D) CEMENT

INTERVAL	AMOUNT SXS	FT OF FILL	TYPE	GALS/SX	PPG	FT ³ /SX
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SURFACE: Circulate cement to surface.

Lead 0'-500' (100% excess)	230	500	Permian Basin Critical Zone	10.40	12.8	1.90
Tail 500' - 990 (100% excess)	365	490	Premium Plus+2% CaCl ₂ 1/4# Flocele	6.33	14.8	1.35

INTERMEDIATE: (Contingent)

Lead 1000'-2800' (200% excess)	575	1800	Interfill C+0.3% Halad R-322	14.11	11.9	2.45
Tail 2800' - 3260 (200% excess)	300	500	Premium Plus+2% CaCl ₂	6.33	14.8	1.35

PRODUCTION:

INTERVAL	AMOUNT SXS	FT OF FILL	TYPE	GALS/SX	PPG	FT ³ /SX	COMPRESSIVE	
							Nitrogen	Strength
Lead 3260'-7800' (50% excess)	900	4600	Premium Plus + 1% Zone Sealant 2000	6.32	11.9	1.65	300/600 scf/bbl	1200

E) DIRECTIONAL DRILLING

No directional services anticipated.

POINT 7: ANTICIPATED RESERVOIR CONDITIONS

Normal pressures are anticipated throughout Delaware section. A BHP of 3322 psi (max) or MWE of 8.7 ppg is expected. Lost circulation may exist in the Delaware section from 3,260'-7,800'. No H₂S is anticipated.

Estimated BHT is 140° 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

12 days drilling operations

14 days completion operations

OCL/cdg

Arrant, Bryan, EMNRD

From: Arrant, Bryan, EMNRD
Sent: Friday, March 23, 2007 10:52 AM
To: Brooks, David K., EMNRD
Cc: 'Brad Glasscock'
Subject: Horned Toad 36 State # 1H/API # 30-015-34764

David,
I believe this NSL application needs to go in the Nash Draw; Delaware/Bone Spring (Avalon Sand) Oil Pool.
The code # is: 47545 The surface location is within the boundaries of this pool.

Thanks,

Bryan Arrant

3/23/2007