

Month - Year
APR 16 2007
OCD - ARTESIA, NM

OCD-ARTESIA

HIGH CAVE KARST

ATS-07-319

EA-577

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

| | | | |
|--|--|---|--|
| 1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. NMNM 068431 <i>Change as attached</i> | |
| 1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name | |
| 2. Name of Operator BEPCO, L. P. | | 7. If Unit or CA Agreement, Name and No. NMNM 71016 | |
| 3a. Address P. O. Box 2760 Midland, TX 79702 | | 8. Lease Name and Well No. Poker Lake Unit #293 | |
| 3b. Phone No. (include area code) 432-683-2277 | | 9. API Well No. 30-015-35548 | |
| 4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface NWNE, UL B, 810 FNL & 1980' FEL, LAT N32.208278, LON W103.884000 At proposed prod. zone Same | | 10. Field and Pool, or Exploratory Nash Draw (Dela, BS, Avalon Sd) | |
| 14. Distance in miles and direction from nearest town or post office* 14 miles East of Malaga, NM | | 11. Sec., T. R. M. or Blk. and Survey or Area Sec 21, T24S, R30E, MER NMP | |
| 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 2480.84 | 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. 2492' | 19. Proposed Depth 8000' MD | 20. BLM/BIA Bond No. on file NM 2204 | |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3343' GL | 22. Approximate date work will start* 05/01/2007 | 23. Estimated duration 12 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. Operator 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 <i>Annette Childers</i> | Name (Printed Typed) Annette Childers | Date 2-20-2007 |
| Title Administrative Assistant | | |

| | | |
|--|--|------|
| Approved by (Signature) /s/ Don Peterson | Name (Printed Typed) | Date |
| Title ACTING FIELD MANAGER | Office CARLSBAD FIELD OFFICE | |

Application approval 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.
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 any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.**SEE ATTACHED FOR
CONDITIONS OF APPROVAL****APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED****CARLSBAD CONTROLLED WATER BASIN**

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

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 outside the Secretary's Potash area. There are no potash leases within 1 mile of the location.

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)
432-683-22774. Location of Well (Footage, Sec., T., R., M., or Survey Description)
NWNE, UL B, 810' FNL & 1980' FEL, Sec 21, T24S R30E, Lat N32.208278, Lon W103.884000

5. Lease Serial No.

NMLC 068431

6. If Indian, Allottee or Tribe Name

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

NMMN 71016

8. Well Name and No.

Poker Lake Unit #293

9. API Well No.

10. Field and Pool, or Exploratory Area

Nash Draw (Dela, BS, Avalon Sd)

11. County or Parish, State

Eddy County, 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 checked="" 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 type="checkbox"/> Other |
| | <input checked="" 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 recompleat 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 recompleat 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.)

The Poker Lake Unit #293 well plan calls for 11-3/4" surface casing to allow BEPCO, L.P. to drill an 11" hole to a depth of approximately 3750'. This 11" hole gives the option to install an 8-5/8" intermediate casing string if hole conditions so dictate. The conditions which would cause BEPCO, L.P. to run and cement this 8-5/8" string are: 1) lost circulation; 2) flowing sand which can only be controlled by high viscosity muds (80-90 funnel sec); or 3) other unforeseen hole problems.

The 8-5/8" casing will be cemented with lead cement of approx 500 sx Halco Interfill C or similiar (11.6 ppg, 2.76 cuft/sx yld) followed by approx 200 sx Class C + 1% CaCl2 (14.8 ppg, 1.35 cuft/sx yld). Cement will be circulated to surface. BOPs installed on this casing will be 3000 psi working pressure and will be hydrostatically tested by independent testers.

Notification to the BLM of the decision to run and cement this 8-5/8" casing would be given thru Sundry Notice prior to actually running the 8-5/8" casing.

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

4/12/07

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

Annette Childers

Title Administrative Assistant

Signature

Date

4-11-07

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

/s/ Don Peterson

FIELD MANAGER

Date

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)

**Conditions of Approval for Contingency String
Poker Lake Unit #293**

- 1. As soon as hole conditions are encountered which will necessitate setting the 8-5/8" casing, the BLM engineer will be notified by phone (duty hours – 505-234-5982 or 505-234-5938/after hours – 505-706-2779).**
- 2. A sundry notice should be prepared at that time for the engineer's approval.**
- 3. In addition, the BLM will be notified a minimum of 12 hours prior to the setting of this casing.**
- 4. If the 8-5/8" casing string is set, cement shall circulate to surface.**

WWI 041007

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

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

DISTRICT IV
1220 St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised October 12, 2005

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | |
|-------------------------|----------------------------------|--------------------|---|
| API Number | | Pool Code 47545 | Pool Name Nash Draw (Delaware, Bone Spring, Avalon Sand) |
| Property Code 068431 | Property Name POKER LAKE UNIT | | Well Number 293 |
| OGRID No. 001801 | Operator Name BEPCO, L.P. | | Elevation 3343' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| B | 21 | 24 S | 30 E | | 810 | NORTH | 1980 | EAST | EDDY |

Bottom Hole Location If Different From Surface

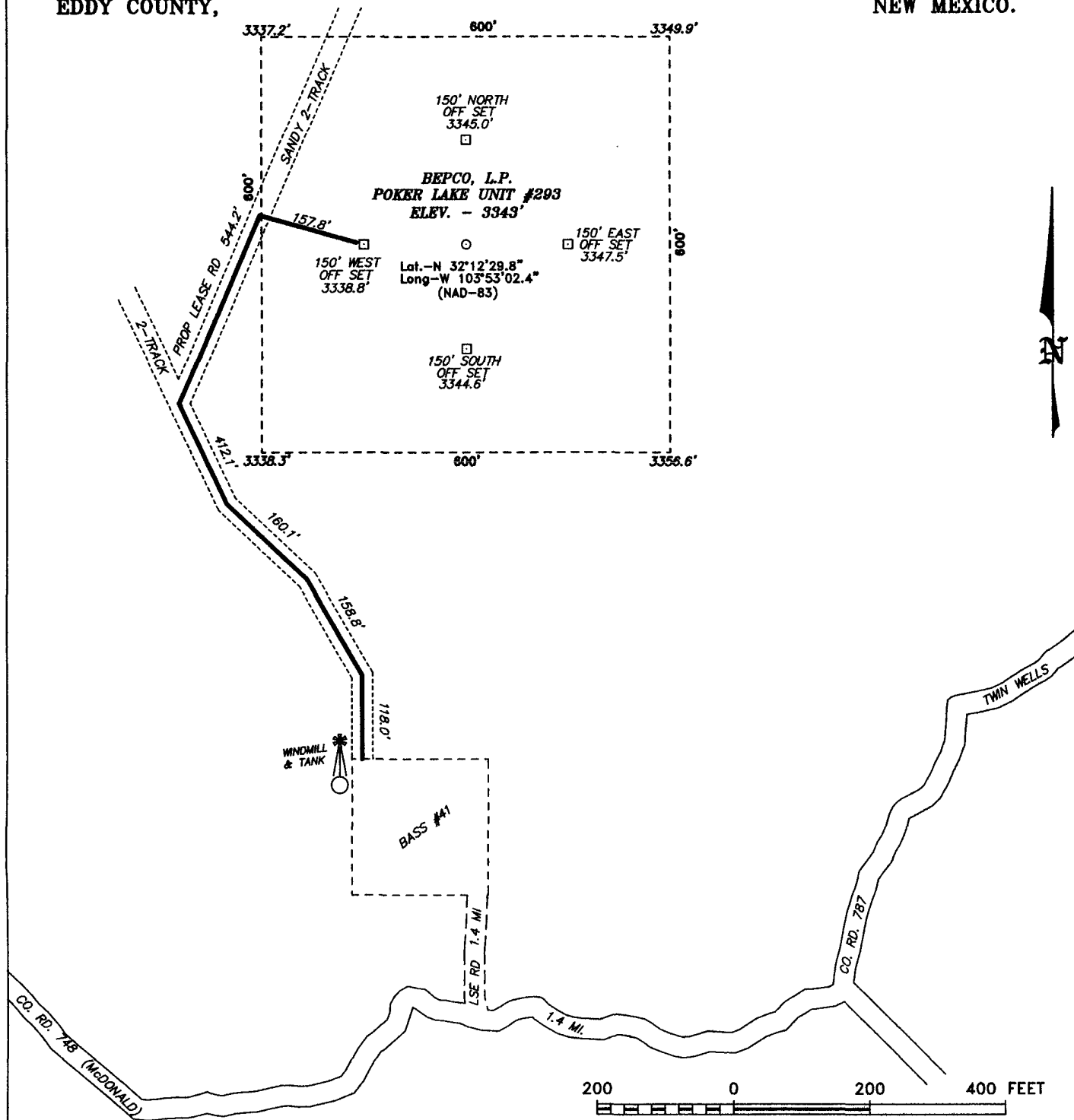
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| | | | |
|-----------------------|----------------------|--------------------|-----------|
| Dedicated Acres 40 | 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>LAT - N32°12'29.8" LONG - W103°53'02.4" (NAD-83)</p> <p>162.23 ACRES</p> | | <p>161.50 ACRES</p> | | <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 unleased 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><i>Gary E. Gerhard</i> 2/19/07 Signature Date</p> <p>Gary E. Gerhard Printed Name</p> |
| <p>161.91 ACRES</p> | | <p>158.93 ACRES</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>DECEMBER 29, 2006 Date Signed</p> <p><i>Gary L. Jones</i> Signature</p> <p>GARY L. JONES Professional Surveyor 7977</p> <p>7558</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p> |

SECTION 21, TOWNSHIP 24 SOUTH, RANGE 30 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



DIRECTIONS TO LOCATION:

FROM THE JUNCTION OF CO. RD. 787 (TWIN WELLS)
AND CO. RD. 746 (McDONALD), PROCEED WEST ON
CO. RD. 746 FOR 1.4 MILES TO LEASE ROAD. ON
LEASE ROAD PROCEED NORTH 1.4 MILE TO THE #41
WELL AND PROPOSED LEASE ROAD.

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

W.O. Number: 17558 Drawn By: J. SMALL

Date: 01-02-2007 Disk: 17558W JMS

BEPCO, L.P.

REF: POKER LAKE UNIT #293 / WELL PAD AND TOPO

THE POKER LAKE UNIT No. 293 LOCATED 810'

FROM THE NORTH LINE AND 1980' FROM THE EAST LINE OF

SECTION 21, TOWNSHIP 24 SOUTH, RANGE 30 EAST,

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

Survey Date: 12-29-2006 Sheet 1 of 1 Sheets

EIGHT POINT DRILLING PROGRAM BEPCO, L.P.

NAME OF WELL: Poker Lake Unit #293

LEGAL DESCRIPTION - SURFACE: 810' FNL & 1980' FEL, Section 21, T-24-S, R-30-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 3361' (est.)
GL 3343'

| <u>FORMATION</u> | <u>ESTIMATED TOP FROM KB</u> | <u>ESTIMATED SUB-SEA TOP</u> | <u>BEARING</u> |
|----------------------------|----------------------------------|----------------------------------|----------------|
| T/Rustler | 86' | + 3275' | Barren |
| T/Salt | 491' | + 2870' | Barren |
| B/Salt | 3592' | - 231' | Barren |
| T/Lamar Lime | 3800' | - 439' | Oil/Gas |
| T/Ramsey | 3736' | - 475' | Oil/Gas |
| T/Lower Brushy Canyon (8A) | 7276' | - 4015' | Oil/Gas |
| T/"Y" Sand | 7511' | - 4150' | Oil/Gas |
| T/Bone Spring Lime | 7676' | - 4315' | Oil/Gas |
| T/Avalon Sand | 7751' | - 4390' | Oil/Gas |
| TD | 8000' | - 4639' | Oil/Gas |

POINT 3: CASING PROGRAM

| <u>TYPE</u> | <u>INTERVALS</u> | <u>Hole Size</u> | <u>PURPOSE</u> | <u>CONDITION</u> |
|---------------------------|------------------|------------------|----------------|-----------------------|
| 5el COA 16" | 0'- 40' | 20" | Conductor | Contractor Discretion |
| 11-3/4", 42#, H-40, ST&C | 0'- 487' | 14 3/4" | Surface | New |
| 5-1/2", 15.5#, J-55, LT&C | 0'- 3750' | 11" | Production | New |
| 5-1/2", 15.5#, J-55, LT&C | 3750' -6400' | 7 7/8" | Production | New |
| 5-1/2", 17#, J-55, LT&C | 6400' -8000' | 7 7/8" | Production | New |

POINT 4: PRESSURE CONTROL EQUIPMENT (SEE ATTACHED DIAGRAM)

A BOPE equivalent to requirements of Onshore Oil & Gas Order No. 2 – 3000 psi system (Diagram 2) 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.

These tests will 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

| <u>DEPTH</u> | <u>MUD TYPE</u> | <u>WEIGHT</u> | <u>FV</u> | <u>PV</u> | <u>YP</u> | <u>FL</u> | <u>Ph</u> |
|--------------|-----------------|---------------|-----------|-----------|-----------|-----------|------------|
| 0' - 491' | FW Spud Mud | 8.5 - 9.2 | 38-70 | NC | NC | NC | 10.0 |
| 491' - 5400' | Brine Water | 9.8 -10.2 | 28-30 | NC | NC | NC | 9.5 - 10.5 |
| 5400' - TD | BW/Diesel | 8.8 - 9.0 | 32-40 | 8 | 2 | <25 cc | 9.5 - 10.0 |

NOTE: May 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 base of Salt (+/- 3500').
GR-CNL-CAL from base of Salt to surface.

C) CONVENTIONAL CORING

None anticipated.

D) CEMENT

| <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> | <u>WL</u> |
|--|-----------------------|-----------------------|---|----------------|------------|--------------------------|-----------|
| SURFACE: | | | | | | | |
| Lead 0 - 480' (100% excess circ to surface) | 310 | 480 | Class C + 2% CaCl ₂ | 6.33 | 14.8 | 1.34 | NC |
| PRODUCTION: | | | | | | | |
| Lead 3335' - 6350' (50% excess) | 283 | 3015 | LiteCrete 39/61 (D961/ D124) + 2% bwob D153 + 0.05 gpsb D604AM + 0.03 gpsb M45 + 2 pps D24 + 0.04 gpsb D801 | 9.875 | 10.2 | 2.47 | 130 |
| Tail 6350' - 8000' (50% excess) | 220 | 1650 | LiteCrete 39/61 (D961/ D124) + 2% bwob D153 + 0.05 gpsb D604AM + 0.03 gpsb M45 + 2 pps D24 + 0.04 gpsb D801 | 7.336 | 10.5 | 2.10 | 115 |

E) DIRECTIONAL DRILLING

No directional services anticipated.

POINT 7: ANTICIPATED RESERVOIR CONDITIONS

Normal pressures are anticipated throughout Delaware section. A BHP of 3615 psi (max) or MWE of 8.7 ppg is expected. Lost circulation may exist in the Delaware Section from 3736-7676'. 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

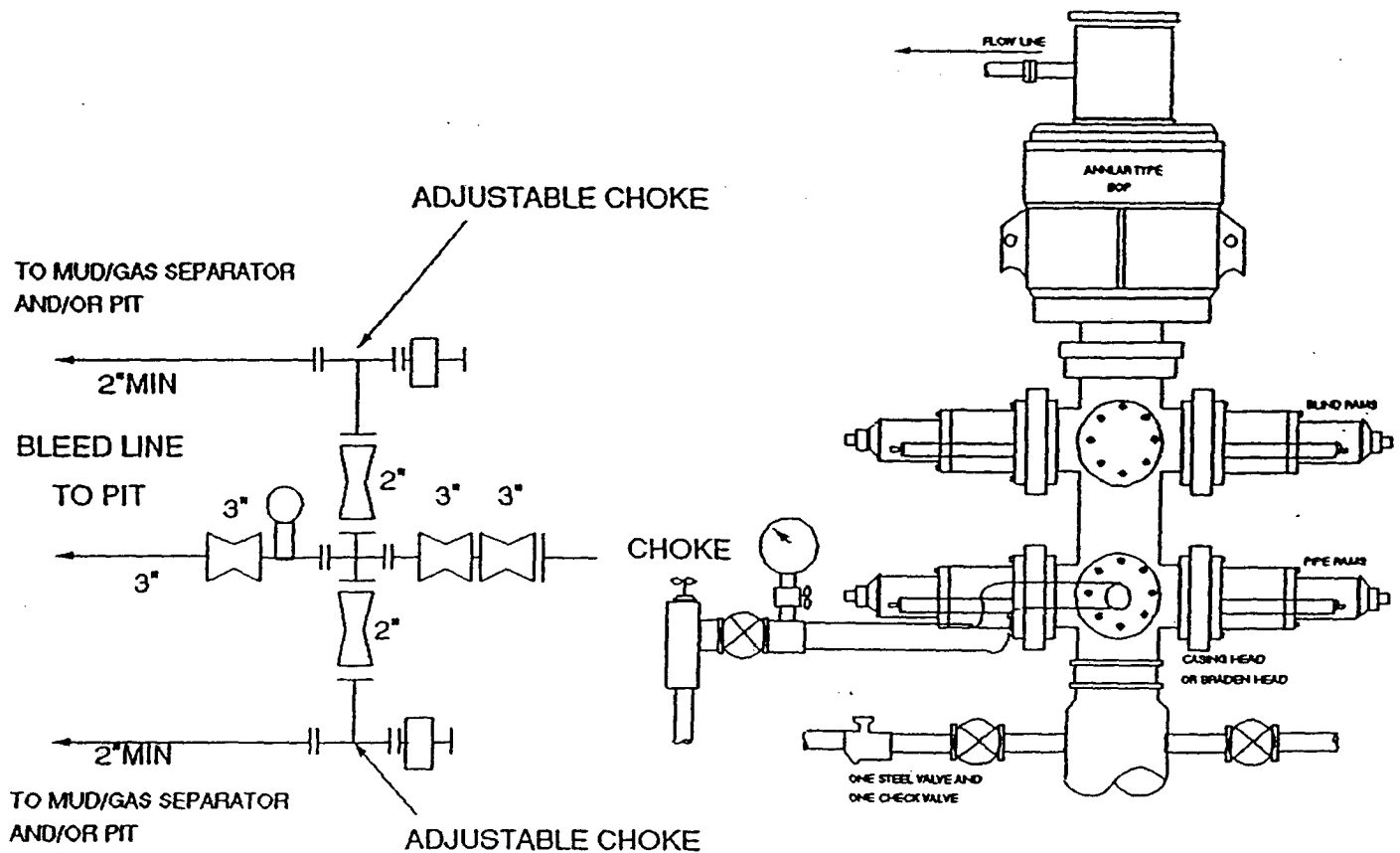
12 days drilling operations

14 days completion operations

GEG/cnt

February 19, 2007

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 2

MULTI-POINT SURFACE USE PLAN

NAME OF WELL: Poker Lake Unit #293

LEGAL DESCRIPTION - SURFACE: 810' FNL & 1980' FEL, Section 21, T-24-S, R-30-E, Eddy County, New Mexico.

POINT 1: EXISTING ROADS

A) Proposed Well Site Location:

See Exhibit A and Survey Plats

B) Existing Roads:

From the junction of Co. Rd. 787 (Twin Wells) and Co. Rd. 746 (McDonald), proceed west on Co. Rd. 746 for 1.4 miles to lease road. On lease road proceed north 1.4 miles to the PLU #41 well and proposed lease road.

C) Existing Road Maintenance or Improvement Plan:

See Exhibit B and Survey Plats.

POINT 2: NEW PLANNED ACCESS ROUTE

A) Route Location:

Approximately 1550' of new road will be built from the existing lease road to Poker Lake Unit #41.

B) Width

12'

C) Maximum Grade

Grade to match existing topography or as per BLM requirements.

D) Turnout Ditches

Spaced per BLM requirements.

E) Culverts, Cattle Guards, and Surfacing Equipment

If required, culverts and cattle guards will be set per BLM Specs.

POINT 3: LOCATION OF EXISTING WELLS

Exhibit A indicates existing wells within the surrounding area.

POINT 4: LOCATION OF EXISTING OR PROPOSED FACILITIES

Page 2

- A) Existing facilities are located within approximately 1.5 miles, which are owned or controlled by lessee/operator:

Closest Oil/Gas production facilities are located at Poker Lake Unit #213 wellsite. Poker Lake Unit #213 is located approximately 1.5 miles west of proposed well.

- B) New Facilities in the Event of Production:

New production facilities will be constructed on Poker Lake Unit #261 location. Power lines and flow lines will follow the existing and new roads.

- 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 Station 50 miles east of Carlsbad, New Mexico or other commercial facilities. Brine water will be hauled from commercial facilities.

- 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

On-site caliche will be used.

- B) Land Ownership

Federally Owned.

- C) Materials Foreign to the Site

If on-site caliche is not sufficient, we will haul caliche from a BLM approved site.

- D) Access Roads

See Exhibit B.

POINT 7: METHODS FOR HANDLING WASTE MATERIAL

Page 3

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 indicates 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 "D" 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 "B", "C" & "D".

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

Page 5

A) Terrain

Relatively flat with moderate sand dunes.

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 1-1/2 miles of the wellsite.

F) Water Wells

There are three water wells located within 1.5 miles of the proposed well. (See Exhibit A)

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 Bureau of Land Management. Any location or construction conflicts will be resolved before construction begins.

J) Surface Ownership

The well site is 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

Page 6

(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.

2/19/07

Date

Gary E. Gerhard
Gary E. Gerhard

GEG/cnt

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: BEPCO LP
Well Name & No. Poker Lake Unit # 293
Location: 810'FNL, 1980'FEL, SEC21, T24S, R30E, Eddy County, NM
Lease: LC-068431

I. DRILLING OPERATIONS REQUIREMENTS:

A. The Bureau of Land Management (BLM) is to be notified a minimum of 4 hours in advance, 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:

1. Spudding
2. Cementing casing: 16 inch 11.75 inch 5.5 inch
3. BOP tests

B. A Hydrogen Sulfide (H₂S) Drilling Plan is N/A. A copy of the plan shall be posted at the drilling site.

C. 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.

D. 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. (R-111-P area only)

E. If floor controls are required, (3M or Greater) controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

II. CASING:

A. The 11.75 inch surface casing shall be set **above the salt, should it occur more shallow, at least 25 feet into the Rustler Anhydrite @ approximately 520 feet** and cement circulated to the surface. **Fresh water mud to be used to setting of surface casing.**

1. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
2. Wait on Cement (WOC) time for a primary cement job will be a minimum of 12 hours for a non-water basin, 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compression strength, which ever is greater. (This is to include the lead cement)
3. WOC time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds of compression strength, which ever is greater.
4. If cement falls back, Remedial cementing shall be completed prior to drilling out that string.

B. The minimum required fill of cement behind the 5.5 inch production casing is **cement shall extend upward a minimum of 200 feet above the base of the surface casing string.**

C. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

III. PRESSURE CONTROL:

A. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2.

B. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the 11.75 inch casing shall be 2000 psi.

C. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

1. The tests shall be done by an independent service company.
2. The results of the test shall be reported to the appropriate BLM office.
3. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of the independent service company test will be submitted to the appropriate BLM office.
4. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi in accordance with API RP 53. The test will be held for a minimum of 10 minutes if the test is done with a test plug and 30 minutes without a test plug.
5. A variance to test the BOP / BOPE to the reduced pressure of 1000 psi with the rig pumps is approved.

IV. Hazards:

1. Our geologist has indicated a high potential for Karst features in this area and possible lost circulation in the Delaware and Bone Spring.

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

FWright 2/26/07