

1989)
(formerly 9-331C)

CONTACT RECEIVING
OFFICE FOR NUMBER
OF COPIES OF UIC
(other instructions on
reverse side)

BLM Roswell District
Modified Form No.

NM060-3160-2

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

PLUG BACK ☐

b. TYPE OF WELL

OIL

GAS

R-111-POTASH

SINGLE

MULTIPLE

WELL ☒

WELL ☐

OTHER

ZONE ☒

ZONE ☐

2. NAME OF OPERATOR

STRATA PRODUCTION COMPANY

3a. Area Code & Phone No.

505-622-1127

5. LEASE DESIGNATION AND SERIAL NO.

NM-14140.54C JM 0499988 B4C

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

Nash Unit

8. FARM OR LEASE NAME

Nash Unit

3. ADDRESS OF OPERATOR

P. O. Box 1030, Roswell, New Mexico 88202-1030

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

2102
2403' FSL & 2002' FEL Per SW dated 1/5/05
330' FSL & 400' FEL Section 1-23S-29E

At proposed prod. zone

9. WELL NO.

#34

10. FIELD AND POOL, OR WILDCAT

Nash Draw Brushy Canyon OFOD-ARTESIA

11. SEC., T., R., M., OR BLK.
AND SURVEY OR AREA

Section 12-23S-29E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

9 miles east of Loving, New Mexico

12. COUNTY OR PARISH

Eddy

13. STATE

NM

15. DISTANCE FROM PROPOSED *

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drlg. unit line, if any)

SUBJECT TO LIKE
APPROVAL BY STATE

17. NO. OF ACRES ASSIGNED
TO THIS WELL

40.00

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED
OR APPLIED FOR, ON THIS LEASE, FT.

19. PROPOSED DEPTH
M.D. 10,053'
TVD 6865'

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

2983' GR

CARLSBAD CONTROLLED WATER BASIN

22. APPROX. DATE WORK WILL START*

February 15, 2005

23. PROPOSED CASING AND CEMENTING PROGRAM

HOLE SIZE	CASING SIZE	WEIGHT/FOOT	GRADE	THREAD TYPE	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 3/8"	48#	H-40	STC NEW	310' 400'	Circ to Surface
11"	8 5/8"	32#	J-55	LTC NEW	3110'	Circ to Surface
7 7/8"	5 1/2"	17#	N-80 & P-110	LTC NEW	6865' TVD	Tie back to 300' into 8 5/8" casing

WITNESS

WITNESS

Strata Production Company proposes to drill to a depth sufficient to test the Delaware formation. If productive, 5 1/2" casing will be set. If non-productive, the well will be plugged and abandoned in a manner consistent with Federal Regulations. Specific programs as set out in Onshore Oil & Gas Order #1 are outlined in the following attachments:

NMOCD Form C-102 Well Location and Acreage Dedication Plat

Hole Prognosis

Surface Use and Operating Plan

Exhibit "A" Equipment Description

Exhibit "B" Planned Access Roads

Exhibit "C" One Mile Radius Map

Exhibit "D" Drilling Rig Layout Plan

Exhibit "E" Vertical Plan View

Exhibit "F" Horizontal Plan View

Statement Accepting Responsibility for Operations

Notifications to Area Potash Leaseholders

Archaeological Survey will be submitted when received by Mesa Field Services

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED

Linda S. C. Rundell

TITLE

Production Records

DATE

08/23/02

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

APPROVED BY

/s/ Linda S. C. Rundell

TITLE

STATE DIRECTOR

DATE

MAR - 2 2005

CONDITIONS OF APPROVAL, IF ANY:

APPROVAL FOR 1 YEAR

*See Instructions On Reverse Side

F3160-3.WK1

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT-" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well Oil <input type="checkbox"/> Gas <input type="checkbox"/> <input checked="" type="checkbox"/> Well <input type="checkbox"/> Well <input type="checkbox"/> Other	R-III-POTASH	5. Lease Designation and Serial No. NM-14140
2. Name of Operator STRATA PRODUCTION COMPANY		6. If Indian, Allottee or Tribe Name
3. Address and Telephone No. P. O. Box 1030 Roswell, New Mexico 88202-1030 505-622-1127		7. If Unit or CA, Agreement Designation Nash Unit
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) S.L. 2403' FSL & 2002' FEL Section 12-23S-29E B.H.L. 330' FSL & 400' FEL Section 01-23S-29E		8. Well Name and No. Nash Unit #34
		9. API Well No.
		10. Field and Pool, or Exploratory Area Nash Draw Brushy Canyon
		11. County or Parish, State Eddy County, New Mexico

12. CHECK APPROPRIATE BOX(s) 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"/> Abandonment	<input type="checkbox"/> Change of Plans
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion	<input type="checkbox"/> New Construction
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Altering Casing	<input type="checkbox"/> Conversion to Injection
	<input checked="" type="checkbox"/> OTHER Changing Surface Location	<input type="checkbox"/> Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Strata Production Company is requesting a change of surface location on the Nash Unit #34 well per BLM and Mosaic Potash Company's request.

The current surface location on the APD is 2403' FSL & 2002' FEL, Section 12-23S-29E, Eddy County, NM.

The surface location we would like to change to is - 2403' FSL & 2102' FEL, Section 12-23S-29E, Eddy County, NM.

Also attached is a copy of the letter Strata received from Mosaic Potash Company dated November 22, 2004.

14. I hereby certify that the foregoing is true and correct.

Signed *Linda S. C. Rundell*

Title **Production Records**

Date **01/05/05**

(This space for Federal or State office use)

Approved by */s/ Linda S. C. Rundell*

Title **STATE DIRECTOR**

Date **MAR - 2 2005**

Title 18 U.S.C. Section 1001, makes 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.

* See Instruction on Reverse Side

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 & Natural Resources

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, N M 87505

Form C-102

Revised March 17, 1999
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	Pool Name
Property Code	Property Name NASH UNIT	Well Number 34
OGRID No.	Operation Name STRATA PRODUCTION COMPANY	Elevation 2982

Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
J	12	23-S	29-E		2403	SOUTH	2102	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
PAGE 1 OF 2, SEE PAGE 2 FOR BOTTOM HOLE LOCATION									

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTEREST HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

				OPERATOR CERTIFICATION I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.	
				Signature <i>Kelly M. Britt</i>	
				Printed Name Kelly M. Britt	
				Title Production Records	
				Date 01/06/05	
LAT N 32°19'05" LON W 103°56'11"				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 KNOWLEDGE AND BELIEF.	
				DECEMBER 14, 2004	
				Date of Survey	
				Signature and Seal of Professional Surveyor	
				NEW MEXICO 5412 NMO PLATS 45412 Certificate of Accuracy	

District I
1825 N. French Dr. Hobbs, NM 88240

District II
811 South First, Artesia, NM 88210

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1000 Rio Brazos Rd., Aztec NM 87410

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Revised March 17, 1999

Submit to Appropriate District Office

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☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name NASH UNIT	Well Number 34
OGRID No.	Operation Name STRATA PRODUCTION COMPANY	Elevation 2982

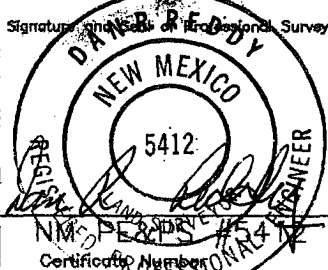
Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
PAGE 2 OF 2, SEE PAGE 1 FOR SURFACE LOCATION									

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
P	1	23-S	29-E		330	SOUTH	400	EAST	EDDY
Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTEREST HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

					OPERATOR CERTIFICATION	
					I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.	
					Signature <i>Kelly M. Britt</i>	
					Printed Name Kelly M. Britt	
					Title Production Records	
					Date 01/06/05	
					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 KNOWLEDGE AND BELIEF.	
					DECEMBER 14, 2004	
					Date of Survey	
					Signature and Seal of Professional Surveyor	
						
					Certificate Number	

BOTTOM HOLE 330' 400'



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

Tel 505-887-2871
Fax 505-887-0589

Nash Unit # 24

STRATA

NOV 23 2004

November 22, 2004

PRODUCTION COMPANY

Kelly M. Britt
Production Records
Strata Production Company
200 West First Street
Roswell, NM 88203

Dear Kelly:

We are in receipt of your letter dated 11/12/04 concerning an APD for a well in Section 10, T-23-S, R-29-E. Mosaic Potash Carlsbad Inc. does have a potash lease that includes the northern three quarters of this section.

Nash Unit #4 at 2403' FSL & 2002' FEL is within 100 feet of our LMR and inside the enclave as drawn by the BLM. This location however is only 200 feet north and 200 feet east of a well drilled previously. Mosaic does object to this location but respectfully requests Strata to a location just east of Nash Unit #19 for an oil test well no deeper than the base of the Delaware Formation.

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 David Waugh

HOLE PROGNOSIS
FORM 3160-3 APPLICATION FOR PERMIT TO DRILL
STRATA PRODUCTION COMPANY
NASH UNIT #34 WELL
S.L. 2403' FSL & 2002' FEL
SECTION 12-23S-29E
B.H.L. 330' FSL & 400' FEL
SECTION 1-T23S-R29E
EDDY COUNTY, NEW MEXICO

In conjunction with Form 3160-3, Application for Permit to Drill, Strata Production Company submits the following items in accordance with Onshore Oil and Gas Order Numbers 1 and 2, and all other applicable federal and state regulations.

1. Geologic Name of Surface Formation:

Permian

2. Estimated Tops of Geologic Markers:

Rustler	Surface	"F-2" Sand	5776'
Salado	260'	"H" Sand	6178'
Castile	1730'	"K" Sand	6640'
Bell Canyon	3110'	"L" Sand	6770'
Cherry Canyon	4110'	Bone Spring	6860'
Brushy Canyon	5190'	TD - TVD	6860'

3. Estimated Depths of Anticipated Fresh Water, Oil or Gas:

Surface	150'	Fresh Water
Delaware	3110' - 6860'	Oil or Gas

No other formations are expected to produce oil, gas or fresh water in measurable quantities. The surface fresh water sands will be protected by setting 13 3/8" casing at 310' and circulating cement back to surface. Shallower zones above TD which contain commercial quantities of oil and/or gas will have 5 1/2" production casing run to TD and cement circulated across the potentially productive zones and tying into 8 5/8" casing.

HOLE PROGNOSIS
NASH UNIT #34
Page 2

4. Casing Program:

<u>Hole Size</u>	<u>Interval</u>	<u>OD Csg</u>	<u>Weight, Grade, Jt. Cond, Type</u>
17 1/2"	0 - ^{400'} 310'	13 3/8"	48#, H-40, ST&C, New WITNESS
11"	0-3110'	8 5/8"	32#, J-55, LT&C, New
7 7/8"	0 - TD	5 1/2"	17#, N-80, LT&C, P-110, Hydril 513, New

Cementing Program:

Surface Casing: 13 3/8" casing will be set at approximately ^{400'}310' and cemented with approximately 425 sacks of Class C cement with 2% CaCL and additives per sack. The amount may be adjusted depending upon the fluid caliper results, however, cement in sufficient quantities to circulate will be utilized.

Intermediate Casing: 8 5/8" casing will be set at approximately 3110' and cemented with approximately 800 sacks of 50/50 Poz "C" with 6% gel, 10# salt and additives per sack, and 200 sacks Class "C" with 2% CaCL and additives per sack. The amount may be adjusted dependent upon fluid caliper results, however, cement in sufficient quantities to circulate will be utilized.

Production Casing: If appropriate, 5 1/2" casing will be set at Total Depth. Strata utilizes cement in sufficient quantities to circulate cement to the intermediate casing. Cement with approximately 800 sacks 39/61 CemCRETE Blend with additives.

Drilling Program: The Nash Draw #34 is designed to be a deviated/horizontal well. After setting the 8 5/8" intermediate casing at +/-3100', steering tools will be used to build angle at 3.00 degrees per 100' to 14.05 degrees from vertical. This angle will be maintained to +/-6400'(TVD), angle will be built at the rate of 8.00 degrees per 100 feet until the wellbore is horizontal. At the point the wellbore is horizontal the BHL will be approximately 1375' from the surface location. The horizontal section will continue for +/-2777'. The BHL will be approximately 3847' from the surface location in a northeasterly direction with a bearing of 27.9 degrees. The MD will be +/-10,053' and the TVD will be +/-6865'. The target for the BHL is 300' FSL & 400' FEL Section 1-T23S-R29E.

HOLE PROGNOSIS

NASH UNIT #34

Page 3

5. Minimum Specifications for Pressure Control:

The blowout preventer equipment (BOP) shown on Exhibit "A" will consist of a double ram-type (3000 psi WP) preventer and a bag-type (hydril) preventer (3000 psi WP). Both units will be hydraulically operated and the ram-type preventer will be equipped with blind rams on top and 4 1/2" drill pipe rams on bottom. Both BOPs will be nipped up on the 13 3/8" surface casing and used continuously until TD is reached. All BOPs and accessory equipment will be tested to 1000 psi before drilling out of surface casing. Before drilling out of intermediate casing, the ram-type BOP and accessory equipment will be tested to 3,000 psi and the hydril to 70% of rated working pressure (2,100 psi).

Pipe rams will be operationally checked each 24 hour period. Blind rams will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets. A 2" kill line and 3" choke line will be included in the drilling spool located below the ram-type BOP. Other accessories to the BOP equipment will include a kelly cock and floor safety valve (inside BOP) and choke lines and choke manifold with 3,000 psi WP rating.

6. Types and Characteristics of the Proposed Mud System:

0' to 310' 400'	Fresh water with lime and gel with paper and fiber for seepage will be used for drilling purposes.
400' 310' to 3110'	Saturated brine water purchased from commercial sources with paper and fiber for seepage will be utilized.
3110' to 5100'	3% KCL water with 20-50 PPM Nitrates, caustic for PH control and paper for seepage with starch and XCD for Vis and WL will be utilized. Anticipated mud properties are as follows: MW 8.5, WL 15, PH 10, Vis 28, CL 70,000.
5100' to TD	3% KCL water with 20-50 PPM Nitrates, caustic for PH control and paper for seepage with starch and XCD for Vis and WL will be utilized. Anticipated mud properties are as follows: MW 8.8, WL <6, PH 10, Vis 30, CL 70,000.

A semi-closed mud system will be used throughout the drilling of the Nash Draw #34. The mud system will be contained in the steel pits and cuttings will be deposited into a cuttings pit. A minimum amount of drilling fluid, cement and water will be disposed into the cuttings pit.

HOLE PROGNOSIS

NASH UNIT #34

Page 4

Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be kept at the wellsite at all times.

7. Auxiliary Well Control and Monitoring Equipment:

- A. A kelly cock will be kept in the drill string at all times.
- B. A full opening drill pipe stabbing valve (inside BOP) with proper drill pipe connections will be on the rig floor at all times.

8. Testing, Logging and Coring Program:

A two (2) man Mudlogging unit will be on location from the top of the Delaware formation to TD. Mudlogging unit will be employed from approximately 3110' (Top of Delaware) to 6860' TVD (Total Depth).

If indicated, DLL-MSFL, CNL-Density, Gamma Ray logs and Caliper logs will be run at TD. The Dual Laterolog will be run from +/-6400' TVD back to the intermediate casing and the Compensated Neutron/Density Log will be run from +/-6400' TVD back to surface. A Gamma Ray Log will be run in the horizontal section of the well. In some cases, Strata may elect to run rotary sidewall cores from selected intervals from approximately 3110' to 6860' dependent upon logging results.

9. Abnormal Conditions, Pressures, Temperatures and Potential Hazards:

No abnormal pressures or temperatures are anticipated. The anticipated bottomhole pressure is 2600# PSI.

Loss of circulation is possible in the Delaware section of the hole, however, no major loss circulation zones have been reported in offsetting wells.

Strata has drilled and completed nineteen (19) wells in the immediate area. To date, Hydrogen Sulfide has not been encountered. However, if Hydrogen Sulfide is encountered, a Hydrogen Sulfide alarm on the drilling rig would be activated. All personnel have had Hydrogen Sulfide training and appropriate breathing apparatus is located on site. If necessary, the well can be shut in utilizing the blow out preventer and other equipment to prevent the migration of Hydrogen Sulfide to the surface.

HOLE PROGNOSIS

NASH UNIT #34

Page 5

10. Anticipated Starting Date and Duration of Operations:

Road and location work will not begin until approval has been received from the BLM. The anticipated spud date is February 15, 2005. Once commenced, the drilling operation should be completed in approximately 25 days. If the well is productive, an additional 15 days will be required for completion and testing before a decision is made to install permanent facilities.

EXHIBIT "A"

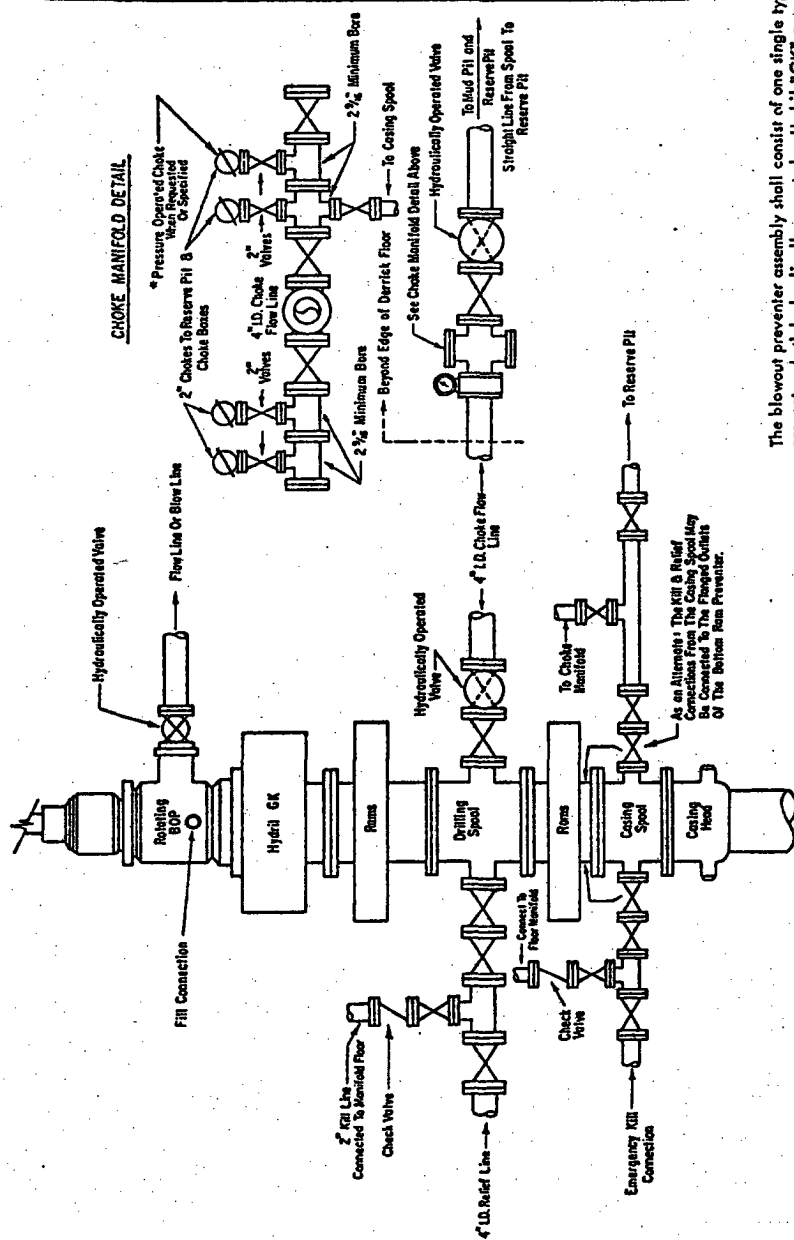
EQUIPMENT DESCRIPTION

All equipment should be at least 3,000 psi WP or higher unless otherwise specified.

1. Bell nipple.
2. Hydril bag type preventer
3. Ram type pressure operated blowout preventer with blind rams.
4. Flanged spool with one 3" and one 2" (minimum) outlet.
5. 2" (minimum) flanged plug or gate valve.
6. 2"x 2"x 2" (minimum) flanged.
7. 3" gate valve.
8. Ram type pressure operated blowout preventer with pipe rams.
9. Flanged type casing head with one side outlet.
10. 2" threaded (or flanged) plug or gate valve. Flanged on 5000# WP, threaded on 3000# WP or less.
11. 3" flanged spacer spool.
12. 3"x 2"x 2"x 2" flanged cross.
13. 2" flanged plug or gate valve.
14. 2" flanged adjustable choke.
15. 2" threaded flange.
16. 2" XXH nipple.
17. 2" forged steel 90° Ell.
18. Cameron (or equal) threaded pressure gauge.
19. Threaded flange.
20. 2" flanged tee.
21. 2" flanged plug or gate valve.
22. 2 1/2" pipe, 300' to pit, anchored.
23. 2 1/2" SE valve.
24. 2 1/2" line to steel pit or separator.

NOTES:

- 1). Items 3, 4 and 8 may be replaced with double ram type preventer with side outlets between the rams.
- 2). The two valves next to the stack on the fill and kill line to be closed unless drill string is being pulled.
- 3). Kill line is for emergency use only. This connection shall not be used for filling.
- 4). Replacement pipe rams and blind rams shall be on location at all times.
- 5). Only type U, LSW and QRC ram type preventers with secondary seals are acceptable for 5000 psi WP and higher BOP stacks.
- 6). Type E ram-type BOP's with factory modified side outlets may be used on 3000 psi or lower WP BOP stacks.



3000 # PSI WORKING PRESSURE BLOWOUT PREVENTER HOOK-UP

hydraulic operating system which is to be a closed system. (2) Accumulators with a precharge of nitrogen of not less than 750 PSI and connected so as to receive the aforementioned fluid charge. With the charging pumps shut down, the pressurized fluid volume stored in the accumulators must be sufficient to close all the pressure-operated devices simultaneously within _____ seconds; after closure, the remaining accumulator pressure shall be not less than 1000 PSI with the remaining accumulator fluid volume at least _____ percent of the original. (3) When requested, an additional source of power, remote and equivalent, is to be available to operate the above pumps; or there shall be additional pumps operated by separate power and equal in performance capabilities.

The closing manifold and remote closing manifold shall have a separate control for each pressure-operated device. Controls are to be labeled, with control handles indicating open and closed positions. A pressure reducer and regulator must be provided for operating the Hydril preventer. When requested, a second pressure reducer shall be available to limit operating fluid pressures to ram preventers. Gulf Legion No. 38 hydraulic oil, an equivalent or better, is to be used as the fluid to operate the hydraulic equipment.

The choke manifold, choke flow line, relief line, and choke lines are to be supported by metal stands and adequately anchored. The choke flow line, relief line, and choke lines shall be constructed as straight as possible and without sharp bends. Easy and safe access is to be maintained to the choke manifold. If deemed necessary, walkways and stairways shall be erected in and around the choke manifold. All valves are to be selected for operation in the presence of oil, gas, and drilling fluids. The choke flow line valves and relief line valves connected to the drilling spool and all ram type preventers must be equipped with stem extensions, universal joints if needed, and hand wheels which are to extend beyond the edge of the derrick substructure. All other valves are to be equipped with handles.

* To include derrick floor mounted controls.

The blowout preventer assembly shall consist of one single type blind ram preventer and one single type pipe ram preventer, both hydraulically operated; a Hydril "GK" preventer; a rotating blowout preventer; valves; chokes and connections, as illustrated. If a tapered drill string is used, a ram preventer must be provided for each size of drill pipe. Casing and tubing rams to fit the preventer are to be available as needed. If correct in size, the flanged outlets of the ram preventer may be used for connecting to the 4-inch I.D. choke flow line and 4-inch I.D. relief line, except when air or gas drilling. All preventer connections are to be open-face flanged.

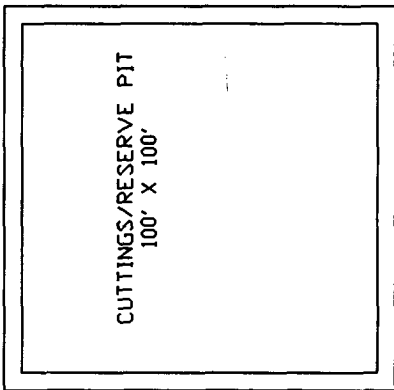
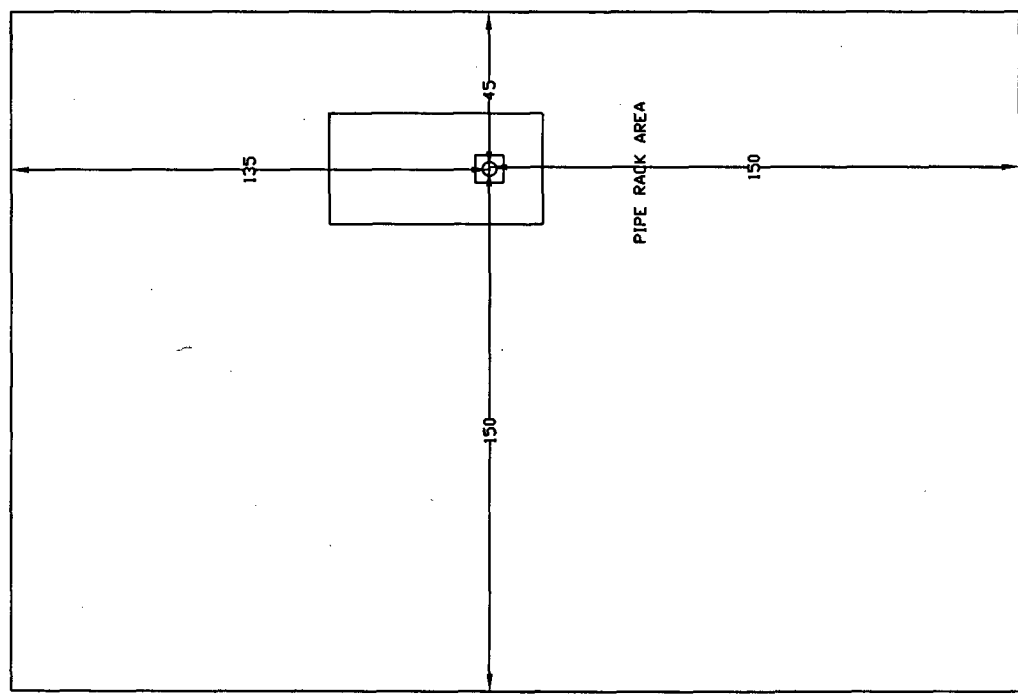
Minimum operating equipment for the preventers and hydraulically operated valves shall be as follows: (1) Multiple pumps, driven by a continuous source of power, capable of fluid charging the total accumulator volume from the nitrogen precharge pressure to its rated pressure within _____ minutes. Also, the pumps are to be connected to the accumulator fluid volume at not less than 750 PSI and connected so as to receive the aforementioned fluid charge. With the charging pumps shut down, the pressurized fluid volume stored in the accumulators must be sufficient to close all the pressure-operated devices simultaneously within _____ seconds; after closure, the remaining accumulator pressure shall be not less than 1000 PSI with the remaining accumulator fluid volume at least _____ percent of the original. (3) When requested, an additional source of power, remote and equivalent, is to be available to operate the above pumps; or there shall be additional pumps operated by separate power and equal in performance capabilities.

ATTACHMENT to EXHIBIT "C"

STATUS OF WELLS WITHIN ONE MILE RADIUS

Nash Unit #34
Section 12-3S-29E
Eddy County, NM
September 2004

<u>SECTION 12-23S-29E</u>	<u>UNIT LTR/LOC</u>	<u>WELL NAME/#</u>	<u>FLD</u>	<u>ZONE</u>	<u>STAT</u>
Murchison Oil & Gas	C - SE NE SW	Nash Unit #52	Nash Draw	Atoka	Act
	K	Nash Unit #3	Nash Draw	Atoka	Act
	H - SE NE SW	Nash Unit #53	Nash Draw	Morrow	Act
Strata Production Co.	K - NE SW	Nash Unit #13	Nash Draw	Brushy Cany	Act
	N - SE SW	Nash Unit #11	Nash Draw	Brushy Cany	Act
	J - NW SE	Nash Unit #19	Nash Draw	Brushy Cany	Act
	O - SW SE	Nash Unit #12	Nash Draw	Brushy Cany	Act
	J - SW SW SW	Nash Unit #33	Nash Draw	Brushy Cany	Act
	K - SW NE SW	Nash Unit #36	Nash Draw	Brushy Cany	Act
<u>SECTION 13-23S-29E</u>	<u>UNIT LTR/LOC</u>	<u>WELL NAME/#</u>	<u>FLD</u>	<u>ZONE</u>	<u>STAT</u>
Strata Production Co.	A	Nash Unit #4	SWD	Delaware	Act
	G - SW NE	Nash Unit #10	Nash Draw	Brushy Cany	Act
	A - NE NE	Nash Unit #14	Nash Draw	Brushy Cany	Act
	H	Nash Unit #1	Nash Draw	Cherry Cany	Ina
	B - NW NE	Nash Unit #9	Nash Draw	Brushy Cany	Act
	J	Nash Unit #29	Nash Draw	Brushy Cany	Act
	D - NW NW	Nash Unit #15	Nash Draw	Brushy Cany	Act
	H	Nash Unit #1	Nash Draw	Brushy Cany	Act
	H	Nash Unit #1	Nash Draw	Morrow	Ina
	I - NE SE	Nash Unit #5	Nash Draw	Brushy Cany	Act
	A	Nash Unit #4	Nash Draw	Cherry Cany	Ina
	B	Nash Unit #4	Nash Draw	Brushy Cany	Ina
	E	Nash Unit #23	Nash Draw	Brushy Cany	Act
Murchison Oil & Gas	B - NW NE	Nash Draw Unit #9	Nash Draw	Cherry Cany	Ina
Conoco Incorporated	H	Nash Unit #1	Nash Draw	Strawn	Ina
<u>SECTION 14-23S-29E</u>	<u>UNIT LTR/LOC</u>	<u>WELL NAME/#</u>	<u>FLD</u>	<u>ZONE</u>	<u>STAT</u>
Strata Production Co.	H - SE NE	Nash Unit #24	Nash Draw	Brushy Cany	Act
<u>SECTION 18-23S-29E</u>	<u>UNIT LTR/LOC</u>	<u>WELL NAME/#</u>	<u>FLD</u>	<u>ZONE</u>	<u>STAT</u>
Strata Production Co.	E - SW NW	Nash Unit #6	Nash Draw	Brushy Cany	Act
	C - NE NW	Nash Unit #20	Nash Draw	Brushy Cany	Act
Murchison Oil & Gas	F	Nash Unit #2	Nash Draw	Atoka	Act
Mesa Petroleum Co.	F	Nash Unit #2	Nash Draw	Morrow	Ina
	D	Nash Unit #7	Nash Draw	Morrow	Ina



MASH DRAW #34
RIG LAYOUT PLAT
GREYWOLF RIG
#714

EXHIBIT "D"
NASH DRAW #34
Section 12, 23S, 29E
Eddy County, NM

ROAD

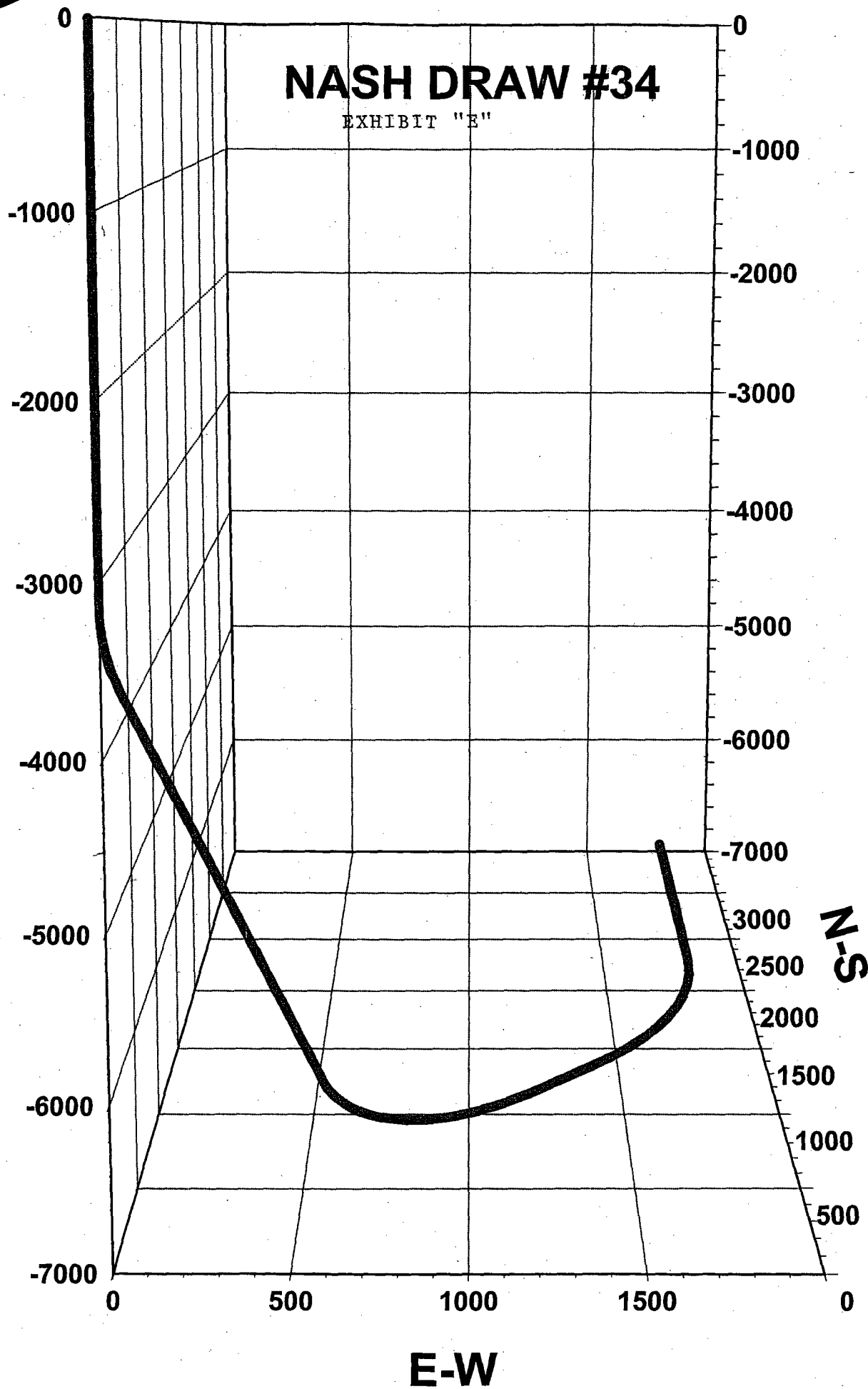
PIPE RACK AREA

CUTTINGS/RESERVE PIT
100' X 100'

NASH DRAW #34

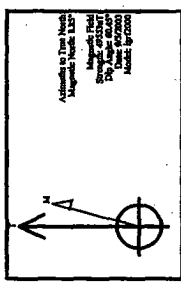
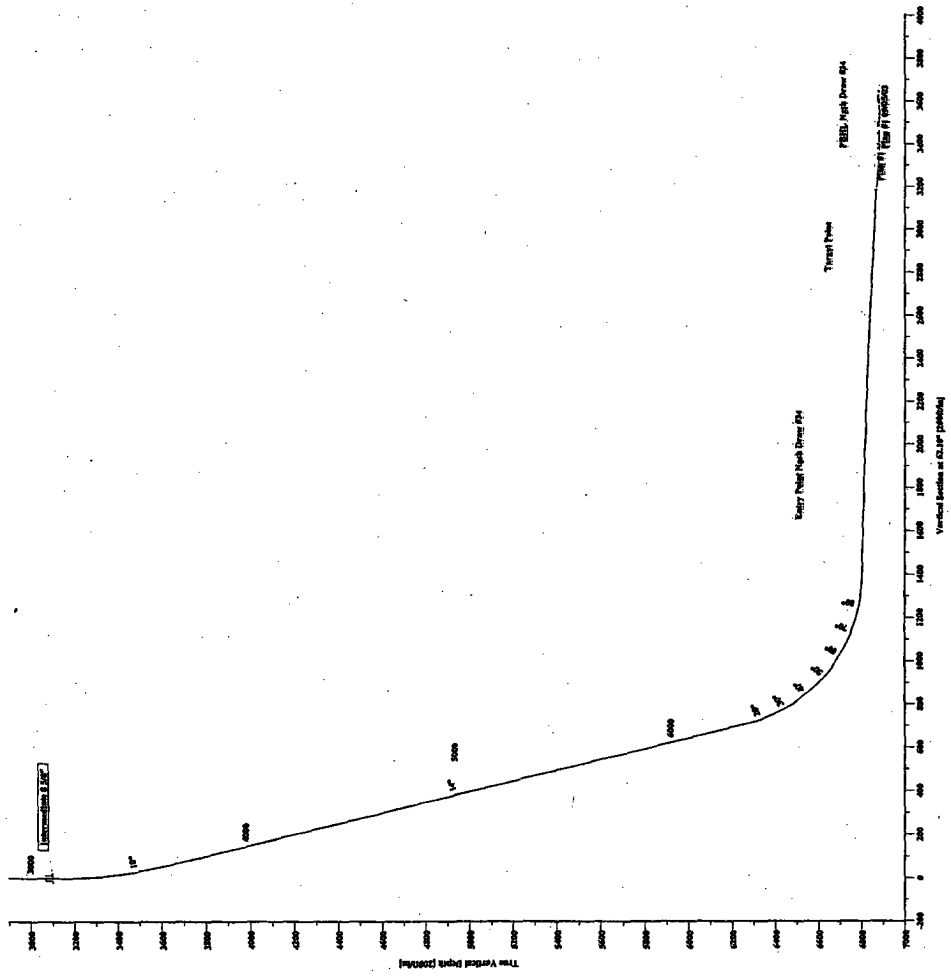
EXHIBIT "E"

DEPTH, FT.



SECTION DETAILS									
Sec	MD	Inc	Azi	TVD	+N/S	+E/W	DLeg	TFace	VSec Target
1	0.00	0.00	51.98	0.00	0.00	0.00	0.00	0.00	0.00
2	3150.00	0.00	51.98	3150.00	0.00	0.00	0.00	0.00	0.00
3	3618.17	14.05	51.98	3613.50	35.17	44.98	3.00	51.98	56.21
4	6343.98	14.05	51.98	6257.82	442.61	566.13	0.00	0.00	707.44
5	7276.29	88.63	51.98	6800.00	860.00	1100.00	8.00	0.00	1374.56
6	7446.88	88.67	44.64	6804.02	973.35	1127.27	4.30	-89.74	1540.06
7	7715.24	88.67	44.64	6810.23	1164.23	1415.79	0.00	0.00	1796.01
8	8753.18	88.68	360.00	6835.50	2100.00	1800.00	4.30	-90.54	2573.43
9	10053.52	88.68	360.00	6865.50	3400.00	1800.00	0.00	0.00	3181.74

Entry Point Nash Draw #34
Target Point
PBHL Nash Draw #34



Surface Hole Location
3000' FNL & 2200' FEL
Section 12, T-23-S & R-29-E
Eddy County, New Mexico

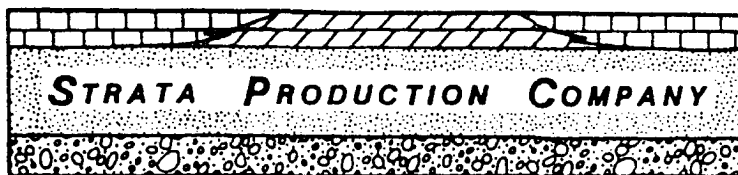
PBHL: Nash Draw #34
400' FSL & 400' FEL
Section 1
Eddy County, New Mexico

LEGEND
— Plan #1 Nash Draw #34
— Plan #1 Nash Draw #34

REFERENCE INFORMATION
Coordinate (N/E) Reference: Site Centre Nash Draw #34, True North
Vertical (TVD) Reference: SITE 0.00
Section (VS) Reference: SITE - (0.00N,0.00E)
Measured Depth Reference: SITE 0.00
Calculation Method: Minimum Curvature

Plan #1 Nash Draw #34
Created By: Robert Savage
Checked: _____
Reviewed: _____
Approved: _____
Date: 10/03/03
Date: _____
Date: _____

POST OFFICE DRAWER 1030
ROSWELL, NM 88202-1030



TELEPHONE (505) 622-1127
FACSIMILE (505) 623-3533

200 WEST FIRST STREET, ROSWELL PETROLEUM BUILDING, SUITE 700
ROSWELL, NEW MEXICO 88203

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

TO WHOM IT MAY CONCERN:

The undersigned, on behalf of Strata Production Company, accepts all applicable terms, conditions, stipulations and restrictions concerning the operations conducted on the leased land or portion thereof as described below:

Nash Unit #34
Federal Lease Number NM-14140
Township 23 South, Range 29 East
Section 12: NW, SE
Eddy County, New Mexico
Formation: Brushy Canyon
Bond: Statewide
Bond Number: OGB-233

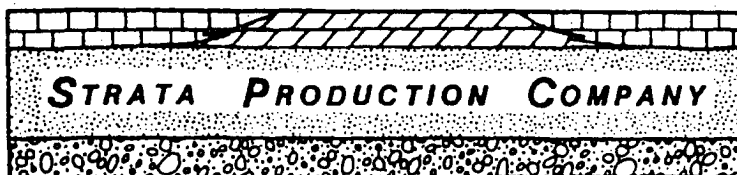
November 12, 2004

Date



Kelly M. Britt
Production Records

POST OFFICE DRAWER 1030
ROSWELL, NM 88202-1030



200 WEST FIRST STREET, ROSWELL PETROLEUM BUILDING, SUITE 700
ROSWELL, NEW MEXICO 88203

TELEPHONE (505) 622-1127
FACSIMILE (505) 623-3533

November 12, 2004

CERTIFIED MAIL
RETURN RECEIPT REQUESTED
#7004 0750 0002 4669 7876

IMC Kalium Carlsbad Potash Company
ATTN: Mr. Dan Moorehouse,
Mine Engineering Superintendent
P. O. Box 71
Carlsbad, New Mexico 88221-0071

Re: Application to Drill in Potash Area
Nash Unit #34
Surface Location - Section 12-23S-29E
Bottom Hole Location - Section 1-23S-29E
Eddy County, New Mexico

Dear Mr. Moorehouse:

In accordance with the State of New Mexico Oil Conservation Division Rule R-111-PC (2)(3), enclosed herewith please find the following for your review and further action:

1. Form 3160-3 Application For Permit To Drill.
2. Form C-102 Well Location and Acreage Dedication Plat.

State of New Mexico Public Land records reflect IMC Kalium Carlsbad Potash Company as a potash lessee in the area of the captioned lands. Strata Production Company, a New Mexico corporation, hereby advises you of its intention to drill a well to 6865' at a location 2403' FSL & 2002' FEL of Section 12, Township 23 South, Range 29 East, Eddy County, New Mexico.

If you are in agreement with Strata that drilling at the proposed location will not interfere with potash operations, please sign and return one copy of this letter within 10 days of receipt of said letter.

Should you have any questions or require additional information, please advise.

Sincerely,

Kelly M. Britt
Production Records

AGREED TO AND ACCEPTED THIS _____ DAY OF November 2004.

BY: _____

TITLE: _____

cc: Bureau of Land Management, Carlsbad, NM

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Strata Production Company
Well Name & No. Nash Unit #34 ²¹⁰² per SN dated 4/5/05
SH Location: 2403' FSL, 2802' FEL, Section 12, T. 23 S., R. 29 E., Eddy County, New Mexico
BH Location: 330' FSL, 400' FEL, Section 1, T. 23 S., R. 29 E., Eddy County, New Mexico
Lease: NM-0499988 (BHL)

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 in sufficient time for a representative to witness:

A. Well spud

B. Cementing casing 13-3/8 inch 8-5/8 inch 5-1/2 inch

C. BOP tests

2. 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.

3. 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.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

5. 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 400 feet 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 intermediate casing is to be circulated to the surface.

3. The minimum required fill of cement behind the 5-1/2 inch production casing is to be circulated to the surface.

4. 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

11/18/2004

acs