DATE: 2/4/98	SUSPENSE: 2/24/98	ENGINEER: MS	LOGGED: MW	TYPE: NSL(NSP)

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
[DD-Directional Drilling] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

RECEIVED
FEB - 4 1998
OIL CONSERVATION DIVISION

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Directional Drilling
☒ NSL ☒ NSP ☒ DD ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or ☐ Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☒ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☒ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☒ Waivers ~~are Attached~~ will be forwarded upon receipt.

[3] **INFORMATION / DATA SUBMITTED IS COMPLETE** - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

arol J. Garcia	Carol J. Garcia	Production Records Manager	2/2/98
or Type Name	Signature	Title	Date

POST OFFICE DRAWER 1030
ROSWELL, NM 88202-1030

STRATA PRODUCTION COMPANY

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

200 WEST FIRST STREET, ROSWELL PETROLEUM BUILDING, SUITE 700
ROSWELL, NEW MEXICO 88201

February 2, 1998

Oil Conservation Division
ATTN: Michael E. Stogner
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Nash Unit #36
Surface 1460' FSL and 1585' FWL
Section 12-23S-29E
Bottomhole 2270' FSL & 251' FEL
Section 11-23S-29E
Nash Draw Brushy Canyon Pool
Eddy County, New Mexico

Dear Mr. Stogner:

Strata Production Company ("Applicant") hereby submits an Administrative Application pursuant to Rule 104.D.(2) for a Non-Standard Proration Unit, Rule 104.F for an Unorthodox Location, and Rule 111 for Directional Drilling regarding the Nash Unit #36 well, and in support thereof states:

1. Applicant proposes to drill to a depth sufficient to test the Delaware formation at a surface location of 1460' FSL and 1585' FWL of Section 12, Township 23 South, Range 29 East, N.M.P.M., and at an unorthodox bottomhole location of 2270' FSL and 251' FEL of Section 11, Township 23 South, Range 29 East, N.M.P.M.

2. As indicated on Exhibit "C", the surface location is located on Federal Lease NM-0556859. The bottomhole location is located on Federal Lease NM-0554221. Both leases are included in the Nash Unit Agreement, Delaware Formation Participation Area operated by the Applicant.

3. Applicant is the operator of Nash Unit Delaware Formation.

4. Due to the denial of all surface locations in Section 11 because of the Potash Area, and the playa lake and flood plane in the W/2W/2 of Section 12 as indicated on Exhibit "B", it will be necessary to directionally drill the Nash Unit #36 to develop the indicated reserves.

5. Approval of the Application will result in the production of hydrocarbons which otherwise will not be produced, will not adversely affect correlative rights and will be in the best interest of conservation.

6. Offset operators and/or lessees were simultaneously notified of the Application by Certified Mail. A distribution list is attached. Copies of the certified return receipts will be forwarded to the Oil Conservation Division upon receipt.

Submitted in Triplicate in conjunction with the Application, are the following documents:

1. Distribution List

2. Exhibit "A" Engineering Analysis

3. Exhibit "B" Topographic Plat

4. Exhibit "C" Land Plat indicating offset leases and wells

5. Exhibit "D" Vertical Plan View

6. Exhibit "E" Horizontal Plan View

7. Exhibit "F" Compensated Neutron Log section from the Nash Unit #13 identifying the top and bottom of the Delaware pool

8. Form 3160-3 Application for Permit to Drill

9. Form C-102 Well Location and Acreage Dedication Plat

Wherefore, Strata Production Company requests that the Application be reviewed and that, after proper notice and review as required by law and the rules of the Division, the Division approve the Non-Standard Proration Unit, Unorthodox Location, and Directional Drilling as hereinabove described.

Sincerely,

STRATA PRODUCTION COMPANY

Carol J. Garcia

Carol J. Garcia
Production Records Manager

CJG:ms
Attachments as indicated

DISTRIBUTION LIST
ADMINISTRATIVE APPLICATION
NASH UNIT #36
1460' FSL & 1585' FWL
SECTION 12-23S-29E
EDDY COUNTY, NEW MEXICO

Murchison Oil & Gas, Inc.
ATTN: Michael S. Daugherty
1445 Ross Avenue, Suite 5300
Lock Box 152
Dallas, Texas 75202-2733

Bureau of Land Management
ATTN: Tony L. Ferguson
2909 West Second Street
Roswell, New Mexico 88201

Oil Conservation Division
811 South First Street
Artesia, New Mexico 88210-2834

EXHIBIT "A"

PECOS PETROLEUM ENGINEERING, Inc.
200 W. FIRST ST., SUITE 536
P.O. BOX 2885
ROSWELL, NEW MEXICO 88202
505-624-2800

January 29, 1998

Ms. Carol Garcia
Strata Production Company
P.O. box 1030
Roswell, New Mexico 88202

Re: Nash Draw #36
1585' FWL & 1460' FSL
Section 12-T23S-29E
Eddy County, New Mexico

Dear Ms. Garcia,

The Nash Draw Unit is located in an area with many constraints on surface locations for the drilling of vertical wells. The Potash Area is located to the west, in Section 11, and all surface locations in this area have been denied. Also, there is a playa lake and flood plane that the Bureau of Land Management has denied surface locations on, located in the W/2/W/2 of Section 12.

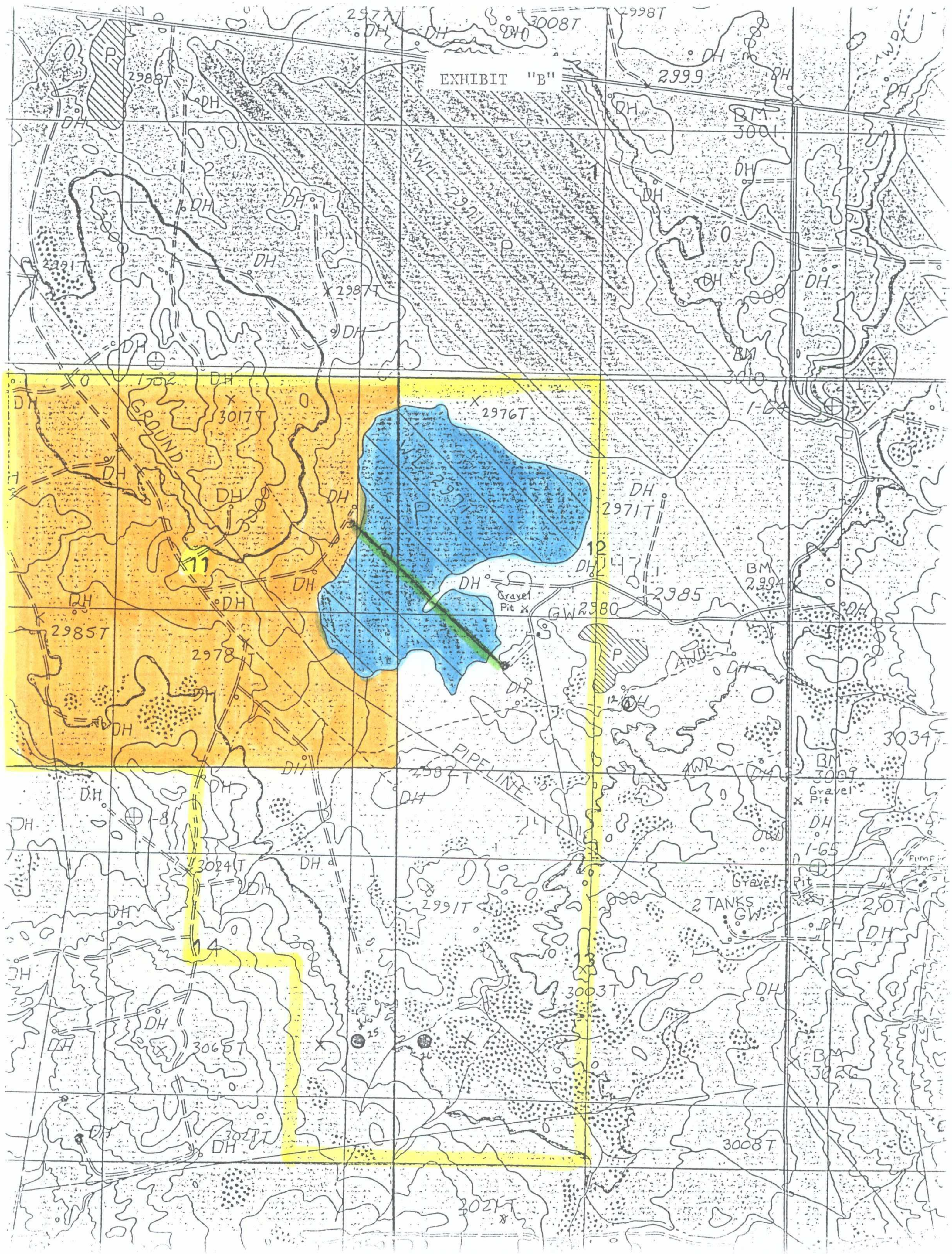
A 3-D seismic survey has indicated an amplitude anomaly located on either side of the section line between Sections 11 and 12. To develop this anomaly a directional well will be required to deviate from the closest surface location to intersect the anomaly under the playa lake. The well will then be drilled horizontally to reach the reservoir located in Section 11. Since this will be the only well to penetrate this portion of the reservoir it will be designed to drain approximately 100 acres.

The top of the "L" zone will be intersected at a location 752' FWL & 1873' FSL of Section 12. The horizontal section will continue from this point 1120' to a location 251' FEL and 2270' FSL of Section 11.This results in a deviation of 930' from the surface location to intersect the top of the formation and a 1120' horizontal section through the reservoir.

Sincerely,

Bruce A. Stubbs, P.E.

EXHIBIT "B"



GROUND
PIPELINE
Gravel Pit
2 TANKS
BM 3001
BM 2994
3017T
2976T
2971T
2985T
2978
3024T
2991T
3003T
3065T
3008T
2999
2988T
2987T
11
12
13
14

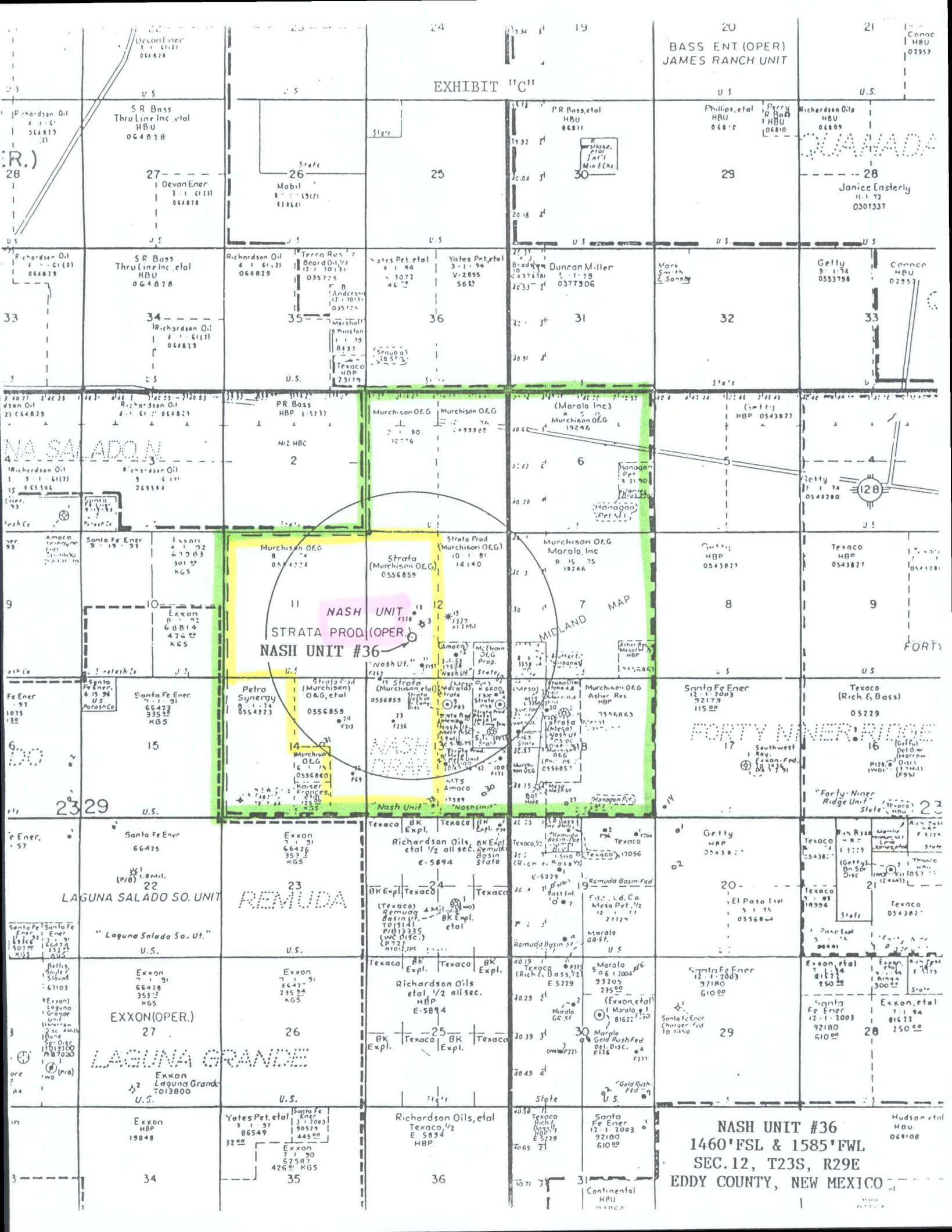
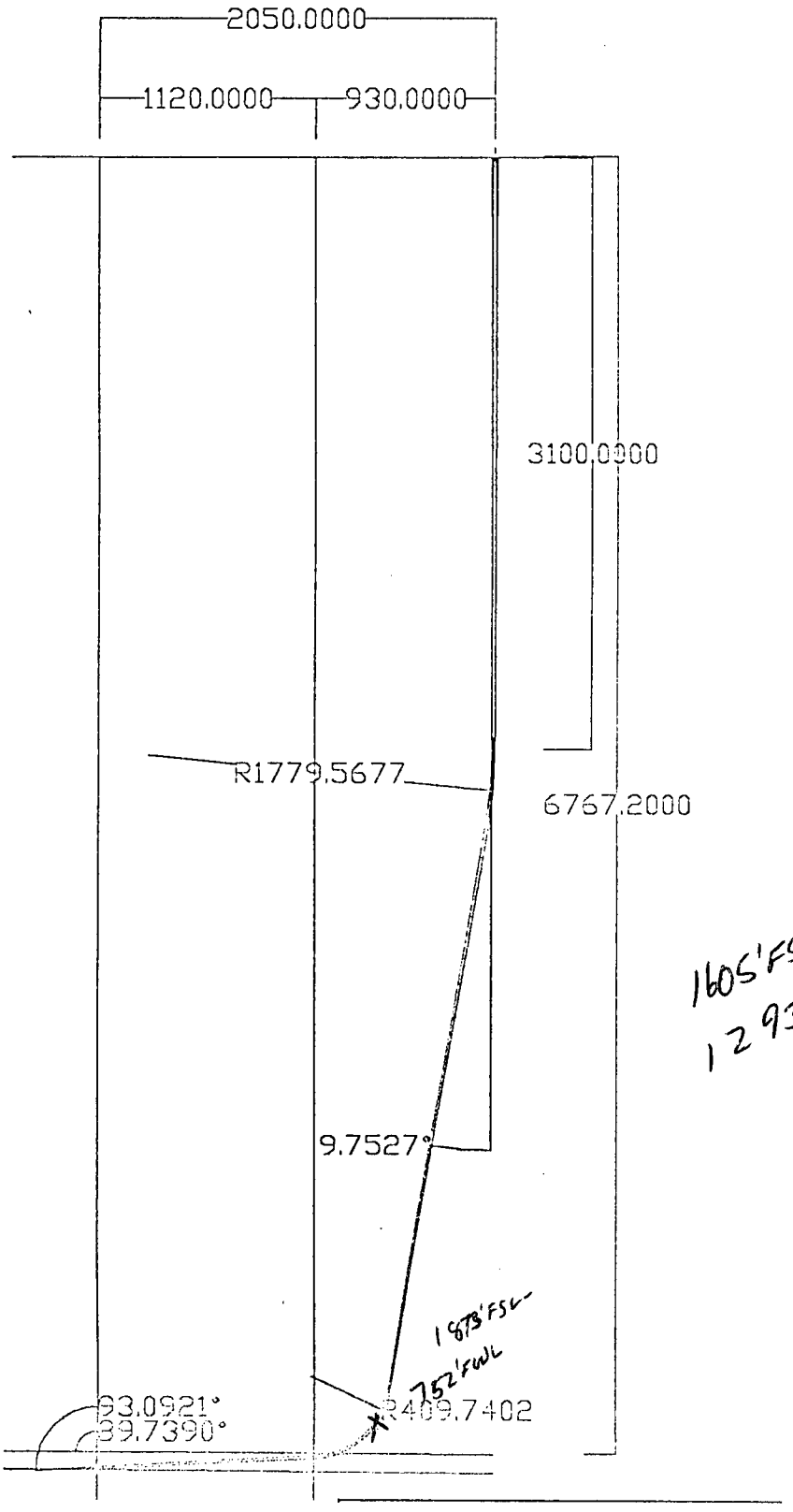


EXHIBIT "C"
NASH UNIT
STRATA PROD. (OPER.)
NASH UNIT #36
MIDLAND MAP
NA SALADO N
LAGUNA SALADO SO. UNIT
REMUDA
LAGUNA GRANDE
EXXON (OPER.)
FORTY-NINER RIDGE
BASS ENT. (OPER.) JAMES RANCH UNIT
NASH UNIT #36
1460'FSL & 1585'FWL
SEC. 12, T23S, R29E
EDDY COUNTY, NEW MEXICO

EXHIBIT "D"
VERTICAL PLAN VIEW

NASH DRAW #36
1460' FSL & 1585' FWL
SEC. 12-T23S-R29E
EDDY COUNTY, N.M.



2-13-98

1605'FSL
1293'FW

Intersection of Brushy Canyon

1873'FSL
752'FWL

EXHIBIT "E"
HORIZONTAL PLAN VIEW

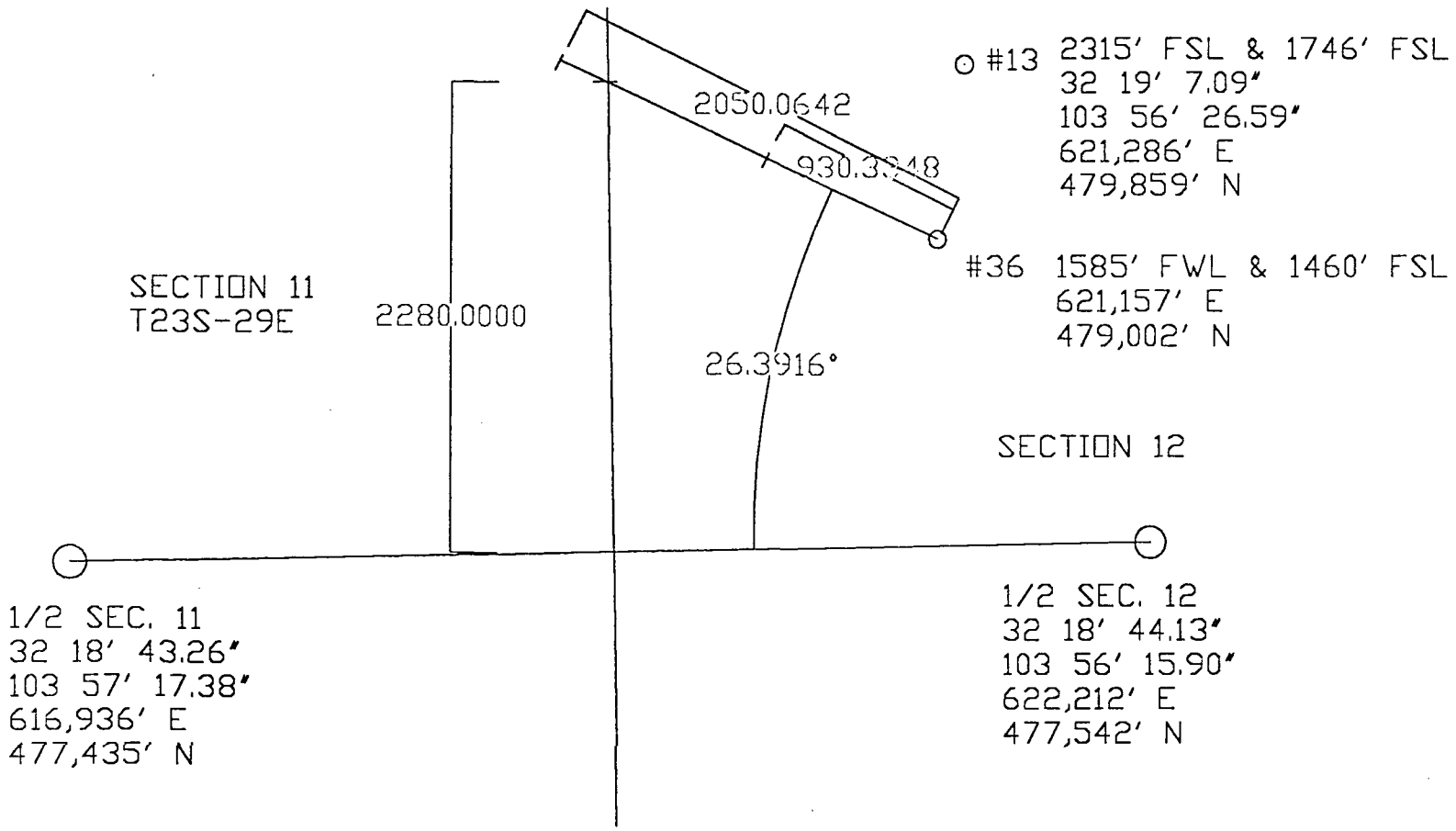
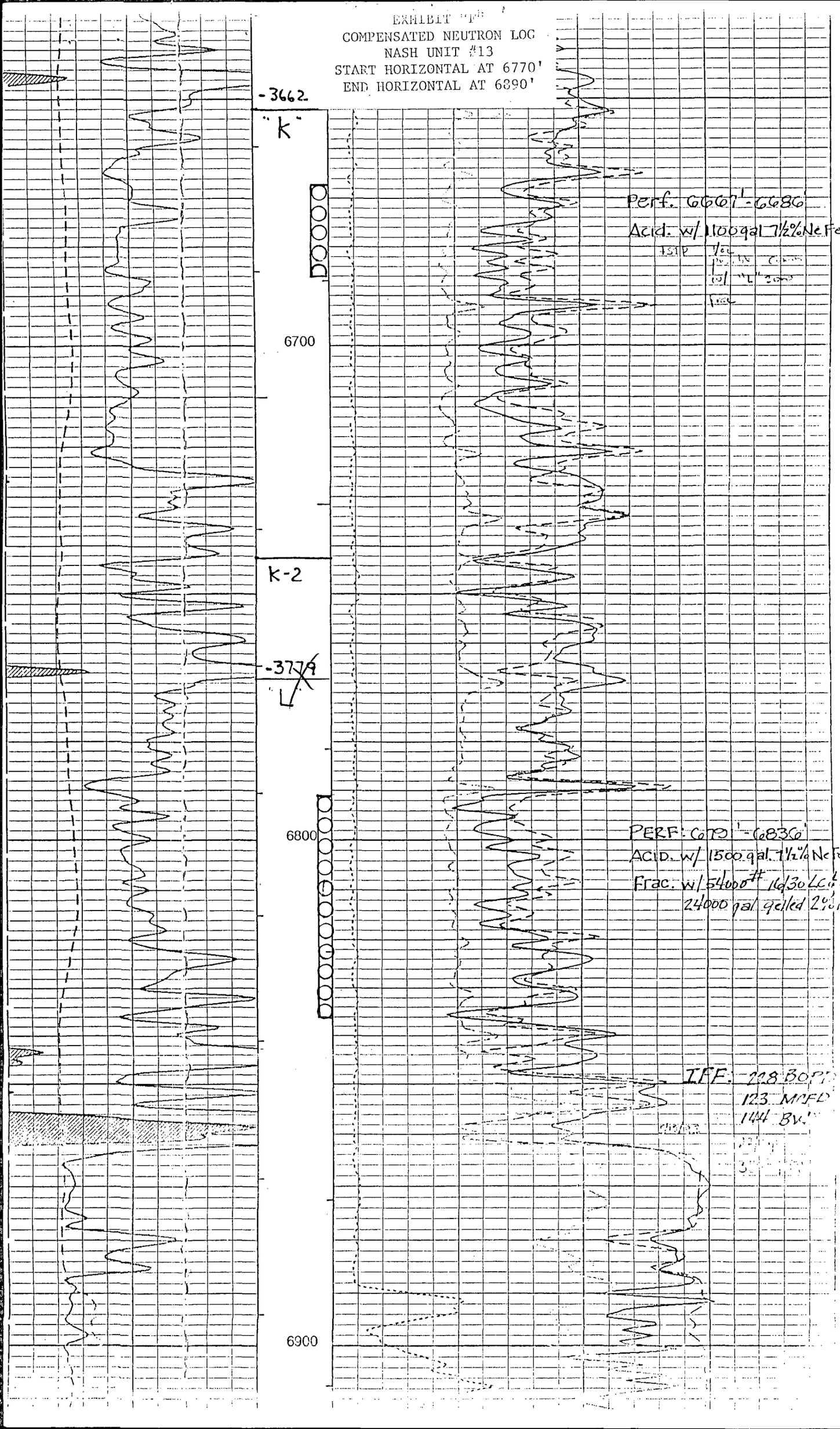


EXHIBIT "F"
COMPENSATED NEUTRON LOG
NASH UNIT #13
START HORIZONTAL AT 6770'
END HORIZONTAL AT 6890'



Form 3160-3
(JULY 1989)
(formerly 9-331C)

CONTACT RECEIVING OFFICE FOR NUMBER OF COPIES REQUIRED (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

5. LEASE DESIGNATION AND SERIAL NO.: NM-0556859

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

1a. TYPE OF WORK
DRILL [X] DEEPEN [ ] PLUG BACK [ ]

7. UNIT AGREEMENT NAME: Nash Unit

b. TYPE OF WELL
OIL WELL [X] GAS WELL [ ] OTHER SINGLE ZONE [X] MULTIPLE ZONE [ ]

8. FARM OR LEASE NAME: Nash Unit

2. NAME OF OPERATOR: STRATA PRODUCTION COMPANY

3a. Area Code & Phone No.: 505-622-1127

9. WELL NO.: #36

3. ADDRESS OF OPERATOR: P. O. Box 1030, Roswell, New Mexico 88202-1030

10. FIELD AND POOL, OR WILDCAT: Nash Draw Brushy Canyon Oil Pool

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 1460' FSL & 1585' FWL
At proposed prod. zone: 2270' FSL & 251' FEL, Section 11-23S-29E

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*: 9.5 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): 1000'

16. NO. OF ACRES IN LEASE: 880 Lse/5123 Unit

17. NO. OF ACRES ASSIGNED TO THIS WELL: 80.00

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED OR APPLIED FOR, ON THIS LEASE, FT.: 650'

19. PROPOSED DEPTH: 6860' TVD

20. ROTARY OR CABLE TOOLS: Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 2984' GR

22. APPROX. DATE WORK WILL START*: March 23, 1998

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	8 RD STC	300'	Circ to Surface
11"	8 5/8"	24# & 32#	J-55	8 RD LTC	3110'	Circ to Surface
7 7/8"	5 1/2"	17#	N-80	VAM	6860' TVD	Tie back to 300' into 8 5/8" casing

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 and 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
Notifications to Area Potash Leaseholders

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 Carol J. Garcia TITLE PRODUCTION RECORDS MANAGER DATE 2/2/98

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

*See Instructions On Reverse Side

F3160-3.WK3

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 10, 1994
Instructions on back
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
	47545	Nash Draw Brushy Canyon

Property Code	Property Name	Well Number
010735	NASH DRAW	36

OGRID No.	Operator Name	Elevation
021712	STRATA PRODUCTION COMPANY	2984.

Surface Location

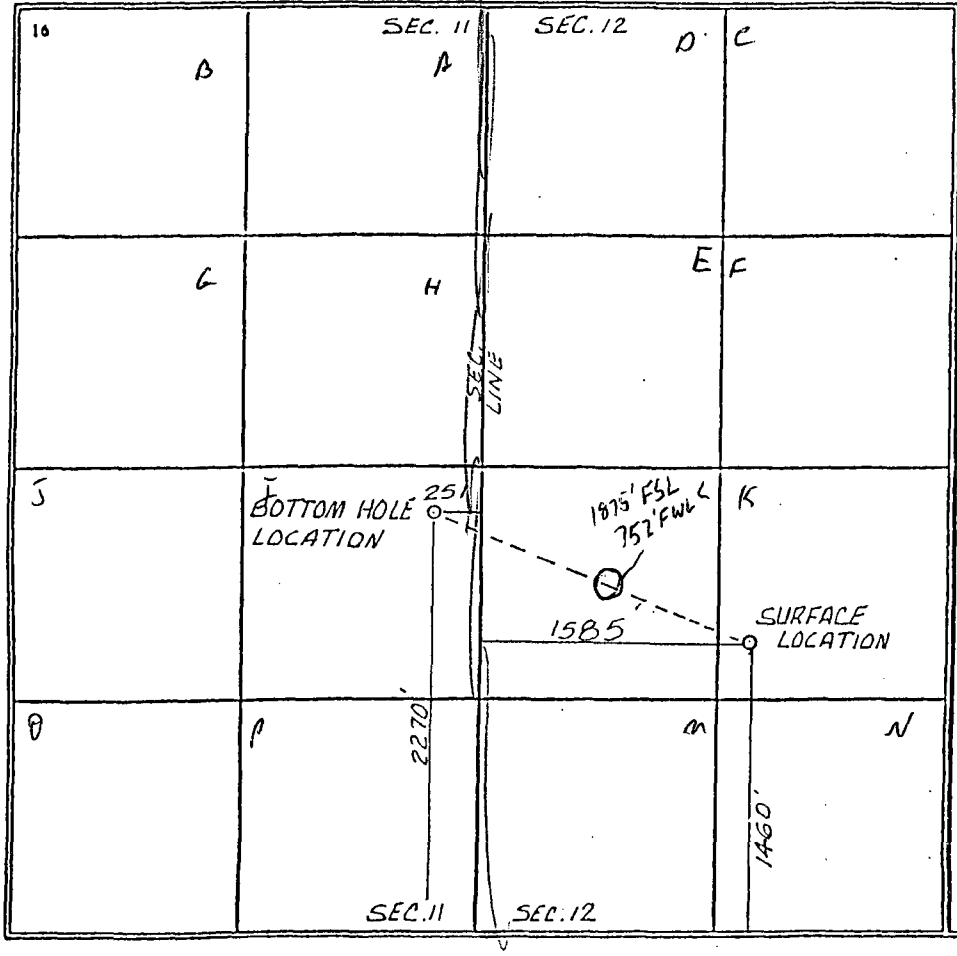
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	12	23-S	29-E		1460	SOUTH	1585	WEST	EDDY

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
I	11	23-S	29-E		2270	SOUTH	251	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
80.00	N	U	

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 that the information contained herein is true and complete to the best of my knowledge and belief

Carol J. Garcia
Signature
Carol J. Garcia
Printed Name
Production Records Manager
Title
February 2, 1998
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.

MAY 29, 1997
Date of Survey
Signature and Seal of Professional Surveyor:

NEW MEXICO — 5412 — REGISTERED PROFESSIONAL ENGINEER — LAND SURVEYOR

Certificate Number NM PE&PS No. 5412

HOLE PROGNOSIS
FORM 3160-3 APPLICATION FOR PERMIT TO DRILL
STRATA PRODUCTION COMPANY
NASH UNIT #36 WELL
1460' FSL & 1585' FWL
SECTION 12-23S-29E
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

2'11
1820
1293
27

2. Estimated Tops of Geologic Markers:

Rustler	Surface	"F-2" Sand	5788'
Salado	260'	"H" Sand	6180'
Castile	1730'	"K" Sand	6650'
Bell Canyon	3110'	"L" Sand	6770'
Cherry Canyon	4220'	Bone Spring	6860'
Brushy Canyon	5190'	TD - TVD	6860'

1605'FSL
1293'FWL

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 cement circulated across the zone by inserting a cementing stage tool into the 5 1/2" production casing which will be run at TD.

4. Casing Program:

Hole Size	Interval	OD Csg	Weight, Grade, Jt. Cond, Type
17 1/2"	0- 310'	13 3/8"	48#, H-40, ST&C, New
11"	0-3110'	8 5/8"	24# & 32#, J-55, LT&C, New
7 7/8"	0- TD	5 1/2"	17#, N-80, VAM, New

Cementing Program:

Surface Casing: 13 3/8" casing will be set at approximately 310' and cemented with approximately 425 sacks of Premium Plus 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 750 sacks of 35/65 Poz "C" with 10# salt and additives per sack, and 200 sacks Class "C" with 15# salt 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 into the 8 5/8" intermediate casing in three (3) stages. The first stage to be cemented with approximately 250 sacks 50/50 Poz "C" with 5# salt and additives per sack. The second stage to be cemented with approximately 365 sacks of 50/50 Poz "H" with 5# salt and additives per sack. The third stage of be cemented with approximately 510 sacks 50/50 Poz "H" with 5# salt and additives per sack.

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 nippled 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 3000 psi and the hydril to 70% of rated working pressure (2100 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 3000 psi WP rating.

6. Types and Characteristics of the Proposed Mud System:

0' to 310'	Fresh water with lime and gel with paper and fiber for seepage will be used for drilling purposes.
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.

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 TD back to the intermediate casing and the Compensated Neutron/Density Log will be run from TD back to surface. 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 eighteen (18) 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.

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 March 23, 1998. Once commenced, the drilling operation should be completed in approximately 20 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.

SURFACE USE PLAN
FORM 3160-3 APPLICATION FOR PERMIT TO DRILL
STRATA PRODUCTION COMPANY
NASH UNIT #36 WELL
1460' FSL & 1585' FWL
SECTION 12-23S-29E
EDDY COUNTY, NEW MEXICO

Submitted with Form 3160-3, Application For Permit to Drill covering the above captioned well. The purpose of the plan is to describe the location, the proposed construction activities, the operations, the surface disturbance involved, and the rehabilitation of the surface after completion of said well so that an appraisal can be made of the environment affected by this well.

1. Existing Roads:

A. The Well Location and Acreage Dedication Plat for the proposed well has been staked by Dan R. Reddy, Engineer, Carlsbad, New Mexico and is attached.

B. All roads to the location are shown in Exhibit "B". The existing roads are illustrated in red and are adequate for travel during drilling and production operations. Upgrading of the road prior to drilling will be done where necessary as determined during the on-site inspection.

C. Directions to location: From Loving, New Mexico, the well is located approximately 9 miles to the east off State Highway 128.

D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as operations continue on the lease.

2. Proposed Access Road:

A new access road of approximately 250' will be required as shown on Exhibit "B" and is illustrated in yellow. The road will be constructed from the existing north south road as follows:

A. The average grade will be less than 5%.

B. No turnouts will be necessary.

C. No culverts, cattleguards, gates, low-water crossings or fence cuts are necessary.

D. Surfacing material will consist of native caliche. If required, road across pad will be surfaced with a minimum of 6" of caliche. Caliche will be obtained from the nearest BLM approved caliche pit. Any additional materials that are required will be purchased from the dirt contractor.

3. Location of Existing Wells:

All existing wells within a one mile radius of proposed well are shown on Exhibit "C". A list of the wells is shown on the Attachment to Exhibit "C".

4. Location of Existing and/or Proposed Facilities:

In the event the proposed well proves to be productive, Strata Production Company will furnish maps or plats showing On Well pad facilities and Off Well pad facilities (if necessary) by Sundry Notice before beginning the construction of the facilities.

5. Location and Type of Water Supply:

The well will be drilled with a combination of brine and fresh water mud systems as outlined in the Hole Prognosis. The water will be purchased from commercial water stations in the area and trucked to the location by transport over the existing and proposed access roads as shown on Exhibit "B". If a commercial fresh water source is nearby, fasline may be laid along existing road ROWs and fresh water pumped to the well. No water well will be drilled on the location.

6. Source of Construction Materials:

All caliche required for construction of the drill pad and the proposed new access road (approximately 5000 cubic yards) will be obtained from a BLM approved caliche pit. All roads and pads will be constructed of 6" rolled and compacted caliche.

7. Methods of Handling Water Disposal:

A. Drill cuttings not retained for evaluation purposes will be disposed into the reserve pit.

B. Drilling fluids will be contained in steel mud tanks. The reserve pit will contain any excess drilling fluid or flow from the well during drilling, cementing and completion operations. The reserve pit will be an earthen pit approximately 150' x 150' x 6' deep and fenced on three sides prior to drilling. It will be fenced on the fourth side immediately following rig removal. The reserve pit will be plastic lined (5-7 mil thickness) to minimize loss of drilling fluids and saturation of the ground with brine water. Drilling fluids will be allowed to evaporate in the reserve pits until dry.

C. Water produced from the well during completion may be disposed into the reserve pit or a steel tank (depending upon rates). After the well is permanently placed on production, produced water will be collected in tanks (fiberglass or steel) until transported via flowline or trucked to an approved disposal system or a separate disposal application will be submitted to BLM for approval. Produced oil will be collected in steel tanks until sold.

D. A portable chemical toilet will be provided on the location for human waste during the drilling and completion operations. Compliance with current laws and regulations pertaining to the disposal of human waste will be observed.

E. Garbage and trash produced during drilling or completion operations will be disposed in a separate trash trailer on location. All waste material will be contained to prevent scattering by the wind. All water and fluids will be disposed into the reserve pit. Salts and other chemicals produced during drilling or testing will be disposed into the reserve pit. No toxic waste or hazardous chemicals will be produced by the operation.

F. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned up within 30 days. No adverse materials will be left on the location. The reserve pit will be completely fenced and kept closed until dried. When the reserve pit is dry enough to breakout and fill, and as weather permits, the unused portion of the wellsite will be leveled and reseeded as per BLM specifications. Only that part of the pad required for production facilities will remain in use. In the event of a dry hole, only a dry hole marker will remain.

8. Ancillary Facilities:

No airstrip, campsite or other facility will be built as a result of the operations of the proposed well. No permanent living facilities are planned, however, a temporary foreman/toolpusher's trailer will be on location during drilling operations.

9. Well Site Layout:

A. The drill pad layout with elevations, as staked by Dan R. Reddy, Engineer, is shown on Exhibit "D". Dimensions of the pad, pits and location of major rig components are shown. Top soil, if available, will be stockpiled per BLM specifications as determined at the on-site inspection. Since the pad is fairly level, no major cuts will be required.

B. The planned orientation of the rig and associated drilling equipment, reserve pit, trash pit, pipe racks, turn-around and parking areas, and access road are shown on Exhibit "D".

C. The reserve pit will be lined with a high quality plastic sheeting (5-7 mil thickness).

10. Plan for Restoration of the Surface:

A. Upon completion of the proposed operations, should the well be abandoned, the pit area, after allowed to dry, will be broken out and leveled. The original top soil will be returned to the entire location, and leveled and contoured to the original topography as nearly as possible.

All trash, garbage and pit lining will be removed in order to leave the location in an aesthetically pleasing condition. All pits will be filled and the location leveled within 120 days after abandonment.

B. The disturbed area will be revegetated by reseeding during the proper growing season with a seed mixture of native grasses as recommended by the BLM.

C. Three sides of the reserve pit will be fenced prior to and during drilling operations. At the time the rig is removed, the reserve pit will be fenced on the rig (fourth) side to prevent livestock or wildlife from being entrapped. The fencing will remain in place until the pit area is cleaned and leveled. No oil will be left on the surface of the fluid in the pit.

D. Upon completion of the proposed operations, should the well be productive, the reserve pit area will be treated as outlined above within the same prescribed time. The caliche from an area of the original drillsite not needed for production operations or facilities will be removed and used for construction of thicker pads or firewalls for the tank battery installation. Any additional caliche required for facilities will be obtained from a BLM approved caliche pit. Topsoil removed from the drillsite will be used to recontour the pit area and unused portions of the drill pad to the original natural level and reseeded as per BLM specifications.

11. Surface Ownership:

The wellsite and lease are located entirely on Federal surface.

12. Other Information:

A. The topography around the wellsite is rolling terrain with vegetation of sagebrush and native grass. The vegetation cover consists of prairie grasses and flowers. Wildlife in the area includes those typical of semi-arid desert land.

B. The soils are clayey sand over caliche base.

C. There is no live water in the immediate area.

D. There are no residences and other structures in the area.

E. The land in the area is used primarily for grazing purposes.

F. An archaeological study has been conducted for the location and new access road. The report has been submitted separately.

13. Lessee's and Operator's Representative:

RONNIE WILLIS
P. O. BOX 1030
ROSWELL, NEW MEXICO 88202-1030
PHONE NUMBER: (505) 622-1127-OFFICE
626-3745-CELLULAR
396-6601-HOME

14. Certification:

I hereby certify that I, or persons under my direct supervision have inspected the proposed drill site which currently exists; that the statements made in the plan are to the best of my knowledge, true and correct; and the work associated with the operations proposed herein will be performed by Strata Production Company and its contractors and sub-contractors in conformity with the plan, and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 USC 1001 for the filing of a false statement.

STRATA PRODUCTION COMPANY

Carol J. Garcia

CAROL J. GARCIA
PRODUCTION RECORDS MANAGER

DATE: February 2, 1998

EXHIBIT "A"

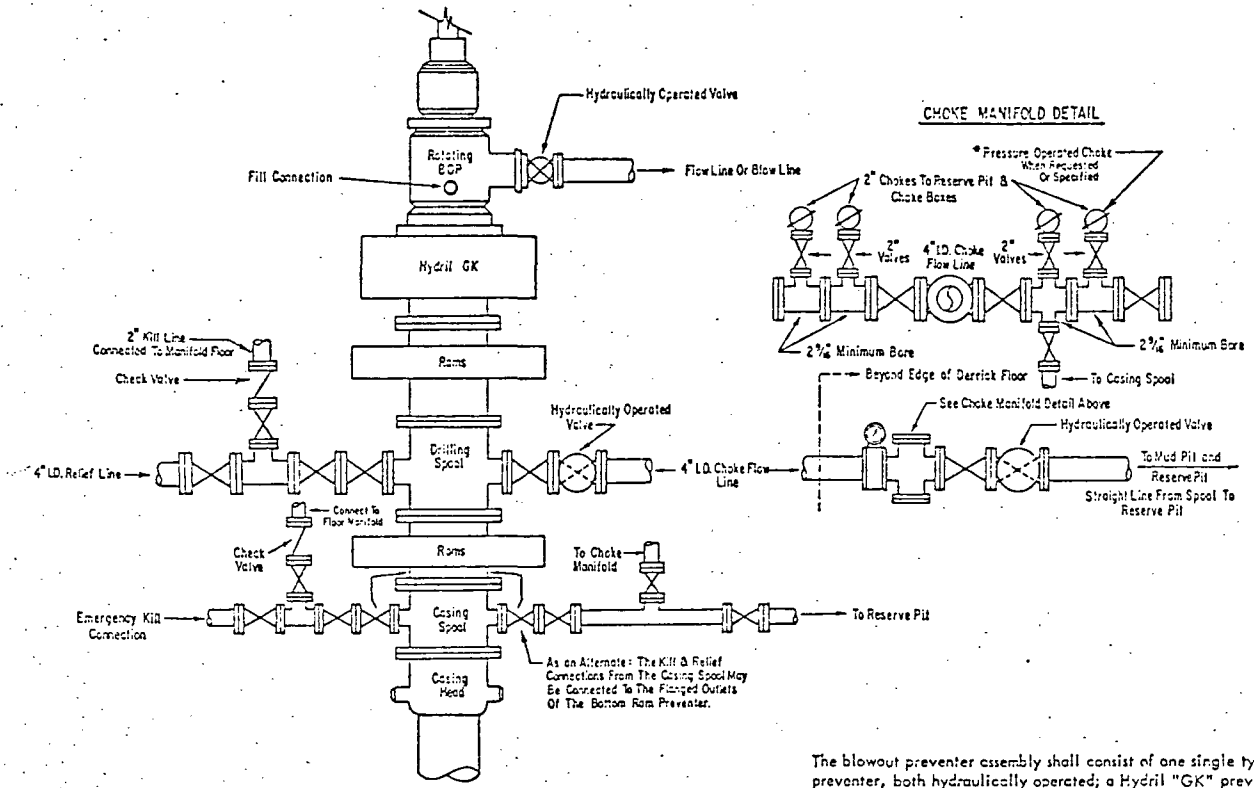
EQUIPMENT DESCRIPTION

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 tho 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

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 preventers 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 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. 32 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.

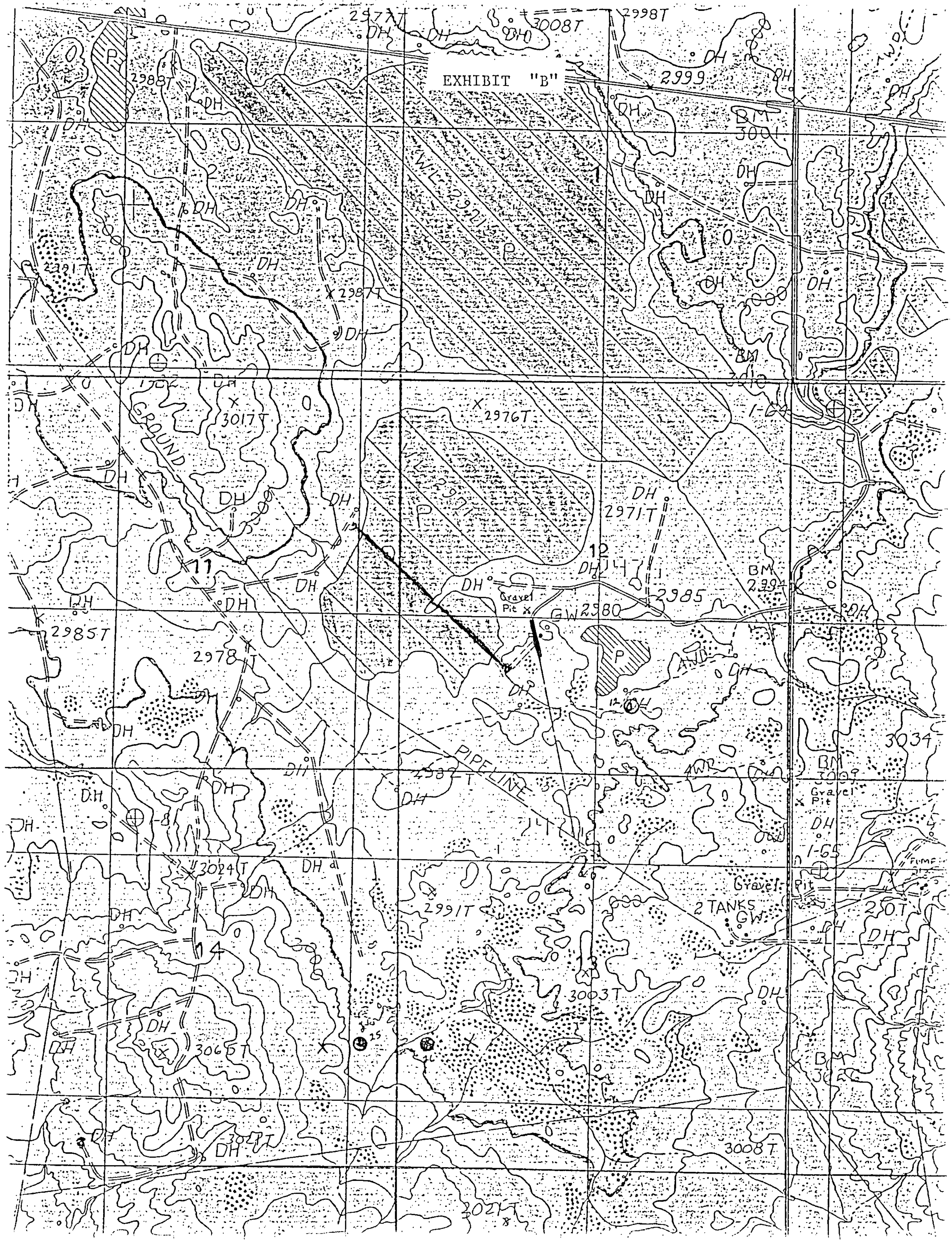


EXHIBIT "B"
GROUND
PIPELINE
11
12
13
14
Gravel Pit
2 TANKS
GW
DH
BM
3001
2988T
2997T
2998T
3008T
2999
2976T
2971T
2985
2985T
2978
3017T
3024T
2991T
3003T
3065T
3021T
3008T
3034

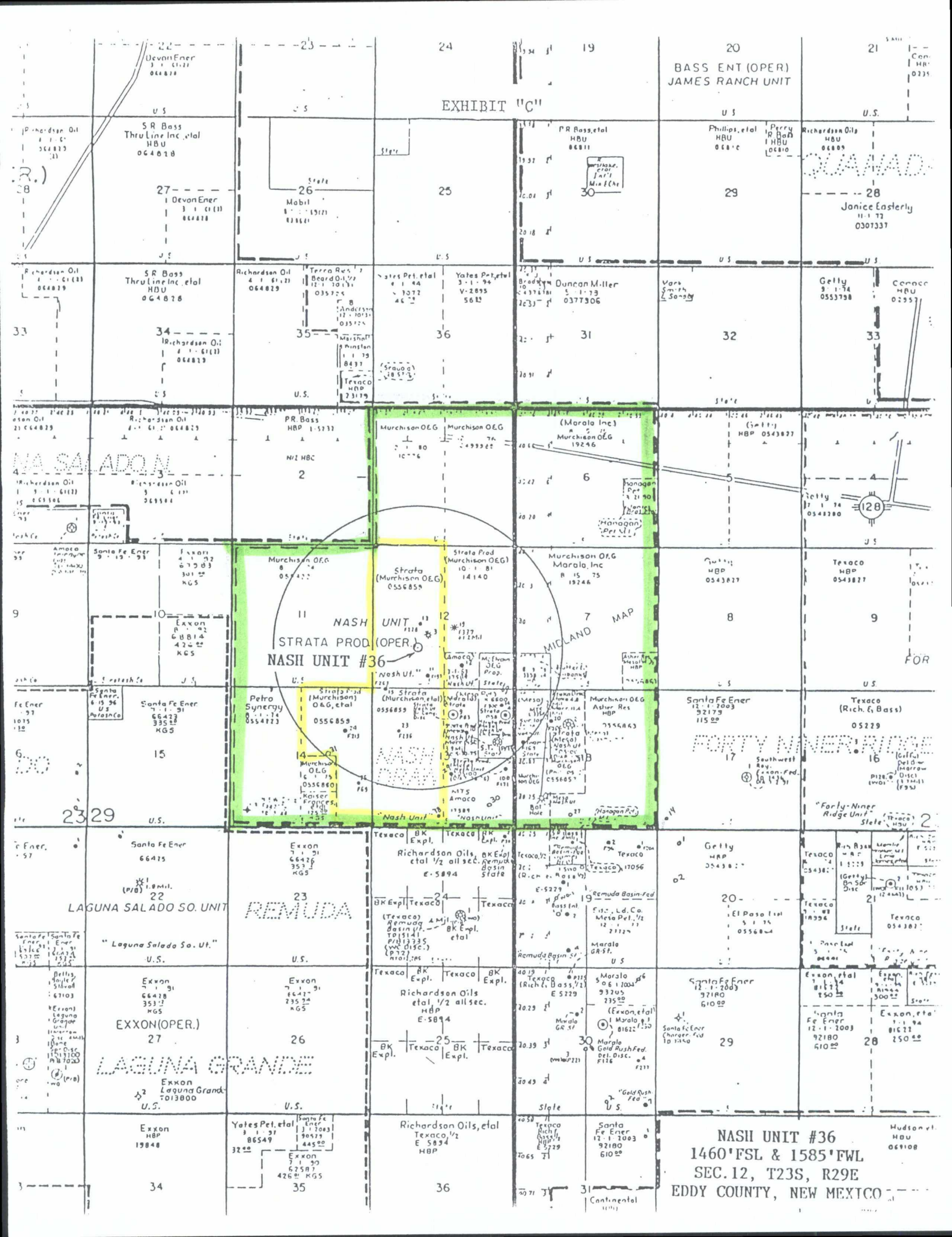


EXHIBIT "C"
NASH UNIT #36
STRATA PROD (OPER.)
NASH UNIT
MIDLAND MAP
BASS ENT (OPER)
JAMES RANCH UNIT
LAGUNA SALADO SO. UNIT
"Laguna Salado So. Ut."
REMUDA
LAGUNA GRANDE
EXXON(OPER.)
FORTY NINER RIDGE
"Forty-Niner Ridge Unit"
NASH DRAW
MA SALADO
NASH UNIT #36
1460'FSL & 1585'FWL
SEC. 12, T23S, R29E
EDDY COUNTY, NEW MEXICO

Attachment to Exhibit "C"

STATUS OF WELLS WITHIN ONE MILE RADIUS

Nash Unit #36
Section 12-23S-29E
Eddy County, New Mexico
January 1998

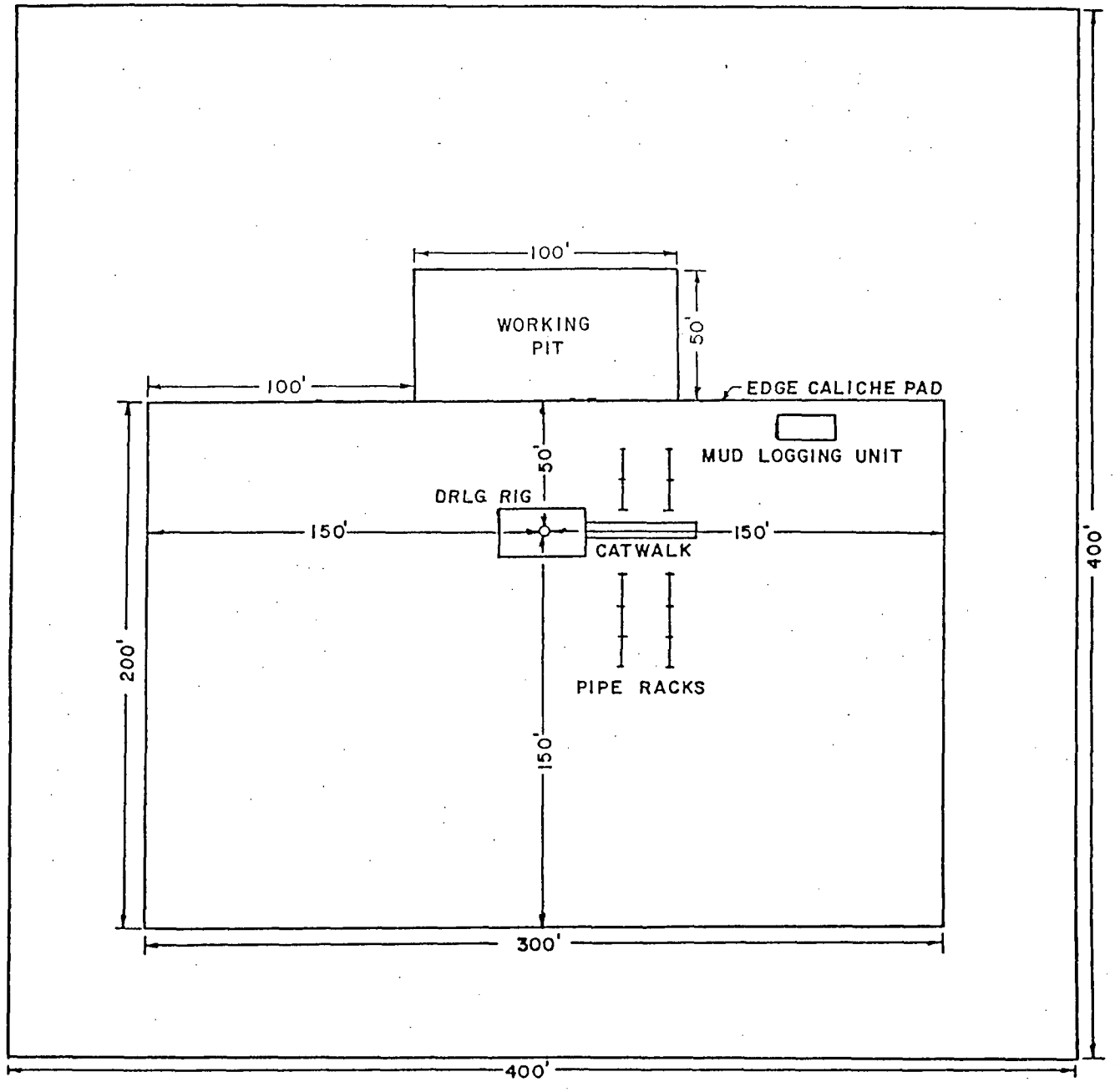
Section 12-23S-29E	Well #	Footage	Status/Formation
Murchison Oil & Gas	Nash Unit #3	1980'FSL&1980'FWL	Atoka
Strata Production Co.	Nash Unit #11	498'FSL&2000'FWL	Delaware
Strata Production Co.	Nash Unit #12	918'FSL&2153'FEL	Delaware
Strata Production Co.	Nash Unit #13	2315'FSL&1746'FWL	Delaware
Strata Production Co.	Nash Unit #16	330'FSL& 990'FEL	To be drilled
Strata Production Co.	Nash Unit #19	2202'FSL&2201'FEL	Delaware
Strata Production Co.	Nash Unit #36	1460'FSL&1585'FWL	Location

Section 13-23S-29E	Well #	Footage	Status/Formation
Strata Production Co.	Nash Unit #1	1980'FNL& 660'FEL	Delaware
Strata Production Co.	Nash Unit #4	990'FNL& 330'FEL	SWD
Strata Production Co.	Nash Unit #5	2310'FSL& 330'FEL	Delaware
Murchison Oil & Gas	Nash Unit #8	990'FSL& 990'FEL	Abandon loc
Strata Production Co.	Nash Unit #9	860'FNL&2210'FEL	Delaware
Strata Production Co.	Nash Unit #10	1750'FNL&1800'FEL	Delaware
Strata Production Co.	Nash Unit #14	660'FNL& 500'FEL	Delaware
Strata Production Co.	Nash Unit #15	10'FNL& 475'FWL	Delaware
Strata Production Co.	Nash Unit #21	1650'FNL&1650'FEL	To be drilled
Strata Production Co.	Nash Unit #23	1605'FNL& 660'FWL	Delaware
Strata Production Co.	Nash Unit #29	1980'FSL&2310'FEL	Delaware
Strata Production Co.	Nash Unit #30	940'FSL& 760'FEL	To be drilled
Strata Production Co.	Nash Unit #38	330'FSL&2450'FWL	Delaware

Section 14-23S-29E	Well #	Footage	Status/Formation
Strata Production Co.	Nash Unit #24	1650'FNL & 990'FEL	Delaware
Strata Production Co.	Nash Unit #25	1650'FSL & 500'FEL	Delaware
Strata Production Co.	Nash Unit #31	2425'FNL &1650'FEL	Abandoned loc

Section 07-23S-30E	Well #	Footage	Status/Formation
Strata Production Co.	Nash Unit #22	400'FSL&1150'FWL	To be drilled

Section 18-23S-30E	Well #	Footage	Status/Formation
Murchison Oil & Gas	Nash Unit #2	1350'FNL&1980'FWL	Morrow
Strata Production Co.	Nash Unit #6	1980'FNL& 330'FWL	Delaware
Murchison Oil & Gas	Nash Unit #7	685'FNL&1295'FWL	Morrow
Strata Production Co.	Nash Unit #17	990'FNL& 330'FWL	To be drilled
Strata Production Co.	Nash Unit #18	2310'FSL& 330'FWL	To be drilled
Strata Production Co.	Nash Unit #20	1330'FNL&1330'FWL	Delaware
Strata Production Co.	Nash Unit #27	575'FSL&2080'FWL	To be drilled



STRATA PRODUCTION COMPANY

DRILLING RIG LAYOUT PLAN
NASH UNIT #36
1460' FSL & 1585' FWL
SECTION 12-23S-29E
EDDY COUNTY, NEW MEXICO

EXHIBIT "D"

EXHIBIT "E"
VERTICAL PLAN VIEW

NASH DRAW #36
1460' FSL & 1585' FWL
SEC. 12-T23S-R29E
EDDY COUNTY, N.M.

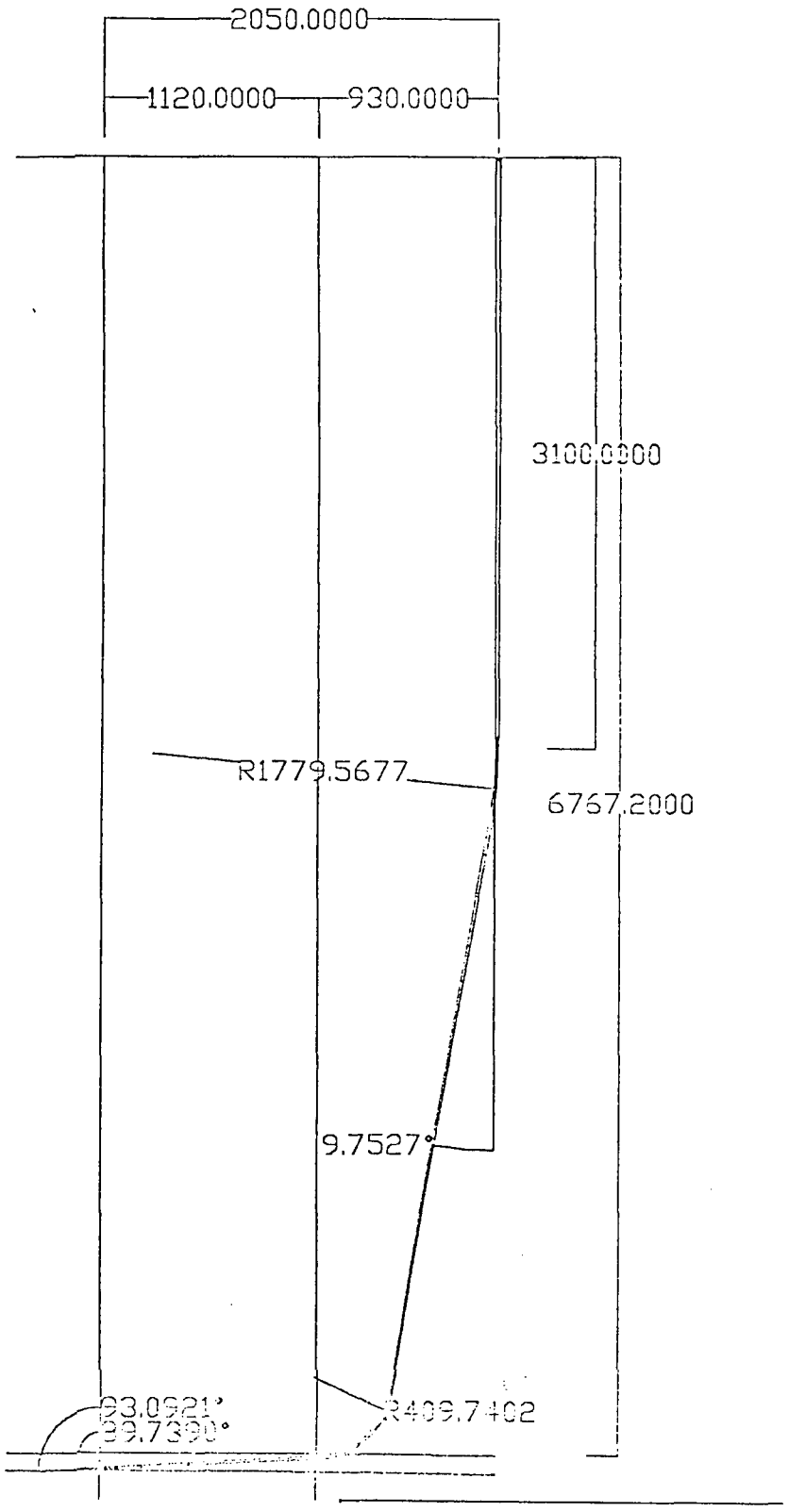
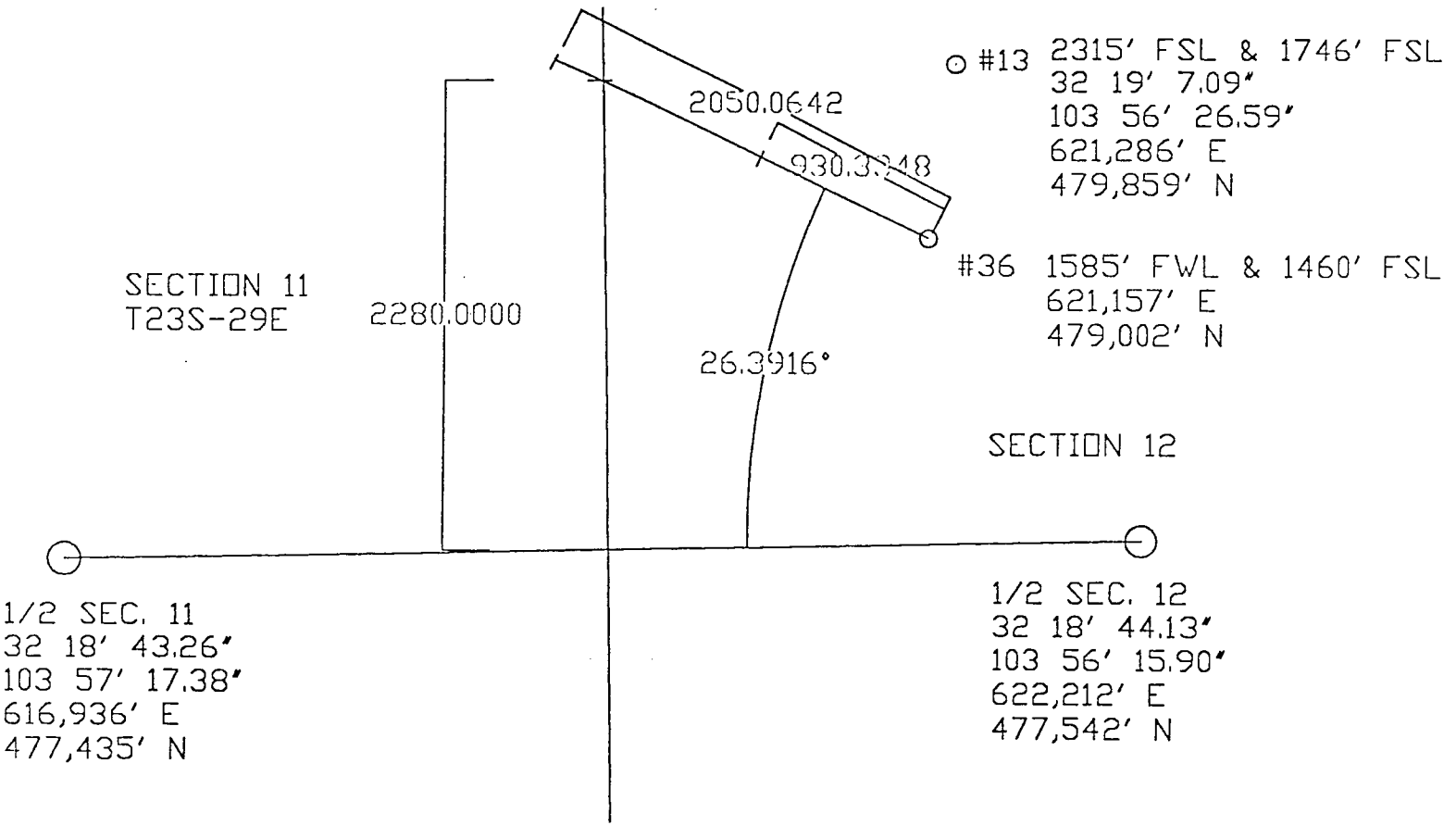


EXHIBIT "F"
HORIZONTAL PLAN VIEW



POST OFFICE DRAWER 1030
ROSWELL, NM 88202-1030

STRATA PRODUCTION COMPANY

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

200 WEST FIRST STREET, ROSWELL PETROLEUM BUILDING, SUITE 700
ROSWELL, NEW MEXICO 88201

February 2, 1998

Western Ag-Minerals Company
ATTN: Mr. Ben F. Zimmerly, Sr. Mining Engineer
P. O. Box 511
Carlsbad, New Mexico 88221-0511

Re: Application to Drill in Potash Area
Nash Unit #36
Section 12-23S-29E
Eddy County, New Mexico

Dear Mr. Zimmerly:

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 Western Ag Minerals Corporation as a potash lessee covering lands in this area. Strata Production Company, a New Mexico corporation, hereby advises you of its intention to drill a well to 6860' TVD at a location 1460' FSL & 1585' FWL 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 from receipt of said letter.

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

Sincerely,

STRATA PRODUCTION COMPANY
Carol J. Garcia
Carol J. Garcia
Production Records Manager

AGREED TO AND ACCEPTED THIS ____ DAY OF FEBRUARY, 1998.

BY:_____
TITLE:_____
xc: Bureau of Land Management, Carlsbad, NM

POST OFFICE DRAWER 1030
ROSWELL, NM 88202-1030

STRATA PRODUCTION COMPANY

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

200 WEST FIRST STREET, ROSWELL PETROLEUM BUILDING, SUITE 700
ROSWELL, NEW MEXICO 88201

February 2, 1998

IMC Kalium Carlsbad Potash Company
ATTN: Mr. Peter N. Livingstone,
Chief Mine Engineer
P. O. Box 71
Carlsbad, New Mexico 88221-0071

Re: Application to Drill in Potash Area
Nash Unit #36
Section 12-23S-29E
Eddy County, New Mexico

Dear Mr. Livingstone:

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 Global Operations, Inc. 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 6860' TVD at a location 1460' FSL & 1585' FWL 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,

STRATA PRODUCTION COMPANY
Carol J. Garcia
Carol J. Garcia
Production Records Manager

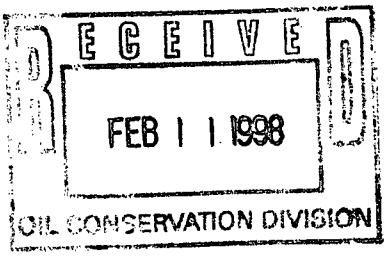
AGREED TO AND ACCEPTED THIS _____ DAY OF FEBRUARY, 1998.

BY:_____
TITLE:_____
cc: Bureau of Land Management, Carlsbad, NM

IMC Kalium

IMC Kalium Carlsbad Potash Company
P.O. Box 71
1361 Potash Mines Road
Carlsbad, New Mexico 88221-0071
505.887.2871
505.887.0589 Fax

February 8, 1998



Ms. Carol J. Garcia
Production Records Manager
Strata Production Company
200 West First Street
Petroleum Building, Suite 700
Roswell, NM 88201

RE: Nash Unit No. 36
1460' FSL and 1585' FWL of Section 12
T-23-S, R-29-E, Eddy County, New Mexico

Dear Ms. Garcia:

IMC Kalium Carlsbad Potash Company has received your notice that Strata Production Company intends to drill the above referenced oil well. IMC has no objection to Strata drilling a test well at this location.

Based on the best available information, the location of this well will not interfere with the development of our potash resources. As more information becomes available, our estimates of the extent of potash resources in the area may change. Therefore, please consider the "objection offered" or "no objection offered" to a well location to be valid for one year only. If you are still considering a well location that we have or have not objected to more than one year prior, 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.

IMC Kalium submits this letter in lieu of the forms requested.

Sincerely,

Peter N. Livingstone
Chief Mine Engineer

PNL/STRATA3.DOC

cc: William Lemay Gary Bowers Charlie High Ed Roberson
Tim O'Brien Michelle Chaves Don Purvis Craig Cranston

Exhibit "B"
Case No. 11762
Order No. R-10817

RULE 111 - DEVIATION TESTS AND DIRECTIONAL WELLS

111.A. Definitions: The following definitions shall apply to this Rule only:

(1) Azimuth - the deviation in the horizontal plane of a wellbore expressed in terms of compass degrees.

(2) Deviated Well - any wellbore which is intentionally deviated from vertical but not with an intentional azimuth. Any deviated well is subject to Rule 111.B.

(3) Directional Well - a wellbore which is intentionally deviated from vertical with an intentional azimuth. Any directional well is subject to Rule 111.C.

(4) Kick-off Point - the point at which the wellbore is intentionally deviated from vertical.

(5) Lateral - any portion of a wellbore past the point where the wellbore has been intentionally departed from the vertical.

(6) Penetration Point - the point where the wellbore penetrates the top of the pool from which it is intended to produce.

(7) Producing Area - the area that lies within a window formed by plotting the measured distance from the North, South, East and West boundaries of a project area, inside of which a vertical wellbore can be drilled and produced in conformity with the setback requirements from the outer boundary of a standard spacing unit for the applicable pool(s).

(8) Producing Interval - that portion of the wellbore drilled inside the vertical limits of a pool, between its penetration point and its terminus.

(9) Project Area - an area designated on Form C-102 that is enclosed by the outer boundaries of a spacing unit, a combination of complete spacing units, or an approved secondary, tertiary or pressure maintenance project.

(10) Project Well - any well drilled, completed, produced or injected into as either a vertical well, deviated well or directional well.

(11) Spacing Unit - the acreage that is dedicated to a well in accordance with Rule 104. Included in this definition is a "unit of proration for oil or gas" as defined by the Division and all non-standard such units previously approved by the Division.

(12) Terminus - the farthest point attained along the wellbore.

(13) Unorthodox - any part of the producing interval which is located outside of the producing area.

(14) Vertical Well - a well that does not have an intentional departure or course deviation from the vertical.

(15) Wellbore - the interior surface of a cased or open hole through which drilling, production, or injection operations are conducted.

111.B. Deviated Wellbores:

(1) Deviation Tests Required. Any vertical or deviated well which is drilled or deepened shall be tested at reasonably frequent intervals to determine the deviation from the vertical. Such tests shall be made at least once each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests run, sworn to and notarized, shall be filed with Form C-104, Request for Allowable and Authorization to Transport Oil and Natural Gas.

(2) Excessive Deviation. When the deviation averages more than five degrees in any 500-foot interval, the operator shall include the calculations of the maximum possible horizontal displacement of the hole. When the maximum possible horizontal displacement exceeds the distance to the nearest outer boundary line of the appropriate unit, the operator shall run a directional survey to establish the location of the producing interval(s).

(3) Unorthodox Locations. If the results of the directional survey indicate that the producing interval is more than 50 feet from the approved surface location and closer than the minimum setback requirements to the outer boundaries of the applicable unit, then the well shall be considered unorthodox. To obtain authority to produce such well, the operator shall file an application with the Division Director, copy to the appropriate Division District Office, and shall otherwise follow the normal process outlined in Rule 104 (F) (3) to obtain approval of the unorthodox location.

(4) Directional Survey Requirements. Upon request from the Division Director, any vertical or deviated well shall be directionally surveyed. The appropriate Division District Office shall be notified of the approximate time any directional surveys are to be conducted. All directional surveys run on any well in any manner for any reason must be filed with the Division upon completion of the well. The Division shall not assign an allowable to the well until all such directional surveys have been filed.

111.C. Directional Wellbores:

(1) Directional Drilling Within a Project Area. A permit to directionally drill a wellbore may be granted by the appropriate Division District Office if the producing interval is entirely within the producing area or at an unorthodox location previously approved by the Division. Additionally, if the project area consists of a combination of spacing units and includes any State or Federal acreage, a copy of the OCD Form C-102 shall be sent to the State Land Office or the Bureau of Land Management.

(2) Unorthodox Wellbores. If all or part of the producing interval of any directional wellbore is projected to be outside of the producing area, the wellbore shall be considered unorthodox. To obtain approval for such wellbore, the applicant shall file a written application in duplicate with the Division Director, copy to the appropriate Division District Office, and shall otherwise follow the normal process outlined in Rule 104 (F) (3).

(3) Allowables for Project Areas With Multiple Spacing Units. The maximum allowable assigned to the project area within a prorated pool shall be based upon the number of standard spacing units (or approved non-standard spacing units) that are developed or traversed by the producing interval of the directional wellbore or wellbores. Such maximum allowable shall be applicable to all production from the project area, including any vertical wellbores on standard spacing units inside the project area.

(4) Directional Surveys Required. A directional survey shall be required on each well drilled under the provisions of this section. The appropriate Division District Office shall be notified of the approximate time all directional surveys are to be conducted. All directional surveys run on any well in any manner for any reason must be filed with the Division upon completion of the well. The Division shall not assign an allowable to the well until all such directional surveys have been filed. If the directional survey indicates that any part of the producing interval is outside of the producing area, or, in the case of an approved unorthodox location, less than the approved setback requirements from the outer boundary of the applicable unit, then the operator shall file an application with the Division Director, copy to the appropriate Division District Office, and shall otherwise follow the normal process outlined in Rule 104 (F) (3) to obtain approval of the unorthodox location.

(5) Re-entry of Vertical or Deviated Wellbores for Directional Drilling Projects. These wellbores shall be considered orthodox provided the surface location is orthodox and the location of producing interval is within the tolerance allowed for deviated wellbores under Rule 111.B.(3).

111.D. Additional Matters:

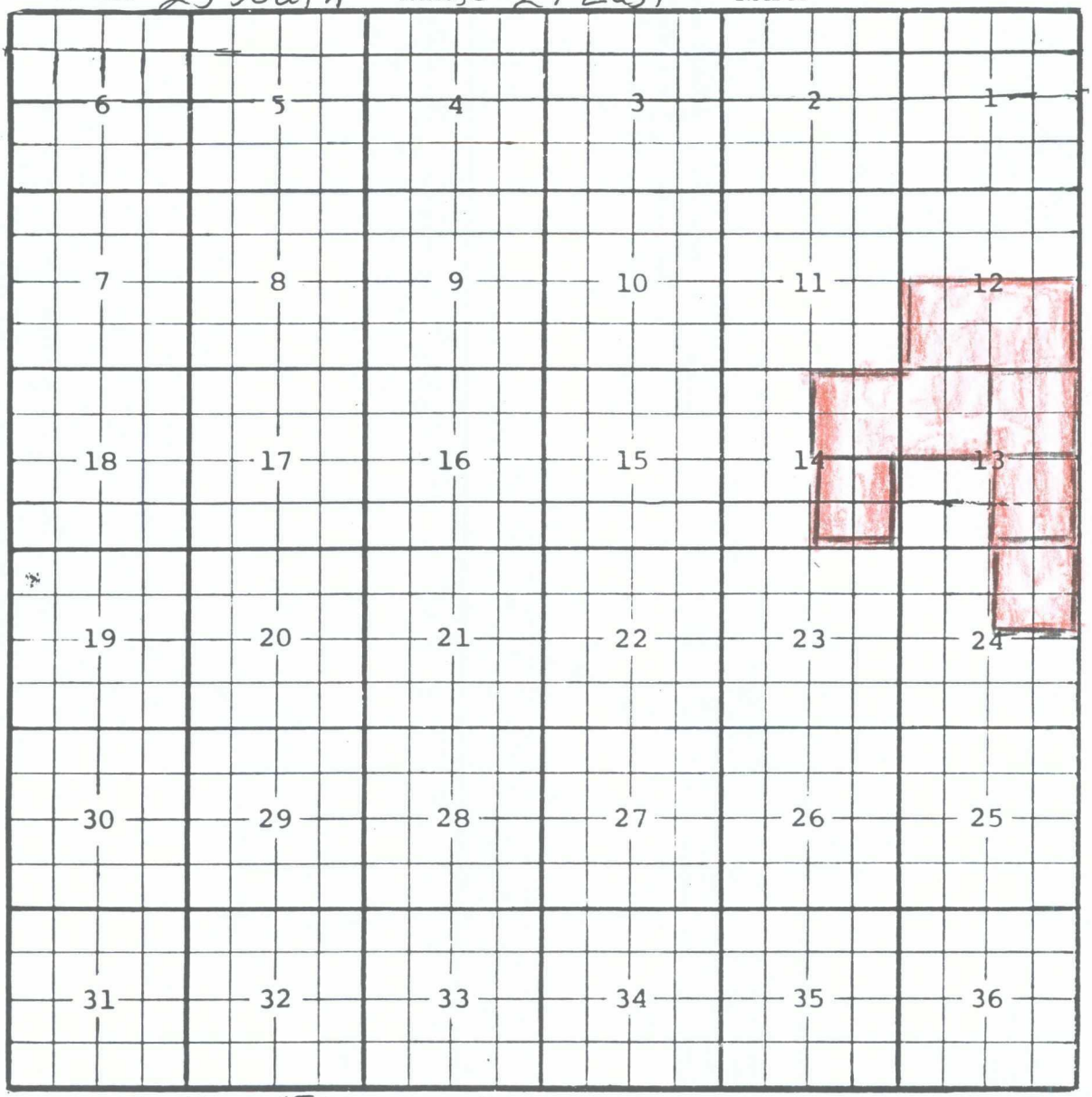
(1) Directional surveys required under the provisions of this rule shall have shot points no more than 200 feet apart and shall be run by competent surveying companies that are approved by the Division Director. Exceptions to the minimum shot point spacing will be allowed provided the accuracy of the survey is still within acceptable limits.

(2) The Division Director, may, at his discretion, set any application for administrative approval whereby the operator shall submit appropriate information and give notice as requested by the Division Director. Unprotested applications may be approved administratively within 20 days of receipt of the application and supporting information. If the application is protested, or the Division Director decides that a public hearing is appropriate, the application may be set for public hearing.

(3) Permission to deviate or directionally drill any wellbore for any reason or in any manner not provided for in this rule shall be granted only after notice and opportunity for hearing.

County Eddy Pool Nash Draw-Brushy Canyon

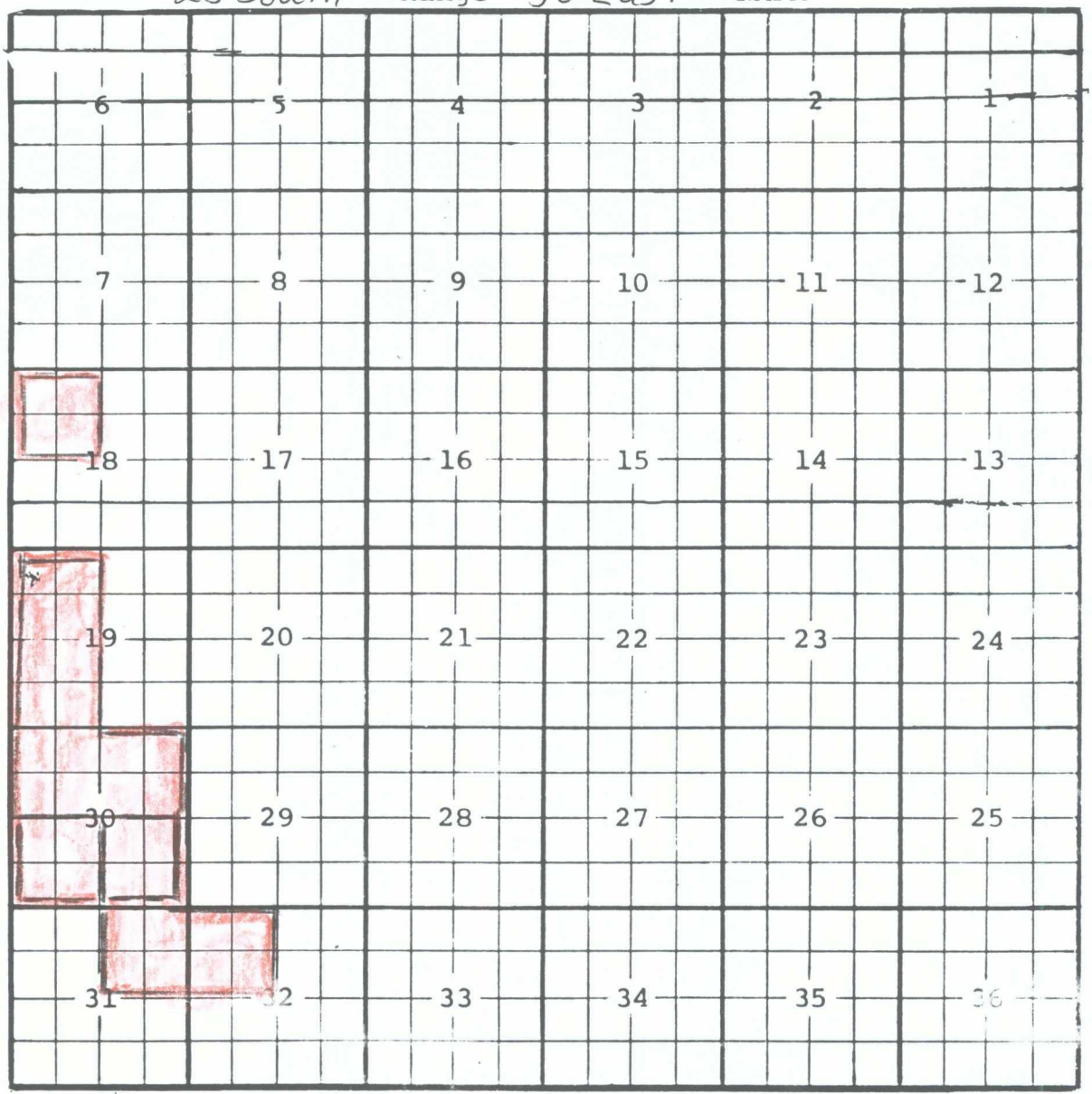
TOWNSHIP 23 South Range 29 East NMPM



Description: NE/4 Sec. 13 (R-9771, 11-19-92)
Ext: S/2 Sec. 12 (R-9938-A, 11-23-93) Ext: SE/4 Sec. 13 (R-10042, 12-28-93)
Ext: NE/4 Sec. 24 (R-10343, 4-24-95) Ext: NW/4 Sec. 13, NE/4 Sec. 14 (R-10420, 7-17-95)
Ext: SE/4 Sec. 14 (R-10664, 9-16-96)

County Eddy Pool Nash Draw-Brushy Canyon

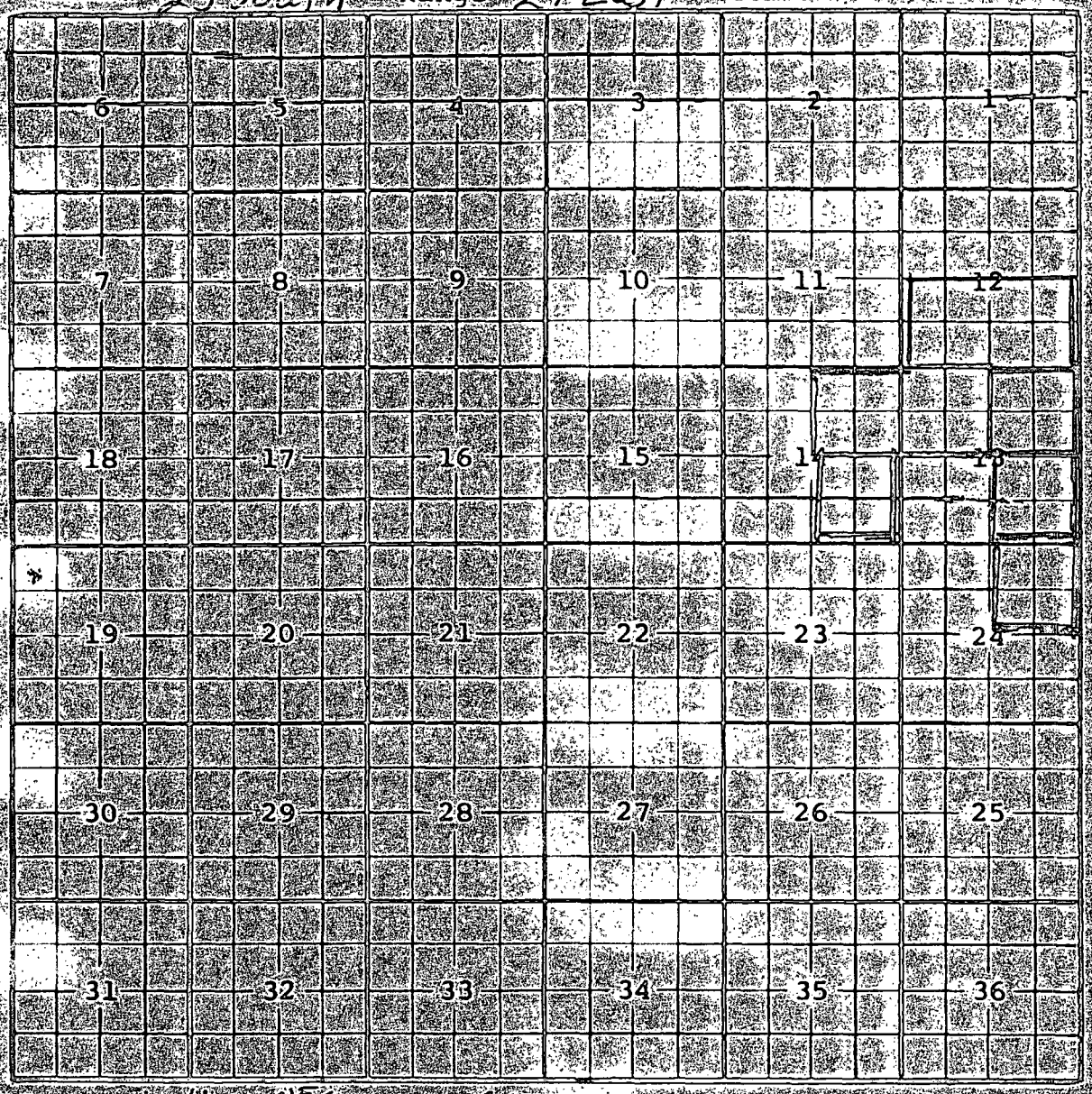
TOWNSHIP 23 South Range 30 East NMPM



Ext: NW/4 Sec. 18 (R-10042, 12-28-93) Ext: W/2 Sec. 19, N/2 Sec. 30 (R-10459, 9-11-95)
Ext: SW/4 Sec. 30 (R-10590, 5-8-96) Ext: SE/4 Sec. 30 (R-10642, 8-19-96)
Ext: NE/4 31, NW/4 Sec. 32 (R-10938, 1-9-98)

County Eddy Pool Nash Draw-Brushy Canyon

TOWNSHIP 23 South Range 29 East NMPM



Description: NE/4 Sec. 13 (R-9721, 11-19-92)
Ext: S/2 Sec. 12 (R-9938-A, 11-23-93) Ext: SE/4 Sec. 13 (R-10042, 12-28-93)
Ext: NE/4 Sec. 24 (R-10343, 4-24-95) Ext: NW/4 Sec. 13, NE/4 Sec. 14 (R-10420, 7-17-95)
Ext: SE/4 Sec. 14 (R-10664, 9-16-96)