

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

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-101

Instructions On Back

OIL CONSERVATION DIVISION

1220 South St. Francis Dr. **RECEIVED**
Santa Fe, NM 87505

Submit to Appropriate District Office

State Lease - 6 Copies

Fee Lease - 5 Copies

AUG 18 2004

OCD-ARTESIA

AMENDED REPORT

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

1 Operator Name and Address Strata Production Company P. O. Box 1030 Roswell, New Mexico 88202-1030		2 OGRID Number 021712
3 API Number 30-015-33637		
4 Property Code	5 Property Name FORTY NINER RIDGE UNIT	6 Well No. 6

7 Surface Location									
UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West Line	County
O	22	23S	30E		990'	SOUTH	2050'	EAST	EDDY

8 Proposed Bottom Hole Location If Different From						NOTIFY OCD OF SPUD & TIME TO WITNESS CEMENTING OF SURFACE & INTERMEDIATE CASING
UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	
9 Proposed Pool 1 FORTY NINER RIDGE DELAWARE						

11 Work Type Code N	12 Well Type Code O	13 Cable/Rotary Rotary	14 Lease Type Code S	15 Ground Level Elevation 3257'
16 Multiple N	17 Proposed Depth 7800'	18 Formation Delaware	19 Contractor	20 Spud Date November 1, 2004

21 Proposed Casing and Cement Program					
Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2"	13 3/8"	48#	420'	650 SX	CIRC
12 1/4"	8 5/8"	32#	3600'	1500 SX	CIRC
7 7/8"	5 1/2"	17#	7800'	1200 SX	TOC 3000'

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

Strata Production Company proposes to drill to a depth sufficient to test the Forty Niner Ridge Delaware. If productive, a 5 1/2" csg will be set. If non-productive, the well will be plugged & abandoned in a manner consistent with State Regulations.

Form C-102 Well Location & Acreage Dedication Plat

Hole Prognosis

Surface Use Plan

H2S Drilling Operations Plan

Exhibit "A" Equipment Description w/attachment

Exhibit "B" Planned Access Roads

Exhibit "C" One Mile Radius Map w/attachment of Status of Wells within One Mile Radius

Exhibit "D" Drilling Rig Layout Plan

Notification to Area Potash Lease Holders

Pit or Below-Grade Tank Registration or Closure

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

Signature: *Kelly M. Britt*
Printed name: Kelly M. Britt

Title: Production Records

Date: 08/17/04
Phone: 505-622-1127 x 15

OIL CONSERVATION DIVISION

Approved By:

Title:

Approval Date:

Conditions of Approval:

Attached

TIM W. GUM
DISTRICT II SUPERVISOR

SEP 22 2004

Expiration Date: SEP 22 2005

Fresh Water Mud Only for
drilling Surface hole

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

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811 South First, Artesia, NM 88210

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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 FORTY NINE RIDGE UNIT				Well Number 6
OGRID No. 021712	Operation Name STRATA PRODUCTION COMPANY				Elevation 3257

Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
0	22	23-S	30-E		990	SOUTH	2050	EAST	EDDY

Bottom Hole Location If Different From Surface

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

Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.
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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 05/07/04	
	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 12, 2003 Date of Survey	
	Signature and Seal of Professional Surveyor 	
	NM AREPS #5412 Certificate Number	

HOLE PROGNOSIS
FORM C-101 APPLICATION FOR PERMIT TO DRILL
STRATA PRODUCTION COMPANY
FORTY NINER RIDGE UNIT #6
990' FSL & 2050' FEL
SECTION 22-23S-30E
EDDY COUNTY, NEW MEXICO

In conjunction with Form C-101, Application for Permit to Drill, Deepen, or Plug Back, Strata Production Company submits the following items in accordance with applicable state regulations.

1. Geologic Name of Surface Formation:

Permian

2. Estimated Tops of Geologic Markers:

Rustler	Surface	Delaware	3650'
Top of Salt	700'	Bone Spring	7400'
Base of Salt	3380'	T.D.	7800'

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

Surface	150'	Fresh Water
Delaware	3650' - 7400'	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 600' and circulating cement back to surface. Any 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:

<u>Hole Size</u>	<u>Interval</u>	<u>OD csg</u>	<u>Weight, Grade, Jt. Cond, Type</u>
17 1/2"	420'	13 3/8"	48#, H-40, ST&C, New
12 1/4"	3600'	8 5/8"	32#, J-55, ST&C, New
7 7/8"	7800'	5 1/2"	15# & 17#, J-55, LT&C, New

Cementing Program:

Surface Casing: 13 3/8" casing will be set at approximately 420' and cemented with approximately 650 sacks of Class "C" cement with 2% CaCL, 5# Gilsonite and 1/4# Flocele per sack. The amount could 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 3600' and cemented with approximately 1500 sacks of "Lite" cement (35/65 Poz mix) with 10# salt and 1/4# Kwikseal per sack, and 200 sacks Premium Plus with 5# salt. The amount could 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 bring the cement into the 8 5/8" intermediate casing. This is normally completed in two (2) stages. The first stage is normally 600 sacks 50/50 Poz with 5# salt and 1/4# Flocele per sack. The second stage normally consists of 600 sacks of 50/50 Poz with 5# salt and 1/4# Flocele per sack.

5. Minimum Specifications for Pressure Control:

The blowout preventer equipment (BOP) shown in 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 BOP's will be nipped up on the 13 3/8" surface casing and used continuously until TD is reached. All BOP's 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 ^{42c'} 300'	Native mud consisting of fresh water and native muds are used for drilling purposes.
^{42c'} 300' to 3000'	Brine water purchased from commercial sources will be utilized.
3000' to 4600'	Brine and fresh water purchased from commercial sources will be utilized. Salt gel will be used to build viscosity.
4600' to TD	Brine and fresh water with salt gel and starch will be used to maintain a viscosity of approximately 31 and a water loss of 15 to 25.

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:

Two (2) man Mudlogging unit from top of Delaware to TD DLL-MSFL, CNL-Density, Gamma Ray, Caliper.

Mudlogging unit will be employed from approximately 3380' (Top of Delaware) to 7800' (Total Depth). 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 elects to run rotary sidewall cores from selected intervals from approximately 4200' to 7300' dependent upon logging results.

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

No abnormal pressures or temperatures are anticipated.

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 seventeen (17) 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 OCD. The anticipated spud date is November 1, 2004. Once commenced, the drilling operation should be finished 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
APPLICATION FOR PERMIT TO DRILL
STRATA PRODUCTION COMPANY
FORTY NINER RIDGE UNIT #6
990' FSL & 2050' FEL
SECTION 22-23S-30E
EDDY COUNTY, NEW MEXICO

Submitted with Form C-101, Application For Permit to Drill, Deepen, or Plug Back covering the above captioned well. The purpose of the plan is to describe the location, the proposed construction activities and operations plan, 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 site and elevation plat for the proposed well is attached. It was staked by Dan R. Reddy, Engineer, Carlsbad, New Mexico.
- 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: 9 miles east from Loving, New Mexico, the well is located approximately 3 miles to the south of State Highway 128.
- D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

2. Proposed Access Road:

Exhibit "B" shows approximately 1320' of new access road to be constructed 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 approved caliche pit. Any additional materials that are required will be purchased from the dirt contractor.

3. Location of Existing Wells:

Exhibit "C" shows all existing wells within a one mile radius of proposed well. A list of these 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 needed) by Sundry Notice before construction of these facilities starts.

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 shown in Exhibit "B". If a commercial fresh water source is nearby, pipeline may be laid along existing road ROW's 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 2500 cubic yards) will be obtained from an 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 (12 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 pits are dry.

- C. Water produced from the well during completion may be disposed into the reserve pit or a steel tank (depending on the rates). After the well is permanently placed on production, produced water will be piped to the Forty Niner Ridge Unit #1 SWD well. 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. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- 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 of 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 it has dried. When the reserve pit is dry enough to breakout and fill and, weather permits, the unused portion of the well site will be leveled and reseeded as per BLM specifications. Only that part of the pad required for production facilities will be kept 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.

9. Well Site Layout:

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

- B. Exhibit "D" shows the planned orientation for the rig and associated drilling equipment, reserve pit, trash pit, pipe racks, turn-around and parking areas and access road. No permanent living facilities are planned but a temporary foreman/toolpusher's trailer will be on location during the drilling operations.
- C. The reserve pit will be lined with a high quality plastic sheeting (12 mil thickness).

10. Plan for Restoration of the Surface:

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

All trash, garbage and pit lining will be buried or hauled away 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 OCD.
- 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 up and leveled. No oil will be left on the surface of the fluid in the pit.

- D. ~~Upon completion of the proposed operations, if the well is completed, the reserve pit area will be treated as outlined above within the same prescribed time. The caliche from any 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 OCD approved caliche pit. Topsoil removed from the drill site will be used to recontour the pit area and any unused portions of the drill pad to the original natural level and reseeded as per OCD specifications.~~

11. Surface Ownership:

The wellsite and lease is located entirely on State of New Mexico surface.

12. Other Information:

- A. The topography around the well site is rolling terrain with vegetation of sagebrush and native grass. The vegetation cover consists of prairie grasses and flowers. Wildlife in the area probably includes those typical of semi-arid desert land.
- B. The soils are clayey sand over caliche base.
- C. There are no permanent or 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.

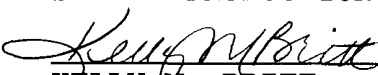
13. Lessee's and Operator's Representative:

MARK MURPHY
P. O. BOX 1030
ROSWELL, NEW MEXICO 88202-1030
PHONE NUMBER: (505) 622-1127 -OFFICE EXT 12

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


KELLY M. BRITT
PRODUCTION ANALYSIS

DATE: August 17, 2004

STRATA PRODUCTION COMPANY

H₂S DRILLING OPERATIONS PLAN

I. HYDROGEN SULFIDE TRAINING

- A. All contractors and subcontractors employed by Strata Production Company will receive or have received training from a qualified instructor within the last twelve months in the following areas prior to commencing drilling operations on the well.
 - 1. The hazards and characteristics of hydrogen sulfide (H₂S).
 - 2. Safety precautions.
 - 3. Operations of safety equipment and life support systems.
- B. In addition, contractor supervisory personnel will be trained or prepared in the following areas:
 - 1. The effect of H₂S on metal components in the system. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
 - 2. Corrective action and shut-down procedures when drilling or reworking a well, blowout prevention and well control procedures, if the nature of work performed involves these items.
 - 3. The contents and requirements of the contingency plan when such plan is required.
- C. All personnel will be required to carry documentation of the above training on their person.

II. H₂S EQUIPMENT AND SYSTEMS

A. SAFETY EQUIPMENT

The following safety equipment will be on location.

- 1. Wind direction indicators as seen in attached diagram.
- 2. Automatic H₂S detection alarm equipment both audio and visual.

3. Clearly visible warning signs as seen on the attached diagram. Signs will use the words "POISON GAS" and "CAUTION" with a strong color contrast.
4. Protective breathing equipment will be located in the dog house and at briefing areas as seen in the attached Diagram.

B. WELL CONTROL SYSTEMS

1. Blowout Prevention Equipment

Equipment includes but is not limited to:

- a. Pipe rams to accommodate all pipe sizes.
- b. Blind rams.
- c. Choke manifold.
- d. Closing unit.

2. Communication

- a. The rig contractor will be required to have two-way communication capability. Strata Production Company will have either land-line or mobile telephone capabilities.

3. Mud Program

- a. The mud program has been designed to minimize the volume of H₂S circulated to surface. Proper mud weight, safe drilling practices and the use of H₂S scavengers, when appropriate, will minimize hazards when penetrating H₂S bearing zones.

4. Drill Stem Test intervals are as follows:

- a. None planned

III. WELLSITE DIAGRAM

A. A complete wellsite diagram including the following information is attached.

1. Rig orientation
2. Terrain
3. Briefing areas
4. Ingress and egress
5. Pits and flare lines
6. Caution and danger signs
7. Wind indicators and prevailing wind direction

EXHIBIT "A"

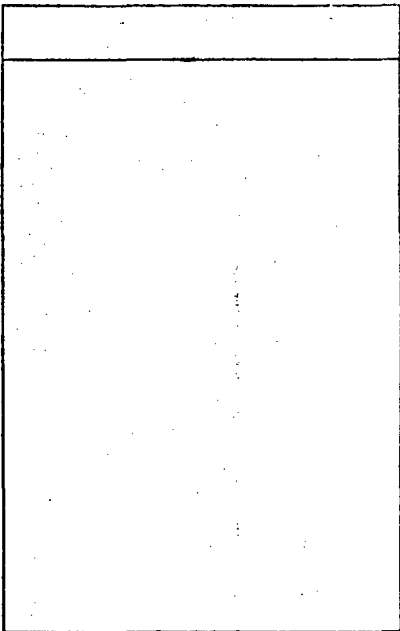
EQUIPMENT DESCRIPTION

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.



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.

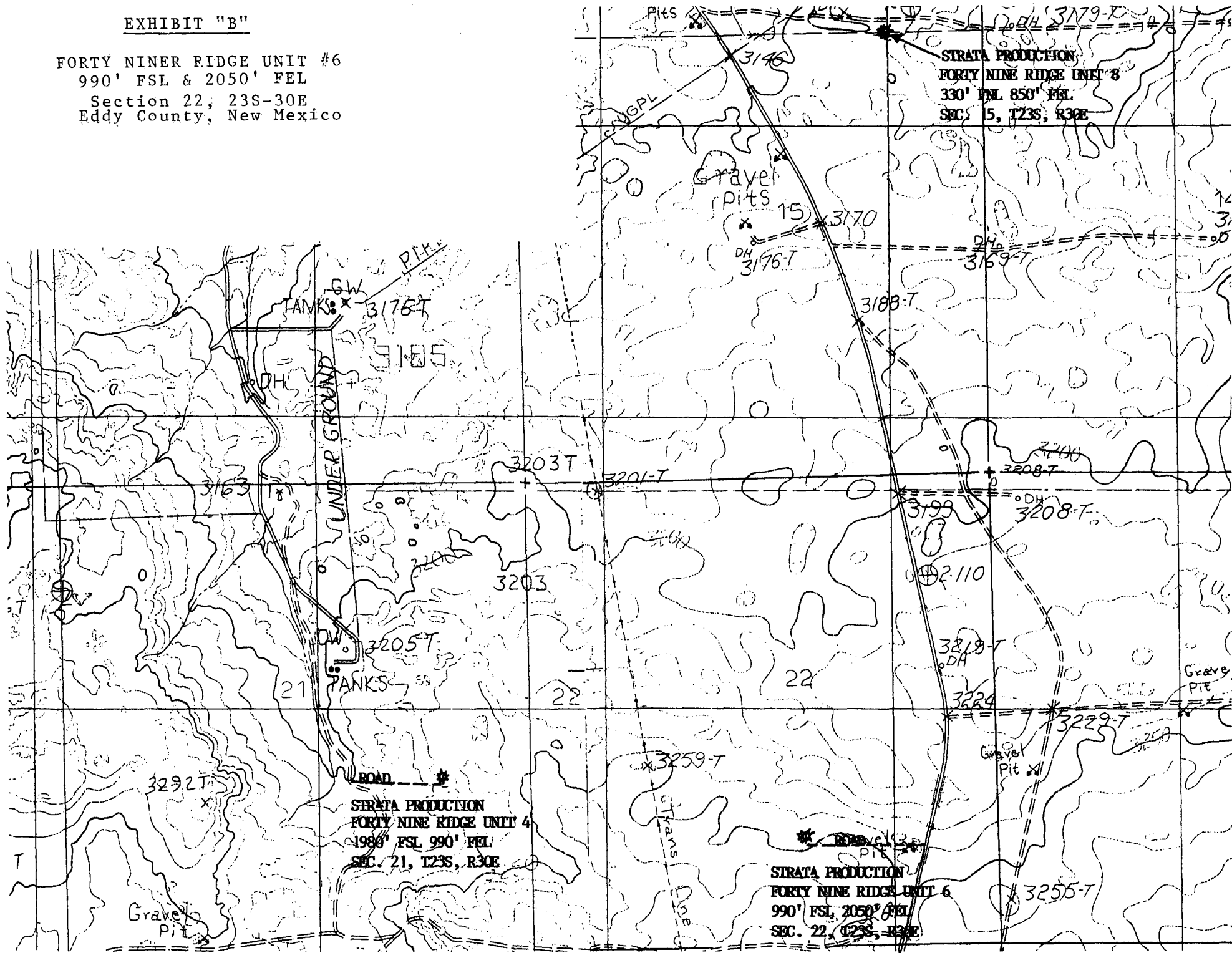
hydraulic operating system which is to be a closed system. (2) Accumulators with a precharge of nitrogen of not less than 750 PSI and connected so as to receive the aforementioned fluid charge. With the charging pumps shut down, the pressurized fluid volume stored in the accumulators must be sufficient 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 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"

FORTY NINE RIDGE UNIT #6
990' FSL & 2050' FEL
Section 22, 23S-30E
Eddy County, New Mexico



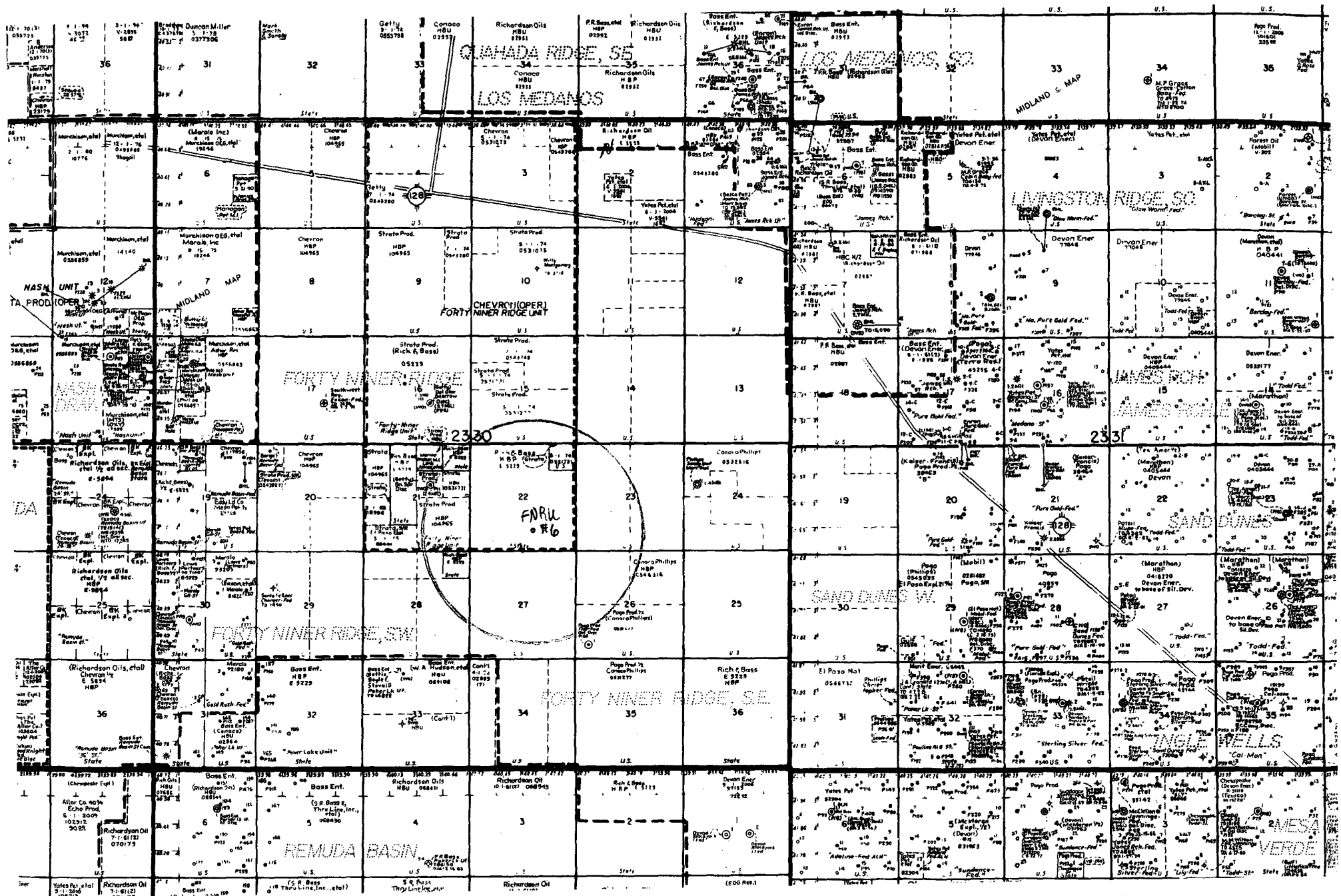


EXHIBIT "C" - ONE MILE RADIUS MAP
 Forty Niner Ridge Unit #6
 Section 22, 23S-30E
 990' FSL & 2050' FEL

Attachment to Exhibit "C"

STATUS OF WELLS WITHIN ONE MILE RADIUS

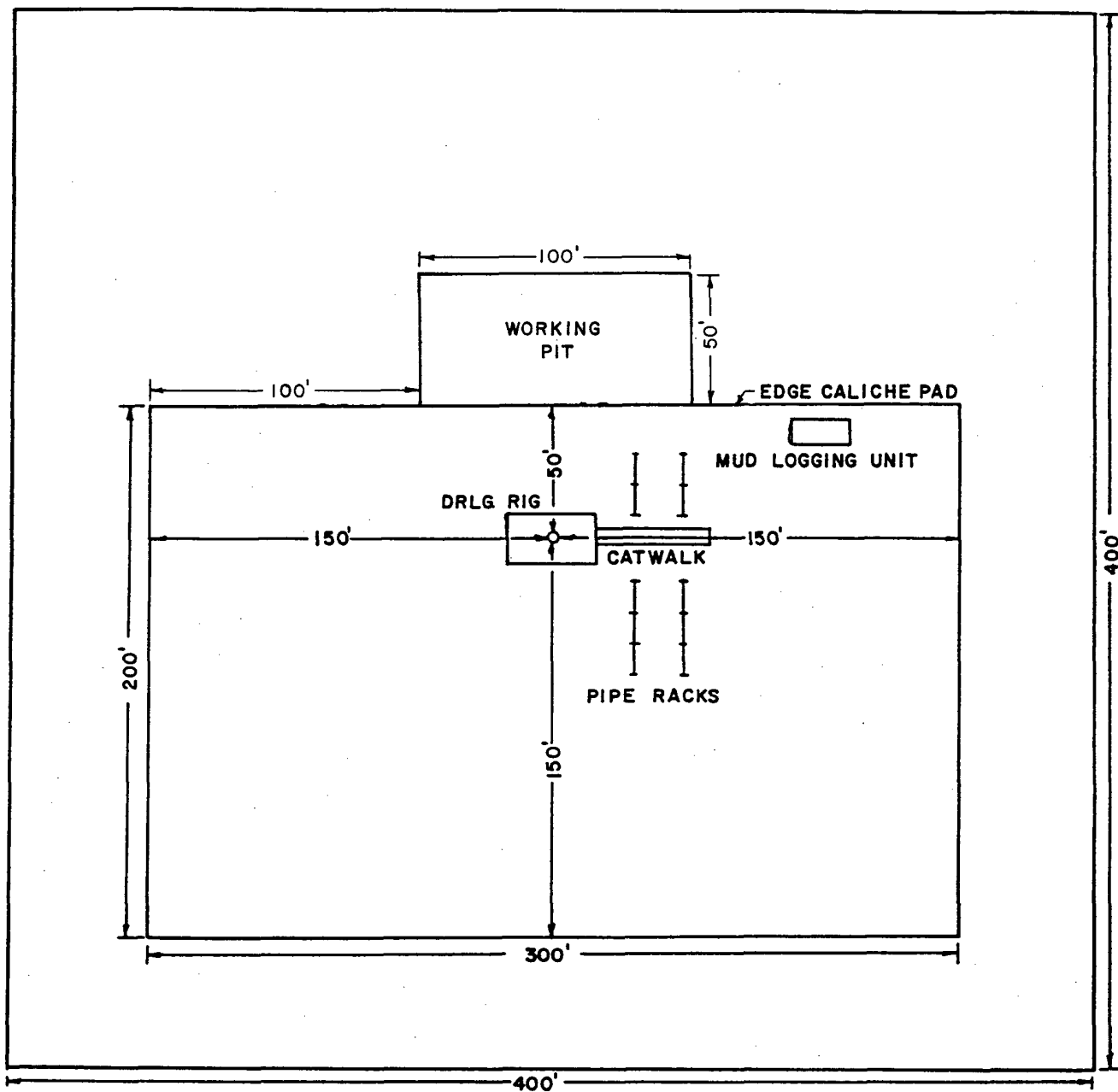
FORTY NINER RIDGE UNIT #6

Section 22-23S-30E

Eddy County, New Mexico

August, 2004

<u>Section 21-23S-30E</u>	<u>Well #</u>	<u>Footage</u>	<u>Status/Formation</u>
Strata Production Co.	FNRU #2	1980'FNL&1980'FEL	P Delaware



STRATA PRODUCTION COMPANY

DRILLING RIG LAYOUT PLAN

FORTY NINER RIDGE UNIT #6

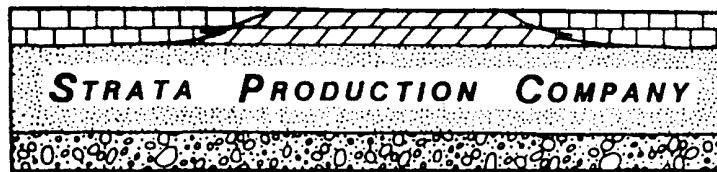
990' FSL & 2050' FEL

Section 22, 23S-30E

Eddy County, New Mexico

EXHIBIT D

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

July 29, 2004

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

Re: Application to Drill in Potash Area
Forty Niner Ridge Unit #6
Section 22-23S-30E
Eddy County, New Mexico

Dear Mr. Morehouse,

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 C-101 Application For Permit To Drill.
2. Form C-102 Well Location and Acreage Dedication Plat.

State of New Mexico Public Land records reflect IMC as a potash lessee in the area of the captioned lands. Strata Production Company, a New Mexico corporation, hereby advises of its intention to drill a well to 7800' at a location 990' FSL & 2050' FEL of Section 22, Township 23 South, Range 30 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 _____, 2004.

BY: _____
TITLE: _____

cc: Oil Conservation Division, Artesia, NM



August 6, 2004

IMC Potash Carlsbad Inc.
P. O. Box 71
1361 Potash Mines Road
Carlsbad, New Mexico 88221-0071
505.887.2871

Kelly M. Britt
Strata Production Company
200 West First Street
Roswell Petroleum Building, Suite 700
Roswell, New Mexico 88203

STRATA

AUG - 9 2004

PRODUCTION COMPANY

Dear Kelly:

We are in receipt of your letter dated July 29, 2004 concerning an APD for a well in Section 22, T-23-S, R-30-E. IMC Potash Carlsbad Inc. does have potash leases that are within 1 mile of this location.

The Forty Niner Ridge Unit #6 at 990' FSL & 2050' FEL is neither in our LMR nor within any buffer of our LMR, and it is outside the enclave as drawn by the BLM. This location does not pose a significant hazard to potash operations. Therefore IMC does not object to this location.

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

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

Sincerely,

Dan Morehouse
Supt. of Mine Engineering & Construction

cc: Don Purvis Charlie High
Joe Lara Tim Gum



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

August 19, 2004
Bureau of Land Management
620 East Greene St.
Carlsbad, NM 88220-6292
Attn: Craig Cranston or To Whom It May Concern

RE: APPLICATION FOR PERMIT TO DRILL IN POTASH AREA

RECEIVED

OPERATOR: Strata Production Company
LEASE NAME: Forty Niner Ridge Unit # 6
LOCATION: SEC. 22, TOWNSHIP 23 SOUTH, RANGE 30 EAST,
990' FSL & 2050' FEL
EDDY COUNTY, NM, NMMPM

SEP 22 2004
OCD-ARTESIA

PROPOSED DEPTH: 7800'

Dear Craig or To Whom It May Concern,

The application for permit to drill identified above has been filed with this office of the New Mexico Oil Conservation Division. Pursuit to the provisions of Oil Conservation Division Order R-111-P, please advise this office whether or not this application is within an established Life-of-Mine Reserve area filed with and approved by your office. If not, please advise whether it is within the buffer zone established by this order.

Thank you for your assistance.

Sincerely,

Bryan G. Arrant
PES, District II Artesia NMOCD

In LMR	Yes _____	No <input checked="" type="checkbox"/>
In Buffer Zone	Yes _____	No <input checked="" type="checkbox"/>

Comments:

Signature:

Date: 9-20-04



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

August 19, 2004
New Mexico State Land Office
Oil, Gas and Minerals Division
310 Old Santa Fe Trail
P.O. Box 1148
Santa Fe, NM 87504-1148
Attn: Joe Mraz or To Whom It May Concern

RECEIVED

AUG 23 2004

OCCIDENTAL

RE: APPLICATION FOR PERMIT TO DRILL IN POTASH AREA
OPERATOR: Strata Production Company
LEASE NAME: Forty Niner Ridge Unit # 6
LOCATION: SEC. 22, TOWNSHIP 23 SOUTH, RANGE 30 EAST,
990' FSL & 2050' FEL
EDDY COUNTY, NM, NMPM

PROPOSED DEPTH: 7800'

Dear Mr. Mraz or To Whom It May Concern,

The application for permit to drill identified above has been filed with this office of the New Mexico Oil Conservation Division. Pursuit to the provisions of Oil Conservation Division Order R-111-P, please advise this office whether or not this application is within an established Life-of-Mine Reserve area filed with and approved by your office. If not, please advise whether it is within the buffer zone established by this order.

Thank you for your assistance.

Sincerely,

Bryan G. Arrant
PES, District II Artesia NMOCD

In LMR	Yes _____	No <input checked="" type="checkbox"/>
In Buffer Zone	Yes _____	No _____

JEM
11:45A
8-19-04

Comments:

Signature: _____

Date: _____