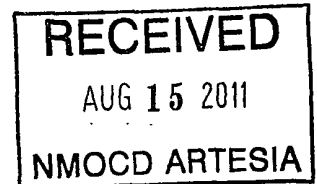


SURFACE USE PLAN
APPLICATION FOR PERMIT TO DRILL
STRATA PRODUCTION COMPANY
ROADRUNNER FEDERAL #1
460' FNL & 330' FWL
SECTION 25-23S-30E
EDDY COUNTY, NEW MEXICO

30-015-39361



Submitted with Form 3160-3, 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 the proposed well.

1. Existing & Proposed Roads:

- A. The well site and elevation plat for the proposed well is attached. It was staked by P.R. Patton, Engineer, Roswell, New Mexico.
- B. As shown on the attached Exhibit "B" this well is being drilled approximately .7 mile south of the Sandy Federal #1 and an existing two-track road will be upgraded as necessary. *The two-track road to be upgraded exits the north side of the pad and travels north for ~ 2920 feet*
- C. Directions to location: ~14 miles east from Loving, New Mexico and ~3 miles 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. Location of Existing Wells:

Exhibit "C" shows all existing wells within a one mile radius of the proposed well and a list of these wells is shown on the attachment to Exhibit "C".

3. 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.

4. 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

access roads shown in Exhibit "B". If a commercial fresh water source is nearby, fasline may be laid along existing road ROW's and fresh water pumped to the well. No water well will be drilled on the location.

5. Source of Construction Materials:

All caliche required for the drill pad will be obtained from an approved caliche pit. The pad will be constructed of 6" rolled and compacted caliche.

6. Methods of Handling Water Disposal:

- A. A closed loop system will be utilized. Drill cuttings not retained for evaluation purposes will be stored and then hauled to a state approved disposal facility. Drilling fluids will be contained in steel pits, cleaned and reused.
- B. Water produced from the well during completion will be stored in steel tanks and disposed of in a state approved facility. 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.
- C. 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 other waste generated by the drilling, completion or testing of this well will be disposed of through the closed loop system. 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. 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.

7. Ancillary Facilities:

No airstrip, campsite or other facility will be built as a result of the operations of the proposed well.

8. Well Site Layout:

A. The drill pad layout is shown in Exhibit "D". Dimensions of the pad will be 250' x 250' and the location of major rig components are shown. No permanent living facilities are planned but temporary trailers will also be on location during the drilling operations. Top soil, if available, will be stockpiled per BLM specifications as determined at the on-site inspection. Since the pad is almost level no major cuts will be required.

9. Plan for Restoration of the Surface:

A. Upon completion of the proposed operations, if the well is to be abandoned, the original top soil will be returned to the location and it will be leveled and contoured to as nearly the original topography as possible. All trash and garbage will be hauled away in order to leave the location in an aesthetically pleasing condition. The location will be 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. Upon completion of the proposed operations, if the well is completed, 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 BLM approved caliche pit. Topsoil removed from the drill site will be used to recontour the unused portions of the drill pad to the original natural level and reseeded as per BLM specifications.

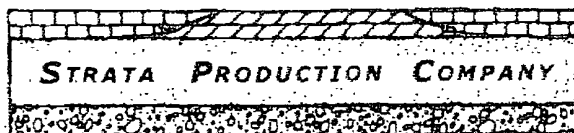
10. Surface Ownership:

The wellsite and lease is located entirely on Federal surface.

11. 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 waters 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 is included in this packet.

POST OFFICE DRAWER 1030
ROSWELL, NM 88202-1030



TELEPHONE (575) 622-1127
FACSIMILE (575) 623-3533

1301 NORTH SYCAMORE AVENUE
ROSWELL, NEW MEXICO 88201
www.stratanm.com

OPERATOR CERTIFICATION

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of state and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or Strata Production Company, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements

EXECUTED THIS 20 DAY OF MAY, ²⁰¹¹~~2010~~

BY *La Amy*

TITLE: VICE PRESIDENT

ADDRESS: Strata Production Company
PO Drawer 1030
Roswell, NM 88202-1030
575-622-1127

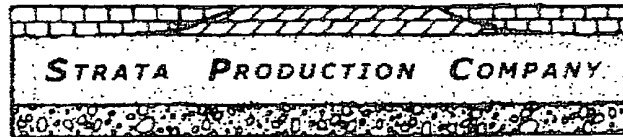
FIELD REPRESENTATIVE (If not above signatory) _____

ADDRESS (If different than above) _____

TELEPHONE (If different than above) _____

Agents not directly employed by the operator must submit a letter from the operator authorizing that agent to act or file this application on their behalf.

POST OFFICE DRAWER 1030
ROSWELL, NM 88202-1030



TELEPHONE (575) 622-1127
FACSIMILE (575) 623-3533

1301 NORTH SYCAMORE AVENUE
ROSWELL, NEW MEXICO 88201
www.stratanm.com

May 20, 2011

Mr. Dan Morehouse
Mine Engineering Superintendent
Mosaic Potash Carlsbad, Inc
PO Box 71
Carlsbad, NM 88220

Re. Application to Drill in Potash Area
Roadrunner Federal #1
Section 25-23S-30E
Eddy County, NM

Dear Mr. Morehouse,

In accordance with the State of New Mexico Oil Conservation Division Rule R-111-P, 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 Mosaic Potash Carlsbad, Inc ("Mosaic") as potash lessee in the area of the captioned lands. Strata Production Company ("Strata"), a New Mexico Corporation, hereby advises you of its intention to drill the subject well at a location of 460' FNL & 330' FWL of Section 24, T23S-R30E, Eddy County, New Mexico.

We have already met and discussed this location and if you are in agreement that drilling at the proposed location will not interfere with potash operations, please sign and return one copy of this letter within 30 days of receipt.

Please contact me if you have any questions or require additional information.

Regards,

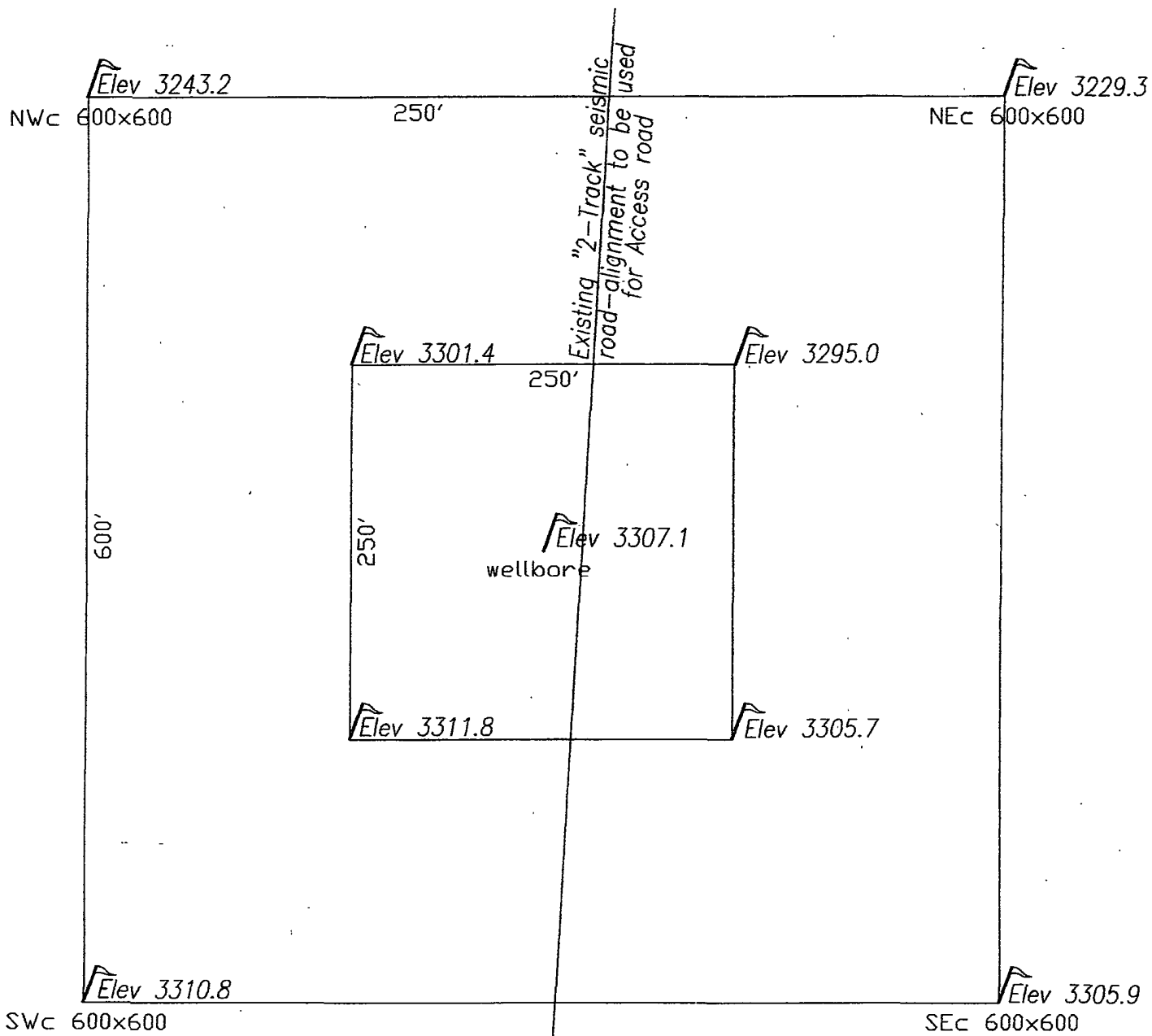
A handwritten signature in black ink, appearing to read "Mitch Krakauskas", is written over a horizontal line.

Mitch Krakauskas
Land Coordinator

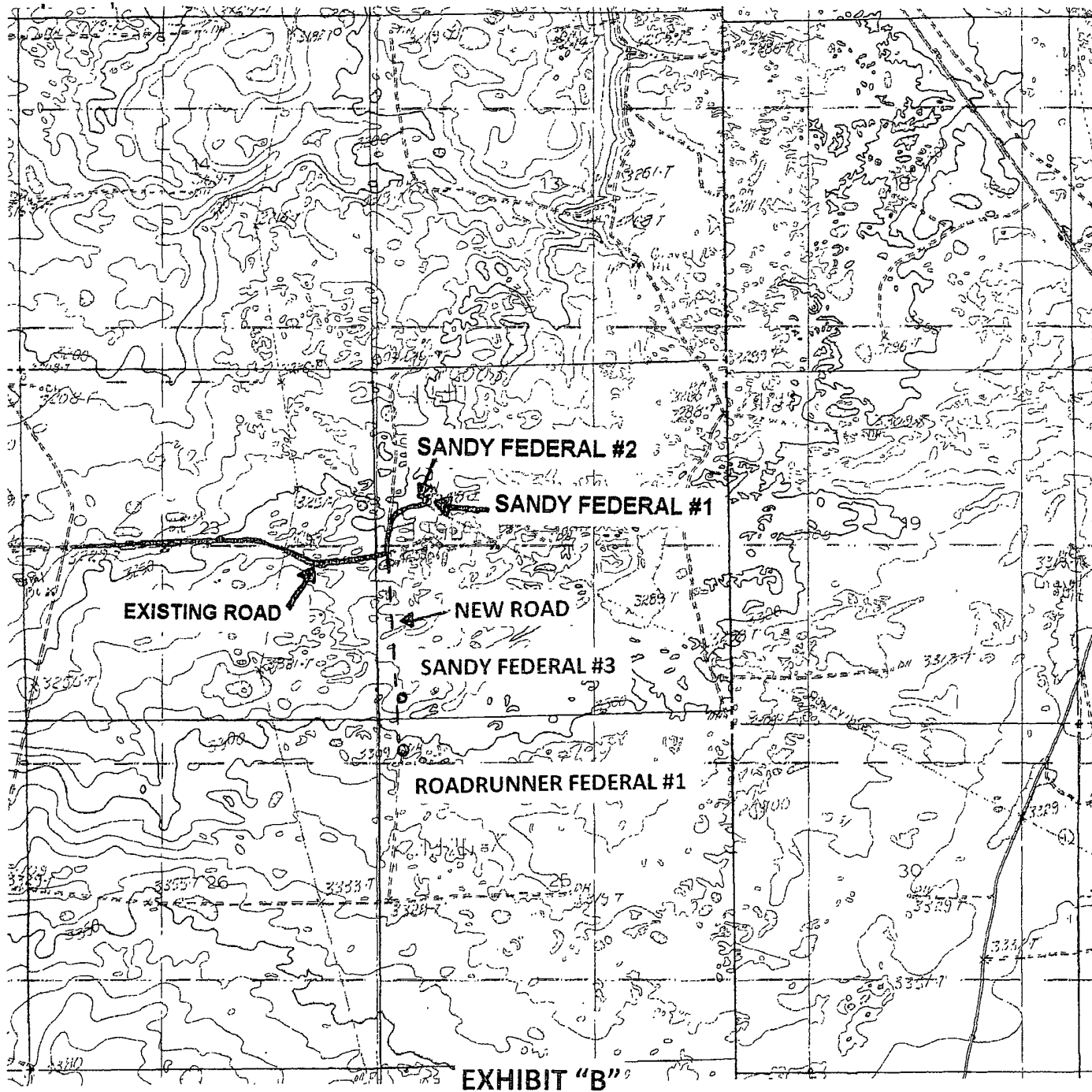
AGREED TO AND ACCEPTED THIS _____ DAY OF _____, 2011

BY: _____ TITLE: _____

cc: Bureau of Land Management, Carlsbad, NM



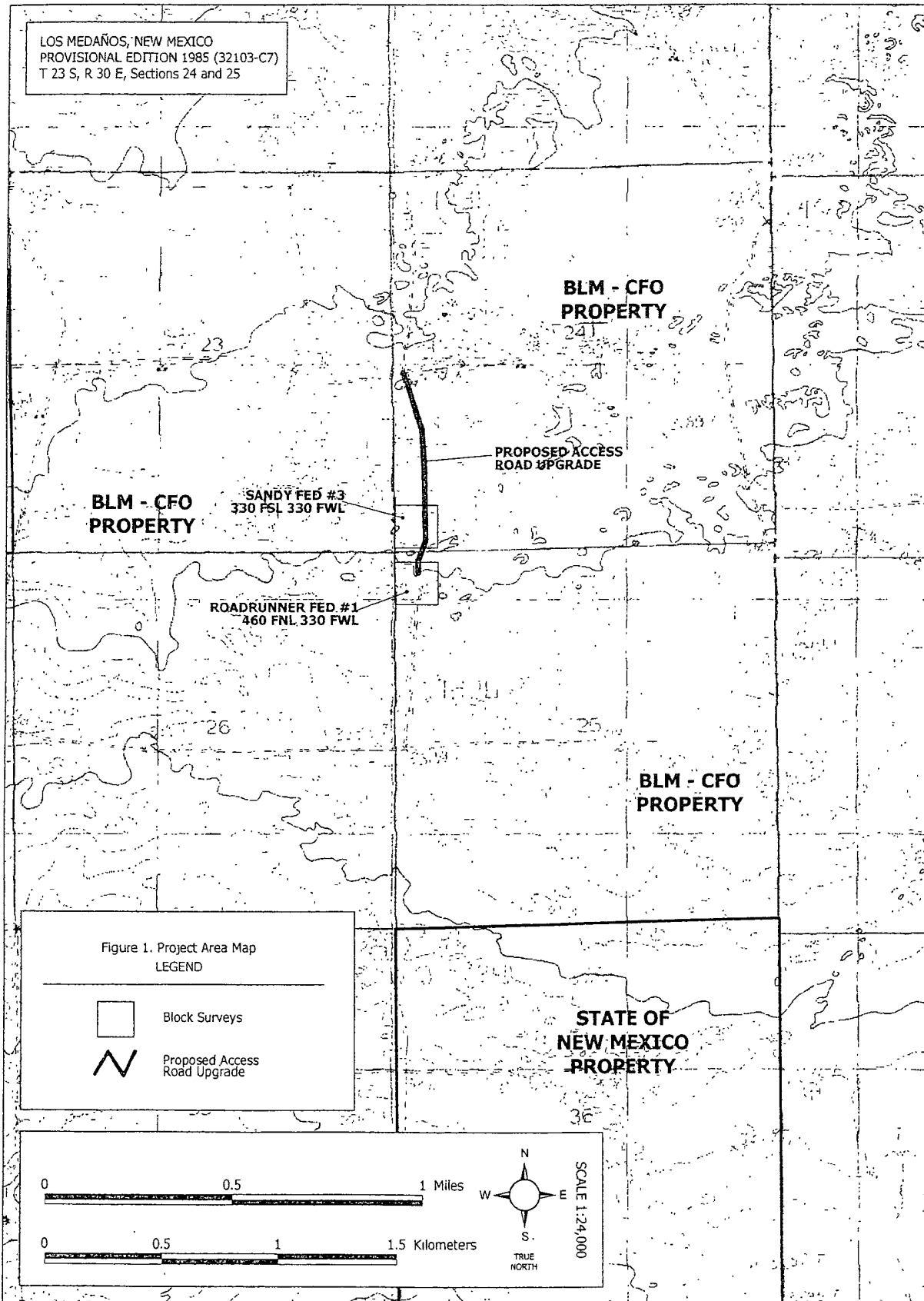
STRATA PRODUCTION Co.
 Roadrunner Federal Well #1
 460 FNL 330 FWL, Sec. 25
 Twp 23 S, R 30 E, N.M.P.M.
 Eddy Co., NM

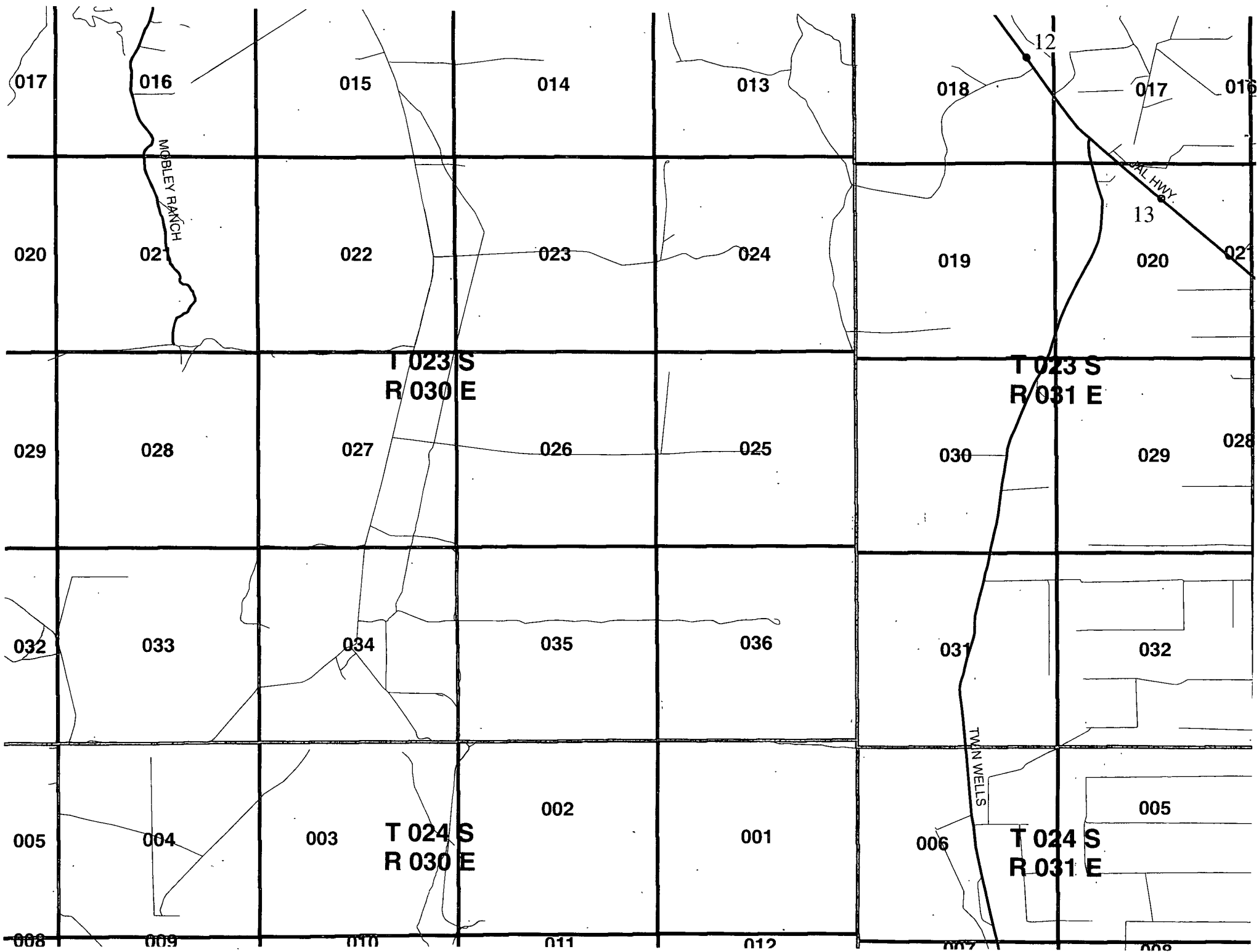


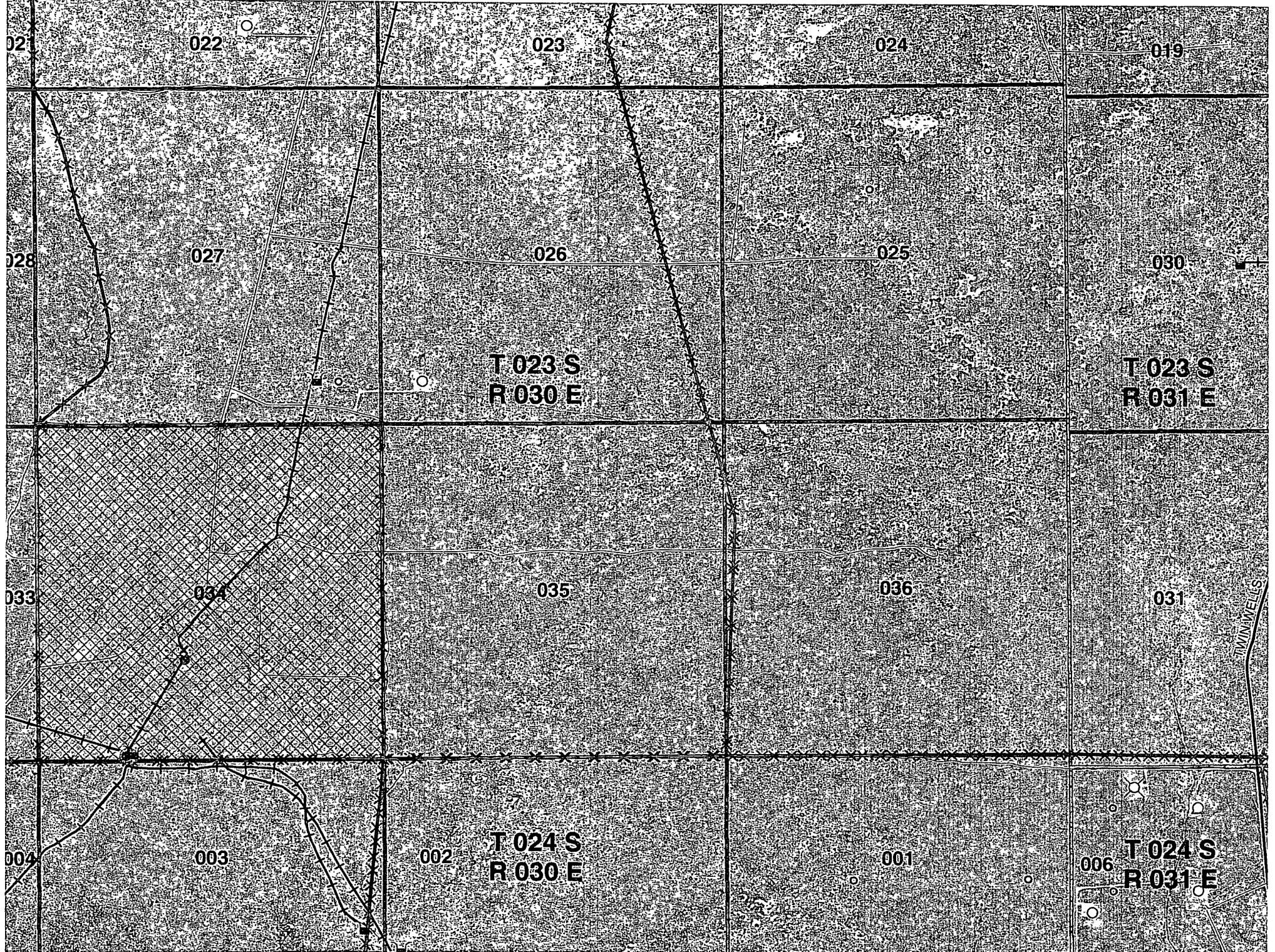
ROADRUNNER FEDERAL #1
460' FNL & 330' FWL
SEC. 25, T23S-R30E
EDDY COUNTY, NM

PAD WILL BE 250' X 250'

SURVEY FOR THE SANDY FED #3 AND ROADRUNNER FED #1 WELL LOCATIONS AND ASSOCIATED ACCESS ROAD







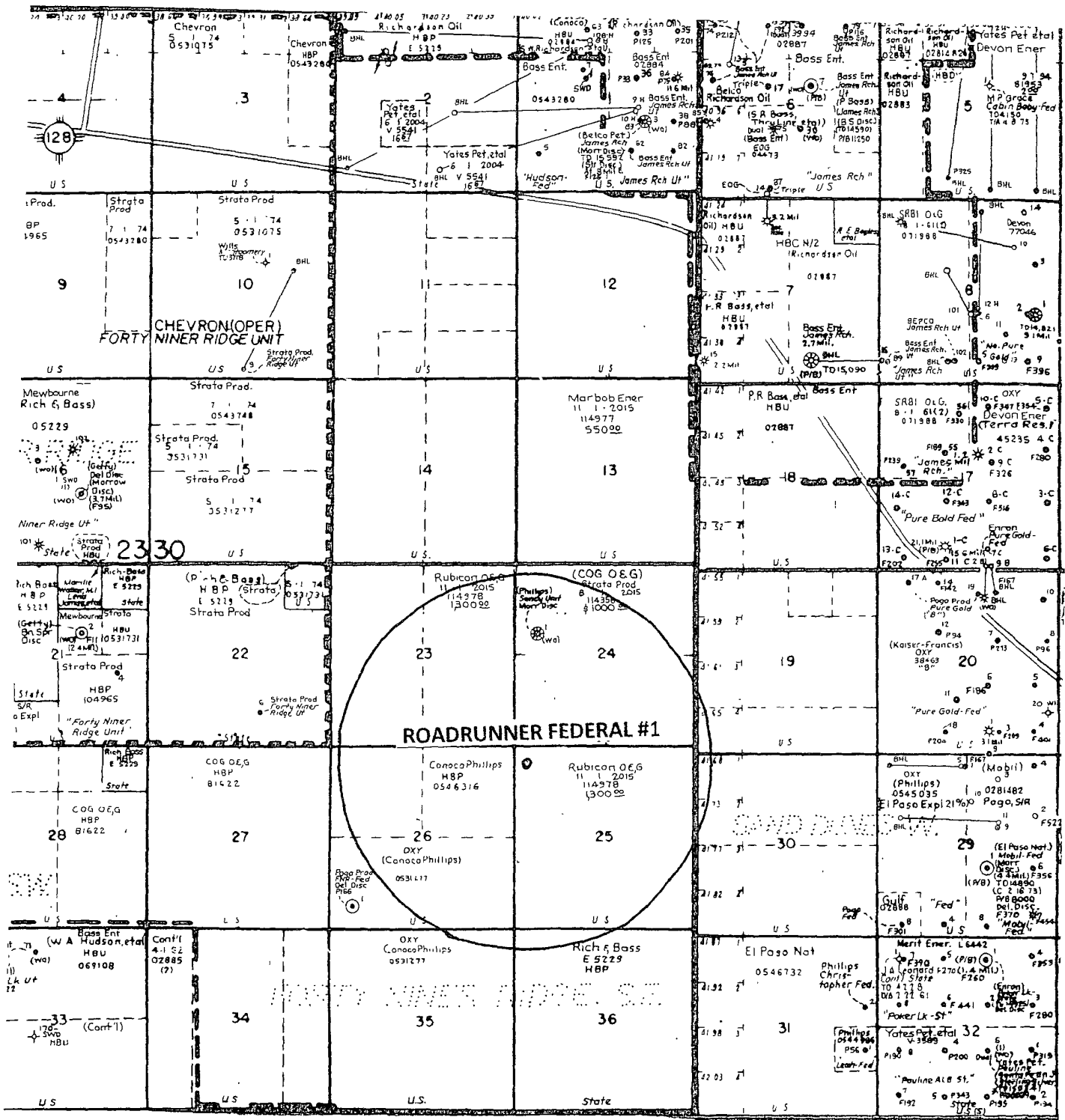


EXHIBIT "C" – ONE MILE RADIUS MAP

ROADRUNNER FEDERAL #1
SEC. 25, T23S-R30E
EDDY COUNTY, NM

Attachment to Exhibit "C"

STATUS OF WELLS WITHIN ONE MILE RADIUS

ROADRUNNER FEDERAL #1

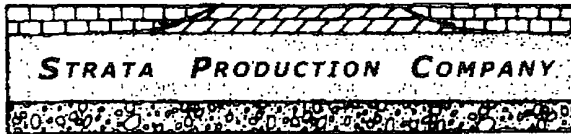
Section 25-23S-30E

460' FNL & 330' FWL

Eddy County, NM

<u>Operator</u>	<u>Well</u>	<u>Location</u>	<u>Status/Formation</u>
Strata Production Co	Sandy #1	Sec 24, 23S-30E 1980' FNL & 660' FWL	Producing/Delaware
Strata Production Co	Sandy Federal #2	Sec 24, 23S-30E 1979' FNL & 585' FWL	Proposed /Delaware
Strata Production Co	Sandy Federal #3	Sec 24, 23S-30E 330' FSL & 330' FWL	Proposed /Delaware

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ROSWELL, NM 88202-1030



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ROSWELL, NEW MEXICO 88201
www.stratanm.com

TELEPHONE (575) 622-1127
FACSIMILE (575) 623-3533

RECEIVED
JUN 16 PM 3:01
BUREAU OF LAND MGMT
CARLSBAD OFFICE

June 15, 2011

Carlsbad Field Office
Bureau of Land Management
620 E Greene St.
Carlsbad, NM 88220

Re: 3162.4 (P0220); NM; ATS-11-700
Roadrunner Federal #1, Eddy County, NM.

Gentlemen:

In reference to your letter of 6/1/2011 concerning the APD for the referenced well, Strata Production provides the following additional information:

- 1) Attached is an original and 3 copies of the survey plat.
- 2) Attached is an original and 3 copies of the rig layout with footages.
- 3) Simple directions to the well location were provided in the original Surface Use Plan at 1(C). Detailed directions are: travel on 128 east to mile marker 7. Turn south on CR-795, Mobley Ranch Rd. Stay left and follow caliche road ~3.3 miles. Turn east on caliche road and follow for ~1.5 miles to road turning south to location ~1/4 mile.
- 4) Attached is an original and 3 copies of an interim reclamation plan.
- 5) Box 18 was left blank on the Form 3160-3 because we thought it was not applicable due to the Roadrunner #1 being the first well on the lease. If we are misunderstanding the directions for this box please advise.
- 6) Attached is an original and 3 copies of a revised Form 3160-3 showing the pilot hole and lateral TVD & MD in box 19.
- 7) The excess cement percentages used for the open hole portion of each casing string and pilot hole plug are as follows: 13 3/8" - 100%, 9 5/8" - 100%, Pilot Hole Plug - 100%, 7" - 50%, 4 1/2" - 50%.
- 8) The pilot hole will be cemented from 7900' to ~6750' with 968 sacks Class H Cement + 0.1% bwoc ASA- 301 + 0.2% bwoc R-3 + 0.8% bwoc CD-32 + 0.005% bwoc Static Free + 1 gals/100 sack FP-6L + 33.1% Fresh Water. Yield .99 ft3/sk.
- 9) Attached are an original and 3 copies of the mud program.
- 10) We verified with a phone call to John Fast that the On-Site for this well has been completed.

Please let us know if you require additional information.

Regards,

Frank Morgan
Vice President

III. WELLSITE DIAGRAM

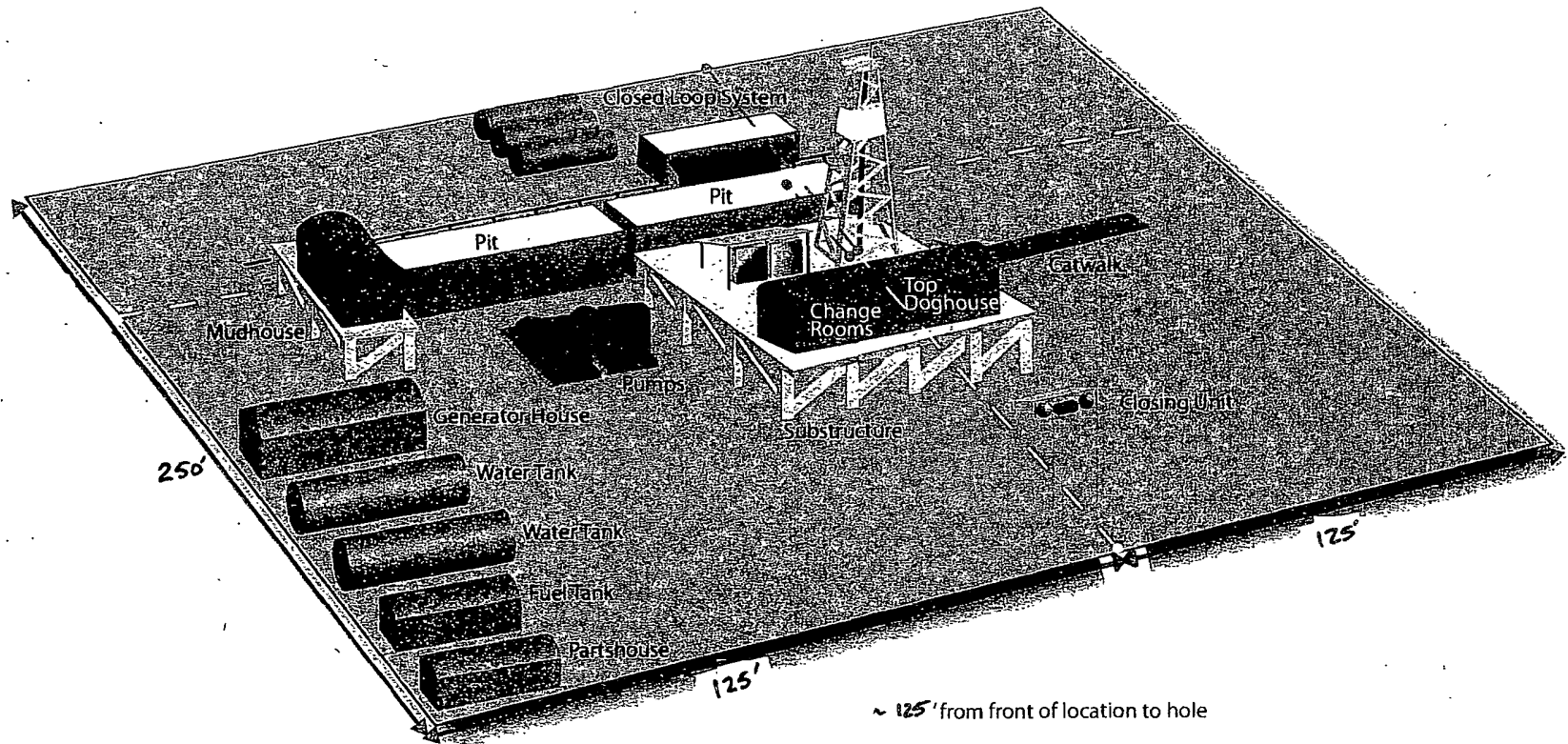
A. A complete wellsite diagram including the following information is attached.

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

ROADRUNNER FEDERAL #1

Location Layout

Rig #2



~ 125' from front of location to hole

~ 125' from left of location to hole

~ 125' from hole to back of location (with closed loop)

Location size with Closed Loop System
250' Deep X 250' Wide

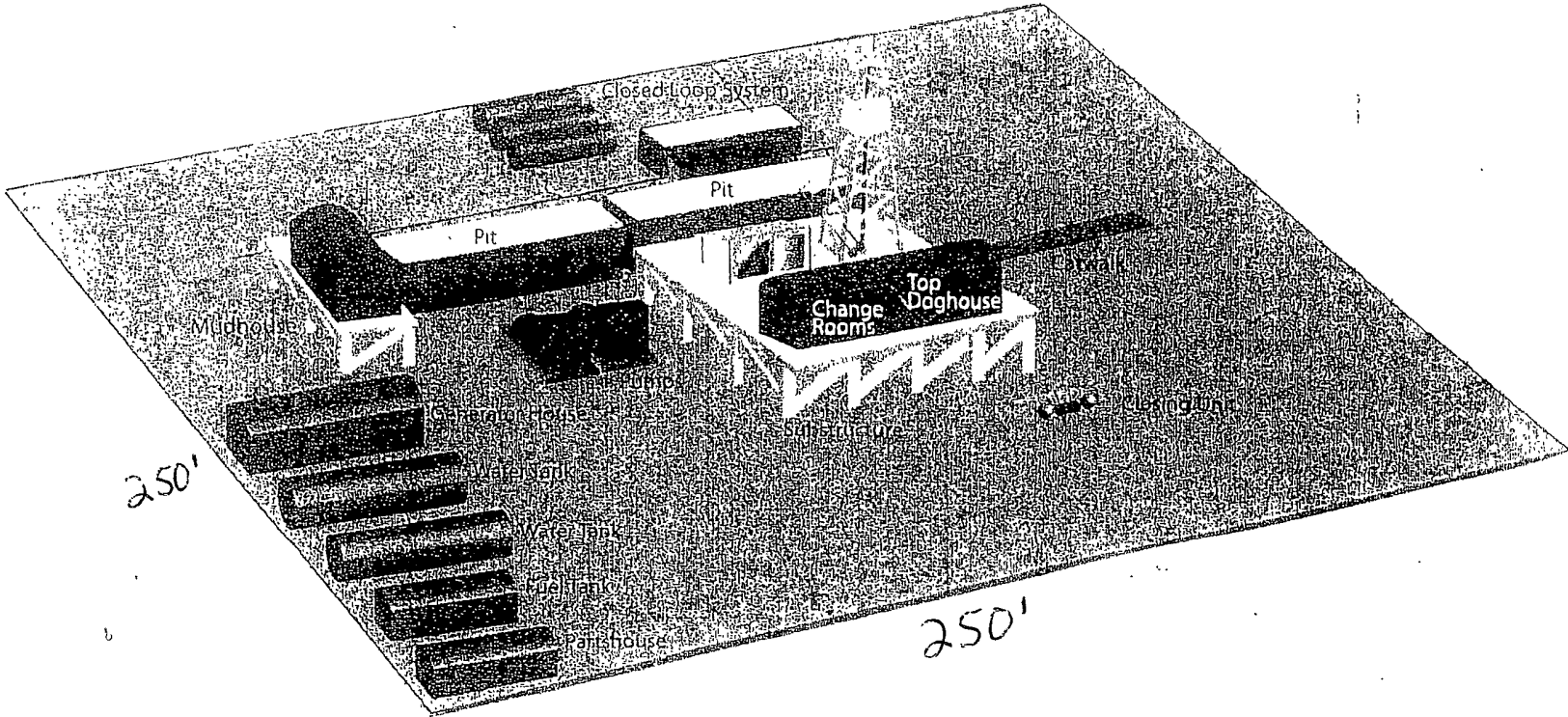
Silver Oak Drilling ~ 10 Bilco Road, Artesia, NM 88210 ~ 575.746.4405
info@silveroakdrilling.com ~ www.silveroakdrilling.com



EXHIBIT "D"

TYPICAL WELL SITE LAYOUT PLAN

SILVEROAK DRILLING



ROADRUNNER FEDERAL #1
Proposed Interim Reclamation Plan

