APR - 1 2010

OCD Artesia

Date

Form 3160-5 (August 2007)

UNITED STATES DEPARTMENT OF THE INTERIOR

FORM APPROVED OMB No. 1004-0137 Expires: July 31, 2010

BUREAU OF LAND MANAGEMENT NMOCD ARTE Serial No. NM118356 **SUNDRY NOTICES AND REPORTS ON WELLS** 6. If Indian, Allottee or Tribe Name Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals. 7. If Unit of CA/Agreement, Name and/or No. SUBMIT IN TRIPLICATE - Other instructions on page 2. 1. Type of Well-8. Well Name and No. SANDY FEDERAL 001 Oil Well Gas Well Other 2. Name of Operator API Well No. 30-015-21126 STRATA PRODUCTION COMPANY Ja. Address 10. Field and Pool or Exploratory Area 3b. Phone No. (include area code) FORTY NINER RIDGE; DELAWARE P.O. BOX 1030, ROSWELL, NM 88202-1030 (505) 622-1127 4. Location of Well (Footage, Sec., T.,R.,M., or Survey Description) 11. Country or Parish, State **EDDY COUNTY, NM** 1979 FNL & 660 FWL 24-235-302 12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA TYPE OF SUBMISSION TYPE OF ACTION Acidize Deepen Deepen Production (Start/Resume) Water Shut-Off Notice of Intent Alter Casing Fracture Treat Reclamation Well Integrity New Construction Casing Repair Recomplete Other Subsequent Report Change Plans Plug and Abandon Temporarily Abandon Final Abandonment Notice Convert to Injection Plug Back Water Disposal 13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.) 1) Water is stored in a 300 bbl steel tank. 2) Approximately 169 bbls of water are produced each day. 3) Water is transfered to water disposal via 2" poly-line to the Forty Niner Ridge Unit #1 SWD. ACCEPTED FOR RECORD 2ND 845 Attachments: Water Analysis Administrative approval for the Forty Niner Ridge Unit #1 SWD. 5w0 845 MAR 3 / 2010 Accepted for recold /s/ JD Whitlock Jr **SEE ATTACHED FOR BUREAU OF LAND MANAGEMENT** SUBJECT TO LIKE CARLSBAD FIELD OFFICE **CONDITIONS OF APPROVAL** APPROVAL BY STATE 14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed) JENNIFER ZAPATA Title PRODUCTION ANALYST Date 02/09/2010 Signature THIS SPACE FOR FEDERAL OR STATE OFFICE USE Approved by

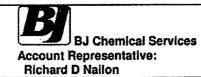
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements Or representations as to any matter within its jurisdiction.

entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would

Analytical Laboratory Report for:

STRATA PRODUCTION



Production Water Analysis

Listed below please find water analysis report from: SANDY, 1

Lab Test No: 20091 Specific Gravity: 1.201

2009123146

Sample Date:

05/20/2009

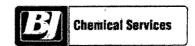
TDS:

pH:

309756 5.50

Cations:	mg/L	as:	
Calcium	33185	(Ca ^{**})	
Magnesium	5447	(Mg ⁺⁺)	
Sodlum	81300	(Na [*])	
Iron	45.31	(Fe ^{**})	
Potassium	1739.0	(K')	
Barlum	5.81	(Ba ⁺⁺)	
Strontium	1901.00	(Sr ^{**})	
Manganese	9.23	(Mn ⁺⁺)	
Anions:	mg/L	as:	
Bicarbonate	49	(HCO,)	
Sulfate	75	(SO,*)	
Chloride	186000	(Cl)	
Gases:		()	
Carbon Dioxide	320	(CO ₂)	
Hydrogen Sulfide	0	(H ₂ S)	

STRATA PRODUCTION Lab Test No: 2009123146 DownHole SAT[™] Scale Prediction @ 100 deg. F



Mineral Scale	Saturation Index	Momentary Excess (lbs/1000 bbls)
Calcite (CaCO3)	0.06	-0.00
Strontianite (SrCO3)	0.00	-0.35
Anhydrite (CaSO4)	0.06	-64.93
Gypsum (ČaSO4*2H2O)	0.06	-78.56
Barite (BaSO4)	0.03	-41.47
Celestite (SrSÓ4)	0.01	-542.62
Siderite (FeCO3)	0.01	-0.01
Halite (NaCl)	0.50	-94191.76
lron sulfide (FeS)	0.00	-3.12

Interpretation of DHSat Results:

The Saturation Index is calculated for each mineral species independently and is a measure of the degree of supersaturation (driving force for precipitation) under the conditions modeled. This value ranges from 0 to infinity with 1.0 representing a condition of equilibrium where scale will neither dissolve nor precipitate. Values less than 1.0 are undersaturated and values greater than 1.0 are supersaturated. The Momentary excess is a measure of how much scale would have to precipitate to bring the system back to a non-scaling condition. This value ranges from negative (dissolving) to positive (precipitating) values. The Momentary Excess represents the amount of scale possible while the Saturation Level represents the probability that scale will form.

BUREAU OF LAND MANAGEMENT Carlsbad Field Office 620 East Greene Street Carlsbad, New Mexico 88220 575-234-5972

Disposal of Produced Water From Federal Wells Conditions of Approval

Approval of the produced water disposal methodology is subject to the following conditions of approval

- 1 This agency shall be notified of any change in your method or location of disposal
- 2. Compliance with all provisions of Onshore Order No 7
- 3. This agency shall be notified of any spill or discharge as required by NTL-3A.
- This agency reserves the right to modify or rescind approval whenever it determines continued use of the approved method may adversely affect the surface or subsurface environments.
- All above ground structures on the lease shall be painted Shale Green (5Y 4/2), or as per approved APD stipulations. This is to be done within 90 days, if you have not already done so.
- Any on-lease open top storage tanks shall be covered with a protective cover to prevent entry by birds and other wildlife
- 7 This approval should not constitute the granting of any right-of-way or construction rights not granted by the lease instrument
- If water is transported via a pipeline that extends beyond the lease boundary, then you need to submit within 30 days an application for right-of-way approval to the Realty Section in this office if you have not already done so.
- 9. Subject to like approval by NMOCD.

3/25/2010