

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

**APPLICATION OF STRATA PRODUCTION CO.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No. 22437

**APPLICATION OF STRATA PRODUCTION CO.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No. 22438



FNRU Fed Com 22 23 III 15H
FNRU Fed Com 22 23 PPI 16H

January 6, 2022

Table of Contents

	Tab
Checklists	1
Applications	2
Affidavit of Landman Mitch Krakauskas – Exhibit A	3
Landman Exhibits	4
Exhibit A-1: General Location Map	
Exhibit A-2: Tract Map with Leasehold Owners	
Exhibit A-3: Tract Map with Proration Unit Working Interest Percentages	
Exhibit A-4: Ownership Breakdown	
Exhibit A-5: Chronology of Contacts	
Exhibit A-6: C-102s	
Exhibit A-7: Well Proposal Letter and AFEs	
Affidavit of Geologist Scott Kelley– Exhibit B	5
Geologist Exhibits.....	6
Exhibit B-1: Regional View	
Exhibit B-1b: Delaware Basin Stratigraphic Column	
Exhibit B-2: Base of Brushy Canyon Formation Structure	
Exhibit B-3: Base of Brushy Canyon Structure	
Exhibit B-4: Target Interval on Offset Log	
Exhibit B-5: Cross Section Line	
Exhibit B-6: Structural Cross Section	
Exhibit B-7: Gunbarrel Diagram and Landing Zone	
Affidavit of Notice – Exhibit C	7

Tab 1.

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COMPULSORY POOLING APPLICATION CHECKLIST

ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS

Case: 22437	APPLICANT'S RESPONSE
Date	January 6, 2021
Applicant	Strata Production Company
Designated Operator & OGRID (affiliation if applicable)	21712
Applicant's Counsel:	Montgomery & Andrews, P.A. (Sharon Shaheen & Ricardo Gonzales)
Case Title:	Application of Strata Production Co. for Compulsory Pooling, Eddy County, New Mexico
Entries of Appearance/Intervenors:	None at this time
Well Family	FNRU Fed Com Wells
Formation/Pool	
Formation Name(s) or Vertical Extent:	Delaware Formation
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Delaware Formation
Pool Name and Pool Code:	Forty Niner Ridge; Delaware [24750]
Well Location Setback Rules:	Statewide rules
Spacing Unit Size:	200 acres, more or less
Spacing Unit	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	200 acres, more or less
Building Blocks:	Quarter-quarter section (40 ac)
Orientation:	West-East
Description: TRS/County	NE/4 SE/4 of Section 22 and N/2 S/2 of Section 23, T23S, R30E, Eddy County, NM
Standard Horizontal Well Spacing Unit (Y/N), If No, describe	Yes
Other Situations	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	n/a
Proximity Defining Well: if yes, description	n/a
Applicant's Ownership in Each Tract	Tract 1 (NE/4 SE/4): 54.182%; Tract 2 (N/2 SW/4): 39.25%; Tract 3 (N/2 SE/4): 22.875%; see Exhibits A-2 through A-4
Well(s)	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	

Well #1 <i>Received by OCD: 1/4/2022 4:43:14 PM</i>	FNRU Fed Com 22 23 III 15H, API No. Pending SHL: 2100' FSL and 850' FEL, Section 22, T23S-R30E, NMPM BHL: 1650' FSL and 100' FEL, Section 23, T-23S-R30E, NMPM Completion Target: Brushy Canyon at approx. 7331' Well Orientation: West to East Completion location expected to be standard	<i>Page 5 of 5</i>
Horizontal Well First and Last Take Points	FTP (~2100 FSL and 990' FEL of Section 22, T23S-R30E) LTP (~1650' FSL and 100' FEL of Section 23, T23S-R30E)	
Completion Target (Formation, TVD and MD)	Brushy Canyon - TVD (~7331'), MD (~13,199')	
AFE Capex and Operating Costs		
Drilling Supervision/Month \$	\$8000; see Exhibit A, ¶ 22	
Production Supervision/Month \$	\$800; see Exhibit A, ¶ 22	
Justification for Supervision Costs	Please see AFE at Exhibit A-7	
Requested Risk Charge	200%; see Exhibit A, ¶ 23	
Notice of Hearing		
Proposed Notice of Hearing	Submitted with online filing of Application	
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit C	
Proof of Published Notice of Hearing (10 days before hearing)	n/a	
Ownership Determination		
Land Ownership Schematic of the Spacing Unit	See Exhibits A-2 & A-3	
Tract List (including lease numbers and owners)	See Exhibits A-2 & A-3	
Pooled Parties (including ownership type)	See Exhibit A, ¶ 10	
Unlocatable Parties to be Pooled	None	
Ownership Depth Severance (including percentage above & below)	None	
Joinder		
Sample Copy of Proposal Letter	Exhibit A-7	
List of Interest Owners (ie Exhibit A of JOA)	Exhibit A-4	
Chronology of Contact with Non-Joined Working Interests	Exhibit A-5	
Overhead Rates In Proposal Letter	n/a	
Cost Estimate to Drill and Complete	Exhibit A-7	
Cost Estimate to Equip Well	Exhibit A-7	
Cost Estimate for Production Facilities	Exhibit A-7	
Geology		
Summary (including special considerations)	Exhibit B, ¶¶ 5-15; see Exhibits B-1 through B-7	
Spacing Unit Schematic	Exhibit B-3	
Gunbarrel/Lateral Trajectory Schematic	Exhibit B-7	
Well Orientation (with rationale)	Exhibit B, ¶ 15(d)	
Target Formation	Exhibit B-4	
HSU Cross Section	Exhibit B-5	

<i>Received by OGD: 1/4/2022 4:43:14 PM</i> Dept Severance Discussion	n/a; see Exhibit A, ¶ 15	<i>Page 6 of 5</i>
Forms, Figures and Tables		
C-102	Exhibit A-6	
Tracts	Exhibits A-2 & A-3	
Summary of Interests, Unit Recapitulation (Tracts)	Exhibits A-2 through A-4	
General Location Map (including basin)	Exhibit A-1	
Well Bore Location Map	Exhibit A-3; see Exhibit A-6	
Structure Contour Map - Subsea Depth	Exhibit B-2	
Cross Section Location Map (including wells)	Exhibit B-5	
Cross Section (including Landing Zone)	Exhibits B-6 and B-7	
Additional Information		
Special Provisions/Stipulations	None	
CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.		
Printed Name (Attorney or Party Representative):	Sharon T. Shaheen	
Signed Name (Attorney or Party Representative):	<i>Sharon T. Shaheen</i>	
Date:	1/4/2022	

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COMPULSORY POOLING APPLICATION CHECKLIST

ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS

Case: 22438	APPLICANT'S RESPONSE
Date	January 6, 2021
Applicant	Strata Production Company
Designated Operator & OGRID (affiliation if applicable)	21712
Applicant's Counsel:	Montgomery & Andrews, P.A. (Sharon Shaheen & Ricardo Gonzales)
Case Title:	Application of Strata Production Co. for Compulsory Pooling, Eddy County, New Mexico
Entries of Appearance/Intervenors:	None at this time
Well Family	FNRU Fed Com Wells
Formation/Pool	
Formation Name(s) or Vertical Extent:	Delaware Formation
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Delaware Formation
Pool Name and Pool Code:	Forty Niner Ridge; Delaware [24750]
Well Location Setback Rules:	Statewide rules
Spacing Unit Size:	200 acres, more or less
Spacing Unit	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	200 acres, more or less
Building Blocks:	Quarter-quarter section (40 ac)
Orientation:	West-East
Description: TRS/County	SE/4 SE/4 of Section 22 and S/2 S/2 of Section 23, T23S, R30E, Eddy County, NM
Standard Horizontal Well Spacing Unit (Y/N), If No, describe	Yes
Other Situations	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	n/a
Proximity Defining Well: if yes, description	n/a
Applicant's Ownership in Each Tract	Tract 1 (SE/4 SE/4): 54.182%; Tract 2 (S/2 SW/4): 39.25%; Tract 3 (S/2 SE/4): 22.875%; see Exhibits A-2 through A-4
Well(s)	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	

Well #1 <i>Received by OCD: 1/4/2022 4:43:14 PM</i>	FNRU Fed Com 22 23 PPI 16H, API No. Pending SHL: 330' FSL and 660' FEL, Section 22, T23S-R30E, NMPPM BHL: 330' FSL and 100' FEL, Section 23, T-23S-R30E, NMPPM Completion Target: Brushy Canyon at approx. 7315' Well Orientation: West to East Completion location expected to be standard	<i>Page 8 of 5</i>
Horizontal Well First and Last Take Points	FTP (~330 FSL and 990' FEL of Section 22, T23S-R30E) LTP (~330' FSL and 100' FEL of Section 23, T23S-R30E)	
Completion Target (Formation, TVD and MD)	Brushy Canyon - TVD (~7315'), MD (~12,967')	
AFE Capex and Operating Costs		
Drilling Supervision/Month \$	\$8000; see Exhibit A, ¶ 22	
Production Supervision/Month \$	\$800; see Exhibit A, ¶ 22	
Justification for Supervision Costs	Please see AFE at Exhibit A-7	
Requested Risk Charge	200%; see Exhibit A, ¶ 23	
Notice of Hearing		
Proposed Notice of Hearing	Submitted with online filing of Application	
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit C	
Proof of Published Notice of Hearing (10 days before hearing)	n/a	
Ownership Determination		
Land Ownership Schematic of the Spacing Unit	See Exhibits A-2 & A-3	
Tract List (including lease numbers and owners)	See Exhibits A-2 & A-3	
Pooled Parties (including ownership type)	See Exhibit A, ¶ 10	
Unlocatable Parties to be Pooled	None	
Ownership Depth Severance (including percentage above & below)	None	
Joinder		
Sample Copy of Proposal Letter	Exhibit A-7	
List of Interest Owners (ie Exhibit A of JOA)	Exhibit A-4	
Chronology of Contact with Non-Joined Working Interests	Exhibit A-5	
Overhead Rates In Proposal Letter	n/a	
Cost Estimate to Drill and Complete	Exhibit A-7	
Cost Estimate to Equip Well	Exhibit A-7	
Cost Estimate for Production Facilities	Exhibit A-7	
Geology		
Summary (including special considerations)	Exhibit B, ¶¶ 5-15; see Exhibits B-1 through B-7	
Spacing Unit Schematic	Exhibit B-3	
Gunbarrel/Lateral Trajectory Schematic	Exhibit B-7	
Well Orientation (with rationale)	Exhibit B, ¶ 15(d)	
Target Formation	Exhibit B-4	
HSU Cross Section	Exhibit B-5	

<p><i>Received by OGD: 1/4/2022 4:43:14 PM</i></p> <p>Department Severance Discussion</p>	n/a; see Exhibit A, ¶ 15	<i>Page 9 of 5</i>
Forms, Figures and Tables		
C-102	Exhibit A-6	
Tracts	Exhibits A-2 & A-3	
Summary of Interests, Unit Recapitulation (Tracts)	Exhibits A-2 through A-4	
General Location Map (including basin)	Exhibit A-1	
Well Bore Location Map	Exhibit A-3; see Exhibit A-6	
Structure Contour Map - Subsea Depth	Exhibit B-2	
Cross Section Location Map (including wells)	Exhibit B-5	
Cross Section (including Landing Zone)	Exhibits B-6 and B-7	
Additional Information		
Special Provisions/Stipulations	None	
CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.		
Printed Name (Attorney or Party Representative):	Sharon T. Shaheen	
Signed Name (Attorney or Party Representative):	<i>Sharon T. Shaheen</i>	
Date:	1/4/2022	

Tab 2.

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF STRATA PRODUCTION CO.
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

Case No. _____

APPLICATION

Strata Production Company, OGRID No. 21712 (“Strata”), through its undersigned counsel Montgomery & Andrews, P.A. (Sharon T. Shaheen and Ricardo S. Gonzales), hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order pooling all mineral interests in the Delaware formation (Forty Niner Ridge; Delaware [24750]) in a standard 200-acre, more or less, horizontal spacing and proration unit (“HSU”) comprised of the NE/4 SE/4 of Section 22, Township 23 South, Range 30 East and the N/2 S/2 of Section 23, Township 23 South, Range 30 East in Eddy County, New Mexico. In support of its application, Strata states as follows:

1. Strata is a working interest owner in the proposed HSU and has the right to drill thereon.
2. Strata proposes to drill the following 1.25-mile well in the proposed HSU:
FNRU Fed Com 22 23 ILL 15H well, to be horizontally drilled from an approximate surface hole location 2100’ FSL and 850’ FEL of Section 22, T23S-R30E, to an approximate bottom hole location 1650’ FSL and 100’ FEL of Section 23, T23S-R30E (“FNRU 22 23 ILL 15H”);
3. The NE/4 SE/4 of Section 22 is included in the Fortyniner Ridge Unit. The surface hole of the proposed well is located within the Fortyniner Ridge Unit due to limited availability of

surface locations. The well is located in a potash area. A subsurface pipeline located along the western boundary of Section 23 further limits surface availability.

4. Strata will allocate production to interests in the NE/4 SE/4 of Section 22 in accordance with the Fortyniner Ridge Unit's unitized tract interest.

5. The first and last take points for the proposed well will meet the setback requirements set forth in the statewide rules for horizontal oil wells. The completed lateral for the proposed well complies with the standard setback.

6. Strata has in good faith sought and been unable to obtain voluntary agreement for the development of these lands from all of the mineral interest owners in the HSU.

7. Approval of the HSU and the pooling of all mineral interest owners in the Middle Brushy Canyon formation underlying the HSU will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

8. In order to permit Strata to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this HSU should be pooled and Strata should be designated the operator of the HSU. The only uncommitted interest in this HSU is owned by OXY USA Inc., and OXY USA Inc. is therefore the only interest owner to be pooled in this proceeding.

WHEREFORE, Strata requests that this application be set for hearing before an examiner of the Oil Conservation Division on January 6, 2022, and that, after notice and hearing as required by law, the Division enter an order:

- A. Creating a standard 200-acre, more or less, HSU comprised of the NE/4 SE/4 of Section 22, Township 23 South, Range 30 East and the N/2 S/2 of Section 23, Township 23 South, Range 30 East in Eddy County, New Mexico;
- B. Pooling all mineral interests in the Delaware formation underlying the HSU;

- C. Allowing the drilling of the following 1.25-mile well in the proposed HSU: FNRU 22 23 ILL 15H;
- D. Designating Strata as operator of the HSU and the well to be drilled thereon;
- E. Authorizing Strata to recover its costs of drilling, equipping and completing the well;
- F. Approving the operating charges and costs of supervision while drilling of \$8,000/month and, after completion, \$800/month, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- G. Imposing a 200% penalty for the risk assumed by Strata in drilling and completing the well against any interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

/s/ Sharon T. Shaheen

Sharon T. Shaheen

Ricardo S. Gonzales

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Attorneys for Strata Production Company

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF STRATA PRODUCTION CO.
FOR COMPULSORY POOLING,
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Case No. _____

APPLICATION

Strata Production Company, OGRID No. 21712 (“Strata”), through its undersigned counsel Montgomery & Andrews, P.A. (Sharon T. Shaheen and Ricardo S. Gonzales), hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order pooling all mineral interests in the Delaware formation (Forty Niner Ridge; Delaware [24750]) in a standard 200-acre, more or less, horizontal spacing and proration unit (“HSU”) comprised of the SE/4 SE/4 of Section 22, Township 23 South, Range 30 East and the S/2 S/2 of Section 23, Township 23 South, Range 30 East in Eddy County, New Mexico. In support of its application, Strata states as follows:

1. Strata is a working interest owner in the proposed HSU and has the right to drill thereon.
2. Strata proposes to drill the following 1.25-mile well in the proposed HSU: **FNRU Fed Com 22 23 PPI 16H** well, to be horizontally drilled from an approximate surface hole location 330’ FSL and 660’ FEL of Section 22, T23S-R30E, to an approximate bottom hole location 330’ FSL and 100’ FEL of Section 23, T23S-R30E (“FNRU 22 23 PPI 16H”);
3. The SE/4 SE/4 of Section 22 is included in the Fortyniner Ridge Unit. The surface hole of the proposed well is located within the Fortyniner Ridge Unit due to limited availability of

surface locations. The well is located in a potash area. A subsurface pipeline located along the western boundary of Section 23 further limits surface availability.

4. Strata will allocate production to interests in the SE/4 SE/4 of Section 22 in accordance with the Fortyniner Ridge Unit's unitized tract interest.

5. The first and last take points for the proposed well will meet the setback requirements set forth in the statewide rules for horizontal oil wells. The completed lateral for the proposed well complies with the standard setback.

6. Strata has in good faith sought and been unable to obtain voluntary agreement for the development of these lands from all of the mineral interest owners in the HSU.

7. Approval of the HSU and the pooling of all mineral interest owners in the Middle Brushy Canyon formation underlying the HSU will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

8. In order to permit Strata to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this HSU should be pooled and Strata should be designated the operator of the HSU. The only uncommitted interest in this HSU is owned by OXY USA Inc., and OXY USA Inc. is therefore the only interest owner to be pooled in this proceeding.

WHEREFORE, Strata requests that this application be set for hearing before an examiner of the Oil Conservation Division on January 6, 2022, and that, after notice and hearing as required by law, the Division enter an order:

- A. Creating a standard 200-acre, more or less, HSU comprised of the SE/4 SE/4 of Section 22, Township 23 South, Range 30 East and the S/2 S/2 of Section 23, Township 23 South, Range 30 East in Eddy County, New Mexico;
- B. Pooling all mineral interests in the Delaware formation underlying the HSU;

- C. Allowing the drilling of the following 1.25-mile well in the proposed HSU: FNRU 22 23 PPI 16H;
- D. Designating Strata as operator of the HSU and the well to be drilled thereon;
- E. Authorizing Strata to recover its costs of drilling, equipping and completing the well;
- F. Approving the operating charges and costs of supervision while drilling of \$8,000/month and, after completion, \$800/month, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- G. Imposing a 200% penalty for the risk assumed by Strata in drilling and completing the well against any interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

/s/ Sharon T. Shaheen

Sharon T. Shaheen

Ricardo S. Gonzales

Post Office Box 2307

Santa Fe, NM 87504-2307

(505) 986-2678

sshaheen@montand.com

rgonzales@montand.com

Attorneys for Strata Production Company

Tab 3.

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF STRATA PRODUCTION CO.
FOR COMPULSORY POOLING,
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Case No. 22437

**APPLICATION OF STRATA PRODUCTION CO.
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

Case No. 22438

AFFIDAVIT OF LANDMAN MITCH KRAKAUSKAS

I, Mitch Krakauskas, being first duly sworn, do hereby depose and attest as follows:

1. I am over the age of eighteen and have personal knowledge of the matters stated herein.

2. I am employed as the Vice President of Strata Production Company (“Strata” or “Applicant”), and I am familiar with the subject applications and the lands involved.

3. This affidavit is submitted in connection with the filing by Strata of the above-referenced compulsory pooling applications pursuant to 19.15.4.12.A(1) NMAC

4. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum land matters. My credentials as a petroleum landman have been accepted by the Division and made a matter of record. My education and work experience are as follows: I graduated from New Mexico State University with a bachelor’s degree in Agricultural Business and Economics in December 2005. After graduation, I worked as an independent petroleum landman from January 2006 to March 2009, working throughout New Mexico, Texas, Colorado and Arizona. I have worked for Strata since April 2009. I have worked on New Mexico land matters for approximately fifteen years. I am a Certified Professional Landman through the American Association of Professional Landmen.

Exhibit A

5. The purpose of this application is to force pool working interest owners into the horizontal spacing units (“HSU”) described below, and in the wells to be drilled in the HSUs.

6. In Case No. **22437**, Applicant seeks an order from the Division pooling all uncommitted mineral interests in the Delaware formation (Forty Niner Ridge; Delaware [24750]) in a standard 200-acre, more or less, horizontal spacing and proration unit (“HSU”) comprised of the NE/4 SE/4 of Section 22, Township 23 South, Range 30 East and the N/2 S/2 of Section 23, Township 23 South, Range 30 East in Eddy County, New Mexico. The HSU will be dedicated to the FNRU Fed Com 22 23 III 15H well,¹ to be horizontally drilled from an approximate surface hole location 2100’ FSL and 850’ FEL of Section 22, T23S-R30E, to an approximate bottom hole location 1650’ FSL and 100’ FEL of Section 23, T23S-R30E. The first take point will be located at approximately 2100’ FSL and 990’ FEL of Section 22, T23S-R30E. The last take point will be located at approximately 1650’ FSL and 100’ FEL of Section 23, T23S-R30E.

7. In Case No. **22438**, Applicant seeks an order from the Division pooling all uncommitted mineral interests in the Delaware formation (Forty Niner Ridge; Delaware [24750]) in a standard 200-acre, more or less, horizontal spacing and proration unit (“HSU”) comprised of the SE/4 SE/4 of Section 22, Township 23 South, Range 30 East and the S/2 S/2 of Section 23, Township 23 South, Range 30 East in Eddy County, New Mexico. Applicant proposes to drill the following well: FNRU Fed Com 22 23 PPI 16H well, to be horizontally drilled from an approximate surface hole location 330’ FSL and 660’ FEL of Section 22, T23S-R30E, to an approximate bottom hole location 330’ FSL and 100’ FEL of Section 23, T23S-R30E. The first take point will be located at approximately 330’ FSL and 990’ FEL of Section 22, T23S-R30E.

¹ The application in Case No. 22437 mistakenly referred to the FNRU Fed Com 22 23 ILL 15H. The correct well name is the FNRU Fed Com 22 23 III 15H.

The last take point will be located at approximately 330' FSL and 100' FEL of Section 23, T23S-R30E.

8. The first and last take points and completed laterals will meet the setback requirements set forth in the statewide rules for horizontal oil wells.

9. The NE/4 SE/4 of Section 22 is included in the Fortyniner Ridge Unit ("FNRU"). The surface holes of the proposed wells are located within the FNRU due to limited availability of surface locations. The wells are located in a potash area. A subsurface pipeline located along the western boundary of Section 23 further limits surface availability. Strata is the designated sub-operator of the Delaware formation for the FNRU under the Forty Niner Ridge Unit Agreement, Eddy County, New Mexico, BLM Contract No. 14-08-0001-1246, dated July 1, 1973. Strata will allocate production to interests in the NE/4 SE/4 of Section 22 in accordance with the FNRU's unitized tract interest.

10. No opposition is expected. OXY USA, Inc. ("OXY"), an uncommitted working interest owner, was contacted regarding the proposed well. Strata continues to work toward a voluntary agreement with OXY, which is the only interest owner sought to be pooled in this proceeding.

11. A general location map is attached as **Exhibit A-1**.

12. Maps illustrating the tracts in the proposed HSUs and the ownership of each individual tract can be found in the exhibit package as **Exhibit A-2**.

13. Maps illustrating the unit ownership can be found in the exhibit package as **Exhibit A-3**.

14. The ownership breakdown of interests and a list of parties to be pooled can be found at **Exhibit A-4**.

15. A depth severance does not exist.
16. A chronology of contacts with OXY is attached as **Exhibit A-5**.
17. The location of the proposed wells within the respective HSUs is depicted in the draft C-102 Forms attached as **Exhibit A-6**. The draft C-102 Forms also indicate the locations of each surface hole, bottom hole, and the first and last take points.
18. I have conducted a diligent search of the public records in Eddy County, New Mexico, where the wells will be located, and conducted phone directory and computer searches to obtain contact information for parties entitled to notification. I mailed OXY a well proposal, including an Authorization for Expenditure (“AFE”), for each well.
19. **Exhibit A-7** is a copy of the well proposal letter and AFEs for the proposed wells that were attached thereto. The estimated costs of the wells set forth in the AFEs are fair, reasonable, and comparable to the costs of other wells of similar depths and lengths drilled in this area of New Mexico.
20. **Exhibit A-8** includes a copy of the notice letter that was sent with the Application to all of the uncommitted interest owners in the proposed HSU.
21. Strata has made a good faith effort to obtain voluntary joinder of the working interest owners in the proposed wells.
22. Strata requests the Division to approve operating charges and costs of supervision while drilling of \$8,000/month and, after completion, \$800/month, together with a provision adjusting the rates pursuant to the COPAS accounting procedures.
23. Strata requests the maximum cost, plus 200% risk charge, be assessed against non-consenting working interest owners.
24. Strata requests that it be designated operator of the wells.

25. The exhibits attached hereto were prepared by me, or compiled from Strata's business records.

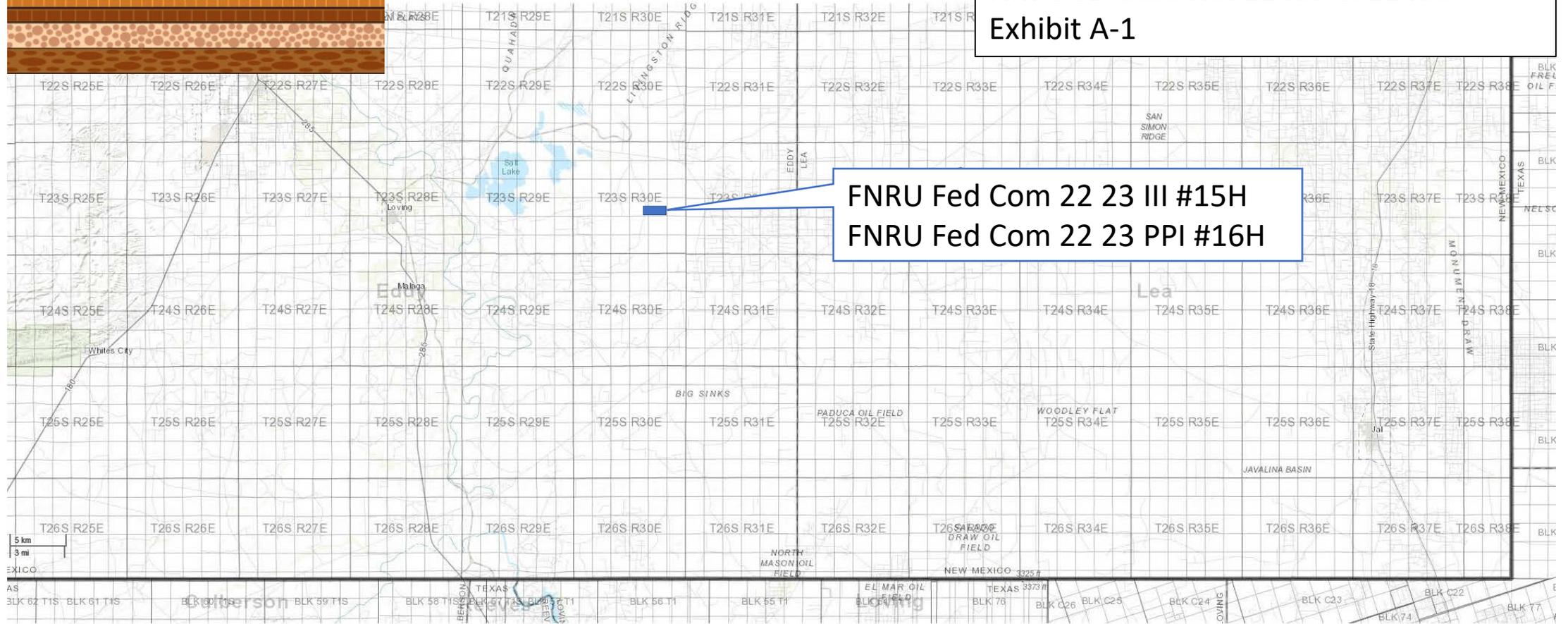
26. The granting of the Application is in the interests of conservation, the prevention of waste, and the protection of correlative rights.

27. The foregoing is correct and complete to the best of my knowledge and belief.

Tab 4.



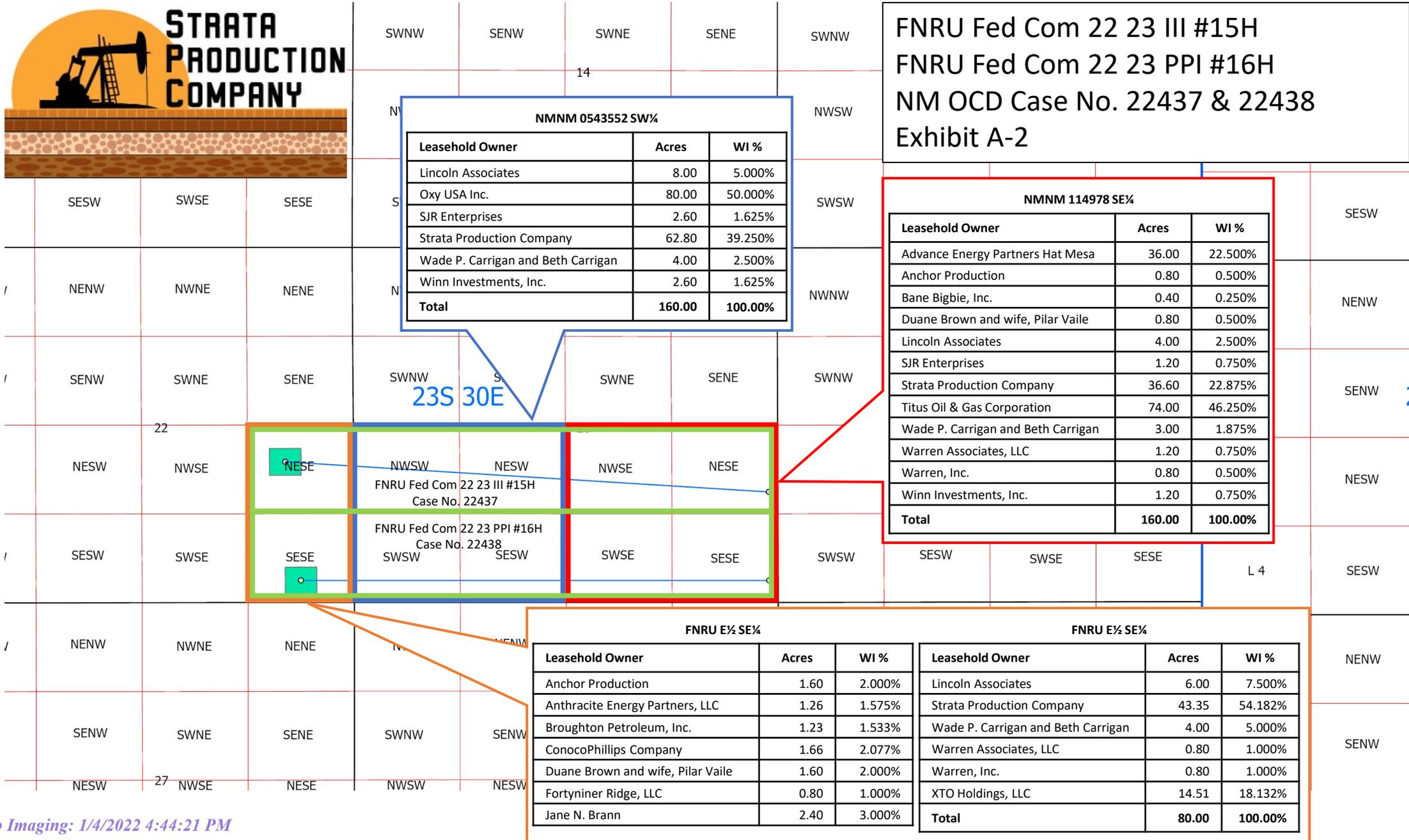
FNRU Fed Com 22 23 III #15H
 FNRU Fed Com 22 23 PPI #16H
 NM OCD Case No. 22437 & 22438
 Exhibit A-1



FNRU Fed Com 22 23 III #15H
 FNRU Fed Com 22 23 PPI #16H



FNRU Fed Com 22 23 III #15H
 FNRU Fed Com 22 23 PPI #16H
 NM OCD Case No. 22437 & 22438
 Exhibit A-2

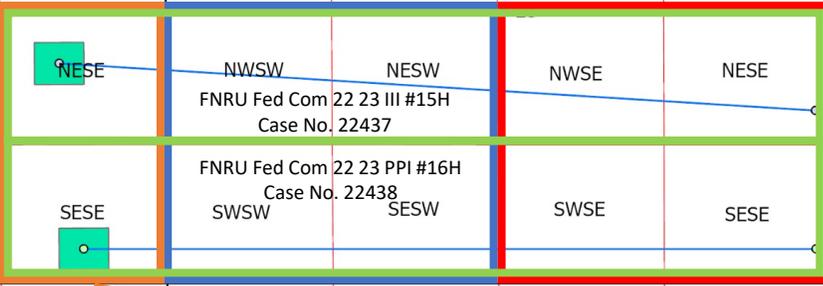


NMNM 054352 SW%

Leasehold Owner	Acres	WI %
Lincoln Associates	8.00	5.000%
Oxy USA Inc.	80.00	50.000%
SJR Enterprises	2.60	1.625%
Strata Production Company	62.80	39.250%
Wade P. Carrigan and Beth Carrigan	4.00	2.500%
Winn Investments, Inc.	2.60	1.625%
Total	160.00	100.00%

NMNM 114978 SE%

Leasehold Owner	Acres	WI %
Advance Energy Partners Hat Mesa	36.00	22.500%
Anchor Production	0.80	0.500%
Bane Bigbie, Inc.	0.40	0.250%
Duane Brown and wife, Pilar Vaile	0.80	0.500%
Lincoln Associates	4.00	2.500%
SJR Enterprises	1.20	0.750%
Strata Production Company	36.60	22.875%
Titus Oil & Gas Corporation	74.00	46.250%
Wade P. Carrigan and Beth Carrigan	3.00	1.875%
Warren Associates, LLC	1.20	0.750%
Warren, Inc.	0.80	0.500%
Winn Investments, Inc.	1.20	0.750%
Total	160.00	100.00%



FNRU E 1/2 SE%

Leasehold Owner	Acres	WI %
Anchor Production	1.60	2.000%
Anthrachte Energy Partners, LLC	1.26	1.575%
Broughton Petroleum, Inc.	1.23	1.533%
ConocoPhillips Company	1.66	2.077%
Duane Brown and wife, Pilar Vaile	1.60	2.000%
Fortyniner Ridge, LLC	0.80	1.000%
Jane N. Brann	2.40	3.000%
Total	80.00	100.00%

FNRU E 1/2 SE%

Leasehold Owner	Acres	WI %
Lincoln Associates	6.00	7.500%
Strata Production Company	43.35	54.182%
Wade P. Carrigan and Beth Carrigan	4.00	5.000%
Warren Associates, LLC	0.80	1.000%
Warren, Inc.	0.80	1.000%
XTO Holdings, LLC	14.51	18.132%
Total	80.00	100.00%



FNRU Fed Com 22 23 III #15H
 FNRU Fed Com 22 23 PPI #16H
 NM OCD Case No. 22437 & 22438
 Exhibit A-3



**FNRU Fed Com 22 23 III #15H
 Case No. 22437
 Proration Unit WI %**

Leasehold Owner	Acres	WI %
Advance Energy Partners Hat Mesa	36.000	9.0000%
Anchor Production	2.400	0.6000%
Anthracite Energy Partners, LLC	1.260	0.3151%
Bane Bigbie, Inc.	0.400	0.1000%
Broughton Petroleum, Inc.	1.226	0.3065%
ConocoPhillips Company	1.662	0.4155%
Duane Brown and wife, Pilar Vaile	2.400	0.6000%
Fortyniner Ridge, LLC	0.800	0.2000%
Jane N. Brann	2.400	0.6000%

Lincoln Associates	18.000	4.5000%
Oxy USA Inc.	80.000	20.0000%
SJR Enterprises	3.8000	0.9500%
Strata Production Company	142.746	35.6865%
Titus Oil & Gas Corporation	74.000	18.5000%
Wade P. Carrigan and Beth Carrigan	11.000	2.7500%
Warren Associates, LLC	2.000	0.5000%
Warren, Inc.	1.600	0.4000%
Winn Investments, Inc.	3.800	0.9500%
XTO Holdings, LLC	14.506	3.6264%
Total	400.00	100.000%

**FNRU Fed Com 22 23 PPI #16H
 Case No. 22438
 Proration Unit WI %**

Leasehold Owner	Acres	WI %
Advance Energy Partners Hat Mesa	36.000	9.0000%
Anchor Production	2.400	0.6000%
Anthracite Energy Partners, LLC	1.260	0.3151%
Bane Bigbie, Inc.	0.400	0.1000%
Broughton Petroleum, Inc.	1.226	0.3065%
ConocoPhillips Company	1.662	0.4155%
Duane Brown and wife, Pilar Vaile	2.400	0.6000%
Fortyniner Ridge, LLC	0.800	0.2000%
Jane N. Brann	2.400	0.6000%

Lincoln Associates	18.000	4.5000%
Oxy USA Inc.	80.000	20.0000%
SJR Enterprises	3.8000	0.9500%
Strata Production Company	142.746	35.6865%
Titus Oil & Gas Corporation	74.000	18.5000%
Wade P. Carrigan and Beth Carrigan	11.000	2.7500%
Warren Associates, LLC	2.000	0.5000%
Warren, Inc.	1.600	0.4000%
Winn Investments, Inc.	3.800	0.9500%
XTO Holdings, LLC	14.506	3.6264%
Total	400.00	100.000%



FNRU Fed Com 22 23 III #15H
 FNRU Fed Com 22 23 PPI #16H
 NM OCD Case No. 22437 & 22438
 Exhibit A-4

CONTRACT AREA FNRU FED COM 22 23 III #15H – Case No. 22437:

NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Sec. 22-23S-30E and N $\frac{1}{2}$ S $\frac{1}{2}$ of Sec. 23-23S-30E, Eddy County, New Mexico, 200.00 acres, more or less

UNIT INTEREST OF THE PARTIES:

Interest Owners:	Net Acres	WI %
Advance Energy Partners Hat Mesa, LLC	18.000	9.0000%
Anchor Production	1.200	0.6000%
Anthracite Energy Partners, LLC	0.630	0.3151%
Bane Bigbie, Inc.	0.200	0.1000%
Broughton Petroleum, Inc.	0.613	0.3065%
ConocoPhillips Company	0.831	0.4155%
Duane Brown and wife, Pilar Vaile	1.200	0.6000%
Fortyniner Ridge, LLC	0.400	0.2000%
Jane N. Brann	1.200	0.6000%
Lincoln Associates	9.000	4.5000%
Oxy USA Inc.	40.000	20.0000%
SJR Enterprises	1.900	0.9500%
Strata Production Company	71.373	35.6865%
Titus Oil & Gas Corporation	37.000	18.5000%
Wade P. Carrigan and Beth Carrigan	5.500	2.7500%
Warren Associates, LLC	1.000	0.5000%
Warren, Inc.	0.800	0.4000%
Winn Investments, Inc.	1.900	0.9500%
XTO Holdings, LLC	7.253	3.6264%
Total	200.00	100.000%

TRACT INTEREST OF THE PARTIES:

Tract 1 (NE¼SE¼ of Sec. 22-23S-30E, 40.00 acres, more or less)

Interest Owners:	Net Acres	WI %
Anchor Production	0.800	2.000%
Anthracite Energy Partners, LLC	0.630	1.575%
Broughton Petroleum, Inc.	0.615	1.533%
ConocoPhillips Company	0.830	2.077%
Duane Brown and wife, Pilar Vaile	0.800	2.000%
Fortyniner Ridge, LLC	0.400	1.000%
Jane N. Brann	1.200	3.000%
Lincoln Associates	3.000	7.500%
Strata Production Company	21.675	54.182%
Wade P. Carrigan and Beth Carrigan	2.000	5.000%
Warren Associates, LLC	0.400	1.000%
Warren, Inc.	0.400	1.000%
XTO Holdings, LLC	7.255	18.132%
Total	40.00	100.000%

Tract 2 (N½SW¼ of Sec. 23-23S-30E, 80.00 acres, more or less)

Interest Owners:	Net Acres	WI %
Lincoln Associates	4.000	5.000%
Oxy USA Inc.	40.000	50.000%
SJR Enterprises	1.300	1.625%
Strata Production Company	31.400	39.250%
Wade P. Carrigan and Beth Carrigan	2.000	2.500%
Winn Investments, Inc.	1.300	1.625%
Total	80.00	100.000%

Tract 3 (N½SE¼ of Sec. 23-23S-30E, 80.00 acres, more or less)

Interest Owners:	Net Acres	WI %
Advance Energy Partners Hat Mesa	18.000	22.500%
Anchor Production	0.400	0.500%
Bane Bigbie, Inc.	0.200	0.250%
Duane Brown and wife, Pilar Vaile	0.400	0.500%
Lincoln Associates	2.000	2.500%
SJR Enterprises	0.600	0.750%
Strata Production Company	18.300	22.875%
Titus Oil & Gas Corporation	37.000	46.250%
Wade P. Carrigan and Beth Carrigan	1.500	1.875%
Warren Associates, LLC	0.600	0.750%
Warren, Inc.	0.400	0.500%
Winn Investments, Inc.	0.600	0.750%
Total	80.00	100.000%

CONTRACT AREA FNRU FED COM 22 23 PPI #16H – Case No. 22438:

SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Sec. 22-23S-30E and S $\frac{1}{2}$ S $\frac{1}{2}$ of Sec. 23-23S-30E, Eddy County, New Mexico, 200.00 acres, more or less

UNIT INTEREST OF THE PARTIES:

Interest Owners:	Net Acres	WI %
Advance Energy Partners Hat Mesa, LLC	18.000	9.0000%
Anchor Production	1.200	0.6000%
Anthracite Energy Partners, LLC	0.630	0.3151%
Bane Bigbie, Inc.	0.200	0.1000%
Broughton Petroleum, Inc.	0.613	0.3065%
ConocoPhillips Company	0.831	0.4155%
Duane Brown and wife, Pilar Vaile	1.200	0.6000%
Fortyniner Ridge, LLC	0.400	0.2000%
Jane N. Brann	1.200	0.6000%
Lincoln Associates	9.000	4.5000%
Oxy USA Inc.	40.000	20.0000%
SJR Enterprises	1.900	0.9500%
Strata Production Company	71.373	35.6865%
Titus Oil & Gas Corporation	37.000	18.5000%
Wade P. Carrigan and Beth Carrigan	5.500	2.7500%
Warren Associates, LLC	1.000	0.5000%
Warren, Inc.	0.800	0.4000%
Winn Investments, Inc.	1.900	0.9500%
XTO Holdings, LLC	7.253	3.6264%
Total	200.00	100.000%

TRACT INTEREST OF THE PARTIES:Tract 1 (SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Sec. 22-23S-30E, 40.00 acres, more or less)

Interest Owners:	Net Acres	WI %
Anchor Production	0.800	2.000%
Anthracite Energy Partners, LLC	0.630	1.575%
Broughton Petroleum, Inc.	0.615	1.533%
ConocoPhillips Company	0.830	2.077%
Duane Brown and wife, Pilar Vaile	0.800	2.000%
Fortyniner Ridge, LLC	0.400	1.000%
Jane N. Brann	1.200	3.000%
Lincoln Associates	3.000	7.500%
Strata Production Company	21.675	54.182%
Wade P. Carrigan and Beth Carrigan	2.000	5.000%
Warren Associates, LLC	0.400	1.000%
Warren, Inc.	0.400	1.000%
XTO Holdings, LLC	7.255	18.132%
Total	40.00	100.000%

Tract 2 (S $\frac{1}{2}$ SW $\frac{1}{4}$ of Sec. 23-23S-30E, 80.00 acres, more or less)

Interest Owners:	Net Acres	WI %
Lincoln Associates	4.000	5.000%
Oxy USA Inc.	40.000	50.000%
SJR Enterprises	1.300	1.625%
Strata Production Company	31.400	39.250%
Wade P. Carrigan and Beth Carrigan	2.000	2.500%
Winn Investments, Inc.	1.300	1.625%
Total	80.00	100.000%

Tract 3 (S $\frac{1}{2}$ SE $\frac{1}{4}$ of Sec. 23-23S-30E, 80.00 acres, more or less)

Interest Owners:	Net Acres	WI %
Advance Energy Partners Hat Mesa	18.000	22.500%
Anchor Production	0.400	0.500%
Bane Bigbie, Inc.	0.200	0.250%
Duane Brown and wife, Pilar Vaile	0.400	0.500%
Lincoln Associates	2.000	2.500%
SJR Enterprises	0.600	0.750%
Strata Production Company	18.300	22.875%
Titus Oil & Gas Corporation	37.000	46.250%
Wade P. Carrigan and Beth Carrigan	1.500	1.875%
Warren Associates, LLC	0.600	0.750%
Warren, Inc.	0.400	0.500%
Winn Investments, Inc.	0.600	0.750%
Total	80.00	100.000%

OIL AND GAS LEASES SUBJECT TO THIS AGREEMENT:

Tract 1¹:

Lessor: State of New Mexico
Lessee: Malco Refineries, Inc.
Serial No.: E-5229
Date: May 10, 1951
Description: E $\frac{1}{2}$ SE $\frac{1}{4}$ of Sec. 22-23S-30E, Eddy County, New Mexico, 80.00 acres, more or less

Tract 2:

Lessor: United State of America
Lessee: Messrs G. Burke and H. McCall
Serial No.: NMNM 0543552
Date: June 1, 1964
Description: SW $\frac{1}{4}$ of Sec. 23-23S-30E, Eddy County, New Mexico, 160.00 acres, more or less

Tract 3²:

Lessor: United State of America
Lessee: Rubicon Oil & Gas II, L.P.
Serial No.: NMNM 114978
Date: December 1, 2005
Description: SE $\frac{1}{4}$ of Sec. 23-23S-30E, Eddy County, New Mexico, 160.00 acres, more or less

¹ This tract is part of the Fortyniner Ridge Unit and is subject to the Unit Operating Agreement dated July 1, 1973. Strata is sub-operator from the surface to base of the Delaware formation and the Delaware Participating Area.

² This tract is subject to a Joint Operating Agreements dated September 1, 2005, April 3, 2006 and January 1, 2008 naming Strata Production Company as Operator or Strata has assumed Operatorship per those agreements.



FNRU Fed Com 22 23 III #15H
FNRU Fed Com 22 23 PPI #16H
NM OCD Case No. 22437 & 22438
Exhibit A-5

Interest Owner: Oxy USA Inc.

Contact Type: Phone, Email, USPS

Notes: Contacted Matthew Cole regarding the proposed development on March 16, 2021. Continued to discuss with Mr. Cole for 9 months and sent proposals and discussed the possibility of a farmout or JOA covering these lands naming Strata as Operator. Sent formal proposal on September 2, 2021 and continued discussions via phone. Mr. Cole continued to say his team was looking into this, but he could not get a response out of them. On November 10, 2021 Mr. Cole informed me that it would be months before they could give me an answer as they did not have an approved 2022 budget for the area. He informed me that the best path forward was compulsory pooling, it was the only way his team would evaluate the proposals. On November 11, 2021, I informed Mr. Cole that we were moving forward with pooling and asked if he had a JOA that Oxy would like to use so we could avoid the pooling process. This was the last communication I had with Oxy and never heard back.

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources
OIL CONSERVATION
1220 South St. Santa Fe, NM 87505

FNRU Fed Com 22 23 III #15H
FNRU Fed Com 22 23 PPI #16H
NM OCD Case No. 22437 & 22438
Exhibit A-6

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code 24750		3 Pool Name Forty Niner Ridge; Delaware					
4 Property Code		5 Property Name FNRU 22/23 III				6 Well Number 15H			
7 OGRID NO. 21712		8 Operator Name STRATA PRODUCTION COMPANY				9 Elevation 3220'			
10 Surface Location									
UL or lot no. I	Section 22	Township 23S	Range 30E	Lot Idn	Feet from the 2100	North/South line SOUTH	Feet From the 850	East/West line EAST	County EDDY
11 Bottom Hole Location If Different From Surface									
UL or lot no. I	Section 23	Township 23S	Range 30E	Lot Idn	Feet from the 1650	North/South line SOUTH	Feet from the 100	East/West line EAST	County EDDY
12 Dedicated Acres 200		13 Joint or Infill		14 Consolidation Code		15 Order No.			

No allowable will be assigned to this completion until all interest have been consolidated or a non-standard unit has been approved by the division.

CORNER DATA
NAD 83 GRID - NM EAST

A: FOUND BRASS CAP "1942" N: 467055.4 - E: 682172.6	H: FOUND BRASS CAP "1942" N: 469750.0 - E: 692862.1
B: FOUND BRASS CAP "1942" N: 469704.3 - E: 682151.4	I: CALCULATED CORNER N: 467108.3 - E: 692881.7
C: FOUND BRASS CAP "1942" N: 472352.8 - E: 682132.3	J: FOUND BRASS CAP "1942" N: 467097.4 - E: 690206.2
D: FOUND BRASS CAP "1942" N: 472364.0 - E: 684804.5	K: FOUND BRASS CAP "1942" N: 467084.8 - E: 687530.3
E: FOUND BRASS CAP "1942" N: 472376.5 - E: 687479.5	L: FOUND BRASS CAP "1942" N: 467070.0 - E: 684851.5
F: FOUND BRASS CAP "1942" N: 472383.4 - E: 690160.9	M: FOUND BRASS CAP "1942" N: 469732.1 - E: 687504.4
G: FOUND BRASS CAP "1942" N: 472390.8 - E: 692844.2	

17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

7.1.2021

Signature: *Mitch Krakauskas* Date

Printed Name: Mitch Krakauskas

E-mail Address: Mitch@StrataNM.Com

GEODETTIC DATA
NAD 83 GRID - NM EAST

SURFACE LOCATION
N: 469179.5 - E: 686659.9
LAT: 32.2889725° N
LONG: 103.8630546° W

GEODETTIC DATA
NAD 83 GRID - NM EAST

BOTTOM HOLE
N: 468757.4 - E: 692769.5
LAT: 32.2877372° N
LONG: 103.8432902° W

18 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.

07-01-2021

Date of Survey

Signature and Seal of Professional Surveyor: *Robert M. Howett*

19680

Certificate Number

Job No: LS21060667

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

September 2, 2021

To: OXY USA Inc.
P. O. Box 27570
Houston, TX 77227

FNRU Fed Com 22 23 III #15H
FNRU Fed Com 22 23 PPI #16H
NM OCD Case No. 22437 & 22438
Exhibit A-7

Subject: Roadrunner Federal Com 23 ILL #5H
Roadrunner Federal Com 23 PML #6H
FNRU Federal Com 22 23 III #15H
FNRU Federal Com 22 23 PPI #16H

Dear Sir/Madam:

Strata Production Company (“Strata”) proposes the drilling and completion of the Roadrunner Federal Com 23 ILL #5H, Roadrunner Federal Com 23 PML #6H, FNRU Federal Com 22 23 III #15H, FNRU Federal Com 22 23 PPI #16H (collectively, the “Wells”) located in Sections 22 & 23, Township 23 South, Range 30 East, Eddy County, New Mexico.

In connection with the above, please note the following:

The estimated cost of drilling, testing, completing, and equipping of each well is itemized on the four (4) enclosed Authority for Expenditures (“AFE”) dated July 19, 2021.

Roadrunner Federal Com 23 ILL #5H: To be drilled from the legal location with a proposed surface hole location 1980’ FSL and 330’ FEL and a proposed bottom hole location of 2310’ FSL and 100’ FWL of Section 23, Township 23 South, Range 30 East. The well will have a targeted interval within the lower Brushy Canyon (L Zone – 7649’ TVD) and will be drilled horizontally to a measured depth of approximately 12403’.

Roadrunner Federal Com 23 PML #6H: To be drilled from the legal location with a proposed surface hole location 860’ FSL and 530’ FEL and a proposed bottom hole location of 990’ FSL and 100’ FWL of Section 23, Township 23 South, Range 30 East. The well will have a targeted interval within the lower Brushy Canyon (L Zone – 7643’ TVD) and will be drilled horizontally to a measured depth of approximately 12691’.

FNRU Federal Com 22 23 III #15H: To be drilled from the legal location with a proposed surface hole location 2100’ FSL and 850’ FEL of section 22 and a proposed bottom hole location of 1650’ FSL and 100’ FEL of Section 23, Township 23 South, Range 30 East. The well will have a targeted interval within the middle Brushy Canyon (I Zone – 7331’ TVD) and will be drilled horizontally to a measured depth of approximately 13199’.

FNRU Federal Com 22 23 PPI #16H: To be drilled from the legal location with a proposed surface hole location 330’ FSL and 660’ FEL of section 22 and a proposed bottom hole location of 330’ FSL and 100’ FEL of Section 23, Township 23 South, Range 30 East. The well will have a targeted interval within the middle Brushy Canyon (I Zone – 7315’) and will be drilled horizontally to a measured depth of approximately 12967’.

Strata reserves the right to modify the locations and drilling plans described above in order to address regulatory requirements. Strata will advise you of any such modifications.

Strata is proposing to drill the Wells under the terms of the modified 1989 AAPL form Operating Agreement (“JOA”). The JOA dated September 1, 2021, by and between Strata Production Company, as Operator and Oxy USA Inc. as Non-Operator, covers Section 23: W½ and Section 26: N½, Township 23 South, Range 30 East, Eddy County, New Mexico, being 640 acres, more or less, with the following general provisions:

- 100%/300%/300% Non-consent penalty;
- \$8,000/\$800 Drilling and producing rate;
- Strata Production Company named as Operator from the surface to base of the Delaware Formation.

Strata requests that you indicate your election in the drilling and completion of the Wells on each AFE, sign and return one copy of each AFE to the undersigned within thirty (30) days of receipt of this notice. Please be aware that the enclosed AFEs are only an estimate of costs to be incurred and by electing to participate in the Wells, each working interest owner shall be responsible for its proportionate share of all costs incurred.

If you are interested in divesting of your interest or wish to discuss this proposal further, please contact myself at (575) 622-1127 ext. 23 or by email mitch@stratanm.com.

Sincerely,



Mitch Krakauskas
Vice President

Enclosures: as stated

STRATA PRODUCTION COMPANY

AUTHORITY FOR EXPENDITURE ESTIMATED WELL COSTS

WELL NAME AND NUMBER Roadrunner Federal Com 23 ILL #5H	AFE NUMBER FNR-23-23-30-5I-0721	DATE 8/17/2021
LOCATION: SHL 1980' FSL & 330' FEL Sec 23-T23S-R30E BHL 2310' FSL & 100' FWL Sec 23-T23S-R30E	FIELD Forty Niner Ridge Delaware	
API NUMBER TBD	COUNTY OR PARISH Eddy	STATE New Mexico
PROJECT DESCRIPTION AND LOCATION DRILL A NEW WELL WITH A HORIZONTAL LATERAL IN THE DELAWARE L SAND, TVD 7,649' AND MD 12,403'. FRAC IN 20+ STAGES WITH +/- 3,000,000 LBS 16/30 COOLSET (RC) SAND & BORATE CROSS LINK GEL	SECTION 23	TOWNSHIP 23S
	RANGE 30E	
	PROPOSED FORMATION Delaware	PROPOSED DEPTH 7,649' TVD / 12403' MD

ACCT CODE	INTANGIBLES	DRY HOLE	RUN CSG	TOTAL
	Drilling - Footage Ft. @ \$ /Ft.			
	Drilling - Day Work - BCP 16 Days @ \$ 18000 /Day	\$288,000		\$288,000
	Drilling - Day Work - ACP 4 Days @ \$ 18000 /Day		\$72,000	\$72,000
	Completion Rig, Power Swivel, and Reverse Unit etc		\$133,000	\$133,000
	Mobilization & Demobilization- Other Contractors Charges	\$200,000		\$200,000
	Location, Roads, Pits, Survey, Permits, Cleanup, Damages & Title Opinion	\$139,000	\$500	\$139,500
	Drill Bits, Coring & DST	\$65,000	\$5,000	\$70,000
	Transportation and Hauling	\$24,500	\$6,000	\$30,500
	Drilling Mud, Chemicals & Completion Fluids	\$82,700	\$12,500	\$95,200
	Fuel, Power, Water	\$111,000	\$230,000	\$341,000
	Cementing Services, Cementing Equipment, Hangers; Packers	\$120,250	\$90,500	\$210,750
	Mud Logging	\$31,500		\$31,500
	Open Hole Logging and Side Wall Coring	\$65,000		\$65,000
	Cased Hole Logging and Perforating		\$120,000	\$120,000
	Equipment Rental Including Solids Control, Closed Loop & Directional Services	\$405,251	\$44,000	\$449,251
	Insurance	\$23,125		\$23,125
	Other Well Services, NU/BOP, Casing Inspection	\$49,500	\$50,500	\$100,000
	Overhead	\$10,000	\$5,000	\$15,000
	Supervision: Wellsite, Engineering, Geological, Consultants	\$98,000	\$35,750	\$133,750
	Contract Services	\$11,400	\$10,000	\$21,400
	Fluids & Cuttings Disposal	\$263,000	\$5,500	\$268,500
	Environmental Charges			
	Stimulation Treatment - 20 Stages (+/- 150K lbs per stage)		\$700,000	\$700,000
	Plugging Costs			
	Miscellaneous Costs, Tax and Contingencies	\$176,667	\$176,284	\$352,951
	TOTAL INTANGIBLES	\$2,163,893	\$1,696,534	\$3,860,427

ACCT CODE	TANGIBLES						DRY HOLE	COMPLETION	TOTAL
	CASING	FOOTAGE	SIZE	WEIGHT	GRADE	COST/FT			
	Conductor	80	20"	94#	H40	300.00	\$24,000		\$24,000
	Surface	500	13 3/8"	48#	H40	40.53	\$20,265		\$20,265
	Surface								
	Intermediate	4200	9 5/8"	40#	J55	37.50	\$157,500		\$157,500
	Intermediate								
	Liner								
	Production	12,450	5.5"	20#	P110	21.12		\$262,944	\$262,944
	Production								
	Tubing	7500	2 7/8"	6.5#	L80	8.50		\$63,750	\$63,750
	Subsurface Well Equipment (Packers/Bottom Hole Pump)								
	Rods, etc								
	Wellhead Equipment (Casing Head/Christmas Tree)						\$19,350	\$8,850	\$28,200
	Pumping Equipment (Pumping Unit or Sub Pump)								
	Flowlines							\$32,000	\$32,000
	Tanks							\$120,000	\$120,000
	Sales Line Equipment							\$12,000	\$12,000
	Separator-Prod. Equip.							\$28,500	\$28,500
	Valves,Fittings etc.							\$20,750	\$20,750
	Installation of Surface Lease Equipment							\$112,500	\$112,500
	Other Lease & Well Equip.							\$22,000	\$22,000
	TOTAL TANGIBLES						\$221,115	\$683,294	\$904,409
	TOTAL WELL COSTS						\$2,385,008	\$2,379,828	\$4,764,836

Strata Production Company Working Interest 31.06%	Strata Production Co. - DRY HOLE \$740,843	Strata Production Co.- COMPLETED \$1,480,077
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PREPARED BY: Matt Murphy, Engineer DATE: 8/17/2021
 APPROVED BY: Mitch Krakauskas, Vice President DATE: 9/2/2021 SIGNED:

JOINT INTEREST SHARE Due to rig availability and timing, the undersigned agrees that this AFE is valid for 180 days from execution.

COMPANY NAME:	SIGNATURE:	DATE:	WORKING INTEREST:
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By execution of this AFE, the above signee is agreeing to be covered by the Operator's well control insurance and agreeing to the limits within and carrier of such insurance, neither of which is guaranteed as sufficient by Operator. In order to decline coverage by Operator's well control insurance, you must sign below and provide a Certificate of Insurance with waiver of subrogation prior to spud date and agree to hold Operator harmless for any loss to your interest not covered by your insurance or as otherwise set forth in Exhibit D of the Joint Operating Agreement.

Agree to decline coverage, provide proof, and hold harmless:

By: _____ Date: _____

STRATA PRODUCTION COMPANY

AUTHORITY FOR EXPENDITURE ESTIMATED WELL COSTS

WELL NAME AND NUMBER Roadrunner Federal Com 23 PML #6H	AFE NUMBER FNR-23-23-30-6P-0721	DATE 8/17/2021
LOCATION: SHL 860' FSL & 530' FEL Sec 23-T23S-R30E BHL 990' FSL & 100' FWL Sec 23-T23S-R30E	FIELD Forty Niner Ridge Delaware	
API NUMBER TBD	COUNTY OR PARISH Eddy	STATE New Mexico
PROJECT DESCRIPTION AND LOCATION DRILL A NEW WELL WITH A HORIZONTAL LATERAL IN THE DELAWARE L SAND, TVD 7,643' AND MD 12,691'. FRAC IN 20+ STAGES WITH +/- 3,000,000 LBS 16/30 COOLSET (RC) SAND & BORATE CROSS LINK GEL	SECTION 23	TOWNSHIP 23S
	RANGE 30E	
	PROPOSED FORMATION Delaware	PROPOSED DEPTH 7,643' TVD / 12691' MD

ACCT CODE	INTANGIBLES	DRY HOLE	RUN CSG	TOTAL
	Drilling - Footage Ft. @ \$ /Ft.			
	Drilling - Day Work - BCP 14 Days @ \$ 18000 /Day	\$252,000		\$252,000
	Drilling - Day Work - ACP 4 Days @ \$ 18000 /Day		\$72,000	\$72,000
	Completion Rig, Power Swivel, and Reverse Unit etc		\$133,000	\$133,000
	Mobilization & Demobilization- Other Contractors Charges	\$200,000		\$200,000
	Location, Roads, Pits, Survey, Permits, Cleanup, Damages & Title Opinion	\$139,000	\$500	\$139,500
	Drill Bits, Coring & DST	\$65,000	\$5,000	\$70,000
	Transportation and Hauling	\$24,500	\$9,500	\$34,000
	Drilling Mud, Chemicals & Completion Fluids	\$79,100	\$12,500	\$91,600
	Fuel, Power, Water	\$93,000	\$230,000	\$323,000
	Cementing Services, Cementing Equipment, Hangers; Packers	\$118,750	\$60,500	\$179,250
	Mud Logging	\$29,000		\$29,000
	Open Hole Logging and Side Wall Coring	\$65,000		\$65,000
	Cased Hole Logging and Perforating		\$120,000	\$120,000
	Equipment Rental Including Solids Control, Closed Loop & Directional Services	\$367,151	\$44,000	\$411,151
	Insurance	\$18,780		\$18,780
	Other Well Services, NU/BOP, Casing Inspection	\$49,500	\$50,500	\$100,000
	Overhead	\$10,000	\$5,000	\$15,000
	Supervision: Wellsite, Engineering, Geological, Consultants	\$91,000	\$35,750	\$126,750
	Contract Services	\$11,400	\$10,000	\$21,400
	Fluids & Cuttings Disposal	\$263,000	\$5,500	\$268,500
	Environmental Charges			
	Stimulation Treatment - 20 Stages (+/- 150K lbs per stage)		\$700,000	\$700,000
	Plugging Costs			
	Miscellaneous Costs, Tax and Contingencies	\$167,784	\$174,586	\$342,370
	TOTAL INTANGIBLES	\$2,043,965	\$1,668,336	\$3,712,301

ACCT CODE	TANGIBLES						DRY HOLE	COMPLETION	TOTAL
	CASING	FOOTAGE	SIZE	WEIGHT	GRADE	COST/FT			
	Conductor	80	20"	94#	H40	300.00	\$24,000		\$24,000
	Surface	500	13 3/8"	48#	H40	40.53	\$20,265		\$20,265
	Surface								
	Intermediate	4200	9 5/8"	40#	J55	37.50	\$157,500		\$157,500
	Intermediate								
	Liner								
	Production	12,700	5.5"	20#	P110	21.12		\$268,224	\$268,224
	Production								
	Tubing	7500	2 7/8"	6.5#	L80	8.50		\$63,750	\$63,750
	Subsurface Well Equipment (Packers/Bottom Hole Pump)								
	Rods, etc								
	Wellhead Equipment (Casing Head/Christmas Tree)						\$19,350	\$8,850	\$28,200
	Pumping Equipment (Pumping Unit or Sub Pump)								
	Flowlines							\$32,000	\$32,000
	Tanks							\$120,000	\$120,000
	Sales Line Equipment							\$12,000	\$12,000
	Separator-Prod. Equip.							\$28,500	\$28,500
	Valves,Fittings etc.							\$20,750	\$20,750
	Installation of Surface Lease Equipment							\$112,500	\$112,500
	Other Lease & Well Equip.							\$22,000	\$22,000
	TOTAL TANGIBLES						\$221,115	\$688,574	\$909,689
	TOTAL WELL COSTS						\$2,265,080	\$2,356,910	\$4,621,990

Strata Production Company Working Interest 31.06%	Strata Production Co. - DRY HOLE \$703,590	Strata Production Co.- COMPLETED \$1,435,706
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PREPARED BY: Matt Murphy, Engineer DATE: 8/17/2021
 APPROVED BY: Mitch Krakauskas, Vice President DATE: 9/2/2021 SIGNED:

JOINT INTEREST SHARE **Due to rig availability and timing, the undersigned agrees that this AFE is valid for 180 days from execution.**

COMPANY NAME:	SIGNATURE:	DATE:	WORKING INTEREST:
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By execution of this AFE, the above signee is agreeing to be covered by the Operator's well control insurance and agreeing to the limits within and carrier of such insurance, neither of which is guaranteed as sufficient by Operator. In order to decline coverage by Operator's well control insurance, you must sign below and provide a Certificate of Insurance with waiver of subrogation prior to spud date and agree to hold Operator harmless for any loss to your interest not covered by your insurance or as otherwise set forth in Exhibit D of the Joint Operating Agreement.

Agree to decline coverage, provide proof, and hold harmless:

By: _____ Date: _____

STRATA PRODUCTION COMPANY

AUTHORITY FOR EXPENDITURE ESTIMATED WELL COSTS

WELL NAME AND NUMBER FNRU Federal Com 22 23 III #15H	AFE NUMBER FNR-22-23-30-15I-0721	DATE 8/17/2021
LOCATION: SHL 2100' FSL & 850' FEL Sec 22-T23S-R30E BHL 1650' FSL & 100' FEL Sec 23-T23S-R30E	FIELD Forty Niner Ridge Delaware	
API NUMBER TBD	COUNTY OR PARISH Eddy	STATE New Mexico
PROJECT DESCRIPTION AND LOCATION DRILL A NEW WELL WITH A HORIZONTAL LATERAL IN THE DELAWARE L SAND, TVD 7,331' AND MD 13,199'. FRAC IN 20+ STAGES WITH +/- 3,000,000 LBS 16/30 COOLSET (RC) SAND & BORATE CROSS LINK GEL	SECTION 22	TOWNSHIP 23S
	RANGE 30E	
	PROPOSED FORMATION Delaware	PROPOSED DEPTH 7,331' TVD / 13199' MD

ACCT CODE	INTANGIBLES	DRY HOLE	RUN CSG	TOTAL
	Drilling - Footage Ft. @ \$ /Ft.			
	Drilling - Day Work - BCP 14 Days @ \$ 18000 /Day	\$252,000		\$252,000
	Drilling - Day Work - ACP 4 Days @ \$ 18000 /Day		\$72,000	\$72,000
	Completion Rig, Power Swivel, and Reverse Unit etc		\$133,000	\$133,000
	Mobilization & Demobilization- Other Contractors Charges	\$200,000		\$200,000
	Location, Roads, Pits, Survey, Permits, Cleanup, Damages & Title Opinion	\$189,000	\$500	\$189,500
	Drill Bits, Coring & DST	\$65,000	\$5,000	\$70,000
	Transportation and Hauling	\$24,500	\$9,500	\$34,000
	Drilling Mud, Chemicals & Completion Fluids	\$81,400	\$12,500	\$93,900
	Fuel, Power, Water	\$102,000	\$230,000	\$332,000
	Cementing Services, Cementing Equipment, Hangers; Packers	\$118,750	\$60,500	\$179,250
	Mud Logging	\$27,500		\$27,500
	Open Hole Logging and Side Wall Coring	\$65,000		\$65,000
	Cased Hole Logging and Perforating		\$120,000	\$120,000
	Equipment Rental Including Solids Control, Closed Loop & Directional Services	\$349,150	\$44,000	\$393,150
	Insurance	\$24,420		\$24,420
	Other Well Services, NU/BOP, Casing Inspection	\$49,500	\$50,500	\$100,000
	Overhead	\$10,000	\$5,000	\$15,000
	Supervision: Wellsite, Engineering, Geological, Consultants	\$91,000	\$35,750	\$126,750
	Contract Services	\$10,800	\$10,000	\$20,800
	Fluids & Cuttings Disposal	\$263,000	\$5,500	\$268,500
	Environmental Charges			
	Stimulation Treatment - 20 Stages (+/- 150K lbs per stage)		\$700,000	\$700,000
	Plugging Costs			
	Miscellaneous Costs, Tax and Contingencies	\$171,531	\$175,431	\$346,962
	TOTAL INTANGIBLES	\$2,094,551	\$1,669,181	\$3,763,732

ACCT CODE	TANGIBLES						DRY HOLE	COMPLETION	TOTAL
	CASING	FOOTAGE	SIZE	WEIGHT	GRADE	COST/FT			
	Conductor	80	20"	94#	H40	300.00	\$24,000		\$24,000
	Surface	500	13 3/8"	48#	H40	40.53	\$20,265		\$20,265
	Surface								
	Intermediate	4200	9 5/8"	40#	J55	37.50	\$157,500		\$157,500
	Intermediate								
	Liner								
	Production	13,200	5.5"	20#	P110	21.12		\$278,784	\$278,784
	Production								
	Tubing	7500	2 7/8"	6.5#	L80	8.50		\$63,750	\$63,750
	Subsurface Well Equipment (Packers/Bottom Hole Pump)								
	Rods, etc								
	Wellhead Equipment (Casing Head/Christmas Tree)						\$19,350	\$8,850	\$28,200
	Pumping Equipment (Pumping Unit or Sub Pump)								
	Flowlines							\$32,000	\$32,000
	Tanks							\$120,000	\$120,000
	Sales Line Equipment							\$12,000	\$12,000
	Separator-Prod. Equip.							\$28,500	\$28,500
	Valves,Fittings etc.							\$20,750	\$20,750
	Installation of Surface Lease Equipment							\$112,500	\$112,500
	Other Lease & Well Equip.							\$22,000	\$22,000
	TOTAL TANGIBLES						\$221,115	\$699,134	\$920,249
	TOTAL WELL COSTS						\$2,315,666	\$2,368,315	\$4,683,981

Strata Production Company Working Interest 35.69%	Strata Production Co. - DRY HOLE \$826,380	Strata Production Co.- COMPLETED \$1,671,548
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PREPARED BY: Matt Murphy, Engineer DATE: 8/17/2021
 APPROVED BY: Mitch Krakauskas, Vice President DATE: 9/2/2021 SIGNED:

JOINT INTEREST SHARE Due to rig availability and timing, the undersigned agrees that this AFE is valid for 180 days from execution.

COMPANY NAME:	SIGNATURE:	DATE:	WORKING INTEREST:
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By execution of this AFE, the above signee is agreeing to be covered by the Operator's well control insurance and agreeing to the limits within and carrier of such insurance, neither of which is guaranteed as sufficient by Operator. In order to decline coverage by Operator's well control insurance, you must sign below and provide a Certificate of Insurance with waiver of subrogation prior to spud date and agree to hold Operator harmless for any loss to your interest not covered by your insurance or as otherwise set forth in Exhibit D of the Joint Operating Agreement.

Agree to decline coverage, provide proof, and hold harmless:

By: _____ Date: _____

STRATA PRODUCTION COMPANY

AUTHORITY FOR EXPENDITURE ESTIMATED WELL COSTS

WELL NAME AND NUMBER FNRU Federal Com 22 23 PPI #16H	AFE NUMBER FNR-22-23-30-16P-0721	DATE 8/17/2021
LOCATION: SHL 330' FSL & 660' FEL Sec 22-T23S-R30E BHL 330' FSL & 100' FEL Sec 23-T23S-R30E	FIELD Forty Niner Ridge Delaware	
API NUMBER TBD	COUNTY OR PARISH Eddy	STATE New Mexico
PROJECT DESCRIPTION AND LOCATION DRILL A NEW WELL WITH A HORIZONTAL LATERAL IN THE DELAWARE L SAND, TVD 7,315' AND MD 12,967'. FRAC IN 20+ STAGES WITH +/- 3,000,000 LBS 16/30 COOLSET (RC) SAND & BORATE CROSS LINK GEL	SECTION 22	TOWNSHIP 23S
	RANGE 30E	
	PROPOSED FORMATION Delaware	PROPOSED DEPTH 7,315' TVD / 12967' MD

ACCT CODE	INTANGIBLES	DRY HOLE	RUN CSG	TOTAL
	Drilling - Footage Ft. @ \$ /Ft.			
	Drilling - Day Work - BCP 14 Days @ \$ 18000 /Day	\$252,000		\$252,000
	Drilling - Day Work - ACP 4 Days @ \$ 18000 /Day		\$72,000	\$72,000
	Completion Rig, Power Swivel, and Reverse Unit etc		\$133,000	\$133,000
	Mobilization & Demobilization- Other Contractors Charges	\$200,000		\$200,000
	Location, Roads, Pits, Survey, Permits, Cleanup, Damages & Title Opinion	\$189,000	\$500	\$189,500
	Drill Bits, Coring & DST	\$65,000	\$5,000	\$70,000
	Transportation and Hauling	\$24,500	\$9,500	\$34,000
	Drilling Mud, Chemicals & Completion Fluids	\$81,400	\$12,500	\$93,900
	Fuel, Power, Water	\$102,000	\$230,000	\$332,000
	Cementing Services, Cementing Equipment, Hangers; Packers	\$118,750	\$60,500	\$179,250
	Mud Logging	\$29,000		\$29,000
	Open Hole Logging and Side Wall Coring	\$65,000		\$65,000
	Cased Hole Logging and Perforating		\$120,000	\$120,000
	Equipment Rental Including Solids Control, Closed Loop & Directional Services	\$351,150	\$44,000	\$395,150
	Insurance	\$24,050		\$24,050
	Other Well Services, NU/BOP, Casing Inspection	\$47,000	\$50,500	\$97,500
	Overhead	\$10,000	\$5,000	\$15,000
	Supervision: Wellsite, Engineering, Geological, Consultants	\$91,000	\$35,750	\$126,750
	Contract Services	\$11,400	\$10,000	\$21,400
	Fluids & Cuttings Disposal	\$263,000	\$5,500	\$268,500
	Environmental Charges			
	Stimulation Treatment - 20 Stages (+/- 150K lbs per stage)		\$700,000	\$700,000
	Plugging Costs			
	Miscellaneous Costs, Tax and Contingencies	\$171,629	\$175,093	\$346,722
	TOTAL INTANGIBLES	\$2,095,879	\$1,668,843	\$3,764,722

ACCT CODE	TANGIBLES						DRY HOLE	COMPLETION	TOTAL
	CASING	FOOTAGE	SIZE	WEIGHT	GRADE	COST/FT			
	Conductor	80	20"	94#	H40	300.00	\$24,000		\$24,000
	Surface	500	13 3/8"	48#	H40	40.53	\$20,265		\$20,265
	Surface								
	Intermediate	4200	9 5/8"	40#	J55	37.50	\$157,500		\$157,500
	Intermediate								
	Liner								
	Production	13,000	5.5"	20#	P110	21.12		\$274,560	\$274,560
	Production								
	Tubing	7500	2 7/8"	6.5#	L80	8.50		\$63,750	\$63,750
	Subsurface Well Equipment (Packers/Bottom Hole Pump)								
	Rods, etc								
	Wellhead Equipment (Casing Head/Christmas Tree)						\$19,350	\$8,850	\$28,200
	Pumping Equipment (Pumping Unit or Sub Pump)								
	Flowlines							\$32,000	\$32,000
	Tanks							\$120,000	\$120,000
	Sales Line Equipment							\$12,000	\$12,000
	Separator-Prod. Equip.							\$28,500	\$28,500
	Valves,Fittings etc.							\$20,750	\$20,750
	Installation of Surface Lease Equipment							\$112,500	\$112,500
	Other Lease & Well Equip.							\$22,000	\$22,000
	TOTAL TANGIBLES						\$221,115	\$694,910	\$916,025
	TOTAL WELL COSTS						\$2,316,994	\$2,363,753	\$4,680,747

Strata Production Company Working Interest 35.69%	Strata Production Co. - DRY HOLE \$826,854	Strata Production Co.- COMPLETED \$1,670,394
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PREPARED BY: Matt Murphy, Engineer DATE: 8/17/2021
 APPROVED BY: Mitch Krakauskas, Vice President DATE: 9/2/2021 SIGNED:

JOINT INTEREST SHARE Due to rig availability and timing, the undersigned agrees that this AFE is valid for 180 days from execution.

COMPANY NAME:	SIGNATURE:	DATE:	WORKING INTEREST:
---------------	------------	-------	-------------------

By execution of this AFE, the above signee is agreeing to be covered by the Operator's well control insurance and agreeing to the limits within and carrier of such insurance, neither of which is guaranteed as sufficient by Operator. In order to decline coverage by Operator's well control insurance, you must sign below and provide a Certificate of Insurance with waiver of subrogation prior to spud date and agree to hold Operator harmless for any loss to your interest not covered by your insurance or as otherwise set forth in Exhibit D of the Joint Operating Agreement.

Agree to decline coverage, provide proof, and hold harmless:

By: _____ Date: _____

Tab 5.

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF STRATA PRODUCTION CO.
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

Case No. 22437

**APPLICATION OF STRATA PRODUCTION CO.
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

Case No. 22438

AFFIDAVIT OF GEOLOGIST SCOTT KELLEY

I, Scott Kelley, being first duly sworn, do hereby depose and attest as follows:

1. I am over the age of eighteen and have personal knowledge of the matters stated herein.
2. I am employed as the geologist for Strata Production Company (“Strata” or “Applicant”), and I am familiar with the subject applications and the lands involved.
3. This affidavit is submitted in connection with the filing by Strata of the above-referenced compulsory pooling applications pursuant to 19.15.4.12.A(1) NMAC
4. I have not previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum land matters. My education and work experience are as follows: I have a Bachelor’s degree in geology from the University of Oklahoma and a Master’s degree in geology from the University of Texas at Arlington. I have been working continuously as a professional geologist since 2009. I worked for 2 years at Geosite Inc., 2 years at Panther Energy Company, 6 Years at Pioneer Natural Resources and have been at Strata Production Company for 2 and a half years.
5. **Exhibit B-1** shows the regional setting for the proposed wells.
6. **Exhibit B-1b** is a general stratigraphic column showing the target zone.

Exhibit B

7. **Exhibit B-2** is a regional Brushy Canyon structure map with 50’ contour intervals, which illustrates the locations of the HSUs in a yellow highlighted rectangle.

8. **Exhibit B-3** is a Spacing Unit Schematic showing the Brushy Canyon structure with 50’ contour intervals, which illustrates the location of the HSUs by a red outline and the approximate locations of the proposed wells.

9. **Exhibit B-4** is a type log of the production portion of the Brushy Canyon formation. The log includes a gamma ray log, a density porosity log and a deep resistivity log. These are the key logs used to identify and evaluate reservoirs and landing targets for the proposed wells.

10. **Exhibit B-5** is a Brushy Canyon structural cross section map with showing the location of the cross section on Exhibit B-6 in the region of the proposed wells.

11. **Exhibit B-6** is the structural cross section and indicates that these wells are being placed in a zone that has an estimated gross interval thickness of 230’. This gross thickness is being calculated from the top of the I1 marker to the top of the J marker within the Brushy Canyon formation.

12. **Exhibit B-7** is a gunbarrel diagram depicting each well. These diagrams show the approximate landing zones in reference to the type log for the area and the associated spacing of the wellbores within the HSU.

13. The measured depths and true vertical depths for each well are approximately as follows:

	MD	TVD
FNRU Federal Com 22 23 III #15H	13,199’	7331’
FNRU Federal Com 22 23 PPI #16H	12,967’	7315’

14. The true vertical landing depth of the target formation is approximately 7330' based on the structural cross section, **Exhibit B-6**.
15. Based on my geologic study of the area, I conclude the following:
 - a. The horizontal spacing and proration units are justified from a geologic standpoint.
 - b. There are no structural impediments or faulting that will interfere with horizontal development.
 - c. Each quarter-quarter section in the HSU will contribute more or less equally to production.
 - d. Due to the limitation of surface occupancy and the wells being located in the Secretary's Potash Area, we are limited to drilling from approved Drill Islands. Therefore, the most efficient way to develop this acreage is as proposed. There is no known and generally accepted preferential drilling orientation based on present-day stress regime or other geological factors that would counter the proposed west east well orientation. Many Brushy Canyon Fm. horizontal wells are oriented W-E, so an established trend is present. This orientation also fits our lease boundaries and aligns with the remainder of Strata's planned development in the adjoining tracts. Therefore, the preferred well orientation does not strand any acreage or reserves.
16. The exhibits attached hereto were prepared by me or compiled from Strata's business records.
17. The granting of the Application is in the interests of conservation, the prevention of waste, and the protection of correlative rights.
18. The foregoing is correct and complete to the best of my knowledge and belief.

FURTHER AFFIANT SAYETH NAUGHT.

Michael Scott Kelley
Michael Scott Kelley

STATE OF NEW MEXICO)
)ss
COUNTY OF CHAVES)

Subscribed to and sworn before me on this 4th day of January, 2022.

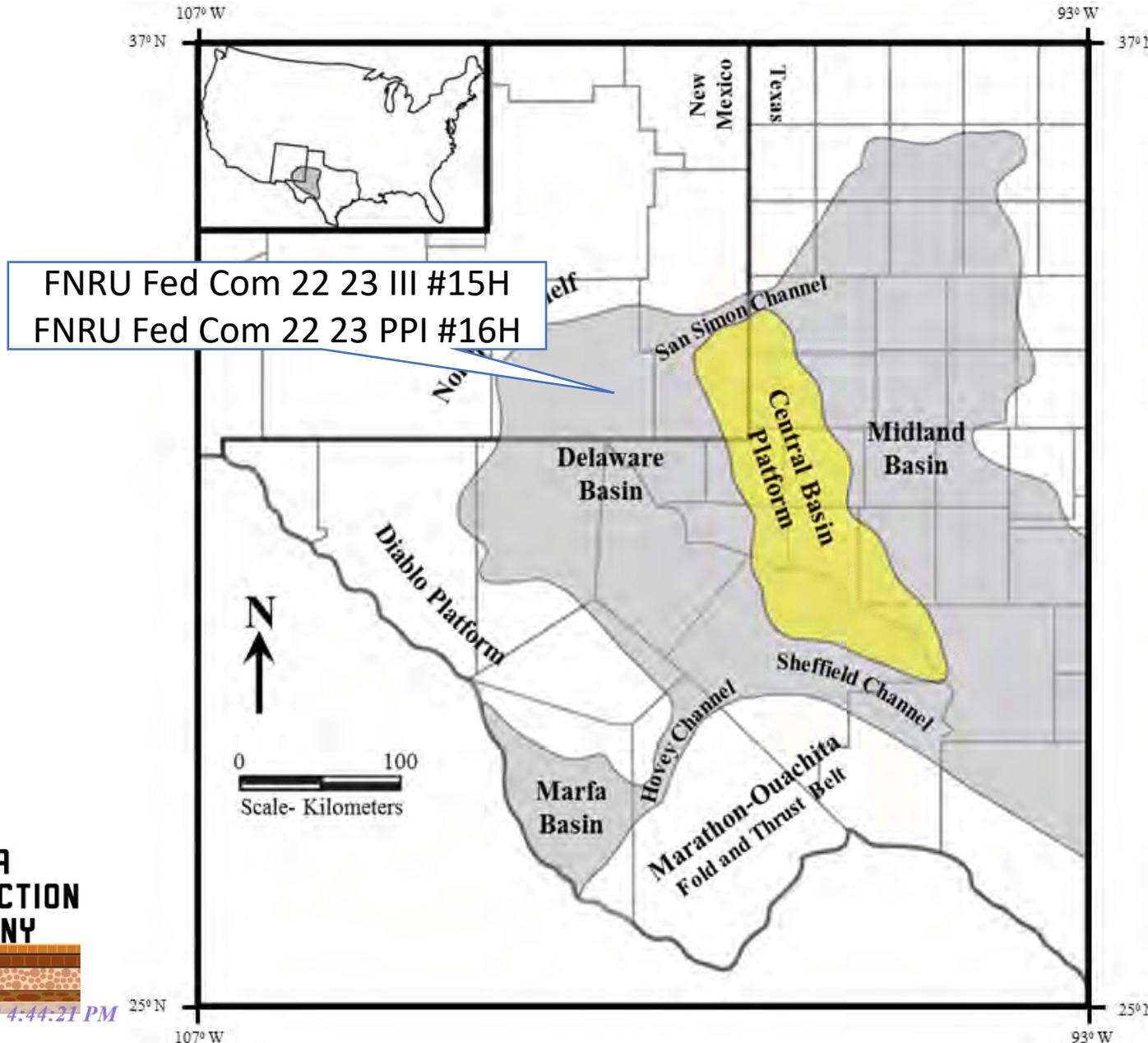
Melissa Randle
Notary Public

My commission expires: March 10, 2024.



Tab 6.

Regional View of the Delaware Basin

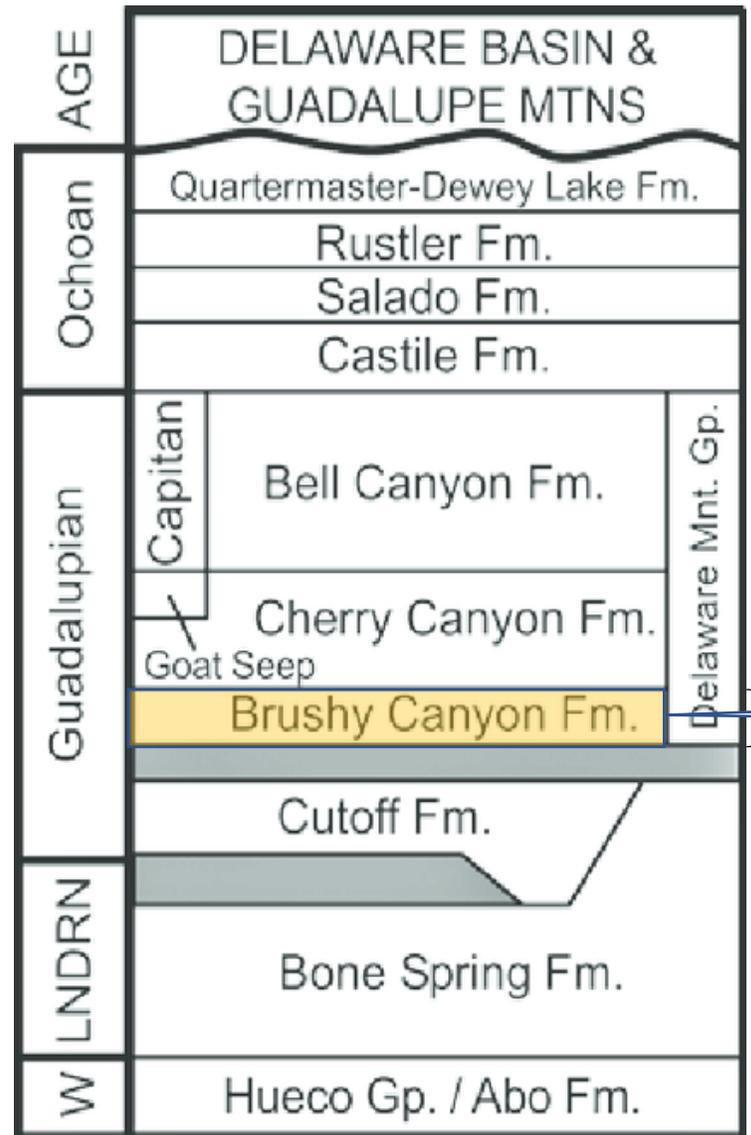


FNRU Fed Com 22 23 III #15H
 FNRU Fed Com 22 23 PPI #16H
 NM OCD Case No. 22437 & 22438
 Exhibit B-1

FNRU Fed Com 22 23 III #15H
 FNRU Fed Com 22 23 PPI #16H



Delaware Basin Stratigraphic Column

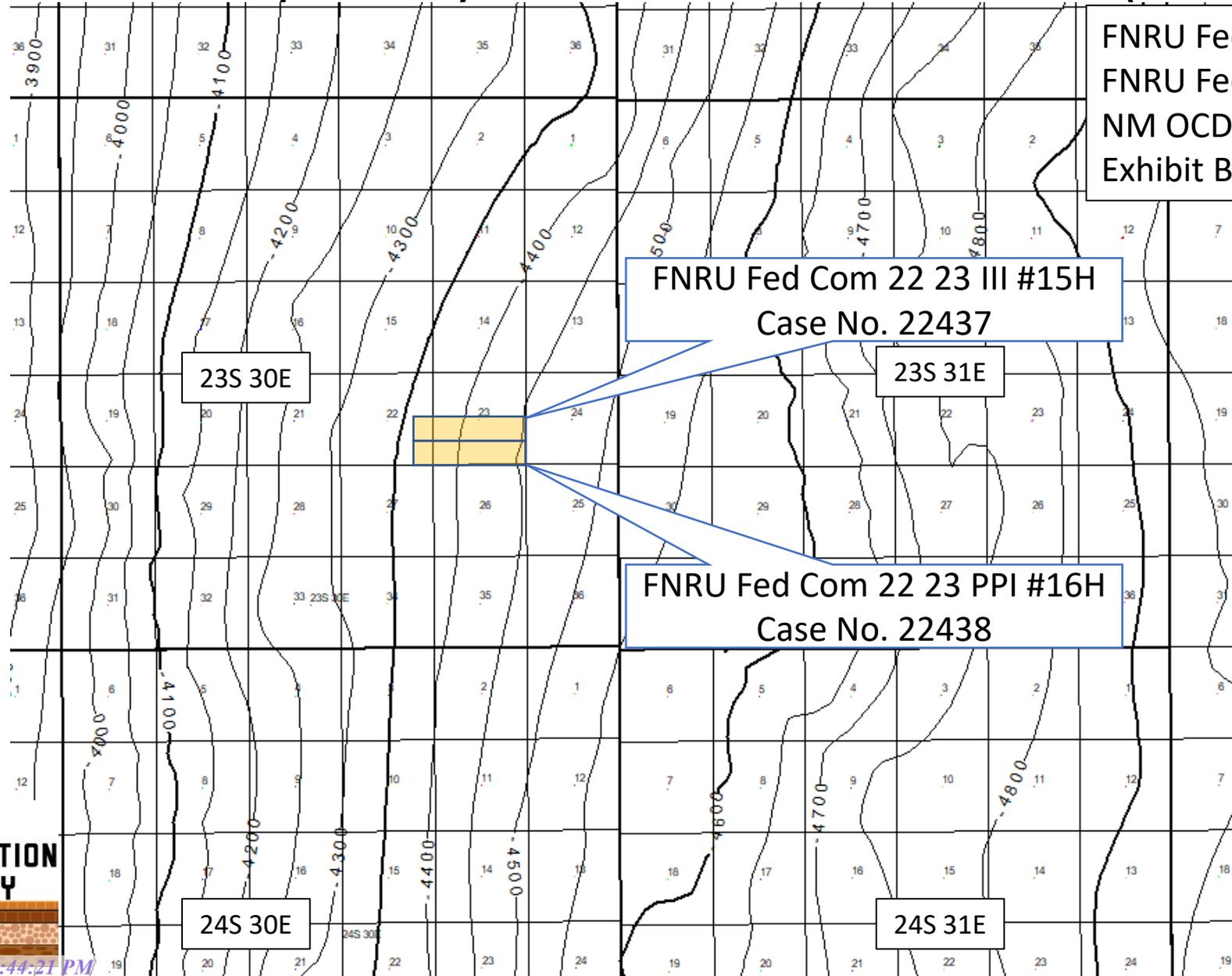


FNRU Fed Com 22 23 III #15H
FNRU Fed Com 22 23 PPI #16H
NM OCD Case No. 22437 & 22438
Exhibit B-1b

Target Zone



Base of Brushy Canyon Fm. Structure (TVDSS)



FNRU Fed Com 22 23 III #15H
 FNRU Fed Com 22 23 PPI #16H
 NM OCD Case No. 22437 & 22438
 Exhibit B-2

FNRU Fed Com 22 23 III #15H
 Case No. 22437

23S 31E

23S 30E

FNRU Fed Com 22 23 PPI #16H
 Case No. 22438

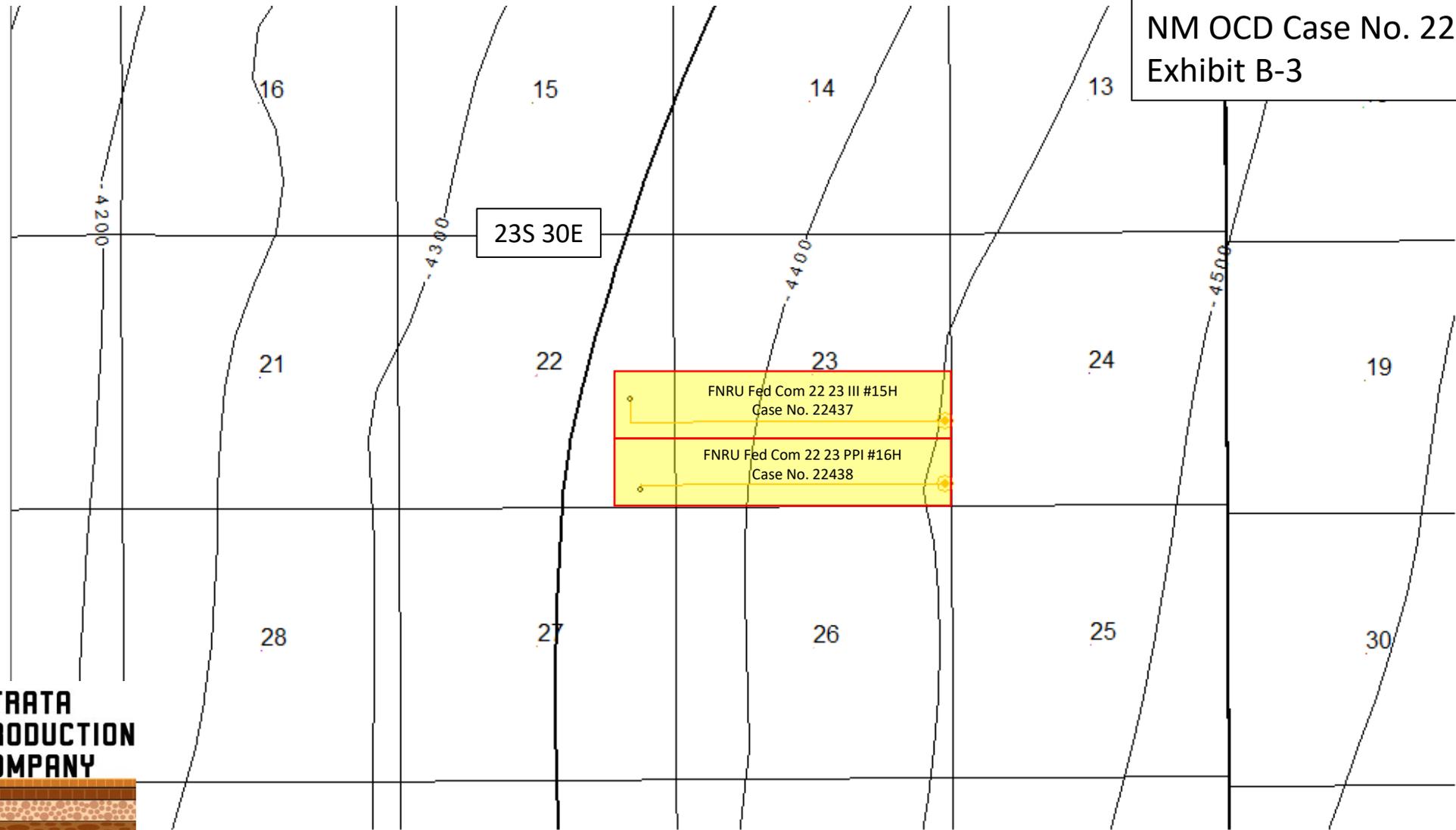
24S 31E

24S 30E



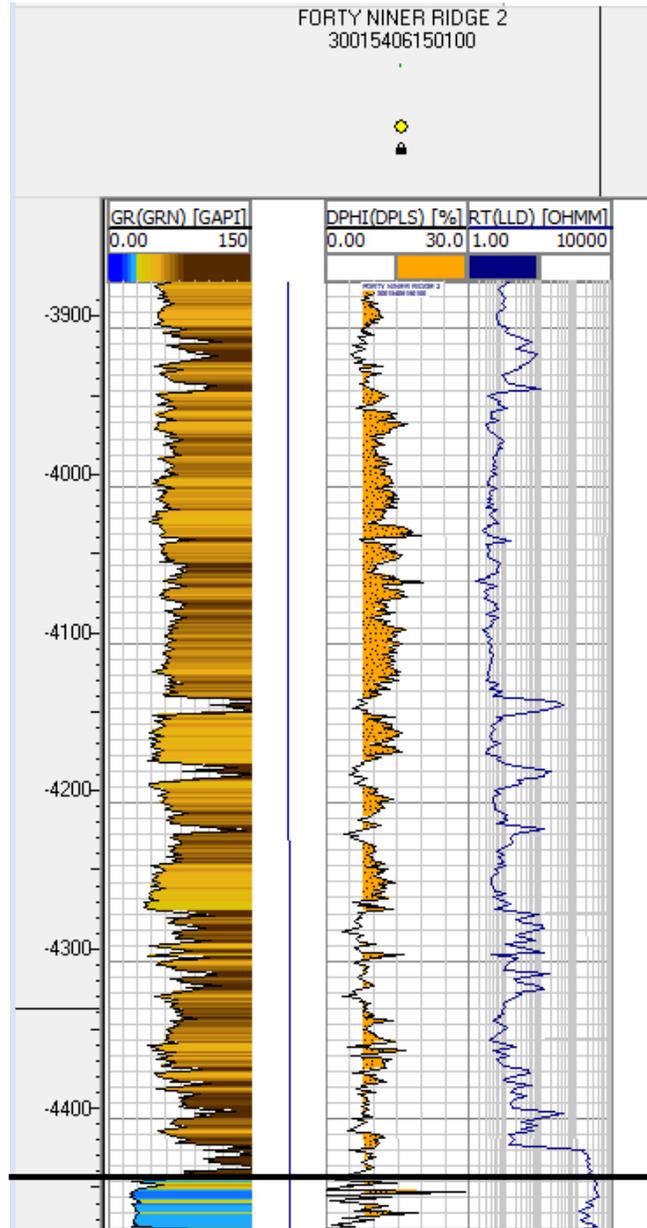
Base of Brushy Canyon Structure (TVDS)

FNRU Fed Com 22 23 III #15H
FNRU Fed Com 22 23 PPI #16H
NM OCD Case No. 22437 & 22438
Exhibit B-3



Target Interval on Offset Log

FNRU Fed Com 22 23 III #15H
FNRU Fed Com 22 23 PPI #16H
NM OCD Case No. 22437 & 22438
Exhibit B-4



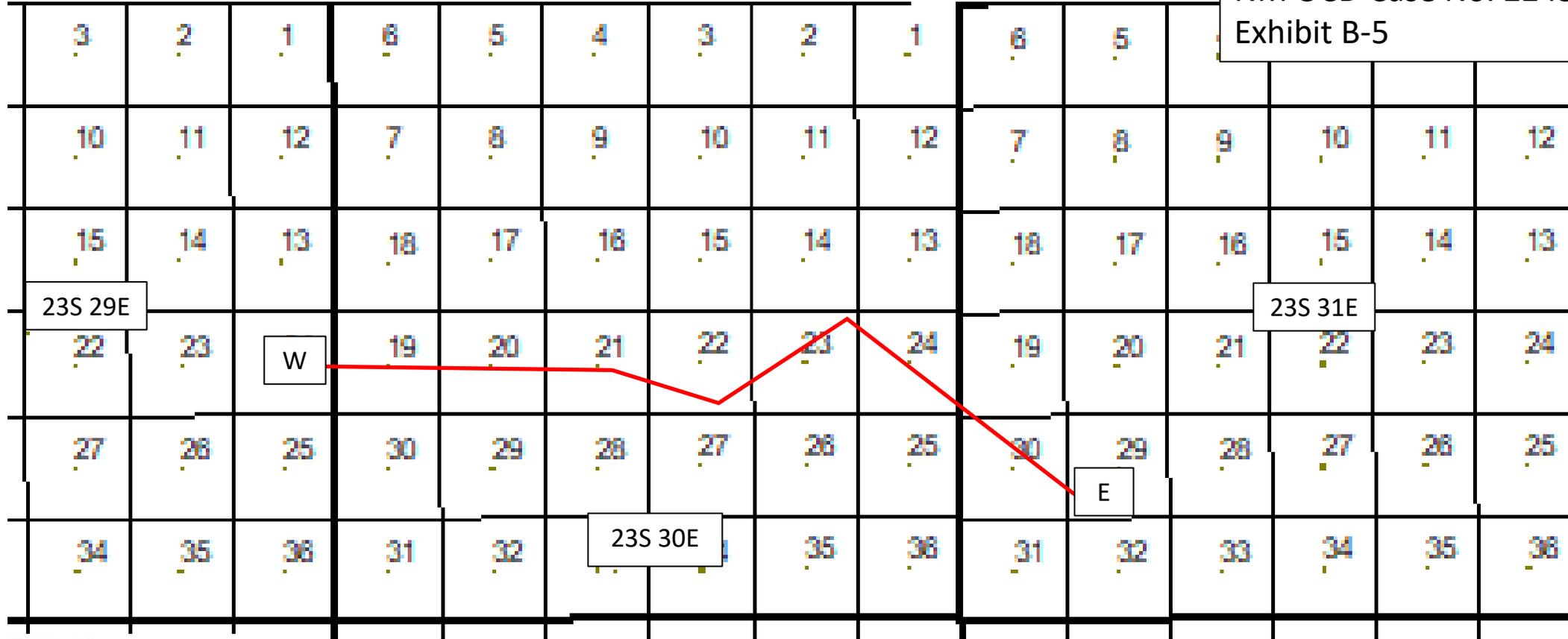
Target Interval
FNRU Fed Com 22 23 III #15H
FNRU Fed Com 22 23 PPI #16H

Lower Brushy Canyon Fm. (Base)



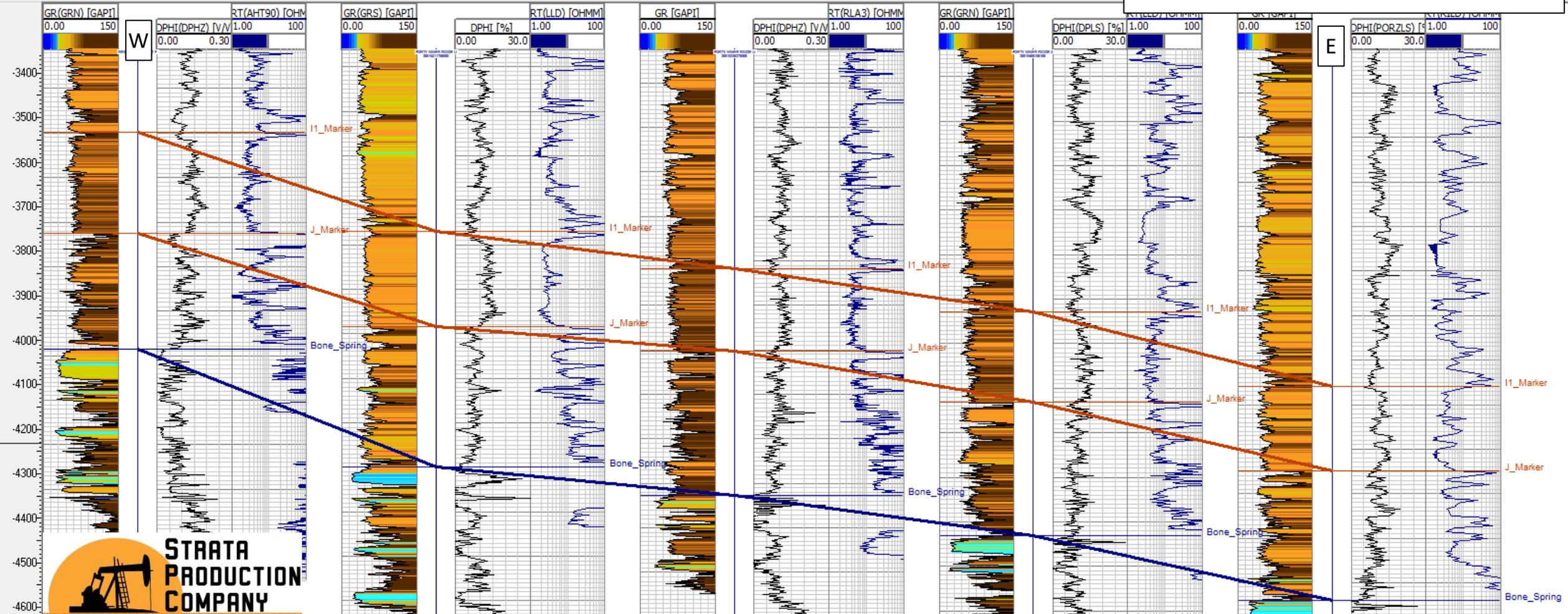
Cross Section Line

FNRU Fed Com 22 23 III #15H
 FNRU Fed Com 22 23 PPI #16H
 NM OCD Case No. 22437 & 22438
 Exhibit B-5



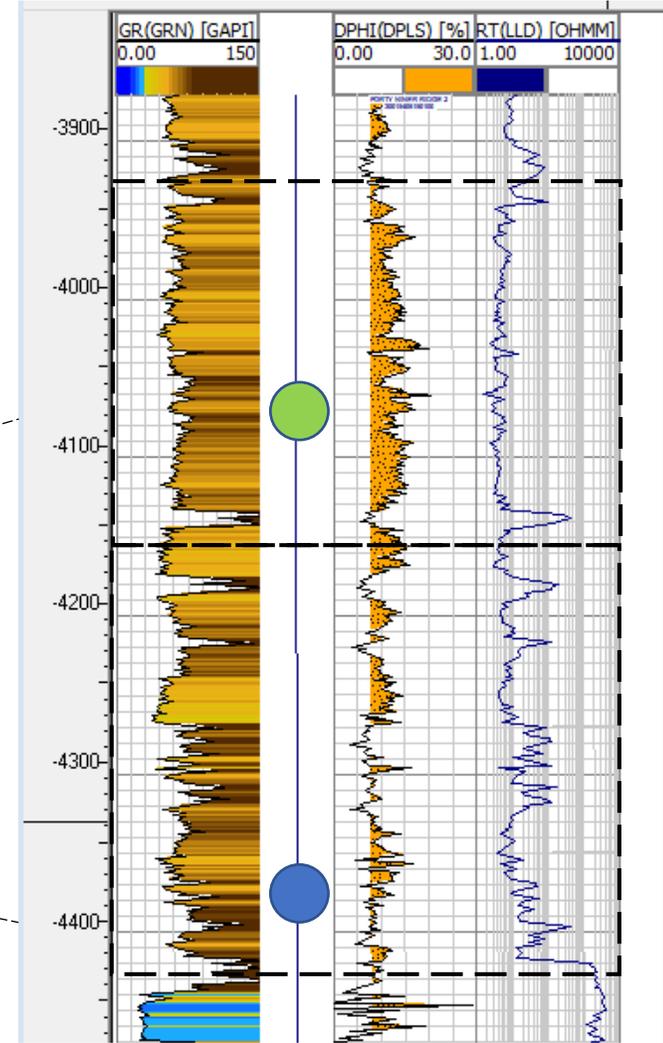
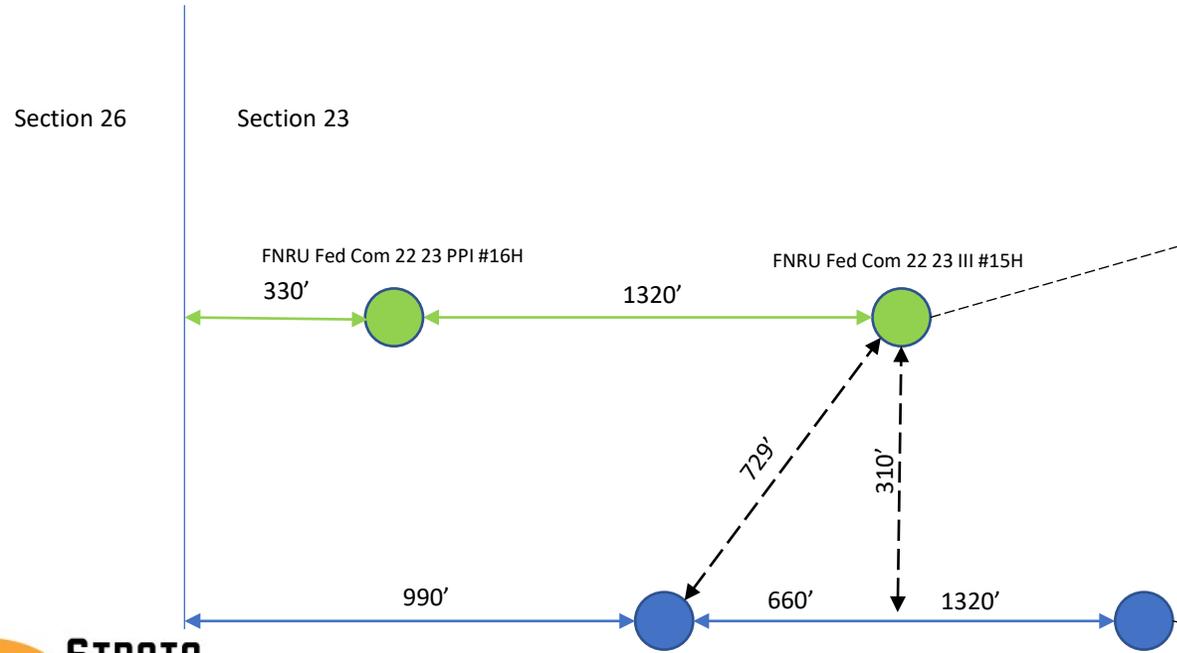
Structural Cross section

FNRU Fed Com 22 23 III #15H
FNRU Fed Com 22 23 PPI #16H
NM OCD Case No. 22437 & 22438
Exhibit B-6



Gun Barrel Diagram and Landing Zone

FNRU Fed Com 22 23 III #15H
 FNRU Fed Com 22 23 PPI #16H
 NM OCD Case No. 22437 & 22438
 Exhibit B-7



Tab 7.

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	<p>A. Signature <i>CV19</i> <input checked="" type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <i>CV (carrier)</i> C. Date of Delivery <i>12/10/21</i></p>
<p>1. Article Addressed to:</p> <p><i>Oxy USA Inc. 5 Greenway Plaza Houston, TX 77046</i></p>  <p>9590 9402 1258 5246 3540 30</p>	<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p>
<p>2. Article Number (Transfer from service label)</p> <p><i>7021 0950 0001 6540 1603</i></p>	<p>3. Service Type</p> <ul style="list-style-type: none"> <input type="checkbox"/> Adult Signature <input type="checkbox"/> Adult Signature Restricted Delivery <input checked="" type="checkbox"/> Certified Mail® <input type="checkbox"/> Certified Mail Restricted Delivery <input type="checkbox"/> Collect on Delivery <input type="checkbox"/> Collect on Delivery Restricted Delivery <input type="checkbox"/> Insured Mail <input type="checkbox"/> Insured Mail Restricted Delivery (over \$500) <input type="checkbox"/> Priority Mail Express® <input type="checkbox"/> Registered Mail™ <input type="checkbox"/> Registered Mail Restricted Delivery <input type="checkbox"/> Return Receipt for Merchandise <input checked="" type="checkbox"/> Signature Confirmation™ <input type="checkbox"/> Signature Confirmation Restricted Delivery
<p>PS Form 3811, July 2015 PSN 7530-02-000-9053 Domestic Return Receipt</p>	

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<p>Certified Mail Fee \$</p> <p>Extra Services & Fees (check box, add fee as appropriate)</p> <p><input checked="" type="checkbox"/> Return Receipt (hardcopy) \$</p> <p><input type="checkbox"/> Return Receipt (electronic) \$</p> <p><input type="checkbox"/> Certified Mail Restricted Delivery \$</p> <p><input type="checkbox"/> Adult Signature Required \$</p> <p><input type="checkbox"/> Adult Signature Restricted Delivery \$</p> <p>Postage \$</p> <p>Total Postage and Fees \$</p>	<p>SANTA FE NM Postmark DEC 13 2021 Here USPO 87504</p>
<p>Sent To <i>Oxy USA Inc.</i></p> <p>Street and Apt. No., or PO Box No. <i>5 Greenway Plaza</i></p> <p>City, State, ZIP+4® <i>Houston, TX 77046</i></p>	

PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

Exhibit A