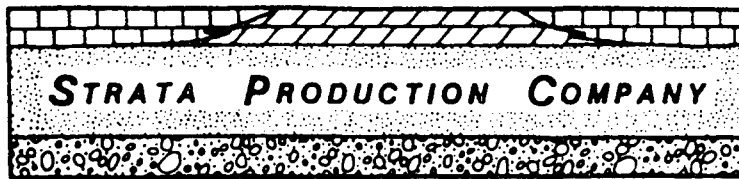


POST OFFICE DRAWER 1030  
ROSWELL, NM 88202-1030



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

200 WEST FIRST STREET, ROSWELL PETROLEUM BUILDING, SUITE 700  
ROSWELL, NEW MEXICO 88203

June 16, 2006

*PTDSD - 617135068*

CERTIFIED MAIL - RETURN RECEIPT  
#7004 1350 0004 5385 2014

Oil Conservation Division  
Attn: Michael E. Stogner  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

RE: Forty Niner Ridge Unit #9  
Surface 330' FSL and 2630' FWL  
Section 10-23S-30E  
Eddy County, New Mexico

2006 JUN 19 PM 1 12

Dear Mr. Stogner,

Strata Production Company ("Applicant") hereby submits an Administrative Application pursuant to Rule 104.D (2) for a Non-Standard location regarding the Forty Niner Ridge Unit #9 well, and in support thereof states:

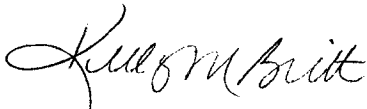
1. Applicant proposes to drill to a depth sufficient to test the Forty Niner Ridge Delaware formation at a surface location of 330' FSL and 2630' FWL of Section 10, Township 23, South, Range 30, East, N.M.P.M.
2. As indicated on Exhibit "C", the surface location is located on Federal Lease NM-0531075.
3. Applicant is sub-operator of Forty Niner Ridge Unit Delaware Formation.
4. Approval of the Application will result in the production of hydrocarbons which otherwise will not be produced, will not adversely affect correlative rights and will be in the best interest of conservation.
5. Offset operators and/or lessees were simultaneously notified of the Application by certified mail. A distribution list is attached. Copies of the certified return receipts will be forwarded to the Oil Conservation Division upon receipt.

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

1. Distribution List
2. Exhibit "A" Engineering Analysis
3. Exhibit "B" Topographic Plat
4. Exhibit "C" Land Plat indicating offset leases and wells
5. Form 3160-3 Application for Permit to Drill
6. Form C-102 Well Location and Acreage Dedication Plat

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

Sincerely,

A handwritten signature in black ink, appearing to read "Kelly M. Britt". The signature is fluid and cursive, with the first name "Kelly" being more prominent.

Kelly M. Britt  
Production Analyst

Attachments: as indicated

xc:     OCD - Artesia  
          BLM - Carlsbad

|                 |                  |                       |                   |          |                       |
|-----------------|------------------|-----------------------|-------------------|----------|-----------------------|
| DATE IN 6/19/06 | SUSPENSE 7-10-06 | ENGINEER MIKE STROGER | LOGGED IN 6/20/06 | TYPE NSL | APP NO. PD50617135068 |
|-----------------|------------------|-----------------------|-------------------|----------|-----------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

## NEW MEXICO OIL CONSERVATION DIVISION



### ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

#### Application Acronyms:

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

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

- [A] Location - Spacing Unit - Simultaneous Dedication  
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

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

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

- [D] Other: Specify \_\_\_\_\_

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

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners  
 [B] ☒ Offset Operators, Leaseholders or Surface Owner  
 [C] ☐ Application is One Which Requires Published Legal Notice  
 [D] ☒ Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office  
 [E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,  
 [F] ☐ Waivers ~~are attached~~ will be forwarded upon receipt.

#### [3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Kelly M. Britt  
Print or Type Name

Signature

Production Records  
Title

06/16/06  
Date

e-mail Address kbritt@stratanm.com

2006 JUN 19 PM 1 12

DISTRIBUTION LIST  
ADMINISTRATIVE APPLICATION  
FORTY NINER RIDGE UNIT #9  
330' FSL & 2630' FWL  
Section 10, T23S-R30E

ConocoPhillips Company  
Attn: Ms. Glenda Reed  
P. O. Box 2197  
Houston, TX 77252

Pogo Producing Co.  
Attn: Ms. Kathy Wright  
P. O. Box 10340  
Midland, TX 79702

ExxonMobil  
Attn: Mr. Lyndal Trout  
6810 NW 8000  
Andrews, TX 79714

Chevron USA, Inc.  
Attn: Mr. Rob Nunmaker  
P. O. Box 36366  
Houston, TX 77236

BEPCO, LP & Perry R. Bass Trustee  
201 Main Street  
Forth Worth, TX 76102

Oil Conservation Division  
1301 W. Grand Ave.  
Artesia, NM 88210-2834

Bureau of Land Management  
Carlsbad Field Office  
620 East Greene Street  
Carlsbad, NM 88220

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

June 14, 2006

Ms. Kelly Britt  
Strata Production Company  
P.O. box 1030  
Roswell, New Mexico 88202

Re: Forty Niner Ridge Unit #9  
330' FSL & 2630' FWL  
Section 10-T23S-30E  
Eddy County, New Mexico

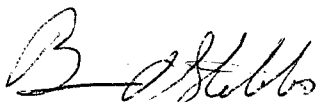
Dear Ms. Britt,

The Forty Niner Ridge Unit is located in an area with many constraints on surface locations for the drilling of vertical wells. There is potash mining activities to the east in Section 11, the north half of section 10 and recoverable reserves to the south in section 15. Through negotiations with Mosaic Potash, a surface location was identified, that would not interfere with potash operations in this area.

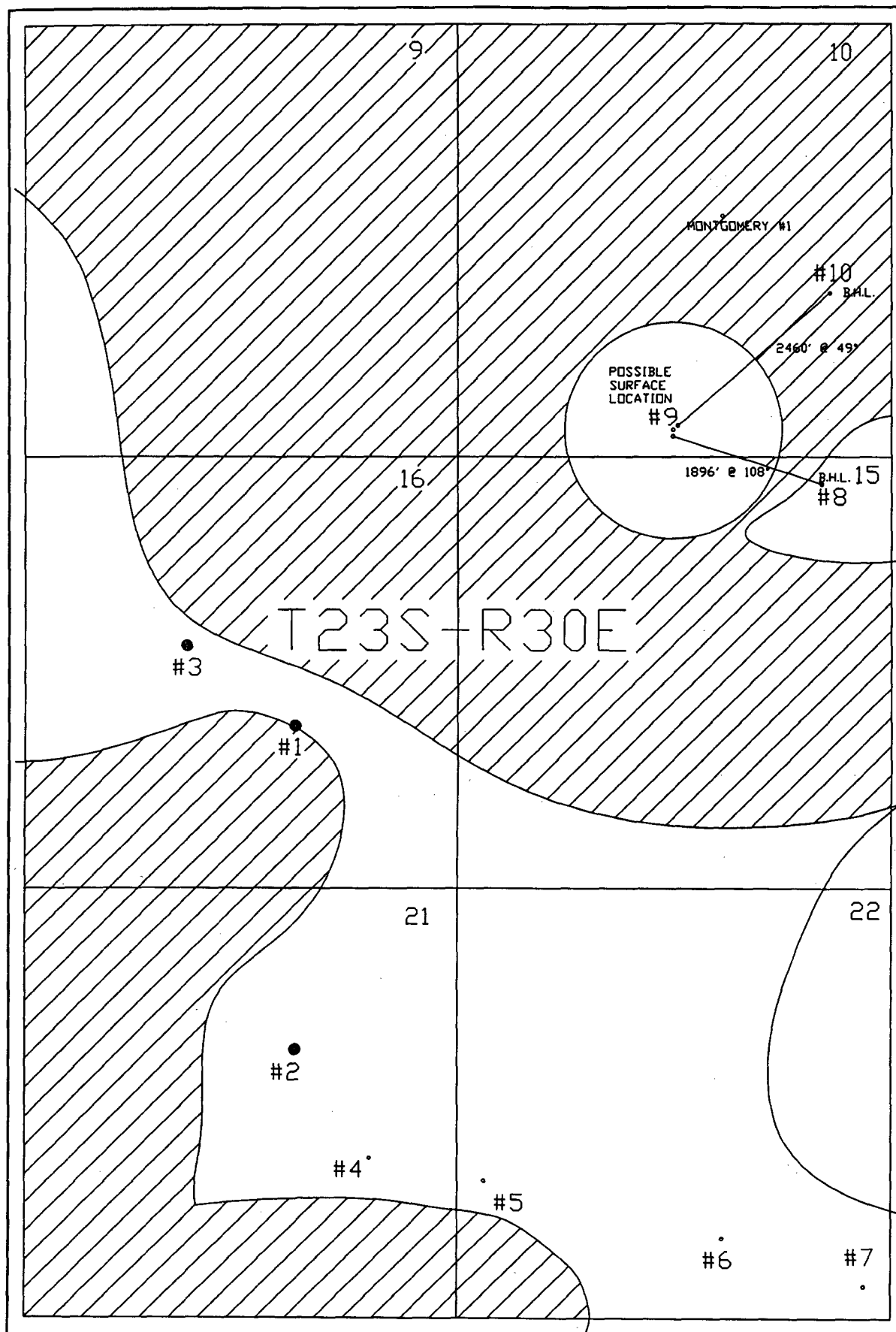
A 3-D seismic survey has indicated amplitude anomalies located in the S/2 of section 10. To develop this anomaly a vertical well will be drilled to evaluate the potential in this area. Should the initial test prove to be successful, directional/horizontal wells will be drilled from this drilling island to develop additional reserves in section 10.

This is the only location in the northeast part of the Unit Area that is available for drilling that does not interfere with the potash operations in the area. Please refer to the attached map for additional clarification.

Sincerely,



Bruce A. Stubbs, P.E.



# FORTY NINER RIDGE UNIT EDDY COUNTY, NEW MEXICO

 POTASH RESERVES

1000'

1-20-05  
B.A.S.

T. SALT 700'

17 1/2" HOLE

13 3/8" - 48 #/FT. K-55, ST&C @ 420'  
CIRCULATE CEMENT  
650 SX.

STRATA PRODUCTION COMPANY

FORTY NINER RIDGE UNIT #9

330' FSL & 2630' FWL

SEC. 10-T23S-R30E

EDDY COUNTY, NEW MEXICO

11" - 12 1/4" HOLE

B. SALT 3380'

T. DELAWARE 3650'

8 5/8"-32 #/FT. J-55, LT&C @ 3600',  
CIRCULATE CEMENT  
1500 SX. FILLER CEMENT  
200 SX. CLASS "C"

7 7/8" HOLE

BRUSHY CANYON 5800'

T. BONE SPRING 7400'

5 1/2"-17 #/FT. K-55 LT&C @ 7800'  
CIRCULATE CEMENT  
750 SX. LITECRETE

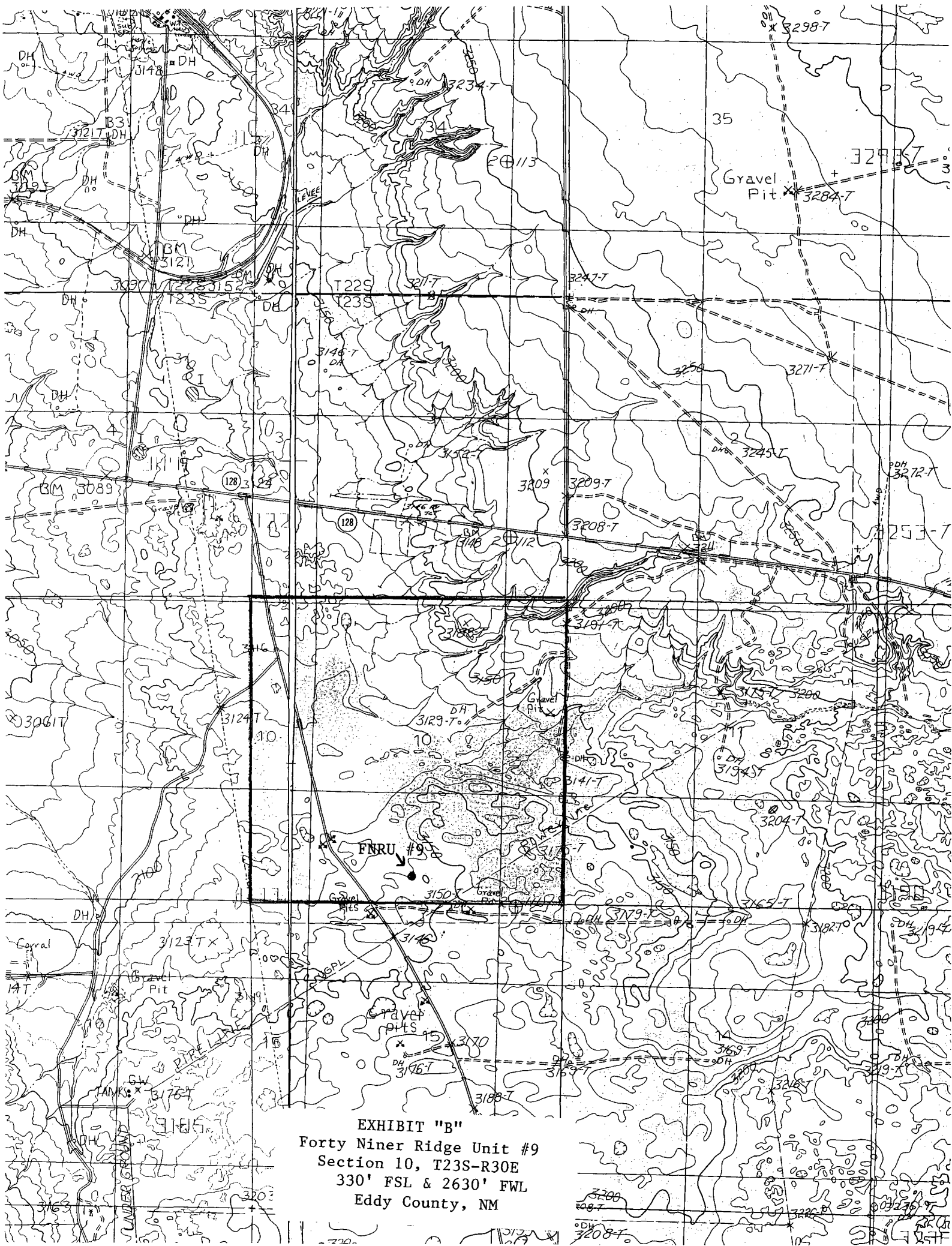


EXHIBIT "B"  
Forty Niner Ridge Unit #9  
Section 10, T23S-R30E  
330' FSL & 2630' FWL  
Eddy County, NM



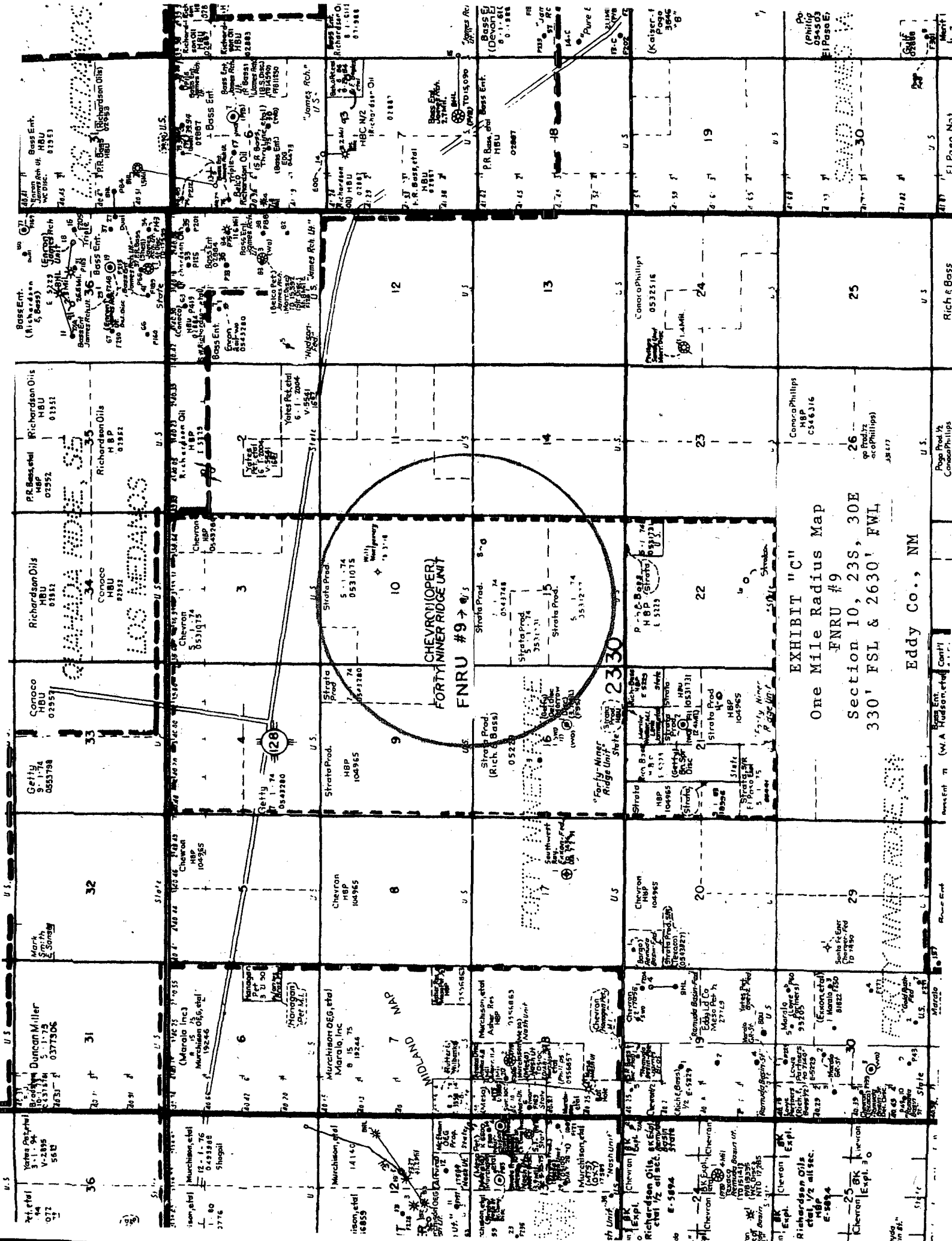


EXHIBIT "C"  
One Mile Radius Map  
FNRU #9  
Section 10, 23S, 30E  
330' FSL & 2630' FWL  
Eddy Co., NM

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JLY 1989)  
nately 9-331C)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

BLM Roswell District  
Modified Form No.  
NM060-3160-2

**APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK**

|   |  |  |  |
|---|--|--|--|
| TYPE OF WORK<br>DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/>  |  | 5. LEASE DESIGNATION AND SERIAL NO.<br>NM-0531075                          |  |
| TYPE OF WELL<br>OIL <input checked="" type="checkbox"/> GAS <input type="checkbox"/> SINGLE <input type="checkbox"/> MULTIPLE <input type="checkbox"/><br>WELL <input checked="" type="checkbox"/> WELL <input type="checkbox"/> OTHER <input type="checkbox"/> ZONE <input type="checkbox"/> ZONE <input type="checkbox"/> |  | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME                                       |  |
| NAME OF OPERATOR<br>STRATA PRODUCTION COMPANY   |  | 7. UNIT AGREEMENT NAME<br>Forty Niner Ridge Unit                           |  |
| ADDRESS OF OPERATOR<br>P. O. Box 1030<br>Roswell, New Mexico 88202-1030   |  | 8. FARM OR LEASE NAME<br>Forty Niner Ridge Unit                            |  |
| LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)<br>At surface<br>330' FSL & 2630' FWL   |  | 9. WELL NO.<br>#9  |  |
| At proposed prod. zone  |  | 10. FIELD AND POOL, OR WILDCAT<br>Forty Niner Ridge Delaware               |  |
| DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*<br>10 Miles East of Loving, New Mexico  |  | 11. SEC., T., R., M., OR BLK.<br>AND SURVEY OR AREA<br>Section 10, 23S-30E |  |
| DISTANCE FROM PROPOSED *<br>LOCATION TO NEAREST<br>PROPERTY OR LEASE LINE, FT.<br>2630'   |  | 12. COUNTY OR PARISH<br>Eddy   |  |
| (Also to nearest drlg. unit line, if any)<br>DISTANCE FROM PROPOSED LOCATION*<br>TO NEAREST WELL, DRILLING, COMPLETED<br>OR APPLIED FOR, ON THIS LEASE, FT. 1 1/4 mile SW   |  | 13. STATE<br>NM  |  |
| ELEVATIONS (Show whether DF, RT, GR, etc.)<br>3142' Ground Level  |  | 14. NO. OF ACRES IN LEASE<br>Lease 220/Unit 5,123                          |  |
|   |  | 15. NO. OF ACRES ASSIGNED<br>TO THIS WELL<br>40                            |  |
|   |  | 16. ROTARY OR CABLE TOOLS<br>Rotary  |  |
|   |  | 22. APPROX. DATE WORK WILL START*<br>May 1, 2005                           |  |

**PROPOSED CASING AND CEMENTING PROGRAM**

**Controlled Water Basin**

| HOLE SIZE | CASING SIZE | WEIGHT/FOOT | GRADE | THREAD TYPE | SETTING DEPTH | QUANTITY OF CEMENT |
|-----------|-------------|-------------|-------|-------------|---------------|--------------------|
| 17 1/2"   | 13 3/8"     | 48#         | H-40  | 8 Rd STC    | 420'          | Circ               |
| 12 1/4"   | 8 5/8"      | 32#         | J-55  | 8 Rd STC    | 3600'         | Circ               |
| 7 7/8"    | 5 1/2"      | 17#         | J-55  | 8 RD STC    | 7800'         | TOC 3000'          |

**WITNESS**  
**WITNESS**

Strata Production Company proposes to drill to a depth sufficient to test the Forty Niner Ridge Delaware. If productive, 5 1/2" casing will be set. If non-productive, the well will be plugged & abandoned in a manner consistent with Federal Regulations. Specific programs as set out in Onshore Oil & Gas Order #1 are outlined in the following attachments:

- NMOCD Form C-102 Well Location and Acreage Dedication Plat
- Hole Prognosis
- Surface Use and Operating Plan
- H2S Drilling Operations Plan
- Exhibit "A" Equipment Description w/attachment
- Exhibit "B" Planned Access Roads
- Exhibit "C" One Mile Radius Map w/attachment of status of wells within one mile radius
- Exhibit "D" Drilling Rig Layout Plan
- Notification to Area Potash Lease Holders
- Pit or Below-Grade Tank Registration or Closure
- Statement Accepting Responsibility For Operations
- Archaeological Survey

**APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS  
ATTACHED**

ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

SIGNED [Signature] TITLE Production Records DATE 02/02/05

(This space for Federal or State office use)

PERMIT NO.                      APPROVAL DATE                       
APPROVED BY [Signature] TITLE STATE DIRECTOR DATE 6/07/06  
CONDITIONS OF APPROVAL, IF ANY:

Standard 640-acre Section