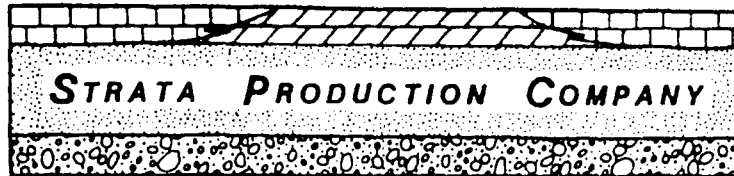


POST OFFICE DRAWER 1030
ROSWELL, NM 88202-1030



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

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

May 23, 2006

CERTIFIED MAIL - RETURN RECEIPT
#7005 0390 0006 3674 5263

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

RE: Nash Draw #48
Surface: 2415' FSL & 1646' FWL
Section 12, T23S-R29E
Bottomhole: 500' FNL & 1000' FWL
Section 11, T23S-R29E
Nash Draw Brushy Canyon Pool
Eddy County, New Mexico

Dear Mr. Stogner,

Strata Production Company ("Applicant") hereby submits an Administrative Application pursuant to Rule 104.D (2) for a Non-Standard Proration Unit, Rule 104.F for an Unorthodox Location, and Rule 111 for Directional Drilling regarding the Nash Draw #48 well, and in support thereof states:

1. Applicant proposes to drill to a depth sufficient to test the Delaware formation at a surface location of 2415' FSL and 1646' FWL of Section 12, Township 23 South, Range 29 East, N.M.P.M., and at an unorthodox bottomhole location of 500' FNL and 1000' FWL of Section 11, Township 23 South, Range 29 East, N.M.P.M.
2. As indicated on Exhibit "C", the surface location is located on Federal Lease NM-32636. The bottomhole location is located on Federal Lease NM-0554221. Both leases are included in the Nash Unit Agreement, Delaware Formation Participation Area operated by the Applicant.
3. Applicant is operator of the Nash Unit Delaware Formation.
4. Due to the denial of all surface locations in Section 11 because of the Potash Area, and the playa lake and flood plane in the W/2W/2 of Section 12 as indicated on Exhibit "B", it will be necessary to directionally drill the Nash Draw #48 to develop the indicated reserves.

7-19-07
- message to call Kelly @ Ecl. 15
- from Tucson
- 9:45 am 1st message for Kelly, that I called
- 12:55 pm to contact Kelly, asked about report
- 1:18 pm top of Del. @ 3110'
- called Kelly for completion data
- talked w/ Bruce Stubbins @ 2:45 PM
only the horizontal
portion of the
well bore will
be completed
(perforated)
also the last
100 or so ft
will be
open hole.

2006 MAY 30 PM 12 42


5. 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.
6. Offset operators and/or lessees were simultaneously notified of the Application by certified mail. A distribution list is attached. Copies of 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. Exhibit "D" Horizontal/Vertical Plan View
6. Exhibit "E" Horizontal Plan View
7. Exhibit "F" Compensated Neutron Log section from the Nash Unit #13 identifying the top and bottom of the Delaware Pool.
8. Form 3160-3 Application for Permit to Drill
9. 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 Proration Unit, Unorthodox Location and Directional Drilling as hereinabove described.

Sincerely,



Kelly M. Britt
Production Records

Attachments: as indicated

xc: OCD - Artesia
BLM - Carlsbad
Murchison Oil & Gas Inc.

DATE IN <u>5/30/06</u>	SUSPENSE	ENGINEER <u>MIKE STOGNER</u>	LOGGED IN <u>5/30/06</u>	TYPE <u>NSL</u>	APP NO. <u>PTDSOL615059446</u>
------------------------	----------	------------------------------	--------------------------	-----------------	--------------------------------

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



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 ☒ DD
- 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 Directional Drilling
- [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.

<u>Kelly M. Britt</u>	<u><i>Kelly M. Britt</i></u>	<u>Production Records</u>	<u>05/19/2006</u>
Print or Type Name	Signature	Title	Date
		<u>kbritt@stratanm.com</u>	
		e-mail Address	

DISTRIBUTION LIST
ADMINISTRATIVE APPLICATION
NASH DRAW #48
2415' FSL & 1646' FWL
Section 12, T23-R29E

Murchison Oil & Gas, Inc.
Attn: Michael S. Daugherty
1100 Mira Vista Blvd.
Plano, Texas 75093-4698

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

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

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

May 18, 2006

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

Re: Nash Draw #48
2415' FSL & 1646' FWL
Section 12-T23S-29E
Eddy County, New Mexico

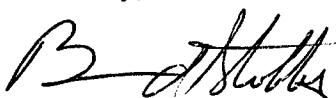
Dear Ms. Britt,

The Nash Draw Unit is located in an area with many constraints on surface locations for the drilling of vertical wells. The Potash Area is located to the west, in Section 11, and all surface locations in this area have been denied. Also, there is a playa lake and flood plane that the Bureau of Land Management has denied surface locations on, located in the W/2/W/2 of Section 12.

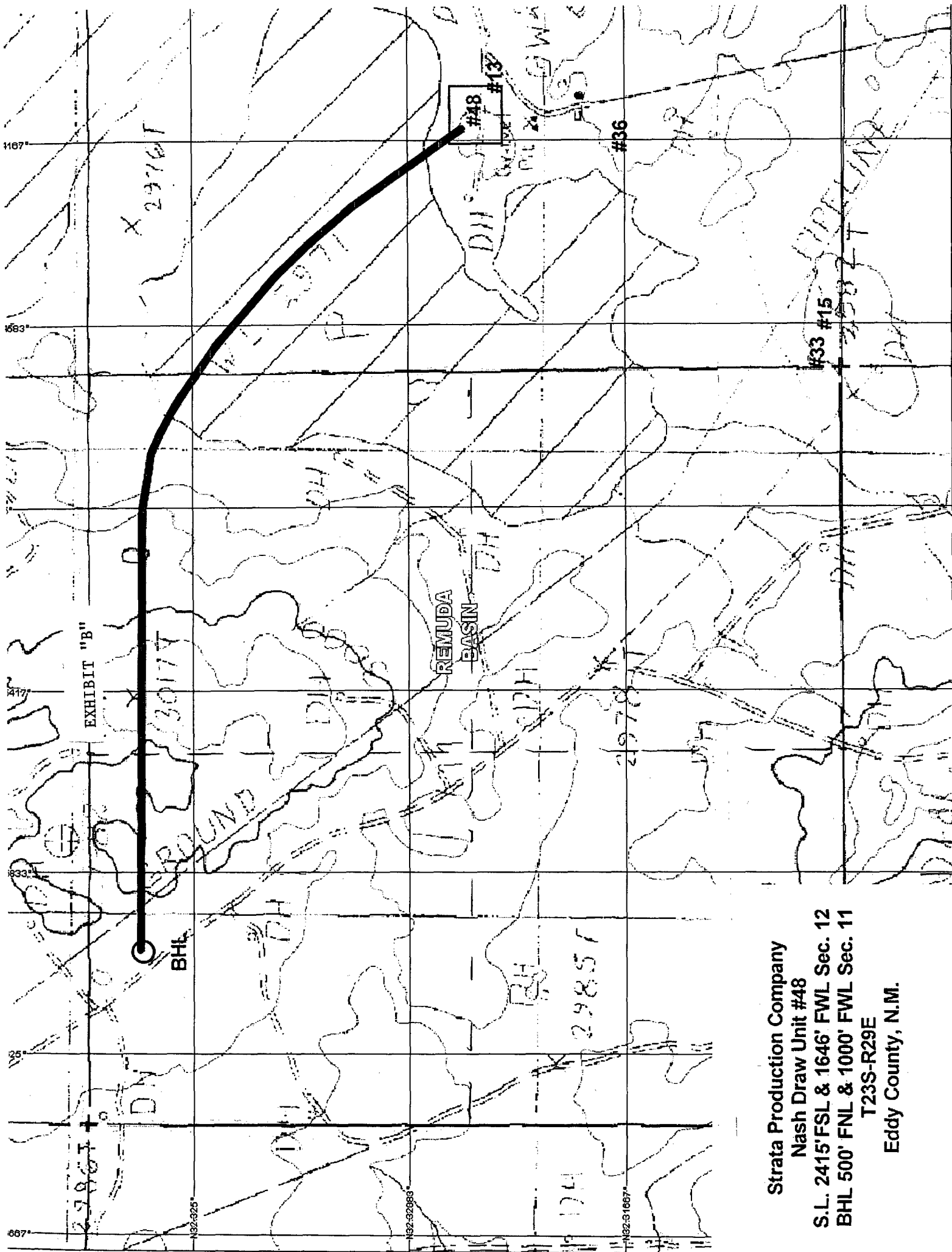
A 3-D seismic survey has indicated an amplitude anomaly located in the NW/4 of section 11. To develop this anomaly a directional well will be required to deviate from the closest surface location to intersect the anomaly under the playa lake. The well will then be drilled horizontally to reach the reservoir located in Section 11. Since this will be the only well to penetrate this portion of the reservoir it will be designed to drain approximately 100 acres.

The Delaware "L" zone will be intersected at a location 4,846' FWL & 1,615' FNL of Section 11¹². The horizontal section will continue from this point 5,539' to a location 1,000' FWL and 500' FNL of Section 11. This results in a deviation of 1,250' from the surface location to intersect the middle of the formation and a 5,539' horizontal section through the reservoir.

Sincerely,



Bruce A. Stubbs, P.E.



Strata Production Company

Nash Draw Unit #48

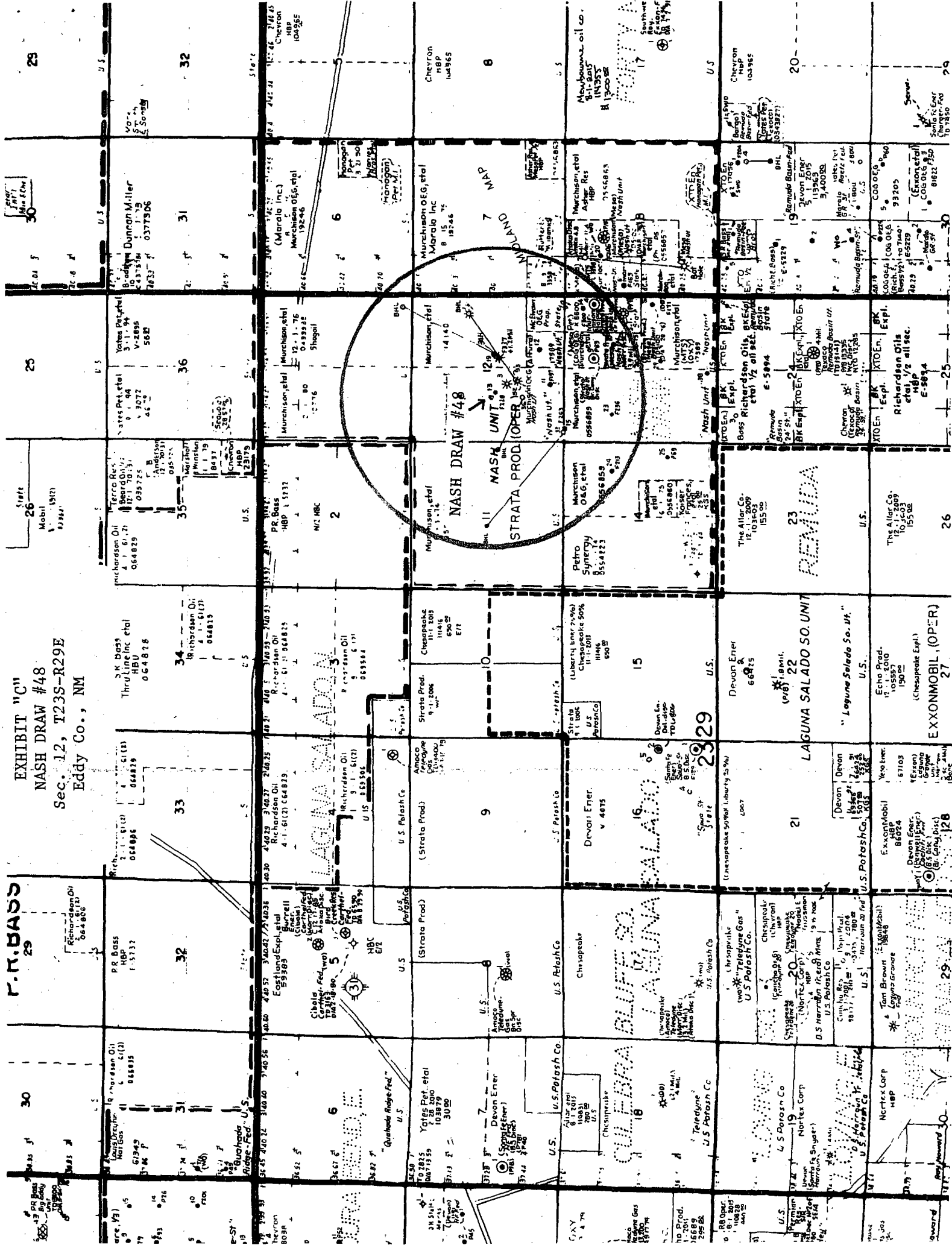
S.L. 2415' FSL & 1646' FWL Sec. 12

BHL 500' FNL & 1000' FWL Sec. 11

T23S-R29E

Eddy County, N.M.

EXHIBIT "C"
NASH DRAW #48
Sec. 12, T23S-R29E
Eddy Co., NM



Strata Petroleum

Nash Draw #48

Section 12, T23-S, R29-E

Eddy County, New Mexico

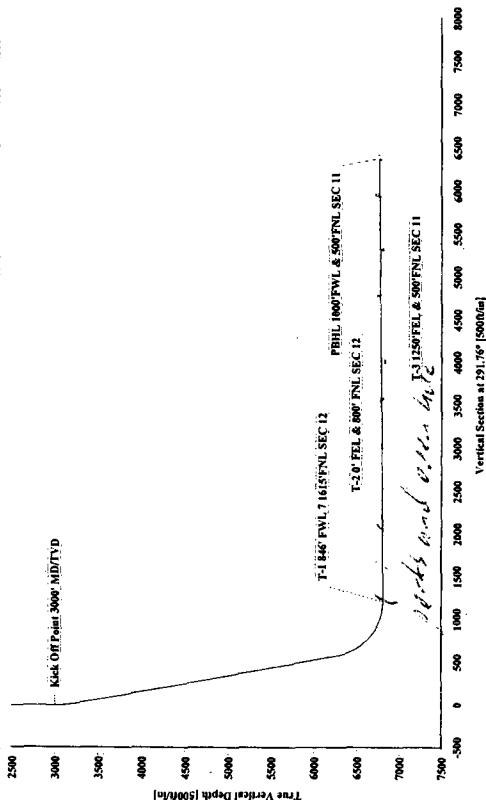
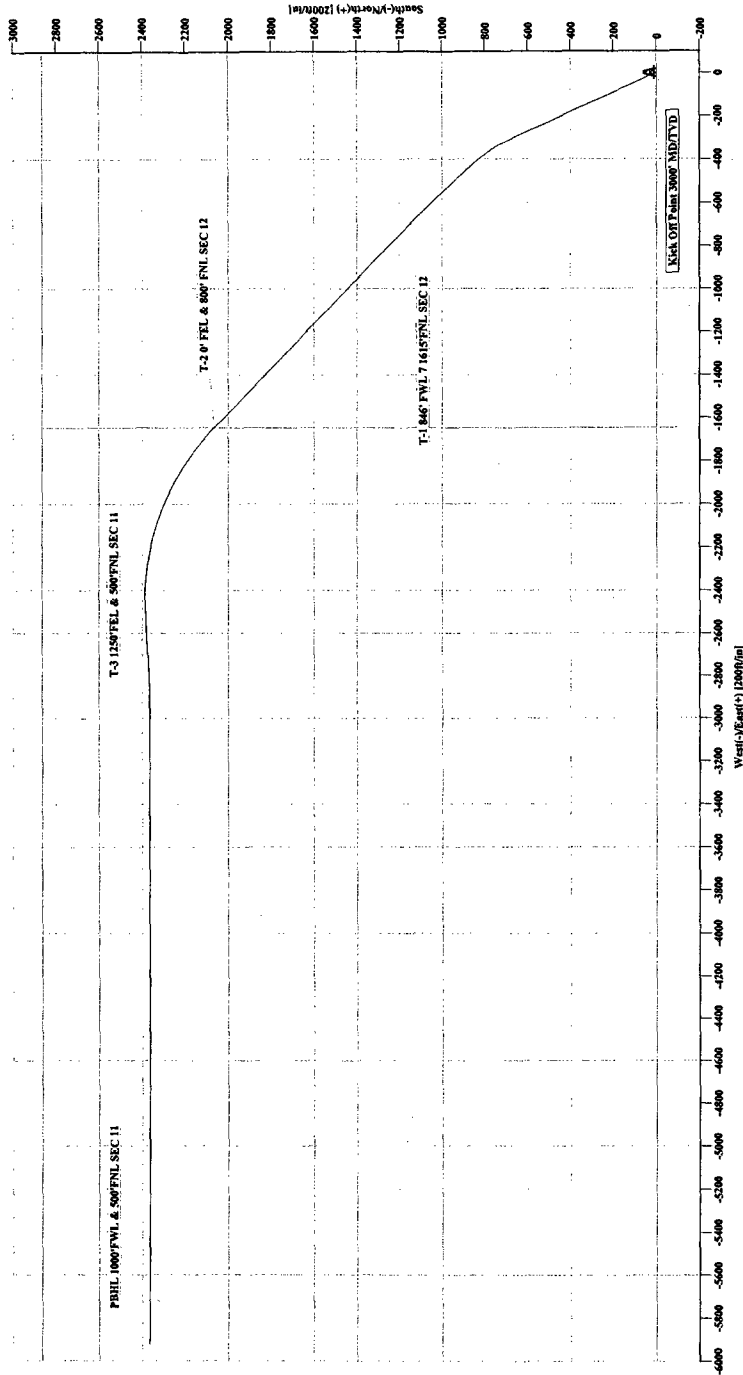
Plan #1 11/09/05

EXHIBIT "D"

PATHFINDER
ENERGY SERVICES

SITE DETAILS
Nash Draw #48
Section 12
T-23S & R-29E
Water Depth: 0.00
Positional Uncertainty: 0.00
Convergence: 0.00

GA/TM
Azimuths to Grid North
True North: 0.00°
Magnetic North: 0.00°
Magnetic Field
Strength: 0nT
Dip Angle: 0.00°
Date: 11/9/2005
Model: igr2005



SECTION DETAILS									
Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	DLeg	TFace	VSec Target
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	3000.00	0.00	0.00	3000.00	0.00	0.00	0.00	0.00	0.00
3	3237.90	14.28	335.51	3235.48	26.84	-12.23	6.00	0.00	0.00
4	6354.17	14.28	335.51	6355.48	726.14	-330.79	0.00	0.00	21.30
5	7317.71	90.34	313.93	6805.00	1250.00	-800.00	8.00	-22.17	1706.40
6	8492.44	90.34	313.93	6798.00	2065.00	-1646.00	0.00	0.00	2294.25
7	9431.44	90.65	266.98	6789.38	2384.05	-2501.34	5.00	-89.43	3206.92
8	9759.38	90.65	266.98	6785.66	2366.77	-2828.81	0.00	0.00	3504.65
9	9826.61	90.47	270.00	6785.00	2365.00	-2896.00	4.50	93.36	3566.40
10	12856.71	90.47	270.00	6760.00	2365.00	-5926.00	0.00	0.00	6380.49

T-1 846' FWL 7 1615' FNL SEC 12
T-2 0' FEL & 800' FNL SEC 12
T-3 1250' FEL & 500' FNL SEC 11
PBHL 1000' FWL & 500' FNL SEC 11

TARGET DETAILS

Name	TVD	+N/-S	+E/-W	Shape
PBHL 1000' FWL & 500' FNL SEC 11	6760.00	2365.00	-5926.00	Point
T-3 1250' FEL & 500' FNL SEC 11	6785.00	2365.00	-2896.00	Point
T-2 0' FEL & 800' FNL SEC 12	6798.00	2065.00	-1646.00	Point
T-1 846' FWL 7 1615' FNL SEC 12	6805.00	1250.00	-800.00	Point

ANNOTATIONS

No.	TVD	MD	Annotation
1	3000.00	3000.00	Kick Off Point 3000' MD/TVD

COMPENSATED NEUTRON LOG
 NASH UNIT #13
 START HORIZONTAL AT 6770'
 END HORIZONTAL AT 6890'

-3662

"K"

EXHIBIT "E"

Perf. 6660' - 6680'

Acid. w/ 1100 gal 1 1/2% HCl

ISIP	Vol	Sp. Gr.	Temp
	300	1.05	60
	100	1.05	60
	100	1.05	60

6700

K-2

-3779

"L"

6800

PERF: 6810' - 6830'

ACID. w/ 1500 gal 1 1/2% HCl

Frac. w/ 54000 # 10/30 LC/L
 14000 gal gelled 2% K

IRF: 718 BOPD

123 MCFD

144 BWIP

518/9.3

22 1/2"

3 1/2" ITT

6900

CONTACT RECEIVING
OFFICE FOR NUMBER
REQUIRED
Instructions on
reverse side)

OPERATOR'S COPY

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

TYPE OF WORK

DRILL ☒ DEEPEN ☐ PLUG BACK ☐

TYPE OF WELL

OIL WELL ☒ GAS WELL ☐ OTHER ☐ R-111-POTASH SINGLE ZONE ☒ MULTIPLE ZONE ☐

NAME OF OPERATOR

STRATA PRODUCTION COMPANY

3a. Area Code & Phone No.

505-622-1127

5. LEASE DESIGNATION AND SERIAL NO.

NM-0554221

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

Nash Unit NM 70992 X

8. FARM OR LEASE NAME

Nash Draw

9. WELL NO.

#48

10. FIELD AND POOL, OR WILDCAT

Nash Draw Brushy Canyon Oil

11. SEC., T., R., M., OR BLK.
AND SURVEY OR AREA

Section 12-23S-29E

ADDRESS OF OPERATOR

P. O. Box 1030, Roswell, New Mexico 88202-1030

LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

SL: 2415' FSL & 1646' FWL

BHL: 500' FNL & 1000' FWL Section 11-23S-29E

At proposed prod. zone

DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

9 miles north east of Loving, New Mexico

12. COUNTY OR PARISH

Eddy

13. STATE

NM

DISTANCE FROM PROPOSED *

LOCATION TO NEAREST

PROPERTY OR LEASE LINE, FT.

(Also to nearest drlg. unit line, if any)

DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED

OR APPLIED FOR, ON THIS LEASE, FT.

ELEVATIONS (Show whether DF, RT, GR, etc.)

2985' GR

16. NO. OF ACRES IN LEASE

880 Lse/5123 Unit

17. NO. OF ACRES ASSIGNED

TO THIS WELL

160

19. PROPOSED DEPTH

12,857'

20. ROTARY OR CABLE TOOLS

Rotary

22. APPROX. DATE WORK WILL START*

PROPOSED CASING AND CEMENTING PROGRAM

HOLE SIZE	CASING SIZE	WEIGHT/FOOT	GRADE	THREAD TYPE	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 3/8"	48#	H-40	STC NEW	400' 310'	Circ to Surface
12 1/2"	11 3/4"	54#	J-55	LTC NEW	3110'	Circ to Surface
10 3/4"	8 5/8"	32#	J-55	LTC NEW+HD-513	7350'	Circ to Surface
7 7/8"	5 1/2"	17#	N-80	LTC NEW+HD-513	12,857' MD	TOC @ 5000' CIRC TO SURF.

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

NMOCD Form C-102 Well Location and Acreage Dedication Plat

Hole Prognosis

Surface Use and Operating Plan

Exhibit "A" Equipment Description

Exhibit "B" Planned Access Roads

Exhibit "C" One Mile Radius Map

Exhibit "D" Drilling Rig Layout Plan

Exhibit "E" Vertical Plan & Horizontal Plan View

Notifications to Area Potash Leaseholders

Archaeological Report

Statement Accepting Responsibility

Pit or Below Grade Tank Registration

**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 to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

SIGNED

TITLE

Production Records

DATE

01/27/2006

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

APPROVED BY

CONDITIONS OF APPROVAL, IF ANY:

STATE DIRECTOR

DATE

5/10/06

APPROVAL FOR 1 YEAR

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

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

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code		³ Pool Name					
⁴ Property Code		⁵ Property Name NASH DRAW						⁶ Well Number 48	
⁷ OGRID No.		⁸ Operator Name STRATA PRODUCTION COMPANY						⁹ Elevation 2985	
¹⁰ Surface Location									
UL or lot no. K	Section 12	Township 23-S	Range 29-E	Lot Idn	Feet from the 2415	North/South line SOUTH	Feet from the 1646	East/West line WEST	County EDDY
¹¹ Bottom Hole Location If Different From Surface									
UL or lot no. D	Section 11	Township 23-S	Range 29-E	Lot Idn	Feet from the 500	North/South line NORTH	Feet from the 1000	East/West line WEST	County EDDY
¹² Dedicated Acre 160		¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ Order No.			

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

¹⁶ <p>LAT N32.31906 LON W103.94151 SURFACE LOCATION</p> <p>SEC 12</p>				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 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 working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. Signature: <i>Kelly M. Britt</i> Date: 12/12/05 Printed Name: Kelly M. Britt	
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. DECEMBER 6, 2005 Date of Survey: <i>DAN R. REDDY</i> Signature and Seal of Professional Surveyor: <i>DAN R. REDDY</i> Certificate Number: 5412 DAN R. REDDY NM PE&PS #5412					

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

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

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code		³ Pool Name	
⁴ Property Code		⁵ Property Name NASH DRAW			⁶ Well Number 48
⁷ OGRID No.		⁸ Operator Name STRATA PRODUCTION COMPANY			⁹ Elevation 2985

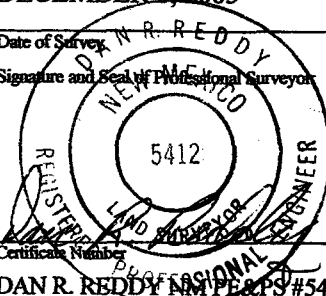
¹⁰ Surface Location									
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	12	23-S	29-E		2415	SOUTH	1646	WEST	EDDY

¹¹ Bottom Hole Location If Different From Surface									
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	11	23-S	29-E		500	NORTH	1000	WEST	EDDY

¹² Dedicated Acre 160	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
--	-------------------------------	----------------------------------	-------------------------

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

¹⁶ 1000' 500' BOTTOM HOLE LOCATION			
SEC. 11			

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 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 working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. Signature: <i>Kelly M. Britt</i> Date: 12/12/05 Printed Name: Kelly M. Britt	
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. DECEMBER 6, 2005 Date of Survey Signature and Seal of Professional Surveyor  Certificate Number: DAN R. REDDY NM PE&PS #5412	