

| | | | | | |
|------------------------|----------|-----------------------|-----------|-----------------|---------------------------|
| DATE IN <u>1/27/10</u> | SUSPENSE | ENGINEER <u>Jones</u> | LOGGED IN | TYPE <u>SWD</u> | APP NO. <u>1002047949</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

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

[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.

Frank S. Morgan
Print or Type Name

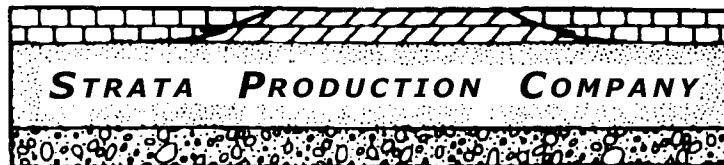
[Signature]
Signature

Vice President
Title

01/27/2010
Date

fmorgan@stratanm.com
e-mail Address

POST OFFICE DRAWER 1030
ROSWELL, NM 88202-1030



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

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

PTGW-
1002047949

January 13, 2010

CERTIFIED/RETURN RECEIPT REQUESTED

RE: Cleary State #1 SWD
Hat Mesa
S32-T20S-R33E, NMPM
Lea County, New Mexico

Oil Conservation Division
1220 South St. Frances Drive
Santa Fe, NM 87504
Attn: Will Jones

Will,

Pursuant to OCD Rule 701, I am enclosing two (2) copies of Form C-108 together with attachments and requesting Administrative Approval for a Water Disposal Well. The proposed Disposal Well is the Cleary State #1 SWD, located in Unit "N", Sec 32, T21S, R32E, NMPM.

All of the information requested in Form C-108 is attached and includes a copy of Affidavit of Publication attesting that Public Notice was published in the Hobbs Daily News Sun on December 2, 2009. All the Lease-hold Operators within the half-mile radius of the well were furnished a copy of the C-108 by Certified Mail. Copy of Return Receipts as well as my letter to each Operator is attached.

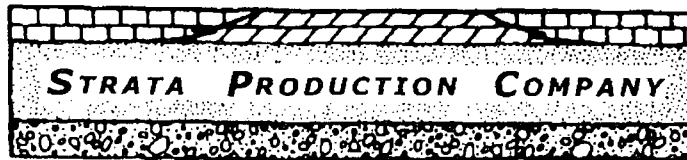
Pursuant to "Distribution" noted on C-108 I am also forwarding a copy of this letter and completed form to your Hobbs Office.

Thank You,

Frank S. Morgan
Vice President

CC: Oil Conservation Division - Hobbs District Office
1625 N. French Dr.
Hobbs, NM 88240

POST OFFICE DRAWER 1030
ROSWELL, NM 88202-1030



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

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

December 29, 2009

Sent Via Email

William Jones
Examiner
Oil Conservation Division
Santa Fe, NM
William.V.Jones@state.nm.us

RE: Cleary #1 SWD History

Dear Will,

In October of 1990, Strata Production Company received approval to convert Cleary Petroleum Corporation's "SL" State Comm. #1 into a salt water disposal well. Strata cleaned out to the top of the cement plug at a depth of 6505'. There were full returns with no hole trouble. Strata pressured up to test the casing integrity to 500# without any decrease in pressure. A 9 5/8" cement retainer was run to a depth of 5863'. Cement was squeezed on top of the cement plug at 6505' making the plug back TD at 5843'. We then perforated 57 .42 holes from 5413-5682' and acidized with 4000 gallons 7 1/2% NeFe with additives. Next we ran 2 3/8" plastic coated tbg and 9 5/8" zinc coated Halliburton "Loc" and set the packer at 5360'. The hole was circulated with pkr fluid. We pressure tested the casing and pkr to 500# with no leakage. Injection was commenced on 10/26/90. Forms C-105 and C-103 were filed with the OCD and approved April 4, 1991.

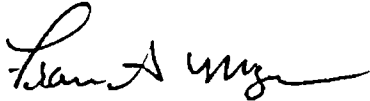
On September 23, 2009 a leak was discovered approximately 4' below the surface in the 13 3/8" casing. The Cleary #1 SWD was shut down and I contacted the OCD office in Hobbs and notified Buddy Hill of the situation. The hole in the casing (about the size of a quarter) was clamped off until repairs could be made.

Strata determined that the best way to repair the well and to avoid future problems would be to run a new production string of 5 1/2" 17# J-55 casing to a depth of 5385' and circulate cement back to the surface. In doing so it would seal the 9 5/8" and 13 3/8" casing and be within 28' of the top perforation: Form C-103 was filed with the procedure described.

I received a call from Buddy Hill informing me he could not approve the C-103 because the R-Order No. SWD-397 showed the perforations to be approximately 5575' to 5615' even though a C-103 and C-105 had been filed and approved. At this point Buddy advised I should contact you to follow the proper procedure to amend or approve Order # SWD-397.

I have enclosed a series of Well Bore Diagrams, Form C-103 and exhibits per your request. I would appreciate speaking with you the week of January 4th to see how best to expedite approval of our proposed operation.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank S. Morgan". The signature is fluid and cursive, with a long horizontal stroke at the end.

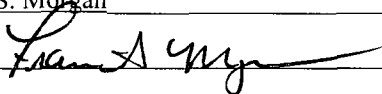
Frank S. Morgan
Vice President

Enclosures:

Approved Well Bore Diagrams
Administrative Order SWD-397
Step Rate Approval
C-105 dated 04/09/91
C-103 of proposed procedure
Well bore diagram of procedure

CC: Buddy Hill
Larry.hill@state.nm.us

APPLICATION FOR AUTHORIZATION TO INJECT

- I. PURPOSE: _____ Secondary Recovery _____ Pressure Maintenance X Disposal _____ Storage
Application qualifies for administrative approval? X Yes _____ No
- II. OPERATOR: Strata Production Company
ADDRESS: PO Box 1030 Roswell, NM 88202-1030
CONTACT PARTY: Frank S. Morgan PHONE: (575) 622-1127
- III. WELL DATA: Complete the data required on the reverse side of this form for each well proposed for injection.
Additional sheets may be attached if necessary.
- IV. Is this an expansion of an existing project? _____ Yes X No
If yes, give the Division order number authorizing the project: _____
- V. Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.
- VI. Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.
- VII. Attach data on the proposed operation, including:
1. Proposed average and maximum daily rate and volume of fluids to be injected;
 2. Whether the system is open or closed;
 3. Proposed average and maximum injection pressure;
 4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than re-injected produced water; and,
 5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).
- *VIII. Attach appropriate geologic data on the injection zone including appropriate lithologic detail, geologic name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such sources known to be immediately underlying the injection interval.
- IX. Describe the proposed stimulation program, if any.
- *X. Attach appropriate logging and test data on the well. (If well logs have been filed with the Division, they need not be resubmitted).
- *XI. Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken.
- XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground sources of drinking water.
- XIII. Applicants must complete the "Proof of Notice" section on the reverse side of this form.
- XIV. Certification: I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.
- NAME: Frank S. Morgan TITLE: Vice President
SIGNATURE:  DATE: 01/13/09
E-MAIL ADDRESS: fmorgan@stratanm.com
- * If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be resubmitted. Please show the date and circumstances of the earlier submittal: _____

III. WELL DATA

A. The following well data must be submitted for each injection well covered by this application. The data must be both in tabular and schematic form and shall include:

- (1) Lease name; Well No.; Location by Section, Township and Range; and footage location within the section.
- (2) Each casing string used with its size, setting depth, sacks of cement used, hole size, top of cement, and how such top was determined.
- (3) A description of the tubing to be used including its size, lining material, and setting depth.
- (4) The name, model, and setting depth of the packer used or a description of any other seal system or assembly used.

Division District Offices have supplies of Well Data Sheets which may be used or which may be used as models for this purpose. Applicants for several identical wells may submit a "typical data sheet" rather than submitting the data for each well.

B. The following must be submitted for each injection well covered by this application. All items must be addressed for the initial well. Responses for additional wells need be shown only when different. Information shown on schematics need not be repeated.

- (1) The name of the injection formation and, if applicable, the field or pool name.
- (2) The injection interval and whether it is perforated or open-hole.
- (3) State if the well was drilled for injection or, if not, the original purpose of the well.
- (4) Give the depths of any other perforated intervals and detail on the sacks of cement or bridge plugs used to seal off such perforations.
- (5) Give the depth to and the name of the next higher and next lower oil or gas zone in the area of the well, if any.

XIV. PROOF OF NOTICE

All applicants must furnish proof that a copy of the application has been furnished, by certified or registered mail, to the owner of the surface of the land on which the well is to be located and to each leasehold operator within one-half mile of the well location.

Where an application is subject to administrative approval, a proof of publication must be submitted. Such proof shall consist of a copy of the legal advertisement which was published in the county in which the well is located. The contents of such advertisement must include:

- (1) The name, address, phone number, and contact party for the applicant;
- (2) The intended purpose of the injection well; with the exact location of single wells or the Section, Township, and Range location of multiple wells;
- (3) The formation name and depth with expected maximum injection rates and pressures; and,
- (4) A notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, within 15 days.

NO ACTION WILL BE TAKEN ON THE APPLICATION UNTIL PROPER PROOF OF NOTICE HAS BEEN SUBMITTED.

NOTICE: Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them.

INJECTION WELL DATA SHEET

OPERATOR: Strata Production CompanyWELL NAME & NUMBER: Cleary State #1 SWDWELL LOCATION: 990' FSL & 1980' FWL
FOOTAGE LOCATIONUNIT LETTER N SECTION 32 TOWNSHIP 20S RANGE 33EWELLBORE SCHEMATICWELL CONSTRUCTION DATASurface Casing

Hole Size: _____ Casing Size: 13 3/8" 48#

Cemented with: _____ Circ. _____ sx. _____ or _____ ft³

Top of Cement: _____ Circ. _____ Method Determined: _____ Circ. _____

Intermediate Casing

Hole Size: _____ Casing Size: 9 5/8" 48#

Cemented with: _____ Circ. _____ sx. _____ or _____ ft³

Top of Cement: _____ Circ. _____ Method Determined: _____ Circ. _____

Production Casing

Hole Size: 13 3/8" & 9 5/8" Casing Size: 5 1/2" 17#

Cemented with: 1255 CL "C" sx. _____ or _____ ft³

Top of Cement: _____ Circ. _____ Method Determined: _____

Total Depth: 5380'Injection Interval

_____ 5413' _____ feet to _____ 5682'

(Perforated or Open Hole; indicate which)

INJECTION WELL DATA SHEET

Tubing Size: 2 3/8" J-55 Lining Material: Plastic Coated

Type of Packer: 5 1/2" Loc-Set- Zinc coated

Packer Setting Depth: 5380'

Other Type of Tubing/Casing Seal (if applicable): N/A

Additional Data

1. Is this a new well drilled for injection? Yes X No

If no, for what purpose was the well originally drilled? Oil and Gas

2. Name of the Injection Formation: Delaware

3. Name of Field or Pool (if applicable):

4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail, i.e. sacks of cement or plug(s) used.

5. Give the name and depths of any oil or gas zones underlying or overlying the proposed injection zone in this area:



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

May 31, 2000

Lori Wrotenbery
Director
Oil Conservation Division

Strata Production Company
200 West First Street
Roswell Petroleum Building, Suite 700
Roswell, New Mexico 88201

Attn: Ms. Carol Garcia

**RE: Injection Pressure Increase,
Cleary State Well No. 1,
Administrative Order No. SWD-397,
Lea County, New Mexico**

Reference is made to your request dated May 30, 2000 to increase the surface injection pressure on the above referenced well. This request is based on a step rate test conducted on May 1, 2000. The results of the test have been reviewed by my staff and we feel an increase in injection pressure on this well is justified at this time.

You are therefore authorized to increase the surface injection pressure on the following well:

| <i>Well and Location</i> | <i>Maximum Injection Pressure</i> |
|--|-----------------------------------|
| <i>Cleary State Well No. 1</i> | 1240 PSIG |
| Located in Section 32, Township 20 South, Range 33 East, Lea County, New Mexico. | |

The Division Director may rescind this injection pressure increase if it becomes apparent that the injected water is not being confined to the injection zone or is endangering any fresh water aquifers.

Sincerely,

Lori Wrotenbery
Director

LW/MWA/kv

cc: Oil Conservation Division - Aztec
Files: SWD-397; IPI 2nd QTR-2000



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

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

ADMINISTRATIVE ORDER NO. SWD-397

APPLICATION OF STRATA PRODUCTION COMPANY

ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Strata Production Company made application to the New Mexico Oil Conservation Division on July 20, 1990, for permission to complete for salt water its New Mexico "SL" State Com No. 1, located in Unit N of Section 32, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

- (1) The application has been duly filed under the provisions of Rule 701(B) of the Division Rules and Regulations.
- (2) Satisfactory information has been provided that all offset operators and surface owners have been duly notified; and
- (3) The applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met.
- (4) No objections have been received within the waiting period prescribed by said rule.

IT IS THEREFORE ORDERED THAT:

- (1) The applicant herein, Strata Production Company is hereby authorized to complete its New Mexico "SL" State Com Well No. 1 located in Unit N of Section 32, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico, in such a manner as to permit the injection of salt water for disposal purposes into the Delaware formation at approximately 5575 feet to approximately 5615 feet through 2 3/8-inch plastic lined tubing set in a packer located at approximately 5500 feet.

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

Prior to commencing injection operations into the well, the casing shall be pressure tested from the surface to the packer setting depth to assure the integrity of said casing.

The casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge at the surface or left open to the atmosphere to facilitate detection of leakage in the casing, tubing or packer.

The injection well or system shall be equipped with a pressure limiting device which will limit the wellhead pressure on the injection well to no more than 1115 psi.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the Delaware formation. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

The operator shall notify the supervisor of the Hobbs district office of the Division of the date and time of the installation of disposal equipment and of the mechanical integrity test so that the same may be inspected and witnessed.

The operator shall immediately notify the supervisor of the Hobbs district office of the Division of the failure of the tubing, casing or packer in said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

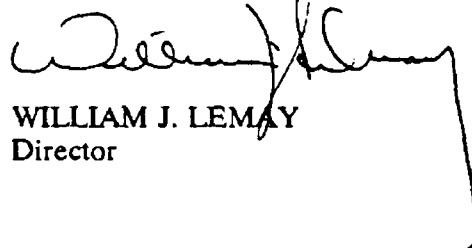
PROVIDED FURTHER THAT, jurisdiction of this cause is hereby retained by the Division for such further order or orders as may be deemed necessary or convenient for the prevention of waste and/or protection of correlative rights; upon failure of the operator to conduct operations in a manner which will ensure the protection of fresh water or in a manner inconsistent with the requirements set forth in this order, the Division may, after notice and hearing, terminate the injection authority granted herein.

The operator shall submit monthly reports of the disposal operations in accordance with Rule 706 and 1120 of the Division Rules and Regulations.

Administrative Order No. SWD-397
Strata Production Company
August 22, 1990
Page 3

Approved at Santa Fe, New Mexico, on this 22nd day of August, 1990.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read 'William J. Lemay', is written over the printed name and title.

WILLIAM J. LEMAY
Director

S E A L

cc: Oil Conservation Division - Hobbs
NM State Land Office - Santa Fe
Tim Gallegos

| | |
|------------------------|--|
| NO. OF COPIES RECEIVED | |
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| U.S.G.S. | |
| LAND OFFICE | |
| OPERATOR | |

NEW MEXICO OIL CONSERVATION COMMISSION

Form C-103
Supersedes Old
C-102 and C-103
Effective 1-1-65

| | |
|---|------------------------------|
| 5a. Indicate Type of Lease | |
| State <input checked="" type="checkbox"/> | Fee <input type="checkbox"/> |
| 5. State Oil & Gas Lease No. | |
| L-6725 | |

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT -" (FORM C-101) FOR SUCH PROPOSALS.)

| | | |
|--|--|--------------------------------|
| 1. OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/> | | 7. Unit Agreement Name |
| 2. Name of Operator | | 8. Farm or Lease Name |
| Amini Oil Company | | N.M. "SL" State |
| 3. Address of Operator | | 9. Well No. |
| 405 Wall Towers East - Midland, Tx. 79701 | | 1 |
| 4. Location of Well | | 10. Field and Pool, or Wildcat |
| UNIT LETTER <u>N</u> , <u>1980</u> FEET FROM THE <u>West</u> LINE AND <u>990</u> FEET FROM | | Undesignated |
| THE <u>South</u> LINE, SECTION <u>32</u> TOWNSHIP <u>20-S</u> RANGE <u>33-E</u> NMPM. | | |
| 15. Elevation (Show whether DF, RT, GR, etc.) | | 12. County |
| 3626 GR | | Lea |

Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

| | |
|--|---|
| PERFORM REMEDIAL WORK <input type="checkbox"/> | PLUG AND ABANDON <input type="checkbox"/> |
| TEMPORARILY ABANDON <input type="checkbox"/> | CHANGE PLANS <input type="checkbox"/> |
| PULL OR ALTER CASING <input type="checkbox"/> | OTHER <input type="checkbox"/> |

SUBSEQUENT REPORT OF:

| | |
|--|---|
| REMEDIAL WORK <input type="checkbox"/> | ALTERING CASING <input type="checkbox"/> |
| COMMENCE DRILLING OPNS. <input type="checkbox"/> | PLUG AND ABANDONMENT <input type="checkbox"/> |
| CASING TEST AND CEMENT JOB <input checked="" type="checkbox"/> | OTHER <input type="checkbox"/> |

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

10-27-73 Drilled 12 1/4" hole to 6999'; cemented 1st stage of 43.50# & 40# lt&c 9-5/8" csg. @6999' w/600 sx Halliburton light (1/4# floseal & 5# gilsonite per sk) + w/400 sx Halliburton light (1/4# floseal per sk) + w/300 sx class C (.5 of 1% CFR-2 & 8# salt per sk).

10-28-73 Plugged down @1:15 AM MST. Cemented 2nd stage w/1800 sx Halliburton light (14# salt per sk) + w/100 sx class C (8# salt per sk). Plugged down @7:00 am MST.

10-29-73 W.O.C. 18 hrs.; tested csg. w/1000 psi for 30 mins. - held ok.

18. I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNED [Signature] TITLE Agent DATE 11-12-73

APPROVED BY [Signature] TITLE DATE

CONDITIONS OF APPROVAL, IF ANY

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., 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 and Natural Resources

Form C-103
June 19, 2008

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

| |
|---|
| WELL API NO. 30-025-24540 |
| 5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/> |
| 6. State Oil & Gas Lease No. V-1618 |
| 7. Lease Name or Unit Agreement Name CLEARLY STATE SWD |
| 8. Well Number 001 |
| 9. OGRID Number 21712 |
| 10. Pool name or Wildcat HAT MESA DELAWARE |

| | |
|---|--|
| SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.) | |
| 1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other | |
| 2. Name of Operator STRATA PRODUCTION COMPANY | |
| 3. Address of Operator PO BOX 1030, ROSWELL, NM 88202-1030 | |
| 4. Well Location Unit Letter <u>N</u> : <u>990'</u> feet from the <u>SOUTH</u> line and <u>1980'</u> feet from the <u>WEST</u> line Section <u>32</u> Township <u>20S</u> Range <u>33E</u> NMPM County <u>LEA</u> | |
| 11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3626 GL | |

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

| NOTICE OF INTENTION TO: | SUBSEQUENT REPORT OF: |
|---|--|
| PERFORM REMEDIAL WORK <input checked="" type="checkbox"/> | REMEDIAL WORK <input type="checkbox"/> |
| TEMPORARILY ABANDON <input type="checkbox"/> | ALTERING CASING <input type="checkbox"/> |
| PULL OR ALTER CASING <input type="checkbox"/> | COMMENCE DRILLING OPNS. <input type="checkbox"/> |
| DOWNHOLE COMMINGLE <input type="checkbox"/> | CASING/CEMENT JOB <input type="checkbox"/> |
| OTHER: RUN 5 1/2" CASING FOR PRODUCTION <input checked="" type="checkbox"/> | OTHER: <input type="checkbox"/> |

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

RU SERVICE RIG. NU BOP. REL 9 5/8" PKR AND TOH W/ PRODUCTION STRING.
RU WIRE-LINE. TIH W/ 9 5/8" CIBP TO A DEPTH OF 5390' AND SET.
PU AND GIH W/ 5 1/2" 17# J-55 CASING TO A DEPTH OF 5385' AND SET. BREAK CIRC.
CEMENT W/ 1055 SX LEAD AND 200 SX TAIL. (FLUID SYSTEM WITH ADDITIVES ATTACHED) CIRC TO SURFACE.
RU REV UT. DRLG OUT 5 1/2" CASING SHOE AND CIBP @ 5390'. CIRC. CLEAN. TOH W/ TOOLS.
PU AND TIH W/ 5 1/2" ZINC COATED PKR AND 2 3/8 PLASTIC COATED TBG. CIRC. HOLE W/ PKR FLUID. SET PKR @ 5380'. FLANGE UP WELL-HEAD. TEST CASING AS PER OCD REGULATION. PLACE IN OPERATION.

Spud Date:

Rig Release Date:

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Frank S. Morgan TITLE VICE PRESIDENT DATE 10-7-09

Type or print name FRANK S. MORGAN E-mail address: fmorgan@stratanm.com PHONE: 622-1127 ext 13

For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any):

| | | | | | |
|---|--|--|--|----------------------------------|--|
| COMPANY STRATA PRODUCTION COMPANY | | LEASE TYPE <input checked="" type="checkbox"/> STATE <input type="checkbox"/> FEE <input type="checkbox"/> FEDERAL | | API NO. 30-025-24540 | |
| WELL NAME CLEARY STATE SWD #1 | | SECTION 32 | | TWP. T20S | |
| | | RANGE R33E | | COUNTY / STATE Lea NM | |
| FOOTAGE UT-N 990' FSL & 1980' FWL | | ELEVATION = 3626' | | KELLY BUSHING = | |
| | | STATUS = | | TOTAL DEPTH = PB-5863' | |

| | | Plugging | Bit | Casing | Depth | Cement |
|--|--|--|--------|----------------|--------|----------|
| | | Spot 10 sx @ surface | | | | |
| | | TOC @ 1075 | 17 1/2 | 13 3/8 | 1125' | 900 Circ |
| | | Cut off 9 5/8 @ 1155 | | | | |
| | | Set 5 1/2" 17# J-55 @ 5380' to run pipe. Drlg out. | | 5 1/2 17# J-55 | 5380' | |
| | | Set CIBP @ 5390' | | | | 1800 sx |
| | | Perforation's 5413-5682' | | | | thru DV |
| | | | | | | Collar @ |
| | | | | | | 3299' |
| | | 9 5/8" Cement Retainer @ 5863' (PBYD) | | | | |
| | | TOC @ 6505' | | | | |
| | | Spot 55 sx @ 7053' | 12 1/4 | 9 5/8 | 7000' | 1300 sx |
| | | Spot 55 sx @ 8307' | | | | thru csg |
| | | TOC @ 9634' | | | | shoe |
| | | Shot off 5 1/2 @ 9680' | | | | |
| | | Spot 55 sx @ 8307' | | | | TOC @ |
| | | Spot 35 sx @ 9738' | | | | 10000' |
| | | Set CIBP @ 13008' | 8 1/2 | 5 1/2 | 13660' | 900 sx |
| | | Capped w/ 35' cmt | | | | |

COMMENTS:

Will Rel. 9 5/8" Pkr & TOH w/ prod. String. RU Wireline & Set 9 5/8" CIBP @ 5390'. PU & GIH w/ 5 1/2" 17# J-55 to a depth of 5385'. Cement w/ 1255 sx. Circ. RU Rev UT. & drlg out casing shoe and CIBP @ 5390'. TTH w/ Prod string. Circ. Pkr fluid & set Pkr. Flange up well-head. Test casing as per OCD. OCD will be notified of daily Operations.

STRATA PRODUCTION CO.
P.O. BOX 1030
ROSWELL, NEW MEXICO

88202
9/30/2009

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., 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 and Natural Resources

Form C-103
June 19, 2008

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.
30-025-24540

5. Indicate Type of Lease
STATE ☒ FEE ☐

6. State Oil & Gas Lease No.
V-1618

7. Lease Name or Unit Agreement Name

CLEARY STATE SWD

8. Well Number 001

9. OGRID Number 21712

10. Pool name or Wildcat
HAT MESA DELAWARE

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH
PROPOSALS.)

1. Type of Well: Oil Well ☐ Gas Well ☒ Other

2. Name of Operator
STRATA PRODUCTION COMPANY

3. Address of Operator
PO BOX 1030, ROSWELL, NM 88202-1030

4. Well Location

Unit Letter N : 990' feet from the SOUTH line and 1980' feet from the WEST line
Section 32 Township 20S Range 33E NMPM County LEA

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3626' GL

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☒ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐
DOWNHOLE COMMINGLE ☐

OTHER: RUN 5 1/2" CASING FOR PRODUCTION
☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

RU SERVICE RIG. NU BOP. REL 9 5/8" PKR AND TOH W/ PRODUCTION STRING.
RU WIRE-LINE. TIH W/ 9 5/8" CIBP TO A DEPTH OF 5390' AND SET.
PU AND GIH W/ 5 1/2" 17# J-55 CASING TO A DEPTH OF 5385' AND SET. BREAK CIRC.
CEMENT W/ 1055 SX LEAD AND 200 SX TAIL. (FLUID SYSTEM WITH ADDITIVES ATTACHED) CIRC TO SURFACE.
RU REV UT. DRLG OUT 5 1/2" CASING SHOE AND CIBP @ 5390'. CIRC. CLEAN. TOH W/ TOOLS.
PU AND TIH W/ 5 1/2' ZINC COATED PKR AND 2 3/8 PLASTIC COATED TBG. CIRC. HOLE W/ PKR FLUID. SET PKR @
5380'. FLANGE UP WELL-HEAD. TEST CASING AS PER OCD REGULATION. PLACE IN OPERATION.

Spud Date:

Rig Release Date:

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Frank S. Morgan TITLE VICE PRESIDENT DATE 10-7-09

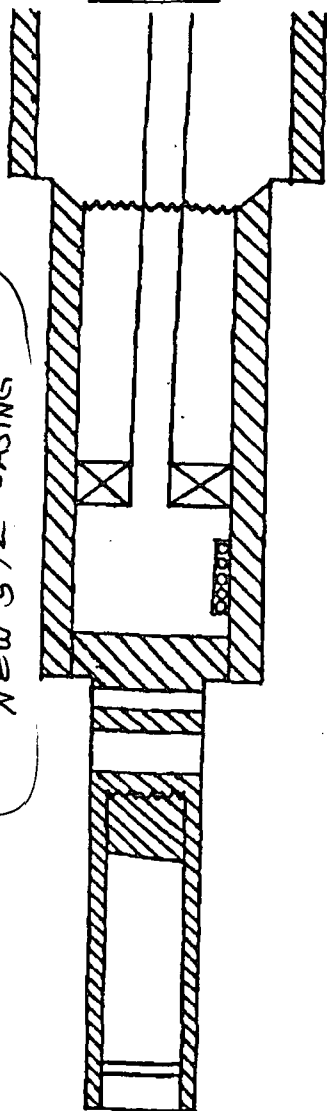
Type or print name FRANK S. MORGAN E-mail address: fmorgan@stratanm.com PHONE: 622-1127 ext 13

For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any):

30-025-24540

OPERATOR Strata Production Co.* LEASE New Mexico SL St. Comm WELL NO. #1WELL NAME NM SL St. Comm #1 SEC. 32 TWN. 20 RGE. 33 FTG. 990 FSL & 1980 FWLSchematic13 3/8 Casing shoe:
1125'Cut off 9 5/8 casing at
1155'.Packer to be set at
5500'. Halliburton type.
(Lock-Set) Zinc Plated.

Perfs: 5575' - 5615'

Set cement plug at 7053'
with 55 sx. TOC 6505'Set cement plug at 8307'
with 55 sx.

Cut-off 5 1/2 at 9680'

Set CIBP at 13008 and
capped with 35' cementSurface CasingSize 13 3/8" Cement with 900 sx.
TOC circ.
Hole size 17 1/2"Intermediate CasingSize 9 5/8" Cemented with 3100 sx.
TOC 1075'; determined by Freepoint (DV tool 3299')
Hole size 12 1/4"
Total Depth 7000'
Injection Interval 5575' - 5615'Production CasingSize 5 1/2" Cement with 900 sx
TOC 10,000'; determined by Calculated by bond-log
Hole size 8 1/2"
Total Depth 13,860'*Appears on Public Records as
the Cleary Petroleum Corp.
"SL" State Comm #1Tubing size 2 3/8" lined with Plastic set in a Halliburton Type
Packer at 5500' feet.
Describe any other casing-tubing seal _____Additional Data:

1. Name of the injection formation Delaware Formation
2. Name of Field of Pool (if applicable) Hat Mesa Field
3. Is this a new well drilled for injection? YES XX NO
If no, for what purpose was the well originally drilled? Oil & Gas
4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging details (sacks of cement or Bridge-Plug(s) used) Information covered in format.
5. Give the depth to and name of any overlying and/or underlying oil or gas zones in this area. Information covered in format.

RECOMPLETION DATA

Submit to Appropriate
District Office
State Lease - 6 copies
Fee Lease - 5 copies
DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Form C-105
Revised 1-1-89

| |
|---|
| WELL API NO. |
| API 30-025-24540 |
| 5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/> |
| 6. State Oil & Gas Lease No. V-1618 |

| | | | | |
|---|-----------------------------------|--|--|---------------------------------|
| WELL COMPLETION OR RECOMPLETION REPORT AND LOG | | | | |
| 1a. Type of Well: OIL WELL <input type="checkbox"/> GAS WELL <input type="checkbox"/> DRY <input type="checkbox"/> OTHER Salt Water Disp. | | | | |
| b. Type of Completion: NEW WELL <input type="checkbox"/> WORK OVER <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/> DEEP RESEA <input type="checkbox"/> OTHER <input type="checkbox"/> | | | | |
| 2. Name of Operator Strata Production Company | | | | |
| 3. Address of Operator 648 Petroleum Bldg. Roswell, New Mexico 88201 | | | | |
| 4. Well Location Unit Letter N : 990' Feet From The South Line and 1980' Feet From The West Line Section 32 Township 20S Range 33E NMPM Lea County | | | | |
| 10. Date Spudded 10/03/73 | 11. Date T.D. Reached 11/29/73 | 12. Date Compl. (Ready to Prod.) 10/26/90 | 13. Elevations (DF & RKB, RT, GR, etc.) 3626' | 14. Elev. Casinghead 3626' |
| 15. Total Depth 13860' | 16. Plug Back T.D. 5863' | 17. If Multiple Compl. How Many Zones? | 18. Intervals Drilled By Rotary Tools | Cable Tools |
| 19. Producing Interval(s), of this completion - Top, Bottom, Name Injecting in to perms: 5413-5682. | | | | 20. Was Directional Survey Made |
| 21. Type Electric and Other Logs Run | | | | 22. Was Well Cored |

| | | | | | |
|--|---------------|-----------|-----------|------------------|---------------|
| 23. CASING RECORD (Report all strings set in well) | | | | | |
| CASING SIZE | WEIGHT LB/FT. | DEPTH SET | HOLE SIZE | CEMENTING RECORD | AMOUNT PULLED |
| 13 3/8" | 48# | 1125' | 17 1/2" | Circ. | |
| 9 5/8" | 43.8 & 40# | 6999' | 12 1/4" | Circ. | |
| | | | | | |
| | | | | | |

| | | | | | | | |
|--|-------|--------|--------------|---|--------|-----------|------------|
| 24. LINER RECORD | | | | 25. TUBING RECORD | | | |
| SIZE | TOP | BOTTOM | SACKS CEMENT | SCREEN | SIZE | DEPTH SET | PACKER SET |
| 5 1/2" | 9680' | 13860' | 900 sx | | 2 3/8" | 5363' | 5363' |
| Est. Top 9600' | | | | | | | |
| 26. Perforation record (interval, size, and number) Perf. 57 .42 holes as follows: 5413'-5682' | | | | 27. ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, ETC. DEPTH INTERVAL 5413-5682' AMOUNT AND KIND MATERIAL USED Acidize with 4000 gal. of NeFe 7 1/2% and add. | | | |

| | | | | | | | |
|--|-----------------|---|------------------------|------------|--------------|--------------------------------|-----------------|
| 28. PRODUCTION | | | | | | | |
| Date First Production | | Production Method (Flowing, gas lift, pumping - Size and type pump) | | | | Well Status (Prod. or Shut-in) | |
| Date of Test | Hours Tested | Choke Size | Prod's For Test Period | Oil - Bbl. | Gas - MCF | Water - Bbl. | Gas - Oil Ratio |
| Flow Tubing Press. | Casing Pressure | Calculated 24-Hour Rate | Oil - Bbl. | Gas - MCF | Water - Bbl. | Oil Gravity - API - (Corr.) | |
| 29. Disposition of Gas (Sold, used for fuel, vented, etc.) | | | | | | Test Witnessed By | |

| | |
|--|--|
| 30. List Attachments | |
| 31. I hereby certify that the information shown on both sides of this form is true and complete to the best of my knowledge and belief | |
| Signature <u>Frank S. Morgan</u> | Printed Name <u>Frank S. Morgan</u> Title <u>VP Field Ops.</u> Date <u>4/02/91</u> |

| | | | | | |
|---|--|--|------------------------|--------------------------------|----------------------------------|
| COMPANY STRATA PRODUCTION COMPANY | | LEASE TYPE <input checked="" type="checkbox"/> STATE <input type="checkbox"/> FEE <input type="checkbox"/> FEDERAL | | API NO. 30-025-24540 | |
| WELL NAME CLEARY STATE SWD #1 | | SECTION 32 | TWP. T20S | RANGE R33E | COUNTY / STATE Lea NM |
| FOOTAGE UT-N 990' FSL & 1980' FWL | | ELEVATION = 3626' | KELLY BUSHING = | STATUS = | TOTAL DEPTH = PB-5863' |

| | Plugging | Bit | Casing | Depth | Cement |
|--|--|--------|----------------|--------|---|
| | Spot 10 sx @ surface | | | | |
| | TOC @ 1075 | 17 1/2 | 13 3/8 | 1125' | 900 Circ |
| | Cut off 9 5/8 @ 1155 | | | | |
| | Set 5 1/2" 17# J-55 @ 5380' to run pipe. Drlg out. Set CIBP @ 5390' Perforation's 5413-5682' | | 5 1/2 17# J-55 | 5380' | 1800 sx thru DV Collar @ 3299' |
| | 9 5/8" Cement Retainer @ 5863' (PBDT) TOC @ 6505' | | | | |
| | Spot 55 sx @ 7053' | 12 1/4 | 9 5/8 | 7000' | 1300 sx thru csg shoe |
| | Spot 55 sx @ 8307' TOC @ 9634' | | | | |
| | Shot off 5 1/2 @ 9680' Spot 55 sx @ 8307' Spot 35 sx @ 9738' | | | | TOC @ 10000' |
| | Set CIBP @ 13008' Capped w/ 35' cmt | 8 1/2 | 5 1/2 | 13860' | 900 sx |

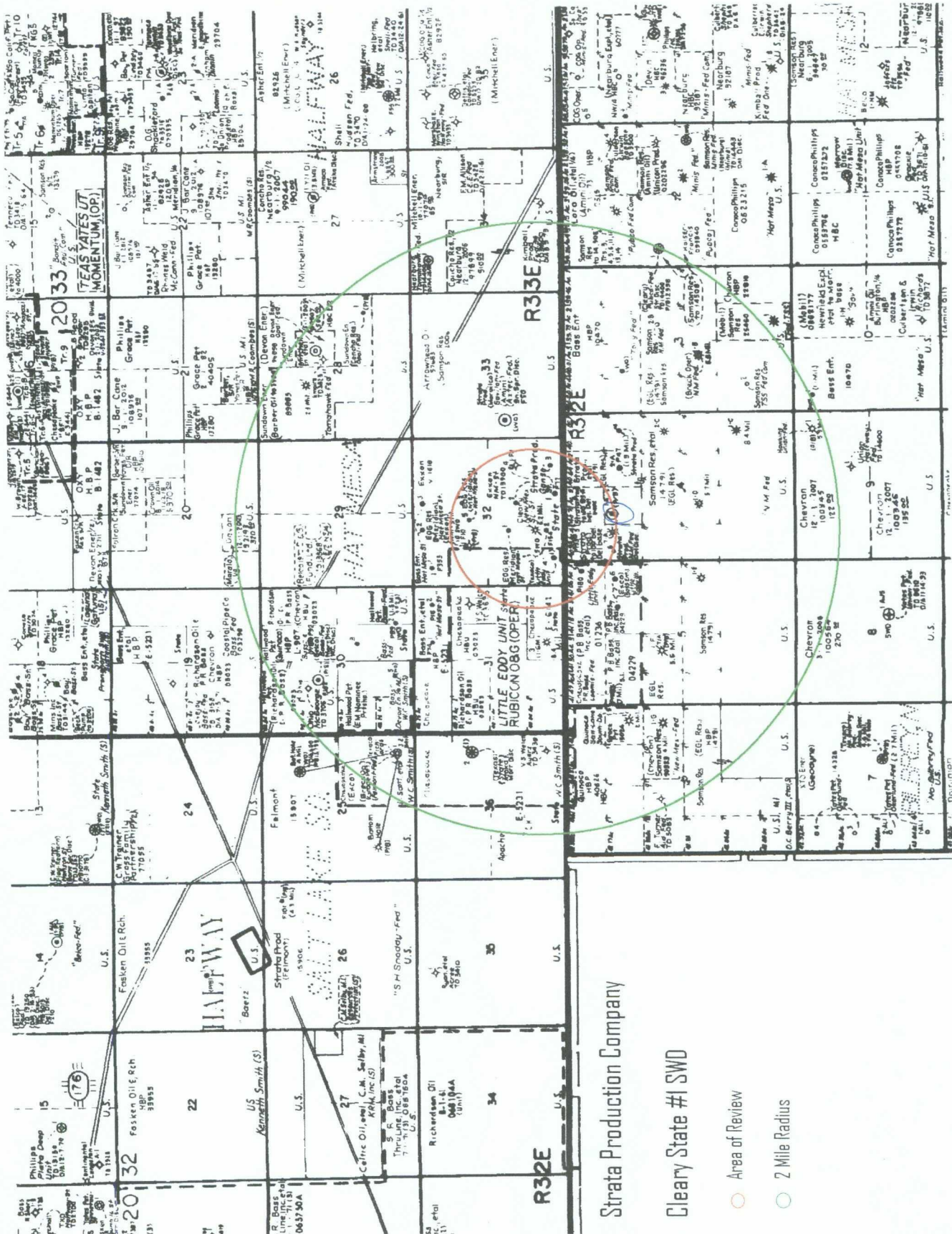
COMMENTS:
Will Rel. 9 5/8" Pkr & TOH w/ prod. String. RU Wireline & Set 9 5/8" CIBP @ 5390'. PU & GIH w/ 5 1/2" 17# J-55 to a depth of 5385'. Cement w/ 1255 sx. Circ. RU Rev UT. & drlg out casing shoe and CIBP @ 5390'. TIH w/ Prod string. Circ. Pkr fluid & set Pkr. Flange up well-head. Test casing as per OCD. OCD will be notified of daily Operations.

STRATA PRODUCTION CO.
P.O. BOX 1030
ROSWELL, NEW MEXICO

88202
9/30/2009

Calc TO CIRC
BELOW DV TOOL

3299' DV on 9 5/8"



Strata Production Company

Clear State #1 SWD

Area of Review

2 Mile Radius

Producing
wells within an

New

DVT
Cafe
0/5

Cleary State SWD #1
FORM C-108

Tabulation of data on wells within area of review

new

| Well Name | Operator | Spud | Well Information |
|---|---------------------------|-----------|---|
| Ganso State #2 S32-T20S-R33E | Strata Production Company | 3/29/1991 | Completed 05/01/1991. 13 3/8" 54.5# set @ 342' with 315 sx circ. 8 5/8" 24# and 32# set @ 3130' with 1200 sx circ. 5 1/2" 17# set @ 8393' with 1165 sx. Perforated 7151-8121'. Acidize and Frac. Producing. <i>2</i> |
| Ganso State #3 S32-T20S-R33E | Strata Production Company | 8/15/1991 | Completed 09/27/1991. 13 3/8" 48# set @ 368' with 315 sx. Circ. 8 5/8" 24# and 32# set @ 3174' with 1000 sx circ. 5 1/2" 17# set @ 8375' with 1200 sx. Perforated 6708-8269'. Acidize and Frac. Producing. <i>2</i> |
| Ganso State #4 S32-T20S-R33E | Strata Production Company | 3/26/1992 | Completed 05/21/92. 13 3/8" 54# set @ 411' with 315 sx. Circ. 8 5/8" 28# & 32# set @ 3176' with 1380 sx circ. 5 1/2" 17# set @ 8435' with 1495 sx. Perforate 6602'-8133'. Acidize and Frac. Producing. <i>2</i> |
| New Mexico "A" Federal #7. S-4-T21S-R32E | Samson Resources Company | 5/3/2003 | Completed 06/28/03. 16" 84# set @ 1430' with 840 sx circ. 11 3/4" 65# set @ 3357' with 1680 sx circ. 8 5/8" 32# set @ 4880' with 650 sx. 5 1/2" 20# set @ 14037' with 1710 sx circ. Perforate 13612-13622'. Acidize and Frac. Producing. <i>✓</i> |

NM "A" Fed #1

Strata

2/9/73

*9 5/8 18" 00 SX cut @ 3524
Re-entered / RE Perforated 9 5/8
6834-6869 producing*

✓

III. A. Well Data: (1) through (4). See two attached Well Data Sheets; Plugging Data; and Recompletion Data.

B. (1) Injection Formation: Delaware Cherry Canyon "B" sandstone.

(2) Injection interval will be perforated.

(3) The injection well was originally drilled for production of oil and gas.

(4) There are no other perforated intervals in this injection well.

(5) The next possible higher oil or gas zone is the Yates sandstone located (approximately) between 3300' and 3330'. The next lower oil or gas zone in the area of this well is a Delaware sandstone, if present, located between (approximately) 6450' and 6460'.

There is no oil or gas production in these higher and lower zones in the area of the injection well. Logs covering these zones are not available.

V. Area of Review: Plat attached.

VI. Well Data: Wells within area of review.

Section 32-T20S-R33E, Unit "N", SE/4SW/4 (Proposed injection well) Cleary Petroleum, New Mexico "SL" St #1 - Spud 10-3-1973, completed 11-30-1973. T.D. 13,860 feet. 13 3/8" 48# set at 1,125 feet with 900 sacks. 9 5/8" 40# and 43# set at 7,000 feet with 1300 sacks, thru shoe, and 1800 sacks thru DV collar at 3,299 feet. 5 1/2" 17# and 20# set at 13,860 feet with 900 sacks. ✓

P & A 11-28-1978. Shot-off 5 1/2" at 9,680 feet and POOH. Spotted 35 sacks at 9,738 feet, 55 sacks at 8,307 feet, 55 sacks at 7,053 feet, 55 sacks at 3,486 feet, 55 sacks at 2,242 feet, and 55 sacks at 1,527 feet. Cut off 9 5/8" at 1,155 feet and POOH w/same. Spotted 80 sacks at 1,250 feet and 10 sacks at surface.

Section 32-T20S-R33E, Unit "F", SE/4NW/4

Exxon Corp, New Mexico "FH" State Comm #1 - Spud 5-24-1989, completed 12-30-1989 as D & A. 13 3/8" at 522 feet with 450 sacks, 9 5/8" at 4,910 feet with 2150 sacks, 5 1/2" at 13,358 feet with 1570 sacks.

P & A 12-30-1989. Cut 5 1/2" at 6,560 feet and POOH. X

Spotted 15 sacks at 12,550 feet, 25 sacks at 12,175 to 12,375 feet, 25 sacks at 11,160 to 11,360 feet, 25 sacks at 8,190 to 8,390 feet, 55 sacks at 6,476 to 6,660 feet, 70 sacks at 4,350 to 5,000 feet, 70 sacks at 3,600 feet, and 1,110 sacks at 3,200 feet to surface.

Section 4-T21S-R32E, Unit "F", Lot 6, (SE/4NW/4)

Strata Production, New Mexico "A" Fed. #1 - Spud 2-9-1973 by Amini Oil Corporation, completed 8-6-1973 in the Morrow 13,640 to 13,671 feet. 20" at 397 feet with 1000 sacks, 13 3/8" at 3,350 feet with 2800 sacks, 9 5/8" at 8,951 feet with 1825 sacks, 5 1/2" liner 8,805 to 14,000 feet with 1385 sacks. ✓

P & A 6-8-1979. Cut off 9 5/8" at 3,524 feet and POOH.

Re-entered 7-13-1989, drilled out cement to 9 5/8" casing stub at 3,524 feet, ran 9 5/8" casing (43.5#) to 3,524 feet (tie-in) with 35 sacks, DO to 10,656 feet, set CIBP at 9,100 feet. Completed 9-18-1989 in the Delaware from 6,834 to 6,869 feet. Producing.

Section 4-T21S-R32E, Unit "C", Lot 3, (NE/4NW/4)

Strata Production, New Mexico "A" Fed. #3 - Sput 3-15-1990, completed 5-2-1990. 8 5/8" 24# at 1,342 feet with 410 sacks, 5 1/2" 15.5# and 17# set at 7,150 feet with 540 sacks and, second stage cement at 1900 sacks thru D.V. tool at 4,900 feet. Completed in Delaware sandstone at 6,609 to 6,625 feet and 6,719 to 6,723 feet. Producing. ✓

Note: The well shown on the Area of Review Plat located in Unit "I", Sec. 32 was permitted but was never drilled.

VII. Proposed Operation:

1. Average injection rate into the well will be .5 BPM with an average initial daily total of 200 barrels. The maximum rate anticipated is 1.0 BPM with a maximum daily total of 800 barrels.
2. This will be a closed system.
3. Average injection pressure will be approximately 430 psi, and request an operating maximum of 1200 psi. The system will be regulated with Murphy Controls so as not to have a continuous injection of fluid. No deeper aquifers containing usable water are known in this area.
4. and 5. Water compatibility: Refer to attached Geological Report by John G. Worrall.

VIII. Refer to attached Geological Report.

IX. Stimulation Program: None

X. Test and Logging Data: Refer to Cleary Petroleum State "SL" #1 well above, Paragraph VI.

XI. Water Analysis: There are no producing fresh water wells within one mile of the Injection well. Also refer to attached Geological Report.

XII. Applicant has examined available geologic and engineering data and finds no evidence of open faults or any other hydrologic connection between the disposal zone and any underground source of drinking water. See also attached, Geological Report.

Scott Exploration, Inc.

Suite 648, Petroleum Bldg.
Roswell, New Mexico 88201
Tel: (505) 622-5891

June 26, 1990

Oil Conservation Division
PO Box 2088
Santa Fe, NM 87051

RE: Proposed Water Disposal Well
Strata Production Company
New Mexico "SL" State Comm. #1
990' FSL, 1980' FWL, Section 32-T20S-R33E
Lea County, New Mexico

Gentlemen:

1
70
—
Strata Production proposes to convert captioned well into a water disposal. This well was drilled by Cleary Petroleum in 1973. The present operator is Exxon Corp., who has concluded an agreement with Strata Production Company to use the well for water disposal.

The well was originally drilled to a depth of 13,860' and 5 1/2" casing was set. The Morrow was perforated from 13,106-16' and completed as a gas well in November, 1973. The well produced to May, 1978 and was plugged in November, 1978. The 5 1/2" casing was shot off at 9,680' and pulled. The 9 5/8" casing was shot off at 1,155' (freepoint at 1,200') and pulled. An 80-sack plug was then spotted in and out of the casing stub from 1,250 to 1,075'.

Strata Production Company proposes to re-enter this well, run 9 5/8" casing to the stub at 1,155' and tie back to surface. Next, Strata will drill out cement plugs to 6,950' and run a cased-hole gamma ray-neutron log and a cement bond log. (Strata was unable to obtain the original-open hole logs for this well, despite numerable attempts.)

The objective is to inject water into the Delaware Cherry Canyon "B" Sandstone - a 40-foot thick sandstone having porosities of 20 to 23% which should be encountered at 5,575 to 5,615' (see Type Log Exhibit). This laterally extensive sandstone gave up water with no shows on two drill stem tests in updip wells, and has given up no shows in samples or mud logs of nearby wells, including no shows in a recently drilled diagonal offset well - the Strata Production Company NM Federal #3 (see Porosity Isopach

Map Exhibit). The base of this sandstone is 920 feet above the producing Delaware interval at Hat Mesa Delaware field. Vertical fluid communication from (or within) the injection zones is restricted by dense zones of anhydritic dolomite.

1
0
2
7
1
The water to be injected is unfit for domestic, stock, irrigation, or any other general use. It is being produced from nearby Delaware and Bone Spring sandstone wells operated by Strata Production Co. Water samples from those wells have shown the waters have fluid chemistries compatible with the zone to be injected. There are no fresh aquifers currently being produced within a two-mile radius of the proposed water disposal well. There is also no evidence of faulting or any other hydrologic connection between potential fresh water aquifers and the proposed injection zone. No wells produce oil or gas from this sandstone within a 2-mile radius of the proposed disposal well.

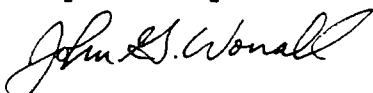
Exhibits Furnished:

Exhibit #1. Type Log Exhibit showing a CNL-FDC profile of the B sandstone with overlying and underlying dolomite beds.

Exhibit #2. Structure Map - Top of B Sandstone Interval.

Exhibit #3. Gross Isopach Map - B Sandstone Interval.

Respectfully submitted,



John G. Worrall
Consulting Geologist

JGW:ss

Enclosures

TYPE LOG EXHIBIT
STRATA PROD. NM FED #3
SECTION 4-T21S-R32E
560' FNL & 2100' FWL

5600

-1979

B SANDSTONE
ZONE TO BE INJECTED

30

20

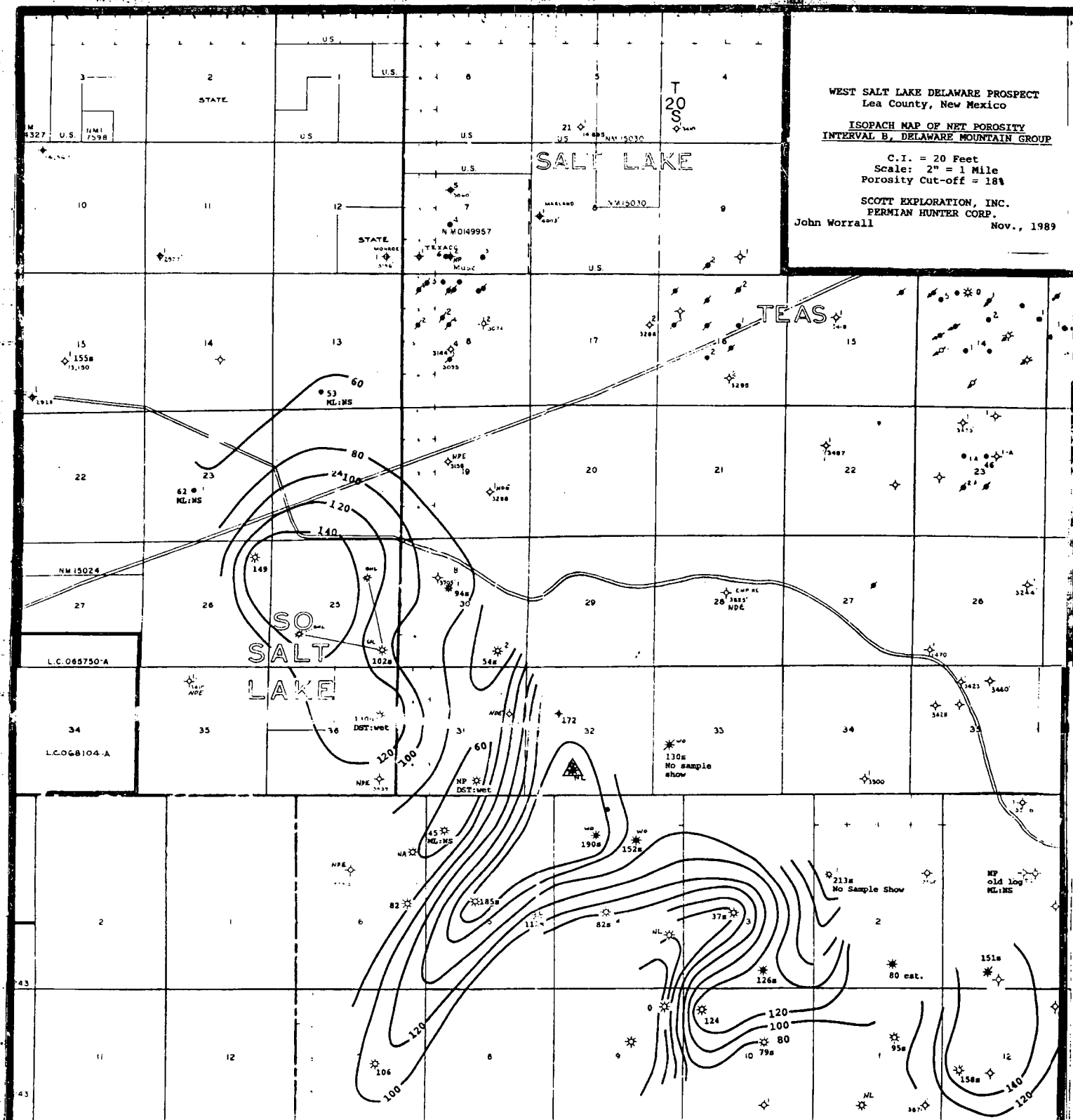
10

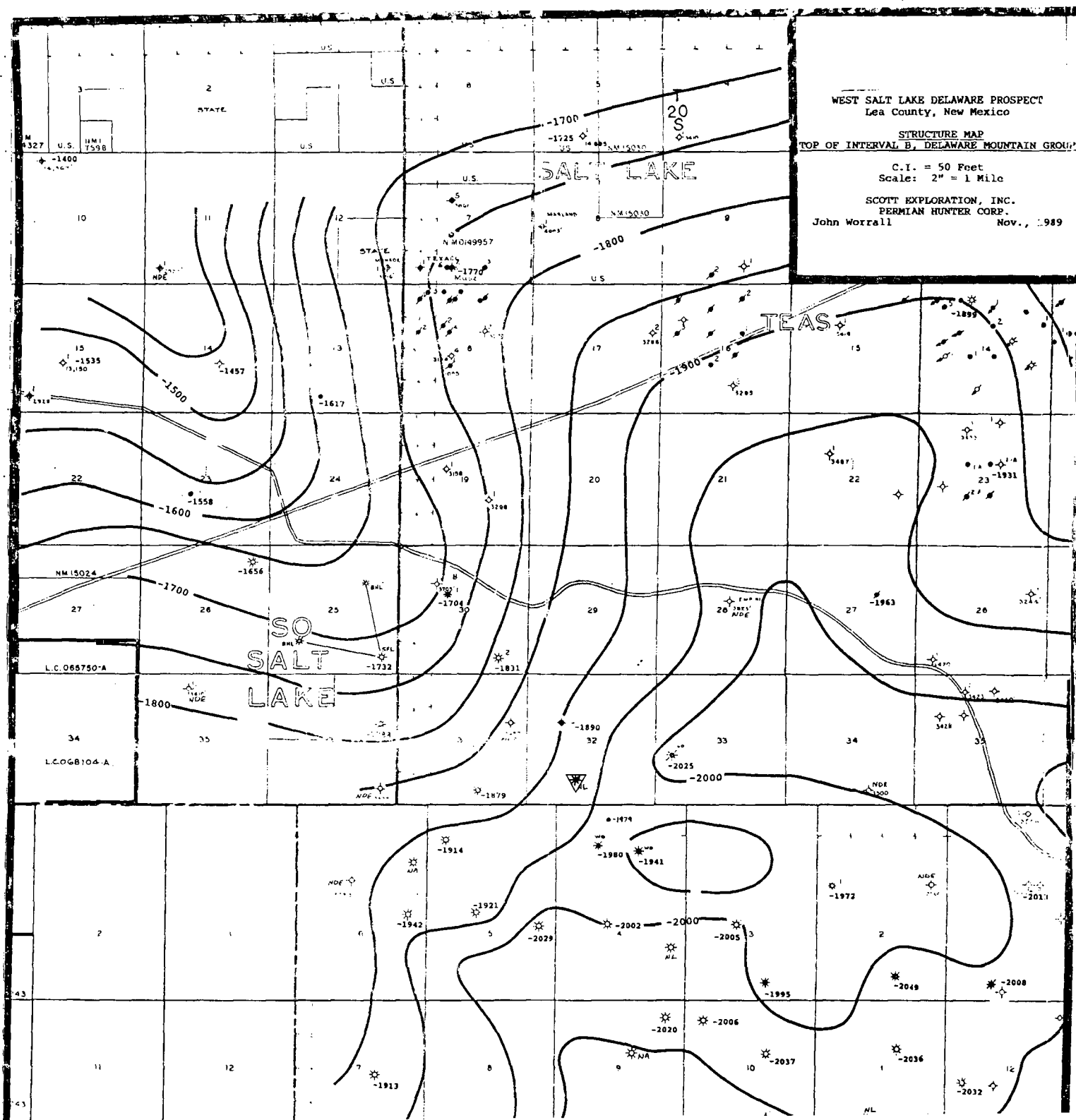
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-10

CNL-FDC
POROSITY

5700





TRETOLITE

Chemicals and Services



16010 Barker's Point Lane • Houston, Texas 77079
713 558-5200 • Telex: 4620346 • FAX: 713 589-4737

Reply to: P.O. Box FF
Artesia, New Mexico 88210
(505) 746-3588 Phone
(505) 746-3580 Fax

WATER ANALYSIS REPORT

Company : STRATA PRODUCTION
Address : ARTESIA, NEW MEXICO
Lease : CLEARY STATE SWD
Well : #1
Sample Pt. : WELLHEAD

Date : 11/25/92
Date Sampled : 11/20/92
Analysis No. : 2810

| ANALYSIS | | mg/L | * meq/L |
|----------|---|-----------------------|----------------------|
| ----- | | ---- | ----- |
| 1. | pH | 5.3 | |
| 2. | H ₂ S | 3 PPM | |
| 3. | Specific Gravity | 1.180 | |
| 4. | Total Dissolved Solids | 301172.4 | |
| 5. | Suspended Solids | NR | |
| 6. | Dissolved Oxygen | NR | |
| 7. | Dissolved CO ₂ | 80 PPM | |
| 8. | Oil In Water | NR | |
| 9. | Phenolphthalein Alkalinity (CaCO ₃) | | |
| 10. | Methyl Orange Alkalinity (CaCO ₃) | 30.0 | |
| 11. | Bicarbonate | HCO ₃ 36.6 | HCO ₃ 0.6 |
| 12. | Chloride | Cl 187670.9 | Cl 5294.0 |
| 13. | Sulfate | SO ₄ 237.5 | SO ₄ 4.9 |
| 14. | Calcium | Ca 28633.2 | Ca 1428.8 |
| 15. | Magnesium | Mg 4949.5 | Mg 407.2 |
| 16. | Sodium (calculated) | Na 79626.0 | Na 3463.5 |
| 17. | Iron | Fe 18.8 | |
| 18. | Barium | Ba NR | |
| 19. | Strontium | Sr NR | |
| 20. | Total Hardness (CaCO ₃) | 91882.6 | |

PROBABLE MINERAL COMPOSITION

| *milli equivalents per Liter | Compound | Equiv wt | X meq/L | = mg/L |
|---|-------------------------------------|----------|---------|--------|
| -----+ | ----- | ----- | ----- | ----- |
| 1429 *Ca <----- *HCO ₃ | Ca (HCO ₃) ₂ | 81.0 | 0.6 | 49 |
| ----- /-----> | CaSO ₄ | 68.1 | 4.9 | 337 |
| 407 *Mg -----> *SO ₄ | CaCl ₂ | 55.5 | 1423.3 | 78976 |
| ----- <----- / | Mg (HCO ₃) ₂ | 73.2 | | |
| 3464 *Na -----> *Cl | MgSO ₄ | 60.2 | | |
| -----+ | MgCl ₂ | 47.6 | 407.2 | 19385 |
| Saturation Values Dist. Water 20 C | NaHCO ₃ | 84.0 | | |
| CaCO ₃ 13 mg/L | Na ₂ SO ₄ | 71.0 | | |
| CaSO ₄ * 2H ₂ O 2090 mg/L | NaCl | 58.4 | 3463.5 | 202407 |
| BaSO ₄ 2.4 mg/L | | | | |

REMARKS:

----- D. CANADA / FILE

Petrolite Oilfield Chemicals Group

Respectfully submitted,
SHELIA DEARMAN



SCALE TENDENCY REPORT

| | | | |
|------------|-----------------------|--------------|------------------|
| Company | : STRATA PRODUCTION | Date | : 11/25/92 |
| Address | : ARTESIA, NEW MEXICO | Date Sampled | : 11/20/92 |
| Lease | : CLEARY STATE SWD | Analysis No. | : 2810 |
| Well | : #1 | Analyst | : SHELIA DEARMAN |
| Sample Pt. | : WELLHEAD | | |

STABILITY INDEX CALCULATIONS (Stiff-Davis Method) CaCO₃ Scaling Tendency

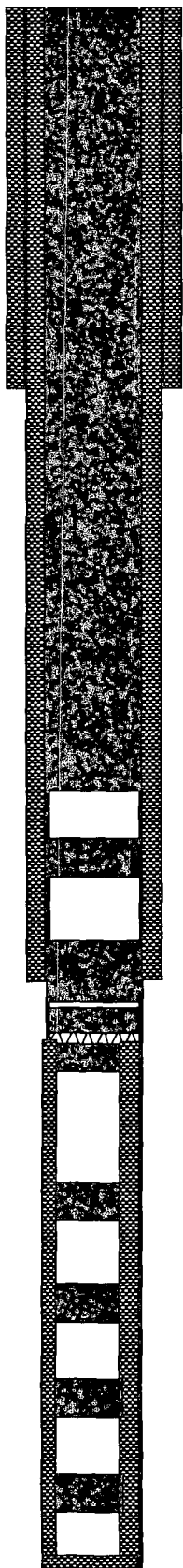
| | | | | | |
|--------|------|----|------------|----|-----------|
| S.I. = | -0.6 | at | 60 deg. F | or | 16 deg. C |
| S.I. = | -0.6 | at | 80 deg. F | or | 27 deg. C |
| S.I. = | -0.6 | at | 100 deg. F | or | 38 deg. C |
| S.I. = | -0.7 | at | 120 deg. F | or | 49 deg. C |
| S.I. = | -0.7 | at | 140 deg. F | or | 60 deg. C |

CALCIUM SULFATE SCALING TENDENCY CALCULATIONS (Skillman-McDonald-Stiff Method) Calcium Sulfate

| | | | | | |
|-----|-----|----|------------|----|----------|
| S = | 407 | at | 60 deg. F | or | 16 deg C |
| S = | 453 | at | 80 deg. F | or | 27 deg C |
| S = | 481 | at | 100 deg. F | or | 38 deg C |
| S = | 493 | at | 120 deg. F | or | 49 deg C |
| S = | 501 | at | 140 deg. F | or | 60 deg C |

Petrolite Oilfield Chemicals Group

Respectfully submitted,
SHELIA DEARMAN



Exxon Corp.

New Mexico "FH" State Comm #1
Sec. 32 - T20S - R33E UT F
Spud 05/24/89, Completed 12/30/89
13 3/8" set @ 522' w/ 450 sx, 9 5/8"
set @ 4910' with 2150 sx, 5 1/2" set
13,358' with 1570'.

Located North of SWD

13 3/8" set @ 522'. Cemented w/ 450 sx.

Set 1110 sx cement plug @ 3200' to surface.

Set 70 sx plug @ 3600'.

9 5/8" csg @ 4910'. Cemented w/ 2150 sx cement.
70 sx cement plug @ 4350-5000'.

5 1/2" cut-off at 6560'.
55 sx cement plug from 6476-6660'.

(5,000' - 6,476' OPEN HOLE)
NON-PRODUCING interval in AOR

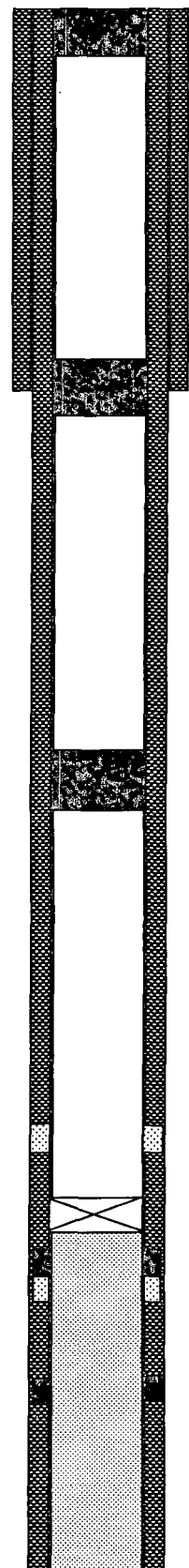
25 sx cement plug from 8190-8390'.

25 sx cement plug from 11160-11360'.

25 sx cement plug from 12175-12375'.

15 sx cement plug @ 12550'.

5 1/2" csg set @ 13358' w/ 1570 sx cement.
TD 13358'



60' Plug @ Surface

| |
|---------------------------|
| Strata Production Company |
| New Mexico "A" Federal #4 |
| 1880' FNL & 660' FEL |
| Section 4-T21S-R32E |
| Eddy County, New Mexico |
| Spud Date 9/11/90 |

8 5/8" -24#/FT., J-55, @ 1370'
 400 sx. P.S. Lite & 200 sx. Class "C", Circ. 141 sx
 Set 20 sx Plug 1320'-1420'

Set 20 sx plug @ 3200'-3300'

D.V. @ 5959'
 Circ. Hole with 10# Mud
 CIBP @6680'. 35' cement
 2/94 F.L.@ 6615'
 "A" 6738'-6750', 2 SPF
 "B" 6828-6833.5, 3 SPF, Squeezed w/ 150 sx. CLASS "C"

5/92 S.N. @ 7116
 "D-4" 7162-67, 2 SPF, 7168-71, 2 SPF, "E" 7183,84,85, 1 SPF, 7188,89,90,91 & 92, 1 SPF

5 1/2"-15.5 & 17#/FT., J-55 @ 7230'
 First Stage 390 SX> 50/50 POZ "H"
 Second Stage 1385 SX. "LITE", Circ. 140sx ✓

Strata Production Company

New Mexico Federal #1

1683' FNL & 1650' FWL

Sec 4-T21S-R32E

PA 01/19/02

Witnessed by BLM

20 sx plug @ surface
20" csg set @ 397' w/ 1000 sx cement.

70 sx plug @ 450'.

75 sx plug @ 1450'.
13 3/8" set @ 3350' w/ 3760 sx cement.

Tagged @ 3142'
175 sx plug @ 3605.
9 5/8" csg cut off @ 3565'.

55 sx plug @ 4800'.

55 sx plug @ 8400'

55 sx plug @ 8800'.
5 1/2" liner top @ 8805'.

9 5/8" csg set @ 8951' w/ 1825 sx cement.

CIBP @ 9100' w/ 35 sx cement on top.

CIBP @ 9887' w/ 35 sx cement on top.

CIBP @ 13100 w/ 35 sx cement on top.

Strata Production Company
New Mexico Federal #6
1650' FNL & 330' FWL
Section 4-T21S-R32E
Lea County, New Mexico
Spud Date 9/14/91

10 SX SURFACE PLUG
50 sx plug 318'-418'

13 3/8" - 48#/FT., J-55, @ 368'
315 sx. CLASS "C", CIRC. 90 SX.

35 SX PLUG ACROSS RUSTLER ANHYDRITE 1410'-1510'

35 SX PLUG ACROSS STUB 50' IN/50' OUT
CUT CASING AT 2000' AND PULL OUT OF HOLE

EST. TOC @ +/- 2000'

SHOE PLUG
25 SX. PLUG 3022'-3222'

8 5/8" - 24 & 32 #/FT., J-55, @ 3122'
700 SX. HLC & 200 SX. CLASS "C", CID NOT CIRC.
TOC @ 544'
1" w/225 SX CLASS "C", CIRC. 20 SX.

D.V. TOOL @ 5980'

CIBP W/ 35' CEMENT

"A" 6624-6630
"B" 6713-32
"C-2" 6878-81
"C-2" 6918-22
"E" 7064-66 FLUID LEVEL 1/95 @ 7088'
"F-UPPER" 7138-48
"F-LOWER" 7167-73, 7175-81, & 7188-92

CIBP @ 8050' W/ 35' CEMENT

"K" 8095, 96, 97, 98, 99, 8102, 03, 04, 06, 07, 08, 09, 10, 11, 12, 13, & 14

5 1/2"-17#/FT., J-55 @ 8414'
FIRST STAGE 800 SX. 50/50 POZ
SECOND STAGE 600 SX. HLC & 200 SX. PREMIUM PLUS

STATE OF NEW MEXICO
STATE LAND OFFICE
ACTIVE COMMUNITIZATIONS

C. J. Smith

COMMUNITIZATION NAME:

AMINI OIL COMPANY-NEW MEXICO "SL" STATE COM WELL NO. 1 (FORCE POOLING)

OPERATOR:

AMINI OIL COMPANY

DATE APPROVED:

November 16, 1973

EFFECTIVE DATE:

November 16, 1973

COUNTY:

Lea

TOTAL ACREAGE:

320.00

STATE ACREAGE:

All

DEDICATED TO:

Salt Lake South Morrow Pool

INSTITUTION:

Common Schools

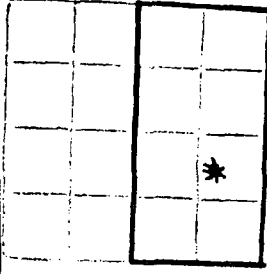
TERM OF COMMUNITIZATION:

So long as

WELL LOCATION:

SE/4SW/4 (N)

S/2 Sec. 32-20S-33E



| <u>SEC.</u> | <u>TWP.</u> | <u>RGE.</u> | <u>SUBDIVISION</u> | <u>LEASE NO.</u> | <u>LESSEE</u> | <u>ACREAGE</u> |
|-------------|-------------|-------------|--------------------|------------------|--------------------|----------------|
| 32 | 20S | 33E | W/2SW/4 | E-9052-2 | Texaco Inc. | 80.00 |
| 32 | 20S | 33E | SE/4, E/2SW/4 | L-6725 | Aminal Oil Company | 240.00 |
| | | | | | | <u>320.00</u> |

This well was completed as a shut-in well.

SENDER: COMPLETE THIS SECTION

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- 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.

Article Addressed to:

Chesapeake Operating, Inc.
PO Box 18496
Oklahoma City, OK 73154
Attn: Christian Combs

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

Article Number

(Transfer from service label)

7008 2810 0001 9032 5017

S Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

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- Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:

Samson Resources, Co.
200 N. Loraine, Suite 1010
Midland, TX 79701

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

Article Number

(Transfer from serv)

7008 2810 0001 9032 4980

S Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

SENDER: COMPLETE THIS SECTION

- Complete Items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- 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.

Article Addressed to:

EOG Resources, Inc.
PO Box 2267
Midland, TX 79702-2267
Attn: Doug Hurlbut

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

Article Number

(Transfer from service label)

7008 2810 0001 9032 5031

S Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

Cleary State #1 SWD

Legal Notice

DECEMBER 2, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 2009

Public Notice Application for addition of perforations for water disposal. Strata Production Company, PO Box 1030, Roswell, New Mexico 88202-1030, (Contact: Frank S. Morgan, (575)622-1127 ext.#14) has made application to the Oil Conservation Division, Energy, Minerals and Natural Resources Department, State of New Mexico, for Administrative Approval and Authority to amend the original approved application (SWD-397), for the purpose of showing existing perforations to inject salt water into the Cleary State #1 SWD, API # 30-025-24540, located 990i from the South Line, 1980i from the West line, S32-T20S-R33E, NMPM, Lea County, New Mexico, Approximately 30 miles East of Carlsbad on 62/180.

The Purpose of this water injection well is to dispose of salt water produced from the Hat Mesa Delaware Field and Hat Mesa Bone Springs Field as currently designated by the Oil Conservation Division and as may be extended by additional drilling.

Water to be disposed of will be injected into the Cherry Canyon formation of the Delaware Mountain group at an interval lying between 5400i and 5690i beneath the surface.

The minimum injection rate is expected to be approximately 200 barrels of water per day. The maximum injection rate is expected to be approximately 800 barrels of water per day.

Minimum injection pressure will be approximately 430 psi. The maximum expected to be 1240 psi.

Any interested party may file an objection to this application or may request a public hearing. Any objection or request for hearing must be filed with the Oil Conservation Division, 1220 S. St. Francis Dr, Santa Fe, New Mexico 87505 and Strata Production Company, PO Box 1030, Roswell, NM 88202-1030, within 15 days of this publication.

#25400

Jones, William V., EMNRD

From: Jennifer Zapata [jzapata@stratanm.com]
Sent: Monday, March 01, 2010 2:25 PM
To: Jones, William V., EMNRD
Cc: Frank Morgan
Subject: FW: Disposal application from Strata Production Company: Cleary State #1 30-025-24540 Cherry Canyon Disposal
Attachments: Cleary Letters.pdf

From: Frank Morgan [mailto:fmorgan@stratanm.com]
Sent: Monday, March 01, 2010 2:16 PM
To: Jennifer Zapata
Subject: FW: Disposal application from Strata Production Company: Cleary State #1 30-025-24540 Cherry Canyon Disposal

From: Jones, William V., EMNRD [mailto:William.V.Jones@state.nm.us]
Sent: Thursday, February 11, 2010 12:04 PM
To: fmorgan@stratanm.com
Cc: Ezeanyim, Richard, EMNRD; Kautz, Paul, EMNRD; Hill, Larry, EMNRD; Wesley_Ingram@blm.gov
Subject: Disposal application from Strata Production Company: Cleary State #1 30-025-24540 Cherry Canyon Disposal

Hello Frank:

I have your permit amendment ready to release but first:

Please send:

- a. A formal notice of this application to the nearest Potash lessee – you can ask them to sign a waiver if possible, or we must wait the 15 days. This is a practice the OCD has been requiring for any disposal applications located within the R-111-P Potash area.
- b. Proof of formal notice to the surface owner at the wellsite.

Thank You,

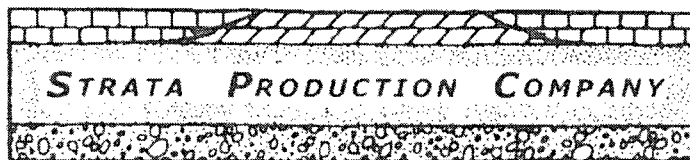
William V. Jones PE
New Mexico Oil Conservation Division
1220 South St. Francis
Santa Fe, NM 87505
505-476-3448

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POST OFFICE DRAWER 1030
ROSWELL, NM 88202-1030



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

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

January 13, 2010

CERTIFIED/RETURN RECEIPT REQUESTED

RE: Cleary State #1 SWD
Hat Mesa
S32-T20S-R33E, NMPM
Lea County, New Mexico

Commissioner of Public Lands
State Land Office
PO Box 1148 310 Old Santa Fe Trail
Santa Fe, New Mexico 87504-1148

Dear Mr. Lyons,

The State of New Mexico is the owner of the surface of the land upon which Strata Production Company operates the Cleary State #1 SWD, located in SE/4SW/4 S32-T20S-R33E, NMPM, Lea County, New Mexico.

Strata Production Company is making Application to the New Mexico Oil Conservation Division, form C-108, for Administrative Approval and authority to amend the original approved application (SWD-397), for the purpose of showing existing perforations to inject salt water into the Cleary State #1 SWD, API # 30-025-24540, located 990' FSL & 1980' FWL, S32-T20S, R33E, NMPM, Lea County.

Consequently, and pursuant to the rules and regulations of the OCD, I am enclosing a copy of OCD Form C-108 which is the Application for Administrative Approval (SWD-397).

Thank You,

A handwritten signature in cursive script, appearing to read "Frank S. Morgan", followed by a horizontal line.

Frank S. Morgan
Vice President

COMPLETE THIS SECTION ON DELIVERY

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
 ■ 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.

1. Article Addressed to:

Commissioner of Public Lands
State Land Office
PO Box 1148 310 Old Santa Fe
Trail
Santa Fe, NM 87504-1148

A. Signature

X

☒ Agent

☐ Addressee

| | |
|-------------------------------|---------------------|
| B. Received by (Printed Name) | C. Date of Delivery |
|-------------------------------|---------------------|

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

☐ Yes
4. Restricted Delivery? (Extra Fee)

2. Article Number 7778 2870 0001 9032 5000

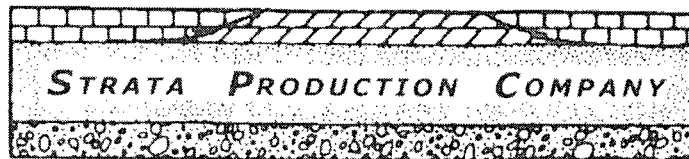
Transfer from service label

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540 ;

POST OFFICE DRAWER 1030
ROSWELL, NM 88202-1030



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

February 25, 2010

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

CERTIFIED/RETURN RECEIPT REQUESTED

RE: Cleary State #1 SWD
Hat Mesa
S32-T20S-R33E, NMPM
Lea County, New Mexico

Western Ag & Mineral's Co.
5516 Hobb's Hwy
Carlsbad, NM 88220

To Whom It May Concern:

Western Ag & Mineral's, Co. is the lessee of the Potash Lease #HP-004-1 which is located on lands where Strata Production Company operates the Cleary State #1 SWD, located in SE/4SW/4 S32-T20S-R33E, NMPM, Lea County, New Mexico.

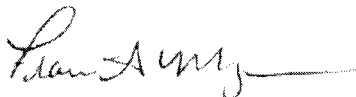
Strata Production Company is making Application to the New Mexico Oil Conservation Division, form C-108, for Administrative Approval and authority to amend the original approved application (SWD-397), for the purpose of showing existing perforations to inject salt water into the Cleary State #1 SWD, API # 30-025-24540, located 990' FSL & 1980' FWL, S32-T20S, R33E, NMPM, Lea County.

Consequently, and pursuant to the rules and regulations of the OCD, I am enclosing a copy of OCD Form C-108 which is the Application for Administrative Approval (SWD-397).

If you object to this application please contact the Oil Conservation Division, 1220 S. St. Francis Dr., Santa Fe, New Mexico 87504. You may also contact Frank S. Morgan at Strata Production Company, PO Box 1030, Roswell, New Mexico 88202-1030.

If you have no objections to the above mentioned application please sign one copy of this letter in the space provided and return to the undersigned.

Thank You,



Frank S. Morgan
Vice President

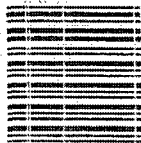
We have no objections to the application:
Western Ag & Mineral's Co.

By: _____
Date: _____

U.S. POSTAGE
PAID
ROSWELL, NM
88220
FEB 26, '10
AMOUNT

\$6.83

00023135-05

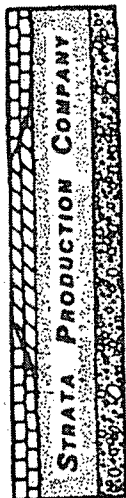


88220



1000

7006 2810 0001 9032 5086



POST OFFICE DRAWER 1030

ROSWELL, NEW MEXICO 88202-1030

TO:

Western Agt Minerals Co.
5516 Hobbs Hwy
Carlsbad, NM 88220



RETURNED TO
SENDER
NEW DELIVERY
ADDRESS
SUFFICIENT ADDRESS
IN EACH OFFICE IN 1000
1 1000 1000 1000

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- 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.

1. Article Addressed to:

Western Agt Minerals Co.
5516 Hobbs Hwy
Carlsbad, nm 88220

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1?

☐ Yes

If YES, enter delivery address below:

☐ No

3. Service Type

☒ Certified Mail

☐ Express Mail

☐ Registered

☐ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

Injection Permit Checklist (11/30/09)

3/1/10

Case _____ R- _____ SWD 397-A WFX _____ PMX _____ IPI _____ Permit Date 3/1/10 UIC Qtr (J/F/M)# Wells 1 Well Name: Cherry State #1 SWDAPI Num: (30-) 025-24540 Spud Date: 73 New/Old: 0 (UIC primacy March 7, 1982)Footages 990 FSL/1980 FWL Unit N Sec 32 Tsp 20S Rge 33E County LEAOperator: STata Production Company Contact Frank S. MorganOGRID: 21712 RULE 5.9 Compliance (Wells) 1/54 (Finan Assur) OK OKOperator Address: P.O. Box 8030, Roswell, NM 88202-1030

Location and Current Status: _____

Planned Work to Well: _____

Planned Tubing Size/Depth: 2 3/8 x 5 1/2 5380'

| | | Sizes Hole.....Pipe | Setting Depths, | Cement Sx or Cf | Cement Top and Determination Method |
|--|--------------|------------------------|--------------------|--------------------|--|
| Existing <input checked="" type="checkbox"/> | Surface | 17 1/2 13 3/8 | 1125' | 900 | CIRC |
| Existing <input checked="" type="checkbox"/> | Intermediate | 12 1/4 9 5/8 | 1155-7000' | 1300/1800 | CIRC DVC 3299' |
| NEW Existing <input checked="" type="checkbox"/> | Long String | 8 1/2 5 1/2 | 5380 | 1255 | CIRC |

DV Tool _____ Liner _____ Open Hole _____ Total Depth 5863 PBTDWell File Reviewed ☒Diagrams: Before Conversion ☒ After Conversion ☒ Elogs in Imaging File: NOT over this interval

| Intervals: | Depths | Formation | Producing (Yes/No) |
|----------------------|---------------|--------------|--------------------|
| Above (Name and Top) | 3185 - Yates | | |
| Above (Name and Top) | 4750 TOP Del | | |
| Injection..... | | | |
| Interval TOP: | 5,413' | Cherry C. 8" | NO |
| Injection..... | | | |
| Interval BOTTOM: | 5682 | 110" 8" | NO |
| Below (Name and Top) | 8315 - B. Sp. | | |

SWD-397 550-5615
 Delaware
 30 mi EAST of Carlsbad
 1083 PSI Max. WHIP

Open Hole (Y/N) _____

Deviated Hole? _____

Sensitive Areas: Capitan Reef Yes Cliff House _____ Salt Depths 1,533' - 2240'.... Potash Area (R-111-P) yes Potash Lessee _____ Noticed? ?Fresh Water: Depths: _____ Wells None Analysis? _____ Affirmative Statement ☒

Disposal Fluid Sources: _____ Analysis? _____

Disposal Interval Production Potential/Testing/Analysis Analysis: DSTS = waterNotice: Newspaper(Y/N) ☒ Surface Owner _____ Mineral Owner(s) _____

RULE 26.7(A) Affected Parties: _____

Area of Review: Adequate Map (Y/N) ☒ and Well List (Y/N) ☒Active Wells 11 Num Repairs 0 Producing in Injection Interval in AOR NOT in Cherry Canyon..P&A Wells 4 Num Repairs 0 All Wellbore Diagrams Included? ☒

Questions to be Answered: _____

Required Work on This Well: _____ Request Sent _____ Reply: _____

AOR Repairs Needed: _____ Request Sent _____ Reply: _____

Request Sent _____ Reply: _____