

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

Form C-101

NOTIFY OCD OF SPUD & TIME TO
WITNESS CEMENTING OF
SURFACE & INTERMEDIATE
CASING

Instructions On Back
Submit to Appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1 Operator Name and Address Strata Production Company P. O. Box 1030 Roswell, New Mexico 88202-1030		2 OGRID Number 021712
		3 API Number 30-015-34438
4 Property Code 35254	5 Property Name USP FEE	6 Well No. #2

7 Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West Line	County
D	16	23S	29E		319'	NORTH	946'	WEST	EDDY

8 Proposed 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
N	9	23S	29E		990'	SOUTH	1980'	WEST	EDDY

9 Proposed Pool 1 Unders. Laguna Salada; Atoka 79860	10 Proposed Pool 2
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11 Work Type Code N	12 Well Type Code G	13 Cable/Rotary Rotary	14 Lease Type Code S	15 Ground Level Elevation 2957'
16 Multiple N	17 Proposed Depth 12500'	18 Formation Wildcat	19 Contractor	20 Spud Date February 1, 2006

21 Proposed Casing and Cement Program @ 300'

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2"	13 3/8"	48#, H-40, ST&C	450'	450 SX	CIRC
12 1/4"	9 5/8"	40#, J-55, LT&C	2800'	950 SX	CIRC
8 3/4"	7"	26/29#, N-80, P-110, LT&C	11450'	800 SX	5000'
6 1/8"	4 1/2"	13.5# P-110 LT&C	12700'	400 SX	CIRC
			12500' TVD		

22. Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone.

Describe the blowout prevention program, if any. Use additional sheets if necessary.

Strata Production Company proposes to drill to a depth sufficient to test the Atoka. If productive, a 4 1/2" csg will be set. If non-productive, the well will be plugged & abandoned in a manner consistent with State Regulations.

Attachments:

R-III-P

- Form C-102 Well Location & Acreage Dedication Plat
- Hole Prognosis
- Surface Use Plan
- H2S Drilling Operations Plan
- Exhibit "A" Equipment Description w/attachment
- Exhibit "B" Planned Access Roads
- Exhibit "C" One Mile Radius Map w/attachment of Status of Wells within One Mile Radius
- Exhibit "D" Drilling Rig Layout Plan
- Notification to Area Potash Lease Holders
- Pit or Below-Grade Tank Registration or Closure

RECEIVED

OCT 24 2005

OCD-ARTESIA

23 I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOC guidelines, a general permit, or an (attached) alternative OCD approved plan

Signature: Kelly M. Britt

Printed name: Kelly M. Britt

Title: Production Records

Date: 10/19/05

Phone: 505-622-1127 x 15

OIL CONSERVATION DIVISION

Approved By:

Title:

Approval Date: NOV 28 2005

Conditions of Approval:

Attached

Expiring Date: NOV 28 2006

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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 79860	³ Pool Name Undes. Laguna Salada ; Ardena
⁴ Property Code	⁵ Property Name USP FEE	⁶ Well Number 2
⁷ OGRID No.	⁸ Operator Name STRATA PRODUCTION COMPANY	⁹ Elevation 2957

¹⁰ **Surface Location**

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
D	16	23-S	29-E		319	NORTH	946	WEST	EDDY

¹¹ **Bottom Hole Location If Different From Surface**

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
N	9	23-S	29-E		990	SOUTH	1980	WEST	EDDY

¹² Dedicated Acres 320	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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 	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature Kelly M. Britt Printed Name Production Records Title and E-mail Address October 17, 2005 Date
	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. SEPTEMBER 27, 2005 Date of Survey Signature and Seal of Professional Surveyor: DAN R. REDDY, PROFESSIONAL SURVEYOR #5412

As a condition of approval, a closure plan must be submitted and approved prior to the commencement of closure procedures.

R 29E

STRATA PRODUCTION CO

USP FEE NO 2

BOTTOM HOLE

890' FWL

1980 FWL

LAKE

SURFACE
LOCATION

USP NO 2

319' FWL, 946' FWL

SALT

T
3
S

7' 30"

35'

HOLE PROGNOSIS
FORM C-101 APPLICATION FOR PERMIT TO DRILL
STRATA PRODUCTION COMPANY
USP FEE #2
Surface Location: 319' FNL & 946' FWL
Section 16-T23S-29E
Bottom Hole Location: 990' FSL & 1980' FWL
Section 9-T23S-R29E
Eddy County, New Mexico

In conjunction with Form C-101, Application for Permit to Drill, Deepen, or Plug Back, Strata Production Company submits the following items in accordance with applicable state regulations.

1. Geologic Name of Surface Formation:

Permian

2. Estimated Tops of Geologic Markers:

Rustler	Surface	Bone Springs	6500'
Base of Salt	2610'	Wolfcamp	10030'
Base of Castile	2820'	Penn	11250'
Bell Canyon	2820'	Strawn	11440'
Cherry Canyon	3950'	Atoka	11650'
Brushy Canyon	5040'	TD	12500'

3. Estimated Depths of Anticipated Fresh Water, Oil or Gas:

N/A		Fresh Water
Top of Delaware	3000'	Oil or Gas

No other formations are expected to produce oil, gas or fresh water in measurable quantities. The surface fresh water sands will be protected by setting 13 3/8" casing at 450' and circulating cement back to surface. Any shallower zones above TD which contain commercial quantities of oil and/or gas will have cement circulated across the zone by inserting a cementing stage tool into the 4 1/2" production casing which will be run at TD.

4. Casing Program:

<u>Hole Size</u>	<u>Interval</u>	<u>OD csg</u>	<u>Weight, Grade, Jt. Cond, Type</u>
17 1/2"	450'	13 3/8"	48#, H-40, ST&C, New
12 1/4"	2800'	9 5/8"	40#, J-55, LT&C, New
8 3/4"	11450'	7"	26# & 29#, N-80, P-110, LT&C

Cementing Program:

Surface Casing:

13 3/8" casing will be set at approximately 450' and cemented with approximately 450 sacks of Premium Plus w/5# D-42, 1/4# D-29 & 2% CaCl. The amount could be adjusted depending upon the fluid caliper results, however, cement in sufficient quantities to circulate will be utilized.

Intermediate Casing:

9 5/8" casing will be set at approximately 2800' and cemented with approximately 750 sacks of 35/65 Poz "C" with 10# D-44, 1/4# D-29 & 2% D-46. 200 sacks "C" w/15# D-44 & 2% CaCl. The amount could be adjusted dependent upon fluid caliper results, however, cement in sufficient quantities to circulate will be utilized.

Deep Intermediate Csg:

7" casing will be set at approximately 11450' and cemented with approximately 800 sacks 50/50 Poz "H" w/additives.

Production Casing:

If appropriate, 4 1/2" casing will be set at Total Depth with approximately 400 sacks Class "H" w/additives.

5. Minimum Specifications for Pressure Control:

The blowout preventer equipment (BOP) shown in Exhibit "A" will consist of a double ram-type (3000 psi WP) preventer and a bag-type (hydril) preventer (3000 psi WP). Both units will be hydraulically operated and the ram-type preventer will be equipped with blind rams on top and 4 1/2" drill pipe rams on bottom. Both BOP's will be nipped up on the 13 3/8" surface casing and used continuously until TD is reached. All BOP's and accessory equipment will be tested to 1000 psi before drilling out of surface casing. Before drilling out of intermediate casing, the ram-type BOP and accessory equipment will be tested to 3000 psi and the hydril to 70% of rated working pressure (2100 psi).

Pipe rams will be operationally checked each 24 hour period. Blind rams will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets. A 2" kill line and 3" choke line will be included in the drilling spool located below the ram-type BOP. Other accessories to the BOP equipment will include a kelly cock and floor safety valve (inside BOP) and choke lines and choke manifold with 3000 psi WP rating.

6. Types and Characteristics of the Proposed Mud System:

0' to 450'	Native mud consisting of fresh water and native muds are used for drilling purposes.
450' to 2800'	Brine water purchased from commercial sources will be utilized.
2800' to TD	Brine and fresh water purchased from commercial sources will be utilized. Salt gel will be used to build viscosity.

Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be kept at the wellsite at all times.

7. Auxiliary Well Control and Monitoring Equipment:

- A. A kelly cock will be kept in the drill string at all times.
- B. A full opening drill pipe stabbing valve (inside BOP) with proper drill pipe connections will be on the rig floor at all times.

8. Testing, Logging and Coring Program:

Two (2) man Mudlogging unit from top of Delaware to TD DLL-MSFL, CNL-Density, Gamma Ray, Caliper.

Mudlogging unit will be employed from approximately 3380' (Top of Delaware) to 7800' (Total Depth). The Dual Laterolog will be run from TD back to the intermediate casing and the Compensated Neutron/Density Log will be run from TD back to surface. In some cases, Strata elects to run rotary sidewall cores from selected intervals from approximately 4200' to 7300' dependent upon logging results.

9. Abnormal Conditions, Pressures, Temperatures and Potential Hazards:

No abnormal pressures or temperatures are anticipated.

Loss of circulation is possible in the Delaware section of the hole, however, no major loss circulation zones have been reported in offsetting wells.

Strata has drilled and completed seventeen (17) wells in the immediate area. To date, Hydrogen Sulfide has not been encountered. However, if Hydrogen Sulfide is encountered, a Hydrogen Sulfide alarm on the drilling rig would be activated. All personnel have had Hydrogen Sulfide training and appropriate breathing apparatus is located on site. If necessary, the well can be shut in utilizing the blow out preventer and other equipment to prevent the migration of Hydrogen Sulfide to the surface.

10. Anticipated Starting Date and Duration of Operations:

Road and location work will not begin until approval has been received from the OCD. The anticipated spud date is February 1, 2006. Once commenced, the drilling operation should be finished in approximately 20 days. If the well is productive, an additional 15 days will be required for completion and testing before a decision is made to install permanent facilities.

SURFACE USE PLAN
APPLICATION FOR PERMIT TO DRILL
STRATA PRODUCTION COMPANY

USP FEE #2

Surface Location: 319' FNL & 946' FWL

Section 16-T23S-R29E

Bottom Hole Location: 990' FSL & 1980' FWL

Section 9-T23S-R29E

Eddy County, New Mexico

Submitted with Form C-101, Application For Permit to Drill, Deepen, or Plug Back covering the above captioned well. The purpose of the plan is to describe the location, the proposed construction activities and operations plan, the surface disturbance involved, and the rehabilitation of the surface after completion of said well so that an appraisal can be made of the environment affected by this well.

1. Existing Roads:

- A. The well site and elevation plat for the proposed well is attached. It was staked by Dan R. Reddy, Engineer, Carlsbad, New Mexico.
- B. All roads to the location are shown in Exhibit "B". The existing roads are illustrated in red and are adequate for travel during drilling and production operations. Upgrading of the road prior to drilling will be done where necessary as determined during the on-site inspection.
- C. Directions to location: 7 miles east of Loving on Hwy 31 to the entrance to USC facility. Turn south through USC operation to location on island.
- D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

2. Proposed Access Road:

Exhibit "B" shows approximately 488' of new access road to be constructed and is illustrated in yellow. The road will be constructed from the existing North South road as follows:

- A. The average grade will be less than 5%.
- B. No turnouts will be necessary.
- C. No culverts, cattleguards, gates, low-water crossings or fence cuts are necessary.
- D. Surfacing material will consist of native caliche. If required, road across pad will be surfaced with a minimum of 6" of caliche. Caliche will be obtained from the nearest approved caliche pit. Any additional materials that are required will be purchased from the dirt contractor.

3. Location of Existing Wells:

Exhibit "C" shows all existing wells within a one mile radius of proposed well. A list of these wells is shown on the attachment to Exhibit "C".

4. Location of Existing and/or Proposed Facilities:

In the event the proposed well proves to be productive, Strata Production Company will furnish maps or plats showing On Well pad facilities and Off Well pad facilities (if needed) by Sundry Notice before construction of these facilities starts.

5. Location and Type of Water Supply:

The well will be drilled with a combination of brine and fresh water mud systems as outlined in the Hole Prognosis. The water will be purchased from commercial water stations in the area and trucked to the location by transport over the existing and proposed access roads shown in Exhibit "B". If a commercial fresh water source is nearby, pipeline may be laid along existing road ROW's and fresh water pumped to the well. No water well will be drilled on the location.

6. Source of Construction Materials:

All caliche required for construction of the drill pad and the proposed new access road (approximately 2500 cubic yards) will be obtained from an approved caliche pit. All roads and pads will be constructed of 6" rolled and compacted caliche.

7. Methods of Handling Water Disposal:

- A. Drill cuttings not retained for evaluation purposes will be disposed into the reserve pit.
- B. Drilling fluids will be contained in steel mud tanks. The reserve pit will contain any excess drilling fluid or flow from the well during drilling, cementing and completion operations. The reserve pit will be an earthen pit approximately 150' x 150' x 6' deep and fenced on three sides prior to drilling. It will be fenced on the fourth side immediately following rig removal. The reserve pit will be plastic lined (12 mil thickness) to minimize loss of drilling fluids and saturation of the ground with brine water. Drilling fluids will be allowed to evaporate in the reserve pits until pits are dry.

- C. Water produced from the well during completion may be disposed into the reserve pit or a steel tank (depending on the rates). After the well is permanently placed on production, produced water will be piped to the Forty Niner Ridge Unit #1 SWD well. Produced oil will be collected in steel tanks until sold.
- D. A portable chemical toilet will be provided on the location for human waste during the drilling and completion operations. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- E. Garbage and trash produced during drilling or completion operations will be disposed in a separate trash trailer on location. All waste material will be contained to prevent scattering by the wind. All water and fluids will be disposed of into the reserve pit. Salts and other chemicals produced during drilling or testing will be disposed into the reserve pit. No toxic waste or hazardous chemicals will be produced by the operation.
- F. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned up within 30 days. No adverse materials will be left on the location. The reserve pit will be completely fenced and kept closed until it has dried. When the reserve pit is dry enough to breakout and fill and, weather permits, the unused portion of the well site will be leveled and reseeded as per BLM specifications. Only that part of the pad required for production facilities will be kept in use. In the event of a dry hole, only a dry hole marker will remain.

8. Ancillary Facilities:

No airstrip, campsite or other facility will be built as a result of the operations of the proposed well.

9. Well Site Layout:

- A. The drill pad layout, with elevations staked by Dan R, Reddy, Engineer, is shown in Exhibit "D". Dimensions of the pad, pits and location of major rig components are shown. Top soil, if available, will be stockpiled per OCD specifications as determined at the on-site inspection. Since the pad is almost level no major cuts will be required.

- B. Exhibit "D" shows the planned orientation for the rig and associated drilling equipment, reserve pit, trash pit, pipe racks, turn-around and parking areas and access road. No permanent living facilities are planned but a temporary foreman/toolpusher's trailer will be on location during the drilling operations.
- C. The reserve pit will be lined with a high quality plastic sheeting (12 mil thickness).

10. Plan for Restoration of the Surface:

- A. Upon completion of the proposed operations, if the well is to be abandoned, the pit area, after allowing to dry, will be broken out and leveled. The original top soil will be returned to the entire location which will be leveled and contoured to as nearly the original topography as possible.

All trash, garbage and pit lining will be buried or hauled away in order to leave the location in an aesthetically pleasing condition. All pits will be filled and the location leveled within 120 days after abandonment.

- B. The disturbed area will be revegetated by reseeding during the proper growing season with a seed mixture of native grasses as recommended by the OCD.
- C. Three sides of the reserve pit will be fenced prior to and during drilling operations. At the time the rig is removed, the reserve pit will be fenced on the rig (fourth) side to prevent livestock or wildlife from being entrapped. The fencing will remain in place until the pit area is cleaned up and leveled. No oil will be left on the surface of the fluid in the pit.
- D. Upon completion of the proposed operations, if the well is completed, the reserve pit area will be treated as outlined above within the same prescribed time. The caliche from any area of the original drillsite not needed for production operations or facilities will be removed and used for construction of thicker pads or firewalls for the tank battery installation. Any additional caliche required for facilities will be obtained from a OCD approved caliche pit. Topsoil removed from the drill site will be used to recontour the pit area and any unused portions of the drill pad to the original natural level and reseeded as per OCD specifications.

11. Surface Ownership:

The wellsite and lease is located entirely on State of New Mexico surface.

12. Other Information:

- A. The topography around the well site is rolling terrain with vegetation of sagebrush and native grass. The vegetation cover consists of prairie grasses and flowers. Wildlife in the area probably includes those typical of semi-arid desert land.
- B. The soils are clayey sand over caliche base.
- C. There are no permanent or live water in the immediate area.
- D. There are no residences and other structures in the area.
- E. The land in the area is used primarily for grazing purposes.

13. Lessee's and Operator's Representative:

MARK MURPHY
P. O. BOX 1030
ROSWELL, NEW MEXICO 88202-1030
PHONE NUMBER: (505) 622-1127 -OFFICE EXT 12

14. Certification:

I hereby certify that I, or persons under my direct supervision have inspected the proposed drill site which currently exists; that the statements made in the plan are to the best of my knowledge, true and correct; and the work associated with the operations proposed herein will be performed by Strata Production Company and its contractors and sub-contractors in conformity with the plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 USC 1001 for the filing of a false statement.

STRATA PRODUCTION COMPANY

KELLY M. BRITT
PRODUCTION RECORDS

DATE: October 19, 2005

STRATA PRODUCTION COMPANY

H₂S DRILLING OPERATIONS PLAN

I. HYDROGEN SULFIDE TRAINING

- A. All contractors and subcontractors employed by Strata Production Company will receive or have received training from a qualified instructor within the last twelve months in the following areas prior to commencing drilling operations on the well.
 - 1. The hazards and characteristics of hydrogen sulfide (H₂S).
 - 2. Safety precautions.
 - 3. Operations of safety equipment and life support systems.
- B. In addition, contractor supervisory personnel will be trained or prepared in the following areas:
 - 1. The effect of H₂S on metal components in the system. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
 - 2. Corrective action and shut-down procedures when drilling or reworking a well, blowout prevention and well control procedures, if the nature of work performed involves these items.
 - 3. The contents and requirements of the contingency plan when such plan is required.
- C. All personnel will be required to carry documentation of the above training on their person.

II. H₂S EQUIPMENT AND SYSTEMS

A. SAFETY EQUIPMENT

The following safety equipment will be on location.

- 1. Wind direction indicators as seen in attached diagram.
- 2. Automatic H₂S detection alarm equipment both audio and visual.
- 3. Clearly visible warning signs as seen on the attached diagram. Signs will use the words "POISON GAS" and "CAUTION" with a strong color contrast.
- 4. Protective breathing equipment will be located in the dog house and at briefing areas as seen in the attached Diagram.

B. WELL CONTROL SYSTEMS

1. Blowout Prevention Equipment

Equipment includes but is not limited to:

- a. Pipe rams to accommodate all pipe sizes.
- b. Blind rams.
- c. Choke manifold.
- d. Closing unit.

2. Communication

- a. The rig contractor will be required to have two-way communication capability. Strata Production Company will have either land-line or mobile telephone capabilities.

3. Mud Program

- a. The mud program has been designed to minimize the volume of H_2S circulated to surface. Proper mud weight, safe drilling practices and the use of H_2S scavengers, when appropriate, will minimize hazards when penetrating H_2S bearing zones.

4. Drill Stem Test intervals are as follows:

- a. None planned

EXHIBIT "A"

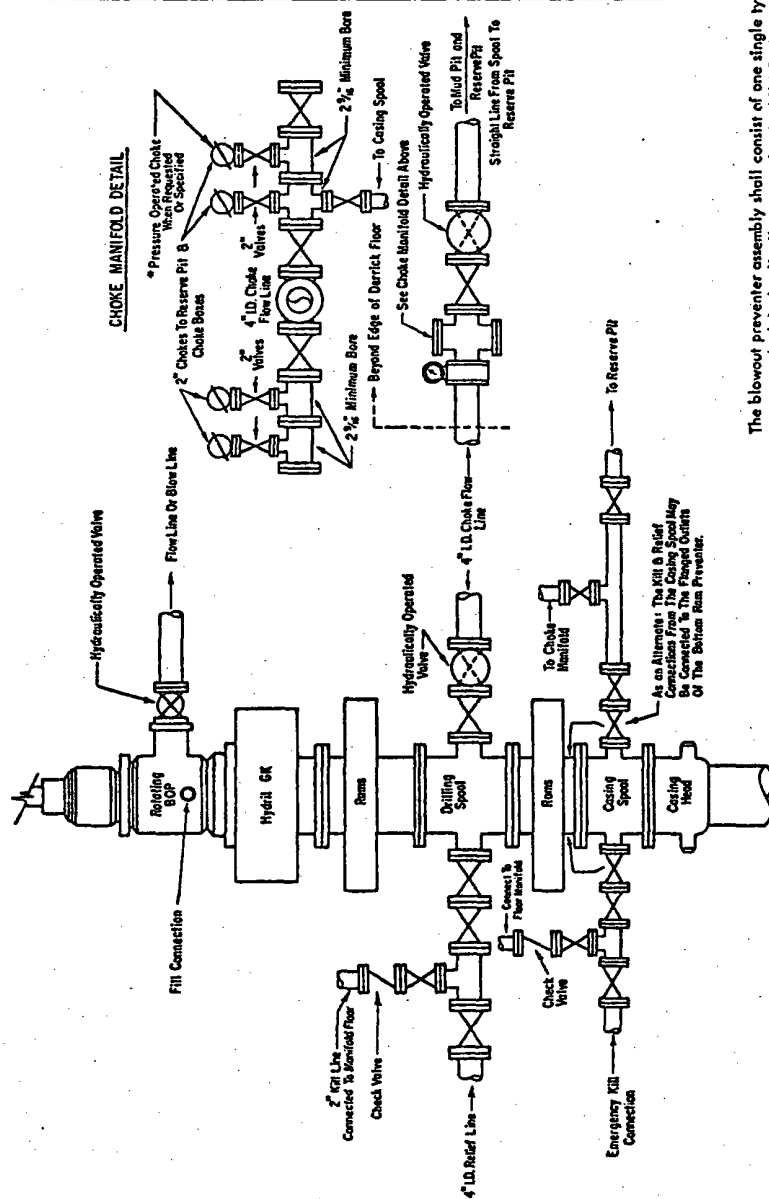
EQUIPMENT DESCRIPTION

All equipment should be at least 3,000 psi WP or higher unless otherwise specified.

1. Bell nipple
2. Hydril bag type preventer
3. Ram type pressure operated blowout preventer with blind rams.
4. Flanged spool with one 3" and one 2" (minimum) outlet.
5. 2" (minimum) flanged plug or gate valve.
6. 2"x 2"x 2" (minimum) flanged.
7. 3" gate valve.
8. Ram type pressure operated blowout preventer with pipe rams.
9. Flanged type casing head with one side outlet.
10. 2" threaded (or flanged) plug or gate valve. Flanged on 5000# WP, threaded on 3000# WP or less.
11. 3" flanged spacer spool.
12. 3"x 2"x 2"x 2" flanged cross.
13. 2" flanged plug or gate valve.
14. 2" flanged adjustable choke.
15. 2" threaded flange.
16. 2" XXH nipple.
17. 2" forged steel 90° Ell.
18. Cameron (or equal) threaded pressure gauge.
19. Threaded flange.
20. 2" flanged tee.
21. 2" flanged plug or gate valve.
22. 2 1/2" pipe, 300' to pit, anchored.
23. 2 1/2" SE valve.
24. 2 1/2" line to steel pit or separator.

NOTES:

- 1). Items 3, 4 and 8 may be replaced with double ram type preventer with side outlets between the rams.
- 2). The two valves next to the stack on the fill and kill line to be closed unless drill string is being pulled.
- 3). Kill line is for emergency use only. This connection shall not be used for filling.
- 4). Replacement pipe rams and blind rams shall be on location at all times.
- 5). Only type U, LSW and QRC ram type preventers with secondary seals are acceptable for 5000 psi WP and higher BOP stacks.
- 6). Type E ram-type BOP's with factory modified side outlets may be used on 3000 psi or lower WP BOP stacks.



3000# PSI WORKING PRESSURE BLOWOUT PREVENTER HOOK-UP

The blowout preventer assembly shall consist of one single type blind ram preventer and one single type pipe ram preventer, both hydraulically operated; a Hydral "GK" preventer; a rotating blowout preventer; valves; chokes; and connections, as illustrated. If a tapered drill string is used, a ram preventer must be provided for each size of drill pipe. Casing and tubing rams to fit the preventers are to be available as needed. If correct in size, the flanged outlets of the ram preventer may be used for connecting to the 4-inch I.D. choke flow line and 4-inch I.D. relief line, except when air or gas drilling. All preventer connections are to be open-face flanged.

Minimum operating equipment for the preventers and hydraulically operated valves shall be as follows: (1) Multiple pumps, driven by a continuous source of power, capable of fluid charging the total accumulator volume from the nitrogen precharge pressure to its rated pressure within _____ minutes. Also, the pumps are to be connected to the accumulators with a precharge of nitrogen of not less than 750 PSI and connected so as to receive the aforementioned fluid charge. With the charging pumps shut down, the pressurized fluid volume stored in the accumulators must be sufficient to close all the pressure-operated devices simultaneously within _____ seconds after closure, the remaining accumulator pressure shall be not less than 1000 PSI with the remaining accumulator fluid volume at least _____ percent of the original. (3) When requested, an additional source of power, remote and equivalent, is to be available to operate the above pumps or there shall be additional pumps operated by separate power and equal in performance capabilities.

hydraulic operating system which is to be a closed system. (2) Accumulators with a precharge of nitrogen of not less than 750 PSI and connected so as to receive the aforementioned fluid charge. With the charging pumps shut down, the pressurized fluid volume stored in the accumulators must be sufficient to close all the pressure-operated devices simultaneously within _____ seconds after closure, the remaining accumulator pressure shall be not less than 1000 PSI with the remaining accumulator fluid volume at least _____ percent of the original. (3) When requested, an additional source of power, remote and equivalent, is to be available to operate the above pumps or there shall be additional pumps operated by separate power and equal in performance capabilities.

The closing manifold and remote closing manifold shall have a separate control for each pressure-operated device. Controls are to be labeled, with control handles indicating open and closed positions. A pressure reducer and regulator must be provided for operating the Hydral preventer. When requested, a second pressure reducer shall be available to limit operating fluid pressures to ram preventers. Gulf Legion No. 38 hydraulic oil, an equivalent or better, is to be used as the fluid to operate the hydraulic equipment.

The choke manifold, choke flow line, relief line, and choke lines are to be supported by metal stands and adequately anchored. The choke flow line, relief line, and choke lines shall be constructed as straight as possible and without sharp bends. Easy and safe access is to be maintained to the choke manifold. If deemed necessary, walkways and stairways shall be erected in and around the choke manifold. All valves are to be selected for operation in the presence of oil, gas, and drilling fluids. The choke flow line valves and relief line valves connected to the drilling spool and all ram type preventers must be equipped with stem extensions, universal joints if needed, and hand wheels which are to extend beyond the edge of the derrick substructure. All other valves are to be equipped with handles.

* To include derrick floor mounted controls.

R 29E

EXHIBIT "B"

USP FEE #2

Sec: 16-T23S-R29E

Eddy County, NM

STRATA PRODUCTION CO

USP FEE NO 2

BOTTOM HOLE

990' FSL

1980' FWL

LAKE

SURFACE
LOCATION

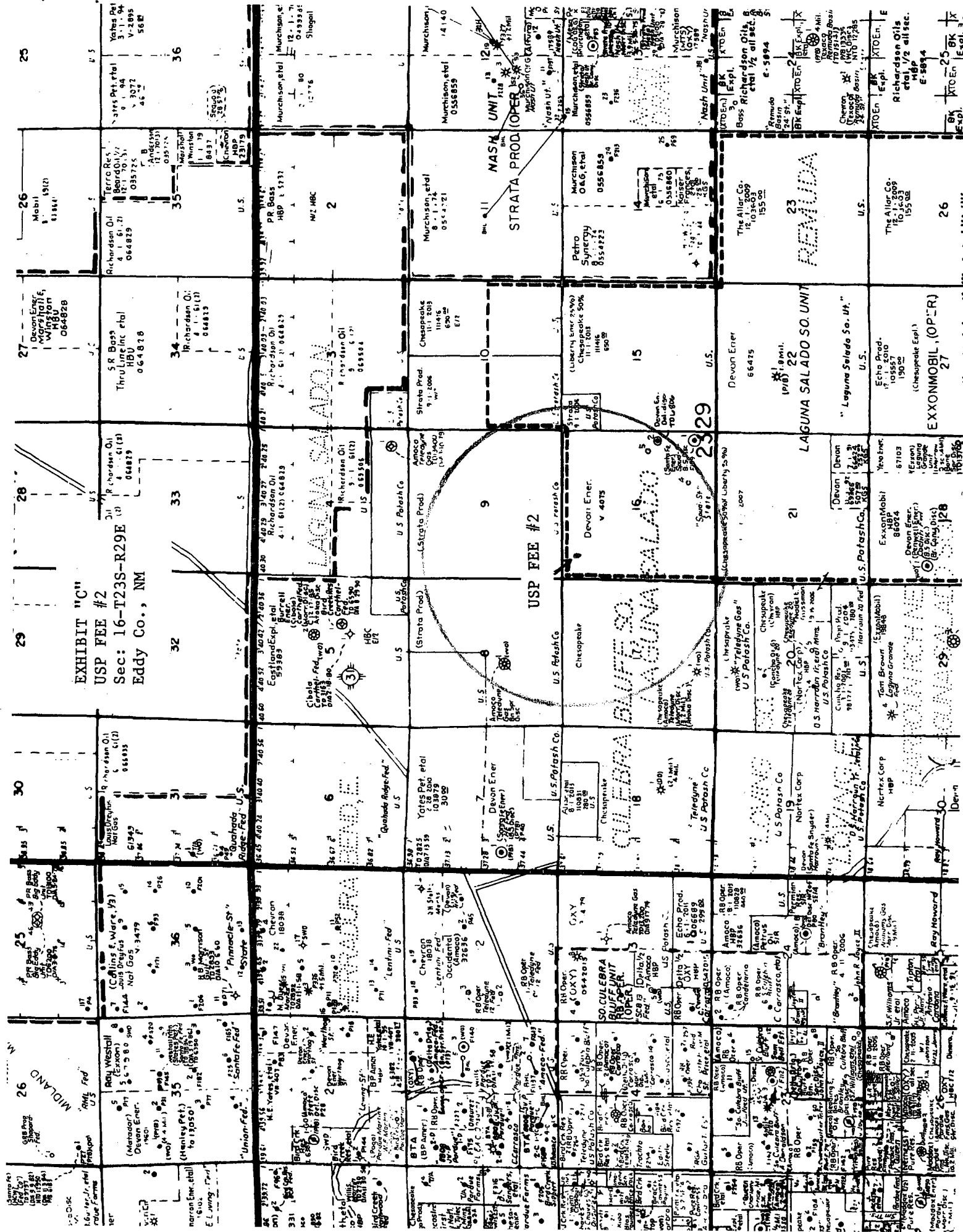
USP NO 2

319' FNL, 946' FWL

SALT

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N
S

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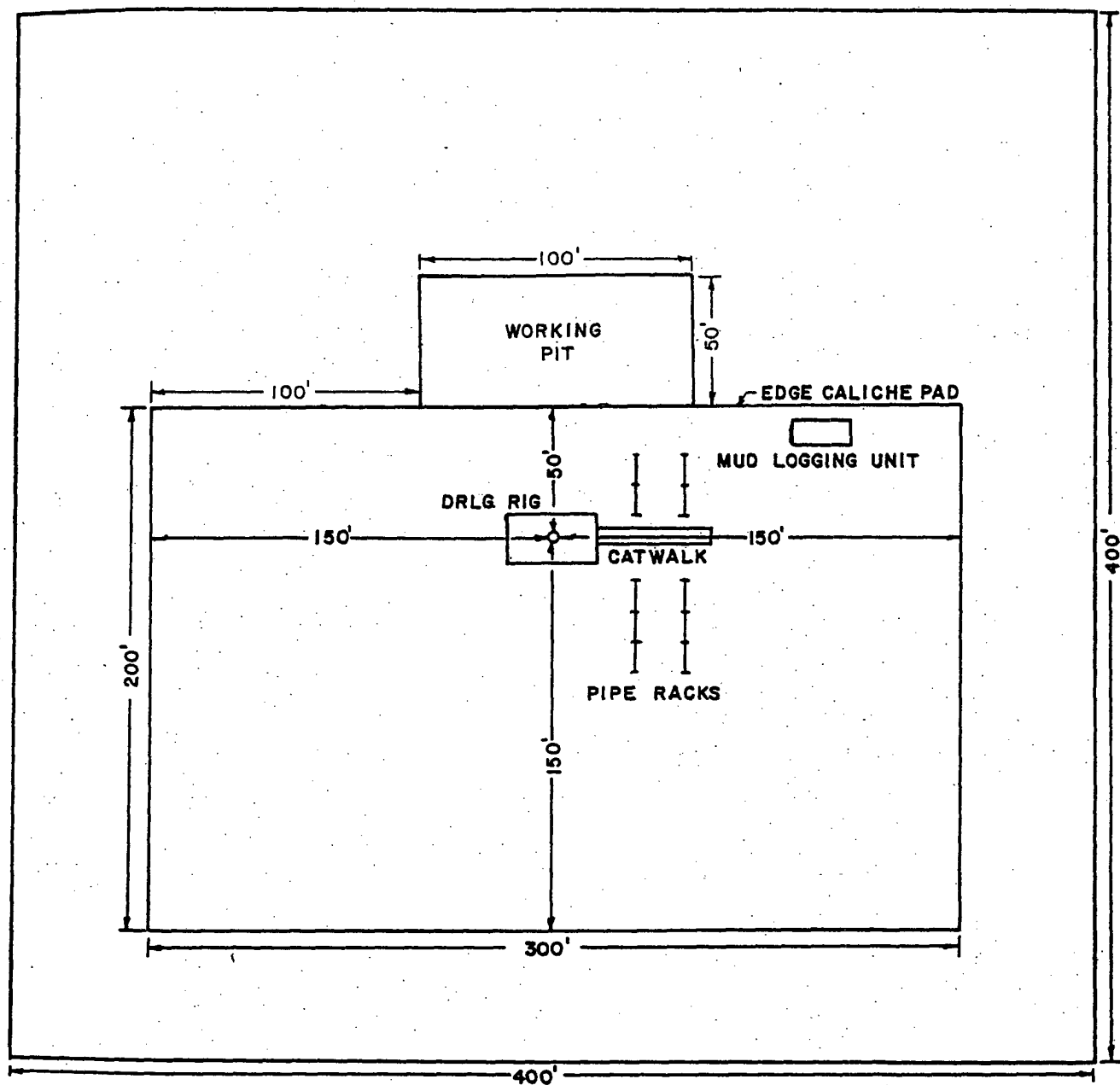


Attachment to Exhibit "C"

STATUS OF WELLS WITHIN ONE MILE RADIUS

USP FEE #2
Section 16-T23S-R29E
Eddy County, New Mexico
October, 2005

<u>Section 16-T23S-R29E</u>	<u>Well #</u>	<u>Footage</u>	<u>Status/ Formation</u>
Pre-Ongard Operator	Pre-Ongard Well #1	1980' FSL & 860' FEL	
Devon Energy Prod. Co.	Spud 16 State No. 1	760' FSL & 330' FEL	
Devon SFS Operating Inc.	Spud 16 State No. 2	1980' FSL & 330' FEL	
Devon SFS Operating Inc.	Spud 16 State No. 4	960' FSL & 1800' FEL	
Devon Engergy Prod. Co.	Spud 16 State No. 5	2320' FSL & 660' FEL	
 <u>Section 8-T23S-R29E</u>			
Pre-Ongard Operator	Pre-Ongard Well #1	1980' FSL & 2180' FWL	



STRATA PRODUCTION COMPANY

DRILLING RIG LAYOUT PLAN

USP FEE #2

SL: 319' FNL & 946' FWL

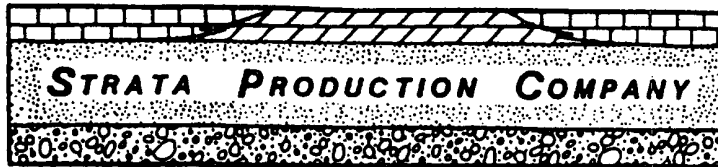
Sec: 16-T23S-R29E

BHL: 990' FSL & 1980' FWL

Sec: 9-T23S-R29E

Eddy Co. NM EXHIBIT D

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

October 19, 2005

Mosaic Potash Carlsbad, Inc.
ATTN: Mr. Dan Morehouse
Mine Engineering Superintendent
P.O. Box 71
Carlsbad, New Mexico 88221-0071

Re: Application to Drill in Potash Area
USP Fee #2
SL: Section 16-T23S-R29E
319' FNL & 946' FWL
BHL: Section 9-T23S-R29E
990' FSL & 1980' FWL
Eddy County, New Mexico

Dear Mr. Morehouse,

In accordance with the State of New Mexico Oil Conservation Division Rule R-111-PC (2)(3), enclosed herewith, please find the following for your review and further action:

1. Form C-101 Application For Permit To Drill.
2. Form C-102 Well Location and Acreage Dedication Plat.

State of New Mexico Public Land records reflect Mosaic Potash Carlsbad, Inc. as a potash lessee in the area of the captioned lands. Strata Production Company, a New Mexico corporation, hereby advises you of its intention to drill a well to 12,500' at a surface location of 319' FNL & 946' FWL of Section 16, Township 23 South, Range 29 East, bottom hole location of 990' FSL & 1980' FWL of Section 9, Township 23S, Range 29 East, Eddy County, New Mexico.

If you are in agreement with Strata that drilling at the proposed location will not interfere with potash operations, please sign and return one copy of this letter within 10 days of receipt of said letter. In the alternative and in order to expedite the process, please send a no objection letter to my attention at the letterhead address.

If you should have any questions or require additional information, please advise.

Sincerely,

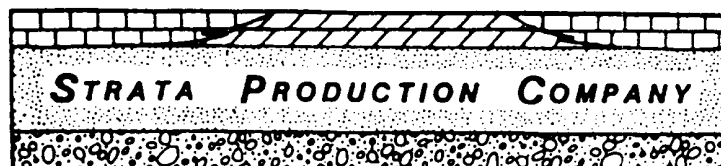
Kelly M. Britt
Production Records

AGREED TO AND ACCEPTED THIS _____ DAY OF October, 2005.

BY: _____

TITLE: _____

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

October 19, 2005

Oil Conservation Division
1301 W. Grand Avenue
Artesia, New Mexico 88210

RECEIVED

OCT 24 2005

OOD-ARTESIA

Re: Form C-101
Application for Permit to Drill
USP Fee #2
SL: Unit D - Sec. 16, T23S-R29E 319' FNL & 946' FWL
BHL: Unit N - Sec. 9, T23S-R29E 990' FSL & 1980' FWL
Eddy County, New Mexico

Gentlemen:

For your review and further handling, please find enclosed herewith one (1) original and six (6) copies of the following concerning the above referenced well:

1. Form C-101 Application for Permit to Drill
2. Form C-102 Well Location and Acreage Dedication Plat
3. Hole Prognosis
4. Surface Use Plan
5. H2S Drilling Operations Plan
6. Exhibit "A" Equipment Description
4. Exhibit "B" Drilling Rig Layout
5. Exhibit "C" One Mile Radius Map w/attachment of status of wells within one mile radius
6. Exhibit "D" Drilling Rig Layout Plan
7. Notification to Area Potash Lease Holders
8. Pit or Below-Grade Tank Registration or Closure

Should you require additional information regarding this matter, please contact me at the above number.

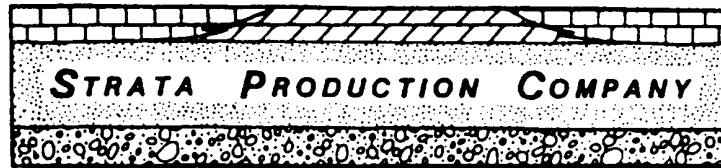
Sincerely,

A handwritten signature in cursive script that reads "Kelly M. Britt".

Kelly M. Britt
Production Records

Enclosures

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

November 2, 2005

RECEIVED

NOV 04 2005

OD-ARTESIA

Oil Conservation Division
Attn: Mr. Bryan Arrant
1301 W. Grand Ave.
Artesia, NM 88210

RE: Directional Drill Plan
USP Fee #2
SL Sec. 16, T23S-R29E
BHL: Sec. 9, T23S-R29E

Bryan,

Please find enclosed a copy of the Directional Drill Plan for the USP Fee #2. The well will be producing from the Atoka formation at a depth of 12,300'. The penetration point will be 974' FSL and 1971' from the FWL of Section 16, T23S-R29E.

If I can be of any further assistance, please advise.

Sincerely,

A handwritten signature in cursive script, reading "Kelly M. Britt".

Kelly M. Britt
Production Records

encl. as stated



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

November 3, 2005
New Mexico State Land Office
310 Old Santa Fe Trail
Santa Fe, NM 87504
Attn: Mr. Joe Mraz or To Whom It May Concern

RECEIVED

NOV 09 2005

OCD-ARTESIA

RE: APPLICATION FOR PERMIT TO DRILL IN POTASH AREA

OPERATOR: Strata Production Company
LEASE NAME: USP Fee #2
LOCATION: SEC. 16, TOWNSHIP 23 SOUTH, RANGE 29 EAST,
319' FNL & 946' FWL (Surface Location)
EDDY COUNTY, NM, NMPM

PROPOSED DEPTH: 12,700'

Dear Joe or To Whom It May Concern,

The application for permit to drill identified above has been filed with this office of the New Mexico Oil Conservation Division. Pursuit to the provisions of Oil Conservation Division Order R-111-P, please advise this office whether or not this application is within an established Life-of-Mine Reserve area filed with and approved by your office. If not, please advise whether it is within the buffer zone established by this order.

Thank you for your assistance.

Sincerely,

Bryan G. Arrant
Bryan G. Arrant
PES, District II Artesia NMOCD

In LMR
In Buffer Zone

Yes _____
Yes _____

No X
No X

11-7-05
JDR

Comments:

Donna R. [Signature]

Date: 11/7/05

Signature:



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

November 3, 2005
Bureau of Land Management
620 East Greene St.
Carlsbad, NM 88220
Attn: Mr. Craig Cranston or To Whom It May Concern

RE: APPLICATION FOR PERMIT TO DRILL IN POTASH AREA

OPERATOR: Strata Production Company
LEASE NAME: USP Fee # 2
LOCATION: SEC. 16, TOWNSHIP 23 SOUTH, RANGE ²⁹ EAST,
319' FNL & 946' FWL (Surface Location)
EDDY COUNTY, NM, NMPM

PROPOSED DEPTH: 12,700'

Dear Craig or To Whom It May Concern,

The application for permit to drill identified above has been filed with this office of the New Mexico Oil Conservation Division. Pursuit to the provisions of Oil Conservation Division Order R-111-P, please advise this office whether or not this application is within an established Life-of-Mine Reserve area filed with and approved by your office. If not, please advise whether it is within the buffer zone established by this order.

Thank you for your assistance.

Sincerely,

Bryan G. Arrant

PES, District II Artesia NMOCD

In LMR	Yes _____	No _____
In Buffer Zone	Yes _____	No _____

Comments:

Signature:

Date:

Company: Strata Petroleum	Date: 10/10/2005	Time: 10:34:12	Page: 1
Field: USP C #2	Co-ordinate(NE) Reference: Site: USP "C" #2, True North		
Site: USP "C" #2	Vertical (TVD) Reference: SITE 0.0		
Well: USP "C" #2	Section (VS) Reference: Well (0.00N,0.00E,0.00Azi)		
Wellpath: USP "C" #2	Plan: Plan #1 10/10/05		

Field: USP C #2

Map System: US State Plane Coordinate System 1927
Geo Datum: NAD27 (Clarke 1866)
Sys Datum: Mean Sea Level

Map Zone: New Mexico, Eastern Zone
Coordinate System: Site Centre
Geomagnetic Model: igrf2005

Site: USP "C" #2
 Section 16, T-23S & R-29E
 Eddy County, New Mexico

Site Position:	Northing: 424364.10 ft	Latitude: 32 9 59.999 N
From: Geographic	Easting: 525786.06 ft	Longitude: 104 15 0.000 W
Position Uncertainty: 0.00 ft		North Reference: True
Ground Level: 0.00 ft		Grid Convergence: 0.04 deg

RECEIVED
Well: USP "C" #2

Slot Name:

NOV 04 2005

Well Position: +N/-S 0.00 ft	Northing: 424364.10 ft	Latitude: 32 9 59.999 N
+E/-W 0.00 ft	Easting: 525786.06 ft	Longitude: 104 15 0.000 W
Position Uncertainty: 0.00 ft		

OOD-ANTECIA
Wellpath: USP "C" #2

Drilled From: Surface	Height 0.00 ft
Tie-on Depth: 0.00 ft	
Above System Datum: Mean Sea Level	
Declination: 8.55 deg	
Mag Dip Angle: 60.15 deg	
+E/-W Direction deg	

Current Datum: SITE	Height 0.00 ft
Magnetic Data: 10/10/2005	
Field Strength: 49109 nT	
Vertical Section: Depth From (TVD) ft	+N/-S ft

0.00	0.00	0.00	0.00
------	------	------	------

Plan: Plan #1 10/10/05

Date Composed: 10/10/2005
Version: 1
Tied-to: From Surface

Principal: Yes

Plan Section Information

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg	Target
0.00	0.00	38.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
2980.00	0.00	38.31	2980.00	0.00	0.00	0.00	0.00	0.00	0.00	38.31
3578.67	17.96	42.56	3568.91	68.55	62.94	3.00	3.00	0.00	42.56	
6134.30	17.96	42.57	6000.00	649.00	596.00	0.00	0.00	0.00	38.14	Target Point #1 6000' TVD
6900.00	17.96	42.57	6728.38	822.91	755.73	0.00	0.00	0.00	0.00	
7336.81	5.08	28.05	7155.55	889.88	810.62	3.00	-2.95	-3.32	185.62	
12702.32	5.08	28.06	12500.00	1309.00	1034.00	0.00	0.00	0.00	162.28	PBHL USP "C" #2 12500'TVD

Section 1 : Start Hold

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg
0.00	0.00	38.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2900.00	0.00	38.31	2900.00	0.00	0.00	0.00	0.00	0.00	0.00	38.31
2980.00	0.00	38.31	2980.00	0.00	0.00	0.00	0.00	0.00	0.00	38.31

Section 2 : Start DLS 3.00 TFO 42.56

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg
3100.00	3.60	42.56	3099.92	2.78	2.55	2.78	3.00	3.00	0.00	0.00
3300.00	9.60	42.56	3298.50	19.70	18.09	19.70	3.00	3.00	0.00	0.00
3500.00	15.60	42.56	3493.60	51.82	47.58	51.82	3.00	3.00	0.00	0.00
3578.67	17.96	42.56	3568.91	68.55	62.94	68.55	3.00	3.00	0.00	0.00

Company: Strata Petroleum
 Field: USP C #2
 Site: USP "C" #2
 Well: USP "C" #2
 Wellpath: USP "C" #2

Date: 10/10/2005 Time: 10:34:12
 Co-ordinate(NE) Reference: Site: USP "C" #2, True North
 Vertical (TVD) Reference: SITE 0.0
 Section (VS) Reference: Well (0.00N,0.00E,0.00Azi)
 Plan: Plan #1 10/10/05

Page: 2

Section 3 : Start DLS 0.00 TFO 38.14

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg
3700.00	17.96	42.56	3684.33	96.11	88.25	96.11	0.00	0.00	0.00	38.14
3900.00	17.96	42.56	3874.59	141.53	129.96	141.53	0.00	0.00	0.00	38.14
4100.00	17.96	42.56	4064.84	186.96	171.68	186.96	0.00	0.00	0.00	38.14
4300.00	17.96	42.56	4255.09	232.38	213.39	232.38	0.00	0.00	0.00	38.14
4500.00	17.96	42.56	4445.35	277.81	255.10	277.81	0.00	0.00	0.00	38.14
4700.00	17.96	42.56	4635.60	323.23	296.82	323.23	0.00	0.00	0.00	38.14
4900.00	17.96	42.56	4825.85	368.66	338.53	368.66	0.00	0.00	0.00	38.14
5100.00	17.96	42.56	5016.11	414.08	380.25	414.08	0.00	0.00	0.00	38.14
5300.00	17.96	42.56	5206.36	459.51	421.97	459.51	0.00	0.00	0.00	38.13
5500.00	17.96	42.56	5396.61	504.93	463.69	504.93	0.00	0.00	0.00	38.13
5700.00	17.96	42.56	5586.87	550.36	505.41	550.36	0.00	0.00	0.00	38.13
5900.00	17.96	42.56	5777.12	595.78	547.12	595.78	0.00	0.00	0.00	38.13
6100.00	17.96	42.57	5967.37	641.21	588.84	641.21	0.00	0.00	0.00	38.13
6134.30	17.96	42.57	6000.00	649.00	596.00	649.00	0.00	0.00	0.00	38.13

Section 4 : Start Hold

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg
6300.00	17.96	42.57	6157.62	686.64	630.57	686.64	0.00	0.00	0.00	0.00
6500.00	17.96	42.57	6347.87	732.06	672.29	732.06	0.00	0.00	0.00	0.00
6700.00	17.96	42.57	6538.13	777.49	714.01	777.49	0.00	0.00	0.00	0.00
6900.00	17.96	42.57	6728.38	822.91	755.73	822.91	0.00	0.00	0.00	0.00

Section 5 : Start DLS 3.00 TFO 185.62

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg
7100.00	12.00	39.75	6921.49	861.65	789.92	861.65	3.00	-2.98	-1.41	-174.38
7300.00	6.13	31.58	7118.92	886.77	808.82	886.77	3.00	-2.94	-4.08	-171.65
7336.81	5.08	28.05	7155.55	889.88	810.62	889.88	3.00	-2.85	-9.58	-163.58

Section 6 : Start DLS 0.00 TFO 162.28

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg
7500.00	5.08	28.05	7318.10	902.63	817.41	902.63	0.00	0.00	0.00	162.28
7700.00	5.08	28.05	7517.31	918.26	825.74	918.26	0.00	0.00	0.00	162.28
7900.00	5.08	28.05	7716.53	933.89	834.07	933.89	0.00	0.00	0.00	162.28
8100.00	5.08	28.05	7915.74	949.51	842.40	949.51	0.00	0.00	0.00	162.28
8300.00	5.08	28.05	8114.96	965.14	850.72	965.14	0.00	0.00	0.00	162.28
8500.00	5.08	28.05	8314.17	980.77	859.05	980.77	0.00	0.00	0.00	162.28
8700.00	5.08	28.05	8513.39	996.39	867.38	996.39	0.00	0.00	0.00	162.28
8900.00	5.08	28.05	8712.60	1012.02	875.71	1012.02	0.00	0.00	0.00	162.28
9100.00	5.08	28.05	8911.82	1027.65	884.03	1027.65	0.00	0.00	0.00	162.28
9300.00	5.08	28.05	9111.03	1043.27	892.36	1043.27	0.00	0.00	0.00	162.28
9500.00	5.08	28.06	9310.25	1058.89	900.69	1058.89	0.00	0.00	0.00	162.28
9700.00	5.08	28.06	9509.46	1074.52	909.01	1074.52	0.00	0.00	0.00	162.28
9900.00	5.08	28.06	9708.68	1090.14	917.34	1090.14	0.00	0.00	0.00	162.28
10100.00	5.08	28.06	9907.89	1105.76	925.67	1105.76	0.00	0.00	0.00	162.28
10300.00	5.08	28.06	10107.11	1121.39	933.99	1121.39	0.00	0.00	0.00	162.28
10500.00	5.08	28.06	10306.32	1137.01	942.32	1137.01	0.00	0.00	0.00	162.28
10700.00	5.08	28.06	10505.54	1152.63	950.65	1152.63	0.00	0.00	0.00	162.28
10900.00	5.08	28.06	10704.75	1168.25	958.97	1168.25	0.00	0.00	0.00	162.27
11100.00	5.08	28.06	10903.97	1183.87	967.30	1183.87	0.00	0.00	0.00	162.27
11300.00	5.08	28.06	11103.18	1199.49	975.62	1199.49	0.00	0.00	0.00	162.27
11500.00	5.08	28.06	11302.40	1215.11	983.95	1215.11	0.00	0.00	0.00	162.27
11700.00	5.08	28.06	11501.61	1230.73	992.28	1230.73	0.00	0.00	0.00	162.27
11900.00	5.08	28.06	11700.83	1246.35	1000.60	1246.35	0.00	0.00	0.00	162.27
12100.00	5.08	28.06	11900.04	1261.97	1008.93	1261.97	0.00	0.00	0.00	162.27
12300.00	5.08	28.06	12099.26	1277.58	1017.25	1277.58	0.00	0.00	0.00	162.27
12500.00	5.08	28.06	12298.47	1293.20	1025.58	1293.20	0.00	0.00	0.00	162.27
12700.00	5.08	28.06	12497.69	1308.82	1033.90	1308.82	0.00	0.00	0.00	162.27
12702.32	5.08	28.06	12500.00	1309.00	1034.00	1309.00	0.00	0.00	0.01	162.27

PathFinder Energy Service

Planning Report

Company: Strata Petroleum
 Field: USP C #2
 Site: USP "C" #2
 Well: USP "C" #2
 Wellpath: USP "C" #2

Date: 10/10/2005 Time: 10:34:12
 Co-ordinate(N/E) Reference: Site: USP "C" #2, True North
 Vertical (TVD) Reference: SITE 0.0
 Section (VS) Reference: Well (0.00N,0.00E,0.00Azi)
 Plan: Plan #1 10/10/05

Page: 3

Survey

MD ft	Incl deg	Azlm deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	Tool/Comment
2900.00	0.00	38.31	2900.00	0.00	0.00	0.00	0.00	0.00	0.00	
2980.00	0.00	38.31	2980.00	0.00	0.00	0.00	0.00	0.00	0.00	
3100.00	3.60	42.56	3099.92	2.78	2.55	2.78	3.00	3.00	0.00	
3300.00	9.60	42.56	3298.50	19.70	18.09	19.70	3.00	3.00	0.00	
3500.00	15.60	42.56	3493.60	51.82	47.58	51.82	3.00	3.00	0.00	
3578.67	17.96	42.56	3568.91	68.55	62.94	68.55	3.00	3.00	0.00	
3700.00	17.96	42.56	3684.33	96.11	88.25	96.11	0.00	0.00	0.00	
3900.00	17.96	42.56	3874.59	141.53	129.96	141.53	0.00	0.00	0.00	
4100.00	17.96	42.56	4064.84	186.96	171.68	186.96	0.00	0.00	0.00	
4300.00	17.96	42.56	4255.09	232.38	213.39	232.38	0.00	0.00	0.00	
4500.00	17.96	42.56	4445.35	277.81	255.10	277.81	0.00	0.00	0.00	
4700.00	17.96	42.56	4635.60	323.23	296.82	323.23	0.00	0.00	0.00	
4900.00	17.96	42.56	4825.85	368.66	338.53	368.66	0.00	0.00	0.00	
5100.00	17.96	42.56	5016.11	414.08	380.25	414.08	0.00	0.00	0.00	
5300.00	17.96	42.56	5206.36	459.51	421.97	459.51	0.00	0.00	0.00	
5500.00	17.96	42.56	5396.61	504.93	463.69	504.93	0.00	0.00	0.00	
5700.00	17.96	42.56	5586.87	550.36	505.41	550.36	0.00	0.00	0.00	
5900.00	17.96	42.56	5777.12	595.78	547.12	595.78	0.00	0.00	0.00	
6100.00	17.96	42.57	5967.37	641.21	588.84	641.21	0.00	0.00	0.00	
6134.30	17.96	42.57	6000.00	649.00	596.00	649.00	0.00	0.00	0.00	Target Point #1 6000' TVD
6300.00	17.96	42.57	6157.62	686.64	630.57	686.64	0.00	0.00	0.00	
6500.00	17.96	42.57	6347.87	732.06	672.29	732.06	0.00	0.00	0.00	
6700.00	17.96	42.57	6538.13	777.49	714.01	777.49	0.00	0.00	0.00	
6900.00	17.96	42.57	6728.38	822.91	755.73	822.91	0.00	0.00	0.00	
7100.00	12.00	39.75	6921.49	861.65	789.92	861.65	3.00	-2.98	-1.41	
7300.00	6.13	31.58	7118.92	886.77	808.82	886.77	3.00	-2.94	-4.08	
7336.81	5.08	28.05	7155.55	889.88	810.62	889.88	3.00	-2.85	-9.58	
7500.00	5.08	28.05	7318.10	902.63	817.41	902.63	0.00	0.00	0.00	
7700.00	5.08	28.05	7517.31	918.26	825.74	918.26	0.00	0.00	0.00	
7900.00	5.08	28.05	7716.53	933.89	834.07	933.89	0.00	0.00	0.00	
8100.00	5.08	28.05	7915.74	949.51	842.40	949.51	0.00	0.00	0.00	
8300.00	5.08	28.05	8114.96	965.14	850.72	965.14	0.00	0.00	0.00	
8500.00	5.08	28.05	8314.17	980.77	859.05	980.77	0.00	0.00	0.00	
8700.00	5.08	28.05	8513.39	996.39	867.38	996.39	0.00	0.00	0.00	
8900.00	5.08	28.05	8712.60	1012.02	875.71	1012.02	0.00	0.00	0.00	
9100.00	5.08	28.05	8911.82	1027.65	884.03	1027.65	0.00	0.00	0.00	
9300.00	5.08	28.05	9111.03	1043.27	892.36	1043.27	0.00	0.00	0.00	
9500.00	5.08	28.06	9310.25	1058.89	900.69	1058.89	0.00	0.00	0.00	
9700.00	5.08	28.06	9509.46	1074.52	909.01	1074.52	0.00	0.00	0.00	
9900.00	5.08	28.06	9708.68	1090.14	917.34	1090.14	0.00	0.00	0.00	
10100.00	5.08	28.06	9907.89	1105.76	925.67	1105.76	0.00	0.00	0.00	
10300.00	5.08	28.06	10107.11	1121.39	933.99	1121.39	0.00	0.00	0.00	
10500.00	5.08	28.06	10306.32	1137.01	942.32	1137.01	0.00	0.00	0.00	
10700.00	5.08	28.06	10505.54	1152.63	950.65	1152.63	0.00	0.00	0.00	
10900.00	5.08	28.06	10704.75	1168.25	958.97	1168.25	0.00	0.00	0.00	
11100.00	5.08	28.06	10903.97	1183.87	967.30	1183.87	0.00	0.00	0.00	
11300.00	5.08	28.06	11103.18	1199.49	975.62	1199.49	0.00	0.00	0.00	
11500.00	5.08	28.06	11302.40	1215.11	983.95	1215.11	0.00	0.00	0.00	
11700.00	5.08	28.06	11501.61	1230.73	992.28	1230.73	0.00	0.00	0.00	
11900.00	5.08	28.06	11700.83	1246.35	1000.60	1246.35	0.00	0.00	0.00	
12100.00	5.08	28.06	11900.04	1261.97	1008.93	1261.97	0.00	0.00	0.00	
12300.00	5.08	28.06	12099.26	1277.58	1017.25	1277.58	0.00	0.00	0.00	
12500.00	5.08	28.06	12298.47	1293.20	1025.58	1293.20	0.00	0.00	0.00	
12700.00	5.08	28.06	12497.69	1308.82	1033.90	1308.82	0.00	0.00	0.00	

PathFinder Energy Service

Planning Report

Company: Strata Petroleum
 Field: USP C #2
 Site: USP "C" #2
 Well: USP "C" #2
 Wellpath: USP "C" #2

Date: 10/10/2005 Time: 10:34:12 Page: 4
 Co-ordinate(NE) Reference: Site: USP "C" #2, True North
 Vertical (TVD) Reference: SITE 0.0
 Section (VS) Reference: Well (0.00N,0.00E,0.00Azi)
 Plan: Plan #1 10/10/05

Survey

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	Tool/Comment
12702.32	5.08	28.06	12500.00	1309.00	1034.00	1309.00	0.00	0.00	0.01	PBHL USP "C" #2 12500'TVD

Targets

Name	Description Dip. Dir.	TVD ft	+N/-S ft	+E/-W ft	Map Northing ft	Map Easting ft	← Latitude → Deg Min Sec			← Longitude → Deg Min Sec		
Target Point #1 6000' TVD -Plan hit target		6000.00	649.00	596.00	425013.56	526381.56	32	10	6.422 N	104	14	53.066 W
PBHL USP "C" #2 12500'TVD -Plan hit target		12500.00	1309.00	1034.00	425673.90	526819.04	32	10	12.953 N	104	14	47.970 W

Strata Petroleum

USP "C" #2

Section 16, T23-S, R29-E Eddy County, New Mexico Plan #1 10/10/05

SECTION DETAILS

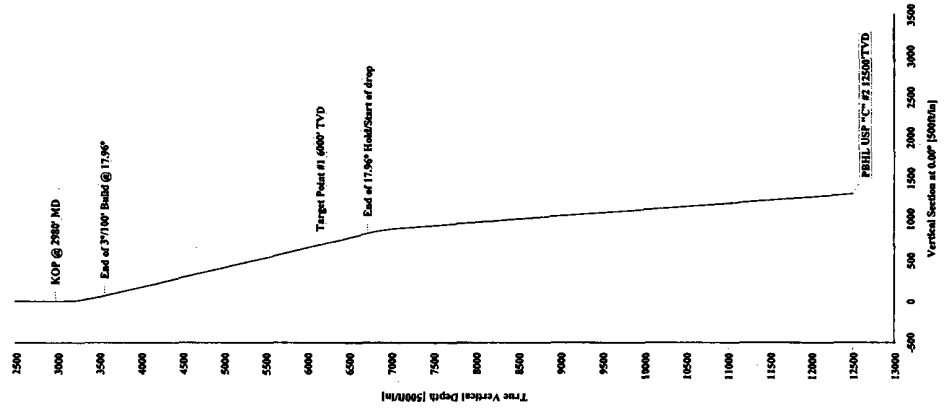
Sec	MD	Inc	Azi	TVD	+N/S	+E/W	DLeg	TFace	VSec	Target
1	0.00	0.00	38.31	0.00	0.00	0.00	0.00	0.00	0.00	
2	2980.00	0.00	38.31	2980.00	0.00	0.00	0.00	38.31	0.00	
3	3578.67	17.96	42.56	3568.91	68.55	62.94	3.00	42.56	68.55	
4	6134.30	17.96	42.57	6000.00	649.00	596.00	0.00	38.14	649.00	Target Point #1 6000' TVD
5	6900.00	17.96	42.57	6728.38	822.91	755.73	0.00	0.00	822.91	
6	7336.81	5.08	28.05	7155.55	889.88	810.62	3.00	185.62	889.88	
7	12702.32	5.08	28.06	12500.00	1309.00	1034.00	0.00	162.28	1309.00	PBHL USP "C" #2 12500'TVD

TARGET DETAILS

Name	TVD	+N/S	+E/W	Shape
Target Point #1 6000' TVD	6000.00	649.00	596.00	Point
PBHL USP "C" #2 12500'TVD	12500.00	1309.00	1034.00	Point

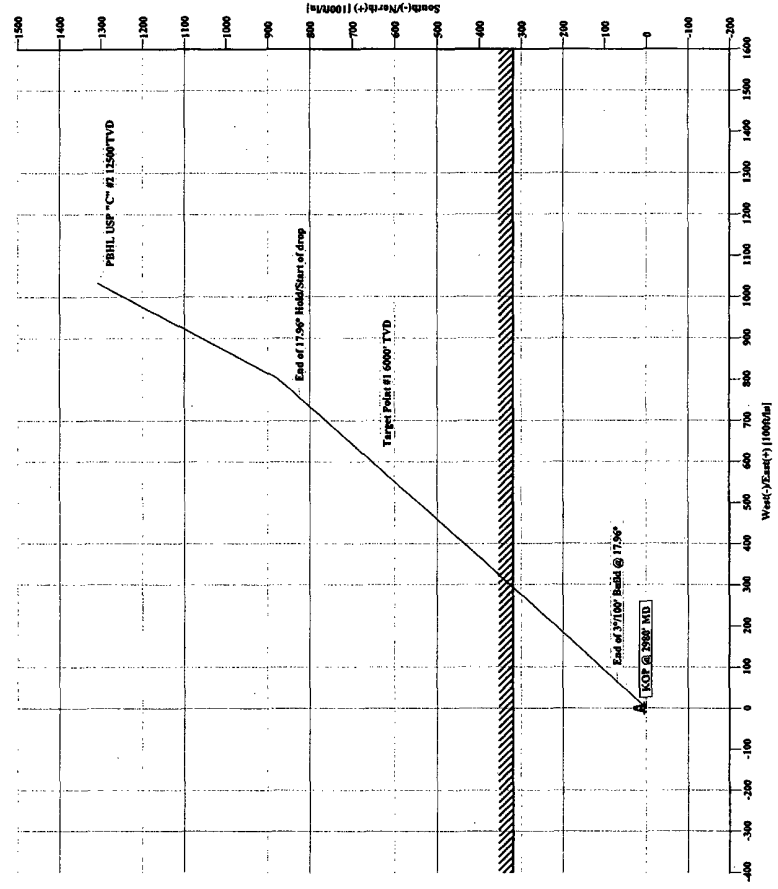
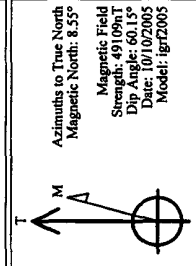
ANNOTATIONS

No.	TVD	MD	Annotation
1	2980.00	2980.00	KOP @ 2980' MD
2	3569.23	3579.00	End of 3°10' Build @ 17.96°
3	6728.38	6900.00	End of 17.96° Hold/Start of drop



SITE DETAILS

USP "C" #2
Section 16, T-23S & R-29E
Eddy County, New Mexico
Site Centre Latitude: 32°09'59.999N
Longitude: 104°15'00.000W
Water Depth: 0.00
Positional Uncertainty: 0.00
Convergence: 0.04





NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

November 3, 2005

Bureau of Land Management

620 East Greene St.

Carlsbad, NM 88220

Attn: Mr. Craig Cranston or To Whom It May Concern

30-015-34438

RE: APPLICATION FOR PERMIT TO DRILL IN POTASH AREA

OPERATOR: Strata Production Company

LEASE NAME: USP Fee # 2

LOCATION: SEC. 16, TOWNSHIP 23 SOUTH, RANGE 39 EAST,
319' FNL & 946' FWL (Surface Location)
EDDY COUNTY, NM, NMPM

29 000

RECEIVED

NOV 14 2005

ODD-ARTESIA

PROPOSED DEPTH: 12,700'

Dear Craig or To Whom It May Concern,

The application for permit to drill identified above has been filed with this office of the New Mexico Oil Conservation Division. Pursuit to the provisions of Oil Conservation Division Order R-111-P, please advise this office whether or not this application is within an established Life-of-Mine Reserve area filed with and approved by your office. If not, please advise whether it is within the buffer zone established by this order.

Thank you for your assistance.

Sincerely,

Bryan G. Arrant

PES, District II Artesia NMOCD

In LMR Yes _____

No *

In Buffer Zone Yes _____

No *

Comments:

Date: 11-9-05

Signature:



Mosaic Potash Carlsbad Inc. Tel 505-887-2871
PO Box 71 Fax 505-887-0589
1361 Potash Mines Road
Carlsbad, NM 88220
www.mosaicco.com

October 31, 2005

Kelly M. Britt
Production Records
Strata Production Company
200 West First Street
Roswell, NM 88203

Dear Kelly:

We are in receipt of your letter dated 10/19/05 concerning an APD for a well in Section 16, T-23-S, R-29-E. Mosaic Potash Carlsbad Inc. does have a potash lease approximately one mile of this location.

USP Fee #2 at 319' FNL & 946' FWL is not within ½ mile of our LMR and outside the enclave as drawn by the BLM. Mosaic does not object to this location.

As more information becomes available, our estimates of the extent of potash resources in any given area may change. Therefore, please consider this "no objection" to this location to be valid for one year only. If you are still considering this well location at a date later than one year from today, notify us again at that time so we can make the decision on information current at that time. Do not consider a "no objection offered" or an "objection offered" decision to be permanent.

Mosaic Potash submits this letter in lieu of the forms requested.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Morehouse", written over a horizontal line.

Dan Morehouse
Mine Engineering Superintendent

cc: Don Purvis David Waugh