

OCD-ARTESIA

CONTACT RECEIVING
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(Other instructions on
reverse side)BLM Roswell District
Modified Form No.
NM060-3160-2

D-06-67

30-015-35027

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

0497

APPLICATION FOR PERMIT TO DRILL, DEEPEN OR PLUG BACK

1a. TYPE OF WORK

DRILL ☒DEEPEN ☐PLUG BACK ☐Subject to
Like Approved
By State

R-111-POTASH

b. TYPE OF WELL

OIL

GAS

WELL ☒WELL ☐

OTHER

SINGLE

MULTIPLE

ZONE ☒ZONE ☐

2. NAME OF OPERATOR

STRATA PRODUCTION COMPANY 21712

3a. Area Code & Phone No.

505-622-1127

5. LEASE DESIGNATION AND SERIAL NO.
NM-0554221

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

Nash Unit

8. FARM OR LEASE NAME

Nash Draw Unit

10735

RECEIVED

MAY 16 2006

3. ADDRESS OF OPERATOR

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

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

At surface

SL: 2415' FSL & 1646' FWL

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

9. WELL NO.

#48

10. FIELD AND POOL, OR WILDCAT

Nash Draw

11. SEC., T., R., M., OR BLK.
AND SURVEY OR AREANash Draw; Delaware/
Bone Spring CAVALIER SAND

Section 12-23S-29E

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

9 miles north east of Loving, New Mexico

12. COUNTY OR PARISH

Eddy

13. STATE

NM

15. DISTANCE FROM PROPOSED *

LOCATION TO NEAREST

PROPERTY OR LEASE LINE, FT.

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

16. NO. OF ACRES IN LEASE

880 Lse/5123 Unit

17. NO. OF ACRES ASSIGNED

TO THIS WELL

160

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED

OR APPLIED FOR, ON THIS LEASE, FT.

19. PROPOSED DEPTH

12,857'

20. ROTARY OR CABLE TOOLS

Rotary

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

2985' GR

22. APPROX. DATE WORK WILL START*

Controlled Water Depth

23. PROPOSED CASING AND CEMENTING PROGRAM

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

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

NMOCD Form C-102 Well Location and Acreage Dedication Plat
Hole Prognosis
Surface Use and Operating Plan
Exhibit "A" Equipment Description
Exhibit "B" Planned Access Roads
Exhibit "C" One Mile Radius Map
Exhibit "D" Drilling Rig Layout Plan
Exhibit "E" Vertical Plan & Horizontal Plan View
Notifications to Area Potash Leaseholders
Archaeological Report
Statement Accepting Responsibility
Pit or Below Grade Tank Registration

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

NSL-5427

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

24.

SIGNED

Kenny M. Britt

TITLE

Production Records

DATE

01/27/2006

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

APPROVED BY

/s/ Linda S. C. Rundell

TITLE

STATE DIRECTOR

DATE

MAY 10 2006

CONDITIONS OF APPROVAL, IF ANY:

S & N 29.5

APPROVAL FOR 1 YEAR

*See Instructions On Reverse Side

F3160-3.WK1

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

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

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code 47545	³ Pool Name Nash Draw; Bear Spring Area Sand
⁴ Property Code	⁵ Property Name NASH DRAW	⁶ Well Number 48
⁷ OGRID No.	⁸ Operator Name STRATA PRODUCTION COMPANY	⁹ Elevation 2985

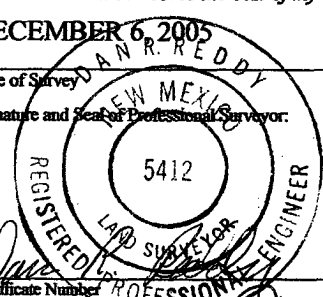
¹⁰ Surface Location

UL or lot no. K	Section 12	Township 23-S	Range 29-E	Lot Idn	Feet from the 2415	North/South line SOUTH	Feet from the 1646	East/West line WEST	County EDDY
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no. D	Section 11	Township 23-S	Range 29-E	Lot Idn	Feet from the 500	North/South line NORTH	Feet from the 1000	East/West line WEST	County EDDY
¹² Dedicated Acre 160	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.						

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

¹⁶ LAT N32.31906 LON W103.94151 SURFACE LOCATION SEC. 12 1646' 2415'	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. Signature: <i>Kelly M. Britt</i> Date: 12/12/05 Printed Name: Kelly M. Britt
	¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. DECEMBER 6, 2005 Date of Survey: <i>DAN R. REDDY</i> Signature and Seal of Professional Surveyor:  Certificate Number: 5412 DAN R. REDDY NM PE&PS #5412

District I
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☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code 47545	³ Pool Name Nash Draw, Delaware/Bene Spring (Artesia Sand)
⁴ Property Code	⁵ Property Name NASH DRAW	⁶ Well Number 48
⁷ OGRID No.	⁸ Operator Name STRATA PRODUCTION COMPANY	⁹ Elevation 2985

¹⁰ Surface Location

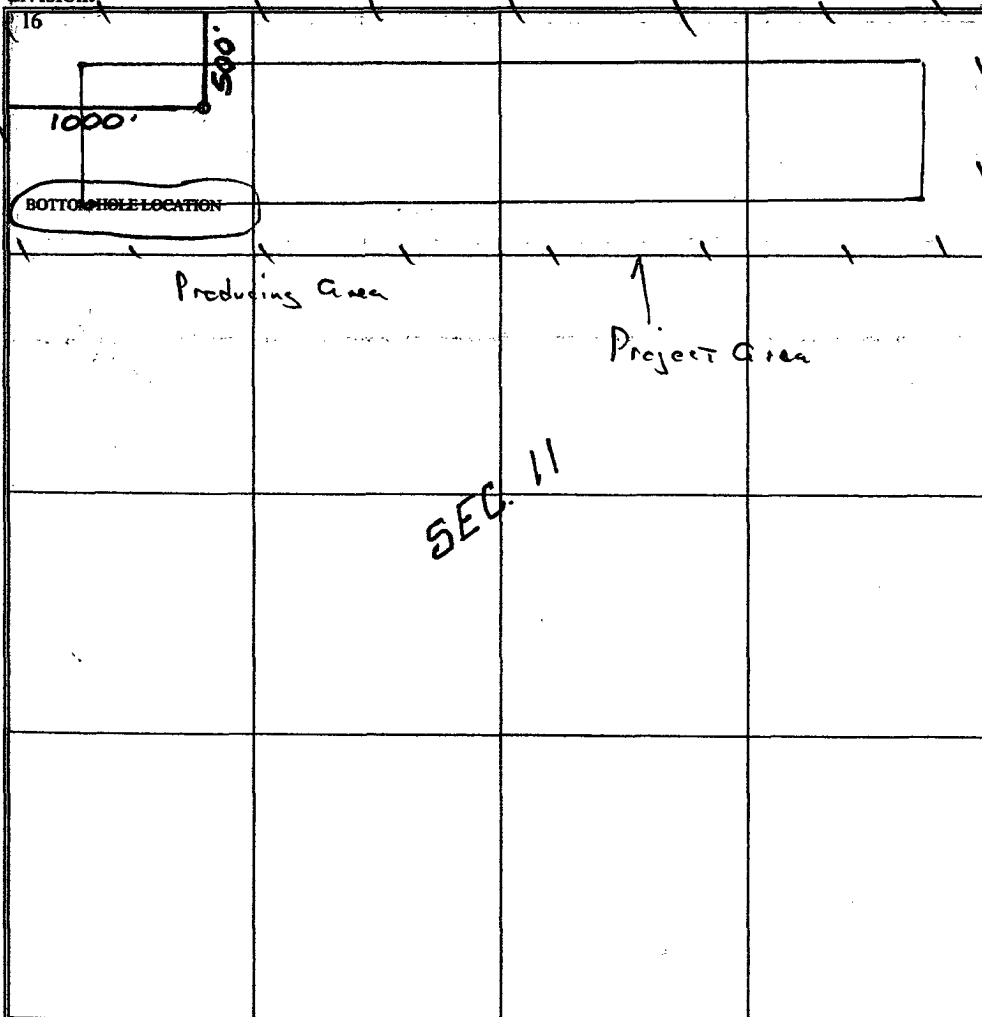
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	12	23-S	29-E		2415	SOUTH	1646	WEST	EDDY

¹¹ Bottom Hole Location If Different From Surface

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

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

<p>¹⁶</p> 	<p>¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Kelly M. Britt</i> 12/12/05 Signature Date</p> <p>Kelly M. Britt Printed Name</p>
	<p>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.</p> <p>DECEMBER 6, 2005</p> <p>Date of Survey</p> <p><i>DAN R. REDDY</i> Signature and Seal of Professional Surveyor</p> <p>5412 Certificate Number</p> <p>DAN R. REDDY NM P&S #5412</p>

SURFACE USE PLAN
FORM 3160-3 APPLICATION FOR PERMIT TO DRILL
STRATA PRODUCTION COMPANY
NASH DRAW #48 WELL
2415' FSL & 1646' FWL
SECTION 12-23S-29E
EDDY COUNTY, NEW MEXICO

Submitted with Form 3160-3, Application For Permit to Drill covering the above captioned well. The purpose of the plan is to describe the location, the proposed construction activities, the operations, 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 Location and Acreage Dedication Plat for the proposed well has been staked by Dan R. Reddy, Engineer, Carlsbad, New Mexico and is attached.
- 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: From Loving, New Mexico, the well is located approximately 9 miles to the east and 1 ½ miles south of State Highway 128.
- D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as operations continue on the lease.

2. Proposed Access Road:

A new access road of approximately 250' will be required as shown on Exhibit "B" and is illustrated in yellow. The road will be constructed from the existing north south road as follows:

SURFACE USE PLAN
NASH DRAW #48
Page 2

- 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 BLM approved caliche pit. Any additional materials that are required will be purchased from the dirt contractor.

3. Location of Existing Wells:

All existing wells within a one mile radius of proposed well are shown on Exhibit "C". A list of the 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 necessary) by Sundry Notice before beginning the construction of the facilities.

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 as shown on Exhibit "B". If a commercial fresh water source is nearby, pipeline may be laid along existing road ROWs 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 3000 cubic yards) will be obtained from a BLM 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 (5-7 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 dry.
- C. Water produced from the well during completion may be disposed into the reserve pit or a steel tank (depending upon rates). After the well is permanently placed on production, produced water will be collected in tanks (fiberglass or steel) until transported via flowline or trucked to an approved disposal system or a separate disposal application will be submitted to BLM for approval. 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. Compliance with current laws and regulations pertaining to the disposal of human waste will be observed.

- 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 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 dried. When the reserve pit is dry enough to breakout and fill, and as weather permits, the unused portion of the wellsite will be leveled and reseeded as per BLM specifications. Only that part of the pad required for production facilities will remain 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. No permanent living facilities are planned, however, a temporary foreman/toolpusher's trailer will be on location during drilling operations.

9. Well Site Layout:

- A. The drill pad layout with elevations, as staked by Dan R. Reddy, Engineer, is shown on Exhibit "D". Dimensions of the pad, pits and location of major rig components are shown. Top soil, if available, will be stockpiled per BLM specifications as determined at the on-site inspection. Since the pad is fairly level, no major cuts will be required.
- B. The planned orientation of the rig and associated drilling equipment, reserve pit, trash pit, pipe racks, turn-around and parking areas, and access road are shown on Exhibit "D".

- C. The reserve pit will be lined with a high quality plastic sheeting (5-7 mil thickness).

10. Plan for Restoration of the Surface:

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

All trash, garbage and pit lining will be removed 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 re-vegetated by re-seeding during the proper growing season with a seed mixture of native grasses as recommended by the BLM.
- 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 and leveled. No oil will be left on the surface of the fluid in the pit.
- D. Upon completion of the proposed operations, should the well be productive, the reserve pit area will be treated as outlined above within the same prescribed time. The caliche from an 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 BLM approved caliche pit. Topsoil removed from the drillsite will be used to re-contour the pit area and unused portions of the drill pad to the original natural level and re-seeded as per BLM specifications.

11. Surface Ownership:

The wellsite and lease are located entirely on Federal surface.

12. Other Information:

- A. The topography around the wellsite is rolling terrain with vegetation of sagebrush and native grass. The vegetation cover consists of prairie grasses and flowers. Wildlife in the area includes those typical of semi-arid desert land.
- B. The soils are clayey sand over caliche base.
- C. There is no 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.
- F. An archaeological study has been conducted for the location and new access road. The report has been submitted separately.

13. Lessee's and Operator's Representative:

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

SURFACE USE PLAN
NASH DRAW #48
Page 7

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: January 27, 2006

HOLE PROGNOSIS
FORM 3160-3 APPLICATION FOR PERMIT TO DRILL
STRATA PRODUCTION COMPANY
NASH DRAW #48 WELL
2415' FSL & 1646' FWL
SECTION 12-23S-29E
EDDY COUNTY, NEW MEXICO

In conjunction with Form 3160-3, Application for Permit to Drill, Strata Production Company submits the following items in accordance with Onshore Oil and Gas Order Numbers 1 and 2, and all other applicable federal and state regulations.

1. Geologic Name of Surface Formation:

Permian

2. Estimated Tops of Geologic Markers:

Rustler	Surface	"F-2" Sand	5788'
Salado	260'	"H" Sand	6180'
Castile	1730'	"K" Sand	6650'
Bell Canyon	3110'	"L" Sand	6770'
Cherry Canyon	4220'	Bone Spring	6860'
Brushy Canyon	5190'	TD - TVD	6860'

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

Surface	150'	Fresh Water
Delaware	3110' - 6860'	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 310' and circulating cement back to surface. 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 5 1/2" production casing which will be run at TD.

HOLE PROGNOSIS
NASH DRAW #48
Page 2

4. Casing Program:

<u>Hole Size</u>	<u>Interval</u>	<u>OD Csg</u>	<u>Weight, Grade, Jt. Cond. Type</u>
17 1/2"	0' - 310'	13 3/8"	48#, H-40, ST&C, New
12 1/2"	310' - 3110'	11 3/4"	54#, J-55, LT&C, New
10 3/4"	3110' - 7350'	8 5/8"	24# & 32#, J-55, LT&C, New & HD-513
7 7/8"	7350' - TD	5 1/2"	17#, N-80, LT&C, New & HD-513

Cementing Program:

Surface Casing: 13 3/8" casing will be set at approximately 310' and cemented with approximately 425 sacks of Premium Plus cement with 2% CaCL and additives per sack. The amount may be adjusted depending upon the fluid caliper results, however, cement in sufficient quantities to circulate will be utilized.

Intermediate Casing: 11 3/4" casing will be set at approximately 3110' and cemented with approximately 750 sacks of 35/65 Poz "C" with 10# salt and additives per sack, and 200 sacks Class "C" with 15# salt and additives per sack. The amount may be adjusted dependent upon fluid caliper results, however, cement in sufficient quantities to circulate will be utilized.

2nd Intermediate Casing: 8 5/8" casing will be set at approximately 7350' and cemented with 1000 sacks Cemcrete 39/61 with top of cement at surface.

Production Casing: If appropriate, 5 1/2" casing will be set at Total Depth. Strata utilizes cement in sufficient quantities to circulate cement into the 8 5/8" intermediate casing. Cemented with 1000 sacks Cemcrete 39/61 with top of cement at + 5000'.

5. Minimum Specifications for Pressure Control:

The blowout preventer equipment (BOP) shown on 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 BOPs will be nipped up on the 13 3/8" surface casing and used continuously until TD is reached. All BOPs 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 310'	Fresh water with lime and gel with paper and fiber for seepage will be used for drilling purposes.
310' to 3110'	Saturated brine water purchased from commercial sources with paper and fiber for seepage will be utilized.
3110' to 7350'	3% KCL water with 20-50 PPM Nitrates, caustic for PH control and paper for seepage with starch and XCD for Vis and WL will be utilized. Anticipated mud properties are as follows: MW 8.5, WL 15, PH 10, Vis 28, CL 70,000.
7350' to TD	3% KCL water with 20-50 PPM Nitrates, caustic for PH control and paper for seepage with starch and XCD for Vis and WL will be utilized. Anticipated mud properties are as follows: MW 8.8, WL <6, PH 10, Vis 30, CL 70,000.

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:

A two (2) man Mudlogging unit will be on location from the top of the Delaware formation to TD. Mudlogging unit will be employed from approximately 3110' (Top of Delaware) to 6860' TVD (Total Depth).

If indicated, DLL-MSFL, CNL-Density, Gamma Ray logs and Caliper logs will be run at TD. 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 may elect to run rotary sidewall cores from selected intervals from approximately 3110' to 6860' dependent upon logging results.

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

No abnormal pressures or temperatures are anticipated. The anticipated bottomhole pressure is 2600# PSI.

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 twenty (20) 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 BLM. The anticipated spud date is April 1, 2006. Once commenced, the drilling operation should be completed 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.

EXHIBIT "A"

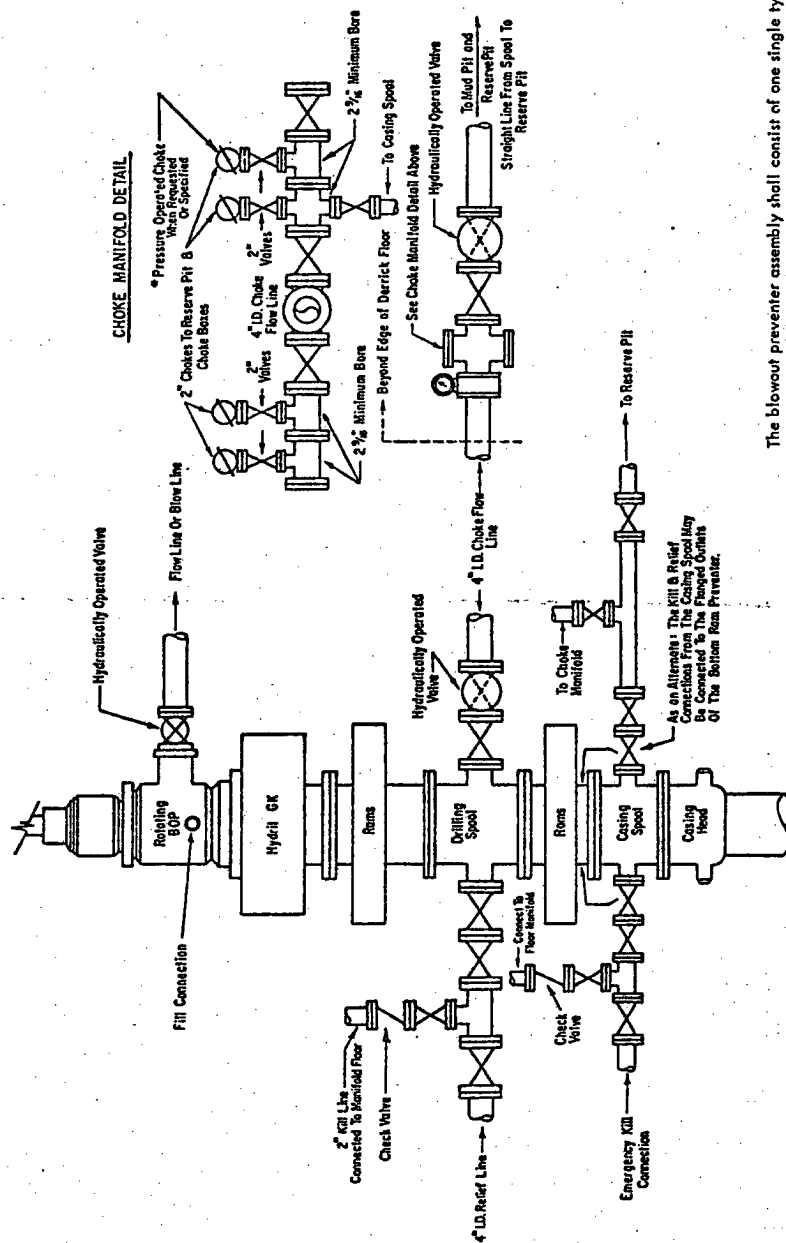
EQUIPMENT DESCRIPTION

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 Hydril "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.

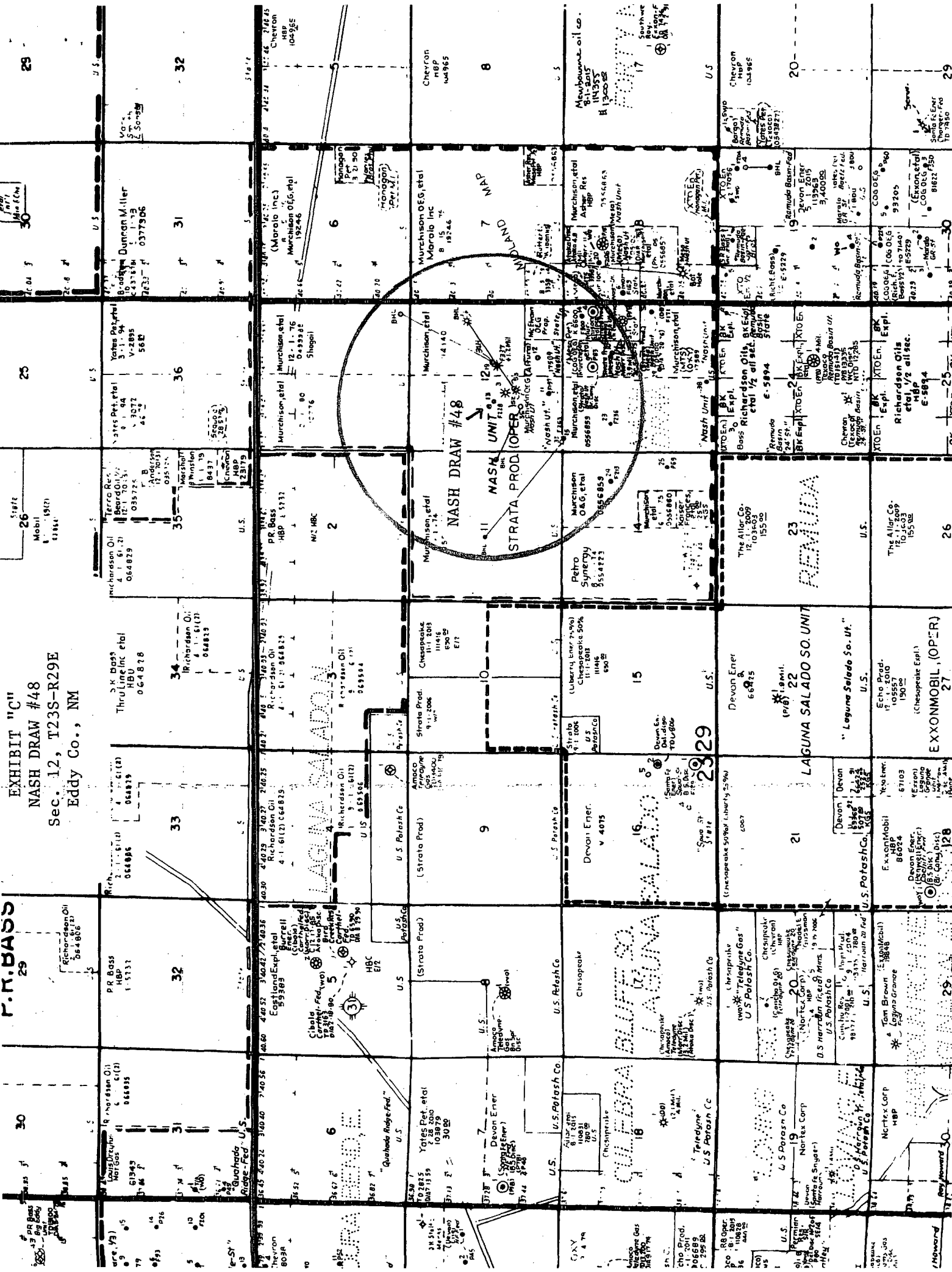
Minimum operating equipment for the preventers and hydraulically operated valves shall be as follows: (1) Multiple pumps, driven by a continuous source of power, capable of fluid charging the total accumulator volume from the nitrogen precharge pressure to its rated pressure within _____ minutes. Also, the pumps are to be connected to the 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 Hydril 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 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.

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



Attachment to Exhibit "C"

STATUS OF WELLS WITHIN ONE MILE RADIUS

NASH DRAW #48
Section 12-T23S-R29E
Eddy County, New Mexico
January 2006

<u>Section 12-T23S-R29E</u>	<u>Well #</u>	<u>Footage</u>	<u>Status/ Formation</u>
Murchison Oil & Gas Inc.	Nash Unit #3	1980' FSL & 1980' FWL	
Strata Production Co.	Nash Unit #13	2315' FSL & 1746' FWL	
Strata Production Co.	Nash Unit #11	498' FSL & 2000' FWL	
Strata Production Co.	Nash Unit #19	2202' FSL & 2201' FEL	
Strata Production Co.	Nash Unit #12	918' FSL & 2153' FEL	
Strata Production Co.	Nash Unit #16	330' FSL & 990' FEL	
Strata Production Co.	Nash Unit #36	1460' FSL & 1585' FWL	
Murchison Oil & Gas Inc.	Nash Unit #52	1628' FSL & 2150' FWL	
Strata Production Co.	Nash Unit #33	10' FSL & 175' FWL	
Murchison Oil & Gas Inc.	Nash Unit #53	1663' FSL & 2185' FWL	
Strata Production Co.	Nash Unit #34	2403' FSL & 2102' FEL	

Section 13-T23S-R29E

Strata Production Co.	Nash Unit #1	1980' FNL & 660' FEL
Strata Production Co.	Nash Unit #4	990' FNL & 330' FWL
Strata Production Co.	Nash Unit #9	860' FNL & 2210' FEL
Strata Production Co.	Nash Unit #10	1750' FNL & 1850' FEL
Strata Production Co.	Nash Unit #14	660' FNL & 500' FEL
Strata Production Co.	Nash Unit #15	10' FNL & 475' FWL
Strata Production Co.	Nash Unit #21	1650' FNL & 1650' FWL

Section 13-T23S-R29E (continued)

Strata Production Co.	Nash Unit #23	1650' FNL & 990' FWL
Strata Production Co.	Nash Unit #29	1980' FSL & 2310' FEL

Section 14-T23S-R29E

Strata Production Co.	Nash Unit #24	1750' FNL & 890' FEL
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Section 18-T23S-R30E

Pre-Ongard Operator	Pre-Ongard Well #7	685' FNL & 1295' FWL
Strata Production Co.	Nash Unit #20	1230' FNL & 1330' FWL

Strata Petroleum

Nash Draw #48

Section 12, T23-S, R29-E

Eddy County, New Mexico

Plan #1 11/09/05

EXHIBIT "E"

Verticle & Horizontal Plan

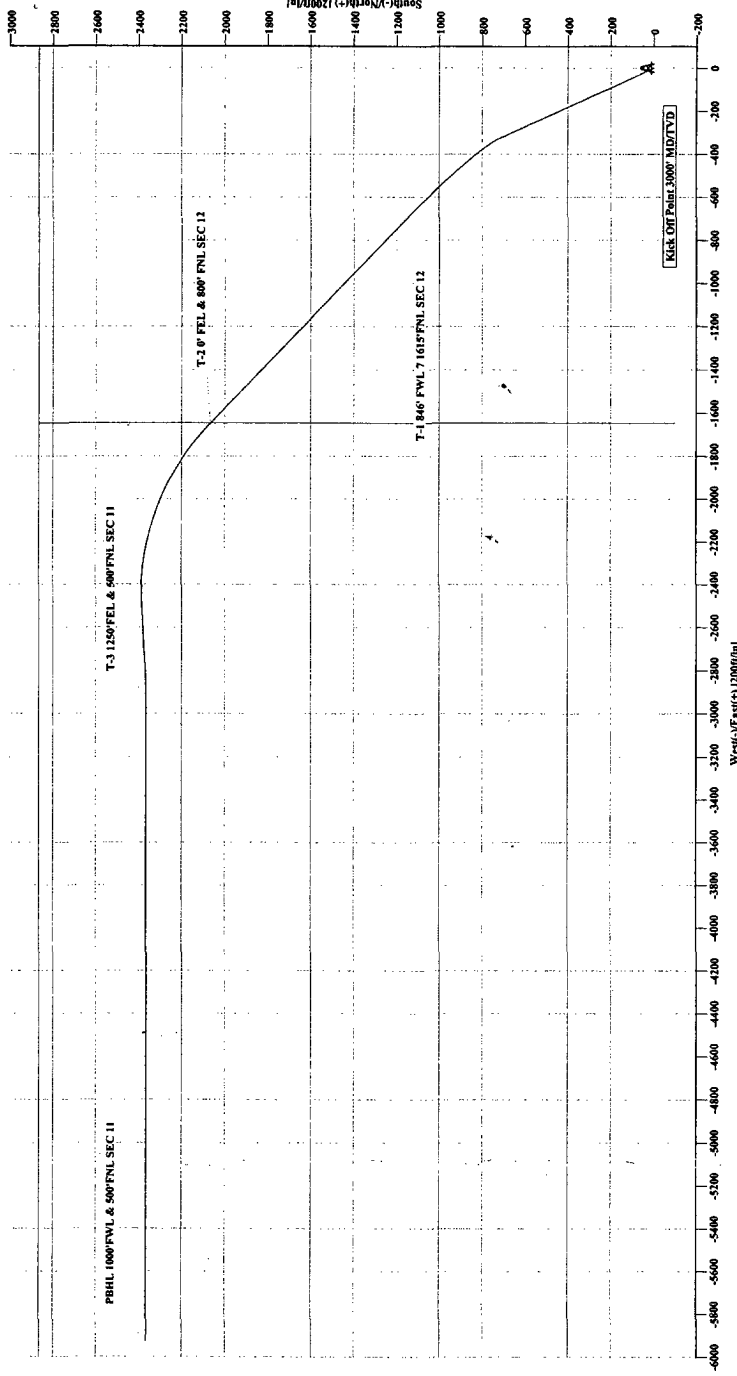
NASH DRAW #48

Sec. 12, T23S-R29E

Eddy Co., NM

PATHFINDER

ENERGY SERVICES



SITE DETAILS

Nash Draw #48

Section 12, T23-S, R29-E

Water Depth: 0.00

Positional Uncertainty: 0.00

Convergence: 0.00

Geographic Information

Azinuths to Grid North

True North: 0.00°

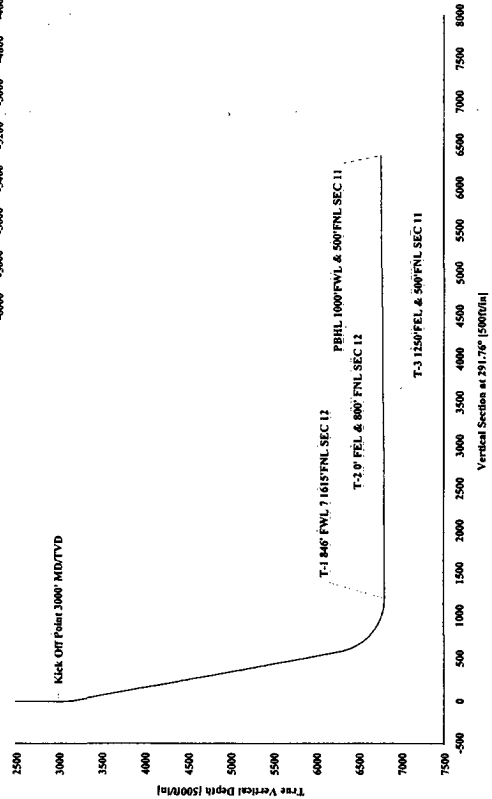
Magnetic North: 0.00°

Magnetic Field Strength: OnT

Dip Angle: 0.00°

Date: 11/9/2005

Model: Igr2005



SECTION DETAILS									
Sec	MD	Inc	Azi	TVD	+N-S	+E-W	DLeg	TFace	VSec Target
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	3000.00	0.00	0.00	3000.00	0.00	0.00	0.00	0.00	0.00
3	3237.94	14.28	335.51	3235.48	26.84	-12.23	6.00	0.00	21.30
4	6354.17	14.28	335.51	6255.48	726.14	-330.79	0.00	0.00	576.42
5	7317.71	90.34	313.93	6805.00	1250.00	-800.00	8.00	-22.17	1206.40
6	8492.44	90.34	313.93	6798.00	2065.00	-1646.00	0.00	0.00	2294.25
7	9431.44	90.65	266.98	6783.38	2384.05	-2501.34	5.00	-89.43	3206.92
8	9852.38	90.65	266.98	6782.66	2565.77	-2828.81	0.00	0.00	3504.65
9	9852.38	90.65	266.98	6782.66	2565.77	-2828.81	0.00	0.00	3504.65
10	12856.71	90.47	270.00	6760.00	2365.00	-5926.00	0.00	0.00	6380.49

TARGET DETAILS				ANNOTATIONS			
Name	TVD	+N-S	+E-W	No.	TVD	MD	Annotation
PBHL 1000'FWL & 500'FNL SEC 11	6760.00	2365.00	-5926.00	1	3000.00	3000.00	Kick Off Point 3000' MD/TVD
T-3 1250'FEL & 500'FNL SEC 11	6785.00	2365.00	-2896.00				
T-2 0' FEL & 800' FNL SEC 12	6798.00	2065.00	-1646.00				
T-1 846' FWL 7 1615' FNL SEC 12	6805.00	1250.00	-800.00				



Mosaic Potash Carlsbad Inc.
PO Box 71
1361 Potash Mines Road
Carlsbad, NM 88220
www.mosaicco.com

Tel 505-887-2871
Fax 505-887-0589

January 5, 2006

STRATA

JAN 09 2006

PRODUCTION COMPANY

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 12/21/05 concerning an APD for a well in Section 12, T-23-S, R-29-E. Mosaic Potash Carlsbad Inc. does have a potash lease that includes the northern three quarters of this section.

Nash Draw #48 at 2415' FSL & 1646' FWL is about 500 feet from our LMR and just outside the enclave as drawn by the BLM. This location however is only 100 feet north and 120 feet west of a well drilled previously. Nash Draw #48 is a directionally drilled hole with its bottom hole location planned to be about 1.4 miles to the WNW. Mosaic wishes to encourage the use of directional drilling to minimize the impact of petroleum exploration on potash resources. Therefore, Mosaic does not object to this location for an oil test well no deeper than the base of the Delaware Formation.

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,

Dan Morehouse
Mine Engineering Superintendent

cc: Don Purvis David Waugh

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Strata Production Company
Well Name & No. Nash Draw Unit #48
SH Location: 2415' FSL, 1646' FWL, Section 12, T. 23 S., R. 29 E., Eddy County, New Mexico
BH Location: 500' FNL, 1000' FWL, Section 11, T. 23 S., R. 29 E., Eddy County, New Mexico
Lease: NM-0554221 (BHL)

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:
 - A. Well spud
 - B. Cementing casing 13-3/8 inch 11-3/4 inch 8-5/8 inch 5-1/2 inch
 - C. BOP tests
2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.
3. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.
4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.
5. Gamma-Ray/Neutron logs shall be run from the base of the Salado formation to the surface; cable speed not to exceed 30 feet per minute.

II. CASING:

1. The 13-3/8 inch surface casing shall be set at approximately 400 feet and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.
2. The minimum required fill of cement behind the 11-3/4 inch intermediate casing is to be circulated to the surface.
3. The minimum required fill of cement behind the 8-5/8 inch 2nd intermediate casing is to be circulated to the surface.
4. The minimum required fill of cement behind the 5-1/2 inch production casing is to be circulated to the surface.
5. Whenever a casing string is cemented in the R-111-P Potash Area, cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.

2/14/2006

acs

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13-3/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.

2/14/2006

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2/14/2006

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