

SURFACE USE PLAN
APPLICATION FOR PERMIT TO DRILL
STRATA PRODUCTION COMPANY
SANDY FEDERAL #2
1979' FNL & 585' FWL
SECTION 24-23S-30E
EDDY COUNTY, NEW MEXICO

30-015-38662

Submitted with Form 3160-3, 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 the proposed well.

1. Existing Roads:

- A. The well site and elevation plat for the proposed well is attached. It was staked by P.R. Patton, Engineer, Roswell, New Mexico.
- B. This well is being drilled on an extension of the same pad as the existing Sandy #1 well so no additional roads will be necessary. The existing road to the location is illustrated in yellow on Exhibit "B" and is 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: ~14 miles east from Loving, New Mexico and ~2 1/4 mile 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 any operations continue on this lease.

2. Location of Existing Wells:

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

3. 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.

4. 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 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.

5. Source of Construction Materials:

All caliche required for extension of the drill pad will be obtained from an approved caliche pit. The pad will be constructed of 6" rolled and compacted caliche.

6. Methods of Handling Water Disposal:

- A. A closed loop system will be utilized. Drill cuttings not retained for evaluation purposes will be stored and then hauled to a state approved disposal facility. Drilling fluids will be contained in steel pits, cleaned and reused.
- B. Water produced from the well during completion will be stored in steel tanks and disposed of in a state approved facility. 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.
- C. 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 other waste generated by the drilling, completion or testing of this well will be disposed of through the closed loop system. 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. 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.

7. Ancillary Facilities:

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

8. Well Site Layout:

- A. The drill pad layout is shown in Exhibit "D". Dimensions of the pad 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 almost level no major cuts will be required.
- B. Exhibit "D" shows the planned orientation for the rig and associated drilling equipment and closed loop system. No permanent living facilities are planned but a temporary foreman/toolpusher's trailer will also be on location during the drilling operations.

9. Plan for Restoration of the Surface:

- A. Upon completion of the proposed operations, if the well is to be abandoned, the original top soil will be returned to the location and it will be leveled and contoured to as nearly the original topography as possible. All trash and garbage will be hauled away in order to leave the location in an aesthetically pleasing condition. The location will be 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 BLM.
- C. Upon completion of the proposed operations, if the well is completed, 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 BLM approved caliche pit. Topsoil removed from the drill site will be used to recontour the unused portions of the drill pad to the original natural level and reseeded as per BLM specifications.

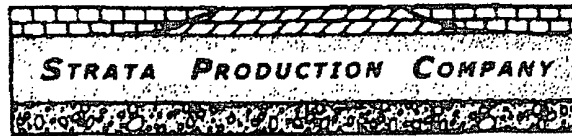
10. Surface Ownership:

The wellsite and lease is located entirely on Federal surface.

11. 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 waters 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 is included in this packet.

POST OFFICE DRAWER 1030
ROSWELL, NM 88202-1030



TELEPHONE (575) 822-1127
FACSIMILE (575) 823-3533

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

OPERATOR CERTIFICATION

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of state and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or Strata Production Company, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

EXECUTED THIS 19th DAY OF November, 2010.

BY: Frank J. May

TITLE: Vice-President

ADDRESS: Strata Production Company
PO Drawer 1030
Roswell, NM 88202-1030
575-622-1127

FIELD REPRESENTATIVE (If not above signatory) _____

ADDRESS (If different than above) _____

TELEPHONE (If different than above) _____

Agents not directly employed by the operator must submit a letter from the operator authorizing that agent to act or file this application on their behalf.

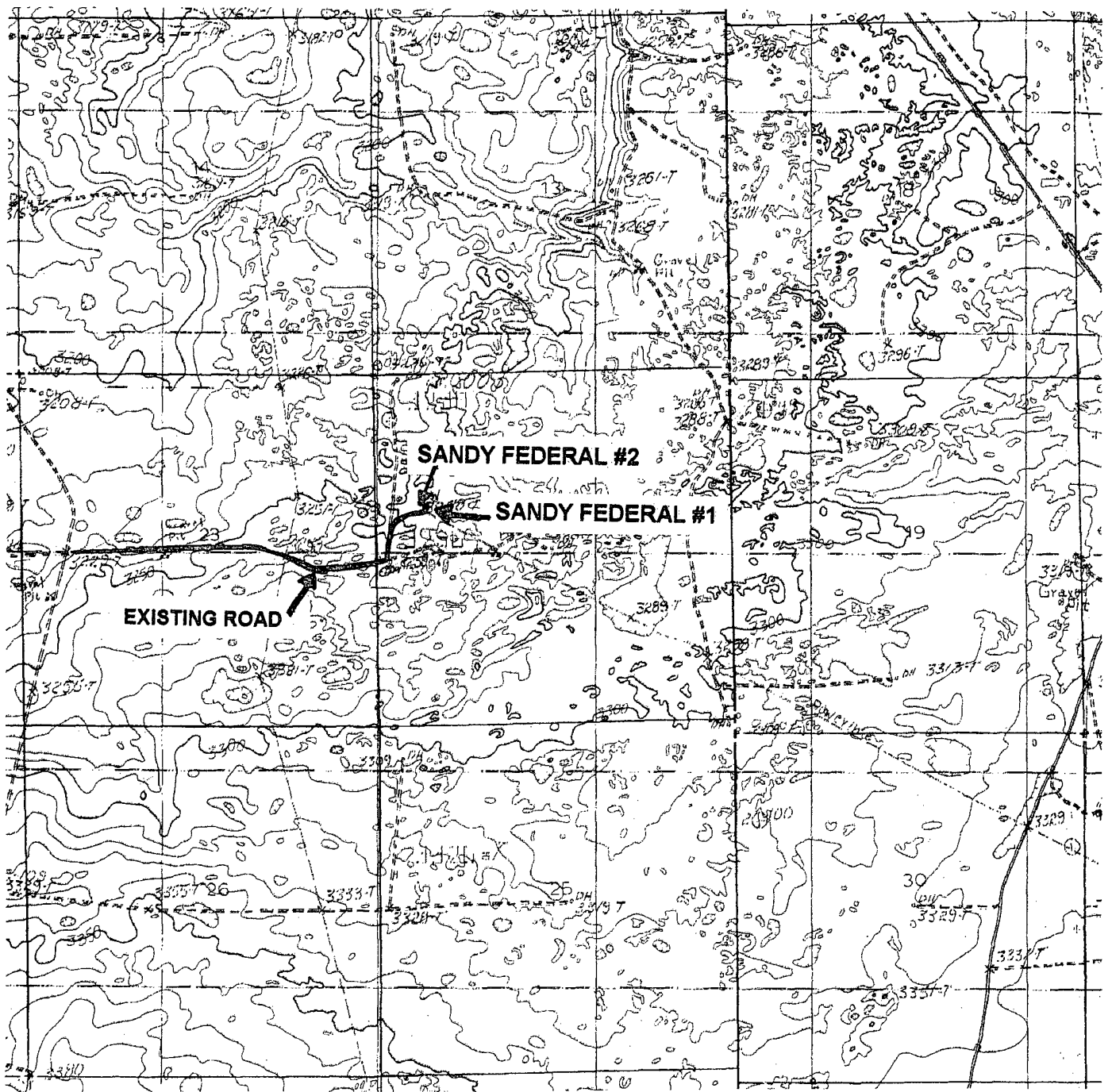


EXHIBIT "B"

**SANDY FEDERAL #2
1979' FNL & 585' FWL
SEC. 24, T23S-R30E
EDDY COUNTY, NM**

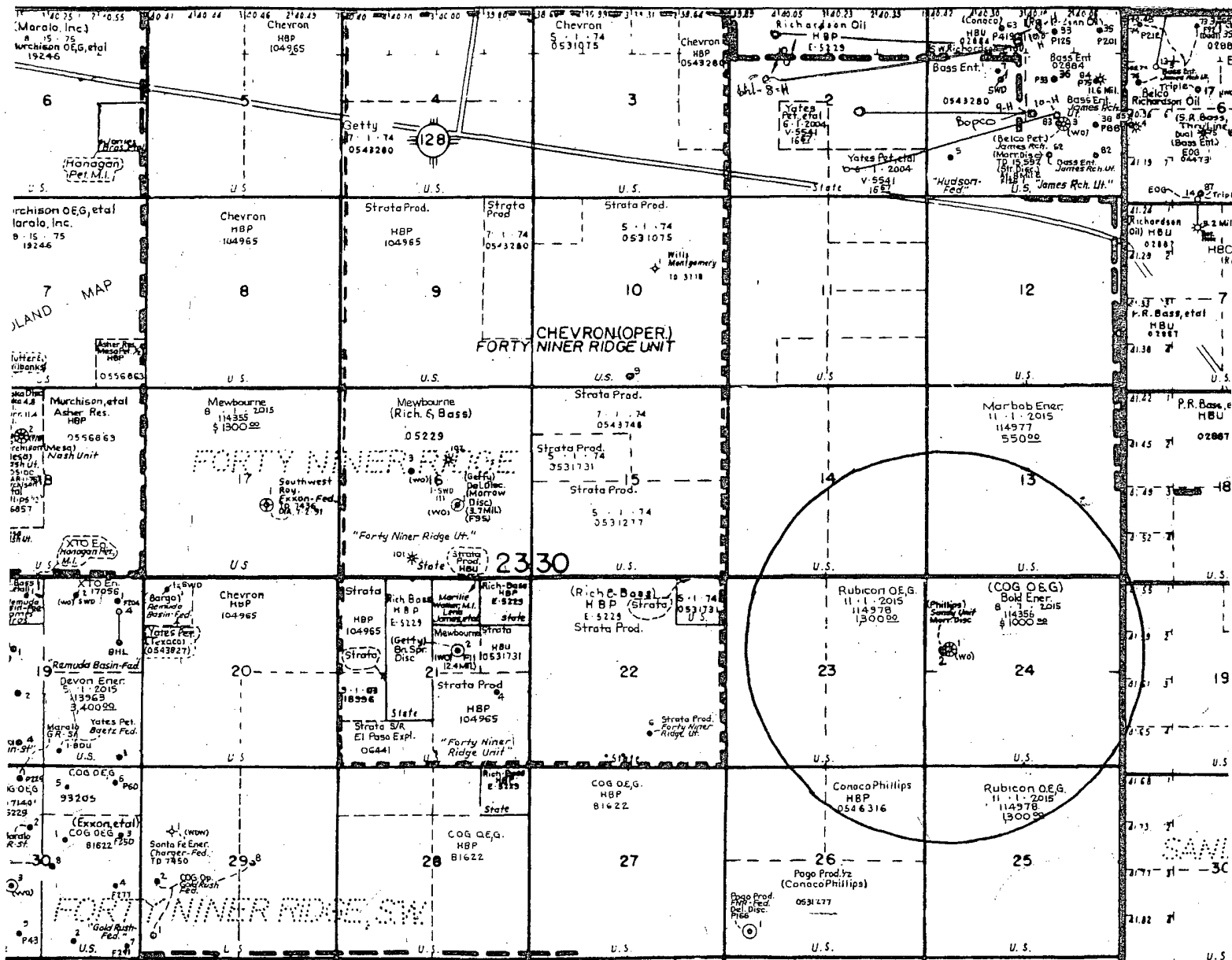


EXHIBIT "C" - ONE MILE RADIUS MAP
 SANDY FEDERAL #2
 1979' FNL & 585' FWL
 SECTION 24, T23S-R30E
 EDDY COUNTY, NM

Attachment to Exhibit "C"

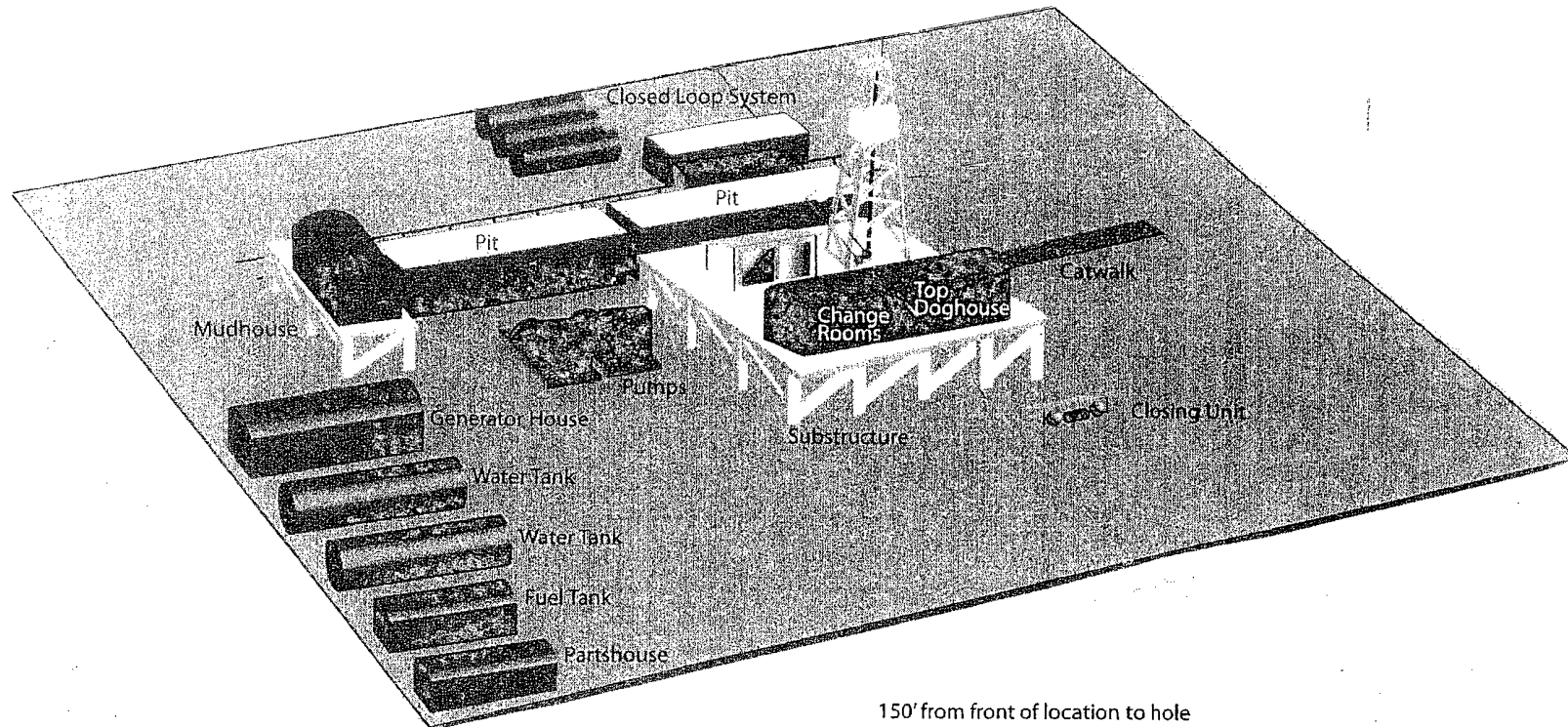
STATUS OF WELLS WITHIN ONE MILE RADIUS

SANDY FEDERAL #2
Section 24-23S-30E
1979' FNL & 585' FWL
Eddy County, NM

<u>Operator</u>	<u>Well</u>	<u>Location</u>	<u>Status/Formation</u>
Strata Production Co	Sandy #1	Sec 24, 23S-30E 1980' FNL & 660' FWL	Producing/Delaware

EXHIBIT "D"

TYPICAL WELL SITE LAYOUT PLAN SILVEROAK DRILLING

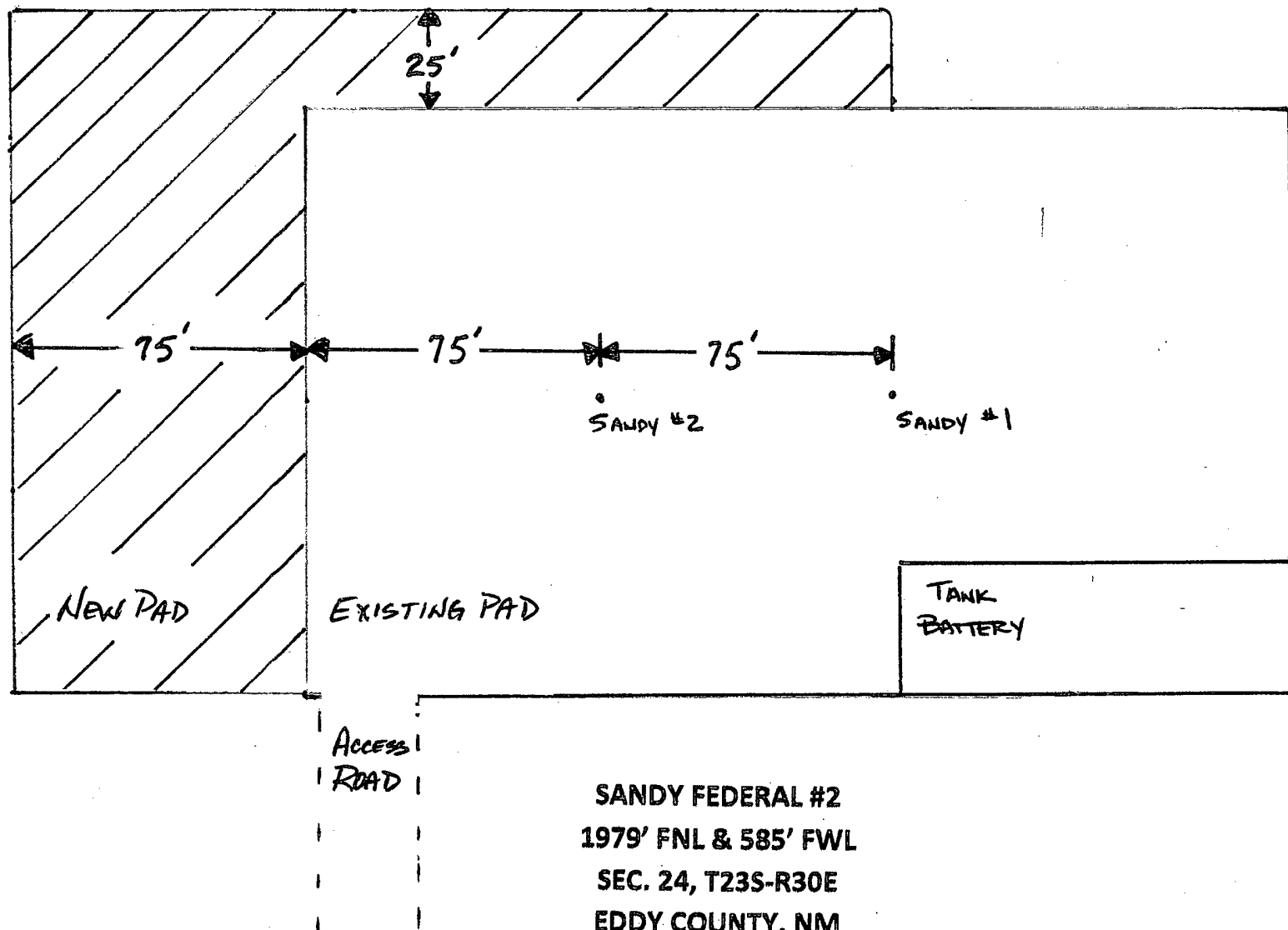


150' from front of location to hole

175' from left of location to hole

150' from hole to back of location

Location size with Closed Loop System
300' Deep X 325' Wide



Received
12-12-2010
GHT