#### State of New Mexico

Energy, Minerals & Natural Resources Department

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

Title:

02/20/06

OIL CONSERVATION DIVISION

1220 South St. Francis Dr. Santa Fe, NM 87505

Submit to Appropriate District Office RECEIVED

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State Lease - 6 Copies

FEB 2 2 2006

| APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE   | 1220 S. St. Francis Dr., | Santa Fe, NM 8756       | 05                        |  |            |   | OCD.                                | ARTESU           | AMENDE          | D REPORT        |
|--|--------------------------|-------------------------|---------------------------|--|------------|---|-------------------------------------|------------------|-----------------|-----------------|
| Strata Production Company  | APPLICA                  | TION FOR                | R PERMIT                  | TO DRILL   | ., RE-EI   | NTER, DEEP  |                                     |                  |                 | NE              |
| P. O. Box 1030   Roswell, New Mexico 88202-1030   3 API Number 30-015-25454   30-015-25454   34579   FORTY NINER RIDGE   3   6 Well No. 34579   FORTY NINER RIDGE   3   3   4  |                          |                         | ***                       | •  |            | _   |                                     |                  |                 |                 |
| Roswell, New Mexico 88202-1030   30-015-25454   34579   FORTY NINER RIDGE   3   3   34579   FORTY NINER RIDGE   3   3   3   3   3   3   3   3   3  |                          |                         |                           |  |            | Company   |                                     |                  |                 |                 |
| 1   Property Code   3   S   Property Name   5   Property Name   3   3   3  |                          |                         |                           |  |            | : 00000 <b>1</b> 0                                | .00                                 |                  |                 |                 |
| Surface Location   |                          | 4 Property Code         |                           | Hoswell, IN  | iew iviex  |   | -30                                 |                  | 30-015-2        |                 |
| Township   Range   Lot lain   Feet from the   North/South Line   Feet from the   East/West Line   County   |                          |                         | i                         |  | EODI       |   | )CE                                 |                  |                 |                 |
| Uor Lot No.   Section   Township   Range   Lot Idn   Feet from the   2310'   NORTH   1980'   WEST   EDDY   |                          | 34579                   |                           |  |            |   | ,GE                                 |                  |                 |                 |
| Section   Township   Range   Lot Ind   Feet from the   Nonth/South Line   Feet from the   East/West Line   Country   | UL or Lot No.            | Section                 | Township                  | Range  |            | <del>,                                     </del> | North/South Line                    | Feet from the    | East/West Line  | County          |
| North/South Line   Feet from the   East/West Line   Country  |                          |                         |                           |  |            | 2310'   | NORTH                               | 1980'            | WEST            |                 |
| UL or Lot No.   Section   Township   Range   Lot Ind   Feet from the   North/South Line   Feet from the   East/West Line   County  | Γ                        | 10                      | <del></del>               |  | Unia Laga  |   | · · · · · · · · · · · · · · · · · · | 1500             |                 |                 |
| 10 Proposed Pool 2   FORTY NINER RIDGE DELAWARE  | UL or Lot No.            | Section                 | · ·                       |  | ,          |   | <del></del>                         | Feet from the    | East/West Line  | County          |
| FORTY NINER RIDGE DELAWARE   11 Work Type Code   12 Well Type Code   13 Cable/Rotary   14 Lease Type Code   15 Ground Level Elevation   3124   | OD W Date 1111           | Jeen                    |                           |  |            |   |                                     |                  | -               | ,               |
| 11 Work Type Code  |                          |                         | 9 Proposed Pool 1         |  | L          |   | <u></u>                             | 10 Proposed Pool | 2               |                 |
| D   O   Rotary   S   3124'   | -                        |                         |                           |  |            |   |                                     |                  |                 |                 |
| 16 Multiple   17 Proposed Depth   18 Formation   19 Contractor   20 Spud Date   02/27/06   | 1                        | e                       | 1                         | Code   | l _        |   |                                     | Code             |                 | 4 Elevation     |
| N   7450'   Bone Spring   02/27/06   |                          |                         |                           | Depth  |            |   |                                     | r                |                 | Date            |
| Hole Size         Casing Size         Casing weight/foot         Setting Depth         Sacks of Cement         Estimated TOC           17 1/2"         13 3/8"         54.5#         420'         650 SX         Circ (Existing)           12 1/4"         8 5/8"         32#         3500'         1500 SX         Circ (Existing)           7 7/8"         5 1/2"         15.5#         6400'         700 SX         Circ (Existing)           4 3/4"         4"         10.6#         6400 - 7450'         60 SX         Circ           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. | -                        |                         | -                         | ·<br>  | Вс         | one Spring  |                                     |                  |                 |                 |
| Hole Size         Casing Size         Casing weight/foot         Setting Depth         Sacks of Cement         Estimated TOC           17 1/2"         13 3/8"         54.5#         420'         650 SX         Circ (Existing)           12 1/4"         8 5/8"         32#         3500'         1500 SX         Circ (Existing)           7 7/8"         5 1/2"         15.5#         6400'         700 SX         Circ (Existing)           4 3/4"         4"         10.6#         6400 - 7450'         60 SX         Circ           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. |                          |                         |                           | 21 Proposed  | Casing and | d Cement Program                                  |                                     |                  |                 |                 |
| 12 1/4"         8 5/8"         32#         3500'         1500 SX         Circ (Existing)           7 7/8"         5 1/2"         15.5#         6400'         700 SX         Circ (Existing)           4 3/4"         4"         10.6#         6400 - 7450'         60 SX         Circ           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.  | Hole Size                | Casin                   | g Size                    |  |            |   |                                     | ment             | Estimated       | I TOC           |
| 7 7/8"         5 1/2"         15.5#         6400'         700 SX         Circ (Existing)           4 3/4"         4"         10.6#         6400 - 7450'         60 SX         Circ           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.   | 17 1/2"                  | 13 3/8"                 |                           | 54.5#  |            | 420'  | 650 SX                              |                  | Circ (Exist     | ing)            |
| 4 3/4" 4" 10.6# 6400 - 7450' 60 SX Circ  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.   | 12 1/4"                  | 12 1/4" 8 5/8" 32#      |                           |  | 3500'      | 1500 SX   |                                     | Circ (Existi     | ing)            |                 |
| 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.  | 7 7/8"                   | 5 1/2"                  |                           | 15.5#  |            | 6400'   |                                     |                  | Circ (Existi    | ing)            |
|  | 4 3/4"                   | 4"                      |                           | 10.6#  |            | 6400 - 7450'                                      | 60 SX                               |                  | Circ            |                 |
|  | }                        |                         |                           |  |            |   |                                     |                  |                 | İ               |
| Strata Production Company proposes to deepen to a depth sufficient to set csg in the top of the Bone Spring and test   |                          |                         |                           |  |            |   |                                     |                  |                 |                 |
| "I", I'2", "K", "K-2" & "L" zones. If productive, a 5 1/2" csg will be set. If non-productive, the new hole will be plugged & abandoned in a manner consistent with State Regulations.   |                          |                         |                           |  |            |   |                                     | Juctive, the     | Hew Hole w      | III De          |
| Form C-102 Well Location & Acreage Dedication Plat   | piugged & a              | Danuoneu                |                           |  |            | _   |                                     | tion Plat        |                 |                 |
| Hole Prognosis   | i<br>İ                   |                         |                           |  |            | Joanon & Aoi                                      | eage Dealea                         | Alon i iac       |                 |                 |
| Surface Use Plan   |                          |                         |                           | •  |            |   |                                     |                  |                 | !               |
| H2S Drilling Operations Plan   |                          |                         |                           |  |            | tions Dlan  |                                     |                  |                 |                 |
| Exhibit "A" Equipment Description w/attachment   |                          |                         |                           |  | •          |   | n w/attachm                         | ent              |                 |                 |
| Exhibit "B" Access Roads   | ı                        |                         |                           |  |            |   |                                     |                  |                 |                 |
| Exhibit "C" One Mile Radius Map w/attachment of Status of Wells within   |                          |                         |                           |  |            |   |                                     |                  |                 |                 |
| One Mile Radius  | ı                        |                         |                           |  |            | 16 Hadius Map                                     | ) Wattachino                        | III Oi Oiaiu     | 2 OI AACII2 AAI | LI III I        |
| Statement Accepting Responsibility for Operations  |                          |                         |                           |  |            | ing Responsibility for Operations                 |                                     |                  |                 |                 |
| Pit or Below-Grade Tank Registration or Closure  |                          |                         |                           |  | -          |   | •                                   |                  |                 |                 |
| 23 1 hereby certify that the information given above is true and complete to the best  | 23 1 hereby certify that | the information giver   |                           |  | . diade    | / L   | OIL CONSE                           | DVATION          | DIVISION        |                 |
| of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guildelines A, a general permit , or an (attached) alternative OCD  | of my knowledge and be   | lief. I further certify | that the drilling pit wil | ll be constructed  | CD         |   |                                     |                  |                 |                 |
|  | approved plan            |                         | /                         | The second of th |            | Nach  | teet II                             |                  | Revie           | <b>&amp;</b> C/ |
| V IZUL, A A TOTAL  | Signature:               | KENV M E                | M. UCC                    |  |            |   |                                     |                  |                 |                 |
| Dread action December FER 9 3 200  | Printed name: Title:     |                         |                           |  |            | V-1070  | B 2 3 2005                          |                  | Expiration Date | EB 2 3 200      |

Approval Date: Conditions of Approval:

Attached

505-622-1127 x 15

## "L CONSERVATION DIVISIO"

# STATE OF NEW MEXICO

## P. O. BOX 2088 SANTA FE, NEW MEXICO 87501

Form C-102 Revised 10-1-78

ENERGY AND MINERALS DEPARTMENT

| Strata Production Company  Forty Niner Ridge  Solution  Forting Investing Forty Niner Ridge  Solution  Forting Investing Forty Niner Ridge  Solution  Forting Investing Forty Niner Ridge  Solution  Forting Investing Forting Investing Forting Investing Forty Niner Ridge  Solution  Forting Investing Forting Investing Forting Investing Forting Investing Forting Investing Forting Investing Forting Investing Forting Investing Forting Investing Forting Investing Forting Investing Investing Investing Investing Investing Investigation  1. Outline the acreage dedicated to the subject well by colored pencil or hackure marks on the plat below.  2. If more than one lease is dedicated to the well acreage Investigation force-pooling dated by communitization, unitization, injuritization, injuritization force-pooling Incommunitization, unitization, injuritization force-pooling Incommunitization Investigation  If answer is "no." list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if accessary.)  No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, climinating such interests, has been approved by the Division.  CERTIFICATION SURVEYOR  Company  Texaco Producing Inc.  Date Investigated Interest in the least of my laws planet from Interest in the least of my laws planet from Interest in the least of my laws planet from Interest in the least of my laws planet from Interest in the least of my laws planet from Interest in the least of my laws planet from Interest in the least of my laws planet from Interest in the least of my laws planet from Interest in the least of my laws planet from Interest in the least of my laws planet from Interest in the least of my laws planet from Interest in the least of my laws planet from Interest in the least of my laws planet from Interest in the least of my laws planet from Interest in the least of my laws planet from Inte |  |                    | All distances must be I                      | from the outer houndaries c             | of the Section.                       |  |  |
|--|--|--------------------|--|---|---------------------------------------|--|--|
| Unit Letter    P   |  |                    |  | Lease                                   |                                       | Well No.   |  |
| Unit Letter  F 16  Actual Joseph Sections at Well; 2310  Test from the North Interest 1980 free times the West Desirement Actions 23124  Forty Niner Radge Delawark  1. Outline the acrenge dedicated to the subject well by colored pencil or hachure marks on the plat below.  2. If more than one lease is dedicated to the well unit alignment of the working interest and royalty).  3. If more than one lease of different ownership is ledicated to the well on the well of the working interest and royalty).  3. If more than one lease of different ownership is ledicated to the well on the well of th | Strata   | Production (       | Company                                      | Forty Niner                             | Ridge                                 | 3  |  |
| F 16 23-S 30-E Eddy  Test from the North Income 1980 treat from the West Income 2310 treat from the North Income 1980 treat from the West Income 23124. Sorty Winner Ridge Delawar 1980 treat from the West Income 23124. Sorty Winner Ridge Delawar 1980.  1. Outline the acreege dedicated to the subject well by colored pencil of hackure marks on the plat below.  2. If more than one lease is dedicated to the well until RECHANGO (Byentify the ownership threeof (both as to working interest and reynity).  3. If more than one lease of different ownership is dedicated to the well until added by communitization, untilization, force-pool ng. etc? O. C. D.  ATESIA. OFFICE (interest at too. In the form of income in the second in accessory.)  No allowable will be assigned to the well until all interests have been consolidated. (Use reverse side of this form in accessory.)  No allowable will be assigned to the well until all interests have been consolidated (by communitization, untilization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.  CERTIFICATION  1 haveby certify that the information communities to the least of my interest in the section of the theory of the property of the communities of the later of my interest in the section of the theory of the property of the communities of the least of my interest of the leas | - Unit Letter  | Section            | Township                                     |   | _ <del></del>                         |  |  |
| 2310 test tens the World State of the World State o | 1  |                    | l -  | 1                                       | 1                                     |  |  |
| 2.10 ten from the Most have the subject well by colored pencil or hachure marks on the plat below.  1. Outline the acrenge dedicated to the subject well by colored pencil or hachure marks on the plat below.  2. If more than one lease is dedicated to the well, and the subject well by colored pencil or hachure marks on the plat below.  3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc? O. C. D.  2. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc? O. C. D.  3. If more than one lease of different ownership is dedicated to the well. In a consolidated by communitization, unitization, force-pooling, etc? O. C. D.  3. If more than one lease of different ownership is dedicated to the well of the consolidated by communitization. It is the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form it necessary).  3. If more than one lease of different ownership is dedicated to the well ownership there is not consolidated. (Use reverse side of this form it necessary).  3. If more than one lease of different ownership is dedicated to the well ownership there is not ownership to the form the consolidated of the consolidated by communitization, unitization, forced-pooling, or otherwise) or unitial all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or unitial all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or unitial all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or unitial all interests have been consolidated (by communitization, unitization, or the forced pooling or otherwise) or unitial all interests have been consolidated (by communitiation).  4. Forced pooling or otherwise or o |  |                    | 23-3   |   | Eddy                                  |  |  |
| Dedicate Acresses   Dedicated Acresses   Dedicated   Delawaris   Dedicated   Delawaris   Dedicated   Delawaris   Dedicated   Delawaris   Dedicated   Delawaris   Dedicated   Delawaris     | :  | •                  |  | •                                       |                                       |  |  |
| 1. Outline the acreage dedicated to the subject well by colored pencil or hachter marks on the plat below.  2. If more than one lease is dedicated to the well, outRECEMMEDDBWentify the ownership thereof (both as to working intrests and royalty).  3. If more than one lease of different ownership is dedicated to fix well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc? O. C. N. ARTSIA. OFFICEING PLANT DATE of the interests of all owners been consolidated by communitization, unitization, forced-pooling, or otherwise) or until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.  CERTIFICATION  1 hareby certify that the information contained brain is true and complete to the best of my houndresty ond belief.  Signal Date March 24, 1987  1 hereby certify that the information contained brain in true and complete to the best of my houndresty ond belief.  Date March 24, 1987  1 hereby certify that the information contained brain in the well faccing above an init plan was platted time litely notes of extend average and belief.  Date March 24, 1987  1 hereby certify that the information contained brain in the same is town and that the same is town and that the same is town and current to the beat of my knowledge gravities, and that the same is town and current to the beat of my knowledge the doubted the least of my knowledge with the same is town and current to the beat of my knowledge the doubted to the well according to the doubted to the well according to the doubted to the well according to the doubted to the well according to the first and the the same is town and the plant to the same is town and the plant to the same is town and the plant to the same is town and the plant to the plant to the plant to the plant to the plant to the plant to the plant to the plant to the plant to the plant to the plant to the plant to the p | 2310   | feet from the      | North line and                               | 1980                                    | et from the West                      | line   |  |
| 3124' FORLY Affect Rings Delivaries.  1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.  2. If more than one lease is dedicated to the well, outlier DEMANDER Pencily the ownership thereof (both as to working interest and royalty).  3. If more than one lease of different ownership is dedicated to fin well, have the interests of all owners been consolidated by communication, unitization, tore-pooling, etc? O. C. D.  Yes No If answer is "yes," type — ARTESIA OFFICE INTERESTITION  If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if accessary).  No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.  CERTIFICATION  I haveby certify that the information contained bearing to the house of the position of the this state and correct to the least of my havebedge and belief, have been consolidated (by communitization, unitization, unitizat | Ground Level Elev.   | Producing For      | mation                                       | P∞1\                                    |                                       | Dedicated Acreoge:   |  |
| 1. Outline the acrenge dedicated to the subject well by colored pencil or hachure marks on the plat below.  2. If more than one lease is dedicated to the well, outRECEMBORNETIFY the ownership thereof (both as to working interest and royalty).  3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc? O. C. D.  ARTSIA. OFFICEINITE action  If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)  No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.  CERTIFICATION  I haveby certify that the information contained when it is two and complete to the best of my knowledge and belief.  Name  3. L. Elland  Foolian  Foolian  1 haveby certify that the information contained when as this plot was platted from livid notes of certool surveys made by me or under my supervision, and that the sone is two owners are greated to the certool surveys made by me or under my supervision, and that the sone is five an editorial processor of the least of my knowledge and elected to the least of my knowledge and elected the least of my knowledge and elected the least of my knowledge and elected the least of my knowledge and elected the least of my knowledge and elected the least of my knowledge and elected the least of my knowledge and elected the least of my knowledge and elected the least of my knowledge and elected the least of my knowledge and elected the least of my knowledge and elected the least of my knowledge and elected the least of my knowledge and elected the least of my knowledge and elected the least of my knowledge and elected the latter than the latter than the latter than the latter than the latter than the latter than the latter than  | 3124'  | Forty Nir          | ier Ridge Delawar                            |   |                                       | 40 600   |  |
| 2. If more than one lease is dedicated to the well, out RECENAGOGNentify the ownership thereof (both as to working interest and royalty).  3. If more than one lease of different ownership is dedicated to file well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc O. C. D.    Yes  |  |                    |  |   |                                       |  |  |
| interest and royalty).  APR -9 1987  3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc? O. C. D.  Yes No II answer is "yes," type ownership is dedicated.  If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)  No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.  CERTIFICATION  I havely certify that the information contained threin is true and complete to the best of my haveledge and belief.  None  B. L. Eiland  Position  Date  March 24, 1987  I hereby certify that the well location than on this plat was platted from field notes of accrete to the best of my haveledge and belief.  I have yearly that the well location than on this plat was platted from field notes of accrete to the best of my haveledge gend belief.  Date  March 24, 1987  I hereby certify that the well location than on this plat was platted from field notes of accrete to the best of my haveledge gend belief.  Date general Policisional Contains the same of the platted from the last of my haveledge gend belief.  Date general Policisional Contains the last of my haveledge gend belief.  Date general Policisional Contains the last of my haveledge gend belief.  Date general Policisional Contains the last of my haveledge gend belief.  Date general Policisional Contains the last of my haveledge gend belief.  Date general Policisional Contains the last of my haveledge gend belief.  Date general Policisional Contains the last of my haveledge gend belief.  Date general Policisional Contains the last of my haveledge gend belief.  | 1. Outline the   | e acrenge dedica   | ted to the subject we                        | ell by colored pencil                   | or hachure marks on                   | the plat below.  |  |
| interest and royalty).  APR -2 1987  The more than one lease of different ownership is indicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc? O. C. D.  Yes No II answer is "yes," type ownership is indicated to the well of this form if necessary.)  No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.  CERTIFICATION  I havely certify that the information contained barein is row and complete to the least of my haveledge and belief.  Name  B. L. Eiland  Position  Date  March 24, 1987  I hereby certify that the well location thoms of certific through the least of my haveledge and belief than first most of certific through the prior of the well securion thoms of certific through the prior of the well securion the most of certific through the prior of the well become on this play was platted transfer.  Date  March 24, 1987  I hereby certify that the well become the best of my haveledge, and belief than first most of certific to the best of my haveledge, and belief than first most of certific to the best of my haveledge, and belief than first most of certific to the best of my haveledge, and belief than first most of certific to the best of my haveledge, and belief than first most of certific to the best of my haveledge, and belief than first most of certific to the best of my haveledge, and belief than first most of certific to the best of my haveledge, and belief than first most of certific to the best of my haveledge, and belief than first most of certific to the best of my haveledge, and belief than first most of the best of my haveledge, and belief than first my have the best of my haveledge and belief than first my have the best of my haveledge and belief than first my have the best of my haveledge and belief than first my have the most my haveledge and bel |  |                    | _  |   | · · · · · · · · · · · · · · · · · · · |  |  |
| interest and royalty).  APR -9 1987  3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc? O. C. D.  Yes No II answer is "yes," type ownership is dedicated.  If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)  No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.  CERTIFICATION  I havely certify that the information contained threin is true and complete to the best of my haveledge and belief.  None  B. L. Eiland  Position  Date  March 24, 1987  I hereby certify that the well location than on this plat was platted from field notes of accrete to the best of my haveledge and belief.  I have yearly that the well location than on this plat was platted from field notes of accrete to the best of my haveledge gend belief.  Date  March 24, 1987  I hereby certify that the well location than on this plat was platted from field notes of accrete to the best of my haveledge gend belief.  Date general Policisional Contains the same of the platted from the last of my haveledge gend belief.  Date general Policisional Contains the last of my haveledge gend belief.  Date general Policisional Contains the last of my haveledge gend belief.  Date general Policisional Contains the last of my haveledge gend belief.  Date general Policisional Contains the last of my haveledge gend belief.  Date general Policisional Contains the last of my haveledge gend belief.  Date general Policisional Contains the last of my haveledge gend belief.  Date general Policisional Contains the last of my haveledge gend belief.  | 2. If more th  | an one lease is    | dedicated to the we                          | I. out NECTHANE (BOBY                   | entify the ownership                  | thereof (both as to working  |  |
| 3. If more than one lease of different ownership is dedicated to fix well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc? O. C. D.    Yes   |  |                    |  |   | · ·                                   | 8  |  |
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| If answer is "yes," type of consolidation  If answer is "no." list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)  No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, climinating such interests, has been approved by the Division.  CERTIFICATION  I hereby certify that the information contained herein is true and complete to the best of my handwedge and belief.  Some  B. L. Eiland  Position  Division Surveyor  Company  Texaco Producing Inc.  Determined herein is play was platted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the less of my knowledge geak height.  Date Surveyor to the less of my knowledge geak height.  Date Surveyor to the less of my knowledge geak height.  Date Surveyor to the less of my knowledge geak height.  Date Surveyor to the less of my knowledge geak height.  Date Surveyor to the less of my knowledge geak height.  Date Surveyor to the less of my knowledge geak height.  Date Surveyor to the less of my knowledge geak height.  Surveyor to the less of my knowledge geak height.  Date Surveyor to the less of my knowledge geak height.  Surveyor to the less of my knowledge geak height.  Surveyor to the less of my knowledge geak height.  Surveyor to the less of my knowledge geak height.  Surveyor to the less of my knowledge geak height.  Surveyor to the less of my knowledge geak height.  Surveyor to the less of my knowledge geak height.  Surveyor to the less of my knowledge geak height.  Surveyor to the less of my knowledge geak height.  Surveyor to the less of my knowledge geak height.  Surveyor to the less of my knowledge geak height.  Surveyor to the less of my knowledge geak height.  Surveyor to the less of my knowledge geak height.  Surveyor to the less of my knowledge geak height.  Surveyor to the less of my knowledge geak height.  S | 3. If more than one lease of different ownership is predicated to the well, have the interests of all owners been consoli- |                    |  |   |                                       |  |  |
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District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

## State of New Mexico Energy Minerals and Natural Resources

Oil Conservation Division 1220 South St. Francis Dr. Santa Fe, NM 87505 For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Form C-144 June 1, 2004

# Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes XX No pe of action: Registration of a pit or below-grade tank Closure of a pit or below-grade tank

| Type of action. Registration of a piece  | of below-grade tank [A] Closere er a pie er celen gr  |  |  |  |  |  |
|--|---|--|--|--|--|--|
| Operator: Strata Production Company Telephon   | e: 505-622-1127 e-mail address: <u>kl</u>   | britt@stratanm.com   |  |  |  |  |
| Address: P. O. Box 1030, Roswell, NM 882   |   |  |  |  |  |  |
| Facility or well name: Forty Niner Ridge #3 API#:  |   | Sec 16 T 23S R 30E   |  |  |  |  |
| •  | Longitude   |  |  |  |  |  |
| Surface Owner: Federal  State  Private  Indian   |   |  |  |  |  |  |
| Pit  | Below-grade tank  |  |  |  |  |  |
| Type: Drilling X Production Disposal   | Volume:bbl Type of fluid:   | <u> </u>   |  |  |  |  |
| Workover ☐ Emergency ☐   | Construction material:  |  |  |  |  |  |
| Lined X Unlined  | Double-walled, with leak detection? Yes If no   | ot, explain why not.   |  |  |  |  |
| Liner type: Synthetic Thickness 12 mil Clay  |   |  |  |  |  |  |
| Pit Volume 10715 obl   |   | RECEIVED   |  |  |  |  |
| Depth to ground water (vertical distance from bottom of pit to seasonal  | Less than 50 feet   | (20 points)  |  |  |  |  |
| 1 •  | 50 feet or more, but less than 100 feet   | (10 points) FEB Z Z 2006   |  |  |  |  |
| high water elevation of ground water.) 440   | 100 feet or more  | (0 points)   |  |  |  |  |
| 77 11 200 5 15   | Yes   | (20 points)  |  |  |  |  |
| Wellhead protection area: (Less than 200 feet from a private domestic  | No  | (0 points)   |  |  |  |  |
| water source, or less than 1000 feet from all other water sources.)  |   |  |  |  |  |  |
| Distance to surface water: (horizontal distance to all wetlands, playas,   | Less than 200 feet  | (20 points)  |  |  |  |  |
| irrigation canals, ditches, and perennial and ephemeral watercourses.)   | 200 feet or more, but less than 1000 feet   | (10 points)  |  |  |  |  |
|  | 1000 feet or more   | ( 0 points)  |  |  |  |  |
|  | Ranking Score (Total Points)  | 0  |  |  |  |  |
| If this is a pit closure: (1) Attach a diagram of the facility showing the pit's   | relationship to other equipment and tanks (2) India   | rate disposal location: (check the onsite hav if   |  |  |  |  |
| your are burying in place) onsite  offsite  If offsite, name of facility   |   | •  |  |  |  |  |
|  |   |  |  |  |  |  |
| remediation start date and end date. (4) Groundwater encountered: No Yes If yes, show depth below ground surfaceft. and attach sample results.  (5) Attach soil sample results and a diagram of sample locations and excavations.  |   |  |  |  |  |  |
|  |   |  |  |  |  |  |
| Additional Comments:   |   |  |  |  |  |  |
|  |   |  |  |  |  |  |
|  |   |  |  |  |  |  |
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|  |   |  |  |  |  |  |
|  |   |  |  |  |  |  |
|  |   |  |  |  |  |  |
| I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit , or an (attached) alternative OCD-approved plan . |   |  |  |  |  |  |
| or an (attached of closed according to MAZOOD guidennes 22), a general permit , or an (attached) anernative OOD-approved plan .  |   |  |  |  |  |  |
| Date: 2/20/06  |   |  |  |  |  |  |
| Printed Name/Title <u>Production Records</u>   | Signature \\U()\V\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\  | £  |  |  |  |  |
| Your certification and NMOCD approval of this application/closure does notherwise endanger public health or the environment. Nor does it relieve the regulations.  | ot relieve the operator of liability should the contents<br>ne operator of its responsibility for compliance with a | s of the pit or tank contaminate ground water or<br>any other federal, state, or local laws and/or |  |  |  |  |
| Approval: Gerry Give   | 4   |  |  |  |  |  |
| Carry Guye   | Signature Blury Juny  | Date: FEB <b>2 3</b> 2006  |  |  |  |  |
| Printed Name/Title Compliance Officer  | Signature / Oxford  | Date: 1 LD 2 3 2000  |  |  |  |  |

#### HOLE PROGNOSIS

FORM C-101 APPLICATION FOR PERMIT TO DRILL STRATA PRODUCTION COMPANY FORTY NINER RIDGE #3 2310' FNL & 1980' FWL SECTION 16-23S-30E 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 | Delaware      | 3650' |
|--------------|---------|---------------|-------|
| Top of Salt  | 700'    | Bone Spring   | 7400' |
| Base of Salt | 3380'   | Brushy Canyon | 5784' |
| T.D.         | 7450'   |               |       |

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

| Surface  | 150'          | Fresh Water |
|----------|---------------|-------------|
| Delaware | 3650' - 7450' | 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 the existing 13 3/8" casing at 420' with cement back to surface. Any shallower zones above 6400' which contain commercial quantities of oil and/or gas have cement circulated across the zones by cementing the 5 1/2" production casing which will be run at 6400'. Zones in the Brushy Canyon will be isolated by cementing the 4" liner from 6400' to TD.

#### 4. Casing Program:

| <u> Hole Size</u>  | <u>Interval</u> | <u>OD csq</u>     | <u>Weight, Grade, Jt. Cond, Type</u>                  |
|--------------------|-----------------|-------------------|---|
| 17 1/2"<br>12 1/4" | 420'<br>3500'   | 13 3/8"<br>8 5/8" | 54.5#, K-55, ST&C, Existing 32#, J-55, LT&C, Existing |
| 7 7/8"             | 6400'           | 5 1/2"            | 15.5#, K-55, LT&C, Existing                           |
| 4 3/4"             | 6400 - 7450'    | 4 "               | 10.6#, N-80 Ult-FJ New                                |

#### Cementing Program:

Production Liner: If appropriate, a 4" Liner will be

set at Total Depth back to 6200'and cemented with approximately 60 sacks

Chem Crete.

#### 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 will be manually operated and the ram-type preventer will be equipped with blind rams on top and 2 7/8" drill pipe rams on bottom. The BOP will be nippled up on the 5/12" production casing and used continuously until TD is reached. All BOP's and accessory equipment will be tested to 1000 psi before drilling out of the 5 1/2" casing.

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 will be included in the wellhead located below the ram-type BOP. Other accessories to the BOP equipment will include a kelly cock and floor safety valve (inside BOP).

#### 6. Types and Characteristics of the Proposed Mud System:

6400' to TD

Brine and fresh water with salt gel and starch will be used to maintain a viscosity of approximately 31 and a water loss of 15 to 25 cc's.

Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be kept at the well site 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 one (1) man Mudlogging unit from 6400' to TD. Logs will include DLL-MSFL, CNL-Density, Gamma Ray, Caliper.

Mudlogging unit will be employed from approximately 6400' to 7450' (Total Depth). The Dual Laterolog and the Compensated Neutron/Density Log will be run from TD back to 6400'. In some cases, Strata elects to obtain sidewall cores from selected intervals from approximately 6400' to 7400' dependent upon logging results.

# 9. <u>Abnormal Conditions, Pressures, Temperatures and Potential Hazards</u>:

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:

Location work will not begin until approval has been received from the OCD. The anticipated spud date is February 27, 2006. Once commenced, the drilling operation should be finished in approximately 10 days. If the well is productive, an additional 15 days will be required for completion and testing before a decision is made to produce the well.

SURFACE USE PLAN
APPLICATION FOR PERMIT TO DRILL
STRATA PRODUCTION COMPANY
FORTY NINER RIDGE #3
2310' FNL & 1980' FWL
SECTION 16-23S-30E
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 B. L. Eiland, Texaco Producing Inc. Division Surveyor.
- 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: 9 miles east from Loving, New Mexico, the well is located approximately 3 miles to the 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. <u>Proposed Access Road</u>:

The existing road is sufficient. No new roads will need to be constructed.

#### 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. <u>Location and Type of Water Supply</u>:

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, fasline 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 will be obtained from an approved caliche pit. All pads will be constructed of 6" rolled and compacted caliche.

## 7. <u>Methods of Handling Water Disposal</u>:

- 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 50' x 50' x 4' 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 self contained 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. 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. 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.
- Upon completion of the proposed operations, if the well D. is completed, the reserve pit area will be treated as outlined above within the same prescribed time. 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.

DATE: February 20, 2006

STRATA PRODUCTION COMPANY

KELLY M. BRITT PRODUCTION ANALYSIS

Kuym

## STRATA PRODUCTION COMPANY

# H<sub>2</sub>S 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  $(H_2S)$ .
  - 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 H<sub>2</sub>S on metal components in the system. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
  - 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 H<sub>2</sub>S 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.

#### 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

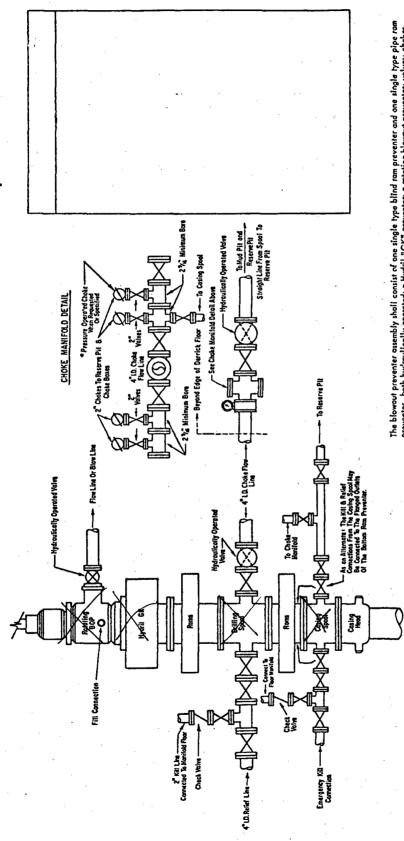
- a. The mud program has been designed to minimize the volume of H<sub>2</sub>S circulated to surface. Proper mud weight, safe drilling practices and the use of H<sub>2</sub>S scavengers, when appropriate, will minimize hazards when penetrating H<sub>2</sub>S bearing zones.
- 4. Drill Stem Test intervals 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. Double Ram type blowout preventer with blind rams and pipe rams.
- 3. Ram type blowout preventer with pipe rams.
- 4. Flanged type casing head with one side outlet.
- 5. 2" threaded (or flanged) plug or gate valve. Flanged on 5000# WP, threaded on 3000# WP or less.
- 6. 2" flanged plug or gate valve.
- 7. 2" threaded flange.
- 8. 2" XXH nipple.
- 9. 2" forged steel 90 ELL.
- 10. Cameron (or equal) threaded pressure gauge.
- 11. Threaded flange.
- 12. 2" flanged tee.
- 13. 2" flanged plug or gate valve.
- 14. 2 1/2" pipe, 300' to pit, anchored.
- 15. 2 1/2" SE valve.
- 16. 2 1/2" line to steel pit or separator.



and connections, as illustrated. If a toperad drill string is used, a ram preventor 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 flonged outlets of the ram preventer may be used for connecting to the 4-inch 1.D. choke flow line and 4-inch preventer, both hydraulically operated; a Hydril "GK" preventer; a rotating blowout preventer; valves; chokes I.D. relief line, except when air or gas drilling. All preventer connections are to be open-face flanged.

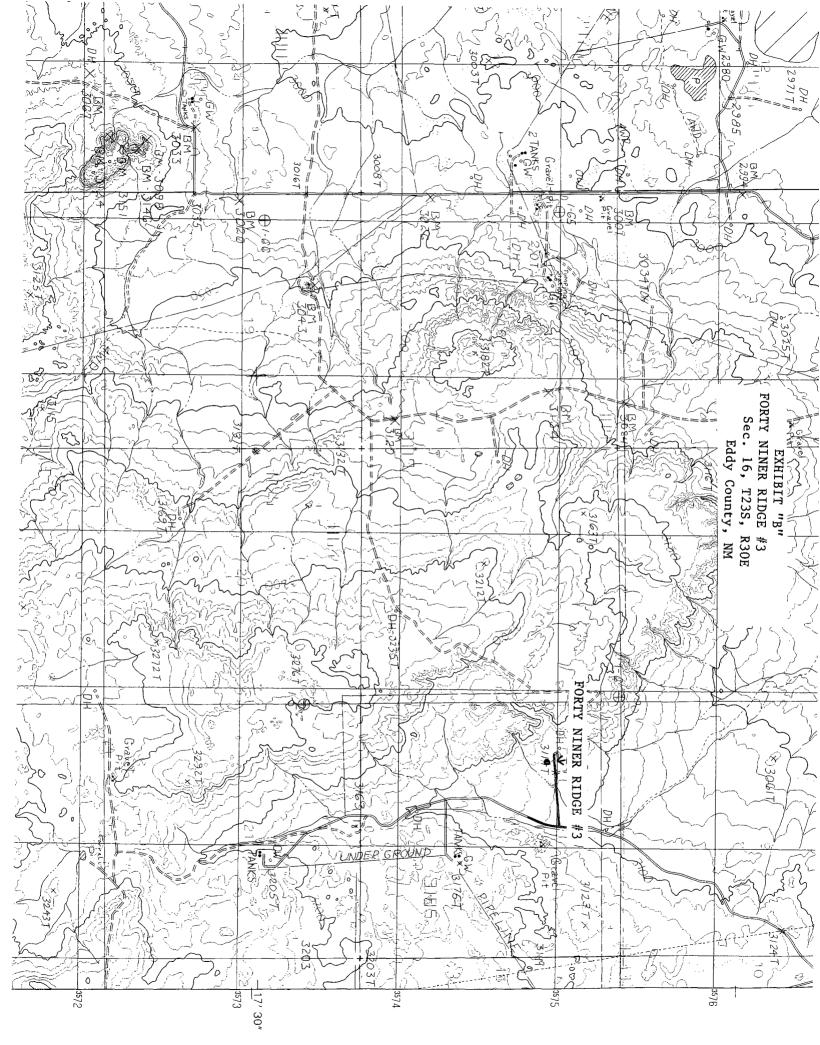
> 3000 # PSI WORKING PRESSURE BLOWOUT PREVENTER HOOK-UP

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 protected to be in integer of the pumps are to be connected to the pumps are to be connected to the hydroulic operating system which is to be a closed system. (2) Accumulators with a precharge of nitrogen of not less than 750 SSI 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 second; after closure, the remaining accumulator great less is not be solditional source 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 monitald 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 pressive reducer and regulator must be provided for operating the Hydril preventer. When requested, a social pressure reducer shall be available to limit operating fluid pressures to ram preventen. 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 matal stands and adequately anchored. The choke flow line, relief line, and choke lines shall be constructed as straight of possible and without sharp bonds. Easy and sofe access is to be maintained to the choke manifold. If decard necessary, walkways and stalways shall be exerted 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 stan 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



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| " Laguna Salado So. Ut."<br>U.S.   |   | Cherran W. (Walissa) Cherran W. (Walissa) (Texocoff W. (Walissa) (Texocoff W. (Walissa) (Texocoff W. (Walissa)   | Ramuda Basm 51.  | .1   | Strato SR 104965<br>El Pasa Expl 1 Forty Niner<br>0C441 Ridge Unit"  | t, Sharation<br>Forty Marr<br>Tridge Up   | 3  |                  |
| Echo Prod.<br>12 - 1 - 2010<br>1055-7<br>1905-7  | The Allor Co.<br>12.1.2009<br>10.563<br>155.02  | XTOEn Expl. XTOEn Expl. Richardson Gils etai, 1/2 all sec.   |  | Sow.   | State  | СОВ ОЕ, G<br>НВР<br>81 4.2 2.   | ConocoPhilips<br>  HBP<br>  CS4.6.316  |                  |
| Chesopedae Erpl.) EXXONMOBIL, (OPER) 27  |   | ) En   | - Margarda<br>C. C. S.   | Sonia Reber<br>Charger Fed 29  | COG OF, OF 1887  | 22  | 26 26 Poge Prod 1/2 (ConscePhillips)   | <del></del>      |
| Exxon<br>Exxon<br>A2 Legund Grande   |   |  | Grand Constitution (CTT)   |  |  | L 3.  | Physical danum<br>official<br>`••••••••••••••••••••••••••••••••••••  |                  |
| ExxonMobil<br>HBP<br>86024   | 0,020   | (Richardson Oils, etal)<br>XTO En 1/2<br>E 5894<br>HBP   | COG OE G<br>STOE 3 92180 4<br>SGS 5 7<br>SGS 5 7<br>SGS 7 7<br>SGS 7 7<br>SGS 7 7  | 137 Boss Errt.<br>Pico HBP<br>E 5229   | Bassent, The W.A. Hudson, etal (Bettis) C. Man Hudson, etal (Bettis) C. Man Beylet, (Wa) agestage Power Lit. Ut.   | Conf'l.<br>4-1-5'z<br>02885<br>(?)  | Page Prod 12<br>Concophilips<br>0591277  |                  |
| ¥.   | X ukuj, etal. (Chesaposhe Espl.) 01554 esigni<br>10314: 35 [ngc]yl  | 36   | Remode Solution  | 9,140<br>9777<br>32<br>141 186   |  | ***   | 32   |                  |
| U.s.   | Innoulement Red Southernisht  | Alessent Assential Arenius Are | 10 78 4 161<br>*<br>State  | 165 " P  | u.s.   | 77  | us.  | _                |
| 39 61 6 39 64 3 39,67 2 39,70 1)<br>Yates Pet, etal  | 13970 4139 66 3139.62 2139 54<br>3 748 David Ener   | 19960 4 3972 3 3983 2 3994   | so72 / Bass Ent  | 150 3338 4139 36 3139 92 2139 50 1   | 39.90 4140.13 3140.29 2140.46 1<br>Richardson Oils   | 21 12 146 43 3148 15 7145 82<br>Richardson Gil  | 0 24. 21.53 3.42. 8 2.53. 2.53. 3.53 | ή355.            |

## Attachment to Exhibit "C"

# STATUS OF WELLS WITHIN ONE MILE RADIUS

FORTY NINER RIDGE #3 Section 16-23S-30E Eddy County, New Mexico February 2006

| Section 16-T23S-R30E     | Well & #              | <u>Footage</u>        | Status/Formation |
|--------------------------|-----------------------|-----------------------|------------------|
| Strata Production Co.    | FNRU #1               | 1980' FSL & 1980 'FEL | P Delaware       |
| Strata Production Co.    | FNR #3                | 2310' FNL & 1980' FWL | P Delaware       |
| Mewbourne Oil Co.        | FNRU #101             | 660' FSL & 1980' FWL  | Drilling         |
|                          |                       |                       |                  |
| Section 17-T23S-R30E     | Well & #              | <u>Footage</u>        | Status/Formation |
| Pre Ongard Well Operator | Pre Ongard Well<br>#1 | 1980' FSL & 1980' FEL |                  |
| Section 21-T23S-R30E     | <u>Well &amp; #</u>   | <u>Footage</u>        | Status/Formation |
| Strata Production Co.    | FNRU #2               | 1980' FNL & 1980' FEL | P Delaware       |

## STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

Strata Production Company
P. O. Box 1030
Roswell, New Mexico 88202-1030

#### TO WHOM IT MAY CONCERN:

The undersigned, on behalf of Strata Production Company, accepts all applicable terms, conditions, stipulations and restrictions concerning the operations conducted on the leased land or portion thereof as described below:

Forty Niner Ridge #3
API Number 30-015-25454
Township 23 South, Range 30 East

Section 16: SE/4 NW/4 Eddy County, New Mexico Formation: Delaware

Bond: Statewide

Bond Number: OGB-233

STRATA PRODUCTION COMPANY

February 20, 2006

Date

Kelly M. Britt

Production Records