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

Form C-101
May 27, 2004

DEC 28 2007
Submit to appropriate District Office
OCD-ARTESIA

☐ AMENDED REPORT

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

[1] Operator Name and Address	[2] OGRID Number
Strata Production Company P.O. Box 1030, Roswell, New Mexico 88202-1030	21712
	[3] API Number 30 - 015 - 36016

[4] Property Code	[5] Property Name	[6] Well No.
10720	Chaparral State S	#3

[9] Proposed Pool 1	[10] Proposed Pool 2
Outpost; [illegible] Delaware	

[7] Surface Location

UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	32	19-S	29-E		330'	South	330'	West	Eddy

[8] Proposed Bottom Hole Location If Different From Surface

UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Additional Well Information

[11] Work Type Code	[12] Well Type Code	[13] Cable/Rotary	[14] Lease Type Code	[15] Ground Level Elevation
N	O	R	S	3276 GL
[16] Multiple	**[17] Proposed Depth**	**[18] Formation**	**[19] Contractor**	**[20] Spud Date**
	5300'	Delaware		Dec. 31, 2007

Depth to Groundwater	Distance from nearest fresh water well	Distance from nearest surface water
50' or more but less than 100 no 0 pts	Less than 1000' from all other water sources 0 pts	1000' or more 0 pts

Pit Liner: Synthetic ☒ 20 mils thick Clay ☐ Pit Volume10000 bbls Drilling Method:

Closed-Loop System ☐ Fresh Water ☒ Brine ☒ Diesel/Oil-based ☐ Gas/Air ☐

[21] Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
16"	13 3/8"	54.5# J-55	300'	Circ	Circ
11"	8 5/8"	32# J-55	1200'	Circ	Circ
7 7/8"	5 ½"	17# J-55	5300'	270	1000'

[22] Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

BOP Program: A 5000# BOP will installed on 8 5/8" casing and tested daily for operations. (Exhibit #4)
The proposed well will be drilled to depth of 5300'. Mud system will consist of fresh water and salt gel in a lined pit. Logs will be ran from T.D. to the top of 8 5/8" casing at 1200'.

0' to 300' Fresh water, spud mud, lime for PH and LCM as needed for seepage.
300' to 1200' Brine water, lime for PH and LCM as needed for seepage.
1200' to 5300' Fresh water and cut brine, lime for PH and LCM as needed for seepage.
Caustic for PH, Starch for WL control and LCM as needed for seepage

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

Signature. Frank S. Morgan

Printed name: Frank S. Morgan

Title: Vice-President Operations

E-mail Address:

Date. December 10, 2007 Phone: (575) 622-1127

OIL CONSERVATION DIVISION

Approved by: BRYAN G. ARRANT

Title: DISTRICT II GEOLOGIST

Approval Date: DEC 28 2007 Expiration Date: DEC 28 2008

Conditions of Approval Attached ☐

District I
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1301 W. Grand Avenue, Artesia, NM 88210
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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 October 12, 2005
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	3 pool Name
	48900	Outpost; Delaware

4 Property Code	5 Property Name	6 Well Number
	CHAPARRAL STATE	3

7 OGRID No.	8 Operator Name	9 Elevation
	STRATA PRODUCTION COMPANY	3276

10 Surface Location

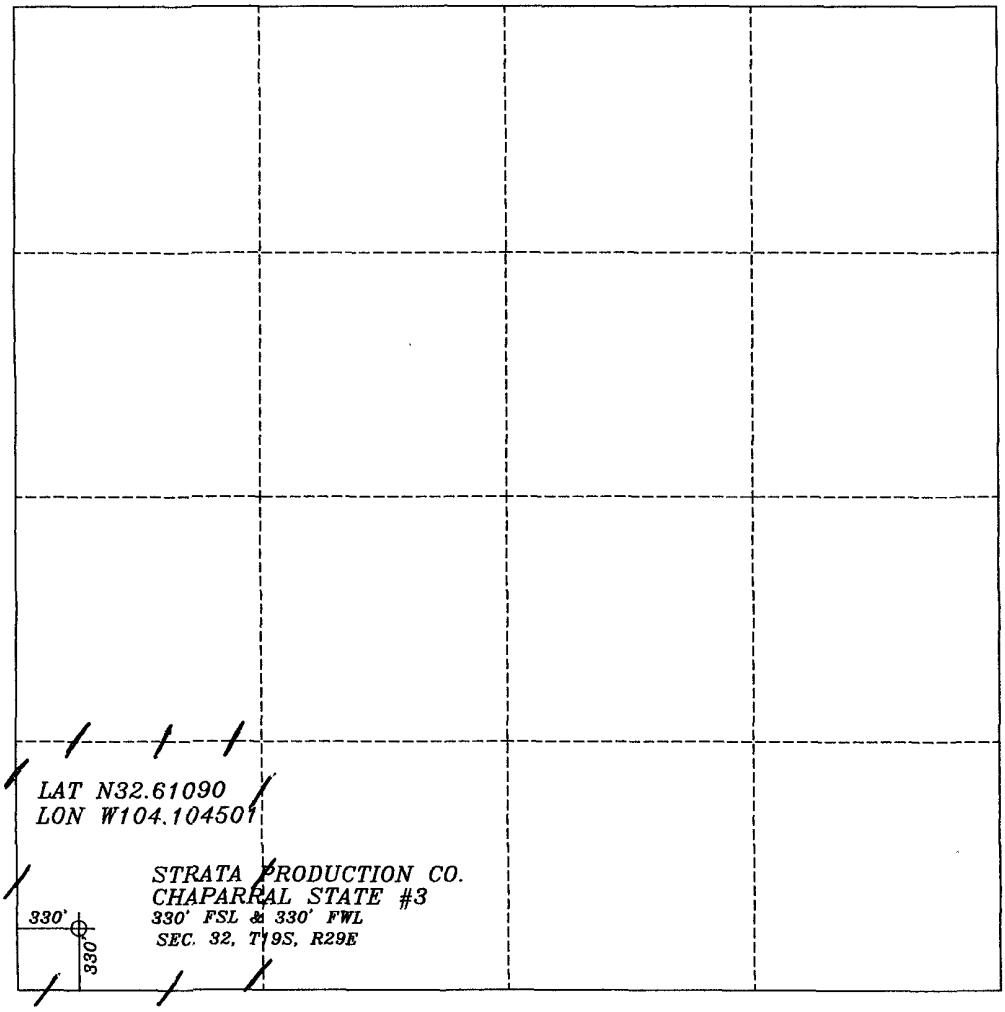
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	32	19-S	29-E		330	SOUTH	330	WEST	EDDY

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

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
40			

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.



17 OPERATORS 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 or unleased mineral 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 mineral or working interest, or to voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Frank S. Morgan 12/20/07
Signature Date

FRANK S. MORGAN
Printed Name

18 SURVEYOR CERTIFICATION SURFACE LOCATION ONLY

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.
Signature and Seal of Professional Surveyor:
OCTOBER 6, 2007
Date of Survey

DAN R. REDDY
NEW MEXICO
5412
REGISTERED PROFESSIONAL ENGINEER
LAND SURVEYOR

Certificate Number: DAN R. REDDY NM PE&PS #5412

Strata Production Company

P.O. Box 1030
Roswell, NM 88203-1030

Prepared: Frank S. Morgan

WELL PROGRAM

WELL NAME: Chapparral State # 3
A.F.E. NO: CH-32-19-29-03

LOCATION:	330' FSL & 330' FWL Sec. 32 T19S - R29E Eddy, Co.
DIRECTIONS:	Directions from Artesia: East on Hwy 82 eight miles and turn right on CR 204. Travel six miles and turn right on CR 206. Travel eight miles to CR 235, left on Curry Comb Rd. Travel four miles to booster station. Turn south on cliché road four miles to location.
ELEVATION:	3276' GL Lat. N32.61090 Lon. W104.104501

FORMATIONS:	DEPTH	SUBSEA	FORMATIONS:	DEPTH	SUBSEA
Surface	0-350'	2926'	San Andres	2790-5180'	(-1905')
Top of Salt	350-990'	2285'	TO B-Spring	5180-TD	(-2025')
Base of Salt	990-1160'	2115'	TD	5300'	(-2025')
Yates	1160-1980'	1295'			
Queen	1980-2280'	995'			
Greyberg	2280-2790'	485'			

SAMPLES:	10' Samples from surface casing to T.D. 5' samples thru shows to T.D.
DRLG. TIME:	1' Drilling time by Geolograph from intermediate casing to T.D.
LOGS:	GR-CNL-LDT-DLL-MSFL Int. to T.D. GR-CNL Surface to T.D.
CORES:	
DST's:	None Planned
REMARKS:	Mud-logger on from Intermediate casing to T.D.
RIG:	

CASING PROGRAM INTERVALS	LENGTH	CASING	BURST	COLLAPSE	TENSION	TORGUE FT-LBS OPTIMUM
SURFACE						
	0-300'	13 3/8" 48# H-40 ST&C	1730	770	322,000	3220
INTERMEDIATE	0-1200'	8 5/8" 24# J-55 ST&C	2950	1370	240,000	2440
NOTE:						
PRODUCTION	0-5300'	5 1/2" 17# J-55 LT&C R-3	5320	4910	247,000	2290

WELLHEAD

AFS Energy Services Jason Mason cell (575) 703-5164

CEMENTING PROGRAM

HOLE SIZE	CASING	DEPTH	%EXCESS	CEMENT	YIELD
SURFACE					
16"	13 3/8"	300'	CIRC	145 sks. 35:65 Cl "C"+ 6% D-20 3 pps D24+ 3% S1+0.025 pps D130 Mix Weight 12.6 PPG	1 99 cuft/sk
				200 sks. Cl "C"+2% S1+0.025 pps D130 Mix Weight 14.8 Mix Water 10.51 gal./sk.	1.34 cuft/sk
INTERMEDIATE					
11"	8 5/8"	1200'	CIRC	170 sks. 35:65 Poz: Cl "C"+5% D44+ 6% D20+0.025 pps D130 Mix Weight 12 6 PPG Mix Water 11.19 gal./sk.	1.34 cuft/sk
				200 sks. Cl "C" + 1% S1+ 0 25 pps D130 Mix Weight 14.8 PPG Mix Water 6.29 gal./sk.	1.33 cuft/sk
PRODUCTION					
7 7/8"	5 1/2"	5300'	30%	415 sks. CemCrete Blend 10/60 (D961/D124)+0.03 gpsb M45+0.05 gpsb D604AM+0 03gpsb D801+ 2% bwob D153 0.125 pps D130 Mix Weight 10.52 PPG Mix Water 9.05 gal./sk.	2.27cuft/sk

CASING EQUIPMENT Float epuipment. P&P Oil Tool Services. Owen Puckett cell (575) 365-8580

SURFACE Insert float, float shoe, 13 3/8" wooden plug, 3 centralizers and 1 limit clamp.

INTERMEDIATE Insert float, float shoe, 6 centralizers, 1 limit clamp and plug.
Set 3 centalizers on bottom. 3 inside 13 3/8" casing.

PRODUCTION Float collar, float shoe, 15 centralizers, 1 limit clamp.

MUD PROGRAM

INTERVAL	WEIGHT		VIS. (SEC)		PH	W.L.(CC)	TYPE MUD AND ADDITIVES
0-300'	8.3-9 0#/gal		34-36 sec		10	NC	Spud with fresh water adding Gel:Lime at a ratio of 10.1 for Vis. At 34-36 sec/ 1000. Paper for seepage. For lost circ. Pump pit of 40 Vis F/W gel: Soda Ash (10:1) containing 12-15#/bbl LCM.
0-1200'	10#/gal		28-30 sec		10	NC	Drill with native fluid/brine. Add Lime for Ph 10 Paper for seepage.
1200'-5300'	10.0#/gal		28-30 sec		10	20 cc	Drill with native fluid from Inter. Add caustic soda for Ph control. At 3500' add starch to reduce filtrate to 20 cc. Adjust vis. To keep hole clean. Csg. Pt. Pump a 100 bbl sweep of 40 vis/20cc around before POH to log and run casing.

NOTIFICATION

NAME	TITLE	OFFICE PHONE	Ext.	HOME PHONE	MOBILE PHONE	FAX
FRANK MORGAN	VICE PRESIDENT	622-1127	14		365-7757	623-3533
MARK MURPHY	PRESIDENT	622-1127				

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
STRATA PRODUCTION COMPANY
CHAPARRAL STATE #3
330' FSL & 330' FWL
Section 32-TI9S-R29E
Eddy County, New Mexico

This plan is submitted with Form C-101 Application for Permit to Drill, Covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved, and the procedures to be followed in restoring the surface so that a complete appraisal can be made of the environmental impact associated with the proposed operations.

1. Existing Roads:

A. Exhibit #3 is a road map showing the location of the proposed well. Exhibit #3A is a topographic map showing the location of the proposed well and access road Existing roads are highlighted in red and proposed roads are highlighted in yellow.
B. Directions to location from Artesia: East on Hwy 82 eight miles and turn right on CR 204. Travel six miles and turn right on CR 206. Travel eight miles to CR 235, turn left, travel to Curry Comb Rd. Travel four miles to booster station. Turn south on cliché road and travel four miles to location.

2. Proposed Access Road:

A. 1600' of new road will be needed.
B. Access to the location will be limited to 16' in width and will adequately drain runoff and control erosion as presently constructed.

3. Location of Existing and/or Proposed Facilities:

A. There are no production facilities on this lease at the present time.
B. In the event that the well is productive, a production facility will be constructed with heater-treater and tank storage.
C. All production vessels left on location will be painted to conform to BLM painting stipulations within 180 days of installation.

4. Location and Type of Water Supply

The well will be drilled with a combination of fresh water and brine water based mud systems. The water will be obtained from commercial suppliers in the area and/or hauled to the location by transport trucks over existing and proposed roads as indicated in Exhibit #3.

5. Source of Construction Materials

All material required for construction of the drilling pad and access roads will be obtained from private, state, or federal pits. The construction contractor will be solely responsible for securing construction materials required for this operation and paying any royalties that may be required on those materials.

6. Methods of Handling Waste Disposal:

A. Drill cuttings not retained for evaluation purposes will be disposed of in the reserve pit.
B. Drilling fluids will be allowed to evaporate in the reserve pit prior to closure.
C. Water produced during operations will be disposed of in the reserve pit.
D. If any liquid hydrocarbons are produced during operations, those liquids will be stored in suitable tanks until sold.
E. Current regulations regarding the proper disposal of human waste will be followed.
F. All trash, junk, and other waste materials will be stored in proper containers to prevent dispersal and will be removed to an appropriate facility within one week of cessation of drilling and completion activities.

7. Ancillary Facilities

There are no ancillary facilities within the immediate vicinity of the proposed well site.

8. Well Site Layout

A A diagram of the drill pad is shown in Exhibit #5. Dimensions of the pad, pits, and location of major rig components are shown.
B. The reserve pit will be lined with a high quality plastic sheeting to prevent migration of fluids.
C. The pad dimension of 350'X 250' has been staked and flagged.

9. Plans for Restoration of Surface

A. Upon cessation of the proposed operations, if the well is abandoned, the location and road will be ripped and re-seeded. The reserve pit area, after allowing to dry will be leveled. The entire location will be restored to the original contour as much as reasonable possible. All trash, garbage, and pit lining will be hauled to appropriate disposal to assure the location is aesthetically pleasing as reasonable possible. All restoration work will be completed within 180 days of cessation of activities.
B. The disturbed area will be restored by re-seeding during the proper growing season.
C. Three sides of the reserve pit will be fenced prior to and during drilling operations. The reserve pit will be fenced on the fourth side after the drilling rig is removed to prevent the endangerment of livestock. The fence will remain in place until the pit area has been leveled and restored.
D. Upon cessation of the proposed operations, if the well is not abandoned, the reserve pit area will be restored as per OCD guidelines. Any additional caliche required for production facilities will be obtained from a source as described in Section 6.
E. Within 90 days of cessation of drilling and completion operations, all equipment not necessary for production operations will be removed. The location will be cleaned of all trash and junk to assure the well site is left as aesthetically pleasing as reasonably possible.

10. Surface Ownership:

JR Engineering & Construction
% Jimmy Ray Richardson
P0 Box 487
Carlsbad, NM 88221

11. Other Information:

A. Topography: Refer to the archaeological report for a detailed description of flora, fauna, soil characteristics, dwellings, and historical or cultural sites.

B. The primary use of the surface at the location is for grazing of livestock.

12. Operator's Representative:

A. Through APD approval, drilling, completion and production operations:

Frank S. Morgan Vice-President Operations
Strata Production Company
P.O. Box 1030
Roswell, New Mexico 88202-1030
575-622-1127

13. Certification

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this 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, its contractors and subcontractors, in accordance with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Date: 12/20/07 Signature: Frank S Morgan

Frank S. Morgan
Strata Production Company
P0 Box 1030
Roswell, New Mexico 88202-1030
(505)622-1127

Hydrogen Sulfide Drilling Operations Plan
Strata Production Company
Chaparral State #3
330' FSL & 330' FWL
Section 32-TI 9S-R29E
Eddy County, New Mexico

1. General Requirements

Rule 118 does not apply to this well because Strata Production Company has researched this area and no high concentrations of H2S were found. Strata Production Company will have on location and working all H2S safety equipment before the Tansill Formation @ 950' for purposes of safety and insurance requirements.

2. Communications

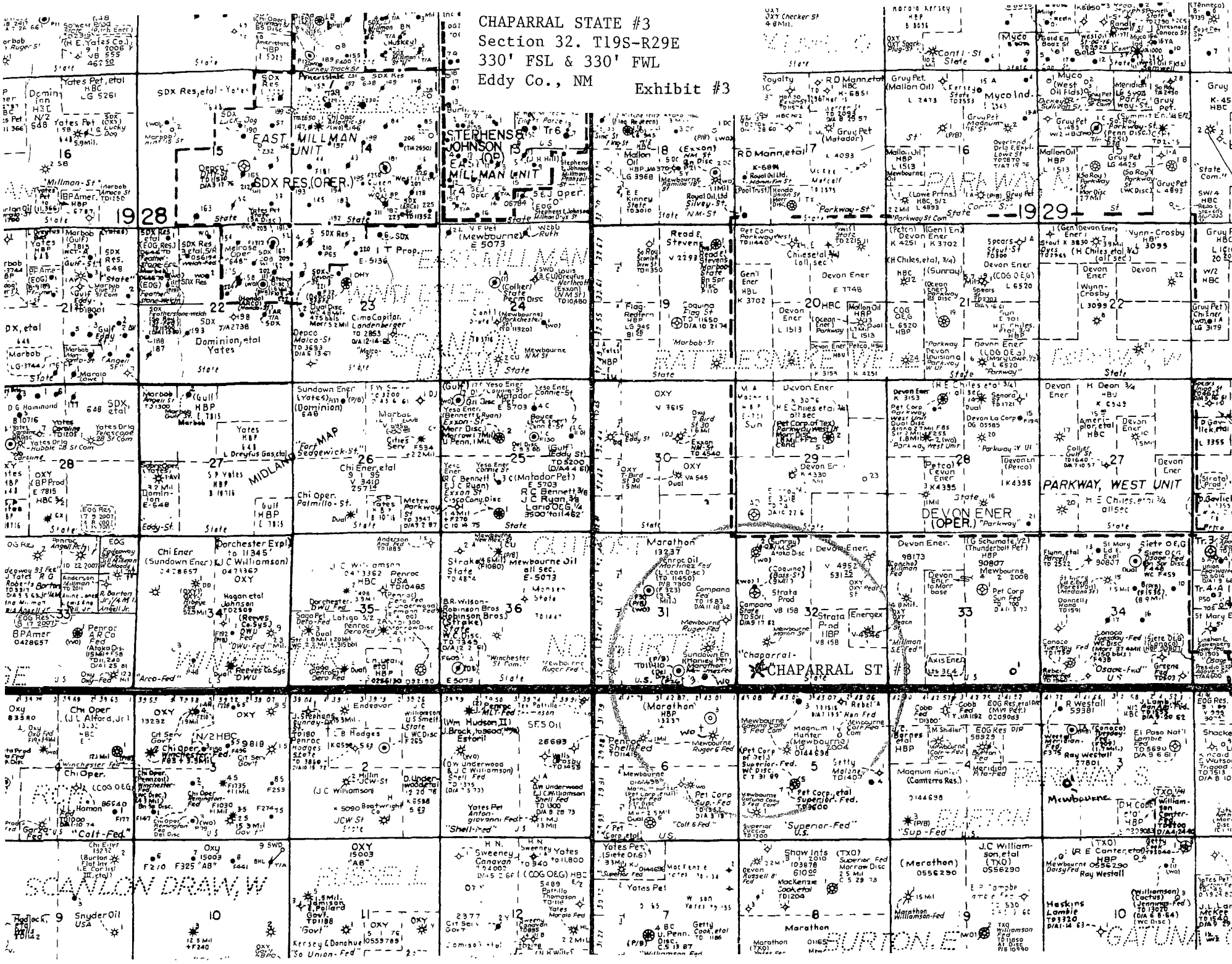
State & County Officials phone numbers are posted on rig floor and supervisors trailer. Communications in company vehicles and toolpushers are either two way radios or cellular phones.

3. Well Testing

Drill stem testing is not an anticipated requirement for evaluation of this well.

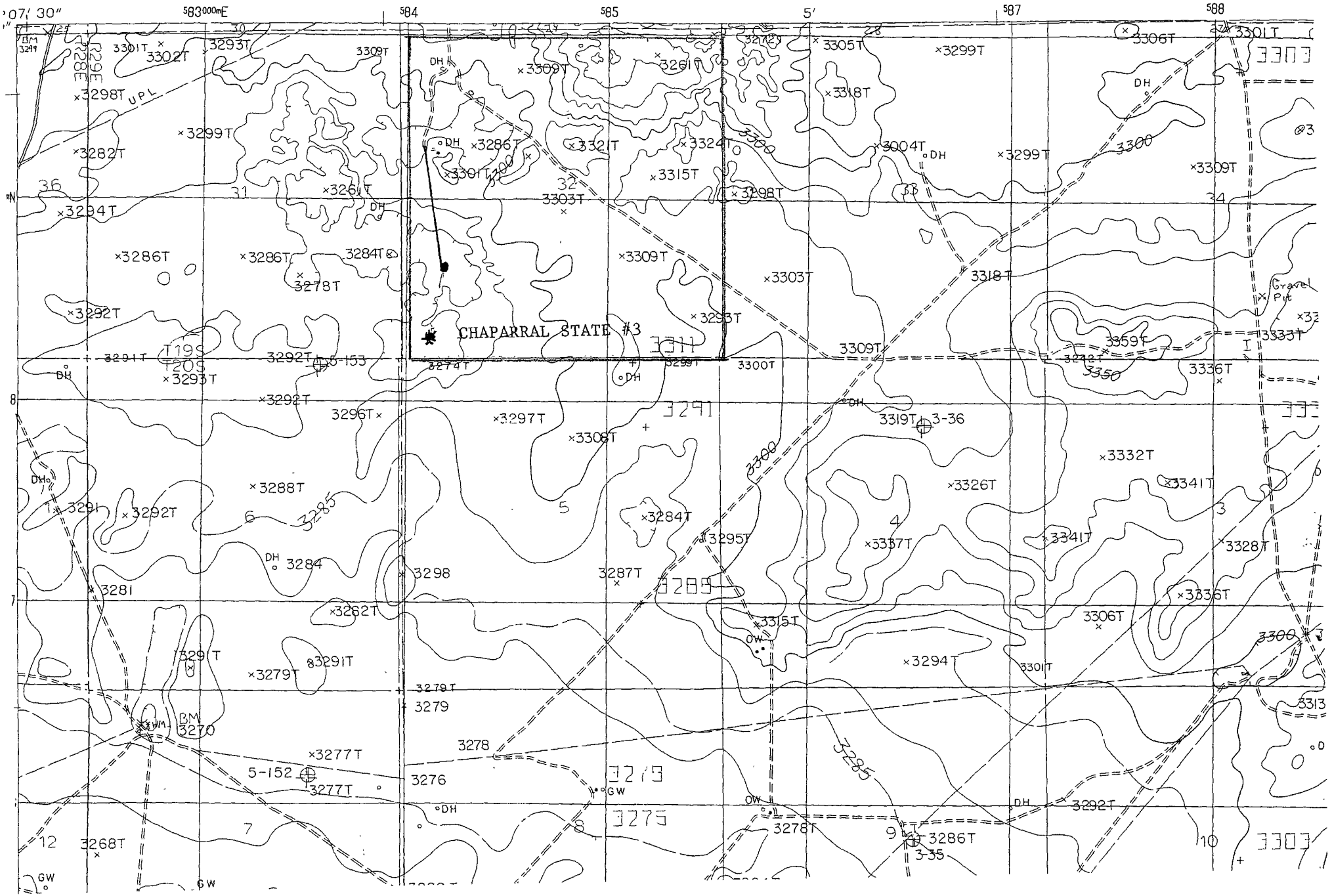
CHAPARRAL STATE #3
Section 32. T19S-R29E
330' FSL & 330' FWL
Eddy Co., NM

Exhibit #3



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

CHAPARRAL STATE #3
Section 32, T19S-R29E
330' FSL & 330' FWL
Eddy Co., NM Exhibit 3-A



Notes Regarding Blowout Preventer
Strata Production Company
Chaparral State #3
330' FSL & 330' FWL
Section 32-TI9S-R29E
Eddy County, New Mexico

1. Drilling nipple (bell nipple) to be constructed so that it can be removed without the use of a welder through the opening of the rotary table, with minimum internal diameter equal to blowout preventer bore.

2. Blowout preventer and all fittings must be in good condition with a minimum 5000 psi working pressure.

3. Safety valve must be available on the rig floor at all times with proper connections to install in the drill string. Valve must be full bore with minimum 5000 psi working pressure.

4. Equipment through which bit must pass shall be at least as large as internal diameter of the casing.

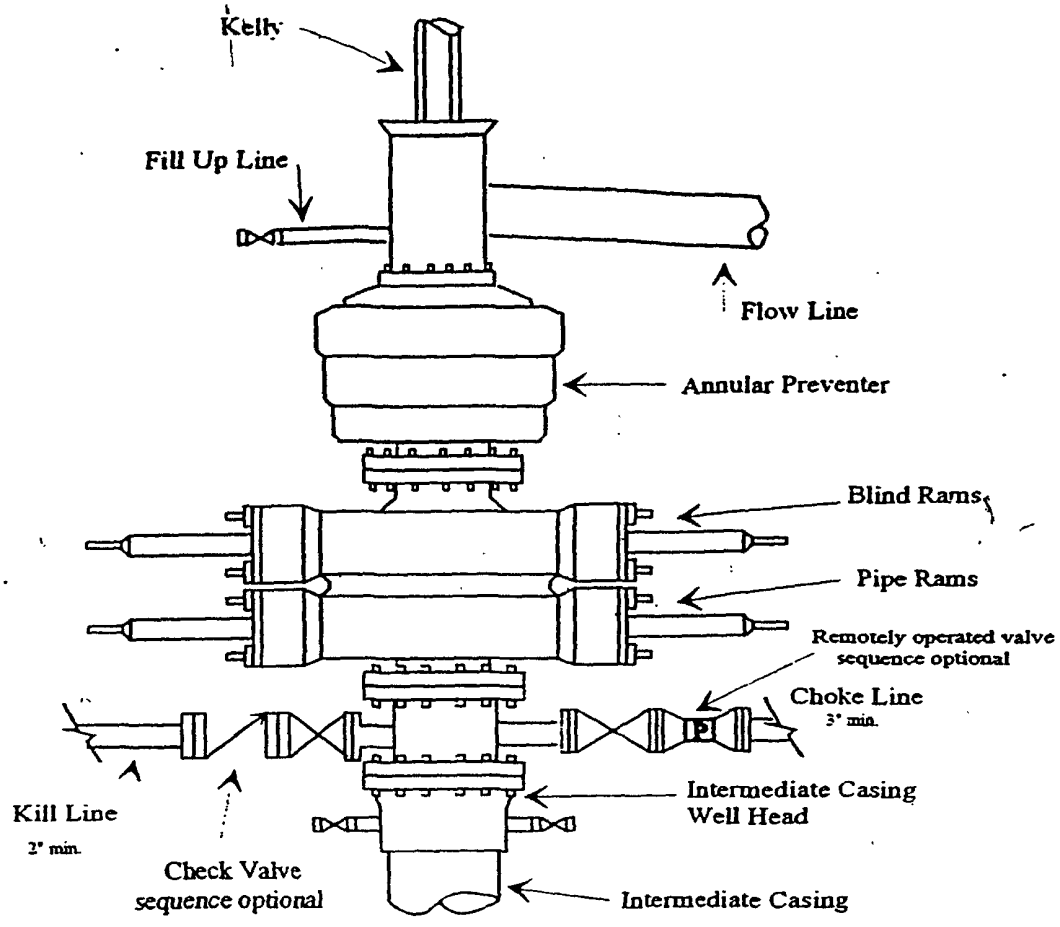
5. A kelly cock shall be installed on the kelly at all times.

6. Blowout preventer closing equipment to include and accumulator of at least 40 gallon capacity, two independent sources of pressure on closing unit, and meet all other API specifications.

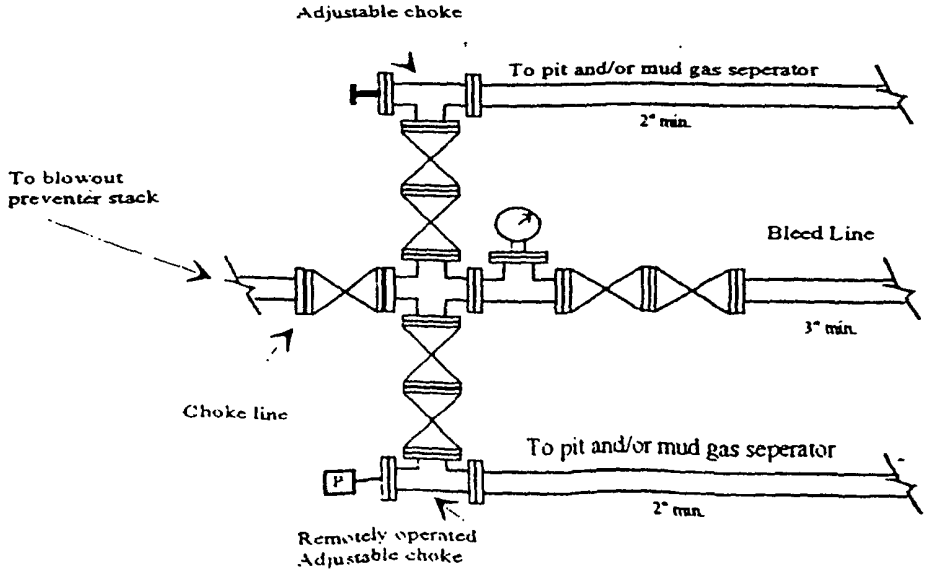
STRATA PRODUCTION COMPANY

(Exhibit #4)

Typical 5,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack



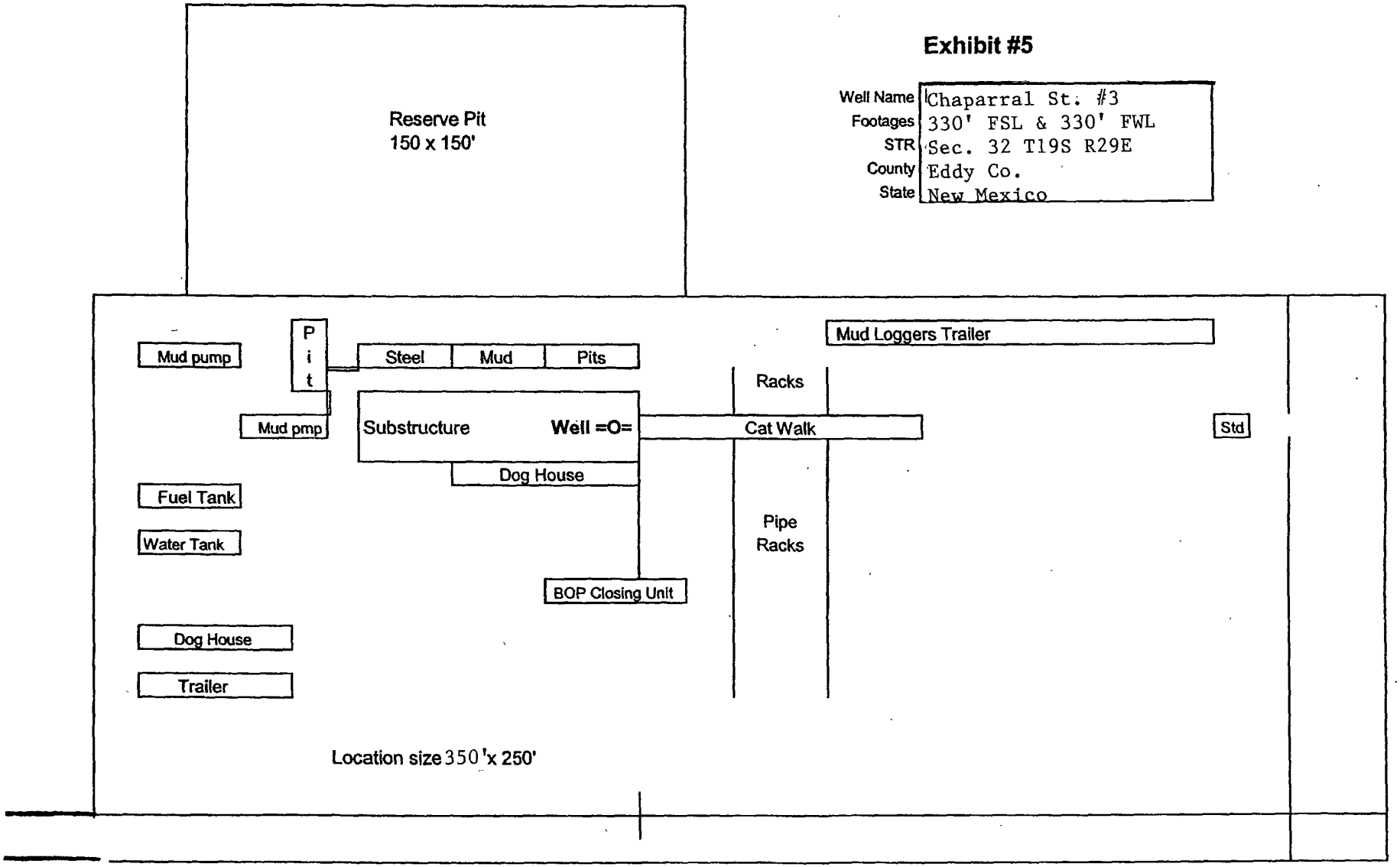
Typical 5,000 psi choke manifold assembly with at least these minimun features



STRATA PRODUCTION COMPANY

Exhibit #5

Well Name	Chaparral St. #3
Footages	330' FSL & 330' FWL
STR	Sec. 32 T19S R29E
County	Eddy Co.
State	New Mexico



Rig Location Schematic