E-06-53

Form 3160-3
(JULY 1989)
(formerly 9-331C)

OCD-HOBBS

CONTACT RECEIVING OFFICE FOR NUMBER OF COPIES REQUIRED (Other instructions on reverse side)

BLM Roswell District
Modified Form No.
NM060-3160-2

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

5. LEASE DESIGNATION AND SERIAL NO.: NM-85939

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

1a. TYPE OF WORK: DRILL [X] DEEPEN [ ] PLUG BACK [ ]

7. UNIT AGREEMENT NAME: API # 30-025-37977

b. TYPE OF WELL: OIL WELL [X] GAS WELL [ ] OTHER — SINGLE ZONE [X] MULTIPLE ZONE [ ]

8. FARM OR LEASE NAME: Colibri Federal (13551)

2. NAME OF OPERATOR: STRATA PRODUCTION COMPANY (21712)

3a. Area Code & Phone No.: 505-622-1127

9. WELL NO.: #2

3. ADDRESS OF OPERATOR: P. O. Box 1030, Roswell, New Mexico 88202-1030

10. FIELD AND POOL, OR WILDCAT: DiamondTail Delaware

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 990' FNL & 330' FEL Unit A
At proposed prod. zone: CARLSBAD CONTROLLED WATER BASIN

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: Section 10-T23S-R32E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 31 miles east of Carlsbad, NM

12. COUNTY OR PARISH: Lea

13. STATE: NM

15. DISTANCE FROM PROPOSED * LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any): 330'

16. NO. OF ACRES IN LEASE: 400

17. NO. OF ACRES ASSIGNED TO THIS WELL: 40.00

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED OR APPLIED FOR, ON THIS LEASE, FT.: 3300'

19. PROPOSED DEPTH: 9200'

20. ROTARY OR CABLE TOOLS: Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3729' GR — Witness Surface Casing

22. APPROX. DATE WORK WILL START*: June 1, 2006

23. PROPOSED CASING AND CEMENTING PROGRAM CB 3/22/06

HOLE SIZE	CASING SIZE	WEIGHT/FOOT	GRADE	THREAD TYPE	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 3/8"	48#	H-40	8 RD STC	~~595'~~ 1210'	700 SX, Circ
11"	8 5/8"	32#	J-55	8 RD LTC	4700'	2050 SX, Circ
7 7/8"	5 1/2"	17#	N-80	8 RD LTC	9200'	600 SX

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

NMOCD Form C-102 Well Location and Acreage Dedication Plat
Hole Prognosis
Surface Use and Operating Plan
H2S Drilling Operations Plan
Exhibit "A" Equipment Description
Exhibit "B" Planned Access Roads
Exhibit "C" One Mile Radius Map
Exhibit "D" Drilling Rig Layout Plan
Pit or Below-Grade Tank Registration or Closure
Statement Accepting Responsibility for Operations
Archaeological Report

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

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

24.

SIGNED Kenny Britt TITLE Production Records DATE 02/21/06

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY /s/ James Stovall TITLE FIELD MANAGER DATE JUN 22 2006

CONDITIONS OF APPROVAL, IF ANY:

APPROVAL FOR 1 YEAR

*See Instructions On Reverse Side

F3160-3.WK1

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

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

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

[1] API Number	[2] Pool Code	[3] Pool Name
30-025-37977	12647	Diamondtail Delaware

[4] Property Code	[5] Property Name	[6] Well Number
13551	COLIBRI FEDERAL	2

[7] OGRID No.	[8] Operator Name	[9] Elevation
21712	STRATA PRODUCTION CO.	3714

[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
A	10	23-S	32-E		990	NORTH	330	EAST	LEA

[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 Acre	[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.

[16]

990'
330'

LAT N32.32372
LON W103.65499

[17] OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Kelly M Britt — 11/21/05
Signature — Date

Kelly M. Britt
Printed Name

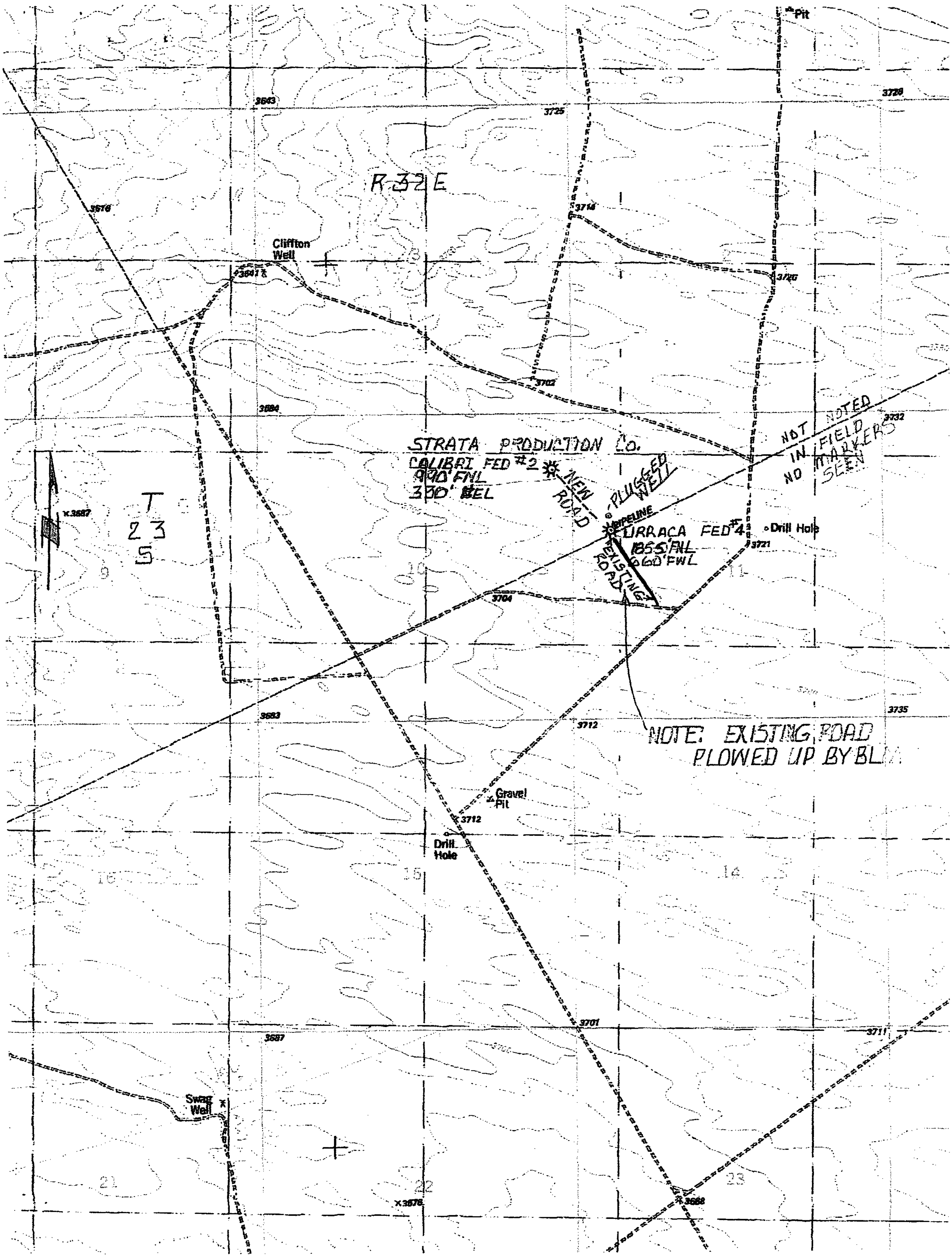
[18] SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

OCTOBER 27, 2005
Date of Survey

DAN R. REDDY NEW MEXICO 5412 REGISTERED PROFESSIONAL ENGINEER AND LAND SURVEYOR
Signature and Seal of Professional Surveyor:

Certificate Number
DAN R. REDDY NM PE/PS #5412



Pit
3729
3643
3725
R 32 E
3676
3714
Cliffton Well
3641
4
3
2
3726
3702
3684
3732
NOT NOTED IN FIELD
NO MARKERS SEEN
STRATA PRODUCTION Co.
CALIBRI FED #2
990' FNL
330' FEL
NEW ROAD
PLUGGED WELL
PIPELINE
T 23 S
URRACA FED #4
1855' FNL
660' FWL
Drill Hole
3721
EXISTING ROAD
9
10
11
3704
3735
3683
3712
NOTE: EXISTING ROAD PLOWED UP BY BLM
Gravel Pit
3712
Drill Hole
16
15
14
3701
3687
3711
Swag Well
21
22
23
3676
3668

HOLE PROGNOSIS
FORM 3160-3 APPLICATION FOR PERMIT TO DRILL
STRATA PRODUCTION COMPANY
COLIBRI FEDERAL #2
990' FNL & 330' FEL
SECTION 10-23S-32E
LEA COUNTY, NEW MEXICO

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

1. Geologic Name of Surface Formation:

Permian

2. Estimated Tops of Geologic Markers:

Rustler	1200'	Brushy Canyon	7040'
Base of Salt	3525'	Bone Spring	8785'
Lamar Lime	4900'	First BS Sand	8960'
Cherry Canyon	5970'	TD	9200'

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

Surface	150'	Fresh Water
Delaware	4900' - 8785'	Oil or Gas

No other formations are expected to produce oil, gas or fresh water in measurable quantities. The surface fresh water sands will be protected by setting 13 3/8" casing at 595' and circulating cement back to surface. Any shallower zones above TD which contain commercial quantities of oil and/or gas will have cement circulated across the zone by inserting a cementing stage tool into the 5 1/2" production casing which will be run at TD.

4. Casing Program:

Hole Size	Interval	OD csg	Weight, Grade, Jt. Cond, Type
17 1/2"	~~595'~~ 1210'	13 3/8"	48#, H-40, ST&C, New
11"	4700'	8 5/8"	32#,24# J-55, LT&C,ST&C New
7 7/8"	9200'	5 1/2"	17#, N-80, LT&C, New

Cementing Program:

Surface Casing:	13 3/8" casing will be set at approximately 595' and cemented with approximately 700 sacks of Premium Plus w/5# D-42, 1/4# D-29 & 2% CaCl. The amount could be adjusted depending upon the fluid caliper results, however, cement in sufficient quantities to circulate will be utilized.
Intermediate Casing:	8 5/8" casing will be set at approximately 4700' and cemented with approximately 1850 sacks of 35/65 Poz "C", 15# sacks D-44, 1/4# D-29 & 2% D-46, 6% D-20, 200 sacks "C" w/15# D-44 & 2% CaCl. The amount could be adjusted dependent upon fluid caliper results, however, cement in sufficient quantities to circulate will be utilized.
Production Casing:	If appropriate, 5 1/2" casing will be set at Total Depth and cemented with 600 sacks CemCrete w/39/61 (TOC at 1500'), D961/D124, 1% D153, .25 PPS D29, .05 GPSB D604AM, .03 GPSB M45, .15 GPSB D801. Strata utilizes cement in sufficient quantities to bring the cement into the 8 5/8" intermediate casing.

5. Minimum Specifications for Pressure Control:

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

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

6. Types and Characteristics of the Proposed Mud System:

eB 3/22/06 0' to ~~595'~~ 1210'	Native mud consisting of fresh water and native muds are used for drilling purposes.
1210' ~~595'~~ to 4700'	Brine water purchased from commercial sources will be utilized.
4700' to 9200'	Brine and fresh water purchased from commercial sources will be utilized. Salt gel will be used to build viscosity.

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

7. Auxiliary Well Control and Monitoring Equipment:

A. A kelly cock will be kept in the drill string at all times.

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

8. Testing, Logging and Coring Program:

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

Mudlogging unit will be employed from approximately 4700' (Top of Delaware) to 9200' (Total Depth). The Dual Laterolog will be run from TD back to the intermediate casing and the Compensated Neutron/Density Log will be run from TD back to surface. In some cases, Strata elects to run rotary sidewall cores from selected intervals from approximately 4700' to 9100' dependent upon logging results.

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

No abnormal pressures or temperatures are anticipated.

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

Strata has drilled and completed six (6) wells in the immediate area. To date, Hydrogen Sulfide has not been encountered . However, if Hydrogen Sulfide is encountered, a Hydrogen Sulfide alarm on the drilling rig would be activated. All personnel have had Hydrogen Sulfide training and appropriate breathing apparatus is located on site. If necessary, the well can be shut in utilizing the blow out preventer and other equipment to prevent the migration of Hydrogen Sulfide to the surface.

10. Anticipated Starting Date and Duration of Operations:

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

STRATA PRODUCTION COMPANY

H_2S 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_2S on metal components in the system. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
2. Corrective action and shut-down procedures when drilling or reworking a well, blowout prevention and well control procedures, if the nature of work performed involves these items.
3. The contents and requirements of the contingency plan when such plan is required.

C. All personnel will be required to carry documentation of the above training on their person.

II. H_2S 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_2S detection alarm equipment both audio and visual.
3. Clearly visible warning signs as seen on the attached diagram. Signs will use the words "POISON GAS" and "CAUTION" with a strong color contrast.
4. Protective breathing equipment will be located in the dog house and at briefing areas as seen in the attached Diagram.

B. WELL CONTROL SYSTEMS

1. Blowout Prevention Equipment

Equipment includes but is not limited to:

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

2. Communication

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

3. Mud Program

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

4. Drill Stem Test intervals are as follows:

a. None planned

III. WELLSITE DIAGRAM

A. A complete wellsite diagram including the following information is attached.

1. Rig orientation
2. Terrain
3. Briefing areas
4. Ingress and egress
5. Pits and flare lines
6. Caution and danger signs
7. Wind indicators and prevailing wind direction

EXHIBIT "A"

EQUIPMENT DESCRIPTION

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

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

NOTES:

1). Items 3,4 and 8 may be replaced with double ram type preventer with side outlets between the rams.

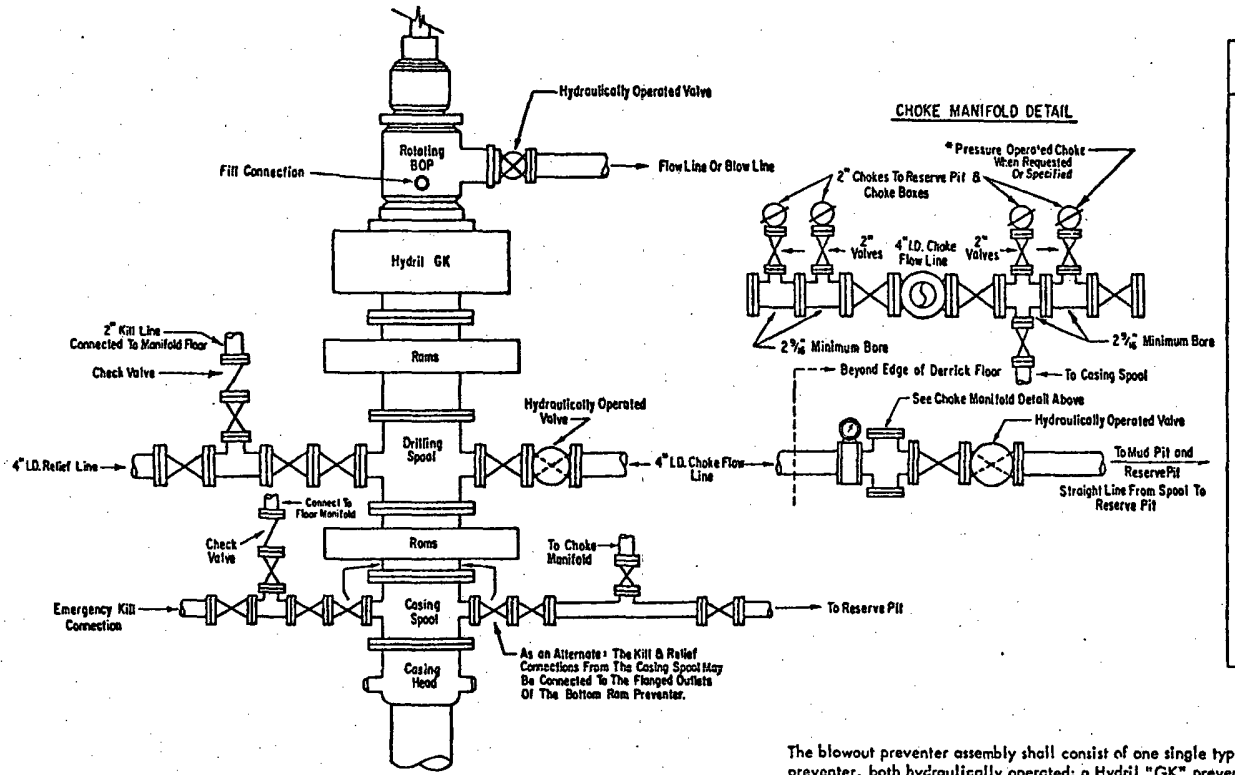
2). The two valves next tho the stack on the fill and kill line to be closed unless drill string is being pulled.

3). Kill line is for emergency use only. This connection shall not be used for filling.

4). Replacement pipe rams and blind rams shall be on location at all times.

5). Only type U, LSW and QRC ram type preventers with secondary seals are acceptable for 5000 psi WP and higher BOP stacks.

6). Type E ram-type BOP's with factory modified side outlets may be used on 3000 psi or lower WP BOP stacks.



3000# PSI WORKING PRESSURE BLOWOUT PREVENTER HOOK-UP

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

Minimum operating equipment for the preventers and hydraulically operated valves shall be as follows: (1)Multiple pumps, driven by a continuous source of power, capable of fluid charging the total accumulator volume from the nitrogen precharge pressure to its rated pressure within_____ minutes. Also, the pumps are to be connected to the hydraulic operating system which is to be a closed system. (2) Accumulators with a precharge of nitrogen of not less than 750 PSI and connected so as to receive the aforementioned fluid charge. With the charging pumps shut down, the pressurized fluid volume stored in the accumulators must be sufficient to close all the pressure-operated devices simultaneously within_____ seconds; after closure, the remaining accumulator pressure shall be not less than 1000 PSI with the remaining accumulator fluid volume at least_____ percent of the original. (3) When requested, an additional source of power, remote and equivalent, is to be available to operate the above pumps; or there shall be additional pumps operated by separate power and equal in performance capabilities.

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

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

* To include derrick floor mounted controls.

EXHIBIT "B"
PLANNED ACCESS ROADS
COLIBRI FEDERAL #2
Sec. 10, T23S, R32E
Lea Co., NM

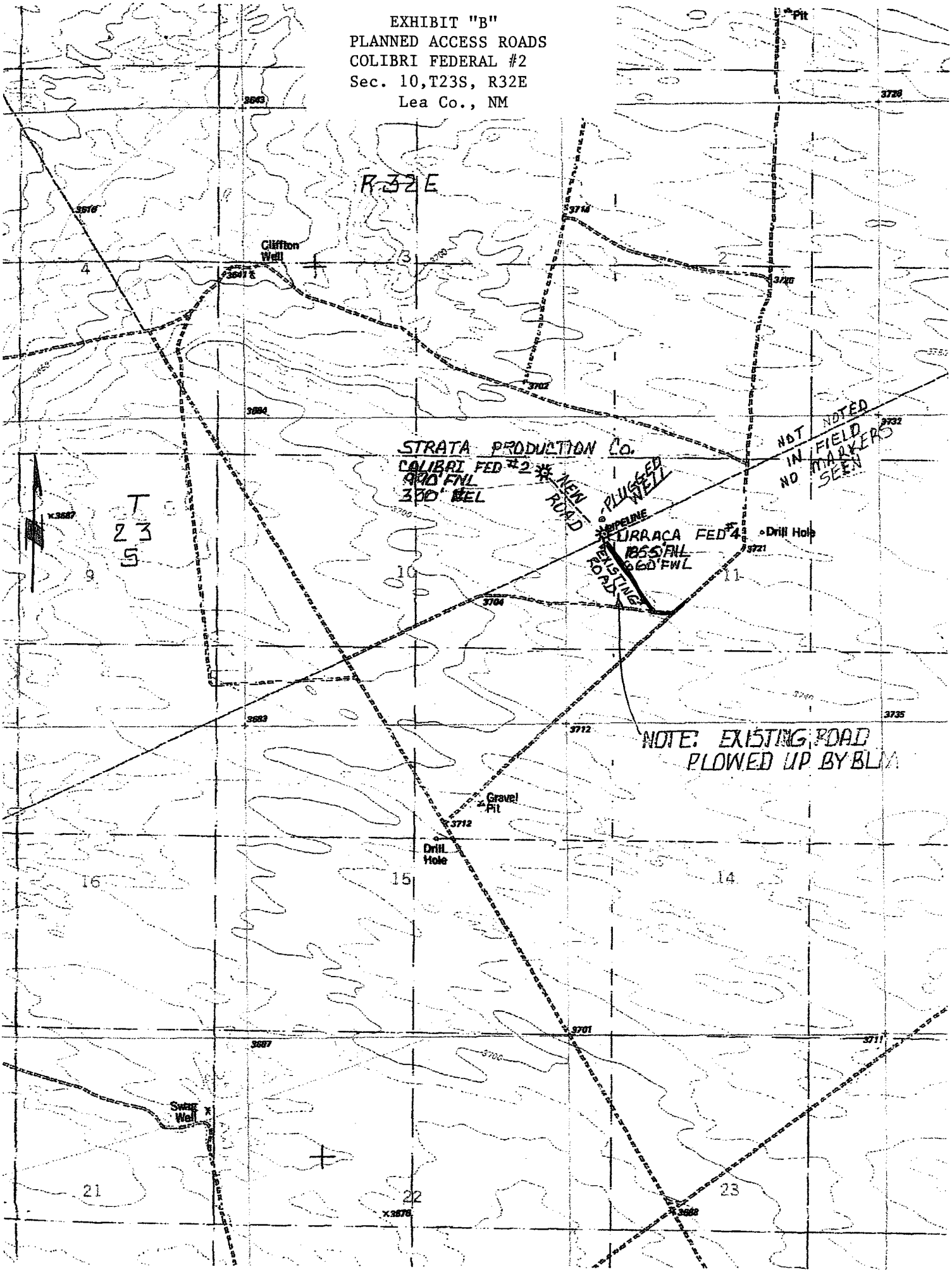
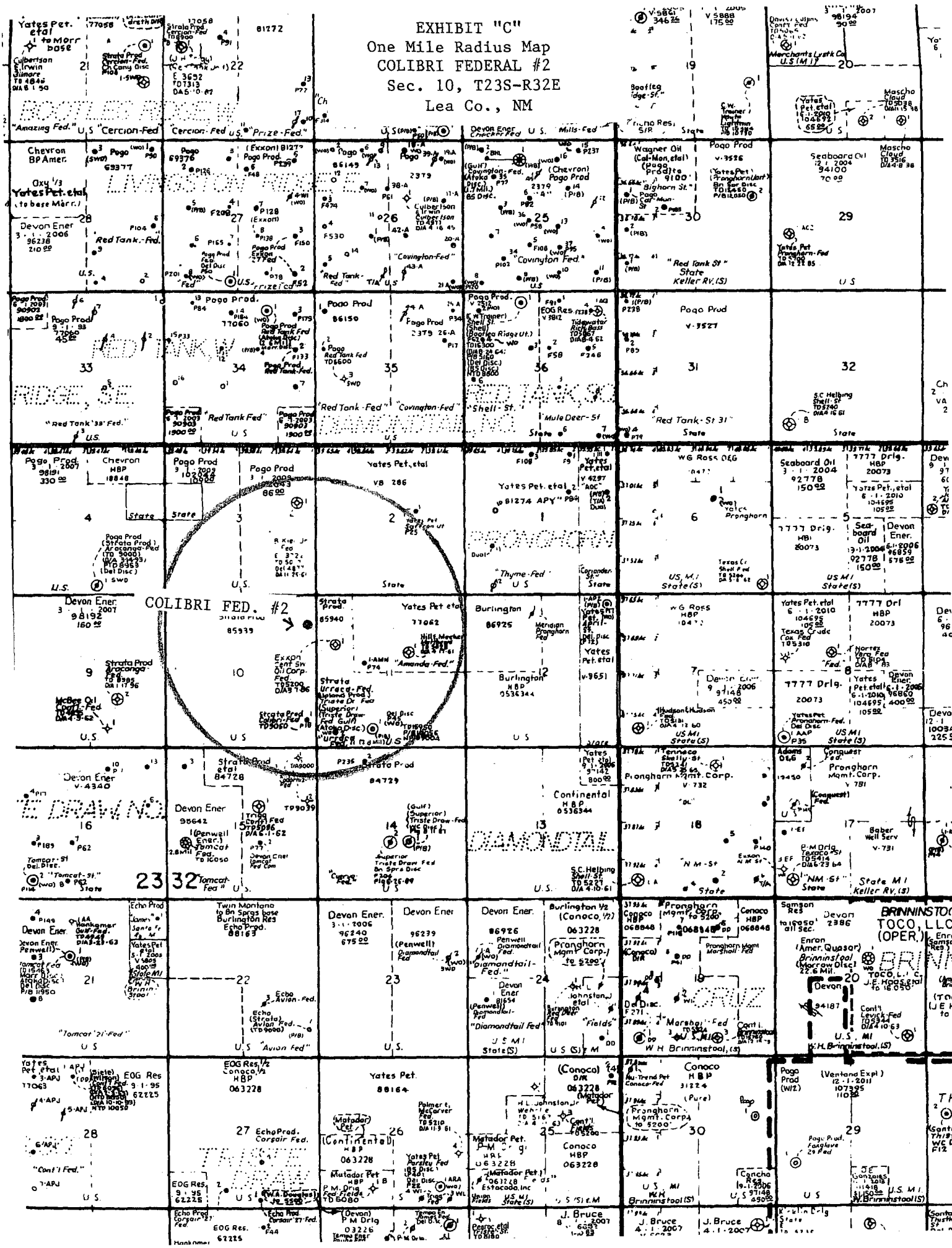


EXHIBIT "C"
One Mile Radius Map
COLIBRI FEDERAL #2
Sec. 10, T23S-R32E
Lea Co., NM



Attachment to Exhibit "C"

STATUS OF WELLS WITHIN ONE MILE RADIUS

COLIBRI FEDERAL #2
Section 10-T23S-R32E
Lea County, New Mexico
January, 2006

Section 10-T23S-R32E	Well #	Footage	Status/ Formation
Pre-Ongard Operator	Pre-Ongard Well #1	660' FNL & 330' FEL	
Strata Production Co.	Colibri Federal #1	990' FSL & 330' FEL	
Section 3-T23S-R32E			
Pre-Ongard Operator	Pre-Ongard Well #1	1980' FNL & 660' FEL	
Yates Petroleum Corp.	Freida AFR Federal #1	660' FNL & 860' FEL	
Yates Petroleum Corp.	Freida AFR Federal #2	1980' FNL & 1980' FEL	
Yates Petroleum Corp.	Freida AFR Federal #3	330' FNL & 990' FWL	
Section 2-T23S-R32E			
Yates Petroleum Corp.	Saffron AON State #1	2310' FNL & 1650' FEL	
Section 11-T23S-R32E			
Pre-Ongard Operator	Pre-Ongard Well #1	1980' FNL & 1980' FEL	
Strata Production Co.	Urraca Federal #1	660' FSL & 1980' FWL	
Pre-Ongard Operator	Pre-Ongard Well #1	1680' FNL & 660' FWL	
Pre-Ongard Operator	Pre-Ongard Well #1	1850' FSL & 660' FWL	
Strata Production Co.	Urraca Federal #2	560' FSL & 660' FWL	
Yates Petroleum Corp.	Amanda AMN Fed. #2	990' FNL & 1650' FWL	
Yates Petroleum Corp.	Amanda AMN Fed. #1	2310' FNL & 1650' FWL	
Section 14-T23S-R32E			
Strata Production Co.	Cuervo Federal #2	460' FNL & 1650' FWL	
Section 15-T23S-R32E			
Strata Production Co.	Codorniz Federal #1	330' FNL & 660' FEL	

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:

COLIBRI FEDERAL #2
Federal Lease Number NM-85939
Township 23 South, Range 32 East
Section 10: S/2NE,NENE
Lea County, New Mexico
Formation: DiamondTail Delaware
Bond: Statewide
Bond Number: OGB-233

STRATA PRODUCTION COMPANY

February 21, 2006
Date

Kelly M. Britt
Production Records

CONDITIONS OF APPROVAL - DRILLING

Operator's Name:	**STRATA PRODUCTION COMPANY**
Well Name & No.	**2 – COLIBRI FEDERAL**
Location:	**990' FNL & 330' FEL – SEC 10 – T23S – R32E – LEA COUNTY**
Lease:	**NM-85939**

I. DRILLING OPERATIONS REQUIREMENTS:

A. The Bureau of Land Management (BLM) is to be notified a minimum of 4 hours in advance for a representative to witness:

1. Spudding (Setting of a conductor pipe does not constitute the spudding of a well)
2. Setting and/or Cementing of all casing strings
3. BOPE tests

- Eddy County call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822
- Lea County call the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612

B. A Hydrogen Sulfide (H2S) Drilling Plan should be activated 500 feet prior to drilling into the **Delaware and Bone Spring** formations at approximately **4900 and 8700** feet, respectively..

C. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

II. CASING:

A. The **13-3/8** inch surface casing shall be set at **1210** **feet** and cemented to the surface.

1. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey (an electronic type temperature survey will be used) or cement bond log shall be run to verify the top of the cement.
2. Wait on cement (WOC) time for a primary cement job will be a minimum of 12 hours for a non-water basin, 18 hours for a water basin, or 24 hours in the potash area.
3. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours or 500 psi compressive strength (which ever is greater) after bringing cement to surface.
4. If cement falls back, remedial action will be done prior to drilling out that string.

B. The minimum required fill of cement behind the **8-5/8** inch intermediate casing is **cemented to the surface.**
If cement does not circulate or falls back see Items II, A. 1,2,3,4

C. The minimum required fill of cement behind the **5-1/2** inch production casing is **tie back cement 200 feet into the 8-5/8 inch intermediate casing.**

D. No "new" hardband drill pipe will be rotated inside the casing. Hardband drill pipe will be considered new until it has a smooth surface.

III. PRESSURE CONTROL:

A. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53.

B. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface shoe shall be **2M** psi.

C. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the **8-5/8** casing shoe shall be **3M** psi.

D. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

1. The tests shall be done by an independent service company.
2. The results of the test shall be reported to the appropriate BLM office.
3. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.
4. The BOP/BOPE test shall include a low pressure test in accordance with API RP 53. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.
5. A variance to test the **surface casing and BOPE** to the reduced pressure of **1000** psi with the rig pumps is approved.

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-144
June 1, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes [x] No [ ]
Type of action: Registration of a pit or below-grade tank [xx] Closure of a pit or below-grade tank [ ]

Operator: Strata Production Company Telephone: 505-622-1127 e-mail address: kbritt@stratanm.com
Address: P. O. Box 1030 Roswell, NM 88202-1030
Facility or well name: Colibri Federal #2 API #: 30-025-37977 U/L or Qtr/Qtr A Sec 10 T 23S R 32E
County: Lea Latitude N32.32372 Longitude W103.65499 NAD: 1927 [ ] 1983 [ ]
Surface Owner: Federal [XX] State [ ] Private [ ] Indian [ ]

Pit	Below-grade tank	
Type: Drilling [X] Production [ ] Disposal [ ] Workover [ ] Emergency [ ] Lined [X] Unlined [ ] Liner type: Synthetic [X] Thickness 12 mil Clay [ ] Pit Volume 10715 bbl	Volume: ____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes [ ] If not, explain why not.	
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.) 440'	Less than 50 feet 50 feet or more, but less than 100 feet (100 feet or more)	(20 points) (10 points) (0 points)
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes (No)	(20 points) (0 points)
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet 200 feet or more, but less than 1000 feet (1000 feet or more)	(20 points) (10 points) (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) Indicate disposal location: (check the onsite box if your are burying in place) onsite [ ] offsite [ ] If offsite, name of facility_____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No [ ] Yes [ ] If yes, show depth below ground surface_____ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments:

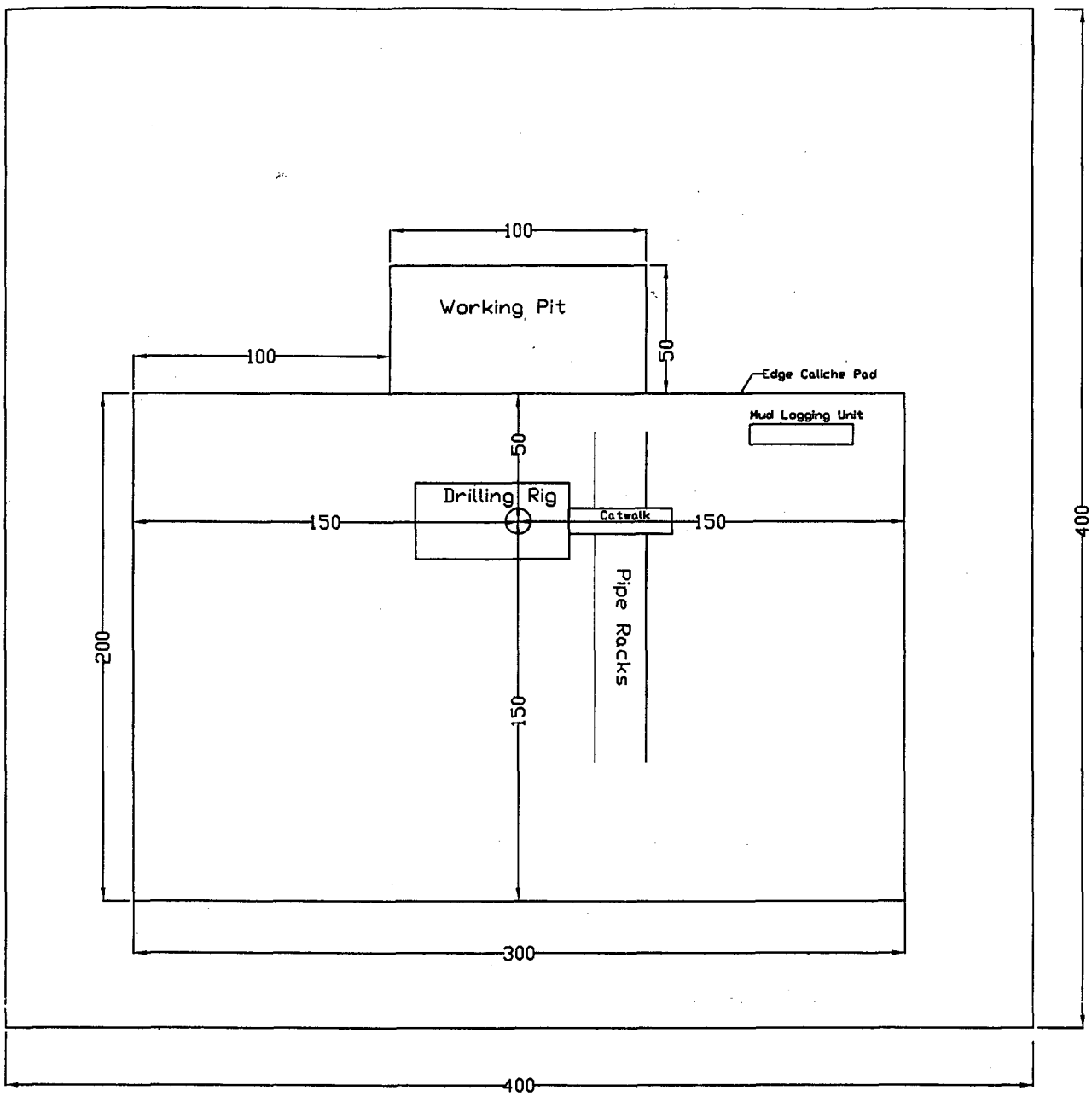
I hereby certify that the information above is true and complete to the best of my knowledge and belief. **I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines [ ], a general permit [ ], or an (attached) alternative OCD-approved plan [ ].**

Date: 2/22/06
Printed Name/Title Kelly M. Britt - Production Records Signature Kelly M Britt

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:
Printed Name/Title PETROLEUM ENGINEER Signature _____ Date: _____

JUN 27 2006



Strata Production Company

Drilling Rig Layout Plan

COLIBRI FEDERAL #2
Section 10, T23S, R32E
990' FNL & 330' FEL
Lea County, NM

25 Ft.

EXHIBIT "D"

BAS 10-19-05

The sender of this message has requested a read receipt. Click here to send a receipt.

Mull, Donna, EMNRD

From: Phillips, Dorothy, EMNRD **Sent:** Tue 6/27/2006 8:07 AM
To: Mull, Donna, EMNRD
Cc:
Subject: RE: Financial Assurance Requirement
Attachments:

These do not appear on Jane's list and all have blankets.

From: Mull, Donna, EMNRD
Sent: Tuesday, June 27, 2006 8:03 AM
To: Phillips, Dorothy, EMNRD
Cc: Macquesten, Gail, EMNRD; Sanchez, Daniel J., EMNRD
Subject: Financial Assurance Requirement

Dorothy,

Is the Financial Assurance Requirement for these Operators OK?

Strata Production Co (21712)
ConocoPhillips Co (217817)
Chesapeake Operating Inc (147179)
Platinum Exploration Inc (227103)
COG Operating LLC (229137)
Pogo Producing Co (17891)

I have checked each Operator in the Inactive well list.

Please let me know. Thanks and have a nice day. Donna