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

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

5. LEASE DESIGNATION AND SERIAL NO.: NM-85940

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

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

7. UNIT AGREEMENT NAME: API #30-025-37978

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

8. FARM OR LEASE NAME: Urraca Federal (10746)

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

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

9. WELL NO.: #4

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: 1855' FNL & 660' FWL Unit E
At proposed prod. zone:

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

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

Witness Surface Casing

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)	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL
660'	400	40.00
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED OR APPLIED FOR, ON THIS LEASE, FT.	**19. PROPOSED DEPTH**	**20. ROTARY OR CABLE TOOLS**
1295'	9200'	Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3727' GR

22. APPROX. DATE WORK WILL START: June 01,2006

23. PROPOSED CASING AND CEMENTING PROGRAM CB 3/21/06

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:

CARLSBAD CONTROLLED WATER BASIN

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 Kristy Britt TITLE Production Records DATE 02/22/06

(This space for Federal or State office use)

PERMIT NO. APPROVAL DATE

APPROVED BY /s/ James Stovall TITLE Acting 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
30-025-37978	11647	Diamondtail Delaware

[4] Property Code	[5] Property Name	[6] Well Number
10746	URRACA FEDERAL	4

[7] OGRID No.	[8] Operator Name	[9] Elevation
21712	STRATA PRODUCTION CO.	3727

[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
E	11	23-S	32-E		1855	NORTH	660	WEST	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

1855'

660'

LAT N32.32135
LON W103.65179

[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.

NOVEMBER 8, 2005
Date of Survey

Signature and Seal of Professional Surveyor:

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

Certificate Number

DAN R. REDDY NM PE&PS #5412

HOLE PROGNOSIS
FORM 3160-3 APPLICATION FOR PERMIT TO DRILL
STRATA PRODUCTION COMPANY
URRACA FEDERAL #4
1855' FNL & 660' FWL
SECTION 11-23S-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' gps	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:

CB 3/21/06

0' to ~~595~~ 1210'	Native mud consisting of fresh water and native muds are used for drilling purposes.
~~595~~ 1210' 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 G. R., 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.

SURFACE USE PLAN
APPLICATION FOR PERMIT TO DRILL
STRATA PRODUCTION COMPANY
Urraca Federal #4
1855' FNL & 660' FWL
SECTION 11-23S-32E
LEA COUNTY, NEW MEXICO

Submitted with Form 3160-3, Application For Permit to Drill, Deepen, or Plug Back covering the above captioned well. The purpose of the plan is to describe the location, the proposed construction activities and operations plan, the surface disturbance involved, and the rehabilitation of the surface after completion of said well so that an appraisal can be made of the environment affected by the proposed well.

1. Existing Roads:

A. The well site and elevation plat for the proposed well is attached. It was staked by Dan R. Reddy, Engineer, Carlsbad, New Mexico.

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: 10 miles east on Hwy 128, turn north/east on CR 797 (Mills Ranch Road). East 11 miles to location.

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. Proposed Access Road:

No new roads will need to be constructed. The existing road will be re-surfaced.

A. The average grade will be less than 5%.

B. No turnouts will be necessary.

C. No culverts, cattleguards, gates, low-water crossings or fence cuts are necessary.

D. Surfacing material will consist of native caliche. If required, road across pad will be surfaced with a minimum of 6" of caliche. Caliche will be obtained from the nearest approved caliche pit. Any additional materials that are required will be purchased from the dirt contractor.

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. Location and Type of Water Supply:

The well will be drilled with a combination of brine and fresh water mud systems as outlined in the Hole Prognosis. The water will be purchased from commercial water stations in the area and trucked to the location by transport over the existing and proposed access roads 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 and the proposed new access road (approximately 2500 cubic yards) will be obtained from an approved caliche pit. All roads and pads will be constructed of 6" rolled and compacted caliche.

7. Methods of Handling Water Disposal:

A. Drill cuttings not retained for evaluation purposes will be disposed into the reserve pit.

B. Drilling fluids will be contained in steel mud tanks. The reserve pit will contain any excess drilling fluid or flow from the well during drilling, cementing and completion operations. The reserve pit will be an earthen pit approximately 150' x 150' x 6' deep and fenced on three sides prior to drilling. It will be fenced on the fourth side immediately following rig removal. The reserve pit will be plastic lined (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 Cuervo Federal #1 SWD well. Produced oil will be collected in steel tanks until sold.

D. A portable chemical toilet will be provided on the location for human waste during the drilling and completion operations. 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. The drill pad layout, with elevations staked by Dan R, Reddy, Engineer, is shown in Exhibit "D". Dimensions of the pad, pits and location of major rig components are shown. Top soil, if available, will be stockpiled per BLM specifications as determined at the on-site inspection. Since the pad is almost level no major cuts will be required.

B. Exhibit "D" shows the planned orientation for the rig and associated drilling equipment, reserve pit, trash pit, pipe racks, turn-around and parking areas and access road. No permanent living facilities are planned but a temporary foreman/toolpusher's trailer will be on location during the drilling operations.

C. 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 BLM.

C. Three sides of the reserve pit will be fenced prior to and during drilling operations. At the time the rig is removed, the reserve pit will be fenced on the rig (fourth) side to prevent livestock or wildlife from being entrapped. The fencing will remain in place until the pit area is cleaned up and leveled. No oil will be left on the surface of the fluid in the pit.

D. Upon completion of the proposed operations, if the well is completed, the reserve pit area will be treated as outlined above within the same prescribed time. The caliche from any area of the original drillsite not needed for production operations or facilities will be removed and used for construction of thicker pads or firewalls for the tank battery installation. Any additional caliche required for facilities will be obtained from a BLM approved caliche pit. Topsoil removed from the drill site will be used to recontour the pit area and any unused portions of the drill pad to the original natural level and reseeded as per BLM specifications.

11. Surface Ownership:

The wellsite and lease is located entirely on Federal 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.

F. An archaeological study has been conducted for the location and new access road.

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.

STRATA PRODUCTION COMPANY

Kelly M Britt

DATE: February 22, 2006

KELLY M. BRITT
PRODUCTION RECORDS

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.

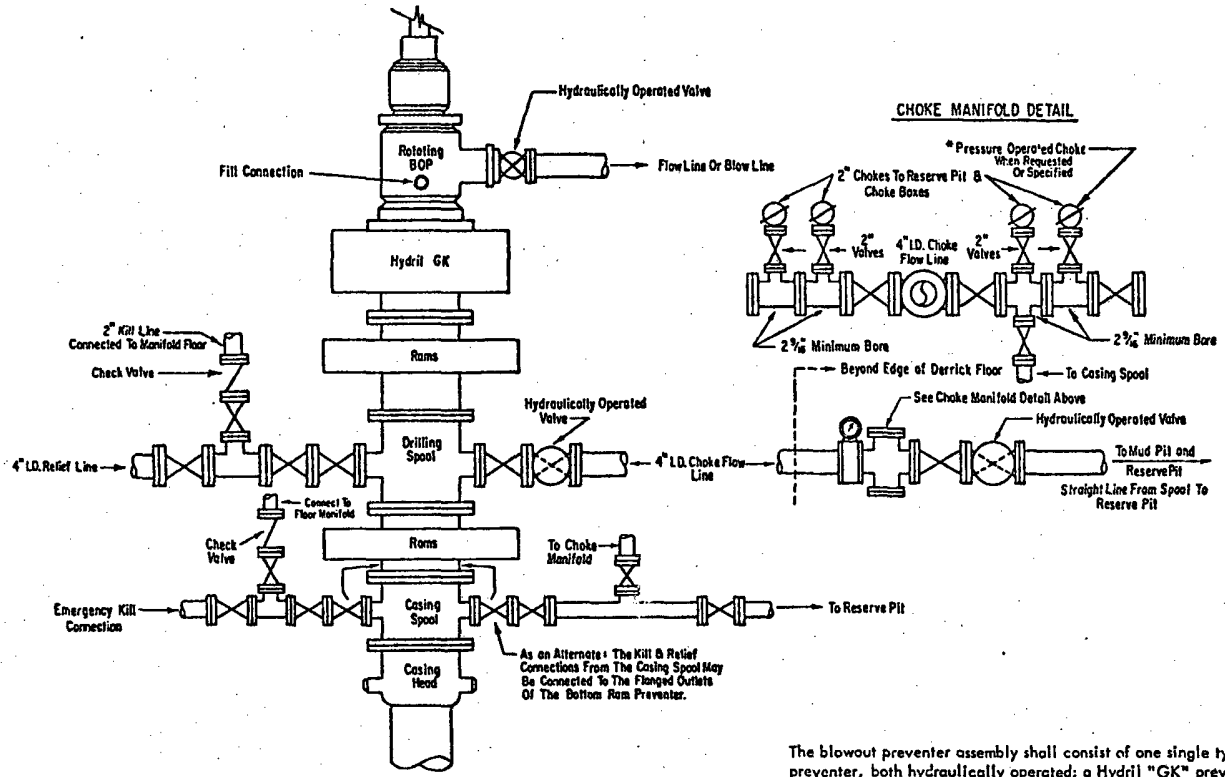
2). The two valves next tho the stack on the fill and kill line to be closed unless drill string is being pulled.

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

CHOKE MANIFOLD DETAIL

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
URRACA FEDERAL #4
Sec. 11, T23S, R32E
Lea Co., NM

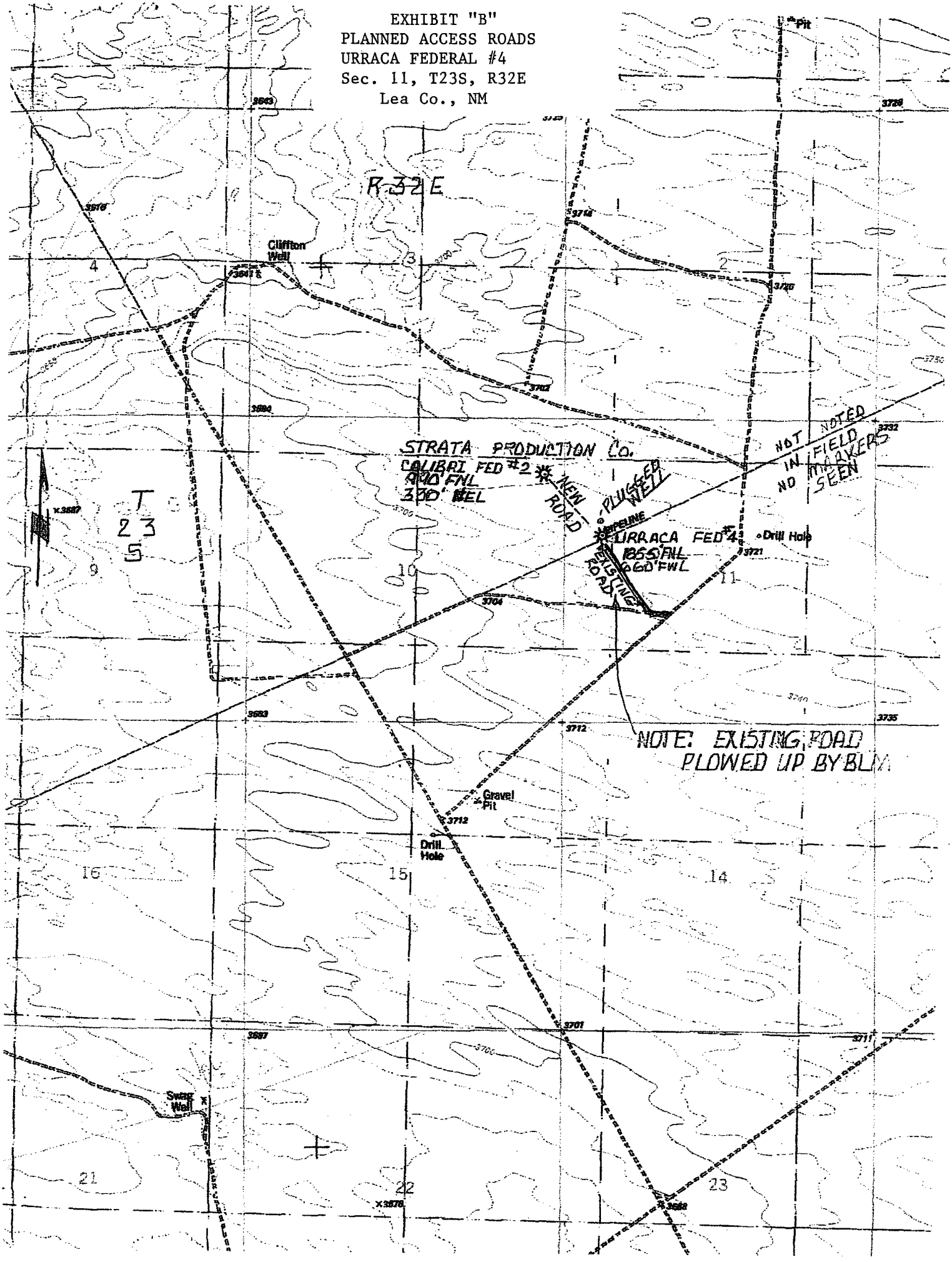
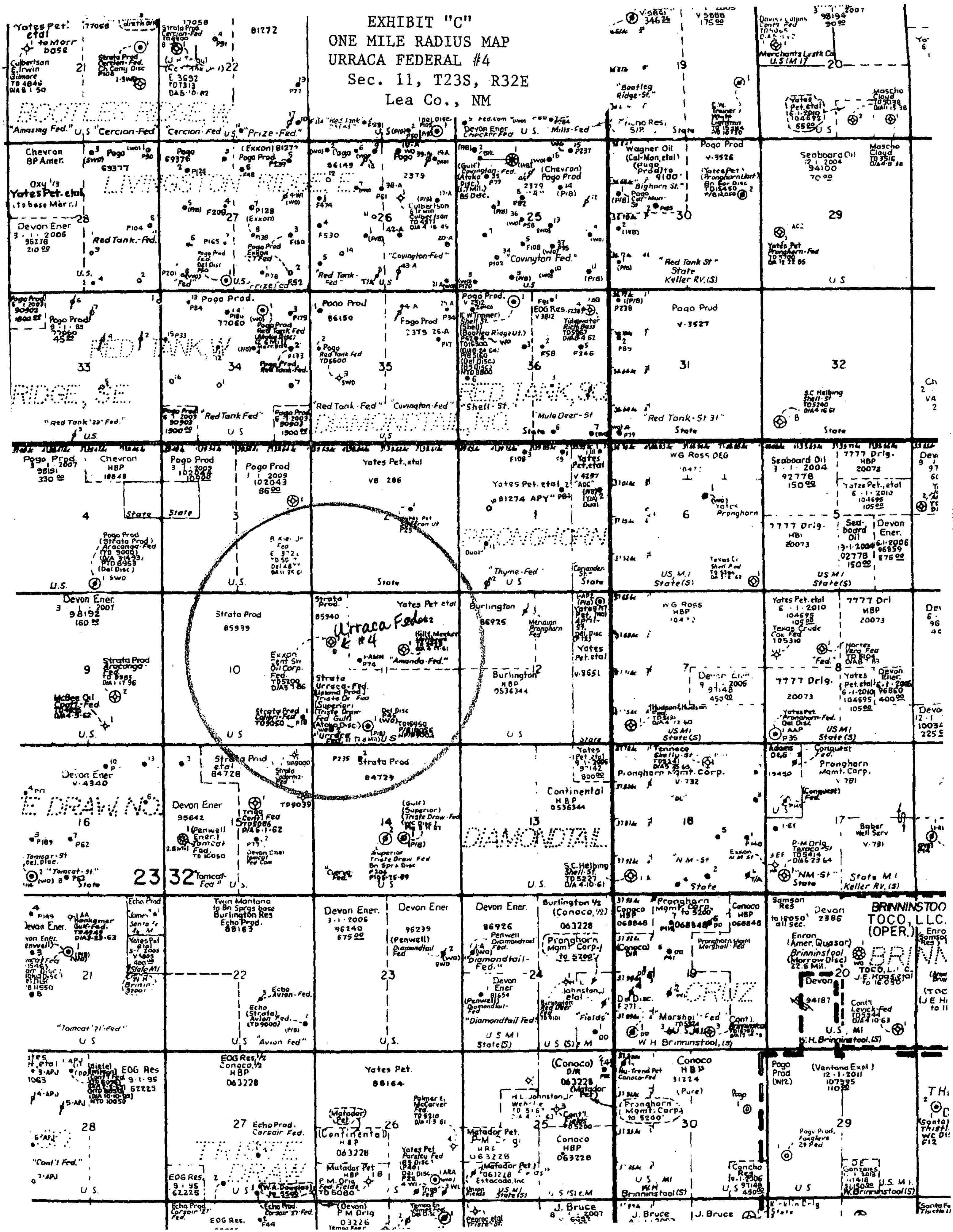


EXHIBIT "C"
ONE MILE RADIUS MAP
URRACA FEDERAL #4
Sec. 11, T23S, R32E
Lea Co., NM



Attachment to Exhibit "C"

STATUS OF WELLS WITHIN ONE MILE RADIUS

URRACA FEDERAL #4
Section 11-T23S-R32E
Lea County, New Mexico
January 2006

Section 11-T23S-R32E	Well #	Footage	Status/ Formation
Pre-Ongard Operator	Pre-Ongard Well #1	1980' FNL & 1980' FEL	
Strata Production Co.	Urraca Fed #1	660' FSL & 1980' FWL	
Pre-Ongard Operator	Pre-Ongard Well #1	1680' FNL & 660' FWL	
Pre-Ongard Operator	Pre-Ongard Well #2	1850' FSL & 660' FWL	
Strata Production Co.	Urraca Fed #2	990' 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 15-T23S-R32E			
Strata Production Co.	Codorniz Fed #1	330' FNL & 660' FEL	
Strata Production Co.	Codorniz Fed #2	1850' FNL & 330' FEL	
Pre-Ongard Operator	Pre-Ongard Well #1	1980' FNL & 1980' FEL	
Section 14-T23S-R32E			
Strata Production Co.	Cuervo Fed #2	460' FNL & 1650' FWL	P
Section 10-T23S-R32E			
Pre-Ongard Operator	Pre-Ongard Well #1	660' FNL & 330' FEL	
Strata Production Co.	Colibri Fed #1	990' FSL & 330' 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:

URRACA FEDERAL #4
Federal Lease Number NM-85940
Township 23 South, Range 32 East
Section 11: SW/NW
Lea County, New Mexico
Formation: Delaware/Bone Spring
Bond: Statewide
Bond Number: OGB-233

STRATA PRODUCTION COMPANY

February 22, 2006
Date

Kelly M. Britt
Production Records

CONDITIONS OF APPROVAL - DRILLING

Operator's Name:	**STRATA PRODUCTION COMPANY**
Well Name & No.	**4 – URRACA FEDERAL**
Location:	**1855' FNL & 660' FWL – SEC 11 – T23S – R32E – LEA COUNTY**
Lease:	**NM-85940**

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 8800** 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 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 [X] 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: Urraca Federal #4 API #: 30-025-37978 U/L or Qtr/Qtr E Sec 11 T 23S R 32E
County: Lea Latitude N32.32135 Longitude W103.65179 NAD: 1927 [ ] 1983 [ ]
Surface Owner: Federal [X] 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:

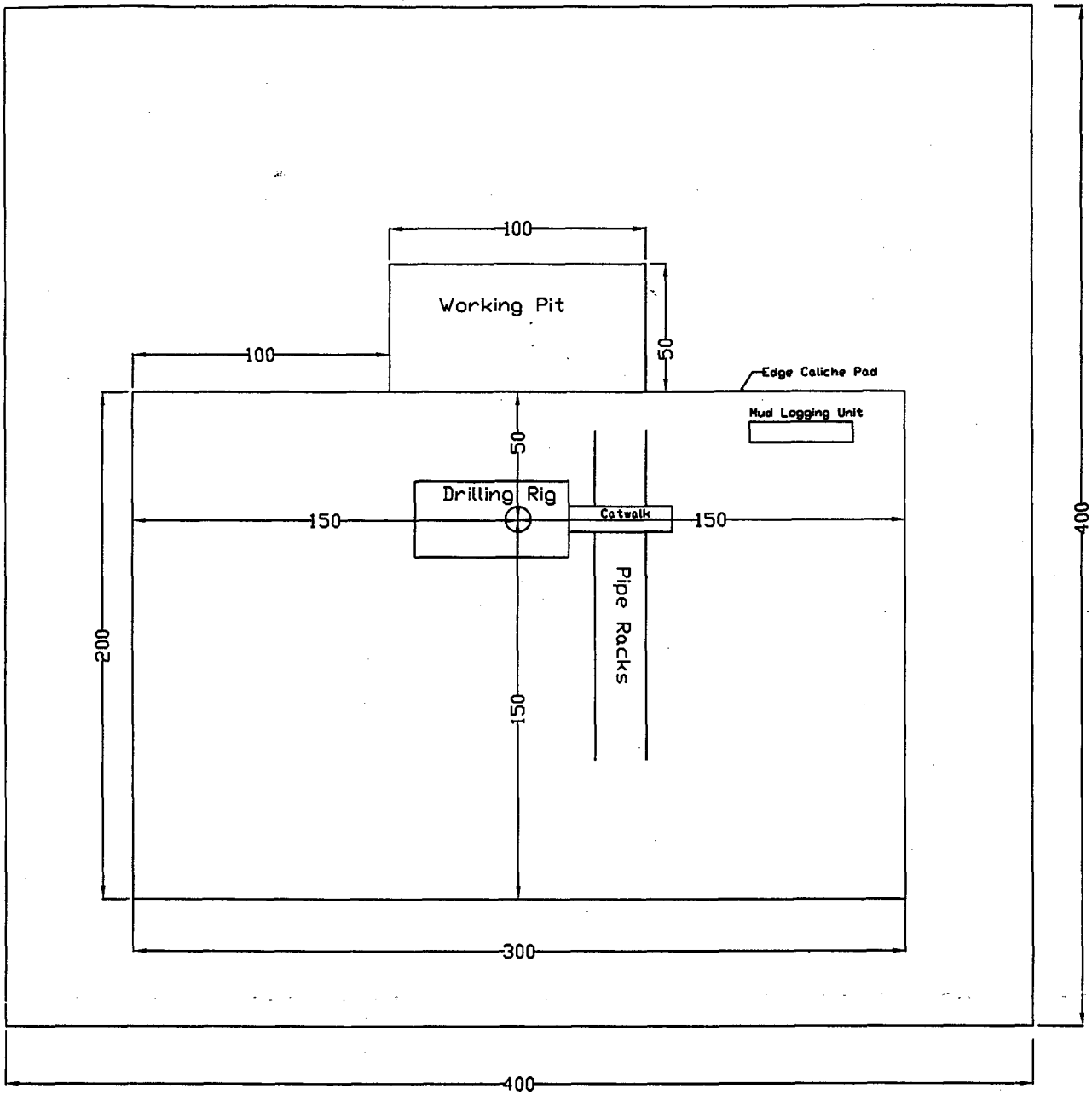
I hereby certify that the information above is true and complete to the best of my knowledge and belief. **I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines [X], a general permit [ ], or an (attached) alternative OCD-approved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

Date: 02/22/06
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 _____ Signature _____ Date: JUN 27 2006

PETROLEUM ENGINEER



Strata Production Company

Drilling Rig Layout Plan

URRACA FEDERAL #4
Sec. 11, T23S-R32E
Lea Co., 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