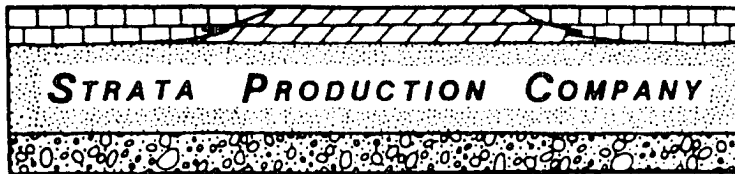


POST OFFICE DRAWER 1030
ROSWELL, NM 88202-1030



TELEPHONE (505) 622-1127
FACSIMILE (505) 623-3533

200 WEST FIRST STREET, ROSWELL PETROLEUM BUILDING, SUITE 700
ROSWELL, NEW MEXICO 88203

May 23, 2006

CERTIFIED MAIL - RETURN RECEIPT
#7005 0390 0006 3674 5263

RECEIVED

MAY 24 2006

WWW.STRATA.COM

Oil Conservation Division
Attn: Michael E. Stogner
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

30-015-35027

RE: Nash Draw #48
Surface: 2415' FSL & 1646' FWL
Section 12, T23S-R29E
Bottomhole: 500' FNL & 1000' FWL
Section 11, T23S-R29E
Nash Draw Brushy Canyon Pool
Eddy County, New Mexico

Dear Mr. Stogner,

Strata Production Company ("Applicant") hereby submits an Administrative Application pursuant to Rule 104.D (2) for a Non-Standard Proration Unit, Rule 104.F for an Unorthodox Location, and Rule 111 for Directional Drilling regarding the Nash Draw #48 well, and in support thereof states:

1. Applicant proposes to drill to a depth sufficient to test the Delaware formation at a surface location of 2415' FSL and 1646' FWL of Section 12, Township 23 South, Range 29 East, N.M.P.M., and at an unorthodox bottomhole location of 500' FNL and 1000' FWL of Section 11, Township 23 South, Range 29 East, N.M.P.M.
2. As indicated on Exhibit "C", the surface location is located on Federal Lease NM-32636. The bottomhole location is located on Federal Lease NM-0554221. Both leases are included in the Nash Unit Agreement, Delaware Formation Participation Area operated by the Applicant.
3. Applicant is operator of the Nash Unit Delaware Formation.
4. Due to the denial of all surface locations in Section 11 because of the Potash Area, and the playa lake and flood plane in the W/2W/2 of Section 12 as indicated on Exhibit "B", it will be necessary to directionally drill the Nash Draw #48 to develop the indicated reserves.

5. Approval of the Application will result in the production of hydrocarbons which otherwise will not be produced, will not adversely affect correlative rights and will be in the best interest of conservation.
6. Offset operators and/or lessees were simultaneously notified of the Application by certified mail. A distribution list is attached. Copies of certified return receipts will be forwarded to the Oil Conservation Division upon receipt.

Submitted in triplicate in conjunction with the Application, are the following documents:

1. Distribution List
2. Exhibit "A" Engineering Analysis
3. Exhibit "B" Topographic Plat
4. Exhibit "C" Land Plat indicating offset leases and wells
5. Exhibit "D" Horizontal/Vertical Plan View
6. Exhibit "E" Horizontal Plan View
7. Exhibit "F" Compensated Neutron Log section from the Nash Unit #13 identifying the top and bottom of the Delaware Pool.
8. Form 3160-3 Application for Permit to Drill
9. Form C-102 Well Location and Acreage Dedication Plat

Wherefore, Strata Production Company requests that the Application be reviewed and that, after proper notice and review as required by law and the rules of the Division, the Division approve the Non-Standard Proration Unit, Unorthodox Location and Directional Drilling as hereinabove described.

Sincerely,



Kelly M. Britt
Production Records

Attachments: as indicated

xc: OCD - Artesia
 BLM - Carlsbad
 Murchison Oil & Gas Inc.

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
---------	----------	----------	-----------	------	---------

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

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



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication

☒ NSL ☒ NSP ☐ SD ☒ DD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify Directional Drilling

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☒ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☒ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☒ Waivers ~~are attached~~ will be forwarded upon receipt.

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Kelly M. Britt
Print or Type Name

Kelly M. Britt
Signature

Production Records
Title

05/19/2006
Date

kbritt@stratanm.com
e-mail Address

DISTRIBUTION LIST
ADMINISTRATIVE APPLICATION
NASH DRAW #48
2415' FSL & 1646' FWL
Section 12, T23-R29E

Murchison Oil & Gas, Inc.
Attn: Michael S. Daugherty
1100 Mira Vista Blvd.
Plano, Texas 75093-4698

Oil Conservation Division
1301 W. Grand Ave.
Artesia, New Mexico 88210-2834

Bureau of Land Management
Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220

PECOS PETROLEUM ENGINEERING, Inc.
200 W. FIRST ST., SUITE 536
P.O. BOX 2885
ROSWELL, NEW MEXICO 88202
505-624-2800

May 18, 2006

Ms. Kelly Britt
Strata Production Company
P.O. box 1030
Roswell, New Mexico 88202

Re: Nash Draw #48
2415' FSL & 1646' FWL
Section 12-T23S-29E
Eddy County, New Mexico

Dear Ms. Britt,

The Nash Draw Unit is located in an area with many constraints on surface locations for the drilling of vertical wells. The Potash Area is located to the west, in Section 11, and all surface locations in this area have been denied. Also, there is a playa lake and flood plane that the Bureau of Land Management has denied surface locations on, located in the W/2/W/2 of Section 12.

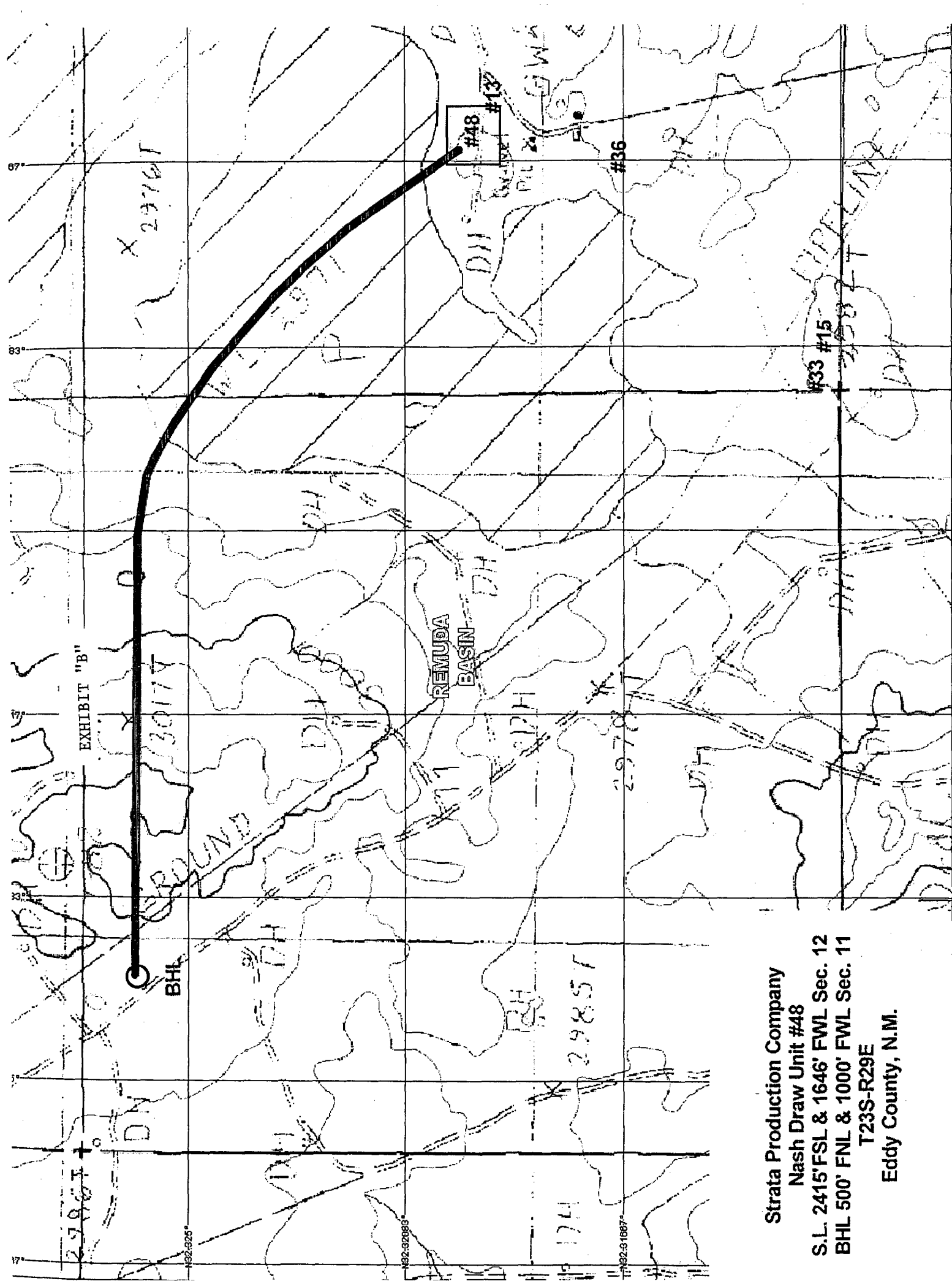
A 3-D seismic survey has indicated an amplitude anomaly located in the NW/4 of section 11. To develop this anomaly a directional well will be required to deviate from the closest surface location to intersect the anomaly under the playa lake. The well will then be drilled horizontally to reach the reservoir located in Section 11. Since this will be the only well to penetrate this portion of the reservoir it will be designed to drain approximately 100 acres.

The Delaware "L" zone will be intersected at a location 1,846' FWL & 1,615' FNL of Section 11. The horizontal section will continue from this point 5,539' to a location 1,000' FWL and 500' FNL of Section 11. This results in a deviation of 1,250' from the surface location to intersect the middle of the formation and a 5,539' horizontal section through the reservoir.

Sincerely,

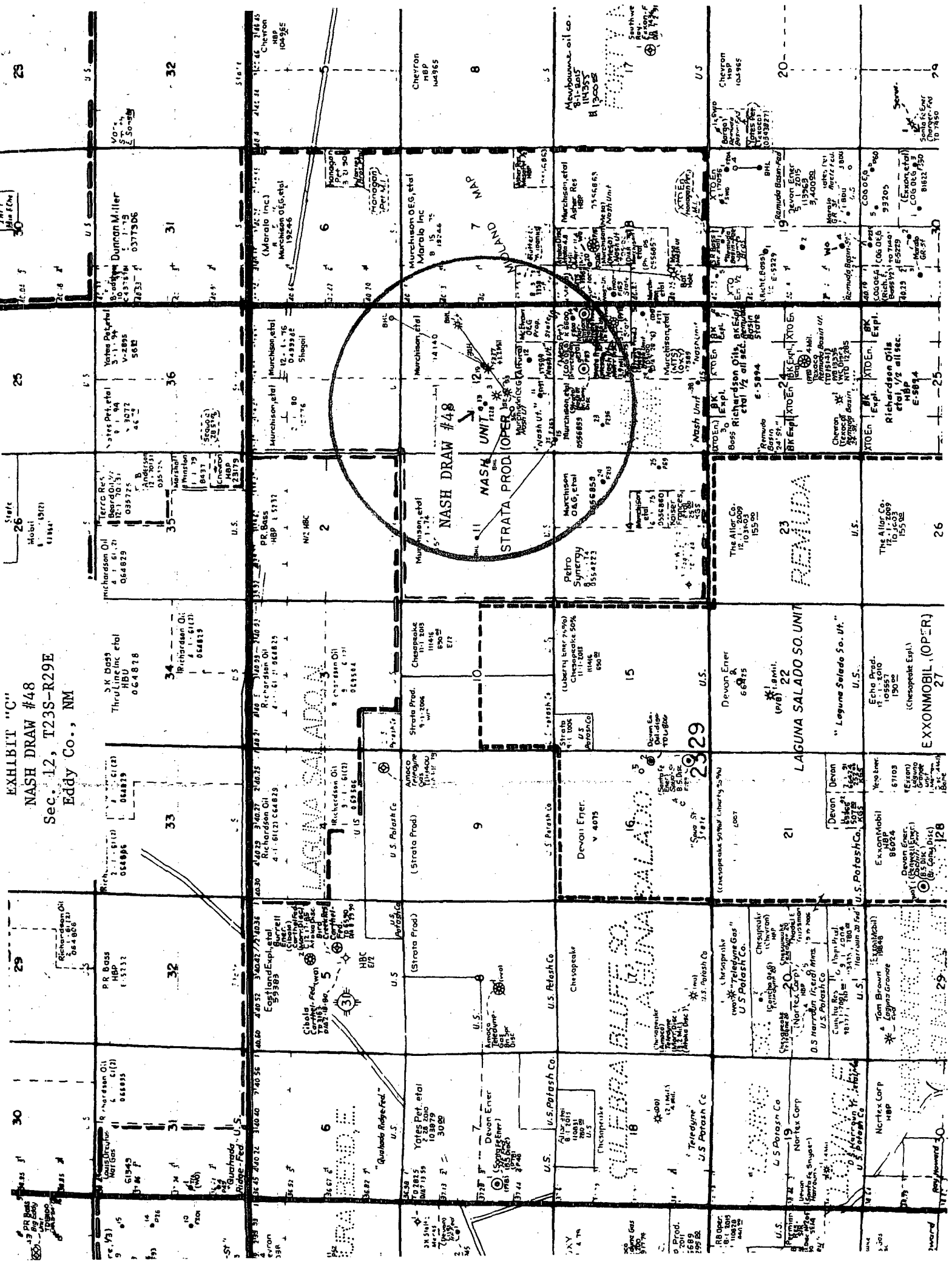


Bruce A. Stubbs, P.E.



Strata Production Company
Nash Draw Unit #48
S.L. 2415' FSL & 1646' FWL Sec. 12
BHL 500' FNL & 1000' FWL Sec. 11
T23S-R29E
Eddy County, N.M.

EXHIBIT "C"
NASH DRAW #48
Sec. 12, T23S-R29E
Eddy Co., NM

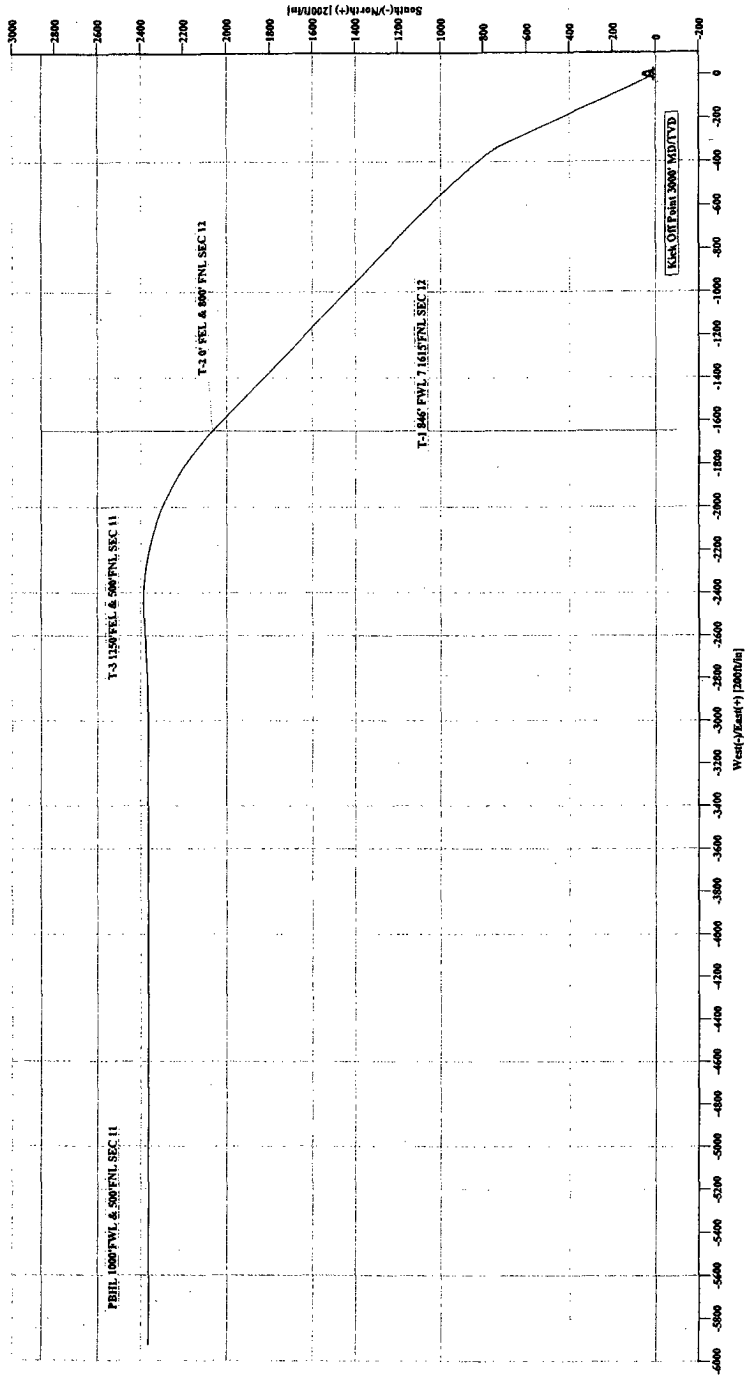


Strata Petroleum

Nash Draw #48
Section 12, T23-S, R29-E
Eddy County, New Mexico
Plan #1 11/09/05

EXHIBIT "D"

PATHFINDER
ENERGY SERVICES



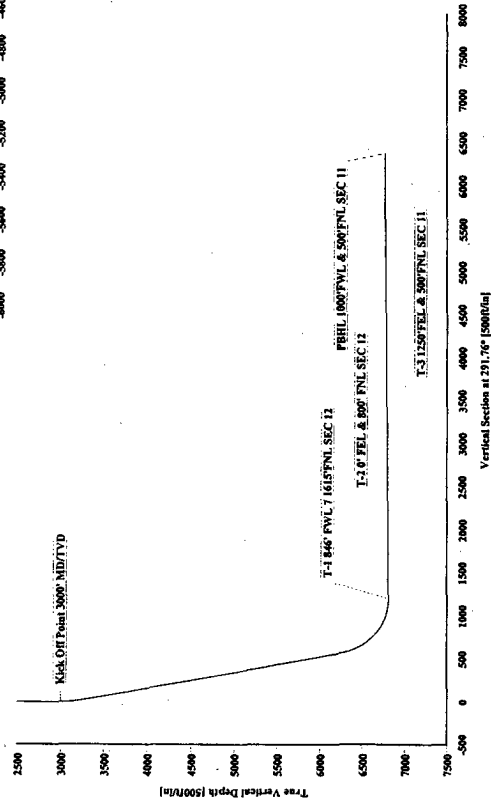
SITE DETAILS

Nash Draw #48
Section 12
T-23S & R-29E

Water Depth: 0.00
Positional Uncertainty: 0.00
Convergence: 0.00

G7/M

Azimuths to Grid North
True North: 0.00°
Magnetic North: 0.00°
Magnetic Field
Strength: 0.00
Dip Angle: 0.00°
Date: 11/09/05
Model: igf2005



SECTION DETAILS

Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	DLeg	TFace	VSec	Target
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
2	3000.00	0.00	0.00	3000.00	0.00	0.00	0.00	0.00	0.00	
3	3237.94	14.28	335.51	3235.48	26.84	-12.23	6.00	0.00	21.30	
4	6354.17	14.28	335.51	6255.48	726.14	-330.79	0.00	0.00	576.42	
5	7317.71	90.34	313.93	6805.00	1250.00	-800.00	8.00	-22.17	1206.40	T-1 846' FWL 7 1615' FNL SEC 12
6	8492.44	90.34	313.93	6798.00	2065.00	-1646.00	0.00	0.00	2294.25	T-2 0' FEL & 800' FNL SEC 12
7	9431.44	90.65	266.98	6789.38	2384.05	-2501.34	5.00	-89.43	3206.92	
8	9759.38	90.65	266.98	6785.66	2366.77	-2828.81	0.00	0.00	3504.65	
9	9826.61	90.47	270.00	6785.00	2365.00	-2896.00	4.50	93.36	3566.40	T-3 1250' FEL & 500' FNL SEC 11
10	12856.71	90.47	270.00	6760.00	2365.00	-5926.00	0.00	0.00	6380.49	PBHL 1000' FWL & 500' FNL SEC 11

TARGET DETAILS

Name	TVD	+N/-S	+E/-W	Shape
PBHL 1000' FWL & 500' FNL SEC 11	6760.00	2365.00	-5926.00	Point
T-3 1250' FEL & 500' FNL SEC 11	6785.00	2365.00	-2896.00	Point
T-2 0' FEL & 800' FNL SEC 12	6805.00	2065.00	-1646.00	Point
T-1 846' FWL 7 1615' FNL SEC 12	6805.00	1250.00	-800.00	Point

ANNOTATIONS

No.	TVD	MD	Annotation
1	3000.00	3000.00	Kick Off Point 3000' MD/TVD

COMPENSATED NEUTRON LOG
 NASH UNIT #13
 START HORIZONTAL AT 6770'
 END HORIZONTAL AT 6890'

-3662

"K"

EXHIBIT "E"

Perf. 66607' - 66680'

Acid. w/ 1100 gal 7 1/2% HCl

15310	1/2	1/2	1/2
1/2	1/2	1/2	1/2
1/2	1/2	1/2	1/2
1/2	1/2	1/2	1/2

6700

K-2

-3779

"L"

6800

PERF: 68121' - 68380'

Acid. w/ 1500 gal 7 1/2% HCl

Frac. w/ 5400 # 14/30 LCL
 24000 gal gelled 2% K

IRF: 718 BOPD

123 MCFD

144 BWIP

22 1/2"

30' x 111'

6900

3160-3
Y 1989)
erly 9-331C)

CONTACT RECEIVING
OFFICE FOR NUMBER
REQUIRED
Instructions on
reverse side)

OPERATOR'S COPY

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-0554221

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

TYPE OF WORK
DRILL ☒ DEEPEN ☐ PLUG BACK ☐

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

TYPE OF WELL
OIL WELL ☒ GAS WELL ☐ OTHER ☐
R-III-POTASH
SINGLE ZONE ☒ MULTIPLE ZONE ☐

7. UNIT AGREEMENT NAME

Nash Unit *NM 70992 X*

8. FARM OR LEASE NAME

Nash Draw

NAME OF OPERATOR
STRATA PRODUCTION COMPANY

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

9. WELL NO.

#48

ADDRESS OF OPERATOR

P.O. Box 1030, Roswell, New Mexico 88202-1030

10. FIELD AND POOL, OR WILDCAT

Nash Draw Brushy Canyon Oil

LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
surface

SL: 2415' FSL & 1646' FWL
BHL: 500' FNL & 1000' FWL Section 11-23S-29E

11. SEC., T., R., M., OR BLK.
AND SURVEY OR AREA

Section 12-23S-29E

DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

3 miles north east of Loving, New Mexico

12. COUNTY OR PARISH

Eddy

13. STATE

NM

DISTANCE FROM PROPOSED *

LOCATION TO NEAREST

PROPERTY OR LEASE LINE, FT.

(So to nearest drlg. unit line, if any)

DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED

APPLIED FOR, ON THIS LEASE, FT.

ELEVATIONS (Show whether DF, RT, GR, etc.)

2985' GR

16. NO. OF ACRES IN LEASE

880 Lse/5123 Unit

17. NO. OF ACRES ASSIGNED

TO THIS WELL

160

19. PROPOSED DEPTH

12,857'

20. ROTARY OR CABLE TOOLS

Rotary

22. APPROX. DATE WORK WILL START*

Controlled Water Basin

PROPOSED CASING AND CEMENTING PROGRAM

PIPE SIZE	CASING SIZE	WEIGHT/FOOT	GRADE	THREAD TYPE	SETTING DEPTH	QUANTITY OF CEMENT
7 1/2"	13 3/8"	48#	H-40	STC NEW	400' 310'	Circ to Surface
2 1/2"	11 3/4"	54#	J-55	LTC NEW	3110'	Circ to Surface
0 3/4"	8 5/8"	32#	J-55	LTC NEW+HD-513	7350'	Circ to Surface
7 7/8"	5 1/2"	17#	N-80	LTC NEW+HD-513	12,857' MD	TOC @ 5000' CIRC TO SURF.

**WITNESS
WITNESS**

Strata Production Company proposes to drill to a depth sufficient to test the 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 attachment.

NMOCD Form C-102 Well Location and Acreage Dedication Plat
Hole Prognosis

- Surface Use and Operating Plan
- Exhibit "A" Equipment Description
- Exhibit "B" Planned Access Roads
- Exhibit "C" One Mile Radius Map
- Exhibit "D" Drilling Rig Layout Plan
- Exhibit "E" Vertical Plan & Horizontal Plan View
- Notifications to Area Potash Leaseholders
- Archaeological Report
- Statement Accepting Responsibility
- Pit or Below Grade Tank Registration

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED**

OVER 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 drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

SIGNED *Kevin M. Britt* TITLE Production Records DATE 01/27/2006

(This space for Federal or State office use)

APPROVED BY *Lela S. Ruden* TITLE STATE DIRECTOR DATE 5/10/06

APPROVAL FOR 1 YEAR

*See Instructions On Reverse Side

Revised June 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

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

strict I
25 N. French Dr., Hobbs, NM 88240
strict II
01 W. Grand Avenue, Artesia, NM 88210
strict III
00 Rio Brazos Rd., Aztec, NM 87410
strict IV
20 S. St. Francis Dr., Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code	³ Pool Name
⁴ Property Code	⁵ Property Name NASH DRAW	⁶ Well Number 48
⁷ OGRID No.	⁸ Operator Name STRATA PRODUCTION COMPANY	⁹ Elevation 2985

¹⁰ Surface Location

or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	12	23-S	29-E		2415	SOUTH	1646	WEST	EDDY

¹¹ Bottom Hole Location If Different From Surface

or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	11	23-S	29-E		500	NORTH	1000	WEST	EDDY

Dedicated Acre 160	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order 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.

LAT N32.31906 LON W103.94151 SURFACE LOCATION SEC. 12 1646' 2415'	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. <i>Kelly M. Britt</i> 12/12/05 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. DECEMBER 6, 2005 Date of Survey Signature and Seal of Professional Surveyor: <i>Dan R. Reddy</i> 5412 REGISTERED LAND SURVEYOR Certificate Number DAN R. REDDY NM PE&PS #5412

Revised June 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code		³ Pool Name	
⁴ Property Code		⁵ Property Name NASH DRAW			⁶ Well Number 48
⁷ OGRID No.		⁸ Operator Name STRATA PRODUCTION COMPANY			⁹ Elevation 2985

¹⁰ Surface Location

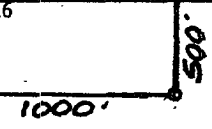
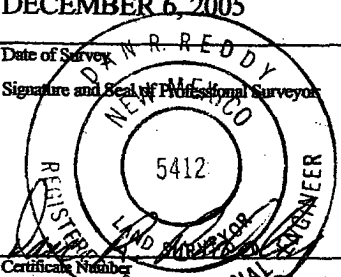
L or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	12	23-S	29-E		2415	SOUTH	1646	WEST	EDDY

¹¹ Bottom Hole Location If Different From Surface

L or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	11	23-S	29-E		500	NORTH	1000	WEST	EDDY

Dedicated Acre 160	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
------------------------------	-------------------------------	----------------------------------	-------------------------

allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the vision.

 BOTTOM HOLE LOCATION					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.  12/12/05 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. DECEMBER 6, 2005 Date of Survey Signature and Seal of Professional Surveyor  Certificate Number DAN R. REDDY NM P.E.P.S.#5412