

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED

OMB NO. 1004-0136

Expires: February 28, 1995

## APPLICATION FOR PERMIT TO DRILL OR DEEPEN

## 1a. TYPE OF WORK

DRILL ☒DEEPEN ☐

## 1b. TYPE OF WELL

OIL ☐GAS ☒SINGLE ☒MULTIPLE ☐

WELL WELL

OTHER ZONE

ZONE

## 2. NAME OF OPERATOR

Gruy Petroleum Management Co.

RECEIVED

OCT 27 2005

OUL-ARTESONA

## 3. ADDRESS AND TELEPHONE NO.

P.O. Box 140907 Irving TX 75014 972-401-3111

## 4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)\*

660' FNL &amp; 1770' FWL

## 5. LEASE DESIGNATION AND SERIAL NO.

NMLC 061638

## 6. IF INDIAN, ALLOTTEE OR TRIBE NAME

## 7. UNIT AGREEMENT NAME

## 8. FARM OR LEASE NAME, WELL NO.

Jack Federal Com No. 1

## 9. API WELL NO.

30-015- 34405

## 10. FIELD AND POOL, OR WILDCAT

Wildcat Morrow

## 11. SEC. T., R., M., BLOCK AND SURVEY

OR AREA

Section 13-T16S-R29E

## 12. COUNTY OR PARISH

Eddy

NM

## 14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE\*

Approximately 10 miles Northwest of Loco Hills, New Mexico

## 15. DISTANCE FROM PROPOSED\* LOCATION TO NEAREST PROPERTY OR LEASE LINE, T.O

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

660'

## 16. NO. OF ACRES IN LEASE

5840

## 17. NO. OF ACRES ASSIGNED TO THIS WELL

320

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

2850'

## 19. PROPOSED DEPTH

11000'

## 20. ROTARY OR CABLE TOOLS

Rotary

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

3731' GR

## 22. APPROX. DATE WORK WILL START\*

01-01-06

## 23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	H-40 STC 13-3/8"	48#	400'	490 sx circ to surf
12-1/4"	J-55 LTC 9-5/8"	40#	3000'	1200 sx circ to surf
7 7/8"	L-80 LTC 5-1/2"	20#	11000'	1620sx TOC 2700'

\*Set surface casing 25' into the top of the Rustler, which is estimated to be between 350' and 500'.

From the base of the surface pipe through the running of production casing, the well will be equipped with a 5000 - psi BOP system. We are requesting a variance for the 13 3/8" surface casing and BOP testing from Onshore Order No. 2, which states all casing strings below the conductor shall be pressure tested to .22 psi per foot or 1500#, whichever is greater, but not to exceed 70% of the manufacturer's stated maximum internal yield. During the running of the surface pipe and the drilling of the intermediate hole we do not anticipate any pressures greater than 1000#, and we are requesting a variance to test the 13 3/8" casing and BOP system to 1000# psi and use rig pumps instead of an independent service company.

## IN ABOVE SPACE, DESCRIBE PROPOSED PROGRAM:

If proposal is to deepen, 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

Zero Farris

TITLE

Mgr. Ops. Admin.

DATE

09-02-05

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY

/s/ Joe G. Lara

TITLE

FIELD MANAGER

DATE

OCT 26 2005

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS  
ATTACHED

\*See Instructions On Reverse Side

APPROVAL FOR 1 YEAR

The 18 U.S.C. Section 1001 makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Salt  
79.5

DISTRICT I  
1825 N. French Dr., Hobbs, NM 88240

DISTRICT II  
811 South First, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised March 17, 1999

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco  
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
		Wildcat Morrow
Property Code	Property Name	Well Number
	JACK FEDERAL COM	1
OGRID No.	Operator Name	Elevation
162683	GRUY PETROLEUM MANAGEMENT COMPANY	3731'

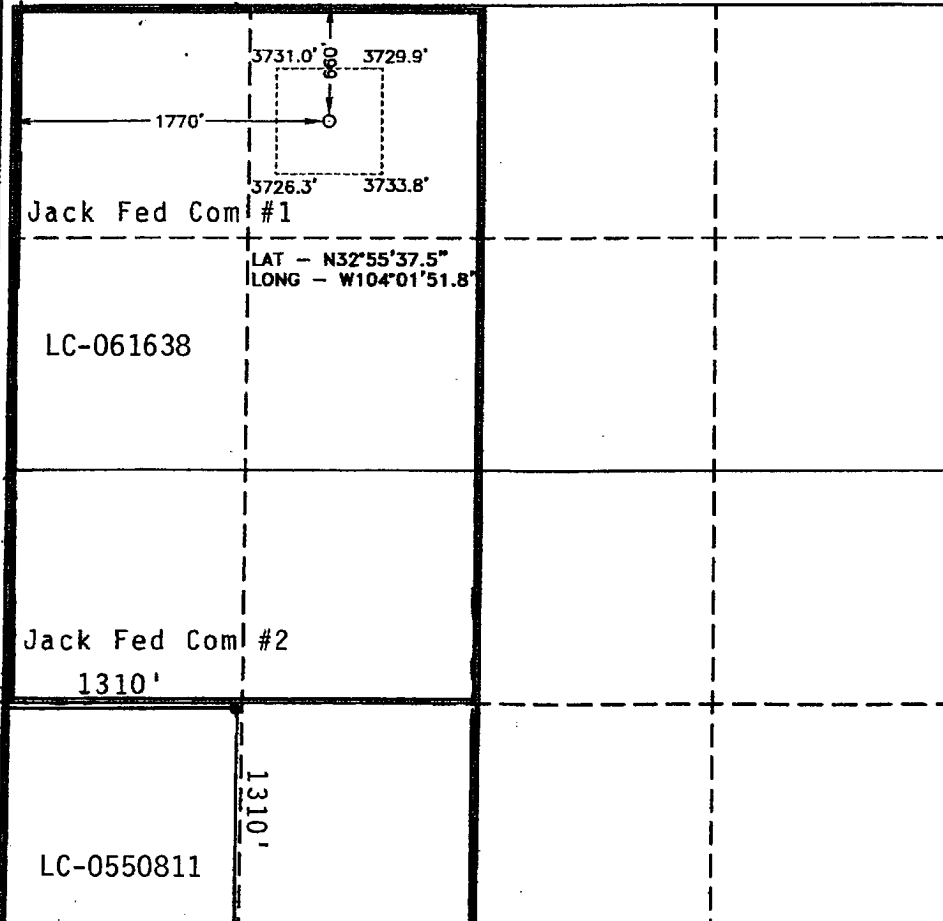
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	13	16 S	29 E		660	NORTH	1770	WEST	EDDY

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
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						
320	Y	C							

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

 <p>Jack Fed Com #1</p> <p>LC-061638</p> <p>Jack Fed Com #2</p> <p>1310'</p> <p>LC-0550811</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Zeno Farris</i></p> <p>Signature</p> <p>Zeno Farris</p> <p>Printed Name</p> <p>Mgr Operations Admin</p> <p>Title</p> <p>October 24, 2005</p> <p>Date</p> <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>JULY 18, 2005</p> <p>Date Surveyed</p> <p>Signature &amp; Seal of Professional Surveyor</p> <p>GARY L. JONES</p> <p>Professional Surveyor</p> <p>7977</p> <p>Certificate No. 5612</p> <p>7977</p> <p>BASIN SURVEYS</p>
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District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy Minerals and Natural Resources  
Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-144  
March 12, 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 ☐ No ☒

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

RECEIVED  
SEP - 6 - 2005  
OCD/ATTEC

Operator: Gruy Petroleum Management Co. Telephone: 972-443-6489 e-mail address: zfarris@magnumhunter.com

Address: P.O. Box 140907, Irving, Tx 75014-0907

Facility or well name: Jack Federal Com No. 1 API #: 30-015- U/L or Qtr/Qtr<sup>C</sup> Sec 13 T16S R29E

County: Eddy Latitude 325537.5 N Longitude 1040151.8 W NAD: 1927 ☒ 1983 ☐ Surface Owner Federal ☐ State ☐ Private ☐ Indian ☐

**Pit**

Type: Drilling ☒ Production ☐ Disposal ☐

Workover ☐ Emergency ☐

Lined ☒ Unlined ☐

Liner type: Synthetic ☒ Thickness 12 mil Clay ☐ Volume  
bbl

**Below-grade tank**

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.)

Less than 50 feet

(20 points)

50 feet or more, but less than 100 feet

(10 points)

100 feet or more

(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

(20 points)

No

(0 points)

Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet

(20 points)

200 feet or more, but less than 1000 feet

(10 points)

1000 feet or more

(0 points)

Ranking Score (Total Points)

-0-

**If this is a pit closure:** (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location:

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.

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: 09-02-05

Printed Name/Title Zeno Farris Manager Operations Administration

Signature *Zeno Farris*

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:

Date: SEP 7 2005

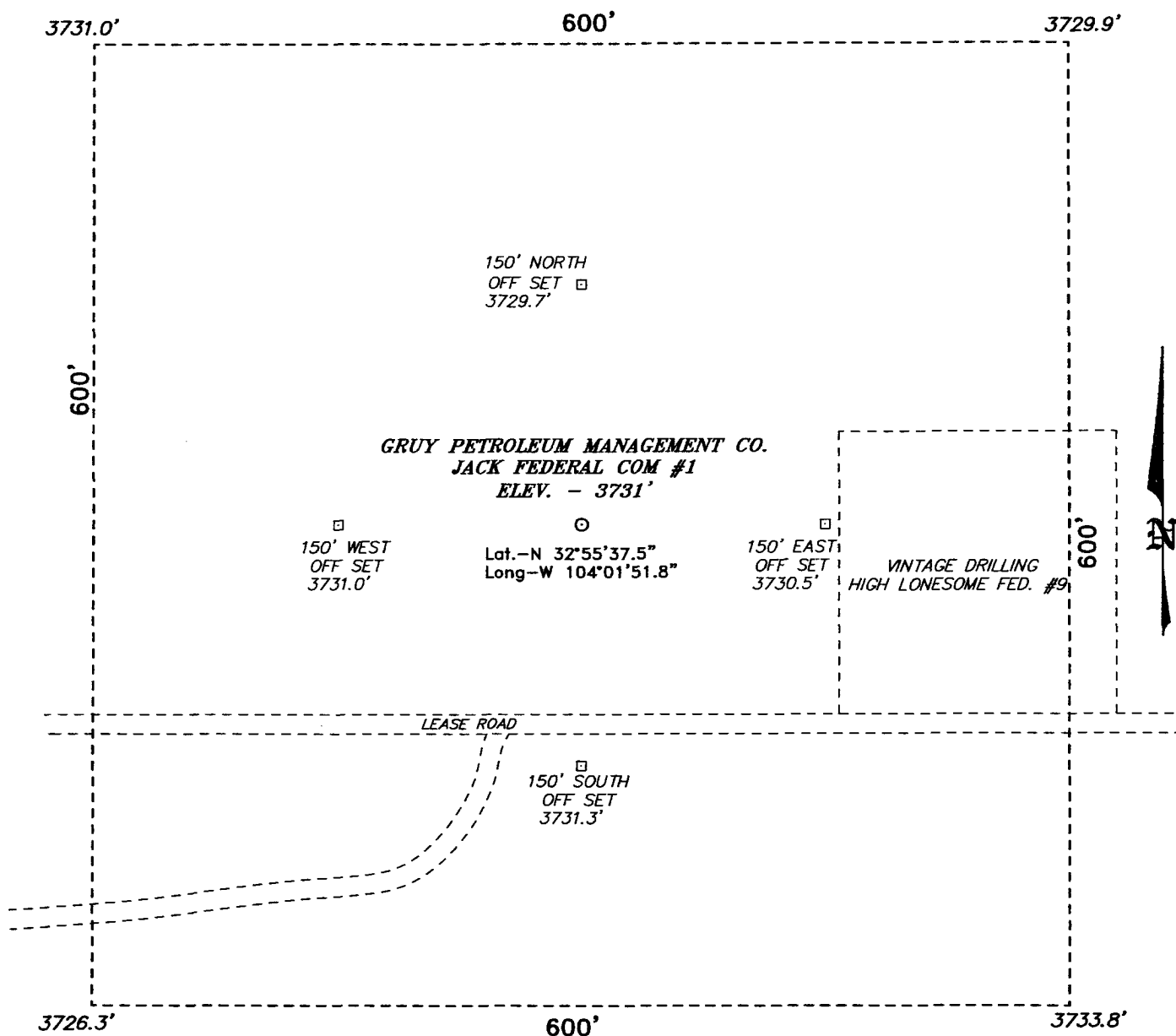
Printed Name/Title

Field Supervisor

Signature

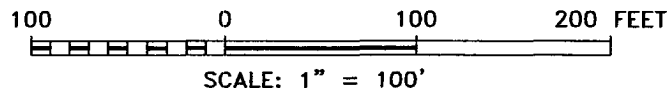
*[Signature]*

SECTION 13, TOWNSHIP 16 SOUTH, RANGE 29 EAST, N.M.P.M.,  
EDDY COUNTY, NEW MEXICO.



Directions to Location:

FROM LOCO HILLS, GO 7.2 MILES NORTH ON CO. RD. 217 TO MAIN LEASE ROAD; THENCE WEST ON LEASE ROAD FOR 2.8 MILES TO PROPOSED LOCATION.



**BASIN SURVEYS** P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 5612 Drawn By: K. GOAD

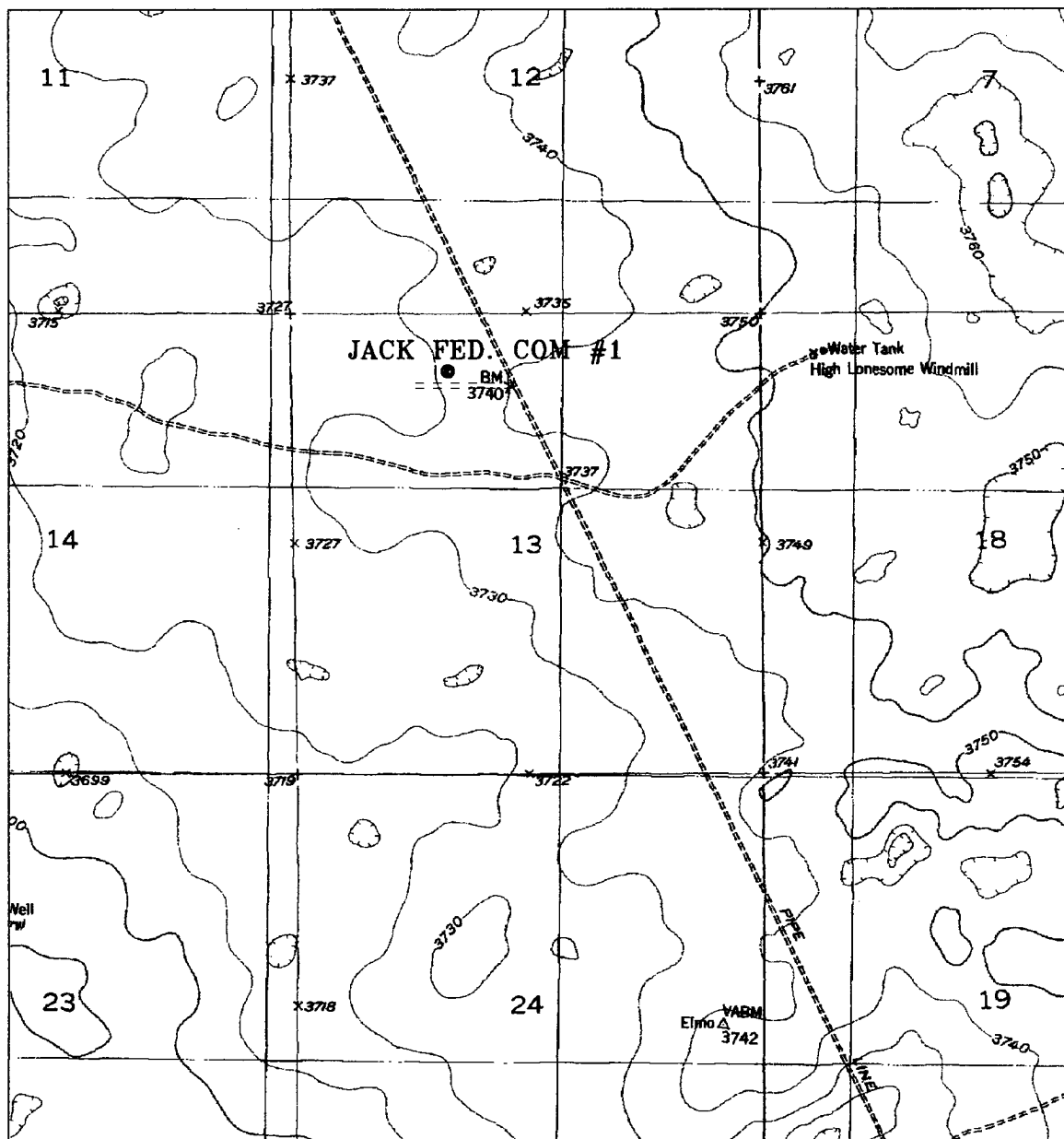
Date: 07-21-2005 Disk: KJG CD#4 - 5612A.DWG

**GRUY PETROLEUM MANAGEMENT CO.**

REF: JACK FED. COM No. 1 / Well Pad Topo

THE JACK FED. COM No. 1 LOCATED 660' FROM  
THE NORTH LINE AND 1770' FROM THE WEST LINE OF  
SECTION 13, TOWNSHIP 16 SOUTH, RANGE 29 EAST,  
N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 07-18-2005 Sheet 1 of 1 Sheets



## JACK FEDERAL COM #1

Located at 660' FNL and 1770' FWL  
 Section 13, Township 16 South, Range 29 East,  
 N.M.P.M., Eddy County, New Mexico.

Exhibit B

**basin**  
**surveys**

focused on excellence  
 in the oilfield

P.O. Box 1786  
 1120 N. West County Rd.  
 Hobbs, New Mexico 88241  
 (505) 393-7316 - Office  
 (505) 392-3074 - Fax  
 basinsurveys.com

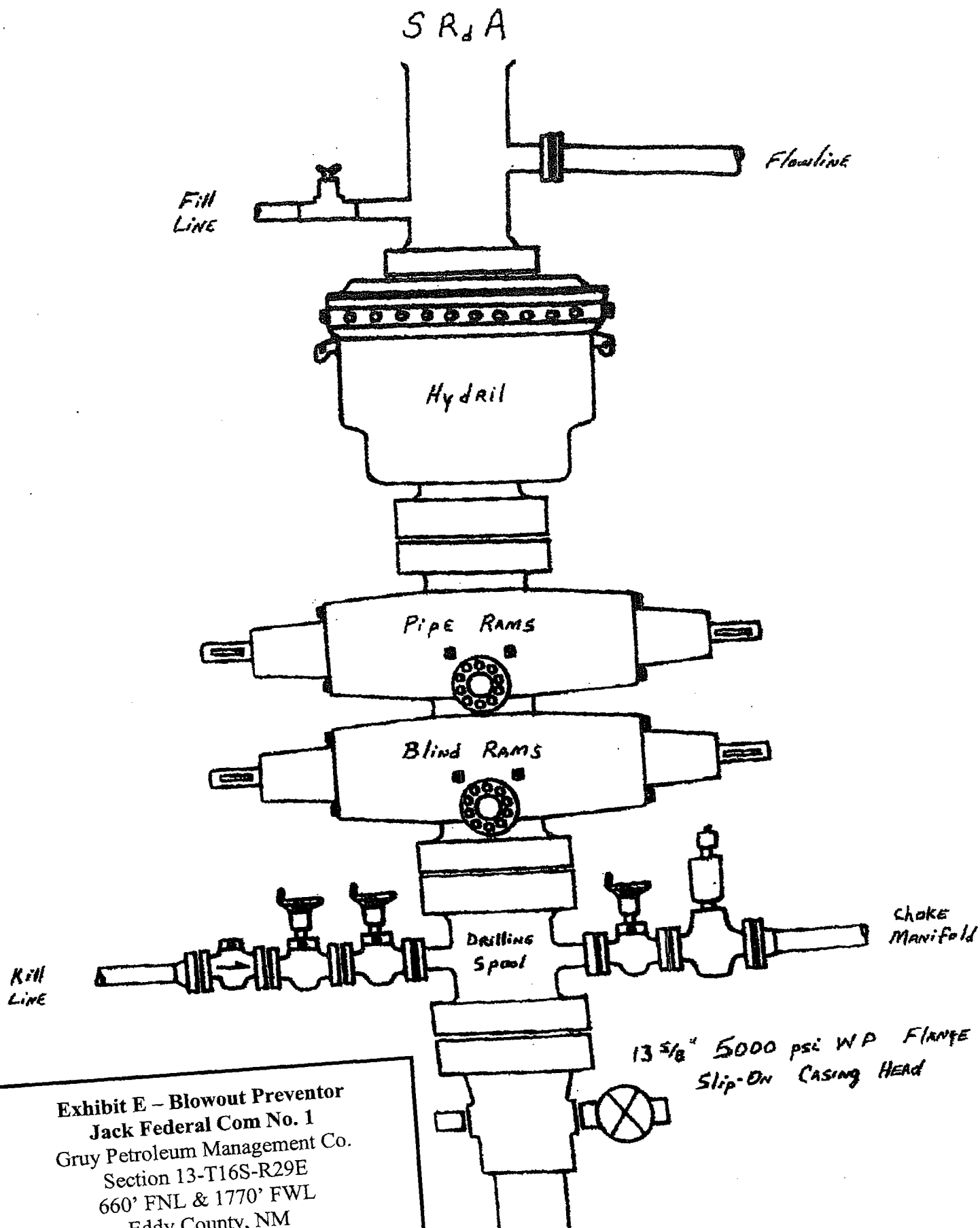
W.O. Number: 5612AA - KJG CD#4

Survey Date: 07-18-2005

Scale: 1" = 2000'

Date: 07-21-2005

**GRUY PETROLEUM  
 MANAGEMENT CO.**



DRILLING OPERATIONS  
CHOKE MANIFOLD  
5M SERVICE

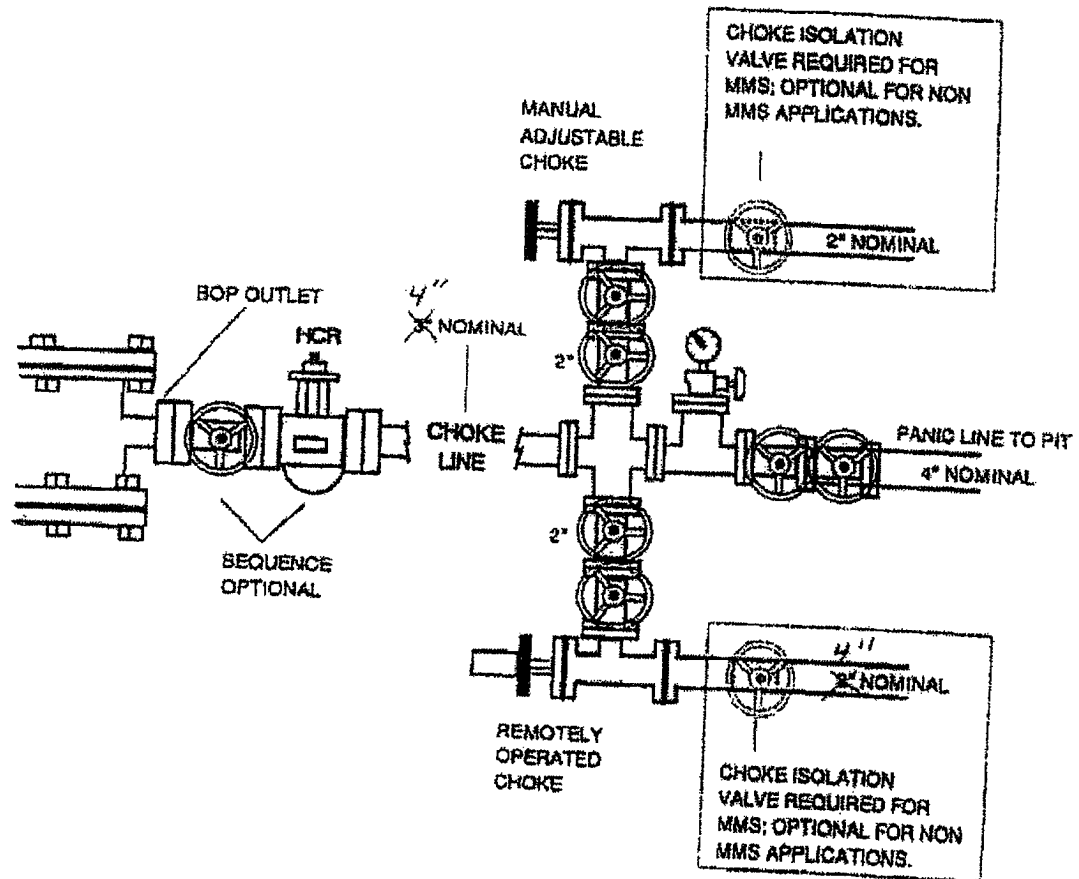


Exhibit E Cont'd - Choke Manifold  
Jack Federal Com No. 1  
Gruy Petroleum Management Co.  
Section 13-T16S-R29E  
660' FNL & 1770' FWL  
Eddy Countv. NM



## Gruy Petroleum Management Co.

600 East Las Colinas Blvd. • Suite 1100 • Irving, TX 75039 • (972) 401-3111 • Fax (469) 420-2710  
Mailing Address: P.O. Box 140907 • Irving, TX 75014-0907

*A wholly-owned subsidiary of Cimarex Energy Co., a NYSE Listed Company, "XEC"*

### STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

Bureau of Land Management  
620 East Greene Street  
Carlsbad, New Mexico 88220  
Attn: Ms. Betty Hill

Gruy Petroleum Management Co. accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land, or portion thereof, as described below:

Lease No.: LC-061638 – NW/4 Sec 13-T16S-R29E, N/2 SW/4 Sec 13-T16S-R29E,  
containing 240 acres

Lease No.: LC-0550811 – S/2 SW/4 Sec 13-T16S-R29E, containing 80 acres

County: Eddy County, New Mexico

Formation (S): Morrow

Bond Coverage: Statewide BLM Bond

BLM Bond File No.: NM 2575

Authorized Signature: Zeno Farris  
Representing Gruy Petroleum Management Co.

Name: Zeno Farris

Title: Manager, Operations Administration

Date: October 24, 2005



## Application to Drill

Gruy Petroleum Management Co.  
Jack Federal Com No. 1  
Unit Letter C Section 13  
T16S - R29E Eddy County, NM

In response to questions asked under Section II B of Bulletin NTL-6 the following information is provided for your consideration:

- 1 Location: SHL 660' FNL & 1770' FWL Sec 13-T16S-R29E
- 2 Elevation above sea level: 3731'
- 3 Geologic name of surface formation: Quaternary Alluvium Deposits of Permian Age
- 4 Drilling tools and associated equipment: Conventional rotary drilling rig using fluid as a circulating medium for solids removal.
- 5 Proposed drilling depth: 11000'
- 6 Estimated tops of geological markers:

Rustler	500'
San Andres	2655'
Wolfcamp	7425'
Atoka	10075'
Morrow	10472'
- 7 Possible mineral bearing formation:

Grayburg/San Andres	Oil
Atoka	Oil and/or Gas
Morrow	Oil and/or Gas

8 Casing program:

Hole Size	Interval	Casing OD	Weight	Thread	Collar	Grade
17 1/2"	0' - 400'	13 3/8"	48#	8-R	STC	H-40
12 1/4"	0' - 3000'	9 5/8"	40#	8-R	LTC	J-55
7 7/8"	0' - 11000'	5 1/2"	20#	8-R	LTC	L-80

## Application to Drill

Gruy Petroleum Management Co.  
Jack Federal Com No. 1  
Unit Letter C Section 13  
T16S - R29E Eddy County, NM

### 9 Cementing & Setting Depth:

13 3/8"	Surface	Set 400' of 13 3/8" H-40 48# ST&C casing to a depth of 25' into the Rustler. Cement with 490 Sx. Of Class "C" cement + additives, circulate cement to surface.
9 5/8"	Intermediate	Set 3000' of 9 5/8" J-55 40# LT&C casing. Cement lead with 1000 Sx. Of Class POZ/C Cement + additives, tail with 200 Sx. Of Class "C" + additives, circulate cement to surface.
5 1/2"	Production	Set 11000' of 5 1/2" L-80 20# LT&C casing. Cement in two stages, first stage cement with 1020 Sx. of Class POZ/C Cement + additives. Second stage cement with 600 Sx of Class "C" Estimated top of cement 2700'.

### 10 Pressure control Equipment:

Exhibit "E". A 13 3/8" 5000 PSI working pressure B.O.P. consisting of one set of blind rams and one set of pipe rams and a 5000 # annular type preventer. A choke manifold and 120 gallon accumulator with floor and remote operating stations and auxiliary power system. Rotating head below 6000'. A kelly cock will be installed and maintained in operable condition and a drill string safety valve in the open position will be available on the rig floor. BOP unit will be hydraulically operated. BOP will be nipped up on the 9 5/8" casing and will be operated at least once a day while drilling and the blind rams will be operated when out of hole during trips. No abnormal pressure or temperature is expected while drilling.

### 11 Proposed Mud Circulating System:

Depth	Mud Wt	Viscosity	Fluid Loss	Type Mud
0' - 400'	8.4 - 8.6	30 - 32	May lose circ.	Fresh water spud mud add paper to control seepage and high viscosity sweeps to clean hole.
400' - 3000'	9.7 - 10.0	28 - 29	May lose circ	Brine water. Add paper as needed to control seepage and add lime to control pH (9-10). Use high viscosity sweeps to clean hole.
3000' - 8300'	8.4 - 9.9	28 - 29	NC	Brine water. Paper for seepage. Lime for PH (9 - 9.5)
8300' - 10000'	8.45 - 8.9	28 - 29	NC	Cut brine. Caustic for pH control.
10000' - 11000'	8.9 - 9.7	29 - 45	NC	XCD Polymer mud system.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation or unexpected kicks. In order to run DSTs, open hole logs, and casing, the viscosity and water loss may have to be adjusted in order to meet these needs. Mud system monitoring equipment with derrick floor indicators and visual/audio alarms shall be installed and operative prior to drilling into the Wolfcamp formation. This equipment will remain in use until production casing is run and cemented.

## Application to Drill

Gruy Petroleum Management Co.  
Jack Federal Com No. 1  
Unit Letter C Section 13  
T16S - R29E Eddy County, NM

### 12 Testing, Logging and Coring Program:

- A. Mud logging program: One-man unit from 8000' to TD
- B. Electric logging program: CNL / LDT / CAL / GR, DLL / CAL / GR
- C. No DSTs or cores are planned at this time

### 13 Potential Hazards:

No abnormal pressures or temperatures are expected. The area has a potential H2S hazard. An H2S drilling plan is attached. Adequate flare lines will be installed off the mud / gas separator where gas may be flared safely. All personnel will be familiar with all aspects of safe operation of equipment being used. Estimated BHP 4000 PSI, estimated BHT 175.

### 14 Anticipated Starting Date and Duration of Operations:

Road and location construction will begin after BLM approval of APD. Anticipated spud date as soon as approved. Drilling expected to take 35 - 45 days. If production casing is run an additional 30 days will be required to complete and construct surface facilities.

### 15 Other Facets of Operations:

After running casing, cased hole gamma ray neutron collar logs will be run from total depth over possible pay intervals. The Morrow pay will be perforated and stimulated. The well will be tested and potentialized as a gas well.

# Hydrogen Sulfide Drilling Operations Plan

Gruy Petroleum Management Co.  
Jack Federal Com No. 1  
Unit Letter C Section 13  
T16S - R29E Eddy County, NM

- 1 All Company and Contract personnel admitted on location must be trained by a qualified H2S safety instructor to the following:
  - A. Characteristics of H2S
  - B. Physical effects and hazards
  - C. Proper use of safety equipment and life support systems.
  - D. Principle and operation of H2S detectors, warning system and briefing
  - E. Evacuation procedure, routes and first aid.
  - F. Proper use of 30 minute pressure demand air pack.
- 2 H2S Detection and Alarm Systems
  - A. H2S detectors and audio alarm system to be located at bell nipple, end of flow line (mud pit) and on derrick floor or doghouse.
- 3 Windsock and/or wind streamers
  - A. Windsock at mudpit area should be high enough to be visible.
  - B. Windsock at briefing area should be high enough to be visible.
- 4 Condition Flags and Signs
  - A. Warning sign on access road to location.
  - B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag, potential pressure and danger. Red flag, danger, H2S present in dangerous concentration. Only emergency personnel admitted to location.
- 5 Well control equipment
  - A. See exhibit "E"
- 6 Communication
  - A. While working under masks chalkboards will be used for communication.
  - B. Hand signals will be used where chalk board is inappropriate.
  - C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephones will be available at most drilling foreman's trailer or living quarters.
- 7 Drillstem Testing not anticipated.

## **Hydrogen Sulfide Drilling Operations Plan**

Gruy Petroleum Management Co.  
Jack Federal Com No. 1  
Unit Letter C Section 13  
T16S - R29E Eddy County, NM

- 8 Drilling contractor supervisor will be required to be familiar with the effects H<sub>2</sub>S has on tubular goods and other mechanical equipment.
- 9 If H<sub>2</sub>S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas separator will be brought into service along with H<sub>2</sub>S scavengers if

## Surface Use Plan

Gruy Petroleum Management Co.  
Jack Federal Com No. 1  
Unit Letter C Section 13  
T16S - R29E Eddy County, NM

- 1 Existing Roads: Area maps, Exhibit "B" is a reproduction of Lea Co. General Highway Map. Exhibit "C" is a reproduction of a USGS Topographic Map, showing existing roads and proposed roads. All existing roads will be maintained in a condition equal to or better than current conditions. Any new roads will be constructed to BLM specifications.
  - A. Exhibit "A" shows the proposed well site as staked.
  - B. From Loco Hills, go 7.2 miles North on Co. Rd. 217 to main lease road; thence West on Lease Road for 2.8 miles to proposed location.
- 2 PLANNED ACCESS ROADS: No new access road will be constructed.
- 3 LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A"
  - A. Water wells - None known
  - B. Disposal wells - None known
  - C. Drilling wells - None known
  - D. Producing wells - As shown on Exhibit "A"
  - E. Abandoned wells - As shown on Exhibit "A"

## CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Gruy Petroleum Management Co.  
Well Name & No. Jack Federal Com #1  
Location: 660' FNL, 1770' FWL, Section 13, T. 16 S., R. 29 E., Eddy County, New Mexico  
Lease: LC-061638

### I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:
  - A. Well spud
  - B. Cementing casing: 13-3/8 inch 9-5/8 inch 5-1/2 inch
  - C. BOP tests
2. A Hydrogen Sulfide (H2S) Drilling Operation Contingency Plan shall be activated prior to drilling into the **Wolfcamp** formation. A copy of the plan shall be posted at the drilling site.
3. 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.
4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing ( size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15-day time frame.
5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.
6. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

### II. CASING:

1. The 13-3/8 inch surface casing shall be set at **approximately 400 feet and cement circulated to the surface**. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.
2. The minimum required fill of cement behind the 9-5/8 inch intermediate casing is **to be circulated to the surface**.
3. The minimum required fill of cement behind the 5-1/2 inch production casing is **to reach at least 500 feet above the top of the uppermost hydrocarbon productive interval**.

### III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13-3/8 inch casing shoe and shall be tested as described.

NOTE: A waiver to test the 13-3/8" casing to 1000# with the rig pumps is granted.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 5000 psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.

#### **IV. DRILLING MUD:**

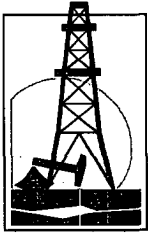
Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the Wolfcamp formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

- Recording pit level indicator to indicate volume gains and losses.
- Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
- Flow-sensor on the flow-line to warn of abnormal mud returns from the well.

9/19/2005

acs





## **Gruy Petroleum Management Co.**

600 East Las Colinas Blvd. ♦ Suite 1100 ♦ Irving, TX 75039 ♦ (972) 401-3111 ♦ Fax (972) 443-6450

Mailing Address: P.O. Box 140907 ♦ Irving, TX 75014-0907

*A subsidiary of Magnum Hunter Resources, Inc. • A NYSE Listed Company • "MHR"*

September 2, 2005

Oil Conservation Division  
District II Office  
1301 W. Grand Ave.  
Artesia, New Mexico 88210  
Attn: Mr. Bryan Arrant

RECEIVED  
SEP - 6 2005  
OCD-ARTESIA

Re: Statewide Rule 118  
Hydrogen Sulfide Gas Contingency Plan  
Proposed Jack Federal Com No. 1

Dear Mr. Arrant:

In accordance with NMAC 19.15.3.118 C. (1) governing the determination of the hydrogen sulfide concentration in gaseous mixtures in each of its operations, Gruy Petroleum Management Co. does not anticipate that there will be enough H<sub>2</sub>S from the surface to the Morrow/Atoka formations to meet the OCD's minimum requirements for the submission of a contingency plan for the drilling and completion of the following test(s):

**Jack Federal Com No. 1 – 660' FNL & 1770' FWL – Sec 13-T16S-R29E**

If anything further is needed regarding this issue, or if you have any questions, please feel free to contact the undersigned at 972-443-6489.

Yours truly,

Zeno Farris  
Manager, Operations Administration