

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPlicate

(The instructions on
reverse side)

5. LEASE DESIGNATION AND SERIAL NO.

LC 065421

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

Pending

8. FARM OR LEASE NAME, WELL NO.

O'Neill 11 Federal Com 1

9. API WELL NO.

30-015- 33087

10. FIELD AND POOL, OR WILDCAT

Carlsbad Morrow; South (Gas)

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

Sec. 11 T24S R26E

12. COUNTY OR PARISH

Eddy

13. STATE

NM

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

1b. TYPE OF WELL

OIL ☐ GAS ☒
WELL WELL

SINGLE ☐ MULTIPLE ☐
OTHER ZONE ZONE

2. NAME OF OPERATOR

Gruy Petroleum Management Co.

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' FSL & 1950' FEL

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

15 miles South of Carlsbad

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

1120

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.

NA

19. PROPOSED DEPTH

13000'

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
3318' GR

CARLSBAD CONTROLLED WATER BASIN

22. APPROX. DATE WORK WILL START*
10-30-03

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2" WITNESS	J-55 13 3/8"	54.5 #	425' WITNESS	490 sx circulate
12 1/4"	J-55 9 5/8"	40 #	3200'	1200 sx circulate
7 7/8"	N-80/P-110 5 1/2"	17 #	13000'	1620 sx TOC 2700'

The proposed well will be drilled to a depth of 13000' and completed as a South Carlsbad Morrow, producer.

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 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 manufactures stated maximum internal yield. Per onshore order 2 the 13 3/8" 54.5 # J-55 casing should be tested at 70% of its maximum internal yield of 2730 # or 1911 #. During the running of the surface pipe we do not anticipate any pressures greater than 500 #, and are requesting a variance to test the 13 3/8" casing to 500 #

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 Zeno Farris TITLE Mgr. Ops. Admin DATE 09-04-03

(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 ACTING FIELD MANAGER

DATE

16 OCT 2003

*See Instructions On Reverse Side

Title 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.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

APPROVAL FOR 1 YEAR

Additional Operator Remarks

Gruy Petroleum Management Co.
O'Neill 11 Federal Com 1
Unit Letter O Section 11
T24S - R26E Eddy County, NM

1 Master Drilling and Surface Use Plan on file at the BLM Roswell office which includes:

- A. Lease Responsibility Statement and bonding information.
- B. Anticipated starting date and duration of operations.

2 Included in this attachment are:

- A. Well Location and acreage dedication plat.
- B. Supplemental Surface Use Plan. (Exhibits A, B, and C)
- C. Supplemental Drilling Data. (Exhibits D and E)

Surface Use Plan

Gruy Petroleum Management Co.
O'Neill 11 Federal Com 1
Unit Letter O Section 11
T24S - R26E 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. Go South of Carlsbad on Highway 62-180 for approximately 15 miles to mile marker 21. Turn left on BlackRiver Village road for 2 miles to Bounds road. Then left or North on Bounds for 1 mile, then right on access road 1283' to location.
- 2 PLANNED ACCESS ROADS: 1283' of new access road will be constructed.
- 4 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"

Surface Use Plan

Gruy Petroleum Management Co.
O'Neill 11 Federal Com 1
Unit Letter O Section 11
T24S - R26E Eddy County, NM

4 OTHER INFORMATION:

- A. Topography consists of a sloping plane with loose tan sands, and a few eroded areas. Vegetation is mainly yucca, mesquite and shin oak.
- B. The wellsite is on BLM owned surface. The land is used mainly for cattle ranching and oil and gas production.
- C. An Archaeological survey will be conducted on the location and proposed roads, and this report will be filed with the Bureau of Land Management in the Carlsbad BLM office.
- D. The following dwellings are within 1 1/2 miles of this location.
Warren Bounds Ranch House in section 14.

5 OPERATORS REPRESENTATIVE:

Gruy Petroleum Management Company
P.O. Box 14097
Irving, TX 75014
Office Phone: (972) 443-6489
Zeno Farris

- 6 CERTIFICATION: I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Gruy Petroleum Management Company contractors/subcontractors in the conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provision of U.S.C. 1001 for the filing of a false statement.

NAME: Zeno Farris

DATE: 9/2/03

TITLE: Manager, Operations Administration

DISTRICT I
P.O. Box 1990, Hobbs, NM 88241-1990

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

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

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name Carlsbad; South Morrow
Property Code	Property Name O'NEILL "11" FEDERAL COM.	Well Number 1
OGRID No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT CO.	Elevation 3265'


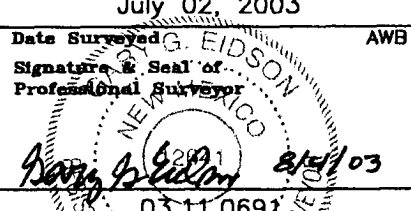
Surface Location

UL or lot No. 0	Section 11	Township 24-S	Range 26-E	Lot Idn	Feet from the 660'	North/South line SOUTH	Feet from the 1950'	East/West line EAST	County EDDY
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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 320	Joint or Infill N	Consolidation Code C	Order No. Pending						

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

		GEODETIC COORDINATES NAD27 NME Y= 446111.3 N X= 522389.2 E LAT.= 32°13'35.24"N LONG.= 104°15'39.35"W			
		O'Neill 11 Federal Com No. 1			
		3268.0' 500' 3265.2' 1950' 3265.3' 500' 880' 3263.8'			
OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.  Signature Zeno Farris Printed Name Mgr Operations Admin Title September 5, 2003 Date					
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. July 02, 2003 Date Surveyed Signature & Seal of Professional Surveyor  Certificate No. RONALD J. EDSON 3239 12841					

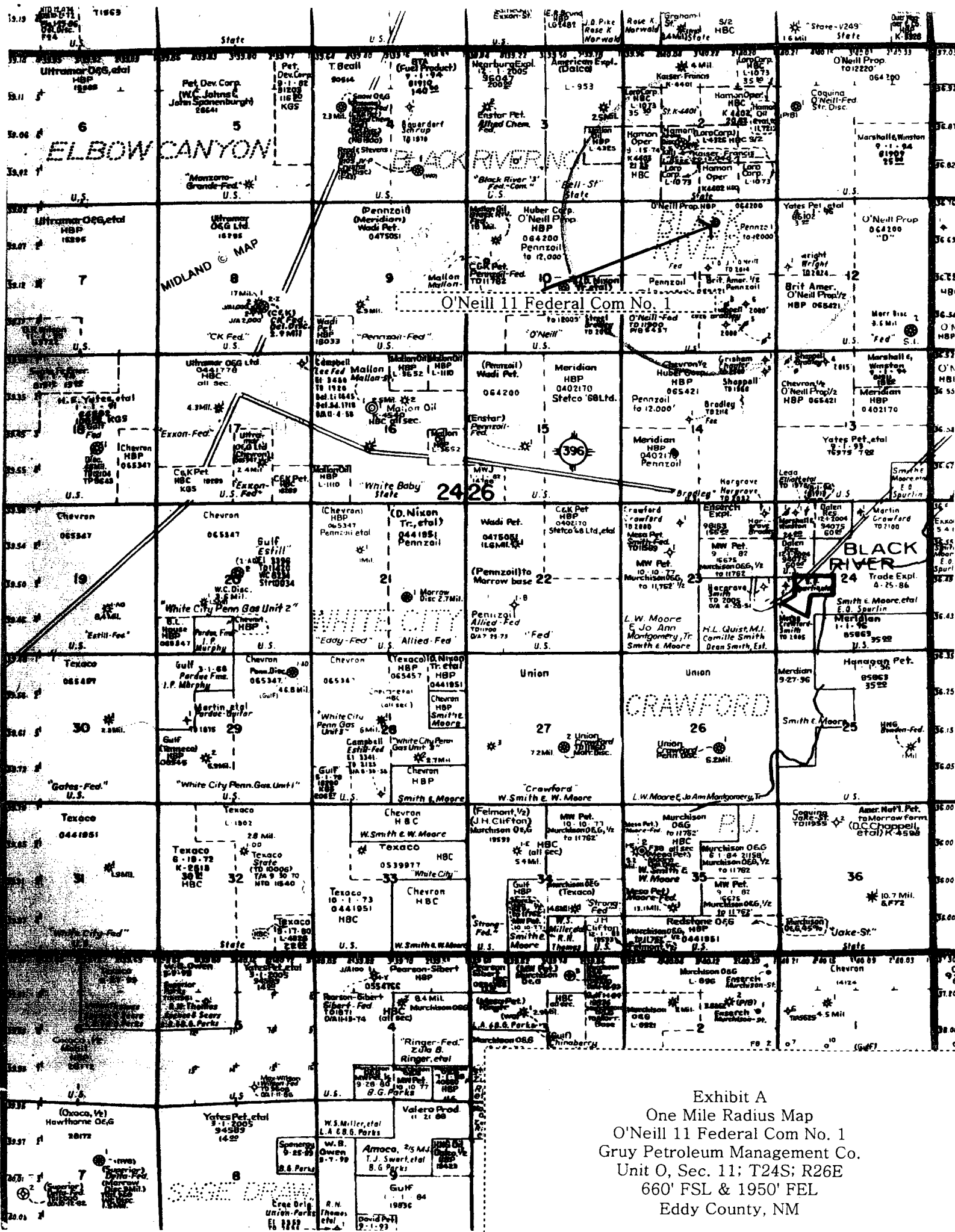
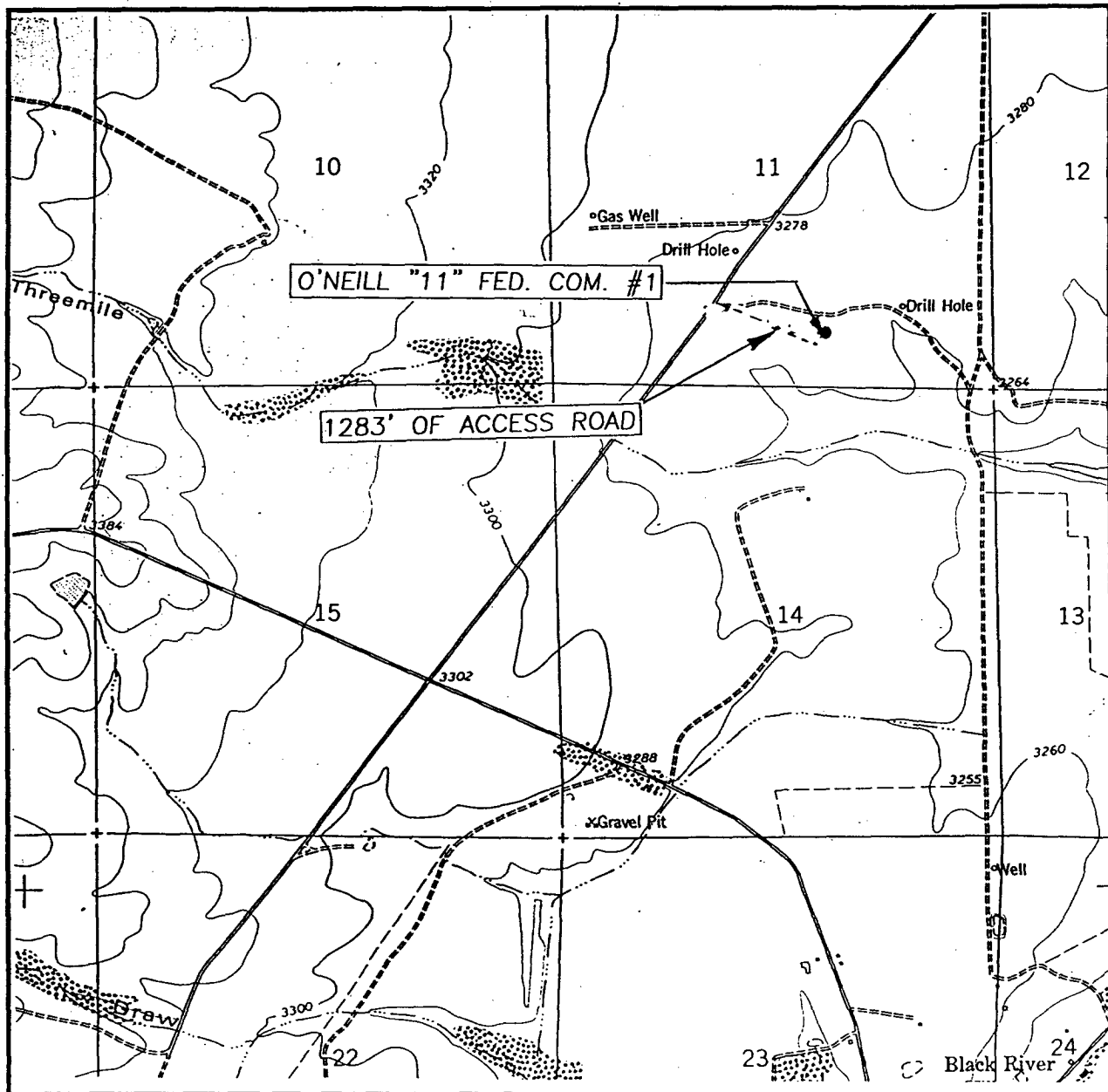


Exhibit A
One Mile Radius Map
O'Neill 11 Federal Com No. 1
Gruy Petroleum Management Co.
Unit O, Sec. 11; T24S; R26E
660' FSL & 1950' FEL
Eddy County, NM

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 20'
BLACK RIVER VILLAGE, N.M.

SEC. 11 TWP. 24-S RGE. 26-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 660' FSL & 1950' FEL

ELEVATION 3265'

OPERATOR GRUY PETROLEUM MANAGEMENT CO.

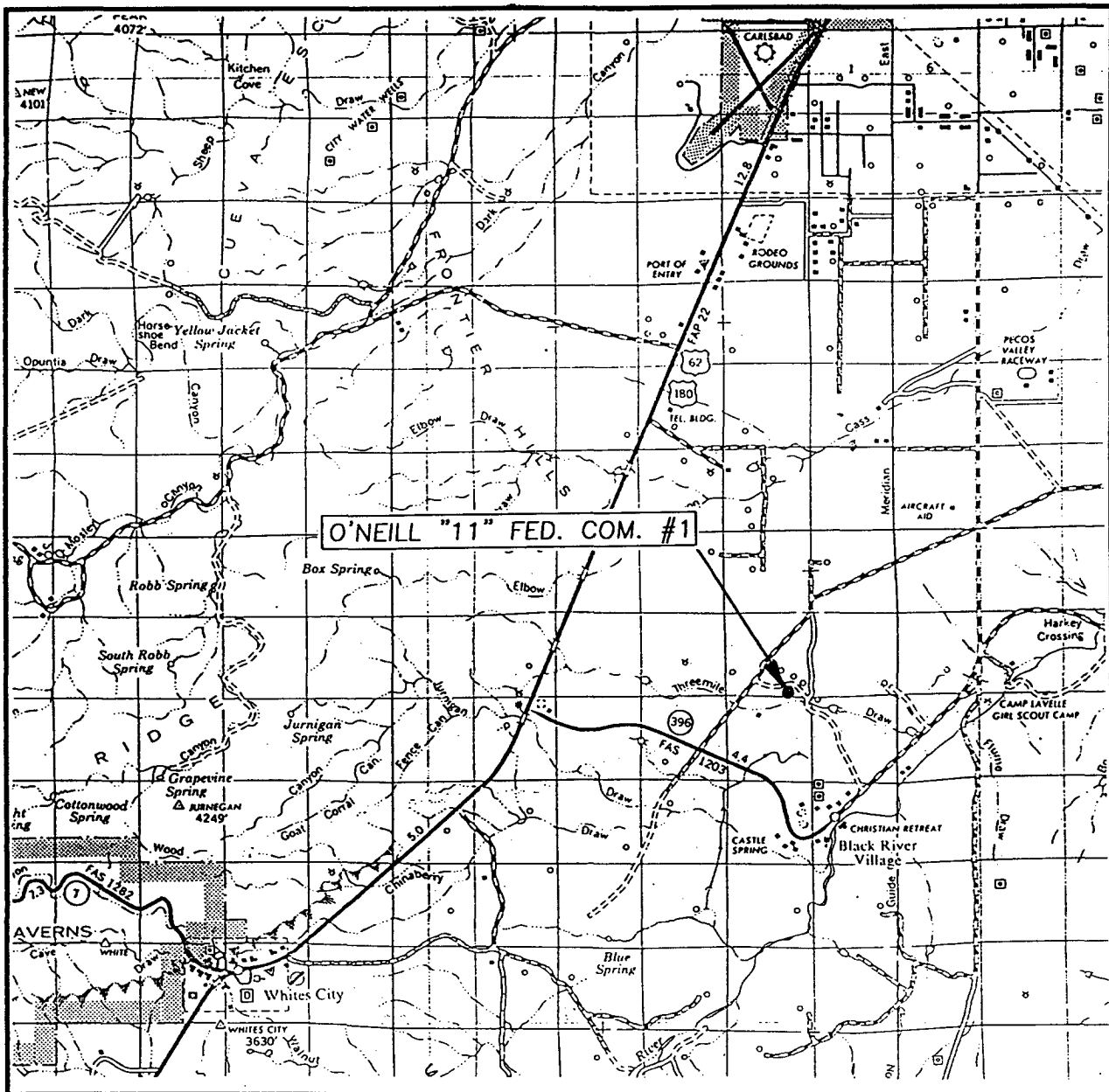
LEASE O'NEILL "11" FEDERAL COM.

U.S.G.S. TOPOGRAPHIC MAP
BLACK RIVER VILLAGE, N.M.

Exhibit "B"

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 11 TWP. 24-S RGE. 26-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 660' FSL & 1950' FEL

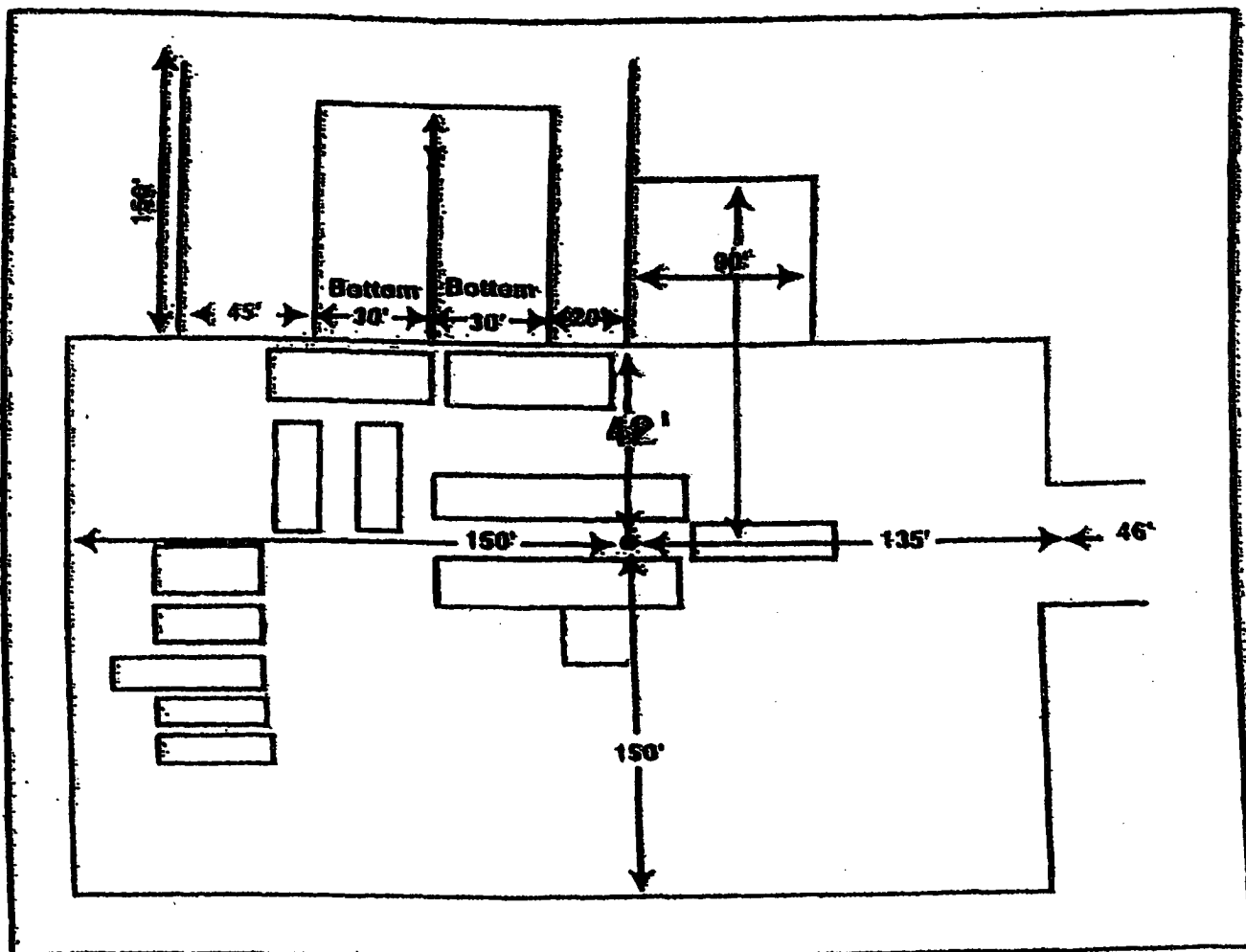
ELEVATION 3265'

OPERATOR GRUY PETROLEUM MANAGEMENT CO.

LEASE O'NEILL "11" FEDERAL COM.

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

Exhibit "C"



Rig 75

Exhibit D
 Rig Layout Plan
 O'Neill 11 Federal Com No. 1
 Gruy Petroleum Management Co.
 Unit O, Sec. 11; T24S; R26E
 660' FSL & 1950' FEL
 Eddy County, NM

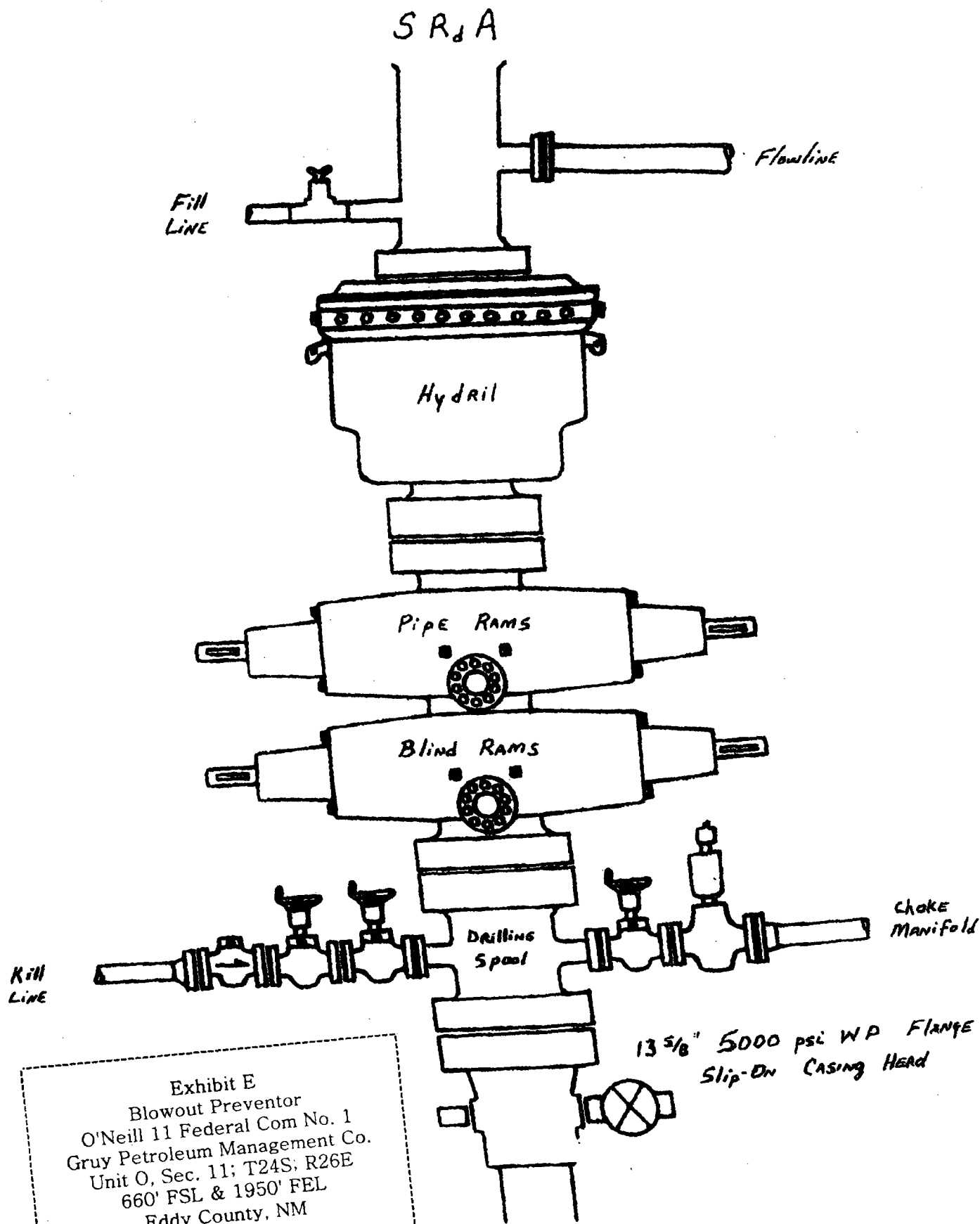


Exhibit E
 Blowout Preventor
 O'Neill 11 Federal Com No. 1
 Gruy Petroleum Management Co.
 Unit O, Sec. 11; T24S; R26E
 660' FSL & 1950' FEL
 Eddy County, NM

Application to Drill

Gruy Petroleum Management Co.
O'Neill 11 Federal Com 1
Unit Letter O Section 11
T24S - R26E 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 DST's, or cores are planned at this time.

13 Potential Hazards:

No abnormal pressures or temperatures or H₂S gas are expected. 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 190.

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 / Atoka pay will be perforated and stimulated. The well will be tested and potentialized as a gas well.