30735739 NSP 10/13/98



Gruy Petroleum Management Co.

600 East Las Colinas Blvd. • Suite 1200 • Irving, TX 75039 • (972) 401-3111 • Fax (972) 443-6450 Mailing Address: P.O. Box 140907 • Irving, TX 75014-0907

A wholly-owned subsidiary of Magnum Hunter Resources. Inc., an American Stock Exchange company

September 21, 1998

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	SEP 23 10	сц (

Lori Wrotenbery, Director Michael J. Stogner, Chief Hearing Officer New Mexico Oil Conservation Division 2040 South Pacheco Santa Fe New Mexico 87505

Re: Request for Non-standard Proration Unit N/2NE/4 17-26S-37E Lea County, New Mexico

Dear Ms. Wrotenbery and Mr. Stogner:

Gruy Petroleum Management Co. requests administrative approval of the referenced non-standard proration unit under Division General Rule 104(D)(2)(b). The N/2NE/4 of section 17-26S-37E will be dedicated to the proposed Rhodes Federal Unit No. 171 well. Texaco attempted to drill the H.G. Moberly B No. 3 oil well at this location in the early 1950's. They set surface casing and then decided to plug and abandon the well bore. We anticipate that our re-entry of this well will result in a completed gas well at a standard location in the Rhodes-Yates-Seven-Rivers Gas Pool.

We are enclosing for your reference a copy of our application to drill and Form C-102 along with a color-coded plat depicting the proration units surrounding our proposed location. The requested non-standard proration unit is isolated by previously approved NSP's R-474, and R-475, which are owned and operated by Gruy Petroleum Management Co.

Your consideration in this matter is appreciated. If you have any questions or need further information please feel free to call at 972-443-6489.

Yours truly,

Zeno Farin

Zeno Farris Manager, Operations Administration

Cc: BLM – Roswell OCD - Hobbs

Form 3160-3 (July 1992)		ED STATES		SUBMIT IN 1 (Other instr reverse	uctions on	OMB NO. Expires: Feb	PPROVED 1004-0136 Mary 28, 1995	
						5. LEASE DEBIGNATIO	N AND SEBIAL NO.	
	BUREAU OF	LAND MANAG	EMENT			LC-0301811 6. IF INDIAN, ALLOTT		
APPL	APPLICATION FOR PERMIT TO DRILL OR DEEPEN							
1a. TIPE OF WORK DR		7. UNIT AGREEMENT 8920003820						
	AS THE ATTER		SINGLE ZONE	MULTI ZONE		S. FARM OR LEASE NAME, V	WELL NO	
2. NAME OF OPERATOR	TLL LA OTHER			2041	······	RHODES FEDER		
GRUY PETROLEUN 3. ADDRESS AND TELEPHONE NO.	1 MANAGEMENT CO.	(ZEN	O FARRIS)	972-443-6	489	9. API WELL NO.		
P.O. BOX 14090)7 IRVING, TE	XAS 75014-0	907 972-	443-6489		10. FIELD AND POOL.	OR WILDCAT	
4. LOCATION OF WELL (B At surface	eport location clearly and	in accordance wit	h any State req	lirements.")		RHODES-YATES-	-7R'S-GAS	
	O' FEL SEC. 17	T26S-R37E	LEA CO.	NM		11. SEC., T., R., M., OR BLE. AND SURVEY OR AREA		
						SEC.17 T26S-	-R37E	
	AND DIRECTION FROM NEAD					12. COUNTY OR PARIS	H 13. STATE	
Approximately	6 miles Southwe	st of Jal Ne	ew Mexico			LEA CO.	NM	
13. DISTANCE FROM PROP LOCATION TO NEARES PROPERTY OR LEASE I (Also to dearest dri	I LINE, FT.	660'				OF ACRES ASSIGNED THIS WELL 8()		
18. DISTANCE FROM PROP	OSED LOCATION"	800'	19. PROPOSED I	ÉPTH	20. ROTAE	ART OR CABLE TOULS		
OR APPLIED FOR, ON TH	IS LEASE, FT.	500	3200		ROTARY	RY_(REVERSE UNIT)		
21. ELEVATIONS (Show wh	ether DF, RT, GR, etc.)	2977' GR.				AS SOON AS AT		
23.		PROPOSED CASE	IG AND CEMEN	TING PROGRA	M			
SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FO	OT SET	TING DEPTH	1	QUANTITY OF CEMI	ENT	
12½" ?	8 5/8"	32		84'	alread	dy cemented in	n place Sx.20	
7 7/8"	J-55 5½"	15.5	32	.00'	1000 3	Sx. circulate	to surface.	
		<u></u>			<u> </u>			

- 1. This a re-entry of a well drilled by Texaco, 8 5/8" casing was set at 1184' then well was drilled to a depth of 3390', cores and tests were taken and run, Texaco elected to plug and abandon this well bore.
- 2. Gruy Petroleum Management Company wishes to rig up a well service unit and reverse rig to drill out cement plugs and clean out well to a total depth of 3200', run logs and $5\frac{1}{2}''$ casing to 3200' and cement to surface.
- 3. Perforate selected intervals and complete well.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give da deepen directionally, give pertinent data on subsurface locations and measured and true verti	ta on present productive zone and proposed new productive zone. If proposal is to drill or cal depths. Give blowout preventer program, if any.
24. SIGNED OF FORMERA TITLE	Agent DATE08/27/98
(This spuce 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:

_ TITLE _

	<i>i</i>							
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form 3160-3 (July 1992)	UN	IITED STATES	- P. O. OGR. 17	allen Inen		FORM AP OMB NO. Expires: Febr	1004-0134	
	DEPARTME	NT OF THE I	NTERIOR	018	1850 K.C. (1999) (5. LEASE DEBIGNATIO		
	BUREAU (OF LAND MANAG	EMENT	951		LC-030181E		
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		DEEPEN []			7. UNIT AGREEMENT	NAME	
b. TIPE OF WELL	GAS T	O c t	SINGLE TT	MULTI		8920003820		
	WELL A OTHER	Re-Entry	ZONE X	ZONE		8. FARM OR LEASE NAME W RHODES FEDERA		
		· / · · · ·				9. AT WELL NO.		
3. ADDRESS AND TELEPHONE NO	<u>M MANAGEMENT CC</u> D.). (ZENC) FARRIS) 97:	2-443-6	489	30-025	tlags	
P.O. BOX 1409	07 IRVING, 1	TEXAS 75014-09	972-44	3-6489		10. FIELD AND POOL.	OR WILDCAT	
4. LOCATION OF WELL () At surjace	Report location clearly a	nd in accordance with	any State requirem	lents.")		RHODES-YATES-	·7R'S-GAS	
660' FNL & 19	80' FEL SEC. 1	7 T26S-R37E	LEA CO. NM			11. SBC., T., R., M., OR AND SURVEY OR A	BLK. BEA	
At proposed prod. zo	De					SEC.17 T26S-	-R37E	
	AND DIRECTION FROM NI			,·		12. COUNTY OR PARISH	I 13. STATE	
	6 miles Southw					LEA CO.	NM	
15. DISTANCE FROM PROF LOCATION TO NEARES PROPERTY OR LEASE (Also to part del	IT	660'	16. NO. OF ACRES 1. 640	N LEASE		F ACRES ASSIGNED IIS WELL 80		
18. DISTANCE FROM PRO	POSED LOCATION®	1800'	19. PROPOSED DEPTH			20. ROTART OR CABLE TOULS		
OR APPLIED FOR, ON TH	IIS LEASE, FT.		3200'		ROTARY	Y (REVERSE UNI		
21. ELEVATIONS (Show wh	ether DF, RT, GR, etc.).	2977' GR.				AS SOON AS APPROX. DATE WO		
23.		PROPOSED CASIN	CAND CEMENTING	BROGRA				
			······	<u> </u>				
SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOO	T SETTING		already cemented in place Sx			
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elected to p	lug and abando	n this well b	ore.					
2. Gruy Petrole	Managamant	Company wisho	e to rig up	- well	corvice	unit and rev	erse	
rig to drill	Lout cement pl	ugs and clean	out well to	a tota	al depth	of 3200', ru	n logs	
	ing to 3200' and					NO. 162683		
	-							
J. FEIIDIALE SE	3. Perforate selected intervals and complete well. PROPERTY NO.2232. POOL CODE 838/0							
				EFE D	ATE IN	-5-98		
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IN ABOVE SPACE DESCRIBE deepen directionally, give pertir				•• • • • •		•	s to drill or	
24.	7/1-							
SIGNED	11 400	Illa TITLE	Agent				/98	
(This space for Feder	al or State office use)			 A				
1/ Phr.	- Milina							
PERMIT NO	a winan	na	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 thereof CONDITIONS OF APPROVAL, IF ANY:

(ORIG. SGD.) ARMANDO A. LOPEZ

APPROVED BY

Acting Assistant Field Office Manager, Lands and Minerals

DATE _____ SEP 1 3 1998

*See Instructions On Reverse Side

TITLE .

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DISTRICT I P.O. Box 1980, Robbe, NM 58241-1980

DISTRICT II P.O. Drawer DD. Artesia, NM 86211-0719

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

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

> RONALD J. EIDSON GARY EIDSON

12641

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

G AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT API Number Pool Code Pool Name 83810 RHODES YATES-7RIVERS GAS Property Code **Property** Name Well Number RHODES FEDERAL UNIT 171 Operator Name OGRID No. Elevation GRUY PETROLEUM MANAGEMENT CO. 162683 2977 Surface Location UL or lot No. Township Feet from the North/South line Feet from the East/West line Section Range Lot Idn County 17 26 S 37 E 660 NORTH 1980 FAST LEA В Bottom Hole Location If Different From Surface Feet from the North/South line UL or lot No. Lot Idn Feet from the East/West line Section Township Range County Joint or Infill Dedicated Acres Consolidation Code Order No. 80 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 OPERATOR CERTIFICATION 2977.1' 2979.2' I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. - 1980' -2978.8 2982.8 Signature Jue T. Nanica Printed Name Agent Title 08/27/98 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 supervison, and that the same is true and correct to the best of my better. Date Sarveyed 4 DMCC Signature & Seal of Professional Surveyor HOY -R. F. õ 05-98 ~TF=5305 **G**B Certificate No. JOHN W. WEST 676 3239

DISTRICT I P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II P.O. Drawer DD, Artesia, NM 66211-0719

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

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

OIL CONSERVATION DIVISION P.O. Box 2088

Santa Fe, New Mexico 87504-2088

□ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API N	lumber	Pool Code Pool Name								
Property Co	ode		Property Name Well Numb RHODES FEDERAL UNIT 171							
OGRID No.			GRU		Opera	tor Nam			Elevatio 2977	<u>д</u>
L		4	. for 	· · · · · · ·	Surfac	e Loc	ation			
UL or lot Nc.	Section	Township	Range	Lot Idn	Feet fro	m the	North/South line	Feet from the	East/West line	County
В	17	26 S	37 E	L	66	0	NORTH	1980	EAST	LEA
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UL or lot No.	Section	Township	Range	Lot Idn	Feet fro	m the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint o	r Infill Co	nsolidation	Code Or	der No.		L	1		l
	#ABLE W			IDARD UN		BEEN	JNTIL ALL INTEH APPROVED BY 1980'	THE DIVISION OPERATO I hereby contained herein best of my know Signature Printed Name Title Date SURVEYO I hereby certify on this plat we actual surveys supervison, an correct to the	PR CERTIFICAT y certify the the in a is true and compl uledge and betief. e e PR CERTIFICAT that the well locat us plotted from field made by me or d that the same is a best of my belie LY 21, 1998 d Seal of	FION formation ete to the te to the FION ion shown d notes of under my true and
	I							Certificate N	3-11-1059 O. JOHN W. WEST RONALD J. EIDSON GARY EIDSON	676 DN 3239 12641

District I PO Box 1990, Hobbs, NM 88241-1990 District II PO Drawer DD, Artenia, NM 88211-0719 District III 1000 Rio Brazos Rd., Aztec, NM 87410 District IV PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico Energy, Minerale & Natural Resources Department

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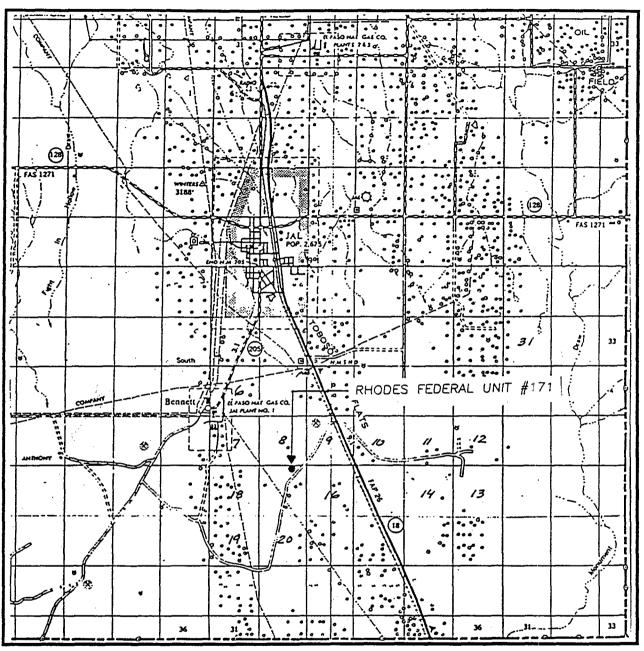
OIL CONSERVATION DIVISION PO Box 2088 Santa Fe, NM 87504-2088

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

AMENDED REPORT

		WE	LL LO	CATI	ON AND A	٩CR	EAGE DEDIC	CAT	FION PI	LAT .		
	API Numbe		³ Pool Code				³ Pool Name					
30-02	5		8	83810 Rhodes (Yates - Seven Rivers)								
* Property	Cede					perty	Name				•	Well Number
22321		Rhode	s Feder	cal Un	nit							171
'OGRID	No.				' Op	erelor	Name					* Elevation
162683		Gruy	Petrol	leum 1	Managemen	t Co	ompany					
		_			¹⁰ Surf	ace	Location					
UL or lot no.	Section	Township	Range	Lot Id	n Feet from	the	North/South äne	Fee	t from the	Enst/Wes	t line	County
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			¹¹ Bot	tom H	Iole Locatio	on I	f Different Fro	m	Surface			
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¹² Dedicated Act	res 13 Joint	or laful '	Consolidatio	a Code	" Order No.			• •				
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	<u>ا</u>	NS	PN	·] L	ANEXCO	J []		┺║	i hereby cer	nify that the v	vell locati	on shown on this plat
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VICINITY MAP

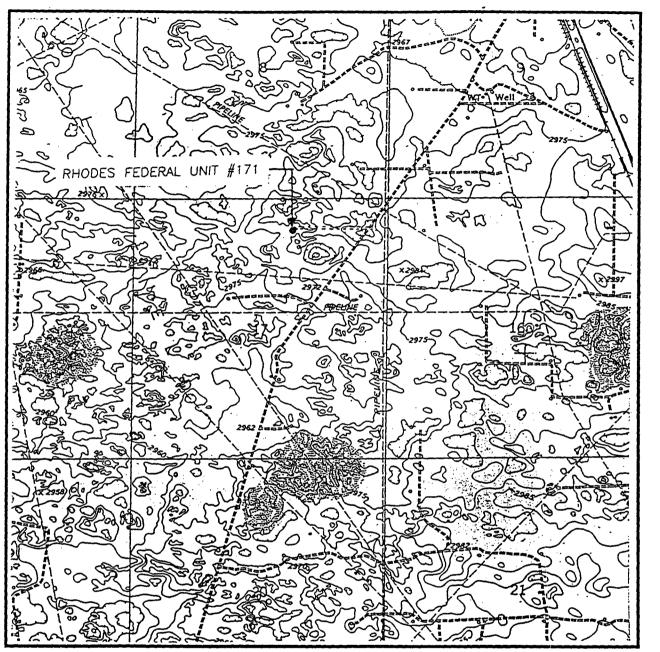


SCALE: 1'' = 2 MILES

SEC. <u>17</u> TWP.<u>26–S</u> RGE.<u>37–E</u> SURVEY <u>N.M.P.M.</u> COUNTY <u>LEA</u> DESCRIPTION <u>660' FNL & 1980' FEL</u> ELEVATION <u>2977</u> GRUY PETROLEUM OPERATOR <u>MANAGEMENT CO.</u> LEASE <u>RHODES FEDERAL UNIT</u>

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

LOCATION VERIFICATION MAP



SCALE: 1'' = 2000'

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SEC. <u>17</u> TWP.<u>26-S</u> RGE.<u>37-E</u> SURVEY <u>N.M.P.M.</u> COUNTY <u>LEA</u> DESCRIPTION <u>660' FNL & 1980' FEL</u> ELEVATION <u>2977</u> GRUY PETROLEUM OPERATOR <u>MANAGEMENT CO.</u> LEASE <u>RHODES FEDERAL UNIT</u> U.S.G.S. TOPOGRAPHIC MAP JAL, N.M. CONTOUR INTERVAL: JAL – 5'

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

APPLICATION TO DRILL

1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 -1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 -

GRUY PETROLEUM MANAGEMENT CO. RHODES FEDERAL UNIT # 171 UNIT "B" SECTION 17 T26S-R37E LEA CO. NM

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

- 1. Location: 660' FNL & 1980' FEL SEC. 17 T26S-R37E LEA CO. NM
- 2. Elevation above sea level: 2977' GR.
- 3. Geologic name of surface formation: Quaternery Aeolian Deposits.
- 4. <u>Drilling tools and associated ecuipment:</u> Conventional rotary drilling rig using fluid as a circulating medium for solids removal.
- 5. Proposed drilling depth: 3200'
- 6. Estimated tops of geological markets:

Rustler Anhydrite	1030'	Yates	2700'
Salado Salt	1330'	7 Rivers	3050'
Tansil	2535'		

7. Possible mineral bearing formation:

Ta	nsil	Gas
Ya	tes	Gas
7	Rivers	Gas

8. Casing program:

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Hole size	Interval	Casing CD	Weight	Thread	Collar	Grade
			A RE-ENTRY			
125"?	0-1184'	8 5/8"	32∦	Lap-weld	NA	Seamless
7 7/8"	0-3200'	5'2''	15.5#	8-R	ST&C	J-55

A well service rig will be rigged up on location along with a reverse unit no surface pits will be required. Steel pits will be used for the circulating fluids.

APPLICATION TO DRILL

GRUY PETROLEUM MANAGEMENT CO. RHODES FEDERAL UNIT # 17I UNIT "B" SECTION 17 T26S-R37E LEA CO. NM

9. CEMENTING & SETTING DEPTH:

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8 5/8" Surface This is a re-entry 8 5/8" surface casing is set at 1184' and cemented. This was done on 09/27/1943. By Texaco.
5¹/₂" Production. Set 3200' of 5¹/₂" 15.5# J-55 8-R ST&C casing. Cement in two stages: 1st stage cement with 400 Sx. of Class "C" + additives, 2nd stage cement with 600 Sx. of Halco

Light + additives, circulate cement to surface.

10. <u>PRESSURE CONTROL EOUIPMENT:</u> Exhibit "E". A Series 900 3000 PSI working pressure B.O.P. consting of a double ram type preventor with a bag type annular preventor. The B.O.P. unit will be hydraulically operated. Exhibit "E-1". Choke manifold and closing unit. The B.O.P. will be nippled up on 8 5/8" casing and will be operated at least once each 24 hour period while drilling and blind rams will be operated when out of hole on trips. Full opening stabbing valve and upper kelly cock will be utilized. No abnormal pressure or temperature is expected while drilling.

11. PROPOSED MUD CIRCULATING SYSTEM:

Depth	Mud Wt.	Visc.	Fluid Loss	Type Mud System
		THIS	IS A RE-ENTRY	
0-3200'	10-19.3	2 9- 34	NC	Clean out to 1184' with brine and drill plugs and clean out old hole to 3200'.

No earth pits will be required to re-enter this well steel pits will be used.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run DST's, open hole logs, and casing the viscosity and/or water loss may have to be adjusted to meet these needs.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

- 1. All Company and Contract personnel admitted on location must be trained by a qualified H_2S safety instructor to the following:
 - A. Characteristics of H₂S
 - B. Physical effects and hazzards
 - C. Proper use of safety equipment and life support systems.
 - D. Principle and operation of H₂S detectors, warning system and briefing areas.
 - 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 blooie 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.
 - C. There should be a windsock at entrance to location.
- 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 indicates 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 telephoned will be available at most drilling foreman's trailer or living quarters.

7. Drillstem Testing

- A. Exhausts will be watered.
- B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
- C. If location is near any dwelling a closed D.S.T. will be performed.

- 8. Drilling contractor supervisor will be required to be familiar with the effects H_2S has on tubular goods and other mechanical equipment.
- 9. If H_2S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas seperator will be brought into service along with H_2S scavengers if necessary.

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APPLICATION TO DRILL

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GRUY PETROLEUM MANAGEMENT CO. RHODES FEDERAL UNIT # 171 UNIT "B" SECTION 17 T26S-R37E LEA CO. NM

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12. Testing, Logging and Coring Program:

- A. Open hole logs: Dual Laterolog, Side Wall Neutron, Density Gamma Ray Caliper from TD to 1184'.
- B. Run Gamma Ray, Neutron from 1184' to surface.
- C. No DST's, cores or Mud Logger are planned at this time.

13. Potential Easards:

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14. Anticipated Starting Date and Duration of Operation:

Road and location construction will begin after BLM approval of APD. Anticipated spud date as soon as approved. Drilling expected to take 10-15 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 <u>Tansil, Yates</u>, 7 Rvs pay will be perforated and stimulated. The well will be swab tested and potentialed as a gas well. SURFACE USE PLAN

GRUY PETROLEUM MANAGEMENT CO. RHODES FEDERAL UNIT # 171 UNIT "B" SECTION 17 T26S-R37E LEA CO. NM

- EXISTING ROADS. Area map, Exhibit "B" is a reproduction of the New Mexico General Hi-way Co. Map. Exhibit "C" is a reproduction of a topographic map. Existing roads and proposed roads are shown on each exhibit. All roads will be maintained in a condition equal to or better than existed prior to start of construction.
 - A. Exhibit "A" shows the proposed developement well as staked.
 - B. From Jal New Mexico take State Hi-way 18 South 4.4 miles turn West cross railroad track bear left (Southwest) go 1+ miles turn West and go approximately 1500' to location.
 - C. Lay necessary pipelines and construct necessary powerlines that will are required to produce this lease along road R-O-W.

2. PLANNED ACCESS ROADS - Up grade existing road approximately 1500'.

- A. the access road will be crowned and ditched to a 12'00" wide travel surface with a 40' right-of-way.
- B. Gradient on all roads will be less tha 5.00%.
- C. No turnouts will be necessary.

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- D. If needed, road will be surfaced with a minimum of 4" of caliche. This material will be obtained from a local source.
- E. Centerline for the new access road has been flagged. Earthwork will be as required by field conditions.
- F. Culverts in the access road will not be used. The road will be constructed to utilize low water crossings for drainage as required by the Lopography.
- 3. LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A-1"

Α.	Water wells -	None known
в.	Disposal wells -	None known
c.	Drilling wells -	None known
D.	Producing wells -	As shown on Exhibit "A-1"
E.	Abandoned wells -	As shown on Exhibit "A-1"

SURFACE USE PLAN

GRUY PETROLEUM MANAGEMENT CO. RHODES FEDERAL UNIT # 171 UNIT "B" SECTION 17 T26S-R37E LEA CO. NM

4. If, on completion this well is a producer Gruy Petroleum Management Co. will furnish maps and/or plats showing on site facilities or off site facilities if needed. This will be accompanied with a Sundry Notice.

5. LOCATION AND TYPE OF WATER SUPPLY:

Water will be purchased locally from a commercial source and trucked over the access roads or piped in flexible lines laid on top of the ground.

6. SOURCE OF CONSTRUCTION MATERIAL:

If possible construction will be obtained from the excavation of drill site, if additional material is needed it will be purchased from a local source and transported over the access route as shown on Exhibit"C".

7. METHODS OF HANDLING WASTE MATERIAL:

- A. Drill cuttings will be disposed of in the reserve pit.
- B. All trash, junk and other waste material will be contained in trash cages or bins to prevent scattering. When the job is completed all contents will be removed and disposed of in a approved sanitary land fill.
- C. Salts remaining after completion of well will be picked up by supplier including broken sacks.
- D. Sewage from living quaters will drain into holes with a minium depth of 10'. These holes will be covered during drilling and will be back filled upon completion. A Porta-John will be provided for the rig crews. This equipment will be properly maintained during the drilling operations and removed upon completion of the well.
- E. Remaining drilling fluids will be allowed to evaporate in the reserve pit until the pit is dry enough for breaking out. In the event that drilling fluids do not evaporate in a reasonable time they will be hauled off by transports and be disposed of at a state approved disposal facility. Later pits will be broken out to speed drying. Water produced during testing will be put in reserve pits. Any oil or condensate produced will be stored in test tanks until sold and hauled from the site.

8. ANCILLARY FACILITIES:

A. No camps or airstrips to be constructed.

SURFACE USE PLAN

GRUY PETROLEUM MANAGEMENT CO. RHODES FEDERAL UNIT # 171 UNIT "B" SECTION 17 T26S-R37E LEA CO. NM

9. WELL SITE LAYOUT

A. Exhibit "D" shows location and rig layout.

- B. This exhibit indicates proposed location of reserve and trash pits; and living facilities.
- C. Mud pits in the active circulating system will be steel pits and the reserve pit is proposed to be unlined, unless subsurface condition encountered during pit construction indicate that lining is needed for lateral containment of fluids.
- D. If needed, the reserve pit is to be lined with PVC or polyethylene line. The pit liner will be 6 mils thick. Pit liner will extend a minimum, 2'00" over the reserve pits dikes where the liner will be anchored down.
- E. The reserve pit will be fenced on three sides with four strands of barbed wire during drilling and completion phases. The fourth side will be fenced after all drilling operations have ceased. If the well is a producer, the reserve pit fence will be torn down. The reserve pit and those areas of the location not essential to production facilities will be reclaimed and seeded per BLM requirements.

10. PLANS FOR RESTORATION OF SURFACE

Rehabilitation of the location and reserve pit will start in a timely manner after all drilling operations cease. The type of reclamation will depend on whether the well is a producer or a dry hole.

However, in either event, the reserve pit will be allowed to dry properly, and fluid removed and disposed of in accordance with Article 7.B as previously noted. The pit area will then be leveled and contoured to conform to the original and surrounding area. Drainage systems, if any, will be reshaped to the original configuration with provisions made to alleviate erosion. These may need to be modified in certain circumstances to prevent inundation of the location's pad and surface facilities. After the area has been shaped and contoured, topsoil from the spoil pile will be placed over the disturbed area to the extent possible. Revegetation procedures will comply with BLM standards.

If the well is a dry hole, the pad and road area will be recountered to match the existing terrain. Topsoil will be spread to the extent possible. Revegetation will comply with BLM standards.

Should the well be a producer, the previously noted procedures will apply to those areas which are not required for production facilities.

SURFACE USE PLAN.

GRUY PETROLEUM MANAGEMENT CO. RHODES FEDERAL UNIT # 171 UNIT "B" SECTION 17 T26S-R37E LEA CO. NM

- 11. OTHER INFORMATION:
 - A. Topography consists f sand dunes with a slight dip in the Southwesterly direction. Vegatation is mainley native grasses and Mesquite trees with Shinnery Oak.
 - B. Surface and minerals are owned by The Bureau of Land Management, The U.S. DEPARTMENT OF INTERIOR. The surface is used mainly for grazing of livestock and the production of Oil & Gas.
 - C. An Archaeological survey will be conducted of the location and proposed roads, then this report will be filed with the Bureau of Land Management in the Carlsbad BLM office.
 - D. There are no known dwellings within 1/2 mile of this location.
- 12. OPERATORS REPRESENTIVE:

Before	construction:

During and after construction:

TIERRA EXPLORATION INC. P.O. BOX 2188 HOBBS, NEW MEXICO 88241 OFFICE PHONE 505-392-2112 JOE T. JANICA GRUY PETROLEUM MANAGEMENT COMPANY P.O. BOX 14097 IRVING, TEXAS 75014 OFFICE PHONE 972-443-6489 ZENO FARRIS

13. <u>CERTIFICATION:</u> - 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 proposedherein will be performed by Gruy Petrolaum Management Co. contractors/subcontractors is 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 : Jor Jaure DATE : 08/27/98 TITLE : Agent

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EXHIBIT "A-1" ONE MILE RADIUS MAP

GRUY PETROLEUM MANAGEMENT CO. RHODES FEDERAL UNIT # 171 UNIT "B" SECTION 17 T26S-R37E LEA CO. NM

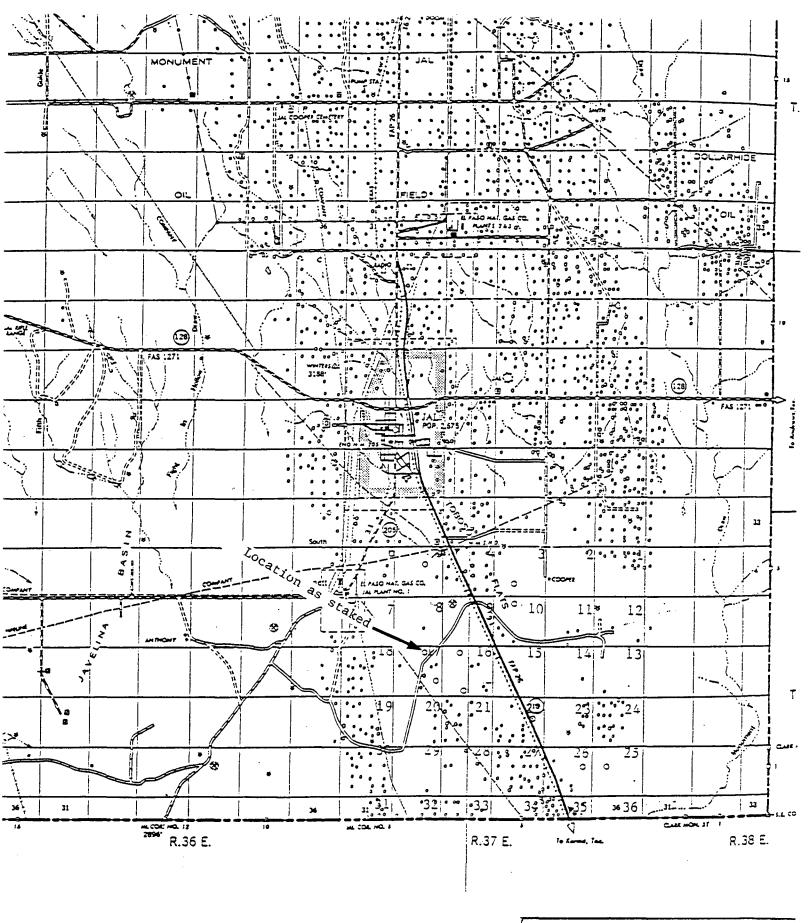
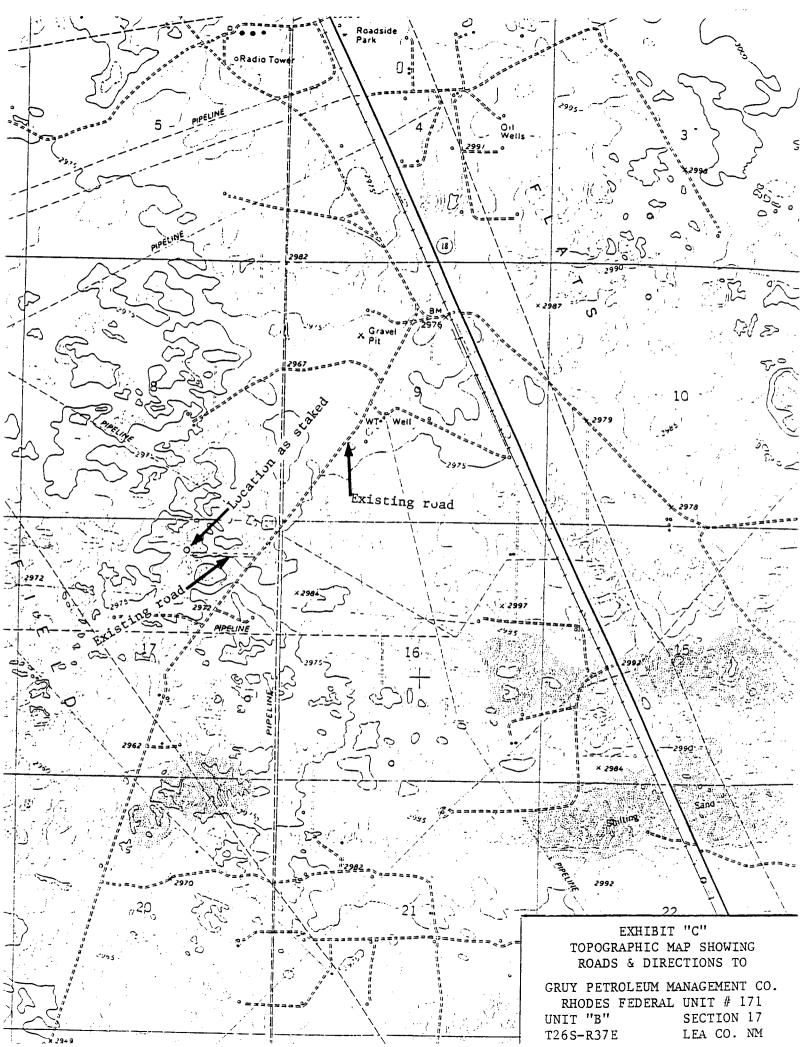
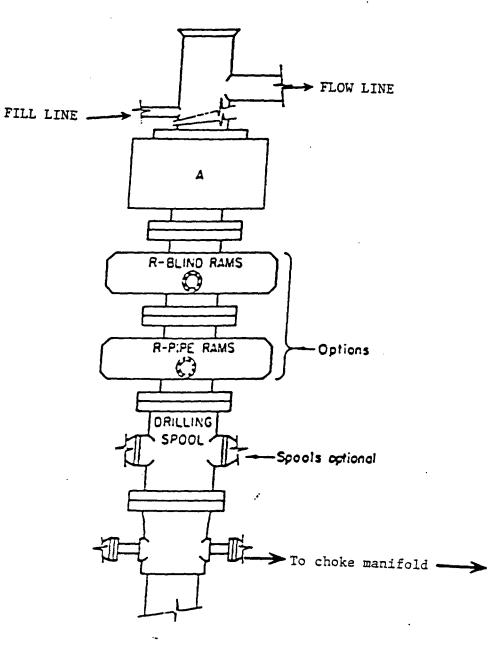


EXHIBIT "B"						
LOCATION & ACCESS ROAD MAP						
GRUY PETROLEUM MANAGEMENT CO. RHODES FEDERAL UNIT # 171 UNIT "B" SECTION 17 T26S-R37E LEA CO. NM						





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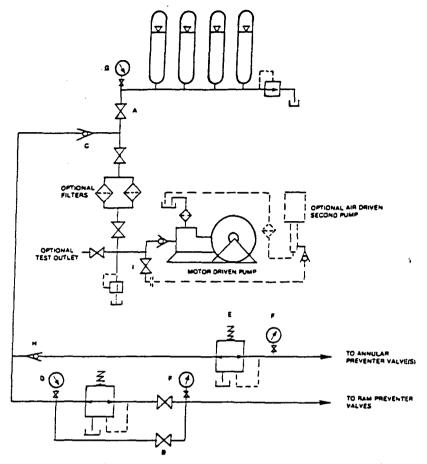
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EXHIBIT "E" B.O.P. SKETCH TO BE USED ON GRUY PETROLEUM MANAGEMENT CO. RHODES FEDERAL UNIT # 171 UNIT "B" SECTION 17 T26S-R37E LEA CO. NM



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FIGURE K6-1. The schematic sketch of an accumulator system shows required and optional components.

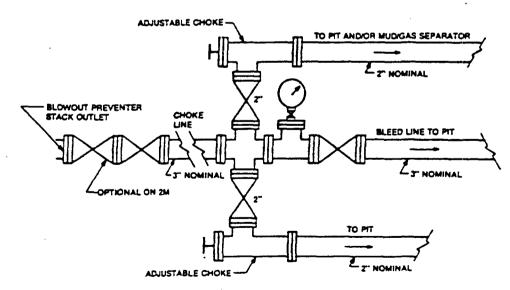


FIGURE K4-1. Typical choke manifold assembly for 2M and 3M rated working pressure service — surface installation.

EXHIBIT "E-1" CHOKE MANIFOLD & CLOSING UNIT GRUY PETROLEUM MANAGEMENT CO. RHODES FEDERAL UNIT # 171 UNIT "B" SECTION 17 T26S-R37E LEA CO. NM