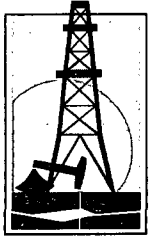


New Surprise Date: 6/7/05



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. • An American Stock Exchange Company • "MHR"

May 17, 2005

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

RECEIVED

MAY 18 2005

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: Unorthodox Well Location Application
Goldeneye 26 Federal Com No. 2
SHL 330' FNL & 1450' FWL
BHL 801' FNL & 1433' FWL
Section 26 25S-26E
Cottonwood Draw Morrow (11475' Top)
Penetration Point of Top of Morrow: 648' FNL & 1454' FWL
Cottonwood Draw Atoka (Wildcat) (10789' Top)
Penetration of Top of Atoka: 521' FNL & 1453' FWL
Eddy County New Mexico

Dear Mr. Stogner:

By letter dated 4-22-05, we submitted the referenced unorthodox well location application with notification to non-common working interest owners. Gruy would like to modify the request and drop the Atoka NSL from the application at this time. We will re-apply for the Atoka NSL when we are ready to attempt the completion.

Please continue our request for administrative approval of the unorthodox location for the Morrow formation in the Cottonwood Draw pool. Enclosed is proof of notification for this request for modification.

If you have any questions or require additional information concerning this matter, please contact me at 972-443-6489.

Yours truly,

Zeno Farris

Zeno Farris
Manager, Operations Administration

Cc: N.M.O.C.D. -- Artesia

**W/2, Section 26 Township 25S, Range 26E
Top of Morrow Setbacks – 648' FNL & 1454' FWL
Eddy County, New Mexico, Containing 320 acres**

RE: Goldeneye 26 Federal Com No. 2, Application for Unorthodox well Location.

Notification of Offset Operators:

W/2 Section 23-25S-26E

Gruy Petroleum Management Co.
P.O. Box 140907
Irving, Texas 75014-0907

EOG Resources, Inc.
4000 N. Big Spring, Suite 500
Midland, TX 79705
Attn. Mr. Mike Mullins

Chevron Texaco
11111 S. Wilcrest
Houston, TX 77099
Attn. Mr. Gabriel Acosta

Ms. Carolyn J. Roden
5 Oaklawn Park
Midland, TX 79705

W/2 Section 26-25S-26E

Gruy Petroleum Management Co.
P.O. Box 140907
Irving, Texas 75014-0907

Chevron Texaco
11111 S. Wilcrest
Houston, TX 77099
Attn. Mr. Gabriel Acosta

Gruy is encroaching on its proposed Cottonwood Draw Pintail 23 Federal Com No. 1 spacing unit in the W/2 Section 23-25S-26E.

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Ms. Carolyn J. Roden
5 Oaklawn Park
Midland, TX 79705

for instructions

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Chevron Texaco
11111 South Wilcrest
Houston, TX 77099
Attn: Mr. Gabriel Acosta

for instructions

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MAY 17 2005
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USPS

EOG Resources, Inc.
4000 North Big Spring, Suite 500
Midland, TX 79705
Attn: Mr. Mike Mullins

for instructions



2 p/s. 03

NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

~~May 18, 2005~~

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Gruy Petroleum Management Company

P. O. Box 140907

Irving, Texas 75014-0907

Attention: Zeno Farris

zfarris@magnumhunter.com

Invalidated
5-18-2005
~~Administrative Order NSL-5205 (BHL)~~

Dear Mr. Farris:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on March 8, 2005 (*administrative application reference No. pMES0-509836350*); (ii) your telephone conversations with Mr. Michael E. Stogner, Engineer with the Division in Santa Fe on March 16, 2005 and on April 4 and 8, 2005; (iii) your letter dated April 22, 2005 showing that notification pursuant to Division Rule 1205.A (2) has been provided; and (iv) the Division's records in Santa Fe and Artesia: all concerning Gruy Petroleum Management Company's ("Gruy") request for an unorthodox subsurface gas well location within a standard 320-acre stand-up gas spacing unit comprising the W/2 of Section 26, Township 25 South, Range 26 East, NMPM, Eddy County, New Mexico, for the Undesignated Cottonwood Draw-Atoka Gas Pool (97435), and the Cottonwood Draw-Morrow Gas Pool (97377).

This application has been duly filed under the provisions of Division Rules 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, and 111.C (2).

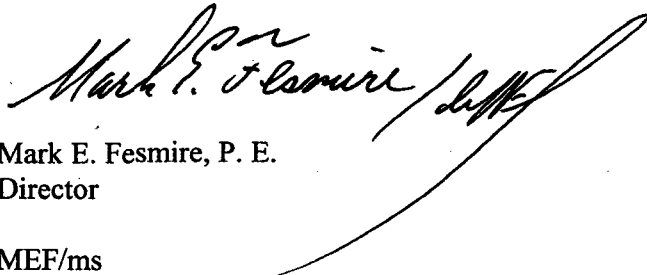
Under the provisions of Division Rules 111.A (7) and 111.C (1), Gruy directionally drill its Goldeneye "26" Federal Com. Well No. 2 (API No. 30-015-33627) from a surface location 330 feet from the North line and 1450 feet from the West line (Unit C) of Section 26, to a projected bottomhole location at a depth of 13,000 feet 850 feet from the North line and 1450 feet from the West line (Unit C) of Section 26. It was Gruy's intent to intersect the tops of both the Atoka and Morrow formations at standard subsurface locations within the subject 320-acre unit.

From your application and the Division's records, it is the Division's understanding that the: (i) actual bottomhole location at a total depth of 12,358 feet (MD), 12,316 feet (TVD) of this wellbore is 801 feet from the North line and 1433 feet from the West line (Unit C) of Section 26; (ii) penetration point of the Atoka formation at 10,879 feet is 521 feet from the North line and 1453 feet from the West line (Unit C) of Section 26; and (iii) penetration point of the Morrow formation at 11,475 feet is 648 feet from the North line and 1454 feet from the West line (Unit C) of Section 26. Pursuant to Division Rules 104.C (2), 111.B (3), and 111.A (13) this well is considered to be "unorthodox" for both zones within this 320-acre unit.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described non-standard Atoka and Morrow subsurface gas well locations within the W/2 of Section 26 and well bore path of Gruy's Goldeneye "26" Federal Com. Well No. 2 are hereby approved.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire", followed by a long, sweeping horizontal flourish.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia