

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

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 _____

[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

[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.

_____ Print or Type Name	_____ Signature	_____ Title	_____ Date
_____ e-mail Address			



Gruy Petroleum Management Co.

600 East Las Colinas Blvd. ♦ Suite 1000 ♦ 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 29, 2004

State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
1220 South Saint Francis Dr.
Santa Fe, NM 87505
Attn: Mr. William V. Jones

Re: Liberty 24 Federal Com No. 1
Section 24-25S-26E
Lea County New Mexico

Dear Mr. Jones:

Enclosed are one original and one copy of Form C-107 and C-107B applications with attachments, to dual complete and surface commingle the referenced well in the Cottonwood Draw Upper Penn and the Cottonwood Draw Morrow pools. Morrow production will be isolated behind a 4 ½" packer set at 10550 with production through tubing. Upper Penn production will be produced up the casing. Production for each zone will be metered separately and sold through a single GulfTerra sales meter. Production will be allocated back to each zone based on check meter volumes.

If you have any questions or require additional information, please feel free to call or write the undersigned at 972-443-6489.

Sincerely,

Zeno Farris

Zeno Farris
Manager Operations, Administration

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

District I
1625 N. French Drive, Hobbs, NM 88240
District II
1301 W. Grand Ave, 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 Department

Form C-107-B
Revised June 10, 2003

PC-1127

OIL CONSERVATION DIVISION
1220 S. St Francis Drive
Santa Fe, New Mexico 87505

Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: Gruy Petroleum Management Co.
OPERATOR ADDRESS: P. O. Box 140907, Irving Tx 75014-0907
APPLICATION TYPE:

Pool Commingling Lease Commingling Pool and Lease Commingling Off-Lease Storage and Measurement (Only if not Surface Commingled)
LEASE TYPE: Fee State Federal

Is this an Amendment to existing Order? Yes No If "Yes", please include the appropriate Order No. _____
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling
 Yes No

(A) POOL COMMINGLING
Please attach sheets with the following information

UNDES,
WHITE CITY

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production	Calculated Value of Commingled Production	Volumes
Cottonwood Draw, Up Penn	1.009	1.008	\$226,800	45000
Cottonwood Draw; Morrow Wildcat	1.007	1.008	\$363,333.60	72090
9757				

(2) Are any wells producing at top allowables? Yes No
(3) Has all interest owners been notified by certified mail of the proposed commingling? Yes No.
(4) Measurement type: Metering Other (Specify)
(5) Will commingling decrease the value of production? Yes No If "yes", describe why commingling should be approved

(B) LEASE COMMINGLING

Please attach sheets with the following information

(1) Pool Name and Code.
(2) Is all production from same source of supply? Yes No
(3) Has all interest owners been notified by certified mail of the proposed commingling? Yes No
(4) Measurement type: Metering Other (Specify)

(C) POOL and LEASE COMMINGLING

Please attach sheets with the following information

(1) Complete Sections A and E.

(D) OFF-LEASE STORAGE and MEASUREMENT

Please attached sheets with the following information

(1) Is all production from same source of supply? Yes No
(2) Include proof of notice to all interest owners.

(E) ADDITIONAL INFORMATION (for all application types)

Please attach sheets with the following information

(1) A schematic diagram of facility, including legal location.
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.
(3) Lease Names, Lease and Well Numbers, and API Numbers.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: Zeno Farris TITLE: Manager, Operations Admin DATE: 9-28-04

TYPE OR PRINT NAME Zeno Farris TELEPHONE NO.: 972-443-6489

E-MAIL ADDRESS: zfarris@magnumhunter.com

ENGINEERING CHART

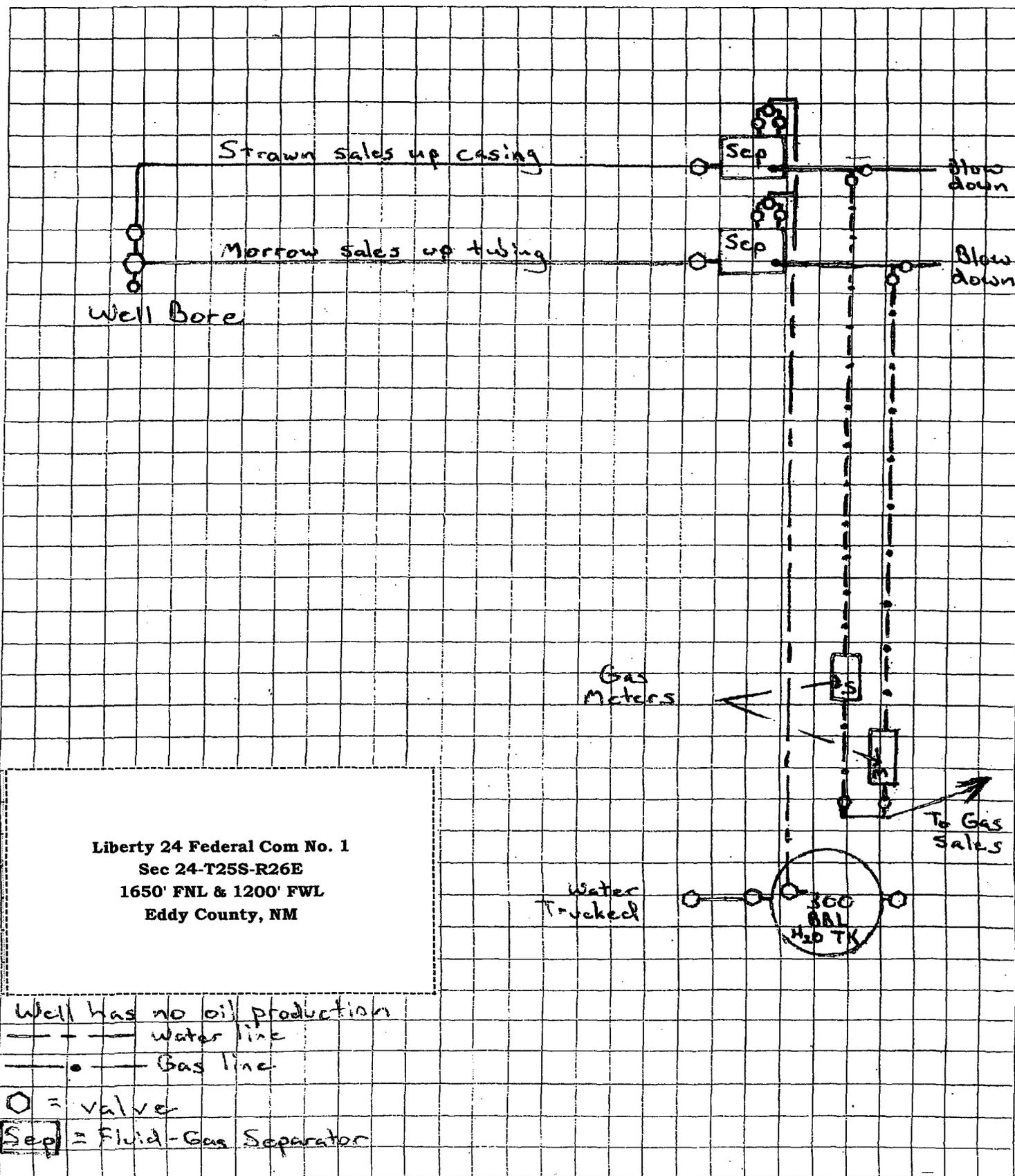
FILE _____

APPN _____

DATE 5-22-04

BY MJB

SUBJECT Liberty 24 Federal Com No. 1
Site Facility Diagram



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

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

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

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

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

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number 30-015-33094	Pool Code	Pool Name Cottonwood Draw; Morrow
Property Code	Property Name LIBERTY 24 FEDERAL COM	Well Number 1
OGRID No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT CO.	Elevation 3272'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	24	25-S	26-E		1650'	NORTH	1200'	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 320	Joint or Infill N	Consolidation Code C	Order No. Pending
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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>GEODETC COORDINATES NAD 27 NME Y= 406672.2 N X= 525639.3 E LAT.= 32°07'04.91"N LONG.= 104°15'01.86"W</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Zeno Farris</i> Signature Zeno Farris Printed Name Manager Operations Admin Title September 27, 2004 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>August 07, 2003 Date Surveyed AWB</p> <p>Signature & Seal of Professional Surveyor <i>Ronald G. Edson</i> 8/11/03 Professional Surveyor 03.11.08376</p> <p>Certificate No. RONALD G. EDSON 3238 GARY EDSON 12641</p>

DISTRICT I
P.O. Box 1989, Hobbs, NM 88241-1989

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

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

OIL CONSERVATION DIVISION
P.O. Box 2088

Santa Fe, New Mexico 87504-2088

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

DISTRICT IV
P.O. Box 2088, Santa Fe, N.M. 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number 30-015-33094	Pool Code	Pool Name Cottonwood Draw; Upper Penn
Property Code	Property Name LIBERTY 24 FEDERAL COM	Well Number 1
OGRID No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT CO.	Elevation 3272'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	24	25-S	26-E		1650'	NORTH	1200'	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 320	Joint or Infill N	Consolidation Code C	Order No. Pending
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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>Liberty 24 Fed Com 1</p>	<p>GEODEIC COORDINATES NAD 27 NME Y= 406672.2 N X= 525639.3 E LAT.= 32°07'04.91"N LONG.= 104°15'01.86"W</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Zeno Farris</i> Signature</p> <p>Zeno Farris Printed Name</p> <p>Manager Operations Admin Title</p> <p>September 27, 2004 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>August 07, 2003</p> <p>Date Surveyed AWB</p> <p>Signature & Seal of Professional Surveyor <i>Ronald G. Edson</i> 8/11/03</p> <p>Certificate No. RONALD G. EDSON 3238 GARY EDSON 12641</p>

Jones, William V

To: Arrant, Bryan
Cc: 'zfarris@magnumhunter.com'
Subject: RE: Wigeon 23 Fed Com #1 30-015-33563 Unit J Sec 23 25S 26E Eddy County

Bryan:
Thanks for straightening me out on this.
So it is Cottonwood Draw-Upper Penn Gas and Wildcat-Atoka Gas

Will

-----Original Message-----

From: Jones, William V
Sent: Monday, November 08, 2004 10:41 AM
To: Arrant, Bryan
Cc: 'zfarris@magnumhunter.com'
Subject: Wigeon 23 Fed Com #1 30-015-33563 Unit J Sec 23 25S 26E Eddy County

Hey Brian:
I am trying to process a permit to DHC this well for Gruy in the Upper Penn Gas and the Atoka Gas.

Upper Penn:
White City-Penn Gas or Cottonwood Draw-Upper Penn Gas ??? (looks undesigned for both pools to me)

Atoka:
What Pool would this fit in??? since the Atoka is in the Upper Pennsylvanian...

Thanks for your help,

William V. Jones

Engineering Bureau

Oil Conservation Division

Santa Fe