

**District I**  
1625 N. Franch Drive, 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 Department

Form C-107A  
Revised June 10, 2003

**Oil Conservation Division**  
1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

APPLICATION TYPE  
 Single Well  
 Establish Pre-Approved Pools  
EXISTING WELLBORE  
 Yes  No

**APPLICATION FOR DOWNHOLE COMMINGLING**

DHC-3390

Gruy Petroleum Management Co. P. O. Box 140907 Irving, Tx 75014-0907  
Operator Address  
Chosa Draw 27 Fed Com 1 B27-25S-26E Eddy  
Lease Well No. Unit Letter-Section-Township-Range County  
OGRID No. 162683 Property Code 32670 API No. 30-015-32918 Lease Type:  Federal  State  Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	<del>Upper Penn (Gas)</del> Cottonwood Draw Upper Penn (Gas) OK	WC	<del>Cottonwood Draw Morrow</del> Cottonwood Draw Morrow G
Pool Code	97354 ✓		97377 ✓
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	10372 - 10412		11394 - 12150
Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)			Within 150% of 10372'
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1101 @ 14.73 Dry		1015 @ 14.73 Dry
Producing, Shut-In or New Zone	Producing		Shutin
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: 6-04 to 11-04 Rates: 71705 mcf	Date: Rates:	Date: 6-04 to 11-04 Rates: 2362 mcf
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil 0 % Gas 97 %	Oil % Gas %	Oil 0 % Gas 3 %

**ADDITIONAL DATA**

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes  No   
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes  No   
Are all produced fluids from all commingled zones compatible with each other? Yes  No   
Will commingling decrease the value of production? Yes  No   
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes  No   
NMOCD Reference Case No. applicable to this well: \_\_\_\_\_

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

**PRE-APPROVED POOLS**

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

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 Administration DATE 1-12-05

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

E-MAIL ADDRESS zfarris@magnumhunter.com

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I

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

DISTRICT II

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

DISTRICT III

1000 Rio Brazos Rd., Artec, NM 87410

DISTRICT IV

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

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 30-015-32918	Pool Code	Pool Name Cottonwood Draw; Morrow
Property Code	Property Name CHOSA DRAW 27 FEDERAL COM	Well Number 1
OGRID No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT CO.	Elevation 3265'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	27	25-S	26-E		330'	NORTH	1980'	EAST	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
G	27	25-S	26-E		1817'	NORTH	1613'	EAST	EDDY

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

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><b>OPERATOR CERTIFICATION</b></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></p> <p>Signature Zeno Farris</p> <p>Printed Name Manager Operations Admin</p> <p>Title January 17, 2005</p> <p>Date</p>
	<p><b>SURVEYOR CERTIFICATION</b></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>May 02, 2003</p> <p>Date Surveyed Signature &amp; Seal of Professional Surveyor <i>Ronald G. Edson</i> 5/05/05 03.11.0469</p> <p>Certificate No. RONALD G. EDSON 3239 GARY EDSON 12641</p>

DISTRICT I  
P.O. Box 1880, Hobbs, NM 88241-1880

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 30-015-32918	Pool Code	Pool Name Cottonwood Draw; Upper Penn
Property Code	Property Name CHOSA DRAW 27 FEDERAL COM	Well Number 1
OGRID No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT CO.	Elevation 3265'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	27	25-S	26-E		330'	NORTH	1980'	EAST	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
G	27	25-S	26-E		1817'	NORTH	1613'	EAST	EDDY

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

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><b>OPERATOR CERTIFICATION</b></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>January 17, 2005 Date</p>
	<p><b>SURVEYOR CERTIFICATION</b></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>May 02, 2003 Date Surveyed</p> <p>AWB Signature &amp; Seal of Professional Surveyor</p> <p><i>Ronald G. Edson</i> Professional Surveyor</p> <p>03.11.0469</p>
	<p>Certificate No. RONALD G. EDSON 3239 GARY EDISON 12641</p>

COMPANY REFERENCE: 2 GRUY PETROLEUM MANAGEMENT CO.

FACILITY: NM484 CHOSA DRAW 27 FED COM BEGIN DATE: 11/01/03 END DATE: 12/31/04

MONTH	INTEREST PERCENT	OIL PROD	OIL SALES	GAS PROD	GAS SALES	WATER PROD	DAYS PROD
WELL: 77128 CHOSA DRAW 27 FEDERAL COM 1				GROSS INTEREST			
12/04	100.00000	0.00	0.00	0.00	0.00	0.00	0.0
11/04	100.00000	0.00	0.00	5612.30	5612.30	0.00	30.0
10/04	100.00000	0.00	0.00	11116.36	11116.36	0.00	29.8
09/04	100.00000	0.00	0.00	11688.18	11688.18	0.00	26.3
08/04	100.00000	0.00	0.00	13606.92	13606.92	0.00	28.5
07/04	100.00000	0.00	0.00	14218.02	14218.02	0.00	29.8
06/04	100.00000	0.00	0.00	15465.42	15465.42	51.17	26.3
05/04	100.00000	0.00	0.00	13778.83	13778.83	20.38	22.0
04/04	100.00000	0.00	0.00	19237.48	19237.48	11.18	30.0
03/04	100.00000	0.00	0.00	26688.95	26688.95	11.28	28.5
02/04	100.00000	0.00	0.00	30171.87	30171.87	4.18	27.8
01/04	100.00000	0.00	0.00	1737.44	1737.44	0.00	31.0
*WELL		0.00	0.00	163321.77	163321.77	98.19	310.0

PRESS &lt;RETURN&gt; TO CONTINUE OR ENTER "S" TO STOP DISPLAY

COMPANY REFERENCE: 2 GRUY PETROLEUM MANAGEMENT CO.

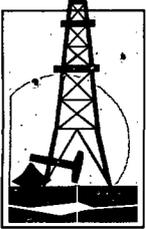
FACILITY: NM484 CHOSA DRAW 27 FED COM BEGIN DATE: 11/01/03 END DATE: 12/31/04

MONTH	INTEREST PERCENT	OIL PROD	OIL SALES	GAS PROD	GAS SALES	WATER PROD	DAYS PROD
WELL: 77486 CHOSA DRAW 27 FED 1 (MORROW)				GROSS INTEREST			
12/04	100.00000	0.00	0.00	0.00	0.00	0.00	0.0
11/04	100.00000	0.00	0.00	212.95	212.95	3.00	28.8
10/04	100.00000	0.00	0.00	208.93	208.93	51.00	11.7
09/04	100.00000	0.00	0.00	502.03	502.03	0.00	26.3
08/04	100.00000	0.00	0.00	845.57	845.57	139.00	28.5
07/04	100.00000	0.00	0.00	153.03	153.03	0.00	1.3
06/04	100.00000	0.00	0.00	439.96	439.96	23.59	15.0
*WELL		0.00	0.00	2362.47	2362.47	216.59	111.6
**FAC		0.00	0.00	165684.24	165684.24	314.78	421.6

PRINT ABOVE REPORT ON THE PRINTER (Y/N)

PWTS 0501859820

in 1/18/05



**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. • A NYSE Listed Company • "MHR"*

DHC-3390

January 13, 2005

New Mexico Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, NM 87505  
Attn: Mr. William V. Jones

Re: Chosa Draw 27 Federal Com # 1  
Section 27-25S-26E  
Eddy County New Mexico

Dear Mr. Jones:

Enclosed is an original Form C-107A, Application to Downhole Commingle for the referenced well. We are currently producing Cottonwood Draw Morrow production and Cottonwood Draw Upper Penn production under surface Commingling Order PC-1114.

The Morrow zone produces a small amount of water and periodically will not unload up the tubing causing the zone to shut-in. We propose to convert the well to a single completion with the Morrow and Upper Penn downhole commingled under a set allocation percentage. We believe the combined reservoir pressures will result in the proper unloading of the water production, and increased production for the well. We are enclosing a production history for the two zones and are proposing a 97%/3% split based on combined production from 6-04 to 11-04.

If you have any questions or require additional information, please feel free to call or write the undersigned.

Sincerely,

Zeno Farris

Zeno Farris  
Manager Operations, Administration

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

Bureau of Land Management  
2909 West Second Street  
Roswell, NM 88201  
Attn: Mr. Armando Lopez