

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

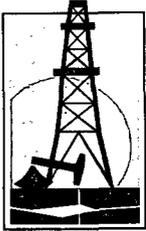
[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[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 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"

April 1, 2005

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

RECEIVED

APR 06 2005

OIL CONSERVATION
DIVISION

Re: Liberty 24 Federal Com Com # 1
Section 24-25S-26E
Eddy County New Mexico

Dear Mr. Jones:

Enclosed is an original Form C-107A, Application to Downhole Commingling for the referenced well. We are currently producing Cottonwood Draw Morrow production and Cottonwood Draw Upper Penn production under surface Commingling Order PC-1127.

The Upper Penn zone produces a small amount of water and will not unload up the casing 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 10-04 to 02-05.

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

Sincerely,

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

District I
1625 N. French 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-3435

Gruy Petroleum Management Co. P. O. Box 140907 Irving, Tx 75014-0907
Operator Address

Liberty 24 Fed Com 1 H 24-25S-26E Eddy
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 162683 Property Code 33101 API No. 30-015-33094 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE <i>WILDRAT</i>	INTERMEDIATE ZONE	LOWER ZONE <i>UNDES</i>
Pool Name	<i>Cottonwood Draw</i> Upper Penn (Gas)		Cottonwood Draw Morrow
Pool Code	97354 <i>96072</i>		97377
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	10236 - 10409		11866 - 11956
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 10236'
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1118 @ 14.73 Dry		997 @ 14.73 Dry
Producing, Shut-In or New Zone	Producing		Producing
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: 10-04 to 02-05 Rates: 58 mcf per day	Date: Rates:	Date: 10-04 to 02-05 Rates: 1759 mcf per day
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 3 %	Oil % Gas %	Oil 0 % Gas 97 %

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 4-01-05

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

E-MAIL ADDRESS zfarris@magnumhunter.com

DISTRICT II
P.O. Drawer 100, Artesia, NM 88211-0719

OIL CONSERVATION DIVISION
P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT III
1000 El 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; Upper Penn
Property Code	Property Name LIBERTY 24 FEDERAL COM	Well Number 1
OGED 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>GEODETIC 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 April 1, 2005 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: <i>Ronald E. Elison</i> Professional Seal: 03.11.08.375 8/11/03</p> <p>Candidate No. RONALD E. ELISON 3228 CART EDITION 12841</p>

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
1089 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; Morrow
Property Code	Property Name LIBERTY 24 FEDERAL COM	Well Number 1
OGED No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT CO.	Elevation 3272'

Surface Location

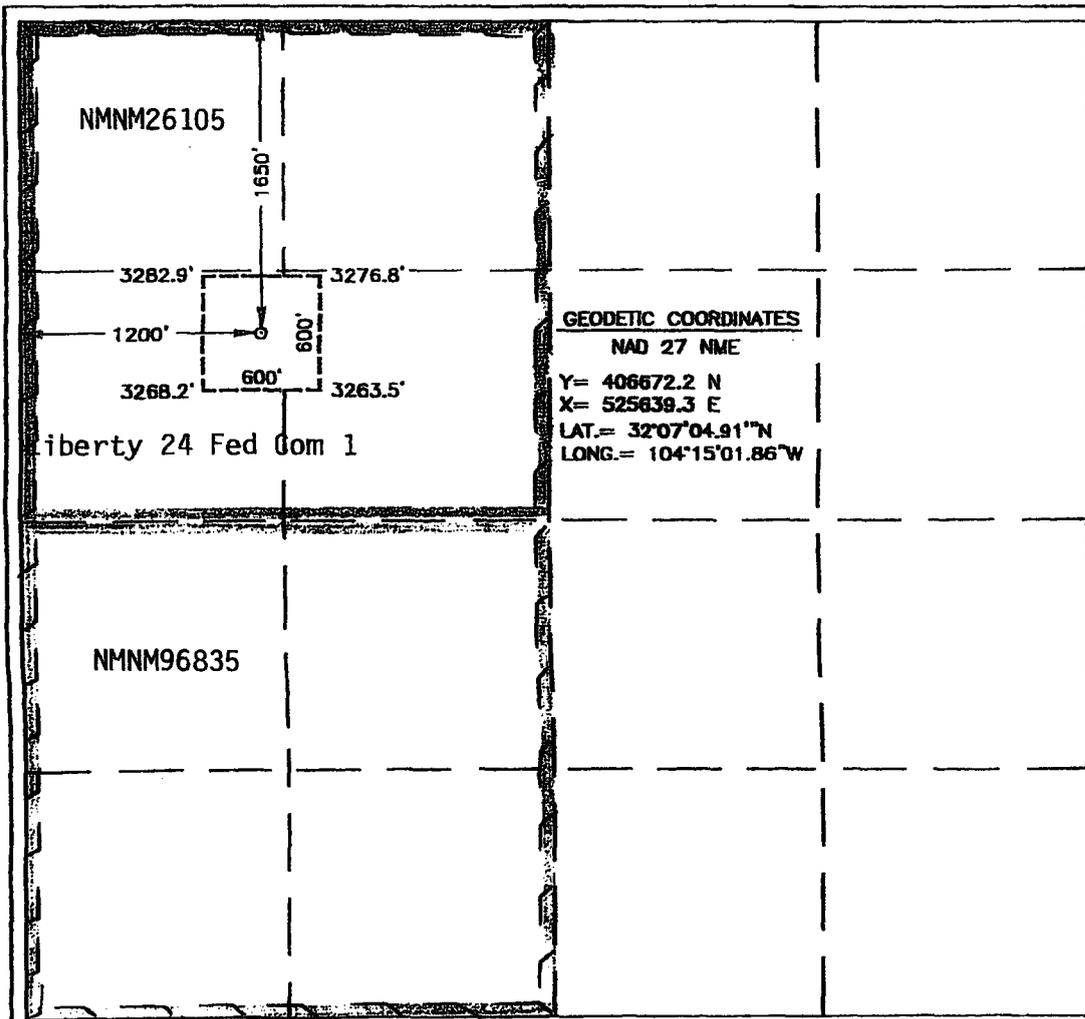
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GEODETTIC COORDINATES

NAD 27 NME
Y= 406672.2 N
X= 525639.3 E
LAT= 32°07'04.91"N
LONG.= 104°15'01.86"W

OPERATOR CERTIFICATION

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

Zeno Farris

Signature

Zeno Farris

Printed Name

Manager Operations Admin

Title

April 1, 2005

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.

August 07, 2003

Date Surveyed AWB

Signature & Seal of Professional Surveyor

Ronald G. Edson 8/10/03
03.1108376

Candidate No. RONALD G. EDSON 2299
GARY EDSON 12841

REGISTERED PROFESSIONAL

COMPANY REFERENCE: 2 GRUY PETROLEUM MANAGEMENT CO.
 FACILITY: NM489 LIBERTY 24 FEDERAL COM BEGIN DATE: 01/01/04 END DATE: 02/28/05

MONTH	INTEREST PERCENT	OIL PROD	OIL SALES	GAS PROD	GAS SALES	WATER PROD	DAYS PROD
WELL: 77163 LIBERTY 24 FED COM 1 (MORROW) GROSS INTEREST							
02/05	100.00000	0.00	0.00	32224.00	32224.00	0.00	28.0
01/05	100.00000	0.00	0.00	42509.45	42509.45	0.00	28.5
12/04	100.00000	0.00	0.00	51486.65	51486.65	0.00	31.0
11/04	100.00000	0.00	0.00	65381.26	65381.26	0.00	28.8
10/04	100.00000	0.00	0.00	29003.67	29003.67	0.00	9.1
09/04	100.00000	0.00	0.00	0.00	0.00	0.00	0.0
08/04	100.00000	0.00	0.00	5119.81	5119.81	3.00	1.3
07/04	100.00000	0.00	0.00	64954.78	64954.78	248.79	29.8
06/04	100.00000	0.00	0.00	68443.00	68443.00	152.21	27.5
05/04	100.00000	0.00	0.00	19725.00	19725.00	36.74	31.0
*WELL		0.00	0.00	378847.62	378847.62	440.74	215.0

WELL: 77706 LIBERTY 24 FED COM #1 (CISCO) GROSS INTEREST							
02/05	100.00000	0.00	0.00	886.85	886.85	1085.00	26.9
01/05	100.00000	0.00	0.00	1565.10	1565.10	1114.00	31.0
12/04	100.00000	0.00	0.00	1876.61	1876.61	0.00	31.0
11/04	100.00000	0.00	0.00	2352.63	2352.63	1807.00	30.0
10/04	100.00000	0.00	0.00	1429.18	1429.18	1291.00	20.7
*WELL		0.00	0.00	8110.37	8110.37	5297.00	139.6

**FAC 0.00 0.00 386957.99 386957.99 5737.74 354.6