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PMESB-523657901

*Marquardt 12 Penn Fed #2
2310' FNL-1330' FEL
12-255-26E
30-015*

RECEIVED

AUG 15 2005

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

August 15, 2005

Hand delivered

Michael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

See 2nd page

Dear Mr. Stogner:

Pursuant to Division Rule 104.F(2), Gruy Petroleum Management Company applies for approval of two unorthodox gas well locations, as follows:

- Well: Marquardt 1 Penn Fed. Well No. 1
Location: 2100 feet FSL and 1850 feet FEL
Well unit: §1-25S-26E, Eddy County, New Mexico
30-015-33457

*Under Separate Application
PSBMD-522745727*

The well will be drilled to a depth sufficient to test the Pennsylvanian formation (White City Pennsylvanian-Gas Pool). Under Order No. R-2429-A, as amended, the pool is spaced on 640 acres, with wells to be located no closer than 660 feet to a quarter section line nor closer than 10 feet to a quarter-quarter section line. An APD, with a Form C-102, is attached as Exhibit A.

The well unit will be simultaneously dedicated to the proposed well and to (a) the Marquardt Penn 1 Fed. Well No. 2, in Unit B, (b) the Marquardt Fed. Well No. 1, in Unit F, and (c) the Marquardt Fed. Well No. 4, in Unit N. The proposed location will permit an efficient drainage pattern among the four wells.

The location is based on topographic reasons. Attached as Exhibit B is a topographic plat. The well was originally at an orthodox location 1980 feet FSL and 1650 feet FEL, but the Bureau of Land Management required the well to be moved 120 feet north and 200 feet west to a flat area and to move away from Hackberry Draw. Applicant did not look for a site further south, because that direction follows the draw.

N

The unorthodox location is internal to the well unit, which is entirely covered by Federal Lease NM 14124. See Exhibit C. Therefore, no offset interest owners have been notified of the location.

THIS WELL HAS BEEN DRILLED UNDER AN APD APPROVED BY THE DISTRICT OFFICE. THE DISTRICT OFFICE HAS REQUESTED APPLICANT TO CORRECT THIS ERROR.

- 2. Well: Marquardt 12 Penn Fed. Well No. 2
- Location: 2310 feet FNL and 1330 feet FEL (6)
- Well unit: §12-25S-26E, Eddy County, New Mexico

The well will be drilled to a depth sufficient to test the Pennsylvanian formation (White City Pennsylvanian-Gas Pool). Under Order No. R-2429-A, as amended, the pool is spaced on 640 acres, with wells to be located no closer than 660 feet to a quarter section line nor closer than 10 feet to a quarter-quarter section line. An APD, with a Form C-102, is attached as Exhibit D.

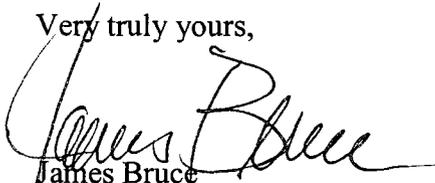
The well unit will be simultaneously dedicated to the proposed well and to (a) the Marquardt Penn 12 Fed. Well No. 1, in Unit O, (b) the Marquardt Fed. Well No. 2, in Unit F, and (c) the Marquardt Fed. Well No. 3, in Unit K. The proposed location will permit an efficient drainage pattern among the four wells.

The location is based on topographic reasons. Attached as Exhibit E are an aerial photo and topographic plats. The well was originally at an orthodox location 1980 feet FNL and 1000 feet FEL, but locations are limited due to Hackberry Draw and other features. The well cannot be moved northeast due to the draw, and moving the well to the west places it near sand dunes. A location northwest is not as geologically favorable as the proposed location.

The unorthodox location is internal to the well unit, which is entirely covered by Federal Lease NM 14124. See Exhibit F. Therefore, no offset interest owners have been notified of the location.

Please contact me if you need any further information on this application.

Very truly yours,


James Bruce

Attorney for Gruy Petroleum Management Company

SUBMIT IN TRIPLICATE*

FORM APPROVED

OMB NO. 1004-0136

Expires: February 28, 1995

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

(Other instructions on
reverse side)

5. LEASE DESIGNATION AND SERIAL NO.

NM 14124

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.

Marquardt 12 Penn Federal No.2

9. API WELL NO.

10. FIELD AND POOL, OR WILDCAT

White City; Penn

11. SEC. T., R., M., BLOCK AND SURVEY

OR AREA

Sec. 12 T25S R26E

12. COUNTY OR PARISH

Eddy

13. STATE

NM

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL

DEEPEEN

1b. TYPE OF WELL

OIL GAS

SINGLE

MULTIPLE

WELL WELL

OTHER, ZONE

ZONE

2. NAME OF OPERATOR

Gruy Petroleum Management Co.

3. ADDRESS AND TELEPHONE NO.

P.O. Box 140907 Irving TX 75014 972-401-3111

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)

2310' FNL & 1330' FEL Section 12-25S-26E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

17 miles South of Carlsbad

15. DISTANCE FROM PROPOSED*
LOCATION TO NEAREST
PROPERTY OR LEASE LINE, T.O
(Also to nearest drlg. unit line, if any)

1330'

16. NO. OF ACRES IN LEASE

1280

17. NO. OF ACRES ASSIGNED
TO THIS WELL

640

18. DISTANCE FROM PROPOSED LOCATION*
TO NEAREST WELL, DRILLING COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

2134'

19. PROPOSED DEPTH

13000'

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
3236' GR

22. APPROX. DATE WORK WILL START*
06-30-05

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	J-55 13 3/8"	54.5 #	200'	225 sx circulate
12 1/4"	NS-110 9 5/8"	40 #	3200'	1000 sx circulate
8 3/4"	P-110 5 1/2"	17 #	13000'	1920 sx TOC 2700'

From the base of the surface pipe through the running of production casing, the well will be equipped with a 5000 - psi BOP system. We are requesting a variance for the 13 3/8" surface casing and BOP testing from Onshore Order No. 2, which states all casing strings below the conductor, shall be pressure tested to .22 psi per foot or 1500 # whichever is greater, but not to exceed 70% of the manufactures stated maximum internal yield. During the running of the surface pipe and the drilling of the intermediate hole we do not anticipate any pressures greater than 1000 # and are requesting a variance to test the 13 3/8" casing and BOP system to 1000 # psi, and use rig pumps instead of an independent service company.

IN ABOVE SPACE, DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24 SIGNED Zeno Faus TITLE Mgr. Ops. Admin DATE 06-06-05

(This space 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:

APPROVED BY

TITLE

DATE

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.



State of New Mexico

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

Energy, Minerals and Natural Resources Department

Form C-102

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Revised JUNE 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

DISTRICT IV
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number 30-015-34329	Pool Code	Pool Name White City; Penn (Gas)
Property Code	Property Name MARQUARDT 12 PENN FEDERAL	Well Number 2
OGRID No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT COMPANY	Elevation 3236'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	12	25-S	26-E		2310	NORTH	1330	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

Dedicated Acres 640	Joint or Infill Y	Consolidation Code	Order No.
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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

Standard 640-acre section

*Chevron U.S.A. Inc.
Marquardt Fed #2
30-015-22936
1650' FNTWL
Dually Completed in the
Wolfcamp and Penn
intervals*

*Chevron U.S.A. Inc.
Marquardt Fed #3
30-015-23137
1650' FSPWL
White City Penn
completion
Last Production: May 1986
Plat Aled March 2002*

Marquardt 12 Penn Fed #2

Marquardt 12 Penn Fed #1

30-015-33461

880' FNTWL

White City Penn Completion

GEODETIC COORDINATES
NAD 27 NME
Y=416591.7 N
X=528339.3 E
LAT.=32°08'43.06" N
LONG.=104°14'30.37" W

OPERATOR CERTIFICATION

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

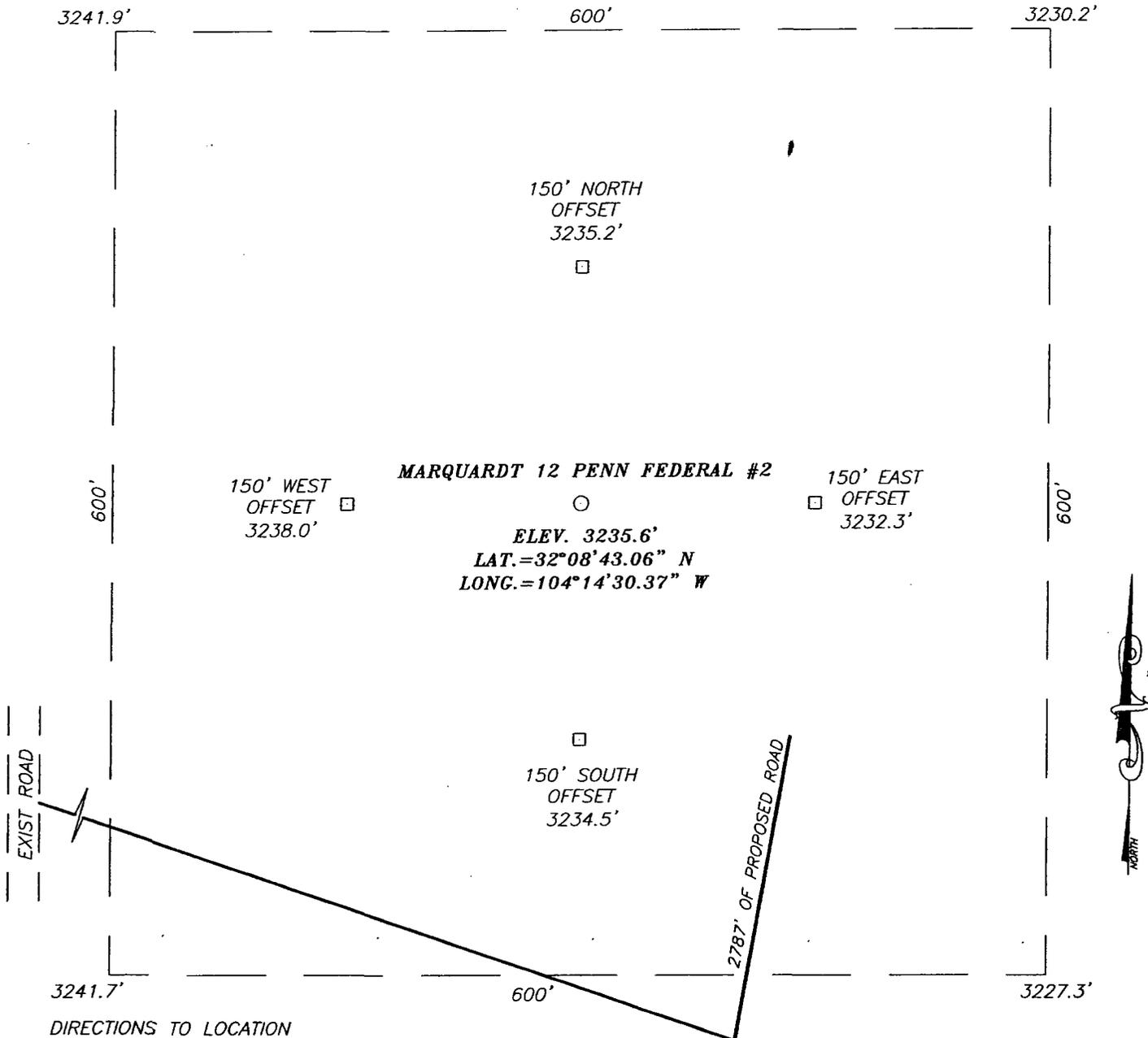
Zeno Farris
Signature
Zeno Farris
Printed Name
Mgr Operations Admin
Title
June 7, 2005
Date

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.

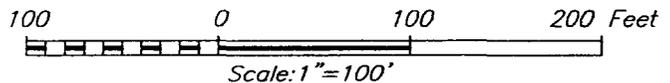
MAY 12, 2005
Date Surveyed
JR
Signature & Seal of Professional Surveyor
GARY EIDSON
NEW MEXICO
Gary Eidson 5/26/05
05-118733
Certificate No. **GARY EIDSON** 12641

SECTION 12, TOWNSHIP 25 SOUTH, RANGE 26 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF CO. RD. #720 (BLACK RIVER RD.) AND CO. RD. #742 (FOREHAND RD.) GO SOUTH ON CO. RD. #742 FOR APPROX. 4.0 MILES. TURN RIGHT (WEST) AND GO APPROX. 1.0 MILES. TURN LEFT (SW) AND GO APPROX. 1.5 MILES. TURN LEFT (SE) AND GO APPROX. 0.5 MILES, VEER TO THE RIGHT AND CONTINUE ON SOUTH FOR APPROX. 0.9 MILES TO A PROPOSED ROAD SURVEY. FOLLOW PROPOSED ROAD SURVEY SOUTHEAST APPROX. 0.5 MILES EAST TO THIS LOCATION.



PROVIDING SURVEYING SERVICES
 SINCE 1948
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 383-3117

GRUY PETROLEUM MANAGEMENT COMPANY			
MARQUARDT 12 PENN FEDERAL #2 WELL LOCATED 2310 FEET FROM THE NORTH LINE AND 1330 FEET FROM THE EAST LINE OF SECTION 12, TOWNSHIP 25 SOUTH, RANGE 26 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.			
Survey Date: 05/12/05	Sheet 1 of 1 Sheets		
W.O. Number: 05.11.0733	Dr By: J.R.	Rev 1:N/A	
Date: 05/25/05	Disk: CD#5	05110733	Scale: 1"=100'



Search TerraServer

Street



The National Map 216 km E of Ciudad Juárez, Chihuahua, Mexico 9/19/1996

City

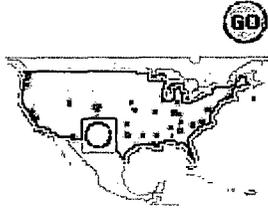
Size

State

OUT



IN



Longitude Latitude
-104.23648 32.14891



ClickWeather.com
 Click to get
 Weather Forecast
 Maps for this point
 Powered by
INFOWeather

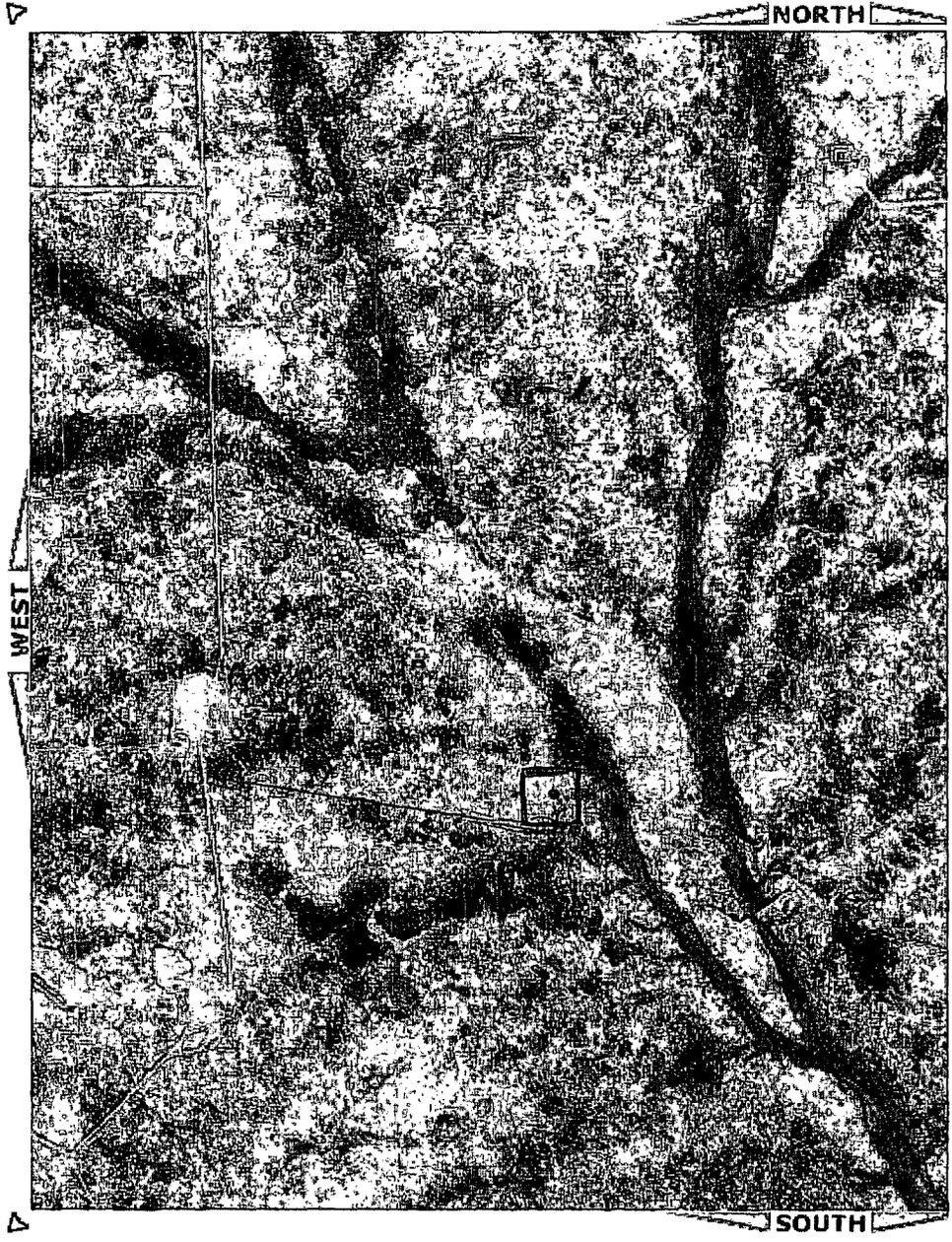
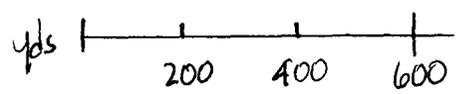


Image courtesy of the U.S. Geological Survey

Scale



Marquardt 12 Penn Fed No. 2
Section 12; T-259; R-26E
2310' FNL + 1330' FEL



- House and Home Demographics:**
- Schools, Crime and Demographics for 88220
 - Schools, Crime and Demographics for 88256

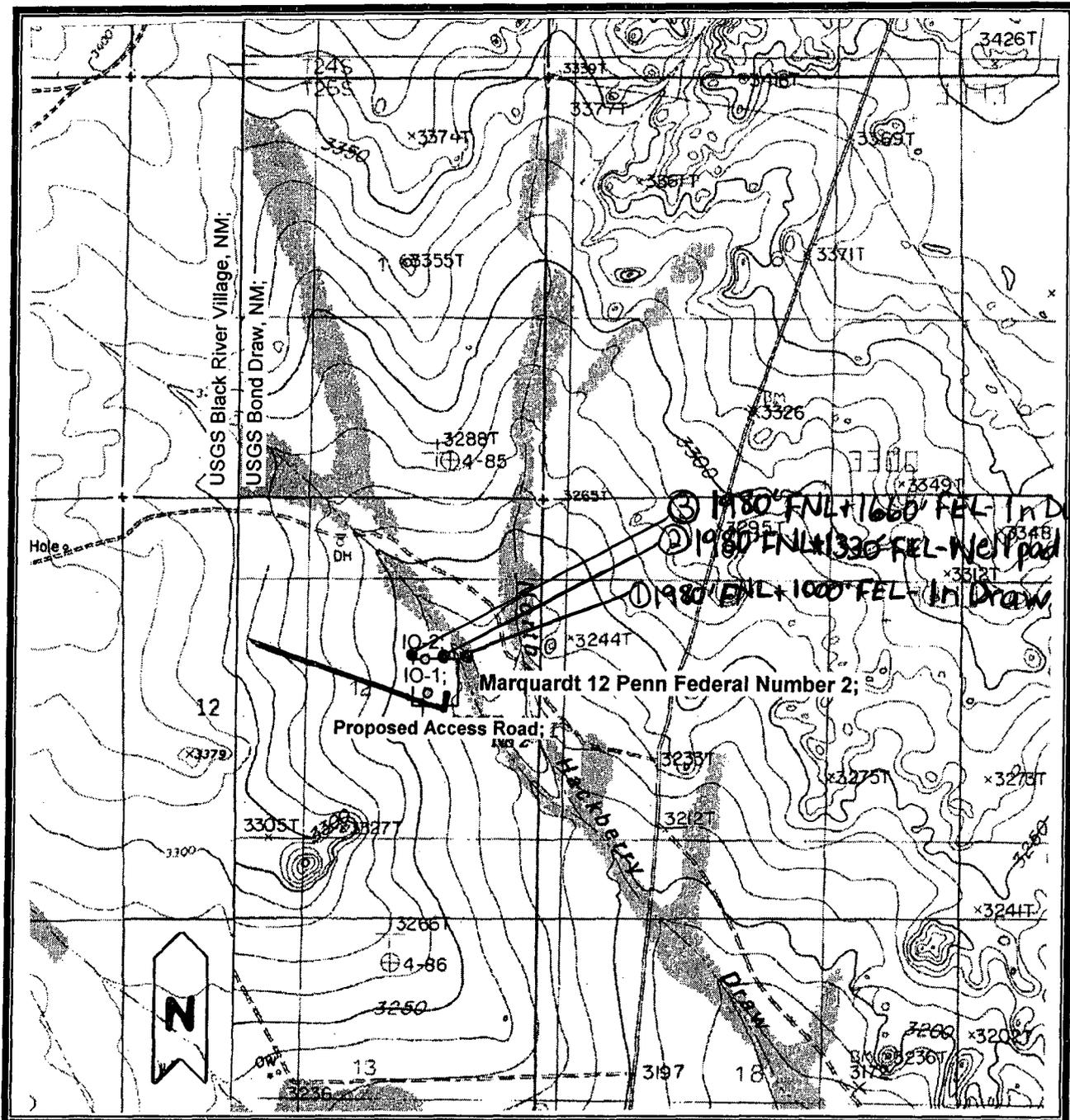
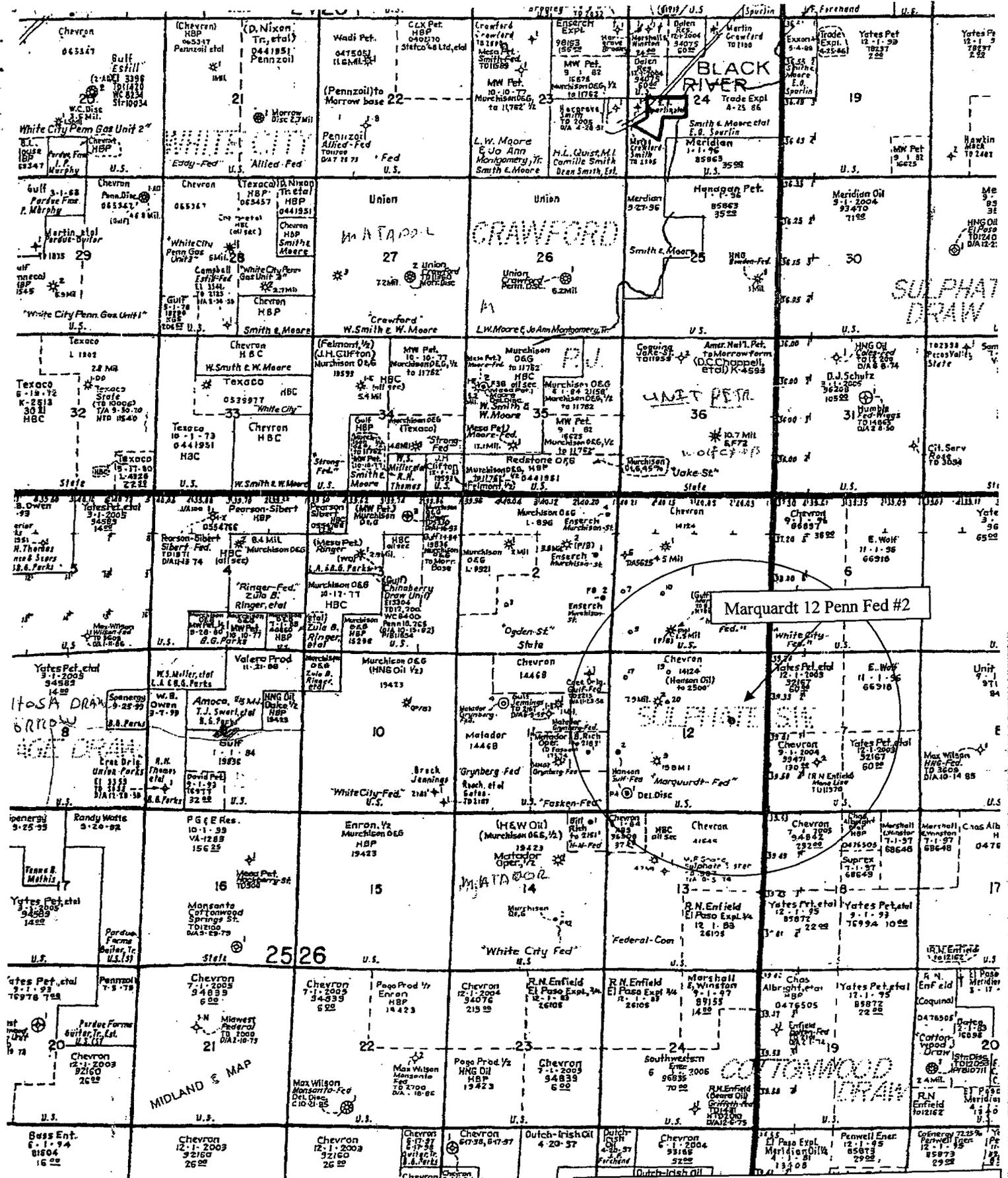


Figure 1: Survey Area Gruy Petroleum Management Company
Marquardt 12 Penn Federal Number 2 Proposed Well Location and Access Road
Section 12, T.25S, R.26E
USGS Bond Draw, NM (1985) and
Black River Village, NM (1979) 7.5' topo maps
Eddy County, New Mexico
Scale 1:24,000

Southern New Mexico Archaeological Services, Inc.



Blumberg No. 8119

EXHIBIT

F

Exhibit A - One-Mile Radius Map
Marquardt 12 Penn Federal No. 2
Gruy Petroleum Management Co.
 Section 12-T25S-R26E
 2310' FNL & 1330' FEL
 Eddy County, NM