

New Mexico Oil Conservation Division, District I

1625 N. French Drive
 UNITED STATES
 DEPARTMENT OF THE INTERIOR
 BUREAU OF LAND MANAGEMENT
 Hobbs, NM 88240

Form 3160-5
 (November 1994)

FORM APPROVED
 OMB No. 1004-0135
 Expires July 31, 1996

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
 NM 0141013

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.
 Mescalero 20 Federal Com 1

9. API Well No.
 30-025-36099

10. Field and Pool, or Exploratory Area
 Quail Ridge; Morrow

11. County or Parish, State
 Lea Co. NM

SUBMIT IN TRIPLICATE - Other Instructions on reverse side

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
 Gruy Petroleum Management Co.

3a. Address
 P. O. Box 140907 Irving, TX 75014-0907

3b. Phone No. (include area code)
 972-401-3111

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
 1980' FSL & 1200' FEL
 I-20-19S-34E

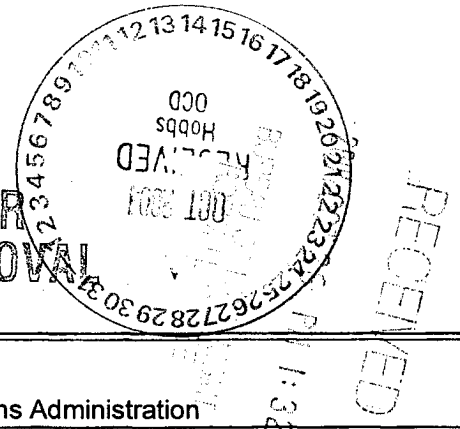
12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other _____
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input checked="" type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Gruy Petroleum Management Co. respectfully requests approval for disposal of produced water from the above lease per the attached Water Production and Disposal information.

**SEE ATTACHED FOR
 CONDITIONS OF APPROVAL**



14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)
 Zeno Farris

Signature
Zeno Farris

Title
 Manager Operations Administration

Date
 October 20, 2004

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by
 (ORIG. SGD.) DAVID R. GLASS

Title

Date
 OCT 26 2004

Conditions of approval, if any, are attached. Approval of this notice 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.

Office

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.

(Instructions on reverse)

GW

Water Production & Disposal Information

In order to process your disposal request, the following information must be completed:

1. Name of formations producing water on this lease: Morrow

2. Amount of water produced from all formations in barrels per day:
_____ 10 bbls per day _____
3. Attach a current water analysis of produced water from all zones showing at least the total dissolved solids, PH, and the concentrations of chlorides and sulfates (one sample will suffice if the water is commingled): Attached _____

4. How water is stored on this lease: 300 bbl fiberglass tank _____
5. How water is moved to the disposal facility: Trucked _____
6. Identify the disposal facility by:
 - A. Facility Operator's Name: Basin Alliance LLC
 - B. Name of facility or well name and number: State AJ No. 1 well
 - C. Type of facility or well (WDW, WIW, ect.): WDW _____
 - D. Location by $\frac{1}{4}$ $\frac{1}{4}$ SENE__ section 33__ township 18S__ range 36E__
7. Attach a copy of the state-issued permit for the Disposal Facility.

Submit to this office (414 West Taylor; Hobbs, NM 88240) the above-required information on a sundry notice 3160-5. Submit 1 original and 5 copies within the required time frame. This form may be used as an attachment to the sundry notice. Call me at 505-393-3612 if you need to further discuss this matter.

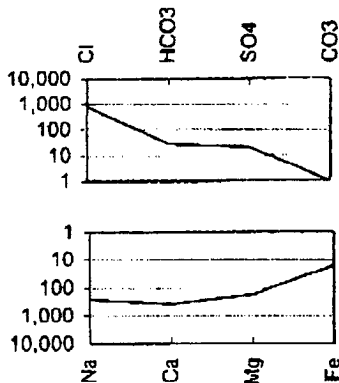
**CAPITAN CHEMICAL
WATER ANALYSIS REPORT**

	Gruy Petroleum, Inc.	Date Sampled : 06/04/04
Lease Name :	Mescalero 20 Fed #1	Capitan Rep. : Sam Seed
Well Number :		Company Rep. : Reggie Reston
Location :		

ANALYSIS

1. pH	6.38			
2. Specific Gravity @ 60/60 F.	1.045			
3. CaCO3 Saturation Index @ 80 F.	+0.873			'Calcium Carbonate Scale Possible'
	@ 140 F.	+1.613		'Calcium Carbonate Scale Possible'
Dissolved Gasses				
4. Hydrogen Sulfide	0			PPM
5. Carbon Dioxide	1.025			PPM
6. Dissolved Oxygen	Not Determined			
Cations				
	mg/L	/	Eq. Wt.	= MEQ/L
7. Calcium (Ca++)	7,900	/	20.1	= 393.03
8. Magnesium (Mg++)	2,187	/	12.2	= 179.26
9. Sodium (Na+) Calculated	6,092	/	23.0	= 264.88
10. Barium (Ba++)	Not Determined	/	68.7	= 0.00
Anions				
11. Hydroxyl (OH-)	0	/	17.0	= 0.00
12. Carbonate (CO3=)	0	/	30.0	= 0.00
13. Bicarbonate (HCO3-)	1,708	/	61.1	= 27.95
14. Sulfate (SO4=)	1,000	/	48.8	= 20.49
15. Chloride (Cl-)	28,000	/	35.5	= 788.73
Other				
16. Soluble Iron (Fe)	300	/	18.2	= 16.48
17. Total Dissolved Solids	48,887			
18. Total Hardness As CaCO3	28,750			
Calcium Sulfate Solubility @ 90 F.	1,347			'Calcium Sulfate Scale Possible'
20. Resistivity (Measured)	0.150			Ohm/Meters @ 90 Degrees (F)

Logarithmic Water Pattern



PROBABLE MINERAL COMPOSITION

COMPOUND	Eq. Wt.	X	MEQ/L	=	mg/L
Ca(HCO3)2	81.04	X	27.95	=	2,265
CaSO4	68.07	X	20.49	=	1,395
CaCl2	55.50	X	344.59	=	19,125
Mg(HCO3)2	73.17	X	0.00	=	0
MgSO4	60.19	X	0.00	=	0
MgCl2	47.62	X	179.26	=	8,536
NaHCO3	84.00	X	0.00	=	0
NaSO4	71.03	X	0.00	=	0
NaCl	58.46	X	264.88	=	15,485