

State of New Mexico
Energy, Minerals and Natural Resources

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

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1. Operator Name and Address GRUY PETROLEUM MANAGEMENT CO. PO Box 140907 Irving, TX 75014-0907		2. OGRID Number 162683
		3. API Number 30-015-34423
4. Property Code 35222	5. Property Name WALNUT CANYON STATE COM	6. Well No. 001

7. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
A	2	25S	25E	1	660	N	660	E	EDDY

8. Pool Information

CHOSA DRAW,MORROW (GAS)	74900
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Additional Well Information

9. Work Type New Well	10. Well Type GAS	11. Cable/Rotary	12. Lease Type State	13. Ground Level Elevation 3554
14. Multiple N	15. Proposed Depth 13000	16. Formation Morrow	17. Contractor	18. Spud Date 12/15/2005
Depth to Ground water 50	Distance from nearest fresh water well > 1000		Distance to nearest surface water > 1000	
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12' mils thick Clay <input type="checkbox"/> Pit Volume: 12000 bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input checked="" type="checkbox"/>				

19. Proposed Casing and Cement Program

Type	Hole Size	Casing Type	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	17.5	13.375	48	200	375	0
Int1	12.25	9.625	40	3200	880	0
Prod	8.34	5.5	17	13000	1620	2700

Casing/Cement Program: Additional Comments

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Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Hydril	5000	5000	Cameron

I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines <input checked="" type="checkbox"/> a general permit <input type="checkbox"/> , or an (attached) alternative OCD-approved plan <input type="checkbox"/> .	OIL CONSERVATION DIVISION	
	Approved By: Bryan Arrant	
	Title: Geologist	
	Approved Date: 11/13/2005	Expiration Date: 11/13/2006
	Conditions of Approval Attached	

Printed Name: Electronically filed by Zeno Farris
Title: Manager Operations Administration
Email Address: zfarris@magnumhunter.com
Date: 11/11/2005
Phone: 972-443-6489

District IIDistrict IIIDistrict IV

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WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-015-34423	2. Pool Code 74900	3. Pool Name CHOSA DRAW MORROW (GAS)
4. Property Code 35222	5. Property Name WALNUT CANYON STATE COM	
6. Well No. 001	7. OGRID No. 162683	
8. Operator Name GRUY PETROLEUM MANAGEMENT CO.	9. Elevation 3554	

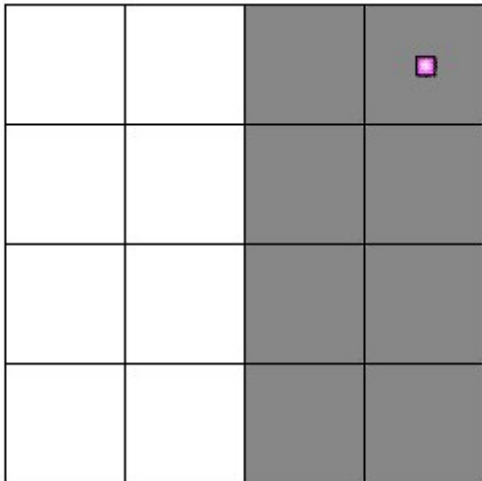
10. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
A	2	25S	25E	1	660	N	660	E	EDDY

11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 320.34		13. Joint or Infill		14. Consolidation Code Consolidation Pending		15. 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 style="text-align: center;">OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p>E-Signed By: Zeno Farris Title: Manager Operations Administration Date: 11/11/2005</p> <hr/> <p style="text-align: center;">SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p>Surveyed By: Ronald J. Eidson Date of Survey: 10/20/2005 Certificate Number: 3239</p>
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Permit Comments

Operator: GRUY PETROLEUM MANAGEMENT CO. , 162683

Well: WALNUT CANYON STATE COM #001

API: 30-015-34423

Created By	Comment	Comment Date
ZFARRIS	C-144 sent e-mailed to Van Barton on 11-11-05.	11/11/2005
ZFARRIS	In accordance with NMAC 19.15.3.118 C. (1) governing the determination of the hydrogen sulfide concentration in gaseous mixtures in each of its operations, Gruy Petroleum Management Co. does not anticipate that there will be enough H2S from the surface to the Morrow/Atoka formations to meet the OCD's minimum requirements for the submission of a contingency plan for the Walnut Canyon State Com # 1.	11/11/2005

Permit Conditions of Approval

Operator: GRUY PETROLEUM MANAGEMENT CO. , 162683

Well: WALNUT CANYON STATE COM #001

API: 30-015-34423

OCD Reviewer	Condition
BArrant	Pit construction and closure must satisfy all requirements of your approved plan, O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines
BArrant	Operator to use fresh water mud or air for drilling the surface hole.
BArrant	Operator to follow conditions in drilling the surface holes set forth by the Bureau of Land Management's "Appendix 3-Practices for Oil & Gas Drilling Operations in Cave and Karst Areas"
BArrant	Operator to submit deceptive cementing and mud program prior to spudsing well.