30735739 NSP 10/13/98

Gruy Petroleum Management Co.
600 East Las Colinas Blvd. • Suite 1200 • Irving, TX 75039 • (972) 401-3111 • Fax (972) 443-6450
Mailing Address: P.O. Box 140907 • Irving, TX 75014-0907

A wholly-owned subsidiary of Magnum Hunter Resources, Inc., an American Stock Exchange company

September 21, 1998

Lori Wrotenbery, Director
Michael J. Stogner, Chief Hearing Officer
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe New Mexico 87505

Re: Request for Non-standard Proration Unit
N/2NE/4 17-26S-37E
Lea County, New Mexico

Dear Ms. Wrotenbery and Mr. Stogner:

Gruy Petroleum Management Co. requests administrative approval of the referenced non-standard proration unit under Division General Rule 104(D)(2)(b). The N/2NE/4 of section 17-26S-37E will be dedicated to the proposed Rhodes Federal Unit No. 171 well. Texaco attempted to drill the H.G. Moberly B No. 3 oil well at this location in the early 1950's. They set surface casing and then decided to plug and abandon the well bore. We anticipate that our re-entry of this well will result in a completed gas well at a standard location in the Rhodes-Yates-Seven-Rivers Gas Pool.

We are enclosing for your reference a copy of our application to drill and Form C-102 along with a color-coded plat depicting the proration units surrounding our proposed location. The requested non-standard proration unit is isolated by previously approved NSP's R-474, and R-475, which are owned and operated by Gruy Petroleum Management Co.

Your consideration in this matter is appreciated. If you have any questions or need further information please feel free to call at 972-443-6489.

Yours truly,

Zeno Farris

Zeno Farris
Manager, Operations Administration

Cc: BLM – Roswell
OCD - Hobbs

Form 3160-3
(July 1992)

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

5. LEASE DESIGNATION AND SERIAL NO.: LC-030181B

6. IF INDIAN, ALLOTTEE OR TRIBE NAME: ---

1a. TYPE OF WORK: DRILL ☐ DEEPEN ☐

7. UNIT AGREEMENT NAME: 8920003820

b. TYPE OF WELL: OIL WELL ☐ GAS WELL ☒ OTHER — SINGLE ZONE ☒ MULTIPLE ZONE ☐

8. FARM OR LEASE NAME, WELL NO.: RHODES FEDERAL UNIT # 171

2. NAME OF OPERATOR: GRUY PETROLEUM MANAGEMENT CO. (ZENO FARRIS) 972-443-6489

9. API WELL NO.:

3. ADDRESS AND TELEPHONE NO.: P.O. BOX 140907 IRVING, TEXAS 75014-0907 972-443-6489

10. FIELD AND POOL, OR WILDCAT: RHODES-YATES-7R'S-GAS

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 660' FNL & 1980' FEL SEC. 17 T26S-R37E LEA CO. NM
At proposed prod. zone

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: SEC.17 T26S-R37E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: Approximately 6 miles Southwest of Jal New Mexico.

12. COUNTY OR PARISH: LEA CO. | 13. STATE: NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL
660'	640	80
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.	**19. PROPOSED DEPTH**	**20. ROTARY OR CABLE TOOLS**
1800'	3200'	ROTARY (REVERSE UNIT)

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 2977' GR.

22. APPROX. DATE WORK WILL START*: As soon as approved

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12¼" ?	8 5/8"	32	1184'	already cemented in place Sx.200
7 7/8"	J-55 5½"	15.5	3200'	1000 Sx. circulate to surface.

1. This a re-entry of a well drilled by Texaco, 8 5/8" casing was set at 1184' then well was drilled to a depth of 3390', cores and tests were taken and run, Texaco elected to plug and abandon this well bore.

2. Gruy Petroleum Management Company wishes to rig up a well service unit and reverse rig to drill out cement plugs and clean out well to a total depth of 3200', run logs and 5½" casing to 3200' and cement to surface.

3. Perforate selected intervals and complete well.

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 Jon T Jones TITLE Agent DATE 08/27/98

(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

Form 3160-3
(July 1992)

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

958

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK: DRILL ☐ DEEPEN ☐

b. TYPE OF WELL: OIL WELL ☐ GAS WELL ☒ OTHER Re-Entry SINGLE ZONE ☒ MULTIPLE ZONE ☐

2. NAME OF OPERATOR
GRUY PETROLEUM MANAGEMENT CO. (ZENO FARRIS) 972-443-6489

3. ADDRESS AND TELEPHONE NO.
P.O. BOX 140907 IRVING, TEXAS 75014-0907 972-443-6489

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface
660' FNL & 1980' FEL SEC. 17 T26S-R37E LEA CO. NM
At proposed prod. zone

5. LEASE DESIGNATION AND SERIAL NO.
LC-030181B

6. IF INDIAN, ALLOTTEE OR TRIBE NAME
---

7. UNIT AGREEMENT NAME
8920003820

8. FARM OR LEASE NAME, WELL NO.
RHODES FEDERAL UNIT # 1

9. API WELL NO.
30-025-11995

10. FIELD AND POOL, OR WILDCAT
RHODES-YATES-7R'S-GAS

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
SEC.17 T26S-R37E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
Approximately 6 miles Southwest of Jal New Mexico.

12. COUNTY OR PARISH: LEA CO. | 13. STATE: NM

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1800'	3200'	ROTARY (REVERSE UNIT)

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
2977' GR.

22. APPROX. DATE WORK WILL START*
As soon as approved

23. PROPOSED CASING AND CEMENTING PROGRAM

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12¼" ?	8 5/8"	32	1184'	already cemented in place Sx.2
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2. Gruy Petroleum Management Company wishes to rig up a well service unit and reverse rig to drill out cement plugs and clean out well to a total depth of 3200', run logs and 5½" casing to 3200' and cement to surface.

3. Perforate selected intervals and complete well.

OPER. OGRID NO. 162683
PROPERTY NO. 22321
POOL CODE 83810
EFF. DATE 10-5-98
API NO. 30-025-11995

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present pro[ductive 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 prevention program, if any.

24.
SIGNED Jose T Zamora TITLE Agent DATE 08/27/98

(This space for Federal or State office use)

PERMIT NO. Chris Williams 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 (ORIG. SGD.) ARMANDO A. LOPEZ TITLE Acting Assistant Field Office Manager, Lands and Minerals DATE SEP 16 1998

*See Instructions On Reverse Side

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., Aztec, NM 87410

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
	83810	RHODES YATES-7RIVERS GAS

Property Code	Property Name	Well Number
	RHODES FEDERAL UNIT	171

OGRID No.	Operator Name	Elevation
162683	GRUY PETROLEUM MANAGEMENT CO.	2977

Surface Location

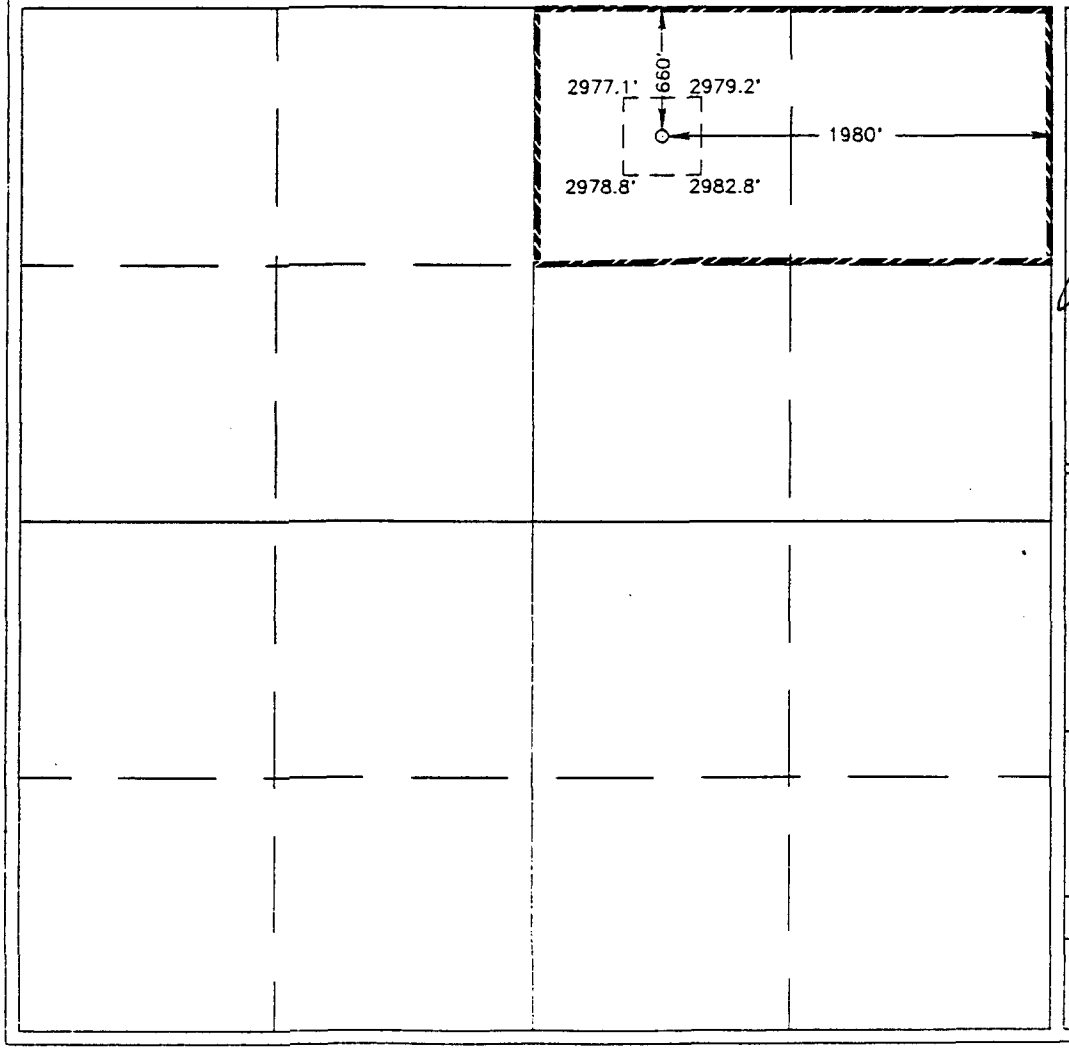
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	17	26 S	37 E		660	NORTH	1980	EAST	LEA

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	Joint or Infill	Consolidation Code	Order No.
80			

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



OPERATOR CERTIFICATION

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

Joe T. Janica
Signature

Joe T. Janica
Printed Name

Agent
Title

08/27/98
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 supervison, and that the same is true and correct to the best of my belief.

JULY 21, 1998
Date Surveyed

Signature & Seal of Professional Surveyor

Ronald J. Eidson 8-05-98

Certificate No. JOHN W. WEST 676
RONALD J. EIDSON 3239
GARY EIDSON 12641

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

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

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

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

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☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name

Property Code	Property Name	Well Number
	RHODES FEDERAL UNIT	171
OGRID No.	**Operator Name**	**Elevation**
	GRUY PETROLEUM MANAGEMENT CO.	2977

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	17	26 S	37 E		660	NORTH	1980	EAST	LEA

Bottom Hole Location If Different From Surface

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Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

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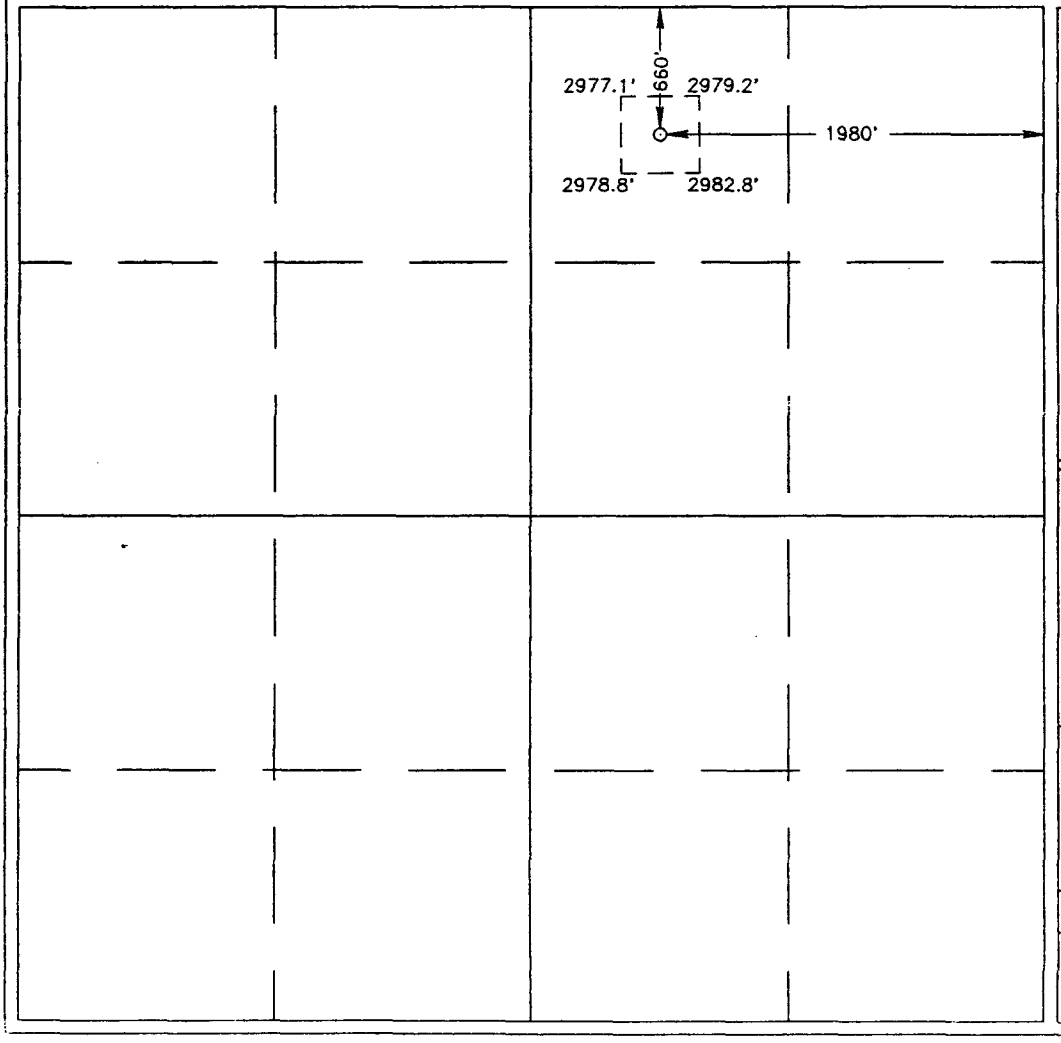

OPERATOR CERTIFICATION

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

Signature

Printed Name

Title

Date

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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 supervison, and that the same is true and correct to the best of my belief.

JULY 21, 1998

Date Surveyed DMCC

Signature & Seal of Professional Surveyor

Ronald J. Eidson 8-05-98

98-11-1059

Certificate No. JOHN W. WEST 676
RONALD J. EIDSON 3239
GARY EIDSON 12641

District I
PO Box 1980, Hobbs, NM 88241-1980
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State of New Mexico
Energy, Minerals & Natural Resources Department

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Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
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☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number	2 Pool Code	3 Pool Name
30-025	83810	Rhodes (Yates - Seven Rivers)

4 Property Code	5 Property Name	6 Well Number
22321	Rhodes Federal Unit	171

7 OGRID No.	8 Operator Name	9 Elevation
162683	Gruy Petroleum Management Company	

10 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	17	26S	37E		660	North	1980	East	Lea

11 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

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
80			

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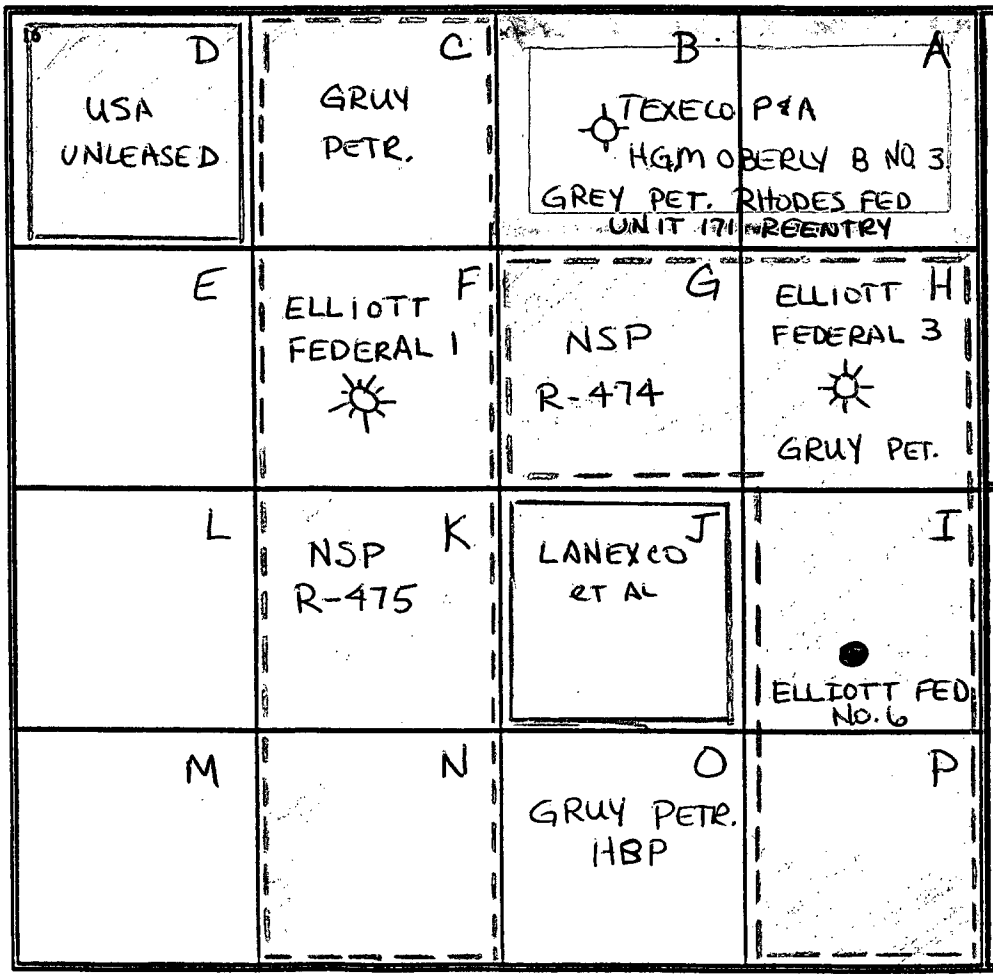


17 OPERATOR CERTIFICATION

I hereby certify that 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

June 16, 1998

Date

18 SURVEYOR CERTIFICATION

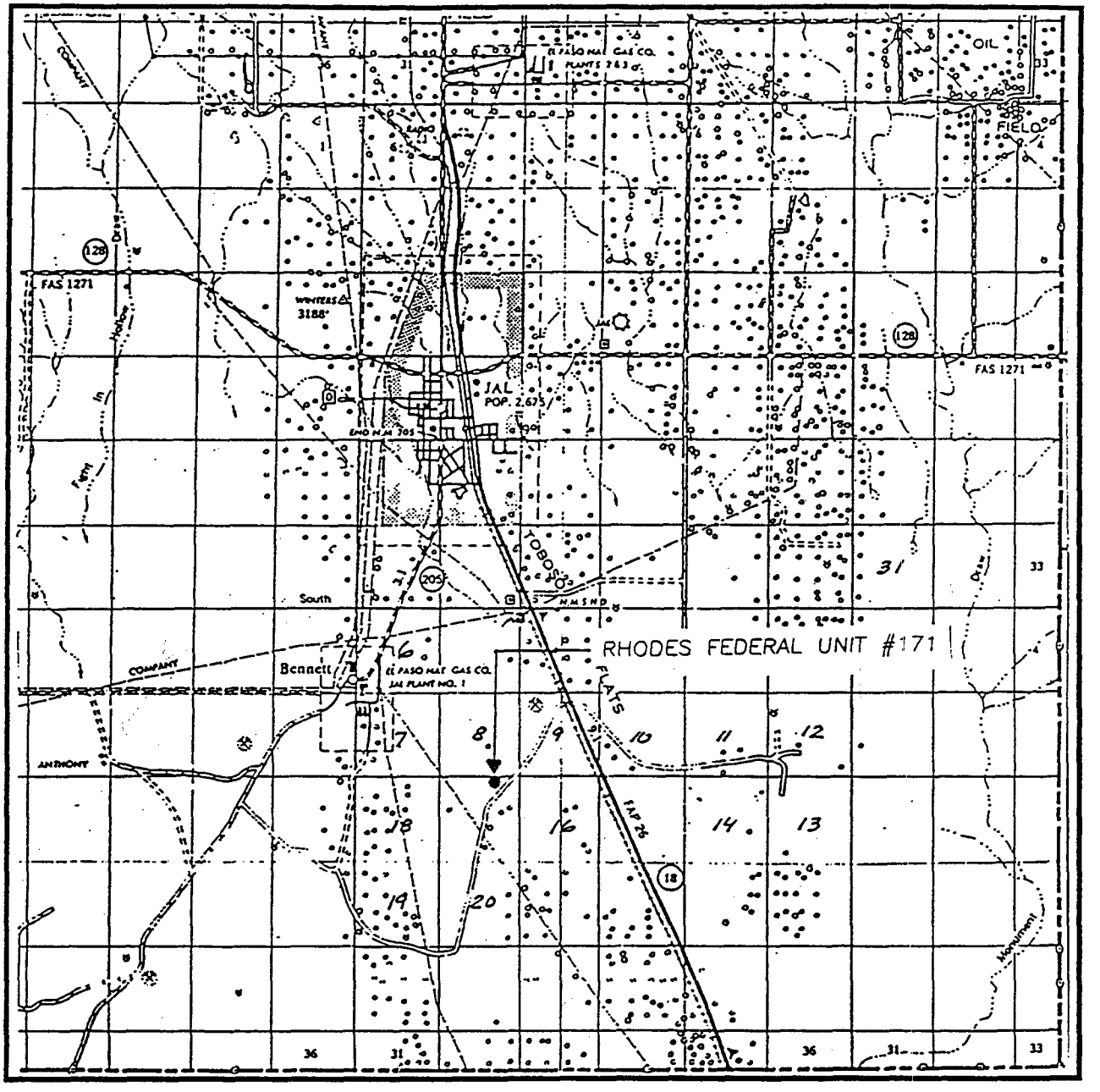
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey

Signature and Seal of Professional Surveyor:

Certificate Number

VICINITY MAP



SEC. 17 TWP. 26-S RGE. 37-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 660' FNL & 1980' FEL

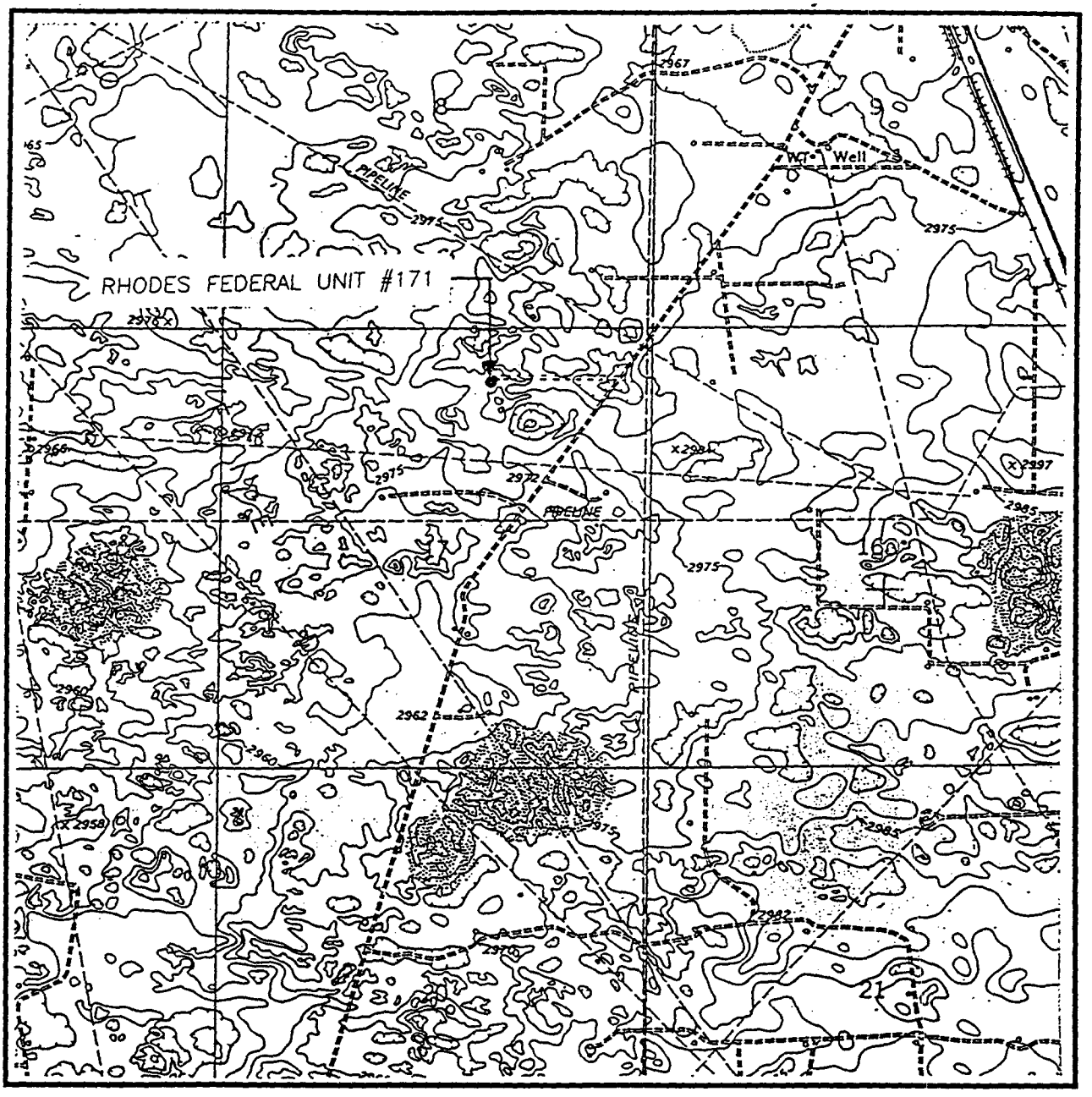
ELEVATION 2977

OPERATOR GRUY PETROLEUM MANAGEMENT CO.

LEASE RHODES FEDERAL UNIT

JOHN WEST ENGINEERING
HOBBS, NEW MEXICO
(505) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
JAL – 5'

SEC. 17 TWP. 26-S RGE. 37-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 660' FNL & 1980' FEL

ELEVATION 2977

OPERATOR GRUY PETROLEUM MANAGEMENT CO.

LEASE RHODES FEDERAL UNIT

U.S.G.S. TOPOGRAPHIC MAP

JAL, N.M.

JOHN WEST ENGINEERING
HOBBS, NEW MEXICO
(505) 393-3117

APPLICATION TO DRILL

GRUY PETROLEUM MANAGEMENT CO.
RHODES FEDERAL UNIT # 17I
UNIT "B" SECTION 17
T26S-R37E LEA CO. NM

In response to questions asked under Section II B of Bulletin NTL-6 the following information is provided for your consideration:

1. Location: 660' FNL & 1980' FEL SEC. 17 T26S-R37E LEA CO. NM

2. Elevation above sea level: 2977' GR.

3. Geologic name of surface formation: Quaternery Aeolian Deposits.

4. Drilling tools and associated equipment: Conventional rotary drilling rig using fluid as a circulating medium for solids removal.

5. Proposed drilling depth: 3200'

6. Estimated tops of geological markers:

Rustler Anhydrite	1030'	Yates	2700'
Salado Salt	1330'	7 Rivers	3050'
Tansil	2535'		

7. Possible mineral bearing formation:

Tansil	Gas
Yates	Gas
7 Rivers	Gas

8. Casing program:

THIS IS A RE-ENTRY

Hole size	Interval	Casing OD	Weight	Thread	Collar	Grade
12¼"?	0-1184'	8 5/8"	32#	Lap-weld	NA	Seamless
7 7/8"	0-3200'	5½"	15.5#	8-R	ST&C	J-55

A well service rig will be rigged up on location along with a reverse unit no surface pits will be required. Steel pits will be used for the circulating fluids.

APPLICATION TO DRILL

GRUY PETROLEUM MANAGEMENT CO.
RHODES FEDERAL UNIT # 17I
UNIT "B" SECTION 17
T26S-R37E LEA CO. NM

9. CEMENTING & SETTING DEPTH:

8 5/8"	Surface	This is a re-entry 8 5/8" surface casing is set at 1184' and cemented. This was done on 09/27/1943. By Texaco.
5½"	Production.	Set 3200' of 5½" 15.5# J-55 8-R ST&C casing. Cement in two stages: 1st stage cement with 400 Sx. of Class "C" + additives, 2nd stage cement with 600 Sx. of Halco Light + additives, circulate cement to surface.

10. PRESSURE CONTROL EQUIPMENT: Exhibit "E". A Series 900 3000 PSI working pressure B.O.P. consting of a double ram type preventor with a bag type annular preventor. The B.O.P. unit will be hydraulically operated. Exhibit "E-1". Choke manifold and closing unit. The B.O.P. will be nippled up on 8 5/8" casing and will be operated at least once each 24 hour period while drilling and blind rams will be operated when out of hole on trips. Full opening stabbing valve and upper kelly cock will be utilized. No abnormal pressure or temperature is expected while drilling.

11. PROPOSED MUD CIRCULATING SYSTEM:

Depth	Mud Wt.	Visc.	Fluid Loss	Type Mud System
		THIS IS A RE-ENTRY		
0-3200'	10-19.3	29-34	NC	Clean out to 1184' with brine and drill plugs and clean out old hole to 3200'.

No earth pits will be required to re-enter this well steel pits will be used.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run DST's, open hole logs, and casing the viscosity and/or water loss may have to be adjusted to meet these needs.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1. All Company and Contract personnel admitted on location must be trained by a qualified H_2S safety instructor to the following:

   A. Characteristics of H_2S
   B. Physical effects and hazzards
   C. Proper use of safety equipment and life support systems.
   D. Principle and operation of H_2S detectors, warning system and briefing areas.
   E. Evacuation procedure, routes and first aid.
   F. Proper use of 30 minute pressure demand air pack.

2. H_2S Detection and Alarm Systems

   A. H_2S detectors and audio alarm system to be located at bell nipple, end of blooie line (mud pit) and on derrick floor or doghouse.

3. Windsock and/or wind streamers

   A. Windsock at mudpit area should be high enough to be visible.
   B. Windsock at briefing area should be high enough to be visible.
   C. There should be a windsock at entrance to location.

4. Condition Flags and Signs

   A. Warning sign on access road to location.
   B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H_2S present in dangerous concentration. Only emergency personnel admitted to location.

5. Well control equipment

   A. See exhibit "E"

6. Communication

   A. While working under masks chalkboards will be used for communication.
   B. Hand signals will be used where chalk board is inappropriate.
   C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephoned will be available at most drilling foreman's trailer or living quarters.

7. Drillstem Testing

   A. Exhausts will be watered.
   B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
   C. If location is near any dwelling a closed D.S.T. will be performed.

8. Drilling contractor supervisor will be required to be familiar with the effects H_2S has on tubular goods and other mechanical equipment.

9. If H_2S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas seperator will be brought into service along with H_2S scavengers if necessary.

APPLICATION TO DRILL

GRUY PETROLEUM MANAGEMENT CO.
RHODES FEDERAL UNIT # 171
UNIT "B" SECTION 17
T26S-R37E LEA CO. NM

12. Testing, Logging and Coring Program:

A. Open hole logs: Dual Laterolog,Side Wall Neutron, Density Gamma Ray Caliper from TD to 1184'.

B. Run Gamma Ray, Neutron from 1184' to surface.

C. No DST's, cores or Mud Logger are planned at this time.

13. Potential Hazards:

No abnormal pressures or temperatures are expected. Hydrogen Sulfide gas may be encountered, H_2S detectors will be in place to detect any presence. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used. Estimated BHP 750 PSI, estimated BHT 120° .

14. Anticipated Starting Date and Duration of Operation:

Road and location construction will begin after BLM approval of APD. Anticipated spud date as soon as approved. Drilling expected to take 10-15 days. If production casing is run an additional 30 days will be required to complete and construct surface facilities.

15. Other Facets of Operations:

After running casing, cased hole gamma ray neutron collar logs will be run from total depth over possible pay intervals. The Tansil,Yates, 7 Rvs pay will be perforated and stimulated. The well will be swab tested and potentialed as a gas well.

SURFACE USE PLAN

GRUY PETROLEUM MANAGEMENT CO.
RHODES FEDERAL UNIT # 171
UNIT "B" SECTION 17
T26S-R37E LEA CO. NM

1. EXISTING ROADS. Area map, Exhibit "B" is a reproduction of the New Mexico General Hi-way Co. Map. Exhibit "C" is a reproduction of a topographic map. Existing roads and proposed roads are shown on each exhibit. All roads will be maintained in a condition equal to or better than existed prior to start of construction.

   A. Exhibit "A" shows the proposed developement well as staked.

   B. From Jal New Mexico take State Hi-way 18 South 4.4 miles turn West cross railroad track bear left (Southwest) go 1+ miles turn West and go approximately 1500' to location.

   C. Lay necessary pipelines and construct necessary powerlines that will are required to produce this lease along road R-O-W.

2. PLANNED ACCESS ROADS - Up grade existing road approximately 1500'.

   A. the access road will be crowned and ditched to a 12'00" wide travel surface with a 40' right-of-way.

   B. Gradient on all roads will be less tha 5.00%.

   C. No turnouts will be necessary.

   D. If needed, road will be surfaced with a minimum of 4" of caliche. This material will be obtained from a local source.

   E. Centerline for the new access road has been flagged. Earthwork will be as required by field conditions.

   F. Culverts in the access road will not be used. The road will be constructed to utilize low water crossings for drainage as required by the Lopography.

3. LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A-1"

   A. Water wells - None known

   B. Disposal wells - None known

   C. Drilling wells - None known

   D. Producing wells - As shown on Exhibit "A-1"

   E. Abandoned wells - As shown on Exhibit "A-1"

4. If, on completion this well is a producer Gruy Petroleum Management Co. will furnish maps and/or plats showing on site facilities or off site facilities if needed. This will be accompanied with a Sundry Notice.

5. LOCATION AND TYPE OF WATER SUPPLY:

Water will be purchased locally from a commercial source and trucked over the access roads or piped in flexible lines laid on top of the ground.

6. SOURCE OF CONSTRUCTION MATERIAL:

If possible construction will be obtained from the excavation of drill site, if additional material is needed it will be purchased from a local source and transported over the access route as shown on Exhibit"C".

7. METHODS OF HANDLING WASTE MATERIAL:

A. Drill cuttings will be disposed of in the reserve pit.

B. All trash, junk and other waste material will be contained in trash cages or bins to prevent scattering. When the job is completed all contents will be removed and disposed of in a approved sanitary land fill.

C. Salts remaining after completion of well will be picked up by supplier including broken sacks.

D. Sewage from living quaters will drain into holes with a minium depth of 10'. These holes will be covered during drilling and will be back filled upon completion. A Porta-John will be provided for the rig crews. This equipment will be properly maintained during the drilling operations and removed upon completion of the well.

E. Remaining drilling fluids will be allowed to evaporate in the reserve pit until the pit is dry enough for breaking out. In the event that drilling fluids do not evaporate in a reasonable time they will be hauled off by transports and be disposed of at a state approved disposal facility. Later pits will be broken out to speed drying. Water produced during testing will be put in reserve pits. Any oil or condensate produced will be stored in test tanks until sold and hauled from the site.

8. ANCILLARY FACILITIES:

A. No camps or airstrips to be constructed.

9. WELL SITE LAYOUT

A. Exhibit "D" shows location and rig layout.

B. This exhibit indicates proposed location of reserve and trash pits; and living facilities.

C. Mud pits in the active circulating system will be steel pits and the reserve pit is proposed to be unlined, unless subsurface condition encountered during pit construction indicate that lining is needed for lateral containment of fluids.

D. If needed, the reserve pit is to be lined with PVC or polyethylene line. The pit liner will be 6 mils thick. Pit liner will extend a minimum, 2'00" over the reserve pits dikes where the liner will be anchored down.

E. The reserve pit will be fenced on three sides with four strands of barbed wire during drilling and completion phases. The fourth side will be fenced after all drilling operations have ceased. If the well is a producer, the reserve pit fence will be torn down. The reserve pit and those areas of the location not essential to production facilities will be reclaimed and seeded per BLM requirements.

10. PLANS FOR RESTORATION OF SURFACE

Rehabilitation of the location and reserve pit will start in a timely manner after all drilling operations cease. The type of reclamation will depend on whether the well is a producer or a dry hole.

However, in either event, the reserve pit will be allowed to dry properly, and fluid removed and disposed of in accordance with Article 7.B as previously noted. The pit area will then be leveled and contoured to conform to the original and surrounding area. Drainage systems, if any, will be reshaped to the original configuration with provisions made to alleviate erosion. These may need to be modified in certain circumstances to prevent inundation of the location's pad and surface facilities. After the area has been shaped and contoured, topsoil from the spoil pile will be placed over the disturbed area to the extent possible. Revegetation procedures will comply with BLM standards.

If the well is a dry hole, the pad and road area will be recountered to match the existing terrain. Topsoil will be spread to the extent possible. Revegetation will comply with BLM standards.

Should the well be a producer, the previously noted procedures will apply to those areas which are not required for production facilities.

SURFACE USE PLAN

GRUY PETROLEUM MANAGEMENT CO.
RHODES FEDERAL UNIT # 171
UNIT "B" SECTION 17
T26S-R37E LEA CO. NM

11. OTHER INFORMATION:

A. Topography consists f sand dunes with a slight dip in the Southwesterly direction. Vegatation is mainley native grasses and Mesquite trees with Shinnery Oak.

B. Surface and minerals are owned by The Bureau of Land Management, The U.S. DEPARTMENT OF INTERIOR. The surface is used mainly for grazing of livestock and the production of Oil & Gas.

C. An Archaeological survey will be conducted of the location and proposed roads, then this report will be filed with the Bureau of Land Management in the Carlsbad BLM office.

D. There are no known dwellings within 1½ mile of this location.

12. OPERATORS REPRESENTIVE:

Before construction:

TIERRA EXPLORATION INC.
P.O. BOX 2188
HOBBS, NEW MEXICO 88241
OFFICE PHONE 505-392-2112
JOE T. JANICA

During and after construction:

GRUY PETROLEUM MANAGEMENT COMPANY
P.O. BOX 14097
IRVING, TEXAS 75014
OFFICE PHONE 972-443-6489
ZENO FARRIS

13. CERTIFICATION: - I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and that the work associated with the operations proposedherein will be performed by Gruy Petroleum Management Co. contractors/subcontractors is in the conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provision of U.S.C. 1001 for the filing of a false statement.

NAME : Joe T Janica

DATE : 08/27/98

TITLE : Agent

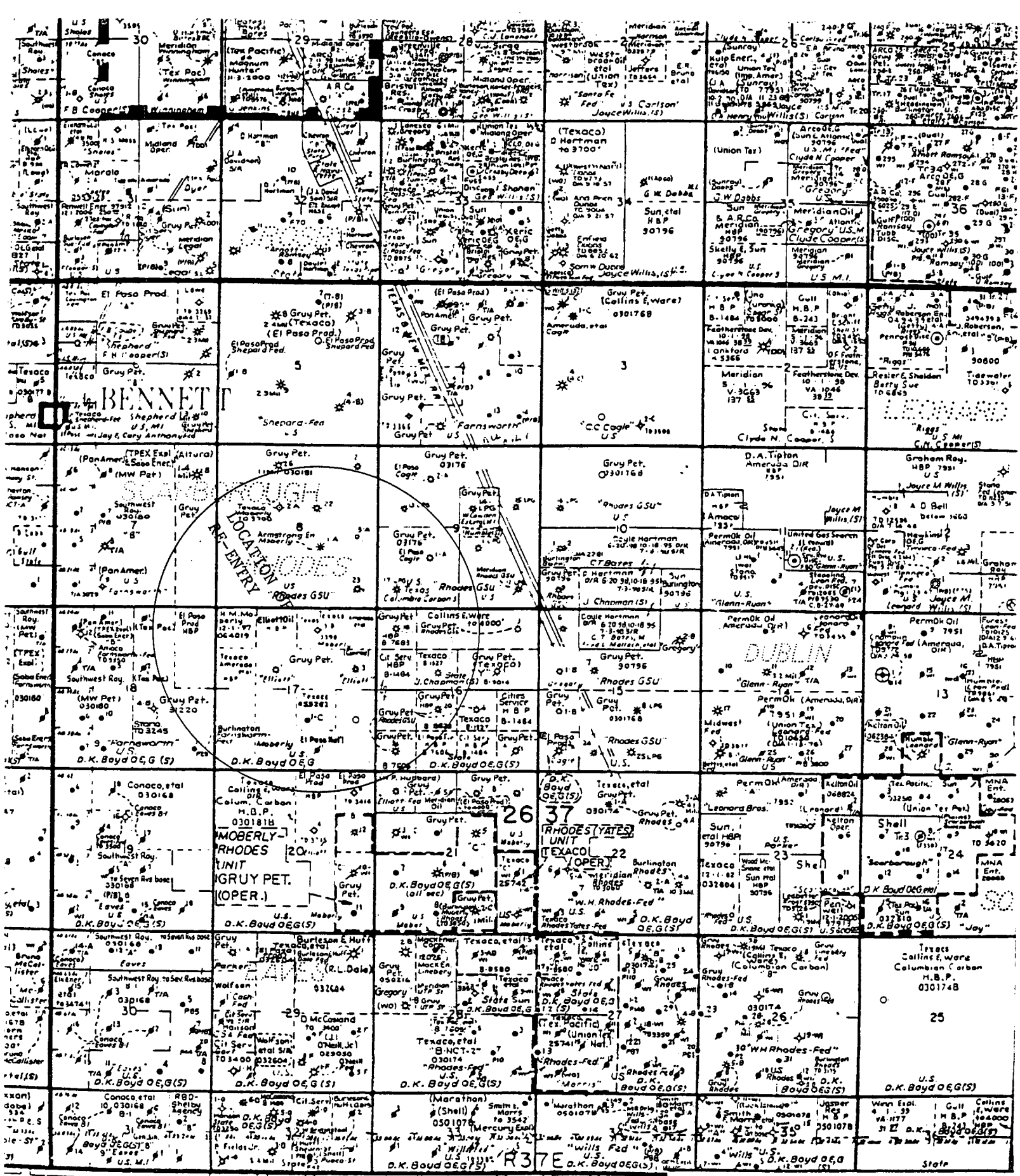


EXHIBIT "A-1"
ONE MILE RADIUS MAP

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UNIT "B" SECTION 17
T26S-R37E LEA CO. NM

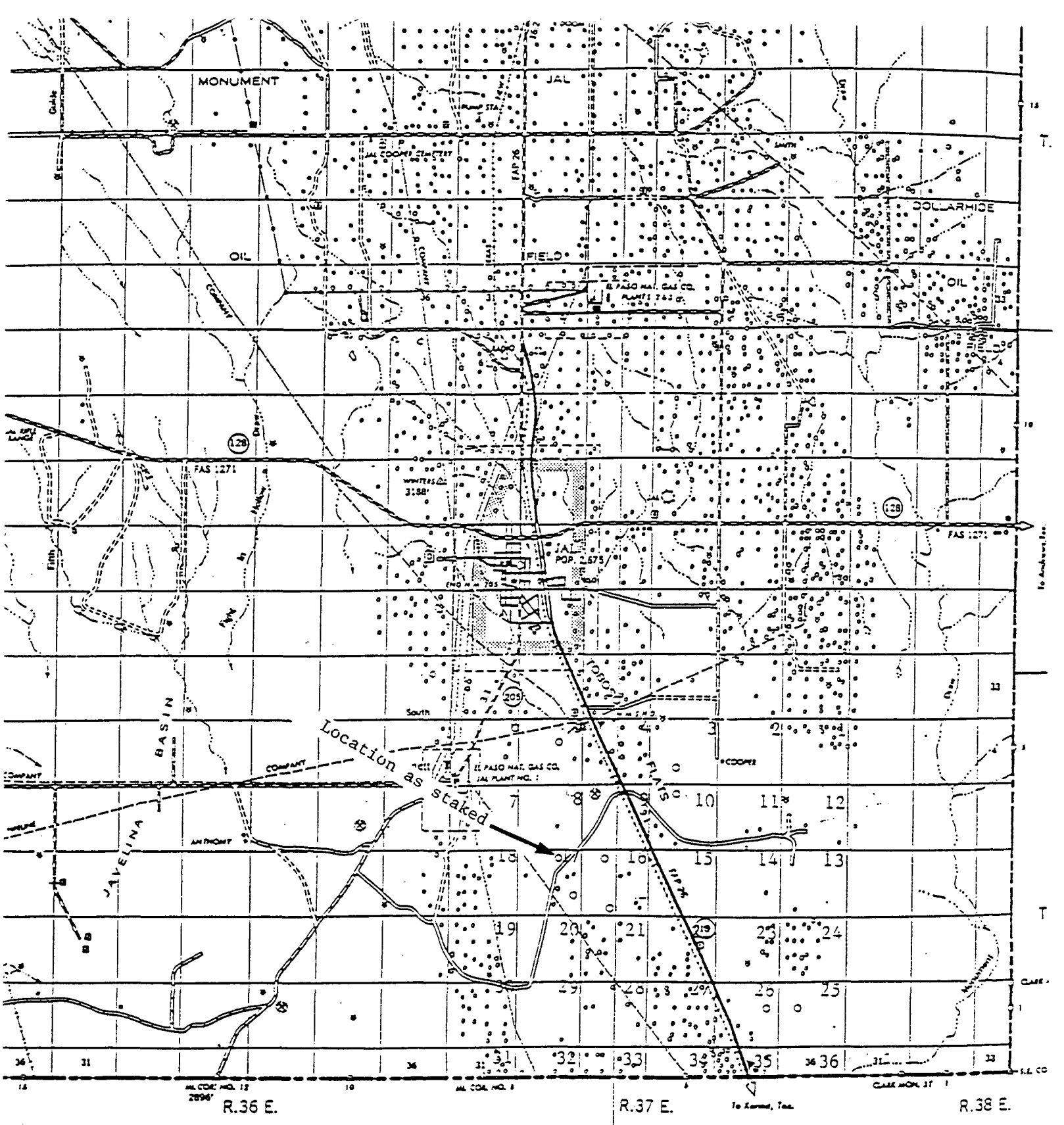


EXHIBIT "B"
LOCATION & ACCESS ROAD MAP

GRUY PETROLEUM MANAGEMENT CO.
RHODES FEDERAL UNIT # 171
UNIT "B" SECTION 17
T26S-R37E LEA CO. NM

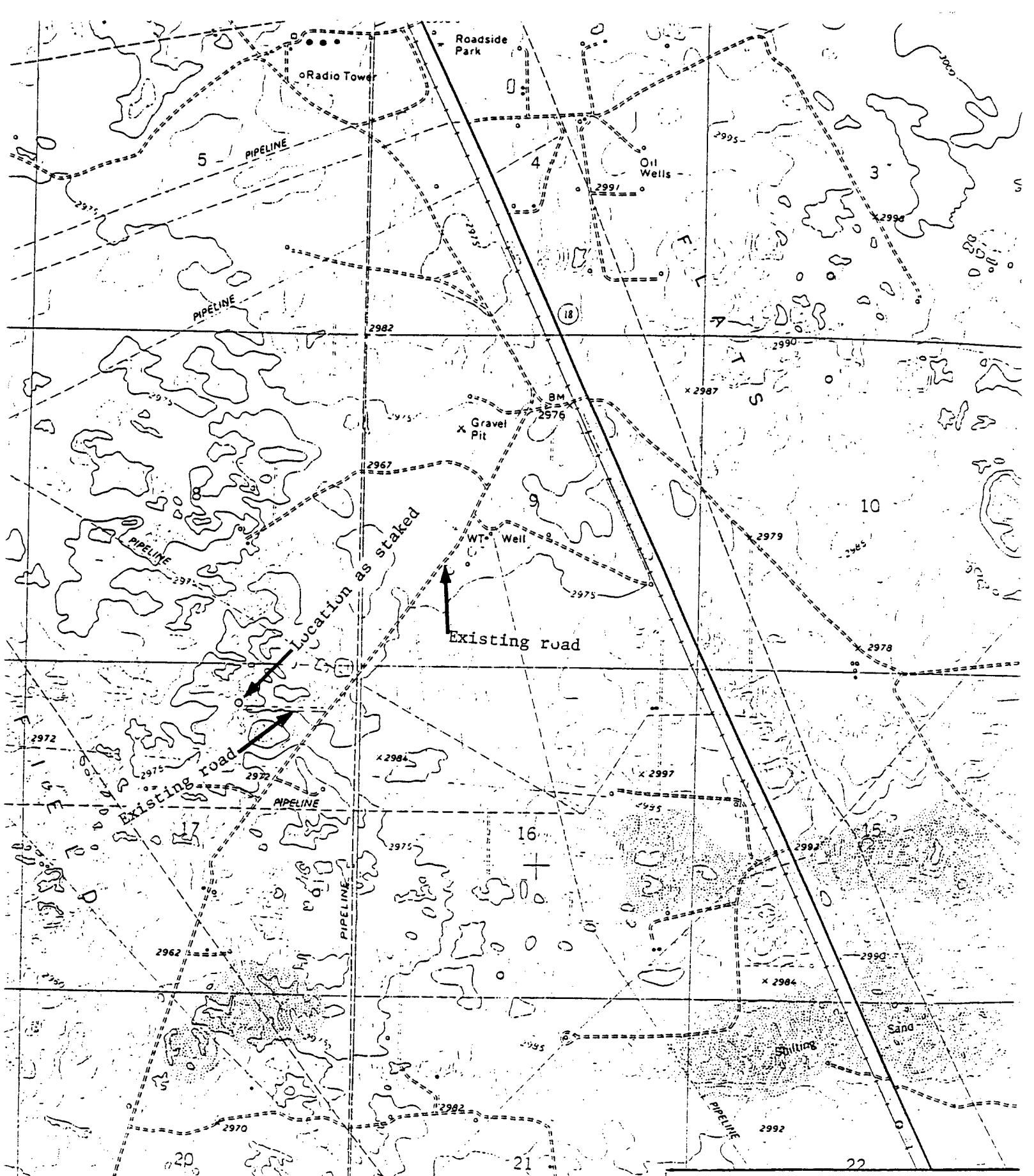
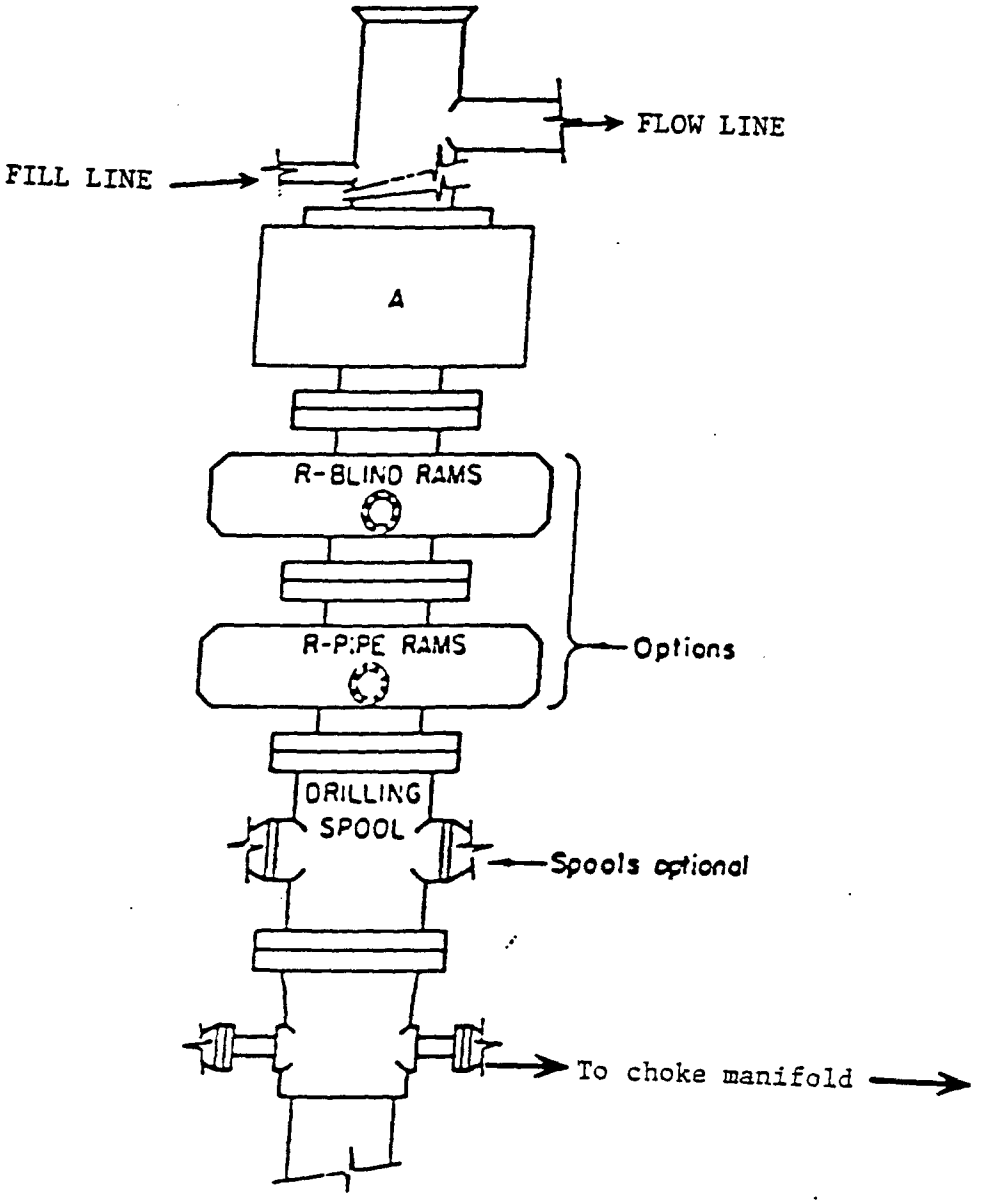


EXHIBIT "C"
TOPOGRAPHIC MAP SHOWING
ROADS & DIRECTIONS TO

GRUY PETROLEUM MANAGEMENT CO.
RHODES FEDERAL UNIT # 171
UNIT "B" SECTION 17
T26S-R37E LEA CO. NM



ARRANGEMENT SRRA

900 Series
3000 PSI WP

EXHIBIT "E"
B.O.P. SKETCH TO BE USED ON

GRUY PETROLEUM MANAGEMENT CO.
RHODES FEDERAL UNIT # 171
UNIT "B" SECTION 17
T26S-R37E LEA CO. NM

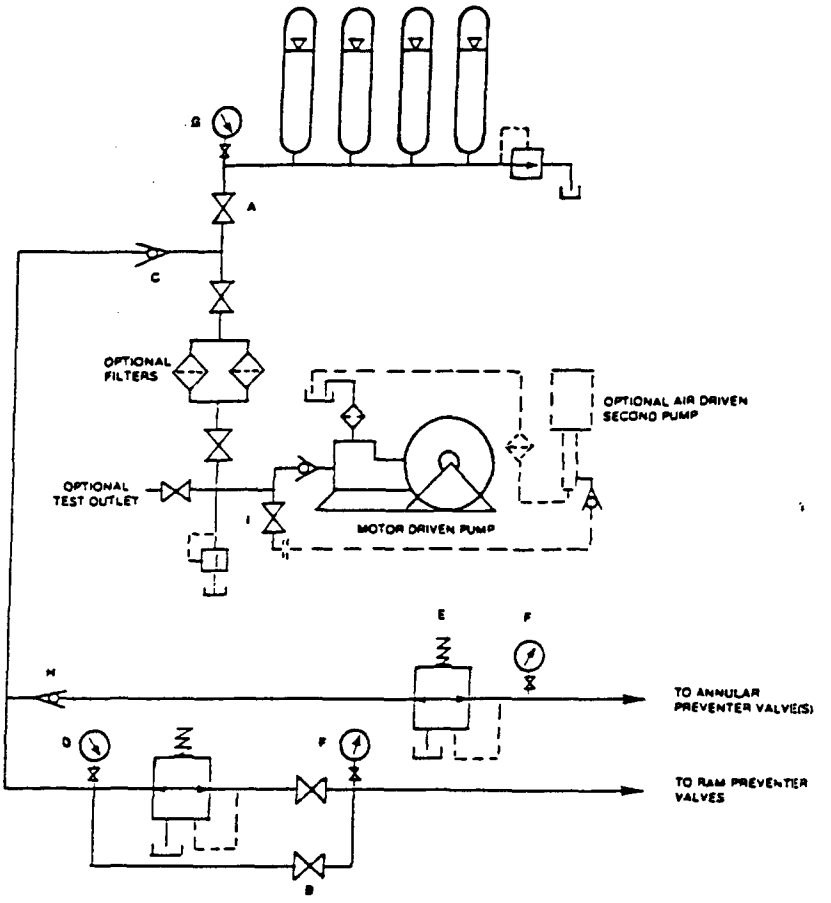


FIGURE K6-1. The schematic sketch of an accumulator system shows required and optional components.

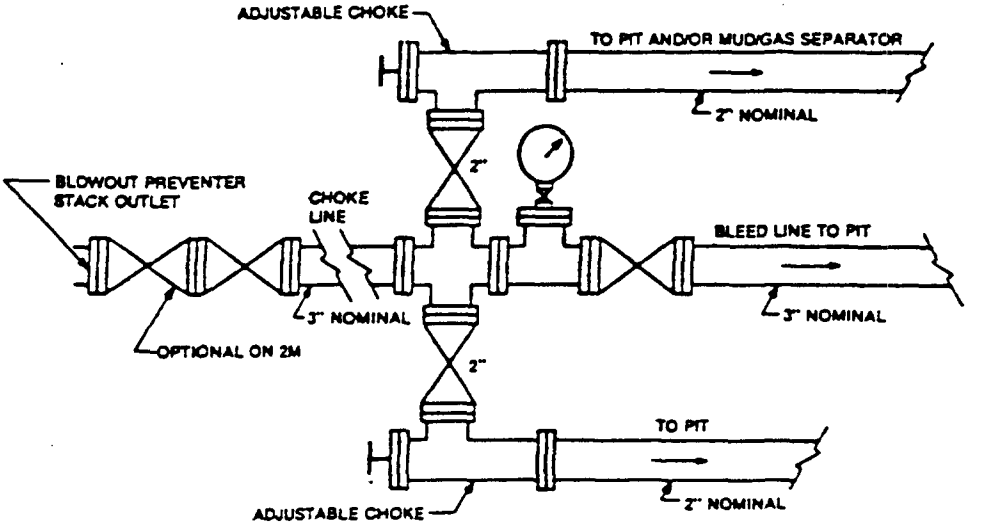


FIGURE K4-1. Typical choke manifold assembly for 2M and 3M rated working pressure service — surface installation.

EXHIBIT "E-1"
CHOKE MANIFOLD & CLOSING UNIT

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UNIT "B" SECTION 17
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