

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

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

1a. TYPE OF WORK
DRILL ☒ DEEPEN ☐
1b. TYPE OF WELL
OIL ☐ GAS ☒
WELL WELL OTHER ZONE SINGLE ☐ MULTIPLE ☐
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. *)

2100' FSL & 1850' FEL Section 1-25S-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 drig. unit line, if any) 1850'

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.
NA

19. PROPOSED DEPTH
13000'

20. ROTARY OR CABLE TOOLS
Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
3322' GR

CARLSBAD CONTROLLED WATER BASIN

22. APPROX. DATE WORK WILL START*
07-15-04

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 # | 400' WITNESS | 490 sx circulate |
| 12 1/4" | J-55 9 5/8" | 40 # | 1900' | 1500 sx circulate |
| 8 3/4" | P-110 7" | 26 # | 10000' | 950 sx circulate |
| 7" | P-110 4 1/2" liner | 11.6 # | 9500' - 13000' | 160 sx TOC 9500 |

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 Zero Farris TITLE Mgr. Ops. Admin DATE 03-1-04

(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 /s/ Leslie A. Theiss TITLE FIELD MANAGER DATE 01 JUN 2004

*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.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

APPROVAL FOR 1 YEAR

District I
1625 N. French Dr., 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

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

Form C-144
March 12, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No ☒

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: Gruy Petroleum Management Co. Telephone: 972-443-6489 e-mail address: zfarris@magnumhunter.com

Address: P.O. Box 140907, Irving, Tx 75014-0907

Facility or well name: Marquardt I Penn Federal # 1 API #: U/L or Qtr/Qtr J Sec 1 T 25S R 26E

County: Eddy Latitude 320926.71 N Longitude 1041434.19 W NAD: 1927 ☒ 1983 ☐ Surface Owner Federal ☐ State ☐ Private ☐ Indian ☐

Pit

Type: Drilling ☒ Production ☐ Disposal ☐

Workover ☐ Emergency ☐

Lined ☒ Unlined ☐

Liner type: Synthetic ☒ Thickness 12 mil Clay ☐ Volume
bbl

Below-grade tank

Volume: bbl Type of fluid:

Construction material:

Double-walled, with leak detection? Yes ☐ If not, explain why not.

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)

Less than 50 feet

(20 points)

50 feet or more, but less than 100 feet

(10 points)

100 feet or more

(0 points)

Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)

Yes

(20 points)

No

(0 points)

Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet

(20 points)

200 feet or more, but less than 1000 feet

(10 points)

1000 feet or more

(0 points)

Ranking Score (Total Points)

-0-

RECEIVED

JUN 09 2004

OCD-ARTESIA

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location:

onsite ☐ offsite ☐ If offsite, name of facility (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Date: 7-08-04

Printed Name/Title Zeno Farris Manager Operations Administration

Signature

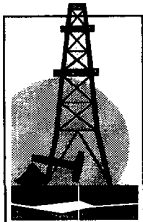
Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval: JUN 9 2004

Date:

Printed Name/Title

Signature



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 wholly-owned subsidiary of Magnum Hunter Resources, Inc., a NYSE company MHR

?

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

Bureau of Land Management
2909 West 2nd Street
Roswell New Mexico 88201-2019
Attn: Ms. Linda Askwig

Gruy Petroleum Management Co. accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land, or portion thereof, as described below:

Lease No.: NM - 14124

Legal Description: All Sec 12, T25S-R26E
Containing 640 acres, Eddy County New Mexico

Formation (S): Morrow/Pennsylvanian

Bond Coverage: Nationwide BLM Bond

BLM Bond File No.: NM 2575

Authorized Signature: Zeno Farris
Representing Gruy Petroleum Management Co.

Name: Zeno Farris

Title: Manager, Operations Administration

Date: 03/01/04

Application to Drill

Gruy Petroleum Management Co.
Marquardt 1 Penn Federal No. 1
Unit Letter J Section 1
T25S - R26E Eddy County, NM

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

1 Location: 2100' FSL & 1850' FEL Sec. 1- 25S 26E

2 Elevation above sea level: GR 3322'

3 Geologic name of surface formation: Quaternary Alluvium Deposits

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

5 Proposed drilling depth: 13000'

6 Estimated tops of geological markers:

| | | | |
|-------------|------|--------------|--------|
| T/Salt | 250' | Cisco Canyon | 9928 |
| B/Salt | 800' | Strawn | 10078 |
| Delaware | 1450 | Atoka | 10388 |
| Bone Spring | 6168 | Morrow | 11,158 |
| Wolfcamp | 8098 | Barnett | 11,768 |

7 Possible mineral bearing formation:

| | |
|--------|-----|
| Strawn | Gas |
| Atoka | Gas |
| Morrow | Gas |

8 Casing program:

| Hole Size | Interval | Casing OD | Weight | Thread | Collar | Grade |
|-----------|---------------|-----------|--------|--------|--------|-------|
| 17 1/2" | 0-400' | 13 3/8" | 54.5 | 8-R | ST&C | J-55 |
| 12 1/4" | 0-1900' | 9 5/8" | 40 | 8-R | ST&C | J-55 |
| 8 3/4" | 0-10000' | 7" | 26 | 8-R | ST&C | P-110 |
| 7" | 9500' - 13000 | 4 1/2" | 11.6 | 8-R | ST&C | P-110 |

Application to Drill

Gruy Petroleum Management Co.
Marquardt 1 Penn Federal No. 1
Unit Letter J Section 1
T25S - R26E Eddy County, NM

9 Cementing & Setting Depth:

| | | |
|---------|--------------|---|
| 13 3/8" | Surface | Set 400' of 13 3/8" J-55 54.5 ST&C casing. Cement with 490 Sx. Of Premium Plus cement + additives, circulate cement to surface. |
| 9 5/8" | Intermediate | Set 1900' of 9 5/8" J-55 40# ST&C casing. Lead with 1000 Sx. of Interfill C Cement + additives, tail with 500 Sx. Of Premium Plus + additives, circulate cement to surface. |
| 7" | Intermediate | Set 10000' of 7" P-110 26# ST&C casing. Cement in two stages, first stage cement with 550 Sx. of Class Interfill H/Super H Cement + additives. Second stage cement with 400 Sx of Interfill H/Super H, circulate cement to surface. . |
| 4 1/2" | liner | Set 3500' of 4 1/2" P-110 11.6 # ST&C liner from 9500' to 13000'. Cement with 160 sx of Super H. TOC 9500'. |

10 Pressure control Equipment:

Exhibit "E". A 13 3/8" 5000 PSI working pressure B.O.P. consisting of one set of blind rams and one set of pipe rams and a 5000 # annular type preventer. A choke manifold and 120 gallon accumulator with floor and remote operating stations and auxiliary power system. Rotating head below 6000'. A kelly cock will be installed and maintained in operable condition and a drill string safety valve in the open position will be available on the rig floor. BOP unit will be hydraulically operated. BOP will be nipped up on the 9 5/8" & 7" casing and will be operated at least once a day while drilling and the blind rams will be operated when out of hole during trips. No abnormal pressure or temperature is expected while drilling.

11 Proposed Mud Circulating System:

| Depth | Mud Wt | Viscosity | Fluid Loss | Type Mud |
|-----------------|------------|-----------|---------------|---|
| 0 - 400' | 8.4 - 8.6 | 30 - 32 | May lose circ | Fresh water spud mud add paper to control seepage and high viscosity sweeps to clean hole. |
| 400' - 1900' | 9.7 - 10.0 | 28 - 29 | May lose circ | Brine water. Add paper as needed to control seepage and add lime to control pH (9-10). Use high viscosity sweeps to clean hole. |
| 1900' - 8300' | 8.4 - 9.9 | 28 - 29 | NC | Fresh water. Paper for seepage. Lime for pH (9 - 9.5) |
| 8300' - 10000' | 8.45 - 8.9 | 28 - 29 | NC | Cut brine. Caustic for pH control. |
| 10000' - 13000' | 8.9 - 9.7 | 29 - 45 | NC | XCD Polymer mud system. |

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 water loss may have to be adjusted in order to meet these needs. Mud system monitoring equipment with derrick floor indicators and visual/audio alarms shall be installed and operative prior to drilling into the Wolfcamp formation. This equipment will remain in use until production casing is run and cemented.

Application to Drill

Gruy Petroleum Management Co.
Marquardt 1 Penn Federal No. 1
Unit Letter J Section 1
T25S - R26E Eddy County, NM

12 Testing, Logging and Coring Program:

- A. Mud logging program: One-man unit from 8000' to TD
- B. Electric logging program: CNL / LDT / CAL / GR, DLL / CAL / GR
- C. No DST's, or cores are planned at this time.

13 Potential Hazards:

No abnormal pressures or temperatures or H₂S gas are expected. Adequate flare lines will be installed off the mud / gas separator where gas may be flared safely. All personnel will be familiar with all aspects of safe operation of equipment being used. Estimated BHP 4000 PSI, estimated BHT 190.

14 Anticipated Starting Date and Duration of Operations:

Road and location construction will begin after BLM approval of APD. Anticipated spud date as soon as approved. Drilling expected to take 35 - 45 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 Strawn / Morrow / Atoka pay will be perforated and stimulated. The well will be tested and potentialized as a gas well.

Surface Use Plan

Gruy Petroleum Management Co.
Marquardt 1 Penn Federal No. 1
Unit Letter J Section 1
T25S - R26E Eddy County, NM

- 1 Existing Roads: Area maps, Exhibit "B" is a reproduction of Lea Co. General Highway Map. Exhibit "C" is a reproduction of a USGS Topographic Map, showing existing roads and proposed roads. All existing roads will be maintained in a condition equal to or better than current conditions. Any new roads will be constructed to BLM specifications.
 - A. Exhibit "A" shows the proposed well site as staked.
 - B. From the intersection of Eddy County road # 722 and Eddy County Road # 742, go south 3.8 miles on County Road # 742 to a good caliche road on right. Go west 0.7 mile along caliche road to a road on the left. Go south 2.5 miles to a caliche road. Continue south .5 mile to a two track road on left. Go east .4
- 2 PLANNED ACCESS ROADS: 2184' of access road will be constructed.
- 3 LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A"
 - A. Water wells - None Known
 - B. Disposal wells - None known
 - C. Drilling wells - None known
 - D. Producing wells - As shown on Exhibit "A"
 - E. Abandoned wells - As shown on Exhibit "A"

Surface Use Plan

Gruy Petroleum Management Co.
Marquardt 1 Penn Federal No. 1
Unit Letter J Section 1
T25S - R26E Eddy County, NM

- 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 quarters will drain into holding tanks and be cleaned out periodically. 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.

Surface Use Plan

Gruy Petroleum Management Co.
Marquardt 1 Penn Federal No. 1
Unit Letter J Section 1
T25S - R26E Eddy County, NM

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 recontoured 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.
Marquardt 1 Penn Federal No. 1
Unit Letter J Section 1
T25S - R26E Eddy County, NM

11 OTHER INFORMATION:

- A. Topography consists of a sloping plane with loose tan sands. Vegetation is mainly yucca, mesquite and shin oak.
- B. The wellsite is on surface owned by The United States Department of the Interior, Bureau of Land Management. The land is used mainly for farming, cattle ranching, recreational use, and oil and gas production.
- C. An Archaeological survey will be conducted on the location and proposed roads, and this report will be filed with the Bureau of Land Management in the Carlsbad BLM office.
- D. There are no known dwellings within 1 1/2 miles of this location.

12 OPERATORS REPRESENTATIVE:

Gruy Petroleum Management Company
P.O. Box 14097
Irving, TX 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 proposed herein will be performed by Gruy Petroleum Management Company contractors/subcontractors 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: Zeno Farris

DATE: 3/1/04

TITLE: Manager, Operations Administration

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

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

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

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 |
| | | White City; Penn (Gas) |
| Property Code | Property Name | Well Number |
| | MARQUARDT 1 PENN FEDERAL | 1 |
| OGRID No. 162683 | Operator Name | Elevation |
| | GRUY PETROLEUM MANAGEMENT COMPANY | 3322' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| J | 1 | 25 S | 26 E | | 2100 | SOUTH | 1850 | 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 | Joint or Infill | Consolidation Code | Order No. | | | | | | |
| 640.48 | N | | | | | | | | |

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>LOT 4 LOT 3 LOT 2 LOT 1</p> <p>NAD 27 NME GEODETIC COORDINATES Y-421002.5-N X-528007.2-E LAT.= 32°09'26.71" N LONG.= 104°14'34.19" W</p> <p>3320.3' 3324.4' 600' 600' 3308.6' 3315.8'</p> <p>1850'</p> <p>2100'</p> <p>Marquardt 1 Penn Federal No. 1</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><u>Zeno Farris</u> Signature</p> <p>Zeno Farris Printed Name</p> <p>Manager; Operations Admin. Title</p> <p>March 2, 2004 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>JANUARY 26, 2004</p> <p>Date Surveyed LMP</p> <p>Signature & Seal of Professional Surveyor</p> <p><u>Gary Edson</u> 2/2/04</p> <p>04-11.0010</p> <p>Certificate No. GARY EDSON 12641</p> |
|---|---|

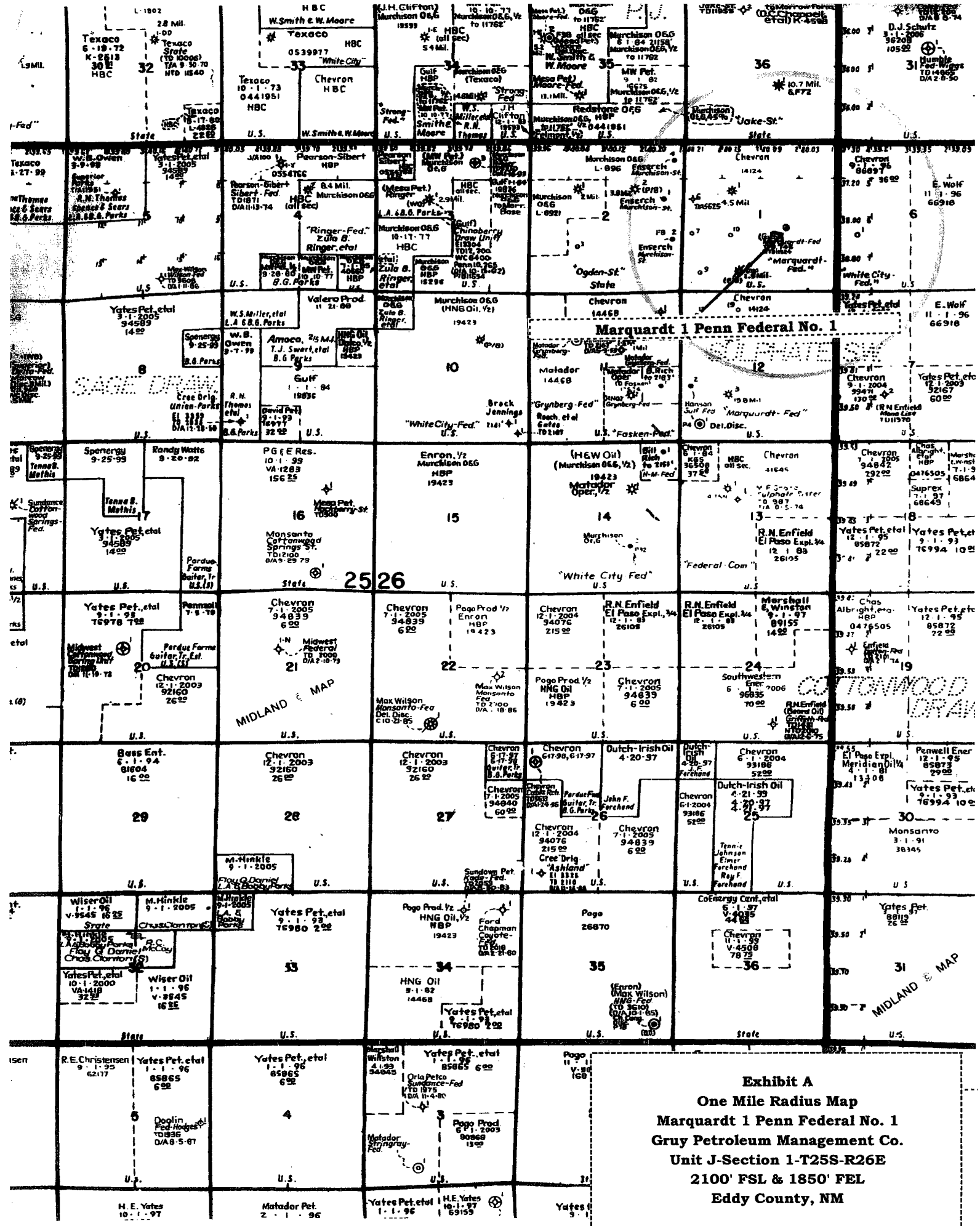
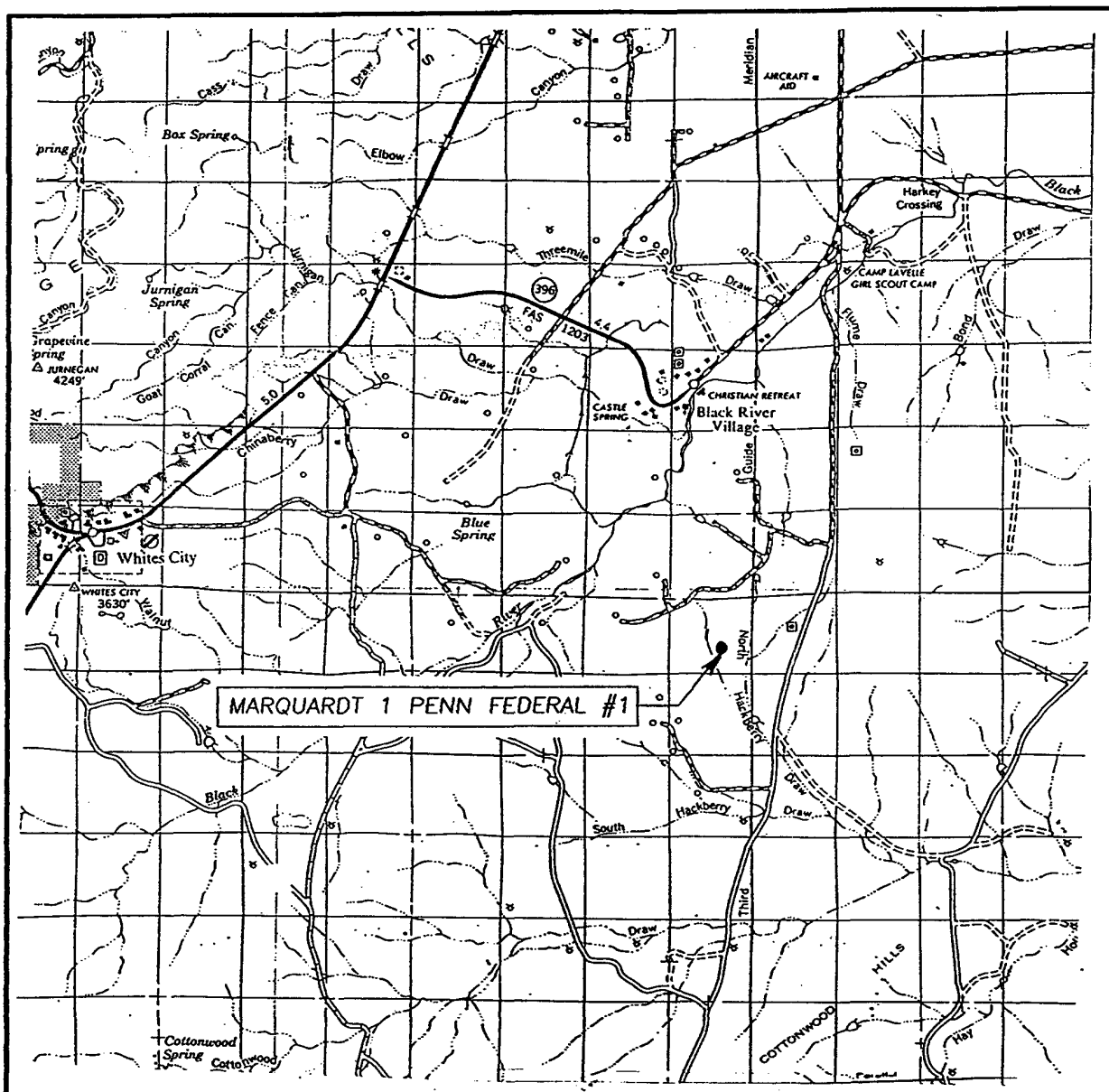


Exhibit A
One Mile Radius Map
Marquardt 1 Penn Federal No. 1
Gruy Petroleum Management Co.
Unit J-Section 1-T25S-R26E
2100' FSL & 1850' FEL
Eddy County, NM

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 1 TWP. 25-S RGE. 26-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 2100' FSL & 1850' FEL

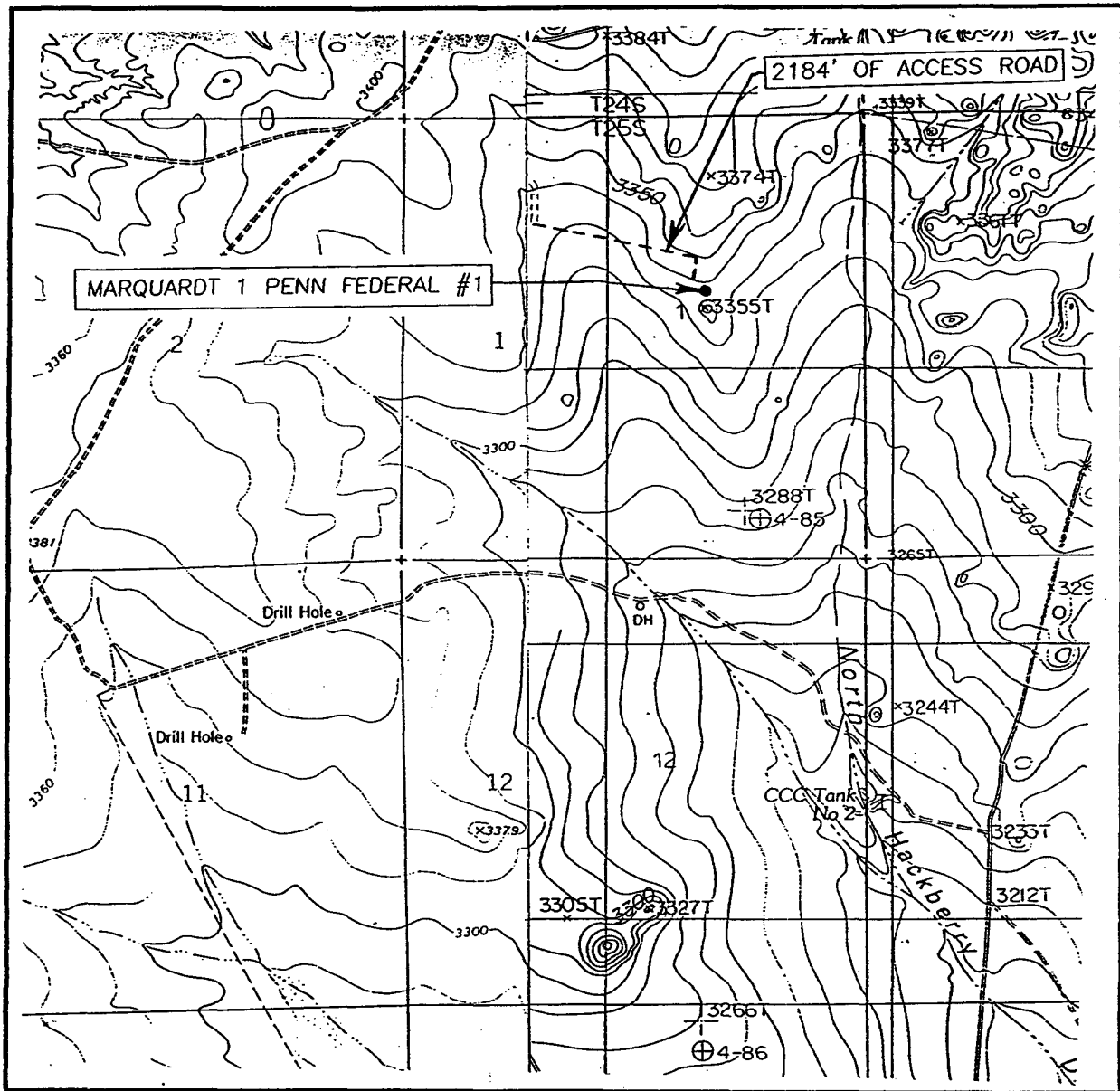
ELEVATION 3322'

OPERATOR GRUY PETROLEUM MANAGEMENT COMPANY

LEASE MARQUARDT 1 PENN FEDERAL

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

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
BOND DRAW, N.M. - 10'

SEC. 1 TWP. 25-S RGE. 26-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 2100' FSL & 1850' FEL

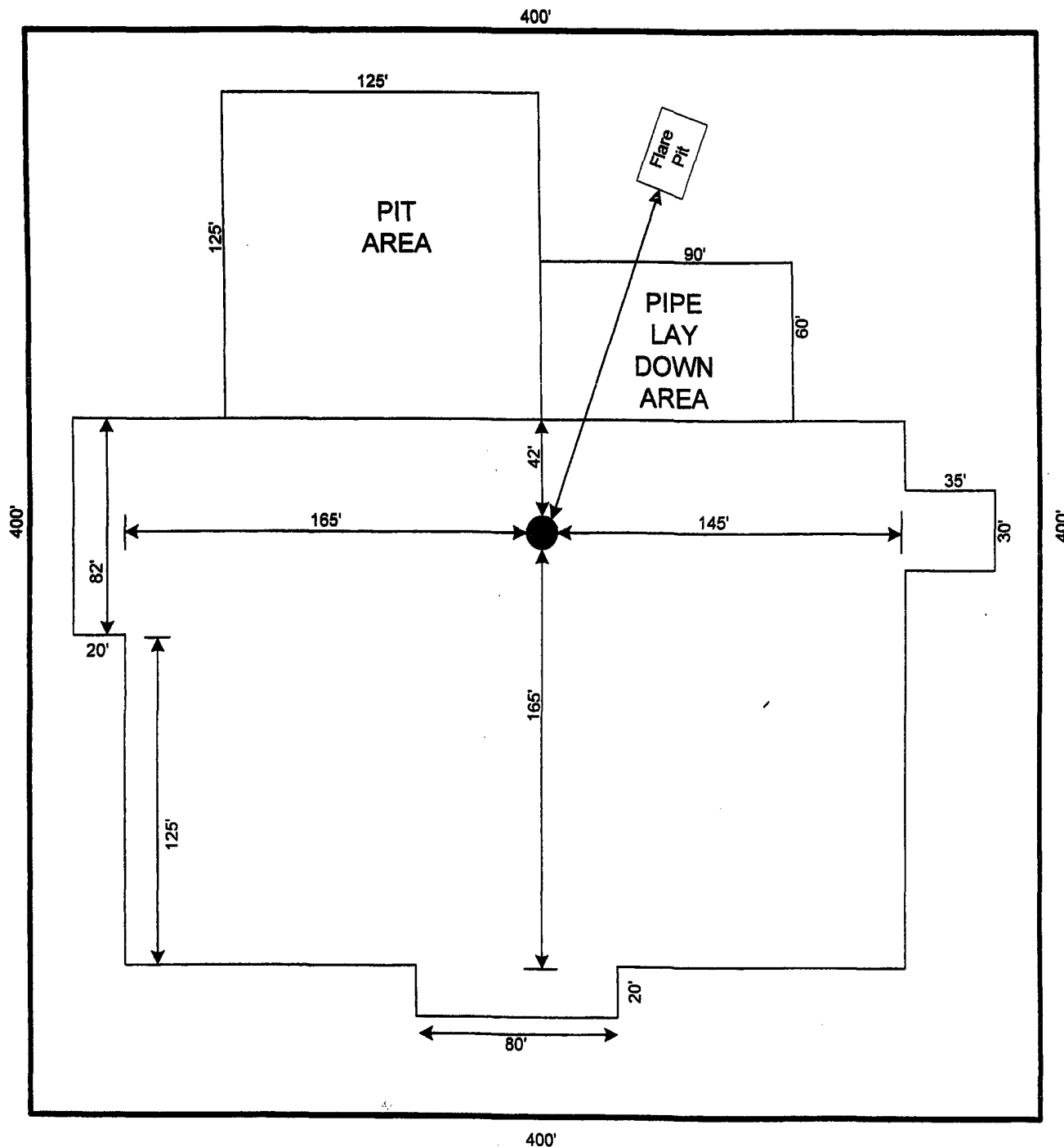
ELEVATION 3322'

GRUY PETROLEUM
OPERATOR MANAGEMENT COMPANY

LEASE MARQUARDT 1 PENN FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
BOND DRAW, N.M.

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



RIG # 80

**GRUY PETROLEUM
MANAGEMENT COMPANY
IRVING TEXAS**

SCALE 1"=60'

Exhibit D

Rig Layout Plan

**Marquardt 1 Penn Federal No. 1
Gruy Petroleum Management Co.
Unit J-Section 1-T25S-R26E
2100' FSL & 1850' FEL
Eddy County, NM**

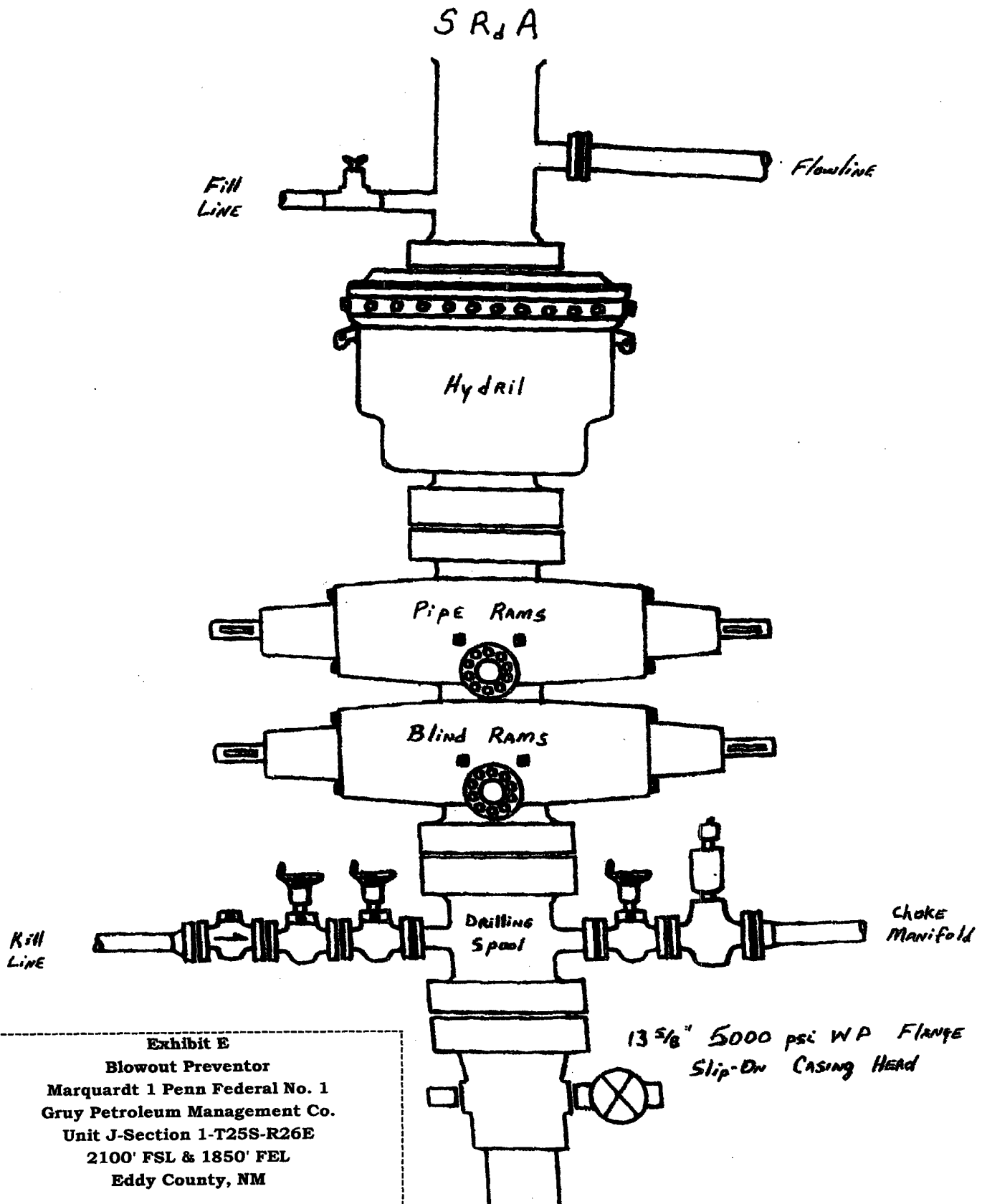
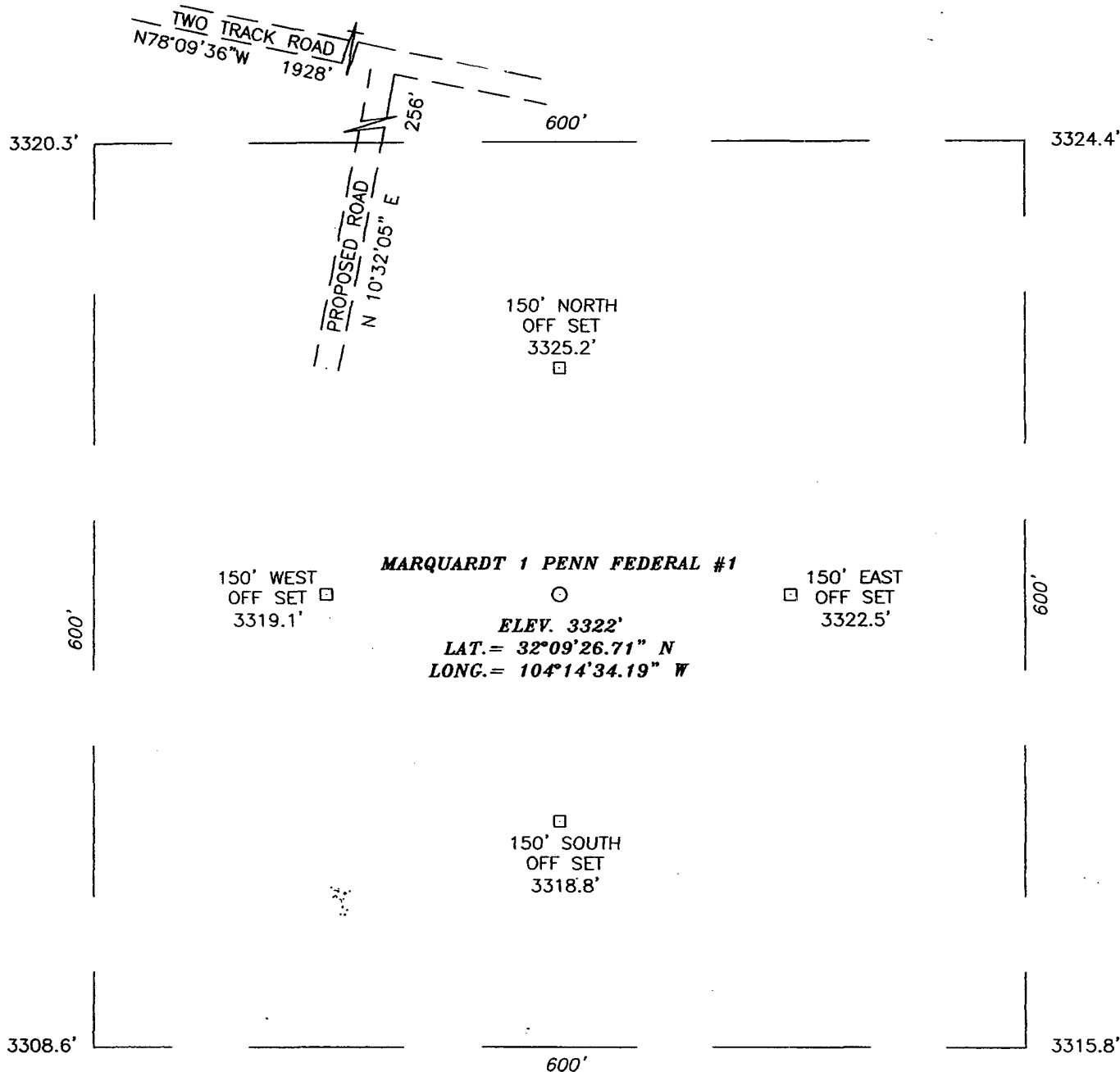


Exhibit E
Blowout Preventor
 Marquardt 1 Penn Federal No. 1
 Gruy Petroleum Management Co.
 Unit J-Section 1-T25S-R26E
 2100' FSL & 1850' FEL
 Eddy County, NM

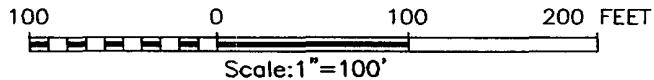
SECTION 1, TOWNSHIP 25 SOUTH, RANGE 26 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.



DRIVING DIRECTIONS:

FROM THE INTERSECTION OF EDDY COUNTY ROAD #772 AND EDDY COUNTY ROAD #742, GO SOUTH 3.8 MILES ON COUNTY ROAD #742 TO A GOOD CALICHE ROAD ON RIGHT. GO WEST 0.7 MILES ALONG CALICHE ROAD TO A ROAD ON THE LEFT. GO SOUTH 2.5 MILES TO A CALICHE ROAD. CONTINUE SOUTH 0.5 MILES TO A TWO TRACK ROAD ON THE LEFT. GO EAST 0.4 MILES TO LOCATION.

JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO - HOBBS, NEW MEXICO - 505-393-3117



GRUY PETROLEUM MANANGEMENT COMPANY

MARQUARDT 1 PENN FEDERAL #1
 LOCATED 2100 FEET FROM THE SOUTH LINE
 AND 1850 FEET FROM THE EAST LINE OF SECTION 1,
 TOWNSHIP 25 SOUTH, RANGE 26 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.

| | |
|-------------------------|----------------------|
| Survey Date: 1/26/04 | Sheet 1 of 1 Sheets |
| W.O. Number: 04.11.0010 | DRAWN BY: L. PERALES |
| Date: 1/30/04 | DISK: CD '04 |
| 04110010 | Scale: 1"=100' |