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

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.: NMNM 092160

6. IF INDIAN, ALLOTTES OR TRIBE NAME:

1a. TYPE OF WORK: DRILL [X] DEEPEN [ ]

1b. TYPE OF WELL: OIL WELL [ ] GAS WELL [X] OTHER SINGLE ZONE [ ] MULTIPLE ZONE [ ]

7. UNIT AGREEMENT NAME: Pending

2. NAME OF OPERATOR: Gruy Petroleum Management Co.

8. FARM OR LEASE NAME, WELL NO.: Chosa Draw 27 Federal Com No. 1

3. ADDRESS AND TELEPHONE NO.: P.O. Box 140907 Irving TX 75014 972-401-3111

9. API WELL NO.: 30-015-32918

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
SHL 330' FNL & 1980' FEL BHL ~~1650'~~ 1594 FNL & ~~1650'~~ 1594 FEL

10. FIELD AND POOL, OR WILDCAT: White City; Penn (Undesg)

11. SEC. T.,R.,M., BLOCK AND SURVEY OR AREA: Sec. 27 T25S R26E

JUL 2003
RECEIVED
OCD - ARTESIA

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 24 miles South of Carlsbad

12. COUNTY OR PARISH: Eddy

13. STATE: NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, T.O (Also to nearest drlg. unit line, if any): 1650'

16. NO. OF ACRES IN LEASE: 1330

17. NO. OF ACRES ASSIGNED TO THIS WELL: 320

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

19. PROPOSED DEPTH:

20. ROTARY OR CABLE TOOLS: Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3254' GR

CARLSBAD CONTROLLED WATER BASIN

22. APPROX. DATE WORK WILL START*: 07-15-03

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE,SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2" WITNESS	H-40 13 3/8"	48 #	425' WITNESS	490 sx circulate
12 1/4"	J-55 9 5/8"	40 #	3200'	1200 sx circulate
7 7/8"	N-80/S-95 5 1/2"	17 #	12500'	1620 sx TOC 2700'

The proposed well will be drilled to a depth of 12500' and completed as a White City Penn Morrow producer. 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 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. Per onshore order 2 the 13 3/8" 48 # H-40 casing should be tested at 70% of its maximum internal yield of 1730 # or 1211 #. During the running of the surface pipe we do not anticipate any pressures greater than 500 #, and are requesting a variance to test the 13 3/8" casing to 500 #

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 Farris TITLE Mgr. Ops. Admin DATE 05-22-03

(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/ Joe G. Lara ACTING TITLE FIELD MANAGER DATE 29 JUL 2003

*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.

SUBJECT TO LIKE APPROVAL BY STATE

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

Application to Drill

Gruy Petroleum Management Co.
Chosa Draw 27 Federal Com 1
Unit Letter G Section 27
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: SHL 330' FNL & 1980' FEL Sec. 27- 25S 26E
BHL 1650' FNL & 1650' FEL Sec. 27-25S-26E

2 Elevation above sea level: GR 3265'

3 Geologic name of surface formation: Quaternery 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: 12500'

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:

Wolfcamp	Oil
Atoka	Gas
Morrow	Gas

8 Casing program:

Hole Size	Interval	Casing OD	Weight	Thread	Collar	Grade
17 1/2"	0-425'	13 3/8"	48	8-R	ST&C	H-40
12 1/4"	0-3200'	9 5/8"	40	8-R	ST&C	J-55
7 7/8"	0-13000'	5 1/2"	17	8-R	ST&C	N-80 / S-95

Application to Drill

Gruy Petroleum Management Co.
Chosa Draw 27 Federal Com 1
Unit Letter G Section 27
T25S - R26E Eddy County, NM

9 Cementing & Setting Depth:

13 3/8"	Surface	Set 425' of 13 3/8" H-40 48# ST&C casing. Cement with 490 Sx. Of Class "C" cement + additives, circulate cement to surface.
9 5/8"	Intermediate	Set 3200' of 9 5/8" J-55 40# ST&C casing. Cement in two stages, first stage cement with 1000 Sx. Of Class POZ/C Cement + additives, second stage cement with 200 Sx. Of Class "C" + additives, circulate cement to surface.
5 1/2"	Production	Set 12500' of 5 1/2" NP-80 / S-95 17# ST&C casing. Cement in two stages, first stage cement with 1020 Sx. of Class POZ/C Cement + additives. Second stage cement with 600 Sx of Class "C" Estimated top of cement 2700'.

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 nippled up on the 9 5/8" 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 - 425'	9.2 - 9.6	30 - 32	ay lose circ.	Fresh water spud mud add paper to control seepage and high viscosity sweeps to clean hole.
425' - 3200'	9.7 - 10.0	28 - 29	ay 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.
3200' - 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' - 12500'	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.
Chosa Draw 27 Federal Com 1
Unit Letter G Section 27
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 2500 PSI, estimated BHT 1000 .

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 Morrow / Atoka pay will be perforated and stimulated. The well will be tested and potentialed as a gas well.

Hydrogen Sulfide Drilling Operations Plan

1 All Company and Contract personnel admitted on location must be trained by a qualified H2S safety instructor to the following:

A. Characteristics of H2S
B. Physical effects and hazards
C. Proper use of safety equipment and life support systems.
D. Principle and operation of H2S detectors, warning system and briefing
E. Evacuation procedure, routes and first aid.
F. Proper use of 30 minute pressure demand air pack.

2 H2S Detection and Alarm Systems

A. H2S 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, H2S 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 telephones 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 DST will be performed.

8 Drilling contractor supervisor will be required to be familiar with the effects H2S has on tubular goods and other mechanical equipment.

9 If H2S 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 H2S scavengers if necessary.

Gruy Petroleum Management Co.
New Mexico
Eddy County
Chosa Draw 27 Fed Com - Plan 05/22/03 (A)

Sperry-Sun

Proposal Report

22 May, 2003

Data Source: Information from Wade Wiley

Proposal Ref: pro6546

HALLIBURTON

Proposal Report for Chosa Draw 27 Fed Com - Plan 05/22/03 (A)
Data Source: Information from Wade Wiley

Measured Depth (ft)	Incl. (Deg)	Azim. (Deg)	Station Coordinates TVD (ft)	Northings (ft)	Eastings (ft)	Vertical Section (ft)	Dogleg Rate (°/100ft)	Comment
0.00	0.000	0.000	0.00	0.00 N	0.00 E	0.00		
7947.00	0.000	0.000	7947.00	0.00 N	0.00 E	0.00	0.00	Kick-Off at 7947.00ft
8000.00	1.060	165.964	8000.00	0.48 S	0.12 E	0.49	2.00	
8100.00	3.060	165.964	8099.93	3.96 S	0.99 E	4.08	2.00	
8200.00	5.060	165.964	8199.67	10.83 S	2.71 E	11.16	2.00	
8300.00	7.060	165.964	8299.11	21.07 S	5.27 E	21.72	2.00	
8400.00	9.060	165.964	8398.11	34.67 S	8.67 E	35.74	2.00	
8500.00	11.060	165.964	8496.57	51.62 S	12.90 E	53.21	2.00	
8571.99	12.500	165.964	8567.05	65.88 S	16.47 E	67.91	2.00	Build Rate = 2.00°/100ft
8600.00	13.060	165.964	8594.36	71.89 S	17.97 E	74.10	2.00	
8700.00	15.060	165.964	8691.36	95.46 S	23.86 E	98.39	2.00	
8800.00	17.060	165.964	8787.45	122.29 S	30.57 E	126.06	2.00	
8900.00	19.060	165.964	8882.52	152.37 S	38.09 E	157.06	2.00	
9000.00	21.060	165.964	8976.45	185.64 S	46.41 E	191.35	2.00	
9100.00	23.060	165.964	9069.12	222.08 S	55.52 E	228.91	2.00	
9196.99	25.000	165.964	9157.70	260.39 S	65.10 E	268.40	2.00	End of Build at 9196.99ft
9200.00	25.000	165.964	9160.43	261.62 S	65.41 E	269.68	0.00	
9300.00	25.000	165.964	9251.06	302.62 S	75.66 E	311.94	0.00	
9400.00	25.000	165.964	9341.69	343.62 S	85.91 E	354.20	0.00	
9500.00	25.000	165.964	9432.32	384.62 S	96.16 E	396.46	0.00	
9600.00	25.000	165.964	9522.95	425.62 S	106.41 E	438.72	0.00	
9700.00	25.000	165.964	9613.59	466.62 S	116.66 E	480.98	0.00	
9800.00	25.000	165.964	9704.22	507.62 S	126.91 E	523.25	0.00	
9900.00	25.000	165.964	9794.85	548.62 S	137.16 E	565.51	0.00	
10000.00	25.000	165.964	9885.48	589.62 S	147.41 E	607.77	0.00	
10100.00	25.000	165.964	9976.11	630.62 S	157.66 E	650.03	0.00	
10200.00	25.000	165.964	10066.74	671.62 S	167.91 E	692.29	0.00	
10300.00	25.000	165.964	10157.37	712.62 S	178.16 E	734.55	0.00	
10400.00	25.000	165.964	10248.00	753.62 S	188.41 E	776.81	0.00	
10489.21	25.000	165.964	10328.85	790.20 S	197.55 E	814.51	0.00	Hold Angle at 25.000°
10500.00	25.000	165.964	10338.63	794.62 S	198.66 E	819.08	0.00	
10600.00	25.000	165.964	10429.26	835.62 S	208.90 E	861.34	0.00	
10700.00	25.000	165.964	10519.90	876.62 S	219.15 E	903.60	0.00	
10800.00	25.000	165.964	10610.53	917.62 S	229.40 E	945.86	0.00	
10900.00	25.000	165.964	10701.16	958.62 S	239.65 E	988.12	0.00	
11000.00	25.000	165.964	10791.79	999.62 S	249.90 E	1030.38	0.00	
11100.00	25.000	165.964	10882.42	1040.62 S	260.15 E	1072.64	0.00	
11200.00	25.000	165.964	10973.05	1081.62 S	270.40 E	1114.91	0.00	
11300.00	25.000	165.964	11063.68	1122.62 S	280.65 E	1157.17	0.00	
11400.00	25.000	165.964	11154.31	1163.62 S	290.90 E	1199.43	0.00	
11500.00	25.000	165.964	11244.94	1204.62 S	301.15 E	1241.69	0.00	
11600.00	25.000	165.964	11335.57	1245.62 S	311.40 E	1283.95	0.00	
11700.00	25.000	165.964	11426.20	1286.62 S	321.65 E	1326.21	0.00	
11781.42	25.000	165.964	11500.00	1320.00 S	330.00 E	1360.62	0.00	Chosa Draw 27 Target A, Current Target
11800.00	25.000	165.964	11516.84	1327.62 S	331.90 E	1368.48	0.00	

Proposal Report for Chosa Draw 27 Fed Com - Plan 05/22/03 (A)
Data Source: Information from Wade Wiley

Measured Depth (ft)	Incl. (Deg)	Azim. (Deg)	Station Coordinates TVD (ft)	Northings (ft)	Eastings (ft)	Vertical Section (ft)	Dogleg Rate (°/100ft)	Comment
11900.00	25.000	165.964	11607.47	1368.62 S	342.15 E	1410.74	0.00	
12000.00	25.000	165.964	11698.10	1409.62 S	352.40 E	1453.00	0.00	
12100.00	25.000	165.964	11788.73	1450.61 S	362.65 E	1495.26	0.00	
12200.00	25.000	165.964	11879.36	1491.61 S	372.90 E	1537.52	0.00	
12300.00	25.000	165.964	11969.99	1532.61 S	383.15 E	1579.78	0.00	
12333.11	25.000	165.964	12000.00	1546.19 S	386.55 E	1593.78	0.00	Total Depth at 12333.11ft

All data is in Feet (US) unless otherwise stated. Directions and coordinates are relative to Grid North.
Vertical depths are relative to RKB. Northings and Eastings are relative to Wellhead.

The Dogleg Severity is in Degrees per 100 feet.
Vertical Section is from Wellhead and calculated along an Azimuth of 165.964° (Grid).

Coordinate System is NAD27 New Mexico State Planes, Eastern Zone.
Grid Convergence at Surface is -0.003°. Magnetic Convergence at Surface is -8.929° (22-May-03)

Based upon Minimum Curvature type calculations, at a Measured Depth of 12333.11ft.,
The Bottom Hole Displacement is 1593.78ft., in the Direction of 165.964° (Grid).

Comments

Measured Depth (ft)	Station Coordinates TVD (ft)	Northings (ft)	Eastings (ft)	Comment
7947.00	7947.00	0.00 N	0.00 E	Kick-Off at 7947.00ft
8571.99	8567.05	65.88 S	16.47 E	Build Rate = 2.00°/100ft
9196.99	9157.70	260.39 S	65.10 E	End of Build at 9196.99ft
10489.21	10328.85	790.20 S	197.55 E	Hold Angle at 25.000°
12333.11	12000.00	1546.19 S	386.55 E	Total Depth at 12333.11ft

Targets associated with this wellpath

Target Name	Target Entry Coordinates TVD (ft)	Northings (ft)	Eastings (ft)	Target Shape	Target Type
Chosa Draw 27 Target A	11500.00	1320.00 S	330.00 E	Point	Current Target

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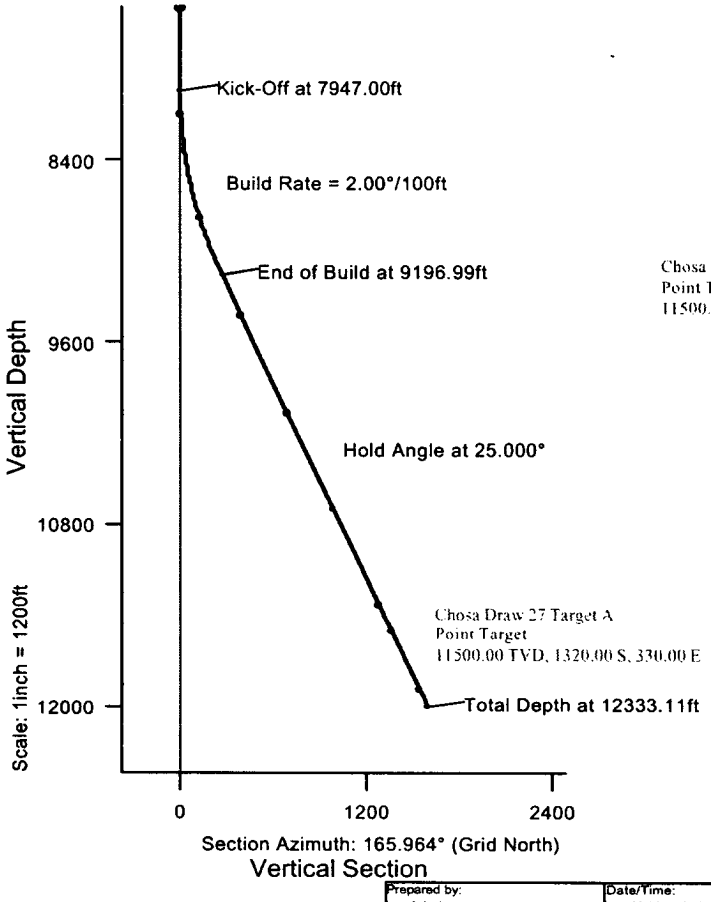
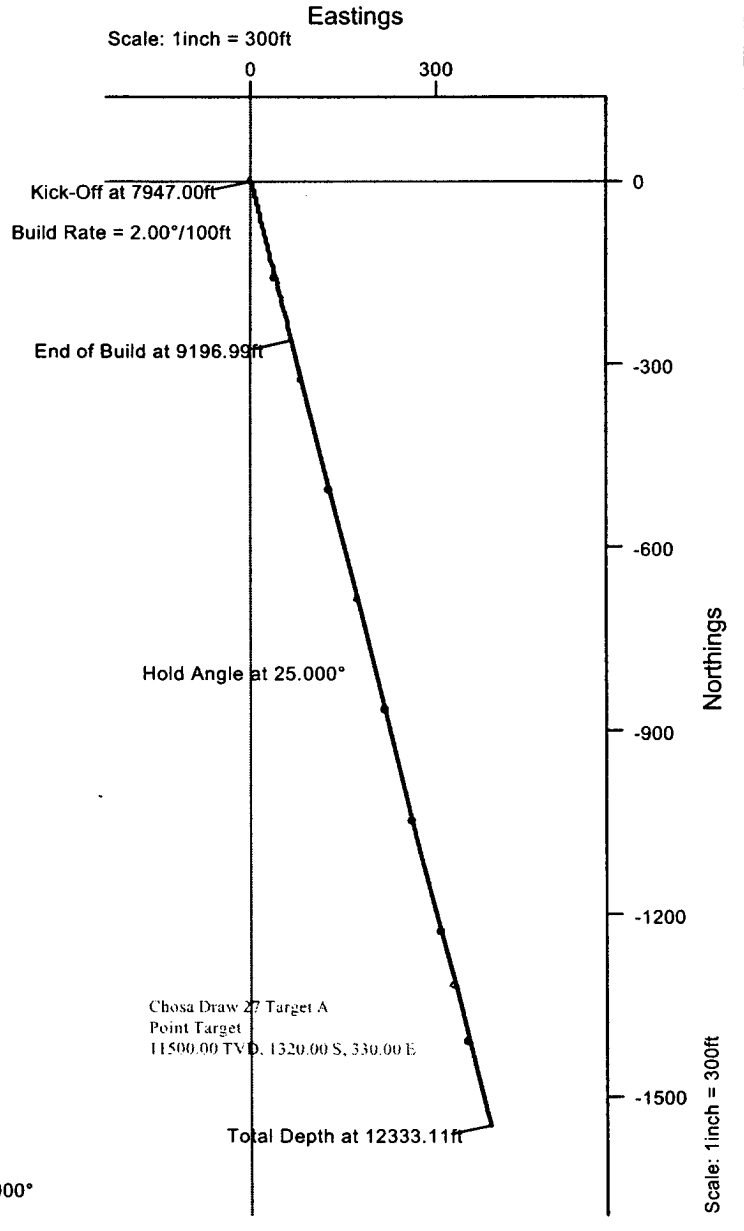
HALLIBURTON

Gruy Petroleum Management Co.

DrillQuest™ Sperry-Sun

New Mexico
Eddy County
Sec. 27-T25S-R26E
Chosa Draw 27 Fed Com
Plan 05/22/03 (A)





Prepared by:	Date/Time:	Checked:	Approved:
Admin	22 May, 2003 - 11:56		

DrillQuest 3.03.04.001

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

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

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
		White City; Undesignated

Property Code	Property Name	Well Number
	CHOSA DRAW 27 FEDERAL COM	1

OGRID No.	Operator Name	Elevation
162683	GRUY PETROLEUM MANAGEMENT CO.	3265'

Surface Location

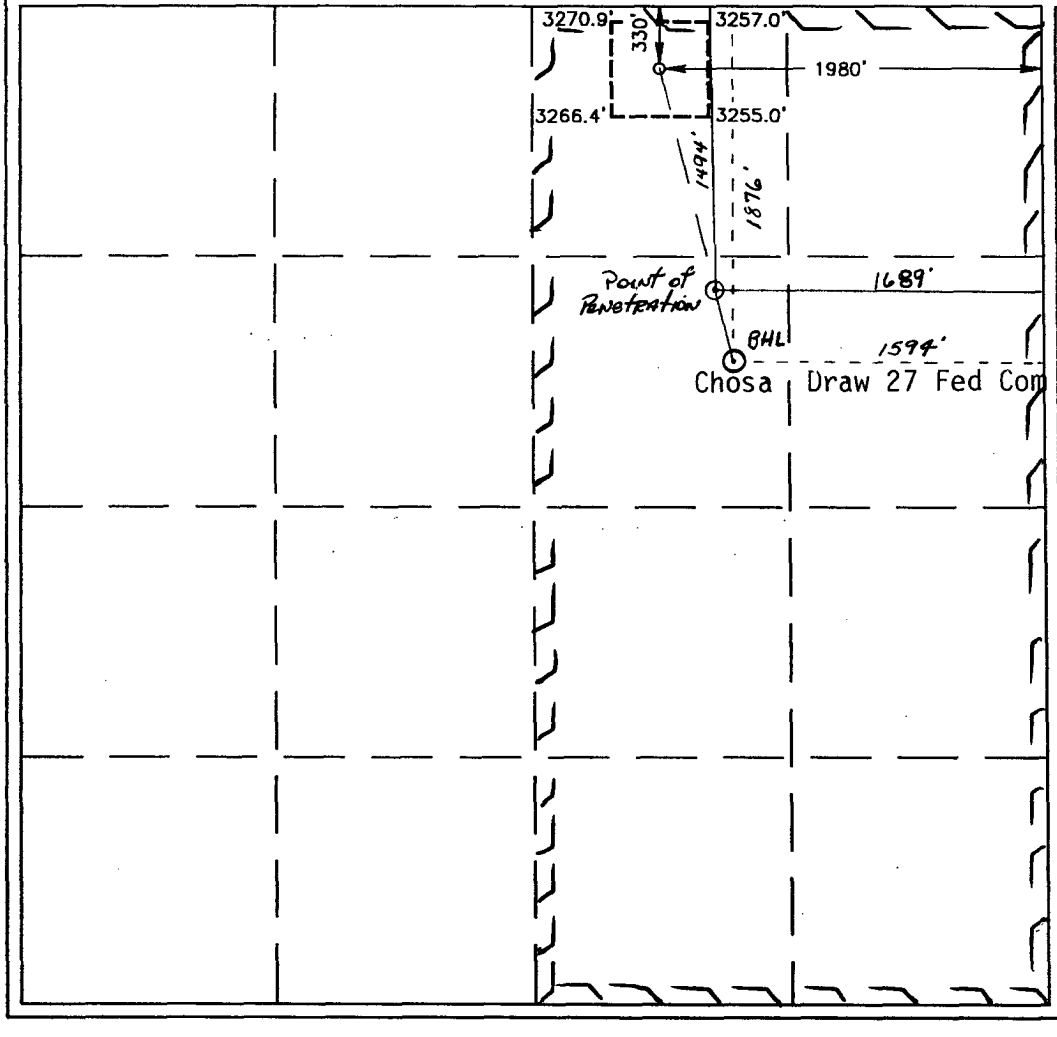
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	27	25-S	26-E		330'	NORTH	1980'	EAST	EDDY

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
G	27	25-S	26-E		1876'	North	1594'	East	Eddy

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320	N	C	

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.

Zeno Farris
Signature

Zeno Farris
Printed Name

Manager, Operations Admin
Title

May 29, 2003
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.

May 02, 2003
Date Surveyed AWB

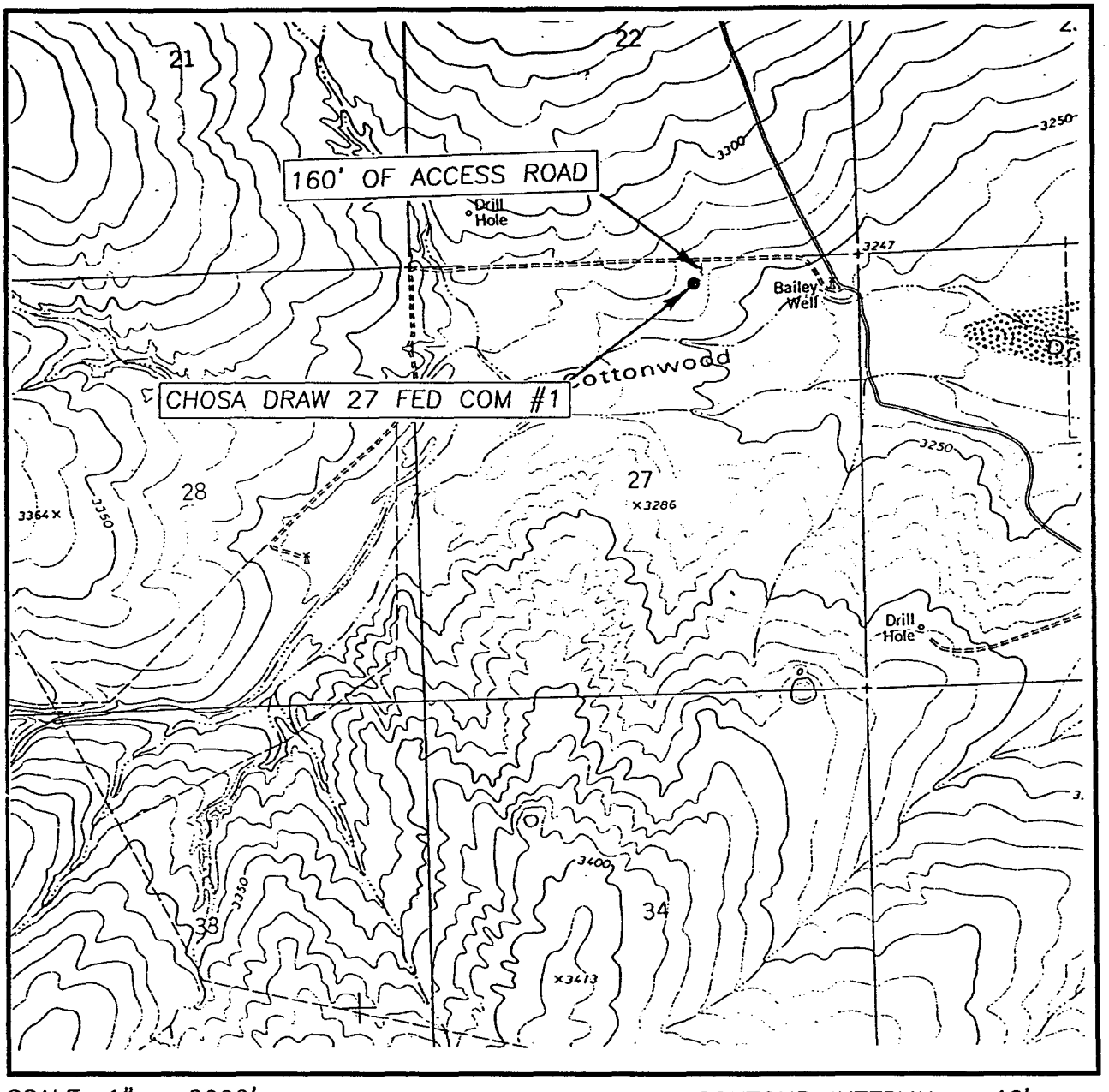
Signature & Seal of Professional Surveyor

Ronald J. Eidson 5/05/05

03.11.0469

Certificate No. RONALD J. EIDSON 3239
GARY EIDSON 12641

LOCATION VERFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'
JUMPING SPRING, N.M.

SEC. 27 TWP. 25-S RGE. 26-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 330' FNL & 1980' FEL

ELEVATION 3265'

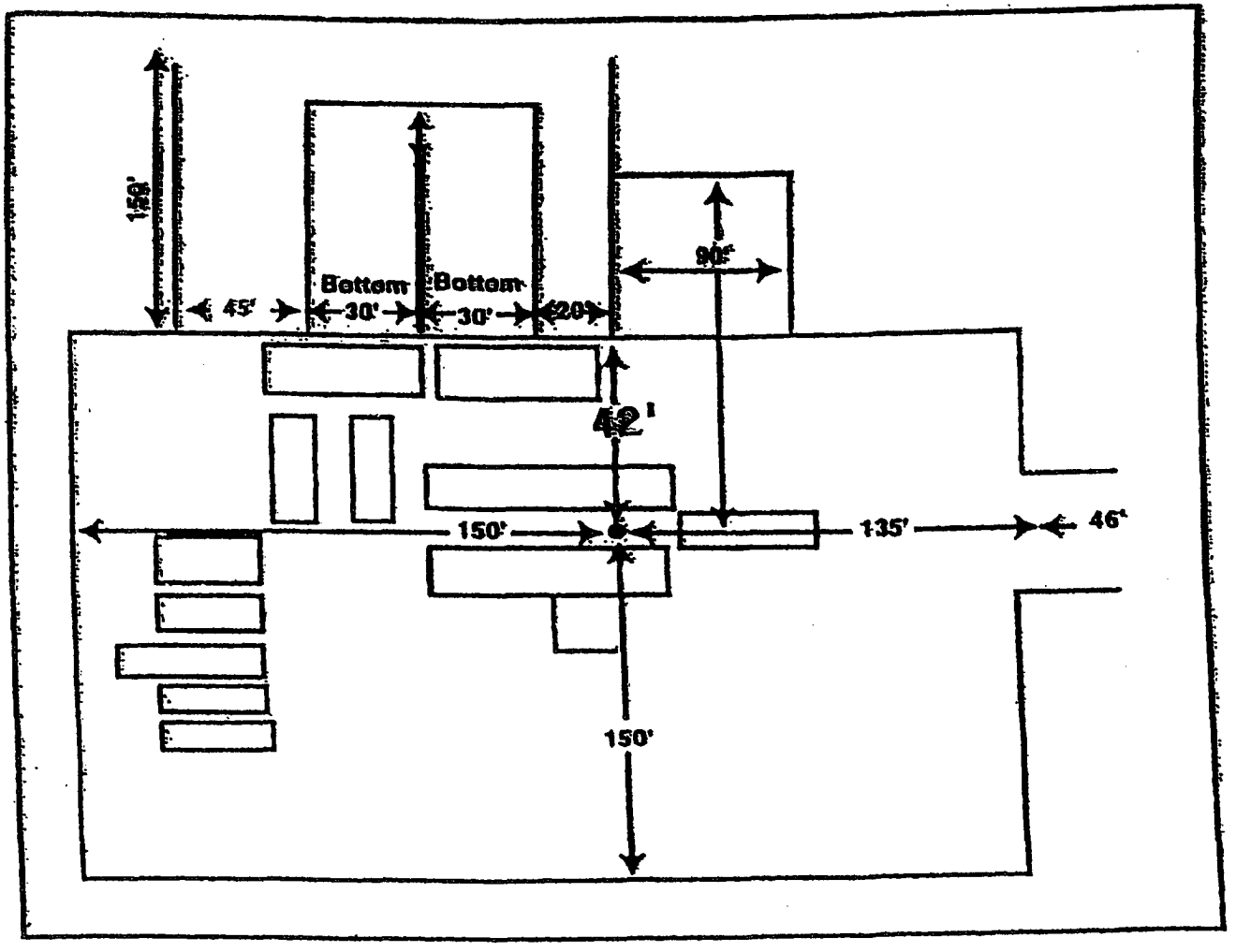
OPERATOR GRUY PETROLEUM MANAGEMENT CO.

LEASE CHOSA DRAW 27 FEDERAL COM

U.S.G.S. TOPOGRAPHIC MAP
JUMPING SPRING, N.M.

Exhibit "C"

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



Rig 80

Exhibit "D"
Rig Layout Plan
Gruy Petroleum Management Co.
Chosa Draw 27 Federal Com 1
Surface: Unit B; Sec. 27; T25S R26E
330' FNL 1980' FEL
Bottom: Unit G; Sec. 27; T25S R26E
1876' FNL 1594' FEL
Eddy County, NM

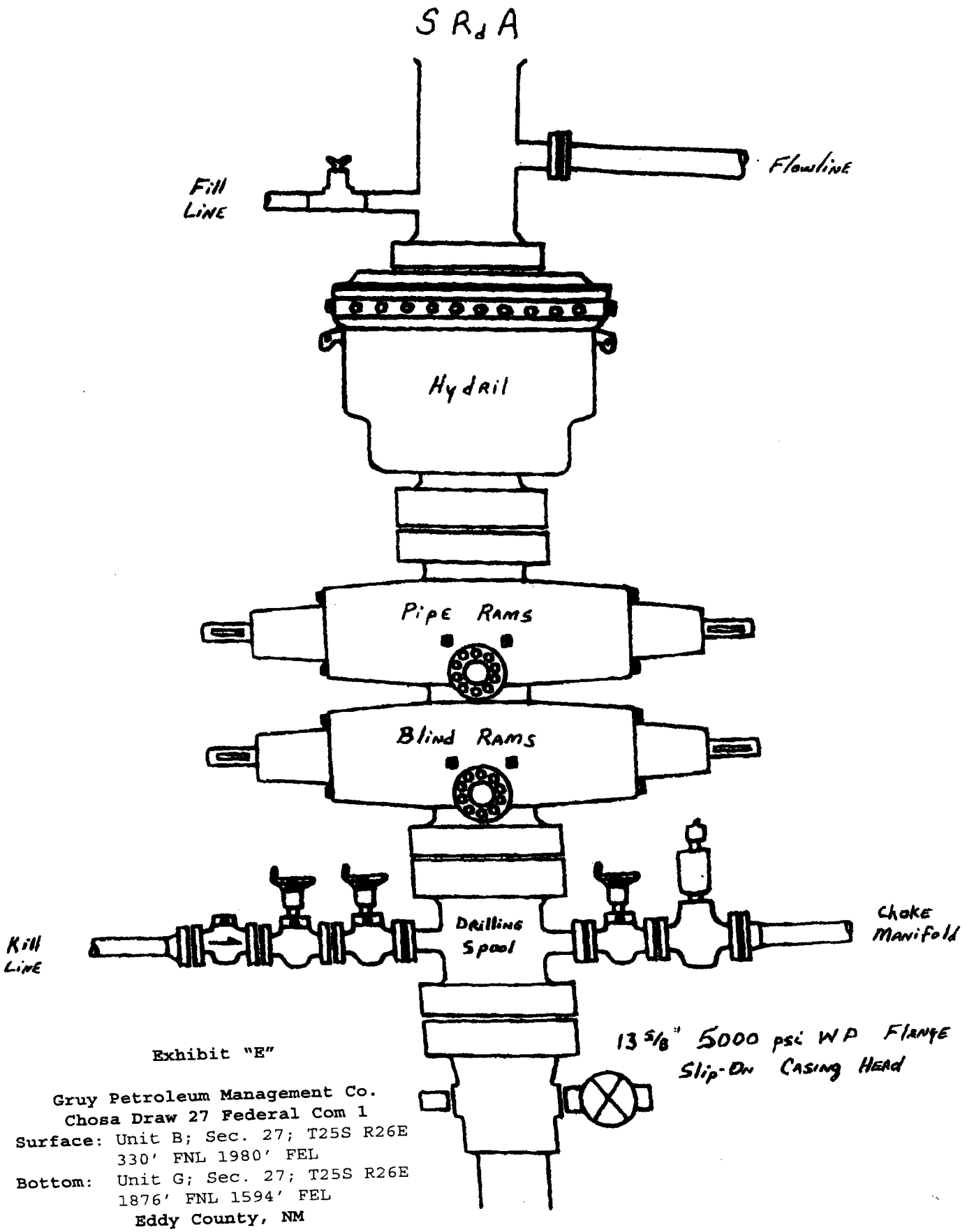


Exhibit "E"

Gruy Petroleum Management Co.
Chosa Draw 27 Federal Com 1
Surface: Unit B; Sec. 27; T25S R26E
330' FNL 1980' FEL
Bottom: Unit G; Sec. 27; T25S R26E
1876' FNL 1594' FEL
Eddy County, NM