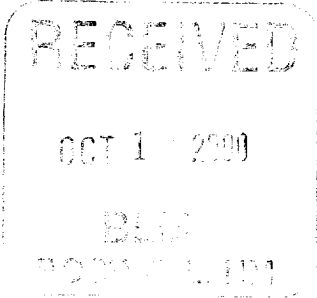


Application to Drill
Gruy Petroleum Management Co.
North Shugart Federal No. 2
Unit Letter P Section 17
T18S - R31E Eddy County, NM



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

- 1 Location: 990' FSL & 990' FEL Sec. 17 18S 31E
- 2 Elevation above sea level: GR 3641'
- 3 Geologic name of surface formation: Quaternary 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: 12500'
- 6 Estimated tops of geological markers:
- | | | | |
|------------|-------|---------------|--------|
| T/Salt | 250' | Wolfcamp | 8700' |
| B/Salt | 800' | Cisco Canyon | 9700' |
| Yates | 1050' | Strawn | 9900' |
| Queen | 1975' | Atoka | 10450' |
| Grayburg | 2350' | Morrow | 10650' |
| San Andres | 2815' | Mississippian | 11400' |

- 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"	0-600'	13 3/8"	48	8-R	ST&C	H-40
11"	0-3200'	8 5/8"	24	8-R	ST&C	K-55
7 7/8"	0-12500'	5 1/2"	17	8-R	ST&C	N-80 / S-95