

New Suspense Date: 5-16-2005

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 subsidiary of Magnum Hunter Resources, Inc. • An American Stock Exchange Company • "MHR"

April 22, 2005

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe New Mexico 87505
Attn: Mr. Michael Stogner

Re: Unorthodox Well Location Application
Goldeneye 26 Federal Com No. 2
SHL 330' FNL & 1450' FWL
BHL 801' FNL & 1433' FWL
Section 26 25S-26E
Cottonwood Draw Morrow (11475' Top)
Penetration Point of Top of Morrow: 648' FNL & 1454' FWL
Cottonwood Draw Atoka (Wildcat) (10789' Top)
Penetration of Top of Atoka: 521' FNL & 1453' FWL
Eddy County New Mexico

RECEIVED

APR 21 2005

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

Dear Mr. Stogner:

Per our recent telephone conversation we are submitting the referenced unorthodox location application with notification to non common working interest owners. Gruy has directionally drilled its Goldeneye 26 Federal Com No. 2 well to a TD of 12316' in the Cottonwood Draw Morrow field. Per a BLM request we moved the well north to get out of a flood plain. The well was permitted with a SHL of 330' FNL & 1450' FWL and a projected BHL of 850' FNL & 1450' FWL. Our actual BHL of 801' FNL & 1433' FWL has left us with Morrow and Atoka formation tops that are unorthodox as to the north setbacks. The penetration point for the Morrow formation at 11475' is 648' FNL & 1454' FWL. The penetration point of the Atoka formation at 10789' is 521' FNL & 1453' FWL. Gruy has perforated and fracture treated the Morrow interval from 11592' to 12044' at it is currently producing at a 800 mcfpd rate with a 600 psi flowing tubing pressure. The top of this producing interval is 674' FNL & 1453' FWL. We will wait until we produce the flush Morrow production before we attempt a completion in the Atoka.

Gruy is the offsetting operator to the north and surrounding sections. We are requesting administrative approval of the above unorthodox locations for the Atoka and Morrow formations in the Cottonwood Draw pool. In addition since the top of the producing Morrow interval is at a legal location of 674' FNL & 1453' FWL, we are requesting permission to continue producing the Morrow interval until the unorthodox location is approved. In accordance with Rule 1207.A. (2), (b) we are enclosing spacing plats and tabulations of the affected spacing units, in addition to proof of notification. We are also enclosing a copy of the final directional survey.

If you have any questions or require additional information concerning this matter, please contact me at 972-443-6489.

Yours truly,

Zeno Farris

Zeno Farris
Manager, Operations Administration

Cc: N.M.O.C.D. - Artesia

**W/2, Section 26 Township 25S, Range 26E
Top of Morrow Setbacks – 648' FNL & 1454' FWL
Top of Atoka Setbacks – 521' FNL & 1453' FWL
Eddy County, New Mexico, Containing 320 acres**

RE: Goldeneye 26 Federal Com No. 2, Application for Unorthodox well Location.

Notification of Offset Operators:

W/2 Section 23-25S-26E

Gruy Petroleum Management Co.
P.O. Box 140907
Irving, Texas 75014-0907

EOG Resources, Inc.
4000 N. Big Spring, Suite 500
Midland, TX 79705
Attn. Mr. Mike Mullins

Chevron Texaco
11111 S. Wilcrest
Houston, TX 77099
Attn. Mr. Gabriel Acosta

Ms. Carolyn J. Roden
5 Oaklawn Park
Midland, TX 79705

W/2 Section 26-25S-26E

Gruy Petroleum Management Co.
P.O. Box 140907
Irving, Texas 75014-0907

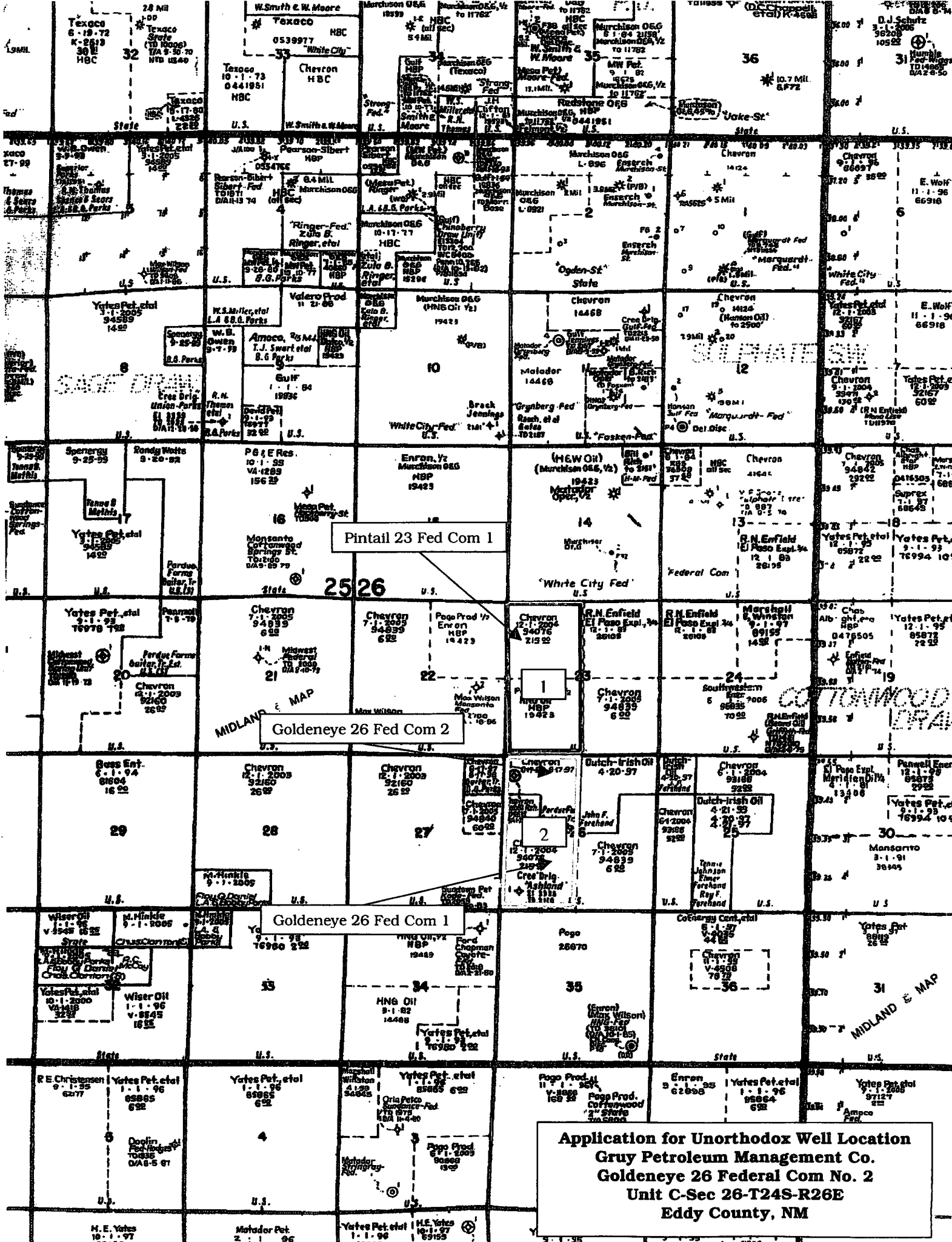
Chevron Texaco
11111 S. Wilcrest
Houston, TX 77099
Attn. Mr. Gabriel Acosta

Gruy is encroaching on its proposed Cottonwood Draw Pintail 23 Federal Com No. 1 spacing unit in the W/2 Section 23-25S-26E.

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



Application for Unorthodox Well Location
Gruy Petroleum Management Co.
Goldeneye 26 Federal Com No. 2
Unit C-Sec 26-T24S-R26E
Eddy County, NM

List of Offset SPU's
GRUY PETROLEUM MANAGEMENT CO.
Goldeneye 26 Federal Com No. 2
Cottonwood Draw Atoka/Morrow (Gas) Pool

<u>OFFSET SPU</u>	<u>COLOR CODE</u>	<u>Well Name</u>	<u>Location</u>	<u>OPERATOR</u>	<u>ACERAGE DESCRIPTION</u>	<u>ACRES</u>
1	Red	Pintail 23 Fed Com 1	E-23-25-26	Gruy Pet. Management Co.	W/2 Sec. 23 T-25S-R-26E	320
2	Yellow	Goldeneye 26 Fed Com 2 Goldeneye 26 Fed Com 1	C-26-25-26 K-26-25-26	Gruy Pet. Management Co.	W/2 Sec. 26 T-25S-R-26E	320

State of New Mexico

DISTRICT I

1626 N. FRENCH DR., HOBBS, NM 88240

Energy, Minerals and Natural Resources Department

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

OIL CONSERVATION DIVISION 1220 SOUTH ST. FRANCIS DR. Santa Fe, New Mexico 87505

Form C-102

Revised JUNE 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015-33627	Pool Code	Pool Name Cottonwood Draw; Morrow
Property Code	Property Name GOLDEN EYE 26 FEDERAL COM	Well Number 2
OGRID No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT COMPANY	Elevation 3240'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	26	25-S	26-E		330	NORTH	1450	WEST	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
C	26	25-S	26-E		801	NORTH	1433	WEST	EDDY

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

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. <i>Zeno Farris</i> Signature Zeno Farris Printed Name Mgr Operations Admin Title April 22, 2005 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 supervision, and that the same is true and correct to the best of my belief. AUGUST 16, 2004 Date Surveyed Signature Professional Seal of GARY EIDSON 8/23/04 04.11.0990 Certificate No. GARY EIDSON 12641
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DISTRICT I
1625 N. FRENCH DR., BOBBS, NM 88240

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

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1000 Rio Brazos Rd., Artec, NM 87410

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1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

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1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised JUNE 10, 2003
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WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

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**Gruy Petroleum Management
New Mexico
Eddy County
Sec 26-T25S-R26E
Goldeneye 26 Federal Com #2 - MWD
survey**

**Sperry-Sun
Survey Report**

30 November, 2004

Survey Ref: svy7942

Prepared by: Dennis Cook
Checked by:
Approved by:

HALLIBURTON

Survey Report for Sec 26-T25S-R26E - Goldeneye 26 Federal Com #2

Measured Depth (ft)	Incl.	Grid Azim.	Vertical Depth (ft)	Northings (ft)	Eastings (ft)	Vertical Section (ft)	Dogleg Rate (°/100ft)
<i>gyro survey</i>							
0.00	0.000	0.000	0.00	0.00 N	0.00 E	0.00	
100.00	0.137	249.987	100.00	0.04 S	0.11 W	0.04	0.14
200.00	0.766	297.112	200.00	0.22 N	0.82 W	-0.22	0.68
300.00	1.121	302.582	299.98	1.05 N	2.24 W	-1.05	0.37
400.00	1.204	295.779	399.96	2.04 N	4.01 W	-2.04	0.16
500.00	1.389	273.178	499.94	2.56 N	6.16 W	-2.56	0.54
600.00	1.537	279.826	599.90	2.86 N	8.70 W	-2.86	0.22
700.00	1.458	285.325	699.87	3.42 N	11.24 W	-3.42	0.16
800.00	1.478	283.146	799.84	4.05 N	13.73 W	-4.05	0.06
900.00	1.519	280.339	899.80	4.58 N	16.29 W	-4.58	0.08
1000.00	1.271	282.796	999.77	5.07 N	18.67 W	-5.07	0.25
1100.00	0.271	37.244	1099.77	5.50 N	19.61 W	-5.50	1.41
1200.00	0.887	90.443	1199.76	5.68 N	18.69 W	-5.68	0.76
1300.00	1.133	100.426	1299.75	5.50 N	16.95 W	-5.50	0.30
1400.00	2.244	103.703	1399.70	4.86 N	14.07 W	-4.86	1.11
1500.00	3.112	97.944	1499.59	4.02 N	9.48 W	-4.02	0.91
1600.00	3.459	92.181	1599.43	3.53 N	3.78 W	-3.53	0.48
1700.00	2.915	89.235	1699.27	3.45 N	1.78 E	-3.45	0.57
1800.00	2.079	91.880	1799.18	3.42 N	6.13 E	-3.42	0.84
1900.00	1.542	96.282	1899.13	3.21 N	9.28 E	-3.21	0.55
2000.00	1.360	95.774	1999.09	2.95 N	11.80 E	-2.95	0.18
2100.00	1.185	96.942	2099.07	2.70 N	14.01 E	-2.70	0.18
2200.00	0.973	92.652	2199.05	2.54 N	15.88 E	-2.54	0.23
2300.00	0.865	95.332	2299.04	2.43 N	17.48 E	-2.43	0.12
2400.00	0.598	108.919	2399.03	2.19 N	18.73 E	-2.19	0.32
2500.00	0.265	124.069	2499.03	1.89 N	19.41 E	-1.89	0.35
2600.00	0.302	118.708	2599.03	1.64 N	19.83 E	-1.64	0.05
2700.00	0.254	173.154	2699.02	1.29 N	20.09 E	-1.29	0.26
2800.00	0.245	191.726	2799.02	0.86 N	20.07 E	-0.86	0.08
2900.00	0.195	219.760	2899.02	0.52 N	19.92 E	-0.52	0.12
3000.00	0.135	202.219	2999.02	0.28 N	19.77 E	-0.28	0.08
3100.00	0.169	191.798	3099.02	0.03 N	19.69 E	-0.03	0.04
3200.00	0.170	222.590	3199.02	0.23 S	19.56 E	0.23	0.09
3300.00	0.245	225.090	3299.02	0.49 S	19.31 E	0.49	0.08
3400.00	0.157	232.914	3399.02	0.72 S	19.05 E	0.72	0.09

Survey Report for Sec 26-T25S-R26E - Goldeneye 26 Federal Com #2

Measured Depth (ft)	Incl.	Grid Azim.	Vertical Depth (ft)	Northings (ft)	Eastings (ft)	Vertical Section (ft)	Dogleg Rate (°/100ft)
3500.00	0.144	201.230	3499.02	0.92 S	18.90 E	0.92	0.08
3600.00	0.250	218.507	3599.02	1.21 S	18.71 E	1.21	0.12
3700.00	0.207	241.876	3699.02	1.46 S	18.42 E	1.46	0.10
3800.00	0.170	207.233	3799.02	1.68 S	18.19 E	1.68	0.12
3900.00	0.292	187.094	3899.02	2.07 S	18.09 E	2.07	0.14
4000.00	0.454	183.591	3999.02	2.71 S	18.04 E	2.71	0.16
4100.00	0.375	188.914	4099.01	3.43 S	17.96 E	3.43	0.09
4200.00	0.356	178.314	4199.01	4.07 S	17.92 E	4.07	0.07
4300.00	0.525	155.198	4299.01	4.79 S	18.12 E	4.79	0.24
4379.50	0.092	247.474	4378.51	5.15 S	18.22 E	5.15	0.68
4664.80	0.209	155.987	4663.81	5.71 S	18.22 E	5.71	0.08
4759.90	0.287	256.844	4758.91	5.92 S	18.06 E	5.92	0.41
4855.00	0.579	40.757	4854.00	5.61 S	18.14 E	5.61	0.87
4950.10	1.090	268.946	4949.10	5.27 S	17.55 E	5.27	1.62
5045.20	1.368	277.007	5044.18	5.15 S	15.52 E	5.15	0.34
5140.30	1.443	285.709	5139.25	4.68 S	13.24 E	4.68	0.24
5235.40	1.601	280.864	5234.31	4.11 S	10.78 E	4.11	0.21
5330.50	1.285	108.212	5329.40	4.19 S	10.49 E	4.19	3.03
5425.60	1.284	108.186	5424.48	4.86 S	12.51 E	4.86	0.00
5520.70	1.284	108.240	5519.56	5.52 S	14.54 E	5.52	0.00
5615.80	1.284	108.165	5614.63	6.19 S	16.56 E	6.19	0.00
5710.90	1.284	108.253	5709.71	6.85 S	18.58 E	6.85	0.00
5806.00	1.284	108.328	5804.78	7.52 S	20.61 E	7.52	0.00
5901.10	1.285	108.288	5899.86	8.19 S	22.63 E	8.19	0.00
5996.20	1.284	108.430	5994.94	8.86 S	24.65 E	8.86	0.00
6091.30	1.285	108.330	6090.01	9.54 S	26.68 E	9.54	0.00
6186.40	1.284	108.251	6185.09	10.21 S	28.70 E	10.21	0.00
6281.50	1.284	108.743	6280.17	10.88 S	30.72 E	10.88	0.01
6376.60	1.284	108.001	6375.24	11.55 S	32.74 E	11.55	0.02
6471.70	1.284	108.068	6470.32	12.21 S	34.77 E	12.21	0.00
6566.80	1.284	108.181	6565.39	12.87 S	36.79 E	12.87	0.00
6661.90	1.284	107.853	6660.47	13.53 S	38.82 E	13.53	0.01
6757.00	2.423	104.566	6755.52	14.37 S	41.78 E	14.37	1.20
6852.10	3.566	95.922	6850.49	15.18 S	46.67 E	15.18	1.29
6947.20	1.936	92.771	6945.47	15.56 S	51.21 E	15.56	1.72
7042.30	1.218	97.432	7040.54	15.77 S	53.82 E	15.77	0.77
7137.40	0.871	98.912	7135.62	16.01 S	55.54 E	16.01	0.37
7232.50	0.772	99.592	7230.71	16.23 S	56.88 E	16.23	0.10
7327.60	0.335	147.495	7325.81	16.57 S	57.66 E	16.57	0.63
7422.70	0.331	191.903	7420.91	17.07 S	57.76 E	17.07	0.26

Survey Report for Sec 26-T25S-R26E - Goldeneye 26 Federal Com #2

Measured Depth (ft)	Incl.	Grid Azim.	Vertical Depth (ft)	Northings (ft)	Eastings (ft)	Vertical Section (ft)	Dogleg Rate (°/100ft)
7517.80	0.336	193.195	7516.01	17.61 S	57.64 E	17.61	0.01
7612.90	0.319	200.408	7611.10	18.13 S	57.48 E	18.13	0.05
7708.00	0.273	206.846	7706.20	18.58 S	57.29 E	18.58	0.06
7803.10	0.258	207.551	7801.30	18.98 S	57.08 E	18.98	0.02
7898.20	0.233	196.566	7896.40	19.35 S	56.93 E	19.35	0.06
7993.30	0.529	175.598	7991.50	19.97 S	56.91 E	19.97	0.34
8088.40	0.410	164.842	8086.60	20.74 S	57.03 E	20.74	0.16
8183.50	0.470	162.546	8181.69	21.44 S	57.24 E	21.44	0.07
8278.60	0.726	142.029	8276.79	22.29 S	57.72 E	22.29	0.35
8373.70	1.044	148.452	8371.88	23.50 S	58.55 E	23.50	0.35
8468.80	1.758	142.660	8466.95	25.40 S	59.89 E	25.40	0.76
8563.90	1.757	136.117	8562.00	27.61 S	61.78 E	27.61	0.21
8659.00	1.493	150.808	8657.06	29.74 S	63.40 E	29.74	0.52
8754.10	1.493	150.754	8752.13	31.90 S	64.61 E	31.90	0.00
8849.20	1.288	171.820	8847.20	34.04 S	65.36 E	34.04	0.57
9039.40	0.326	113.519	9037.39	36.37 S	66.16 E	36.37	0.61
9071.10	0.528	8.328	9069.08	36.27 S	66.27 E	36.27	2.17

MWD survey

9151.00	0.860	344.350	9148.98	35.32 S	66.16 E	35.32	0.54
9215.00	1.180	322.130	9212.97	34.34 S	65.62 E	34.34	0.79
9278.00	0.920	280.030	9275.96	33.74 S	64.73 E	33.74	1.26
9342.00	1.270	232.430	9339.95	34.08 S	63.66 E	34.08	1.47
9405.00	1.570	234.150	9402.93	35.02 S	62.41 E	35.02	0.48
9470.00	2.020	214.340	9467.90	36.48 S	61.04 E	36.48	1.17
9533.00	1.410	214.890	9530.87	38.04 S	59.97 E	38.04	0.97
9597.00	2.150	184.160	9594.84	39.88 S	59.43 E	39.88	1.85
9660.00	4.380	178.150	9657.73	43.46 S	59.42 E	43.46	3.58
9724.00	6.910	186.330	9721.42	49.73 S	59.08 E	49.73	4.14
9820.00	7.860	198.000	9816.63	61.72 S	56.41 E	61.72	1.84
9883.00	7.970	205.120	9879.03	69.77 S	53.23 E	69.77	1.57
9947.00	6.980	207.720	9942.48	77.23 S	49.54 E	77.23	1.63
10043.00	5.640	203.660	10037.90	86.71 S	44.93 E	86.71	1.47
10139.00	6.010	207.900	10133.40	95.48 S	40.68 E	95.48	0.59
10235.00	8.010	207.690	10228.68	105.84 S	35.22 E	105.84	2.08
10331.00	9.040	215.220	10323.62	117.92 S	27.77 E	117.92	1.58
10394.00	10.540	214.030	10385.70	126.74 S	21.69 E	126.74	2.40
10459.00	10.210	217.960	10449.64	136.21 S	14.82 E	136.21	1.20
10523.00	10.900	210.250	10512.56	145.91 S	8.28 E	145.91	2.45

Survey Report for Sec 26-T25S-R26E - Goldeneye 26 Federal Com #2

Measured Depth (ft)	Incl.	Grid Azim.	Vertical Depth (ft)	Northings (ft)	Eastings (ft)	Vertical Section (ft)	Dogleg Rate (°/100ft)
10587.00	10.990	196.710	10575.41	156.98 S	3.47 E	156.98	4.01
10651.00	10.550	182.300	10638.29	168.68 S	1.49 E	168.68	4.25
10714.00	8.880	175.450	10700.39	179.30 S	1.64 E	179.30	3.22
10778.00	9.050	174.040	10763.61	189.23 S	2.55 E	189.23	0.43
10874.00	11.560	179.460	10858.05	206.36 S	3.43 E	206.36	2.80
10939.00	11.870	178.910	10921.70	219.55 S	3.62 E	219.55	0.51
11003.00	11.340	181.340	10984.39	232.42 S	3.60 E	232.42	1.13
11067.00	10.610	182.550	11047.22	244.60 S	3.19 E	244.60	1.20
11162.00	9.010	182.300	11140.83	260.77 S	2.50 E	260.77	1.68
11258.00	10.110	174.920	11235.50	276.68 S	2.94 E	276.68	1.71
11353.00	10.960	174.900	11328.89	293.98 S	4.48 E	293.98	0.89
11417.00	11.640	181.190	11391.66	306.49 S	4.89 E	306.49	2.20
11481.00	12.210	180.860	11454.27	319.72 S	4.65 E	319.72	0.90
11577.00	13.320	184.980	11547.90	340.88 S	3.54 E	340.88	1.49
11673.00	11.910	182.690	11641.58	361.80 S	2.12 E	361.80	1.56
11737.00	11.630	175.600	11704.24	374.83 S	2.30 E	374.83	2.30
11801.00	11.900	172.560	11766.90	387.80 S	3.65 E	387.80	1.06
11865.00	11.290	176.950	11829.59	400.60 S	4.84 E	400.60	1.68
11928.00	12.000	180.520	11891.30	413.31 S	5.11 E	413.31	1.61
11992.00	10.970	187.350	11954.02	426.00 S	4.27 E	426.00	2.66
12056.00	9.570	191.370	12016.99	437.26 S	2.44 E	437.26	2.46
12120.00	8.560	197.230	12080.19	447.02 S	0.02 W	447.02	2.14
12183.00	7.270	213.020	12142.60	454.84 S	3.58 W	454.84	3.99
12279.00	6.800	220.750	12237.88	464.24 S	10.60 W	464.24	1.10
12358.00	6.800	220.750	12316.32	471.33 S	16.71 W	471.33	0.00

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 Well.

The Dogleg Severity is in Degrees per 100 feet.

Vertical Section is from Well and calculated along an Azimuth of 180.000° (Grid).

Based upon Minimum Curvature type calculations, at a Measured Depth of 12358.00ft.,

The Bottom Hole Displacement is 471.63ft., in the Direction of 182.030° (Grid).

**Survey Report for Sec 26-T25S-R26E - Goldeneye 26 Federal Com
#2**

Comments

Measured Depth (ft)	Station Coordinates			Comment
	TVD (ft)	Northings (ft)	Eastings (ft)	
9071.10	9069.08	36.27 S	66.27 E	tie from gyro
12279.00	12237.88	464.24 S	10.60 W	last MWD survey
12358.00	12316.32	471.33 S	16.71 W	projection to TD

North Reference Sheet for Sec 26-T25S-R26E - Goldeneye 26 Federal Com #2

Coordinate System is NAD27 New Mexico State Planes, Eastern Zone, US Foot
Source: Snyder, J.P., 1987, Map Projections - A Working Manual

Datum is North American Datum of 1927 (US48, AK, HI, and Canada)

Spheroid is Clarke - 1866

Equatorial Radius: 6378206.400m., Polar Radius: 6356583.800m., Inverse Flattening: 294.978698213901

Projection method is Transverse Mercator or Gauss Kruger Projection

Central Meridian is -104.333°, Longitude Origin: 0.000°, Latitude Origin: 31.000°

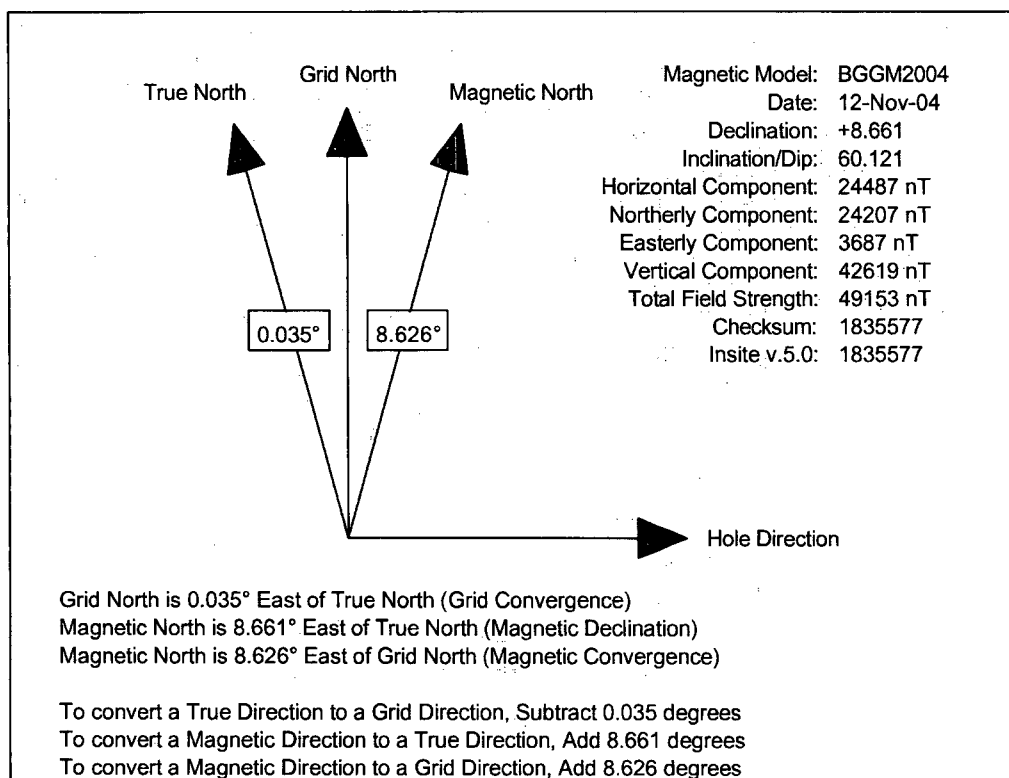
False Easting: 152400.00m, False Northing: 0.00m, Scale Reduction: 0.99990909

Grid Coordinates of Well: 402668.80 N, 520602.20 E

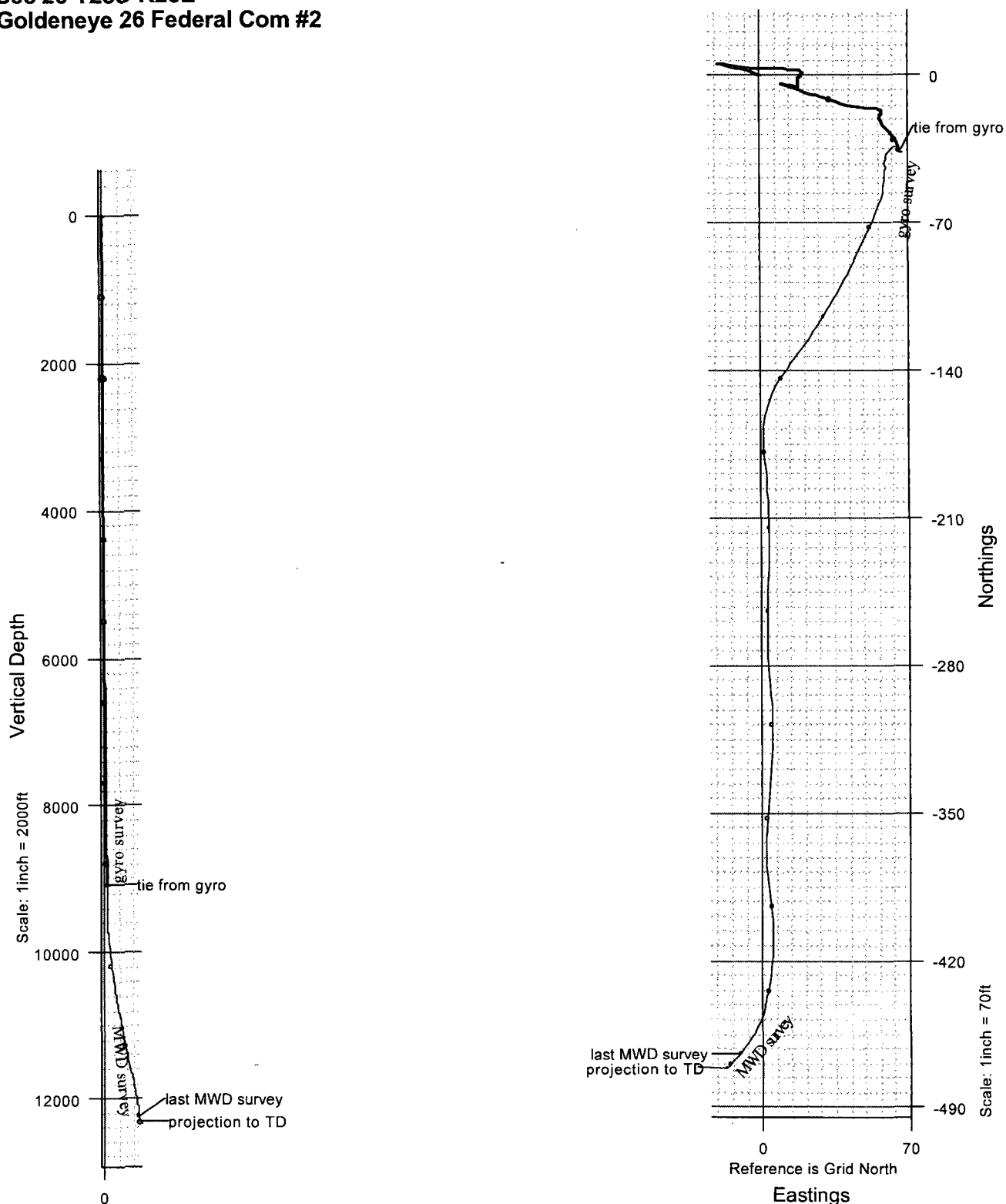
Geographical Coordinates of Well: 32° 06' 25.3269" N, 104° 16' 00.4659" W

Surface Elevation of Well: 3255.00ft

Grid Convergence at Surface is +0.035°, Magnetic Convergence at Surface is -8.626° (12 November, 2004)



New Mexico
Eddy County
Sec 26-T25S-R26E
Goldeneye 26 Federal Com #2



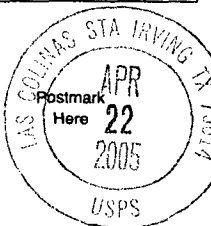
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