



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

July 1, 2005

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

Gruy Petroleum Management Company
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504-1056

API No. 30-015-34192

Administrative Order NSL-5229

Dear Mr. Bruce:

Reference is made to the following: (i) your application on behalf of the operator, Gruy Petroleum Management Company ("GPMC") that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on June 17, 2005 (*administrative application reference No. pSEM0-517133960*); and (ii) the Division's records in Santa Fe: all concerning GPMC's request for an exception to Division Rule 104.C (2) (a) for its proposed Grayburg Deep Unit Well No. 20 to be drilled at an unorthodox gas well location in both the Atoka and deeper Morrow formations 1640 feet from the South line and 2100 feet from the East line (Unit J) of Section 19, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico.

Lots 3 and 4, the E/2 SW/4 and the SE/4 (S/2 equivalent) of Section 19, being a standard 314.82-acre lay-down gas spacing unit pursuant to Division Rule 104.C (2) for the deeper Undesignated Sand Tank-Morrow Gas Pool (84872), Undesignated Grayburg-Morrow Gas Pool (778400), or Undesignated South Loco Hills-Morrow Gas Pool (80360), and shallower Atoka formation, if gas production from either interval is not subsequently placed in the Anderson-Pennsylvanian Gas Pool (70200), is to be dedicated to this well.

This application has been duly filed under the provisions of Division Rules 104.F and 1207.A (2).

It is the Division's understanding that GPMC is seeking this location exception based on geological considerations, which indicate that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the deeper Morrow interval than a well drilled at a location considered to be standard within the SE/4 of Section 19.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox deep gas well location for GPMC's proposed Grayburg Deep Unit Well No. 20 in both the Atoka and Morrow formations within the proposed 314.82-acre gas spacing unit is hereby approved.

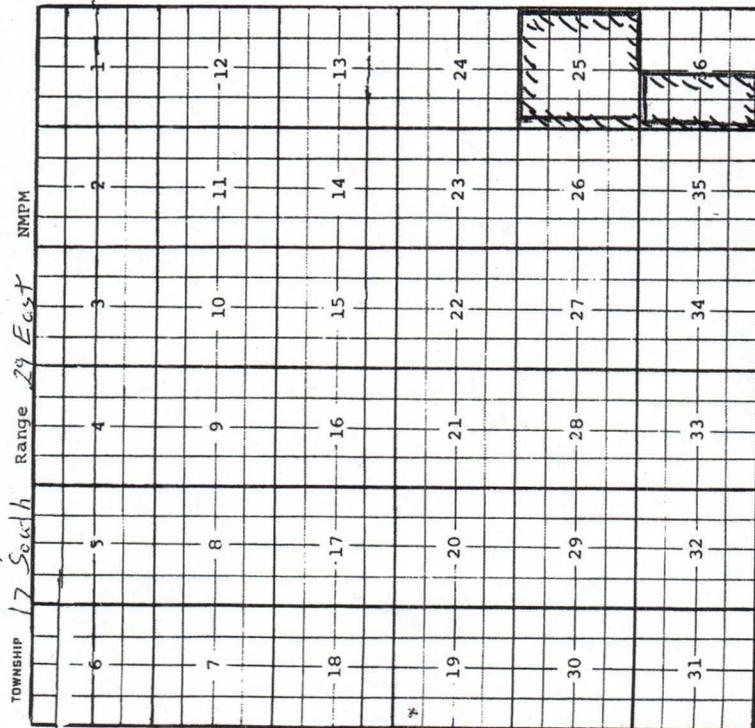
Sincerely,

Mark E. Fesmire
Mark E. Fesmire, P. E.
Director

MEF/ms

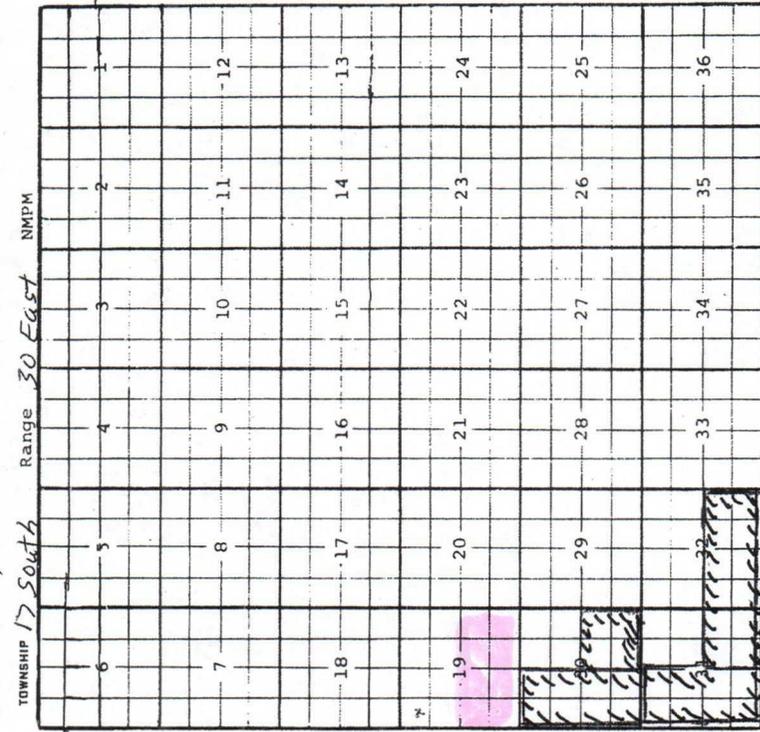
cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
File: Division Administrative Application Reference No. pSEM0-518235415

County Eddy Pool Sand Tank-Morrow Gas



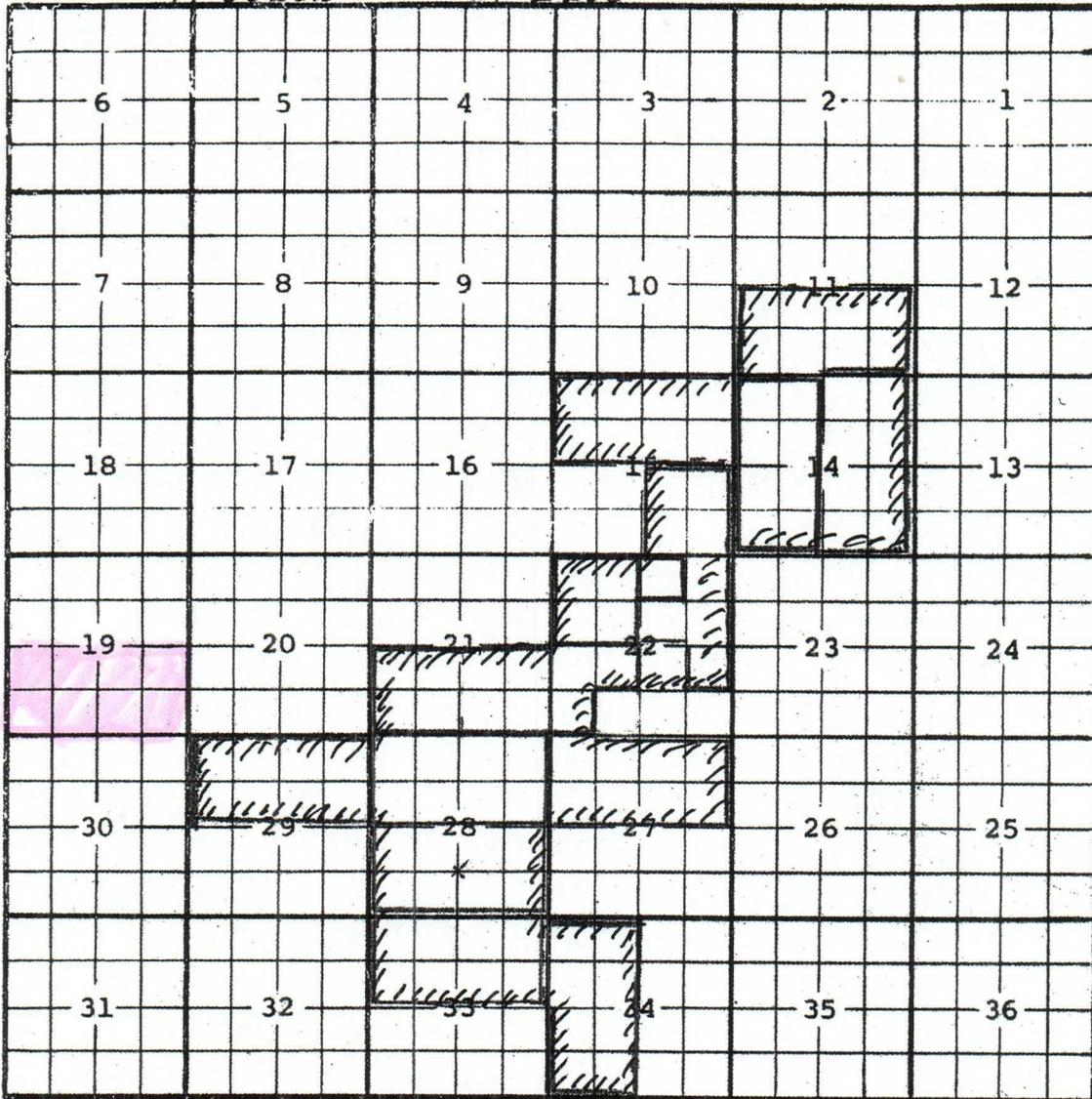
Ext. 1/2 Sec. 36 (R-10814, 2-4-55) Ext. All Sec. 25 (R-11065, 7-21-98)

County Eddy Pool Sand Tank-Morrow Gas



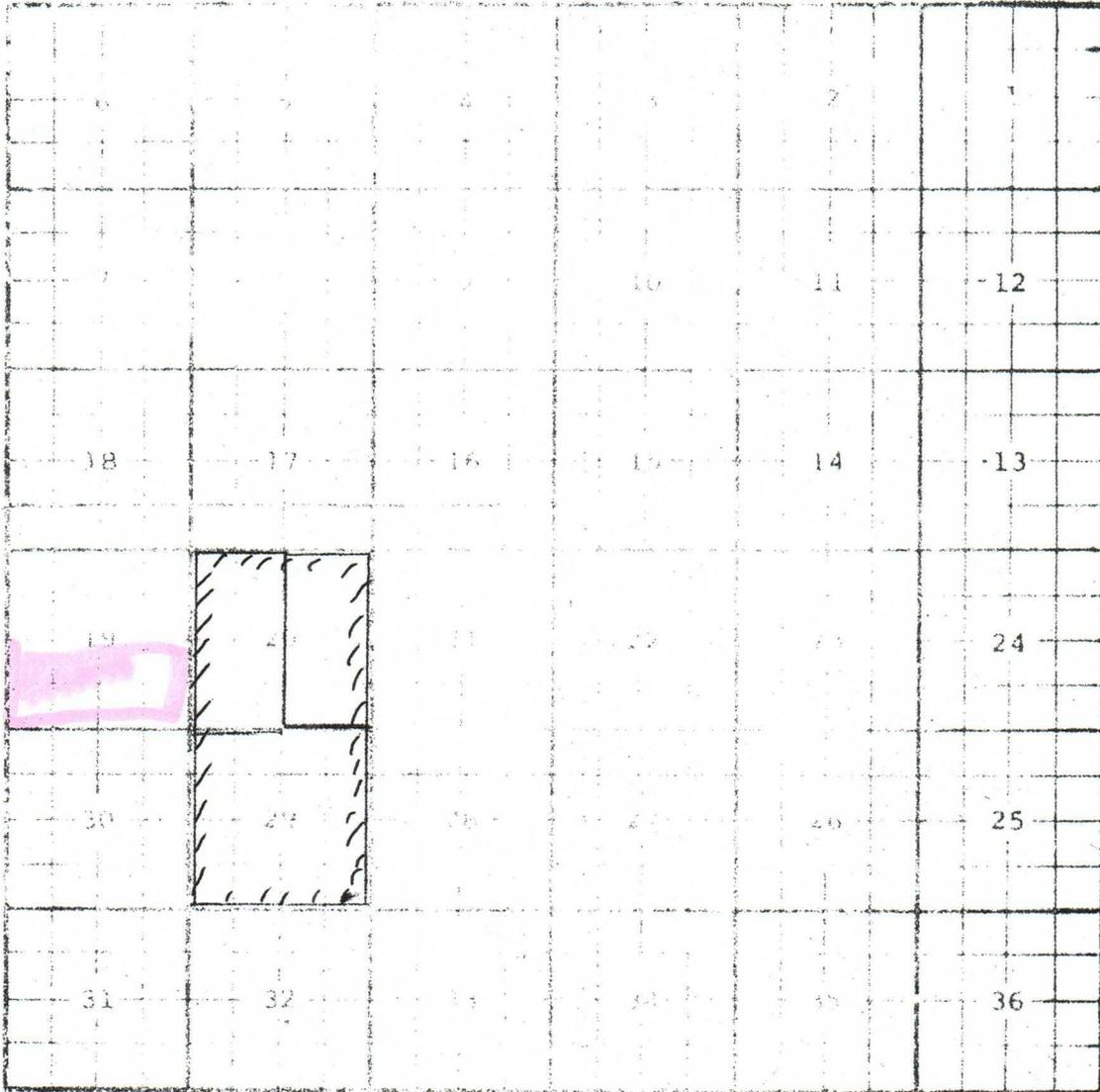
Ext. 1/2 Sec. 31, 1/2 Sec. 32 (R-10724, 1-8-92) Ext. 1/2 Sec. 31 (R-11013, 2-30-95)
Ext. 1/2 Sec. 32 (R-11161, 4-7-94) Ext. 1/2 Sec. 30 (R-11215, 3-18-98)

COUNTY Eddy POOL Morrow
Grayburg ~~Atoka Gas~~
TOWNSHIP 17-South RANGE 29-East NMPM



Description: NW/4 Sec. 22, (R-1129, 2-20-58).
Redefine vertical limits as Morrow formation and redesignate (R-4137, 5-6-71)
Ext: S/2 Sec. 21; NW/4 NE/4 SW/4 SW/4 Sec. 22 (R-4232, 1-1-72)
N/2 Sec. 28 (R-4540, 6-1-73). Ext: S/2 Sec. 28 (R-4734, 3-1-74)
Ext: SE/4 Sec 15, E/2 NE/4, SW/4 NE/4 NE/4 SE/4 Sec 22 (R-4809, 6-18-74)
Ext: N/2 Sec 33 (R-4937, 2-1-75) Ext: N/2 Sec 27 (R-5511, 9-1-77)
EXT: W/2 SEC 14 (R-9171, 6-1-90) EXT: N/2 SEC 15 (R-9418, 2-1-91)
Ext: S/2 Sec. 11 (R-9578, 9-10-91) Ext: E/2 Sec. 14 (R-10951, 2-4-98)
Ext: N/2 Sec. 29 (R-11729, 2-22-02) Ext: W/2 Sec 34 (R-11764, 4-24-02)

COUNTY Eddy South Loco Hills - Morrow Gas
TOWNSHIP 17 South 30 East



Description: $\frac{E}{2}$ Sec 20 (R-4740, 3-15-74)
Ext. All Sec 29 (R-5417, 4-1-77) Ext. $\frac{W}{2}$ Sec 20 (R-5729, 6-1-78)