

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

N.M. Oil Cons. Div. 2  
SUBMIT IN TRIPLICATE  
1301 W. Grand Ave.  
Albuquerque, NM 88210  
(Other instructions on reverse side)

I-14  
FORM APPROVED  
OMB NO. 1004-0136

Expires: February 28, 1995

5. LEASE DESIGNATION AND SERIAL NO.

NM 14124

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.

Marquardt 12 Penn Federal No.2

9. API WELL NO.

30-015-34329

10. FIELD AND POOL, OR WILDCAT

White City; Penn

11. SEC. T., R., M., BLOCK AND SURVEY

OR AREA

Sec. 12 T25S R26E

12. COUNTY OR PARISH

Eddy

13. STATE

NM

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

1b. TYPE OF WELL

OIL ☐  
WELL

GAS ☒  
WELL

OTHER ☐

SINGLE ☐  
ZONE

MULTIPLE ☐  
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.)

2310' FNL & 1330' FEL Section 12-25S-26E

RECEIVED

JUL 05 2005

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)

1330'

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.

2134'

19. PROPOSED DEPTH

13000'

20. ROTARY OR CABLE TOOLS

Rotary

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

3236' GR

22. APPROX. DATE WORK WILL START\*

06-30-05

Carlsbad Controlled Water Basin

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2" WITNESS	J-55 13 3/8"	54.5 #	200'	225 sx circulate
12 1/4"	NS-110 9 5/8"	40 #	3200'	1000 sx circulate
8 3/4"	P-110 5 1/2"	17 #	13000'	1920 sx TOC 2700'

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 Zeno Farris TITLE Mgr. Ops. Admin DATE 06-06-05

(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 any mineral lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY /s/ Joe G. Lara TITLE FIELD MANAGER DATE JUL 01 2005

\*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 FOR 1 YEAR  
APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS  
ATTACHED

S-17  
9.15



## **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 2<sup>nd</sup> 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: 06/06/05

## Application to Drill

Gruy Petroleum Management Co.  
Marquardt 12 Penn Federal No. 2  
Unit Letter G Section 12  
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: 2310' FNL & 1330' FEL Sec. 1 2 25S 26E

2 Elevation above sea level: GR 3236'

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	200'	Cisco Canyon	9928
B/Salt	800'	Strawn	10078
Delaware	1500	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"	0-200'	13 3/8"	54.5	8-R	ST&C	J-55
12 1/4"	0-3200'	9 5/8"	40	8-R	ST&C	NS-110
7 7/8"	0-13000'	5 1/2"	17	8-R	ST&C	N-80 / S-95

## Application to Drill

Gruy Petroleum Management Co.  
Marquardt 12 Penn Federal No. 2  
Unit Letter G Section 12  
T25S - R26E Eddy County, NM

### 9 Cementing & Setting Depth:

13 3/8"	Surface	Set 200' of 13 3/8" J-55 54.5 ST&C casing. Cement with 225 Sx. Of Class "C" cement + additives, circulate cement to surface.
9 5/8"	Intermediate	Set 3200' of 9 5/8" NS-110 40# ST&C casing or casing sufficient to reach the base of the reef complex. Cement in two stages, first stage cement with 775 Sx. Of Class POZ/C Cement + additives, second stage cement with 225 Sx. Of Class "C" + additives, circulate cement to surface.
5 1/2"	Production	Set 13000' of 5 1/2" NP-80 / S-95 17# ST&C casing. Cement in two stages, first stage cement with 870 Sx. of Class POZ/C Cement + additives. Second stage cement with 1050 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 nipped 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 - 200'	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.
200' - 3200'	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.
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' - 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.

DISTRICT I  
1625 N. FRANCH DR., HOBBBS, NM 86240

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

State of New Mexico  
Energy, Minerals and Natural Resources Department

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	Pool Code <b>87280</b>	Pool Name <b>White City; Penn (Gas)</b>
Property Code	Property Name <b>MARQUARDT 12 PENN FEDERAL</b>	Well Number <b>2</b>
OGRID No. <b>162683</b>	Operator Name <b>GRUY PETROLEUM MANAGEMENT COMPANY</b>	Elevation <b>3236'</b>

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	12	25-S	26-E		2310	NORTH	1330	EAST	EDDY

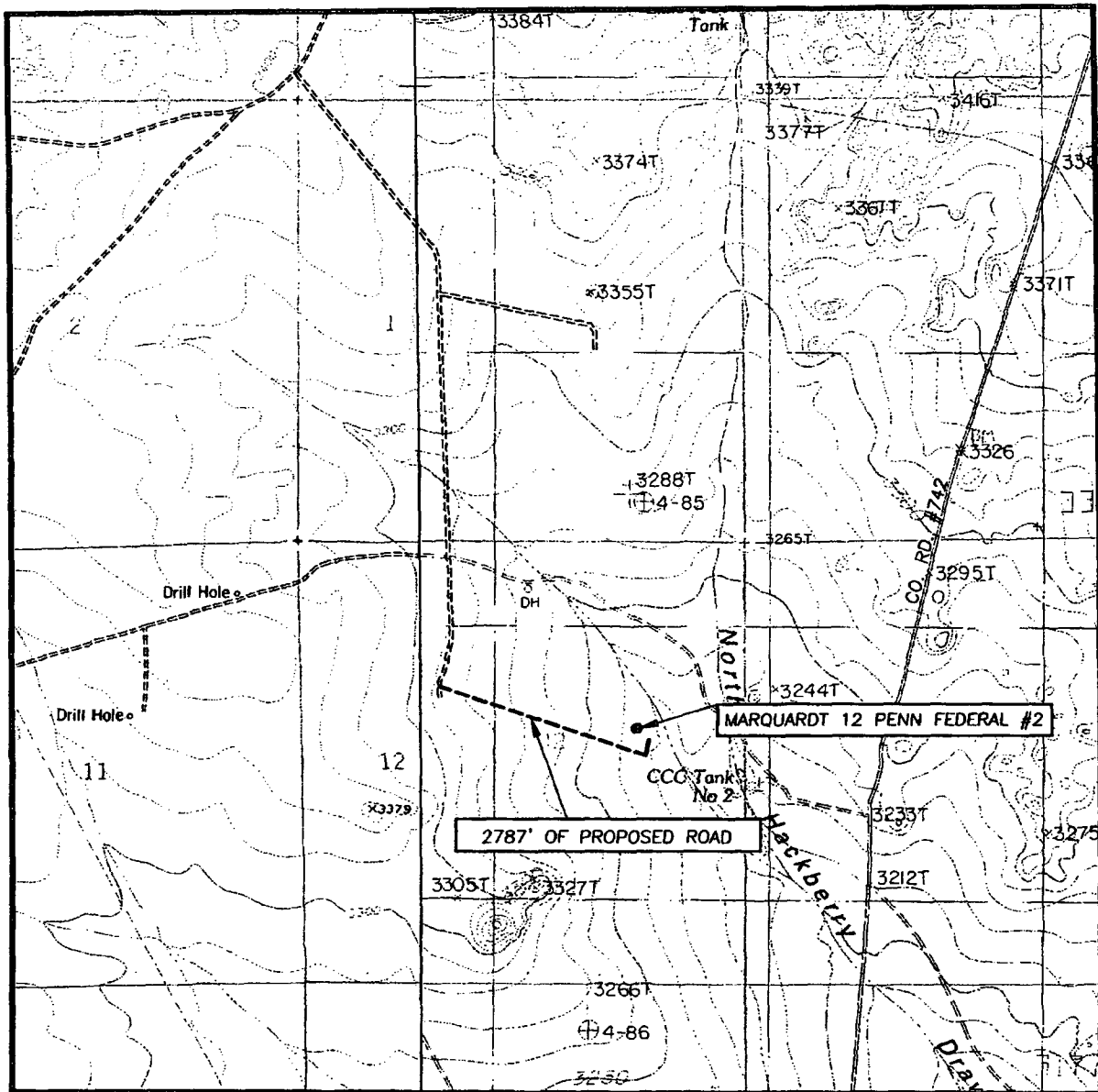
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres <b>640</b>	Joint or Infill <b>Y</b>	Consolidation Code	Order No.						

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>Marquardt 12 Penn Fed #2</p> <p>Marquardt 12 Penn Fed #1</p> <p>GEODETIC COORDINATES NAD 27 NME Y=416591.7 N X=528339.3 E LAT.=32°08'43.06" N LONG.=104°14'30.37" W</p>	<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Zeno Farris</i> Signature Zeno Farris Printed Name Mgr Operations Admin Title June 7, 2005 Date</p> <p><b>SURVEYOR CERTIFICATION</b></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>MAY 12, 2005 Date Surveyed Signature &amp; Seal of Professional Surveyor Professional Surveyor NEW MEXICO GARY E. EDSON 5/26/05 05-11-0733 Certificate No. GARY E. EDSON 12641</p>
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# LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:  
BOND DRAW, N.M. - 10'  
BLACK RIVER VILLAGE, N.M. - 20'

SEC. 12 TWP. 25-S RGE. 26-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 2310' FNL & 1330' FEL

ELEVATION 3236'

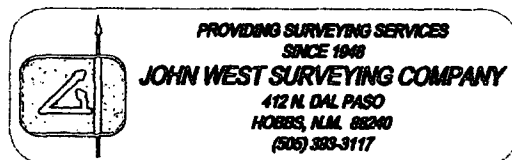
OPERATOR GRUY PETROLEUM MANAGEMENT COMPANY

LEASE MARQUARDT 12 PENN FEDERAL

U.S.G.S. TOPOGRAPHIC MAP

BOND DRAW, N.M.

Exhibit C



N.M. Oil Cons. DIV-Dist. 2  
1301 W. Grand Avenue  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
Alameda, NM 88210

FORM APPROVED  
OMB No. 1004-0135  
Expires July 31, 1996

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SEP 23 2005

5. Lease Serial No.  
NMNM14124

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.  
Marquardt 12 Penn Federal No. 2

9. API Well No.  
30-015-34329

10. Field and Pool, or Exploratory Area  
White City; Penn (87280)

11. County or Parish, State  
Eddy Co., NM

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

Gruy Petroleum Management Co.

3a. Address

P. O. Box 140907 Irving, TX 75014-0907

3b. Phone No. (include area code)

972-401-3111

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

Sec 12-T25S-R26E

2310' FNL & 1330' FEL

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input checked="" type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Gruy is altering casing design as shown below:

Intermediate: Set 2700' of 40# 9-5/8" N-80 LTC casing.

Production: Set 13000' of 17# 5-1/2" P-110 LTC casing.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Natalie Krueger

Title

Regulatory Technician

Signature

Date

September 19, 2005

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

(ORIG. SGD.) ALEXIS C. SWOBODA

PETROLEUM ENGINEER

SEP 22 2005

Conditions of approval, if any, are attached. Approval of this notice 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.

Office

RFO

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.

(Instructions on reverse)

N.M. Oil Cons. DIV-Dist. 2  
UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
1201 W. Grand Avenue  
Alamosa, NM 88210

FORM APPROVED  
OMB No. 1004-0135  
Expires July 31, 1996

**SUNDRY NOTICES AND REPORTS ON WELLS**

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**SUBMIT IN TRIPLICATE - Other Instructions on reverse side**

OCT 21 2005

OUU-ARTEDM

1. Type of Well  
☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator  
Gruy Petroleum Management Co.

3a. Address  
P. O. Box 140907 Irving, TX 75014-0907

3b. Phone No. (include area code)  
972-401-3111

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)  
Sec 12-T25S-R26E  
2310' FNL & 1330' FEL

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09-23-05 Spudded 17-1/2" hole at 6am. Ran 5 jts 13-3/8" 54.5# J-55 STC casing to 217'. Cemented with 230sx Class C and circulated 38sx to pit. WOC 12.25 hrs. Tested casing to 1200psi for 15 minutes.

09-26-05 In 12-1/4" hole, ran 63jts 9-5/8" 40# J-55 LTC casing to 2705'. Cemented with lead of 625sx Interfill C + 1/4# Flocele and tail of 200sx Premium Plus + 1% CaCl. Circulated 165sx to pit. WOC 13.75 hours.

09-27-05 Tested casing to 1500psi for 15 minutes.

ACCEPTED FOR RECORD

OCT 19 2005

ALEXIS C. SWOBODA  
PETROLEUM ENGINEER

14. I hereby certify that the foregoing is true and correct  
Name (Printed/Typed)  
Natalie Krueger

Title  
Regulatory Technician

Signature

Date  
10-11-05

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice 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.

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