

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

SUBMIT IN TRIPPLICATE*

(Other instructions on
reverse side)

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

1b. TYPE OF WELL

OIL ☐ GAS ☒

SINGLE ☐

MULTIPLE ☐

WELL WELL

OTHER ZONE

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.)

per SN dated 11/16/04

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 drlg. unit line, if any)

1175'

16. NO. OF ACRES IN LEASE

160

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.

2165'

19. PROPOSED DEPTH

13000'

20. ROTARY OR CABLE TOOLS

Rotary

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

3220' GR

CARLSBAD CONTROLLED WATER BASIN

22. APPROX. DATE WORK WILL START*

11-30-04

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	J-55 13 3/8"	54.5 #	200'	250 sx circ to surf
12 1/4"	NS-110 9 5/8"	40 #	1900'	475 sx circ tp surf
8 3/4"	P-110 7"	23 #	10000'	1675 sx circ to surf
6 1/8"	HCP-110 4 1/2"	11.6 #	13000'	485 sx TOC 7500'

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 Zona Fom TITLE Mgr. Ops. Admin DATE 10-28-04

(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/ Maria Ketson TITLE FIELD MANAGER DATE DEC 27 2004

*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 SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

APPROVAL FOR 1 YEAR

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144
March 12, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No ☒

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: Gruy Petroleum Management Co. Telephone: 972-443-6489 e-mail address: zfarris@magnumhunter.com

Address: P.O. Box 140907, Irving, Tx 75014-0907

Facility or well name: Federal 13 Com # 3 API #: 30-015- U/L or Qtr/Qtr O Sec 13 T 25S R 26E

County: Eddy Latitude 32°07'32.21" N Longitude 104°14'35.26 W NAD: 1927 ☒ 1983 ☐ Surface Owner Federal ☐ State ☐ Private ☐ Indian ☐

Pit

Type: Drilling ☒ Production ☐ Disposal ☐

Workover ☐ Emergency ☐

Lined ☒ Unlined ☐

Liner type: Synthetic ☒ Thickness 12 mil Clay ☐ Volume
bbl

Below-grade tank

Volume: bbl Type of fluid:

Construction material:

Double-walled, with leak detection? Yes ☐ If not, explain why not.

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)

Less than 50 feet

(20 points)

50 feet or more, but less than 100 feet

(10 points)

100 feet or more

(0 points)

Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)

Yes

(20 points)

No

(0 points)

Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet

(20 points)

200 feet or more, but less than 1000 feet

(10 points)

1000 feet or more

(0 points)

Ranking Score (Total Points)

-0-

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location:

onsite ☐ offsite ☐ If offsite, name of facility (3) Attach a general description of remedial action taken including remediation start date and end

date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Date: 11-1-04

Printed Name/Title Zeno Farris Manager Operations Administration

Signature Zeno Farris

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval DEC 2 2004

Date:

Printed Name/Title

Signature

RECEIVED

DEC 2 2004

OCD-ARTESIA

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
1301 W. Grand Avenue
Alamosa, 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.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. NM 26105
2. Name of Operator Gruy Petroleum Management Co.		6. If Indian, Allottee or Tribe Name
3a. Address P.O. Box 140907 Irving, TX 75014-0907	3b. Phone No. (include area code) 972.401.3111	7. If Unit or CA/Agreement, Name and/or No.
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) SHL 725' FSL & 1750' FEL Sec 13-25S-26E BHL 1175' FSL & 1750' FEL Sec 13-25S-26E		8. Well Name and No. Federal 13 Com # 3
		9. API Well No. 30-015-
		10. Field and Pool, or Exploratory Area White City;Penn (Gas)
		11. County or Parish, State Eddy, NM

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 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 checked="" type="checkbox"/> Other <u>New SHL, BHL</u>
	<input checked="" 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.)

Per BLM request SHL moved 400' south due to draw. Therefore we plan to directional to BHL of 1175' FSL & 1750' FEL.

Attached are the following regarding this change:

C-102, location plat, vicinity map, and location verification map, indicating the above SHL & BHL and 1041' of newly constructed road. A preliminary directional survey.

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

Zeno Farris

Title

Manager, Operations Administration

Signature

Zeno Farris

Date

11-10-04

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

/s/ Maria Ketson

Title

FIELD MANAGER

Date

DEC 27 2004

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

CARLSBAD FIELD OFFICE

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)

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

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

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
		White City; Penn (Gas)
Property Code	Property Name	Well Number
	FEDERAL 13 COM	3
OGRID No.	Operator Name	Elevation
162683	GRUY PETROLEUM MANAGEMENT COMPANY	3222'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	13	25-S	26-E		725	SOUTH	1750	EAST	EDDY

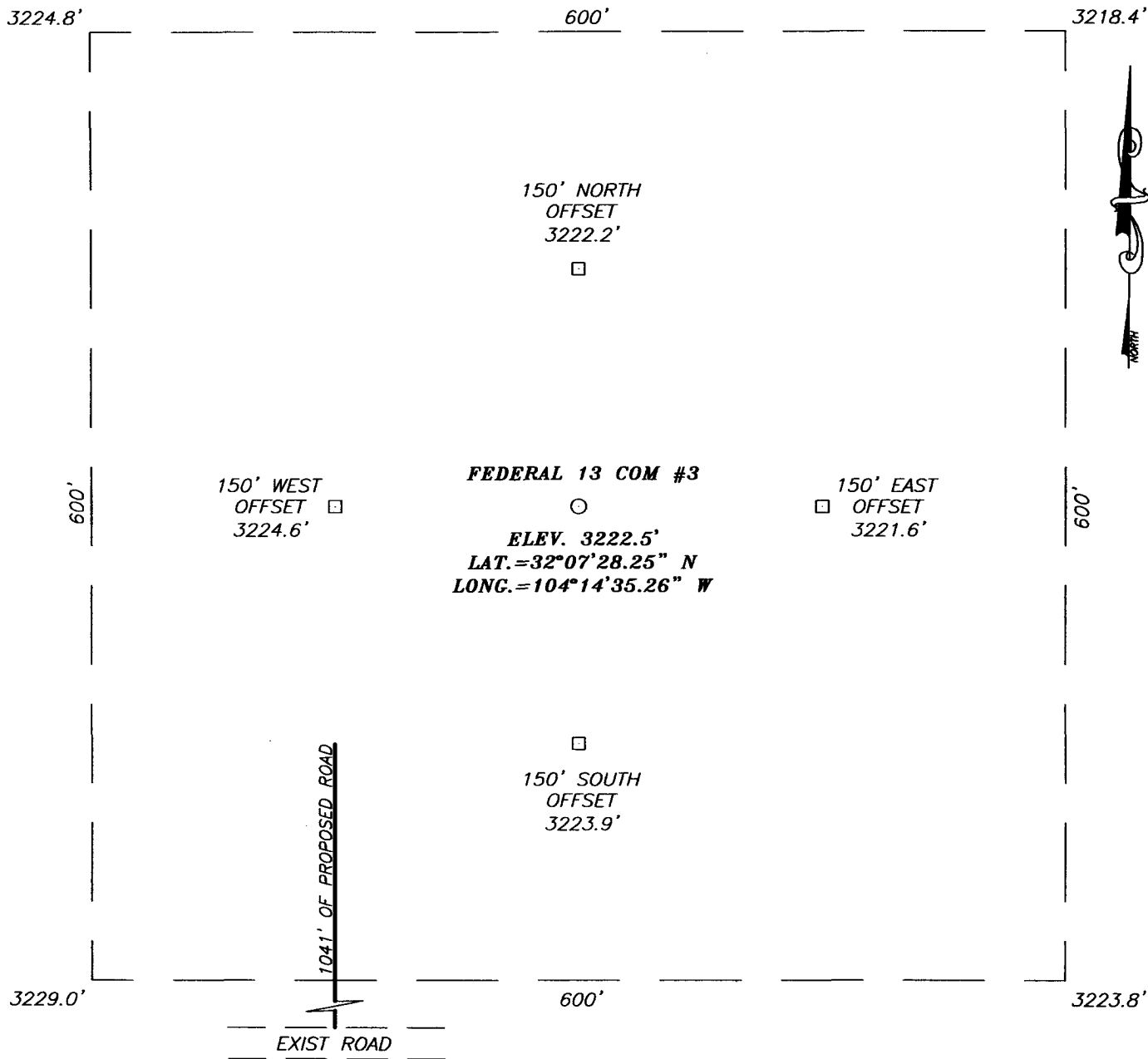
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	13	25-S	26-E		1175	SOUTH	1750	EAST	EDDY
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						
640	Y	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

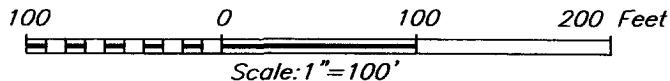
<p>GEODETIC COORDINATES NAD 27 NME SURF. Y=409032.6 N X=527925.0 E LAT.=32°07'28.25" N LONG.=104°14'35.26" W Federal 13 Com 2 1400' GR. AZ=359°57' 450' 2289' 3224.8' 600' 3218.4' 1750' 1750' 3229.0' 725' 3223.8' B.H. Y=409482.4 N X=527924.7 W Federal 13 Com 3</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Zebo Farris</i> Signature Zebo Farris Printed Name Mgr Operations Admin Title November 10, 2004 Date</p> <p>SURVEYOR CERTIFICATION</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>NOVEMBER 5, 2004</p> <p>Date Surveyed _____ JR Signature & Seal of Professional Surveyor <i>Gary E. Ebdson</i> 11/09/04 04.11/1476 Certificate No. GARY EBDSON 12641</p>
---	---

SECTION 13, TOWNSHIP 25 SOUTH, RANGE 26 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

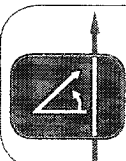
FROM THE INTERSECTION OF CO. RD. #724 (WHITES CITY RD.) AND CO. RD. #742 (JOHN D. FOREHAND RD.) GO NORTH ON CO. RD. #742 FOR APPROX. 4.5 MILES TO A CALICHE ROAD ON THE LEFT. TURN LEFT (WEST) AND GO APPROX. 0.35 MILES TO A PROPOSED ROAD SURVEY. FOLLOW PROPOSED ROAD SURVEY NORTH APPROX. 1041' TO PROPOSED LOCATION.



GRUY PETROLEUM MANAGEMENT COMPANY

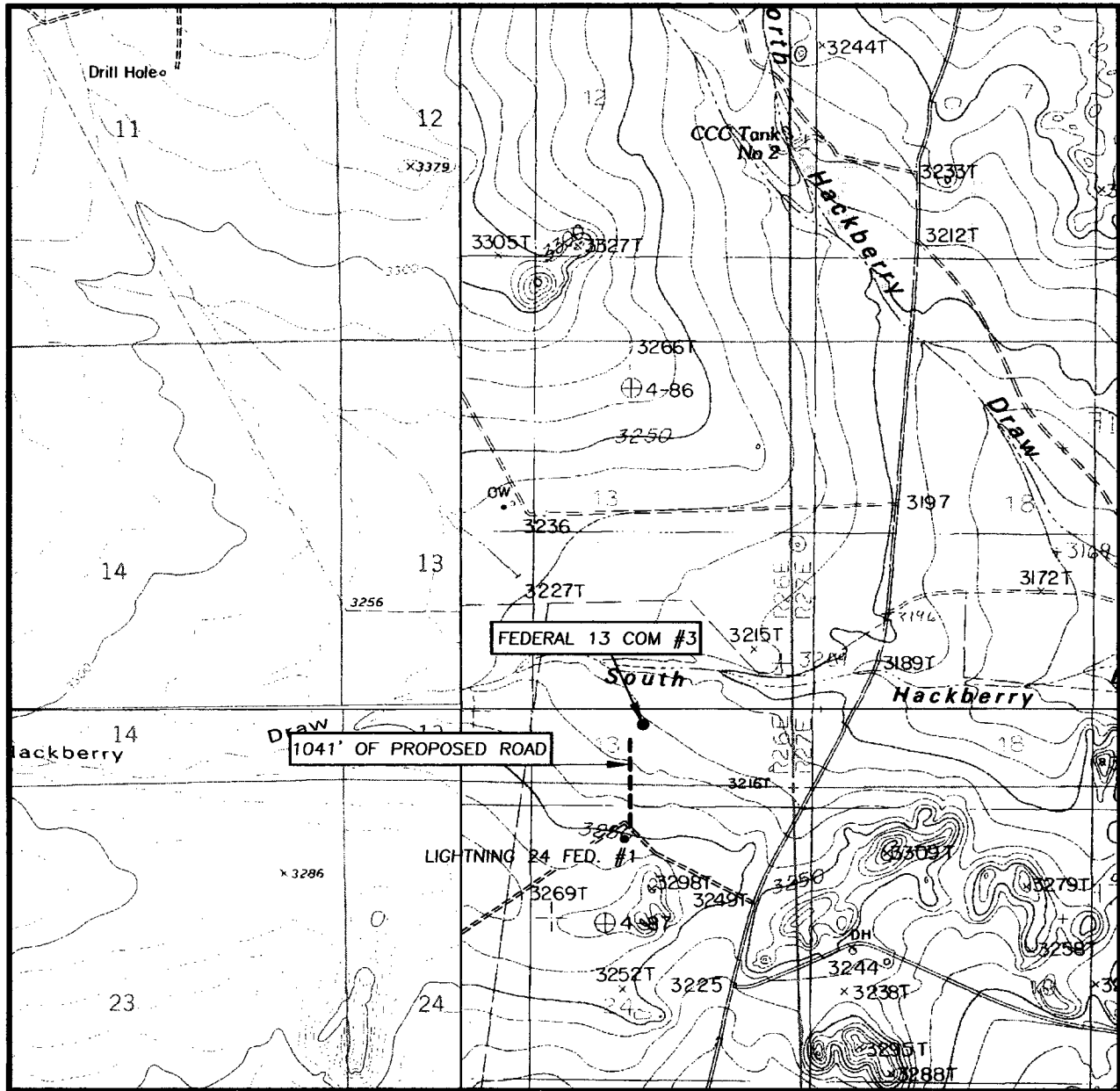
FEDERAL 13 COM #3 WELL
 LOCATED 725 FEET FROM THE SOUTH LINE
 AND 1750 FEET FROM THE EAST LINE OF SECTION 13,
 TOWNSHIP 25 SOUTH, RANGE 26 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.

Survey Date: 11/5/04	Sheet 1 of 1 Sheets
W.O. Number: 04.11.1476	Dr By: J.R. Rev 1:N/A
Date: 11/9/04	Disk: CD#10 04111476 Scale: 1"=100'



PROVIDING SURVEYING SERVICES
 SINCE 1946
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 383-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

SEC. 13 TWP. 25-S RGE. 26-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 725' FSL & 1750' FEL

ELEVATION 3222'

OPERATOR GRUY PETROLEUM MANAGEMENT COMPANY

LEASE FEDERAL 13 COM

Exhibit "B"

U.S.G.S. TOPOGRAPHIC MAP
BOND DRAW, N.M.

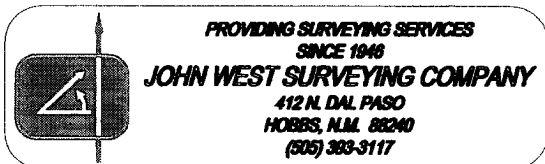
CONTOUR INTERVAL:

BOND DRAW, N.M. - 10'

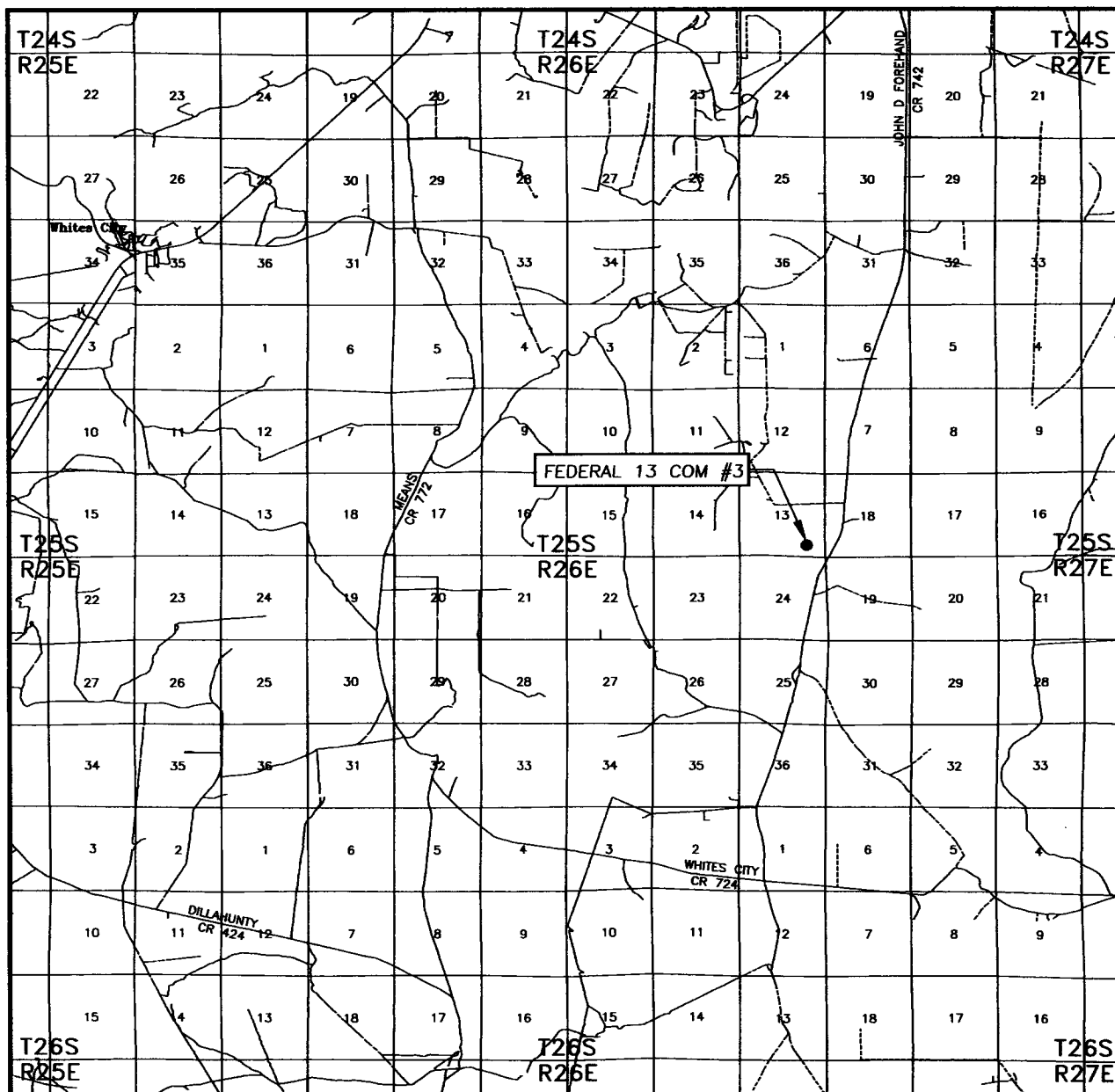
JUMPING SPRINGS, N.M. - 10'

COTTONWOOD HILLS, N.M. - 10'

BLACKRIVER VILLAGE, N.M. - 20'



VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 13 TWP. 25-S RGE. 26-E

SURVEY N.M.P.M.

COUNTY EDDY

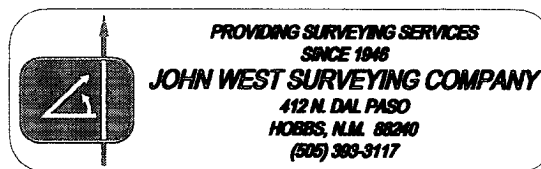
DESCRIPTION 725' FSL & 1750' FEL

ELEVATION 3222'

OPERATOR GRUY PETROLEUM MANAGEMENT COMPANY

LEASE FEDERAL 13 COM

Exhibit "C"

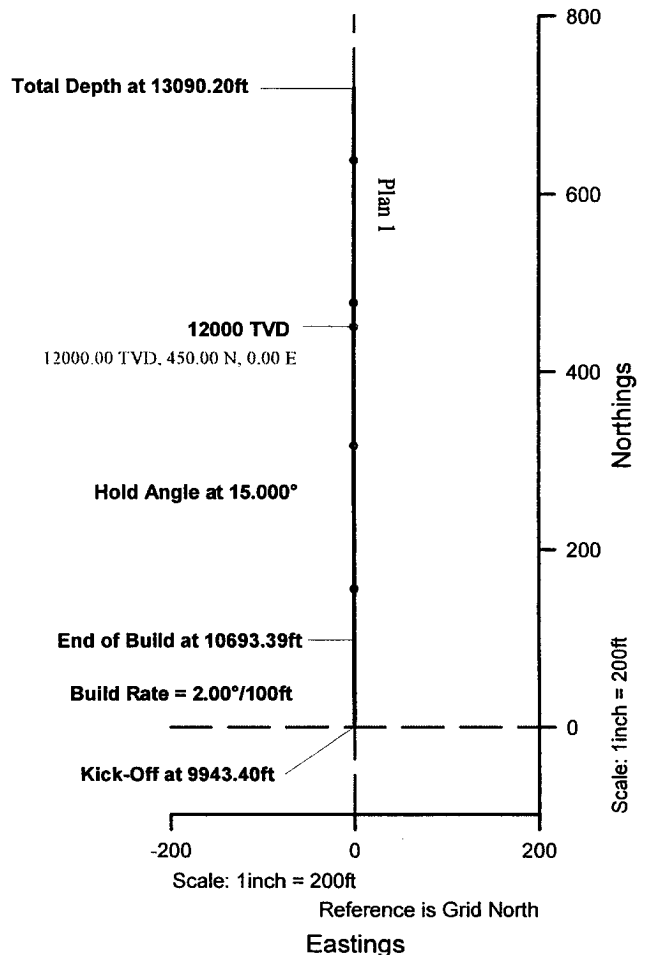
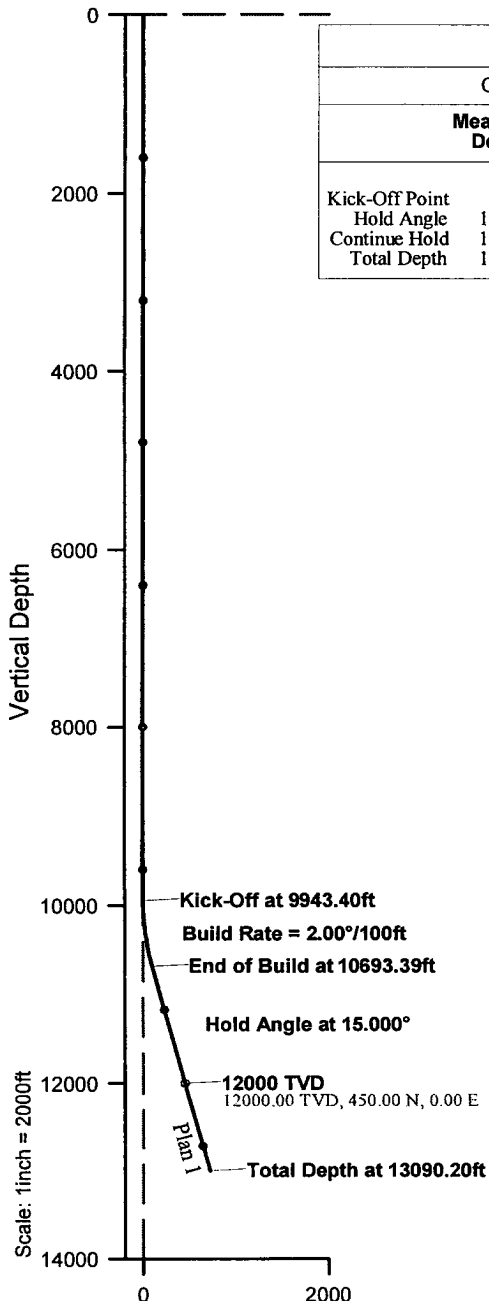


Rig: Patterson 80
 Eddy County, NM
 Sec 13-T25S-R26E
 Federal 13 #3
 Plan 1



Plan 1 Proposal Data

Coordinate System : NAD27 New Mexico State Planes, Eastern Zone								
	Measured Depth	Incl.	Azim.	Vertical Depth	Northings	Eastings	Vertical Section	Dogleg Rate
	0.00	0.000	0.000	0.00	0.00 N	0.00 E	0.00	
Kick-Off Point	9943.40	0.000	0.000	9943.40	0.00 N	0.00 E	0.00	0.00
Hold Angle	10693.39	15.000	0.000	10684.85	97.61 N	0.00 E	97.61	2.00
Continue Hold	12054.93	15.000	0.000	12000.00	450.00 N	0.00 E	450.00	0.00
Total Depth	13090.20	15.000	0.000	13000.00	717.95 N	0.00 E	717.95	0.00



Section Azimuth: 0.000° (Grid North) Scale: 1 inch = 2000ft

Prepared by:
 Raul Flores

Date/Time:
 4 November, 2004 - 16:09

Checked:

Approved:



**Gruy Petroleum Management
New Mexico
Eddy County
Sec 13-T25S-R26E
Federal 13 #3 - Plan 1**

Sperry-Sun

Proposal Report

4 November, 2004

Proposal Ref: pro8802

HALLIBURTON

Proposal Report for Sec 13-T25S-R26E - Federal 13 #3 - Plan 1

Measured Depth (ft)	Incl. (Deg)	Grid 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		
9943.40	0.000	0.000	9943.40	0.00 N	0.00 E	0.00	0.00	Kick-Off at 9943.40ft
10000.00	1.132	0.000	10000.00	0.56 N	0.00 E	0.56	2.00	
10100.00	3.132	0.000	10099.92	4.28 N	0.00 E	4.28	2.00	
10200.00	5.132	0.000	10199.66	11.48 N	0.00 E	11.48	2.00	
10300.00	7.132	0.000	10299.08	22.17 N	0.00 E	22.17	2.00	
10318.39	7.500	0.000	10317.32	24.51 N	0.00 E	24.51	2.00	Build Rate = 2.00°/100ft
10400.00	9.132	0.000	10398.07	36.31 N	0.00 E	36.31	2.00	
10500.00	11.132	0.000	10496.50	53.90 N	0.00 E	53.90	2.00	
10600.00	13.132	0.000	10594.27	74.92 N	0.00 E	74.92	2.00	
10693.39	15.000	0.000	10684.85	97.61 N	0.00 E	97.61	2.00	End of Build at 10693.39ft
10700.00	15.000	0.000	10691.24	99.32 N	0.00 E	99.32	0.00	
10800.00	15.000	0.000	10787.83	125.21 N	0.00 E	125.21	0.00	
10900.00	15.000	0.000	10884.42	151.09 N	0.00 E	151.09	0.00	
11000.00	15.000	0.000	10981.02	176.97 N	0.00 E	176.97	0.00	
11100.00	15.000	0.000	11077.61	202.85 N	0.00 E	202.85	0.00	
11200.00	15.000	0.000	11174.20	228.73 N	0.00 E	228.73	0.00	
11300.00	15.000	0.000	11270.79	254.61 N	0.00 E	254.61	0.00	
11374.16	15.000	0.000	11342.43	273.81 N	0.00 E	273.81	0.00	Hold Angle at 15.000°
11400.00	15.000	0.000	11367.39	280.49 N	0.00 E	280.49	0.00	
11500.00	15.000	0.000	11463.98	306.38 N	0.00 E	306.38	0.00	
11600.00	15.000	0.000	11560.57	332.26 N	0.00 E	332.26	0.00	
11700.00	15.000	0.000	11657.16	358.14 N	0.00 E	358.14	0.00	
11800.00	15.000	0.000	11753.76	384.02 N	0.00 E	384.02	0.00	
11900.00	15.000	0.000	11850.35	409.90 N	0.00 E	409.90	0.00	
12000.00	15.000	0.000	11946.94	435.78 N	0.00 E	435.78	0.00	
12054.93	15.000	0.000	12000.00	450.00 N	0.00 E	450.00	0.00	12000 TVD Target - 12000 TVD, Current Target
12100.00	15.000	0.000	12043.53	461.66 N	0.00 E	461.66	0.00	
12200.00	15.000	0.000	12140.13	487.55 N	0.00 E	487.55	0.00	
12300.00	15.000	0.000	12236.72	513.43 N	0.00 E	513.43	0.00	
12400.00	15.000	0.000	12333.31	539.31 N	0.00 E	539.31	0.00	
12500.00	15.000	0.000	12429.91	565.19 N	0.00 E	565.19	0.00	
12600.00	15.000	0.000	12526.50	591.07 N	0.00 E	591.07	0.00	
12700.00	15.000	0.000	12623.09	616.95 N	0.00 E	616.95	0.00	
12800.00	15.000	0.000	12719.68	642.84 N	0.00 E	642.84	0.00	
12900.00	15.000	0.000	12816.28	668.72 N	0.00 E	668.72	0.00	
13000.00	15.000	0.000	12912.87	694.60 N	0.00 E	694.60	0.00	
13090.20	15.000	0.000	13000.00	717.95 N	0.00 E	717.95	0.00	Total Depth at 13090.20ft

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

The Dogleg Severity is in Degrees per 100 feet.
Vertical Section is from Well and calculated along an Azimuth of 0.000° (Grid).

Coordinate System is NAD27 New Mexico State Planes, Eastern Zone.
Grid Convergence at Surface is 0.000°.

Proposal Report for Sec 13-T25S-R26E - Federal 13 #3 - Plan 1

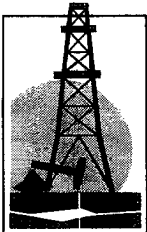
Based upon Minimum Curvature type calculations, at a Measured Depth of 13090.20ft.,
The Bottom Hole Displacement is 717.95ft., in the Direction of 0.000° (Grid).

Comments

Measured Depth (ft)	Station Coordinates			Comment
	TVD (ft)	Northings (ft)	Eastings (ft)	
9943.40	9943.40	0.00 N	0.00 E	Kick-Off at 9943.40ft
10318.39	10317.32	24.51 N	0.00 E	Build Rate = 2.00°/100ft
10693.39	10684.85	97.61 N	0.00 E	End of Build at 10693.39ft
11374.16	11342.43	273.81 N	0.00 E	Hold Angle at 15.000°
12054.93	12000.00	450.00 N	0.00 E	12000 TVD
13090.20	13000.00	717.95 N	0.00 E	Total Depth at 13090.20ft

Targets associated with this wellpath

Target Name	Target Entry Coordinates			Target Shape	Target Type
	TVD (ft)	Northings (ft)	Eastings (ft)		
12000 TVD	12000.00	450.00 N	0.00 E	Point	Current Target



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 2nd 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 - 26105

Legal Description: All Sec 13, 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: 10/28/04

Application to Drill

Gruy Petroleum Management Co.
Federal 13 Com No. 3
Unit Letter O Section 13
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: 1125' FSL & 1750' FEL Sec. 13- 25S 26E

2 Elevation above sea level: GR 3220 '

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	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:

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"	0-1900'	9 5/8"	40	8-R	ST&C	NS-110
8 3/4"	0-10000'	7"	23	8-R	ST&C	P-110
6 1/8"	0-13000'	4 1/2"	11.6	8-R	ST&C	HCP-110

Application to Drill

Gruy Petroleum Management Co.
Federal 13 Com No. 3
Unit Letter O Section 13
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 250 Sx. Of Premium Plus cement + additives, circulate cement to surface.
9 5/8"	Intermediate	Set 1900' of 9 5/8" NS-110 40# ST&C casing. Cement with 675 Sx. Of Interfill "H" & Premium Plus Cement + additives, circulate cement to surface.
7"	Intermediate	Set 10000' of 7" P-110 23# ST&C casing. Cement in two stages, first stage cement with 625 Sx. of Interfill "H" & Super "H" Cement + additives. Second stage cement with 1050 Sx of Interfill "C" & Premium Plus Neat, circulate cement to surface.
4 1/2"	Production	Set 13000' of 4 1/2" HCP-110 11.6# ST&C casing. Cement with 485 Sx. of Super "H" Cement + additives. Estimated TOC 7200

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' - 1900'	9.7 - 10.0	28 - 29	May lose circ	Fresh water. Add paper as needed to control seepage and add lime to control pH (9-10). Use high viscosity sweeps to clean hole.
1900' - 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.

Application to Drill

Gruy Petroleum Management Co.
Federal 13 Com No. 3
Unit Letter O Section 13
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 4000 PSI, estimated BHT 190.

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

Surface Use Plan

Gruy Petroleum Management Co.
Federal 13 Com No. 3
Unit Letter O Section 13
T25S - R26E Eddy County, NM

- 1 Existing Roads: Area maps, Exhibit "B" is a reproduction of Lea Co. General Highway Map. Exhibit "C" is a reproduction of a USGS Topographic Map, showing existing roads and proposed roads. All existing roads will be maintained in a condition equal to or better than current conditions. Any new roads will be constructed to BLM specifications.
 - A. Exhibit "A" shows the proposed well site as staked.
 - B. From the intersection of Eddy County road # 724 and Eddy County Road # 742, go north 4.5 miles on County Road # 742 to a good caliche road on left. Turn left and go 0.35 miles to proposed road survey and follow north 1435' to location.
- 2 PLANNED ACCESS ROADS: 1435' of access road will be constructed.
- 3 LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A"
 - A. Water wells - None Known
 - B. Disposal wells - None known
 - C. Drilling wells - None known
 - D. Producing wells - As shown on Exhibit "A"
 - E. Abandoned wells - As shown on Exhibit "A"

Surface Use Plan

Gruy Petroleum Management Co.
Federal 13 Com No. 3
Unit Letter O Section 13
T25S - R26E Eddy County, NM

- 4 If, on completion this well is a producer Gruy Petroleum Management Co. will furnish maps and/or plats showing on site facilities or off site facilities if needed. This will be accompanied with a Sundry Notice.

5 LOCATION AND TYPE OF WATER SUPPLY:

Water will be purchased locally from a commercial source and trucked over the access roads or piped in flexible lines laid on top of the ground.

6 SOURCE OF CONSTRUCTION MATERIAL:

If possible construction will be obtained from the excavation of drill site, if additional material is needed it will be purchased from a local source and transported over the access route as shown on Exhibit "C".

7 METHODS OF HANDLING WASTE MATERIAL:

- A. Drill cuttings will be disposed of in the reserve pit.
- B. All trash, junk and other waste material will be contained in trash cages or bins to prevent scattering. When the job is completed all contents will be removed and disposed of in a approved sanitary land fill.
- C. Salts remaining after completion of well will be picked up by supplier including broken sacks.
- D. Sewage from living quarters will drain into holding tanks and be cleaned out periodically. A Porta-John will be provided for the rig crews. This equipment will be properly maintained during the drilling operations and removed upon completion of the well.
- E. Remaining drilling fluids will be allowed to evaporate in the reserve pit until the pit is dry enough for breaking out. In the event that drilling fluids do not evaporate in a reasonable time they will be hauled off by transports and be disposed of at a state approved disposal facility. Later pits will be broken out to speed drying. Water produced during testing will be put in reserve pits. Any oil or condensate produced will be stored in test tanks until sold and hauled from the site.

8 ANCILLARY FACILITIES:

- A. No camps or airstrips to be constructed.

Surface Use Plan

Gruy Petroleum Management Co.
Federal 13 Com No. 3
Unit Letter O Section 13
T25S - R26E Eddy County, NM

9 WELL SITE LAYOUT

- A. Exhibit "D" shows location and rig layout.
- B. This exhibit indicates proposed location of reserve and trash pits; and living facilities.
- C. Mud pits in the active circulating system will be steel pits and the reserve pit is to be lined with PVC or polyethylene liner. The pit liner will be 12 mils thick and will extend a minimum of 2' 00" over the reserve pit dikes where the liner will be
- D. The reserve pit will be fenced on three sides with four strands of barbed wire during drilling and completion phases. The fourth side will be fenced after all drilling operations have ceased. If the well is a producer, the reserve pit fence will be torn down. The reserve pit and those areas of the location not essential to production facilities will be reclaimed and seeded per BLM requirements.

10 PLANS FOR RESTORATION OF SURFACE

Rehabilitation of the location and reserve pit will start in a timely manner after all drilling operations cease. The type of reclamation will depend on whether the well is a producer or a dry hole.

However, in either event, the reserve pit will be allowed to dry properly, and fluid removed and disposed of in accordance with Article 7.B as previously noted. The pit area will then be leveled and contoured to conform to the original and surrounding area. Drainage systems, if any, will be reshaped to the original configuration with provisions made to alleviate erosion. These may need to be modified in certain circumstances to prevent inundation of the location's pad and surface facilities. After the area has been shaped and contoured, topsoil from the spoil pile will be placed over the disturbed area to the extent possible. Revegetation procedures will comply with BLM standards.

If the well is a dry hole, the pad and road area will be recountered to match the existing terrain. Topsoil will be spread to the extent possible. Revegetation will comply with BLM standards.

Should the well be a producer, the previously noted procedures will apply to those areas which are not required for production facilities.

Surface Use Plan

Gruy Petroleum Management Co.
Federal 13 Com No. 3
Unit Letter O Section 13
T25S - R26E Eddy County, NM

11 OTHER INFORMATION:

- A. Topography consists of a sloping plane with loose tan sands. Vegetation is mainly yucca, mesquite and shin oak.
- B. The wellsite is on surface owned by The United States Department of the Interior, Bureau of Land Management. The land is used mainly for farming, cattle ranching, recreational use, and oil and gas production.
- C. An Archaeological survey will be conducted on the location and proposed roads, and this report will be filed with the Bureau of Land Management in the Carlsbad BLM office.
- D. There are no known dwellings within 1 1/2 miles of this location.

12 OPERATORS REPRESENTATIVE:

Gruy Petroleum Management Company
P.O. Box 14097
Irving, TX 75014
Office Phone: (972) 443-6489
Zeno Farris

- 13 CERTIFICATION: I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Gruy Petroleum Management Company and/or its contractors and subcontractors, and will be in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provision of U.S.C. 1001 for the filing of a false statement.

NAME: Zeno Farris

DATE: 10/28/2004

TITLE: Manager, Operations Administration

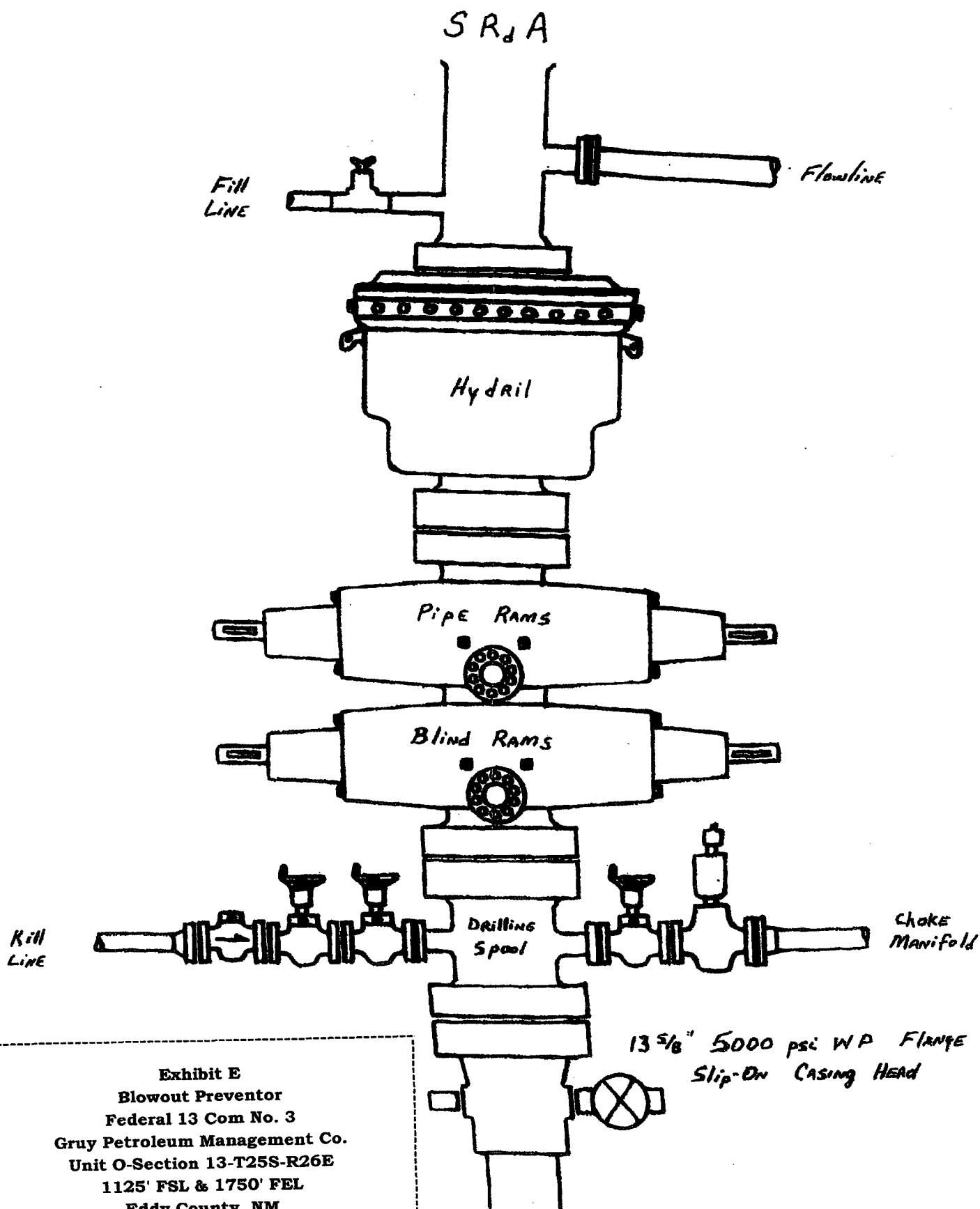


Exhibit E
 Blowout Preventor
 Federal 13 Com No. 3
 Gruy Petroleum Management Co.
 Unit O-Section 13-T25S-R26E
 1125' FSL & 1750' FEL
 Eddy County, NM

**DRILLING OPERATIONS
CHOKE MANIFOLD
SM SERVICE**

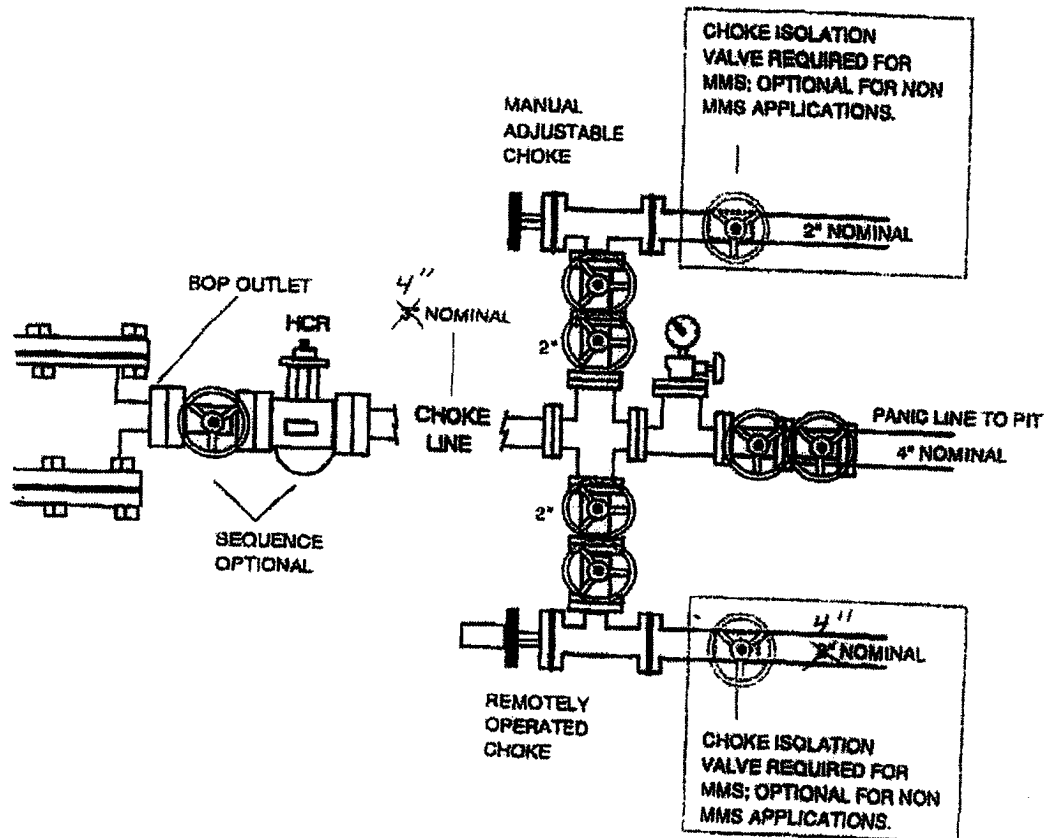


Exhibit E-Cont'd
Blowout Preventor-Choke Manifold
Federal 13 Com No. 3
Gruy Petroleum Management Co.
Unit O-Section 13-T25S-R26E
1125' FSL & 1750' FEL
Eddy County, NM