Form 3160-5 (September 2001)

N.M. Oil Cons. DIV-Dist. 2

UNITED STATES 1301 W. Grand Avenue DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENTICSIA, NIV 88210

SUNDRY NOTICES AND REPORTS ON WELLS

FORM APPROVED OMB NO. 1004-0135 Expires January 31, 2004

5. Lease Serial No.

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6. If Indian, Allottee or Tribe Name Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals. 7. If Unit or CA/Agreement, Name and/or No. SUBMIT IN TRIPLICATE - Other instructions on reverse side RECEIVED JUL 1 2 2006 1. Type of Well 8. Well Name and No. Oil Well X Gas Well Other CALLAWAY FEDERAL #3 2. Name of Operator GRUY PETROLEUM MANAGEMENT COMPANY 9. API Well No. 3b. Phone No. (include area code) 3a. Address 30-015-23505 (469) 420.2728 P.O. BOX 140907 10. Field and Pool, or Exploratory Area 4. Location of Well (Footage, Sec., T., R., M., or Survey Description) DIAMOND MOUND (ATOKA MORROW) SECTION 6, T-16S, R-28E 11. County or Parish, State 1980' FSL & 1980' FWL EDDY COUNTY NM CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA 12. TYPE OF ACTION TYPE OF SUBMISSION Production (Start/Resume) Water Shut-Off Notice of Intent Acidize Deepen Well Integrity Alter Casing Reclamation Fracture Treat Subsequent Report New Construction Casing Repair Recomplete Other Change Plans Plug and Abandon Temporarily Abandon X Final Abandonment Notice Convert to Injection Plug Back Water Disposal Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. 13. If the proposal is to deepen directionally or recomplete 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 recompletion 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 final site is ready for final inspection.) 06/08/06: MIX & TBG. FUMP A 25 SX. CMT. FLUG @ 6320'-6220'. 06/11/06: CUT & RECOVER 5-1/2" CSG. @ 5099". 06/12/06: MIX & FUMP A 40 SX. CMT. FLUG @ 5167'; WOC & TAG TOP OF CMT. FLUG @ 5067'. 06/13/06: MIX & PUMP A 40 SX. CMT. PLUG @ 3100'; WOC & TAG TOP OF CMT. PLUG @ 2923'. MIX & FUMP A 40 SX. OMT. PLUG @ 1743'; WOC & TAG TOP OF OMT. PLUG @ 1660' 06/14/06: MIX & PUMP A 50 SX. CMT. PLUG @ 475'. APPROVED MIX & PUMP A 30 SX. OMT. PLUG TO SURFACE. INSTALL PXA MARKER CIRCULATED MUD BETWEEN ALL OMT. PLUGS. JUL -6 2006 PLUGGED AND ABANDONED 06/14/06. GARY GOURLEY gopreved as to plugging of the wall passes PETROLEUM ENGINEER Madellity under bons is retained until regione compraison la somatistica. I hereby certify that the foregoing is true and correct Name (Printed/Typed) DAVID A EYLER ACENT Date 06/30/06 THIS SPACE FOR FEDERAL OR STATE OFFICE USE Approved by Conditions of approval, if any, are attached. Approval of this notice does not warrant or Office 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.

Title 18 U.S.C. Section 1001, and Title 43 U.S.C. Section 1212, 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.