

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210
SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK DRILL ☒ DEEPEN ☐		5. LEASE DESIGNATION AND SERIAL NO. NM 0475051	
1b. TYPE OF WELL OIL ☐ GAS ☒ WELL WELL OTHER ZONE ☐ SINGLE ☐ MULTIPLE ☐ ZONE ZONE		6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
2. NAME OF OPERATOR Gruy Petroleum Management Co.		7. UNIT AGREEMENT NAME SW - 1034	
3. ADDRESS AND TELEPHONE NO. P.O. Box 140907 Irving TX 75014 972-401-3111		8. FARM OR LEASE NAME, WELL NO. Federal 22 Com 3	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements) SHL 1400' FSL & 1980' FEL BHL 1400' FSL & 1300' FEL		9. API WELL NO. 30-015- 33093	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 18 miles South of Carlsbad		10. FIELD AND POOL, OR WILDCAT White City; Penn (Gas)	
15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, T.O. (Also to nearest drlg. unit line, if any) 1400'		11. SEC. T., R., M., BLOCK AND SURVEY OR AREA Sec. 22 T24S R26E	
16. NO. OF ACRES IN LEASE 480		12. COUNTY OR PARISH Eddy	
17. NO. OF ACRES ASSIGNED TO THIS WELL 640		13. STATE NM	
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 2960'		19. PROPOSED DEPTH 13500'	
20. ROTARY OR CABLE TOOLS Rotary		21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3318' GR	
22. APPROX. DATE WORK WILL START* 10-15-03		CARLSBAD CONTROLLED WATER BASIN	

23. 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"	55.5 # WITNESS	425'	490 sx circulate
12 1/4"	J-55 9 5/8"	40 #	3200'	1200 sx circulate
7 7/8"	N-80/P-110 5 1/2"	17 #	13500'	1620 sx TOC 2700'

The proposed well will be drilled to a depth of 13000' and completed as a White City Penn; producer.

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 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. Per onshore order 2 the 13 3/8" 48 # H-40 casing should be tested at 70% of its maximum internal yield of 1730 # or 1211 #. During the running of the surface pipe we do not anticipate any pressures greater than 500 #, and are requesting a variance to test the 13 3/8" casing to 500 #

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 08-08-03

(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/ Joe G. Lara

ACTING

TITLE

FIELD MANAGER

DATE

8 NOV 2003

*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

P.O. Box 1800, Hobbs, NM 88241-1800

DISTRICT II

P.O. Drawer 80, Artesia, NM 88211-0710

DISTRICT III

1000 Rio Brazos Rd., Artesia, NM 87410

DISTRICT IV

P.O. Box 2088, Santa Fe, N.M. 87504-2088

State of New Mexico

Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

Form C-102

Revised February 10, 1994

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	Pool Name White City; Penn (Gas)
Property Code	Property Name FEDERAL 22 COM.	Well Number 3
GRID No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT CO.	Elevation 3318'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	22	24-S	26-E		1400'	SOUTH	1980'	EAST	EDDY

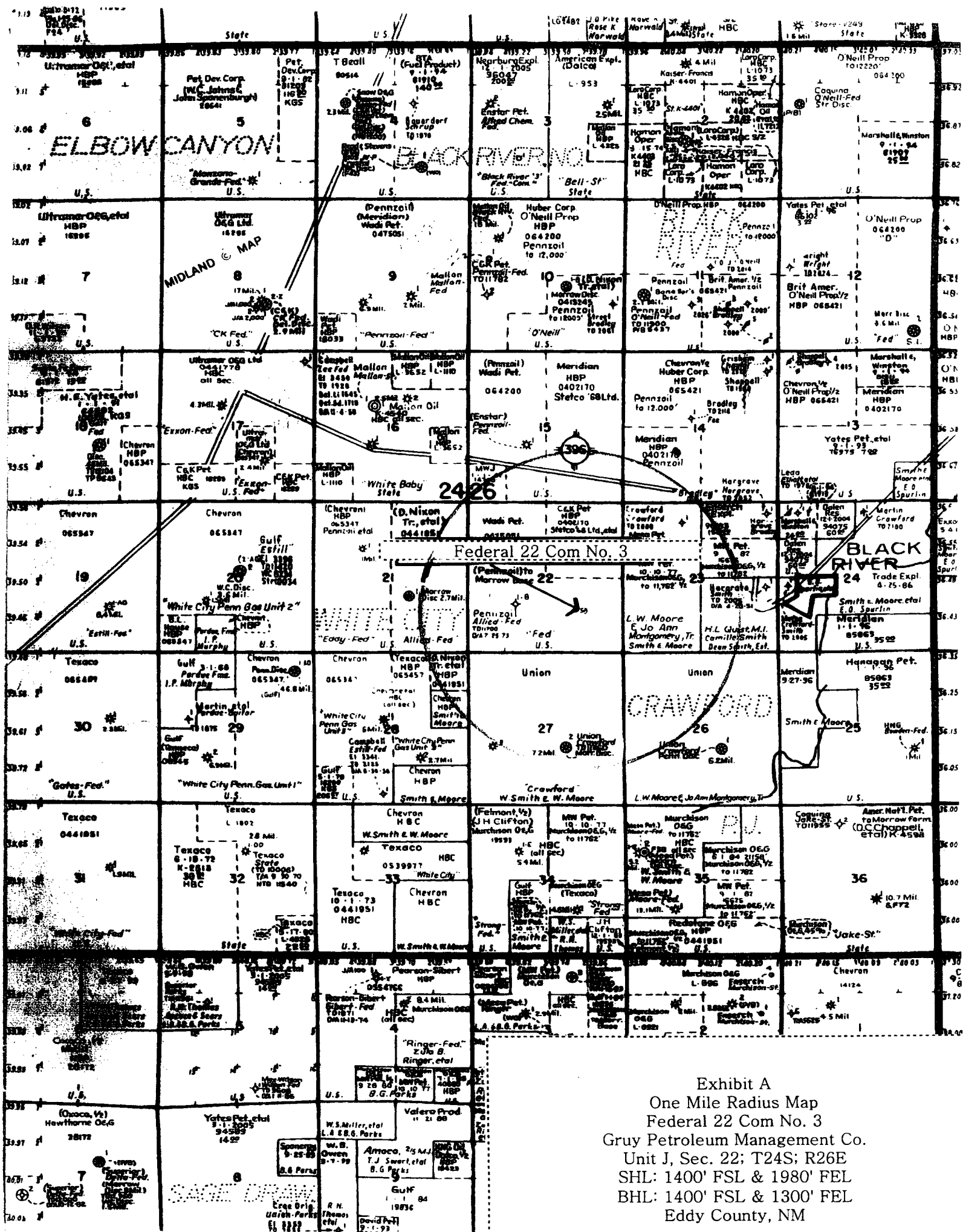
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	22	24-S	26-E		1400'	South	1300'	East	Eddy

Dedicated Acres 640	Joint or Infill Y	Consolidation Code C	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

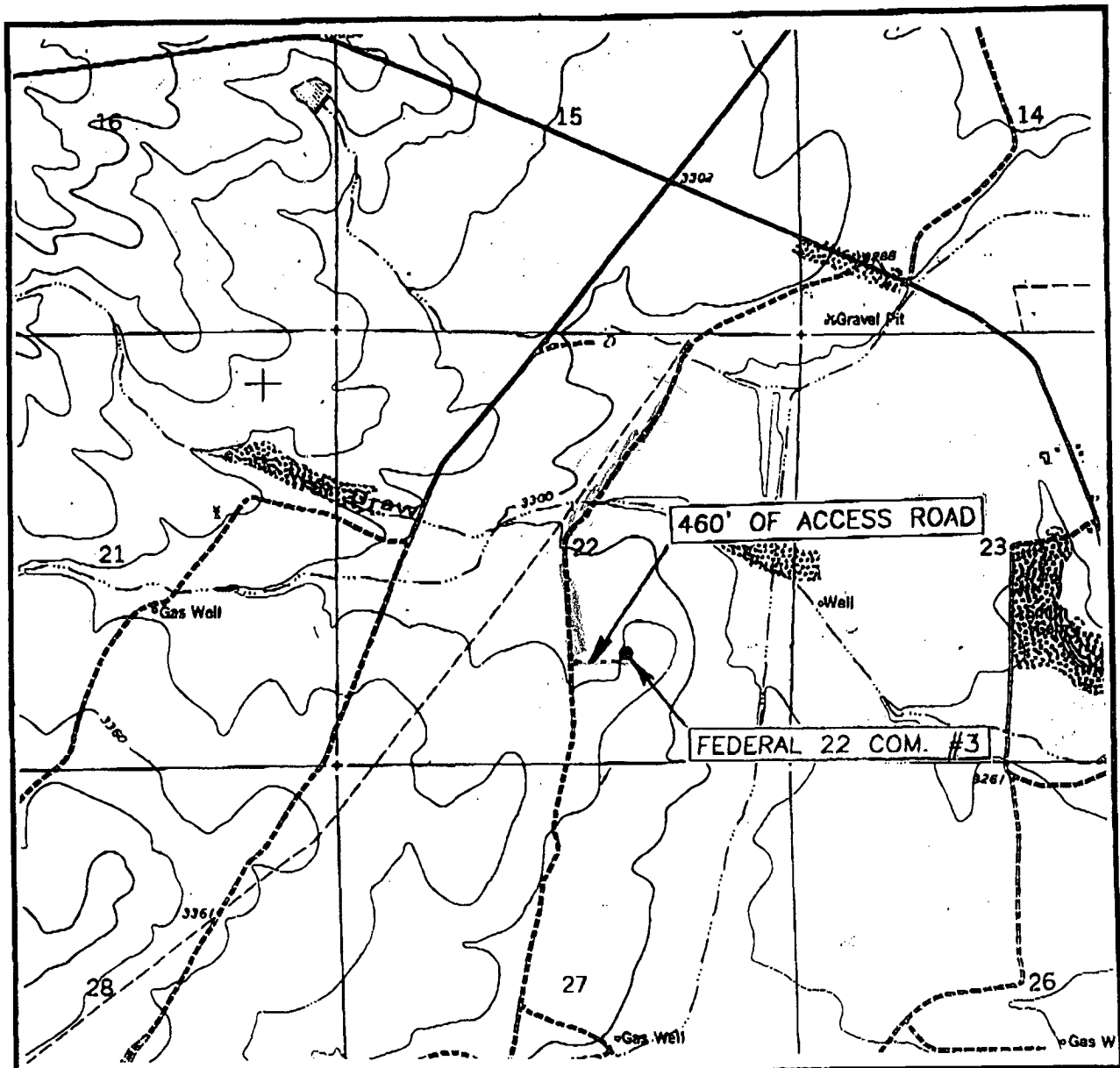
1650' Federal 22 Com No. 1 1400' GEODETIC COORDINATES NAD27 NME Y= 436298.3 N X= 517052.3 E LAT.= 32°11'58.16"N LONG.= 104°16'41.54"W Federal 22 Com No. 2 1066' 660' 3315.2' 500' 3322.1' 3319.3' 500' 3326.7' 1400' BHL 1980'	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. <i>Zeno Farris</i> Signature Zeno Farris Printed Name Manager; Operations Admin Title August 8, 2003 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. July 02, 2003 Date Surveyed Signature of Surveyor Professional Surveyor NEW MEXICO 12041 03.11.0693 Certified by: RONALD J. EIDSON 5820 12041
---	--



[illegible]

Exhibit "B"

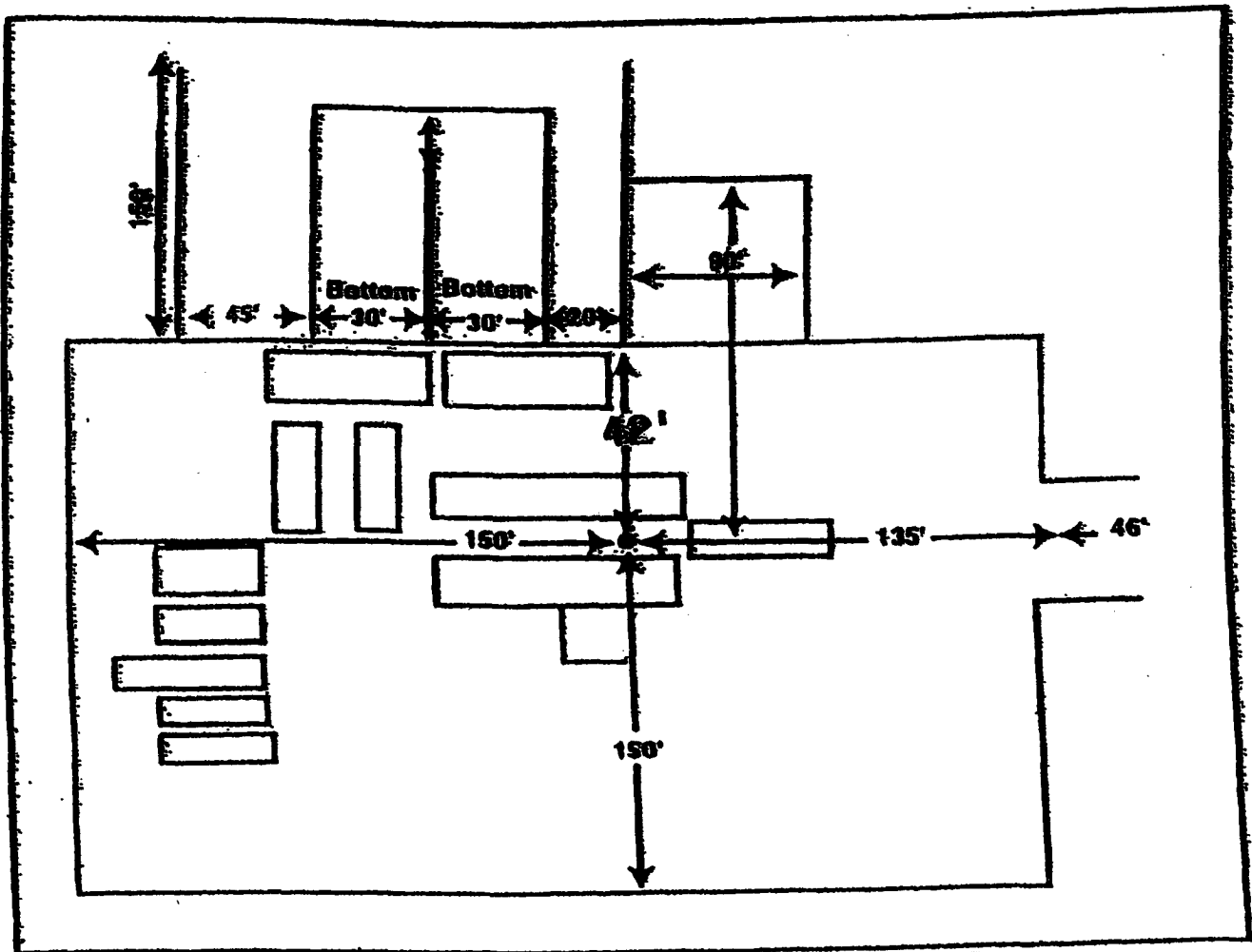
LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 20'
BLACK RIVER VILLAGE, N.M.SEC. 22 TWP. 24-S RGE. 26-ESURVEY N.M.P.M.COUNTY EDDYDESCRIPTION 1400' FSL & 1980' FELELEVATION 3318'OPERATOR GRUY PETROLEUM MANAGEMENT CO.LEASE FEDERAL 22 COM.U.S.G.S. TOPOGRAPHIC MAP
BLACK RIVER VILLAGE, N.M.**JOHN WEST SURVEYING**
HOBBS, NEW MEXICO
(505) 393-3117

Exhibit "C"



Rig 75

Exhibit D
 Rig Layout Plan
 Federal 22 Com No. 3
 Gruy Petroleum Management Co.
 Unit J, Sec. 22; T24S; R26E
 SHL: 1400' FSL & 1980' FEL
 BHL: 1400' FSL & 1300' FEL
 Eddy County, NM

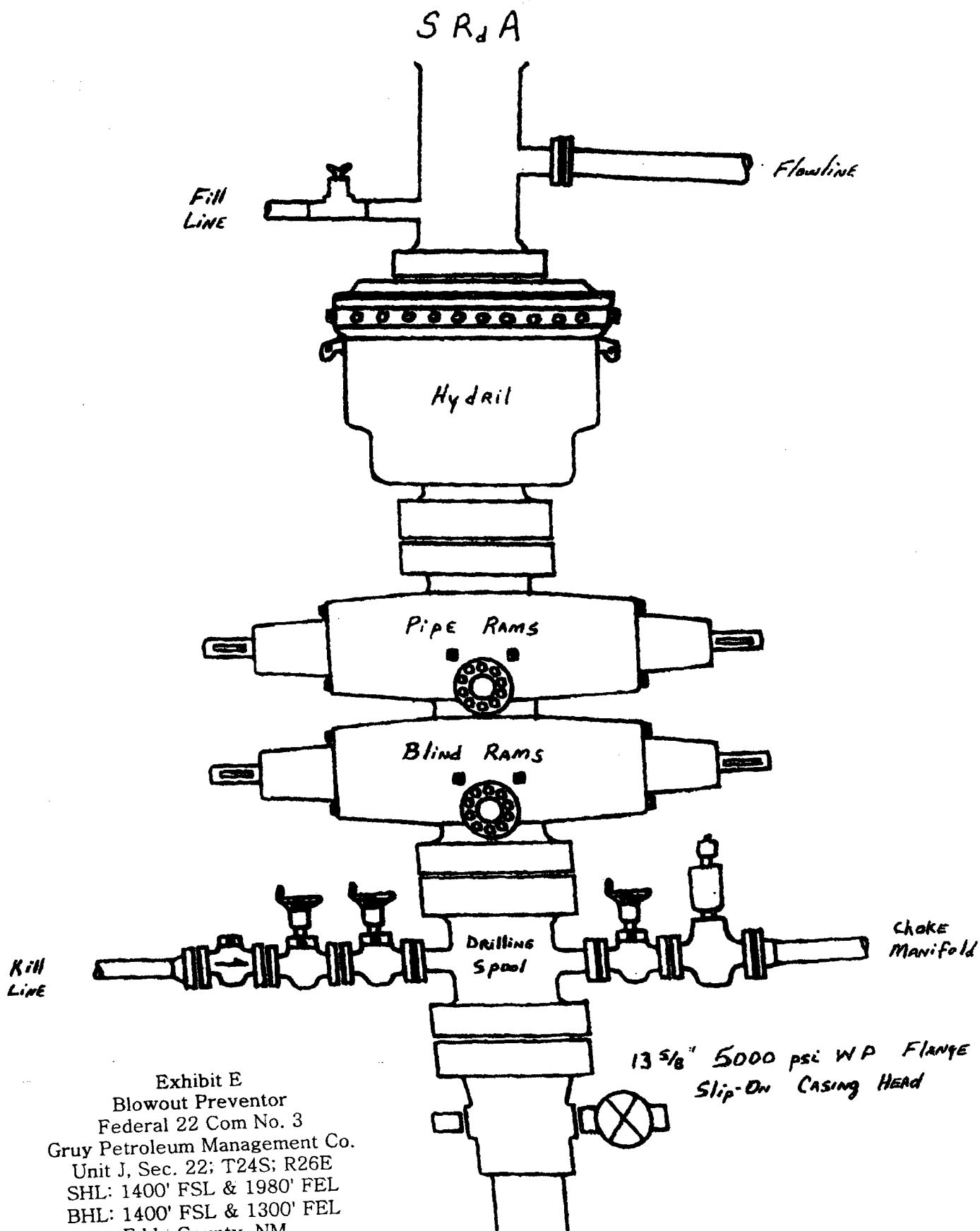


Exhibit E
 Blowout Preventor
 Federal 22 Com No. 3
 Gruy Petroleum Management Co.
 Unit J, Sec. 22; T24S; R26E
 SHL: 1400' FSL & 1980' FEL
 BHL: 1400' FSL & 1300' FEL
 Eddy County, NM

HALLIBURTON

Gruy Petroleum Management Co.

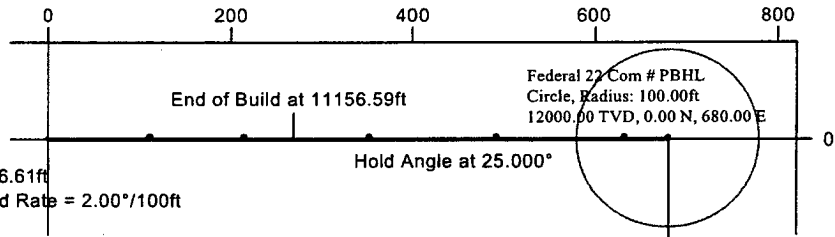
DrillQuest

Sperry-Sun

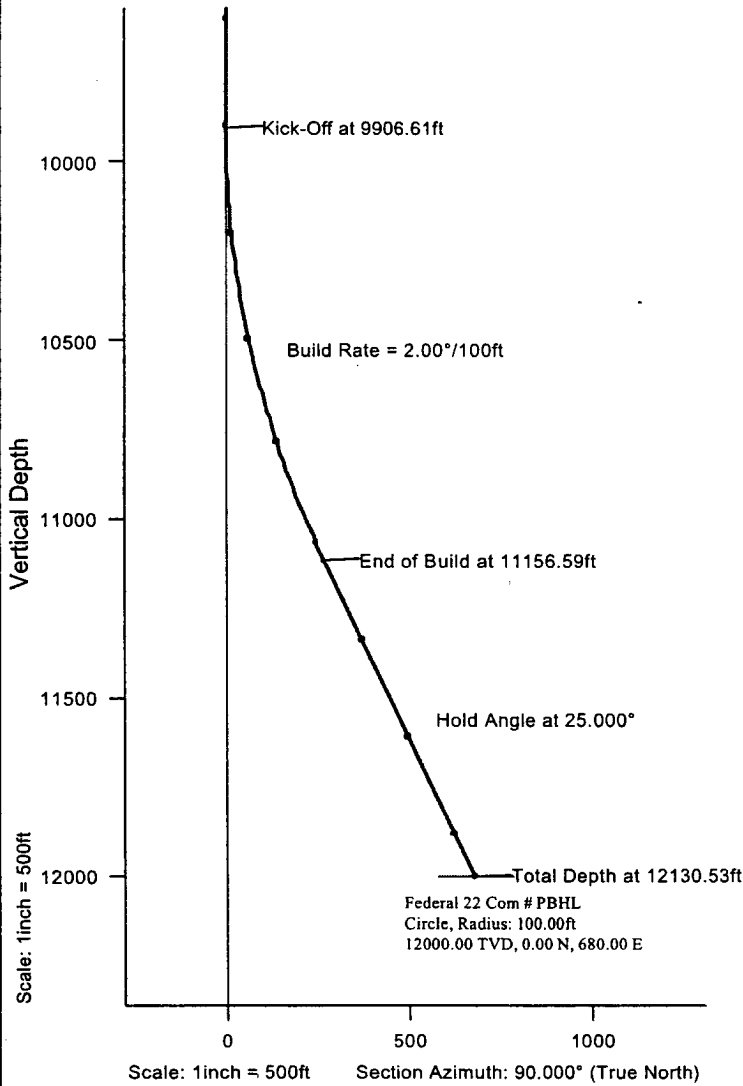
New Mexico
Eddy County
Sec. 22-T24S-R26E
Federal 22 Com # 3
Plan 08/12/03

Scale: 1 inch = 200ft

Eastings



Scale: 1 inch = 200ft
Northings



Scale: 1 inch = 500ft

Section Azimuth: 90.000° (True North)

Vertical Section

Prepared by:
Admin

Date/Time:
12 August, 2003 - 13:25

Checked:

Approved:



**Gruy Petroleum Management Co.
New Mexico
Eddy County
Federal 22 Com # 3 - Plan 08/12/03**

Sperry-Sun

Proposal Report

12 August, 2003

Data Source: Information from Wade Wiley

Proposal Ref: pro6791

HALLIBURTON

Proposal Report for Federal 22 Com # 3 - Plan 08/12/03 **Data Source: Information from Wade Wiley**

Measured Depth (ft)	Incl. (Deg)	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		
9906.61	0.000	0.000	9906.61	0.00 N	0.00 E	0.00	0.00	Kick-Off at 9906.61ft
10000.00	1.868	90.000	9999.98	0.00 N	1.52 E	1.52	2.00	
10100.00	3.868	90.000	10099.85	0.00 N	6.52 E	6.52	2.00	
10200.00	5.868	90.000	10199.49	0.00 N	15.01 E	15.01	2.00	
10300.00	7.868	90.000	10298.76	0.00 N	26.97 E	26.97	2.00	
10400.00	9.868	90.000	10397.56	0.00 N	42.38 E	42.38	2.00	
10500.00	11.868	90.000	10495.77	0.00 N	61.24 E	61.24	2.00	
10531.60	12.500	90.000	10526.65	0.00 N	67.90 E	67.90	2.00	Build Rate = 2.00°/100ft
10600.00	13.868	90.000	10593.25	0.00 N	83.50 E	83.50	2.00	
10700.00	15.868	90.000	10689.90	0.00 N	109.16 E	109.16	2.00	
10800.00	17.868	90.000	10785.59	0.00 N	138.18 E	138.18	2.00	
10900.00	19.868	90.000	10880.21	0.00 N	170.51 E	170.51	2.00	
11000.00	21.868	90.000	10973.65	0.00 N	206.13 E	206.13	2.00	
11100.00	23.868	90.000	11065.78	0.00 N	244.99 E	244.99	2.00	
11156.59	25.000	90.000	11117.30	0.00 N	268.40 E	268.40	2.00	End of Build at 11156.59ft
11200.00	25.000	90.000	11156.65	0.00 N	286.75 E	286.75	0.00	
11300.00	25.000	90.000	11247.28	0.00 N	329.01 E	329.01	0.00	
11400.00	25.000	90.000	11337.91	0.00 N	371.27 E	371.27	0.00	
11500.00	25.000	90.000	11428.54	0.00 N	413.53 E	413.53	0.00	
11600.00	25.000	90.000	11519.17	0.00 N	455.79 E	455.79	0.00	
11643.56	25.000	90.000	11558.65	0.00 N	474.20 E	474.20	0.00	Hold Angle at 25.000°
11700.00	25.000	90.000	11609.80	0.00 N	498.05 E	498.05	0.00	
11800.00	25.000	90.000	11700.43	0.00 N	540.31 E	540.31	0.00	
11900.00	25.000	90.000	11791.06	0.00 N	582.57 E	582.57	0.00	
12000.00	25.000	90.000	11881.70	0.00 N	624.83 E	624.83	0.00	
12100.00	25.000	90.000	11972.33	0.00 N	667.10 E	667.10	0.00	
12130.53	25.000	90.000	12000.00	0.00 N	680.00 E	680.00	0.00	Total Depth at 12130.53ft Target - Federal 22 Com # PBHL, 100.00 Radius., Current Target

All data is in Feet (US) unless otherwise stated. Directions and coordinates are relative to True North. Vertical depths are relative to RKB. Northings and Eastings are relative to 1400' FSL/1980' FEL.

The Dogleg Severity is in Degrees per 100 feet.

Vertical Section is from 1400' FSL/1980' FEL and calculated along an Azimuth of 90.000° (True).

Magnetic Declination at Surface is 8.881° (12-Aug-03)

Based upon Minimum Curvature type calculations, at a Measured Depth of 12130.53ft., The Bottom Hole Displacement is 680.00ft., in the Direction of 90.000° (True).

HALLIBURTON

Gruy Petroleum Management Co.
New Mexico
Eddy County

Proposal Report for Federal 22 Com # 3 - Plan 08/12/03
Data Source: Information from Wade Wiley

Comments

Measured Depth (ft)	Station Coordinates			Comment
	TVD (ft)	Northings (ft)	Eastings (ft)	
9906.61	9906.61	0.00 N	0.00 E	Kick-Off at 9906.61ft
10531.60	10526.65	0.00 N	67.90 E	Build Rate = 2.00°/100ft
11156.59	11117.30	0.00 N	268.40 E	End of Build at 11156.59ft
11643.56	11558.65	0.00 N	474.20 E	Hold Angle at 25.000°
12130.53	12000.00	0.00 N	680.00 E	Total Depth at 12130.53ft

Targets associated with this wellpath

Target Name	Target Entry Coordinates			Target Shape	Target Type
	TVD (ft)	Northings (ft)	Eastings (ft)		
Federal 22 Com # PBHL	12000.00	0.00 N	680.00 E	Circle	Current Target

Application to Drill

Gruy Petroleum Management Co.
Federal 22 Com 3
Unit Letter J Section 22
T24S - 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 Morrow / Atoka pay will be perforated and stimulated. The well will be tested and potentialized as a gas well.