

N.M. Oil Cons. Div-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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	
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) 1060' FSL & 1025' FEL Sec 30-24S-26E	

RECEIVED

SEP 09 2004

ODD-ARTESIA

5. Lease Serial No. LC -065347 065457
6. If Indian, Allottee or Tribe Name
7. If Unit or CA/Agreement, Name and/or No.
8. Well Name and No. J M Gates Federal NCT-1 No. 2
9. API Well No. 30-015-33387
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 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 checked="" 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 Set surface and intermediate casing
	<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

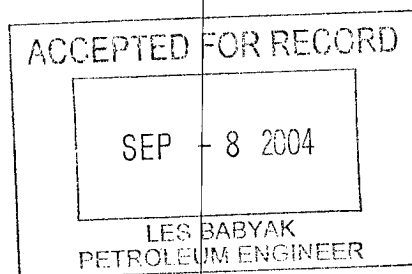
13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths 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.)

07-07-04 Spud well at 6:30am.

07-10-04 Ran 9-5/8" 40# NS-110 LT&C casing to 1575.' Cemented lead 500 sx Interfill "C" + 1/4# Flocele per sx. Cemented tail 200 sx Premium Plus + 2% CaCl per sx. Plugged down and bumped with 950#. Did not circulate cement. TOC 164' DF.

07-11-04 Ran 7 jts of 1" to 186.' Cemented backside with 238 sx "C" and circulated 40 sx to surface. WOC 13.75 hours.

Please see attached drilling report.



14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) Natalie Krueger	Title Production Assistant
Signature <i>Natalie Krueger</i>	Date September 2, 2004

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.	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)

Gruy Petroleum Management Co.

Magnum Hunter Production, Inc.

Well History

July 6, 2004 Thru July 11, 2004

OPERATED

CARLSBAD SOUTH

GRUY PETROLEUM MANAGEMENT CO

77300 JM GATES FEDERAL NCT 1 #2

30-015-33387

EDDY, NM

Sec 30, T24S, R26E

Morrow / 13,000'

07/06/2004

Depth 91

Progress 91

AFE: 24109 Present Operation: Preparing to Spud

Location staked by John West Surveying Co. on 2/10/2004 - 1,060' FSL & 1,025' FEL of Sec. 30 T-24-S R-26-E in Eddy County, New Mexico. B&H Construction built location, road & pits on 5/21/04 to 5/27/04. Auger Air Drilling set 20" conductor pipe at 68' FGL & cemented with 9 yds. ready mix cement - dug rat & mouse holes on 6/17 to 6/27/2004. Akome, Inc. plastic lined cuttings pit on 6/16/04 - JWS transfered 930 Bbls. fresh water from the Estill "AD" Fed. # 2 & put in cuttings pit to hold down the plastic on 6/16/04. MIRU Patterson-UTIRig # 75 on 7/5/04. Welded flow nipple onto conductor pipe - mixed spud mud -preparing to spud well.

07/07/2004

Depth 426

Progress 335

AFE: 24109 Present Operation: Drlg

Finish Rigging Up, make up 17 1/2" bit, 9" shock tool and 17-1/2" string reamer Drill from 91' to 186' (Spud at 06:30 Am CDT) BLM Notified at 07:30 WLS @ 186' = 0.75 Drill from 186' to 350' TD - (Reached TD of 17 1/2" hole at 9:45 PM (CDT) 7/6/2004) Full Returns - Will reduce to 12 1/4" Pump NP-110 sweep & circulate hole clean Drop Totco @ 350' = 1.25o & trip out to pick up 12 1/4" tools - LD BHR, shock sub & bit Jet & clean pits, fill pits with reserve pit water PU & TIH with Bit # 2, motor, BHA & 8" DC's Drill 12 1/4" hole with sperry sun motor and teledrift from 350' to 426', full returns

07/08/2004

Depth 1,126

Progress 700

AFE: 24109 Present Operation: Drlg

Drill from 426' to 482' Motor =88 RPM - Rotary 50 - 35 - 40K Bit wt, Survey @ 397' 1.00 Drill from 482' to 538' Motor =88 RPM - Rotary 50 - 35 - 40K Bit wt, Survey @ 453' 1.00 Drill from 538' to 690' Motor = 88 RPM - Rotary 50 RPM, Bit Wt. 35 - 40 K, Survey @ 605' 1.50* Drill from 690' to 753' = Motor 88 RPM - Rotary 50 RPM - Bit Wt. 35 - 40 K, Survey @ 700' 1.50* Drill from 753' to 785' = Motor 88 RPM - Rotary 50 RPM - Bit WT. 35 K Drill from 785' to 848' = Motor 88 RPM - Rotary 50 RPM - Bit WT. 30 K Teledrift Survey = No Survey @ 766' Rig Service Repair DP Slips, (Two Broken Inserts Lost Out Of Slips) Drill from 848' to 976' = Motor 88 RPM - Rotary 50 RPM - Bit WT. 35 K, Watch for possible Junk on bottom - OK Teledrift Survey @ 931' = 1.00* Drill from 976' to 1071' Motor RPM = 88 - Rotary RPM = 50 - Bit WT. = 30 K Teledrift Survey @ 1076" = 1.00* Drill from 1071' to 1126' Motor RPM = 88 - Rotary RPM = 50 - Bit WT. = 25 K, Full Returns (Note: Top Of Salt From 955' To 960', Base Of Salt From 978' To 1008')

07/09/2004

Depth 1,560

Progress 434

AFE: 24109 Present Operation: Drlg

Drill from 1,126' to 1,165' Motor RPM = 88 - Rotary 50 - Bit WT. 25 K, Salt From 1,114' to 1,141' Teledrift survey @ 1,120' = .50* Drill from 1,165' to 1,263' Motor RPM = 88 - Rotary 50 - Bit WT. 25 K, Salt From 1,186' to 1,223' Mud Wt. 9.5 Teledrift survey @ 1,218' = .50*, Mud Wt. Increased to 9.5 due to salt in hole, no brine added to system Rig Service Drill From 1,263' To 1,387' Motor RPM = 88 - Rotary 50 RPM- Bit WT. 35 - 40 K Telefrift Survey @ 1,342' = 1.00*1 Mud WT. @ 9.7 Due To Salt In Hole, No Brine, Fresh Water Only Drill From 1,387' To 1,513' Motor RPM = 88 - Rotary 50 RPM - Bit WT. 40 K Teledrift Survey @ 1,468' = 1.00* Mud WT. @ 10.0 - Fresh Water Only - No Brine Drill From 1,513' To 1,560' - Run Davis Fluid Caliper @ 5:45 AM - No Results @ Report Time Motor RPM 80 - Rotary 50 - Bit Wt. 50 K NOTE: Top of Salt @ 955' to 960' Base of Salt @ 1,186' to 1,223'

07/10/2004

Depth 1,569
Progress 9
Present Operation: WOC

AFE: 24109

Drill from 1,560' to 1,569' Motor = 80 RPM- Rotary = 50 RPM- Bit WT. 50 K- TD 12 1/4" hole @ 6:30 AM (CDT) Run Fluid Caliper = 1,029 Cu Ft = 109% Wash out Circulate sweep hole clean with 50 Bbls of 60 Vis fresh water Gel & Paper Drop Survey - Trip out with 10 Stands DP - RU Lay down machine - lay down 8" DC's, BHA, Teledrift Motor & 12 1/4" Bit RU Lay down machine, casing Crew & hold tailgate safety meeting Ran 9 5/8" casing (See Casing Detail) - RD casing crew & lay down machine RU Halliburton - washed 2' of fill from 1,567' to 1,569' TD & circulated to clear casing Hall. cemented 9 5/8" csg. (Lead) 500 sx Interfill "C" + 1/4# Flocele per sx, followed by (Tail) 200 sx Premium Plus Cement + 2% CaCl per sx - plug down & bumped with 950# at 5:15 PM (CDT) 7/9/04 - Did Not Circulate cement to surface - Duncan Whitlock with BLM witnessed job WOC - Cut off 20" conductor - RU PRO Wireline - Run Temp survey - TOC @ 164' DF Run 7 Jts 1" To 186' - RU Howco cement backside with 238 sx "C" - Circulated 40sx to surface RD Howco WOC Note : Duncan Whitlock Witnessed All Cementing

07/11/2004

Depth 1,585
Progress 16
Present Operation: Drlg

AFE: 24109

WOC - Cut Off 9 5/8" Weld & Test 9 5/8' Head @ 5,000 PSI - OK NU BOP Manifold Separator Test BOP, choke manifold & associated equipment with Man Welding Service to 5,000# - OK - Repair Air Pump On Accumulator PU & TIH with BHA & DC's - test motor - OK - Slow Due to Thunderstorms & Lightning TIH with 4 1/2" DP out of derrick - LD 13 jts. DP - tagged cement at 1,512' Test 9 5/8" casing, BOP & well head to 2,200# for 10 mins. with rig pump - OK Drill cement, wiper plug, float collar, cement & shoe from 1,512' to 1,569' Drill from 1,569' to 1,573" (149 RPM motor - 40 RPM rotary - 30K bit wt.) - back on formation at 4:45 AM (CDT) 7/11/2004 Test formation from 1,569' to 1,573' to 300# for 10 Mins with rig pump - OK - Check Teledrift @ 1,536' = 1.00* Drill from 1,573' to 1585,' (149 RPM motor - 40 RPM rotary - 30K bit wt.) (Notified Duncan Whitlock For Bop Test - Did not witness test)