



OLD Artesia

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

June 8, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Gruy Petroleum Management Company
P. O. Box 140907
Irving, Texas 75014-0907

RECEIVED

JUN 17 2005

OLD-ARTESIA

Attention: Zeno Farris
zfarris@magnumhunter.com

Administrative Order NSL-5215 (BHL)

Dear Mr. Farris:

Reference is made to the following: (i) your initial application submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on March 8, 2005 (*administrative application reference No. pMES0-509836350*) for an unorthodox subsurface gas well location within a standard 320-acre stand-up gas spacing unit comprising the W/2 of Section 26, Township 25 South, Range 26 East, NMPM, Eddy County, New Mexico, for the Undesignated Cottonwood Draw-Atoka Gas Pool (97435), and the Cottonwood Draw-Morrow Gas Pool (97377); (ii) your telephone conversations with Mr. Michael E. Stogner, Engineer with the Division in Santa Fe on March 16, 2005 and on April 4 and 8, 2005; (iii) your letter dated April 22, 2005 showing that notification pursuant to Division Rule 1205.A (2) had been provided; (iv) your request by letter dated May 17, 2005 to amend your original filing by omitting the Atoka interval and limiting this application to the Morrow formation only; and (v) the Division's records in Santa Fe and Artesia.

This application has been duly filed under the provisions of Division Rules 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, and 111.C (2).

Under the provisions of Division Rules 111.A (7) and 111.C (1), Gruy Petroleum Management Company ("Gruy") directionally drill the Goldeneye "26" Federal Com. Well No. 2 (API No. 30-015-33627) from a surface location 330 feet from the North line and 1450 feet from the West line (Unit C) of Section 26, to a projected bottomhole location at a depth of 13,000 feet 850 feet from the North line and 1450 feet from the West line (Unit C) of Section 26. It was Gruy's intent to intersect the tops of both the Atoka and Morrow formations at standard subsurface locations within the subject 320-acre unit.

From your amended application and the Division's records, it is our understanding that the: (i) actual bottomhole location at a total depth of 12,358 feet (MD), 12,316 feet (TVD) of this wellbore is 801 feet from the North line and 1433 feet from the West line (Unit C) of Section 26; and (ii) penetration point of the Morrow formation at 11,475 feet is 648 feet from the North line and 1454 feet from the West line (Unit C) of Section 26. Pursuant to Division Rules 104.C (2), 111.B (3), and 111.A (13) this well is considered to be "unorthodox" for the Cottonwood Draw-Morrow Gas Pool within this 320-acre unit.

Gruy Petroleum Management Company

June 8, 2005

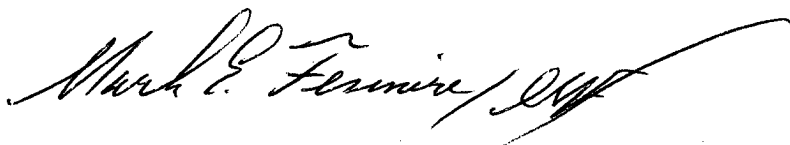
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By the authority granted me under the provisions of Division Rule 104.F (2), the above-described non-standard Morrow subsurface gas well location within the W/2 of Section 26 and well bore path of Gruy's Goldeneye "26" Federal Com. Well No. 2 is hereby approved.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire", followed by a long, sweeping horizontal flourish.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management - Carlsbad