

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

(Other instructions on  
reverse side)

5. LEASE DESIGNATION AND SERIAL NO.

NM-0560378

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.

Henshaw 15 Federal No. 1

9. API WELL NO.

30-015- 34618

10. FIELD AND POOL, OR WILDCAT

Henshaw; Morrow

11. SEC. T., R., M., BLOCK AND SURVEY

OR AREA

Sec 15-T16S-R30E

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)

1160' FSL & 660' FEL

FEB 14 2006

OCD-ARTESIA

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE\*

6 miles North and 2 miles East

12. COUNTY OR PARISH

Eddy

13. STATE

NM

15. DISTANCE FROM PROPOSED\*  
LOCATION TO NEAREST  
PROPERTY OR LEASE LINE, T.O.

(Also to nearest drg. unit line, if any) 660'

16. NO. OF ACRES IN LEASE

320

17. NO. OF ACRES ASSIGNED  
TO THIS WELL

E/2 320

18. DISTANCE FROM PROPOSED LOCATION\*  
TO NEAREST WELL, DRILLING COMPLETED,  
OR APPLIED FOR, ON THIS LEASE, FT.

NA

19. PROPOSED DEPTH

11000'

20. ROTARY OR CABLE TOOLS

Rotary

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

3800' GR

Roswell Controlled Water Basin

22. APPROX. DATE WORK WILL START\*

03-01-06

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	H-40 13-3/8"	48#	450'	490 sx circulate
12-1/4"	J-55 9-5/8"	40#	3100'	1200 sx circulate
8-3/4"	P-110 5-1/2"	17#	11000'	1620 sx TOC 2700'

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 0.22 psi per foot or 1500 psi, whichever is greater, but not to exceed 70% of the manufacturer's 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 psi 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. *Run Low And High Pressure test.*

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 F. Amis TITLE Mgr. Ops. Admin

DATE 01-05-06

(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 FIELD MANAGER

DATE

FEB 13 2006

\*See Instructions On Reverse Side

APPROVAL FOR 1 YEAR

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS  
ATTACHED

If earthen pits are used in  
association with the drilling of this  
well, an OCD pit permit must be  
obtained prior to pit construction.

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

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

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code 96826	Pool Name Henshaw; Morrow
Property Code	Property Name HENSHAW 15 FEDERAL	Well Number 1
OGRID No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT COMPANY	Elevation 3800'

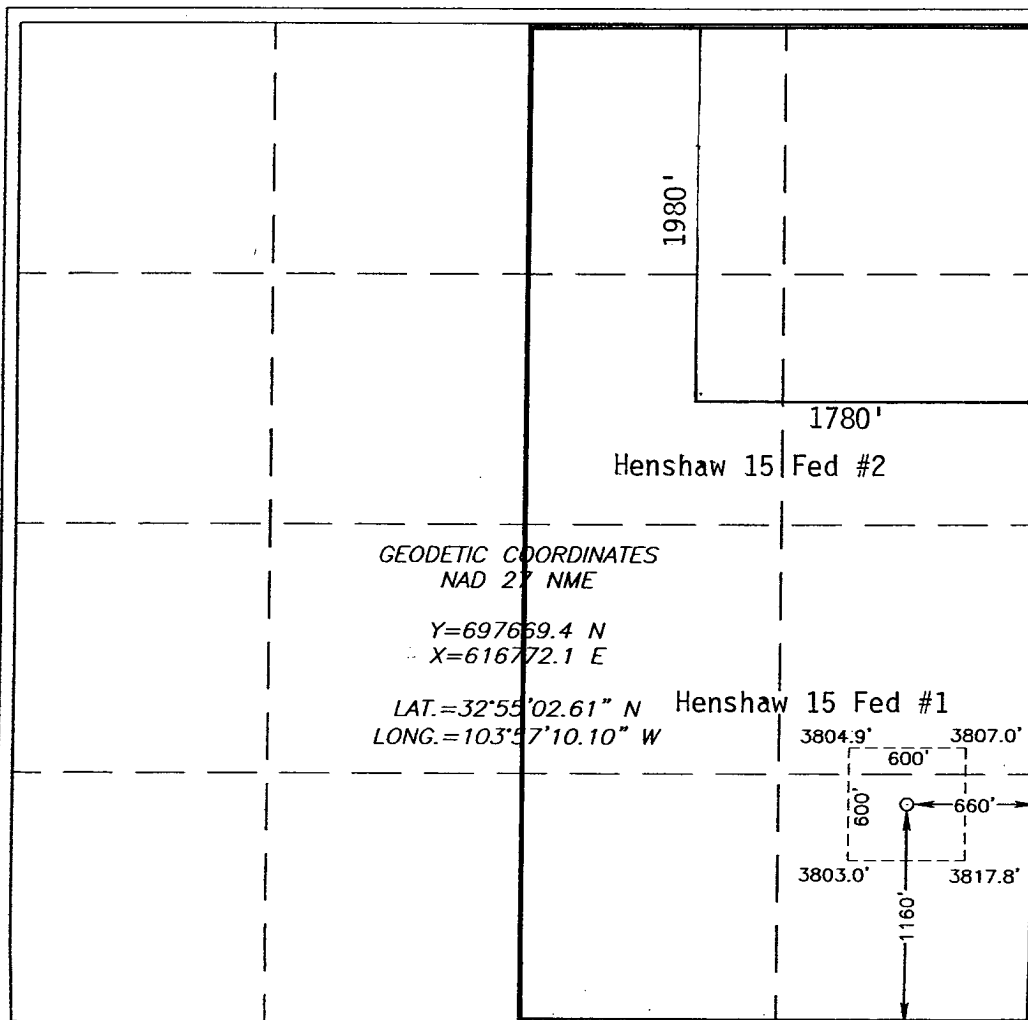
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	15	16-S	30-E		1160	SOUTH	660	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
Dedicated Acres 320	Joint or Infill Y	Consolidation Code	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



OPERATOR CERTIFICATION

I hereby certify the the information  
contained herein is true and complete to the  
best of my knowledge and belief.

*Zeno Farris*  
Signature

Zeno Farris

Printed Name

Mgr Operations Admin

Title

January 5, 2005

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.

DECEMBER 22, 2005

Date Surveyed RZB

*Ronald F. Eidson*  
Signature & Seal of  
Professional Surveyor  
NEW MEXICO  
3239  
05-11-187  
12/30/05

Certificate No. GARY EIDSON 12641  
RONALD F. EIDSON 3239

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@cimarex.com

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

Facility or well name: Henshaw 15 Federal No. 1 API #: 30-015- U/L or Qtr/Qtr<sup>P</sup> Sec 15 T16S R30E

County: Eddy Latitude 325502.61 N Longitude 1035710.10 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 12000 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: 01-05-06

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: *1-12-06*

Date:

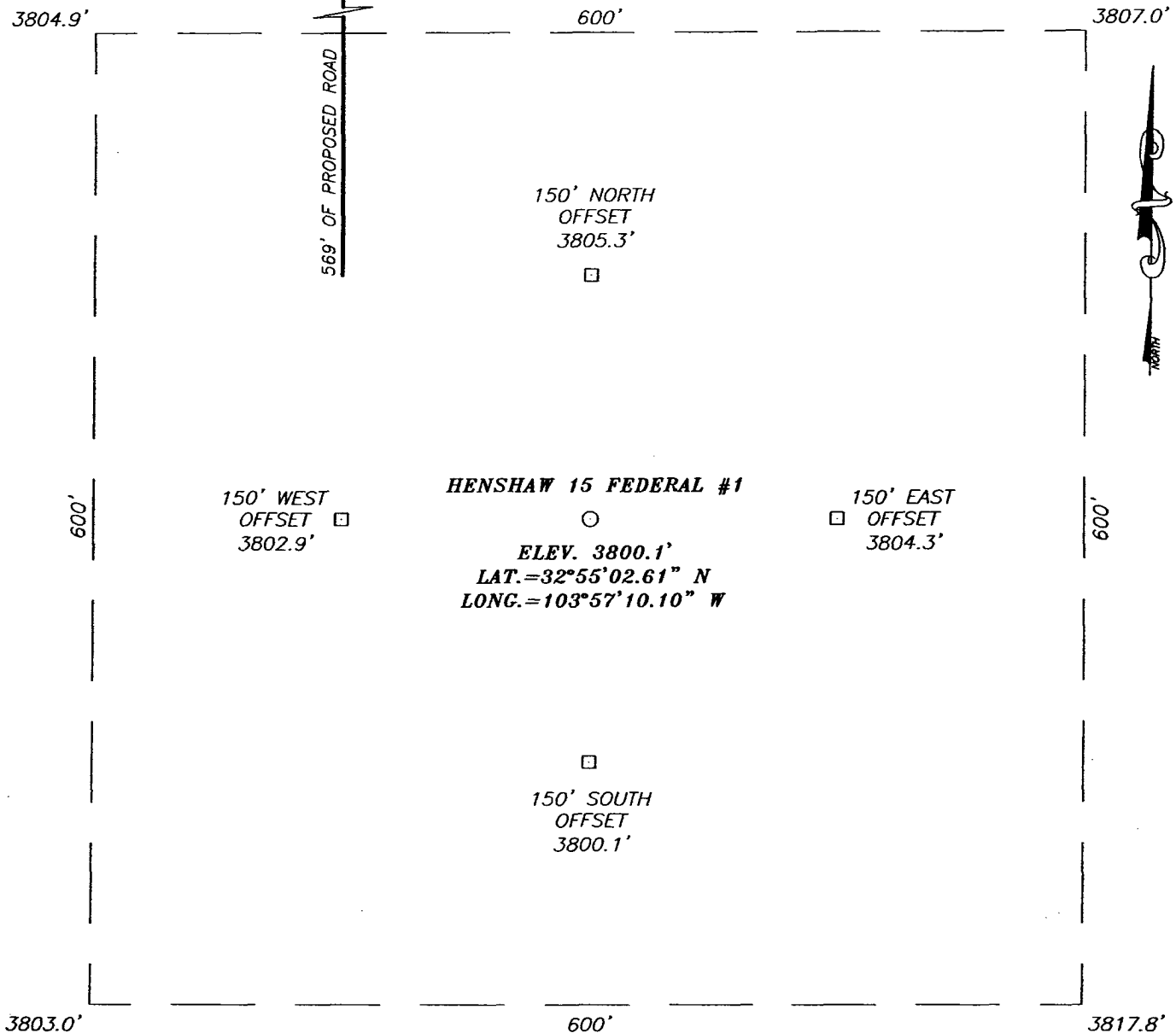
Printed Name/Title

Signature *[Signature]*

# SECTION 15, TOWNSHIP 16 SOUTH, RANGE 30 EAST, N.M.P.M.,

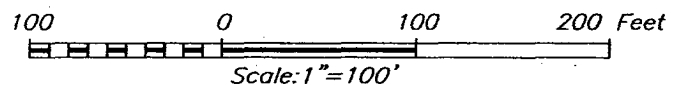
EDDY COUNTY, ——— EXIST ROAD ———

NEW MEXICO



## DIRECTIONS TO LOCATION

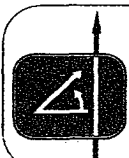
FROM US. HWY. 82 AND CO. RD. #217  
(HAGGERMAN CUTOFF) GO NORTH ON CO. RD.  
#217 FOR APPROX. 6.5 MILES. GO RIGHT (EAST)  
ON ON CO. RD. #253 (SHELL RD.) FOR APPROX.  
1.7 MILES TO A CALICHE RD. TO THE LEFT  
(NORTH). THEN GO APPROX. 0.4 MILES, AT THIS  
POINT THE RD. BENDS TO THE RIGHT (EAST) AND  
GO APPROX. 0.3 MILES TO FLAG AT RD. ON THE  
SOUTH MARKED CENTERLINE RD. AND FOLLOW THIS  
RD. SOUTH FOR APPROX. 500 FEET TO THE  
LOCATION.



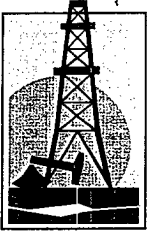
## GRUY PETROLEUM MANAGEMENT COMPANY

HENSHAW 15 FEDERAL #1 WELL  
LOCATED 1160 FEET FROM THE SOUTH LINE  
AND 660 FEET FROM THE EAST LINE OF SECTION 15,  
TOWNSHIP 16 SOUTH, RANGE 30 EAST, N.M.P.M.,  
EDDY COUNTY, NEW MEXICO.

Survey Date: 12/22/05	Sheet 1 of 1 Sheets
W.O. Number: 05.11.1874	Dr By: RZB
Date: 12/30/05	Disk: CD#4
05111874	Scale: 1"=100'



PROVIDING SURVEYING SERVICES  
SINCE 1946  
**JOHN WEST SURVEYING COMPANY**  
412 N. DAL PASO  
HOBBS, N.M. 88240  
(505) 393-3117



## **Gruy Petroleum Management Co.**

600 East Las Colinas Blvd. • Suite 1100 • Irving, TX 75039 • (972) 401-3111 • Fax (469) 420-2710  
Mailing Address: P.O. Box 140907 • Irving, TX 75014-0907

*A wholly-owned subsidiary of Cimarex Energy Co., a NYSE Listed Company, "XEC"*

### **STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS**

Bureau of Land Management  
620 E. Greene St.  
Carlsbad, New Mexico 88220  
Attn: Ms. Linda Denniston

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-0560378; E/2 Sec 15-T16S-R30E; 320 acres

County: Eddy County, New Mexico

Formation (S): Morrow

Bond Coverage: Statewide 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: January 5, 2006

## Application to Drill

Gruy Petroleum Management Co.  
Henshaw 15 Federal No. 1  
Unit Letter P Section 15  
T16S - R30E 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: 1160' FSL & 660' FEL

2 Elevation above sea level: GR 3800'

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: 11000'

6 Estimated tops of geological markers:

San Andres	2920'	Strawn	10000'
Abo	6400'	Atoka	10150'
Hueco (Wolfcamp)	7625'	Morrow	10410'
Henshaw	8550'		

7 Possible mineral bearing formation:

Henshaw	Gas
Atoka	Gas
Morrow	Gas

8 Casing program:

Hole Size	Interval	Casing OD	Weight	Thread	Collar	Grade
17-1/2"	0-450'	13-3/8"	48	8-R	ST&C	H-40
12-1/4"	0-3100'	9-5/8"	40	8-R	LT&C	J-55
8-3/4"	0-11000'	5-1/2"	17	8-R	LT&C	P-110

## Application to Drill

Gruy Petroleum Management Co.  
Henshaw 15 Federal No. 1  
Unit Letter P Section 15  
T16S - R30E Eddy County, NM

### 9 Cementing & Setting Depth:

13-3/8"	Surface	Set 450' of 13-3/8" H-40 48 # ST&C casing. Cement with 490 Sx. Of Class "C" cement + additives, circulate cement to surface.
9-5/8"	Intermediate	Set 3100' of 9-5/8" J-55 40# LT&C casing. Lead with 1000 Sx. Of Class POZ/C Cement + additives, tail with 200 Sx. Of Class "C" + additives, circulate cement to surface.
5-1/2"	Production	Set 11000' of 5-1/2" P-110 17# LT&C casing. Cement in two stages, first stage cement with 1020 Sx. of Class POZ/C Cement + additives. Second stage cement with 600 Sx of Class "C" Estimated top of cement 2700'.

### 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 - 450'	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.
450' - 3100'	9.7 - 10.0	28 - 29	May lose circ.	Brine water. Add paper as needed to control seepage and add lime to control pH (9-10). Use high viscosity sweeps to clean hole.
3100' - 8300'	8.4 - 9.9	28 - 29	NC	Brine 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' - 11000'	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 DSTs, 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.  
Henshaw 15 Federal No. 1  
Unit Letter P Section 15  
T16S - R30E 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 DSTs or cores are planned at this time.

### 13 Potential Hazards:

No abnormal pressures or temperatures are expected. The area has a potential H2S hazard. An H2S drilling plan is attached. 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 175.

### 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 25 - 30 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 pay will be perforated and stimulated. The well will be tested and potentialized as a gas well.



# Hydrogen Sulfide Drilling Operations Plan

Gruy Petroleum Management Co.  
Henshaw 15 Federal No. 1  
Unit Letter P Section 15  
T16S - R30E Eddy County, NM

- 1 All Company and Contract personnel admitted on location must be trained by a qualified H2S safety instructor to the following:
  - A. Characteristics of H2S
  - B. Physical effects and hazards
  - C. Proper use of safety equipment and life support systems.
  - D. Principle and operation of H2S detectors, warning system and briefing
  - E. Evacuation procedure, routes and first aid.
  - F. Proper use of 30 minute pressure demand air pack.
- 2 H2S Detection and Alarm Systems
  - A. H2S detectors and audio alarm system to be located at bell nipple, end of flow line (mud pit) and on derrick floor or doghouse.
- 3 Windsock and/or wind streamers
  - A. Windsock at mudpit area should be high enough to be visible.
  - B. Windsock at briefing area should be high enough to be visible.
- 4 Condition Flags and Signs
  - A. Warning sign on access road to location.
  - B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H2S present in dangerous concentration. Only emergency
- 5 Well control equipment
  - A. See exhibit "E"
- 6 Communication
  - A. While working under masks chalkboards will be used for communication.
  - B. Hand signals will be used where chalk board is inappropriate.
  - C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephones will be available at most drilling foreman's trailer or living quarters.
- 7 Drillstem Testing not anticipated.

## **Hydrogen Sulfide Drilling Operations Plan**

Gruy Petroleum Management Co.  
Henshaw 15 Federal No. 1  
Unit Letter P Section 15  
T16S - R30E Eddy County, NM

- 8 Drilling contractor supervisor will be required to be familiar with the effects H<sub>2</sub>S has on tubular goods and other mechanical equipment.
- 9 If H<sub>2</sub>S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas separator will be brought into service along with H<sub>2</sub>S scavengers if

## Surface Use Plan

Gruy Petroleum Management Co.  
Henshaw 15 Federal No. 1  
Unit Letter P Section 15  
T16S - R30E 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 US Hwy 82 and Co Rd #217 (Haggerman Cutoff), go North on Co Rd #217 for approx 6.5 miles. Go right (East) on Co Rd #253 (Shell Rd) for approx 1.7 miles to a caliche road to the left (North). Then go approx 0.4 miles. At this point the road bends to the right (East) and go approx 0.3 miles to flag at road on the South (marked Centerline Rd). Follow this road South for approx 500 feet to the location.
- 2 PLANNED ACCESS ROADS: 569' of proposed road will be constructed on-lease
- 3 LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A"
  - A. Water wells - None shown
  - 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.  
Henshaw 15 Federal No. 1  
Unit Letter P Section 15  
T16S - R30E 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 by 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

8 ANCILLARY FACILITIES:

- A. No camps or airstrips to be constructed.

## **Surface Use Plan**

Gruy Petroleum Management Co.  
Henshaw 15 Federal No. 1  
Unit Letter P Section 15  
T16S - R30E Eddy County, NM

### **9 WELL SITE LAYOUT**

- A. Exhibit "D" shows location and rig layout.
- B. This exhibit indicates proposed location of reserve pit.
- C. Mud pits in the active circulating system will be steel pits and the reserve pit is proposed to be unlined, unless subsurface condition encountered during pit construction indicates that lining is needed for lateral containment of fluids.
- D. The reserve pit is to be lined with PVC or polyethylene line. The pit liner will be 12 mils thick. Pit liner will extend a minimum 2'00" over the reserve pits dikes where the liner will be anchored down.
- E. 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 recountoured 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.  
Henshaw 15 Federal No. 1  
Unit Letter P Section 15  
T16S - R30E 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 US Department of the Interior, Bureau of Land Management. The land is used mainly for farming, cattle ranching, recreational use, and
- 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 know dwellings within 1 1/2 miles of this location.

### 12 OPERATORS REPRESENTATIVE:

Gruy Petroleum Management Company  
P.O. Box 140907  
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/subcontractors and is 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: January 5, 2006

TITLE: Manager, Operations Administration

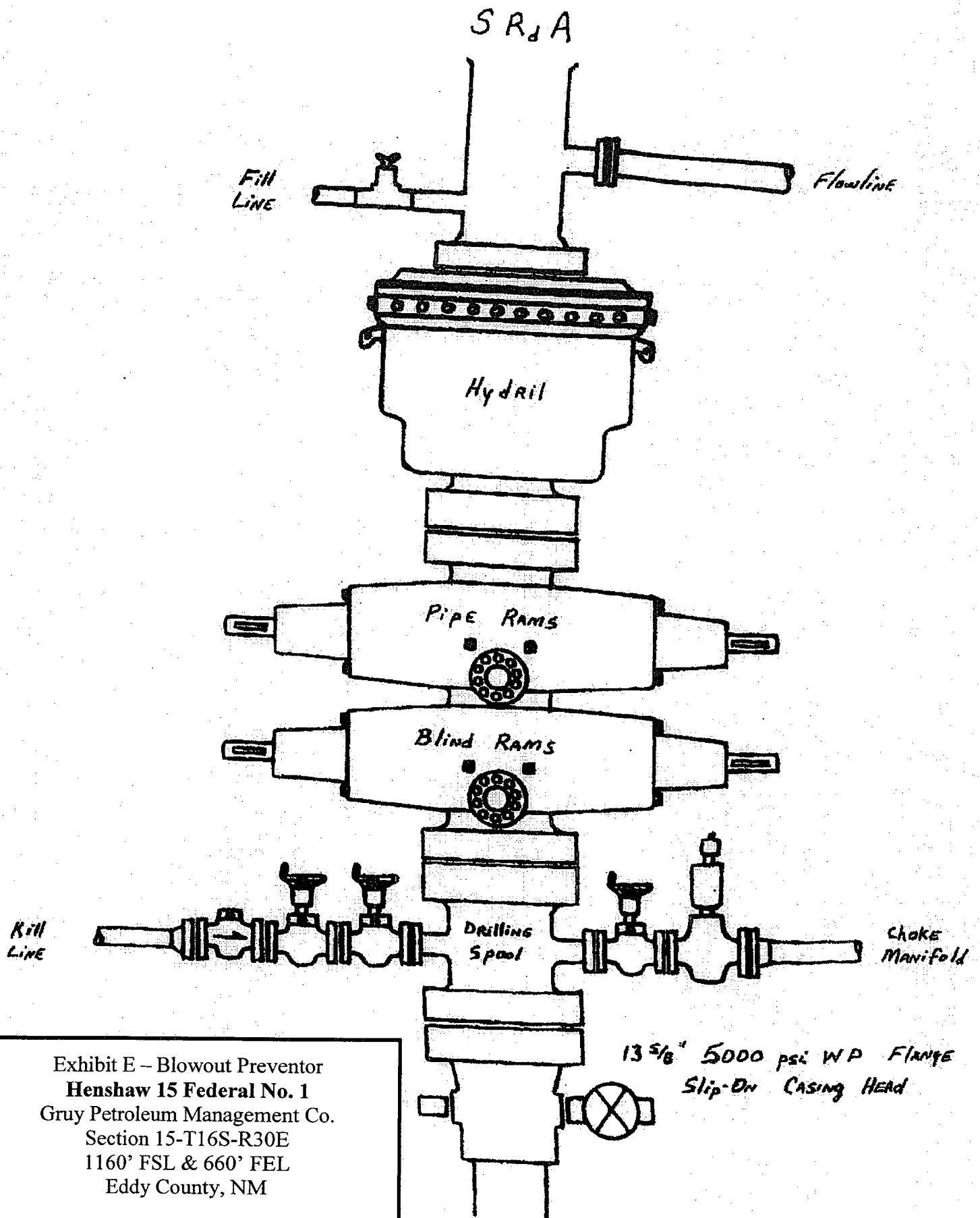


Exhibit E – Blowout Preventor  
Henshaw 15 Federal No. 1  
Gruy Petroleum Management Co.  
Section 15-T16S-R30E  
1160' FSL & 660' FEL  
Eddy County, NM

DRILLING OPERATIONS  
CHOKE MANIFOLD  
5M SERVICE

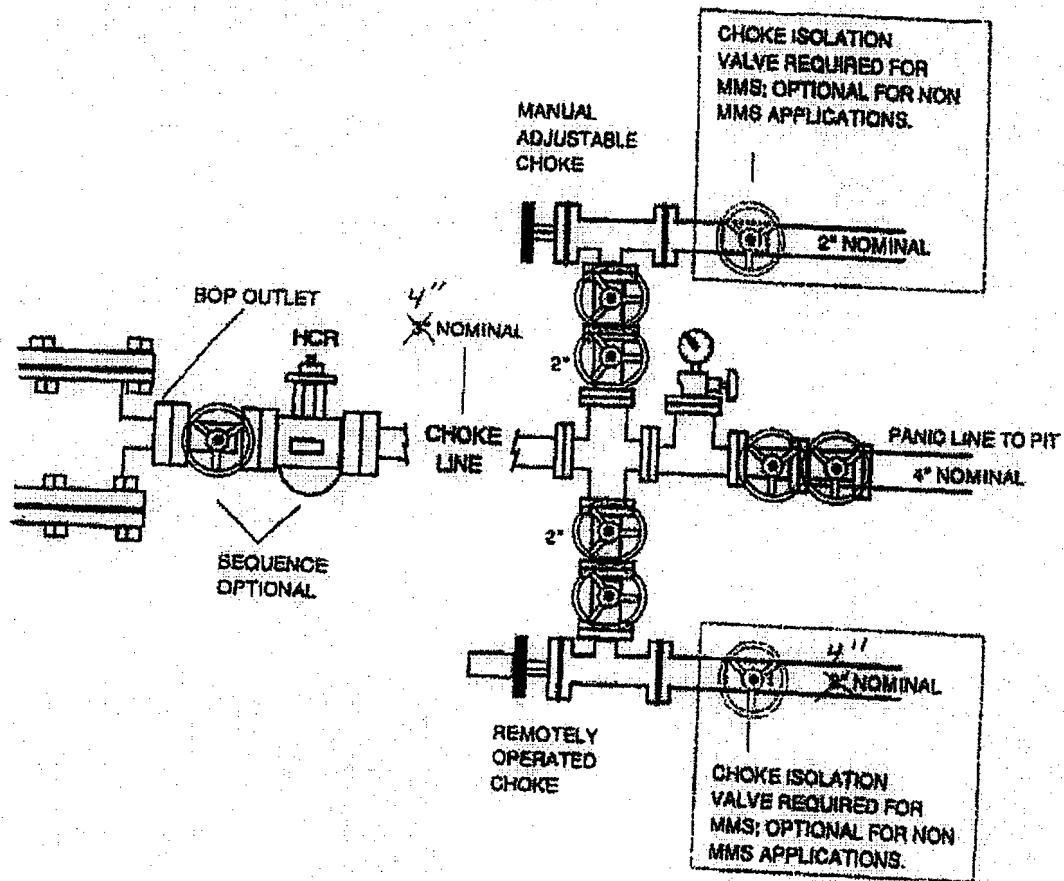


Exhibit E Cont'd – Choke Manifold  
**Henshaw 15 Federal No. 1**  
 Gruy Petroleum Management Co.  
 Section 15-T16S-R30E  
 1160' FSL & 660' FEL  
 Eddy County, NM



## CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Gruy Petroleum Management Company

Well Name & No : Henshaw 15 Federal No. 01

Location: Surface: 1160' FSL & 660' FEL Sec. 15, T. 16 S., R. 30 E.

Lease: NMNM 0560378

Lea County

Eddy, EAD

### I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell, NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 13 3/8 inch 9 5/8 inch 5 1/2 inch

C. BOP Tests

2. A Hydrogen Sulfide (H<sub>2</sub>S) Drilling Plan shall be in operations three days or 500 feet prior to drilling into the Top of the Wolfcamp estimated to be at 7400 ft.

3. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

### II. CASING:

1. The 13 3/8 inch shall be set at 450 Feet cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 9 5/8 inch Intermediate casing is to circulate to surface.

3. The minimum required fill of cement behind the 5 1/2 inch production string is to Tie Back to the 9 5/8 inch casing by at least 200 feet.

### III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13 3/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 5 M psi. A variance to test surface casing and surface BOPE to 1000 psig for 15 minutes is approved. The 5 M BOPE shall be utilized prior to

drilling below the 9 5/8 inch casing shoe.

**III. Pressure Control (continued):**

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the test.

- The test shall be done by an independent service company
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures.
- Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in safe workman-like manner. Hard line connections shall be required.