8111

D-06-04

Form 3160-3
(July 1992)

UNIT
DEPARTMEN
BUREAU OF

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

IN TRIPLICATE* (Other instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

5. LEASE DESIGNATION AND SERIAL NO.
NM-96827

6. IF INDIAN, ALLOTTES OR TRIBE NAME

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK
DRILL [X] DEEPEN [ ]

1b. TYPE OF WELL
OIL WELL [ ] GAS WELL [X] OTHER SINGLE ZONE [ ] MULTIPLE ZONE [ ]

7. UNIT AGREEMENT NAME
Pending

2. NAME OF OPERATOR
Gruy Petroleum Management Co. 162683 Fee 35501

8. FARM OR LEASE NAME, WELL NO.
Ozley 25 Federal Com No. 1

3. ADDRESS AND TELEPHONE NO.
P.O. Box 140907 Irving TX 75014 972-401-3111

9. API WELL NO.
30-015-34684

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*) 74900
SUBJECT TO LIKE APPROVAL BY STATE
SHL 330' FSL & 150' FEL Sec. 25-24S-25E
BHL 838' FSL & 898' FEL Sec. 25-24S-25E
RECEIVED
MAR 13 2006
OCD-ARTESIA

10. FIELD AND POOL, OR WILDCAT
Chosa; Draw, Morrow

11. SEC. T.,R.,M., BLOCK AND SURVEY OR AREA
Sec. 25 T24S R25E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
17 miles South of Carlsbad

12. COUNTY OR PARISH
Eddy

13. STATE
NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, T.O (Also to nearest drlg. unit line, if any)
150'

16. NO. OF ACRES IN LEASE
680

17. NO. OF ACRES ASSIGNED TO THIS WELL
S/2 320

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

19. PROPOSED DEPTH
12550'

20. ROTARY OR CABLE TOOLS
Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
3504' GR

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#	200' WITNESS	490 sx circulate
12-1/4"	J-55 9-5/8"	40#	2130' WITNESS	1200 sx circulate
8-3/4"	P-110 5-1/2"	17#	12550'	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.

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 01-03-06

(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/ Tony J. Herrell TITLE FIELD MANAGER DATE MAR 08 2006

*See Instructions On Reverse Side

APPROVAL FOR 1 YEAR

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

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.

Federal Combined Water Basin

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
	74900	Chosa---- Draw; Morrow

Property Code	Property Name	Well Number
	OZLEY "25" FEDERAL COM	1

OGRID No.	Operator Name	Elevation
162683	GRUY PETROLEUM MANAGEMENT COMPANY	3504'

Surface Location

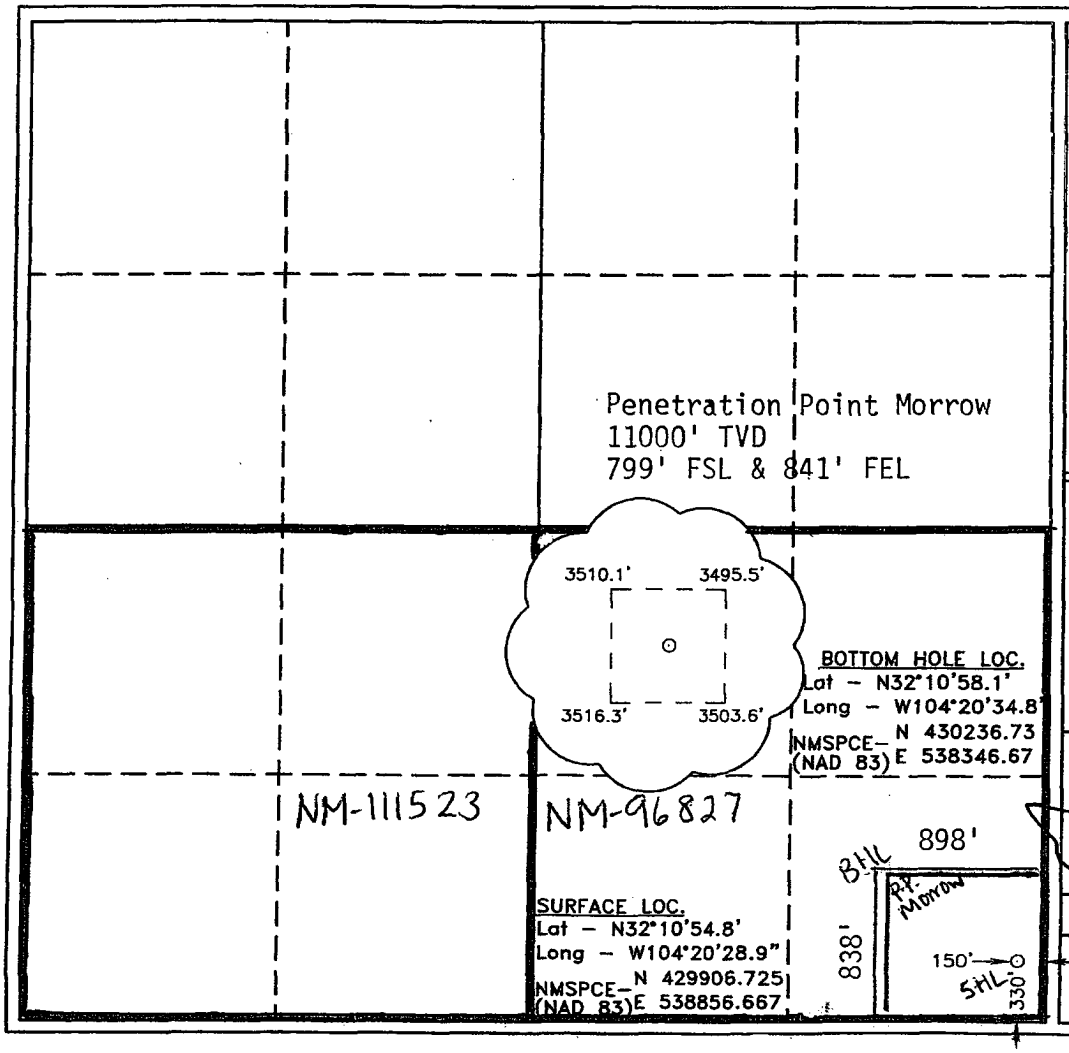
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	25	24 S	25 E		330	SOUTH	150	EAST	EDDY

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
P	25	24 S	25 E		838	SOUTH	898	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320	N	C	

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 20, 2005

Date Surveyed

Signature & Seal of Professional Surveyor

GARY L. JONES
NEW MEXICO
7977
REGISTERED PROFESSIONAL LAND SURVEYOR

W.O. No. 6085

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

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: Ozley 25 Federal Com No. 1 API #: 30-015- U/L or Qtr/Qtr P Sec 25 T 24S R 25E
County: Eddy Latitude 321054.8 N Longitude 1042028.9 W NAD: 1927 ☒ 1983 ☐ Surface Owner Federal ☐ State ☐ Private ☐ Indian ☐

Pit	**Below-grade tank**	
Type: Drilling ☒ Production ☐ Disposal ☐ Workover ☐ Emergency ☐ Lined ☒ Unlined ☐ Liner type: Synthetic ☒ Thickness 12 mil Clay ☒ Volume -0- bbl Closed system Cuttings buried in lined burial cell.	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 50 feet or more, but less than 100 feet 100 feet or more	(20 points) (10 points) (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 No	(20 points) (0 points)
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet 200 feet or more, but less than 1000 feet 1000 feet or more	(20 points) (10 points) (0 points)
	Ranking Score (Total Points)	-0-

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JAN 11 2006
OCD-ARTESIA

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:
Date: 1-12-06
Printed Name/Title____ Signature

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-111523; SW/4 Sec 25-T24S-R25E; 160 acres
Lease No.: NM-96827; SE/4 Sec 25-T24S-R25E; 160 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 3, 2006

Operator - Landowner Agreement

Company: Gruy Petroleum Management Co.

Proposed Well: Ozley 25 Federal Com No. 1

Federal Lease Number: NM-96827

This is to advise that Cimarex Energy Co. has an agreement with: Jimmy Foster - 11911 West CR 52; Midland, TX 79707; 432-238-4081 and Linda L. Miller - 107 Jack Little Drive, Apt I-3; Ruidoso, NM 88345; 505-258-1974, the surface owners, concerning entry and surface restoration after completion of drilling operations at the above described well.

After abandonment of the well, all pits will be filled and levelled and all equipment and trash will be removed from the well site. No other requirements were made concerning restoration of the well site.

January 3, 2006
Date

Zeno Farris
Signature

Zeno Farris
Manager, Operations Administration

Application to Drill

Gruy Petroleum Management Co.
Ozley 25 Federal Com No. 1
Unit Letter P Section 25
T24S - R25E 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: SHL 330' FSL & 150' FEL
BHL 838' FSL & 898' FEL

2 Elevation above sea level: GR 3652'

3 Geologic name of surface formation: Quaternery 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: 12550'

6 Estimated tops of geological markers:

Base Salt	1365'	Cisco-Canyon	9910'
Delaware	1604'	Strawn	10220'
Bone Spring	5280'	Atoka	10463'
Wolfcamp	8370'	Morrow	11030'

7 Possible mineral bearing formation:

Atoka	Gas
Morrow	Gas

8 Casing program:

Hole Size	Interval	Casing OD	Weight	Thread	Collar	Grade
17-1/2"	0-200'	13-3/8"	48	8-R	ST&C	H-40
12-1/4"	0-2130'	9-5/8"	40	8-R	LT&C	J-55
8-3/4"	0-12550'	5-1/2"	17	8-R	LT&C	P-110

Application to Drill

Gruy Petroleum Management Co.
Ozley 25 Federal Com No. 1
Unit Letter P Section 25
T24S - R25E Eddy County, NM

9 Cementing & Setting Depth:

13-3/8"	Surface	Set 200' 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 2130' 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 12550' 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 nippled 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 - 200'	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.
200' - 2130'	9.7 - 10.0	28 - 29	May lose circ	Fresh water. Add paper as needed to control seepage and add lime to control pH (9-10). Use high viscosity sweeps to clean hole.
2130' - 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' - 12550'	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.
Ozley 25 Federal Com No. 1
Unit Letter P Section 25
T24S - R25E 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 potiential 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 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 pay will be perforated and stimulated. The well will be tested and potentialed as a gas well.

Surface Use Plan

Gruy Petroleum Management Co.
Ozley 25 Federal Com No. 1
Unit Letter P Section 25
T24S - R25E 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 the junction of US Hwy 62/180 and Co. Rd. 426, go East on 426 for 1.1 miles to proposed lease road.

2 PLANNED ACCESS ROADS: 1408' of road will be constructed off-lease (ROW will be applied for) and 250' of proposed road will be constructed on-lease

3 LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A"

A. Water wells - As shown on Exhibit "B"

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"

Hydrogen Sulfide Drilling Operations Plan

Gruy Petroleum Management Co.
Ozley 25 Federal Com No. 1
Unit Letter P Section 25
T24S - R25E 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.
Ozley 25 Federal Com No. 1
Unit Letter P Section 25
T24S - R25E Eddy County, NM

8 Drilling contractor supervisor will be required to be familiar with the effects H2S has on tubular goods and other mechanical equipment.

9 If H2S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas seperator will be brought into service along with H2S scavengers if

Surface Use Plan

Gruy Petroleum Management Co.
Ozley 25 Federal Com No. 1
Unit Letter P Section 25
T24S - R25E 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 seperated by a series of solids removal equipment and hauled to the cuttings drying area and then disposed of in the cuttings burial cell.

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. Drilling fluids will be contained in steel pits in a closed circulating system. Fluids will be cleaned and reused. Water produced during testing will be contained in the steel pits and disposed of at a state approved disposal facility. Any oil or condensate produced will be stored in test tanks until sold and hauled from the site.

8 ANCILLARY FACILITIES:

A. No camps or airstrips to be constructed.

Surface Use Plan

Gruy Petroleum Management Co.
Ozley 25 Federal Com No. 1
Unit Letter P Section 25
T24S - R25E Eddy County, NM

9 WELL SITE LAYOUT

A. Exhibit "D" shows location and rig layout.

B. This exhibit indicates proposed location of the 100' X 70' cuttings drying area.

C. Mud pits in the closed circulating system will be steel pits and the cuttings drying area will be lined with a 2' clay barrier and surrounded by a 2' X 2' ring levee and a 2' earthen berm. A 12 mil liner will cover the cuttings drying area and extend a minimum of 2' over the earthen berm where it will be anchored down. A pump off system will pump any accumulated fluids in the ring levee to the rig holding tanks to be cleaned and reused.

D. After drying cuttings will be disposed of in a 50' X 50' cuttings burial cell. The bottom will be lined with a 2' clay barrier. Drill cuttings will be hauled from the cuttings drying area and encapsulated in a 12 mil liner. The 12 mil liner will be folded over the cuttings and capped with a 20 mil membrane cap. An additional 2' clay barrier will be added to prevent seepage and the cell will be filled with 3' to 4' of top soil and leveled and contoured to conform to the original surrounding area.

E. If the well is a producer, the cuttings burial area 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 drill cuttings will be allowed to dry properly, and fluid removed and disposed of in accordance with Article 7.B as previously noted. The cuttings burial 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

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.
Ozley 25 Federal Com No. 1
Unit Letter P Section 25
T24S - R25E 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 Jimmy Foster - 11911 West CR 52; Midland, TX 79707; 432-238-4081 and Linda L. Miller - 107 Jack Little Drive, Apt I-3; Ruidoso, NM 88345; 505-258-1974. The land is used mainly for farming, cattle ranching, recreational

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 exit; 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.

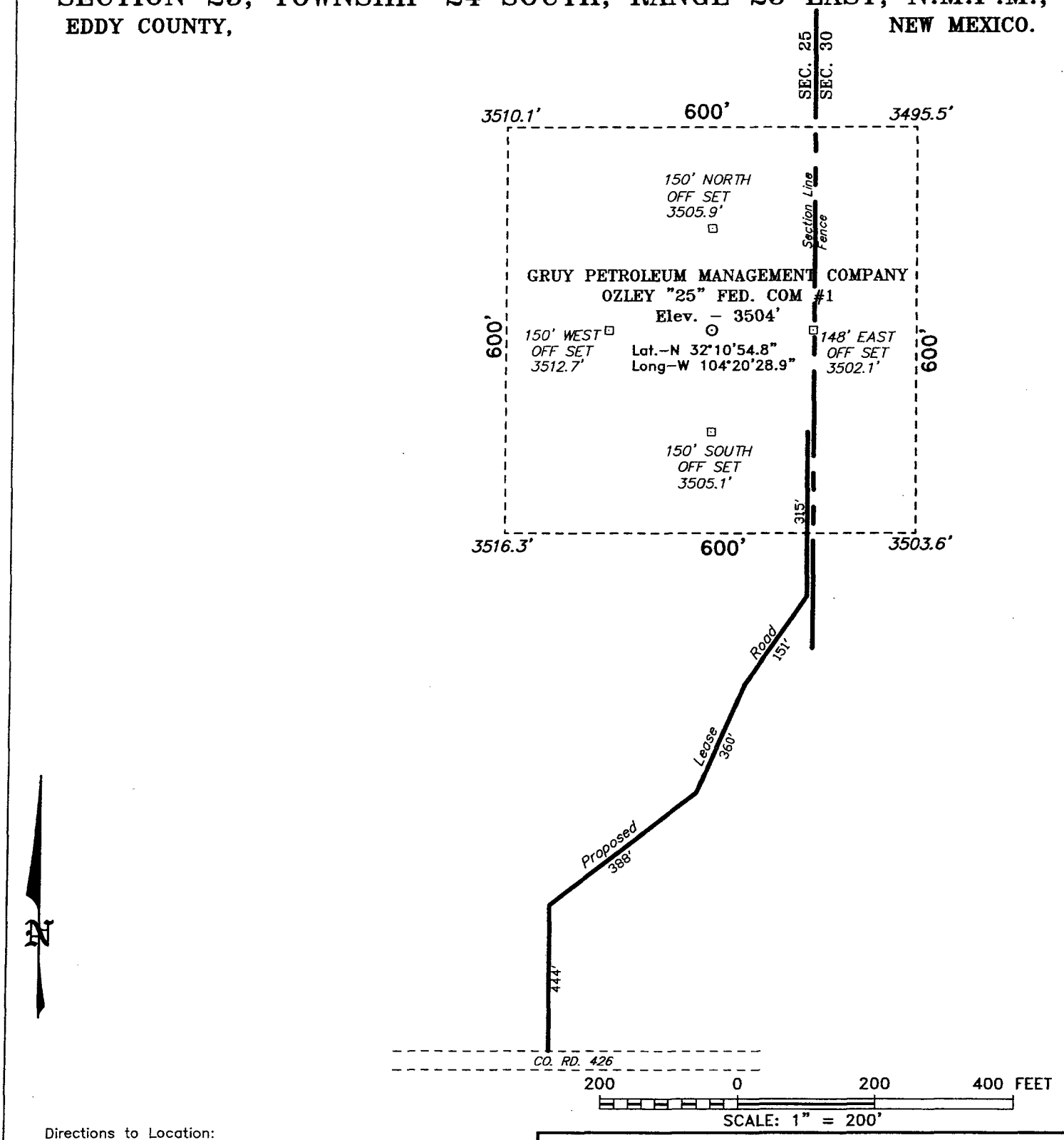
NAME: Zeno Farris

DATE: January 3, 2006

TITLE: Manager, Operations Administration

SECTION 25, TOWNSHIP 24 SOUTH, RANGE 25 EAST, N.M.P.M.,

EDDY COUNTY, **NEW MEXICO.**



Directions to Location:

FROM THE JUNCTION OF US HWY 62/180 AND CO. RD. 426, GO EAST ON 426 FOR 1.1 MILE TO PROPOSED LEASE ROAD.

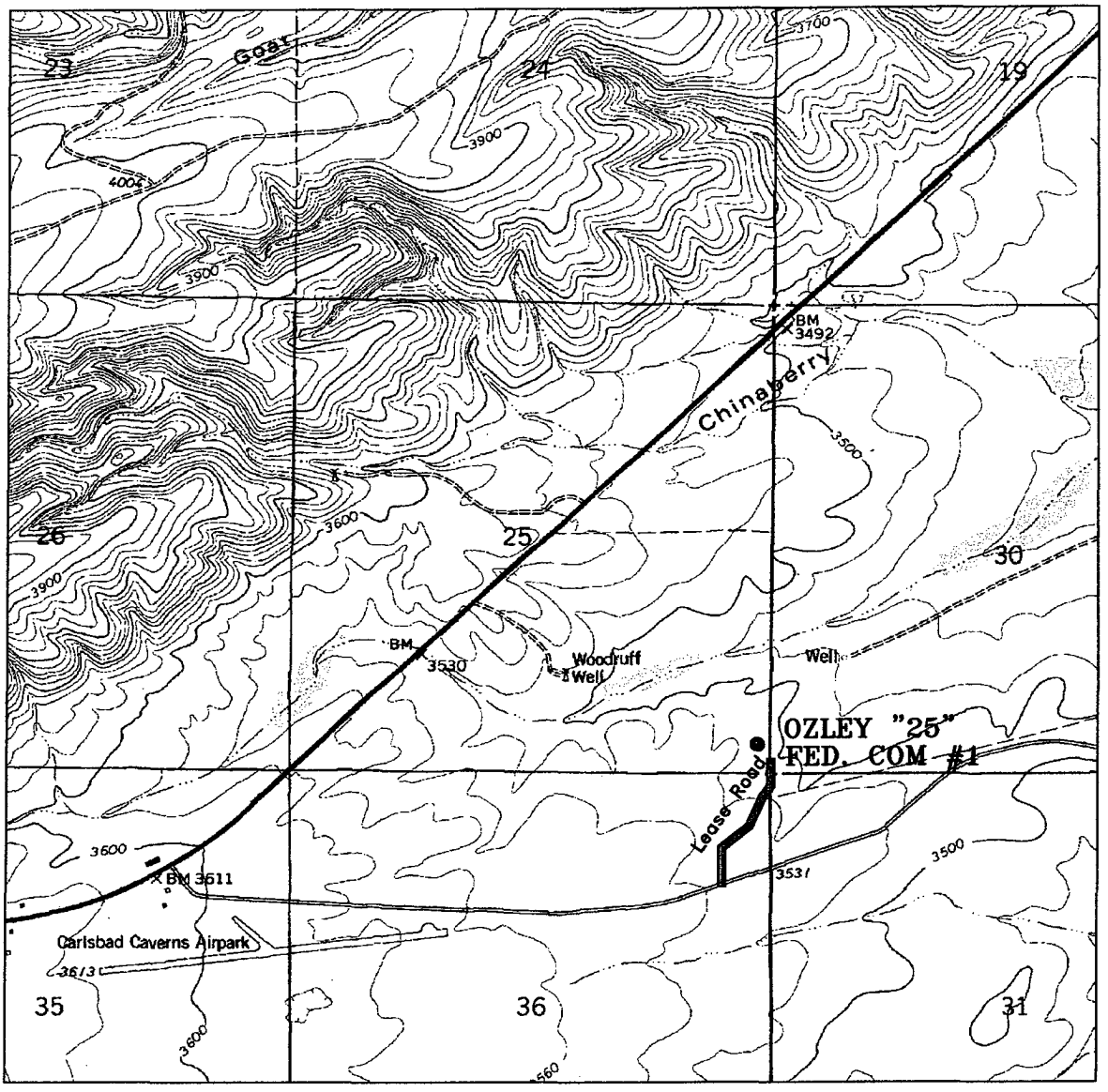
GRUY PETROLEUM MANAGEMENT CO.

REF: OZLEY "25" FED. COM No. 1 / Well Pad Topo

THE OZLEY "25" FED. COM No. 1 LOCATED 330' FROM THE SOUTH LINE AND 150' FROM THE EAST LINE OF SECTION 25, TOWNSHIP 24 SOUTH, RANGE 25 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.

BASIN SURVEYS P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 6085	Drawn By: K. GOAD		
Date: 12-22-2005	Disk: KJG CD#4 - 6085A.DWG	Survey Date: 12-20-2005	Sheet 1 of 1 Sheets



OZLEY "25" FED. COM #1
Located at 330' FSL AND 150' FEL
Section 25, Township 24 South, Range 25 East,
N.M.P.M., Eddy County, New Mexico.

basin surveys
focused on excellence in the oilfield

P.O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
(505) 393-7316 - Office
(505) 392-3074 - Fax
basinsurveys.com

W.O. Number:	6085AA - KJG CD#4
Survey Date:	12-20-2005
Scale:	1" = 2000'
Date:	12-22-2005

GRUY PETROLEUM MANAGEMENT CO.

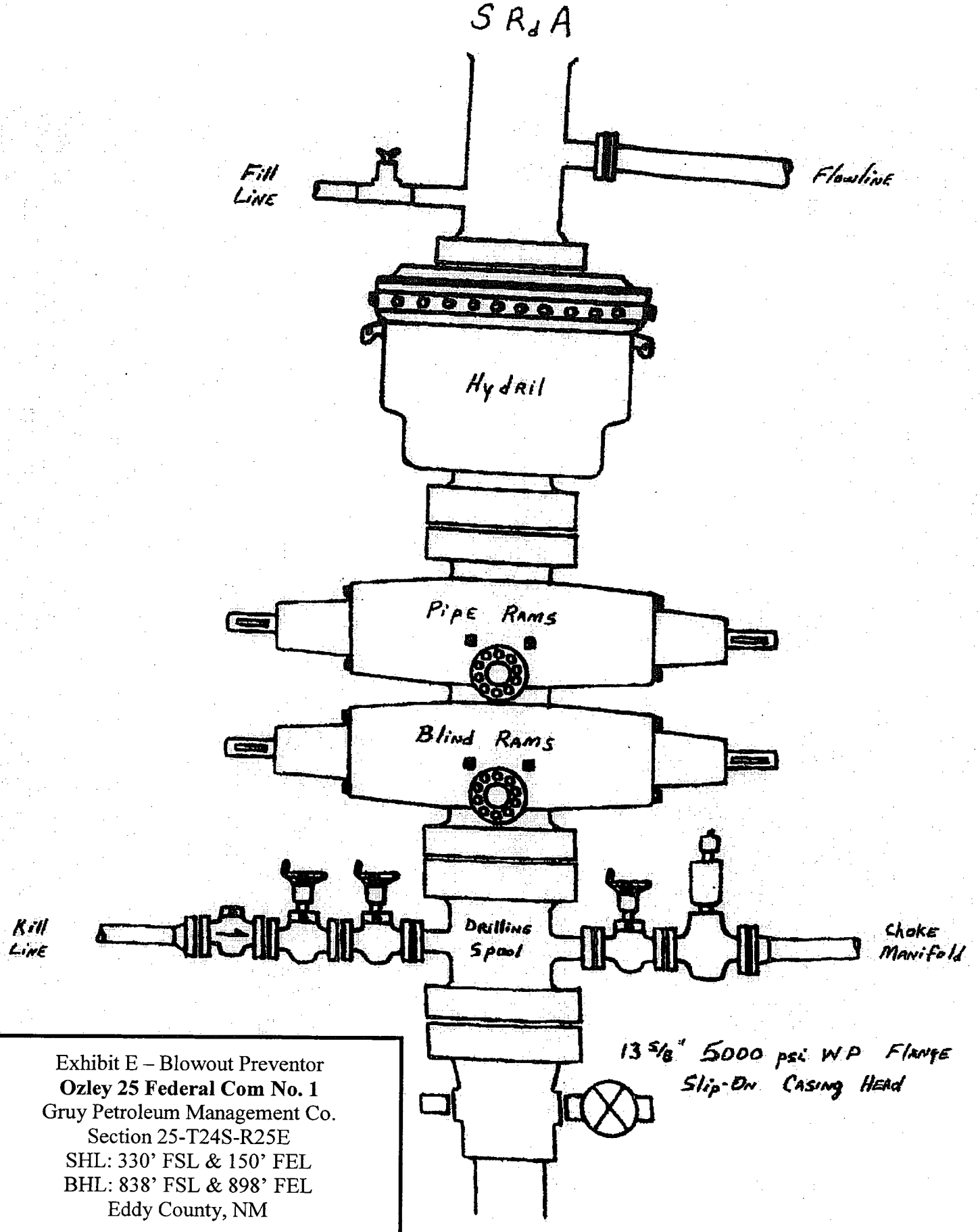


Exhibit E – Blowout Preventor
Ozley 25 Federal Com No. 1
Gruy Petroleum Management Co.
Section 25-T24S-R25E
SHL: 330' FSL & 150' FEL
BHL: 838' FSL & 898' FEL
Eddy County, NM

DRILLING OPERATIONS
CHOKE MANIFOLD
5M SERVICE

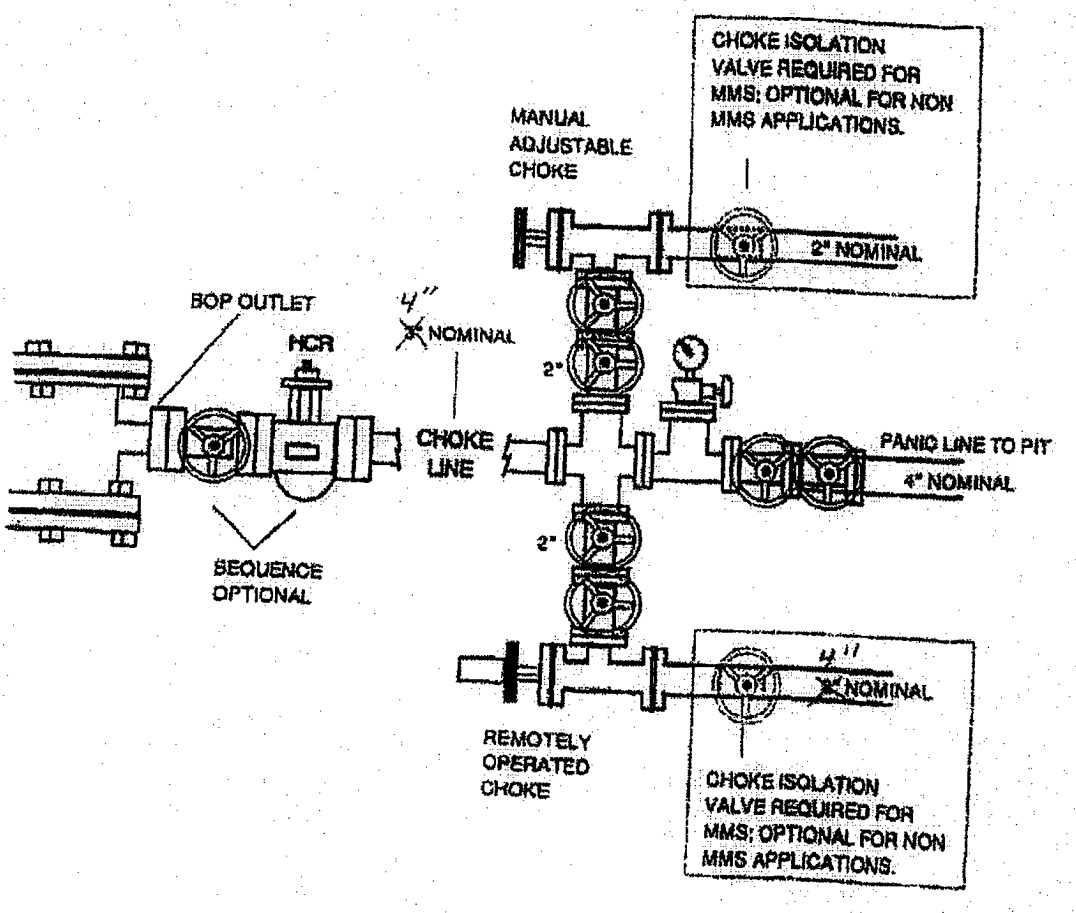


Exhibit E Cont'd – Choke Manifold
Ozley 25 Federal Com No. 1
Gruy Petroleum Management Co.
Section 25-T24S-R25E
SHL: 330' FSL & 150' FEL
BHL: 838' FSL & 898' FEL
Eddy County, NM

Gruy Petroleum Management Co.
New Mexico
Eddy County NAD 83
Sec. 25-T24S-R25E
Ozley 25 Fed Com #1 - Plan 010106

Revised: 1 January, 2006

Halliburton Sperry-Drilling Proposal Report

1 January, 2006

Data Source: Mr. Zeno Farris
Surface Coordinates: 429906.73 N, 538856.67 E (32° 10' 54.8078" N, 104° 20' 28.8679" W)
Grid Coordinate System: NAD83 New Mexico State Planes, Eastern Zone

Surface Coordinates relative to Global Coordinates: 103051.27 S, 92695.81 E (Grid)
Surface Coordinates relative to SE Cor Sec 25: 330.00 N, 150.00 W (Grid)
Kelly Bushing Elevation: 3524.00ft above Mean Sea Level
Kelly Bushing Elevation: 20.00ft above Structure

Proposal Ref: pro9633

HALLIBURTON
Sperry Drilling Services

Proposal Report for Sec. 25-T24S-R25E - Ozley 25 Fed Com #1 - Plan 010106
Data Source: Mr. Zeno Farris
Revised: 1 January, 2006

Measure Depth (ft)	Incl. Angle (Deg)	Drift Direction (Deg)	True Vertical Depth	Vertical Section (ft)	Local Coordinates N-S (ft)	Local Coordinates E-W (ft)	Dogleg Severit (°/100ft)	Lease Calls FNL-FSL (ft)	Lease Calls FEL-FWL (ft)	Global Coordinates Grid Y (ft)	Global Coordinates Grid X (ft)
0.00	0.000	0.000	0.00	0.00	0.00 N	0.00 E		330.00 FSL	150.00 FEL	429906.73 N	538856.67 E
Kick-Off at 7497.15ft											
7497.15	0.000	0.000	7497.15	0.00	0.00 N	0.00 E	0.00	330.00 FSL	150.00 FEL	429906.73 N	538856.67 E
7500.00	0.057	304.160	7500.00	0.00	0.00 N	0.00 E	2.00	330.00 FSL	150.00 FEL	429906.73 N	538856.67 E
7600.00	2.057	304.160	7599.98	1.85	1.04 N	1.53 W	2.00	331.04 FSL	151.53 FEL	429907.77 N	538855.14 E
7700.00	4.057	304.160	7699.83	7.18	4.03 N	5.94 W	2.00	334.03 FSL	155.94 FEL	429910.76 N	538850.73 E
7800.00	6.057	304.160	7799.44	15.99	8.98 N	13.23 W	2.00	338.98 FSL	163.23 FEL	429915.71 N	538843.44 E
7900.00	8.057	304.160	7898.67	28.28	15.88 N	23.40 W	2.00	345.88 FSL	173.40 FEL	429922.61 N	538833.27 E
8000.00	10.057	304.160	7997.42	44.02	24.72 N	36.42 W	2.00	354.72 FSL	186.42 FEL	429931.45 N	538820.25 E
8100.00	12.057	304.160	8095.56	63.20	35.48 N	52.29 W	2.00	365.48 FSL	202.29 FEL	429942.21 N	538804.38 E
8200.00	14.057	304.160	8192.97	85.79	48.17 N	70.99 W	2.00	378.17 FSL	220.99 FEL	429954.90 N	538785.68 E
End of Build at 8247.15ft											
8247.15	15.000	304.160	8238.61	97.62	54.81 N	80.77 W	2.00	384.81 FSL	230.77 FEL	429961.54 N	538775.90 E
8300.00	15.000	304.160	8289.66	111.29	62.49 N	92.09 W	0.00	392.49 FSL	242.09 FEL	429969.22 N	538764.58 E
8400.00	15.000	304.160	8386.25	137.18	77.02 N	113.51 W	0.00	407.02 FSL	263.51 FEL	429983.75 N	538743.16 E
8500.00	15.000	304.160	8482.85	163.06	91.56 N	134.93 W	0.00	421.56 FSL	284.93 FEL	429998.29 N	538721.74 E
8600.00	15.000	304.160	8579.44	188.94	106.09 N	156.34 W	0.00	436.09 FSL	306.34 FEL	430012.82 N	538700.33 E
8700.00	15.000	304.160	8676.03	214.82	120.62 N	177.76 W	0.00	450.62 FSL	327.76 FEL	430027.35 N	538678.91 E
8800.00	15.000	304.160	8772.62	240.70	135.16 N	199.18 W	0.00	465.16 FSL	349.18 FEL	430041.89 N	538657.49 E
8900.00	15.000	304.160	8869.22	266.58	149.69 N	220.59 W	0.00	479.69 FSL	370.59 FEL	430056.42 N	538636.08 E
9000.00	15.000	304.160	8965.81	292.47	164.22 N	242.01 W	0.00	494.22 FSL	392.01 FEL	430070.95 N	538614.66 E
9100.00	15.000	304.160	9062.40	318.35	178.75 N	263.43 W	0.00	508.75 FSL	413.43 FEL	430085.48 N	538593.24 E

Measure Depth (ft)	Incl. Angle (Deg)	Drift Direction (Deg)	True Vertical Depth	Vertical Section (ft)	Local Coordinates N-S (ft)	Local Coordinates E-W (ft)	Dogleg Severit (°/100ft)	Lease Calls FNL-FSL (ft)	Lease Calls FEL-FWL (ft)	Global Coordinates Grid Y (ft)	Global Coordinates Grid X (ft)
9200.00	15.000	304.160	9158.99	344.23	193.29 N	284.84 W	0.00	523.29 FSL	434.84 FEL	430100.02 N	538571.83 E
9300.00	15.000	304.160	9255.59	370.11	207.82 N	306.26 W	0.00	537.82 FSL	456.26 FEL	430114.55 N	538550.41 E
9400.00	15.000	304.160	9352.18	395.99	222.35 N	327.68 W	0.00	552.35 FSL	477.68 FEL	430129.08 N	538528.99 E
9500.00	15.000	304.160	9448.77	421.88	236.88 N	349.09 W	0.00	566.88 FSL	499.09 FEL	430143.61 N	538507.58 E
9600.00	15.000	304.160	9545.36	447.76	251.42 N	370.51 W	0.00	581.42 FSL	520.51 FEL	430158.15 N	538486.16 E
9700.00	15.000	304.160	9641.96	473.64	265.95 N	391.93 W	0.00	595.95 FSL	541.93 FEL	430172.68 N	538464.74 E
9800.00	15.000	304.160	9738.55	499.52	280.48 N	413.34 W	0.00	610.48 FSL	563.34 FEL	430187.21 N	538443.33 E
9900.00	15.000	304.160	9835.14	525.40	295.02 N	434.76 W	0.00	625.02 FSL	584.76 FEL	430201.75 N	538421.91 E
10000.00	15.000	304.160	9931.74	551.29	309.55 N	456.18 W	0.00	639.55 FSL	606.18 FEL	430216.28 N	538400.49 E
10100.00	15.000	304.160	10028.33	577.17	324.08 N	477.59 W	0.00	654.08 FSL	627.59 FEL	430230.81 N	538379.08 E
10200.00	15.000	304.160	10124.92	603.05	338.61 N	499.01 W	0.00	668.61 FSL	649.01 FEL	430245.34 N	538357.66 E
10300.00	15.000	304.160	10221.51	628.93	353.15 N	520.43 W	0.00	683.15 FSL	670.43 FEL	430259.88 N	538336.24 E
10400.00	15.000	304.160	10318.11	654.81	367.68 N	541.84 W	0.00	697.68 FSL	691.84 FEL	430274.41 N	538314.83 E
10484.78	15.000	304.160	10400.00	676.76	380.00 N	560.00 W	0.00	710.00 FSL	710.00 FEL	430286.73 N	538296.67 E
10500.00	15.000	304.160	10414.70	680.70	382.21 N	563.26 W	0.00	712.21 FSL	713.26 FEL	430288.94 N	538293.41 E
10600.00	15.000	304.160	10511.29	706.58	396.74 N	584.68 W	0.00	726.74 FSL	734.68 FEL	430303.47 N	538271.99 E
10700.00	15.000	304.160	10607.88	732.46	411.28 N	606.09 W	0.00	741.28 FSL	756.09 FEL	430318.01 N	538250.58 E
10800.00	15.000	304.160	10704.48	758.34	425.81 N	627.51 W	0.00	755.81 FSL	777.51 FEL	430332.54 N	538229.16 E
10900.00	15.000	304.160	10801.07	784.22	440.34 N	648.93 W	0.00	770.34 FSL	798.93 FEL	430347.07 N	538207.74 E
11000.00	15.000	304.160	10897.66	810.10	454.88 N	670.34 W	0.00	784.88 FSL	820.34 FEL	430361.61 N	538186.33 E
11100.00	15.000	304.160	10994.25	835.99	469.41 N	691.76 W	0.00	799.41 FSL	841.76 FEL	430376.14 N	538164.91 E
11200.00	15.000	304.160	11090.85	861.87	483.94 N	713.18 W	0.00	813.94 FSL	863.18 FEL	430390.67 N	538143.49 E
11300.00	15.000	304.160	11187.44	887.75	498.47 N	734.59 W	0.00	828.47 FSL	884.59 FEL	430405.20 N	538122.08 E
Total Depth at 11364.77ft											
11364.77	15.000	304.160	11250.00	904.51	507.89 N	748.46 W	0.00	837.89 FSL	898.46 FEL	430414.62 N	538108.21 E

All data is in Feet (US) unless otherwise stated. Directions and coordinates are relative to Grid North.
Vertical depths are relative to RKB(3504`+20`KB). Northings and Eastings are relative to Wellhead.

Based upon Minimum Curvature type calculations, at a Measured Depth of 11364.77ft.,
The Bottom Hole Displacement is 904.51ft., in the Direction of 304.160° (Grid).

Proposal Report for Sec. 25-T24S-R25E - Ozley 25 Fed Com #1 - Plan 010106
Data Source: Mr. Zeno Farris
Revised: 1 January, 2006

Comments

Measured Depth (ft)	Station Coordinates TVD (ft)	Northings (ft)	Eastings (ft)	Comment
7497.15	7497.15	0.00 N	0.00 E	Kick-Off at 7497.15ft
8247.15	8238.61	54.81 N	80.77 W	End of Build at 8247.15ft
11364.77	11250.00	507.89 N	748.46 W	Total Depth at 11364.77ft

North Reference Sheet for Sec. 25-T24S-R25E - Ozley 25 Fed Com #1

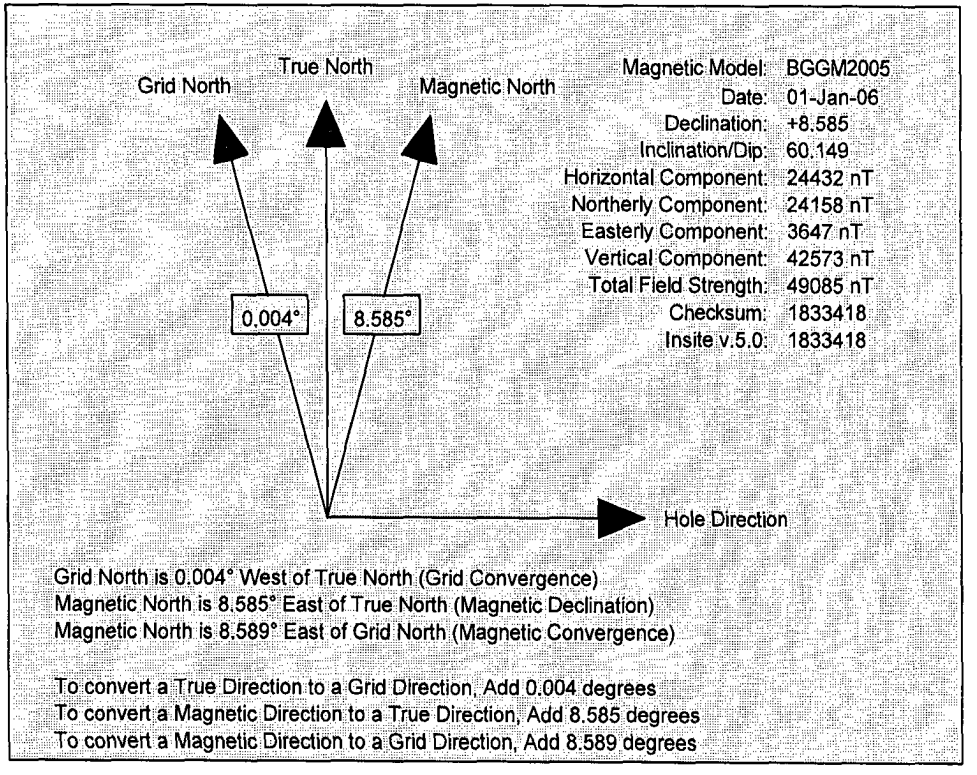
Coordinate System is NAD83 New Mexico State Planes, Eastern Zone
Source: Snyder, J.P., 1987, Map Projections - A Working Manual

Datum is North American Datum of 1983

Spheroid is Geodetic Reference System of 1980
Equatorial Radius: 6378137.000m.
Polar Radius: 6356752.314m.
Inverse Flattening: 298.257222100892

Projection method is Transverse Mercator or Gauss Kruger Projection
Central Meridian is -104.333°
Longitude Origin: 0.000°
Latitude Origin: 31.000°
False Easting: 165000.00m
False Northing: 0.00m
Scale Reduction: 0.99990909

Grid Coordinates of Well: 429906.73 N, 538856.67 E
Geographical Coordinates of Well: 32° 10' 54.8078" N, 104° 20' 28.8679" W
Surface Elevation of Well: 3524.00ft
Grid Convergence at Surface is -0.004°
Magnetic Convergence at Surface is -8.589° (1 January, 2006)

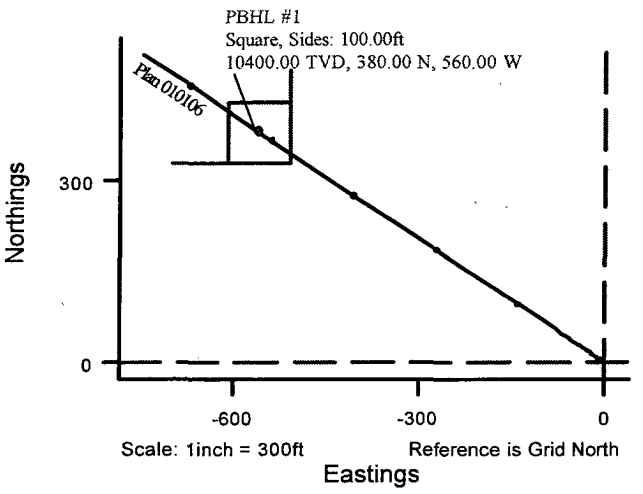


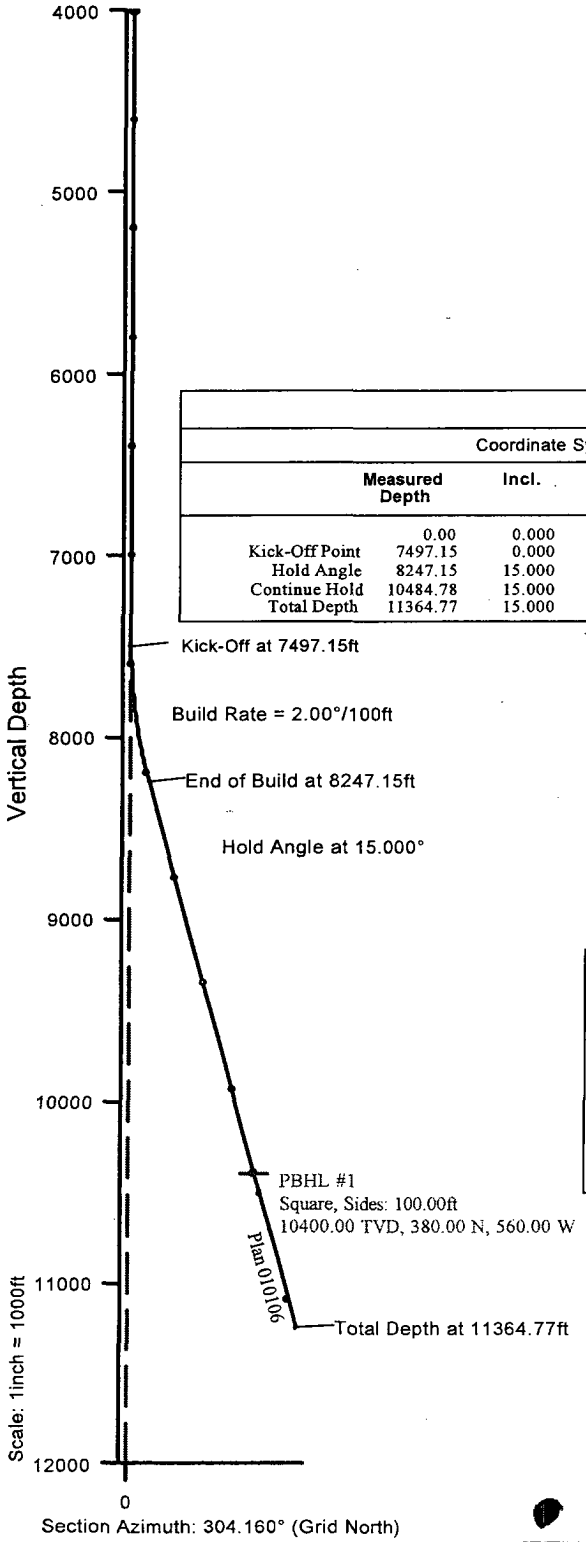
HALLIBURTON
Sperry Drilling Services

Gruy Petroleum Management Co.

DrillQuest
Sperry-Sun

New Mexico
Eddy County NAD 83
Sec. 25-T24S-R25E
Ozley 25 Fed Com #1
Plan 010106





Plan 010106 Proposal Data

Coordinate System : NAD83 New Mexico State Planes, Eastern Zone

	Measured Depth	Incl.	Azim.	Vertical Depth	Northings	Eastings	Vertical Section	Dogleg Rate
	0.00	0.000	0.000	0.00	0.00 N	0.00 E	0.00	
Kick-Off Point	7497.15	0.000	0.000	7497.15	0.00 N	0.00 E	0.00	0.00
Hold Angle	8247.15	15.000	304.160	8238.61	54.81 N	80.77 W	97.62	2.00
Continue Hold	10484.78	15.000	304.160	10400.00	380.00 N	560.00 W	676.76	0.00
Total Depth	11364.77	15.000	304.160	11250.00	507.89 N	748.46 W	904.51	0.00

Ozley 25 Fed Com #1 Surface Location

RKB Elevation:	3524.00ft above Mean Sea Level
Ref. SE Cor Sec 25:	330.00 N, 150.00 W
Ref. Global Coordinates:	429906.73 N, 538856.67 E
Ref. Geographical Coordinates:	32° 10' 54.8078" N, 104° 20' 28.8679" W

Plan 010106 Bottom Hole Location

Ref. RKB(3504`+20`KB):	11250.00ft
Ref. Structure:	11230.00ft
Ref. Mean Sea Level:	7726.00ft
Ref. Wellhead:	507.89 N, 748.46 W
Ref. SE Cor Sec 25:	837.89 N, 898.46 W
Ref. Global Coordinates:	430414.62 N, 538108.21 E
Ref. Geographical Coordinates:	32° 10' 59.8332" N, 104° 20' 37.5779" W

Prepared by:	Date/Time:	Checked:	Approved:
Dennis Cook	1 January, 2006 - 9:03		

CAVE/KARST CONDITIONS OF APPROVAL

Abandonment Cementing:

Upon well abandonment the well bore will be cemented completely from 100 feet below the bottom of the cave bearing zone to the surface.

Casing:

All casing will meet or exceed National Association of Corrosion Engineers specifications pertaining to the geology of the location and be run to American Petroleum Institute and BLM standards.

Cementing:

All casing strings will be cemented to the surface.

Florescene Dye (Acid Yellow 73):

Sixteen ounces of Yellow Green (Acid Yellow 73) Florescene dye will be added to the drilling fluid during the drilling of the first 750 feet of the well.

Pressure Tests:

Annual pressure tests will be performed by the Operator on all casing annuli. If the test results indicated a casing failure, remedial actions approved by the BLM will be undertaken to correct the problem.

The following stipulations will be applied to minimize impacts during construction, drilling and production.

Berming:

Any tank batteries will be constructed and bermed large enough to contain any spills that may occur.

Bermmed areas will be lined with rip-stop padding to prevent tears or punctures in liners and lined with a permanent 12 mil plastic liner.

Differential Shut-off Systems:

A leak detection system and differential shut off systems will be installed for pipelines and tanks used in production or drilling.

Lost Circulation:

ALL lost circulation zones from the surface to the base of the cave occurrence zone will be logged and reported.

Regardless of the type of drilling machinery used, if a bit drops of four feet or more and circulation losses greater then 75 percent occur simultaneously while drilling in any cave-bearing zone, drilling operations will immediately stop and the BLM will be notified by the operator. The BLM will assess the consequences of the situation and work with operator on corrective actions to resolve the problem.

Record Keeping:

The Operator will track customary drilling activities, including the rate of penetration, pump pressure, weight on bit, bit drops, percent of mud returns, and presence of absence of cuttings returning to the surface. As part of customary record keeping, each detectable void or sudden increase in the rate of penetration not attributable to a change in the formation type should be documented and evaluated as it is encountered.

Rotary Drilling with Fresh Water:

Rotary drilling techniques in cave or karst areas will include the use of fresh water as a circulating medium in zones where caves or karst features are expected See geologist report for depth.

Cave Protection Casing: A cave protection casing will be required. The cave-protection casing string would be set at the base of the reef and where present at set it in the Lamar Limestone. (See Diagram)

"CAVE PROTECTION"

NO VOID **VOID**

1. Set conductor casing.

2. Set surface casing, cement and circulate.

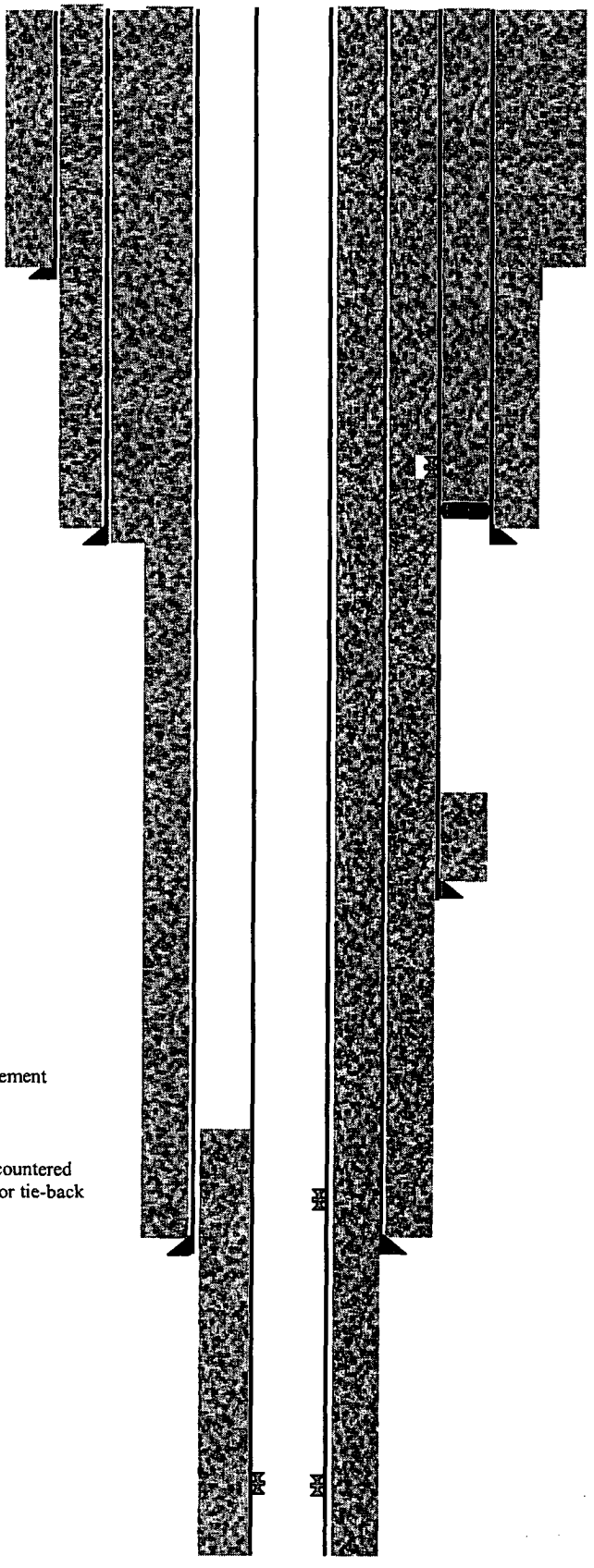
3. Drill inter hole. If no void, drill to depth and cement to surface.

4. If void encountered, ream hole for 13-3/8" casing. Place external packer above void. DV tool above pkr. Cement. Open DV tool, circ cement.

5. Drill inter hole to depth, case, circ and cement

6. Drill prod hole to depth. If void was encountered during drilling 1st Inter csg. Cmt, circulate or tie-back 200 ft above DV tool on 1st Inter csg.

7. If no void, prod csg to depth, cement and tie-back 200 ft into Inter csg.



Conductor

Surface

DV Tool
External Packer
Inter 13-3/8"

VOID
2- cement column's

InitialCement

Intermediate 9-5/8"

CONDITIONS OF APPROVAL - DRILLING

Operator's Name:	**Gruy Petroleum Management Co.**
Well Name & No.	**Ozley 25 Federal Com #1**
Surface Location:	**330' FSL, 150' FEL, Section 25, T. 24 S., R. 25 E., Eddy County, New Mexico**
Lease:	**NM-96827**
Bottom Hole Loc.	838' FSL & 898' FEL, Sec. 25, T.24S., R.25E., Eddy County, NM

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:

   A. Well spud

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

   C. BOP tests

2. A Hydrogen Sulfide (H2S) Drilling Operation Contingency Plan shall be activated prior to drilling into the **Delaware** formation. A copy of the plan shall be posted at the drilling site.

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.

6. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

II. CASING:

1. The **13-3/8** inch surface casing shall be set at **approximately 200 feet and 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 be circulated to the surface**.

3. The minimum required fill of cement behind the **5-1/2** inch production casing is **to reach at least 500 feet above the top of the uppermost hydrocarbon productive interval**.

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.

NOTE: A variance to test the 13-3/8 inch casing to 1000 psi with the rig pumps is granted.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **5000** psi.

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

- The tests 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 a safe workman-like manner. Hard line connections shall be required.

IV. DRILLING MUD:

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the **Wolfcamp** formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

- Recording pit level indicator to indicate volume gains and losses.
- Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
- Flow-sensor on the flow-line to warn of abnormal mud returns from the well.

1/19/06
acs