

600 East Las Colinas Blvd.
Suite 1100
Irving, TX 75039
972-401-3111 (phone)
469-423-2710 (fax)

Gruy Petroleum Management Co

January 6, 2003

Bureau of Land Management
2909 West Second Street
Roswell, New Mexico 88201-2019
Attn: Alexis Swaboda



RE: Pennzoil Federal Com 3
30-015-32540
Section 15; T 24S; R 26E
Eddy County, NM

Dear Alexis Swaboda:

Please find enclosed (1) one original and (5) five copies of Form 3160-5, Sundry Notice, for the above referenced well notifying you of the setting of surface and intermediate casing.

If you should have any questions or need further information, please feel free to contact Zeno Farris at 972-443-6489.

Sincerely,

A handwritten signature in cursive script that reads "Natalie Krueger".

Natalie Krueger
Production Assistant

Enclosure

CC: Wadi Petroleum, Inc.
14405 Walters Rd., Suite 400
Houston, TX 77014
Attn: Mr. Kevin B. Dice

New Mexico Oil Conservation Division
1301 West Grand Avenue
Artesia, NM 88210
Attn: Mr. Bryan Arrant

nkrueger@magnumhunter.com

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		5. Lease Serial No. NM 0402170
2. Name of Operator Gruy Petroleum Management Co.		6. If Indian, Allottee or Tribe Name
3a. Address P. O. Box 140907 Irving, TX 75014-0907	3b. Phone No. (include area code) 972-401-3111	7. If Unit or CA/Agreement, Name and/or No. SRM 1' 15
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 2000' FSL & 660' FEL Sec. 15 T24S - R26E		8. Well Name and No. Pennzoil Federal Com No. 3
		9. API Well No. 30-015-32540
		10. Field and Pool, or Exploratory Area White City, Penn (Gas)
		11. County or Parish, State Eddy Co., 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 <u>Set Surface & Intermediate Casing</u>
	<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 recomplete 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 recompletion 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.)

- 12/16/02 Spud 17 1/2" hole at 6:00 AM CST. Reached TD of 460'. Ran 11 jts 13 3/8" 48# H-40 8rd ST&C new casing. Lead with 340 sx Premium Plus Cement + 4% Gel+2% CaCl+1/4# Flocele per sx. Tailed with 150 sx Premium Plus Cement+2% CaCl - plugged down & bumped with 350#. Circulated 120 sx cement to surface. WOC 19 hrs.
- 12/21/02 Reached TD of 12 1/4" hole At 3:30 AM CST 12/21/02. Ran 72 jts 9 5/8" 40# J-55 8rd ST&C new casing. Lead with 900 sx Interfill "C"+1/4# Flocele per sx. Tailed with 200 sx Premium Plus Cement+1%CaCl+1/4# Flocele per sx. Plugged down & Bumped with 1400#. Circulated 205 sx cement to surface. WOC 19 hrs.

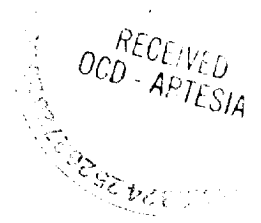
14. I hereby certify that the foregoing is true and correct	
Name (Printed/Typed) Natalie Krueger	Title Production Assistant
Signature <i>Natalie Krueger</i>	Date January 3, 2003

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.

Gruy Petroleum Management Co.
Magnum Hunter Production, Inc.
Well History
December 16, 2002 Thru December 23, 2002



OPERATED

NM OTHER NONOP

GRUY PETROLEUM MANAGEMENT CO
76899 PENNZOIL FEDERAL COM 3

W.I. Pct BCP 12.76 %
W.I. Pct ACP 12.76 %
Morrow / 12,000'

EDDY, NM 15-T24S-R26E

12/16/2002 Depth 61
Progress 0
AFE: 22151 Present Operation: Mixing spud mud

Location staked by John West Surveying on 5/7/2002 - 2,000' FSL & 660' FEL of Sec. 15 T-24-S R-26-E in Eddy County, New Mexico. B&H Construction built location, pits & road from 11/25/2002 to 11/27/2002. Abbott Brothers set 20" conductor pipe at 38' FGL & cemented with ready mix - dug rat & mouse holes + 3 sump holes on 12/10/2002 & 12/11/2002. Akome, Inc. plastic lined & fenced reserve pit on 12/10/2002 - Great Basin put water in reserve pit to hold down the plastic on 12/10/02. MIRU Patterson-UTI Rig # 75 on 12/15/2002. Welded flow nipple onto conductor pipe - mixed spud mud - preparing to spud well.

12/17/2002 Depth 460
Progress 399
AFE: 22151 Present Operation: NU BOPs & Choke Manifold

Drilling from 61' to 241' (Spud a 17 1/2" hole at 6:00 AM (CST) 12/16/2002) Service rig WLS @ 194' = 1o Drilling from 241' to 460' TD (Reached TD of 17 1/2" hole at 4:30 PM (CST) 12/16/2002) Circulate & pump sweep Drop Totco @ 460' = 3/4o & trip out - LD roller reamer, shock sub, bit sub & bit RU csg. crew & ran 11 jts. 13 3/8" 48# H-40 8rd ST&C new casing (464.30') - set at 460' KB - KB to GL = 23.00' - ran 5 Halliburton centralizers: 445', 339', 220', 130' & 41' KB. Circulate to clear casing Hall. cemented 13 3/8" csg. (Lead) 340 sx Prem. Plus Cement + 4% Gel + 2% CaCl + 1/4# Flocele per sx, (Tail) 150 sx Prem. Plus Cement + 2% CaCl - plug down & bumped with 350# at 9:20 PM (CST) 12/16/02 - circulated 120 sx cement to surface - Paul Swartz w/ the BLM witnessed job. WOC & cut off 20" conductor pipe Cut off 13 3/8" csg. & weld on a 13 3/8" SO X 13 5/8" 3,000# braden head & test to 500# - OK NU BOP's & choke manifold

12/18/2002 Depth 1,090
Progress 630
AFE: 22151 Present Operation: Drlg

NU BOP & choke manifold Test Bop blind rams, choke manifold, 13 3/8" casing & well head to 775# - OK Service rig TIH with Bit # 2, Sperry Sun 8" mud motor, reamer, 8" DC, stab. & 8" DC's - tagged up @ 401' Drill cement, wiper plug, float collar & cement from 401' to 430' Test Bop pipe rams, hydril, choke manifold, 13 3/8" casing & well head to 500# - OK - BLM was notified of tests, but did not witness the tests Drill remainder of cement & shoe from 430' to 460' Drill from 460' to 964' (88 RPM motor & 50 RPM rotary, back on formation at 5:45 PM CST 12/17/02) WLS @ 890' = 3/4o Drill from 964' to 1,090' (88 RPM motor & 50 RPM rotary)

12/19/2002 Depth 1,722
Progress 632
AFE: 22151 Present Operation: Drlg

Drill from 1,090' to 1,375' (88 RPM motor & 50 RPM rotary - 10K to 35K bit wt.) WLS @ 1,300' = 2 1/4o Drill from 1,375' to 1,407' (88 RPM motor & 50 RPM rotary - 10K to 15K bit wt.) Service rig & install rotating drilling flow nipple Drill from 1,407' to 1,565' (88 RPM motor & 50 RPM rotary - 15K to 25 K bit wt.) WLS @ 1,491' = 1 1/4o Drill from 1,565' to 1,722' (88 RPM motor & 50 RPM rotary - 20K to 30K

12/20/2002
AFE: 22151

Depth 2,490
Progress 768
Present Operation: Drilling

Drill from 1,722' to 1,786' (88 RPM motor & 50 RPM rotary - 25K to 30K bit wt.) Service rig WLS @ 1,712' = 3/4o Drill from 1,786' to 2,071' (88 RPM motor & 50 RPM rotary - 40K to 45K bit wt.) WLS @ 1,997' = 1/2o Drill from 2,071' to 2,490' (88 RPM motor & 50 RPM rotary - 50K bit wt.)

12/21/2002
Maintenance
AFE: 22151

Present Operation: POOH

Drill from 2,490' to 2,576' (88 RPM motor & 50 RPM rotary - 50K bit wt.) Service rig WLS @ 2,497' = 1 1/4o Drill from 2,576' to 2,925' (88 RPM motor & 50 RPM rotary - 50K to 55K bit wt.) WLS @ 2,851' = 3/4o Drill from 2,925' to 3,220' TD (88 RPM motor & 50 RPM rotary - 55K bit wt.) reached TD of 12 1/4" hole at 3:30 AM CST 12/21/2002 - Ran Davis Fluid Caliper from 3,115' to 3,135', it will take 1,802 ft.3 (without excess) cement with 9 5/8" casing to circulate cement at 3,220' TD Pump 60 bbl. viscous sweep & circulate Drop Totco & POOH standing back 4 1/2" DP - found cracked jt. of DP - bottom jt. of the 25th stand out - 36 1/2" down from box end - horizontal crack - LD bad jt. of DP

12/22/2002
Maintenance
AFE: 22151

Present Operation: TIH

RU laydown machine & POOH LD 8" DC's, IBS, reamer & Bit # 2 12 1/4" Security XL43N Serial #10394366 3-14's in @ 460' out @ 3,220' cut 2,760' in 79 1/4 hrs. condition = T2 B4 In gauge RU casing crew & ran 72 jts. 9 5/8" 40# J-55 8rd ST&C new casing (See Casing Detail) - 3,224.42' - set at 3,220' KB RU Halliburton & circulate to clear casing Halliburton cemented 9 5/8" casing (Lead) 900 sx Interfill "C" + 1/4# Flocele per sx, followed by (Tail) 200 sx Premium Plus Cement + 1% CaCl + 1/4# Flocele per sx - plug down & bumped with 1,400# at 3:35 PM 12/21/02 - circulated 205 sx cement to surface - BLM was notified - didn't witness job ND & PU BOP - set 9 5/8" casing slips in 100,000# - cut off 9 5/8" casing - installed a 13 5/8" 3M X 11" 5M "B" Section Spool & tested same to 1,500# - OK - NU BOP's & choke manifold Test BOP, choke manifold & associated equipment to 5,000# - OK - Paul Swartz with the BLM witnessed the test - accumulator test failed - will have to make repairs before drilling out cement Install wear bushing PU & TIH with Bit # 3 & BHA

12/23/2002
Maintenance
AFE: 22151

Present Operation: Drilling

PU & TIH with Bit # 3, mud motor, reamer, 6 3/4" DC, IBS, 6 3/4" DC, IBS, 4 - 6 3/4" DC's, X~O sub & 25 - 6 1/8" DC's - test motor - OK TIH with 4 1/2" DP out of derrick - (LD 10 jts. DP) - tagged up on cement @ 3,157' - made repairs on BOP accumulator (replaced one bad bladder & repaired 4 way valve to hydril) Test 9 5/8" casing, well head & BOP to 2,200# - OK (had to change out 1 bad 2" valve & a gasket in a 2" union that was leaking) Drill cement, plug, float collar, cement & shoe from 3,157' to 3,220' Drill from 3,220' to 3,239' (back on formation at 10:30 AM CST 12/22/2002) Service rig Test formation at 3,239' to a 10.8#/gal. mud wt. equivalent with 8.4#/gal. fluid in the hole with 400# - OK - welder RU EPOCH flow line sensor adapter, RPM read out & stand for EPOCH monitor Drill from 3,239' to 3,787' (159 RPM motor & 34 RPM rotary - 35K to 40K bit wt.) WLS @ 3,717' = 1o Drill from 3,787' to 3,913' (158 RPM motor & 36 RPM rotary - 40K bit wt.)

