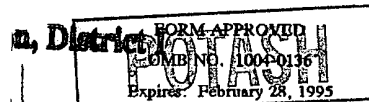
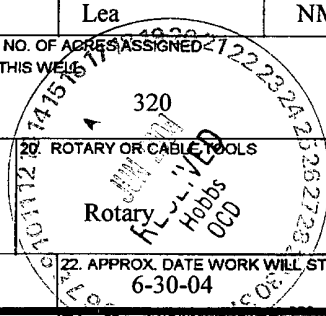


OPER. OGRID NO. 162683
PROPERTY NO. 29D3D
POOL CODE 8328D
DEPART. EFF. DATE 6/23/04
BURE. API NO. 30-025-36737



5. LEASE DESIGNATION AND SERIAL NO.
NM 0141013
6. IF INDIAN, ALLOTTEE OR TRIBE NAME
7. UNIT AGREEMENT NAME
8. FARM OR LEASE NAME, WELL NO.
Mescalero 19 Federal Com No. 2
9. API WELL NO.
30-025- 36737
10. FIELD AND POOL, OR WILDCAT
Quail Ridge, Morrow
11. SEC. T., R., M., BLOCK AND SURVEY
OR AREA
Sec. 19 T19S R34E
12. COUNTY OR PARISH
Lea
13. STATE
NM

1a. TYPE OF WORK
DRILL ☒ DEEPEN ☐ 0586
1b. TYPE OF WELL
OIL ☐ GAS ☒ SINGLE ☐ MULTIPLE ☐
WELL WELL OTHER ZONE ZONE
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.)
1650' FSL & 990' FWL Unit L Secretary's Potash
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
33 miles West of Hobbs NM
15. DISTANCE FROM PROPOSED*
LOCATION TO NEAREST
PROPERTY OR LEASE LINE, T.O.
(Also to nearest drlg. unit line, if any) 990'
16. NO. OF ACRES IN LEASE
1119
17. NO. OF ACRES ASSIGNED
TO THIS WELL 320
18. DISTANCE FROM PROPOSED LOCATION*
TO NEAREST WELL, DRILLING COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT. 2660'
19. PROPOSED DEPTH
14000
20. ROTARY OR CABLE TOOLS
Rotary Hobbs OGD
21. ELEVATIONS (Show whether DF, RT, GR, etc.)
3678' GR
22. APPROX. DATE WORK WILL START*
6-30-04



PROPOSED CASING AND CEMENTING PROGRAM				
SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	J-55 13 3/8"	54.5#	425'	490 sx C circ surface
12 1/4"	NS-110 9 5/8"	40 #	3200'	1850 sx C circ sur
7 7/8"	P-110 5 1/2"	20 #	14000'	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 .22 psi per foot or 1500 # whichever is greater, but not to exceed 70% of the manufactures 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 # 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.

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED**

IN ABOVE SPACE, DESCRIBE PROPOSED PROGRAM: If proposed to test, develop, or produce from a new 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 04-20-04

(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 15 Ron Danton TITLE STATE DIRECTOR DATE JUN 08 2004

*See Instructions On Reverse Side
APPROVAL FOR 1 YEAR

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.
**DECLARED WATER BASIN,
CEMENT BEHIND THE 13 3/8"
CASING MUST BE CIRCULATED**
**DECLARED WATER BASIN,
CEMENT BEHIND THE 9 5/8"
CASING MUST BE CIRCULATED**



Gruy Petroleum Management Co.

600 East Las Colinas Blvd. • Suite 1100 • Irving, TX 75039 • (972) 401-3111 • Fax (972) 443-6450
Mailing Address: P.O. Box 140907 • Irving, TX 75014-0907

A wholly-owned subsidiary of Magnum Hunter Resources, Inc., an American Stock Exchange company

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

Bureau of Land Management
2909 West 2nd Street
Roswell New Mexico 88201-2019
Attn: Ms. Linda Askwig

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-0141013

Legal Description: S/2 Sec 19, T19S-R34E
Containing 320.00 acres, Lea County New Mexico

Formation (S): Morrow

Bond Coverage: Nationwide 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: 04/20/04

Application to Drill

Gruy Petroleum Management Co.
Mescalero 19 Federal Com 2
Unit Letter L Section 19
T19S - R34E Lea 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: 1650' FSL & 990' FWL Sec. 19 19S 34E
- 2 Elevation above sea level: GR 3678'
- 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: 14000'
- 6 Estimated tops of geological markers:

T/Salt	1658'	Strawn	12164
B/Salt	3232'	Atoka	12416
Delaware	6070'	Morrow	12,747
Bone Spring	8136'		
Wolfcamp	10861		

- 7 Possible mineral bearing formation:

Bone Spring	Oil
Wolfcamp	Oil
Atoka	Gas
Morrow	Gas

- 8 Casing program:

Hole Size	Interval	Casing OD	Weight	Thread	Collar	Grade
17 1/2"	0-425'	13 3/8"	54.5	8-R	ST&C	J-55
12 1/4"	0-3200'	9 5/8"	40	8-R	ST&C	NS-180
7 7/8"	0-7000'	5 1/2"	17	8-R ^{BUTT}	ST&C	N-80
7 7/8"	7000-14000	5 1/2"	17 20	8-R	ST&C LT&C	P-110

Application to Drill

Gruy Petroleum Management Co.
Mescalero 19 Federal Com 2
Unit Letter L Section 19
T19S - R34E Lea County, NM

9 Cementing & Setting Depth:

13 3/8"	Surface	Set 425' of 13 3/8" J-55 54.5 # ST&C casing. Cement with 490 Sx. Of Class "C" cement + additives, circulate cement to surface.
9 5/8"	Intermediate	Set 3200' of 9 5/8" NS-180 40 # ST&C casing. Cement in two stages, first stage cement with 1650 Sx. Of Class POZ/C Cement + additives, second stage cement with 200 Sx. Of Class "C" + additives, circulate cement to surface.
5 1/2"	Production	Set 14000' of 5 1/2" NP-80 / P-110 17# ST&C casing. Cement in two stages, first stage cement with 900 Sx. of Class POZ/C Cement + additives. Second stage cement with 500 Sx of Class "C" Estimated top of cement 4800'.

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

11 Proposed Mud Circulating System:

Depth	Mud Wt	Viscosity	Fluid Loss	Type Mud
0 - 450'	8.7 - 9.2	32 - 34	May lose circ.	Fresh water spud mud add paper to control seepage and high viscosity sweeps to clean hole.
450' - 3200'	10 - 10.3	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.
3200' - 8300'	8.4 - 9.9	28 - 29	NC	Fresh water. Paper for seepage. Lime for pH (9 - 9.5)
8300' - 10000'	9.2 - 9.4	28 - 29	NC	Cut brine. Caustic for pH control.
10000' - 14000'	9.2 - 10.6	32 - 34	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 DST's, 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.
Mescalero 19 Federal Com 2
Unit Letter L Section 19
T19S - R34E Lea 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 DST's, or cores are planned at this time.

13 Potential Hazards:

No abnormal pressures or temperatures or H₂S gas are expected. 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 3000 PSI, estimated BHT 190 .

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 / Atoka pay will be perforated and stimulated. The well will be tested and potentialized as a gas well.

Surface Use Plan

Gruy Petroleum Management Co.
Mescalero 19 Federal Com 2
Unit Letter L Section 19
T19S - R34E Lea 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. On US 64 & 180 go west 0.8 miles from MM 79. Thence northeast on lease road 1.6 miles to "Y" Go right north 1.0 miles, then 0.1 mile west, then 0.1 miles north, then 1.7 miles south southwest, then 0.2 miles to access road to location.
- 2 PLANNED ACCESS ROADS: 2250' of new access road will be constructed.
- 3 LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A"
 - A. Water wells - None known
 - 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.
Mescalero 19 Federal Com 2
Unit Letter L Section 19
T19S - R34E Lea 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 with 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 holes with a minimum depth of 10'. These holes will be covered during drilling and will be back filled upon completion. 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 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.
Mescalero 19 Federal Com 2
Unit Letter L Section 19
T19S - R34E Lea County, NM

9 WELL SITE LAYOUT

- A. Exhibit "D" shows location and rig layout.
- B. This exhibit indicates proposed location of reserve and trash pits; and living facilities.
- 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 indicate that lining is needed for lateral containment of fluids.
- D. If needed, the reserve pit is to be lined with PVC or polyethylene line. The pit liner will be 6 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 recontoured 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.
Mescalero 19 Federal Com 2
Unit Letter L Section 19
T19S - R34E Lea County, NM

11 OTHER INFORMATION:

- A. The location is located in 1 m coppice dunes in loose tar sands. Vegetation in the area is mesquite, shin oak, and grasses.
- B. The wellsite is on surface owned by the Bureau of Land Management, Department of the Interior. The land is used mainly for farming, cattle ranching and oil and gas production.
- C. An Archaeological survey has been conducted by Southern New Mexico Archaeological Services, on the location, and access road, and this report is on file with the Bureau of Land Management in the Carlsbad BLM office.
- D. Within 1 1/2 miles of this location, there are no dwellings.

12 OPERATORS REPRESENTATIVE:

Gruy Petroleum Management Company
P.O. Box 14097
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 contractors/subcontractors in the 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:

4/20/2004

TITLE:

Manager, Operations Administration

1. (For BLM Use) BLM Report No.		2. (For BLM Use) Reviewers Initials/Date Accepted () Rejected ()		3. NMCRIS Number: 87526	
4. Type of Report:		Negative (X)		Positive ()	
5. Title of Report: A Class III Cultural Resource Report for the Proposed Mescalero "19" Federal Corn Number 2 Well Location and Access Road Section 19, T.19S, R.34E Lea County, New Mexico Author(s): Doralene Sanders and Gail Wimberly					
6. Fieldwork Date(s) March 5, 2004			7. Report Date: March 13, 2004		
8. Consultant Name/Address: Southern New Mexico Archaeological Services, Inc. Post Office Box 1, Bent, New Mexico 88314 Direct Charge: Joe Ben Sanders Field Personnel Name(s): Allen S. Rorex Phone Number: (505) 671-4797					
9. Cultural Resource Permit Number: 145-2920-03-M			10. Consultant Report Number: SNMAS-04NM-1398		
11. Customer Name: Gruy Petroleum Management Company Responsible Individual: Ressie Reston Address: Post Office Box 140907 Irving, Texas 75014 Phone Number: (505) 394-0613			12. Customer Project Number:		
13. Land Status	BLM	State	Private	Other	Total
a. Area Surveyed (acres)	7.17	-	-	-	7.17
b. Area of Effect (acres)	3.61	-	-	-	3.61
14. Linear		Length 2,050 ft		Width 100 ft	
15. Location (Map[s] Attached) a. State: New Mexico b. County: Lea c. BLM Office: Carlsbad Field Office d. Nearest City or Town: Hobbs, New Mexico e. Legal Description: Section 19, T.19S, R.34E Well Pad 1/4s: SE/4 NW/4 SW/4 Access Road 1/4s: SE/4 NW/4 SW/4; S/2 S/2 NE/4 SW/4; SW/4 NW/4 SE/4 f. Well Pad Footages: 1,650 ft FSL and 990 ft FWL g. USGS 7.5' Map Name(s), Date(s), and Code(s): Ironhouse Well, N.Mex. (1983) 32103-F5					

16. Project Data:

a. Records Search: Date(s) of BLM field Review: March 5, 2004
 Name of Reviewer(s): Katrina Shaw
 Date of ARMS Data Review: March 5, 2004
 Name of Reviewer(s): Doralene Sanders

Findings (see Field Office requirements to determine area to be reviewed during records search):

The records search revealed three sites (LA 38907, LA 133,353, and NM-06-2805) located within a quarter-mile radius of the project area. There are three previous inventories within the proposed project, listed under BLM Report Numbers 98-652 (4.16 acres), 98-84 (0.23 acre), and 93-240 (1.4 acres).

b. Description of Undertaking: A Class III cultural resource inventory was requested by Gruy Petroleum Management Company, for the proposed Mescalero "19" Federal Com Number 2 well location and access road staked in Section 19, T.19S, R.34E, Lea County, New Mexico. An area 600 ft by 600 ft was inventoried for the proposed well location, although 5.79 acres have been previously inventoried within the well pad. The impact area is 300 ft by 300 ft. The proposed access road is 2,250 ft in length, with an impact area of 30 ft by 2,250 ft. The proposed access road begins on an existing capped lease road and trends east-west 2,250 ft, ending on the southeast corner of the proposed well location. An area 100 ft by 2,050 ft was inventoried for the proposed access road.

c. Environmental Setting (NCRS soil designation: vegetative community; elevation; etc.):

The project area is located on an open, rolling plain covered with coppice dune field formations, with varied dune height/blowout depth ranging from 0.2 to 3 meters. Soils are tan/brown loamy, silty sands, with small lag gravels in blowouts and a few spots where small nodules of caliche are exposed. The vegetative community includes shinoak, various grasses, sage, yucca, and mesquite. The elevation is 3,678 ft.

d. Field Methods (transect intervals; crew size; time in field, etc.): The field crew consisted of one archaeologist. The inventory for the proposed well pad was conducted by walking 12 zigzag transects (15 m intervals) over the staked well location. The proposed access road was surveyed by walking 15-m-interval zigzag transects at 50 ft on either side and parallel to the right-of-way centerline. Time spent in the field was 4.5 hours.

e. Artifacts Collected? No

17. Cultural Resource Findings: No cultural resources were located within the project area.

a. Location/Identification of Each Resource: N/A

b. Evaluation of Significance of Each Resource: N/A

18. Management Summary (Recommendations):

During the current survey, no sites were encountered. Therefore, it is recommended that the proposed undertaking proceed as planned.

19.

I certify the information provided above is correct and accurate and meets all applicable BLM Standards.

Responsible Archaeologists



Signature for
 Allen S. Rorex
 Field Supervisor

March 13, 2004
 Date

THE ABOVE COMPLETES A NEGATIVE REPORT. IF ELIGIBLE OR POTENTIALLY ELIGIBLE PROPERTIES ARE INVOLVED, THE ABOVE WILL BE THE TITLE PAGE AND ABSTRACT FOR A COMPLETE REPORT.

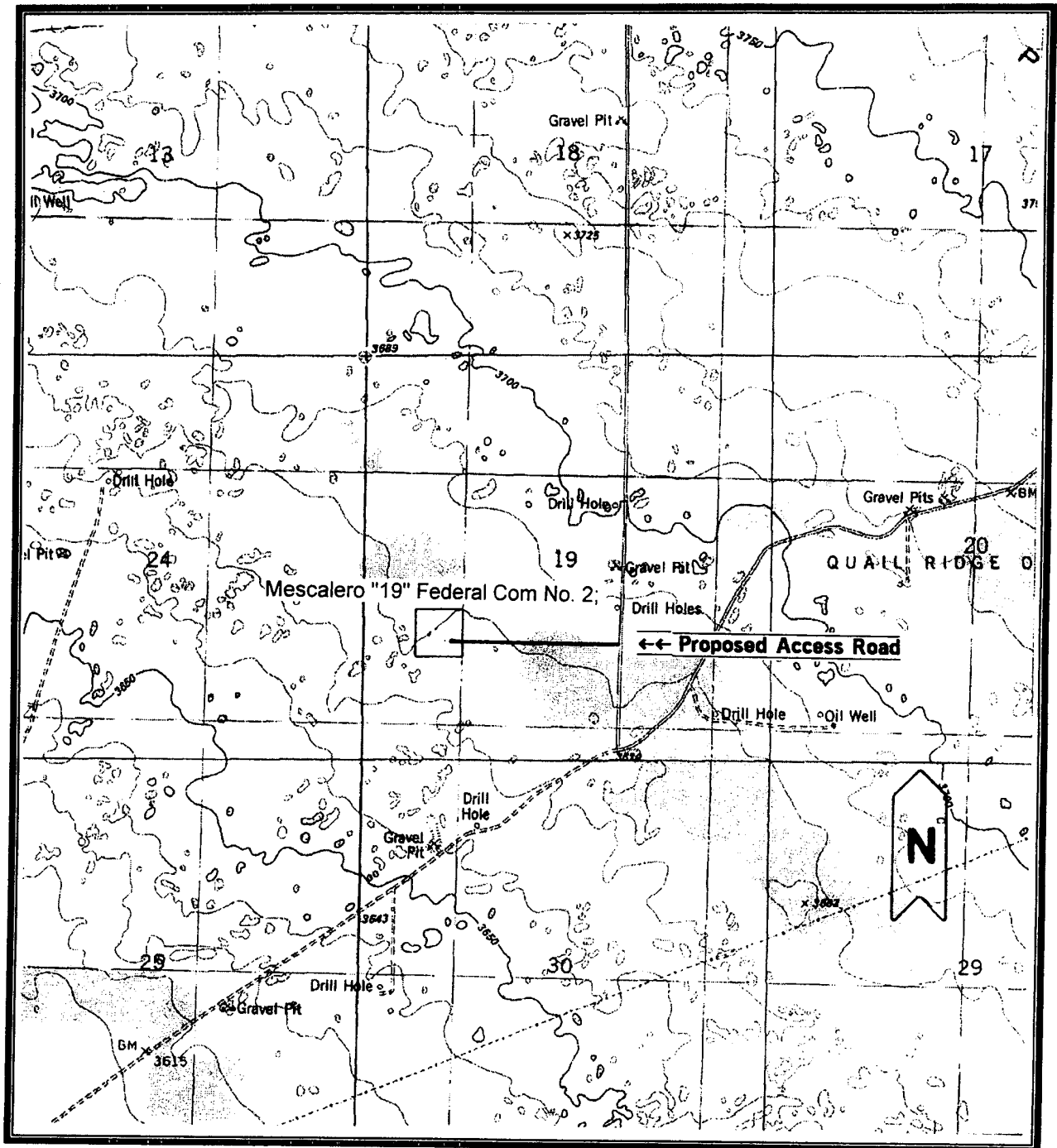


Figure 1: Survey Area Gruy Petroleum Management Company
The Proposed Mescalero "19" Federal Com Number 2 Well Location and Access Road
Section 19, T.19S, R.34E
USGS Ironhouse Well, N.Mex. (1983) 7.5' topo map
Lea County, New Mexico
Scale 1:24,000

Southern New Mexico Archaeological Services, Inc.

DISTRICT I

1625 N. French Dr. Hobbs, NM 88240

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised March 17, 1999

DISTRICT II

811 South First, Artesia, NM 80210

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION

2040 South Pacheco

Santa Fe, New Mexico 87504-2088

DISTRICT IV

2040 South Pacheco, Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name MESCALERO "19" FEDERAL COM	Well Number 2
OGRID No.	Operator Name GRUY PETROLEUM MANGEMENT CO.	Elevation 3678'

Surface Location

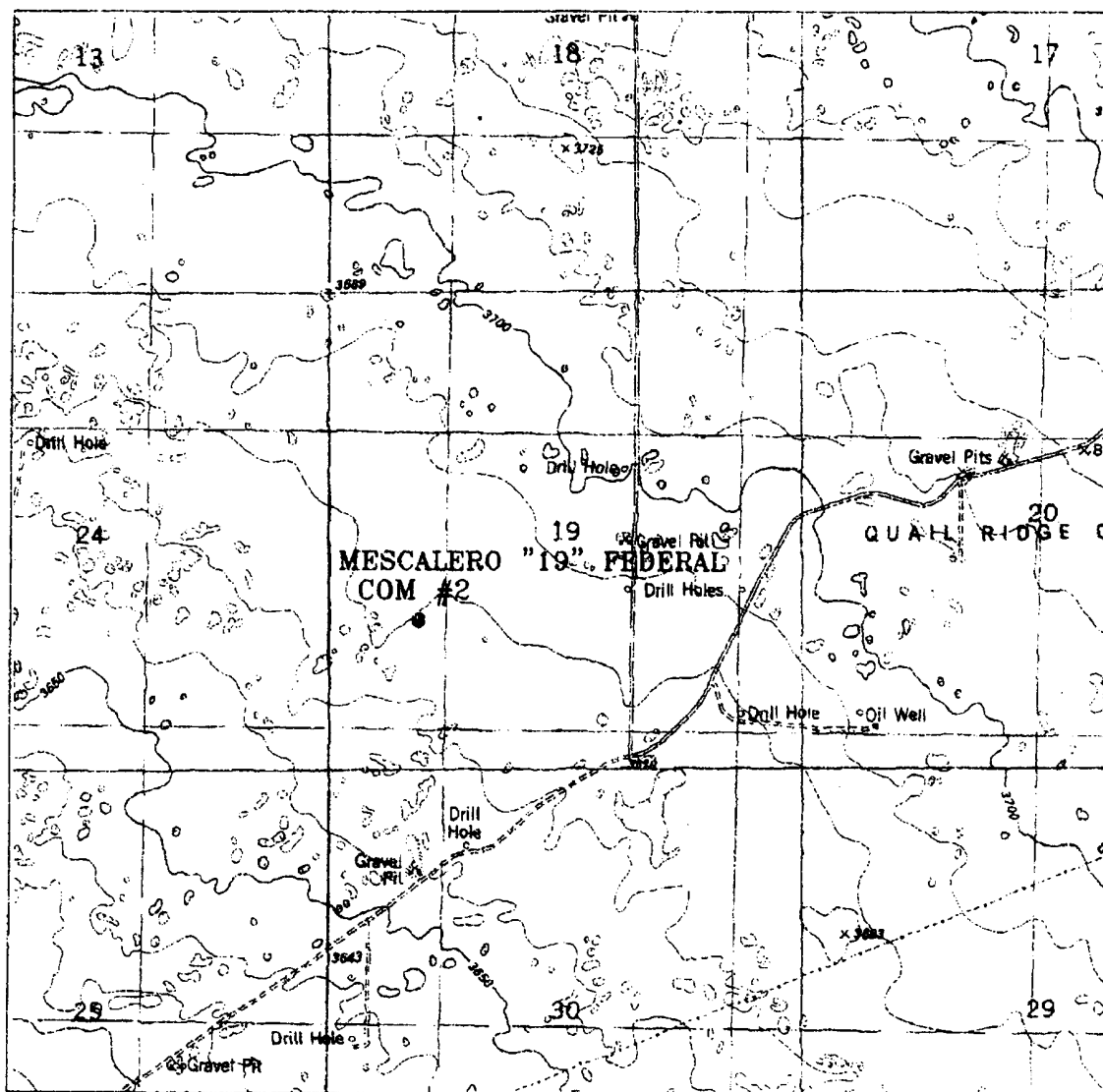
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	19	19 S	34 E		1650'	SOUTH	990'	WEST	LEA

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	Joint or Infill	Consolidation Code	Order No. SNMAS - 04RM1398						

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

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature _____</p> <p>Printed Name _____</p> <p>Title _____</p> <p>Date _____</p>	
	<p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>FEBRUARY 16, 2004</p> <p>Date Surveyed _____</p> <p>Signature of Surveyor _____</p> <p>Professional Surveyor</p> <p>NEW MEXICO</p> <p>W.O. No. 353</p> <p>Consultant No. Gary Jones 7977</p> <p>JLP</p>	



MESCALERO "19" FEDERAL COM #2
 Located at 1650' FSL and 990' FWL
 Section 19, Township 19 South, Range 34 East,
 N.M.P.M., Eddy County, New Mexico.



ORIGINAL

04N44-13918

basin
surveys
 focused on excellence

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

W.O. Number: 3997AA - JLP #1

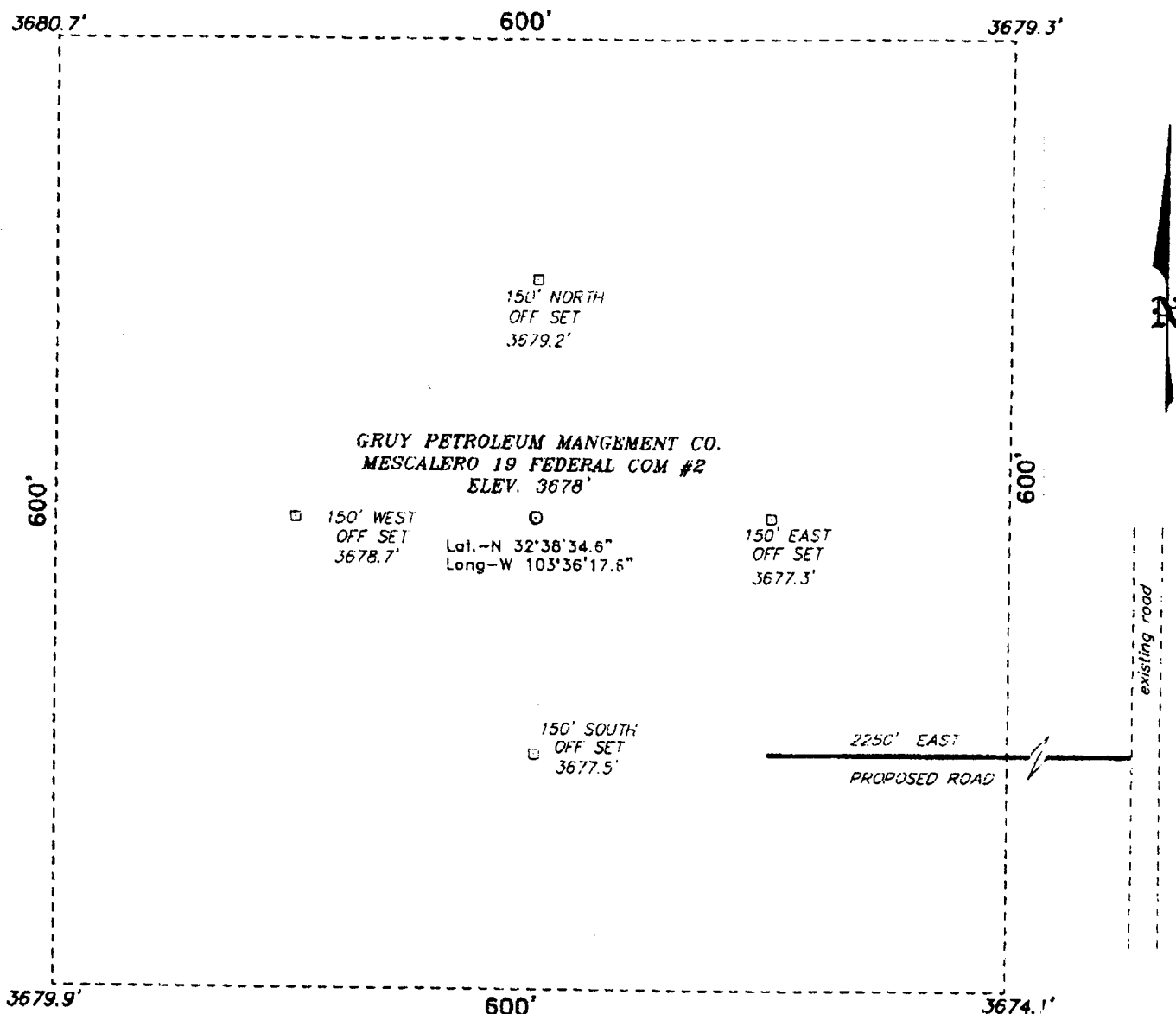
Survey Date: 02/16/04

Scale: 1" = 2000'

Date: 02/17/04

GRUY
PETROLEUM
MANGEMENT
COMPANY

SECTION 19, TOWNSHIP 19 SOUTH, RANGE 34 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.



ORIGINAL



SCALE: 1" = 100'

Directions to Location:

ON U.S. 62 & 180 GO WEST 0.8 MILES FROM MM 79, THENCE NORTHEAST ON LEASE RD 1.6 MILES TO "V" GO RT., NORTH 1.0 MILES, THEN 0.1 MILE WEST, THEN 0.1 MILE NORTH, THEN 1.7 SOUTH SOUTHWEST, THEN 0.2 NILES NORTH TO PROPOSED ROAD.

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

W.O. Number. 3997

Drawn By: JAMES PRESLEY

Date: 02/17/04

Disk: JLP #1 - 3997A.DWG

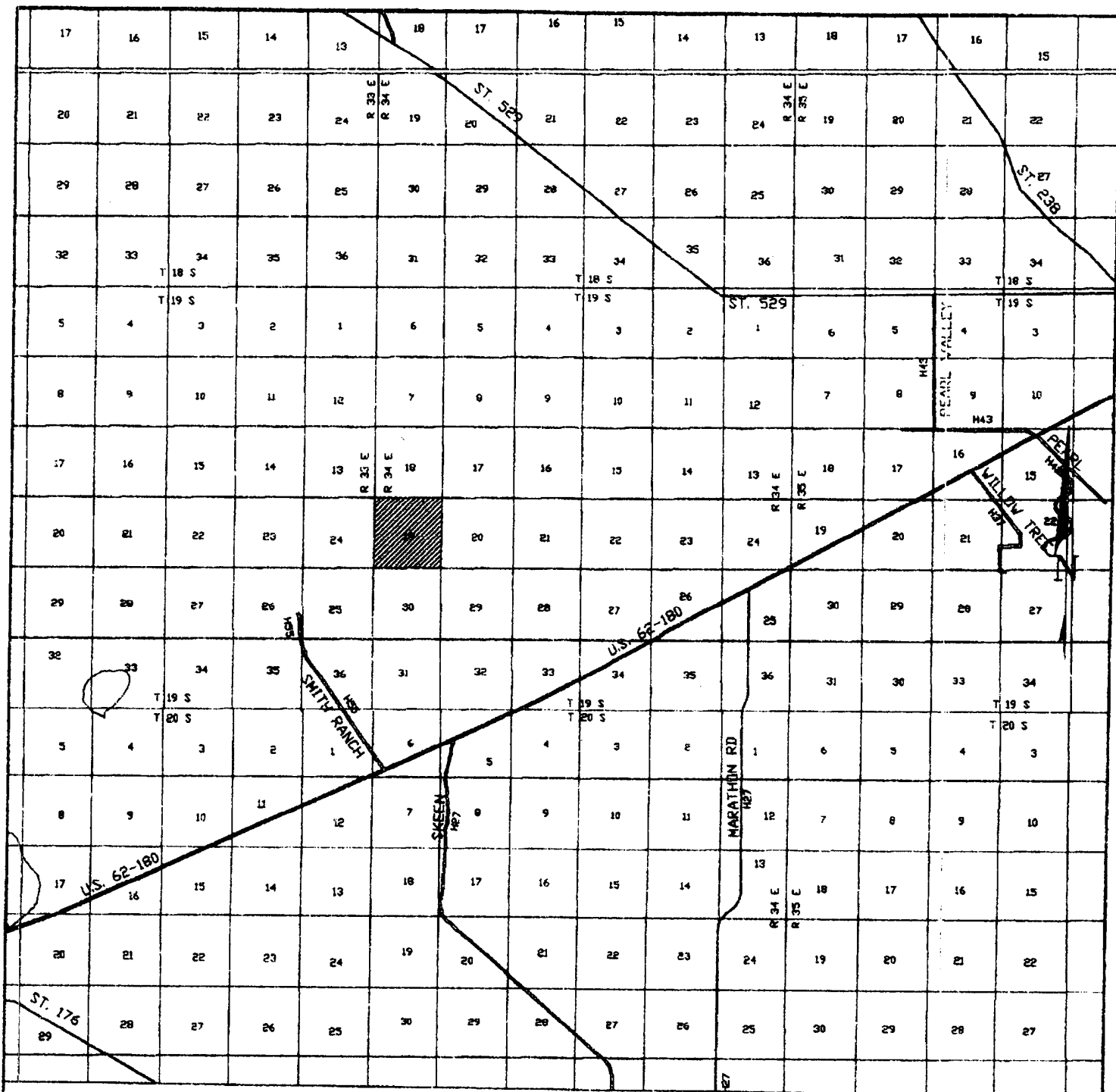
GRUY PETROLEUM MANGEMENT CO.

REF: Mescalero "19" Federal Com #2 / Well Pad Topo

THE MESCALERO 19 FEDERAL COM No. 2 LOCATED 1650' FROM THE SOUTH LINE AND 990' FROM THE WEST LINE OF SECTION 19, TOWNSHIP 19 SOUTH, RANGE 34 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO.

Survey Date: 02/18/04

Sheet 1 of 1 Sheets



MESCALERO "19" FEDERAL COM, #2
 Located at 1650' FSL and 990' FWL
 Section 19, Township 19 South, Range 34 East,
 N.M.P.M., Eddy County, New Mexico.



ORIGINAL

04N4-1398

basin
surveys
 focused on excellence

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

W.O. Number: 3997AA - JLP #1

Survey Date: 02/16/04

Scale: 1" = 2000'

Date: 02/17/04

GRUY
 PETROLEUM
 MANAGEMENT
 COMPANY

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

State of New Mexico

Form C-102
Revised March 17, 1999

DISTRICT II
811 South First, Artesia, NM 88210

Energy, Minerals and Natural Resources Department

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

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

OIL CONSERVATION DIVISION

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-36737	Pool Code 83280	Pool Name Quail Ridge South Carlsbad; Morrow
Property Code 29030	Property Name MESCALERO "19" FEDERAL CON	Well Number 2
OGRID No. 162683	Operator Name GRUY PETROLEUM MANGEMENT CO.	Elevation 3678'

Surface Location

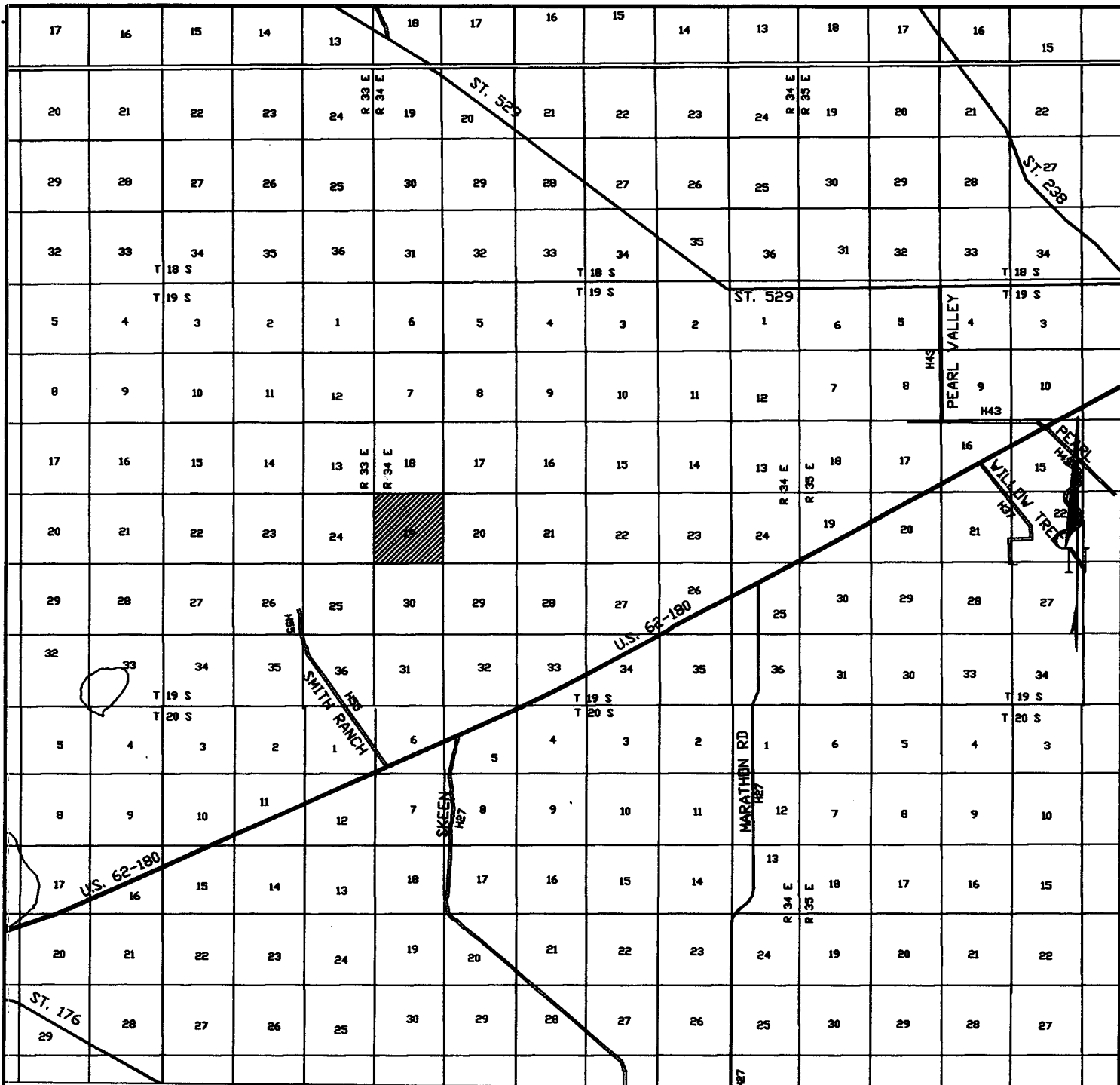
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	19	19 S	34 E		1650'	SOUTH	990'	WEST	LEA

Bottom Hole Location If Different From Surface

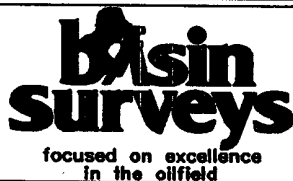
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 319.92	Joint or Infill Y	Consolidation Code C	Order No.						

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

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><u>Zeno Farris</u> Signature Zeno Farris Printed Name Manager Operations Admin Title April 27, 2004 Date</p>
	<p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>FEBRUARY 16, 2004 Date Surveyed <u>Gary L. Jones</u> Signature Professional Surveyor NEW MEXICO W.Q. No. 3992 Certificate No. Gary L. Jones 7977 JLP PROFESSIONAL SURVEYS</p>



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 basinsurveys.com

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GRUY
 PETROLEUM
 MANGEMENT
 COMPANY

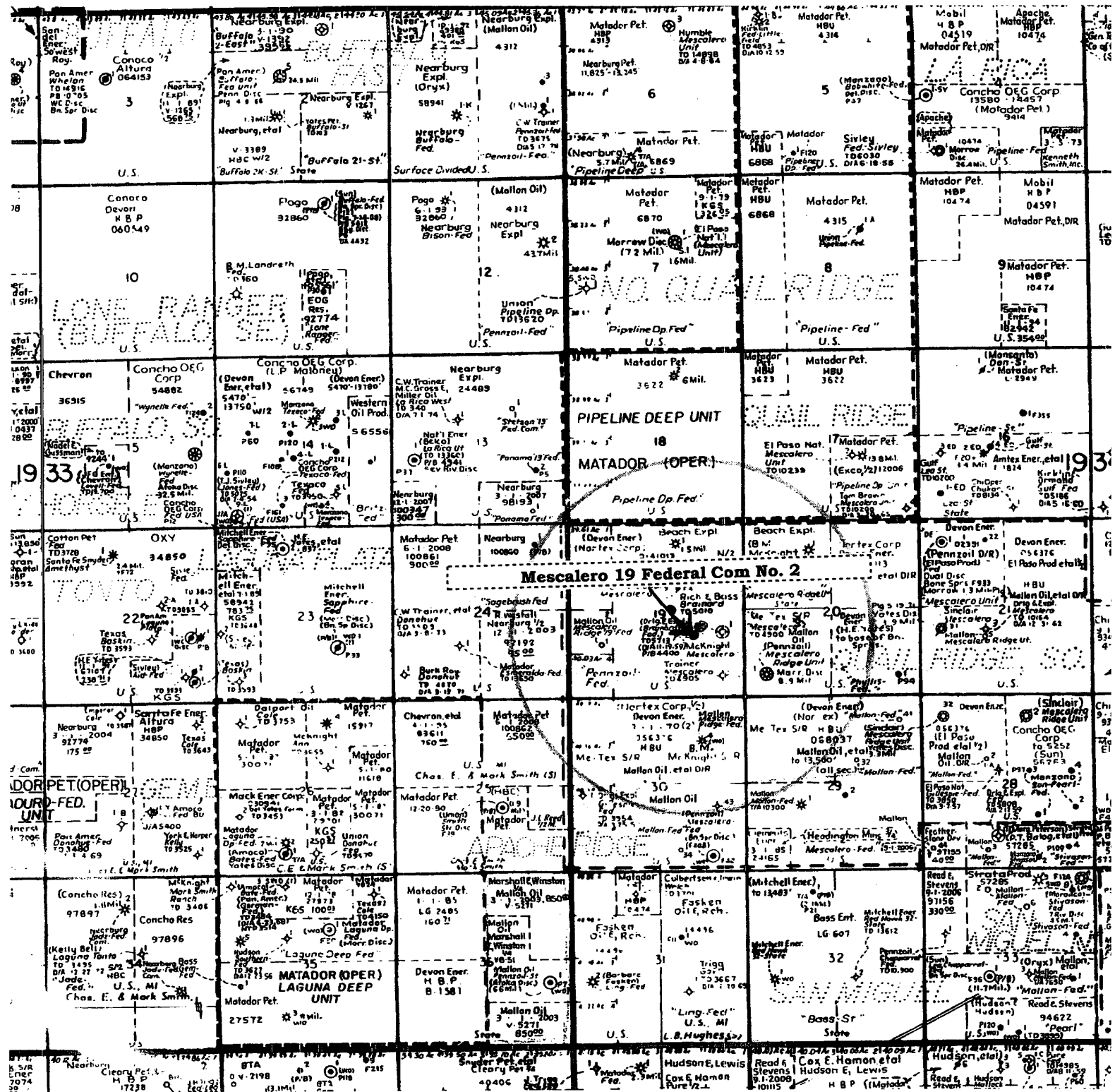
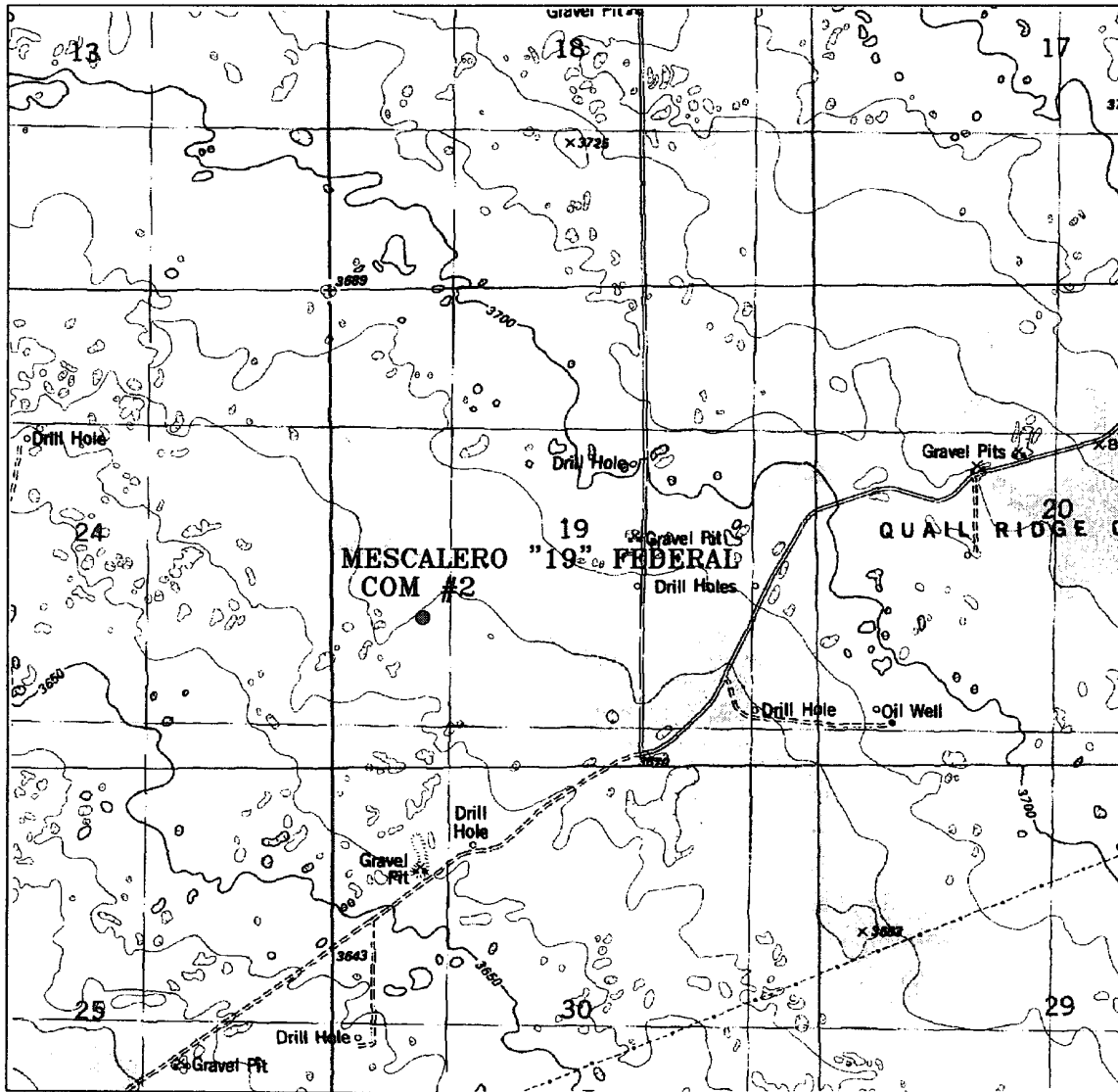


Exhibit A
One Mile Radius Map
Mescalero 19 Federal Com No. 2
Gruy Petroleum Management Co.
Unit L; Section 19-T19S-R34E
1650' FSL & 990' FWL
Lea County, Nm



MESCALERO "19" FEDERAL COM #2
 Located at 1650' FSL and 990' FWL
 Section 19, Township 19 South, Range 34 East,
 N.M.P.M., Eddy County, New Mexico.

Exhibit B

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 Hobbs, New Mexico 88241
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W.O. Number: 3997AA - JLP #1

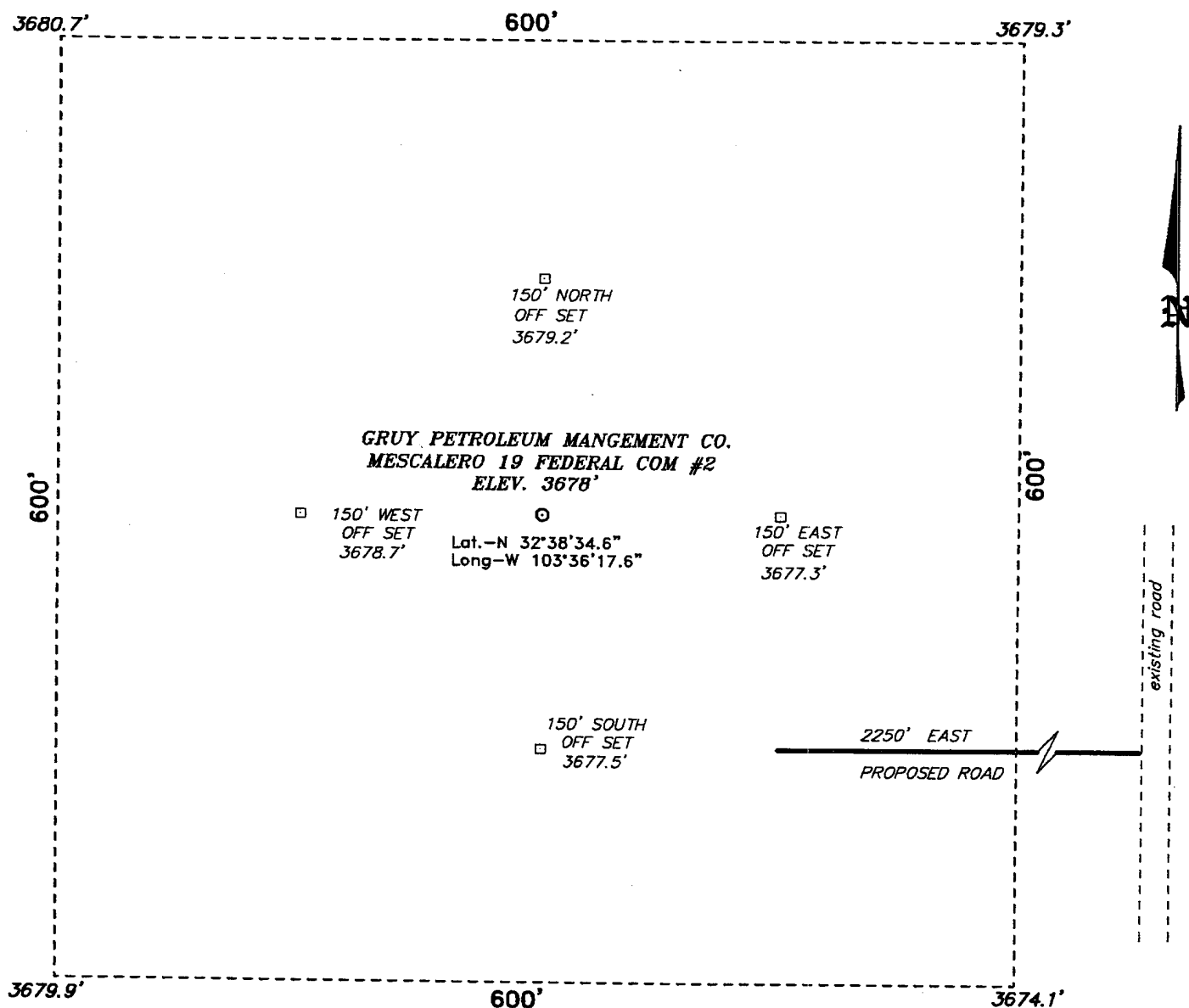
Survey Date: 02/16/04

Scale: 1" = 2000'

Date: 02/17/04

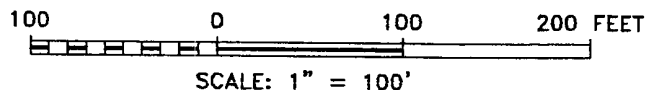
GRUY
PETROLEUM
MANAGEMENT
COMPANY

SECTION 19, TOWNSHIP 19 SOUTH, RANGE 34 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.



Directions to Location:

ON U.S. 62 & 180 GO WEST 0.8 MILES FROM MM 79, THENCE NORTHEAST ON LEASE RD 1.6 MILES TO "Y" GO RT., NORTH 1.0 MILES, THEN 0.1 MILE WEST, THEN 0.1 MILE NORTH, THEN 1.7 SOUTH SOUTHWEST, THEN 0.2 NILES NORTH TO PROPOSED ROAD.



GRUY PETROLEUM MANGEMENT CO.

REF: Mescalero "19" Federal Com #2 / Well Pad Topo

THE MESCALERO 19 FEDERRAL COM No. 2 LOCATED 1650' FROM THE SOUTH LINE AND 990' FROM THE WEST LINE OF SECTION 19, TOWNSHIP 19 SOUTH, RANGE 34 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO.

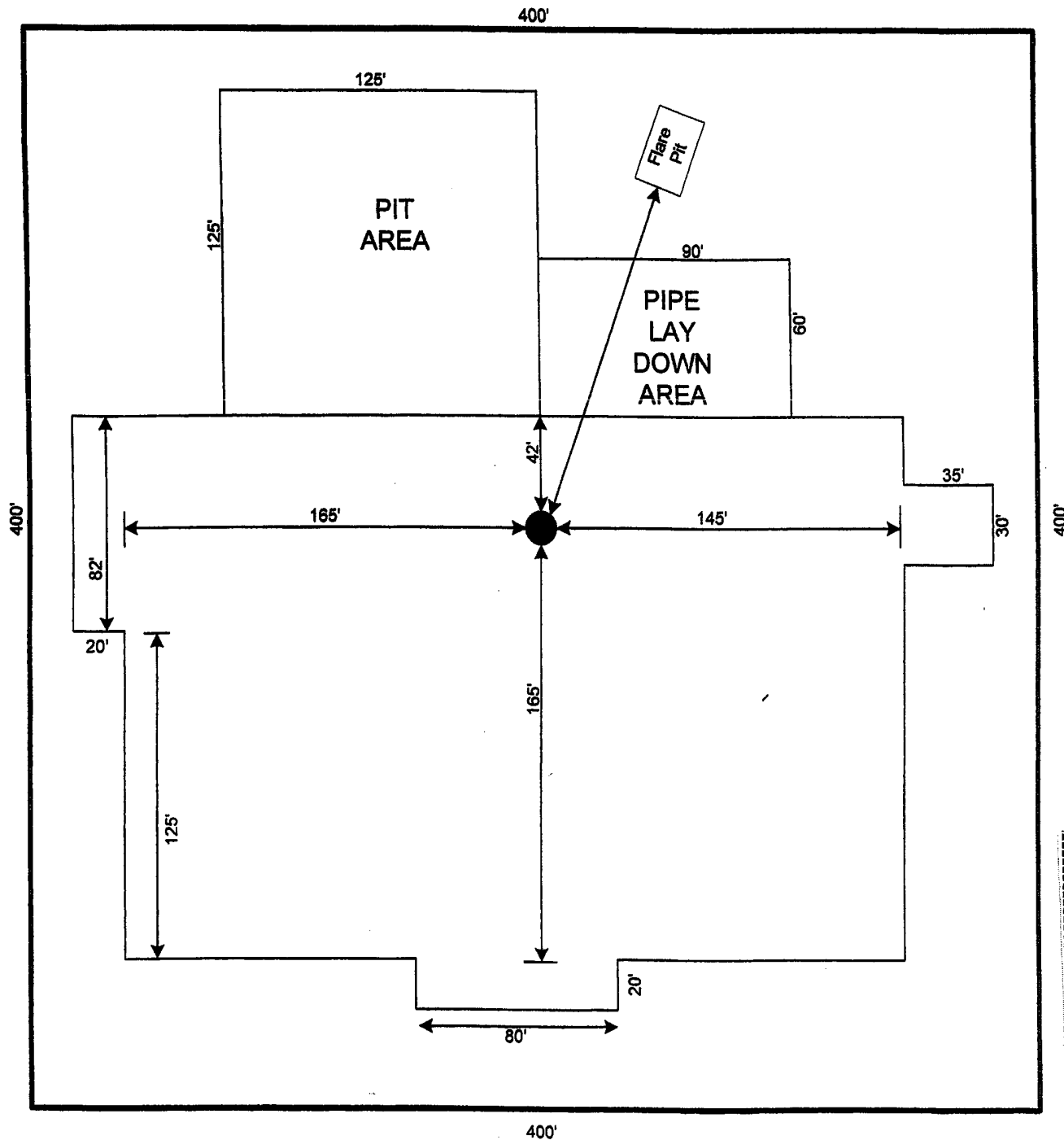
BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 3997 Drawn By: JAMES PRESLEY

Date: 02/17/04 Disk: JLP #1 - 3997A.DWG

Survey Date: 02/16/04

Sheet 1 of 1 Sheets



RIG # 80

**GRUY PETROLEUM
MANAGEMENT COMPANY
IRVING TEXAS**

SCALE 1"=60'

Exhibit D
Rig Layout Plan
Mescalero 19 Federal Com No. 2
Gruy Petroleum Management Co.
Unit L; Section 19-T19S-R34E
1650' FSL & 990' FWL
Lea County, Nm

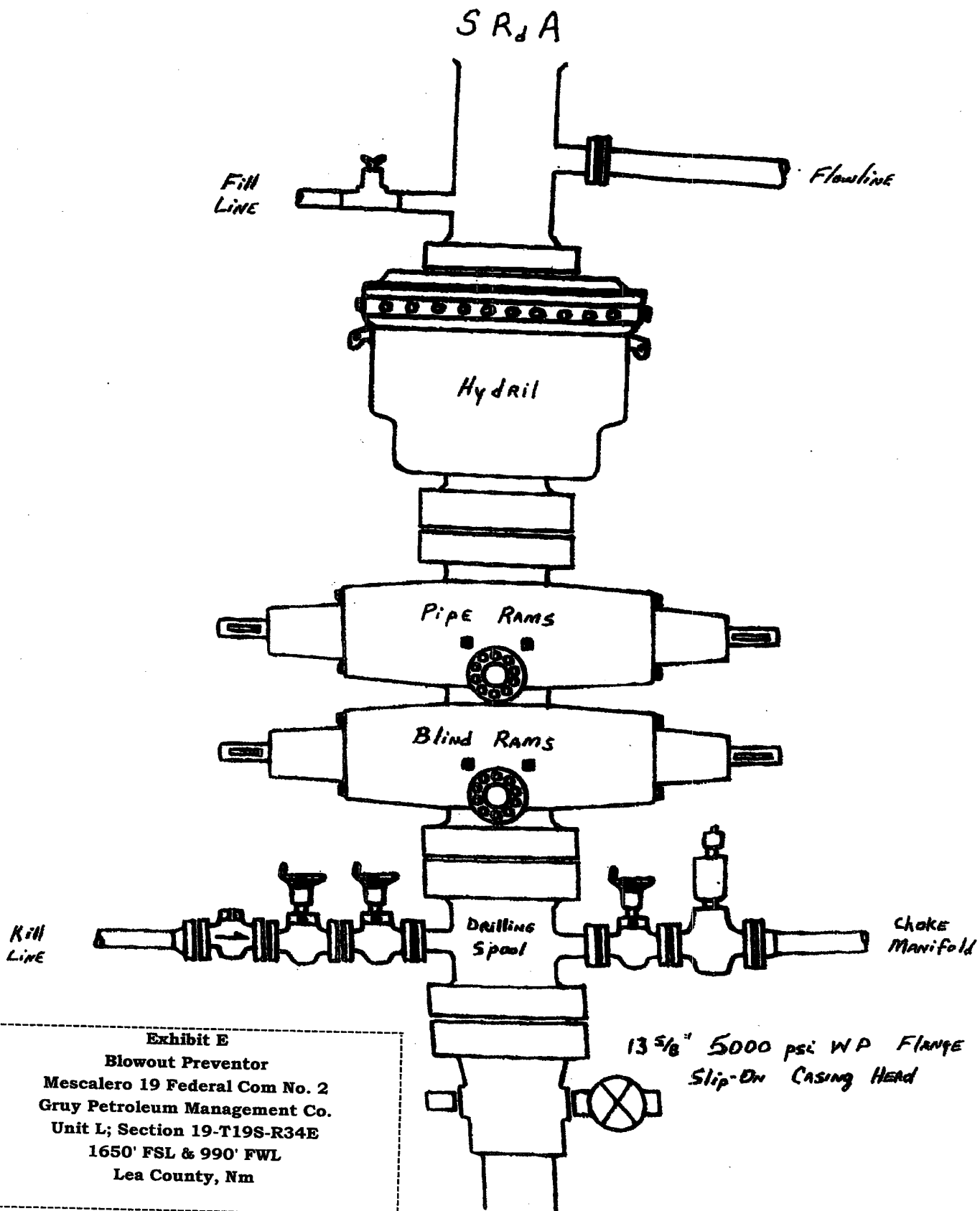


Exhibit E
Blowout Preventor
 Mescalero 19 Federal Com No. 2
 Gruy Petroleum Management Co.
 Unit L; Section 19-T19S-R34E
 1650' FSL & 990' FWL
 Lea County, Nm

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

Form C-144
March 12, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

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@magnumhunter.com

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

Facility or well name: Mescalero 19 Federal Cont 2 API #: 30-025-36737 U/L or Qtr/Qtr L Sec 19 T 19S R 34E

County: Lea Latitude 323834.6 N Longitude 1033617.6 W NAD: 1927 ☒ 1983 ☐ Surface Owner Federal ☐ State ☐ Private ☐ Indian ☐

Pit	Below-grade tank
Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness 12 mil Clay <input type="checkbox"/> Volume _____ bbl	Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes <input type="checkbox"/> 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)	

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: 6-17-04

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: 6/24/04

Printed Name/Title PETROLEUM ENGINEER

Signature [Signature]