New Mexico Oil Conservation Division, District I
1625 N. French Drive
Hobbs, NM 88240

(1992) K-04-17 DOI

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

IT IN TRIPLICATE*
(Other instructions on reverse side)

HCB

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

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 [ ]

2. NAME OF OPERATOR
Gruy Petroleum Management Co. 162683

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.*)
"I" 1480' FSL & 1215' FEL SHL Sec 7-19S-34E Per attached SN dated 5-5-05
"P" 1210' FSL & 1215' FEL BHL Sec 7-19S-34E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
31 miles West of Hobbs NM

SUBJECT TO LIKE APPROVAL BY STATE

5. LEASE DESIGNATION AND SERIAL NO.
NM 6870

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME
NMNM82537

8. FARM OR LEASE NAME, WELL NO. 34666
Pipeline Deep 7 Federal Com No.2

9. API WELL NO.
30-025- 37113

10. FIELD AND POOL, OR WILDCAT
Quail Ridge, Morrow North (GAS) 83320

11. SEC. T.,R.,M., BLOCK AND SURVEY OR AREA
Sec. 7 T19S R34E

12. COUNTY OR PARISH: Lea
13. STATE: NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, T.O (Also to nearest drlg. unit line, if any)	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL
1210'	1236	320

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.	19. PROPOSED DEPTH	20. ROTARY OR CABLE TOOLS
2225'	14000	Rotary OCD

RECEIVED
MAR 2005
Hobbs

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
3768' GR

22. APPROX. DATE WORK WILL START*
10-31-04

Caution Potential Water Beds

23. 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 circ surface
12 1/4"	NS-110 9 5/8"	40 #	3500'	1850 sx circ surface
7 7/8"	P-110 5 1/2"	17 #	14000'	1620 sx TOC 2700

WITNESS
WITNESS

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.

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 08-05-04

(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 /s/ Joe G. Lara TITLE FIELD MANAGER DATE FEB 25 2005

*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.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

Form 3160-5
(November 1994)

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

5. Lease Serial No.
NM-6870

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.
NMNM82537

1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other

8. Well Name and No.
Pipeline Deep 7 Federal Com No. 2

2. Name of Operator
Gruy Petroleum Management Co.

9. API Well No.
30-025- 37113

3a. Address
P.O. Box 140907 Irving, TX 75014-0907

3b. Phone No. *(include area code)*
972.401.3111

10. Field and Pool, or Exploratory Area
Quail Ridge; Morrow North

4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*
SHL 1480 FSL & 1215' FEL Sec 7-19S-34E I
BHL 1210' FSL & 1215' FEL Sec 7-19S-34E P

11. County or Parish, State
Lea, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☐ Other
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ 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.)

SHL moved due to sand dunes. Gruy will directional back to original BHL. See attached plat.

14. I hereby certify that the foregoing is true and correct
Name *(Printed/Typed)*
Zeno Farris

Title
Manager, Operations Administration

Signature Zeno Farris

Date
January 5, 2005

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by
/s/ Joe G. Lara ACTING FIELD MANAGER

Title

Date
FEB 25 2005

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
CARLSBAD FIELD 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.

(Instructions on reverse)

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
30-025-37113	83320	Quail Ridge; Morrow (North) (gas)

Property Code	Property Name	Well Number
34666	PIPELINE DEEP "7" FEDERAL COM	2

OGRID No.	Operator Name	Elevation
162683	GRUY PETROLEUM MANAGEMENT CO.	3766'

Surface Location

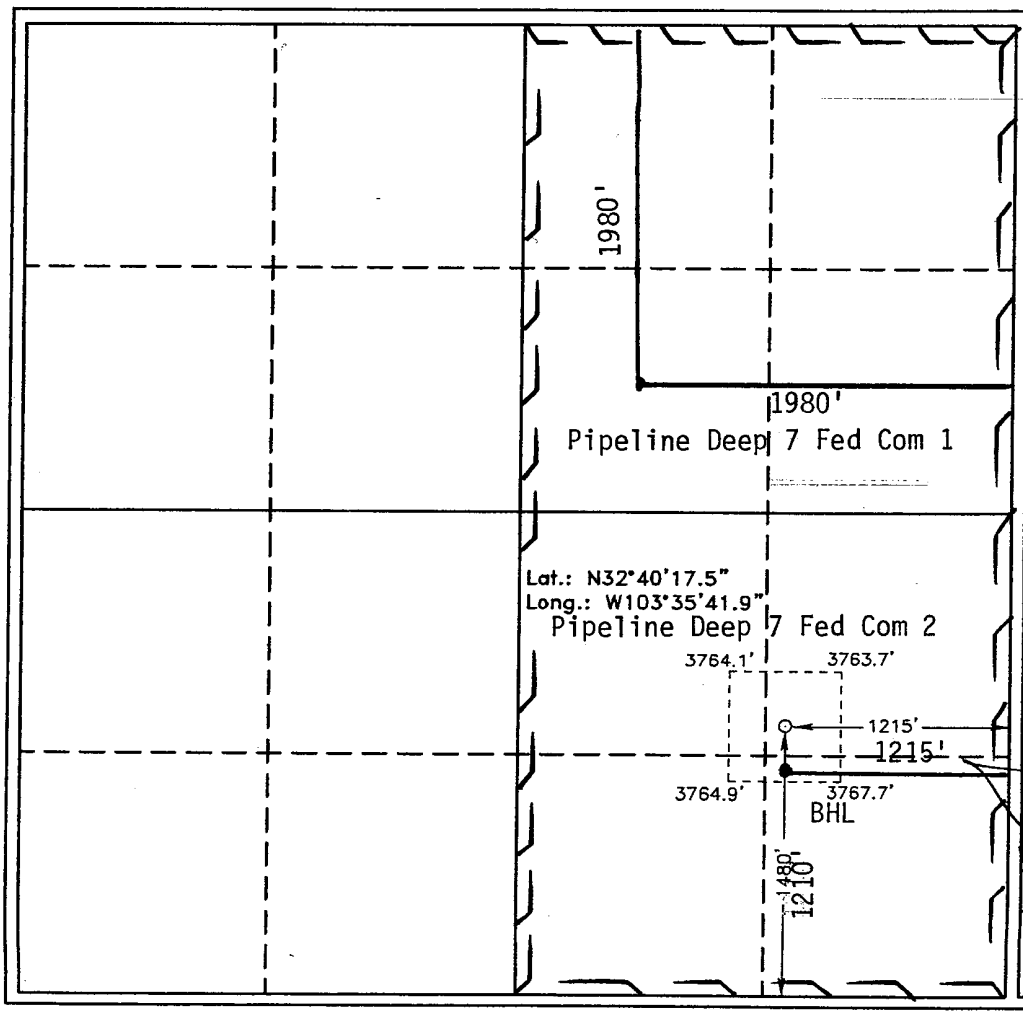
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	7	19 S	34 E		1480'	SOUTH	1215'	EAST	LEA

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
P	7	19 S	34 E		1210'	SOUTH	1215'	EAST	LEA

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320	Y	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

Manager Operations Admin.
Title

January 12, 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 supervison, and that the same is true and correct to the best of my belief.

December 1, 2004
Date Surveyed

Signature & Seal of Professional Surveyor: GARY L. JONES NEW MEXICO 7977 REGISTERED PROFESSIONAL LAND SURVEYOR

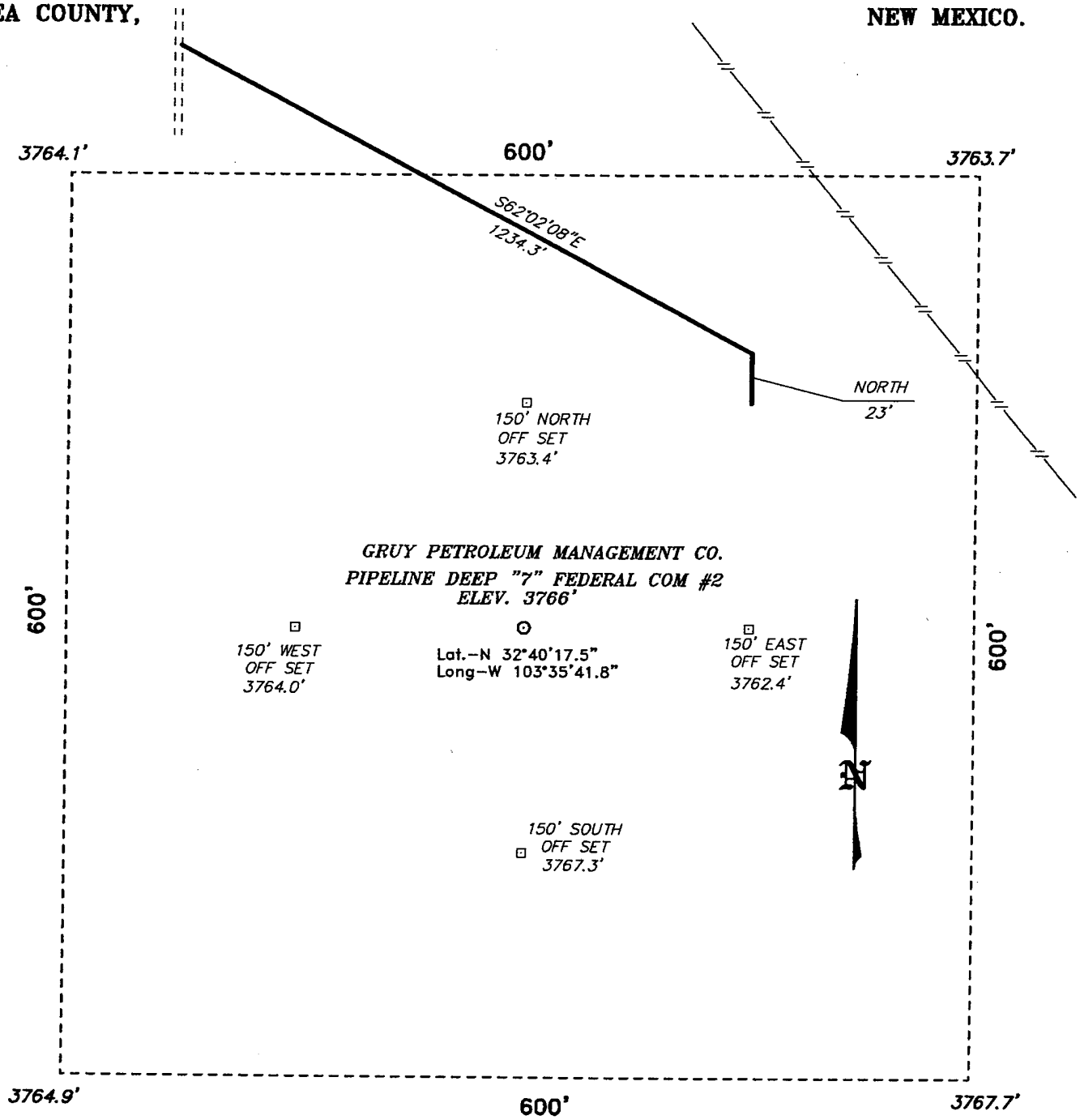
W.O. No. 4919

Certificate No. Gary L. Jones 7977

JLP BASIN SURVEYS

SECTION 8, TOWNSHIP 19 SOUTH, RANGE 34 EAST, N.M.P.M.,

LEA COUNTY, **NEW MEXICO.**



Directions to Location:

FROM THE JUNCTION OF US HWY 62-180 AND LEA CO. ROAD H-55 GO NORTHEAST ON US 62 2.7 MILES TO A LEASE ROAD THEN NORTH 2.3 MILES, THEN 0.1 MILES WEST, THEN 0.1 WEST, THEN SOUTHWEST 2.3 MILES, THEN 2.3 MILES NORTH TO PROPOSED ROAD TO "7" FED. #7, THENCE S62°02'08"E., 1073.3 FEET; THENCE S00°00'E., 23 FEET TO PROPOSED LOCATION.

100 0 100 200 FEET

SCALE: 1" = 100'

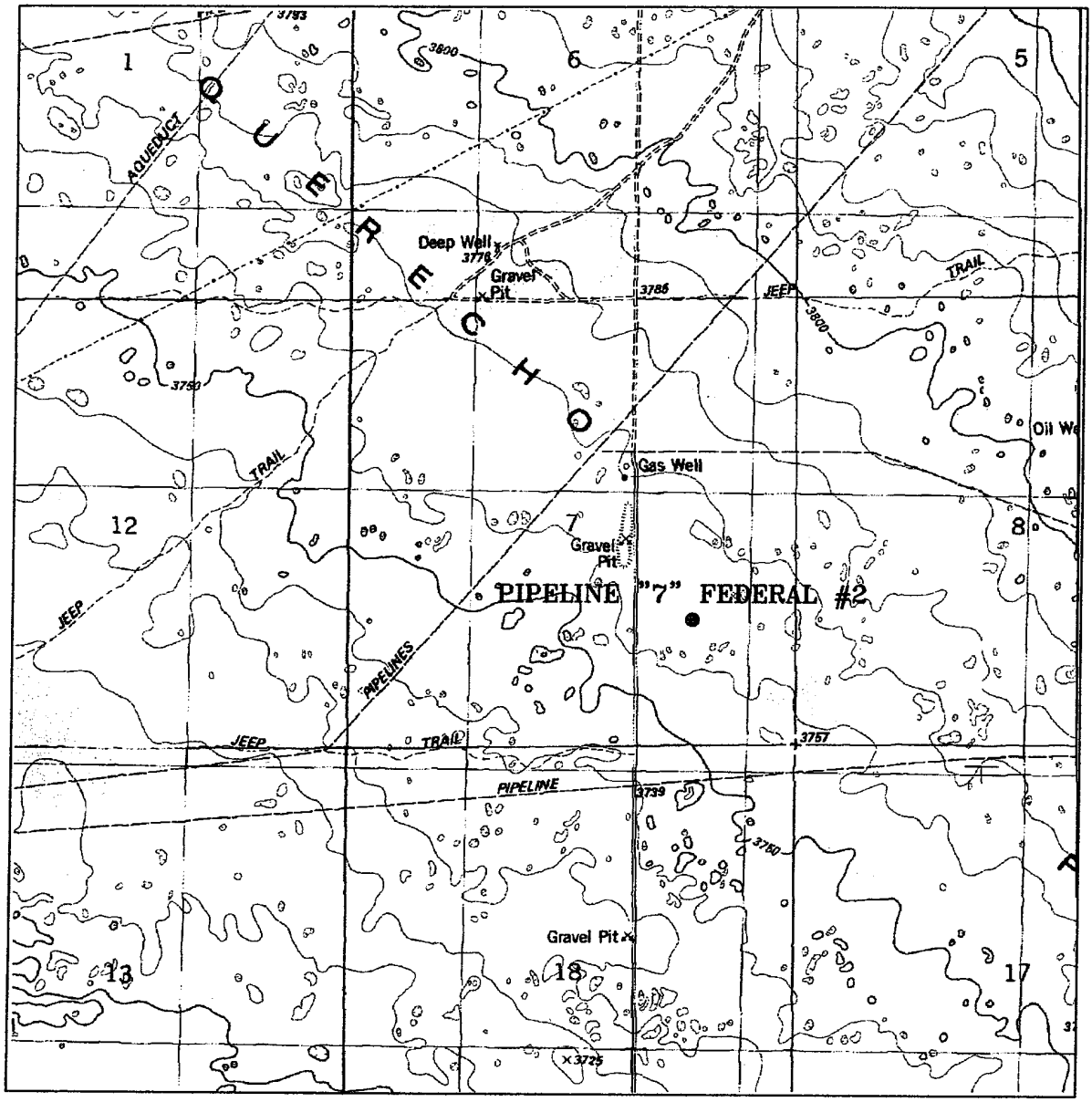
GRUY PETROLEUM MANAGEMENT CO.

REF: PIPELINE DEEP "7" FEDERAL COM #2 / Well Pad Topo

THE PIPELINE DEEP "7" FEDERAL COM #2 LOCATED 1480' FROM THE SOUTH LINE AND 1215' FROM THE EAST LINE OF SECTION 7, 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: 4919	Drawn By: JAMES PRESLEY		
Date: 12/07/04	Disk: JLP #1 - 4919A.DWG	Survey Date: 12/01/2004	Sheet 1 of 1 Sheets

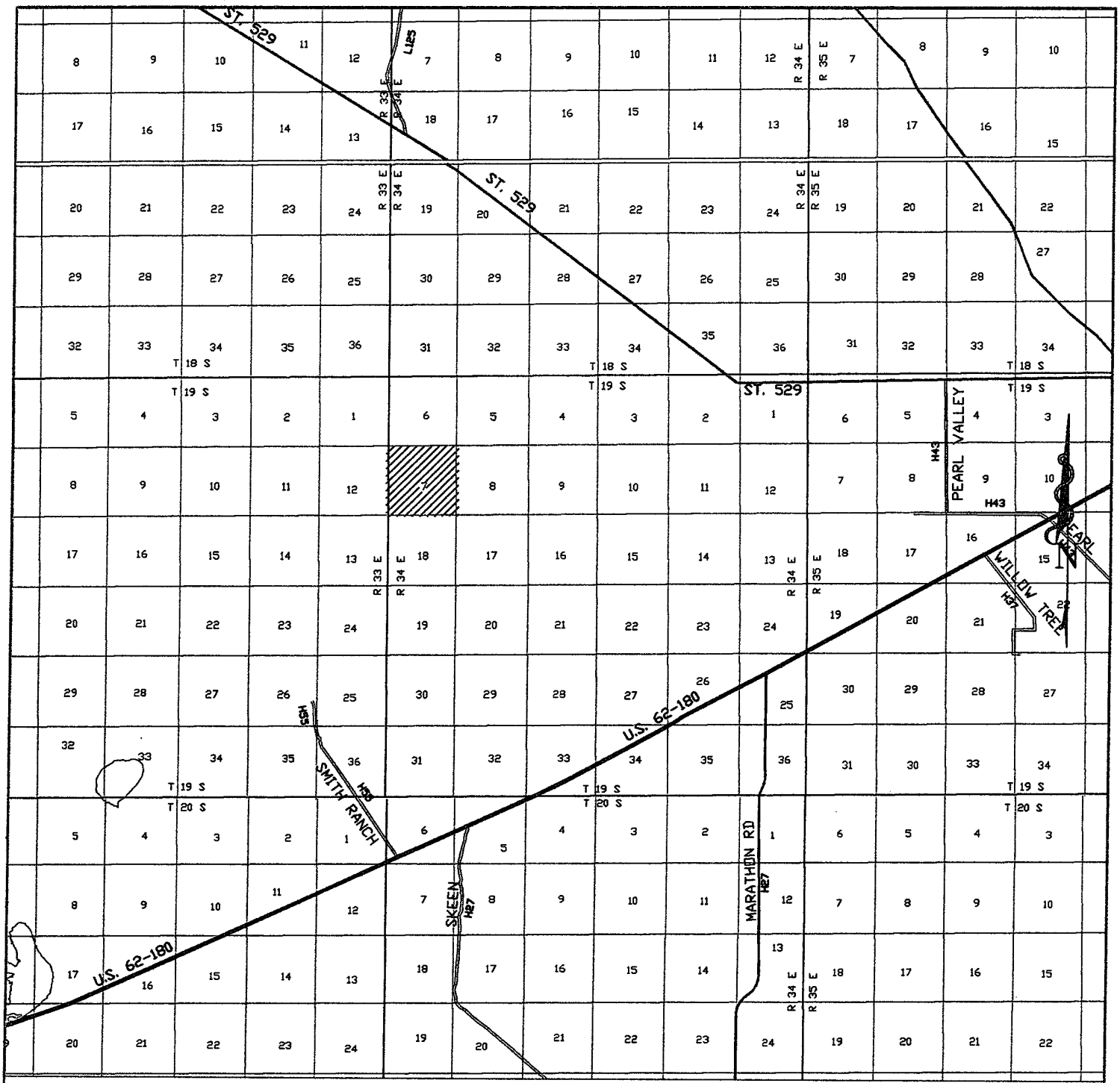


PIPELINE "7" FEDERAL #2
Located at 1480' FSL and 1215' FEL
Section 7, Township 19 South, Range 34 East,
N.M.P.M., Lea County, New Mexico.

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:	4919AA - JLP #1
Survey Date:	12/01/04
Scale:	1" = 2000'
Date:	12/07/04

GRUY PETROLEUM MANAGEMENT CO.



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GRUY PETROLEUM MANAGEMENT CO.

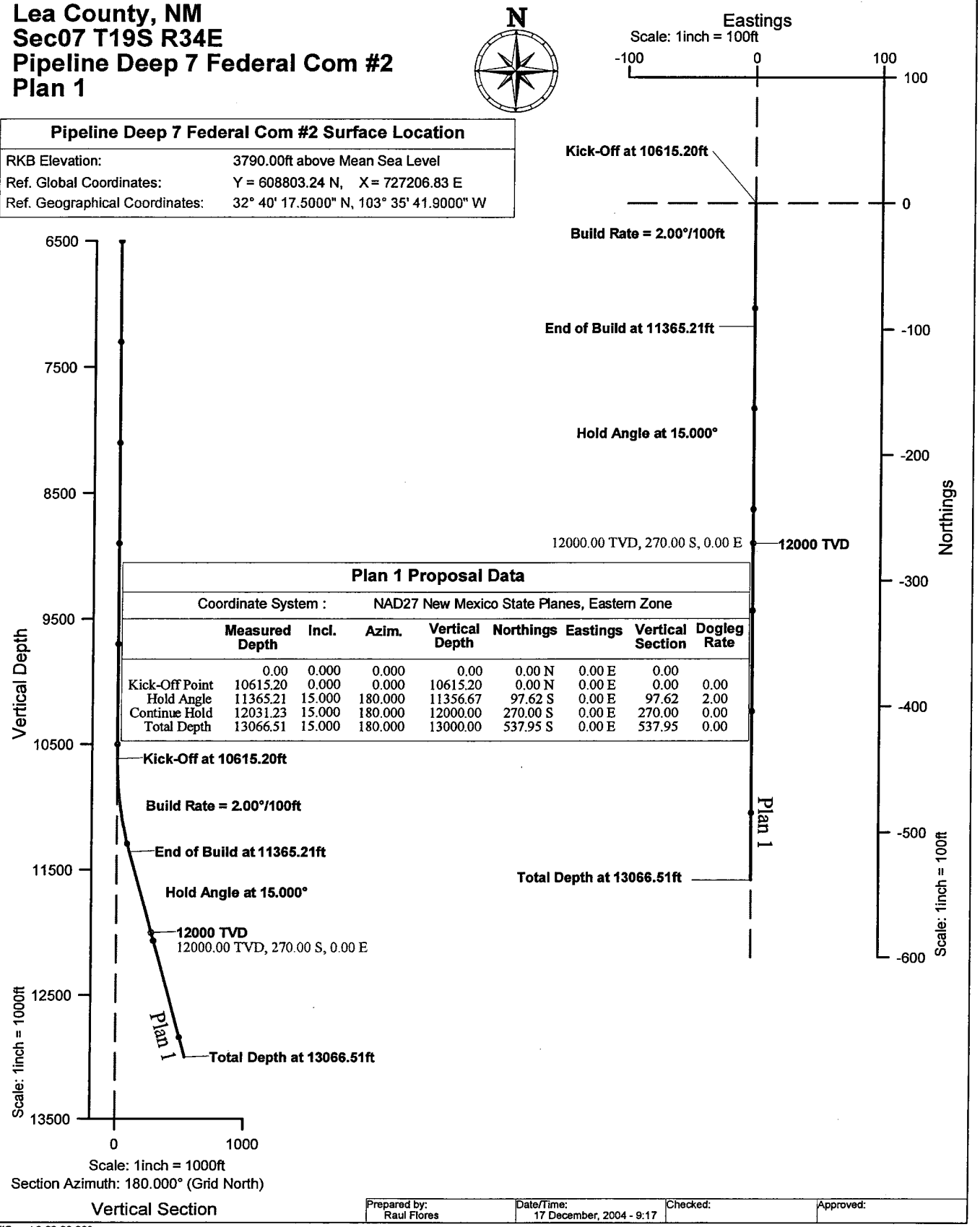
HALLIBURTON

Gruy Petroleum Management Co.

DrillQuest Sperry-Sun

Lea County, NM
Sec07 T19S R34E
Pipeline Deep 7 Federal Com #2
Plan 1

Pipeline Deep 7 Federal Com #2 Surface Location	
RKB Elevation:	3790.00ft above Mean Sea Level
Ref. Global Coordinates:	Y = 608803.24 N, X = 727206.83 E
Ref. Geographical Coordinates:	32° 40' 17.5000" N, 103° 35' 41.9000" W



Plan 1 Proposal Data

Coordinate System : NAD27 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	10615.20	0.000	0.000	10615.20	0.00 N	0.00 E	0.00	0.00
Hold Angle	11365.21	15.000	180.000	11356.67	97.62 S	0.00 E	97.62	2.00
Continue Hold	12031.23	15.000	180.000	12000.00	270.00 S	0.00 E	270.00	0.00
Total Depth	13066.51	15.000	180.000	13000.00	537.95 S	0.00 E	537.95	0.00

Prepared by:	Date/Time:	Checked:	Approved:
Raul Flores	17 December, 2004 - 9:17		

DrillQuest 3.03.06.009

Gruy Petroleum Management Co.
New Mexico
Lea County
Sec07 T19S R34E
Pipeline Deep 7 Federal Com #2 - Plan 1

Sperry-Sun

Proposal Report

17 December, 2004

Proposal Ref: pro8903

HALLIBURTON

Proposal Report for Sec07 T19S R34E - Pipeline Deep 7 Federal Com #2 - Plan 1

Measured Depth (ft)	Incl.	Grid Azim.	Sub-Sea Depth (ft)	Vertical Depth (ft)	Local Coordinates Northings (ft)	Local Coordinates Eastings (ft)	Map Coordinates Northings (ft)	Map Coordinates Eastings (ft)	Dogleg Rate (°/100ft)	Vertical Section	Comment
0.00	0.000	0.000	-3790.00	0.00	0.00 N	0.00 E	608803.24 N	727206.83 E		0.00	
10615.20	0.000	0.000	6825.20	10615.20	0.00 N	0.00 E	608803.24 N	727206.83 E	0.00	0.00	Kick-Off at 10615.20ft
10700.00	1.696	180.000	6909.99	10699.99	1.25 S	0.00 E	608801.99 N	727206.83 E	2.00	1.25	
10800.00	3.696	180.000	7009.87	10799.87	5.96 S	0.00 E	608797.28 N	727206.83 E	2.00	5.96	
10900.00	5.696	180.000	7109.53	10899.53	14.14 S	0.00 E	608789.10 N	727206.83 E	2.00	14.14	
10990.21	7.500	180.000	7199.14	10989.14	24.51 S	0.00 E	608778.73 N	727206.83 E	2.00	24.51	Build Rate = 2.00°/100ft
11000.00	7.696	180.000	7208.84	10998.84	25.80 S	0.00 E	608777.44 N	727206.83 E	2.00	25.80	
11100.00	9.696	180.000	7307.69	11097.69	40.92 S	0.00 E	608762.32 N	727206.83 E	2.00	40.92	
11200.00	11.696	180.000	7405.95	11195.95	59.48 S	0.00 E	608743.76 N	727206.83 E	2.00	59.48	
11300.00	13.696	180.000	7503.50	11293.50	81.46 S	0.00 E	608721.78 N	727206.83 E	2.00	81.46	
11365.21	15.000	180.000	7566.67	11356.67	97.62 S	0.00 E	608705.62 N	727206.83 E	2.00	97.62	End of Build at 11365.21ft
11400.00	15.000	180.000	7600.28	11390.28	106.62 S	0.00 E	608696.62 N	727206.83 E	0.00	106.62	
11500.00	15.000	180.000	7696.87	11486.87	132.50 S	0.00 E	608670.74 N	727206.83 E	0.00	132.50	
11600.00	15.000	180.000	7793.46	11583.46	158.39 S	0.00 E	608644.85 N	727206.83 E	0.00	158.39	
11698.22	15.000	180.000	7888.34	11678.34	183.81 S	0.00 E	608619.43 N	727206.83 E	0.00	183.81	Hold Angle at 15.000°
11700.00	15.000	180.000	7890.05	11680.05	184.27 S	0.00 E	608618.97 N	727206.83 E	0.00	184.27	
11800.00	15.000	180.000	7986.65	11776.65	210.15 S	0.00 E	608593.09 N	727206.83 E	0.00	210.15	
11900.00	15.000	180.000	8083.24	11873.24	236.03 S	0.00 E	608567.21 N	727206.83 E	0.00	236.03	
12000.00	15.000	180.000	8179.83	11969.83	261.92 S	0.00 E	608541.33 N	727206.83 E	0.00	261.92	
12031.23	15.000	180.000	8210.00	12000.00	270.00 S	0.00 E	608533.24 N	727206.83 E	0.00	270.00	12000 TVD Target - 12000tvd, Current Target
12100.00	15.000	180.000	8276.42	12066.42	287.80 S	0.00 E	608515.44 N	727206.83 E	0.00	287.80	
12200.00	15.000	180.000	8373.02	12163.02	313.68 S	0.00 E	608489.56 N	727206.83 E	0.00	313.68	
12300.00	15.000	180.000	8469.61	12259.61	339.56 S	0.00 E	608463.68 N	727206.83 E	0.00	339.56	
12400.00	15.000	180.000	8566.20	12356.20	365.45 S	0.00 E	608437.80 N	727206.83 E	0.00	365.45	
12500.00	15.000	180.000	8662.79	12452.79	391.33 S	0.00 E	608411.91 N	727206.83 E	0.00	391.33	
12600.00	15.000	180.000	8759.39	12549.39	417.21 S	0.00 E	608386.03 N	727206.83 E	0.00	417.21	
12700.00	15.000	180.000	8855.98	12645.98	443.09 S	0.00 E	608360.15 N	727206.83 E	0.00	443.09	
12800.00	15.000	180.000	8952.57	12742.57	468.97 S	0.00 E	608334.27 N	727206.83 E	0.00	468.97	
12900.00	15.000	180.000	9049.16	12839.16	494.86 S	0.00 E	608308.38 N	727206.83 E	0.00	494.86	
13000.00	15.000	180.000	9145.76	12935.76	520.74 S	0.00 E	608282.50 N	727206.83 E	0.00	520.74	

Proposal Report for Sec07 T19S R34E - Pipeline Deep 7 Federal Com #2 - Plan 1

Measured Depth (ft)	Incl.	Grid Azim.	Sub-Sea Depth (ft)	Vertical Depth (ft)	Local Coordinates Northings (ft)	Local Coordinates Eastings (ft)	Map Coordinates Northings (ft)	Map Coordinates Eastings (ft)	Dogleg Rate (°/100ft)	Vertical Section	Comment
13066.51	15.000	180.000	9210.00	13000.00	537.95 S	0.00 E	608265.29 N	727206.83 E	0.00	537.95	Total Depth at 13066.51ft

All data is in Feet (US) unless otherwise stated. Directions and coordinates are relative to Grid North.
Vertical depths are relative to RKB=3766+24est=3790. Northings and Eastings are relative to Well.
Global Northings and Eastings are relative to NAD27 New Mexico State Planes, Eastern Zone.

The Dogleg Severity is in Degrees per 100 feet.
Vertical Section is from Well and calculated along an Azimuth of 180.000° (Grid).

Based upon Minimum Curvature type calculations, at a Measured Depth of 13066.51ft.,
The Bottom Hole Displacement is 537.95ft., in the Direction of 180.000° (Grid).

Comments

Measured Depth (ft)	Station Coordinates TVD (ft)	Station Coordinates Northings (ft)	Station Coordinates Eastings (ft)	Comment
10615.20	10615.20	0.00 N	0.00 E	Kick-Off at 10615.20ft
10990.21	10989.14	24.51 S	0.00 E	Build Rate = 2.00°/100ft
11365.21	11356.67	97.62 S	0.00 E	End of Build at 11365.21ft
11698.22	11678.34	183.81 S	0.00 E	Hold Angle at 15.000°
12031.23	12000.00	270.00 S	0.00 E	12000 TVD
13066.51	13000.00	537.95 S	0.00 E	Total Depth at 13066.51ft

Proposal Report for Sec07 T19S R34E - Pipeline Deep 7 Federal Com #2 - Plan 1

Targets associated with this wellpath

Target Name	Target Entry Coordinates TVD (ft)	Northings (ft)	Eastings (ft)	Target Shape	Target Type
12000tvd	12000.00	270.00 S	0.00 E	Point	Current Target

North Reference Sheet for Sec07 T19S R34E - Pipeline Deep 7 Federal Com #2

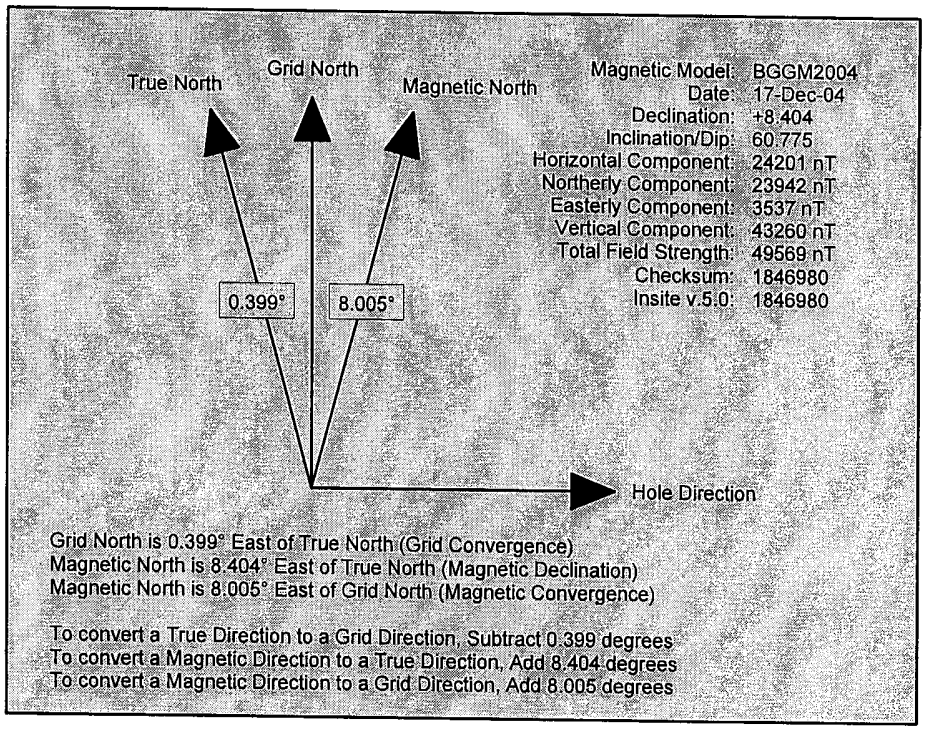
Coordinate System is NAD27 New Mexico State Planes, Eastern Zone, US Foot
Source: Snyder, J.P., 1987, Map Projections - A Working Manual

Datum is North American Datum of 1927 (US48, AK, HI, and Canada)

Spheroid is Clarke - 1866
Equatorial Radius: 6378206.400m.
Polar Radius: 6356583.800m.
Inverse Flattening: 294.978698213901

Projection method is Transverse Mercator or Gauss Kruger Projection
Central Meridian is -104.333°
Longitude Origin: 0.000°
Latitude Origin: 31.000°
False Easting: 152400.00m
False Northing: 0.00m
Scale Reduction: 0.99990909

Grid Coordinates of Well: 608803.24 N, 727206.83 E
Geographical Coordinates of Well: 32° 40' 17.5000" N, 103° 35' 41.9000" W
Surface Elevation of Well: 3790.00ft
Grid Convergence at Surface is +0.399°
Magnetic Convergence at Surface is -8.005° (17 December, 2004)



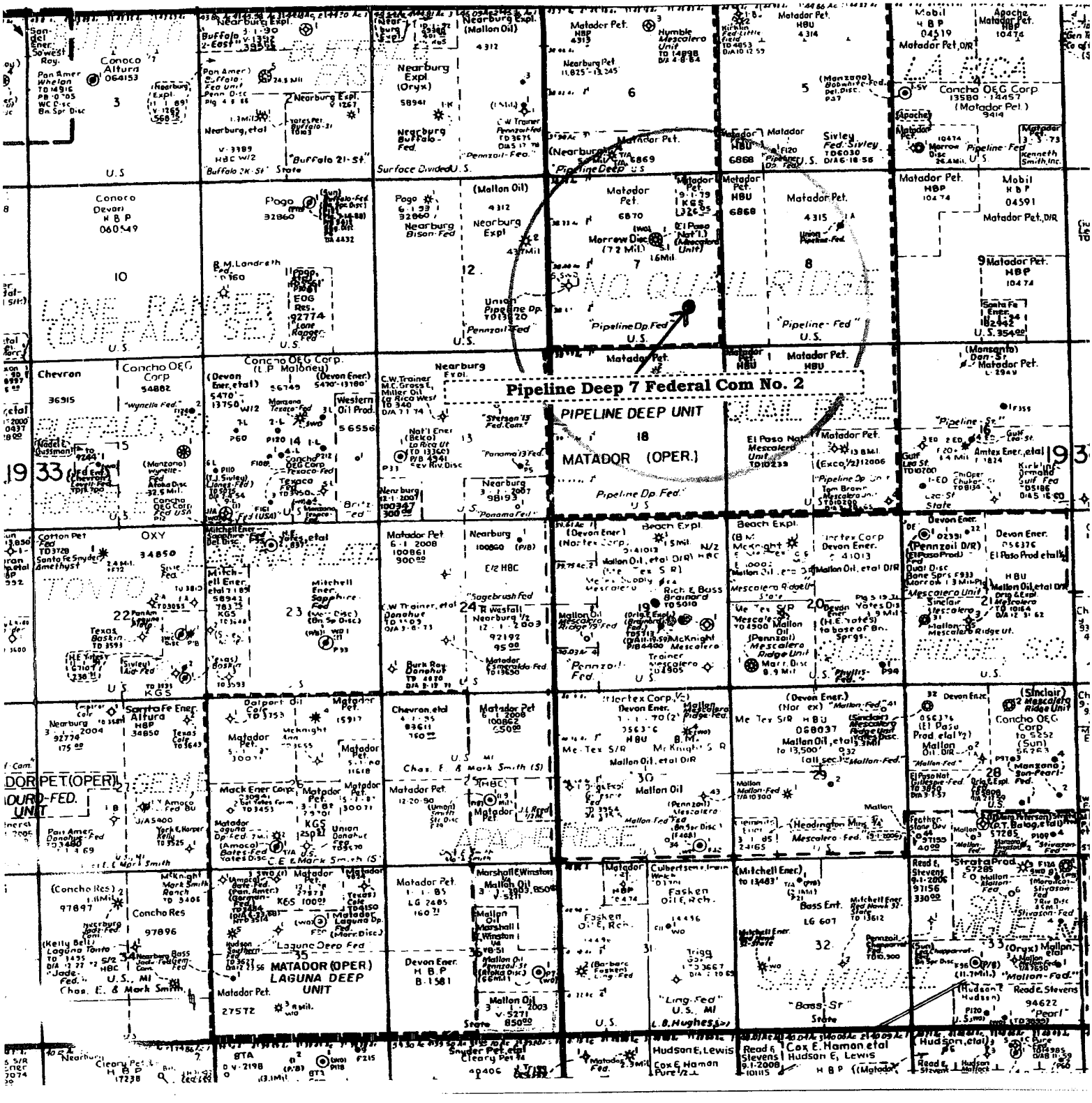
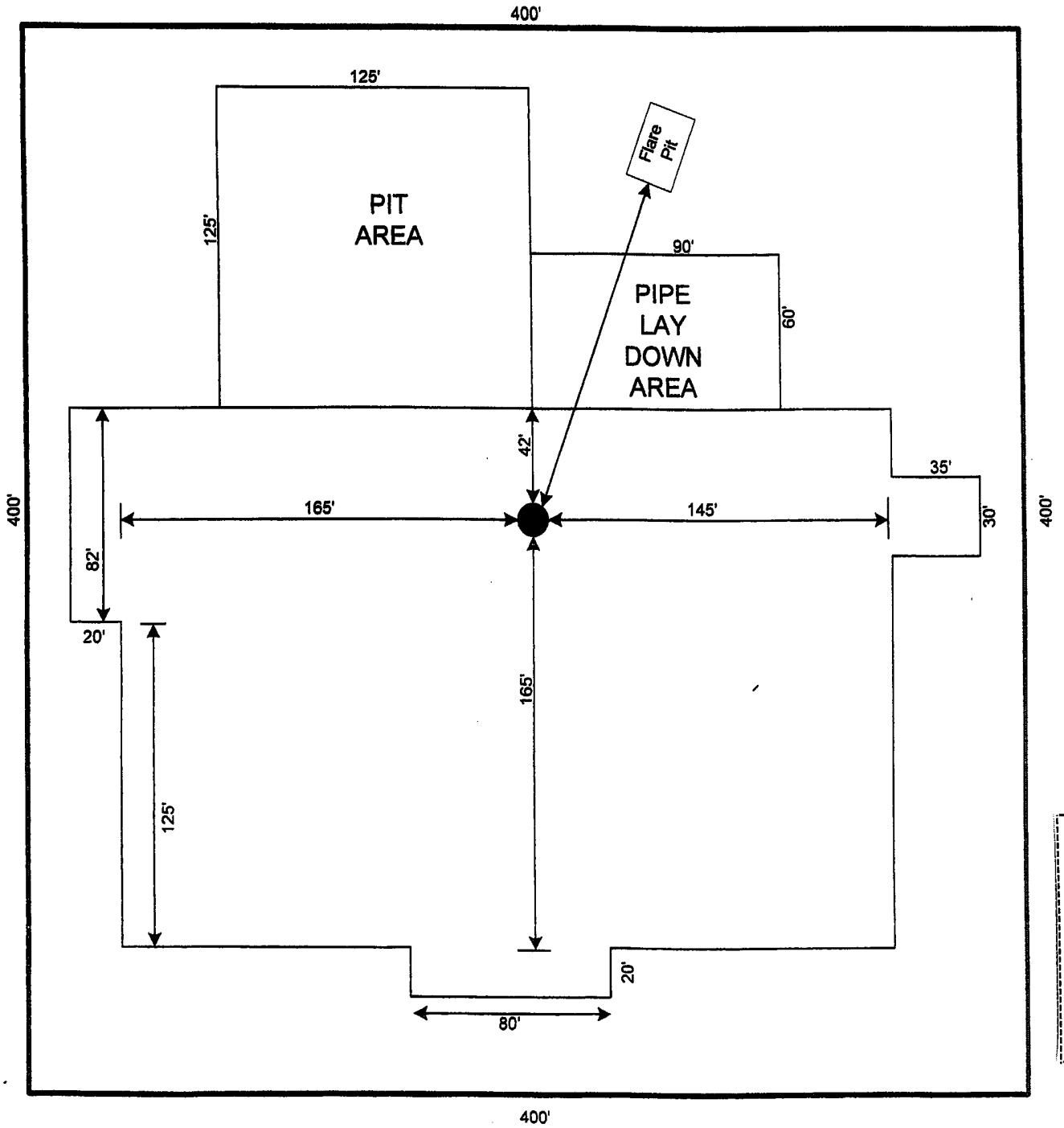


Exhibit A
One Mile Radius Map
Pipeline Deep 7 Federal Com No. 2
Gruy Petroleum Management Co.
Unit P-Section 7-T19S-R34E
1210' FSL & 1215' FEL
Lea County, NM



Rig #46

GRUY PETROLEUM
MANAGEMENT COMPANY
IRVING TEXAS

SCALE 1"=60'

Exhibit D
Rig Layout Plan
Pipeline Deep 7 Federal Com No. 2
Gruy Petroleum Management Co.
Unit P-Section 7-T19S-R34E
1210' FSL & 1215' FEL
Lea County, NM

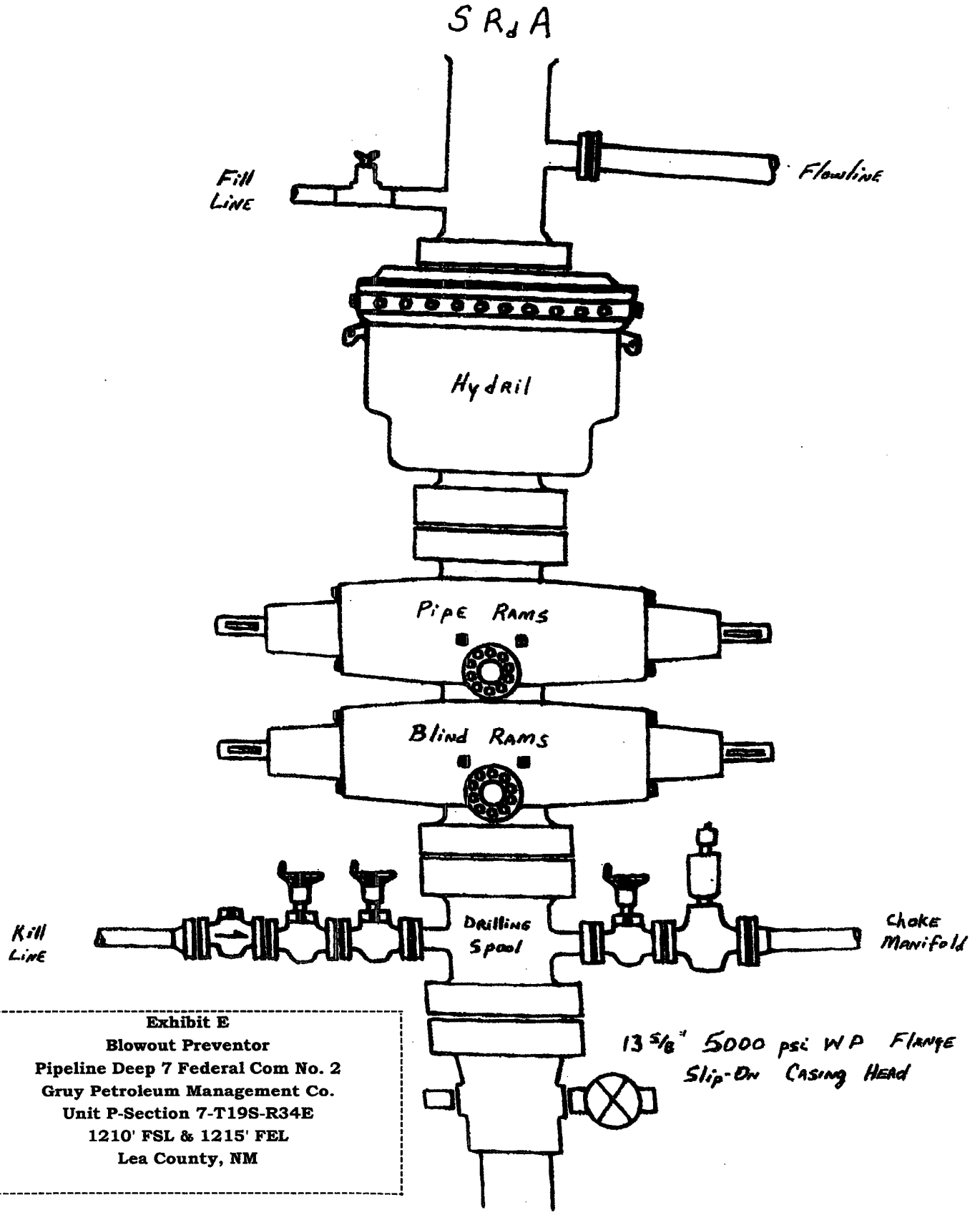


Exhibit E
Blowout Preventor
Pipeline Deep 7 Federal Com No. 2
Gruy Petroleum Management Co.
Unit P-Section 7-T19S-R34E
1210' FSL & 1215' FEL
Lea County, NM

DRILLING OPERATIONS
CHOKE MANIFOLD
5M SERVICE

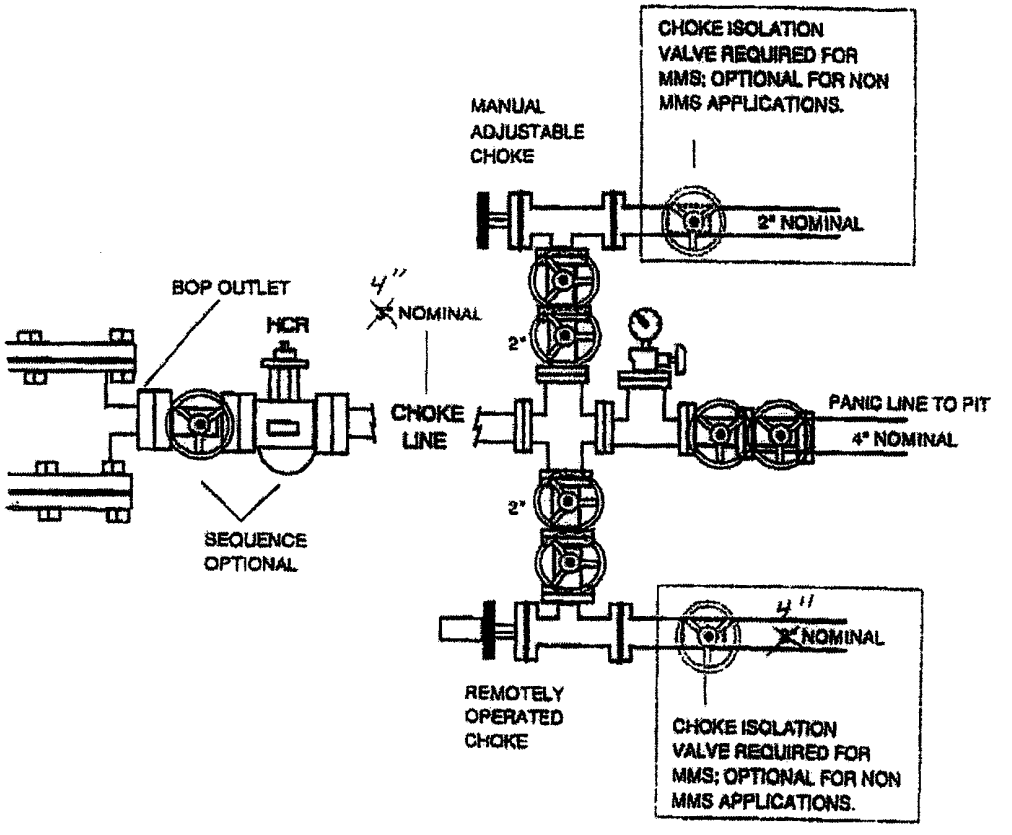


Exhibit E Continued
Blowout Preventor Choke Manifold
Pipeline Deep 7 Federal Com No. 2
Gruy Petroleum Management Co.
Unit P-Section 7-T19S-R34E
1210' FSL & 1215' FEL
Lea County, NM

Application to Drill

Gruy Petroleum Management Co.
Pipeline Deep 7 Federal Com No. 2
Unit Letter P Section 7
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: 1210' FSL & 1215' FEL Sec. 7 19S 34E

2 Elevation above sea level: GR 3768'

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: 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"	0-3500'	9 5/8"	40	8-R	ST&C	NS-180
7 7/8"	0-7000'	5 1/2"	17	8-R	ST&C	N-80
7 7/8"	7000-14000	5 1/2"	17	8-R	ST&C	P-110

Application to Drill

Gruy Petroleum Management Co.
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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 3500' 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 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

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' - 3500'	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.
3500' - 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.
Pipeline Deep 7 Federal Com No. 2
Unit Letter P Section 7
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 potentialed as a gas well.

Surface Use Plan

Gruy Petroleum Management Co.
Pipeline Deep 7 Federal Com No. 2
Unit Letter P Section 7
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. From the junction of US HWY 62/180 and Co. Rd. H-55, Northwest on H-55 for 2.0 miles to an intersection and take a good caliche lease road Northeast for 1.9 miles to a lease road left. Then go North for 2.2 miles to the proposed lease road.

2 PLANNED ACCESS ROADS: 510' 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.
Pipeline Deep 7 Federal Com No. 2
Unit Letter P Section 7
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.

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 12 mils thick. Pit liner will extend a minimum, 2'00" over the reserve pits dikes where the liner will be anchored down.

E. The reserve pit will be fenced on three sides with four strands of barbed wire during drilling and completion phases. The fourth side will be fenced after all drilling operations have ceased. If the well is a producer, the reserve pit fence will be torn down. The reserve pit and those areas of the location not essential to production facilities will be reclaimed and seeded per BLM requirements.

10 PLANS FOR RESTORATION OF SURFACE

Rehabilitation of the location and reserve pit will start in a timely manner after all drilling operations cease. The type of reclamation will depend on whether the well is a producer or a dry hole.

However, in either event, the reserve pit will be allowed to dry properly, and fluid removed and disposed of in accordance with Article 7.B as previously noted. The pit area will then be leveled and contoured to conform to the original and surrounding area. Drainage systems, if any, will be reshaped to the original configuration with provisions made to alleviate erosion. These may need to be modified in certain circumstances to prevent inundation of the location's pad and surface facilities. After the area has been shaped and contoured, topsoil from the spoil pile will be placed over the disturbed area to the extent possible. Revegetation procedures will comply with BLM standards.

If the well is a dry hole, the pad and road area will be recountered 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.
Pipeline Deep 7 Federal Com No. 2
Unit Letter P Section 7
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 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 contractors/subcontractors is 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: 8/5/2004

TITLE: Manager, Operations Administration

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-6870

Legal Description: E/2 Sec 7, 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: 08/12/04

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

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

Form C-144
March 12, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No ☒
Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: Gruy Petroleum Management Co. Telephone: 972-443-6489 e-mail address: zfarris@magnumhunter.com
Address: P.O. Box 140907, Irving, Tx 75014-0907
Facility or well name: Pipeline Deep 7 Fed Com No. 2 API #: 30-025 - 37113 U/L or Qtr/Qtr BHL: P Sec 7 T 19S R 34E SHL: Unit I-Sec 7-T19S-R34E
County: Lea Latitude 324014.9 N BHL Longitude 1033541.9 W BHL NAD: 1927 ☒ 1983 ☐ Surface Owner Federal ☐ State ☐ Private ☐ Indian ☐
324017.5 N SHL 1033541.9 W SHL

Pit	Below-grade tank	
Type: Drilling ☒ Production ☐ Disposal ☐ Workover ☐ Emergency ☐ Lined ☒ Unlined ☐ Liner type: Synthetic ☒ Thickness 12 mil Clay ☐ Volume _____bbl	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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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 en 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: 01-12-05
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: MAR 03 2005
Printed Name/Title PETROLEUM ENGINEER Signature