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• Form 3160-3		1625 M	nservation Divi N. Example Drive	LICATE*	RORI	M DADIE AS I
(July 1992)	UNITED STATES	Mich	bs, NM (Other inst	ructions on		February 28, 1995
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	AU OF LAND MANAGEN				LC-068037	
	PLICATION FOR PERMIT T				6. IF INDIAN, ALLOTTE	S OR TRIBE NAME
1a. TYPE OF WORK			DEFEN		-	
1b. TYPE OF WELL		DEEPEN	X		7. UNIT AGREEMENT	NAME
OIL	GAS 🔀	SINGLE	MULTIPLE		NM 061P3	584C426
WELL 2. NAME OF OPERATOR	WELL OTHE		ZONE		8. FARM OR LEASE N	AME, WELL NO.
Gruy Petroleum N	Aanagement Co				Mescalero	29 FederalCom No. 3
3. ADDRESS AND TELEPHO					9. API WELL NO.	
	Irving TX 75014 972-401-3111				30-025- 3	6488
4. LOCATION OF WELL	(Report location clearly and in accordance with		ents.*)		10. FIELD AND POOL,	
	· · · ·		,		Quail Ridge,	
					11. SEC. T.,R.,M., BLO	CK AND SURVEY
1650' FSL & 165	0'FEL J				OR AREA	29 T19S R34E
	RECTION FROM NEAREST TOWN OR POST OFFIC	E.			12. COUNTY OR PARIS	SH 19-STATE
33 miles West of H	lobbs NM				Lea	9303 NM123
15. DISTANCE FROM PROPO LOCATION TO NEAL PROPERTY OR LEAS	REST	16. NO. OF ACRE	ES IN LEASE	17. NO. OF TO THIS WE		020
(Also to nearest drig. unit li	1650'	60	0		320 ^(c)	DJASA CO
18. DISTANCE FROM PROPO		<u> </u>	19. PROPOSED DEPTH	20. R	OTARY OR CABLE TO	DLSCAO C
OR APPLIED FOR, ON	DRILLING COMPLETED, THIS LEASE, FT. 2007 '		14000		Rotary	LUNC HON IS
21. ELEVATIONS (Show whet 3677'	her DF, RT, GR, etc.)	Capitan C	Controlled Water	Basin	22. APPROX. DATE WO 11-15-03	DRK WILL START, C. 44
23	PROPOSED CAS	SING AND CEM	ENTING PROGRAM			
SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGH	IT PER FOOT	SETT	NG DEPTH	QUANTITY OF CEMEN
17-1/2"	J-55 13 3/8"	54.5#	•	425	, 1	490 sx C circ surfa
12 1/4"	J-55 9 5/8"	40 #		3200)'	1850 sx C circ sur
7 7/8"	N-80/P-110 5 1/2"	17 #		140	00'	1620 sx TOC 270
system. We are req below the conductor the manufactures st	e surface pipe through the run uesting a variance for the 13 , shall be pressure tested to . ated maximum internal yield. nal yield of 1730 # or 1211 #.	3/8" surface 22 psi per fo Per onshore	casing from Ons ot or 1500 # whic e order 2 the 13 3	hore Orc chever is 3/8" 48 #	ler No. 2, which greater, but no J-55 casing sh	n states all casing strin ot to exceed 70% of hould be tested at 70%
reater than 500 #, a	and are requesting a variance	to test the 1	3 3/8" casing to 5	500 #		
	SCRIBE PROPOSED PROGRAM:		deepen, give data on pres			
SIGNED	en directionally, give pertinent data on sub		Mgr. Ops. Admin	nucai deptris.	DATE	09-22-03
(This space for Federal or State of	fice use)					
PERMIT No.	······································				······	
Application approval does not war CONDITIONS OF APPRO APPROVED BY	ant or certify that the applicant holds legal or equilable if	te to those rights in the s		the applicant to c	\sim \sim	NOV 1 0 2003
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Application to Drill

Gruy Petroleum Management Co. Mescalero 29 Federal Com 3 Unit Letter J Section 29 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 & 1650' FEL Sec. 33 19S 34E
- 2 <u>Elevation above sea level:</u> GR 3677'
- 3 <u>Geologic name of surface formation:</u> Quaternery Alluvium Deposits
- 4 <u>Drilling tools and associated equipment:</u> 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-40
12 1/4"	0-3200'	9 5/8"	40	8-R	ST&C	J-55
7 7/8"	0-7000'	5 1/2"	17	8-R	ST&C	N-80
7 7/8"	000-14000'	5 1/2"	17	8-R	ST&C	P-110

Application to Drill

Gruy Petroleum Management Co. Mescalero 29 Federal Com 3 Unit Letter J Section 29 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.
ус.	9 5/8"	Intermediate	Set 3200' of 9 5/8" J-55 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 <u>Pressu</u>	ire control Equip	<u>oment:</u>	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

11 Proposed Mud Circulating System:

Depth	Mud Wt	Viscosity	Fluid Loss	Type Mud
0 - 450'	8.7 - 9.2	32 - 34	ay 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	ay 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.
3200' - 8300'	1/8/00	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 29 Federal Com 3 Unit Letter J Section 29 T19S - R34E Lea County, NM

12 <u>Testing, Logging and Coring Program:</u>

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 <u>3000</u> PSI, estimated BHT <u>190</u>.

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 <u>35 - 45</u> 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 <u>Morrow / Atoka</u> pay will be perforated and stimulated. The well will be tested and potentialed as a gas well.

Gruy Petroleum Management Co. Mescalero 29 Federal Com 3 Unit Letter J Section 29 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 Hobbs, N.M. on Hwy 62/180 Go west 23 1/2 miles to mile maker 78, turn North (Right) on lease road(Fasken sign on Cattleguard). Road angles NW for 1 mile, North .8 Mile, East for .1 Mile, North .6 mile, East .2 Mile, to location.
- 2 PLANNED ACCESS ROADS: 952' of new access road will be constructed.

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

Α.	Water wells -	None known
Β.	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 29 Federal Com 3 Unit Letter J Section 29 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 29 Federal Com 3 Unit Letter J Section 29 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 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. Mescalero 29 Federal Com 3 Unit Letter J Section 29 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 Desert West Archaeological Service, this on the location, 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 Fanis
DATE:	9/22/03
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.: LC-068037

Legal Description: S/2 Sec 29, T19S-R34E Containing 320 acres, Lea County New Mexico

Formation (S): Morrow

Bond Coverage: Nationwide BLM Bond

BLM Bond File No.: NM 2575

Authorized Signature:

OA

Representing Gruy Petroleum Management Co.

Name: Zeno Farris

Title: Manager, Operations Administration

Date: 09/22/03

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

Form C-102 Revised March 17, 1999

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

OIL CONSERVATION DIVISION

2040 South Pacheco

Santa Fe, New Mexico 87504-2088

D AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT



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MESCALERO "29" FED. COM #3 Located at 1650' FSL and 1650' FEL Section 29, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

Exhibit "B"



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MESCALERO * "29" FED. COM # 3 Located at 1650' FSL and 1650' FEL Section 29, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico.															
Exhibit "C" BASSING P.O. Box 1786 1120 N. West County Rd. Hobbs, New Mexico 88241 (505) 393-7316 - Office (505) 392-3074 - Fax basinsurveys.com Date: 09-11-2003									GRUY PETROLEUM MANAGEMENT CO.						

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Exhibit D

Rig Layout Plan Mescalero 29 Federal Com No. 3 Gruy Petroleum Management Co. Unit J; Sec. 29; T19S; R34E 1650' FSL & 1650' FEL Lea County, NM

