

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN _____ Llicate*
(Other instructions on reverse side)

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

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☐

DEEPEN ☐

b. TYPE OF WELL

OIL
WELL ☐

GAS
WELL ☒

OTHER

SINGLE
ZONE ☒

MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

GRUY PETROLEUM MANAGEMENT CO. (ZENO FARRIS) 972-443-6489

3. ADDRESS AND TELEPHONE NO.

P.O. BOX 140907 IRVING, TEXAS 75014-0907 972-443-6489

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
At surface

660' FNL & 1980' FEL SEC. 17 T26S-R37E LEA CO. NM
At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

Approximately 6 miles Southwest of Jal New Mexico.

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drlg. unit line, if any)

660'

16. NO. OF ACRES IN LEASE

640

17. NO. OF ACRES ASSIGNED
TO THIS WELL

80

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

1800'

19. PROPOSED DEPTH

3200'

20. ROTARY OR CABLE TOOLS

ROTARY (REVERSE UNIT)

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

2977' GR.

22. APPROX. DATE WORK WILL START*

As soon as approved

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4" ?	8 5/8"	32	1184'	already in place Sx. 200
7 7/8"	J-55 5 1/2"	15.5	3200'	1000 Sx. circulate to surface.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

1. This a re-entry of a well drilled by Texaco, 8 5/8" casing was set at 1184' then well was drilled to a depth of 3390', cores and tests were taken and run, Texaco elected to plug and abandon this well bore.
2. Gruy Petroleum Management Company wishes to rig up a well service unit and reverse rig to drill out cement plugs and clean out well to a total depth of 3200', run logs and 5 1/2" casing to 3200' and cement to surface.
3. Perforate selected intervals and complete well.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout

24.

SIGNED

TITLE Agent

DATE 08/27/98

(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:

Acting
Assistant Field Office Manager,
Lands and Minerals

APPROVED BY

TITLE

DATE

*See Instructions On Reverse Side

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

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

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-11995	Pool Code 83810	Pool Name RHODES YATES-7RIVERS GAS
Property Code 22321	Property Name RHODES FEDERAL UNIT	Well Number 171
OGRID No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT CO.	Elevation 2977

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	17	26 S	37 E		660	NORTH	1980	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
Dedicated Acres 80	Joint or Infill	Consolidation Code	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

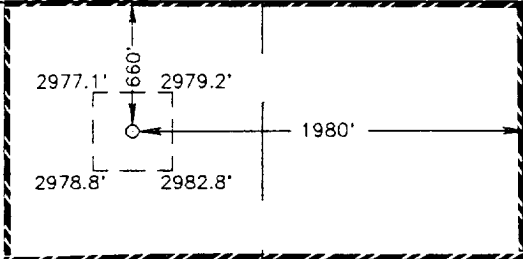
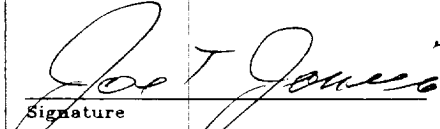
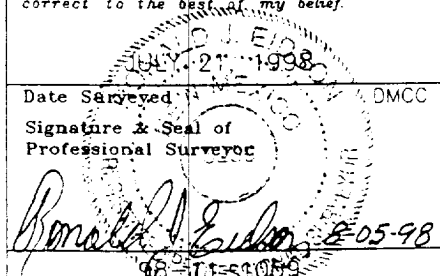
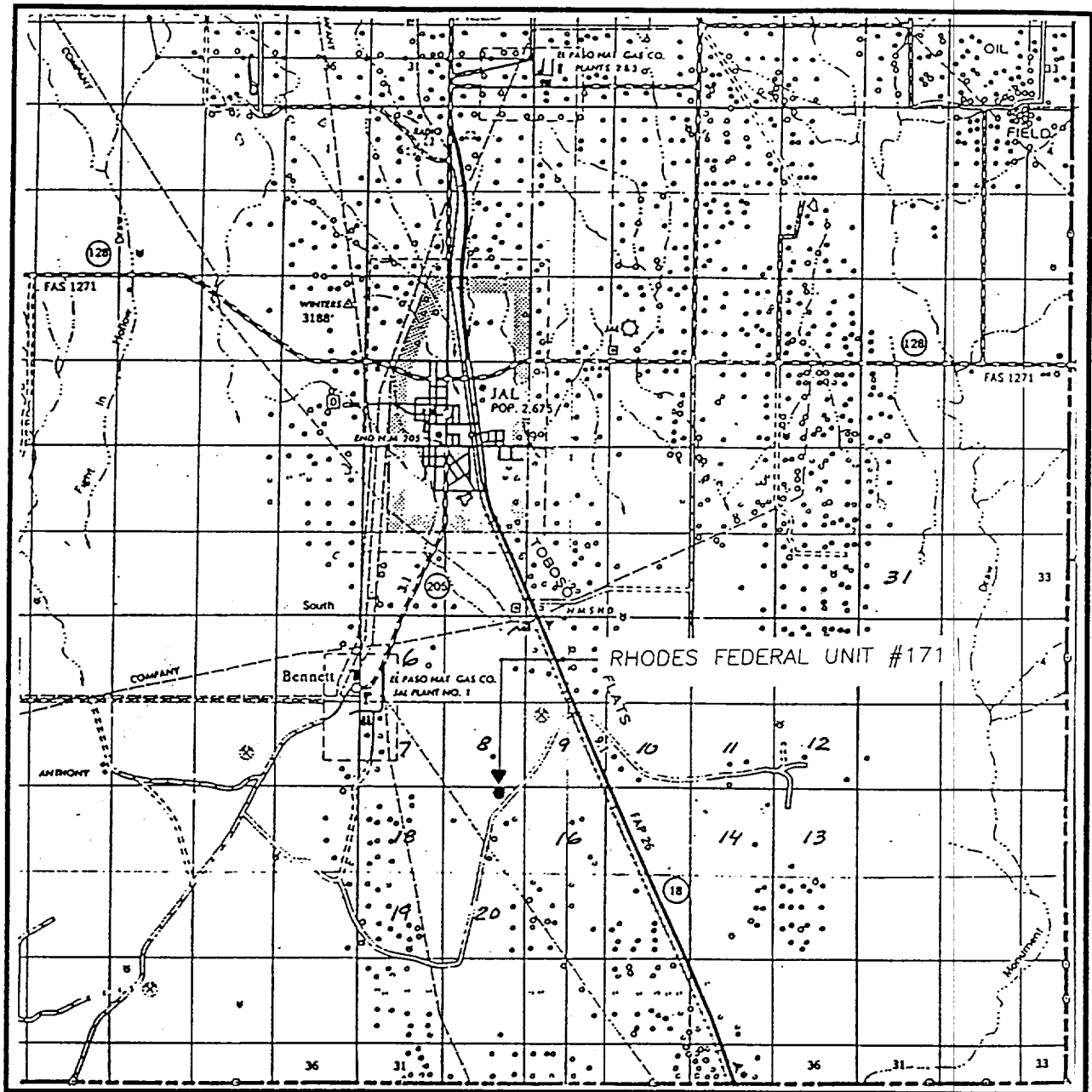
	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.  Signature Joe T. Janica Printed Name Agent Title 08/27/98 Date	
	SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.  Date Surveyed 8-27-1998 DMCC Signature & Seal of Professional Surveyor Ronald J. Eidson 805-98 88-1158059	
	Certificate No. JOHN W. WEST 676 RONALD J. EIDSON 3239 GARY EIDSON 12641	

EXHIBIT "A"

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 17 TWP. 26-S RGE. 37-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 660' FNL & 1980' FEL

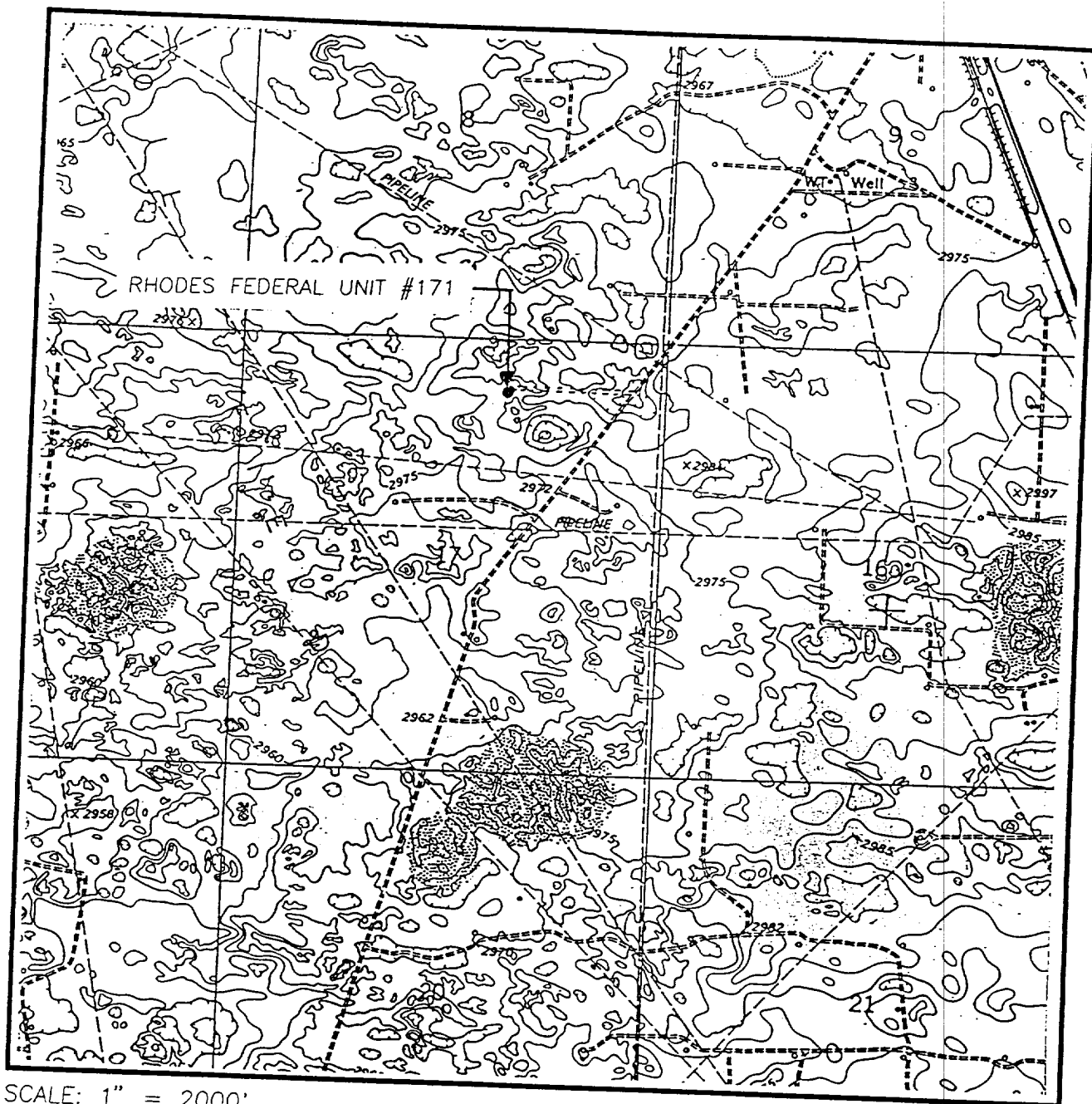
ELEVATION 2977

OPERATOR GRUY PETROLEUM
MANAGEMENT CO.

LEASE RHODES FEDERAL UNIT

JOHN WEST ENGINEERING
HOBBS, NEW MEXICO
(505) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
JAL - 5'

SEC. 17 TWP. 26-S RGE. 37-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 660' FNL & 1980' FEL

ELEVATION 2977

OPERATOR GRUY PETROLEUM
MANAGEMENT CO.

LEASE RHODES FEDERAL UNIT

U.S.G.S. TOPOGRAPHIC MAP

JAL, N.M.

**JOHN WEST ENGINEERING
HOBBS, NEW MEXICO**

(505) 393-3117

APPLICATION TO DRILL
 ARUY PETROLEUM MANAGEMENT CO.
 RHODES FEDERAL UNIT # 17I
 UNIT "B" SECTION 17
 T26S-R37E LEA CO. NM

In response to questions asked under Section II B of Bulletin NTL-6 the following information is provided for your consideration:

1. Location: 660' FNL & 1980' FEL SEC. 17 T26S-R37E LEA CO. NM
2. Elevation above sea level: 2977' GR.
3. Geologic name of surface formation: Quaternary Aeolian Deposits.
4. Drilling tools and associated equipment: Conventional rotary drilling rig using fluid as a circulating medium for solids removal.
5. Proposed drilling depth: 3200'
6. Estimated tops of geological markers:

Rustler Anhydrite	1030'	Yates	2700'
Salado Salt	1330'	7 Rivers	3050'
Tansil	2535'		
7. Possible mineral bearing formation:

Tansil	Gas
Yates	Gas
7 Rivers	Gas
8. Casing program:

Hole size	Interval	Casing OD	Weight	Thread	Collar	Grade
<u>THIS IS A RE-ENTRY</u>						
12 1/4"?	0-1184'	8 5/8"	32#	Lap-weld	NA	Seamless
7 7/8"	0-3200'	5 1/2"	15.5#	8-R	ST&C	J-55

A well service rig will be rigged up on location along with a reverse unit no surface pits will be required. Steel pits will be used for the circulating fluids.

APPLICATION TO DRILL
 RUY PETROLEUM MANAGEMENT CO.
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 UNIT "B" SECTION 17
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9. CEMENTING & SETTING DEPTH:

8 5/8"	Surface	This is a re-entry 8 5/8" surface casing is set at 1184' and cemented. This was done on 09/27/1943. By Texaco.
5 1/2"	Production.	Set 3200' of 5 1/2" 15.5# J-55 8-R ST&C casing. Cement in two stages: 1st stage cement with 400 Sx. of Class "C" + additives, 2nd stage cement with 600 Sx. of Halco Light + additives, circulate cement to surface.

10. PRESSURE CONTROL EQUIPMENT: Exhibit "E". A Series 900 3000 PSI working pressure B.O.P. consting of a double ram type preventor with a bag type annular preventor. The B.O.P. unit will be hydraulically operated. Exhibit "E-1". Choke manifold and closing unit. The B.O.P. will be nipped up on 8 5/8" casing and will be operated at least once each 24 hour period while drilling and blind rams will be operated when out of hole on trips. Full opening stabbing valve and upper kelly cock will be utilized. No abnormal pressure or temperature is expected while drilling.

11. PROPOSED MUD CIRCULATING SYSTEM:

Depth	Mud Wt.	Visc.	Fluid Loss	Type Mud System
<u>THIS IS A RE-ENTRY</u>				
0-3200'	10-19.3	29-34	NC	Clean out to 1184' with brine and drill plugs and clean out old hole to 3200'.

No earth pits will be required to re-enter this well steel pits will be used.

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/or water loss may have to be adjusted to meet these needs.

APPLICATION TO DRILL
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UNIT "B" SECTION 17
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12. Testing, Logging and Coring Program:

- A. Open hole logs: Dual Laterolog, Side Wall Neutron, Density Gamma Ray Caliper from TD to 1184'.
- B. Run Gamma Ray, Neutron from 1184' to surface.
- C. No DST's, cores or Mud Logger are planned at this time.

13. Potential Hazards:

No abnormal pressures or temperatures are expected. Hydrogen Sulfide gas may be encountered, H₂S detectors will be in place to detect any presence. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used. Estimated BHP 750 PSI, estimated BHT 120° .

14. Anticipated Starting Date and Duration of Operation:

Road and location construction will begin after BLM approval of APD. Anticipated spud date as soon as approved. Drilling expected to take 10-15 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 Tansil, Yates, 7 Rvs pay will be perforated and stimulated. The well will be swab tested and potentialized as a gas well.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1. All Company and Contract personnel admitted on location must be trained by a qualified H₂S safety instructor to the following:
 - A. Characteristics of H₂S
 - B. Physical effects and hazards
 - C. Proper use of safety equipment and life support systems.
 - D. Principle and operation of H₂S detectors, warning system and briefing areas.
 - E. Evacuation procedure, routes and first aid.
 - F. Proper use of 30 minute pressure demand air pack.
2. H₂S Detection and Alarm Systems
 - A. H₂S detectors and audio alarm system to be located at bell nipple, end of blooie line (mud pit) and on derrick floor or doghouse.
3. Windsack and/or wind streamers
 - A. Windsack at mudpit area should be high enough to be visible.
 - B. Windsack at briefing area should be high enough to be visible.
 - C. There should be a windsack at entrance to location.
4. Condition Flags and Signs
 - A. Warning sign on access road to location.
 - B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H₂S present in dangerous concentration. Only emergency personnel admitted to location.
5. Well control equipment
 - A. See exhibit "E"
6. Communication
 - A. While working under masks chalkboards will be used for communication.
 - B. Hand signals will be used where chalk board is inappropriate.
 - C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephoned will be available at most drilling foreman's trailer or living quarters.
7. Drillstem Testing
 - A. Exhausts will be watered.
 - B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
 - C. If location is near any dwelling a closed D.S.T. will be performed.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

8. Drilling contractor supervisor will be required to be familiar with the effects H_2S has on tubular goods and other mechanical equipment.
9. If H_2S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas separator will be brought into service along with H_2S scavengers if necessary.

SURFACE USE PLAN

RUY PETROLEUM MANAGEMENT CO.
RHODES FEDERAL UNIT # 171
UNIT "B" SECTION 17
T26S-R37E LEA CO. NM

1. EXISTING ROADS. Area map, Exhibit "B" is a reproduction of the New Mexico General Hi-way Co. Map. Exhibit "C" is a reproduction of a topographic map. Existing roads and proposed roads are shown on each exhibit. All roads will be maintained in a condition equal to or better than existed prior to start of construction.
 - A. Exhibit "A" shows the proposed developement well as staked.
 - B. From Jal New Mexico take State Hi-way 18 South 4.4 miles turn West cross railroad track bear left (Southwest) go 1+ miles turn West and go approximately 1500' to location.
 - C. Lay necessary pipelines and construct necessary powerlines that will are required to produce this lease along road R-O-W.
2. PLANNED ACCESS ROADS - Up grade existing road approximately 1500'.
 - A. the access road will be crowned and ditched to a 12'00" wide travel surface with a 40' right-of-way.
 - B. Gradient on all roads will be less tha 5.00%.
 - C. No turnouts will be necessary.
 - D. If needed, road will be surfaced with a minimum of 4" of caliche. This material will be obtained from a local source.
 - E. Centerline for the new access road has been flagged. Earthwork will be as required by field conditions.
 - F. Culverts in the access road will not be used. The road will be constructed to utilize low water crossings for drainage as required by the Lopography.
3. LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A-1"
 - A. Water wells - None known
 - B. Disposal wells - None known
 - C. Drilling wells - None known
 - D. Producing wells - As shown on Exhibit "A-1"
 - E. Abandoned wells - As shown on Exhibit "A-1"

GRUY PETROLEUM MANAGEMENT CO.
RHODES FEDERAL UNIT # 171
UNIT "B" SECTION 17
T26S-R37E LEA CO. 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 quaters will drain into holes with a minium 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

RUY PETROLEUM MANAGEMENT CO.
RHODES FEDERAL UNIT # 171
UNIT "B" SECTION 17
T26S-R37E LEA CO. 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.
RHODES FEDERAL UNIT # 171
UNIT "B" SECTION 17
T26S-R37E LEA CO. NM

11. OTHER INFORMATION:

- A. Topography consists of sand dunes with a slight dip in the Southwesterly direction. Vegetation is mainly native grasses and Mesquite trees with Shinnery Oak.
- B. Surface and minerals are owned by The Bureau of Land Management, The U.S. DEPARTMENT OF INTERIOR. The surface is used mainly for grazing of livestock and the production of Oil & Gas.
- C. An Archaeological survey will be conducted of the location and proposed roads, then this report will be filed with the Bureau of Land Management in the Carlsbad BLM office.
- D. There are no known dwellings within 1½ mile of this location.

12. OPERATORS REPRESENTATIVE:

Before construction:

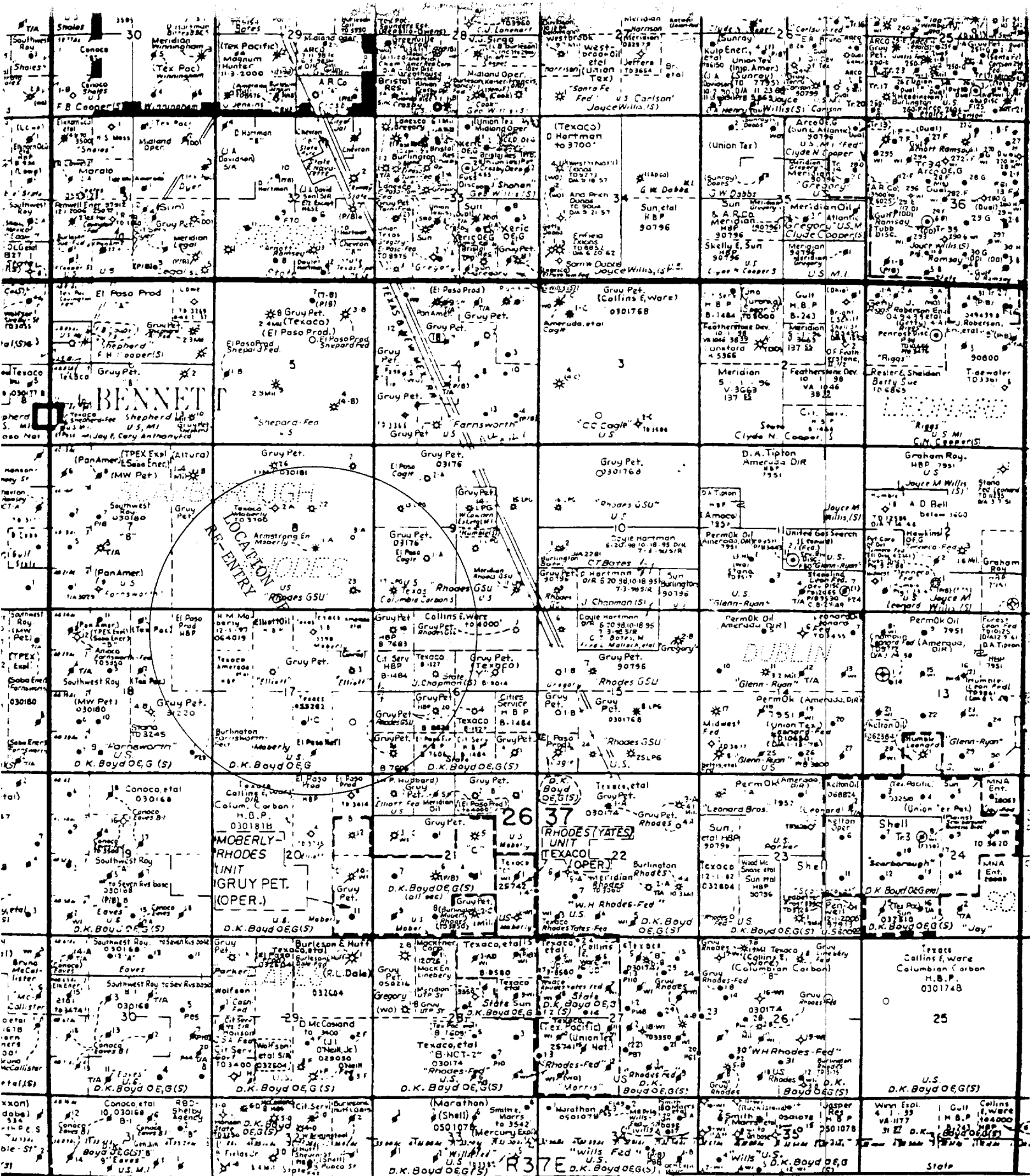
TIERRA EXPLORATION INC.
P.O. BOX 2188
HOBBS, NEW MEXICO 88241
OFFICE PHONE 505-392-2112
JOE T. JANICA

During and after construction:

GRUY PETROLEUM MANAGEMENT COMPANY
P.O. BOX 14097
IRVING, TEXAS 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 Co. 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 : Joe T Janica
DATE : 08/27/98
TITLE : Agent



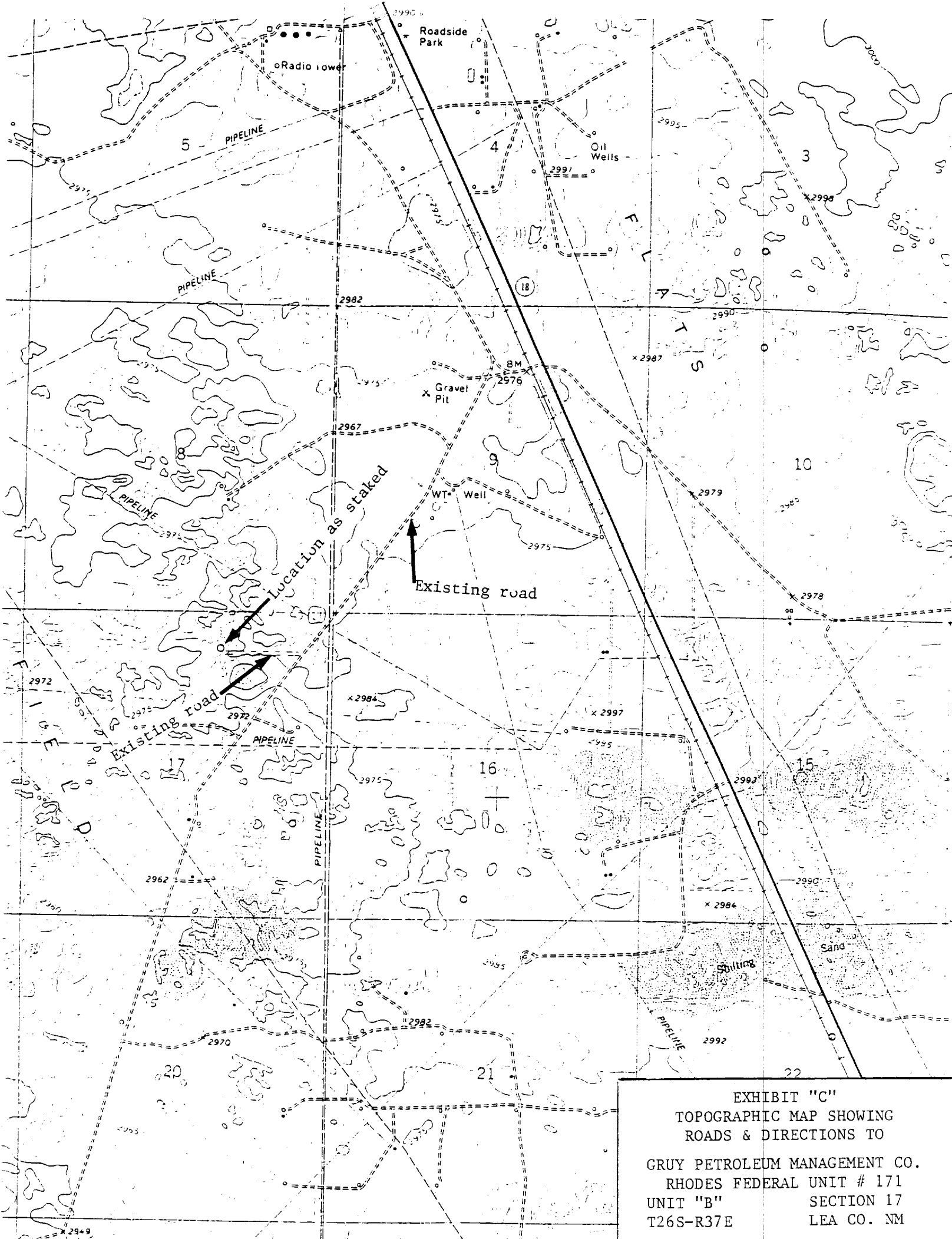
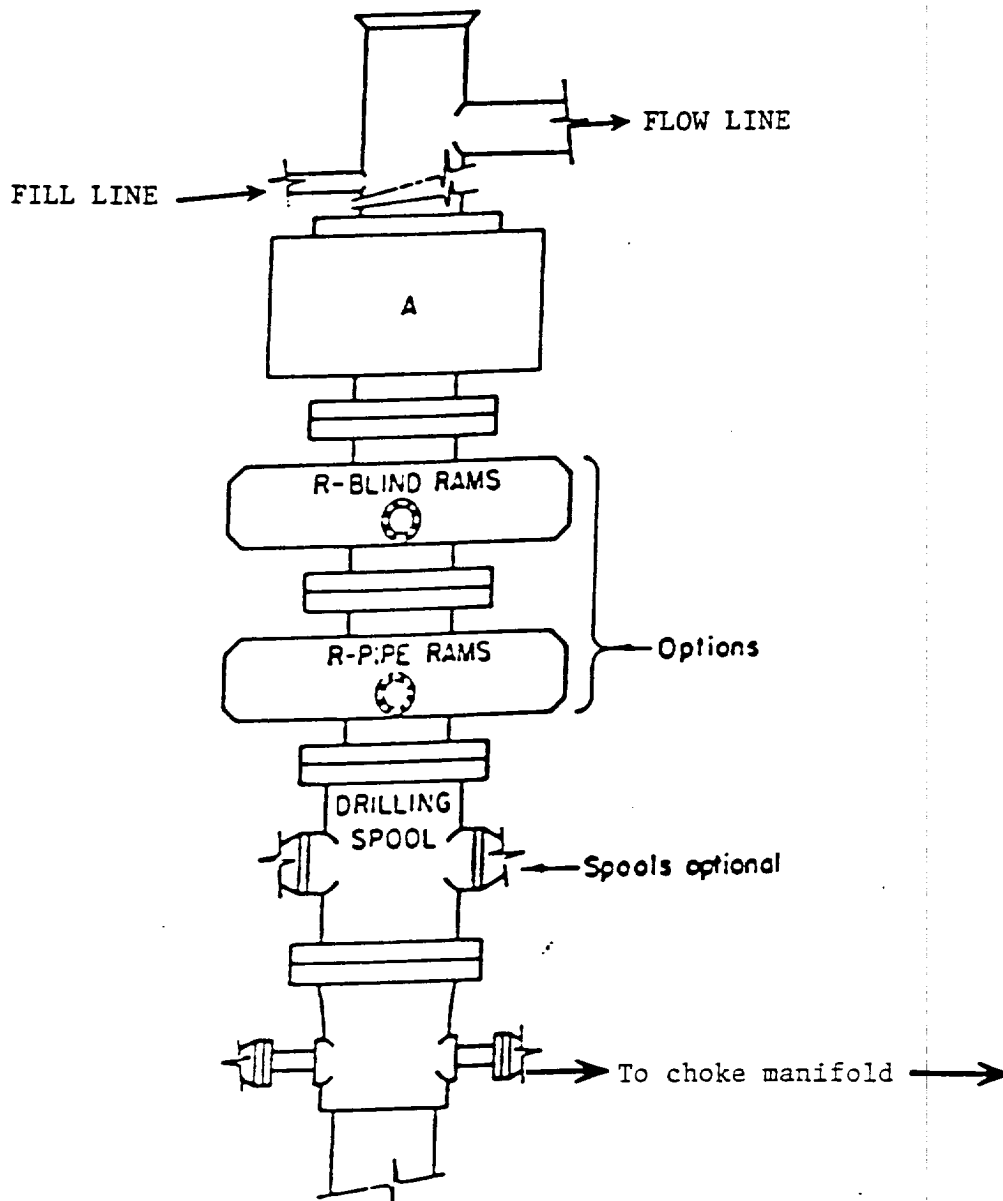


EXHIBIT "C"
 TOPOGRAPHIC MAP SHOWING
 ROADS & DIRECTIONS TO
 GRUY PETROLEUM MANAGEMENT CO.
 RHODES FEDERAL UNIT # 171
 UNIT "B" SECTION 17
 T26S-R37E LEA CO. NM



ARRANGEMENT SRRA

900 Series
3000 PSI WP

EXHIBIT "E"	
B.O.P. SKETCH TO BE USED ON	
GRUY PETROLEUM MANAGEMENT CO.	
RHODES FEDERAL UNIT # 171	
UNIT "B"	SECTION 17
T26S-R37E	LEA CO. NM

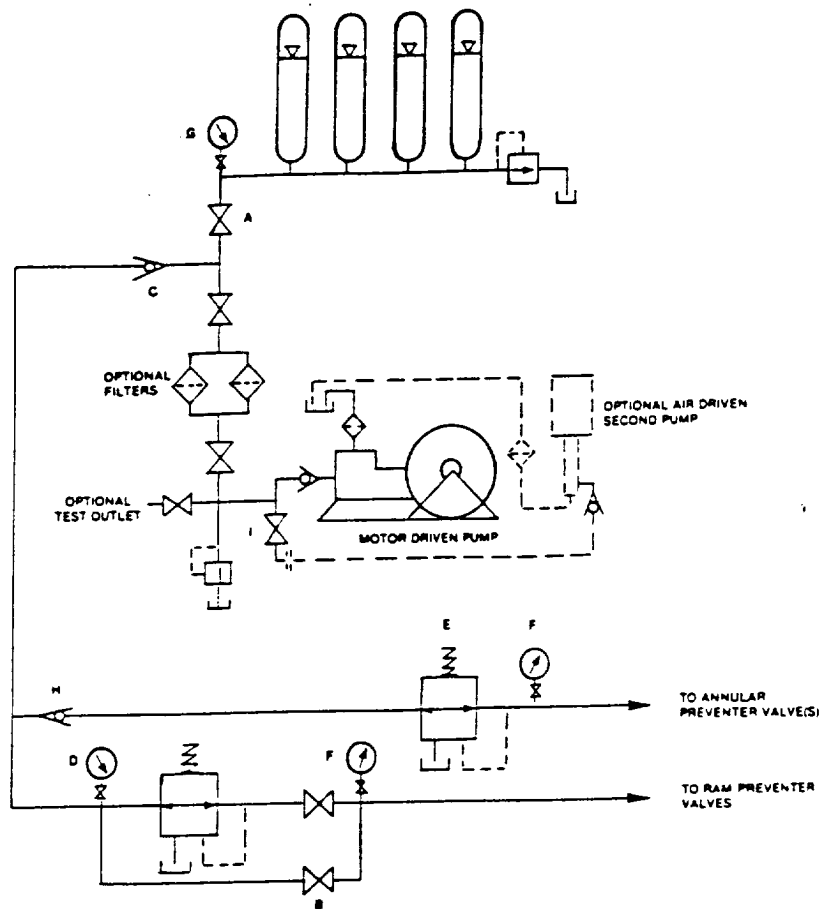


FIGURE K6-1. The schematic sketch of an accumulator system shows required and optional components.

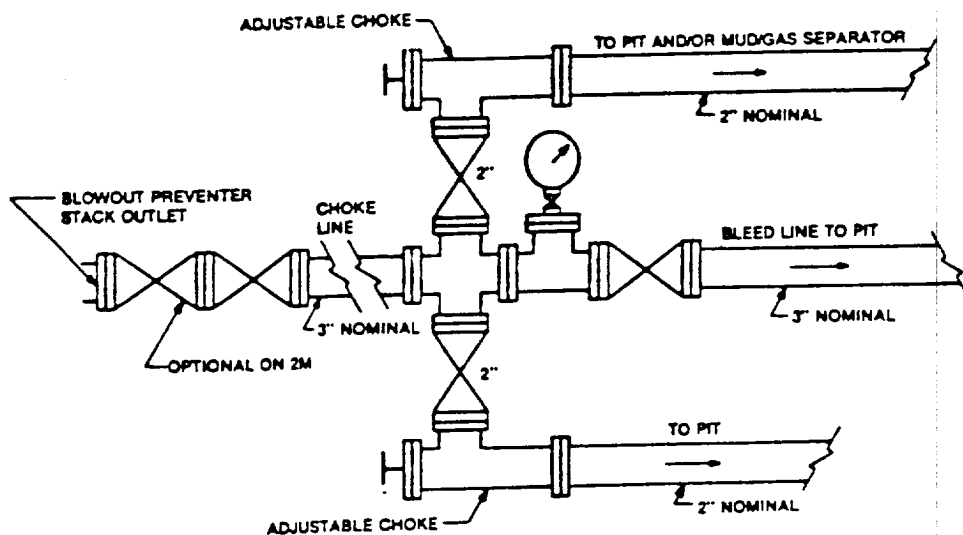


FIGURE K4-1. Typical choke manifold assembly for 2M and 3M rated working pressure service — surface installation.

EXHIBIT "E-1"
CHOKE MANIFOLD & CLOSING UNIT

GRUY PETROLEUM MANAGEMENT CO.
RHODES FEDERAL UNIT # 171
UNIT "B" SECTION 17
T26S-R37E LEA CO. NM