Form 9-331 C
(May 1963)

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)

Form approved.
Budget Bureau No. 42-R1425.

30-045-22760

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

5. LEASE DESIGNATION AND SERIAL NO.: NM-078949

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

1a. TYPE OF WORK: DRILL [X] DEEPEN [ ] PLUG BACK [ ]

7. UNIT AGREEMENT NAME:

b. TYPE OF WELL: OIL WELL [ ] GAS WELL [X] OTHER — SINGLE ZONE [X] MULTIPLE ZONE [ ]

8. FARM OR LEASE NAME: H. H. Smith

2. NAME OF OPERATOR: Energy Reserves Group, Inc.

9. WELL NO.: 1

3. ADDRESS OF OPERATOR: P.O. Box 3280, Casper, WY 82602

10. FIELD AND POOL, OR WILDCAT: Kutz Fruitland West

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 1650' FNL & 1600' FWL (SE NW)
At proposed prod. zone

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: Sec.19-T29N-R12W

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: Appx. 3 miles East of Farmington

12. COUNTY OR PARISH: San Juan — 13. STATE: New Mexico

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL
280'	80	~~160~~ 158.85
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**
N.A.	1100'	Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 5427' GRD

22. APPROX. DATE WORK WILL START*:

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
9-7/8"	7"	17#	90'+	50 sx.
6-1/4"	4½"	9.5#	1100'+	85 sx.

Energy Reserves Group, Inc. proposes to drill the above referenced well with rotary tools from surface to T.D.. The anticipated zone of conpletion is the Fruitland formation. No cores or DST's are planned. Copies of all logs ran will be furnished upon completion of the well. Copies of the location plat and surface and operational use plans are attached. The estimated tops are as follows:

Fruitland 1040'
T.D. 1100'

RECEIVED
OCT 11 1977
OIL CON. COM.
DIST. 3

Gas is dedicated

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, 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 William J. Hunt TITLE Field Services Administrator DATE 9-29-77

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

okay

*See Instructions On Reverse Side

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

Operator	Lease	Well No.
Energy Reserves Group, Inc.	NM-078949	1

Unit Letter	Section	Township	Range	County
F	19	29 North	12 West	San Juan

Actual Footage Location of Well: 1650 feet from the North line and 1600 feet from the West line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
5427	Fruitland	Kutz Fruitland West	~~160~~ 158.85 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

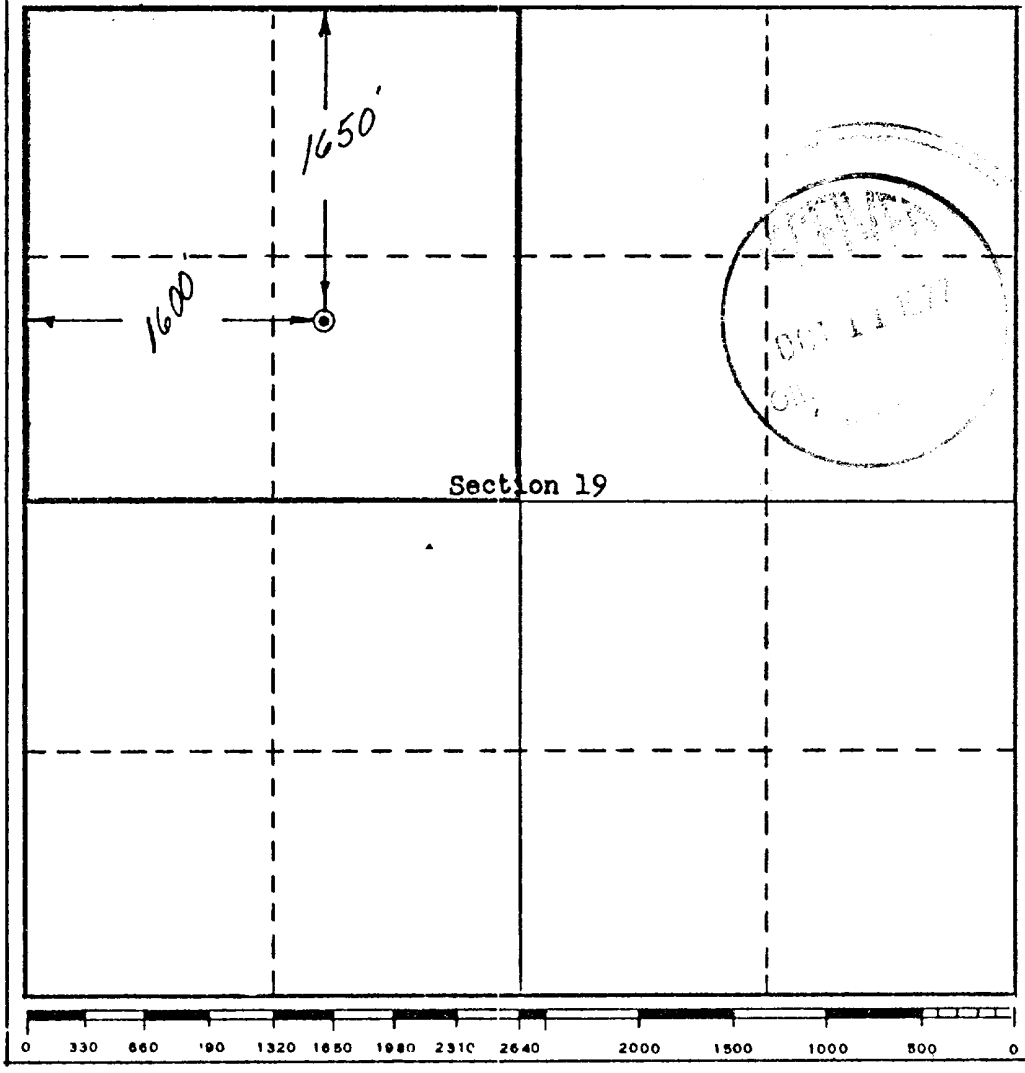
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty). Communitization agreement on file w/U.S.G.S. & BLM.

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling. etc?

[X] Yes [ ] No If answer is "yes," type of consolidation Communitization

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name: William J. Mann

Position: Field Services Administrator

Company: Energy Reserves Group, Inc.

Date: 9-29-77

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 knowledge and belief.

Date Surveyed: October 18, 1976

Registered Professional Engineer and Land Surveyor

Certificate No. 3084

ENERGY RESERVES GROUP, INC.
H. H. Smith #1

ATTACHMENT WITH FORM 9-2210

1. The surface formation is the Ojo Alamo.

2. The estimated tops of the important geologic markers in this well are as follows: Fruitland 1040' & T.D. 1100'.

3. The Fruitland at 1040' is expected to be productive, (gas).

4. The casing program is as follows:
   Set 7", 17# casing at 90'± and cement back to surface w/50 sx cement.
   Set 4½", 9.5# casing at 1100'± and cement w/85 sx. cement.
   Estimated cement top is 550'±.

5. Pressure control equipment to consist of a hydraulically operated - double ram BOP Series 600 or 900. The BOP will be pressure tested to 500 psig after installation and prior to drilling out from under surface casing. See Attachment #1.

6. Well is to be drilled with gel mud plus required additives for hole conditions and formations to be drilled. Normally about 25 sx. of gel will be on location at any one time.

7. Auxiliary Equipment - Kelly cock stop for 3½" drill pipe, a float at the bit and a full opening floor valve to stab into the drill pipe.

8. No coring is planned. No DST's are planned. Logs will probably be IES only.

9. No abnormal pressure or temperatures are anticipated. H_2S is not a potential problem in the area.

10. It is planned to commence operations as soon as regulatory approval has been received and a rig can be obtained. It is anticipated it will take 3-4 days to drill and log this well.

ENERGY RESERVES GROUP, INC.
H. H. Smith #1

MULTI-POINT SURFACE USE PLAN

1. Existing Roads
See Attachment #3.

Go east from Farmington on the Bloomfield Highway (#17) for appx. three miles. Turn north on to a dirt road appx. two hundred feet east of the Border Machinery Co. yard. Proceed on the dirt road for appx. 1000'.

The dirt road will require some minor improvements to allow for transportation of the rig and associated traffic. It may be necessary to haul in gravel or crushed rock to provide a permanent access if well becomes a producer.

2. Planned Access Roads

From the existing road, it is proposed to construct appx. 300' of new road to the proposed site.
(1) Road width will be limited to 20' maximum.
(2) The maximum grade will be less than 8%.
(3) No turn-outs are necessary.
(4 A small culvert may be required where the existing road leaves
&5) Highway #17. No major cuts or fills will be required.
(6) None anticipated.
(7) No gates, cattle guards or fence cuts will be required.

3. Location of Existing Wells

See Attachment No.'s 3 & 4.

4. Location of Existing and/or Proposed Facilities

A. (1) None anticipated
(2) A separator may be required if well produces fluid.
(3) N.A.
(4) If the well is a producer, El Paso Natural Gas Co. will install gathering line under a right-of-way permit.
(5) N.A.
(6) N.A.

B. If the well is productive, all facilities will be within the disturbed area. A small pit (20' X 20') may be required if any water is produced. The pit will be fenced w/shoop wire to protect livestock and wildlife.

C. If the well is productive, the reserve pit will be fenced and allowed to dry up. As soon as it is dry, it will be filled and the area restored to its original contour. All trash and debris will be removed.

If the well is dry, the pit will be fenced and allowed to dry. The location and access road will be recontoured and reseeded as per land owners or BLM specifications.

5. Location and Type of Water Supply

Water will be hauled by truck, probably from the San Juan River or from one of the numerous irrigation canals nearby.

6. Source of Construction Materials

None Anticipated.

7. Methods for Handling Waste Disposal

(1&2) All cuttings and drilling fluids will be contained in the reserve pit.
(3) Produced fluids, if any, will be contained in portable tanks, unless it is good water which will be directed into the pit and allowed to evaporate or soak into the ground.
(4) A portable toilet will be used during drilling and completion operations.
(5) All trash will be buried in a small trash pit along side of the reserve pit.
(6) See Item 4.C.

8. Ancillary Facilities

None required.

9. Well Site Layout

(1) See Attachment #5.
(2) See Attachment #2.
(3) See Attachment No.'s 2 & 5.
(4) It is not planned to line any pits.

10. Plans for Restoration of Surface

Upon completion of the well, the reserve pit will be fenced and allowed to dry. Any accumulation of oil will be skimmed off the pit and trucked to a disposal site. The trash pit will be covered as soon as the well site has been policed up.

The disturved area will be recontoured to its original contour and reseeded as per land owner or BLM's recommendations. It is planned to commence rehabilitation as soon as the pit has dried and weather permits.

11. Other Information

(1) The area is generally rolling hills near the well site. The soil is composed mostly of sand with only sparce vegetation. Sage brush, cactus and asscrted native grasses. Wildlife consists of rodents and birds.

(2) The surface is privately owned and is not presently used for any activity, ie: grazing, recreation, etc.

(3) The San Juan River is appx. 1/2 mile south of the proposed well. There are several irrigation canals along the south side of Highway #17. Bcrder Machinery Co. maintains an implement business appx. 600'-800' southwest of the proposed well.

There was no evidence of any historical archaeological or cultural sites in the area to be disturbed.

CERTIFICATE ATTACHED.

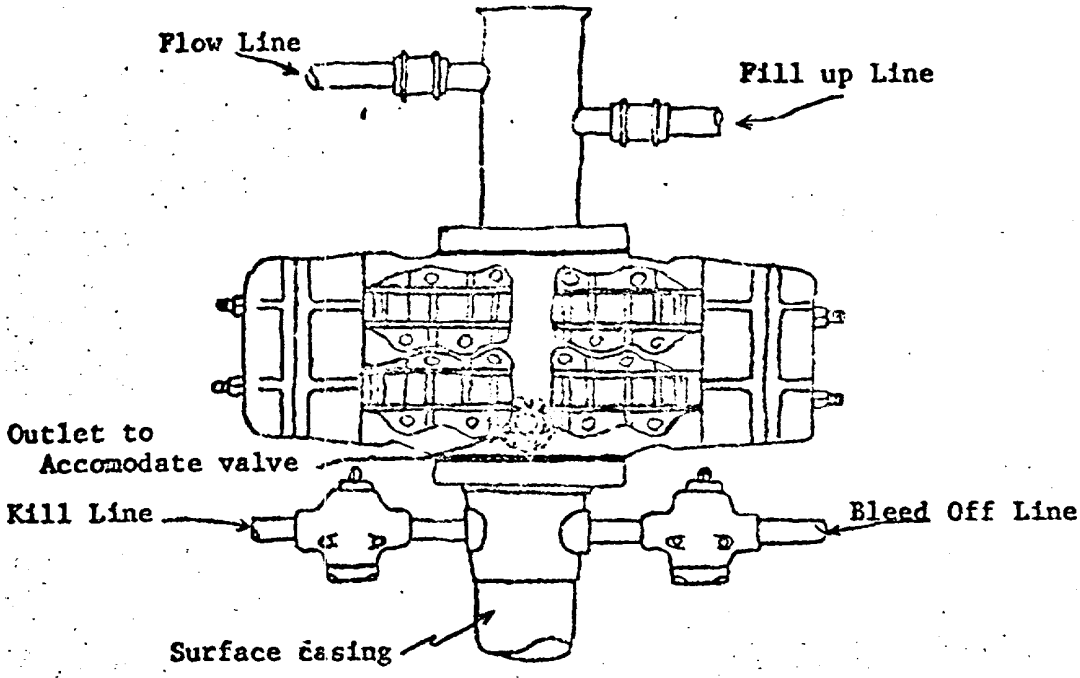
CERTIFICATION

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route; that I am familiar with the conditions which presently 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 Four Four Oil Co.
and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

10-7-77
Date

T W Dunham Area Foreman
Name and Title

Attachment #1
H. H. Smith
SE/NW Sec. 19
T29N-R12W
San Juan Co., New Mexico



Blowout preventer is Shaffer double hydraulic equipped with drill pipe rams in the top and blind rams in the bottom.

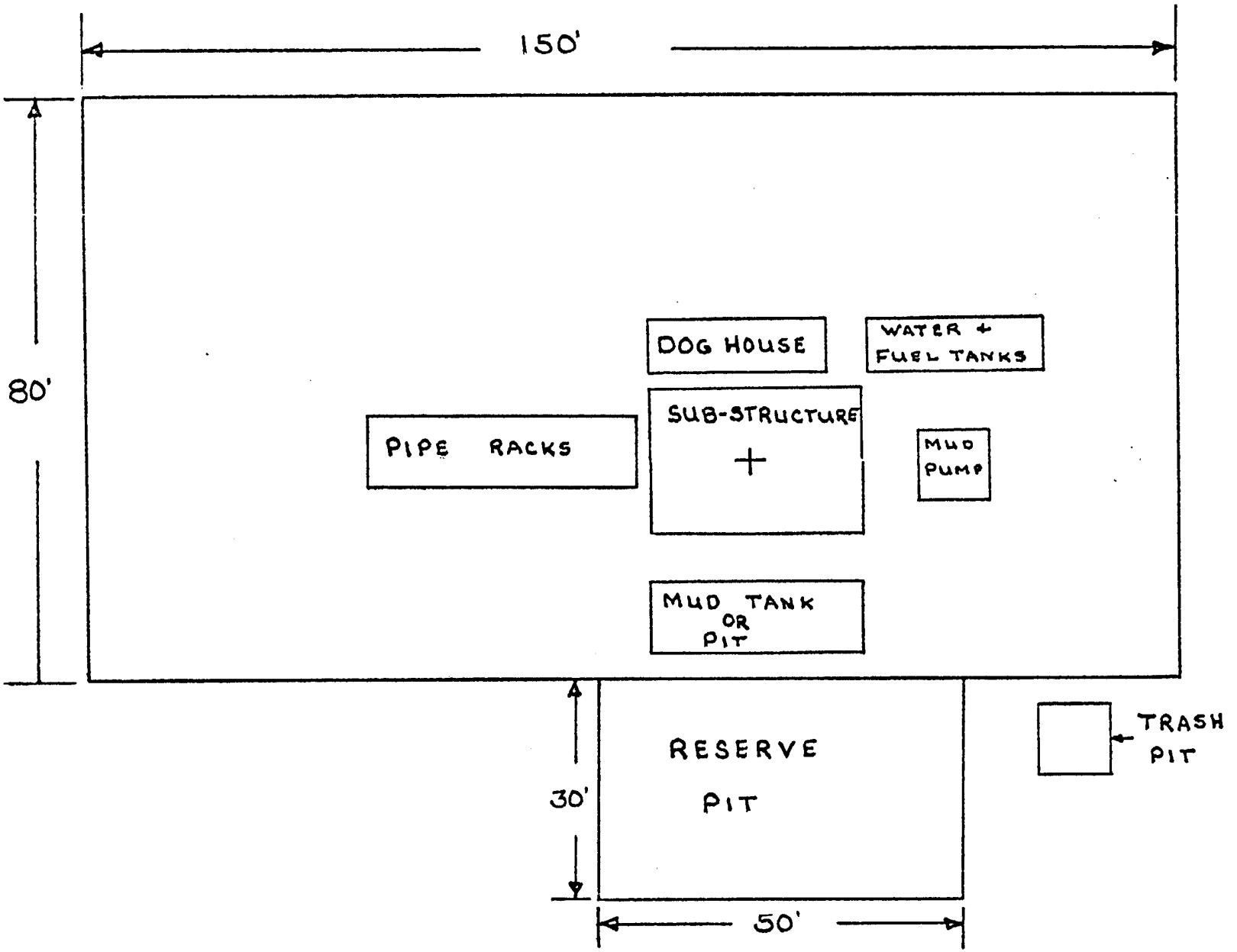
Blowout preventer closing unit is Koomey 30 gallon accumulator unit.

When choke manifold is used, it will be installed downstream from bleed off valve.

Kill line or bleed off line may be installed at flanged opening in blowout preventer.

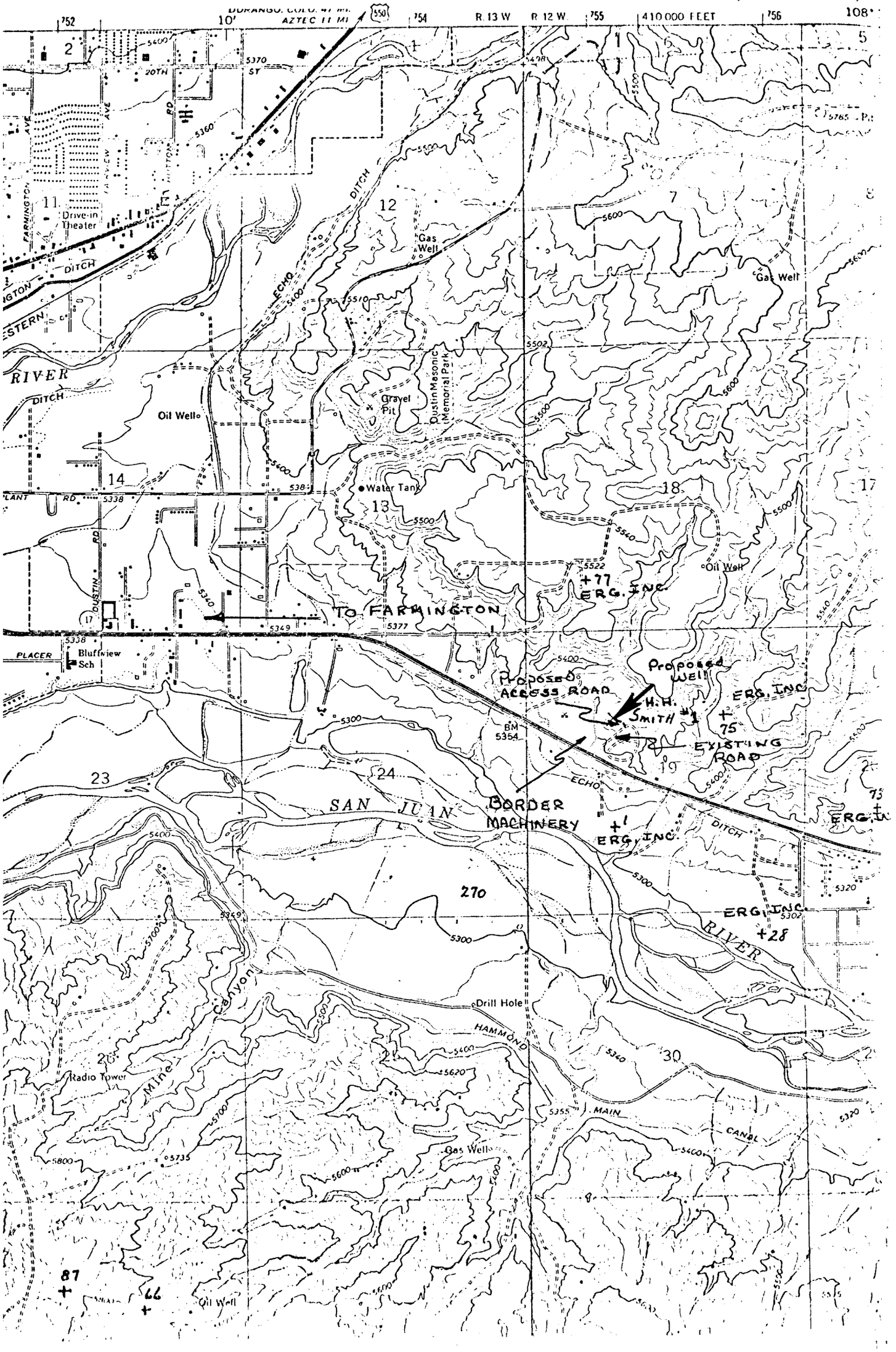
Attachment #2
H. H. Smith
SE/NW Sec. 19
T29N-R12W
San Juan Co., New Mexico

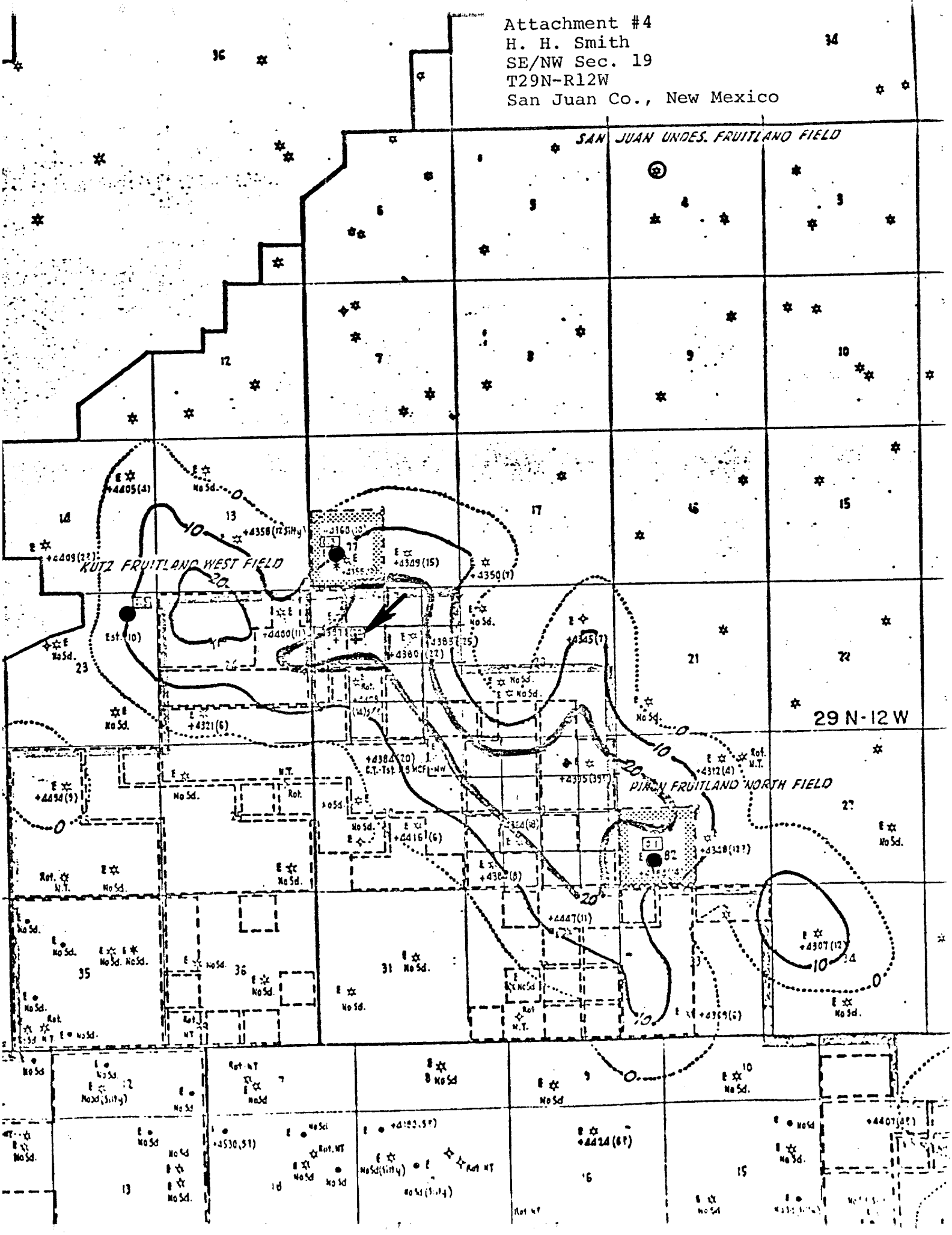
Rig Layout



Attachment #3
H. H. Smith
SE/NW Sec. 19
T29N-R12W
San Juan Co., New Mexico

FARMINGTON SOUTH QUADRANGLE
NEW MEXICO—SAN JUAN CO.
7.5 MINUTE SERIES (TOPOGRAPHIC)




Attachment #4
H. H. Smith
SE/NW Sec. 19
T29N-R12W
San Juan Co., New Mexico
SAN JUAN UNDES. FRUITLAND FIELD
KUTZ FRUITLAND WEST FIELD
PINON FRUITLAND NORTH FIELD
29 N-12 W

Attachment #5
H. H. Smith
SE/NW Sec. 19
T29N-R12W
San Juan Co., New Mexico

Energy Reserves Group, Inc.
H. H. Smith No. 1
1650' FN & 1600' FW Sec 19-29N-12W
San Juan County, New Mexico