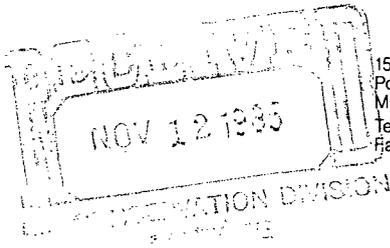


Release December 2, 1985

By DCC



1509 West Wall Street
Post Office Box 2437
Midland, Texas 79702
Telephone (915) 682-2591
Fax (915) 682-0786

November 4, 1985

Division Director
NMOCC
P. O. Box 2088
Santa Fe, New Mexico 87501



Re: Application to Downhole Commingle
State 17 No. 1
Sec 17, T-16-S, R-34-E
South Peterson Penn Assoc.
Roosevelt County, New Mexico

Dear Sir:

Energy Reserves Group, Inc. is hereby applying for approval to downhole commingle the subject well in the Cisco and Granite Wash formations. This well is currently producing from Cisco perforations at 7610'-7714', and has a CIBP set at 7750' which separates the Cisco from the Granite Wash perforations at 7760'-7864'. Commingling will be achieved by simply drilling out the CIBP and running production equipment.

Attached, please find the data necessary to obtain approval for downhole commingling as outlined by the NMOCC's rules and regulations.

Yours very truly,

Michael L. Jones
Petroleum Engineer

MLJ/ah

ownership of two zones is essential

NMOCC DATA
Downhole Commingling

1. Operator - Energy Reserves Group, Inc.
P. O. Box 2437
Midland, Texas 79702
2. Lease Name & No. - State 17 No. 1.
3. Well location - 660' FNL, 900' FEL, Sec. 17, T-6-S, R-34-E
Roosevelt County, New Mexico.
4. Pools to be commingled - Cisco and Granite Wash.
5. Land Plat is attached.
6. Form C-116 showing production from Cisco is attached;
Granite Wash has never been produced. All production
above the amount assigned to the Cisco will be considered
to be coming from the Granite Wash.
7. The production decline curve for the Cisco is attached.
8. Estimated bottomhole pressures are: Cisco = 850 psi
Granite Wash = 1500 psi.
9. Both of these formations will be producing oil, water, and
gas with the bottom Cisco perf only 46 feet from the top Granite
Wash perforation. Therefore, these fluids should be compatible
and very similar.
10. The value of the oil from both zones will be identical since they
are of the same quality and are situated less than 100 feet apart.
11. All of the production above the current producing rate of the Cisco
will be considered Granite Wash and allocated as such.
12. A copy of the letters sent to the offset operators.

NO. OF COPIES RECEIVED		
DISTRIBUTION		
SANTA FE		
FILE		
U.S.G.S.		
LAND OFFICE		
OPERATOR		

NEW MEXICO OIL CONSERVATION COMMISSION

Form C-101
Revised 1-1-65

5A. Indicate Type of Lease
STATE FEE

5. State Oil & Gas Lease No.
L-6741

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work b. Type of Well DRILL <input type="checkbox"/> DEEPEN <input checked="" type="checkbox"/> PLUG BACK <input type="checkbox"/> OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input checked="" type="checkbox"/>		7. Unit Agreement Name
2. Name of Operator Energy Reserves Group, Inc.		8. Farm or Lease Name State 17
3. Address of Operator P. O. Box 2437 Midland, Texas 79702		9. Well No. 1
4. Location of Well UNIT LETTER <u>A</u> LOCATED <u>660</u> FEET FROM THE <u>North</u> LINE AND <u>900</u> FEET FROM THE <u>East</u> LINE OF SEC. <u>17</u> TWP. <u>6S</u> RGE. <u>34E</u> NMPM		10. Field and Pool, or Wildcat South Peterson
		12. County Roosevelt
		19. Proposed Depth 7950' PB
		19A. Formation Cisco & Granite Wash
		20. Rotary or C.T. Rotary
21. Elevations (Show whether DF, RT, etc.) 4354' - G.L.	21A. Kind & Status Plug. Bond One well	21B. Drilling Contractor N/A
		22. Approx. Date Work will start 12/1/85

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
14 3/4"	13 3/8"	54.5	377'	200	Surface
12 1/4"	8 5/8"	24	3300'	2740	Surface
7 7/8"	4 1/2"	11.6	8178'	650	

We plan to utilize a pulling unit to drill out the CIBP @ 7750' and to commingle the production from the Cisco perforations (7610' - 7714') with the already perforated Granite Wash (7760'-7864'). Current production is from the Cisco which averages 5.6 BOPD, 12 BWPD, and gas too small to measure. The Granite Wash has never been produced.

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. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

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

Signed Michael L. Jones Title Petroleum Engineer Date 10/31/85

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

ENERGY RESERVES GROUP, INC.

FIELD: PETERSON S

LEASE: STATE 17 #1 B.P.O.

OPER: ENG

ZONES: C1SCB

STATE: NEW MEXICO

WI: 0.2901673

D-L: 39-0935

WELLS - OIL: 1

GAS: 0

COUNTY: ROOSEVELT

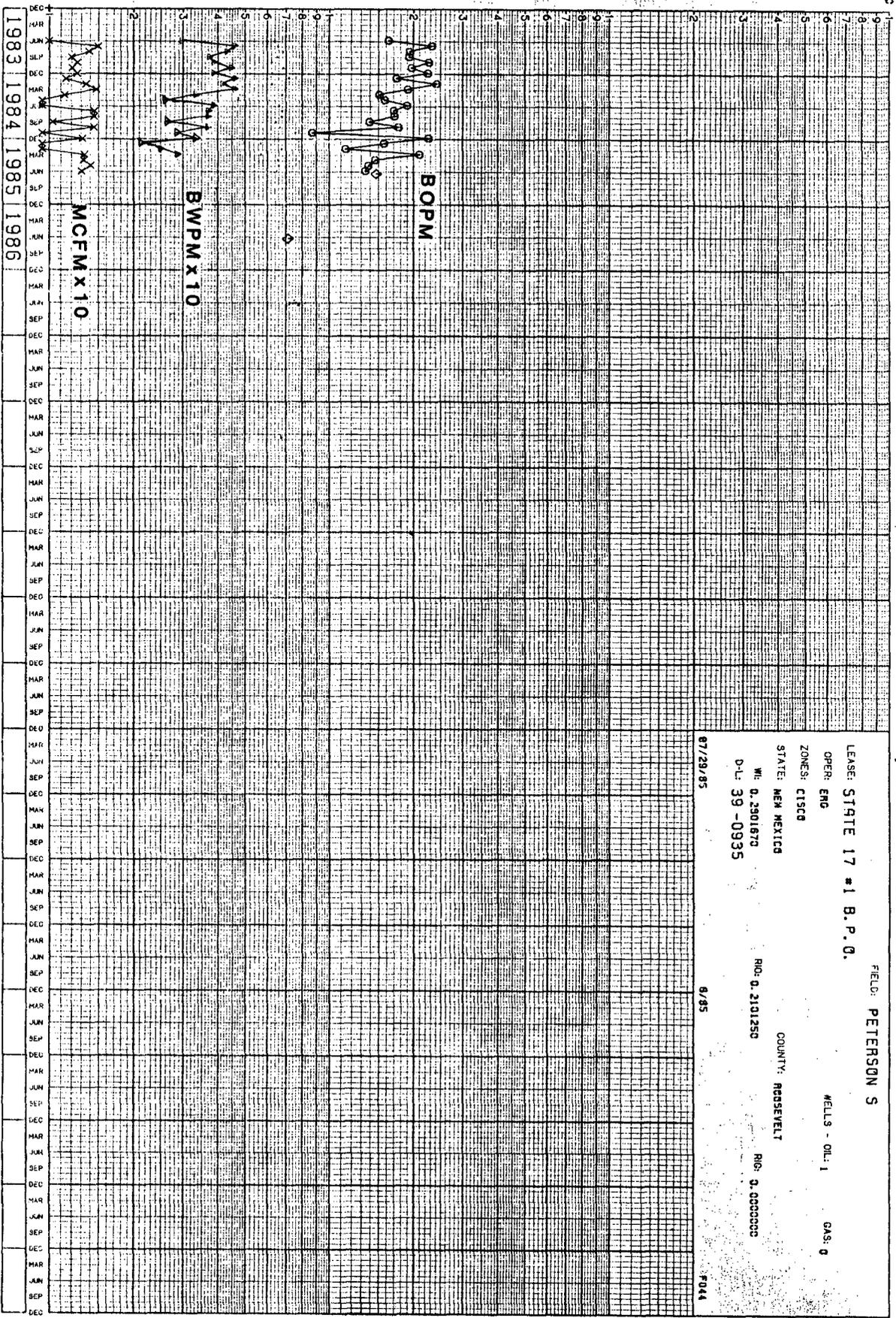
RD: 0.2131250

RD: 0.0000000

87/29/85

9/85

FO44



NEW MEXICO OIL CONSERVATION COMMISSION
GAS-OIL RATIO TESTS

C-116
Revised 1-1-65

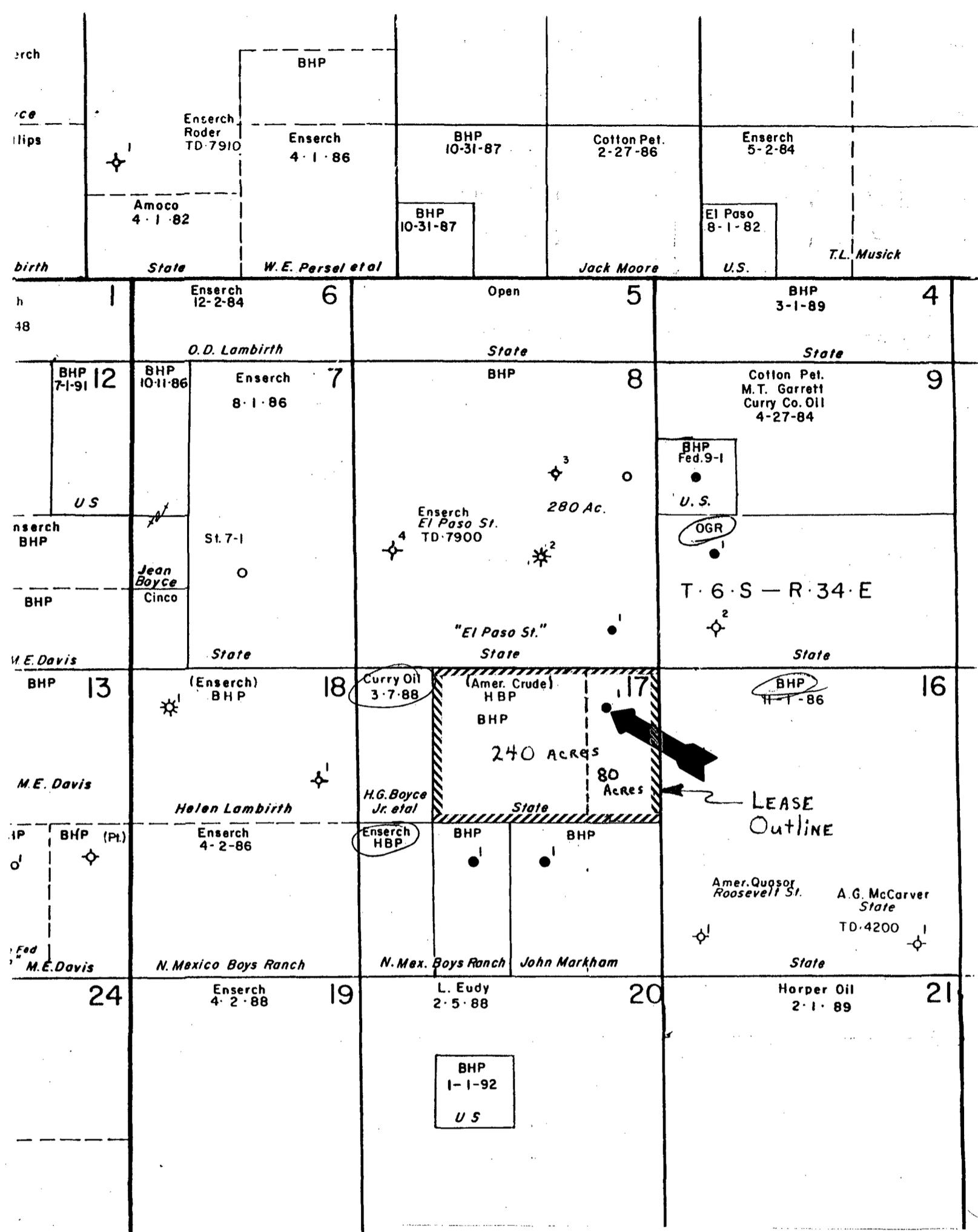
Operator Energy Reserves Group, Inc.		Pool S. Peterson Penn Assoc.		County Roosevelt												
Address P. O. Box 2437 Midland, TX 79702		TYPE OF TEST - (X) <input checked="" type="checkbox"/> Scheduled <input type="checkbox"/> Special <input checked="" type="checkbox"/>		Completion <input type="checkbox"/>												
LEASE NAME	WELL NO.	LOCATION			DATE OF TEST	CHOKE SIZE	TBG. PRESS.	DAILY ALLOW-ABLE	LENGTH OF TEST HOURS	PROD. DURING TEST			GAS - OIL RATIO CU.FT./BBL			
		U	S	T						R	WATER BBLs.	GRAV. OIL		OIL BBLs.	GAS M.C.F.	
State 17	1	A	17	6S	34E	10/25/85	P	N/A	N/A	6	24	12	40	5.6	TSTIM	N/A

No well will be assigned an allowable greater than the amount of oil produced on the official test.
 During gas-oil ratio test, each well shall be produced at a rate not exceeding the top unit allowable for the pool in which well is located by more than 25 percent. Operator is encouraged to take advantage of this 25 percent tolerance in order that well can be assigned increased allowables when authorized by the Commission.
 Gas volumes must be reported in MCF measured at a pressure base of 15.025 psia and a temperature of 60° F. Specific gravity base will be 0.60.

Report casing pressure in lieu of tubing pressure for any well producing through casing.
 Well original and one copy of this report to the district office of the New Mexico Oil Conservation Commission in accordance with Rule 301 and appropriate pool rules.

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

Michael L. Jones
 M. L. Jones (Signature)
 Petroleum Engineer
 (Title)



11/85



BHP
Petroleum
(Americas) Inc

STATE "17" NO.1
APPLICATION TO COMMINGLE
CISCO AND GRANITE WASH
FORMATIONS

ROOSEVELT COUNTY, NEW MEXICO

COMPLETION DATA SHEET

Lease STATE 17
 Well No. 1 Sec. 17 T. 6-S R. 34 E
Roosevelt Co., N.M.

DIVISION Southern FIELD S. Peterson Penn. Assoc. LOCATION 660' FNL, 900' FEL

WELL PROFILE

TD	DRILL PIPE 8232	LOG 8178	ELEVATION	DATUM POINT (GRD-KB-DF)
PBTD	DRILL PIPE 7750'	GAMMA-RAY		4354' G.L. DATUM POINT ELEVATION 4367' K.B.

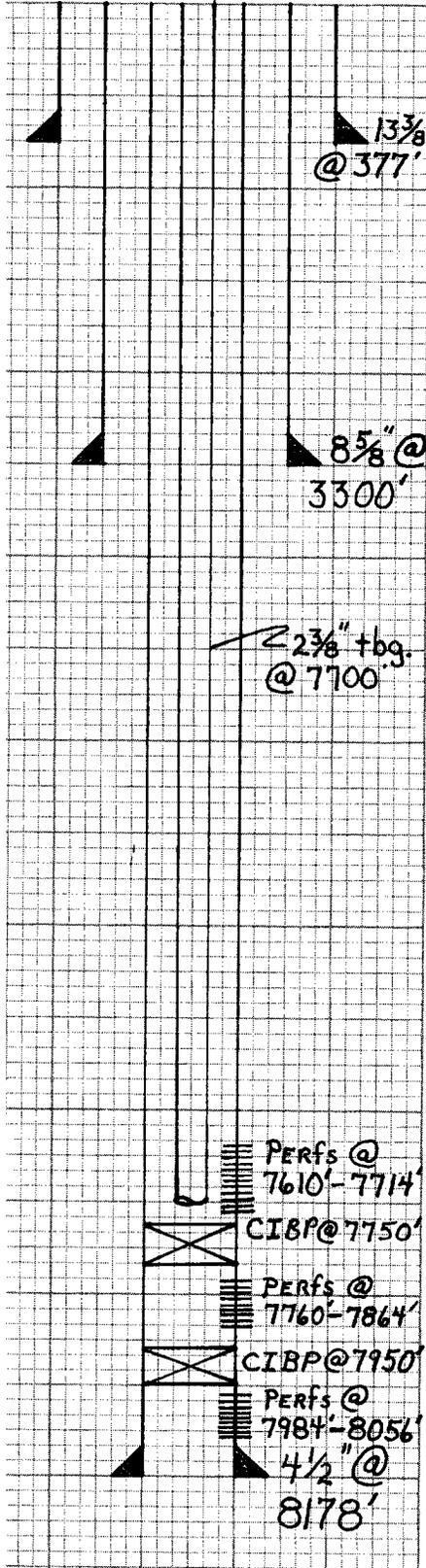
CASING DESIGN

SIZE	WEIGHT	GRADE	THREAD	COUPLING	MAKE	NO. JTS.	FOOTAGE	SACKS
13 3/8	54.5				TOC @ surface		377	200
8 5/8	24				TOC @ surface		3300'	2740
4 1/2	11.6						8178'	650

PERFORATED INTERVAL	FORMATION	REMARKS
7610-12'	Cisco	Acidize Cisco w/1600 gals 15%
7626-32'	"	"
7642-56'	"	"
7686-94'	"	"
7708-14'	"	"
7760-66'	Granite Wash	Acidize Granite Wash w/3000 gals 15%
7780-88'	"	"
7814-22'	"	"
7852-64'	"	"
7984-92'	"	"
8050-56'	"	"

Initial Potential 6/25/82: Pump 19.58 BOPD, 38 BWPD, and gas TSTM

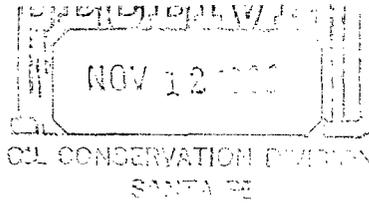
Current Prod (Cisco): 5.6 BOPD/12 BWPD/TSTM gas on 10/25/85



SUBMITTED BY
Michael L. Jones
 M.L. Jones, Petroleum Engineer

DATE
 10-31-85

APPROVED BY



1509 West Wall Street
Post Office Box 2437
Midland, Texas 79702
Telephone (915) 682-2591
Fax (915) 682-0786

November 8, 1985

Enserch Exploration, Inc.
P. O. Box 4815
Midland, Texas 79704



BHP
Petroleum
(Americas) Inc

Re: Downhole Commingling Application
State 17 No. 1
S. Peterson Penn Assoc. Field
Sec 17, T-6-S, R-34-E
Roosevelt County, New Mexico

Dear Sir:

This letter is being sent to notify you of Energy Reserves Group, Inc.'s plan to downhole commingle the subject well in the Cisco (7610'-7714') and Granite Wash (7660'-7864') formations. The Granite Wash was perforated and tested, prior to the completion of this well in the Cisco. A CIBP, which was set at 7750' to separate the Cisco and Granite Wash, will be drilled out to allow for this commingling.

In order to satisfy the NMOCC's requirements for our application to downhole commingle the subject well, please sign this notification in the space provided and return in the enclosed envelope. Your expedient handling of this notification will be appreciated.

M. L. Jones

M. L. Jones
Petroleum Engineer III

MLJ/ah

Name of Company

Representative

Title of Representative

Date

1509 West Wall Street
Post Office Box 2437
Midland, Texas 79702
Telephone (915) 682-2591
Fax (915) 682-0786

November 8, 1985

Curry County Oil Company
P. O. Box 219
Clovis, New Mexico 88101

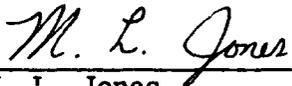


Re: Downhole Commingling Application
State 17 No. 1
S. Peterson Penn Assoc. Field
Sec 17, T-6-S, R-34-E
Roosevelt County, New Mexico

Dear Sir:

This letter is being sent to notify you of Energy Reserves Group, Inc.'s plan to downhole commingle the subject well in the Cisco (7610'-7714') and Granite Wash (7660'-7864') formations. The Granite Wash was perforated and tested, prior to the completion of this well in the Cisco. A CIBP, which was set at 7750' to separate the Cisco and Granite Wash, will be drilled out to allow for this commingling.

In order to satisfy the NMOCC's requirements for our application to downhole commingle the subject well, please sign this notification in the space provided and return in the enclosed envelope. Your expedient handling of this notification will be appreciated.



M. L. Jones
Petroleum Engineer III

MLJ/ah

Name of Company

Representative

Title of Representative

Date

1509 West Wall Street
Post Office Box 2437
Midland, Texas 79702
Telephone (915) 682-2591
Fax (915) 682-0786

November 8, 1985

OGR Operating
1140 Two First City Center
Midland, Texas 79701



Re: Downhole Commingling Application
State 17 No. 1
S. Peterson Penn Assoc. Field
Sec 17, T-6-S, R-34-E
Roosevelt County, New Mexico

Dear Sir:

This letter is being sent to notify you of Energy Reserves Group, Inc.'s plan to downhole commingle the subject well in the Cisco (7610'-7714') and Granite Wash (7660'-7864') formations. The Granite Wash was perforated and tested, prior to the completion of this well in the Cisco. A CIBP, which was set at 7750' to separate the Cisco and Granite Wash, will be drilled out to allow for this commingling.

In order to satisfy the NMOCC's requirements for our application to downhole commingle the subject well, please sign this notification in the space provided and return in the enclosed envelope. Your expedient handling of this notification will be appreciated.

M. L. Jones

M. L. Jones
Petroleum Engineer III

MLJ/ah

Name of Company

Representative

Title of Representative

Date