STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
P. O. Box 2088
Santa Fe, New Mexico 87501

Adopted 3-2-84
Side 1

EXHIBIT I

APPLICATION FOR CLASSIFICATION AS HARDSHIP GAS WELL

Operator BARUCH-FOSTER CORPORATION Contact Party J. F. ELLEBRACHT

Address 1160 ONE ENERGY SQUARE Dallas, Texas 75206 Phone No. (214) 368-5886

Lease Little Jewel Com. Well No. 1 UT F Sec. 31 TWP 22S RGE 27E

Pool Name S. Carlsbad MORROW/STRAWN Minimum Rate Requested 350 MCFPD

Transporter Name El Paso Natural Gas Company Purchaser (if different) Same

Are you seeking emergency "hardship" classification for this well? X yes _____ no

Applicant must provide the following information to support his contention that the subject well qualifies as a hardship gas well.

1) Provide a statement of the problem that leads the applicant to believe that "underground waste" will occur if the subject well is shut-in or is curtailed below its ability to produce. (The definition of underground waste is shown on the reverse side of this form) When these partially depleted low pressure reservoirs are shut in allowing water to set in well bore, the clay in the sand swells restricting permeability causing a loss of production

2) Document that you as applicant have done all you reasonably and economically can do to eliminate or prevent the problem(s) leading to this application.

   a) Well history. Explain fully all attempts made to rectify the problem. If no attempts have been made, explain reasons for failure to do so.
   Formation Damage to partially depleted reservoir sand connot be removed

   b) Mechanical condition of the well(provide wellbore sketch). Explain fully mechanical attempts to rectify the problem, including but not limited to:
   ATTACHED
   i) the use of "smallbore" tubing; ii) other de-watering devices, such as plunger lift, rod pumping units, etc. It is not a mechanical problem, it is formation damage that occurs when a low pressure reservoir is shut in allowing water to set in well.

3) Present historical data which demonstrates conditions that can lead to waste. Such data should include:

   a) Permanent loss of productivity after shut-in periods (i.e., formation damage).
   Production declined from 655 MCFPD to 350 MCF due to formation damage

   b) Frequency of swabbing required after the well is shut-in or curtailed.
   Swabbing is ineffective in removing water due to small volume.

   c) Length of time swabbing is required to return well to production after being shut-in.
   In December, 1986, used soap sticks to resore well to production as swabbing had been

   d) Actual cost figures showing inability to continue operations without special relief unsuccessful.
   Well may not produce again if it has to be shut in.

4) If failure to obtain a hardship gas well classification would result in premature abandonment, calculate the quantity of gas reserves which would be lost
   736 MMCF

5) Show the minimum sustainable producing rate of the subject well. This rate can be determined by: 350 MCFPD

   a) Minimum flow or "log off" test; and/or

   b) Documentation of well production history (producing rates and pressures, as well as gas/water ratio, both before and after shut-in periods due to the well dying, and other appropriate production data).
   ATTACHED TABLE I

6) Attach a plat and/or map showing the proration unit dedicated to the well and the ownership of all offsetting acreage.
   ATTACHED

7) Submit any other appropriate data which will support the need for a hardship classification.

8) If the well is in a prorated pool, please show its current under- or over-produced status. N/A

9) Attach a signed statement certifying that all information submitted with this application is true and correct to the best of your knowledge; that one copy of the application has been submitted to the appropriate Division district office (give the name) and that notice of the application has been given to the transporter/purchaser and all offset operators.