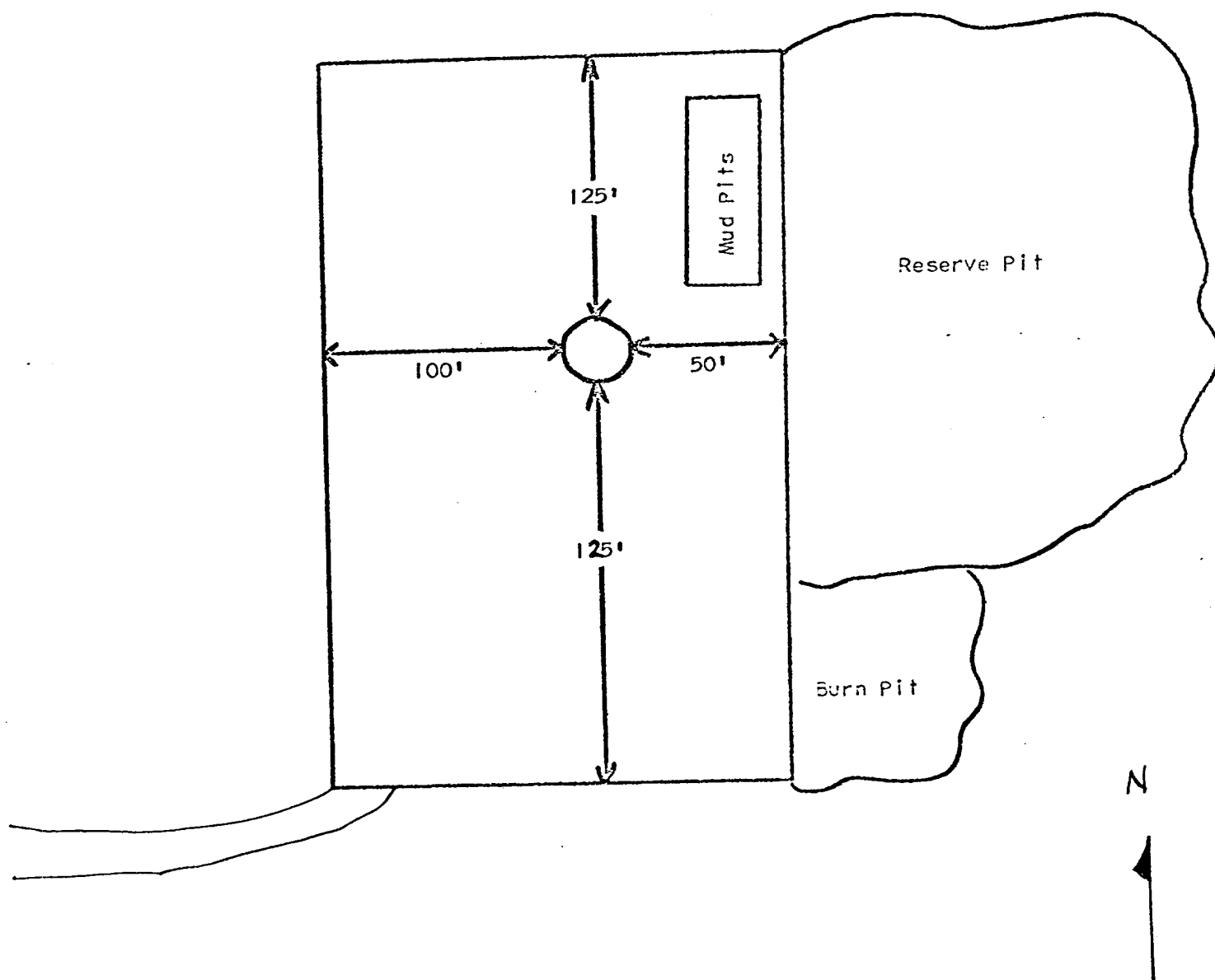


Jerome P. Mc Hugh
Jer #2



DEVELOPMENT PLAN

JEROME P. MC HUGH

JER #2

1. Existing roads and existing wells are shown on attached plat.
2. Planned access from existing road approximately 500' to new location. Will leave natural grass and small vegetation on roadway. Will remove large brush or trees from road. Do not plan to make road grade or bar ditches. Will bottom-out any arroyo we cross and not install culverts.
3. Location of well: 1850' FNL 1700' FEL
Sec. 7, T28N, R3W
Rio Arriba County, NM
4. No additional well(s) planned on this lease at this time.
5. Separator and flow line will be located within 50' of wellhead.
6. Water will be secured from La Jara Arroyo.
7. Waste materials will be buried on location or in reserve pit.
8. No permanent camp is planned; trailer house will be used on location while drilling.
9. Do not plan to build airstrip.
10. See attached plat for proposed location layout.
11. A general description of the topography, soil characteristics, geologic features, flora and fauna; other surface-use activities and surface ownership of involved lands, proximity of water, occupied dwellings, archeological, historical or cultural sites can be found in the archeologist's report.
12. Geologic name of surface formation: San Jose
13. Estimated tops of important geologic markers:

| | |
|-----------------|---------------|
| Ojo Alamo | 3600' - water |
| Fruitland | 3890' - gas |
| Pictured Cliffs | 4000' - gas |
14. Estimated depths of anticipated water, oil, gas, or other mineral bearing formations which are expected to be encountered;
15. We do not anticipate to encounter any abnormal pressures or temperatures or any potential hazards such as those associated with hydrogen sulfide.
16. Will clean up location, fill and level pits, level ruts in road, reseed location and road with Seed Mixture #2 and paint equipment with Pinon green.
17. Operator's Representative:

Box 234
Farmington, NM 87401
18. Certification: The following statement must be signed by the lessee's or operator's field representative who is identified in Item #17 of the Plan:

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 Jerome P. McHugh and its contractors and subcontractors in conformity with this Plan and the terms and conditions under which it is approved.

Date: April 28, 1978