

DATE IN 1/14/04	SUSPENSE 2/2/04	ENGINEER WVT	LOGGED IN LR	TYPE PLC	APP NO. PLR0401527790
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ABOVE THIS LINE FOR DIVISION USE ONLY

RECEIVED

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



JAN 14 2004

OIL CONSERVATION
DIVISION

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

- [D] Other: Specify _____

*Kutz Government 7, 7J, 6S
SURFACE
COMMINGLING*

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

PAUL C. THOMPSON Paul C. Thompson AGENT 1/14/04
 Print or Type Name Signature Title Date

PAUL@WALSHENG.NET
 e-mail Address

District I
1625 N. French Drive, Hobbs, NM 88240
District II
1301 W. Grand Ave, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St Francis Dr, Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107-B
Revised June 10, 2003

OIL CONSERVATION DIVISION
1220 S. St Francis Drive
Santa Fe, New Mexico 87505

Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: Breck Operating Company
OPERATOR ADDRESS: c/o Walsh Engineering, 7415 E. Main St., Farmington, NM 87402

APPLICATION TYPE:
 Pool Commingling Lease Commingling Pool and Lease Commingling Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE: Fee State Federal

Is this an Amendment to existing Order? Yes No If "Yes", please include the appropriate Order No. R-10080
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling
 Yes No

(A) POOL COMMINGLING
Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production	Calculated Value of Commingled Production	Volumes
Basin Fruitland Coal 71629				
Fulcher Kutz Pictured Cliffs 77200				

(2) Are any wells producing at top allowables? Yes No
(3) Has all interest owners been notified by certified mail of the proposed commingling? Yes No.
(4) Measurement type: Metering Other (Specify) Subtraction
(5) Will commingling decrease the value of production? Yes No If "yes", describe why commingling should be approved

(B) LEASE COMMINGLING
Please attach sheets with the following information

(1) Pool Name and Code. Basin Fruitland Coal 71629 and Fulcher Kutz Pictured Cliffs 77200
(2) Is all production from same source of supply? Yes No
(3) Has all interest owners been notified by certified mail of the proposed commingling? Yes No
(4) Measurement type: Metering Other (Specify)

(C) POOL and LEASE COMMINGLING
Please attach sheets with the following information

(1) Complete Sections A and E.

(D) OFF-LEASE STORAGE and MEASUREMENT
Please attached sheets with the following information

(1) Is all production from same source of supply? Yes No
(2) Include proof of notice to all interest owners.

(E) ADDITIONAL INFORMATION (for all application types)
Please attach sheets with the following information

(1) A schematic diagram of facility, including legal location.
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.
(3) Lease Names, Lease and Well Numbers, and API Numbers.

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

SIGNATURE: Paul C. Thompson TITLE: Agent / Engineer DATE: 1/11/04
TYPE OR PRINT NAME Paul C. Thompson, P.E. TELEPHONE NO.: 505.327.4892
E-MAIL ADDRESS: paul@walsheng.net

January 11, 2004

Ms. Lori Wrotenbery
NM Oil and Gas Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Re: Surface Commingling
Breck Operating Company
Kutz Government #7
Kutz Government #7J
Kutz Government #6S
Section 3, T27N, R10W

Dear Ms. Wrotenbery,

Breck Operating requests administrative approval to surface commingle the gas production from the above mentioned wells. The Kutz Government #7 and #7J wells were approved for commingling in Order R-10080. The Kutz Government #7 and #6S are both Basin Fruitland Coal wells and the Kutz Government #7J is a Fulcher Kutz Pictured Cliffs well.

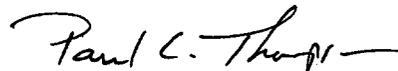
1. Proposed System: The wells are to be commingled upstream from a CPD meter so they can utilize a common compressor. The CPD meter will be downstream of the compressor on the Kutz Government #7. Allocation meters will be on all three wells. The gas flows into Williams Field Services' gathering system and they will maintain the CPD meter. The wells do not produce any liquid hydrocarbons. The actual commercial value of the commingled production will not be less than the sum of the values of the production from each well

The interests in the three wells are not identical. The revenue owners and their addresses are listed in Exhibit #1. A sample letter of the certified letter that was sent to each owner is attached at Exhibit #6.

2. Wells, Locations, and Lease numbers: Exhibit 2 is a plat showing the lease numbers for each well. All of the wells are on a Federal Mineral leases and on lands administrated by the Bureau of Land Management. The BLM has received a copy of this application. Please refer to Exhibit #7 for a copy of the Sundry Notice.

- 3. Schematic Diagram:** Exhibit 3 is a schematic diagram of the proposed facilities.
- 4. Fuel Gas:** The compressor will burn approximately 10 MCFD of fuel gas, which will be allocated equally between the wells since the fuel usage is not volume dependent. None of the wells have any heated surface production equipment.
- 5. Mechanical Integrity:** The flow line from the Kutz Government #6S to the compressor will be approximately 2241' feet of a 3" poly line with a pressure rating of 250 psig. The pipeline will be tested to the maximum wellhead pressure of either well.
- 6. Production – Gravity/BTU:** A table of the actual production from the Kutz Government #7 and #7J is attached as Exhibit #4. The Kutz Government #6S is a new well that has not produced any gas yet. A gas analysis showing the gas gravity and BTU content of the Kutz Government #7 and #7J is shown in Exhibit #5.
- 7. Allocation Formula:** Since all three wells will have allocation meters, the production assigned to these wells will be the integrated volume from the allocation meter minus one-third of the compressor fuel gas and one-third of any purge gas.
- 8. Line Purging:** We do not anticipate purging the line very often, but when we do the lost gas will be allocated equally between the wells.
- 9. Purged Fluids:** We do not anticipate having to purge the system, however any fluids purged will be natural gas, and produced water. If at all possible, any line purging will be done to a pit or a tank.
- 10. Meter Calibration:** The allocation and CPD meters will be calibrated once each quarter. Williams Services will maintain and calibrate the CPD meter.
- 11. Gas Analysis Schedule:** Williams will analyze the gas from the CPD meter twice a year.
- 12. Effective date:** The pipeline system will be put into service as soon as approval is received.

Sincerely,



Paul C. Thompson, P.E.
Agent for Breck Operating

EXHIBIT 1
REVENUE INTEREST
KUTZ GOVERNMENT 7
FRUITLAND COAL

3BL, LTD
PO BOX 911
BRECKENRIDGE TX 76424

CRANBERRY METHANE CORP
511 16TH ST STE 300
DENVER CO 80202

V, LC HAK
% MR WALLACE K TIRRELL
561 ALIHI PLACE
KAILUA HI 96734

HOLLEY THOMAS
REV TRUST ATTN TOM EAGLE
11966 ST CHARLES ROCK RD
BRIDGETON MO 63044

GLEN HARA
KUKUI INC
PO Box 737
IGNACIO CO 81137

M&V MEDICAL SERVICES
1255 SUGARCREEK BLVD
SUGAR LAND TX 77478

MISSION ENERGY METHANE
PO BOX 2007780
HOUSTON TX 77216

KUKUI OPERATING COMPANY
PO BOX 737
IGNACIO CO 81137

HAL & JEAN RIDDLE
1516 W 15TH ST
AMARILLO TX 79102

JACK TURPIN
3600 DOUGLAS
DALLAS TX 75225

JUAN VILLAFANI
1255 SUGARCREEK BLVD
SUGARLAND TX 77478

ALTROGGE RESOURCES CO
6901 W WALSH PLACE
DENVER CO 80224

FAY BACON I TRUST
1005 N MCCOY
AZTEC NM 87410

RP HARGRAVE TRUST
% FROST NATL BANK
PO BOX 1600
SAN ANTONIO TX 78296

JEFF LEE
1040 N LAUREL AVE #2
WEST HOLLYWOOD CA 90046

MARGARET SEBASTION TRUST
3291 AMMONS COURT
WHEAT RIDGE CO 80033

TALLOWOOD BAPTIST
CHURCH
555 TALLOWOOD DR
HOUSTON TX 77024

NANCY LEE WEBB
10 LONG WOOD DR
MONROE LA 71203

XTO ENERGY INC
135 S LASALLE ST DEPT 4849
CHICAGO IL 60674

PC LTD FOR MIN MNGMT
DRAWER 1857
ROSWELL NM 88202

EXHIBIT 1
REVENUE INTEREST
KUTZ GOVERNMENT 7J
PICTURE CLIFFS

ALTROGGE RESOURCES CO
6901 W WALSH PLACE
DENVER CO 80224

FAY BACON I TRUST
1005 N MCCOY
AZTEC NM 87410

RP HARGRAVE TRUST
% FROST NATL BANK
PO BOX 1600
SAN ANTONIO TX 78296

JEFF LEE
1040 N LAUREL AVE #2
WEST HOLLYWOOD CA 90046

MARGARET SEBASTION TRUST
3291 AMMONS COURT
WHEAT RIDGE CO 80033

TALLOWOOD BAPTIST
CHURCH
555 TALLOWOOD DR
HOUSTON TX 77024

NANCY LEE WEBB
10 LONG WOOD DR
MONROE LA 71203

XTO ENERGY INC
135 S LASALLE ST DEPT 4849
CHICAGO IL 60674

PC LTD FOR MIN MNGMT
DRAWER 1857
ROSWELL NM 88202

EXHIBIT 1
REVENUE INTEREST
BRECK KUTZ GOVERNMENT 6S
FRUITLAND COAL

ALTROGGE RESOURCE CO
5901 W WALSH PLACE
DENVER CO 80224

FAY BACON I TRUST
1005 N MCCOY
AZTEC NM 87410

CONOCO INC.
%CHASE BANK OF TEXAS
PO BOX 201940
HOUSTON TX 77216

RP HARGRAVE TRUST
FROST NATIONAL BANK
PO BOX 1600
SAN ANTONIO TX 78296

BBL, LTD
PO BOX 911
BRECKENRIDGE TX 76424

CONOCO INC.
PO BOX 201940
HOUSTON TX 77216

CRANBERRY METHANE CORP
511 16TH ST STE 300
DENVER CO 80202

PATRICIA SWERER GARFIELD
355 EUDORA ST
DENVER CO 80220

V, LC HAK
% MR WALLACE TIRRELL
561 ALIHI PLACE
KAILUA HI 96734

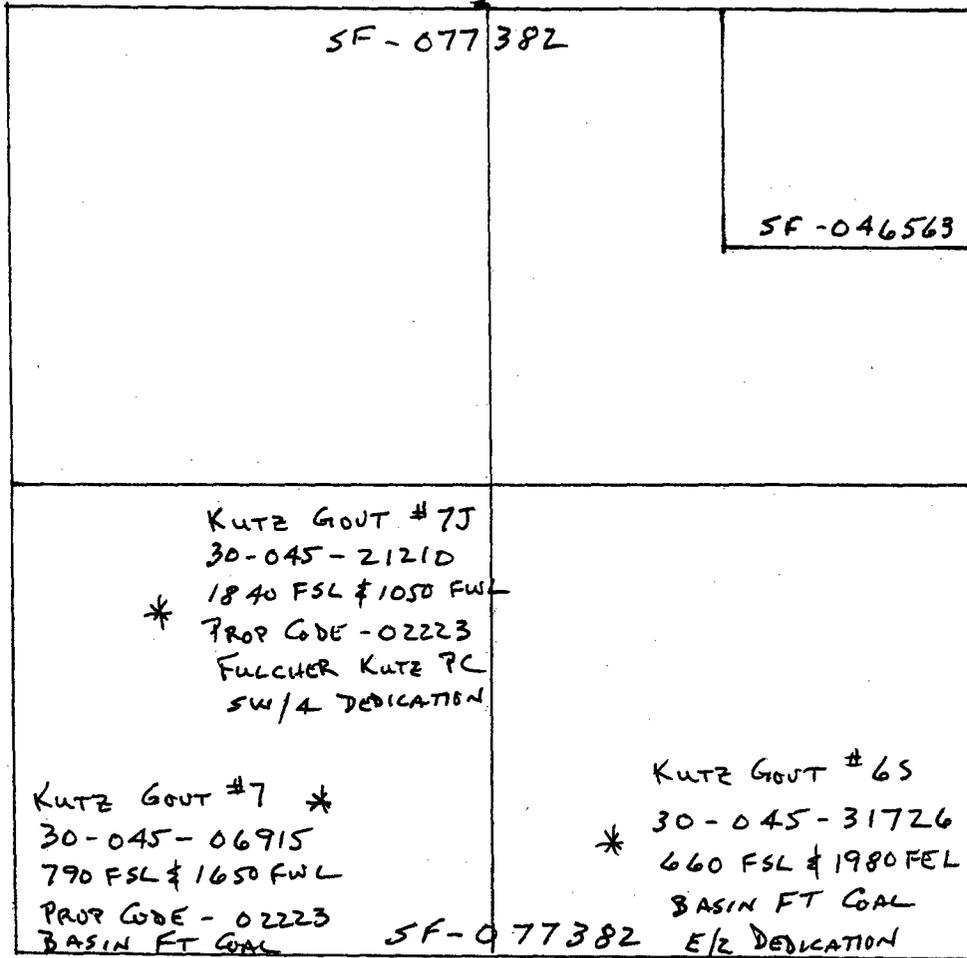
HOLLEY THOMAS W TRUST
11966 ST CHARLES ROCK RD
BRIDGETON MO 63044

SUSAN SWERER KRUTZ
3131 CHERRY RIDGE RD
ENGLEWOOD CO 80113

KUKUI INC
ATTN GLEN HARA
PO BOX 737
IGNACIO CO 81137

EXHIBIT #2
 SURFACE COMMINGLING
 KUTZ GOVERNMENT #7, #7J, & #65

E/2 COMM. AGREEMENT
 14-08-001-4703



SF-077382

SF-046563

KUTZ GOVT #7J
 30-045-21210
 * 1840 FSL & 1050 FWL
 * PROP CODE - 02223
 FULCHER KUTZ PC
 SW/4 DEDICATION

KUTZ GOVT #7 *
 30-045-06915
 790 FSL & 1650 FWL
 PROP CODE - 02223
 BASIN FT GAL

KUTZ GOVT #65
 * 30-045-31726
 * 660 FSL & 1980 FEL
 BASIN FT GAL
 E/2 DEDICATION

SF-077382

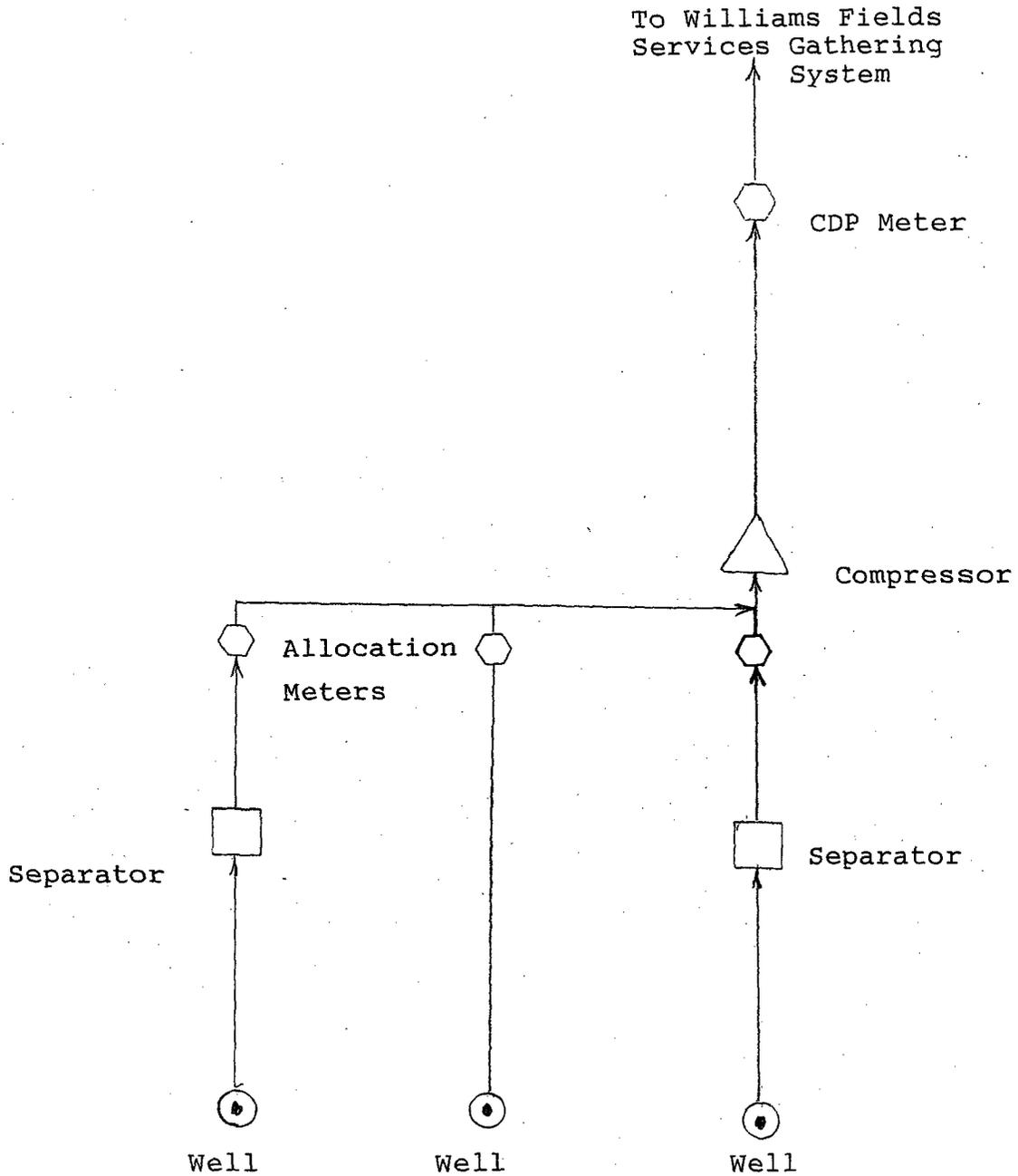
W/2 DEDICATION

SECTION 3, T27N, R10W

600 SHEETS, FILLER, 5 SQUARE
 42-382 50 SHEETS EYE-EASE, 5 SQUARE
 42-382 100 SHEETS EYE-EASE, 5 SQUARE
 42-389 200 SHEETS EYE-EASE, 5 SQUARE
 42-382 100 RECYCLED WHITE, 5 SQUARE
 42-389 200 RECYCLED WHITE, 5 SQUARE
 Made in U.S.A.



Exhibit #3



KUTZ GOVT
65
30-045-31726
660 FSL & 1980 FEL
SEC 3, T27N, R10W

KUTZ GOVT
75
30-045-21210
1840 FSL & 1050 FWL
SEC 3, T27N, R10W

KUTZ GOVT
7
30-045-06915
790 FSL & 1650 FWL
SEC 3, T27N, R10W

30 SHEETS
22-142 100 SHEETS
22-144 200 SHEETS
AM/PAD

Summary Production Report

Lease Name:	KUTZ GOVT			
Lease Number:	002223	Cum Oil:		10
Operator Name:	BRECK OPERATING CORPORATI	Cum Gas:	2,583,859	
State:	NEW MEXICO	Cum Water:		
County:	SAN JUAN	First Production Date:	AUG 1992	
Field:	MULTIPLE	Last Production Date:	JUN 2003	
Production ID:	SUM0430452121077200			
Reservoir Name:	MULTIPLE			
Prod Zone:	MULTIPLE			
Basin Name:	SAN JUAN BASIN			
Status:	ACTIVE GAS			

Annual Production	(34 years)		
Year	Oil BBLs	Gas MCF	Water BBLs

Beginning			
Cum:	10	943,999	KUTZ GOVT # 7 & 7 J
1970		39,112	
1971		57,529	
1972		50,262	
1973		44,161	
1974		45,683	
1975		26,078	
1976		24,311	
1977		17,308	
1978		16,840	
1979		15,587	
1980		12,565	
1981		13,056	
1982		4,889	
1983		2,246	
1984		3,143	
1985		4,782	
1986		3,944	
1987		5,450	
1988		5,073	
1989		4,048	
1990		2,833	
1991		2,856	
1992		56,937	
1993		124,633	
1994		101,160	
1995		99,541	
1996		145,608	
1997		154,696	
1998		142,167	
1999		112,647	
2000		98,774	
2001		84,965	
2002		80,474	

Williams Energy Services
 Tulsa, Oklahoma
 CERTIFICATE OF ANALYSIS
 For production month 11/03

11/12/03 10:26:49
 PAGE 1

Station ID: 35521
 Station Name: KUTZ GOVERNMENT #7 CDP (#7472)
 Analysis Source: 35521

Lab Identifier: K487
 Effective Date: 11/22/02

Operator: 000860
 Analysis ID: 310738
 Analyzed Date: 11/20/02

Sample On Date: 11/19/02
 Sample Off Date: 11/19/02
 Sample Type: S

Component	Mol %	GPM
Helium	0.0000	
CO	0.0000	
CO2	3.2570	
N2	0.2040	
Hydrogen Sulfide (H2S)	0.0000	
Methane (C1)	87.9910	
Ethane (C2)	6.2270	1.664
Propane (C3)	1.1770	0.324
I-butane (IC4)	0.2540	0.083
N-butane (NC4)	0.2860	0.090
I-pentane (IC5)	0.1290	0.047
N-pentane (NC5)	0.0970	0.035
Hexanes (C6)	0.3780	0.165
Heptanes (C7)		
Octanes (C8)		
Nonanes (C9)		
Decanes (C10)		
TOTAL	100.0000	2.408

Calculation Parameters:

Specific Gravity @ 60 deg.F (AIR=1)	BTU Calculated/cubic ft @ 60 deg.F
Ideal Gravity: 0.6501	Ideal BTU: 1077.0387
Sample Gravity: 0.6515	Dry BTU @ 14.730: 1079.8573
Z Factor: 0.9974	

Remark: C6



WALSH ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping

7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax: (505) 327-9834

CERTIFIED – RETURN RECEIPT

January 9, 2004

Kukui Operating Co.
PO Box 737
Ignacio CO 81137

Re: Surface Commingling Application
Breck Operating Corp.
Kutz Government #7, #7J and #6S
Section 20, T28N R10W
San Juan County, NM

SAMPLE

Dear Mr. Hara,

Enclosed you will find a copy of the above referred to application that has been submitted to the New Mexico Oil Conservation Division for administrative approval. Surface commingling will allow one compressor to service both wells, lowering operating costs. As an interest owner in one or both of these wells, you are being notified of this application pursuant to NMOCD rules.

If you desire to submit remarks concerning the application, please send them to Ms. Lori Wrotenbery, Director, New Mexico Oil Conservation Division, 1220 S. St. Francis Dr., Santa Fe, New Mexico, 87504, within 20 days from the receipt of this notice. If you have no objection to the proposal, no action is required on your part.

Thank you for your consideration in this matter and if you have any questions, please do not hesitate to call upon me.

Sincerely,

Paul C. Thompson, P.E.
Agent for Breck Operating Co.

