FORM APPROVED Form 3160-3 OMB No. 1004-0136 (August 1999) Expires November 30, 2000 UNITED STATES DEPARTMENT OF THE INTERIOR 5. Lease Serial No. **BUREAU OF LAND MANAGEMENT** SF-077874 6. If Indian, Allottee or Tribe Name APPLICATION FOR PERMIT TO DRILL OR REENTER 7. If Unit or CA Agreement, Name and No. la. Type of Work: X DRILL REENTER 8. Lease Name and Wel Type of Well: | Oil Well Gas Well X Single Zone Multiple Zone Kutz Government #5S 9. API Well No. 2. Name of Operator **Breck Operating Company** 30-045-3170 3b. Phone No. (include area code) 10. Field and Pool, or Exploratory 3A. Address **Basin Fruitland Coal** c/o Walsh Engineering,7415 E. Main, Farmington, NM 87402 (505) 327-4892 11. Sec., T., R., M., or Blk, and Survey or Area 4. Location of Well (Report location clearly and in accordance with any State requirements.*) 1285' FNL and 660' FEL Sec. 2, T27N, R10W At proposed prod. Zone 14. Distance in miles and direction from nearest town or post office* 12. County or Parish 8 miles southeast of Bloomfield, NM San Juan NM Distance from proposed* location to nearest 16. No. of Acres in lease 17. Spacing Unit dedicated to this well 2,583.85 322.64 property or lease line, fl. (Also to nearest drig, unit line, if any) 660' 320+ 320 acres N/2 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 19. Proposed Depth 20. BLM/BIA Bond No. on file 1040 2100' +/-23. Estimated duration 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 22. Approximate date work will start* 5997' GL Drilling operations authorized ere July 1, 2003 24. Attachments This action is subject to technical and subject to compliance with attached procedural review purevent to 43 CFP 3165.2 The following, SAPRIST in ROSH and CAR the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this formant to 43 CFR 3165.4 1. Well plat certified by a registered surveyor. Bond to cover the operations unless covered by an existing bond on file (see 2. A Drilling Plan. Item 20 above). 3. A Surface Use Plan (if the location is on National Forest System Lands, th 5. Operator certification. SUPO shall be filed with the appropriate Forest Service Office. Such other site specific information and/or plans as may be required by the authorized office. 25. Signature Name (Printed/Typed) Date Paul C. Thompson, P.E. 5/28/03 Title Agent Approved by (Signature) Name (Printed/Typed) Date /s/ David J. Mankiewicz SEP **-4** 2003 Title Office Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. Conditions of approval, if any, are attached. Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction. *(Instructions on reverse)

District I PO Box 1980, Hobbs, NM 88241-1980

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102 Revised February 21, 1994 Instructions on back Appropriate District Office

District II PO Drawer DD, Artesia, NM 88211-0719

District III 1000 Rio Brazos Rd., Aztec, NM 87410 OIL CONSERVATION DIVISION PO Box 2088 Santa Fe, NM 87504-2088 Submit to Appropriate District Office State Lease - 4 Copies Fee Lease - 3 Copies

District IV PO Box 2088, Santa Fe, NM 87504-2088 AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT API Number	0 00x 2000,												
Property Code				WELL	LOCAT]	ON AND AC	CREAGE	DEDI	CAT	ION PL	AT.		
Property Code 2773 KUZ GOVERNMENT SS **Operator Name **Clevation 5997* **Surface Location U. or lot ro. Section Township Range Lot Ion Feet from the North/South line Feet from the East/Nest line County A 2 27N 10W 1285 NORTH 560 EAST SAN JUAN **It Bottom Hole Location If Different From Surface U. or lot ro. Section Township Range Lot Ion Feet from the North/South line Feet from the East/Nest line County **Geocated Acres** 322.54 Acres - (N/2) **More Lot Ion Feet from the North/South line Feet from the East/Nest line County **Geocated Acres** 322.54 Acres - (N/2) **More Lot Ion Feet from the North/South line Feet from the East/Nest line County **Geocated Acres** 322.54 Acres - (N/2) **More Lot Ion Infill **Consolidation Code Border No.** **Operator No.** **Geocated Acres** 322.54 Acres - (N/2) **More Lot Ion Infill **Consolidation Code Border No.** **Graph No.** **Graph No.** **Graph No.** **Top Perator No.** **Graph No.** **Top Perator No.** **Top Perat	<i></i>					· •							
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LOT 4 LOT 3 LOT 2 LOT 1

Signature

Printed Name

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Title

S URVEYOR CERTIFICATION
I hereby certify that the well location shown on this plat was platted from field notes of actual surveys made by ne or under my supervision and that the same is true and cornect to the late of my belief.

Date of Survey: MARCH 6, 2003

Signature and Seal of Professional Surveyor

ANN LOTATION AND CONTROL OF THE CONTROL OF TH

BRECK OPERATING CO. OPERATIONS PLAN Kutz Government #5S

I. Location: 1285' FNL & 660' FEL

Date: May 28, 2003

Elev: GL 5997'

Sec 2 T27N R10W San Juan County, NM

Field: Basin Fruitland Coal

Surface: BLM

Minerals: SF - 077874

II. Geology: Surface formation _ Nacimiento

Α.	Formation Tops	Depths
	Ojo Alamo	1035'
	Kirtland	1105 ′
	Fruitland	1675'
	Pictured Cliffs	1950'
	Total Depth	2100'

Estimated depths of anticipated water, oil, gas, and other mineral bearing formations which are expected to be encountered:

Water and gas - 1675' and 1950'.

- B. Logging Program: Induction/GR and neutron/density logs at TD.
- C. No over pressured zones are expected in this well. No H_2S zones will be penetrated in this well. Max. BHP = 500 psig.

III. Drilling

- A. Contractor:
- B. Mud Program:

The surface hole will be drilled with a fresh water mud.

The production hole will be drilled with a fresh water polymer mud. The weighting material will be drill solids or if conditions dictate, barite. The maximum mud weight expected is 8.5 ppg.

C. Minimum Blowout Control Specifications:

Double ram type or annular type 2000 psi working pressure BOP with a rotating head. See the attached exhibits (#1 and #2) for details on the BOP equipment. All ram type preventers and related equipment will be hydraulically tested at nipple-up and after any use under pressure to 1000 psi.

C. Cont.

The blind rams will be hydraulically activated and checked for operational readiness each time pipe is pulled out of the hole. All checks of the BOP stack and equipment will be noted on the daily drilling report. The BOP equipment will include a kelly cock, floor safety valve, and choke manifold all rated to 2000 psi.

IV. Materials

A. Casing Program:

Hole Size	Depth	Casing Size	Wt. & Grade
8-3/4"	120'	7"	20# K-55
6-1/4"	2100′	4-1/2"	10.5# K-55

- B. Float Equipment:
- a) Surface Casing: None
- b) Production Casing: 4-1/2" cement guide shoe and self fill insert float collar. Place float one joint above shoe. Five centralizers spaced every other joint above shoe and five turbolizers every other joint from the top of the well.

V. Cementing:

Surface casing: 7" - Use 30 sx (36 cu. ft.) of Cl "B" with 2% CaCl₂ (Yield = 1.18 cu. ft./sk; slurry weight = 15.6 PPG). 100% excess to circulate cement to surface. WOC 12 hours. Pressure test surface casing to 600 psi for 30 min.

Production Casing: 4-1/2" - Before cementing circulate hole with at least 1-1/2 hole volumes of mud. Precede cement with 30 bbls of fresh water. Lead with $155 \times (319 \text{ cu.ft})$ of Cl "B" with 2% SMS, $\frac{1}{4}$ */sk. celloflake. (Yield = 2.06 cu.ft./sk; slurry weight = 12.5 PPG). Tail with 100 sx (118 cu.ft.) of Cl "B" with 2% CaCl₂, and $\frac{1}{4}$ */sk. celloflake/sk. (Yield = 1.18 cu. ft./sk; slurry weight = 15.6 PPG) Total cement volume is 437 cu.ft. (100% excess to circulate cement to surface).

Paul C. Thompson, P.E.