

DESIGNATION OF OPERATOR

The undersigned is, on the records of the Bureau of Land Management, holder of lease

DISTRICT LAND OFFICE: Farmington, New Mexico
SERIAL No.: 82-078095A (SF-078095A)

and hereby designates

NAME: Kimbark Operating Co.
ADDRESS: 1860 Lincoln Street, Suite 808
Denver, Colorado 80295

as his operator and local agent, with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the supervisor or his representative may serve written or oral instructions in securing compliance with the Operating Regulations with respect to (describe acreage to which this designation is applicable):

Township 31 North, Range 11 West
San Juan County, New Mexico

Section 7: NE/4

It is understood that this designation of operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Operating Regulations. It is also understood that this designation of operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated operator, the lessee will make full and prompt compliance with all regulations, lease terms, or orders of the Secretary of the Interior or his representative.

The lessee agrees promptly to notify the supervisor of any change in the designated operator.

Kimbark Associates

BY:



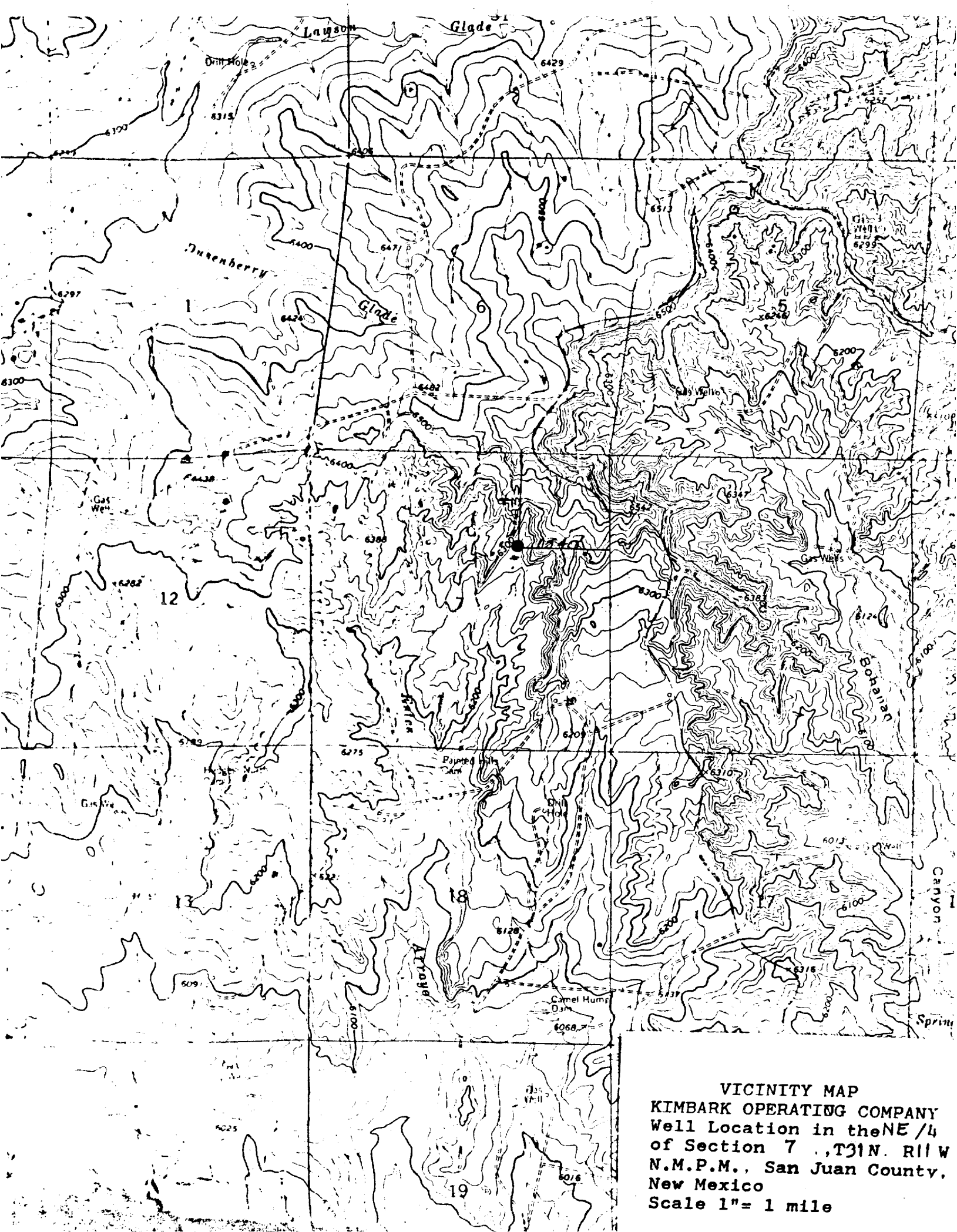
(Signature of lessee)

Walter K. Arbuckle, General Partner
1860 Lincoln Street, Suite 808
Denver, Colorado 80295

(Address)

February 8, 1978

(Date)



VICINITY MAP
KIMBARK OPERATING COMPANY
Well Location in the NE 1/4
of Section 7, T31N. R11W
N.M.P.M., San Juan County,
New Mexico
Scale 1" = 1 mile

KIMBARK OPERATING COMPANY
KIMBARK COMPANY
KIMBARK ASSOCIATES

KIMBARK
SUITE 808 LINCOLN TOWER BUILDING
1860 LINCOLN STREET
DENVER, COLORADO 80295
303-839-5504

WALTER K. ARBUCKLE
GEORGE WALLACE BAYNE
WILLIAM R. THURSTON

February 8, 1978

United States Department of Interior
Bureau of Land Management
PO Box 568
Farmington, New Mexico 87401

Gentlemen:

The 13 Point Program for Kimbark Operating Co., Horton #5 well is as follows:

1. See attached topographic map showing access from adjoining well site.
2. No new roads, utilize existing access, drill site adjoins Mesa Verde well site.
3. Existing producing wells are shown on attached plat. All other wells are P & A. This is a development location.
4. See attached topographic map
5. See attached plat
6. The water will be hauled from irrigation ditch or Animas River at Aztec, New Mexico.
7. All drill cutting and hand garbage will be covered over in rotary pits. All flammable material will be burned in burn pit and ashes covered over after drilling. All wire line, etc., will be hauled away.
8. None.
9. None.

10. See attached layout.
11. There is only sage brush, sparse grass at this location. There is no top soil, only sand. After leveling and cleanup, it is our plan to plant appropriate grass seed for this area when the moisture level is sufficient to support grass germination. Pits will be fenced till dry enough to fill. Contour of land will be affected as little as possible.
12. The topography here is relatively rough. Operator will keep location as small as possible under the circumstances.
13. 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 Kimbark Operating Co. and its contractors and sub-contractors in conformity with this plan and the terms and conditions under which it is approved.

KIMBARK OPERATING CO.

W K Arbuckle

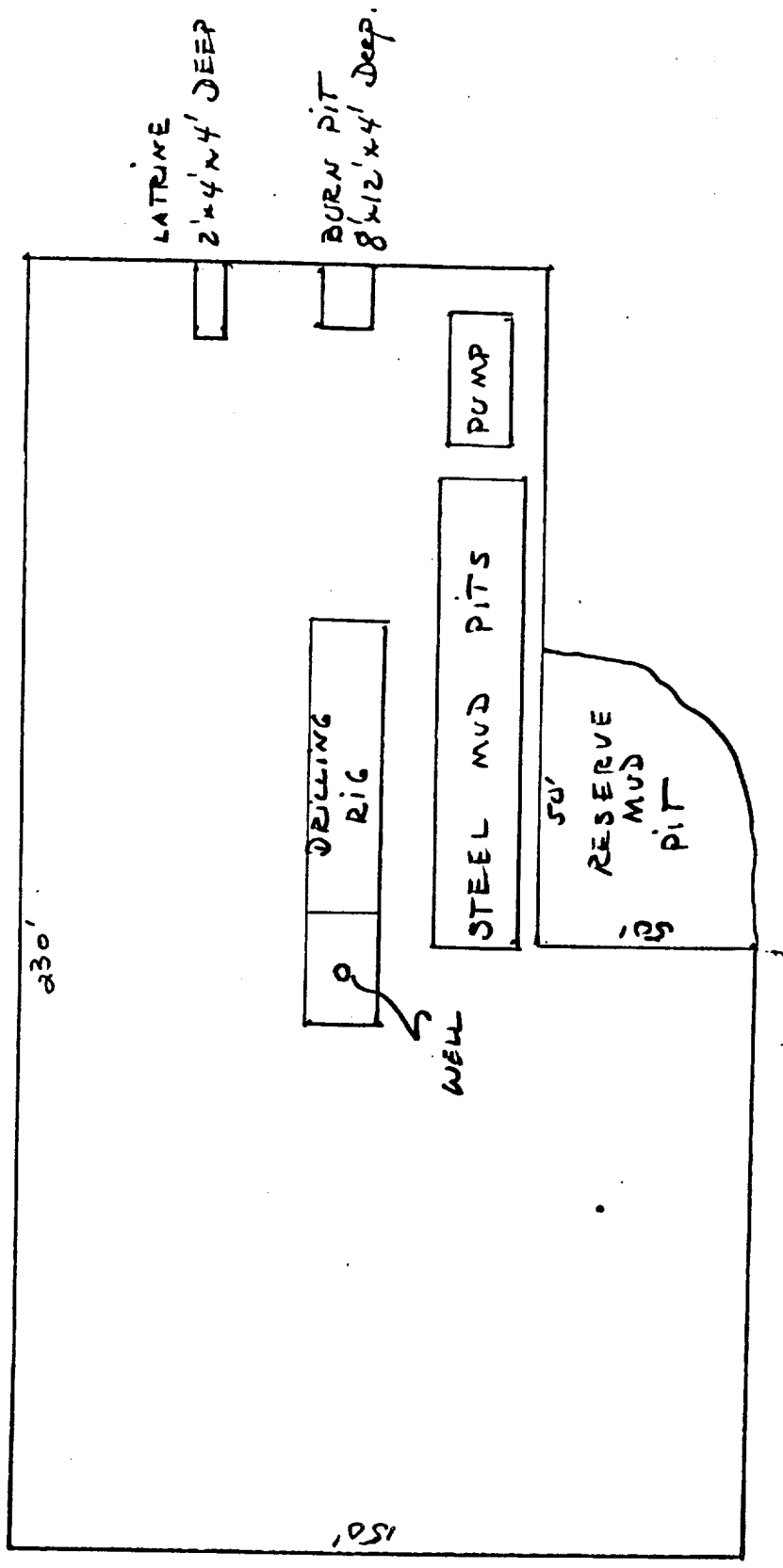
Walter K. Arbuckle
President

WKA:jl

KIMBARK OPERATING COMPANY

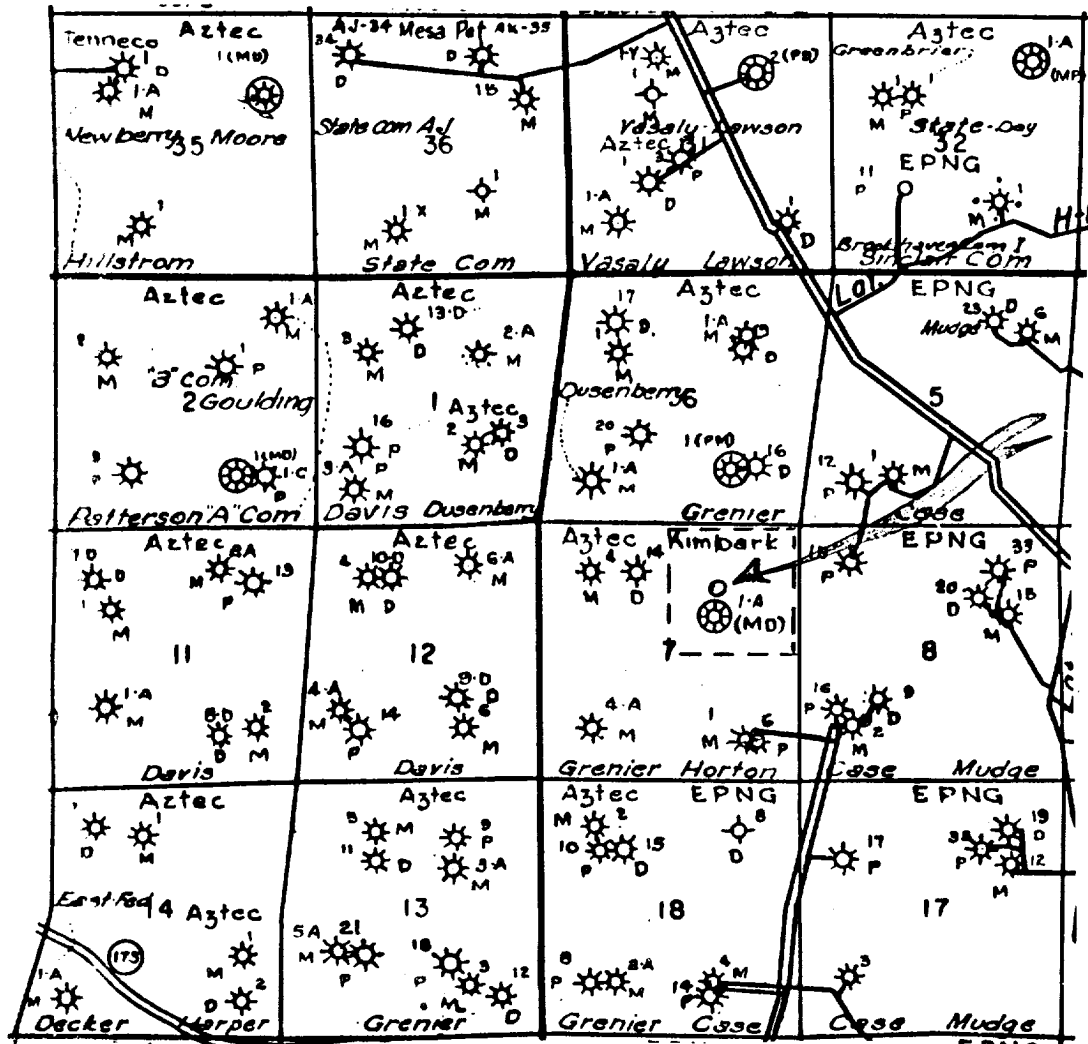
LOCATION AND EQUIPMENT LAY-OUT

HORTON #5, NE/4 SECTION 7, T-31-N, R-11-W, SAN JUAN COUNTY, NEW MEXICO



R12W

R11W

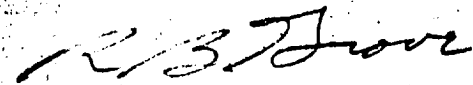


T32N

T31N

Location Map
 Kimbark Operating Co. #5 Horton
 NE 7-31N-11W
 San Juan County, New Mexico

**Archeological Survey of Proposed Well
Location Horton #5
Conducted for Kimbark Operating Company**



**R. B. Grove
Coordinator of Contract
Archeology
San Juan Branch
New Mexico State University
10 January 1975**

**Archeological Survey of Proposed Well
Location Horton # 5
Conducted for Kimbark Operating Company**

This survey was conducted on 15 December 1975 and rechecked on 10 January 1975 by R. L. Grove of New Mexico State University (Federal Antiquities Permit 75-NM-013). The proposed well lies on Bureau of Land Management land in San Juan County, New Mexico. The entire area to be disturbed by the construction of the proposed well and access road was visually inspected on foot. Nothing was found to indicate that either aspect of the construction will have either direct or indirect adverse effects on cultural resources. This result was not unexpected on the basis of other surveys conducted in the area and the combination of geographic and topographic features present. The proposed well will lie 1850 feet from the north line and 1690 feet from the east line of Section 7, Township 31 North, Range 11 West, NMPN. The well lies in a small rincon at the base of a sandstone and shale cliff. Access to the well will be from the south as indicated in Figure # 1. Vegetation at the site consists largely of sage brush, pinon, juniper, rabbit brush, and antelope bitter brush.

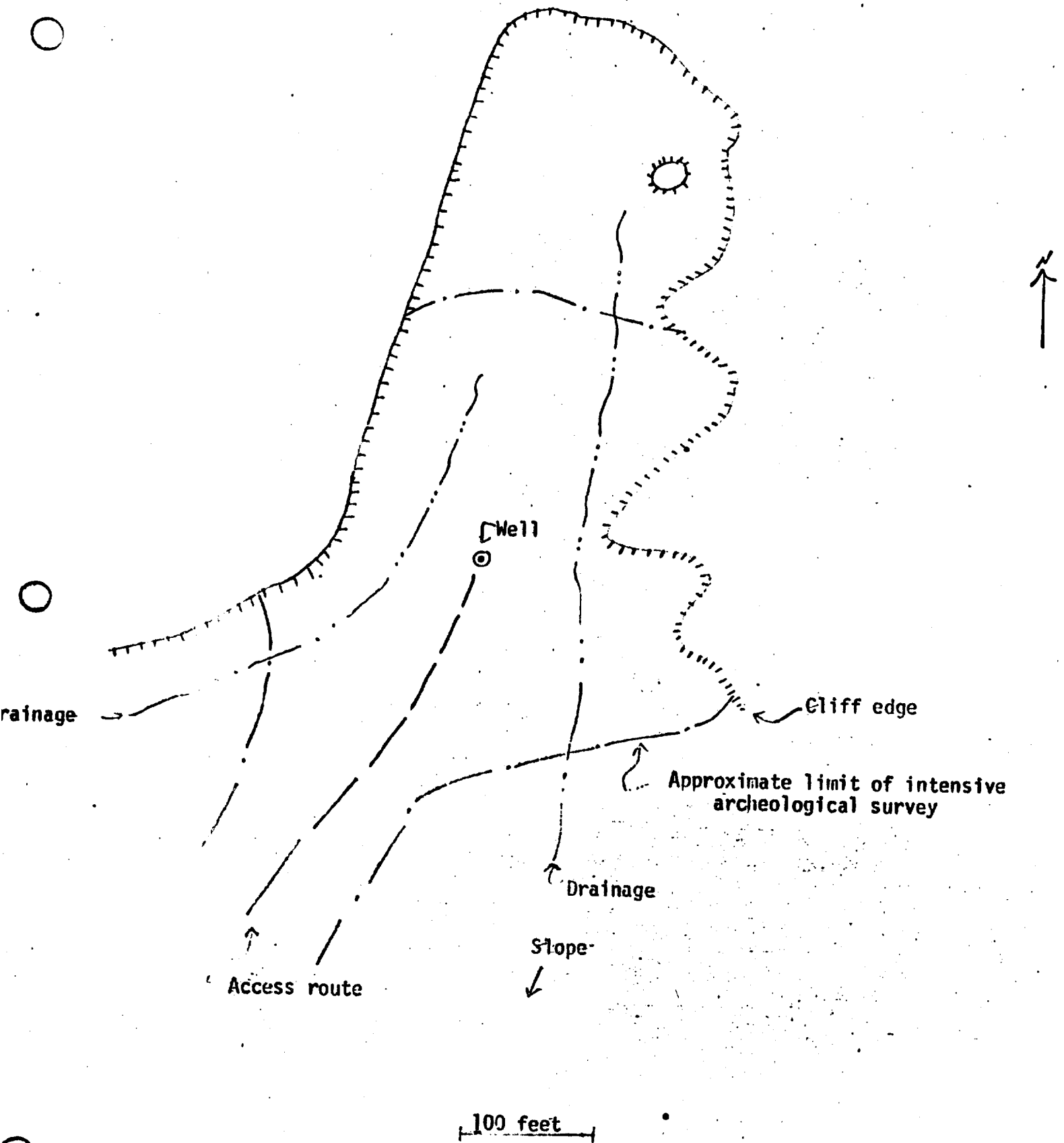


ADOBE DOWNS RANCH, N. MEX.-COLO.
N3652.5-W10800/7.5

1963

AMS 4357 I NE-SERIES VB81

Figure 2...
Vicinity of Horton #5



KIMBARK OPERATING COMPANY
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February 8, 1978

Well: Horton #5

Location: Section 7, T-31-N, R-11-W
San Juan County, New Mexico

Subject: Safety and Resource Protection 7-Point Program

- 1) 8 5/8" 24# K-55, new
- 2) 10 3/4" 900 series, 6000 psi
- 3) None
- 4) Schaffer 10 3/4", 900 series
double gate, 6000 psi
- 5) Kelly cocks available, bit float,
sub and valve on floor
- 6) Anticipated BOP 400#
- 7) Water base mud