

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS

RECEIVED

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

NOV 16 PM 1:10

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

Breck Operating Co. c/o Walsh Engineering

3a. Address

7415 E. Main, Farmington, NM, 87402

3b. Phone No. (include area code)

505-327-4892

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

2250' FNL and 1900' FWL, Sec. 3, T27N, R10W

5. Lease Serial No.

SF 077382

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

Kutz Government #7S

9. API Well No.

30-045-31736

10. Field and Pool, or Exploratory Area

Basin Fruitland Coal

11. County or Parish, State

San Juan, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

TYPE OF ACTION

☒ Notice of Intent

☐ Subsequent Report

☐ Final Abandonment Notice

☐ Acidize

☐ Alter Casing

☐ Casing Repair

☐ Change Plans

☐ Convert to Injection

☐ Deepen

☐ Fracture Treat

☐ New Construction

☐ Plug and Abandon

☐ Plug Back

☐ Production (Start/Resume)

☐ Reclamation

☐ Recomplete

☐ Temporarily Abandon

☐ Water Disposal

☐ Water Shut-Off

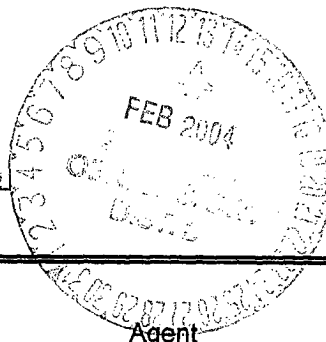
☐ Well Integrity

☒ Other Surface
Commingle

13. Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once Testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Breck Operating proposes to surface commingle the gas production from the Kutz Government #7S with the Kutz Government #6 so they can utilize a common compressor.

SEE ATTACHED FOR
CONDITIONS OF APPROVAL



14. Thereby certify that the foregoing is true and correct

Name (Printed/Typed)

Paul C. Thompson, P.E.

Title

Agent

Signature

Paul C. Thompson

Date

November 25, 2003

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

Conditions of approval, if any, are attached. Approval of this notice 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.

Title

Office

Date

2/11/04

Title 18 U.S.C. Section 1001, 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.

NMOCD

FARMINGTON

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 #6 PC (TA) + Fruitland Coal (PGW)
Kutz Government #7S Fruitland Coal (GSI)
Section 3, T27N, R10W

Dear Ms. Wrotenbery,

Breck Operating requests permission to surface commingle the gas production from the above mentioned Basin Fruitland Coal wells.

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 #6. Allocation meters will be on the Kutz Government #6 and the Kutz Government #7S. 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. ✓

2. Ownership: The revenue ownership in the two wells is not identical. Please refer to Exhibit #1 for a list of names and addresses of owners of the two wells. A sample letter of the certified letter that was sent to each owner is attached at Exhibit #6.

3. Wells, Locations, and Lease numbers: Exhibit #2 is a plat showing the lease numbers for each well. Both wells are on a Federal Mineral leases and on lands administrated by the Bureau of Land Management. The east half of Section 3, T27N, R10 W is dedicated to the Kutz Government #6. The east half consists of two Federal leases (SF - 046563 and SF - 077382) which were Communitized in Agreement #14-08-001-4703. The west half of Section 3, T27N, R10W is dedicated to the Kutz Government #7S. The west half is all a Federal lease SF 077382. The BLM has received a copy of this application.

NMNM
73479
(Terminated)
Returned
C.I. 11/13
CA

4. Schematic Diagram: Exhibit #3 is a schematic diagram of the proposed facilities.

5. 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.

Neither well has any heated surface production equipment. — *Allocated fuel OK based on common lease*

6. Mechanical Integrity: The flow line from the Kutz Government #7S to the compressor will be approximately 2980' 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.

7. Production – Gravity/BTU: A table of the actual production from the Kutz Government #6 is attached as Exhibit #4. The Kutz Government 7S 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 #6 is shown in Exhibit #5.

8. Allocation Formula: Since both wells will have allocation meters, the production assigned to each well will be the integrated volume from the allocation meter minus one-half of the compressor fuel gas and one-half of any purge gas.

9. Line Purging: We do not anticipate purging the line very often, but when we do the lost gas will be allocated between the two wells.

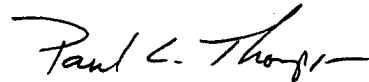
10. Purged Fluids: We do not anticipate having to purge the system, however any fluids purged will be natural gas and produced water. If at all possible, any line purging will be done to a pit or tank.

11. Meter Calibration: The allocation and CPD meters will be calibrated once each quarter. Williams Services will maintain and calibrate the CPD meter.

12. Gas Analysis Schedule: Williams will analyze the gas from the CPD meter twice a year.

13. 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
BRECK KUTZ GOVERNMENT 6
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 95626

EXHIBIT 1
REVENUE INTEREST
KUTZ GOVERNMENT 7S
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
8600 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 #2
SURFACE COMMINGLING
KUTZ GOVERNMENT #6 & #75

E/2 COMMUNIZATION AGREEMENT
14-08-001-4703

	<p>* KUTZ GOVT #6 API # 30-045-06934 990 FNL & 1650 FEL</p>	SF-046563
	<p>* KUTZ GOVT #75 API # 30-045-31736 2250 FNL & 1900 FNL</p>	
		SF-077382

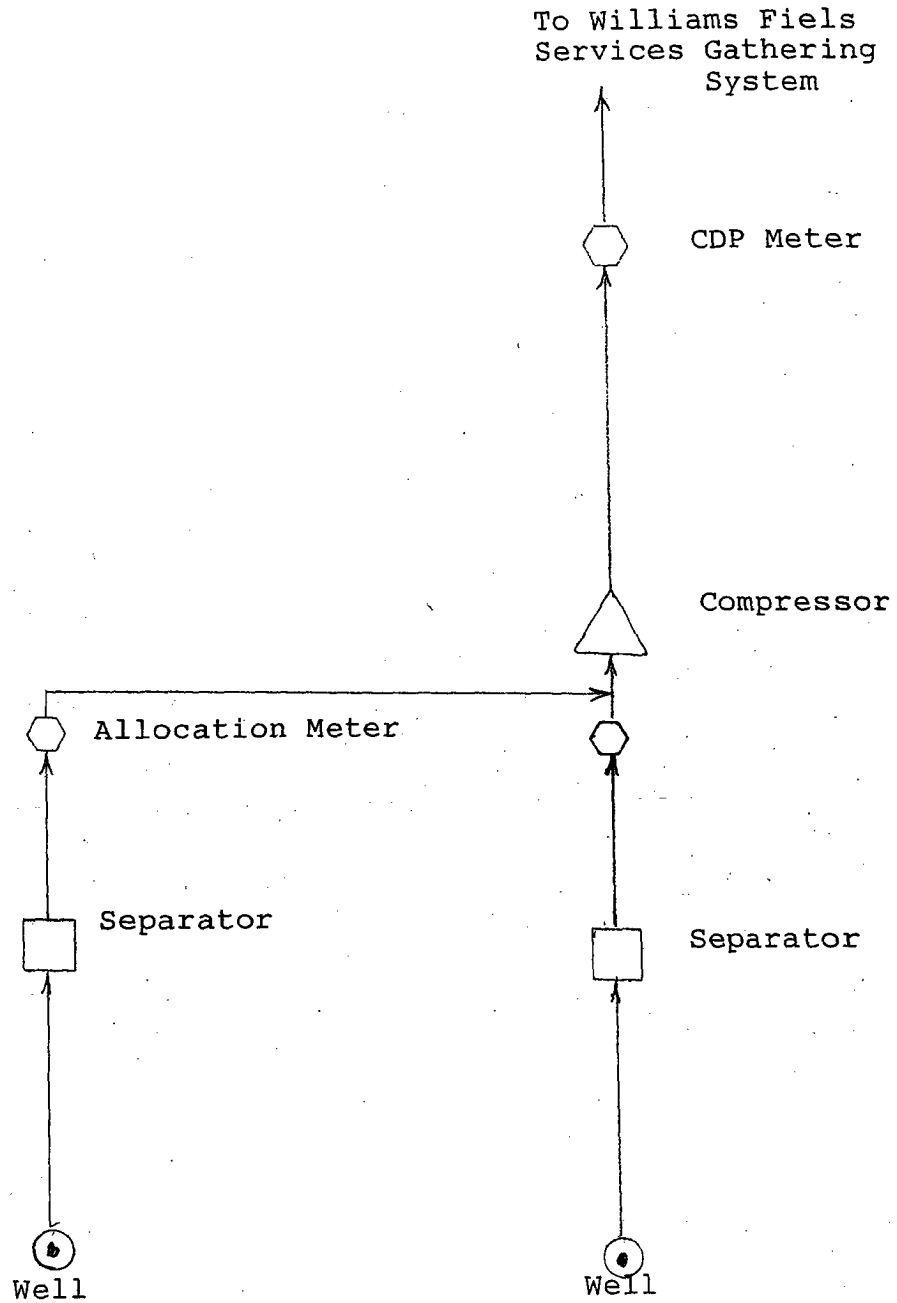
SECTION 3, T27N, R10W

13-782 500 SHEETS, FILLET 3 SQUARE
42-381 500 SHEETS EYE EASY 3 SQUARE
42-382 100 SHEETS EYE EASY 3 SQUARE
42-383 200 SHEETS EYE EASY 3 SQUARE
42-384 100 SHEETS EYE EASY 3 SQUARE
42-385 100 RECYCLED WHITE 5 SQUARE
42-386 200 RECYCLED WHITE 5 SQUARE
Made in U.S.A.



Exhibit #3

22-141 50 SHEETS
22-142 100 SHEETS
22-144 200 SHEETS



KUTZ GOVT #75
30-045-31736
SEC. 3, T27N, R10W

KUTZ GOVT #6
30-045-06934
SEC. 3, T27N, R10W

EXHIBIT #4

Summary Production Report

Lease Name:	KUTZ GOVT		
Lease Number:	002223	Cum Oil:	
Operator Name:	BRECK OPERATING CORPORATI	Cum Gas:	1,502,895
State:	NEW MEXICO	Cum Water:	
County:	SAN JUAN	First Production Date:	AUG 1992
Field:	BASIN	Last Production Date:	JUN 2003
Production ID:	SUM0430450693471629		
Reservoir Name:	FRUITLAND COAL		
Prod Zone:	FRUITLAND COAL		
Basin Name:	SAN JUAN BASIN		
Status:	ACTIVE GAS		

Annual Production		(12 years)	
Year	Oil BBLs	Gas MCF	Water BBLs

Beginning

Cum:

1992	74,724
1993	206,741
1994	162,263
1995	127,292
1996	135,682
1997	137,472
1998	133,022
1999	124,862
2000	127,074
2001	120,745
2002	103,433
2003	49,585

Totals:

1,502,895

Monthly Production

Date MO/YR	Oil BBLs	Gas MCF	Water BBLs	# of Wells	Days on
AUG 1992		17,745		1	
SEP 1992		18,767		1	30
OCT 1992		12,562		1	23
NOV 1992		13,258		1	30
DEC 1992		12,392		1	30
Totals:					
1992		74,724			
JAN 1993		13,578		1	31
FEB 1993		18,228		1	28
MAR 1993		14,243		1	21

APR 1993	23,393	1	30
MAY 1993	19,299	1	31
JUN 1993	13,001	1	30
JUL 1993	19,126	1	30
AUG 1993	18,536	1	31
SEP 1993	19,019	1	30
OCT 1993	14,484	1	31
NOV 1993	14,213	1	30
DEC 1993	19,621	1	31
Totals:			
1993	206,741		
JAN 1994	6,700	1	31
FEB 1994	14,976	1	28
MAR 1994	15,208	1	31
APR 1994	14,813	1	30
MAY 1994	16,180	1	31
JUN 1994	15,539	1	30
JUL 1994	15,752	1	31
AUG 1994	12,410	1	31
SEP 1994	14,032	1	30
OCT 1994	11,868	1	31
NOV 1994	10,049	1	30
DEC 1994	14,736	1	7
Totals:			
1994	162,263		
JAN 1995	13,443	1	31
FEB 1995	10,262	1	28
MAR 1995	8,787	1	31
APR 1995	11,395	1	30
MAY 1995	12,373	1	31
JUN 1995	11,076	1	30
JUL 1995	7,215	1	27
AUG 1995	11,819	1	31
SEP 1995	11,822	1	29
OCT 1995	12,242	1	31
NOV 1995	9,432	1	27
DEC 1995	7,426	1	31
Totals:			
1995	127,292		
JAN 1996	7,574	1	31
FEB 1996	10,392	1	29
MAR 1996	11,040	1	31
APR 1996	11,446	1	30
MAY 1996	11,805	1	31
JUN 1996	11,342	1	30
JUL 1996	13,206	1	31
AUG 1996	12,199	1	31
SEP 1996	10,920	1	30
OCT 1996	12,648	1	31
NOV 1996	11,681	1	30
DEC 1996	11,429	1	31
Totals:			
1996	135,682		

JAN 1997	12,692	1	31
FEB 1997	10,759	1	28
MAR 1997	11,084	1	31
APR 1997	10,499	1	30
MAY 1997	12,020	1	31
JUN 1997	11,693	1	30
JUL 1997	11,997	1	31
AUG 1997	11,234	1	31
SEP 1997	10,991	1	
OCT 1997	11,467	1	31
NOV 1997	11,324	1	30
DEC 1997	11,712	1	31
Totals:			
1997	137,472		

JAN 1998	11,401	1	31
FEB 1998	10,477	1	28
MAR 1998	12,141	1	31
APR 1998	11,323	1	30
MAY 1998	11,757	1	31
JUN 1998	9,448	1	30
JUL 1998	11,899	1	31
AUG 1998	11,573	1	31
SEP 1998	10,972	1	30
OCT 1998	11,208	1	31
NOV 1998	10,904	1	30
DEC 1998	9,919	1	28
Totals:			
1998	133,022		

JAN 1999	8,898	1	25
FEB 1999	9,968	1	25
MAR 1999	10,052	1	29
APR 1999	11,488	1	30
MAY 1999	11,286	1	31
JUN 1999	7,881	1	25
JUL 1999	11,704	1	31
AUG 1999	9,767	1	28
SEP 1999	9,773	1	29
OCT 1999	11,040	1	30
NOV 1999	11,681	1	30
DEC 1999	11,324	1	31
Totals:			
1999	124,862		

JAN 2000	11,651	1	31
FEB 2000	10,866	1	29
MAR 2000	11,611	1	31
APR 2000	11,379	1	30
MAY 2000	10,648	1	31
JUN 2000	10,251	1	30
JUL 2000	8,398	1	31
AUG 2000	9,963	1	31
SEP 2000	10,390	1	30
OCT 2000	10,689	1	31
NOV 2000	10,512	1	30
DEC 2000	10,716	1	31

Totals:			
2000		127,074	

JAN 2001	10,342	1	31
FEB 2001	9,428	1	28
MAR 2001	9,891	1	28
APR 2001	10,452	1	30
MAY 2001	9,714	1	31
JUN 2001	8,323	1	29
JUL 2001	10,839	1	31
AUG 2001	11,229	1	31
SEP 2001	10,031	1	30
OCT 2001	10,535	1	31
NOV 2001	10,069	1	30
DEC 2001	9,892	1	31

Totals:			
2001		120,745	

JAN 2002	10,003	1	31
FEB 2002	8,916	1	28
MAR 2002	9,742	1	31
APR 2002	8,371	1	28
MAY 2002	9,526	1	31
JUN 2002	6,967	1	26
JUL 2002	6,978	1	28
AUG 2002	7,739	1	28
SEP 2002	7,474	1	30
OCT 2002	8,529	1	29
NOV 2002	9,837	1	30
DEC 2002	9,351	1	31

Totals:			
2002		103,433	

JAN 2003	7,233	1	30
FEB 2003	6,885	1	28
MAR 2003	8,423	1	31
APR 2003	8,848	1	30
MAY 2003	8,724	1	29
JUN 2003	9,472	1	30

Totals:			
2003		49,585	

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

11/12/03 10:26:44
PAGE 1

Station ID: 35422
Station Name: KUTZ GOVERNMENT #6 CDP
Analysis Source: 35422

Lab Identifier: K185
Effective Date: 10/22/03

Operator: 000860
Analysis ID: 323648
Analyzed Date: 10/21/03

Sample On Date: 10/20/03
Sample Off Date: 10/20/03
Sample Type: S

Component	Mol %	GPM
Helium	0.0000	
CO	0.0000	
CO2	1.4270	
N2	0.0920	
Hydrogen Sulfide (H2S)	0.0000	
Methane (C1)	92.1380	
Ethane (C2)	4.9950	1.335
Propane (C3)	0.8910	0.245
I-butane (IC4)	0.1990	0.065
N-butane (NC4)	0.1040	0.033
I-pentane (IC5)	0.0450	0.016
N-pentane (NC5)	0.0240	0.009
Hexanes (C6)	0.0850	0.037
Heptanes (C7)		
Octanes (C8)		
Nonanes (C9)		
Decanes (C10)		
TOTAL	100.0000	1.740

Calculation Parameters:

Specific Gravity @ 60 deg.F (AIR=1)
Ideal Gravity: 0.6090
Sample Gravity: 0.6102
Z Factor: 0.9976

BTU Calculated/cubic ft @ 60 deg.F
Ideal BTU: 1060.8450
Dry BTU @ 14.730: 1063.3679

Remark: C6

To: Melissa
Walsh Eng.

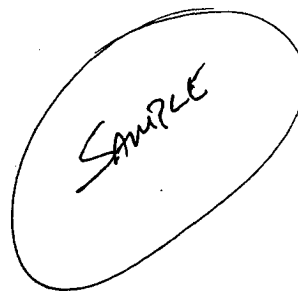
327-4834

**WALSH**

ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax: (505) 327-9834**CERTIFIED - RETURN RECEIPT**

January 9, 2004

Cranberry Methane Corp.
511 16th St, Ste 300
Denver, CO 80202Re: Surface Commingling Application
Breck Operating Corp.
Kutz Government #6 and #7S
Section 20, T28N R10W
San Juan County, NM

Dear Sir or Madam,

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.

Conditions of Approval for Surface Commingling

- 1) **Authorization is given for Surface Commingling only, a separate application must be filed for the pipeline connection.**
- 2) Allocation Methodology must be done on an MMBTU basis.
- 3) Measurement of gas must be conducted in accordance with the requirements outlined in Onshore Order No. 3, Site Security and Onshore Order No. 5, Gas Measurement.
- 4) In order to prevent waste and conserve natural gas, periodic review of each well's venting procedures must be conducted in accordance with the requirements outlined in NTL-ADO-93-1.
- 5) No other wells can be added to this system without the prior approval of this office.
- 6) Contact this office in the event of any lost hydrocarbons between the wells and Central Delivery Point (CDP).