

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.: 82-078147A (SF-078147A)

and hereby designates

NAME: Kimbark Operating Co.
1860 Lincoln Street #808
ADDRESS: 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 32 North, Range 12 West
San Juan County, New Mexico

Section: NE/4 13

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

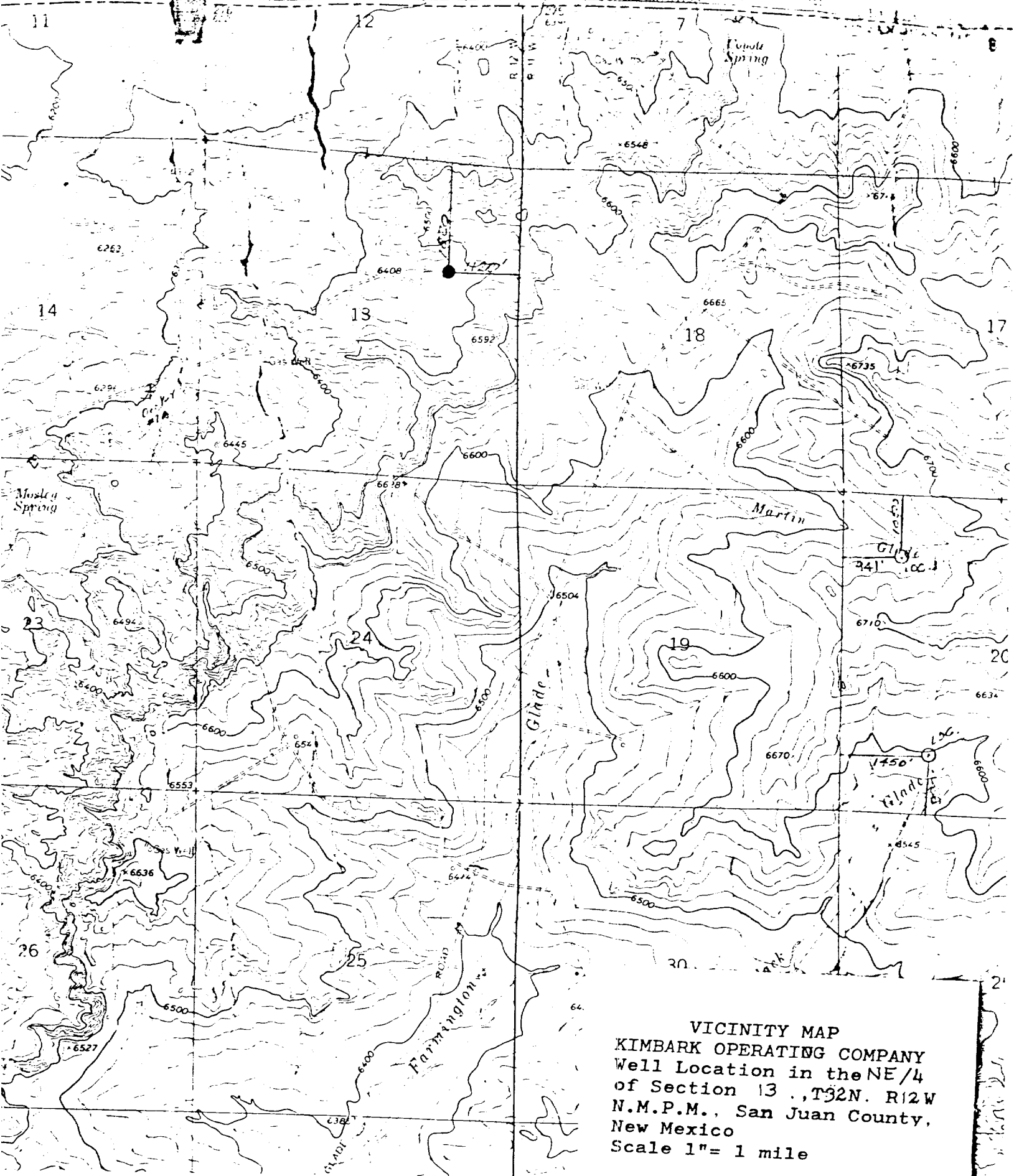
W K Arbuckle

BY: _____
(Signature of lessee)

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

(Address)

February 8, 1978



VICINITY MAP
KIMBARK OPERATING COMPANY
Well Location in the NE 1/4
of Section 13, T32N, R12W
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 #10 well is as follows:

1. See attached topographic map showing access from adjoining Mesa Verde well location.
2. No new roads, utilize substantially existing access, drill site adjoins old existing Mesa Verde well.
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 flamable 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.

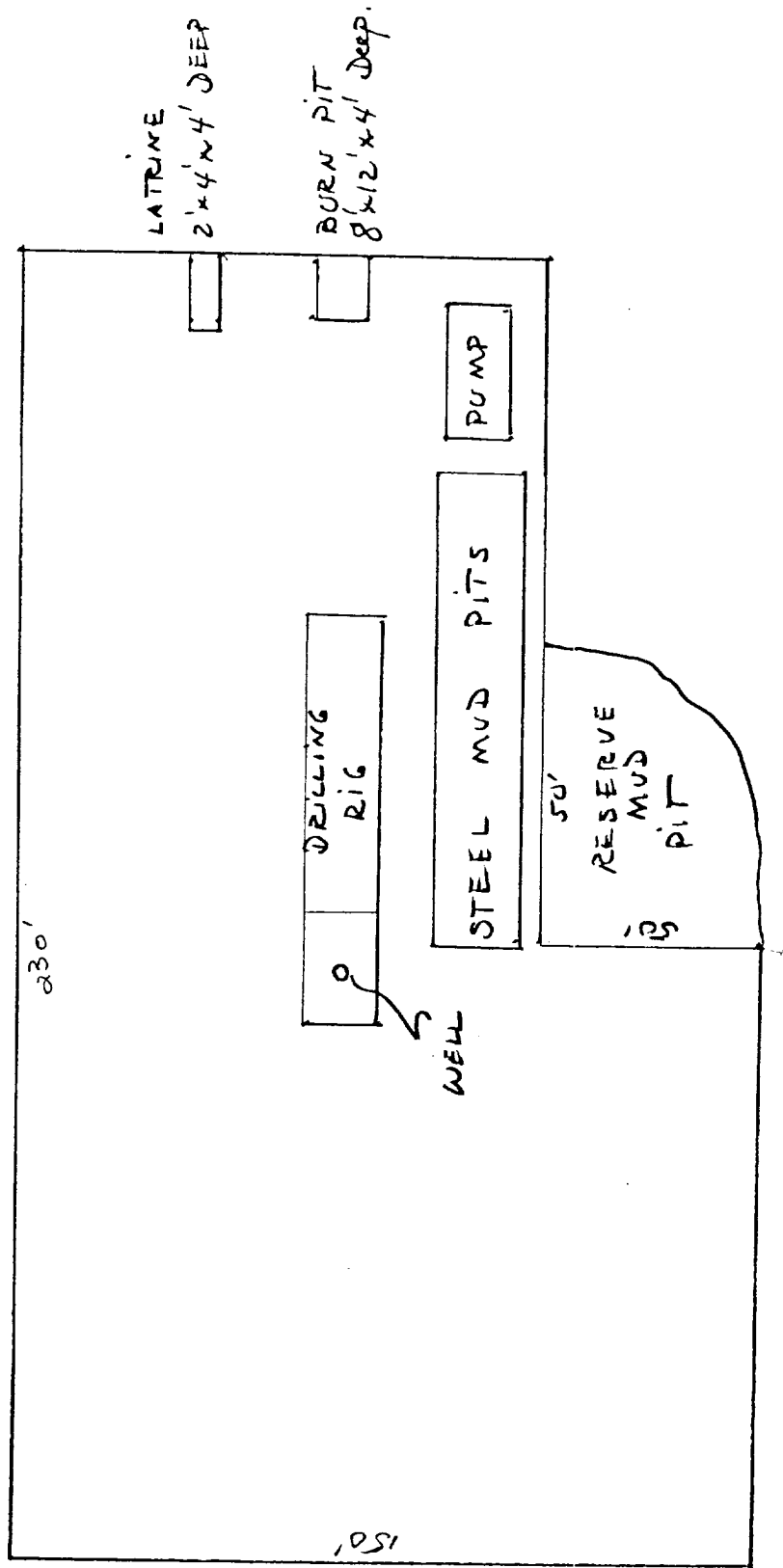
Kimbark Operating Co.


W. K. Arbuckle, President

KIMBARK OPERATING COMPANY

LOCATION AND EQUIPMENT LAY-OUT

HORTON #10, NE/4 SECTION 13, T-32-N, R-12-W, SAN JUAN COUNTY, NEW MEXICO



KIMBARK

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

**KIMBARK OPERATING COMPANY
KIMBARK COMPANY
KIMBARK ASSOCIATES**

**WALTER K. ARBUCKLE
GEORGE WALLACE BAYNE
WILLIAM R. THURSTON**

February 8, 1978

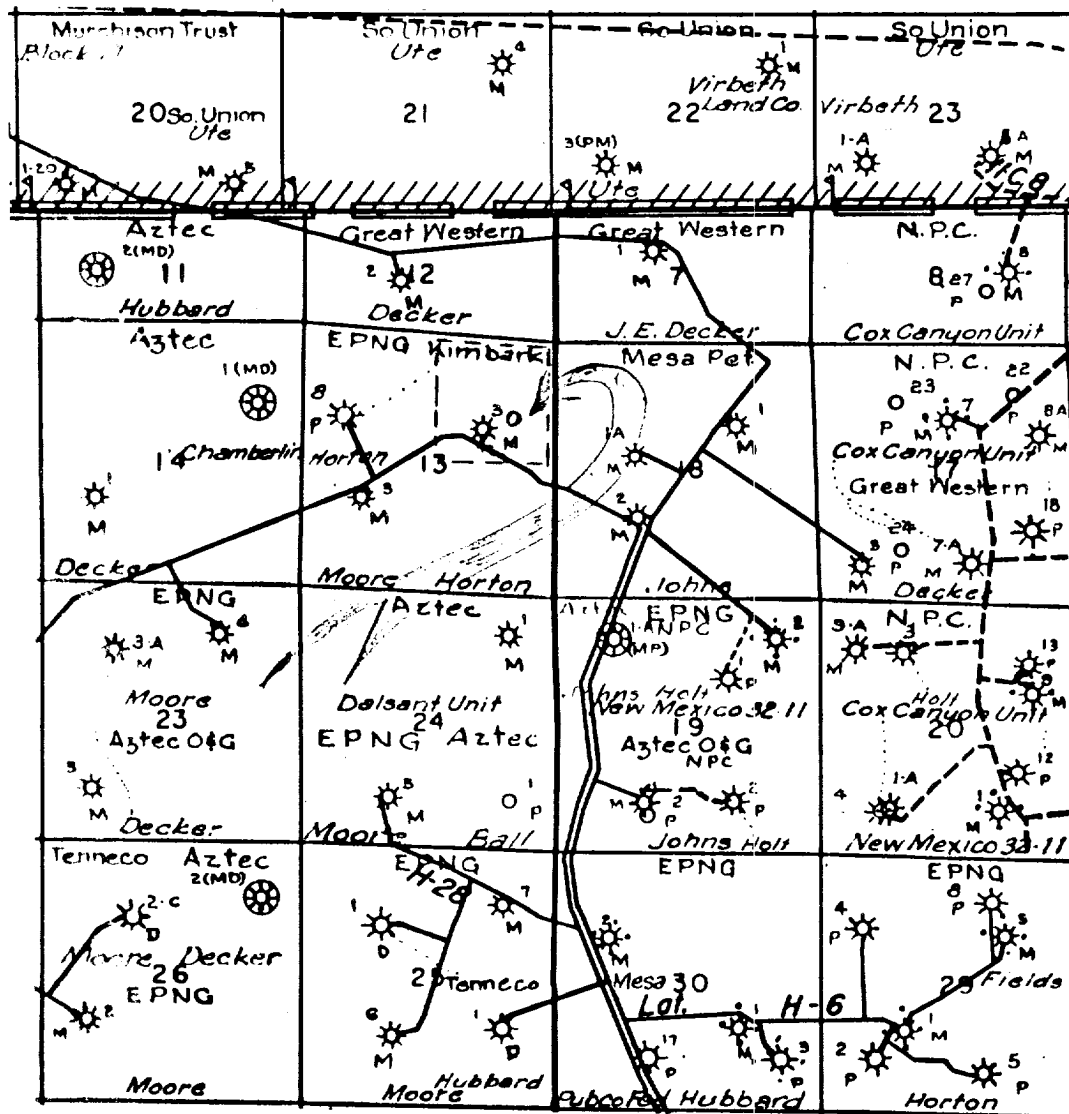
Well: Horton #10

Location: Section 13, T-32-N, R-12-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

R11W



Colorado

New Mexico

T32N

R12W

R11W

Location Map
Kimbark Operating Co. #10 Horton
NE 13-31N-12W
San Juan County, New Mexico

KIMBARK
SUITE 808 LINCOLN TOWER BUILDING
1860 LINCOLN STREET
DENVER, COLORADO 80208
303-638-8504

WALTER K. ARBUCKLE
GEORGE WALLACE BAYNE
WILLIAM R. THURSTON

February 8, 1978

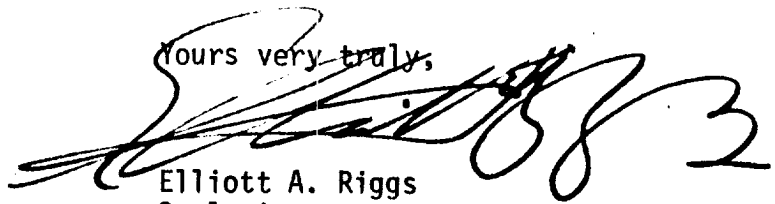
United States Geological Survey
P. O. Box 959
Farmington, NM 87401

Re: Kimbark Operating Co.
Horton #10
NE¼ Sec. 13-32N-12W
San Juan County, New Mexico

Gentlemen:

The attached letter agreement has been submitted to the surface land owner for signature. When received, a copy will be forwarded for your records.

Yours very truly,



Elliott A. Riggs
Geologist

EAR:je
Enclosure

KIMBARK
SUITE 808 LINCOLN TOWER BUILDING
1880 LINCOLN STREET
DENVER, COLORADO 80298
303-639-8804

WALTER K. ARBUCKLE
GEORGE WALLACE BAYNE
WILLIAM R. THURSTON

February 8, 1978

Mr. J. W. Decker
156 Riverview Dr.
Durango, Colorado 81301

Re: Kimbark Operating Co.
#10 Horton
Blanco PC well
NE Sec. 13, T32N, R12W
San Juan County, New Mexico

Dear Mr. Decker:

We have requested permission from the USGS and BLM to drill a Pictured Cliff gas well at the above location. We understand that you own the surface in the S $\frac{1}{2}$ N $\frac{1}{2}$ Sec. 13, T32, R12W.

This location will be approximately 300'-400' east of the existing old Mesa Verde well location drilled in 1954. We plan to use existing roads for access with a minimum of surface disturbance. The most dirt work will be the actual well-site location which will almost adjoin the existing well site.

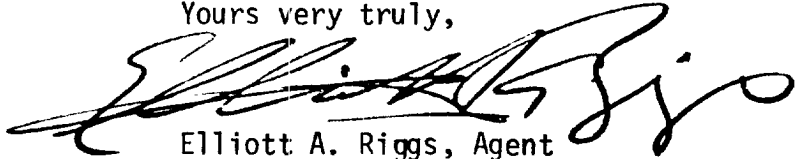
The BLM now requires a written plan of restoration to take place after cessation of operations. We suggest the following:

At the conclusion of drilling operations, the reserve dirt will be fenced, sheep tight, to allow pit to dry. After the reserve pit is covered, the location will be cleared and leveled. If the well is plugged and abandoned, any road will be restored, if requested, close to original condition. Disturbed areas will be reseeded, if required, as per surface owner's recommendation, or that of the BLM recommendation.

Mr. J. W. Decker
Page 2

If the foregoing is satisfactory to you, we would appreciate your concurrence by your signature below and returning one copy to the address below. If you have any questions, please call me collect at the telephone number below. Thanking you in advance.

Yours very truly,

A handwritten signature in black ink, appearing to read "Elliott A. Riggs", written in a cursive style.

Elliott A. Riggs, Agent
Kimbark Operating Co.
P. O. Box 711
Farmington, NM 87401
(505) 325-9881 office
(505) 325-8194 home

EAR:je
Enclosure (map)

J. W. Decker

Date