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MAY 19 2006

Form 3160-3
(August 1999)

UNITED STATES **Bureau of Land Management**
DEPARTMENT OF THE INTERIOR **Durango Colorado**
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5 Lease Serial No
C-12039

6 If Indian, Allottee or Tribe Name

7 If Unit or CA Agreement, Name and No
McElmo Dome Unit

8 Lease Name and Well No
Hovenweep HF #3

9 API Well No
HF #3 083-06646

10 Field and Pool, or Exploratory
Leadville

11 Sec, T, R, M, or Blk and Survey or Area
Section 7 T.37N., R18W NMPM

12 County or Parish
Montezuma

13 State
CO

1a Type of Work DRILL REENTER

1b Type of Well Oil Well Gas Well Other CO2 Single Zone Multiple Zone

2 Name of Operator
Kinder Morgan CO2 Company, L.P.

3a Address
17801 Hwy 491

3b Phone No (include area code)
970 882-5517

4 Location of Well (Report location clearly and in accordance with any State requirements *)
At surface 828' FNL & 84' FWL
At proposed prod zone Leadville

14 Distance in miles and direction from nearest town or post office*
Approximately 18 Miles North of Cortez

15 Distance from proposed* location to nearest No Structures within property or lease line, ft 400' (Also to nearest drng unit line, if any)

16 No of Acres in lease

17 Spacing Unit dedicated to this well

18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft 1835' HF-1

19 Proposed Depth
8200'

20 BLM/BIA Bond No on file
C01349

21 Elevations (Show whether DF, KDB, RT, GL, etc)
6421

22 Approximate date work will start*
Rig Availability

23 Estimated duration
3-4 Weeks

24 Attachments
Welding / Flaring approved for 30 days per NTL-4A

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No 1, shall be attached to this form

- 1 Well plat certified by a registered surveyor
- 2 A Drilling Plan
- 3 A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office)

- 4 Bond to cover the operations unless covered by an existing bond on file (see Item 20 above)
- 5 Operator certification
- 6 Such other site specific information and/or plans as may be required by the authorized officer

25 Signature *[Signature]* Name (Printed/Typed) Jeanette M. Johnston Date 4/28/2006

Title Business Supervisor **SEE ATTACHED CONDITIONS OF APPROVAL** APPROVED FOR A PERIOD NOT TO EXCEED 1 YEAR

Approved by (Signature) *[Signature]* Name (Printed/Typed) Brian W. Davis Date 4/28/06

Title Assistant Controller Physical Resources Office San Juan Public Lands Hq DEC 20 2006

Application approval does not warrant or certify the 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)

OPERATOR'S COPY

Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject lease which are committed hereto...