

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

ADMINISTRATION

Phone (505) 827-5700

Fax (505) 827-5853

GENERAL COUNSEL

Phone (505) 827-5713

Fax (505) 827-4262

PUBLIC AFFAIRS

Phone (505) 827-1245

Fax (505) 827-5766



DHC - 2749

COMMERCIAL RESOURCES

Phone (505) 827-5724

Fax (505) 827-6157

MINERAL RESOURCES

Phone (505) 827-5744

Fax (505) 827-4739

ROYALTY MANAGEMENT

Phone (505) 827-5772

Fax (505) 827-4739

SURFACE RESOURCES

Phone (505) 827-5793

Fax (505) 827-5711

New Mexico State Land Office  
Commissioner of Public Lands  
Ray Powell, M.S., D.V.M.

August 31, 2000

Bonneville Fuels Corporation  
1700 Broadway, Suite 1150  
Denver, Colorado 80290

Attn: Mr. Alan L. Merrill

Re: Application for Downhole Commingling  
Lake Shore Federal 10 Com Well No. 2  
Unit Letter I, Section 10-21S-26E  
West Burton Flat Strawn, Avalon Morrow and Avalon Upper Penn Pools  
Eddy County, New Mexico

Dear Mr. Merrill:

Your application to downhole commingle the production from within the wellbore of the above-captioned well was received on August 14, 2000. Your application requests our approval to downhole commingle the West Burton Flat Strawn, Avalon Morrow and Avalon Upper Penn production within the wellbore of the Lake Shore Federal 10 Com Well No. 2 located in Unit Letter I, Section 10-21S-26E, Eddy County, New Mexico.

It is our understanding that production from the subject well will be allocated as follows:

<u>POOL</u>	<u>ALLOCATION</u>	
	<u>Oil %</u>	<u>Gas %</u>
Avalon Upper Penn	77.7%	20.2%
West Burton Flat Strawn	0%	12.4%
Avalon Morrow	22.3%	67.4%
	-----	-----
	0%	100%

Since it appears that the New Mexico Oil Conservation Division's rules and regulations have been complied with, and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request for downhole commingling the production from the above-mentioned well is hereby approved. Any deviation from the substance of your request will be sufficient grounds for rescinding our approval. Our approval is subject to like approval by the New Mexico Oil Conservation Division.

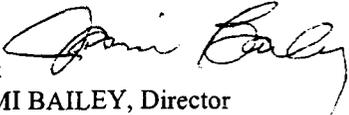
Also, please submit a copy of the Oil Conservation Division's Order and the Bureau of Land Management's approval approving this application.

Bonneville Fuels Corporation  
August 31, 2000  
Page 2

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.  
COMMISSIONER OF PUBLIC LANDS

BY:   
JAMI BAILEY, Director  
Oil, Gas and Minerals Division  
(505) 827-5744

RP/JB/cpm

Enclosure

xc: Reader File

~~OCD-Attention: David Catanach~~, Ben Stone

BLM

District I  
1625 N. French Dr., Hobbs, NM 88240

District II  
811 South First, Artesia, NM 88210

District III  
1000 Rio Brazos Rd., Aztec, NM 87410

District IV  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources

Form C-102  
Revised March 17, 1999

OIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87505

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number <del>30-045-2846</del> 30-065-29879		<sup>2</sup> Pool Code 71000	<sup>3</sup> Pool Name Avalon Upper Penn
<sup>4</sup> Property Code 21833	<sup>5</sup> Property Name Lakeshore Federal 10 Com		<sup>6</sup> Well Number 2
<sup>7</sup> OGRID No. 002678	<sup>8</sup> Operator Name Bonneville Fuels Corporation		<sup>9</sup> Elevation 3180

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	10	21S	26E		1750	South	660	East	Eddy

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

<sup>12</sup> Dedicated Acres 32516	<sup>13</sup> Joint or Infill N	<sup>14</sup> Consolidation Code C	<sup>15</sup> Order No. Communitization Agreement # NM 100717
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16	<sup>17</sup> OPERATOR CERTIFICATION			
	I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief			
	Signature <i>Alan L. Merrill</i>			
	Printed Name Alan L. Merrill			
Title Operations Engineer				
Date 5/4/00				
17	<sup>18</sup> SURVEYOR CERTIFICATION			
	I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.			
	Date of Survey			
	Signature and Seal of Professional Surveyer:			
Certificate Number				

I. Location Plat - Strawn

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
811 South First, Artesia, NM 88210  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources

Form C-102  
Revised March 17, 1999

OIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87505

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-015-29829 <del>30-045-2846</del>		<sup>2</sup> Pool Code 73440	<sup>3</sup> Pool Name West Burton Flat Strawn
<sup>4</sup> Property Code 21833	<sup>5</sup> Property Name Lakeshore Federal 10 Com		<sup>6</sup> Well Number 2
<sup>7</sup> OGRID No. 002678	<sup>8</sup> Operator Name Bonneville Fuels Corporation		<sup>9</sup> Elevation 3180

<sup>10</sup> Surface Location

TL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	10	21S	26E		1750	South	660	East	Eddy

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

<sup>12</sup> Dedicated Acres 32516	<sup>13</sup> Joint or Infill N	<sup>14</sup> Consolidation Code C	<sup>15</sup> Order No. Communitization Agreement # NM 100717
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16				<sup>17</sup> OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.
				Signature <i>Alan L. Merrill</i>
				Printed Name Alan L. Merrill
				Title Operations Engineer
				Date 5/4/00
				<sup>18</sup> SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.
				Date of Survey
				Signature and Seal of Professional Surveyor:
				Certificate Number

DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240  
DISTRICT II  
811 South First St., Artesia, NM 88210  
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1000 Rio Brazos Rd, Aztec, NM 87410  
DISTRICT IV  
2040 S. Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco  
Santa Fe, New Mexico 87505-6429

Form C-107-A  
Revised August 1999

APPROVAL PROCESS:

Administrative  
 Hearing

AUG 11 2000

APPLICATION FOR DOWNHOLE COMMINGLING

EXISTING WELLBORE

YES  NO

Bonneville Fuels Corporation

1700 Broadway, Suite 1150, Denver CO 80290

Operator Address  
Lakeshore Federal 10 COM 2 I 10 21S 26E Eddy

Lease Well No. Unit Ltr. - Sec - Twp - Rge County  
30-015-29879 Spacing Unit Lease Types: (check 1 or more)

OGRID NO. 002678 Property Code 21883 API NO. 30-045-28486 Federal  State  (and/or) Fee

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Avalon Upper Penn 71000	West Burton Flat Strawn 73440	Avalon Morrow 70920
2. Top and Bottom of Pay Section (Perforations)	9336'-9546'	9725'-9952' OA	10743'-10848' OA
3. Type of production (Oil or Gas)	Gas, Condensate	Gas, Condensate	Gas, Condensate
4. Method of Production (Flowing or Artificial Lift)	Flowing	Flowing	Flowing
5. Bottomhole Pressure Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated Or Measured Original	a. (Current) 1500 psi	a. 1150 psi	a. 1900 psi
	b. (Original) 3800 psi (DST)	b. 3114 psi (DST)	b. 4610 psi (DST)
6. Oil Gravity (°API) or Gas BTU Content	52 Deg. API	63 Deg. API/1100 BTU	52 Deg. API/1075 BTU
7. Producing or Shut-In?	Producing	Producing	Producing
Production Marginal? (yes or no)  * If Shut-In, give date and oil/gas/water rates of last production  Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data  * If Producing, give date and oil/gas/water rates of recent test (within 60 days)	YES	YES	NO
	Date: Rates:	Date: Rates: NA	Date: Rates: NA
	Date: 8/6/00 Rates: 289 MCFD, 7 BOPD, 0 BWPD	Date: 4/16/00 Rates: 177 MCFD, 0 BOPD, 0 BWPD	Date: 4/16/00 Rates: 966 MCFD, 2 BOPD, 10 BWPD
8. Fixed Percentage Allocation Formula - % for each zone (total of %'s to equal 100%)	Oil: 77.7 % Gas: 20.2 %	Oil: 0.0 % Gas: 12.4 %	Oil: 22.3 % Gas: 67.4 %

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones?  Yes  No  
If not, have all working, overriding, and royalty interests been notified by certified mail?  Yes  No

11. Will cross-flow occur?  Yes  No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable.  Yes  No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other?  Yes  No

13. Will the value of production be decreased by commingling?  Yes  No (If Yes, attach explanation)

14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application.  Yes  No

15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S) \_\_\_\_\_

16. ATTACHMENTS:

- \* C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- \* Production curve for each zone for at least one year. (If not available, attach explanation.)
- \* For zones with no production history, estimated production rates and supporting data.
- \* Data to support allocation method or formula.
- \* Notification list of working, overriding, and royalty interests for uncommon interest cases.
- \* Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Alan L. Merrill TITLE Operation Engineer DATE 8-7-00

TYPE OR PRINT NAME Alan L. Merrill TELEPHONE NO. (303) 863-1555 x225