

November 30, 1994

State of New Mexico  
Oil and Gas Conservation Commission  
Attn.: Mr. Mike Stogner  
P.O. BOX 2088  
Santa Fe, New Mexico 87504-2088

Re: Application for Administrative Approval of Unorthodox Location

Dear Mike:

This letter and its attachments comprise the request by the Bonneville Fuels Corporation for the Administrative Approval of a proposed Unorthodox Location in the West Kutz Pictured Cliffs Gas Pool. The Pool Code is No. 79680. The proposed Unorthodox Location is the:

Scott E. Federal #23-32  
1515' FNL & 2495' FEL  
Section 23, T.27N., R.11W. N.M.P.M.  
San Juan County, New Mexico

The proposed bottom-hole location is identical to the proposed surface location. Bonneville Fuels Corporation will dedicate the 159.96 Acres of the NE 1/4 of Section 23 to this well if it is completed as a producing well.

Bonneville Fuels Corporation desires to drill this producing Pictured Cliffs well in the NW 1/4 of the SW 1/4 of the NE 1/4 of Section 23. Bonneville Fuels Corporation (BFC) maintains that the bulk of the 159.96 acres in the NW 1/4 of Section 22 (particularly in the W 1/2 of the NW 1/4 of Section 23) is undrained, and will remain undrained, unless this well is approved and drilled.

The Bonneville Fuels Corporation in 1990 and 1991 did propose to the Bureau of Land Management (BLM) that the Scott E. Federal #23-31 @ 825' FNL & 2310' FEL be drilled in the W 1/2 of the NE 1/4 in order to drain these reserves. This well, an orthodox location in the W 1/2 of the NE 1/4 of Section 23, was denied Application for a Permit to Drill (APD) approval by the BLM for topographic reasons. The BLM assessed the topography to be too steep, the soils too fragile, and the attendant erosion and access problems too great at the proposed Scott E. Federal #23-31 location. The BLM representative stated to Mr. Norman B. Woods (a BFC Production Foreman at the on-site inspection with the BLM) that there were no potential drill sites within the Orthodox drilling window of the W 1/2 of the NE 1/4 of Section 23 that BFC might propose that would be acceptable to the BLM (for topographic reasons). This denial deprives the Bonneville Fuels Corporation of the use of desirable Orthodox drilling locations in the W 1/2 of the NE 1/4 of Section 23.

**Should the Administrative Approval of this Unorthodox Location exception NOT be granted then Bonneville Fuels Corporation is requesting a place on the State Docket for the adjudication of this matter by the New Mexico Oil and Gas Conservation Commission.**

The following **Statements of Fact** are made in support of this request for Administrative Approval:

1. There are NO existing well pads within the W 1/2 of the NE 1/4 of Section 23 that can be used for this drilling operation. There is a single orthodox well pad within the geographic boundary of this proration unit (the NE 1/4 of Section 23) that could be conceivably used to drill an orthodox Pictured Cliffs Zone well (the Scott E. Federal #23-42 wellsite). This well was originally completed in the Pictured Cliffs Zone and this zone was abandoned and the well converted to a Fruitland Coal Gas well. This wellsite will not allow the Bonneville Fuels Corporation to adequately drain superior quality gas reserves that BFC has identified in the W 1/2 of the NE 1/4 of Section 23.
2. There are NO known archaeological sites, roads and/or pipelines within the proration unit, that will prevent the use of any orthodox location within the proration unit. TOPOGRAPHIC CONSTRAINTS, as they are defined by the BLM (the surface management agency for the NE 1/4 of Section 23, T.27N., R.11W., San Juan County, New Mexico), PREVENT the use of ALL ORTHODOX LOCATIONS in the W 1/2 of the NE 1/4 of Section 23.
3. Due to a pronounced thinning of the Pictured Cliffs Fm. producing sand in the E 1/2 of the NE 1/4 of Section 22 (the E 1/2 of the proration unit), the Bonneville Fuels Corporation identified only those orthodox locations within the W 1/2 of the NE 1/4 of Section 23 to be prospectively economically viable.
4. On October 29, 1994, the subject well was staked by High Country Surveys of Farmington, New Mexico. On October 31, 1994 Mr. Norman B. Woods, a BFC Area Production Superintendent, met with Mr. Neil McBride, a BLM Surface Management Specialist for the leasehold area, at the staked proposed Scott E. Federal #23-32 wellsite. Mr. McBride informed Mr. Woods that BFC had identified the ONLY AREA in the W 1/2 of the NE 1/4 of Section 23 that might be acceptable to the BLM for the proposed wellsite and production facilities. Mr. McBride stated that the site proposed was acceptable to the BLM providing that no archaeological or ROW problems were discovered that would cause the location to be moved.
5. Bonneville Fuels Corporation has submitted an A.P.D. to the Bureau of Land Management and is currently waiting for APD approval. APD approval is contingent on the State of New Mexico granting Administrative Approval of this Unorthodox Location request. An additional on-site inspection with the BLM will be required at the wellsite. At this time BFC will also meet with the BIA, Navajo Nation, and BLM representatives regarding obtaining ROW access to this proposed wellsite on existing and planned access roads in the W 1/2 of Section 23 and the E 1/2 of Section 22. This access, and the proposed wellsite, are all entirely on Federal Lease #SF-078089. These on-site inspections will be conducted within the next several weeks and BFC will keep you apprised of the outcomes of these meetings.

**Statements of Fact: Continued:**

6. The use of directional drilling techniques to arrive at an orthodox bottom-hole location, from the proposed well-site, will result in an excessive cost burden for this slightly better than marginal economic prospect.
7. Failure to install the proposed well will result in economic harm to the lessees (lost reserves and revenues on a leasehold held in good faith and operated in good standing by the Bonneville Fuels Corporation and its non-operating working interest partners), the U.S. Government, the State of New Mexico, and San Juan County (government royalty losses, general income in the area, and governmental severance/sales/income tax losses).

**The following Attached Materials support the Statements of Fact in the Administrative Approval process:**

1. The mineral lease is a Federal Lease (SF-078089). A copy of the complete APD is attached as Exhibit I.
2. The completed State of New Mexico Form C-102 is attached as Exhibit II. The proration unit for the proposed well is shown.
3. A Certified Plat prepared by R.A. Schwering, P.E., and presented as Exhibit III, is attached which provides the following information pertinent to this Administrative Approval request:
  - a. A topographic map taken from the East Fork Kutz Canyon 7.5 minute USGS Quadrangle Map. This map segment has been enlarged 1.27 times, and photocopied, for clarity of presentation.
  - b. This plat identifies the proposed well site, the proration unit that will be assigned to this well, and the orthodox drilling location window within the proration unit.
  - c. This plat also shows the Federal Lease Number of all off-set Pictured Cliffs Fm. proration units. The OPERATOR OF ALL OF THE OFFSET PRORATION UNITS is the Bonneville Fuels Corporation (Working Interest = 50% [1/2]). The remaining working interest owners in ALL OF THE OFFSET PRORATION UNITS are the Marathon Oil Corporation (Working Interest = 25% [1/4]) and Louis Dreyfus Gas Holdings, Inc. (Working Interest = 25% [1/4]). The operator and working interest fractions for these offset proration units are identical to those of the proration unit on which the Scott E. Federal #23-32 is proposed to be drilled, and are also identified on the Certified Plat.

**Attached Materials: Continued:**

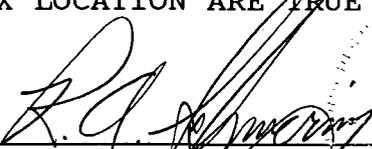
4. An Isopachous Map of the estimated productive thickness of Pictured Cliffs Fm., in the area of the proposed Scott E. Federal #23-32 well, is presented as Exhibit IV. Inspection of this map reveals the pronounced thinning of the Pictured Cliffs Fm. in the E 1/2 of the NE 1/4 of Section 23 alluded to in this letter. These thicknesses were estimated by Mr. Bob Kozarek, the geologist for this project for the Bonneville Fuels Corporation, on the basis of well record research. These isopachs are only approximate BUT the Bonneville Fuels Corporation does consider this information proprietary and does further request that the New Mexico Oil and Gas Conservation Commission hold this information in confidence until and unless such information needs to be made public in the hearing process.
5. An Affidavit of Mailing (Exhibit V) is attached. This outlines the mailings undertaken to off-set operators and other off-set working interest owners in performing the notifications required in order to obtain the Administrative Approval that the Bonneville Fuels Corporation is seeking for this Unorthodox Location request. These mailings were sent with a return receipt request.
6. Also attached you will find copies of the notification correspondence (Exhibits VIa and VIb) sent to these joint working interest and off-set working interest owners. Bonneville Fuels Corporation has also prepared and enclosed for the execution of these parties a Waiver Request letter for each of these parties (Exhibits VIIa and VIIb) to be filled out and sent to the New Mexico Oil and Gas Conservation Commission - if these parties do not wish to contest the granting of this Administrative Approval of an Unorthodox Location request.

RECITALS TRUE:

ALL OF THESE FACTS AND EXHIBITS, IN REGARD TO THIS REQUEST FOR THE ADMINISTRATIVE APPROVAL OF AN UNORTHODOX LOCATION ARE TRUE AND COMPLETE INSOFAR AS I AM AWARE:

DATE: 11/30/94

SIGNED: \_\_\_\_\_

  
R. A. SCHWERING, P.E.  
Senior Engineer  
Bonneville Fuels Corporation

Oil Conservation Division  
RECEIVED  
NOV 28 11 08 52

November 30, 1994

Mike,

Hope this note finds you and your wife in good health and Holiday Spirits. I will be in Farmington, N.M., for the next month or so completing the first 6 wells we drilled in the field. If I have not provided sufficient information, or if additional information is required by the Commission, then please notify me ASAP via the Bonneville Office in Denver at (303) 863-1555, or the Bonneville Office in Bloomfield, N.M., @ (505) 632-9876. I will be staying at the Super 8 Motel in Bloomfield while completing these wells. Get in touch if you visit the Farmington area in the near future. Good luck.

Merry Christmas and a Happy New Year,  
Yours Truly,

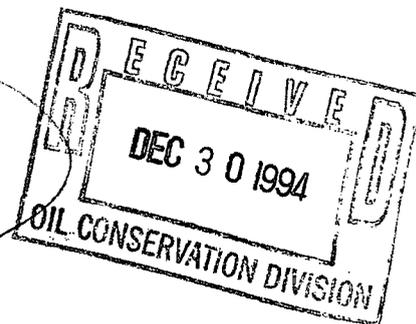
  
Bob Schwering

Bonneville Fuels Corporation  
A Subsidiary of Bonneville Pacific Corporation

December 1, 1994

Marathon Oil Company  
Attn: Mr. J. J. Madron  
P. O. Box 552  
Midland, TX 79702-0552

NSL-3447



Re: WAIVER REQUEST LETTER FOR THE ADMINISTRATIVE APPROVAL OF AN UNORTHODOX LOCATION IN THE PICTURED CLIFFS FORMATION:

Scott E. Federal #23-32  
1515' FNL & 2495' FWL  
Section 23, T.27N., R.11W. N.M.P.M.  
San Juan County, New Mexico

Dear Mr. Madron:

This letter constitutes a Waiver Request by the Bonneville Fuels Corporation for the drilling of a new well, the Scott E. Federal #23-32, 1515' FNL & 2495' FWL, Section 23, T.27 N., R.11W. N.M.P.M., San Juan County, New Mexico, at the Unorthodox Location specified, in the West Kutz Pictured Cliffs Pool.

MARATHON OIL COMPANY has received proper legal notification of the request by the Bonneville Fuels Corporation for the Administrative Approval of this Unorthodox Location by the New Mexico Oil and Gas Conservation Commission with this Waiver Request; by separate letter.

Should it be your intention NOT to contest or protest the Administrative Grant of Approval for this request, then please execute this Waiver Request letter, keep a copy for your files, and mail:

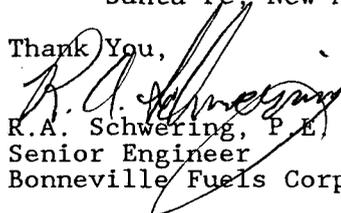
Executed Original to:

Additional Copy to:

State of New Mexico  
Oil and Gas Conservation Commission  
Attn.: Mr. Mike Stogner  
P.O. BOX 2088  
Santa Fe, New Mexico 87504-2088

Bonneville Fuels Corporation  
Attn: R. A. Schwering  
1660 Lincoln St.  
Suite 1800  
Denver, CO 80264

Thank You,

  
R.A. Schwering, P.E.  
Senior Engineer  
Bonneville Fuels Corporation

WAIVER: The undersigned has no objection to, and does not protest or oppose, the granting of Administrative Approval by the New Mexico Oil and Gas Conservation Commission, of the proposed Unorthodox Location request captioned above:

MARATHON OIL COMPANY

By: Joseph J Madron

Date: 12/27/94

Name: Joseph J Madron

Title: Joint Interest Supervisor

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK  
 DRILL  DEEPEN

b. TYPE OF WELL  
 OIL WELL  GAS WELL  OTHER  SINGLE ZONE  MULTIPLE ZONE

2. NAME OF OPERATOR  
 Bonneville Fuels Corporaton

3. ADDRESS AND TELEPHONE NO.  
 1660 Lincoln Street, Denver, CO 80264

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.\*)  
 At surface 1515' FNL & 2495' FEL  
 At proposed prod. zone Same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE\*  
 Approximately 10.5 miles SSE of Bloomfield, NM

10. DISTANCE FROM PROPOSED\* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any) 1,515'  
 16. NO. OF ACRES IN LEASE ± 2,560  
 17. NO. OF ACRES ASSIGNED TO THIS WELL 159.96ac NM PM  
 N/2 of E/2 Sec 23, T27 R11W

13. DISTANCE FROM PROPOSED LOCATION\* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. ±2,160'  
 19. PROPOSED DEPTH ± 2,150  
 20. ROTARY OR CABLE TOOLS Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.) 6,285' GR  
 22. APPROX. DATE WORK WILL START\* February 1, 1995

5. LEASE DESIGNATION AND SERIAL NO. SF078089  
 6. IF INDIAN, ALLOTTEE OR TRIBE NAME NA  
 7. UNIT AGREEMENT NAME NA  
 8. FARM OR LEASE NAME, WELL NO. Scott E. Federal  
 9. API WELL NO. 23-32  
 10. FIELD AND POOL, OR WILDCAT West Kutz Pict. Cliffs  
 11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA Sec 23, T27N R11W nmpm  
 12. COUNTY OR PARISH San Juan  
 13. STATE NM

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	8 5/8"	24# J-55	+300'	± 225 sx : Circ to Surf
7 7/8"	5 1/2"	15.5# J-55	±1900'	± 315 sx : Circ to Surf

Exhibits Attached:

Eight Point Compliance Plan  
 13 Point Surface Use & Operation Plan

Exhibit	#	Description	Exhibit	#	Description
	#1	BOPE		#7	Rig Layout
"	#2A	Plat; Frm C-102	"	#8	Prod. Facility Layout
"	#2B	Topo w/Location			
"	#3	One Mile Radius w/ access, structures, and other wells			
"	#4	Area w/Access			
"	#5	Site Topo			
"	#6a	Cut & Fill Cross Sections			
"	#6b	Cut & Fill Cross Sections			

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Robert A. Schwering, PE TITLE Senior Engineer DATE Nov. 30, 1994

(This space for Federal or State office use)

PERMIT NO. \_\_\_\_\_ APPROVAL DATE \_\_\_\_\_

Application approval 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.  
 CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_

\*See Instructions On Reverse Side

**EIGHT POINT DRILLING PLAN**

Attached to Form 3160-3: Application for Permit to Drill:  
Bonneville Fuels Corporation

Scott E. Federal No. 23-32  
1515' FNL & 2495' FEL  
Section 23, T.27N., R.11W. N.M.P.M.  
San Juan County, New Mexico

1. ESTIMATED TOPS: IMPORTANT GEOLOGIC MARKERS:

Nacimiento Fm.:	Surface
Ojo Alamo Fm.:	672'
Kirtland Shale Fm.:	1,006'
Fruitland Fm.:	1,745'
Pictured Cliffs Fm.:	1,950'
Lewis Shale Fm.:	2,070'

2. ESTIMATED DEPTHS OF ANTICIPATED WATER, OIL, GAS OR MINERALS:

Water:	Nacimiento Fm.:	Occ. Sands:	Surface to 672'.
	Ojo Alamo Fm.:	Occ. Sands:	672' to 1,006'.
Oil:	None anticipated.		
Gas:	Fruitland Sands:	Various Sands @ 1,745' to 1,825'.	
	Fruitland Coals:	Various Coals @ 1,775' to 1,950'.	
	Pictured Cliffs:	Various Sands @ 1,950' to 2,070'.	
Coal:	Fruitland Coals:	Various Coals @ 1,775' to 1,950'.	

PROJECTED TOTAL DEPTH: 2,150'.

3. MINIMUM SPECS FOR PRESSURE CONTROL:

- a. A diagram of the Blowout Preventer Stack and Choke Manifold is presented in Exhibit #1.
- b. The BOP Equipment will be a class II system consisting of:
  - i. An 8" Nom. double gate hydraulic type ram preventer (2,000 psi Working Pressure min) with pipe rams over blind rams.
  - ii. A 2"(min) x 2,000 psi WP(min) choke manifold and kill line tied into opposite sides of an 8" x 2,000 psi WP (min) drilling spool OR the double-ram preventer below the lowest set of pipe rams. A 2"(min) x 2,000 psi WP(min) Full Opening gate valve will be in-board on both the choke and kill sides. A 2"(min) x 2,000 psi WP FO(min) check valve will be out-board on the kill side. The exterior kill line will be 2"(min) x 2,000 psi WP(min) line pipe out-board of the kill side check valve. An additional 2"(min) x 2,000 psi WP FO(min) gate valve will be up-stream of the choke manifold assembly. The choke manifold will consist of 2"(min) x 2,000 psi WP FO(min) gate valves and line pipe (on the pressure side of the manifold assembly) with a single 2"(min) x 2,000 psi WP FO(min) gate valve (minimum of 1 valve) between the 2"(min) x 2,000 psi WP FO(min) adjustable choke, the 2"(min) x 2,000 psi WP FO(min) positive choke, and the 2"(min) blooey line and the 2"(min) x 2,000 psi WP FO choke manifold line.
  - iii. A 2,000 psi WP(min) FO safety valve and a 2,000 psi WP(min) dart valve, with drill pipe threads and subs to meet other drill string threads, will be kept on the drill floor after surface casing is set. A 2,000 psi(min) WP Upper kelly valve will be kept on the kelly throughout drilling operations. All valves, and the wrenches to operate these valves, will be maintained on the floor in good order throughout drilling operations.
  - iv. An accumulator with sufficient capacity to operate the BOPE against a 2,000 psi well pressure(min) will be used to operate the BOP system. It shall contain double the fluid capacity calculated to open and close the pipe rams and the blind rams 1 time each, and then close the pipe rams 1 additional time(minimum) and retain accumulator pressure at 200 psig over the pre-charge pressure. The accumulator working pressure shall be 1,500 psi(minimum) with a pre-charge pressure between 700-800 psi. A Nitrogen/Air bottle system shall provide independent (reserve) power to operate the system in the event rig motors must be shut down.

3. MINIMUM SPECS FOR PRESSURE CONTROL (CONTINUED):

- c. The testing procedures and frequency are as follows:  
ALL of the pressure side BOP Equipment specified in Part b. above will be nipped-up on the surface casing and each component will be hydraulically tested for ten(10) minutes(min) to 1000 psi and five(5) minutes(min) to 300 psi prior to drilling out cement, each 30 days after drill-out, and after any use under pressure. Pipe rams will be operationally checked each 24 hour period, and the blind rams operationally checked each time pipe is pulled from the hole. These pressure tests and function tests will be noted and described on the daily drilling report. After the float collar is drilled out of the surface casing (prior to drilling out the shoe) the surface casing will be pressure tested to 1,000 psi for thirty(30) minutes(min).
- d. Tripping procedures for well control:  
The anticipated maximum bottom-hole formation pressure is 350 psig. The anticipated mud weight at T.D. is 8.7 to 9.2 PPG. This will provide an anticipated hydrostatic pressure of 915 to 970 psig. This provides a minimum over-balance pressure of 565 to 620 psig at T.D. The well will be drilled by a double-derrick rig. The well will be monitored each 5 stands to insure that the BHA is not swabbing the well in. The well will be filled after each 15 stands of drill pipe and as each stand of drill collars are pulled from the hole. Pits will be monitored in order to insure that the well is taking fluid on the trip. **In the event that the bit is plugged on a trip the well will be filled after each 7 stands of drill pipe are pulled from the well and as each stand of drill collars are pulled from the well. Swabbing will be checked each 3 stands.**
- e. Procedures for running production casing:  
Prior to running production casing the hole will be filled. The blind rams will be closed and the well will be monitored for flow while a set 5.5" casing rams will be installed in the BOP to replace the pipe rams. Casing will then be run and cemented. The BOPE will remain nipped up UNTIL the well is cemented.

4. CASING AND CEMENTING PROGRAM:

a. General Casing and Cementing Design Specifications:

Hole Size	Depth	Casing OD	Wgt/Gd/Jt Condition	Cement
12-1/4"	300'	8-5/8" Surface Casing	24#, J-55, STC New/Used (inspected)	225 sx Class B w/ 2% CaCl <sub>2</sub> . Yield = 1.18 cu.ft./sx. Calc. 100% excess. Circ. to Surf.
7-7/8"	2150'	5-1/2" Prod. Casing	15.5#, J-55 New/Used (inspected)	125 sx Class B Tail w/ Add. (Yield = 1.15 cu.ft./sx.) + 190 sx Lite B Lead w/ Add. (Yield = 1.84 cu.ft./sx.). Calc. 30% excess in open hole. Circ. to Surface.

b. Casing Centralization Equipment:

- i. Surface Casing: A total of 4 centralizers will be run on the 8-5/8" O.D. Surface Casing. With 1 at 10 ft. above the shoe, 1 at the 1st collar, 1 at the 2nd collar, and 1 at the 4th collar above the shoe.
- ii. Production Casing: Centralizers through the Pictured Cliffs Fm., the Fruitland Fm., and the Ojo Alamo Fm. will be installed as recommended by API RP 10d from T.D. to the top water sand of the Ojo Alamo Fm. identified by logs. A turbo-lizer will be installed within 40 ft. of the base of the Ojo Alamo Fm. An additional turbo-lizer will be installed no further than 50 ft. above the base of the Ojo Alamo Fm.

5. PROPOSED DRILLING FLUIDS:

A Freshwater Gel Mud System with a shale shaker will be run with mud properties as follows:

<u>DEPTH</u>	<u>TYPE</u>	<u>MUD WEIGHT</u> <u>lb/gal</u>	<u>VISCOSITY</u>	<u>WATER</u> <u>LOSS</u>
0-300'	Spud Mud	8.5-9.5 PPG	28-40 sec./qt	No Control
300-2,150'	FGM	8.5-9.3 PPG	28-60 sec./qt.	8-20 cc/30 min

6. LOGGING, TESTING, AND CORING PROGRAM:

- a. The logging program will consist of:
  - i. DILL/SFL - GR/SP (Induction Logs):  
T.D. to Surface Casing.
  - ii. LDT/CNL/ML - GR/CAL (Density/Neutron Porosity Logs):  
T.D. to Minimum Footage (1,000' or Surface Casing).
- b. No cores are planned.
- c. No drill stem tests are planned.
- d. Samples will be analyzed on-site by a geologist in order to determine total depth (T.D.) of the well.

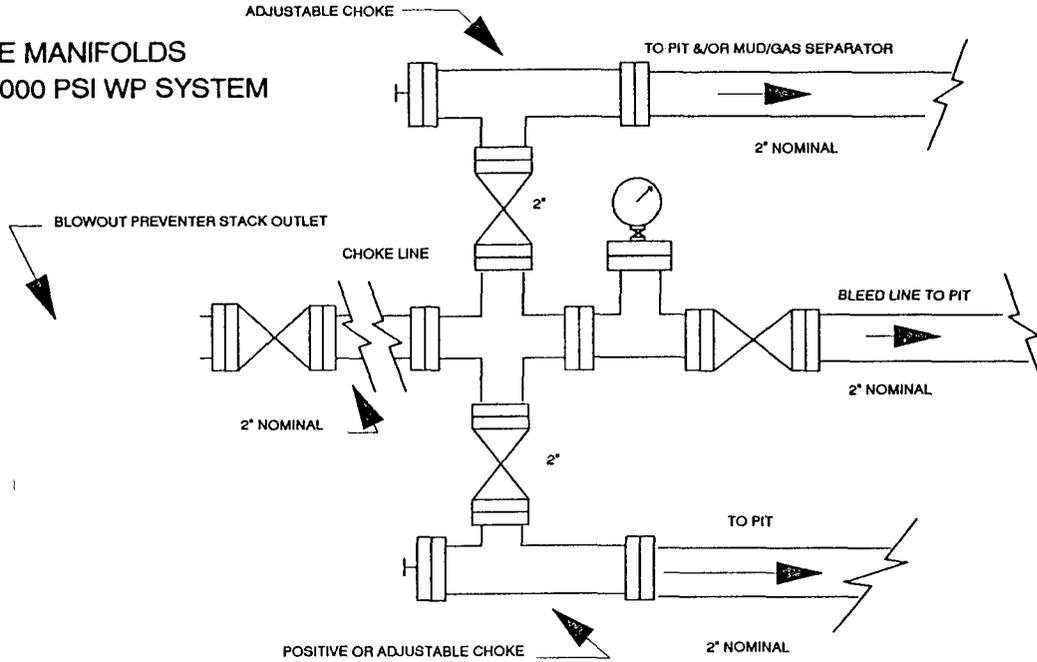
7. ABNORMAL CONDITIONS - PRESSURE - TEMPERATURE - POTENTIAL HAZARDS:

Normal pressures and temperatures are expected in the objective formation. A maximum Pictured Cliffs surface shut-in pressure of 300 psig is anticipated. A maximum bottom hole temperature of 90 degrees Fahrenheit is anticipated. Sour gas (H<sub>2</sub>S) is not anticipated.

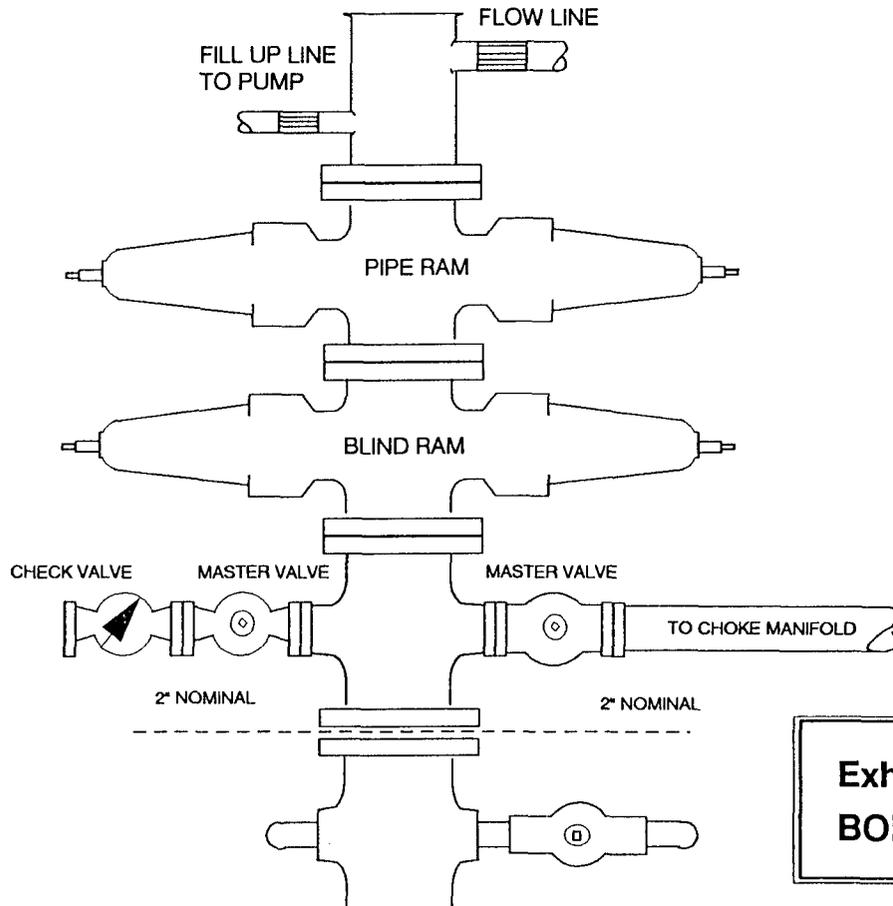
8. ANTICIPATED STARTING DATE AND DURATION OF OPERATIONS:

Road and location construction will begin as soon as APD approval has been granted by BLM. The anticipated spud date is for this well is currently February 1, 1995, subject to rig availability and construction progress. Once commenced, drilling operations should be finished within 4 to 5 days. If the well is productive, an additional 7 to 10 days will be required for completion.

**CHOKE MANIFOLDS  
FOR 2000 PSI WP SYSTEM**



**MINIMUM BLOW-OUT PREVENTER REQUIREMENTS  
11\"/>**



**Exhibit # 1  
BOPE Schematic**

SURFACE USE AND OPERATING - 13 POINT PLAN

Attached to Form 3160-3  
Bonneville Fuels Corporation  
Scott E. Federal #23-32  
1515' FNL & 2495' FWL  
Sec. 23, T.27N., R.11W. N.M.P.M.  
San Juan County, New Mexico

1. EXISTING ROADS:

- A. The proposed well site elevation (Exhibit #2A) and topographic elevation (Exhibit #2B) plats are attached.
- B. To reach the wellsite, proceed from Bloomfield, New Mexico south on NM Highway #44 (green on Exhibit #2B) approximately 10 miles to GCNM West Kutz Compressor Station. Turn left and proceed 200 yards to the west side of the West Kutz Compressor Station. Turn right(SE) approximately 0.3 miles. Turn left(NE) and proceed approximately 650'. This is the end of the existing access roads (existing access dirt roads are red on Exhibit #2B).

At this point you will turn right onto a newly constructed access road and proceed E and then NE approximately 3,500' to the well center stake (new access roads that will need to be constructed are blue on Exhibit #2B).

- C. All roads to the location are shown on Exhibit #4. The existing roads described above are adequate for travel during anticipated drilling, completion and production activities. Existing roads will be maintained in accordance with BLM standards for the area.

Newly constructed access roads will be constructed and maintained, at a minimum, to BLM standards for the area.

- D. Existing roads within a one-mile radius of the well are shown on Exhibit #3. New and existing access roads to the location are again identified.
- E. Existing highways and access roads are under State of New Mexico, Navajo Nation, Bureau of Indian Affairs, and/or BLM jurisdiction.

2. PLANNED ACCESS ROADS:

For the drilling and completion of the well, approximately 3,500' of new access road will be constructed as follows:

- A. The maximum width of the running surface of the proposed new access roads will be approximately 14'. The road will be crowned and ditched to drain precipitation (avoid ponding) from the running surface, divert runoff away from the running surface, minimize runoff erosion of the running surface, and to maintain good drainage and route the area runoff away from the road running surface. Ditches will be back-sloped with an approximate 3:1 slope, and be approximately 2 feet wide. A maximum clearing width of 50' may be required for construction.
- B. The average access road grade will be approximately 4%. The existing access road grade averages 2% or less. Care will be taken maintaining this access. The maximum grade on the proposed access road to be constructed will be 10% to 12% - this grade occurs as the road descends from the Mesa top to the dune sand bench elevation (on which the wellsite is located).
- C. Four turnouts will be constructed: The first as the new road pairs off the existing road, the second at the Mesa top, a third one at the foot of the descent to the dune sand bench, and a final turnout at the location.
- D. The drainage design will be consistent with local drainage patterns to minimize erosion and maintain good drainage. Crown and ditching is specified above.
- E. No low water crossings will be needed.
- F. Surfacing material will consist of native surface soil. If this is not sufficient, additional required material (gravel) will be purchased from the dirt contractor. A shale base for the road section to be built on the dune sand bench will be obtained during pit and road excavation work (as required).
- G. Gates, cattle guards or fence cuts will be installed if appropriate. A single poorly maintained fence will be traversed and a gate installed if this fence is to be maintained.
- H. The proposed access road as shown in Exhibit #3 has been centerline flagged by High Country Surveys of Farmington, New Mexico. The first 3400' of the access road to be constructed is on BLM administered Federal Lands Held In Trust for the Navajo Nation (Navajo Nation, BIA, and BLM administered Federal Lands in the west 1/2 of Section 23, T.27N., R.11W. NMPM, San Juan County, New Mexico), and the last 100' of the road (prior to entering the wellsite) is on BLM administered Federal Lands in the east 1/2 of Section 23.

3. LOCATION OF EXISTING WELLS:

For the location of existing wells within a one-mile radius of the proposed Scott E. Federal #23-32 well, see Exhibit #3. The wells indicated on Exhibit #3 are all that the Bonneville Fuels Corporation (BFC) is aware of at this time.

- A. There are NO water wells within a one-mile radius.
- B. There are 4 abandoned producing well within a one-mile radius.
- C. There are NO dry hole wells within a one-mile radius.
- D. There are 2 newly drilled wells (drilled by BFC in late 1994) within a one-mile radius of the proposed wellsite:
  - Scott E. Federal #24-21
  - Fullerton Federal #13-24.
- E. There are 16 existing producing wells within a one-mile radius.
- F. There are NO injection wells within a one-mile radius.
- G. There are NO monitoring or observation wells within a one-mile radius.
- H. There are NO disposal wells within a one-mile radius.

4. LOCATION OF EXISTING OR PROPOSED FACILITIES IF WELL IS PRODUCTIVE:

- A. If the well is productive, contemplated facilities will be as follows:
  - (1) Production facilities will be located on compacted fill on the west side of the drill pad. All BFC facilities will be contained on the well pad.
  - (2) Refer to Exhibit #8 for the proposed production facility schematic.
  - (3) Dependent upon flow test results, a gas separator, 210 bbl tank(s) and a meter house will be required. All flow lines and piping will be installed per API specifications. Surface soil, gravel, steel pipe, steel plate, and fabricated sheet metal are the construction materials that will be used.
  - (4) At this time it is anticipated that the production pipeline will follow the road ROW to the nearest gas gathering system.
- B. In the event that production is established, plans for gas gathering lines will be submitted to the appropriate governmental agencies for approval. BFC currently anticipates that the gas gathering lines will parallel the access road routing (from the location pad production facilities) until they meet and are connected with the existing field gas gathering system (near the western terminus of the planned new road construction).

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. Drilling water will be purchased from the pond at the Hill Top Store on Hwy. #44 (Sec 26, T27N R11W: see Exhibit #2B). Completion water will be purchased from a City of Bloomfield water main.
- B. Water will be hauled by tank truck to the drilling site as needed. The access will conform to roads identified on Exhibit #4.
- C. No water supply well will be drilled on or near this well location.

6. SOURCE OF CONSTRUCTION MATERIALS:

- A. No off-site construction materials are anticipated to be needed for well location construction, or for constructing the access road onto the location. Compacted native soil will be utilized for the drilling site. Compacted native soils and excavated shale will be used for the access road construction.
- B. Native construction materials, excavated ONLY in accordance with this permit plan, may be taken from the permitted rights-of-way of the proposed access road and location and used on the proposed road to construct an adequate road base for anticipated drilling, completion, workover and production traffic. These materials may also be used to reduce excessive grades. Potential source areas for the excavated shale (if any are located) will be identified, and the appropriateness of this technique (if allowable) will be determined, during the on-site inspection, with the BLM, BIA, and the Navajo Nation representatives present. If any party objects, then BFC will forego this cost effective alternative (borrowing excavated shale for a road base in dune sand) in constructing its road, and use gravel and rock hauled in from gravel pits in the surrounding area.
- C. Native surface soil materials for construction of access roads are anticipated to be sufficient. If necessary, road surfacing materials (rock, gravel, etc.) will be purchased from the dirt contractor. An appropriate crush will be specified.
- D. Exhibit #4 identifies the access roads to be used and constructed. BLM administered Federal Lands (approx. 100' of the access road and the pit and pad location of the wellsite) and Federal Lands Held In Trust and administered by the BLM and the BIA for the Navajo Nation (approx. 3400' of access road) are involved.
- E. Exhibits #6A and #6B show proposed cut & fill cross-sections for the location and reserve pit. Exhibit #5 is a Topographic Map of the location pit and pad.

7. METHODS OF HANDLING WASTE DISPOSAL AND FLUID PRODUCTION:

- A. Cuttings and drilling fluids not retained for evaluation purposes will be discharged into the reserve pit (see Exhibits #5 & #7 for reserve pit location).
- B. Drilling fluids will be contained in steel mud tanks. The reserve pit will contain any excess flow from the well during drilling & cementing operations. The reserve pit will be an earthen pit, approximately 100' x 60' x 10' deep (see Exhibit #5). The reserve pit will be lined with a 12 mil synthetic liner. After drilling operations are finished NO FLUIDS will be allowed to enter the reserve pit.
- C. Completion fluids will be flowed and swabbed back into tanks and hauled to a State of New Mexico approved disposal facility. Produced water will be produced into tanks and allowed to evaporate. If evaporation is insufficient to remove produced water at the site, then produced water will be hauled to the approved disposal facility as necessary.
- D. Produced oil, although not anticipated, will also be collected in tanks. If the volume of oil is sufficient during drilling or completion operations, then it will be trucked from the location and sold. Produced oil, if obtained in saleable volumes, will be trucked from the location and sold as necessary.
- E. No toxic or non-bio-degradable chemicals and fluid (drilling mud, fracturing fluid, etc.) additives will be used in proposed well operations and no hazardous wastes (as defined by CERCLA, RCRA, SARA Title 3, and 'Superfund' Law) will be generated by the proposed well operations (drilling, completion, and production operations).
- F. A portable chemical toilet will be provided on the location for human waste. This waste will be removed to an approved municipal sewage disposal facility.
- G. Garbage and trash produced during drilling, completion, and testing operations will be handled in a trash cage. This garbage will be hauled to an approved disposal site (municipal landfill) after drilling and completion operations are finished. After the drilling fluid has evaporated from the reserve pit, and prior to backfilling the reserve pit and closing it permanently, the excess synthetic liner exposed above the dry cuttings will be cut off and hauled to an appropriate municipal landfill.
- H. Throughout the productive life of the well, after any drilling, completion, workover, or production facility installation operation, all trash and adverse materials will be cleaned up (as specified above) and no adverse materials will be left on location. The reserve pit will be completely fenced after drilling operations are complete and kept closed until the reserve pit has dried and reclamation operations have begun.

8. ANCILLARY FACILITIES:

No air strip, campsite or other facilities will be built during drilling and completion operations at this wellsite.

9. WELL SITE LAYOUT:

- A. Refer to Exhibits #5 & #7 for the Drill Pad layout as staked. Cuts and fills have been indicated per Exhibits #6A & 6B to show the planned cut and fill across the proposed location. Topsoil will be stockpiled at the edge of the location for reclamation & revegetation.
- B. Refer to Exhibit #7 for a planned location diagram of the proposed rig and drilling equipment, reserve pit, and pipe racks. No permanent living facilities are planned. There may be a trailer on site.
- C. The rig orientation, turn-around area, parking area, and access roads are shown in Exhibit #7.
- D. The reserve pit will be lined with a 12 mil synthetic liner.

10. PLANS FOR RESTORATION OF SURFACE:

- A. Immediately after drilling rig release the reserve pit will be fenced to prevent livestock or wildlife from being entrapped. The fencing will be maintained until pit backfilling commences at the site. If any oil is on the pits and cannot be immediately removed after operations cease, the pit containing the oil or other adverse substances will be overhead flagged and netted. Immediately after drilling, completion, workover, and production facility installation operations (throughout the productive life of the well) the entire location will be inspected for trash and other refuse, and such trash/refuse will be cleaned up.
- B. If the well is to be abandoned (and after site clean-up and pit fencing described above) then drilling fluids will be allowed to evaporate from the pit. Drill cuttings will dry until they will support overburden and reclamation equipment weight. At this time, probably in July of 1995, the pit liner exposed above the cuttings will be cut-off and removed to an approved municipal landfill. The pit will then be backfilled. The location (pit and pad areas) will then be recontoured as nearly as possible to the original topography. The location will be ripped along contour and reseeded. The newly constructed access road will then be backripped and reseeded. Only an appropriately specified dry hole marker (State of New Mexico rules) will remain.

10. PLANS FOR RESTORATION OF SURFACE: CONTINUED:

- C. If the well is productive (and after site clean-up and pit fencing described above) then drilling fluids will be allowed to evaporate from the pit. Drill cuttings will dry until they will support overburden and reclamation equipment weight. At this time, probably in July of 1995, the pit liner exposed above the cuttings will be cut-off and removed to an approved municipal landfill. The pit will then be backfilled. Only that part of the pad and pit area required for producing facilities and workover operations will be kept in use. The portion of the location pad and pit areas not required for production and/or workover operations will then be recontoured as nearly as possible to the original topography (while site drainage integrity is maintained). The recontoured portion of the location, and any location banks subject to erosion, will then be ripped (or disced) along contour and reseeded.
- D. At the end of the productive life of the well the entire pit, location pad, and access road areas of original disturbance (during initial construction) will be reclaimed as if the well had been originally abandoned (describe above).
- E. Revegetation (in all cases) will be achieved by reseeding. A seed mixture of native grasses specified by the BLM will be used on the pit, pad, and road areas on BLM administered Federal Lands. A seed mixture of native grasses specified by the BLM, BIA, and Navajo Nation will be used on the road areas on BLM administered Federal Lands Held In Trust for the Navajo Nation. Time to complete rehabilitation depends upon the time necessary for pits to dry. Initial planting and revegetation (for a producing or abandoned well) should occur by Fall 1995.

11. SURFACE OWNERSHIP:

- A. The surface ownership of the proposed wellsite (pit and pad) and the eastern 100' of new access road is Federal Lands administered by the Bureau of Land Management.
- B. The surface ownership of the remaining 3400' of access road that will need to be constructed is Federal Lands Held in Trust for the Navajo Nation, administered by the Navajo Nation, Bureau of Indian Affairs, and the Bureau of Land Management.
- C. The remaining existing access to the site from Highway 44 (administered by the State of New Mexico) is also on Federal Lands Held in Trust for the Navajo Nation, administered by the Navajo Nation, Bureau of Indian Affairs, and the Bureau of Land Management.

12. OTHER INFORMATION:

- A. A cultural resources survey, CASA Report No. 94-96 was completed in 1994 for the proposed Scott E. Federal #23-32 wellsite (pit and pad). No significant cultural resources were identified at this proposed wellsite.
- B. A cultural resources survey of the proposed access road was completed in 1990 (CASA Report No. 90-67), in an attempt to permit the then requested Scott E. Federal #23-31 wellsite. Operations clearance (due to topographic considerations) was not granted for that proposed wellsite by the BLM (at that time). Archaeological clearance, BLM Report #91(I) 091-F, was obtained for the entire proposed wellsite access road routing (based on CASA Report No. 90-67's findings) in 1991. No significant cultural resources were identified along the proposed wellsite access routing for the Scott E. Federal #23-31 proposed wellsite. Only a portion of this access road routing is required for the proposed Scott E. Federal #23-32 wellsite and, therefore, NO significant cultural resources exist along the proposed access routing for the Scott E. Federal #23-32 wellsite.

13. LESSEE'S AND OPERATOR'S REPRESENTATIVES:

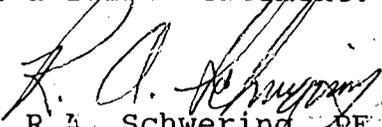
R. A. Schwering, P.E. - Senior Engineer  
 Bonneville Fuels Corporation  
 1660 Lincoln, Suite 1800  
 Denver, CO 80264  
 phone: (303) 863-1555 office  
 phone: (303) 278-8020 home

If no answer at above numbers, call  
 Norman B. Woods - Production Superintendent  
 Bonneville Fuels Corporation  
 310 No First St.  
 Bloomfield, NM 87401  
 phone: (505) 632-9876

CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access routes; that I am familiar with the conditions which currently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with operations proposed herein will be performed by Bonneville Fuels Corporation and its contractors and subcontractors in conformity with this plan and the terms & conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C.1001 for the filing of a false statement.

Date: 11/30/94

  
 R.A. Schwering, PE  
 Senior Engineer



REC'D NOV 16 1994

District I  
PO Box 1980, Hobbs, NM 88241-1980  
District II  
PO Drawer DD, Artesia, NM 88211-0719  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
PO Box 2088, Santa Fe, NM 87504-2088

OIL CONSERVATION DIVISION  
PO Box 2088  
Santa Fe, NM 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code		3 Pool Name	
		79680		WEST KUTZ PICTURED CLIFFS	
4 Property Code		5 Property Name			6 Well Number
		SCOTT "E" FEDERAL			23-32
7 OGRID No.		8 Operator Name			9 Elevation
2678		BONNEVILLE FUELS CORPORATION			6285

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	23	27N	11W		1515	NORTH	2495	EAST	SAN JUAN

11 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

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
159.96			

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

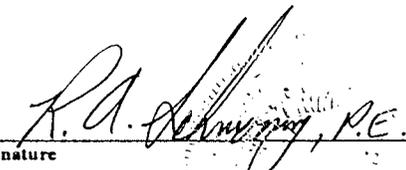
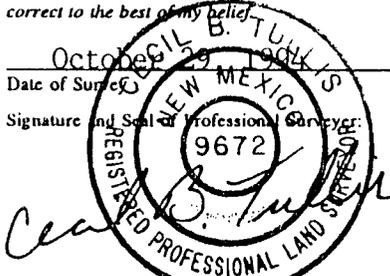
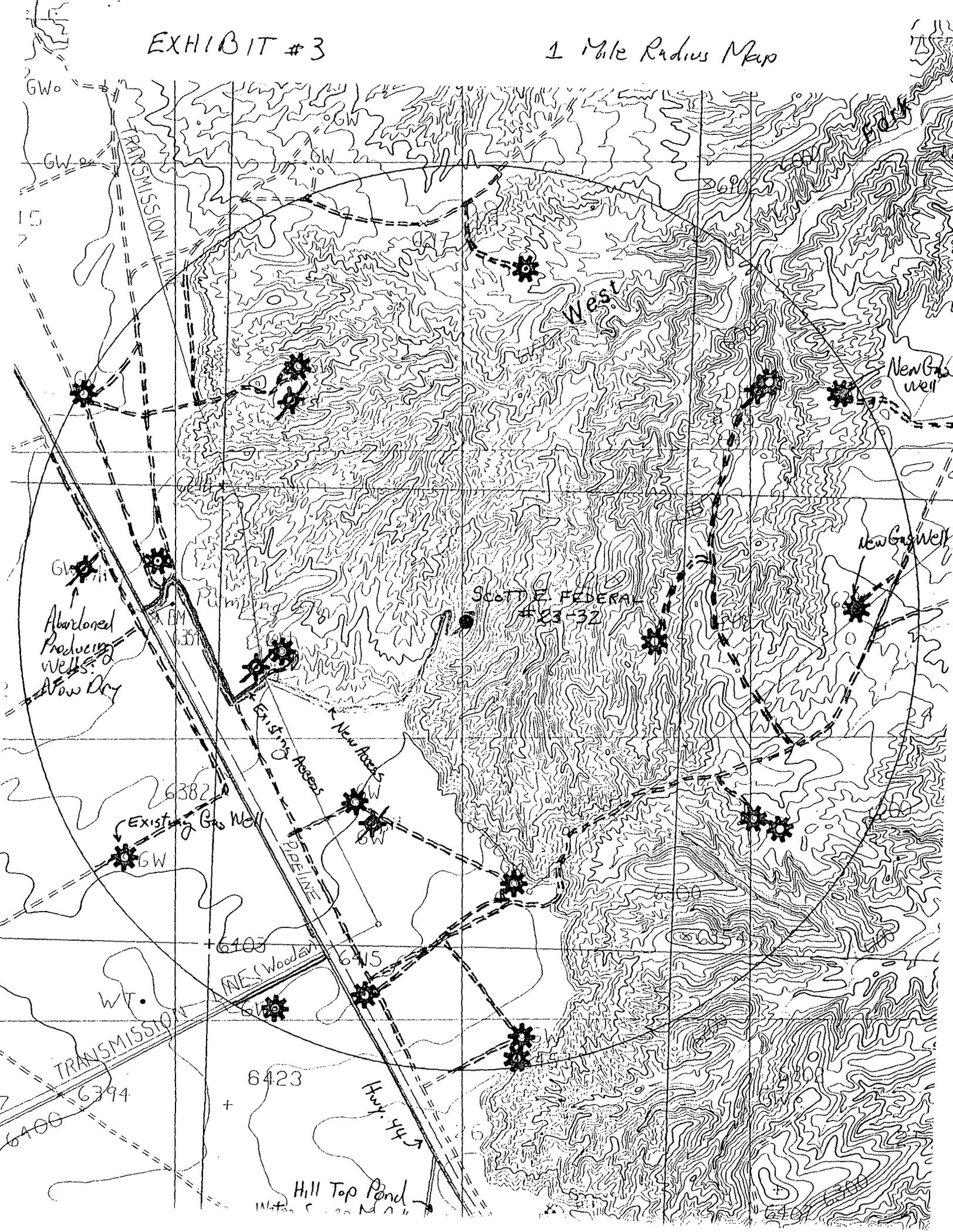
16 2640. 66 S 89° 52' W 2640. 66 2635. 39 N 0° 01' 51" W 2635. 39 N 0° 01' 51" W 2635. 39 2640. 33 S 89° 55' W 2640. 33 2635. 39 S 0° 01' 26" E 2637. 70 2640. 33 S 89° 58' W 2640. 33	159. 82 ±	2637. 70 1515 2637. 70	159. 96 ± 2495'	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief  Signature Robert A. Schwering, P.E. Printed Name Senior Engineer Title 11/28/94 Date
	159. 80 ±	159. 94 ±	18 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 October 29, 1994 Date of Survey  Signature and Seal of Professional Surveyor 9672 Cecil B. Tullis Registered Professional Land Surveyor Certificate Number 9672	
	2640. 33 ±	2640. 33 ±		



EXHIBIT #3

1 Mile Radius Map





**BONNEVILLE FUELS CORP.**  
DENVER, COLORADO

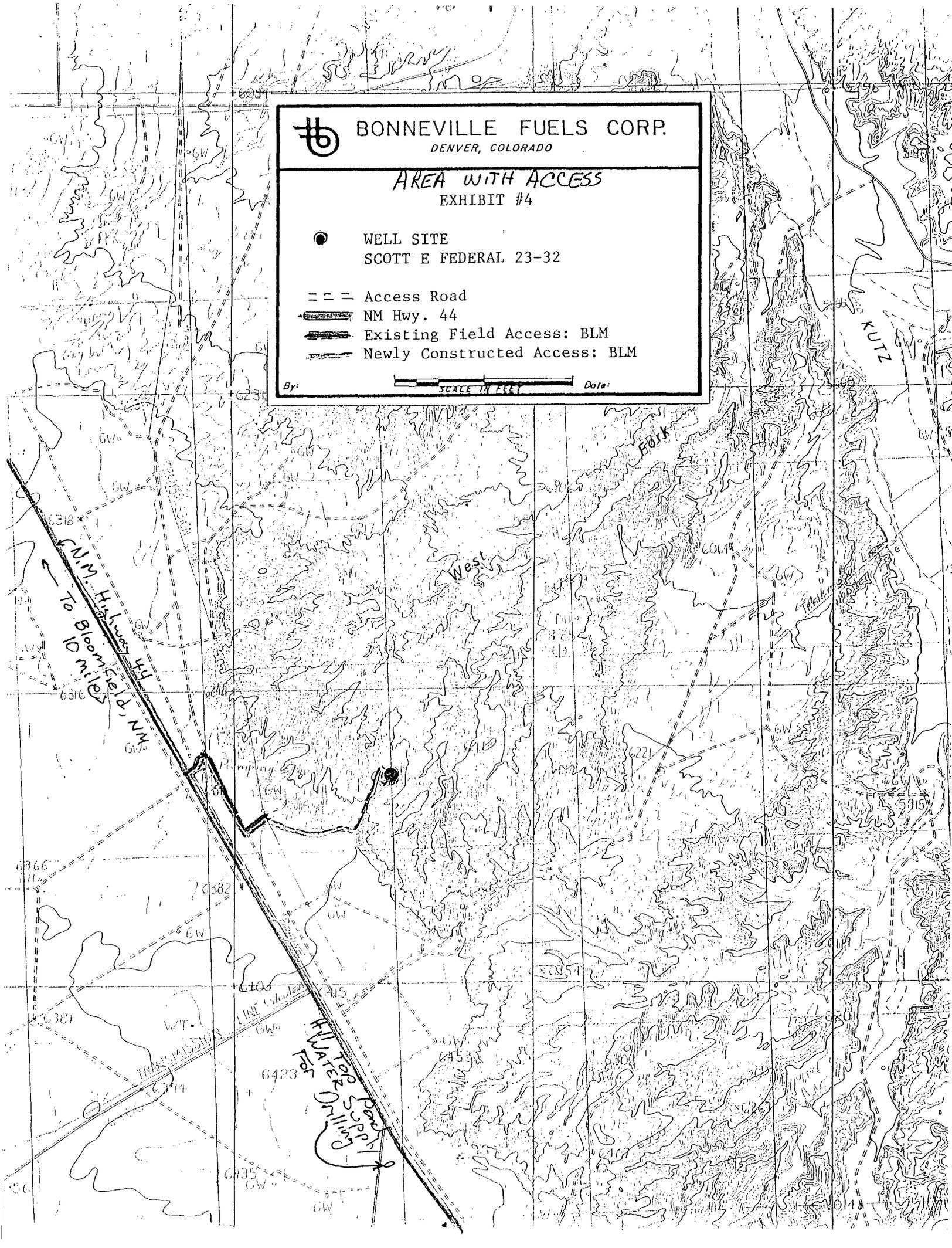
**AREA WITH ACCESS**  
EXHIBIT #4

- WELL SITE  
SCOTT E FEDERAL 23-32
- Access Road
- ▬▬▬ NM Hwy. 44
- ▬▬▬ Existing Field Access: BLM
- ▬▬▬ Newly Constructed Access: BLM

By:



Date:

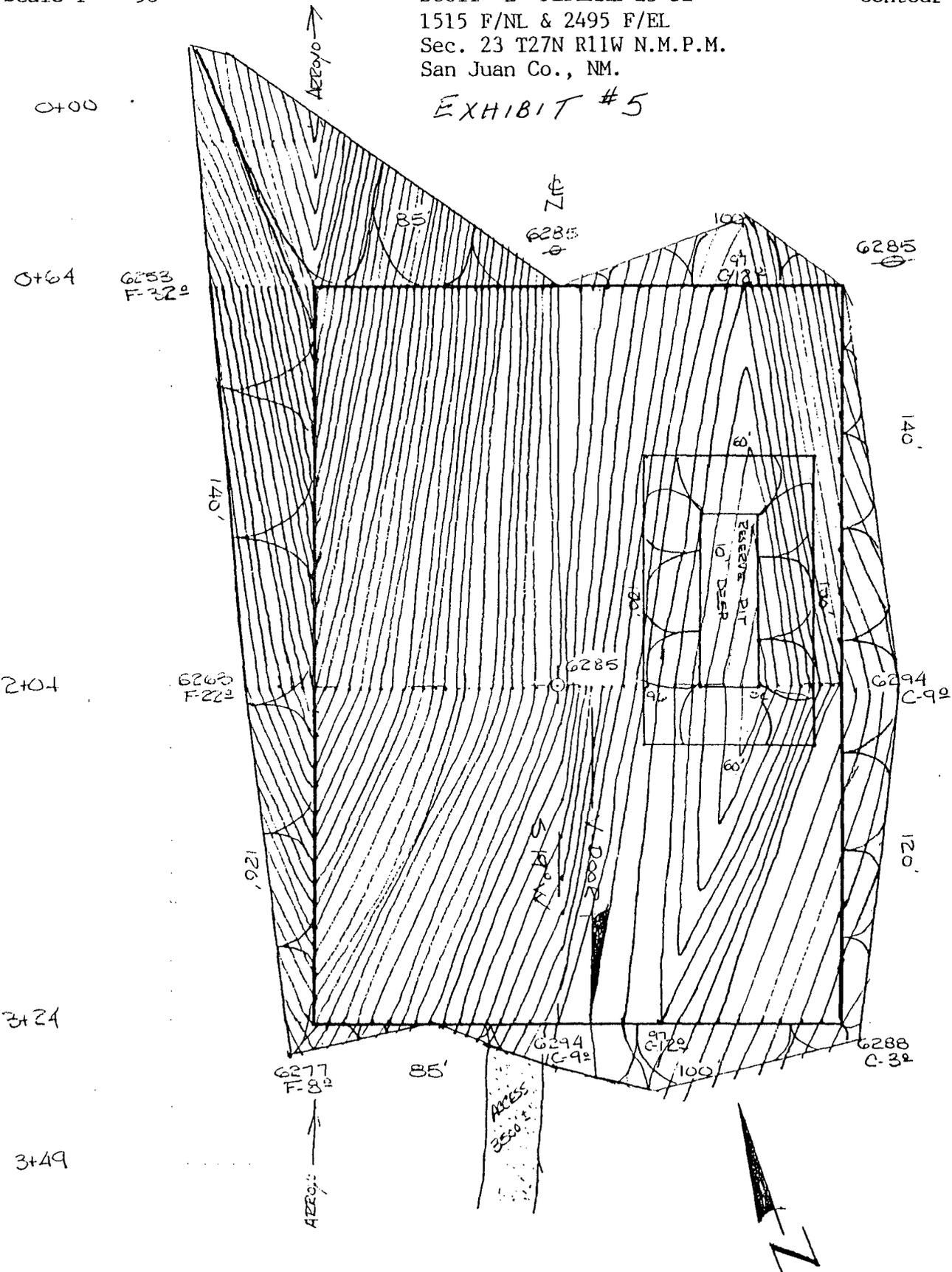


Scale 1" = 50'

SCOTT "E" FEDERAL 23-32  
1515 F/NL & 2495 F/EL  
Sec. 23 T27N R11W N.M.P.M.  
San Juan Co., NM.

Contour Int. = 1'

EXHIBIT #5



SITE TOPOGRAPHY AND PAD LAYOUT

# EXHIBIT #6A: Cut & Fill Cross Sections

Scale: Horz. 1" = 50'  
Vert. 1" = 10'

0+00

ZERO CUT / FILL

97  
65

0+64

85  
-85

85  
0

85  
100

67  
-122

85  
-85

102  
70

96  
30

94  
100

92  
113

2+04

85  
-85

85  
0

RESERVE PIT  
10' DEEP

85  
100

71  
-114

63  
-85

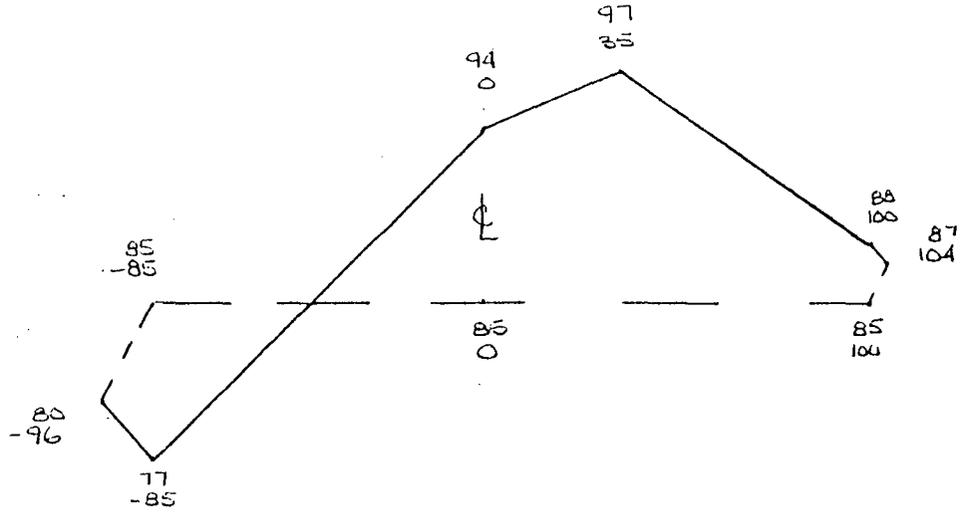
## X-SECTIONS AND VOLUMES

SCOTT "E" FEDERAL 23-32  
1515 F/NL & 2495 F/EL  
Sec. 23 T27N R11W N.M.P.M.  
San Juan Co., NM.

SCOTT "E" FEDERAL 23-32

EXHIBIT #6B: Cut & Fill Cross Sections

3+24



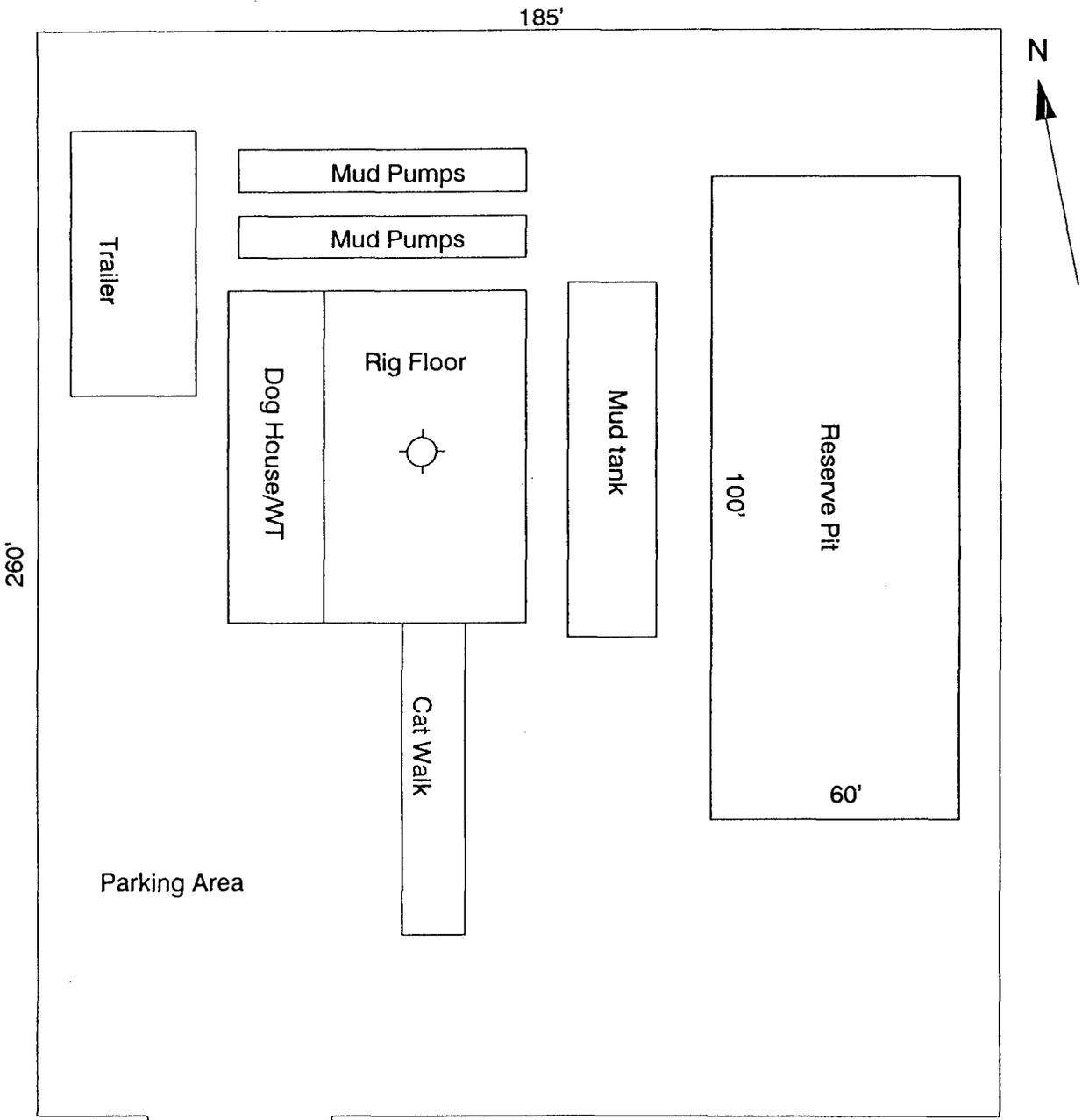
X-SECTIONS AND VOLUMES

3+49

ZERO CUT/FILL

CUT.....	10,606 CU. YDS.
FILL.....	13,923 CU. YDS.
PIT EXCAVATION.....	2,222 CU. YDS.

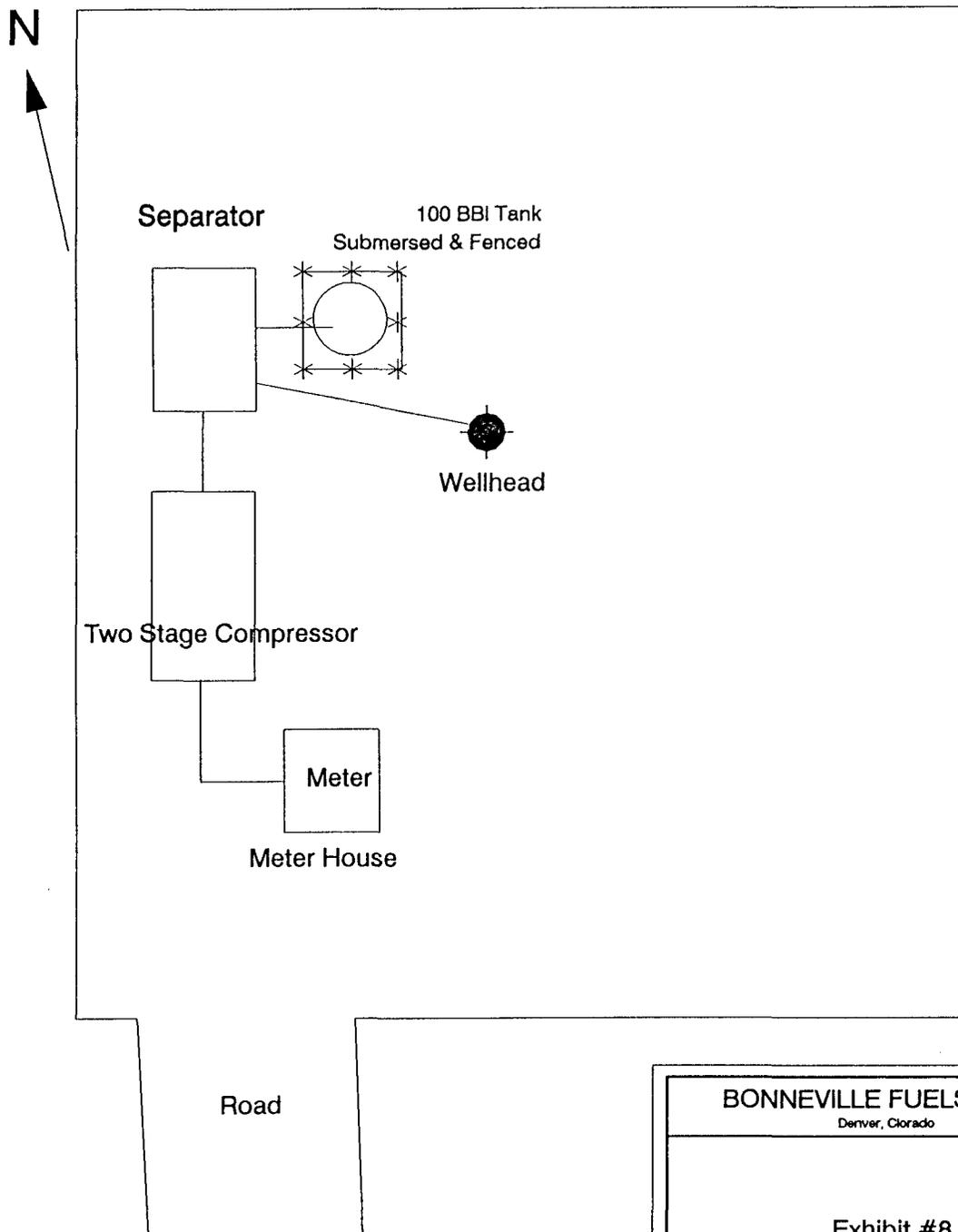
Rig Layout  
Scott E. Federal 23-32



Road

BONNEVILLE FUELS CORP. Denver, Colorado
Exhibit #7
Not to Scale

Production Facility Layout  
Scott E. Federal 23-32



<b>BONNEVILLE FUELS CORP.</b> Denver, Colorado
<b>Exhibit #8</b>
<b>Not to Scale</b>

W:\admin\trainsca\bfcp\prodplan.dwg



Well key: Pictured Cliffs:

### Exhibit III: Certified Plat

- : Abandoned Pictured Cliffs Zone Producing Wells (Recompleted in Fruitland Zone) [Purple].
- : Existing Pictured Cliffs Zone Producing Wells [Green].
- : Recently Drilled (Oct. 94) Pictured Cliffs Zone Wells. Waiting on Completion. [Blue].

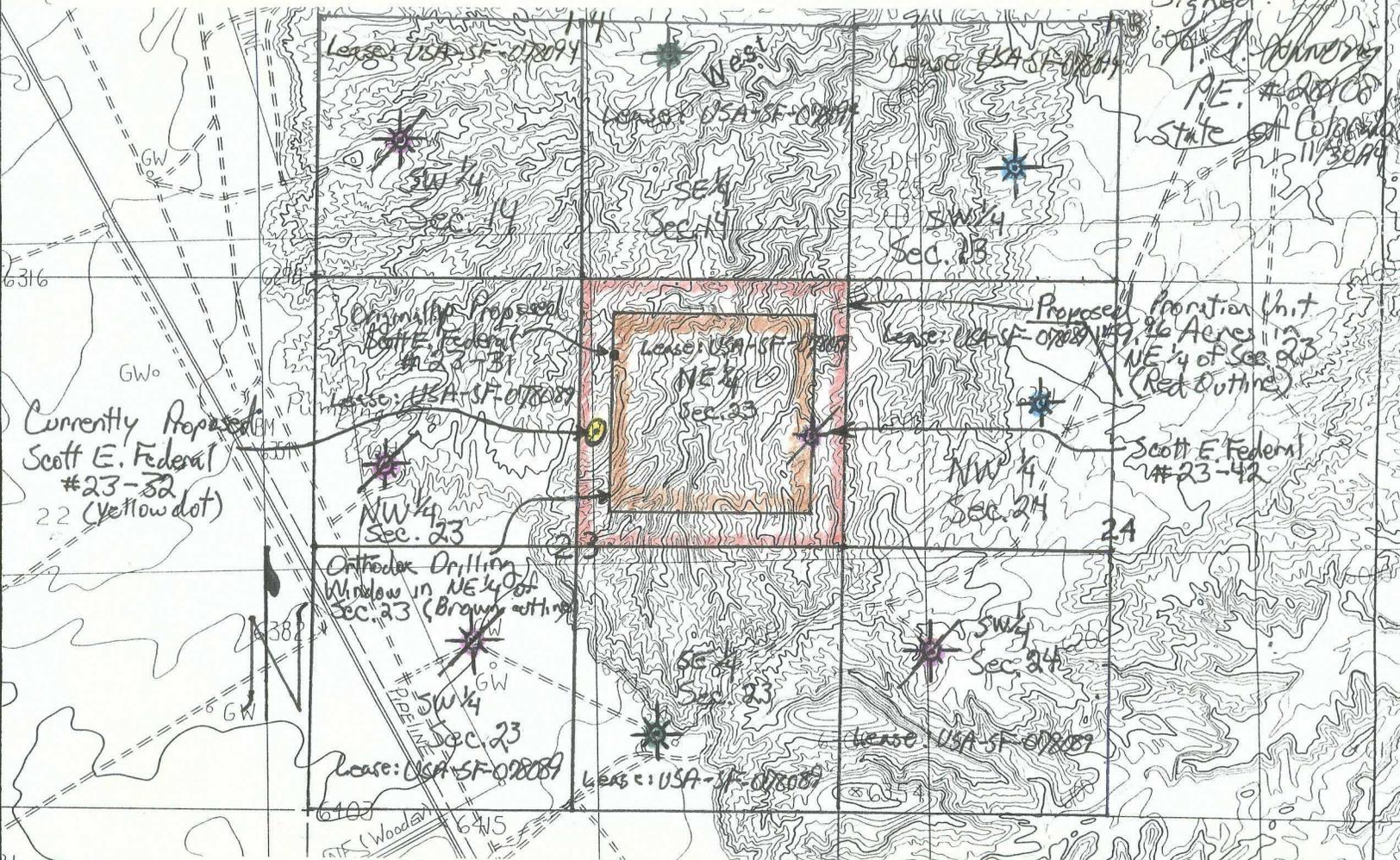
-  Currently Proposed Scott E. Federal #23-32.
- Previously Proposed Scott E. Federal #23-31: This well was NOT approved to drill.

#### Certification:

I, Robert A. Schwering, P.E., do hereby certify that I have prepared this Plat and that this Plat is True & Correct to the best of my knowledge.

Signed:

  
 P.E. # 20108  
 State of Colorado  
 11/30/94



### EXHIBIT III: Certified Plat:

- A. Topographic Map From "East Fork Kutz Canyon" 7.5 Minute BLM QUAD
  - B. Blown Up 1.27 x.
  - C. Leasehold Data: 1/4 Sections Adjacent To NE 1/4 Sec. 23, T. 27N., R. 11W.  
 Lease #: USA-SF-078089: All of Sec. 23 & W. 1/2 of Sec. 24.  
 Lease #: USA-SF-078094: S. 1/2 of Sec. 14 & SW. 1/4 of Sec. 13.
  - D. Leasehold Ownership: Operator: Bonneville Fuels Corp.: W.I. = 50% (1/2)  
 Marathon O.I. Corp.: W.I. = 25% (1/4)  
 Louis Dreyfus Gas Holdings: W.I. = 25% (1/4)
- [ This ownership and operatorship is identical for BOTH leases. ]



Exhibit V

AFFIDAVIT OF MAILING

STATE OF COLORADO

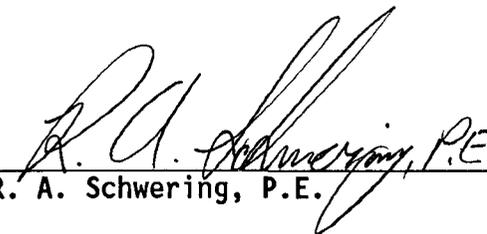
CITY & COUNTY OF DENVER

I, R. A. Schwering, P.E., a Petroleum Engineer employed by Bonneville Fuels Corporation, being first duly sworn, deposes and says:

An Application for Administrative Approval of an Unorthodox Location by Bonneville Fuels Corporation to the New Mexico Oil Conservation Division for the drilling of the Scott E. Federal #23-32 well, 1515' FNL and 2495' FWL in Section 23-T27N-R11W, San Juan County, New Mexico, was deposited on December 1, 1994, in the U. S. Mail for delivery, as certified mail, to each of the following named two (2) parties at the addresses shown below:

1. Louis Dreyfus Gas Holdings, Inc.  
Attn: Mr. Rusty Waters  
14000 Quail Springs Parkway, Suite #600  
Oklahoma City, OK 73134
2. Marathon Oil Company  
Attn: Mr. J. J. Madron  
P. O. Box 552  
Midland, TX 79702-0552

Affiant Further Sayeth Not.

  
R. A. Schwering, P.E.

SUBSCRIBED AND SWORN TO BEFORE ME, IN MY PRESENCE, THIS 1st day of December, 1994, a Notary Public in and for the State of Colorado.

  
Deborah A. Geary

My Commission Expires: Sept 20, 1996.

Bonneville Fuels Corporation  
A Subsidiary of Bonneville Pacific Corporation

December 1, 1994

Mr. J. J. Madron  
Marathon Oil Company  
P.O. Box 552  
Midland, Texas 79702-0552

Dear Mr. Madron:

This letter serves as our FULL LEGAL NOTIFICATION that the Bonneville Fuels Corporation is seeking Administrative Approval of a request for an Unorthodox Location Exception from the New Mexico Oil and Gas Conservation Commission at the following proposed location:

Scott E. Federal #23-32  
1515' FNL & 2495' FEL  
Section 23, T.27N., R.11W., N.M.P.M.  
San Juan County, New Mexico

The Bonneville Fuels Corporation is the lessee (Federal Lease #SF-078089) operator of the NE 1/4 of Section 23, T.27N., R.11W., N.M.P.M., San Juan County, New Mexico, and intends to assign the 159.96 acres in this 1/4 section to this well. Marathon Oil Corporation is a 25% working interest owner in this lease/well.

The Marathon Oil Company is the owner of a 25% working interest in the following off-set lease acreages (all in T.27N., R.11W., N.M.P.M., San Juan County, New Mexico):

1. Lease #SF-078089: NW 1/4, SE 1/4 & SW 1/4 of Sec. 23.  
Bonneville Fuels Corporation is the Operator.
2. Lease #SF-078094: S 1/2 of Sec. 14 & SW 1/4 of Sec. 13.  
Bonneville Fuels Corporation is the Operator.

Should your firm elect NOT to protest this request within the 20-day notification period specified by law, then Administrative Approval of this request may be granted by the State of New Mexico. Should your firm elect to protest this request, then a hearing will be scheduled for adjudication of this matter.

Mr. J. J. Madron  
Marathon Oil Company  
December 1, 1994  
Page 2

The Bureau of Land Management has indicated that it will accept the results of adjudication of this matter by the State of New Mexico.

Please call me if you have any questions.

Thank You,

BONNEVILLE FUELS CORPORATION



R. A. Schwering, P.E.  
Senior Engineer

Attachment: Waiver Request Letter

Bonneville Fuels Corporation  
A Subsidiary of Bonneville Pacific Corporation

December 1, 1994

Louis Dreyfus Gas Holdings, Inc.  
Attn: Mr. Rusty Waters  
14000 Quail Springs Parkway, Suite #600  
Oklahoma City, OK 73134

Dear Mr. Waters:

This letter serves as our FULL LEGAL NOTIFICATION that the Bonneville Fuels Corporation is seeking Administrative Approval of a request for an Unorthodox Location Exception from the New Mexico Oil and Gas Conservation Commission at the following proposed location:

Scott E. Federal #23-32  
1515' FNL & 2495' FWL  
Section 23, T.27N., R.11W., N.M.P.M.  
San Juan County, New Mexico

The Bonneville Fuels Corporation is the lessee (Federal Lease #SF-078089) operator of the NW 1/4 of Section 22, T.27N., R.11W., N.M.P.M., San Juan County, New Mexico, and intends to assign the 159.38 acres in this 1/4 section to this well. The Louis Dreyfus Gas Holdings, Inc., is a 25% working interest owner in this lease/well.

Louis Dreyfus Gas Holdings, Inc. is the owner of a 25% working interest in the following off-set lease acreages (all in T.27N., R.11W., N.M.P.M., San Juan County, New Mexico):

1. Lease #SF-078089: NW 1/4, SE 1/4 & SW 1/4 of Sec. 23.  
Bonneville Fuels Corporation is the Operator.
2. Lease #SF-078094: S 1/2 of Sec. 14 & SE 1/4 of Sec. 13.  
Bonneville Fuels Corporation is the Operator.

Should your firm elect NOT to protest this request within the 20-day notification period specified by law, then Administrative Approval of this request may be granted by the State of New Mexico. Should your firm elect to protest this request, then a hearing will be scheduled for adjudication of this matter.

Louis Dreyfus Gas Holdings, Inc.  
Mr. Rusty Waters  
December 1, 1994  
Page 2

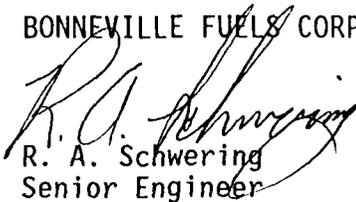
The Bureau of Land Management has indicated that it will accept the results of adjudication of this matter by the State of New Mexico.

Please call me if you have any questions.

Thank you.

Yours truly,

BONNEVILLE FUELS CORPORATION



R. A. Schwering  
Senior Engineer

Attachment: Waiver Request Letter

EXHIBIT IIIa: Waiver Request.

Bonneville Fuels Corporation  
A Subsidiary of Bonneville Pacific Corporation

December 1, 1994

Marathon Oil Company  
Attn: Mr. J. J. Madron  
P. O. Box 552  
Midland, TX 79702-0552

Re: WAIVER REQUEST LETTER FOR THE ADMINISTRATIVE APPROVAL OF AN UNORTHODOX  
LOCATION IN THE PICTURED CLIFFS FORMATION:

Scott E. Federal #23-32  
1515' FNL & 2495' FWL  
Section 23, T.27N., R.11W. N.M.P.M.  
San Juan County, New Mexico

Dear Mr. Madron:

This letter constitutes a Waiver Request by the Bonneville Fuels Corporation for the drilling of a new well, the Scott E. Federal #23-32, 1515' FNL & 2495' FWL, Section 23, T.27 N., R.11W. N.M.P.M., San Juan County, New Mexico, at the Unorthodox Location specified, in the West Kutz Pictured Cliffs Pool.

MARATHON OIL COMPANY has received proper legal notification of the request by the Bonneville Fuels Corporation for the Administrative Approval of this Unorthodox Location by the New Mexico Oil and Gas Conservation Commission with this Waiver Request, by separate letter.

Should it be your intention NOT to contest or protest the Administrative Grant of Approval for this request, then please execute this Waiver Request letter, keep a copy for your files, and mail:

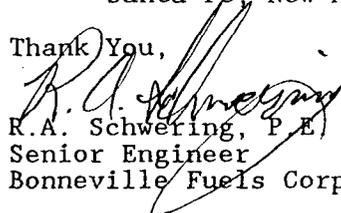
Executed Original to:

Additional Copy to:

State of New Mexico  
Oil and Gas Conservation Commission  
Attn.: Mr. Mike Stogner  
P.O. BOX 2088  
Santa Fe, New Mexico 87504-2088

Bonneville Fuels Corporation  
Attn: R. A. Schwering  
1660 Lincoln St.  
Suite 1800  
Denver, CO 80264

Thank You,

  
R.A. Schwering, P.E.  
Senior Engineer  
Bonneville Fuels Corporation

WAIVER: The undersigned has no objection to, and does not protest or oppose, the granting of Administrative Approval by the New Mexico Oil and Gas Conservation Commission, of the proposed Unorthodox Location request captioned above:

MARATHON OIL COMPANY

By: \_\_\_\_\_

Date: \_\_\_\_\_

Name:

Title:

EXHIBIT VIIb. : Waiver Request:

Bonneville Fuels Corporation  
A Subsidiary of Bonneville Pacific Corporation

December 1, 1994

Louis Dreyfus Gas Holdings, Inc.  
Attn: Mr. Rusty Waters  
14000 Quail Springs Parkway, Suite #600  
Oklahoma City, OK 73134

Re: WAIVER REQUEST LETTER FOR THE ADMINISTRATIVE APPROVAL OF AN UNORTHODOX  
LOCATION IN THE PICTURED CLIFFS FORMATION:

Scott E. Federal #23-32  
1515' FNL & 2495' FWL  
Section 23, T.27N., R.11W. N.M.P.M.  
San Juan County, New Mexico

Dear Mr. Waters:

This letter constitutes a Waiver Request by the Bonneville Fuels Corporation for the drilling of a new well, the Scott E. Federal #23-32, 1515' FNL & 2495' FEL, Section 23, T.27 N., R.11W. N.M.P.M., San Juan County, New Mexico, at the Unorthodox Location specified, in the West Kutz Pictured Cliffs Pool.

LOUIS DREYFUS GAS HOLDINGS, INC. has received proper legal notification of the request by the Bonneville Fuels Corporation for the Administrative Approval of this Unorthodox Location by the New Mexico Oil and Gas Conservation Commission with this Waiver Request, by seperate letter.

Should it be your intention NOT to contest or protest the Administrative Grant of Approval for this request, then please execute this Waiver Request letter, keep a copy for your files, and mail as follows:

Executed Original to:

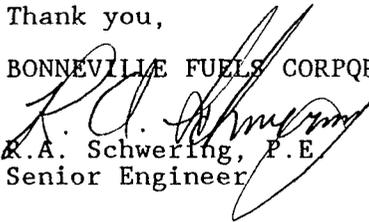
Additional Copy to:

State of New Mexico  
Oil & Gas Conservation Commission  
Attn.: Mr. Mike Stogner  
P.O. BOX 2088  
Santa Fe, New Mexico 87504-2088

Bonneville Fuels Corporation  
Attn.: R. A. Schwering  
1660 Lincoln St.  
Suite 1800  
Denver, CO 80264

Thank you,

BONNEVILLE FUELS CORPORATION

  
R.A. Schwering, P.E.  
Senior Engineer

WAIVER: The undersigned has no objection to, and does not protest or oppose, the granting of Administrative Approval by the New Mexico Oil and Gas Conservation Commission, of the proposed Unorthodox Location request captioned above:

LOUIS DREYFUS GAS HOLDINGS, INC.

By: \_\_\_\_\_

Date: \_\_\_\_\_

Name:

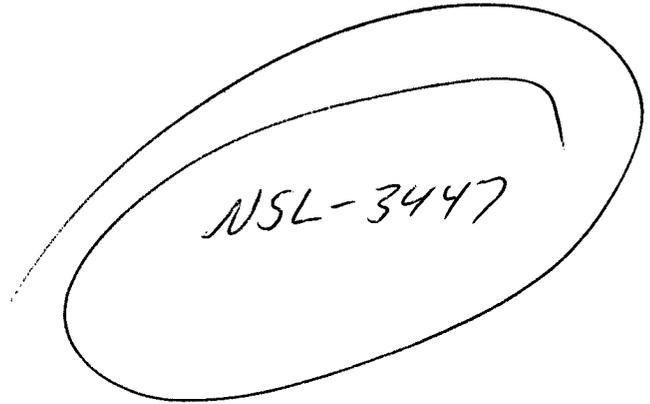
Title:

**Mike Stogner**

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**From:** Ernie Busch  
**To:** Mike Stogner  
**Subject:** BONNEVILLE FUELS CORP (NSL)  
**Date:** Mon, Jan 9, 1995 1:58PM  
**Priority:** High

SCOTT "E" FEDERAL 23 #32  
1515 FNL; 2495 FEL  
G-23-27N-11W  
RECOMMEND: APPROVAL



NSL-3447

Sec : 23 Twp : 27N Rng : 11W Section Type : NORMAL

L 40.00  Federal owned	K 40.00  Federal owned A	J 40.00  Federal owned	I 40.00  Federal owned
M 40.00  Federal owned	N 40.00  Federal owned	O 40.00  Federal owned A	P 40.00  Federal owned

PF01 HELP      PF02              PF03 EXIT      PF04 GoTo      PF05              PF06  
PF07 BKWD      PF08 FWD          PF09 PRINT      PF10 SDIV      PF11              PF12

CMD :  
OG5SECT

ONGARD  
INQUIRE LAND BY SECTION

12/21/94 13:56:24  
OGOMES -EMF9  
PAGE NO: 1

Sec : 23 Twp : 27N Rng : 11W Section Type : NORMAL

D 40.00  Federal owned	C 40.00  Federal owned	B 40.00  Federal owned	A 40.00  Federal owned
E 40.00  Federal owned	F 40.00  Federal owned	G 40.00  Federal owned	H 40.00  Federal owned
A			A

PF01 HELP  
PF07 BKWD

PF02  
PF08 FWD

PF03 EXIT  
PF09 PRINT

PF04 GoTo  
PF10 SDIV

PF05  
PF11

PF06  
PF12