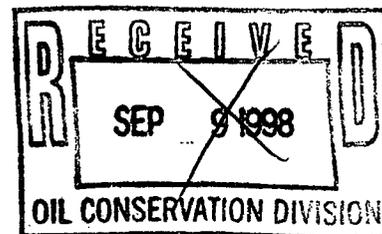


Bonneville Fuels Corporation
A Subsidiary of Bonneville Pacific Corporation

Sept. 7, 1998



Oil Conservation Division of the State of New Mexico
Attn.: Mr. Michael E. Stogner
2040 South Pacheco
Santa Fe, New Mexico 87505
Phone: (505) 827-8185; Fax: (505) 827-1389

Re: Request For Administrative Approval of a Non-Standard Location
Soapberry State Com. 7-#1

Dear Mr. Stogner,

Bonneville Fuels Corporation is the Lessee of Record (100%) of two (2) State of New Mexico Oil and Gas Leases which together constitute the entire south half of Section 7, T.21S., R.26E., NMPM, Eddy County, New Mexico. These leases are as follows:

| | | | |
|-------------|---------------------|----------------------------------|-------------------|
| 40.00 Acres | Tract No. V0-O-0002 | Beneficiary: MI (NMMI) | Legals: NE/4 SE/4 |
| 39.50 Acres | Tract No. V0-O-0003 | Beneficiary: CS (Common Schools) | Legals: Lot 3 |
| 39.38 Acres | Tract No. V0-O-0003 | Beneficiary: CS (Common Schools) | Legals: Lot 4 |
| 80.00 Acres | Tract No. V0-O-0003 | Beneficiary: CS (Common Schools) | Legals: E/2 SW/4 |
| 80.00 Acres | Tract No. V0-O-0003 | Beneficiary: CS (Common Schools) | Legals: W/2 SE/4 |
| 40.00 Acres | Tract No. V0-O-0003 | Beneficiary: CS (Common Schools) | Legals: SE/4 SE/4 |

Bonneville Fuels is requesting a NON-STANDARD LOCATION at the following footage:

Soapberry State Com. 7-#1
2,630' FEL & 990' FSL, Unit 'J', Section 7,
T.21S., R.26E., NMPM, Eddy County, New Mexico

on this acreage. BFC is requesting this Non-Standard Location for geologic reasons in a pro-ration unit in the Avalon Field in the Morrow and Strawn Fm. Intervals consisting of the 318.88 acres in the south 1/2 of Section 7.

A Vicinity Map is attached which indicates the presence of two (2) previously drilled statistical dry holes in the south 1/2 of section 7:

| Well Name: | Operator: | Month | Location: | Result: |
|-------------------|---------------|----------|------------------------|----------------|
| | T.D.: | Drilled: | | |
| Avalon State #1: | David Fasken: | 10/72: | 1400' FSL & 1650' FWL: | Dry Hole. |
| | 10,800' | | | |
| Cal-Mon State #1: | TXO: | 5/83: | 990' FSL & 660' FEL: | Non-Commercial |
| | 10,877' | | | Completion. |

It is BFC's contention that these two penetrations FAILED to intersect the heart of a potentially productive Morrow Channel incision being, respectively, on the western up-dip and eastern down-dip edges of economic production. BFC requests this Non-Standard location in order to establish economic production in this proration unit.

BFC's geologist, Mr. R.J. Kozarek, has attached several log analysis exhibits which demonstrate the necessity of drilling at the requested location in order to intersect a productive interval in the Morrow at the most economic (probable) location. Please grant this Administrative Request as soon as possible - if it is acceptable. I am prepared to stake this location on Wednesday, September 9, 1998, if you grant Administrative Approval of this matter. This material is being faxed for your immediate consideration. A hard copy will be mailed immediately. Please respond to this request by fax ASAP.

Thank You for Your Consideration of This Matter,
Sincerely Yours,

R.A. Schwering, P.E.
Operations Manager: SE NM

Geological Discussion for Bonneville Fuels Corporation's (BFC) exception location 2630' FEL, 990' FSL, Sec 7-T21S-R26E Eddy County, New Mexico.

Exhibit #1 – Spotter Map. Proposed Spacing Unit S/2 of Section 7 in hachures. Key wells downdip and wet TXO #1 Cal – Mon State in SE-SE Sec 7 and up dip and tight Fasken #1 Avalon State. Line of cross section A – A' with both key wells and through the proposed location.

Exhibit #2 – Structural Cross-section A – A' West to East through the key wells and the proposed location. Illustrates the Morrow 'B' and 'C' Sand packages moving updip from the TXO #1 Cal-Mon State well to the Fasken #1 Avalon State Well.

Several of the individual sand pods present in the downdip TXO well are pinched out in the Fasken well and are therefore prospective in our proposed location. Most all of the other individual sand pods that production tested slight shows of gas with water in the downdip TXO well were tight in the Fasken well.

A location at 2630' FEL and 990' FSL is necessary to intercept the thick, porous Morrow sand channels present but wet in the TXO #1 Cal-Mon State well in the optimal structural location east of the Fasken well where those same sands are mostly tight or non-existent due to stratigraphic pinch outs.