



Bonneville Fuels Corporation

December 18, 1998



State of New Mexico
Oil Conservation Division
Attn.: Mr. Bryan Arrant: District Geologist
811 South 1st
Artesia, NM 88210
Phone: (505) 748-1283; Fax: (505) 748-9720

Dear Mr. Arrant:

Attached you will find a Sundry Notice to clean-out the Lake Shore Fed. S.C. 10-#2 in SE Section 10, T.21S., R.26E., Eddy County, New Mexico, and establish segregated production from the Strawn Fm. (9725' to 9955' OA), which currently produces up the 2-7/8" tubing and will henceforward produce up the 5-1/2" x 2-7/8" casing/tubing annulus, and the Morrow Fm. (10,924' to 10,942' OA) which will henceforward produce in isolation up the tubing.

Please review this Sundry Notice. Work has already commenced to clean-out the wellbore prior to establishing Morrow production.

Also attached is a form 'C-102' which re-dedicates communitized acreage to the production of Morrow Fm. gas reserves. Please review this dedication.

Lastly attached is a Form 'C-104' which will allow BFC to test the Morrow Fm. thru the current production facilities in order to minimize waste of valuable hydrocarbon reserves. Please review this as to adequacy. This production testing, and subsequent sales, will be thru existing production equipment on the lease. BFC will be careful to inform the transporters of the Formation of origin for all production/testing sales.

BFC has established a producing GOR history for the Strawn Fm. (118,000 SCF/STBO). Oil production will be allocated between zones on the basis of this GOR for Strawn Fm. production. Gas sales for the Morrow Fm. and Strawn Fm. intervals will be separately metered. A new separation and metering facility will have to be installed to handle the annular Strawn Fm. production.

If you have any questions or need any additional information do not hesitate to call me ASAP at (303) 376-2564. Fax me an approval ASAP @ (303) 863-1558. Thank you for your prompt attention to this matter. Merry Christmas AND Happy Holidays.

Sincerely Yours,
BONNEVILLE FUELS CORPORATION


R. A. Schwering, P.E.

Operations Manager: SE NM

cc: Well File

