



Bonneville Fuels Corporation

December 4, 1998

Attn.: Mr. Doug Stewart
District Permit Agent
NEW MEXICO STATE HIGHWAY AND TRANSPORTATION DEPARTMENT
District Two: Roswell, New Mexico
4505 West 2nd Street
Roswell, N.M. 88202
Phone: (505) 624-3318; Fax: (505) 624-3317

Re: Driveway Access Permit for Wellsite
Proposed Soapberry Draw State Com. 7-#1 Well

Dear Mr. Stewart:

Bonneville Fuels Corporation is proposing to drill the Soapberry Draw State Com. 7-#1 well in the SW ¼ of Section 7, T.21S., R.26E., Eddy County, New Mexico. This well is being drilled from a State of New Mexico owned surface location (all of the SW ¼ of Section 7) to develop State of New Mexico owned minerals (all of the south ½ of Section 7). This location will require a lease road and an access point on U.S. Highway 285 approx. ¼ mile northwest of Mile Marker 42. This lease road and Highway 285 access is entirely on State of New Mexico owned surface in the SW ¼ of Section 7.

BFC has surveyed this proposed access road and a plat is attached for your review and provides a legal description of the access. A conceptual drawing of proposed access facilities is attached. The conceptual drawing was prepared by Mr. Archie Tidwell with Sweatt Construction of Artesia, New Mexico. Sweatt will be doing our construction and I trust that the approach, culvert and cattleguard with locking gate will meet with your approval. BFC will construct facilities as you approve, specify, inspect and accept them - to YOUR satisfaction. BFC has an agreement with the State of New Mexico grazing lessee for surface impacts and this is attached for your consideration IF YOU NEED IT.

I am faxing you this application today for your immediate consideration. I will Fed-Ex this application and the hard copy should arrive Monday. BFC will commence construction as soon as permit approval is received. A meeting with Sweatt Construction may be arranged at the site, if you request one, by calling Mr. Sweatt or Mr. Tidwell @ (505) 748-1238, at your convenience. I will fax them these materials also.

Please review this Permit Application upon receipt and call me at (303) 376-2564 to confirm the receipt of all attachments in a legible form. I would like to answer any initial questions that you may have at that time. Please fax me an approved permit, with all required stipulations, at (303) 863-1558 as soon as you have granted approval so that BFC can immediately commence construction. Thank you for your attention to this matter,

Sincerely Yours,
BONNEVILLE FUELS CORPORATION


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

Attachments:

State Driveway Access Permit
Conceptual Drawing
Access Road Survey
Surface Damages Settlement

Cc: Well Files
Sweatt Construction

New Mexico State Highway & Transportation Department

**APPLICATION FOR PERMIT TO CONSTRUCT DRIVEWAY OR MEDIAN OPENING
ON PUBLIC RIGHT-OF-WAY**

Department Use Only

District No. _____	Permit No. _____	State Highway No. _____
Project No. _____	Station No. (s) _____	Mile Post(s) _____
Posted Speed _____	Highway ADT _____	Sight Distance _____
Type of Vehicle _____		Est. Driveway ADT _____

TO: New Mexico State Highway & Transportation Department
 ATTN: District Highway Engineer
 () Denning (X) Roswell () Albuquerque () Las Vegas () Santa Fe () Milan . New Mexico

Application is hereby made by Bonneville Fuels Corporation, 1660 Lincoln, Suite 2200.
Denver, Colorado 80264 for the purpose of Drilling Well site with the estimated driveway
 (Owner of Property) (Mailing Address)
 (Type of Business or Residence)

ADT as listed above, for permission to construct (1) driveway(X), or median opening(s) at the following described location:
On Highway #285 between Artesia & Carlsbad 1/4 Mile west of Mile Marker #42
on North Side of Highway #285. Survey Plat attached

in Eddy County, on State Highway No. 285 in accordance with the attached plans or sketch. Work will
 commence on or about 12-10-98 and will require approximately 10 days.
 (Date)

The proposed driveway or median opening must be located, designed, and constructed in accordance with the *Regulations for Driveways and Median Openings on Non-access Controlled Highways*. A Gate (X), Cattleguard (X), Additional Fence (X), Drainage Structures (X), will be required which owner agrees to furnish and hereafter maintain in good repair and closed to livestock. The applicant shall submit a construction traffic control plan for approval. The owner will protect, indemnify, defend, and hold the New Mexico State Highway & Transportation Department harmless from any injury or damage caused the owner, or third parties, by owner's failure to comply with the above. If this permit is granted, owner further agrees to comply with all the conditions, restrictions, and regulations, of the State Highway and Transportation Department. If not constructed, this permit will expire six months from date of issue unless otherwise noted and approved. The permittee shall notify the District Engineer of pending construction at least 72 hours prior to any construction, and upon completion of construction which shall be within 45 days of initiation of construction.

Place Denver County - State of Colorado
 Sworn to and subscribed before me this 4th
 day of December 19 98
 My commission expires 7-30-2000

R. A. Schwerin
 (Owner's Signature)
 By R. A. Schwerin, P.E.
 Title Operations Manager : SE NM
 Owner's Phone No. (303) 376-2564
 For BONNEVILLE FUELS CORPORATION

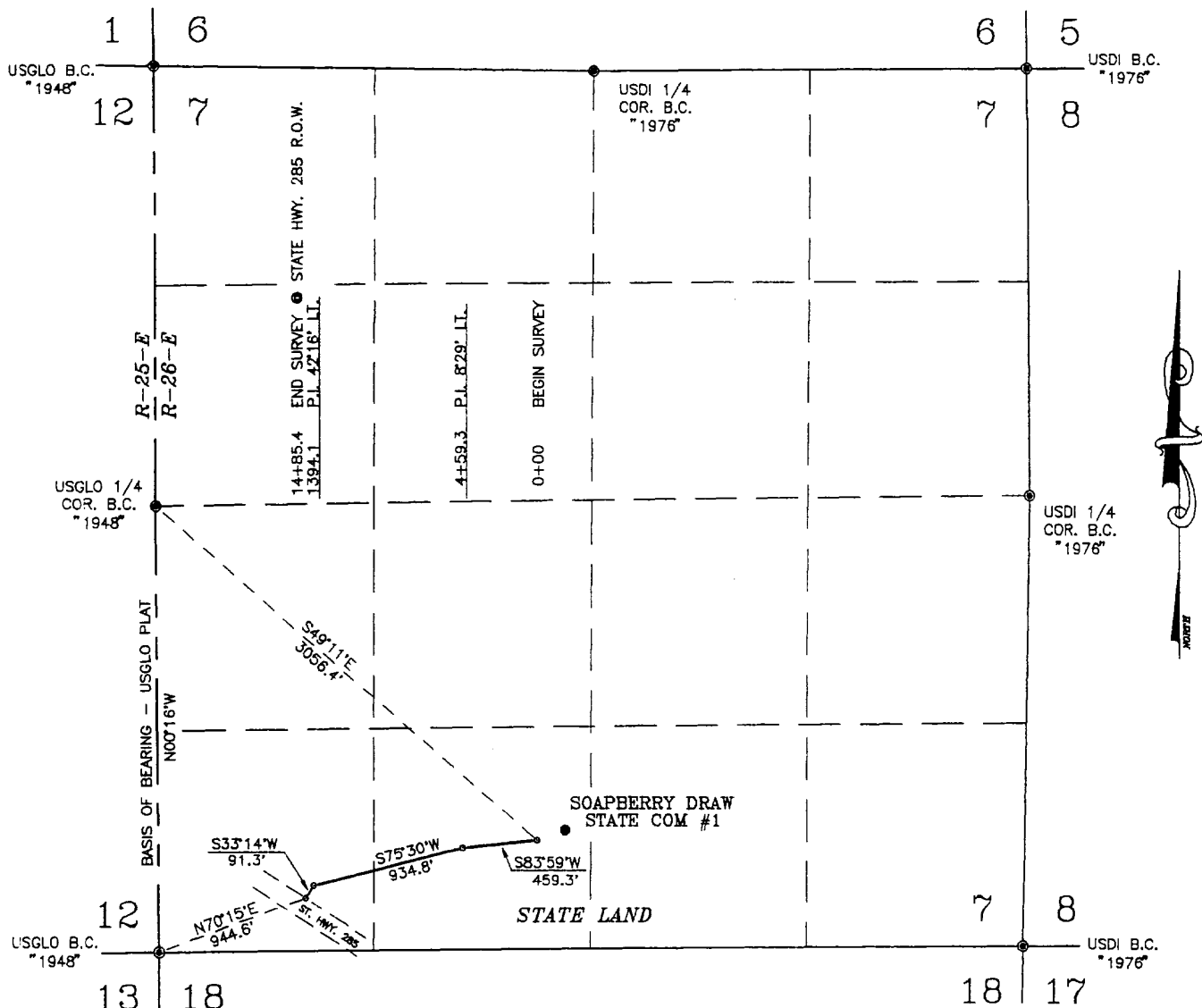
Robert C. [Signature]
 (Notary Public)

Permission granted this _____ day of _____, 19 _____
 Subject to the above stated conditions and the following additional requirements _____

Deviation from the conditions or the approved sketch may be grounds for revocation.

Distribution: NEW MEXICO STATE HIGHWAY & TRANSPORTATION DEPARTMENT
 Original- G.O. Files
 Copies- District Engineer
 Applicant
 Traffic Services Engineer
 By _____
 (District Engineer or Designee)
 Title _____

SECTION 7, TOWNSHIP 21 SOUTH, RANGE 26 EAST, N.M.P.M.,
EDDY COUNTY
NEW MEXICO



LEGAL DESCRIPTION

A STRIP OF LAND 30 FEET WIDE CROSSING STATE OF NEW MEXICO LAND IN SECTION 7, TOWNSHIP 21 SOUTH, RANGE 26 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND 15.0 FEET RIGHT OF THE FOLLOWING DESCRIBED CENTERLINE SURVEY:

BEGINNING AT A POINT IN THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 7 WHICH LIES S49°11'E - 3056.4 FEET FROM A USGLO BRASS CAP FOUND AT THE WEST QUARTER CORNER OF SAID SECTION 7; THENCE S83°59'W - 459.3 FEET; THENCE S75°30'W - 934.8; THENCE S33°14'W - 91.3 FEET TO AT A POINT IN THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 7 WHICH LIES N70°15'E - 944.6 FEET FROM A USGLO BRASS CAP FOUND AT THE SOUTHWEST CORNER OF SECTION 7.

SAID STRIP OF LAND BEING 1485.4 FEET OR 90.02 RODS IN LENGTH AND CONTAINING 1.023 ACRES, MORE OR LESS, AND BEING ALLOCATED BY FORTIES AS FOLLOWS:

SE/4 SW/4 - 61.69 RODS - 0.701 ACRES
SW/4 SW/4 - 28.33 RODS - 0.322 ACRES



I HEREBY CERTIFY THAT I CONDUCTED AND AM RESPONSIBLE FOR THIS SURVEY, THAT THIS SURVEY IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF, AND THAT THIS SURVEY AND PLAT MEET THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO.

RONALD J. EIDSON
RONALD J. EIDSON, N.M. S.S. No. 3239
GARRETT G. EIDSON, N.M. S.S. No. 12641
9-17-98

JOHN W. WEST ENGINEERING COMPANY
CONSULTING ENGINEERS & SURVEYORS - HOBBS, NEW MEXICO

BONNEVILLE FUELS CORPORATION

SURVEY FOR A ROAD CROSSING
STATE OF NEW MEXICO LAND
IN SECTION 7, TOWNSHIP 21 SOUTH,
RANGE 26 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO

Survey Date: SEPT. 10, 1998	Sheet 1 of 1 Sheets
W.O. Number: 98-11-1227	Drawn By: CDG
Date: 9-16-98	BONNEVILLE
BON1227	Scale: 1"=1000'

NOT
TO
SCALE

To Artexa

4537

45 ft. from edge of pavement to fan

Cattle Guard w/
Loading Gate

H-Braced Posts

1.5 mile

42 mile marker

.45 mile

4.5 mile
To Develop
State of

State of New Mexico

Private Driveway

To:
Happy
Valley

U.S. Highway #285

→ Southbound 2-Lane

Overder

Northwood 2-Lane

U.S. Highway 285

To Carlsbad

SURFACE USE AND DAMAGE AGREEMENT

THIS AGREEMENT, made and entered into this 20th day of October, 1998, by and between John Etcheverry whose address is Post Office Box 36, Carlsbad, New Mexico 88220 (hereinafter referred to as "Landowner"), and Bonneville Fuels Corporation, with an address at 1660 Lincoln, Suite 2200, Denver, Colorado 80264 (hereinafter referred to as "Bonneville"), is to witness:

I. RECITALS

WHEREAS, Landowner is the owner of and is in possession of the surface estate of the lands located in the SW/4 SE/4 of Section 7 and a State of New Mexico grazing lease covering the SW/4 of Section 7, Township 21 South, Range 26 East, Eddy County, New Mexico (the "Subject Lands"); and

WHEREAS, Bonneville is the owner of an oil and gas lease or leases which cover all or part of the Subject Lands; and

WHEREAS, Bonneville intends to enter upon the Subject Lands to conduct operations for the investigation and exploration for and the drilling, production, treating, removal and transportation of oil, gas and all associated hydrocarbon substances produced in association therewith from the Subject Lands; and

WHEREAS, Bonneville and Landowner desire to enter into this written contract as evidence of their agreement, and to provide for assurances by the parties concerning drilling operations; and

NOW, THEREFORE, for and in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged by Landowner, the parties hereto agree as follows:

II. USE OF SUBJECT LANDS BY BONNEVILLE

Bonneville agrees to use the surface and subsurface in the following manner.

- A. Use of Surface and Subsurface. Bonneville has the right to reasonably use portions of the Subject Lands in its operations for the exploring and drilling for, and the production, treating, removal or transportation of oil and gas and associated hydrocarbons. Bonneville shall be liable for any damage which may occur to any existing fences and for any death or injury which may result from Bonneville's operations to livestock, if any, on said lands. Bonneville agrees that there will be no trash along roadways, drillsites or other facilities used by Bonneville on said lands.
- B. Use and Construction of New Roads or Facilities. Bonneville shall construct upon the Subject Lands one roadway to its drilling site as delineated on the Well Location and Acreage Dedication Plat attached hereto, and Bonneville has the right to construct and use mud pits, pipelines and transportation facilities and the maintenance thereof, in connection with or in the transportation of oil and gas and associated hydrocarbons, materials, personnel and water to and from the well site described in Section II.A. Landowner shall have the right, at his own risk, to use such road so long as Landowner's use does not interfere with Bonneville's use thereof.
- C. Removal of Structures for Improvements. Bonneville has the right to remove from the Subject Lands any structures, pipelines, or any improvements as described above or any other structure or improvement not herein specifically described, which may have been placed on the Subject Lands by Bonneville.
- D. Use of Water. Bonneville may use any underground water, which Bonneville develops upon the Subject Lands, for the purposes contemplated herein. Bonneville currently intends to drill a water well, on Landowner's property located in the SW/4 SE/4 of Section 7.
- D. Reclamation. All necessary and reasonable surface damages occurring as a result of Bonneville's mineral activities will be reclaimed by Bonneville in a timely manner.

III.

CONSIDERATION TO BE PAID FOR RIGHTS OF SURFACE USE

For and in consideration for the uses of the Subject Lands set forth herein and for any and all necessary and reasonable damages which may be done to the surface of the Subject Lands by Bonneville in exercising its rights on the property, which are confirmed by Landowner in Section II. hereof, Bonneville agrees to pay Landowner the following:

- A. Compensation for Drillsite, Road and Pipeline Constructed by Bonneville. Bonneville shall pay to Landowner and Landowner agrees to accept a one-time payment of Two Thousand Dollars (\$2,000) for the drillsite, road and pipeline used or constructed on the Subject Lands, which payment shall cover all normal and reasonable damages which may be caused as a result of the drilling operations upon the Subject Lands.
- B. No Payments for Road Controlled by Others. Bonneville will not pay Landowner for the use of any portion of an existing road or road constructed by Bonneville which is located on lands owned or controlled by the Bureau of Land Management, the Forest Service, any federal or state agency, or other fee surface landowner.
- C. Compensation for Water Well and Water. Bonneville will pay to Landowner and Landowner agrees to accept a one-time payment for the water well, described in Section II.C., as well as Bonneville's use of any water taken therefrom. Said payment shall be Twenty-five Thousand Dollars (\$25,000), less Bonneville's actual cost to drill, complete, and run electricity to the subject water well (not to include equipping the well with a downhole pump or drop pipe tubing). Final payment, under this Section shall be made within thirty (30) days from receipt of all invoices associated with the water well.
- D. Compensation for Temporary Lodging. Bonneville agrees to pay to Landowner One Hundred Dollars (\$100) per day, to be applied toward temporary lodging expenses, during that period of time when the risk of the release of sour gas from the well is greatest. Bonneville will use its best efforts to notify Landowner, of the recommended evacuation dates, approximately two (2) days prior to the well's anticipated encounter with any high risk sour gas formations.
- E. Compensation for Caliche. Bonneville will pay to Landowner and Landowner agrees to accept \$1.40 per yard for any caliche taken from Landowner's property located in the SW/4 SE/4 of Section 7.

IV.

UNINTERRUPTED OPERATIONS

In the event of a dispute with respect to any matters arising out of this Agreement as to its terms and conditions or as to payment for any damages or losses incurred by Landowner whether or not the same were contemplated by this Agreement, Landowner agrees that Bonneville will

not be prevented, in any manner, from carrying on its operations upon Subject Lands pending settlement of such dispute.

VI.
CONDUCT OF OPERATIONS

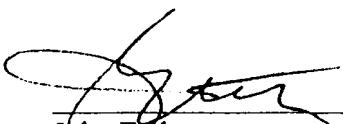
- A. Operations Pursuant to Regulations. Bonneville will conduct its operations on the Subject Lands in accordance with applicable federal, state or county governmental laws, rules and regulations. Upon termination of all operations contemplated herein on the Subject Lands, Bonneville agrees that it will restore all areas used or occupied in compliance with all applicable federal, state or county laws, rules and regulations and governmental or judicial orders which may be in effect at the time of the execution of this Agreement.

Except as set forth in this Section VI., Bonneville makes no express or implied warranty, covenant or agreement relating to the manner or method of exploration, development, drilling, production, transportation or removal of oil and gas or other associated hydrocarbons from or other operations upon the Subject Lands.

VII.
BINDING AGREEMENT

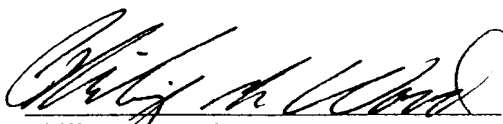
This Agreement shall be binding upon the parties hereto, and upon their devisees, personal representatives, heirs, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed effective the day and year first hereinabove set forth.

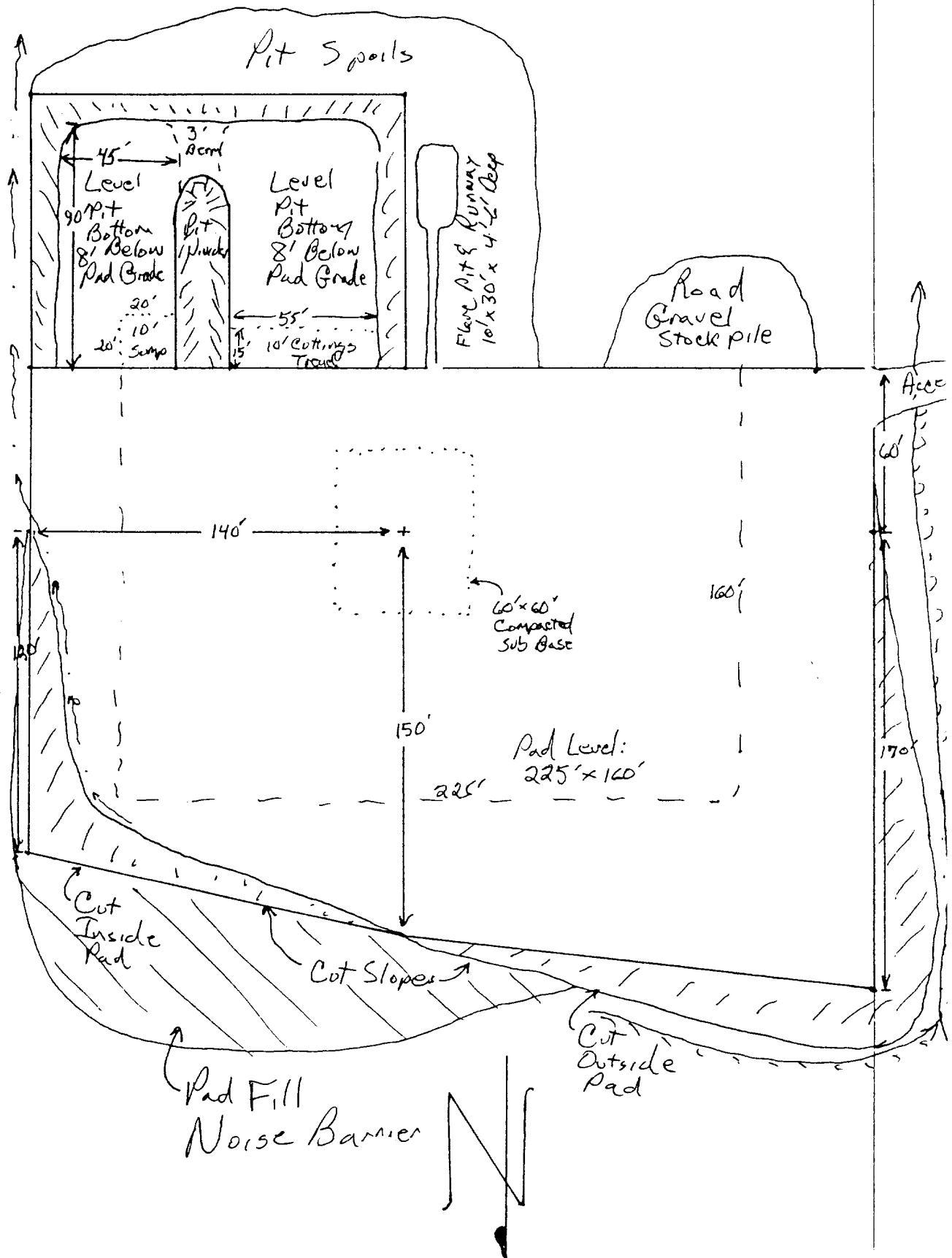
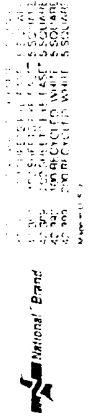


John Etcheverry

BONNEVILLE FUELS CORPORATION



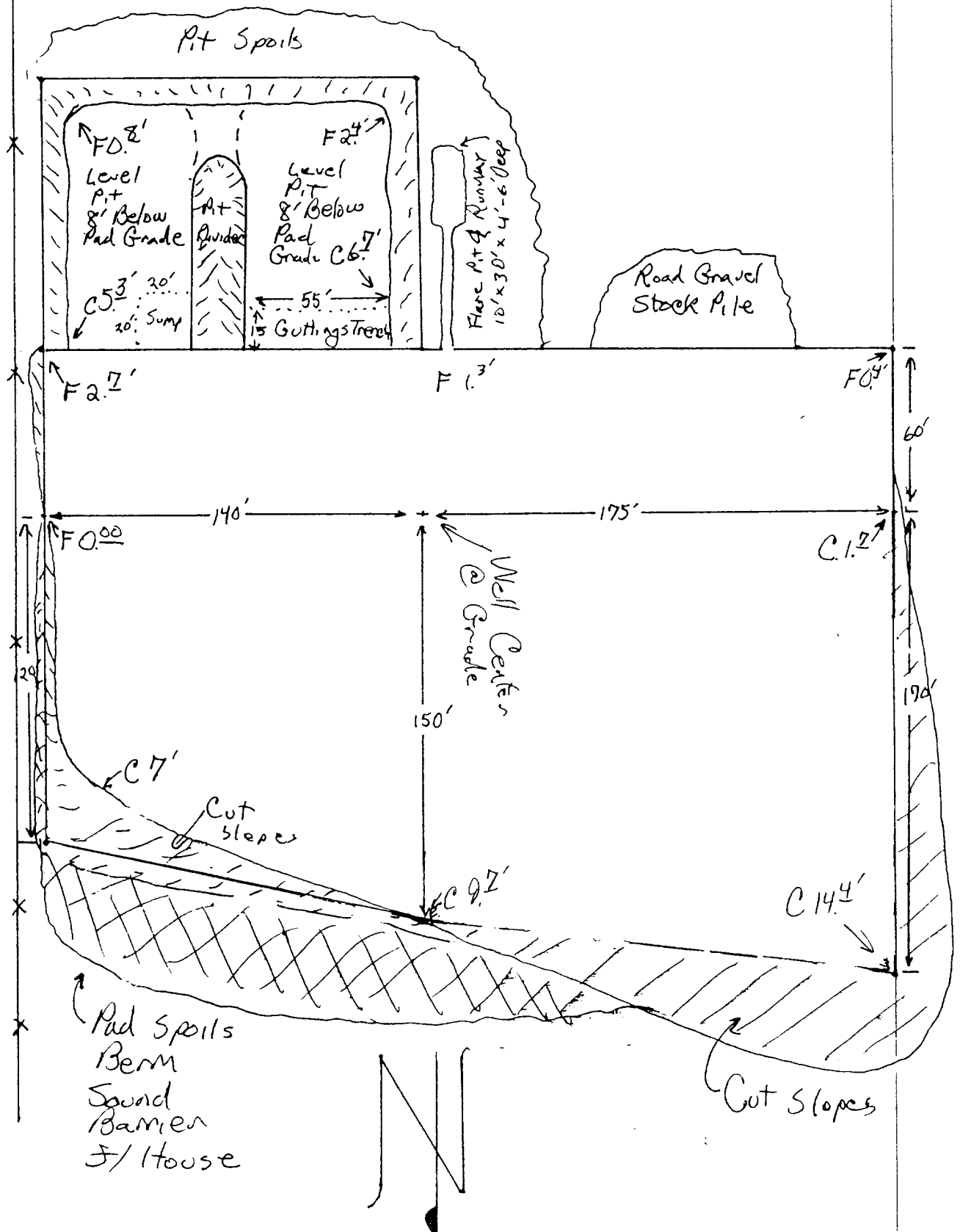
Philip G. Wood
Land Manager



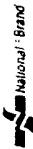
Soapberry Draw Sta 10+00 7-#1

Cuts/Fills/Stockpiles

Property Line: DO NOT CROSS
OR DISTURB



Scale: 1" = 100'
1" = 100'
1" = 100'
1" = 100'
1" = 100'
1" = 100'
1" = 100'
1" = 100'
1" = 100'
1" = 100'



1. Bid to Construct Level Location As Follows: \$ _____

- Uniformly compacted 60'x60' Sub Base.
- Location topped w/ caliche or road gravel
- Old highway: 9" Loose x 6" compacted.
- Finished grade @ current well center grade. Grid Rock @ Location
- 6'x6'x6' Board Cellar: 3x12's & 4x4's
- Pad cut-slopes in NE corner inside pad edges.
- Pad cut-slopes in NW corner outside pad edges.
- Excess fill to berm site between location & farm house w/ minimum 8' above finished grade.

NO DISTURBANCE PERMITTED EAST OF PROPERTY LINE.

2. Bid to Construct Reserve Pit & Flare Pits: \$ _____

- Reserve Pit Specs:
 - Remove brush & loose rocks from proposed pit bottom.
 - Cut & fill bottom w/ loose dirt to provide reserve pit w/ level bottom & equal volume to proposed dimensions.
 - Proposed Dimensions:
 - Cuttings Side: 90'x55' w/ 5' Level Bottom & 15'x55' Near-Rig 10' deep cuttings Trench.
 - Sump Side: 90'x45' w/ 8' Level Bottom & 20'x20' Near-Rig 10' deep Sump.
 - Pit Divider top @ Pad Grade: Est. 20' Wide.
 - Top of Berm between Cuttings Side & Sump Side @ 5' Below Pad Grade
 - FILL PIT SLOPES COMPACTED
 - PIT SIDES/BOTTOM FILLED w/ SOFT DIRT & LINER.
- Flare pit cut into pit spoils west of reserve pit w/ 50' Minimum Runway & 10'x30'x4'-6' Deep w/ Back Stop.

3. Bid to Fence 4 Exterior Sides of Reserve Pit: \$ _____

- H-Braced 4" Corner Posts: 5: 1 @ Pit Divider.
- 4 Strand Barbed-Wire
- Gated across cuttings side: No permanent Posts.

4. Bid to construct access road: Entry @ SW location corner \$ _____

- Flat-blade & clear 2-Track road to state highway access as Flagged: $\pm 1,800'$.
- Low water crossings where required.

5. Bid to construct highway entrance per Highway Dept. \$ _____

specs: Includes Gating:

- Operator to provide Cattleguard/Gating/Fencing
- Operator to provide Culvert if needed.

BID: TOTAL CONSTRUCTION: \$ _____

CONSTRUCTION NOTES:

- Pad here @ 225' x 160'
- Pad w/ slight Grade: 1" to 2" drop to edge w/ internal ~~and~~ external edge ditches as required.
- NO BLASTING.
- Provide Temp. Fence around band cellar.
-

Reclamation Bid: Reserve Pit:

- Wait until pit dry enough to close efficiently.
- Cut pit-liner off @ fill line after all fluid evaporated.
- Haul pit-liner to land fill & provide receipt.*
- Break pit surface to allow finish evaporation w/ track-hoe or back-hoe.*
- *: Take down & put-up fencing.
- FINAL CLOSURE:
 - Take down fencing & store on lease.
 - Level & compact pit fill w/ spoils.
 - Finish topping to grade w/ pad berm material.
 - Minimum cuttings cover: $\pm 2'$ fill.
 - Back-rip east-west
 - Seed & fertilize to BLM specs. & ages!

BFC to provide seed & fertilizer.

Reclamation Bid: Dry Hole:

- After pit is closed then re-contour pit/pad/road as near as possible to original slope.
- Cross-rip location pad north-south 1st pass & east-west last pass.
- Seed & Fertilize to BLM area specs.:

BFC to provide seed & fertilizer.

Note: Any Bid Portion not ordered by Operator & then completed by Contractor will NOT be paid.

CONTRACTOR: _____

Date: _____

Signed Name: _____

Title: _____

Print Name: _____