



Carbon Energy Corporation
Bonneville Fuels Corporation
CEC Resources Ltd.

April 20, 2000

Artesia District Office: Oil Conservation Division
Department of Natural Resources: State of New Mexico
Attn.: Mr. Bryan Arrant: District Geologist
811 South First Street
Artesia, New Mexico 88210
Phone: (505) 748-1283; Fax: (505) 748-9720

Dear Mr. Arrant:

Attached please find a revised C-102 and a copy of the Administrative Order NSL-4425 (NSBHL) for the proposed directionally drilled Foster Draw Delaware Gas Test:

Avalon 1 Federal #1: Surface Location: 2686' FSL & 1999' FEL
Bottom-Hole Location: 1900' FSL & 1800' FEL
Section 1, T.21S., R.26E., Eddy County, New Mexico.
Proposed Proration Unit: Lots 33, 34, 39 & 40.

On the revised C-102 (Exhibit C-2 in the APD) please note that the only other well that is in the proration unit is the vertically drilled:

Federal 1 Avalon #1: 330' FSL & 330' FEL,
Section 1, T.21S., R.26E., Eddy County, New Mexico

The Federal 1 Avalon #1 Well produces out of the Morrow Fm. and its proration unit encompasses Lots 33, 34, 35, 36, 37, 38, 39 & 40 (approx. 320 acres) in the Atoka & Morrow Fm. **No well existing or proposed produces out of the proration unit in the Foster Draw Delaware Gas Pool that is proposed to be dedicated to the Avalon 1 Federal #2 well.**

The Administrative Order NSL-4425 (NSBHL) grants Bonneville Fuels Corporation the right to produce oil and gas from that portion of the proposed directionally drilled Avalon 1 Federal #2 wellbore that meets the legal setback requirements (660' from north, west, east, and south lines of the proposed proration unit). Such production shall be unrestricted except by normal pool rules for the Foster Draw Delaware Gas Pool.

Call me if you have any additional questions about this APD @ (303) 863-1555 ext. 213.

Sincerely Yours,
BONNEVILLE FUELS CORPORATION


R. A. Schwering, P.E.
Operations Manager, Permian Basin

Attachments (4 Pages)