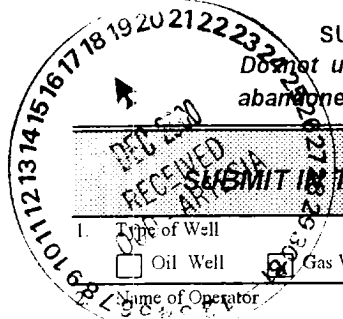


UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

N.M. Oil Cons. Division
811 S. 1st Street
Artesia, NM 88210-2834

FORM APPROVED
OMB No. 1004-0135
April 1996

9517



SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other

Name of Operator
Bonneville Fuels Corporation

3a. Address
1700 Broadway, Ste 1150, Denver CO 80290

3b. Phone No. (include area code)
303 863-1555 ext. 204

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

Unorthodox Surface Location: 2762' FSL 2075' FEL Sec 1 T21S, R26E NMPM
Orthodox Top of Pay Location: 1997' FSL & 2007' FWL (3350.5' FEL)
Orthodox Bottom-Hole Location: 1573' FSL & 1309' FWL (4058' FEL)

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

Avalon 1 Federal #3

9. API Well No.

30 015 31199

10. Field and Pool, or Exploratory Area

Foster Draw Delaware Gas

11. County or Parish, State

Eddy County, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize <input type="checkbox"/> Deepen <input type="checkbox"/> Production (Start/Resume) <input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input checked="" type="checkbox"/> Alter Casing <input type="checkbox"/> Fracture Treat <input type="checkbox"/> Reclamation <input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair <input type="checkbox"/> New Construction <input type="checkbox"/> Recomplete <input type="checkbox"/> Other
	<input checked="" type="checkbox"/> Change Plans <input type="checkbox"/> Plug and Abandon <input type="checkbox"/> Temporarily Abandon
	<input type="checkbox"/> Convert to Injection <input type="checkbox"/> Plug Back <input type="checkbox"/> Water Disposal

13 Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleation in a new interval, a Form 3160-4 shall be filed once Testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Bonneville Fuels Corporation respectfully requests several alterations in the drilling plan for the subject well after the vertical well reaches a TD @ 1800':

- Run & Set 9-5/8" 36# J-55 ST&C casing in 12-1/4" hole to 1800' (immediately below all cavernous lost circulation zones).
- Cement 9-5/8" casing to surface with:
200 sx. Class 'H' cement w/ 10% A-10B + 10#/sx. Gilsonite + 1/2#/sx. Cello-Flakes + 1% CaCl₂ @ 14.6 PPG @ 1.52 cu.ft./sx. foll/w/
325 sx. 50% 'C' cement + 50% Poxmix 'A' w/ 10% Gel + 10#/sx. Gilsonite + 1/2 #/sx. Cello-Flakes + 2% CaCl₂ @ 11.9 PPG @ 2.50 cu ft./sx. foll/w/
200 sx. Class 'C' cement w/ 2% CaCl₂ + 1/4 #/sx. Cello-Flakes.
Perform remedial cementing as necessary until 9-5/8" casing is cemented to surface.
- NL BOPE & Test Casing & BOPE as per original permit.
- Drill 8-3/4" Hole to T.D. @ 5032' MD (3830' TVD) per attached revised directional plan which reaches the top of proposed pay in an orthodox location.
- Log and DST well as necessary. Run & Set 4-1/2" 11.6# J-55 LT&C casing.
- Cement well to approx. 1000' TVD per the original well plan based on caliper volumes obtained from electric logs with Super 'C' cement w/ additives.
A copy of the Revised Directional Plan and the Unorthodox Surface Location NMOC order are attached.
Feel free to call BFC at the above-referenced number if you have any questions.
BFC plans to spud in approx. 15 Days & request timely approval of this Sundry Notice.

**SUBJECT TO
LIKE APPROVAL
BY STATE**

14. Name (Printed/Typed) Ron Millet

Signature

[Handwritten Signature]

Title

Drilling Manager

Date

December 8, 2000

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

(ORIG. SGD.) DAVID R. GLASS

Title

PETROLEUM ENGINEER

Date

DEC 12 2000

Conditions of approval, if any, are attached. Approval of this notice 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.

Office

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Bonneville Fuels Corp.

***New Mexico
Eddy County
Sec. 1-T21S-R26E
Federal 1 Avalon #3 - Avalon 3L 6x3***

PROPOSAL REPORT

7 December, 2000



Proposal Ref: pro4862

Sperry-Sun Drilling Services

Proposal Report for Federal 1 Avalon #3 - Avalon 3L 6x3



**Bonneville Fuels Corp.
New Mexico**

**Eddy County
Sec. 1-T21S-R26E**

Measured Depth (ft)	Incl.	Azim.	Vertical Depth (ft)	Northings (ft)	Eastings (ft)	Vertical Section (ft)	Dogleg Rate (°/100ft)
0.00	0.000	0.000	0.00	0.00 N	0.00 E	0.00	
1000.00	0.000	0.000	1000.00	0.00 N	0.00 E	0.00	0.00
1800.00	0.000	0.000	1800.00	0.00 N	0.00 E	0.00	0.00
1900.00	6.000	239.056	1899.82	2.69 S	4.49 W	5.23	6.00
2000.00	12.000	239.056	1998.54	10.73 S	17.90 W	20.87	6.00
2100.00	18.000	239.056	2095.09	24.03 S	40.09 W	46.74	6.00
2200.00	24.000	239.056	2188.40	42.45 S	70.81 W	82.56	6.00
2300.00	30.000	239.056	2277.46	65.78 S	109.73 W	127.94	6.00
2400.00	36.000	239.056	2361.29	93.78 S	156.42 W	182.38	6.00
2500.00	42.000	239.056	2438.97	126.12 S	210.37 W	245.28	6.00
2600.00	48.000	239.056	2509.65	162.46 S	270.99 W	315.96	6.00
2700.00	54.000	239.056	2572.55	202.41 S	337.61 W	393.64	6.00
2800.00	60.000	239.056	2626.99	245.51 S	409.51 W	477.46	6.00
2885.10	65.106	239.056	2666.21	284.33 S	474.26 W	552.96	6.00
3000.00	65.106	239.056	2714.57	337.92 S	563.65 W	657.19	0.00
3915.64	65.106	239.056	3100.00	765.00 S	1276.00 W	1487.75	0.00
4000.00	62.575	239.056	3137.19	803.93 S	1340.94 W	1563.46	3.00
4100.00	59.575	239.056	3185.55	848.93 S	1416.00 W	1650.98	3.00
4200.00	56.575	239.056	3238.42	892.57 S	1488.78 W	1735.84	3.00
4300.00	53.575	239.056	3295.67	934.72 S	1559.10 W	1817.83	3.00
4400.00	50.575	239.056	3357.12	975.28 S	1626.74 W	1896.70	3.00
4500.00	47.575	239.056	3422.62	1014.13 S	1691.54 W	1972.25	3.00
4600.00	44.575	239.056	3491.99	1051.16 S	1753.31 W	2044.26	3.00
4700.00	41.575	239.056	3565.02	1086.27 S	1811.87 W	2112.55	3.00
4800.00	38.575	239.056	3641.54	1119.37 S	1867.08 W	2176.92	3.00
4900.00	35.575	239.056	3721.31	1150.37 S	1918.78 W	2237.20	3.00
4935.05	34.524	239.056	3750.00	1160.72 S	1936.04 W	2257.33	3.00
5000.00	34.524	239.056	3803.52	1179.65 S	1967.62 W	2294.14	0.00
5032.15	34.524	239.056	3830.00	1189.01 S	1983.24 W	2312.36	0.00

All data is in feet unless otherwise stated. Directions and coordinates are relative to True North.
Vertical depths are relative to RKB. Northings and Eastings are relative to Wellhead.

The Dogleg Severity is in Degrees per 100 feet.
Vertical Section is from Wellhead and calculated along an Azimuth of 239.056° (True).

Based upon Minimum Curvature type calculations, at a Measured Depth of 5032.15ft.,
The Bottom Hole Displacement is 2312.36ft., in the Direction of 239.056° (True).

Continued...

Sperry-Sun Drilling Services

Proposal Report for Federal 1 Avalon #3 - Avalon 3L 6x3



Bonneville Fuels Corp.
New Mexico

Eddy County
Sec. 1-T21S-R26E

Comments

Measured Depth (ft)	Station Coordinates			Comment
	TVD (ft)	Northings (ft)	Eastings (ft)	
1800.00	1800.00	0.00 N	0.00 E	Kick-Off at 1800.00ft
2342.55	2313.83	77.14 S	128.67 W	Build Rate = 6.00°/100ft
2885.10	2666.21	284.33 S	474.26 W	End of Build at 2885.10ft
3400.37	2883.10	524.67 S	875.13 W	Hold Angle at 65.106°
3915.64	3100.00	765.00 S	1276.00 W	Start Drop at 3915.64ft
4425.34	3373.35	985.29 S	1643.44 W	Drop Rate = 3.00°/100ft
4935.05	3750.00	1160.72 S	1936.04 W	End of Drop at 4935.05ft
4983.60	3790.00	1174.87 S	1959.64 W	Hold Angle at 34.524°
5032.15	3830.00	1189.01 S	1983.24 W	Total Depth at 5032.15ft

Formation Tops

Formation Plane (Below Well Origin)			Profile		Penetration Point			Formation Name
Sub-Sea (ft)	Dip Deg.	Dip Dir. Deg.	Measured Depth (ft)	Vertical Depth (ft)	Sub-Sea Depth (ft)	Northings (ft)	Eastings (ft)	
3123.00	0.000	0.048	3968.69	3123.00	3123.00	789.58 S	1317.00 W	TEPF1
3203.00	0.000	0.048	4133.95	3203.00	3203.00	863.91 S	1440.97 W	BEPF1
3313.00	0.000	0.048	4328.90	3313.00	3313.00	946.61 S	1578.93 W	TEPF2
3338.00	0.000	0.048	4369.59	3338.00	3338.00	963.12 S	1606.46 W	BEPF2
3650.00	0.000	0.048	4810.80	3650.00	3650.00	1122.82 S	1872.84 W	TEPF4
3750.00	0.000	0.048	4935.05	3750.00	3750.00	1160.72 S	1936.04 W	TBC
3830.00	0.000	0.048	5032.15	3830.00	3830.00	1189.01 S	1983.24 W	BBC

Casing details

From		To		Casing Detail
Measured Depth (ft)	Vertical Depth (ft)	Measured Depth (ft)	Vertical Depth (ft)	
<Surface>	<Surface>	700.00	700.00	13 3/8" Casing
<Surface>	<Surface>	1800.00	1800.00	9 5/8" Casing

Continued...

Sperry-Sun Drilling Services

Proposal Report for Federal 1 Avalon #3 - Avalon 3L 6x3



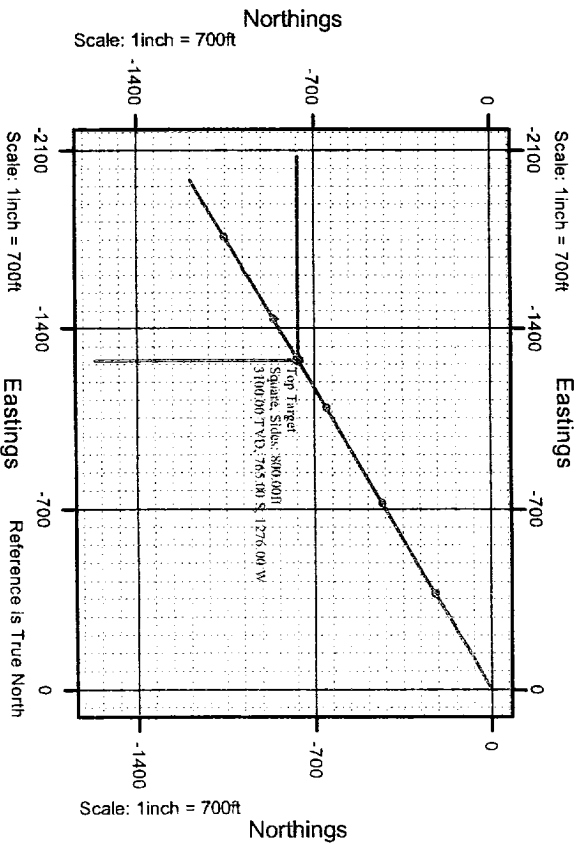
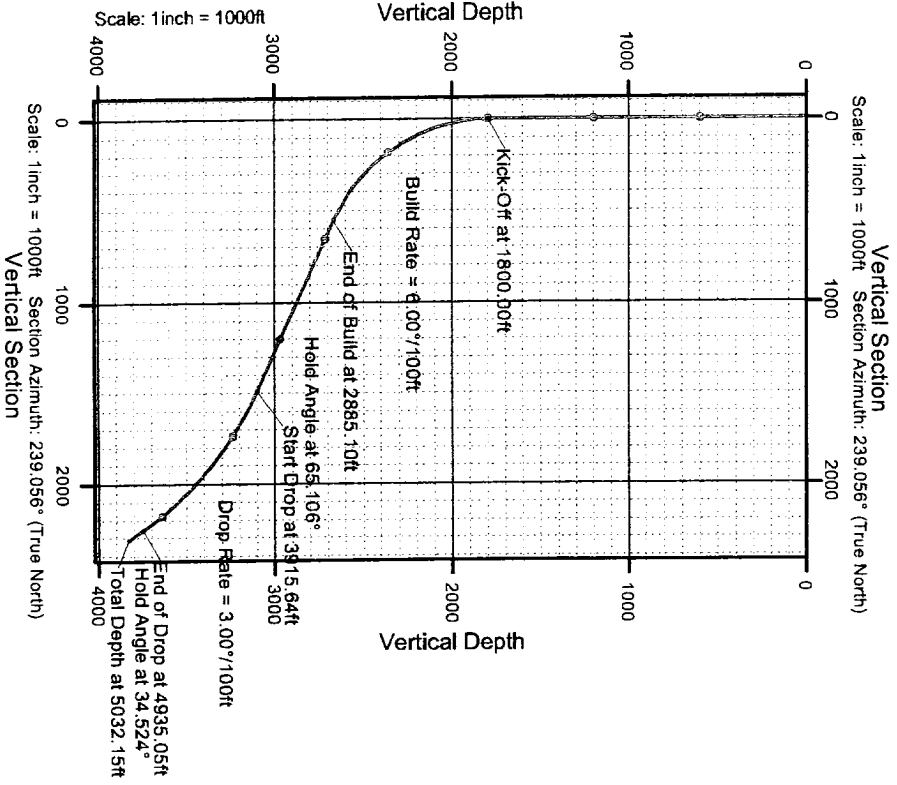
**Bonneville Fuels Corp.
New Mexico**

**Eddy County
Sec. 1-T21S-R26E**

Targets associated with this wellpath

Target Name	Target Entry Coordinates			Target Shape	Target Type
	TVD (ft)	Northings (ft)	Eastings (ft)		
Avalon 3	3100.00	765.00 S	1276.00 W	Point	Current Target

**New Mexico
Eddy County
Sec. 1-T21S-R26E
Federal 1 Avalon #3**



Prepared By:
Jim Davidson

Date/Time:
7 December, 2000 - 17:33

Checked:

Approved:



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

June 26, 2000

Lori Wrotenbery

Director

Oil Conservation Division

Bonneville Fuels Corporation
1660 Lincoln - Suite 2200
Denver, Colorado 80264
Attention: Bob Schwering

Telefax No. (303) 863-1558

Administrative Order NSL-4474(NSBHL)

Dear Mr. Schwering:

Reference is made to the following: (i) your initial application dated May 10, 2000; and (ii) the records of the New Mexico Oil Conservation Division in Santa Fe ("Division"), including the file on Division Administrative Order NSL-4425 (NSBHL): all concerning Bonneville Fuels Corporation's request for exception to Division Rules 111.A (13) and 111.C (2).

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Division Rules 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, and 111.C(2);
- (2) By Order No. R-8954 issued in Case No. 9684, dated May 31, 1989 and made effective June 1, 1989, the Division created and defined the Foster Draw-Delaware Gas Pool for the production of gas from the Delaware Mountain Group. The horizontal limits for this pool, as currently designated, include the following lands in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM

Irregular Section 1: Lots 25, 26, 31, 32, 33, 34, 39, and 40

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM

Section 5: SE/4

Section 6: S/2

Section 8: NW/4;

- (3) The Foster Draw-Delaware Gas Pool is currently governed under Division Rule 104.C (3), which provides for 160-acre gas spacing and proration units and requires wells be located no closer than 660 feet to any outer boundary of such unit and no closer than 10 feet to any quarter-quarter section or subdivision inner boundary;

- (4) The "project area" proposed by Bonneville is to consist of a single standard 163.20-acre gas spacing and proration unit comprising Lots 35, 36, 37, and 38 of Irregular Section 1;
- (5) It is our understanding that Bonneville intends to drill its proposed Avalon "1" Federal Well No. 3 from a surface location 2762 feet from the South line and 2075 feet from the East line of irregular Section 1, drill vertically to an approximate depth of 1,300 feet, kick-off in a west-southeasterly direction, build up to a maximum angle of 50 degrees, and directionally drill to a total depth of approximately 3,830 feet (TVD), or 4,662 feet (MD), at an approximated target point 1900 feet from the South and West lines (Lot 35/Unit S) of irregular Section 1;
- (6) The "penetration point", as defined by Division Rule 111.A (6), is expected to be encountered at a depth of 2,360 feet (TVD) and at a target point, considered to be unorthodox, 2274 feet from the South line and 2583 feet from the West line of Irregular Section 1;
- (7) Further, it is Bonneville's intent to only complete this well and produce gas from perforations within that portion of the wellbore that meet the orthodox setback requirements for the Foster-Delaware Gas Pool, thereby necessitating the need for an exception to Division Rule 111.C (2);
- (8) It appears that the applicant has satisfied all of the appropriate requirements prescribed in Division Rules 111.C (2) and 104.F; therefore, the subject application should be approved and a modified producing area that meet the orthodox setback requirements for the Foster-Delaware Gas Pool that is applicable to the actual pay section encountered within this wellbore should be established based on Bonneville's proposed directional drilling plan; and
- (9) The provisions contained within this order and all other applicable provisions of Division Rule 111 should govern the subject 163.20-acre project area.

It Is Therefore Ordered That:

- (1) By the authority granted me under the provisions of Division Rule 104.F (2), the above-described application of Bonneville Fuels Corporation ("Bonneville") for exception to Division Rules 111.A (13) and 111.C (2) for its proposed Avalon "1" Federal Well No. 3 to be drilled from a surface location 2762 feet from the South line and 2075 feet from the East line of

Irregular Section 1, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico to targeted bottomhole location at an approximate depth of 3,830 feet (TVD), or 4,662 feet (MD), 1900 feet from the South and West lines (Lot 35/Unit S) of irregular Section 1, is hereby approved.

(2) Lots 35, 36, 37, and 38 of Irregular Section 1, being a standard 163.20-acre gas spacing and proration unit/project area for the Undesignated Foster Draw-Delaware Gas Pool, is to be dedicated to this well.

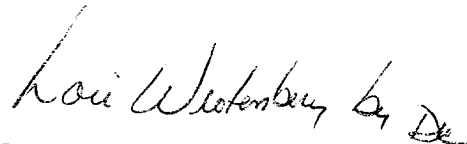
(3) The applicable drilling window or modified producing area that meet the orthodox setback requirements for the Foster-Delaware Gas Pool shall apply only to the completion or perforated interval within this pool of Bonneville's proposed Avalon "1" Federal Well No. 3.

(4) The operator shall comply with all applicable requirements and conditions set forth in Division Rule 111.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



LORI WROTENBERY
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
U. S. Bureau of Land Management - Roswell
File: NSL-4425 (NSBHL)