



Carbon Energy Corporation
Bonneville Fuels Corporation

July 25, 2001

New Mexico Oil Conservation Division
Artesia District Office
Mr. Tim Gumm: District Supervisor
1301 West Grand
Artesia, New Mexico 88210
Phone: (505) 748-1283; Fax: (505) 748-9720



Re: Sour gas Notification For Two (2) Wells
Form C-129: Application for Exception to No-Flare Rule 306 for 1 Well

Dear Mr. Gumm:

Bonneville Fuels Corporation has recently completed a pumping oil well in the Upper Cherry Canyon Fm. member of the Delaware Fm. and is also performing initial flow tests on a second well completed in the same interval. Both of these wells are in Section 10 – T21S – R26E, NMPM, of Eddy County, New Mexico:

Avalon 10 Federal #23	Avalon 10 Federal #22
1980' FSL & 1980' FWL, Unit 'K'	1980' FNL & 1980' FWL, Unit 'F'
API #: 30-015-31545	API #: 30-015-31653
Perfs.: 2282' - 2352	Perfs.: 2215' – 2310'

The Avalon 10 Federal #23 well was the initial completion and is produced by a gas-powered pumping unit & this unit consumes approx. 7 MCFD pumping the well. Prior to completion of this interval the well was tested f/ H2S in the produced gas as follows:

4034'-4251': Wellhead Test:	Trace.	
3132'-3310': Wellhead Test:	43 PPM	Reconfirm Test: Trace.
2832'-2848': Wellhead Test:	Trace.	

The Avalon 10 Federal #23 well produced NO GAS to sales when the interval 2282'-2352' during its 1st 2-1/2 weeks of production and, based on previous test results, the well was presumed to contain Trace amounts of H2S.

On 7/21/2001 the Avalon 10 Federal #23 well sold 12 MCF in 18 hours into our Section 10 sweet gathering system. At 6 am El Paso Natural Gas shut-in all of our Section 10 gas production and recorded 180 PPM H2S at their central meter. Subsequent investigation found the Avalon 10 Federal #23 to have 11,000 ppm H2S at the wellhead and the Avalon 10 Federal #22 (completed in the Upper Cherry Canyon and now undergoing INITIAL testing to determine productivity) to have 17,000 PPM H2S at the wellhead.

With this letter BFC is informing you that the Avalon 10 Federal #23 & Avalon 10 Federal #22 wells contain sour gas (H2S) in amounts exceeding 10,000 PPM. These wells are being appropriately equipped with mandatory signage, windsocks, and work equipment to allow safe work and production operations at these sites in conformance with NMOCD Regulations.

Further, BFC is requesting that the Avalon 10 Federal #23 be granted a 90-day exemption from the No-Flare Rule 306. This well will only be flaring a modest (approx. 16 MCFD) amount of gas daily. BFC will use the intervening time to either install an H2S stripping facility and sweeten the gas OR to connect the well to the Indian Hills 'B' Sour Gas Gathering System operated by Duke Energy. A Form C-129 is attached.

Our initial productivity testing at the Avalon 10 Federal #22 well indicates it is capable of 327 MCFD (it is up-dip and gassier). All of this test gas is flaring. BFC may make a similar C-129 request for this well as soon as we determine its initial productivity.

Mr. Gumm, I take H2S very seriously and am trying to keep production operations safe and efficient until a full solution can be implemented at these sites. I do not desire to flare gas but have no immediate alternative at this time. Please call me at (303) 863-1555 ext. 213 as soon as you have read this fax. A hard copy of this letter will follow in the mail. I need to make SURE that in your opinion I have provided the State of New Mexico all that it needs in these regards. Thank you for your assistance in this matter.

Sincerely Yours,
BONNEVILLE FUELS CORPORATION

R.A. Schwering, P.E.
Manager: Production Operations

Attachment: Form C-129 for Avalon 10 Federal #23 Well