

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-129
Revised March 17, 1999

Submit 3 Copies to appropriate
District Office

NFO Permit No. 2-914
(For Division Use Only)

APPLICATION FOR EXCEPTION TO NO-FLARE RULE 306

(See Rule 306 and Rule 1129)

- A. Applicant Bonneville Fuels Corporation,
whose address is 1700 Broadway, suite 1150, Denver, CO 80290,
hereby requests an exception to Rule 306 for 90 (ninety) 60 days or until
October 25, Yr 2001, for the following described tank battery (or LACT):
Name of Lease: Avalon "10" Fed. #23 Name of Pool Catchlaw Draw East (Delaware)
Location of Battery: Unit Letter K Section 10 Township 21 S. Range 26 E.
Number of wells producing into battery Single Well
- B. Based upon oil production of 80 barrels per day, the estimated * volume
of gas to be flared is 16 MCF; Value \$48.00 per day.
- C. Name and location of nearest gas gathering facility:
Indian Hills 'B' Sour Gas Gathering System in North 1/2 of Section 15
- D. Distance Approx. 0.5 miles Estimated cost of connection \$41,000 w/ Metering
- E. This exception is requested for the following reasons: BFC found its produced gas contained 11,000 to 17,000 PPM H2S after the well was recompleted in the Upper Cherry Canyon Member of the Delaware Formation. Previous testing in lower and uneconomic sections of the Delaware Formation contained Trace to 43 PPM concentrations of H2S BUT these zones were uneconomic due to very high water cuts. BFC will either install an Amine Plant to strip H2S and a Sulfur recovery system to minimize air pollution (minimum expected outlay @ \$500,000 & minimum air-permitting delay @ 90 Days) or connect to Duke Indian Hills 'B' Gas gathering System (minimum ROW permitting delay est. @ 90 days). BFC is also pursuing other alternatives @ this time which might bring the gas to sales in a shorter period of time.



OPERATOR

I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Signature

Printed Name: R. A. Schwering, P.E.
& Title: Manager: Production Operations

Date: 7/25/2001 Tel. No.: (303) 863-1555 ext. 213

OIL CONSERVATION DIVISION

Approved Until

By

Title

Date

* Gas-Oil ratio test may be required to verify estimated gas volume.