



Carbon Energy Corporation
Bonneville Fuels Corporation

JULY 9, 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



Dear Mr. Gumm:

Bonneville Fuels Corporation has recently completed a pumping oil well in the Delaware Fm. This well is the:
Avalon 10 Federal #23
1980' FSL & 1980' FWL, Unit 'K'
Section 10 – T21S – R26E, NMPM
Eddy County, New Mexico
API #: 30-015-31545

The well was drilled and cased to 4361' with 5-1/2" casing. Completion operations began on 3/1/2001. The first group of intervals tested from 4034' – 4251': OA were frac'd w/ 306,000# of 20/40 mesh sand and were not economical to pump test after frac. Seven separate perforated intervals were isolated and individually tested.

The second group of intervals tested from 3132' – 3310': OA were frac'd w/ 260,000# of 20/40 mesh sand and were pump tested for 39 days with uneconomical results. **The well was officially completed in this zone, and pumping operations began on 4/23/2001.** A third zone at 2832' – 2848' was frac'd w/ 34,000# of 20/40 mesh sand and pump tested in June for 3 days and it was also uneconomical to pump.

The well was finally completed in the interval 2282' – 2352' and sand frac'd with 67,000# of 20/40 mesh sand. This interval appears to be an economically completed interval. Extensive testing and fracing has caused this well to approach \$1.4 MM. This interval appears to exceed 80 BOPD when pumping properly.

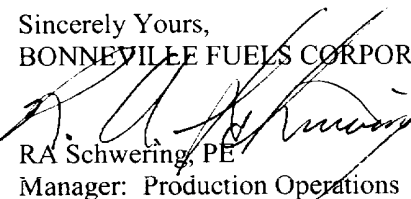
The 3-1/2 months of testing has resulted in an underage of allowable production of 4751 STBO and 10675 MCFG as of 7/9/2001 since pumping operations were initiated on 4/23/2001. It would appear that the well is currently capable of producing approx. 136 BOPD & 335 BWD from this upper zone while I pump it at 9 SPM with a Lufkin 640.

BFC would like to propose the following pump test to determine the optimum production rate for the well:

1. Pump the well at 9 SPM until the water and oil rates stabilize (expect 2-4 weeks).
2. Pump the well at 7 SPM for 10 days.
3. Pump the well at 5 SPM for 20 days.
4. Pump the well at 7 SPM for 10 days.
5. Pump the well at 9 SPM for 10 days.

BFC requests sufficient latitude to recover our underage production while conducting this test to determine the optimum pumping rate at which water-cut is minimized. If the well falls below the 80 BOPD limit during the first stage of testing then this is a moot point and BFC will produce it as best we can to meet profitability goals. Good luck in your new digs and thank you very much for any forbearance you grant us in this matter.

Sincerely Yours,
BONNEVILLE FUELS CORPORATION


RA Schwering, PE
Manager: Production Operations

Attachments: 2 Page Well Production/Testing Record w/ Underage Calculation

AVALON 10 FEDERAL #23

PUMP TESTING TWO INTERVALS: LUFKIN 640:

PERFS.:	3132' - 3310': OA				Water-Oil Cut	Gas-Oil Ratio
	MCFD	BOPD	BWD	TFPD	WOC	GOR
4/24/01	36	14	505	519	36.1	2571
4/25/01	28	25	522	547	20.9	1120
4/26/01	28	51	362	413	7.1	549
4/27/01	26	28	406	434	14.5	929
4/28/01	1	30	538	568	17.9	33
4/29/01	28	29	456	485	15.7	966
4/30/01	29	34	440	474	12.9	853
5/1/01	29	27	542	569	20.1	1074
5/2/01	30	34	474	508	13.9	882
5/3/01	35	15	491	506	32.7	2333
5/4/01	35	19	449	468	23.6	1842
5/5/01	33	20	464	484	23.2	1650
5/6/01	35	14	424	438	30.3	2500
5/7/01	31	22	450	472	20.5	1409
5/8/01	35	19	483	502	25.4	1842
5/9/01	35	20	430	450	21.5	1750
5/10/01	35	25	405	430	16.2	1400
5/11/01	1	19	494	513	26.0	53
5/12/01	9	0	383	383	#DIV/0!	#DIV/0!
5/13/01	30	14	501	515	35.8	2143
5/14/01	195	17	322	339	18.9	11471
5/15/01	63	22	401	423	18.2	2864
5/16/01	136	25	592	617	23.7	5440
5/17/01	56	11	341	352	31.0	5091
5/18/01	54	19	441	460	23.2	2842
5/19/01	111	20	416	436	20.8	5550
5/20/01	124	14	365	379	26.1	8857
5/21/01	76	17	423	440	24.9	4471
5/22/01	69	13	407	420	31.3	5308
5/23/01	41	14	446	460	31.9	2929
5/24/01	37	22	540	562	24.5	1682
5/25/01	42	10	372	382	37.2	4200
5/26/01	52	24	184	208	7.7	2167
5/27/01	41	15	479	494	31.9	2733
5/28/01	38	11	442	453	40.2	3455
5/29/01	40	23	346	369	15.0	1739
5/30/01	40	14	589	603	42.1	2857
5/31/01	41	14	392	406	28.0	2929
TOTAL:	MCF	STBO	BW	BF	OWC	GOR
	1805	764	16717	17481	21.9	2363
DAILY AVG.:	MCFD	BOPD	BWD	TFPD	WOC	GOR
	46	20	429	448	21.9	2363

AVALON 10 FEDERAL #23

PUMP TESTING TWO INTERVALS: LUFKIN 640:

PERFS.:	2832' - 2848':				Water-Oil Cut	Gas-Oil Ratio
	MCFD	BOPD	BWD	TFPD	WOC	GOR
6/23/01	0	18	402	420	22.3	0
6/24/01	0	27	521	548	19.3	0
6/25/01	0	24	577	601	24.0	0
	MCF	STBO	BW	BF	OWC	GOR
TOTAL:	0	69	1500	1569	21.7	0
	MCFD	BOPD	BWD	TFPD	WOC	GOR
DAILY AVG.:	0	2	38	40	21.7	0

AVALON 10 FEDERAL #23

PUMP TESTING TWO INTERVALS: LUFKIN 640:

PERFS.:	2282' - 2352': OA				Water-Oil Cut	Gas-Oil Ratio
	MCFD	BOPD	BWD	TFPD	WOC	GOR
7/2/01	0	120	56	176	0.5	0
7/3/01	0	13	67	80	5.2	0
7/4/01	0	101	210	311	2.1	0
7/5/01	0	2	16	18	8.0	0
7/6/01	0	13	31	44	2.4	0
7/7/01	0	105	259	364	2.5	0
7/8/01	0	182	333	515	1.8	0
7/9/01	0	120	336	456	2.8	0
	MCF	STBO	BW	BF	OWC	GOR
TOTAL:	0	656	1308	1964	2.0	0
	MCFD	BOPD	BWD	TFPD	WOC	GOR
DAILY AVG.:	0	82	164	246	2.0	0

AVALON 10 FEDERAL #23:

Since Put On-Line On April 23,2001
78 DAYS ON-LINE:

CUM OIL = 1489 STBO
CUM GAS = 1805 MCF

ALLOWED OIL = 6240 STBO
ALLOWED GAS = 12480 MCF

UNDERAGE OIL = 4751 STBO
UNDERAGE GAS = 10675 MCF