



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

July 28, 2000

Lori Wrotenbery
Director
Oil Conservation Division

30-015-31359

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

Telefax No. (303) 863-1558

Administrative Order NSL-4494(NSBHL)

Dear Mr. Schwering:

Reference is made to the following: (i) your application dated June 27, 2000; (ii) the records of the New Mexico Oil Conservation Division in Santa Fe ("Division") including the file on Division Order No. R-5198; and (iii) your telephone conversation with Mr. Michael E. Stogner, Division Chief Hearing Officer/Engineer, in Santa Fe on Friday, July 28, 2000: all concerning Bonneville Fuels Corporation's ("Bonneville") request for a non-standard subsurface bottomhole gas well location, pursuant to Division Rule 104.F and 111.C (2) to be applicable to any and all formations and/or pools developed on 320-acre spacing from the base of the Wolfcamp formation to the base of the Morrow formation, which presently includes but is not necessarily limited to the Undesignated North Avalon-Upper Pennsylvanian Gas Pool, Undesignated West Burton Flat-Strawn Gas Pool, Undesignated Calabaza Draw-Atoka Gas Pool, Undesignated Alacran Hills-Atoka Gas Pool, and Burton Flat-Morrow Gas Pool, for Bonneville's proposed Avalon "1" Federal Well No. 4 to be drilled from a surface location 2853 feet from the South line and 1643 feet from the East line (Lot 31/Unit O) of irregular Section 1, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico.

Lots 33 through 40 of irregular Section 1, being a standard 327.86-acre lay-down gas spacing and proration unit for the above-described intervals, is to be dedicated to this well. Gas production from the Burton Flat-Morrow Gas Pool underlying this acreage is currently dedicated to Bonneville's Avalon Federal Well No. 1 (API No. 30-015-21814) located at an unorthodox gas well location (approved by Division Order No. R-5198, issued in Case No. 5198 dated April 20, 1976) 803 feet from the South line and 350 feet from the East line (Lot 40/Unit X) of irregular Section 1.

This 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).

It is our understanding that Bonneville intends to initially drill vertically to a depth of 2,400 feet, kick-off and directionally drill in a southwesterly direction, and at a depth of 9,200 feet TVD (9545 feet MD) return to vertical. The well will then be drilled (vertically) to a total depth of 11,400

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feet TVD (11,745 feet MD) to a targeted unorthodox bottomhole gas well location that is approximately 1320 feet from the South line and 2310 feet from the West line (Lot 38/Unit V) of irregular Section 1.

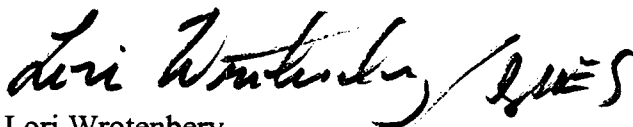
The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox Morrow infill gas well location will be at a more favorable geologic position within the Burton Flat-Morrow Gas Pool than a well drilled at a location considered to be standard within the SW/4 equivalent of irregular Section 1.

By the authority granted me under the provisions of Division Rule 104.F (2), Bonneville is hereby authorized to directionally drill is proposed Avalon "1" Federal Well No. 4 as close as is reasonably possible to a targeted subsurface location considered to be unorthodox 1320 feet from the South line and 2310 feet from the West line of irregular Section 1.

Further, Bonneville shall comply with all provisions of Division Rule 111 applicable in this matter.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori Wrotenbery" followed by a stylized flourish or set of initials.

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