DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
DISTRICT II
811 South First St., Artesia, NM 88210
DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410
DISTRICT IV
2040 S. Pacheco, Santa Fe, NM 87505

DHC 5/30/00

2749

State of New Mexico
Energy, Minerals and Natural Resources Department
OIL CONSERVATION DIVISION
2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

JUN - 7

Form C-107-A
Revised August 1999

APPROVAL PROCESS:
_x_ Administrative
___Hearing

APPLICATION FOR DOWNHOLE COMMINGLING

EXISTING WELLBORE
_x_ YES ___ NO

Bonneville Fuels Corporation — 1700 Broadway, Suite 1150, Denver CO 80290
Operator — Address

Lakeshore Federal 10 COM — 2 — I 10 21S 26E — Eddy
Lease — Well No. — Unit Ltr. - Sec - Twp - Rge — County

30-015-29879

Spacing Unit Lease Types: (check 1 or more)

OGRID NO. 002678 Property Code 21883 API NO. ~~30-045-28486~~ Federal _x_ , State _x_, (and/or) Fee _x_

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	West Burton Flat Strawn 73440		Avalon Morrow 70920
2. Top and Bottom of Pay Section (Perforations)	9725'-9952' OA		10743'-10848'OA
3. Type of production (Oil or Gas)	Gas, Condensate		Gas, Condensate
4. Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
5. Bottomhole Pressure Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated Or Measured Original	a. (Current) 1150 psi b. (Original) 3114 psi (DST)	a. b.	a. 1900 psi b. 4610 psi (DST)
6. Oil Gravity (°API) or Gas BTU Content	63 Deg.API/1100 BTU		52 Deg. API/1075 BTU
7. Producing or Shut-In?	Producing		Producing
Production Marginal? (yes or no)	YES		NO
* If Shut-In, give date and oil/gas/ water rates of last production Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data	Date: Rates: NA	Date: Rates:	Date: Rates: NA
* If Producing, give date and oil/gas/ water rates of recent test (within 60 days)	Date: 4/16/00 Rates: 177 MCFD, 0 BOPD, 0 BWPD	Date: Rates:	Date: 4/16/00 Rates: 966 MCFD, 2 BOPD, 10 BWPD
8. Fixed Percentage Allocation Formula -% for each zone (total of %'s to equal 100%)	Oil: 11 % Gas: 16 %	Oil: % Gas: %	Oil: 89 % Gas: 84 %

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones? _x_ Yes ___ No
If not, have all working, overriding, and royalty interests been notified by certified mail? ___ Yes ___ No

11. Will cross-flow occur? _x_ Yes __ No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. _x_ Yes ___ No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other? _x_ Yes __ No

13. Will the value of production be decreased by commingling? ___ Yes _x_ No (If Yes, attach explanation)

14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. _x_Yes ___ No

15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S). ______________

16. ATTACHMENTS:
* C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
* Production curve for each zone for at least one year. (If not available, attach explanation.)
* For zones with no production history, estimated production rates and supporting data.
* Data to support allocation method or formula.
* Notification list of working, overriding, and royalty interests for uncommon interest cases.
* Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Alan L. Merrill TITLE Operations Engineer DATE 4/24/00

TYPE OR PRINT NAME Alan L. Merrill TELEPHONE NO.(303)863-1555 x225

Avalon Morrow Production Forecast

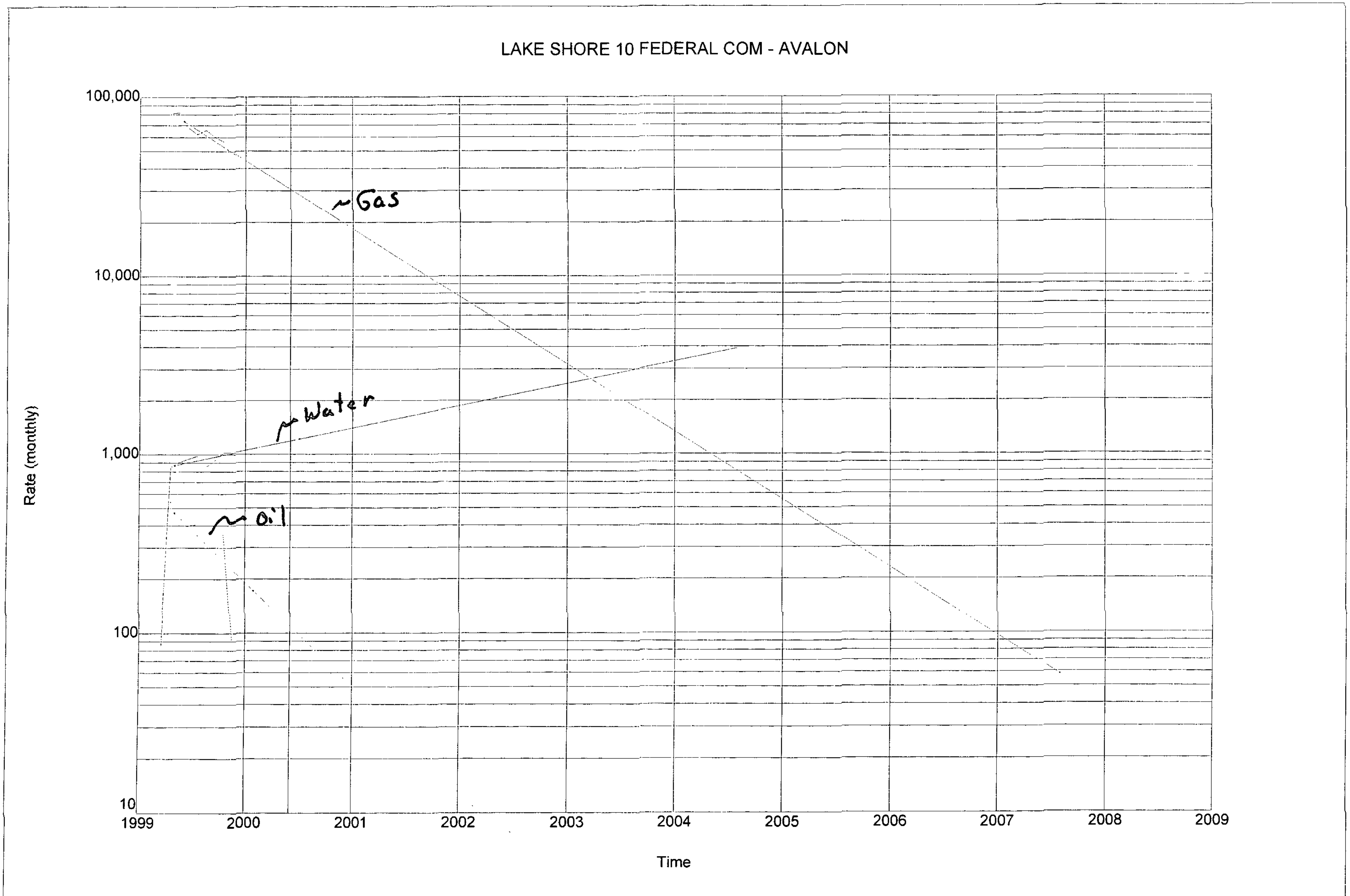
Rate/Time Graph

Project: M:\IHS Energy\ptproj\Lakeshore 10-2.MDB

Date: 6/6/2000
Time: 2:15 PM

Lease Name: LAKE SHORE 10 FEDERAL COM (2)
County, ST: EDDY, NM
Location: 21S-26E-10

Field Name: AVALON
Operator: BONNEVILLE FUELS CORPORATION



Date: 6/6/2000

Avalon Morrow

Annual CashFlow Report

Time: 2:15 PM

Project: M:\IHS Energy\ptproj\Lakeshore 10-2.MDB

Lease Name:	LAKE SHORE 10 FEDERAL COM (2	Field Name:	AVALON
County, ST:	EDDY, NM	Operator:	BONNEVILLE FUELS CORPORATION
Location:	21S-26E-10		

Date	Well Count	Gross Production Oil (Bbl)	Gross Production Gas (Mcf)	Net Production Oil (Bbl)	Net Production Gas (Mcf)	Average Prices Oil ($/Bbl)	Average Prices Gas ($/Mcf)	Sales Total ($)
12/00	1	533	168,094	427	134,475	20.00	2.50	344,719
12/01	1	331	147,189	265	117,751	20.00	2.50	299,679
12/02	1	86	61,360	69	49,088	20.00	2.50	124,104
12/03	1	23	25,580	18	20,464	20.00	2.50	51,521
07/04	1	4	7,310	3	5,848	20.00	2.50	14,690
Grand Total:		978	409,533	782	327,626	20.00	2.50	834,712

Date	Operating Expenses ($)	Taxes ($)	Operating Income ($)	Other Costs ($)	Periodic Cash Flow ($)	Cumulative Cash Flow ($)	10.00 % Cash Flow ($)
12/00	10,500	25,953	308,266	0	308,266	308,266	299,386
12/01	18,000	22,572	259,107	0	259,107	567,372	234,564
12/02	18,000	9,351	96,753	0	96,753	664,125	79,687
12/03	18,000	3,883	29,638	0	29,638	693,763	22,254
07/04	10,500	1,107	3,082	0	3,082	696,845	2,144
Grand Total:	75,000	62,867	696,845	0	696,845	696,845	638,034

Discount Present Worth:

0.00 %	696,845
10.00 %	638,034
20.00 %	591,363
30.00 %	553,393
40.00 %	521,864
50.00 %	495,234
60.00 %	472,416
70.00 %	452,625
80.00 %	435,274
90.00 %	419,924
100.00 %	406,233

Economic Dates:

Effective Date	06/2000
Calculated Limit	07/2004
Economic Life	50 Months
	4 Years 2 Months

Economics Information:

Net Payout Date:	06/2000
Rate of Return:	>100 %
Return on Investment:	0.00

Initial Division of Interest:

			NRI	ORI
WI:	100.000000	Oil:	80.000000	0.000000
		Gas:	80.000000	0.000000
Reversion Date:	None	Injection:	0.000000	0.000000

Economics Summary:

	Bbl Oil	Mcf Gas
Ultimate Gross	5,071	1,205,577
Cumulative Gross	3,153	565,270
Remaining Gross	978	409,533
Remaining Net	782	327,626

Avalon Morrow

Input Listing

Project: M:\IHS Energy\ptproj\Lakeshore 10-2.MDB

Lease Header:

Lease Id:	301-529-87970920
Data Source:	Project
Lease Name:	LAKE SHORE 10 FEDERAL COM (2)
Field Name:	AVALON
Operator:	BONNEVILLE FUELS CORPORATION
County, ST:	EDDY, NM
Reservoir:	MORROW (PENN)
Lease Status:	ACT
Lease Type:	Gas Lease
Reserve Type:	
Production Start:	3/1/99
Production End:	11/1/99
Lease API:	30-015-298790000
Formation Top:	0
Upper Perf:	0
Lower Perf:	0
Prior Oil Cum:	0 bbl
Prior Gas Cum:	0 mcf
Prior Water Cum:	0 bbl
Prior Injection Cum:	0 bbl
Quarter Quarter:	
Offshore Block:	
Location:	21S-26E-10
Latitude:	TDG Latitude
Longitude:	TDG Longitude
User Data 1:	
User Data 2:	
User Data 3:	
User Data 4:	
User Data 5:	
User Data 6:	

Project Parameters:

Economic Effective Date: 06/2000

Escalate Economics: Yes

Cases:

Curve:	Default
Price:	Default
Expense:	Default
Tax:	NM
Investment:	Default
Interest:	Default
Well Count:	Default
Volumetric:	Default

Well Counts:

Well Count	Start Date
1	06/2000

Division of Interest:

			NRI	Burden	ORI
Initial	WI:	100.000000			
	Reversion Type:	None	Oil: 80.000000	0.000000	0.000000
	Reversion Value:	None	Gas: 80.000000	0.000000	0.000000
	Reversion Date:	None	Injection: 0.000000	0.000000	0.000000

Prices:

	Price	BTU Content or Price Factor	Price Adjustment	Escalation Name
Oil:	20.00		0.0000	None
Gas:	2.50	1.0000	0.0000	None
Injection:	0.00	1.0000	0.0000	None

Expenses:

	Amount	Escalation Name
Dollars/Month:	1500.00	None
Dollars/Well/Month:	0.00	None
Dollars/Bbl Oil:	0.00	None
Dollars/Mcf Gas:	0.00	None
Dollars/Bbl Wtr:	0.00	None
Dollars/Bbl Injection:	0.00	None

Taxes:

	Percent of Revenue	Dollars per Unit
Severance Tax		
Oil:	7.0900	0.0000 / Bbl
Gas:	7.5400	0.0000 / Mcf
Inj:	0.0000	0.0000 / Bbl
Ad Valorem Tax		
Oil:	0.0000	0.0000 / Bbl
Gas:	0.0000	0.0000 / Mcf
Inj:	0.0000	0.0000 / Bbl

Investments:

	Amount	Type	Salvage
Initial:	0.00	Gross	0.00

Input Listing

Project: M:\IHS Energy\ptproj\Lakeshore 10-2.MDB

Forecasts:

Curve		Type	Date	Rate	Decline	N Factor
Oil	Segment 01	Exponential	05/1999 - 02/2000	471	73.8978	0.000000
Gas	Segment 01	Exponential	06/1999 - 08/2007	73,564	58.3119	0.000000
Water	Segment 01	Exponential	05/1999 - 07/2000	870	-33.2525	0.000000

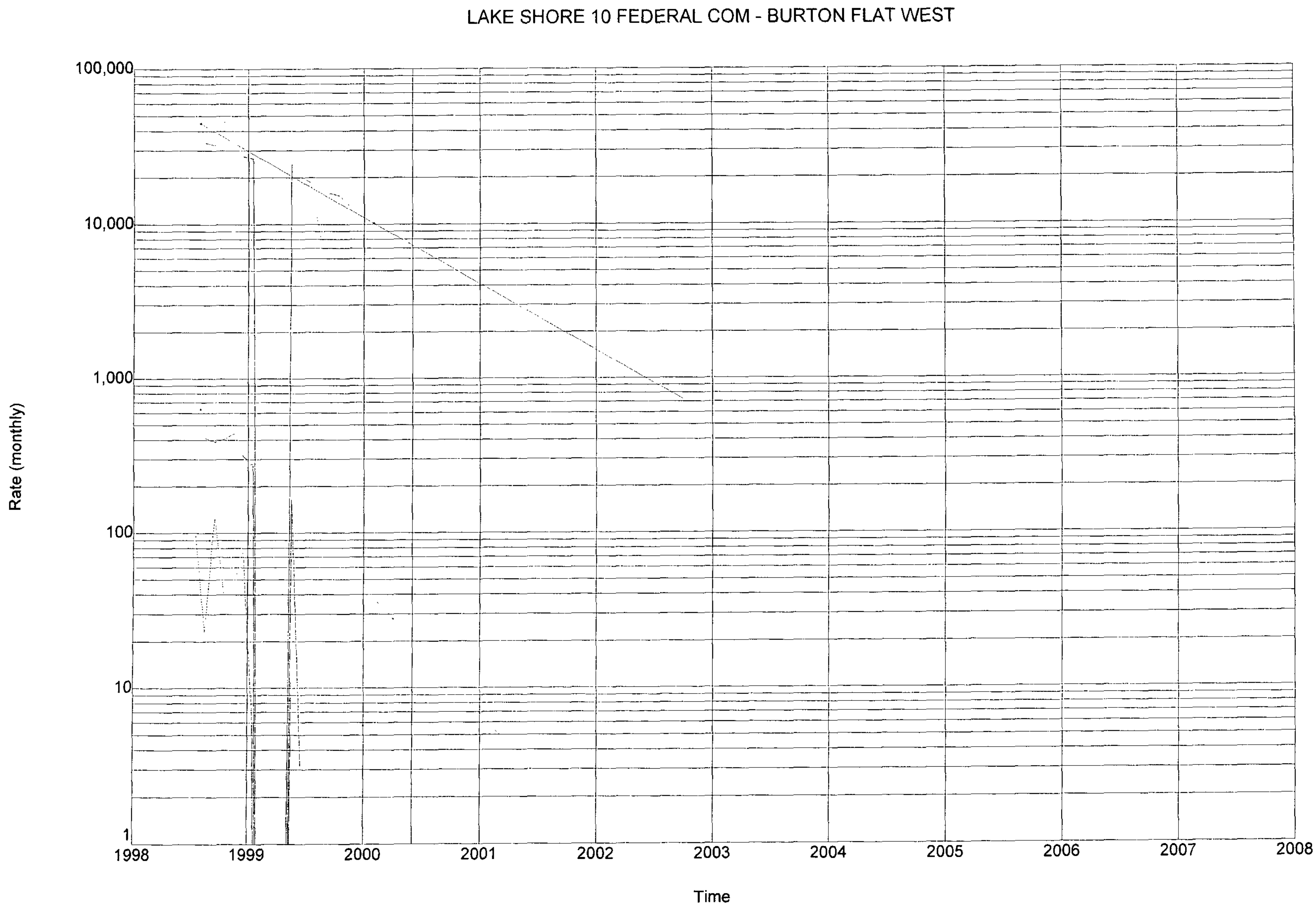
Rate/Time Graph

Project: M:\IHS Energy\ptproj\Lakeshore 10-2.MDB

Date: 6/6/2000
Time: 2:28 PM

Lease Name: LAKE SHORE 10 FEDERAL COM (2)
County, ST: EDDY, NM
Location: 21S-26E-10

Field Name: BURTON FLAT WEST
Operator: BONNEVILLE FUELS CORPORATION



West Burton Flat Strawn Production Forecast

Date: 6/6/2000

West Burton Flat Strawn

Annual CashFlow Report

Time: 2:29 PM

Project: M:\IHS Energy\ptproj\Lakeshore 10-2.MDB

Lease Name:	LAKE SHORE 10 FEDERAL COM (2)	Field Name:	BURTON FLAT WEST
County, ST:	EDDY, NM	Operator:	BONNEVILLE FUELS CORPORATION
Location:	21S-26E-10		

Date	Well Count	Gross Production Oil (Bbl)	Gross Production Gas (Mcf)	Net Production Oil (Bbl)	Net Production Gas (Mcf)	Average Prices Oil ($/Bbl)	Average Prices Gas ($/Mcf)	Sales Total ($)
12/00	1	87	38,675	66	29,230	20.00	2.70	80,238
12/01	1	37	31,061	28	23,475	20.00	2.70	63,944
09/02	1	5	9,611	4	7,264	20.00	2.70	19,690
Grand Total:		129	79,347	98	59,969	20.00	2.70	163,872

Date	Operating Expenses ($)	Taxes ($)	Operating Income ($)	Other Costs ($)	Periodic Cash Flow ($)	Cumulative Cash Flow ($)	10.00 % Cash Flow ($)
12/00	9,557	6,044	64,637	0	64,637	64,637	62,814
12/01	16,383	4,819	42,742	0	42,742	107,379	38,823
09/02	12,287	1,484	5,918	0	5,918	113,298	4,958
Grand Total:	38,227	12,347	113,298	0	113,298	113,298	106,595

Discount Present Worth:

0.00 %	113,298
10.00 %	106,595
20.00 %	101,007
30.00 %	96,267
40.00 %	92,190
50.00 %	88,638
60.00 %	85,512
70.00 %	82,737
80.00 %	80,252
90.00 %	78,013
100.00 %	75,983

Economic Dates:

Effective Date	06/2000
Calculated Limit	09/2002
Economic Life	28 Months
	2 Years 4 Months

Economics Information:

Net Payout Date:	06/2000
Rate of Return:	>100 %
Return on Investment:	0.00

Initial Division of Interest:

			NRI	ORI
WI:	91.017700	Oil:	75.577400	0.000000
		Gas:	75.577400	0.000000
Reversion Date:	None	Injection:	0.000000	0.000000

Economics Summary:

	Bbl Oil	Mcf Gas
Ultimate Gross	3,464	508,820
Cumulative Gross	3,131	372,960
Remaining Gross	129	79,347
Remaining Net	98	59,969

Input Listing

Project: M:\IHS Energy\ptproj\Lakeshore 10-2.MDB

Lease Header:

Lease Id:	301-529-87973440
Data Source:	Project
Lease Name:	LAKE SHORE 10 FEDERAL COM (2)
Field Name:	BURTON FLAT WEST
Operator:	BONNEVILLE FUELS CORPORATION
County, ST:	EDDY, NM
Reservoir:	STRAWN (PENN)
Lease Status:	ACT
Lease Type:	Gas Lease
Reserve Type:	
Production Start:	7/1/98
Production End:	11/1/99
Lease API:	30-015-298790000
Formation Top:	9,724
Upper Perf:	0
Lower Perf:	0
Prior Oil Cum:	0 bbl
Prior Gas Cum:	0 mcf
Prior Water Cum:	0 bbl
Prior Injection Cum:	0 bbl
Quarter Quarter:	
Offshore Block:	
Location:	21S-26E-10
Latitude:	TDG Latitude
Longitude:	TDG Longitude
User Data 1:	
User Data 2:	
User Data 3:	
User Data 4:	
User Data 5:	
User Data 6:	

Project Parameters:

Economic Effective Date: 06/2000

Escalate Economics: Yes

Cases:

Curve:	Default
Price:	Default
Expense:	Default
Tax:	NM
Investment:	Default
Interest:	Default
Well Count:	Default
Volumetric:	Default

Well Counts:

Well Count	Start Date
1	06/2000

Division of Interest:

Initial WI: 91.017700

			NRI	Burden	ORI
Reversion Type:	None	Oil:	75.577400	0.000000	0.000000
Reversion Value:	None	Gas:	75.577400	0.000000	0.000000
Reversion Date:	None	Injection:	0.000000	0.000000	0.000000

Prices:

	Price	BTU Content or Price Factor	Price Adjustment	Escalation Name
Oil:	20.00		0.0000	None
Gas:	2.50	1.0800	0.0000	None
Injection:	0.00	1.0000	0.0000	None

Expenses:

	Amount	Escalation Name
Dollars/Month:	1500.00	None
Dollars/Well/Month:	0.00	None
Dollars/Bbl Oil:	0.00	None
Dollars/Mcf Gas:	0.00	None
Dollars/Bbl Wtr:	0.00	None
Dollars/Bbl Injection:	0.00	None

Taxes:

	Percent of Revenue	Dollars per Unit
Severance Tax		
Oil:	7.0900	0.0000 / Bbl
Gas:	7.5400	0.0000 / Mcf
Inj:	0.0000	0.0000 / Bbl
Ad Valorem Tax		
Oil:	0.0000	0.0000 / Bbl
Gas:	0.0000	0.0000 / Mcf
Inj:	0.0000	0.0000 / Bbl

Investments:

	Amount	Type	Salvage
Initial:	0.00	Gross	0.00

Input Listing

Project: M:\IHS Energy\ptproj\Lakeshore 10-2.MDB

Forecasts:

Curve		Type	Date	Rate	Decline	N Factor
Oil	Segment 01	Exponential	08/1998 - 04/2000	635	84.6370	0.000000
Gas	Segment 01	Exponential	08/1998 - 02/2000	44,824	62.9005	0.000000
Water	Segment 01	Exponential	09/1998 - 01/2000	90	87.3447	0.000000

Allocation Method

West Burton Flat Strawn/Avalon Morrow Commingle
Lake Shore Federal Com. #10-2
1750' FSL 660' FEL Sec. 10-T21S-R26E
Eddy County, New Mexico

The allocation formula will be a fixed percentage allocation based on the estimated remaining reserves (ERR) for each commingled zone as of June 2000.

The gas production allocation for the Lake Shore Federal Com. #10-2 will be based on the following information:

Strawn	Estimated Remaining Reserves:	.079 BCF
Morrow	Estimated Remaining Reserves:	.409 BCF
Total	Estimated Remaining Reserves:	.488 BCF

Decline curves and reserves estimates for both zones are attached.

The gas allocation for the zones will be calculated by dividing the estimated remaining reserves for each zone by the total estimated remaining reserves.

Strawn Gas Allocation

.079 BCF / .488 BCF x 100 = 16%

Morrow Gas Allocation

.409 BCF / .488 BCF x 100 = 84%

Oil Allocation

Oil production will be allocated according to the same formula based on remaining oil reserves.

Strawn Estimated Remaining Reserves:	126 BO
Morrow Estimated Remaining Reserves:	983 BO
	1109 BO

Strawn Oil Allocation

126 BO / 1109 BO x 100 = 11%

Morrow Oil Allocation

983 BO / 1109 BO x 100 = 89%