

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

IN THE MATTER OF THE APPLICATION
OF BONNEVILLE FUELS CORPORATION
FOR POOL CONTRACTION, POOL
CREATION AND SPECIAL POOL RULES,
SAN JUAN COUNTY, NEW MEXICO.

OIL CONSERVATION DIV.
98 JUL 20 PM 2:22
CASE NO. 12027

APPLICATION

BONNEVILLE FUELS CORP., (“Bonneville”) by its undersigned attorneys, hereby makes application to the Oil Conservation Division for an Order (1) contracting the boundaries of the Kutz-Gallup Pool, (2) designating a new pool as a result of the discovery of hydrocarbons in the Gallup formation in its Fullerton Federal Well No. 9 and Fullerton Federal Well No. 11, and promulgating special pool rules and regulations for the Kutz-Gallup Pool, including provisions for 80-acre oil well spacing and special well location requirements, and in support of this application states:

1. The Kutz-Gallup Pool was established by Division Order No. R-1825, dated November 21, 1960, and has been extended from time to time to include the following acreage in San Juan County, New Mexico:

Township 27 North, Range 10 West, NMPM

Section 5: NW/4
Section 6: N/2

Township 27 North, Range 11 West, NMPM

Section 1: N/2, SW/4
Section 2: All
Section 3: SW/4
Section 4: S/2, NW/4, NW/4 NE/4
Section 5: All
Section 6: NE/4 NE/4
Section 9: N/2, SE/4
Section 10: All
Section 11: W/2, NE/4
Section 12: NW/4
Section 14: NW/4, SW/4 NE/4

Township 28 North, Range 10 West, NMPM

Section 32: SW/4

Township 28 North, Range 11 West, NMPM

Section 31: SE/4
Section 32: SW/4

2. Bonneville has recently drilled and completed in the Gallup formation its Fullerton Federal Well No. 9 (API No. 30-045-13047) located 1185 feet from the South line and 802 feet from the West line of Section 13, and its Fullerton Federal Well No. 11 (API No. 30-045-13049) located 1650 feet from the North line and 990 feet from the West line of Section 14, both in Township 27 North, Range 11 West, NMPM, San Juan County, New Mexico. These well are completed in the Kutz-Gallup Pool which is governed by statewide rules which provide for 40-acre oil well spacing with a depth bracket allowable of 80 barrels per day.

3. The Fullerton Federal Wells Nos. 9 and 11 are capable of producing at rates in excess of the pool's depth bracket allowable and continuing to produce wells at the current authorized rates will result in oil ultimately being left in the ground thereby causing waste.

4. Bonneville seeks the contraction of the Kutz-Gallup Pool by the deletion of the following acreage:

Township 27 North, Range 11 West, NMPM

Section 11: SW/4
Section 14: NW/4, SW/4 NE/4

5. Bonneville also seeks the creation of a new pool for the production of oil from the Gallup formation to be comprised of the following acreage:

Township 27 North, Range 11 West, NMPM

Section 11: S/2
Section 13: S/2
Section 14: All
Section 15: NE/4

6. Bonneville seeks the promulgation of Special Pool Rules and Regulations for this new oil pool which provide for 80-acre spacing and proration units with wells to be located within 150 feet of the center of a governmental quarter-quarter section.

7. Approval of this application will result in the production of hydrocarbons which otherwise will not be produced and will be in the best interest of conservation and the protection of correlative rights.

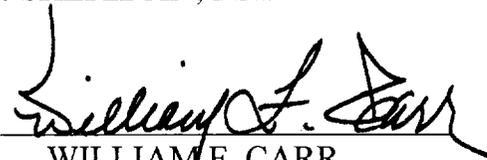
WHEREFORE, Bonneville Fuels Corp. requests that this application be set for

hearing before an Examiner of the Oil Conservation Division on August 20, 1998, that notice be given as required by law and the rules of the Division, and that the application be approved.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By:



WILLIAM F. CARR

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR BONNEVILLE
FUELS CORP.