



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

September 15, 2004

Tahoe Energy Inc.
3909 West Industrial Avenue
Midland, TX 79703
Certified Mail No. 7099 3220 0009 7873 1322

Underwriters Indemnity Company
8 Greenway Plaza Suite 400
Houston, TX 77046
Certified Mail No. 7099 3220 0009 7873 1339

Ken Freeman
Tahoe Energy Inc.
11 Shamrock
Kimberling City, MO 65686
Certified Mail No. 7099 3220 0009 7873 1346

CASE NO. 13354: APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE SUPERVISOR OF DISTRICT I, FOR AN ORDER REQUIRING TAHOE ENERGY INC. AND KENNETH A. FREEMAN DBA TAHOE ENERGY INC. TO BRING ONE WELL INTO COMPLIANCE WITH 19.15.4.201 NMAC, ASSESSING AN APPROPRIATE CIVIL PENALTY IN THE EVENT OF NON-COMPLIANCE, AUTHORIZING THE DIVISION TO PLUG SAID WELL AND ORDERING A FORFEITURE OF THE APPLICABLE PLUGGING BOND; LEA COUNTY, NEW MEXICO.

Ladies and Gentlemen:

You are hereby notified that the New Mexico Oil Conservation Division has filed the above-captioned Application seeking an order requiring you to bring the Brownlee #1 well, API #30-025-04461 into compliance with Division rules by plugging and abandoning the well, securing temporary abandonment status for the well, or returning the well to a Division-approved beneficial use. A copy of the Application is enclosed.

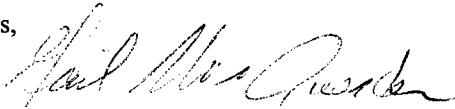
A hearing on this application will take place before a Division hearing officer on Thursday, October 7, 2004, at 8:15 a.m., in Porter Hall, First Floor, 1220 South St. Francis Drive in Santa Fe, New Mexico. At that hearing you will have an opportunity to show cause why an order should not be entered as requested in the Application. If you intend to present evidence at the hearing, you should file a pre-hearing statement at least four days in advance of the hearing, as required by 19.15.14.1208.B NMAC.

"Kenneth A. Freeman dba Tahoe Energy Inc." posted a \$50,000 blanket plugging bond, number BO2749, through Underwriters Indemnity Company, to secure the operator's obligation to plug and abandon the Brownlee #1 well, API #30-

025-04461, in compliance with Division rules. That security will be forfeited if an order is entered as requested in the attached application and that well is not brought into compliance with Division rules by the date set by the order.

Inquiries concerning this application may be directed to the undersigned in the Santa Fe office of the Division at (505) 476-3451.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Gail MacQuesten".

Gail MacQuesten

Assistant General Counsel

Ec: Chris Williams and Billy Prichard, District I

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

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**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE SUPERVISOR OF DISTRICT I, FOR AN ORDER REQUIRING
TAHOE ENERGY INC. AND KENNETH A. FREEMAN DBA TAHOE ENERGY
INC. TO BRING ONE WELL INTO COMPLIANCE WITH 19.15.4.201 NMAC,
ASSESSING AN APPROPRIATE CIVIL PENALTY IN THE EVENT OF NON-
COMPLIANCE, AUTHORIZING THE DIVISION TO PLUG SAID WELL AND
ORDERING A FORFEITURE OF THE APPLICABLE PLUGGING BOND; LEA
COUNTY, NEW MEXICO.**

CASE NO. 13354

APPLICATION FOR COMPLIANCE ORDER

1. The records of the Oil Conservation Division ("Division") identify "Tahoe Energy Inc." as the operator of record under OGRID 22100 for the Brownlee #1 well, API #30-025-04461, located at Unit Letter P, Section 25, Township 21 South, Range 36 East, in Lea County, New Mexico (the "subject well").
2. The records of the Division indicate that the Operator's obligation to plug and abandon the subject well in compliance with the rules of the Oil Conservation Division ("Division") is secured with a \$50,000 blanket bond, number BO2749, issued by Underwriters Indemnity Company ("Surety"). The bond identifies the principal as "Kenneth A. Freeman dba Tahoe Energy Inc."
3. Division rule 19.15.4.201 NMAC requires an operator to plug and abandon or temporarily abandon a well in accordance with Division rules within 90 days after a period of one year of continuous inactivity.

4. The subject well has been inactive for a continuous period exceeding one year plus 90 days, and has neither been plugged and abandoned pursuant to 19.15.4.202 NMAC nor temporarily abandoned pursuant to 19.15.4.203 NMAC.

5. Division rule 19.15.101(M) NMAC authorizes the Director to order the operator to plug and abandon any well not in compliance with 19.15.4.201 NMAC by a date certain, and to direct the Division to forfeit the bond and cause such well to be plugged in accordance with a Division-approved plugging program if, after the time provided in such order, the operator has failed to plug the well.

WHEREFORE, the Supervisor of District I of the Division hereby applies to the Director to enter an order:

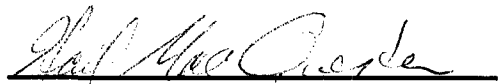
- A. Determining that the subject well is not in compliance with 19.15.4.201 NMAC;
- B. Requiring the Operator to bring the subject well into compliance with 19.15.4.201 NMAC within a date certain by plugging and abandoning the well in accordance with 19.15.4.202 NMAC, securing temporary abandonment status for the subject well in accordance with 19.15.4.203 NMAC, or returning the subject well to a Division-approved beneficial use; and
- C. Further, if the subject well is not brought into compliance with 19.15.4.201 NMAC by the date set by the order:
 - (1) Assessing a penalty of not less than \$1000 against the Operator;

(2) Authorizing the Division to plug the subject well in accordance with a Division-approved plugging program; and

(3) Authorizing the Division to declare forfeit the applicable security; and

D. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 23rd day of August, 2004 by



Gail MacQuesten
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State of
New Mexico
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3451

Attorney for The New Mexico Oil
Conservation Division

Case No. 13354. Application of the New Mexico Oil Conservation Division for a Compliance Order. The Applicant seeks an order requiring Tahoe Energy Inc. and Kenneth A. Freeman dba Tahoe Energy Inc. to bring one well into compliance with 19.15.4.201 NMAC by a date certain and, in the event of non-compliance, assessing a civil penalty, authorizing the Division to plug said well, forfeiting the applicable plugging security, and for such other relief as the Director deems appropriate. The affected well is the Brownlee #1, API # 30-025-04461, Unit Letter P, Section 25, Township 21 South, Range 36 East, in Lea County, New Mexico. The well is located approximately 3 miles west of Eunice, New Mexico.