

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

**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

Affidavit of Dorothy Phillips

STATE OF NEW MEXICO)
) SS.
COUNTY OF SANTA FE)

Dorothy Phillips, being first duly sworn on oath, states as follows:

1. I have been employed as the bond administrator at the Santa Fe, New Mexico office of the Oil Conservation Division ("OCD") for the past four years.

2. My duties include maintaining records of financial assurance documents filed by operators pursuant to NMSA 1978, Section 70-2-14.

3. I have reviewed OCD's financial assurance records to determine if financial assurance documents were filed for the well at issue in the above-captioned case: Brownlee #1, API #30-025-04461, Unit Letter P, Section 25, Township 21 South, Range 36 East, in Lea County, New Mexico.

4. OCD's electronic permitting database, "E-Permitting" identifies the wells associated with a particular operator that have not been plugged. Attachment "A" to this affidavit is a printout of the E-Permitting screen showing Tahoe Energy Inc. as operator of the Brownlee #1.

5. ONGARD (oil and natural gas administration and revenue database) maintains data on the financial assurances posted by operators. Attachment "B" to this affidavit is a printout of the ONGARD screen showing that Tahoe Energy Inc. posted a \$50,000 blanket bond, No. BO2749, issued by the Underwriters Indemnity Company.

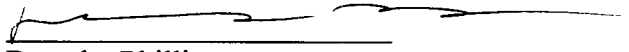
**Case No. 13354
OCD Ex. 3**

6. A copy of bond BO2749 is Attachment "C" to this affidavit. The bond is dated November 20, 1990. The principal on the bond is "Kenneth A. Freeman dba Tahoe Energy Inc." Mr. Freeman signed the bond as "Owner/President" of Tahoe Energy Inc.

7. OCD records show no amendments or riders to bond number BO2749, and according to OCD records, that bond remains in effect.

8. I have researched ONGARD records to determine if "Kenneth A. Freeman" is the operator of any wells in New Mexico. According to ONGARD, "Kenneth A. Freeman" is not an operator in New Mexico.

THIS CONCLUDES MY AFFIDAVIT.


Dorothy Phillips

SUBSCRIBED AND SWORN before me this 28th day of September, 2004.


Notary Public

My Commission Expires:

1-9-08

Wells Operated By TAHOE ENERGY INC , 22100
September 27, 2004

Property	Well Name	Lease Type	ULSTR	OCD Unit	API	Well Type	Pool ID	Pool Name	Last Prod/Inj	Oil POD	Gas POD
10789	BROWNLEE #001	P	P-25-21S-36E	P	30-025-04461	O	3040	ARROWHEAD;GRAYBURG	04/80	2453810	2453830

Attachment A

CMD : ONGARD 09/27/04 16:35:09
OG6CBBD CAPTURE BLANKET BONDS OGODLP -TPEI

OGRID Identifier : 22100 Bond Idn : 10472 Bond Status : A
Operator Name, Address : TAHOE ENERGY INC
3909 W INDUSTRIAL
MIDLAND, TX BAD ADDR

Bond Details- Type (Cash/Surety - C/S): S Bond Co Idn: 12 Amount: 50000.00
Company OGRID Identifier: 26015
Company Name, Address : UNDERWRITERS INDEMNITY CO
8 GREENWAY PLAZA
SUITE 400

Limited as to future Liability (Y/N) : N If Limited, End Date :

Effective Date : 01-01-1900 Cancellation Date : 12-31-9999

Issuer Bond No : B02749

E0005: Enter data to modify or PF keys to scroll
PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06 CONFIRM
PF07 PF08 PF09 PRINT PF10 NXTBOND PF11 PF12

Attachment B

STATE OF NEW MEXICO

\$50,000 BLANKET PLUGGING BOND

BOND NO. BO2749

File with Oil Conservation Division, P. O. Box 2088, Santa Fe 87501

KNOW ALL MEN BY THESE PRESENTS:

That Kenneth A. Freeman dba Tahoe Energy Inc., (An individual) (a partnership) (a corporation organized in the State of Texas, with its principal office in the city of Midland, State of Texas, and authorized to do business in the State of New Mexico), as PRINCIPAL, and Underwriters Indemnity Company, a corporation organized and existing under the laws of the State of Texas, and authorized to do business in the State of New Mexico, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Division of New Mexico pursuant to Section 70-2-12, New Mexico Statutes Annotated, 1978 Compilation, as amended, in the sum of Fifty Thousand Dollars (\$50,000) lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases or brine mineral leases with the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases or brine mineral leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of wells to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such wells started by others on land embraced in said State oil and gas leases or brine minerals, or carbon dioxide (CO₂) gas leases, or helium gas leases or brine mineral leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being expressly waived by both principal and surety hereto.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug all of said wells when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Division of New Mexico in such way as to confine the oil, gas, brine and water in the strata in which they are found, and to prevent them from escaping into other strata;

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

PROVIDED, HOWEVER, That thirty (30) days after receipt by the Oil Conservation Division of New Mexico of written notice of cancellation from the surety, the obligation of the surety hereunder shall terminate as to property or wells acquired, drilled, or started after said thirty (30) day period but shall continue in effect, notwithstanding said notice, as to property or wells theretofore acquired, drilled or started.

Kenneth A. Freeman dba Tahoe Energy Inc. Underwriters Indemnity Company
PRINCIPAL SURETY

4402 W. Industrial, Midland, Tx 79703
Address

8 Greeway Plaza Suite 400, Houston, Tx 77046
Address

By Kenneth A. Freeman
Signature President
Owner/President
Title

Mildred L. Massey
Attorney-In-Fact, Mildred L. Massey

Note: Principal, if corporation, affix
corporate seal here.)
No Seal Needed

(Note: Corporate surety affix corporate seal
here.)

ACKNOWLEDGEMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that he (they) executed the same as his (their) free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

Notary Public

My Commission Expires _____

ACKNOWLEDGEMENT FORM FOR CORPORATION (surety)

STATE OF Texas)
COUNTY OF Harris) ss.

On this 20th day of November, 1990, before me personally appeared Mildred L. Massey, to me personally known who, being by me duly sworn, did say that he is Attorney-in-Fact of Underwriters Indemnity Company and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

DALE ANNE MCLEOD
Notary Public

July 17, 1993
My Commission Expires

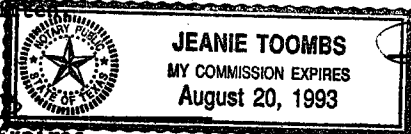


ACKNOWLEDGEMENT FORM FOR CORPORATE

STATE OF Texas)
COUNTY OF Midland) ss.

On this 20 day of November, 1990, before me appeared Kenneth A. Freeman, to me personally known, who, being by me duly sworn, did say that he is Owner/President of Tahoe Energy Inc. and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.



Jeanie Toombs
Notary Public

8-20-91
My Commission Expires

(Note: Corporate surety attach power of attorney.)

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By: [Signature]
Date: _____

GENERAL POWER OF ATTORNEY

CERTIFIED COPY

KNOW ALL MEN BY THESE PRESENTS: That **UNDERWRITERS INDEMNITY COMPANY**, a corporation organized and existing under the laws of the State of Texas, and having its principal office in the City of Houston, Texas, does hereby constitute and appoint:

MILDRED L. MASSEY

its true and lawful attorney-in-fact to execute, seal and deliver for and on its behalf as surety, any and all bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, which are or may be allowed, required or permitted by law, statute, rule, regulation, contract or otherwise, in an amount not to exceed:

*******FIFTY THOUSAND AND NO/100 DOLLARS*******
and the execution of all such instrument(s) in pursuance of these presents, shall be binding upon said **UNDERWRITERS INDEMNITY COMPANY** as fully and amply, to all intents and purposes, as if the same had been duly executed and acknowledged by its regularly elected officers at its principal office.

This Power of Attorney is executed, and may be certified to and may be revoked, pursuant to and by authority of Article V, Section 6(C) of the By-Laws adopted by the Board of Directors of **UNDERWRITERS INDEMNITY COMPANY**, at a meeting called and held on the 23rd day of January 1985, of which the following is a true transcript of said Section 6(C):

- "The President or any Vice President, Assistant Vice President, Secretary or Resident Secretary shall have power and authority
- (1) To appoint Attorneys-in-fact, and to authorize them to execute on behalf of the Company, and attach the Seal of the Company thereto, bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, and
 - (2) to appoint special Attorneys-in-fact, who are hereby authorized to certify to copies of any power-of-attorney issued in pursuance of this section and/or any of the By-laws of the Company, and
 - (3) to remove, at any time, any such Attorney-in-fact or Special Attorney-in-fact and revoke the authority given to him."

Further, this Power of Attorney is signed and sealed by facsimile pursuant to resolution of the Board of Directors of said Company adopted at a meeting duly called and held on the 23rd day of January, 1985, of which the following is a true excerpt:

"Now therefore the signatures of such officers and the seal of the Company may be affixed to any such power of attorney or any certificate relating thereto by facsimile, and any such power of attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by facsimile signatures and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached."

IN TESTIMONY WHEREOF, **UNDERWRITERS INDEMNITY COMPANY** has caused this instrument to be signed and its corporate seal to be affixed by its authorized officer, E. H. Frank, III, on this the third day of March, 1987.



E. H. Frank III

President

STATE OF TEXAS
COUNTY OF HARRIS

On this the 3rd day of March, 1987, before me came the individual who executed the preceding instrument, to me personally known, and, being duly sworn, said that he is the therein described and authorized officer of **UNDERWRITERS INDEMNITY COMPANY**; that the seal affixed to said instrument is the Corporate Seal of said Company; that the said Corporate Seal and his signature were duly affixed by order of the Board of Directors of said Company.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal, at the City of Houston, Texas, the day and year first above written.



Mary Williams

NOTARY PUBLIC, Harris County, Texas

CERTIFICATION

I, the undersigned officer of **UNDERWRITERS INDEMNITY COMPANY**, do hereby certify that I have compared the foregoing copy of the Power of Attorney and affidavit, and the copy of the Section of the By-Laws of said Company as set forth in said Power of Attorney, and that the same are correct transcripts thereof, and of the whole of the said originals, and that the said Power of Attorney has not been revoked and is now in full force and effect.

IN TESTIMONY WHEREOF, I have hereunto set my hand this 20th day of November, 19 90



Pat Doehring

Assistant Secretary

Only a certified copy of Power of Attorney bearing the Certificate of Authority No. printed in red on the upper right corner is binding. Photocopies, carbon copies or other reproductions of this document are invalid and not binding upon the Company.

ANY INSTRUMENT ISSUED IN EXCESS OF THE PENALTY AMOUNT STATED ABOVE IS TOTALLY VOID AND WITHOUT VALIDITY.