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BILL RICHARDSON Governor Joanna Prukop Cabinet Secretary Mark E. Fesmire, P.E. Director Oil Conservation Division

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January 30, 2008

James Bruce P.O. Box 1056 Santa Fe, NM 87504-1056

Re: Northstar Oil & Gas, OGRID 159020 Case No. 13920, Order R-12779-A

Dear Mr. Bruce,

On January 22, 2008, the Aztec District Office received a notarized letter from Mr. Bill Davie requesting that certain equipment be left on the site of the Davie #1 location, and indicating that re-seeding the location was not necessary. A copy of the letter is attached. Today I received a voice mail from Mr. John Corbett asking when the Oil Conservation Division (OCD) would release the financial assurance posted by Northstar Oil & Gas (Northstar). Because Northstar is represented by counsel, Iam responding to you and not to Mr. Corbett.

As I explained in my letter of January 15, 2008, Order R-12779-A sets special requirements before the OCD can release the financial assurance:

The Division shall not release Northstar Oil and Gas Corporation's financial assurance until Northstar Oil and Gas Corporation restores the well sites, seeds the well sites with seed of plants native to the area and provides invoices and proof of payment for the restoration costs.

Order R-12779-A, page 3.

As I also explained in my letter of January 15, 2008, to restore the well sites Northstar must comply with the requirements of 19.15.4.202 NMAC, including the filing of a Form C-103 subsequent report of well plugging indicating that the sites have been remediated and that the sites are ready for inspection. I attached a copy of that form with the letter. To date, the Aztec District office has not received filings for the two wells at issue indicating that they are ready for inspection.

The re-seeding requirement is imposed by Order R-12779-A, and not by rule. If Northstar wants to be excused from that requirement, it needs to obtain the approval of the Oil Conservation Commission. The OCD cannot disregard a requirement set out in an order.

Before the OCC Case 13920 Northstar Oil & Gas OCD Ex. No. 5

Oil Conservation Division * 1220 South St. Francis Drive * Santa Fe, New Phone: (505) 476-3440 * Fax (505) 476-3462 * <u>http://www.emnrd.st</u>.

-CARDW SPERIOURD 2 1995

To date, the OCD has not received invoices and proof of payment for the restoration costs.

It appears that the only way to get this matter resolved is by re-opening Case No. 13920 to obtain guidance from the Oil Conservation Commission. I have enclosed a copy of my motion to re-open the case.

Sincerely,

Isa Conde

Gail MacQuesten Assistant General Counsel

Encl: Letter from Mr. Davie, received Jan. 22, 2008

Cc: Charlie Perrin, OCD District III Dorothy Phillips, Financial Assurance Administrator Daniel Sanchez, Compliance and Enforcement Manager 1992 (* 1. 1943) 1993 - Maria Station 1994 - Maria Maria Station, 1993

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Mr. Bill Davie 2425 Downing Street Denver, 80210

30-045-25092

December 7, 2007

John Corbett Northstar Oil and Gas Corp. P.O. Box 168 Sewickley, PA 15143

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Subject: Davie Well No. 1 Surface Restoration

Dear Mr. Corbett:

This letter is my request as the land and mineral owner to leave the existing power pole, fence and natural gas gathering line connection on the Davie #1 location. Also, reseeding the location is unnecessary because of my plans for the existing well pad.

Sincerely,

Bill Davie

State of Colorado

County of Denver

The foregoing instrument was acknowledged before me this $14^{1/2}$ day of December, 2007

by Bill Davie

Ny Commission Expires Liby 10, 2009

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(Notary's official signature)

May 10 12008 (Commission expiration date)