

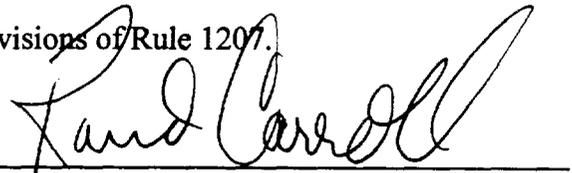
STATE OF NEW MEXICO ENERGY,
MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION THROUGH THE SUPERVISOR OF DISTRICT II FOR AN ORDER REQUIRING RPM ENERGY, INC. TO PROPERLY PLUG SIX WELLS (THREE WELLS LOCATED IN UNITS I, J AND D IN SECTION 16 AND THREE WELLS LOCATED IN UNITS L, J AND F IN SECTION 21) ALL IN TOWNSHIP 16 SOUTH, RANGE 26 EAST, EDDY COUNTY, NEW MEXICO, AUTHORIZING THE DIVISION TO PLUG SAID WELLS, AND ORDERING A FORFEITURE OF THE PLUGGING BOND, IF ANY.

CASE NO. 11944

AFFIDAVIT REGARDING NOTICE

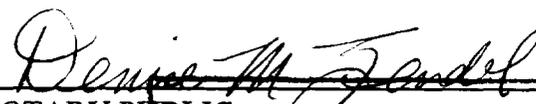
1. I am over the age of eighteen and have personal knowledge of the matters stated herein.
2. I am the attorney of record for Applicant.
3. Applicant has conducted a good faith, diligent effort to find the correct addresses of interest owners entitled to receive notice of the Application herein.
4. Notice of the Application was provided to the interest owners at their correct addresses by mailing them, by certified mail, a copy of the Application. Copies of the notice letter and certified return receipts are attached hereto.
5. Applicant has complied with the notice provisions of Rule 1207.



Rand Carroll

SUBSCRIBED AND SWORN TO before me this 4th day of March, 1998,
by Rand Carroll.

My commission expires:
1-6-2000


NOTARY PUBLIC BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
OCD EXHIBIT NO. 3
CASE NO: 11944

State of New Mexico

ENERGY, MINERALS and NATURAL RESOUR

2040 South Pacheco

P.O. Box 6429

Santa Fe, New Mexico 87505-5472



Fold at line over top of envelope to the right of the return address

CERTIFIED

RPM Energy, Inc.
PO Box 1207
Big Springs, TX 79721

R 2-17
3-4

P 410 431 051

MAIL

is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:
United States Fire Insurance Co.
305 Madison Avenue
Morristown, NJ 07960

4a. Article Number
P 410 431 052

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)
X *[Signature]*

7. Date of Delivery: **FEB 1994**

8. Addressee's Address (Only if requested and fee is paid)

1. Addressee's Address
2. Restricted Delivery
Consult postmaster for fee.

I also wish to receive the following services (for an extra fee):

Thank you for using Return Receipt Service.

PS Form 3811, December 1994



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87506
(505) 827-7131

February 13, 1998

Certified Mail
Return Receipt Requested

RPM Energy, Inc.
P.O. Box 1207
Big Springs, TX 79721

United States Fire Insurance Company
305 Madison Avenue
Morristown, NJ 07960

Case No. 11944

RE: Application of the New Mexico Oil Conservation Division for an order requiring RPM Energy, Inc. to properly plug six wells (three wells located in Units I, J and D in Section 16 and three wells located in Units L, J and F in Section 21), located in Township 16 South, Range 26 East, Eddy County, NM, authorizing the Division to plug said wells, and ordering a forfeiture of any plugging bond

United States Fire Insurance Company Bond No: 610 08020478

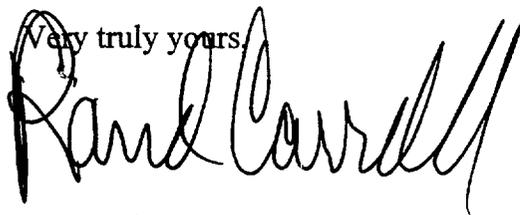
Dear Sir/Madam:

This letter is to advise you that the New Mexico Oil Conservation Division has filed the enclosed application seeking a Show Cause Hearing requiring RPM Energy, Inc. and other interested parties to appear and show cause why the above-referenced wells should not be ordered plugged and abandoned.

This application has been set for hearing before an Examiner of the Oil Conservation Division on March 5, 1998. You are not required to attend this hearing, but as an owner of an interest that may be affected by an order issued in this case, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases have been requested by the Division (Memorandum 2-90--- Enclosed) to file a Prehearing Statement substantially in the form prescribed by the Division. Prehearing

statements should be filed by 4:00 o'clock p.m. on the Friday before a scheduled hearing.

Very truly yours,


RAND CARROLL
ATTORNEY FOR THE NEW MEXICO OIL CONSERVATION DIVISION

Enclosures



c: Ray Smith, OCD Artesia
Tim Gum, OCD Artesia District Supervisor

RECEIVED
FEB 10 1998
Conservation Division

**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 II FOR AN ORDER REQUIRING RPM ENERGY, INC. TO PROPERLY PLUG SIX WELLS (THREE WELLS LOCATED IN UNITS I, J AND D IN SECTION 16 AND THREE WELLS LOCATED IN UNITS L, J AND F IN SECTION 21, ALL IN TOWNSHIP 16 SOUTH, RANGE 26 EAST, EDDY COUNTY, NEW MEXICO, AUTHORIZING THE DIVISION TO PLUG SAID WELLS, AND ORDERING A FORFEITURE OF THE PLUGGING BOND, IF ANY.

CASE NO. _____

APPLICATION FOR PLUGGING AND FORFEITURE OF BOND

1. RPM Energy, Inc. (the "Operator") is the operator of the six wells located in Units I, J and D in Section 16, Township 16 South, Range 26 East, and Units L, J and F in Section 21, Township 16 South, Range 26 East, Eddy County, New Mexico.

2. Operator has posted a surety bond in the amount of \$50,000 for said wells in compliance with Section 70-2-14 NMSA 1978 and Rule 101 of the Rules and Regulations of the Oil Conservation Division, which bond is conditioned upon compliance with the statutes of the State of New Mexico and the Rules and Regulations of the Division with respect to the proper plugging and abandonment of the wells operated by Operator. United States Fire Insurance Company is surety on the bond, Bond No. 610 08020478.

3. The subject wells have not produced hydrocarbon or carbon dioxide substance or have otherwise been inactive for more than one year or are no longer usable for beneficial purposes and no permit for temporary abandonment has been requested by the Operator and approved by

the Division.

4. By virtue of the failure to use the wells for beneficial purposes or to have approved current temporary abandonment permits, the subject wells are presumed to have been abandoned and are required to be plugged.

5. By authority of Section 70-2-14 NMSA 1978, the Rules and Regulations of the Division require wells which are inactive for more than one year or are no longer usable for beneficial purposes to be properly plugged.

6. Demand has been made or attempted to be made upon the Operator to either place the subject wells to beneficial use, obtain approval for temporary abandonment or properly plug and abandon the same and the Operator has failed to do so.

WHEREFORE, the Supervisor of District II of the Oil Conservation Division applies to the Director to enter an order:

A. Determining whether or not the wells should be plugged in accordance with a Division-approved plugging program.

B. Upon a determination that said wells should be plugged, directing Operator to plug said wells.

C. Further ordering that if Operator fails to plug and abandon said wells as ordered by the Director, that the Division be authorized:

i. to plug said wells;

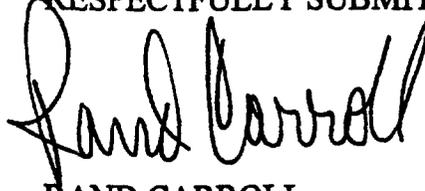
ii. to declare forfeit on said bond, if any, and to take such action to

foreclose on said bond, and

iii. to recover from the Operator any costs of plugging said wells in excess of the amount of the bond, if any.

D. For such other and further relief as the Division deems just and proper, including the assessment of fines.

RESPECTFULLY SUBMITTED,

A handwritten signature in black ink, appearing to read "Rand Carroll". The signature is written in a cursive style with a large initial "R".

RAND CARROLL

Legal Counsel

New Mexico Oil Conservation Division

2040 South Pacheco

Santa Fe, NM 87505

(505) 827-8156