

**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 ECLIPSE OIL AND GAS, INC. TO PLUG AND ABANDON TEN WELLS IN ACCORDANCE WITH THE REQUIREMENTS OF 19.15.4.202 NMAC BY A DATE CERTAIN, AND AUTHORIZING THE DIVISION TO PLUG THE WELLS AND FORFEIT THE APPLICABLE SECURITY IN THE EVENT THE OPERATOR FAILS TO COMPLY; LEA COUNTY, NEW MEXICO.

CASE NO.: 13456

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. Eclipse Oil & Gas, Inc. posted a \$50,000 bond, number B7299, with Underwriters Indemnity Company (UIC) to secure its obligations to plug and abandon its wells in accordance with the rules and orders of the OCD. A copy of the bond is Attachment "A" to this affidavit.
4. By letter dated June 27, 2002, Eclipse Oil & Gas, Inc. requested the release of bond number B7299. A copy of that letter is Attachment "B" to this affidavit. I did not release the bond because OCD records showed that Eclipse Oil & Gas, Inc. still had unplugged wells in New Mexico.
5. OCD records show no amendments or riders to bond number B7299, and according to OCD records, that bond remains in effect.
6. According to a memorandum the OCD received from RLI Insurance Company (RLI), effective April 30, 2003 RLI assumed all of UIC's obligations under bonds it issued, and Underwriters Indemnity Division of RLI Insurance Company is now the surety on all of UIC's previously issued bonds. A copy of that memorandum is "Attachment C" to this affidavit.

THIS CONCLUDES MY AFFIDAVIT.


Dorothy Phillips

SUBSCRIBED AND SWORN before me this 29th day of March, 2005.


Notary Public

My Commission Expires:

1-9-08

**Before the OCD
Case 13456
OCD Ex. 3**

Form O & G B-B
Adopted 6-17-77
Revised 10-20-89

STATE OF NEW MEXICO

\$50,000 BLANKET PLUGGING BOND

BOND NO. B7299

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

KNOW ALL MEN BY THESE PRESENTS:

That ECLIPSE OIL & GAS, INC., (An individual) (a partnership) (a corporation organized in the State of TEXAS, with its principal office in the city of Odessa, 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 New Mexico, 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.

5/5/98

Attachment A

Eclipse Oil & Gas, Inc.
PRINCIPAL
P. O. Box 15122, Odessa, TX
Address 79768
By [Signature]
Signature
President
Title

Underwriters Indemnity Company
SURETY
8 Greenway Plaza, Suite 400
Houston, Texas 77046
Address
[Signature]
Attorney-In-Fact

(Note: Principal, if corporation, affix corporate seal here.)

(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

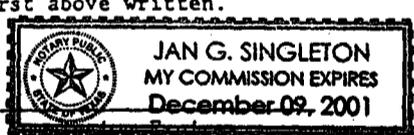
My Commission Expires _____

ACKNOWLEDGEMENT FORM FOR CORPORATION

STATE OF TEXAS)
COUNTY OF ECTOR) ss.

On this 24 day of March, 1998, before me personally appeared Richard Beeson, to me personally known who, being by me duly sworn, did say that he is President of Eclipse Oil & Gas, 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.



[Signature]
Notary Public

My

ACKNOWLEDGEMENT FORM FOR CORPORATE SURETY

STATE OF Texas)
COUNTY OF Harris) ss.

On this 6th day of April, 1998 before me appeared Greg E. Chilson, 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.

[Signature]
Notary Public

March 19, 2001
My Commission Expires



(Note: Corporate surety attach power of attorney.)

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By: [Signature]
Date: 5-5-98

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:

Greg E. Chilson

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 a resolution enacted by the Board of Directors of UNDERWRITERS INDEMNITY COMPANY. The following is a true transcript of said resolution:

That at all times since the formation of this corporation, the President or any Vice President, Assistant Vice President, Secretary or Assistant 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 Bylaws 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 by consent 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 30th day of April 1996.



E.H. Frank III

President

STATE OF TEXAS
COUNTY OF HARRIS

On this 30th day of April 1996, 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.



Robin N. Neville

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 6th day of April, 19 98



Greg E. Chilson

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.

ECLIPSE OIL & GAS, INC. OIL CONSERVATION DIV.

P.O. Box 4455, Midland, TX. 79704
218 W. Illinois Ave., Suite 200, Midland, TX. 79701

(915) 620-6040 W
(915) 550-3036 F

02 JUL -1 PM 2:33

June 27, 2002

Ms. Anna Villa
New Mexico State Land Office
310 Old Santa Fe Trail
Santa Fe, NM 87401-2708

Ms. Dorothy Phillips
New Mexico Oil Conservation Commission
1220 South St. Francis Drive
Santa Fe, NM 87505

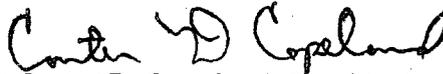
RE: Eclipse Oil & Gas, Inc., DIP Case No. 99-70740,
Chapter 11, Western Dist. Of TX-Midland/Odessa Div.

Dear Ms. Villa and Ms. Phillips:

As previously stated, Eclipse Oil and Gas, Inc. sold all interests in all wells and assets located in Lea County, New Mexico (i.e. leasehold interests, wellbores, existing equipment and related lands) in 2000. We are asking both the State of New Mexico Land Office and the New Mexico Oil Conservation Commission to release the bonds issued on behalf of Eclipse Oil & Gas, Inc. The bonds issued to the State of New Mexico Land Office on behalf of Eclipse Oil & Gas, Inc. remain in effect.

Your assistance to resolve these issues concerning the State of NM and NMOCC would be appreciated. Please feel free to contact Jan Singleton in this office if you have any questions concerning our request.

Sincerely,



Carter D. Copeland, President
And Court Appointed CEO

CC:

Mr. Chris Williams, District Supervisor/General Manager.
NMOCC District I
1625 North French Drive
Hobbs, New Mexico 88240

Mr. Gary Wink, OC Field Rep. II/Staff Mgr.
NMOCC District I
1625 North French Drive
Hobbs, New Mexico 88240

Attachment B

UNDERWRITERS INDEMNITY COMPANY
(Now Known As Lexon Insurance Company)

April 30, 2003

TO UNDERWRITERS INDEMNITY COMPANY BOND PRINCIPALS & OBLIGEEES:

We want to take this opportunity to let you know about some important changes that are happening at Underwriters Indemnity Company ("UIC").

As you may know, since 1999, UIC has been part of the RLI Corp. family. RLI Corp. is a New York Stock Exchange listed company that operates its insurance business through a variety of affiliated insurance companies. RLI Corp.'s flagship insurance company is RLI Insurance Company, an A, IX, A.M. Best rated insurer.

Effective April 30, 2003, RLI Insurance Company assumed all of UIC's obligations under bonds and any policies of insurance it issued. As a result, Underwriters Indemnity Division of RLI Insurance Company is now the surety on all of UIC's previously issued bonds and the insurer on any policy of insurance. In addition, any obligations under indemnity agreement entered into with UIC are now owed to RLI Insurance Company.

You should also be aware that UIC has changed its name to Lexon Insurance Company. This assumption by RLI Insurance Company is in anticipation of Lexon Insurance Company coming under new ownership outside the RLI Corp. family in the near future.

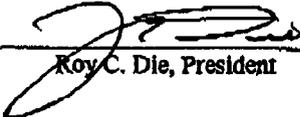
These changes will not affect the service you have come to expect. Any questions should still be directed to my attention at the following address:

Roy C. Die, Vice President
Underwriters Indemnity Division of
RLI Insurance Company
8 Greenway Plaza Ste. 400
Houston, Texas 77046
713.961.1300 Telephone
800.223.2293 Toll Free Telephone
713.961.0285 Fax

Unless we hear from you in writing at the above address prior to September 15, 2003, we will assume that you have agreed to the assumption of UIC obligations by RLI Insurance Company.

Very truly yours,

UNDERWRITERS INDEMNITY COMPANY
(Now Known As Lexon Insurance Company)

By: 

Roy C. Die, President

Doc # C2802 (209217-00005) 60177015-v3;05/23/2003/Time:14:12

Attachment C