

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST BUCKEYE DISPOSAL, LLC, FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.3.101.B NMAC & 19.15.4.201 NMAC AS TO TWO WELLS; THAT THE OPERATOR HAS FAILED TO COMPLY WITH THE TERMS OF ACO 183; DETERMINING THAT THE VIOLATION OF 19.15.3.101.B NMAC & 19.15.4.201 NMAC IS KNOWING & WILLFUL AND IMPOSING PENALTIES; REQUIRING OPERATOR TO POST THE REQUIRED SINGLE-WELL FINANCIAL ASSURANCES FOR BOTH WELLS AND PLUG & ABANDON BOTH WELLS BY A DATE CERTAIN; ENFORCING THE PENALTY PROVISION OF ACO 183 AND REQUIRING OPERATOR TO REMIT PAYMENT OF THE PENALTY PURSUANT TO THE TERMS OF ACO 183 BY A DATE CERTAIN; AND IN THE EVENT OF NON-COMPLIANCE, DECLARING THE WELLS ABANDONED, AUTHORIZING THE DIVISION TO PLUG THE WELLS AND FORFEIT ANY APPLICABLE FINANCIAL ASSURANCE, LEA COUNTY, NEW MEXICO.

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

4. Buckeye Disposal, LLC., has posted \$50,000 surety blanket plugging bond (Bond No. 1002171) to secure its obligation to plug and abandon wells, pursuant to 19.15.3.101.A NMAC. The bond has been secured through Lexon Insurance Company, P.O. Box 98, Louisville, KY 40201.

**Case 14108**  
**Buckeye Disposal, LLC**  
**OCD Exhibit No. A**

5. OCD records show no amendments or riders to the above-referenced bond. According to our records, that bond remains in effect.

6. A copy of the referenced bond is attached as Exhibit A to this affidavit.

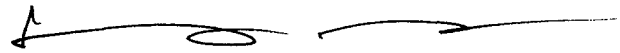
7. State or fee wells that have been inactive for more than two years require a single well financial assurance under OCD Rule 101.B [19.15.3.101.B NMAC].

8. OCD records indicate that Buckeye Disposal, LLC's State AF#1, API 30-025-20546 last reported production in December of 2003, and has therefore been inactive for more than two years and requires additional financial assurance under Rule 101.B.

9. OCD records indicate that Buckeye Disposal, LLC's State AF#2, API 30-025-20979, was an active well while operated by prior operator, has been temporarily abandoned since October of 2002, and therefore requires a single-well financial assurance under Rule 101.B. A sundry reflecting prior activity is attached as Exhibit B to this affidavit.

9. As of the date of this affidavit, Buckeye has not posted single well financial assurances for either of these two above-identified wells, as required by Rule 101.B.

THIS CONCLUDES MY AFFIDAVIT.

  
Dorothy Phillips

SUBSCRIBED AND SWORN before me this 16<sup>th</sup> day of April 2008.

  
Notary Public

My Commission Expires:

3-24-2010

Affidavit of Dorothy Phillips

Cases 14108

Page 2 of 2

CMD :  
OG6CBBD

ONGARD  
CAPTURE BLANKET BONDS

04/16/08 11:27:13  
OGODLP -TPXP

OGRID Identifier : 222759 Bond Idn : 249330 Bond Status : A  
Operator Name, Address : BUCKEYE DISPOSAL, L.L.C.  
P. O. BOX 2724  
LUBBOCK, TX 79408

Bond Details- Type (Cash/Surety - C/S): S Bond Co Idn: 12 Amount: 50000.00  
Company OGRID Identifier: 224684  
Company Name, Address : LEXON INSURANCE COMPANY  
PO BOX 98  
LOUISVILLE, KY 40201

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 : 1002171

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

EXHIBIT A to  
Affidavit of Dorothy Phillips  
Case No. 14108

RECEIVED

FORM O & G B-B  
Adopted 6-17-77  
Revised 1-1-03

NOV 17 1993

STATE OF NEW MEXICO

OIL CONSERVATION  
DIVISION

**\$50,000 BLANKET PLUGGING BOND**

**BOND NO.** 1002171

File with the OIL CONSERVATION DIVISION, 1220 South St. Francis, Santa Fe, New Mexico 87505

KNOW ALL MEN BY THESE PRESENTS:

That BUCKEYE DISPOSAL, LLC, (an individual) (a general partnership) (a corporation, limited liability company or limited partnership organized in the State of NEW MEXICO, and authorized to do business in the State of New Mexico), as PRINCIPAL, and Lexon Insurance 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 firmly bound unto the State of New Mexico for the use and benefit of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (or successor agency) (the DIVISION) pursuant to NMSA 1978, Section 70-2-14, as amended, in the sum of **Fifty Thousand Dollars (\$50,000)** for the payment of which the PRINCIPAL and SURETY hereby bind themselves and their successors, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, the PRINCIPAL has commenced or may commence the drilling of a well or wells to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals on privately owned or state owned lands within the State of New Mexico, or does own or operate, or may acquire, own or operate such a well or such wells, the identification and location of said wells being expressly waived by both PRINCIPAL and SURETY.

NOW, THEREFORE, if the PRINCIPAL and SURETY or either of them or their successors or assigns, or any of them, shall cause all of said wells to be properly plugged and abandoned when dry or when no longer productive or useful for other beneficial purpose, in accordance with the rules and orders of the of DIVISION, including but not limited to Rules 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 NMAC], as such rules now exist or may hereafter be amended;

THEN AND IN THAT EVENT, 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 30 days after receipt by the DIVISION of written notice of cancellation from the SURETY, the obligation of the SURETY shall terminate as to wells acquired, drilled or started, or of which PRINCIPAL assumes operation, after said 30-day period, but shall continue in effect, notwithstanding said notice, as to wells theretofore acquired, drilled, started or operated.

BUCKEYE DISPOSAL LLC  
PRINCIPAL  
PO Box 513  
HOBBS, NM 88241  
Address  
By [Signature]  
Signature  
Member  
Title

Lexon Insurance Company  
SURETY  
P.O. Box 98, Louisville, KY 40201  
Address  
By [Signature]  
Attorney - In-Fact  
James T. Smith

If PRINCIPAL is a corporation, affix

Corporate surety affix

## ACKNOWLEDGMENT FORM FOR INDIVIDUAL

STATE OF \_\_\_\_\_ )  
 COUNTY OF \_\_\_\_\_ ) ss.

This instrument was acknowledged before me on \_\_\_\_\_, 20\_\_ by \_\_\_\_\_  
 (Name of Individual)

\_\_\_\_\_  
 Notary Public

SEAL

\_\_\_\_\_  
 My Commission Expires

## ACKNOWLEDGMENT FORM FOR PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY

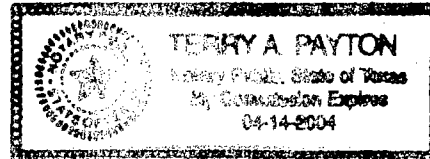
STATE OF TEXAS )  
 COUNTY OF LUBBOCK ) ss.

This instrument was acknowledged before me on 5TH, 2003 by PIETER BERGSTEIN  
 (Name of Person Signing Instrument)  
 as MEMBER of BUCKEYE DISPOSAL, LLC  
 (Capacity, e.g., partner, president, manager, member) (Name of partnership, corporation or limited liability company)

Terry A. Payton  
 Notary Public

SEAL

4-14-2004  
 My Commission Expires



## ACKNOWLEDGMENT FORM FOR CORPORATE SURETY

STATE OF Kentucky )  
 COUNTY OF Jefferson ) ss.

This instrument was acknowledged before me on 11/05, 2003 by James T. Smith  
 (Name of Attorney in fact)  
 as Attorney-in-Fact for Lexon Insurance Company  
 (Name of corporate surety)

Mary Joseph  
 Notary Public

SEAL

10/09/04  
 My Commission Expires

Corporate surety attach power of attorney

**Lexon Insurance Company**

KNOW ALL MEN BY THESE PRESENTS, that **LEXON INSURANCE COMPANY**, a Texas Corporation, with its principal office in Louisville, Kentucky, does hereby constitute and appoint: James T. Smith, John B. Manus, Linda Gibson, Tammy Masterson

Brook T. Smith, Kathy Hobbs, Raymond M. Hundley, Jason D. Cromwell, James H. Martin

its true and lawful Attorney(s)-In-Fact to make, execute, seal and deliver for, and on its behalf as surety, any and all bonds, undertakings or other writings obligatory in nature of a bond.

This authority is made under and by the authority of a resolution which was passed by the Board of Directors of **LEXON INSURANCE COMPANY** on the 1st day of July, 2003 as follows:

Resolved, that the President of the Company is hereby authorized to appoint and empower any representative of the Company or other person or persons as Attorney-In-Fact to execute on behalf of the Company any bonds, undertakings, policies, contracts of indemnity or other writings obligatory in nature of a bond not to exceed \$2,000,000.00, Two Million Dollars, which the Company might execute through its duly elected officers, and affix the seal of the Company thereto. Any said execution of such documents by an Attorney-In-Fact shall be as binding upon the Company as if they had been duly executed and acknowledged by the regularly elected officers of the Company. Any Attorney-In-Fact, so appointed, may be removed for good cause and the authority so granted may be revoked as specified in the Power of Attorney.

Resolved, that the signature of the President and the seal of the Company may be affixed by facsimile on any power of attorney granted, and the signature of the Vice President, and the seal of the Company may be affixed by facsimile to any certificate of any such power and any such power or certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certificate so executed and sealed shall, with respect to any bond of undertaking to which it is attached, continue to be valid and binding on the Company.

IN WITNESS THEREOF, **LEXON INSURANCE COMPANY** has caused this instrument to be signed by its President, and its Corporate Seal to be affixed this 2nd day of July, 2003.

**LEXON INSURANCE COMPANY**

BY

David E. Campbell  
President

**ACKNOWLEDGEMENT**

On this 2nd day of July, 2003, before me, personally came David E. Campbell to me known, who being duly sworn, did depose and say that he is the President of **LEXON INSURANCE COMPANY**, the corporation described in and which executed the above instrument; that he executed said instrument on behalf of the corporation by authority of his office under the By-laws of said corporation.

"OFFICIAL SEAL"  
LYDIA J. DEJONG  
NOTARY PUBLIC, STATE OF ILLINOIS  
MY COMMISSION EXPIRES 1/12/2007

Lydia J. DeJong  
Notary Public

**CERTIFICATE**

I, the undersigned, Secretary of **LEXON INSURANCE COMPANY**, A Texas Insurance Company, DO HEREBY CERTIFY that the original Power of Attorney of which the foregoing is a true and correct copy, is in full force and effect and has not been revoked and the resolutions as set forth are now in force.

Signed and Sealed at Lombard, Illinois this 5th Day of November, 2003



Donald D. Buchanan  
Secretary

Submit 3 Copies  
to Appropriate  
District Office

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-103  
Revised 1-1-89

DISTRICT I  
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II  
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION

P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

WELL API NO. <b>30-025-20979</b>	
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>	
6. State Oil & Gas Lease No. E-7723	
7. Lease Name or Unit Agreement Name  STATE AF	
8. Well No. 2	
9. Pool name or Wildcat Vacuum Wolfcamp	

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)	
1. Type of Well: OIL WELL <input type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER Salt Water Disposal	
2. Name of Operator PENROC OIL CORPORATION	
3. Address of Operator P. O. BOX 5970, HOBBS, NM 88241	
4. Well Location Unit Letter 0 : 2130 Feet From The EAST Line and 330 Feet From The SOUTH Line Section 8 Township 18S Range 35E NMPM LEA County	
10. Elevation (Show whether DF, RKB, RT, GR, etc.) 3956 DF	

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data			
NOTICE OF INTENTION TO:	SUBSEQUENT REPORT OF:		
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>		CASING TEST AND CEMENT JOB <input type="checkbox"/>	SWD-348
OTHER: <input type="checkbox"/>		OTHER: Convert Well to disposal <input type="checkbox"/>	

12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

As per order NO. SWD-348 well was equipped for SWD on September 1, 1989

Picked up and ran 3 1/2" 8R, plastic coated tbg and packer. Circulated hole clean with packer fluid set packer at 9853'. Pressured tested tbg-csg annulus to 500# - O.K. Put well on injection at 0.56 bpm and on 9-4-89 pumped 1000 gal 20% NEFE acid @ 0.75 bpm and 350#. Returned well to injection. Injecting ARO 1690 bpd @ 50 psig.

Injecting into perf. 9864'-9900'  
10134-10155'

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Mohammed Yamin Merchant TITLE PRESIDENT DATE 9-7-89

TYPE OR PRINT NAME MOHAMMED YAMIN MERCHANT

TELEPHONE NO. (505) 397-3590

ORIGINAL SIGNED BY JERRY SEXTON  
(This space for State Use) DISTRICT I SUPERVISOR

SEP 18 1989

APPROVED BY \_\_\_\_\_

DATE \_\_\_\_\_

CONDITIONS OF APPROVAL, IF ANY:

EXHIBIT B to  
Affidavit of Dorothy Phillips  
Case No. 14108

E