

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

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST MARKS AND GARNER PRODUCTION LTD. CO., (1) FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.4.201 NMAC AS TO TWENTY THREE WELLS, OR ALTERNATIVELY IS IN VIOLATION OF 19.15.13.1115; (2) REQUIRING THE OPERATOR TO BRING SAID WELLS INTO COMPLIANCE WITH 19.15.4.201 NMAC AND/OR 19.15.13.1115 NMAC BY A DATE CERTAIN AND (3) REQUIRING THAT THE OPERATOR PAY PENALTIES, AND IN THE EVENT OF NON-COMPLIANCE, DECLARING THE WELLS ABANDONED AND AUTHORIZING THE DIVISION TO PLUG THE WELLS - LEA AND SAN JUAN COUNTIES, NEW MEXICO.

CASE NO. 14041

Affidavit of Dorothy Phillips

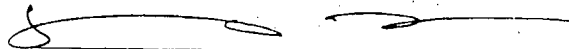
STATE OF NEW MEXICO)
) SS.
COUNTY OF SANTA FE)

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

1. I have been employed at the Santa Fe, New Mexico office of the Oil Conservation Division ("OCD") since 1981.
2. My current 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 the wells operated by Marks and Garner Production Ltd., Co., OGRID 14070, are covered by a financial assurance.
4. Marks and Garner Production Ltd., Co. has posted \$50,000 cash blanket plugging bond No. OCD-782. The cash collateral is deposited with the Western Commerce Bank in Hobbs, New Mexico.
5. OCD records show no amendments or riders to bond number OCD-782. According to our records that bond remains in effect.

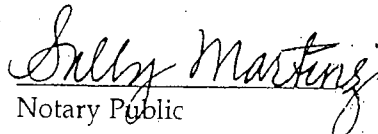
6. A copy of bond number OCD-782 is attached as Exhibit A to this affidavit.

THIS CONCLUDES MY AFFIDAVIT.



Dorothy Phillips.

SUBSCRIBED AND SWORN before me this 9th day of January 2008.


Notary Public

My Commission Expires:

3-24-2010

CMD :
OG6CBBJ

ONGARD
CAPTURE BLANKET BONDS

01/09/08 09:38:26
OGODLP -TQ82

OGRID Identifier : 14070 Bond Idn : 249605 Bond Status : A
Operator Name, Address : MARKS AND GARNER PRODUCTION LTD CO
PO BOX 1089
HOBBS, NM 88241

Bond Details- Type (Cash/Surety - C/S): C Bond Co Idn: 13 Amount: 50000.00
Company OGRID Identifier: 36469
Company Name, Address : WESTERN COMMERCE BANK
PO BOX 700
HOBBS, NM 88240

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 : OCD-782

E6414: Press PF10 to scroll forward.

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07	PF08	PF09 PRINT	PF10 NXTBOND	PF11	PF12

*Before the OCC
Cases 14041 De Novo
Marks & Garner
OCD Ex. No. 1-A*

OCD
182

Form O & G CBB
Adopted 6-1-86
Revised 1-1-03

STATE OF NEW MEXICO
Energy, Minerals and Natural Resources Department
Oil Conservation Division

BLANKET CASH PLUGGING BOND

Marks & Garner Production LTD., Co. ("OPERATOR"), a(n)
Limited Liability Company, organized in the State of New Mexico,
and authorized to do business in the State of New Mexico, whose mailing address is P.O. Box 70, Lovington, NM,
88260 is hereby firmly bound to the Oil Conservation Division of the Energy, Minerals and Natural Resources
Department (or successor agency) of the State of New Mexico ("the DIVISION"), in the sum of **Fifty Thousand
Dollars (\$50,000)** upon the following conditions:

OPERATOR desires to drill, acquire, or assume operation of, wells to prospect for and/or produce oil or
gas, carbon dioxide gas, helium gas or brine minerals on land owned by the State of New Mexico or on privately
owned fee land within the State of New Mexico.

OPERATOR has deposited on behalf of the DIVISION the sum of **Fifty Thousand Dollars (\$50,000)** with
Western Commerce Bank ("FINANCIAL INSTITUTION") in the account indicated on, and subject to the terms of,
the Assignment attached to this bond. OPERATOR pledges this sum as financial assurance that it or its successors
or personal representatives will cause to be properly plugged and abandoned all wells in the State of New Mexico
now or hereafter owned or operated by it if dry, or when no longer productive or useful for other beneficial purpose,
in accordance with all applicable rules and orders of the DIVISION, including but not limited to Division Rules 101
[19.15.3.101 NMAC] and 202 [19.15.4.202 NMAC], as the same now exist or may be hereafter amended. If
OPERATOR does not so properly plug and abandon said wells, upon order of the DIVISION after notice and
hearing, the total sum of this bond shall be forfeited to the DIVISION, as provided in NMSA 1978 Section 70-2-
14.B, as amended. If the principal sum of this bond is less than the actual cost incurred by the DIVISION in
plugging and abandoning said wells in accordance with Rules 101 and 202 and any other applicable rules or orders,
OPERATOR, its successors, heirs or personal representatives, shall be liable under the provisions of NMSA 1978,
Sections 70-2-14 or 70-2-38 as amended (as applicable), for such deficiency, and the DIVISION may initiate action,
as provided in said statutes, to recover same.

If OPERATOR or its successors, heirs, personal representatives or assigns cause all wells now or hereafter
owned or operated by OPERATOR in the State of New Mexico to be properly plugged and abandoned in
accordance with all applicable rules and orders of the DIVISION, as above described, this obligation shall be null
and void, and the principal sum of the deposit securing this bond shall be released to OPERATOR or to its
successors, heirs, or personal representatives.

Marks & Garner Production LTD., Co.

PRINCIPAL

By

Signature

Title

Manager

Return to:

Oil Conservation Division
1220 South Saint Francis
Santa Fe, NM 87505