

**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 CALVIN F. TENNISON PURSUANT TO
NMSA 1978, SECTION 70-2-14(B) ORDERING CALVIN F. TENNISON TO
RETURN TO COMPLIANCE OR PLUG AND ABANDON ALL WELLS IT
OPERATES IN NEW MEXICO BY A DATE CERTAIN AND AUTHORIZING
THE DIVISION TO PLUG SAID WELLS AND FORFEIT THE APPLICABLE
FINANCIAL ASSURANCE IN THE EVENT OF NON-COMPLIANCE; EDDY
COUNTY, NEW MEXICO.**

CASE NO. 14137

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") since 1997.

2. My 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 financial assurance documents are on file for the following wells:

• Gulf Federal #003	C-13-26S-29E	30-015-25265
• Hanagan State #001	G-8-25S-30E	30-015-04746
• Malaga Unit #001	F-7-24S-29E	30-015-03701
• Malaga Unit #002	4-7-24S-29E	30-015-03702
• Malaga Unit #002	G-7-24S-29E	30-015-03699
• Malaga Unit #003	K-7-24S-29E	30-015-03695
• R and B Fed #001Y	D-17-25S-30E	30-015-04753
• Superior State #001	H-8-25S-30E	30-015-04745
• Superior State #002	I-8-25S-30E	30-015-10181

4. OCD records show Calvin F. Tennison to be the operator of record for the wells identified in Paragraph 3, above.

5. ONGARD (oil and natural gas administration and revenue data base) maintains data on the financial assurances posted by operators. Attachment "A" to this Case 14137

Affidavit of Dorothy Phillips
Page 1 of 2

**Case 14137
Calvin F. Tennison
OCD Exhibit 2**

affidavit consists of a printout of the ONGARD screen showing that Calvin F. Tennison posted a \$50,000 blanket surety bond, number 9009238, through Far West Insurance Company to secure the plugging of his wells in New Mexico. Calvin F. Tennison has not posted any single well financial assurances for his wells in New Mexico.

6. Attachment "B" to this affidavit is a copy of bond number 9009238.

7. The OCD bond file for bond number 9009238 contains copies of three unsigned letters from Assistant General Counsel David Brooks regarding Bond No. 9009238. All three letters were sent to the same Carlsbad address.


8. The first letter, dated February 5, 2002, is addressed to Calvin F. and Alma F. Tennison states that Far West Insurance Company, the surety on bond number 9009238, has been placed in receivership and that the receiver notified the OCD that all outstanding bonds are canceled effective December 9, 2001. The letter also states that Bond No. 9009238 must be replaced. Attachment "C" to this affidavit is a copy of the letter to the Tennisons dated February 5, 2002.

9. The second letter, dated May 20, 2002, is also addressed to Calvin F. and Alma F. Tennison and again states that Bond No. 9009238 must be replaced. Attachment "D" to this affidavit is a copy of the letter to the Tennisons dated May 20, 2002.

10. The third letter, dated May 20, 2002, is addressed to Calvin Tennison, c/o Bill and Patsy Rich. It states, in part, "You have indicated to us that you are now responsible for the wells of which Calvin F. Tennison is operator of record." It states they were directed to replace the referenced bond or assume operations of the well and bring the well under their own bond. Attachment "E" to this affidavit is a copy of the letter to Calvin Tennison, c/o Bill and Patsy Rich, dated May 20, 2002.

11. The OCD bond file for bond number 9009238 does not contain any correspondence from the receiver regarding placing Far West Insurance Company in receivership. The OCD bond file for Bond No. 9009238 does not contain any responses to the letters sent to the Tennisons or the Riches.

THIS CONCLUDES MY AFFIDAVIT.


Dorothy Phillips

SUBSCRIBED AND SWORN before me this 4 day of June, 2008.


Notary Public

My Commission Expires:

3-14-2010

Case 14137

Affidavit of Dorothy Phillips

Page 2 of 2

CMD :
OG6CBBD

ONGARD
CAPTURE BLANKET BONDS

06/02/08 15:49:40
OGODLP -TQ70

OGRID Identifier : 3604 Bond Idn : 252485 Bond Status : A
Operator Name, Address : CALVIN F TENNISON
9009 MAGNOLIA VAL DR
GRANBURY, TX 76049

Bond Details- Type (Cash/Surety - C/S): S Bond Co Idn: 12 Amount: 50000.00
Company OGRID Identifier: 26690
Company Name, Address : FAR WEST INSURANCE CO.
P O BOX 4500
WOODLAND HILLS, CA 91365

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 : 9009238

M0015: Table update is successful.

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

Case 14137
Calvin F. Tennison
OCD Exhibit 2-A

STATE OF NEW MEXICO

\$50,000 BLANKET PLUGGING BOND

BOND NO. 9009238
PREMIUM \$10,000.00

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

KNOW ALL MEN BY THESE PRESENTS:

That CALVIN F. AND ALMA F. TENNISON, (An individual) (a partnership) (a corporation organized in the State of _____, with its principal office in the city of CARLSBAD, State of NEW MEXICO, and authorized to do business in the State of New Mexico), as PRINCIPAL, and FAR WEST INSURANCE COMPANY, a corporation organized and existing under the laws of the State of CALIFORNIA, 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.

Case 14137
Calvin F. Tennison
OCD Exhibit 2-B

CALVIN F. AND ALMA F. TENNISON
PRINCIPAL

FAR WEST INSURANCE COMPANY
SURETY

2401 MARTIN LANE CARLSBAD, NM
Address

P.O. BOX 4500 WOODLAND HILLS, CA 91365-4500
Address

By Calvin F. Tennison
Signature
Alma F. Tennison
Title

Patsy I. Fry
Attorney-In-Fact
PATSY I. FRY

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

(Note: Corporate surety affix corporate seal here.)

ACKNOWLEDGEMENT FORM FOR NATURAL PERSONS

STATE OF New Mexico
COUNTY OF Eddy) ss.

On this 22nd day of June, 1993, before me personally appeared Calvin F. & Alma F. Tennison, some known to be the ~~person~~ ^{persons} (persons) described in and who executed the foregoing instrument and acknowledged that ~~he~~ ^{they} (they) executed the same as ~~his~~ ^{their} (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.

Dorise Sandoz
Notary Public

8/8/95
My Commission Expires

ACKNOWLEDGEMENT FORM FOR CORPORATION

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me personally known who, being by me duly sworn, did say that he is _____ of _____ 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.

Notary Public

My Commission Expires

ACKNOWLEDGEMENT FORM FOR CORPORATE SURETY

STATE OF COLORADO)
COUNTY OF DENVER) ss.

On this 18TH day of JUNE, 1993, before me appeared PATSY I. FRY, to me personally known, who, being by me duly sworn, did say that he is ATTORNEY-IN-FACT of FAR WEST INSURANCE 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.

Shirley A. West
Notary Public

6-7-96
My Commission Expires

(Note: Corporate surety attach power of attorney.)

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By: William J. Loney
Date:

POWER NUMBER
FW08051
BOND NUMBER
9009237
This Power of Attorney has been delivered in connection with the above bond number.

Amwest
Far West Insurance Company
P.O. Box 4500, Woodland Hills, CA 91365-4500
Tel.: (818) 704-1111.

VOID IF NOT USED BY
JUNE 1, 1994
No Power of Attorney on this form shall be valid as to bonds, undertakings, recognizances or other written obligations in the nature thereof executed on or after said expiration date.

**LIMITED POWER OF ATTORNEY
(READ CAREFULLY)**

To be used only in conjunction with the bond specified herein.

NAME OF PRINCIPAL: CALVIN F. AND ALMA F. TENNISON PENAL SUM \$ 25,000.00

NAME OF OBLIGEE: BUREAU OF LAND MANAGEMENT

This Power of Attorney may not be used in conjunction with any other power of attorney. This Power of Attorney is void if altered or erased. This document is printed on Gray paper with black and red ink. This power of attorney bears a raised seal of **FAR WEST INSURANCE COMPANY**. Only originals of this Power of Attorney are valid. No representations or warranties regarding this Power of Attorney may be made by any person other than an authorized officer of **FAR WEST INSURANCE COMPANY**, and must be in writing. Questions or inquiries regarding this Power of Attorney must be addressed to **FAR WEST INSURANCE COMPANY** at the address and telephone number set forth at the top of this Power of Attorney, Attention: Underwriting Department. This Power of Attorney shall be governed by the laws of the State of California. Any power of attorney used in connection with any bond issued by **FAR WEST INSURANCE COMPANY** on or after July 1, 1990 must be on Far West Form UN-F1007 (Rev. 7/90). All other previous power of attorney forms issued by **FAR WEST INSURANCE COMPANY** have been revoked and are of no further force or effect.

KNOW ALL MEN BY THESE PRESENTS, that **FAR WEST INSURANCE COMPANY**, A CALIFORNIA CORPORATION, (the "Company"), does hereby make, constitute and appoint

Patsy I. Fry

its true and lawful Attorney(s)-in-Fact, with limited power and authority for and on behalf of the Company as surety, to execute and deliver and affix the seal of the Company thereto if a seal is required, bonds, undertakings, recognizances or other written obligations in the nature thereof, as follows:

License & Permit Bonds up to Fifty Thousand Dollars (\$50,000)
Miscellaneous Bonds up to Fifty Thousand Dollars (\$50,000)

and to bind **FAR WEST INSURANCE COMPANY** thereby. This appointment is made under and by authority of the following provisions of the By-Laws of the Company, which are now in full force and effect:

Article II, Section 7 of the By-Laws of **FAR WEST INSURANCE COMPANY**

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following resolutions adopted by the board of directors of **FAR WEST INSURANCE COMPANY** at a meeting duly held on July 28, 1983:

RESOLVED that the president or any vice-president, in conjunction with the secretary or any assistant secretary, may appoint attorneys-in-fact or agents with authority as defined or limited in the instrument evidencing the appointment in each case, for and on behalf of the company to execute and deliver and affix the seal of the company to bonds, undertakings, recognizances and suretyship obligations of all kinds; and said officers may remove any such attorney-in-fact or agent and revoke any power of attorney previously granted to such person.

RESOLVED FURTHER that any bond, undertaking, recognizance, or suretyship obligation shall be valid and binding upon the company

(i) when signed by the president or any vice-president and attested and sealed (if a seal be required) by any secretary or assistant secretary; or

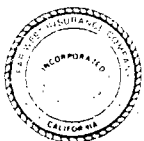
(ii) when signed by the president or any vice-president or secretary or assistant secretary, and countersigned and sealed (if a seal be required) by a duly authorized attorney-in-fact or agent; or

(iii) when duly executed and sealed (if a seal be required) by one or more attorneys-in-fact or agents pursuant to and within the limits of the authority evidenced by the power of attorney issued by the company to such person or persons.

RESOLVED FURTHER that the signature of any authorized officer and the seal of the company may be affixed by facsimile to any power of attorney or certification thereof authorizing the execution and delivery of any bond, undertaking, recognizance, or other suretyship obligations of the company; and such signature and seal when so used shall have the same force and effect as though manually affixed.

IN WITNESS WHEREOF, **FAR WEST INSURANCE COMPANY** has caused these presents to be signed by its proper officers, and its corporate seal to be

hereunto affixed this 1 day of June 19 92



John E. Savage
John E. Savage, President

Karen G. Cohen
Karen G. Cohen, Secretary

State of California

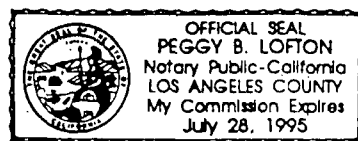
County of Los Angeles

On June 1, 1992 before me, Peggy B. Lofton (here insert name) Notary

Public, personally appeared John E. Savage and Karen G. Cohen, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me all that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature Peggy B. Lofton (Seal)



STATE OF CALIFORNIA, COUNTY OF LOS ANGELES—ss

CERTIFICATE

I, the undersigned, _____ secretary of the **FAR WEST INSURANCE COMPANY**, a California corporation, DO HEREBY CERTIFY that the foregoing and attached Power of Attorney remains in full force and has not been revoked, and furthermore, that the provisions of the By-Laws of the Company and the Resolutions of the board of directors set forth in the Power of Attorney, are now in force.

Signed and sealed at DENVER, CO this 18TH day of JUNE 19 93



Karen G. Cohen
Karen G. Cohen, Secretary



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Carol Leach

Acting Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

February 5, 2002

Calvin F. and Alma F. Tennison
P.O.Box 4500
Woodland Hills, CA 91365

NOTICE OF BOND CANCELLATION

Re: Far West Insurance Company

Bond No. 9009238
Bond Type: \$50,000 blanket
Principal: Calvin F. and Alma F. Tennison

Ladies and Gentlemen:

Please be advised the Far West Insurance Company, the surety on the referenced bond, has been placed in receivership in the State of Nebraska. The receiver has notified the Division that the all outstanding bonds are canceled effective December 9, 2001.

In order to comply with the financial assurance requirements of NMSA 70-2-14 and applicable division rules, you must replace the referenced bond with financial assurance, either in the form of a bond issued by an acceptable surety, cash collateral account or letter of credit, within thirty (30) days of the date of this notice. In the absence of compliance, the wells covered by this bond may have to be shut in, if on production, or plugging proceedings initiated if inactive.

Inquiries should be directed to Dorothy Phillips, Bond Administrator, Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, NM 87505; telephone (505)-476-3461.

Your prompt attention to this matter is earnestly solicited.

Very truly yours,

David K. Brooks
Assistant General Counsel

Case 14137
Calvin F. Tennison
OCD Exhibit 2-C



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor
Betty Rivera
Cabinet Secretary

May 20, 2002

Lori Wrotenbery
Director
Oil Conservation Division

Calvin F. Tennison
c/o Bill and Patsy Rich
2401 Martin Lane
Carlsbad, NM 88220

VIA CERTIFIED MAIL

SECOND NOTICE OF BOND CANCELLATION

Re: Far West Insurance Company bonds
Bond No. 9009238
Bond Type: \$50,000 blanket
Principal: Calvin F. and Alma F. Tennison

Dear Mr. and Mrs. Rich:

On February 5, 2002 you were notified by this office that Far West Insurance Company, the surety on the well-plugging bond with the State of New Mexico for Calvin F. Tennison, has been placed in receivership and that the referenced bond has been cancelled. You have indicated to us that you are now responsible for the wells of which Calvin F. Tennison is operator of record.

You were further directed to replace the referenced bond with financial assurance, either in the form of a bond issued by an acceptable surety, cash collateral account or letter of credit, within thirty (30) days of the date of that notice. Alternatively, you indicated you might assume operation of these wells by filing the appropriate form(s) C-104A with the district office(s), which would bring them under your blanket bond. We have received no response to date.

The New Mexico Oil and Gas Act (NMSA Section 70-2-14) provides:

Each person, firm, corporation or association who operates any oil, gas or service well within the state shall, as a condition precedent to drilling or producing the well, furnish financial assurance in the form of an irrevocable letter of credit or a cash or surety bond to the oil conservation division running to the benefit of the state and conditioned that the well be plugged and abandoned in compliance with the rules of the oil conservation division.

OCD Rule 101 provides:

Any person, firm, corporation, or association who has drilled or acquired, is drilling, or proposes to drill or acquire any oil, gas or service well on privately owned or state owned lands within this state shall furnish to the Division, and obtain approval thereof, a surety bond running to the State of New Mexico, in a form prescribed by the Division, and conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the Division.

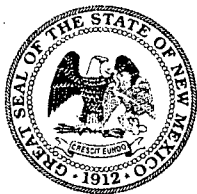
Far West's cancellation of the bond you previously furnished places the Calvin F. Tennison **in violation of this rule** unless and until you furnish a replacement financial assurance, or an operator with a current, effective bond assumes operation of these wells by filing the appropriate Change of Operator forms. Continued disregard of notices concerning this matter will necessitate institution of enforcement action by the Division, which may lead to shutting in your well(s) and/or assessment of civil penalties.

Inquiries should be directed to Dorothy Phillips, Bond Administrator, Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, NM 87505; telephone (505)-476-3461.

Your prompt attention to this matter is earnestly solicited.

Very truly yours,

David K. Brooks
Assistant General Counsel



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Betty Rivera

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

May 20, 2002

Calvin F. Tennison
c/o Bill and Patsy Rich
2401 Martin Lane
Carlsbad, NM 88220

VIA CERTIFIED MAIL

THIRD NOTICE OF BOND CANCELLATION

Re: Far West Insurance Company bond
Bond No. 9009238
Bond Type: \$50,000 blanket
Principal: Calvin F. and Alma F. Tennison

Dear Mr. and Mrs. Rich:

On February 5, 2002 AND ON May 20, 2002 you were notified by this office that Far West Insurance Company, the surety on the well-plugging bond with the State of New Mexico for Calvin F. Tennison, has been placed in receivership and that the referenced bond has been cancelled. You have indicated to us that you are now responsible for the wells of which Calvin F. Tennison is operator of record.

Our records do not indicate that a replacement bond has been furnished or that the subject wells operated by Calvin F. Tennison have been transferred to another bonded operator. If these wells are not properly bonded by December 30, 2002, it will become necessary to file an application to have these wells shut in.

Inquiries should be directed to Dorothy Phillips, Bond Administrator, Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, NM 87505; telephone (505)-476-3461.

Your prompt attention to this matter is earnestly solicited.

Very truly yours,

David K. Brooks
Assistant General Counsel

Case 14137
Calvin F. Tennison
OCD Exhibit 2-E