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

Case No. 14312

**EXHIBIT** 

2

#### 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 ORBIT PETROLEUM, INC. FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.7.24 NMAC, 19.15.8.9 NMAC AND 19.15.25.8 NMAC, REQUIRING OPERATOR TO PROPERLY PLUG AND ABANDON ALL ITS WELLS BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE AUTHORIZING THE DIVISION TO PLUG AND ABANDON THE WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE, ROOSEVELT AND LEA COUNTIES, NEW MEXICO.

CASE NO. 14312

#### 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 was asked to research the financial assurances posted by Orbit Petroleum, Inc., OGRID 227083, for the wells it operates.
- 4. OCD records identify Orbit Petroleum, Inc. as the operator of record for the following wells in New Mexico:

Archer #001, 30-041-20787, K-17-07S-34E

Archer #002, 30-042-20798, L-17-07S-34E

Brown 51 #001, 30-025-07061, D-19-09S-38E

Brown 51 #002, 30-025-21703, F-19-09S-38E

Line State #001, 30-041-20451, 2-16-08S-38E

Sieber #001, 30-041-20791, C-17-07S-34E

Before the OCD
Cases 14312
Orbit Petroleum, Inc.
OCD Ex. No. 2

State BA #001, 30-041-10003, A-34-07S-35E State BA #002, 30-041-20048, H-34-07S-35E

5. The records of the OCD identify the following financial assurances posted by Orbit Petroleum, Inc. to secure the plugging and abandonment of the wells it operates:

a. Blanket Cash Bond, Account 2169568157, \$50,000;

b. Blanket Cash Bond, Account 2169568116, \$40,000.

6. The Blanket Cash Bond, Account 2169568116, states that it is in the amount of \$50,000. However, the Assignment of Cash Collateral Deposit indicates that only \$40,000 is deposited in the account. That is why OCD records show the amount of the bond as \$40,000.

7. According to OCD records, the financial assurances identified above remain in full force and effect.

8. Copies of the financial assurances identified above are attached to this affidavit as Exhibits A and B.

THIS CONCLUDES MY AFFIDAVIT

Dorothy Phillips

SUBSCRIBED AND SWORN before me this 3/st day of March 2009.

Notary Public

My Commission Expires:

3-24-2010



### NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

August 17, 2005

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

Mr. Jim Frazier, President Orbit Petroleum, Inc. 720 W. Wilshire Suite 115 Oklahoma City, OK 73116

RE: \$50,000 Blanket Cash Plugging Bond

Orbit Petroleum, Inc., Principal - OGRID 227083

Wells Fargo Bank, Depository - Account No.2169568157

Bond No. OCD-796

Dear Mr. Frazier:

The New Mexico Oil Conservation Division hereby approves the above-captioned blanket cash plugging bond.

Sincerely,

DAVID K. BROOKS

Assistant General Counsel

DKB/dp

cc: Oil Conservation Division - Hobbs, Artesia, Aztec

Wells Fargo Bank, N.A. 214 Washington Avenue Santa Fe, NM 87501

> Before the OCD Cases 14312 Orbit Petroleum, Inc. OCD Ex. No. 2-A

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

### BLANKET CASH PLUGGING BOND

		•		
ORBIT	PETROLE	om, Inc.		("OPERATOR"), a(n)
1 100	RATION (N	ame of Operator)		·
				, organized in the State of
(Individual, Partner	rship, Corporation,	Limited Liability Co	ompany, Etc.)	
Conservation Divis	ion of the Energy, 1	Minerals and Natura	Resources De	New Mexico, whose mailing address is is hereby firmly bound to the Oil epartment (or successor agency) of the State s (\$50,000) upon the following conditions:
	e gas, helium gas c	or brine minerals on		wells to prospect for and/or produce oil or y the State of New Mexico or on privately
with Wells Is subject to the terms that it or its success State of New Mex other beneficial pulimited to Division hereafter amended. after notice and hes Section 70-2-14.B. DIVISION in plug rules or orders, OP NMSA 1978, Section 1978, Secti	s of, the Assignment sors or personal repict on ow or hereafte irpose, in accordant Rules 101 [19.15.3] If OPERATOR dearing, the total sum, as amended. If ging and abandonint ERATOR, its successors 70-2-14 or 70-	("FINANC at attached to this boo presentatives will car or owned or operated ce with all applicable. (101 NMAC] and 20 oes not so properly profession of this bond shall be the principal sum on graid wells in accessors, heirs or person	CIAL INSTITUTED IN COPERATURE TO DEPART USE to be proposed by it if dry, believed and of the control of this bond is predance with Romal representations applicable), first core of the control of the co	um of Fifty Thousand Dollars (\$50,000) UTION") in the account indicated on, and OR pledges this sum as financial assurance orly plugged and abandoned all wells in the or when no longer productive or useful for rders of the DIVISION, including but not 2 NMAC], as the same now exist or may be on said wells, upon order of the DIVISION he DIVISION, as provided in NMSA 1978 less than the actual cost incurred by the tules 101 and 202 and any other applicable tives, shall be liable under the provisions of or such deficiency, and the DIVISION may
owned or operated accordance with al	d by OPERATOR I applicable rules a principal sum of	in the State of N and orders of the DI the deposit securin	lew Mexico to VISION, as ab	or assigns cause all wells now or hereafter be be properly plugged and abandoned in sove described, this obligation shall be null hall be released to OPERATOR or to its
By Signature	AZ.ER, Pre	sident Reti	1	Dil Conservation Division 220 South Saint Francis anta Fe, NM 87505

INDIVIDUAL ACKNOWLEDGMENT:					•		
State of New Mexico County of							
This instrument was acknowledged	before	me	on				_, by
(Individual Operator)	<u>.</u>						
		•					
SEAL			No	tary Public			
My Commission Expires:							
		-					
ACKNOWLEDGMENT FOR PARTNERSHIP, CO	JKPOKA I	ION OR	CLIMITI	ED LIABIL	HYCO	MAPNI	
State of New Mexico County of <i>Mulo</i> Je	-15				·		
This instrument was acknowledged	before	me on	, lu	izurt	17		<u>5</u> by
(Name of signing person)		_· <i>P</i>	(Title)	L.F		_of	
ORBIT PETROLEUM, IAC. (Name of Operator)	'					•	
	•						
SEAL							
My Commission Expires:				٠			٠
Motheral	APPRO	VED BY	Y:		••	<del>~~~~~</del> ·· ·=	
Total ! Po							
	Oil Con	servatio	on Divisi	on of New	Mexico	1	
OFFICIAL SEAL	By	De	nd	V-J		2/2	
JANET KLINKEL  Notary Public	Date		3/1-	2/15-	, 2		
State of New Mexico	Date		(1)			-	
y Commission Explires 4:5:08						•	

Account number 2169568157 \$ 50,000

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

### ASSIGNMENT OF CASH COLLATERAL DEPOSIT

(	DRBIT	Betroles	M, Inc. ("OPI	ERATOR") of	720 w.	الماءارض	re, 54e,11
OKI	None		, OK	73116.	(add	Iress) has de	
well	S ZAR	٩٥ '			_(name of federa	ally insured sta	ate or national
bank or	savings ass	ociation in the	State of New Me	xico) of 24	i washin	igton Aue	
_5~v	the Fr	- NM	<b>8150</b> (address)	(FINANCIAL			sum of
50,0	60	dollars (\$	50,000 in Certificat	e of Deposit or Sa	vings Account N	o. <u>21695681</u>	<u><b>ናገ</b></u> (FUND).
			78, Section 70-2-14				
			n otherwise provide				, Minerals and
Naturai	Resources De	epartment (or suc	ecessor agency) of the	e State of New Ivie	exico (the Divisi	ion).	
	OPERATOR	and FINANCIA	AL INSTITUTION a	gree that as to the	FUND:		
	a. The	DIVISION aco	uires by this assignr	nent the entire be	neficial interest i	n the FUND, w	ith the right to
			TTUTION in writing				
-			ing the DIVISION				
			R. FINANCIAL				
	FINANCIAI	L INSTITUTION	N'S customer with res	spect to the FUND	).		
			s no legal or benef				
			FUND upon written				
			ance with all rules a nument now or hereaft			all wells in the	State of New
	MEXICO IOI V	vilicii ulis Assigi	intent now of fierean	iei serves as iman	siai assurance		
	c. FIN	IANCIAL INST	TITUTION agrees t	hat the FUND n	nav not he assis	ned transferre	ed niedged or
			ten order of the DIV				
			NCIAL INSTITUTI				
			nst the FUND by				
	FINANCIAI	LINSTITUTION	I now existing or her	eafter incurred.			
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			es that FINANCIA				
			attorney fees incurre				
			or other process made				
			TITUTION agrees to the thereof to OPERA			deducted from t	ne principal of
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This agr	eement shall	be governed by t	he laws of the State	of New Mexico.		1	•
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Operator			•		Financial Ins	stitution	
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Signatur	e of individua	PERATOR		•		Authorized Off	
or Autry	orized Onice	sident				IAL INSTITUT	ION ./
Title	- 1	<u> </u>			Title	,.CAV	N N

<u>NOTE</u>: If the officer executing this instrument on behalf of the Financial Institution is not the President, a Vice President or a branch manager, attach a copy of a certified resolution of the Board of Directors evidencing such officer's authority.

INDIVIDUAL ACKNOWLEDGMENT:	
State of New Mexico County of	
This instrument was acknowledged before me on	_, 20 by
(Individual Operator)	
Notary Public	
SEAL	÷
My Commission Expires:	
ACKNOWLEDGMENT FOR PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY:	
State of New Mexico: County of Saula Fe:	
This instrument was acknowledged before me on, 20, by	<u>-</u>
This instrument was acknowledged before me on, 20, by;	
(Farthership, Corporation or Limited Liability Company)	÷
Ken Holm Kesned	<u></u>
SEAL Notary Public V	
My Commission Expires:  O7 27, 2009.  OFFICIAL SEAL	3
FINANCIAL INSTITUION ACKNOWLEDGMENT:  KIM HELMS KENNEDY NOTARY PUBLIC-STATE OF NEW MEXICO My commission expires 07/27/2005	
State of New Mexico: County of Saula Fe:	;
This instrument was acknowledged before me on lug 17th, 2005, by Barbara Casados	
This instrument was acknowledged before me on large 17th, 2005, by Barbara Casados  (Name of Officer)  (Name of Financial Institution)  (Name of Financial Institution)  (Notary Public)	
(Title) (Name of Financial Institution)	, <b>7</b>
SEAL Notary Public	/
My Commission Expires: 07/27 ,2005	

## Time Account Receipt/Disclosure

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Wells Fargo Bank , N.A.					
Time Account number		Date openad	<del>_</del>	Tarm of Time Acc	count
2169568157		08/16/2009	5	144	nonths days
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Your Time Account will mature on	08/16/2017	4.12	X		4.21
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BY ADDING TO PRINCIPAL					
Renawability				Тэхрэувг іделіііі	cation Number (TIN)
YOU WILL AUTOMATICALLY REAT MATURITY UNLESS I NOTIF	=: -= : : ::::			20-15384	403
The Bank is opening the above described FIFTY THOUSAND AND 0/100	Time Account for your deposit of			\$	***\$50,000.00
Your arms and address.					

ORBIT PETROLEUM INC 720 W WILSHIRE BLVD SUITE 115 OKLAHOMA CITY OK 73116-7737

08/16/2005 09:51

M1361 03595 Bank# 00585

ENCODE

This is a receipt. It need not be presented at the time you obtain payment from the Bank. W80188 (11/04 83875-J) Time Accounts

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Maker/Originator:		Maker/Originator Ph	ano number:	APPROVER:			
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Acogyny number		Type	of Transaction				
2169568157							
Customer name							
ORBIT PETROLEUM INC		N	ew/Non-re	etirement			
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information in boxes below must be end	coded. All information	n must be comp	oleted for p	roper proce	ssing to occur.		
Serial No. (Customer >ccount rumber) 2169568157	Routing/Tra	neit Number 55850	9325		Amound	\$50,000.00	

ENCODE

ENCODE



## NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop Cabinet Secretary

August 17, 2005

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

Mr. Jim Frazier, President Orbit Petroleum, Inc. 720 W. Wilshire Suite 115 Oklahoma City, OK 73116

RE:

\$40,000 Blanket Cash Plugging Bond

Orbit Petroleum, Inc., Principal - OGRID 227083

Wells Fargo Bank, Depository - Account No.2169568116

Bond No. OCD-797

Dear Mr. Frazier:

The New Mexico Oil Conservation Division hereby approves the above-captioned blanket cash plugging bond.

Sincerely,

DAVID K. BROOKS

Assistant General Counsel

DKB/dp

cc:

Oil Conservation Division - Hobbs, Artesia, Aztec

Wells Fargo Bank, N.A. 214 Washington Avenue Santa Fe, NM 87501

wid V. Brodle

Before the OCD Cases 14312 Orbit Petroleum, Inc. OCD Ex. No. 2-B

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 CAS	SH PLUGGIN	G BOND
ORBIT PETROLEUM, INC	<u>_</u>	("OPERATOR"), a(n)
CocporA-T, on (Name of Operator		, organized in the State of
(Individual, Partnership, Corporation, Limited Liability		
DELICATION and authorized to do business  720 west wilstire, stells on the Energy, Minerals and N  of New Mexico ("the DIVISION"), in the sum of Fifth	atural Resources I	Department (or successor agency) of the State
OPERATOR desires to drill, acquire, or ass gas, carbon dioxide gas, helium gas or brine mineral owned fee land within the State of New Mexico.	sume operation of Is on land owned	wells to prospect for and/or produce oil or by the State of New Mexico or on privately
	ANCIAL INSTITUTE INSTITUTE IN THE PROPERTY IN	perly plugged and abandoned all wells in the r, or when no longer productive or useful for orders of the DIVISION, including but not 202 NMAC], as the same now exist or may be adon said wells, upon order of the DIVISION to the DIVISION, as provided in NMSA 1978 is less than the actual cost incurred by the Rules 101 and 202 and any other applicable ratives, shall be liable under the provisions of
If OPERATOR or its successors, heirs, persowned or operated by OPERATOR in the State accordance with all applicable rules and orders of thand vold, and the principal sum of the deposit se successors, heirs, or personal representatives.	of New Mexico ne DIVISION, as	above described, this obligation shall be null
PRINCIPAL  By  Signature  President  Figure  President	Return to:	Oil Conservation Division 1220 South Saint Francis Santa Fe, NM 87505
V		

INDIVIDUAL ACKNOWLEDGMENT:	
State of New Mexico County of	
This instrument was acknowledged before me on	ьу
(Individual Operator)	
Notary Public	
SEAL	
My Commission Expires:	
ACKNOWLEDGMENT FOR PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY:	
State of New Mexico: County of:	
This instrument was acknowledged before me on 8.17, 200 by (Name of Person Signing)  as Resident, of Octor Detcolern, Inc.  (Capacity, e.g., Partner, President, etc.)  (Name of Operator)  a (Partnership, Corporation or Limited Liability Company)	
as Resident , of OCBIT PETCOLEUM, INC.	
(Capacity, e.g., Partner, President, etc.) (Name of Operator)	
(Partnership, Corporation or Limited Liability Company)	
Motary Public	
SEAL	
My Commission Expires:	
FINANCIAL INSTITUION ACKNOWLEDGMENT:	
State of New Mexico: County of Sule: Fe-	
This instrument was acknowledged before me on 8:17, 2005 by Attitute Corner,	
as Branch Man of Wells Junes Paule (Name of Officer)  (Title) (Name of Financial Institution) (	
OFFICIAL SEAL Notary Public	
My Commission Expires:	
Acct number. 2169568116 \$ 40.000.00	

Form O & G CBA Revised 1-1-03

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

#### ASSIGNMENT OF CASH COLLATERAL DEPOSIT

ORBIT PETROLEUM TAC. ("OPERATOR") of	720 west witshire, ste. 115
Oflahoma City, ox 73116	(address) has deposited with
	(name of federally insured state or national
	washington Ave
54NTA CE NM 8750 (HODIESS) (FINANCIAL	INSTITUTION), the sum of
HO,000 dollars (\$40,000) in Certificate of Deposit or Sav	ings Account No. 21 6 196 Bill (FUND).
To comply with NMSA 1978, Section 70-2-14, as amended, OP interest in the FUND, except as herein otherwise provided, to the Oil Conse Natural Resources Department (or successor agency) of the State of New Mex	ervation Division of the Energy. Minerals and
OPERATOR and FINANCIAL INSTITUTION agree that as to the F	FUND:
a. The DIVISION acquires by this assignment the entire bene order the FINANCIAL INSTITUTION in writing to distribute the Fito be entitled thereto, including the DIVISION itself, in amounts consent by the OPERATOR. FINANCIAL INSTITUTION he FINANCIAL INSTITUTION'S customer with respect to the FUND.	UND to persons determined by the DIVISION determined by the DIVISION, without further ereby acknowledges that the DIVISION is
b. OPERATOR retains no legal or beneficial interest in the thereon, and to return of the FUND upon written order of the DIVI and abandonment in accordance with all rules and orders of the Mexico for which this Assignment now or hereafter serves as financial	SION following final disposition, or plugging DIVISION, of all wells in the State of New
c. FINANCIAL INSTITUTION agrees that the FUND madistributed except upon written order of the DIVISION or of a coudifivision is a party. FINANCIAL INSTITUTION hereby waives set-off or recoupinent against the FUND by reason of any incommon financial institution now existing or hereafter incurred.	art order entered in a proceeding to which the all statutory or common law liens or rights of
d. OPERATOR agrees that FINANCIAL INSTITUTION OPERATOR, any costs or attorney fees incurred by FINANCIAL demand via writ, summons or other process made upon FINANCIAL business. FINANCIAL INSTITUTION agrees that no such costs of the FUND prior to final release thereof to OPERATOR by the DIVIS	L INSTITUTION by reason of any claim or L INSTITUTION arising from OPERATOR'S or fees shall be deducted from the principal of
This agreement shall be governed by the laws of the State of New Mexico.  OPBIT PETROLOW, Inc.  Operator  By:  Signature of individual OPERATOR or Authorized Officer  I Children	Pinancial Institution  By Jaw (Spinature of Authorized Officer of FINANCIAL INSTITUTION  Street MARKET
Title	Title

NOTE: If the officer executing this instrument on behalf of the Financial Institution is not the President, a Vice President or a branch manager, attach a copy of a certified resolution of the Board of Directors evidencing such officer's authority.

# Time Account Receipt/Disclosure

Benk nemo					
Wells Fargo Bank , N.A.					
Time Account number		Date opened		Term of Time Account	
2169568116		08/16/2009	5	144 month	
Malurity dale		interest rare	Fixed raile	Variable rete	Annual percentage yield
Your Time Account will mature on	08/16/2017	4.07	X		4.16
Interest will be paid					
EVERY 01 MONTHS AND AT	WITHDRAWAL				
The mathod of interest payment will be			_	_	
BY ADDING TO PRINCIPAL					
Ranowability		<u> </u>		Taxpayer identification i	Number (T?N)
YOU WILL AUTOMATICALLY AT MATURITY UNLESS I NOT				20-1538403	
The Bank is opening the above describ FORTY THOUSAND AND 0/10				\$ ***	\$40,000.00
Your came and address					

ORBIT PETROLEUM INC 720 W WILSHIRE BLVD SUITE 115 OKLAHOMA CITY OK 73116-7737

08/16/2005 09:50

M1361 03595 Bank# 00585

This is a receipt. It need not be presented at the time you obtain payment from the Bank. W60168 (11/04 63975-J) Time Accounts

		cold: 00585 NM
Maker/Originator:	Meker/Originator Phono number:	APPROVER:
DENNIS GOSNELL	505/984-0518	
Location	Officer number	Date
03595	M1361	08/16/2005 09:50
Account number	Type of Transaction	7:
2169568116		
Customer name		
ORBIT PETROLEUM INC	New/Non-	retirement
		(Send to Proof with Customer offset)
Information in hoves below must be encu	oded. All information must be completed for	proper processing to occur.

ormation in boxes below must be encoded. All information must be completed for proper processing to occur.		
Serial No. (Customer necount number) 2169568116	Routing/Transit Number 558 <b>5093</b> 25	***\$40,000.00
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