

Columbus Ferguson
Chairman

Charles R. Rudolph
Commissioner

John A. Elliott
Commissioner

State of New Mexico

Department of Insurance



State Insurance Board

State Corporation Commission

Santa Fe

87501

October 19, 1977

Mr. Warren G. Elliot
General Counsel
Aetna Life & Casualty Company
Hartford, Conn. 06115

Re: Oil Conservation Commission

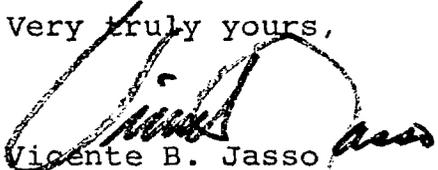
Dear Mr. Elliot:

We call your attention to a complaint from one of our State agencies, The Oil Conservation Commission, described in more detail by the copies of the attached documents.

It would appear that the liability of the Bond is clear and defined by the statutes recited in the Bond forms. To this extent, this office is concerned with the status of this claim and, obviously, the lack of response from the insurance company, at least from the records of the Oil Conservation Commission.

Therefore, we shall appreciate your early review and report to us on this matter in an effort to avoid the State of New Mexico having to resort to litigation as well as this office considering the matter under the Unfair Insurance Practice Act.

Very truly yours,


Vicente B. Jasso
Deputy Superintendent

VBJ:dr

cc: Vern Sandager
State Oil Conservation Commission ✓

2451

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

October 13, 1977

C Mr. Vincente B. Jasso
Deputy Superintendent of
Insurance
PERA Building
Santa Fe, New Mexico

Dear Mr. Jasso:

O At your request, I have enclosed the following information:

- (1) Copy of Aetna Casualty and Surety Company Bond
No. BCA 19A 2864
- (2) Copy of Laws 1977, Chapter 237.

P I hope to hear from Aetna by October 21, 1977. Otherwise,
as I have stated, I will be forced to commence legal proceedings.

Thank you for your prompt attention to this matter.

Very truly yours,

LYNN TESCHENDORF
General Counsel

Y
LT/dr
enc.



Casualty & Surety Division
First National Bank Building, East, Suite 1418
Albuquerque, New Mexico 87108
265-5861

October 12, 1977

Lynn Teschendorf, General Counsel
Oil Conservation Commission
State of New Mexico
P.O. Box 2088
Santa Fe, N.M. 87501

Re: Principal: American Fuels Corporation
Obligee: State of New Mexico
File No.: A 19 SC 260216 RG
\$10,000 Indemnifying Plugging Bond

Dear Ms. Teschendorf:

Thank you for your letter of September 28 enclosing the copy of the specific laws. We also have your October 6 letter giving us a deadline of October 21, 1977.

Prior to receiving your letter of September 28, I visited with our Home Office Bond Department and again on October 4, I wrote the Home Office and forwarded the copy of the applicable laws which you had sent us. The Home Office is presently reconsidering and studying the laws which you sent us. Because this one gentleman that I talked with in the Home Office was going on vacation for 3 weeks, I feel that he will not be able to give us an answer before your deadline of October 21.

Just as soon as I hear from the Home Office, I will contact you and explain their advice.

Sincerely,

Vern Sandager
Senior Claim Representative

VS/kv

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

October 13, 1977

Mr. Michael McCullough
Pennzoil Company
P. O. Drawer 1139
Denver, Colorado 80201

re: Case No. 5344, Order No. R-4898

Dear Mr. McCullough:

In order to prevent the plugging of the NM-B Well No. 2 located in Unit P, Section 16, Township 30 North, Range 18 East, Colfax County, it will be necessary to make application to the Commission for a reopening of the case. This can be done simply by writing a letter to me stating the facts and the reasons for your application. Your application will be docketed for hearing before one of our examiners, and you must be represented by New Mexico counsel. We are, however, rather lax about that requirement, and would allow representation by out-of-state counsel as long as New Mexico counsel has entered a written appearance.

Oil Conservation Commission Rule 1203 specifies that an application should be made in triplicate and should contain the following information:

- (1) the name of the applicant
- (2) the name or general description of the common source or sources of supply or the area affected by the order sought (i.e., well location and pool name)
- (3) the general nature of the order, rule or regulation sought.

The application may be signed by the person seeking the hearing or by his attorney.

I hope this gives you enough information. Please let me know if I can be of further assistance.

Very truly yours,

LYNN TESCHENDORF
General Counsel

LT/dr



ROCKY MOUNTAIN DIVISION • COLORADO STATE BANK BUILDING
P.O. DRAWER 1139 • DENVER, COLORADO 80201 • (303) ~~862-7078~~

October 7, 1977

332-6060

Ms. Lynn Teschendorf
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

RE: American Fuels Well No. NM-B No. 2
Unit P. Section 16, T30N-R18E
Uermejo Ranch
Colfax County, New Mexico

Dear Ms. Teschendorf:

To confirm our telephone conversation of yesterday, Pennzoil Company desires that the captioned well not be plugged pursuant to Order No. R-4898. It is my understanding that this well has been completed through the Christmas Tree.

Please advise us of the action necessary to prevent the plugging of said well.

Thanks again for your help in this regard.

Very truly yours,

PENNZOIL COMPANY

Michael L. McCullough
Landman

MLM:lb

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

October 6, 1977

Mr. Vern Sandager
Aetna Casualty and Surety Co.
Suite 1418
First National Bank Building East
Albuquerque, New Mexico 87108

Re: \$10,000 Blanket Plugging Bond,
American Fuels Corp., Principal,
Aetna Casualty and Surety Co.,
Surety, Bond No. BCA 19A 2864;
your File No. A(R) 195C 260
216RG

Dear Mr. Sandager:

The office of General Counsel has had correspondence with you over a three year period concerning the forfeiture of the above-referenced bond. If the face amount of the bond, payable to the Oil and Gas Reclamation Fund, has not been deposited by October 21, 1977, the Commission will be forced to commence legal proceedings.

Very truly yours,

LYNN TESCHENDORF
General Counsel

LT/dr

cc: **Vincente B. Jasso, Deputy Superintendent of Insurance**
Carl Ulvog, District Supervisor
Mike McCullough, Pennzoil Company

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

September 28, 1977

C
O
Mr. Vern Sandager
Aetna Casualty and Surety Co.
Suite 1418
First National Bank Building East
Albuquerque, New Mexico 87108

Re: \$10,000 Blanket Plugging Bond,
American Fuels Corp., Principal,
Aetna Casualty and Surety Co.,
Surety, Bond No. BCA 19A 2864;
your file No. A(R) 195C 260
216RG

Dear Mr. Sandager:

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Y
I have enclosed a copy of Laws 1977, Chapter 237, for the convenience of your attorney. Please note Section 3, relating to the forfeiture of bonds. This law was passed with the American Fuels situation in mind, and therefore I feel it has retroactive effect. It specifically provides that if a Commission plugging order is not complied with within the time period set out in the order, the bond shall be forfeited. There is no requirement that a contract be entered into first with a drilling company.

Since Order No. R-4898 pertaining to the American Fuels wells specified the date of February 1, 1975, for compliance, and since the wells have not been plugged as ordered, I feel that the above-referenced bond is properly forfeit to the State.

I look forward to hearing from you at your earliest convenience.

Very truly yours,

LYNN TESCHENDORF
General Counsel

LT/dr
enc.

cc: Mr. Carl Ulvog
Mr. Mike McCullough - Pennzoil Company

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

September 2, 1977

Odessa Natural Corporation
P. O. Box 3908
Odessa, Texas 79760

Gentlemen:

The New Mexico Oil Conservation Commission has been attempting for a number of years to get five wells which were drilled by American Fuels Corporation at Vernejo Park, formerly the WS Ranch, properly plugged and abandoned. It is our understanding that Odessa had agreed to assume responsibility for the plugging of these wells.

Currently, the wells are unplugged and pose a threat to fresh water and other natural resources in the area. We would appreciate knowing whether Odessa has any plans for the wells in question.

Very truly yours,

LYNN TESCHENDORF
General Counsel

LT/dr

C
O
P
Y

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

August 31, 1977

Mr. R. G. Burk
Aetna Casualty and Surety Co. *265-5861*
Suite 1418
First National Bank Bldg. East
Albuquerque, New Mexico 87108

Re: \$10,000 Blanket Bond,
American Fuels Corp., Principal
Aetna Casualty & Surety Co.,
Surety, Bond No. BCA 19A28264;
your File No. A(R)19SC 260216RG

Dear Mr. Burk:

In the past few years there has been a great deal of correspondence regarding the above-referenced bond. At this time, the Oil Conservation Commission is in a position to accept the face amount of the bond and use it in plugging the five wells ordered plugged in Order No. R-4898. The bond will be deposited with the State Treasury in the Oil and Gas Reclamation Fund as authorized by the 1977 legislature.

I look forward to your prompt reply.

Very truly yours,

(Ms.) LYNN TESCHENDORF
General Counsel

9-26-77

LT/dr

cc: Mr. Carl Ulvog
District Supervisor - Santa Fe

*Called Mr. Burk. Will
check back in 2 weeks.*

Mr. Mike McCullough
Pennzoil Co.
Box 1139
Denver, Colorado 80201

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

October 5, 1976

Pennzoil Company
900 Southwest Tower Building
Houston, Texas 77002

Gentlemen:

The New Mexico Oil Conservation Commission has encountered numerous problems with American Fuels Corporation, Aetna Casualty and Surety Company, and Odessa Natural Corporation in attempting to plug five wells drilled by American Fuels on the W-S Ranch in Colfax County, New Mexico. It is our understanding that Odessa had agreed with Pennzoil to assume the costs and responsibility for such situations as these. Even if it hasn't, we would like to ask your assistance in prompting action on Odessa's part. Currently, these wells are still unplugged and pose a threat to fresh water and other natural resources in the area. Your help in this matter would be greatly appreciated.

If I can be of any assistance to you in this undertaking, please advise.

Very truly yours,

LYNN TESCHENDORF
Legal Division

LT/dr

12-7-76

TIC from Mike McCullough - Pennzoil's
Denver office. 303-892-7070
They're looking into it.

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE NEW MEXICO 87501

November 4, 1974

C
O
P
Y

Paul A. Cooter, Esq.
Atwood, Malone, Mann & Cooter
P. O. Drawer 700
Roswell, New Mexico 88201

Re: Case 5344 - American Fuels
Corporation's Wells on the
W-S Ranch, Colfax County,
New Mexico.
Bond No. BCA 198 28264

Dear Paul:

Pursuant to your request of October 23, 1974,
I am enclosing a certified copy of Commission Order
No. R-4898, which was signed today.

Aetna Casualty and Surety, 1418 First National
Bank Building East, Albuquerque, New Mexico 87108, is
the surety for American Fuels Corporation.

If I may be of any further assistance, please call
on me.

Very truly yours,

WILLIAM F. CARR
General Counsel

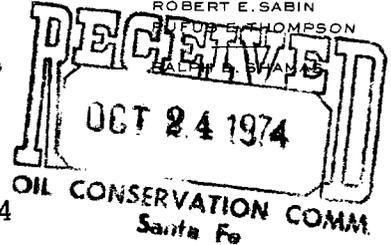
WFC/dr
enclosure

ATWOOD, MALONE, MANN & COOTER
LAWYERS

JEFF D. ATWOOD [883-1960]

P. O. DRAWER 700
SECURITY NATIONAL BANK BUILDING
ROSWELL, NEW MEXICO 88201
[505] 622-6221

CHARLES F. MALONE
RUSSELL D. MANN
PAUL A. COOTER
BOB F. TURNER
ROBERT A. JOHNSON
JOHN W. BASSETT
ROBERT E. SABIN
RUFUS S. THOMPSON
GALVIN S. SHANN



October 23, 1974

William F. Carr, Esquire
General Counsel
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

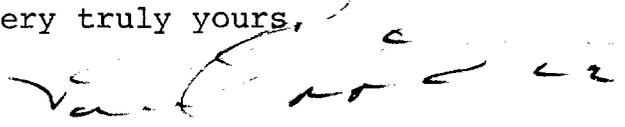
RE: Case 5344 - American Fuel Corporation's
Wells on the W-S Ranch, Colfax County

Dear Bill:

Would you be so kind as to advise me of the Commission's decision in the captioned case, and the name of the surety on American Fuel Corporation's drilling bond.

Appreciating your courtesy, and with the best of wishes, I am,

Very truly yours,


Paul Cooter

PC:sas

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CASE NO. 5344
Order No. R-4898

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION COMMISSION ON ITS
OWN MOTION TO PERMIT AMERICAN FUELS
CORPORATION AND AETNA CASUALTY AND SURETY
COMPANY, AND ALL OTHER INTERESTED PARTIES
TO APPEAR AND SHOW CAUSE WHY CERTAIN AMERICAN
FUELS WELLS ON THE W-S RANCH IN COLFAX COUNTY,
NEW MEXICO, SHOULD NOT BE PLUGGED AND ABANDONED
IN ACCORDANCE WITH A COMMISSION-APPROVED PLUGGING
PROGRAM.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 16,
1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 4th day of November, 1974, the Commission,
a quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being
fully advised in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That American Fuels Corporation is the owner and
operator of the following described wells in Colfax County:

NM-B Well No. 1, located in Unit G of Section 6,
Township 30 North, Range 19 East;

NM-B Well No. 2, located in Unit P of Section 16,
Township 30 North, Range 18 East;

NM-B Well No. 4, located in Unit H of Section 18,
Township 30 North, Range 18 East;

NM-B Well No. 5, located in Unit P of Section 30,
Township 30 North, Range 19 East; and

NM-B Well No. 10, located in Unit N of Section 24,
Township 31 North, Range 19 East.

(3) That the surface locations of said Wells Nos. 1, 2,
5, and 10 have not been cleaned and levelled as required by
Commission Rules and Regulations.

(4) That Commission Form C-105 "Well Log" has not been filed with the Commission for said Wells Nos. 4, 5, and 10 as required by Commission Rules and Regulations.

(5) That said Wells Nos. 2, 4, 5, and 10 are not capable of production in commercial quantities.

(6) That in order to confine all oil, gas, and water to the strata in which they are found, said Wells 2, 4, 5, and 10 should be plugged and abandoned in accordance with a Commission-approved plugging program on or before February 1, 1975.

(7) That the surface locations of said Wells Nos. 1, 2, 5, and 10 should be cleaned and levelled in accordance with Commission Rules and Regulations.

(8) That Commission's Form C-105 "Well Log" should be filed with reference to said Wells Nos. 4, 5, and 10.

IT IS THEREFORE ORDERED:

(1) That American Fuels Corporation and Aetna Casualty and Surety Company are hereby ordered to plug and abandon the following wells in Colfax County, New Mexico, on or before February 1, 1975:

NM-B Well No. 2, located in Unit P of Section 16,
Township 30 North, Range 18 East;

NM-B Well No. 4, located in Unit H of Section 18,
Township 30 North, Range 18 East;

NM-B Well No. 5, located in Unit P of Section 30,
Township 30 North, Range 19 East; and

NM-B Well No. 10, located in Unit N of Section 24,
Township 31 North, Range 19 East.

(2) That American Fuels Corporation and Aetna Casualty and Surety Company, prior to plugging and abandoning the above-described wells, shall obtain from the Santa Fe Office of the Commission, a Commission-approved program for said plugging and abandoning, and shall notify said Santa Fe office of the date and hour said work is to be commenced whereupon the Commission may, at its option, witness such work.

(3) That American Fuels Corporation and Aetna Casualty and Surety Company are hereby ordered to clean and level the surface location of Wells Nos. 2, 5, and 10, as described in Order No. (1) above, and the NM-B Well No. 1, located in Unit G of Section 6, Township 30 North, Range 19 East, NMPM, Colfax County, New Mexico, in accordance with Commission Rules and Regulations on or before February 1, 1975.

(4) That American Fuels Corporation is hereby ordered to complete and submit to the Commission on or before January 1, 1975, Commission Form C-105, "Well Log" for the NM-B Wells Nos. 4, 5, and 10 as described above.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman


ALEX J. ARMIJO, Member


A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE NEW MEXICO 87501

April 3, 1975

Aetna Life & Casualty
First National Bank Building, East
Suite 1418
Albuquerque, New Mexico 87108

Re: Your File: A(R) 19 SC 260216 RG
Principal: AMERICAN FUELS CORPORATION
Order No.: R-4898
Case No.: 5344

Gentlemen:

On November 4, 1974, a hearing was held before the Oil Conservation Commission in which you were provided an opportunity to appear and show cause why the following wells should not be plugged and abandoned in accordance with a Commission-approved plugging program:

NM-B Well No. 1, located in Unit G of Section 6,
Township 30 North, Range 19 East;

NM-B Well No. 2, located in Unit P of Section 16,
Township 30 North, Range 18 East;

NM-B Well No. 4, located in Unit H of Section 18,
Township 30 North, Range 18 East;

NM-B Well No. 5, located in Unit P of Section 30,
Township 30 North, Range 19 East; and

NM-B Well No. 10, located in Unit N of Section 24,
Township 31 North, Range 19 East.

The Commission has been in correspondence with Mr. R. G. Burk, your Senior Claim Representative concerning this bond.

Mr. Carl Ulvog, Supervisor of Oil Conservation Commission District IV in Santa Fe has advised the Commission that as of this date the subject wells have not been plugged nor the locations cleaned up by either American Fuels or Aetna Life and Casualty Company.

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE NEW MEXICO 87501

Aetna Life & Casualty

-2-

April 3, 1975

We hereby reaffirm our demand upon your company to plug the above-described wells in accordance with a Commission-approved plugging program. Mr. Ulvog must be contacted for an appropriate plugging program and given an opportunity to witness the plugging of the wells.

It is necessary that Mr. Ulvog be contacted on or before April 15, 1975.

Very truly yours,

WILLIAM F. CARR
General Counsel

WFC/dr

cc: American Fuels Corporation
Mr. Carl Ulvog

C

O

P

Y

July 17, 1975

Aetna Casualty & Surety Company
55 Elm Street
Hartford, Connecticut 06115

Re: New Mexico Oil Conservation Commission
Letter of Complaint - July 11, 1975

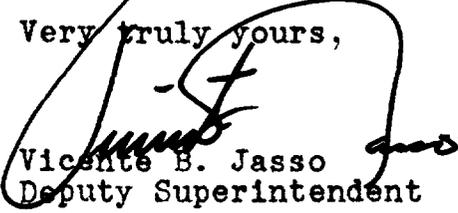
Gentlemen:

Please refer to the enclosed documentation which identifies a complaint from a New Mexico State Agency against a bond issued by your company in this State.

It is requested that you review the enclosure and that you submit a follow up report to this office concerning the issues presented by the Oil Conservation Commission.

We are very much concerned that this matter has been pending for such a long period of time and your procedures would appear to be contrary to public policy and the intent and purpose of the New Mexico Insurance Code. Please oblige.

Very truly yours,



Vicente B. Jasso
Deputy Superintendent

VBJ:ej

Encls.

cc: New Mexico Oil Conservation Commission

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE NEW MEXICO 87501

July 11, 1975

Mr. Ralph Apodaca
Superintendent of Insurance
P.E.R.A. Building
Santa Fe, New Mexico

Re: \$10,000 Blanket Plugging Bond,
American Fuels Corporation, Principal,
Aetna Casualty and Surety Company,
Surety, Bond No. BCA 19S28264

Dear Mr. Apodaca:

Pursuant to the conversation Mr. Joe Ramey, Director of the New Mexico Oil Conservation Commission and I had with Mr. Jasso of your office on July 10, 1975, I am writing this letter to outline certain problems the Oil Conservation Commission has encountered with Aetna Casualty and Surety Company on the above-captioned bond.

On June 18, 1973, the Commission approved this plugging bond to assure the state that all wells drilled by American Fuels Corporation ultimately would be properly plugged and abandoned or as many of such wells as could be plugged for \$10,000.

American Fuels Corporation drilled five wells in search of oil and gas on the W-S Ranch in Colfax County, New Mexico, before encountering financial trouble. The Commission set Case 5344, a plugging hearing, on October 16, 1974, and notified American Fuels Corporation and Aetna Casualty and Surety Company by certified mail on October 3, 1974, of the hearing. There were no appearances by either. On November 4, 1974, the Commission entered Order No. R-4898 which ordered the wells plugged and abandoned on or before February 1, 1975.

American Fuels Corporation was bankrupt and the Commission notified Aetna of this in writing and made formal demand on them to plug these wells on December 3, 1974. This demand was reaffirmed by the Commission on April 3, 1975.

Mr. Carl Ulvog, District Supervisor of Oil Conservation Commission District IV, was contacted in April, 1975, by telephone by

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE NEW MEXICO 87501

Mr. Ralph Apodaca

-2-

July 11, 1975

representatives of Odessa Natural Corporation concerning these wells. Odessa Natural had leased the W-S Ranch for oil and gas development and had given a farm out of certain acreage, including that involved in this matter, to American Fuels. Odessa Natural thought they had an understanding with Aetna whereby Odessa would plug the American Fuels wells and Aetna would pay them \$10,000 under their bond. Odessa would assume all costs over \$10,000 and hold Aetna safe against any other liability under this bond.

Pursuant to this conversation, Mr. Ulvog worked with Odessa and prescribed a plugging program for the American Fuels wells. At no time did the Commission retain or in any way designate Odessa Natural Corporation as the party who should actually plug these wells.

On June 17, Mr. Ulvog was notified that Aetna would only pay the \$10,000 to the Commission. He notified Aetna on that date of the established procedure for handling these matters and attached a letter from me which explains why the Oil Conservation Commission cannot accept a check from a surety as performance of its obligation under a plugging bond.

On July 7, 1975, Aetna again stated that it could only pay the Commission and on July 9, 1975, Odessa Natural Corporation disclaimed any responsibility for the plugging of the wells on the W-S Ranch.

As a result of these developments, the Commission finds itself in a position where there is a Surety on a plugging bond who is willing to pay \$10,000 to the Commission knowing full well that the Commission cannot even deposit the check if it is received. At the same time the state is left with unplugged abandoned wells that if all else fails may have to be eventually plugged at public expense.

This is the first problem of this nature which the Commission has encountered in the 40 years it has operated this bonding system. We believe that it is a result of the increased costs of plugging wells. When a surety could plug a well for only a portion of the amount of the bond, the sureties as a rule were anxious to arrange for the actual well plugging.

The Commission remains hopeful that this matter can be resolved at this point in time. It is our opinion that tendering a check to the Commission does not satisfy the provisions of a plugging bond nor fulfill the obligation of a surety on such a bond. The Commission is prepared to clarify this matter in court if necessary for any confusion on this point calls into question the effectiveness of its entire bonding program.

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE NEW MEXICO 87501

Mr. Ralph Apodaca

-3-

July 11, 1975

It is the intention of the Commission to seek the amendment of its statutory provisions on bonding at the next session of the New Mexico Legislature. We hope not only to increase the amount of the bonds which we may require but, depending on the outcome of this situation, will look into the feasibility of providing for the forfeiture of the entire amount of a bond to the Commission if and when it becomes the Commission's task to plug dry and abandoned wells. Any such change, of course, will be worked out in close association with your office.

Enclosed you will find a copy of our \$10,000 Blanket Bond Form, Oil Conservation Commission Order No. R-4898 and copies of the correspondence on this matter which includes my letter on the method of performance by sureties on plugging bonds.

This office appreciates your continued help and assistance. If you have any questions, feel free to contact either me or Mr. Ramey at this office.

Very truly yours,

WILLIAM F. CARR
General Counsel

WFC/dr
enc.

STATE OF NEW MEXICO
\$10,000.00 BLANKET PLUGGING AND IDEMUNITY BOND

BOND NO. _____
(For Use of Surety Company)

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership) (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, and for the use and benefit of purchasers holding purchase contract or deed to state lands, with minerals reserved, their grantees or successors in interest, pursuant to Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended, in the sum of Ten Thousand (\$10,000.00) Dollars 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 with the State of New Mexico; and

WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and

WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; 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 wells, or such wells started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases, and on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals, the identification and location of said wells being expressly waived by both principal and surety hereto.

NOW, THEREFOKE, 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 Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchase contracts or holders of patents for State lands, with minerals reserved to the State, their heirs, executors, administrators, successors and assigns, for all damages to the livestock, range, water, crops, or tangible improvements on such lands as may be suffered by such purchasers or their successors in interest, by reason of such development, use or occupancy of such lands by such lessee or principal, or for such damages as a court of competent jurisdiction may determine and fix in any action brought on this bond;

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 Commission 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.

Signed and sealed this _____ day of _____, 19 ____.

PRINCIPAL

Address
By _____
Signature

Title

SURETY

Address
By _____
Attorney-in Fact

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

(Note: Corporate surety affix corporate seal here.)

(Note: If corporate surety executes this bond by an attorney-in-fact not in New Mexico, the resident New Mexico agent shall countersign here below.)

Countersigned by:

New Mexico Resident Agent

Address

ACKNOWLEDGMENT 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.

My Commission expires

Notary Public

ACKNOWLEDGMENT 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.

My Commission expires

Notary Public

ACKNOWLEDGMENT FORM FOR CORPORATE SURETY

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me 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.

My Commission expires
(Note: Corporate surety attach power of attorney.)

Notary Public

APPROVED BY:

Commissioner of Public Lands

APPROVED BY:
OIL CONSERVATION COMMISSION OF NEW MEXICO
By _____

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CASE NO. 5344
Order No. R-4898

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION COMMISSION ON ITS
OWN MOTION TO PERMIT AMERICAN FUELS
CORPORATION AND AETNA CASUALTY AND SURETY
COMPANY, AND ALL OTHER INTERESTED PARTIES
TO APPEAR AND SHOW CAUSE WHY CERTAIN AMERICAN
FUELS WELLS ON THE W-S RANCH IN COLFAX COUNTY,
NEW MEXICO, SHOULD NOT BE PLUGGED AND ABANDONED
IN ACCORDANCE WITH A COMMISSION-APPROVED PLUGGING
PROGRAM.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 16,
1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 4th day of November, 1974, the Commission,
a quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being
fully advised in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That American Fuels Corporation is the owner and
operator of the following described wells in Colfax County:

NM-B Well No. 1, located in Unit G of Section 6,
Township 30 North, Range 19 East;

NM-B Well No. 2, located in Unit P of Section 16,
Township 30 North, Range 18 East;

NM-B Well No. 4, located in Unit H of Section 18,
Township 30 North, Range 18 East;

NM-B Well No. 5, located in Unit P of Section 30,
Township 30 North, Range 19 East; and

NM-B Well No. 10, located in Unit N of Section 24,
Township 31 North, Range 19 East.

(3) That the surface locations of said Wells Nos. 1, 2,
5, and 10 have not been cleaned and levelled as required by
Commission Rules and Regulations.

(4) That Commission Form C-105 "Well Log" has not been filed with the Commission for said Wells Nos. 4, 5, and 10 as required by Commission Rules and Regulations.

(5) That said Wells Nos. 2, 4, 5, and 10 are not capable of production in commercial quantities.

(6) That in order to confine all oil, gas, and water to the strata in which they are found, said Wells 2, 4, 5, and 10 should be plugged and abandoned in accordance with a Commission-approved plugging program on or before February 1, 1975.

(7) That the surface locations of said Wells Nos. 1, 2, 5, and 10 should be cleaned and levelled in accordance with Commission Rules and Regulations.

(8) That Commission's Form C-105 "Well Log" should be filed with reference to said Wells Nos. 4, 5, and 10.

IT IS THEREFORE ORDERED:

(1) That American Fuels Corporation and Aetna Casualty and Surety Company are hereby ordered to plug and abandon the following wells in Colfax County, New Mexico, on or before February 1, 1975:

NM-B Well No. 2, located in Unit P of Section 16, Township 30 North, Range 18 East;

NM-B Well No. 4, located in Unit H of Section 18, Township 30 North, Range 18 East;

NM-B Well No. 5, located in Unit P of Section 30, Township 30 North, Range 19 East; and

NM-B Well No. 10, located in Unit N of Section 24, Township 31 North, Range 19 East.

(2) That American Fuels Corporation and Aetna Casualty and Surety Company, prior to plugging and abandoning the above-described wells, shall obtain from the Santa Fe Office of the Commission, a Commission-approved program for said plugging and abandoning, and shall notify said Santa Fe office of the date and hour said work is to be commenced whereupon the Commission may, at its option, witness such work.

(3) That American Fuels Corporation and Aetna Casualty and Surety Company are hereby ordered to clean and level the surface location of Wells Nos. 2, 5, and 10, as described in Order No. (1) above, and the NM-B Well No. 1, located in Unit G of Section 6, Township 30 North, Range 19 East, NMPM, Colfax County, New Mexico, in accordance with Commission Rules and Regulations on or before February 1, 1975.

-3-

Case No. 5344
Order No. R-4898

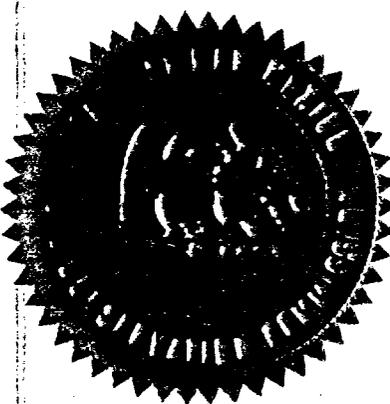
(4) That American Fuels Corporation is hereby ordered to complete and submit to the Commission on or before January 1, 1975, Commission Form C-105, "Well Log" for the NM-B Wells Nos. 4, 5, and 10 as described above.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman



ALEX J. ARMIJO, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

June 18, 1973

American Fuels Corporation
2921 Carlisle, N. E. - Suite 200
Albuquerque, New Mexico 87110

Re: \$10,000 Blanket Plugging Bond,
American Fuels Corporation,
Principal, Aetna Casualty and
Surety Company, Surety
Bond No. BCA 19S 28264

Gentlemen:

The Oil Conservation Commission hereby approves the above-
captioned Blanket Plugging Bond.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/WEA/og

cc: Oil Conservation Commission
Artesia, Aztec, Hobbs

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE NEW MEXICO 87501

October 3, 1974

American Fuels Corporation
2921 Carlisle, N.E.
Suite 200
Albuquerque, New Mexico 87110

CERTIFIED - RETURN
RECEIPT REQUESTED

Aetna Casualty & Surety Company
1418 First National Bank Building East
Albuquerque, New Mexico 87108

Re: NM-B Well No. 1, Unit G, Section
6, Township 30 North, Range 19
East; NM-B Well No. 2, Unit P,
Section 16, Township 30 North,
Range 18 East; NM-B Well No. 4,
Unit H, Section 18, Township 30
North, Range 18 East; NM-B Well
No. 5, Unit P, Section 30, Town-
ship 30 North, Range 19 East; and
NM-B Well No. 10, Unit N, Section
24, Township 31 North, Range 19
East, all in Colfax County
Plugging Bond

Gentlemen:

Enclosed is a copy of the docket of the Examiner Hearing
to be held on Wednesday, October 16, 1974, at 9:00 a.m. in the
Oil Conservation Commission Conference Room, State Land Office
Building, Santa Fe, New Mexico. Case 5344 concerns the sub-
ject matter.

Very truly yours,

WILLIAM F. CARR
General Counsel

WFC/jr

Enc.

C
O
P
Y

OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2038 - SANTA FE
87501

December 3, 1974

I. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMJO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Aetna Casualty and Surety Co.
1418 First National Bank Building East
Albuquerque, New Mexico 87108

Re: NM-B Well No. 1, Unit G, Section
6, Township 30 North, Range 19
East; NM-B Well No. 2, Unit P,
Section 16, Township 30 North,
Range 18 East; NM-B Well No. 4,
Unit H, Section 18, Township 30
North, Range 18 East; NM-B Well
No. 5, Unit P, Section 30, Town-
ship 30 North, Range 19 East; and
NM-B Well No. 10, Unit N, Section
24, Township 31 North, Range 19
East, all in Colfax County,
Plugging Bond.

Gentlemen:

Enclosed is a copy of Oil Conservation Commission
Order No. R-4898 which was entered in Case 5344. As of
this date the Commission has been unable to get American
Fuels Corporation to properly plug and abandon the above
captioned wells and is therefore making formal demand on
you as the surety to plug said wells.

Very truly yours,

WILLIAM F. CARR
General Counsel

WFC/og

Enc.

ILLEGIBLE



Casualty & Surety Division
First National Bank Building, East, Suite 1418
Albuquerque, New Mexico 87108
265-5861



December 12, 1974

✓ on previous demand

demand on surety

Oil Conservation Commission
State of New Mexico
P.O. Box 2088
Santa Fe, New Mexico 87501

RE: Our File: A(R) 19 SC 260216 RG
 Principal: AMERICAN FUELS CORPORATION
 Order No: R-4898
 Case No : 5344

Dear Mr. Carr:

I have your letter of 12-3-74 and I have met with Harold Morgan of American Fuels Corporation. It is most likely that American Fuels Corporation will arrange to comply with your order rather than asking Aetna Casualty and Surety, the Bonding Company, to accept that responsibility.

I expect to know on 12-16-74 whether American Fuels Corporation will comply with your order or whether we as the surety will comply. As quickly as this is determined, I will be back in touch with you.

Sincerely,

R G Burk
R. G. Burk
Senior Claim Representative

RGB/vw

*called 1/7/75 - what should Aetna do,
certain liens are outstanding
5 holes - w/ only \$10,000 bond
- may want these for water wells - they are looking into this.*



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

April 3, 1975

I. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
PHIL R. LUCERO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Aetna Life & Casualty
First National Bank Building, East
Suite 1418
Albuquerque, New Mexico 87108

Re: Your File: A(R) 19 SC 260216 RG
Principal: AMERICAN FUELS CORPORATION
Order No.: R-4898
Case No.: 5344

Gentlemen:

On November 4, 1974, a hearing was held before the Oil Conservation Commission in which you were provided an opportunity to appear and show cause why the following wells should not be plugged and abandoned in accordance with a Commission-approved plugging program:

NM-B Well No. 1, located in Unit G of Section 6,
Township 30 North, Range 19 East;

NM-B Well No. 2, located in Unit P of Section 16,
Township 30 North, Range 18 East;

NM-B Well No. 4, located in Unit H of Section 18,
Township 30 North, Range 18 East;

NM-B Well No. 5, located in Unit P of Section 30,
Township 30 North, Range 19 East; and

NM-B Well No. 10, located in Unit N of Section 24,
Township 31 North, Range 19 East.

The Commission has been in correspondence with Mr. R. G. Burk, your Senior Claim Representative concerning this bond.

Mr. Carl Ulvog, Supervisor of Oil Conservation Commission District IV in Santa Fe has advised the Commission that as of this date the subject wells have not been plugged nor the locations cleaned up by either American Fuels or Aetna Life and Casualty Company.

April 3, 1975

We hereby reaffirm our demand upon your company to plug the above-described wells in accordance with a Commission-approved plugging program. Mr. Ulvog must be contacted for an appropriate plugging program and given an opportunity to witness the plugging of the wells.

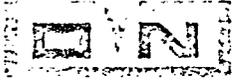
It is necessary that Mr. Ulvog be contacted on or before April 15, 1975.

Very truly yours,

WILLIAM F. CARR
General Counsel

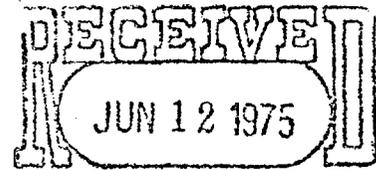
WFC/dr

cc: American Fuels Corporation
Mr. Carl Ulvog



OIL CONSERVATION COMMISSION

P.O. BOX 2088
SANTA FE, N.M. 87501
315-222-0111



OIL CONSERVATION COMMISSION

Santa Fe

June 11, 1975

Mr. Dick Burk
AETNA CASUALTY & SURETY COMPANY
Room 1418
First National Bank Building East
Albuquerque, New Mexico 87108

Dear Mr. Burk:

In accordance with our telephone conversation and my telephone conversation with Mr. Sandeger, we are enclosing herewith our estimated costs of plugging and abandoning five (5) wells on the W. S. Ranch in Colfax County, New Mexico. These wells were all drilled by American Fuels Corporation and are covered by your blanket bond with them.

At the request of the State of New Mexico Oil Conservation Commission, we are proceeding to plug and abandon these wells. Mr. Carl Ulvog with the State Oil Conservation Commission is supervising our operations.

Inasmuch as our estimated costs of plugging and abandoning these wells are well over the \$10,000.00 blanket bond, we hereby request that you pay to us the sum of \$10,000.00 for a portion of these plugging and abandoning costs. It is our understanding that you will contact American Fuels to obtain its permission to release this sum of money or that you will obtain a letter or order from the Oil Conservation Commission requesting you to pay this sum of money to our company which will be doing the work at the request of the Oil Conservation Commission.

Yours very truly,

Roland L. Hamblin, Attorney
Legal Department

RLH:eh

/cc: Mr. Carl Ulvog
NEW MEXICO OIL CONSERVATION COMMISSION
P. O. Box 2088
Santa Fe, New Mexico 87501

Mr. John J. Strojek, Odessa



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

June 17, 1975

I. R. TRUJILLO
CHAIRMAN
LAND COMMISSIONER
PHIL R. LUCERO
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY -- DIRECTOR

Mr. Dick Burke
Aetna Casualty and Surety Co.
1418 First National Bank Bldg., East
Albuquerque, New Mexico 87108

Dear Mr. Burke:

In accordance with our telephone conversation this date, concerning your Bond No. BCA 19S28264 on behalf of American Fuels Corporation, I am attaching herewith the following:

1. A copy of the pertinent portion of Oil Conservation Commission regulations concerning the plugging and abandonment of wells drilled for oil or gas.
2. A resume of the programs designed by this office as the minimum acceptable operations for abandonment of the wells involved.
3. A letter from the Oil Conservation Commission's General Counsel describing method of payment for abandonment and reclamation costs.

The Oil Conservation Commission does not enter into any contracts between operators, bonding companies, contractors, or suppliers; and does not handle any monies involved thereby. It is my understanding that the Odessa Natural Corporation has contracted - or is contracting - for all of the various services and supplies required to satisfy State requirements for the proper abandonment of the American Fuels wells on the W. S. Ranch. Presumably they are sufficiently astute to make the best deals possible consistent with quality materials and workmanship. They have assured both the landowner and the Commission that everything necessary for compliance with State regulations and for complete satisfaction of the landowner will be done, regardless of cost. It is for this reason that they have requested the Commission's supervision.

As explained in our telephone conversation today, I will advise both you and the Odessa Natural Corporation by letter when the plugging and surface restoration work has been completed to satisfaction of

-2-

all concerned.

If additional information pertaining to this operation is desired,
do not hesitate to contact this office.

Yours truly,

CARL ULVOG, Senior Geologist
District IV Supervisor

CU/og

cc: Mr. W. F. Carr, General Counsel
Oil Conservation Commission
Santa Fe, New Mexico

Mr. J. J. Strojek
Odessa Natural Corporation
P. O. Box 3908
Odessa, Texas 79760

*Plugging programs for American Fuels wells on W. S. Ranch property, Colfax County, New Mexico.

Well #2 - P-16-30N-18E

Operator's reports of casing perforations and depths:

9 5/8" at 120' cemented with 100 sacks
7" at 2143' cemented with 300 sacks
T. D. 2281'
Bridge plug at 1800'
Perforated at 1755' -61' & 1634'-37'
Required plugging:
30 sacks at 1775' to 1625'
5 sacks at surface w/marker

Possible additional plugs:

If bridge at 1800' is temporary or missing,
10 sacks at bottom of 7" casing.
If maximum (1392') of 7" is removed,
255 sacks at 1395' to 115'
5 sacks (additional) at surface.

Well #4 - H-18-30N-18E

Operator's reports of casing, perforations and depths:

8 5/8" at 120" cemented with 35 sacks
4 1/2" at 2223' cemented with 440 sacks
T.D. 2224'
Perforated at 1620' to 1747' (various)
Required plugging: 13 sacks at 1770' to 1600' - 5 sacks at surface
Possible additional plugs:

If 4 1/2" drilled out below 2223',
5 sacks at bottom of hole.

Well No. 5, - P-30-30N-19E

Operator's reports of casing and depths:

9 5/8" at 120' cemented with 80 sacks
4 1/2" at 2024' with 440 sacks
T. D. 2500' - Plug back at 2009'
Perforated and tested but intervals unreported - must be located. Estimate 150' perforations.
Required plugging: 13 sacks at perforations
5 sacks at surface

Well No. 10

Operator's reports of casing, perforations and depths:

9 5/8" at 120' cemented to surface

7" at 1934' cemented with 120 sacks

T.D. 6335'

Perforated at 1445'-65'

Required plugging: 6 sacks at 1470' to 1440'

5 sacks at surface

Possible additional plugs: If O.H. at 1934'-6335';

either (a) 497 sacks at 6335' to 3850'

32 sacks at 3660' to 3500'

26 sacks at 2950' to 2820'

20 sacks at 2550' to 2450'

5 sacks at 1940' to 1915'

or (b) 881 sacks at 6335' to 1930'

*Programs based on assumption operator's reports are accurate. If intermediate string does not extend to surface (Wells No. 2 and 10) surface plug will be enlarged. If additional perforated intervals are located, plugs must be set to cover same.

All plugging to be with API class A cement, (or ASTM - C150 Type I cement) having a slurry weight of 115 to 120 lbs/cu.ft.



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

I. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
PHIL R. LUCERO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

June 17, 1975

Mr. Carl Ulvog
Senior Geologist
Oil Conservation Commission
Santa Fe, New Mexico

Dear Carl:

In response to your question of this date concerning the acceptance of a check from a bonding company for the plugging of a well, the following information is submitted.

Section 65-3-11 New Mexico Statutes Annotated, 1953 Compilation enumerates the powers of the New Mexico Oil Conservation Commission. Subsection (1) of this statute provides:

"(1) To require dry or abandoned wells to be plugged in such a way as to confine the crude petroleum oil, natural gas, or water in the strata in which they are found, and to prevent them from escaping into other strata; the Commission may require a bond of not to exceed ten thousand (\$10,000.00) dollars conditioned for the performance of such regulations;"

The Commission is not empowered by statute to enter a contractual relationship with anyone to plug an abandoned well and the surety is therefore required to make arrangements to perform this type of work under its bond.

If the Commission were to accept \$5,000 from a surety, there would be no way such funds could be used. Under present statute, all the funds that this Commission can deposit with the State Treasurer must result from a judgment obtained in a suit in district court. A check from a bonding company, therefore, could not even be deposited with the Treasurer.

Accepting a check from a bonding company would also be unwise from an administrative point of view for the Commission could either be accused of playing favoritism in selecting parties to plug wells or bonding companies would object to forfeiting the full amount of a bond when a well could conceivably be plugged for less.

It, therefore, is essential that the surety arrange to have someone plug a well when it is called upon to perform under one of its bonds.

Very truly yours,
[Signature]
WILLIAM F. CARR
General Counsel



Casualty & Surety Division
 First National Bank Building, East, Suite 1418
 265-5861
 Albuquerque, New Mexico 87108

OIL CONSERVATION COMM.
 Santa Fe

July 7, 1975

RECEIVED
 JUL 6 - 1975
 OIL CONSERVATION COMM.
 Santa Fe

Mr. William F. Carr, General Counsel
 Oil Conservation Commission
 State of New Mexico
 P. O. Box 2088
 Santa Fe, New Mexico 87501

RE: PRINCIPAL: American Fuels Corporation
 FILE NO.: A 19 SC 260216 RG
 OBLIGEE: State of New Mexico

Dear Mr. Carr:

You asked me to confirm our telephone conversation of July 7.

I explained that our Home Office has reviewed this and they stated that they have examined the New Mexico Statutes and the Bond Form (which was provided by the State of New Mexico) and they cannot find any provision or provisions that would make the benefits of the bond available to entities other than the obligee. The bond is limited to Performance.

If you or the State of New Mexico could provide us with Statutory evidence or Court Decisions which would require direct payment to a creditor such as Odessa Natural Corporation we would appreciate receipt of that information.

Sincerely,

Vern Sandager
 Regional Supervisor

cc: Mr. Carl Ulvog, New Mexico Oil Conservation Commission
 P. O. Box 2088 - Santa Fe, New Mexico 87501

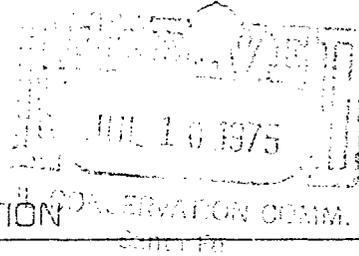
Mr. Roland L. Hamblin, Attorney - Legal Department
 Odessa Natural Corporation
 P. O. Box 3908 - Odessa, Texas 79760

VS/md



ODESSA NATURAL CORPORATION

P. O. BOX 3008
ODESSA, TEXAS 79700
916-327-2811



July 9, 1975

Mr. William F. Carr, General Counsel
OIL CONSERVATION COMMISSION
State of New Mexico
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Carr:

Reference is hereby made to our various telephone conversations regarding the plugging and abandonment of certain wells drilled by American Fuels Corporation on the W. S. Ranch in Colfax County, New Mexico.

As I explained to you, we have worked diligently, at considerable time and expense, with Mr. Carl Ulvog to see that such wells were properly plugged and abandoned to your complete satisfaction. It was not at his instigation that we agreed to undertake such work but out of our concern in the matter. We felt a moral obligation to do so and thought we could do the work more economically and expeditiously than anyone else. We also thought we had an understanding with Aetna Casualty and Surety Co. that if we went ahead and did the work, they would eventually get around to paying us under their surety bond. However, in view of their decision not to pay us for any of the work, we must necessarily withdraw our offer to plug and abandon such wells and to clean up the location. We hereby disclaim any responsibility to do so and feel that you must look solely towards American Fuels Corporation and its surety, Aetna Casualty and Surety Co.

We regret the fact that such events have forced us to do so.

Yours very truly,

ODESSA NATURAL CORPORATION

Roland L. Hamblin, Attorney
Legal Department

RLH:eh

Mr. William F. Carr, General Counsel
OIL CONSERVATION COMMISSION
July 9, 1975
Page 2 -

cc: Mr. Vern Sandager, Regional Supervisor
AETNA CASUALTY AND SURETY COMPANY
1418 First National Bank Building, East
Albuquerque, New Mexico 87108

Mr. Carl Ulvog
Senior Petroleum Geologist
OIL CONSERVATION COMMISSION
State of New Mexico
P. O. Box 2088
Santa Fe, New Mexico 87501



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

JERRY APODACA
GOVERNOR

NICK FRANKLIN
SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

MEMORANDUM

TO: JOAN ELLIS
FROM: LYNN TESCHENDORF
RE: AETNA CASUALTY AND SURETY CO. CONTRACT NO. 66-14EMD
DATE: AUGUST 17, 1978

Enclosed is a Release and Assignment which Aetna has submitted for signature. I felt you should look it over, since Nick, as Secretary is the only one with authority to sign.

The facts are as follows: Aetna is the bonding company for American Fuels Corporation. This summer I hired a contractor to plug wells drilled by American Fuels under the Aetna bond, paid the contractor, and sought reimbursement from Aetna. Aetna forwarded a check in the amount of \$10,000, which has been deposited in the Oil and Gas Reclamation Fund. Therefore, the Division has fully released the bond by letter dated August 16, 1978.

Aetna also forwarded the enclosed Release. The Division has never signed anything of this nature. The last two paragraphs are the only ones I find fault with. For one thing, the Division did not furnish any materials or workmanship. By contract, all liability lies with the plugging contractor for the performance of the job.

Secondly, I would hesitate to assign to Aetna our rights against "any parties...etc." It's conceivable that we may have an action against the contractor for improper performance.

It should be noted that by contract we save harmless the contractor from actions by the owner and operator of the wells resulting from the performance of the work. I can't see why we should extend any protection to the insurance company for a debt it is contractually obligated to pay.

Let me know your thoughts on the matter, and I'll be glad to furnish more information if you need it. My recommendation is not to sign.

dr/

WILLIAM A. SLOAN
JACKSON G. AKIN
JOHN D. ROBB
CHARLES B. LARRABEE
JAMES C. RITCHIE
JOHN R. EASTHAM
WILLIAM C. SCHAAH
WILLIAM C. BRIGGS
RAY H. RODEY
ROBERT D. TAICHERT
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CATHERINE T. GOLDBERG
CHARLES L. SAUNDERS
KENNETH J. FERGUSON
STANLEY N. HATCH
STEVEN P. BAILEY
ERIC L. MERL

RODEY, DICKASON, SLOAN, AKIN & ROBB, P. A.

COUNSELLORS AND ATTORNEYS AT LAW
20 FIRST PLAZA, SUITE 700
P. O. BOX 1888
ALBUQUERQUE, NEW MEXICO 87103

OF COUNSEL
DON L. DICKASON

PEARCE C. RODEY
1889-1958

TELEPHONE 765-5900
AREA CODE 505

March 30, 1978

Ms. Lynn Teschendorf
General Counsel
Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: New Mexico Oil Conservation Commission v.
Aetna Casualty and Surety Company
Bernalillo County District Court
Cause No: CV-77-00952

Dear Lynn:

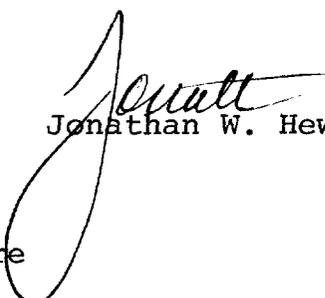
Here is the missing letter from Mr. McFeeley and Disclaimer.
We have not yet received confirmation from the bankruptcy
court that the Disclaimer has been approved. However, it
is expected to be approved as a matter of course.

Enclosed is a draft of a Dismissal in accordance with
our conversation of March 29. If it meets with your
approval, please forward it to Mr. McFeeley for his approval
and request that he return it to me for entry.

Very truly yours,

RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.

By


Jonathan W. Hewes

JWH:cr

Enclosure

cc: Mr. Mark B. McFeeley

B.P.S. - Ms. Teschendorf:

This is to request that you also withdraw your March 22, 1978
request to Mr. Jasso, Deputy Superintendent of Insurance.


Jonathan W. Hewes

FELKER & MCFEELEY, P. A.
ATTORNEYS AT LAW
200 W. DE VARGAS
SANTA FE, NEW MEXICO 87501

RANDOLPH B. FELKER
MARK B. MCFEELEY

TELEPHONE
(505) 988-4483

March 22, 1978

Jonathan W. Hughes, Esq.
Rodey, Dickason, Sloan, Akin
& Robb, P.A.
Attorneys at Law
P. O. Box 1888
Albuquerque, New Mexico 87103

Re: AMERICAN FUELS CORPORATION
No. B75-894 in Bankruptcy

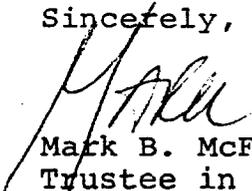
Dear Jon:

Enclosed please find a copy of an Abandonment Report I have sent to the Court for approval. You might check with the Court in a day or two to see if the Judge has signed said report authorizing abandonment.

I would also appreciate it if you would check with the bank as to the amount of interest set off at the time this certificate was negotiated and let me know how much interest was kept by the bank.

Thank you in advance for your help.

Sincerely,


Mark B. McFeeley
Trustee in Bankruptcy
MBM/cd

enclosure

UNITED STATES DISTRICT COURT

FOR THE

DISTRICT OF NEW MEXICO

In the matter of:)
)
AMERICAN FUELS CORPORATION,) IN BANKRUPTCY
)
)
) NO. B75-894
)
Bankrupt)

TRUSTEE'S DISCLAIMER AND ABANDONMENT OF
CERTAIN ASSETS

The following assets of the petitioner have not been disposed of by the Trustee and have not been set aside as exempt for the Bankrupt.

	<u>MARKET</u> <u>VALUE</u>	<u>SECURED</u> <u>CLAIM</u>
Certificate of Deposit D-23538 (secured by Aetna Casualty & Surety Company) Blanket plugging and indemnity bond in favor of the State of New Mexico.	\$ 10,000.00	at least \$10,000.00

(The state of New Mexico has filed suit to force the plugging of certain wells perviously belonging to American Fuels Corporation; the cost of plugging these wells will equal or exceed \$10,000.00)

WHEREFORE, the Trustee feels that this asset is burdensome to the estate.

After investigation, it is the Trustee's opinion that these items are burdensome to the Estate. Therefore, the Trustee disclaims and abandons the assets subject to the approval of the Referee.

S/
Trustee MARK B. McFEELEY

ORDER APPROVING TRUSTEE'S DISCLAIMER OF
CERTAIN ASSETS

It is ordered that the Trustee's disclaimer and abandonment of the above assets is approved and confirmed.

JETHRO S. VAUGHT, JR.
Referee in Bankruptcy

STATE OF NEW MEXICO

COUNTY OF BERNALILLO

IN THE DISTRICT COURT

NEW MEXICO OIL CONSERVATION
COMMISSION,

Plaintiff,

vs.

No. CV-78-00952

AETNA CASUALTY AND SURETY
COMPANY, AMERICAN FUELS
CORPORATION, AND MARK B.
McFEELEY, TRUSTEE IN BANKRUPTCY,

Defendants.

STIPULATION OF DISMISSAL

The parties hereto, pursuant to Rule 41 of the Rules of
Civil Procedure, herewith dismiss the above entitled and styled
cause, without prejudice.

NEW MEXICO OIL CONSERVATION COMMISSION

By _____

LYNN TESCHENDORF,
Assistant Attorney General
Post Office Box 2088
Santa Fe, New Mexico 87501

AETNA CASUALTY AND SURETY COMPANY

By _____

JONATHAN W. HEWES
Post Office Box 1888
Albuquerque, New Mexico 87103

AMERICAN FUELS CORPORATION AND MARK B.
McFEELEY, TRUSTEE IN BANKRUPTCY

By _____

MARK B. McFEELEY
200 W. DeVargas, Suite 9
Santa Fe, New Mexico 87501

STATE OF NEW MEXICO

COUNTY OF BERNALILLO

IN THE DISTRICT COURT

NEW MEXICO OIL CONSERVATION
COMMISSION,

Plaintiff,

vs.

No. CV-78-00952

AETNA CASUALTY AND SURETY
COMPANY, AMERICAN FUELS
CORPORATION, AND MARK B.
McFEELEY, TRUSTEE IN BANKRUPTCY,

Defendants.

STIPULATION OF DISMISSAL

The parties hereto, pursuant to Rule 41 of the Rules of
Civil Procedure, herewith dismiss the above entitled and styled
cause, without prejudice.

NEW MEXICO OIL CONSERVATION COMMISSION

By

LYNN TESCHENDORF, Assistant Attorney General
Post Office Box 2088
Santa Fe, New Mexico 87501

AETNA CASUALTY AND SURETY COMPANY

By

JONATHAN W. HEWES
Post Office Box 1888
Albuquerque, New Mexico 87103

AMERICAN FUELS CORPORATION AND MARK B.
McFEELEY, TRUSTEE IN BANKRUPTCY

By

MARK B. McFEELEY
200 W. DeVargas, Suite 9
Santa Fe, New Mexico 87501

STATE OF NEW MEXICO

COUNTY OF BERNALILLO

IN THE DISTRICT COURT

NEW MEXICO OIL CONSERVATION
COMMISSION,

Plaintiff,

vs.

No. CV-78-00952

AETNA CASUALTY AND SURETY
COMPANY, AMERICAN FUELS
CORPORATION, AND MARK B.
McFEELEY, TRUSTEE IN BANKRUPTCY,

Defendants.

STIPULATION OF DISMISSAL

The parties hereto, pursuant to Rule 41 of the Rules of
Civil Procedure, herewith dismiss the above entitled and styled
cause, without prejudice.

NEW MEXICO OIL CONSERVATION COMMISSION

By

LYNN TESCHENDORF,
Assistant Attorney General
Post Office Box 2088
Santa Fe, New Mexico 87501

AETNA CASUALTY AND SURETY COMPANY

By

JONATHAN W. HEWES
Post Office Box 1888
Albuquerque, New Mexico 87103

AMERICAN FUELS CORPORATION AND MARK B.
McFEELEY, TRUSTEE IN BANKRUPTCY

By

MARK B. McFEELEY
200 W. DeVargas, Suite 9
Santa Fe, New Mexico 87501

WILLIAM A. SLOAN
JACKSON G. AKIN
JOHN D. ROBB
CHARLES B. LARRABEE
JAMES C. RITCHIE
JOHN P. EASTHAM
WILLIAM C. SCHAAB
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ROBERT M. ST JOHN
JOSEPH J. MULLINS
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PETER G. PRINA
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JOHN P. SALAZAR
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CATHERINE T. GOLDBERG

RODEY, DICKASON, SLOAN, AKIN & ROBB, P. A.

COUNSELLORS AND ATTORNEYS AT LAW
20 FIRST PLAZA, SUITE 700
P. O. BOX 1888
ALBUQUERQUE, NEW MEXICO 87103

OF COUNSEL
DON L. DICKASON

PEARCE C. RODEY
1889-1958

TELEPHONE 765-5900
AREA CODE 505

April 3, 1978

Ms. Lynn Teschendorf
General Counsel
Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: New Mexico Oil Conservation Commission v.
Aetna Casualty and Surety Company
Bernalillo County District Court
Cause No: CV-77-00952

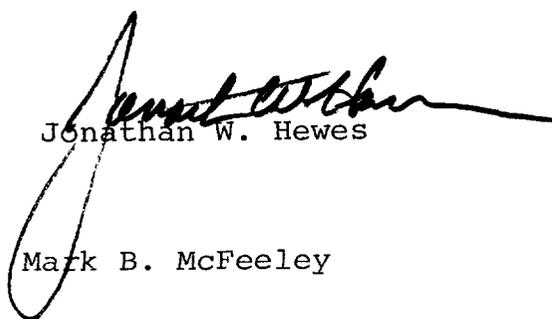
Dear Ms. Teschendorf:

Enclosed is a conformed copy of the Stipulation of Dismissal
in the above matter. I have cancelled all hearings in both
matters.

Very truly yours,

RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.

By


Jonathan W. Hewes

JWH:cr

cc: Mr. Mark B. McFeeley

STATE OF NEW MEXICO

COUNTY OF BERNALILLO

IN THE DISTRICT COURT

NEW MEXICO OIL CONSERVATION
COMMISSION,

Plaintiff,

vs.

AETNA CASUALTY AND SURETY COMPANY,
AMERICAN FUELS CORPORATION, AND
MARK B. MCFEELEY, TRUSTEE IN
BANKRUPTCY,

Defendant.

No. CV-78-00952

ENDORSED
FILED IN MY OFFICE THIS

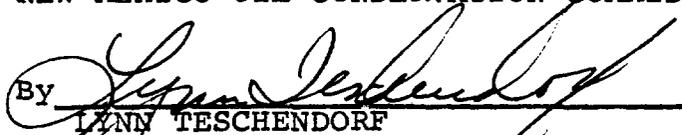
APR 3 1978

STIPULATION OF DISMISSAL

Edna E. Young
CLERK DISTRICT COURT

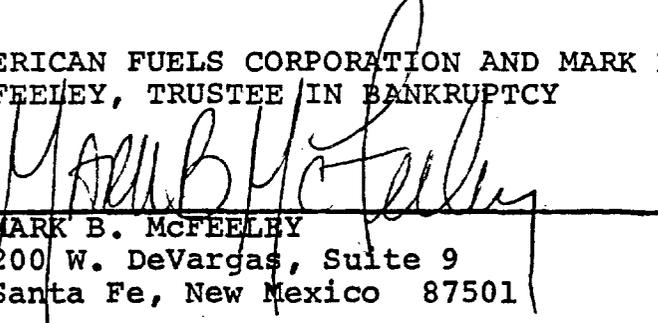
Come now the undersigned attorneys, pursuant to Rule 41(a) of the New Mexico Rules of Civil Procedure, and hereby enter this Stipulation of Dismissal, having been signed by all parties who have appeared generally in this action.

NEW MEXICO OIL CONSERVATION COMMISSION

By 

LYNN TESCHENDORF
Assistant Attorney General
P. O. Box 2088
Santa Fe, New Mexico 87501

AMERICAN FUELS CORPORATION AND MARK B.
MCFEELEY, TRUSTEE IN BANKRUPTCY

By 

MARK B. MCFEELBY
200 W. DeVargas, Suite 9
Santa Fe, New Mexico 87501

RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.

By 

JONATHAN W. HEWES
Attorneys for Defendant Aetna
Casualty and Surety Company
P. O. Box 1888
Albuquerque, New Mexico 87103

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

March 30, 1978

Mr. Mark B. McFeeley
Felker & McFeeley P.A.
200 W. DeVargas, Suite 9
Santa Fe, New Mexico 87501

Re: New Mexico Oil Conservation
Commission v. Aetna, et al.,
Cause No. CV-78-00952

Dear Mark:

Enclosed is a Stipulation of Dismissal for
signature by all parties in the above-referenced cause.
Please forward the original to Jon Hewes for signing and
filing.

Very truly yours,

Lynn Teschendorf
LYNN TESCHENDORF
General Counsel

LT/dr

cc: Jonathan W. Hewes
P. O. Box 1888
Albuquerque, New Mexico 87103

STATE OF NEW MEXICO

COUNTY OF BERNALILLO

IN THE DISTRICT COURT

NEW MEXICO OIL CONSERVATION)	
COMMISSION,)	
)	
Plaintiff,)	
)	
vs.)	No. CV-78-00952
)	
AETNA CASUALTY AND SURETY COMPANY,)	
AMERICAN FUELS CORPORATION, AND)	
MARK B. McFEELEY, TRUSTEE IN)	
BANKRUPTCY,)	
)	
Defendant.)	

STIPULATION OF DISMISSAL

Come now the undersigned attorneys, pursuant to Rule 41(a) of the New Mexico Rules of Civil Procedure, and hereby enter this Stipulation of Dismissal, having been signed by all parties who have appeared generally in this action.

NEW MEXICO OIL CONSERVATION COMMISSION

By Lynn Teschendorf
LYNN TESCHENDORF
Assistant Attorney General
P. O. Box 2088
Santa Fe, New Mexico 87501

AMERICAN FUELS CORPORATION AND MARK B. McFEELEY, TRUSTEE IN BANKRUPTCY

By MARK B. McFEELEY
MARK B. McFEELEY
200 W. DeVargas, Suite 9
Santa Fe, New Mexico 87501

RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.

By JONATHAN W. HEWES
JONATHAN W. HEWES
Attorneys for Defendant Aetna
Casualty and Surety Company
P. O. Box 1888
Albuquerque, New Mexico 87103

WILLIAM A. SLOAN
JACKSON G. AKIN
JOHN D. ROBB
CHARLES B. LARRABEE
JAMES C. RITCHIE
JOHN P. EASTHAM
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KENNETH J. FERGUSON
STANLEY N. HATCH
STEVEN P. BAILEY
ERIC L. MERL

RODEY, DICKASON, SLOAN, AKIN & ROBB, P. A.
COUNSELLORS AND ATTORNEYS AT LAW
20 FIRST PLAZA, SUITE 700
P. O. BOX 1888
ALBUQUERQUE, NEW MEXICO 87103

March 22, 1978

OF COUNSEL
DON L. DICKASON

PEARCE C. RODEY
1888-1958
RECEIVED

MAR 27 1978

Oil Conservation Commission
TELEPHONE 765-5900
AREA CODE 505

Ms. Lynn Teschendorf
Assistant Attorney General
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: New Mexico Oil Conservation Commission v.
Aetna Casualty and Surety Company;
Cause No: CV-77-07268

New Mexico Oil Conservation Commission v.
Aetna Casualty and Surety Company, American
Fuels Corporation and Mark B. McFeeley,
Trustee in Bankruptcy
Cause No: CV-78-00952

Dear Ms. Teschendorf:

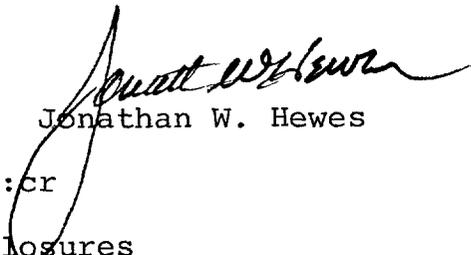
Enclosed please find copies of Motions to Dismiss filed in the above referenced cases. I have requested a hearing on each of the Motions. It remains Aetna's position that Aetna's bond is not a performance bond and that Aetna did not have a duty to undertake performance itself but only to pay for performance once completed up to the penal sum of the bond.

Thank you for your courtesy.

Very truly yours,

RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.

By


Jonathan W. Hewes

JWH:cr

Enclosures

STATE OF NEW MEXICO

COUNTY OF BERNALILLO

IN THE DISTRICT COURT

NEW MEXICO OIL CONSERVATION
COMMISSION,

Plaintiff,

vs.

No. CV-78-00952

AETNA CASUALTY AND SURETY
COMPANY, AMERICAN FUELS
CORPORATION, AND MARK B.
McFEELEY, TRUSTEE IN BANKRUPTCY,

Defendant.

MOTION TO DISMISS

Defendant Aetna Casualty and Surety Company, pursuant to Rule 12(b)(6) and 12(b)(7) of the Rules of Civil Procedure moves the Court to dismiss the Complaint against it in the above styled and entitled cause for failure to state a claim upon which relief may be granted and for failure to effectively join an indispensable party.

RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.

By _____

Jonathan W. Hewes
Attorneys for Defendant Aetna
Casualty and Surety Company
Post Office Box 1888
Albuquerque, New Mexico 87103

I hereby certify that I have mailed a true copy of the above and foregoing pleading to opposing counsel of record this 22nd day of March, 1978.

Jonathan W. Hewes

FELKER & MCFEELEY, P. A.

ATTORNEYS AT LAW

200 W. DE VARGAS

SANTA FE, NEW MEXICO 87501

RANDOLPH B. FELKER
MARK B. MCFEELEY

TELEPHONE
(505) 988-4483

March 13, 1978

Mrs. Eloise E. Young
District Court Clerk
Bernalillo County
P. O. Box 488
Albuquerque, New Mexico 87103

Re: NEW MEXICO OIL CONSERVATION COMMISSION v.
AETNA CASUALTY & SURETY COMPANY, et al.
No. CV 78-00952

Dear Mrs. Young:

Enclosed for filing please find a Stipulation in the
above-referenced matter.

Sincerely,


Mark B. McFeeley
MBM/cl

enclosure

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

March 7, 1978

Mr. Mark B. McFeeley
Felker & McFeeley, P.A.
200 W. DeVargas, Suite 9
Santa Fe, New Mexico 87501

Re: New Mexico Oil Conservation
Commission v. Aetna Casualty
and Surety Company, American
Fuels Corporation and Mark B.
McFeeley, Trustee in
Bankruptcy
Cause No. CV-78-00952

Dear Mark:

Enclosed is our agreed-upon Stipulation in the
above-referenced cause. Please sign it and forward the
original to the Court for filing.

Very truly yours,

LYNN TESCHENDORF
General Counsel

LT/dr

enc.

STATE OF NEW MEXICO

COUNTY OF BERNALILLO

IN THE DISTRICT COURT

NEW MEXICO OIL CONSERVATION)	
COMMISSION,)	
)	
Plaintiff,)	
)	No. CV-78-00952
vs.)	
)	
AETNA CASUALTY AND SURETY COMPANY,)	
AMERICAN FUELS CORPORATION, AND)	
MARK B. McFEELEY, TRUSTEE IN)	
BANKRUPTCY,)	
)	
Defendant.)	

STIPULATION

Comes now the New Mexico Oil Conservation Commission (hereinafter, "the Commission"), by and through its attorney Lynn Teschendorf, and American Fuels Corporation, by and through its attorney Mark B. McFeeley, and stipulate to the following:

1. The Commission named Defendants American Fuels Corporation and Mark B. McFeeley, Trustee in Bankruptcy, as parties to this suit since, under the provisions of Rule 19, New Mexico Rules of Civil Procedure, they are parties to be joined if feasible.
2. The Commission understands that any claims asserted against these Defendants should have been filed in bankruptcy court.
3. The Commission agrees that these Defendants are relieved of any liabilities arising from this suit.

NEW MEXICO OIL CONSERVATION COMMISSION

By Lynn Teschendorf
 LYNN TESCHENDORF
 Assistant Attorney General
 P. O. Box 2088
 Santa Fe, New Mexico 87501

AMERICAN FUELS CORPORATION AND MARK B. McFEELEY, TRUSTEE IN BANKRUPTCY

By MARK B. McFEELEY
 MARK B. McFEELEY
 200 W. DeVargas, Suite 9
 Santa Fe, New Mexico 87501

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

March 1, 1978

Clerk of the District Court
for Bernalillo County
Bernalillo County Court House
Albuquerque, New Mexico

Re: New Mexico Oil Conservation
Commission vs. Aetna
Casualty and Surety Company,
American Fuels Corporation
and Mark B. McFeeley,
Trustee in Bankruptcy
Cause CV-78-00952

Dear Madam:

Enclosed please find the Summonses which are
to be filed in the above-captioned cause.

Very truly yours,

LYNN TESCHENDORF
General Counsel

LT/dr
enc.

SUMMONS

IN THE DISTRICT COURT OF THE SECOND JUDICIAL DISTRICT, IN AND FOR THE COUNTY OF BERNALILLO, STATE OF NEW MEXICO,

CASE NO. CV-78-00952

NEW MEXICO OIL CONSERVATION COMMISSION, Plaintiff,

vs.

AETNA CASUALTY AND SURETY COMPANY, AMERICAN FUELS CORPORATION AND MARK B. MCFEELEY, TRUSTEE IN BANKRUPTCY, Defendant.

THE STATE OF NEW MEXICO

TO:

Superintendent of Insurance on Behalf of Aetna Casualty and Surety Company P.E.R.A. Building Santa Fe, New Mexico

DEFENDANT.....

GREETING:

You are hereby directed to serve a pleading or motion in response to the complaint within 30 days after service of this summons, and file the same, all as provided by law.

You are notified that, unless you so serve and file a responsive pleading or motion, the plaintiff will apply to the court for the relief demanded in the complaint.

Type of Action Violation of Commission Order

Attorney or Attorneys for Plaintiff:

LYNN TESCHENDORF

Address of attorneys for Plaintiff (or of plaintiff, if no attorney):

P. O. Box 2088 Santa Fe, New Mexico 87501

WITNESS, THE HONORABLE PHIL BARRAMONTE, District Judge of the Second Judicial District Court of the State of New Mexico, and the Seal of the District Court of Bernalillo County,

this day of FEB 9 1978, A. D. 19

ELOISE E. YOUNG, CLERK

(SEAL)

BY Jo Ann Johnson, Deputy

PHIL BARRAMONTE

This case is assigned to Judge Division XII

(Sheriff's return when service is made personally on defendants)

STATE OF NEW MEXICO

County of _____

} ss.

I, _____ Sheriff of _____ County, State of New Mexico, do hereby certify, that I served the within summons on the _____ day of _____ by delivering a copy thereof, with copy of complaint attached, in the county aforesaid, in person to _____

Dated: _____, Sheriff
Fees: _____ By _____, Deputy

(Sheriff's return when service is made on defendants by leaving copy at usual place of abode.)

STATE OF NEW MEXICO

County of _____

} ss.

I, _____ Sheriff of _____ County, State of New Mexico, do hereby certify, that I served the within summons on the _____ day of _____ by delivering a copy thereof, with copy of complaint attached, in the county aforesaid, in person to _____

a person over fifteen years of age, residing at the usual place of abode of defendant _____, who at the time of such service was absent therefrom.

Dated: _____, Sheriff
Fees: _____ By _____, Deputy

(Affidavit when service is made personally on defendants by other than Sheriff.)

STATE OF NEW MEXICO

County of Santa Fe

} ss.

I, Eloy A. Martinez, being duly sworn, upon his oath says, I am over the age of eighteen years, I served the within summons on the 16 th. day of February, 1978, by delivering a copy thereof, with copy of complaint attached, in the county aforesaid to Mr. Albert Gallegos for the Superintendent of Insurance at the Corporation Commission of New Mexico at the P.E.R.A. Building on behalf of Aetna Casualty and Surety Company.

Subscribed and sworn to before me this 16 th. day of February, 1978.

My commission expires 1/12, 19 81.

Francisco R. Martinez
NOTARY PUBLIC

(Affidavit when service is made on defendants by other than Sheriff by serving some one residing at usual place of abode of defendant who is then absent.)

STATE OF NEW MEXICO

County of _____

} ss.

_____ being duly sworn, upon his oath says, I am over the age of eighteen years, I served the within summons on the _____ day of _____ by delivering a copy thereof, with copy of complaint attached, in the county aforesaid to _____

a person over fifteen years of age, residing at the usual place of abode of defendants _____, who at the time of service was absent therefrom.

Fees: _____
Subscribed and sworn to before me this _____ day of _____, 19 _____

My commission expires _____, 19 _____

NOTARY PUBLIC

16-28-1978, E. Martinez

SUMMONS

IN THE DISTRICT COURT OF THE SECOND JUDICIAL DISTRICT, IN AND FOR THE COUNTY OF BERNALILLO, STATE OF NEW MEXICO,

CASE NO. CV-78-00952

NEW MEXICO OIL CONSERVATION COMMISSION, Plaintiff,

vs.

AETNA CASUALTY AND SURETY COMPANY, AMERICAN FUELS CORPORATION AND MARK B. McFEELEY, TRUSTEE IN BANKRUPTCY, Defendant.

THE STATE OF NEW MEXICO

TO:

American Fuels Corporation and Mark B. McFeeley 220 W. DeVargas Santa Fe, New Mexico

DEFENDANT.....

GREETING:

You are hereby directed to serve a pleading or motion in response to the complaint within 30 days after service of this summons, and file the same, all as provided by law.

You are notified that, unless you so serve and file a responsive pleading or motion, the plaintiff will apply to the court for the relief demanded in the complaint.

Type of Action Violation of Commission Order

Attorney or Attorneys for Plaintiff:

LYNN TESCHENDORF

Address of attorneys for Plaintiff (or of plaintiff, if no attorney):

P. O. Box 2088 Santa Fe, New Mexico

WITNESS, THE HONORABLE MONTE, District Judge of the Second Judicial District Court of the State of New Mexico, and the Seal of the District Court of Bernalillo County,

this day of FEB 9 1978, A. D. 19

ELOISE E. YOUNG, CLERK

(SEAL)

BY [Signature] Deputy

This case is assigned to Judge MONTE Division XII

(Sheriff's return when service is made personally on defendants)

STATE OF NEW MEXICO }
County of _____ } ss.

I, _____ Sheriff of _____ County, State of New Mexico, do hereby certify, that I served the within summons on the _____ day of _____ by delivering a copy thereof, with copy of complaint attached, in the county aforesaid, in person to _____

Dated: _____, Sheriff
Fees: _____ By _____, Deputy

(Sheriff's return when service is made on defendants by leaving copy at usual place of abode.)

STATE OF NEW MEXICO }
County of _____ } ss.

I, _____ Sheriff of _____ County, State of New Mexico, do hereby certify, that I served the within summons on the _____ day of _____ by delivering a copy thereof, with copy of complaint attached, in the county aforesaid, in person to _____

a person over fifteen years of age, residing at the usual place of abode of defendant _____, who at the time of such service was absent therefrom.

Dated: _____, Sheriff
Fees: _____ By _____, Deputy

(Affidavit when service is made personally on defendants by other than Sheriff.)

STATE OF NEW MEXICO }
County of Santa Fe } ss.

I, Eloy A. Martinez, being duly sworn, upon his oath says, I am over the age of eighteen years, I served the within summons on the 17 th. day of February, 1978, by delivering a copy thereof, with copy of complaint attached, in the county aforesaid to _____

Mark B. McFeeley

Fees: _____
Subscribed and sworn to before me this 17 th. day of February, 19 78

Eloy A. Martinez
Francis R. [Signature]

My commission expires 1/12/, 19 81.

NOTARY PUBLIC

(Affidavit when service is made on defendants by other than Sheriff by serving some one residing at usual place of abode of defendant who is then absent.)

STATE OF NEW MEXICO }
County of _____ } ss.

_____ being duly sworn, upon his oath says, I am over the age of eighteen years, I served the within summons on the _____ day of _____ by delivering a copy thereof, with copy of complaint attached, in the county aforesaid to _____

_____ a person over fifteen years of age, residing at the usual place of abode of defendants _____

_____ who at the time of service was absent therefrom.

Fees: _____
Subscribed and sworn to before me this _____ day of _____, 19 _____

My commission expires _____, 19 _____

NOTARY PUBLIC

T/C 2-20-78

Mark Mc Keeley

He will do stipulation
that Am. Fuels has been
discharged in $\text{\textcircled{D}}$ +
the time for filing
objections is past.

LT

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

February 13, 1978

C
O
P
Y
Clerk of the District Court
for Bernalillo County
Bernalillo County Court House
Albuquerque, New Mexico

Re: New Mexico Oil Conservation
Commission vs. Aetna Casualty
and Surety Company, American
Fuels Corporation and Mark B.
McFeeley, Trustee in
Bankruptcy, Case No. CV-78-00952

Dear Madam:

We are enclosing Summonses in the above-captioned
case for you to affix the Court Seal.

Thank you for your assistance.

Very truly yours,

(Ms.) LYNN TESCHENDORF
Assistant Attorney General

LT/dr
enc.

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

January 27, 1978

C
O
P
Y

The Honorable Toney Anaya
Attorney General for the
State of New Mexico
Bataan Memorial Building
Santa Fe, New Mexico 87501

Re: New Mexico Oil Conservation
Commission vs. Aetna Casualty
and Surety Company, American
Fuels Corporation and Mark B.
McFeeley, Trustee in
Bankruptcy

Dear Mr. Anaya:

Enclosed please find a copy of the Complaint I
have filed in the above-captioned matter approved by the
Oil Conservation Commission. This is a routine enforce-
ment action of the Commission's rules, regulations and
orders.

Should you wish further information, do not hesitate
to contact me.

Very truly yours,

LYNN TESCHENDORF
General Counsel

LT/dr
enc.

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

January 27, 1978

C
O
P
Y

Clerk of the District Court
for Bernalillo County
Bernalillo County Court House
Albuquerque, New Mexico

Re: New Mexico Oil Conservation
Commission vs. Aetna Casualty
and Surety Company, American
Fuels Corporation and Mark B.
McFeeley, Trustee in
Bankruptcy

Dear Madam:

I am submitting the enclosed Complaint for filing in the above-captioned cause. Since I am filing this action on behalf of the State of New Mexico, no filing fee is required. I would appreciate your returning a copy of the Complaint and the completed Summonses to me at the above address.

Thank you for your assistance.

Very truly yours,

(Ms.) LYNN TESCHENDORF
Assistant Attorney General

LT/dr
enc.

STATE OF NEW MEXICO

COUNTY OF BERNALILLO

IN THE DISTRICT COURT

NEW MEXICO OIL CONSERVATION
COMMISSION,

Plaintiff,

vs.

AETNA CASUALTY AND SURETY
COMPANY, AMERICAN FUELS
CORPORATION, AND MARK B.
MCFEELEY, TRUSTEE IN BANKRUPTCY,

Defendant.

No. CV-78-00952

COMPLAINT

Plaintiff states that:

I.

Plaintiff New Mexico Oil Conservation Commission is a duly organized agency of the State of New Mexico (hereinafter, "the Commission"); Defendant Aetna Casualty and Surety Company is an insurance company authorized to transact business in the State of New Mexico with its principal offices, place of business and residence in Albuquerque, New Mexico; Defendant American Fuels Corporation is a corporation authorized to transact business in the State of New Mexico and has undergone bankruptcy proceedings in said State; Defendant Mark B. McFeeley is a resident of Santa Fe, New Mexico, and is Trustee in Bankruptcy for Defendant American Fuels Corporation.

II.

Defendant Aetna Casualty and Surety Company, as surety, executed a \$10,000 blanket plugging and indemnity bond No. BCA 19S28264 running to the benefit of the State of New Mexico with American Fuels Corporation as principal. This bond was approved by the Commission on June 18, 1973. A copy is attached

hereto as Exhibit A and by this reference is incorporated.

III.

Under the terms of this bond, the principal, as owner and operator, drilled four wells in Colfax County, described as follows:

- (1) NM-B Well No. 2, located in the SE/4 SE/4 of Section 16, Township 30 North, Range 18 East;
- (2) NM-B Well No. 4, located in the SE/4 NE/4 of Section 18, Township 30 North, Range 18 East;
- (3) NM-B Well No. 5, located in the SE/4 SE/4 of Section 30, Township 30 North, Range 19 East; and
- (4) NM-B Well No. 10, located in the SE/4 SW/4 of Section 24, Township 31 North, Range 19 East.

IV.

On October 16, 1974, a Commission examiner hearing was called to permit American Fuels Corporation and Aetna Casualty and Surety Company to appear and show cause why the above-described wells should not be plugged and abandoned in accordance with a Commission-approved plugging program.

V.

Both Defendants received notice of this hearing, but neither entered an appearance nor presented testimony.

VI.

On November 4, 1974, the Commission issued its Order No. *Case 5344* R-4898 requiring Defendants Aetna Casualty and Surety Company and American Fuels Corporation to plug and abandon these four wells in accordance with a Commission-approved plugging program prior to February 1, 1975. A copy of said Order is attached hereto as Exhibit B and by this reference is incorporated.

VII.

As of the date of filing of this Complaint, Defendants Aetna Casualty and Surety Company and American Fuels Corporation have failed to plug and abandon said wells in accordance with the rules, regulations and orders of the Commission.

VIII.

The State of New Mexico legislature has charged the Commission with the duties of conservation of oil and gas, the prevention of contamination of fresh water, and requiring dry or abandoned wells to be plugged in such a way as to confine crude petroleum oil, natural gas or water in the strata in which they are found.

IX.

The failure of the Defendants to plug said wells poses a potential threat to fresh water and could lead to the waste of hydrocarbons.

X.

Rule 204 of the Commission Rules and Regulations provides that "the owner of any well drilled for oil or gas, or any seismic, core or other exploratory holes, whether cased or uncased, shall be responsible for the plugging thereof."

XI.

Sections 65-3-24 and 65-3-27, N.M.S.A. 1953 Compilation, provide that an action may be instituted by the Commission to recover a penalty of not to exceed \$1,000 a day for each and every violation of its rules, regulations or orders.

WHEREFORE, Plaintiff asks the Court:

1. For judgment against Defendants in an amount not to exceed \$1,000 for each day from February 1, 1975, until the date of judgment, said amount to be paid into the State Treasury as provided for in Article XII, Section 4, of the Constitution

of the State of New Mexico.

2. For such further relief as the Court deems just and proper.

TONEY ANAYA
ATTORNEY GENERAL

By Lynn Teschendorf
LYNN TESCHENDORF
Assistant Attorney General
New Mexico Oil Conservation
Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

STATE OF NEW MEXICO
\$10,000.00 BLANKET PLUGGING AND IDEMNITY BOND

BOND NO. BCA 19S28264
(For Use of Surety Company)

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That AMERICAN FUELS CORPORATION ~~(An individual) (a partnership)~~
(a corporation organized in the State of New Mexico, with its principal office in the city of Albuquerque, State of New Mexico, and authorized to do business in the State of New Mexico), as PRINCIPAL, and AETNA CASUALTY AND SURETY 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 with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, and for the use and benefit of purchasers holding purchase contract or deed to state lands, with minerals reserved, their grantees or successors in interest, pursuant to Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended, in the sum of Ten Thousand (\$10,000.00) Dollars 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 with the State of New Mexico; and

WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and

WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; 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 wells, or such wells started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases, and on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals, the identification and location of said wells being expressly waived by both principal and surety hereto.

NOW, THEREFOKE, 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 Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchase contracts or holders of patents for State lands, with minerals reserved to the State, their heirs, executors, administrators, successors and assigns, for all damages to the livestock, range, water, crops, or tangible improvements on such lands as may be suffered by such purchasers or their successors in interest, by reason of such development, use or occupancy of such lands by such lessee or principal, or for such damages as a court of competent jurisdiction may determine and fix in any action brought on this bond;

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 Commission 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.

Signed and sealed this 15th day of May, 19 73.

AMERICAN FUELS CORPORATION

By Harold Morgan
PRINCIPAL
2921 Carlisle, NE, Suite 200
Albuquerque, Address NM 87110
By Harold Morgan (see above)
Signature
Vice President
Title

Etna Casualty and Surety
SURETY
1418 First National Bank Bldg., East
Albuquerque, Address N.M. 87108
By Michael Van Zele
Attorney-in-Fact
Michael Van Zele

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

(Note: If corporate surety executes this bond by an attorney-in-fact not in New Mexico, the resident New Mexico agent shall countersign here below.)

Countersigned by:

New Mexico Resident Agent Address

ACKNOWLEDGMENT FORM FOR NATURAL PERSONS

STATE OF New Mexico)
COUNTY OF Bernalillo) ss.

On this 15th day of May, 19 73, 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.

September 10, 1973 _____
My Commission expires Notary Public

ACKNOWLEDGMENT FORM FOR CORPORATION

STATE OF New Mexico)
COUNTY OF Bernalillo) ss.

On this 15th day of May, 19 73, before me personally appeared Harold Morgan, to me personally known who, being by me duly sworn, did say that he is Vice President of AMERICAN FUELS CORPORATION 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.

September 10, 1973 _____
My Commission expires Notary Public

ACKNOWLEDGMENT FORM FOR CORPORATE SURETY

STATE OF New Mexico)
COUNTY OF Bernalillo) ss.

On this 13th day of June, 19 73, before me appeared Michael Van Zele, to me personally known, who, being by me duly sworn, did say that he is Marketing Representative of Etna Casualty and Surety 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.

Sept. 10, 1973 _____
My Commission expires (Note: Corporate surety attach power of attorney.) Notary Public

APPROVED BY:
[Signature]
Commissioner of Public Lands

APPROVED BY:
OIL CONSERVATION COMMISSION OF NEW MEXICO
By [Signature]



POWER OF ATTORNEY AND CERTIFICATE OF AUTHORITY OF ATTORNEY(S)-IN-FACT

KNOW ALL MEN BY THESE PRESENTS, THAT THE AETNA CASUALTY AND SURETY COMPANY, a corporation duly organized under the laws of the State of Connecticut, and having its principal office in the City of Hartford, County of Hartford, State of Connecticut, hath made, constituted and appointed, and does by these presents make, constitute and appoint Michael Van Zele or Claud Walters --

of Albuquerque, New Mexico, its true and lawful Attorneys-in-Fact, with full power and authority hereby conferred to sign, execute and acknowledge, at any place within the United States, or, if the following line be filled in, within the area there designated, the following instrument (s):

by his sole signature and act, any and all bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking, and any and all consents incident thereto not exceeding the sum of TWO HUNDRED THOUSAND (\$200,000.00) DOLLARS -

and to bind THE AETNA CASUALTY AND SURETY COMPANY, thereby as fully and to the same extent as if the same were signed by the duly authorized officers of THE AETNA CASUALTY AND SURETY COMPANY, and all the acts of said Attorneys-in-Fact, pursuant to the authority herein given, are hereby ratified and confirmed.

This appointment is made under and by authority of the following provisions of the By-Laws of the Company which provisions are now in full force and effect and are the only applicable provisions of said By-Laws:

ARTICLE IV—Section 8. The President, any Vice President, or any Secretary may from time to time appoint Resident Vice Presidents, Resident Assistant Secretaries, Attorneys-in-Fact, and Agents to act for and on behalf of the Company and may give any such appointee such authority as his certificate of authority may prescribe to sign with the Company's name and seal with the Company's seal bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking, and any of said officers or the Board of Directors may at any time remove any such appointee and revoke the power and authority given him.

ARTICLE IV—Section 10. Any bond, recognizance, contract of indemnity, or writing obligatory in the nature of a bond, recognizance, or conditional undertaking shall be valid and binding upon the Company when (a) signed by the President or a Vice President or by a Resident Vice President, pursuant to the power prescribed in the certificate of authority of such Resident Vice President, and duly attested and sealed with the Company's seal by a Secretary or Assistant Secretary or by a Resident Assistant Secretary, pursuant to the power prescribed in the certificate of authority of such Resident Assistant Secretary; or (b) duly executed (under seal, if required) by one or more Attorneys-in-Fact pursuant to the power prescribed in his or their certificate or certificates of authority.

This Power of Attorney and Certificate of Authority is signed and sealed by facsimile under and by authority of the following Resolution voted by the Board of Directors of THE AETNA CASUALTY AND SURETY COMPANY at a meeting duly called and held on the 22nd day of November, 1968.

VOTED: That the signature of William O. Bailey, Senior Vice President, or of Andrew H. Anderson, Vice President, or of D. N. Gage, Assistant Vice President, or of Neil H. Pfanstiel, Secretary, or of Benjamin I. Radding, Secretary, or of Curtis K. Shaw, Secretary, and the seal of the Company may be affixed by facsimile to any power of attorney or to any certificate relating thereto appointing Resident Vice Presidents, Resident Assistant Secretaries or Attorneys-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and any such power of attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature 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 WITNESS WHEREOF, THE AETNA CASUALTY AND SURETY COMPANY has caused this instrument to be signed by its Secretary, and its corporate seal to be hereto affixed this 9th day of March, 1971

THE AETNA CASUALTY AND SURETY COMPANY

State of Connecticut }
County of Hartford } ss. Hartford



By Curtis K. Shaw
Secretary

On this 9th day of March, 1971, before me personally came CURTIS K. SHAW, Secretary of THE AETNA CASUALTY AND SURETY COMPANY, the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to the said instrument is such corporate seal; and that he executed the said instrument on behalf of the corporation by authority of his office under the By-Laws thereof.



Mary J. Kingston
Notary Public
My commission expires March 31, 1975

CERTIFICATE

I, the undersigned, Secretary of THE AETNA CASUALTY AND SURETY COMPANY, a stock corporation of the State of Connecticut, DO HEREBY CERTIFY that the foregoing and attached Power of Attorney and Certificate of Authority remains in full force and has not been revoked; and furthermore, that Article IV—Sections 8 and 10, of the By-Laws of the Company, and the Resolution of the Board of Directors, as set forth in the Certificate of Authority, are now in force.

Signed and Sealed at the Home Office of the Company, in the City of Hartford, State of Connecticut. Dated this _____ day of _____, 19____



Curtis K. Shaw
Secretary

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CASE NO. 5344
Order No. R-4898

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION COMMISSION ON ITS
OWN MOTION TO PERMIT AMERICAN FUELS
CORPORATION AND AETNA CASUALTY AND SURETY
COMPANY, AND ALL OTHER INTERESTED PARTIES
TO APPEAR AND SHOW CAUSE WHY CERTAIN AMERICAN
FUELS WELLS ON THE W-S RANCH IN COLFAX COUNTY,
NEW MEXICO, SHOULD NOT BE PLUGGED AND ABANDONED
IN ACCORDANCE WITH A COMMISSION-APPROVED PLUGGING
PROGRAM.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 16,
1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 4th day of November, 1974, the Commission,
a quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being
fully advised in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That American Fuels Corporation is the owner and
operator of the following described wells in Colfax County:

NM-B Well No. 1, located in Unit G of Section 6,
Township 30 North, Range 19 East;

NM-B Well No. 2, located in Unit P of Section 16,
Township 30 North, Range 18 East;

NM-B Well No. 4, located in Unit H of Section 18,
Township 30 North, Range 18 East;

NM-B Well No. 5, located in Unit P of Section 30,
Township 30 North, Range 19 East; and

NM-B Well No. 10, located in Unit N of Section 24,
Township 31 North, Range 19 East.

(3) That the surface locations of said Wells Nos. 1, 2,
5, and 10 have not been cleaned and levelled as required by
Commission Rules and Regulations.

Exhibit B

(4) That Commission Form C-105 "Well Log" has not been filed with the Commission for said Wells Nos. 4, 5, and 10 as required by Commission Rules and Regulations.

(5) That said Wells Nos. 2, 4, 5, and 10 are not capable of production in commercial quantities.

(6) That in order to confine all oil, gas, and water to the strata in which they are found, said Wells 2, 4, 5, and 10 should be plugged and abandoned in accordance with a Commission-approved plugging program on or before February 1, 1975.

(7) That the surface locations of said Wells Nos. 1, 2, 5, and 10 should be cleaned and levelled in accordance with Commission Rules and Regulations.

(8) That Commission's Form C-105 "Well Log" should be filed with reference to said Wells Nos. 4, 5, and 10.

IT IS THEREFORE ORDERED:

(1) That American Fuels Corporation and Aetna Casualty and Surety Company are hereby ordered to plug and abandon the following wells in Colfax County, New Mexico, on or before February 1, 1975:

NM-B Well No. 2, located in Unit P of Section 16, Township 30 North, Range 18 East;

NM-B Well No. 4, located in Unit H of Section 18, Township 30 North, Range 18 East;

NM-B Well No. 5, located in Unit P of Section 30, Township 30 North, Range 19 East; and

NM-B Well No. 10, located in Unit N of Section 24, Township 31 North, Range 19 East.

(2) That American Fuels Corporation and Aetna Casualty and Surety Company, prior to plugging and abandoning the above-described wells, shall obtain from the Santa Fe Office of the Commission, a Commission-approved program for said plugging and abandoning, and shall notify said Santa Fe office of the date and hour said work is to be commenced whereupon the Commission may, at its option, witness such work.

(3) That American Fuels Corporation and Aetna Casualty and Surety Company are hereby ordered to clean and level the surface location of Wells Nos. 2, 5, and 10, as described in Order No. (1) above, and the NM-B Well No. 1, located in Unit G of Section 6, Township 30 North, Range 19 East, NMPM, Colfax County, New Mexico, in accordance with Commission Rules and Regulations on or before February 1, 1975.

-3-

Case No. 5344

Order No. R-4898

(4) That American Fuels Corporation is hereby ordered to complete and submit to the Commission on or before January 1, 1975, Commission Form C-105, "Well Log" for the NM-B Wells Nos. 4, 5, and 10 as described above.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

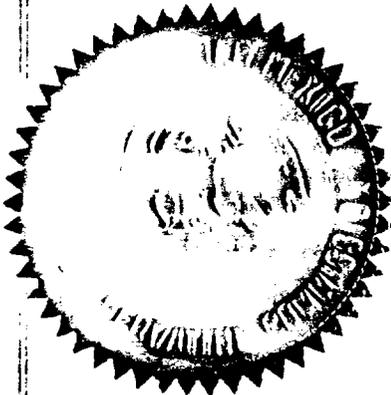
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman


ALEX J. ARMIJO, Member


A. L. PORTER, Jr., Member & Secretary



S E A L

dr/

Columbus Ferguson
Chairman

Charles R. Rudolph
Commissioner

John A. Elliott
Commissioner

State of New Mexico
Department of Insurance



State Insurance Board

State Corporation Commission

Santa Fe

87501

May 9, 1978

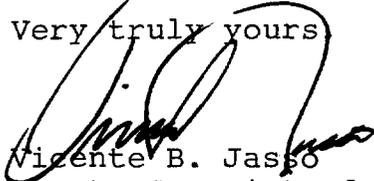
Ms. Lynn Teschendorf
Oil Conservation Commission
PO Box 2088
Santa Fe, NM 87501

Dear Ms. Teschendorf:

You should have a copy of a letter to us from Aetna, dated April 20th concerning the American Fuels Corporation and your complaint on this matter.

We have thoroughly discussed this matter with our staff, and it is the consensus that since these matters received proper judicial review by the courts, and apparently sustained the company's position, there is nothing left for this office to pursue in an administrative capacity that could materially change anything for the benefit of the State.

Very truly yours


Vicente B. Jasso
Deputy Superintendent

VBJ:mg



Casualty & Surety Division
First National Bank Building, East, Suite 1418
Albuquerque, New Mexico 87108
265-5861

April 20, 1978

Mr. Vincente B. Jasso, Deputy Superintendent
State of New Mexico Dept. of Insurance
State Corporation Commission
P.O. Drawer 1269
Santa Fe, N.M. 87501

Re: A 19 SC 260216 RG
Principal: American Fuels
Obligee: State of New Mexico

Dear Mr. Jasso:

After consulting with our legal counsel, Mr. Jonathan W. Hewes, we wish to respond to the letter dated April 4, to you from General Counsel Lynn Teschendorf:

- 1) The act cited in the letter by Ms. Teschendorf is not a violation by Aetna Casualty and Surety Company either in accordance to its letter or its intent.
- 2) The District Court of Bernalillo County has held, by dismissing its Cause CV 77-07268, that Aetna acted correctly in this matter and as things stands does not have any liability on the Bond. The Commission apparently agreed by voluntarily dismissing Cause CV 78-00952 in which it has asked for sanctions by Aetna.

Aetna was advised by its counsel, that counsel could not assure Aetna that the Commission had the power to indemnify Aetna. The Commission's counsel, during the proceedings of CV 77-07268, took the position that the Commission's powers strictly were limited by its enabling legislation which contains no mention of such power. Therefore, Aetna was correct in not accepting such an "agreement" as a basis for premature payment which might subject Aetna to a claim from the Principal.

As we have told you, our Bond is an indemnifying bond. Upon notification and proof by the Oil Commission that contracts equaling or exceeding the penalty amount of the bond have been let, we will tender the penalty of the bond in exchange for a release in full of future liability from the Commission concerning this specific bond.

Sincerely,

Vern Sandager
Senior Claim Representative
VS/kv

✓ cc: Ms. Teschendorf, General Counsel

Jonathan W. Hewes, Attorney at Law, R.D.L. Crandall, Analyst
Aetna Life Insurance Company / The Aetna Casualty and Surety Company / The Standard Fire Insurance Company

Columbus Ferguson
Chairman

Charles R. Rudolph
Commissioner

John A. Elliott
Commissioner

State of New Mexico
Department of Insurance



State Insurance Board

State Corporation Commission

Santa Fe

87501

April 13, 1978

Mr. Vern Sandager
Aetna Casualty & Surety Division
First National Bank Bldg., East
Suite 1418
Albuquerque, NM 87108

Re: New Mexico Oil Conservation Commission

Dear Mr. Sandager:

In accordance with our telephone conversation, enclosed is copy of latest correspondence from the Oil Conservation Commission. The concluding paragraph of Ms. Teschendorf's letter I read to you over the phone.

We appreciate the fact that the company is still attempting to resolve this problem and hopefully you may be able to convey to us this information at the time you have again reviewed this file.

Very truly yours,

A handwritten signature in black ink, appearing to read "Vicente B. Jasso".

Vicente B. Jasso
Deputy Superintendent

VBJ:mg

Enclosure



Casualty & Surety Division
First National Bank Building, East, Suite 1418
Albuquerque, New Mexico 87108
265-5861

April 17, 1978

Mr. Vicente B. Jasso, Deputy Superintendent
State of New Mexico Department of Insurance
State Corporation Commission
Santa Fe, New Mexico 87501

Re: A 19 SC 260216 RG
Principal: American Fuels
Obligee: State of New Mexico

Dear Mr. Jasso:

Thank you for your letter of April 13, and the enclosed copy of the April 4 letter from Lynn Teschendorf, general counsel for the Oil Conservation Commission.

We received your letter on April 17, and we wish to confer with our defense counsel before we answer this letter and make comments concerning the April 4 letter.

We intend to communicate with you within the next 5 days.

Sincerely,

Vern Sandager
Senior Claim Representative

VS/kv

cc: Lynn Teschendorf, General Counsel
Jonathan W. Hewes, Attorney at Law

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

April 4, 1978

Mr. Vincente B. Jasso
Deputy Superintendent of Insurance
PERA Building
Santa Fe, New Mexico 87501

Dear Mr. Jasso:

I had never received Aetna's letter of December 1, 1977, and was quite surprised at its contents. It would appear from your letter of October 19, 1977, that you felt "the liability of the bond is clear." Obviously, the Oil Conservation Commission had provided meaningful evidence in support of its position already.

Also, the Commission did agree to indemnify Aetna, as indicated by Mr. Ramey's December 5 letter, enclosed. However, Aetna definitely did not act in good faith, as they still refused to pay the \$10,000 as requested.

This case went to court on March 24, 1978, and the judge held that Aetna only has a duty to reimburse the Commission for plugging costs. A copy of the Order is enclosed. Aetna has apparently, then, not violated the Unfair Insurance Practices Act by failing to make payment at this time.

However, in reviewing Aetna's recent actions and those contained in Mr. William F. Carr's letter to Mr. Ralph Apodaca of July 11, 1975, I would suggest that there exists a possible violation of Section 58-9-25 of that Act.

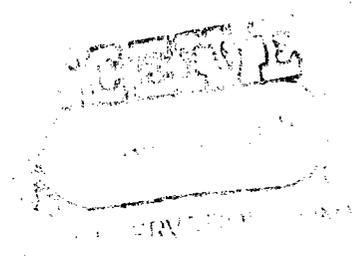
Very truly yours,

LYNN TESCHENDORF
General Counsel

LT/dr

Columbus Ferguson
Chairman
Charles R. Rudolph
Commissioner
John A. Elliott
Commissioner

State of New Mexico
Department of Insurance



State Insurance Board

State Corporation Commission

Santa Fe

87501

March 28, 1978

Ms. Lynn Teschendorf
Oil Conservation Commission
PO Box 2088
Santa Fe, NM 87501

Dear Ms. Teschendorf:

As per your letter of March 22nd, we are enclosing copy of company's letter of December 1, 1977.

Our records indicate that a copy of this letter was sent to your office on December 9, 1977.

Very truly yours,

Vicente B. Jasso
Deputy Superintendent

VBJ:mg

Enclosure



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

P. O. BOX 2088 - SANTA FE

87501



DIRECTOR
JOE D. RAMEY

LAND COMMISSIONER
PHIL R. LUCERO

STATE GEOLOGIST
EMERY C. ARNOLD

March 22, 1978

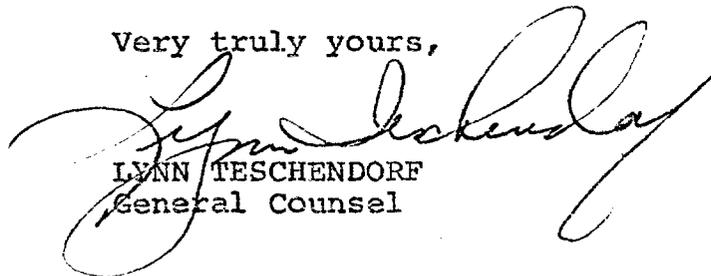
Mr. Vincente B. Jasso
Deputy Superintendent of
Insurance
P.E.R.A. Building
Santa Fe, New Mexico 87501

Dear Mr. Jasso:

On October 19, 1977, you wrote to Mr. Warren G. Elliot, General Counsel for Aetna Casualty and Surety Co., concerning a complaint the Oil Conservation Commission has registered against his company. This complaint has resulted in a lawsuit, and Aetna continues to deny their liabilities under the terms of their bond, a copy of which has been previously forwarded to you.

We have had no cooperation from Aetna at all in this case, and feel that they are attempting to avoid their legal responsibilities. Therefore, I would like to request that you consider this matter under the Unfair Insurance Practices Act, and take any action you feel is necessary.

Very truly yours,



LYNN TESCHENDORF
General Counsel

LT/dr

cc: Vern Sandager
Jonathan Hewes
Joe D. Ramey
Mr. Warren G. Elliot

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

March 31, 1978

Mr. Michael McCullough
Pennzoil Company
P. O. Drawer 1139
Denver, Colorado 80201

Re: Case No. 5344
Order No. R-4898

Dear Mr. McCullough:

In view of Pennzoil's wishes to take over the NM-B Well No. 2 located in Unit P of Section 16, Township 30 North, Range 18 East, Colfax County, I have enclosed the following:

1. Forms C-104 to be filed in quintuplicate, showing change of ownership from American Fuels Corporation to Pennzoil Company.
2. Forms C-103 to be filed in triplicate requesting a permit for temporary abandonment.
3. A copy of Rule 202(B) specifying how to request a permit for temporary abandonment.

In addition, please contact Mr. Carl Ulvog, District Supervisor, at 505-827-2533, as soon as possible concerning the filing of any additional forms. Please file all forms immediately so that we can expedite the awarding of our plugging contract.

Very truly yours,

LYNN TESCHENDORF
General Counsel

LT/fd
enc.

cc: Carl Ulvog

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

March 31, 1978

Mr. Jonathan W. Hewes
Rodey, Dickason, Sloan,
Akin & Robb, P.A.
P. O. Box 1888
Albuquerque, New Mexico 87103

Re: NMOCC v. Aetna;
No. CV-77-07268;
Motion to Dismiss

Dear Mr. Hewes:

I have received your April 17 setting on your Motion to Dismiss in this case. In view of our agreeing on your proposed Order of Dismissal, I assume you will arrange to cancel that setting.

You should also be receiving a Stipulation of Dismissal in the companion case from Mr. McFeeley. The Commission will be sending out invitations to bid on a contract for plugging the wells in question shortly, and I will keep you advised as to progress made. Once the wells are plugged, I will send you a copy of the billing statement, along with a demand for the actual costs or the penal sum of the bond, whichever is less. I anticipate that there will be no problem at that time.

Even though we are dismissing these cases, I would still appreciate receiving a copy of the release of collateral furnished by Mr. McFeeley. I've enclosed a

Page 2

Letter to Mr. Jonathan Hewes

March 31, 1978

copy of the notice originally sent to Aetna concerning the
Commission examiner hearing, as you requested.

Very truly yours,

LYNN TESCHENDORF
General Counsel

LT/fd
enc.

STATE OF NEW MEXICO

COUNTY OF BERNALILLO

IN THE DISTRICT COURT

NEW MEXICO OIL CONSERVATION
COMMISSION,

Plaintiff,

vs.

NO. CV-77-07268

AETNA CASUALTY AND SURETY COMPANY,

Defendant.

REQUEST FOR HEARING

1. Jury _____ or non-jury XXX
2. Judge to whom assigned HONORABLE GERALD R. COLE
3. Disqualified Judges _____
4. Specific matter(s) to be heard MOTION TO DISMISS
5. Estimated total time required for hearing all parties and witnesses Fifteen (15) minutes
6. Date pre-trial order was filed or date of pre-trial conference _____
7. Names, addresses, and telephone numbers of all counsel or parties pro se entitled to notice:

RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.

Ms. Lynn Teschendorf
Assistant Attorney General
Post Office Box 2088
Santa Fe, New Mexico 87501

By _____

Jonathan W. Hewes
Attorneys for Defendant
Post Office Box 1888
Albuquerque, New Mexico 87103
Telephone: 765-5900

Mr. Mark B. McFeeley
Attorney at Law
200 W. Douglas, Suite 9
Santa Fe, New Mexico 87501

NOTICE OF HEARING

The above matter will be heard before the Honorable Gerald R. Cole, at the Bernalillo County Courthouse, at 1:15 p.m. on 4-17-78, 1978, with 15 min. allocated for hearing.

ENDORSED
FILED IN MY OFFICE THIS
MAR 29 1978
Elaine G. [Signature]
CLERK DISTRICT COURT

Notice mailed 3/29, 1978, by [Signature] Judge or Calendar Clerk

WILLIAM A. SLOAN
JACKSON G. AKIN
JOHN D. ROBB
CHARLES B. LARRABEE
JAMES C. RITCHIE
JOHN P. EASTHAM
WILLIAM C. SCHAAH
WILLIAM C. BRIGGS
RAY H. RODEY
ROBERT D. TAICHERT
ROBERT M. ST JOHN
JOSEPH J. MULLINS
DUANE C. GILKEY
MARK K. ADAMS
ROBERT G. MSCORKLE
PETER G. PRINA
BRUCE HALL
JOHN P. SALAZAR
WILLIAM S. DIXON
JOHN P. BURTON

REX D. THROCKMORTON
JONATHAN W. HEWES
GENE C. WALTON
RICHARD C. MINZNER
W. ROBERT LASATER, JR.
KENNETH R. BRANDT
VICTOR R. MARSHALL
CARL H. ESBECK
RICHARD K. BARLOW
MARK C. MEIERING
PAUL D. BARBER
JOE L. MCCLAUGHERTY
JAMES S. STARZYNSKI
CATHERINE T. GOLDBERG
CHARLES L. SAUNDERS
KENNETH J. FERGUSON
STANLEY N. HATCH
STEVEN P. BAILEY
ERIC L. MERL

RODEY, DICKASON, SLOAN, AKIN & ROBB, P. A.

COUNSELLORS AND ATTORNEYS AT LAW
20 FIRST PLAZA, SUITE 700
P. O. BOX 1888
ALBUQUERQUE, NEW MEXICO 87103

OF COUNSEL
DON L. DICKASON

PEARCE C. RODEY
1889-1958

TELEPHONE 765-5900
AREA CODE 505

March 27, 1978

Ms. Lynn Teschendorf
Assistant Attorney General
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: New Mexico Oil Conservation Commission v.
Aetna Casualty and Surety Company;
No. CV-77-07268

Dear Ms. Teschendorf:

Enclosed is a proposed Order with respect to the above matter. If it meets with your approval, please sign it and return it to me and I will present it to the Judge for entry. I will then forward you a conformed copy.

Also enclosed is a copy of a letter and release of collateral from Mr. McFeeley. As soon as the release is approved by the bankruptcy court, I would like to talk to you with reference to the possibility of settling this and the other lawsuit. My client is still interested in resolving these matters amicably and without further expenditure of time and attorneys' fees. If my client were to pay over the \$10,000 immediately, it would require that both lawsuits be dismissed, with prejudice.

I forgot to ask you, at the hearing, exactly what notice was given my client prior to the October 16, 1974 hearing and November 4, 1974 order. If you can find and transmit to me copies of the notice documentation it would be greatly appreciated.

As an additional consideration in your client's decision as to whether or not to drop the matters, I would point out that at the time the bonds were executed, the penal provisions

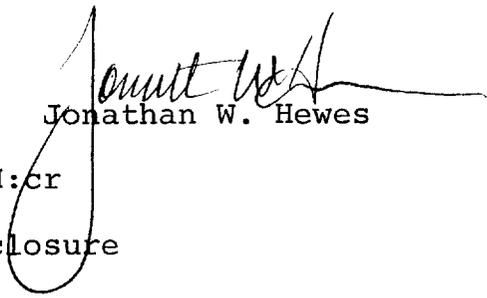
Ms. Lynn Teschendorf
March 27, 1978
Page Two

which would have been applicable (if any were applicable to my client and we would contend none were) would have been §§ 65-3-33 and 34.

Very truly yours,

RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.

By


Jonathan W. Hewes

JWH:cr

Enclosure