

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

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE SUPERVISOR OF DISTRICT I, FOR AN ORDER REQUIRING
ADVANCED EXPLORATION INC. TO BRING ONE WELL INTO
COMPLIANCE WITH 19.15.4.201 NMAC AND IN THE EVENT OF
NONCOMPLIANCE, ASSESSING AN APPROPRIATE CIVIL PENALTY,
AUTHORIZING THE DIVISION TO PLUG SAID WELL AND ORDERING A
FORFEITURE OF THE APPLICABLE PLUGGING BOND; LEA COUNTY,
NEW MEXICO.**

CASE NO. 13413

Affidavit of Dorothy Phillips

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

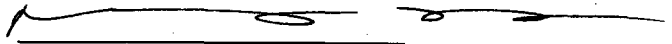
Dorothy Phillips, being first duly sworn on oath, states as follows:

1. I have been employed as the bond administrator at the Santa Fe, New Mexico office of the Oil Conservation Division ("OCD") for the past four years.
2. My duties include maintaining records of financial assurance documents filed by operators pursuant to NMSA 1978, Section 70-2-14.
3. I have reviewed OCD's financial assurance records to determine if financial assurance documents were filed for the following well: War Deck #001, API 30-025-30626, Unit Letter B, Section 33, Township 21S, Range 35E in Lea County, New Mexico ("War Deck #001").
4. OCD's electronic permitting database, "E-Permitting," identifies the wells associated with a particular operator that have not been plugged. Attachment "A" to this affidavit is a printout of the E-Permitting screen showing Advanced Exploration Inc. as the operator of the War Deck #001. According to OCD's electronic permitting database, Advanced Exploration Inc. does not have any other unplugged wells.
5. ONGARD (oil and natural gas administration and revenue data base) maintains data on the financial assurances posted by operators. Attachment "B" to this affidavit is a printout of the ONGARD screen showing that Advanced Exploration Inc. posted a \$5,000 single well cash bond, No. OCD-199, secured with an assignment of cash collateral deposit with the First Interstate Bank of Hobbs. A copy of the bond, with the assignment of cash collateral deposit, is Attachment "C" to this affidavit.

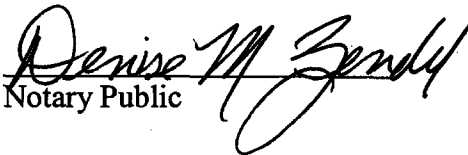
**Before the OCD
Case 13413
OCD Ex. 5**

6. OCD records show no amendments or riders to bond No. OCD-199, and according to OCD records, that bond remains in effect.

THIS CONCLUDES MY AFFIDAVIT.


Dorothy Phillips

SUBSCRIBED AND SWORN before me this 7th day of February, 2005.


Notary Public

My Commission Expires:

1-9-08

Wells Operated By ADVANCED EXPL INC , 36979
February 4, 2005

Property	Well Name	Lease Type	ULSTR	OCD Unit	API	Well Type	Pool ID	Pool Name	Last Prod/Inj	Oil POD	Gas POD
13581	WAR DECK #001	S	B-33-21S-35E	B	30-025-30626	O	53790	SAN SIMON;YATES, NORTH (ASSOC)			

Attachment A

CMD : ONGARD 02/04/05 14:47:51
OG6CWBD CAPTURE SINGLE WELL BOND OGODLP -TPH9

OGRID Identifier : 36979 API Well No : 30 25 30626
Operator Name, Address : ADVANCED EXPL INC
P O BOX 5509
HOBBS,NM BADADDR

Bond Idn : 247813 Bond Status : A Prop Idn : 13581
Prop Name : WAR DECK Well No : 001
U/L Sec Township Range North/South East/West Lot Idr
--- ---

Surface Locn : B 33 21S 35E FTG 660 F N FTG 1980 F E

API County : 25

Bond Details : Type (Cash/Surety - C/S) : C Bond Co Idn : 13 Amt : 5000
Company OGRID Identifier : 26434
Company Name, Address : FIRST INTERSTATE BANK

633 WEST FIFTH ST
LOS ANGELES,CA BAD ADDR

Effective Date : 01-01-1900

Cancellation Date : 12-31-9999

Issuer Bond No : OCD199

E0005: Enter data to modify or PF keys to scroll

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

Attachment B

SINGLE WELL CASH BOND

Know all men by these presents that Advanced Exploration, Inc.
(an individual) (a partnership) (a corporation organized
in the State of New Mexico with its principal office at P.O. Box 5509
in the city of Hobbs, State of New Mexico
and authorized to do business in the State of New Mexico) is held and firmly bound to
the Oil Conservation Division of the State of New Mexico (or its successor agency) in
the sum of \$5,000.00 (Five thousand dollars), lawful money of
the United States.

THE CONDITIONS OF THIS OBLIGATION ARE SUCH THAT:

The above applicant/operator desires to drill a well or purchase or operate an
existing well, the depth of which does not exceed 5000 feet, to
prospect for and produce oil, gas, or carbon dioxide resources on land owned by
private individuals or the State of New Mexico, the particular identification and
footage location of said well being as follows: 660- FNL and 1980 FEL
in Section 33, Township
21-5, Range 35E, NMPM, Lea County, New Mexico.

The applicant has deposited on behalf of the Division \$5,000.00, in the manner
indicated on the attachment to this bond being the principal sum intended to be
secured. Applicant pledges this sum as a guarantee that it, its executors, assigns,
heirs or administrators shall plug the well described above if dry, or when abandoned,
in accordance with the rules and orders of the Oil Conservation Division of the State
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 same from escaping to other strata. If the applicant
does not so properly plug and abandon said well upon order of the Division, the total
sum of the bond shall be forfeited to the Division, and such amount as is necessary
may be used to properly plug said well. If the principal sum of this bond is less
than the actual cost incurred by the Division in plugging said well, the applicant,
its successors, assigns, heirs or administrators shall be liable under the provisions
of Section 70-2-38 NMSA (1978) of the Oil and Gas Act, and the Division may take
action, including the filing of legal proceedings, to recover any amounts expended
over and above the principal sum of the bond.

NOW THEREFORE, if the above applicant or its successors, assigns, heirs, or
administrators or any of them shall plug the above-described well when dry or
abandoned, in accordance with the rules, regulations, and orders of the Division, in
such a manner as to confine the oil, gas, and water in the strata in which they
naturally occur, and to prevent them from escaping into other strata, and further to
clean up the surface location of said well, then therefore, this obligation shall be
null and void and the principal sum shall be paid to the applicant, or its successors,
heirs, or administrator, otherwise it shall remain in full force and effect.

PRINCIPAL

P.O. Box 5509, Hobbs, New Mexico 88241

Address

By

[Signature]
Signature

President

Title

FIRST INTERSTATE BANK OF LEA COUNTY

BY: [Signature]

Susan Thompson

Assistant Vice President & Cashier

By X

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

Attachment C

STATE OF New Mexico)
 COUNTY OF Lea) ss.

On this 12 day of June, 1989, before me personally appeared Joe Peterson, 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.

9/19/91
 My Commission expires

Jay Bates
 Notary Public

ACKNOWLEDGEMENT FORM FOR CORPORATION

STATE OF New Mexico)
 COUNTY OF Lea) ss.

On this 12th day of June, 1989, before me personally appeared Joe D. Peterson, to me personally known who, being by me duly sworn, did say that he is President of Advanced Exploration, Inc. 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.

9/19/91
 My Commission expires

Jay Bates
 Notary Public

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By William J. Hargis

Date _____

Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties, New Mexico:

Projected Depth of Proposed Well
or Actual Depth of Existing Well

Amount of Bond

Less than 5,000 feet
 5,000 feet to 10,000 feet
 More than 10,000 feet

\$ 5,000
 \$ 7,500
 \$10,000

All Other Counties in the State:

Projected Depth of Proposed Well
or Actual Depth of Existing Well

Amount of Bond

Less than 5,000 feet
 5,000 feet to 10,000 feet
 More than 10,000 feet

\$ 7,500
 \$10,000
 \$12,500

ASSIGNMENT OF CASH COLLATERAL DEPOSIT

(Must be a federally-insured bank or savings institution
authorized to do business in New Mexico)

Date 6-12-89

Pursuant to Section 70-2-14, NMSA (1978), or successor provisions, Advanced
Exploration Inc. (hereinafter referred to as "operator") of
P.O. Box 5509, Hobbs, NM 88241 (address) has deposited with the First
Interstate Bank (name of state or national bank or savings association) of
(address) (herein termed
financial institution), the sum of \$ 5,000.00 dollars in Certificate of
Deposit or savings account No. 65280. Operator hereby assigns and conveys
all right, title and interest in the deposited sum to the financial institution in trust
for the Oil Conservation Division of the Energy and Minerals Department or successor
agency of the State of New Mexico. Operator and the financial institution agree that as
to the deposited sum or fund:

- a. The Oil Conservation Division acquires by this assignment the entire beneficial interest in the fund, with the right to order the trustee in writing to distribute the fund to persons determined by the division to be entitled thereto, including the Division itself, in amounts determined by the Division, or to the operator upon sale or proper plugging of the well covered by this bond.
- b. Operator retains no legal or beneficial interest in the fund and has only the right to interest, if any, thereon, and to return of the fund upon written order of the Division.
- c. The financial institution agrees that the fund may not be assigned, transferred, pledged or distributed except upon written order of the Division or a court of competent jurisdiction made in a proceeding in which the Division is a party. The financial institution waives all statutory or common law liens or rights of set-off against the fund.

Operator agrees that the financial institution may deduct from interest due operator any attorney fees incurred by the financial institution if claim or demand via writ, summons or other process arising from operator's business is made upon the financial institution.

FIRST INTERSTATE BANK OF LEA COUNTY

Joe D. Peterson
Signature of Operator,
Personally or by Authorized Officer

Susan Thompson
Signature of Authorized Officer of
Financial Institution

President
Title

Assistant Vice President & Cashier
Title

STATE OF NEW MEXICO) ss.
COUNTY OF Lea

On this 12th day of June, 19 89, before me personally appeared
Joe D. Peterson of Advanced Exp'd Susan Thompson of FILC, to me known to be
the person (persons) described in and who executed the foregoing instrument and
acknowledged that the (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:
9/19/91

Joe D. Peterson
NOTARY PUBLIC

6-12-89