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

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST NORTHSTAR OIL & GAS FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.4.201 NMAC AS TO TWO WELLS, DETERMINING THAT THE VIOLATION IS KNOWING AND WILLFUL AND IMPOSING A PENALTY, REQUIRING OPERATOR TO BRING SAID WELLS INTO COMPLIANCE WITH 19.15.4.201 NMAC BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE DECLARING THE WELLS ABANDONED, AUTHORIZING THE DIVISION TO PLUG THE WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE, SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 13920

Affidavit of Dorothy Phillips

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

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

- 1. I have been employed as the bond administrator at the Santa Fe, New Mexico office of the Oil Conservation Division ("OCD") since 1997.
- 2. My duties include maintaining records of financial assurance documents filed by operators pursuant to NMSA 1978, Section 70-2-14.
- 3. I have reviewed OCD's financial assurance records to determine if financial assurance documents are on file for the following wells:

•	Barbara #001	30-045-24263	P-12-29N-15W
•	Davie #001	30-045-25092	M-2-29N-15W

- 4. ONGARD (oil and natural gas administration and revenue data base) maintains data on the financial assurances posted by operators. Attachment "A" to this affidavit consists of a printout of the ONGARD screen showing that Northstar Oil & Gas posted the following financial assurance pursuant to NMSA 1978, Section 70-2-14: Blanket Cash Plugging Bond 713, in the amount of \$50,000, deposited with Wells Fargo, New Mexico NA.
- 5. Attachment "B" to this affidavit is a copy of Blanket Cash Plugging Bond 713.

Affidavit of Dorothy Phillips Page 1 of 2 Before the OCC Case 13920 Northstar Oil & Gas OCD Ex. No. 2

According to OCD records, the Blanket Cash Plugging Bond 713 remains in effect.

THIS CONCLUDES MY AFFIDAVIT.

Dorothy Phillips

SUBSCRIBED AND SWORN before me this 22 nd day of May, 2007.

Sully Martine, Notary Public

My Commission Expires:

3-24-2010

CMD: OG 6CBBD

ONGARD CAPTURE BLANKET BONDS 05/21/07 12:11:11 OGODLP -TPFG

OGRID Identifier : 159020 Bond Idn : 248369 Bond Status : A

Operator Name, Address : NORTHSTAR OIL & GAS

PO BOX 168

SEWICKLEY, PA 15143-0168

Bond Details- Type (Cash/Surety - C/S): S Bond Co Idn: 12 Amount: 50000.00

Company OGRID Identifier: 26506

Company Name, Address : AMWEST SURETY INSURANCE

P O BOX 4500

WOOD HILLS, CA 91365

Limited as to future Liability (Y/N) : N If Limited, End Date :

Effective Date : 01-01-1900

Cancellation Date : 12-31-9999

Issuer Bond No : 1339364

E0005: Enter data to modify or PF keys to scroll

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05

PF06 CONFIRM PF07

PF09 PRINT PF10 NXTBOND PF11 PF08 PF12

> Case 13920 Affidavit of Dorothy Phillips OCD Exhibit No. 2-A

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Form O & G CBB Adopted 6-1-86 Revised 12-00

BLANKET CASH PLUGGING BOND

KNOW ALL MEN BY THESE PRESENTS THAT Northstar Oil and Gas Corp. (a corporation organized in the State of New Mexico, with its principal office in the City of Farmington. State of New Mexico and authorized to do business in the State of New Mexico), as PRINCIPAL, is firmly bound to the Oil Conservation Division of the Energy, Minerals and Natural Resources Department of the State of New Mexico (or its successor agency), as DIVISION, in the sum of Fifty Thousand Dollars (\$50,000).

The conditions of this obligation are such that:

The PRINCIPAL desires to drill or purchase wells to prospect for and produce oil or gas, carbon dioxide gas, helium gas or brine minerals on property in the State of New Mexico.

The PRINCIPAL has deposited on behalf of the DIVISION Fifty Thousand Dollars (\$50,000), being the principal sum intended to be secured, in the manner indicated on the Assignment, attached to this bond. The PRINCIPAL pledges this sum as a guarantee that it, its executors, assigns, heirs or administrators shall plug the wells owned or operated by it if dry, or when abandoned, in accordance with the rules and orders of the DIVISION, in such a 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 PRINCIPAL does not so properly plug and abandon said wells, 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 wells. If the principal sum of this bond is less than the actual cost incurred by the DIVISION in plugging said wells, the PRINCIPAL, its successors, assigns, heirs, or administrators shall be liable under the provisions of NMSA 1978. Section 70-2-38 of the Oil and Gas Act, and the DIVISION may take action to recover any amounts expended over and above the principal sum of the bond.

NOW THEREFORE, if the above PRINCIPAL or its successors, assigns, heirs, or administrators or any of them shall piug the wells owned or operated by it when dry or abandoned, in accordance with the rules 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 wells, this obligation shall be null and void and the principal sum shall be paid to the PRINCIPAL or its successors, heirs, or administrators.

PROVIDED HOWEVER, that upon thirty days notice to the DIVISION from the PRINCIPAL of intention to cancel this bond, the obligation shall terminate as to property or wells acquired, drilled, or spudded after said thirty day period.

Northstar Oil and	l Gas Corp.		
PRINCIPAL	•		
P.O. Box 93.	Farmington,	New Mexico	87499
Address	City	State	Zi
By	C. G. Piresident		
Signature	Title		
			Case 1392

Return to:

Oil Conservation Division 1220 South Saint Francis Santa Fe, NM 87505 Case 13920
Affidavit of Dorothy Phillips
OCD Exhibit No. 2-B

Form O & G OCD Mannell (1-1-11) Revised 12-(11)

ASSIGNMENT OF CASH COLLATERAL DEPOSIT

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NORTH	AR OIL AND GAS CORP. (OPERATOR) of FARMINGTON, NM87401 (address) has
deposi	with the Wells Fargo, New Manie and Granner of Manie Manie and Granner of Manie and Manda and Manie and Manie and Manie and Manie and Manie and Manie a
which	I with the Wells Fargo New MexiconA (name of state or national bank or savings association, ust be a federally-insured bank or savings institution in the State of New Mexico) of
100 E	Broadway Farmington, NM8740 (address) (FINANCIAL INSTITUTION), the sum of
\$50,0). 00 dollars in Certificate of Dancit and City (MANCIAL INSTITUTION), the sum of
(FUNI	
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right t	o comply with NMSA 1978, Section 70-2-14, OPERATOR hereby assigns and conveys all
Conse	e and interest in the FIJND to the FINANCIAL INSTITUTION in trust for the Oil
of the	tion Division of the Energy, Minerals and Natural Resources Department or successor agency ate of New Mexico (DIVISION).
01 1110	PER ATOR and the FINANCIAL INSTRUCTION.
	PERATOR and the FINANCIAL INSTITUTION agree that as to the FUND:
	The DIVISION acquires by this assignment the entire beneficial interest in the FUND, with
	the right to order the FINANCIAL INSTITUTION 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, in compliance with the rules and orders of the DIVISION, of the well(s) covered
	by this assignment.
	by this assignment.
	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 FÜND upon written order of the DIVISION.
	apon winder of the Birriolott.
	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 to which the DIVISION is a party. The FINANCIAL
	INSTITUTION waives all statutory or common law liens or rights of set-off against the
	FUND.
	OR agrees that the FINANCIAL INSTITUTION may deduct from interest due OPERATOR
any att	ney fees incurred by the FINANCIAL INSTITUTION if claim or demand via writ, summons
or othe	process arising from OPERATOR'S business is made upon the FINANCIAL INSTITUTION.
	a marked to the first the state of the state
	gnature of OPERATOR Signature of Authorized Officer
	ersonally or by Authorized Officer of FINANCIAL INSTITUTION
	Paul Deshayes, Business Banker
	Vells Fargo New Mexico, N.A.
	itle Title
	late of New Mexico
	ounty of <u>Same Succes</u>) ss.
	On this 100 th day of Notan be 20 at hefore me nersonally appropried
	On this Asia day of Asia hard, 20 c), before me personally appeared St. hard Control and four hosting is, to me known to be
	the person (persons) described in and who executed the foregoing instrument and
	cknowledged that they executed the same as their free act and deed.
	ANIOWICAGEA THAT THEY executed the same as their free act and aspect.
	IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in
	Notary Public
	Notary Public /
	ly Commission Expires:
	8/15/24

ACKNOWLEDGMENT FORM FOR CORPORATION		
STATE OF LOW MEXICO		
COUNTY OF San San San (San San San San San San San San San San	88.	
On this day of me personally appeared (A)	I say that he is \frac{\frac}{\frac}{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac}{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\fracc}{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\frac{\f	
IN WITNESS WHEREOF, I have hereu certificate first above written.	no set my hand and seal on the day and year in this Notary Public	
S / 15/04/ My Commission Expires		
	APPROVED BY:	
	Oil Conservation Division of New Mexico	
	By L. Charles & March Barrens Commen	