

**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 SOUTHWESTERN, INC. REQUIRING
OPERATOR TO INCREASE THE AMOUNT OF FINANCIAL ASSURANCE
FOR ONE WELL TO MEET CURRENT REQUIREMENTS, FINDING THAT
THE OPERATOR IS IN VIOLATION OF 19.15.1.40.A(2) NMAC BASED ON ITS
FAILURE TO TAKE THE CORRECTIVE ACTION REQUIRED UNDER
ORDER NO. R-12909, AND FORMALLY ASSESSING A PENALTY UNDER
ORDER NO. R-12909, LEA COUNTY, NEW MEXICO.**

CASE NO. 14135

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. According to OCD records, Southwestern Inc., OGRID 21386, is the operator of record of the following three wells:

- | | |
|---------------------|--------------|
| • Humble State #001 | 30-015-01900 |
| • Humble State #002 | 30-015-01969 |
| • State VC #001 | 30-025-03035 |

4. ONGARD (oil and natural gas administration and revenue data base) maintains data on the financial assurances posted by operators.

5. According to ONGARD, Southwestern Inc., OGRID 21386, does not have a blanket financial assurance in place, but has posted single well financial assurances for its three wells. Attachment "A" to this affidavit consists of printouts of ONGARD

screens showing that Southwestern, Inc. posted the following single well financial assurances, in the listed amounts:

- | | | |
|---------------------|--------------|---------|
| • Humble State #001 | 30-015-01900 | \$5,000 |
| • Humble State #002 | 30-015-01969 | \$5,000 |
| • State VC #001 | 30-025-03035 | \$7,500 |


6. Effective January 1, 2008, the amounts required for single well financial assurances increased. For wells located in Eddy and Lea Counties, the amount required is \$5,000 plus \$1 per foot of measured depth. See 19.15.3.101.C(2)(a) NMAC.

7. The Humble State #001 and Humble State #002 are located in Eddy County; the State VC #001 is located in Lea County.

8. The amounts posted for the three wells operated by Southwestern Inc. are deficient under the current financial assurance rule. The following chart lists the measured depth of each well, the amount of the financial assurance required for the well, and the deficiency amount for each well:

- | | | | |
|---------------------|------|---------|---------|
| • Humble State #001 | 2502 | \$7502 | -\$2502 |
| • Humble State #002 | 2433 | \$7433 | -\$2433 |
| • State VC #001 | 9074 | \$14074 | -\$6574 |

THIS CONCLUDES MY AFFIDAVIT.


Dorothy Phillips

SUBSCRIBED AND SWORN before me this 6th day of June, 2008.


Notary Public

My Commission Expires:

3-24-2010

CMD :
OG6CWBD

ONGARD
CAPTURE SINGLE WELL BOND

06/06/08 09:38:52
OGODLP -TQYG

OGRID Identifier : 21386 API Well No : 30 15 1900
Operator Name, Address : SOUTHWESTERN INC
1304 W. BROADWAY PLC
HOBBS,NM 88240

Bond Idn : 247771 Bond Status : A Prop Idn : 10675
Prop Name : HUMBLE STATE Well No : 001
U/L Sec Township Range North/South East/West Lot Idn

Surface Locn : A 17 18S 28E FTG 330 F N FTG 990 F E
API County : 15
Bond Details : Type (Cash/Surety - C/S) : S Bond Co Idn : 12 Amt : 5000
Company OGRID Identifier : 26132
Company Name, Address : AMERICAN EMPLOYERS' INSURANCE
ONE BEACON ST
BOSTON,MA 02108

Effective Date : 01-01-1900 Cancellation Date : 12-31-9999
Issuer Bond No : AE7133155

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

CMD :
OG6CWBD

ONGARD
CAPTURE SINGLE WELL BOND

06/06/08 09:39:17
OGODLP -TQYG

OGRID Identifier : 21386 API Well No : 30 15 1969
Operator Name, Address : SOUTHWESTERN INC
1304 W. BROADWAY PLC
HOBBS, NM 88240

Bond Idn : 247770 Bond Status : A Prop Idn : 10675
Prop Name : HUMBLE STATE Well No : 002
U/L Sec Township Range North/South East/West Lot Idn
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Surface Locn : D 20 18S 28E FTG 330 F N FTG 990 F W

API County : 15

Bond Details : Type (Cash/Surety - C/S) : S Bond Co Idn : 12 Amt : 5000

Company OGRID Identifier : 26132

Company Name, Address : AMERICAN EMPLOYERS' INSURANCE
ONE BEACON ST
BOSTON, MA 02108

Effective Date : 01-01-1900

Cancellation Date : 12-31-9999

Issuer Bond No : AE7133156

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

CMD :
OG6CWBD

ONGARD
CAPTURE SINGLE WELL BOND

06/06/08 09:39:42
OGODLP -TQYG

OGRID Identifier : 21386 API Well No : 30 25 3035
Operator Name, Address : SOUTHWESTERN INC
1304 W. BROADWAY PLC
HOBBS,NM 88240

Bond Idn : 247769 Bond Status : A Prop Idn : 10677
Prop Name : STATE VC Well No : 001
U/L Sec Township Range North/South East/West Lot Idn

Surface Locn : L 36 17S 35E FTG 2051 F S FTG 589 F E

API County : 25

Bond Details : Type (Cash/Surety - C/S) : S Bond Co Idn : 12 Amt : 7500

Company OGRID Identifier : 26132

Company Name, Address : AMERICAN EMPLOYERS' INSURANCE
ONE BEACON ST
BOSTON,MA 02108

Effective Date : 01-01-1900

Cancellation Date : 12-31-9999

Issuer Bond No : AE7133157

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