

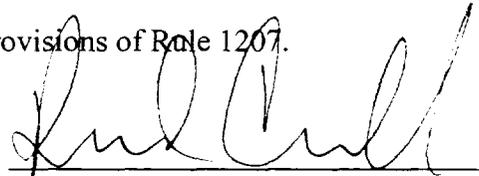
**STATE OF NEW MEXICO ENERGY,  
MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION THROUGH THE SUPERVISOR OF DISTRICT III FOR AN ORDER REQUIRING NERDLIHC COMPANY INC. AND ALL OTHER INTERESTED PARTIES TO APPEAR AND SHOW CAUSE WHY: (i) NERDLIHC SHOULD NOT BE ORDERED TO PROPERLY PLUG THIRTEEN WELLS LOCATED IN MCKINLEY COUNTY, NEW MEXICO, (ii) THE DIVISION SHOULD NOT BE AUTHORIZED TO PLUG THESE WELLS AND FORECLOSE ON THE PLUGGING BOND, IF NERDLIHC DOES NOT, (iii) THE DIVISION SHOULD NOT BE AUTHORIZED TO RECOVER THE PLUGGING COSTS IN EXCESS OF THE PLUGGING BOND, IF ANY, FROM NERDLIHC, AND (v) FINES SHOULD NOT BE IMPOSED ON NERDLIHC FOR FAILURE TO PLUG THESE WELLS**

**CASE NO. 12344**

**AFFIDAVIT REGARDING NOTICE**

1. I am over the age of eighteen and have personal knowledge of the matters herein.
2. I am the attorney of record for the Applicant.
3. Applicant has conducted a good faith, diligent effort to find the correct addresses of interest owners entitled to receive notice of the Application herein.
4. Notice of the Application was provided to the interest owners at their correct addresses by mailing them, by certified mail, a copy of the Application. Copies of the notice letter and certified return receipts are attached hereto.
5. Applicant has complied with the notice provisions of Rule 1207.

  
\_\_\_\_\_  
Rand Carroll

SUBSCRIBED AND SWORN TO before me this 27<sup>th</sup> day of January, 2000,  
by Rand Carroll.

My commission expires:  
2/18/2003

  
\_\_\_\_\_  
NOTARY PUBLIC

BEFORE EXAMINER'S SIGNATURE

OIL CONSERVATION DIVISION

OCD EXHIBIT NO. 4

FILE NO. 12344



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

January 27, 2000

**Certified Mail**  
**Return Receipt Requested**

Tom Knowlton  
Nerdlihc Company Inc.  
337 East San Antonio Drive, Suite 101  
Long Beach, CA 90807

Norwest Bank of New Mexico  
P.O.Box 1081  
Albuquerque, NM 87103  
Attn: W.F. Wood

RE: Case No. 12344 Application of the New Mexico Oil Conservation Division for an order requiring Nerdlihc Company Inc. to plug thirteen wells in McKinley County, NM

United New Mexico Bank (Norwest Bank of NM), Account No. 32200803 (OCD-236)

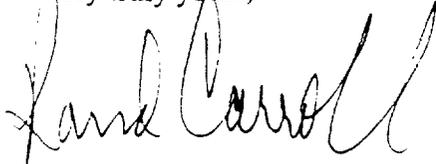
Dear Sir/Madam:

This letter is to advise you that the New Mexico Oil Conservation Division has filed the enclosed application for a hearing requiring Nerdlihc Company Inc. and other interested parties to appear and show cause why certain wells should not be ordered plugged and abandoned.

This application has been set for hearing before an Examiner of the Oil Conservation Division on February 17, 2000. You are not required to attend this hearing, but as an owner of an interest that may be affected by an order issued in this case, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required (Rule 1208.B—Enclosed) to file a Prehearing Statement three days in advance of the hearing. If you have any questions, please call Charlie Perrin or Frank Chavez at 505/334-6178 or Lyn Hebert at 505/827-1364.

Very truly yours,

A handwritten signature in black ink, appearing to read "Rand Carroll". The signature is written in a cursive style with a large, prominent initial "R".

Rand Carroll  
Legal Counsel

Enclosures

c: Charlie Perrin, OCD Aztec  
Frank Chavez, OCD Aztec District Supervisor  
Lyn Hebert, OCD Legal Counsel

**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 III FOR AN ORDER REQUIRING NERDLIHC COMPANY INC. AND ALL OTHER INTERESTED PARTIES TO APPEAR AND SHOW CAUSE WHY: (i) NERDLIHC SHOULD NOT BE ORDERED TO PROPERLY PLUG THIRTEEN WELLS LOCATED IN MCKINLEY COUNTY, NEW MEXICO, (ii) THE DIVISION SHOULD NOT BE AUTHORIZED TO PLUG THESE WELLS AND FORECLOSE ON THE PLUGGING BOND, IF NERDLIHC DOES NOT, (iii) THE DIVISION SHOULD NOT BE AUTHORIZED TO RECOVER THE PLUGGING COSTS IN EXCESS OF THE PLUGGING BOND, IF ANY, FROM NERDLIHC, (v) AND FINES SHOULD NOT BE IMPOSED ON NERDLIHC FOR FAILURE TO PLUG THESE WELLS.**

CASE NO. 12344

**APPLICATION FOR PLUGGING AND FORFEITURE OF BOND**

1. Nerdlihc Company Inc. (the "Operator") is the operator of the thirteen wells shown on the attached Exhibit A.
  
2. Operator has posted a cash bond in the amount of \$50,000 for these wells in compliance with Section 70-2-14, NMSA 1978, and Division Rule 101, which bond is conditioned upon compliance with New Mexico statutes and Division Rules with respect to the proper plugging and abandonment of the wells operated by Operator. United New Mexico Bank is the holder of the bond, Bond No.OCD-236.
  
3. These wells (i) have not produced hydrocarbon or carbon dioxide substance or have

otherwise been inactive for more than one year, or (ii) are no longer usable for beneficial purposes, and no permit for temporary abandonment has been requested by the Operator and approved by the Division.

4. By virtue of the failure to use the wells for beneficial purposes or to have approved current temporary abandonment permits, these wells are presumed to have been abandoned and are required to be plugged.

5. By authority of Section 70-2-14 NMSA 1978, Division Rules require wells which are inactive for more than one year or are no longer usable for beneficial purposes to be properly plugged.

6. Demand has been made or attempted to be made upon the Operator to either place the wells to beneficial use, obtain approval for temporary abandonment or properly plug and abandon the wells and the Operator has failed to do so.

WHEREFORE, the Division District III Supervisor applies to the Director to enter an order:

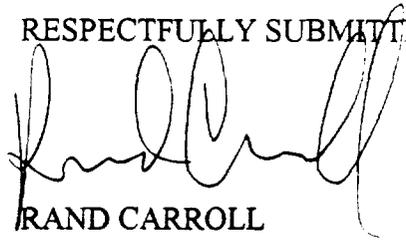
A. Requiring the Operator to plug the wells in accordance with a Division-approved plugging program.

B. If the Operator fails to plug and abandon the wells as ordered by the Director, authorizing the Director:

- i. to plug the wells;
- ii. to declare forfeiture of the bond, if any, and to take such action to foreclose on the bond;
- iii. to recover from the Operator any costs of plugging the wells in excess of the amount of the bond, if any; and
- iv. impose fines on the Operator for failure to plug the wells as ordered by the Division.

D. For such other relief as the Division deems just and proper.

RESPECTFULLY SUBMITTED,



**RAND CARROLL**

Legal Counsel

New Mexico Oil Conservation Division

2040 South Pacheco

Santa Fe, NM 87505

(505) 827-8156

# EXHIBIT "A"

<b>Bullseye #1Y</b>	<b>C-19-16N-09W</b>	<b>#30-031-20556</b>
<b>Bullseye #3</b>	<b>N-18-16N-09W</b>	<b>#30-031-20424</b>
<b>Bullseye #5</b>	<b>K-18-16N-09W</b>	<b>#30-031-20465</b>
<b>Bullseye #7</b>	<b>D-19-16N-09W</b>	<b>#30-031-20507</b>
<b>Bullseye #6</b>	<b>K-18-16N-09W</b>	<b>#30-031-20471</b>
<b>Bullseye #12</b>	<b>M-18-16N-09W</b>	<b>#30-031-20593</b>
<b>Bullseye #10</b>	<b>O-18-16N-09W</b>	<b>#30-031-20578</b>
<b>Bullseye #15</b>	<b>D-13-16N-10W</b>	<b>#30-031-20674</b>
<b>Bullseye #13</b>	<b>O-13-16N-10W</b>	<b>#30-031-20673</b>
<b>Bullseye #16</b>	<b>M-18-16N-09W</b>	<b>#30-031-20942</b>
<b>Marcelina #1</b>	<b>A-24-16N-10W</b>	<b>#30-031-20446</b>
<b>Marcelina #5</b>	<b>A-24-16N-10W</b>	<b>#30-031-20513</b>
<b>Marcelina #6</b>	<b>H-24-16N-10W</b>	<b>#30-031-20514</b>

(9) This paragraph has been moved and renumbered to 19 NMAC 15.N.1207.A.(6).  
[1-1-86...2-1-96; A, 7-15-99]

(10) This paragraph has been moved and renumbered to 19 NMAC 15.N.1207.A.(7).  
[1-1-86...2-1-96; A, 7-15-99]

(11) This paragraph has been moved and renumbered to 19 NMAC 15.N.1207.A.(8).  
[1-1-86...2-1-96; A, 7-15-99]

1207.B. Type and Content of Notice. Any notice required by this rule shall be sent by certified mail, return receipt requested, to the last known address of the person to whom notice is to be given at least 20 days prior to the date of hearing of the application and shall include: a copy of the application; the date, time and place of the hearing; and the means by which protests may be made. [1-1-86...2-1-96; A, 7-15-99]

1207.C. At the hearing, the applicant shall make a record, either by testimony or affidavit signed by the applicant or its authorized representative, that: (a) the notice provisions of this rule have been complied with; (b) the applicant has conducted a good-faith diligent effort to find the correct address of all persons entitled to notice; and (c) pursuant to this rule, notice has been given at that correct address as required by this rule. In addition, the record shall contain the name and address of each person to whom notice was sent and, where proof of receipt is available, a copy of the proof. [1-1-86...2-1-96; A, 7-15-99]

1207.D. Evidence of failure to provide notice as required in this rule may, upon proper showing, be considered cause for reopening the case. [1-1-86...2-1-96; A, 7-15-99]

1207.E. In the case of an administrative application where the required notice was sent and a timely filed protest was made, the Division shall notify the applicant and the protesting party in writing that the case has been set for hearing and the date of the hearing. No further notice is required. [7-15-99]

**1208 PLEADINGS: COPIES** [9-15-55...2-1-96; A, 7-15-99]

1208.A. For pleadings and correspondence filed in cases pending before a Division Examiner, two copies must be filed with the Division. For pleadings and correspondence filed in cases pending before the Commission, five copies must be filed with the Division. The Division will disseminate copies to the members of the Commission. The party filing the pleading or correspondence shall at the same time either hand deliver or transmit by facsimile or electronic mail to any party who has entered an appearance therein or the attorneys of record, a copy of the pleading or correspondence. An appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before a Division Examiner, with notice of such appearance to the parties of record. [9-15-55...2-1-96; A, 7-15-99]

1208.B. Parties to an adjudicatory proceeding must file a prehearing statement three days in advance of a scheduled hearing before the Division or the Commission. The statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing. [7-15-99]

Z 559 572 858

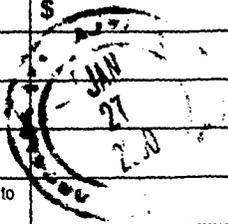
dp

US Postal Service  
**Receipt for Certified Mail**

No Insurance Coverage Provided.  
Do not use for International Mail (See reverse)

Sent to Norwest Bank of NM Attn: W.F. Wood	
Street & Number PO Box 1081	
Post Office, State, & ZIP Code Albuquerque, NM 87103	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
<b>TOTAL Postage &amp; Fees</b>	<b>\$</b>
Postmark or Date	

PS Form 3800 April 1995



Z 559 572 857

dp

US Postal Service  
**Receipt for Certified Mail**

No Insurance Coverage Provided.  
Do not use for International Mail (See reverse)

Sent to Tom Knowlton	
Street & Number Nerdlihc Company, Inc.	
Post Office, State, & ZIP Code 337 E. San Antonio Dr. Ste 101 Long Beach, CA 90807	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
<b>TOTAL Postage &amp; Fees</b>	<b>\$</b>
Postmark or Date	

S Form 3800 April 1995



Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1.  Addressee's Address
- 2.  Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Attn: W. F. Wood  
Norwest Bank of New Mexico  
Po Box 1081  
Albuquerque, NM 87103

4a. Article Number

Z 559 572 858

4b. Service Type

- Registered  Certified
- Express Mail  Insured
- Return Receipt for Merchandise  COD

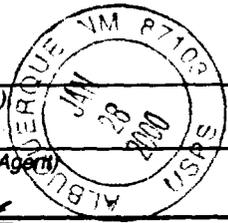
7. Date of Delivery

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)

*[Handwritten Signature]*



PS Form 3811, December 1994

Domestic Return Receipt

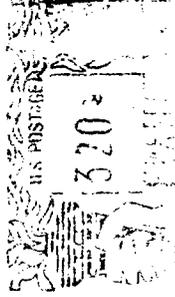
Thank you for using Return Receipt Service.

State of New Mexico

**ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT**

2040 South Pacheco  
P.O. Box 6429  
Santa Fe, New Mexico 87505-5472

Return  
Post Notice - 8  
Return



Fold at line over top of envelope to  
the right of the return address

**CERTIFIED**

**OCB**

Mr. Tom Knowlton  
Nerdlihc Company, Inc.  
227 East...

KNOW337 908073013 1C98 08 01/31/00  
RETURN TO SENDER

KNOWLTON  
MOVED LEFT NO ADDRESS  
UNABLE TO FORWARD  
RETURN TO SENDER

NAME  
FIRST NOTICE  
SECOND NOTICE  
RETURN

Z 559 572 857

**MAIL**

