

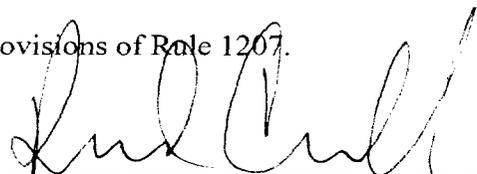
**STATE OF NEW MEXICO ENERGY,
MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

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 27th day of January, 2000,
by Rand Carroll.

My commission expires:

2/18/2003



NOTARY PUBLIC

FORNIT PLAINEN S. UCHER

DEPARTMENT OF DEFENSE

OCD NUMBER 4

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)

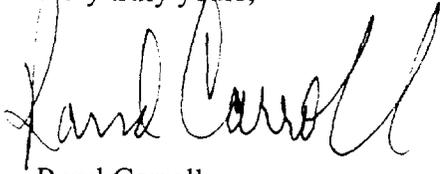
Dear Sir/Madam:

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 initial "R" and "C".

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:

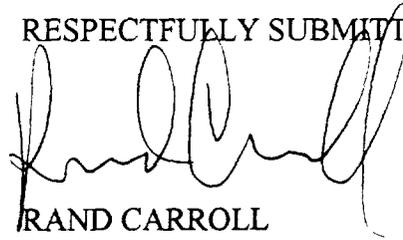
A. Requiring the Operator to plug the wells in accordance with a Division-approved plugging program.

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"

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

(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	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800 April 1995



Z 559 572 857

dp

US Postal Service

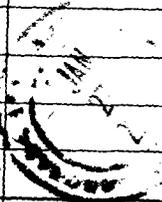
Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to Tom Knowlton	
Street & Number Nerdlich 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	
TOTAL Postage & Fees	\$
Postmark or Date	

PS 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

<input type="checkbox"/> Registered	<input checked="" type="checkbox"/> Certified
<input type="checkbox"/> Express Mail	<input type="checkbox"/> Insured
<input type="checkbox"/> Return Receipt for Merchandise	<input type="checkbox"/> COD

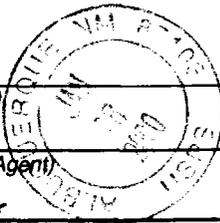
7. Date of Delivery

5. Received By: (Print Name)

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

6. Signature: (Addressee or Agent)

X [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

4

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

CERTIFIED

Z 559 572 857

MAIL

POSTAGE WILL BE PAID BY ADDRESSEE
FIRST CLASS PERMIT NO. 1000 SANTA FE, NM
POST OFFICE BOX 6429 SANTA FE, NM 87505-5429

OCD

Mr. Tom Knowlton
Nerdilhc Company, Inc.
297 East...

KNOW337 908073013 1C98 08 01/31/00
KNOWLTON
MOVED LEFT NO ADDRESS
UNABLE TO FORWARD
RETURN TO SENDER



NAME
FIRST NOTICE
SECOND NOTICE
RETURN TO SENDER

State of New Mexico
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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

5

BEFORE EXAMINER STOPHER	
OIL CONSERVATION DIVISION	
OCD	EXHIBIT NO. 5
CASE NO. 12344	

Is your RETURN ADDRESS completed on the reverse side?

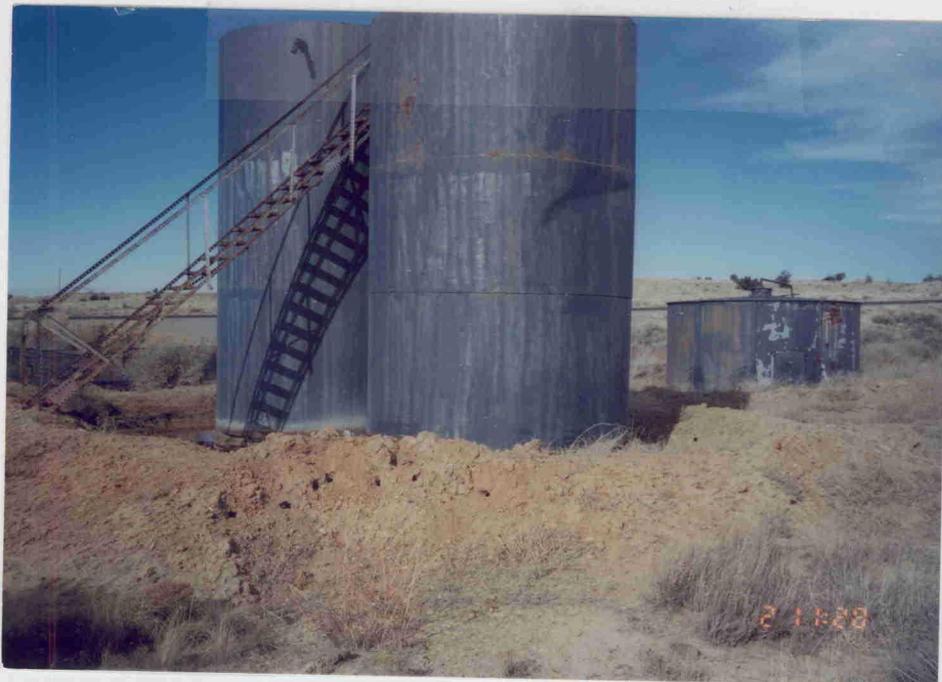
SENDER:

- 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.

<p>3. Article Addressed to: Tom Knowlton Nerdlilhc Company, Inc. 337 E. San Antonio Dr. Ste 101 Long Beach, CA 90807</p>	<p>I also wish to receive the following services (for an extra fee):</p> <p>1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.</p>
<p>4a. Article Number Z 559 572 857</p>	<p>4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD</p>
<p>5. Received By: (Print Name)</p>	<p>7. Date of Delivery</p>
<p>6. Signature: (Addressee or Agent) X</p>	<p>8. Addressee's Address (Only if requested and fee is paid)</p>

Thank you for using Return Receipt Service.

BT 14 By highway



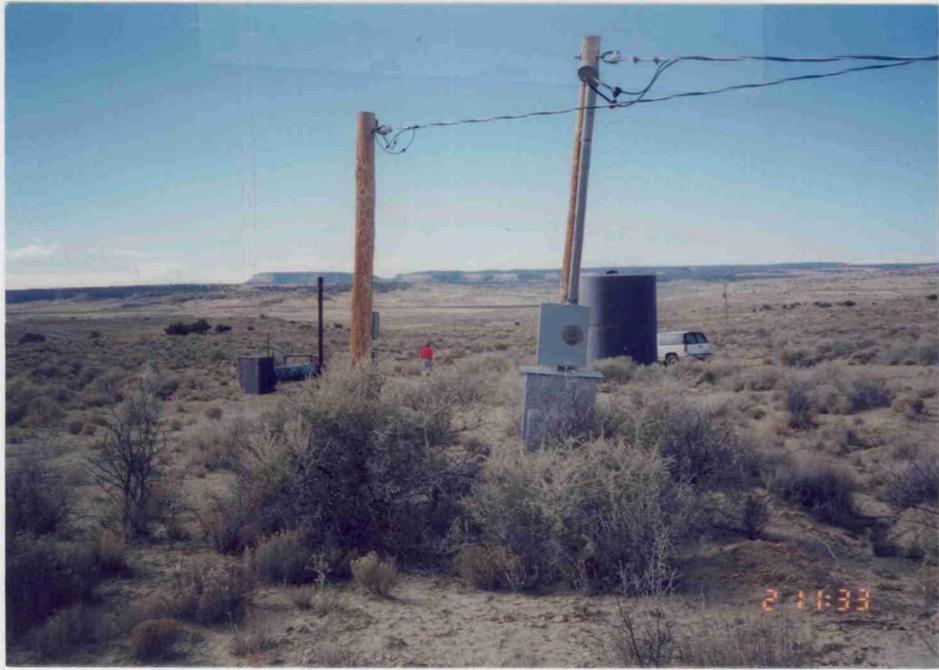


7

03547044031

POLAROID® 2 W

Needline Bullseye 7
6-23-95 Q-19-16N4W



#7



#6



526



#5

546



03547044031

POLAROID® 2 W

6-23-95 Bullseye 5
2 wells 100yd N. of 7 " Bullseye 6?
300 N 23



picture of Bullseye #12 (Nerdline)

Well
3



#1

03547044031

POLAROID® 2 W

6-23-95

Northline Bullseye 3
N-18-16-9



3

03547044031

POLAROID® 2 W

Nordline Bullseye 3

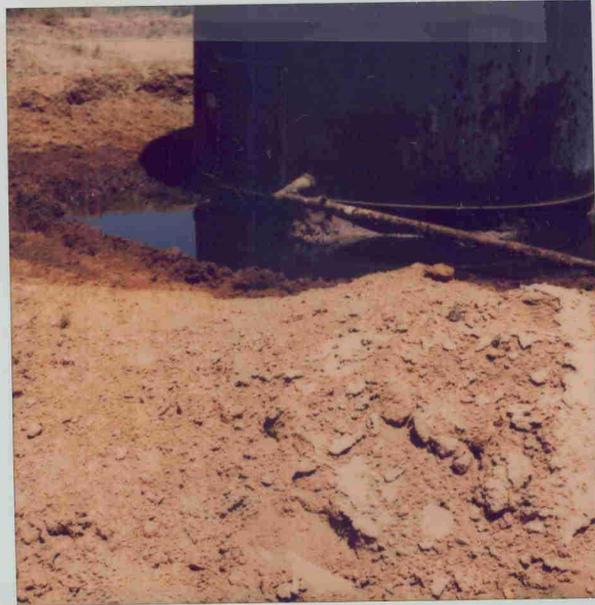
to N-18-16-9



03547044031

POLAROID® 2 W

Bullseye 3



fed

03549544031

POLAROID® 2 W

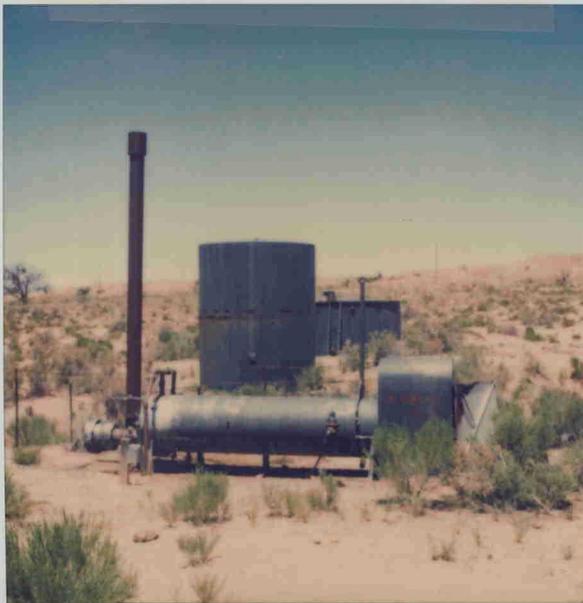
Nerdline Oil Marcelina Lease Tank
Battery. 6-23-95



Buildings @ yard



YARD @ Buildings
fenced



1 fed

03547044031

POLAROID® 2 W

Marcellina #1
A-54-16-10



MARCELINA Sed #1



MARCELINA #1



#14



1y



1Y

03547044031

POLAROID® 2 W

Bullseye 1Y



1Y

03547044031

POLAROID® 2 W

Bullsey 1Y



1y



Bulls eye #2



6 fed

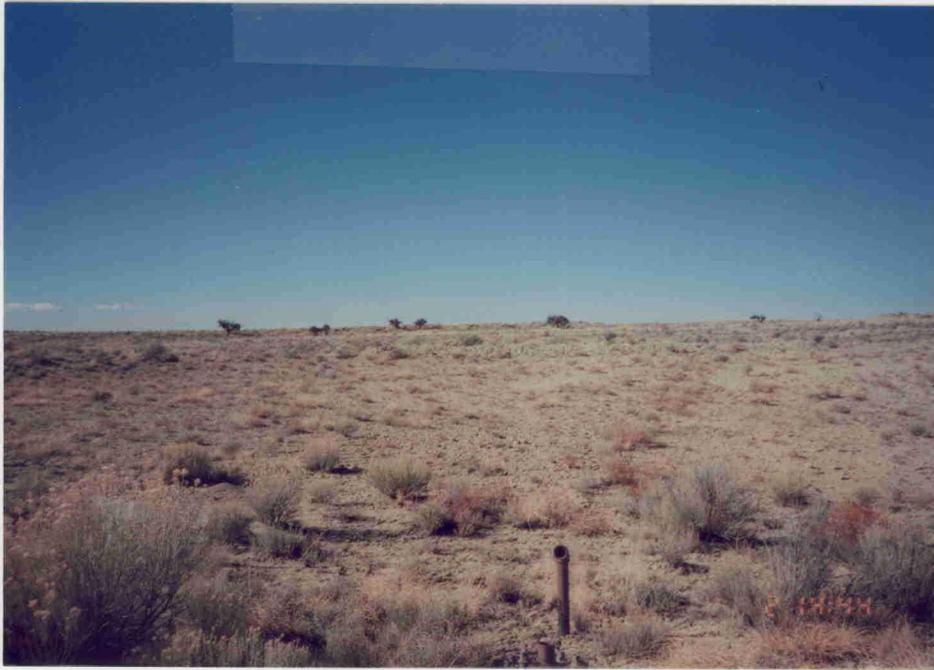
03547044031

POLAROID® 2 W

7-6-95 Nordline Marcelina or ~~Bullseye~~ #6
SE $\frac{1}{4}$, NE $\frac{1}{4}$ 24-16N-10W



MARcelina #5



MARCELINA 6



03547044031

POLAROID® 2 W

300 yds N. 47 ~~11-11-10~~
6-23-95 M-18-16-10
Nendtehc Bullseye ~~11-11-10~~



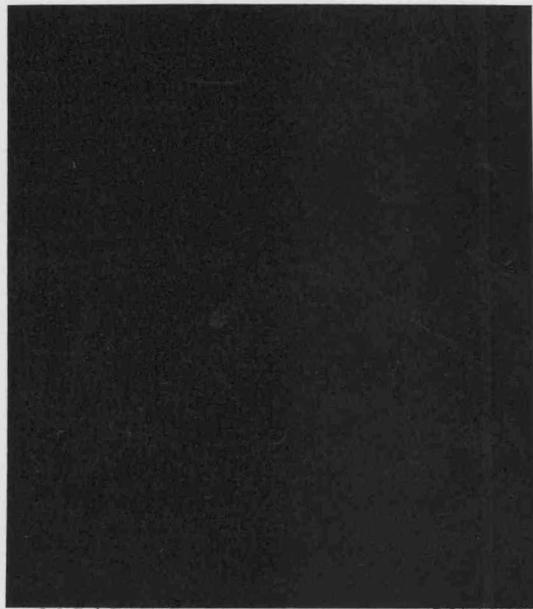
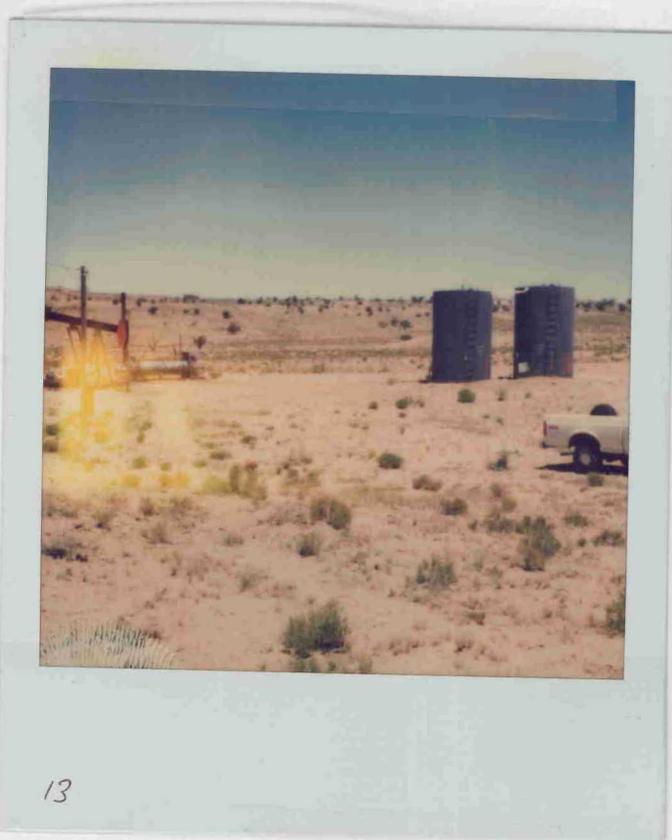
#15



#13



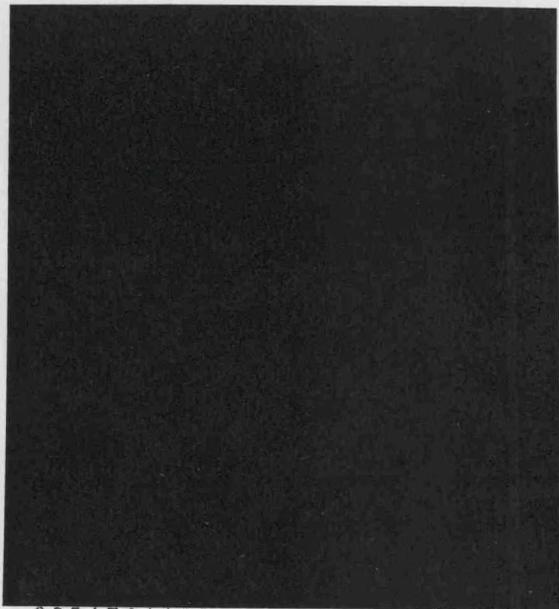
#13



03547044031

POLAROID

Nerdline Bullseye #13 0-24-16-10
7-6-95



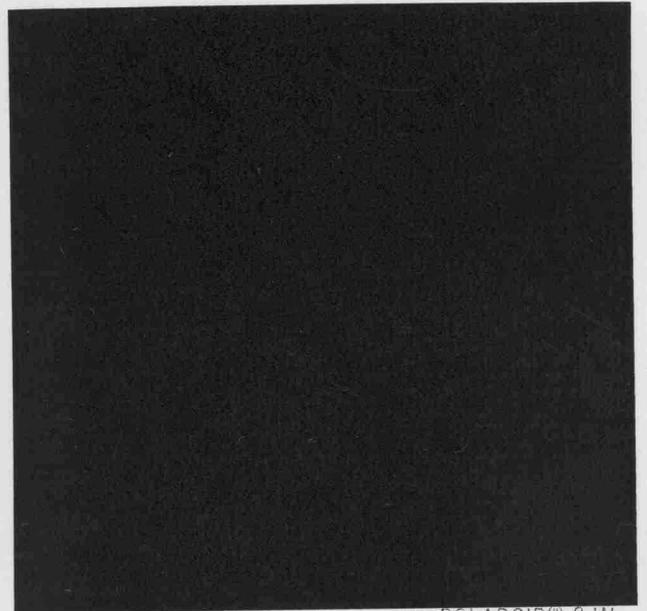
03547044031

POLAROID

Nerdline Bullseye #13 0-24-16-1
7-6-95



1 Fed

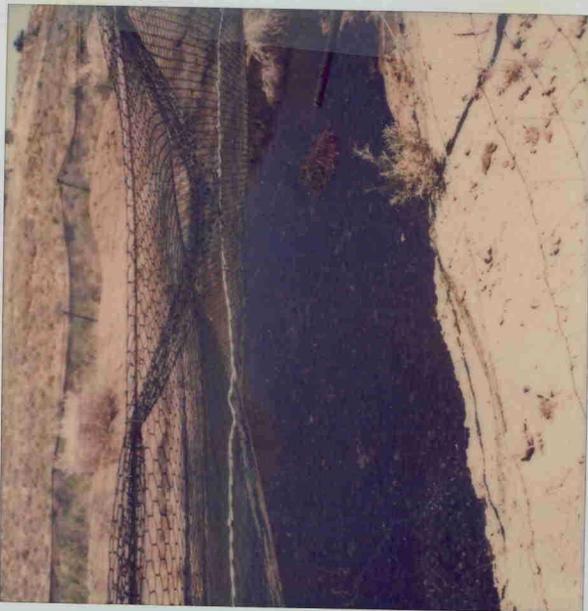


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POLAROID® 2 W

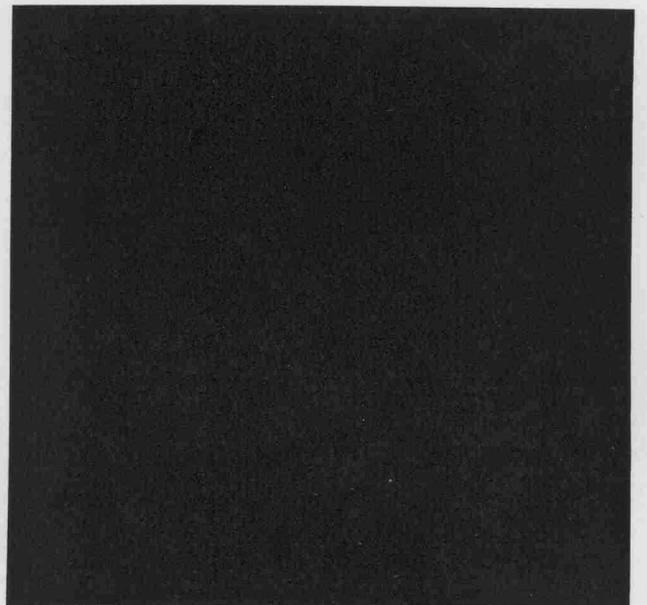
Maroclean #1

A-34-16-10



well
3

#



03547044031

POLAROID® 2 W

6-23-95 Needle Bullseye 3
N-18-16-9



picture of Need line #3

#3



#3





picture of Nerdline Bullseye #3



picture of Nerdline Battery at extri
east side of Hi-way



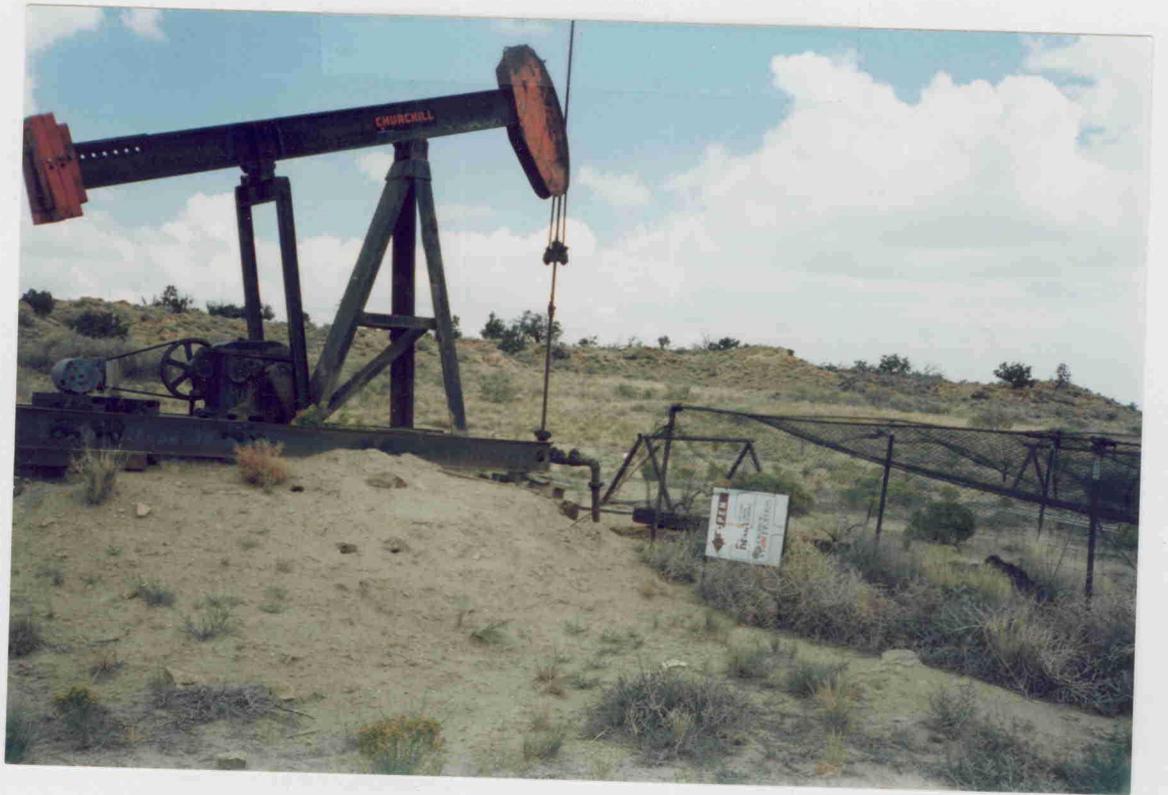
Picture of Nerdline Battery at entrance to Lense
east side of Hi-way



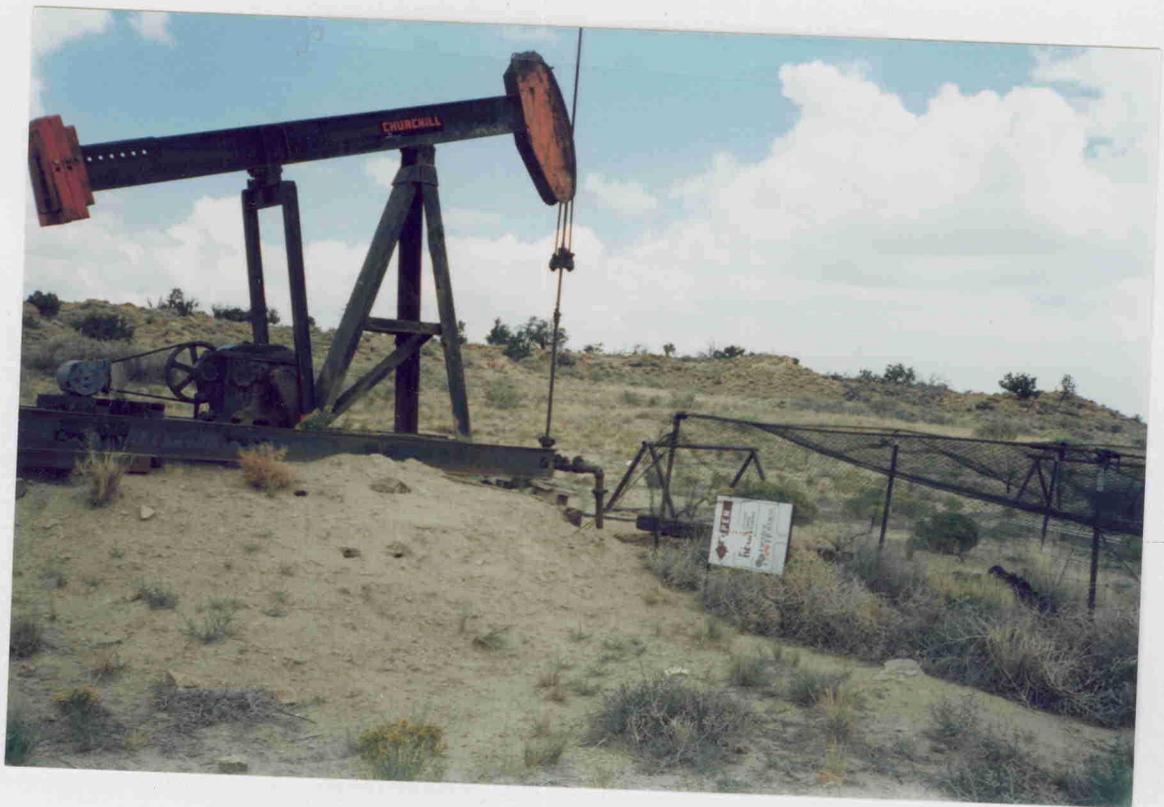
picture of Nerdlike Marcelina #5



picture of Nerdline Marcelina #5



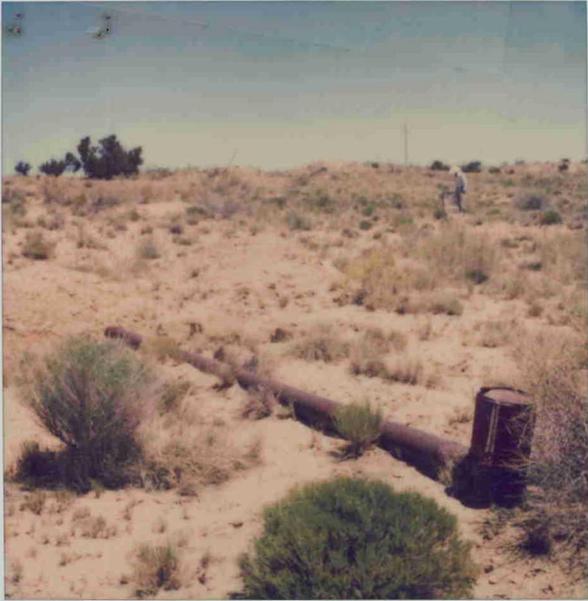
picture of Merdline Bullseye #16



picture of Nerdline Bullseye #16



picture of Bullseye #12 (Perd line)



Needline Co. Inc.
Bullseye # 8
D-19-16N-9W

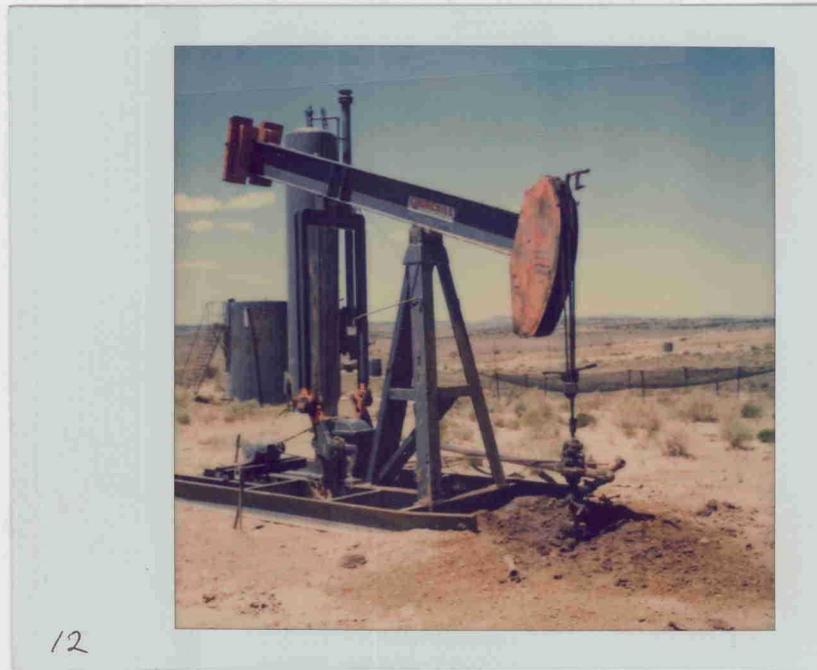
03547044031

POLAROID® 2 W

Needline Bullseye 8
D-19-16-9

South 100' EAST 100' of #8





12

03547044031

POLAROID® 2 W

6-23-95

Bullseye 12

#12



#12



8





03547044031

POLAROID® 2 W

Headline Bullseye 7
D-19-16N9W