

STATE OF NEW MEXICO

COUNTY OF BERNALILLO

IN THE DISTRICT COURT

NEW MEXICO OIL CONSERVATION
COMMISSION,

Plaintiff,

vs.

AETNA CASUALTY AND SURETY
COMPANY,

Defendant.

No. CV-77-07268

COMPLAINT

Plaintiff states that:

I.

Admit

Plaintiff New Mexico Oil Conservation Commission is a duly organized agency of the State of New Mexico (hereinafter, "the Commission"); Defendant Aetna Casualty and Surety Company is an insurance company authorized to transact business in the State of New Mexico with its principal offices, place of business and residence in Albuquerque, New Mexico.

II.

Admit

The Defendant, as surety, executed a \$10,000 blanket plugging and indemnity bond No. BCA 19S28264 running to the benefit of the State of New Mexico with American Fuels Corporation as principal. This bond was approved by the Commission on June 18, 1973. A copy is attached hereto as Exhibit A and by this reference is incorporated.

III.

Admit

Under the terms of this bond, the principal drilled four wells in Colfax County, described as follows:

(1) NM-B Well No. 2, located in the SE/4 SE/4 of Section 16, Township 30 North, Range 18 East;

(2) NM-B Well No. 4, located in the SE/4 NE/4 of Section 18, Township 30 North, Range 18 East;

(3) NM-B Well No. 5, located in the SE/4 SE/4 of Section 30, Township 30 North, Range 19 East; and

(4) NM-B Well No. 10, located in the SE/4 SW/4 of Section 24, Township 31 North, Range 19 East.

IV.

On November 4, 1974, the Commission issued its Order No. R-4898 ordering that these four wells be plugged and abandoned in accordance with a Commission-approved plugging program prior to February 1, 1975. A copy of said Order is attached hereto as Exhibit B and by this reference is incorporated.

V.

Neither the surety nor the principal have complied with the provisions of that Order.

VI.

The purpose of the bonding requirement is to prevent waste of hydrocarbons and to protect fresh waters in the State of New Mexico.

VII.

The bond provides in part that "if the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug all of said wells when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission 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 them from escaping into other strata...this obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect."

VIII.

Plaintiff
The Commission has been empowered by the Legislature to enforce the forfeiture of bonds for lack of compliance with its orders, and to use the bond for contracting to plug the wells in question.

IX.

Defendant
The Commission has made written demand for the face amount of the bond, which has not been paid by Defendant. A copy of said demand is attached hereto as Exhibit C and by this reference is incorporated.

WHEREFORE, Plaintiff asks the Court:

1. For judgment against Defendant in the amount of \$10,000, said amount to be paid into the State Treasury as provided for in Section 65-3-11.2, N.M.S.A. 1953 Compilation.

2. For such further relief as the Court deems just and proper.

NEW MEXICO OIL CONSERVATION COMMISSION

By Lynn Teschendorf
LYNN TESCHENDORF
Assistant Attorney General
P. O. Box 2088
Santa Fe, New Mexico 87501

STATE OF NEW MEXICO
\$10,000.00 BLANKET PLUGGING AND IDEMNITY BOND

BOND NO. BCA 19S28264
(For Use of Surety Company)

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

✓ That AMERICAN FUELS CORPORATION ~~(An individual) (a partnership)~~
(a corporation organized in the State of New Mexico, with its principal office in the city of
Albuquerque, State of New Mexico, and authorized to do business in
the State of New Mexico), as PRINCIPAL, and AETNA CASUALTY AND SURETY COMPANY, a
corporation organized and existing under the laws of the State of New Mexico, and authorized
to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute
this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use
and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes
Annotated, 1953 Compilation, as amended, and for the use and benefit of purchasers holding purchase contract or deed to
state lands, with minerals reserved, their grantees or successors in interest, pursuant to Section 7-11-20, New Mexico Statutes
Annotated, 1953 Compilation, as amended, in the sum of Ten Thousand (\$10,000.00) Dollars lawful money of the United
States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their
successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂)
gas leases, or helium gas leases with the State of New Mexico; and

WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of Section
7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and

WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of New
Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may
commence the drilling of wells to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own
or may acquire, own or operate such wells, or such wells started by others on land embraced in said State oil and gas leases, or
carbon dioxide (CO₂) gas leases, or helium gas leases, and on lands patented by the United States of America to private
individuals, and on lands otherwise owned by private individuals, the identification and location of said wells being expressly
waived by both principal and surety hereto.

NOW, THEREFOKE, If the above bounden principal and surety or either of them or their successors or assigns, or any
of them, shall plug all of said wells when dry or when abandoned in accordance with the rules, regulations, and orders of the
Oil Conservation Commission 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 them from escaping into other strata;

AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any of
them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchase
contracts or holders of patents for State lands, with minerals reserved to the State, their heirs, executors, administrators,
successors and assigns, for all damages to the livestock, range, water, crops, or tangible improvements on such lands as may be
suffered by such purchasers or their successors in interest, by reason of such development, use or occupancy of such lands by
such lessee or principal, or for such damages as a court of competent jurisdiction may determine and fix in any action
brought on this bond;

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any
and all of said obligations, the same shall remain in full force and effect.

PROVIDED, HOWEVER, That thirty (30) days after receipt by the Oil Conservation Commission of New Mexico of
written notice of cancellation from the surety, the obligation of the surety hereunder shall terminate as to property or wells
acquired, drilled, or started after said thirty (30) day period but shall continue in effect, notwithstanding said notice, as to
property or wells theretofore acquired, drilled, or started.

Signed and sealed this 15th day of May, 19 73.

EXHIBIT A

AMERICAN FUELS CORPORATION

By Harold Morgan
PRINCIPAL

2921 Carlisle, NE Suite 200
Albuquerque, Address NM 87110

By Harold Morgan (see above)
Signature

Vice President

Title

Aetna Casualty and Surety
SURETY

1418 First National Bank Bldg., East
Albuquerque, Address N.M. 87108

By Michael Van Zele
Attorney-in-Fact

Michael Van Zele

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

(Note: Corporate surety affix corporate seal here.)

(Note: If corporate surety executes this bond by an attorney-in-fact not in New Mexico, the resident New Mexico agent shall countersign here below.)

Countersigned by:

New Mexico Resident Agent

Address

ACKNOWLEDGMENT FORM FOR NATURAL PERSONS

STATE OF New Mexico)
COUNTY OF Bernalillo) ss.

On this 15th day of May, 19 73, before me personally appeared

_____, 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.

September 10, 1973

My Commission expires

Nita J. Macan
Notary Public

ACKNOWLEDGMENT FORM FOR CORPORATION

STATE OF New Mexico)
COUNTY OF Bernalillo) ss.

On this 15th day of May, 19 73, before me personally appeared Harold Morgan, to me personally known who, being by me

duly sworn, did say that he is Vice President of AMERICAN FUELS CORPORATION 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.

September 10, 1973

My Commission expires

Nita J. Macan
Notary Public

ACKNOWLEDGMENT FORM FOR CORPORATE SURETY

STATE OF New Mexico)
COUNTY OF Bernalillo) ss.

On this 13th day of June, 19 73, before me appeared Michael Van Zele, to me personally known, who, being by me duly sworn, did say that he is Marketing Representative of Aetna Casualty and Surety 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.

Sept. 10, 1973

My Commission expires

(Note: Corporate surety attach power of attorney.)

Nita J. Macan
Notary Public

APPROVED BY:

APPROVED BY:

OIL CONSERVATION COMMISSION OF NEW MEXICO

By

Commissioner of Public Lands



THE AETNA CASUALTY AND SURETY COMPANY
Hartford, Connecticut 06115

POWER OF ATTORNEY AND CERTIFICATE OF AUTHORITY OF ATTORNEY(S)-IN-FACT

KNOW ALL MEN BY THESE PRESENTS, THAT THE AETNA CASUALTY AND SURETY COMPANY, a corporation duly organized under the laws of the State of Connecticut, and having its principal office in the City of Hartford, County of Hartford, State of Connecticut, hath made, constituted and appointed, and does by these presents make, constitute and appoint Michael Van Zele or Claud Walters - -

of Albuquerque, New Mexico, its true and lawful Attorneys-in-Fact, with full power and authority hereby conferred to sign, execute and acknowledge, at any place within the United States, or, if the following line be filled in, within the area there designated, the following instrument (s):
by his sole signature and act, any and all bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking, and any and all consents incident thereto not exceeding the sum of TWO HUNDRED THOUSAND (\$200,000.00) DOLLARS -

and to bind THE AETNA CASUALTY AND SURETY COMPANY, thereby as fully and to the same extent as if the same were signed by the duly authorized officers of THE AETNA CASUALTY AND SURETY COMPANY, and all the acts of said Attorneys-in-Fact, pursuant to the authority herein given, are hereby ratified and confirmed.

This appointment is made under and by authority of the following provisions of the By-Laws of the Company which provisions are now in full force and effect and are the only applicable provisions of said By-Laws:

ARTICLE IV—Section 8. The President, any Vice President, or any Secretary may from time to time appoint Resident Vice Presidents, Resident Assistant Secretaries, Attorneys-in-Fact, and Agents to act for and on behalf of the Company and may give any such appointee such authority as his certificate of authority may prescribe to sign with the Company's name and seal with the Company's seal bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking, and any of said officers or the Board of Directors may at any time remove any such appointee and revoke the power and authority given him.

ARTICLE IV—Section 10. Any bond, recognizance, contract of indemnity, or writing obligatory in the nature of a bond, recognizance, or conditional undertaking shall be valid and binding upon the Company when (a) signed by the President or a Vice President or by a Resident Vice President, pursuant to the power prescribed in the certificate of authority of such Resident Vice President, and duly attested and sealed with the Company's seal by a Secretary or Assistant Secretary or by a Resident Assistant Secretary, pursuant to the power prescribed in the certificate of authority of such Resident Assistant Secretary; or (b) duly executed (under seal, if required) by one or more Attorneys-in-Fact pursuant to the power prescribed in his or their certificate or certificates of authority.

This Power of Attorney and Certificate of Authority is signed and sealed by facsimile under and by authority of the following Resolution voted by the Board of Directors of THE AETNA CASUALTY AND SURETY COMPANY at a meeting duly called and held on the 22nd day of November, 1968.

VOTED: That the signature of William O. Bailey, Senior Vice President, or of Andrew H. Anderson, Vice President, or of D. N. Gage, Assistant Vice President, or of Neil H. Pfanstiel, Secretary, or of Benjamin I. Radding, Secretary, or of Curtis K. Shaw, Secretary, and the seal of the Company may be affixed by facsimile to any power of attorney or to any certificate relating thereto appointing Resident Vice Presidents, Resident Assistant Secretaries or Attorneys-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and any such power of attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.

IN WITNESS WHEREOF, THE AETNA CASUALTY AND SURETY COMPANY has caused this instrument to be signed by its Secretary, and its corporate seal to be hereto affixed this 9th day of March, 1971

THE AETNA CASUALTY AND SURETY COMPANY

State of Connecticut }
County of Hartford } ss. Hartford



By Curtis K. Shaw
Secretary

On this 9th day of March, 1971, before me personally came CURTIS K. SHAW, Secretary of THE AETNA CASUALTY AND SURETY COMPANY, the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to the said instrument is such corporate seal; and that he executed the said instrument on behalf of the corporation by authority of his office under the By-Laws thereof.



Mary J. Kingston
My commission expires March 31, 1975
Notary Public

CERTIFICATE

I, the undersigned, Secretary of THE AETNA CASUALTY AND SURETY COMPANY, a stock corporation of the State of Connecticut, DO HEREBY CERTIFY that the foregoing and attached Power of Attorney and Certificate of Authority remains in full force and has not been revoked; and furthermore, that Article IV—Sections 8 and 10, of the By-Laws of the Company, and the Resolution of the Board of Directors, as set forth in the Certificate of Authority, are now in force.

Signed and Sealed at the Home Office of the Company, in the City of Hartford, State of Connecticut. Dated this 19 day of



Curtis K. Shaw
Secretary

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CASE NO. 5344
Order No. R-4898

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION COMMISSION ON ITS
OWN MOTION TO PERMIT AMERICAN FUELS
CORPORATION AND AETNA CASUALTY AND SURETY
COMPANY, AND ALL OTHER INTERESTED PARTIES
TO APPEAR AND SHOW CAUSE WHY CERTAIN AMERICAN
FUELS WELLS ON THE W-S RANCH IN COLFAX COUNTY,
NEW MEXICO, SHOULD NOT BE PLUGGED AND ABANDONED
IN ACCORDANCE WITH A COMMISSION-APPROVED PLUGGING
PROGRAM.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 16,
1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 4th day of November, 1974, the Commission,
a quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being
fully advised in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That American Fuels Corporation is the owner and
operator of the following described wells in Colfax County:

NM-B Well No. 1, located in Unit G of Section 6,
Township 30 North, Range 19 East;

NM-B Well No. 2, located in Unit P of Section 16,
Township 30 North, Range 18 East;

NM-B Well No. 4, located in Unit H of Section 18,
Township 30 North, Range 18 East;

NM-B Well No. 5, located in Unit P of Section 30,
Township 30 North, Range 19 East; and

NM-B Well No. 10, located in Unit N of Section 24,
Township 31 North, Range 19 East.

(3) That the surface locations of said Wells Nos. 1, 2,
5, and 10 have not been cleaned and levelled as required by
Commission Rules and Regulations.

EXHIBIT B

(4) That Commission Form C-105 "Well Log" has not been filed with the Commission for said Wells Nos. 4, 5, and 10 as required by Commission Rules and Regulations.

(5) That said Wells Nos. 2, 4, 5, and 10 are not capable of production in commercial quantities.

(6) That in order to confine all oil, gas, and water to the strata in which they are found, said Wells 2, 4, 5, and 10 should be plugged and abandoned in accordance with a Commission-approved plugging program on or before February 1, 1975.

(7) That the surface locations of said Wells Nos. 1, 2, 5, and 10 should be cleaned and levelled in accordance with Commission Rules and Regulations.

(8) That Commission's Form C-105 "Well Log" should be filed with reference to said Wells Nos. 4, 5, and 10.

IT IS THEREFORE ORDERED:

(1) That American Fuels Corporation and Aetna Casualty and Surety Company are hereby ordered to plug and abandon the following wells in Colfax County, New Mexico, on or before February 1, 1975:

NM-B Well No. 2, located in Unit P of Section 16, Township 30 North, Range 18 East;

NM-B Well No. 4, located in Unit H of Section 18, Township 30 North, Range 18 East;

NM-B Well No. 5, located in Unit P of Section 30, Township 30 North, Range 19 East; and

NM-B Well No. 10, located in Unit N of Section 24, Township 31 North, Range 19 East.

(2) That American Fuels Corporation and Aetna Casualty and Surety Company, prior to plugging and abandoning the above-described wells, shall obtain from the Santa Fe Office of the Commission, a Commission-approved program for said plugging and abandoning, and shall notify said Santa Fe office of the date and hour said work is to be commenced whereupon the Commission may, at its option, witness such work.

(3) That American Fuels Corporation and Aetna Casualty and Surety Company are hereby ordered to clean and level the surface location of Wells Nos. 2, 5, and 10, as described in Order No. (1) above, and the NM-B Well No. 1, located in Unit G of Section 6, Township 30 North, Range 19 East, NMPM, Colfax County, New Mexico, in accordance with Commission Rules and Regulations on or before February 1, 1975.

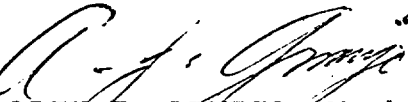
(4) That American Fuels Corporation is hereby ordered to complete and submit to the Commission on or before January 1, 1975, Commission Form C-105, "Well Log" for the NM-B Wells Nos. 4, 5, and 10 as described above.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman



ALEX J. ARMIJO, Member



A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

October 6, 1977

**Mr. Vern Sandager
Aetna Casualty and Surety Co.
Suite 1418
First National Bank Building East
Albuquerque, New Mexico 87108**

**Re: \$10,000 Blanket Plugging Bond,
American Fuels Corp., Principal,
Aetna Casualty and Surety Co.,
Surety, Bond No. BCA 19A 2364;
your File No. A(R) 195C 200
216RG**

Dear Mr. Sandager:

The office of General Counsel has had correspondence with you over a three year period concerning the forfeiture of the above-referenced bond. If the face amount of the bond, payable to the Oil and Gas Reclamation Fund, has not been deposited by October 21, 1977, the Commission will be forced to commence legal proceedings.

Very truly yours,

**LYNN TESCHENDORF
General Counsel**

LT/dr

**cc: Vincente B. Jasso, Deputy Super-
intendent of Insurance
Carl Ulvog, District Supervisor
Mike McCullough, Pennzoil Company**

EXHIBIT C