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A Professional Association

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Kenneth Bateman	Special Counsel
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	*Kingsley Martin
	Mary M. McInerney
	Holly A. Hart

*admitted in Texas only

July 29, 1987

State of New Mexico
Energy and Minerals Department
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504-2088

Attention: Diane

RE: Plugging Bond - IRED No. 1
SW 1/4 of Section 32, Township 10 North,
Range 7 West, Rio Arriba County, New Mexico

Dear Diane:

Enclosed is the Single Well Cash Bond form to be used in connection with the above matter. I am also enclosing the Assignment of Cash Collateral Deposit which is in place at Banquest/First National Bank of Santa Fe, Santa Fe, New Mexico. I would appreciate it if you would return to me a copy of the approved single well cash bond and let me know if anything further is required.

Sincerely,


KENNETH BATEMAN

KB/bah

Enclosure : Assignment of Cash Collateral Deposit
Single Well Cash Bond form

cc: Ernie Bush
N.M.O.C.D. - Farmington

Kenneth DuBroff, Esquire

3870-003

RECEIVED
JUL 30 1987
OIL CON. DIV.
DIST. 3

ASSIGNMENT OF CASH COLLATERAL DEPOSIT

(Must be a federally-insured bank or savings institution
within the State of New Mexico)

Date July 27, 1987

Pursuant to Section 70-2-14, NMSA (1978), or successor provisions, Trust of Edward Gerber
and Iris Gerber Damson (hereinafter referred to as "operator") of Banquest/
(address) has deposited with the (address) (herein termed

First National Bank of Santa Fe (name of state or national bank or savings association) of
P.O. Box 609, Santa Fe, NM 87504 (address) (herein termed
financial institution), the sum of \$7500.00 dollars in Certificate of
Deposit or savings account No. . Operator hereby assigns and conveys
all right, title and interest in the deposited sum to the financial institution in trust
for the Oil Conservation Division of the Energy and Minerals Department or successor
agency of the State of New Mexico. Operator and the financial institution agree that as
to the deposited sum or fund:

- The Oil Conservation Division acquires by this assignment the entire beneficial interest in the fund, with the right to order the trustee 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 of the well covered by this bond.
- 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 fund upon written order of the Division.
- 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 in which the Division is a party. The financial institution waives all statutory or common law liens or rights of set-off against the fund.

Operator agrees that the financial institution may deduct from interest due operator any attorney fees incurred by the financial institution if claim or demand via writ, summons or other process arising from operator's business is made upon the financial institution.

Kenneth D. Abbott
Iris Gerber Damson by Kenneth D. Abbott
Signature of Operator,
Personally or by Authorized Officer

Signature of Authorized Officer of
Financial Institution

Trustee of Edward Gerber
Title

Executive Vice President
Title

YORK
STATE OF NEW ~~MEXICO~~
COUNTY OF New York ss.

On this 27 day of July, 1987, before me personally appeared
Kenneth D. Abbott and Iris Gerber Damson, to me known to be
the person (persons) described in and who executed the foregoing instrument and
acknowledged that they executed the same as 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.

Charles S. Guggenheimer
NOTARY PUBLIC

My Commission expires:

CHARLES S. GUGGENHEIMER
Notary Public, State of New York
No. 4797421
Qualified in New York County
Commission Expires Feb. 28, 1990

SINGLE WELL CASH BOND

Know all men by these presents that Trust u/w of Edward Gerber and Iris Gerber Damson (an individual) ~~(a partnership)~~ ~~(a corporation organized in the State of _____)~~ with its principal office at _____ in the city of _____, State of _____ and authorized to do business in the State of New Mexico is held and firmly bound to the Oil Conservation Division of the State of New Mexico (or its successor agency) in the sum of \$ _____ (_____), lawful money of the United States.

THE CONDITIONS OF THIS OBLIGATION ARE SUCH THAT:

The above applicant/operator desires to drill a well or purchase or operate an existing well, the depth of which does not exceed 5,400 feet, to prospect for and produce oil, gas, or carbon dioxide resources on land owned by private individuals or the State of New Mexico, the particular identification and footage location of said well being as follows: 790' FSL and 1630' FWL in Section 32, Township 10 N, Range 7 W, NMPM, Rio Arriba County, New Mexico.

30N The applicant has deposited on behalf of the Division \$ 7,500.00 in the manner indicated on the attachment to this bond being the principal sum intended to be secured. Applicant pledges this sum as a guarantee that it, its executors, assigns, heirs or administrators shall plug the well described above if dry, or when abandoned, in accordance with the rules and orders of the Oil Conservation Division of the State 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 same from escaping to other strata. If the applicant does not so properly plug and abandon said well 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 well. If the principal sum of this bond is less than the actual cost incurred by the Division in plugging said well, the applicant, its successors, assigns, heirs or administrators shall be liable under the provisions of Section 70-2-38 NMSA (1978) of the Oil and Gas Act, and the Division may take action, including the filing of legal proceedings, to recover any amounts expended over and above the principal sum of the bond.

NOW THEREFORE, if the above applicant or its successors, assigns, heirs, or administrators or any of them shall plug the above-described well when dry or abandoned, in accordance with the rules, regulations, 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 well, then therefore, this obligation shall be null and void and the principal sum shall be paid to the applicant, or its successors, heirs, or administrator, otherwise it shall remain in full force and effect.

Kenneth D. Dwyer Trustee u/w Edward Gerber
Iris Gerber Damson By Kenneth D. Dwyer

PRINCIPAL attorney in fact

230 PARK AVE New York, N.Y.

Address

By Kenneth D. Dwyer

Signature

Trustee + Attorney in fact

Title

By _____

STATE OF NEW YORK
COUNTY OF NEW YORK) ss.

On this 27 day of July, 1987, before me personally appeared Kenneth D. Bruff, 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.

My Commission expires _____

Charles S. Guggenheimer
Notary Public

CHARLES S. GUGGENHEIMER
Notary Public, State of New York
No. 4797421

Qualified in New York County
Commission Expires Feb. 28, 1990

ACKNOWLEDGEMENT FORM FOR CORPORATION

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me personally known who, being by me duly sworn, did say that he is _____ of _____ 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.

My Commission expires _____

Notary Public

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By _____

Date _____

Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties, New Mexico:

Projected Depth of Proposed Well
or Actual Depth of Existing Well

Amount of Bond

Less than 5,000 feet
5,000 feet to 10,000 feet
More than 10,000 feet

\$ 5,000
\$ 7,500
\$10,000

All Other Counties in the State:

Projected Depth of Proposed Well
or Actual Depth of Existing Well

Amount of Bond

Less than 5,000 feet
5,000 feet to 10,000 feet
More than 10,000 feet

\$ 7,500
\$10,000
\$12,500