

RECEIVED  
SEP 17 1979  
OIL CONSERVATION DIVISION  
SANTA FE

STATE OF NEW MEXICO  
ONE-WELL PLUGGING BOND

FOR CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT,  
SANDOVAL, AND SAN JUAN COUNTIES ONLY

BOND NO. 9SE064857  
(For Use of Surety Company)  
AMOUNT OF BOND \$5,000.00  
COUNTY Chaves

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00\*  
For wells 5,000 feet to 10,000 feet deep, the minimum bond is \$7,500.00\*  
For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

\* Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, i.e., a well being drilled under a \$5,000.00 bond may be permitted to go to 5,499 feet, and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101.)

File with Oil Conservation Commission, P. O. Box 2088, Santa Fe 87501

KNOW ALL MEN BY THESE PRESENTS:

That H. W. Pace, an individual, (An individual) (a partnership)  
(a corporation organized in the State of Texas, with its principal office in the city of  
Midland, State of Texas, and authorized to do business  
in the State of New Mexico), as PRINCIPAL, and American Manufacturer's Mutual Insurance Co., a  
corporation organized and existing under the laws of the State of Illinois,  
and authorized to do business in the State of New Mexico, 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, in the sum of Five Thousand (\$5,000.00)  
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 (CO<sub>2</sub>) gas leases, or  
helium gas leases with the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO<sub>2</sub>) gas leases, or  
helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private  
individuals; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or  
may commence the drilling of one well not to exceed a depth of 5,000 feet, to prospect for and produce oil  
or gas, or carbon dioxide (CO<sub>2</sub>) gas or helium gas, or does own or may acquire, own, operate such well, or such well  
started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO<sub>2</sub>) leases, or helium gas leases,  
and on land patented by the United States of America to private individuals, and on lands otherwise owned by private  
individuals, the identification and location of said well being State Lease No. LG0160  
330 ft. from S line & 660 ft. from E line (Here state exact legal subdivision by 10 arc  
Section 30, Township 10S (North) (South), Range E (East) (West), N.M.P.M.  
Chaves County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their  
plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of  
Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and  
strata; or assigns, or any of them, shall  
Oil Conservation Commission of New  
prevent them from escaping into other

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.

BEFORE EXAMINER STOGNER	
OIL CONSERVATION DIVISION	
OCD	EXHIBIT NO. <u>2</u>
CASE NO. <u>11495</u>	

H. W. Pace  
PRINCIPAL  
P.O. Box 7435 Midland, Texas 79703  
Address  
By H. W. Pace  
Signature  
Owner  
Title

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

American Manufacturers Mutual Insurance Co.  
SURETY  
20 N. Wacker Drive, Chicago, Ill. 60606  
Address  
By Robert E. Ferguson  
Attorney-in-fact  
ROBERT E. FERGUSON

(Note: Corporate seal here.)



#### ACKNOWLEDGEMENT FORM FOR NATURAL PERSONS

STATE OF New Mexico  
COUNTY OF Eddy ss.

On this 13th day of September, 19 79, before me personally appeared H. W. Pace, 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.

November 19, 1979  
My Commission expires

Margaret J. Belshie  
Notary Public

#### 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

#### ACKNOWLEDGEMENT FORM FOR CORPORATE SURETY

STATE OF New Mexico  
COUNTY OF Eddy ss.

On this 13th day of September, 19 79, before me appeared Robert E. Ferguson, to me personally known, who, being by me duly sworn, did say that he is Attorney-in-fact of American Manufacturers Mutual Insurance Co. 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.

November 19, 1979  
My Commission expires

(Note: Corporate surety attach power of attorney.)

Margaret J. Belshie  
Notary Public

APPROVED BY:

OIL CONSERVATION COMMISSION OF NEW MEXICO

By Joe H. Hines

Date \_\_\_\_\_

# AMERICAN MANUFACTURERS MUTUAL INSURANCE COMPANY

Grove, Illinois 60049



## POWER OF ATTORNEY

Serial No. **A 2309**

Dated **December 14, 1977**

NOW ALL MEN BY THESE PRESENTS:

That the AMERICAN MANUFACTURERS MUTUAL INSURANCE COMPANY, a corporation organized and existing under the laws of the State of Illinois, and having its principal office in the Village of Long Grove, Illinois, does hereby appoint

**ROBERT E. FERGUSON**  
**ROBERT E. FERGUSON II**

its true and lawful agent(s) and attorney(s)-in-fact, to make, execute, seal, and deliver during the period beginning with the date of issuance of this power and ending December 31, 1982, unless sooner revoked for and on its behalf as surety, and as its act and deed:

ADMINISTRATORS & EXECUTORS BONDS, provided the amount of no one bond exceeds \$50,000 when bond amount is double the appraised value of all personal property of the estate, otherwise \$25,000 (NO AUTHORITY granted where estate involves a going business or where Principal had prior custody of assets or where Principal is indebted to the estate or where a bond was previously filed for the same estate); LICENSE & PERMIT BONDS, provided the amount of no one bond exceeds \$10,000 (NO AUTHORITY granted for bonds involving financial guarantees, credit guarantees or the payment of taxes); PUBLIC OFFICIAL BONDS, provided the amount of no one bond exceeds \$10,000 (NO AUTHORITY granted for bonds covering Sheriffs, Constables and other Process Serving Officials); PLAINTIFFS COURT BONDS such as Cost, Removal, Replevin and Attachment Bonds, provided the amount of no one bond exceeds \$5,000; (NO AUTHORITY granted for any bond where Defendant is the Principal); LOST SECURITIES BONDS provided the amount of no one bond exceeds \$5,000. (NO AUTHORITY granted for any bond covering bearer or negotiable instruments.) NO FURTHER AUTHORITY GRANTED.

This authority does not permit the same obligation to be split into two or more bonds in order to bring each such bond within the dollar limit of authority as set forth herein.

This appointment may be revoked at any time by the AMERICAN MANUFACTURERS MUTUAL INSURANCE COMPANY.

The execution of such bonds and undertakings in pursuance of these presents shall be as binding upon the said AMERICAN MANUFACTURERS MUTUAL INSURANCE COMPANY as fully and amply to all intents and purposes, as if the same had been duly executed and acknowledged by its regularly elected officers at its principal office in Long Grove, Illinois.

THIS APPOINTMENT SHALL CEASE AND TERMINATE WITHOUT NOTICE AS OF DECEMBER 31, 1982

IN TESTIMONY WHEREOF, the AMERICAN MANUFACTURERS MUTUAL INSURANCE COMPANY has caused this instrument to be signed and its corporate seal to be affixed by its authorized officers as of the date of this issuance.

Attested and Certified:

AMERICAN MANUFACTURERS MUTUAL INSURANCE COMPANY

*C. G. Swan*



By *H. L. Kennicott, Jr.*

H. L. Kennicott, Jr., Vice President

C. G. Swan, Secretary  
STATE OF ILLINOIS } ss  
COUNTY OF LAKE }

I, Jean Petzold, a Notary Public, do hereby certify that H. L. Kennicott, Jr., and C. G. Swan personally known to me to be the same persons whose names are respectively as Vice President and Secretary of the American Manufacturers Mutual Insurance Company, a Corporation of the State of Illinois, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they being thereunto duly authorized signed, sealed with the corporate seal and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act for the uses and purposes therein set forth.

My commission expires: April 29, 1980



*Jean Petzold*

Jean Petzold, Notary Public

### CERTIFICATION

I, Sven L. Johanson, Secretary of the American Manufacturers Mutual Insurance Company, do hereby certify that the attached Power of Attorney is a true and correct copy and that the same has been in full force and effect since the date thereof and is in full force and effect on the date of this certificate; and I do further certify that the said H. L. Kennicott, Jr. and C. G. Swan who executed the Power of Attorney as Vice President and Secretary respectively were on the date of the execution of the Attached Power of Attorney the duly elected Vice President and Secretary of the American Manufacturers Mutual Insurance Company.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the American Manufacturers Mutual Insurance Company on this 13th day of September, 1979.



*Sven L. Johanson*

Sven L. Johanson, Secretary

This Power of Attorney limits the acts of those named therein to the bonds and undertakings specifically named therein, and they have no authority to bind the Company except in the manner and to the extent herein stated.

PRODUCERS SPECIAL POWER  
FIDUCIARY—DOUBLE LIMIT

FN 733-3 PRINTED IN U.S.A.

September 6, 1995

*Mailed 9/8/95*

Eugene Lushbaugh  
Fidelity/Surety Claim Division  
United States Fidelity and Guaranty Company  
P.O. Box 1138  
Baltimore, MD 21203-1138

RE: Claim No.: 9901 S 202816-01-1  
Bond No.: 01-130-10204-89-2

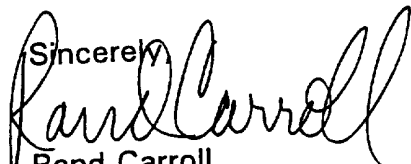
Dear Mr. Lushbaugh:

Reference is made to your letter dated August 3, 1995, to Mr. Johnny Robinson of the New Mexico Oil Conservation Division (NMOCD) regarding the above-referenced claim and bond. We have looked into this matter and are hereby informing you that the above-referenced bond is the only bond covering this well. There is no bond in the name of John Caranta, Cardel Oil Company, Caranta Brothers, Glen Developers and/or any other party for this well.

NMOCD Rule 101.H. states that "Any bond required by this rule...shall endure until any well...has been covered by another bond". Rule 101.I. states that "Transfer of a property does not of itself release a bond. In the event of transfer of a well, the appropriate form, C-103 or C-104, properly executed, shall be filed with the District Office of the Division in accordance with Rule 1103 or Rule 1104 by the new owner of the well. The District Office may approve the transfer providing that a new one-well bond covering the well or a blanket bond in the name of the new owner has been approved by the Santa Fe office of the Division". The purpose of these rules is to ensure that a well is at all times covered by a plugging bond, i.e., there is no lapse in coverage. The NMOCD does not concern itself with the underlying terms of the property transfers. If it did, it would constantly be involved in the legal technicalities of these transfers and the liability for plugging the wells would remain uncertain until a court decided who actually owned the property. The NMOCD thus only looks at the C-103 or C-104 Change of Operator and plugging bond filings. The last Change of Operator form and the only plugging bond on file is for CMS. If the sale between Caranta and CMS did not go through, it is up to CMS to see to it that a Change of Operator is filed naming Caranta as the new operator and that Caranta or someone else files a new plugging bond to take the place of the CMS bond. Until the Change of Operator form and the new plugging bond are filed, CMS and its bond will be held liable for plugging this well.

*Need Bond with Caranta as owner of bond.*

If you have any questions, please feel free to call me at 505/827-8156.

Sincerely,  
  
Rand Carroll  
Legal Counsel

cc: Johnny Robinson, Aztec District Office



August 3, 1995

**Fidelity/Surety Claim**

Eugene Lushbaugh,  
Claims Specialist  
Phone: 410-205-0491  
Fax: 410-205-0605

**Certified Mail - Return Receipt Requested**

John Robinson, Deputy Oil & Gas Inspector  
State of New Mexico  
Energy, Minerals & Natural Resources Dept.  
Oil Conservation Division, Aztec District Office  
1000 Rio Bravos Road  
Aztec, New Mexico 87410

RE: Claim No.: 9901 S 202816-01-1  
Carenta No.: 1 J-23-32N-01W  
Order No.: R-8304  
Principal: CMS Oil Field Services, Inc.  
Obligee: State of New Mexico  
Oil Well Plugging Bond No.: 01-0130-10204-89-2

**RECEIVED**  
AUG - 7 1995  
**OIL CON. DIV.**  
**DIST. 3**

Dear Mr. Robinson:

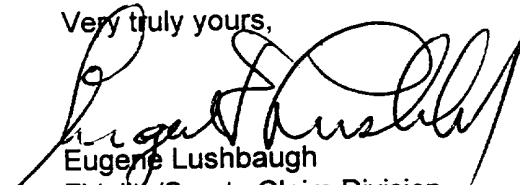
I am in receipt of a copy of your letter of May 18, 1995, to Rand Carroll, relative to the above captioned matter.

Attached you will find a copy of my January 30, 1995 letter to Charles Gholson of your office relative to this matter to which I have not yet received the courtesy of a reply.

Obviously, after reading my letter you can see our concern. I would appreciate someone looking into this matter and responding to my letter of January 30, 1995 relative to this situation.

I will hold this matter in abeyance, anticipating your reply. Your cooperation in this matter is appreciated.

Very truly yours,

  
Eugene Lushbaugh  
Fidelity/Surety Claim Division

EL/jg

cc: Rand Carroll  
Counsel for NMOCD  
P. O. Box 2088  
Sante Fe, NM 87504-2088

*Sent this letter to  
Rand to check bonds*