

BOND CONDITIONS

The conditions of the foregoing obligations are such that:

1. WHEREAS the principal has an interest in a lease(s) and/or responsibility for operations on a lease(s) issued under the Acts cited in this bond; and

2. WHEREAS the principal and surety agree(s) that with notice to the surety the coverage of this bond, in addition to the present holding(s) of and/or authorization(s) granted to the principal, shall extend to and include:

a. Any lease(s) hereafter issued to or acquired by the obligor/principal, except under individual lease bonds, the coverage is to be confined to the principal's holding(s) and/or authorization(s) granted under the Acts cited in this bond, and to become effective immediately upon such authorization, approval or issuance of a transfer in favor of the principal; and

b. Any transfer(s) of operating rights hereafter entered into or acquired by the principal affecting lease(s); and

c. Any activity subsequent hereto of the principal as operator under a lease(s) issued pursuant to the Acts cited in this bond; and

Provided, That the surety may elect to terminate the additional coverage authorized under this paragraph. Such termination will become effective 30 days after the BLM receives notice of the election to terminate. After the termination becomes effective, the additional interest(s) identified in this paragraph will not be covered by this bond; and

3. WHEREAS the principal and surety agree(s) that with notice to the surety that this bond shall remain in full force and effect notwithstanding: Any assignment(s) of an undivided interest in any part or all of the lands in the lease(s) in which event the assignee(s) shall be considered to be coprincipal(s) on an individual or NPR-A bond as fully and to the same extent as though his/her or their duly, authenticated signatures appeared thereon; and

4. WHEREAS the obligor/surety hereby waives any right to notice of, and agrees that this bond shall remain in full force and effect notwithstanding:

a. Any assignment(s) of 100% of some of the lands described in the lease(s), the bond to remain in full force and effect only as to the lands retained in the lease(s); and

b. Any transfer(s) either in whole or in part, of any or all of the operating rights and further agrees to remain bound under this bond as to the interests in the operating rights retained by the principal; and

c. Any modification of a lease or operating right, or obligation thereunder, whether made or effected by commitment of lease or operating right to unit, cooperative, communitization or storage agreements, or development contracts, suspensions of oper-

ations or production, waivers, suspensions or changes in rental, minimum royalty and royalties, compensatory royalty payments, or otherwise; and

d. Any extension of a lease(s) covered by this bond, such coverage to continue without any interruption due to the expiration of the term set forth in the lease(s); and

5. WHEREAS the principal and surety hereby agree(s) that notwithstanding the termination, expiration, cancellation or relinquishment of any lease(s), whether by operation of law or otherwise, the bond shall remain in full force and effect as to the terms and conditions of all remaining leases and obligations covered by the bond; and

6. WHEREAS the principal, as to any lease or part of a lease for land on which he/she is the operator, in consideration of being permitted to furnish this bond in lieu of the lease(s) or operating rights owner(s), agrees and by these presents does hereby bind himself/herself to fulfill on behalf of each leasee or operating rights owner all obligations of such for the entire leasehold in the same manner and to the same extent as though he/she were lessee or operating rights owner; and

7. WHEREAS the obligor/principal and surety agree(s) that the neglect or forbearance of said lessor in enforcing, as against any responsible party, the payment of rentals or royalties or the performance of any other term or condition of the lease(s) shall not, in any way, release the principal and surety, or either of them from any liability under this bond; and

8. WHEREAS the principal and surety agree(s) that in the event of any default under the lease(s) the lessor may commence and prosecute any claim, suit, or other proceeding against the principal and surety or either of them, without the necessity of joining the leasee(s); and

9. WHEREAS if the principal fails to comply with any provisions of an oil and gas lease, and the noncompliance continues for thirty (30) days after written notice thereof, such lease shall be subject to cancellation and the principal shall also be subject to applicable provisions and penalties of the Federal Oil and Gas Royalty Management Act (30 U.S.C. 1701 et seq.) or the Federal Onshore Oil and Gas Leasing Reform Act. This provision shall not be construed to prevent the exercise by the United States of any other legal and equitable remedy, including waiver of the default.

10. NOW, THEREFORE If said principal, his/her heirs, executors, administrators, successors, or assigns shall in all respects faithfully comply with all of the provisions of the instrument(s) granting rights and interests in Federal lands referred to above, then the obligations are to be void; otherwise to remain in full force and effect.

Signed this 10th day of December, 19 92, in the presence of:

NAMES AND ADDRESSES OF WITNESSES

BY: _____

BY: _____

BY: Mildred L. Maisey
8 Greenway Plaza, Suite 400, Houston, TX 77046

BY: Joe Van
8 Greenway Plaza, Suite 400, Houston, TX 77046

If this bond is executed by a corporation, it must bear the seal of that corporation.

FLOYD OPERATING COMPANY

(Principal) (L.S.)

PLANET INDEMNITY CO., (Business Address)

BY: Kay C. Die
410 Seventeenth Street, Suite 1675 (L.S.)
Denver, CO 80202

(Business Address)