

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

September 8, 1988

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

CERTIFIED - RETURN
RECEIPT REQUESTED

United Houston Oil & Gas
American Tower
401 Market Street
Suite 406
Shreveport, Louisiana 71101

Attention: Mr. Jeff Clark

Re: Knights Bridge Petroleum Corp.
Triple Crown Well No. 1
Unit O, Sec. 6, T-9-N, R-31-E,
Quay County, New Mexico

Dear Mr. Clark:

For the past 18 months this office has tried to get the above-referenced operator and well into compliance with the rules and regulations governing oil and gas operations in the State of New Mexico. Due to bankruptcy proceedings with Knights Bridge Petroleum, this task has been difficult to achieve. In April of this year this office was informed by Mr. Doug Bailey that United Houston Oil and Gas was the new owner of this operation. The appropriate Rule Book and Oil Conservation Division forms were then sent to Mr. Rick Hogan in United Houston's Denver office with instructions on what needed to be done in order for this operator to be in compliance. A follow-up phone call on 4-27-88 indicated that the phone had been disconnected and that United Houston no longer had an office or forwarding address in Denver. If, indeed, United Houston Oil and Gas is the new operator of the above-referenced well, this office will require your immediate attention on getting this well into compliance with our rules and regulations.

The following work and information required by this office is in a manner of priority.

- 1) Reserve pits are to be fenced. It has come to the attention of this office that one mother heifer has died due to no fencing on pits. Good operating practices dictate that appropriate restitution be made to the rancher and this office requires fencing be done immediately.
- 2) Change of ownership form (C-103, Sundry Notice) needs to be filed by United Houston with the appropriate new Cash Collateral form from the First National Bank of Tucumcari and cash plugging bond form filled out by an officer of your company. (Forms enclosed)
- 3) Well History, (Form C-103, Sundry Notice) stating: spud date, surface casing data, date T.D. reached, production casing data, and your intentions for this well.
- 4) Copies of all electric logs run on this well.

Should this office not receive appropriate responses from you by September 16, 1988, this matter will be set for the next available examiner hearing and subsequently the plugging bond will be forfeited to allow the Division to plug and abandon this well.

Should you have any question pertaining to this matter, please contact me at (505) 827-5810.

Sincerely,



ROY E. JOHNSON,
Sr. Petroleum Geologist

REJ/dr

cc: U. S. Courthouse
Fort Worth, Texas 76102

Attention: The Honorable Judge Tillman

Dennis Cattle Co.
222 E. Main
Tucumcari, New Mexico 88401

Attention: Ms. Katie Whitson
(505) 461-2510

SINGLE WELL CASH BOND

Know all men by these presents that _____ (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 _____ 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: _____ in Section _____, Township _____, Range _____, NMPM, _____ County, New Mexico.

The applicant has deposited on behalf of the Division \$ _____, 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.

OPERATOR

Address

By _____
Signature

Title

By _____

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

ACKNOWLEDGEMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19_____, 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.

Notary Public

My Commission expires _____

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.

Notary Public

My Commission expires _____

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By _____

Date _____

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

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 5,000
5,000 feet to 10,000 feet	\$ 7,500
More than 10,000 feet	\$10,000

All Other Counties in the State:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 7,500
5,000 feet to 10,000 feet	\$10,000
More than 10,000 feet	\$12,500

ASSIGNMENT OF CASH COLLATERAL DEPOSIT

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

Date _____

Pursuant to Section 70-2-14, NMSA (1978), or successor provisions, _____
(hereinafter referred to as "operator") of _____
_____ (address) has deposited with the _____
_____ (name of state or national bank or savings association) of _____
_____ (address) (herein termed
financial institution), the sum of _____ 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:

- a. 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.
- b. 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.
- c. 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.

Signature of Operator,
Personally or by Authorized Officer

Signature of Authorized Officer of
Financial Institution

Title

Title

STATE OF NEW MEXICO) ss.
COUNTY OF _____

On this _____ day of _____, 19____, before me personally appeared _____ and _____, 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.

NOTARY PUBLIC

My Commission expires:

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-103
Revised 10-1-78

NO. OF COPIES RECEIVED		
DISTRIBUTION		
SANTA FE		
FILE		
U.S.G.S.		
LAND OFFICE		
OPERATOR		

5a. Indicate Type of Lease
State Fee

5. State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT -" (FORM C-101) FOR SUCH PROPOSALS.)

1. OIL WELL GAS WELL OTHER _____

2. Name of Operator _____

3. Address of Operator _____

4. Location of Well
UNIT LETTER _____ FEET FROM THE _____ LINE AND _____ FEET FROM
THE _____ LINE, SECTION _____ TOWNSHIP _____ RANGE _____ NMPM.

7. Unit Agreement Name _____

8. Farm or Lease Name _____

9. Well No. _____

10. Field and Pool, or Wildcat _____

15. Elevation (Show whether DF, RT, GR, etc.) _____

12. County _____

16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK

TEMPORARILY ABANDON

PULL OR ALTER CASING

OTHER _____

PLUG AND ABANDON

CHANGE PLANS

SUBSEQUENT REPORT OF:

REMEDIAL WORK

COMMENCE DRILLING OPNS.

CASING TEST AND CEMENT JOB

OTHER _____

ALTERING CASING

PLUG AND ABANDONMENT

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

8. I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNED _____ TITLE _____ DATE _____

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-103
Revised 10-1-78

NO. OF COPIES RECEIVED		
DISTRIBUTION		
SANTA FE		
FILE		
U.S.G.S.		
LAND OFFICE		
OPERATOR		

5a. Indicate Type of Lease
State Fee

5. State Oil & Gas Lease No. _____

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT -" (FORM C-101) FOR SUCH PROPOSALS.)

1. <input type="checkbox"/> OIL WELL <input type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER _____	7. Unit Agreement Name _____
2. Name of Operator _____	8. Farm or Lease Name _____
3. Address of Operator _____	9. Well No. _____
4. Location of Well UNIT LETTER _____ FEET FROM THE _____ LINE AND _____ FEET FROM THE _____ LINE, SECTION _____ TOWNSHIP _____ RANGE _____ NMPM.	10. Field and Pool, or Wildcat _____
15. Elevation (Show whether DF, RT, GR, etc.) _____	12. County _____

16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

SUBSEQUENT REPORT OF:

PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	OTHER _____ <input type="checkbox"/>	CASING TEST AND CEMENT JOB <input type="checkbox"/>	OTHER _____ <input type="checkbox"/>

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

18. I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNED _____ TITLE _____ DATE _____

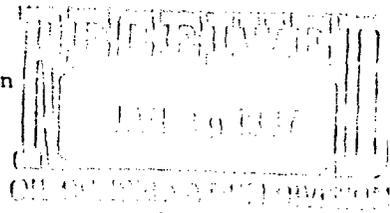
APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

ASSIGNMENT OF CASH COLLATERAL DEPOSIT

(Must be a federally-insured bank or savings institution
authorized to do business in New Mexico)

Date JANUARY 16, 1987



Pursuant to Section 70-2-14, NMSA (1978), or successor provisions, Knights Bridge Petroleum Corporation (hereinafter referred to as "operator") of 2201 N. Collins, #295, Arlington, TX 76011 (address) has deposited with the The First National Bank - Tucumcari (name of state or national bank or savings association) of P. O. BOX 1107, Tucumcari, New Mexico 88401 (address) (herein termed financial institution), the sum of \$10,000.00 dollars in Certificate of Deposit or savings account No. 01 50618 8 30. 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:

- a. 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.
- b. 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.
- c. 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.

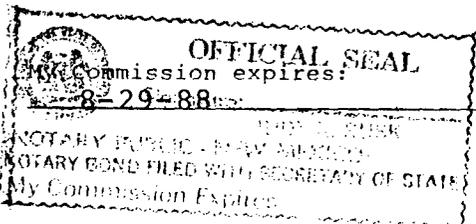
T. R. Gallagher
Signature of Operator,
Personally or by Authorized Officer
T. R. GALLAGHER
PRESIDENT
Title

E. B. Thomas
Signature of Authorized Officer of
Financial Institution
E. Bruce Thomas
Sr. Vice President & Cashier
Title

STATE OF NEW MEXICO)
COUNTY OF QUAY) ss.

On this 26th day of January, 1987, before me personally appeared E. BRUCE THOMAS, SR. VICE PRESIDENT & CASHIER, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that the (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.



Judy K. Rusk
NOTARY PUBLIC

ACKNOWLEDGEMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, 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.

Notary Public

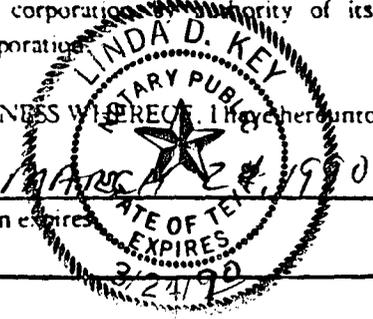
My Commission expires _____

ACKNOWLEDGEMENT FORM FOR CORPORATION

STATE OF TEXAS)
COUNTY OF TARRANT) ss.

On this 16TH day of JANUARY, 1987, before me personally appeared T. R. GALLAGHER, to me personally known who, being by me duly sworn, did say that he is PRESIDENT, (BY CORPORATE RESOLUTION) of KNIGHTS BRIDGE PETROLEUM 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.



LINDA D. KEY
Notary Public

My Commission expires _____

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By _____

Date _____

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

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 5,000
5,000 feet to 10,000 feet	\$ 7,500
More than 10,000 feet	\$10,000

All Other Counties in the State:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 7,500
5,000 feet to 10,000 feet	\$10,000
More than 10,000 feet	\$12,500

IN THE UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

IN RE:

KNIGHT'S BRIDGE PETROLEUM,
CORPORATION, INC.,

Debtor.

§
§
§
§
§
§

CASE NO. 482-41160-11

NOTICE

TO: Creditors and Parties of Interest

1. The Debtor commenced these Bankruptcy proceedings under Chapter 11 on May 1, 1987. Douglas Bailey has been appointed as Chapter 11 Trustee for the Debtor's Estate in Bankruptcy.

2. The Trustee has filed a Motion to Determine Status of certain funds as assets of the Estate in Bankruptcy, a copy of which is attached hereto.

3. A hearing will be held on the Trustee's Motion on May 21, 1987, at 9:45 a.m. before the Honorable Massie Tillman, United States Bankruptcy Judge, Room 206 U. S. Courthouse, 10th and Lamar Streets, Fort Worth, Texas 76102.

4. Any objection to the relief requested by the Trustee in such Motion must be in writing and filed with the Clerk of the Court, with a copy to be served on the undersigned as counsel for the Trustee.

Respectfully submitted,

CANTEY, HANGER, GOOCH, MUNN & COLLINS

By: J. Robert Forshey
J. ROBERT FORSHEY

2100 InterFirst Tower
801 Cherry Street
Fort Worth, Texas 76102
(817) 877-2800

COUNSEL TO THE CHAPTER 11
TRUSTEE, DOUGLAS BAILEY