

STATE OF NEW MEXICO

\$50,000 BLANKET PLUGGING BOND

BOND NO. RLB0006476

File with the OIL CONSERVATION DIVISION, 1220 South St. Francis, Santa Fe, New Mexico 87505

KNOW ALL MEN BY THESE PRESENTS:

That Mesquite SWD, Inc., (an individual) (a general partnership) (a corporation, limited liability company or limited partnership organized in the State of New Mexico, and authorized to do business in the State of New Mexico), as PRINCIPAL, and RLI Insurance Company, 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 firmly bound unto the State of New Mexico for the use and benefit of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (or successor agency) (the DIVISION) pursuant to NMSA 1978, Section 70-2-14, as amended, in the sum of **Fifty Thousand Dollars (\$50,000)** for the payment of which the PRINCIPAL and SURETY hereby bind themselves and their successors, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, the PRINCIPAL has commenced or may commence the drilling of a well or wells to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals on privately owned or state owned lands within the State of New Mexico, or does own or operate, or may acquire, own or operate such a well or such wells, the identification and location of said wells being expressly waived by both PRINCIPAL and SURETY.

NOW, THEREFORE, if the PRINCIPAL and SURETY or either of them or their successors or assigns, or any of them, shall cause all of said wells to be properly plugged and abandoned when dry or when no longer productive or useful for other beneficial purpose, in accordance with the rules and orders of the of DIVISION, including but not limited to Rules 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 NMAC], as such rules now exist or may hereafter be amended;

THEN AND IN THAT EVENT, 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 30 days after receipt by the DIVISION of written notice of cancellation from the SURETY, the obligation of the SURETY shall terminate as to wells acquired, drilled or started, or of which PRINCIPAL assumes operation, after said 30-day period, but shall continue in effect, notwithstanding said notice, as to wells theretofore acquired, drilled, started or operated.

Mesquite SWD, Inc.
PRINCIPAL

P.O. Box 481
Carlsbad, NM 88220
Address

By _____
Signature

Title

If PRINCIPAL is a corporation, affix
corporate seal here.

RLI Insurance Company
SURETY

8 Greenway Plaza, Suite 400
Houston, TX 77046
Address

By Greg E. Chilson
Greg E. Chilson, Attorney - In-Fact

Corporate surety affix
corporate seal here.

ACKNOWLEDGMENT FORM FOR INDIVIDUAL

STATE OF _____)
 COUNTY OF _____) ss.

This instrument was acknowledged before me on _____, 20__ by _____
 (Name of Individual)

 Notary Public

SEAL

 My Commission Expires

ACKNOWLEDGMENT FORM FOR PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY

STATE OF _____)
 COUNTY OF _____) ss.

This instrument was acknowledged before me on _____, 20__ by _____
 (Name of Person Signing Instrument)
 as _____ of _____
 (Capacity, e.g., partner, president, manager, member) (Name of partnership, corporation or limited liability company)

 Notary Public

SEAL

 My Commission Expires

ACKNOWLEDGMENT FORM FOR CORPORATE SURETY

STATE OF Texas)
 COUNTY OF Harris) ss.

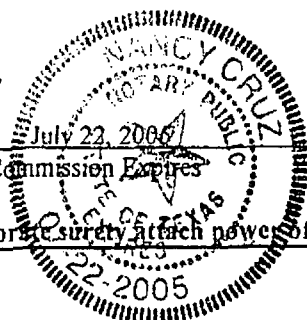
This instrument was acknowledged before me on October 30, 2003 by Greg E. Chilson
 (Name of Attorney in fact)
 as Attorney-in-Fact for RLI Insurance Company
 (Name of corporate surety)

Nancy Cruz
 Notary Public Nancy Cruz

SEAL

 My Commission Expires

Corporate surety attach power of attorney



BOND RIDER TO ASSUME LIABILITY

RIDER NO. 1

Attaching to and forming part of Blanket Bond, Bond No. RLB0006476 executed October 30, 2003 on behalf of Mesquite SWD, Inc. as Principal, in favor of State of New Mexico as Obligee, in the amount of Fifty Thousand and No/100 Dollars (\$50,000.00).

It is understood and agreed that effective October 30, 2003 this bond also extends to and covers all liability associated with the following bond:

| <u>Bond No.</u> | <u>Surety</u> | <u>Executed</u> |
|-----------------|--------------------------------|-----------------|
| RLB0000931 | RLI Insurance Company | 5-3-99 |
| RLB0002266 | RLI Insurance Company | 8-25-00 |
| RLB0005813 | RLI Insurance Company | 10-8-03 |
| BO5990 | Underwrites Indemnity Company | 6-20-96 |
| BO6531 | Underwriters Indemnity Company | 3-5-97 |
| BO6532 | Underwriters Indemnity Company | 3-5-97 |
| BO6533 | Underwriters Indemnity Company | 3-5-97 |

All other conditions and terms to remain as originally written.

Signed, sealed and dated this 30th day of October, 2003.

Mesquite SWD, Inc.

Principal

By: _____

RLI Insurance Company

Surety

By: Greg E. Chilson

Greg E. Chilson, Attorney-in-Fact

STATE OF NEW MEXICO
\$50,000 BLANKET PLUGGING BOND

BOND NO. RLB0010585

File with the OIL CONSERVATION DIVISION, 1220 South St. Francis, Santa Fe, New Mexico 87505

KNOW ALL MEN BY THESE PRESENTS:

That Mesquite SWD, Inc., (an individual — If dba, must read — Example: John Doe dba ABC Services) (a corporation) (a general partnership), (a limited liability company) (a limited partnership) organized in the State of New Mexico, and authorized to do business in the state of New Mexico, as PRINCIPAL, and RLI Insurance Company, 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 firmly bound unto the State of New Mexico for the use and benefit of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (or successor agency) (the DIVISION) pursuant to NMSA 1978, Section 70-2-14, as amended, in the sum of **Fifty Thousand Dollars (\$50,000)** for the payment of which the PRINCIPAL and SURETY hereby bind themselves and their successors, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, the PRINCIPAL has commenced or may commence the drilling of a well or wells to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or an injection or other service well or wells related to such exploration or production, on privately owned or state owned lands within the State of New Mexico, or does own or operate, or may acquire, own or operate such a well or such wells, the identification and location of said wells being expressly waived by both PRINCIPAL and SURETY.

*See Attached Rider.

NOW, THEREFORE, if the PRINCIPAL and SURETY or either of them or their successors or assigns, or any of them, shall cause all of said wells to be properly plugged and abandoned when dry or when no longer productive or useful for other beneficial purpose, in accordance with the rules and orders of the DIVISION, including but not limited to Rules 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 NMAC], as such rules now exist or may hereafter be amended;

THEN AND IN THAT EVENT, 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 30 days after receipt by the DIVISION of written notice of cancellation from the SURETY, the obligation of the SURETY shall terminate as to wells acquired, drilled or started, or of which PRINCIPAL assumes operation, after said 30-day period, but shall continue in effect, notwithstanding said notice, as to wells theretofore acquired, drilled, started or operated.

Mesquite SWD, Inc.

PRINCIPAL

P. O. Box 1479, Carlsbad, NM 88220

Address

By _____

Signature

Title

RLI Insurance Company

SURETY

3 Greenway Plaza, Suite 400
Houston, TX 77046

Address

By Greg E. Chilson

Attorney-in-Fact
Greg E. Chilson

If PRINCIPAL is a corporation, affix
corporate seal here

Corporate surety affix corporate
seal here

ACKNOWLEDGMENT FORM FOR INDIVIDUAL

(If dba, must read - Example: John Doe dba ABC Services)

STATE OF _____)
SS.
COUNTY OF _____)This Instrument was acknowledged before me on this _____ day of _____
by _____
(Name of Individual)_____
Notary Public

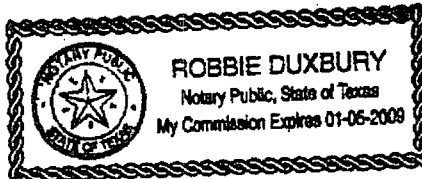
SEAL

My Commission Expires**ACKNOWLEDGMENT FORM FOR CORPORATION, PARTNERSHIP, OR LIMITED LIABILITY
COMPANY**STATE OF _____)
SS.
COUNTY OF _____)This Instrument was acknowledged before me on this _____ day _____ 20____
by _____ as _____
(Name of Person Signing Instrument) (Capacity, e.g. President, Partner, Manager, Member)
of _____
(Name of Corporation, Partnership, Limited Liability Company)_____
Notary Public

SEAL

My Commission Expires**ACKNOWLEDGMENT FORM FOR CORPORATE SURETY**STATE OF Texas)
SS.
COUNTY OF Harris)This Instrument was acknowledged before me on this 31st day of July 20 07
by Greg E. Chilson as Attorney-in-Fact for RLI Insurance Company
(Name of Attorney-in-Fact) (Name of Corporate Surety)

SEAL

1-05-2009
My Commission Expires

 A handwritten signature of Robbie Duxbury in cursive script, written over the printed name and title of the notary.

Notary Public
Robbie Duxbury

Corporate surety attach power of attorney

APPROVED BY:

Oil Conservation Division of New Mexico

By _____

Date _____

RIDER NO. 1

Attaching to and forming part of Blanket Plugging Bond, Bond No. RLB0010585, executed July 31, 2007, on behalf of Mesquite SWD, Inc. as Principal, in favor of the State of New Mexico as Obligee, in the amount of Fifty Thousand and No/100 Dollars (\$50,000.00).

It is understood and agreed that the above bond will cover the following well(s):

Dunaway #1 and #2 Brine Wells

All other conditions and terms to remain as originally written or previously amended by rider.

Signed, sealed and dated this 31st day of July 2007.

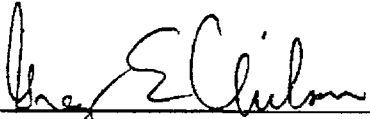
Mesquite SWD, Inc. _____

Principal

By: _____

RLI Insurance Company
8 Greenway Plaza, Suite 400
Houston, TX 77046

Surety

By:  _____
Greg E. Chilson, Attorney-in-Fact