

OCD 708

ONE-WELL CASH BOND

KNOW ALL MEN BY THESE PRESENTS THAT Weststar Exploration Company, a corporation organized in the State of Nevada with its principal office at P.O. Box 161896, in the City of Austin, State of Texas and authorized to do business in the State of New Mexico, is held and firmly bound to the Oil Conservation Division of the Energy, Minerals and Natural Resources Department of the State of New Mexico (or its successor agency), as DIVISION in the sum of \$5,000.00.

The conditions of this obligation are such that:

The PRINCIPAL desires to drill a well or purchase or operate an existing well, the depth of which does not exceed 5,000 feet, to prospect for and produce oil or gas, carbon dioxide gas, helium gas or brine minerals on property in the State of New Mexico, the particular identification and footage location of said well being as follows:

(well name and footage) T.P. State A No. 2, 1,980' FEL & 810' FSL in
Section 10, Township 11S, Range 33E, NMPM, Lea County, New Mexico.

The PRINCIPAL has deposited on behalf of the DIVISION \$5,000.00, in the manner indicated on the Assignment, attached to this bond, being the principal sum intended to be secured. PRINCIPAL 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 DIVISION 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 PRINCIPAL 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 PRINCIPAL, its successors, assigns, heirs or administrators shall be liable under the provisions of NMSA 1978, Section 70-2-38 of the Oil and Gas Act, and the DIVISION may take action to recover any amounts expended over and above the principal sum of the bond.

NOW THEREFORE, if the PRINCIPAL 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 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 PRINCIPAL or its successors, heirs, or administrator, otherwise it shall remain in full force and effect.

WESTSTAR EXPLORATION CO.

PRINCIPAL

P.O. Box 161896, Austin, TX

Address

City

State

78716-1896

Zip

By

William C. Gibson

Signature

By

PRESIDENT

Title

If PRINCIPAL is a corporation, affix corporate seal here.

ACKNOWLEDGMENT FORM FOR INDIVIDUALS OR PARTNERSHIPS**STATE OF TEXAS)**

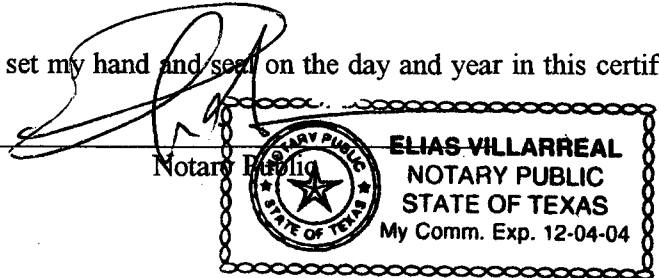
ss.

COUNTY OF TRAVIS)

On this 16th day of August, 2001, before me personally appeared William C. Gilmore, to me known to be the person described in and who executed the foregoing instrument and acknowledged that he executed the same as his 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.

12-04-04
My Commission Expires

**ACKNOWLEDGMENT FORM FOR CORPORATION****STATE OF TEXAS)**

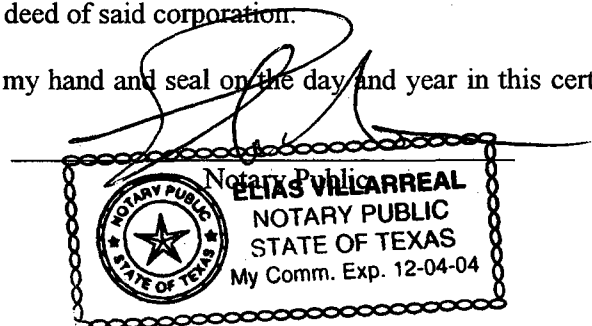
ss.

COUNTY OF TRAVIS)

On this 16th day of August, 2001, before me personally appeared William C. Gilmore, to me personally known who, being by me duly sworn, did say that he is President of Weststar Exploration Company 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.

12-04-04
My Commission Expires



APPROVED BY:

Oil Conservation Division of New Mexico

By David K. Bishop
Assistant General Counsel
Date 11/19/01

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
5,000 feet to 10,000 feet	\$ 7,500
More than 10,000 feet	\$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	\$ 7,500
5,000 feet to 10,000 feet	\$10,000
More than 10,000 feet	\$12,500

ASSIGNMENT OF CASH COLLATERAL DEPOSIT

Weststar Exploration Company of P.O. Box 161896, Austin, Texas 78716-1896 has deposited with the Bank of America (name of state or national bank or savings association, which must be a federally-insured bank or savings institution in the State of New Mexico) of

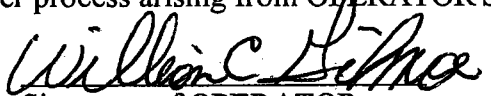
701 S. Capital of Texas Highway, Austin, TX 78746 (FINANCIAL INSTITUTION), the sum of Five Thousand (\$5,000.00) dollars in Certificate of Deposit or Savings Account No. 091000039211604 (FUND).

To comply with NMSA 1978, Section 70-2-14, OPERATOR hereby assigns and conveys all right, title and interest in the FUND to the FINANCIAL INSTITUTION in trust for the Oil Conservation Division of the Energy, Minerals and Natural Resources Department or successor agency of the State of New Mexico (DIVISION).

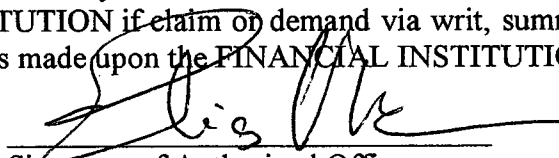
OPERATOR and the FINANCIAL INSTITUTION agree that as to the FUND:

- a. The DIVISION acquires by this assignment the entire beneficial interest in the FUND, with the right to order the FINANCIAL INSTITUTION 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, in compliance with the rules and orders of the DIVISION, of the well(s) covered by this assignment.
- 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 to 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 on 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

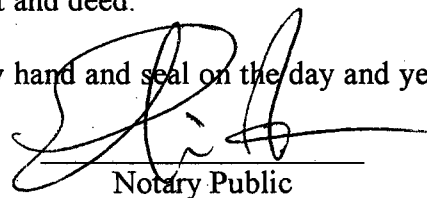
President _____
Title

Bank Center Manager
Title

State of Texas
County of Travis) ss.

On this 16th day of August, 2001, before me personally appeared William C. Gilmore, to me known to be the person 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:
12-04-04

