

STATE OF NEW MEXICO

\$50,000.00 BLANKET PLUGGING BOND

BOND NO. 1074-3467

(For Use of Surety Company)

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

KNOW ALL MEN BY THESE PRESENTS:

That Paramount Petroleum Corporation, (An individual)(a partnership)
(a corporation organized in the State of Texas, with its principal office in the city of
Houston, State of Texas, and authorized to do business in
the State of New Mexico), as PRINCIPAL, and National Surety Corporation, a
corporation organized and existing under the laws of the State of New York, 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 Division of New Mexico pursuant to Section 65-3-11, New Mexico Statutes
Annotated, 1953 Compilation, as amended, in the sum of Fifty Thousand Dollars(\$50,000.00) 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 (CO₂) gas leases, or
helium gas leases with the State of New Mexico; and

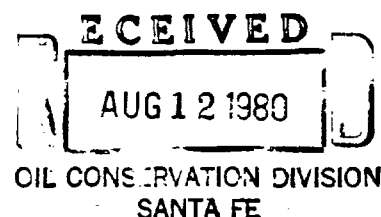
WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or
helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private
individuals; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence
the drilling of wells to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or
operate such well, or such wells started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) gas leases, or
helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private
individuals, the identification and location of said well being expressly waived by both principal and surety hereto.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall
plug all of said wells when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Division
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 them from escaping into
other strata;

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.

PROVIDED, HOWEVER, That thirty (30) days after receipt by the Oil Conservation Division of New Mexico of written notice of
cancellation from the surety, the obligation of the surety hereunder shall terminate as to property or wells acquired, drilled, or started after
said thirty (30) day period but shall continue in effect, notwithstanding said notice, as to property or wells theretofore acquired, drilled or
started.



Paramount Petroleum Corporation

PRINCIPAL
1980 S. Post Oak Rd., Suite 1800
Houston, Texas 77056

By [Signature]
Address
Signature

President

Title

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

National Surety Corporation

SURETY
3207 Mercer, #201
Houston, Texas 77027

By [Signature]
Address
Attorney-in-Fact

(Note: Corporate surety 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 Texas)
COUNTY OF Harris) ss.

On this 1st day of August, 19 80, before me personally appeared L. W. Dreyer, to me personally known who, being by me duly sworn, did say that he is President of Paramount 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.

2-26-81

My Commission expires _____

Notary Public

ACKNOWLEDGEMENT FORM FOR CORPORATE SURETY

STATE OF Texas)
COUNTY OF Harris) ss.

On this 1st day of August, 19 80, before me appeared W. A. Buttleman, Jr., to me personally known, who, being by me duly sworn, did say that he is Attorney-in-fact of National Surety 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.

2-26-81

My Commission expires _____

(Note: Corporate surety attach power of attorney.)

Notary Public

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By [Signature]

Date _____

GENERAL
POWER OF
ATTORNEY

NATIONAL SURETY CORPORATION

KNOW ALL MEN BY THESE PRESENTS: That NATIONAL SURETY CORPORATION, a Corporation duly organized and existing under the laws of the State of New York, and having its principal office in the City of New York, New York, and its Home Office in the City and County of San Francisco, California, has made, constituted and appointed, and does by these presents make, constitute and appoint J. H. Webber, Albert K. Wharton and W. A. Buttleman, Jr., jointly or severally its true and lawful Attorney(s)-in-Fact, with full power and authority hereby conferred in its name, place and stead, to execute, seal, acknowledge and deliver any and all bonds, undertakings, recognizances or other written obligations in the nature thereof each not to exceed \$500,000 in amount and to bind the Corporation thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Corporation and duly attested by its Secretary, hereby ratifying and confirming all that the said Attorney(s)-in-Fact may do in the premises.

This power of attorney is granted pursuant to Article VIII, Section 30 and 31 of By-laws of NATIONAL SURETY CORPORATION adopted on the 6th day of September 1972, and now in full force and effect.

"Article VIII, Appointment and Authority of Resident Assistant Secretaries, and Attorneys-in-Fact and Agents to accept Legal Process and Make Appearances.

Section 30. Appointment. The Chairman of the Board of Directors, the President, any Vice-President or any other person authorized by the Board of Directors, the Chairman of the Board of Directors, the President or any Vice-President, may, from time to time, appoint Resident Assistant Secretaries and Attorneys-in-Fact to represent and act for and on behalf of the Corporation and Agents to accept legal process and make appearances for and on behalf of the Corporation.

Section 31. Authority. The Authority of such Resident Assistant Secretaries, Attorneys-in-Fact, and Agents shall be as prescribed in the instrument evidencing their appointment, and any such appointment and all authority granted thereby may be revoked at any time by the Board of Directors or by any person empowered to make such appointment."

This power of attorney is signed and sealed under and by the authority of the following Resolution adopted by the Board of Directors of NATIONAL SURETY CORPORATION at a meeting duly called and held on the 28th day of September, 1976, and that said Resolution has not been amended or repealed:

"RESOLVED, that the signature of any Vice-President, Assistant Secretary, and Resident Assistant Secretary of this Corporation, and the seal of this Corporation may be affixed or printed on any power of attorney, on any revocation of any power of attorney, or on any certificate relating thereto, by facsimile, and any power of attorney, any revocation of any power of attorney, or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Corporation."

IN WITNESS WHEREOF, NATIONAL SURETY CORPORATION has caused these presents to be signed by its Vice-President, and its corporate seal to be hereunto affixed this 17th day of October, 1978.



NATIONAL SURETY CORPORATION

By

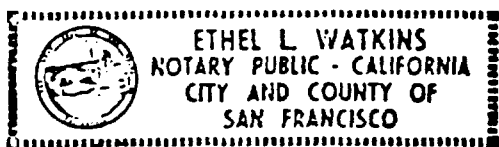
S. D. Menist

S. D. MENIST, Vice-President

STATE OF CALIFORNIA, } ss.
CITY AND COUNTY OF SAN FRANCISCO }

On this 17th day of October, 1978, before me personally came S.D. MENIST, to be known, who, being by me duly sworn, did depose and say: that he is Vice-President of NATIONAL SURETY CORPORATION, the Corporation described in and which executed the above instrument; that he knows the seal of said Corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Corporation and that he signed his name thereto by like order.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year herein first above written.



Ethel L. Watkins

ETHEL L. WATKINS, Notary Public
My commission expires March 2, 1981.

CERTIFICATE :

STATE OF CALIFORNIA, } ss.
CITY AND COUNTY OF SAN FRANCISCO }

I, the undersigned, Assistant Secretary of NATIONAL SURETY CORPORATION, a NEW YORK Corporation, DO HEREBY CERTIFY that the foregoing and attached POWER OF ATTORNEY remains in full force and has not been revoked; and furthermore that Article VIII, Sections 30 and 31 of the By-laws of the Corporation, and the Resolution of the Board of Directors, set forth in the Power of Attorney, are now in force.

Signed and sealed at the City and County of San Francisco. Dated the 25th day of October, 1978.



Winifred H. Browne

WINIFRED H. BROWNE, Assistant Secretary

APPLICATION FOR
CERTIFICATE OF AUTHORITY

The undersigned corporation applies for a Certificate of Authority to transact business in New Mexico under the Business Corporation Act, and for that purpose submits the following statement to the State Corporation Commission:

1. Its corporate name is: PARAMOUNT PETROLEUM CORPORATION

and it is incorporated under the laws of TEXAS

2. If the corporate name does not contain the word "corporation," "company," "incorporated," or "limited," or an abbreviation of one of the words, then its corporate name with the word or abbreviation which it elects to add thereto for use in New Mexico is: PARAMOUNT PETROLEUM CORPORATION

3. The date of its incorporation is: JANUARY 26, 1976

and the period of its duration is: PERPETUAL

4. The street address of its registered office in its state or country of incorporation is: 1980 SOUTH POST OAK #1800, HOUSTON, TEXAS 77056

and the address of the principal office of the corporation, if different from the address of the registered office is _____

5. The street address of its proposed registered office in New Mexico is: 801 E. Broadway Farmington, N.M.

and the name of its proposed registered agent in New Mexico at that address is: Mr Martin Chambers

6. The purpose or purposes which it proposes to pursue in the transaction of business in New Mexico are: PRODUCTION OF OIL AND GAS

(Attach Schedule if needed)

7. The names and respective addresses of its Officers and Directors are:

OFFICE	NAME AND RESPECTIVE ADDRESS
President	<u>L. W. DREYER P. O. BOX 22763, HOUSTON, TEXAS 77027</u>
Vice Pres.	<u>S. R. DREYER P. O. BOX 22763, HOUSTON, TEXAS 77027</u>
Secretary	<u>S. R. DREYER P. O. BOX 22763, HOUSTON, TEXAS 77027</u>
Treasurer	<u>S. R. DREYER P. O. BOX 22763, HOUSTON, TEXAS 77027</u>
Director	<u>L. W. DREYER P. O. BOX 22763, HOUSTON, TEXAS 77027</u>
Director	<u>S. R. DREYER P. O. BOX 22763, HOUSTON, TEXAS 77027</u>
Director	_____

(Attach Schedule if needed)

8. The aggregate number of shares which it has authority to issue, itemized by classes, par value of shares, shares without par value, and series, if any, within a class is:

NUMBER OF SHARES	CLASS	SERIES	PAR VALUE PER SHARE OR STATEMENT THAT SHARES ARE WITHOUT PAR VALUE
1,000,000	A	A	No par value

(Attach Schedule if needed)

9. The aggregate number of its issued shares, itemized by classes, par value of shares, shares without par value, and series, if any, within a class, is:

NUMBER OF SHARES	CLASS	SERIES	PAR VALUE PER SHARE STATEMENT THAT SHARES ARE WITHOUT PAR VALUE
1,000	A	A	No par value

(Attach Schedule if needed)

10. The dollar amount of its stated capital as defined in the New Mexico Business Corporation Act is: \$ Don't know at this time.

11. An estimate expressed in dollars of:

(a) the gross amount of business which will be transacted by it during its current fiscal year at or from places of business located in the state is: Don't know at this time.

(b) the gross amount of business which will be transacted by it during such year, wherever transacted is: About \$400,000.00

(c) the value of all property to be owned by it and located in the state during the year is:
About \$25,000.00

(d) the value of all property to be owned by it during such year, wherever located is:
\$650,000.00

12. This application is accompanied by a copy of a certificate of good standing and compliance issued by the appropriate official of the state or country under the laws of which the corporation is incorporated; and an affidavit executed by the designated registered agent in which he acknowledges his acceptance of the appointment by the filing corporation as its registered agent, if the agent is an individual, or an affidavit executed by the president or vice president of a corporation which is the designated registered agent in which the officer acknowledges the corporation's acceptance of the appointment by the filing corporation as its registered agent, if the agent is a corporation shall be delivered to the corporation commission, together with a copy of its articles of incorporation, or restated articles of incorporation, and all amendments thereto, duly certified by the proper officer of the state or country under the laws of which it is incorporated. Certificate of Good Standing and Compliance, and certified copy, for the filing corporation, are dated within thirty days prior to date of filing with the Commission.

Dated: July 1, 1980

PARAMOUNT PETROLEUM CORPORATION

By Lance W. Dreyer (Corporate Name)
Lance W. Dreyer
Its _____ President
and S. R. Dreyer
Its _____ Secretary

I verify that I am one of the above corporate officers who signed the foregoing document executed by the corporation, and that the statements contained therein are true and correct to the best of our knowledge.

Lance W. Dreyer

Charles R. Rudolph
Chairman

John A. Elliott
Commissioner

Columbus Ferguson
Commissioner

PHONE (505) 627-2853

State of New Mexico
State Corporation Commission
Corporation & Franchise Tax Departments



Santa Fe
87501

July 10, 1980

Paramount Petroleum Corporation
P.O. Box 22763
Houston, TX 77027

RE: PARAMOUNT PETROLEUM CORPORATION

With reference to your request for Registration of Corporate Name, enclosed is a Certificate of Registration of Corporate Name in accordance with Sections 53-11-9 to 53-11-10 NMSA, 1978 of the Business Corporation Act.

A renewal application may be filed between October 1 and December 31, with the renewal registration fee of \$10.00 in order to extend the registration for the following calendar year.

Your cancelled check, as validated by this office, is your receipt.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Manuel L. Salinas".

Manuel L. Salinas
Director

MLS:kr

STATE OF NEW MEXICO



OFFICE OF
THE STATE CORPORATION COMMISSION

Certificate

United States of America }
State of New Mexico } ss.

Initial REGISTRATION OF CORPORATE NAME

In accordance with Sections 53-11-9 to 53-11-10 NMSA 1978 of the
Business Corporation Act, this Commission, hereby, issues this Certificate
for the following corporate name: PARAMOUNT PETROLEUM CORPORATION

for the _____ calendar year, or its remainder thereof.



*In Testimony Whereof, the State Corporation
Commission of the State of New Mexico
has caused this certificate to be signed by
its Chairman and the seal of said Com-
mission to be affixed at the City of Santa
Fe on July 7, 1980*

Attest:

Paul T. Delia

Director

Charles Rudolph

Chairman

**PARAMOUNT
PETROLEUM
CORPORATION**

Oil & Gas Production



August 1, 1980

Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Enclosed Plugging Bond

Gentlemen:

Enclosed you will find Paramount Petroleum Corporation's \$50,000.00 Blanket Plugging Bond which we are forwarding to your offices for filing and approval at this time. We are also enclosing a copy of our Corporate Registration information and Authorization to do Business forms which have been filed with the State Corporate Commission, state of New Mexico.

Feel free to contact the undersigned should you have any questions or desire any additional information in reference to the above or the enclosed.

Very truly yours,

PARAMOUNT PETROLEUM CORPORATION

A handwritten signature in cursive script that reads "Lance W. Dreyer".

Lance W. Dreyer

Enc.,

xc: Steve Burnett

LWD/jlg



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

August 12, 1980

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Paramount Petroleum Corporation
1980 South Post Oak
Suite 1800
Houston, Texas 77056

Attention: Mr. Lance W. Dreyer

Re: \$50,000 Blanket Plugging Bond
Paramount Petroleum Corporation,
Principal, National Surety
Corporation, Surety
Bond No. 1074-3467

Gentlemen:

The Oil Conservation Division hereby approves
the above-referenced blanket plugging bond effective
this date.

Sincerely,

JOE D. RAMEY,
Director

JDR/dr

cc: Oil Conservation Division
Hobbs, Artesia, Aztec

National Surety Corporation
3207 Mercer, No. 201
Houston, Texas 77027

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



May 5, 1987

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

National Surety Corp.
P. O. Box 4276
Houston, Texas 77210

Attention: Clarissa

Re: \$50,000 Blanket Plugging Bond
No. 1074-8467

Dear Clarissa:

I am enclosing a copy of the above-referenced plugging bond so that hopefully you might be able to trace this bond or the agency which issued it.

Any information you may be able to give us regarding this bond will be appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Diane", written over a horizontal line.

DIANE RICHARDSON
Administrator
Bonding Department



**FIREMAN'S FUND
INSURANCE COMPANIES**

777 San Marin Drive
Novato, CA 94998

Writer's Direct Line
(415) 899-2848

Margaret Smith
Assistant Vice President &
Assistant General Counsel

June 4, 1987

JUN - 8 1987
Ms. Diane Richardson
Administrator, Bonding Department
State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P.O. Box 2088
State Land Office Building
Santa Fe, NM 87501

Re: \$50,000 Blanket Plugging Bond -- No. 1074-8467

Dear Ms. Richardson:

Your letter of May 5, 1987, addressed to our Houston office has been forwarded to my attention.

We have examined our files but have been unable to find any evidence that any of the individuals purportedly having the power of attorney from National Surety Corporation were ever given that power by our company. Contrary to the assertion contained in the supposed power of attorney, the National Surety Corporation that is a subsidiary of Fireman's Fund is incorporated in Illinois, not New York. The bond is quite clearly not one of ours.

Neither have we been successful in locating the principal named in the bond. There is a Paramount Petroleum Company located in Houston, Texas. But they claim to have no affiliation with Paramount Petroleum Corporation and referred us to a California corporation with a similar name.

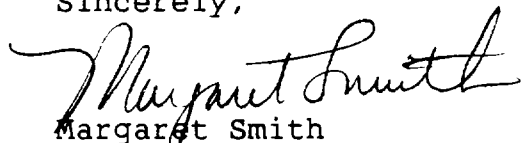
In speaking to Bill Winters, Director of Human Resources of Paramount Petroleum Corporation (located in Paramount, California), he told me that Paramount Petroleum Corporation was incorporated in 1984, which is well after the bond in question was issued. However, he thought that the present

Letter to Ms. Diane Richardson
June 4, 1987
Page Two

company had purchased the right to the name from some previous entity. Whether that previous entity is the company you are seeking, we have no way of knowing. If you wish to discuss this further with Mr. Winters, you may reach him at (213) 531-2060.

I am sorry we cannot be of more assistance.

Sincerely,

A handwritten signature in cursive script, appearing to read "Margaret Smith".

Margaret Smith
Assistant Vice President &
Assistant General Counsel

MS:hs

cc: Loretta Anstey - HO Surety Underwriting
Mike Peyton - Dallas Surety Center
Clarissa Chavis - Houston Surety

Memo

From

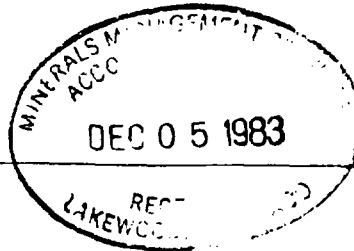
FRANK T. CHAVEZ
District Supervisor

To *Dianne Richardson*

*The BL M knew their bond
was bogus since 12/83. I
wish they had told us.*

Oil Conservation Division

Aztec, New Mexico



FIREMAN'S FUND
INSURANCE COMPANY

Houston Branch Office
6565 West Loop South, Suite 600
P.O. Box 4276
Houston, Texas 77210
Telephone (713) 669-9666

Carl Byers
Resident Vice President

December 1, 1983

CERTIFIED MAIL, RETURN
RECEIPT REQUESTED

Mr. Theodore E. Hodkowski
Chief Lessee Contact Branch
United States Department of the Interior
Minerals Management Service Royalty Management Program
P.O. Box 5810
Denver, Colorado 80217-5810

RE: Your MMS-LC-L-KA PARAMOUNT PETROLEUM
CORPORATION - OIL AND GAS BOND

Dear Mr. Hodkowski:

In response to your letter of November 4, 1983, this constitutes formal notice that the oil and gas bond enclosed therein were not issued by an authorized officer, employee, nor agent of National Surety Corporation, an Illinois Corporation, a subsidiary of Fireman's Fund Insurance Company. The bond was issued by National Surety Corporation New York, New York, on behalf of Paramount Petroleum Corporation, for the benefit of the United States of America. This surety company is not a part of the Fireman's Fund organization. Neither the individual signing the bond nor the other named attorneys-in-fact on the power of attorney are or were authorized agents of National Surety Corporation, incorporated in the state of Illinois, and having its Home Office in the city of Chicago, Illinois, which corporation is a subsidiary of Fireman's Fund Insurance Companies. Please accept this as formal notification that National Surety Corporation, a subsidiary of Fireman's Fund Insurance Company, is not bound by the condition set forth in the terms of the Surety Bond described above.

We suggest that you contact Mr. Bob Curio (512/475-2598) of the Texas State Insurance Department to resolve your dilemma.

If we can be of further assistance, please advise.

Sincerely,

NATIONAL SURETY CORPORATION

Wenda W. Henske

Wenda W. Henske
Senior Claims Representative

C104:L44

cc: James Schraktz, General Counsel

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

STATE OR NATIONWIDE OIL AND GAS BOND

Act of February 25, 1920 (30 U.S.C. Sec. 181)
Act of August 7, 1947 (30 U.S.C. Sec. 351)

18 9 57 AM '80

KNOW ALL MEN BY THESE PRESENTS, That we Paramount Petroleum Corporation
of Houston, Texas

as principal, and National Surety Corporation
of New York City, New York

as surety, are held and firmly bound unto the United States of America in the sum of Twenty Five
Thousand and NO/100-----dollars (\$ 25,000.00)

), lawful money of the United States, which sum may be increased or decreased by a rider hereto executed in the same manner as this bond, for the use and benefit of (1) the United States; (2) the owner of any of the land subject to the coverage of this bond, who has a statutory right to compensation in connection with a reservation of the oil and gas deposits to the United States; and (3) any lessee or permittee under a lease or permit issued by the United States prior to the issuance of an oil and gas lease for the same land subject to this bond, covering the use of the surface or the prospecting for, or development of, other mineral deposits in any portion of such land, to be paid to the United States. For such payment, well and truly to be made, we bind ourselves, and each of our heirs, executors, administrators, successors and assigns, jointly and severally.

If the amount of this bond is \$150,000 or if it is increased to that amount, the coverage shall extend to all of the principal's holdings of federal oil and gas leases in the United States, including Alaska, under the Acts cited in Schedule A.

If the amount of this bond is less than \$150,000, its coverage extends only to the principal's holdings of federal oil and gas leases in the States named in Schedule A and to any other State or States that may be named in a rider attached hereto by the lessor with the consent of the surety.

SCHEDULE A

Public Domain Leasing Act of February 25, 1920
(30 U.S.C. Sec. 181)

NAMES OF STATES

New Mexico

Acquired Lands Leasing Act of August 7, 1947
(30 U.S.C. Sec. 351)

NAMES OF STATES

The conditions of the foregoing obligations are such that, whereas the said principal has an interest in oil and gas leases issued under the Act or Acts cited in Schedule A of this bond: (1) as lessee; (2) as the approved holder of operating rights in all or part of the lands covered by such leases under operating agreements with the lessees; or (3) as designated operator or agent under such leases pending approval of an assignment or operating agreement; and

WHEREAS the principal is authorized to drill for, mine, extract, remove, and dispose of oil and gas deposits in or under the lands covered by the leases, operating agreements or designations and is obligated to comply with certain covenants and agreements set forth in such instruments; and

WHEREAS the principal and surety agree that without notice to the surety the coverage of this bond, in addition to the present holdings of the principal, shall extend to and include:

1. Any oil and gas lease hereafter issued to, or acquired by the principal in the States now named in Schedule A, or later named in a rider, the coverage to be confined to the principal's holdings under the Act or Acts cited at the head of the column in which the name of the State appears and to become effective immediately upon such issuance or upon departmental approval of a transfer in favor of the principal.

2. Any operating agreement hereafter entered into or acquired by the principal affecting oil and gas leases in the States now named in Schedule A, or later named in a rider. The coverage shall become

effective immediately upon departmental approval of the agreement or of a transfer of an operating agreement to the principal.

3. Any designation subsequent hereto of the principal as operator or agent of a lessee under a lease issued pursuant to the Act or Acts cited in Schedule A and covering lands in a State named in Schedule A, either presently or by rider. This coverage shall become effective immediately upon the filing of such a designation under a lease.

4. Any extension of a lease covered by this bond, such coverage to continue without any interruption due to the expiration of the term set forth in the lease.

Provided, that the surety may elect to have the additional coverage authorized under this paragraph become inapplicable as to all interests of the principal acquired more than thirty (30) days after the receipt of notice of such election by the Bureau of Land Management.

The surety hereby waives any right to notice of, and agrees that this bond shall remain in full force and effect notwithstanding:

1. A transfer or transfers, either in whole or in part, of any or all of the leases, or of the operating agreements, and further agrees to remain bound under this bond as to the interests either in the leases or in the operating agreements, or in both, retained by the principal when the approval of the transfer or transfers become effective.

2. Any modification of a lease or operating agreement, or obligations thereunder, whether made or effected by commitment of such lease or operating agreement to unit, cooperative, communitization or storage, agreements, or development contracts, suspensions of operations or production, waivers, suspensions or changes in rental, minimum royalty and royalties, compensatory royalty payments, or otherwise; and

WHEREAS the principal and surety hereby agree that notwithstanding the termination of any lease or leases, operating agreements or designations as operator or agent, covered by this bond, whether the termination is by operation of law or otherwise, the bond shall remain in full force and effect as to all remaining leases, operating agreements, or designations covered by the bond; and

WHEREAS the principal, as to any lease or part of a lease for lands as to which he has been designated as operator or agent, or approved as operator, in consideration of being permitted to furnish this bond in lieu of the lessees, agrees and by these presents does hereby bind himself to fulfill on behalf of each lessee all obligations of each such lease for the entire leasehold in the same manner and to the same extent as though he were the lessee; and

WHEREAS the principal and surety agree that the neglect or forbearance of said lessor in enforcing, as against the lessees of such lessor, the payment of rentals or royalties or the performance of any other covenant, condition or agreement of the leases, shall not, in any way, release the principal and surety, or either of them, from any liability under this bond; and

WHEREAS the principal and surety agree that in the event of any default under the leases, the lessor may commence and prosecute any claim, suit, action, or other proceeding against the principal and surety, or either of them, without the necessity of joining the lessees.

NOW, THEREFORE, IF said principal shall in all respects faithfully comply with all of the provisions of the leases referred to hereinbefore, then the above obligations are to be void; otherwise to remain in full force and effect.

Signed on this 13th day of August

, 1980, in the presence of:

NAMES AND ADDRESSES OF WITNESSES

Robert C. Whitwood

1980 S. Post Oak Rd., Suite 1800
Houston, Texas 77056

PARAMOUNT PETROLEUM CORPORATION
Lance W. Dreyer (L.S.)
L. W. Dreyer, President

1980 S. Post Oak Rd., Suite 1800
Houston, Texas 77056
(Business address)

NATIONAL SURETY CORPORATION

Ralph Tager

3207 Mercer, #201
Houston, Texas 77027

W. A. Buttler (L.S.)
W. A. Buttler, Jr., Attorney-in-Fact

3207 Mercer, #201
Houston, Texas 77027
(Business address)

GENERAL
POWER OF
ATTORNEY

NATIONAL SURETY CORPORATION

KNOW ALL MEN BY THESE PRESENTS: That NATIONAL SURETY CORPORATION, a Corporation duly organized and existing under the laws of the State of New York, and having its principal office in the City of New York, New York, and its Home Office in the City and County of San Francisco, California, has made, constituted and appointed, and does by these presents make, constitute and appoint J. H. Webber, Albert K. Wharton and W. A. Buttleman, Jr., jointly or severally its true and lawful Attorney(s)-in-Fact, with full power and authority hereby conferred in its name, place and stead, to execute, seal, acknowledge and deliver any and all bonds, undertakings, recognizances or other written obligations in the nature thereof each not to exceed \$500,000 in amount and to bind the Corporation thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Corporation and duly attested by its Secretary, hereby ratifying and confirming all that the said Attorney(s)-in-Fact may do in the premises.

This power of attorney is granted pursuant to Article VIII, Section 30 and 31 of By-laws of NATIONAL SURETY CORPORATION adopted on the 6th day of September 1972, and now in full force and effect.

"Article VIII, Appointment and Authority of Resident Assistant Secretaries, and Attorneys-in-Fact and Agents to accept Legal Process and Make Appearances.

Section 30. *Appointment.* The Chairman of the Board of Directors, the President, any Vice-President or any other person authorized by the Board of Directors, the Chairman of the Board of Directors, the President or any Vice-President, may, from time to time, appoint Resident Assistant Secretaries and Attorneys-in-Fact to represent and act for and on behalf of the Corporation and Agents to accept legal process and make appearances for and on behalf of the Corporation.

Section 31. *Authority.* The Authority of such Resident Assistant Secretaries, Attorneys-in-Fact, and Agents shall be as prescribed in the Instrument evidencing their appointment, and any such appointment and all authority granted thereby may be revoked at any time by the Board of Directors or by any person empowered to make such appointment."

This power of attorney is signed and sealed under and by the authority of the following Resolution adopted by the Board of Directors of NATIONAL SURETY CORPORATION at a meeting duly called and held on the 28th day of September, 1976, and that said Resolution has not been amended or repealed:

"RESOLVED, that the signature of any Vice-President, Assistant Secretary, and Resident Assistant Secretary of this Corporation, and the seal of this Corporation may be affixed or printed on any power of attorney, on any revocation of any power of attorney, or on any certificate relating thereto, by facsimile, and any power of attorney, any revocation of any power of attorney, or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Corporation."

IN WITNESS WHEREOF, NATIONAL SURETY CORPORATION has caused these presents to be signed by its Vice-President, and its corporate seal to be hereunto affixed this 17th day of October, 1978.



STATE OF CALIFORNIA,

CITY AND COUNTY OF SAN FRANCISCO } ss.

NATIONAL SURETY CORPORATION

By

S. D. MENIST, Vice-President

On this 17th day of October, 1978, before me personally came S.D. MENIST, to be known, who, being by me duly sworn, did depose and say: that he is Vice-President of NATIONAL SURETY CORPORATION, the Corporation described in and which executed the above instrument; that he knows the seal of said Corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Corporation and that he signed his name thereto by like order.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year herein first above written.



Ethel L. Watkins

ETHEL L. WATKINS, Notary Public
My commission expires March 2, 1981.

CERTIFICATE :

STATE OF CALIFORNIA,

CITY AND COUNTY OF SAN FRANCISCO } ss.

I, the undersigned, Assistant Secretary of NATIONAL SURETY CORPORATION, a NEW YORK Corporation, DO HEREBY CERTIFY that the foregoing and attached POWER OF ATTORNEY remains in full force and has not been revoked; and furthermore that Article VIII, Sections 30 and 31 of the By-laws of the Corporation, and the Resolution of the Board of Directors, set forth in the Power of Attorney, are now in force.

Signed and sealed at the City and County of San Francisco. Dated the 25th day of October, 1978.



Winifred H. Browne

WINIFRED H. BROWNE, Assistant Secretary



**FIREMANS FUND
INSURANCE COMPANIES**

777 San Marin Drive
Novato, CA 94998
(415) 899-2000

1454
LN
9/2

August 20, 1986

Ms. Dolores Vigil
State of New Mexico
Bureau of Land Management (943C-3)
P.O. Box 1449
Santa Fe, New Mexico 87504

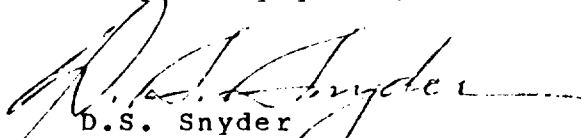
RE: PARAMOUNT PETROLEUM CORP., OIL & GAS BOND \$25,000

Dear Ms. Vigil:

This letter is sent to you to acknowledge receipt of the correspondence and documentation forwarded to our Mrs. Gilbert on August 1, 1986. As stated to you in our telephone conversation, this bond about which you have inquired is not a valid bond of National Surety Corporation as there is no record of the attorney-in-fact nor any evidence of him having been issued power-of-attorney to represent the surety. Since it is our position that the bond filed with you is not a valid obligation of National Surety Corporation, then the surety is not bound by the terms and conditions set forth in the bond.

The matter has been referred to our General Counsel's Office for further review.

Very truly yours,


D.S. Snyder
Secretary, Surety

DSS:mh

FBI PH 06043
 FBI SF 079065
 3111 (943C-3dw)

[illegible]

Previous attempts by BLM and MMS to contact the surety, National Surety Corporation, have failed because it appears that the surety is non-existent. A history report was requested and received from the Texas State Board of Insurance in further efforts to contact the principal and/or the surety. Following receipt of the report, numerous phone calls followed, mostly with

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finally, however, we made contact with a Mr. Don Sawyer, who was able to offer some advice and assistance (see copy of letter attached).

NM NM 06093

We have a \$25,000, Statewide New Mexico Bond No. SY 284852, for Frank O. Elliott, Living Trust, and Edna Ione Hall, Living Trust. Each hold 50 percent record title interest in this lease. (See attached bond abstract)

The principals are bound by the terms and conditions of the bond to comply with the provisions of the lease(s). Otherwise, they, and the surety, are liable for any default.

"The conditions . . . are such that, . . . the said principal in one or more of the following ways has an interest in oil and gas leases issued under the act or acts cited in Schedule A of this bond: (1) as the lessee of such leases; . . . The principal and surety agrees that without notice to the surety the coverage of this bond, in addition to the present holdings of the principal, shall extend to and include . . . any oil and gas lease hereafter issued to, or acquired by, the principal affecting oil and gas deposits in the States now named in Schedule A, or later named in a rider . . .

. . . The principal and surety agree that in the event of any default under the leases, the lessor may commence and prosecute any claim, suit, action, or other proceeding against the principal and surety, or either of them, without the necessity of joining the lessees."

NM SF 079065

We have a \$150,000, Nationwide Bond No. 16-0130-1872-75, for Southland Royalty Company. This company is the only operating rights interest holder bonded for this lease. (See attached bond abstract)

The principals are bound by the terms and conditions of the bond to comply with the provisions of the lease(s). Otherwise, they, and the surety, are liable for any default.

"The conditions . . . are such that, . . . the said principal in one or more of the following ways has an interest in oil and gas leases issued under the act or acts cited in Schedule A of this bond: . . . (2) as the approved holder of operating rights in all or part of the lands. . . . The principal and surety agree that without notice to the surety, the coverage of this bond, in addition to the present holdings of the principal, shall extend to and include . . . any operating agreement hereafter entered into or acquired by the principal . . . as to any lease or part of a lease for lands as to which he has been approved as operator, in consideration of being permitted to furnish this bond in lieu of the lessees, agrees to fulfill on behalf of each lessee all obligations. . . . The principal and surety agree that in the event of any default the lessor may commence proceeding against the principal and surety, or either of them, without the necessity of joining the lessees."

ACCOUNT INFORMATION

A check on the status of the royalty accounts with MMS revealed the following:

NM NM 06093

Account is in good standing through 1985. Minimum royalty due August 31, 1986, has not been paid, however, they have a 30-day grace period within which to submit payment.

Minimum royalty is being paid by Elliott Oil Company. Royalty payer is Paramount Petroleum

NM SF 079065

Account is in good standing through current lease year. Minimum royalty due = \$1,476.00; royalties actually paid this year = \$11,000.00.

Minimum royalty is being paid by Paramount Petroleum. Royalty payers are Gas Company of New Mexico, Southland Royalty and Paramount Petroleum.

WELL INFORMATION

From the list furnished by Ron Bartel (copy attached), all of the wells are located on lease NM SF 079065 except No. 19, which is on lease NM NM 06093. Because of the existing bonds discussed above and since the designated operator information in the files is so old (1950's) or does not apply to the specific well locations, no further time was spent researching this matter.

We are ready to meet on these cases at your convenience.

[s] Tessie R. Anchondo

4 Attachments

943C-dv:DVigil:TRAnchondo:bg:9/11/86:X6659:WANGID2928t



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
NEW MEXICO STATE OFFICE
Post Office and Federal Building
P.O. Box 1449
Santa Fe, New Mexico 87504-1449

IN REPLY REFER TO:

NM SF 079065
3160 (922)
3111

for 1/26

JAN 26 1987

CERTIFIED--RETURN RECEIPT REQUESTED

Paramount Petroleum Corporation
P.O. Box 22763
Houston, TX 77027

Gentlemen:

This is to inform you that Federal oil and gas lease NM SF 079065, of which Paramount Petroleum Corporation is the record title holder, is in noncompliance with Onshore Oil and Gas Operations Regulations and is subject to cancellation pursuant to 43 CFR 3163.4-1(b)(11). According to our records, Paramount Petroleum Corporation holds operating rights from 100 feet above the top of the Lower Gallup Marker to 150 feet below the top of the Lower Gallup Marker, a 250 foot interval extending from 5208 feet to 5458 feet below the surface. There are 15 wells completed within this interval, all of which are in noncompliance with the regulations concerning the testing and abandonment of wells (43 CFR 3162.3-4(c) and 3162.4-2(b)). The Farmington Area Manager has ordered that these wells either be returned to producing status from the Gallup Formation or be properly plugged and abandoned. Failure to comply with this order has resulted in an assessment under 43 CFR 3163.3(a) and liability for civil penalties under 43 CFR 3163.4-1 and a recommendation in accordance with 43 CFR 3163.4-1(b)(11) that lease cancellation proceedings be initiated. Present lease production is from below 5458 feet from wells operated by Southland Royalty Company. The surety company listed for the lessee's bond for this lease has been determined to be nonexistent.

To resolve this matter as to the 15 wells, we are recommending that record title to NM SF 079065 be assigned to Southland Royalty Company by Paramount Petroleum Corporation (or successor Corporation) along with all operating rights to the Gallup Formation and the 15 wells. As part of this assignment, Southland Royalty Company would agree to either place the wells on producing status or plug and abandon them within a reasonable amount of time.

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By separate letter, we have informed Southland Royalty Company of this recommendation. If this office is not contacted by either party by March 1, 1987, we will forward this matter to the office of the Field Solicitor, U.S. Department of Interior, to commence appropriate judicial proceedings.

Sincerely,

/s/ LARRY L. WOODARD

Larry L. Woodard
State Director

cc:
Field Solicitor, USDI, Santa Fe, NM
NM (943C)
NM (015)
NM (016)

922:BDalness:tlu:12/3/86:x6117:WANGID:1018U

AUG 17 1987

CERTIFIED—RETURN RECEIPT REQUESTED

Mr. L. W. Drayer
Register Agent
Paramount Petroleum Corporation
4605 Post Oak Place
Houston, TX 77027

Dear Mr. Drayer:

This supplements our letter of January 26, 1987, informing you, among other things, that the surety company listed for Paramount Petroleum Corporation's bond was determined to be nonexistent.

Since 1983 when the determination was made that the surety company was nonexistent, we were negligent in requesting a replacement bond. Therefore, this is formal notification of the requirement to secure and file within 30 days of receipt of this letter, a replacement Statewide bond. This may be in the form of a surety bond, cash, or U. S. Treasury negotiable security. Enclosed is Form 3104-8 for your convenience.

If you have questions regarding the bond, please contact Dolores Vigil, 505-988-6659.

Sincerely,

/s/ Tessie R. Anchondo

Tessie R. Anchondo
Chief, Adjudication Section

Enclosure 1

cc:
Paramount Petroleum Corp.
NM (922, B. Dalness)

RECEIVED
OCT 01 1987
OIL CON. DIV.]
DIST. 3

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

MEMORANDUM

TO: JEFF TAYLOR, GENERAL COUNSEL

FROM: DIANE RICHARDSON, BOND ADMINISTRATOR

RE: \$50,000 BLANKET PLUGGING BOND FOR PARAMOUNT
PETROLEUM COMPANY
BOND NO. 1074-8467

A handwritten signature in dark ink, appearing to be "JR" or similar, located to the right of the memorandum header.

In response to a telephone call from Frank Chavez, Supervisor of our Aztec District Office, wherein he advised that a bond issued to the Bureau of Land Management under the name of Paramount Petroleum Company was a bogus plugging bond, I checked into the bond we are holding for Paramount. Apparently this bond is no good as National Surety Corporation has been unable to find any record of the individuals signing this bond as representatives of the insurance company.

Since there are many wells outstanding on this bond, the cost to the State is going to be tremendous.

Please look into what we can do and I would appreciate your advising me of the action you plan to take.

June 22, 1987

*Jeff - I have not had a response to
this - Diane 7/20/87*

Since the company is defunct, there is no one we can go after. I will call Frank and see if it is possible to trace the person who forged the signature. JP

Paramount
Petroleum
Co.

70-2-10

Paying
Permanently

United Texas Pet Corp.

" " Well Service Corp.

Unum Inc.

International Petroleum Corp

Dime Inc.

L. W. Dreyer Co.

hance W. Dreyer, Trustee

Lackland Comm sending papers to
Frank. Power of Attorney no good.
History no good.

Frank called 7-27-87

ILLEGIBLE

TO _____

DATE _____ TIME _____

WHILE YOU WERE OUT

MR. _____

OF _____

PHONE Clavissa AREA CODE _____

TELEPHONED		PLEASE PHONE	
CALLED TO SEE YOU		WILL CALL AGAIN	
WANTS TO SEE YOU		RETURNED YOUR CALL	

MESSAGE Paramount -

Good it is not right

no record
of this bond

MESSAGE TAKEN BY _____

Memo

From

DIANE RICHARDSON
Bonding Department

To

*Ins. Co.
Registered With
Carp Comm.*

Memo

From

DIANE RICHARDSON
Bonding Department

To

Ins. Co.
Registered with
Carp Comm.

Memo

From

DIANE RICHARDSON
Bonding Department

To

Call Clarisse
and get street
address for
National Surety


Memo

From

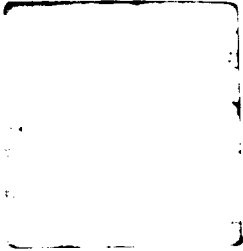
DIANE RICHARDSON
Bonding Department

To

Call Clarisse
and get street
address for
National Surety



National Surety Corp.
Box 4276



Houston, Tex 77210

Memo

From

DIANE RICHARDSON
Bonding Department

To Head of Ins.
4535

Home Office.

Reg. Insurance
415 899-2000

National Surety
Houston 713 669-9666

Oil Conservation Division Santa Fe, New Mexico 87501
(505) 827-5800