

30015 03823

Form O & G B-1
Adopted 6-17-77
Revised 11-01-89

BEFORE EXAMINATION

STATE OF NEW MEXICO

OP - 12

OCD

1B

ONE-WELL PLUGGING BOND

CASE NO. 12438 FOR CHAVES, EDDY, LEA, MCKINLEY, RIO ARriba, ROOSEVELT,
SANDOVAL, AND SAN JUAN COUNTIES ONLY

BOND NO. B05543
AMOUNT OF BOND \$5,000.00
COUNTY Eddy

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00*
For wells 5,000 to 10,000 feet deep, the minimum bond is \$7,500.00*
For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, i.e., a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 feet, and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

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

KNOW ALL MEN BY THESE PRESENTS:

That Salado Operating, LLC, ~~(an individual)~~ ~~(a partnership)~~
(a corporation organized in the State of New Mexico, with its principal office in the city
of Hobbs, State of New Mexico, and authorized to do business
in the State of New Mexico), as PRINCIPAL, and Underwriters Indemnity Company,
a corporation organized and existing under the laws of the State of
Texas, 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 70-2-12, New Mexico Statutes Annotated, 1978
Compilation, as amended, in the sum of FIVE Dollars 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 lease, or carbon
dioxide (CO₂) gas leases, or helium gas leases, or brine mineral 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, or brine mineral 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 one well not to exceed a depth of 5,000'
feet, 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 well started by others on land embraced in said State oil
and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, or brine minerals, 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 being
2970 FSL 1650 FEL, Section 2, Township 16 (North)(South)

(Here state exact legal footage description)
Range 30 (East)(West), N.M.P.M., Eddy County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or
assigns, or any of them, shall plug said well 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, brine, 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.

11-21-95

OIL CONSERVATION DIVISION OF NEW MEXICO
By: _____
Date: _____

APPROVED BY:

(Note: Corporate surety attach power of attorney.)

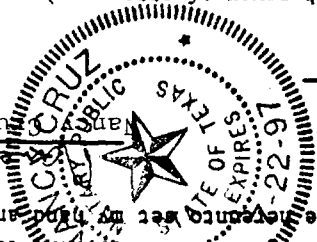
My Commission Expires

July 22, 1997

first above written.

On this 12th day of October, 1995, before me appeared Roy C. Die, Attorney-in-Fact of Underwriters Indemnity 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

Notary Public



STATE OF TEXAS
COUNTY OF HARRIS
ss.

ACKNOWLEDGEMENT FORM FOR CORPORATE SURETY

My Commission Expires

January 30, 1999

first above written.

On this 12th day of October, 1995, before me personally appeared Allen Hedge, President of Salado Operating LLC 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

Notary Public

STATE OF New Mexico
COUNTY OF Lea
ss.

ACKNOWLEDGEMENT FORM FOR CORPORATION

My Commission Expires

Notary Public

first above written.

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

STATE OF _____
COUNTY OF _____
ss.

ACKNOWLEDGEMENT FORM FOR NATURAL PERSONS

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

(Note: Corporate surety affix corporate seal here.)

Title

President

Signature

Address

Hobbs, NM 88241

P.O. Box 1925

PRINCIPAL

Salado Operating, LLC

By:

Roy C. Die, Attorney-in-Fact

Address

Houston, TX 77046

8 Greenway Plaza, #400

SURETY

Underwriters Indemnity Company

GENERAL POWER OF ATTORNEY

CERTIFIED COPY

KNOW ALL MEN BY THESE PRESENTS: That **UNDERWRITERS INDEMNITY COMPANY**, a corporation organized and existing under the laws of the State of Texas, and having its principal office in the City of Houston, Texas, does hereby constitute and appoint:

ROY C. DIE

its true and lawful attorney-in-fact to execute, seal and deliver for and on its behalf as surety, any and all bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, which are or may be allowed, required or permitted by law, statute, rule, regulation, contract or otherwise, in an amount not to exceed:

*******FIFTY THOUSAND AND NO/100*******

and the execution of all such instrument(s) in pursuance of these presents, shall be binding upon said **UNDERWRITERS INDEMNITY COMPANY** as fully and amply, to all intents and purposes, as if the same had been duly executed and acknowledged by its regularly elected officers at its principal office.

This Power of Attorney is executed, and may be certified to and may be revoked, pursuant to and by authority of Article V, Section 6(C) of the By-Laws adopted by the Board of Directors of **UNDERWRITERS INDEMNITY COMPANY**, at a meeting called and held on the 23rd day of January 1985, of which the following is a true transcript of said Section 6(C):

"The President or any Vice President, Assistant Vice President, Secretary or Resident Secretary shall have power and authority

- (1) To appoint Attorneys-in-fact, and to authorize them to execute on behalf of the Company, and attach the Seal of the Company thereto, bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, and
- (2) to appoint special Attorneys-in-fact, who are hereby authorized to certify to copies of any power-of-attorney issued in pursuance of this section and/or any of the By-laws of the Company, and
- (3) to remove, at any time, any such Attorney-in-fact or Special Attorney-in-fact and revoke the authority given to him."

Further, this Power of Attorney is signed and sealed by facsimile pursuant to resolution of the Board of Directors of said Company adopted at a meeting duly called and held on the 23rd day of January, 1985, of which the following is a true excerpt:

"Now therefore the signatures of such officers and the seal of the Company may be affixed to any such power of attorney or any certificate relating thereto by facsimile, and any such power of attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by facsimile signatures and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached."

IN TESTIMONY WHEREOF, **UNDERWRITERS INDEMNITY COMPANY** has caused this instrument to be signed and its corporate seal to be affixed by its authorized officer, E.H. Frank, III, on this the third day of September, 1991



E.H. Frank III President

STATE OF TEXAS
COUNTY OF HARRIS

On this the 2nd day of June, 1995, before me came the individual who executed the preceding instrument, to me personally known, and, being duly sworn, said that he is the therein described and authorized officer of **UNDERWRITERS INDEMNITY COMPANY**; that the seal affixed to said instrument is the Corporate Seal of said Company; that the said Corporate Seal and his signature were duly affixed by order of the Board of Directors of said Company.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal, at the City of Houston, Texas, the day and year first above written.



Mary Williams NOTARY PUBLIC, Harris County, Texas

CERTIFICATION

I, the undersigned officer of **UNDERWRITERS INDEMNITY COMPANY**, do hereby certify that I have compared the foregoing copy of the Power of Attorney and affidavit, and the copy of the Section of the By-Laws of said Company as set forth in said Power of Attorney, and that the same are correct transcripts thereof, and of the whole of the said originals, and that the said Power of Attorney has not been revoked and is now in full force and effect.

IN TESTIMONY WHEREOF, I have hereunto set my hand this 12th day of October, 19 95



Greg E. Chilson Assistant Secretary
Greg E. Chilson

Only a certified copy of Power of Attorney bearing the Certificate of Authority No. printed in red on the upper right corner is binding. Photocopies, carbon copies or other reproductions of this document are invalid and not binding upon the Company.

ANY INSTRUMENT ISSUED IN EXCESS OF THE PENALTY AMOUNT STATED ABOVE IS TOTALLY VOID AND WITHOUT VALIDITY.

30 015 03821

Form O & G B-1
Adopted 6-17-77
Revised 11-01-89

STATE OF NEW MEXICO
ONE-WELL PLUGGING BOND

12438 FOR CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT,
SANBOVAL, AND SAN JUAN COUNTIES ONLY

BOND NO. B05544
AMOUNT OF BOND \$5,000.00
COUNTY Eddy

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00*
For wells 5,000 to 10,000 feet deep, the minimum bond is \$7,500.00*
For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, i.e., a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 feet, and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

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

KNOW ALL MEN BY THESE PRESENTS:

That Salado Operating, LLC, ~~(an individual partnership)~~
(a corporation organized in the State of New Mexico, with its principal office in the city
of Hobbs, State of New Mexico, and authorized to do business
in the State of New Mexico), as PRINCIPAL, and Underwriters Indemnity Company,
a corporation organized and existing under the laws of the State of
Texas, 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 70-2-12, New Mexico Statutes Annotated, 1978
Compilation, as amended, in the sum of FIVE Dollars 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 lease, or carbon
dioxide (CO₂) gas leases, or helium gas leases, or brine mineral 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, or brine mineral 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 one well not to exceed a depth of 5,000'
feet, 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 well started by others on land embraced in said State oil
and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, or brine minerals, 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 being
3654.5 FNL & 330 FEL, Section 2, Township 16 ~~(North)~~ (South)
(Here state exact legal footage description)
Range 30 (East)(West), N.M.P.M., Eddy County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or
assigns, or any of them, shall plug said well 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, brine, 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.

Salado Operating, LLC
PRINCIPAL
P.O. Box 1925
Hobbs, NM 88241
Address
Signature
By: _____
President
Title
(Note: Principal, if corporation, affix corporate seal here.)
(Note: Corporate surety affix corporate seal here.)
Underwriters Indemnity Company
SURETY
8 Greenway Plaza, #400
Houston, TX 77046
Address
BY: _____
Roy C. Die, Attorney-In-Fact

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 12th day of October, 1995, before me personally appeared Allen Hodge, President of Salado Operating LLC, 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.

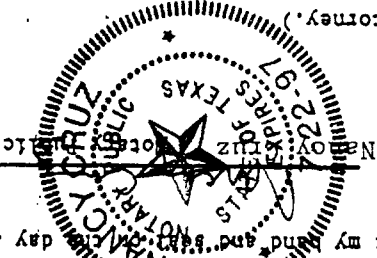
Notary Public

January 31, 1999
My Commission Expires

ACKNOWLEDGEMENT FORM FOR CORPORATE SURETY

STATE OF _____
COUNTY OF _____ ss.
HARRIS

On this 12th day of October, 1995, before me appeared Roy C. Die, Attorney-In-Fact of _____, to me personally known, who, being by me duly sworn, did say that he is 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.



July 22, 1997
My Commission Expires

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

Date:

By: _____

GENERAL POWER OF ATTORNEY

CERTIFIED COPY

KNOW ALL MEN BY THESE PRESENTS: That **UNDERWRITERS INDEMNITY COMPANY**, a corporation organized and existing under the laws of the State of Texas, and having its principal office in the City of Houston, Texas, does hereby constitute and appoint:

ROY C. DIE

its true and lawful attorney-in-fact to execute, seal and deliver for and on its behalf as surety, any and all bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, which are or may be allowed, required or permitted by law, statute, rule, regulation, contract or otherwise, in an amount not to exceed:

*******FIFTY THOUSAND AND NO/100*******

and the execution of all such instrument(s) in pursuance of these presents, shall be binding upon said **UNDERWRITERS INDEMNITY COMPANY** as fully and amply, to all intents and purposes, as if the same had been duly executed and acknowledged by its regularly elected officers at its principal office.

This Power of Attorney is executed, and may be certified to and may be revoked, pursuant to and by authority of Article V, Section 6(C) of the By-Laws adopted by the Board of Directors of **UNDERWRITERS INDEMNITY COMPANY**, at a meeting called and held on the 23rd day of January 1985, of which the following is a true transcript of said Section 6(C):

"The President or any Vice President, Assistant Vice President, Secretary or Resident Secretary shall have power and authority

- (1) To appoint Attorneys-in-fact, and to authorize them to execute on behalf of the Company, and attach the Seal of the Company thereto, bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, and
- (2) to appoint special Attorneys-in-fact, who are hereby authorized to certify to copies of any power-of-attorney issued in pursuance of this section and/or any of the By-laws of the Company, and
- (3) to remove, at any time, any such Attorney-in-fact or Special Attorney-in-fact and revoke the authority given to him."

Further, this Power of Attorney is signed and sealed by facsimile pursuant to resolution of the Board of Directors of said Company adopted at a meeting duly called and held on the 23rd day of January, 1985, of which the following is a true excerpt:

"Now therefore the signatures of such officers and the seal of the Company may be affixed to any such power of attorney or any certificate relating thereto by facsimile, and any such power of attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by facsimile signatures and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached."

IN TESTIMONY WHEREOF, **UNDERWRITERS INDEMNITY COMPANY** has caused this instrument to be signed and its corporate seal to be affixed by its authorized officer, E.H. Frank, III, on this the third day of September, 1991.



E.H. Frank III

President

STATE OF TEXAS
COUNTY OF HARRIS

On this the 2nd day of June, 1995, before me came the individual who executed the preceding instrument, to me personally known, and, being duly sworn, said that he is the therein described and authorized officer of **UNDERWRITERS INDEMNITY COMPANY**; that the seal affixed to said instrument is the Corporate Seal of said Company; that the said Corporate Seal and his signature were duly affixed by order of the Board of Directors of said Company.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal, at the City of Houston, Texas, the day and year first above written.



Mary Williams

NOTARY PUBLIC, Harris County, Texas

CERTIFICATION

I, the undersigned officer of **UNDERWRITERS INDEMNITY COMPANY**, do hereby certify that I have compared the foregoing copy of the Power of Attorney and affidavit, and the copy of the Section of the By-Laws of said Company as set forth in said Power of Attorney, and that the same are correct transcripts thereof, and of the whole of the said originals, and that the said Power of Attorney has not been revoked and is now in full force and effect.

IN TESTIMONY WHEREOF, I have hereunto set my hand this 12th day of October, 19 95



Greg E. Chilson
Greg E. Chilson

Assistant Secretary

Only a certified copy of Power of Attorney bearing the Certificate of Authority No. printed in red on the upper right corner is binding. Photocopies, carbon copies or other reproductions of this document are invalid and not binding upon the Company.

ANY INSTRUMENT ISSUED IN EXCESS OF THE PENALTY AMOUNT STATED ABOVE IS TOTALLY VOID AND WITHOUT VALIDITY.

30 015 03825

Form O & G B-1
Adopted 6-17-77
Revised 11-01-89

BEFORE ME, _____

Oil and Gas Conservation Division

STATE OF NEW MEXICO

CCD

1B

ONE-WELL PLUGGING BOND

CASE NO. 12438

FOR CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT,
SANDOVAL, AND SAN JUAN COUNTIES ONLY

BOND NO. B05545
AMOUNT OF BOND \$5,000.00
COUNTY Eddy

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00*
For wells 5,000 to 10,000 feet deep, the minimum bond is \$7,500.00*
For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, i.e., a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 feet, and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

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

KNOW ALL MEN BY THESE PRESENTS:

That Salado Operating, LLC, ~~(a corporation organized in the State of New Mexico)~~
(a corporation organized in the State of New Mexico, with its principal office in the city
of Hobbs, State of New Mexico, and authorized to do business
in the State of New Mexico), as PRINCIPAL, and Underwriters Indemnity Company,
a corporation organized and existing under the laws of the State of
Texas, 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 70-2-12, New Mexico Statutes Annotated, 1978
Compilation, as amended, in the sum of FIVE Dollars 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:

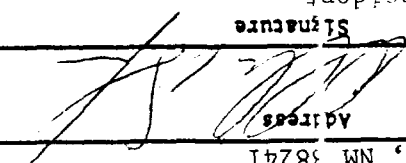
WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas lease, or carbon
dioxide (CO₂) gas leases, or helium gas leases, or brine mineral leases with the State of New Mexico; and

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, or brine mineral leases on lands patented by the United
States of America to private individuals, and on lands otherwise owned by private individuals; and

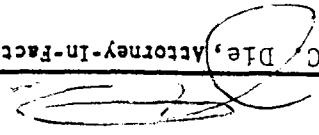
WHEREAS, The above principal, individually, or in association with one or more other parties, has
commenced or may commence the drilling of one well not to exceed a depth of 5,000'
feet, to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or
may acquire, own or operate such well, or such well started by others on land embraced in said State oil
and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, or brine minerals, 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 being
1980' FSL & 660 FEL, Section 2, Township 16 (~~North~~)(South)
(Here state exact legal footage description)
Range 30 (~~East~~)(~~West~~), N.M.P.M., Eddy County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or
assigns, or any of them, shall plug said well 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, brine, 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.

Salado Operating, LLC
PRINCIPAL
P.O. Box 1125
Hobbs, NM 88241
Address
By: 
Signature
President
Title

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

Underwriters Indemnity Company
SURETY
8 Greenway Plaza, #400
Houston, TX 77046
Address
By: 
Roy C. Die, 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 _____
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 _____ President of _____ Salado Operating, LLC. 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 January 31, 1999

ACKNOWLEDGEMENT FORM FOR CORPORATE SURETY

STATE OF _____
COUNTY OF _____ ss.

On this _____ day of _____, 19____, before me appeared _____ Roy C. Die Attorney-in-Fact of _____ Underwriters Indemnity 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.

My Commission Expires July 22, 1997

(Note: Corporate surety attach power of attorney here.)

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By: 

Date: _____

GENERAL POWER OF ATTORNEY

CERTIFIED COPY

KNOW ALL MEN BY THESE PRESENTS: That **UNDERWRITERS INDEMNITY COMPANY**, a corporation organized and existing under the laws of the State of Texas, and having its principal office in the City of Houston, Texas, does hereby constitute and appoint:

ROY C. DIE

its true and lawful attorney-in-fact to execute, seal and deliver for and on its behalf as surety, any and all bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, which are or may be allowed, required or permitted by law, statute, rule, regulation, contract or otherwise, in an amount not to exceed:

*******FIFTY THOUSAND AND NO/100*******
and the execution of all such instrument(s) in pursuance of these presents, shall be binding upon said **UNDERWRITERS INDEMNITY COMPANY** as fully and amply, to all intents and purposes, as if the same had been duly executed and acknowledged by its regularly elected officers at its principal office.

This Power of Attorney is executed, and may be certified to and may be revoked, pursuant to and by authority of Article V, Section 6(C) of the By-Laws adopted by the Board of Directors of **UNDERWRITERS INDEMNITY COMPANY**, at a meeting called and held on the 23rd day of January 1985, of which the following is a true transcript of said Section 6(C):

- "The President or any Vice President, Assistant Vice President, Secretary or Resident Secretary shall have power and authority
- (1) To appoint Attorneys-in-fact, and to authorize them to execute on behalf of the Company, and attach the Seal of the Company thereto, bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, and
 - (2) to appoint special Attorneys-in-fact, who are hereby authorized to certify to copies of any power-of-attorney issued in pursuance of this section and/or any of the By-laws of the Company, and
 - (3) to remove, at any time, any such Attorney-in-fact or Special Attorney-in-fact and revoke the authority given to him."

Further, this Power of Attorney is signed and sealed by facsimile pursuant to resolution of the Board of Directors of said Company adopted at a meeting duly called and held on the 23rd day of January, 1985, of which the following is a true excerpt:

"Now therefore the signatures of such officers and the seal of the Company may be affixed to any such power of attorney or any certificate relating thereto by facsimile, and any such power of attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by facsimile signatures and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached."

IN TESTIMONY WHEREOF, **UNDERWRITERS INDEMNITY COMPANY** has caused this instrument to be signed and its corporate seal to be affixed by its authorized officer, E.H. Frank, III, on this the third day of September, 1991.



E.H. Frank III President

STATE OF TEXAS
COUNTY OF HARRIS

On this the 2nd day of June, 1995, before me came the individual who executed the preceding instrument, to me personally known, and, being duly sworn, said that he is the therein described and authorized officer of **UNDERWRITERS INDEMNITY COMPANY**; that the seal affixed to said instrument is the Corporate Seal of said Company; that the said Corporate Seal and his signature were duly affixed by order of the Board of Directors of said Company.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal, at the City of Houston, Texas, the day and year first above written.



Mary Williams NOTARY PUBLIC, Harris County, Texas

CERTIFICATION

I, the undersigned officer of **UNDERWRITERS INDEMNITY COMPANY**, do hereby certify that I have compared the foregoing copy of the Power of Attorney and affidavit, and the copy of the Section of the By-Laws of said Company as set forth in said Power of Attorney, and that the same are correct transcripts thereof, and of the whole of the said originals, and that the said Power of Attorney has not been revoked and is now in full force and effect.

IN TESTIMONY WHEREOF, I have hereunto set my hand this 12th day of October, 19 95



Greg E. Chilson Assistant Secretary
Greg E. Chilson

Only a certified copy of Power of Attorney bearing the Certificate of Authority No. printed in red on the upper right corner is binding. Photocopies, carbon copies or other reproductions of this document are invalid and not binding upon the Company.

ANY INSTRUMENT ISSUED IN EXCESS OF THE PENALTY AMOUNT STATED ABOVE IS TOTALLY VOID AND WITHOUT VALIDITY.

30015 03824

Form O & G B-1
Adopted 6-17-77
Revised 11-01-89

CCD

1B

STATE OF NEW MEXICO
ONE-WELL PLUGGING BOND

12438

FOR CHAVES, EDDY, LEA, MCKINLEY, RIO ARriba, ROOSEVELT,
SANDOVAL, AND SAN JUAN COUNTIES ONLY

BOND NO. B05546
AMOUNT OF BOND \$5,000.00
COUNTY Eddy

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00*
For wells 5,000 to 10,000 feet deep, the minimum bond is \$7,500.00*
For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, i.e., a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 feet, and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

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

KNOW ALL MEN BY THESE PRESENTS:

That Salado Operating, LLC, ~~(an individual)~~ ~~(a partnership)~~
(a corporation organized in the State of New Mexico, with its principal office in the city
of Hobbs, State of New Mexico, and authorized to do business
in the State of New Mexico), as PRINCIPAL, and Underwriters Indemnity Company,
a corporation organized and existing under the laws of the State of
Texas, 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 70-2-12, New Mexico Statutes Annotated, 1978
Compilation, as amended, in the sum of FIVE Dollars 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 lease, or carbon
dioxide (CO₂) gas leases, or helium gas leases, or brine mineral 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, or brine mineral 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 one well not to exceed a depth of 5,000'
feet, 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 well started by others on land embraced in said State oil
and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, or brine minerals, 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 being
3654.5 FNL & 1650 FEL, Section 2, Township 16 ~~(North)~~ ~~(South)~~

(Here state exact legal footage description)

Range 30 (East) ~~(West)~~, N.M.P.M., Eddy County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or
assigns, or any of them, shall plug said well 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, brine, 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.

Underwriters Indemnity Company
SURETY
8 Greenway Plaza, #400
Houston, TX 77046
Address
By: Roy C. Die, Attorney-In-Fact
(Note: Corporate surety affix corporate seal here.)

Salado Operating, LLC
PRINCIPAL
P.O. Box 1925
Hobbs, NM 88241
Address
Signature
President
(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 New Mexico
COUNTY OF Lea ss.
On this 12th day of October, 1995, before me personally appeared _____, to me personally known who, being by me duly sworn, did say that he is _____, President of Salado Operating LLC 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.

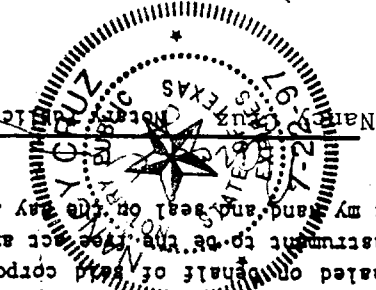
Notary Public

January 30, 1999
My Commission Expires

ACKNOWLEDGEMENT FORM FOR CORPORATE SURETY

STATE OF TEXAS
COUNTY OF HARRIS ss.

On this 12th day of October, 1995, before me appeared Roy C. Die, Attorney-In-Fact of Underwriters Indemnity 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.



July 22, 1997
My Commission Expires

(Note: Corporate surety attach power of attorney.)

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By:

Date:

GENERAL POWER OF ATTORNEY

CERTIFIED COPY

KNOW ALL MEN BY THESE PRESENTS: That **UNDERWRITERS INDEMNITY COMPANY**, a corporation organized and existing under the laws of the State of Texas, and having its principal office in the City of Houston, Texas, does hereby constitute and appoint:

ROY C. DIE

its true and lawful attorney-in-fact to execute, seal and deliver for and on its behalf as surety, any and all bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, which are or may be allowed, required or permitted by law, statute, rule, regulation, contract or otherwise, in an amount not to exceed:

*******FIFTY THOUSAND AND NO/100*******

and the execution of all such instrument(s) in pursuance of these presents, shall be binding upon said **UNDERWRITERS INDEMNITY COMPANY** as fully and amply, to all intents and purposes, as if the same had been duly executed and acknowledged by its regularly elected officers at its principal office.

This Power of Attorney is executed, and may be certified to and may be revoked, pursuant to and by authority of Article V, Section 6(C) of the By-Laws adopted by the Board of Directors of **UNDERWRITERS INDEMNITY COMPANY**, at a meeting called and held on the 23rd day of January 1985, of which the following is a true transcript of said Section 6(C):

"The President or any Vice President, Assistant Vice President, Secretary or Resident Secretary shall have power and authority

- (1) To appoint Attorneys-in-fact, and to authorize them to execute on behalf of the Company, and attach the Seal of the Company thereto, bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, and
- (2) to appoint special Attorneys-in-fact, who are hereby authorized to certify to copies of any power-of-attorney issued in pursuance of this section and/or any of the By-laws of the Company, and
- (3) to remove, at any time, any such Attorney-in-fact or Special Attorney-in-fact and revoke the authority given to him."

Further, this Power of Attorney is signed and sealed by facsimile pursuant to resolution of the Board of Directors of said Company adopted at a meeting duly called and held on the 23rd day of January, 1985, of which the following is a true excerpt:

"Now therefore the signatures of such officers and the seal of the Company may be affixed to any such power of attorney or any certificate relating thereto by facsimile, and any such power of attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by facsimile signatures and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached."

IN TESTIMONY WHEREOF, **UNDERWRITERS INDEMNITY COMPANY** has caused this instrument to be signed and its corporate seal to be affixed by its authorized officer, E.H. Frank, III, on this the third day of September, 1991.



E.H. Frank III President

STATE OF TEXAS
COUNTY OF HARRIS

On this the 2nd day of June, 1995, before me came the individual who executed the preceding instrument, to me personally known, and, being duly sworn, said that he is the therein described and authorized officer of **UNDERWRITERS INDEMNITY COMPANY**; that the seal affixed to said instrument is the Corporate Seal of said Company; that the said Corporate Seal and his signature were duly affixed by order of the Board of Directors of said Company.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal, at the City of Houston, Texas, the day and year first above written.



Mary Williams NOTARY PUBLIC, Harris County, Texas

CERTIFICATION

I, the undersigned officer of **UNDERWRITERS INDEMNITY COMPANY**, do hereby certify that I have compared the foregoing copy of the Power of Attorney and affidavit, and the copy of the Section of the By-Laws of said Company as set forth in said Power of Attorney, and that the same are correct transcripts thereof, and of the whole of the said originals, and that the said Power of Attorney has not been revoked and is now in full force and effect.

IN TESTIMONY WHEREOF, I have hereunto set my hand this 12th day of October, 19 95



Greg E. Chilson Assistant Secretary
Greg E. Chilson

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