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BONDS



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Betty Rivera

Cabinet Secretary

August 14, 2002

Lori Wrotenbery

Director

Oil Conservation Division

CERTIFIED MAIL

RETURN RECEIPT NO. 7001-1940-0004-3929-8072

Mr. James Hatcher
JFJ Landfarm L.L.C.
2040 West Broadway
Bloomfield, NM 87413

**RE: \$25,000 Surface Waste Management Facility Financial Assurance
Permit NM-01-0010 B
JFJ Landfarm L.L.C., Principal
Citizens Bank, Financial Institution
NW/4 SE/4 Section 2, Township 29 North, Range 12 West, NMPM,
San Juan County, New Mexico
Cash Bond and Assignment of CD 0193508923**

Dear Mr. Hatcher:

The New Mexico Oil Conservation Division hereby approves the above-referenced Surface Waste Management Facility Financial Assurance.

Sincerely,

A handwritten signature in black ink, appearing to read "David K. Brooks".

David K. Brooks
Assistant General Counsel

DKB/mjk

Enclosure: Copy of Cash Bond and Assignment of CD 0193508923

xc: OCD Aztec Office

OIL CONSERVATION DIV.

02 JUL 30 AM 12:56



INDUSTRIAL ECOSYSTEMS, INC.

2040 WEST BROADWAY

BLOOMFIELD, NM 87413

PH: 505 632 1786

FAX: 505 632 1876

July 30, 2002

Martyne Kieling
N.M. Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico
87505

Dear Ms. Kieling:

Please find enclosed the executed "Cash Bond For Waste Management Facilities Form" for JFJ Landfarm L.L.C. If you need additional information or assistance in this matter please let me know. Thanks in advance.

Sincerely

James (Jake) Hatcher

Industrial Ecosystems Inc., Agent for JFJ Landfarm L.L.C.
2929 Bonito Avenue
Grand Junction, CO. 81504
(970) 254-1641 Office
(970) 640- 1608 Cell phone
(970) 254-9707 Fax

**Energy, Minerals and Natural Resources Department
Oil Conservation Division**

Cash Bond For Waste Management Facilities

(File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, New Mexico 87505)

KNOW ALL MEN BY THESE PRESENTS:

That JFJ Landfarm, L.L.C. (an individual, partnership, or a corporation organized in the State of New Mexico, with its principal office in the City of Bloomfield, State of N.M. and authorized to do business in the State of New Mexico), as PRINCIPAL is firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (DIVISION) in the sum of Twenty five Thousand Dollars (\$ 25,000.00) Dollars.

The conditions of this obligation are such that:

The PRINCIPAL has heretofore or may hereafter enter into the collection, disposal, evaporation, remediation, reclamation, treatment or storage of produced water, drilling fluids, drill cuttings, completion fluids, contaminated soils, BS&W, tank bottoms, waste oil or other oil field related waste in Section 2, Township 29 North, Range 12 West, NMPM, San Juan County, New Mexico.

NOW, THEREFORE, this \$ 25,000.00 bond is conditioned upon substantial compliance with all applicable statutes of the State of New Mexico and all rules and orders of the DIVISION and the Oil Conservation Commission, and upon clean-up of the facility site to standards of the DIVISION; otherwise the bond is to be forfeited to the Division.

The PRINCIPAL has deposited funds on behalf of the DIVISION in the amount of \$ 25,000.00 (Twenty five thousand dollars) in the manner indicated on page 2 of this instrument, **Assignment of Cash Collateral Deposit**, to secure this bond. The PRINCIPAL pledges the funds as a guarantee that it, its executors, assigns, heirs and administrators will abide by the Statutes of the State of New Mexico and the rules and orders of the DIVISION in operating the waste management facility described herein, and that it will properly reclaim the facility site upon cessation of operations. If the PRINCIPAL does not properly reclaim and restore the facility site, and otherwise abide by the rules and orders of the DIVISION, this bond shall be forfeited in full and such funds as necessary applied to the cost of reclaiming the facility site. If the amount of the bond is less than the actual cost incurred by the DIVISION in reclaiming the facility site, the DIVISION may institute legal action against the PRINCIPAL to recover any amounts expended over and above the amount of the bond.

NOW THEREFORE, if the above PRINCIPAL or its successors, assigns, heirs, administrators or any of them shall properly reclaim and restore the above-described facility site upon cessation of operations and otherwise abide by the rules and orders of the Division, then therefore, this obligation shall be null and void and the principal sum hereof shall be paid to the PRINCIPAL, or its successors, heirs, or administrator; otherwise it shall remain in full force and effect.

Assignment of Cash Collateral Deposit For Bond for Waste Management Facility

Pursuant to Rule 711 of the Rules of the Oil Conservation Division, or successor provisions, JFJ Landfarm L.L.C., (hereinafter "Principal"), of 2040 W. Broadway Bloomfield, N.M. 87413 (address) has deposited with the Citizens Bank (name of the financial institution, which must be a federally insured bank or savings institution within the state of New Mexico) of P.O. Box 4140, Farmington N.M. 87499-4140 (address) (hereinafter "Financial Institution"), the sum of Twenty five thousand dollars (\$ 25,000.00) dollars in Certificate of Deposit or savings account No. 0193508923. The Principal hereby assigns and conveys all right, title and interest in the deposited funds to the Financial Institution in trust for the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (hereinafter "Division") or successor agency of the State of New Mexico. The Principal and the Financial Institution agree that as to the deposited funds:

- a. The funds deposited pursuant to the terms of this Assignment are to serve as a cash bond covering a waste management facility operated by the Principal.
- b. The Division acquires by this Assignment the entire beneficial interest in the funds with the right to order the Financial Institution, in writing, to distribute the fund to persons determined by the Division to be entitled thereto, including the Division itself, without further consent by the Principal, in amounts determined by the Division, or to the Principal upon sale of the facility covered by this Assignment provided all applicable Division orders and rules have been complied with regarding the waste management facility.
- c. The Principal retains no legal or beneficial interest in the fund and has only the right to interest, if any, thereon, and to return of the fund upon written order of the Division in the event the Principal properly reclaims the facility site and otherwise abides by the rules and order of the Division and the Oil Conservation Commission.
- d. The Financial Institution agrees that the funds may not be assigned, transferred pledged or distributed except upon written order of the Division or a court of competent jurisdiction made in a proceeding in which the Division is a party. The Financial Institution waives all statutory or common law liens or rights of set-off against the funds.

The Principal agrees that the Financial Institution may deduct from interest due the Principal any attorney fees incurred by the Financial Institution if claim or demand via writ, summons or other process arising from Principal's business is made upon the Financial Institution.

Signed this 30th day of July, 2002.

By Principal JFJ Landfarm L.L.C.

By Financial Institution Citizens Bank

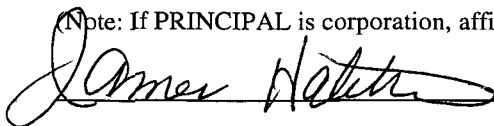
James Hatcher


Robert J. Fate, Vice President

Title

Title

(Note: If PRINCIPAL is corporation, affix corporate seal here.)





2040 W. Broadway, Bloomfield, NM
Mailing Address

500 W. Broadway, Farmington, NM 87401
Mailing Address

ACKNOWLEDGMENT FORM FOR NATURAL PERSONS

STATE OF _____)

)SS.

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2____, by

My commission expires:

Date_____
Notary Public**ACKNOWLEDGMENT FORM FOR CORPORATION OR PARTNERSHIP**STATE OF New Mexico)

)SS.

COUNTY OF San Juan)The foregoing instrument was acknowledged before me this 30th day of July, 2002, by
James Hatcherofficer or partner(s) of JFJ Landfarm L.L. C., a
corporation, a partnership on behalf of said corporation or partnership.My commission expires: 4/20/2004_____
Date_____
Notary Public

NOTE: When Principal is a partnership, corporation or association, list all partners, officers and directors as may be applicable. This information may be provided below.

ACKNOWLEDGMENT FORM FOR FINANCIAL INSTITUTIONSTATE OF New Mexico)

)SS.

COUNTY OF San Juan)The foregoing instrument was acknowledged before me this 30th day of July, 2002, by
Robert J. Fate title Vice President on behalf of
Citizens Bank, financial institution.My commission expires: 4/20/2004_____
Date_____
Notary Public