

NM1 - 25

BONDS



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor
Joanna Prukop
Cabinet Secretary

July 29, 2003

Lori Wrotenbery
Director
Oil Conservation Division

Mr. Larry Gandy
Gandy Corporation
P.O. Box 827
Tatum, NM 88267

**RE: \$98,855 Irrevocable Letter of Credit: Permit NM-01-0025
Gandy Corporation, Principal
Wells Fargo Bank N.A., Financial Institution
SE/4 of Section 11, Township 10 South, Range 35 East, NMPM,
Lea County, New Mexico
Letter of Credit No. NZS405558 Amendment No. 3**

Dear Mr. Gandy:

The New Mexico Oil Conservation Division hereby approves the above-referenced Commercial Surface Waste Management Facility Irrevocable Letter of Credit amendment.

Sincerely,

David K. Brooks,
Assistant General Counsel

DKB: mjk

Enclosure: amendment No. 3 to Letter of Credit No. NZS405558

xc with attachment:

Hobbs OCD Office
Wells Fargo Bank N.A., One Front Street, 21st Floor, San Francisco, CA 94111

Operations Group
Northern California
525 Market Street, 25th Floor
San Francisco, CA 94105



JUL 08 2003

OIL CONSERVATION
DIVISION

PAGE: 1

DATE: JULY 7, 2003

AMENDMENT TO CREDIT NO.
NZS405558
AMENDMENT NUMBER: 3

APPLICANT:
GANDY CORPORATION
P.O. BOX 827
TATUM, NM 88267-0827

BENEFICIARY:
STATE OF NEW MEXICO/ENERGY,
MINERALS AND NATURAL RESOURCES DEPT
OIL CONSERVATION DIV
220 SO ST FRANCIS, SANTA FE, NM 87505

THIS AMENDMENT IS TO BE CONSIDERED AS PART OF THE ABOVE CREDIT AND MUST BE ATTACHED THERETO.

THE ABOVE MENTIONED CREDIT IS AMENDED AS FOLLOWS:

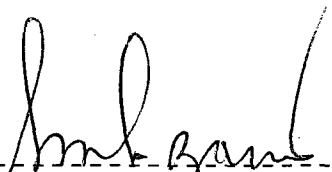
THE AMOUNT OF THIS CREDIT HAS BEEN INCREASED BY USD 24,715.00.

THE AMOUNT OF THE CREDIT ISSUED NOW TOTALS USD 98,855.00.

THE FOLLOWING ADDITIONAL CONDITION HAS BEEN ADDED:

EFFECTIVE JULY 21, 2003 OUR NEW MAILING ADDRESS WILL BE ONE FRONT STREET, 21ST FLOOR, SAN FRANCISCO, CA 94111. PLEASE DIRECT ALL CORRESPONDENCE AND COURIER ALL DOCUMENTS FOR PRESENTATION UNDER THIS L/C TO OUR NEW SAN FRANCISCO ADDRESS.

ALL OTHER TERMS UNCHANGED.



AUTHORIZED SIGNATURE
SOCCI LOZANO

PLEASE CONTACT BILL M. CHIESA BY TELEPHONE AT 415-396-8363 OR BY FAX AT (415) 284-9453 REGARDING ANY INQUIRIES.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Betty Rivera

Cabinet Secretary

May 15, 2002

Lori Wrotenbery

Director

Oil Conservation Division

CERTIFIED MAIL

RETURN RECEIPT NO. 7001-1940-0004-7923-4146

Mr. Larry Gandy
Gandy Corporation
P.O. Box 827
Tatum, NM 88267

**RE: \$74,140 Irrevocable Letter of Credit: Permit NM-01-0025
Gandy Corporation, Principal
Wells Fargo Bank N.A., Financial Institution
SE/4 of Section 11, Township 10 South, Range 35 East, NMPM,
Lea County, New Mexico
Letter of Credit No. NZS405558 Amendment No. 2**

Dear Mr. Gandy:

The New Mexico Oil Conservation Division hereby approves the above-referenced Commercial Surface Waste Management Facility Irrevocable Letter of Credit amendment.

Sincerely,

David K. Brooks

David K. Brooks,
Assistant General Counsel

DKB: mjk

Enclosure: Letter of Credit No. NZS405558 amendment No.2

xc with attachment:

Hobbs OCD Office
Wells Fargo Bank N.A., Trade Services Division, Northern California, 525 Market St.,
25th Floor, San Francisco, CA 94104

Operations Group
Northern California
525 Market Street, 25th Floor
San Francisco, CA 94105



PAGE: 1

ATE: MAY 7, 2002

AMENDMENT TO CREDIT NO.
NZS405558
AMENDMENT NUMBER: 2

APPLICANT:
GANDY CORPORATION
P.O. BOX 827
TATUM, NM 88267-0827

ENEFICIARY:
TATE OF NEW MEXICO/ENERGY,
INERALS AND NATURAL RESOURCES DEPT
IL CONSERVATION DIV
220 SO ST FRANCIS, SANTA FE, NM87505

HIS AMENDMENT IS TO BE CONSIDERED AS PART OF THE ABOVE CREDIT AND MUST BE
TTACHED THERETO.

HE ABOVE MENTIONED CREDIT IS AMENDED AS FOLLOWS:

HE AMOUNT OF THIS CREDIT HAS BEEN INCREASED BY USD 24,713.00.

HE AMOUNT OF THE CREDIT ISSUED NOW TOTALS USD 74,140.00.

LL OTHER TERMS UNCHANGED.



AUTHORIZED SIGNATURE
SOC CI LOZANO

LEASE CONTACT AMY V. MARIO BY TELEPHONE AT 415-396-6209 OR BY FAX AT
415)284-9453 REGARDING ANY INQUIRIES.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury
Cabinet Secretary

January 14, 2002

Lori Wrotenbery

Director

Oil Conservation Division

CERTIFIED MAIL

RETURN RECEIPT NO. 7099-3220-0000-5051-2849

Mr. Larry Gandy
Gandy Corporation
P.O. Box 827
Tatum, NM 88267

RE: \$49,427 Irrevocable Letter of Credit: Permit NM-01-0025
Gandy Corporation, Principal
Wells Fargo Bank N.A., Financial Institution
SE/4 of Section 11, Township 10 South, Range 35 East, NMPM,
Lea County, New Mexico
Letter of Credit No. NZS405558

Dear Mr. Gandy:

The New Mexico Oil Conservation Division hereby approves the above-referenced Commercial Surface Waste Management Facility Irrevocable Letter of Credit.

Sincerely,

David K. Brooks,
Assistant General Counsel

DKB: mjk

Enclosure: Letter of Credit No. NZS405558

xc with attachment:

Hobbs OCD Office
Wells Fargo Bank N.A., Trade Services Division, Northern California, 525 Market St.,
25th Floor, San Francisco, CA 94104

International Trade Services
525 Market Street, 25th Floor
San Francisco, CA 94105

**WELLS FARGO BANK, N.A.
TRADE SERVICES DIVISION, NORTHERN CALIFORNIA
525 MARKET STREET, 25TH FLOOR
SAN FRANCISCO, CALIFORNIA 94105**

IRREVOCABLE LETTER OF CREDIT

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
Waste Management Facilities
1220 South Saint Francis
Santa Fe, New Mexico 87505

Letter of Credit No. NZS405558
Date: July 25, 2001

Wells Fargo Bank, N.A. a corporation organized and existing under the laws of the State of California and authorized to do business in the State of New Mexico, as ISSUER, hereby establishes this Letter of Credit for the use and benefit of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (DIVISION) pursuant to NMSA 1978, Section 70-2-12, amended, for an aggregate amount not to exceed Forty Nine Thousand Four Hundred Twenty Seven and 00/100's (US\$49,427.00) in United States Dollars ("Face Amount") effective immediately. This Letter of Credit is established for Gandy Corporation, a corporation organized in the State of New Mexico, with its principal office in the City of Tatum, State of New Mexico and authorized to do business in the State of New Mexico, as APPLICANT.

1. The APPLICANT has or may 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 SE/4 Section 11, Township 10 South, Range 35 East, NMPM, Lea County, New Mexico ("Facility").
2. This Letter of Credit is irrevocable for a term of not less than five (5) years and is conditioned upon substantial compliance by the APPLICANT with all applicable statutes of the State of New Mexico and all rules and orders of the Oil Conservation Commission and DIVISION, including clean-up of the Facility site by the APPLICANT to the standards set by the DIVISION.
3. This Letter of Credit will expire on: (a) July 25, 2006; or (b) the date upon which sufficient documents are executed by the DIVISION to release the APPLICANT from further liability for closure of the Facility with notice to the ISSUER by the DIVISION accompanied by the original Letter of Credit with directions for cancellation. This Letter of Credit shall be forfeited and collected by the DIVISION if not replaced by approved financial assurance at least 90 days before the expiration date.
4. This Letter of Credit will remain effective until (a) July 25, 2006 (the "expiration date"); (b) the APPLICANT replaces this Letter of Credit with another acceptable form of financial assurance; or (c) the DIVISION releases the Letter of Credit pursuant to Paragraph 3 above.
5. Funds under this Letter of Credit are available against the DIVISION'S sight draft, in the form of Exhibit A, specifying Letter of Credit No. NZS405558 delivered to the office of the ISSUER at Trade Services Division, Northern California, 525 Market St., 25th Floor, San Francisco, CA 94104. At the DIVISION'S sole election, the DIVISION may present sight drafts for less than the Face Amount of this Letter of Credit so long as the aggregate amount of all sight drafts does not

exceed the Face Amount. Each draft must be accompanied by a certificate in the form of Exhibit B, signed by a duly authorized representative of the DIVISION.

6. If the ISSUER receives the DIVISION'S sight draft(s) and certificate(s) as provided in Paragraph 5, above, on or before the expiration or termination of this Letter of Credit, the ISSUER will pay such amount as the DIVISION may specify, up to an aggregate amount not to exceed the Face Amount of this Letter of Credit available to the DIVISION no later than 5 p.m. in Santa Fe, NM on the second business day following the ISSUER'S receipt of the sight draft and certificate and in such a manner as the DIVISION may specify.
7. The ISSUER will give prompt notice to the APPLICANT and to the DIVISION Director of any notice received or action filed alleging the insolvency or bankruptcy of the ISSUER, or alleging any violations of regulatory requirements which are reasonably likely to result in suspension or revocation of the ISSUER'S charter or license to do business.
8. This Letter of Credit will be governed by the laws of the State of New Mexico.
9. All communications regarding this Letter of Credit will be addressed to the ISSUER at Trade Services Division, Northern California, 525 Market St., 25th Floor, San Francisco, CA 94104, referencing Letter of Credit No. NZS405558.

Very truly yours,

WELLS FARGO BANK, N.A.

By: RANDY ATWOOD

Name Typed or Printed


(Authorized Signature)

Title: ASSISTANT VICE PRESIDENT

STATE OF NEW MEXICO
COUNTY OF LEA)SS.

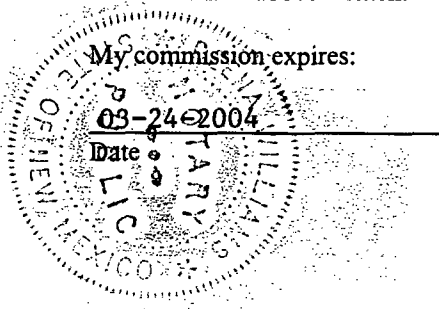
On this 26TH day of JULY, 2001, before me personally appeared RANDY ATWOOD and _____, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

My commission expires:

03-24-2004

Date




Notary Public

DEENA WILLIAMS

Exhibit A – SIGHT DRAFT

TO

LETTER OF CREDIT NO. NZS505558

Date

City, County

Letter of Credit No.

PAY TO THE ORDER OF: New Mexico Oil Conservation Division

(\$) _____ DOLLARS

TO: WELLS FARGO BANK, N.A.
TRADE SERVICES DIVISION, NORTHERN CALIFORNIA
525 MARKET ST., 25TH FLOOR
SAN FRANCISCO, CA 94104

NEW MEXICO ENERGY MINERALS AND
NATURAL RESOURCES DEPT.
OIL CONSERVATION DIVISION
1220 SOUTH SAINT FRANCIS DRIVE
SANTA FE, NEW MEXICO 87505

BY: _____
AUTHORIZED SIGNATURE

DATE: _____

Exhibit B

TO

LETTER OF CREDIT NO. NZS405558

I, _____ a duly authorized representative of the New Mexico Oil Conservation Division, hereby certify that: (1) the drawing in the amount of _____ U.S. Dollars (US\$ _____), by sight draft accompanying this certificate, under Letter of Credit No. _____ dated _____ issued by you is permitted under the provisions of the Letter of Credit; (2) the Letter of Credit has neither expired nor terminated pursuant to its terms; (3) the amount of the sight draft, together with any amounts previously drawn under the Letter of Credit, does not exceed the Face Amount of the Letter of Credit; and (4) the New Mexico Oil Conservation Division has directed the forfeiture of the Letter of Credit. Proceeds of this drawing will be utilized in full pay to pay expenses relating to the closure liability for the facility described in Paragraph 1 of the Letter of Credit.

New Mexico Oil Conservation Division

By: _____
Authorized Signature

Date: _____



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

January 14, 2002

Lori Wrotenbery

Director

Oil Conservation Division

CERTIFIED MAIL

RETURN RECEIPT NO. 7099-3220-0000-5051-2856

Mr. Larry Gandy
Gandy Corporation
P.O. Box 827
Tatum, NM 88267

**RE: \$25,000 Surety Bond: Permit NM-01-0025
Gandy Corporation, Principal
United Pacific Insurance Company, Surety
SE/4 of Section 11, Township 10 South, Range 35 East, NMPM,
Lea County, New Mexico
Bond No. U684263**

Dear Mr. Gandy:

The New Mexico Oil Conservation Division hereby approves the cancellation of the above-referenced Surety Bond and releases United Pacific Insurance Company of any liability.

Sincerely,

A handwritten signature in cursive script that reads "David K. Brooks".

David K. Brooks,
Assistant General Counsel

DKB: mjk

Enclosure: Bond No. U684263

xc with attachment:

Hobbs OCD Office

United Pacific Insurance Company, Three Parkway, Philadelphia, PA 19102

\$25,000.00 TREATING PLANT BOND

BOND NO. U684263
(For Use of Surety Company)

File with Oil Conservation Division, P. O. Box 2088, Santa Fe, New Mexico 87504

KNOW ALL MEN BY THESE PRESENTS:

That Gandy Corporation dba Gandy Pumping Service, (an individual) (partnership) (a corporation organized in the State of New Mexico, with its principal office in the City of Tatum, State of New Mexico, and authorized to do business in the State of New Mexico), as PRINCIPAL, and United Pacific Insurance Company, a corporation organized and existing under the laws of the State of Washington, and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Division of the Energy & Minerals Department pursuant to Chapter 72, Laws of New Mexico, 1935, as amended, and to the State of New Mexico in the sum of Twenty Five Thousand (\$25,000.00) 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 the process of treating and reclaiming sediment oil in Section 11, Township 10 S (North) (South), Range 35 E (East) (West), N.M.P.M., Lea County, New Mexico.

NOW, THEREFORE, This \$25,000 performance bond is conditioned upon substantial compliance with all applicable statutes of the State of New Mexico and all rules, regulations, and orders of the Oil Conservation Division of the Energy and Minerals Department, and upon clean-up of the plant site to standards of the Oil Conservation Division; otherwise the principal amount of the bond to be forfeited to the State of New Mexico.

PROVIDED, HOWEVER, That sixty (60) days after receipt by the Oil Conservation Division of written notice of cancellation from the Surety, the obligation of the Surety shall terminate as to activities or operations conducted by PRINCIPAL after said sixty (60) day period but shall continue in effect, notwithstanding said notice, as to such activities or operations conducted or commenced before the expiration of the sixty day period.

Signed and sealed this 16th day of February, 1988.

Gandy Pumping Service
PRINCIPAL

United Pacific Insurance Company
SURETY

P. O. Box 827, Tatum, NM 88267
Mailing Address

P.O. Box 1258, Hobbs, NM 88241
Mailing Address

By Alta Gandy Secretary & Treas
Signature Title

Pat Cargile
Attorney-in-Fact Pat Cargile

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

(Note: Corporate surety affix corporate
seal here.)

EXHIBIT A
CASE NO. 8909
ORDER NO. R-8284

...Mexico, the resident New Mexico agent shall countersign here below.
Attest: _____

New Mexico Resident Agent _____
P.O. Box 1258, Hobbs, NM 88241
Address _____
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 he (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: _____

ACKNOWLEDGMENT FORM FOR CORPORATION

STATE OF New Mexico)
COUNTY OF Lea) ss.

On this 16th day of February, 1988, before me personally appeared Alta Gandy, to me personally known who, being by me duly sworn, did say that he is secretary-treasurer of Gandy 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.

3-18-91
My Commission Expires

Notary Public

STATE OF New Mexico)
COUNTY OF Lea) ss.

On this 16th day of February, 1988, before me appeared Pat Cargile, to me personally known, who, being by me duly sworn, did say that he is attorney-in-fact of United Pacific Insurance Co 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.

3-18-91
My Commission Expires:

Notary Public

(Note: Corporate surety attach power of attorney)

APPROVED BY:
OIL CONSERVATION DIVISION

By _____

UNITED PACIFIC INSURANCE COMPANY

HEAD OFFICE, FEDERAL WAY, WASHINGTON

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, That the UNITED PACIFIC INSURANCE COMPANY, a corporation duly organized under the laws of the State of Washington, does hereby make, constitute and appoint

PAT CARGILE of HOBBS, NEW MEXICO -----

its true and lawful Attorney-in-Fact, to make, execute, seal and deliver for and on its behalf, and as its act and deed

ANY AND ALL BONDS AND UNDERTAKINGS OF SURETYSHIP -----

and to bind the UNITED PACIFIC INSURANCE COMPANY thereby as fully and to the same extent as if such bonds and undertakings and other writings obligatory in the nature thereof were signed by an Executive Officer of the UNITED PACIFIC INSURANCE COMPANY and sealed and attested by one other of such officers, and hereby ratifies and confirms all that its said Attorney(s)-in-Fact may do in pursuance hereof.

This Power of Attorney is granted under and by authority of Article VII of the By-Laws of UNITED PACIFIC INSURANCE COMPANY which became effective September 7, 1978, which provisions are now in full force and effect, reading as follows.

ARTICLE VII - EXECUTION OF BONDS AND UNDERTAKINGS

1. The Board of Directors, the President, the Chairman of the Board, any Senior Vice President, any Vice President or Assistant Vice President or other officer designated by the Board of Directors shall have power and authority to (a) appoint Attorneys-in-Fact and to authorize them to execute on behalf of the Company, bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, and (b) to remove any such Attorney-in-Fact at any time and revoke the power and authority given to him.

2. Attorneys-in-Fact shall have power and authority, subject to the terms and limitations of the power of attorney issued to them, to execute and deliver on behalf of the Company, bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof. The corporate seal is not necessary for the validity of any bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof.

3. Attorneys-in-Fact shall have power and authority to execute affidavits required to be attached to bonds, recognizances, contracts of indemnity or other conditional or obligatory undertakings and they shall also have power and authority to certify the financial statement of the Company and to copies of the By-Laws of the Company or any article or section thereof.

This power of attorney is signed and sealed by facsimile under and by authority of the following Resolution adopted by the Board of Directors of UNITED PACIFIC INSURANCE COMPANY at a meeting held on the 5th day of June, 1979, at which a quorum was present, and said Resolution has not been amended or repealed:

"Resolved, that the signatures of such directors and 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 WITNESS WHEREOF, the UNITED PACIFIC INSURANCE COMPANY has caused these presents to be signed by its Vice President, and its corporate seal to be hereto affixed, this 28th day of September 19 87



UNITED PACIFIC INSURANCE COMPANY

Lawrence W. Carlstrom
Vice President

STATE OF Washington
COUNTY OF King } ss.

On this 28th day of September, 19 87, personally appeared Lawrence W. Carlstrom

to me known to be the Vice-President of the UNITED PACIFIC INSURANCE COMPANY, and acknowledged that he executed and attested the foregoing instrument and affixed the seal of said corporation thereto, and that Article VII, Section 1, 2, and 3 of the By-Laws of said Company, and the Resolution, set forth therein, are still in full force.

My Commission Expires:

May 15, 19 90



Pamela Young
Notary Public in and for State of Washington
Residing at Tacoma

I, John E. Vance

, Assistant Secretary of the UNITED PACIFIC INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney executed by said UNITED PACIFIC INSURANCE COMPANY, which is still in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said Company this 16th day of February 1988



Assistant Secretary

John E. Vance
John E. Vance