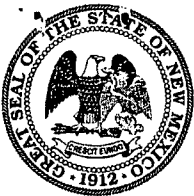


NM1 - 32

BONDS



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

July 29, 2003

Ms. Kena Kay Cooper
South Monument Surface Waste Facility L.L.C.
P.O. Box 418
Hobbs, NM 88241

**RE: \$14,000 Surface Waste Management Facility Financial Assurance
Permit NM-01-0032
South Monument Surface Waste Facility L.L.C., Principal
1st National Bank, Financial Institution
N/2 NE/4 of Section 25, Township 36 South, Range 20 East, NMPM,
Lea County, New Mexico
Cash Bond and Assignment of CD 212152226**

Dear Ms. Cooper:

The New Mexico Oil Conservation Division hereby approves the above-referenced Surface Waste Management Facility Financial Assurance increasing the total amount of the financial assurance for this facility to \$44,000.

Sincerely,

David K. Brooks
Assistant General Counsel

DKB/mjk

Enclosure: Copy of Cash Bond and Assignment of CD 212152226

xc: OCD Hobbs Office
Zane S. Bergman, 1st National Bank, 600 West Bender, Hobbs, NM 88240

**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 South Monument Surface Waste Facility, LLC (an individual, partnership, or 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 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 Fourteen-Thousand Dollars (\$ 14,000.00) 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 25, Township 20S, Range 36E, NMPM, Lea County, New Mexico.

NOW, THEREFORE, this \$ 14,000.00 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 \$ 14,000 .00 (Fourteen 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, South Monument Surface Waste Facility, L.L.C., (hereinafter "Principal"), of N/2 NE/4 of Section 25, T36S, R20E, NMPM (address) has deposited with the 1st National Bank (name of the financial institution, which must be a federally insured bank or savings institution within the state of New Mexico) of 600 West Bender, Hobbs, NM (hereinafter "Financial Institution"), the sum of Fourteen-Thousand (\$14,000.00) dollars in Certificate of Deposit or savings account No. 212152226. 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 June, 2003.

By Principal South Monument Surface Waste Facility, L.L.C. By Financial Institution 1st National Bank

Kenc L. Cogan
Title Operating Manager

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

[Signature]
Title President

P.O. Box 418

600 West Bender

Hobbs, Nm 88241

Hobbs, NM 88240

Mailing Address

Mailing Address

ACKNOWLEDGMENT FORM FOR NATURAL PERSONS

STATE OF _____)

)SS.

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2003, by

My commission expires:

Date

Notary Public

ACKNOWLEDGMENT FORM FOR CORPORATION OR PARTNERSHIP

STATE OF New Mexico _____)

)SS.

COUNTY OF Lea _____)The foregoing instrument was acknowledged before me this 30th day of June, 2003, by
Kena Kay Cooper _____,officer or partner(s) of South Monument Surface Waste Facility, L.L.C., a
corporation, a partnership on behalf of said corporation or partnership.

My commission expires:

09-05-04

Date

Y. Renee Carrasco
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 INSTITUTION

STATE OF New Mexico _____)

)SS.

COUNTY OF Lea _____)The foregoing instrument was acknowledged before me this 30th day of June, 2003, by
Zane S. Bergman title President on behalf of
First National Bank - Hobbs, financial institution.

My commission expires:

09-05-04

Date

Y. Renee Carrasco
Notary Public



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery

Director
Oil Conservation Division

November 15,
February 13, 2002
WJK

CERTIFIED MAIL

RETURN RECEIPT NO. 7001-1940-0004-3929-8249

Ms. Kena Kay Cooper
South Monument Surface Waste Facility L.L.C.
834 W. Gold
Hobbs, NM 88240

RE: OCD Surface Waste Management Facility Permit NM-01-0032
South Monument Surface Waste Facility L.L.C.
N/2 NE/4 of Section 25, Township 36 South, Range 20 East, NMPM,
Lea County, New Mexico

Dear Ms. Cooper:

The New Mexico Oil Conservation Division has conducted a file review and has found that the financial assurance on file for South Monument Surface Waste Facility L.L.C. (South Monument) is past due. According to the schedule in Permit NM-01-0032, South Monument was required to submit financial assurance by June 26, 2002 to the amount of **\$43,700**. The OCD currently has \$30,000 on file for the South Monument facility. South Monument has until **January 3, 2003** to submit the appropriate financial assurance.

Enclosed you will find a copy of the current financial assurance forms. Additional forms may be found on the OCD web site at <http://www.emnrd.state.nm.us/ocd/> under Forms. If you have any questions please contact me at (505) 476-3488.

Sincerely,

Martyne J. Kieling
Environmental Geologist

Enclosure: Financial Assurance Forms

xc: Hobbs OCD Office



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

October 30, 2001

CERTIFIED MAIL

RETURN RECEIPT NO. 7099-3220-000-5051-2498

Ms. Kena Kay Cooper
South Monument Surface Waste Facility L.L.C.
834 W. Gold
Hobbs, NM 88240

**RE: \$5,000 Surface Waste Management Facility Financial Assurance
Permit NM-01-00032
South Monument Surface Waste Facility L.L.C., Principal
Lea County State Bank, Financial Institution
N/2 NE/4 of Section 25, Township 36 South, Range 20 East, NMPM,
Lea County, New Mexico
Cash Bond and Assignment of CD 100087805**

Dear Ms. Cooper:

The New Mexico Oil Conservation Division hereby approves the above-referenced Surface Waste Management Facility Financial Assurance increasing the total amount of the financial assurance for this facility to \$30,000.

Sincerely,

David K. Brooks
Assistant General Counsel

DKB/mjk

Enclosure: Copy of Cash Bond and Assignment of CD 100087805

xc: OCD Hobbs Office

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division

Cash Bond For Waste Management Facilities

KNOW ALL MEN BY THESE PRESENTS:

That South Monument Surface Waste Facility, LLC, (an individual, partnership, or 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), (hereinafter "Principal") is held 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 (hereinafter "Division") in the sum of ---Five thousand and no/100--- (\$ 5,000.00) Dollars.

The conditions of this obligation are such that:

The above 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 and/or other oil field related waste in Section 25, Township 20, Range 36 E, NMPM, Lea County, New Mexico.

NOW, THEREFORE, this \$ 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 State of New Mexico.

The Principal has deposited funds on behalf of the Division in the amount of \$ 5,000.00 (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 its executors, assigns, heirs and administrators will abide by the laws 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 Principal, its successors, assigns, heirs, or administrators 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 funds securing this bond 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, South Monument Surface Waste Facility, LLC (hereinafter "Principal") of N/2 NE/4 of Section 25, Township 20 S, Range 36E (address) has deposited with the Lea County State Bank (name of the financial institution, which must be a federally insured bank or savings institution within the State of New Mexico) of 1017 N Turner, Hobbs, New Mexico (address) (hereinafter "Financial Institution"), the sum of --Five thousand-- (\$ 5,000.00) dollars in Certificate of Deposit or savings account No. 100087805. 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 funds to persons determined by the Division to be entitled thereto, including the Division itself, 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 funds and has only the right to interest, if any, thereon, and to return of the funds upon written order of the Division.
- 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 the Principal's business is made upon the Financial Institution.

Signed and sealed this 27th day of June, 2001.
South Monument Surface Waste Facility, LLC

Dale Cooper

Signature of Principal, personally or by
authorized officer
Dale Cooper, Manager

Manager

Title

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

834 W. Gold , P.O. Box 418

Hobbs, NM 88240

Mailing Address

Robert C. Dunn, Jr.

Signature of authorized officer of Financial
Institution
Robert C. Dunn, Jr., Vice Chairman and CCO

Executive Vice President

Title

1017 N. Turner

Hobbs, NM 88240

Mailing Address

ACKNOWLEDGMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) SS.

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

My commission expires:

Date _____

Notary Public

ACKNOWLEDGMENT FORM FOR CORPORATION OR PARTNERSHIP

STATE OF New Mexico)
) SS.
COUNTY OF Lea)

The foregoing instrument was acknowledged before me this 27th day of June, 2001,
by Dale Cooper, Manager

~~XXXXXX~~ ~~(XXXXXX)~~ of South Monument Surface Waste Facility, LLC on behalf of
~~XXXXXX partnership or behalf of said corporation or partnership~~
the LLC.

My commission expires:

1/25/04
Date

Morna Fought
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 INSTITUTION

STATE OF New Mexico)
) SS.
COUNTY OF Lea)

The foregoing instrument was acknowledged before me this 27th day of June, 2001, by Robert C. Dunn, Jr. title Vice Chairman and CCO on behalf of Lea County State Bank financial institution.

My commission expires:

1/25/04
Date

Norma Faust
Notary Public



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

May 26, 2000

CERTIFIED MAIL

RETURN RECEIPT NO. Z-559-573-317

Ms. Kena Kay Cooper
South Monument Surface Waste Facility L.L.C.
834 W. Gold
Hobbs, NM 88240

**RE: \$25,000 Surface Waste Management Facility Bond
Permit NM-01-00032
South Monument Surface Waste Facility L.L.C., Principal
Lea County State Bank, Financial Institution
N/2 NE/4 of Section 25, Township 36 South, Range 20 East, NMPM,
Lea County, New Mexico
Cash Bond and Assignment of CD 100087390**

Dear Ms. Cooper:

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

Sincerely,

Marilyn S. Hebert,
Legal Counsel

MSH/mjk

Enclosure: Copy of Cash Bond and Assignment of CD 100087390

xc: OCD Hobbs Office

1. (For a natural person acting in his own right:)

STATE OF _____)
)SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 9____,
by _____.

My commission expires:

Date

Notary Public

2. (For a partnership acting by one or more partners)

STATE OF NEW MEXICO)
)SS.
COUNTY OF LEA)

The foregoing instrument was acknowledged before me this 24th day of May, ~~19~~2000
by Dale Cooper,
Manager, ~~XXXXXXXXXXXXXXXXXXXX~~ partner(s) ~~on behalf~~ of
South Monument Surface Waste, a ~~partnership~~ Facility, LLC on behalf of the
LLC.

My commission expires:

1/25/04
Date

Norma Fagundes
Notary Public

3. For a corporation or incorporated association)

The foregoing instrument was acknowledged before me this 24th day of May,
~~19~~2000
by Robert C. Dunn, Jr., Executive Vice President of Lea County State Bank,
a corporation, on behalf of said corporation.

My commission expires:

1/25/04
Date

Norma Fagundes
Notary Public

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

Kena Kay Cooper - President/Director
Clay Tom Cooper - Vice-President/Director
David H. Walton - Secretary/Director
Grinny Walton - Treasurer/Director
Dale Cooper - Director
Betty Cooper - Director

APPROVED BY:
OIL CONSERVATION DIVISION

By: Ryan Hunt 5/25/00

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

Cash Bond For Waste Management Facilities

(File with Oil Conservation Division, 2040 South Pacheco Street, Santa Fe, New Mexico 87505)

KNOW ALL MEN BY THESE PRESENTS:

That South Monument Surface Waste Facility, LLC, (an individual, partnership, or 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), is held 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 (the "Division") in the sum of Twenty five thousand and no/100--- (\$ 25,000.00) Dollars.

The conditions of this obligation are such that:

The above 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 and/or other oil field related waste in Section 25, Township 36, Range 20 E, NMPM, Lea County, New Mexico.

NOW, THEREFORE, this \$ _____ performance 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 principal amount of the bond to be forfeited to the State of New Mexico.

The applicant has deposited on behalf of the Division \$25,000.00 (Twenty five thousand dollars) in the manner indicated on the attachment to this bond (Assignment of Cash Collateral Deposit), being the principal sum intended to be secured. Applicant pledges the sum as a guarantee that its executors, assigns, heirs and administrators will abide by the Laws 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 applicant 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 principal sum of the bond is less than the actual cost incurred by the Division in reclaiming the facility site, the Division may institute legal action to recover any amounts expended over and above the principal sum of the bond.

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

Signed and sealed this 24th day of May, ~~XX~~ 2000

834 W. Gold, Hobbs, New Mexico 88240

Mailing Address
South Monument Surface Waste Facility, LLC

By _____

Signature

Dale Cooper

Manager

Title

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

1. (For a natural person acting in his own right:)

STATE OF _____)
)SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 9____,
by _____.

My commission expires:

Date

Notary Public

2. (For a partnership acting by one or more partners)

STATE OF NEW MEXICO)
)SS.
COUNTY OF LEA)

The foregoing instrument was acknowledged before me this 24th day of May, ~~19~~ 2000,
by Dale Cooper
Manager ~~partner~~ on behalf of
South Monument Surface Waste, a ~~partnership~~ Facility, LLC.

My commission expires:

1/25/04
Date

Norma Hunt
Notary Public

3. For a corporation or incorporated association)

The foregoing instrument was acknowledged before me this _____ day of _____,
19____,
by _____,
a corporation, on behalf of said corporation.

My commission expires:

Date

Notary Public

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

Kena Kay Cooper - President/Director
Clay Tom Cooper - Vice President/Director
David H. Walton - Secretary /Director
Grinny Walton - Treasurer /Director
Dale Cooper - Director
Betty Cooper - Director

APPROVED BY:
OIL CONSERVATION DIVISION

By: *Ron Hunt* 5/25/00