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NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

May 2, 2001

Lori Wrotenbery

Director

Oil Conservation Division

CERTIFIED MAIL

RETURN RECEIPT NO. 7099-3220-0000-5051-2276

Mr. Robert G. Hall
Lea Land, Inc.
1300 West Main St.
Oklahoma City, OK 73106

**RE: \$66,447 Irrevocable Letter of Credit No. 1141
Commercial Surface Waste Management Facility Permit NM-01-0035
Lea Land, Inc., Principal
Guaranty First Bank, Financial Institution
Section 32, Township 20 South, Range 32 East, NMPM,
Lea County, New Mexico
No. 1141**

Dear Mr. Robert Hall:

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

Sincerely,

Stephen C. Ross
Assistant General Counsel, EMNRD

SCR:mjk

Enclosure: copy of Irrevocable Letter of Credit No. 1141

xc with attachment:

Hobbs OCD Office

Robert P. Holmes, Guaranty First Bank, 3333 Northwest Expressway, Oklahoma, OK 73113



**GUARANTY
BANK**

BOB HOLMES
Senior Vice President

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

**Irrevocable Letter of Credit for Waste Management Facilities
(File with Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87504)**

Letter of Credit No. 1141

GuarantyFirst Bank (formerly known as Guaranty Bank & Trust Co.) a corporation organized and existing under the laws of the State of Oklahoma 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, as amended, for an aggregate amount not to exceed Sixty-six thousand four hundred forty-seven and No/100 Dollars (\$66,447.00) in United States Dollars effective immediately. This Letter of Credit is established for Lea Land, Inc. (a corporation) organized in the State of New Mexico, with its principal office in the City of Oklahoma City, State of Oklahoma and authorized to do business in the State of New Mexico, as APPLICANT.

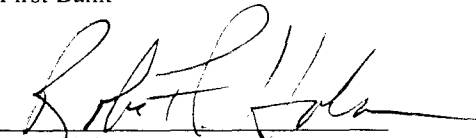
1. The APPLICANT has or may enter into the collection, disposal, evaporation, remediation, reclamation, treatment or storage of produced water, drilling fluids, drill cuttings, completion fluids, contaminated soils, BS&W, tank bottoms, waste oil and/or other oil field related waste in Section 32, Township 20S, Range 32E, 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) 04/24/2006 (not less than five (5) years from the effective date of the Letter of Credit); 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 State of New Mexico 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) 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. 1141 delivered to the office of the ISSUER at 3333 Northwest Expressway, Oklahoma City, OK 73112. 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 3333 Northwest Expressway, Oklahoma City, OK 73112, referencing Letter of Credit No. 1141.

Very truly yours,

GuarantyFirst Bank

By: 
Robert P. Holmes
Sr. Vice President

SATE OF OKLHOMA)
) SS.
COUNTY OF OKLAHOMA)

On this 24th day of April, 2001, before me personally appeared Robert P. Holmes, Sr. Vice President of GuarantyFirst Bank, an Oklahoma Corporation, to me known to be the person 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:

9-15-2003
Date

Notary Public



APPROVED BY:
NEW MEXICO OIL CONSERVATION DIVISION

By: 

Date: 5-1-01

**EXHIBIT "A" – SIGHT DRAFT
to
Letter of Credit No. 1141**

Date: _____ Oklahoma City, Oklahoma Co. Letter of Credit No. 1141

PAY TO THE ORDER OF: New Mexico Oil Conservation Division

(\$66,447.00) **Sixty-six thousand four hundred forty-seven No/100 DOLLARS**

**To: GuarantyFirst Bank
3333 Northwest Expressway
Oklahoma City, OK 73113**

**New Mexico Energy Minerals and
Natural Resources Dept.
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87504**

**By: _____
Authorized Signature**

Date: _____

EXHIBIT "B"
to
Letter of Credit No. 1141

I, _____ a duly authorized representative of the New Mexico Oil Conservation Division, hereby certify that: (1) the drawing in the amount of (\$66,447.00) **Sixty-six thousand four hundred forty-seven dollars and No/100***, by sight draft accompanying this certificate, under Letter of Credit No. 1141, dated April 24, 2001 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 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: _____