

NM1 - 6

BONDS



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

January 27, 2004

Ken Marsh
Controlled Recovery, Inc.
P.O. Box 388
Hobbs, NM 88241

**RE: \$55,783 Bond for Commercial Surface Waste Management Facility
Oil Conservation Division Order R-9166 & Settlement Agreement January 23, 2004
WM-01-0006, Environmental Bureau File
Controlled Recovery, Inc., Principal
RLI Insurance Company, Surety
S/2 N/2 and the N/2 S/2 Section 27, Township 20 South, Range 32 East, NMPM
Lea County, New Mexico
Bond No. RLB0006902 Rider 1 and 2**

Dear Mr. Marsh:

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Gail MacQuesten".

Gail MacQuesten
Assistant General Counsel

GM:mjk

Enclosures: Copy of Bond No. RLB0006902 Rider 1 and 2

xc with attachment:

Hobbs OCD Office
Greg E. Chilson, RLI Insurance Company, 8 Greenway Plaza, Suite 400, Houston, TX 77046
Michael H. Feldewert, Holland & Hart, P.O. Box 2208, Santa Fe, NM 87504-2208
File WM-01-0006



9025 North Lindbergh Dr. • Peoria, IL 61615
(309) 692-1000 or (800) 645-2402

RLB0006902

POWER OF ATTORNEY

RLI Insurance Company

Know All Men by These Presents:

That the RLI INSURANCE COMPANY, a corporation organized and existing under the laws of the State of Illinois, and authorized and licensed to do business in all states and the District of Columbia does hereby make, constitute and appoint: GREG E. CHILSON in the City of HOUSTON, State of TEXAS, as Attorney-in-Fact, with full power and authority hereby conferred upon him to sign, execute, acknowledge and deliver for and on its behalf as Surety and as its act and deed, all of the following classes of documents to-wit:

\$55,783.00

Indemnity, Surety and Undertakings that may be desired by contract, or may be given in any action or proceeding in any court of law or equity; policies indemnifying employers against loss or damage caused by the misconduct of their employees; official, bail and surety and fidelity bonds. Indemnity in all cases where indemnity may be lawfully given; and with full power and authority to execute consents and waivers to modify or change or extend any bond or document executed for this Company, and to compromise and settle any and all claims or demands made or existing against said Company.

The RLI INSURANCE COMPANY further certifies that the following is a true and exact copy of a Resolution adopted by the Board of Directors of RLI Insurance Company, and now in force to-wit:

"All bonds, policies, undertakings, Powers of Attorney, or other obligations of the corporation shall be executed in the corporate name of the Company by the President, Secretary, any Assistant Secretary, Treasurer, or any Vice President, or by such other officers as the Board of Directors may authorize. The President, any Vice President, Secretary, any Assistant Secretary, or the Treasurer may appoint Attorneys-in-Fact or Agents who shall have authority to issue bonds, policies, or undertakings in the name of the Company. The corporate seal is not necessary for the validity of any bonds, policies, undertakings, Powers of Attorney, or other obligations of the corporation. The signature of any such officer and the corporate seal may be printed by facsimile."

(Blue shaded areas above indicate authenticity)

IN WITNESS WHEREOF, the RLI Insurance Company has caused these presents to be executed by its PRESIDENT with its corporate seal affixed this

ATTEST:

Camille J. Hensey
Corporate Secretary



By: Jonathan E. Michael
President

State of Illinois)
) SS
County of Peoria)

On this 1 day of Feb. 2004 before me, a Notary Public, personally appeared Jonathan E. Michael and Camille J. Hensey, who being by me duly sworn, acknowledged that they signed the above Power of Attorney as President and Corporate Secretary, respectively, of the said RLI INSURANCE COMPANY, and acknowledged said instrument to be the voluntary act and deed of said corporation.

Cherie L. Montgomery
Notary Public



TERRORISM RIDER

NOTICE - FEDERAL TERRORISM INSURANCE COVERAGE AND DISCLOSURE OF PREMIUM

Any loss applicable to a peril covered under this bond that is caused by a certified act of terrorism pursuant to the terms of the Terrorism Risk Insurance Act of 2002 ("the Act,"), will be partially reimbursed by the United States under a formula established by federal law. Under this formula, the United States pays 90% of covered terrorism losses exceeding a statutorily established deductible to the insurance company providing this bond. The portion of your annual premium attributable to certified acts of terrorism under this bond is \$1.00

COVERAGE LIMITATIONS

Payment for a loss will not exceed the limit of liability under this bond. This bond will not pay for any portion of certified terrorism loss beyond any applicable annual liability cap set forth in the Act. The terms of this rider do not provide coverage for any loss that would otherwise be excluded by the terms of this bond.

UNDERWRITERS INDEMNITY COMPANY
(Now Known As Lexon Insurance Company)

April 30, 2003

TO UNDERWRITERS INDEMNITY COMPANY BOND PRINCIPALS & OBLIGEEES:

We want to take this opportunity to let you know about some important changes that are happening at Underwriters Indemnity Company ("UIC").

As you may know, since 1999, UIC has been part of the RLI Corp. family. RLI Corp. is a New York Stock Exchange listed company that operates its insurance business through a variety of affiliated insurance companies. RLI Corp.'s flagship insurance company is RLI Insurance Company, an A, IX, A.M. Best rated insurer.

Effective April 30, 2003, RLI Insurance Company assumed all of UIC's obligations under bonds and any policies of insurance it issued. As a result, Underwriters Indemnity Division of RLI Insurance Company is now the surety on all of UIC's previously issued bonds and the insurer on any policy of insurance. In addition, any obligations under indemnity agreement entered into with UIC are now owed to RLI Insurance Company.

You should also be aware that UIC has changed its name to Lexon Insurance Company. This assumption by RLI Insurance Company is in anticipation of Lexon Insurance Company coming under new ownership outside the RLI Corp. family in the near future.

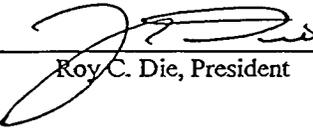
These changes will not affect the service you have come to expect. Any questions should still be directed to my attention at the following address:

Roy C. Die, Vice President
Underwriters Indemnity Division of
RLI Insurance Company
8 Greenway Plaza Ste. 400
Houston, Texas 77046
713.961.1300 Telephone
800.223.2293 Toll Free Telephone
713.961.0285 Fax

Unless we hear from you in writing at the above address prior to September 15, 2003, we will assume that you have agreed to the assumption of UIC obligations by RLI Insurance Company.

Very truly yours,

UNDERWRITERS INDEMNITY COMPANY
(Now Known As Lexon Insurance Company)

By: 
Roy C. Die, President

RECEIVED

OCT 28 1997

Environmental Bureau
Oil Conservation Division

 **UNDERWRITERS
INDEMNITY**

HOUSTON • DENVER
8 GREENWAY PLAZA, SUITE 400
HOUSTON, TEXAS 77046
(713) 961-1300
TELECOPIER: (713) 961-0285

BOND RIDER NO. 1

Attaching to and forming part of Bond for Commercial Surface Waste Disposal Facility, Bond No. B2474, effective August 16, 1990 of Controlled Recovery, Inc. as Principal, of P.O. Box 369, Hobbs, NM 88240 in favor of State of New Mexico as Obligee, in the amount of Twenty-Five Thousand and No/100 Dollars (\$25,000.00).

It is understood and agreed that effective September 16, 1997 the amount of the bond is increased by Three Thousand Eight Hundred Twenty-Five Dollars and no/100 (\$3,825.00).

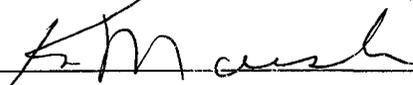
The total penal sum is Twenty-Eight Thousand Eight Hundred Twenty-Five Dollars and no/100 (\$28,825.00).

All other conditions and terms to remain as originally written.

Signed, sealed and dated this 18th day of September, 1997.

Controlled Recovery, Inc.

Principal

By: 

Underwriters Indemnity Company

Surety

By: 

Greg E. Chilson, Attorney-in-Fact
8 Greenway Plaza, Suite 400
Houston, Texas 77046

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:

GREG E. CHILSON

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 DOLLARS***** 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 a resolution enacted by the Board of Directors of UNDERWRITERS INDEMNITY COMPANY. The following is a true transcript of said resolution:

That at all times since the formation of this corporation, the President or any Vice President, Assistant Vice President, Secretary or Assistant 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 Bylaws 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 by consent 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 30th day of April 1996.



E.H. Frank III

President

STATE OF TEXAS, COUNTY OF HARRIS.

On this 30th day of April 1996, 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.



Robin N. Neville

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 18th day of September, 1997



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.



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

September 10, 1990

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

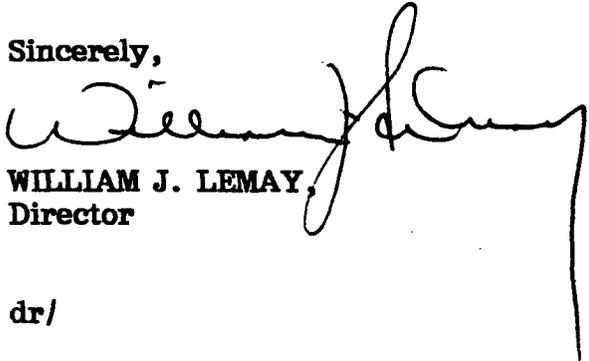
Controlled Recovery, Inc.
P. O. Box 369
Hobbs, New Mexico 88240

Re: \$25,000 Bond for Commercial Surface
Waste Disposal Facility
Controlled Recovery, Inc., Principal
Underwriters Indemnity Co., Surety
Sec. 27, T-20-S, R-32-E, Lea County
Bond No. BO 2474

Gentlemen:

The Oil Conservation Division hereby approves the above-captioned
bond effective this date.

Sincerely,


WILLIAM J. LEMAY,
Director

dr/

cc: Oil Conservation Division
Hobbs, New Mexico

Underwriters Indemnity Co.
8 Greenway Plaza
Suite 1450
Houston, Texas 77046

OIL CONSERVATION DIVISION
RECEIVED
90 SEP 10 AM 9:19

CRI

CONTROLLED RECOVERY INC.

P.O. BOX 369, HOBBS, NM 88241 (505) 393-1079

September 7, 1990

Diane Richardson:
State of New Mexico
P.O. Box 2088
State Land Office Building
Santa Fe, NM 87504

Dear Ms. Richardson

Enclosed please find a properly executed bond for Controlled Recovery, Inc.

Sincerely,


Ken Marsh

Encl.

KM/mr

Approved
9-10-90



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

August 29, 1990

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Mr. Ken Marsh
Controlled Recovery Inc.
P. O. Box 369
Hobbs, New Mexico 88241

Re: \$25,000 Bond for Commercial
Surface Waste Disposal Facility
Controlled Recovery, Inc., Principal
Bond No. BO 2474

Dear Mr. Marsh:

I am in receipt of the above-captioned bond. Before I can approve this bond it will be necessary to sign the bond on the first page and have your signature notarized on the second page.

Just as soon as this completed bond is returned to me, I will proceed with the processing.

Sincerely,


DIANE RICHARDSON
Administrator
Bond Department

NEW MEXICO OIL CONSERVATION DIVISION
OF THE ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
\$25,000.00 BOND FOR COMMERCIAL SURFACE WASTE DISPOSAL FACILITY

BOND NO. BO2474
(For Use of Surety Company)

OIL CONSERVATION DIVISION
RECEIVED
90 SEP 10 AM 9:19

File with Oil Conservation Division, P. O. Box 2085, Santa Fe, New Mexico 87504

ALL MEN BY THESE PRESENTS:

That CONTROLLED RECOVERY, INC., (~~XXXXXXXXXXXX~~
~~XXXXXXXXXXXX~~ (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 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 and
Natural Resources 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
collection, disposal or storage of produced water and/or other oil field related
waste in Section 27, Township 20S (North) (South), Range 32E (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 facility 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 August, 1990.

CONTROLLED RECOVERY, INC.
PRINCIPAL

P.O. Box 369, Hobbs, NM 88240
Mailing Address

By [Signature]
Signature Title

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

UNDERWRITERS INDEMNITY COMPANY
SURETY

8 Greenway Plaza, Suite 1450
Houston, Texas 77046
Mailing Address

By [Signature]
Attorney-in-fact Mildred L. Massey

(Note: Corporate surety affix corporate
seal here.)

Note: If corporate surety executes this bond by an attorney-in-fact not in New
Mexico, the resident New Mexico agent shall countersign here below.)

Countersigned by:

New Mexico Resident Agent _____ 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 August, 19 90, before me personally appeared JOHNNY COPE, to me personally known who, being by me duly sworn, did say that he is VICE PRESIDENT of Controlled Recovery, Inc. 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.

Judy Hinshaw
Notary Public

March 5, 1994
My Commission Expires

STATE OF Texas)
COUNTY OF Harris) ss.

On this 16th day of August, 19 90, before me appeared Mildred L. Massey, to me personally known, who, being by me duly sworn, did say that he is Attorney-in-Fact of Underwriters Indemnity Company 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.

Dale Anne McLeod
Notary Public



July 17, 1993
My Commission Expires:
(Note: Corporate surety attach power of attorney)

APPROVED BY:
OIL CONSERVATION DIVISION

By [Signature]

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:

MILDRED L. MASSEY

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 DOLLARS*****

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 March, 1987.



E. H. Frank III

President

STATE OF TEXAS
COUNTY OF HARRIS

On this the 3rd day of March, 1987, 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 William

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 16th day of August, 19 90



Pat Doehring

Assistant Secretary

Pat Doehring

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