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BONDS



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

September 17, 2003

Lori Wrotenberg

Director

Oil Conservation Division

Mr. Roy D. Fort
Saunders Landfarm, L.L.C.
394 State Hwy. 206
Lovington, NM 88260

**RE: \$25,000 Cash Bonds and Assignment of Cash Collateral
Commercial Surface Waste Management Facility Permit NM-01-0038
Saunders Landfarm, L.L.C., Principal
Western Commerce Bank, Financial Institution
W/2 SW/2 SW/4 of Section 7, Township 14 South, Range 34 East, NMPM,
Lea County, New Mexico
CD No. 2090049**

Dear Mr. Fort:

The New Mexico Oil Conservation Division hereby approves the above-referenced Commercial Surface Waste Management Facility Cash Bonds and Assignment of Cash Collateral.

Sincerely,

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

Gail MacQuesten,
Assistant General Counsel

GM:mjk

Enclosure: Copy Cash Bonds and Assignment of Cash Collateral CD No. 2090049

xc with attachment:

Hobbs OCD Office

Mike Hoyl, Western Commerce Bank NM, N.A., 1515 Calle Sur, Hobbs, NM 88240

RECEIVED

SEP 15 2003

OIL CONSERVATION
DIVISION
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 SAUNDERS LAND FARM, LLC (an individual, partnership, or a corporation organized in the State of NEW MEXICO, with its principal office in the City of LOVINGTON, 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 TWENTY FIVE THOUSAND (\$ 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 7, Township 14S, Range 34E, NMPM, LEA 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, SAUNDERS LAND FARM, LLC, (hereinafter "Principal"), of LOVINGTON, NEW MEXICO (address), has deposited with the WESTERN COMMERCE BANK (name of the financial institution, which must be a federally insured bank or savings institution within the state of New Mexico) of (address) (hereinafter "Financial Institution"), the sum of TWENTY FIVE THOUSAND (\$ 25,000.00) dollars in Certificate of Deposit or savings account No. 2090049. 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 11TH day of SEPTEMBER, 2 003.

By Principal SAUNDERS LAND FARM, LLC

By Financial Institution WESTERN COMMERCE BANK


Title MEMBER


Title SR. VICE PRESIDENT

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

206 HINSON ROAD

1515 CALLE SUR

LOVINGTON, NM 88260

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)

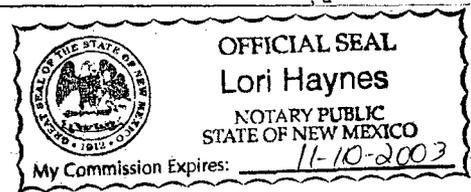
The foregoing instrument was acknowledged before me this 11TH day of SEPTEMBER, 2003, by
LA JEAN BURNETT

officer or partner(s) of SAUNDERS LAND FARM, LLC, a
corporation, a partnership on behalf of said corporation or partnership.

My commission expires:

11-10-2003 Lori Haynes
Date

Notary Public



NOTE: When Principal is a partnership, corporation of 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 11TH day of SEPTEMBER, 2003, by
MIKE HOYL title SR. VICE PRESIDENT on behalf of
WESTERN COMMERCE BANK, financial institution.

My commission expires:

11-10-2003 Lori Haynes
Date

Notary Public

