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BONDS



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

October 30, 2001

Lori Wrotenbery

Director

Oil Conservation Division

CERTIFIED MAIL

RETURN RECEIPT NO. 7099-3220-0000-5051-2528

Ms. Carol Bailey
HEC Petroleum, Inc.
500 West Illinois
Midland, TX 79701

**RE: \$25,000 Surety Bond for Commercial Surface Waste Management Facility
Permit NM-02-006
HEC Petroleum, Principal
RLI Insurance Company, Surety
Sec. 25, T 32 N, R 13 W, NMPM, San Juan County, New Mexico
Bond No. RLB0003744 and Rider dated July 12, 2001**

Dear Ms. Bailey:

The New Mexico Oil Conservation Division hereby approves the above-referenced Commercial Surface Waste Management Facility bond and rider dated July 12, 2001.

Sincerely,

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

David K. Brooks

Assistant General Counsel

DKB:mjk

Enclosure: Copy of bond No. RLB0003744 and Rider

xc with attachment:

Hobbs OCD Office

Greg E. Chilson, RLI Insurance Company

Jim Bonaventura, HEC Petroleum, Inc., 463 Turner Drive #101, Durango, Colorado 81301

**HEC Petroleum, Inc.
500 West Illinois
Midland, Texas 79701**

RECEIVED
OCT 17 2001
Environmental Bureau
Oil Conservation Division

August 29, 2001

New Mexico Oil Conservation Division
1220 S. Saint Francis
Santa Fe, New Mexico 87505

Dear Sir or Madam:

Enclosed for your consideration and approval are;

Bond #RLB0003744
Name change document

This bond replaces Hallwood Petroleum, Inc bond # 71S103665848BCM. On July 12, 2001 Hallwood Petroleum, Inc.'s name was changed to HEC Petroleum, Inc.

Please send notice of cancellation for the Hallwood bond to me at the letterhead address. If you have any questions, please call me at (915) 498-2644.

Sincerely,



Carol Bailey
Operations Clerical Supervisor

CSB

Energy, Minerals and Natural Resources Department
Oil Conservation Division
Surety Bond For Waste Management Facilities
 (File with Oil Conservation Division, 1220 S. Saint Francis, Santa Fe, New Mexico 87505)

BOND NO. RLB0003744
 (For Surety Company Use)

KNOW ALL MEN BY THESE PRESENTS:

That HEC Petroleum, Inc., (~~an~~
~~individual, partnership,~~ or a corporation organized in the State of Texas, with its principal
 office in the City of Midland, State of Texas, and authorized to do business
 in the State of New Mexico), as PRINCIPAL, and RLI Insurance Company, a corporation organized and
 existing under the laws of the State of Illinois and authorized to do business in the
 State of New Mexico 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 (the
 "Division") pursuant to NMSA 1978, Section 70-2-12 as amended, in the sum of
TWENTY FIVE THOUSAND AND NO/100 ----- (\$25,000.00----) Dollars for the payment of which
 PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally.

The conditions of this obligation are such that:

WHEREAS, 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 32N, Range 13W, NMPM, San Juan County, New Mexico.

NOW, THEREFORE, this \$ 25,000.00 performance bond is conditioned upon substantial
 compliance with all applicable statutes of the State of New Mexico and all rules and orders of the Oil
 Conservation Commission and the Division. Upon clean-up of the facility site to standards of the Division, the
 Division will release this bond; otherwise, the principal amount of the bond is to be forfeited to the State of
 New Mexico.

Signed and sealed this 12 day of July, 2001.

HEC Petroleum, Inc.
 PRINCIPAL
 500 West Illinois
 Midland, Texas 79701

Mailing Address

By [Signature] V.P. + Asst. Sec.
 Signature Title

RLI Insurance Company
 SURETY
 8 Greenway Plaza, Suite 400
 Houston, Texas 77046

Mailing Address

By [Signature]
 Attorney-in-Fact Greg E. Chilson

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

Note: If corporate surety, affix corporate seal here.

BOND RIDER TO ASSUME LIABILITY

RIDER NO. 1

Attaching to and forming part of Surety Bond for Waste Management Facilities, Bond No. RLB0003744, effective July 12, 2001, on behalf of HEC Petroleum, Inc. as Principal, in favor of the 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 July 12, 2001, this bond also extends to and covers all liability associated with the following bond:

Bond #

71S103665848BCM

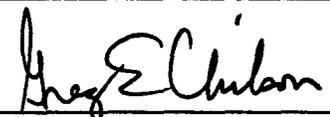
All other conditions and terms to remain as originally written.

Signed, sealed and dated this 12th day of July, 2001.

HEC Petroleum, Inc.
Principal

By: 
John L. Benfatti, V.P. & Asst. Secretary

RLI Insurance Company
Surety

By: 
Greg E. Chilson, Attorney-in-Fact



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

RLB0003744

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:

\$25,000.00

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."

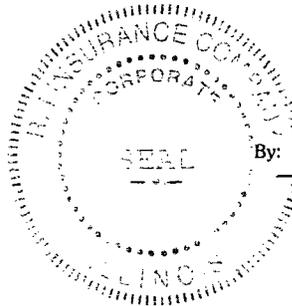
(Blue shaded areas above indicate authenticity)

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

ATTEST:

Camille J. Hensey

Corporate Secretary



RLI INSURANCE COMPANY

By: Gerald D. Stephens

Chairman, CEO

State of Illinois)
) SS
County of Peoria)

On this 12 day of July, 2001 before me, a Notary Public, personally appeared Gerald D. Stephens and Camille J. Hensey, who being by me duly sworn, acknowledged that they signed the above Power of Attorney as Chairman, CEO and Corporate Secretary, respectively, of the said RLI INSURANCE COMPANY, and acknowledged said instrument to be the voluntary act and deed of said corporation.

Cynthia S. Dohm

Notary Public



State of Delaware
Office of the Secretary of State

PAGE 1

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "HALLWOOD PETROLEUM, INC.", CHANGING ITS NAME FROM "HALLWOOD PETROLEUM, INC." TO "HEC PETROLEUM, INC.", FILED IN THIS OFFICE ON THE TWELFTH DAY OF JULY, A.D. 2001, AT 10 O'CLOCK A.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.



Harriet Smith Windsor
Harriet Smith Windsor, Secretary of State

0928583 8100

AUTHENTICATION: 1239217

010336133

DATE: 07-12-01

**CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
HALLWOOD PETROLEUM, INC.**

HALLWOOD PETROLEUM, INC. (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware (the "DGCL"), hereby certifies as follows:

FIRST: That the Board of Directors of the Corporation, by its written consent in lieu of special meeting dated July 11, 2001, adopted resolutions proposing and declaring advisable this amendment to the Certificate of Incorporation of the Corporation set forth in ARTICLE FOURTH below.

SECOND: That the sole stockholder of the Corporation, by its written consent in lieu of special meeting dated July 11, 2001, adopted resolutions approving and adopting this amendment.

THIRD: That this amendment was duly adopted in accordance with the applicable provisions of Sections 228 and 242 of the DGCL.

FOURTH: That ARTICLE FIRST of the Certificate of Incorporation of the Corporation is hereby amended to read in its entirety as follows:

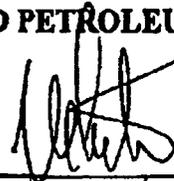
"FIRST: The name of the Corporation is HEC Petroleum, Inc."

IN WITNESS WHEREOF, this Certificate of Amendment has been duly executed as of the

11th day of July, 2001.

HALLWOOD PETROLEUM, INC.

By: _____



Name: William K. White

Title: Vice President



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. 7099-3220-0000-5051-2535

Ms. Carol Bailey
HEC Petroleum, Inc.
500 West Illinois
Midland, TX 79701

**RE: \$25,000 Surety Bond for Commercial Surface Waste Management Facility
Permit NM-02-006
Hallwood Petroleum, Principal
Reliance Insurance Company, Surety
Sec. 25, T 32 N, R 13 W, NMPM, San Juan County, New Mexico
Bond No. B2772099**

Dear Ms. Bailey:

The New Mexico Oil Conservation Division hereby approves the cancellation of the above-referenced financial assurance and releases Reliance 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: Copy of bond No. B2772099

xc with attachment:

Hobbs OCD Office
Janice G. Correy, Reliance Insurance Company
Jim Bonaventura, HEC Petroleum, Inc., 463 Turner Drive #101, Durango, Colorado 81301



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

October 31, 1997

Hallwood Petroleum Inc.
P.O. Box 378111
Denver, CO 80237

Attention: Jan M. Bloom

**RE: \$25,000 Surface Waste Management Facility Bond
Hallwood Petroleum, Inc., Principal
Reliance Insurance Company, Surety
Sec. 25, T-32-N, R-13-W, NMPM
San Juan County, New Mexico
Bond No. B2772099**

Dear Ms. Bloom:

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

Sincerely,

William J. LeMay
Director

WJL/mjk

xc: OCD Aztec Office
Jim Bonaventura
Reliance Insurance Company

Energy, Minerals and Natural Resources Department
Oil Conservation Division

007 6 1997

Surety Bond For Waste Management Facilities

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

Environmental Bureau
Oil Conservation Division

BOND NO. B2772099

(For Surety Company Use)

KNOW ALL MEN BY THESE PRESENTS:

That Hallwood Petroleum, Inc., (an individual, partnership, or a corporation organized in the State of Colorado, with its principal office in the City of Denver, State of Colorado, and authorized to do business in the State of New Mexico), as PRINCIPAL, and Reliance Insurance Company, a corporation organized and existing under the laws of the State of Pennsylvania, and authorized to do business in the State of New Mexico with duly appointed resident agent 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 (the "Division") pursuant to Section 70-2-12 NMSA, 1978, (1995 Relp.) as amended in the sum of Twenty-Five Thousand and No/100 (\$25,000.00--) Dollars for the payment of which PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally.

The conditions of this obligation are such that:

WHEREAS, 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 32 North Range 13 West NMPM, San Juan County, New Mexico.

NOW, THEREFORE, this \$25,000.00-- performance bond is conditioned upon substantial compliance with all applicable statutes of the State of New Mexico and all rules and orders of the Oil Conservation Commission, the Division, 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.

Signed and sealed this 2nd day of October, 1997.

Hallwood Petroleum, Inc.
Principal
4582 South Ulster Street Parkway
Denver, Colorado 80237

Reliance Insurance Company
Surety
2323 Bryan Street, Suite 2424
Dallas, Texas 75201

Mailing Address

Mailing Address

By Russell A. Madore
Signature Title

By Janice G. Correy
Attorney-in-Fact - Janice G. Correy

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

Note: If 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: XXX David C. Mitchie
New Mexico Resident Agent
David C. Mitchie

Aon Risk Services, Inc. of New Mexico
6000 Uptown Blvd., N.E., Suite 200,
Address Albuquerque, NM 87110

RECEIVED

SEP 17 1997

Environmental Bureau
Oil Conservation Division

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 _____, 19____,
by _____

My commission expires:

Date Notary Public

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

STATE OF _____)
)SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____,
by _____, partner(s) on behalf of
_____, a partnership.

My commission expires:

Date Notary Public

3. (For a corporation or incorporated association)

The foregoing instrument was acknowledged before me this 2nd day of October, 1997,
by Russell P. Meduna, Vice President of Hallwood Petroleum, Inc.
a corporation, on behalf of said corporation.

My commission expires:

12/05/97
Date

DEBRA K. ROGERS
NOTARY PUBLIC
STATE OF COLORADO
Debra K. Rogers
Notary Public
My Commission Expires 12/05/97

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.

APPROVED BY:
OIL CONSERVATION DIVISION

By: *[Signature]*

ADMINISTRATIVE OFFICE, PHILADELPHIA, PENNSYLVANIA

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that RELIANCE SURETY COMPANY is a corporation duly organized under the laws of the State of Delaware, and that RELIANCE INSURANCE COMPANY and UNITED PACIFIC INSURANCE COMPANY, are corporations duly organized under the laws of the Commonwealth of Pennsylvania and that RELIANCE NATIONAL INDEMNITY COMPANY is a corporation duly organized under the laws of the State of Wisconsin (herein collectively called "the Companies") and that the Companies by virtue of signature and seals do hereby make, constitute and appoint Joe Bruce, Janice G. Correy, Kathleen Day, of Dallas, Texas their true and lawful Attorney(s)-in-Fact, to make, execute, seal and deliver for and on their behalf, and as their act and deed any and all bonds and undertakings of suretyship and to bind the Companies 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 Companies and sealed and attested by one other of such officers, and hereby ratifies and confirms all that their said Attorney(s)-in-Fact may do in pursuance hereof.

This Power of Attorney is granted under and by the authority of Article VII of the By-Laws of RELIANCE SURETY COMPANY, RELIANCE INSURANCE COMPANY, UNITED PACIFIC INSURANCE COMPANY, and RELIANCE NATIONAL INDEMNITY COMPANY 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 Attorney(s)-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(s)-in-Fact at any time and revoke the power and authority given to them.
2. Attorney(s)-in-Fact shall have power and authority, subject to the terms and limitations of the Power of Attorney issued to them, to execute 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. Attorney(s)-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 Executive and Finance Committees of the Boards of Directors of Reliance Insurance Company, United Pacific Insurance Company and Reliance National Indemnity Company by Unanimous Consent dated as of February 28, 1994 and by the Executive and Financial Committee of the Board of Directors of Reliance Surety Company by Unanimous Consent dated as of March 31, 1994.

"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 certificates 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 Companies have caused these presents to be signed and their corporate seals to be hereto affixed, this September 26, 1996.



RELIANCE SURETY COMPANY
RELIANCE INSURANCE COMPANY
UNITED PACIFIC INSURANCE COMPANY
RELIANCE NATIONAL INDEMNITY COMPANY

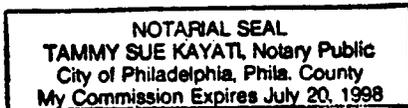
David T. Akers

STATE OF Pennsylvania
COUNTY OF Philadelphia

} ss.

On this, September 26, 1996, before me, Tammy Sue Kayati, personally appeared David T. Akers, who acknowledged himself to be the Senior Vice President of the Reliance Surety Company, and the Vice President of Reliance Insurance Company, United Pacific Insurance Company, and Reliance National Indemnity Company and that as such, being authorized to do so, executed the foregoing instrument for the purpose therein contained by signing the name of the corporation by himself as its duly authorized officer.

In witness whereof, I hereunto set my hand and official seal.



Tammy Sue Kayati
Notary Public in and for the State of Pennsylvania
Residing at Philadelphia

I, Anita Zippert, Secretary of RELIANCE SURETY COMPANY, RELIANCE INSURANCE COMPANY, UNITED PACIFIC INSURANCE COMPANY, and RELIANCE NATIONAL INDEMNITY COMPANY do hereby certify that the above and foregoing is a true and correct copy of the Power of Attorney executed by said Companies, which is still in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seals of said Companies this 2nd day of October 1997.



Anita Zippert
Secretary



















