

NM2 - 20

BONDS



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

December 27, 2002

CERTIFIED MAIL

RETURN RECEIPT NO. 7001-1940-0004-7923-4160

Jerry D. Fanning, Jr.
Yates Petroleum Corporation
105 South Fourth St.
Artesia, New Mexico 88210

**RE: \$25,000 Surface Waste Management Facility Bond
Permit NM-02-020
Yates Petroleum Corporation
Gulf Insurance Company, Surety
SE/4 SE/4 Section 7, Township 19 South, Range 25 East, and
Sections 14, 15 and 16, Township 18 South, Range 25 East, N.M.P.M.,
Eddy County, New Mexico
Bond B32645808**

Dear Mr. Fanning:

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

Sincerely,

David K. Brooks,
Assistant General Counsel

DKB: mjk

Enclosures: Copy of Bond No. B32645808

xc: OCD Artesia Office
S. Gary Sims, J.S. Ward & Son, Inc., 101 South Fourth Street, Artesia, NM 88210-2177



J. S. Ward & Son, Inc.

101 South Fourth Street
(505) 746-2796
Artesia, New Mexico
88210-2177

Insurance
Bonds

December 20, 2002

RECEIVED

DEC 23 2002
Environmental Bureau
Oil Conservation Division

State of New Mexico
Energy, Minerals & Natural Resources Department
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505-4000

Attention: Mrs. Martyne Kieling

Re: Yates Petroleum Corporation
Bond No. B32645808
\$25,000 Surety Bond
For Waste Management Facilities

Dear Mrs. Kieling:

Enclosed please find the captioned bond, through Gulf Insurance Company, which we trust you find in order and acceptable for filing.

Very truly yours,

J. S. WARD & SON, INC.

By *D. Gary Sims*

SGS:esm

Enclosure

cc: Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2122
Attention: Mr. Randy Patterson – Copy of Bond

OVER **77** YEARS

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. B32645808
(For Surety Company Use)

KNOW ALL MEN BY THESE PRESENTS:

That Yates Petroleum Corporation, ~~an~~
~~individual partnership or~~ a corporation organized in the State of New Mexico, with its principal
office in the City of Artesia, State of New Mexico, and authorized to do business
in the State of New Mexico), as PRINCIPAL, and Gulf Insurance Company, a corporation organized and
existing under the laws of the State of Connecticut 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-----(\$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
SE $\frac{1}{4}$, SE $\frac{1}{4}$, Section 7, Township 19S, Range 25E, NMPM, Eddy County, New Mexico. and
Sections 14, 15 & 16, Township 18S, Range 25E, NMPM, Eddy 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 16th day of December, 2002.

Yates Petroleum Corporation
PRINCIPAL
105 South Fourth Street
Artesia, New Mexico 88210-2122

Mailing Address

By [Signature]
Signature Title
Executive Vice-President

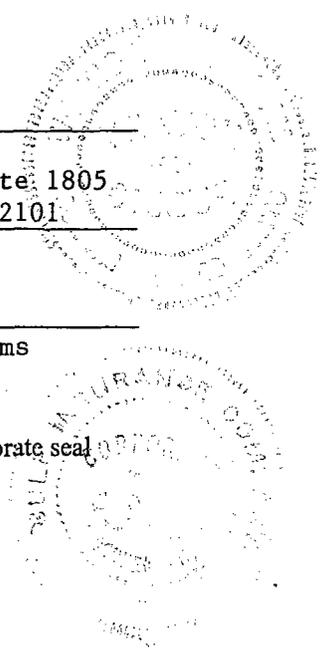
Note: If Principal is a corporation, affix corporate seal here.

Gulf Insurance Company
SURETY
110 West "A" Street, Suite 1805
San Diego, California 92101

Mailing Address

By [Signature]
Attorney-in-Fact S. Gary Sims

Note: If corporate surety, 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 _____, 2____,
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 _____, 2____,
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 16th day of December, 2002,
by Payton Yates, Executive Vice President, of Yates Petroleum Corporation
a corporation, on behalf of said corporation.

My commission expires:

3-1-06
Date Miriam S. Howlow
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.

**GULF INSURANCE COMPANY
HARTFORD, CONNECTICUT
POWER OF ATTORNEY**

ORIGINALS OF THIS POWER OF ATTORNEY ARE PRINTED ON BLUE SAFETY PAPER WITH TEAL INK.

KNOW ALL MEN BY THESE PRESENTS: That the Gulf Insurance Company, a corporation duly organized under the laws of the State of Connecticut, having its principal office in the city of Irving, Texas, pursuant to the following resolution, adopted by the Finance & Executive Committee of the Board of Directors of the said Company on the 10th day of August, 1993, to wit:

"RESOLVED, that the President, Executive Vice President or any Senior Vice President of the Company shall have authority to make, execute and deliver a Power of Attorney constituting as Attorney-in-Fact, such persons, firms, or corporations as may be selected from time to time; and any such Attorney-in-Fact may be removed and the authority granted him revoked by the President, or any Executive Vice President, or any Senior Vice President, or by the Board of Directors or by the Finance and Executive Committee of the Board of Directors.

RESOLVED, that nothing in this Power of Attorney shall be construed as a grant of authority to the attorney(s)-in-fact to sign, execute, acknowledge, deliver or otherwise issue a policy or policies of insurance on behalf of Gulf Insurance Company.

RESOLVED, that the signature of the President, Executive Vice President or any Senior Vice President, 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 powers so executed and certified by facsimile signature and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond and documents relating to such bonds to which they are attached."

Gulf Insurance Company does hereby make, constitute and appoint

CHARLENE M. WARD

S. GARY SIMS

its true and lawful attorney(s)-in-fact, with full power and authority hereby conferred in its name, place and stead, to sign, execute, acknowledge and deliver in its behalf, as surety, any and all bonds and undertakings of suretyship, and to bind Gulf Insurance Company thereby as fully and to the same extent as if any bonds, undertakings and documents relating to such bonds and/or undertakings were signed by the duly authorized officer of the Gulf Insurance Company and all the acts of said attorney(s)-in-fact, pursuant to the authority herein given, are hereby ratified and confirmed.

The obligation of the Company shall not exceed five million (5,000,000) dollars.

IN WITNESS WHEREOF, the Gulf Insurance Company has caused these presents to be signed by any officer of the Company and its Corporate Seal to be hereto affixed.

STATE OF NEW YORK }
COUNTY OF NEW YORK } SS



GULF INSURANCE COMPANY

Lawrence P. Minter

Lawrence P. Minter
Executive Vice President

On this 1st day of October, AD 2001, before me came Lawrence P. Minter, known to me personally who being by me duly sworn, did depose and say: that he resides in the County of Bergen, State of New Jersey; that he is the Executive Vice President of the Gulf Insurance Company, the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to the said instruments is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation and that he signed his name, thereto by like order.

STATE OF NEW YORK }
COUNTY OF NEW YORK } SS



Angie Mahabir-Begazo

ANGIE MAHABIR-BEGAZO
Notary Public, State of New York
No. 01MA6019988
Qualified in Kings County
Commission Expires February 16, 2003

I, the undersigned, Senior Vice President of the Gulf Insurance Company, a Connecticut Corporation, DO HEREBY CERTIFY that the foregoing and attached POWER OF ATTORNEY remains in full force.

Signed and Sealed at the City of New York.

Dated the 16th day of December, 20 02



George Biancardi

George Biancardi
Senior Vice President