

BW - 30

BONDS

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

Governor

Jon Goldstein
Cabinet Secretary

Jim Noel
Deputy Cabinet Secretary

March 16, 2010

Mark Fesmire
Division Director
Oil Conservation Division



Mesquite SWD, Inc.
P.O. Box 1479
Carlsbad, NM 88221

Re: \$50,000 One-Well Plugging Bond
Mesquite SWD, Inc., Principal
RLI Insurance Company, Surety
API 30-025-35915
Hobbs State No. 10
(BW-30)
2565' FNL and 2330' FWL
Section 29, Township 18 South, Range 38 East
Lea County, New Mexico
Bond No. RLB0013069

Dear Sir:

The New Mexico Oil conservation Division hereby approves the above-captioned one-well plugging bond.

Sincerely,

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

DAVID K. BROOKS
Assistant General Counsel

DKB/dp

cc: Oil Conservation Division – Hobbs, NM

RLI Insurance Company
8 Greenway Plaza, Suite 400
Houston, TX 77046



RECEIVED

STATE OF NEW MEXICO
ONE WELL PLUGGING BOND

2010 MAR 8 PM 1:23

For CP#VES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT,
SANDOVAL AND SAN JUAN COUNTIES ONLY

BOND NO. RLB0013069
WELL DEPTH 4,750'
AMOUNT OF BOND \$50,000.00
COUNTY Lea

Note: Bond Amount is \$5,000 plus \$1 per foot of projected depth of proposed well or measured depth of existing well.

*Under certain conditions, the appropriate district office of the Division may authorize a well to be drilled as much as 500 feet deeper than the depth provided in the applicable financial assurance. (See Rule 8.9.D.3)

File with the Oil Conservation Division, 1220 South St. Francis Drive, Santa Fe, NM 87505

KNOW ALL MEN BY THESE PRESENTS:

That Mesquite SWD, Inc. _____, (an individual – if dba must read – Example: John Doe dba ABC Services) (a general partnership) (a corporation), (limited liability company) (limited partnership) organized in the State of New Mexico, 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 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 (or successor agency) (the DIVISION), pursuant to NMSA 1978, Section 70-2-14, as amended, in the sum of \$50,000.00 ----, for the payment of which the 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 PRINCIPAL has commenced or may commence the drilling of one well to a depth not to exceed 4,750 feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or as an injection or other service well related to such exploration or production, or does own or operate, or may acquire, own or operate such well, the identification and location of said well being:

Hobbs State No. 010 API No. 30-025-35915, located 2,565 feet from the _____
(Name of Well)
North (North/South) line and 2,330 feet from the West (East/West) line
of Section 29 Township 18S (North) (South), Range 38E (East) (West),
NMPM, Lea County, New Mexico.

NOW, THEREFORE, if the PRINCIPAL and SURETY or either of them, or their successors or assigns or any of them, shall cause said well be properly plugged and abandoned when dry or when no longer productive or useful for other beneficial purpose, in accordance with the rules and orders of the DIVISION, including but not limited to Rules 8.9 [19.15.8.9 NMAC] and 25.10 [19.15.25.10 NMAC], as such rules now exist or may hereafter be amended;

THEN AND IN THAT EVENT, this obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Mesquite SWD, Inc.
PRINCIPAL
P.O. Box 1479, Carlsbad, NM 88220
Address
By [Signature]
Signature
President
Title

RLI Insurance Company
SURETY
8 Greenway Plaza, Suite 400
Houston, TX 77046
Address
[Signature]
Paul Gottheim, Attorney-in-Fact

If PRINCIPAL is a corporation, affix
Corporate seal here

Corporate surety affix
Corporate seal here

BOND RIDER TO ASSUME LIABILITY

RIDER NO. 1

Attaching to and forming part of One Well Plugging Bond, Bond No. RLB0013069, executed February 25, 2010, on behalf of Mesquite SWD, Inc. as Principal, in favor of State of New Mexico as Obligee, in the amount of Fifty Thousand and No/100 Dollars (\$50,000.00).

It is understood and agreed that effective February 25, 2010, this bond extends to and covers all liability associated with the following bond:

Bond No.	Surety	Principal	Date Executed
RLB0011112	RLI Insurance Company	Liquid Resources Services, LLC	December 28, 2007

All other conditions and terms to remain as originally written or previously amended by rider.

Signed, sealed and dated this 25th day of February, 2010.

Mesquite SWD, Inc.

Principal

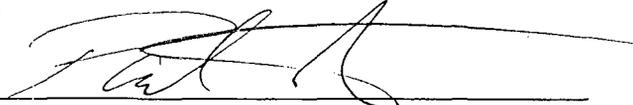
By: 

CLAY LAWSON PRESIDENT

Printed Name & Title

RLI Insurance Company
8 Greenway Plaza, Suite 400
Houston, TX 77046

Surety

By: 

Paul Gottheim, Attorney-in-Fact



RLI Surety
A division of RLI Insurance Company

RLB0013069

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: PAUL GOTTHEIM 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:

\$50,000.00

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 PRESIDENT with its corporate seal affixed this

ATTEST:

Jean M. Stephenson
CORPORATE SECRETARY



Michael J. Stone
PRESIDENT

State of Illinois)
) SS
County of Peoria)

On this 25 day of Feb. 2010 before me, a Notary Public, personally appeared Michael J. Stone and Jean M. Stephenson, 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





NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Carol Leach
Acting Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

January 31, 2002

Mr. Gary Schubert, President
H.R.C., Inc.
P.O. Box 5102
Hobbs, NM 88241

Re: \$5,000 Single-Well Cash Bond
H.R.C., Inc., Principal
First National Bank – Hobbs, Depository – Acct No. 2802198-30
Hobbs State No. 5 – 2280' FNL and 1980' FWL
Section 29, Township 18 South, Range 38 East,
Lea County, NM

Dear Mr. Schubert:

The New Mexico Oil Conservation Division hereby approves the above-captioned single-well cash bond.

Sincerely,

DAVID K. BROOKS
Assistant General Counsel

DKB/dp

cc: Oil Conservation Division – Hobbs, NM

First National Bank – Hobbs
600 West Bender
Hobbs, NM 88240

CMD :
OG6CWBD

ONGARD
CAPTURE SINGLE WELL BOND

01/31/02 14:05:
OGODLP -TQ

OGRID Identifier : 131652 API Well No : 30 25 23662
Operator Name, Address : HRC INC
PO BOX 5102
HOBBS,NM 88241

Bond Idn : 249053 Bond Status : A Prop Idn : 23612
Prop Name : HOBBS STATE Well No : 005
U/L Sec Township Range North/South East/West Lot I
--- ---
Surface Locn : F 29 18S 38E FTG 2280 F N FTG 1980 F W
API County : 25
Bond Details : Type (Cash/Surety - C/S) : C Bond Co Idn : 13 Amt : 5000
Company OGRID Identifier : 210639
Company Name, Address : FIRST NATIONAL BANK OF HOBBS
600 WEST BENDER
HOBBS,NM 88240
Effective Date : 01-01-1900 Cancellation Date : 12-31-9999
Issuer Bond No : BRINE

M0015: Table update is successful.

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06 CONFIRM
PF07 PF08 PF09 COMMENT PF10 NXTBOND PF11 PF12

RECEIVED
JAN 15 2002
Environmental Bureau
Oil Conservation Division

Form O & G OCD
Adopted 6-1-86
Revised 12-00

ASSIGNMENT OF CASH COLLATERAL DEPOSIT

H.R.C. Inc. (OPERATOR) of P.O. Box 5102 (address) has deposited with the First National Bank (name of state or national bank or savings association, which must be a federally-insured bank or savings institution in the State of New Mexico) of 600 West Bender, Hobbs, NM (address) (FINANCIAL INSTITUTION), the sum of \$5,000.00 dollars in Certificate of Deposit or Savings Account No. 2802198-30 (FUND).

COPY

To comply with NMSA 1978, Section 70-2-14, OPERATOR hereby assigns and conveys all right, title and interest in the FUND to the FINANCIAL INSTITUTION in trust for the Oil Conservation Division of the Energy, Minerals and Natural Resources Department or successor agency of the State of New Mexico (DIVISION).

OPERATOR and the FINANCIAL INSTITUTION agree that as to the FUND:

- a. The DIVISION acquires by this assignment the entire beneficial interest in the FUND, 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, in amounts determined by the DIVISION, or to the OPERATOR upon sale or proper plugging, in compliance with the rules and orders of the DIVISION, of the well(s) covered by this assignment.
- b. OPERATOR 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.
- c. The FINANCIAL INSTITUTION agrees that the FUND 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 to which the DIVISION is a party. The FINANCIAL INSTITUTION waives all statutory or common law liens or rights of set-off against the FUND.

OPERATOR agrees that the FINANCIAL INSTITUTION may deduct from interest due OPERATOR any attorney fees incurred by the FINANCIAL INSTITUTION if claim or demand via writ, summons or other process arising from OPERATOR'S business is made upon the FINANCIAL INSTITUTION.

Gary Schubert
Signature of OPERATOR
Personally or by Authorized Officer

Zane S. Bergman
Signature of Authorized Officer
of FINANCIAL INSTITUTION

Gary Schubert, President
Title

Zane S. Bergman, President
Title

State of New Mexico
County of Lea) ss.

On this 3rd day of December, 20 01, before me personally appeared Gary Schubert and Zane S. Bergman, to me known to be the person (persons) 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.

[Signature]
Notary Public

My Commission Expires:
10-7-04

JAN 15 2002
Environmental Bureau
Oil Conservation Division

ONE-WELL CASH BOND

KNOW ALL MEN BY THESE PRESENTS THAT H.R.C. Inc. (an individual) (a partnership) (a corporation organized in the State of New Mexico with its principal office at P.O. Box 5102 in the City of Hobbs, State of New Mexico and authorized to do business in the State of New Mexico) is held and firmly bound to the Oil Conservation Division of the Energy, Minerals and Natural Resources Department of the State of New Mexico (or its successor agency), as DIVISION in the sum of \$ 5,000.00

The conditions of this obligation are such that:

The PRINCIPAL desires to drill a well or purchase or operate an existing well, the depth of which does not exceed 5000 feet, to prospect for and produce oil or gas, carbon dioxide gas, helium gas or brine minerals on property in the State of New Mexico, the particular identification and footage location of said well being as follows:

(well name and footage) Hobbs State #5 2280 FNL/1980 FWL in Section 29 Township 18S Range 38E, NMPM, Lea County, New Mexico.

The PRINCIPAL has deposited on behalf of the DIVISION \$ 5,000.00, in the manner indicated on the Assignment, attached to this bond, being the principal sum intended to be secured. PRINCIPAL pledges this sum as a guarantee that it, its executors, assigns, heirs or administrators shall plug the well described above if dry, or when abandoned, in accordance with the rules and orders of the DIVISION in such way as to confine the oil, gas and water in the strata in which they are found, and to prevent same from escaping to other strata. If the PRINCIPAL does not so properly plug and abandon said well upon order of the DIVISION, the total sum of the bond shall be forfeited to the DIVISION, and such amount as is necessary may be used to properly plug said well. If the principal sum of this bond is less than the actual cost incurred by the DIVISION in plugging said well, the PRINCIPAL, its successors, assigns, heirs or administrators shall be liable under the provisions of NMSA 1978, Section 70-2-38 of the Oil and Gas Act, and the DIVISION may take action to recover any amounts expended over and above the principal sum of the bond.

NOW THEREFORE, if the PRICIPAL or its successors, assigns, heirs, or administrators or any of them shall plug the above-described well when dry or abandoned, in accordance with the rules and orders of the DIVISION, in such a manner as to confine the oil, gas, and water in the strata in which they naturally occur, and to prevent them from escaping into other strata, and further to clean up the surface location of said well, then therefore, this obligation shall be null and void and the principal sum shall be paid to the PRINCIPAL or its successors, heirs, or administrator, otherwise it shall remain in full force and effect.

H.R.C. Inc.
PRINCIPAL
P.O. Box 5102 Hobbs, N.M. 88241
Address City State Zip
By [Signature] By _____
Signature
Gary Schubert, President
Title

If PRINCIPAL is a corporation, affix corporate seal here.

COPY

JAN 15 2002

Environmental Bureau
Oil Conservation Division

Form O & G SCB

ACKNOWLEDGMENT FORM FOR INDIVIDUALS OR PARTNERSHIPS

STATE OF _____)

ss.

COUNTY OF _____)

On this _____ day of _____, 20____, 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 his (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

COPY

ACKNOWLEDGMENT FORM FOR CORPORATION

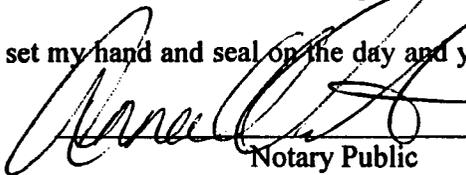
STATE OF New Mexico)

ss.

COUNTY OF Lea)

On this 3rd day of December, 2001, before me personally appeared Gary Schubert, to me personally known who, being by me duly sworn, did say that he is President of H.R.C. 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.



Notary Public

10-7-04
My Commission Expires

APPROVED BY:

Oil Conservation Division of New Mexico

By David K. [Signature]
Assistant General Counsel
Date 1/28/02

Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties, New Mexico:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 5,000
5,000 feet to 10,000 feet	\$ 7,500
More than 10,000 feet	\$10,000

All Other Counties in the State:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 7,500
5,000 feet to 10,000 feet	\$10,000
More than 10,000 feet	\$12,500



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

April 23, 2002

Mr. Gary Schubert, President
H.R.C., Inc.
P.O. Box 5102
Hobbs, NM 88241

Re: \$5,000.00 Single-Well Cash Bond
H.R.C., Inc, Principal
First National Bank-Hobbs, Depository-Acct No. 280219831
Hobbs State No. 10- 2565 FNL and 2330 FWL
Section 29, Township 18 South, Range 38 East
Lea County, NM

Dear Mr. Schubert:

The New Mexico Oil Conservation Division hereby approves the above-captioned single-well cash bond.

Sincerely,

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

DAVID K. BROOKS
Assistant General Council

DKB/wp

Cc: Oil Conservation Division-Hobbs, NM

First National Bank-Hobbs
600 West Bender
Hobbs, NM 88240

RECEIVED

APR 23 2002

Environmental Bureau
Oil Conservation Division

Form O & G SCB
Adopted 6-1-86
Revised 12-00

ONE-WELL CASH BOND

KNOW ALL MEN BY THESE PRESENTS THAT H.F.C. INC. (an individual) (a partnership) (a corporation organized in the State of NEW MEXICO with its principal office at P.O. Box 5102 in the City of HOBBS, State of NEW MEXICO and authorized to do business in the State of New Mexico) is held and firmly bound to the Oil Conservation Division of the Energy, Minerals and Natural Resources Department of the State of New Mexico (or its successor agency), as DIVISION in the sum of \$ 5000.00.

The conditions of this obligation are such that:

The PRINCIPAL desires to drill a well or purchase or operate an existing well, the depth of which does not exceed 5000 feet, to prospect for and produce oil or gas, carbon dioxide gas, helium gas or brine minerals on property in the State of New Mexico, the particular identification and footage location of said well being as follows:

(well name and footage) HOBBS STATE #10 2565' FNL / 2330' FWL in Section 29 Township 18S Range 38E, NMPM, LEA County, New Mexico.

The PRINCIPAL has deposited on behalf of the DIVISION \$ 5000.00, in the manner indicated on the Assignment, attached to this bond, being the principal sum intended to be secured. PRINCIPAL pledges this sum as a guarantee that it, its executors, assigns, heirs or administrators shall plug the well described above if dry, or when abandoned, in accordance with the rules and orders of the DIVISION in such way as to confine the oil, gas and water in the strata in which they are found, and to prevent same from escaping to other strata. If the PRINCIPAL does not so properly plug and abandon said well upon order of the DIVISION, the total sum of the bond shall be forfeited to the DIVISION, and such amount as is necessary may be used to properly plug said well. If the principal sum of this bond is less than the actual cost incurred by the DIVISION in plugging said well, the PRINCIPAL, its successors, assigns, heirs or administrators shall be liable under the provisions of NMSA 1978, Section 70-2-38 of the Oil and Gas Act, and the DIVISION may take action to recover any amounts expended over and above the principal sum of the bond.

NOW THEREFORE, if the PRICIPAL or its successors, assigns, heirs, or administrators or any of them shall plug the above-described well when dry or abandoned, in accordance with the rules and orders of the DIVISION, in such a manner as to confine the oil, gas, and water in the strata in which they naturally occur, and to prevent them from escaping into other strata, and further to clean up the surface location of said well, then therefore, this obligation shall be null and void and the principal sum shall be paid to the PRINCIPAL or its successors, heirs, or administrator, otherwise it shall remain in full force and effect.

H.F.C. INC.
PRINCIPAL
P.O. Box 5102 HOBBS, N.M. 88241
Address City State Zip
By Gary M. Schubert Signature
By _____
GARY M. SCHUBERT, PRES.
Title

If PRINCIPAL is a corporation, affix corporate seal here.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Betty Rivera

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

April 23, 2002

Mr. Gary Schubert, President
H.R.C., Inc.
P.O. Box 5102
Hobbs, NM 88241

Re: \$5,000.00 Single-Well Cash Bond
H.R.C., Inc, Principal
First National Bank-Hobbs, Depository-Acct No. 280219831
Hobbs State No. 10- 2565 FNL and 2330 FWL
Section 29, Township 18 South, Range 38 East
Lea County, NM

Dear Mr. Schubert:

The New Mexico Oil Conservation Division hereby approves the above-captioned single-well cash bond.

Sincerely,

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

DAVID K. BROOKS
Assistant General Council

DKB/wp

Cc: Oil Conservation Division-Hobbs, NM

First National Bank-Hobbs
600 West Bender
Hobbs, NM 88240

April 23, 2002

To: David Brooks

From: Wayne Price *WP*

Re: Brine Well Bonds

Dear David:

HRC Inc has applied for a new brine well in Hobbs. I am in the process of reviewing their application. Please find attached a cash collateral Bond and a copy of their application. Would you please evaluate the bond for approval?

They recently sent in a bond for the State Well #5 that they were planning on re-entering and complete as new brine well. They have changed their minds and are going to drill a new well State #10. I am keeping the state #5 bond because they are going to have to properly plug it.

Thanks!

Looks ok to me.

DB



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Carol Leach
Acting Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

January 31, 2002

Mr. Gary Schubert, President
H.R.C., Inc.
P.O. Box 5102
Hobbs, NM 88241

Re: \$5,000 Single-Well Cash Bond
H.R.C., Inc., Principal
First National Bank – Hobbs, Depository – Acct No. 2802198-30
Hobbs State No. 5 – 2280' FNL and 1980' FWL
Section 29, Township 18 South, Range 38 East,
Lea County, NM

Dear Mr. Schubert:

The New Mexico Oil Conservation Division hereby approves the above-captioned single-well cash bond.

Sincerely,

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

DAVID K. BROOKS
Assistant General Counsel

DKB/dp

cc: Oil Conservation Division – Hobbs, NM

First National Bank – Hobbs
600 West Bender
Hobbs, NM 88240

January 28, 2002

To: Chris Williams

From: Wayne Price

Re: HRC Inc. Brine Well C-104 & Bond
API # 30-025-23662

Dear Chris:

Please find enclosed the original C-104 "Change of Owner-ship" and copy of the approved bond. Would you please process this C-104 and when complete copy me.

Thanks!

Cc: Dorothy Phillips

1/22/02
2

January 15, 2002

To: David Brooks

From: Wayne Price *W*

Re: Brine Well Bond

Dear David:

HRC Inc has applied for a new brine well in Hobbs. I am in the process of reviewing their application. Please find attached a cash collateral Bond and a copy of their application. Would you please evaluate the bond for approval.

Thanks!

Looks ok. I don't like these forms, but have not yet finalized new forms; so we are still using these.

W

H.R.C., Inc.
P O Box 5102
Hobbs, NM 88241
(505)393-6662

September 12, 2006

Oil Conservation Department
Dorothy Phillips

Dorothy,

Please release our Plugging bonds for Hobbs State #5 2280 FNL/1980 FWL in Section 29 Township 18S Range 38E, Lea County, NM. First National Bank Hobbs, and also Hobbs State#10. These wells have been sold to Liquid Resources.

If any other information is needed please call the number above.

Thank You,

Lorna D. Seely-Dudenhoefer
Lorna D. Seely-Dudenhoefer

Wayne
Brine wells?
no body
with me!

Gary Schubert's Office

(505)393-6662

- **Facsimile Transmittal**

- **To:** Dorothy

- **From:** Loma

- **Fax Number:** 505-476-3462

- **Pages:** 2

- **Date:** 9/12/06

- **If any problems with this transmittal please contact Loma Seely-Dudenhoeffer at (505) 393-6662**

- **Notes:** _____



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

August 23, 2006

Mr. David A. Pyeatt
Liquid Resource Services, LLC
1819 N. Turner, Suite B
Hobbs, NM 88240

RE: \$7,000 Single-Well Cash Bond
Liquid Resource Services, LLC, Principal – OGRID **243571**
First National Bank of Hobbs, Depository – Acct. No. **0000000260525228**
Hobbs State No. 10– 2565' FNL and 2330' FWL
Section 29, Township 18 South, Range 38 East,
Lea County, New Mexico
Bond No. OCD815

Dear Mr. Pyeatt:

The New Mexico Oil Conservation Division hereby approves the above-captioned single-well cash bond.

Sincerely,

DAVID K. BROOKS
Assistant General Counsel

DKB/dp

cc: Oil Conservation Division – Hobbs, NM

First National Bank in Hobbs
1220 W. Joe Harvey Blvd.
Hobbs, NM 88240

OCT 815

STATE OF NEW MEXICO
Energy, Minerals and Natural Resources Department
Oil Conservation Division

BOND NO. OCD 815
(Issued by OCD)
WELL DEPTH 2000'
AMOUNT OF BOND \$7,000.00

Note: Bond Amount is \$5,000 plus \$1.00 per foot of projected depth for a proposed well or the measured depth of an existing well for Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval and San Juan counties ONLY. For ALL OTHER counties, the amount is \$10,000 plus \$1.00 per foot.

SINGLE-WELL CASH PLUGGING BOND

Liquid Resource Services, LLC ("OPERATOR"), a(n)
(Name of Operator)
New Mexico Limited Liability Company organized in the State of
(Individual (If dba, must read - Example: John Doe dba ABC Services), Corporation, Partnership, Limited Liability Company,
Etc.) New Mexico, and authorized to do business in the State of New Mexico, whose mailing address is
1819 N. Turner, Suite B, Hobbs, NM 88240 hereby firmly bound to the Oil Conservation
Division of the Energy, Minerals and Natural Resources Department (or successor agency) of the State of New Mexico
("the DIVISION"), in the sum of seven thousand Dollars (\$ 7000.00) upon the following conditions:

OPERATOR desires to drill a well, or to acquire or operate an existing well, or does own or operate an existing well the depth of which does not exceed 2000 feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals or an injection or other service well in the State of New Mexico, the particular identification and footage location of said well being as follows:

Hobbs State #10 (well name), API No. 30-025--35915, located 2565 feet
from the North (North/South) line and 2330 feet from the West (East/West) line in
Section 29, Township 18S, Range 38E, NMPM, Lea County, New Mexico.

OPERATOR has deposited on behalf of the DIVISION the sum of seven thousand Dollars (\$ 7000.00) with First National Bank ("FINANCIAL INSTITUTION") in the account indicated on, and subject to the terms of, the Assignment attached to this bond. OPERATOR pledges this sum as financial assurance that it or its successors or personal representatives will cause the above-described well to be properly plugged and abandoned if dry, or when no longer productive or useful for other beneficial purpose, in accordance with all applicable rules and orders of the DIVISION, including but not limited to Division Rules 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 NMAC], as the same now exist or may be hereafter amended. If OPERATOR does not properly plug and abandon said well, upon order of the DIVISION after notice and hearing, this bond may be forfeited to the DIVISION, as provided in NMSA 1978 Section 70-2-14.B, as amended. If the principal sum of this bond is less than the actual cost incurred by the DIVISION in plugging and abandoning said well in accordance with Rules 101 and 202 and any other applicable rules or orders, OPERATOR, its successors, heirs or personal representatives, shall be liable under the provisions of NMSA 1978, Sections 70-2-14 or 70-2-38, as amended, (as applicable) for such deficiency, and the DIVISION may initiate action as provided in said statutes to recover the same.

If OPERATOR or its successors, heirs, personal representatives or assigns shall cause the above-described well to be properly plugged and abandoned in accordance with all applicable rules and orders of the DIVISION, as above described, this obligation shall be null and void, and the principal sum of the deposit securing this bond shall be released to OPERATOR or to its successors, heirs, or personal representatives, upon written request.

David A. Puett
PRINCIPAL
By [Signature]
Signature
Member/Manager
Title

Return to: **Oil Conservation Division**
1220 South Saint Francis
Santa Fe, NM 87505

INDIVIDUAL ACKNOWLEDGMENT:
(If dba, must read - Example: John Doe dba ABC Services)

State of New Mexico
County of _____.

This instrument was acknowledged before me on this _____ day of _____,
20____, by _____
(Individual Operator)

Notary Public

SEAL
My Commission Expires:

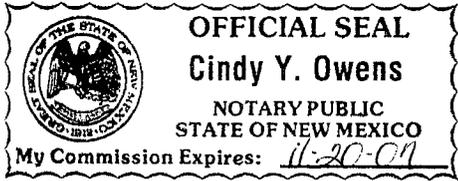
ACKNOWLEDGMENT FOR CORPORATION, PARTNERSHIP OR LIMITED LIABILITY COMPANY:

State of New Mexico
County of Lea.

This instrument was acknowledged before me on this 10 day of Aug, 2006,
by David A. Pyeatt Member/Manager
(Name of Person Signing Document) (Title)
of Liquid Resource Services, LLC, a New Mexico Limited Liability company
(Name of Operator)
on behalf of said company

Cindy Y. Owens
Notary Public

SEAL
My Commission Expires:



APPROVED BY:
Oil Conservation Division of New Mexico
By David K. Bertha
Date 8/23/06

STATE OF NEW MEXICO
Energy, Minerals and Natural Resources Department
Oil Conservation Division

ASSIGNMENT OF CASH COLLATERAL DEPOSIT

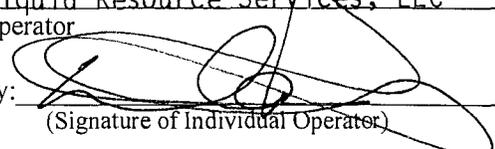
Liquid Resource Services, LLC ("OPERATOR") of 1819 N. Turner, Suite B, Hobbs, N.M. 88240,
(address) has deposited with
First National Bank in Hobbs (name of federally insured state or national bank
or savings association in the State of New Mexico) of 1220 W. Joe Harvey Blvd, Hobbs, N.M. 88240,
(address) (FINANCIAL INSTITUTION), the sum of Seven Thousand
dollars (\$ 7,000.00) in Certificate of Deposit or Savings Account No. 0000000260525228 (FUND).

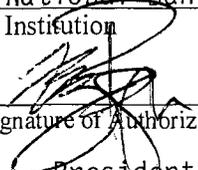
To comply with NMSA 1978, Section 70-2-14, as amended, and NMOCD Rule 101 [19.15.3.101 NMAC] OPERATOR hereby assigns all right, title and interest in the FUND, except as herein otherwise provided, to the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (or successor agency) of the State of New Mexico (the DIVISION).

OPERATOR AND FINANCIAL INSTITUTION agree that as to the FUND:

- a. The DIVISION acquires by this assignment the entire beneficial interest in the FUND 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, in amounts determined by the DIVISION, without further consent by the OPERATOR. FINANCIAL INSTITUTION hereby acknowledges that the DIVISION is FINANCIAL INSTITUTION'S customer with respect to the FUND.
- b. OPERATOR retains no legal or beneficial interest in the FUND except the right to interest, if any, thereon, and to return of the FUND upon written order of the DIVISION following final disposition, or plugging and abandonment in accordance with all rules and orders of the DIVISION, of all wells in the State of New Mexico for which this Assignment now or hereafter serves as financial assurance.
- c. FINANCIAL INSTITUTION agrees that the FUND may not be assigned, transferred, pledged or distributed except upon written order of the DIVISION or of a court order entered in a proceeding to which the DIVISION is a party. FINANCIAL INSTITUTION hereby waives all statutory or common law liens or rights of set-off or recoupment against the FUND by reason of any indebtedness or obligation of OPERATOR to FINANCIAL INSTITUTION now existing or hereafter incurred.
- d. OPERATOR agrees that FINANCIAL INSTITUTION may deduct, solely from interest due OPERATOR, any costs or attorney fees incurred by FINANCIAL INSTITUTION by reason of any claim or demand via writ, summons or other process made upon FINANCIAL INSTITUTION arising from OPERATOR'S business. FINANCIAL INSTITUTION agrees that no such costs or fees shall be deducted from the principal of the FUND prior to final release thereof to OPERATOR by the DIVISION.

This agreement shall be governed by the laws of the State of New Mexico.

Liquid Resource Services, LLC
Operator
By: 
(Signature of Individual Operator)
Manager/Member
Title

First National Bank in Hobbs
Financial Institution
By: 
(Signature of Authorized Officer of Financial Institution)
President
Title

NOTE: If the officer executing this instrument on behalf of the Financial Institution is not the President, a Vice President or a branch manager, attach a copy of certified resolution of the Board of Directors evidencing such officer's authority.

INDIVIDUAL ACKNOWLEDGMENT: (If individual is dba, must read - Example: John Doe dba ABC Services)

State of New Mexico
County of _____

This instrument was acknowledged before me on this _____ day of _____ 20____,

by _____
(Individual Operator)

(Notary Public)

SEAL

My Commission Expires:

ACKNOWLEDGMENT FOR PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY:

State of New Mexico
County of Lea

This instrument was acknowledged before me on this 10 day of Aug 2006,
by David A. Pyett

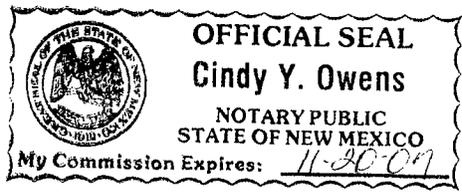
as manager/member (Name of Person(s) Signing) of Liquid Resource Services, LLC
(Capacity, e.g., Partner, President, etc.) (Name of Operator)

a LLM Limited Liability Company
(Partnership, Corporation or Limited Liability Company)

Cindy Y Owens
(Notary Public)

SEAL

My Commission Expires:



FINANCIAL INSTITUTION ACKNOWLEDGMENT:

State of New Mexico
County of Lea

This Instrument was acknowledged before me on this 16th day of August 2006,
by Zane S. Bergman

as President (Name of Officer) of First National Bank in Hobbs
(Title) (Name of Financial Institution)

[Signature]
(Notary Public)

SEAL

My Commission Expires:
6-1-10

Chavez, Carl J, EMNRD

From: Williams, Chris, EMNRD
Sent: Wednesday, October 18, 2006 7:40 AM
To: Chavez, Carl J, EMNRD
Subject: RE: State Hobbs #5 Brine Well Plug & Abandonment Confirmation for Bond Release Request from HRC Inc.

The bond can be released on this well. Chris

Chris Williams
District 1 Supervisor

From: Chavez, Carl J, EMNRD
Sent: Tue 10/17/2006 2:53 PM
To: Williams, Chris, EMNRD
Cc: Wink, Gary, EMNRD; Price, Wayne, EMNRD
Subject: State Hobbs #5 Brine Well Plug & Abandonment Confirmation for Bond Release Request from HRC Inc.

Chris:

The OCD-EB has received a request for a bond release for the State Hobbs #5 Brine Well (API# 30-025-23662). According to RBDMS records, the well appears to have been properly plugged and abandoned.

By receipt of this e-mail message, the OCD-EB is requesting confirmation that the well has been properly plugged and abandoned and/or there are no outstanding issues associated with the brine well in order to release HRC Inc. from its bond. Thank you.

Carl J. Chavez, CHMM
New Mexico Energy, Minerals & Natural Resources Dept.
Oil Conservation Division, Environmental Bureau
1220 South St. Francis Dr., Santa Fe, New Mexico 87505
Office: (505) 476-3491
Fax: (505) 476-3462
E-mail: CarlJ.Chavez@state.nm.us
Website: <http://www.emnrd.state.nm.us/ocd/>
(Pollution Prevention Guidance is under "Publications")



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

October 18, 2006

Mr. Gary Schubert, President
H.R.C., Inc.
P.O. Box 5102
Hobbs, NM 88241

Re: \$5,000 Single-Well Cash Bond
H.R.C., Inc., Principal
First National Bank – Hobbs, Depository – Account No. **2802198-30**
Hobbs State No. 5
2280' FNL and 1980' FWL
Section 29, Township 18 South, Range 38 East,
Lea County, New Mexico

The New Mexico Oil Conservation Division hereby approves the cancellation of the above-referenced single-well cash bond and releases and reassigns to H.R.C., Inc., its right, title and interest in and to the referenced deposit account.

Sincerely,

DAVID K. BROOKS

Assistant General Counsel

DKB/cc

cc: Oil Conservation Division – Hobbs, NM

First National Bank
600 West Bender
Hobbs, NM 88240

RECEIVED
JAN 15 2002
Environmental Bureau
Oil Conservation Division

Form O & G OGD
Adopted 6-1-86
REVISED 12-00

ASSIGNMENT OF CASH COLLATERAL DEPOSIT

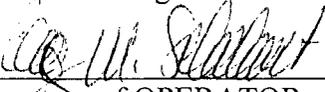
H.R.C. Inc. (OPERATOR) of P.O. Box 5102 (address) has deposited with the First National Bank (name of state or national bank or savings association, which must be a federally-insured bank or savings institution in the State of New Mexico) of 600 West Bender, Hobbs, NM (address) (FINANCIAL INSTITUTION), the sum of \$5,000.00 dollars in Certificate of Deposit or Savings Account No. 2802198-30 (FUND).

To comply with NMSA 1978, Section 70-2-14, OPERATOR hereby assigns and conveys all right, title and interest in the FUND to the FINANCIAL INSTITUTION in trust for the Oil Conservation Division of the Energy, Minerals and Natural Resources Department or successor agency of the State of New Mexico (DIVISION).

OPERATOR and the FINANCIAL INSTITUTION agree that as to the FUND:

- a. The DIVISION acquires by this assignment the entire beneficial interest in the FUND, 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, in amounts determined by the DIVISION, or to the OPERATOR upon sale or proper plugging, in compliance with the rules and orders of the DIVISION, of the well(s) covered by this assignment.
- b. OPERATOR 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.
- c. The FINANCIAL INSTITUTION agrees that the FUND 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 to which the DIVISION is a party. The FINANCIAL INSTITUTION waives all statutory or common law liens or rights of set-off against the FUND.

OPERATOR agrees that the FINANCIAL INSTITUTION may deduct from interest due OPERATOR any attorney fees incurred by the FINANCIAL INSTITUTION if claim or demand via writ, summons or other process arising from OPERATOR'S business is made upon the FINANCIAL INSTITUTION.


Signature of OPERATOR
Personally or by Authorized Officer


Signature of Authorized Officer
of FINANCIAL INSTITUTION

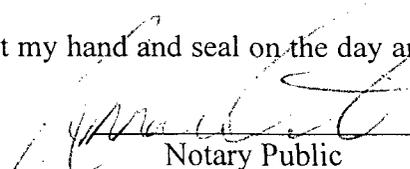
Gary Schubert, President
Title

Zane S. Bergman, President
Title

State of New Mexico
County of Lea) ss.

On this 3rd day of December, 20 01, before me personally appeared Gary Schubert and Zane S. Bergman, to me known to be the person (persons) 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.


Notary Public

My Commission Expires:
10-7-04

RECEIVED

JAN 15 2002

Form O & G SCB
Adopted 6-1-86
Revised 12-00

Environmental Bureau
Oil Conservation Division

ONE-WELL CASH BOND

KNOW ALL MEN BY THESE PRESENTS THAT H.R.C. Inc. (an individual) (a partnership) (a corporation organized in the State of New Mexico with its principal office at P.O. Box 5102 in the City of Hobbs, State of New Mexico and authorized to do business in the State of New Mexico) is held and firmly bound to the Oil Conservation Division of the Energy, Minerals and Natural Resources Department of the State of New Mexico (or its successor agency), as DIVISION in the sum of \$ 5,000.00.

The conditions of this obligation are such that:

The PRINCIPAL desires to drill a well or purchase or operate an existing well, the depth of which does not exceed 5000 feet, to prospect for and produce oil or gas, carbon dioxide gas, helium gas or brine minerals on property in the State of New Mexico, the particular identification and footage location of said well being as follows:

(well name and footage) Hobbs State #5 2280 FNL/1980 FWL in Section 29 Township 18S Range 38E, NMPM, Lea County, New Mexico.

The PRINCIPAL has deposited on behalf of the DIVISION \$ 5,000.00, in the manner indicated on the Assignment, attached to this bond, being the principal sum intended to be secured. PRINCIPAL pledges this sum as a guarantee that it, its executors, assigns, heirs or administrators shall plug the well described above if dry, or when abandoned, in accordance with the rules and orders of the DIVISION in such way as to confine the oil, gas and water in the strata in which they are found, and to prevent same from escaping to other strata. If the PRINCIPAL does not so properly plug and abandon said well upon order of the DIVISION, the total sum of the bond shall be forfeited to the DIVISION, and such amount as is necessary may be used to properly plug said well. If the principal sum of this bond is less than the actual cost incurred by the DIVISION in plugging said well, the PRINCIPAL, its successors, assigns, heirs or administrators shall be liable under the provisions of NMSA 1978, Section 70-2-38 of the Oil and Gas Act, and the DIVISION may take action to recover any amounts expended over and above the principal sum of the bond.

NOW THEREFORE, if the PRICIPAL or its successors, assigns, heirs, or administrators or any of them shall plug the above-described well when dry or abandoned, in accordance with the rules and orders of the DIVISION, in such a manner as to confine the oil, gas, and water in the strata in which they naturally occur, and to prevent them from escaping into other strata, and further to clean up the surface location of said well, then therefore, this obligation shall be null and void and the principal sum shall be paid to the PRINCIPAL or its successors, heirs, or administrator, otherwise it shall remain in full force and effect.

H.R.C. Inc.
PRINCIPAL
P.O. Box 5102 Hobbs, N.M. 88241
Address City State Zip
By  By _____
Signature
Gary Schubert, President
Title

If PRINCIPAL is a corporation, affix corporate seal here.

RECEIVED

JAN 15 2002

Environmental Bureau
Oil Conservation Division

Form O & G SCB

ACKNOWLEDGMENT FORM FOR INDIVIDUALS OR PARTNERSHIPS

STATE OF _____)

ss.

COUNTY OF _____)

On this _____ day of _____, 20____, 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 his (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

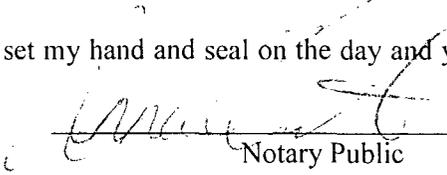
STATE OF New Mexico)

ss.

COUNTY OF Lea)

On this 3rd day of December, 2001, before me personally appeared Gary Schubert, to me personally known who, being by me duly sworn, did say that he is President of H.R.C. 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.



Notary Public

10-7-04

My Commission Expires

APPROVED BY:

Oil Conservation Division of New Mexico

By David K. [Signature]

Assistant General Counsel

Date 1/25/02

Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties, New Mexico:

Projected Depth of Proposed Well
or Actual Depth of Existing Well

Amount of Bond

Less than 5,000 feet

\$ 5,000

5,000 feet to 10,000 feet

\$ 7,500

More than 10,000 feet

\$10,000

All Other Counties in the State:

Projected Depth of Proposed Well
or Actual Depth of Existing Well

Amount of Bond

Less than 5,000 feet

\$ 7,500

5,000 feet to 10,000 feet

\$10,000

More than 10,000 feet

\$12,500

Chavez, Carl J, EMNRD

From: Chavez, Carl J, EMNRD
Sent: Tuesday, October 17, 2006 2:54 PM
To: Williams, Chris, EMNRD
Cc: Wink, Gary, EMNRD; Price, Wayne, EMNRD
Subject: State Hobbs #5 Brine Well Plug & Abandonment Confirmation for Bond Release Request from HRC Inc.

Chris:

The OCD-EB has received a request for a bond release for the State Hobbs #5 Brine Well (API# 30-025-23662). According to RBDMS records, the well appears to have been properly plugged and abandoned.

By receipt of this e-mail message, the OCD-EB is requesting confirmation that the well has been properly plugged and abandoned and/or there are no outstanding issues associated with the brine well in order to release HRC Inc. from its bond. Thank you.

Carl J. Chavez, CHMM
New Mexico Energy, Minerals & Natural Resources Dept.
Oil Conservation Division, Environmental Bureau
1220 South St. Francis Dr., Santa Fe, New Mexico 87505
Office: (505) 476-3491
Fax: (505) 476-3462
E-mail: CarlJ.Chavez@state.nm.us
Website: <http://www.emnrd.state.nm.us/ocd/>
(Pollution Prevention Guidance is under "Publications")

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 811 South First, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 Revised March 25, 1999

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

WELL API NO. 30-025-23662
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. 992279
7. Lease Name or Unit Agreement Name: Hobbs State
8. Well No. 5
9. Pool name or Wildcat

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:
 Oil Well Gas Well Other P & A well

2. Name of Operator
 H.R.C. Inc.

3. Address of Operator
 Box 5102 Hobbs, NM 88241

4. Well Location
 Unit Letter F : 2280 feet from the north line and 1980 feet from the west line
 Section 29 Township 18 S. Range 38 E. NMPM County Lea

10. Elevation (Show whether DR, RKB, RT, GR, etc.)

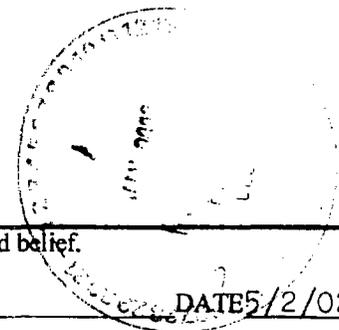
11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input checked="" type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input checked="" type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPLETION <input type="checkbox"/>	CASING TEST AND CEMENT JOB <input type="checkbox"/>	
OTHER: <input type="checkbox"/>		OTHER: <input type="checkbox"/>	

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompilation.

To drill out and re-plug:
 1) Rig up, drill out surface plug.
 2) Run in hole with tubing to base of salt + 2600' spot 25 sx plug.
 3) Cut and pull 7" casing + 1600' top of salt.
 4) Spot 100' plug 50 ft. in and out of 7" stub, and tag.
 5) Spot 100' plug 50 ft. in and out of surface shoe at 364'. Tag
 6) 10 sx surface plug.

* Hole will be loaded with salt gel.
 * OCD will be notified prior to beginning work.



I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Eddie W. Seay TITLE Agent DATE 5/2/02

Type or print name Eddie W. Seay Telephone No. 392-2236

(This space for State use)

APPROVED BY _____ ORIGINAL SIGNED BY GARY W. WINK DATE _____
 Conditions of approval, if any: _____ OC FIELD REPRESENTATIVE / STAFF MANAGER

MAY 06 2002

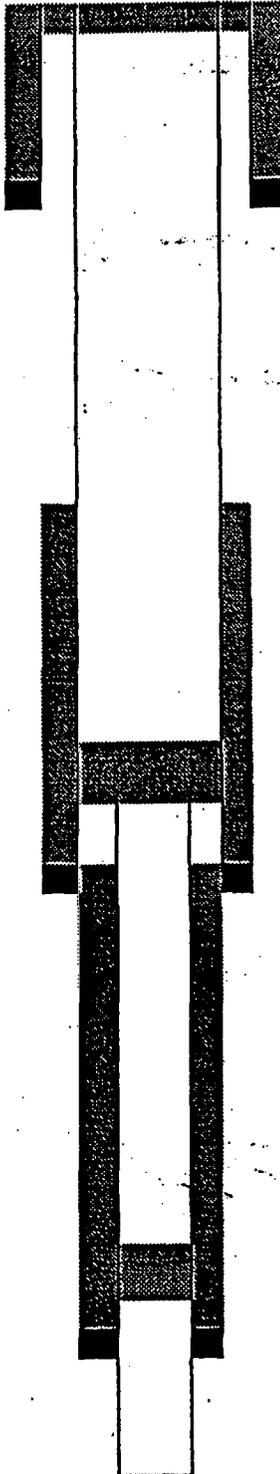
WELL SCHEMATIC:
O-TEX HOBBS STATE #5

WELL PLUGGED:
5/11/73

Size: 9 5/8"
Depth: 364'
Hole size: 12.25"
Cmt: 200 sxs
TOC: Circ. - Calc.
With 50% effc.

Spotted 10' cmt plug at surf.

*Present
Condition*



Size: 7"
Depth: 3826'
Hole size: 8.75"
Cmt: 200 sxs
TOC: 2250'

Shot and pulled csg at 3744'.
Pumped 255 sx cmt plug
From 3744' to 3644'.

Size: 4 1/2"
Depth: 5986'
Hole size: 6.25"
Cmt: 120 sxs
TOC: 3800' - Calc.
With 50% effc.

Set 4 1/2" CIBP at 5757' and
Capped with 35' cmt. Est.
TOC is 5722'.

PBTD: 5959'

TD: 5986'

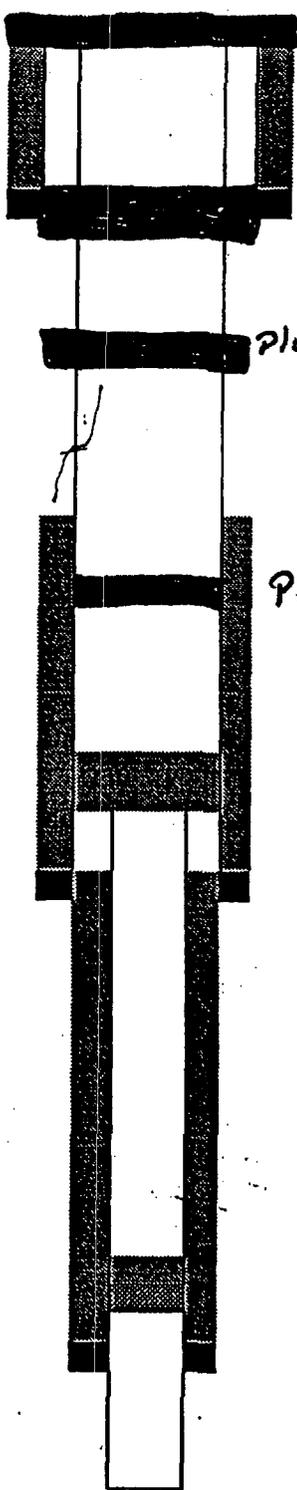


**WELL SCHEMATIC:
O-TEX HOBBS STATE #5**

WELL PLUGGED:
5/11/73

Size: 9 5/8"
Depth: 364'
Hole size: 12.25"
Cmt: 200 sxs
TOC: Circ. - Calc.
With 50% effc.

Spotted 10' cmt plug at surf.



After re-plugging
Plug at shoe and Tag

Plug at top salt \pm 1600' and csg stop Tag

Plug at base of salt \pm 2600'

Size: 7"
Depth: 3826'
Hole size: 8.75"
Cmt: 200 sxs
TOC: 2250'

Shot and pulled csg at 3744'.
Pumped 255 sx cmt plug
From 3744' to 3644'.

Size: 4 1/2"
Depth: 5986'
Hole size: 6.25"
Cmt: 120 sxs
TOC: 3800'- Calc.
With 50% effc.

Set 4 1/2" CIBP at 5757' and
Capped with 35' cmt. Est.
TOC is 5722'.

PBTD: 5959'

TD: 5986'



District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 PO Drawer DD, Arco, NM 88211-0719
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Form C-101
 Revised February 10, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 6 Copies
 Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, (RE-ENTER), DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address: H. R. C. Inc. P. O. Box 5102 Hobbs, NM 88241		OGRID Number 131652
		API Number 30-025-23662
Property Code 992279 23612	Property Name Hobbs State	Well No. 5

7 Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
F	29	18S	38E		2280	North	1980	West	Lea

8 Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

Proposed Pool 1 BSW - Salado	Proposed Pool 2
---------------------------------	-----------------

Work Type Code E	Well Type Code	Cable/Rotary Workover	Lease Type Code	Gross ad Level Elevation 3655
Multiple	Proposed Depth	Formation Salt	Contractor	Spud Date

9 Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12 1/4	9 5/8	36#	364	200	
8 3/4	7	23#	3826	140	
6 1/4	4 1/2	11.6 #	5986	120	

Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

- 1) Remove dry hole marker
- 2) Rig up completion unit
- 3) Drill out surface plug
- 4) Run in hole and cut 7" at salt bottom (2500')
- 5) Pull 7" to salt top
- 6) Run in hole and spot 50 sk. cm. plug behind 7" csg.
- 7) Pull up to 1600 and circ. 100 sk. cmt plug behind 7" csg.
- 8) Test csg to 1500#
- 9) Run in hole w/2 7/8" tbg to 2400'
- 10) Install wellhead and circ. fresh water down csg. to produce brine through tbg.

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Gary M. Schubert*
 Printed name: GARY M. SCHUBERT
 Title: PRES.
 Date: 7/9/01
 Phone: 505-393-3194

OIL CONSERVATION DIVISION

Approved by:
 Title:
 Approval Date:
 Expiration Date:
 Conducted of JAN 29 2002
 Attached

Re-Enter

District I
1625 N. French Dr., Hobbs, NM 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

FORM C-102
Revised August 15, 2000

District II
811 South First, Artesia, NM 88210

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-23662	² Pool Code 96173	³ Pool Name BSW Salado
⁴ Property Code 992279 23617	⁵ Property Name Hobbs State	⁶ Well Number 5
⁷ OGRID No. 131652	⁸ Operator Name H. R. C. Inc.	⁹ Elevation 3655 GL

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	29	18S	38E		2280	North	1980	West	Lea

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
-------------------------------------	-------------------------------	----------------------------------	-------------------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

¹⁶ 	<p>¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature: <u>Gary M. Schubert</u></p> <p>Printed Name: <u>Gary M. Schubert</u></p> <p>Title: <u>Owner</u></p> <p>Date: <u>7/2/01</u></p>

District I
1625 N. French Dr., Hobbs, NM 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

FORM C-102
Revised August 15, 2000

District II
811 South First, Artesia, NM 88210

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

* API Number 30-025-23662		* Pool Code 96173		* Pool Name BSW Salado	
* Property Code 99227923617		* Property Name Hobbs State			* Well Number 5
* OGRID No. 131652		* Operator Name H. R. C. Inc.			* Elevation 3655 GL

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	29	18S	38E		2280	North	1980	West	Lea

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

* Dedicated Acres 40	* Joint or Infill	* Consolidation Code	* Order No.
-------------------------	-------------------	----------------------	-------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>16</p>	<p>17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Gary M. Schubert</i> Signature</p> <p>Gary M. Schubert Printed Name</p> <p>Owner Title</p> <p>Date</p>	
	<p>18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <p>Certificate Number</p>	

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LAND OFFICE
OPERATOR

NEW MEXICO OIL CONSERVATION COMMISSION

Form C-103
Supersedes Old
C-102 and C-103
Effective 1-1-65

5a. Indicate Type of Lease
State Fee
5. State Oil & Gas Lease No.
A-1469- Z

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT -" (FORM C-101) FOR SUCH PROPOSALS.)

1. OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER- <input type="checkbox"/>	7. Unit Agreement Name
2. Name of Operator ESB Corporation	8. Farm or Lease Name Hobbs State
3. Address of Operator P. O. Box 774, Midland, Texas 79701	9. Well No. 5
4. Location of Well UNIT LETTER <u>F</u> <u>2280</u> FEET FROM THE <u>North</u> LINE AND <u>1980</u> FEET FROM THE <u>West</u> LINE, SECTION <u>29</u> TOWNSHIP <u>18 S</u> RANGE <u>38E</u> NMPM.	10. Field and Pool, or Wildcat Hobbs (Blinchry)
15. Elevation (Show whether DF, RT, GR, etc.) 3655 GL	12. County Lea

16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input checked="" type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	OTHER <input type="checkbox"/>	CASING TEST AND CEMENT JOB <input type="checkbox"/>	OTHER <input type="checkbox"/>

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Cast Iron Bridge Plug w/ 35' of cement at 5100' - 5500'
100' Cement Plug at 4 1/2" stub at 3750'
10' Cement Plug at surface w/ proper sign.

By some 7" is not to be removed

18. I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNED Gordon G. Marcum, Jr. & E. J. [Signature] TITLE Attorney DATE January 29, 1970

APPROVED BY [Signature] TITLE [Signature] DATE [Signature]

CONDITIONS OF APPROVAL, IF ANY:

January 8, 1973

Mr. A. L. Porter, Jr.
New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Case Number 4875

Dear Mr. Porter:

In reference to Case Number 4875 that was set for hearing on December 19th and was delayed upon our request of December 15, 1972, ESH Corporation respectfully requests that the application and case be dismissed. Since we were not able to work out a satisfactory agreement with Amerada Hess Corporation, we have presently abandoned our plans to convert the well to a saltwater disposal well and the well will be plugged and abandoned.

Thank you for your assistance.

Sincerely,


Gordon G. Marcum, II

GGM:dw

cc: Mr. Joe D. Ramey
Supervisor, District 1
Oil Conservation Commission
Post Office Box 1980
Hobbs, New Mexico 88240

Mr. G. F. Dewhurst
Amerada Hess Corporation
Drawer 817
Seminole, Texas 79360

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LAND OFFICE	
OPERATOR	

NEW MEXICO OIL CONSERVATION COMMISSION

Form C-101
Revised 1-1-65

5A. Indicate Type of Lease
STATE FEE

5. State Oil & Gas Lease No.
A-1469-2

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work
b. Type of Well
DRILL DEEPEN PLUG BACK
OIL WELL GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

2. Name of Operator
Ne-O-Tex Corporation & Wood & Cockburn

3. Address of Operator
610 Wilkinson Foster Bldg., Midland, Texas 79701

4. Location of Well
UNIT LETTER **F** LOCATED **2280** FEET FROM THE **North** LINE
AND **1980** FEET FROM THE **West** LINE OF SEC. **29** TWP. **18S** RGE. **38 E** NMPM

7. Unit Agreement Name

8. Farm or Lease Name
Hobbs State

9. Well No.
5

10. Field and Pool, or Wildcat
Hobbs (Blinebry)

12. County
Lea

19. Proposed Depth
6100'

19A. Formation
Blinebry

20. Rotary or C.T.
Rotary

21. Elevations (Show whether DF, RT, etc.)
3655 O.L.

21A. Kind & Status Plug. Bond
Blanket

21B. Drilling Contractor
Rod Ric Corp.

22. Approx. Date Work will start
Dec. 22, 1970

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 5/8"	9 5/8"	36#	350'	200	Circulate
8 5/8"	7"	23#	3850'	200	2600'
6 3/4"	4 1/2"	9.5#	6100'	225	3700'

To drill 12 5/8" hole to 350', set 9 5/8" csg. circulate cement. Nipple up and drill 8 5/8" hole to 3850', cement with 200sxs. after running 7" casing. Drill out from under 7" with 6 3/4" to 6100' and set 4 1/2", cement back to 3700'; perforate Blinebry zone approximately 5750' - 6050' acidize and test.

3-21-71

958

ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Prepared by _____ Title **Geologist** Date **12/18/70**

(This space for State Use)

PROVED BY TITLE _____ DATE **DEC 21 1970**

CONDITIONS OF APPROVAL, IF ANY:

AFFIDAVIT ON CEMENTING

STATE OF ~~TEXAS~~ New Mexico

SS

211012

COUNTY OF Lea

I, Marvin D. Manley, being of lawful age,

do state that I am employed by Halliburton Company in the capacity of Cementer, and that on the 2nd day of

January, 1971, Halliburton Company performed

a cementing service for the purpose of cementing the Production - (4 1/2") string of casing in Well Number (production, protection, surface)

5, Hobbs State Lease, located in Lea County, ~~Texas~~ New Mexico for NE - O - Tex Corporation (customer).

Information provided me by the customer, his agent or representative, states that the above string of casing was size 4 1/2 inch O. D., set in 6 3/4 inch drilled hole, and that casing depth set was 5,986 feet.

Cement and admixes used were: 120 sacks Trinity Lite wate neat cement and 60 cu ft of 50/50 Class " C " cement - Poz " A " with 2% gel allowed, 360 pounds of Gilsonite and 600 pounds of salt.

Based upon the above information, according to my cement tables, I have calculated that the above volume of cement will fill up an annular height of 3,800 feet between 4 1/2" casing and 6 3/4 " hole. (size) (size)

AFFIANT: Marvin D. Manley
Halliburton Company Employee
Marvin D. Manley

STATE OF ~~TEXAS~~ New Mexico

SS

COUNTY OF Lea

BEFORE ME, the undersigned authority, on this day personally appeared Marvin D. Manley, known to me to be the person whose name is subscribed to this statement; who, after being duly sworn upon oath states: That to the best of his knowledge and belief the facts as recited above are true and correct.

Given under my hand and seal this 7th day of January, 1971.

Notary Public
Notary Public, in and for Lea County, ~~TEXAS~~ New Mexico

AFFIDAVIT ON CEMENTING

STATE OF ~~TEXAS~~ New Mexico
COUNTY OF Lea SS

I, D. E. Bradfield, being of lawful age,
do state that I am employed by Halliburton Company in the capacity
of Cementer, and that on the 24 th day of
December, 19 70, Halliburton Company performed
a cementing service for the purpose of cementing the _____
(production, _____
Production string of casing in Well Number
protection, surface)
5, Hobbs State Lease, located in _____
Lea County, ~~Texas~~ New Mexico for N E - O - Tex Corporation
(customer)

Information provided me by the customer, his agent or
representative, states that the above string of casing was size
7 inch O. D., set in 8 3/4 inch drilled hole, and that
casing depth set was 3,826 feet.

Cement and admixes used were: 160 sacks Trinity Lite Water
neat cement and 40 sacks of Class " H " cement with 2% cacl₂ and 6 pounds
of salt per sack.

Based upon the above information, according to my cement
tables, I have calculated that the above volume of cement will fill
up an annular height of _____ feet between 7 inch casing and
(size) (size)
8 3/4 inch hole.

AFFIANT: D. E. Bradfield
Halliburton Company Employee
D. E. Bradfield

STATE OF ~~TEXAS~~ New Mexico
COUNTY OF Lea SS

BEFORE ME, the undersigned authority, on this day personally
appeared D. E. Bradfield, known to me to be the person
whose name is subscribed to this statement; who, after being duly sworn
upon oath states: That to the best of his knowledge and belief the
facts as recited above are true and correct.

Given under my hand and seal this 23 day of _____
March, 19 71.

[Signature]
Notary Public, in and for _____
Lea County, ~~Texas~~
New Mexico

My commission expires:

AFFIDAVIT ON CEMENTING

STATE OF ~~TEXAS~~ New Mexico

SS

COUNTY OF Lea

I, Marvin Doyle Manley, being of lawful age,

do state that I am employed by Halliburton Company in the capacity of Cementer, and that on the 20th day of

December, 19 70, Halliburton Company performed

a cementing service for the purpose of cementing the Surface (production, protection, surface) string of casing in Well Number # 5, Hobbs state Lease, located in

Lea County, ~~TEXAS~~ New Mexico for N E - O - Tex Corporation (customer)

Information provided me by the customer, his agent or representative, states that the above string of casing was size 9 5/8 inch O. D., set in _____ inch drilled hole, and that casing depth set was 365 feet.

Cement and admixes used were: 200 sacks of Class " H " cement with 2% calcium chloride.

Based upon the above information, according to my cement tables, I have calculated that the above volume of cement will fill up an annular height of _____ feet between 9 5/8" casing and _____ hole. (size) (size)

AFFIANT: Marvin Doyle Manley
Halliburton Company Employee
Marvin Doyle Manley

STATE OF ~~TEXAS~~ New Mexico

SS

COUNTY OF Lea

BEFORE ME, the undersigned authority, on this day personally appeared Marvin Doyle Manley, known to me to be the person whose name is subscribed to this statement; who, after being duly sworn upon oath states: That to the best of his knowledge and belief the facts as recited above are true and correct.

Given under my hand and seal this 23 day of March, 19 71.

[Signature]
Notary Public, in and for Lea County, ~~TEXAS~~ New Mexico

WELL NAME AND NUMBER Hobbs State #5

LOCATION 2280' FNL & 1980' FWL, Sec. 29, T-18-S, R-38-E, Lea Cty., N.M.

OPERATOR Ne-O-Tex Corporation

DRILLING CONTRACTOR Rod Ric Corporation

The undersigned hereby certifies that he is an authorized representative of the drilling contractor who drilled the above-described well and that he has conducted deviation tests and obtained the following results:

<u>Degrees @ Depth</u>	<u>Degrees @ Depth</u>	<u>Degrees @ Depth</u>	<u>Degrees @ Depth</u>
<u>1 1/2 40</u>	<u>2 4712</u>	_____	_____
<u>1 1/4 80</u>	<u>3 3/4 5194</u>	_____	_____
<u>1/2 365</u>	<u>3 5562</u>	_____	_____
<u>3/4 860</u>	<u>3 1/2 5750</u>	_____	_____
<u>1 1350</u>	<u>3 3/4 5931</u>	_____	_____
<u>1 1847</u>	_____	_____	_____
<u>1 1/4 2320</u>	_____	_____	_____
<u>3/4 2739</u>	_____	_____	_____
<u>1 3230</u>	_____	_____	_____
<u>1 1/4 3452</u>	_____	_____	_____
<u>1 3826</u>	_____	_____	_____
<u>1 3989</u>	_____	_____	_____
<u>1 1/4 4302</u>	_____	_____	_____

Drilling Contractor Rod Ric Corporation

By Ginger Burfiend
Ginger Burfiend

Subscribed and sworn to before me this 7th day of January, 19 71.

My Commission expires:
June 1, 1971

Carroll J. Raso
Notary Public
Midland County Texas



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NEW MEXICO OIL CONSERVATION COMMISSION

Form C-103
Supersedes Old
C-102 and C-103
Effective 1-1-65

5a. Indicate Type of Lease
State Fee

5. State Oil & Gas Lease No.
A - 1489 - Z

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. OIL WELL <input type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER- <input type="checkbox"/>	7. Unit Agreement Name
2. Name of Operator MARCUM DRILLING COMPANY	8. Farm or Lease Name HOBBS STATE
3. Address of Operator P. O. BOX 5094 MIDLAND, TEXAS 79701	9. Well No. 5
4. Location of Well UNIT LETTER F 2280' FEET FROM THE North LINE AND 1980' FEET FROM THE West LINE, SECTION 29 TOWNSHIP 18 South RANGE 38 East NMPM.	10. Field and Pool, or Wildcat
15. Elevation (Show whether DF, RT, GR, etc.) 3655 GL	12. County LEA

Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

SUBSEQUENT REPORT OF:

PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input checked="" type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	OTHER <input type="checkbox"/>	CASING TEST AND CEMENT JOB <input type="checkbox"/>	

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

The Hobbs State well No. 5 was drilled to a total depth of 5986', at which depth 4 1/2" 11.60# N-80 casing was run and cemented on bottom with the cement coming up to a depth of 3050' from ground level. (surface)

Effective April 01, 1971 Marcum Drilling Company took over the operation of this lease from Ne-O-Tex Corporation.

18. I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNED [Signature] TITLE Sec. & Treas. DATE 5-07-71

APPROVED BY [Signature] TITLE SUPERVISOR DISTRICT DATE MAY 13 1971

CONDITIONS OF APPROVAL, IF ANY:

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LAND OFFICE	
OPERATOR	

NEW MEXICO OIL CONSERVATION COMMISSION

Form C-103
Supersedes Old
C-102 and C-103
Effective 1-1-65

5a. Indicate Type of Lease
State Fee
5. State Oil & Gas Lease No.
A-1429 - 2

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR.
USE "APPLICATION FOR PERMIT - 1" (FORM C-101) FOR SUCH PROPOSALS.)

1. OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>	7. Unit Agreement Name
2. Name of Operator Ne-O-Tex Corporation	8. Farm or Lease Name A-1429 - State
3. Address of Operator 610 Wilkinson Barber Building	9. Well No. 5
4. Location of Well UNIT LETTER <u>F</u> <u>2200'</u> FEET FROM THE <u>North</u> LINE AND <u>19 3/4</u> FEET FROM THE <u>West</u> LINE, SECTION <u>12</u> TOWNSHIP <u>18 N.</u> RANGE <u>30 W.</u> NMPM.	10. Field and Pool, or Wildcat Indesignated
15. Elevation (Show whether DF, RT, GR, etc.) 3855 GL	12. County Lea

16.

Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK PLUG AND ABANDON
TEMPORARILY ABANDON CHANGE PLANS
PULL OR ALTER CASING
OTHER

SUBSEQUENT REPORT OF:

REMEDIAL WORK ALTERING CASING
COMMENCE DRILLING OPNS. PLUG AND ABANDONMENT
CASING TEST AND CEMENT JOB
OTHER

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Spudded 7 a.m. 12-21-70, set 354' of 9-5/8", 5" casing cemented with 200 sacks class H 2% calcium chloride, WOC 24 hrs., tested csg. 100'. Drilled to 3820', ran 7" 23# csg., cemented with 140 sacks trinity 115# cement and 60 sacks class H, 2% gell. P.D. 10 a.m. 12-24-70, WOC 24 hrs., tested csg. with 2500# top of cement 2250' by volume.

18. I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNED [Signature] TITLE Geologist DATE March 15, 1971
APPROVED BY [Signature] TITLE SUPERVISOR DISTRICT DATE MAY 13 1971
CONDITIONS OF APPROVAL, IF ANY:

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LAND OFFICE	
OPERATOR	

NEW MEXICO OIL CONSERVATION COMMISSION

Form C-103
Supersedes Old
C-102 and C-103
Effective 1-1-65

5a. Indicate Type of Lease	
State <input checked="" type="checkbox"/>	Fee <input type="checkbox"/>
5. State Oil & Gas Lease No.	
A-1469-Z	
7. Unit Agreement Name	
8. Farm or Lease Name	
Hobbs State	
9. Well No.	
5	
10. Field and Pool, or Wildcat	
Hobbs (Blinebry)	
15. Elevation (Show whether DF, RT, GR, etc.)	
3655 GL	
12. County	
Lea	

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT -" (FORM C-101) FOR SUCH PROPOSALS.)

1. OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>
2. Name of Operator Marcum Drilling Company
3. Address of Operator P. O. Box 5094, Midland, Texas 79701
4. Location of Well UNIT LETTER P 2280 FEET FROM THE Norta LINE AND 1980 FEET FROM THE West LINE, SECTION 29 TOWNSHIP 18S RANGE 38E N.M.P.M.

15. Elevation (Show whether DF, RT, GR, etc.)
3655 GL

16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data	
NOTICE OF INTENTION TO:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input checked="" type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	OTHER <input type="checkbox"/>
SUBSEQUENT REPORT OF:	
REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
CASING TEST AND CEMENT JOB <input type="checkbox"/>	OTHER <input type="checkbox"/>

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Presently contacting owners for approval to plug and abandon or possibility of converting the well to a salt water disposal.

18. I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNED Gordon G. Marcum, II TITLE Attorney DATE October 23, 1972

APPROVED BY Joe D. Ramey TITLE Dist. I, Supv. DATE OCT 23 1972

CONDITIONS OF APPROVAL, IF ANY:

INSTRUCTIONS

This form is to be filed with the appropriate District Office of the Commission not later than 20 days after the completion of any newly-drilled or deepened well. It shall be accompanied by one copy of all electrical and radio-activity logs run on the well and a summary of all special tests conducted, including drill stem tests. All depths reported shall be measured depths. In the case of directionally drilled wells, true vertical depths shall also be reported. For multiple completions, Items 30 through 34 shall be reported for each zone. The form is to be filed in quintuplicate except on state land, where six copies are required. See Rule 1105.

INDICATE FORMATION TOPS IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE

Southeastern New Mexico

Northwestern New Mexico

T. Anhy <u>1500</u>	T. Canyon _____	T. Ojo Alamo _____	T. Penn. "B" _____
T. Salt <u>1600</u>	T. Strawn _____	T. Kirtland-Fruitland _____	T. Penn. "C" _____
B. Salt <u>2430</u>	T. Atoka _____	T. Pictured Cliffs _____	T. Penn. "D" _____
T. Yates <u>2635</u>	T. Miss _____	T. Cliff House _____	T. Leadville _____
T. 7 Rivers _____	T. Devonian _____	T. Menefee _____	T. Madison _____
T. Queen _____	T. Silurian _____	T. Point Lookout _____	T. Elbert _____
T. Grayburg <u>3715</u>	T. Montoya _____	T. Mancos _____	T. McCracken _____
T. San Andres <u>3825</u>	T. Simpson _____	T. Gallup _____	T. Ignacio Qtzte _____
T. Glorieta <u>5360</u>	T. McKee _____	Base Greenhorn _____	T. Granite _____
T. Paddock _____	T. Ellenburger _____	T. Dakota _____	T. _____
T. Blinebry <u>5500</u>	T. Gr. Wash _____	T. Morrison _____	T. _____
T. Tubb _____	T. Granite _____	T. Todilto _____	T. _____
T. Drinkard _____	T. Delaware Sand _____	T. Entrada _____	T. _____
T. Abo _____	T. Bone Springs _____	T. Wingate _____	T. _____
T. Wolfcamp _____	T. _____	T. Chinle _____	T. _____
T. Penn. _____	T. _____	T. Permian _____	T. _____
T. Cisco (Bough C) _____	T. _____	T. Penn. "A" _____	T. _____

FORMATION RECORD (Attach additional sheets if necessary)

From	To	Thickness in Feet	Formation	From	To	Thickness in Feet	Formation
Zero	1500	1500	Permian Red Beds				
1500	2635	1135	Salt & Anhydrite				
2635	3715	1080	Sand, Shale & Anhydrite				
3715	3825	110	Dolomite				
3825	5360	1535	Dolomite				
5360	5800	440	Sand & Dolomite				
5800	5986	186	Dolomite				

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SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
OPERATOR	

Form C-105
Revised 1-1-65

NEW MEXICO OIL CONSERVATION COMMISSION
WELL COMPLETION OR RECOMPLETION REPORT AND LOG

5a. Indicate Type of Lease
State Fee
5. State Oil & Gas Lease No.
A - 1489 - Z

1a. TYPE OF WELL
OIL WELL GAS WELL DRY OTHER **Temp. abandoned**
b. TYPE OF COMPLETION
NEW WELL WORK OVER DEEPEN PLUG BACK DIFF. RESVR. OTHER
2. Name of Operator
MARCUM DRILLING COMPANY
3. Address of Operator
P. O. BOX 5094 MIDLAND, TEXAS 79701

7. Unit Agreement Name
8. Farm or Lease Name
HOBBS STATE
9. Well No.
5
10. Field and Pool, or Wildcat
Hobbs (Blinebry)

4. Location of Well
UNIT LETTER **F** LOCATED **2280'** FEET FROM THE **North** LINE AND **1980'** FEET FROM
THE **West** LINE OF SEC. **29** TWP. **18-S** RGE. **38-E** NMPM
12. County
LEA

15. Date Spudded **12-20-70** 16. Date T.D. Reached **1-02-71** 17. Date Compl. (Ready to Prod.)
18. Elevations (DF, RKB, RT, GR, etc.) **3655' GL** 19. Elev. Casinghead **3655'**
20. Total Depth **5986'** 21. Plug Back T.D. **5959'** 22. If Multiple Compl., How Many
23. Intervals Drilled By **ALL** Rotary Tools **ALL** Cable Tools **NONE**
24. Producing Interval(s), of this completion - Top, Bottom, Name
Perforated one hole at each of the following intervals 5879', 5870', 5862', 5852', 5822', & 5813'. (5879' to 5813') Blinbery
25. Was Directional Survey Made **YES NO**
26. Type Electric and Other Logs Run
GAMMA RAY/ NEUTRON 27. Was Well Cored **YES**

28. CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT LB./FT.	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
9 5/8	36#	364	12 1/4	200 sk. Class "H" w/2%cc	
7	23#	3826	8 3/4	140 sk. trinity plus 60 sk. Class "H"	
4 1/2	11.60#	5986	6 1/4	120 sk. trinity Lite Water neat with 60 cu. ft. 50/50 Class "C" Poz. "A"	

29. LINER RECORD

SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN

30. TUBING RECORD

SIZE	DEPTH SET	PACKER SET

31. Perforation Record (Interval, size and number)
5879', 5870', 5862', 5852', 5822', & 5813'.

32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL	AMOUNT AND KIND MATERIAL USED
5813' to 5879'	1500 gals. NE-15% acid, flush with 30 bbl's. lease crude.

33. PRODUCTION

Date First Production **1-10-71** Production Method (Flowing, gas lift, pumping - Size and type pump) **Swabbed** Well Status (Prod. or Shut-in) **Shut in**

Date of Test	Hours Tested	Choke Size	Prod'n. For Test Period	Oil - Bbl.	Gas - MCF	Water - Bbl.	Gas - Oil Ratio
	none	none					
Flow Tubing Press.	Casing Pressure	Calculated 24-Hour Rate	Oil - Bbl.	Gas - MCF	Water - Bbl.	Oil Gravity - API (Corr.)	
None	none						

34. Disposition of Gas (Sold, used for fuel, vented, etc.) **None** Test Witnessed By

35. List of Attachments

36. I hereby certify that the information shown on both sides of this form is true and complete to the best of my knowledge and belief.

SIGNED *Delton Marcum* TITLE **Sec. & treas.** DATE **5-13-71**

THE MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION

Form O-107
Supersedes O-107
Effective 1-1-67

All distances taken from the center bore hole of the well.

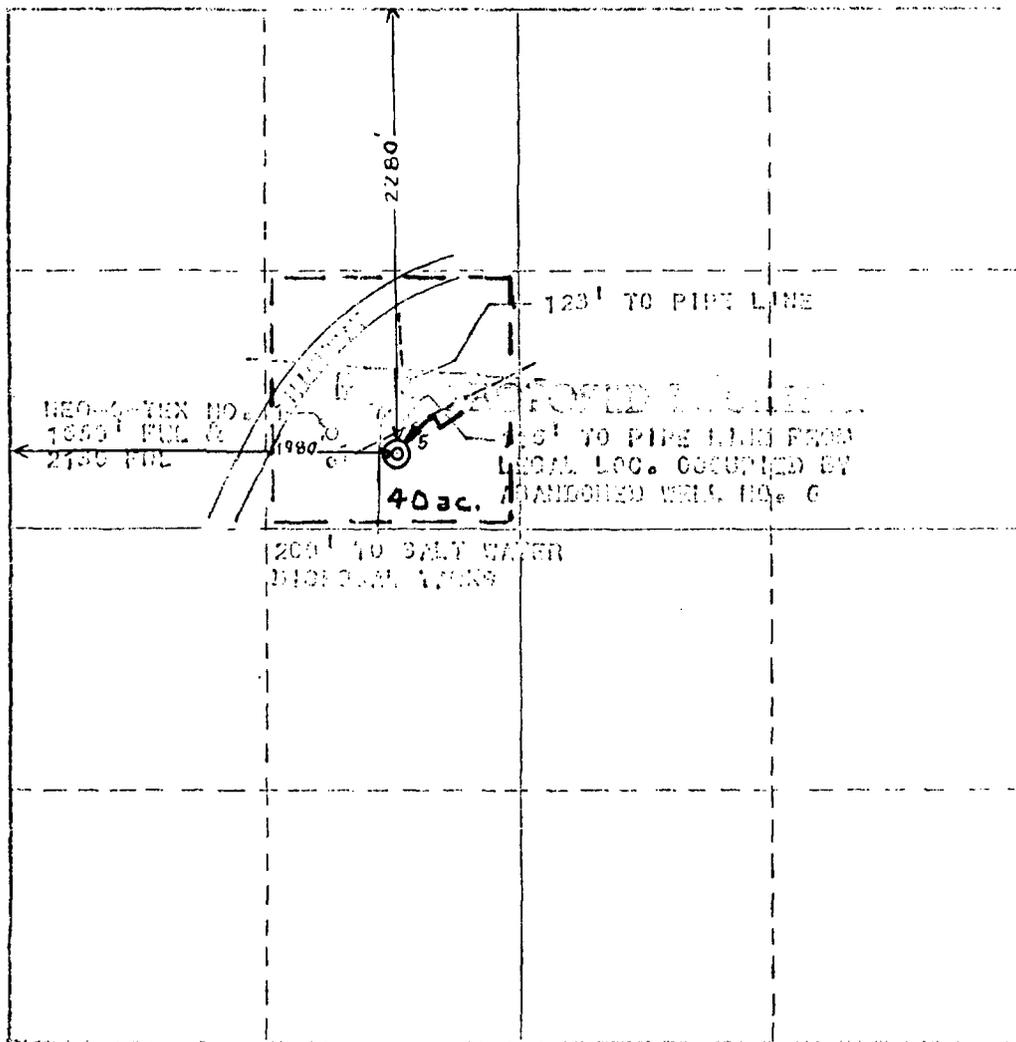
Operator NEO-TEX Corp. Inc.		Location NEO-TEX FIELD		Well No. 1
Unit Loc. No. F	Section 2	Township 10N	Range 20E	County DEWEE
Actual Point Location of Well: 2200' feet from the 100' line and 100' feet from the 100' line				
Ground Layer Elev. 3055	Final Survey Description NEO-TEX	Pool NEO-TEX (100' x 100')	Dedicated Acreage 1.3 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or indelible marker on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable well be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Walter F. Fick
Name

1010 East - 100th
Position

NEO-TEX Corp.
Company

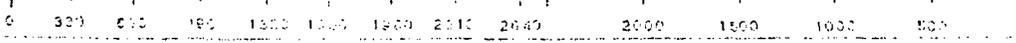
2/12/72
Date

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
Nov. 7 1970
Registered Professional Engineer
or State Land Surveyor

Walter E. Shores
Certificate No.

2189



1-18-71 TD 5986'; PBD 5959'; SI
Swbd 97% wtr (5813-79')

1-27-71 TD 5986'; PBD 5959'; Prep TO Pmp

2-2-71 TD 5986'; PBD 5959'; TO Pmp
Ppd 5.5 BO + 105 BW in 24 hrs (5813-79')

2-8-71 TD 5986'; PBD 5959'; TO Pmp
Ppd 12.5 BO + 156 BW in 24 hrs (5813-79')

2-15-71 TD 5986'; PBD 5959'; TO Pmp
Ppd 167 BW in 24 hrs

2-23-71 TD 5986'; PBD 5959'; SI
Ppd 166 BW in 24 hrs (5813-79')

3-8-71 TD 5986'; PBD 5959'; SI

3-15-71 TD 5986'; PBD 5959'; TEMPORARILY ABANDONED
May Complete as Water Disposal Well at a
later date.

3-18-71 COMPLETION REPORTED

Submit 3 Copies To Appropriate District Office

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Ave., Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION 1220 South St. Francis Dr. Santa Fe, NM 87505

Form C-103 May 27, 2004

WELL API NO. 30-025-23662
5. Indicate Type of Lease STATE [X] FEE []
6. State Oil & Gas Lease No. 992279
7. Lease Name or Unit Agreement Name Hobbs State
8. Well Number 5
9. OGRID Number 131652
10. Pool name or Wildcat

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)
1. Type of Well: Oil Well [] Gas Well [X] Other P & A
2. Name of Operator HRC, Inc.
3. Address of Operator P.O. Box 5102 Hobbs, NM 88241
4. Well Location Unit Letter F : 2280 feet from the North line and 1980 feet from the West line Section 29 Township 18S Range 38E NMPM County Lea

11. Elevation (Show whether DR, RKB, RT, GR, etc.)

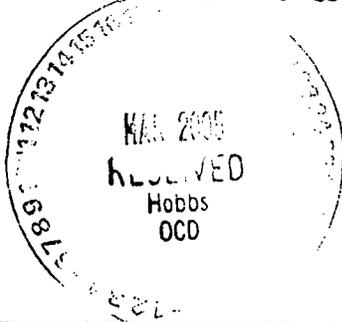
Pit or Below-grade Tank Application [] or Closure []
Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____
Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

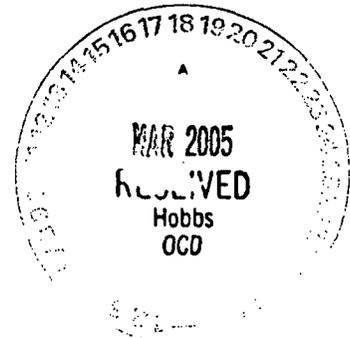
NOTICE OF INTENTION TO:
PERFORM REMEDIAL WORK [] PLUG AND ABANDON [X]
TEMPORARILY ABANDON [] CHANGE PLANS []
PULL OR ALTER CASING [] MULTIPLE COMPL []
OTHER: []
SUBSEQUENT REPORT OF:
REMEDIAL WORK [] ALTERING CASING []
COMMENCE DRILLING OPNS. [] P AND A [X]
CASING/CEMENT JOB []
OTHER: []

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

1. See attached list of completed plugging operations.



Approved as to plugging of the Well Bore. Liability under bond is retained until surface restoration is completed.



I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines [], a general permit [] or an (attached) alternative OCD-approved plan [].

SIGNATURE [Signature] TITLE President DATE 3/18/05

Type or print name [Signature] E-mail address: _____ Telephone No. _____

APPROVED BY: [Signature] TITLE OC FIELD REPRESENTATIVE II/STAFF MANAGER Telephone No. _____

Conditions of Approval (if any): _____

MAR 23 2005

H.R.C., Inc.
P O Box 5102
Hobbs, NM 88241
(505)393-6662

12/30/04

Rig up on location approximately 1:00 P.M..
Disassemble old dry hole marker.
Install B.O.P...
Hook up reverse unit and swivel.
Shut down for night.

12/31/04

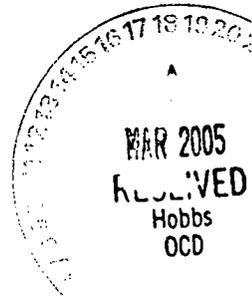
Drill out surface plug; hole loaded with brine gel.
Run tubing in hole and tag old plug at 3500'.
Pull up to 2600' to spot cement plug.
Unable to get cement truck; shut down for weekend.
Set up cement job for 8:00 A.M. Monday 1/3/05.

1/3/05 7:00 A.M.

Rig up Schlumberger and Signal Wireline.
Fill reverse pit with 25# /BBL brine gel and circulate hole until loaded to surface.
Pump 200' cement plug at 2600'.
Pull out work string.
Run in hole with wireline and tag top of cement plug at 2405'.
Perforate casing at 1600'.
Run in hole with tubing and set cement plug at 1633' for plug inside and outside of casing (estimated T.O.C. at 1325').
Pull tubing out of hole and run wireline to tag top of cement plug at 1298'.
Perforate casing at 415'.
Run tubing in hole to approximately 1250' and circulate brine gel.
Pull tubing to 415' and pump cement and circulate cement to surface on backside of 7" casing.
Pull tubing out of hole.
Wash out tubing to reverse pit.
Release Signal Wireline and Schlumberger and shut down for night to wait on cement.

1/4/05

Run in hole and tag top of cement at 45'.
Break out B.O.P. and install dry hole marker.
Install bull plugs on casing openings and clean location.
Release reverse unit and well service rig.





NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joaquín Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

October 17, 2006

Mr. Gary Schubert, President
H.R.C., Inc.
P.O. Box 5102
Hobbs, NM 88241

Re: \$5,000 Single-Well Cash Bond
H.R.C., Inc., Principal
First National Bank – Hobbs, Depository – Acct. No. **2802198-31**
Hobbs State No. 10 – 2565' FNL and 2330' FWL
Section 29, Township 18 South, Range 38 East,
Lea County, NM

Dear Mr. Shubert:

The New Mexico Oil Conservation Division hereby approves the cancellation of the above-captioned single-well cash bond and releases and reassigns to H.R.C., Inc. its right, title and interest in and to the referenced deposit account.

Sincerely,

DAVID K. BROOKS
Assistant General Counsel

DKB/cc

cc: Oil Conservation Division – Hobbs, NM

First National Bank
600 West Bender
Hobbs, NM 88240

RECEIVED

APR 23 2002

Environmental Bureau
Oil Conservation Division

Form O & G OCD
Adopted 6-1-86
Revised 12-00

ASSIGNMENT OF CASH COLLATERAL DEPOSIT

H. R. C. Inc. (OPERATOR) of P.O. Box 5102 (address) has deposited with the FIRST NATIONAL BANK (name of state or national bank or savings association, which must be a federally-insured bank or savings institution in the State of New Mexico) of 600 W. BENDER, HOODS, N.M. (address) (FINANCIAL INSTITUTION), the sum of \$ 5,000.00 dollars in Certificate of Deposit or Savings Account No. 280219831 (FUND).

To comply with NMSA 1978, Section 70-2-14, OPERATOR hereby assigns and conveys all right, title and interest in the FUND to the FINANCIAL INSTITUTION in trust for the Oil Conservation Division of the Energy, Minerals and Natural Resources Department or successor agency of the State of New Mexico (DIVISION).

OPERATOR and the FINANCIAL INSTITUTION agree that as to the FUND:

- a. The DIVISION acquires by this assignment the entire beneficial interest in the FUND, 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, in amounts determined by the DIVISION, or to the OPERATOR upon sale or proper plugging, in compliance with the rules and orders of the DIVISION, of the well(s) covered by this assignment.
- b. OPERATOR 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.
- c. The FINANCIAL INSTITUTION agrees that the FUND 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 to which the DIVISION is a party. The FINANCIAL INSTITUTION waives all statutory or common law liens or rights of set-off against the FUND.

OPERATOR agrees that the FINANCIAL INSTITUTION may deduct from interest due OPERATOR any attorney fees incurred by the FINANCIAL INSTITUTION if claim or demand via writ, summons or other process arising from OPERATOR'S business is made upon the FINANCIAL INSTITUTION.

Gary M. Schubert
Signature of OPERATOR
Personally or by Authorized Officer

Zane S. Bergman
Signature of Authorized Officer
of FINANCIAL INSTITUTION

GARY SCHUBERT, PRES.
Title

ZANE S. BERGMAN, PRESIDENT
Title

State of New Mexico
County of Alameda) ss.

On this 22nd day of April, 2002, before me personally appeared Gary M. Schubert and Zane S. Bergman, to me known to be the person (persons) 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.

[Signature]
Notary Public

My Commission Expires:
10-1-04

RECEIVED

APR 23 2002

Environmental Bureau
Oil Conservation Division

Form O & G SCB
Adopted 6-1-86
Revised 12-00

ONE-WELL CASH BOND

KNOW ALL MEN BY THESE PRESENTS THAT H.P.C. INC. (an individual) (a partnership) (a corporation organized in the State of NEW MEXICO with its principal office at P.O. Box 5102 in the City of HOBBBS, State of NEW MEXICO and authorized to do business in the State of New Mexico) is held and firmly bound to the Oil Conservation Division of the Energy, Minerals and Natural Resources Department of the State of New Mexico (or its successor agency), as DIVISION in the sum of \$ 5000.00.

The conditions of this obligation are such that:

The PRINCIPAL desires to drill a well or purchase or operate an existing well, the depth of which does not exceed 5000 feet, to prospect for and produce oil or gas, carbon dioxide gas, helium gas or brine minerals on property in the State of New Mexico, the particular identification and footage location of said well being as follows:

(well name and footage) HOBBBS STATE #10 2565' FNL / 2330' FWL in Section 29 Township 18S Range 38E, NMPM, LEA County, New Mexico.

The PRINCIPAL has deposited on behalf of the DIVISION \$ 5000.00, in the manner indicated on the Assignment, attached to this bond, being the principal sum intended to be secured. PRINCIPAL pledges this sum as a guarantee that it, its executors, assigns, heirs or administrators shall plug the well described above if dry, or when abandoned, in accordance with the rules and orders of the DIVISION in such way as to confine the oil, gas and water in the strata in which they are found, and to prevent same from escaping to other strata. If the PRINCIPAL does not so properly plug and abandon said well upon order of the DIVISION, the total sum of the bond shall be forfeited to the DIVISION, and such amount as is necessary may be used to properly plug said well. If the principal sum of this bond is less than the actual cost incurred by the DIVISION in plugging said well, the PRINCIPAL, its successors, assigns, heirs or administrators shall be liable under the provisions of NMSA 1978, Section 70-2-38 of the Oil and Gas Act, and the DIVISION may take action to recover any amounts expended over and above the principal sum of the bond.

NOW THEREFORE, if the PRINCIPAL or its successors, assigns, heirs, or administrators or any of them shall plug the above-described well when dry or abandoned, in accordance with the rules and orders of the DIVISION, in such a manner as to confine the oil, gas, and water in the strata in which they naturally occur, and to prevent them from escaping into other strata, and further to clean up the surface location of said well, then therefore, this obligation shall be null and void and the principal sum shall be paid to the PRINCIPAL or its successors, heirs, or administrator, otherwise it shall remain in full force and effect.

H.P.C. INC.
PRINCIPAL
P.O. Box 5102 HOBBBS N.M. 88241
Address City State Zip
By [Signature] By _____
Signature
GARY M. SCHUBERT, PRES.
Title

If PRINCIPAL is a corporation, affix corporate seal here.

APR 23 2002

Environmental Bureau
Oil Conservation Division

Form O & G SCB

ACKNOWLEDGMENT FORM FOR INDIVIDUALS OR PARTNERSHIPS

STATE OF _____)

ss.

COUNTY OF _____)

On this _____ day of _____, 20____, 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 his (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)

ss.

COUNTY OF Ala)

On this 22 day of APRIL, 2002, before me personally appeared GARY SCHUBERT, to me personally known who, being by me duly sworn, did say that he is PRESIDENT of H. P. C. 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.

[Signature]
Notary Public

10-4-07

My Commission Expires

APPROVED BY:

Oil Conservation Division of New Mexico

By David R. Brooks
Act. Gen. Counsel

Date 4/25/02

Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties, New Mexico:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 5,000
5,000 feet to 10,000 feet	\$ 7,500
More than 10,000 feet	\$10,000

All Other Counties in the State:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 7,500
5,000 feet to 10,000 feet	\$10,000
More than 10,000 feet	\$12,500

LIQUID RESOURCE SERVICES, LLC
P.O. Box 5790
Hobbs, New Mexico 88241

2006 OCT 2 PM 3 38

September 28, 2006

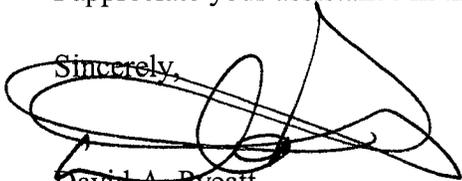
Oil Conservation Commission
Mr. Carl Chavez
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RE: Liquid Resource Services, LLC
Hobbs State #10, Brine Well
Discharge Plan

Dear Carl,
Pursuant to your request, please find enclosed herewith the executed OCD Certification which had also been faxed to you on September 27th.

I appreciate your assistance in this matter.

Sincerely,

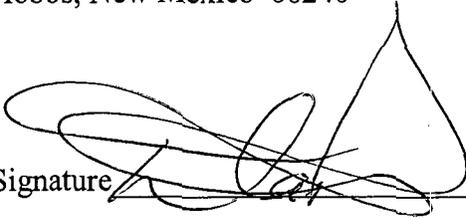

David A. Pyeatt
Member

OCD CERTIFICATION

Liquid Resource Services, LLC. (LRS) hereby accepts the terms and conditions of the attached H.R.C. Inc. discharge plan permit (BW-030) and agrees to comply with the terms and conditions. LRS acknowledges that the Oil Conservation Division (OCD) may change the terms and conditions for good cause shown as necessary to protect fresh water, human health, and the environment. The undersigned also attests to the fact that he or she understands 19.15.1.41 NMAC which states "Any person who conducts any activity pursuant to a permit, administrative order or other written authorization or approval from the division shall comply with every term, condition and provision of such permit, administrative order, authorization or approval."

Accepted.

LIQUID RESOURCE SERVICES, LLC.
1819 N. Turner, Suite B
Hobbs, New Mexico 88240

Signature 

Title Member

Date 9-27-06

LIQUID RESOURCE SERVICES, LLC
P.O. Box 5790
Hobbs, New Mexico 88241

2006 OCT 2 PM 3 38

September 28, 2006

Oil Conservation Commission
Mr. Carl Chavez
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

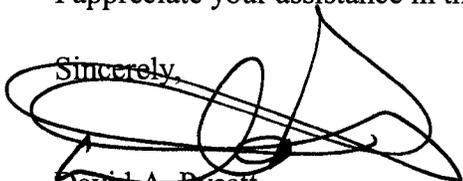
New Ogrid#
243571

RE: Liquid Resource Services, LLC
Hobbs State #10, Brine Well
Discharge Plan

Dear Carl,
Pursuant to your request, please find enclosed herewith the executed OCD Certification which had also been faxed to you on September 27th.

I appreciate your assistance in this matter.

Sincerely,

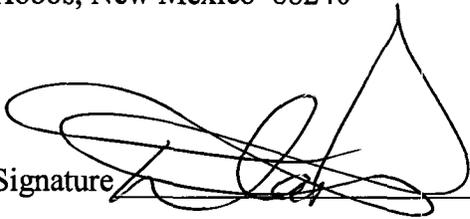

David A. Pyeatt
Member

OCD CERTIFICATION

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Accepted.

LIQUID RESOURCE SERVICES, LLC.
1819 N. Turner, Suite B
Hobbs, New Mexico 88240

Signature 

Title Member

Date 9-27-06

Chavez, Carl J, EMNRD

From: Chavez, Carl J, EMNRD
Sent: Thursday, September 28, 2006 2:32 PM
To: 'GaryMSchubert@aol.com'
Subject: FW: HRC Inc. Brine Well Bond Releases State Hobbs #5 & State Hobbs #10 (BW-10)

Gary or Lorna:

s
Per my telephone conversation with Lorna today at (505) 393-6662, Mr. David Brooks (OCD Legal Council) was requested today to release the bonds. He is planning to send a letter releasing the bond. Please contact Mr. Brooks at (505) 476-3450 if you have questions. Thank you.

Carl J. Chavez, CHMM
New Mexico Energy, Minerals & Natural Resources Dept.
Oil Conservation Division, Environmental Bureau
1220 South St. Francis Dr., Santa Fe, New Mexico 87505
Office: (505) 476-3491
Fax: (505) 476-3462
E-mail: CarlJ.Chavez@state.nm.us
Website: <http://www.emnrd.state.nm.us/ocd/>
(Pollution Prevention Guidance is under "Publications")

From: Chavez, Carl J, EMNRD
Sent: Thursday, September 28, 2006 2:21 PM
To: Brooks, David K., EMNRD
Cc: Phillips, Dorothy, EMNRD; Price, Wayne, EMNRD
Subject: HRC Inc. Brine Well Bond Releases State Hobbs #5 & State Hobbs #10 (BW-10)

David:

Please release HRC Inc. from their bonds for the above wells. Thank you.

Carl J. Chavez, CHMM
New Mexico Energy, Minerals & Natural Resources Dept.
Oil Conservation Division, Environmental Bureau
1220 South St. Francis Dr., Santa Fe, New Mexico 87505
Office: (505) 476-3491
Fax: (505) 476-3462
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Chavez, Carl J, EMNRD

From: Phillips, Dorothy, EMNRD
Sent: Wednesday, September 27, 2006 10:22 AM
To: Chavez, Carl J, EMNRD
Subject: RE: Hobbs State #3 Salt Water Disposal Well Bond

I now hold the two bonds and entered into ONGARD for both the No. 3 and No. 10 under Liquid Resources. Since I have the bonds in place to cover the two wells, i can approve the change of operator. I can release the bonds under HRC as soon as Donna Mull approves the change of operator online. I was going to hold the release of the No. 10 until you told me to because you said you needed to send a letter to Liquid Resources regarding approval of the discharge plan. Since you hold the bond for the No. 10 for HRC, you can release the bond whenever you want to. I will release the No. 3 when Donna verifies I can. You can ask Mr. Pyeatt to call me and I will explain. Thanks

From: Chavez, Carl J, EMNRD
Sent: Wednesday, September 27, 2006 9:46 AM
To: Phillips, Dorothy, EMNRD
Cc: Price, Wayne, EMNRD
Subject: FW: Hobbs State #3 Salt Water Disposal Well Bond

The Hobbs State #3 Salt Water Disposal Well (Class II Well) is a District & OCD Engineering Bureau issue and not a Environmental Bureau (EB) issue, since the EB does not regulate Class II Wells. You need to check with Richard or Will and the District. The Hobbs State Well #10 is a Brine Well (Class III), and the EB regulates Class I, III & V Wells; consequently, the EB's only involvement with bonds, etc. is with the Hobbs State #10.

I presume I should direct Mr. Pyeatt back to you, but please let me know how you want to proceed? Thnx.

Carl J. Chavez, CHMM
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From: Phillips, Dorothy, EMNRD
Sent: Wednesday, September 27, 2006 9:34 AM
To: Chavez, Carl J, EMNRD
Cc: Price, Wayne, EMNRD
Subject: RE: Hobbs State #3 Salt Water Disposal Well Bond

Carl, If you say I can approve the change of operator today online then next step is that Donna Mull has to approve and change over the wells and approve online before I can release the No. 3 Bond. So let me know asap as I can let Donna Mull to work on it and hopefully, she can do it today.

From: Chavez, Carl J, EMNRD
Sent: Wednesday, September 27, 2006 9:12 AM
To: Price, Wayne, EMNRD
Cc: Phillips, Dorothy, EMNRD
Subject: Hobbs State #3 Salt Water Disposal Well Bond

Wayne:
 9/27/2006

Mr. David Pyeatt of Liquid Resource Services LLC would like the OCD to release the bond on the Hobbs State #3 bond today and then the Hobbs State #10 when they sign the certificate, since they want to rig up and perform service work on the #3 very soon?

He is awaiting receipt of the Hobbs State #10 Brine Well Certificate for signature and will send it back to OCD. Thanks.

Carl J. Chavez, CHMM
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Oil Conservation Division, Environmental Bureau
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1819 N. Turner, Suite B
Hobbs, N.M. 88240
Phone (505) 393-7706
Fax (505) 393-7725



115 E. Washington
Lovington, N.M. 88260
Phone (505) 396-5846
Fax (505) 396-2490

ELLIOTT & WALDRON TITLE & ABSTRACT CO., INC.

DATE: 9-27-06

TO: Carl Chavez

ATTN: _____ FAX NO. 505-476-3462

- FROM:
- Betty Moore
 - James Owensby
 - David Pyeatt
 - Joretta Jaramillo
 - Amanda Parras
 - Danella Alexander
 - Donna Ragland
 - Virdie Scott
 - Amanda Serna
 - Debbie Reimers

Security Title Escrow of Lea County, LLC

- Cindy Owens
- Paul Clark

*9/27/06
Dorothy phillips
& I agreed
based on signed FAX
OCY can proceed w/
transfer of bond
and chg*

RE: _____

MESSAGE: _____

IF YOU DO NOT RECEIVE A TOTAL OF 2 PAGES, INCLUDING COVER, PLEASE ADVISE.

Attention:
This facsimile may contain privileged and confidential information intended only for the use of the individual(s) named above. If you are not the intended recipient, please destroy this facsimile and any attachments and notify the sender immediately. Any use, distribution or copying of this communication is prohibited.

OCD CERTIFICATION

Liquid Resource Services, LLC. (LRS) hereby accepts the terms and conditions of the attached H.R.C. Inc. discharge plan permit (BW-030) and agrees to comply with the terms and conditions. LRS acknowledges that the Oil Conservation Division (OCD) may change the terms and conditions for good cause shown as necessary to protect fresh water, human health, and the environment. The undersigned also attests to the fact that he or she understands 19.15.1.41 NMAC which states "Any person who conducts any activity pursuant to a permit, administrative order or other written authorization or approval from the division shall comply with every term, condition and provision of such permit, administrative order, authorization or approval."

Accepted.

LIQUID RESOURCE SERVICES, LLC.
1819 N. Turner, Suite B
Hobbs, New Mexico 88240

Signature 

Title Member

Date

9-27-06

Chavez, Carl J, EMNRD

From: Chavez, Carl J, EMNRD
Sent: Wednesday, September 27, 2006 10:40 AM
To: 'David@ewtitle.com'
Cc: Phillips, Dorothy, EMNRD
Subject: Hobbs State #3 Salt Water Disposal Well

Mr. Pyeatt:

If you can fax me a signed version of the Certificate for the Hobbs State #10 Well (brine well) that I sent to Rita yesterday, the OCD may be able to transfer the bond for both Wells today. It is an all or nothing deal, since both wells are included in the transaction. Please fax me the signed certificate ASAP, so the OCD can begin transferring the bonds and to allow Liquid Resource Services LLC. to begin operations at the Hobbs State #3.

Please contact Dorothy Phillips at (505) 476-3461 or me if I may be off further assistance. Thank you.

Carl J. Chavez, CHMM
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Oil Conservation Division, Environmental Bureau
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(Pollution Prevention Guidance is under "Publications")

From Operator HRC INC OGRID 131652
 To Operator LIQUID RESOURCE SERVICES, LLC OGRID 243571
 Wells Selected for Transfer, Permit 37085
 Permit Status: REVIEW

OCD District Hobbs

Property Well	Lease Type	ULSTR	OCD Unit	API	Well Type	Pool ID	Pool Name	Last Prod/Inj	Additional Bonding
23612 HOBBS STATE #003	S	B-29-18S-38E	B	30-025-23621	S	96121	SWD;SAN ANDRES	07/06	0
HOBBS STATE #010	S	F-29-18S-38E	F	30-025-35915	M	96173	BSW;SALADO		0

Total Additional bond **0**