



# United States Department of the Interior

## BUREAU OF INDIAN AFFAIRS

Ute Mountain Ute Agency  
P. O. Box KK  
Towaoc, Colorado 81334

IN REPLY REFER TO:

Branch of Realty

OCT 23 1997

Keystone Energy  
Attention: Brad Salzman  
P.O. Box 962  
Farmington, NM 87499

Dear Mr. Salzman:

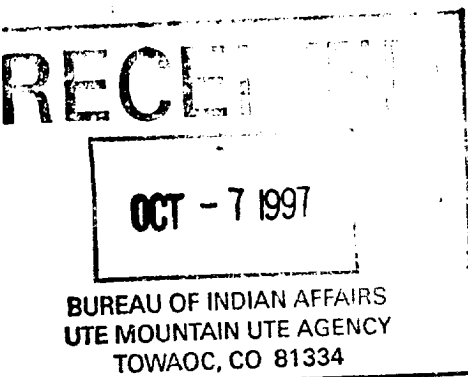
Enclosed for your records is an approved Assignment of Oil and Gas Lease Record Title whereby Mountain Fuel Supply Company assigns all of its 100% interest in Ute Mountain Ute Oil and Gas Lease MOO-C-1420-1949 to Keystone Energy. Also, enclosed is a copy of Tribal Resolution No. 4267, dated September 30, 1996, authorizing approval of the assignment.

We have also enclosed a copy of your approved Collective Bond with Amwest Surety Insurance Company as surety in the amount of \$15,000.00. If you have any questions or need further information please contact our Realty Office at (970) 565-6094.

Sincerely,

  
Superintendent

Enclosures



NM-391

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF INDIAN AFFAIRS

M00-C-1420-1949

Lease Number

ASSIGNMENT  
OF OIL AND GAS LEASE  
OPERATING RIGHTS

RECORD TITLE

WHEREAS, for and in consideration of Ten and no/100  
dollars (\$10.00), the receipt of which is hereby  
acknowledged, the said Mountain Fuel Supply Company

the owner of the above-described lease (hereafter called  
Assignor), does hereby bargains, sells, transfers, assigns, and  
conveys to Keystone Energy, a New Mexico Limited Liability Company,

P.O. Box 962, Farmington, New Mexico 87499  
(hereafter called assignee), right, title and interest in and to  
said operating rights, subject to the approval of the Secretary  
of the Interior, the following described interest to wit:

Township 31 North - Range 15 West, NMPM  
Section 10: SE/4NW/4

as to all depths

containing 40.00 acres, more or less  
San Juan County, New Mexico

That Assignors interest in the lands is 100.00%  
the interest being transferred is 100.00%  
and the interest being retained is -0-

The assignor reserves an overriding royalty in the amount of  
Six and One-Quarter Percent (6.25%)

Said assignment to be effective from the date of approval hereby  
by the Secretary of the Interior.

And for the same consideration the Assignor covenants with the  
Assignee, heirs, successors or assigns: That the Assignor is the  
lawful owner of and has good title to the interest above assigned  
in and to said lease, free and clear from all liens, encumbrances  
or adverse claims; That said lease is a valid and subsisting  
lease on the lands above described, and all rentals and royalties  
due thereunder have been paid and all conditions necessary to  
keep the same in full force have been duly performed.

Attach all appropriate documentation relevant to this document.

IN WITNESS WHEREOF, the said assignor has hereunto set his  
hand and seal, this 15th day  
of September, 1997

ATTEST: MOUNTAIN FUEL SUPPLY COMPANY

BY: [Signature]  
Secretary

BY: [Signature]  
D. N. Rose, President

**ACCEPTANCE BY ASSIGNEE**

Keystone Energy, a New Mexico Limited Liability Company, the assignee in the above and foregoing assignment, made subject to the approval of the Secretary of the Interior, hereby accepts such assignment, assumes full liability under the lease from its effective date and agrees to fulfill all the obligations, conditions, terms, restrictions and stipulations in said described indenture of lease, and the rules and regulations of the Secretary of the Interior applicable thereto, and to furnish proper bond guaranteeing a faithful compliance with said lease and this agreement. In addition assignee is in compliance to with all regulations and authorizing acts.

IN WITNESS WHEREOF, the said assignee has hereto set his  
hand and seal this 3RD day of OCTOBER, 1997

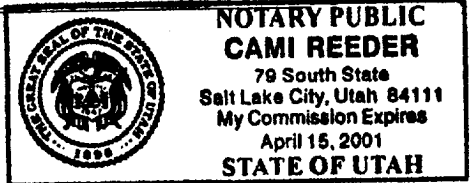
KEYSTONE ENERGY LLC  
[Signature]

**CONSENT OF SURETY**

The \_\_\_\_\_,  
surety for \_\_\_\_\_,  
on the bond accompanying the lease above described, hereby consents to the  
assignment and transfer of said lease as above made and agrees that said bond  
shall remain in force and effect covering obligations of assignee.  
Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_

# ACKNOWLEDGEMENT OF CORPORATION

STATE OF UTAH )  
COUNTY OF SALT LAKE ) as:



Before me, a notary public, in and for said county and state on this 15th day of September, 1997 personally appeared D. N. Rose  
President of Mountain Fuel Supply Company  
to me known to be the identical person who subscribed  
the name of the foregoing instrument as its President

and acknowledged to me that he executed the same as his free and voluntary act  
and deed, as the free and voluntary act and deed of such corporation, for the  
uses and purposes therein set forth.

My commission expires April 15, 2001, Cami Reeder  
Notary Public

# ACKNOWLEDGEMENT OF INDIVIDUAL

STATE OF NEW MEXICO )  
COUNTY OF SAN JUAN ) as:

Before me, a notary public, in and for said county and state on this  
3rd. day of October, 1997 personally appeared Bradley W. Salzman  
Operational President

to me known to be the identical person \_\_\_\_\_ who executed the within  
and foregoing instrument, and acknowledged to me that he  
executed the same as his  
free and voluntary act and deed, for the uses and purposes therein set forth.



OFFICIAL SEAL  
Norma Jean Schlueter  
NOTARY PUBLIC - NEW MEXICO  
My commission expires \_\_\_\_\_, 19\_\_\_\_  
Filed with Secretary of State  
My Commission Expires October 29, 1997

Norma Jean Schlueter  
Notary Public

# UNITED STATES DEPARTMENT OF THE INTERIOR

10/22/97  
Date Approved

Wm. Lynn Engler  
Superintendent, The Executive Agency  
Bureau of Indian Affairs, Navajo, CO 81324

DATE September 30, 1996

RESOLUTION NO. 4267

RESOLUTION  
UTE MOUNTAIN TRIBAL COUNCIL  
RE: ASSIGNMENT OF RECORD TITLE  
LEASE # MOO-C-1420-1949  
FROM: MOUNTAIN FUEL SUPPLY CO.  
TO: KEYSTONE ENERGY

WHEREAS, the Constitution and By-Laws of the Ute Mountain Tribe, approved June 6, 1940 and subsequently amended, provides in Article III that the governing body of the Ute Mountain Tribe is the Ute Mountain Tribal Council and sets forth in Article V the powers of the Tribal Council exercised in this Resolution; and

WHEREAS, Mountain Fuel Supply wishes to assign all of its right title and interest in lease MOO-C-1420-1949 to Keystone Energy; and

WHEREAS, all the Tribal requirements have been complied with; and

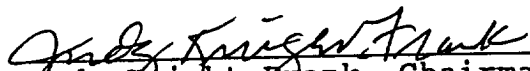
WHEREAS, the Bureau of Indian Affairs has determined that this Assignment meets the Bureau's requirements; and

WHEREAS, the Assignor is in compliance with all Tribal Ordinances.

NOW, THEREFORE, BE IT RESOLVED, the Ute Mountain Tribal Council approves the Assignments of Mountain Fuel Supply's interest in Lease MOO-C-1420-1949 to Keystone Energy; and

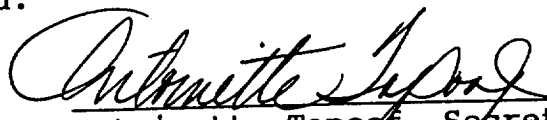
BE IT FINALLY RESOLVED, that the Chairperson of the Ute Mountain Tribal Council is authorized to sign the Resolution and is further authorized to take such action as may be necessary to carry out the intent of this Resolution.

The foregoing Resolution was duly adopted this 30 day of September, 19 96.

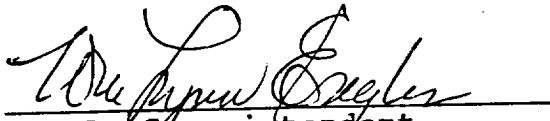
  
Judy Knight-Frank, Chairman  
Ute Mountain Tribal Council

CERTIFICATION

This is to certify that there was a quorum of 6 Tribal Council Members present at the official meeting of the Ute Mountain Tribal Council held on the above mentioned date, that 5 voted for and 0 opposed the above Resolution, and 0 abstained that the above Resolution was duly adopted.

  
Antoinette Tapogf, Secretary  
Ute Mountain Tribal Council

APPROVAL

  
B.I.A. Superintendent  
Ute Mountain Agency

RESOLUTION NO. 4267

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF INDIAN AFFAIRS

COPY

LOAN GUARANTEE  
PREMIUM COLLECTED  
ON ANNUAL BASIS

COLLECTIVE BOND

Bond No: 034000009

Premium: \$300.00

KNOW ALL MEN BY THESE PRESENTS, That we, Keystone Energy Ltd. Co.

of Farmington, NM, as principal,

and Amwest Surety Insurance Company

of PO Box 4500, Woodland Hills, CA 91365, as suret y., are held and firmly bound unto the United States of America in the sum of fifteen thousand dollars (\$15,000), lawful money of the United States, for the payment of which, well and truly to be made, we bind ourselves and each of us, our and each of our heirs, successors, executors, administrators, and assigns, jointly and severally, firmly by these presents.

Sealed with our seals and dated this 25th day of August, 1997

The condition of this obligation is such that whereas the said principal, as lessee, has

heretofore or may hereafter enter into or otherwise acquire an interest in the  
the Ute  
mining leases and prospecting permits on the  
Mountain New Mexico

Reservation in the State of  
of various dates and periods of duration, covering lands or interests in lands held by the United States in trust for individual Indians, or bands or tribes of Indians, or subject to restrictions against alienation without the consent of the Secretary of the Interior, or his authorized representative, which leases and permits have been or may hereafter be granted or approved by the Secretary of the Interior, or his authorized representative, and the identification of which herein is expressly waived by both principal and suret y. hereto.

WHEREAS the principal and suret y. agree that the coverage of this bond shall extend to and include all extensions and renewals of the leases and permits covered by this bond, such coverage to continue without any interruption due to the expiration of the term set forth therein.

WHEREAS the suret y. hereby waive any right to notice of any modification of any such lease or permit, or obligation thereunder whether effected by extension of time for performance, by commitment of such lease to unit, cooperative, or communitization agreement, by waiver, suspension, or change in rental, except an increase thereof, by minimum royalty payment, except an increase thereof, by compensatory royalty payment, or otherwise, this bond to remain in full force and effect notwithstanding.

WHEREAS the principal and suret y. agree that the neglect or forbearance of any obligee under this bond in enforcing the payment of any rental or royalty or the performance of any other covenant, condition, or agreement of any such lease or permit shall not in any way release the principal and suret y., or either of them, from any liability under this bond; and

WHEREAS the principal and suret y. agree that in the event of any default under any such lease or permit, the obligee may prosecute any claim, suit, action, or other proceeding against the principal and suret y., or either of them, without the necessity of joining the other.

...and either of them without the necessity of joining the other.

Now, if the said principal herein shall faithfully carry out and observe all the obligations assumed hereunder, the bond shall be null and void, and the sum of \$1000.00 shall be paid to the said principal. **Keystone Energy Ltd. Co.** is now or may hereafter in such leases and permits to which become a party, and shall observe all the laws of the United States and regulations made, or which shall be made thereunder, for the government of trade and intercourse with Indian tribes, and all rules and regulations that have been or shall hereafter be lawfully prescribed by the Secretary of the Interior relative to such mining leases and permits, and shall in all particulars comply with the provisions of such leases, permits, rules, and regulations, then this obligation shall be null and void, otherwise, to remain in full force and effect.

The rate of premium charged on this bond shall be 1% of the total premium paid is except an increase thereof by mutual agreement, except an increase thereof by mutual agreement of \$300.00. The bond shall be null and void if the bond is not paid within 30 days of the date of the bond. Signed and sealed in the presence of—

WITNESSES: The undersigned witnesses of the lease and permits covered by this bond and covered to the bond shall be the witnesses of the lease and permits covered by this bond and covered to the bond.

*Mary Fay Golder*

**Keystone Energy Ltd. Co.**

P.O. The undersigned witnesses of the lease and permits covered by this bond and covered to the bond shall be the witnesses of the lease and permits covered by this bond and covered to the bond.

BY: *[Signature]* [SEAL]

*Wendy A. O'Leary*

**Amwest Surety Insurance Company**

P.O. The undersigned witnesses of the lease and permits covered by this bond and covered to the bond shall be the witnesses of the lease and permits covered by this bond and covered to the bond.

BY: *Patsy A. Woods* [SEAL]  
**Patsy A. Woods, Attorney-In-Fact**

P.O. The undersigned witnesses of the lease and permits covered by this bond and covered to the bond shall be the witnesses of the lease and permits covered by this bond and covered to the bond.

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as to [SEAL]

P.O. The undersigned witnesses of the lease and permits covered by this bond and covered to the bond shall be the witnesses of the lease and permits covered by this bond and covered to the bond.

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as to [SEAL]

P.O. The undersigned witnesses of the lease and permits covered by this bond and covered to the bond shall be the witnesses of the lease and permits covered by this bond and covered to the bond.

**CORRECTIVE BOND**

**BUREAU OF INDIAN AFFAIRS**

P.O. The undersigned witnesses of the lease and permits covered by this bond and covered to the bond shall be the witnesses of the lease and permits covered by this bond and covered to the bond.

**DEPARTMENT OF THE INTERIOR  
UNITED STATES**

\*Two witnesses to all signatures.



DEPARTMENT OF THE INTERIOR  
BUREAU OF INDIAN AFFAIRS

APPROVED:

ACTU

Sept. 17, 1997  
*Stephen L. ...*  
Special Agent in Charge, Ute Mountain Agency  
Bureau of Indian Affairs, Towaoc, CO 81434 Area Director.

RECEIVED

SEP 16 1997

BUREAU OF INDIAN AFFAIRS  
UTE MOUNTAIN AGENCY  
Towaoc, Colorado

# LIMITED POWER OF ATTORNEY

## Amwest Surety Insurance Company

EXPIRATION DATE

4-24-99

POWER NUMBER 0000719240

### READ CAREFULLY

This document is printed on white paper containing the artificial watermarked logo ( ) of Amwest Surety Insurance Company (the "Company") on the front and brown security paper on the back. Only unaltered originals of the POA are valid. This POA may not be used in conjunction with any other POA. No representations or warranties regarding this POA may be made by any person. This POA is governed by the laws of the State of California and is only valid until the expiration date. The Company shall not be liable on any limited POA which is fraudulently produced, forged or otherwise distributed without the permission of the Company. Any party concerned about the validity of this POA or an accompanying Company bond should call your local Amwest branch office at (303) 368-7421

KNOW ALL BY THESE PRESENT, that Amwest Surety Insurance Company, a Nebraska corporation (the "Company"), does hereby make, constitute and appoint:  
**PATSY I. WOODS**  
**REBECCA L. BRAUN**  
**DONNA W. COEN**  
**CHRIS RAMIREZ**  
**DEAN E. VIGIL**  
AS EMPLOYEES OF AMWEST SURETY INSURANCE CO

its true and lawful Attorney-in-fact, with limited power and authority for and on behalf of the Company as surety to execute, deliver and affix the seal of the company thereto if a seal is required on bonds, undertakings, recognizances, reinsurance agreement for a Miller Act or other performance bond or other written obligations in the nature thereof as follow:

Bid Bonds up to \$\*\*5,000,000.00

Contract (Performance & Payment), Court, Subdivision \$\*\*5,000,000.00

License & Permit Bonds up to \$\*\*5,000,000.00

Miscellaneous Bonds up to \$\*\*5,000,000.00

Small Business Administration Guaranteed Bonds up to \$\*\*1,250,000.00

and to bind the company thereby. This appointment is made under and by authority of the By-Laws of the Company, which are now in full force and effect.

I, the undersigned secretary of Amwest Surety Insurance Company, a Nebraska corporation, DO HEREBY CERTIFY that this Power of Attorney remains in full force and effect and has not been revoked and furthermore, that the resolutions of the Board of Directors set forth on this Power of Attorney, and that the relevant provisions of the By-Laws of the Company, are now in full force and effect.

Bond No. 034000009 Signed & sealed this 25th day of August 1997

Karen G. Cohen, Secretary

\* \* \* \* \* RESOLUTIONS OF THE BOARD OF DIRECTORS \* \* \* \* \*  
This POA is signed and sealed by facsimile under and by the authority of the following resolutions adopted by the Board of Directors of Amwest Surety Insurance Company at a meeting duly held on December 14, 1975:

RESOLVED, that the President or any Vice President, in conjunction with the Secretary or any Assistant Secretary, may appoint attorneys-in-fact or agents with authority as defined or limited in the instrument evidencing the appointment in each case, for and on behalf of the Company, to execute and deliver and affix the seal of the Company to bonds, undertakings, recognizances, and suretyship obligations of all kinds; and said officers may remove any such attorney-in-fact or agent and revoke any POA previously granted to such person.

RESOLVED FURTHER, that any bond, undertaking, recognizance, or suretyship obligation shall be valid and bind upon the Company:

- (i) when signed by the President or any Vice President and attested and sealed (if a seal be required) by any Secretary or Assistant Secretary; or
- (ii) when signed by the President or any Vice President or Secretary or Assistant Secretary, and countersigned and sealed (if a seal be required) by a duly authorized attorney-in-fact or agent; or
- (iii) when duly executed and sealed (if a seal be required) by one or more attorneys-in-fact or agents pursuant to and within the limits of the authority evidenced by the power of attorney issued by the Company to such person or persons.

RESOLVED FURTHER, that the signature of any authorized officer and the seal of the Company may be affixed by facsimile to any POA or certification thereof authorizing the execution and delivery of any bond, undertaking, recognizance, or other suretyship obligations of the Company; and such signature and seal when so used shall have the same force and effect as though manually affixed.

IN WITNESS WHEREOF, Amwest Surety Insurance Company has caused these presents to be signed by its proper officers, and its corporate seal to be hereunto affixed this 14th day of December, 1995.

*John E. Savage*  
John E. Savage, President

*Karen G. Cohen*  
Karen G. Cohen, Secretary

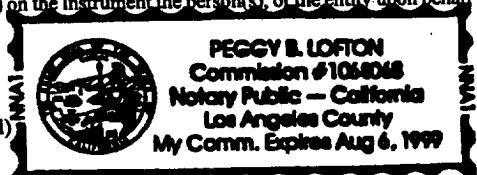
State of California  
County of Los Angeles

On December 14, 1995 before me, Peggy B. Lofton Notary Public, personally appeared John E. Savage and Karen G. Cohen, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me all that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature *Peggy B. Lofton*  
Peggy B. Lofton, Notary Public

(Seal)



**Amwest**

6320 Canoga Avenue Post Office Box 4500 Woodland Hills, CA 91365-4500 TEL 818 704-1111