

SINGLE WELL CASH BOND

Know all men by these presents that Carbon Energy  
~~(an individual)~~ ~~(a partnership)~~ ~~(a corporation)~~ organized  
in the State of New Mexico with its principal office at P. O. Box 1737,  
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 State of New Mexico (or its successor agency) in  
the sum of \$10,000.00 (TEN THOUSAND DOLLARS & NO/100-----), lawful money of  
the United States.

THE CONDITIONS OF THIS OBLIGATION ARE SUCH THAT:

The above applicant/operator desires to drill a well or purchase or operate an  
existing well, the depth of which does not exceed 5,000 feet, to  
prospect for and produce oil, gas, or carbon dioxide resources on land owned by  
private individuals or the State of New Mexico, the particular identification and  
footage location of said well being as follows: Shell State #5:  
NE 1/4 of NW 1/4 in Section 6, Township  
19, Range 37, NMPM, Lea County, New Mexico.

The applicant has deposited on behalf of the Division \$10,000.00, in the manner  
indicated on the attachment to this bond being the principal sum intended to be  
secured. Applicant 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 Oil Conservation Division of the State  
of New Mexico 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 applicant  
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 applicant,  
its successors, assigns, heirs or administrators shall be liable under the provisions  
of Section 70-2-38 NMSA (1978) of the Oil and Gas Act, and the Division may take  
action, including the filing of legal proceedings, to recover any amounts expended  
over and above the principal sum of the bond.

NOW THEREFORE, if the above applicant 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, regulations, 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 applicant, or its successors,  
heirs, or administrator, otherwise it shall remain in full force and effect.

Carbon Energy

PRINCIPAL

P. O. Box 1737, Hobbs, NM 88240

Address

Kenneth K. Batson

Signature

Kenneth K. Batson, Agent

Title

By \_\_\_\_\_

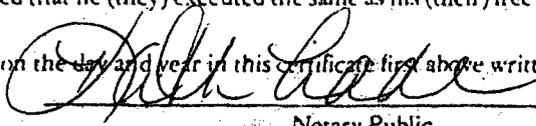
Before the OCD  
Case 13337  
OCD Ex. 7

e: Principal, if corporation, affix corporate seal here.)

STATE OF New Mexico )  
COUNTY OF Lea ) ss.

On this 11th day of April, 1989, before me personally appeared Kenneth K. Batson, Agent of Carbon Energy 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

03/28/92

My Commission expires

### ACKNOWLEDGEMENT FORM FOR CORPORATION

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me personally appeared \_\_\_\_\_, to me personally known who, being by me duly sworn, did say that he is \_\_\_\_\_ of \_\_\_\_\_ 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

My Commission expires

### APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By \_\_\_\_\_

Date \_\_\_\_\_

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

| <u>Projected Depth of Proposed Well<br/>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<br/>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              |

ASSIGNMENT OF CASH COLLATERAL DEPOSIT

(Must be a federally-insured bank or savings institution  
authorized to do business in New Mexico)

Date 04/11/89

Pursuant to Section 70-2-14, NMSA (1978), or successor provisions, Carbon Energy (hereinafter referred to as "operator") of \_\_\_\_\_ P. O. Box 1737, Hobbs, NM 88240 (address) has deposited with the First Interstate Bank of Leam (address) (herein termed financial institution), the sum of \$10,000.00 dollars in Certificate of Deposit or savings account No. 65447. Operator hereby assigns and conveys all right, title and interest in the deposited sum to the financial institution in trust for the Oil Conservation Division of the Energy and Minerals Department or successor agency of the State of New Mexico. Operator and the financial institution agree that as to the deposited sum or fund:

- a. The Oil Conservation Division acquires by this assignment the entire beneficial interest in the fund, with the right to order the trustee 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 of the well covered by this bond.
- 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 in 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.

BY: Kenneth K. Batson  
Signature of Operator,  
Personally or by Authorized Officer

Kenneth K. Batson, Agent  
Title

BY: Robert C. Dunn, Jr.  
Signature of Authorized Officer of  
Financial Institution

Robert C. Dunn, Jr., Vice President  
Title

STATE OF NEW MEXICO  
COUNTY OF Lea ) ss.

On this 11th day of April, 19 89, before me personally appeared Kenneth K. Batson, Agent of Carbon Energy and Robert C. Dunn, Jr., VP of FIBC, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that the (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.

[Signature]  
NOTARY PUBLIC

My Commission expires:  
03/28/92