

COPY

STATE OF NEW MEXICO

\$50,000.00 BLANKET PLUGGING BOND

BOND NO. 54664
(For Use of Surety Companies)

File with Oil Conservation Division, P.O. Box 2088, Santa Fe 87501

KNOW ALL MEN BY THESE PRESENTS:

*MS
1981*

That KC RESOURCES, INC. (An individual) (a partnership) (a corporation organized in the State of CALIFORNIA) with its principal office in the city of CARDIFF State of CALIFORNIA the State of New Mexico), as PRINCIPAL, and FRONTIER INSURANCE COMPANY (a corporation organized and existing under the laws of the State of NEW YORK) and authority to do business in the State of New Mexico, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Division of New Mexico pursuant to Section 63311, New Mexico Statutes Annotated, 1953 Compilation, as amended, in the sum of Fifty Thousand Dollars (\$50,000.00) lawful money of the United States, for the payment of which, well and truly to be made, said 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 above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of wells to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or create such well, or such wells started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being expressly waived by both principal and surety hereto.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug all of said wells when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Division 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 them from escaping into other strata;

THEN, THEREFORE, 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.

PROVIDED, HOWEVER, That thirty (30) days after receipt by the Oil Conservation Division of New Mexico of written notice of cancellation from the surety, the obligation of the surety hereunder shall terminate as to property or wells acquired, drilled, or started during said thirty (30) day period but shall continue in effect, notwithstanding said notice, as to property or wells theretofore acquired, drilled or started.

Post-It™ brand fax transmittal memo 7671 # of pages = 3

To <u>Diane Richardson</u>	From <u>Wylene Jones</u>
Co. <u>Oil Cons. Div.</u>	Co. <u>KC Resources</u>
Dept.	Phone #
Fax #	Fax #

003 P01

K. C. RESOURCES, INC. 619 948 8473

98-11-28 10:01

BEFORE EXAMINER STOOGER
OIL CONSERVATION DIVISION
OCO PERMIT NO. 5
CASE NO. 12948

FRONTIER INSURANCE COMPANY

SURETY

9920 Pacific Heights Blvd. #500, S
Diego, CA. 9

PRINCIPAL

Address

Signature

Title

(Print Principal, if corporation, affix corporate seal here.)

(Notar Corporate surety affix corporate seal here.)

JILL B. GUINTO
Attorney-in-Fact

ACKNOWLEDGEMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, known to me to be the person (persons) described in and who executed the foregoing instrument and he/she/they executed the same in 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 _____

ACKNOWLEDGEMENT FORM FOR CORPORATION

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, known to me to be the person (persons) described in and who executed the foregoing instrument and he/she/they executed the same in 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 _____

ACKNOWLEDGEMENT FORM FOR CORPORATE JURET

- Acknowledgement of Principal
- Acknowledgement of Surety (Attorney-in-Fact)

STATE OF CALIFORNIA

County of SAN DIEGO) ss

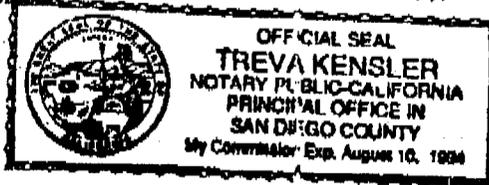
On 19 NOVEMBER 1993 before me, TREVA KENSLER
(here insert name and title of the officer), personally appeared JILL B. GUINTO

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 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 Treva Kensler

SDIA 230 (12/92 rev.)



(Seal)

FRONTIER INSURANCE COMPANY
c/o Corporate Offices: SAN DIEGO, CALIFORNIA
POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That the Douglass Financial Corp., a corporation duly organized and existing under the laws of California having principal office in the City of San Diego, California, does hereby nominate, constitute and appoint: JILL B. GUINTO
of: SAN DIEGO, CA.

the true and lawful agent and Attorney-in-Fact of Frontier Insurance Company, pursuant to the attached Power of Attorney, to make, execute, seal and do for and on its behalf as surety, and its act and deed, any and all bonds, contracts, agreements of indemnity and other undertakings in suretyship provided however, that the penal sum of \$50,000.00

is granted and is signed and sealed by facsimile under and by authority of the Resolution adopted by the Board of Directors of the FRONTIER INSURANCE COMPANY at a meeting duly called and held on January 25, 1993.

IN WITNESS WHEREOF, the said Frontier Insurance Company has caused these presents to be executed by its Attorney-in-Fact; with its corporate seal affixed



Date 19 NOVEMBER 1993
R. Spencer Douglass
R. Spencer Douglass, Attorney-in-Fact

STATE OF CALIFORNIA)
COUNTY OF SAN DIEGO)

On This 19 day of NOVEMBER, 19 93, before the subscriber, a Notary Public of the State of California, in and for the County of San Diego, duly commissioned and qualified, came R. Spencer Douglass, Chairman of the Board of Douglass Financial Corp. and General Agent for Frontier Insurance Company, to me personally known to be the individual and officer described in and who executed the preceding instrument and he acknowledged execution of the same, and being by me duly sworn, deposeth and saith, that he is the said officer of the Corporation aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of said Company and that the said Corporate Seal and his signature as such officer were duly affixed and subscribed to the said instrument by the authority and direction of the said Company.

IN WITNESS WHEREOF, I have hereunder set my hand and affixed my Official Seal, at the City of San Diego, the day and year first above written.



Kathleen Terry
Notary Public

RESOLUTION OF THE BOARD OF DIRECTORS
FRONTIER INSURANCE COMPANY

WHEREAS, it is necessary for the effectual transaction of business that this Company appoint agents and attorneys with power and authority to act in and in its name in the state and territories of the United States.

THEREFORE, Be It Resolved, that this Company does hereby authorize and empower R. Spencer Douglass as attorney-in-fact, under its corporate seal, to appoint any person or persons as attorney or attorney-in-fact or agent or agents of said Company, in its name and its act, to execute and do any and all contracts, guaranteeing the performances of contracts other than insurance policies and executing or guaranteeing bonds and undertakings required or permitted in all actions or proceedings or by law allowed, in amounts not exceeding \$1,000,000 (provided in accordance with the General Agency Agreement executed on January 25, 1993, between Douglass Financial Corp. and Company) in connection with the issuing of surety bonds, and license, permit and miscellaneous bonds on behalf of the Company and transactions related thereto.

I certify the above as a true copy of a Resolution as amended adopted at a Special Meeting of the Board of Directors of FRONTIER INSURANCE COMPANY, on January 25, 1993.

LYNNE K. HUPKA
Notary Public, State of New York
NYS Reg. #4865887
Qualified in Orange County
Commission Expires July 21, 1994



Lynne K. Hupka
Notary Public

I hereby certify that the above is a true copy of the Power of Attorney granted to the previously indicated assignee and the resolution of the Board of Directors of FRONTIER INSURANCE COMPANY, dated January 25, 1993, which remains in effect as of this 19th day of NOVEMBER, 19 93.

[Signature]
Authorized Signature

Any correspondence regarding this Power of Attorney address to:
FRONTIER INSURANCE COMPANY
c/o Spencer Douglass, General Agent
9920 Pacific Heights, Suite 500
San Diego, California 92121