

BLANKET CASH PLUGGING BOND

KNOW ALL MEN BY THESE PRESENTS THAT Pronghorn Management Corporation  
(an individual), (a partnership), (a corporation organized in the  
State of New Mexico), with its principal office 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 State of New Mexico (or its successor agency) in the sum of Fifty Thousand Dollars  
(\$50,000), lawful money of the United States.

The conditions of this obligation are such that:

The above applicant/operator desires to drill or purchase wells to prospect for and  
produce oil, gas, or carbon dioxide resources on land owned by private individuals or the  
State of New Mexico;

The applicant has deposited on behalf of the Division fifty thousand dollars  
(\$50,000), being the principal sum intended to be secured, in the manner indicated on the  
attachment to this bond. Applicant pledges this sum as a guarantee that it, its  
executors, assigns, heirs or administrators shall plug the wells owned or operated by him  
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 a 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 wells 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 wells. If the principal  
sum of this bond is less than the actual cost incurred by the Division in plugging said  
wells, 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 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 wells owned or operated by it 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 wells, NOW THEREFORE, this obligation shall be null and void and  
the principal sum shall be paid to the applicant, or its successors, heirs, or  
administrators.

PROVIDED HOWEVER, that upon thirty days notice from the Division to the applicant of  
intention to cancel this bond, the obligation shall terminate as to property or wells  
acquired, drilled, or spudded after said thirty day period.

Pronghorn Management Corporation  
OPERATOR

P. O. Box 1772

ADDRESS

Hobbs, NM 88241  
CITY, STATE AND ZIP

By [Signature] President  
Signature Title

Replaces previous Cash Plugging Bond in the name of Baber Well Servicing Company

**Pronghorn Management Corp.**  
**Case 13859**  
**Case 14052**  
**OCD Exhibit No. 1-A**

ACKNOWLEDGEMENT FORM FOR NATURAL PERSONS

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

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, 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 \_\_\_\_\_

ACKNOWLEDGEMENT FORM FOR CORPORATION

STATE OF NEW MEXICO )  
COUNTY OF LEA ) ss.

On this 12th day of April, 1994, before me personally appeared G. A. BABER, III, to me personally known who, being by me duly sworn, did say that he is President of Pronghorn Management Corporation 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.

James R. Martinez  
Notary Public

June 20, 1994

My Commission expires \_\_\_\_\_

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By [Signature]

Date \_\_\_\_\_

ASSIGNMENT OF CASH COLLATERAL DEPOSIT

(Must be a federally-insured bank or savings institution  
within the State of New Mexico)

Date April 14, 1994

Pursuant to Section 70-2-14, NMSA (1978), or successor provisions, Pronghorn Management Corp. (hereinafter referred to as "operator") of \_\_\_\_\_ (address) has deposited with the Lea County State Bank (name of state or national bank or savings association) of P.O. Box 400 Hobbs NM 88240 (address) (herein termed financial institution), the sum of \$50,000.00 dollars in Certificate of Deposit or savings account No. CD# 100071367. 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.

\_\_\_\_\_  
Signature of Operator,  
Personally or by Authorized Officer

G. A. BABER, President  
Title

\_\_\_\_\_  
Signature of Authorized Officer of  
Financial Institution

Robert C. Dunn, Jr.  
Executive Vice President  
Title

STATE OF NEW MEXICO ) ss.  
COUNTY OF LEA

On this 19th day of April, 19 94, before me personally appeared G. A. Baber and \_\_\_\_\_, 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.

My Commission expires:  
6-20-94

\_\_\_\_\_  
NOTARY PUBLIC