### Bond No. **B000683R04-06-04**

## SURETY RIDER

To be attached to and form a part of Bond No. <u>B000683</u> on behalf of <u>ERS Resources, LLC</u> as principal and executed by <u>U.S. Specialty Insurance Company</u>, as surety.

Effective date of change: April 6, 2004

In consideration of the mutual agreement herein contained, the principal and the surety hereby consent to the following changes:

The address has changed from:

ERS Resources, LLC Post Office Box 1502 Carlsbad, New Mexico 88221-1502

TO:

## ERS Resources, LLC Post Office Box 958 Carlsbad, New Mexico 88221-0958

Nothing herein contained shall vary, alter, or extend any provision or condition of this bond except as herein expressly stated.

SIGNED, SEALED AND DATED THIS: \_\_\_\_\_ April 6, 2004

ERS Resources, LLC Name of Principal

Name and title of person executing for Principal

U.S. Specialty Insurance Company Name of Surety

<u>Cr ya</u> Signature

<u>W. Russell Brown, Jr., Attorney-in-Fact</u> Name and title of person executing for Surety

> ERS Resources, LLC Case 14078 OCD Exhibit No. 2-D

#### STATE OF NEW MEXICO

#### ONE-WELL PLUGGING BOND

#### For CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES <u>ONLY</u>

BOND NO.	B000683
AMOUNT OF BOND	\$5,000.00
COUNTY	Eddy

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00\* For wells 5,000 to 10,000 feet deep, the minimum bond is \$7,500.00\* For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

\*Under certain conditions, a well being drilled under a 5,000.00 or 57,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, *e.g.*, a well being drilled under a 5,000.00 bond may be permitted to go to 5,500 feet and a well being drilled under a 57,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, NM 87505

#### KNOW ALL MEN BY THESE PRESENTS:

That ERS Resources, LLC , (at XHXXHXX (XXXXXXXXX) (a corporation, limited liability company or limited partnership organized in the State of <u>New Mexico</u>, and authorized to do business in the State of New Mexico), as PRINCIPAL, and <u>U.S. Specialty Insurance Company</u>, a corporation organized and existing under the laws of the State of <u>Texas</u> 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 \$5,000.00-----, 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 5,000 feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or does own or operate, or may acquire, own or operate such well, the identification and location of said well being:

Artesia Metex Unit #5-L	located 1650 feet from the South (Nath / South)
(Name of well)	
line andfeet from the West	AXX/West) line of Section 24 Township 18 (XXXXK)
(South), Range_27 (East) (Wext), NMPM,	EddyCounty, 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 to 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 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 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.

ERS Resources, LLC
Post Office Box 1502
Carlsbad, New Mexico 88221-1502
By Best D. Course

Managing Member Title If PRINCIPAL is a corporation, affix corporate seal here.

Specialty Insurance Company SURETY 13403 NW Freeway <u>Texa</u>s 77040 Address Attorney-In-Fact

Corporate surety affix corporate seal here.

	ACKNOWLED	GMENT FORM FO	R INDIVIDUAL	
STATE OF	) )	r.		
COUNTY OF				
This instrumen	nt was acknowledged before	me on20	) by (Name of Individual)	
			(Pane of morviduar)	
		-	Notary Public	
SEAL				
My Commission Expire	•\$			
				<u> </u>
ACKNOWLEDGMEN STATE OF New M	NT FORM FOR PARTNE	RSHIP, CORPORA	TION OR LIMITED L	BAILITY COMPANY
COUNTY OF Eddy	SS.			
	/ .			
This instrumen	nt was acknowledged before	me on <u>12-2</u> ,2	<u>a3 by Bert D. H</u>	annigan
as Managing	Member	of ERS	(Name of Person Sig Resources, L	ning Instrument) LC
	esident; manager, member)	RTIN	artnership, corporation or limited	liability company)
SEAL	STATE OF NEW M		Notary Public	QNLLL
07-10-05	and and a second state of the s The second state of the second sta	n 1997 - Santa Santa Canada an Anna 1997 - Santa		
My Commission Expire	25			
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	ACKNOWLEDG	MENT FORM FO	R CORPORATE SURE	ſγ
STATE OF Texa				
	SS.			
COUNTY OF Har	ris			
લગ	·	13 03 -	10.2 . Eduin 1	
Lhis instrumer	nt was acknowledged before		(Name of Attorney)	n fact)
			t omnany	
as Attorney-in-Fact for	U.S. Specialt (Name of corporate surety)	<u>y Insurance</u>	Company	< <b>(</b>
		y-Insurance	ist Called	king
as Attorney-in-Fact for		y Insurance	Public All	king
		Nogy	Public JILL ENGEL (INI)	king
as Attorney-in-Fact for $\frac{SEAL}{3605}$	(Name of corporate surety)	Nogay	Public JILL ENGEL (INI) NOTARY PUELIC State of Texas	king
as Attorney-in-Fact for	(Name of corporate surety)	Notaci	Public JILL ENGEL (INI) NOTARY PUELD	king

OIL CONSERVATION DIVISION OF NEW MEXICO

By\_\_\_\_\_ <u>ter</u>éce Date 1-15-0 14

## **POWER OF ATTORNEY**

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

*Know All Men by These Presents* That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

#### Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

*In Witness Whereof*, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its **President**, and its corporate seal to be hereto affixed this 7<sup>th</sup> day of November, 2003.

Bv

Corporate Seal

**U. S. SPECIALTY INSURANCE COMPANY** 

County of Harris

State of Texas

s ss:

Michael J. Schell, President

On this  $7^{th}$  day of November, 2003 before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal

Notary Public My commission expires 12 33 3004

l, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this <u>02</u> day of <u>December</u>, 20<u>03</u>

Corporate Seal

Christopher L. Martin, Secretary



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON Governor Joanna Prukop Cabinet Secretary

January 15, 2004

Lori Wrotenbery Director Oil Conservation Division

Mr. Bert D. Hannigan ERS Resources, LLC P.O. Box 1502 Carlsbad, NM 88221-1502

Re: \$5,000 One-Well Plugging Bond ERS Resources, LLC, Principal U.S. Specialty Insurance Company, Surety Artesia Metex Unit No. 5 – 1650' FSL and 990' FWL Section 24, Township 18 South, Range 27 East, Eddy County, NM Bond No. B000683

Dear Mr. Hannigan:

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

Sincerely,

Jail, Mar Donder

GAIL MACQUESTEN Assistant General Counsel

GM/dp

cc: Oil Conservation Division – Artesia, NM

U.S. Specialty Insurance Company 13403 NW Freeway Houston, TX 77040

J.S. Ward & Son, Inc. 101 South Fourth Street Artesia, NM 88210-2177 Attn: Susan S. Lopez

> Oil Conservation Division \* 1220 South St. Francis Drive \* Santa Fe, New Mexico 87505 Phone: (505) 476-3440 \* Fax (505) 476-3462 \* <u>http://www.emnrd.state.nm.us</u>

# Rage: 1 Document Name: untitled

CMD : OG6CWBD	ONGARD CAPTURE SINGLE WELL BOND	01/15/04 11:14:55 OGODLP -TQGC
OCDID Identifi	ier : 225298 API Well No : 30 15 945	
•	, Address : ERS RESOURCES, LLC PO BOX 1502 CARLSBAD,NM 88221-1502	
	: 249376 Bond Status : A Prop Idn : 22171 : ARTESIA METEX UNIT U/L Sec Township Range North/South Ea	Well No : 005 st/West Lot Idr
•	: L 24 18S 27E FTG 1650 F S FTG	990 F W
API County : Bond Details :	: Type (Cash/Surety - C/S) : S Bond Co Idn : Company OGRID Identifier : 224244	12 Amt : 5000
	Company Name, Address : U.S. SPECIALTY INS 13403 NORTHWEST FR	
Effective Date	e : 01-01-1900 HOUSTON,TX 77056 Cancellation Date	. 12-31-9999
Issuer Bond No		. 12 31 9999
	: Table update is successful.	
PF01 HELP P	PF02PF03 EXITPF04 GoToPF05PF08PF09 COMMENT PF10 NXTBOND PF11	PF06 CONFIRM PF12

Date: 1/15/2004 Time: 11:16:03 AM

Bond No. **B000690R04-06-04** 

## SURETY RIDER

To be attached to and form a part of Bond No. <u>B000690</u> on behalf of <u>ERS Resources, LLC</u> as principal and executed by <u>U.S. Specialty Insurance Company</u>, as surety.

Effective date of change: \_\_\_\_\_April 6, 2004\_\_\_\_

In consideration of the mutual agreement herein contained, the principal and the surety hereby consent to the following changes:

The address has changed from:

ERS Resources, LLC Post Office Box 1502 Carlsbad, New Mexico 88221-1502

<u>TO:</u>

ERS Resources, LLC Post Office Box 958 Carlsbad, New Mexico 88221-0958

Nothing herein contained shall vary, alter, or extend any provision or condition of this bond except as herein expressly stated.

SIGNED, SEALED AND DATED THIS: \_\_\_\_

April 6, 2004

ERS Resources, LLC Name of Principal

Signature

Name and title of person executing for Principal U.S. Specialty Insurance Company Name of Surety

Signature

W. Russell Brown, Jr., Attorney-in-Fact Name and title of person executing for Surety

1.1

#### STATE OF NEW MEXICO

#### ONE-WELL PLUGGING BOND

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

BOND NO.	B000690
AMOUNT OF BOND	\$5,000.00
COUNTY	Eddy

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00\* For wells 5,000 to 10,000 feet deep, the minimum bond is \$7,500.00\* For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

\*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, *e.g.*, a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 feet and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, NM 87505

#### KNOW ALL MEN BY THESE PRESENTS:

The conditions of this obligation are such that:

5,000<sup>WHEREAS</sup>, the PRINCIPAL has commenced or may commence the drilling of one well to a depth not to exceed feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or does own or operate, or may acquire, own or operate such well, the identification and location of said well being:

<u>Artesia Metex</u>	Unit #8-I	, lo	ocated <u>2310</u> fee	from the	South	XX/So	uth)
(Name of well)							-
line and990	feet from the East	(East/West)	line of Section	24	Township	18	(NYOXIA)
(South), Range 27	(East) (XXXXXX, NMPM,	Eddy	County, New N				

NOW, THEREFORE, if the PRINCIPAL and SURETY or either of them, or their successors or assigns or any of them, shall cause said well to 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 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 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.

ERS Resources, LLC PRINCIPAL Post Office Box 1502 New Mexico 88221 Carlsbad,  $\cdot 1502$ Address Signature

Managing Member Title If PRINCIPAL is a corporation, affix corporate scal here.

SURETY 13403 NW Freeway 77040 Texas Hous ddress

U. S. Specialty Insurance Company

Attorney-In-Fact

Corporate surety affix corporate seal here.

311

Form O & G B-1

١C	KNOW	LEDGME	NT I	FORM	FOR	INDIV	IDUAL

STATE OF	) \$5.	
COUNTY OF	)	
This instrument w	as acknowledged before me o	
		(Name of Individual)
		Notary Public
SEAL		
	_	
My Commission Expires		
	•	IIP, CORPORATION OR LIMITED LIBAILITY COMPAN
STATE OF New Mex		· · · · · · · · · · · · · · · · · · ·
COUNTY OF Eddy	) SS.	
	· · ·	
This instrument w	vas acknowledged before me	on <u>12-2</u> , <u>9</u> 3 <sub>by</sub> Bert D. Hannigan
" Managing Me		(Name of Person Signing Instrument)
(Capacity, e.g., partner, preside	ent, manager, member)	(Name of partnership, corporation or limited liability company)
1. 	EDVENA S. MAH EKAR - KOTARY PUBLI	
	THE STATE OF NEW MY	1-10-05 Notary Public
SEAL SEAL	272 (1997) - 1997 (1997) - 1997) - 1997) - 1997) 1997 - 1997 1997 - 1997 (1997) - 1997 (1997) - 1997 (1997)	Ama Server and
07-10-05		
My Commission Expires		
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	ACKNOWLEDGME	NT FORM FOR CORPORATE SURETY
STATE OF Texas		
STATE OFCAUS_	) SS.	
	<b>`</b>	
COUNTY OFHarri	<u>s_)</u> .	·
	vas acknowledged before me	(Name of Attorney in fact)
	vas acknowledged before me U.S. Specialty 1	on <u>12-02</u> ,2003by Edwin H. Frank III (Name of Attomey in fact) Insurance Company
This instrument w	vas acknowledged before me	(Name of Attomey in fact)
This instrument w	vas acknowledged before me U.S. Specialty 1	(Name of Attorney in fact) Insurance Company, Act Caffellung
This instrument w	vas acknowledged before me U.S. Specialty 1	(Name of Attomey in fact)
This instrument w as Attorney-in-Fact for	vas acknowledged before me U.S. Specialty 1	(Name of Attorney in fact) Insurance Company, Act Caffellung
This instrument w as Attorney-in-Fact for	vas acknowledged before me U.S. Specialty 1	(Name of Attorney in fact) Insurance Company, Act Caffellung
This instrument w as Attorney-in-Fact for SEAL SEAL My Commission Expires	vas acknowledged before me U.S. Specialty I (Name of corporate surety)	(Name of Attorney in fact) Insurance Company, Act Caffellung
This instrument w as Attorney-in-Fact for SEAL	vas acknowledged before me U.S. Specialty I (Name of corporate surety)	(Name of Attorney in fact) Insurance Company, Act Caffellung
This instrument w as Attorney-in-Fact for SEAL SEAL My Commission Expires	vas acknowledged before me U.S. Specialty I (Name of corporate surety)	(Name of Attorney in fact) Insurance Company Notary Public JULI PUBLIC DEAL OF TEXES OF TOTALS 03-05-2005
This instrument w as Attorney-in-Fact for SEAL SEAL My Commission Expires	vas acknowledged before me U.S. Specialty I (Name of corporate surety)	(Name of Attorney in fact) Insurance Company, Act Caffellung
This instrument w as Attorney-in-Fact for SEAL SEAL My Commission Expires	vas acknowledged before me U.S. Specialty I (Name of corporate surety)	(Name of Attorney in fact) Insurance Company Notary Public JILL PUBLIC DETARY
This instrument w as Attorney-in-Fact for SEAL SEAL My Commission Expires	vas acknowledged before me U.S. Specialty I (Name of corporate surety)	(Name of Attomey in fact) Insurance Company Notary Public JILL PUBLIC State of Texas Open Insurance Open Insurance State of Texas

PA000690

## **POWER OF ATTORNEY**

(To be used with bonds issued on behalf of U.S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

#### Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be in Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

*In Witness Whereof*, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its **President**, and its corporate seal to be hereto affixed this 7<sup>th</sup> day of November, 2003.

Corporate Seal

U. S. SPECIALTY INSURANCE COMPANY By

Michael J. Schell, President

State of Texas

County of Harris

SS:

On this 7<sup>th</sup> day of November, 2003 before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal

otary Public My commission expires

L Christopher L. Mardin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this <u>02</u> day of <u>December</u>, 20<u>03</u>.

Corporate Seal

Christopher L. Martin, Secretary



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON Governor Joanna Prukop Cabinet Secretary

January 15, 2004

Lori Wrotenbery Director Oil Conservation Division

Mr. Bert D. Hannigan ERS Resources, LLC P.O. Box 1502 Carlsbad, NM 88221-1502

Re: \$5,000 One-Well Plugging Bond ERS Resources, LLC, Principal U.S. Specialty Insurance Company, Surety Artesia Metex Unit No. 8 – 2310' FSL and 990' FEL Section 24, Township 18 South, Range 27 East, Eddy County, NM Bond No. B000690

Dear Mr. Hannigan:

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

Sincerely,

"Illes Grante

GAIL MACQUESTEN Assistant General Counsel

GM/dp

cc: Oil Conservation Division - Artesia, NM

U.S. Specialty Insurance Company 13403 NW Freeway Houston, TX 77040

J.S. Ward & Son, Inc. 101 South Fourth Street Artesia, NM 88210-2177 Attn: Susan S. Lopez

## Page: 1 Document Name: untitled

CMD : OG6CWBD	ONGÀRD CAPTURE SINGLE WELL BOND	01/15/04 11:25:31 OGODLP -TQGC
	225298 API Well No : 30 15 ERS RESOURCES, LLC PO BOX 1502 CARLSBAD,NM 88221-1502	944
Prop Name : ARTESIA ME	nd Status : A Prop Idn : 221 TEX UNIT Cownship Range North/South	Well No : 008
API County : 15 Bond Details : Type (Cash Company OG	8S 27E FTG 2310 F S A/Surety - C/S) : S Bond Co I GRID Identifier : 224244 ame, Address : U.S. SPECIA 13403 NORTH HOUSTON,TX	dn : 12 Amt : 5000 LTY INSURANCE COMPA WEST FREEWAY

and the states of

Form O & G B-1 Adopted 6-17-77 Revised 1-1-03

#### STATE OF NEW MEXICO

#### ONE-WELL PLUGGING BOND

#### For CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES <u>ONLY</u>

BOND NO.	B001136
AMOUNT OF BOND	5,000.00
COUNTYE	ddy

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00\* For wells 5,000 to 10,000 feet deep, the minimum bond is \$7,500.00\* For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

\*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, *e.g.*, a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 feet and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

#### File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, NM 87505

#### KNOW ALL MEN BY THESE PRESENTS:

That <u>ERS</u>. <u>Resources</u>, <u>LLC</u>, (an individual) (a general partnership) (a corporation, limited liability company or limited partnership organized in the State of <u>New Mexico</u> and authorized to do business in the State of New Mexico, as PRINCIPAL, and <u>U.S. Specialty Insurance Company</u> orporation organized and existing under the laws of the State of <u>Texas</u> 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 <u>Five thousand---</u>, 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 5,000 feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or does own or operate, or may acquire, own or operate such well, the identification and location of said well being:

Artesia Metex Unit	#24-0	, located 660.	feet from th	South	XX/Soi	ith)
(Name of well) line and 2310 feet from the	East	_(East/West) line of Section	on <u>19</u>	_ Township_	18	_(XXXX)
(South), Range 28 (East) (XYest).	NMPM	Eddy County, Ne	w 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 to 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 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 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.

ERS Resources, Inc.
PRINCIPAL Post Office Box 958
Carlsbad, New Mexico 88221-0958
Address
BY VJOET D COMPON
Signature
Managing Member
Title
If PRINCIPAL is a corporation, affix
corporate seal here.

U.S. Specialty Insurance Company SURET 13403 NW Ho Attorney-In-Fact W. Russell Brown Jr.

Corporate surety affix corporate seal here.

Form	0	&	G	B-	
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ACKNOWLEDGMENT FORM FOR INDIVIDUAL

COUNTY OF	<b>ss.</b>	
	)	
This instrument	was acknowledged before me on	.20 by
		(Name of Individual)
SEAL		Notary Public
My Commission Expires		
		CORPORATION OR LIMITED LIBAILITY COMPAN
STATE OF New Me	ss.	· .
COUNTY OF <u>Eddy</u>		
		8-20,2004 Bert D. Hanigan
as Managing Me AL (Strain: e.g., partner, presid	of of	(Name of Person Signing instrument) ERS Resources, LLC
AL (Capacity, e.g., partner, presid	dent, manager, member)	(Name of partnership, corporation or limited liability company)
S. Lancez		Sullar D. Tope
Y PUBLIC STATE OF N	W MRDVICCO	Notary Public
SEAL S-42	<u></u>	U.
8-6-2007		
		,
My Commission Expires		FORM FOR CORPORATE SURETY
STATE OF <u>Texas</u> COUNTY OF <u>Harri</u> This instrument of <u>MOL</u> Notar My	ACKNOWLEDGMENT F	09/01,2004y W. Russell Brown, Jr
STATE OF <u>Texas</u> COUNTY OF <u>Harri</u> This instrument as <u>MOL</u> Notar My SEL December 19,	ACKNOWLEDGMENT F	09/01,2004, W. Russell Brown, Jr (Name of Attomey in fact) Irance Company. Ouch Bauter
STATE OF <u>Texas</u> COUNTY OF <u>Harri</u> This instrument as <u>MOL</u> Notar SEL December 19, My Commission Expires	ACKNOWLEDGMENT F	09/01 <sub>,20</sub> 04 <sub>y</sub> W. Russell Brown, Jr (Name of Attorney in fact) Drance Company. Much Barty Notary Public/
STATE OF <u>Texas</u> COUNTY OF <u>Harri</u> This instrument as <u>MOL</u> Notar SEE December 19, My Commission Expires	ACKNOWLEDGMENT F	09/01,2004, W. Russell Brown, Jr (Name of Attomey in fact) Irance Company. Ouch Bauter
STATE OF <u>Texas</u> COUNTY OF <u>Harri</u> This instrument as <u>MOL</u> Notar SEE December 19, My Commission Expires	ACKNOWLEDGMENT F	09/01 <sub>,20</sub> 04 <sub>y</sub> W. Russell Brown, Jr (Name of Attorney in fact) Drance Company. Much Barty Notary Public/

## **POWER OF ATTORNEY**

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

#### Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

.Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Autorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

*In Witness Whereof*, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its **President**, and its corporate seal to be hereto affixed this 24<sup>th</sup> of August, 2004.

Corporate Seal

State of Texas

U. S. SPECIALTY INSURANCE COMPANY By

how he with

Michael J. Schell, President

County of Harris

On this 24<sup>th</sup> of August before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.



SS

Notary Public

My commission expires 10 - 7 - 62

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this <u>1st</u> day of September , 20 04

Corporate Seai

Christopher L. Martin, Secretary

## Important Notice Regarding Terrorism Risk Insurance Act of 2002

In accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), this disclosure notice is provided for surety bonds on which U.S. Specialty Insurance Company is the issuing surety.

The premium attributable to any bond coverage for "acts of terrorism" as defined in Section 102(1) of the Act is Zero Dollars (\$0.00).

The United States will reimburse the Issuing Sureties for ninety percent (90%) of any covered losses from terrorist acts certified under the Act exceeding the applicable surety deductible.

The actual coverage provided by your bond for acts of terrorism, as is true for all coverages, is limited by the terms, conditions, exclusions, penalties, limits, other provisions of your bond and the underlying contract, any endorsements to the bond and generally applicable rules of law. This Important Notice Regarding Terrorism Insurance Risk Act of 2002 is for informational purposes only and does not create coverage nor become a part or condition of the attached document.

The rest of this page is intentionally left blank.



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON Governor Joanna Prukop Cabinet Secretary

September 14, 2004

Mark E. Fesmire, P.E. Director Oil Conservation Division

Mr. Bert D. Hanigan ERS Resources, LLC P.O. Box 958 Carlsbad, NM 88221-0958

Re: \$5,000 One-Well Plugging Bond ERS Resources, LLC, Principal U.S. Specialty Insurance Company, Surety Artesia Metex Unit No. 24 – 660' FSL and 2310' FEL Section 19, Township 18 South, Range 28 East, Eddy County, New Mexico Bond No. B001136

Dear Mr. Hanigan:

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

Sincerely,

David K. Both

DAVID K. BROOKS Assistant General Counsel

DKB/dp

cc: Oil Conservation Division – Artesia, NM

U.S. Specialty Insurance Company 13403 NW Freeway Houston, Texas 77040 Page: 1 Document Name: untitled

CMD :	ONGARD	09/14/04 15:30:59
OGECWBD	CAPTURE SINGLE WELL BOND	OGODLP -TPNH
	: 225298 API Well No : 30 15 dress : ERS RESOURCES, LLC PO BOX 1502 CARLSBAD,NM 88221-1502	1949
Prop Name : AR	9575 Bond Status : A Prop Idn : 22171 TESIA METEX UNIT L Sec Township Range North/South	Well No : 024
API County : 1 Bond Details : Ty Con	pe (Cash/Surety - C/S) : S Bond Co Idn mpany OGRID Identifier : 224244	: 12 Amt : 5000
Со	mpany Name, Address : U.S. SPECIALT 13403 NORTHWE HOUSTON,TX 77	ST FREEWAY
Effective Date : Issuer Bond No : 1	01-01-1900 Cancellation	Date : 12-31-9999
PF01 HELP PF02	ole update is successful. PF03 EXIT PF04 GoTO PF0 PF09 COMMENT PF10 NXTBOND PF1	

)

Date: 9/14/2004 Time: 03:31:44 PM

## Bond No. \_ B000684R04-06-04

## **SURETY RIDER**

To be attached to and form a part of Bond No. **B000684** on behalf of **ERS Resources, LLC** as principal and executed by U.S. Specialty Insurance Company\_, as surety.

Effective date of change: April 6, 2004

In consideration of the mutual agreement herein contained, the principal and the surety hereby consent to the following changes:

The address has changed from:

ERS Resources, LLC Post Office Box 1502 Carlsbad, New Mexico 88221-1502

TO:

## **ERS Resources, LLC** Post Office Box 958 Carlsbad, New Mexico 88221-0958

Nothing herein contained shall vary, alter, or extend any provision or condition of this bond except as herein expressly stated.

SIGNED, SEALED AND DATED THIS: \_\_\_\_\_ April 6, 2004

**ERS Resources, LLC** Name of Principal

Signatur

Manal A Roy Hanigan Name and title of person executing for Principal

U.S. Specialty Insurance Company

Name of Surety, Signatúre

W. Russell Brown, Jr., Attorney-in-Fact Name and title of person executing for Surety

#### STATE OF NEW MEXICO

#### ONE-WELL PLUGGING BOND

#### For CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES <u>ONLY</u>

BOND NO	B000684
AMOUNT OF BOND	\$5,000.00
COUNTY	Eddy

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00\* For wells 5,000 to 10,000 feet deep, the minimum bond is \$7,500.00\* For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

\*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, *e.g.*, a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 feet and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, NM 87505

#### KNOW ALL MEN 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 5,000 feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or does own or operate, or may acquire, own or operate such well, the identification and location of said well being:

<u>Artesia Metex Unit #13-J</u>	, located <u>2310</u>	_feet from the <u>South</u> (XXXX South)
(Name of well)	·	

line and $2310$ feet from the	East	(East AVEXIX line of Secti	on 19	Township 18	XXXXXX
(South), Range <u>28</u> (East) ( <b>W&amp;X</b> ),	NMPM,	Eddy County, Ne	w 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 to 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 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 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.

ERS Resources, LLC	4 <u> </u>
PRINCIPAL Post Office Box 1502	· .
Carlsbad, New Mexico	88221-1502
A ddrogg	

Managing Member Title If PRINCIPAL is a corporation, affix corporate seal here.

S. Specialty Insurance Company 13403 NW Freeway 77040 ėxas ddress

Attorney-In-Fact

Corporate surety affix corporate seal here.

ACKNOWLEDGMENT	T FORM FOR INDIVIDUAL
STATE OF)	. •
ss. County of)	
This instrument was acknowledged before me on	,20 by
	(Name of Individual)
	Notary Public
SEAL	
My Commission Expires	
My Commission Explices	
ACKNOWLEDGMENT FORM FOR PARTNERSHIP	P, CORPORATION OR LIMITED LIBAILITY COMPANY
STATE OF New Mexico )	
COUNTY OF	
This instrument was acknowledged before me on	<u>12-2</u> <u>A</u> by Bert D. Hannigan
as Managing Member 0	(Name of Person Signing Instrument)
(Capacity, e.g., partner, president, managed) with (Capacity, e.g., partner, president, managed) with (Ar) S. MARTIN NOTARY PUBLIC STATE OF NEW MEXIC My Commission Expires	
STATE OF <u>Texas</u> )	T FORM FOR CORPORATE SURETY
COUNTY OF <u>Harris</u> )	
	12-02 20 03, Edwin H. Frank III
This instrument was acknowledged before me on as Attorney-in-Fact for U.S. Specialty Ins	(Ninge of Attemption fact)
as Attorney-in-Fact for U.S. Specialty Ins (Name of corporate surety)	Aiet Englishing
SEAL SALOC My Commission Expires	Notary Public JILL ENGELNING NOTARY PUBLIC State of Texas
Corporate Surety attach Power of Attorney	a la se anna an ann ann ann ann ann ann ann an
	APPROVED BY:
	OIL CONSERVATION DIVISION OF NEW MEXICO
	By Jul Lan Co
	Date 1- 15 - 04

Form O & G B-1

## POWER OF ATTORNEY

#### (To be used with bonds issued on behalf of U.S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

#### Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U.S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

In Witness Whereof, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its President, and its corporate seal to be hereto affixed this 7<sup>th</sup> day of November, 2003.

Corporate Seal

State of Texas

**U. S. SPECIALTY INSURANCE COMPANY** By

Michael J. Schell, President

County of Harris

SS:

On this 7<sup>th</sup> day of November, 2003 before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U.S. SPECIALTY INSURANCE COMPANY, the companydescribed in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal

My commission expires <u>」入口3</u>1200し

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 02 day of December 20 **03**.

Corporate Seal

Christopher L. Martin, Secretary



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON Governor Joanna Prukop Cabinet Secretary

January 15, 2004

Lori Wrotenbery Director Oil Conservation Division

Mr. Bert D. Hannigan ERS Resources, LLC P.O. Box 1502 Carlsbad, NM 88221-1502

Re: \$5,000 One-Well Plugging Bond ERS Resources, LLC, Principal U.S. Specialty Insurance Company, Surety Artesia Metex Unit No. 13 – 2310' FSL and 2310' FEL Section 19, Township 18 South, Range 28 East, Eddy County, NM Bond No. B000684

Dear Mr. Hannigan:

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

Sincerely,

1 Mir Chorde

GAIL MACQUESTEN Assistant General Counsel

GM/dp

cc: Oil Conservation Division – Artesia, NM

U.S. Specialty Insurance Company 13403 NW Freeway Houston, TX 77040

J.S. Ward & Son, Inc. 101 South Fourth Street Artesia, NM 88210-2177 Attn: Susan S. Lopez

> Oil Conservation Division \* 1220 South St. Francis Drive \* Santa Fe, New Mexico 87505 Phone: (505) 476-3440 \* Fax (505) 476-3462 \* <u>http://www.emnrd.state.nm.us</u>

Page: 1 Document			
CMD : OG6CWBD	ONGARD CAPTURE SINGLE		01/15/04 11:15:59 OGODLP -TQGC
	: 225298 API Wel Address : ERS RESOURCES, PO BOX 1502 CARLSBAD,NM 88	LLC	
Prop Name : A	249377 Bond Status : A Pro ARTESIA METEX UNIT J/L Sec Township Range		Well No : 013 ast/West Lot Idr
API County : Bond Details : T C C	I 19 18S 28E 15 Cype (Cash/Surety - C/S) Company OGRID Identifier Company Name, Address	: S Bond Co Idn : : 224244 : U.S. SPECIALTY IN 13403 NORTHWEST FI HOUSTON,TX 77056	12 Amt : 5000 SURANCE COMPA REEWAY
PF01 HELP PF0		1. F04 GoTo PF05	: 12-31-9999 PF06 CONFIRM PF12

## Date: 1/15/2004 Time: 11:17:06 AM

### Bond No. **B000685R04-06-04**

### **SURETY RIDER**

To be attached to and form a part of Bond No. <u>B000685</u> on behalf of <u>ERS Resources, LLC</u> as principal and executed by U.S. Specialty Insurance Company, as surety.

Effective date of change: \_\_\_\_\_April 6, 2004 \_\_\_\_\_

In consideration of the mutual agreement herein contained, the principal and the surety hereby consent to the following changes:

The address has changed from:

ERS Resources, LLC Post Office Box 1502 Carlsbad, New Mexico 88221-1502

TO:

## ERS Resources, LLC Post Office Box 958 Carlsbad, New Mexico 88221-0958

Nothing herein contained shall vary, alter, or extend any provision or condition of this bond except as herein expressly stated.

SIGNED, SEALED AND DATED THIS:

April 6, 2004

ERS Resources, LLC Name of Principal

Signature

Name and title of person executing for Principal U.S. Specialty Insurance Company Name of Surety La Deal Signature

W. Russell Brown, Jr., Attorney-in-Fact Name and title of person executing for Surety

#### STATE OF NEW MEXICO

#### ONE-WELL PLUGGING.BOND

#### For CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES <u>ONLY</u>

BOND NO.	B000685	
AMOUNT OF BOND	\$5,000.00	_
COUNTY	Eddy	_

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00\* For wells 5,000 to 10,000 feet deep, the minimum bond is \$7,500.00\*

For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

\*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, *e.g.*, a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 feet and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, NM 87505

#### KNOW ALL MEN 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 <u>5,000</u> feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or does own or operate, or may acquire, own or operate such well, the identification and location of said well being:

Artesia Metex	Unit #14-J	, located	1650 feet from the	eSouthXXXXXX/South)
(Name of well)				
line and <u>1980</u>	feet from the East	(East/WKXX) line of	Section <u>19</u>	Township_18 (XXXXXX)
(South), Range 28	(East) (West), NMPM, E	ddy Cour	nty. 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 to 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 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 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.

ERS Resources, LLC	
PRINCIPAL Post Office Box 1502 Carlsbad, New Mexico	88221-1502
Address R. A. A.	

Signature Managing Member Title

If PRINCIPAL is a corporation, affix corporate seal here.

U.	s.	Spe	cial	ty	Insurance	Company
134	403	NW	SL Free	IRE1 way	Ϋ́.	
	-		Texa	S	77040	
	2	st	Ac	Idress		
			Attorr	ney-In	n-Fact	

Corporate surety affix corporate seal here.

ACKNOWLEDGM	ENT FORM FOR INDIVIDUAL
STATE OF)	
SS	
This instrument was asknowledged before mo	20 by
This instrument was acknowledged before me	(Name of Individual)
	Notary Public
SEAL	
My Commission Expires	
ACKNOWLEDGMENT FORM FOR PARTNERS	HIP, CORPORATION OR LIMITED LIBAILITY COMPANY
STATE OF <u>New Mexico</u> )	In CORTORATION OR EMITED EDITETY COMPANY
COUNTY OF Eddy ss.	
This instrument was acknowledged before me	on <u>12-2</u> ,2003 <sub>by</sub> Bert D. Hannigan
as Managing Member	(Name of Person Signing Instrument)
(Capacity, e.g., partner, president, manager, member) S. MAr	(Name of partnership, corporation or limited liability company)
FILE STATE OF NEW M	Exico Edura S. Martin
A Commission Expression	Notary Public
SEAL	
07-10-05	
My Commission Expires	
ACKNOWLEDGMI	ENT FORM FOR CORPORATE SURETY
STATE OF Texas )	
COUNTY OF <u>Harris</u>	
This instrument was acknowledged before me	on 12-02,2003by Edwin H. Frank III
as Attomey-in-Fact for U.S. Specialty In	(Name of Attorney in fact)
(Name of corporate surety)	
	All cufellen of
SEAL OL	Nota/ Public
alloc	JILL ENGELKING
My Complexity Explore	NOTARY PUBLIC
My Commission Expires	NATE Comm. Exc. 03-05-2005
Corporate Surety attach Power of Attorney	
	APPROVED BY:
	OIL CONSERVATION DIVISION OF NEW MEXICO
	By Do Alter Courds
	March Carrier Contraction of the 18 th

Form O & G B-1

Date\_ 1-15-04

## **POWER OF ATTORNEY**

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

*Know All Men by These Presents* That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

#### Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Autorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

*In Witness Whereof*, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its **President**, and its corporate seal to be hereto affixed this 7<sup>th</sup> day of November. 2003.

Corporate Seal

State of Texas

U. S. SPECIALTY INSURANCE COMPANY By

Michael J. Schell, President

On this 7<sup>th</sup> day of November, 2003 before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal

and Man Notary Public My commission expires 12/23/2004

L. Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this <u>02</u> day of <u>December</u>, 2003.

Corporate Seal

Christopher L. Martin, Secretary

County of Harris ss:



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON Governor Joanna Prukop Cabinet Secretary

January 15, 2004

Lori Wrotenbery Director Oil Conservation Division

Mr. Bert D. Hannigan ERS Resources, LLC P.O. Box 1502 Carlsbad, NM 88221-1502

Re: \$5,000 One-Well Plugging Bond ERS Resources, LLC, Principal U.S. Specialty Insurance Company, Surety Artesia Metex Unit No. 14 – 1650' FSL and 1980' FEL Section 19, Township 18 South, Range 28 East, Eddy County, NM Bond No. B000685

Dear Mr. Hannigan:

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

Sincerely,

In Jacoba

GAIL MACQUESTEN Assistant General Counsel

GM/dp

cc: Oil Conservation Division – Artesia, NM

U.S. Specialty Insurance Company 13403 NW Freeway Houston, TX 77040

J.S. Ward & Son, Inc. 101 South Fourth Street Artesia, NM 88210-2177 Attn: Susan S. Lopez

> Oil Conservation Division \* 1220 South St. Francis Drive \* Santa Fe, New Mexico 87505 Phone: (505) 476-3440 \* Fax (505) 476-3462 \* <u>http://www.emnrd.state.nm.us</u>

.Page:'1 Document Name: untitled

CMD : OG6CWBD	ONGARD CAPTURE SINGLE WELL BOND	01/15/04 11:18:13 OGODLP -TQGC
	: 225298 API Well No : 30 15 19 ss : ERS RESOURCES, LLC PO BOX 1502 CARLSBAD,NM 88221-1502	47
Prop Name : ARTESI	B Bond Status : A Prop Idn : 22171 A METEX UNIT ec Township Range North/South	Well No : 014 East/West Lot Idr
Compar	(Cash/Surety - C/S) : S Bond Co Idn : ny OGRID Identifier : 224244 ny Name, Address : U.S. SPECIALTY 13403 NORTHWEST HOUSTON,TX 77056 01-1900 Cancellation Dat	12 Amt : 5000 INSURANCE COMPA FREEWAY 6
M0015: Table PF01 HELP PF02 PF07 PF08		PF06 CONFIRM PF12

#### STATE OF NEW MEXICO

#### ONE-WELL PLUGGING BOND

#### For CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES <u>ONLY</u>

BOND NO. <u>B001136</u> Amount of Bond <u>\$5,000.00</u> County<u>Eddy</u>

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00\* For wells 5,000 to 10,000 feet deep, the minimum bond is \$7,500.00\* For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

\*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, *e.g.*, a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 feet and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, NM 87505

#### KNOW ALL MEN BY THESE PRESENTS:

That ERS Resources, LLC (an individual) (a general partnership) (a corporation, limited liability company or limited partnership organized in the State of <u>New MexicO</u> and authorized to do business in the State of New MexicO, as PRINCIPAL, and U.S. Specialty Insurance Compatyorporation organized and existing under the laws of the State of <u>Texas</u> 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 <u>Five thousand---</u>, 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 5,000 feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or does own or operate, or may acquire, own or operate such well, the identification and location of said well being:

Artesia Metex Unit	<u>#24-0</u>	, located	_660_feet from th	SouthX	A/South)	
(Name of well) line and 2310 feet from the (South), Range 28 (East) (XVeX),	East	<i>Least/West</i> line of Eddy Cor	of Section <u>19</u> unty, New Mexico.	Township	<u>18 (</u> X	XXXX

NOW, THEREFORE, if the PRINCIPAL and SURETY or either of them, or their successors or assigns or any of them, shall cause said well to 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 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 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.

ERS Resources, Inc.
PRINCIPAL Post Office Box 958
Carlshad, New Mexico 88221-0958
By BOST D. COMIGM Signature
Managing Member
Title
If PRINCIPAL is a corporation, affix
corporate seal here.

U.S. Specialty Insurance Company SURETY 13403 NW

Attorney-In-Fact W. Russell Brown Jr.

Corporate surety affix corporate seal here.

Form O & G B-1

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COUNTY OF)	· · · · · · · · · · · · · · · · · · ·
This instrument was acknowledged b	
	(Name of Individual)
	Notary Public
SEAL	Notary Fusite
My Commission Expires	
CONONA PROMENT FORM FOR DATA	
	RTNERSHIP, CORPORATION OR LIMITED LIBAILITY COMPANY
STATE OF <u>New Mexico</u>	
COUNTY OF <u>Eddy</u>	· · ·
This instrument was acknowledged t	before me on <u>8-20</u> ,20 <u>0</u> 4 <sub>by</sub> Bert D. Hanigan
<sub>as</sub> Managing Member	of ERS Resources, LLC
TICIAL (STRATY, e.g., partner, president, manager, member)	(Name of partnership, corporation or limited liability company)
sen S. Lagren	Silvian D. Fore
TARY PUBLIC-STATIC OF MIN WIRKED	Notary Public
SEAL S-CC-CT	
conclusion suplace <u>2-(2-27</u>	
My Commission Expires	
	<u>.</u>
	LEDGMENT FORM FOR CORPORATE SURETY
STATE OF <u>Texas</u> )	
SS.	
COUNTY OF <u>Harris</u> )	<sub>before me on</sub> 09/01 <sub>20</sub> 04 <sub>w</sub> W. Russell Brown, Jr.
SS. COUNTY OF <u>Harris</u> ) This instrument was acknowledged b	before me on 09/01,2004 W. Russell Brown, Jr.
ss. COUNTY OF <u>Harris</u> This insurument was acknowledged b as <b>Arionsylfication to H.C. Specia</b>	(Name of Attorney in fact)
SS. COUNTY OF <u>Harris</u> This insurument was acknowledged b as The insurance of the second s	(Name of Attomey in fact)
ss. COUNTY OF <u>Harris</u> This instrument was acknowledged b as <u>Homey mean</u> <u>Harris</u> MOLLY ME SATTENFIEL Notary Public, State of T My Commission Expir	(Name of Attomey in fact) (Name of Attomey in fact)
SS. COUNTY OF <u>Harris</u> This insurument was acknowledged b as Thomas Inc. H. S. Spacia MOLLY M. SATENFIEL Notary Public State of T	(Name of Attomey in fact) (Name of Attomey in fact)
ss. COUNTY OF <u>Harris</u> This instrument was acknowledged b as <u>Homewith Path Inc. H. S. Spacia</u> MOLLY M. State of T. Notary Public, State of T. My Commission Expir December 19, 200	(Name of Attomey in fact) (Name of Attomey in fact)
ss. COUNTY OF <u>Harris</u> This instrument was acknowledged b as <u>Homewin-Pact in H.S. Spacia</u> MOLLY M. SATTENFIEL Notary Public, State of T. My Commission Expir December 19, 2001	(Name of Attomey in fact) (Name of Attomey in fact)
ss. COUNTY OF <u>Harris</u> ) This insurument was acknowledged b as <u>Homewith Pate in H.S. Specia</u> MOLLY M. SATTENFIEL Notary Public, State of T. My Commission Expir December 19, 2007	(Name of Attomey in fact) (Name of Attomey in fact)
ss. COUNTY OF <u>Harris</u> ) This insurument was acknowledged b as <u>Homesun Part in H.S. Specia</u> MOLLY ME BATTENFIE Notary Public, State of T. My Commission Expires December 19, 2007 My Commission Expires	(Name of Attorney in fact) (Name of Attorney in fact) (Dy) exas res 7 Notary Public/
ss. COUNTY OF <u>Harris</u> ) This insurument was acknowledged b as <u>Homesun Part in H.S. Specia</u> MOLLY ME BATTENFIE Notary Public, State of T. My Commission Expires December 19, 2007 My Commission Expires	(Name of Attomey in fact) (Name of Attomey in fact)
ss. COUNTY OF <u>Harris</u> ) This instrument was acknowledged b as <u>Homeson in H.S. Specia</u> MOLLY ME BATENFIE Notary Public, State of T. My Commission Expires December 19, 2007 My Commission Expires	(Name of Attorney in fact) (Name of Attorney in fact) (Dy) exas res 7 Notary Public/

9/15/04

Date\_

## **POWER OF ATTORNEY**

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

#### Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U.S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

*In Witness Whereof*, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its President, and its corporate seal to be hereto affixed this 24<sup>th</sup> of August, 2004.

Corporate Seal

U. S. SPECIALTY INSURANCE COMPANY By

State of Texas

Corporate Seal

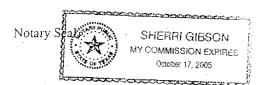
County of Harris ss:

# moderich hell

Michael J. Schell, President

County of Harris

On this 24<sup>th</sup> of August before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.



Notary Public

My commission expires 10 - 7 - 6

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

Christopher L. Martin, Secretary

IndemCo

## Important Notice Regarding Terrorism Risk Insurance Act of 2002

In accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), this disclosure notice is provided for surety bonds on which U.S. Specialty Insurance Company is the issuing surety.

The premium attributable to any bond coverage for "acts of terrorism" as defined in Section 102(1) of the Act is Zero Dollars (\$0.00).

The United States will reimburse the Issuing Sureties for ninety percent (90%) of any covered losses from terrorist acts certified under the Act exceeding the applicable surety deductible.

The actual coverage provided by your bond for acts of terrorism, as is true for all coverages, is limited by the terms, conditions, exclusions, penalties, limits, other provisions of your bond and the underlying contract, any endorsements to the bond and generally applicable rules of law. This Important Notice Regarding Terrorism Insurance Risk Act of 2002 is for informational purposes only and does not create coverage nor become a part or condition of the attached document.

The rest of this page is intentionally left blank.



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON Governor Joanna Prukop Cabinet Secretary

September 14, 2004

Mark E. Fesmire, P.E. Director Oil Conservation Division

Mr. Bert D. Hanigan ERS Resources, LLC P.O. Box 958 Carlsbad, NM 88221-0958

Re: \$5,000 One-Well Plugging Bond ERS Resources, LLC, Principal U.S. Specialty Insurance Company, Surety Artesia Metex Unit No. 24 – 660' FSL and 2310' FEL Section 19, Township 18 South, Range 28 East, Eddy County, New Mexico Bond No. B001136

Dear Mr. Hanigan:

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

Sincerely,

David K. BATHE

DAVID K. BROOKS Assistant General Counsel

DKB/dp

cc: Oil Conservation Division – Artesia, NM

U.S. Specialty Insurance Company 13403 NW Freeway Houston, Texas 77040 Page: 1 Document Name: untitled

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			ll No : 30 15	1949
Operator Name	, Address :	ERS RESOURCES	, LLC	
		PO BOX 1502	- <u>+</u>	
		CARLSBAD, NM 8	8221-1502	
Bond Idn Prop Name	: ARTESIA ME	TEX UNIT		1 Well No : 024 East/West Lot Ic
API County	: 0 19 1 : 15 : Type (Cash	/Surety - C/S)	: S Bond Co Id	FTG 2310 F E n : 12 Amt : 5000
·		RID Identifier		
	Company Na	me, Address		TY INSURANCE COMPA
	·	•	13403 NORTHW HOUSTON,TX 7	
Effective Dat	o · 01_01_19	0.0		Date : 12-31-9999
Issuer Bond N		00	cancerracion	
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			PF10 NXTBOND PF	

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## Date: 9/14/2004 Time: 03:31:44 PM



BILL RICHARDSON Governor Joanna Prukop Cabinet Secretary

January 15, 2004

Lori Wrotenbery Director Oil Conservation Division

Susan S. Lopez J S. Ward & Son, Inc. 101 South Fourth Street Artesia, NM 88210-2177

Re: Bond No. B000682 – ERS Resources, LLC

Dear Ms. Lopez:

Returned is the above-captioned bond as the Acknowledgment for Corporate Surety is not notarized.

If you have any questions, please do not hesitate to call me at (505) 476-3461.

Sincerely,

Dorothy Phillips Bond Administrator

Enclosure



101 South Fourth Street (505) 746-2796 Artesia, New Mexico 88210-2177

J.S. Ward & Son, Inc.

Insurance Bonds

### January 23, 2004

State of New Mexico Energy, Minerals & Natural Resources Department Oil Conservation Division 1220 South Saint Francis Drive Santa Fe, New Mexico 87505-4000

Attention: Mrs. Dorothy Phillips

Re: ERS Resources, LLC Bond No. B000682 \$5,000 One-Well Plugging Bond to the State of New Mexico Artesia Metex Unit #22

Dear Mrs. Phillips:

Enclosed please find the above captioned bond, which has the Acknowledgment for Corporate Surety notarized, through IndemCo Insurance Company which we trust you find in order and acceptable for filing.

Very truly yours,

J. S. WARD & SON, INC.

OVER 70 YEARS

By Jany Sims

SGS:ssl

Enclosure

### Bond No: \_\_\_\_ B000682R04-06-04

### SURETY RIDER

To be attached to and form a part of Bond No. <u>B000682</u> on behalf of <u>ERS Resources, LLC</u> as principal and executed by U.S. Specialty Insurance Company, as surety.

Effective date of change: \_\_\_\_\_April 6, 2004 \_\_\_\_

In consideration of the mutual agreement herein contained, the principal and the surety hereby consent to the following changes:

The address has changed from:

ERS Resources, LLC Post Office Box 1502 Carlsbad, New Mexico 88221-1502

TO:

## ERS Resources, LLC Post Office Box 958 Carlsbad, New Mexico 88221-0958

Nothing herein contained shall vary, alter, or extend any provision or condition of this bond except as herein expressly stated.

SIGNED, SEALED AND DATED THIS: \_\_\_\_

April 6, 2004

ERS Resources, LLC Name of Principal

Name and title of person executing for Principal

**U.S. Specialty Insurance Company** 

Name of Surety Signature

W. Russell Brown, Jr., Attorney-in-Fact Name and title of person executing for Surety

#### Form O & G B-1 Adopted 6-17-77 Revised 1-1-03

### STATE OF NEW MEXICO

### ONE-WELL PLUGGING BOND

### For CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES <u>ONLY</u>

BOND NO.	B000682
AMOUNT OF BOND	\$5,000.00
COUNTY	Eddy

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00\* For wells 5,000 to 10,000 feet deep, the minimum bond is \$7,500.00\* For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

\*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, *e.g.*, a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 feet and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, NM 87505

### KNOW ALL MEN 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 5,000 feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or does own or operate, or may acquire, own or operate such well, the identification and location of said well being:

Artesia Metex Unit #22	, located <u>990</u> feet from th	South work (South)
(Name of well)	1817 17	· · · · · · · · · · · · · · · · · · ·
line and <u>2024</u> feet from the	West (KXX/West) line of Section 19	_ Township <u>18</u> KTXXXHX
(South), Range_ <u>28</u> (East) (XX &X),	NMPM, <u>Eddy</u> 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 to 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 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 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.

ERS Resources, LLC
PRINCIPAL Post Office Box 1502
Carlsbad, New Mexico 88221-1502
Address 🔪
By Best A Harrison

<u>Managing Member</u> Title If PRINCIPAL is a corporation, affix corporate scal here.

Signature

S. Specialty Insurance Company

SURETY 13403 NW Freeway 77040 Texas Address

Atlorney-In-Fact

Corporate surety affix corporate seal here.

Form O & G B-1

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	JED OUTURE	LOUNT	ron	1111111.	in oni.

STATE OF	)			
COUNTY OF	<b>S</b> S.		• •	
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			Notary Pub	lic
SEAL				
My Commission Expir	2S			
ACKNOWLEDGME	NT FORM FOR PAR	RTNERSHIP, C	ORPORATION OR LIMITH	ED LIBAILITY COMPANY
STATE OF New	Mexico )		· ·	
COUNTY OFEdd	)			
			2.2 02 Doxt D	Uannigan
This instrume	nt was acknowledged l	before me on $\_\_$	2-2 ,203 by Bert D	. Hannigan
<sub>as</sub> Managing	Member	of	(Name of Pers) ERS Resources	
(Capacity, e.g., partner, pr	esident, manager, member)		(Name of partnership, corporation or	limited liability company)
	EDWINA CONTRACTOR	and a strength	"Calunna"	Martin
	NOTARY PLE		Notary Public	
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070-05 My Commission Expir	Advantation of the second s	<u>) ()</u> 5,		
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My Commission Expir STATE OF <u>Texa</u> COUNTY OF <u>Har</u> This instrume as Attomey-in-Fact for MOLLY M. Notary Publi My Comm Døcem My Commission Expi	ACKNOW S	LEDGMENT F before me on1 alty_Insur	12–02,2003 by <u>Edwin</u> (Name of Att ance Company Multiplice Notary Public	H. Frank III
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My Commission Expir STATE OF <u>Texa</u> COUNTY OF <u>Har</u> This instrume as Attorney-in-Fact for MOLLY M. Notary Publi My Comr Decemi	ACKNOW S	LEDGMENT F before me on1 alty_Insur	12-02,2003 by Edwin (Name of Att ance Company Outly Back Notary Public APPROVED BY:	H. Frank III orney in fact)
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BILL RICHARDSON Governor Joanna Prukop Cabinet Secretary

January 26, 2004

Lori Wrotenbery Director Oil Conservation Division

Mr. Bert D. Hannigan ERS Resources, LLC P.O. Box 1502 Carlsbad, NM 88221-1502

Re: \$5,000 One-Well Plugging Bond ERS Resources, LLC, Principal U.S. Specialty Insurance Company, Surety Artesia Metex Unit No. 22 – 990' FSL and 2024' FWL Section 19, Township 18 South, Range 28 East, Eddy County, NM Bond No. B000682

Dear Mr. Hannigan:

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

Sincerely,

mil Mar Gester

GAIL MACQUESTEN Assistant General Counsel

GM/dp

cc: Oil Conservation Division - Artesia, NM

U.S. Specialty Insurance Company 13403 NW Freeway Houston, TX 77040

J.S. Ward & Son, Inc. 101 South Fourth Street Artesia, NM 88210-2177 Attn: Susan S. Lopez

## **POWER OF ATTORNEY**

(To be used with bonds issued on behalf of U.S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

### Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors. of the U.S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

In Witness Whereof, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its President, and its corporate seal to be hereto affixed this 7<sup>th</sup> day of November, 2003.

Corporate Scal

**U. S. SPECIALTY INSURANCE COMPANY** By

Therein

Michael J. Schell, President

State of Texas

County of Harris ss:

On this 7th day of November, 2003 before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U.S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal

Corporate Seal

My commission expires 13/33/300

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 02 day of December , 20 03.

Christopher L. Martin, Secretary

CMD : OG6CWBD	ONGARD CAPTURE SINGLE WELL BOND	01/15/04 11:09:10 OGODLP -TQGC
	: 225298 API Well No : 30 1 ss : ERS RESOURCES, LLC PO BOX 1502 CARLSBAD,NM 88221-1502	5 1965
Prop_Name : ARTES	5 Bond Status : A Prop Idn : 22 IA METEX UNIT ec Township Range North/South	Well No : 022
API County : 15 Bond Details : Type Compa Compa Effective Date : 01- Issuer Bond No : BO0	HOUSTON,TX 01-1900 Cancellati	Idn : 12 Amt : 5000 ALTY INSURANCE COMPA THWEST FREEWAY
PF01 HELP PF02	PF03 EXIT PF04 GoTo PF09 COMMENT PF10 NXTBOND	

.



BILL RICHARDSON Governor Joanna Prukop Cabinet Secretary

January 15, 2004

Lori Wrotenbery Director Oil Conservation Division

Susan S. Lopez J S. Ward & Son, Inc. 101 South Fourth Street Artesia, NM 88210-2177

Re: Bond No. B000682 – ERS Resources, LLC

Dear Ms. Lopez:

Returned is the above-captioned bond as the Acknowledgment for Corporate Surety is not notarized.

If you have any questions, please do not hesitate to call me at (505) 476-3461.

Sincerely,

Dorothy Phillips Bond Administrator

Enclosure



J. S. Ward & Son, Inc.

101 South Fourth Street (505) 746-2796 Artesia, New Mexico 88210-2177

Insurance Bonds

### January 23, 2004

State of New Mexico Energy, Minerals & Natural Resources Department Oil Conservation Division 1220 South Saint Francis Drive Santa Fe, New Mexico 87505-4000

Attention: Mrs. Dorothy Phillips

Re: ERS Resources, LLC Bond No. B000682 \$5,000 One-Well Plugging Bond to the State of New Mexico Artesia Metex Unit #22

Dear Mrs. Phillips:

Enclosed please find the above captioned bond, which has the Acknowledgment for Corporate Surety notarized, through IndemCo Insurance Company which we trust you find in order and acceptable for filing.

Very truly yours,

J. S. WARD & SON, INC.

By Jany Sims

SGS:ssl

Enclosure

### Bond No. **B000681R04-06-04**

### SURETY RIDER

To be attached to and form a part of Bond No. <u>B000681</u> on behalf of as principal and executed by ERS Resources, LLC U.S. Specialty Insurance Company, as surety.

Effective date of change: \_\_April 6, 2004

In consideration of the mutual agreement herein contained, the principal and the surety hereby consent to the following changes:

The address has changed from:

ERS Resources, LLC Post Office Box 1502 Carlsbad, New Mexico 88221-1502

TO:

**ERS Resources, LLC** Post Office Box 958 Carlsbad, New Mexico 88221-0958

Nothing herein contained shall vary, alter, or extend any provision or condition of this bond except as herein expressly stated.

SIGNED, SEALED AND DATED THIS: \_\_\_\_\_ April 6, 2004

ERS Resources, LLC Name of Principal

Signature

MANAGIA Roy Hanigan Name and title of person executing for Principal

U.S. Specialty Insurance Company

Name of Surety Signature

W. Russell Brown, Jr., Attorney-in-Fact Name and title of person executing for Surety

### STATE OF NEW MEXICO

### **ONE-WELL PLUGGING BOND.**

### For CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES <u>ONLY</u>

BOND NO.	B000681
AMOUNT OF BOND	\$5,000.00
COUNTY	

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00\* For wells 5,000 to 10,000 feet deep, the minimum bond is \$7,500.00\* For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

\*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, *e.g.*, a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 feet and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, NM 87505

### KNOW ALL MEN 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 5,000 feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or does own or operate, or may acquire, own or operate such well, the identification and location of said well being:

<u>Artesia Metex</u>	<u>Unit #23</u>		, lo	ocated <u>330</u> fee	t from the	Souther	k <b>th</b> /Soi	ith)
(Name of well)								
line and <u>2410</u>	_feet from the	West	_(KXX/West)	line of Section_	19	Township_	18	XXXXXXX
(South), Range_28_	(East) (WXX),	NMPM, F	Eddy	County, New 1	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 to 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 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 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.

ERS Resources, LLC	<u> </u>
PRINCIPAL Post Office Box 1502	
Carlsbad, New Mexico	88221-1502
Address	
By Bart Doan	190m
Signature	l V -

Managing Member Title If PRINCIPAL is a corporation, affix corporate seal here.

U. S. Spec	ialty	Insurance	Company
13403 NW F			
Houston, T			
G.L	Address	5	
La	T	JK.	
A	ttorney-In	n-Fact	

Corporate surety affix corporate seal here.

Form Ó & G R-1

ACKNOWLEDGMENT FORM FOR INDIVIDU
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My Commission Expires          ACKNOWLEDGMENT FORM FOR PARTNERSHIP, CORPORATION OR LIMITED LIBAILITY COMPAN         STATE OFNew Mexico	CE LI		Notary Public
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STATE OFNew Mexico		· ·	
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COUNTY OFEddy	ACKNOWLEDGMENT	FORM FOR PARTNERSHI	P, CORPORATION OR LIMITED LIBAILITY COMPANY
COUNTY OF	STATE OF New Me	xico )	
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STATE OF <u>Texas</u> COUNTY OF <u>Harris</u> This instrument was acknowledged before me on <u>12-02</u> ,2003oy <u>Edwin H. Frank III</u> (Name of Attorney in fact) as Attorney-in-Fact for <u>U.S. Specialty Insurance Company</u> . (Name of corporate surety) SEAL <u>SEAL</u> <u>My</u> Commission Expires Corporate Surety attach Power of Attorney APPROVED BY: OIL CONSERVATION DIVISION OF NEW MEXICO	My Commission Expires		
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# **POWER OF ATTORNEY**

(To be used with bonds issued on behalf of U.S. SPECIALTY INSURANCE COMPANY)

*Know All Men by These Presents* That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

### Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

*In Witness Whereof*, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its **President**, and its corporate seal to be hereto affixed this 7<sup>th</sup> day of November, 2003.

Corporate Seal

State of Texas

U. S. SPECIALTY INSURANCE COMPANY By

Michael J. Schell, President

County of Harris

arris ss:

On this 7<sup>th</sup> day of November, 2003 before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal

My commission expires 12/23/2006

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this <u>02</u> day of <u>December</u>, 20<u>03</u>

Corporate Seal

Christopher L. Martin, Secretary



BILL RICHARDSON Governor Joanna Prukop Cabinet Secretary

January 15, 2004

Lori Wrotenbery Director Oil Conservation Division

Mr. Bert D. Hannigan ERS Resources, LLC P.O. Box 1502 Carlsbad, NM 88221-1502

Re: \$5,000 One-Well Plugging Bond ERS Resources, LLC, Principal U.S. Specialty Insurance Company, Surety Artesia Metex Unit No. 23 – 330' FSL and 2410' FWL Section 19, Township 18 South, Range 28 East, Eddy County, NM Bond No. B000681

Dear Mr. Hannigan:

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

Sincerely,

Mail Mor Che de

GAIL MACQUESTEN Assistant General Counsel

GM/dp

cc: Oil Conservation Division – Artesia, NM

U.S. Specialty Insurance Company 13403 NW Freeway Houston, TX 77040

J.S. Ward & Son, Inc. 101 South Fourth Street Artesia, NM 88210-2177 Attn: Susan S. Lopez

> Oil Conservation Division \* 1220 South St. Francis Drive \* Santa Fe, New Mexico 87505 Phone: (505) 476-3440 \* Fax (505) 476-3462 \* <u>http://www.emnrd.state.nm.us</u>

# Page: 1 Document Name: untitled

CMD :	ONGARD		01/15/04 11:03:16
OG6CWBD	CAPTURE SINGLE WE	LL BOND	OGODLP -TQGC
OGRID Identifier : Operator Name, Address :		C	1
Bond Idn : 249374 Bon Prop Name : ARTESIA ME U/L Sec T	TEX UNIT		Well No : 023 East/West Lot Idr
Surface Locn : N 19 1 API County : 15	8S 28E FI	G 330 F S FT	G 2410 F W
Bond Details : Type (Cash	/Surety - C/S) : S RID Identifier : 2		12 Amt : 5000
Company Na		3403 NORTHWEST	FREEWAY
Effective Date : 01-01-19		OUSTON,TX 77056	
Issuer Bond No : B000681		ancertation Dat	e : 12-31-9999
	te is successful.		
PF01 HELP PF02			PF06 CONFIRM PF12

Form O & G B-1 Adopted 6-17-77 Revised 1-1-03

#### STATE OF NEW MEXICO

#### ONE-WELL PLUGGING BOND

#### For CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES <u>ONLY</u>

BOND NO.	B001136
AMOUNT OF BOND $\$$	5,000.00
COUNTYE	ddy

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00\* For wells 5,000 to 10,000 feet deep, the minimum bond is \$7,500.00\* For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

\*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, *e.g.*, a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 feet and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, NM 87505

KNOW ALL MEN BY THESE PRESENTS:

That <u>ERS Resources, LLC</u>, (an individual) (a general partnership) (a corporation, limited liability company or limited partnership organized in the State of <u>New Mexic</u> and authorized to do business in the State of New Mexico, as PRINCIPAL, and U.S. <u>Specialty Insurance Compagy</u> orporation organized and existing under the laws of the State of <u>Texas</u> 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 <u>Five thousand</u>, 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 5,000 feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or does own or operate, or may acquire, own or operate such well, the identification and location of said well being:

Artesia M	<u>letex Un</u>	<u>it #24-0</u>	, locatedfee	t from th	SouthX	AA/Soi	(th)
(Name of well) line and 2310	feet from	the East	(East/West line of Section_	19	Township	18	XXXXX
(South), Range 28	(East) (XVe	(x), NMPM,	Eddy County, New I	Mexico.	r_		

NOW, THEREFORE, if the PRINCIPAL and SURETY or either of them, or their successors or assigns or any of them, shall cause said well to 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 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 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.

ERS Resources, Inc.
PRINCIPAL Post Office Box 958
Carlsbad, New Mexico 88221-0958
By Boxt D Haman
Signature
Managing Member
Title
If PRINCIPAL is a corporation, affix

corporate seal here

U.S. Specialty Insurance Company SURETY 13403 NW Attorney-In-Fact W. Russell Brown Jr.

Corporate surety affix corporate scal here.

Form O & G B-1

CKNOWLEDGMENT FORM FOR INDIVIDUAL

STATE OF	)
COUNTY OF	SS.
	)
This instrument	t was acknowledged before me on
1 115 1150 011010	(Name of Individual)
· .	
	Notary Public
SEAL	
My Commission Expires	}
ACKNOWLEDGMEN	IT FORM FOR PARTNERSHIP, CORPORATION OR LIMITED LIBAILITY COMPANY
STATE OF New M	<u>exico</u> )
COUNTY OF Eddy	· <b>SS</b> . · ·
000111101	))
This instrument	t was acknowledged before me on <u>8-20,2004 Bert D. Hanigan</u>
	(Name of Person Signing Instrument)
as Managing M	ember <u>of ERS Resources</u> , LLC
ICIAL (SPALY, e.g., partner, pres	sident, manager, member) (Name of partnership, corporation or limited liability company)
an S. Looper ANY PUBLIC-STAIRE OF M	RIVE DEEDITION
SEAL CI	Notary Public
commission States	
0 0 2007	
My Commission Expires	, ,
state of <u>Texas</u> county of <u>Harr</u>	SS.
county of <u>Harr</u>	) <u>is</u> ) was acknowledged before me on 09/01,2004, W. Russell Brown, Jr.
COUNTY OF <u>Harr</u> This instrument	) <u>is</u> ) It was acknowledged before me on <u>09/01,2004</u> W. Russell Brown, Jr. (Name of Attorney in fact)
COUNTY OF <u>Harr</u> This instrument as Torner Picture Mo	ss. is_) t was acknowledged before me on <u>09/01,2004by W. Russell Brown</u> , Jr. <u>Name of Attorney in fact</u> ) <u>Hase of Argueous Argueous (Name of Attorney in fact</u> )
COUNTY OF <u>Harr</u> This instrument as Torner Mon	ss. is_) t was acknowledged before me on <u>09/01,2004by</u> <u>W. Russell Brown</u> , Jr. <u>(Name of Attomey in fact)</u> <u>(Name of Attomey in fact)</u> (Name of Attomey in fact)
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COUNTY OF <u>Harr</u> This insurument as MO Nota SE December 19 My Commission Expires	<u>is</u> ) ss. is) it was acknowledged before me on <u>09/01,2004y</u> <u>W. Russell Brown, Jr.</u> (Name of Attomy in fact) <u>Wate BATTENF FED</u> IV Public, State of Texas y Commission Expires December 19, 2007 s Power of Attorney

Date

## **POWER OF ATTORNEY**

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

*Know All Men by These Presents* That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

#### Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate learning facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

*In Witness Whereof*, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its **President**, and its corporate seal to be hereto affixed this 24<sup>th</sup> of August, 2004.

Corporate Seal

U. S. SPECIALTY INSURANCE COMPANY By

Aichael J. Schell. President

no besult

State of Texas

Corporate Seal

County of Harris ss:

On this 24<sup>th</sup> of August before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.



, Notary Public

My commission expires  $10 - 1 - 0^{5}$ 

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this <u>1st</u> day of September , 20 04

Christopher L. Martin, Secretary

## Important Notice Regarding Terrorism Risk Insurance Act of 2002

In accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), this disclosure notice is provided for surety bonds on which U.S. Specialty Insurance Company is the issuing surety.

The premium attributable to any bond coverage for "acts of terrorism" as defined in Section 102(1) of the Act is Zero Dollars (\$0.00).

The United States will reimburse the Issuing Sureties for ninety percent (90%) of any covered losses from terrorist acts certified under the Act exceeding the applicable surety deductible.

The actual coverage provided by your bond for acts of terrorism, as is true for all coverages, is limited by the terms, conditions, exclusions, penalties, limits, other provisions of your bond and the underlying contract, any endorsements to the bond and generally applicable rules of law. This Important Notice Regarding Terrorism Insurance Risk Act of 2002 is for informational purposes only and does not create coverage nor become a part or condition of the attached document.

The rest of this page is intentionally left blank.



BILL RICHARDSON Governor Joanna Prukop Cabinet Secretary

September 14, 2004

Mark E. Fesmire, P.E. Director Oil Conservation Division

Mr. Bert D. Hanigan ERS Resources, LLC P.O. Box 958 Carlsbad, NM 88221-0958

Re: \$5,000 One-Well Plugging Bond ERS Resources, LLC, Principal U.S. Specialty Insurance Company, Surety Artesia Metex Unit No. 24 – 660' FSL and 2310' FEL Section 19, Township 18 South, Range 28 East, Eddy County, New Mexico Bond No. B001136

Dear Mr. Hanigan:

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

Sincerely,

David K. Both

DAVID K. BROOKS Assistant General Counsel

DKB/dp

cc: Oil Conservation Division – Artesia, NM

U.S. Specialty Insurance Company 13403 NW Freeway Houston, Texas 77040

# Page: 1 Document Name: untitled

CMD :		ONGARD	09/14/04 15:30:59
OG6CWBD		CAPTURE SINGLE WELL BOND	OGODLP - TPNH
OGRID Identi	fier	: 225298 API Well No : 30 15	1949
Operator Nam	e, Address	: ERS RESOURCES, LLC PO BOX 1502 CARLSBAD,NM 88221-1502	
Devil Tile			
		ond Status : A Prop Idn : 221	•
Prop Name			Well No : 024
		Township Range North/South	East/West Lot Idr
Surface Locn API County	: 0 19	18S 28E FTG 660 F S	FTG 2310 F E
	: Type (Cas	h/Surety - C/S) : S Bond Co Io OGRID Identifier : 224244	dn : 12 Amt : 5000
	Company N	ame, Address 👘 : U.S. SPECIAI	LTY INSURANCE COMPA
		13403 NORTH	NEST FREEWAY
		HOUSTON, TX	77056
Effective Da	te : 01-01-1	900 Cancellation	n Date : 12-31-9999
Issuer Bond	No : B001136		
M001	5: Table upd	late is successful.	· · ·
PF01 HELP	-	PF03 EXIT PF04 GoTo PI	F05 PF06 CONFIRM
PF07	PF08	PF09 COMMENT PF10 NXTBOND PI	F11 PF12

### Bond No. **B000679R04-06-04**

### SURETY RIDER

To be attached to and form a part of Bond No. <u>B000679</u> on behalf of <u>ERS Resources, LLC</u> as principal and executed by <u>U.S. Specialty Insurance Company</u>, as surety.

Effective date of change: \_\_\_\_\_ April 6, 2004

In consideration of the mutual agreement herein contained, the principal and the surety hereby consent to the following changes:

The address has changed from:

ERS Resources, LLC Post Office Box 1502 Carlsbad, New Mexico 88221-1502

TO:

# ERS Resources, LLC Post Office Box 958 Carlsbad, New Mexico 88221-0958

Nothing herein contained shall vary, alter, or extend any provision or condition of this bond except as herein expressly stated.

SIGNED, SEALED AND DATED THIS: \_\_\_\_\_ April 6, 2004

ERS Resources, LLC Name of Principal

Signature

Name and title of person executing for Principal U.S. Specialty Insurance Company Name of Surety

Signature

<u>W. Russell Brown, Jr., Attorney-in-Fact</u> Name and title of person executing for Surety

### STATE OF NEW MEXICO

### ONE-WELL PLUGGING BOND

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

BOND NO. B000679	
AMOUNT OF BOND \$5,000.00	
COUNTY Eddy	

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00\* For wells 5,000 to 10,000 feet deep, the minimum bond is \$7,500.00\* For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

\*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, *e.g.*, a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 feet and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, NM 87505

#### KNOW ALL MEN 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 5,000 feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or does own or operate, or may acquire, own or operate such well, the identification and location of said well being:

Artesia Metex Unit #26	, located 330 feet from the North (North XSXXX)
(Name of well) line and <u>330</u> feet from the East	st_(East/1992) line of Section 26 Township 18 (North)
(South), Range_27_(East) (West), NMP	M, Eddy 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 to 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 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 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.

ERS Resources, LLC
PRINCIPAL Post Office Box 1502
Carlsbad, New Mexico 88221-1502
Rolt Determine

<u>Managing Member</u> Title If PRINCIPAL is a corporation, affix corporate scal here.

Signature

U. S. Specialty Insurance Company SURETY 13403 NW Freeway 77040 exas Address Attorney-In-Fact

Corporate surety affix corporate seal here.

Form O & G B-1

ACKNOWLEDGMENT FORM FOR INDIVIDUAL

STATE OF	)	
	\$\$.	
COUNTY OF	)	
	-	
This instrument w	vas acknowledged before m	
		(Name of Individual)
		Notary Public
SEAL		
My Commission Expires		
·		
ACKNOWLEDGMENT	FORM FOR PARTNERS	SHIP, CORPORATION OR LIMITED LIBAILITY COMPANY
STATE OF New Mex	ico .	· · · · · · · · · · · · · · · · · · ·
	66	
COUNTY OF Eddy	)	
	,	
-		12.2 more D. Hannigan
· I his instrument v	was acknowledged before m	ne on <u>12-2</u> ,20 <u>0</u> 3by <u>Bert D. Hanniqan</u> (Name of Person Signing Instrument)
<sub>as</sub> Managing M		of ERS Resources, LLC
(Capacity, e.g., partner, presid	ent, maitager, member)	(Name of partnership, corporation or limited liability company)
	EDWINA S. MARTIN Notary public	TAITOR S. Martin
	STATE OF NEW MEXICO	Notary Public
SEAL SEAL	My Commution Expires	$\Sigma_{3}$
	and a second	
07-10-05	ىنى ئار بىلىن ئىيىد بىلىكى <b>تەركى بۇ</b> رىپى بىلىكى بىلەر يارىيى بىلەر بىلەر بىلەر بىلەر بىلەر بىلەردە. يېڭى ئارىيى ئىلەر بىلەر بىلەر بىلەركى بۇر بىلەر بىل	new d
07-10-05 My Commission Expires		
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My Commission Expires STATE OF <u>Texas</u> COUNTY OF <u>Harri</u> This instrument y	) IS) was acknowledged before m	ne on 12-02 .20 03 y Edwin H. Frank !!!
My Commission Expires STATE OF <u>Texas</u> COUNTY OF <u>Harri</u> This instrument y	) is) was acknowledged before m U.S. Specialty	ne on <u>12-02,20</u> 3 y Edwin H. Frank III
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My Commission Expires STATE OF <u>Texas</u> COUNTY OF <u>Harri</u> This instrument y as Attorney-in-Fact for <u>SEAL</u> <u>SEAL</u> <u>My Commission Expires</u>	) ss. was acknowledged before m U.S. Specialty (Name of corporate surety)	APPROVED BY:
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My Commission Expires STATE OF <u>Texas</u> COUNTY OF <u>Harri</u> This instrument y as Attorney-in-Fact for <u>SEAL</u> <u>SEAL</u> <u>My Commission Expires</u>	) ss. was acknowledged before m U.S. Specialty (Name of corporate surety)	APPROVED BY: OIL CONSERVATION DIVISION OF NEW MEXICO
My Commission Expires STATE OF <u>Texas</u> COUNTY OF <u>Harri</u> This instrument y as Attorney-in-Fact for <u>SEAL</u> <u>SEAL</u> <u>My Commission Expires</u>	) ss. was acknowledged before m U.S. Specialty (Name of corporate surety)	ne on <u>12-02</u> , 20 0 3y Edwin H. Frank III (Name of Attorney in fact) Insurance Company Notar Public JILL ENGELKING NOTARY PUBLIC State of Texas Or Comm. Exp. 03-05-2005

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## POWER OF ATTORNEY

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

### Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U.S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorncy-in-Fuct may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

In Witness Whereof, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its President, and its corporate seal to be hereto affixed this 7<sup>th</sup> day of November, 2003.

Corporate Seal

State of Texas

**U. S. SPECIALTY INSURANCE COMPANY** Bv

Michael J. Schell, President

On this 7th day of November, 2003 before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U.S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal

My commission expires 12/23/2006

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 02 day of 20 03 \_December\_

Corporate Seal

Christopher L. Martin, Secretary

SS:

County of Harris



BILL RICHARDSON Governor Joanna Prukop Cabinet Secretary

January 15, 2004

Lori Wrotenbery Director Oil Conservation Division

Mr. Bert D. Hannigan ERS Resources, LLC P.O. Box 1502 Carlsbad, NM 88221-1502

Re: \$5,000 One-Well Plugging Bond ERS Resources, LLC, Principal U.S. Specialty Insurance Company, Surety Artesia Metex Unit No. 26 – 330' FNL and 330 FEL Section 26, Township 18 South, Range 27 East, Eddy County, NM Bond No. B000679

Dear Mr. Hannigan:

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

Sincerely,

ar Ciertes

GAIL MACQUESTEN Assistant General Counsel

GM/dp

cc: Oil Conservation Division – Artesia, NM

U.S. Specialty Insurance Company 13403 NW Freeway Houston, TX 77040

J.S. Ward & Son, Inc. 101 South Fourth Street Artesia, NM 88210-2177 Attn: Susan S. Lopez

> Oil Conservation Division \* 1220 South St. Francis Drive \* Santa Fe, New Mexico 87505 Phone: (505) 476-3440 \* Fax (505) 476-3462 \* <u>http://www.emnrd.state.nm.us</u>

## Page: 1 Document Name: untitled

CMD :	ONGARD 01/15/04 10:59:40
OGECWBD	CAPTURE SINGLE WELL BOND OGODLP - TQGC
	: 225298 API Well No : 30 15 962 dress : ERS RESOURCES, LLC PO BOX 1502 CARLSBAD,NM 88221-1502
Bond Idn : 249	9372 Bond Status : A Prop Idn : 22171
	FESIA METEX UNIT Well No : 026
U/I	Sec Township Range North/South East/West Lot Idr
API County : 15	
	De (Cash/Surety - C/S) : S Bond Co Idn : 12 Amt : 5000 npany OGRID Identifier : 224244
	npany Name, Address : U.S. SPECIALTY INSURANCE COMPA 13403 NORTHWEST FREEWAY
Effective Date : 0	HOUSTON,TX 77056 Cancellation Date : 12-31-9999
Issuer Bond No : E	
	ple update is successful.
•	PF03 EXIT PF04 GoTO PF05 PF06 CONFIRM
PF07 PF08	PF09 COMMENT PF10 NXTBOND PF11 PF12

#### STATE OF NEW MEXICO

#### ONE-WELL PLUGGING BOND

### For CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES <u>ONLY</u>

BOND NO. <u>B001134</u> AMOUNT OF BOND <u>\$5,000.00</u> COUNTY <u>Eddy</u>

### NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00\* For wells 5,000 to 10,000 feet deep, the minimum bond is \$7,500.00\* For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

\*Under certain conditions, a well being drilled under a 5,000.00 or 7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, *e.g.*, a well being drilled under a 5,000.00 bond may be permitted to go to 5,500 feet and a well being drilled under a 7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

### File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, NM 87505

#### KNOW ALL MEN BY THESE PRESENTS:

That ERS Resources, LLC (an individual) (a general partnership) (a corporation, limited liability company or limited partnership organized in the State of <u>New Mexico</u>, and authorized to do business in the State of New Mexico), as PRINCIPAL, and <u>II.S. Specialty Insurance Company</u>, a corporation organized and existing under the laws of the State of <u>Texas</u> 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 Five thousand-----, 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 5,000 feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or does own or operate, or may acquire, own or operate such well, the identification and location of said well being:

Artesia Metex Unit #27-D	, located 990 feet from the North North Stark
(Name of well) line and 990 feet from the West	(Hask West) line of Section 25 Township 18 (KNSKK)
(South), Range_27 (East) (West, NMPM,	Eddy 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 to 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 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 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.

ERS Resources, LLC
PRINCIPAL Post Office Box 958
Carlsbad, New Mexico 88221-0958
Address By Bonth Company Signature
Managing Member

Title If PRINCIPAL is a corporation, affix corporate seal here.

U. S. Specialty Insurance Company 13403 NW **6**40 Attorney-In-Fact Russell Brown, W. Corporate surety affix corporate seal here.

Form O & G B-1

CKNOWLED	GMENT	FORM	FOR	INDIV	<b>JIDUAL</b>
----------	-------	------	-----	-------	---------------

ACKNOWLEDGMENT	FORMFORINDIAL
STATE OF)	
SS.	
COUNTY OF)	
This instrument was acknowledged before me on _	,20 by
	(Name of Individual)
SEAL	Notary Public
SEAL	
My Commission Expires	·
ACKNOWLEDGMENT FORM FOR PARTNERSHIP,	CORPORATION OR LIMITED LIBAILITY COMPANY
STATE OF New Mexico )	
STATE OF	
COUNTY OF Eddy)	
This instrument was acknowledged before me on _	8-20 200/ by Bert D. Hanigan
	(Name of Person Signing Instrument)
as Managing Memberof	ERS Resources, LLC
MATA MARASKAR, partner, president, manager, member)	(Name of partnership, corporation or limited liability company)
Guenn S. Lopez Actary public-state of New MIDICO	Susan D. Mare
	Notary Public
vily SEALonion explores: S-40-1072	
8-6-2007	
My Commission Expires	
· · · ·	
ACKNOWLEDGMENT	FORM FOR CORPORATE SURETY
STATE OF <u>Texas</u> )	·
COUNTY OF Harris	
	09/01 ,2004 by W. Russell Brown, Jr.
	(Name of Attorney in fact)
as Attomey-in-Fact for U.S. Specialty Insura	ance Company
MOLLY M. BATTENFIELD	$\alpha$ $\beta$ $\beta$
Notary Public State of Texas	Ohiel Datter
SEAL December 19, 2007	Notary Public
SEAL December 17, 2007	67.
Contraction of the second s	
December 19, 2007	·
December 19, 2007 My Commission Expires	
December 19, 2007	
December 19, 2007 My Commission Expires	
December 19, 2007 My Commission Expires	APPROVED BY:
December 19, 2007 My Commission Expires	
December 19, 2007 My Commission Expires	APPROVED BY: OIL CONSERVATION DIVISION OF NEW MEXICO
December 19, 2007 My Commission Expires	

# **POWER OF ATTORNEY**

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

### Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

*In Witness Whereof*, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its **President**, and its corporate seal to be hereto affixed this 24<sup>th</sup> of August, 2004.

Corporate Seal

U. S. SPECIALTY INSURANCE COMPANY By

State of Texas

County of Harris ss:

On this 24<sup>th</sup> of August before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.



Corporate Seal

SHERRI GIBSON MY COMMISSION EXPIRES October 17, 2605

Notary Public

My commission expires 10-17-9

I. Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this <u>1st</u> day of September , 2004.

Christopher L. Martin, Secretary

Michael J. Schell, President

molar. 1

IndemCo

# Important Notice Regarding Terrorism Risk Insurance Act of 2002

In accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), this disclosure notice is provided for surety bonds on which U.S. Specialty Insurance Company is the issuing surety.

The premium attributable to any bond coverage for "acts of terrorism" as defined in Section 102(1) of the Act is Zero Dollars (\$0.00).

The United States will reimburse the Issuing Sureties for ninety percent (90%) of any covered losses from terrorist acts certified under the Act exceeding the applicable surety deductible.

The actual coverage provided by your bond for acts of terrorism, as is true for all coverages, is limited by the terms, conditions, exclusions, penalties, limits, other provisions of your bond and the underlying contract, any endorsements to the bond and generally applicable rules of law. This Important Notice Regarding Terrorism Insurance Risk Act of 2002 is for informational purposes only and does not create coverage nor become a part or condition of the attached document.

The rest of this page is intentionally left blank.



BILL RICHARDSON Governor Joanna Prukop Cabinet Secretary

September 14, 2004

Mark E. Fesmire, P.E. Director Oil Conservation Division

Mr. Bert D. Hanigan ERS Resources, LLC P.O. Box 958 Carlsbad, NM 88221-0958

Re: \$5,000 One-Well Plugging Bond ERS Resources, LLC, Principal U.S. Specialty Insurance Company, Surety Artesia Metex Unit No. 27 – 990' FNL and 990' FWL Section 25, Township 18 South, Range 27 East, Eddy County, New Mexico Bond No. B001134

Dear Mr. Hanigan:

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

Sincerely,

David K. Bipton

DAVID K. BROOKS Assistant General Counsel

DKB/dp

cc: Oil Conservation Division - Artesia, NM

U.S. Specialty Insurance Company 13403 NW Freeway Houston, Texas 77040

Page: 1 Document Name: unt	itled
CMD : OG6CWBD	ONGARD 09/14/04 16:06:05 CAPTURE SINGLE WELL BOND OGODLP -TPJC
OGRID Identifier : Operator Name, Address :	225298 API Well No : 30 15 951 ERS RESOURCES, LLC PO BOX 1502 CARLSBAD,NM 88221-1502
Prop Name : ARTESIA ME	d Status : A Prop Idn : 22171 TEX UNIT Well No : 027 ownship Range North/South East/West Lot Idr
API County : 15 Bond Details : Type (Cash Company OG	8S 27E FTG 990 F N FTG 990 F W /Surety - C/S) : S Bond Co Idn : 12 Amt : 5000 RID Identifier : 224244 me, Address : U.S. SPECIALTY INSURANCE COMPA 13403 NORTHWEST FREEWAY HOUSTON, TX 77056
PF01 HELP PF02	00 Cancellation Date : 12-31-9999 to modify or PF keys to scroll



J. S. Ward & Son, Inc.

(505) 746-2796 Artesia, New Mexico 88210-2177

September 9, 2004

State of New Mexico Energy, Minerals & Natural Resources Department Oil Conservation Division 1220 South Saint Francis Drive Santa Fe, New Mexico 87505-4000

Attention: Mrs. Dorothy Phillips

Re: ERS Resources, LLC \$5,000 One-Well Plugging Bonds to the State of New Mexico

> Bond No. B001135 Artesia Metex Unit #12-K

> Bond No. B001134 Artesia Metex Unit #27-D

Bond No. B001136 Artesia Metex Unit #24-0

Dear Mrs. Phillips:

Enclosed please find the captioned bonds through IndemCo, LP which we trust you find in order and acceptable for filing.

Very truly yours,

J. S. WARD & SON, INC.

By J. Harry Sernice

VEARS

SGS:ssl

Enclosure

cc: ERS Resources, LLC Post Office Box 958 Carlsbad, New Mexico 88221-0958 Insurance Bonds

## Phillips, Dorothy

From: Sent: To: Subject: Reno, Carmen Tuesday, September 14, 2004 2:39 PM Phillips, Dorothy RE: One WEll Bonds - ERS Resources 225298

From:Phillips, DorothySent:Tuesday, September 14, 2004 2:29 PMTo:Reno, CarmenSubject:One WEll Bonds - ERS Resources 225298

# Carmen, I have three one wells for approval and need APIs ERS RESOURCES 225298

Artesia Metex Unit 12-K - 1650' FSL and 2310' FWL Section 19, Township 18 South, Range 28 East, Eddy

30-015-01964

Artesia Metex Unit 27-3 - 990' FNL and 990' FWL Section 25, Township 18 South, Range 27 East, Eddy

30-015-00951

Artesia Metex Unit 24-0 - 660' FSL and 2310' FEL Section 19, Township 18 South, Range 28 East, Eddy

30-015-01949

Thanky

Form O & G B-1 Adopted 6-17-77 Revised 1-1-03

#### STATE OF NEW MEXICO

#### ONE-WELL PLUGGING BOND

For CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES <u>ONLY</u>

BOND NO. B001196

AMOUNT OF BOND \$5,000.00 COUNTY Eddy

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00\* For wells 5,000 to 10,000 feet deep, the minimum bond is \$7,500.00\* For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

\*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, *e.g.*, a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 feet and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule [01]

File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, NM 87505

#### KNOW ALL MEN BY THESE PRESENTS:

That<u>ERS Resources, LLC</u>, (an individual) (a general partnership) (a corporation, limited liability company or limited partnership organized in the State o<u>New Mexico</u> and authorized to do business in the State of New Mexico, as PRINCIPAL, and <u>U.S. Specialty Insurance Company</u> protation organized and existing under the laws of the State of <u>Texas</u> 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 <u>Five thousand</u>, 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 5,000 \_\_\_\_\_\_\_\_ feet. to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or does own or operate, or may acquire, own or operate such well, the identification and location of said well being:

Artesia Metex Unit #35-H	, located 1650 feet from the Nort Worth X & Why
(Name of well)	
line and <u>330</u> feet from the East	East/Host line of Section 26 Township 18 (NAXX)
(South), Range 27 (East) (MASA), NMPM,	EddyCounty, 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 to 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 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 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.

ERS resources, LLC Post Office Box 958 Carlsbad, Mexico 88221-0958 New Address Signature

Managing Member

Title If PRINCIPAL is a corporation, affix corporate seaf here.

U.S. Specialty Insurance Company 13403 NW Freeway Houston 7704 Altomey In-Fact W. Russell Brown Corporate surety affig corporate seal here

orm			

ACKNOWLEDGMENT FORM FOR INDIVIDUAL

	STATE OF	)	. '	
	COUNTY OF	\$5.		
		)		
	171	1 1 1 6 .	20 1	
	This instrument was a	icknowledged before me or	1,20 by (Name of Individual)	····
			Notary Public	
	SEAL			
	My Commission Expires			
	/		· · · · · · · · · · · · · · · · · · ·	
Ň	ACKNOWLEDGMENT FO	RM FOR PARTNERSH	IP, CORPORATION OR LIMITED LIBAILITY	COMPANY
	STATE OF New Mexic	<u>20</u> )		
	COUNTY OF Eddy	SS.		
			•	
	This instrument was	acknowledged before me o	-10/5 -04. Bert D. Ha	nigan
	This distribution was a	sexnowledged before the o	n 10/5 Bert D. Ha	ent)
	us <u>Managing Me</u> Steppecity, e.g., partner, president, r	mber	of ERS Resources, LLC (Name of partnership, corporation on limited liability cor	
approlai Interno S.		nanager, member)	(Ivarie of partnership, corporation of infinite riability con	прануј
heren ov Heren 12V -	AUBLIC-STATE OF NEW MI	0000	Notary Public	
	SEAL SIA 21			
My casas	8-6-2007			
	My Commission Expires			
		ACKNOWLEDGME	NT FORM FOR CORPORATE SURETY	
	STATE OF <u>Texas</u>	)		
		SS.		
	COUNTY OF Harris	)		
		•	10/5 0/ 11 0 11 0	Ŧ
	This instrument was	acknowledged before me o	on <u>10/5</u> ,2004y <u>W. Russell Bro</u> (Name of Attorney in fact)	own, Jr.
	as Attorney-in-Fact for, U. S	Specialty In	isurance Company	
	Na Marine Pul	ame of Stongrafe surety).	Rue Rich	•
	A CAN LE MY COR	amoush Equical abor 19, 2007		2
	SEAL	And the second	Notary Public	
			C	
	December 19, 2 My Commission Expires	007		
				,
	Corporate Surety attach Power	r of Attorney		
			APPROVED BY:	
			OIL CONSERVATION DIVISION OF N	EW MEXICO
			Famil & Beach	

Date\_\_\_\_\_

### POWER OF ATTORNEY

(To be used with bonds issued on behalf of U.S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

#### Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U.S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or mere suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds. recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

In Witness Whereof, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its President, and its corporate seal to be hereto affixed this 24<sup>th</sup> of August, 2004.

Corporate Seal

U. S. SPECIALTY INSURANCE COMPANY ·By

Michael J. Schelf, President

State of Texas

County of Harris ss:

On this 24<sup>th</sup> of August before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.



, Notary Public

My commission expires 10-77

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 5th .dav of October 2004

Christopher L. Martin, Secretary

Corporate Seal

## Important Notice Regarding Terrorism Risk Insurance Act of 2002

In accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), this disclosure notice is provided for surety bonds on which U.S. Specialty Insurance Company is the issuing surety.

The premium attributable to any bond coverage for "acts of terrorism" as defined in Section 102(1) of the Act is Zero Dollars (\$0.00).

The United States will reimburse the Issuing Sureties for ninety percent (90%) of any covered losses from terrorist acts certified under the Act exceeding the applicable surety deductible.

The actual coverage provided by your bond for acts of terrorism, as is true for all coverages, is limited by the terms, conditions, exclusions, penalties, limits, other provisions of your bond and the underlying contract, any endorsements to the bond and generally applicable rules of law. This Important Notice Regarding Terrorism Insurance Risk Act of 2002 is for informational purposes only and does not create coverage nor become a part or condition of the attached document.

The rest of this page is intentionally left blank.



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON Governor Joanna Prukop Cabinet Secretary

October 26, 2004

Mark E. Fesmire, P.E. Director Oil Conservation Division

Mr. Bert D. Hanigan ERS Resources, LLC P.O. Box 958 Carlsbad, NM 88221-0958

Re: \$5,000 One-Well Plugging Bond ERS Resources, LLC, Principal U.S. Specialty Insurance Company, Surety Artesia Metex Unit No 35 1650' FNL and 330' FEL of Section 26, Township 18 South, Range 27 East, Eddy County, New Mexico Bond No. B001196

Dear Mr. Hanigan:

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

Sincerely,

David K. Broths

DAVID K. BROOKS Assistant General Counsel

DKB/dp

cc: Oil Conservation Division - Artesia, NM

U.S. Specialty Insurance Company 13403 Northwest Freeway Houston, Texas 77056

Page: 1 Document Name	: untitled	
CMD : OG6CWBD	ONGARD CAPTURE SINGLE WELL BOND	10/26/04 09:45:42 OGODLP -TP8E
	: 225298 API Well No : 30 15 963 ss : ERS RESOURCES, LLC PO BOX 1502 CARLSBAD,NM 88221-1502	
Prop Name : ARTES	l Bond Status : A Prop Idn : 22171 IA METEX UNIT ec Township Range North/South Ea	Well No : 035 ast/West Lot Idr
Surface Locn : H 2 API County : 15	5 18S 27E FTG 1650 F N FTG	330 F E
Bond Details : Type Compa	(Cash/Surety - C/S) : S Bond Co Idn : ny OGRID Identifier : 224244 ny Name, Address : U.S. SPECIALTY INS 13403 NORTHWEST FF HOUSTON,TX 77056	SURANCE COMPA
PF01 HELP PF02	01-1900 Cancellation Date	

Date: 10/26/2004 Time: 09:46:35 AM

## Phillips, Dorothy

From: Sent: To: Subject: Reno, Carmen Monday, October 25, 2004 9:26 AM Phillips, Dorothy RE: API No.

## 30-015-00963

Original	Message
From:	Phillips, Dorothy
Sent:	Tuesday, October 19, 2004 10:19 AM
To:	Reno, Carmen
Subject:	API No.

Have a one well for approval and need and API Artesia Metex Unit 35-H 1650' FNL and 330' FEL Section 26, Township 18 South, Range 27 East Eddy County, New Mexico

# J. S. Ward & Son, Inc.

N Andepenvient Insuratics an Agem

101 South Fourth Street (505) 746-2796 Artesia, New Mexico 88210-2177

2004 OCT 18 AM 11 28

insurance Bonds

October 15, 2004

### VIA FEDERAL EXPRESS

State of New Mexico Energy, Minerals & Natural Resources Department Oil Conservation Division 1220 South Saint Francis Drive Santa Fe, New Mexico 87505-4000

Attention: Mrs. Dorothy Phillips

Re: ERS Resources, LLC Bond No. B001196 \$5,000 One-Well Plugging Bond to the State of New Mexico Artesia Metex Unit #35-H

Dear Mrs. Phillips:

Enclosed please find the captioned bond through IndemCo, LP which we trust you find in order and acceptable for filing.

Very truly yours,

J. S. WARD & SON, INC.

79. MEARS

Lang Sing By

SGS:ssl

Enclosure

cc: ERS Resources, Inc. Post Office Box 958 Carlsbad, New Mexico 88221-0958 Attention: Mr. Roy Hanigan

Bond No. **B000688R04-06-04** 

### **SURETY RIDER**

To be attached to and form a part of Bond No. <u>B000688</u> on behalf of <u>ERS Resources, LLC</u> as principal and executed by <u>U.S. Specialty Insurance Company</u>, as surety.

Effective date of change: \_\_\_\_\_April 6, 2004

In consideration of the mutual agreement herein contained, the principal and the surety hereby consent to the following changes:

The address has changed from:

ERS Resources, LLC Post Office Box 1502 Carlsbad, New Mexico 88221-1502

TO:

## ERS Resources, LLC Post Office Box 958 Carlsbad, New Mexico 88221-0958

Nothing herein contained shall vary, alter, or extend any provision or condition of this bond except as herein expressly stated.

SIGNED, SEALED AND DATED THIS: \_\_\_\_\_ April 6, 2004

ERS Resources, LLC Name of Principal

Signature

Name and title of person executing for Principal U.S. Specialty Insurance Company

Name of Surety, Signature

<u>W. Russell Brown, Jr., Attorney-in-Fact</u> Name and title of person executing for Surety

#### STATE OF NEW MEXICO

#### ONE-WELL PLUGGING BOND

#### For CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES <u>ONLY</u>

BOND NO.	B000688
AMOUNT OF BOND_	\$5,000.00
COUNTY	Eddy

Form O & G B-1 Adopted 6-17-77 Revised 1-1-03

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00\* For wells 5,000 to 10,000 feet deep, the minimum bond is \$7,500.00\* For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

\*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, *e.g.*, a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 feet and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, NM 87505

#### KNOW ALL MEN 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 5,000 feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or does own or operate, or may acquire, own or operate such well, the identification and location of said well being:

<u>Artesia Metex</u>	<u>Unit #36-E</u>	<u> </u>	ocated <u>2310</u> feet from th	North (North/	XXXXX
(Name of well)					
line and990	_feet from the $\underline{W}$	Nest Kast/West)	line of Section 25 County, New Mexico.	_ Township <u> </u>	<u>8_(X+X+X)</u>
(South), Range 27	(East) (West), N	NMPM, <u>Eddy</u>	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 to 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 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 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.

ERS Resources, LLC
Post Office Box 1502
Carlsbad, New Mexico 88221-1502
Address
By Bost O, Conupan
Signature

Managing Member

Title If PRINCIPAL is a corporation, affix corporate scal here.

U<u>. S. Specialty</u> Insurance Company SURETY NW Freeway 77040 Texas ston Address Attorney-In-Fact

Corporate surety affix corporate seal here.

Form O & G B-1

ACKNOWLEDGMENT FORM FOR INDIVIDUAL

ACKNOWLEDGMENT	FORMFOR HUNTHDORE
STATE OF)	
COUNTY OF)	
This instrument was calculated before me on	2(1 by
This instrument was acknowledged before me on _	(Name of Individual)
	Notary Public
SEAL	
My Commission Expires	
	· ·
ACKNOWLEDGMENT FORM FOR PARTNERSHIP,	CORPORATION OR LIMITED LIBAILITY COMPANY
STATE OF New Mexico	
COUNTY OF SS.	
COUNTY OF)	
This instrument was acknowledged before me on _	12-2. A3 by Bert D. Hannigan
as Managing Member of	(Name of Person Signing Instrument) ERS Resources, LLC
(Capacity, e.g., partner, president, manager, member).	(Name of partnership, corporation or limited liability company)
SOWINA S. MAHTIN	Columna Martin
NOTARY PUBLIC	Notary Public
SEAL	
07-10-05	Selection of the select
My Commission Expires	
ACKNOWLEDGMENT	FORM FOR CORPORATE SURETY
STATE OF <u>Texas</u> )	
COUNTY OF Harris	
COUNTY OF)	
	12-02 02 Edwin H Examic III
	12-02 2003 by Edwin H. Frank III
as Attorney-in-Fact for U.S. Specialty Ins	urance Company
(Name of corporate surety)	AFT a ali a
	ful capelling
SEAL / /	Notar Public Antonio Antonio
2 Concert	A AND AND AND AND AND AND AND AND AND AN
21005	State of Texas
My Commission Expires	A MARTINE COMM. C.D. VO-DD-ANNO (
Corporate Surety attach Power of Attorney	
	APPROVED BY:
	OIL CONSERVATION DUVISION OF NEW STORES
	OIL CONSERVATION DIVISION OF NEW MEXICO
	By Agel all the play
	Date $f = f + f + f + f + f + f + f + f + f + $

## POWER OF ATTORNEY

(To be used with bonds issued on behalf of U.S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

#### Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders; amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made-under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

*In Witness Whereof*, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its President, and its corporate seal to be hereto affixed this 7<sup>th</sup> day of November, 2003.

Corporate Seal

State of Texas

County of Harris ss:

U. S. SPECIALTY INSURANCE COMPANY By

Michael J. Schell, President

On this 7<sup>th</sup> day of November, 2003 before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal

Corporate Seal

halth Marty Notary Public My commission expires  $\mathbb{D} \mathbb{P}$ 

1. Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this <u>02</u> day of <u>December</u>, 2003.

Christopher L. Martin, Secretary



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON Governor Joanna Prukop Cabinet Secretary

January 15, 2004

. . . . .

. .

Lori Wrotenbery Director Oil Conservation Division

Mr. Bert D. Hannigan ERS Resources, LLC P.O. Box 1502 Carlsbad, NM 88221-1502

Re: \$5,000 One-Well Plugging Bond ERS Resources, LLC, Principal U.S. Specialty Insurance Company, Surety Artesia Metex Unit No. 36 – 2310' FNL and 990' FWL Section 25, Township 18 South, Range 27 East, Eddy County, NM Bond No. B000688

Dear Mr. Hannigan:

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

Sincerely,

DAlan Dacesta

GAIL MACQUESTEN Assistant General Counsel

GM/dp

cc: Oil Conservation Division – Artesia, NM

U.S. Specialty Insurance Company 13403 NW Freeway Houston, TX 77040

J.S. Ward & Son, Inc. 101 South Fourth Street Artesia, NM 88210-2177 Attn: Susan S. Lopez

> Oil Conservation Division \* 1220 South St. Francis Drive \* Santa Fe, New Mexico 87505 Phone: (505) 476-3440 \* Fax (505) 476-3462 \* <u>http://www.emnrd.state.nm.us</u>

Page: 1 Document Name: untitled

CMD :		ONGARE			01/15/04 11:20:31
OG6CWBD		CAPTURE SINGLE	WELL BOND	· *	OGODLP -TQGO
		225298 API Wel ERS RESOURCES, PO BOX 1502 CARLSBAD,NM 88	LLC	15 952	
•					
Bond Idn : Prop Name :	ARTESIA ME U/L Sec T	ownship Range			Well No : 036 st/West Lot Idr
Surface Locn : API County :	E 25 1	8S 27E	FTG 2310 F	N FTG	990 F W
Bond Details :		/Surety - C/S) RID Identifier		Idn :	12 Amt : 5000
		me, Address		IALTY INS	URANCE COMPA
		· ·	· 13403 NOR		
			HOUSTON, T	X 77056	
Effective Date	e : 01-01-19	00	Cancellat	ion Date	: 12-31-9999
Issuer Bond No	: B000688				
	-	te is successfu			· .
		PF03 EXIT P PF09 COMMENT P			PF06 CONFIRM PF12

ेः

Date: 1/15/2004 Time: 11:21:39 AM

Bond No. <u>B000680R04-06-04</u>

### SURETY RIDER

To be attached to and form a part of Bond No. <u>B000680</u> on behalf of <u>ERS Resources, LLC</u> as principal and executed by U.S. Specialty Insurance Company, as surety.

Effective date of change: April 6, 2004

In consideration of the mutual agreement herein contained, the principal and the surety hereby consent to the following changes:

The address has changed from:

ERS Resources, LLC Post Office Box 1502 Carlsbad, New Mexico 88221-1502

<u>TO</u>:

## ERS Resources, LLC Post Office Box 958 Carlsbad, New Mexico 88221-0958

Nothing herein contained shall vary, alter, or extend any provision or condition of this bond except as herein expressly stated.

SIGNED, SEALED AND DATED THIS: \_\_\_\_\_ April 6, 2004

ERS Resources, LLC Name of Principal

Signature

Name and title of person executing for Principal U.S. Specialty Insurance Company Name of Surety Kellbrook Signature

<u>W. Russell Brown, Jr., Attorney-in-Fact</u> Name and title of person executing for Surety

## STATE OF NEW MEXICO

#### ONE-WELL PLUGGING BOND

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

BOND NO. <u>B000680</u> AMOUNT OF BOND <u>\$5,000.00</u> COUNTY <u>Eddy</u>

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00\* For wells 5,000 to 10,000 feet deep, the minimum bond is \$7,500.00\* For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

\*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, *e.g.*, a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 feet and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, NM 87505

#### KNOW ALL MEN 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 5,000 feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or does own or operate, or may acquire, own or operate such well, the identification and location of said well being:

<u>Artesia Metex</u>	<u>c Unit #42</u>	, loca	ted <u>1650</u> fee	et from th	North (No	rthXSto	XX)
(Name of well)		· · · ·					1
	feet from the West	(Bast/West) lii	ne of Section	30	Township_	18	_XXX6X-XXX
(South), Range 28	(East) (🕊 est), NMPM, _	Eddy	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 to 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 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 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.

ERS Resources, LLC
PRINCIPAL
Post Office Box 1502
Carlsbad, New Mexico 88221-1502
Address
By Bost D. Honugan

Managing Member Title If PRINCIPAL is a corporation, affix corporate seal here.

Signature

U. S. Specialty Insurance Company 13403 NW Freeway Houston, Texas 77040

Attorney-In-Fact

Corporate surety affix corporate seal here.

Form O & G B-1

#### ACKNOWLEDGMENT FORM FOR INDIVIDUAL

	/ \$S.		•		
COUNTY OF	)				
This instrument	was acknowledged before m	e on		f Individual)	. <u></u> .
				T morvidualy	i.
			Notary	/ Public	
SEAL					
My Commission Expires					
A CKNOWI EDCMENT	T FORM FOR RADINER	SULD CODDO		MITED LIDALL	
	F FORM FOR PARTNERS	Shir, Cokro	KATION OR LII	VILLED LIDALLI	ȚI COMPAP
STATE OF New Mer			,		
COUNTY OF Edd	ss. <u>dy )</u>				
This instrument	was acknowledged before m	ne on <u>12-2</u>	,20 <u>0</u> 3y_Ber	t D. Hann	igan
as Managing M	lember	of ERS	(Name Resources	of Person Signing Instr LLC	ument)
(Capacity, e.g., partner, presi	dent, manager, member)	01(Name of	f partnership, corpora	tion or limited liability	company)
a series	EDW'NA S. MARTIN		linno	15.m	atio
	NOTARY PUBLIC		Notary Pub		
SEAL	TATE OF NEW MEXICO Commission Expires 1-10-9	\$	-		
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My Commission Expires					
My Commission Expires	·				
My Commission Expires	······				
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My Commission Expires	ACKNOWLEDGM	IENT FORM F	OR CORPORA	FE SURETY	
STATE OF Texas	ACKNOWLEDGM	1ENT FORM F	OR CORPORA	TE SURETY	
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STATE OF Texas	ACKNOWLEDGM				.k
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STATE OF Texas	ACKNOWLEDGM	ne on <u>12-02</u>	,20 <u>03</u> by <u>Ed</u> w	/in <u>H.Fran</u> of Attorney in fact)	. <u>k_111</u>
STATE OF Texas COUNTY OF Harri This instrument	ACKNOWLEDGM	ne on <u>12-02</u>	,20 <u>03</u> by <u>Ed</u> w	<u>in H. Fran</u>	.k_111
STATE OF Texas COUNTY OF Harri This instrument as Attorney-in-Fact for _	ACKNOWLEDGM	ne on <u>12–02</u> Insurance	,20 <u>03</u> by <u>Ed</u> w	/in <u>H.Fran</u> of Attorney in fact)	k   ]
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STATE OF Texas COUNTY OF Harri This instrument as Attorney-in-Fact for _ SEAL	ACKNOWLEDGM ) ss.  was acknowledged before m U.S. Specialty (Name of corporate surety)	ne on <u>12–02</u> Insurance	,20 <u>0</u> 3by <u>Edw</u> (Name Company Y Public	/in <u>H.Fran</u> of Attorney in fact)	.k 111
STATE OF Texas COUNTY OF Harri This instrument as Attorney-in-Fact for _	ACKNOWLEDGM ) ss.  was acknowledged before m U.S. Specialty (Name of corporate surety)	ne on <u>12–02</u> Insurance	20 <u>0</u> 3by Edw (Name Company y Public	Attorney in fact)	.k_111
STATE OF Texas COUNTY OF Harri This instrument as Attorney-in-Fact for _ SEAL	ACKNOWLEDGM ) ss. was acknowledged before m U.S. Specialty (Name of corporate surety) s	ne on <u>12–02</u> Insurance	20 <u>0</u> 3by Edw (Name Company y Public	in H. Fran of Attomcy in fact)	k 111
STATE OF <u>Texas</u> COUNTY OF <u>Harri</u> This instrument as Attorney-in-Fact for <u></u> <u>SEAL</u> <u>34105</u> My Commission Expires	ACKNOWLEDGM ) ss. was acknowledged before m U.S. Specialty (Name of corporate surety) s	ne on <u>12–02</u> Insurance	20 <u>0</u> 3by Edw (Name Company y Public	Attorney in fact)	.k_111
STATE OF <u>Texas</u> COUNTY OF <u>Harri</u> This instrument as Attorney-in-Fact for <u></u> <u>SEAL</u> <u>34105</u> My Commission Expires	ACKNOWLEDGM ) ss. was acknowledged before m U.S. Specialty (Name of corporate surety) s	ne on <u>12–02</u> Insurance Not	20 <u>0</u> 3by Edw (Name Company y Public	Attorney in fact)	k_    
STATE OF <u>Texas</u> COUNTY OF <u>Harri</u> This instrument as Attorney-in-Fact for <u></u> <u>SEAL</u> <u>34105</u> My Commission Expires	ACKNOWLEDGM ) ss. was acknowledged before m U.S. Specialty (Name of corporate surety) s	ne on <u>12–02</u> Insurance Note	20 <u>0</u> 3by Edw (Name Company by Public by Public cor Comr OVED BY:	in H. Fran of Attorney in fact)	005 (
STATE OF <u>Texas</u> COUNTY OF <u>Harri</u> This instrument as Attorney-in-Fact for <u></u> <u>SEAL</u> <u>34105</u> My Commission Expires	ACKNOWLEDGM ) ss. was acknowledged before m U.S. Specialty (Name of corporate surety) s	ne on <u>12–02</u> Insurance Note	20 <u>0</u> 3by Edw (Name Company by Public by Public cor Comr OVED BY:	Attorney in fact)	005 (

## **POWER OF ATTORNEY**

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

*Know All Men by These Presents* That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

#### Edwin H. Frank III, W. Russell Brown, Jr.4

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

*In Witness Whereof*, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its **President**, and its corporate seal to be hereto affixed this 7<sup>th</sup> day of November, 2003.

Corporate Seal

U. S. SPECIALTY INSURANCE COMPANY By

Michael J. Schell. President

State of Texas

County of Harris

SS:

On this  $7^{th}$  day of November, 2003 before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal

Whit ( Whit Hold Notary Public My commission expires 3132 /2006

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this <u>02</u> day of <u>December</u>, 2003.

Corporate Seal

Christopher L. Martin, Secretary



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON Governor Joanna Prukop Cabinet Secretary

January 15, 2004

Lori Wrotenbery Director Oil Conservation Division

Mr. Bert D. Hannigan ERS Resources, LLC P.O. Box 1502 Carlsbad, NM 88221-1502

Re: \$5,000 One-Well Plugging Bond ERS Resources, LLC, Principal U.S. Specialty Insurance Company, Surety Artesia Metex Unit No. 42 – 1650' FNL and 2310' FWL Section 30, Township 18 South, Range 28 East, Eddy County, NM Bond No. B000680

Dear Mr. Hannigan:

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

Sincerely,

2. Mar Cuide

GAIL MACQUESTEN Assistant General Counsel

GM/dp

cc: Oil Conservation Division – Artesia, NM

U.S. Specialty Insurance Company 13403 NW Freeway Houston, TX 77040

J.S. Ward & Son, Inc. 101 South Fourth Street Artesia, NM 88210-2177 Attn: Susan S. Lopez

> Oil Conservation Division \* 1220 South St. Francis Drive \* Santa Fe, New Mexico 87505 Phone: (505) 476-3440 \* Fax (505) 476-3462 \* <u>http://www.emnrd.state.nm.us</u>

## Page: 1 Document Name: untitled

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CMD :		ONGARD	01/15/04 11:01:10
OGECWBD		CAPTURE SINGLE WELL BOND	OGODLP -TQGC
		: 225298 API Well No : 30 1 : ERS RESOURCES, LLC PO BOX 1502 CARLSBAD,NM 88221-1502	5 2138
Bond Idn	: 249373 B	ond Status : A Prop Idn : 22	171
Prop Name		-	Well No : 042
-	U/L Sec	Township Range North/South	East/West Lot Idr
Surface Locn API County		18S 28E FTG 1650 F	N FTG 2310 F W
-	: Type (Ca	sh/Surety - C/S) : S Bond Co OGRID Identifier : 224244	Idn : 12 Amt : 5000
		Name, Address : U.S. SPECI	ALTY INSURANCE COMPA
·	± 1		HWEST FREEWAY
•		HOUSTON, TX	77056
Effective Dat	te : 01-01-	1900 Cancellati	on Date : 12-31-9999
Issuer Bond 1	No : B00068	0	
M001	5: Table up	date is successful.	
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PF07	PF08	PF09 COMMENT PF10 NXTBOND	PF11 PF12

Bond No. **B000689R04-06-04** 

### SURETY RIDER

To be attached to and form a part of Bond No. <u>B000689</u> on behalf of <u>ERS Resources, LLC</u> as principal and executed by <u>U.S. Specialty Insurance Company</u>, as surety.

Effective date of change: April 6, 2004

In consideration of the mutual agreement herein contained, the principal and the surety hereby consent to the following changes:

The address has changed from:

ERS Resources, LLC Post Office Box 1502 Carlsbad, New Mexico 88221-1502

TO:

## ERS Resources, LLC Post Office Box 958 Carlsbad, New Mexico 88221-0958

Nothing herein contained shall vary, alter, or extend any provision or condition of this bond except as herein expressly stated.

SIGNED, SEALED AND DATED THIS: \_\_\_\_\_ April 6, 2004

ERS Resources, LLC

Name of Principal

Name and title of person executing for Principal

U.S. Specialty Insurance Company Name of Surety. Signatúre

<u>W. Russell Brown, Jr., Attorney-in-Fact</u> Name and title of person executing for Surety

#### STATE OF NEW MEXICO

#### ONE-WELL PLUGGING BOND

#### For CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES <u>ONLY</u>

BOND NO.	B000689
AMOUNT OF BOND	\$5,000.00
COUNTY	Eddy

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00\*

For wells 5,000 to 10,000 feet deep, the minimum bond is \$7,500.00\*

For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

\*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, *e.g.*, a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 feet and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, NM 87505

#### KNOW ALL MEN 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 5,000 feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or does own or operate, or may acquire, own or operate such well, the identification and location of said well being:

Artesia Metex Unit #51	-P ,,	located 330 feet fro	m theSouthXXXXXXX	South)
(Name of well)				
line and <u>330</u> feet from the (South), Range <u>27</u> (East)	, NMPM, Eddy	County, New Mexi	co.	(IN OATHI)

NOW, THEREFORE, if the PRINCIPAL and SURETY or either of them, or their successors or assigns or any of them, shall cause said well to 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 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 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.

	ERS Resources, LLC	· .
	PRINCIPAL Post Office Box 1502	
•	Carlsbad, New Mexico	88221-1502
	Address	
	D to Ha	

Signature

Managing Member Title If PRINCIPAL is a corporation, affix corporate seal here.

U.	s.	Spe	cialty	Insurance	Company
13	403	NW	SURE Freewa	TY y	- -
			Texas		•
			Addre	ss o	
	l	M	う	- X	
	-		Attorney-	In-Fact	•

Corporate surety affix corporate seal here.

	ACKNOWLEDG	MENT FORM FOR	INDIVIDUAL		
STATE OF	)	· .			
COUNTY OF	SS.				
<u> </u>					
This instrument w	as acknowledged before r	.,20,20,20	by	·	
			(Name of Individual)		
			Notary Public		
SEAL					
	-				
My Commission Expires					
ACKNOWLEDGMENT	FORM FOR PARTNER	RSHIP, CORPORAT	TION OR LIMITED LIBA	ILITY COMPANY	
STATE OF New Me	xico_)				
COUNTY OFEddy	SS.			-	
		•			
This instrument w	vas acknowledged before	me on $12 - 2$ , $20$	3 by Bert D. Han	nigan	
asManaging M		ofERS	(Name of Person Signing Resources, LLC	Instrument)	
(Capacity, e.g., partner, preside	CONTRACTOR CONTRACTOR	- 1916-1933 E E 🖌 🕇	rtnership, corporation or limited liab	pility company)	•
	NEALEN NETVEL	W Margaret	Notary Public	· Volant	$L \cap$
SEAL	Sand by Completion E				
07-10-05					
My Commission Expires	•				
				•	
	ACKNOWLEDG	MENT FORM FOR	CORPORATE SURETY		
STATE OF	)				· · ·
COUNTY OF Harris	ss. <u>S</u> )				
This instrument w	vas acknowledged before	me on <u>12-02</u> ,20	0.3by Edwin H. I		
as Attorney-in-Fact for	U.S. Specialt (Name of corporate surety)	y Insurance	<u>Company</u>	L	
	(Name of corporate surety)		Forg. n. ok.	1.A	
			u con con	V = V	
		Notary P	Public /		
		Notary P	Public	8	
SEAL 3505		Notar F	Public O BLL ENGELKIRE		
SEAL 3505 My Commission Expires	· · · ·	Notary F	Public JLL ENGELKIRS (A) MOTARY PUBLIC PUBLIC OF Texas		
SEAL 3505	wer of Attorney	Notary F	JULENGELKING MOTARY PUBLIC		
SEAL 3605 My Commission Expires	wer of Attorney		JLL ENGELKIRS MOTARY PUBLIC State of Texas Comm. Exp. 03-05-200	5	
SEAL 3605 My Commission Expires	wer of Attorney	APPROV	JLL ENGELKIRS MOTARY PUBLIC State of Texas Comm. Exp. 03-05-200		

### POWER OF ATTORNEY

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

*Know All Men by These Presents* That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

#### Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

*In Witness Whereof*, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its **President**, and its corporate seal to be hereto affixed this 7<sup>th</sup> day of November, 2003.

Corporate Seal

State of Texas

County of Harris ss:

## U. S. SPECIALTY INSURANCE COMPANY By

Michael J. Schell, President

On this 7<sup>th</sup> day of November, 2003 before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal

Annual which My Notary Public My commission expires 12 23 2004

<sup>1</sup>, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Compary at Houston, Texas this <u>02</u> day of <u>December</u>, 2003.

Corporate Seal

Christopher L. Martin, Secretary



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON Governor Joanna Prukop Cabinet Secretary

January 15, 2004

Lori Wrotenbery Director Oil Conservation Division

Mr. Bert D. Hannigan ERS Resources, LLC P.O. Box 1502 Carlsbad, NM 88221-1502

Re: \$5,000 One-Well Plugging Bond ERS Resources, LLC, Principal U.S. Specialty Insurance Company, Surety Artesia Metex Unit No. 51 – 330' FSL and 330' FEL Section 26, Township 18 South, Range 27 East, Eddy County, NM Bond No. B000689

Dear Mr. Hannigan:

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

Sincerely,

Chicolor

GAIL MACQUESTEN Assistant General Counsel

GM/dp

cc: Oil Conservation Division – Artesia, NM

U.S. Specialty Insurance Company 13403 NW Freeway Houston, TX 77040

J.S. Ward & Son, Inc. 101 South Fourth Street Artesia, NM 88210-2177 Attn: Susan S. Lopez

> Oil Conservation Division \* 1220 South St. Francis Drive \* Santa Fe, New Mexico 87505 Phone: (505) 476-3440 \* Fax (505) 476-3462 \* <u>http://www.emnrd.state.nm.us</u>

		·····
CMD :	ONGARD	01/15/04 11:24:13
OG6CWBD	CAPTURE SINGLE WELL BOND	OGODLP -TQGC
	er : 225298 API Well No : 30 15 966 Address : ERS RESOURCES, LLC PO BOX 1502 CARLSBAD,NM 88221-1502	
Bond Idn .	249381 Bond Status : A Prop Idn : 22171	· · ·
		Well No : 051
£	U/L Sec Township Range North/South E	
	of is see township Range Noten/South E	ast/west Dot Iul
Surface Locn : API County :	P 26 18S 27E FTG 330 F S FTG	330 F E
	Type (Cash/Surety - C/S) : S Bond Co Idn : Company OGRID Identifier : 224244	12 Amt : 5000
	Company Name, Address : U.S. SPECIALTY IN	SURANCE COMPA
	13403 NORTHWEST F	
	HOUSTON, TX 77056	
Effective Date		
Issuer Bond No		
	Table update is successful.	
	PO2 PF03 EXIT PF04 GoTo PF05	PF06 CONFIRM
	08 PF09 COMMENT PF10 NXTBOND PF11	PF12

# Inactive Well List

#### Total Well Count: 65 Inactive Well Count: 40 Since: 3/28/2007 Printed On: Friday, June 20 2008

District	4 <b>PI</b>	Wall		OCD		Friday, June	Lease	Weil	Last	Formation/Notes	Statue	TA Exp
2		Well ARTESIA METEX	ULSTR G-24-18S-27E	G	225298	Operator ERS RESOURCES,	Type S	Type O	11/2006	Formation/Notes	Status	Date
r2		_UNIT_#002 ARTESIA METEX	L-24-18S-27E			LLC ERS RESOURCES,		0	12/20057			
[		-UNIT #005			<u></u>	LLC			/			
2		ARTESIA METEX	K-24-18S-27E	к	225298	ERS RESOURCES,	5	I	08/2006/7			
2	30-015-00944	ARTESIA METEX UNIT #008	I-24-18S-27E	I	225298	ERS RESOURCES, LLC	S	I	11/19987			
2		ARTESIA METEX 	3-19-18S-28E	L		ERS RESOURCES,	S	0	09/2004			
2	30-015-01964	ARTESIA METEX	K-19-185-28E	K	225298	ERS RESOURCES,	S	I	08/2006			
[ <sup>2</sup>	30-015-01951	ARTESIA METEX	J-19-185-28E	J		ERS RESOURCES,	S	0	12/2005			•
2	30-015-01947	ARTESIA METEX UNIT #014	J-19-18S-28E	J		ERS RESOURCES, LLC	S	0	12/2005			
2		ARTESIA METEX	M-24-18S-27E	м		ERS RESOURCES,	s	I	12/2005			
2		ARTESIA METEX	N-24-18S-27E	N		ERS RESOURCES,	S	0	11/2006			
2	30-015-01196	UNIT #018 ARTESIA METEX	P-24-185-27E	P	·225298	ERS RESOURCES,	S	I	08/2005/7			
2	30-015-01942	UNIT #020 ARTESIA METEX	4-19-18S-28E	• ~ . M	225298	LLC ERS RESOURCES,		о. О	لنيا: 12/2005	GRAYBURG <sup>7</sup>		
2		-UNIT-#021-	N-19-185-28E	N			S		12/2005/?	9		
(		UNIT #022			E	LLC						
2	30-015-01941	ARTESIA METEX	N-19-18S-28E	N	225298	ERS RESOURCES,	5 <sub>14</sub> -0	0	12/2005			
2	-30-015-01949	ARTESIA METEX UNIT #024	0-19-18S-28E	0	225298	ERS RESOURCES,	S	0	12/2005			
2	_30-015-00962	ARTESIA METEX UNIT #026		A	225298	ERSTRESOURCES,	s	0	08/2006			
2	-30=015-00951	ARTESIA METEX	D-25-185-27E	D	225298	ERS RESOURCES,	s	0	12/2005/			
2	-30-015=01194	ARTESIA METEX	B-25-18S-27E	в	225298	ERS RESOURCES,	S	0	08/20067			
<u>2</u>	30-015-02139	ARTESIA METEX UNIT #031	1-30-185-28E		225298	ERS RESOURCES	s		12/2005	7		
2	30-015-02140	ARTESIA METEX	C-30-185-28E	-C	225298	LLC ERS RESOURCES,	S	.∞= I	08/2005	7		
2	30-015-06127	UNIT #032 ARTESIA METEX	B-30-185-28E	в	225298	ERS RESOURCES,	S	0	11/2006			
2	30-015-00963	UNIT #034 ARTESIA METEX	H-26-18S-27E	Н	225298	LLC ERS RESOURCES,	s	 I	12/2005 //	7		
	30-015-00952	UNIT #035 ARTESIA METEX	E-25-18S-27E			LLC ERS RESOURCES,		0	08/20067			
L		UNIT #036				<u>uc</u>						
Í		-ARTESIA-METEX- UNIT #039		G		ERS-RESOURGES, LLC						
{ <sup>2</sup>	30-015-00954	ARTESIA METEX UNIT #040	H-25-18S-27E	н	225298	ERS RESOURCES,	S	I	08/2006 //			
2	-30-015-02136	ARTESIA METEX UNIT #041	2-30-18S-28E	E	225298	ERS RESOURCES,	S	I	08/2006			
2	30=015=02138	ARTESIA METEX UNIT #042	F-30-18S-28E	F		ERS RESOURCES,	S	0	12/2005 7	·		
<sup>2</sup>	-30=015=01190		I-26-18S-27E	I	225298	ERS RESOURCES, LLC	S	0	02/2005			
<sup>2</sup>	30-015-00959	ARTESIA METEX UNIT #045	L-25-185-27E	L	225298	ERS RESOURCES, LLC	s	I	08/20067			
2	30-015-00955	ARTESIA METEX	J-25-18S-27E	J		ERS RESOURCES,	S	0	11/2006	۰. ۱		
<u>[</u> 2	30-015-02141	UNIT #047 ARTESIA METEX	K-30-185-28E·	к		ERS RESOURCES,	s		08/2006			
<u></u>	30-015-00966	-UNIT-#049 ARTESIA METEX	P-26-18S-27E	 Р		ERS RESOURCES,	s	0	01/20067			-
2		ARTESIA METEX				LLC				ERS R		
- [	20-012-00800	_UNIT_#052	M-25-18S-27E	M		ERS RESOURCES,	S	I	08/2006//	Case		

LLC OCD Exhibit No. 3

http://www.emnrd.state.nm.us/OCD/OCDPermitting/Report/Stats/InactiveWellList.aspx?P... 6/20/2008

2	_30-015-00956	ARTESIA METEX UNIT_#054	0-25-18S-27E	0	225298	ERS RESOURCES,	S	I	08/2005
2	30-015-00986	ARTESIA METEX UNIT #055	B-35-18S-27E	в	225298	ERS RESOURCES, LLC	S	0	11/2006
2	30-015-00987	ARTESIA METEX UNIT_#056	A-35-18S-27E	A	225298	ERS RESOURCES, LLC	S	I	08/2006, 7
2-	30-015-00991	ARTESIA METEX UNIT #058	C-36-18S-27E	c	225298	ERS RESOURCES,	S	I	08/2006
2	30-015-27157	ARTESIA METEX UNIT #062	2-30-185-28E	E	225298	ERS RESOURCES, LLC	S	0	11/2006
2	30-015-27192	ARTESIA METEX UNIT #064	H-25-18S-27E	н	225298	ERS RESOURCES, LLC	S	0	11/2006
2	30-015-27195	ARTESIA METEX UNIT #067	H-25-18S-27E	н	225298	ERS RESOURCES, LLC	S	0	11/2006

WHERE Ogrid:225298, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period