

NM2 - 19

BONDS



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

June 4, 2002

Lori Wrotenberg
Director
Oil Conservation Division

CERTIFIED MAIL

RETURN RECEIPT NO. 7001-1940-0004-7923-7983

Mr. Randall Dunn
Sid Richardson Energy Services Co.
610 Commerce
Jal, NM 88252

**RE: \$25,000 Centralized Surface Waste Management Facility Bond
Permit NM-02-0019
Sid Richardson Energy Services Co.
JP Morgan Chase Bank, Surety
SE/4 NW/4 of Section 36, Township 23 South, Range 36 East, NMPM,
Lea County, New Mexico
Letter of Credit No. D-226087**

Dear Mr. Dunn:

The New Mexico Oil Conservation Division hereby approves the above-referenced Letter of Credit for the Surface Waste Management Facility.

Sincerely,

David K. Brooks,
Assistant General Counsel

DKB: mjk

Enclosures: Copy of Letter of Credit No. D-226087

xc: OCD Hobbs Office
Connie Risicato, JP Morgan Chase Bank, 717 Travis Street, 3rd Floor, Houston, TX 77002



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THE ORIGINAL

JPMORGAN CHASE BANK
GLOBAL TRADE SERVICES
P.O. Box 2558, Houston, Texas 77252-2558
7 Travis Street, Houston, Texas 77002-8300
TELEX: 49619898 TCB HOU SWIFT: TCBKUS44



JPMorgan

ISSUE DATE: MAY 30, 2002
NO.: D-226087

Advising Bank

***** DIRECT *****

APPLICANT:
SID RICHARDSON ENERGY SERVICES CO.
201 MAIN STREET, SUITE 2700
FT. WORTH, TEXAS 76102

Beneficiary

STATE OF NEW MEXICO, ENERGY,
MINERALS AND NATURAL RESOURCES DEPT
(* * SEE BELOW FOR FULL NAME
AND ADDRESS * *)

AMOUNT: USD 25,000.00
(TWENTY FIVE THOUSAND AND 00/100
UNITED STATES DOLLARS)

BENEFICIARY'S COMPLETE NAME AND ADDRESS:

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPT.
OIL CONSERVATION DIVISION
1220 SOUTH SAINT FRANCIS
SANTA FE, NEW MEXICO 87505

GENTLEMEN:

JPMORGAN CHASE BANK, A BANKING CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF NEW YORK AND AUTHORIZED TO DO BUSINESS IN THE STATE OF NEW MEXICO, AS ISSUER, HEREBY ESTABLISHES THIS LETTER OF CREDIT FOR THE USE AND BENEFIT OF THE OIL CONSERVATION DIVISION OF THE ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT (DIVISION) PURSUANT TO NMSA 1978, SECTION 70-2-12, AS AMENDED, FOR AN AGGREGATE AMOUNT NOT TO EXCEED TWENTY FIVE THOUSAND AND 00/100 (US\$25,000.00) IN UNITED STATES DOLLARS ("FACE AMOUNT") EFFECTIVE IMMEDIATELY. THIS LETTER OF CREDIT IS ESTABLISHED FOR SID RICHARDSON ENERGY SERVICES CO., AS PARTNERSHIP ORGANIZED IN THE STATE OF TEXAS, WITH ITS PRINCIPAL OFFICE IN THE CITY OF FORT WORTH, STATE OF TEXAS AND AUTHORIZED TO DO BUSINESS IN THE STATE OF NEW MEXICO, AS APPLICANT.

1. THE APPLICANT HAS OR MAY ENTER INTO THE COLLECTION, DISPOSAL, EVAPORATION, REMEDIATION, RECLAMATION, TREATMENT OR STORAGE OF PRODUCED WATER, DRILLING FLUIDS, DRILL CUTTINGS, COMPLETION FLUIDS, CONTAMINATED SOILS, BS&W, TANK BOTTOMS, WASTE OIL OR OTHER OIL FIELD RELATED WASTE IN SECTION 36, TOWNSHIP 23 SOUTH, RANGE 36 EAST, NMPM LEA COUNTY, NEW MEXICO ("FACILITY").

2. THIS LETTER OF CREDIT IS IRREVOCABLE FOR A TERM OF NOT LESS THAN FIVE (5) YEARS AND IS CONDITIONED UPON SUBSTANTIAL COMPLIANCE BY THE APPLICANT WITH ALL APPLICABLE STATUTES OF THE STATE OF NEW MEXICO AND ALL RULES AND ORDERS OF THE OIL CONSERVATION COMMISSION AND DIVISION, INCLUDING CLEAN-UP OF THE FACILITY SITE BY THE APPLICANT TO THE STANDARDS SET BY THE DIVISION.

3. THIS LETTER OF CREDIT WILL EXPIRE ON THE EARLIER OF: (A) MAY 24, 2007; OR (B) THE DATE UPON WHICH SUFFICIENT DOCUMENTS ARE

-CONTINUED-

D-226087- -001-L1-01-

Authorized Signature



Advising Bank

***** DIRECT *****

APPLICANT:

SID RICHARDSON ENERGY SERVICES CO.
201 MAIN STREET, SUITE 2700
FT. WORTH, TEXAS 76102

Beneficiary

STATE OF NEW MEXICO, ENERGY,
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EXECUTED BY THE DIVISION TO RELEASE THE APPLICANT FROM FURTHER LIABILITY FOR CLOSURE OF THE FACILITY WITH NOTICE TO THE ISSUER BY THE DIVISION ACCOMPANIED BY THE ORIGINAL LETTER OF CREDIT WITH DIRECTIONS FOR CANCELLATION. THIS LETTER OF CREDIT SHALL BE FORFEITED AND COLLECTED BY THE DIVISION IF NOT REPLACED BY APPROVED FINANCIAL ASSURANCE AT LEAST 90 DAYS BEFORE THE EXPIRATION DATE.

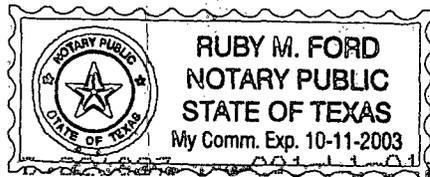
4. THIS LETTER OF CREDIT WILL REMAIN EFFECTIVE UNTIL: (A) THE EXPIRATION DATE; (B) THE APPLICANT REPLACES THIS LETTER OF CREDIT WITH ANOTHER ACCEPTABLE FORM OF FINANCIAL ASSURANCE; OR (C) THE DIVISION RELEASES THE LETTER OF CREDIT PURSUANT TO PARAGRAPH 3 ABOVE, WHICHEVER SHALL OCCUR FIRST.

5. FUNDS UNDER THIS LETTER OF CREDIT ARE AVAILABLE AGAINST THE DIVISION'S SIGHT DRAFT, IN THE FORM OF EXHIBIT A, SPECIFYING LETTER OF CREDIT NO. D-226087 DELIVERED TO THE OFFICE OF THE ISSUER AT 717 TRAVIS STREET, 3RD FLOOR, HOUSTON, TEXAS 77002. AT THE DIVISION'S SOLE ELECTION, THE DIVISION MAY PRESENT SIGHT DRAFTS FOR LESS THAN THE FACE AMOUNT OF THIS LETTER OF CREDIT SO LONG AS THE AGGREGATE AMOUNT OF ALL SIGHT DRAFTS DOES NOT EXCEED THE FACE AMOUNT. EACH DRAFT MUST BE ACCOMPANIED BY A CERTIFICATE IN THE FORM OF EXHIBIT B, PURPORTEDLY SIGNED BY A DULY AUTHORIZED REPRESENTATIVE OF THE DIVISION.

6. IF THE ISSUER RECEIVES THE DIVISION'S SIGHT DRAFT(S) AND CERTIFICATE(S) AS PROVIDED IN PARAGRAPH 5, ABOVE, ON OR BEFORE THE EXPIRATION OR TERMINATION OF THIS LETTER OF CREDIT, THE ISSUER WILL PAY SUCH AMOUNT AS THE DIVISION MAY SPECIFY, UP TO AN AGGREGATE AMOUNT NOT TO EXCEED THE FACE AMOUNT OF THIS LETTER OF CREDIT AVAILABLE TO THE DIVISION NO LATER THAN 5 P.M., IN SANTA FE, NM ON THE SECOND BUSINESS DAY FOLLOWING THE ISSUER'S RECEIPT OF THE SIGHT DRAFT AND CERTIFICATE AND IN SUCH A MANNER AS THE DIVISION MAY SPECIFY.

7. THIS LETTER OF CREDIT WILL BE GOVERNED BY THE LAWS OF THE STATE OF NEW MEXICO.

8. ALL COMMUNICATIONS REGARDING THIS LETTER OF CREDIT WILL BE ADDRESSED TO THE ISSUER AT 717 TRAVIS STREET, 3RD FLOOR, HOUSTON, TEXAS 77002, REFERENCING LETTER OF CREDIT NO. D-226087.



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[Handwritten Signature]
Authorized Signature

CONNIE RISICATO, VICE PRESIDENT

JPMORGAN CHASE BANK
GLOBAL TRADE SERVICES
P.O. Box 2558, Houston, Texas 77252-2558
7 Travis Street, Houston, Texas 77002-8300
TELEX: 49619898 TCB HOU SWIFT: TCBKUS44



JPMorgan

ISSUE DATE: MAY 30, 2002
NO.: D-226087

Advising Bank

***** DIRECT *****

APPLICANT:
SID RICHARDSON ENERGY SERVICES CO.
201 MAIN STREET, SUITE 2700
FT. WORTH, TEXAS 76102

Beneficiary

STATE OF NEW MEXICO, ENERGY,
MINERALS AND NATURAL RESOURCES DEPT
(* SEE BELOW FOR FULL NAME
AND ADDRESS *)

AMOUNT: USD 25,000.00
(TWENTY FIVE THOUSAND AND 00/100
UNITED STATES DOLLARS)

EXHIBIT A - SIGHT DRAFT
TO
LETTER OF CREDIT NO. D-226087

DATE: - - - - - CITY, COUNTY LETTER OF CREDIT NO. D-226087

PAY TO THE ORDER OF NEW MEXICO OIL CONSERVATION DIVISION

(\$ - - - - -) - - - - - DOLLARS

TO: JPMORGAN CHASE BANK
717 TRAVIS STREET, 3RD FLOOR
HOUSTON, TEXAS 77002

NEW MEXICO ENERGY MINERALS AND NATURAL
RESOURCES DEPT.
OIL CONSERVATION DIVISION
1220 SOUTH SAINT FRANCIS DR.
SANTA FE, NEW MEXICO 87505

BY: - - - - -
AUTHORIZED SIGNATURE
DATE:

-CONTINUED-

D-226087- 001-L1-01-

- 3 -
Authorized Signature



Advising Bank

***** DIRECT *****

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EXHIBIT B

TO
LETTER OF CREDIT NO. D-226087

I, --- A DULY AUTHORIZED REPRESENTATIVE OF THE NEW MEXICO OIL CONSERVATION DIVISION, HEREBY CERTIFY THAT: (1) THE DRAWING IN THE AMOUNT OF (\$ ---) --- DOLLARS, BY SIGHT DRAFT ACCOMPANYING THIS CERTIFICATE, UNDER LETTER OF CREDIT NO. D-226087 DATED MAY 30, 2002 ISSUED BY YOU IS PERMITTED UNDER THE PROVISIONS OF THE LETTER OF CREDIT; (2) THE LETTER OF CREDIT HAS NEITHER EXPIRED NOR TERMINATED PURSUANT TO ITS TERMS; (3) THE AMOUNT OF THE SIGHT DRAFT, TOGETHER WITH ANY AMOUNTS PREVIOUSLY DRAWN UNDER THE LETTER OF CREDIT, DOES NOT EXCEED THE FACE AMOUNT OF THE LETTER OF CREDIT; AND (4) THE NEW MEXICO OIL CONSERVATION DIVISION HAS DIRECTED THE FORFEITURE OF THE LETTER OF CREDIT. PROCEEDS OF THIS DRAWING WILL BE UTILIZED IN FULL TO PAY EXPENSES RELATING TO THE CLOSURE LIABILITY FOR THE FACILITY DESCRIBED IN PARAGRAPH 1 OF THE LETTER OF CREDIT.

NEW MEXICO OIL CONSERVATION DIVISION

BY: ---
AUTHORIZED SIGNATURE

DATE:

Authorized Signature

D-226087-- --001-L1-01--