

A. D. WILLIAMS 1897-1967
THEODORE R. JOHNSON, J. D.

LAW OFFICE OF
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112 NORTH SHIPP STREET, P. O. BOX 1948
HOBBS, NEW MEXICO 88241

TELEPHONE 397-3661
AREA CODE 505

December 23, 1987

RECEIVED

DEC 28 '87

New Mexico Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504-2088

O. C. D.
ARTESIA, OFFICE

Attention: Dianne Richardson

Re: Assignment of Cash Collateral Deposit of Blair Royalties of
Orla, Inc. in lieu of plugging bond

Gentlemen:

Blair Royalties of Orla, Inc., plans to drill a well for oil and gas purposes in the NW/4 of Section 10, Township 26 South, Range 28 East, N.M.P.M., Eddy County, New Mexico. The property comprises a part of the Delaware River Unit.

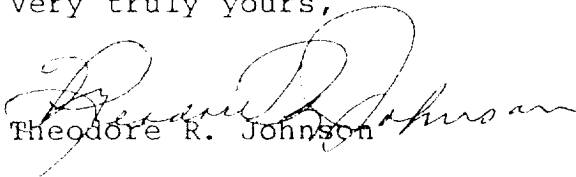
The address of Blair Royalties of Orla, Inc., is Post Office Box 20, Orla, Texas 79770.

James M. C. Ritchie, Jr., Post Office Box 953, Midland, Texas 79702, telephone number (915) 684-6381, (915) 684-8797 will submit the application and information for approval for the drilling of the well.

Blair Royalties of Orla, Inc., has a deadline on the commencement of the drilling of the well under its Farmout Agreement and wants to commence the well on December 31, 1987. We would appreciate anything you may do to expedite approval after you receive the necessary information.

I am by copy of this letter forwarding a copy of the Assignment of Cash Collateral Deposit to the Oil Conservation Commission Office in Artesia, New Mexico, to the attention of Mike Williams, Acting District Supervisor, in order that he may be informed that the Assignment of Cash Collateral Deposit has forwarded to you.

Very truly yours,


Theodore R. Johnson

TRJ:cf

Enclosure as stated

cc: Mike Williams, Acting District Supervisor
New Mexico Oil Conservation Commission

James M. C. Ritchie, Jr.

COPY

RECEIVED

Form O & G CCD
Adopted 6-1-86

DEC 28 '87

ASSIGNMENT OF CASH COLLATERAL DEPOSIT

(Must be a federally-insured bank or savings institution
within the State of New Mexico)O. C. D.
ARTESIA, OFFICEDate 12/23/87

Pursuant to Section 70-2-14, NMSA (1978), or successor provisions, Blair Royalties of Orla, Inc. (hereinafter referred to as "operator") of North Hwy. 285, Orla, TX 79770 (address) has deposited with the United Bank of New Mexico (name of state or national bank or savings association) of Carlsbad, NM 88220 (address) (herein termed financial institution) the sum of \$7,500.00 dollars in Certificate of Deposit or savings account No. 18663. Operator hereby assigns and conveys all right, title and interest in the deposited sum to the financial institution in trust for the Oil Conservation Division of the Energy and Minerals Department or successor agency of the State of New Mexico. Operator and the financial institution agree that as to the deposited sum or fund:

- The Oil Conservation Division acquires by this assignment the entire beneficial interest in the fund, with the right to order the trustee in writing to distribute the fund to persons determined by the division to be entitled thereto, including the Division itself, in amounts determined by the Division, or to the operator upon sale or proper plugging of the well covered by this bond.
- Operator retains no legal or beneficial interest in the fund and has only the right to interest, if any, thereon, and to return of the fund upon written order of the Division.
- The financial institution agrees that the fund may not be assigned, transferred, pledged or distributed except upon written order of the Division or a court of competent jurisdiction made in a proceeding in which the Division is a party. The financial institution waives all statutory or common law liens or rights of set-off against the fund.

Operator agrees that the financial institution may deduct from interest due operator any attorney fees incurred by the financial institution if claim or demand via writ, summons or other process arising from operator's business is made upon the financial institution.

Blair Royalties of Orla, Inc.

Craig L. Blair
Signature of Operator, Craig L. Blair
Personally or by Authorized Officer

United Bank of New Mexico

[Signature]
Signature of Authorized Officer of
Financial Institution

President
Title

President
Title

STATE OF NEW MEXICO

) ss.

COUNTY OF Eddy

On this 23rd day of December, 1987, before me personally appeared Craig L. Blair and Gerry N. Jones, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

NOTARY PUBLIC

Vicki Jones

My Commission expires:
01/24/91