

NM2 - 18

**GENERAL
CORRESPONDENCE
YEAR(S):**

2009

Hansen, Edward J., EMNRD

From: Hansen, Edward J., EMNRD
Sent: Thursday, March 05, 2009 5:20 PM
To: 'MWondaal@PremierNaturalResources.com'
Subject: RE: Letter of Credit
Attachments: Premier LofC insert - renewal language.doc; Transfer of Permit.doc

Dear Megan,

Our attorney has reviewed your draft Letter of Credit. There are a couple of edits that need to be made:

Item #2: please delete "...A TERM OF NOT LESS THAT FIVE (5) YEARS AND..." and replace with "...THE TERM HEREOF..."

Item #3: please delete and replace with the attached insert.

Also, you will need to submit a permit transfer request to the OCD. I have attached a permit transfer form. Please complete the form and send a signed hardcopy to me. (I have started the form with the Permit # and Legal Description.)

Let me know if you have any further questions regarding this matter.

Edward J. Hansen
Hydrologist
Environmental Bureau. Oil Conservation Division
New Mexico Energy, Minerals & Natural Resources Dept.
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505
505-476-3489

From: Chavez, Carl J, EMNRD
Sent: Wednesday, March 04, 2009 2:43 PM
To: Megan Wondaal
Cc: Hansen, Edward J., EMNRD
Subject: RE: Letter of Credit

Megan:

Ed Hansen was following up on this request. Last I knew he was interfacing with our Attorney on your draft. By receipt of this e-mail, Ed will reply with status. I know all you needed was an ok on the draft so you could send in the final. Thanks for the communication and stay tuned.....

Carl J. Chavez, CHMM
New Mexico Energy, Minerals & Natural Resources Dept.
Oil Conservation Division, Environmental Bureau
1220 South St. Francis Dr., Santa Fe, New Mexico 87505
Office: (505) 476-3490
Fax: (505) 476-3462
E-mail: CarlJ.Chavez@state.nm.us
Website: <http://www.emnrd.state.nm.us/ocd/index.htm>
(Pollution Prevention Guidance is under "Publications")

From: Megan Wondaal [<mailto:MWondaal@PremierNaturalResources.com>]
Sent: Wednesday, March 04, 2009 2:15 PM

To: Chavez, Carl J, EMNRD
Subject: Letter of Credit

Hello, Carl -

Would it be possible to check with Wayne and see whatever happened to my approval of the draft of the letter of credit for the waste management pit in Atoka Field, Eddy County?

I haven't received a response yet, and I'd like to get this issue resolved. Thank you.

Megan T. Wondaal
Premier Natural Resources
(918) 392-3242
mwondaal@premiernaturalresources.com

This inbound email has been scanned by the MessageLabs Email Security System.

3. This Letter of Credit will expire on _____ [**not less than five (5) years from the effective date of the Letter of Credit**]; unless sooner released by written notice to the ISSUER by the DIVISION. Upon the expiration date, this Letter of Credit shall be automatically renewed for an additional term of five years commencing on such expiration date, and likewise for successive terms of five years each upon the occurrence of each subsequent scheduled expiration date, unless the ISSUER has, at least thirty days prior to any scheduled expiration date, mailed written notice of non-renewal, by certified mail, return receipt requested, to the DIVISION. This Letter of Credit may be forfeited and collected by the DIVISION if not replaced by approved financial assurance at least 30 days before the expiration date hereof.

TRANSFER OF PERMIT

FACILITY INFORMATION:

Surface Waste Management Facility Permit(s): NM-02-0018

Legal Description: Section 34, Township 18 South, Range 26 East, NMPPM,

Location: Eddy County, New Mexico

From: Company Name: (Insert "old" Company Name)
Company Address: (Insert "old" Company Address)

To: Company Name: (Insert "new" Company Name)
Company Address: (Insert "new" Company Address)

CERTIFICATION:

(Insert "new" Company Name), by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. (Insert "new" Company Name) further acknowledges that the Division for good cause shown as necessary to protect fresh water, human health, and the environment may change such terms and conditions administratively. The undersigned also attests to the fact that he or she understands 19.15.5.11 NMAC which states "Any person who conducts any activity pursuant to a permit, administrative order or other written authorization or approval from the division shall comply with every term, condition and provision of such permit, administrative order, authorization or approval."

Accepted:

(Insert "new" Company Name)

Print Name: _____

Signature: _____

Title: _____

Mailing Address: _____

Contact Telephone Number: _____

Date: _____

Permit #: NM-02-0018



BANK OF OKLAHOMA
 1(918) 588-6601 / 1(800)285-6829
 INTERNATIONAL BANKING CENTER
 ONE WILLIAMS CENTER, 15TH FLOOR
 TULSA, OK 74192, USA

STANDBY LETTER OF CREDIT - DRAFT

DATE: 01/06/09

WE HAVE PREPARED THIS DRAFT UPON REQUEST AND BASED ON INFORMATION SUPPLIED TO US. NO REPRESENTATION OR COMMITMENT IS MADE BY US REGARDING THE ACCURACY OR SUITABILITY OF THIS DRAFT FOR ITS INTENDED PURPOSE OR THE WILLINGNESS OF OUR BANK TO ISSUE A LETTER OF CREDIT IN THIS OR ANY OTHER FORM.

DRAFT APPROVED BY:

APPLICANT'S SIGNATURE

(Pls initial rest of pages & send all pages back)

L/C NO: BOK09SDP01926

TYPE: IRREVOCABLE
AMOUNT: 25,000.00 USD

DATE OF EXPIRY: 01/06/14

PLACE OF EXPIRY: TULSA

APPLICANT:
 PREMIER NATURAL RESOURCES, LLC
 5727 SO. LEWIS AVE, SUITE 200
 TULSA, OK 74105

BENEFICIARY:
 STATE OF NEW MEXICO
 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
 (SEE L/C FOR FULL BENEFICIARY)

BENEFICIARY:
 STATE OF NEW MEXICO
 ENERGY, MINERALS & NATURAL RESOURCES DEPARTMENT
 OIL CONSERVATION DIVISION
 1220 SOUTH SAINT FRANCIS
 SANTA FE, NEW MEXICO 87505

BANK OF OKLAHOMA, N.A., A CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF OKLAHOMA 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 DOLLARS (\$25,000.00) IN UNITED STATES DOLLARS ("FACE AMOUNT") EFFECTIVE IMMEDIATELY. THIS LETTER OF CREDIT IS ESTABLISHED FOR PREMIER NATURAL RESOURCES, LLC, ORGANIZED IN THE STATE OF OKLAHOMA WITH ITS PRINCIPAL OFFICE IN THE CITY OF TULSA, STATE OF OKLAHOMA 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 34, TOWNSHIP 18S, RANGE 26E, NMPM, EDDY COUNTY, NEW MEXICO ("FACILITY").

2. THIS LETTER OF CREDIT IS IRREVOCABLE FOR A ~~TERM OF NOT LESS THAN FIVE (5) YEARS~~ ^{the term hereof} 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: (A) JANUARY 6, 2014; OR (B) THE DATE UPON WHICH~~

SUFFICIENT DOCUMENTS ARE 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.
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. BOK09SDP01926, DELIVERED TO THE OFFICE OF THE ISSUER AT BANK OF OKLAHOMA, N.A., INTERNATIONAL BANKING CENTER, ONE WILLIAMS CENTER, TULSA, OK 74172. 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, 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. THE ISSUER WILL GIVE PROMPT NOTICE TO THE APPLICANT AND TO THE DIVISION DIRECTOR OF ANY NOTICE RECEIVED OR ACTION FILED ALLEGING THE INSOLVENCY OR BANKRUPTCY OF THE ISSUER, OR ALLEGING ANY VIOLATIONS OF REGULATORY REQUIREMENTS WHICH ARE REASONABLY LIKELY TO RESULT IN SUSPENSION OR REVOCATION OF THE ISSUER'S CHARTER OR LICENSE TO DO BUSINESS.
8. THIS LETTER OF CREDIT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW MEXICO, AND, TO THE EXTENT NOT INCONSISTENT WITH SUCH LAWS, BY INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600, ENTITLED "UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS" (MOST RECENT REVISION)."
9. ALL COMMUNICATIONS REGARDING THIS LETTER OF CREDIT SHALL BE ADDRESSED TO THE ISSUER AT BANK OF OKLAHOMA, N.A., INTERNATIONAL BANKING CENTER, ONE WILLIAMS CENTER, TULSA, OK 74172, TELEPHONE 918-588-6601, REFERENCING LETTER OF CREDIT NO. BOK09SDP01926.

See e-mail for new language

EXHIBIT A - SIGHT DRAFT
to
Letter of Credit No. _____

_____ Date _____ City, County _____ Letter of Credit no. _____

PAY TO THE ORDER OF NEW MEXICO OIL CONSERVATION DIVISION
(\$ _____) _____ DOLLARS

TO: Bank of Oklahoma, N.A.
International Banking Center, 15 South
One Williams Center
Tulsa, OK 74172

New Mexico Energy Minerals and
Natural Resources Department
Oil Conservation Division
2040 South Pacheco St.
Santa Fe, New Mexico 87505

By: _____
(authorized signature)

Date _____

**THIS ATTACHMENT IS AN INTEGRAL PART OF BANK OF OKLAHOMA,
N.A. LETTER OF CREDIT NUMBER BOK09SDP01926**

EXHIBIT B

to

Letter of Credit No. _____

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. _____ dated _____ 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 _____

**THIS ATTACHMENT IS AN INTEGRAL PART OF BANK OF OKLAHOMA,
N.A. LETTER OF CREDIT NUMBER BOK09SDP01926**

Chavez, Carl J, EMNRD

From: Chavez, Carl J, EMNRD
Sent: Thursday, February 19, 2009 3:42 PM
To: Hansen, Edward J., EMNRD
Subject: FW: Draft Letter of Credit Review Request
Attachments: Draft of NM LC.pdf

FYI.

Carl J. Chavez, CHMM
New Mexico Energy, Minerals & Natural Resources Dept.,
Oil Conservation Division, Environmental Bureau
1220 South St. Francis Dr., Santa Fe, New Mexico 87505
Office: (505) 476-3490
Fax: (505) 476-3462
E-mail: CarlJ.Chavez@state.nm.us
Website: <http://www.emnrd.state.nm.us/ocd/index.htm>
(Pollution Prevention Guidance is under "Publications")

From: Megan Wondaal [<mailto:MWondaal@PremierNaturalResources.com>]
Sent: Thursday, February 19, 2009 3:09 PM
To: Chavez, Carl J, EMNRD
Subject: RE: Draft Letter of Credit Review Request

Dear Carl-

Thank you for following up with Wayne. The permit number for the pit in question is NM-02-0018, issued to Hillside Oil and Gas in Midland, TX. This is a permit for a centralized surface waste management facility in the Atoka Field, Eddy County. Attached is a copy of the draft letter of credit for \$25,000 so that the facility can be put in our name. We acquired the leases in Atoka Field from Hillside and the wells have been transferred to our name and properly bonded. The waste facility is a loose end that we'd like to get tied up so we will be square with the OCD.

I'm not planning to be in the office on Friday, but plan to be in briefly Monday.

Thanks again for your help.
Megan

From: Chavez, Carl J, EMNRD [<mailto:CarlJ.Chavez@state.nm.us>]
Sent: Thursday, February 19, 2009 3:51 PM
To: Price, Wayne, EMNRD
Cc: Megan Wondaal
Subject: Draft Letter of Credit Review Request

Wayne:

Re: Draft LOC Bond for Pit for Premier Natural Resources (PNR) out of Tulsa, OK.

I received a call today from Ms. Megan Wondaal at (918) 392-3242. PNR has a lease with wells in the Atoka Field (Eddy County). She said she was working with you on a draft Letter of Credit for a pit.

The lease name was apparently never transferred over to Premier Natural Resources. She is requesting a review of PNR's draft Letter of Credit for content, etc. Once the OCD reviews it and provides feedback, PNR will send the final LOC to the OCD.

Thanks.

Carl J. Chavez, CHMM

New Mexico Energy, Minerals & Natural Resources Dept.
Oil Conservation Division, Environmental Bureau
1220 South St. Francis Dr., Santa Fe, New Mexico 87505
Office: (505) 476-3490
Fax: (505) 476-3462
E-mail: CarlJ.Chavez@state.nm.us
Website: <http://www.emnrd.state.nm.us/ocd/index.htm>
(Pollution Prevention Guidance is under "Publications")

Confidentiality Notice: This e-mail, including all attachments is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited unless specifically provided under the New Mexico Inspection of Public Records Act. If you are not the intended recipient, please contact the sender and destroy all copies of this message. -- This email has been scanned by the Sybari - Antigen Email System.

This inbound email has been scanned by the MessageLabs Email Security System.



BANK OF OKLAHOMA N.A.
1(918) 588-6601 / 1(800)285-6829
INTERNATIONAL BANKING CENTER
ONE WILLIAMS CENTER, 15TH FLOOR
TULSA, OK 74192, USA

STANDBY LETTER OF CREDIT - DRAFT

DATE: 01/06/09

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DRAFT APPROVED BY:

APPLICANT'S SIGNATURE

(Pls initial rest of pages & send all pages back)

L/C NO: BOK09SDP01926
TYPE: IRREVOCABLE
AMOUNT: 25,000.00 USD
DATE OF EXPIRY: 01/06/14
PLACE OF EXPIRY: TULSA

APPLICANT:
PREMIER NATURAL RESOURCES, LLC
5727 SO. LEWIS AVE, SUITE 200
TULSA, OK 74105

BENEFICIARY:
STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
(SEE L/C FOR FULL BENEFICIARY)

BENEFICIARY:
STATE OF NEW MEXICO
ENERGY, MINERALS & NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
1220 SOUTH SAINT FRANCIS
SANTA FE, NEW MEXICO 87505

BANK OF OKLAHOMA, N.A., A CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF OKLAHOMA 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 DOLLARS (\$25,000.00) IN UNITED STATES DOLLARS ("FACE AMOUNT") EFFECTIVE IMMEDIATELY. THIS LETTER OF CREDIT IS ESTABLISHED FOR PREMIER NATURAL RESOURCES, LLC, ORGANIZED IN THE STATE OF OKLAHOMA WITH ITS PRINCIPAL OFFICE IN THE CITY OF TULSA, STATE OF OKLAHOMA 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 34, TOWNSHIP 18S, RANGE 26E, NMPM, EDDY COUNTY, NEW MEXICO ("FACILITY").
2. THIS LETTER OF CREDIT IS IRREVOCABLE FOR A TERM OF NOT LESS THAT 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: (A) JANUARY 6, 2014; OR (B) THE DATE UPON WHICH

SUFFICIENT DOCUMENTS ARE 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.

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. BOK09SDP01926, DELIVERED TO THE OFFICE OF THE ISSUER AT BANK OF OKLAHOMA, N.A., INTERNATIONAL BANKING CENTER, ONE WILLIAMS CENTER, TULSA, OK 74172. 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, 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. THE ISSUER WILL GIVE PROMPT NOTICE TO THE APPLICANT AND TO THE DIVISION DIRECTOR OF ANY NOTICE RECEIVED OR ACTION FILED ALLEGING THE INSOLVENCY OR BANKRUPTCY OF THE ISSUER, OR ALLEGING ANY VIOLATIONS OF REGULATORY REQUIREMENTS WHICH ARE REASONABLY LIKELY TO RESULT IN SUSPENSION OR REVOCATION OF THE ISSUER'S CHARTER OR LICENSE TO DO BUSINESS.

8. THIS LETTER OF CREDIT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW MEXICO, AND, TO THE EXTENT NOT INCONSISTENT WITH SUCH LAWS, BY INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600, ENTITLED "UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS" (MOST RECENT REVISION)."

9. ALL COMMUNICATIONS REGARDING THIS LETTER OF CREDIT SHALL BE ADDRESSED TO THE ISSUER AT BANK OF OKLAHOMA, N.A., INTERNATIONAL BANKING CENTER, ONE WILLIAMS CENTER, TULSA, OK 74172, TELEPHONE 918-588-6601, REFERENCING LETTER OF CREDIT NO. BOK09SDP01926.

EXHIBIT A - SIGHT DRAFT

to

Letter of Credit No. _____

_____ Date _____ City, County _____ Letter of Credit no. _____

PAY TO THE ORDER OF NEW MEXICO OIL CONSERVATION DIVISION

(\$ _____) _____ DOLLARS

TO: Bank of Oklahoma, N.A.
International Banking Center, 15 South
One Williams Center
Tulsa, OK 74172

New Mexico Energy Minerals and
Natural Resources Department
Oil Conservation Division
2040 South Pacheco St.
Santa Fe, New Mexico 87505

By: _____
(authorized signature)

Date _____

**THIS ATTACHMENT IS AN INTEGRAL PART OF BANK OF OKLAHOMA,
N.A. LETTER OF CREDIT NUMBER BOK09SDP01926**

EXHIBIT B

to

Letter of Credit No. _____

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. _____ dated _____ 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 _____

**THIS ATTACHMENT IS AN INTEGRAL PART OF BANK OF OKLAHOMA,
N.A. LETTER OF CREDIT NUMBER BOK09SDP01926**