

SINGLE WELL CASH BOND

Know all men by these presents that Carbon Energy
~~(an individual)~~ (a partnership) ~~XXXXXX~~ organized
 in the State of New Mexico with its principal office at P. O. Box 1737,
Hobbs in the city of Hobbs, State of New Mexico
 and authorized to do business in the State of New Mexico) is held and firmly bound to
 the Oil Conservation Division of the State of New Mexico (or its successor agency) in
 the sum of \$10,000.00 (TEN THOUSAND DOLLARS & NO/100-----), lawful money of
 the United States.

THE CONDITIONS OF THIS OBLIGATION ARE SUCH THAT:

The above applicant/operator desires to drill a well or purchase or operate an
 existing well, the depth of which does not exceed 5,000 feet, to
 prospect for and produce oil, gas, or carbon dioxide resources on land owned by
 private individuals or the State of New Mexico, the particular identification and
 footage location of said well being as follows: Shell State #5:
NE 1/4 of NW 1/4 in Section 6, Township
19, Range 37, NMPM, Lea County, New Mexico.

The applicant has deposited on behalf of the Division \$10,000.00, in the manner
 indicated on the attachment to this bond being the principal sum intended to be
 secured. Applicant pledges this sum as a guarantee that it, its executors, assigns,
 heirs or administrators shall plug the well described above if dry, or when abandoned,
 in accordance with the rules and orders of the Oil Conservation Division of the State
 of New Mexico in such way as to confine the oil, gas, and water in the strata in which
 they are found, and to prevent same from escaping to other strata. If the applicant
 does not so properly plug and abandon said well upon order of the Division, the total
 sum of the bond shall be forfeited to the Division, and such amount as is necessary
 may be used to properly plug said well. If the principal sum of this bond is less
 than the actual cost incurred by the Division in plugging said well, the applicant,
 its successors, assigns, heirs or administrators shall be liable under the provisions
 of Section 70-2-38 NMSA (1978) of the Oil and Gas Act, and the Division may take
 action, including the filing of legal proceedings, to recover any amounts expended
 over and above the principal sum of the bond.

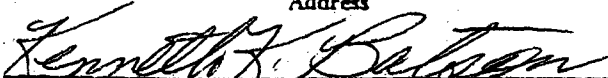
NOW THEREFORE, if the above applicant or its successors, assigns, heirs, or
 administrators or any of them shall plug the above-described well when dry or
 abandoned, in accordance with the rules, regulations, and orders of the Division, in
 such a manner as to confine the oil, gas, and water in the strata in which they
 naturally occur, and to prevent them from escaping into other strata, and further to
 clean up the surface location of said well, then therefore, this obligation shall be
 null and void and the principal sum shall be paid to the applicant, or its successors,
 heirs, or administrator, otherwise it shall remain in full force and effect.

Carbon Energy

PRINCIPAL

P. O. Box 1737, Hobbs, NM 88240

Address



Signature

Kenneth K. Batson, Agent

Title

By _____

Before the OCD
 Case 13337
 OCD Ex. 7

STATE OF New Mexico
COUNTY OF Lea ss.

On this 11th day of April, 1989, before me personally appeared Kenneth K. Batson, Agent of Carbon Energy, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that he (they) executed the same as his (their) free act and deed.

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

03/28/92

My Commission expires

[Signature]
Notary Public

ACKNOWLEDGEMENT FORM FOR CORPORATION

STATE OF _____
COUNTY OF _____ ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me personally known who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

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

Notary Public

My Commission expires

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By [Signature]

Date _____

Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan
Counties, New Mexico:

Projected Depth of Proposed Well
or Actual Depth of Existing Well

Amount of Bond

Less than 5,000 feet

\$ 5,000

5,000 feet to 10,000 feet

\$ 7,500

More than 10,000 feet

\$10,000

All Other Counties in the State:

Projected Depth of Proposed Well
or Actual Depth of Existing Well

Amount of Bond

Less than 5,000 feet

\$ 7,500

5,000 feet to 10,000 feet

\$10,000

More than 10,000 feet

\$12,500

ASSIGNMENT OF CASH COLLATERAL DEPOSIT

(Must be a federally-insured bank or savings institution
authorized to do business in New Mexico)

Date 04/11/89

Pursuant to Section 70-2-14, NMSA (1978), or successor provisions, Carbon Energy (hereinafter referred to as "operator") of P. O. Box 1737, Hobbs, NM 88240 (address) has deposited with the First Interstate Bank of Leam of state or national bank or savings association) of P. O. Box 400, Hobbs, NM 88240 (address) (herein termed financial institution), the sum of \$10,000.00 dollars in Certificate of Deposit or savings account No. 65447. Operator hereby assigns and conveys all right, title and interest in the deposited sum to the financial institution in trust for the Oil Conservation Division of the Energy and Minerals Department or successor agency of the State of New Mexico. Operator and the financial institution agree that as to the deposited sum or fund:

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

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

BY: Kenneth K. Batson
Signature of Operator,
Personally or by Authorized Officer

Kenneth K. Batson, Agent
Title

BY: Robert C. Dunn, Jr.
Signature of Authorized Officer of
Financial Institution

Robert C. Dunn, Jr., Vice President
Title

STATE OF NEW MEXICO

COUNTY OF Lea) ss.

On this 11th day of April, 19 89, before me personally appeared Kenneth K. Batson, Agent of Carbon Energy and Robert C. Dunn, Jr., VP of FIBL, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that the (they) executed the same as his (their) free act and deed.

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

[Signature]
NOTARY PUBLIC

My Commission expires:
03/28/92