

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE SUPERVISOR OF DISTRICT I, FOR AN ORDER REQUIRING
VERDE GRANDE INC. TO BRING ONE WELL INTO COMPLIANCE WITH
19.15.4.201 NMAC, ASSESSING AN APPROPRIATE CIVIL PENALTY IN THE
EVENT OF NON-COMPLIANCE, AUTHORIZING THE DIVISION TO PLUG
SAID WELL AND ORDERING A FORFEITURE OF THE APPLICABLE
PLUGGING BOND; LEA COUNTY, NEW MEXICO.**

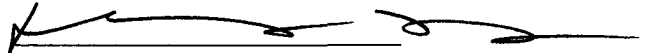
Affidavit of Dorothy Phillips

Dorothy Phillips, being first duly sworn on oath, states as follows:

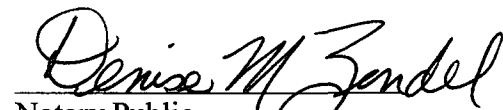
- Case 13257**
OCD Ex. 5

6. A copy of bond number 2-418-413-9 with the rider is attached as Exhibit A to this affidavit.

THIS CONCLUDES MY AFFIDAVIT.


Dorothy Phillips

SUBSCRIBED AND SWORN before me this 3 day of June, 2004.


Notary Public

My Commission Expires:

1-9-08

STATE OF NEW MEXICO
ONE-WELL PLUGGING BOND

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

BOND NO. 2-418-413-9
(For Use of Surety Company)
AMOUNT OF BOND \$10,000.00
COUNTY Lea

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00*
For wells 5,000 feet 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, i.e., a well being drilled under a \$5,000.00 bond may be permitted to go to 5,499 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 Commission, P. O. Box 2088, Santa Fe 87501

KNOW ALL MEN BY THESE PRESENTS:

That Double "C" Enterprises, ~~(XXXXXXXXXX)~~ (a partnership)
~~(XXXXXXXXXX)~~ in the State of New Mexico, with its principal office in the city of
Lovington, State of New Mexico, and authorized to do business
in the State of New Mexico), as PRINCIPAL, and Ohio Casualty Insurance Company, a
corporation organized and existing under the laws of the State of Ohio,
and authorized to do business in the State of New Mexico, as SURETY, are held firmly bound unto the State of New
Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New
Mexico Statutes Annotated, 1953 Compilation, as amended, in the sum of Ten Thousand and No/100
Dollars lawful money of the United States, for the payment of which, well and truly to be made, said 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 above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or
helium gas leases with the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or
helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private
individuals; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or
may commence the drilling of one well not to exceed a depth of 11,025 feet, to prospect for and produce oil
or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such well
started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases,
and on land patented by the United States of America to private individuals, and on land otherwise owned by private
individuals, the identification and location of said well being 1980 FSL 1980 FEL

(Here state exact legal subdivision by 40-acre tract or lot)
Section 18, Township 16S (~~North~~) (South), Range 37E (East) (~~West~~), N.M.P.M.
Lea County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall
plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission 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 them from escaping into other
strata;

THEN, THEREFORE, 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.

OIL CONSERVATION DIVISION

SEP 20 1981

RECEIVED

Exhibit A

P. O. Box 147, Lovington, NM 88260
Address

By Roland E. Candill
Signature

Partner
Michael D. Canfield
(Note: Print only. If incorporation, XXXX Corporate seal here.)
Partner Signature

5555 Montgomery Blvd., N.E. Alb., N.M. 871

By: Gary S. Salzyn
Attorney in Fact
Gary S. Salzyn

(Note: Corporate surety affix corporate seal here.)

STATE OF New Mexico)
COUNTY OF Lea) SS.

On this 31st day of August, 19 84, before me personally appeared Ronald E. Caudill & Michael D. Caudill, 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.

My Commission expires 10/13/85

Notary Public
Lucie M. Hubbard

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.

My Commission expires _____

Notary Public
Laria N. Hubbard

STATE OF New Mexico)
COUNTY OF Bernalillo) ss.

On this 1st day of September, 19 84, before me appeared Gary S. Salzyn, to me personally known, who, being by me duly sworn, did say that he is Attorney-In-Fact of Ohio Casualty Insurance Company 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.

My Commission expires July 1, 2011
(Note: Corporate surety attach power of attorney.)

APPROVED BY:

OIL CONSERVATION COMMISSION OF NEW MEXICO

By J. R. [Signature]

Date / /

CERTIFIED COPY OF POWER OF ATTORNEY
THE OHIO CASUALTY INSURANCE COMPANY

HOME OFFICE, HAMILTON, OHIO

No. 19-00

Know All Men by These Presents: That THE OHIO CASUALTY INSURANCE COMPANY, in pursuance of authority granted by Article VI, Section 7 of the By-Laws of said Company, does hereby nominate, constitute and appoint:

Gary S. Salzyn - - - - - of Albuquerque, New Mexico - - -
its true and lawful agent and attorney -in-fact, to make, execute, seal and deliver for and on its behalf as surety, and as its act and deed Any and all bonds, recognizances, stipulations or undertakings excluding, however, any bonds or undertakings guaranteeing payment of loans, notes or the interest thereon. - - - - -

And the execution of such bonds or undertakings in pursuance of these presents, shall be as binding upon said Company, as fully and amply, to all intents and purposes, as if they had been duly executed and acknowledged by the regularly elected officers of the Company at its office in Hamilton, Ohio, in their own proper persons.



In WITNESS WHEREOF, the undersigned officer of the said The Ohio Casualty Insurance Company has hereunto subscribed his name and affixed the Corporate Seal of the said The Ohio Casualty Insurance Company this 23rd day of July 19 82.

(Signed) Richard T. Hoffman

Asst. Secretary

STATE OF OHIO, }
COUNTY OF BUTLER } ss.

On this 23rd day of July A. D. 19 82 before

the subscriber, a Notary Public of the State of Ohio, in and for the County of Butler, duly commissioned and qualified, came Richard T. Hoffman, Asst. Secretary - - of THE OHIO CASUALTY INSURANCE COMPANY, to me personally known to be the individual and officer described in, and who executed the preceding instrument, and he acknowledged the execution of the same, and being by me duly sworn deposeeth and saith, that he is the officer of the Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of said Company, and the said Corporate Seal and his signature as officer were duly affixed and subscribed to the said instrument by the authority and direction of the said Corporation.



IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal at the City of Hamilton, State of Ohio, the day and year first above written.

(Signed) Dorothy Bibee

Notary Public in and for County of Butler, State of Ohio

My Commission expires December 24, 1986.

This power of attorney is granted under and by authority of Article VI, Section 7 of the By-Laws of the Company, adopted by its directors on April 2, 1954, extracts from which read:

"ARTICLE VI"

"Section 7. Appointment of Attorney-in-Fact, etc. The chairman of the board, the president, any vice-president, the secretary or any assistant secretary shall be and is hereby vested with full power and authority to appoint attorneys-in-fact for the purpose of signing the name of the Company as surety to, and to execute, attach the corporate seal, acknowledge and deliver any and all bonds, recognizances, stipulations, undertakings or other instruments of suretyship and policies of insurance to be given in favor of any individual, firm, corporation, or the official representative thereof, or to any county or state, or any official board or boards of county or state, or the United States of America, or to any other political subdivision."

This instrument is signed and sealed by facsimile as authorized by the following Resolution adopted by the directors of the Company on May 27, 1970:

"RESOLVED that the signature of any officer of the Company authorized by Article VI Section 7 of the by-laws to appoint attorneys in fact, the signature of the Secretary or any Assistant Secretary certifying to the correctness of any copy of a power of attorney and the seal of the Company may be affixed by facsimile to any power of attorney or copy thereof issued on behalf of the Company. Such signatures and seal are hereby adopted by the Company as original signatures and seal, to be valid and binding upon the Company with the same force and effect as though manually affixed."

CERTIFICATE

I, the undersigned Assistant Secretary of The Ohio Casualty Insurance Company, do hereby certify that the foregoing power of attorney, Article VI Section 7 of the by-laws of the Company and the above Resolution of its Board of Directors are true and correct copies and are in full force and effect on this date.

In WITNESS WHEREOF, I have hereunto set my hand and the seal of the Company this 1st day of Sept. A. D., 19 84



Gary S. Salzyn

Assistant Secretary

The Ohio Casualty Insurance Company

HAMILTON, OHIO

STIPULATION

To be attached to and form part of Bond No. 2-418-413-9 issued by
THE OHIO CASUALTY INSURANCE COMPANY on behalf of Double "C" Enterprises
in favor of State of New Mexico
in the amount of Ten Thousand Dollars
(\$ 10,000.00) Dollars, and dated September 1, 1984

WHEREAS, is the desire of all parties that this bond be amended as hereinafter provided,

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED that said bond hereinbefore described is hereby amended as follows:

IT IS HEREBY AGREED THAT THE NAMED INSURED IS
AMENDED TO READ:

VERDE GRANDE, INC.
P.O. Box 147
LOVINGTON, N.M. 88260

Rey
9-11-84

IT IS FURTHER STIPULATED AND AGREED that nothing herein contained shall vary, alter or modify any of the conditions of said bond except as herein expressly modified.

SIGNED, SEALED and DATED this 14th day of January 19 85

Principal

THE OHIO CASUALTY INSURANCE COMPANY

By

Gary S. Balzyn
Gary S. Balzyn

Attorney-in-fact

Agreed to and accepted by:

Roland E. Candill
for Double "C" Enterprises