

Ammonite

BEFORE EXAMINER STOGNER

OIL CONSERVATION DIVISION

OCD

EXHIBIT NO.

7

CASE NO.

12947

Form O & G B-B

Adopted 6-17-77

Revised 10-20-89

STATE OF NEW MEXICO

\$50,000 BLANKET PLUGGING BOND

BOND NO. B7335

File with Oil Conservation Division, 2040 So. Pacheco, Santa Fe, New Mex. 87505

KNOW ALL MEN BY THESE PRESENTS:

That Ammonite Energy Texas Inc., ~~XXXXXXXXXXXXXXXXXXXX~~
~~XXXXXXXXXXXX~~ (a corporation organized in the State of Texas, with its
principal office in the city of Midland, State of Texas,
and authorized to do business in the State of New Mexico), as PRINCIPAL, and
Underwriters Indemnity Company, a corporation organized and existing under the
laws of the State of Texas, 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 Division of New Mexico pursuant to Section 70-2-12, New Mexico
Statutes Annotated, 1978 Compilation, as amended, in the sum of Fifty Thousand Dollars (\$50,000)
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 or brine mineral 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 or brine mineral 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 wells 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 wells
started by others on land embraced in said State oil and gas leases or brine minerals, or carbon
dioxide (CO₂) gas leases, or helium gas leases or brine mineral 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 expressly waived by both principal and surety
hereto.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors
or assigns, or any of them, shall plug all of said wells when dry or when abandoned in accordance
with the rules, regulations, and orders of the Oil Conservation Division of New Mexico in such way as
to confine the oil, gas, brine 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.

PROVIDED, HOWEVER, That thirty (30) days after receipt by the Oil Conservation Division of New
Mexico of written notice of cancellation from the surety, the obligation of the surety hereunder
shall terminate as to property or wells acquired, drilled, or started after said thirty (30) day
period but shall continue in effect, notwithstanding said notice, as to property or wells theretofore
acquired, drilled or started.

Inc: 3/28/97

Ammonite Energy Texas Inc.
PRINCIPAL
247 Spring Park Drive, Suite "A"
Midland, TX 79705

Address
By [Signature]
Signature
President
Title

Underwriters Indemnity Company
SURETY
8 Greenway Plaza, Suite 400
Houston, TX 77046

Address
[Signature]
Roy C. Die, Attorney-In-Fact

(Note: Principal, if corporation, affix corporate seal here.)

(Note: Corporate surety affix corporate seal here.)

ACKNOWLEDGEMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, 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.

Notary Public

My Commission Expires _____

ACKNOWLEDGEMENT FORM FOR CORPORATION

STATE OF TEXAS)
COUNTY OF TARRANT) ss.

On this 17th day of April, 1998, before me personally appeared Jos. S. Foster, to me personally known who, being by me duly sworn, did say that he is President of Ammonite Energy Texas, Inc. 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.

[Signature]
Notary Public

10-06-200
My Commission Expires

ACKNOWLEDGEMENT FORM FOR CORPORATE SURETY

STATE OF TEXAS)
COUNTY OF HARRIS) ss.

On this 17th day of April, 1998, before me appeared Roy C. Die, to me personally known, who, being by me duly sworn, did say that he is Attorney-in-Fact of Underwriters Indemnity 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.

[Signature]
Nancy Cruz Notary Public



(Note: Corporate surety attach power of attorney.)

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By: [Signature]

Date: April 21, 1998

GENERAL POWER OF ATTORNEY

CERTIFIED COPY

KNOW ALL MEN BY THESE PRESENTS: That **UNDERWRITERS INDEMNITY COMPANY**, a corporation organized and existing under the laws of the State of Texas, and having its principal office in the City of Houston, Texas, does hereby constitute and appoint:

ROY C. DIE

its true and lawful attorney-in-fact to execute, seal and deliver for and on its behalf as surety, any and all bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, which are or may be allowed, required or permitted by law, statute, rule, regulation, contract or otherwise, in an amount not to exceed:

*******FIFTY THOUSAND AND NO/100 DOLLARS*******

and the execution of all such instrument(s) in pursuance of these presents, shall be binding upon said **UNDERWRITERS INDEMNITY COMPANY** as fully and amply, to all intents and purposes, as if the same had been duly executed and acknowledged by its regularly elected officers at its principal office. This Power of Attorney is executed, and may be certified to and may be revoked, pursuant to and by authority of a resolution enacted by the Board of Directors of **UNDERWRITERS INDEMNITY COMPANY**. The following is a true transcript of said resolution:

That at all times since the formation of this corporation, the President or any Vice President, Assistant Vice President, Secretary or Assistant Secretary shall have power and authority.

(1) to appoint attorneys-in-fact, and to authorize them to execute on behalf of the Company; and attach the Seal of the Company thereto, bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, and

(2) to appoint special attorneys-in-fact, who are hereby authorized to certify to copies of any power-of-attorney issued in pursuance of this section and/or any of the Bylaws of the Company, and

(3) to remove, at any time, any such attorney-in-fact or special attorney-in-fact and revoke the authority given to him.

Further, this Power of Attorney is signed and sealed by facsimile pursuant to resolution of the Board of Directors of said Company adopted by consent of which the following is a true excerpt:

"Now therefore the signatures of such officers and the seal of the Company may be affixed to any such power of attorney or any certificate relating thereto by facsimile, and any such power of attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by facsimile signatures and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached."

IN TESTIMONY WHEREOF, **UNDERWRITERS INDEMNITY COMPANY** has caused this instrument to be signed and its corporate seal to be affixed by its authorized officer, E.H. Frank, III, on this the 30th day of April 1996.



E.H. Frank III

President

STATE OF TEXAS
COUNTY OF HARRIS

On this 30th day of April 1996, before me came the individual who executed the preceding instrument, to me personally known, and, being duly sworn, said that he is the therein described and authorized officer of **UNDERWRITERS INDEMNITY COMPANY**: that the seal affixed to said instrument is the Corporate Seal of said Company; that the said Corporate Seal and his signature were duly affixed by order of the Board of Directors of said Company.

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



Robin N. Neville

NOTARY PUBLIC, Harris County, Texas

CERTIFICATION

I, the undersigned officer of **UNDERWRITERS INDEMNITY COMPANY**, do hereby certify that I have compared the foregoing copy of the Power of Attorney and affidavit, and the copy of the Section of the By-Laws of said Company as set forth in said Power of Attorney, and that the same are correct transcripts thereof, and of the whole of the said originals, and that the said Power of Attorney has not been revoked and is now in full force and effect.

IN TESTIMONY WHEREOF, I have hereunto set my hand this 17th day of April, 1998



Greg E. Chilson

Assistant Secretary

Only a certified copy of Power of Attorney bearing the Certificate of Authority No. printed in red on the upper right corner is binding. Photocopies, carbon copies or other reproductions of this document are invalid and not binding upon the Company.

ANY INSTRUMENT ISSUED IN EXCESS OF THE PENALTY AMOUNT STATED ABOVE IS TOTALLY VOID AND WITHOUT VALIDITY.