

OCD-579

Form O & G CCD
Adopted 6-1-86

ASSIGNMENT OF CASH COLLATERAL DEPOSIT

(Must be a federally-insured bank or savings institution
within the State of New Mexico)Date 6-12-96

Pursuant to Section 70-2-14, NMSA (1978), or successor provisions, Terry Pate
(hereinafter referred to as "operator") of Rt. 1 Box 40 Covington, TX 76636 (address) has deposited with the Sunwest Bank of Hobbs NA (name of state or national bank or savings association) of 325 E. Bender Hobbs, NM 88240 (address) (herein termed financial institution), the sum of \$7,500.00 dollars in Certificate of Deposit or savings account No. 3012732. 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.

Terry Pate
Signature of Operator,
Personally or by Authorized Officer

Danna Richards
Signature of Authorized Officer of
Financial Institution

Title _____

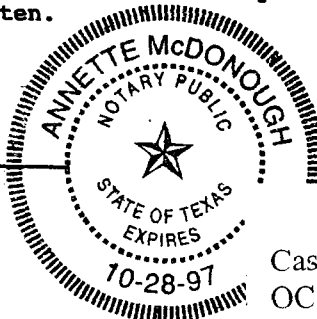
Bank Officer
Title

STATE OF NEW MEXICO Texas
COUNTY OF Johnson ss.

On this 22nd day of May, 19 96, before me personally appeared 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.

My Commission expires:
10-28-97



Annette McDonough
NOTARY PUBLIC

Case No. 13547
OCD Examiner Hearing
August 25, 2005
Exhibit No. 3

The foregoing instrument was acknowledged before me this 11th day of June, 1996
by Donna Richards. Notary Public in and for County of Lea, State of New Mexico.

My commission expires: 12-6-97

Susan Schroeder

