

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION



January 29, 1987

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Knights Bridge Petroleum Corp.
2201 North Collins
Suite 295
Arlington, Texas 76011

Attention: T. R. Gallagher

Re: \$10,000 One-Well Cash Bond
Knights Bridge Petroleum Corp., Operator
660' FSL and 1980' FEL of Sec. 6,
T-9-N, R-31-E, Quay County
Bond No. OCD-029

Dear Mr. Gallagher:

The Oil Conservation Division hereby approves the above-referenced one-well cash bond effective this date.

Sincerely,

A handwritten signature in cursive script, appearing to read "William J. LeMay".

WILLIAM J. LeMAY,
Director

dr/

cc: Oil Conservation Division
Roy Johnson - Santa Fe

BEFORE EXAMINER STOGNER
Oil Conservation Division
Exhibit No. <u>2</u>
Case No. <u>9610</u>

0CD-029

SINGLE WELL CASH BOND

Know all men by these presents that KNIGHTS BRIDGE PETROLEUM CORP.
~~XXXXXXXXXXXXXXXXXXXX~~ (a corporation organized
in the State of TEXAS with its principal office at 2201 N. COLLINS,
STE. #295, in the city of ARLINGTON, State of TEXAS
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, 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 10,000 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: 3.01' NORTH OF THE CENTER &
9.00' EAST OF THE CENTER OF THE SW/4 SE/4, in Section 6, Township
9 NORTH Range 31 EAST, NMPM, QUAY 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.

* 660 feet from the South line and 1980 feet from the East line

T. R. GALLAGHER

PRINCIPAL

2201 NORTH COLLINS, SUITE 295

ARLINGTON, Address TEXAS 76011

Signature

PRESIDENT

Title

By

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 _____

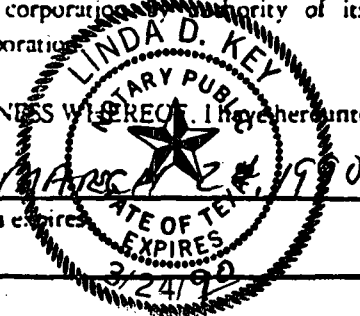
ACKNOWLEDGEMENT FORM FOR CORPORATION

STATE OF TEXAS)
COUNTY OF TARRANT) ss.

On this 16TH day of JANUARY, 1987, before me personally appeared T. R. GALLAGHER to me personally known who, being by me duly sworn, did say that he is PRESIDENT, (BY CORPORATE RESOLUTION) of KNIGHTS BRIDGE PETROLEUM CORPORATION 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 _____



LINDA D. KEY Notary Public

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:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 5,000
5,000 feet to 10,000 feet	\$ 7,500
More than 10,000 feet	\$10,000

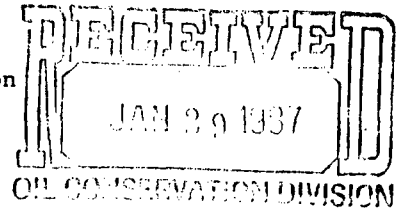
All Other Counties in the State:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
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 JANUARY 16, 1987



Pursuant to Section 70-2-14, NMSA (1978), or successor provisions, Knights Bridge Petroleum Corporation (hereinafter referred to as "operator") of 2201 N. Collins, #295, Arlington, TX 76011 (address) has deposited with the The First National Bank - Tucumcari (name of state or national bank or savings association) of P. O. BOX 1107, Tucumcari, New Mexico 88401 (address) (herein termed financial institution), the sum of \$10,000.00 dollars in Certificate of Deposit or savings account No. 01 50618-8 30. 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.

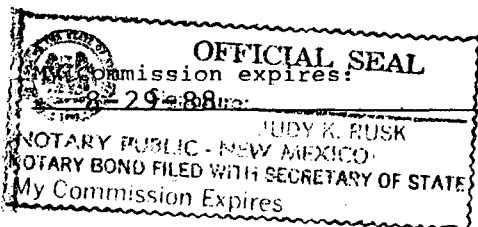
T. R. Gallagher
Signature of Operator,
Personally or by Authorized Officer
T. R. GALLAGHER
PRESIDENT
Title

E. Bruce Thomas
Signature of Authorized Officer of
Financial Institution
E. Bruce Thomas
Sr. Vice President & Cashier
Title

STATE OF NEW MEXICO) ss.
COUNTY OF QUAY

On this 26th day of January, 1987, before me personally appeared E. BRUCE THOMAS, SR. VICE PRESIDENT & CASHIER, 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.



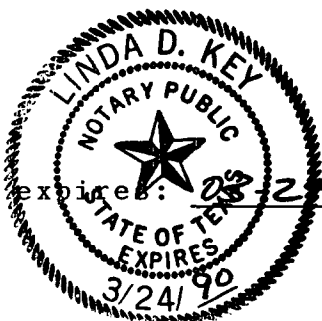
Judy K. Rusk
NOTARY PUBLIC

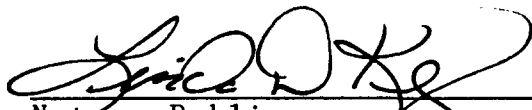
ATTACHED HERETO AND MADE A PART HEREOF ASSIGNMENT OF CASH COLLATERAL
DEPOSIT FOR THE STATE OF NEW MEXICO.

STATE OF TEXAS)
)
COUNTY OF TARRANT)

On this 16th day of January, 1987, before me personally appeared
T. R. Gallagher, to me known to be the person described in and
who executed the foregoing instrument and acknowledged that he
executed the same as his free act and deed.

In witness whereof, I have hereunto set my hand and seal on the
16th day and year in this certificate first above written.




Notary Public
Print Name: LINDA D KEY

My commission expires: 2-24-90