

STATE OF NEW MEXICO

\$50,000 BLANKET PLUGGING BOND

BOND NO. RLB0006476

File with the OIL CONSERVATION DIVISION, 1220 South St. Francis, Santa Fe, New Mexico 87505

KNOW ALL MEN BY THESE PRESENTS:

That Mesquite SWD, Inc., (an individual) (a general partnership) (a corporation, limited liability company or limited partnership organized in the State of New Mexico, and authorized to do business in the State of New Mexico), as PRINCIPAL, and RLI Insurance Company, a corporation organized and existing under the laws of the State of Illinois and authorized to do business in the State of New Mexico, as SURETY, are firmly bound unto the State of New Mexico for the use and benefit of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (or successor agency) (the DIVISION) pursuant to NMSA 1978, Section 70-2-14, as amended, in the sum of **Fifty Thousand Dollars (\$50,000)** for the payment of which the PRINCIPAL and SURETY hereby bind themselves and their successors, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, the PRINCIPAL has commenced or may commence the drilling of a well or wells to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals on privately owned or state owned lands within the State of New Mexico, or does own or operate, or may acquire, own or operate such a well or such wells, the identification and location of said wells being expressly waived by both PRINCIPAL and SURETY.

NOW, THEREFORE, if the PRINCIPAL and SURETY or either of them or their successors or assigns, or any of them, shall cause all of said wells to be properly plugged and abandoned when dry or when no longer productive or useful for other beneficial purpose, in accordance with the rules and orders of the of DIVISION, including but not limited to Rules 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 NMAC], as such rules now exist or may hereafter be amended;

THEN AND IN THAT EVENT, 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 30 days after receipt by the DIVISION of written notice of cancellation from the SURETY, the obligation of the SURETY shall terminate as to wells acquired, drilled or started, or of which PRINCIPAL assumes operation, after said 30-day period, but shall continue in effect, notwithstanding said notice, as to wells theretofore acquired, drilled, started or operated.

Mesquite SWD, Inc.
PRINCIPAL

RLI Insurance Company
SURETY

P.O. Box 481
Carlsbad, NM 88220
Address

8 Greenway Plaza, Suite 400
Houston, TX 77046
Address

By _____
Signature

By Greg E. Chilson
Greg E. Chilson, Attorney - In-Fact

Title

If PRINCIPAL is a corporation, affix corporate seal here.

Corporate surety affix corporate seal here.

BOND RIDER TO ASSUME LIABILITY

RIDER NO. 1

Attaching to and forming part of Blanket Bond, Bond No. RLB0006476 executed October 30, 2003 on behalf of Mesquite SWD, Inc. as Principal, in favor of State of New Mexico as Obligee, in the amount of Fifty Thousand and No/100 Dollars (\$50,000.00).

It is understood and agreed that effective October 30, 2003 this bond also extends to and covers all liability associated with the following bond:

<u>Bond No.</u>	<u>Surety</u>	<u>Executed</u>
RLB0000931	RLI Insurance Company	5-3-99
RLB0002266	RLI Insurance Company	8-25-00
RLB0005813	RLI Insurance Company	10-8-03
BO5990	Underwrites Indemnity Company	6-20-96
BO6531	Underwriters Indemnity Company	3-5-97
BO6532	Underwriters Indemnity Company	3-5-97
BO6533	Underwriters Indemnity Company	3-5-97

All other conditions and terms to remain as originally written.

Signed, sealed and dated this 30th day of October, 2003.

Mesquite SWD, Inc.

Principal

By: _____

RLI Insurance Company

Surety

By: Greg E. Chilson

Greg E. Chilson, Attorney-in-Fact

STATE OF NEW MEXICO
\$50,000 BLANKET PLUGGING BOND

BOND NO. RLB0010585

File with the OIL CONSERVATION DIVISION, 1220 South St. Francis, Santa Fe, New Mexico 87505

KNOW ALL MEN BY THESE PRESENTS:

That Mesquite SWD, Inc., (an individual - If dba, must read - Example: John Doe dba ABC Services) (a corporation) (a general partnership), (a limited liability company) (a limited partnership) organized in the State of New Mexico, and authorized to do business in the state of New Mexico, as PRINCIPAL, and RLI Insurance Company, a corporation organized and existing under the laws of the State of Illinois and authorized to do business in the State of New Mexico, as SURETY, are firmly bound unto the State of New Mexico for the use and benefit of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (or successor agency) (the DIVISION) pursuant to NMSA 1978, Section 70-2-14, as amended, in the sum of **Fifty Thousand Dollars (\$50,000)** for the payment of which the PRINCIPAL and SURETY hereby bind themselves and their successors, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, the PRINCIPAL has commenced or may commence the drilling of a well or wells to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or an injection or other service well or wells related to such exploration or production, on privately owned or state owned lands within the State of New Mexico, or does own or operate, or may acquire, own or operate such a well or such wells, the identification and location of said wells being expressly waived by both PRINCIPAL and SURETY.

*See Attached Rider.

NOW, THEREFORE, if the PRINCIPAL and SURETY or either of them or their successors or assigns, or any of them, shall cause all of said wells to be properly plugged and abandoned when dry or when no longer productive or useful for other beneficial purpose, in accordance with the rules and orders of the DIVISION, including but not limited to Rules 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 NMAC], as such rules now exist or may hereafter be amended;

THEN AND IN THAT EVENT, 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 30 days after receipt by the DIVISION of written notice of cancellation from the SURETY, the obligation of the SURETY shall terminate as to wells acquired, drilled or started, or of which PRINCIPAL assumes operation, after said 30-day period, but shall continue in effect, notwithstanding said notice, as to wells theretofore acquired, drilled, started or operated.

Mesquite SWD, Inc.
PRINCIPAL
P. O. Box 1479, Carlsbad, NM 88220
Address
By _____
Signature

Title

RLI Insurance Company
SURETY
9 Greenway Plaza, Suite 400
Houston, TX 77046
Address
By Greg E. Chilson
Attorney-in-Fact
Greg E. Chilson

If PRINCIPAL is a corporation, affix corporate seal here

Corporate surety affix corporate seal here

RIDER NO. 1

Attaching to and forming part of Blanket Plugging Bond, Bond No. RLB0010585, executed July 31, 2007, on behalf of Mesquite SWD, Inc. as Principal, in favor of the State of New Mexico as Obligee, in the amount of Fifty Thousand and No/100 Dollars (\$50,000.00).

It is understood and agreed that the above bond will cover the following well(s):

Dunaway #1 and #2 Brine Wells

All other conditions and terms to remain as originally written or previously amended by rider.

Signed, sealed and dated this 31st day of July 2007.

Mesquite SWD, Inc.
Principal

By: _____

RLI Insurance Company
8 Greenway Plaza, Suite 400
Houston, TX 77046

Surety

By:  _____

Greg E. Chilson, Attorney-in-Fact