# OIL CONSERVATION DIVISION

CASE NO. 14294

EXHIBIT 2

# STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST YESO ENERGY, INC. FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.7.24 NMAC, 19.15.8.9 NMAC AND 19.15.25.8 NMAC, REQUIRING OPERATOR TO PROPERLY PLUG AND ABANDON ALL ITS WELLS BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE AUTHORIZING THE DIVISION PLUG AND ABANDON THE WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE, EDDY, LEA AND CHAVES COUNTIES, NEW MEXICO.

**CASE NO. 14294** 

#### AFFIDAVIT OF DOROTHY PHILLIPS

STATE OF NEW MEXICO	)
	) SS
COUNTY OF SANTA FE	)

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

- 1. I have been employed as the bond administrator at the Santa Fe, New Mexico office of the Oil Conservation Division (OCD) since 1997.
- 2. My duties include maintaining records of financial assurance documents filed by operators pursuant to NMSA 1978, Section 70-2-14.

Case 14294 Yeso Energy, Inc. OCD Exhibit 2

- 3. I was asked to research the financial assurances posted by Yeso Energy, Inc., OGRID 221710, for the wells it operates.
- 4. OCD records identify Yeso Energy, Inc. as the operator of record for the following wells in New Mexico:

Connie C State #001, 30-015-25366, G-25-19S-28E

Connie C State #002, 30-015-02301, H-25-19S-28E

Connie C State #003, 30-015-25587, K-25-19S-28E

Connie C State #004, 30-015-25648, B-25-19S-28E

Connie C State #017, 30-015-02302, D-25-19S-28E

Dalton Federal #001, 30-015-25259, H-29-17S-29E

Dow B 28 Federal #001, 30-015-28676, P-28-17S-31E (pool 74605)

Dow B 28 Federal #001, 30-015-28676, P-28-17S-31E (pool 96591)

Gulf McKay Federal #001, 30-025-25471, N-34-18S-32E

Laguna Grande #001, 30-015-21636, I-28-23S-29E

Lambchop 20 #1, 30-015-27220, B-20-24S-25E

Morgan Federal #001, 30-005-20667, 3-6-10S-30E

Shirley Kay State #001, 30-015-25855, B-32-19S-31E

- 5. The records of the OCD identify the following financial assurances posted by Yeso Energy, Inc to secure the plugging and abandonment of the wells it operates:
  - a. Blanket surety bond No. B001414, \$50,000;
  - b. Single well surety bond No. B001614, \$5,000 for the Shirley K State #001;
  - c. Single well surety bond No. B001616, \$5,000 for the Connie C State #004; and
  - d. Single well surety bond No. B001615, \$5,000 for the Connie C State #003.
- 6. The financial assurances identified above are posted through U.S. Specialty Insurance Company, 13403 Northwest Freeway, Houston, TX 77040.
- 7. According to OCD records, the financial assurances identified above remain in full force and effect.

Copies of the financial assurances identified above are attached to this affidavit as 8. Exhibits A, B, C and D.

THIS CONCLUDES MY AFFIDAVIT

**Dorothy Phillips** 

SUBSCRIBED AND SWORN before me this 4th day of March 2009.

My Commission Expires:

#### STATE OF NEW MEXICO

### \$50,000 BLANKET PLUGGING BOND

	1	BOND NO.	B001414
		_	

File with the OIL CONSERVATION DIVISION, 1220 South St. Francis, Santa Fe, New Mexico 87505 KNOW ALL MEN BY THESE PRESENTS: That Yeso Energy, Inc. (an individual) (a general partnership) (a corporation, limited liability company or limited partnership organized in the State of New Mexico authorized to do business in the State of New Mexico), as PRINCIPAL, U.S. Specialty Insurance Company , a corporation organized and existing under the laws of the State of and authorized to do business in the State of New Mexico, as SURETY, Texas 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 snall 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. U.S. Specialty Insurance Company Yeso Energy, Inc. PRINCIPAL SURETY 13403 Northwest Freeway, P.O. Box 2248, Roswell, NM 88202 Houston, Texas 77040 Address W Signature Attorney - In-Fact W. Russell Brown, Jr. Title

If PRINCIPAL is a corporation, affix corporate seal here.

On t

Corporate surety affix corporate seal heal.

> Case 14294 Yeso Energy, Inc. OCD Exhibit 2-A

F1030

### ACKNOWLEDGMENT FORM FOR INDIVIDUAL

	STATE OF			÷	٠.	
	COUNTY OF)		•		* **	
		,				
	This instrument was acknowledge	ed before me on	,20	by		
				(Name	of Individual)	
			·. —	Notai	y Public	
	SEAL		•	•	•	
					**	
	My Commission Expires	•				
	ACUNOMI EDOMENT FORM FOR	DADTNICHCH	ID CODDOD	TION OR I	IMATERIA LA	IL ITTY COMPAN
	ACKNOWLEDGMENT FORM FOR	PAKINERSH	IP, CORPORA	THON OR E	IMHTED LIBA	ALITY COMPA
	STATE OF <u>New Mexico</u> ) ss.					•
	STATE OF <u>New Mexico</u> )  COUNTY OF <u>CHAVES</u> )					
	This instrument was acknowledge	ed before me on	<u>/-/8</u> ,20	25 by <i>H04</i>	T E. Lec	
	as President		of Yeso En	Name) <i>PLIGY, JNC</i>	of Person Signing Ir	nstrument)
	(Capacity, e.g., partner, president, manager, member	er)				ity company)
ί,			<u> </u>	tty L.	Irest	
٠.	SEAL			Notary Pu	blic	
•.	i i					
	My Commission Expires	•			r	
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	· ACKNO	WLEDGMEN'	T FORM FOR	CORPORA	TE SURETY	
	STATE OFTexas)	STATE BY PURE	MOLLY M. BAT	TENFIELD		
	COUN'TY OF Harris )	*	Notary Public, St My Commissi	on Expires		
	,	The state of the s	December	19, 2007		
	This instrument was acknowledge	ed before me on	12/22 ,20	04 by W. Ru	ssell Brown, Jr.	
	as Attorney-in-Fact for U.S. Specialty In			(Name	of Attorney in fact)	
	(Name of corporate	surety)		2	-	
			Ohm	2 Darle		
	SEAL		Notary P	ublic /	X	
					•	•
	December 19, 2007  My Commission Expires					
				v		
	Corporate surety attach power of attorn	iey				

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

Date 4/12/05

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

#### Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the Executive Vice President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indenmity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

In Witness Whereof, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its Executive Vice President, and its corporate seal to be hereto affixed this 13<sup>th</sup> of December, 2004.

Corporate Seal

State of Texas

County of Harris

U. S. SPECIALTY INSURANCE COMPANY

Ву

Edward H. Ellis, Jr., Executive Vice President

On this 13th of December, 2004 before me personally came Edward H. Ellis, Jr., to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is Executive Vice President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.



\_. Notary Public

My commission expires 10-17-15

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 22nd day of December , 2004.

Corporate Seal

Christopher L. Martin, Secretary

In accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), this disclosure notice is provided for surety bonds on which U.S. Specialty Insurance Company is the issuing surety.

The premium attributable to any bond coverage for "acts of terrorism" as defined in Section 102(1) of the Act is Zero Dollars (\$0.00).

The United States will reimburse the Issuing Sureties for ninety percent (90%) of any covered losses from terrorist acts certified under the Act exceeding the applicable surety deductible.

The actual coverage provided by your bond for acts of terrorism, as is true for all coverages, is limited by the terms, conditions, exclusions, penalties, limits, other provisions of your bond and the underlying contract, any endorsements to the bond and generally applicable rules of law. This Important Notice Regarding Terrorism Insurance Risk Act of 2002 is for informational purposes only and does not create coverage nor become a part or condition of the attached document.

#### STATE OF NEW MEXICO

#### ONE-WELL PLUGGING BOND

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

BOND NO.	B001614	
AMOUNT OF BOND	\$5,000.00	-
COUNTY	Eddy	_

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00\* For wells 5,000 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, e.g., a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 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 Division, 1220 South Saint F	rancis, Santa Fe, NM 87505
KNOW ALL MEN BY THESE PRESENTS:	
That Yeso Energy, Inc. , (a limited liability company or limited partnership organized in the State the State of New Mexico), as PRINCIPAL, and U.S. Specialty In organized and existing under the laws of the State of Texas of New Mexico, as SURETY, are firmly bound unto the State Conservation Division of the Energy, Minerals and Natural Resource pursuant to NMSA 1978, Section 70-2-14, as amended, in the sum which the PRINCIPAL and SURETY hereby bind themselves, their these presents.	and authorized to do business in the State of New Mexico, for the use and benefit of the Oil ces Department (or successor agency) (the DIVISION), of Five Thousand and no/100, for the payment of
The conditions of this obligation are such that:	
WHEREAS, the PRINCIPAL has commenced or may commenced or	gas, carbon dioxide gas, helium gas or brine minerals,
Shirley K St. #1 , lo	cated 660' feet from the South (North/South)
(Name of well) line and 1980' feet from the East (East/West) (South), Range 31 (East) (XXXXX), NMPM, Eddy	line of Section 32 Township 19 (MXXKKX)  County, New Mexico.
NOW, THEREFORE, if the PRINCIPAL and SURETY or them, shall cause said well to be properly plugged and abandoned other beneficial purpose, in accordance with the rules and orders o 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 NMAC], as seen the same of the principal statement of the principal	when dry or when no longer productive or useful for f the DIVISION, including but not limited to Rules
THEN AND IN THAT EVENT, this obligation shall be compliance with any and all of said obligations, the same shall rema	
Yeso Energy, Inc.	U.S. Specialty Insurance Company
PRINCIPAL	SURETY
By V Signature	Attorney-In-Fact W. Russell Brown, Jr.
Title	

If PRINCIPAL is a corporation, affix

corporate seal here.

Case 14294 Yeso Energy, Inc. OCD Exhibit 2-B

Corporate surety affix

corporate seal here.

# ACKNOWLEDGMENT FORM FOR INDIVIDUAL

STATE OF			
county of		·	· ·
		•	·
This instrument was acknowledged before m	ie on,20 l		
	·	(Name of Individual)	
		Notary Public	· · · · · · · · · · · · · · · · · · ·
SEAL		riotary rubite	
		•	
My Commission Expires		· .	
A GUNGANI EN CALENT FORM FOR DARRIVER	OUID CORPORATIO	V OD LINATOD I I	
ACKNOWLEDGMENT FORM FOR PARTNERS	SHIP, CORPORATIC	ON OR LIMITED LIE	BAILTLY COMPANY
STATE OF NEW MEXICO			•
COUNTY OF EDDY )		. *	
This instrument was acknowledged before m	e on <u>4/26</u> ,20 <u>05</u> 1		
as President	of YESO ENER	(Name of Person Signi RGY • INC • a New	ng Instrument) Mexico corporati
(Capacity, e.g., partner, president, manager, member)	(Name of partner	ship, corporation or limited l	iability company)
For Marine	Su	Clemberton	
CEM X		Notary Public	
SERVE CAN PERSON	· .		•
October 29, 2008 My Commission Expires	,	. F	•
Wiy Commission Expires			
ACKNOWLEDGM	ENT FORM FOR CO	ORPORATE SURET	
STATE OF Texas )			
SS.			
COUNTY OF Hams			
This instrument was calcounted and before m	on April 26 2005 1	<sub>ov</sub> W. Russell Brown, .	lr
This instrument was acknowledged before m	•	(Name of Attorney in	
as Attorney-in-Fact for U.S. Specialty Insurance C (Name of corporate surety)	ompany		
		£ 10 a	
	N/Z	lic	,
	Notary Publ		
SEAL	Notary Publ	Drawbara	O A DRV
January 6, 2008	Notary Publ	PR and Paris	DIANE E. CARRY tary Public, State of Texas
	Notary Publ	PR and Paris	DIANE E. CAREY tary Public, State of Texas My Commission Expires January 06, 2008

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

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(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

#### Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the Executive Vice President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

In Witness Whereof, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its Executive Vice President, and its corporate seal to be hereto affixed this 15th day of March, 2005.

Corporate Seal	U. S. SPECIALTY INSURANCE COMPANY
	Ву
State of Texas	- ten
County of Harris ss:	Edward H. Ellis, Jr., Executive Vice President

On this 15<sup>th</sup> day of March, 2005 before me personally came Edward H. Ellis, Jr., to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is Executive Vice President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary State SHERRI GIBSON

MY COMMISSION EXPIRES

October 17, 2005

My commission expires 10-17-35

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In	Witness	Whereof,	I have	hereunto	set	my	hand	and	affixed	the	seal	of	said	Company at	Houston,	Texas th	nis _	26th	day	of
					•									12	`	1.0				

Corporate Seal

Christophe L. Martin, Secretary

In accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), this disclosure notice is provided for surety bonds on which U.S. Specialty Insurance Company is the issuing surety.

The premium attributable to any bond coverage for "acts of terrorism" as defined in Section 102(1) of the Act is Zero Dollars (\$0.00).

The United States will reimburse the Issuing Sureties for ninety percent (90%) of any covered losses from terrorist acts certified under the Act exceeding the applicable surety deductible.

The actual coverage provided by your bond for acts of terrorism, as is true for all coverages, is limited by the terms, conditions, exclusions, penalties, limits, other provisions of your bond and the underlying contract, any endorsements to the bond and generally applicable rules of law. This Important Notice Regarding Terrorism Insurance Risk Act of 2002 is for informational purposes only and does not create coverage nor become a part or condition of the attached document.

YOU SHOULD KNOW THAT COVERAGE PROVIDED BY THIS POLICY, IF WRITTEN, FOR LOSSES CAUSED BY CERTIFIED ACTS OF TERRORISM, WILL BE EXCLUDED IF THE U.S. GOVERNMENT FAILS TO ENACT AN EXTENSION TO TRIA OR ENACTS CHANGES TO TRIA THAT SUBSTANTIALLY CHANGE THE RISK OF LOSS THAT AN INSURER OR POLICYHOLDER HAS ASSUMED.

# SURETY RIDER

		f Bond No. <u>B001614</u> on behalf of
		principal and executed by U.S. Specialty
<u>Insurance</u>	Company , as	surety.
	ate of bond: 04/	<del>-</del>
	ation of the mutual agre- by consent to the follow	ement herein contained, the principal and the ing changes:
The _	legal description	changed from:
	•	ed 660' feet from the South line and 1980' feet ection 32, Township 19 South, Range 31 East, New Mexico
<u>TO</u> :		
	feet from the East lin	ted 660' feet from the North line and 1980' e of Section 32, Township 19 South, Range y County, New Mexico
_	rein contained shall vary scept as herein expressly	, alter, or extend any provision or condition of stated.
SIGNED S	FALED AND DATED	THIS: April 29, 2005
	endeb in to british	
Yeso Energ	gy, Inc.	U.S. Specialty Insurance Company
Name of Pr	incipal Due Lu	Name of Surety
Signaturė		Signature
1118.68	ve Lee, thes	W. Russell Brown, Jr. Attorney-in-Fact
	itle of person	Name and title of person
executing fo	or Principal	executing for Surety

In accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), this disclosure notice is provided for surety bonds on which U.S. Specialty Insurance Company is the issuing surety.

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(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

#### Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the Executive Vice President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

In Witness Whereof, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its Executive Vice President, and its corporate seal to be hereto affixed this 15th day of March, 2005.

Corporate Seal		U. S. SPECIALTY INSURANCE COMPANY
		Ву
State of Texas	e e e e e e e e e e e e e e e e e e e	- tem
County of Harris	SS:	Edward H. Ellis, Jr., Executive Vice President

On this 15<sup>th</sup> day of March, 2005 before me personally came Edward H. Ellis, Jr., to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is Executive Vice President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Not ry SHERRI GIBSON

MY COMMISSION EXPIRES

October 17, 2005

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

Notary Public

My commission expires 10-17-05

		•														
In	Witness	Whereof,	I have hereur	to set my	hand	and	affixed	the	seal	of	said	Company at	Houston,	Texas this	10th	day of
	May		, 20 05.	•		•						<u> </u>	\		:	

Corporate Seal

Christopher L. Martin, Secretary

B001616

BOND NO.\_ AMOUNT OF BOND \$5,000.00 COUNTY Eddy

## STATE OF NEW MEXICO

### ONE-WELL PLUGGING BOND

# For CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES <u>ONLY</u>

For wells 5,000 to 10,000 feet deep, the minin For wells more than 10,000 feet deep, the minin	num bond is \$7,500.00*
*Under certain conditions, a well being drilled under a as much as 500 feet deeper than the normal maximum depth, permitted to go to 5,500 feet and a well being drilled under a \$Rule 101)	
File with Oil Conservation Division, 1220 South Said	nt Francis, Santa Fe, NM 87505
KNOW ALL MEN BY THESE PRESENTS:	
That Yeso Energy, Inc.  Ilimited liability company or limited partnership organized in the the State of New Mexico), as PRINCIPAL, and U.S. Specialtorganized and existing under the laws of the State of Text of New Mexico, as SURETY, are firmly bound unto the S Conservation Division of the Energy, Minerals and Natural Respursuant to NMSA 1978, Section 70-2-14, as amended, in the which the PRINCIPAL and SURETY hereby bind themselves, these presents.	y Insurance Company , a corporation as and authorized to do business in the State tate of New Mexico, for the use and benefit of the Oil sources Department (or successor agency) (the DIVISION), sum of Five Thousand and no/100, for the payment of
The conditions of this obligation are such that:	
	commence the drilling of one well to a depth not to exceed il or gas, carbon dioxide gas, helium gas or brine minerals, ll, the identification and location of said well being:
	, located 990' feet from the North (North/South)
(Name of well) line_and1980'feet_from_theEast(East/Well) (South), Range_28(East) (XXXXX), NMPM,Eddy	County, New Mexico.
NOW, THEREFORE, if the PRINCIPAL and SURET them, shall cause said well to be properly plugged and abando other beneficial purpose, in accordance with the rules and orde 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 NMAC],	rs of the DIVISION, including but not limited to Rules
THEN AND IN THAT EVENT, this obligation shall compliance with any and all of said obligations, the same shall r	Il be null and void; otherwise and in default of complete emain in full force and effect.
Yeso Energy, Inc.	U.S. Specialty Insurance Company
PRINCIPAL	SURETY
PO Box 8280, Roswell, Nivi 88202-8280  Address  By  Signature	13403 Northwest Freeway, Houston, Texas 77056  Attorney in-Fact
1 Pres.	W. Russell Brown, Jr.
Title  If PRINCIPAL is a corporation, affix	Corporate surety affix
corporate seal here.	corporate seal here.

Case 14294 Yeso Energy, Inc. OCD Exhibit 2-C

### ACKNOWLEDGMENT FORM FOR INDIVIDUAL

This instrument was acknowledged before me on	STATE OF					•
Notary Public  SEAL  My Commission Expires  ACKNOWLEDGMENT FORM FOR PARTNERSHIP, CORPORATION OR LIMITED LIBARLITY COMPANY STATE OF NEW MEXICO SS. COUNTY OF EDDY  This instrument was acknowledged before me on 4/26 2005 by H. E. Gene Lee (Name of Person Signing Instrument) (Name of partnership, corporation or limited liability company)  SEAL  October 29, 2008 My Commission Expires  ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF Texas COUNTY OF Harris  SS.  This instrument was acknowledged before me on April 26, 2005 by W. Russell Brown, Jr. (Name of Attorney-in-Fact for U.S. Specially Insurance Company (Name of Company)  Notary Public  DANCE CAREY Notary Public  SEAL January 6, 2008	COUNTY OF	)				
Notary Public  SEAL  My Commission Expires  ACKNOWLEDGMENT FORM FOR PARTNERSHIP, CORPORATION OR LIMITED LIBARLITY COMPANY STATE OF NEW MEXICO SS. COUNTY OF EDDY  This instrument was acknowledged before me on 4/26 2005 by H. E. Gene Lee (Name of Person Signing Instrument) (Name of partnership, corporation or limited liability company)  SEAL  October 29, 2008 My Commission Expires  ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF Texas COUNTY OF Harris  SS.  This instrument was acknowledged before me on April 26, 2005 by W. Russell Brown, Jr. (Name of Attorney-in-Fact for U.S. Specially Insurance Company (Name of Company)  Notary Public  DANCE CAREY Notary Public  SEAL January 6, 2008	This instrument was	s acknowledged bef	ore me on	,20 by		
ACKNOWLEDGMENT FORM FOR PARTNERSHIP, CORPORATION OR LIMITED LIBAILITY COMPANY  STATE OF NEW MEXICO SS.  COUNTY OF EDDY  This instrument was acknowledged before me on 4/26 2005by R. E. Gene Lee (Name of Person Signing Instrument)  ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF Texas  COUNTY OF Harris  SS.  COUNTY OF Harris  SS.  This instrument was acknowledged before me on April 26, 2005 by W. Russell Brown, Jr. (Name of Attorney in fact)  AND Combined Person Signing Instrument Person Si	•	i		(Nan	ne of Individual)	
ACKNOWLEDGMENT FORM FOR PARTNERSHIP, CORPORATION OR LIMITED LIBAILITY COMPANY  STATE OF NEW MEXICO SS.  COUNTY OF EDDY  This instrument was acknowledged before me on 4/26 2005by H. E. Gene Lee (Name of Person Signing Instrument)  This instrument was acknowledged before me on 4/26 Name of Person Signing Instrument)  (Supecity, e.g., partner; president, manager, member)  (Name of partnership, corporation or limited inhibity company)  SEAL October 29, 2008  My Commission Expires  ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF Texas  COUNTY OF Harris  SS.  COUNTY OF Harris  SS.  COUNTY OF U.S. Specialty Insurance Company (Name of curporate surety)  DIANE E. CAREY Notary Public Notary Public  DIANE E. CAREY Notary Public Notary Public SEAL January 6, 2008		1	•	·		
ACKNOWLEDGMENT FORM FOR PARTNERSHIP, CORPORATION OR LIMITED LIBAILITY COMPANY STATE OF NEW MEXICO  SS.  COUNTY OF EDDY  This instrument was acknowledged before me on 4/262005by _H. E. Gene Lee (Name of Person Signing Instrument) (Name of partnership, corporation or limited liability company)  ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF	SEAL			No	ary Public	
ACKNOWLEDGMENT FORM FOR PARTNERSHIP, CORPORATION OR LIMITED LIBAILITY COMPANY  STATE OF NEW MEXICO SS.  COUNTY OF EDDY  This instrument was acknowledged before me on 4/26 2005by H. E. Gene Lee (Name of Person Signing Instrument)  SFAU  OCTOBER 29, 2008 My Commission Expires  ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF Texas  COUNTY OF Harris  SS.  This instrument was acknowledged before me on April 26, 2005 by W. Russell Brown, Jr. (Name of Attorney in Fact for U.S. Specialty Insurance Company (Name of Corporate surety)  DIANE E. CARY (Name of Attorney in fact)  DIANE E. CARY NOTATION OF LIMITED LIBAILITY COMPANY  STATE OF New MEXICO (Name of Attorney in fact)  DIANE E. CARY (Name of Attorney in fact)  DIANE E. CARY NOTATY Public  DIANE E. CARY NOTATY Public NOTATY Public  DIANE E. CARY NOTATY Public NOTATY Public  DIANE E. CARY NOTATY Public	JENE .					
ACKNOWLEDGMENT FORM FOR PARTNERSHIP, CORPORATION OR LIMITED LIBAILITY COMPANY  STATE OF NEW MEXICO SS.  COUNTY OF EDDY  This instrument was acknowledged before me on 4/26 2005by H. E. Gene Lee (Name of Person Signing Instrument)  SFAU  OCTOBER 29, 2008 My Commission Expires  ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF Texas  COUNTY OF Harris  SS.  This instrument was acknowledged before me on April 26, 2005 by W. Russell Brown, Jr. (Name of Attorney in Fact for U.S. Specialty Insurance Company (Name of Corporate surety)  DIANE E. CARY (Name of Attorney in fact)  DIANE E. CARY NOTATION OF LIMITED LIBAILITY COMPANY  STATE OF New MEXICO (Name of Attorney in fact)  DIANE E. CARY (Name of Attorney in fact)  DIANE E. CARY NOTATY Public  DIANE E. CARY NOTATY Public NOTATY Public  DIANE E. CARY NOTATY Public NOTATY Public  DIANE E. CARY NOTATY Public	My Commission Evnires					•
STATE OF NEW MEXICO  SS.  COUNTY OF EDDY  This instrument was acknowledged before me on 4/26 2005by H. E. Cene Lee (Name of Person Signing Instrument)  (Name of Person Signing Instrument)  Of YESO ENERGY, INC., a New Mexico corporation (Name of partnership, corporation or limited liability company)  SFAU  October 29, 2008  My Commission Expires  ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF Texas  COUNTY OF Harris  This instrument was acknowledged before me on April 26, 2005 by W. Russell Brown, Jr. (Name of Attorney in fact)  This instrument was acknowledged before me on April 26, 2005 by W. Russell Brown, Jr. (Name of Attorney in fact)  SEAL  January 6, 2008	wy Commission Expires					
STATE OF NEW MEXICO  SS.  COUNTY OF EDDY  This instrument was acknowledged before me on 4/26 2005by H. E. Cene Lee (Name of Person Signing Instrument)  ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF Texas  COUNTY OF Harris  This instrument was acknowledged before me on April 26, 2005 by W. Russell Brown, Jr. (Name of Attorney in fact)  ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF Texas  COUNTY OF Harris  SS.  This instrument was acknowledged before me on April 26, 2005 by W. Russell Brown, Jr. (Name of Attorney in fact)  Notary Public  DIANE E. CAREY Notary Public						•
STATE OF NEW MEXICO  SS.  COUNTY OF EDDY  This instrument was acknowledged before me on 4/26 2005by H. E. Cene Lee (Name of Person Signing Instrument)  (Name of Person Signing Instrument)  Of YESO ENERGY, INC., a New Mexico corporation (Name of partnership, corporation or limited liability company)  SFAU  October 29, 2008  My Commission Expires  ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF Texas  COUNTY OF Harris  This instrument was acknowledged before me on April 26, 2005 by W. Russell Brown, Jr. (Name of Attorney in fact)  This instrument was acknowledged before me on April 26, 2005 by W. Russell Brown, Jr. (Name of Attorney in fact)  SEAL  January 6, 2008	ACKNOWLEDGMENT F	ORM FOR PART	NERSHIP, CÓR	PORATION OR	LIMITED LIBA	LITY COMPANY
This instrument was acknowledged before me on 4/262005byH. E. Gene Lee						
This instrument was acknowledged before me on 4/262005byH. E. Gene Lee	STATE OF NEW MEXIC					
ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF	COUNTY OF EDDY	)				
ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF						
ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF	This instrument was	s acknowledged bef	ore me on 4/26	.2005bv н.	E. Gene Lee	•
(Name of partnership, corporation or limited liability company)  ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF	7 7	, acimo magga est		(Nar	ne of Person Signing I	nstrument)
SEAL  January 6, 2008  My Commission Expires  ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF Texas  Ss.  COUNTY OF Harris  U.S. Specialty Insurance Company (Name of Attorney in fact)  DIANE E. CAREY Notary Public State of Texas My Commission Expires January 6, 2008	as Presid	ent	of YESO	ENERGY, INC.	, a New Mexi	<u>co corporation</u>
ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF	(Corpacity 2 e.g., parties, president	, manager, memoer)		fine or partnersing, corp	A c	my company)
ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF	The state of the s	· . !	· · ·	Jue C,	Cembert	·
ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF Texas Ss.  COUNTY OF Harris Ss.  This instrument was acknowledged before me on April 26, 2005 by W. Russell Brown, Jr. (Name of Attorney in fact)  as Attorney-in-Fact for U.S. Specialty Insurance Company (Name of corporate surety)  SEAL  January 6, 2008	CENTS	4.		Notary I	ublic	
ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF Texas Ss.  COUNTY OF Harris Ss.  This instrument was acknowledged before me on April 26, 2005 by W. Russell Brown, Jr. (Name of Attorney in fact)  as Attorney-in-Fact for U.S. Specialty Insurance Company (Name of corporate surety)  SEAL  January 6, 2008	Or.					
ACKNOWLEDGMENT FORM FOR CORPORATE SURETY  STATE OF Texas SS.  COUNTY OF Harris SS.  This instrument was acknowledged before me on April 26, 2005 by W. Russell Brown, Jr. (Name of Attorney in fact)  as Attorney-in-Fact for U.S. Specialty Insurance Company (Name of corporate surety)  SEAL  January 6, 2008						
STATE OF Texas  SS.  COUNTY OF Harris  This instrument was acknowledged before me on April 26, 2005 by W. Russell Brown, Jr.  (Name of Attorney in fact)  SEAL  January 6, 2008	My Commission Expires		•			
STATE OFTexas			·			,
STATE OFTexas	•		•			
This instrument was acknowledged before me on April 26, 2005 by W. Russell Brown, Jr.  (Name of Attorney in fact)  SEAL  January 6, 2008		ACKNOWLE	DGMENT FORM	M FOR CORPOR	ATE SURETY	
This instrument was acknowledged before me on April 26, 2005 by W. Russell Brown, Jr.  (Name of Attorney in fact)  SEAL  January 6, 2008	STATE OFTexas	)	•			
This instrument was acknowledged before me on April 26, ,2005 by W. Russell Brown, Jr.  (Name of Attorney in fact)  SEAL  January 6, 2008  W. Russell Brown, Jr.  (Name of Attorney in fact)  DIANE E. CAREY  Notary Public  My Commission Expires  January 06, 2008	Harris	SS.				
as Attorney-in-Fact for U.S. Specialty Insurance Company (Name of corporate surety)  SEAL  January 6, 2008  (Name of Attorney in fact)  DIANE E. CAREY Notary Public, State of Texas My Commission Expires January 06, 2008	COUNTY OF TIAITIS	_)				
as Attorney-in-Fact for U.S. Specialty Insurance Company (Name of corporate surety)  SEAL  January 6, 2008  (Name of Attorney in fact)  DIANE E. CAREY Notary Public State of Texas My Commission Expires January 06, 2008						
SEAL  January 6, 2008  U.S. Specialty Insurance Company (Name of corporate surety)  DIANE E. CAREY Notary Public My Commission Expires January 06, 2008	This instrument was	s acknowledged bef	ore me on April 2	26, ,2005 by W. F		
Notary Public DIANE E. CAREY Notary Public, State of Texas My Commission Expires January 6, 2008	as Attorney-in-Fact for	J.S. Specialty Insura	nce Company	(Nan	ne of Attorney in fact	•
SEAL  January 6, 2008  Notary Public, State of Texas My Commission Expires January 06, 2008				$\mathcal{L}$		·
SEAL  January 6, 2008  Notary Public, State of Texas My Commission Expires January 06, 2008		*	<u>_</u>	Totary Public Swift	DIANE	CAREY
January 6, 2008 January 06, 2008	SEAL		• •	The state of the s	Notary Public	, State of Texas
		21			lonuar	V 04 2008
,	January 6, 2008	2		11 765.	or Januar	, 00, 2000

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By David K. Broths

Date 5/5/05

In accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), this disclosure notice is provided for surety bonds on which U.S. Specialty Insurance Company is the issuing surety.

The premium attributable to any bond coverage for "acts of terrorism" as defined in Section 102(1) of the Act is Zero Dollars (\$0.00).

The United States will reimburse the Issuing Sureties for ninety percent (90%) of any covered losses from terrorist acts certified under the Act exceeding the applicable surety deductible.

The actual coverage provided by your bond for acts of terrorism, as is true for all coverages, is limited by the terms, conditions, exclusions, penalties, limits, other provisions of your bond and the underlying contract, any endorsements to the bond and generally applicable rules of law. This Important Notice Regarding Terrorism Insurance Risk Act of 2002 is for informational purposes only and does not create coverage nor become a part or condition of the attached document.

YOU SHOULD KNOW THAT COVERAGE PROVIDED BY THIS POLICY, IF WRITTEN, FOR LOSSES CAUSED BY CERTIFIED ACTS OF TERRORISM, WILL BE EXCLUDED IF THE U.S. GOVERNMENT FAILS TO ENACT AN EXTENSION TO TRIA OR ENACTS CHANGES TO TRIA THAT SUBSTANTIALLY CHANGE THE RISK OF LOSS THAT AN INSURER OR POLICYHOLDER HAS ASSUMED.

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

#### Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the Executive Vice President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

In Witness Whereof, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its Executive Vice President, and its corporate seal to be hereto affixed this 15th day of March, 2005.

Corporate Seal

U. S. SPECIALTY INSURANCE COMPANY
By

State of Texas

County of Harris ss:

Edward H. Ellis, Jr., Executive Vice President

On this 15<sup>th</sup> day of March, 2005 before me personally came Edward H. Ellis, Jr., to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is Executive Vice President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary SHERRI GIBSON
MY COMMISSION EXPIRES
October 17, 2005

My commission expires 10-17-05

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 26th day of April \_\_\_\_\_\_, 20 05.

Corporate Seal

Christophe L. Martin, Secretary

BOND NO. **B001615** 

AMOUNT OF BOND \$5,000.00 COUNTY Eddy

## STATE OF NEW MEXICO

## ONE-WELL PLUGGING BOND

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

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00\*

For wells more than 10,000 feet deep, the minimum bond is \$1,000.00	
*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be as much as 500 feet deeper than the normal maximum depth, e.g., a well being drilled under a \$5,000.00 bond permitted to go to 5,500 feet and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet Rule 101)	may be
File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, NM 87505	
KNOW ALL MEN BY THESE PRESENTS:	
That Yeso Energy, 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 bus the State of New Mexico), as PRINCIPAL, and U.S. Specialty Insurance Company , a corporate 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 firmly bound unto the State of New Mexico, for the use and benefit of Conservation Division of the Energy, Minerals and Natural Resources Department (or successor agency) (the DIVI pursuant to NMSA 1978, Section 70-2-14, as amended, in the sum of Five Thousand and no/100, for the payr which the PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, fir these presents.	iness in ion ion se State the Oil SION), innert of
The conditions of this obligation are such that:	
	avasad
WHEREAS, the PRINCIPAL has commenced or may commence the drilling of one well to a depth not to feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine m	
or does own or operate, or may acquire, own or operate such well, the identification and location of said well being:	
Connie C State #3 , located 1930' feet from the North/South	ı) .
(Name of well) line and 1650' feet from the West (East/West) line of Section 25 Township 19 (South), Range 28 (East) (West), NMPM, Eddy County, New Mexico.	(XRKMX)
NOW, THEREFORE, if the PRINCIPAL and SURETY or either of them, or their successors or assigns or them, shall cause said well to be properly plugged and abandoned when dry or when no longer productive or use other beneficial purpose, in accordance with the rules and orders of the DIVISION, including but not limited to 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 NMAC], as such rules now exist or may hereafter be ame	eful for Rulės
THEN AND IN THAT EVENT, this obligation shall be null and void; otherwise and in default of compliance with any and all of said obligations, the same shall remain in full force and effect.	omplete
Yeso Energy, Inc. U.S. Specialty Insurance Comp	any
PRINCIPAL SURETY	
By / Address  Signature  Signature  W. Russell Browp, Jr.	xas 77056
Title	
If PRINCIPAL is a corporation, affix  Corporate surety affix	

Case 14294 Yeso Energy, Inc. OCD Exhibit 2-D

## ACKNOWLEDGMENT FORM FOR INDIVIDUAL

This instrument was acknowle  SEAL  My Commission Expires  ACKNOWLEDGMENT FORM FORM  STATE OF NEW MEXICO  COUNTY OF EDDY			(Name of Individual)  Notary Public	ΓΥ COMPANY
This instrument was acknowle  SEAL  My Commission Expires  ACKNOWLEDGMENT FORM FORM  STATE OF NEW MEXICO	R PARTNERSHII		(Name of Individual)  Notary Public	ΓΥ COMPANY
SEAL  My Commission Expires  ACKNOWLEDGMENT FORM FORM STATE OF NEW MEXICO )	R PARTNERSHII		(Name of Individual)  Notary Public	ΓΥ COMPANY
SEAL  My Commission Expires  ACKNOWLEDGMENT FORM FORM STATE OF NEW MEXICO )	R PARTNERSHII		(Name of Individual)  Notary Public	ΓΥ COMPANY
My Commission Expires  ACKNOWLEDGMENT FORM FOR STATE OF NEW MEXICO		P, CORPORATIO	•	ΓΥ COMPANY
My Commission Expires  ACKNOWLEDGMENT FORM FOR STATE OF NEW MEXICO		P, CORPORATIO	•	ΓΥ COMPANY
My Commission Expires  ACKNOWLEDGMENT FORM FOR STATE OF NEW MEXICO		P, CORPORATIO	ON OR LIMITED LIBAILI	ΓΥ COMPANY
ACKNOWLEDGMENT FORM FOR STATE OF NEW MEXICO		P, CORPORATIO	ON OR LIMITED LIBAILI	ΓΥ COMPANY
ACKNOWLEDGMENT FORM FOR STATE OF NEW MEXICO		P, CORPORATIO	ON OR LIMITED LIBAILI	TY COMPANY
STATE OF NEW MEXICO )		P, CORPORATIO	ON OR LIMITED LIBAILI'	ΓΥ COMPANY
STATE OF NEW MEXICO )		P, CORPORATIO	ON OR LIMITED LIBAILI	TY COMPANY
STATE OF NEW MEXICO )		P, CORPORATIO	ON OR LIMITED LIBAILI	TY COMPANY
	SS.			
	SS.	•		
COUNTY OF EDDY				
TO TO See an interest				
This instrument was acknowle	dged before me on	<u>4/26</u> ,2005 l	y H. E. Gene Lee	
as An Aresident		t Arco, Enroca	(Name of Person Signing Instru	
(Capacity, e.g., partner, president, manager, m	ember)	(Name of partner	INC., a New Mexico	company)
232 My 100/5		$A_{\bullet}$	· Clamberton	
			Notary Public	
SEAL				
October 29, 2008				
My Commission Expires				
		· · · · · · · · · · · · · · · · · · ·		
·	•			
ACKI	NOWLEDGMENT	FORM FOR CO	PRPORATE SURETY	
STATE OF Texas				
STATE OF Texas ss.				
COUNTY OF Harris				
This instrument was acknowle	dged before me on	April 26, 2005-	W. Russell Brown, Jr.	
			(Name of Attorney in fact)	
as Attorney-in-Fact for U.S. Specia (Name of corp	ty Insurance Compa	any /	00	
	i		t / /	
		Notary Publ	ic	
SEAL				
January 6, 2009			DIANE Notary Pur	E. CAREY olic, State of Texas
January 6, 2008  My Commission Expires			My Com	mission Expires
•			Janua Janua	ary 06, 2008
Corporate Surety attach Power of Attorn	iey			

OIL CONSERVATION DIVISION OF NEW MEXICO

By KJava K. 17

Date 12/6/05

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

#### Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the Executive Vice President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

In Witness Whereof, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its Executive Vice President, and its corporate seal to be hereto affixed this 15<sup>th</sup> day of March, 2005.

Corporate Seal	U. S. SPECIALTY INSURANCE COMPANY
	Ву
$\epsilon$	
State of Texas	
County of Hartis & ss:	Edward H. Ellis, Jr., Executive Vice President

On this 15<sup>th</sup> day of March, 2005 before me personally came Edward H. Ellis, Jr., to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is Executive Vice President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notery SHERRI GIBSON
MY COMMISSION EXPIRES
October 17, 2005

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 26th day of April , 20 05.

Corporate Seal

Christophe L. Martin, Secretary

In accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), this disclosure notice is provided for surety bonds on which U.S. Specialty Insurance Company is the issuing surety.

The premium attributable to any bond coverage for "acts of terrorism" as defined in Section 102(1) of the Act is Zero Dollars (\$0.00).

The United States will reimburse the Issuing Sureties for ninety percent (90%) of any covered losses from terrorist acts certified under the Act exceeding the applicable surety deductible.

The actual coverage provided by your bond for acts of terrorism, as is true for all coverages, is limited by the terms, conditions, exclusions, penalties, limits, other provisions of your bond and the underlying contract, any endorsements to the bond and generally applicable rules of law. This Important Notice Regarding Terrorism Insurance Risk Act of 2002 is for informational purposes only and does not create coverage nor become a part or condition of the attached document.

YOU SHOULD KNOW THAT COVERAGE PROVIDED BY THIS POLICY, IF WRITTEN, FOR LOSSES CAUSED BY CERTIFIED ACTS OF TERRORISM, WILL BE EXCLUDED IF THE U.S. GOVERNMENT FAILS TO ENACT AN EXTENSION TO TRIA OR ENACTS CHANGES TO TRIA THAT SUBSTANTIALLY CHANGE THE RISK OF LOSS THAT AN INSURER OR POLICYHOLDER HAS ASSUMED.

# SURETY RIDER

To be attached to and form a part of I	Bond No. <u>B001615</u> on behalf of
Yeso Energy, Inc.	_, as principal and executed by
U.S. Specialty Insurance Company	_, as surety.
Effective date of bond: 04/29 Effective date of change: 04/29	
In consideration of the mutual agreen surety hereby consent to the following	nent herein contained, the principal and the g changes:
The <u>legal description</u>	_changed from:
	FNL and 1650' FWL of Section 25, ge 28 East, Eddy County, New Mexico
<u>TO</u> :	
· · · · · · · · · · · · · · · · · · ·	' FSL and 1930' FWL of Section 25, nge 28 East, Eddy County, New Mexico
Nothing herein contained shall vary, a this bond except as herein expressly s	alter, or extend any provision or condition cated.
SIGNED, SEALED AND DATED T	HIS: <u>April 29, 2005</u>
Yeso Energy, Inc.	U.S. Specialty Insurance Company
Name of Principal	Name of Surety
1 The Pour Lo	(1) Kult
Signature	Signature
VH. E GENE LEE President	W. Russell Brown, Jr. Attorney-in-Fact
Name and title of person	Name and title of person
executing for Principal	executing for Surety

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

#### Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the Senior Vice President, sealed with the corporate seal of the Company and duly attested by its Assistant Corporate Secretary, hereby ratifying and confirming all that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all nonces and documents canceling or terminating the Company's hability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Further resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

In Witness Whereof, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its Senior Vice President, and its corporate seal to be hereto affixed this 19th day of October, 2005.

Cerporate Seal

U. S. SPECIALTY INSURANCE COMPANY

By

State of Texas

County of Harris

SS

Robert F, Thomas, Senior Vice President

On this 19<sup>th</sup> day of October, 2005 before me personally came Robert F. Thomas, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is Senior Vice President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal

MARISA QUINTERO
NOTARY PUBLIC
State of Texas
Comm. Exp. 10-25-2008

My commission expires 075/08

I, Debra M. Green, Assistant Corporate Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 29th day of

April , 20 **05** 

Corporate Seal

Debra M. Green, Assistant Corporate Secretary