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BONDS



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

January 20, 1999

CERTIFIED MAIL

RETURN RECEIPT NO. P326-936-506

Mr. Albert R. Greer
Benson-Montin-Greer Drilling Corp.
4900 College Boulevard
Farmington, NM 87402

**RE: \$25,000 Cash Bond and Assignment of Cash Collateral Deposit for Bond
Centralized Waste Management Facility
Benson-Montin-Greer Drilling Corp., Principal
NW/4 NW/4 Section 20, Township 25 North, Range 1 East, NMPM,
Rio Arriba County, New Mexico
The Citizens Bank, Surety
Account No. 01-082086-27**

Dear Mr. Greer:

The New Mexico Oil Conservation Division hereby approves the above-referenced Cash Bond and Assignment of Cash Collateral Deposit for Bond.

Sincerely,

A handwritten signature in black ink, appearing to read "Rand Carroll", written over the word "Sincerely,".

Rand Carroll,
Legal Counsel

RC:mjk

Enclosures: Copies of Cash Bond and Assignment of Cash Collateral Deposit for Bond, (Account No. 01-082086-27)

xc with attachment: Aztec OCD Office

BMG

BENSON-MONTIN-GREER DRILLING CORP.

January 14, 1999

JAN 18 1999

New Mexico Energy, Minerals & Natural Resources Department
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, NM 87505

Attention: Martyne Kieling
Environmental Bureau

Re: \$25,000 ASSIGNMENT OF CASH
COLLATERAL DEPOSIT FOR BOND
FOR CENTRALIZED WASTE
MANAGEMENT FACILITY

Dear Ms. Kieling:

Enclosed is Cash Bond Form in the amount of \$25,000 for our evaporation pond and landfarm in Section 20, Township 25 North, Range 1 East, Rio Arriba County, New Mexico.

Yours truly,

BENSON-MONTIN-GREER DRILLING CORP.

By:



Albert R. Greer, President

ARG/tlp

Enclosure

Energy Minerals and Natural Resources Department
Oil Conservation Division

Cash Bond For Waste Management Facilities

(File with Oil Conservation Division, 2040 South Pacheco Street, Santa Fe, New Mexico 87505)

KNOW ALL MEN BY THESE PRESENTS:

That Benson-Montin-Greer Drilling Corp., (an individual, partnership, or a corporation organized in the State of Delaware, with its principal office in the City of Farmington State of New Mexico, and authorized to do business in the State of New Mexico), is held 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 (the "Division") in the sum of Twenty Five Thousand Dollars (\$ 25,000.00) Dollars.

The conditions of this obligation are such that:

The above principal has heretofore or may hereafter enter into the collection, disposal, evaporation, remediation, reclamation, treatment or storage of produced water, drilling fluids, drill cuttings, completion fluids, contaminated soils, BS&W, tank bottoms, waste oil and/or other oil field related waste in Section 20, Township 25N, Range 1E, NMPM, Rio Arriba County, New Mexico.

NOW, THEREFORE, this \$ 25,000.00 performance bond is conditioned upon substantial compliance with all applicable statutes of the State of New Mexico and all rules and orders of the Division and the Oil Conservation Commission, and upon clean-up of the facility site to standards of the Division; otherwise the principal amount of the bond to be forfeited to the State of New Mexico.

The applicant has deposited on behalf of the Division \$ 25,000.00 (Twenty Five Thousand dollars) in the manner indicated on the attachment to this bond (Assignment of Cash Collateral Deposit), being the principal sum intended to be secured. Applicant pledges the sum as a guarantee that its executors, assigns, heirs and administrators will abide by the Laws of the State of New Mexico and the rules and orders of the Division in operating the waste management facility described herein, and that it will properly reclaim the facility site upon cessation of operations. If the applicant does not properly reclaim and restore the facility site, and otherwise abide by the rules and orders of the Division, this bond shall be forfeited in full and such funds as necessary applied to the cost of reclaiming the facility site. If the principal sum of the bond is less than the actual cost incurred by the Division in reclaiming the facility site, the Division may institute legal action 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 properly reclaim and restore the above-described facility site upon cessation of operations, and otherwise abide by the rules and orders of the Division, then therefore, this obligation shall be null and void and the principal sum hereof shall be paid to the applicant, or its successors, heirs, or administrator, otherwise it shall remain in full force and effect.

Signed and sealed this 13th day of January, 19 99.

4900 College Boulevard, Farmington, NM 87402
Mailing Address

By


Signature

Albert R. Greer

President

Title

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

1. (For a natural person acting in his own right:)

STATE OF _____)
)SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____,
by _____.

My commission expires:

Date

Notary Public

2. (For a partnership acting by one or more partners)

STATE OF _____)
)SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____,
by _____,
_____, partner(s) on behalf of
_____, a partnership.

My commission expires:

Date

Notary Public

3. For a corporation or incorporated association)

The foregoing instrument was acknowledged before me this 13th day of January,
1999,
by Albert R. Greer, President of Benson-Montin-Greer Drilling Corp.,
a corporation, on behalf of said corporation.

My commission expires:

7-24-2000

Date

Carol L. Williams

Notary Public

NOTE: When Lessor is a partnership, corporation or association, list all partners, officers and directors as may be applicable. This information may be provided below.

Albert R. Greer, President
Michael R. Dimond, Vice-President
Theresa L. Pacheco, Secretary

APPROVED BY:
OIL CONSERVATION DIVISION

By: Rand Carroll

**Energy Minerals and Natural Resources Department
Oil Conservation Division**

Assignment of Cash Collateral Deposit For Bond for Waste Management Facility

(Must be a federally-insured bank or saving institution within the State of New Mexico.)

Date September 30, 1997

Pursuant to Rule 711 of the Rules of the Oil Conservation Division, or successor provisions,
Benson-Montin-Greer Drilling Corp
(hereinafter referred to as owner) of 4900 College Blvd, Farmington, New Mexico 87402
(address) has deposited with the The Citizens Bank
(name of state or national bank or savings association) of P.O. Box 4140, 500 W. Broadway,
Farmington, New Mexico 87499 (address)
(herein termed financial institution), the sum of Twenty Five Thousand (\$ 25,000.00) dollars in
Certificate of Deposit or savings account No. [REDACTED]. Owner 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, Minerals and Natural Resources Department (the "Division") or successor agency
of the State of New Mexico. Owner and the financial institution agree that as to the deposited sum or fund:

- a. The funds deposited pursuant to the terms of this Agreement are to serve as a cash bond covering a waste management facility operated by owner.
- b. The 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 of the facility covered by this agreement provided all applicable Division orders and rules have been complied with.
- c. Owner 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.
- d. 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.

Owner agrees that the financial institution may deduct from interest due owner any attorney fees incurred by the financial institution if claim or demand via writ, summons or other process arising from owner's business is made upon the financial institution.

[Signature]
Signature of Owner, Personally or by
Authorized Officer

[Signature]
Signature of Authorized Officer of Financial
Institution

[Signature]
Title

Assistant Cashier
Title

1. (For a natural person acting in his own right:)

STATE OF _____)
)SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____,
by _____.

My commission expires:

Date

Notary Public

2. (For a partnership acting by one or more partners)

STATE OF _____)
)SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____,
by _____,
_____, partner(s) on behalf of
_____, a partnership.

My commission expires:

Date

Notary Public

3. (For a corporation or incorporated association)

The foregoing instrument was acknowledged before me this 30 day of September, 1997,
by Albert R. Greer, President of Benson-Montin-Greer Drilling, Corp.
a corporation, on behalf of said corporation.

My commission expires:

6/20/98
Date

Theresa L. Pacheco
Notary Public

NOTE: When Lessor is a partnership, corporation or association, list all partners, officers and directors as may be applicable. This information may be provided below.

Albert R. Greer, President
Michael Dimond, Vice-President
Theresa L. Pacheco, Secretary

APPROVED BY:
OIL CONSERVATION DIVISION

By: Rand Carroll

CONFIRMATION OF TIME DEPOSIT

Financial Institution: Citizens Bank, Main Office
P O Box 4140, Farmington, NM 87499

Number:

| | | | | |
|--|---|--------------------------------------|--------------------------|--|
| Account Name: BENSON MONTIN GREER DRLG CORP | | | SSN/TIN: | |
| Account Number [REDACTED] | Issue Date September 30, 1997 | Deposit Amount \$25,000.00 | Term 12 Months | Maturity Date September 30, 1998 |

Rate Information: This account is an interest bearing account. The interest rate on the account is 5.00% with an annual percentage yield of 5.00%. The interest rate and annual percentage yield will not change for the term of the account. The interest rate will be in effect until September 30, 1998. Interest begins to accrue no later than the business day we receive credit for the deposit of noncash items (for example, checks). Interest will be credited to you by mailing a check at maturity to 4900 COLLEGE BLVD, FARMINGTON, NM 87402.

Balance Information: We use the daily balance method to calculate the interest on the account. This method applies a daily periodic rate to the principal in the account each day. We will use an interest accrual basis of 365 (or 366 in leap year) for each day in the year.

Limitations: You must deposit \$1,000.00 to open this account. You may not make additional deposits into this account. You may not make withdrawals from your account until the maturity date.

Time Account Information: Your account will mature on September 30, 1998. If you withdraw any of the principal before the maturity date we may impose a penalty of thirty (30) days interest for Certificate from ninety (90) days through one (1) year and a ninety (90) day interest penalty for Certificates greater than one (1) year. This account will automatically renew. You will have 10 days grace period after the maturity date to withdraw funds without penalty.

Account Fees: The following fees apply to this account: RESEARCH: Per hour.....\$25.00; TRANSACTION PRINT FEE: Per statement.....\$4.00; and MICROFILM COPIES: Per page.....\$0.50.

| | | |
|--|--------------------|---|
| NON TRANSFERABLE - NON NEGOTIABLE | Member FDIC | Signature and Title of Authorized Financial Institution Signer <i>Shelby M. Staley</i> |
|--|--------------------|---|

TIME CERTIFICATE OF DEPOSIT - 12 MONTH FIXED RATE CERTIFICATE

We appreciate your decision to open a time certificate of deposit account with us. This Agreement sets forth certain conditions, rates, and rules that are specific to your Account. Each signer acknowledges that the Account Holder named has placed on deposit with the Financial Institution the Deposit Amount indicated, and has agreed to keep the funds on deposit until the Maturity Date. As used in this Agreement, the words "you", "your" or "yours" mean the Account Holder(s); the word "Account" means this Time Deposit Agreement Account and the word "Agreement" means this Time Certificate of Deposit Agreement, and the words "we", "us" and "our" mean the Financial Institution. This Account is effective as of the Issue Date and is valid as of the date we receive credit for noncash items (such as checks drawn on other financial institutions) deposited to open the Account. Deposits of foreign currency will be converted to U.S. funds as of the date of deposit and will be reflected as such on our records.

INTEREST RATE. The interest rate is the annual rate of interest paid on the Account which does not reflect compounding ("Interest Rate"), and is based upon the interest accrual basis described above.

AUTOMATIC RENEWAL POLICY. If the Account will automatically renew as described above, the principal amount and all paid earned interest that has not been withdrawn will automatically renew on each Maturity Date for an identical period of time as the original deposit term. Interest on renewed accounts will be calculated at the interest rate then in effect for time deposits of that Deposit Amount and term. If you wish to withdraw funds from your Account, you must notify us during the grace period after the Maturity Date.

EARLY WITHDRAWAL PENALTY. You have agreed to keep the funds on deposit until the Maturity Date of your Account. Any withdrawal of all or part of the funds from your Account prior to maturity may result in an early withdrawal penalty. We will consider requests for early withdrawal and, if granted, the penalty as specified above will apply.

Minimum Required Penalty. The Minimum Required Penalty is equal to seven (7) days' simple interest. If an amount in excess of the Minimum Required Penalty is specified, the early withdrawal penalty will be calculated as a forfeiture of part of the accrued interest that has or would be earned on the Account. If your Account has not yet earned enough interest so that the penalty can be deducted from earned interest, or if the interest already has been paid, the difference will be deducted from the principal amount of your Account.

Exceptions. We may allow the withdrawal of all or part of your Account before the Maturity Date without imposing an early withdrawal penalty in the following circumstances: (1) one or more of you dies or is determined legally incompetent by a court or other administrative body of competent jurisdiction; (2) where the Account is an Individual Retirement Account (IRA) and any portion is paid within seven (7) days after establishment; or where the Account is a Keogh Plan (Keogh), provided that you forfeit an amount at least equal to the interest earned on the amount withdrawn; or where the Account is an IRA or Keogh and you attain age 59 1/2 or become disabled; or (3) within an applicable grace period (if any).

RIGHT OF SETOFF. Subject to applicable law, we may exercise our right of setoff or security interest against any and all of your Accounts (except IRA, Keogh plan and Trust Accounts) without notice, for any liability or debt of any of you, whether joint or individual, whether direct or contingent, whether now or hereafter existing, and whether arising from overdrafts, endorsements, guarantees, loans, attachments, garnishments, levies, attorneys' fees, or other obligations. If the account is a joint account, each joint account holder authorizes us to exercise our right of setoff against any and all Accounts of each account holder.

OTHER ACCOUNT RULES. The following rules also apply to the Account.

Surrender of Instrument. We may require you to endorse and surrender this Agreement to us when you withdraw funds, transfer or close your Account. If you lose this Agreement, you agree to sign any affidavit of lost instrument, or other Agreement we may require, and agree to hold us harmless from liability, prior to our honoring your withdrawal or request.

Death of Account Holder. Each Account Holder agrees to notify us immediately upon the death of any other Account Holder. You agree that we may hold the funds in your Account until we have received all required documentation and instructions.

Page 1 of 2

TO:

BENSON MONTIN GREER DRLG CORP
4900 COLLEGE BLVD
FARMINGTON, NM 87402

DATE: September 30, 1997

Indemnity. If you ask us to follow instructions that we believe might expose us to any claim, liability or damages, we may refuse to follow your instructions or may require a bond or other protection, including your agreement to indemnify us.

Pledge. You agree not to pledge your Account without our prior consent. You may not withdraw funds from your Account until all obligations secured by your Account are satisfied.

REGULATION CC FUNDS AVAILABILITY DISCLOSURE

Account Holder: BENSON MONTIN GREER DRLG CORP
4900 COLLEGE BLVD
FARMINGTON, NM 87402

Financial Institution: Citizens Bank
Main Office
P O Box 4140
Farmington, NM 87499

YOUR ABILITY TO WITHDRAW FUNDS AT CITIZENS BANK. Our policy is to make funds from your cash and check deposits available to you on the first business day after the day we receive your deposit. However, funds from electronic direct deposits will be available on the day we receive the deposit. Once the funds are available, you can withdraw them in cash and/or we will use them to pay checks that you have written. For determining the availability of your deposits, every day is a business day, except Saturdays, Sundays, and federal holidays. We have different deposit cut-off hours for different locations. Our cut-off hours are as follows:

- 1:00 pm Deposits made at any of our Automated Teller Machines (ATM) or Quick Drop locations.
- 3:00 pm Deposits made at any of our branches MONDAY THROUGH FRIDAY not to include ATM's or Quick Drop locations.

If you make a deposit before our cut-off hour on a business day that we are open, we will consider that day to be the day of your deposit. However, if you make a deposit after our cut-off hour or on a day we are not open, we will consider that the deposit was made on the next business day we are open.

Reservation of Right to Hold. In some cases, we will not make all of the funds that you deposit by check available to you on the first business day after the day of your deposit. Depending on the type of check that you deposit, funds may not be available until the fifth business day after the day of your deposit. The first \$100 of your deposit, however, may be available on the first business day after the day of your deposit. If we are not going to make all of the funds from your deposit available on the first business day, we will notify you at the time you make your deposit. We will also tell you when the funds will be available. If your deposit is not made directly to one of our employees, or if we decide to take this action after you have left the premises, we will mail you the notice by the business day after we receive your deposit. If you need the funds from a deposit right away, you should ask us when the funds will be available.

Longer Delays May Apply. We may delay your ability to withdraw funds deposited by check into your account an additional number of days for these reasons:

- You deposit checks totaling more than \$5,000 on any one day.
- You redeposit a check that has been returned unpaid.
- You have overdrawn your account repeatedly in the last six months.
- We believe a check you deposit will not be paid.
- There is an emergency, such as failure of computer or communications equipment.

We will notify you if we delay your ability to withdraw funds for any of these reasons, and we will tell you when the funds will be available. They will generally be available no later than the eleventh business day after the day of your deposit.

Holds On Other Funds. If we cash a check for you that is drawn on another financial institution, we may withhold the availability of a corresponding amount of funds that are already in your account. Those funds will be available at the time funds from the check we cashed would have been available if you had deposited it. If we accept for deposit a check that is drawn on another financial institution, we may make funds from the deposit available for withdrawal immediately but delay your availability to withdraw a corresponding amount of funds that you have on deposit in another account with us. The funds in the other account would then not be available for withdrawal until the time periods that are described elsewhere in this disclosure for the type of check that you deposited.

Special Rules For New Accounts. If you are a new customer, the following special rules will apply during the first 30 days your account is open:

Funds from electronic direct deposits to your account will be available on the day we receive the deposit. Funds from deposits of cash, wire transfers, and the first \$5,000 of a day's total deposits of cashier's, certified, teller's, traveler's, and federal, state and local government checks will be available on the first business day after the day of your deposit if the deposit meets certain conditions. For example, the checks must be payable to you. The excess over \$5,000 will be available on the ninth business day after the day of your deposit. If your deposit of these checks (other than a U.S. Treasury check) is not made in person to one of our employees, the first \$5,000 will not be available until the second business day after the day of your deposit.

Funds from deposits of checks drawn on Citizens Bank will be available on the same business day as the day of your deposit.

Funds from all other check deposits will be available not later than the 9th business day after the day of your deposit.



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

January 11, 1999

CERTIFIED MAIL
RETURN RECEIPT NO. P326-936-501

Mr. Albert R. Greer
Benson-Montin-Greer Drilling Corp.
4900 College Boulevard
Farmington, NM 87402

**RE: \$25,000 Assignment of Cash Collateral Deposit for Bond for
Centralized Waste Management Facility
Benson-Montin-Greer Drilling Corp., Principal
NW/4 NW/4 Section 20, Township 25 North, Range 1 East, NMPM,
Rio Arriba County, New Mexico
The Citizens Bank, Surety
Account No. [REDACTED]**

Dear Mr. Greer:

The New Mexico Oil Conservation Division has received your assignment of cash collateral deposit for bond. However, the financial assurance cannot be processed without a completed cash bond form. Both of these forms are required. I have enclosed a cash bond form and a copy of the assignment of cash collateral deposit for bond that has already been completed. Please complete and return the cash bond form.

Sincerely,

Martyne Kieling
Environmental Bureau

Enclosure: Cash bond form and

Copy of assignment of cash collateral deposit for bond, account No. 01-082086-27

xc with attachment: Aztec OCD Office