



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director

Oil Conservation Division

April 23, 2002

Mr. Gary Schubert, President
H.R.C., Inc.
P.O. Box 5102
Hobbs, NM 88241

Re: \$5,000.00 Single-Well Cash Bond
H.R.C., Inc, Principal
First National Bank-Hobbs, Depository-Acct No. 280219831
Hobbs State No. 10- 2565 FNL and 2330 FWL
Section 29, Township 18 South, Range 38 East
Lea County, NM

Dear Mr. Schubert:

The New Mexico Oil Conservation Division hereby approves the above-captioned single-well cash bond.

Sincerely,

DAVID K. BROOKS
Assistant General Council

DKB/wp

Cc: Oil Conservation Division-Hobbs, NM

First National Bank-Hobbs
600 West Bender
Hobbs, NM 88240

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Form O & G SCB
Adopted 6-1-86
Revised 12-00APR 23 2002
Environmental Bureau
Oil Conservation Division

ONE-WELL CASH BOND

KNOW ALL MEN BY THESE PRESENTS THAT H.F.C. INC. (an individual) (a partnership) (a corporation organized in the State of NEW MEXICO with its principal office at P.O. Box 5102 in the City of HOBBS, State of NEW MEXICO and authorized to do business in the State of New Mexico) is held and firmly bound to the Oil Conservation Division of the Energy, Minerals and Natural Resources Department of the State of New Mexico (or its successor agency), as DIVISION in the sum of \$ 5000.00.

The conditions of this obligation are such that:

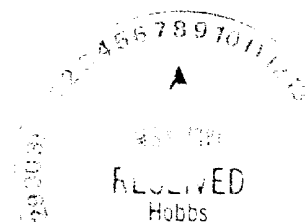
The PRINCIPAL desires to drill a well or purchase or operate an existing well, the depth of which does not exceed 5000 feet, to prospect for and produce oil or gas, carbon dioxide gas, helium gas or brine minerals on property in the State of New Mexico, the particular identification and footage location of said well being as follows:
(well name and footage) HOBBS STATE #10 2565' FNL/2330' FWL in Section 29 Township 38E Range 38E, NMPM, LEA County, New Mexico.
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The PRINCIPAL has deposited on behalf of the DIVISION \$ 5000.00, in the manner indicated on the Assignment, attached to this bond, being the principal sum intended to be secured. PRINCIPAL pledges this sum as a guarantee that it, its executors, assigns, heirs or administrators shall plug the well described above if dry, or when abandoned, in accordance with the rules and orders of the DIVISION in such way as to confine the oil, gas and water in the strata in which they are found, and to prevent same from escaping to other strata. If the PRINCIPAL does not so properly plug and abandon said well upon order of the DIVISION, the total sum of the bond shall be forfeited to the DIVISION, and such amount as is necessary may be used to properly plug said well. If the principal sum of this bond is less than the actual cost incurred by the DIVISION in plugging said well, the PRINCIPAL, its successors, assigns, heirs or administrators shall be liable under the provisions of NMSA 1978, Section 70-2-38 of the Oil and Gas Act, and the DIVISION may take action to recover any amounts expended over and above the principal sum of the bond.

NOW THEREFORE, if the PRINCIPAL or its successors, assigns, heirs, or administrators or any of them shall plug the above-described well when dry or abandoned, in accordance with the rules and orders of the DIVISION, in such a manner as to confine the oil, gas, and water in the strata in which they naturally occur, and to prevent them from escaping into other strata, and further to clean up the surface location of said well, then therefore, this obligation shall be null and void and the principal sum shall be paid to the PRINCIPAL or its successors, heirs, or administrator, otherwise it shall remain in full force and effect.

H.F.C. INC.
PRINCIPAL
P.O. Box 5102 HOBBS, N.M. 88241
Address City State Zip
By Gary M. Schubert By _____
Signature
GARY M. SCHUBERT, PRES.
Title

If PRINCIPAL is a corporation, affix corporate seal here.



APR 23 2007

Environmental Bureau
Oil Conservation Division

Form O & G SCB

ACKNOWLEDGMENT FORM FOR INDIVIDUALS OR PARTNERSHIPS

STATE OF _____)

ss.

COUNTY OF _____)

On this _____ day of _____, 20____, before me personally appeared _____, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that he (they) executed the same as his (their) free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

Notary Public_____
My Commission Expires

ACKNOWLEDGMENT FORM FOR CORPORATION

STATE OF New Mexico)

ss.

COUNTY OF Lea)

On this 22 day of APRIL, 2002, before me personally appeared GARY SCHUBERT, to me personally known who, being by me duly sworn, did say that he is PRESIDENT of H.P.C. INC. and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

Notary Public10-4-07
My Commission Expires

APPROVED BY:

Oil Conservation Division of New Mexico

By David K. Brooks
Asst. State CounselDate 4/25/02

Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties, New Mexico:

Projected Depth of Proposed Well
or Actual Depth of Existing Well

Amount of Bond

Less than 5,000 feet
5,000 feet to 10,000 feet
More than 10,000 feet

\$ 5,000
\$ 7,500
\$10,000

All Other Counties in the State:

Projected Depth of Proposed Well
or Actual Depth of Existing Well

Amount of Bond

Less than 5,000 feet
5,000 feet to 10,000 feet
More than 10,000 feet

\$ 7,500
\$10,000
\$12,500



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Oil Conservation DivisionForm O & G OCD
Adopted 6-1-86
Revised 12-00

ASSIGNMENT OF CASH COLLATERAL DEPOSIT

H. R. C. Inc. (OPERATOR) of P.O. Box 5102 (address) has deposited with the FIRST NATIONAL BANK (name of state or national bank or savings association, which must be a federally-insured bank or savings institution in the State of New Mexico) of 600 W. BENDER, HOBBS, N.M. (address) (FINANCIAL INSTITUTION), the sum of \$ 5,000.00 dollars in Certificate of Deposit or Savings Account No. 280219831 (FUND).

To comply with NMSA 1978, Section 70-2-14, OPERATOR hereby assigns and conveys all right, title and interest in the FUND to the FINANCIAL INSTITUTION in trust for the Oil Conservation Division of the Energy, Minerals and Natural Resources Department or successor agency of the State of New Mexico (DIVISION).

OPERATOR and the FINANCIAL INSTITUTION agree that as to the FUND:

- The DIVISION acquires by this assignment the entire beneficial interest in the FUND, with the right to order the FINANCIAL INSTITUTION in writing to distribute the FUND to persons determined by the DIVISION to be entitled thereto, including the DIVISION itself, in amounts determined by the DIVISION, or to the OPERATOR upon sale or proper plugging, in compliance with the rules and orders of the DIVISION, of the well(s) covered by this assignment.
- OPERATOR retains no legal or beneficial interest in the FUND and has only the right to interest, if any, thereon, and to return of the FUND upon written order of the DIVISION.
- The FINANCIAL INSTITUTION agrees that the FUND may not be assigned, transferred, pledged or distributed except upon written order of the DIVISION or a court of competent jurisdiction made in a proceeding to which the DIVISION is a party. The FINANCIAL INSTITUTION waives all statutory or common law liens or rights of set-off against the FUND.

OPERATOR agrees that the FINANCIAL INSTITUTION may deduct from interest due OPERATOR any attorney fees incurred by the FINANCIAL INSTITUTION if claim or demand via writ, summons or other process arising from OPERATOR'S business is made upon the FINANCIAL INSTITUTION.

Gary M. Schubert
Signature of OPERATOR
Personally or by Authorized Officer

GARY SCHUBERT, PRES.
Title

Zane S. Bergman
Signature of Authorized Officer
of FINANCIAL INSTITUTION

ZANE S. BERGMAN, PRESIDENT
Title

State of New Mexico
County of Ala ss.

On this 22nd day of April, 2002, before me personally appeared Gary M. Schubert and Zane S. Bergman, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

[Signature]
Notary Public

My Commission Expires:
10-1-04