

ASSIGNMENT OF CASH COLLATERAL DEPOSIT

(Must be a federally-insured bank or savings institution  
authorized to do business in New Mexico)

Date MAY 2, 1989

Pursuant to Section 70-2-14, NMSA (1978), or successor provisions, ZACHARY OIL  
OPERATING COMPANY (hereinafter referred to as "operator") of 1212  
COMMERCE BLDG., FORT WORTH, TX (address) has deposited with the FIRST INTER-  
STATE BANK OF LEA COUNTY (name of state or national bank or savings association) of  
924 MAIN, EUNICE, NEW MEXICO 88231 (address) (herein termed  
financial institution), the sum of \$7,600.00 dollars in Certificate of  
Deposit or savings account No. 65835. Operator hereby assigns and conveys  
all right, title and interest in the deposited sum to the financial institution in trust  
for the Oil Conservation Division of the Energy and Minerals Department or successor  
agency of the State of New Mexico. Operator and the financial institution agree that as  
to the deposited sum or fund:

- a. The Oil Conservation Division acquires by this assignment the entire beneficial interest in the fund, with the right to order the trustee in writing to distribute the fund to persons determined by the division to be entitled thereto, including the Division itself, in amounts determined by the Division, or to the operator upon sale or proper plugging of the well covered by this bond.
- b. Operator retains no legal or beneficial interest in the fund and has only the right to interest, if any, thereon, and to return of the fund upon written order of the Division.
- c. The financial institution agrees that the fund may not be assigned, transferred, pledged or distributed except upon written order of the Division or a court of competent jurisdiction made in a proceeding in which the Division is a party. The financial institution waives all statutory or common law liens or rights of set-off against the fund.

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

Roy A. Pierce  
Signature of Operator,  
Personally or by Authorized Officer

Guadalupe B. Berman  
Signature of Authorized Officer of  
Financial Institution

Prod. Supt.  
Title

FACILITY MANAGER  
Title

STATE OF NEW MEXICO

COUNTY OF San ) ss.

On this 2<sup>nd</sup> day of May, 19 89, before me personally appeared  
Roy A. Pierce and Guadalupe B. Berman, to me known to be  
the person (persons) described in and who executed the foregoing instrument and  
acknowledged that the (they) executed the same as his (their) free act and deed.

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

Christopher J. Berman  
NOTARY PUBLIC

My Commission expires:  
August 2, 1989