

PLANNING DEPARTMENT
970.382.6263 • FAX 970.382.6298 • TDD 970.382.6218

August 28, 2002

44 Canyon, LLC
Att: Carol Bailey
500 West Illinois
Midland, TX 79701

Re: Reliance bond #B263-1328

Dear Ms. Bailey:

I have received the replacement bond RLB0004726. I am returning the Reliance bond #B263-1328 to you for cancellation. Thank you for submitting the most recent bond to cover the facilities operated by 44 Canyon, LLC in La Plata County.

On another matter, as I was reviewing your file in our office I noticed that your Certificate of Liability insurance expired on 12/15/01. Could you submit a current Certificate to our office and update that material on an annual basis.

I appreciate your help and if you have any questions please call me at 970-382-6267.

Sincerely;

Adam Keller
Planner II

**44 Canyon, LLC
500 West Illinois
Midland, Texas 79701
(915) 498-8600**



August 22, 2002

La Plata County
1060 East Second Avenue
Durango, CO 81301

Dear Sir or Madam:

Included for your review and approval is performance bond no. RLB0004726. This bond replaces Travelers bond # 071S103616411BCM. I list Reliance bond no. B2631328 for your reference as the bond could still be listed as such. Please return the Travelers (or Reliance) bond to me at your earliest convenience.

Thank you for your help and please contact me if I can be of any assistance expediting this matter.

Sincerely,

A handwritten signature in blue ink that reads "Carol Bailey".

Carol Bailey
Operations Clerical Supv.



LA PLATA COUNTY

1060 EAST SECOND AVENUE, DURANGO, COLORADO 81301 • PHONE 303-259-4000

LA PLATA COUNTY, COLORADO OIL & GAS FACILITY PERFORMANCE BOND REGULATORY COMPLIANCE SECURITY

BOND # RLB0004726

KNOW ALL MEN BY THESE PRESENTS, That we,
44 Canyon LLC, whose business address is
4582 S. Ulster, Denver, CO 80237, as Principal, and
RLI Insurance Company, whose business address is
8 Greenway Plaza, #400, Houston, TX, as Surety, authorized to do
 business in the State of Colorado, are held hereby and firmly
 bound to La Plata County, Colorado in the sum of
Fifty Thousand and No/100 Dollars (\$50,000.00) lawful
 money of the United States, for the faithful payment of which,
 well and truly to be made, we bind ourselves, our heirs,
 executors, successors, and assigns, jointly and severally, firmly
 by these presents.


The condition of the this obligation is such that whereas, the
 above bounden Principal proposes to construct and operate an oil
 and gas facility, or facilities, within the unincorporated area of
 La Plata County, described as SEE ATTACHED SCHEDULE and
 located at SEE ATTACHED SCHEDULE, subject to compliance
 with all applicable requirements of the La Plata County Regulation
 of Oil and Gas Facilities, and any terms and conditions which the
 County may attach to the construction and operation of the
 specified oil and gas facility, or facilities, as set forth in the
 County's written approval of such facility, or facilities.

NOW, THEREFORE, if the above bounden Principal shall well and
 truly comply with all applicable provisions of the La Plata County
 Regulation of Oil and Gas Facilities, and any terms or conditions
 which the County may attach to the construction and operation of
 the specified facility, or facilities, as specified in the
 County's written approval of such facility, or facilities, then
 this obligation is void, otherwise to remain in full force and
 effect.

Witness our hands, this 12th day of August, XX 2002.

44 Canyon LLC

Name of Principal


Signature of Principal or
Authorized Representative

RLI Insurance Company

Name of Surety

BY: 
Attorney-in-Fact Greg E. Chilson

A CERTIFIED COPY OF SURETY'S POWER OF ATTORNEY DESIGNATING THE
 ABOVE ATTORNEY-IN-FACT MUST BE ATTACHED TO THIS BOND FOR VALIDITY

**44 Canyon LLC
Bond No. RLB0004726**

Schedule of Wells

<u>Well Name</u>	<u>Lease Number</u>	<u>Legal Description</u>
Royce State 36-2	73-4045-S	Sec. 36, T34 5N R9W
State 36-2 & 36-3	73-4048-S	Sec. 36, T35N, R9W



9025 North Lindbergh Dr. • Peoria, IL 61615
(309) 692-1000 or (800) 645-2402

RLB0004726

POWER OF ATTORNEY

RLI Insurance Company

Know All Men by These Presents:

That the RLIINSURANCE COMPANY, a corporation organized and existing under the laws of the State of Illinois, and authorized and licensed to do business in all states and the District of Columbia does hereby make, constitute and appoint: GREG E. CHILSON

in the City of HOUSTON, State of TEXAS, as Attorney-in-Fact, with full power and authority hereby conferred upon him to sign, execute, acknowledge and deliver for and on its behalf as Surety and as its act and deed, all of the following classes of documents to-wit:

\$50,000.00

Indemnity, Surety and Undertakings that may be desired by contract, or may be given in any action or proceeding in any court of law or equity; policies indemnifying employers against loss or damage caused by the misconduct of their employees; official, bail and surety and fidelity bonds. Indemnity in all cases where indemnity may be lawfully given; and with full power and authority to execute consents and waivers to modify or change or extend any bond or document executed for this Company, and to compromise and settle any and all claims or demands made or existing against said Company.

The RLI INSURANCE COMPANY further certifies that the following is a true and exact copy of a Resolution adopted by the Board of Directors of RLI Insurance Company, and now in force to-wit:

"All bonds, policies, undertakings, Powers of Attorney, or other obligations of the corporation shall be executed in the corporate name of the Company by the President, Secretary, any Assistant Secretary, Treasurer, or any Vice President, or by such other officers as the Board of Directors may authorize. The President, any Vice President, Secretary, any Assistant Secretary, or the Treasurer may appoint Attorneys-in-Fact or Agents who shall have authority to issue bonds, policies, or undertakings in the name of the Company. The corporate seal is not necessary for the validity of any bonds, policies, undertakings, Powers of Attorney, or other obligations of the corporation. The signature of any such officer and the corporate seal may be printed by facsimile."

(Blue shaded areas above indicate authenticity)

IN WITNESS WHEREOF, the RLI Insurance Company has caused these presents to be executed by its PRESIDENT with its corporate seal affixed this

ATTEST:

Camille J. Hensey

Corporate Secretary

State of Illinois)
County of Peoria) SS



By: Jonathan E. Michael

RLI INSURANCE COMPANY

President

On this 12 day of Aug. 2002 before me, a Notary Public, personally appeared Jonathan E. Michael and Camille J. Hensey, who being by me duly sworn, acknowledged that they signed the above Power of Attorney as President and Corporate Secretary, respectively, of the said RLI INSURANCE COMPANY, and acknowledged said instrument to be the voluntary act and deed of said corporation.

Cherie L. Montgomery

Notary Public



SPA026 (10/01)