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January 25, 1995



**GIANT EXPLORATION &  
PRODUCTION COMPANY**

2200 Bloomfield Highway  
Post Office Box 2810  
Farmington, New Mexico  
87499-2810

505 326-3325 FAX 505 327-7987

Mr. J. E. Gallegos  
Pro New Mexico Inc.  
460 St. Michael's Drive, Suite 402  
Santa Fe, New Mexico 87505

Subject: Basin Dakota 24B Com. #1 Well  
850' FNL, 1,700' FEL,  
T25N-R11W, NMPM  
Section 24: E/2  
San Juan County, New Mexico

RECEIVED  
JAN 26 1996  
OIL CON. DIV.  
DIST. 3

Dear Mr. Gallegos:


This letter is in response to your letter dated January 24, 1996, received by fax yesterday. Enclosed is an "Abstract of Bids" with the results of the October 19, 1994, Bureau of Indian Affairs (BIA) Allotted Lands sale no. 119. After reviewing this Abstract of Bids some time ago we concluded that the BIA rejected your bid on Tract 28 of the sale and that the tract must be unleased. But, to make absolutely certain, on October 3, 1995, we telephoned the BIA and spoke to Ms. Bertha Spencer. Ms. Spencer told us that there was no lease covering the SE/4 at the present time. As I am sure you are aware, obtaining access to certain information from the BIA is difficult, therefore, getting this information by phone seemed more than adequate at the time. Today, by phone, the BIA informed us that Pro New Mexico acquired this lease in the October 19, 1994 BIA Allotted Lands sale no. 119. Also, subsequent to obtaining this iniquitous information from the BIA, I called Mr. Frank Chavez and had a conversation concerning the State's approval of APDs when there are pooled, non-leased BIA minerals involved. All of the above should indicate that Giant was proceeding with good intentions and was not in any way trying to "intentionally misrepresent" our ownership.

In reference to your request that the BLM revoke our Permit, Giant will file the proper amendments, as provided for in Rule 1102 of the New Mexico Oil Conservation Division, to our approved Permit as soon as the necessary information is provided to us.

Giant as always, would be interested in discussing any concerns or ideas you might have. We believe that this is an unfortunate incident, however, based upon the best information we had at the time, Giant acted in a prudent and appropriate manner.

If you should have any questions please call me at 505-326-3325 or write to me at the letterhead address.

Very truly yours,

  
Steven K. Smith  
Land Manager

SKS/spc

enclosures

cc: William LeMay, NMOCD  
Frank Chavez, NMOCD ✓  
Ken Townsend, BLM  
Duane Spencer, BLM

ABSTRACT OF BIDS  
ALLOTED LANDS  
OIL AND GAS LEASE SALE NO. 119  
2:00 P.M., OCTOBER 19, 1994

TRACT NO.	ALLOTMENT		BID PER ACRE(\$)	ACRES	BONUS		BIDDER'S NAME	BID ACCEPTED/ REJECTED
	NUMBER				TOTAL(\$)			
1.	1	011740	2.00	160.00	320.00		Yates Petroleum Corp.	REJECTED
2.	26	059714	2.00	160.00	320.00		Pro New Mexico, Inc.	REJECTED
3.	27	011242	2.00	160.00	320.00		Pro New Mexico, Inc.	REJECTED
4.	28	011245	2.00	160.00	320.00		Pro New Mexico, Inc.	REJECTED
5.	29	011248	2.00	160.00	320.00		Pro New Mexico, Inc.	REJECTED
6.	30	062590	60.00	160.00	9,600.00		Pro New Mexico, Inc.	ACCEPTED
7.	31	062589	66.00	160.00	10,560.00		Pro New Mexico, Inc.	ACCEPTED
8.	32	011621	3.00	160.00	480.00		Redwolf Production Inc.	REJECTED
9.	38	059728	20.00	160.00	3,200.00		Pro New Mexico, Inc.	REJECTED
10.	39	011525	14.00	159.19	2,228.66		Pro New Mexico, Inc.	REJECTED
11.	40	059729	20.00	159.13	3,182.60		Pro New Mexico, Inc.	REJECTED
12.	41	059727	17.00	160.00	2,720.00		Pro New Mexico, Inc.	REJECTED
13.	46	011700	17.00	160.00	2,720.00		Pro New Mexico, Inc.	REJECTED
14.	48	011704	35.00	160.00	5,600.00		Pro New Mexico, Inc.	ACCEPTED
15.	49	011706	35.00	160.00	5,600.00		Pro New Mexico, Inc.	ACCEPTED
16.	50	011516	2.00	160.00	320.00		Pro New Mexico, Inc.	REJECTED
17.	51	011211	20.00	160.00	3,200.00		Pro New Mexico, Inc.	REJECTED