January 25, 1995

Mr. J. E. Gallegos

Pro New Mexico Inc.



GIANT EXPLORATION & PRODUCTION COMPANY

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

FAX 505

505 327-7987 326-3325

Subject: Basin Dakota 24B Com. #1 Well

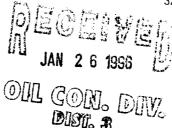
850' FNL, 1,700' FEL, T25N-R11W, NMPM

Section 24: E/2

460 St. Michael's Drive, Suite 402

Santa Fe, New Mexico 87505

San Juan County, New Mexico



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

Land Manager

SKS/spc

enclosures

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

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

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

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