

Sirgo Brothers Energy Corp.

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March 22, 1999

New Mexico Energy, Minerals & Natural Resources Department
Bruce Martin
1000 Rio Brazos Road
Aztec, NM 87410

RECEIVED
MAR 24 1999

OIL CON. DIV.
DIST. 3

Re: NW Cha Cha Unit #43 well T&A
Mountain States Petroleum Corp.

Dear Mr. Martin;

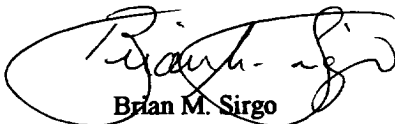
In response to your letter of January 25, 1999 concerning the above captioned matter please be advised that we are attempting to make a trade with Richardson Operating Co. out of Denver, Co. to take over certain wells within the NW Cha Cha Unit for exploration of shallower and deeper potential oil and gas horizons.

We are now attempting to transfer Operating Rights as to all depths above and below the unit interval under this lease to Richardson with the Navajo Nation Minerals Department as well as the BIA. At this time it appears we will be able to make this transfer. Upon completion of this transfer it is our intention to work out a trade with Richardson in which they will take over certain well bores within the unit boundary and convert them to hopefully producing wells from other horizons.

This transfer would be beneficial to all concerned as it would utilize existing well bores for exploration purposes. This would cause less impact to the surface and allow for additional exploration to the benefit of The Navajo Nation. In addition such as this situation certain wells could be utilized that are now not being used for Unit purposes. I believe this can be a win win situation for everyone.

I am anticipating that the transfer will take another 60 days to complete with the Navajo Nation and the BIA. We are working out several issues with them that should be brought to a conclusion very soon. I would ask at this time that we be given an extension until such time as we have completed this transfer or we determine that it can not be accomplished. Please call me if you have any questions.

Best regards,


Brian M. Sirgo
Vice President

15-07864