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Anna Abidor

Claims Analyst
Surety

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One State Street Plaza, 10th Floor
New York, NY 10004

February 16, 2006

David K. Brooks
Assistant General Counsel
New Mexico Energy, Minerals
And Natural Resources Department
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Principal: Fi-Ro Corporation
Bond #:000585654

Contract # ~~02~~ 05-0227
Case No 12950

Dear Mr. Brooks:

The Travelers Indemnity Company, successor in interest by merger to Gulf Insurance Company hereby acknowledges receipt of your notice of claim regarding the above captioned bond.

In addition to the first notice of claim sent by your organization, please complete and supply the following documents as it applies to your claim. Please return this information regarding what has already been sent, as soon as possible, to assist us in our analysis of your claim.

1. Please provide the evidence that Surety and principal were properly notified to plug wells claimed by the State of New Mexico. Please note we have checked out files and are unable to locate prior notification from the State of New Mexico Resource Department referencing wells in question.
2. The enclosed Affidavit of Claim.

After receiving the above mentioned information, we will perform a prompt analysis of your claim advising you of our determination within a reasonable period of time.

The acknowledgement and analysis of this claim is not to be deemed as an admission of liability or a waiver of any rights or defenses that Gulf Insurance Company may have in this matter, and any and all such rights and defenses are hereby expressly reserved.

Sincerely,

Anna Abidor

"Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation."