

FAX TRANSMITTAL SHEET

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FROM:	CharCretia V. DiBartolo
DATE:	December 6, 1994

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TO:	Rand Carroll, Esq.	Counsel for	505-827-8177
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December 6, 1994

VIA FACSIMILE (505) 827-8177

Rand Carroll, Esquire
Counsel for OCD
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

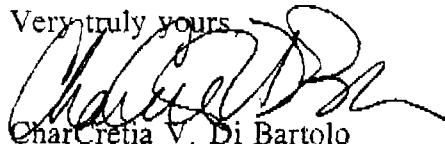
**Re: Principal: S&I Oil Company
Obligee: State of New Mexico -- Oil Conservation Division
Bond No.: AE-7135178
Claim No.: OSR-00012N**

Dear Mr. Carroll:

In accordance with our telephone conversation on December 5, 1994, this letter will confirm that American Employers Insurance Company is a Commercial Union insurance company. I enclose herewith a copy of a General Application for Miscellaneous Bonds issued by the Commercial Union Assurance Companies. This general application shows American Employers Insurance Company as the named insurance company and Troy Strickland and E.V. Isbell d/b/a S&I Oil Company as the named applicant for Bond No. AE-71351-7A. As counsel for Commercial Union Insurance Companies, therefore, Peabody & Arnold, along with Attorney Ned Kendrick of Montgomery & Adams, represent American Employers Insurance Company in this matter.

If you have any questions regarding the above, please give me a call at any time.

Very truly yours,


CharCretia V. Di Bartolo

Enclosure

cc: Ned Kendrick, Esquire
Bert J. Capone, Esquire
Daniel Ford

PABOS:CCD:131010_1
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FROM HORTON HIRIC

TO 16177256692

003/006
FHE. SEC.AMERICAN EMPLOYERS INSURANCE COMPANY

(Name of Insurance Company, hereinafter called Company)

COMMERCIAL UNION
ASSURANCE
COMPANIESDesert American Employers Insurance Company
ProducerAE-71351-78
Bond NumberGENERAL APPLICATION FOR MISCELLANEOUS BONDS

1. Name of applicant: TROY*STRICKLAND & E V ISBELL DBA S & I OIL COMPANY
(Give full name. If Corporation, exact corporate title)
2. Business address: 2405 Santiago, Farmington, San Juan, New Mexico 87401
(Give Street, City and State)
3. Residence address: _____
(Give Street, City and State)
4. Nature of applicant's business: Oil & Gas Production
5. How long engaged in said business? 3 YR
6. Amount of bond required: \$ 50,000.00
7. Name and address of person in whose favor bond is given (Obligee): State of New Mexico, Oil & Gas Conservation Comm.
P. O. Box 2088, Santa Fe, N. M. 87501

8. Describe fully the nature or character of the bond or undertaking required, giving nature of liability, amount of judgment or claim, character of contract, etc.
Annex copy of contract, or other pertinent papers.

Blanket Plugging Bond for State of New Mexico

9. Probable length of time bond will run Indefinite
10. Have any claims been made or legal proceedings begun against the applicant or any member of the firm or corporation in connection with the obligations covered by the bond now applied for? None
If so, give particulars: _____
11. Has any company refused to issue or continue a bond for this purpose for the applicant? No
If so, give particulars: _____
12. Are there any judgments against you? No Have you ever failed in business? No
Are you threatened with any law suits? No Are you interested in any other line of business? Yes

13. References—No relative (Bankers and Merchants preferred)

NAME	OCCUPATION	POST OFFICE ADDRESS (Give full address, including zip code, if in RFD)
Tobie Hall	Banker	P.O. Box 630, Farmington, N. 87401

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Names of officers of the applicant, if a corporation, or of all partners, if a firm:

NAME AND TITLE	RESIDENCE

The corporation was organized in the year _____ under the laws of the state of _____

15. STATEMENT OF ASSETS AND LIABILITIES AS OF _____, 19_____
Insert date—otherwise statement will be returned.

This statement must be made up by Applicant, his or its Bookkeeper. Agents not allowed to do this.

Cash in _____ Bank \$ _____ (Name of Bank)	Notes Payable
Cash on Hand _____	(a) To Banks Regular _____
Stocks and Bonds _____	(b) To Owners (exclusive of equipment) _____
Accounts Receivable _____	Accounts Payable _____
Notes Receivable _____	(a) Not Past Due \$ _____
Materials in Stock (present value) _____	(b) Past Due \$ _____
Total Current Assets _____	Accrued Income Taxes _____
FIXED ASSETS	Other Accrued Taxes _____
Plant and Equipment at Book Value _____	Total Current Liabilities _____
Real Estate _____	Encumbrances on Equipment _____
(a) Used for Business Value \$ _____	Encumbrances on Real Estate _____
(b) Homestead Value \$ _____	All Other Liabilities _____
(c) Held as Investment Value \$ _____	_____
All Other Assets (explain fully if credit expected) _____	_____
_____	Capital Stock (paid up) if a corporation _____
_____	Surplus and Undivided Profits or net worth _____
Total Assets _____	Total Liabilities _____

NOTARIAL ACKNOWLEDGMENTS

INDIVIDUAL

STATE OF New Mexico }
 COUNTY OF San Juan } ss.

On this 19th day of January 1981 before me, a Notary Public of the State and County aforesaid, residing therein, duly commissioned and sworn, personally came Barbara Strickland & Dorothy Isbell, to me known, and known to me to be the person described in and who executed the foregoing instrument and being by me first duly sworn according to law did depose and say that he acknowledged that he executed and delivered such instrument as his voluntary act and deed for the uses and purposes therein mentioned.

My commission expires 12/12/83

Marionette P. Lechert

PARTNERSHIP

STATE OF New Mexico }
 COUNTY OF San Juan } ss.

On this 19th day of January 1981 before me, a Notary Public of the State and County aforesaid, residing therein, duly commissioned and sworn, personally came Troy Strickland & E. V. Isbell, personally known to me to be a general partner of the firm of S & T OIL COMPANY, and to me known to be the person described in and who executed the foregoing instrument in the name of said firm, and being by me first duly sworn according to law did depose and say that he acknowledged that he executed and delivered such instrument as the voluntary act and deed of said firm for the uses and purposes therein mentioned.

My commission expires 12/12/83

Marionette P. Lechert

CORPORATION

STATE OF _____ }
 COUNTY OF _____ } ss.

On this _____ day of _____, 19____ before me, a Notary Public of the State and County aforesaid, residing therein, duly commissioned and sworn, personally came _____, to me known, who being by me first duly sworn according to law, did depose and say that he resides in _____; that he is _____ of _____ the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to such instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation and that he signed his name thereto by like order; that he executed and delivered such instrument on behalf of said corporation as its voluntary act and deed for the uses and purposes therein mentioned.

In consideration of the Company executing or procuring the execution of the bond or bonds herein applied for (including every continuation, renewal, substitute or new bond), the undersigned doles hereby jointly and severally covenant with the Company and for the benefit of any other surety or reinsuring company which the Company may procure to execute or join in the execution of or to reinsure any of the liability of the Company upon such bond (all of which are to be deemed included in the word "Company" as used herein) as follows:

FIRST: To pay to the Company all premium charges due or to become due on said bond in accordance with the Company's applicable schedule of rates as long as liability under said bond shall continue, and until the Company shall be furnished with complete legal evidence of its discharge from liability.

SECOND: To indemnify and keep indemnified the Company, and hold and save it harmless from and against any and all damages, loss, costs, charges and expenses of whatever kind or nature, including counsel and attorneys' fees, which the Company shall or may, at any time, sustain or incur by reason or in consequence of having executed the bond herein applied for, or by reason or in consequence of the execution by the Company of any and all other bonds at any time heretofore or hereafter executed for or at the instance or request of the undersigned; and the undersigned will pay over, reimburse and make good to the Company, all sums and amounts of money which the Company shall pay, or cause to be paid, or become liable to pay, on account of the execution of any such instruments, such payments to be made to the Company as soon as it shall become liable therefor, whether the Company shall have paid out said sum or any part thereof or not.

THIRD: That the Company shall have the right, and is hereby authorized but not required, to adjust, settle or compromise any claim, demand, suit or judgment on the bond, and that liability hereunder shall extend to any and all disbursements made by the Company in good faith under the belief that it was liable for the amount so disbursed, or that it was necessary or expedient to make such disbursements whether such liability, necessity or expediency existed or not, vouchers or other evidence of payments made by the Company to be prima facie evidence of the fact of such payment and of the liability of the undersigned therefor.

FOURTH: That in case any suit, action or other proceeding shall be commenced, or notice served on the undersigned in any suit, action, or other proceeding which is or may be taken for the purpose of determining or fixing the liability of the Company on the above mentioned bond immediate notice thereof shall be given to the Company.

FIFTH: That the Company shall have the absolute right to decline to issue such bond or to cancel or procure its release from the bond issued, in accordance with any cancellation provision contained therein or under any law for the release of sureties or otherwise, and the Company is hereby released from any damages that may be sustained by the undersigned because of such cancellation or release.

SIXTH: That it shall not be necessary for the Company to give the undersigned notice of any act, fact or information coming to the notice or knowledge of the Company concerning or affecting its rights or liability under any such instruments by it so executed, or the undersigned's rights or liabilities, hereunder, notice of all such being hereby expressly waived.

SEVENTH: That these covenants and also all collateral security, if any, at any time deposited with the Company concerning the said bond or any other former or subsequent bonds executed for or at the instance or request of the undersigned shall, at the option of the Company, be available in its behalf and for its benefit as well concerning the bond or undertaking hereby applied for, as also concerning all other former or subsequent bonds and undertakings executed as aforesaid.

EIGHTH: To expressly relieve the Company, and all others, from liability for disclosing or furnishing any information it may have obtained concerning the undersigned and do likewise release and discharge the Company, and every person, association, firm or corporation furnishing it with information concerning the undersigned, the provisions of any law to the contrary being hereby expressly waived.

NINTH: The Company at its option is authorized to fill any blanks left herein and such insertions when so made shall be prima facie correct.

TENTH: This agreement shall constitute a security agreement in the Company and also a financing statement, both in accordance with the provisions of the Uniform Commercial Code and may be so used by the Company without in any way derogating, rescheduling, or impairing the rights of the Company under this agreement or under law or in equity.

Dated at Farmington, N. M. this 19th day of January, 19 81

ATTEST (OR WITNESS)

S. & I. OIL COMPANY (Seal)

By E. V. Isbell (Official name and title, if a corporation)

E. V. ISBELL, President Individual

Each member of firm must sign individually below:

(If corporation, affix its seal)

Troy Strickland (Seal)
TROY STRICKLAND, Partner Individual

(Member of firm)

SPECIAL INDEMNITY AGREEMENT

In consideration of the Company executing or procuring the execution of the bond herein applied for, we jointly and severally join in the foregoing indemnity agreement; and the undersigned if a corporation, admits that it is financially interested in the performance of the obligation which the bond applied for is given to secure, and asserts that it is fully empowered to obligate itself hereby.

Witness as to Barbara Strickland (Seal)

BARBARA STRICKLAND

Witness as to Dorothy Isbell (Seal)

DOROTHY ISBELL

Witness as to _____ (Seal)

ILLEGIBLE