



January 30, 1995

Fidelity/Surety Claim

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Charles Gholson
Deputy Oil and Gas Inspector
State of New Mexico Energy Minerals & Natural Resources Division
1000 Rio Brazos Road
Aztec, NM 87410

RE: Claim No.: 9901 S 202816-01-1
Carenta No.: 1 J-23-32N-01W
Principal: CMS Oil Field Services, Inc.
Obligee: State of New Mexico
Oil Well Plugging Bond No.: 01 0130 10204 89 1

Dear Mr. Gholson:

Since receiving your letter of June 20, 1994 we have made attempts to contact CMS Oil Field Services, Inc. relative to Carenta No. 1 and have determined that CMS Oil Field Services never completed its lease-purchase of the Carenta No. 1 well from the Carenta Brothers.

This information was confirmed in a recent conversation with John Carenta. During said conversation John also admitted that at least three well-capping bonds had been issued to the State of New Mexico by various companies for this well. One of the bonds is that bond issued to CMS Oil Field Services, Inc. by USF&G. Mr. Carenta also indicated that there was a bond running to the State of New Mexico issued by a surety for Glen Developers also regarding Carenta No. 1. I would assume the third bond would have been issued for the Carenta Brothers.

I would appreciate your checking into this and determining whether or not what Mr. Carenta is indicating is so. It would seem to me that the State of New Mexico requires one \$5,000 well-capping bond, not three. Under the circumstances, therefore, I would anticipate the bond provided by Carenta Brothers (if any) would be the one controlling here since Carenta Brothers seems to be the rightful owner of the well. I would appreciate therefore any help you can give us in determining if in fact any other bonds had been issued for the plugging of this well, and in the event that there is more than one, we would appreciate your making a determination as to which one is in full force and effect, under the circumstances.

I will hold this matter in abeyance, pending your reply. Your continued cooperation in regards to this matter is greatly appreciated.

Very truly yours;

Eugene Lushbaugh
Fidelity/Surety Claim Division

EL/jg