



OLD REPUBLIC

**Old Republic Surety Company
Old Republic Insurance Company**

CONSERVATION DIVISION
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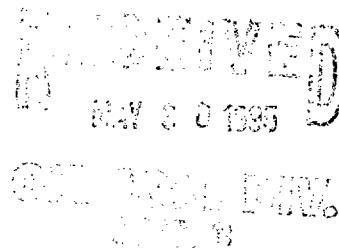
06RID 21483

IDN 10460

P.O. Box 1635, Milwaukee, WI 53201
Phone: (414) 797-2640 / Fax: (414) 797-9495

May 24, 1995

Mr. Johnny Robinson
Deputy Oil & Gas Inspector
New Mexico Energy, Minerals
and Natural Resources Department
1000 Rio Brazos Road
Aztec, NM 87410



Re: **Claim No.:** 21346
Bond No.: LSC 659001
Principal: Spur Oil, Inc.
Company: Old Republic Insurance Company
Ref: Samantha #1, L-26-28N-01E, API #30-039-23442
Samantha #2, K-26-28N-01E, API #30-039-23444
Samantha #3, N-26-28N-01E, API #30-039-23446
Gonzales 13, #1, I-13-31N-01E, API #30-039-24081
Gonzales 18, #1, M-18-31N-02E, API #30-039-23805
Quinlan Ranch #1, H-23-32N-02E, API #30-039-22135
Quinlan Ranch #2, N-19-31N-03E, API #30-039-24504

Dear Mr. Robinson:

On March 24, 1995 I spoke with the President of Spur Oil, Inc., Fred Shelton, Jr. He said that all of the above-captioned wells, except the Quinlan and Gonzales wells have been taken over by Joe Neal and Associates. It is my understanding that Joe Neal and Associates has filed bonds to replace or supersede ours. It is also our understanding from speaking with Mr. Shelton that the State of New Mexico has agreed to Joe Neal's taking over the wells.

Mr. Shelton told me that the Quinlan and Gonzales wells are being taken over by the ranchers who own the land on which the wells are located. These ranchers want to use the wells for water, which apparently exists at another level. Apparently the State of New Mexico has agreed to this arrangement also. We

Mr. Johnny Robinson

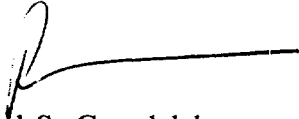
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would appreciate your confirming, in writing, that the State of New Mexico is satisfied with the current situation and is withdrawing its claim against the bond. Thank you.

Very truly yours,

OLD REPUBLIC SURETY

A handwritten signature in dark ink, appearing to be 'P. Guardalabene', with a long horizontal stroke extending to the right.

Paul S. Guardalabene
Assistant Vice President, Claims
414/797-2675

PSG/beh

cc: Mr. Fred Shelton, Jr.
3501 Gillon
Dallas, TX 75205

Mr. Fred Shelton, III
Post Office Box 6666
Buffalo Gap, TX 79508