



**FIREMAN'S FUND
INSURANCE COMPANIES**

777 San Marin Drive
Novato, CA 94998
(415) 899-2000

943C
JW
9/2

August 20, 1986

Ms. Dolores Vigil
State of New Mexico
Bureau of Land Management (943C-3)
P.O. Box 1449
Santa Fe, New Mexico 87504

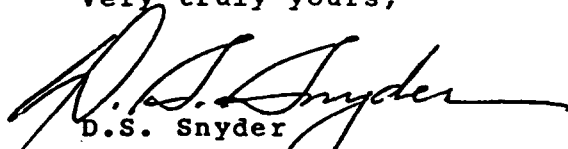
RE: PARAMOUNT PETROLEUM CORP., OIL & GAS BOND \$25,000

Dear Ms. Vigil:

This letter is sent to you to acknowledge receipt of the correspondence and documentation forwarded to our Mrs. Gilbert on August 1, 1986. As stated to you in our telephone conversation, this bond about which you have inquired is not a valid bond of National Surety Corporation as there is no record of the attorney-in-fact nor any evidence of him having been issued power-of-attorney to represent the surety. Since it is our position that the bond filed with you is not a valid obligation of National Surety Corporation, then the surety is not bound by the terms and conditions set forth in the bond.

The matter has been referred to our General Counsel's Office for further review.

Very truly yours,


D.S. Snyder
Secretary, Surety

DSS:mh

BEFORE EXAMINER STOCKER	
OIL CONSERVATION DIVISION	
10335	EXHIBIT NO. E
CASE NO. 10335	

Att. 1

STATE OR NATIONWIDE OIL AND GAS BOND
Act of February 25, 1920 (30 U.S.C. Sec. 181)
Act of August 7, 1947 (30 U.S.C. Sec. 351)

AUG 16 9 57 AM '47

KNOW ALL MEN BY THESE PRESENTS, That we Paramount Petroleum Corporation
of Houston, Texas

as principal, and National Surety Corporation
of New York City, New York

as surety, are held and firmly bound unto the United States of America in the sum of Twenty Five
Thousand and NO/100 dollars (\$ 25,000.00), lawful money
of the United States, which sum may be increased or decreased by a rider hereto executed in the same manner as this
bond, for the use and benefit of (1) the United States; (2) the owner of any of the land subject to the coverage of this
bond, who has a statutory right to compensation in connection with a reservation of the oil and gas deposits to the
United States; and (3) any lessee or permittee under a lease or permit issued by the United States prior to the issu-
ance of an oil and gas lease for the same land subject to this bond, covering the use of the surface or the prospecting
for, or development of, other mineral deposits in any portion of such land, to be paid to the United States. For such
payment, well and truly to be made, we bind ourselves, and each of our heirs, executors, administrators, successors
and assigns, jointly and severally.

If the amount of this bond is \$150,000 or if it is increased to that amount, the coverage shall extend to all of the prin-
cipal's holdings of federal oil and gas leases in the United States, including Alaska, under the Acts cited in Sched-
ule A.

If the amount of this bond is less than \$150,000, its coverage extends only to the principal's holdings of federal oil
and gas leases in the States named in Schedule A and to any other State or States that may be named in a rider at-
tached hereto by the lessor with the consent of the surety.

SCHEDULE A

Public Domain Leasing Act of February 25, 1920
(30 U.S.C. Sec. 181)

NAMES OF STATES

New Mexico

Acquired Lands Leasing Act of August 7, 1947
(30 U.S.C. Sec. 351)

NAMES OF STATES

The conditions of the foregoing obligations are such
that, whereas the said principal has an interest in oil
and gas leases issued under the Act or Acts cited in
Schedule A of this bond: (1) as lessee; (2) as the
approved holder of operating rights in all or part of the
lands covered by such leases under operating agree-
ments with the lessees; or (3) as designated operator
or agent under such leases pending approval of an
assignment or operating agreement; and

WHEREAS the principal is authorized to drill for, mine,
extract, remove, and dispose of oil and gas deposits
in or under the lands covered by the leases, operating
agreements or designations and is obligated to comply
with certain covenants and agreements set forth in
such instruments; and

WHEREAS the principal and surety agree that without
notice to the surety the coverage of this bond, in addi-
tion to the present holdings of the principal, shall
extend to and include:

1. Any oil and gas lease hereafter issued to, or
acquired by the principal in the States now named in
Schedule A, or later named in a rider, the coverage is
to be confined to the principal's holdings under the Act
or Acts cited at the head of the column in which the
name of the State appears and to become effective
immediately upon such issuance or upon departmental
approval of a transfer in favor of the principal.

2. Any operating agreement hereafter entered into
or acquired by the principal affecting oil and gas
leases in the States now named in Schedule A, or
later named in a rider. The coverage shall become

viately upon departmental approval of the
or of a transfer of an operating agreement to
principal.

3. Any designation subsequent hereto of the
principal as operator or agent of a lessee under a lease
issued pursuant to the Act or Acts cited in Schedule A
and covering lands in a State named in Schedule A,
either presently or by rider. This coverage shall be-
come effective immediately upon the filing of such a
designation under a lease.

4. Any extension of a lease covered by this bond,
such coverage to continue without any interruption due
to the expiration of the term set forth in the lease.

Provided, that the surety may elect to have the addi-
tional coverage authorized under this paragraph be-
come inapplicable as to all interests of the principal
acquired more than thirty (30) days after the receipt
of notice of such election by the Bureau of Land
Management.

The surety hereby waives any right to notice of, and
agrees that this bond shall remain in full force and
effect notwithstanding:

1. A transfer or transfers, either in whole or in
part, of any or all of the leases, or of the operating
agreements, and further agrees to remain bound under
this bond as to the interests either in the leases or
in the operating agreements, or in both, retained by
the principal when the approval of the transfer or
transfers become effective.

2. Any modification of a lease or operating agree-
ment, or obligations thereunder, whether made or effected
by commitment of such lease or operating agreement
to unit, cooperative, communitization or storage, agree-
ments, or development contracts, suspensions of opera-
tions or production, waivers, suspensions or changes
in rental, minimum royalty and royalties, compensatory
royalty payments, or otherwise; and

WHEREAS the principal and surety hereby agree that
notwithstanding the termination of any lease or leases,
operating agreements or designations as operator or
agent, covered by this bond, whether the termination
is by operation of law or otherwise, the bond shall
remain in full force and effect as to all remaining
leases, operating agreements, or designations covered
by the bond; and

WHEREAS the principal, as to any lease or part of a
lease for lands as to which he has been designated as
operator or agent, or approved as operator, in consid-
eration of being permitted to furnish this bond in lieu
of the lessees, agrees and by these presents does
hereby bind himself to fulfill on behalf of each lessee
all obligations of each such lease for the entire lease-
hold in the same manner and to the same extent as
though he were the lessee; and

WHEREAS the principal and surety agree that the neg-
lect or forbearance of said lessor in enforcing, as
against the lessees of such lessor, the payment of
rentals or royalties or the performance of any other
covenant, condition or agreement of the leases, shall
not, in any way, release the principal and surety, or
either of them, from any liability under this bond; and

WHEREAS the principal and surety agree that in the
event of any default under the leases, the lessor may
commence and prosecute any claim, suit, action, or
other proceeding against the principal and surety, or
either of them, without the necessity of joining
the lessees.

NOW, THEREFORE, IF said principal shall in all
respects faithfully comply with all of the provisions of
the leases referred to hereinbefore, then the above
obligations are to be void; otherwise to remain in full
force and effect.

Signed on this 13th day of August

, 1980, in the presence of:

NAMES AND ADDRESSES OF WITNESSES

Robert C. Whitworth

1980 S. Post Oak Rd., Suite 1800
Houston, Texas 77056

W. A. Buttlemann

3207 Mercer, #201
Houston, Texas 77027

PARAMOUNT PETROLEUM CORPORATION

L. W. Dreyer, President

1980 S. Post Oak Rd., Suite 1800
Houston, Texas 77056

(Business address)

NATIONAL SURETY CORPORATION

W. A. Buttlemann, Jr.
Attorney-in-Fact

3207 Mercer, #201
Houston, Texas 77027

(Business address)

NATIONAL SURETY CORPORATION

BEFORE ALL MEN BY THESE PRESENTS: That NATIONAL SURETY CORPORATION, a Corporation duly organized and existing under the laws of the State of New York, and having its principal office in the City of New York, New York, and its Home Office in the City and County of San Francisco, California, has made, constituted and appointed, and does by these presents make, constitute and assign authority hereby conferred in its name, place and stead, to execute, seal, acknowledge and deliver any and all bonds, undertakings, recognizances or other written obligations in the nature thereof each not to exceed \$500,000 in amount and to bind the Corporation thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Corporation and duly attested by its Secretary, hereby ratifying and confirming all that the said Attorney(s)-in-Fact may do in the premises.

This power of attorney is granted pursuant to Article VIII, Section 30 and 31 of By-laws of NATIONAL SURETY CORPORATION adopted on the 6th day of September 1972, and now in full force and effect.

"Article VIII, Appointment and Authority of Resident Assistant Secretaries, and Attorneys-in-Fact and Agents to accept Legal Process and Make Appearances.

Section 30. Appointment. The Chairman of the Board of Directors, the President, any Vice-President or any other person authorized by the Board of Directors, the Chairman of the Board of Directors, the President or any Vice-President, may, from time to time, appoint Resident Assistant Secretaries and Attorneys-in-Fact to represent and act for and on behalf of the Corporation and Agents to accept legal process and make appearances for and on behalf of the Corporation.

Section 31. Authority. The Authority of such Resident Assistant Secretaries, Attorneys-in-Fact, and Agents shall be as prescribed in the instrument evidencing their appointment, and any such appointment and all authority granted thereby may be revoked at any time by the Board of Directors or by any person empowered to make such appointment."

This power of attorney is signed and sealed under and by the authority of the following Resolution adopted by the Board of Directors of NATIONAL SURETY CORPORATION at a meeting duly called and held on the 28th day of September, 1976, and that said Resolution has not been amended or repealed:

"RESOLVED, that the signature of any Vice-President, Assistant Secretary, and Resident Assistant Secretary of this Corporation, and the seal of this Corporation may be affixed or printed on any power of attorney, on any revocation of any power of attorney, or on any certificate relating thereto, by facsimile, and any power of attorney, any revocation of any power of attorney, or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Corporation."

IN WITNESS WHEREOF, NATIONAL SURETY CORPORATION has caused these presents to be signed by its Vice-President, and its corporate seal to be hereunto affixed this 17th day of October, 1978.



NATIONAL SURETY CORPORATION

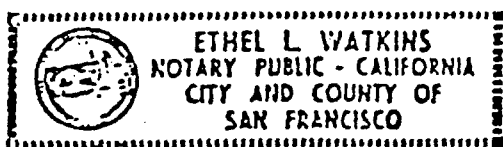
By

S. D. Menist
S. D. MENIST, Vice-President

STATE OF CALIFORNIA, } ss.
CITY AND COUNTY OF SAN FRANCISCO }

On this 17th day of October, 1978, before me personally came S.D. MENIST, to be known, who, being by me duly sworn, did depose and say that he is Vice-President of NATIONAL SURETY CORPORATION, the Corporation described in and which executed the above instrument; that he knows the seal of said Corporation; that the seal affixed to the said 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.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year herein first above written.



Ethel L. Watkins
ETHEL L. WATKINS, Notary Public
My commission expires March 2, 1981.

CERTIFICATE :

STATE OF CALIFORNIA, } ss.
CITY AND COUNTY OF SAN FRANCISCO }

I, the undersigned, Assistant Secretary of NATIONAL SURETY CORPORATION, a NEW YORK Corporation, DO HEREBY CERTIFY that the foregoing and attached POWER OF ATTORNEY remains in full force and has not been revoked; and furthermore that Article VIII, Sections 30 and 31 of the By-laws of the Corporation, and the Resolution of the Board of Directors, set forth in the Power of Attorney are in full force.

Signed and sealed at the City and County of San Francisco. Dated the 25th day of October, 1978.



Winifred H. Browne
WINIFRED H. BROWNE, Assistant Secretary

PCN: 06080P1
FORM 1274-18

DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

PAGE: 1

CASE ABSTRACT AS OF: 11/30/90
02-25-1920;041STAT0437;30USC226 CASE TYPE SERIAL NUMBER
O&G LSE NONCOMP PUB LAND 311111 NMNM 0468128
COMMODITY - OIL & GAS

NAME AND ADDRESS

PARAMOUNT PETRO CORP
BOX 22763
HOUSTON TX 77027
LESSEE 100.00000 %

DESCRIPTION OF LAND

NEW MEX PM
T. 29 N, R. 13 W, SAN JUAN COUNTY, NM
ALBUQUERQUE DISTRICT FARMINGTON RESOURCE AREA
SEC. 21: E2SW, SWCE
SEC. 34: ALL
760.000 ACRES

ACTIONS

DATE	CODE	TAKEN	REMARKS
2/04/1947	124	AFLN RECD	SC
10/01/1949	237	LEASE ISSUED	CB
10/01/1949	530	ROYALTY RATE - 12 1/2%	
10/01/1949	868	EFFECTIVE DATE	SC
3/31/1954	650	HELD BY PROD - ACTUAL	
11/01/1963	209	CASE CREATED BY SEGR	OUT OF NMNMO349836
12/30/1963	232	LEASE COMMITTED TO UNIT	CENTRAL TOTAL
12/30/1963	501	REFERENCE NUMBER	14-08-0001-8571
4/17/1964	650	HELD BY PROD - ACTUAL	
5/28/1964	102	ACCT TRFD TO AFS	
11/30/1976	522	CA TERMINATED	14-08-0001-7297
9/03/1980	140	ASGN FILED	
10/01/1980	898	ASGN EFFECTIVE	

**** CONTINUED ****

PCN: 06080P1
FORM 1274-18

DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

PAGE: 2

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O&G LSE NONCOMP PUB LAND 311111 NMNM 0468128
COMMODITY-- OIL & GAS

ACTIONS

DATE	CODE	TAKEN	REMARKS
10/17/1980	137	ASGN APPROVED	SOUTHLAND ROYALTY
6/05/1981	932	TRF OPER ROTS FILED	
10/01/1984	235	EXTENDED	THRU 9/30/1986
10/01/1984	336	UNIT AGMT TERMINATED	CENTRAL TOTAH
6/24/1985	600	RECORDS NOTED	DMS
7/03/1985	963	CASE MICROFILMED	CNUM 104,768 AC
9/24/1986	932	TRF OPER ROTS APPROVED	EFF 07/01/81
11/06/1987	974	AUTOMATED RECORD VERIF	CB/CE
9/11/1989	452	DEFAULT CORRECTION REQD	
*****		PENDING ACTION: CORPORATIONS	

GENERAL REMARKS

02 09/11/1989 DEFAULT CONSISTS OF UNPAID ROYALTY
03 MMS INVOICE #75760449 DATED 06/16/1987.