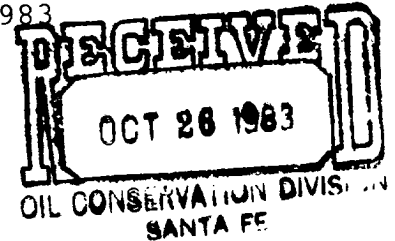




# Western Surety Company

Office of General Counsel

October 24, 1983



Mr. Dennis B. Harris  
KM&D Energy, Inc.  
1701 Greenville Ave., Ste. 202  
Richardson, TX 75081

Dear Mr. Harris:

Re: Claim SR-35,819, Bond 18037583 - Geophonic Resources, Inc.

October 20, I received another phone call from the New Mexico Energy and Mineral Department advising that you have done no work in plugging the well which has been a matter of considerable correspondence.

Back in June in a telephone conversation with, I believe, a Ms. Taylor of your office I was assured that this well was in the process of being plugged.

Unless some action is taken by you by November 10, 1983 and this company has been advised by that action, it will be necessary for us to inform the state to proceed with proper plugging of the well. As we previously discussed, any payment by this company to accomplish this will be recoverable from you and our indemnitors, Mr. and Mrs. Harris. In the absense of your failure to comply, this company as your surety, is obligated to do so.

Yours very truly,

TOM KIRBY JR.

TKJ:mc  
cc: New Mexico Energy and Mineral Dept.