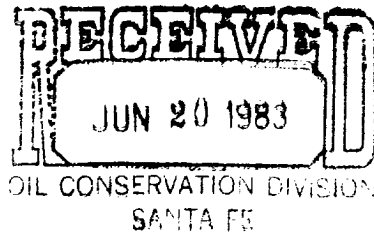




Western Surety Company



Office of General Counsel

June 16, 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.

On June 3, 1983, I received a phone call from, I believe your secretary, who advised that the Union County, New Mexico, well was being plugged that day.

However, we have now received a letter from the New Mexico Energy & Minerals Department advising that the well still has not been plugged.

If you are not going to plug this well, then this company as surety will be obligated to hire someone to do it. This would be a more costly procedure obviously.

Therefore, unless this matter is concluded by July 14, 1983, we will have to seek bids from available contractors to do the plugging, pay them and then recover from you.

Yours very truly,

TOM KIRBY JR.

TKJ:klo

cc: New Mexico Energy &
Minerals Department ✓