

XXXXXXXXXXXXXXXXXXXX
NAVAJO REGION
P.O. Box 1060
Gallup, New Mexico 87305-1060

RRES/543

New Mexico Energy
Attn: Charley Perrin
Minerals & Natural Resources Department
Aztec District Office
1000 Rio Brazos Road
Aztec, New Mexico 87410

Dear Mr. Perrin:

This is to confirm the discussion that was held at the quarterly meeting held in Farmington on July 13, 2000, with the Bureau of Indian Affairs (BIA), Bureau of Land Management (BLM) and the Navajo Nation Minerals Department on collecting on the bond of APA Development Co. in the amount of \$75,000. The irrevocable letter of credit was issued by Valley National Bank in lieu of a collective bond.

You explained to Ms. Bertha Spencer, Realty Specialist, that BLM will be meeting with the New Mexico Oil Conservation Division (NMOCD) on August 15, 2000 to request the NMOCD to provide additional funds to plug the wells on Navajo Tribal Lease Nos. 14-20-600-3540 and 14-20-603-5013. Also, BLM Farmington Field Office has advised you on the inventory that was taken and submitted to your office.

We have written to Valley National Bank of Cortez, Colorado to demand payment of \$75,000 against APA Development, Inc.'s Irrevocable Letter of Credit which will go towards the plugging costs. If NMOCD is willing to bear the additional costs of plugging the wells, we will assist them with \$75,000 to offset with the expenses.

We will await word from the bank before advising you further. We appreciate your assistance in this matter and any cooperation from NMOCD will be greatly appreciated. If you have any questions, please contact Ms. Bertha Spencer, at (520) 871-5938.

Sincerely,

Regional Director, Navajo



IN REPLY REFER TO:

United States Department of the Interior

BUREAU OF INDIAN AFFAIRS

~~NAVAJO REGION~~

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AUG 15 2000

New Mexico Energy
Minerals & Natural Resources Department
Attn: Charley Perrin
Aztec District Office
1000 Rio Brazos Road
Aztec, New Mexico 87410

Dear Mr. Perrin:

This is to confirm the discussion that was held at the quarterly meeting in Farmington on July 13, 2000, with the Bureau of Indian Affairs, Bureau of Land Management and the Navajo Nation Minerals Department on collecting on the bond of BK Petroleum, Inc. in the amount of \$15,000 collective bond from the surety company for Navajo Nation Oil and Gas Lease No. 14-20-600-3531.

You explained to Ms. Bertha Spencer, Realty Specialist, Minerals and Mining Section, that BLM will be meeting with the New Mexico Oil Conservation Division (NMOCD) on August 15, 2000, to request the NMOCD to provide additional funds to plug the wells on the above mentioned lease. Also, BLM Farmington Field Office has advised you on the inventory that was taken and submitted to your office.

We have written to the surety company to demand payment of \$15,000 against BK Petroleum which will go towards the plugging costs. If NMOCD is willing to bear the additional costs of plugging the wells, we will be glad to give them the \$15,000 to help with the expense.

We will await word from the surety before advising you further. We appreciate your assistance in this matter and any cooperation from NMOCD will be greatly appreciated. If you have any further questions, please contact Ms. Bertha Spencer, at (520) 871-5938.

Sincerely,

ACTING

Regional Director, Navajo



IN REPLY REFER TO:

United States Department of the Interior

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~~NAVAJO REGION~~

NAVAJO REGION

P.O. Box 1060

Gallup, New Mexico 87305-1060

RRES/543

AUG 15 2000

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Continental Surety & Fidelity Insurance Company
Attn: Surety Department
P. O. Box 17369TA
Denver, Colorado 80217

Dear Sir:

This concerns a \$15,000 Collective Bond No. KY 000153 dated June 21, 1984, showing Continental Surety & Fidelity Insurance Company of Denver, Colorado, as surety, and BK Petroleum, Inc., 501 Airport Dr., Suite 165, Farmington, New Mexico, as principal. A copy of the bond is enclosed for your information.

Our office received a letter dated August 18, 1998 from Bureau of Land Management, Farmington Field Office, requesting us to demand payment on the surety bond from BK Petroleum due to continuous noncompliance on Navajo Tribal Lease No. 14-20-600-3531. The bond was accepted to insure proper compliance performance on the lease. BK Petroleum holds operating rights in the lease and is the party responsible for proper abandonment of the wells.

In view of the above, we are making a demand payment on Continental Surety & Fidelity Insurance Company bond for \$15,000 on file with the Bureau of Indian Affairs, to pay for the proper plugging of the wells. Please make your check payable to the "Bureau of Indian Affairs", Navajo Region Office, Attn: Real Estate Services, P.O. Box 1060, Gallup, New Mexico 87305-1060.

If you have any questions, please contact Ms. Bertha Spencer, Realty Specialist at (520) 871-5938.

Sincerely,

ACTING Regional Director, Navajo

Enclosures



Bureau of Indian Affairs
Navajo Region
Branch of Real Estate Services
P. O. Box 1060
Gallup, New Mexico 87305-1060



AUTOMATIC TELEFAX

DATE: 8/16/00

LOCATION: Mail Code _____
Window Rock, Arizona
TELEFAX NUMBER: 520/871-5943

INFORMATION OR ASSISTANCE NO.: COMMERCIAL — 520/871-59 33

NUMBER OF DOCUMENTS (Including Cover Sheet) 5

TO THE ATTENTION OF: Charley Perrin

Office Phone Number: _____

Telefax Number: (505) 334-6170

FROM: Louise Gould

Office Phone Number: (520) 871-5933

MESSAGE OR INSTRUCTION: For your information, two letters
are still being signed. As soon as they are ready,
I will send you your copies w/ attachments.
Call me if you have any questions.

DISPATCHED BY: L Gould TIME: 8:40 AM