



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

May 25, 2006

Ms. Anna Abidor
St. Paul Travelers
One State Street Plaza, 10th Floor
New York, NY 10004

**Re: Gulf Insurance Company
Bond No. 585654
Fi-Ro Corporation, Principal**

Dear Ms. Abidor:

Reference is made to your letter of February 16 concerning this bond and our claim.

With our January 6 demand letter, we sent you copies of the original bond, the Oil Conservation Division's letter declaring the bond forfeit and the invoices of the contractor engaged by the Division to plug these well.

Your letter asks for evidence of notice to the principal and the surety. I am attaching copies of my letters September 24, 2002 and December 23, 2002 directed to Fi-Ro and Gulf Insurance Company, together with copies of the enclosures referenced in those letters. It appears that our efforts to notify Fi-Ro of these proceedings were unavailing, as evidenced by attached copies of returned mail showing that these letters were undeliverable at each of three addresses for Fi-Ro in our files. However, the September 24 letter was received by Gulf Insurance Company as evidenced by copies of the Receipt for Certified Mail and Return Receipt enclosed. We have been unable to locate a return receipt from Gulf Insurance Company with respect to the December 23 letter. However, we have also not found evidence that the letter was returned, and it was sent to the same address for Gulf as the September 24 letter that evidently was received.

I am also enclosing the executed affidavit that you requested. In connection with the statement there that we have furnished all of the information related to our claim, I note, in the interest of full disclosure, that we have files on the wells that were plugged that contain historical information about these wells. We do not consider that information relevant to our claim on this bond, but we will be happy to furnish you copies if you so request.

We look forward to receiving your payment of this claim in the near future.

Should you have questions, please feel free to call the undersigned at (505)-476-3450.

Very truly yours,

David K. Brooks,
Assistant General Counsel

Claimant: New Mexico
Oil Conservation Division State of New Mexico

Bond #: 585654

County of Santa Fe

Claimant's Affidavit

I David K. Brooks as acting Assistant General Counsel of the
Claimant
~~Company~~ hereby swear under the penalties applicable by the laws of the United States of
America and the State of New Mexico, that I have provided The
Travelers Indemnity Company, successor in interest by merger to Gulf Insurance
Company, with copies of all of the information as it relates to the claim made against the
above mentioned bond.

David K. Brooks
(Signature)

Sworn to and subscribed before me

This 25th day of May in the year of 2006

[Signature]
Notary Public Dorothy Phillips

My commission expires 4 / 2 / 07

"Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation."