

In Reply Refer To: MS 5422

Mr. Bruce Maas
Sr. Counsel
Frontier Insurance Company
130 East Main Street
Rochester, New York 14604

Federal Express Tracking Number: 7908 2306 5913

Dear Mr. Maas:

As we discussed in our telephone conversation on Friday, March 17, 2000, we would like to provide the following information to assist you with complying to the March 22, 2000 deadline, as committed to in your letter sent to Mr. Chris Oynes, on February 4, 2000.

1. One lease bid was received on Main Pass 293 from Samedan Oil Corporation. As specified in your letter, the Minerals Mangement Service will grant 45 days from March 15, 2000 or until May 1, 2000, for Frontier Insurance to exercise its best efforts to sell the related facilities. If the new lessee, Samedan Oil Corporation has not acquired the facilities on this lease, by May 1, 2000, then Frontier Insurance will forfeit the following bonds.

<u>Bond Numbers</u>	<u>Amounts</u>	<u>OCS Lease Numbers</u>	<u>Area/Blocks</u>
121570	\$ 2,600,000.00	G01670	Main Pass 293

2. No bids were received on Main 291 and West Cameron 405. As specified in your letter, Frontier Insurance may elect, by March 22, 2000, to either commit to do the plugging and abandonment work or forfeit the penal sum of the following bonds.

<u>Bond Numbers</u>	<u>Amounts</u>	<u>OCS Lease Numbers</u>	<u>Area/Blocks</u>
127674	\$ 1,300,000.00	G03280	West Cameron 405
121569	\$ 700,000.00	G09727	Main Pass 291

3. As specified in your letter dated February 18, 2000, regarding Royalty payments, the balances on bond numbers 122820 (General Bond on Main Pass 293), 122819 (General Bond on Main Pass 291) and 119111 (General Bond on West Cameron 405) will reflect safety and insurance deductions. Currently, these three bonds have the following balances and will be also due if you elect to pay the penal sum of the bonds.

<u>Bond Number</u>	<u>Balance Due</u>
✓ 122820	\$0
✓ 122819	\$25,160.48
✓ 119111	\$13,949.59

see attached E-mail

6/23/00
Request for
Bond Cancellation
on bonds listed
below with the
exception,
CW
~~#127674~~
cancel date
3/23/00 via receipt
of forfeited funds
CW

4. Should you elect to forfeit the penal sum of the bonds please wire the specified funds utilizing the following information:

Field Tag 2000: Amount of Wire - \$2,039,110.07 (Payment amount)

Field Tag 3400: Receiver FI - 021030004 TREVAS NYC

Field Tag 3600: Business function - CTR

Field Tag 4200: Beneficiary - D
(Fields 1 through 6) 14170001
Department of the Interior
Minerals Management Service
Accounting & Reports Division
Denver, CO

Field Tag 4320: Reference for Beneficiary Forfeiture of Frontier Bond for Allied Leases

PAYOR Code - Use the MMS assigned company number – 10336

Field Tag 5000: Originator Frontier Insurance
(Lines 1 through 6) 2636 Elm Hill Pike, Suite 500
Nashville, Tennessee 37214

Field Tag 6000 - Up to 4 lines of 35 characters each and any additional information

PAD - Your document number and amount (if more than one)

BILL - Bill document ID (type & number) followed by amount

IND Fund Code - Refer to list of alphabetical Tribes & Allottees
And amount (if there is more than one)

5. In regards to the letter from John P. Wilson, Assistant Vice-President, faxed on March 21, 2000 we have determined your request is not warranted at this time. Your request may be resubmitted after the funds have been placed in the MMS Plugging and Abandonment account listed above.

If we can be of further assistance, please contact Mr. Carrol Williams at (504) 736-2803.

Sincerely,

Carrol Williams
Acting Unit Supervisor
Leasing and Environment

cc: 1101-02c – OCS-G 1670, 3280, 9727

JHaddox (MS5422)

CWilliams (MS 5422)

MHolmes (MS 5421)

CMoser (MS 5300)

BKruse (MS 5220)

ESwiler (MS 4010)

CWilliams:mm:03/21/00:a:cwFrontier

Williams, Carrol Stewart

From: Williams, Carrol Stewart
Sent: Thursday, March 23, 2000 8:59 AM
To: Schoennagel, Charles
Subject: FW: The \$2,039,110.07 has been received.

FYI

-----Original Message-----

From: Williams, Carrol Stewart
Sent: Wednesday, March 22, 2000 3:31 PM
To: Bernard Kruse; Cathy Moser; Cherry Mallard; Chris Oynes; DENNIS DAUGHERTY; Donald Howard; Hammond Eve; James Haddox; Joe Gordon; John Rodi; Mike Melancon; Stephen Walsh; Steve Waddell; William Martin
Subject: RE: The \$2,039,110.07 has been received.

In response to previous agreements and our recent demands, please be advised, that the penal sum of the bonds on Main Pass 291 and West Cameron 405, have been wired into an MMS account. Please see attached letter for a summary and allocation of these funds.



cwFrontier.doc

Carrol Stewart Williams

Phone (504) 736-2803

Fax (504) 731-3094

E-Mail, Carrol.Williams@mms.gov

-----Original Message-----

From: Huston, Nancy
Sent: Wednesday, March 22, 2000 3:18 PM
To: Williams, Carrol Stewart
Subject: The \$2,039,110.07 has been received.

The message number is 20000322000589.

Williams, Carrol Stewart

From: Mallard, Cherry
Sent: Tuesday, June 20, 2000 8:22 AM
To: Williams, Carrol Stewart
Subject: RE: Called bonds from Frontier. How will we disburse funds?

Carrol,

Are you requiring Frontier to pay the remaining funds on bonds 119111 (\$13,949.59) and 122819 (\$25,160.48)? It was my understanding that these bonds were basically for royalty purposes and not plugging and abandonment. If this is the case, there are no royalties owed on the 2 leases covered by these bonds and we should not require Frontier to pay this money.

Cherry

-----Original Message-----

From: Williams, Carrol Stewart
Sent: Monday, June 19, 2000 3:26 PM
To: Beverly Gonzales; Cathy Moser; Charles Schoennagel; Cherry Mallard; Don Matheson; Eric Carter; Jill G'sell; John Rodi; Michael Del-Colle; Norman Hurwitz; Sharon Cook; Sheryl Preacher; Steve Waddell
Subject: Called bonds from Frontier. How will we disburse funds?

Per our telephone discussion, please find listed the bond we discussed.

1. These are the bonds initially provided for ALLIED by Frontier Insurance.

<u>Bond Numbers</u>	<u>Amounts</u>	<u>OCS Lease Numbers</u>	<u>Area/Blocks</u>
122820	\$ 50,000.00	G01670	Main Pass 293
✓121570	\$ 2,600,000.00	G01670	Main Pass 293 ✓
119111	\$ 50,000.00	G03280	West Cameron 405
✓127674	\$ 1,300,000.00	G03280	West Cameron 405 ✓
122819	\$ 50,000.00	G09727	Main Pass 291
✓121569	\$ 700,000.00	G09727	Main Pass 291 ✓

2. Each of the \$50,000 bonds listed above were classified as Lease Specific General Bonds. During the forfeiture determination, an agreement was reached with the surety, Frontier Insurance Company, to deduct the payments they would incur to settle back royalties and provide immediate safety/maintenance and insurance for the facilities on these leases. The outstanding balances on these leases, which was forfeited following the most recent lease sale (March 16, 2000), was:

<u>Bond Numbers</u>	<u>Amounts</u>	<u>OCS Lease Numbers</u>	<u>Area/Blocks</u>
122820	\$ 0	G01670	Main Pass 293
119111	\$ 13,949.59	G03280	West Cameron 405
122819	\$ 25,160.48	G09727	Main Pass 291
TOTAL	\$ 39 110.07		

3. In addition we demanded the immediate forfeiture of the following supplemental bonds, following this same lease sale.

<u>Bond Numbers</u>	<u>Amounts</u>	<u>OCS Lease Numbers</u>	<u>Area/Blocks</u>
121569	\$ 700,000.00	G09727	Main Pass 291
127674	\$ 1,300,000.00	G03280	West Cameron 405
TOTAL	\$ 2,000,000.00		