



Aubrey Dunn
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

April 18, 2016

J. Cleo Thompson & James Cleo Thompson, Jr., LP
P. O. Box 12577
Odessa, Texas 79768

Case # 13058

API # 30-041-20902

Attn: Ms. Shelly Bilberry

Re: Contraction Notice
Northwest Jenkins Unit
SE/4SW/4 Sec. 32-8S-34E Lands Remaining in Unit
Expiration of Lease No. VA-2901-0
Roosevelt County, New Mexico

Dear Ms. Bilberry:

Our records reflect that J. Cleo Thompson & James Cleo Thompson, Jr., LP is operating the Northwest Jenkins Unit area. Following the automatic elimination of undrilled lands, the Northwest Jenkins Unit has this date been contracted and now contains 40.00 acres of State lands in Roosevelt County, New Mexico.

Our records reflect the following:

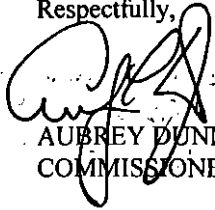
- The Northwest Jenkins Unit Agreement was approved on June 20, 2003 covering the S/2 of Sec. 32-8S-34E containing 320.00 acres to test the Devonian formation.
- NMOCD Case No. 13058, Order No. R-11951 approved the Northwest Jenkins Exploratory Unit for all oil and gas in all formations underlying the unit area.
- The initial unit well, the NW Jenkins Unit 32 State Well No. 1 (30-41-20902) SE/4SW/4 Sec. 32-8S-34E was drilled and completed as a commercial Devonian well (40 acre spacing) on December 1, 2003.
- Article 9, of the Northwest Jenkins Unit Agreement provides that "notwithstanding any of the provision of this Agreement to the contrary, all undeveloped regular well spacing or proration unit tracts within the unit boundaries embracing lands of the State of New Mexico shall be automatically eliminated from this agreement and shall no longer be a part of the unit or be further subject o to the terms of this agreement unless at the expiration of five (5) years after the first day of the month following the effective date of this agreement diligent drilling operations are in progress on said tracts.
- The Harvard Petroleum Company, LLC. ICA 32 State Well No. 1 Well No. 30-041-20956 was drilled in the SW/4SW/4 of Section 32-8S-34E as a non-unit well by Harvard Petroleum Company, LLC on June 26, 2014. This well is currently being produced on a lease basis. Since the Northwest Jenkins State Unit Agreement has a strict segregation clause, as long as this wells continues to produce, the production from this well will hold the remaining acreage (outside of the Unit) on State Oil and Gas Lease No. VO-6497-2.

- Please be advised that due to the automatic elimination of undrilled lands from the Unit, State Lease No. VA-2901-0 covering the SE/4 of Section 32-8S-34E has expired by its own terms.

Please submit, within 30 days from the receipt of this letter, revised Exhibits "A" and "B" reflecting the SE/4SW/4 of Section 32-8S-34E as the only lands remaining in the Northwest Jenkins Unit following the automatic elimination of undrilled lands.

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Respectfully,



AUBREY DUNN
COMMISSIONER OF PUBLIC LANDS

AD/pm

cc: Reader File,
NMOCD Attention: Mr. Daniel Sanchez
TRD-Attention: Ms. Billie Luther ✓
RMD-Attn: Mr. Danny Martinez