

BEN DONEGAN
3224 CANDELARIA NE
ALBUQUERQUE, NEW MEXICO 87107

Phone 505 884-2780
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E-mail bendonegan@aol.com

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RECEIVED

2009 JUN 15 PM 1 19

June 1, 2009

Attention: Pete Martinez
NM Oil, Gas and Minerals Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Dear Pete:

Enclosed are copies of the Change in the Cat Head Mesa Unit Operator assignment from Chaparral CO2, LLC to CHM, LLC approved by the BLM May 21, 2009, the May 27, 2009 approval of the BLM \$25,000 Statewide Bond for CHM, LLC, the May 1, 2009 approval of the SLO \$20,000 Statewide Bond for CHM, LLC and the May 27, 2009 approval of the Designation of CHM, LLC as successor Operator of the Cat Head Mesa Unit.

As discussed with you yesterday, John Simitz of the BLM at Roswell has informed us that BLM approval of our request for suspension of the drilling requirements of the Cat Head Mesa Unit is forthcoming. Upon receipt of the BLM suspension letter, we will forward a copy to you.

Very truly yours,



Ben Donegan

BD/nn
Encl.
Copy: Ed Martin, NMOCD



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Pecos District
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201-2019
www.nm.blm.gov



In Reply Refer To:
NM-106852X
3180 (P01300)

MAY 27 2009

CHM, LLC
Attention: Mr. Ben Donegan
3224 Candelaria NE
Albuquerque, NM 87107

Re: Designation of Successor Unit Operator
Cat Head Mesa Unit
Unitization Agreement No. NM-106852X
Chaves County, New Mexico

Gentlemen:

This office has received and reviewed your designation of successor unit operator by assignment in which you have agreed to assume all rights, duties, and obligations as the unit operator of the Cat Head Mesa Unit, Chaves County, New Mexico.

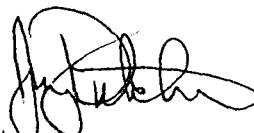
As your company has obtained a S/W BLM Bond Number NMB000597 and all the conditions for becoming a successor unit operator have been met to the Authorized Officer's satisfaction, CHM, LLC, is hereby approved as the unit operator for the Cat Head Mesa Unit as of this date and is effective May 27, 2009. In accordance with this approval, CHM, LLC is responsible for all operations and the reporting of all production from the unit. Well signs should also reflect CHM, LLC as the unit operator. Please inform all interested principles of such approval. An approval copy of this designation has been sent to you.

In approving this designation, the Authorized Officer neither warrants nor certifies that the designated party has obtained all required approvals that would have entitled it to conduct operations under the Cat Head Mesa Unit Agreement.

In addition to becoming the successor unit operator, this office requests a revised Exhibit B and a Plan Of Operation/Development for the subject unit within 60 days from the receipt of this letter.

If you have any questions regarding this letter, please contact David Glass, Petroleum Engineer at the Division of Lands and Minerals at (575) 627-0275.

Sincerely,


for Angel Mayes
Assistant Field Manager,
Lands and Minerals



PATRICK H. LYONS
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

May 1, 2009

Ben Donegan
3224 Candelaria NE
Albuquerque, NM 87107

Re: Release of Multi-Lease Blanket Bond OGB-0865
Bank of America – Cashier's Check in the amount of \$20,000.00.
Replacement Assignment of Cash Collateral OGB-0868
First Community Bank - #355464570.

Dear Mr. Donegan:

We are in receipt of your replacement assignment of cash collateral issued through First Community Bank - #355464570. This Assignment of Cash Collateral reflects the change of name from Ben Donegan to CHM, LLC.

Since a replacement bond has been filed and approved by our office, please be advised that the multi-lease blanket bond OGB-0865 is released effective May 1, 2009, being the same date that the assignment of cash collateral OGB-0868 was approved by the Commissioner of Public Lands.

If you need additional information, please contact Paulette Lucero-Romero at 505-827-5714.

Sincerely,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY 
for Jami Bailey, Director
Oil, Gas & Minerals Division

-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University



United States Department of the Interior



BUREAU OF LAND MANAGEMENT

New Mexico State Office
1474 Rodeo Road
P.O. Box 27115
Santa Fe, New Mexico 87502-0115
www.nm.blm.gov

In Reply Refer To:
3104 (NM921-ssperes)

May 27, 2009

Decision

Principal:	:	
CHM, LLC	:	
Ben Donegan	:	New BLM Bond No.: NMB000597
3224 Candelaria NE	:	
Albuquerque, NM 87107	:	
	:	Old BLM Bond No.: NMB000590
	:	
Financial Institution:	:	
First Community Bank	:	
P. O. Box 3686	:	Amount of Bond: \$25,000.00
Albuquerque, NM 87290	:	
	:	

Oil and Gas Personal Bond Accepted Previous Statewide Oil and Gas Personal Bond Terminated

We received a \$25,000 personal bond secured by a Certificate of Deposit, Account No. 355464538, with the First Community Bank, as financial institution and CHM, LLC, as principal. This bond is accepted effective April 30, 2009, the date received in this office.

The bond constitutes coverage for all operations conducted by or on behalf of the principal on Federal leases in the State of New Mexico. The bond provides coverage for the principal where that principal has interest in, and/or responsibility for operations on leases issued under the authority of any of the Acts cited on the bond form. Federal leases do not include Indian leases.

The bond will be maintained by this office. Termination of liability under the bond will be permitted only after this office is satisfied that there is not outstanding liability on the bond or satisfactory replacement bonding coverage is furnished.

The above bond is replacing the BLM Cash Bond No. NMB000590 previously issued for Ben Donegan, as principal. Therefore, this decision releases BLM Bond No. NMB000590 effective April 30, 2009.

For future correspondence regarding the new bond, please refer to serial number NMB0000597.

If you have any questions regarding this decision, my telephone number is 505-438-7587.

A handwritten signature in cursive script, appearing to read "Susan S. Perez".

Susan S. Perez
Land Law Examiner
Fluids Adjudication Team

§ 3186.4 Change In Unit Operator By Assignment.

Change in Unit Operator Cat Head Mesa Unit Area, County of Socorro, State of New Mexico, No.NMNM106852X. This indenture, dated as of the 29th day of April, 2009, by and between Chaparral CO2, LLC hereinafter designated as "First Party," and CHM, LLC hereinafter designated as "Second Party."

Witnessed: Whereas under the provisions of the Act of February 25, 1920, 41 Stat. 437 30 U.S.C. secs. 181, et seq., as amended by the Act of August 8, 1946, 60 Stat. 950, the Department of the Interior, on the 9th day of January, 2002, approved a unit agreement for the Cat Head Mesa Unit Area, wherein the First Party is designated as Unit Operator; and

Whereas the First Party desires to transfer, assign, release, and quitclaim, and the Second Party desires to assume all the rights, duties and obligations of Unit Operator under the unit agreement; and

Whereas for sufficient and valuable consideration, the receipt whereof is hereby acknowledged, the First Party has transferred, conveyed, and assigned all his/its rights under certain operating agreements involving lands within the area set forth in said unit agreement unto the Second Party;

Now, therefore, in consideration of the premises hereinbefore set forth, the First Party does hereby transfer, assign, release, and quitclaim unto Second Party all of First Party's rights, duties, and obligations as Unit Operator under said unit agreement; and

Second Party hereby accepts this assignment and hereby covenants and agrees to fulfill the duties and assume the obligations of Unit Operator under and pursuant to all the terms of said unit agreement to the full extent set forth in this assignment, effective upon approval of this indenture by the (Name and Title of authorized officer, BLM); said unit agreement being hereby incorporated herein by reference and made a part hereof as fully and effectively as though said unit agreement were expressly set forth in this instrument.

In witness whereof, the parties hereto have executed this instrument as of the date hereinabove set forth.

Dan P. Spence
Jane Hitchens
(Witnesses)

Nancy Nolan
Kathy Taylor
(Witnesses)

Chaparral CO2, LLC

By: James M. Miller-Sr.
James M. Miller-Sr. V.P.

CHM, LLC

By: Ben Donegan
Ben Donegan, Manager

I hereby approve the foregoing indenture designating CHM, LLC as Unit Operator under the unit agreement for the Cat Mesa Unit Area, this 29th day of May, 2009.

[Signature]
Authorized Officer of the Bureau of Land Management