

District I1625 N. French Dr., Hobbs, NM 88240
Phone:(575) 393-6161 Fax:(575) 393-0720**District II**811 S. First St., Artesia, NM 88210
Phone:(575) 748-1283 Fax:(575) 748-9720**District III**1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170**District IV**1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462**State of New Mexico
Energy, Minerals and Natural
Resources****Oil Conservation Division****1220 S. St Francis Dr.****Santa Fe, NM 87505****Change of Operator****Previous Operator Information**

OGRID: 123453

Name: GUYS OIL & GAS LTD CO

Address: 1008 West Broadway

City, State, Zip: Hobbs, NM 88240

New Operator InformationEffective
Date:

Effective on the date of approval by the OCD

OGRID: 224367

Name: MORGAN OPERATING, INC.

Address: 1008 West Broadway

City, State,
Zip: Hobbs, NM 88240

I hereby certify that the rules of the Oil Conservation Division ("OCD") have been complied with and that the information on this form and the certified list of wells is true to the best of my knowledge and belief.

Additionally, by signing below, MORGAN OPERATING, INC. certifies that it has read and understands the following synopsis of applicable rules.

PREVIOUS OPERATOR certifies that all below-grade tanks constructed and installed prior to June 16, 2008 associated with the selected wells being transferred are either (1) in compliance with 19.15.17 NMAC, (2) have been closed pursuant to 19.15.17.13 NMAC or (3) have been retrofitted to comply with Paragraphs 1 through 4 of 19.15.17.11(I) NMAC.

MORGAN OPERATING, INC. understands that the OCD's approval of this operator change:

1. constitutes approval of the transfer of the permit for any permitted pit, below-grade tank or closed-loop system associated with the selected wells; and
2. constitutes approval of the transfer of any below-grade tanks constructed and installed prior to June 16, 2008 associated with the selected wells, regardless of whether the transferor has disclosed the existence of those below-grade tanks to the transferee or to the OCD, and regardless of whether the below-grade tanks are in compliance with 19.15.17 NMAC.

As the operator of record of wells in New Mexico, MORGAN OPERATING, INC. agrees to the following statements:

1. Initials BM I am responsible for ensuring that the wells and related facilities comply with applicable statutes and rules, and am responsible for all regulatory filings with the OCD. I am responsible for knowing all applicable statutes and rules, not just the rules referenced in this list. I understand that the OCD's rules are available on the OCD website under "Rules," and that the Water Quality Control Commission rules are available on the OCD website on the "Publications" page.
2. Initials BM I understand that if I acquire wells from another operator, the OCD must approve the operator change before I begin operating those wells. See Subsection B of 19.15.9.9 NMAC. I understand that if I acquire wells or facilities subject to a compliance order addressing inactive wells or environmental cleanup, before the OCD will approve the operator change it may require me to enter into an enforceable agreement to return those wells to compliance. See Paragraph (2) of Subsection C of 19.15.9.9 NMAC.
3. Initials BM I must file a monthly C-115 report showing production for each non-plugged well completion for which the OCD has approved an allowable and authorization to transport, and injection for each injection well. See 19.15.7.24 NMAC. I understand that the OCD may cancel my authority to transport from or inject into all the wells I operate if I fail to file C-115 reports. See Subsection C of 19.15.7.24 NMAC.
4. Initials BM I understand that New Mexico requires wells that have been inactive for certain time periods to be plugged or placed in approved temporary abandonment. See 19.15.25.8 NMAC. I understand the requirements for plugging and approved temporary abandonment in 19.15.25 NMAC. I understand that I can check my compliance with the basic requirements of 19.15.25.8 NMAC by using the "Inactive Well List" on OCD's website.
5. Initials BM I must keep current with financial assurances for well plugging. I understand that New Mexico requires each state or fee well that has been inactive for more than two years and has not been plugged and released to be covered by a single-well financial assurance or a "blanket plugging financial assurance for wells in temporarily abandoned statuses", even if the well is also covered by a blanket financial assurance and even if the well is on approved temporary abandonment status. See Subsection C of 19.15.8.9 NMAC. I understand that I can check my compliance with the financial assurance requirement by using the "Inactive Well Additional Financial Assurance Report" on the OCD's website.
6. Initials BM I am responsible for reporting and remediating releases pursuant to 19.15.29 NMAC. I understand the OCD will look to me as the operator of record to take corrective action for releases at my wells and related facilities, including releases that occurred before I became operator of record. I am responsible for conducting my own due diligence for any releases that have occurred prior to becoming operator of my wells and related facilities and am responsible for any open releases or unreported releases.
7. Initials BM I have read 19.15.5.9 NMAC, commonly known as "Part 5.9," and understand that to be in compliance with its requirements I must have the appropriate financial assurances in place, comply with orders requiring corrective action, pay penalties assessed by the courts or agreed to by me in a settlement agreement, and not have too many wells out of compliance with the inactive well rule (19.15.25.8 NMAC). If I am in violation of Part 5.9, I may not be allowed to drill, acquire or produce any additional wells, and will not be able to obtain any new injection permits. See 19.15.16.19 NMAC, 19.15.26.8 NMAC, 19.15.9.9 NMAC and 19.15.14.10 NMAC. If I am in violation of Part 5.9 the OCD may, after notice and hearing, revoke my existing injection permits and seek other relief. See 19.15.26.8 NMAC and 19.15.5.10 NMAC.
8. Initials BM For injection wells, I understand that I must report injection on my monthly C-115 report and must operate my wells in compliance with 19.15.26 NMAC and the terms of my injection permit. I understand that I must conduct mechanical integrity tests on my injection wells at least once every five years. See 19.15.26.11 NMAC. I understand that when there is a continuous one-year period of non-injection into all wells in an injection or storage project or into a saltwater disposal well or special purpose injection well, authority for that injection automatically terminates. See 19.15.26.12 NMAC. I understand that if I transfer operation of an injection well to another operator, the OCD must approve the transfer of authority to inject, and the OCD may require me to demonstrate the well's mechanical integrity prior to approving that transfer. See 19.15.26.15 NMAC.
9. Initials BM I am responsible for providing the OCD with my current address of record and emergency contact information, and I am responsible for updating that information when it changes. See Subsection C of 19.15.9.8 NMAC. I understand that I can update that information on the OCD's website under "Electronic Permitting."
10. Initials BM If I transfer well operations to another operator, the OCD must approve the change before the new operator can begin operations. See Subsection B of 19.15.9.9 NMAC. I remain responsible for the wells and related facilities and all related regulatory filings until the OCD approves the operator change. I understand that the transfer will not relieve me of responsibility or liability for any act or omission which occurred while I operated the wells and related facilities.
11. Initials BM No person with an interest exceeding 25% in the undersigned company is, or was within the last 5 years, an officer, director, partner or person with a 25% or greater interest in another entity that is not currently in compliance with Subsection A of 19.15.5.9 NMAC.
12. Initials BM NMOC Rule Subsection E and F of 19.15.16.8 NMAC: An operator shall have 90 days from the effective date of an operator name change to change the operator name on the well sign unless the division grants an extension time, for good cause shown, along with a schedule for making the changes. Each sign shall show the (1) well number, (2) property name, (3) operator's name, (4) location by footage, quarter-quarter section, township and range (or unit letter can be substituted for the quarter-quarter section), and (5) API number.

I hereby certify I understand the above. The statements I have made are true and correct and a condition precedent to the Oil Conservation Division accepting this Change of Operator.

Previous Operator

Signature: _____

Printed
Name: _____

Title: _____

Date: _____

Phone: _____

New Operator

Signature: _____

Printed
Name: _____

Title: _____

Date: _____

Phone: _____

Permit 277577

District I

1625 N. French Dr., Hobbs, NM 88240
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District II

811 S. First St., Artesia, NM 88210
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District III

1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV

1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico

Energy, Minerals and Natural Resources

Oil Conservation Division

1220 S. St Francis Dr.
Santa Fe, NM 87505

3 Wells Selected for Transfer

From:	GUYS OIL & GAS LTD CO	OGRID:	123453
To:	MORGAN OPERATING, INC.	OGRID:	224367

OCD District Hobbs (3 Wells selected.)

Property	Well	Lease Type	ULSTR	OCD Unit	API	Pool ID	Pool Name	Well Type	Last Prod/Inj	Single Well Bond Required for Inactive Well
15060	GOVERNMENT E #002	F	A-25-19S-34E	A	30-025-24069	37585	LEA; SAN ANDRES	O	11/19	0
	GOVERNMENT E #003	F	B-25-19S-34E	B	30-025-24867	37585	LEA; SAN ANDRES	O	11/19	0
	GOVERNMENT E #005	F	G-25-19S-34E	G	30-025-25101	37585	LEA; SAN ANDRES	O	11/19	0

Total of Single Well Bonds Required for Inactive Wells	0
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United States Department of the Interior

BUREAU OF LAND MANAGEMENT
New Mexico State Office
301 Dinosaur Trail
Santa Fe, New Mexico 87508
www.blm.gov/new-mexico



In Reply Refer To:
3104 (9220)
NMB000159

January 27, 2020

DECISION

Obligor:

Morgan Operating, Inc.
1406 W. Calle Sur St.
Hobbs, NM 88240

Financial Institution:

Wells Fargo Bank N.A.
Standby Letter of Credit Processing
794 Davis St., 2nd floor
San Leandro, CA 94577-6922

:
: BLM Bond No.: NMB000159
:
: Letter of Credit No.: NZS500898
:
: Bond Type: Oil & Gas
:
: Bond Amount: \$25,000
:
: Execution Date: September 30, 2003
:

Letter of Credit Amendment Accepted

Bond Increased

Address Changes Accepted

On January 10, 2020, we received a Letter of Credit amendment increasing the existing Individual bond amount of \$10,000 to a Statewide bond in the amount of \$25,000. The amendment increases the bond amount by \$15,000.

The Letter of Credit amendment additionally requested the change of address of the obligor, Morgan Operating, Inc., the financial institution, Wells Fargo Bank N.A., and the beneficiary, the Bureau of Land Management, to be updated to existing BLM Bond No. NMB000159.

Obligor's Previous Address:

Morgan Operating, Inc.
1421 Camino Del Arco
Hobbs, NM 88240

Obligor's Current Address:

Morgan Operating, Inc.
1406 W. Calle Sur St.
Hobbs, NM 88240

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Financial Institution's Previous Address:

Wells Fargo Bank N.A.
21st F1 MAC A0195-212
One Front Street
San Francisco, CA 94111

Financial Institution's Current Address:

Wells Fargo Bank N.A.
Standby Letter of Credit Processing
794 Davis St., 2nd floor
San Leandro, CA 94577-6922

Beneficiary Previous Address:

Bureau of Land Management
1474 Rodeo Road
Santa Fe, NM 87502

Beneficiary Current Address:

Bureau of Land Management
301 Dinosaur Trail
Santa Fe, NM 87508

The amendment has been examined, found satisfactory, and accepted effective January 10, 2020, the date filed in this office.

The Letter of Credit amendment constitutes coverage of all operations conducted by or on behalf of the obligor on Federal leases in New Mexico. The bond provides coverage of the obligor where that obligor has interest in, and/or responsibility for operations on, the leases issued under the authority of any of the Acts cited on the bond form. All other terms and conditions remain as originally written.

If you have any questions, please contact Angelica Varela at (505) 954-2040 or email avarela@blm.gov.



Julieann Serrano
Supervisory Land Law Examiner
Branch of Adjudication

NMOCD Approval

Electronic Signature(s): Daniel J Sanchez, District 1

Date: January 30, 2020

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Wells Selected for Transfer

Permit 277577

3 Wells Selected for Transfer

From:	GUYS OIL & GAS LTD CO	OGRID:	123453
To:	MORGAN OPERATING, INC.	OGRID:	224367

OCD District Hobbs (3 Wells selected.)

Property	Well	Lease Type	ULSTR	OCD Unit	API	Pool ID	Pool Name	Well Type
327074	GOVERNMENT E #002	F	A-25-19S-34E	A	30-025-24069	37585	LEA; SAN ANDRES	O
	GOVERNMENT E #003	F	B-25-19S-34E	B	30-025-24867	37585	LEA; SAN ANDRES	O
	GOVERNMENT E #005	F	G-25-19S-34E	G	30-025-25101	37585	LEA; SAN ANDRES	O

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Santa Fe, NM 87505

Comments

Permit 277577

CHANGEOP COMMENTS

Operator: GUYS OIL & GAS LTD CO 1008 West Broadway Hobbs, NM 88240	OGRID: 123453
	Permit Number: 277577
	Permit Type: ChangeOp

Comments

Created By	Comment	Comment Date
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There are no Comments for this Permit