

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL  
CONSERVATION DIVISION**

IN RE PETRO MEX LLC

CASE NO. 22817

**PETRO MEX, LLC'S PRE-HEARING STATEMENT AND MOTION FOR  
CONTINUANCE**

COMES NOW, Petro Mex, LLC ("Petro Mex") and hereby submits this Pre-Hearing Statement pursuant to the rules of the New Mexico Oil Conservation Division.

**APPEARANCES**

**APPLICANT**

**Petro Mex, LLC**  
P.O. Box 6724  
Farmington, NM 87499  
(505) 320-1395

**ATTORNEYS**

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**RESPONSE AND STATEMENT OF CASE**

The previous Oil Conservation Division ("OCD") hearings, in this matter were continued until August 18, 2022 and now, to August 30, 2022 as the parties are in negotiations to determine the feasibility of the Wells being put into production.

Petro Mex., LLC seeks to reactivate five (5) shut in wells and subject to this procedure to begin oil and gas recovery. Hilcorp San Juan, L. P., Inc. has entered into an agreement whereby Petro Mex can begin production and sales of the oil and gas because, Petro Mex has access to gas and disposal water pipelines. The pipeline will be installed by September 2, 2022. *See attached Exhibit "1" copy of the redacted agreement.*

Petro Mex, LLC has obtained the services of Robert Jordan as project manager and to comply with OCD regulations. Robert Jordan is now a full-time salaried employee of Petro-Mex, LLC and has obtained a surface owners agreement, been in contact with 2 royalty owners, , who have expressed a desire to allow Petro-Mex, LLC to begin production on the wells, and has submitted a soil sample to Halls Environmental Laboratory who has indicated there are no Btex/BTS or Chlorides in the sample taken from the prior water tank that are significant and well below regulatory standards, has completed the OCD regulatory filings of the C-103 and C-104 *See attached redacted employment agreement and resume, marked as Exhibits 2 and 3.*

Petro Mex, LLC has fulfilled and complied with OCD regulations by increasing financial and bonding requirements, per NMED website.

Petro Mex., LLC s has entered into a surface owner agreement with the surface land-owner, for access to the Wells. *See Exhibit "4", a redacted, copy of the signed agreement.*

With respect to Well # Kirtland 18-1, Petro Mex, LLC had a soil sample gathered and submitted to Halls Environmental Laboratory for testing to determine the extent of any remediation of the pond on the premises and intends to perform all required work on the pond and soil. A plan for soil corrective action, if necessary, will be provided. A verbal statement from the laboratory to Mr. Jordan, stated that there are no findings of Btex/TPH and Chloride in the sample. Once the results are made available they will be forwarded to Mr. Tremaine.

Petro Mex, LLC, has Robert Jordan testing the Wells for integrity, the pipeline, pumpjacks and soil for any maintenance that will be required in addition to preparing OCD Forms C-103 and C-104. The forms are completed and will be submitted by the hearing date. *See copy of estimate from FNPNM for upgrade facilities for compliance marked as Exhibit, "5", attached.*

Darlene Foster and Dorothy Isbel, who have contacted OCD regarding the wells, have spoken to Mr. Jordan several times and are in close contact, The bid attached with Jay Foster of FNMPM shows they are in agreement to allow Petro Mex, LLC to operate the wells after corrective actions are completed that they have agreed to. Jay Foster is Darlene Foster's son and MMs. Isabels nephew.

The parties have conferred regarding possible compliance steps taken by Petro Mex, LLC in the last thirty days and based on the new information, additional time to continue negotiations with OCD counsel, is appropriate to allow the parties to consider informal resolution or alternatively for a schedule for compliance should be authorized. Ordering the Wells to be plugged will constitute waste under the circumstances.

WHEREFORE, Petro Mex, LLC respectfully requests that the OCD continue the matter until OCD Counsel has reviewed Petro Mex' efforts to bring the Wells into production; allow Petro Mex, LLC, to continue to meet the requirements and to determine if the Wells are viable for production.

**RESPONDENT'S PROPOSED EVIDENCE**

<b>WITNESS Name and Expertise</b>	<b>ESTIMATED TIME</b>	<b>EXHIBITS</b>
Jesus Villalobos, President Petro Mex, LLC	Approx. 15 minutes	Approx. 2
Robert Jordan, Project Manager Petro Mex, LLC.	Approx. 30 minutes	Approx. 3-5 (5, if the soil sample is available)

**PROCEDURAL MATTERS**

None at this time

Respectfully submitted,  
*Electronically Filed,*

Domenici Law Firm, P.C.

/s/ Pele V. Domenici Jr.

Pete V. Domenici, Jr., Esq.

Joseph M. Tapia, Jr., Esq.

P.O.Box4329

Albuquerque, New Mexico

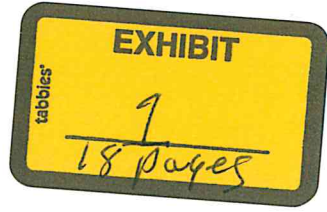
87196

505-883-6250

I, Joseph M. Tapia, Jr., hereby certify that the foregoing pleading was served on all counsel of record, through the OCD filing system and by email, this 25<sup>th</sup> day of August 2022.

/s/Joseph M Tapia Jr. Esq.

Joseph M. Tapia, Jr., Esq.



GAS PURCHASE CONTRACT

by

and

between

HILCORP SAN JUAN, L.P.

"Buyer"

and

Petro Mex LLC.

"Seller"

DATED June 1, 2022

## **GAS PURCHASE CONTRACT**

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EXHIBIT "A"

EXHIBIT "B"

## GAS PURCHASE CONTRACT

This Gas Purchase Contract ("**Contract**") is made and entered into on this 1<sup>st</sup> day of September 2022 between Hilcorp San Juan, L.P., a Delaware limited partnership, as "**Buyer**", and Petro Mex LLC, a limited liability company, as "**Seller**", both sometimes collectively referred to herein as "**the parties**".

**WHEREAS**, Seller owns, controls and /or has the right to market gas produced and saved from the well(s) and lands described in Exhibit "A" attached hereto and made a part of hereof and desires that Buyer gather and purchase such gas upon the terms and for the consideration herein expressed; and

**WHEREAS**, Buyer owns and operates a gas gathering system in the area in which Seller's gas is produced and desires to gather and purchase the gas which Seller has available for sale.

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements herein set forth, the parties agree as follows:

### I. DEFINITIONS

For all purposes of this Contract, the following terms and expressions whether capitalized or not shall mean the following:

- 1.1 "**Affiliate**" means, with respect to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with, such specified Person through one or more intermediaries or otherwise. For purposes of this definition, "**control**" shall mean the ownership, legally or beneficially, directly or indirectly, of more than 50 percent of the voting shares or membership interest of any company, corporation or business entity.
- 1.2 "**BTU**" shall mean British Thermal Unit
- 1.3 "**Buyer Indemnified Party**" and "**Buyer Indemnified Parties**" have the meaning set forth in Section 12.1.
- 1.4 "**Chosen Courts**" has the meaning set forth in Section 19.2.
- 1.5 "**Cubic Foot of Gas**" shall mean the volume of gas required to fill a cubic foot of space when the gas is at a base pressure of fourteen and sixty-five one-hundredth (14.65) psia and at a base temperature of sixty degrees Fahrenheit (60°F) and under standard gravitational force.
- 1.6 "**Day**" shall mean a period of twenty-four (24) consecutive hours beginning at 9:00 a.m. local time on any calendar day and ending at 9:00 a.m. local time on the calendar day immediately following.
- 1.7 "**Dedicated Interests**" means all interests of Seller and its affiliates in and to (a) the well described on Exhibit "A," (b) the well(s) upstream of the well described on Exhibit "A" and connected to the same receipt point and (c) any lands owned or controlled by Seller on which any of the wells described on Exhibit "A" are located and any lands pooled, unitized or communitized therewith.
- 1.8 "**Downstream Pipeline**" shall mean Buyer as the owner and/or operator of the pipelines(s) into which all or any portion of the gas from the Gas Gathering System is redelivered.
- 1.9 "**force majeure**" has the meaning set forth in Section 15.2.
- 1.10 "**Gas**" shall mean the effluent vapor stream, including all elements and compounds contained therein as produced from oil and gas wells subject to this Contract.
- 1.11 "**Gas Gathering System**" shall mean the pipeline and related facilities owned and operated by Buyer for the purpose of gathering gas produced by Seller as well as other third parties.
- 1.12 "**Heating Values**" shall mean the number of BTUs, produced by combustion at constant pressure, of the amount of gas, saturated with water vapor, which would occupy a volume of one (1) cubic foot at a

temperature of sixty degrees Fahrenheit (60°F) and under pressure equivalent to that of fourteen and sixty-five hundredths (14.65) psia and under standard gravitational force with air of the same temperature and pressure as the gas, when products of combustion are cooled to the initial temperature of gas and air and when the water formed by combustion is condensed to a liquid state.

- 1.13 **"Indemnified Party"** has the meaning set forth in Section 13.2.
- 1.14 **"Losses"** means any and all claims (whether Third-Party or intra-party), obligations, actions, cause of actions, liabilities, indebtedness, damages, losses, awards, fines, penalties, settlements, costs and expenses (including reasonable attorneys' and consultants' fees and expenses) (whether known, unknown, fixed, unfixed, disclosed, undisclosed, matured, unmatured, accrued, unaccrued, asserted, unasserted, liquidated, unliquidated, absolute, contingent, direct, indirect, conditional, unconditional, secured, unsecured, vicarious, derivative, due, joint, several or secondary).
- 1.15 **"MCF"** shall mean one thousand (1,000) cubic feet.
- 1.16 **"MMBTU"** shall mean one million (1,000,000) BTUs.
- 1.17 **"Month"** shall mean a period extending from 9:00 a.m. local time on the first day of a calendar month and ending at 9:00 a.m. local time on the first day of the next succeeding calendar month.
- 1.18 **"Nominated Quantity"** has the meaning set forth in Section 2.2.
- 1.19 **"Person"** means any individual, firm, corporation, partnership, limited liability company, incorporated or unincorporated association, joint venture, joint stock company, Governmental Authority or any other entity of any kind.
- 1.20 **"Primary Term"** has the meaning set forth in Section 8.1.
- 1.21 **"Psia"** shall mean pounds per square inch, absolute.
- 1.22 **"Psig"** shall mean pounds per square inch, gauge.
- 1.23 **"Receipt Point"** has the meaning set forth in Section 3.1.
- 1.24 **"Surface Location"** has the meaning set forth in Section 5.1.
- 1.25 **"System Fuel"** shall mean the MMBTUs consumed as fuel in the operation of the Gas Gathering System and any MMBTU loss on the Gas Gathering System including but not limited to loss resulting from leakage, discrepancies due to meter inaccuracies or variations of temperature and/or pressure.
- 1.26 **"Taxes"** has the meaning set forth in Section 12.2.
- 1.27 **"Third Party"** means a Person other than a Party or its Affiliates.
- 1.28 **"Year"** shall mean a period of twelve (12) consecutive months.

## II. REPRESENTATIONS AND COMMITMENT

- 2.1 Seller represents that it owns or controls the gas to be produced from the Dedicated Interests, and has the right to dedicate, and does hereby dedicate, such gas under this contract. Subject to the other provisions hereof, Seller agrees to sell and deliver to Buyer at the Receipt Point, and Buyer agrees to receive and purchase from Seller at the Receipt Points, on a reasonable efforts basis, all gas produced from the Dedicated Interests up to a maximum of 200 MMBTU per Day, subject to Buyer's compressor capacity on its Gas Gathering System, Buyer's Downstream Pipeline requirements and capacity and market conditions and limitations.



- 2.2 No later than five (5) business days prior to the beginning of each Month, Seller will notify Buyer in writing, or verbally, followed by written confirmation or email to westscheduling@hilcorp.com, of the anticipated Volume of Gas to be delivered to Buyer under this Contract during the ensuing Month (“*Nominated Quantity*”). Seller will advise Buyer of the Receipt Point where Gas will be delivered during each Month and will coordinate its nominating activities with Buyer to give sufficient time to meet the deadlines of Downstream Pipelines. Should either party become aware that actual deliveries at Receipt Point will differ from the Nominated Quantity, for any reason including force majeure, such Party shall promptly notify the other party.
- 2.3 The parties shall use all reasonable efforts to avoid imposition of imbalance charges by any Downstream Pipeline. If Seller’s actions or inactions (which shall include, but shall not be limited to, Seller’s failure to deliver quantities of Gas equal to the Nominated Quantity) result in the imposition of an imbalance penalty on Buyer, then Seller shall reimburse Buyer for such imbalance charges (or such portion thereof which is a result of Seller’s action or inaction) promptly. The obligation of Seller to reimburse an imbalance charge will not be excused by an event of force majeure. Buyer shall use all reasonable efforts to notify Seller of situations on downstream pipelines that may result in the imposition of penalties so that Seller can take actions necessary to comply with balancing requirements of Gas Gathering System and the Downstream Pipelines.

### III. RECEIPT POINT

- 3.1 The Receipt Point (“*Receipt Point*”) of the gas purchased hereunder shall be at the meter located at the N/2SE/4NE/4 Section 18, Township 29N, Range 14W, San Juan County, New Mexico into Buyer’s Gas Gathering System, generally described on Exhibit B attached hereto.
- 3.2 Title to the gas and all constituent components thereof shall pass to and vest in Buyer at the Receipt Point without regard to the purpose for which it may thereafter be sold or used by Buyer.
- 3.3 Seller shall deliver the Gas to Buyer at the Receipt Point at reasonably uniform rates flow and at a pressure sufficient to enable it to enter the Gas Gathering System against the pressure prevailing therein from time to time. Buyer shall have the right, in its sole discretion, to curtail deliveries, in whole or in part and without liability, from Seller in order to prevent the pressure on the Gas Gathering System from exceeding its Maximum Allowable Operating Pressure (MAOP) and the parties shall proceed as set forth in Section 6.3.

### IV. FACILITIES AND CONNECTION OF WELLS

- 4.1 Seller shall, at its sole cost and expense, install sufficient pressure regulating equipment upstream of the Receipt Point in order to keep the pressure of the gas delivered to Buyer from exceeding 150 psig MAOP of the Gas Gathering System.
- 4.2 Buyer shall keep the Gas Gathering System relatively clear of obstruction and may install drips and slug catchers necessary to keep its system clear. Buyer shall be responsible for the disposal of the water, fluid and solids (whether or not hydrocarbons are included) collected, and such water, fluids and solids shall be considered part of the System Fuel and Buyer shall make no additional charge or reimbursement to Seller for same.

## V. RIGHTS OF WAY

- 5.1 To the extent that it may lawfully do so, Seller hereby grants to Buyer (at no cost to Buyer) the necessary surface location (the "**Surface Location**") at Receipt Point, for Buyer's purpose of installing, using, inspecting, repairing, operating, replacing, accessing and removing Buyer's pipelines, riser, tap, meters, and other equipment used or useful in the performance of this Contract. Except as identified in paragraph 4.1 and 4.2 hereof or, as amended in the future by mutual consent of both parties, installation of facilities will be at Buyer's expense. Any property of Buyer placed in or upon the Surface Location herein granted to Buyer shall remain the personal property of Buyer, subject to removal by it at any time for any reason, but in any event within a reasonable time after the termination of this Contract. Buyer shall fully enjoy the rights of ingress and egress across any lands and leases owned by Seller or to which Seller has access rights for purposes herein.

## VI. QUANTITY OF GAS

- 6.1 Subject to the provisions of paragraph 2.1 above, the parties hereto recognize that the purchase of gas under this Contract is on a "reasonable efforts" basis and that Buyer is not committed to purchase any specific quantity of Gas per day from Seller under this Contract. Seller may dispose of any gas not purchased by Buyer for any reason, including events of force majeure, subject to Buyer's right to resume purchases at any subsequent time by giving Seller 10 day's written notice. Buyer will endeavor, on a reasonable efforts basis, to purchase Gas from Seller's wells covered by this Contract ratably with other wells on the Gas Gathering System.
- 6.2 The volume of Gas (expressed in MCFs) delivered by Seller at each Receipt Point shall be multiplied by the Heating Value of such Gas (expressed in MMBTUs per MCF, saturated basis) to determine the quantity of "Gross MMBTUs" delivered by Seller. The Gross MMBTUs shall be reduced by Seller's share of System Fuel (which shall be provided by Seller at no cost to Buyer and without compensation by Buyer to Seller) to determine Seller's "Net MMBTUs" delivered. System Fuel shall be set at a fixed 8.5% under for the Primary Term.
- 6.3 If in Buyer's reasonable judgment, the Gas delivered hereunder at the Receipt Point becomes insufficient in volume, quality, or pressure to allow Buyer to operate its system in a manner that provides for reasonable profitability, then (a) Buyer shall have the right, in its sole discretion, to curtail deliveries, in whole or in part, from Seller in accordance with Sections 3.3 and 10.4 and (b) Seller and Buyer shall renegotiate the Contract on a timely basis so long as such conditions exist.

## VII. PURCHASE PRICE AND FEES

- 7.1 Buyer shall pay Seller for each Net MMBTU (gross delivery at the Receipt Point less Seller's allocated share of the System Fuel) a price equal to the Platt's Gas Daily Average Sales Price for El Paso, Bonded. Buyer shall charge Seller, and deduct from amounts owed by Buyer hereunder, gas services fees equal to \_\_\_\_\_ fee per Net MMBTU for gathering, dehydration, processing, and marketing. The gas services fees shall be applied against the quantities of Gas delivered at the Receipt Point, and shall escalate at three percent (3%) per annum beginning January 1, 2023.
- 7.2 If the quantity of Gas delivered by Seller to Buyer under this Contract during any month averages less than 25 Gross MMBTU per day, then Seller and Buyer shall renegotiate any terms of this Contract and

either party may terminate this Contract upon sixty (60) days' notice if the parties are unable to mutually agree on new terms for the Contract.

#### VIII. TERM

- 8.1 This contract shall become effective as of the date first written herein above and shall continue and remain in full force and effect for a Primary Term ("**Primary Term**") of one month. After the expiration of the Primary Term, this Agreement will continue in effect from month to month thereafter, provided that, either party shall have the right to terminate this Contract and the expiration of the Primary Term or any subsequent term by giving the other party sixty (60) days prior written notice.

#### IX. MEASUREMENT AND TESTS

Measurements and test of the Gas delivered hereunder shall be governed by the following:

- 9.1 Gas shall be measured by orifice meters installed, maintained, and operated by Buyer or its designee and computations shall be made as prescribed in the Gas Measurement Committee Report No. 3 (ANSI/API 2530, Second Edition) of the American Gas Association as revised from time to time.
- 9.2 The units of volume for purposes of measurement shall be one (1) cubic foot of Gas at a temperature base of sixty degree Fahrenheit (60°F) and at a pressure base of fourteen and sixty-five hundredths (14.65) psia.
- 9.3 The arithmetical average of the hourly temperature recorded during each day the factor for specific gravity according to the latest test, and the corrections for deviation from Boyle's Law applicable during each day shall be used to make proper computations of volume hereunder. Buyer may, at its option, install an electronic flow recorder to record the static and differential pressures, flowing temperature and volume of the gas. Chart integration and volume computations shall be made as accurately as possible and within the accuracy prescribed by the manufacture of the computing equipment used.
- 9.4 Temperature shall be determined by recording thermometer continuously used and installed so as to record properly the temperature of the gas flowing through the meter.
- 9.5 Specific gravity shall be determined by taking samples of the gas at the point of measurement at such times as may be determined by Buyer but at least once every three (3) months period.
- 9.6 The atmosphere (barometric) pressure applicable at the Receipt Point shall be based on the atmospheric pressure determined and used by the Downstream Pipeline(s) irrespective of the actual atmospheric pressure existing from time to time to such Receipt Point.
- 9.7 The measurement hereunder shall be corrected for deviation From Ideal Gas Laws.
- 9.8 Heating Value of the gas shall be determined by taking samples of the gas at the Receipt Point at least once every six (6) month period, or at such more frequent times as may be determined by Buyer, and by having the BTU content per cubic foot determined by chromatograph or by other means acceptable in the industry.
- 9.9 Test for carbon dioxide, sulfur, and hydrogen sulfide content of the Gas delivered hereunder shall be made by approved standard methods from time to time as requested by any party hereto, but at least one every six (6) months period.

**9.10** All measuring equipment, housing, devices, and materials shall be standard manufacture and shall, with all related equipment, appliances and buildings, and subject to Section 4.1, be furnished, installed, maintained, and operated by Buyer at its expense. Seller may install and operate check measuring equipment, at its expense; provided, however that any such equipment of Seller shall not interfere with the operation of Buyer's equipment and notice of the time and nature of each installation shall be given by Seller to Buyer sufficiently in advance to permit arrangements for Buyer's representative to be present during such installation.

**9.11** The accuracy of Buyer's measuring equipment shall be verified by Buyer or its designee at reasonable intervals, but not less often than once every six (6) months. Test for quality of the Gas may be made at the time of testing equipment, or at other times, but not less often than once every six (6) months. Upon request by Seller, notice of the time and nature of each test shall be given by Buyer to Seller sufficiently in advance to permit arrangements for Seller's representative to be present. Measuring equipment shall be tested by reasonable means and methods in the presence of and observed by representatives of both Buyer and Seller, if present. If after proper notice, Seller fails to have a representative present, the result of the test shall nevertheless be considered accurate until completion of the next test. All tests shall be made at Buyer's expense, except that Seller shall bear the expense of test made at its request of any inaccuracy is found of two percent (2%) or less (in terms of monthly volumes of Gas delivered in connection herewith).

**9.12** If at any time any measuring or testing equipment is found to be out of service, or registering inaccurately in any percentage, it shall be adjusted at once to read accurately within the limits prescribed by the manufacturer. If such equipment is out of service, or inaccurate by an amount exceeding two percent (2%) of monthly volumes of Gas delivered in connection herewith at a reading corresponding to the average rate of flow for the period since the last preceding test, then any previous recordings of such equipment shall be corrected to zero (0) error for any period which is definitely known or agreed upon; or if not definitely known or agreed upon, then for a period equal to one half of the time since the last test but not to exceed 30 days. The following methods shall be used (in the following order) to detect and address errors:

- (a) Using the data recorded by any check-measuring equipment if installed and accurately registering:
- (b) By correcting the error if the percentage of error is ascertainable by calibration, test, or math mathematical calculation, or if neither such method is feasible;
- (c) By estimating the quantity, or quality, delivered, based upon deliveries under similar conditions during a period when the equipment was registering accurately.

No corrections shall be made for inaccuracies of two percent (2%) or less (in terms of monthly volumes of Gas delivered in connection herewith).

**9.13** Buyer and Seller shall have the right to inspect equipment installed or furnished by the other, and the charts and other measurement or testing data of the other at all reasonable times during normal business hours but the reading, calibration, and adjustment of such equipment and changing of charts shall be done only by the party with the responsibility for operating such equipment. Each party shall preserve all original test data, charts, and other similar records in such party's possession, pertaining to the volume, quantity, quality and measurement of Seller's gas, for a period of at least twenty-four (24) months.

**9.14** All of the property and equipment installed by either of the parties hereto under the terms hereof shall remain the personal property of the installing party. Each party assumes all responsibility for the

operation and maintenance of, and the obligations arising out of, the property, machinery and equipment that it installs; and, subject to Section 19.7, each party shall hold the other harmless from any and all damages and claims for damages of whatever kind resulting from the operation, maintenance and reclamation of the property, machinery and equipment that it has installed.

- 9.15** Seller shall promptly notify Buyer or Buyer's field representatives of any interference affecting delivery of gas pursuant to the terms hereof. At the order of Buyer or any authorized representative of Buyer, Seller shall begin, increase, decrease, or suspend the delivery of gas subject to the terms hereof.

#### **X. QUALITY**

- 10.1** The Gas delivered at the Receipt Point shall be of merchantable quality and commercially free of gum, gum-forming constituents, hazardous substances, bacteria, other objectionable liquids, solids or gas components, and other solid or liquid matter that may become separated from the gas during gathering or transportation thereof and shall conform to the following specifications:

(a)	Dust, rust and other solids	None
(b)	Hydrogen Sulfide	Not more than one-fourth grain per one hundred standard cubic feet (.25 grain ccf)
(c)	Mercaptan Sulfur	Not more than one grain per one hundred standard cubic feet (1.0 grain ccf)
(d)	Total Sulfur	Not more than five grains per one hundred standard cubic feet (5.0grains/ccf)
(e)	Oxygen	None
(f)	Carbon Dioxide	Not more than two percent (2.0%) by volume
(g)	Nitrogen	Not more than two percent (0.8%) by volume
(h)	Total Inerts	Not more than four percent (2.8%) by volume
(i)	Free water	None
(j)	Heating Value	Not less than nine hundred fifty BTU per standard cubic foot (950 BTU/ccf) nor more than one thousand fifty BTU per standard cubic foot (1,050 BTU/ccf)
(k)	Temperature	Not less than forty degrees Fahrenheit (40°F) nor more than one hundred twenty degrees Fahrenheit (120°F)

- 10.2** Notwithstanding the above, all Gas shall conform to the then current quality specifications of the Downstream Pipeline(s) into which the Gas received hereunder is redelivered by Buyer.

- 10.3** Seller shall not introduce into the Gas delivered to Buyer any corrosion inhibitors, chemicals, anti-freeze agents or other materials containing constituents harmful or injurious to Buyer's facilities.

- 10.4** The determination as to conformity with the above specifications shall be made by Buyer in accordance with generally accepted industry practice. If the Gas fails to meet the quality specifications set out in this Article X, Buyer may, at its option, exercisable from time to time, curtail Seller's Gas without liability, in whole or in part, until the Gas meets said specifications. Seller shall have the right to treat the gas to conform it to the above specifications. The receipt by Buyer of Gas that fails to meet any one of the above quality specifications shall not be held to be a waiver of Buyer's right to refuse future delivery of such Gas.

## XI. STATEMENTS AND PAYMENT

- 11.1** Buyer shall render to Seller, on or before the last day of each Month, a statement showing the quantity of Gas delivered by Seller during the preceding month and any fees and imbalance charges which are to be charged to Seller and deducted from payments to be paid to Seller. Buyer shall mail payment to Seller on or before the last day of the Month following the production Month's activity
- 11.2** Each party shall, upon reasonable advance notice and during the regular business hours of the other party, have the right to examine the accounting records and other documents maintained by the other party which relate to the Gas delivered by Seller under this Contract. In the event an error is discovered in the amount paid, or in any other statement, such error shall be adjusted within thirty (30) days of the determination thereof; provided however, no claim shall be made or allowed unless written demand has been made by one party to the other within twenty-four (24) months from the date of such statement which is in error.

## XII. PRODUCTION PAYMENTS, ROYALTY AND TAXES

- 12.1** Seller shall be responsible for and make all payments accruing from the production and sale of Gas hereunder to the owners of all working interest, royalties, overriding royalties, bonus payments, production payments and other similar payments and shall indemnify, defend and hold Buyer, its Affiliates and each of their respective officers, members, managers, partners, directors, employees, and representatives (each a "*Buyer Indemnified Party*" and, collectively, the "*Buyer Indemnified Parties*") harmless from and against any and all Losses related thereto or arising therefrom except to the extent caused by a Buyer Indemnified Party's gross negligence of willful misconduct.
- 12.2** Seller shall be responsible for and pay all taxes, fees, levies, penalties, licenses or charges now or hereafter imposed by any government authority ("*Taxes*") on or with respect to the production, sale or other handling of the Gas at any point at or upstream of the Receipt Point, including, without limitation, gross production, severance and similar taxes and shall indemnify, defend and hold the Buyer Indemnified Parties harmless from and against any and all Losses related thereto or arising therefrom except to the extent cause by a Buyer Indemnified Party's gross negligence of willful misconduct; provided however, if Buyer is required under law to report and remit such Taxes on behalf of Seller or if the parties mutually agree that Buyer shall remit such Taxes on behalf of Seller, then Buyer shall deduct such taxes from the payment otherwise due to Seller by Buyer and Seller shall furnish Buyer on a timely basis all information necessary to remit payment of such Taxes and shall indemnify, defend and hold the Buyer Indemnified Parties harmless from and against any and all Losses related to or arising from Buyer's use of such information in remitting such Taxes and from all interest and penalties that may be levied or assessed due to late reporting and payment that results from failure to provide any such necessary information on a timely basis, in each case, except to the extent caused by a Buyer Indemnified Party's gross negligence of willful misconduct.

### XIII. WARRANTY OF TITLE AND LIABILITY

- 13.1** Seller warrants that it has good title to all Gas delivered hereunder free and clear of any and all liens, encumbrances and claims whatsoever and that it has the right and lawful authority to sell and deliver the same and to receive payment for same. Seller shall defend, indemnify and hold the Buyer Indemnified Parties harmless from and against any and all Losses related to or arising from the Gas or the title thereto, or the right to receive payment for same, except, in each case, to the extent cause by a Buyer Indemnified Party's gross negligence or willful misconduct. If such title is questioned, Seller shall furnish Buyer, at Buyer's request and at Seller's sole cost and expense, a current attorney's division order title opinion, together with other relevant title information. In the event Seller's title to the Gas or right to receive payment is questioned or involved in litigation, Buyer shall have the right to withhold payment without interest until such title matter of Seller's right to receive payment is resolved pursuant to final, non-appealable judgment issued by a court of competent jurisdiction or until Seller furnishes a bond conditioned to hold Buyer harmless with surety satisfactory to Buyer.
- 13.2** As between the parties hereto, Seller shall be deemed to be in exclusive control and possession of the Gas until it has been delivered to Buyer at the Receipt Point, after which Buyer shall be deemed to be in exclusive control and possession. Each party agrees to indemnify and hold harmless the other party, its Affiliates and each of their respective officers, members, managers, partners, directors, employees, and representatives (each an "*Indemnified Party*") for any Losses arising directly or indirectly as a result of personal injury to, or damage to property of, any person caused by the Gas or by the handling of the Gas by that party while the Gas is in that party's exclusive control and possession except to the extent caused by the gross negligence or willful misconduct of an Indemnified Party; provided, however, Buyer's indemnity obligation is subject to Seller delivering Gas in compliance with the terms of this Contract.

### XIV. LAWS AND REGULATIONS

- 14.1** This Contract shall be subject to all valid, applicable state and federal laws, orders, directives, rules and regulations of any governmental body, agency or official having jurisdiction over the parties or property subject hereto.
- 14.2** If at any time any governmental authority shall take or threaten to take any action, directly or indirectly, whereby the continued purchase and receipt of Gas hereunder would be proscribed or subjected to terms, conditions, restraints or regulations that, in the reasonable judgment of Buyer, would be adverse to or unduly burdensome on the Buyer or its Affiliates, then Buyer shall have the right, in its sole discretion, to curtail deliveries, in whole or in part and without liability, from Seller in order to prevent such adverse or unduly burdensome consequences, and Buyer will contact Seller regarding said action and renegotiate this Contract so that the effect of such governmental action will be remedied.

### XV. FORCE MAJEURE

- 15.1** If either party is rendered unable, in whole or in part, to perform or comply with any obligation of this Contract by reason of force majeure or any other similar cause which is not within the control of the affected party after exercise of reasonable diligence, upon giving written notice and reasonable full particulars to the other party, such obligation shall be suspended for the whole period of such inability; provided however, no obligation to make payments due pursuant to this Contract (including, without

limitation, payments due from Seller to Buyer under Section 2.3) shall be suspended. The cause of suspension (other than strikes or lockouts) shall be remedied so far as possible with due diligence.

**15.2** The term "*force majeure*" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, acts of terrorism, wars, blockades, military action, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires storms or storm warnings, floods, washouts, arrest and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, the necessity for testing or making repairs or alterations to machinery or lines of pipe, weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe, inability to obtain additional easements and/or rights-of-ways at reasonable cost, inability of any party hereto to obtain necessary materials, supplies or permits due to existing or future rules, regulations, orders, laws or proclamation of governmental authorities (both Federal and State), including both civil and military Buyer's loss of market, the Downstream Pipelines(s)' inability or failure to accept Gas from Buyer for any reason and any other causes, of the kind herein enumerated or otherwise, and whether caused or occasioned by or happening on account of the act or omission of one of the parties hereto or some persons or concern not a party hereto, not within control of the party claiming suspension, and which by the exercise of due diligence such party is unable to prevent or overcome.

**15.3** It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any force majeure shall be remedied with all reasonable dispatch or due diligence shall not require the settlement of strikes or lockouts by acceding the demands of the opposing party when such course inadvisable in the discretion of the party having the difficulty.

#### **XVI. SELLER'S REPRESENTATIVE**

**16.1** Seller hereby agrees to serve as representative to Buyer and warrants that it is authorized to serve as Buyer's representative for all parties having an interest in the leases and wells and Gas produced therefrom and dedicated hereunder. Buyer is hereby authorized to act in reliance upon any and all acts and things done and performed by Seller as Buyer's representative on behalf of all parties having an interest in the leases and wells and Gas produced therefrom and dedicated hereunder.



**XVII. NOTICES**

**17.1** Any notice, request, demand or statement provided for in this Contract shall be in writing and may be sent by mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered, and shall be deemed given (i) when delivered, in the case of personal delivery (ii) on the date on which it is deposited in regularly maintained receptacle for the deposit of the United States mail with proper address and postage affixed whether as regular, registered or certified mail or (iii) on the date received by addressee if received during regular business hours or otherwise the next business day, in the case of electronic transmission. The addresses of the parties are as follows:

Buyer: Hilcorp San Juan, L.P.  
Name: Randy Gay

Address: 1111 Travis Street  
Houston, Texas 77007

Attn: West scheduling  
westscheduling@hilcorp.com  
Phone: 713-209-2422

Seller: Petro Mex LLC  
Name: \_\_\_\_\_

Address: P.O. Box 6724  
Farmington, NM 87499

Attn: \_\_\_\_\_  
email: \_\_\_\_\_  
Phone: 505-327-4892

Payments: Bank \_\_\_\_\_  
ABA# \_\_\_\_\_  
Petro Mex LLC  
Acct# \_\_\_\_\_  
Currency: USD

Either party may from time to time designate as the address for notification under this provision any other address of its choice by giving notice to the other party.

**XVIII. ASSIGNMENT**

**18.1** This Contract is freely assignable by the parties without restriction, including the pledge, assignment or transfer of its interest to any parent or affiliate by assignment, merger or otherwise without the prior consent or approval of the other party. Further, this Contract shall extend to and be binding upon the parties hereto, their heirs, administrators, successors, and assigns, but no transfer of or succession to any interest of either party hereunder, wholly, or partially, shall affect or bind the other party until it shall have been furnished with written notice and a true copy of such assignment evidencing that the claimant is legally entitled to such interest. It is further agreed, however, that nothing herein contained shall in any way prevent either party from pledging or mortgaging all or any part of such party's property as security under any mortgage, deed of trust, or other similar lien or form pledging this Contract or any benefits accruing hereunder, without the assumption of the obligations hereunder by the mortgagee, pledgee, or other grantee under such a document. No assignment or transfer of Seller's interest in the leases, wells and/or Gas subject hereto shall be made unless subject to this Contract.

**XIX. MISCELLANEOUS**

- 19.1 No Waiver by either party of any default or breach of any provision by the other party shall operate as a waiver of any other existing or future default or breach, whether of like or different nature.
- 19.2 This Agreement and the relationship of the parties with respect to the transactions contemplated hereby shall be governed by the laws of the State of Texas without regard to conflicts of laws principles that require the application of another jurisdiction's laws. Each party agrees that it shall bring any action or proceeding in respect of any claim arising out of or related to this Agreement exclusively in the United States District Court for the Southern District of Texas (or if subject matter jurisdiction before the federal court does not exist, then before any state court in Houston, Harris County, Texas) (the "**Chosen Courts**"), and each Party (a) irrevocably submits to the exclusive jurisdiction of the Chosen Courts, (b) waives any objection to laying venue in any such action or proceeding in the Chosen Courts, and (c) waives any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any Party. **THE PARTIES HEREBY, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY ANY PARTY AGAINST ANOTHER IN ANY MATTER WHATSOEVER ARISING OUT OF OR IN RELATION TO OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.** In the event of litigation relating to this Agreement, the prevailing Party (as determined by a final, non-appealable judgment rendered by a court of competent jurisdiction) will be entitled to recover its reasonable attorney's fees and expenses.
- 19.3 This contract constitutes the entire understanding and agreement between the parties and supersedes all other oral or written discussion or negotiations between the parties relating to the subject matter of this Contract. There shall be no modifications or amendment hereof except in writing and signed by the parties hereto. The parties acknowledge that this Contract was prepared by both of them jointly, and not by one party to the exclusion of the other, after the opportunity for full and complete discussions of the terms hereof.
- 19.4 If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement shall remain in full force and effect. The parties further agree that if any provision contained herein is, to any extent, held invalid or unenforceable in any respect under the laws governing this Agreement, they shall take any actions necessary to render the remaining provisions of this Agreement valid and enforceable to the fullest extent permitted by law and, to the extent necessary, shall amend or otherwise modify this Agreement to replace any provision contained herein that is held invalid or unenforceable with a valid and enforceable provision giving effect to the intent of the parties to the greatest extent legally permissible.
- 19.5 This Contract may be executed in any number of counterparts, no one of which needs to be executed by all parties, or this Contract may be ratified by separate written instrument specifically referring hereto, and it shall be binding upon all parties who executed a counterpart or ratification instrument with the same force and effect, which each separate counterpart or ratification instrument deemed to be one and the same original Contract. Any facsimile or email copies hereof or signature hereon shall, for all purposes, be deemed originals. No party shall be bound until such time as all of the parties have executed counterparts of this Agreement.
- 19.6 Neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of this Agreement to a Third Party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Agreement, provided such persons shall have agreed to

keep such terms confidential) except (a) in order to comply with any applicable law, order, regulation, or exchange rule, (b) to the extent necessary for the enforcement of this Agreement, (c) to the extent necessary to comply with a regulatory agency's reporting requirements including but not limited to gas cost recovery proceedings; or (d) to the extent such information is delivered to such Third Party for the sole purpose of calculating a published index. Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Agreement is not subject to this confidentiality obligation. Subject to Section 19.7, the parties shall be entitled to all remedies available at law or in equity to enforce or seek relief in connection with this confidentiality obligation.

- 19.7 FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY. A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE PROVIDED, HOWEVER, THAT THIS SECTION 19.7 SHALL NOT LIMIT ANY LOSS CLAIMED BY A THIRD PARTY THAT IS SUBJECT TO ANY INDEMNIFICATION, DEFENSE OR HOLD HARMLESS REMEDY IN THIS AGREEMENT. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.**
- 19.8** This Agreement (together with the Exhibit) constitutes the entire agreement among the parties and supersede any other agreements, whether written or oral, which may have been made or entered into by or among any of the parties or any of their respective Affiliates relating to the transactions contemplated hereby.
- 19.9** The indemnification, defense and hold harmless obligations set forth in Sections 12.1, 12.2, 13.1 and 13.2 and Section 19.7 shall survive termination of this Agreement.

[Remainder of page intentionally left blank. Signature page to follow.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective duly authorized representatives as of the date first set forth above.

**BUYER:**

**HILCORP SAN JUAN, L.P.**

By: Hilcorp Energy Company,  
its general partner

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**SELLER:**

**Petro Mex LLC**

By: \_\_\_\_\_

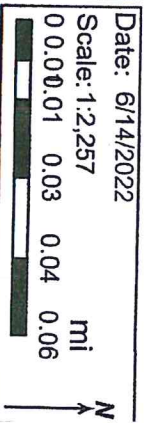
Name: \_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT "A"

RECEIPT POINT

WELL/CDP NAME	API#	METER #	LOCATION	COUNTY	ST
ROPCO 18 1	3004532968		H-18-29N-14W	SAN JUAN	NM



- Wells**
- Gas Well
  - Gas Well
  - Oil Well
- Pipelines**
- Hilcorp Operated Pipeline
  - Meter Run

Hilcorp Wells Surface Location

All Completions, Surface Location

# Employment Agreement

PETRO MEX, LLC.  
This is an employment agreement  
BETWEEN Petro Mex, LLC,  
Employer



AND  
ROBERT JORDAN,  
the Employee:

**1** Commencement Date

This employment contract commences on August 15, 2022.

**2** Award

This employment agreement shall be governed by the laws of the State of New Mexico.

**3** Employment Category

The employee is employed as a full-time permanent Production Manager to undertake the duties as outlined in the attached position description:

Will be responsible for managing and overseeing all activities associated with the company's assets in New Mexico, Colorado, and Utah. This includes ensuring that all production facilities are properly functional and maintained, plus coordinating all repairs and installations, as necessary. The Production Manager will ensure that production is monitored daily and accurately reported, including maintaining reports related to well status noting any downhole or surface issues. The Manager will also oversee all workover rig activities, roustabout work, and all other ancillary activities such as trucking, hot-oiling, pressure testing for MIT's, and file any compliance type reports. Manager will operate wells and artificial lift methods to optimize production, and operate properties to ensure all regulatory, environmental and safety compliance issues and goals are met, including filing of all required reports with state and federal agencies.

**4** Employment Classification

The employee is classified as a full-time salaried employee.

- 5 Ordinary hours of work.  
Those of a full-time salaried employee.
- 6 Remuneration
- 6.1 The rate of pay is a minimum of [REDACTED] bi-weekly.
- 6.2 The employer will pay the employee bi-weekly into a bank account/by cheque/in cash.
- 6.3 The employee will be responsible for paying his own taxes.
- 7 Paid Time Off  
The employee will be given paid time off to be a minimum of 4 weeks annually, notice of leave given at least one week prior to taking time off, and only a week of vacation at a time, unless previously agreed upon.
- 8 Public Holidays
- 8.1 In accordance with the National Employment Standards, the employee is entitled to a day of paid leave for public holidays which fall on days when the employee would ordinarily work.
- 9 Flexible Working Arrangements  
The employee is entitled to make a written request for flexible working times.
- 10 Termination
- 10.1 The following minimum notice periods apply to termination of employment:  
2 weeks, notice.
- 10.2 If the employee has been given notice of termination, he is entitled to up to one day off without loss of pay to look for work.
- 10.3 The period of notice to be given by the employer will not apply in the case of dismissal for serious misconduct that justifies instant dismissal, including conduct which causes imminent and serious risk to the health or safety of a person or the reputation, viability or profitability of the employer's business; attendance at work under the influence of alcohol or drugs; theft, fraud, assault in the course of employment or refusal to carry out a lawful and reasonable instruction.



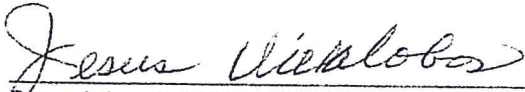
11 Other Benefits

-Employer will provide health insurance for employee and his family to include medical, dental and vision care.

-Employee will be entitled to a 1% royalty from production of Petro Mex, LLC operating wells during his employment with Petro Mex, LLC. The royalty of 1% may be paid to Robert Jordan, monthly or at his election. Robert Jordan may have Petromex, LLC or himself, accumulate royalty payments, and he will be allowed to invest accumulated royalties into a working interest on new Petro Mex, LLC projects for drilling of wells, and will have the rights and obligations of a working interest owner with his royalty interest percentage. If Petro Mex, LLC, places production in which Robert Jordan has a royalty interest into another entity, Robert Jordan's royalty interest on production will continue, so long as, he is employed by Petro Mex, LLC.

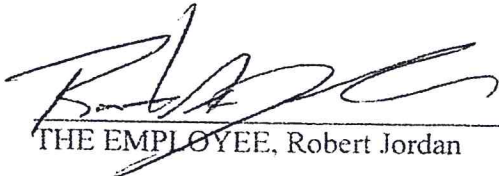
-Employer will provide Employee a company vehicle.

SIGNED:



Petro Mex, LLC by: President

Dated: 8/17, 2022



THE EMPLOYEE, Robert Jordan

Dated: 8/11 /2022

(Seal)

Notary: \_\_\_\_\_

# ROBERT A. JORDAN

1100 E. Broadway Ave  
Bloomfield, NM 87413

505-320-1395

## Professional Experience:

- PetroMex Farmington, NM 8/15/2022 to Present
- Production Manager,
- Logos Resources Farmington, NM October 2018 to 8/12/2022
- Production Manager and capital projects.
- SJBO Bloomfield, NM May 2018 to September 2018
- Self Employed Contract lease operating
- WPX Energy Aztec, NM October 2014 to April 2018
- \* Superintendent
  - \* Senior Production Foreman - Developing and leading team for optimal oil/Gas production.
  - \* Construction Foreman - building pipeline and facilities.
- Devon Energy Farmington, NM January 1999 to October 2014
- \* Senior Production Foreman 2008 - 2014 managing 40 +/- people, 495 wells, 4 SWD, 4 CDP's with 257 miles of pipeline. Oversee procurement supply chain for minor and major projects.
  - \* Drilling and Completion Foreman 2001-2007: oversee the drilling and completion of conventional and coal wells.
  - \* Lease Operator 1999-2001
- Compressor System Inc. Farmington, NM January 1995 to January 1999
- \* Responsible for the install, operation and maintenance of numerous small and large horse power compressors.
  - Perform preventive maintenance and troubleshoot problems with compressors.
- Halliburton Energy Services Aztec, NM June 1993 to January 1995
- Began as a trainee, advanced to operator and service representative.
  - Responsible for maintenance and repairs to 25 compressors, ranging in size from high-speed compressors to Ajax compressors. Cross trained with pumping services.
- Training
- \*\* **Leading with Safety Training** All 4 phases 2012 - 2014
  - \*\* **Randy Smith Training Solutions** Lafayette, LA December 2007
  - \*\* **Murchison Drilling School** Albuquerque, NM March 2005
  - \*\* **Maintained Current Blowout Prevention Training** Since 2000
  - \*\* **Waukesha Product Training Center** Waukesha, Wisconsin August 1998
  - \*\* **Ajax DPC** Overhaul School Mineral Wells, Texas
  - \*\* **Dehydration & Separation** San Juan College January 1998
  - \*\* **CPR, First Aid, OSHA/Industry training current.**
- Member of:
- \*\* **Four Corner Economic Development** 2013-2014
  - \*\* **Business Weekly Forty Under 40** 2009-2010
  - \*\* **Leadership San Juan** 2008-current

Strengths: Dependable, diligent, highly self-motivated, loyal, thorough and precise in attention to details. Comprehend the importance of accountability and safety.

Skills: Leadership, organizing a team by using processes and optimizing production.

References: Furnished upon request





## SURFACE USE AND COMPENSATION AGREEMENT

This Agreement is made and entered into between Mr. and Mrs. Anthony Peretti (“Owner”) and Petro Mex, LLC, (“Operator”).

### IT IS AGREED AS FOLLOWS:

**1. The Property.** Operator holds interests in oil and gas lease for the Kirtland 18 #001 well, located on the following described lands in San Juan County, New Mexico: (Provided by Owner)

Section 18 Township 29N Range 14 West. New Mexico USGLS

and Owner owns the surface of the above-described land. This Agreement covers Operator’s activities on and access across the above-described lands, only.

**2. The Well Site Improvements and Operations.** The Well Site are located on the existing pads as depicted on the attached map and will include the Kirtland 18 #001 Well (“the Well”), and such equipment, to be located on the well site, as needed to operate the Wells, including but not limited to pumpjacks and tanks. The Well Site and Well Site equipment shall be installed, operated and maintained in compliance with applicable statutes and regulations and to industry standards. The Operator agrees to the following improvements and operational requirements at the well site:

- a. installation of chain link fence around the perimeter of the Production Equipment;
- b. water and soil in the existing water storage pond will be tested by a third-party and will be filled in if the water and soil are determined not to be contaminated. If the water and soil are determined to be contaminated, it will be removed from the Well Site in compliance with applicable regulations; Soil Sample were below the Reportable limits BTEX and Chlorides.
- c. produced water will be removed from the Well Site if Operator is able to connect to an existing water disposal line. A pipeline installed for the purpose of removal of produced water will be located in the easement for the gas pipeline as depicted on the attached map; Survey Provided on C-102
- e. the Well Site will be operated based on accepted industry standards and pursuant to New Mexico Oil Conservation Division regulations, including industry protocols for noise and odors; 65 DB at 100’ and API 12F tank seal method.
- f. work at the Well Site, including transportation of the oil from the Well Sites, will only occur during daylight hours, unless there is an emergency that must be corrected;

- g. Operator shall at all times keep the Well Site safe and in good order, free of noxious weeds, (Within 10' of Production equipment) litter and debris. All fences installed by Operator shall be kept clean and in good repair. Operator shall not permit the release or discharge of any toxic or hazardous chemicals or waste onto Owner's land;
- h. Employees of Operator shall be respectful of Owner's property and at least one English speaking worker shall be available to make decisions and communicate with Owner if needed while on the Well Site;
- i. Excessive erosion caused by operator will be repaired as needed.

**3. Pipeline and pipeline easement.** Pipelines shall be located as shown on the attached map. Pipelines will be constructed to comply with New Mexico Oil Conservation Division and industry standards. The pipeline shall be buried deep enough to prevent interference with farming and livestock operations by Owner. After construction of the pipeline, the water spring and irrigation ditch shall be returned, as near as possible, to original specifications. Operator shall be responsible for installation, operation and maintenance of pipeline and pipeline easement. Any damage to pipeline or spills from pipeline shall be the sole responsibility of Operator. Pipeline will be installed to API 1104 Standard and the reclamation plan will follow Gold Book standard.

**4. Survey of Property.** Operator shall have a survey of the Well Site, the pipeline easement and the southern fence line completed prior to the installation of fencing pursuant to this Agreement.

**5. Firewood.** Any firewood removed pursuant to the activities that are subject to this Agreement will be stacked in +/- 4' lengths in a place designated by Owner and brush and limbs will be set aside for disposal by Owner at the Owner's convenience.

**6. Replacement of South Fence/ Est. 1071'.** Operator shall replace the fence along the southern property boundary and install a vehicle gate large enough to allow access by emergency vehicles. A manway gate shall be installed near the southwest corner post H-braces shall be installed as needed. The southeast corner post on the west side of Coolage Arroyo shall be replaced. Once installed, the fence shall be the Owner's sole property. Any clearing of foliage, brush or trees along the fence line shall be completed by Operator.

**7. Access/ingress & egress.** Operator shall have access to the Well Site and the pipeline easement, including access for equipment necessary to install agreed upon improvements, to operate and maintain the Well Site and to build and maintain the pipeline and pipeline easement. Access shall be by existing roads to the extent possible. Operator will reasonably maintain any roads that may be used by Operator on the property, including any new roads that may be constructed by the Operator, and will make all necessary repairs to the roads caused by Operator's use.

**8. Timing.** Improvements to the Well Site, construction of the pipeline, and installation of fencing shall be completed within 6 months of the signing of this Agreement by both Parties.

**9. Payment.** Operator shall make a [REDACTED] cash payment to Owner at the time of the signing of this Agreement.

**10.** Operator shall take reasonable actions to minimize surface damage to Owner's property both during the installation of the agreed upon improvements and during the operation of the Well Site and pipeline.

**11. Restoration and Reclamation.** Unless Owner otherwise agrees in writing, upon termination of any of Operator's operations on Owner's land, Operator shall fully restore and level the surface of the land affected by such terminated operations as near as possible to the contours which existed prior to such operations. Operator shall fully restore all private roads and drainage and irrigation ditches disturbed by Operator's operations as near as possible to the condition which existed prior to such operations. Refer to gold book Standards.

**12. Reseeding.** Owner has the right to specify the grass seed or seed mixture used by Operator when reclaiming disturbed areas on the Property, as long as the Owner's seed request is reasonable, the grass seed or seed mixture is readily available in the area, and the Operator's use of the specified grass seed or seed mixture for reclamation is permitted under applicable laws, rules and regulations. Owner understands that the well sites and surrounding area are not presently seeded or used for grazing.

**13. Costs to be borne by Operator.** All costs for improvements, insurance and bonding shall be the responsibility of Operator.

**14. Indemnification.** To the maximum extent permitted by law, Operator shall indemnify, defend and hold Owner, and if applicable, Owner's officers, directors, employees, agents, successors and assigns harmless from any and all claims, liabilities, demands, suits, losses, damages and costs (negotiated on case by case) which may arise out of or be related to Operator's activities on Owner's property, including, without limitation, any claims that Operator's operations hereunder are illegal, unauthorized, or constitute an improper interference with any parties' rights, or have damaged the lands or operations of adjacent landowners, and including any claims based on the alleged concurrent negligence of Owner.

**15. Compliance with Law.** Operator shall conduct operations and activities in accordance with existing state and federal laws, rules and regulations.

**16. Construction of Agreement.** This Agreement shall be construed under the law of the State of New Mexico.

**17. Binding Effect.** This Agreement is binding upon the successors and assigns of the Parties.

DATED this 25<sup>th</sup> day of August, 2022

**OWNER (Mr. and Mrs. Peretti)**

By: [Signature] Cindy Peretti wife Mrs. Anthony F. Peretti

Title: OWNER

**OPERATOR (Petro Mex, LLC, A NM limited liability company)**

By: \_\_\_\_\_

Title: \_\_\_\_\_  
Petro Mex, LLC, A NM limited liability company

# FNPNM

576 Road 6100, Kirtland, NM 87417  
(505) 793-5500

**General Contractor License: GB98: No. 82640**

# ESTIMATE

To

Petro Mex LLC  
P.O. Box 6724  
Farmington, NM 87499



## Wellsite Reclamation Work:

**Item 1, Wellsite Bob and Blanche  
Defined Area :**



### **Description of Work:**

Creation of 30'x40' 2' high gravel-lined retention pond encompassing two existing tanks. De-vegetation of defined area, including removal of weeds and overgrown brush and trees. Load out of 10 yards of trash and debris. Wellsite clearing and leveling. Removal and replacement of contaminated soil and load out, up to 10 yards. Creation of gravel work area around separator, meter, and wellhead.

Petro Mex to provide gravel, dirt, and load out.

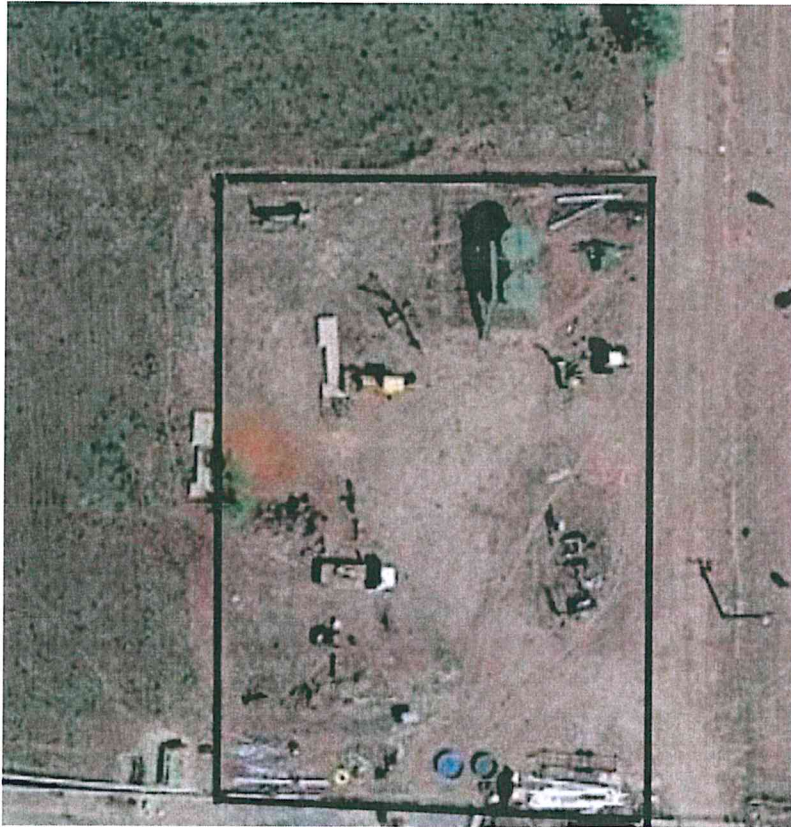
150% of the Largest Volume, Stincial Tank Per OCD rules and add Water line from Sep to Tank.

**Estimation:**

<b>SERVICE</b>	<b>Description</b>	<b>UNIT COST</b>	<b>TOTAL COST</b>
<b>Roustabout Labor ( Clearing and Leveling)</b>	2 Laborers, 15 hours	\$35/hour	\$1050
<b>Roustabout Equipment ( Clearing and Leveling)</b>	Truck and tools, 15 hours	\$50/hour	\$750
<b>Backhoe Operator/ Superintendent Labor ( Clearing and Leveling)</b>	15 hours	\$50/hour	\$750
<b>Load out labor (contaminated dirt and debris)</b>	2 laborer's ( 4 hours) Backhoe/Operator ( 3 hours)	\$35/hour and \$150/hour	\$730
<b>Backhoe time and fuel</b>	1 CAT 415, 15 hours	\$100/hour	\$1500
<b>Gravel pad construction</b>	3x pads, separator, meter, and wellhead	\$300/pad	\$900
<b>Berm Construction</b>	1x Berm	\$1200/unit	\$1200
<b>TOTAL</b>	Applicable taxes not included		\$6880



**Item 2, Wellsite Dorothy  
Defined Area :**



**Description of Work:**

Creation of 30'x40' 2' high gravel-lined retention pond encompassing two existing tanks. De-vegetation of defined area, including removal of weeds and overgrown brush and trees. Load out of 10 yards of trash and debris. Wellsite clearing and leveling. Removal and replacement of contaminated soil and load out, up to 10 yards. Creation of gravel work area around separator, meter, and wellhead.

Petro Mex to provide gravel, dirt, and load out.

150% of the Largest Volume, Stincial Tank Per OCD rules and add Water line from Sep to Tank.

**Estimation:**

SERVICE	Description	UNIT COST	TOTAL COST
<b>Roustabout Labor ( Clearing and Leveling)</b>	2 Laborers, 10 hours	\$35/hour	\$700

<b>SERVICE</b>	<b>Description</b>	<b>UNIT COST</b>	<b>TOTAL COST</b>
<b>Roustabout Equipment ( Clearing and Leveling)</b>	Truck and tools, 10 hours	\$50/hour	\$500
<b>Backhoe Operator/ Superintendent Labor ( Clearing and Leveling)</b>	10 hours	\$50/hour	\$500
<b>Load out labor (contaminated dirt and debris)</b>	2 laborer's ( 4 hours) Backhoe/Operator ( 2 hours)	\$35/hour and \$150/hour	\$580
<b>Backhoe time and fuel</b>	1 CAT 415, 10 hours	\$100/hour	\$1000
<b>Gravel pad construction</b>	3x pads, separator, meter, and wellhead	\$300/pad	\$900
<b>Berm Construction</b>	1x Berm	\$1200/unit	\$1200
<b>Tree Removal at tank</b>	x 3	\$100/tree	\$300
<b>TOTAL</b>	Applicable taxes not included		\$5680

**Item 3, Wellsite Tris Evi  
Defined Area :**



**Description of Work:**

Creation of 30'x40' 2' high gravel-lined retention pond encompassing existing tank and future expansion. De-vegetation of defined area, including removal of weeds and overgrown brush and trees. Load out of 10 yards of trash and debris. Wellsite clearing and leveling. Removal and replacement of contaminated soil and load out, up to 10 yards. Creation of gravel work area around separator, meter, and wellhead.

Petro Mex to provide gravel, dirt, and load out.

150% of the Largest Volume, Stincial Tank Per OCD rules and add Water line from Sep to Tank.

**Estimation:**

SERVICE	Description	UNIT COST	TOTAL COST
Roustabout Labor ( Clearing and Leveling)	2 Laborers, 10 hours	\$35/hour	\$700

<b>SERVICE</b>	<b>Description</b>	<b>UNIT COST</b>	<b>TOTAL COST</b>
<b>Roustabout Equipment ( Clearing and Leveling)</b>	Truck and tools, 10 hours	\$50/hour	\$500
<b>Backhoe Operator/ Superintendent Labor ( Clearing and Leveling)</b>	10 hours	\$50/hour	\$500
<b>Load out labor (contaminated dirt and debris)</b>	2 laborer's ( 4 hours) Backhoe/Operator ( 2 hours)	\$35/hour and \$150/hour	\$580
<b>Backhoe time and fuel</b>	1 CAT 415, 10 hours	\$100/hour	\$1000
<b>Gravel pad construction</b>	3x pads, separator, meter, and wellhead	\$300/pad	\$900
<b>Berm Construction</b>	1x Berm	\$1200/unit	\$1200
<b>TOTAL</b>	Applicable taxes not included		\$5380

**Item 4, Wellsite 181  
Defined Area:**



**Description of Work:**

Creation of two fencing areas, both approximately 30' x 40', totaling 254' of fence. No grading or dirtwork included

**Estimation:**

SERVICE	DESCRIPTION	UNIT COST	TOTAL COST
Fence installation	254' of 6' Chainlink, 11.5 GA	\$38/ft	\$9,652
Custom Panel	20' removable		\$1000
Gates	2 x 3'		\$300
<b>SUM</b>			\$11,252

**Item 5, Wellsite Palmer  
Defined Area :**



**Description of Work:**

Creation of 30'x40' 2' high gravel-lined retention pond encompassing existing tanks. De-vegetation of defined area, including removal of weeds and overgrown brush and trees. Load out of 10 yards of trash and debris. Wellsite clearing and leveling. Removal and replacement of contaminated soil and load out, up to 10 yards. Creation of gravel work area around separator, meter, and wellhead.

Petro Mex to provide gravel, dirt, and load out.

**Estimation:**

SERVICE	Description	UNIT COST	TOTAL COST
<b>Roustabout Labor ( Clearing and Leveling)</b>	2 Laborers, 10 hours	\$35/hour	\$700
<b>Roustabout Equipment ( Clearing and Leveling)</b>	Truck and tools, 10 hours	\$50/hour	\$500
<b>Backhoe Operator/ Superintendent Labor ( Clearing and Leveling)</b>	10 hours	\$50/hour	\$500
<b>Load out labor (contaminated dirt and debris)</b>	2 laborer's ( 4 hours) Backhoe/Operator ( 2 hours)	\$35/hour and \$150/hour	\$580
<b>Backhoe time and fuel</b>	1 CAT 415, 10 hours	\$100/hour	\$1000

SERVICE	Description	UNIT COST	TOTAL COST
<b>Gravel pad construction</b>	3x pads, separator, meter, and wellhead	\$300/pad	\$900
<b>Berm Construction</b>	1x Berm	\$1200/unit	\$1200
<b>TOTAL</b>	Applicable taxes not included		\$5380

**Terms:**

50% of cumulative totals due at time of acceptance, balance on completion.