

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

**APPLICATION OF THE ESTATE OF
JOHN R. STEARNS TO REMOVE
NORHTERN PACIFIC OIL AND GAS, INC.
AS OPERATOR OF RECORD OF THE
NEW MEXICO BA STATE WELL NUMBER 1,
NEW MEXICO STATE BA WELL NUMBER 3,
AND NEW MEXICO BA STATE WELL NUMBER 4.
CHAVES COUNTY, NEW MEXICO.**

CASE NO. 23721

**APPLICANT ESTATE OF JOHN R. STEARNS’
PRE-HEARING STATEMENT**

The Estate of John R. Stearns (“Stearns” or “Applicant”), by and through undersigned counsel of record, hereby provides its Pre-Hearing Statement.

A. Name of Party and the Party’s Attorney.

The Party submitting this Pre-Hearing Statement is the Applicant Estate of John R. Stearns (OGRID No. 21566). Pete Domenici, Domenici Law Firm, represents the Estate of John R. Stearns.

B. Concise Statement of the Case.

Stearns has applied for an order removing Northern Pacific Oil and Gas, Inc. (OGRID No. 330352), as operator of record of the New Mexico BA State #001 (API #: 30-005-20944), New Mexico BA State #003 (API #: 30-005-21021), and New Mexico BA State #004 (API #: 30-005-21023), and designating John R. Stearns Estate as operator of record. The John R. Stearns Estate is the

successor in interest of John R. Stearns who was a registered operator in good standing with the Oil Conservation Division ("OCD"). The following is a summary of the relevant facts in this matter:

1. Doral Energy Corporation transferred and assigned the purchase agreement, bill of sale and indemnification agreement, in the following chronological sequence: from Doral Energy Corporation to Cross Border Resources, Inc., to Northern Pacific Oil & Gas, Incorporated.
2. Doral Energy Corporation (hereinafter "Doral"), entered into an Agreement of Purchase and Sale effective June 3, 2010, in which Stearns agreed to assign to Doral Energy Corporation all interests in oil and gas leases in New Mexico, including the New Mexico BA State Lease #001, #003, and #004.
3. The John R. Stearns Estate is the successor in interest to John R. Stearns, deceased, and Northern Pacific Oil and Gas, Inc. is the successor in interest to Doral, Cross Border Resources, Inc.
4. Northern Pacific Oil and Gas, Inc., (hereinafter "Northern"), operates the wells and facilities on the Lease as the successor to Cross Borders Resources, Inc. as recognized by the transfer on April 22, 2022 by the New Mexico Oil Conservation Division ("OCD").
5. Northern is the operator of record of the New Mexico BA State #001, New Mexico BA State #003, and New Mexico BA State #004, ("Wells") located on the Lease at the following locations:
 - a. New Mexico BA State #001 (API # 30-005-20944) NW/4 NW/4 of Section 16, Township 08S, Range 31E, Unit Letter D, Chaves County, New Mexico.

- b. New Mexico BA State #003. (API # 30-005-21021) SW/4 NE/4 of Section 16, Township 08S, Range 31E, Unit Letter G, Chaves County, New Mexico; and
 - c. New Mexico BA State #004 (API # 30-005-21023) NE/4 SW/4 of Section 16, Township 08S, Range 31E, Unit Letter K, Chaves County, New Mexico.
6. The Wells were completed in the Siete; San Andres pool.
7. John R. Stearns was the lessee of the now-expired State Land Office oil and gas lease no. K0-0745-5. On August 8, 2019, the New Mexico Commissioner of Public Lands ("Commissioner") issued Stearns a notice of expiration of the Lease Assignment and demanded that John R. Stearns plug the Wells and reclaim the lease premises. The State Land Office filed suit on January 31, 2021. After Mr. Stearns passed away, the State Land Office and the Estate of John R. Stearns entered into a settlement resolving the dispute between them, which requires the Estate to assume responsibility for plugging the Wells and reclaiming the lease premises. A copy of the settlement agreement is attached hereto as Exhibit 1. The Commissioner of Public Lands has attached the following documents to its Pre-Hearing Statement: 1) Exhibit A(1) and A(2) are the original lease, and the assignment to John R. Stearns and 2) Exhibit B is the August 8, 2019 letter.
8. On or about December 19, 2021, Alan Barksdale, President of Cross Border Resources, Inc. assigned the 3 referenced wells to Northern and filed necessary documentation with the OCD.
9. Since the assignment from Cross Border Resources, Inc. to Northern, an agreement was presented to Stearns by the president of Northern, Santiago Garcia, wherein Northern

agreed to plug the wells and to remediate the locations, dated December 6, 2022. Stearns was unable to sign the agreement because John R. Stearns dba Stearns was a sole proprietorship and Mr. Stearns passed away on November 26, 2022.

10. Since December 2022, Stearns attempted to contact Northern by means of phone calls and texts and through counsel of record who has since withdrawn as attorney of record, on multiple occasions to perform the agreed-upon remediation on the Lease. To date, Stearns, or the Estate of Stearns, as successor, has received no response from Northern, Cross Border Resources, Inc., or any of the assignees referred to above. As a result, Northern is unavailable and unwilling to proceed with the agreement sent to Stearns on December 6, 2022. Northern is not in good standing with the OCD.

11. As record title owner of the Wells, Stearns and its successor have the obligation under the Oil and Gas Act and Division regulations to properly plug and abandon the Wells. Accordingly, Stearns intends to properly plug and abandon the above referenced wells. Stearns agrees to remediate the well sites of the three (3) wells referenced above. The New Mexico BA State #002 (API #: 30-005-21004), which was previously plugged and abandoned by Stearns on March 13, 2008, will also be remediated by Stearns.

12. To prevent waste and protect correlative rights and comply with the SLO's requirements, Stearns requests that Northern be removed as operator of the Wells by the OCD and the Stearns Estate be designated as operator of record of the Wells so that it may properly plug and abandon the Wells.

C. Names of Witnesses

Stearns may call Bobby Stearns or Charity Stearns and representatives of the New Mexico State Land Office to offer testimony at the hearing.

D. Approximate time needed to present Applicant's case.

The Applicant will need approximately 30 minutes to present its case.

Respectfully submitted,
Domenici Law Firm, P.C.

/s/Pete Domenici
Pete Domenici, Esq.
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Albuquerque, New Mexico 87196
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Attorney for Applicant

CERTIFICATE OF SERVICE

I hereby certify that, on August 31, 2021, I served a true and correct copy of the foregoing via email on the following:

Ari Biernoff
Christopher Graeser
Richard Moore
New Mexico State Land Office
PO Box 1148
Santa Fe, New Mexico 87504-1148
abiernoff@slo.state.nm.us
cgraeser@slo.state.nm.us
rmoore@slo.state.nm.us

Northern Pacific Oil and Gas Incorporated
150 S. Rodeo Drive 250
Beverly Hills, CA. 90210
Santiago.garcia@npacificoil.com

/s/ Pete Domenici
Pete Domenici

SETTLEMENT AGREEMENT

This is an agreement (the "Settlement Agreement") between the Commissioner of Public Lands of the State of New Mexico ("Commissioner"), acting through the New Mexico State Land Office ("State Land Office"), and the Estate of John R. Stearns ("Stearns Estate"), acting through its personal representative Mary Lou Ann Stearns (collectively, the "Parties"), to resolve the lawsuit entitled *Stephanie Garcia Richard, Commissioner of Public Lands of the State of New Mexico v. John R. Stearns et al.*, New Mexico District Court, First Judicial District, Case No. D-101-CV-2021-00183 (the "Lawsuit").

To resolve the Lawsuit, the Parties agree as follows:

1. Effective Date. This Settlement Agreement is effective upon the last signature below.
2. Plugging Inactive Wells.
 - a. Stearns Estate shall at its own cost and expense plug and properly abandon three inactive wells (the "Wells") located on expired state oil and gas lease K0-0745-5 (the "Lease") formerly held by John R. Stearns, deceased:
 - i. New Mexico BA State #1 (API 30-005-20944)
 - ii. New Mexico BA State #3 (API 30-005-21021)
 - iii. New Mexico BA State #4 (API 30-005-21023)

Stearns Estate shall conduct such plugging in compliance with New Mexico Oil Conservation Division ("OCD") rules and requirements.

- b. Stearns Estate will file an appropriate application with OCD to become operator for each of the Wells in order to submit Form C-103s and plug the Wells within ten (10) days of the effective date. For each of the Wells, Stearns Estate shall submit to the OCD the initial OCD Form C-103 for approval within twenty (20) days of the approval of operator status for the Wells, or other authorization to plug the Wells. Within ninety (90) days of the approval of the C-103 notice of intention to plug and abandon by the OCD, which time may be extended by the State Land Office for good cause shown, upon written request by Stearns Estate, Stearns Estate shall complete such plugging operations.

In connection with this plugging work, Stearns Estate shall also:

- i. Provide the State Land Office with a filed copy of each submitted C-103 notice of intention to plug and abandon at the time Stearns Estate submits the C-103 to OCD;
 - ii. Provide the State Land Office with an approved copy of each C-103 notice of intention to plug and abandon at the time Stearns Estate receives approval from OCD;

- iii. Provide the State Land Office with a filed copy of each submitted C-103 subsequent report of plugging and abandoning at the time Stearns Estate submits the C-103 to OCD; and
- iv. Provide the State Land Office with an approved copy of each C-103 subsequent report of plugging and abandoning at the time Stearns Estate receives approval from OCD.
- v. The documentation described in this Paragraph 2 shall be directed to the State Land Office, attn: Oil Gas and Minerals Division, c/o Allison Marks, with a copy to the Office of General Counsel (Ari Biernoff, Chris Graeser, Elaine Heltman), or to such other personnel as the State Land Office may hereafter designate.

3. Reclamation and Remediation of Lease Premises. Stearns Estate shall at its own cost and expense fully reclaim and, as necessary, remediate the premises (the Leased Premises) leased under State Land Office lease K0-0745-5. Stearns Estate shall submit a written remediation and reclamation work plan (the "Work Plan") to the State Land Office within sixty (60) days of the effective date of this Settlement Agreement.

- a. Stearns Estate or its consultant shall prepare and submit the Work Plan to the State Land Office for the surface reclamation and remediation of the Leased Premises.
- b. The Work Plan shall include a remediation plan component and a reclamation plan component, and include all aspects of surface remediation and reclamation required by State Land Office and OCD rules, including a narrative section addressing the following:
 - i. Assessment of contamination, if any, and proposal of steps required to remediate such contamination;
 - ii. Documentation of clearance of debris removal including surface lines and equipment – this can be a simple statement along with photographs of the site showing this has been completed;
 - iii. Documentation of methodologies for ripping and seeding (include details of crossripping depth);
 - iv. Seeding rates and seed mixtures;
 - v. Documentation of erosion control management;
 - vi. Documentation of road reclamation (ripping, seeding, bermed at entrance, and water bars or SLO approval for being left in place);
 - vii. Documentation of spills and pits to be remediated and reclaimed – provide documentation for any visible staining or historical releases remediated during reclamation; and
 - viii. Schedule of implementation (for sites where reclamation was already completed provide a date that reclamation was completed).

- c. The remediation plan component of the Work Plan shall be completed within one hundred twenty (120) days of approval of the Work Plan by the State Land Office.
- d. Within fifteen (15) days of completion of remediation, Stearns Estate shall submit a remediation closure report to the State Land Office, on such form specified by the State Land Office and including such information the State Land Office reasonably requires.
- e. Unless otherwise directed in writing by the State Land Office pursuant to action by OCD, the reclamation plan component of the Work Plan shall be completed within thirty (30) days of approval of the remediation closure report by the State Land Office, seasonal reseeding operations excepted. Seasonal reseeding shall be completed by August 31 of the year following completion of other aspects of the Work Plan.
- f. Within fifteen (15) days of completion of reclamation, Stearns Estate shall submit a reclamation closure report to the State Land Office, on such form specified by the State Land Office and including such information the State Land Office reasonably requires.
- g. Reclamation and remediation of the Leased Premises will be deemed complete upon confirmation from the State Land Office that work in accordance with the approved Work Plan and with State Land Office rules has been satisfactorily completed. The State Land Office will review the work for satisfactory completion, and if the Work Plan has been successfully completed, will provide Stearns Estate with written confirmation within sixty (60) days of Stearns Estate's request for State Land Office review. If the State Land Office finds that the Work Plan has not been successfully completed, it will provide Stearns Estate written notice of any deficiencies and Stearns Estate shall promptly resolve such matters and request further review. In addition to completing reclamation and remediation in accordance with the approved Work Plan and applicable State Land Office rules, Stearns Estate shall submit a final C-103 to OCD for release of the Well sites, and provide copies of that C-103 to the State Land Office.
- h. The State Land Office will utilize the \$20,000 that was posted as an additional financial assurance for plugging the Wells and reclaiming the Leased Premises, for the purpose of obtaining a site delineation and other preliminary steps toward site cleanup. The State Land Office will communicate with Stearns Estate regarding the timing and scope of this work to avoid duplication of effort. To the extent any portion of the \$20,000 remains unspent, upon Stearns Estate's compliance with the terms of this Settlement Agreement and the State Land Office's written confirmation that all work is complete, the unspent funds will be refunded to Stearns Estate.

- i. The Parties will communicate in good faith to attempt to resolve any disputes about the scope of any reclamation or remediation work required.
- j. The deadlines of this Paragraph 3 may be extended by the State Land Office for good cause shown, upon written request by Stearns Estate. Good cause specifically includes lack of available equipment or materials for the reclamation and remediation phases of the required work. In the event of any extension, Stearns Estate will work diligently to obtain required equipment or materials and otherwise to fulfill its obligations under this Settlement Agreement.
- k. The documentation described in this Paragraph 3 shall be submitted to the State Land Office, attn: Environmental Compliance Office, c/o Becky Griffin, with a copy to the Office of General Counsel (Ari Biernoff, Chris Graeser, Elaine Heltman), or to such other personnel as the State Land Office may hereafter designate.

4. Cooperation and Record Keeping.

- a. The Parties will work together in good faith to ensure that the plugging and abandonment, reclamation, and remediation activities referenced in this Settlement Agreement are conducted expeditiously in accordance with the deadlines set forth in this Settlement Agreement, while taking account of any unexpected and unavoidable delays that are beyond Stearns Estate's reasonable control. The deadlines set forth herein may be extended by agreement of the Parties and for good cause, provided the parties use their best efforts to meet the deadlines.
- b. The State Land Office shall issue a Right of Entry permit for the Well sites for plugging/reclamation/remediation purposes promptly upon Stearns Estate's application and without charge.
- c. Stearns Estate agrees to make its records relating to its performance under this Settlement Agreement reasonably available to the State Land Office upon request.

5. Effect on Lawsuit. Upon execution of this Settlement Agreement, the parties will formally stay the claims by the State Land Office against Stearns i.e. no party will file or package substantive motions or serve discovery provided Stearns Estate diligently pursues its obligations under this Settlement Agreement. Upon confirmation that Stearns Estate has timely fulfilled its plugging obligations set forth in Paragraph 2, the parties shall jointly advise the Court that they have reached a settlement and request that pending deadlines be stayed. Upon Stearns Estate's completion of its remaining obligations under this Settlement Agreement, the Parties shall file a stipulation dismissing the State Land Office claims against

the Stearns Estate in this action, with prejudice, provided such dismissal shall not extend to Stearns Estate's cross-claims or third-party claims. The parties shall release each other from all claims which were brought by one against the other, or which could have been brought by one against the other, in the Lawsuit. Prior to taking any action in the Lawsuit, the Parties agree to meet and confer to the extent there is any disagreement among them as to whether Stearns Estate has met its obligations at any particular point in time. Except as otherwise provided in this Settlement Agreement, each Party shall bear its own costs and fees in connection with the Lawsuit and with the implementation of this Settlement Agreement.

6. No Probate Distributions. No distributions of funds or assets from the Estate of John Stearns to legatees or devisees shall be made prior to State Land Office approval of completion of reclamation and remediation work pursuant to the Work Plan. This provision does not prohibit payment of debts or expenses of administration of the Stearns Estate. The parties shall file a stipulated order to this effect in the probate proceeding entitled *In the Matter of the Estate of John Robert Stearns, Deceased*, No. D-506-PB-2023-00044 in substantially the form shown in **Exhibit 1** hereto. Stearns may petition the probate court to release funds if funds are needed to maintain compliance with the terms of the following state oil and gas leases, or regulatory requirements associated with such leases: LG-2848-0001, LG-0469-0002, and V0-5343-0002.

7. Applicable Law and Venue. This Settlement Agreement shall be governed by and enforceable under the laws of the State of New Mexico and shall be construed and interpreted in accordance with the rules generally applicable to contracts in the State of New Mexico. Any action to interpret or enforce this Settlement Agreement shall be brought exclusively in New Mexico State District Court, First Judicial District.

8. Binding Effect; Voluntary Agreement; Amendment. This Settlement Agreement shall be binding on and inure to the benefit of the Parties as well as their representatives, attorneys, successors, assignees, agent, officers, members, and employees. The State Land Office has filed a motion for summary judgment asserting that Stearns is responsible for plugging and reclamation as the lessee of record for the leased premises. The Parties have had the opportunity to consult with counsel in the review of this Settlement Agreement. Each Party agrees to this Settlement Agreement, for the consideration exchanged in this Settlement Agreement. This Settlement Agreement shall not be amended, modified, or terminated, nor shall any obligations hereunder be waived (expressly, by implication, or by estoppel), except by written instrument signed by each of the Parties to this Settlement Agreement.

9. No Admission of Liability. Stearns Estate is entering into this Settlement Agreement without any admission of liability or wrongdoing in any respect in order to resolve claims asserted by the State Land Office based on its status as lessee of record, among other claims. This Settlement Agreement is not intended to be, and shall not be construed to be, an admission of liability or an admission against interest by Stearns Estate.

10. Counterparts; Electronic Transmittal of Signatures; Authority to Sign. This Settlement Agreement may be executed in one or more counterparts, each of which shall be deemed as original but all of which together shall constitute one and the same instrument. The delivery

of a signature transmitted by email contained in one or more counterparts shall be deemed as an original signature. The person signing this Settlement Agreement on behalf of Stearns Estate warrants that s/he has the authority to sign on behalf of and bind the company, with no further resolution or other action required.

THE ESTATE OF JOHN ROBERT STEARNS, DECEASED

By: Mary Lou Stearns

Date: 8/15/2023

Name: Mary Lou Stearns, Personal Representative

ACKNOWLEDGMENT IN A REPRESENTATIVE CAPACITY

State of New Mexico

County of Soc

This instrument was acknowledged before me on August 15, 2023 (date) by

Mary Lou Stearns (name) as

Personal Representative (title) of The Estate of

John Robert Stearns (name of party on behalf of whom instrument is executed).

Rilda Perdue
(Signature of notarial officer)

(seal)

My commission expires: 10/3/2023

State of New Mexico

Notary Public

Rilda Perdue

Commission # 1113539

Expiration date: October 30, 2023

NEW MEXICO COMMISSIONER OF PUBLIC LANDS

S. G. Rinal / GR

Date: 8/17/23

A Stephanie Garcia Richard, Commissioner of Public Lands

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