



Aubrey Dunn
COMMISSIONER

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Commissioner of Public Lands

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May 22, 2015

Certified Mail
Return Receipt Requested

V-F Petroleum Inc.
500 W. Texas, Suite 350
Midland, Texas 79701

ATTN: Sandra K. Lawlis

RE: Oil and Gas Leases on NM State Trust Lands

Dear Ms. Lawlis:

V-F Petroleum has invoked Paragraph 14 of Lease No. V0-8723-1 for the Mid-Vac 8 State #1 well. After further consideration, we have found that:

1. Paragraph 14 requires that the lessee conduct "bona fide drilling or reworking operations" on the wellbore.
2. Such operations must be "diligently prosecuted".
3. Use of a "spudder" rig and the intermittent rate of it's associated drilling, does not constitute diligent progress.

Therefore, absent any additional information showing an indication of lease operations which are required by Paragraph 14 of the leases, the following lease will be terminated on August 22, 2015:

V0-8723-1 Mid-Vac 8 State #1

If you have any questions, please do not hesitate to contact Ed Martin at 505-827-5746 or emartin@slo.state.nm.us

NEW MEXICO STATE LAND OFFICE

30-025-42457

AUBREY DUNN
COMMISSIONER OF PUBLIC LANDS

AD/TGW/EM/ah

cc: Bureau of Land Management, ATTN: Ed Fernandez, Carlsbad District
New Mexico Oil Conservation Division, Hobbs and Artesia Districts
Lease File

NM OIL CONSERVATION
ARTESIA DISTRICT
MAY 26 2015
RECEIVED