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Aubrey Dunn
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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June 18, 2018

Blue Sky NM, Inc.
ATTN: Ms. Carla Petty
7941 Katy Freeway, Suite 522
Houston, TX 77024

Certified Letter
7016 0340 0000 2491 4685

RE: TERMINATION OF TWIN LAKES SAN ANDRES UNIT
Chaves County, NM

Dear Ms. Petty:

Based on our records, your organization is the current operator of the Twin Lakes San Andres Unit. This unit contains New Mexico State Trust leases.

Our records reflect the following:

- Blue Sky NM became the operator for the Twin Lakes San Andres Unit effective December 10, 2014.
- Of the 46 oil wells listed as active unit wells in NM Oil Conservation Division records, only 7 have produced since October 2017. These 7 wells produced 210 BO in the past six-month reporting period (October 2017 – March 2018).
- The last reported production for this unit was March 2018 (13 BO from 2 unit wells).
- The latest approved Plan of Operation for this unit was 1999.

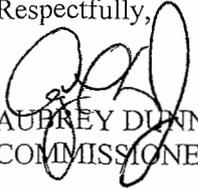
Section 11 (Plan of Operations) of the Twin Lakes San Andres Unit Agreement states the following:

...The Working Interest Owners, the Commissioner and the Division shall be furnished periodic reports on the progress of the plan of operation and any revisions or changes thereto necessary to meet changed conditions or to protect the interests of all parties to this agreement; provided, however than any major revisions of the plan of operation involving a basic deviation from the initial plan of operation shall be subject to the consent and approval of the Working Interest Owners, the Commissioner and Division....Reasonable diligence shall be exercised in complying with the obligations of said plan of operation....After such operations are commenced, Unit Operator shall carry on such operations as would a reasonably prudent operator under the same or similar circumstances.

Production from the Twin Lakes San Andres Unit is no longer adequate to support unit operations and provide a reasonable return to the owners of working and royalty interests in the unit. There is insufficient reason to maintain unit status. If you have not provided adequate reason to maintain unit status by July 20, 2018, we will commence termination of the Twin Lakes San Andres Unit.

If you have any questions or if we may be of assistance, please contact Units Manager Marilyn Gruebel at 505.827.5791 or mgruebel@slo.state.nm.us.

Respectfully,


AUBREY DUNN
COMMISSIONER OF PUBLIC LANDS

AD/mg

cc: Petrolia Energy Corporation
OCD: Attn - Will Jones
OGMD & Units Reader Files
OCD: ATTN- HEPTNER RILEY

FYI -

4224 fee acres
640 State acres

Marilyn