

Jones

Nearburg Producing Company

Oil and Gas Exploration
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July 9, 2013

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505-4255

Case 14826
Case 14940

Re: LYNCH 23 PROSPECT
Lea County, New Mexico
NMOCD COMPULSORY POOLING ORDER R-13691 (LAGUNA 23 FED COM № 1H) &
R-13628-A (LAGUNA 23 FED COM № 2H)
W/2 Section 23, T-20-S, R-34-E, N.M.P.M.

Ladies and Gentlemen:

Pursuant to the captioned NMOCD Compulsory Orders, please note that Nearburg Producing Company reached voluntary agreements with all parties involved under the subject Orders, except for the four (4) below named uncommitted working interest owners, which all failed to make a timely election and pay their share of the applicable subject well costs, with such parties having the same working interest under both Orders:

| <u>Uncommitted Working Interest Owners</u> | <u>Working Interest</u> |
|---|-------------------------|
| Westway Petro Two 4514 Cole Ave. Suite 600 Dallas, Texas 75205 | 1.12500% |
| First American Bank, Trustee of the Calvin C. Desmond Trust V. C. Desmond Trust P. O. Box 1857 Roswell, New Mexico 88202-1857 | 0.09486% 0.09486% |
| Nancy Mackey, Executrix of the Estate of Ralph E. Peacock, dec'd. 4818 South Zunis Ave. Tulsa, Oklahoma 74105 | 0.09486% |

In connection with such parties' failure to make an election and timely payment, such owners are deemed to be Non-Consenting Working Interest Owners pursuant to such Orders. At a later date Nearburg will provide to the NMOCD the actual costs incurred as to the drilling, completing and equipping each such well if same are completed as producing wells. A copy of this letter is being sent to each such party so that they are also aware of their election status pursuant to such Compulsory Pooling Orders.

If you have any questions or wish to discuss this matter further, please give me a call at (432) 818-2901. Note that I will no longer be an employee of Nearburg after July 15th; therefore, if you or anyone else has any questions or wish to discuss this matter further, please contact Mr. Ken Dixon, Land Manager, at (432) 818-2910, or Ms. Linda Fieseler, at (432) 818-2911.

Sincerely,

Nearburg Producing Company

Terry Gant, Midland Manager

cc: Holland & Hart LLP
Attn: Michael Feldewert
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501