

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey, Division Director
Oil Conservation Division



October 29, 2014

Tom R. Cone
1304 W. Broadway Pl.
Hobbs, NM 88240

OGRID No. 188152

Via Certified Mail: 7012 0470 0001 5967 3406

Dear Operator:

Rule 19.15.7.24 of the Oil Conservation Division ("OCD") requires that C-115(s) (Monthly Production Reports) be filed electronically on or before the 15th day of the second month following the month of production. As of today, we have not received your electronically submitted C-115(s) for May, 2014. It is the Operator's duty to file their monthly reports and update the OCD with any change in contact information per 19.15.9.8 NMAC.

Despite our attempts to notify you of this violation, no report has been received by the OCD. You are hereby being notified that effective immediately, the OCD has now revoked your authorization to transport from or inject into all wells your company operates.

In addition to the State Land Office, the New Mexico Taxation and Revenue Department, and the Bureau of Land Management, we will also take steps to notify purchasers and transporters of this revocation. Any unauthorized transportation or injection will be a violation of the Oil and Gas Act and the OCD will bring compliance actions against anyone participating in violations of the Act.

Immediate action is now required by you if you wish to restore your transport and injection authority. Please contact Daniel Sanchez at Daniel.Sanchez@state.nm.us (505-476-3493) to schedule a compliance conference. If no attempt to contact the OCD is made, we will move to find your wells orphaned, find you out of compliance with a division order, authorize the division to plug and abandon your wells, and seize any associated financial assurance, and seek any additional penalties available under the Act. Any operator or their principals found out of compliance with a division order will not be given a new OGRID number to authorize them to operate in the state of New Mexico.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel Sanchez", is written over a large, stylized, handwritten "S" or similar mark.

OCD
EXHIBIT 2
Case No. 15462

Daniel Sanchez
NMOCD Compliance & Enforcement Manager

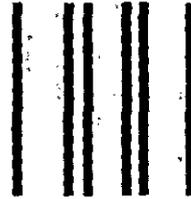
1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone (505) 476-3460 • Fax (505) 476-3462 • www.emnrd.state.nm.us/ocd

October 29, 2014

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Ec: Kelly Brooks Smith, Pete Martinez, ksmith@slo.state.nm.us, pmartine@slo.state.nm.us, New Mexico State Land Office, P.O. Box 1148, Santa Fe, NM 87504;
Tom Zelenka, Joseph Galluzzi, tzelenka@blm.gov, jgalluzz@blm.gov, Bureau of Land Management, P.O. Box 27115, Santa Fe, NM 87502;
Joan Ishimoto, joan.ishimoto@state.nm.us, New Mexico Taxation and Revenue Dept., 1200 South Saint Francis Dr., Santa Fe, NM 87505

UNITED STATES POSTAL SERVICE



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• Sender: Please print your name, address, and ZIP+4 in this box •

RECEIVED
NOV - 5 1984

OIL CONSERVATION DIVISION
20 SOUTH ST. FRANCIS DRIVE
SANTA FE, NEW MEXICO 87505

ATTN: D. SANCHEZ



SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

TOM R. CONE
1304 W. BROADWAY PL.
HOBBS, NM 88240

2. Art
(/a

PS Fo

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
Criselda Mendez Addressee

B. Received by (Printed Name) C. Date of Delivery
Criselda Mendez *10/31/14*

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

102595-02-M-1540



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Pecos District
Carlsbad Field Office
620 E. Greene
Carlsbad, New Mexico 88220-6292
www.blm.gov/nm



NM71000X
3180 (P0220)

Reference:
Automatic Termination
North Shugart Queen Unit - NMNM71000X
Eddy County, New Mexico

FEB 11 2011

CERTIFIED - RETURN RECEIPT REQUESTED:
7005 3110 0000 1062 5645

Tom R Cone
1303 W Broadway Place
Hobbs, NM 88240

RECEIVED
FEB 21 2011
HOBSUCD

NSQ # 3 30-015-05588

Gentlemen:

The North Shugart Queen Unit, No. NM-71000X, Eddy County, New Mexico, automatically terminated effective January 1, 2011, pursuant to 43 CFR 3186.1.20.c which states the following:

“this agreement shall remain in effect for such term and so long thereafter as unitized substance can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder. Should production cease and diligent drilling or reworking operations to restore production or new production are not in progress within 60 days and production is not restored or should new production not be obtain in paying quantities on committed lands within this unit area, this agreement will automatically terminate effective the last day of the month in which the last unitized production occurred.”

And under Article XXI paragraph 21.3 of the unit agreement which states the following:

“The term of this agreement shall be for and during the time that unitized substance are produced in quantities sufficient to pay for the cost of producing the same from wells on the unitized land and so long thereafter as drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days, and so long thereafter as unitized substance are produced as aforesaid.”

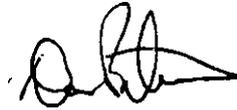
Accepted for record - NMOCD

DSS 3-8-11

Copies of this letter are being distributed to the appropriate Federal agencies. It is requested that you furnish notice of this termination to each working interest owner, lessee and lessor.

If you have any questions regarding this termination, please contact Edward G. Fernandez, Petroleum Engineer at (575) 234-2220.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Peterson', with a long horizontal stroke extending to the right.

Don Peterson
Assistant Field Manager,
Lands and Minerals

cc:

Commissioner of Public Lands

ONRR; Denver (357B-1, Antoinette Contreras, Stacey Kaiser)

NM Taxation & Revenue Dept. (Revenue Processing Div.)

NMOCD

NM (9210)

NM (P0220-CFO, File Room)

Accepted for record - NMOCD