



Aubrey Dunn
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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May 11, 2015

Certified Mail
Return Receipt Requested

Mewbourne Oil Company
500 West Texas, Suite 1020
Midland, TX 79701

ATTN: Mr. Corey Mitchell

RE: Oil and Gas Leases on NM State Trust Lands

Dear Mr. Mitchell:

Mewbourne has invoked Paragraph 14 of Lease No. VB-1832-1 for the Toro 36 B3DM #1H 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 lease, the following lease will be terminated on November 11, 2015:

VB-1832-1 Toro 36 B3DM State #1H

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

30-025-42436


AUBREY DUNN
COMMISSIONER OF PUBLIC LANDS

AD/TGW/EM/ah

cc: Shelley C. Klingler, Mewbourne Oil Company
Larry D. Cunningham, Mewbourne Oil Company
Cari Allen, Mewbourne Oil Company
Ken Gray, Mewbourne Oil Company
Jerry D. Fanning Jr., Mewbourne Oil Company
Bureau of Land Management, ATTN: Ed Fernandez, Carlsbad District
New Mexico Oil Conservation Division, Hobbs and Artesia Districts