

Noel & Ann Reynolds

LIVING TRUST
Loyce R. Reed, Trustee
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December 18, 2008

RCVD DEC 22 '08
OIL CONS. DIV.

New Mexico Energy, Minerals and Natural Resources Department
Oil Conservation Division
c/o David K. Brooks
1220 South St. Francis Drive,
Santa Fe, NM 87505

DIST. 3

Re: Arellano Well No. 1, Rio Arriba County, New Mexico

Mr. Brooks,

A letter of Notice was received from the Hunt & Davis, P.C., firm in Albuquerque, NM pertaining to the Arellano Well No. 1, Rio Arriba County, New Mexico, seeking OCD approval for their client Terry Schmidt-Crawford to take over the operation of the well.

We do object because the Schmidt-Crawford claim is void of equity. For years they have barricaded, fenced off, and blocked the access road to the well. As Mr. Reynolds health declined he felt that pursuing operation of the well could very well result in physical injury or even death of those operating the well. Therefore Mr. Reynolds submitted to OCD a Sundry Notice to discontinue operating the well until some resolution could be achieved.

The Mineral Deed to Renco, Inc. dated September 26, 1970, recorded in Book 74 O&G page 55, Rio Arriba County records, clearly conveys the Minerals to Renco, Inc., a Reynolds family enterprise. Subsequently, Eleocadio Arellano and Manuelita Arellano executed a Warranty Deed to Clayton J. Schmidt and Patricia M. Schmidt recorded in Book 107 page 335 Rio Arriba County records, January 11, 1971; conveying title to the real estate which excluded coal and *"Also excepting the other minerals which have been previously conveyed to third parties."*

Subsequently, Renco, Inc., a New Mexico Corporation conveyed all of the Oil, Gas and other minerals owned under subject land to Noel and Ann Reynolds, Trustees under Trust Agreement dated October 29, 1991. The Trust Agreement provided that upon the death of Noel and Ann Reynolds, the Trusteeship would automatically transfer to

Loyce R. Reed, Trustee, which occurred September 29, 2002. As Trustee Loyce R. Reed executed on August 26, 2008, a Mineral Deed conveying all Mineral Interest under the tract to Sagebrush Oil, Incorporated, which was subsequently recorded in the records of Rio Arriba County.

The difficulty maintaining safe access to the well and equipment has prevented operations for years. Access to the well opened up probably at the instruction of the attorney prior to making this claim. The well, equipment and tanks now belong to Sagebrush Oil, Incorporated, the question presented should be sent to them.

Sincerely,

NOEL & ANN REYNOLDS LIVING TRUST

A handwritten signature in cursive script that reads "Loyce R. Reed".

Loyce R. Reed,
Trustee.

LRR/wr