

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES  
DEPARTMENT OIL CONSERVATION DIVISION**

**APPLICATION OF THE ESTATE OF  
JOHN R. STEARNS TO REMOVE  
NORTHERN PACIFIC OIL & GAS, INC. AS  
OPERATOR OF RECORD OF THE NEW  
MEXICO BA STATE #1, NEW MEXICO  
STATE BA #002 AND NEW MEXICO BA  
#005 WELLS, CHAVES COUNTY, NEW  
MEXICO**

**CASE NO. 23721**

**COMMISSIONER OF PUBLIC LANDS' PRE-HEARING STATEMENT**

Stephanie Garcia Richard, Commissioner of Public Lands of the State of New Mexico (the "Commissioner") and the New Mexico State Land Office, by and through undersigned counsel, hereby provides this pre-hearing statement in the above titled action. The Commissioner supports The Estate of John R. Stearns' ("Stearns") application to take operatorship of New Mexico BA State #1(API 30-005-20944), New Mexico State BA #002 (API 30-005-21004) and New Mexico BA #003 (API 30-005-21021) (the "Wells") for the purpose of plugging the Wells and reclaiming the site.

John R. Stearns was the lessee of a now-expired State Land Office oil and gas lease, lease no. K0-0745-5. A copy of the original lease, and the assignment to John R. Stearns, are attached as Exhibit A(1) and A(2). By letter dated August 8, 2019, the State Land Office notified John R. Stearns of the expiration of the lease (a copy of that letter is attached as Exhibit B), and subsequently demanded that John R. Stearns plug the Wells and reclaim the lease premises. After John R. Stearns failed to do so, the State Land Office filed suit on January 31, 2021.

During the pendency of those legal proceedings, John R. Stearns passed away, in November 2022. The State Land Office and the Estate of John R. Stearns have now entered into a settlement resolving the dispute between them, which among other provisions calls for the Estate to assume responsibility for plugging the Wells and reclaiming the lease premises.

The Commissioner does not dispute the following statements made in Stearns' *Application* filed in this matter.

1. John R. Stearns Estate is the successor in interest of John R. Stearns who was a registered operator in good standing with the Oil Conservation Division ("OCD").

2. Northern Pacific Oil & Gas, Inc. ("Northern") is the operator of record of the New Mexico BA State #001, New Mexico BA State #003, and New Mexico BA State #004 located on the Lease at the following locations:

a. New Mexico BA State #001 (API # 30-005-20944) NW/4 NW/4 of Section 16, Township 08S, Range 31E, Unit Letter D, Chaves County, New Mexico.

b. New Mexico BA State #003. (API # 30-005-21021) SW/4 NE/4 of Section 16, Township 08S, Range 31E, Unit Letter G, Chaves County, New Mexico; and

c. New Mexico BA State #004 (API # 30-005-21023) NE/4 SW/4 of Section 16, Township 08S, Range 31E, Unit Letter K, Chaves County, New Mexico.

3. On August 8, 2019, the New Mexico Commissioner of Public Lands issued Stearns a notice of expiration of the Lease Assignment (Lease K0-0745-5).

4. Northern is not in good standing with the OCD.

5. As record title owner of the Wells, Stearns and its successor has the obligation under the Oil and Gas Act and Division regulations to properly plug and abandon the Wells.

6. To prevent waste and protect correlative rights and comply with the SLO's requirements, Northern should be removed as operator of the Well by the OCD and Stearns Estate should be designated as operator of record of the Wells so that it may properly plug and abandon the Wells.

Proposed Evidence

The Commissioner does not intend to present witness testimony or exhibits other than any rebuttal testimony or exhibits which may be necessary. If necessary, the Commissioner intends to call Allison Marks, Director of the Oil, Gas & Minerals Division of the State Land Office to offer rebuttal testimony.

Respectfully submitted,

/s/ Christopher L. Graeser

Ari Biernoff  
Christopher Graeser  
Richard Moore  
NEW MEXICO STATE LAND OFFICE  
P.O. Box 1148  
Santa Fe, NM 87504-1148  
(505) 827-5756  
abiernoff@slo.state.nm.us  
cgraeser@slo.state.nm.us  
rmoore@slo.state.nm.us  
*Counsel for Stephanie Garcia Richard,  
Commissioner of Public Lands of the  
State of New Mexico, and New Mexico  
State Land Office*

## CERTIFICATE OF SERVICE

I hereby certify that on this 28<sup>th</sup> day of August, 2023, I served a copy of the foregoing Entry of Appearance by first class mail (and, where email addresses are listed, by email) on the following:

Pete V. Domenici Jr., Esq.  
Joseph M. Tapia, Jr., Esq.  
P.O. Box 4295  
Albuquerque, NM 87196-4295  
[pdomenici@domicilaw.com](mailto:pdomenici@domicilaw.com)  
[jtapia@domicilaw.com](mailto:jtapia@domicilaw.com)  
*Counsel for Stearns*

Northern Pacific Oil and Gas Incorporated  
150 S. Rodeo Drive 250  
Beverly Hills, CA 90210  
[santiago.garcia@npacificoil.com](mailto:santiago.garcia@npacificoil.com)

*/s/ Christopher L. Graeser*  
Christopher L. Graeser

FORM 57—ORIGINAL

LEASE NO. K-745

APPLICATION NO. K-745

OIL AND GAS LEASE

THIS AGREEMENT, dated this the 20th day of September, A.D., 1960, made and entered into by and between the state of New Mexico, acting by and through the undersigned, its commissioner of public lands, thereunto duly authorized, party of the first part and hereinafter called the "lessor", and

~~SUN OIL COMPANY~~

~~SUN OIL COMPANY~~

~~SUNRAY MID-CONTINENT OIL COMPANY~~

~~SUNRAY OIL COMPANY~~

10th Floor Wilco Building, Midland, Texas

P. O. BOX 2039

party of the second part, hereinafter called the "lessee", whether one or more,

TULSA 2, OKLAHOMA 74162

WITNESSETH:

WHEREAS, the said lessee has filed in the office of the commissioner of public lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment being not less than the amount required by law and by the rules and regulations of the New Mexico State Land Office; and

WHEREAS, all of the requirements of law relative to said application and tender have been duly complied with and said application has been approved and allowed by the commissioner of public lands;

THEREFORE, for and in consideration of the premises as well as the sum of THREE THOUSAND EIGHTY EIGHT DOLLARS (\$ 3,088.00 ) Dollars,

the same being the amount of the tender above mentioned, paid in cash and evidenced by official receipt no. F 48569

and of the further sum of \$ 5.00 filing fee, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, the said lessor has granted and demised, leased and let, and by these presents does grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil or gas, or both thereon and therefrom with the right to own all oil and gas so produced and saved therefrom and not reserved as royalty by the lessor under the terms of this lease, together with right of ways, easements and servitudes for pipelines, telephone and telegraph lines, tanks, power houses, stations, gasoline plants, and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas, or water from said lands, but not from lessor's water wells, and with the rights of removing either during or after the term hereof, all and any improvements placed or erected on the premises by the lessee, including the right to pull all casing, subject, however, to the conditions hereinafter set out, the following described land situated in the

Chaves

county of....., state of New Mexico, and more particularly described as follows:

Line	SUBDIVISION	Sec.	Twp.	Rge.	Acres	Institution	✓
1	<u>S<sup>1</sup>/<sub>2</sub>NE<sup>1</sup>/<sub>4</sub>, NW<sup>1</sup>/<sub>4</sub>, N<sup>1</sup>/<sub>2</sub>SW<sup>1</sup>/<sub>4</sub>, S<sup>1</sup>/<sub>2</sub>SE<sup>1</sup>/<sub>4</sub>,</u>	<u>16</u>	<u>8S</u>	<u>31E</u>	<u>400.00</u>	<u>CS</u>	
2					<u>400.00</u>		
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14	<u>ALL ASSIGNED</u>						

EXHIBIT A(1)



ALL ASSIGNED

S-52296

WS 8/18/66 90

A.P. 9-26-60

12. The lessee shall not remove any machinery or fixtures placed on said premises, nor draw the casing from any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of Paragraph 10 above.

13. Upon failure or default of the lessee or any assignee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee or assignee so defaulting, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancellation shall be made, the lessor shall mail to the lessee, or assignee so defaulting, by registered mail, addressed to the post-office address of such lessee or assignee as shown by the records of the state land office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within thirty days from the date of mailing said notice the said lessee or assignee shall remedy the default specified in said notice, cancellation shall not be made.

14. All of the terms of this agreement shall extend to and bind the heirs, executors, administrators, successors and assigns of the parties hereto.

15. If the lessee shall have failed to make discovery of oil or gas in paying quantities during the primary term hereof or if such discovery shall have been made and production shall have ceased for any reason, the lessee may continue this lease in full force and effect for an additional term of five years and as long thereafter as oil and gas in paying quantities or either of them is produced from the leased premises by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term; provided, however, such rental shall be paid within the time provided by Section 13 hereof, and provided, further, that if oil or gas in paying quantities should be discovered during the secondary term hereof but production should cease, this lease shall continue for the remainder of said secondary term of five years so long as said rental is paid, and if oil or gas in paying quantities is being produced at the end of the secondary term of five years so long thereafter as oil and gas in paying quantities or either of them is produced from the leased premises.

16. If this lease shall have been maintained in accordance with the provisions hereof and if at the expiration of the secondary term provided for herein oil or gas is not being produced on said land but lessee or any assignee is then engaged in bona fide drilling or reworking operations thereon, this lease shall remain in full force and effect so long as such operations are diligently prosecuted and, if they result in the production of oil or gas, so long thereafter as oil and gas in paying quantities, or either of them, is produced from said land; provided, however, such operations extending beyond the secondary term shall be approved by the lessor upon written application filed with the lessor on or before the expiration of said term, and a report of the status of all such operations shall be made by the lessee to the lessor every thirty days and a cessation of such operations for more than twenty consecutive days shall be considered as an abandonment of such operations and thereupon the provisions hereof shall be of no further force or effect. Operations commenced and continued as herein provided shall extend this lease as to all lands as to which the same is in full force and effect as of the time said drilling operations are commenced; provided, however, this lease shall be subject to cancellation for failure to pay rentals or to otherwise comply with the foregoing provisions of this section in accordance with Section 13 hereof.

17. Should production of oil or gas or either of them in paying quantities be obtained while this lease is in force and effect and should thereafter cease from any cause after the expiration of ten years from the date hereof this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty days after the cessation of such production and shall remain in full force and effect so long as such operations are prosecuted in good faith with no cessation of more than twenty consecutive days, and if such operations result in the production of oil or gas in paying quantities, so long thereafter as oil or gas in paying quantities is produced from said land; provided, however, written notice of intention to commence such operations shall be filed with the lessor within thirty days after the cessation of such production, and report of the status of such operations shall be made by the lessee to the lessor every thirty days, and the cessation of such operations for more than twenty consecutive days shall be considered as an abandonment of such operations and this lease shall thereupon terminate.

In witness whereof, the party of the first part has hereunto signed and caused its name to be signed by its commissioner of public lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

*Alvin R. Reynolds*  
Assistant Secretary

STATE OF NEW MEXICO  
By: *[Signature]*  
Commissioner of Public Lands, Lessor

SUNRAY MID-CONTINENT OIL COMPANY  
By: *[Signature]* (Seal)  
Vice President Lessee

Distributed this the 27th day of September, 1960

(PERSONAL ACKNOWLEDGMENT)

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_

My commission expires: \_\_\_\_\_ Notary Public

(ACKNOWLEDGMENT BY ATTORNEY)

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_ as attorney-in-fact in behalf of \_\_\_\_\_

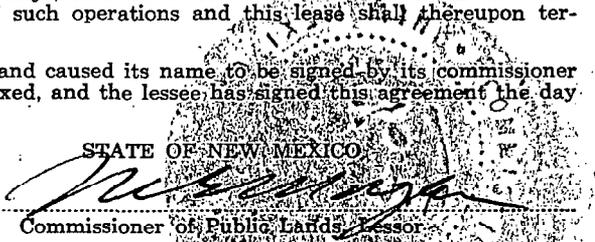
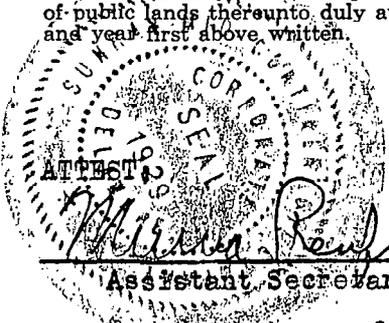
My commission expires: \_\_\_\_\_ Notary Public

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } ss.

The foregoing instrument was acknowledged before me this 3rd day of October, 1960, by *V. O. Harder* of Sunray Mid-Continent Oil Company (Name) (Title) (Corporation)

*[Signature]*  
Notary Public  
My commission expires February 22, 1964



Handwritten notes and stamps: "SAP MAB STP", "OCT 1", "SANTA FE", "NOTARY PUBLIC".

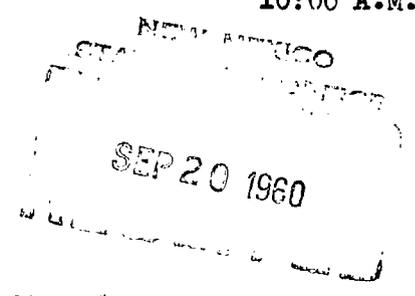


80732

APPLICATION FOR OIL AND GAS LEASE  
UPON STATE LAND

SALE OF September 20, 1960  
Regular Sale  
10:00 A.M.

LEASE FORM NO. 57



To: Commissioner of Public Lands  
Santa Fe, New Mexico

**SUNRAY MID-CONTINENT OIL COMPANY** with an office at **10th FLOOR WILCO BUILDING, MIDLAND,**  
State of **TEXAS**, a corporation qualified to do business in New Mexico, hereby make application for an oil and  
gas lease for the exploration, development and production of oil and natural gas thereon, upon the following  
described land situated in the County of Chaves

State of New Mexico—to wit:

TRACT NO. 2

$S\frac{1}{2}NE\frac{1}{4}$ ,  $NW\frac{1}{4}$ ,  $N\frac{1}{2}SW\frac{1}{4}$ ,  $S\frac{1}{2}SE\frac{1}{4}$  Section 16-85-31E *CS.*

*K-745*

containing 400.00 acres, more or less, and tender herewith as bonus and first year's rental thereon  
the sum of \$ 3,088.00 together with application fee of **\$5.00.**

I, **M. P. THOMAS, Division Landman, Southwest Division** of **SUNRAY MID-CONTINENT OIL COMPANY** do  
solemnly swear that every statement made in this application is true and correct to the best of my knowledge  
and belief.

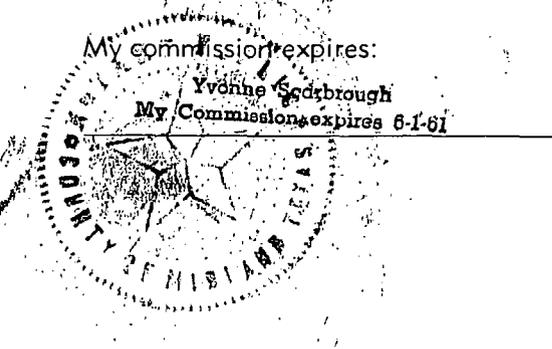
SUNRAY MID-CONTINENT OIL COMPANY  
(APPLICANT)

By: *M. P. Thomas*  
M. P. THOMAS, DIVISION LANDMAN, SOUTHWEST DIVISION *EAP*

STATE OF TEXAS

COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 14th day of September, 1960  
by **M. P. THOMAS, Division Landman** on behalf of **SUNRAY MID-CONTINENT OIL COMPANY.**



*Yvonne Scarbrough*  
NOTARY PUBLIC



Said lands having been awarded to lessee and designated as Tract No. 2 at a public sale held by the commissioner of public lands on September 20th, 1960 (To be filled in only where lands are offered at public sale.)

To have and to hold said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five years from the date hereof, and as long thereafter as oil and gas in paying quantities, or either of them, is produced from said land by the lessee, subject to all of the terms and conditions as hereinafter set forth.

In consideration of the premises the parties covenant and agree as follows:

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth part of the oil produced and saved from the leased premises or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into a pipeline, if the oil be run into a pipeline, or into storage tanks, if the oil be stored.

2. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth of the cash value of gas, including casing-head gas, produced and saved from the leased premises and marketed or utilized, such value to be equal to the greater of the following amounts:

(a) the net proceeds derived from the sale of such gas in the field, or

(b) five cents (\$0.05) per thousand cubic feet (m.c.f.) the volume of gas for such purposes to be computed on a pressure basis of 10 ounces above an assumed atmospheric pressure of 14.4 pounds per square inch, or 15.025 pounds per square inch absolute, at 60° Fahrenheit, and pursuant to appropriate regulations of the commissioner of public lands which may provide, among other things, for a flowing temperature of 60° Fahrenheit to be assumed and applied in volume computation in all cases where a recording thermometer is not employed by the lessee in gas measurement, and for specific gravity tests at the lessee's expense at intervals not greater than one year in all cases where a recording gravitometer is not employed by the lessee in gas measurement; provided, however, the cash value for royalty purposes of carbon dioxide gas and of hydrocarbon gas delivered to a gas-oline plant for extraction of liquid hydrocarbons shall be equal to the net proceeds derived from the sale of such gas, including any liquid hydrocarbons recovered therefrom.

Notwithstanding the foregoing provisions, the lessor, acting by its commissioner of public lands, may require the payment of royalty for all or any part of the gas produced and saved under this lease and marketed or utilized at a price per m.c.f. equal to the maximum price being paid for gas of like kind and quality and under like conditions in the same field or area or may reduce the royalty value of any such gas (to any amount not less than the net proceeds of sale thereof in the field) if the commissioner of public lands shall determine such action to be necessary to the successful operation of the lands for oil or gas purposes or to encouragement of the greatest ultimate recovery of oil or gas or to the promotion of conservation of oil or gas.

This lease shall not expire at the end of either the primary or secondary term hereof if there is a well capable of producing gas in paying quantities located upon some part of the lands embraced herein where such well is shut-in due to the inability of the lessee to obtain a pipeline connection or to market the gas therefrom; provided, however, the owner of this lease as to the lands upon which such well is located shall pay an annual royalty equal to the annual rental payable by such owner under the terms of this lease but not less than one hundred dollars (\$100.00) per well per year, said royalty to be paid on or before the annual rental paying date next ensuing after the expiration of ninety days from the date said well was shut-in and on or before said rental date thereafter. The payment of said annual royalty shall be considered for all purposes the same as if gas were being produced in paying quantities and upon the commencement of marketing of gas from said well or wells the royalty paid for the lease year in which the gas is first marketed shall be credited upon the royalty payable hereunder to the lessor for such year. The provisions of this section shall also apply where gas is being marketed from said leasehold premises and through no fault of the lessee, the pipeline connection or market is lost or ceases, in which case this lease shall not expire so long as said annual royalty is paid as herein provided. Notwithstanding the provisions of this section to the contrary, this lease shall not be continued after ten years from the date hereof for any period of more than five years by the payment of said annual royalty.

3. Lessee agrees to make full settlement on the 20th day of each month for all royalties due the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. It is expressly agreed that the consideration hereinbefore specified is a good, valid and substantial consideration and sufficient in all respects to support each and every covenant herein, including specifically the option granted the lessee to prevent the termination of this lease from year to year, by the payment or tender of the further rental hereinafter provided for.

An annual rental at the rate of 25¢ per acre shall become due and payable to the lessor by the lessee, or by any transferee or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor as hereinafter provided, upon each acre of the land above described and then claimed by such lessee, transferee or assignee hereunder, and the same shall be due and payable in advance to the lessor on the successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than six dollars (\$6.00).

In the event the lessee shall elect to surrender any or all of said acreage, he shall deliver to the commissioner a duly executed release thereof and in event said lease has been recorded, then he shall upon request furnish and deliver to said commissioner a certified copy of a duly recorded release.

5. The lessee may at any time by paying to the state of New Mexico, acting by its commissioner of public lands, or other authorized officer, all amounts then due as provided herein and the further sum of ten dollars (\$10.00), surrender and cancel this lease insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor, or any assignee, to enforce this lease, or any of its terms express or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, in cash or by certified exchange at the office of the commissioner of public lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor, shall have the rights to assign this lease in whole or in part. Provided, however, that no assignment of an undivided interest in the lease or in any part thereof nor any assignment of less than a legal subdivision shall be recognized or approved by the lessor. Upon approval in writing by the lessor of an assignment, the assignor shall stand relieved from all obligations to the lessor with respect to the lands embraced in the assignment and the lessor shall likewise be relieved from all obligations to the assignor as to such tracts, and the assignee shall succeed to all of the rights and privileges of the assignor with respect to such tracts and shall be held to have assumed all of the duties and obligations of the assignor to the lessor as to such tracts.

8. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land draining the leased premises, lessee shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor.

If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee or his assignee shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells all water-bearing strata shall be noted in the log, and the lessor reserves the right to require that all or any part of the casing shall be left in any nonproductive well when lessor deems it to the interest of the state of New Mexico to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable and agree to pay for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by the lessor, the lessee shall bury pipelines below plow depth.

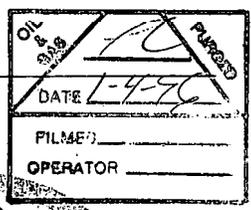


(ACKNOWLEDGMENT BY ATTORNEY-IN-FACT)

STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this 11th day of July, 1985  
by \_\_\_\_\_ as attorney-in-fact in behalf of \_\_\_\_\_

My commission expires: \_\_\_\_\_  
Notary Public

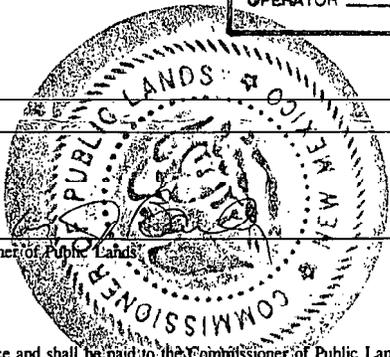


APPROVAL OF THE COMMISSIONER

Office of the Commissioner of Public Lands  
Santa Fe, New Mexico

I hereby certify that the within Assignment was filed in my office on SEP 28 1995  
approved by me and to be effective as to the State of New Mexico on JAN 04 1996

Ray Powell  
Commissioner of Public Lands



INSTRUCTIONS AND INFORMATION

1. ANNUAL RENTAL: An annual rental for the acreage of this Assignment is 50¢ per acre. The rental is due in advance and shall be paid to the Commissioner of Public Lands on the anniversary date of the original lease agreement. The date of this Assignment does not change the annual rental due date. For any Assignment evolving from any lease issued prior to June 15, 1985, the annual rental shall not be less than six dollars (\$6.00). For any Assignment evolving from any lease issued after June 14, 1985, or from any lease which has been stipulated to the new ten-year lease, the minimum rental is forty dollars (\$40.00).
2. FIXED TEN-YEAR LEASE: This lease provides for a fixed ten-year term, and for so long as oil or gas is produced in paying quantities. The ten-year period is divided into a primary term of five years, followed by a secondary term of five years. If no production is had during the primary term, the rental for the secondary term is double the rental of the primary term, or equal to the highest prevailing rental rate in the district, whichever is higher. Rentals continue even though production is had.
3. FIXED FIVE-YEAR LEASE: This lease provides for a fixed five-year term, and for so long as oil or gas is produced in paying quantities. The fixed five-year lease has no secondary term. Rentals continue even though production is had.
4. FILING: All Assignments must be filed in the State Land Office, in triplicate, with original signatures on all three copies, within one hundred (100) days from the date of signing, and must be accompanied by Cashier's Check, Bank Draft, P. O. or Express Money Order.
5. RECORDING FEE: The recording fee for each Assignment is thirty dollars (\$30.00). If, however, the Assignment is filed more than one hundred (100) days from the date of signing, an additional fee of seventy-five dollars (\$75.00) is charged.
6. PERSONAL CHECKS: When an Assignment is accompanied by a personal check, the Commissioner of Public Lands reserves the right to withhold approval of the Assignment until the check is paid.
7. ASSIGNMENT DISAPPROVAL: An Assignment will not be approved:
  - A. to more than two persons;
  - B. for less than a regular subdivision. "Regular Subdivision" means forty acres or a tract described by lot number, which tract may be more or less than forty acres;
  - C. for undivided interest;
  - D. in the name of a trusteeship, unless the trust is expressly set forth, and not more than two persons are named as trustee;
  - E. after *lis pendens* is filed;
  - F. including any language beyond that which is required by the Assignment form;
  - G. with the address of record of the Assignee the same as that of the Assignor, or when such address has not been established on the records of the State Land Office, or when the approved Assignment is to be returned to the Assignor. The Commissioner reserves the right in such cases to withhold approval and filing of the Assignment until the Assignee has verified, under oath, the address and his acceptance of the assignment of the lease;
  - H. Unless surety requirements have been met;
  - I. If the lease is not in good standing; or
  - J. Unless the Assignor covenants to the Assignee and the Commissioner that the assigned leasehold estate is valid and subsisting and that all rental and royalties due thereunder have been properly paid.
8. COMPLETE ADDRESS: An Assignment must show the complete post office address of the Assignee.
9. ACKNOWLEDGMENT: An Assignment must be executed before an officer authorized to take acknowledgments of deeds. Corporations must use the corporate form of acknowledgment.
10. MARITAL STATUS: An Assignment must show whether the Assignors are married or single; if married, both husband and wife must sign the Assignment. The Certificates of Acknowledgment must show the marital status of the Assignors.
11. COMMUNICATIONS: All official business, letters and communications must be addressed directly to the Commissioner of Public Lands.
12. PAYMENT: Make all payments for annual rental, recording and approval of fees to:

COMMISSIONER OF PUBLIC LANDS  
P. O. Box 1148  
Santa Fe, NM 87504-1148.



State of New Mexico  
Commissioner of Public Lands  
310 OLD SANTA FE TRAIL P.O. BOX 1148  
SANTA FE, NEW MEXICO 87504-1148

STEPHANIE GARCIA RICHARD  
COMMISSIONER

(505) 827-5760  
Fax: (505) 827-5766  
www.nmstatelands.org

08/08/19

STEARNS  
HC 65 BOX 900  
CROSSROADS, NM 88114

Notice is given that State Oil and Gas Lease Number K00745,  
Assignment Number 0005, original dated 09/20/1960, has  
automatically expired by its own terms.

Oil and Gas leases are issued for a period of five(5) or ten(10) years  
and assignments therefrom take the same terms and conditions as set forth  
in the original contract. Consequently, these expire after running their  
full term, unless extended by production or by the formal, timely  
invocation of saving clauses available within certain contracts. State Land  
Office records have been updated to reflect the action taken. This action  
will become non-appealable unless the party to whom it is directed  
initiates a contest proceeding within thirty (30) days of the date of  
the agency determination (NMAC 19.2.15).

Notice is also given that if any assignments or other instruments of  
transfer of royalties in the lease production have been recorded in the  
office of the county clerk wherein these lands are situated, the holders  
of such instruments must see that they are released from record as  
required by law. (Sections 70-1-1 through 70-1-5, NMSA, 1978 {1995 Repl.  
Pamp.}).

Notice is further given that the Commissioner of Public Lands will look  
to you, as lessee of record at the State Land Office, for reimbursement  
to the State for any production from the premises formerly leased to you  
that occurs after lease expiration as a consequence of your failure to  
notify working interest owners of lease termination.  
You should therefore immediately notify in writing all holders of working  
interests in the lease that the lease has expired  
effective 08/08/2019.

If you should need additional information, please contact Rubel  
Salazar at (505)827-5730.

Respectfully,

Jordan Kessler  
Assistant Commissioner of Mineral Resources

**EXHIBIT B**