

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

**APPLICATION OF PERMIAN RESOURCES
OPERATING, LLC AND NEW MEXICO OIL
CORP. TO REMOVE BAR V BARB, LLC AS
OPERATOR OF RECORD OF THE SOUTH
LUCKY LAKE QUEEN UNIT #001A, SOUTH
LUCKY LAKE QUEEN UNIT #001, AND SOUTH
LUCKY LAKE QUEEN UNIT #002 WELLS,
CHAVES COUNTY, NEW MEXICO.**

CASE NO. 23729

**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 application by Permian Resources Operating, LLC (“Permian Resources”) and New Mexico Oil Corp. (“NM Oil”) seeking the designation of Permian Resources as operator of record for the South Lucky Lake Queen Unit #001A, South Lucky Lake Queen Unit #001, and South Lucky Lake Queen Unit #002 wells (the “Wells”) for the purpose of plugging those wells and reclaiming the sites. Currently, those Wells are under the operatorship—at least in name—of Bar V Barb, LLC (“BVB”) which has ignored its responsibilities as an operator and is out of compliance with Oil Conservation Division rules.

The land where the Wells are located is state trust land, managed by the Commissioner and the State Land Office for the benefit of state land trust beneficiaries.

South Lucky Lake Queen Unit #001A is located on state trust land leased under now-expired state oil and gas lease K0-5110-01, held by NM Oil. Copies of the original lease and assignment to NM Oil are attached as Exhibit A(1) and A(2). South Lucky Lake Queen Unit #001 and South Lucky Lake Queen Unit #002 are located on state trust land leased under now-expired state oil and gas lease L0-1894-01, held by Read & Stevens, Inc. Copies of the original lease and assignment to Read & Stevens, Inc. are attached as Exhibit B(1) and B(2). As stated in the application by Permian Resources and NM Oil, Permian Resources recently acquired Reade & Stevens, Inc. By letter dated May 9, 2023, the State Land Office notified BVB, Permian Resources, and NM Oil that the Wells had all been inactive for more than a year and demanded that the Wells be plugged and the sites reclaimed. A copy of that letter is attached as Exhibit C.

The Commissioner and State Land Office have not received any communication from BVB despite efforts to obtain voluntary compliance from that company. Instead, Permian Resources and NM Oil have agreed to plug the Wells and reclaim the sites. Accordingly, the Commissioner and State Land Office support the application in the above captioned case.

The Commissioner and State Land Office do 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/ Richard H. Moore

Richard Moore
Associate Counsel
NEW MEXICO STATE LAND OFFICE
P.O. Box 1148
Santa Fe, NM 87504-1148
(505) 827-5752
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 August 28, 2023, I served a copy of the foregoing Pre-Hearing Statement by first class mail and email, where email addresses are listed, on the following:

Dana S. Hardy
Jaclyn M. McLean
Yarithza Peña
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Santa Fe, NM 87504
Phone: (505) 982-4554
Facsimile: (505) 982-8623
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*Counsel for Permian Resources Operating, LLC and
New Mexico Oil Corp.*

Steve Oldfield
Bar V Barb, LLC
P.O. Box 4435
Roswell, NM 88202
brokenspearcattleco@gmail.com

Bar V Barb, LLC
3101 E. Second St.
Roswell, NM 88201

/s/ Richard H. Moore

FORM 57—ORIGINAL COPY

LEASE NO. K-5110

APPLICATION NO. K-5110

OIL AND GAS LEASE

THIS AGREEMENT, dated this the 20th day of July, A.D., 1965, 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

L. C. HARRIS

Box 1714 Roswell, New Mexico 88201
party of the second part, hereinafter called the "lessee", whether one or more,

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 NINE HUNDRED FIFTY AND
NO/100 DOLLARS (\$ 950.00) Dollars,

the same being the amount of the tender above mentioned, paid in cash and evidenced by official receipt no. H-21886 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 county of Chaves, state of New Mexico, and more particularly described as follows:

7-23-65
[Signature]

Line	SUBDIVISION	Sec.	Twp.	Rge.	Acres	Institution	✓
1	N $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$	16	15S	29E	240.00	CS	✓
2					240.00		
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ALL ASSIGNED to 1

Said lands having been awarded to lessee and designated as Tract No. 4 at a public sale held by the commissioner of public lands on July 20th, 1965 (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.

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.

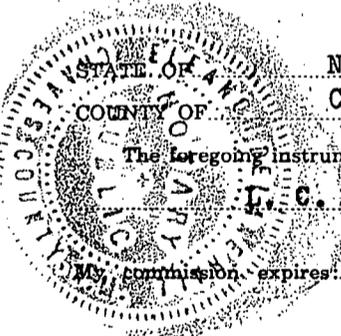
17. Should production of oil or gas or either of them in paying quantities be obtained while this lease is in force and effect and should thereafter cease from any cause after the expiration of ten years from the date hereof this lease shall not terminate if lessee commences additional drilling or reworking 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.

By: *[Signature]*
Commissioner of Public Lands, Lessor
[Signature] (Seal)
Lessee

Distributed this the 22nd day of July, 1965.

(PERSONAL ACKNOWLEDGMENT)



NEW MEXICO
County of Chaves

ss.

The foregoing instrument was acknowledged before me this 26th day of July, 1965, by L. C. Harris

My commission expires: 5-4-69

Notary Public

(ACKNOWLEDGMENT BY ATTORNEY-IN-FACT)

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 _____ day of _____, 19____, by _____ of _____, a _____ corporation, on behalf of said corporation.

My commission expires: _____ Notary Public

STATE LAND OFFICE
SANTA FE, N.M.
JUL 27 9 41 PM '65
RECEIVED

NO. K-5110-0
K-5110-1

L-562 *WA*

Form 64 - Individual

Printed and For Sale by Hall-Poorbaugh Press, Inc., Roswell, N. M. 88201

RECEIVED
DATE 11-5-80
11-6-80
T.L.
REGISTERED

ASSIGNMENT OF OIL AND GAS LEASE

RECEIVED 00243
OCT 27 11 00 AM '80
STATE LAND OFFICE
SAR

KNOW ALL MEN BY THESE PRESENTS:

That L. C. HARRIS, married, Post Office Box 1714, Roswell, NME 88201,
(state whether married or single)

and MARION V. HARRIS, his wife,
(wife, if any)

hereinafter called "Assignor" (whether one or more), for and in consideration of Ten and more Dollars, paid by _____
NEW MEXICO OIL CORPORATION, a New Mexico corporation,

whose postoffice address is P. O. Box 1714, Roswell, New Mexico 88201,
hereinafter called "Assignee" (whether one or more), does hereby sell, assign and convey to the Assignee the entire

interest and title in and to that certain Oil and Gas Lease No. K-5110 made
by the State of New Mexico to L. C. HARRIS

under date of July 20, 19 65, only insofar as said lease covers the following described land, to-wit:

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM

Section 16: N $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$,
W $\frac{1}{2}$ SE $\frac{1}{4}$

C.S.

Containing 240.00 acres, more or less,
Chaves County, New Mexico,

together with the rights incident thereto, and the personal property thereon, if any, appurtenant thereto, or used or
obtained in connection therewith.

Assignee assumes and agrees to perform all obligations to the State of New Mexico insofar as said described land is
affected, and to pay such rentals and royalties, and to do such other acts as are by said lease required as to said land,
to the same extent and in the same manner as if the provisions of said lease were fully set out herein. It is agreed that
Assignee shall succeed to all the rights, benefits and privileges granted the Lessee by the terms of said lease, as to said
land.

With warranty covenants as to the leasehold estate herein assigned, except as to any valid overriding royalty, pro-
duction payment, operating agreement or sub-lease, if any, now of legal record, and Assignor covenants that said lease-
hold estate so assigned is valid and subsisting and that all rentals and royalties due thereunder have been paid.

EXECUTED this 22nd day of October, 19 80.

[Signature]
L. C. HARRIS
[Signature]
MARION V. HARRIS, Wife
ACKNOWLEDGMENT

STATE OF NEW MEXICO
COUNTY OF Chaves } ss.

The foregoing instrument was acknowledged before me this 22nd day of October, 19 80,
by L. C. HARRIS and MARION V. HARRIS, his wife

My Commission Expires: July 15, 1982

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

OFFICIAL SEAL
Signature *[Signature]*
ELIZABETH B. GORMAN
Notary Public
NOTARY BOND SECRETARY OF STATE
My Commission Expires 7-15-82

I hereby certify that the within assignment was filed in my office on the OCT 27 1980 day of _____, 19 _____

and approved by me on OCT 29 1980, 19 _____

[Signature]
Commissioner of Public Lands

2510 5107

1000-8279A

Exhibit A(2)

025-Act 12/5/80

202

ACKNOWLEDGMENT

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____
19____ by _____, _____
(name of officer) (title of officer)
of _____, a _____
(name of corporation acknowledging) (state of incorporation)
corporation, on behalf of said corporation.

My Commission Expires: _____
Notary Public

INSTRUCTIONS AND INFORMATION

1. An annual rental, at the rate of 50¢ 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, upon each acre of land above described and then claimed by such lessee, transferee or assignee, and the same shall be due and payable in advance to the Lessor on the successive anniversary dates of the lease, (not the date this assignment was executed) but the annual rental on any assignment shall in no event be less than Six Dollars (\$6.00).
2. The lease is for a primary term of Five Years from the date of the lease, 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 set forth in the lease.
If the lessee shall have failed to make discovery of oil and/or gas in paying quantities during the primary term of the lease, the lessee may continue the 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. But the annual rental on any assignment shall in no event be less than Twelve Dollars (\$12.00) during the secondary term.
3. All Assignments must be filed in triplicate in the State Land Office within 100 days from date of issue and accompanied by Cashier's Check, Bank Draft, P. O. or Express Money Order.
4. Effective September 1, 1957, recording fee for each assignment is \$10.00.
5. When assignments are accompanied by personal check, the Commissioner of Public Lands reserves the right to withhold approval of assignment until checks are paid.
6. Assignments will not be approved when assigned to more than two persons, or for less than a regular subdivision or for undivided interests. By a regular subdivision is meant forty acres or a tract described by Lot number which may be more or less than 40 acres.
7. Assignments must show complete postoffice address of assignee.
8. Assignments must be executed before an officer authorized to take acknowledgments of deeds. Corporations must use corporate form of acknowledgment.
9. Assignments must show whether assignors are married or single; if married, both husband and wife must sign the assignment, and certificate of acknowledgment must show marital status of assignors.
10. All official business, letters and communications must be addressed to and sent direct to the Commissioner of Public Lands.
11. Make all payments for annual rental and recording and approval fees, to

COMMISSIONER OF PUBLIC LANDS
SANTA FE, NEW MEXICO

FORM 67 -ORIGINAL COPY

LEASE NO. L-1894

APPLICATION NO. L-1894

OIL AND GAS LEASE

THIS AGREEMENT, dated this the 17th day of December, A.D., 1968, 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

CHARLES B. READ

P.O. Box 2126, Roswell, New Mexico 88201

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

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 TWO THOUSAND FOUR HUNDRED EIGHTY THREE AND 20/100 DOLLARS (\$ 2,483.20) Dollars,

I-46826

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

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

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

ME
12-23-68

Line	SUBDIVISION	Sec.	Twp.	Rge.	Acres	Institution	
1	S ¹ / ₂ N ¹ / ₂ , NE ¹ / ₂ NW ¹ / ₄ , S ¹ / ₂ SW ¹ / ₄ , SE ¹ / ₂ SE ¹ / ₄	16	15S	29E	320.00	CS	✓
2							
3							
4							
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13							
14							

Exhibit B(1)

Said lands having been awarded to lessee and designated as Tract No. 3 at a public sale held by the commissioner of public lands on December 17th, 1968 (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-line 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.

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 hereof.

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 or certified 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 of 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.

If during the drilling or reworking of any well under this section, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations, then within twenty days after the abandonment of said operations, lessee may commence another well within three hundred thirty feet of the lost or junked hole or well and drill the same with due diligence. 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 in accordance with Section 13 hereof for failure to pay rentals or file reports which may become due while operations are being conducted hereunder.

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.

STATE OF NEW MEXICO
By: *Alex J. Armijo*
Commissioner of Public Lands, Lessor

Charles B. Read (Seal)
Lessee

Distributed this the 23rd day of December, 1968

(PERSONAL ACKNOWLEDGMENT)

STATE OF NEW MEXICO
COUNTY OF CHAVES } ss.

The foregoing instrument was acknowledged before me this 3rd day of January, 1969, by Charles B. Read, married.

My commission expires June 26, 1972
[Signature] Notary Public

(ACKNOWLEDGMENT BY ATTORNEY-IN-FACT)

STATE OF _____ } ss.
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ as attorney-in-fact on behalf of _____

My commission expires: _____ Notary Public

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF _____ } ss.
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ (Name) (Title) (Corporation)

a. _____ corporation, on behalf of said corporation.
My commission expires: _____ Notary Public

RECEIVED
JAN 6 9 57 AM '69
STATE LAND OFFICE
SANTA FE, N.M.

Form 64—Individual

ASSIGNMENT OF OIL AND GAS LEASE

00290

KNOW ALL MEN BY THESE PRESENTS:

That CHARLES B. READ and JEAN READ

hereinafter called "Assignor" (whether one or more), for and in consideration of Ten and other Dollars, paid by READ & STEVENS, INC., a Delaware corporation

whose post office address is P. O. Box 2126, Roswell, New Mexico 88201 hereinafter called "Assignee" (whether one or more), does hereby sell, assign and convey the entire interest and title in and

to that certain Oil and Gas Lease No. L-1894 made by the State of New Mexico to

Charles B. Read under date of

December 17, 1968, only insofar as said lease covers the following described land, to-wit:

WS
1-2-5-71
Sum

TOWNSHIP 15 SOUTH, RANGE 29 EAST, N.M.P.M.
Section 16: S/2N/2, NE/4NW/4, S/2SW/4, SE/4SE/4
containing 320.00 acres, more or less
Chaves County, New Mexico
Chaves

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JAN 15 3 50 PM '71
STATE LAND OFFICE
SANTA FE, N.M.

together with the rights incident thereto, and the personal property thereon, if any, appurtenant thereto, or used or obtained in connection therewith.

Assignee assumes and agrees to perform all obligations to the State of New Mexico insofar as said described land is affected, and to pay such rentals and royalties, and to do such other acts as are by said lease required as to said land, to the same extent and in the same manner as if the provisions of said lease were fully set out herein. It is agreed that Assignee shall succeed to all the rights, benefits and privileges granted the Lessee by the terms of said lease, as to said land.

EXECUTED this 31st day of December, 1970.

Jean Read
Jean Read

Charles B. Read
Charles B. Read

ACKNOWLEDGMENT

STATE OF NEW MEXICO
COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 31st day of December, 1970, by Charles B. Read and Jean Read, his wife.

My Commission expires: August 22, 1972

Notary Public

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

I hereby certify that the within assignment was filed in my office on the 15th day of January, 1971, and approved by me on FEB 9 1971, 19

OG-43

Commissioner of Public Lands

FROM NO. 7
TO NO. 7

05218 JAN 17 2

10.00

Exhibit B(2)

ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____

by _____

My commission expires:

Notary Public

INSTRUCTIONS AND INFORMATION

1. 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, upon each acre of land above described and then claimed by such lessee, transferee or assignee, and the same shall be due and payable in advance to the Lessor on the successive anniversary dates of the lease, (not the date this assignment was executed) but the annual rental on any assignment shall in no event be less than Six Dollars (\$6.00).
2. The lease is for a primary term of Five Years from the date of the lease, 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 set forth in the lease.

If the lessee shall have failed to make discovery of oil and/or gas in paying quantities during the primary term of the lease, the lessee may continue the 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. But the annual rental on any assignment shall in no event be less than Twelve Dollars (\$12.00) during the secondary term.
3. All Assignments must be filed in triplicate in the State Land Office within 100 days from date of issue and accompanied by Cashier's Check, Bank Draft, P. O. or Express Money Order.
4. Effective September 1, 1957, recording fee for each assignment is \$10.00.
5. When assignments are accompanied by personal check, the Commissioner of Public Lands reserves the right to withhold approval of assignment until checks are paid.
6. Assignments will not be approved when assigned to more than two persons, or for less than a regular subdivision or for undivided interests. By a regular subdivision is meant forty acres or a tract described by Lot number which may be more or less than 40 acres.
7. Assignments must show complete postoffice address of assignee.
8. Assignments must be executed before an officer authorized to take acknowledgments of deeds. Corporations must use corporate form of acknowledgment.
9. Assignments must show whether assignors are married or single; if married, both husband and wife must sign the assignment, and certificate of acknowledgment must show marital status of assignors.
10. All official business, letters and communications must be addressed to and sent direct to the Commissioner of Public Lands.
11. Make all payment for annual rental and recording and approval fee, to

COMMISSIONER OF PUBLIC LANDS
SANTA FE, NEW MEXICO



Stephanie Garcia Richard
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

Ari Biernoff
General Counsel
Phone (505) 827-5756
abiernoff@slo.state.nm.us

May 9, 2023

Via USPS Certified Mail and Email

Steve Oldfield
(Brokenspearcattleco@gmail.com)
Bar V Barb, LLC
P.O. Box 4435
Roswell, NM 88202
Tracking No. 7021 0950 0001 6624 5763

Bar V Barb, LLC
3101 E. Second St.
Roswell, NM 88201
Tracking No. 7021 0950 0001 6624 5770

Read & Stevens, Inc.
1001 17th St., Ste. 1800
Denver, CO 80202
Tracking No. 7021 0950 0001 6624 5787

Permian Resources, Inc.
P.O. Box 590
Midland, TX 79702
Tracking No. 7021 0950 0001 6624 5794

NM Oil Corp.
P.O. Box 1714
Roswell, NM 88201
Tracking No. 7021 0950 0001 6624 5800

Re: Inactive Wells on State Trust Land Leases

To Whom It May Concern:

The New Mexico State Land Office has been conducting a review of unresolved compliance issues on New Mexico state trust land oil and gas leases. The purpose of this letter is to notify Bar V Barb, LLC (“BVB”), Read & Stevens, Inc. (“Read & Stevens”), Permian Resources, Inc., and NM Oil Corp. (“NM Oil”) of inactive wells that your companies are responsible for plugging, and to request your prompt corrective action.

New Mexico Oil Conservation Division (“OCD”) rules require that operators “shall plug” wells in accordance with OCD procedures within 90 days after “a period of one year in which a well has been continuously inactive.” 19.15.25.8 NMAC; *see also* 19.15.5.9(B)(2) NMAC (“A well inactive for more than 15 months creates a rebuttable presumption that the well is out of compliance with 19.15.25.8 NMAC.”). In addition, New Mexico state oil and gas lessees have a contractual responsibility for damage to state lands caused by oil and gas

Exhibit C

operations on their leases, and must abide by State Land Office rules requiring that inactive wells be plugged, and well sites reclaimed. 19.2.100.67 NMAC.

OCD records indicate that the three inactive wells listed below are located on NM Oil and Read & Stevens leases and are under the operatorship of BVB:

API	Well Name	Last Prod.	Lease No.	Lessee
30-005-60332	South Lucky Lake Queen Unit #001A	Apr-13	K0-5110-1	NM Oil Corp.
30-005-60360	South Lucky Lake Queen Unit #001	Jun-19	L0-1894-1	Read & Stevens
30-005-60371	South Lucky Lake Queen Unit #002	Jun-19	L0-1894-1	Read & Stevens

BVB must immediately initiate plans to plug these chronically inactive wells. In addition, BVB must remove all debris and improvements (e.g., pump jacks, surface lines, etc.) from the well sites, remediate any spills and complete reclamation of the premises, including well pads and roads associated with the wells. Before conducting this work, BVB or its consultant, must prepare and submit a written reclamation and remediation work plan to the State Land Office's Environmental Compliance Office, to the attention of Becki Griffin (bgriffin@slo.state.nm.us) and copy me. The State Land Office will review the plan and either approve it or note deficiencies that must be addressed before work begins.

As Lessees of the state oil and gas leases at issue here, NM Oil and Read & Stevens are ultimately responsible for the condition of the lease premises, and the State Land Office will look to NM Oil and Read & Stevens for performance of the obligations identified above in the event BVB fails to fulfill them.

The State Land Office expects to receive written confirmation within 30 days of your understanding of these requirements, and the prompt filing of C-103s to initiate plugging and soon thereafter the completion of the remaining cleanup obligations outlined in this letter.

Sincerely,

/s/ Ari Biernoff

Ari Biernoff
General Counsel