



**Ray Powell, M.S., D.V.M.**  
**COMMISSIONER**

*State of New Mexico*  
*Commissioner of Public Lands*

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July 28, 2014

Spencer Cox  
Lime Rock Resources II-A, L.P.  
1111 Bagby Street, Suite 4600  
Houston, TX 77002

RE: Rule 5 Minerals - Special Use Authorization (Exploration) SUA-367

We are in receipt of your application and fees (\$ 100.00 Application and \$ 40.00 Acreage) requesting a Rule 5 mineral Special Use Authorization (Exploration) for Sand and Gravel. The effective date of this authorization is for a period of not to exceed 15 days, commencing on July 29, 2014 and ending on August 13, 2014.

This Authorization (Right of Entry) letter is for the sole purpose of Exploring for Caliche, along with 2-6ea. Borings (20-50 ft in depth) to determine the integrity of the geology in order to support the future business lease for a proposed Frack Pond in Eddy County, New Mexico in the following location: (Please see attached map)

NE4SE4, of Section 36, T17S, R27E – 40 acres

**CONDITIONS OF USE**

- A. The issuance of this Exploration Authorization does not guarantee a mineral lease will be issued for this property being explored, nor does it indicate a preference for a future mineral lease issuance to the holder of the authorization by the Commissioner of Public Lands.
- B. No refund of SUA application and royalty fees will occur after SUA approval letter is mailed.
- C. Authorized party shall notify the State Land Office District Resource Manager by telephone at least one business day prior to commencing any exploration activities.
- D. No blading or widening of any two-track dirt roads that provides access to the Property is permitted under this Authorization, except as necessary for the ingress and egress of required vehicles.
- E. No mining or removal of material for purposes other than testing is allowed under this Authorization.
  - a. No sale of any material extracted from the Property is allowed under this Authorization.
- F. Authorized party shall observe all federal, state and local laws and regulations applicable to the Property.
- G. Authorized party shall take all reasonable precautions to prevent and suppress forest, brush and grass fires and prevent pollution of waters on or in the vicinity of the Property.
- H. Authorized party shall not block or disrupt roads or trails commonly in use.
- I. This Authorization is subject to any and all easements and rights-of-way previously granted and now in force and affect.
- J. Authorized party shall be responsible for repair and restitution for damage to any property improvements as a result of activities related to this exploration.
- K. Authorized party shall conduct exploration activities only if a state-permitted Archaeologist as per the Cultural Properties Act, §18-6-5(O) is present on the permitted site. Authorized party shall abide by the decisions of the permitted Archaeologist regarding prevention of damage to cultural property sites. An archaeological report is to be submitted to State Land Office Cultural Resources Specialist within fifteen (15) days of the expiration date of this Authorization. (*An archeologist is not required to be present as long as there are no surface disturbing activities being performed*).

## **SURFACE RECLAMATION AND RESTORATION**

- A. Drilling, excavation and other surface disturbing activities shall be restricted to areas deemed to have no archaeological significance.
- B. Access to the Property shall be over existing roads. Reclamation of all roads shall conform to the requirements of State Land Office Rule 20. No upgrading of the existing roads shall be done, except as necessary for the ingress and egress of required vehicles.
- C. All topsoil from the areas to be disturbed shall be stockpiled for use in reclamation.
- D. Upon completion of the use and operations permitted by this Authorization, all disturbed sites shall be re-contoured to approximate the original contours.
- E. All material removed by excavation shall be replaced into the test holes, with the exception of an adequate sample, on or before the expiration date of this Authorization.
- F. All Bore-holes shall be plugged in accordance with SLO requirements.
- G. The natural environmental conditions that exist contemporaneously with this grant shall be preserved and protected. All applicable environmental laws and regulations shall be complied with and such reclamation or corrective actions as may be necessary to conduct EXPLORATORY EXCAVATION consistent with safe and sound environmental management principles and practices shall be taken in order to protect the Property from any pollution, erosion or other environmental degradation and to avoid diminishing the value of the Property for any future use.

## **INDEMNITY**

Authorized party shall save, hold harmless, indemnify and defend the State of New Mexico, the Commissioner and Commissioner's employees, agents and contractors, in both their official and individual capacities, from any and all liability, claims, losses, damages, or expenses of any character or nature whatsoever, including but not limited to attorney's fees, court costs, loss of land value or use, third party claims, penalties, or removal, remedial or restoration costs arising out of, or alleged to arise out of:

- A. The operations or presence on the Property, or on adjacent or proximate state trust lands, including those used to access the Property for the purposes of this Authorization, of Authorized party or authorized party's employees, agents, contractors or invitees;
- B. The activities of third parties on the Property, or on adjacent or proximate state trust lands, including those used to access the Property or other adjacent or proximate state trust lands, whether with or without Authorized party's knowledge or consent;
- C. Any Hazardous Materials located in, under, upon or otherwise affecting the Property or adjacent or proximate state trust lands, regardless of their point of origin or date of contamination.

If you have any questions or concerns please contact Michael Mariano, Minerals Manager at 505-827-5750 or Jason Smith, Minerals Specialist at (505) 827-5743.

Sincerely,



Terry Warnell, Director  
Oil, Gas, and Minerals Division

TW/mm

cc: Dana V. Strang, DRM Supervisor