



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Pecos District

Carlsbad Field Office

620 E. Greene

Carlsbad, New Mexico 88220-6292

www.blm.gov/nm



NM71000X
3180 (P0220)

Reference:

Automatic Termination

North Shugart Queen Unit – NMNM71000X

Eddy County, New Mexico

FEB 11 2011

CERTIFIED – RETURN RECEIPT REQUESTED:

7005 3110 0000 1062 5645

RECEIVED

FEB 21 2011

HOBBSUCD

Tom R Cone
1303 W Broadway Place
Hobbs, NM 88240

NSQ #7 30-015-05599

Gentlemen:

The North Shugart Queen Unit, No. NM-71000X, Eddy County, New Mexico, automatically terminated effective January 1, 2011, pursuant to 43 CFR 3186.1.20.c which states the following:

“this agreement shall remain in effect for such term and so long thereafter as unitized substance can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder. Should production cease and diligent drilling or reworking operations to restore production or new production are not in progress within 60 days and production is not restored or should new production not be obtain in paying quantities on committed lands within this unit area, this agreement will automatically terminate effective the last day of the month in which the last unitized production occurred.”

And under Article XXI paragraph 21.3 of the unit agreement which states the following:

“The term of this agreement shall be for and during the time that unitized substance are produced in quantities sufficient to pay for the cost of producing the same from wells on the unitized land and so long thereafter as drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days, and so long thereafter as unitized substance are produced as aforesaid.”

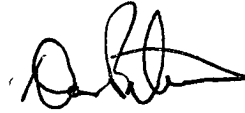
Accepted for record - NMOCB

DD 3-8-11

Copies of this letter are being distributed to the appropriate Federal agencies. It is requested that you furnish notice of this termination to each working interest owner, lessee and lessor.

If you have any questions regarding this termination, please contact Edward G. Fernandez, Petroleum Engineer at (575) 234-2220.

Sincerely,

A handwritten signature in black ink, appearing to read 'Don Peterson', with a stylized, sweeping flourish extending to the right.

Don Peterson
Assistant Field Manager,
Lands and Minerals

cc:
Commissioner of Public Lands
ONRR, Denver (357B-1, Antoinette Contreras, Stacey Kaiser)
NM Taxation & Revenue Dept. (Revenue Processing Div.)
NMOCD
NM (9210)
NM (P0220-CFO, File Room)

Accepted for record - NMOCD