

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD Hobbs

FORM APPROVED
OMB No 1004-0137
Expires July 31, 2010

5 Lease Serial No

NMINM 0631

6 If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on page 2.

1 Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

2 Name of Operator

3 - Rivers Operating - 7 Cope operating
Austin Texas
1122 Capital of Texas Highway 78246

3b Phone No. (include area code)

512-600-3198

4 Location of Well (Footage, Sec., T., R., M., or Survey Description)

7-20S, R-34E, sec 11, 30 FNL, 990 FNL

7 If Unit of CA/Agreement, Name and/or No

8 Well Name and No

11522 11 Federal 14

9 API Well No.

3002540430

10 Field and Pool or Exploratory Area

Bonne Springs

11. County or Parish, State

Lea, NM

12 CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13 Describe Proposed or Completed Operation. Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

Need to extend the Pad an additional 100 feet North
on the state surface, already have approval from the
state to do. The Federal surface will be exactly
the same as what was filed on APD.

14 I hereby certify that the foregoing is true and correct Name (Printed/Typed)

Winston Ballard

Title Comp/Prod Foreman

Signature

Winston Ballard

Date 7/5/12

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

James A. Amos

Title SEPS

Date

JUL 19 2012

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

CARLSBAD FIELD OFFICE

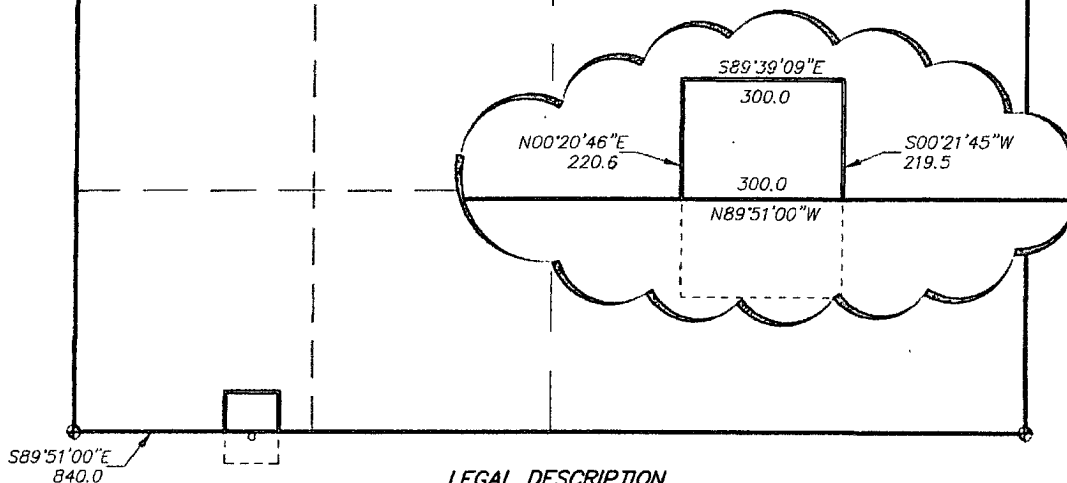
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

JUL 23 2012

SECTION 2, TOWNSHIP 20 SOUTH, RANGE 34 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.

OWNER: STATE OF NEW MEXICO
LESSEE: KENNETH SMITH INC



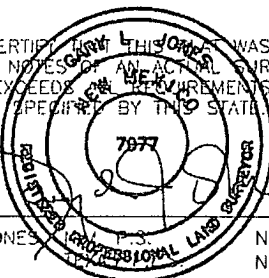
LEGAL DESCRIPTION

A TRACT OF LAND LOCATED IN SECTION 2, TOWNSHIP 20 SOUTH, RANGE 34 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT WHICH LIES S.89°51'00\"E., 840.0 FEET FROM THE SOUTHWEST CORNER OF SAID SECTION 2; THENCE N.00°20'46\"E., 220.6 FEET; THENCE S.89°38'09\"E., 300.0 FEET; THENCE S.00°21'45\"W., 219.5 FEET, THENCE S.89°51'00\"W., 300.0 FEET TO THE POINT OF BEGINNING. SAID TRACT OF LAND CONTAINING 1.52 ACRES, MORE OR LESS, ALL OF WHICH LIES IN THE SW/4, SW/4.

I HEREBY CERTIFY THAT THIS SURVEY WAS PREPARED FROM FIELD NOTES OF AN ACTUAL SURVEY AND MEETS OR EXCEEDS THE REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.

GARY L. JONES



No. 7977
No. 5074

BASIN SURVEYS P.O. BOX 1786--HOBBS, NEW MEXICO

W.O. Number: 25362 Drawn By: J. M. SMALL

Date: 04--17--2012 Disk: JMS 25362

1000 0 1000 2000 FEET

THREE RIVERS OPERATING COMPANY, LLC

REF: PROPOSED TRACT OF LAND

A TRACT OF LAND LOCATED ON STATE LAND IN
SECTION 2, TOWNSHIP 20 SOUTH, RANGE 34 EAST,
N.M.P.M., LEA COUNTY, NEW MEXICO.

Survey Date: 10-12-2011 Sheet 1 of 1 Sheets



RECEIVED

JUN 11 2012

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

State of New Mexico
Commissioner of Public Lands

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

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

www.nmstatelands.org

June 18, 2012

Three Rivers Operating Company, LLC
1122 South Capital of Texas Highway, Suite 325
Austin, TX 78746

Attn: Tim Kane

Re: New Mexico State Right of Way Lease # R-32857

Dear Mr. Kane,

Enclosed in duplicate are Grants for the above referenced Right of Way requesting your signature and notary. Please have the Grant signed in the presence of a Notary Public and return both copies to this office for approval.

PLEASE DO NOT DATE THE GRANT. It will be dated when the Commissioner's signature and official seal are affixed to the document. If any corrections are necessary, notify this office and we will retype or amend the grant as required. **PLEASE RETURN THE TWO COPIES OF THE SIGNED GRANT WITHIN 30 DAYS.** If you are not able to return the signed grants within this time, please call for an extension. A signed copy will be returned to you.

Also, Please be advised, as a standard process, any projects completed before the Grants are finalized will result in a trespass penalty. Please do not begin the project unless you have been granted a verbal from this office.

If you have any questions please feel free to contact me at 505-827-5773.

Sincerely,

Nick Jaramillo, Management Analyst
Right of Way and Water Resources Bureau
Surface Resources Management Division

STATE OF NEW MEXICO
COMMISSIONER OF PUBLIC LANDS
GRANT OF RIGHT-OF-WAY

Right-of-Way Easement No. RW- 32857

This indenture made this ____ day of _____, 2012 by and between the State of New Mexico, acting by and through its Commissioner of Public Lands, "Grantor" and, Three Rivers Operating Company, LLC whose address is 1122 South Capital of Texas Highway., Suite 325 Austin, TX 78746 Grantee;

WITNESSETH:

That Grantor, for and in consideration of the sum of \$5,000.00-----Five Thousand Dollars and 00/100----- cash in hand, receipt of which is hereby acknowledged, and other good and valuable consideration, hereby conveys to grantee a right-of-way for the sole and exclusive purpose of a 300' x 220' (1.52 acres) well pad including the right to enter upon the real estate hereinafter described at any time that it may see fit to construct, maintain and repair the structures upon the right-of-way, together with the right to remove trees, brush, undergrowth, and other obstructions interfering with the location, construction, and maintenance of said right-of-way.

The right-of-way hereby granted covers a strip of land 300' x 220' feet in width in Lea County (ies), as more particularly described by the attached centerline description and survey plats, which are incorporated herein.

This grant is made upon the following express terms and conditions:

1. This right-of-way is granted for a term of 35 years. The grant may be renewed for additional periods upon application to Grantor. Any such renewals are subject to such terms and conditions as the Grantor may require, and payment of compensation.
2. Grantor reserves the right to authorize or grant rights-of-way or other easements to third parties, which may be parallel to, cross over or bisect this right-of-way. In such cases, the subsequent grantee may, at the discretion of the Grantor, be required to post a bond guaranteeing payment for damages to the installations and improvements of Grantee herein. In crossing any right-of-way for a highway, road, telephone, telegraph, transmission line, etc. Grantee herein will exercise due care so as not to interfere with said rights-of-way and will comply with all applicable laws, rules, and regulations in connection with the making of such crossings
3. The right to grant additional rights-of-way or easements within this right-of-way belongs exclusively to Grantor. Grantor hereby agrees, however, that in the event Grantor elects to exercise such right and if Grantee herein is the New Mexico State Highway and Transportation Department, Grantor will secure in writing the agreement of subsequent right-of-way grantee that no facilities will be constructed or installed within the right-of-way subsequently granted without first obtaining from the Department a permit prescribing the conditions under which facilities may be placed within such right-of-way in accordance with the Department's applicable rules and regulations.

GRANTEE EXPRESSLY AGREES THAT PRIOR TO THE CONSTRUCTION OR INSTALLATION OF ANY FACILITIES WITHIN THE RIGHT-OF-WAY GRANTED HEREIN, GRANTEE WILL DETERMINE WHETHER THE RIGHT-OF-WAY IS WITHIN A PREVIOUSLY ESTABLISHED NEW MEXICO STATE HIGHWAY AND TRANSPORTATION DEPARTMENT RIGHT-OF-WAY, AND IF IT IS, GRANTEE WILL OBTAIN FROM THE NEW MEXICO STATE HIGHWAY AND TRANSPORTATION DEPARTMENT A PERMIT THAT PRESCRIBES THE CONDITIONS UNDER WHICH

Right-of-Way Easement No. RW-32857

11. Non-use of the right-of-way granted herein for any period in excess of one (1) year following the initial construction of improvements, without the prior written consent of Grantor shall be conclusive proof of abandonment of the right-of-way, and non-use for shorter periods shall place upon grantee the burden of providing that there was no intent to abandon.
12. Grantee, if other than a governmental entity that is provided immunity from suit by the New Mexico Tort Claims Act, agrees to save and hold harmless, defend and indemnify the State of New Mexico, the Commissioner of Public Lands, and his agents or employees, in their official and individual capacities, of and from any and all liability, claims, losses, or damages arising out of or alleged to arise out of or indirectly connected with the operations of Grantee, its employees, agents, or contractors hereunder.
13. Not with standing anything contained herein, Grantor may cancel this grant for violation of any of the covenants of this agreement; provided, however, that before any such cancellation shall become effective, Grantor shall mail to grantee or any approved assignee, by certified mail addressed to the post office address of Grantee or such assignee shown by Land Office records, a thirty (30) day notice of intention to cancel, specifying the default for which the grant is subject to cancellation. No proof of receipt of notice shall be necessary and thirty (30) days after such mailing, Grantor may enter cancellation unless Grantee shall have sooner remedied the default to the satisfaction of Grantor.
14. Grantee agrees to preserve and protect the natural environmental conditions of the land encompassed in this grant, and to take those reclamation or corrective actions that are accepted soil and water conservation practices and that are deemed necessary by Grantor to protect the land from pollution, erosion, or other environmental degradation.
15. Grantee agrees to reclaim by grading, leveling, or terracing all areas disturbed by the construction or maintenance of the right-of-way or operations thereon and to landscape such areas at its own cost and expense. Landscaping shall include the planting of native grasses, shrubs, or other vegetation so as to return disturbed areas to their natural state and prevent water and wind erosion.
16. This grant shall become effective upon its execution by Grantor.

STIPULATION:

GRANTEE:

By: PK

ACKNOWLEDGMENT

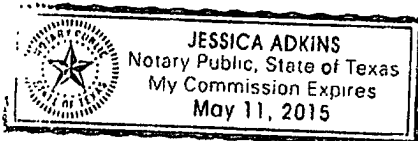
STATE OF Texas)
) ss.
COUNTY OF Travis)

The foregoing instrument was acknowledged before me this 21st day of June, 2012
by Tim Kane, of Three Rivers Operating Company LLC a
Delaware corporation, on behalf of said corporation.

My Commission Expires:

5/11/2015

Jessica Adkins
NOTARY PUBLIC



STATE OF NEW MEXICO

BY: _____
RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

DATE: _____