

30-005-29137

**NEW MEXICO STATE LAND OFFICE**

**CERTIFICATE OF APPROVAL**

**COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO**

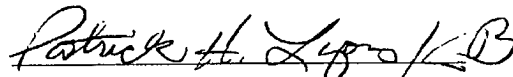
**Chesapeake Operating, Inc.  
Perseus 10 Federal Com Well No. 3H  
Chaves County, New Mexico  
S2N2, Section 10, Township 15 South, Range 31 East  
Wolfcamp**

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced agreement, dated **March 15, 2010** which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 12th day of April, 2010.



**COMMISSIONER OF PUBLIC LANDS**

**of the State of New Mexico**



Hugh T. Brower  
Landman

January 26, 2010

**VIA CERTIFIED MAIL (7008 1830 0001 4439 6619)**

Mr. Billy R. Medlin  
Ms. Donna K. Medlin  
P.O. Box 50  
Maljamar, NM 88264

Re: Chesapeake's Perseus 10 Federal Com 3H  
1,980' FNL and 200' FEL Section 10, T15S, R31E  
Chaves County, New Mexico

Dear Mr. and Ms. Medlin:

As you know, the Surface Use and Compensation Agreement ("SUCA") you entered into with COG Operating, L.L.C. ("COG") dated September 17, 2007, covering the above land and other lands, was assigned by COG to Chesapeake Exploration, L.L.C. ("Chesapeake"). The purpose of this letter is to notify you that Chesapeake intends to spud the above well on or about April 15, 2010 and in preparation thereof, will be entering upon your lands in the next few days to re-survey and re-stake the location of the well and roadway to same. Following the re-surveying and re-staking, Chesapeake will undertake other planned operations on your lands as provided in the SUCA.

You are entitled to certain payments as set forth in the SUCA for the use of your lands. Mr. Bud Cravey, Sr. Field Representative for Chesapeake, will contact you to arrange for tendering payment to you. You may also contact him by phone at (432) 238-7293.

Thank you in advance for your time and efforts. We look forward to hearing from you.

Best regards,

**Chesapeake Exploration, L.L.C.**

  
Hugh T. Brower

cc: Bud Cravey



Hugh T. Brower  
*Landman*

January 26, 2010

**VIA CERTIFIED MAIL (7008 1830 0001 4439 6619)**

Mr. Billy R. Medlin  
Ms. Donna K. Medlin  
P.O. Box 50  
Maljamar, NM 88264

Re: Chesapeake's Perseus 10 Federal Com 3H  
1,980' FNL and 200' FEL Section 10, T15S, R31E  
Chaves County, New Mexico

Dear Mr. and Ms. Medlin:

As you know, the Surface Use and Compensation Agreement ("SUCA") you entered into with COG Operating, L.L.C. ("COG") dated September 17, 2007, covering the above land and other lands, was assigned by COG to Chesapeake Exploration, L.L.C. ("Chesapeake"). The purpose of this letter is to notify you that Chesapeake intends to spud the above well on or about April 15, 2010 and in preparation thereof, will be entering upon your lands in the next few days to re-survey and re-stake the location of the well and roadway to same. Following the re-surveying and re-staking, Chesapeake will undertake other planned operations on your lands as provided in the SUCA.

You are entitled to certain payments as set forth in the SUCA for the use of your lands. Mr. Bud Cravey, Sr. Field Representative for Chesapeake, will contact you to arrange for tendering payment to you. You may also contact him by phone at (432) 238-7293.

Thank you in advance for your time and efforts. We look forward to hearing from you.

Best regards,

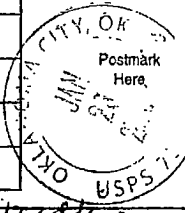
**Chesapeake Exploration, L.L.C.**



Hugh T. Brower

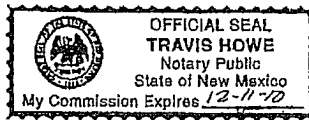
cc: Bud Cravey

7008 1830 0001 4439 6619

<b>U.S. Postal Service™</b> <b>CERTIFIED MAIL™ RECEIPT</b> (Domestic Mail Only; No Insurance Coverage Provided)	
For delivery information visit our website at <a href="http://www.usps.com">www.usps.com</a>	
<b>OFFICIAL USE</b>	
Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$
	
Sent To <i>Mr. Billy R. Medlin</i> <i>Ms. Dorcas K. Medlin</i> Street, Apt. No., or PO Box No. <i>P.O. Box 50</i> City, State, ZIP+4 <i>Maljamar, NM 88264</i>	
PS Form 3800, August 2006 <span style="float: right;">See Reverse for Instructions</span>	

<b>SENDER: COMPLETE THIS SECTION</b>  ■ Complete Items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. ■ Print your name and address on the reverse so that we can return the card to you. ■ Attach this card to the back of the mailpiece, or on the front if space permits.  1. Article Addressed to: <i>Mr. Billy R. Medlin</i> <i>Ms. Dorcas K. Medlin</i> <i>P.O. Box 50</i> <i>Maljamar, NM 88264</i>	<b>COMPLETE THIS SECTION ON DELIVERY</b>  A. Signature <input checked="" type="checkbox"/> <i>Billy Medlin</i> <span style="float: right;"><input type="checkbox"/> Agent <input type="checkbox"/> Addressee</span> B. Received by (Printed Name) <span style="float: right;">C. Date of Delivery</span>  D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No  3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D. 4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes
2. Article Number <span style="float: right;">7008 1830 0001 4439 6619</span> (Transfer from service label)	

STATE OF NEW MEXICO §  
COUNTY OF LEA §



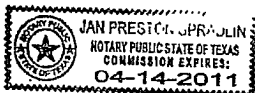
On this 27 day of Sept, 2007, Donna K. Medlin, personally appeared before me, who is personally known to me to be the signer of the foregoing document, and he/she acknowledged that he/she executed the same.

Travis Howe  
NOTARY PUBLIC

My Commission Expires:  
12-11-10

STATE OF TEXAS §  
COUNTY OF MIDLAND §

This instrument was acknowledged before me on 17<sup>th</sup> day of September, 2007, by David M. Thomas III as Vice President for COG OPERATING LLC, on behalf of said LLC.



Jan Preston Spradlin  
NOTARY PUBLIC

My Commission Expires:  
4/14/2011

STATE OF NEW MEXICO, COUNTY OF CHAVES, ss  
FILE FOR RECORD Oct 24, 2007 at 12:03:30 o'clock PM  
Receipt No. 297077 Fee \$ 11.00  
Book 601 Page 1405 Pages 2  
To Whom Returned: GRAY SURFACE SPECIALTIES  
3106 N BIG SPRING STE 100  
MIDLAND TX 79705

RHODA C. COAKLEY, COUNTY CLERK

B. Grace Porter Deputy



**FIRST AMENDMENT TO THE RECORDATION NOTICE AND  
MEMORANDUM OF SURFACE USE AND COMPENSATION AGREEMENT**

This Agreement, entered into the 23 day of Dec, 2008, signed and executed by and between Billy R. and Donna K. Medlin, whose address is P. O. Box 50, Maljamar, New Mexico 88264, hereinafter referred to as Grantor and COG Operating LLC, whose address is 550 W. Texas Ave., Ste. 1300, Midland, Texas 79701, hereinafter referred to as Grantee, is an amendment to that certain Recordation Notice and Memorandum of Surface Use and Compensation Agreement by and between Billy R. and Donna K. Medlin ("Grantors") and COG Operating LLC ("Grantee") filed of record October 24, 2007 in Book 601 Page 1405 in Chaves County, New Mexico.

**WITNESSETH**

1. In consideration of Ten Dollars (\$10.00) and other good and valuable consideration, cash in hand paid by Grantee to Grantor, the receipt and sufficiency of which is hereby acknowledged, Grantor hereby grants unto Grantee the following:
  - (a) The rights and privileges to use lands of Grantor as may be necessary or convenient to Grantee's operations under the Surface Use and Compensation Agreement executed by Grantor and Grantee of even date herewith covering Grantor's land situated in Chaves County, New Mexico as specifically described as follows to wit:

**E/2 Section 9, E/2 Section 16 and all of Sections 10, 11, 12, 13, 14 and  
15, T-15-S, R-31-E, County of Chaves, State of New Mexico**

These rights and privileges shall be according to the terms and provisions of that certain "Surface Use and Compensation Agreement" which is executed on even date herewith between the parties hereto, which with all of its terms, covenants and other provisions, is hereby referred to and incorporated herein the same as if copied herein at this point.

IN WITNESS WHEREOF, the undersigned have executed this Recordation Notice and Memorandum of Surface Use and Compensation Agreement effective as of the date first above written.

**GRANTOR**

By: Billy R. Medlin  
Billy R. Medlin

By: Donna K. Medlin  
Donna K. Medlin

**GRANTEE**

**COG OPERATING LLC**

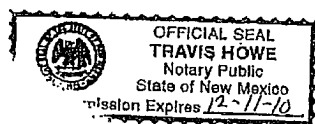
By: Matthew G. Hyde  
Matthew G. Hyde

Title: Vice President, Exploration & Land

**ACKNOWLEDGEMENTS**

STATE OF NEW MEXICO   §  
  §  
COUNTY OF LEA       §

On this 23 day of Dec, 2008, Billy R. Medlin, personally appeared before me, who is personally known to me to be the signer of the foregoing document, and he/she acknowledged that he/she executed the same.



Travis Howe  
NOTARY PUBLIC

My Commission Expires:  
12-11-10

STATE OF NEW MEXICO  
COUNTY OF LEA



On this 23 day of Dec, 2008, Donna K. Medlin, personally appeared before me, who is personally known to me to be the signer of the foregoing document, and he/she acknowledged that he/she executed the same.

Travis Howe  
NOTARY PUBLIC

My Commission Expires:  
12-11-10

STATE OF TEXAS  
COUNTY OF MIDLAND

This instrument was acknowledged before me on \_\_\_\_ day of \_\_\_\_\_, 2008, by Erick Nelson as Asset Manager, New Mexico for COG OPERATING LLC, on behalf of said LLC.

NOTARY PUBLIC

My Commission Expires:

STATE OF TEXAS  
COUNTY OF MIDLAND

This instrument was acknowledged before me on January 20, 2008, by Matthew G. Hyde, Vice President, Exploration & Land of COG Operating, LLC, a Delaware limited liability company.



Traci Conner  
Notary Public in and for the State of Texas

STATE OF NEW MEXICO, COUNTY OF CHAVES, ss  
FILE FOR RECORD Feb 2, 2009 at 09:50:21 a'clock AM  
Receipt No. 313715 Fee \$ 11.00  
Book 634 Page 501 Pages 2  
To Whom Returned: CONCHO RESOURCES  
580 WEST TEXAS AVE STE 100  
MIDLAND TX 79701

RHODA C. COAKLEY, COUNTY CLERK

By Grace Porter Deputy





December 12, 2008

Chesapeake Operating, Inc.  
P. O. Box 18496  
Oklahoma City, OK 73154-0496  
Attention: Jared Boren

RE: Surface Use and Compensation Agreement  
Township 15 South, Range 31 East, N.M.P.M.  
Section 9: E/2  
Section 16: E/2  
Section 10: All  
Section 11: All  
Section 12: All  
Section 13: All  
Section 14: All  
Section 15: All  
Chaves County, New Mexico

Gentlemen:

This letter when executed by both parties shall set forth the agreement between COG Operating LLC (COG) and Chesapeake Operating, Inc. (Chesapeake) with regard to surface operations on lands as hereinafter set out.

COG Operating LLC entered into a Surface Use and Compensation Agreement dated September 27, 2008, by and between Billy R. Medlin and Donna K. Medlin, as Grantors, and COG Operating, LLC, as Grantee, covering the captioned lands, a Memorandum of which is recorded in Book 601, Page 1405, Chaves County, New Mexico ("Medlin Agreement"). Subsequently, COG Operating LLC and Chesapeake Operating, Inc. entered into an Operating Agreement dated November 1, 2008, whereby each party was to operate certain areas as set forth on Exhibit "A" attached hereto and made a part hereof.

As a result of the above events, COG Operating LLC hereby grants and assigns its rights in said "Medlin Agreement" as to those areas operated by Chesapeake under the referenced Operating Agreement subject to the terms and conditions set forth in the "Medlin Agreement" and Chesapeake agrees to comply with all the terms and conditions set forth therein as if it had originally been a party to said "Medlin Agreement".




December 12, 2008  
COG Operating LLC / Chesapeake Operating, Inc.  
Medlin Surface Use Agreement  
Page 2

Upon execution by both parties, a fully executed copy of this letter will be provided to Billy R. Medlin and Donna K. Medlin for their reference.

Very truly yours,

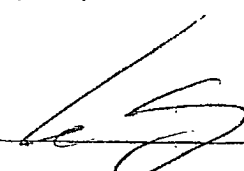
**COG OPERATING LLC**

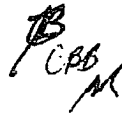


Matthew G. Hyde  
Vice President, Exploration & Land 

AGREED TO AND ACCEPTED THIS 16 DAY OF February, 2008

**CHESAPEAKE OPERATING, INC., an Oklahoma corporation**

By:   
Henry J. Hood  
Senior Vice President – Land and Legal & General Counsel



**EXHIBIT "A"**

Attached to and made a part of that certain Letter Agreement dated December 12, 2008, by  
and between COG Operating LLC and Chesapeake Operating, Inc.

**Operator:** **CHESAPEAKE EXPLORATION LLC**  
**by and through its agent CHESAPEAKE OPERATING INC.**

**Contract Area :** Township 15 South, Range 31 East, N.M.P.M.  
Section 10: N/2 (Contract Area "A")  
Section 14: N/2 S/2 (Contract Area "B")  
Section 13: All (Contract Area "C")  
Chaves County, New Mexico

**Operator:** **COG OPERATING LLC**

**Contract Area :** Township 15 South, Range 31 East, N.M.P.M.  
Section 10: S/2 (Contract Area "D")  
Section 14: N/2 (Contract Area "E")  
Section 15: All (Contract Area "F")  
Chaves County, New Mexico

**STATE LAND OFFICE DATA ACCESS**[Home](#)[Home](#)[Select a different page.....](#)[Go Tech](#)[NM State Land  
Office](#)

# list lease info

\* Lease Prefix:  \* Number:  \* Assignment: 

Example: A0 1234 0000

[Search](#)[Reset](#)[Printer Friendly](#)[Download](#)[Instructions](#)[Give Feedback](#)

242 Records found.

Lease Number:

**G0-2368-0000**

Company name: BILLY R MEDLIN  
Company ID: 140956  
Assigned from: N/A  
Total acres: 9857.46  
Prod stat: N/A

**Lease term:**

Lease term: Unknown  
Issue date: 9/16/2009  
Termination date: Active  
Termination reason: N/A  
Current term: Primary Term

**Billing information:**

Bill to: BILLY R MEDLIN  
Rent per acre: 0.00  
Billing frequency: Annual  
Minimum annual rent: 6694.48  
Last bill date: 9/16/2009  
Next bill date: 10/1/2010  
Escalation: 0

**Land information:**

Section	Township	Range	Unit Letter	Lot	Tract	Acreage	Link
36	14S	31E	A			40.00	<a href="#">[Land Details]</a>
			B			40.00	<a href="#">[Land Details]</a>
			C			40.00	<a href="#">[Land Details]</a>
			D			40.00	<a href="#">[Land Details]</a>
			E			40.00	<a href="#">[Land Details]</a>
			F			40.00	<a href="#">[Land Details]</a>
			G			40.00	<a href="#">[Land Details]</a>
			H			40.00	<a href="#">[Land Details]</a>

			I		40.00	[Land Details]
			J		40.00	[Land Details]
			K		40.00	[Land Details]
			L		40.00	[Land Details]
			M		40.00	[Land Details]
			N		40.00	[Land Details]
			O		40.00	[Land Details]
			P		40.00	[Land Details]
28	14S	32E	C		40.00	[Land Details]
			D		40.00	[Land Details]
			E		40.00	[Land Details]
			F		40.00	[Land Details]
			K		40.00	[Land Details]
			L		40.00	[Land Details]
			M		40.00	[Land Details]
			N		40.00	[Land Details]
29	14S	32E	A		40.00	[Land Details]
			B		40.00	[Land Details]
			C		40.00	[Land Details]
			D		40.00	[Land Details]
			E		40.00	[Land Details]
			F		40.00	[Land Details]
			G		40.00	[Land Details]
			H		40.00	[Land Details]
			I		40.00	[Land Details]
			J		40.00	[Land Details]
			K		40.00	[Land Details]
			L		40.00	[Land Details]
			M		40.00	[Land Details]
			N		40.00	[Land Details]
			O		40.00	[Land Details]
			P		40.00	[Land Details]
30	14S	32E	1	1	45.11	[Land Details]
			2	2	45.22	[Land Details]
			3	3	45.32	[Land Details]
			4	4	45.43	[Land Details]
			A		40.00	[Land Details]
			B		40.00	[Land Details]
			C		40.00	[Land Details]
			F		40.00	[Land Details]
			G		40.00	[Land Details]
			H		40.00	[Land Details]
			I		40.00	[Land Details]
			J		40.00	[Land Details]
			K		40.00	[Land Details]
			N		40.00	[Land Details]
			O		40.00	[Land Details]
			P		40.00	[Land Details]
31	14S	32E	1	1	45.47	[Land Details]
			2	2	45.46	[Land Details]
			3	3	45.44	[Land Details]
			4	4	45.43	[Land Details]
			A		40.00	[Land Details]
			B		40.00	[Land Details]
			C		40.00	[Land Details]
			F		40.00	[Land Details]
			G		40.00	[Land Details]
			H		40.00	[Land Details]

			I		40.00	[Land Details]
			J		40.00	[Land Details]
			K		40.00	[Land Details]
			N		40.00	[Land Details]
			O		40.00	[Land Details]
			P		40.00	[Land Details]
32	14S	32E	A		40.00	[Land Details]
			B		40.00	[Land Details]
			C		40.00	[Land Details]
			D		40.00	[Land Details]
			E		40.00	[Land Details]
			F		40.00	[Land Details]
			G		40.00	[Land Details]
			H		40.00	[Land Details]
			I		40.00	[Land Details]
			J		40.00	[Land Details]
			K		40.00	[Land Details]
			L		40.00	[Land Details]
			M		40.00	[Land Details]
			N		40.00	[Land Details]
			O		40.00	[Land Details]
			P		40.00	[Land Details]
33	14S	32E	C		40.00	[Land Details]
			D		40.00	[Land Details]
			E		40.00	[Land Details]
			F		40.00	[Land Details]
			K		40.00	[Land Details]
			L		40.00	[Land Details]
			M		40.00	[Land Details]
			N		40.00	[Land Details]
2	15S	31E	1	1	40.75	[Land Details]
			2	2	40.83	[Land Details]
			3	3	40.89	[Land Details]
			4	4	40.97	[Land Details]
			E		40.00	[Land Details]
			F		40.00	[Land Details]
			G		40.00	[Land Details]
			H		40.00	[Land Details]
			I		40.00	[Land Details]
			J		40.00	[Land Details]
			K		40.00	[Land Details]
			L		40.00	[Land Details]
			M		40.00	[Land Details]
			N		40.00	[Land Details]
			O		40.00	[Land Details]
			P		40.00	[Land Details]
10	15S	31E	A		40.00	[Land Details]
			B		40.00	[Land Details]
			G		40.00	[Land Details]
			H		40.00	[Land Details]
			I		40.00	[Land Details]
			J		40.00	[Land Details]
			O		40.00	[Land Details]
			P		40.00	[Land Details]
11	15S	31E	D		40.00	[Land Details]
			E		40.00	[Land Details]
			F		40.00	[Land Details]
			G		40.00	[Land Details]

			J		40.00	[Land Details]
			K		40.00	[Land Details]
			L		40.00	[Land Details]
			M		40.00	[Land Details]
			N		40.00	[Land Details]
			O		40.00	[Land Details]
14	15S	31E	C		40.00	[Land Details]
			D		40.00	[Land Details]
			E		40.00	[Land Details]
			F		40.00	[Land Details]
15	15S	31E	A		40.00	[Land Details]
			B		40.00	[Land Details]
			G		40.00	[Land Details]
			H		40.00	[Land Details]
			I		40.00	[Land Details]
			J		40.00	[Land Details]
			O		40.00	[Land Details]
			P		40.00	[Land Details]
4	15S	32E	3	3	47.49	[Land Details]
			4	4	47.47	[Land Details]
			E		40.00	[Land Details]
			F		40.00	[Land Details]
			K		40.00	[Land Details]
			L		40.00	[Land Details]
			M		40.00	[Land Details]
			N		40.00	[Land Details]
5	15S	32E	1	1	47.45	[Land Details]
			2	2	47.41	[Land Details]
			3	3	47.39	[Land Details]
			4	4	47.35	[Land Details]
			E		40.00	[Land Details]
			F		40.00	[Land Details]
			G		40.00	[Land Details]
			H		40.00	[Land Details]
			I		40.00	[Land Details]
			J		40.00	[Land Details]
			K		40.00	[Land Details]
			L		40.00	[Land Details]
			M		40.00	[Land Details]
			N		40.00	[Land Details]
			O		40.00	[Land Details]
			P		40.00	[Land Details]
6	15S	32E	1	1	47.28	[Land Details]
			2	2	47.17	[Land Details]
			3	3	47.05	[Land Details]
			4	4	53.34	[Land Details]
			5	5	45.55	[Land Details]
			6	6	45.62	[Land Details]
			7	7	45.70	[Land Details]
			F		40.00	[Land Details]
			G		40.00	[Land Details]
			H		40.00	[Land Details]
			I		40.00	[Land Details]
			J		40.00	[Land Details]
			K		40.00	[Land Details]
			N		40.00	[Land Details]
			O		40.00	[Land Details]
			P		40.00	[Land Details]

7	15S	32E	1	1	45.75	[Land Details]
			2	2	45.78	[Land Details]
			3	3	45.80	[Land Details]
			4	4	45.83	[Land Details]
			A		40.00	[Land Details]
			B		40.00	[Land Details]
			C		40.00	[Land Details]
			F		40.00	[Land Details]
			G		40.00	[Land Details]
			H		40.00	[Land Details]
			I		40.00	[Land Details]
			J		40.00	[Land Details]
			K		40.00	[Land Details]
			N		40.00	[Land Details]
			O		40.00	[Land Details]
			P		40.00	[Land Details]
8	15S	32E	A		40.00	[Land Details]
			B		40.00	[Land Details]
			C		40.00	[Land Details]
			D		40.00	[Land Details]
			E		40.00	[Land Details]
			F		40.00	[Land Details]
			G		40.00	[Land Details]
			H		40.00	[Land Details]
			I		40.00	[Land Details]
			J		40.00	[Land Details]
			K		40.00	[Land Details]
			L		40.00	[Land Details]
			M		40.00	[Land Details]
			N		40.00	[Land Details]
			O		40.00	[Land Details]
			P		40.00	[Land Details]
9	15S	32E	C		40.00	[Land Details]
			D		40.00	[Land Details]
			E		40.00	[Land Details]
			F		40.00	[Land Details]
			K		40.00	[Land Details]
			L		40.00	[Land Details]
			M		40.00	[Land Details]
			N		40.00	[Land Details]
16	15S	32E	C		40.00	[Land Details]
			D		40.00	[Land Details]
			E		40.00	[Land Details]
			F		40.00	[Land Details]
17	15S	32E	A		40.00	[Land Details]
			B		40.00	[Land Details]
			C		40.00	[Land Details]
			D		40.00	[Land Details]
			E		40.00	[Land Details]
			F		40.00	[Land Details]
			G		40.00	[Land Details]
			H		40.00	[Land Details]
18	15S	32E	1	1	45.85	[Land Details]
			2	2	45.86	[Land Details]
			A		40.00	[Land Details]
			B		40.00	[Land Details]
			C		40.00	[Land Details]
			F		40.00	[Land Details]

			G			40.00	<a href="#">[Land Details]</a>
			H			40.00	<a href="#">[Land Details]</a>

If you have any questions about the data or this site please contact Joe Mraz ([jmraz@slo.state.nm.us](mailto:jmraz@slo.state.nm.us)) of the State Land Office.  
Site maintained by the PRRC, webmaster [gotech\\_prrc@yahoo.com](mailto:gotech_prrc@yahoo.com)



STATE OF NEW MEXICO, COUNTY OF CHAVES, ss  
FILE FOR RECORD Oct 27, 2008 at 12:22:55 o'clock PM  
Receipt No .310877 Fee \$ 11.00  
Book 629 Page 107 Pages 2  
To Whom Returned: STEVEN W HORN  
PO BOX 2755  
MIDLAND TX 79702

RHODA C. COAKLEY, COUNTY CLERK

By Grace Porter Deputy

BOOK 0629 PAGE 0107

NEW MEXICO STATE LAND OFFICE  
ASSIGNMENT OF OIL AND GAS LEASE

From Lease Number  
VO-82660  
To Lease Number  
VO-82661

FOR VALUE RECEIVED, Steven W Horn Assignor Name (include name of spouse, if any, or type of business entity) OGRID No. 163899

("Assignor" whether one or more), assigns and conveys to: Chesapeake Exploration, L.L.C. Assignee OGRID No. 252468

("Assignee" whether one or more), whose mailing address is PO Box 18496

City Oklahoma City State/Prov. OK ZIP 73154

the entire interest and title in and to Oil and Gas Lease No. VO82660000 ("the Lease") initially made by the New Mexico State Land Office to:

Steven W Horn Dated 5/1/2008, insofar as the Lease covers the following land in Chaves County, New Mexico:  
ORIGINAL LESSEE

Township	Range	Section	Description:
1SS	31E	10	NE4

together with the rights incident thereto, and improvements thereon, if any.

Assignee assumes and agrees to perform all duties and obligations to the Commissioner of Public Lands including payment of rentals and royalties, and to do such other acts as are required by the Lease, to the same extent and in the same manner as if the provisions of the Lease were fully set out herein.

Assignor warrants the leasehold estate herein assigned, except as to any valid overriding royalty, production payment, operating agreement or sub-lease, if any, now of legal record, and covenants to the Assignee and the Commissioner of Public Lands that the leasehold estate assigned is valid, and that all rentals and royalties due under the Lease have been paid in full, and that all other Lease obligations presently due have been fully performed.

EXECUTED this 28 day of July, 20 08

By: [Signature] Assignor

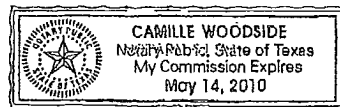
Spouse, if any, OR Title, if signing in representative capacity

ACKNOWLEDGMENT

STATE OF Texas )  
COUNTY OF Midland ) ss

This Assignment was acknowledged before me this 28 day of July, 20 08

by Steven W Horn Title, if signing in representative capacity



Camille Woodside  
Notary Public

My commission expires 5/14/2010

ASSIGNEE'S ACCEPTANCE

The undersigned Assignee named above hereby agrees to be bound by all of the terms, covenants, and conditions of the Lease and this Assignment and shall succeed to the rights and benefits under the Lease.

Chesapeake Exploration, L.L.C.

EXECUTED this 4th day of August, 20 08

By: [Signature] Assignee

Henry J Hood, Senior Vice President -- Land and Legal & General Counsel  
Name of spouse, if any, or title, if signing in representative capacity  
ONLINE VERSION

## ACKNOWLEDGMENT

STATE OF OKLAHOMA )  
COUNTY OF OKLAHOMA )ss

BOOK 0629 PAGE 0108

This Assignment was acknowledged before me this 4<sup>th</sup> day of August, 2008.

by Henry J Hood, as Senior Vice President – Land and Legal & General Counsel of Chesapeake Exploration, L.L.C., an Oklahoma limited liability company, on behalf of said limited liability company



Teresa K Long  
Notary Public

My commission expires Feb. 7, 2012

## APPROVAL OF THE COMMISSIONER

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

RECEIVED SEP 15 2008

I hereby certify that this Assignment was filed in my office on \_\_\_\_\_ and was approved by me

and shall be effective as to the State of New Mexico on APPROVED OCT 03 2008

Patricia H. Long  
COMMISSIONER OF PUBLIC LANDS

## INSTRUCTIONS AND INFORMATION

1. ANNUAL RENTAL: The annual rental for the land in this Assignment is 1.50¢ 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 of any Lease initially issued prior to June 15, 1985, the annual rental shall not be less than six dollars (\$6.00). For any Assignment of any Lease initially issued after June 14, 1985, or of 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 and 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 days from the date of signing, and must be accompanied by the recording fee.
5. RECORDING FEE: The recording fee for each Assignment is thirty dollars (\$30.00). If, however, the Assignment is filed more than one hundred 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 when it is made:
  - 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 an undivided interest;
  - D. in the name of a trusteeship, unless the trust document is attached or on file, and not more than two persons are named as trustee;
  - E. after a lis pendens is filed;
  - F. including any change or addition to the language contained in the Assignment form;
  - G. where surety requirements have not been met; or
  - H. where the lease is not in good standing; provided, however, that approval by the Commissioner does not waive any rights or claims the Commissioner may have to rentals, royalties, or other obligations due to the Commissioner by the Assignor under the lease. Approval of the assignment by the Commissioner does not guarantee the lease is in good standing.
8. COMPLETE ADDRESS: An Assignment must show the complete mailing address of the Assignee.
9. ACKNOWLEDGMENT: An Assignment must be executed before an officer authorized to take acknowledgments of deeds. Persons executing on behalf of a corporation or other business entity must indicate title or authority to execute.
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. BLANKET ASSIGNMENTS: Must have an Exhibit A attached that includes lease number, original lessee of record, lease issue date, county, and land description. Provide a copy of the original assignment form and the exhibit for every lease.
12. BLANKET ASSIGNMENTS: Will only be approved for record title. All other types of assignments (operating rights, depth limitations, undivided interests, etc.) will be filed as miscellaneous instrument documents for record purposes only.
13. COMMUNICATIONS: All official business, letters and communications must be addressed directly to the Commissioner of Public Lands; Oil, Gas, and Minerals Division.
14. 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

LEASE NO: V082660000

Application No:

OIL AND GAS LEASE  
(Discovery Form)

THIS AGREEMENT, dated May 1, 2008, between the state of New Mexico, acting by and through its commissioner of public lands, hereinafter called the "lessor", and

STEVEN W. HORN  
P. O. BOX 2755  
MIDLAND, TX 79702

hereinafter called the "lessee",

## WITNESSETH:

WHEREAS, the 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; and

WHEREAS, all of the requirements of law relative to the application and tender have been duly complied with;

THEREFORE, in consideration of the premises as well as the sum of **TWO HUNDRED THOUSAND and 00/100 dollars (\$200,000.00)**, the same being the amount of the tender above mentioned, and the further sum of \$30.00 filing fee, and of the covenants and agreements hereinafter contained, the lessor does hereby 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 (including carbon dioxide and helium), 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 rights-of-way, easements and servitudes for pipelines, telephone 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 covenants and conditions hereinafter set out, the following described land situated in the count(y)(ies) of **Chaves**, state of New Mexico, and more particularly described as follows:

Subdivisions	Section	Twp	Rge	Acres	Institution
NE4	10	15S	31E	160.00	RR

RECEIVED  
2008 APR 25 PM 5 27  
STATE LAND OFFICE  
SANTA FE, N.M.

Said lands having been awarded to lessee and designated as Tract No. **V0-O-002** at public sale held by the commissioner of public lands on **April 15, 2008**.

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, or either of them, is produced in paying quantities from said land by 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-sixth 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 is stored.

2. Subject to the free use without royalty, as hereinbefore provided, at the option of the lessor at any time and from time to time, the lessee shall pay the lessor as royalty one-sixth part of the gas produced and saved from the leased premises, including casing-head gas. Unless said option is exercised by lessor, the lessee shall pay the lessor as royalty one-sixth of the cash value of the gas, including casing-head gas, produced and saved from the leased premises and marketed or utilized, such value to be equal to the net proceeds derived from the sale of such gas in the field; provided, however, the cash value for royalty purposes of carbon dioxide gas and of hydrocarbon gas delivered to a gasoline 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.

NM 3540049-000

Notwithstanding the foregoing provisions, the lessor 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 or in the public interest.

This lease shall not expire at the end of the primary term hereof if there is a well capable of producing gas in paying quantities located upon some part of the lands embraced herein, or upon lands pooled or communitized herewith, where such well is shut-in due to the inability of the lessee to obtain a pipeline connection or to market the gas therefrom and if the lessee timely pays an annual royalty 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. The amount of any annual royalty payable under this section shall equal twice the annual rental due by the lessee under the terms of this lease but not less than three hundred twenty dollars (\$320) per well per year, provided, however, that any such annual royalty for any year beginning on or after ten years from the date hereof shall equal four times the annual rental due by the lessee under the terms of this lease but not less than two thousand dollars (\$2,000) per well per year; provided further that no annual royalty shall be payable under this section if equivalent amounts are timely paid pursuant to another lease issued by lessor and if such other lease includes lands communitized with lands granted hereunder for the purpose of prorationally sharing in the shut-in well. Notwithstanding the provisions of this section to the contrary, this lease shall not be continued after five years from the date hereof for any period of more than ten years by the payment of said annual royalty unless, for good cause shown, the commissioner of public lands, in his discretion, grants such a continuance.

3. Lessee agrees to make full settlement on the twentieth day of each month for all royalties due to 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. An annual rental at the rate of 0.50 per acre shall become due and payable to the lessor by the lessee upon each acre of the land above described and then claimed by such lessee, and the same shall be due and payable in advance to the lessor on successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than forty dollars (\$40.00).

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

5. The lessee may at any time by paying to the lessor all amounts then due as provided herein and the further sum of forty dollars (\$40.00), 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 expressed or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, 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 which is 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, provided that no such offset well shall be required if compensatory royalties are paid pursuant to an agreement between the lessor and the lessee.

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 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 be in the interest of the beneficiaries of the lands granted hereunder 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 of 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 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, 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 so defaulting, by registered or certified mail, addressed to the post-office address of such lessee 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 shall remedy the default specified in said notice, cancellation shall not be made.

14. If this lease shall have been maintained in accordance with the provisions hereof and if at the expiration of the primary term provided for herein oil or gas is not being produced on said land but lessee 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 primary 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 this lease shall thereupon terminate.

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 Paragraph 13 hereof for failure to pay rentals or file reports which may become due while operations are being conducted hereunder.

15. Should production of oil and 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 five 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 a 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.

16. Lessee, including their heirs, assigns, agents and contractors shall at their own expense fully comply with all laws, regulations, rules, ordinances and requirements of the city, county, state, federal authorities and agencies, in all matters and things affecting the premises and operations thereon which may be enacted or promulgated under the governmental police powers pertaining to public health and welfare, including but not limited to conservation, sanitation, aesthetics, pollution, cultural properties, fire and ecology. Such agencies are not to be deemed third party beneficiaries hereunder, however, this clause is enforceable by the lessor in any manner provided in this lease or by law.

17. Should lessor desire to exercise its rights to take in-kind its royalty share of oil, gas or associated substances or purchase all or any part of the oil, gas or associated substances produced from the lands covered by this lease, the lessee hereby irrevocably consents to the lessor exercising its right. Such consent is a consent to the termination of any supplier/purchaser relationship between the lessor and the lessee deemed to exist under federal regulations. Lessee further agrees that it will require any purchaser of oil, gas or associated substance to likewise waive any such rights.

18. Lessor reserves a continuing option to purchase at any time and from time to time, at the market price prevailing in the area on the date of purchase, all or any part of the minerals (oil and gas) that will be produced from the lands covered by this lease.

19. Lessor reserves the right to execute leases for geothermal resource development and operation thereon, the right to sell or dispose of the geothermal resources of such lands; and the right to grant rights-of-way and easements for these purposes.

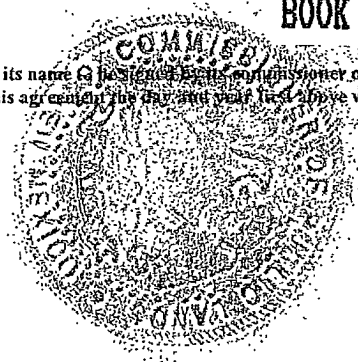
20. All terms of this agreement shall extend to and bind the heirs, executors, administrator, successors and assigns of the parties hereto.

RECEIVED  
STATE OF OKLAHOMA  
APR 5 1967  
Rm 3 27

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: Patrick H. Lynn  
Commissioner of Public Lands, Lessor

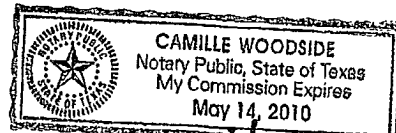


Steven W. Horn (Seal)  
Lessee

(PERSONAL ACKNOWLEDGMENT)

STATE OF Texas ss.

COUNTY OF Midland ss.



The foregoing instrument was acknowledged before me this 21 day of April, 2008, by

Steven W. Horn  
My commission expires: 5-14-2010 Camille Woodside  
Notary Public

(ACKNOWLEDGMENT BY ATTORNEY-IN-FACT)

STATE OF \_\_\_\_\_ ss.

COUNTY OF \_\_\_\_\_ ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by

\_\_\_\_\_ as attorney-in-fact in behalf of \_\_\_\_\_

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

(ACKNOWLEDGMENT BY CORPORATION)

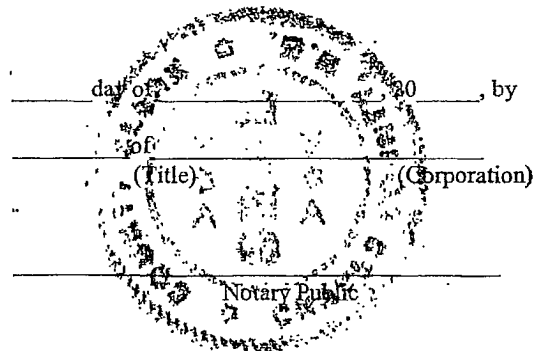
STATE OF \_\_\_\_\_ ss.

STATE OF NEW MEXICO, COUNTY OF CHAVES, ss  
FILE FOR RECORD May 8, 2008 at 11:45:36 o'clock AM  
Receipt No. 304661 Fee \$ 15.00  
Book 617 Page 322 Pages 4

To Whom Returned: STEVEN W HORN  
PO BOX 2755  
MIDLAND TX 79702

RHODA C. COAKLEY, COUNTY CLERK

By: Tracey Porter Deputy



15.00-4



United States Department of the Interior  
BUREAU OF LAND MANAGEMENT  
Pecos District

Carlsbad Field Office  
620 E. Greene  
Carlsbad, NM 88220

Roswell Field Office  
2909 W. Second St.  
Roswell, NM 88021

[www.nm.blm.gov](http://www.nm.blm.gov)



In reply refer to  
1310 (500)

NOV 13 2006

Reclamation

Dear Operator:

Both the Bureau of Land Management (BLM) and the oil and gas industry recognize that mineral development is one of many uses on the public lands in New Mexico. Since oil and gas development is only meant to be a temporary use of the surface, interim reclamation of disturbed areas not needed for active support of production operations is a very important 'best management practice'. In an effort to insure continued access and availability of public minerals, it is in the best interests of the oil and gas industry and BLM to work together towards reclaiming lands not actively used for safe and economical production.

Recognizing that a "one size fits all" approach is not practical, I am asking our lessees and operators to work with BLM staff to find solutions on reclaiming disturbed areas. In keeping with best management practices, locations and roads should have the smallest surface impact possible while balancing the need for safety, terrain, depth of the well and good engineering practices. As I have indicated at our working group meetings, where terrain permits, roads and locations may be built with minimal or no caliche for surfacing. The BLM acknowledges that there will be areas, such as in sandy soils, where surfacing materials may be necessary for a well pad, or portions of the road. These details can be worked out at the time of the onsite inspection.

At the time reserve pits are to be reclaimed, operators should work with a BLM surface management specialist to devise the best strategies to reduce the size of the location. BLM is aware that safety requirements do not allow vehicles within the area of guy anchors. Any reductions should allow for remedial well operations, as well as safe and efficient removal of oil and gas. We also recognize that pad sizes will vary depending upon whether a tank battery is present, onsite terrain and soils at each location. Our goal is to minimize the footprint required for safe operations, while achieving our commitment to multiple land use.

During reclamation, the removal of caliche from a road and location when that material is no longer necessary is important to increasing the success of revegetating the site. Removed caliche may be used in road repairs, or for building other roads and locations. We also recognize that in sandy dunal areas significant interim reclamation may not be feasible. In addition, in order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed, since they will usually do little or no damage to the surface. If there is significant disturbance and loss of vegetation, the area will

need to be revegetated within a reasonable period after use. The BLM also acknowledges that there will be exceptions, and I urge operators to communicate with the appropriate BLM office if an exemption to interim reclamation is needed.

While change does not come easy for any of us, our combined efforts to reduce the footprint of mineral activities will go a long way in demonstrating our ability to harmonize oil and gas development with other uses on the public lands. I really appreciate your efforts in this area and look forward to our continued work together.

Sincerely,

A handwritten signature in dark ink, reading "Douglas J. Burger". The signature is fluid and cursive, with the first name "Douglas" and last name "Burger" clearly legible.

Douglas J. Burger  
Pecos District Manager