

**STATE OF NEW MEXICO  
COUNTY OF SANTA FE  
FIRST JUDICIAL DISTRICT COURT**

**STEPHANIE GARCIA RICHARD, COMMISSIONER OF  
PUBLIC LANDS OF THE STATE OF NEW MEXICO,**

**Plaintiff,**

**v.**

**Case No. \_\_\_\_\_**

**BC & D OPERATING, INC. and  
DOMINION PRODUCTION COMPANY, LLC,**

**Defendants.**

**VERIFIED COMPLAINT**

COMES NOW Plaintiff Stephanie Garcia Richard, Commissioner of Public Lands of the State of New Mexico (the “Commissioner”), by and through her undersigned counsel, and brings the following causes of action against Defendants BC & D Operating, Inc. and Dominion Production Company, LLC.

**PARTIES**

1. The Commissioner is the duly elected Commissioner of Public Lands, an office established under Article V, Section 1 of the New Mexico Constitution; Article XIII, Section 2 of the New Mexico Constitution; NMSA 1978, Section 19-1-1 (1912); and NMSA 1978, Section 19-1-2 (1953). The Commissioner is the chief executive officer of the New Mexico State Land Office (“State Land Office”) and has authority over lands (“state trust lands”) granted to the State of New Mexico (the “State”) by the federal government in trust to generate support for public schools and other state institutions, such as hospitals and universities (“beneficiaries”), and is designated under

New Mexico law to carry out the State's trust duties under the New Mexico Enabling Act (Act of Congress of June 20, 1910, 36 Stat. 557, Ch. 310, § 10) (the "Enabling Act"). The Commissioner has the authority and responsibility for the State's management, care, custody, control and disposition of state trust lands in accordance with the Enabling Act and with state law, including the authority to: (i) manage and lease state trust lands and collect all monies due to the State for lease of such lands; (ii) take all actions necessary to collect damages for trespass on state trust lands; and (iii) demand remediation and reclamation of state trust land caused by oil and gas activities.

2. Defendant BC & D Operating, Inc. ("BC&D") is a New Mexico corporation.

3. Dominion Production Company, LLC ("Dominion") is a foreign limited liability company doing business in the State of New Mexico.

### **JURISDICTION AND VENUE**

4. This Court has jurisdiction to hear this dispute pursuant to Article VI, Section 13 of the New Mexico Constitution.

5. Venue is proper in Santa Fe County pursuant to NMSA 1978, Sections 38-3-1(A) and (F).

### **ALLEGATIONS COMMON TO ALL CAUSES OF ACTION**

6. The State of New Mexico owns 640 acres of land in Township 18 North, Range 09 West, Section 36, N.M.P.M., located in McKinley County. These lands were conveyed to the State of New Mexico by the United States. These lands are state trust lands, managed by the Commissioner for the benefit of state land trust beneficiaries, specifically common (i.e., public) schools.

7. The Commissioner has the authority to manage and lease the Subject Lands described, subject to the requirements of the Enabling Act and law cited above.

**Facts Pertaining To Lease X0-0662-22**

8. On October 20, 1922, the then-Commissioner issued an oil and gas lease, Lease X0-0662, to N.A. Field and Theo. N. Espe. Lease X0-0662 included 440 acres of land located in Township 18 North, Range 09 West, Section 36, SE4, SE4/SW4, S2/N2, NE4/NW4, NW4/NE4, N.M.P.M., in McKinley County.

9. Lease No. X0-0662 was issued for a primary term of five years and an optional secondary term of five years. A true and correct copy of Lease X0-0662 is attached hereto as Exhibit 1.

10. BC&D's predecessors in interest, Great Western Drilling Company and Tesoro Petroleum Company, agreed in 1988 to be bound by the terms of the then-current form of lease, as set forth in NMSA 1978, § 19-10-4.1. A true and correct copy of that stipulation is attached hereto as Exhibit 2.

11. After a series of intermediate assignments, a portion of Lease X0-0662 was assigned to BC&D in 1993, denominated as Lease X0-0662-22. A true and correct copy of this assignment is attached hereto as Exhibit 3.

12. The X0-0662-22 assignment provides that it would remain in effect beyond its primary term of five years and optional secondary term of five years only "as long thereafter as oil and gas in paying quantities or either of them is produced from [the leased lands]." Ex. 3, ¶ 2.

13. There are at least 38 wells on the state trust lands encompassed by Lease X0-0662-22, at least 25 of them unplugged:

<b>Well Nos.</b>	<b>Operator</b>	<b>Plug Date</b>
30-31-05201	DOMINION PRODUCTION COMPANY, LLC	
30-31-05203	DOMINION PRODUCTION COMPANY, LLC	
30-31-05204	DOMINION PRODUCTION COMPANY, LLC	
30-31-05205	DOMINION PRODUCTION COMPANY, LLC	
30-31-05207	DOMINION PRODUCTION COMPANY, LLC	
30-31-05208	DOMINION PRODUCTION COMPANY, LLC	
30-31-05211	DOMINION PRODUCTION COMPANY, LLC	
30-31-05212	DOMINION PRODUCTION COMPANY, LLC	
30-31-05213	DOMINION PRODUCTION COMPANY, LLC	
30-31-05214	DOMINION PRODUCTION COMPANY, LLC	
30-31-05216	DOMINION PRODUCTION COMPANY, LLC	
30-31-05217	DOMINION PRODUCTION COMPANY, LLC	
30-31-05219	DOMINION PRODUCTION COMPANY, LLC	
30-31-05223	DOMINION PRODUCTION COMPANY, LLC	
30-31-05224	DOMINION PRODUCTION COMPANY, LLC	
30-31-05225	DOMINION PRODUCTION COMPANY, LLC	
30-31-20115	DOMINION PRODUCTION COMPANY, LLC	
30-31-20116	DOMINION PRODUCTION COMPANY, LLC	
30-31-20269	DOMINION PRODUCTION COMPANY, LLC	
30-31-20596	DOMINION PRODUCTION COMPANY, LLC	
30-31-20831	DOMINION PRODUCTION COMPANY, LLC	
30-31-20833	DOMINION PRODUCTION COMPANY, LLC	
30-31-20944	DOMINION PRODUCTION COMPANY, LLC	
30-31-60022	DOMINION PRODUCTION COMPANY, LLC	
30-31-20197	BC & D OPERATING INC.	
30-31-05226	TESORO PETROLEUM CO.	7/3/1970
30-31-20404	TESORO PETROLEUM CO.	9/1/1974
30-31-05558	TESORO PETROLEUM CO.	8/26/1987
30-31-05560	TESORO PETROLEUM CO.	8/26/1987
30-31-07029	TESORO PETROLEUM CO.	8/26/1987
30-31-20834	TESORO PETROLEUM CO.	4/12/1989
30-31-05561	TESORO PETROLEUM CO.	6/20/1991
30-31-07030	BC & D OPERATING INC.	3/10/2003
30-31-20612	BC & D OPERATING INC.	6/30/2003
30-31-20832	BC & D OPERATING INC.	7/7/2003
30-31-20613	NACOGDOCHES OIL AND GAS, INC	3/22/2011
30-31-05559	DOMINION PRODUCTION COMPANY, LLC	10/31/2013
30-31-20247	DOMINION PRODUCTION COMPANY, LLC	10/31/2013

14. BC&D is the operator of record of four of the wells (including one unplugged well) on file with the New Mexico Oil Conservation Division (“OCD”), on expired Lease X0-0662-22.

15. Dominion is the operator of record of 26 wells (including 24 unplugged wells) on file with the OCD on expired Lease X0-0662-22.

16. The wells on Lease X0-0662-22 stopped producing oil and gas in paying quantities by July 2018, at the latest.

17. By letter dated May 8, 2019, the State Land Office notified BC&D that Lease X0-0662-22 had expired. A true and correct copy of the notice of expiration is attached hereto as Exhibit 4.

#### **Facts Pertaining To Lease B0-1276-9**

18. Located immediately adjacent to BC&D’s expired Lease X0-0662-22 is another expired lease also formerly held by BC&D, Lease B0-1276-9.

19. On October 10, 1932, the then-Commissioner issued an oil and gas lease, Lease B0-1276, to P.L. Nichol. Lease B0-1276 included 120 acres of land located in Township 18 North, Range 09 West, Section 36, NE4/SW4, W2/SW4, N.M.P.M., located in McKinley County. A true and correct copy of Lease B0-1276 is attached hereto as Exhibit 5.

20. Lease B0-1276 was issued for a primary term of five years and an additional term of five years. Ex. 5 at 1, ¶ 15.

21. After a series of intermediate assignments, a portion of Lease B0-1276 was assigned to BC&D in 1993, denominated as Lease B0-1276-9. A true and correct copy of the assignment is attached hereto as Exhibit 6.

22. The B0-1276-9 assignment provides that it would remain in effect beyond its primary term of five years and optional secondary term of five years only “as long thereafter as oil and gas in paying quantities or either of them is produced from [the leased lands].” Ex. 6, ¶ 2.

23. There are at least six wells on the expired Lease B0-1276-9, at least four of them unplugged:

Well Nos.	Operator	Plug Date
30-031-05218	BC & D OPERATING INC.	
30-031-05222	DOMINION PRODUCTION COMPANY, LLC	
30-031-20717	DOMINION PRODUCTION COMPANY, LLC	
30-031-05209	Unknown	
30-031-07028	BC & D OPERATING INC.	1/22/2003
30-031-20610	BC & D OPERATING INC.	6/30/2003

24. BC&D is the operator of record of three of the wells (including one unplugged well) on file with the OCD on the expired Lease B0-1279-9.

25. Dominion is the operator of record of two of the wells (both of them unplugged) on file with the OCD on the expired Lease B0-1279-9.

26. The wells on Lease B0-1279-9 stopped producing oil and gas in paying quantities by 2012, at the latest.

27. By letter dated January 11, 2018, the State Land Office notified BC&D that Lease X0-0662-22 had expired. A true and correct copy of the notice of expiration is attached hereto as Exhibit 7.

#### **Facts Common to Both Leases**

28. The 640 total acres that encompass expired Lease X0-0662-22 and expired Lease B0-1276-9 (the “Leases”) are located on state trust lands in Township 18 North, Range 09 West,

Section 36, N.M.P.M., in McKinley County (“Subject Lands”). A total of at least 44 wells are located on the Subject Lands.

29. In assuming the Leases, BC&D is responsible to the Commissioner, and the beneficiaries of the state land trust, for any damages caused to the Subject Lands in the course of BC&D’s tenure as lessee. Ex. 1 ¶ 17; Ex. 5 ¶ 11.

30. In assuming the Leases, BC&D is bound to “fully comply with all laws, regulations, rules, ordinances and requirements of ... state [and] federal authorities and agencies, in all matters and things affecting the premises and operations thereon ... including but not limited to conservation ... pollution, cultural properties, fire and ecology.” NMSA 1978, § 19-10-4.1.

31. State Land Office rules require that oil and gas lessees must, within 60 days of expiration of a lease, “remove all improvements placed or erected on the premises,” as well as all “lease related surface trash and debris,” including nonoperational equipment. 19.2.100.67(C) NMAC. BC&D has failed to comply with this requirement.

32. State Land Office lessees, like BC&D, are required to ensure that, upon cessation of operation of a well or expiration or cancellation of a lease, wells must be plugged in accordance with OCD standards 19.15.25 NMAC. BC&D has failed to provide for the plugging of at least 29 wells located on the two expired Leases on the Subject Lands, in violation of its duties to the Commissioner and to the state land trust beneficiaries.

33. In addition, OCD rules require BC&D and Dominion (as operators of the unplugged wells) to plug and abandon those wells or place them in approved temporary abandonment status within 90 days after a 60-day period following suspension of drilling operations, or a determination that the wells are no longer usable for beneficial purposes. 19.15.25.8 NMAC. Defendants have failed to comply with these requirements.

34. State Land Office rules further require that upon cessation of operations, oil and gas lessees and their agents must fully reclaim oil and gas lease sites, which includes remediation of spills and leaks, reseeding and berming of roads, removal of debris, and reclamation/revegetation of well pads. 19.2.100.67(C) NMAC. Defendants have failed to comply with these requirements.

35. By leaving improvements such as tank batteries, pump jacks, surface flowlines, and other abandoned infrastructure on the Subject Lands, and by leaving wells unplugged, BC&D and Dominion are committing an ongoing trespass.

### **COUNT I**

#### **Trespass, Waste and Negligence Per Se Based Upon Statutory Trespass and Waste**

36. The Commissioner repeats Paragraphs 1 through 35 above, and incorporates them as if set forth fully here.

37. Defendants have violated NMSA 1978, Section 19-6-3, under which each act of trespass and waste upon state trust land is a misdemeanor, punishable by a fine of up to five hundred dollars (\$500.00) per day, with each day's violation being a separate offense. These violations of trespass and waste by Defendants constitute negligence per se.

38. In addition, Defendants have caused damage to the Subject Lands by failing to remove debris, reclaim and remediate the site of its operations on those lands.

39. As such, the Commissioner is entitled to injunctive relief and an award of damages in an amount to be proven at trial for the diminution of the value of the Subject Lands caused by Defendants' acts of trespass and waste, and/or the cost of corrective action associated with remediation and reclamation of Defendants' acts of trespass and waste.



**COUNT II**  
**Common-Law Trespass and Waste**

40. The Commissioner repeats Paragraphs 1 through 39 above, and incorporates them as if set forth fully here.

41. Defendants have committed the torts of trespass and waste under the common law, and have wasted State resources in the course of committing that trespass, by wrongfully occupying the Subject Lands and by failing to remove debris, plug the wells, and reclaim and remediate the site of their operations on those lands.

42. As such, the Commissioner is entitled to injunctive relief and an award of damages in an amount to be proven at trial for the diminution of the value of the Subject Lands caused by Defendants' acts of trespass and waste, and the cost of corrective action associated with remediation and reclamation of Defendants' acts of trespass and waste.

**COUNT III**  
**Negligence**

43. The Commissioner repeats Paragraphs 1 through 42 above, and incorporates them as if set forth fully here.

44. Defendants have acted negligently in their respective operations on the Subject Lands, including by failing to plug wells, remediate spills, remove debris, and restore those lands.

45. Through their negligent acts, Defendants have injured the Commissioner and the state land trust beneficiaries by causing unremediated damage to state trust land.

46. The Commissioner is entitled to judgment in her favor in an amount to be proven at trial.

**COUNT IV**  
**Breach of Contract**

47. The Commissioner repeats Paragraphs 1 through 46 above, and incorporates them as if set forth fully here.

48. In assuming and agreeing to the terms of the Leases, BC&D must adhere to all applicable state laws, including 19.2.100.66 and 19.2.100.67 NMAC. Those rules require full site remediation and reclamation upon the cessation of lease operations.

49. In addition, under the Leases, BC&D is contractually liable to the Commissioner for all damage to the Subject Lands.

50. BC&D has damaged the Subject Lands.

51. BC&D has failed to honor its contractual obligations to remediate and reclaim the Subject Lands.

52. The Commissioner is entitled to specific performance of the environmental remediation and reclamation obligations contained in BC&D's contract (i.e., the Leases).

53. In the alternative, the Commissioner is entitled to damages in an amount to be proven at trial to compensate the State and the state land trust beneficiaries for BC&D's breach of the Leases.

**COUNT V**  
**Declaratory Judgment**

54. The Commissioner repeats Paragraphs 1 through 53 above, and incorporates them as if set forth fully here.

55. Under the Declaratory Judgment Act, "[i]n cases of actual controversy, district courts within their respective jurisdictions shall have the power to declare rights, status and other legal relations whether or not further relief is or could be claimed." NMSA 1978, § 44-6-2. "Any

person ... whose rights, status or other legal relations are affected by a ... contract ... may have determined any question of construction ... arising under the ... contract ... and obtain a declaration of rights, status or other legal relations thereunder.” NMSA 1978, § 44-6-4.

56. While declaratory relief is discretionary, it should be afforded in this case, because interpreting the Leases as requested by the Commissioner would “terminate the uncertainty or controversy giving rise to the proceeding.” NMSA 1978, § 44-6-7.

57. Additionally, the Declaratory Judgment Act permits “further relief ... [to] be granted whenever necessary or proper.” NMSA 1978, § 44-6-9. The Commissioner seeks a permanent injunction requiring Defendants to comply with State Land Office rules and promptly plug wells, remediate contamination, and fully restore the Subject Lands.

### **REQUEST FOR RELIEF**

**WHEREFORE**, the Commissioner prays for judgment against Defendants as follows:

- A. An award of compensatory damages as set forth above;
- B. An order directing Defendants to specifically perform their obligations under the Lease and state law;
- C. An injunction requiring Defendants to comply with their site reclamation and remediation obligations under state law, and to promptly plug and abandon the unplugged wells;
- D. Declaratory judgment in the Commissioner’s favor;
- E. An award of pre-judgment and post-judgment interest on any amounts recovered herein;
- F. An award of the Commissioner’s costs in bringing this action herein, including reasonable attorney’s fees and expenses; and

G. Such other and further relief as the Court may deem appropriate under the circumstances.

Respectfully submitted,

/s/ Ari Biernoff

Ari Biernoff

General Counsel

NEW MEXICO STATE LAND OFFICE

P.O. Box 1148

Santa Fe, NM 87504-1148

(505) 827-5756


abiernoff@slo.state.nm.us

*Attorney for Stephanie Garcia Richard,  
Commissioner of Public Lands of the State  
of New Mexico*

## VERIFICATION

[illegible]

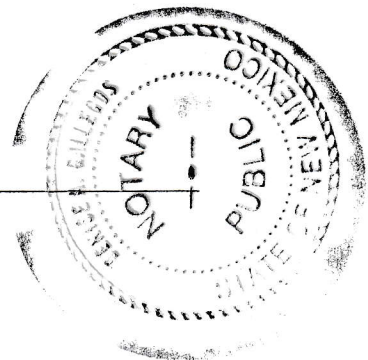
Allison Marks, being first duly sworn, deposes and states that she is the Director of the Oil, Gas & Minerals Division of the New Mexico State Land Office, that she has read the foregoing Verified Complaint, and that she knows the allegations of fact are true, except that allegations made upon information and belief, which she believes to be true.

  
Allison Marks

SUBSCRIBED AND SWORN TO before me this 25<sup>th</sup> day of April, 2021, by

Allison Marks

Unalut  
NOTARY PUBLIC



My Commission Expires:

August 27, 2024



# EXHIBIT 1



B

PAID FOR	
1931 \$ 8.00	Receipt No. 80520 (see plats)
1932 \$ .....	" " .....
1933 \$ .....	" " .....
1934 \$ .....	" " .....
1935 \$ .....	" " .....

TO HAVE AND TO HOLD said land, and all rights and privileges granted hereunder, to and unto the lessee for a term of five years from the date hereof, subject to the renewals hereinafter provided for.

In consideration of the premises the parties covenant and agree as follow:

1. The annual rental on this lease shall in no event be less than One Hundred Dollars (\$100.00), and the annual rental on any assignment hereof shall not in any case be less than Six Dollars (\$6.00).

2. The lessee agrees to 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 the oil is run into a pipe line, if the oil be run into a pipe line, or into storage tanks, if the oil be stored.

3. The lessee agrees to pay the lessor the one-eighth of the net proceeds derived from the sale of gas from each gas well where gas only shall be found. If casing-head gas produced from said land is sold by the lessee, the lessee shall pay the lessor as royalty one-eighth of the net proceeds of said sale; if casing-head gas produced from said land is utilized by the lessee otherwise than for carrying on the lessee's operations for producing oil or gas from said lands, then the lessee shall pay the lessor the market value in the field of the equal one-eighth part of the casing-head gas so utilized at the time of such utilization.

4. 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 verified reports showing in detail lessee's operations for the preceding year.

5. It is agreed that the initial cash payment hereinbefore specified shall constitute a rental for said premises for one year from the date hereof, and that such initial cash payment is a good, valid and substantial consideration, and sufficient in all respects to support each and every covenant contained herein, including specifically the option granted the lessee to extend this lease from time to time during its original five year term, or the term of any renewal, upon the payment or tender of the rental hereinafter provided for.

It is understood and agreed, however, that any rentals paid for any one year shall be a proper credit on royalties due and accruing for the same year, and that this provision shall apply separately to the lessee and to each assignee.

6. An annual rental, at the rate of five cents per acre shall also 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 date of this lease; and upon the failure of such lessee or such transferee or assignee, to pay the said rental for the lands or portions thereof so retained or claimed by each of the same respectively, upon such date, this lease shall cease and terminate and shall be cancelled by the Commissioner, which cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed or possessed by such person so defaulting in such payments, but shall not extend to nor affect the rights of any other person claiming any portion of the lands above described upon which no default has been made; Provided, that for each well for oil and gas, which the lessee or any such transferee or assignee may have in good faith commenced and diligently prosecuted upon such lands during any year previous to the date when such rental becomes due, such lessee or his said transferee or assignee, as the case may be, so commencing and drilling same, shall be entitled to an exemption from such rental payment for the year following the date of the commencement of such well upon the land then held by him, to the extent of five thousand acres thereof, to be selected and designated by him at the time of first claiming such exemption, such exemption to be entered of record in the office of the Commissioner.

7. In 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 furnish and deliver to said Commissioner a certified copy of a duly recorded release.

8. 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 in so far as the same covers all or any portion of the lands herein leased and be relieved from all 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.

9. If at the expiration of five years from the date hereof oil or gas in paying quantities is not being produced from any of the lands upon which this lease is then in force, it is agreed that this lease may be renewed as to such lands, at the option of the lessee, for a further period of five years upon the same terms and conditions as apply to the original five year term hereof; except that the rental to be paid each year in advance in lieu of commencing a well, shall be double the rental provided for during the original five year term, upon each acre of land elected to be retained by the lessee, at the expiration of any year.

10. In the event either oil or gas in paying quantities is being produced from any of the lands as to which this lease is in force at the expiration of five years from the date hereof, or at the expiration of any renewal hereof, then it is agreed that the lease shall be renewed for successive terms of five years each upon the same terms and conditions as apply to the original five year term as long as oil or gas in paying quantities or either of them is produced from such lands by the lessee; PROVIDED, that the lessee or any assignee holding this lease or any assignment thereof covering any lands from which oil or gas in paying quantities is being produced, shall, in addition to the royalties, pay the lessor an annual rental of fifty cents per acre in advance for all lands held or retained in the lease or assignment covering such productive lands; and it is understood and agreed that the provisions of paragraphs five and six of this lease shall not apply to any renewal made under the provisions of this paragraph.

11. If it should be finally adjudicated that the lessor is without power to provide for the renewal of this lease as above provided in paragraphs nine and ten, then at least thirty days before the expiration of the original term or any term for which this lease may be renewed, the lessee shall file with the lessor a statement showing all moneys expended by him in the development and operation of said lease for oil and gas mining purposes, and also a statement showing the proceeds of the sale of oil and gas produced from said land, the lessor to have access to the books and other records of lessee, and the right to make an inventory of all property on said lease to verify the correctness of said statement; and upon said statement being found correct by the lessor and if it should appear from said statement that said lease is still indebted to the lessee for the expense of development and operation, then before the lessor shall accept a bid of bonus for the renewal of said lease or a new lease from any person or corporation other than the lessee, the bid of such person or corporation shall exceed the bid of the lessee to the extent at least of the amount in which said lease is still indebted to the lessee, and upon the payment of said bid the lessee shall receive from the lessor the balance due him as aforesaid, and the remaining portion of the bonus shall be the property of the lessor; PROVIDED, the bid of the lessee and all other persons competing for said lease shall be upon the basis of one-eighth royalty; PROVIDED FURTHER, that if the lessee has been fully reimbursed for the cost of developing and operating said lease out of the proceeds of oil and gas sold therefrom and in the event that the lessee does not secure the renewal of said lease, then the successful bidder, in addition to the bonus paid the state for a lease on said lands shall pay the lessee the then value of the casing, tubing, and such other material as is in or about the wells on said lease and which cannot be removed therefrom without damage to said lease as a producing property, such value to be fixed by a representative of the lessee and the purchaser of said lease, and in the event they are unable to agree the lessor shall appoint an arbitrator, the award of any two of such three arbitrators to be conclusive as to the value of said material, and such purchaser shall not have the power to take possession of said leasehold until said price fixed as aforesaid is paid.

12. All payments due hereunder shall be made by lessee's check mailed, postage prepaid, on or before the day such

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payment is due, to the lessor at the above postoffice address, or to First National Bank of Santa Fe, N. Mex. deposit to lessor's credit, and the lessor, effective for the full term of this lease hereby makes and constitutes said bank or its successors its agent to accept all payment due hereunder, and the same shall continue as the depository thereof during the life of this lease, regardless of changes in the ownership of said land, rentals or royalties. No change in the ownership of said land, rentals or royalties shall affect or bind the lessee until the purchaser thereof shall exhibit to the lessee the original instrument of conveyance, or furnish a duly certified copy thereof; such evidence of ownership must be supplied at least sixty days before the next succeeding rental or royalty falls due, otherwise payment of rentals or royalties to the purchaser's predecessor in title shall bind such purchaser; provided, if such purchase covers a part of the acreage herein described only, or an undivided interest therein, then the lessee at its election may continue to pay the entire rental or royalty to the purchaser's predecessor in title.

13. The lessee with the consent of the lessor, shall have the right to assign this lease or any portion of the acreage covered hereby, in legal subdivisions, in which event lessee shall be liable only for royalties accruing from operations on the acreage retained by lessee, and be liable only for such portions of the rental under said lease as the acreage retained by the lessee bears to the entire acreage covered by the lease, and the assignee of the lessee shall have correlative rights and privileges with respect to said royalties and rentals as to the acreage assigned.

14. Lessee agrees with reasonable diligence to offset all paying oil or gas wells drilled, upon lands owned or held adversely to the lessor, within 300 feet of any of the lands covered by this lease and retained hereunder.

15. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, and the lessee or any transferee or assignee shall not be entitled to any exemption from rental payments on account of any well drilled at a location not approved by the Commissioner. The lessee agrees 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.

16. 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 non-productive 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 or cause to be paid to the lessee the reasonable value thereof.

17. Lessee shall be liable 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 pipe lines below plow depth.

18. 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 provisions of paragraph 16 above.

19. Forfeiture or cancellation of this lease for default upon the part of the lessee shall become effective in the manner provided by law, but the lessee shall in any event have thirty days' notice within which a forfeiture may be prevented by performing the terms or making the payments with respect to which lessee may be in default as specified in said notice of forfeiture.

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

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 this 21st day of October, 1922.

STATE OF NEW MEXICO,

By M. T. Field  
Commissioner of Public Lands, Lessor....

Thos. N. Espe (SEAL)  
Lessee.

Witnesses to Signature:

STATE OF New Mexico } ss.  
County of Santa Fe

On this the 21st day of Oct, 1922, personally appeared  
Before me Thos. N. Espe

to me known to be the person.... who executed the foregoing instrument as Lessee, and acknowledged that.....he..... executed the same as.....his..... free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

STATE OF New Mexico } ss.  
County of Santa Fe

M. E. Griffin  
Notary Public.  
(My Commission Expires July 5, 1925)

On this the..... day of....., 192....., personally appeared....., to me personally known, who being by me duly sworn did say that he is the..... of....., and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said..... acknowledge said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

Notary Public.







## NEW MEXICO STATE LAND OFFICE

STIPULATION AMENDING STATE OF NEW MEXICO OIL AND GAS  
LEASE NO. 662-20 TO CONFORM TO FORM PRESCRIBED  
BY SUBSECTION A OF SECTION 19-10-5 NMSA 1978. (LAWS  
1985 Ch 195)

WHEREAS, TESORO PETROLEUM CORPORATION

(1s) ~~(are)~~ the record owner ~~XXX~~, and TESORO PETROLEUM CORPORATION AND GREAT WESTERN DRILLING  
COMPANY

~~(XX)~~ (are) the working interest owner (s) of the original oil and gas lease set out in the caption hereof; and

WHEREAS, said lease is in good standing at the date hereof, according to the terms and conditions thereof,  
and all applicable statutes and regulations;

NOW, THEREFORE, pursuant to authority granted by Subsection A of Section 19-10-5 NMSA 1978 it is hereby  
stipulated and agreed that the terms and conditions of said original oil and gas lease and of all assignments  
thereof be and the same are amended to conform to the terms and conditions of the lease form prescribed by  
Section 19-10-4.1 NMSA 1978 as if said form had been the original.

GREAT WESTERN DRILLING COMPANY

BY: Mark L. Sami

President

TESORO PETROLEUM CORPORATION

BY: K. N. Durham

K. N. DURHAM

VICE PRESIDENT - EXPLORATION

Approved this 18th day of July, 19 88

W. R. Humphreys  
COMMISSIONER OF PUBLIC LANDS

(PERSONAL ACKNOWLEDGMENT)

STATE OF \_\_\_\_\_ )

) ss.

COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_.

by \_\_\_\_\_

NOTARY PUBLIC

My Commission expires: \_\_\_\_\_

**EXHIBIT 2**

NMSLO 332 \*\*\*\*\*75.00 VAL JUL15/88 A

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF TEXAS )  
COUNTY OF BEXAR ) ss.

The foregoing instrument was acknowledged before me this 1st day of July, 19 88, by \_\_\_\_\_

K. N. Durham Vice President - Exploration of  
(NAME) (TITLE)  
TESORO PETROLEUM CORPORATION, a Delaware  
(CORPORATION)

corporation, on behalf of said corporation.

My Commission Expires: 12/08/90

Margaret M. Wegeforth  
NOTARY PUBLIC  
Margaret M. Wegeforth

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF TEXAS )  
COUNTY OF MIDLAND ) ss.

The foregoing instrument was acknowledged before me this 6th day of July, 19 88, by Alan T. Davis

Alan T. Davis President of  
(NAME) (TITLE)  
Great Western Drilling Company, a Texas  
(CORPORATION)

corporation, on behalf of said corporation.

My Commission Expires: 11-30-88

Laverne Little  
NOTARY PUBLIC  
LAVERNE LITTLE, Notary Public  
In and For the State of Texas  
My Commission Expires 11-30-88

INSTRUCTIONS

(Submit to Commissioner of Public Lands, P. O. Box 1148, Santa Fe, New Mexico, 87504-1148, along with remittance in the sum of \$75.00 filing and handling fee.)

SPACE BELOW MAY BE USED FOR ADDITIONAL ACKNOWLEDGMENTS, IF NEEDED.

RECEIVED  
JUL 15 10 51 AM '88  
STATE OF TEXAS  
SANTA FE OFFICE



NEW MEXICO STATE LAND OFFICE  
ASSIGNMENT OF OIL AND GAS LEASE

From lease number
662-21
To lease number
662-22

CC186

KNOW ALL MEN BY THESE PRESENTS:

That Austral Oil Company, Incorporated.  
(wife, if any or state of incorporation)

as successor by merger to TES Acquisition Corp.

hereinafter called "Assignor" (whether one or more), for and in consideration of Ten or more Dollars, paid by

BC & D Oil & Gas Corp.

whose Post Office address is P. O. Box 5926

Hobbs, New Mexico 88241

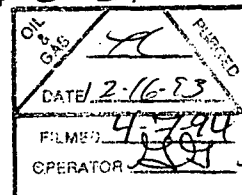
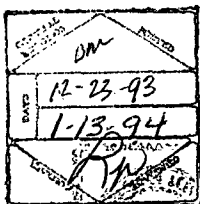
hereinafter called "Assignee" (whether one or more), does hereby sell, assign and convey to the Assignee the entire interest and title in and to that certain Oil and Gas Lease No. 662 made by the State of New Mexico to

Theo. N. Espe

under date of October 20, 19 22, only insofar as said lease covers the following land, in McKinley County, New Mexico, to-wit: 3 3889

T18N-R9W, N.M.M.

Sec. 36: SE/4, SE/4SW/4, S/2N/2, NE/4NW/4, NW/4NE/4 C.S.



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 lands.

With warranty covenants as to 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 Assignor covenants that said leasehold estate so assigned is valid and subsisting and that all rentals and royalties due thereunder have been paid.

EXECUTED this 6th day of May, 19 93.

Austral Oil Company, Incorporated

By: [Signature]

Garry P. Harper  
Vice President - Land

0035

05-20-93A10:18

\$30.00+ L0

(PERSONAL ACKNOWLEDGMENT)

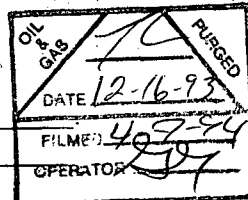
STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19

by \_\_\_\_\_

My commission expires: \_\_\_\_\_

Notary Public



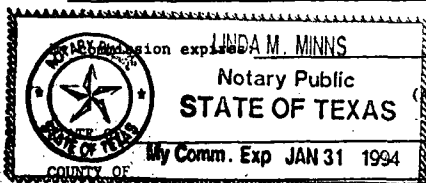
(ACKNOWLEDGMENT BY CORPORATION)

STATE OF TEXAS )  
COUNTY OF HARRIS ) ss.

The foregoing instrument was acknowledged before me this 6th day of May, 19 93.

by Harry C. Harper, Vice President-land of Austral Oil Company, Incorporated,  
(Name) (Title) (Corporation)

a Delaware corporation, on behalf of said corporation.



(ACKNOWLEDGMENT BY ATTORNEY-IN-FACT)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19

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

My commission expires: \_\_\_\_\_

Notary Public

APPROVAL OF THE COMMISSIONER

Office of Commissioner of Public Lands  
Santa Fe, New Mexico

I hereby certify that the within Assignment was filed in my office on

approved by me and to be effective as to the State of New Mexico on

MAY 20 1993

DEC 15 1993

Roy B. P.  
Commissioner of Public Lands

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 the date of signing and accompanied by Cashier's Check, Bank Draft, P.O. or Express Money Order.
4. The recording fee for each assignment is \$30.00 (if filed over 100 days from date of signing, additional fee of \$75.00 is charged).
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 subdivisions or for undivided interest. 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 post office 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  
P.O. Box 1148  
Santa Fe, New Mexico 87501-1148





State of New Mexico  
Commissioner of Public Lands  
310 OLD SANTA FE TRAIL P.O. BOX 1148  
SANTA FE, NEW MEXICO 87504-1148

STEPHANIE GARCIA RICHARD  
COMMISSIONER

(505) 827-5760  
Fax: (505) 827-5766  
www.nmstatelands.org

05/08/19

BC & D OPERATING INC.  
3001 KNOX STREET  
SUITE 403  
DALLAS, TX 75205

Notice is given that State Oil and Gas Lease Number X00662, Assignment Number 0022, original dated 10/20/1922, has automatically expired by its own terms.

Oil and Gas leases are issued for a period of five(5) or ten(10) years and assignments therefrom take the same terms and conditions as set forth in the original contract. Consequently, these expire after running their full term, unless extended by production or by the formal, timely invocation of saving clauses available within certain contracts. State Land Office records have been updated to reflect the action taken. This action will become non-appealable unless the party to whom it is directed initiates a contest proceeding within thirty (30) days of the date of the agency determination (NMAC 19.2.15).

Notice is also given that if any assignments or other instruments of transfer of royalties in the lease production have been recorded in the office of the county clerk wherein these lands are situated, the holders of such instruments must see that they are released from record as required by law. (Sections 70-1-1 through 70-1-5, NMSA, 1978 {1995 Repl. Pam.}).

Notice is further given that the Commissioner of Public Lands will look to you, as lessee of record at the State Land Office, for reimbursement to the State for any production from the premises formerly leased to you that occurs after lease expiration as a consequence of your failure to notify working interest owners of lease termination. You should therefore immediately notify in writing all holders of working interests in the lease that the lease has expired effective 05/08/2019.

If you should need additional information, please contact Rubel Salazar at (505)827-5730.

Respectfully,

Jordan Kessler  
Assistant Commissioner of Mineral Resources

**EXHIBIT 4**

# OIL AND GAS LEASE

THIS AGREEMENT, dated this the 20th day of October, A. D. 1932, 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 P. L. Nichol,  
Santa Fe, New Mexico,

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 One Hundred and no/100ths (\$ 100.00 ) Dollars, the same being the amount of the tender above mentioned, paid in cash, and evidenced by official receipt No. 100486,

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 and/or gas 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 pipe lines, 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 right 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 situate in the County of McKinley, State of New Mexico, and more particularly described as follows:

Line	Institution	Sec.	Twp.	Range	SUBDIVISION				Acres
					Column 1	Column 2	Column 3	Column 4	
1	C. S.	36	19N	8W			SW $\frac{1}{4}$ NE $\frac{1}{4}$	SE $\frac{1}{4}$ NE $\frac{1}{4}$	80.00
2	" "	"	"	"		NW $\frac{1}{4}$ NW $\frac{1}{4}$	SW $\frac{1}{4}$ NW $\frac{1}{4}$	SE $\frac{1}{4}$ NW $\frac{1}{4}$	120.00
3	" "	"	"	"	NE $\frac{1}{4}$ SW $\frac{1}{4}$	NW $\frac{1}{4}$ SW $\frac{1}{4}$	SW $\frac{1}{4}$ SW $\frac{1}{4}$	SE $\frac{1}{4}$ SW $\frac{1}{4}$	160.00
4	" "	"	"	"	NE $\frac{1}{4}$ SE $\frac{1}{4}$	NW $\frac{1}{4}$ SE $\frac{1}{4}$	SW $\frac{1}{4}$ SE $\frac{1}{4}$	SE $\frac{1}{4}$ SE $\frac{1}{4}$	160.00
5	" "	36	18N	9W	NE $\frac{1}{4}$ SW $\frac{1}{4}$	NW $\frac{1}{4}$ SW $\frac{1}{4}$	SW $\frac{1}{4}$ SW $\frac{1}{4}$		120.00
6								Total -----	640.00
7									
8									
9	PAID FOR				Receipt No	118971	See plats		
10	1933 \$	18.00		" "					
11	1934 \$			" "					
12	1935 \$			" "					
13	1936 \$			" "					
14	1937 \$			" "					
15									
16									
17									
18									
19									
20									
21									
22									



Said lands having been awarded to lessee and designated as tract No. \_\_\_\_\_ at a public sale held by the Commissioner of Public Lands on \_\_\_\_\_, 19\_\_\_\_\_. (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 pipe line, if the oil be run into a pipe line, or into storage tanks, if the oil be stored.

2. The lessee agrees to pay the lessor the one-eighth of the net proceeds derived from the sale of gas from each gas well. If casing-head gas produced from said land is sold by the lessee, the lessee shall pay the lessor as royalty one-eighth of the net proceeds of said sale; if casing-head gas produced from said lands is utilized by the lessee otherwise than for carrying on the lessee's operations for producing oil or gas from said lands, then the lessee shall pay the lessor the market value in the field, the equal of one-eighth part of the casing-head gas so utilized at the time of such utilization.

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. The lessee also agrees to submit to the lessor, for each and every royalty payment, a correct statement showing the amount of oil or gas produced and saved since his last report and the market value thereof. 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 fifteen cents per acre shall also 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 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 right to assign this lease in whole or in part. Provided, however, that no assignment of any 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 tract, 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. Lessee agrees, with reasonable diligence, to offset all paying oil or gas wells drilled, within 300 feet of any of the land covered by this lease and retained hereunder.

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 non-productive 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 agrees to pay for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by 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 30 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 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 and/or gas in paying quantities during the primary term hereof, 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. (This paragraph (15) shall not be inserted in any lease issued pursuant to the provisions of Section 3 (132-403) of this Act.).

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 J. F. Hucho  
COMMISSIONER OF PUBLIC LANDS, Lessor.

P. L. Nichol  
Lessee. (SEAL)

Distributed this the 2nd day of November, 1932.

(PERSONAL ACKNOWLEDGMENT)

STATE OF New Mexico }  
COUNTY OF Santa Fe } ss.

On this the 31st day of October, 1932, personally appeared before me

P. L. Nichol

to me known to be the person who executed the foregoing instrument as Lessee, and acknowledged that he

executed the same as his free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires May 15, 1933 Mary Coleman Guizpin  
Notary Public.

(ACKNOWLEDGMENT BY ATTORNEY IN FACT)

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } ss.

On this the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, personally appeared  
before me \_\_\_\_\_

to me known to be the person who executed the foregoing instrument in behalf of \_\_\_\_\_

and acknowledged that he executed the same as the free act and deed of said \_\_\_\_\_

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires: \_\_\_\_\_ Notary Public.

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } ss.

On this the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, personally appeared

to me personally known, who being by me duly sworn did say that he is the \_\_\_\_\_  
of \_\_\_\_\_

and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instru-  
ment was signed and sealed in behalf of said corporation by authority of its board of directors, and said \_\_\_\_\_

acknowledges said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires: \_\_\_\_\_ Notary Public.



# NEW MEXICO STATE LAND OFFICE

## ASSIGNMENT OF OIL AND GAS LEASE

From lease number
B-1276-8
To lease number
B-1276-9

KNOW ALL MEN BY THESE PRESENTS:

00185

That Austral Oil Company, Incorporated,  
(wife, if any or state of incorporation)

as successor by merger to TES Acquisition Corp.

hereinafter called "Assignor" (whether one or more), for and in consideration of Ten or more Dollars, paid by

BC & D Oil & Gas Corp.

whose Post Office address is P. O. Box 5926

Hobbs, New Mexico 88241

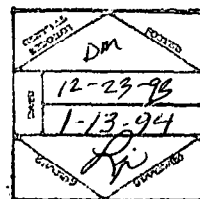
hereinafter called "Assignee" (whether one or more), does hereby sell, assign and convey to the Assignee the entire interest and title in and to that certain Oil and Gas Lease No. B-1276 made by the State of New Mexico to

P. L. Nichol

under date of October 20, 19 32, only insofar as said lease covers the following land, in McKinley County, New Mexico, to wit:

T18N-R9W, N.M.M.

Sec. 36: W/2SW/4, NE/4SW/4 G.S.



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 lands.

With warranty covenants as to 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 Assignor covenants that said leasehold estate so assigned is valid and subsisting and that all rentals and royalties due thereunder have been paid.

EXECUTED this 6th day of May, 19 93.

Austral Oil Company, Incorporated

By: Harry C. Harper  
Vice President - Land

OIL & GAS	PURGED
DATE <u>6/16/93</u>	
FILMED	
OPERATOR	

0034

05-20-93A10:17

\$30.00+ L0

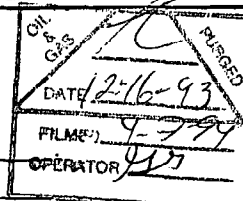
## (PERSONAL ACKNOWLEDGMENT)

STATE OF \_\_\_\_\_ )  
 ) ss.  
 COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_  
 by \_\_\_\_\_

My commission expires: \_\_\_\_\_

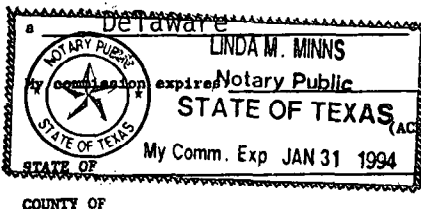
Notary Public



## (ACKNOWLEDGMENT BY CORPORATION)

STATE OF TEXAS )  
 ) ss.  
 COUNTY OF HARRIS )

The foregoing instrument was acknowledged before me this 6th day of May, 1993.  
 by Harry C. Harper, Vice President-Land Austral Oil Company, Incorporated,  
 (Name) (Title) (Corporation)



\_\_\_\_\_ Corporation, on behalf of said corporation.

Notary Public

STATE OF \_\_\_\_\_ )  
 ) ss.  
 COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_  
 by \_\_\_\_\_ as attorney-in-fact in behalf of \_\_\_\_\_

My commission expires: \_\_\_\_\_

Notary Public

## APPROVAL OF THE COMMISSIONER

Office of Commissioner of Public Lands  
 Santa Fe, New Mexico

I hereby certify that the within Assignment was filed in my office on \_\_\_\_\_

approved by me and to be effective as to the State of New Mexico on \_\_\_\_\_

MAY 20 1993

DEC 15 1993

Ray B Powell  
 Commissioner of Public Lands

## INSTRUCTIONS AND INFORMATION

1. An annual rental, at the rate of 30¢ 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 the date of signing and accompanied by Cashier's Check, Bank Draft, P.O. or Express Money Order.
4. The recording fee for each assignment is \$30.00 (if filed over 100 days from date of signing, additional fee of \$75.00 is charged).
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 subdivisions 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 post office 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  
 P.O. Box 1148  
 Santa Fe, New Mexico 87501-1148



AUBREY DUNN  
COMMISSIONER

State of New Mexico  
Commissioner of Public Lands  
310 OLD SANTA FE TRAIL P.O. BOX 1148  
SANTA FE, NEW MEXICO 87504-1148

(505) 827-5760  
Fax: (505) 827-5766  
[www.nmstatelands.org](http://www.nmstatelands.org)

01/11/18

BC & D OPERATING INC.  
3001 KNOX STREET  
SUITE 403  
DALLAS, TX 75205

Notice is given that State Oil and Gas Lease Number B01276, Assignment Number 0009, original dated 10/20/1932, has automatically expired by its own terms.

Oil and Gas leases are issued for a period of five(5) or ten(10) years and assignments therefrom take the same terms and conditions as set forth in the original contract. Consequently, these expire after running their full term, unless extended by production or by the formal, timely invocation of saving clauses available within certain contracts. State Land Office records have been updated to reflect the action taken. This action will become non-appealable unless the party to whom it is directed initiates a contest proceeding within thirty (30) days of the date of the agency determination (NMAC 19.2.15).

Notice is also given that if any assignments or other instruments of transfer of royalties in the lease production have been recorded in the office of the county clerk wherein these lands are situated, the holders of such instruments must see that they are released from record as required by law. (Sections 70-1-1 through 70-1-5, NMSA, 1978 {1995 Repl. Pam.}).

Notice is further given that the Commissioner of Public Lands will look to you, as lessee of record at the State Land Office, for reimbursement to the State for any production from the premises formerly leased to you that occurs after lease expiration as a consequence of your failure to notify working interest owners of lease termination. You should therefore immediately notify in writing all holders of working interests in the lease that the lease has expired effective 12/08/2017.

If you should need additional information, please contact Rubel Salazar at (505)827-5730.

Respectfully,

  
Aubrey Dunn  
COMMISSIONER OF PUBLIC LANDS

**EXHIBIT 7**

## LIMIT TERMINATION

[illegible]

## Wells

Criteria: OperatorSearchClause=BeginsWith, WellSearchClause=BeginsWith, WellNumberSearchClause=BeginsWith, PoolSearchClause=BeginsWith, section=36, township=18N, range=09W, CancelledAPDs=Exclude, PluggedWells=Exclude, SearchLocation=Surface

Records Returned: 29

Printed On: Friday, December 08 2017

API	Well	Type	Mineral Owner	Surface Owner	Status	Location (ULSTR)	OCD Unit Letter	Last Production	Spud Date	Plugged On	Current Operator
30-031-05205	HOSPAH SAND UNIT #003	Oil	State		Active	N-36-18N-09W	N	6/2016	07/09/1927		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-05204	HOSPAH SAND UNIT #007	Oil	State		Active	N-36-18N-09W	N	8/2017	04/27/1940		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-05208	HOSPAH SAND UNIT #010	Oil	State		Active	N-36-18N-09W	N	8/2015	07/09/1940		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-05207	HOSPAH SAND UNIT #015	Oil	State		Active	N-36-18N-09W	N	8/2011	07/15/1941		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-05211	HOSPAH SAND UNIT #016	Oil	State		Active	N-36-18N-09W	N	2/2010	08/04/1941		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-05213	HOSPAH SAND UNIT #017	Oil	State		Active	N-36-18N-09W	N	8/2011	09/02/1941		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-05203	HOSPAH SAND UNIT #019	Oil	State		Active	O-36-18N-09W	O	8/2011	07/07/1949		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-05212	HOSPAH SAND UNIT #025	Oil	State		Active	O-36-18N-09W	O	4/2017	12/17/1941		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-05214	HOSPAH SAND UNIT #027	Oil	State		Active	P-36-18N-09W	P	8/2011	01/19/1942		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-05216	HOSPAH SAND UNIT #028	Oil	State		Active	J-36-18N-09W	J	6/2016	05/04/1942		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-05225	HOSPAH SAND UNIT #029	Oil	State		Active	G-36-18N-09W	G	8/2011	09/17/1942		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-05224	HOSPAH SAND UNIT #032	Oil	State		Active	I-36-18N-09W	I	8/2011	03/20/1944		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-05223	HOSPAH SAND UNIT #034	Oil	State		Active	J-36-18N-09W	J	8/2011	03/25/1944		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-05222	HOSPAH SAND UNIT #035	Oil	State		Active	K-36-18N-09W	K	8/2011	04/21/1944		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-05217	HOSPAH SAND UNIT #036	Oil	State		Active	J-36-18N-09W	J	7/2012	06/09/1944		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-05219	HOSPAH SAND UNIT #037	Oil	State		Active	I-36-18N-09W	I	7/2009	07/18/1944		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-20269	HOSPAH SAND UNIT #048Y	Oil	State		Active	O-36-18N-09W	O	1/2015	08/16/1972		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-05201	HOSPAH SAND UNIT #050	Oil	State		Active	P-36-18N-09W	P	2/2012	07/20/1946		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-60022	HOSPAH SAND UNIT #053	Oil	State		Active	O-36-18N-09W	O	4/2015	07/15/1965		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-20115	HOSPAH SAND UNIT #058	Injection	Private		Active	O-36-18N-09W	O	12/2005	08/08/1969		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-20116	HOSPAH SAND UNIT #059	Oil	Private		Active	J-36-18N-09W	J	5/2015	08/13/1969		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-20596	HOSPAH SAND UNIT #088	Oil	Private		Active	O-36-18N-09W	O	6/2016	02/05/1980		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-20717	HOSPAH SAND UNIT #096	Oil	Private		Active	K-36-18N-09W	K	7/2012	07/05/1981		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-20831	HOSPAH SAND UNIT #100	Injection	State		Active	H-36-18N-09W	H	11/2009	12/27/1982		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-20833	HOSPAH SAND UNIT #102	Oil	State		Active	I-36-18N-09W	I	4/2016	12/19/1982		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-20944	HOSPAH SAND UNIT #105	Oil	Private		Active	N-36-18N-09W	N	6/2016	08/09/1989		[291567] DOMINION PRODUCTION COMPANY, LLC

30-031-05209	HOSPAH #031	Oil	Federal	Dry Hole	M-36-18N-09W	M	1/1800	11/02/1942	[214263] PRE-ONGARD WELL OPERATOR
30-031-05218	PRE- ONGARD WELL #018	Oil	State	Expired Temporary Abandonment	K-36-18N-09W	K	1/1800	07/18/1944	[214263] PRE-ONGARD WELL OPERATOR
30-031-20197	PRE- ONGARD WELL #053Y	Oil	State	Plugged, Not Released	O-36-18N-09W	O	1/1800	01/28/1971	[214263] PRE-ONGARD WELL OPERATOR

## UNIT TERMINATION

[illegible]



## Wells

Criteria: OperatorSearchClause=BeginsWith, WellSearchClause=BeginsWith, WellNumberSearchClause=BeginsWith, PoolSearchClause=BeginsWith, section=36, township=18N, range=09W, CancelledAPDs=Exclude, PluggedWells=Exclude, SearchLocation=Surface

Records Returned: 29

Printed On: Friday, December 08 2017

API	Well	Type	Mineral Owner	Surface Owner	Status	Location (ULSTR)	OCD Unit Letter	Last Production	Spud Date	Plugged On	Current Operator
30-031-05205	HOSPAH SAND UNIT #003	Oil	State		Active	N-36-18N-09W	N	6/2016	07/09/1927		[291567] DOMINION PRODUCTION COMPANY, LLC
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30-031-05208	HOSPAH SAND UNIT #010	Oil	State		Active	N-36-18N-09W	N	8/2015	07/09/1940		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-05207	HOSPAH SAND UNIT #015	Oil	State		Active	N-36-18N-09W	N	8/2011	07/15/1941		[291567] DOMINION PRODUCTION COMPANY, LLC
30-031-05211	HOSPAH SAND UNIT #016	Oil	State		Active	N-36-18N-09W	N	2/2010	08/04/1941		[291567] DOMINION PRODUCTION COMPANY, LLC
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