



OIL AND GAS MANUAL

NEW MEXICO STATE LAND OFFICE

AUGUST 2025

New Mexico State Land Office

Agency Website

nmstatelands.org

Staff Directory

<https://www.nmstatelands.org/about/staff-directory/>

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New Mexico State Land Office Oil and Gas Division Contact List

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Vacant	Water Bureau Environmental Reviews, Contracts	505-827-5754	

To receive emails regarding any future Oil, Gas, and Minerals Division notices, please add yourself to our contact list by emailing ogmcontactlist@nmslo.gov

Lease Payment Inquiry	Accounting Office	505-827-5704
Rights of Way	Surface Division	505-827-5789
Caliche Permitting	Minerals Division	505-827-5783
Lease Files	Records Management	505-827-7984
Other Business Leases	Commercial Division	505-827-5724
Royalty	Royalty Management Division	505-827-4574 Fax 505-827-6073
Environmental Compliance Office	ECO@nmslo.gov	

Related Areas Contact List

Access Online

The State Land Office website is the best resource for the latest information regarding the most up to date forms, fees, lease portal, maps and other information.

<https://www.nmstatelands.org/>

The State Land Office staff continues to make available to the public databases that are useful in doing business with us.

ONGARD:

<http://web.slo.state.nm.us/Home/SLO/Default.aspx>

The ONGARD (Oil and Natural Gas Administration and Revenue Database) computer system tracks oil and gas production, taxes, and royalties in a relational database. It provides the most accurate information to date about statewide oil and natural gas production, royalties, and taxes.

Interactive GIS Maps:

<https://www.nmstatelands.org/maps-gis/interactive-maps/>

GO TECH:

<http://octane.nmt.edu/gotech/>

NM Tech's GO-TECH site. On this site you can obtain information made available through the work done by NM Tech's Petroleum Recovery Research Center (PRRC) that provides the public information about statewide land and lease status. The site also includes monthly production data as reported by the Oil Conservation District.

Lease Portal:

<https://secure.slo.state.nm.us/Applications/SLOConnect>

Includes an inventory of state trust land, lease descriptions, well locations, exploration information, royalty, and other trust revenue figures, as well as distribution and collection data. When the process of blending ONGARD and Geographical Information System (GIS) data is completed, the State Land Office and the public will be able to view online maps of well locations, lease locations, and areas of exploration and development. This format will help the State Land Office make decisions on natural resource management.

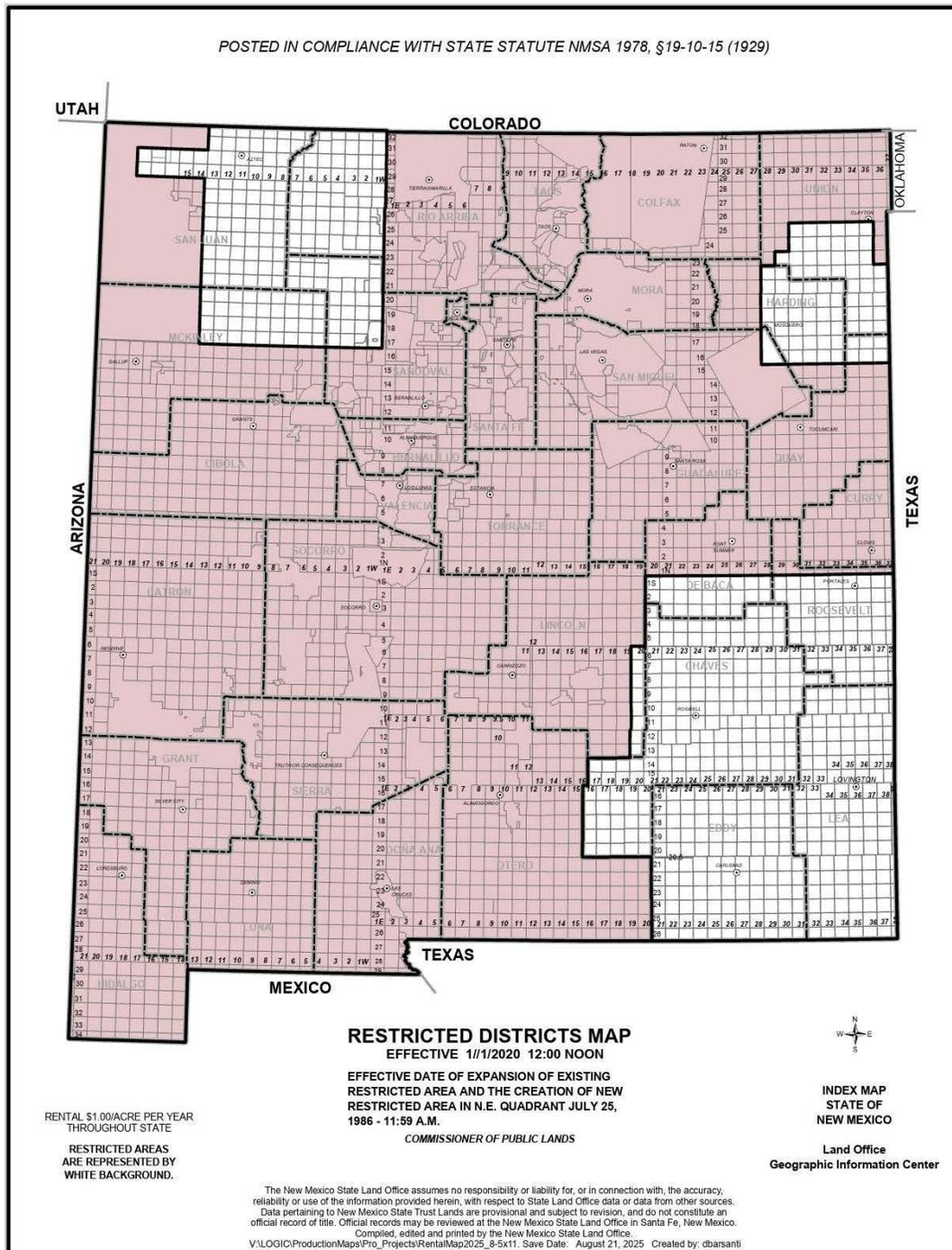
Oil and Gas Forms:

<https://www.nmstatelands.org/divisions/oil-gas-and-minerals/oil-and-gas-forms/>

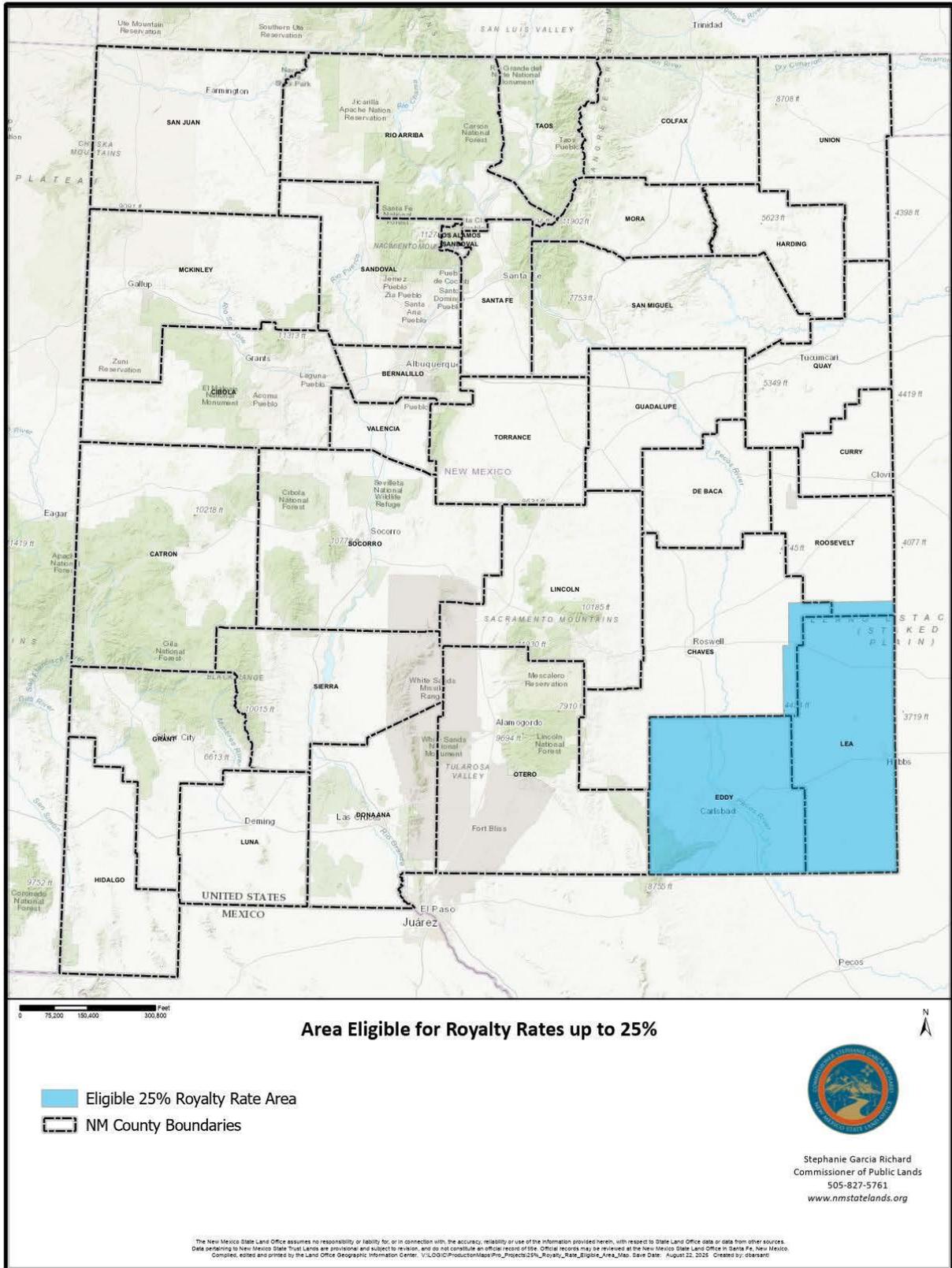
Please Note: that many forms were updated on December 1, 2022 to correspond with changes due to the implementation of the Cultural Properties Protection Rule.

Rental Map

Shows the rental rate per acre. The rate is \$1.00 per acre throughout the state. This map also shows the restricted acres of the State. Per 19.2.100.9 NMAC, a "restricted district comprises an area usually in a proven oil and gas area and is created by statute or by authority of the commissioner. A non- or unrestricted district includes all lands outside the exterior boundaries of restricted districts."



Areas Eligible for Royalty Rates up to 25% Map



Definitions

COMMERCIAL QUANTITIES: Production in sufficient quantity to repay the costs of drilling, completion, and production operations, with a reasonable profit.

COMMUNITIZATION: A cooperative agreement signed by lessees of record to fulfill spacing requirements for production, as determined on a pool or area basis, by the Oil Conservation Division.

JOINT OWNERSHIP: All titleholders share ownership in a lease. If there are more than two titleholders, no more than two owners act as attorneys-in-fact for all interest owners in a lease.

OIL CONSERVATION DIVISION: The oil and gas regulatory authority under the New Mexico Energy, Minerals & Natural Resources Department charged with administering and enforcing the Oil and Gas Act, 70-2-1 et seq. NMSA.

PAYING QUANTITIES: Production in sufficient quantity to repay operating expenses of a well, with a reasonable profit.

SEGREGATION CLAUSES: Apply to state leases where only part of the lease is within a post-1985 unit boundary. Under the terms of strict segregation clauses in state/fee exploratory units, production from the unit, even if the wells are on that portion of the lease inside the unit, will **NOT** hold the portion of the lease outside of the unit boundary. Under the terms of modified segregation clauses in the state/federal/fee exploratory unit, production from a well on a portion of the lease inside the unit area will hold that portion of the lease outside the unit boundary. Under the terms of modified segregation clauses in the state/federal/fee or state/fee waterflood unit, production from the portion of the lease, or production allocated to the portion of the lease, inside the unit area will hold that portion of the lease outside the unit boundary. Please refer to your unit agreement and the unit portion of the *Oil & Gas Manual* for specific information.

SHUT-IN ROYALTY: Payment in lieu of actual production royalty from a well, classified as a gas well by the New Mexico Oil Conservation Division, that is capable of producing gas in commercial quantities, when non-production is due to lack of market or lack of a pipeline connection.

SPECIAL SALE: These are tracts in one of the monthly oil and gas lease sales that are geographically located in what are known as Unrestricted Districts. These are the districts that are in areas where there is not yet commercial production and where oil and gas reserves are unknown.

REGULAR SALE: These are tracts that are geographically located in the Restricted Districts. These are the districts that encompass areas of known production of oil and gas.

UNDIVIDED INTEREST: Ownership in an oil and gas lease that is less than 100%.

UNITIZATION: A cooperative agreement for the development or operation of state lands under agreements made by lessees for operation or development of part or all of any oil or gas pool, field or area; for reduction of gas-oil ratios; for repressuring or secondary recovery operations; or for the storing of gas regardless of where such gas is produced.

Rules and Regulations for Oil and Gas

Disclaimer

Note that rules may be updated from time to time. The latest version of any applicable oil and gas rule may be found through the New Mexico State Records Center and Archives Commission of Public Records at the following: <https://www.srca.nm.gov/nmac-home/nmac-titles/title-19-natural-resources-and-wildlife/>. This website includes a link to both the latest State Land Office rules, along with the latest Oil Conservation Division rules. In addition, a link to all New Mexico statutes may be found at New Mexico One Source at: <https://nmonesource.com/nmos/en/nav.do>

Many of the latest applicable State Land Office rules are cited herein. Further, for convenience, the latest version of the rule, at the time of this publication, may be contained. However, the State Land Office recommends reviewing the most up-to-date rules and ensuring you are using the correct version of the rule for reference purposes.

Further, portions of this Manual may become out-of-date at any time. While the State Land Office makes attempts to maintain a current version of this reference Manual for the public, the State Land Office reserves the right to amend and modify any and all procedures set forth herein.

Finally, nothing herein is meant to limit the rights of the State Land Office. The State Land Office advises lessees and persons referencing this Manual that the State Land Office reserves all rights it has with persons under any contractual documents with persons, and this Manual, in no way, supersedes or supplements those contracts.

19.2.100

TITLE 19 NATURAL RESOURCES AND WILDLIFE
CHAPTER 2 STATE TRUST LANDS
PART 100 RELATING TO OIL AND GAS LEASES

19.2.100.1 ISSUING AGENCY: Commissioner of Public Lands, New Mexico State Land Office, P.O. Box 1148, Santa Fe, New Mexico 87504-1148.
[19.2.100.1 NMAC - Rp, 19.2.100.1 NMAC, 6/30/2016]

19.2.100.2 SCOPE: This rule pertains to all oil and gas leases on those lands held in trust by the commissioner of public lands under the terms of the Enabling Act and subsequent legislation (trust lands).
[19.2.100.2 NMAC - Rp, 19.2.100.2 NMAC, 6/30/2016]

19.2.100.3 STATUTORY AUTHORITY: The commissioner's authority to manage trust lands is found in Article 13 of the constitution of New Mexico, and in Section 19-1-1 NMSA 1978. The commissioner's authority to promulgate this rule is found in Section 19-1-2 NMSA 1978. The commissioner's authority over lessees and leases for the exploration, development and production of oil and natural gas on trust lands is found in Sections 19-10-1 *et seq* NMSA 1978.
[19.2.100.3 NMAC - Rp, 19.2.100.3 NMAC, 6/30/2016]

19.2.100.4 DURATION: Permanent.
[19.2.100.4 NMAC - Rp, 19.2.100.4 NMAC, 6/30/2016]

19.2.100.5 EFFECTIVE DATE: June 30, 2016, unless a later date is cited at the end of a section.
[19.2.100.5 NMAC - Rp, 19.2.100.5 NMAC, 6/30/2016]

19.2.100.6 OBJECTIVE: The objective of 19.2.100 NMAC is to provide for the orderly and lawful administration, and the appropriate exploration, development and production, of oil and natural gas on trust lands.
[19.2.100.6 NMAC - Rp, 19.2.100.6 NMAC, 6/30/2016]

19.2.100.7 DEFINITIONS: “**Schedule of fees**” means a list of fees that must be paid for performance of certain administrative functions. The schedule of fees shall be published on the state land office website and is subject to change at the discretion of the commissioner. Unless otherwise noted in the schedule of fees or in this rule, the fee shall be non-refundable.
[19.2.100.7 NMAC - Rp, 19.2.100.7 NMAC, 6/30/2016]

19.2.100.8 PRODUCTS INCLUDED: The commissioner is authorized to execute and issue oil and gas leases covering state common school and institutional trust lands as lessor in the name of the state of New Mexico. The form of basic lease is statutory and includes carbon dioxide. All leases issued after June 9, 1963, include helium. Leases issued on or before June 9, 1963, do not include helium gas unless stipulated as provided in 19.2.100.55 NMAC. All forms are provided by the land office.
[19.2.100.8 NMAC - Rp, 19.2.100.8 NMAC, 6/30/2016]

19.2.100.9 CLASSIFICATION INTO DISTRICTS: There are two types of districts, known respectively as restricted districts and non or unrestricted districts. A restricted district comprises an area usually in a proven oil and gas area and is created by statute or by authority of the commissioner. A non- or unrestricted district includes all lands outside the exterior boundaries of restricted districts.
[19.2.100.9 NMAC - Rp, 19.2.100.9 NMAC, 6/30/2016]

19.2.100.10 LANDS SUBJECT TO LEASE: All state lands presently open for oil and gas lease purposes, or lands which may become open in the future due to the cancellation or expiration of leases, or for any other reason, may be leased only by competitive bid after public notice in accordance with 19.2.100.25 NMAC hereof, except as provided in 19.2.100.12 NMAC.
[19.2.100.10 NMAC - Rp, 19.2.100.10 NMAC, 6/30/2016]

19.2.100.11 RESTRICTED DISTRICTS - LEASING:

A. All lands within a restricted district are classified as restricted lands and no tract of such lands shall be leased without being further categorized by the commissioner as either regular or premium based upon five factors: oil and gas trends; oil and gas traps; reservoir volume and recovery rating; lease bonus rating; and exploration and activity. A percentage of zero percent to twenty percent shall be allocated to each factor. In allocating percentages, the following procedures and criteria shall be used:

(1) Oil and gas trends, i.e., where depositional and structural conditions are favorable for accumulation of oil and gas, shall be determined as accurately as possible by the commissioner upon the advice of a qualified geologist using drilling patterns, geological society data, well records and logs, available seismic surface and subsurface geological information and structural maps;

(2) The likelihood of locating structural or stratigraphic oil and gas traps necessary for the accumulation of oil or gas in commercial quantities shall be determined by the commissioner upon the advice of a qualified geologist and a petroleum engineer based upon available seismic and geological data;

(3) Reservoir volume and recovery rating shall be determined considering the nearest known reservoir conditions which may be reasonably assumed to be applicable. Known porosity, permeability, water saturation, pressures and recovery factors shall be included when available and shall be utilized by a qualified petroleum engineer in recommending a reservoir volume and recovery rating;

(4) Lease bonus rating shall be based upon all available recent leasing data which may be reasonably assumed to be applicable. In the absence of sufficient recent leasing data, drilling patterns, geological trends, available seismic data and known or reasonably assumed structural features may be considered in determining the lease bonus rating; and

(5) Exploration and drilling activity shall be determined considering all available information which may include drilling patterns, approved drilling permits, progress reports of drilling wells, workover notices and other information which may be reasonably assumed to be applicable.

B. If the total percentage of all factors for a tract of land is less than seventy-five percent, the tract shall be categorized as regular. If the total percentage of all factors for a tract of land is seventy-five percent or more, the tract shall be categorized as premium.

[19.2.100.11 NMAC - Rp, 19.2.100.11 NMAC, 6/30/2016]

19.2.100.12 UNRESTRICTED DISTRICTS: Lands in an unrestricted district are ordinarily leased by offering them for sale at public auction to the highest and best bidder, as hereinafter explained and in accordance with 19.2.100.25 NMAC *et seq.* However, such lands may be leased on application without bidding if, in the opinion of the commissioner, the best interests of the trust will be served by so doing.

[19.2.100.12 NMAC - Rp, 19.2.100.12 NMAC, 6/30/2016]

19.2.100.13 TERM AND FORM OF LEASES: The commissioner shall issue oil and gas leases upon one of three statutory forms as follows, the form and royalty rate to be specified in the regular notice of public lease sale:

A. For lands classified as non-restricted lands under Section 19-10-3 NMSA 1978 and 19.2.100.9 NMAC, the commissioner shall use the exploratory lease form as set forth in Section 19-10-4.1 NMSA 1978.

B. For lands classified as restricted lands and categorized as regular under Section 19-10-3 NMSA 1978 and 19.2.100.11 NMAC, the commissioner, in the commissioner's discretion, may use the exploratory lease form as set forth in Section 19-10-4.1 NMSA 1978 or the discovery lease form as set forth in Section 19-10-4.2 NMSA 1978.

C. For lands classified as restricted lands and categorized as premium under Section 19-10-3 NMSA 1978 and 19.2.100.11 NMAC, the commissioner, in the commissioner's discretion, may use the exploratory lease form as set forth in Section 19-10-4.1 NMSA 1978, the discovery lease form as set forth in Section 19-10-4.2 NMSA 1978 or the development lease form as set forth in Section 19-10-4.3 NMSA 1978; provided, that in using the development lease form for a tract receiving less than 90 total percentage points under Section 19-10-3 NMSA 1978 and 19.2.100.11 NMAC, the royalty rate shall not exceed three-sixteenths.

[19.2.100.13 NMAC - Rp, 19.2.100.13 NMAC, 6/30/2016; A, 6/11/2019]

19.2.100.14 ANNUAL RENTAL - PRIMARY AND SECONDARY TERM: All leases issued by the commissioner shall provide for an annual rental to be paid by the lessee, whether or not a lease is producing oil or gas. The initial rental shall be fixed by the commissioner, but in no case shall the initial amount be less than twenty-five cents (\$0.25) nor more than one dollar (\$1.00) per acre. For ten-year leases, if production in paying quantities is obtained during the primary term of the first five years, then the initial rental rate shall be applicable as long as the lease is held by such production. If no production in paying quantities is obtained during the primary term and the

lease enters the secondary term of five years, the rental for the remaining life of the lease shall be either double that of the primary term or the highest rate of rental prevailing in the area at the commencement of the secondary term, whichever is higher.

[19.2.100.14 NMAC - Rp, 19.2.100.14 NMAC, 6/30/2016]

19.2.100.15 MINIMUM CHARGE: The minimum initial charge for any lease shall be one hundred dollars (\$100.00) or the minimum rental rate, whichever is greater, plus the application fee as set forth in the schedule of fees. Minimum rental rate is computed by multiplying the rental rate by the acreage in each advertised tract.

[19.2.100.15 NMAC - Rp, 19.2.100.15 NMAC, 6/30/2016]

19.2.100.16 LIMITATION OF ACREAGE: Unless otherwise approved and granted by the commissioner, no oil and gas lease shall be issued to cover more than the total number of acres of two sections of land to be wholly or partially included in the lease, regardless of the number of acres within those sections, provided that the lease may incorporate lands within more than two different sections of land.

[19.2.100.16 NMAC - Rp, 19.2.100.16 NMAC, 6/30/2016]

19.2.100.17 DIFFERENT RENTAL DISTRICTS - HIGHEST RENTAL PREVAILING: Where part of the lands in any lease are situated in one rental district and part thereof in another, or other districts, the lessee shall pay the rental prevailing in the district wherein part of the lands affected are situated having the highest rental.

[19.2.100.17 NMAC - Rp, 19.2.100.17 NMAC, 6/30/2016]

19.2.100.18 [RESERVED]

[19.2.100.18 NMAC - Rp, 19.2.100.18, 6/30/2016]

19.2.100.19 CLEAR-LIST OF LANDS FROM UNITED STATES ESSENTIAL BEFORE ISSUANCE OF LEASE: Ordinarily, leases will not be issued for selected lands which have not been clear-listed or for any lands where the records of the state land office show the title of the state to be in question, controversy or dispute.

[19.2.100.19 NMAC - Rp, 19.2.100.19 NMAC, 6/30/2016]

19.2.100.20 LIMITATION TO NOT MORE THAN TWO PERSONS OR LEGAL ENTITIES - TRUST LIMITATIONS - WAIVERS: As a matter of administration and without affecting property rights in oil and gas leases, whenever more than two persons or legal entities apply for the issuance of an oil and gas lease, the commissioner shall grant the lease in the names of no more than two persons acting as attorneys-in-fact for all potential interest owners. In the case of a trust, the trust must be express and a copy of the creating document filed with the commissioner. If more than two trustees are named, a lease shall be granted in the names of no more than two trustees acting as attorneys-in-fact for all trustees. The limitations in this rule may be waived by the commissioner for good cause.

[19.2.100.20 NMAC - Rp, 19.2.100.20 NMAC, 6/30/2016]

19.2.100.21 LEASE WITHIN 25 MILES SQUARE - RIGHT OF COMMISSIONER: No one lease may be issued for lands which will not fall within the area of a square twenty-five miles long by twenty-five miles wide; however, this requirement may be waived by the commissioner in any proper case.

[19.2.100.21 NMAC - Rp, 19.2.100.21 NMAC, 6/30/2016]

19.2.100.22 LIMITATION TO NOT MORE THAN ONE BENEFICIARY INSTITUTION: Leases will not be issued covering lands belonging to more than one beneficiary institution.

[19.2.100.22 NMAC - Rp, 19.2.100.22 NMAC, 6/30/2016]

19.2.100.23 SURETY TO PROTECT SURFACE PURCHASER AND LESSEE - WAIVERS:

A. Before any lessee shall commence development or operations, including any and all prospecting activities upon the lands, such lessee or operator shall execute and file with the commissioner a good and sufficient bond or other surety, in an amount to be fixed by the commissioner but not less than ten thousand dollars (\$10,000) in favor of the state of New Mexico for the benefit of the appropriate trust beneficiary and the state's contract purchasers, patentees and surface lessees, to secure payment to the extent allowed by law for such damage to their interests and tangible improvements upon such lands as may be suffered by reason of development, use and occupation of the lands by the oil and gas lessee.

B. A bond or other surety in the minimum amount of ten thousand dollars (\$10,000) for each lease shall be deemed sufficient unless and until the commissioner determines, or one or more surface lessees or purchasers show the commissioner, that such an amount is not adequate in a given case. Provided, however, that if a lessee holds more than one oil and gas lease, a blanket bond or other surety in the amount of twenty thousand dollars (\$20,000) will be acceptable unless and until the commissioner determines, or one or more surface lessees or purchasers show the commissioner, that such an amount is not adequate in a given case. Provided further, that if any purchaser, patentees or surface lessees shall file with the commissioner a waiver duly executed and acknowledged by the purchaser, patentee or surface lessee of the purchaser's, patentee's or surface lessee's right to require such bond or other surety pursuant to Section 19-10-26 NMSA 1978 the development, occupation and use of the lands by the oil and gas lessee may in the discretion of the commissioner be permitted without said surety.

C. With the approval of the commissioner, in lieu of the single and blanket bonds for oil and gas lessees, a twenty-five thousand dollar (\$25,000) bond or other surety may be used at the option of lessee for the use and benefit of the commissioner, to secure surface improvement damage and the performance of the lessee under one or more state leases or permits for minerals, oil and gas, coal or geothermal resources or as holder under one or more state rights of way or easements which the lessee has executed with the commissioner. The lessee will be obligated to perform and keep all terms, covenants, conditions and requirements of all state leases for minerals, oil and gas, coal or geothermal resources and of all state rights of way and easements executed with the commissioner, including the payment of royalties when due and compliance with all established mining plans and reclamation requirements.

[19.2.100.23 NMAC - Rp, 19.2.100.23 NMAC, 6/30/2016; A, 6/11/2019]

19.2.100.24 [RESERVED]

[19.2.100.24 NMAC - Rp, 19.2.100.24, 6/30/2016]

19.2.100.25 COMPETITIVE BIDDING ON ALL LANDS WITHIN RESTRICTED DISTRICTS: No oil and gas leases upon any state lands within any restricted district will be issued except to the highest and best bidder after competitive offers by sealed bids or a public auction. Regularly advertised sales covering lands within restricted areas are held on the third Tuesday of each month, or on the next business day following where the third Tuesday falls on a legal holiday. Lands outside the restricted districts may also be offered on said third Tuesday when it is deemed advisable. The commissioner may, in the commissioner's discretion, hold oil and gas lease sales, as aforesaid, by a combination of the methods set out above, and may also hold any sale at the county seat of the county where the lands or the greater part thereof are situated.

[19.2.100.25 NMAC - Rp, 19.2.100.25 NMAC, 6/30/2016; A, 6/11/2019]

19.2.100.26 NOTICE OF SALE: On or before ten days prior to the date of any such sale, notice of the same shall be posted in a conspicuous place in the state land office specifying the place, date and hour of the sale, and containing a description of the lands to be offered for lease, with a statement of the minimum bid which will be accepted.

[19.2.100.26 NMAC - Rp, 19.2.100.26 NMAC, 6/30/2016]

19.2.100.27 ACCEPTANCE OF BIDS: Up to the hour set for such sale, the commissioner will receive sealed bids for an oil and gas lease upon any tract of land described in the posted notice. All sealed bids submitted will be opened at the hour mentioned in the notice, and the lease will be awarded to the highest and best bidder, subject to the discretionary right of the commissioner to reject any bid.

[19.2.100.27 NMAC - Rp, 19.2.100.27 NMAC, 6/30/2016]

19.2.100.28 WHERE NO SEALED BIDS RECEIVED: Each of said tracts described in the notice on which no sealed bids are received may be offered for lease at public auction to the highest and best bidder, for cash, and lease will be awarded to such highest and best bidder if the offer shall be deemed acceptable. If no sealed bids or other bids are received for any tract described in the notice, such tract will be withdrawn until further notice at the discretion of the commissioner.

[19.2.100.28 NMAC - Rp, 19.2.100.28 NMAC, 6/30/2016]

19.2.100.29 APPLICATION UNDER OATH - FEES: Application for lease accompanying sealed bids shall be executed under oath by the applicant, or by the applicant's agent or attorney, duly authorized in writing, or by an officer or attorney-in-fact of a corporation, if application is by a corporation, and must be accompanied by a bid fee

as set forth in the schedule of fees (applied toward application fee for successful bidder) and the amount of the first year's rental and bonus offered. Unless approval of the commissioner for use of non-certified exchange is obtained, payment shall be made in cash, money order or certified check on a solvent bank. The land office furnishes application blanks upon request.

[19.2.100.29 NMAC - Rp, 19.2.100.29 NMAC, 6/30/2016; A, 6/11/2019]

19.2.100.30 TIE BIDS: When two or more sealed highest and best bids received for the same tract of land are equal, the commissioner (if such highest and best bidders are present and cannot agree, by stipulation in writing, on how such tract shall be disposed of) shall call such equal highest and best bidders before the commissioner in the state land office (or if such sale is held in the county in which such lands are located, the person conducting such sale shall call such equal highest and best bidders before the person) on the same day such bids are opened, and again offer such tracts at auction to such bidders only, and grant such lease to the then highest and best bidder. If such bidders are not present when such bids are opened, then the commissioner will notify such bidders to submit sealed proposals within 10 days next following the date of the sale at which such bids were determined to be equal.

[19.2.100.30 NMAC - Rp, 19.2.100.30 NMAC, 6/30/2016; A, 6/11/2019]

19.2.100.31 RIGHT TO REJECT ANY AND ALL BIDS - WITHHOLDING FROM LEASING: The commissioner reserves the right to reject any and all bids not in conformity with law and the posted notice of sale, and to require higher rentals, impose additional restrictions and requirements and to withhold lands from leasing whenever, in the commissioner's discretion, the commissioner shall deem it to be for the best interests of the trust to do so.

[19.2.100.31 NMAC - Rp, 19.2.100.31 NMAC, 6/30/2016; A, 6/11/2019]

19.2.100.32 TRANSFER AND ASSIGNMENT OF OIL AND GAS LEASES: Any transfer of an oil and gas lease or assignment is considered to convey an interest in real property and is therefore required to be formally executed by the proper parties and upon prescribed forms furnished by the state land office before such transfer or assignment shall be approved by the commissioner. Ordinarily, leases shall be transferred or assigned in the names of no more than two persons or legal entities as provided in 19.2.100.20 NMAC.

[19.2.100.32 NMAC - Rp, 19.2.100.32 NMAC, 6/30/2016]

19.2.100.33 JOINT TENANTS: Where an oil and gas lease is held in joint tenancy with the right of survivorship and a tenant dies, the lease shall be considered as belonging to the survivor or survivors and shall be so transferred upon presentation of a certified copy of the death certificate of the deceased tenant and payment of the proper rentals and fees.

[19.2.100.33 NMAC - Rp, 19.2.100.33 NMAC, 6/30/2016]

19.2.100.34 RESIDENT DECEDENT: To effect transfer of regular interest in state oil and gas leases of a deceased person resident in New Mexico, proper probate proceedings should be had in the county of residence of the deceased and certified copies of such proceedings, showing proper legal authority to transfer, should be filed with the commissioner.

[19.2.100.34 NMAC - Rp, 19.2.100.34 NMAC, 6/30/2016]

19.2.100.35 FOREIGN DECEDENT: In the event a decedent owner of a lease was resident of a state other than New Mexico, the estate must be probated in the state of such residence and ancillary proceedings conducted in the proper New Mexico court, and certified copies of such proceedings showing proper legal authority to transfer must be filed with the commissioner. Provided, however, where the decedent died on or after July 1, 1976, the lease may be transferred upon the foreign personal representative's compliance with the provisions of the New Mexico Probate Code.

[19.2.100.35 NMAC - Rp, 19.2.100.35 NMAC, 6/30/2016]

19.2.100.36 CO-OPERATIVE AGREEMENTS: Assignments of acreage committed to unit or co-operative agreements shall meet the requirements of Subsection G of 19.2.100.51 NMAC.

[19.2.100.36 NMAC - Rp, 19.2.100.36 NMAC, 6/30/2016]

19.2.100.37 [RESERVED]

[19.2.100.37 NMAC - Rp, 19.2.100.37, 6/30/2016]

19.2.100.38 LEASE CONTINUED BY PRODUCTION IN PAYING QUANTITIES: Except as otherwise provided in a co-operative agreement, production in paying quantities upon any part of the acreage included in any state oil and gas lease continues the lease upon every subdivision thereof (whether the same remains in the original lease or is assigned before or after production is had) subject, however, to the continued payment of rentals at the rate in effect at the time of production, and further subject to the implied covenants of development contained in any such lease.

[19.2.100.38 NMAC - Rp, 19.2.100.38 NMAC, 6/30/2016]

19.2.100.39 ASSIGNMENTS TO BE IN TRIPLICATE - ACKNOWLEDGMENT REQUIRED:

Assignments of oil and gas leases shall be filed in triplicate in the office of the commissioner and must be executed and acknowledged in the manner provided for transfer of real estate in New Mexico. The original copy of each assignment will be recorded and filed as a public record in the state land office and one copy returned to the person entitled to same.

[19.2.100.39 NMAC - Rp, 19.2.100.39 NMAC, 6/30/2016]

19.2.100.40 ASSIGNMENTS TO BE RECORDED IN THE LAND OFFICE: Assignments must be filed with the commissioner for approval within one hundred days after having been signed by the assignor as shown upon the face of the instrument, accompanied by a filing fee as set forth in the schedule of fees. Those presented after expiration of that time shall not be approved unless it can be shown to the satisfaction of the commissioner that extreme hardship will result to one or more of the parties and that no prejudice to the rights of the state will occur. An additional fee as set forth in the schedule of fees will be charged for each such assignment (or each group of assignments if the same basic facts are involved) to cover expense of investigation and records search.

[19.2.100.40 NMAC - Rp, 19.2.100.40 NMAC, 6/30/2016]

19.2.100.41 RESTRICTIONS: Assignments shall not be accepted nor approved by the commissioner:

- A. for less than assignor's entire interest in any legal subdivision (except where transfer is by operation of law);
- B. for less than a legal subdivision;
- C. in the names of more than two persons or legal entities. (See 19.2.100.20 NMAC);
- D. in the name of a trusteeship unless the trust is expressly set forth and not more than two persons are named as trustee;
- E. after *lis pendens* is filed;
- F. for any assignment containing any language other than the approved form;
- G. where the assignment covers acreage included in more than one lease;
- H. if the lease is not in good standing; or
- I. unless the assignor covenants to the assignee and the commissioner that the assigned leasehold estate is valid and subsisting and that all rental and royalties due thereunder have been properly paid.

[19.2.100.41 NMAC - Rp, 19.2.100.41 NMAC, 6/30/2016]

19.2.100.42 APPROVAL AND FILING WITHHELD:

- A. When assignments are accompanied by personal checks, the commissioner reserves the right to withhold approval of any and all assignments until checks are cleared and rentals on the lease from which assignments are made must be fully paid before assignments are subject to filing in the state land office.
- B. When an assignment is presented to the commissioner for approval and the address of record of the assignee thereon is the same as that of the assignor, or when such address had not been established on the records of the state land office, or when the approved assignment is to be returned to the assignor, the commissioner reserves the right to withhold approval and filing of the assignment until the assignee has verified, under oath, the address and the assignee's acceptance of the assignment of the lease.

[19.2.100.42 NMAC - Rp, 19.2.100.42 NMAC, 6/30/2016; A, 6/11/2019]

19.2.100.43 EFFECT OF COMMISSIONER'S APPROVAL - MISCELLANEOUS INSTRUMENTS:

Upon approval by the commissioner, the assignor shall be relieved from all obligations owing to the state with respect to the lands embraced in the assignment, and the state shall be likewise relieved from all obligations to the assignor as to the said lands, and the assignee shall succeed to all of the rights and privileges of the assignor and assumes all of the duties and obligations of the assignor as to the said lands. Provided, however, any record owner

of any lease may enter into any contract for development of the leasehold premises or any portion thereof, or may create overriding royalties or obligations payable out of production, or enter into any other agreements with respect to the development of the leasehold premises or disposition of the production therefrom, and it shall not be necessary for any such contracts, agreements or other instruments to be approved by the commissioner, but nothing contained in these items shall relieve the record title owner of such lease from complying with any of the terms or provisions thereof, and the commissioner shall look solely and only to such record owner for compliance therewith, and in any controversy respecting any such contracts, agreements or other instruments entered into by the lessee with other persons, neither the state of New Mexico nor the commissioner shall be a necessary party. All such contracts and other instruments may be filed either in the office of the commissioner or recorded in the office of the county clerk wherein the lands are situated, and the filing or recording thereof shall constitute notice to all the world of the existence and contents of the instrument so filed. The fee for filing such miscellaneous instruments in the office of the commissioner shall be as set forth in the schedule of fees.

[19.2.100.43 NMAC - Rp, 19.2.100.43 NMAC, 6/30/2016]

19.2.100.44 [RESERVED]

[19.2.100.44 NMAC - Rp, 19.2.100.44 NMAC, 6/30/2016]

19.2.100.45 TRANSFER OF RIGHTS BY CORPORATE ENTITIES - BY PURCHASE: Transfer of oil and gas interests by corporations shall be formally executed, as in the case of transfer of real estate in New Mexico, in conformity with statute and by payment of proper fees as provided in this rule.

[19.2.100.45 NMAC - Rp, 19.2.100.45 NMAC, 6/30/2016]

19.2.100.46 TRANSFER OF RIGHTS BY CORPORATE ENTITIES - BY CONSOLIDATION: In cases where corporations consolidate, transfer of oil and gas interests to the newly created corporation shall be accomplished pursuant to 19.2.100.39 through 19.2.100.45 NMAC.

[19.2.100.46 NMAC - Rp, 19.2.100.46 NMAC, 6/30/2016]

19.2.100.47 TRANSFER OF RIGHTS BY CORPORATE ENTITIES - BY MERGER: In cases where two or more corporations merge, transfer of oil and gas interests to the surviving corporation shall be accomplished by filing with the commissioner a copy of the merger agreement or certificate of merger. Thereafter, the oil and gas lease shall be transferred on the books of the land office in the name of the surviving corporation.

[19.2.100.47 NMAC - Rp, 19.2.100.47 NMAC, 6/30/2016]

19.2.100.48 TRANSFER OF RIGHTS BY CORPORATE ENTITIES - BY REORGANIZATION:

Where the assets of any corporation are taken over under court order by a corporation, the procedure will follow the provisions of the court order, which should direct separate assignments to be executed and filed for approval in the state land office.

[19.2.100.48 NMAC - Rp, 19.2.100.48 NMAC, 6/30/2016]

19.2.100.49 NOTICE OF PENDENCY OF SUIT FEES - EFFECT ON THE ABILITY TO ASSIGN

LEASE: At the time of filing of any suit affecting an oil and gas lease or the interest of any person therein, or at any time thereafter before judgment, the plaintiff may file with the commissioner a notice of pendency of suit containing the names of the parties thereto, the object of the action and a description of the lands affected, and upon filing of such notice and payment of the required fees as set forth in the schedule of fees, the land affected by such suit will not be subject to assignment or other disposition until such suit shall be finally determined and disposed of.

[19.2.100.49 NMAC - Rp, 19.2.100.49 NMAC, 6/30/2016]

19.2.100.50 CANCELLATION FOR DEFAULT: The commissioner may cancel any lease or assignment thereof for default upon giving the lessee or assignee notice by registered mail (certified mail if the lease so provides) of the commissioner's intention to cancel, specifying the default and, unless the lessee or assignee remedies the default within thirty days of the mailing date, the commissioner may cancel the lease or assignment. Proof of receipt of notice is not necessary or required before a valid cancellation may be entered.

[19.2.100.50 NMAC - Rp, 19.2.100.50 NMAC, 6/30/2016; A, 6/11/2019]

19.2.100.51 CO-OPERATIVE AND UNIT AGREEMENTS:

A. Purpose - consent: The commissioner may consent to and approve agreements made by lessees of state lands for any of the purposes enumerated in Section 19-10-45 NMSA 1978.

B. Application - requisites of agreements: Formal application shall be filed with the commissioner for approval of a co-operative or unit agreement at least 20 days in advance of the New Mexico oil conservation division's hearing date. A filing fee as set forth in the schedule of fees shall be paid for each section or fractional part thereof, whether the acreage is federal, state or privately owned. A unit agreement presented must have a unique unit name that will identify the agreement for so long as the agreement remains in effect and only under extraordinary circumstances will a unit name change be allowed after initial approval is granted. Applications for approval shall contain a statement of facts showing:

- (1) that such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy;
- (2) that under the proposed unit operation, the state of New Mexico will receive its fair share of the recoverable oil and gas in place under its lands in the proposed unit area;
- (3) 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 unit area; and
- (4) that such unit agreement is in other respects for the best interest of the trust.

C. Information to be furnished:

(1) Complete geological and engineering data shall be presented with the application and the information offered for the commissioner's action must be in clear and understandable form. Such data shall be kept confidential by the commissioner pursuant to Section 19-1-2.1 NMSA 1978 for a period of six months or until the unit agreement is approved, whichever first occurs. Then such data will be made a permanent part of the records and open for public inspection. If for any reason such proposed agreement is not approved, then at the request of the applicant, the data shall be returned to the applicant.

(2) Use of fresh water: The use of fresh water in waterflood units is discouraged in the cases where salt water is practical. If an operator plans to use fresh water in a proposed unit, the following specific information should also be provided:

- (a) laboratory analyses of water compatibility tests (fresh vs. salt water);
- (b) reservoir analyses for swelling clays and soluble salts;
- (c) estimate of monthly make-up water required for operations; and
- (d) location and depth of area salt water wells or quantities of produced water

available for injection.

D. Decision postponed: In any matter respecting co-operative and unit agreements, the commissioner may postpone the commissioner's decision pending action by the oil conservation division and may use any information obtained by the commissioner's own investigators, or obtained by the oil conservation division to enable the commissioner to act properly on the matter. The applicant shall deposit with the commissioner a sum of money estimated to be sufficient to meet the actual and necessary expenses of any investigation or inspection by representatives of the state land office.

E. Leases conformed: When any co-operative or unit agreement has been approved by the commissioner and executed by the lessee, the terms and provisions of the lease, so far as they apply to lands within the unit area, are automatically amended to conform to the terms and provisions of the co-operative agreement; otherwise, said terms and provisions shall remain in full force and effect.

F. Posting to tract books: In every case where a co-operative unit agreement is finally approved by the commissioner such agreement and the application therefor shall be entered upon the tract books of the state land office, filed and recorded, together with any order respecting the same issued by the New Mexico oil conservation division; any modification or dissolution of such co-operative or unit agreement shall be likewise entered and filed. The fees therefor shall be as set forth in the schedule of fees.

G. Assignments: No assignment of acreage under lease within any unitized or co-operative area will be approved by the commissioner unless the assignment is subject to the provisions of the co-operative or unit agreement covering the area within which the acreage sought to be assigned lies, or unless the commissioner and all parties to the co-operative agreement agree, in writing, that such acreage is not needed for proper co-operative operations.

H. Form of agreement: No specific forms for the various types of co-operative or unit operating agreements are required; however, sample forms of agreements now in operation will be furnished for guidance upon request, if available. Agreements submitted for approval must be submitted in duplicate. At least one copy must contain original signatures, which copy, after approval of the agreement, will be retained by the commissioner as the approved copy.

[19.2.100.51 NMAC - Rp, 19.2.100.51 NMAC, 6/30/2016; A, 6/11/2019]

19.2.100.52 FORCED POOLING - OIL CONSERVATION DIVISION ORDER:

A. The record owner or operator of all oil and gas leases covering the state owned lands forced pooled by order of the New Mexico oil conservation division, either under Section 70-2-17 NMSA 1978 (gas proration unit) or under Section 70-7-1 NMSA 1978 (statutory unitization act for secondary recovery), shall file with the commissioner the following information:

- (1) one copy of application for hearing for forced pooling at least ten days prior to date set for hearing;
- (2) state lease number, record owner and legal description of all state lands forced pooled;
- (3) oil conservation division order number and date;
- (4) legal description and type (federal, fee, or Indian) of all lands included in forced pooling order;
- (5) location, formation, and depth of well;
- (6) oil conservation division approved copies of forms numbered C-101, C-102, C-103, C-104 and C-105. These are to be filed at same time as filed with oil conservation division;
- (7) date production commenced; and
- (8) a copy of the agreement for unit operations involving state lands approved in writing by the oil conservation division, and signed by parties required by the agreement to initially pay at least seventy-five percent of unit operating costs, and by owners of at least seventy-five percent of the non-cost bearing interests such as royalties, overriding royalties and production payments.

B. This rule has no application to a situation wherein all parties have voluntarily executed a communitization agreement covering all lands in a proration unit or a secondary recovery unit and such agreement has been approved by the commissioner.

[19.2.100.52 NMAC - Rp, 19.2.100.52 NMAC, 6/30/2016]

19.2.100.53 COMMINGLING AND OFF-LEASE STORAGE OF OIL AND GAS ON STATE TRUST LANDS:

A. Commingling prohibited: Unless approved pursuant to Subsection B of 19.2.100.53 NMAC, the commingling, confusion or the intercommunication of oil or gas production from any state well with any production from any other well, whether state or non-state, by the use of common tankage facilities or central delivery points, is strictly prohibited.

B. Commingling allowed - off-lease storage:

- (1) Commingling of oil and gas production, including downhole commingling, if properly metered or allocated and accounted for, may be permitted within the discretion of the commissioner only after the commissioner's receipt of a written application containing the information specified in Subsection C of 19.2.100.53 NMAC and an application fee as set forth in the schedule of fees.
- (2) Off-lease storage of production may be permitted if properly metered or allocated and accounted for, within the discretion of the commissioner only after the commissioner's receipt of a written application containing the information specified in Subsection C of 19.2.100.53 NMAC and an application fee as set forth in the schedule of fees.

C. Application for permission to commingle or off-lease store production. Applications for permission to commingle or off-lease store production shall be directed to the commissioner and shall include:

- (1) formal application stating the type of permission desired and the reasons therefor, accompanied by an application fee as set forth in the schedule of fees;
- (2) plat showing the location of leases, wells, flow lines, metering facilities and common tankage. All plats and diagrams should differentiate between surface and underground pipe;
- (3) a list of the involved leases arranged by their state land office lease number, their legal description and including state beneficiaries;
- (4) a designation of the pool from which each well produces;
- (5) an economic analysis of proposed operation showing profit or loss to the state of New Mexico;
- (6) schematic diagram of entire system from production manifold to pipeline connection showing position of all components of flow stream;
- (7) description of the operating sequence explaining the complete operation;

(8) the applicant's proposal for allocating or metering production so that all production is properly accounted for at the well; and

(9) any other pertinent data that will assist the commissioner in deciding upon the application.

[19.2.100.53 NMAC - Rp, 19.2.100.53 NMAC, 6/30/2016; A, 6/11/2019]

19.2.100.54 ACREAGE TAKEN FOR MILITARY PURPOSES - WAIVER OF DEVELOPMENT REQUIREMENTS:

A. Where the use of lands embraced in any state oil and gas lease is taken by the United States government for military purposes, under such circumstances as will prevent drilling and development by the lessee, the commissioner may, on application by the lessee, waive compliance with the drilling and development requirements of any such lease during the period of such use and for six months thereafter, but in no event for more than five years from the beginning of such use by the United States. Where the use of only part of the lands embraced in such oil and gas lease is taken, any waiver shall extend only to the lands the use of which is so taken.

B. In all cases, the lessee shall continue to pay rentals at the rate which is in effect at the time of taking, and failure to so pay rentals subjects the lease to the regular cancellation procedure.

C. Waivers, when executed and approved, relate back to the date of the notice of taking by the United States.

[19.2.100.54 NMAC - Rp, 19.2.100.54 NMAC, 6/30/2016]

19.2.100.55 STIPULATION TO CURRENT LEASE PROVISIONS:

A. The owner of any oil and gas lease issued by the commissioner which does not contain all of the provisions of the current applicable five- or ten-year lease form or which does not include helium gas within its terms may file an application to include all the provisions of such applicable lease form and to include helium gas, provided the lease has been maintained in good standing according to the terms and conditions thereof and all applicable statutes and regulations.

B. The application for stipulation shall be made in duplicate and on a form prescribed and furnished by the commissioner and shall be filed in duplicate, accompanied by the fee as set forth in the schedule of fees.

C. Upon filing of such an application and determination by the commissioner that the application conforms to the governing statutes and this rule, the commissioner shall execute a stipulation and thereupon the provisions of the current applicable five- or ten-year lease form and inclusion of helium gas will be part of said existing lease with the like effect as if originally incorporated therein; provided, however, that no such stipulation shall be effective or binding on any of the parties until each and every working interest owner and record owner of the original lease or approved assignment thereof has signed the stipulation.

D. One executed copy of the stipulation will be attached to the original lease in the files of the commissioner. The remaining copy will be forwarded to the applicant with the receipt of the state land office evidencing payment of the filing fee.

[19.2.100.55 NMAC - Rp, 19.2.100.55 NMAC, 6/30/2016]

19.2.100.56 CONTINUATION OF LEASE AFTER EXPIRATION OF TERM:

A. The payment in advance of rentals for the lease year commencing at the expiration of the secondary term in a 10-year lease or at the expiration of the five-year term in a five-year lease shall be a prerequisite for relying upon current bona fide drilling or reworking operations to extend the lease beyond such term. There will be no refund by the state land office of any sum received by it as rental under the terms of any oil and gas lease issued by the commissioner, whether in the primary or secondary term or subsequent to the expiration thereof.

B. The owner of any oil and gas lease proposing to conduct drilling or reworking operations and proposing to rely upon such operations to extend the lease beyond the fixed term in accordance with the provisions thereof shall file in the oil and gas division of the state land office, prior to the expiration of the secondary term of a 10-year lease or the primary term of a five-year lease, a statement in writing of the location of the proposed well, the drilling or reworking of which will be relied upon to continue said lease in effect, the depth to which it is proposed to drill said well, the reworking operations which, if any, are contemplated and the name and address of the drilling contractor or other persons who will conduct such operations. The approval by the commissioner of the operations so proposed will normally be evidenced by the signature of the commissioner on a copy of such statement, but any such proposed operation, about which a statement has been filed in accordance with this item, shall be conclusively presumed to have been approved by the commissioner prior to the expiration of the lease to which it relates, unless

the commissioner shall, prior to the expiration of said lease, advise the applicant, in writing, of the commissioner's disapproval and the reasons therefor.

C. The owner of an oil and gas lease who, subsequent to the expiration of the secondary term in a 10-year lease or the primary term in a five-year lease, is engaged in drilling or reworking operations on lands embraced therein, and who proposes to rely upon such operations as extending said lease in accordance with the provisions thereof shall file a report of the status of such operations for each 30 day period during which they are continued. It shall contain a statement of the depth of said well, the status of any reworking operations at the end of said 30 day period, a general statement of the drilling or reworking operations that have been accomplished during the preceding 30 days, and the fact, if it is a fact, that such operations are bona fide in progress and will be continued. Status reports filed in the office of the commissioner within 15 days after the close of such a 30 day period shall meet the requirements of the lease. If operations have ceased during any period covered by a status report, such report shall state the date of cessation and the reason therefore, and the date of resumption of operations, if any.

D. Each application and stipulation filed under Subsection B of 19.2.100.56 NMAC shall be signed by the lease owner, if an individual; and if a partnership or corporation, by a responsible official thereof. The application shall be verified under oath and the stipulation shall be acknowledged. Each statement of operations and status report filed under this rule shall be signed by the lease owner, if an individual, or by a responsible official, if a partnership or corporation, and shall be verified by affidavit of the signer.

E. Operations conducted by any person under the terms of an oil and gas lease issued by the commissioner, including all operations conducted pursuant to this rule shall be subject to inspection at all reasonable times by representatives of the state land office.

[19.2.100.56 NMAC - Rp, 19.2.100.56 NMAC, 6/30/2016; A, 6/11/2019]

19.2.100.57 CALCULATING AND REMITTING OIL AND GAS ROYALTIES:

A. Payment of royalties - appeal to commissioner: Payment shall be made in the time and in the manner described below:

(1) Each lessee whose average monthly state royalty payment for the twelve months ending with the latest March 31, was twenty-five thousand dollars (\$25,000) or less shall pay royalties on or before the twenty-fifth day of the second month following the month for which royalties are due. Unless the remitter elects to pay royalties by means of electronic funds transfer, payment shall be made by check payable to the commissioner of public lands. Payment shall be mailed or delivered to the taxation and revenue department along with any paper report. If the remitter elects to pay royalties by means of electronic funds transfer, payment shall be made in accordance with Option 1 or Option 2 in Paragraph (4) of Subsection A of 19.2.100.57 NMAC and shall conform with the special instructions on electronic transmission of state royalty payments for separate oil and gas royalty reporting in the ONGARD system.

(2) Unless an election is timely made to pay royalties pursuant to Paragraph (3) of this Subsection, each lessee whose average monthly state royalty payment for the twelve months ending with the latest March 31, was greater than twenty-five thousand dollars (\$25,000) shall pay royalties on or before the twentieth day of the month following the month for which the royalties are due. Payment shall be made in accordance with Paragraph (4) of this Subsection.

(3) In lieu of paying royalties within the time specified by Paragraph (2) of this Subsection, a lessee may submit to the lessor, in writing, an election to pay royalties within the time frames specified for state severance taxes. Royalties paid by any lessee making the election under this Paragraph shall be due on the twenty-fifth day of the second month following the month for which the royalties are due. However, on or before the twenty-fifth day of the month in which the election is made and on or before the twenty-fifth day of each month thereafter, the lessee shall also make an advance royalty payment. Beginning with royalties initially paid under this Paragraph and each month thereafter, the previous month's advance royalty payment shall be taken as a credit. The amount of the advance royalty payment shall be adjusted by July 25 of each year and shall equal the average monthly royalty paid during the twelve months ending with the latest March 31. Payment shall be made in accordance with Paragraph (4) of this Subsection.

(4) Lessees remitting royalties under the provisions of Paragraphs (2) and (3) of this Subsection shall make payments in accordance with one of the four options listed below. For payment to be considered timely, the state land office must have access to funds on the due date for royalty remittances. Payment shall be made in accordance with the instructions on special payment procedures. Such payment can only be utilized with the separate oil and gas royalty reporting in the new ONGARD system.

(a) Option 1: automated clearinghouse (ACH) deposit.

(b) Option 2: fedwire transfer.

(c) Option 3: check drawn on any New Mexico financial institution. Payment shall be made in the manner prescribed by the provisions of this rule.

(d) Option 4: check drawn on any domestic non-New Mexico financial institution. Payment shall be made in the manner prescribed by the provisions of this rule.

(e) "Financial institution" means any state- or nationally-chartered federally-insured financial institution.

(5) Irrespective of whether a lessee pays royalties pursuant to Paragraph (1), (2) or (3) of this Subsection, all royalty information shall be reported on forms prescribed by the lessor and shall be submitted on or before the twenty-fifth day of the second month following the month for which royalties are due. The lessee shall indicate in the space provided if payment accompanies the report or if payment is made by separate check, fedwire or ACH transfer.

B. Effective date: The provisions of 19.2.100.57 NMAC shall be used to calculate, report and remit royalties for oil and gas produced on or after January 1, 1990.
[19.2.100.57 NMAC - Rp, 19.2.100.57 NMAC, 6/30/2016]

19.2.100.58 OCD REPORTS: The producer or lessee of producing state lands shall file in the New Mexico state land office, Santa Fe, New Mexico, at the time of filing with the New Mexico oil conservation division (OCD), reports labeled C-101 through C-105.

[19.2.100.58 NMAC - Rp, 19.2.100.58 NMAC, 6/30/2016]

19.2.100.59 WAIVER OF DEVELOPMENT IN POTASH OR OTHER MINERAL AREAS: Application for waiver of compliance with exploratory drilling development or production requirements of a lease, or to extend the term thereof, where exploration and development operations of the oil and gas lease are inconsistent with the exploration and development operations of a state mineral lease, and where waste will occur, must be made in writing and accompanied by a filing and approval fee as set forth in the schedule of fees. Such applications must be filed in the state land office at least thirty days before expiration date of the oil and gas lease. No waivers or extension shall be granted by the commissioner for more than five years. Ordinarily, waivers will be granted by the commissioner only as to the legal subdivisions upon which the conflict exists.

[19.2.100.59 NMAC - Rp, 19.2.100.59 NMAC, 6/30/2016]

19.2.100.60 WATER WELLS:

A. Water wells drilled on all state oil and gas leases for temporary use on the lease and for purposes directly connected with operations shall be in compliance with the provisions of Sections 72-12-1 through 72-12-21 NMSA 1978, as amended, with the regulations of the state engineer, and with 19.2.12 NMAC.

B. Within thirty days after completion of said well, the lessee shall furnish in writing to the commissioner a report containing the following information:

(1) location of well; and

(2) depth, log and casing record production data.

[19.2.100.60 NMAC - Rp, 19.2.100.60 NMAC, 6/30/2016]

19.2.100.61 SALT WATER DISPOSAL: Lessees are expected to comply with all lawful rules of the New Mexico oil conservation division pertaining to prevention of waste, which includes disposal of produced salt water or brine. If state lands are needed for a salt water disposal operation, then application for a salt water disposal easement site shall be made to the "oil and gas division" or application for a business lease shall be made to the "land surface division" of the state land office, depending upon whether underground or surface disposal, respectively, is desired. Ordinarily, water produced on lease may be disposed of on lease without the commissioner's permission if the disposal operation otherwise meets the approval of the oil conservation division and is otherwise reasonable and accepted practice in the industry.

[19.2.100.61 NMAC - Rp, 19.2.100.61 NMAC, 6/30/2016]

[Applications for a salt water disposal easement or a business lease shall be made to the commercial division of the state land office.]

19.2.100.62 ROYALTY PURCHASE - PREFERENCE RIGHT: Requests made by petroleum refineries within the state to the commissioner to purchase state royalty oil as a preference right under the provisions of Sections 19-10-64 through 19-10-70 NMSA 1978 shall be accompanied by an order or ruling of the New Mexico oil conservation division determining that the applicant is qualified and otherwise entitled to such preference. Requests

to purchase state royalty oil on a bid basis may be made directly to the commissioner in letter form. In either case, the applicant must identify the wells from which the applicant desires to purchase the royalty oil.
[19.2.100.62 NMAC - Rp, 19.2.100.62 NMAC, 6/30/2016; A, 6/11/2019]

19.2.100.63 RESERVATION OF RIGHT TO PURCHASE PRODUCTION: The state 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 part of the oil and gas that may be produced from the lands embraced in all leases issued on or after June 11, 1973.
[19.2.100.63 NMAC - Rp, 19.2.100.63 NMAC, 6/30/2016]

19.2.100.64 APPEALS FROM DECISION OF THE COMMISSIONER: Any party aggrieved by any ruling or decision of the commissioner affecting such party's interest in any oil and gas lease may appeal to the appropriate district court within sixty days after such ruling or decision is rendered pursuant to Section 19-10-23 NMSA 1978.
[19.2.100.64 NMAC - Rp, 19.2.100.64 NMAC, 6/30/2016]

19.2.100.65 [RESERVED]
[19.2.100.65 NMAC - Rn, SLO Rule 1, Section 1.067, 12/13/2002; Repealed, 6/30/2016]

19.2.100.66 SURFACE OPERATIONS ON STATE OIL AND GAS LEASES:

A. Purpose and application of 19.2.100.66 NMAC: The purpose of 19.2.100.66 NMAC is to establish minimum procedures for protecting the surface affected by operation and development activities on state oil and gas leases. 19.2.100.66 NMAC applies to all operations conducted after its effective date on state oil and gas leases, the surface of which is held in trust by the commissioner of public lands.

B. Operation Requirements:

(1) Surface trash and debris: All operators shall remove all surface trash and debris caused by their operations from the lease and shall keep such premises free and clear of such trash and debris. As used in 19.2.100.66 NMAC, "surface trash and debris" means all nonoperational and nonessential equipment resulting from the drilling and producing operation of oil and gas leases and includes, but is not limited to, garbage, rubbish, junk or scrap.

(2) Pits:

(a) Pits shall not be located in, or hazardously near, water drainages. Pits shall be constructed to prevent contamination of the surface and the subsurface by seepage or flowage; including, if necessary, lining with impermeable materials as provided by rules and regulations of the oil conservation division. Under no circumstances shall pits be used for disposal, dumping or storage of off-lease fluids. Subject to all applicable state and federal laws, and if the operator agrees to accept all liability therefore; garbage, junk, waste or other inorganic debris may be disposed of in the caliche or burn pit located on the side of the reserve pit when the reserve pit is reclaimed.

(b) All pits shall be fenced. The type of fence used must be specific to the class of livestock in the area. Fencing shall remain in place for the life of the pit and be maintained to keep livestock out. All fences shall be braced or constructed in such a manner as to keep wires tight with no sagging between posts. State land office personnel will inspect and, if necessary, notify operators or lessees of necessary repairs or requirements for maintaining the required condition of all fences associated with leases. Fencing shall comply with all other state and federal requirements.

(c) If a pit is lined, the liner shall be installed and maintained to prevent ingestion by livestock and wildlife.

(d) Drilling fluids and drill cuttings shall be disposed of in a manner to prevent contamination to the surface. Rules of the oil conservation division which relate to the disposal of drilling fluids and drill cuttings shall be complied with.

(3) Site Development:

(a) All access roads shall be built, maintained and reclaimed in accordance with 19.2.20 NMAC.

(b) All trees and wood over three inches in diameter removed for site preparation shall be disposed of on site as determined by the state land office.

(c) Where required by the federal Clean Water Act, other applicable federal or state law, or regulations promulgated pursuant thereto, production and storage tanks shall be surrounded with an earthen

berm in compliance with such applicable law and regulations. In addition, such a berm may be required by the state land office if a particular tank has a history of repeated leaks.

(4) Spills:

(a) All new spills shall be treated and cleaned up immediately. All surface affected by such spills and leaks shall be reclaimed. Reclamation of the area involved shall be implemented in consultation with the state land office.

(b) All spills shall be reported in accordance with the regulations of the oil conservation division.

(5) Pipelines: If practicable, lines placed on top of the surface shall be placed to take advantage of existing roads or alongside other lines already on top of the ground. If regular maintenance and inspection by vehicle is necessary, and a permanent road required, the road shall be constructed and maintained in accordance with 19.2.20 NMAC. All other traffic shall be kept to a minimum.

C. Closeout and operation plan:

(1) A reclamation or operation plan may be submitted to the state land office for review. If approved, the plan shall substitute for the reclamation and operation requirements of 19.2.100.66 NMAC and 19.2.100.67 NMAC.

(2) The plan shall consist of reclamation and operation specifics for compliance with the regulations concerning reclamation and operations, with an additional section that sets out the schedule of implementation on a continuing basis during the life of the lease relative to operation, maintenance, spills, leaks, cleanup and revegetation.

D. Review and inspection:

(1) State land office personnel or oil conservation division personnel may, from time to time, recommend actions necessary to comply with reasonable use of the surface and prudent operator standards.

(2) These recommendations shall be made either to state land office administrators or the commissioner's office, or to the lessee directly.

E. Exemptions and appeal procedure:

(1) The commissioner, or the commissioner's qualified designated representative, may grant an exemption to any or all of the requirements of this rule when a lessee provides a state land office approved reclamation or operation plan, or demonstrates that compliance would be impracticable or has occurred naturally. Any such exemption granted shall be in writing addressed to the lessee or operator requesting the exemption.

(2) Any lessee or operator aggrieved or adversely affected by a determination or interpretation of the state land office under 19.2.100.66 NMAC may, within 60 days of the receipt of such determination or interpretation, request a hearing before the commissioner of public lands. Within 30 days after receiving such a request, the commissioner shall convene a hearing at which the lessee or operator and the commissioner's staff may present evidence. Within 15 days of the hearing, the commissioner shall enter the commissioner's decision on the matter. Any decision of the commissioner may be appealed pursuant to Section 19-10-23 NMSA 1978.

[19.2.100.66 NMAC - Rp, 19.2.100.66 NMAC, 6/30/2016; A, 6/11/2019]

19.2.100.67 SURFACE RECLAMATION ON STATE OIL AND GAS LEASES:

A. Purpose and application of 19.2.100.67 NMAC:

(1) The purpose of 19.2.100.67 NMAC is to establish minimum procedures to follow in reclaiming surface disturbances resulting from development and production on state oil and gas leases, the surface of which is held in trust by the commissioner of public lands.

(2) 19.2.100.67 NMAC applies to areas disturbed by operations conducted under all existing and future leases. However, current lessees will not be held responsible for reclaiming areas disturbed under a lease which has previously expired or been terminated and for which the current lessee is not a successor-in-interest. Also, a prudent operator standard will be applied to the reclamation of other conditions existing on the effective date of this rule. In this regard, lessees are expected to comply with all requirements concerning removal of debris and improvements; however, specific requirements relating to ripping and reseeding will be developed by consultation and planning between the lessee and the state land office, using accepted industry standards such as those established by the bureau of land management.

B. Definitions, as used in 19.2.100.67 NMAC:

(1) "temporary abandonment" occurs if a well is no longer usable for beneficial purposes; has been continuously inactive for more than one year; and has been approved for temporary abandonment by the oil conservation division.

(2) "permanent abandonment" occurs if a well is no longer usable for beneficial purposes; has been continuously inactive for more than one year; and has not been approved for temporary abandonment by the oil conservation division.

C. Reclamation requirements:

(1) Surface sites and off-lease storage areas:

(a) Surface sites and off-lease storage areas, upon temporary or permanent abandonment, shall be cleared of junk and debris and, if necessary, be bermed or water-barred in order to stabilize the site and prevent erosion. Within one year of permanent abandonment, the sites and areas shall be ripped through to the underlying material and reseeded.

(b) Where available, topsoil removed from surface sites shall be stored for use in future reclamation of the site. Pads, within one year of permanent abandonment, shall have all caliche ripped through to the underlying material, any remaining stored topsoil replaced and the site reseeded.

(2) Roads: Roads shall be left in place only if authorized by the state land office. If any road is not needed, then, within one year of permanent abandonment, it shall be ripped, reseeded, bermed (closed) at the entrance, and water bars shall be constructed as directed or approved by the state land office. 19.2.20 NMAC shall be followed for specifics relating to road construction, maintenance and reclamation.

(3) Spills and leaks: Within one year of permanent abandonment, all surface affected by spills and leaks shall be reclaimed. Reclamation of the area involved shall be implemented in consultation with the state land office.

(4) Pits (operating/drilling and other):

(a) All pits, within one year of permanent abandonment or within a reasonable time of nonuse, shall be dried and leveled to restore as much of the original contour as is practical to minimize erosion. The pits shall be reseeded as required by this Section.

(b) All lining materials (plastics or otherwise) shall be removed from the surrounding area, cut off and permanently buried below the surface or removed from the area.

(5) Pipelines:

(a) Buried pipelines may be left in place and the surface ripped, water-barred and reseeded according to the specifics of the site.

(b) Within one year of permanent abandonment, surface lines shall be removed and the surface reclaimed as specified in Subparagraph (a) of Paragraph (5) of Subsection C of 19.2.100.67 NMAC.

(6) Debris: All oil and gas lease related surface trash and debris shall be removed upon temporary or permanent abandonment or disposed of in the manner permitted in 19.2.100.66 NMAC. As used in 19.2.100.67 NMAC, "surface trash and debris" means all nonoperational and nonessential equipment resulting from the drilling and producing operation of oil and gas leases and includes, but is not limited to, garbage, rubbish, junk or scrap.

(7) Revegetation:

(a) For all reseeded required by this Section, the state land office will approve seeding rates and seed mixtures, or approve site-specific recommendations. When possible, the state land office will recommend such approved rates and mixtures, but will not require seed varieties in its mixtures which are not in common use in the area.

(b) All required reseeded shall be planned and completed with a goal of revegetation consistent with local natural vegetation density. After a failed attempt to revegetate an area, a second reseeded may be required by the state land office, but in no event shall such second reseeded be required more than two years after the initial one.

(8) Lessee's Improvements: The lessee or operator shall remove all improvements placed or erected on the premises within 60 days after the expiration or termination of an oil and gas lease. Any improvements remaining at the end of such 60-day period shall be deemed abandoned for the purposes of Sections 19-7-14 and 19-10-28 NMSA 1978 and no payments shall be due for such remaining improvements pursuant to those Sections.

D. Release upon permanent abandonment and grant of access: Upon state land office approval and release, a lessee's reclamation responsibilities are terminated. The state land office shall issue a reclamation permit for access to complete reclamation after expiration or termination of an oil and gas lease. The reclamation permit shall be a standard form developed after consultation with interested industry groups.

E. Closeout and operation plan:

(1) A reclamation or operation plan may be submitted to the state land office for review. If approved, the plan shall substitute for the reclamation and operation requirements of this Section and 19.2.100.66 NMAC.

(2) The plan shall consist of reclamation and operation specifics for compliance with the regulations concerning reclamation and operations, with an additional section that sets out the schedule of implementation on a continuing basis during the life of the lease relative to operation, maintenance, spills, leaks, cleanup and reseeding.

F. Exemptions and appeal procedure:

(1) The commissioner, or the commissioner's qualified designated representative, may grant an exemption to any or all of the requirements of 19.2.100.67 NMAC when a lessee provides a state land office approved reclamation or operation plan, or demonstrates that compliance would be impracticable or has occurred naturally. Any such exemption granted shall be in writing addressed to the lessee or operator requesting the exemption.

(2) Any lessee or operator aggrieved or adversely affected by a determination or interpretation of the state land office under 19.2.100.67 NMAC may, within 60 days of the receipt of such determination or interpretation, request a hearing before the commissioner of public lands. Within 30 days after receiving such a request, the commissioner shall convene a hearing at which the lessee or operator and the commissioner's staff may present evidence. Within 15 days of the hearing, the commissioner shall enter the commissioner's decision on the matter. Any decision of the commissioner may be appealed pursuant to Section 19-10-23 NMSA 1978.

G. Temporary provision - phase-in: Lessees or operators of leases which contain conditions existing on the effective date of 19.2.100.67 NMAC, otherwise requiring immediate reclamation under 19.2.100.67 NMAC, shall have five years to complete reclamation of such conditions if they demonstrate steady progress toward such completion pursuant to an approved reclamation plan or the requirements of 19.2.100.67 NMAC.

[19.2.100.67 NMAC - Rp, 19.2.100.67 NMAC, 6/30/2016; A, 6/11/2019]

19.2.100.68 AMENDMENT OF LEASE TO LOWER ROYALTY RATE FOR OIL WELLS UNDER CERTAIN CONDITIONS:

A. Purpose - eligibility: The records owner of an oil and gas lease issued by the commissioner of public lands whose lease is maintained in good standing according to the terms and conditions of the lease and all applicable statutes and regulations, may apply to the commissioner for an amendment to the lease for the purpose of changing the royalty rate on oil produced from a specified oil well. Any well that produces on a lease basis or as a communitized or unitized property is eligible for the lower rate. Multiple wells from the same lease, communitization or unit may be submitted for approval under one application. Communitized or unit wells must qualify individually for the lower royalty rate.

B. Application, requirements, and information to be furnished. An application for a change in royalty rate shall be on a form prescribed by the commissioner and shall be accompanied by the application fee as set forth in the schedule of fees. For each oil well, the application shall:

(1) show that the oil well has produced oil attributable to a communitization, unit or lease premises, and:

(a) if the production is from formations shallower than 5,000 feet, has produced less than an average of three barrels of oil per day during the preceding 12 months and has not averaged over five barrels per day for any month during the preceding 12 months; or

(b) if the production is from formations 5,000 feet deep or deeper, has produced less than an average of six barrels of oil per day during the preceding 12 months and has not averaged over 10 barrels of oil per day for any month during the preceding 12 months; and

(2) include a statement that to the best of the applicant's knowledge and experience the well is not capable of sustained production limits specified in Paragraph (1) of this Subsection.

(3) provide data and describe efforts to:

(a) negotiate lower rates paid to other royalty owners and overriding royalty owners in the oil well; and

(b) minimize the costs of operating the well; and

(4) include any other fact which may justify a lower royalty rate.

C. Commissioners approval. Upon receipt of an application, the commissioner shall review the information submitted as well as other, independent information obtained by the commissioner and shall agree to

amend the lease to a lower royalty rate for oil produced from the oil well if, in the commissioner's sole discretion, the commissioner finds that:

- (1) the operator has taken reasonable steps to minimize the operator's costs of operating the oil well;
- (2) the oil well will likely be plugged and abandoned in the near future, with a resulting loss of reserves, if operating costs are not reduced further;
- (3) the oil well will produce for a longer period, and the amount of oil produced will ultimately be larger, if the royalty rate is lowered; and
- (4) a lower royalty rate will actually maximize revenue to the trust beneficiaries.

D. Applicable royalty rate, effective date. The lower royalty rate agreed to under this Section shall be equal to five percent and, except as provided in Subsection G of this Section, shall be valid for a period of three years, after which time the record owner of the oil and gas lease may submit a written request for an extension which, if approved pursuant to Subsection C of this Section, shall be valid for an additional three year term.

E. Accounting and reporting of oil royalties. Production, royalties and taxes for oil produced from any well for which a lower royalty rate has been granted under this Section shall be reported separately from other oil wells, under the PUN-lease business rules of the oil and gas royalty filer's kit utilized by the oil and natural gas administration and revenue database (ONGARD) system.

F. Form of application. Applications for a lower royalty rate under this Section shall be submitted on a form provided by the commissioner.

G. Termination of lower rate. The effective period for a lower royalty rate, approved pursuant to this Section, shall terminate and the royalty rate specified in the lease shall be applicable if the commissioner determines, in the commissioner's sole discretion, that the oil production has significantly increased through well workover, recompletion or other means, so that the well would no longer qualify on an annual basis for a lower royalty rate. [19.2.100.68 NMAC - Rp, 19.2.100.68 NMAC, 6/30/2016; A, 6/11/2019]

19.2.100.69 PAYMENT OF STATE ROYALTIES:

A. Objective and application:

(1) This Section shall apply to oil and condensate ("oil kind") and natural gas and natural gas products ("gas kind") produced and saved from state oil and gas leases and marketed or utilized in any manner.

(2) In order to ensure that all royalties have been paid, to properly account for all revenues, to promote uniformity of accounting and reporting, to provide for the most efficient management of state oil and gas leases and to comply with the intent and letter of New Mexico law, it is the policy of the state land office that royalties owed under state oil and gas leases be paid monthly on all production deemed to be produced from each state lease during that month.

(a) Gas kind:

(i) Payment on entitlement basis. For leases included in mixed agreements or in units or communitized tracts which do not contain uniform royalty rates or uniform beneficiaries, gas kind royalties shall be paid monthly on the production allocated to each lease under the unit or communitization agreement on the entitlement basis.

(ii) Payment on takes basis. For individual producing leases or state leases within one hundred percent state agreements which contain leases with uniform royalty rates and uniform beneficiaries, gas kind royalties shall be paid monthly on all production deemed to be produced from the lease on a takes basis.

(b) Oil kind: royalties on oil production are based on each working interest owner's proportionate share of production from the lease, unit or communitization agreement. As a result, no problem exists with regard to the current process for paying such royalties.

(3) As stated above, the purpose of this Section is to ensure that all royalties due under state oil and gas leases are paid and accounted for in a timely manner. Nothing herein relieves any lessee of record, operator, working interest owner or other person of any legal obligation to pay royalties. The commissioner of public lands reserves the right to seek payment of any deficient royalties from any such person.

(4) Effective Date. This policy will become effective six months after the effective date of this Section (the "effective date").

B. Gas deemed to be produced from state leases within mixed agreements or units or communitized tracts which do not contain uniform royalty rates or uniform beneficiaries:

(1) For gas deemed to be produced from state leases in mixed agreements or in units or communitized tracts which do not contain uniform royalty rates or uniform beneficiaries, gas kind royalties must be

paid on each working interest owner's entitled share of the produced volume from the agreement. If the working interest owner did not take any gas from the agreement, the value of the entitled share of production for royalty purposes shall be the benchmark entitlement value.

(2) Lessees in a unit or communitized tracts may contractually agree to assign reporting and payment responsibility among themselves in any manner which insures that entitled royalty volumes allocable to state leases are reported and paid each month.

C. Gas deemed to be produced from individual leases and one hundred percent state agreements which contain leases with uniform royalty rates and uniform beneficiaries:

(1) For leases producing on an individual basis or on one hundred percent state agreements which contain leases with uniform royalty rates and uniform beneficiaries, royalties are due on all of the natural gas and natural gas products deemed to be produced. Unless notice has been given to the state land office under the following paragraph, royalties will be paid by each working interest owner on the amount of natural gas and natural gas products actually taken and sold by such owner. Any notices of volume variances shall be sent to the property operator of the lease.

(2) Upon written notification to the state land office by the property operator that all interest owners in the property have elected to pay gas kind royalties on an entitlements basis, notice of volume variances will be sent to those working interest owners who are entitled to the production, as shown by state land office records. If a working interest owner does not sell all of the production to which the working interest owner is entitled, then royalty payments on such untaken but entitled share are to be paid on the benchmark entitlement value. Failure to remit royalties based on benchmark entitlement value will result in assessments being issued and interest charges being assessed for the underpaid amount.

D. Adjustments of prior periods:

(1) Adjustments of prior period reports for under-reported or over-reported volumes made necessary by the promulgation of this Section shall be completed within 18 months from the effective date. Adjustments must be reported by specific time period for each affected property. The state land office may grant specific remitters an extension of this deadline for good cause.

(2) In making adjustments under this subsection, a remitter shall report the difference between the take and the entitlement basis volumes or vice-versa on a production month basis for each affected property.

(a) For convenience, a remitter may group volume differences on a calendar year basis, at the mid-point of the year, and apply a product valuation to the volume difference which is representative of the weighted average product values for that year. Such volume differences for the past will be reported as detail line entries into the ONGARD system in the PUN-lease format, etc., on the appropriate forms adopted and made available by the commissioner in accordance with Section 19.2.100.70 NMAC.

(b) In the alternative, a remitter may make a one-time cumulative adjustment for all past periods for each affected property by providing to the state land office a valuation proposal which estimates a fair average value of gas under-reported or over-reported for the period during which the imbalance occurred for the affected properties. Upon approval of such valuation proposal, or upon agreement of the remitter and the state land office to utilize different values, the remitter may make adjustments on the basis of such valuations.

(3) Irrespective of any applicable statute of limitations, credits for previously over-reported natural gas volumes may be taken if:

(a) the adjustment is caused by the promulgation of this section by the state land office;

(b) the adjustment is made within the time period specified in Paragraph 1 of this Subsection; and,

(c) the credit is taken for subsequent royalties owed on the same production unit

number (property) for which the volumes were over reported or any other property with the same trust beneficiary as the affected property.

E. Definitions:

(1) "average value received" means the value required by law to be used for the calculation of royalties.

(2) "benchmark entitlement value" means:

(a) An amount equal to the average value received by the working interest owner for production from: the unit or communitized area; or state leases within one hundred percent state units or communitized areas where entitlements are elected under Paragraph (2) of Subsection C of 19.2.100.69 NMAC; or, individual state leases where entitlements are elected under Paragraph (2) of Subsection C of 19.2.100.69 NMAC, in

which the working interest owner's production is located during the production month, so long as the working interest owner took at least fifty percent of its entitled share of production for their unprocessed or processed gas. In the event that this Subparagraph (a) is not applicable, then the benchmark entitlement value shall be:

(b) In the event that the working interest owner sold less than fifty percent of its entitled share, or sold no gas from: the unit or communitized area; or, state leases within one hundred percent state units or communitized areas where entitlements are elected under Paragraph (2) of Subsection C of 19.2.100.69 NMAC; or, individual state leases where entitlements are elected under Paragraph (2) of Subsection C of 19.2.100.69 NMAC, the value of the untaken but entitled share shall equal the average value received by the working interest owner for like quality gas produced in the same producing basin in that production month for their unprocessed or processed gas. In the event that Subparagraphs (a) or (b) do not apply, then the benchmark entitlement value shall be:

(c) In the event that the working interest owner does not take any like quality gas in the same producing basin during a production month, the benchmark entitlement value shall be a valid index price, less a location differential, multiplied by the total mmbtu's produced at the field for unprocessed gas or similar index prices, less a location differential, multiplied by the mmbtu's produced applicable to the residue gas portion, plus a valid index price for natural gas liquids, less an estimated processing deduction for the portion of the processed gas converted to equivalent mmbtu value, and less a location differential, multiplied by the mmbtu's produced applicable to such natural gas liquids portion.

(3) "Like quality gas" means gas produced from the same pool, as defined by the New Mexico oil conservation division from time to time.

(4) "Location differential" shall be equal to the costs incurred by the working interest owner to move gas from the field to the index point in the most recent month of production.

(5) "Valid index price" means:

(a) in the case of natural gas, an average of two or more price indices for interstate pipelines transporting natural gas from producing regions that are located entirely or partially within New Mexico, based on acceptable survey techniques, appearing in a publication recognized in the oil and gas industry as a reputable source of such price information (e.g., *Inside FERC*, *Gas Daily*, *Natural Gas Weekly*).

(b) in the case of natural gas liquids, the price for individual products produced from natural gas (e.g. ethane, propane, butanes (iso- and normal), natural gasoline, etc.) based on acceptable survey techniques, appearing in a publication recognized in the oil and gas industry as a reputable source of such price information (e.g., *Oil Price Information Service*).

[19.2.100.69 NMAC - Rp, 19.2.100.69 NMAC, 6/30/2016; A, 6/11/2019]

[The effective date of 19.2.100.69 NMAC is December 30, 1995.]

19.2.100.70 REPORTING AND ROYALTY RENDITION FORMS: When oil and gas royalties are or should be remitted, as described in 19.2.100.57 NMAC, the remitting person or company shall submit to the state land office a remittance document and royalty reporting form adopted and made available by the commissioner in accordance with the instructions for completing the remittance document and royalty reporting form. [19.2.100.70 NMAC - Rp, 19.2.100.70 NMAC, 6/30/2016]

19.2.100.71 TEMPORARY SHUT-IN OF OIL WELLS DUE TO SEVERE REDUCTION IN THE PRICE OF OIL:

A. Basis for allowing shut in of oil wells: After notice and a public hearing pursuant to Section 19-10-6 NMSA 1978, the commissioner has determined that, because of a severe reduction in the price of oil, the beneficiaries of state trust lands will be better served if oil wells are allowed to be temporarily shut in rather than produced at a low price.

B. Effective date:

(1) Unless extended by the commissioner after a subsequent notice and public hearing or terminated sooner by a subsequent regulation of the commissioner after finding that the price of oil is no longer severely reduced, 19.2.100.71 NMAC shall remain in effect for a period of two years from its effective date.

(2) Any termination of 19.2.100.71 NMAC before the expiration of two years from its effective date shall not be effective until 30 days after the commissioner has by certified mail sent notice of the prospective termination to each lessee whose lease is being extended by the operation of this section.

C. Any oil and gas lease issued by the commissioner of public lands and maintained in good standing according to the terms and conditions thereof and all applicable statutes and regulations shall not expire if:

(1) there is a well capable of producing oil located upon some part of the lands included in

the lease and such well is shut in because of the severe reduction in the price of oil;

(2) the lessee timely notifies the commissioner in writing within 30 days of the date the well is first shut in, on a form made available by the commissioner for that purpose, accompanied by a form C-103 filed with the oil conservation division or other written oil conservation division approval of the shut-in; and

(3) the lessee timely pays an annual shut-in royalty within 90 days from the date the well was first shut in and thereafter before each anniversary of the date the well was first shut in. The amount of the shut-in royalty shall be twice the annual rental due by the lessee under the terms of the lease but not less than three hundred twenty dollars (\$320) per well per year. If the other requirements of this subsection are satisfied, the timely payment of the shut-in royalty shall be considered for all purposes the same as if oil were being produced in paying quantities until the next anniversary of the date the well was first shut in; provided, that 19.2.100.71 NMAC continues to be in effect.

(a) In order for a lessee to rely on the payment of shut-in royalty to maintain a lease in effect after all wells on the lease capable of producing oil have been shut in, the lessee must have provided timely notice of the shut-in and payment of the shut-in royalty to the commissioner in accordance with Subsection C of 19.2.100.71 NMAC for each well shut in as it was shut in, regardless of whether at the time the well was shut in there continued to be a well producing on the lease after the well was shut in. For example, if the lease area has four wells capable of producing oil, and the wells were shut in at different times rather than all at once, the lessee must have provided timely notice of the shut-in and payment of the shut-in royalty as to each of the four wells as each well was shut-in and may not rely on notification and payment of the shut-in royalty only after the last of the four wells is shut in.

(b) A shut-in well located on a state land office lease within the boundaries of an area covered by a unit agreement, communitization agreement or commingling order or constituting a pooled unit or cooperative area will be considered to be a shut-in well located upon each state lease within the area.

(c) If the date when a shut-in royalty payment is due falls on a Saturday, Sunday or legal state or federal holiday, the shut-in royalty may be timely paid if received on the next calendar day which is not a Saturday, Sunday or holiday.

(d) Under the standard business practice of the state land office, the date that the state land office stamps or otherwise marks the shut-in royalty payment or check establishes the date of actual receipt by the state land office.

D. If the lessee fails to timely comply with the requirements of Subsection C of 19.2.100.71 NMAC, no action by the commissioner, the state land office or any other representative of the commissioner may ratify, re-grant or revive the expired lease or estop the commissioner from asserting that the lease has expired, unless such relief is granted expressly in writing signed by the commissioner.

E. Under no circumstances will the commissioner refund any portion of the shut-in royalty paid for a shut-in well up to the amount required by Subsection C of 19.2.100.71 NMAC.

F. Upon the termination of 19.2.100.71 NMAC, automatically or by action of the commissioner, a lease maintained in effect by payment of shut-in royalty shall expire unless there is actual production in paying quantities within 90 days thereafter, unless the time is further extended, in writing, on an individual lease basis, upon request, at the discretion of the commissioner.

[19.2.100.71 NMAC, Rn, SLO Rule 1, Section 1.072, 12/13/2002; Repealed, 6/30/2016; 19.2.100.71 NMAC - N, 10/31/2016]

19.2.100.72 [RESERVED]

[19.2.100.72 NMAC, Rn, SLO Rule 1, Section 1.072, 12/13/2002; Repealed, 6/30/2016]

19.2.100.73 [RESERVED]

[19.2.100.73 NMAC, Rn, SLO Rule 1, Section 1.072, 12/13/2002; Repealed, 6/30/2016]

19.2.100.74 [RESERVED]

[19.2.100.74 NMAC - Rn, SLO Rule 1, Section 1.072, 12/13/2002; Repealed, 6/30/2016]

19.2.100.75 [RESERVED]

[19.2.100.75 NMAC - Rn, SLO Rule 1, Section 1.072, 12/13/2002; Repealed, 6/30/2016]

19.2.100.76 [RESERVED]

[19.2.100.76 NMAC - Rn, SLO Rule 1, Section 1.072, 12/13/2002; Repealed, 6/30/2016]

19.2.100.77 [RESERVED]

[19.2.100.77 NMAC - Rn, SLO Rule 1, Section 1.072, 12/13/2002; Repealed, 6/30/2016]

19.2.100.78 [RESERVED]

[19.2.100.78 NMAC - Rn, SLO Rule 1, Section 1.072, 12/13/2002; Repealed, 6/30/2016]

HISTORY of 19.2.100 NMAC:

Pre-NMAC History: Material in this part was derived from that previously filed with the State Records Center and Archives:

CPL 69-5, Rules and Regulations Concerning the Sale, Lease, and Other Disposition of State Trust Lands, filed 9/2/1969.

CPL 71-2, filed 12/16/1971.

CPL 77-1, filed 1/7/1977.

Rule 1, Relating to Oil and Gas Leases, filed 3/11/1981. SLO

Rule 1, Relating to Oil and Gas Leases, filed 1/20/1984. SLO

Rule 1, Relating to Oil and Gas Leases, filed 6/24/1985.

Geophysical Permits

Geophysical permits may only be issued for seismic surveys on unleased oil and gas lands. For seismic surveys on leased lands where the entity conducting the survey is not the lessee of record, a survey may not be conducted. If, however, the lessee of the leased lands desires a seismic survey, please contact the Land Office for the appropriate approval instrument if someone other than the lessee is conducting the survey.

This section includes the following information:

1. Guidelines regarding Geophysical Permits.
2. Geophysical Exploration on Unleased State Trust Lands Rule.
3. Geophysical Exploration Permit Application.
4. Geophysical Permit Sample
5. 19.2.20 Road Construction Standard.

Please contact Paige Czoski (pczoski@nmslo.gov) to express interest in obtaining a Geophysical Permit.

Guidelines regarding Geophysical Permits:

When mailing permits to the State Land Office, PLEASE INCLUDE TWO SIGNED AND NOTARIZED COPIES OF THE GEOPHYSICAL PERMIT FOR THE COMMISSIONER'S APPROVAL.

Please provide shape files of survey lines along with maps, if possible.

No geophysical permit will be issued to a company unless and until the company is registered and in good standing with the New Mexico Secretary of State. In addition, the company must post the required financial assurance with the State Land Office before a geophysical permit will be issued.

Steps for obtaining a geophysical permit:

1. Reach out to Paige Czoski (pczoski@nmslo.gov) to express interest in obtaining a geophysical permit. You will be sent an "Application for Permit to Conduct Geophysical Exploration on Unleased State Lands" form. Please refer to Cultural Properties section of this manual for questions/compliance with cultural resources in the Application.
2. Please review the application, sign, and send Paige Czoski a description of the survey and a map of survey lines (grids) and shape files.
3. The Land Office will calculate the permit fee based on the number of crossings on State Trust Land. Please send a check to the Land Office.
4. Provide evidence of a bond.
5. Once the check and bond are received, the Land Office will send the permit to you to get signed and notarized. Please return two signed and notarized physical copies back to the Land Office. The permit will be reviewed, signed, and one copy will be sent back to the permittee and another will be held on file at the Land Office.

19.2.17

TITLE 19 NATURAL RESOURCES AND WILDLIFE
CHAPTER 2 STATE TRUST LANDS
PART 17 GEOPHYSICAL EXPLORATION ON UNLEASED STATE TRUST LANDS

19.2.17.1 ISSUING AGENCY: Commissioner of Public Lands - New Mexico State Land Office 310 Old Santa Fe Trail - P.O. Box 1148 - Santa Fe, New Mexico 87501.
[19.2.17.1 NMAC - N, 9/14/2000]

19.2.17.2 SCOPE: Future geophysical exploration permits of state trust lands, excluding exploration for minerals which may be leased under 19.2.17 NMAC. This part does not apply to geophysical exploration related to oil and gas operations on trust lands that are currently under an oil and gas lease in good standing; any geophysical exploration on those lands shall be conducted under the terms of the existing oil and gas lease.
[19.2.17.2 NMAC - N, 9/14/2000]

19.2.17.3 STATUTORY AUTHORITY: N.M. Const. Art. XIII; NMSA 1978 Section 19-10-1.
[19.2.17.3 NMAC - N, 9/14/2000]

19.2.17.4 DURATION: Permanent.
[19.2.17.4 NMAC - N, 9/14/2000]

19.2.17.5 EFFECTIVE DATE: September 14, 2000, unless a later date is cited at the end of a section.
[19.2.17.5 NMAC - N, 9/14/2000; A, 6/30/2016]

19.2.17.6 OBJECTIVE: The objective of this part is to provide the general terms and conditions for the geophysical exploration of state trust lands.
[19.2.17.6 NMAC - N, 9/14/2000]

19.2.17.7 DEFINITIONS:

A. “Commissioner” means the New Mexico commissioner of public lands, and the commissioner’s appointees under Section 19-1-7 NMSA 1978 acting within the scope of their authority. Except for the decision to cancel or otherwise terminate a lease, the commissioner may delegate to state land office staff the performance of functions required of the commissioner under this part.

B. “Geophysical exploration” means the quantitative physical study of the earth by reflection and refraction seismic (including dynamite sources), gravity, magnetic, electrical, electromagnetic or radiation methods.

C. “Geophysical exploration permit” or “permit” means a permit approved by the commissioner for geophysical exploration of trust lands.

D. “Schedule of fees” means a list of fees that must be paid for performance of certain administrative functions. The schedule of fees shall be published on the state land office website and is subject to change at the discretion of the commissioner. Unless otherwise noted in the schedule of fees or in this rule, the fee shall be non-refundable.

E. “State land office” means the New Mexico state land office.

F. “Trust” means the trust created by congress under the New Mexico Enabling Act of June 20, 1910, and accepted by the state of New Mexico under Articles XIII and XIV of the New Mexico constitution.

G. “Trust lands” means those lands, their natural products and all assets derived from them, which are under the care, custody and control of the commissioner.

[19.2.17.7 NMAC - N, 9/14/2000; A, 6/30/2016; A, 6/11/2019]

19.2.17.8 PROHIBITION: Notwithstanding the issuance of a geophysical exploration permit, no person shall conduct any geophysical activity or associated surveys on trust lands unless the activity is conducted in conformity with all applicable local, state, and federal laws and regulations, and all necessary permits have been obtained.

[19.2.17.8 NMAC - N, 9/14/2000]

19.2.17.9 LANDS SUBJECT TO A GEOPHYSICAL EXPLORATION PERMIT: Geophysical exploration permits are required on all trust lands on which there is no valid existing oil and gas lease, specifically:

- A. On all trust lands in which both the surface and mineral estate are held in trust, even if other surface leases are in existence.
 - B. On all trust lands in which only the mineral estate is held in trust. Such permit will allow the permittee to conduct geophysical investigations throughout the mineral estate; however, any access to the surface estate will be coordinated between the permittee and the surface owner.
 - C. On all trust lands in which only the surface estate is held in trust, even if other surface leases are in existence. Such permit will allow the permittee physical access to the surface for the purpose of conducting geophysical investigations; however, any access to the mineral estate shall be coordinated between the permittee and the mineral estate owner.
- [19.2.17.9 NMAC - N, 9/14/2000]

19.2.17.10 APPLICATION FOR A PERMIT:

- A. Applicants for a geophysical exploration permit must contact the oil, gas and minerals division of the state land office in Santa Fe to verify that the trust lands of interest are available to permit. Interested applicants shall then submit a complete application for permit on forms prescribed and furnished by the commissioner, and shall include, without limitation, the following:
 - (1) A check made payable to the commissioner for the appropriate fees in accordance with the schedule of fees adopted by the commissioner. Fees will be assessed for each individual or portion of a geophysical exploration line considered as a single entry, and will reflect rates according to trust surface and mineral ownership and locations within restricted districts or unrestricted areas as determined by the commissioner;
 - (2) A topographic map of suitable scale, identified by county, township, range and section, showing the approximate location of all survey lines which are proposed to cross the applicable trust lands. The map shall be verified as to correctness by the applicant or the applicant's duly authorized representative; and,
 - (3) A proposed survey operations plan which shall include, without limitation, a description of the methods to be used in conducting the survey, a description of equipment to be used, a description of ingress and egress locations and a spill prevention and control plan.
 - B. When the proposed survey method will include the use of explosives, the application for a geophysical exploration permit shall also include the following:
 - (1) A topographic map showing shot hole patterns, depth of shot hole, size of charge and location in relation to buildings, wells, roads, pipelines, power lines, drainages and any other cultural feature; and
 - (2) Contingency plans for control and mitigation of blowouts and unexploded shot holes.
- [19.2.17.10 NMAC - N, 9/14/2000; A, 6/11/2019]

19.2.17.11 PERMIT ISSUANCE:

- A. If the commissioner approves an application and determines that a permit will be in the best interest of the trust, a geophysical exploration permit will be issued. The application documents will be incorporated into the permit by reference and the provisions of the approved application documents will be enforceable in the same manner as any other condition of the permit. Any changes to operations approved under a permit must be approved in advance in writing by the commissioner.
 - B. Following approval of an application, the commissioner shall prepare a geophysical exploration permit in accordance with this part, in duplicate, and mail the two originals to the applicant. If the applicant agrees to all terms and conditions of the proposed permit, the applicant shall sign the originals before a notary public and return both originals to the commissioner. The commissioner shall thereafter approve and execute the geophysical exploration permit and return one fully executed original to the permittee.
- [19.2.17.11 NMAC - N, 9/14/2000]

19.2.17.12 PERMIT TERMS AND CONDITIONS:

- A. The permit shall be valid for 90 days from the date of its approval by the commissioner; provided, that an extension may be approved by the commissioner upon a showing by the permittee that reasonable work delays occurred because of conditions beyond the permittee's control.
- B. No later than 150 calendar days after the expiration date of a permit, the permittee shall furnish to the commissioner, a map of suitable scale, identified by county, township, range and section, showing the location and depth of shot holes or station points on the permitted land. This map shall include the locations of source (vibrator) lines and receiver lines. The map shall be of a quality sufficient to enable visual inspection of the permitted lands after the project is completed. The map shall be verified as to correctness by the permittee or the permittee's duly authorized representative.

- C. Source lines and receiver lines shall be no greater than 100 feet in width.
 - D. Motorized vehicles are not allowed off established ranch roads or off the permitted and surveyed source and receiver lines. The commissioner will allow limited and reasonable drive-arounds when justified and located on submitted updated maps. Areas between the permitted survey lines are not permitted and entry thereon will be considered trespass, which may result in cancellation of a permit.
 - E. The permittee shall at all times keep the permit area free and clear of trash and debris resulting from the permittee's occupation of the lands. Hazardous or toxic wastes or petroleum products may not be disposed of on the permit premises, and all such materials used in the operations must be removed from the permitted land prior to expiration of the permit. Due care shall be used to prevent leaks and spills of such materials; the clean-up of any spills and reclamation of the area shall be performed in consultation with the commissioner.
 - F. Unless authorized by the commissioner in writing, a permit does not authorize the use of trust lands for operation staging areas or for vehicle maintenance yards.
 - G. No access is granted to trust lands for any purpose without valid permits or agreements. Copies of permits and agreements must be in the possession of any representatives or subcontractors of geophysical permittees at all times when on trust lands. State land office representatives may order an immediate shut-down of operations until proof of a valid permit or agreement is on site.
 - H. Permits may contain specific requirements for reclamation, such as bank stabilization for watercourses and road repair.
 - I. The permittee shall comply with all applicable laws, regulations, rules, ordinances and requirements of city, county, state and federal authorities and agencies, in all matters and things affecting the permit area and operations, including but not limited to conservation, sanitation, aesthetics, pollution, cultural properties, fire and ecology.
- [19.2.17.12 NMAC - N, 9/14/2000; A, 6/11/2019]

19.2.17.13 RECLAMATION AND RESTORATION: Any person who enters upon trust lands for purposes of geophysical exploration shall take all steps necessary to preserve and protect the natural environmental conditions of such lands. The permittee shall remove all stakes, markers, cables, ropes, wires or debris from disturbed areas, and shall restore and reclaim all areas disturbed by the permittee's operations at the conclusion of the operations, in accordance with the approved permit and standards established by the commissioner.

[19.2.17.13 NMAC - N, 9/14/2000; A, 6/11/2019]

19.2.17.14 FINANCIAL ASSURANCE:

- A. Improvements; Waivers. Before commencement of geophysical exploration activity, the permittee shall execute and provide financial assurance to secure payment for potential injuries to tangible improvements upon the permitted area that may result from a permittee's activity. The commissioner shall fix the amount of such financial assurance in an amount not less than five thousand dollars (\$5,000.00) for each section or portion of a section of trust lands covered by the permit. The financial assurance instrument shall be in favor of the state, but held for the benefit of the state's contract purchasers, patentees, and surface lessees with pre-existing rights within the permitted area. Provided that, in lieu of said financial assurance, the commissioner may accept a waiver of financial assurance, duly executed or acknowledged by the owners of all improvements in the permitted land.
- B. Blanket Bonds. The permittee may, with the approval of the commissioner, provide one instrument ("megabond") to cover financial assurance requirements under multiple permits or other instruments that authorize the permittee to enter trust lands. The commissioner shall fix the amount of the megabond, which shall be no less than twenty-five thousand dollars (\$25,000.00).
- C. Reclamation Bonds. Notwithstanding the provision of financial assurance under this part, the commissioner may require a permittee to provide for additional financial assurance to guarantee performance of reclamation requirements promulgated under state land office rules.
- D. Form of Financial Assurance Instruments. Forms for all financial assurance instruments shall either be prescribed and furnished by the commissioner, or be in a form approved by the commissioner. Self-insurance, in any form, shall not be allowed.

[19.2.17.14 NMAC - N, 9/14/2000]

19.2.17.15 SURFACE LESSEES:

- A. Fees paid to the commissioner pursuant to this part for permits to conduct geophysical exploration on lands in which the surface is held in trust are consideration for access to use the surface for reasonable geophysical activity. State land office surface lessees are not entitled to compensation from permittees for access across trust land.
- B. Permittees must settle with and compensate state land office surface lessees for actual damage to

or loss of livestock, authorized improvements, range, crops, and other valid existing rights recognized by law.
[19.2.17.15 NMAC - N, 9/14/2000]

HISTORY of 19.2.17 NMAC:

Pre-NMAC History: Material in this part was derived from that previously filed with the State Records Center and Archives:

SLO Rule 17, Relating to Seismic Exploration on Unleased State Lands, filed 8/3/1988

History of Repealed Material:

SLO Rule 17, Relating to Seismic Exploration on Unleased State Lands, 9/14/2000.

Geophysical Exploration Permit Application

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

Permit No.: _____
OG Bond No. _____

**Stephanie Garcia Richards
Commissioner**

**P.O. Box 1148
Santa Fe, New Mexico
87504-1148**

Oil, Gas, & Minerals Division

**APPLICATION
FOR PERMIT
TO CONDUCT GEOPHYSICAL EXPLORATION ON UNLEASED STATE LANDS**

DATE: _____

OGRID: _____

PERMITTING COMPANY NAME: _____

STREET ADDRESS: _____

CITY/STATE/ZIP CODE: _____

The Commissioner of Public Lands administers all or part of the lands described below, which are at this time unleased for oil and gas, or which are state surface estate only:

TOWNSHIP	RANGE	SECTION	LAND DESCRIPTION	VALUE	BENE INST
Permit Fee To Be Determined by New Mexico State Land Office Geologist					

Attach additional sheets if listing exceeds the space provided.

Applicant requests the privilege of conducting geophysical exploration upon all or part of the lands described above, upon terms and conditions which follow.

- If a permit is issued, it will be effective for a period of ninety (90) days, commencing on Commissioners approval date for exploration with geophysical instruments.
- Applicant agrees to pay in advance all applicable fees as listed in this application.
- Permittee shall execute and provide financial assurance to secure payment for potential injuries to tangible improvements upon the permitted area that may result from a permittee's activity. This financial assurance shall be in the form of a bond approved by the Commissioner, or in lieu of that bond, a waiver of financial assurance, duly executed or acknowledged by the owners of all improvements in the permitted land. (19.2.17.14 NMAC)
- A topographic map of suitable scale, identified by county, township, range and section showing the approximate location of all proposed survey lines which shall cross the applicable lands **MUST BE RECEIVED AND ACCEPTED** by the New Mexico State Land Office before this application will be processed.
- Permittee shall submit a proposed survey operations plan which shall include, without limitation, a description of the methods to be used in conducting the survey, a description of equipment to be used, a description of ingress and egress locations and a spill prevention and control plan.
- Permittee shall survey line routes for archeological and environmentally sensitive areas (including especially sensitive plant species), and route lines to avoid such areas.
- Motorized vehicles are not allowed off established ranch roads or off the permitted and surveyed source and receiver lines. Limited and reasonable drive-arounds are permitted when justified and located on submitted maps. Source lines and receiver lines shall not exceed one hundred feet in width. Areas in between the permitted geophysical lines are not considered permitted; entry thereon will be considered trespass which will result in cancellation of the permit. Unless authorized by the Commissioner in writing, a permit does not authorize the use of trust lands for operation staging areas or for vehicle maintenance yards.
- The Permittee shall ensure that the land will be returned to its condition as it existed prior to the geophysical work. At the discretion of the Commissioner, this may include blading rutted roads and replanting compacted source lines. Permits may contain specific requirements for reclamation, such as bank stabilization for watercourses and road repair.
- The Permittee shall furnish to the Commissioner, not later than one hundred fifty (150) days after the expiration date of the permit, a map of suitable scale. The map shall identify county, township, range and section and show the location and surface elevation of station points used in each survey made. The location, surface

elevation and depth of all shot holes drilled must be included. Station point maps will include source (vibrator) lines and receiver lines. This map shall be in a form allowing the Commissioner or his representative to visually inspect the permitted lands after the project is completed.

- Plans for potential and explosive field methods used in conjunction with geophysical acquisition operations are allowed at the discretion of the Commissioner and will be incorporated into a geophysical permit by reference.
- All plats and location maps shall be verified as to correctness by Permittee or his duly authorized representative and shall be identified by county, township, range and section.
- Any person who enters upon state land for purposes of geophysical exploration shall take all steps necessary to preserve and protect the natural environmental conditions of the land. The Permittee shall be liable and agrees to pay the State Land Office for all damages to the surface caused by the Permittee's operations on the lands or, at the option of the Commissioner, to restore and reclaim the surface to the preexisting condition.
- The Permittee must settle with and compensate state land office surface lessees for actual damage to or loss of livestock, authorized improvements, range, crops, and other valid existing rights recognized by law (19.2.17.15(B) NMAC). A permit in no way waives the Permittee's responsibilities and liabilities to surface lessees.
- The Permittee shall comply with all applicable laws, regulations, rules, ordinances and requirements of city, county, state and federal authorities and agencies, in all matters and things affecting the permit area and operations, including but not limited to conservation, sanitation, aesthetics, pollution, cultural properties, fire and ecology. (19.2.17.12(I) NMAC)

Fees are set forth as follows:

District type (See notes below)	Estate held by the state of New Mexico	Fee per entry into state lands
Restricted	Surface only	\$400.00
	Surface and unleased subsurface	\$400.00
	Unleased subsurface only	\$ 120.00
Unrestricted	Surface only	\$200.00
	Surface and unleased subsurface	\$200.00
	Unleased subsurface only	\$ 120.00

Notes:

- ◊ Districts are defined in SLO Rule 1.002 as follows: "A restricted district comprises an area usually in a proven oil and gas area and is created by statute or by authority of the Commissioner. A non or unrestricted district includes all lands outside the exterior boundaries of restricted districts."
- ◊ If survey methods for this permit application utilize explosives, include the following with this application:
 1. A topographic map showing shot hole patterns, depth of shot hole, size of charge and location in relation to buildings, wells, roads, pipelines, power lines, drainages and any other cultural feature, and
 2. Contingency plans for control and mitigation of blowouts and unexploded shot holes.
- ◊ No access to New Mexico state lands for any purpose is granted without relevant and current permits, agreements or leases, signed and sealed by the Commissioner, in place. Any and all representatives or subcontractors of geophysical permittees shall have a copy of relevant, approved and current permits, agreements or leases in their possession when on state lands.
- ◊ The New Mexico State Land Office does not participate in any negotiations needed between permittees and private surface owners as to access or survey operations.

Permittee (Company name, please print or type)

Authorized agent (Responsible person; please print or type)

* For the most up to date fee please visit: <https://www.nmstatelands.org/resources/fee-schedules-and-rentals/>

Geophysical Permit Sample



Stephanie Garcia Ricard
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

COMMISSIONER'S
OFFICE

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

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

PERMIT NO. :

DATE:

PERMIT TO CONDUCT GEOPHYSICAL EXPLORATION ON UNLEASED STATE LANDS

This agreement made and entered into by and between the Commissioner of Public Lands, hereinafter called the "Commissioner" and hereinafter called the "Permittee", WITNESSETH:

PERMITTEE NAME: OGRID:
PERMITTEE STREET ADDRESS:
CITY, STATE ZIP:
BOND:

WHEREAS, The Commissioner administers all or part of the lands described below, which are at this time unleased for oil and gas.

Sections	Township	Range	Ownership	Number of Crossings	\$/Crossing	Total
N-S Lines						
E-W Lines						

WHEREAS, Permittee desires the privilege of conducting geophysical exploration upon all or part of the lands described above, and the Commissioner is willing to grant said privilege upon the terms and conditions hereinafter set out.

NOW THEREFORE, the Commissioner does hereby grant to Permittee for the lands described above for a period of ninety (90) days commencing on the **date of the Commissioner's signature**, permission to explore with geophysical instruments. An extension of the permit may be granted by the Commissioner for work delays due to conditions beyond the Permittee's control, and deemed reasonable by the Commissioner.

Permittee agrees to pay in advance all applicable fees as listed in the New Mexico State Land Office Application for Geophysical Permit.

Issuance of this permit is contingent upon proof of financial assurance or waiver of financial assurance, as

approved by the Commissioner. (19.2.17.14 NMAC)

Motorized vehicles are not allowed off established ranch roads or off the permitted and surveyed source and receiver lines. Limited and reasonable drive-arounds are permitted when justified and located on submitted maps. Source lines and receiver lines shall not exceed one hundred feet in width. Areas in between the permitted geophysical lines are not considered permitted; entry thereon will be considered trespass which will result in cancellation of the permit. Unless authorized by the commissioner in writing, this permit does not authorize the use of trust lands for operation staging areas or for vehicle maintenance yards.

Permittee shall survey line routes for archeological and environmentally sensitive areas (including especially sensitive plant species), and route lines to avoid such areas.

The Permittee shall be liable and agrees to pay the State Land Office for all damages to the surface caused by the Permittee's operations on the lands or, at the option of the Commissioner, to restore and reclaim the surface to the preexisting condition. At the discretion of the Commissioner, this may include replanting compacted source lines, bank stabilization for watercourses and road repair. Any specific requirements for reclamation are listed as follows:

NO SPECIFIC RECLAMATION REQUIREMENTS ARE LISTED FOR THIS PERMIT.

The Permittee shall furnish to the Commissioner, not later than one hundred fifty (150) days after the expiration date of the permit, a map of suitable scale. The map shall identify county, township, range and section and show the location and surface elevation of station points used in each survey made. The location, surface elevation and depth of all shot holes drilled must be included. Station point maps will include source (vibrator) lines and receiver lines. This map shall be in a form allowing the Commissioner or the Commissioner's representative to visually inspect the permitted lands after the project is completed.

Approved plans for potential and explosive field methods used in conjunction with geophysical acquisition operations are allowed and incorporated into this permit by reference if in accordance with the New Mexico State Land Office Application for Geophysical Permit.

All plats and location maps shall be verified as to correctness by Permittee or the Permittee's duly authorized representative and shall be identified by county, township, range and section.

No access is granted to trust lands for any purpose without valid permits or agreements in place. State land office representatives may order an immediate shut-down of operations until proof of a valid permit or agreement is on site. (19.2.17.12(G) NMAC)

The Permittee shall comply with all applicable laws, regulations, rules, ordinances and requirements of city, county, state and federal authorities and agencies, in all matters and things affecting the permit area and operations, including but not limited to conservation, sanitation, aesthetics, pollution, cultural properties, fire and ecology. (19.2.17.12(I) NMAC)

Any person who enters upon trust lands for purposes of geophysical exploration shall take all steps necessary to preserve and protect the natural environmental conditions of such lands. The Permittee shall remove all stakes, markers, cables, ropes, wires or debris from disturbed areas, and shall restore and reclaim all areas disturbed by the Permittee's operations at the conclusion of the operations, in accordance with the approved permit and standards established by the Commissioner. (19.2.17.13 NMAC)

The Permittee must settle with and compensate state land office surface lessees for actual damage to or loss of livestock, authorized improvements, range, crops, and other valid existing rights recognized by law. (19.2.17.15(B) NMAC)

Permittee shall indemnify, defend, and hold harmless the Commissioner of Public Lands, the State Land Office and its employees from and against any and all claims, loss, liability, or expenses for any and all injuries and damages, including attorneys' fees that can be allocated to any action the Commissioner takes to enforce this

Permit, directly or indirectly resulting from Permittee's actions or omissions in connection with activities allowed under this permit. The Permittee shall notify the Commissioner and the Commissioner's General Counsel, by notices separately mailed to of them, of any claim brought against Permittee in connection with this Permit within two (2) days after it receives notice thereof by certified mail at the address set forth above.

EXECUTED at Santa Fe, New Mexico, this ____ day of _____, 2025.

Stephanie Garcia Richard
COMMISSIONER OF PUBLIC LANDS

By: _____

Company

By: _____
Print or type: COMPANY REPRESENTATIVE'S NAME, AND TITLE **Signature** of INDIVIDUAL OR REPRESENTATIVE

Acknowledgment of permittee signature on following page.

Acknowledgment in an Individual Capacity

State of _____)
County of _____) ss.

This instrument was acknowledged before me on _____ (Date)

by _____
Name(s) of Person(s)

(Seal)

Signature of Notarial Officer

My commission expires: _____

Acknowledgment in a Representative Capacity

State of _____)
County of _____) ss.

This instrument was acknowledged before me on _____ (Date)

by _____
Name(s) of Person(s)

as _____ of _____
Type of authority, e.g., officer, trustee, etc Name of party on behalf of whom instrument was executed

(Seal)

Signature of Notarial Officer

My commission expires: _____

State Land Office Use Only

Total Value Received for Permit: \$\$\$

Permittee _____
Operator

Address

SPO #

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19.2.20

TITLE 19 NATURAL RESOURCES AND WILDLIFE
CHAPTER 2 STATE TRUST LANDS
PART 20 RELATING TO CONSTRUCTION, MAINTENANCE AND RECLAMATION OF ROADS

19.2.20.1 ISSUING AGENCY: Commissioner of Public Lands, New Mexico State Land Office, 310 Old Santa Fe Trail, P. O. Box 1148, Santa Fe, New Mexico 87501, Phone: (505) 827-5713.
[12/31/99; 19.2.20.1 NMAC – Rn, 19 NMAC 2. SLO 20.1, 09/30/02]

19.2.20.2 SCOPE: This Rule pertains to the construction, maintenance and reclamation of roads on those lands held in trust by the commissioner of public lands under the terms of the Enabling Act and subsequent legislation. There are certain exceptions to this Rule as follows: certain new temporary roads are exempted as set out below in Subsection A of 19.2.20.9 NMAC.
[12/31/99; 19.2.20.2 NMAC – Rn, 19 NMAC 2. SLO 20.2, 09/30/02]

19.2.20.3 STATUTORY AUTHORITY: The commissioner's authority to manage the state trust lands is found in N.M. Const., art. XIII, Section 2, and in Section 19-1-1 NMSA 1978. The authority to promulgate this Rule is found in Section 19-1-2 NMSA 1978.
[12/31/99; 19.2.20.3 NMAC – Rn, 19 NMAC 2. SLO 20.3, 09/30/02]

19.2.20.4 DURATION: Permanent.
[12/31/99; 19.2.20.4 NMAC – Rn, 19 NMAC 2. SLO 20.4, 09/30/02]

19.2.20.5 EFFECTIVE DATE: November 19, 1990, unless a later date is cited at the end of a section or paragraph. Reformatted in NMAC format effective December 31, 1999.
[12/31/99; 19.2.20.5 NMAC – Rn, 19 NMAC 2. SLO 20.5, 09/30/02]

19.2.20.6 OBJECTIVE: The objective of 19.2.20 NMAC is to provide for the orderly and lawful construction, maintenance and reclamation of roads on state trust lands.
[12/31/99; 19.2.20.6 NMAC – Rn, 19 NMAC 2. SLO 20.6, 09/30/02]

19.2.20.7 DEFINITIONS: [Reserved]
[12/31/99; 19.2.20.7 NMAC – Rn, 19 NMAC 2. SLO 20.7, 09/30/02]

19.2.20.8 PURPOSE AND APPLICATION OF RULE: This Rule shall apply to all roads constructed on state trust lands administered by the commissioner of public lands (commissioner), and will be effective on the date of its filing with the state records center. This Rule is issued to implement minimum standards for road construction, maintenance, and rehabilitation so as to minimize the impact of roads on the various vegetational ecosystems involved.
[12/31/99; 19.2.20.8 NMAC – Rn, 19 NMAC 2. SLO 20.8, 09/30/02]

19.2.20.9 RULE REQUIREMENTS:

A. All roads constructed on state trust lands administered by the New Mexico state land office shall be constructed and maintained in accordance with this Rule. Roads built on state trust land that will cross adjacent land administered by the bureau of land management (BLM) will be constructed and maintained in concert with the BLM new road policy effective January 1, 1988. Roads built on state trust land only shall be constructed in accordance with the minimum standards described in 19.2.20.10 NMAC and maintained in accordance with the standards described in 19.2.20.11 NMAC, unless local conditions warrant exceptions. Such exceptions shall be approved by the state land office district land use specialist (SLO LUS).

B. Certain new temporary roads are exempted from the construction requirements of this Rule. The roads exempted are those that will provide access for a seasonal or temporary activity and/or for a temporary business use. However, these types of roads are subject to maintenance and/or rehabilitation requirements required by the SLO LUS.

C. Roads built on state trust lands shall be constructed and maintained by a right-of-way grantee in

accordance with the requirements set forth in the right-of-way grant if those requirements are different than the

requirements of this Rule. Construction and maintenance of these roads will be done in a manner that insures that authorized traffic remains within the right-of-way and erosion damage is mitigated.

D. When roads built on state trust lands are no longer needed, as determined by the lessee or right of way grantee and by the commissioner, they will be abandoned and rehabilitated according to 19.2.20.12 NMAC. However, the New Mexico state land office may determine that such a road is still needed for other purposes, and if so, it shall notify the lessee or grantee in writing of this determination, at which time the lessee or grantee shall be released from all responsibility for maintenance and rehabilitation.

[12/31/99; 19.2.20.9 NMAC – Rn, 19 NMAC 2. SLO 20.9, 09/30/02]

19.2.20.10 ROAD CONSTRUCTION STANDARDS:

A. Width. The preferred minimum standard for roads built on state trust lands is a fourteen (14) -foot width for single-lane roads and a twenty (20) -foot width for double-lane roads, provided that the local situation doesn't dictate that it be wider. The maximum allowable grade without an engineering design is ten percent (10%).

B. Drainage. Drainage control shall be ensured through the use of drainage ditches, outsloping, insloping, natural rolling topography, ditch turnouts, or culverts. Spacing of ditches, broad-based drainage ditches, culverts and turnout ditches will depend on cross slope, road grade and soil type. Drainages will be constructed in such frequency necessary to prevent headcuts or other forms of accelerated erosion or damage on adjacent areas.

C. Culverts. Culvert pipes shall be used for cross drains on grades in excess of ten percent (10%) gradient and on all major drainages. Roadbed culverts shall be used to drain road ditches when drainage ditches are not feasible. All culvert sizing must be in accordance with accepted engineering practices (i.e., Talbot chart, etc.). The minimum size culverts in any installation is eighteen (18) inches.

D. Road Surfacing:

(1) Surfacing (i.e. caliche, gravel, soil stabilizer, sand, cinders, etc.) shall be required on all roads built on state trust lands where all weather access is needed, if the natural soil does not have the bearing capacity for heavy vehicles in both wet and dry weather and if these materials are economically available.

(2) The roadbed should be reasonably smooth, free of ruts, chuckholes, rocks, slides, washboards, dust pockets, soft spots or other driving hazards or nuisances.

E. Cattleguards and Fencing. Cattleguards are required for all fence lines crossing roads built on state trust lands, unless a wire or metal gate is approved by the SLO LUS and surface lessee.

(1) All cattleguard grid designs and foundation designs shall meet AASTHO load rating H-20, although AASTHO U-80 is required where heavy loads exceeding H-20 loading are anticipated.

(2) All cattleguard grids shall meet or exceed the road width, but shall not be less than fourteen (14) feet wide.

(3) Approach ramps (if needed) shall not be less than fifty (50) feet on each side of cattle guards and shall provide smooth transitions.

(4) Gates shall be installed on one (1) side of cattleguards. Gate construction will conform to the specifics set out in 19.2.20.11 NMAC.

(5) Fencing, if required, is to be a four (4) strand barbwire fence with twelve (12) inch spacing between strands.

F. Vegetation. All vegetation removed from roadbeds as a result of construction shall be disposed of by the grantee or lessee, by a method approved by the SLO LUS. Road standards may be modified to meet local conditions. Suggested reference material for road construction and maintenance practices is "Reducing Erosion from Unpaved Rural Roads in New Mexico," published by the New Mexico energy, minerals and natural resources department soil and water conservation bureau.

[12/31/99; 19.2.20.10 NMAC – Rn, 19 NMAC 2. SLO 20.10, 09/30/02]

19.2.20.11 ROAD MAINTENANCE STANDARDS: "Maintenance" is the upkeep necessary for the safe and efficient utilization of roads on state trust lands. Right-of-way grantees and lessees shall be responsible for preventative and/or corrective road maintenance of the relevant road until assignment or abandonment and rehabilitation of the road. This maintenance may include, but not be limited to, the items listed below:

A. Roadbed.

(1) Roadbeds shall be reasonably smooth and reasonably free of ruts, dust pockets, soft spots, chuckholes, rocks, slides and washboards.

(2) No berms shall be permitted along shoulders.

(3) The integrity of the surfacing material shall be maintained.

- (4) Roadbed width shall be kept to the approximate original dimensions.
 - B. Shoulders.** Road shoulders shall be straight and present a uniform line with the surface free from large rocks, limbs or stumps.
 - C. Ditches, Culverts and Drainage Dips.**
 - (1) Original cross section of roads shall be maintained. Drainage area shall be kept clear of rocks, slides and sediments.
 - (2) Vegetation or sedimentation shall not restrict ditch or culvert flow or reduce the waterway area.
 - (3) Ditch bottoms shall be stable and not excessively eroded.
 - (4) Back-sloped areas above ditches shall be stable terrain.
 - (5) Drainage dips shall be maintained to constructed design.
 - D. Other Related Road Features.** Right of ways shall be free of excessive or objectional litter, signs, etc. as determined by the SLO LUS in concert with the grantee.
 - E. Fences, Gates and Cattleguards.**
 - (1) Posts are to be sound, plumb and secure.
 - (2) Wire shall be tight and securely fastened to the posts.
 - (3) Stays shall be uniformly spaced and vertical between posts and affixed to keep the strands properly spaced.
 - (4) Rock deadmen shall be properly secured to the fence.
 - (5) Gates shall be adequate to turn the class of livestock in the pasture at the time the road was first constructed and easily opened and closed.
 - (6) Cattleguard pits shall be clean and functional. End wings shall be securely fastened and serviceable. Guards and bases must be maintained in serviceable condition.
 - (7) Cattleguard approaches shall be maintained to provide a smooth transition.
 - F. Ford and Low Crossings.**
 - (1) There shall be a smooth transition between roads and fords.
 - (2) No excessive erosion adjacent to fords shall be allowed.
 - (3) The surface of fords shall be clear of debris, brush, rocks and sediment.
 - (4) Bottoms of ford crossings shall be level with the stream bottoms.
 - G. Safety and Hazard Control.**
 - (1) Travel way and ditches shall be kept free of shrubs, trees and other obstacles and shall be free of overhanging trees and limbs. No down trees or branches shall be in the ditch area.
 - (2) Unstable material above roadways shall be removed or stabilized.
- [12/31/99; 19.2.20.11 NMAC – Rn, 19 NMAC 2. SLO 20.11, 09/30/02]

19.2.20.12 ROAD ABANDONMENT AND RECLAMATION: All roads no longer needed, as determined by the grantee or lessee and the commissioner, shall be reclaimed to approximate natural contours, unless, as provided herein, the New Mexico state land office elects to allow a road to remain based on recommendations from the SLO LUS. Upon reclamation all road improvements and debris shall be removed, unless approved otherwise by the SLO LUS. Reclaimed roads will have the roadbeds ripped, scarified and otherwise roughened as directed by the SLO LUS to ensure increased water infiltration and a properly prepared seedbed; and then reseeded. Parallel-road berms are to be removed and recontoured. Berms or gates will be used to block access to the reclaimed road. Water bars will be used on sloping surfaces and spaced so as to minimize erosion and control surface runoff. For reseeding, the New Mexico state land office will approve seeding rates and seed mixtures or approve site-specific recommendations. When possible, the New Mexico state land office will recommend such approved rates and mixtures, but will not require seed varieties in its mixtures which are not in common use in the area. Reseeding shall be planned and completed with a goal of revegetation consistent with local natural vegetation density. After a failed attempt to revegetate an area, a second reseeding may be required by the New Mexico state land office, but in no event shall such second reseeding be required more than two (2) years after the initial one. Reclamation responsibility of a grantee or lessee terminates upon acceptance of the reclamation of a site by the SLO LUS. [12/31/99; 19.2.20.12 NMAC – Rn, 19 NMAC 2. SLO 20.12, 09/30/02]

HISTORY OF 19.2.20 NMAC:

Pre-NMAC History: The material in this Part was derived from that previously filed with the State Records Center and Archives under:

SLO Rule 20, Relating to Construction Maintenance And Reclamation of Roads, filed 11/19/90.

History of Repealed Material: [Reserved]

Cultural Properties Protection Rule

The purpose of the new Cultural Properties Protection Rule is to proactively identify archaeological sites and other cultural properties on state trust lands and protect them before they are damaged. The rule requires lessees of state trust lands to conduct informational reviews and cultural resource surveys before engaging in new surface disturbing activities and to adjust project activities to avoid damage to identified cultural properties.

The rule provides for important exceptions, including repairs and maintenance of existing improvements such as fences and water tanks, that do not involve additional surface disturbance. The State Land Office has also launched the Cultural Survey Support Program in conjunction with the rule to help agricultural lessees and others with the survey process and to provide additional information and support regarding how to comply with the rule.

Please follow the links below for more information:

<https://www.nmstatelands.org/divisions/cultural-resources-office/culturalproperties/>

<https://culturalcompliance.nmstatelands.org/>

This section includes the following information:

1. Cultural Properties Protection Rule.
2. Cultural Properties Acknowledgment Form
3. Cultural Resources Cover Sheet

Please contact New Mexico State Land Office's Cultural Resources Office for more information at 505-827-5732 or croinfo@nmslo.gov.

TITLE 19 NATURAL RESOURCES & WILDLIFE
CHAPTER 2 STATE TRUST LANDS
PART 24 CULTURAL PROPERTIES PROTECTION

19.2.24.1 ISSUING AGENCY: Commissioner of Public Lands - New Mexico State Land Office - 310 Old Santa Fe Trail - P.O. Box 1148 - Santa Fe, New Mexico 87501.
[19.2.24.1 NMAC - N, 12/01/2022]

19.2.24.2 SCOPE: This part pertains to the identification and protection of cultural properties on state trust lands.
[19.2.24.2 NMAC - N, 12/01/2022]

19.2.24.3 STATUTORY AUTHORITY: The commissioner is the executive officer of the state land office, pursuant to Section 19-1-1 NMSA 1978. The commissioner’s authority to manage, control, and care for state trust lands is found in N.M. Const., art. XIII, Section 2 and in Section 19-1-1 NMSA 1978. The New Mexico Cultural Properties Protection Act, Sections 18-6A-1 to 18-6A-6 NMSA 1978, requires the state land office, as an agency with jurisdiction over state land, to exercise due caution to ensure that cultural properties on state trust lands are not inadvertently damaged or destroyed. The New Mexico Cultural Properties Act, Sections 18-6-1 to 18-6-17 NMSA 1978, authorizes the commissioner to initiate action against any person who violates the Cultural Properties Act by causing damage to or destroying cultural properties located on state trust lands. The authority to promulgate this part is found in Section 19-1-2 NMSA 1978.
[19.2.24.3 NMAC - N, 12/01/2022]

19.2.24.4 DURATION: Permanent.
[19.2.24.4 NMAC - N, 12/01/2022]

19.2.24.5 EFFECTIVE DATE: December 1, 2022 unless a later date is cited at the end of a section.
[19.2.24.5 NMAC - N, 12/01/2022]

19.2.24.6 OBJECTIVE: The objective of this part is to establish and maintain processes to proactively identify cultural properties on state trust lands to ensure that such properties are not damaged or destroyed, by generally requiring informational reviews and archaeological surveys before surface disturbing activity on state trust lands takes place, requiring avoidance and mitigation of damage to cultural properties, and providing mechanisms to enforce protections for cultural properties. This part applies to all state trust lands, the surface of which is held in trust by the commissioner.
[19.2.24.6 NMAC - N, 12/01/2022]

19.2.24.7 DEFINITIONS: As used in 19.2.24 NMAC, the following terms have the meaning set forth in this section unless otherwise indicated in the text of this rule:

A. “Archaeological survey” or “Survey” means a visual inspection of land to examine, identify, record, evaluate, and interpret cultural properties, which may include communications with potentially impacted tribes and may include limited tests but shall not include excavation or test excavation, as provided in 4.10.15 NMAC. An archaeological survey is conducted by an archaeologist who meets the professional qualification standards in accordance with 4.10.8 NMAC.

B. “Area of potential effect” or “APE” means the geographic area or areas within which a project may directly or indirectly cause changes in the character or use of a cultural property, if any such properties exist, as provided in 4.10.15 NMAC. The APE is influenced by the scale and nature of the project, variation in topography and vegetation, and the results of consultations, and may be different for different kinds of effects caused by the undertaking and may include a buffer.

C. “ARMS inspection” means a search of the New Mexico cultural resources information system (NMCRIS) and the other cultural resource records maintained by the archaeological records management section (ARMS) of the historic preservation division of the New Mexico department of cultural affairs, in accordance with 4.10.15.9 NMAC.

D. “Commissioner” means the commissioner of public lands. The commissioner is the executive officer of the state land office and may delegate to state land office staff the performance of duties required of the commissioner under this rule.

E. “Cultural property” means a structure, place, site, object, or resource having historic, archaeological, scientific, architectural, or other cultural significance. A cultural property includes a property

listed on or eligible for inclusion on either the New Mexico register of cultural properties pursuant to the Cultural Properties Act, or listed on or eligible for listing on the national register of historic places pursuant to the National Historic Preservation Act, 54 U.S.C. 300101 et seq.

F. “Cultural Properties Act” means the New Mexico Cultural Properties Act, Sections 18-6-1 through 18-6-17 NMSA 1978.

G. “Cultural Properties Protection Act” means the New Mexico Cultural Properties Protection Act, Sections 18-6A-1 through 18-6A-6 NMSA 1978.

H. “Party” means any person applying to the commissioner for a lease, sublease, easement, permit, license, grant, amendment, certificate or other instrument issued by the commissioner of public lands; any person to whom the commissioner has issued a lease, sublease, easement, permit, license, grant, amendment; certificate or other instrument; and any person who is otherwise lawfully present and conducting activities on state trust lands, including well operators and unit operators.

I. “Person” is a natural person or group of persons, or a partnership, corporate entity, association or organization, governmental entity, or any other legal entity.

J. “Project” means any surface disturbing activity or proposed surface disturbing activity on state trust lands that requires a lease, sublease, easement, permit, license, grant, amendment, certificate, or other entitlement from the commissioner, as well as any surface disturbing activity that is directly undertaken by the state land office. Project activity includes temporary work spaces and installation surface disturbing activities.

K. “State historic preservation officer” or “SHPO” means the individual appointed pursuant to Section 18-6-8 NMSA 1978 of the Cultural Properties Act who serves as the director of the historic preservation division of the New Mexico department of cultural affairs.

L. “State land office” means the New Mexico state land office.

M. “State trust lands” or “trust lands” means those lands, their natural products, and all assets derived from them, which are under the care, custody, and control of the commissioner.

N. “Surface disturbance” or “Surface disturbing” means any ground disturbing or ground breaking activity, including but not limited to blading, scraping, contouring, excavating, trenching, drilling, digging, burying, paving, covering, or compacting soil surfaces, whether or not previously disturbed, and whether or not the person engaged in those activities is authorized to occupy or use state trust lands.

O. “Tribe” means any tribe, nation, or pueblo that may or may not be federally recognized but has indicated cultural affinity to New Mexico areas as documented in the tribal consultation list maintained by the historic preservation division of the New Mexico department of cultural affairs.

P. “Trust” means the trust established by the Enabling Act (Act of June 20, 1910, 36 Statutes at Large 557, Chapter 310) and that trust’s assets, which are administered through the state land office by the commissioner.

[19.2.24.7 NMAC - N, 12/01/2022]

19.2.24.8 GENERAL REQUIREMENTS:

A. Avoidance of damage. Any persons engaged in activities on state trust lands are subject to the requirements of the Cultural Properties Act, the Cultural Properties Protection Act, and 19.2.24.13 NMAC. Persons shall not disturb, dislodge, damage, destroy, or remove any cultural properties on state trust lands. Any project on state trust lands that has the potential to directly or indirectly damage cultural properties is additionally subject to the requirements of Subsections B, C, D, and E of 19.2.24.8 NMAC.

B. Signed acknowledgment. Parties shall acknowledge, on a form prescribed by the commissioner, that they understand and agree to comply with applicable laws and rules pertaining to the protection of cultural properties on state trust lands.

C. ARMS inspection and survey. Prior to conducting surface disturbing activities, parties shall cause a permitted archaeologist to submit to the state land office an ARMS inspection of the entire area of potential effect. More detailed guidance regarding the submission process for ARMS inspection and surveys under this subpart will be provided in an instructional document to be published on the state land office’s website and also will be provided to any party or other interested person upon request. The time when that submission is required is provided in Subsection E of this section. In the best interest of the trust, the commissioner, in the commissioner’s discretion, may elect to provide the ARMS inspection for any particular portion of state trust land. The following subparagraphs describe the necessary steps to be taken after an ARMS inspection is conducted.

(1) If the ARMS inspection demonstrates that the entire area of potential effect has been surveyed, and that no cultural properties are located within the area of potential effect, then the party shall cause a permitted archaeologist to submit the ARMS inspection to the state land office, in which case the required archaeological review is complete.

(2) If the ARMS inspection or survey demonstrates that the entire area of potential effect has been surveyed, and cultural properties are identified within the area of potential effect, the party shall cause a permitted archaeologist to submit the most recent applicable survey(s) to the state land office. If a prior survey is submitted that is more than ten years old, the state land office will determine if the survey conforms to the requirements of 4.10.15 NMAC and if it does not, may require an updated survey. The party shall be subject to the requirements of Subsection D of this section.

(3) If the ARMS inspection demonstrates that the entire area of potential effect has not been surveyed, a complete archaeological survey must be conducted by a permitted archaeologist in accordance with the requirements of 4.10.15 NMAC and submitted to the state land office. The new survey need not include areas already subjected to acceptable surveys. The party shall be subject to the requirements of Subsection D of this section, if cultural properties are identified in the survey.

D. Compliance measures. For any application or project where any survey has identified cultural properties within the area of potential effect, the party shall cause a permitted archaeologist to develop and submit to the state land office compliance measures related to project siting, and avoidance and mitigation of damage to cultural properties; those compliance measures may be included within the survey that is submitted to the state land office on behalf of any party, or may be submitted separately. The state land office will review any applicable compliance measures, and determine if those measures are sufficient to protect or mitigate damages to the affected cultural properties, a review that may include consultation with the SHPO and shall include consultation with any impacted tribe. In the best interests of the trust, the state land office may require additional or different compliance measures as a condition to approval of the application or project. This review process will be completed within 60 calendar days of submission of an administratively complete submission (ARMS inspection or survey, and any applicable compliance measures), but that time period may be extended in the commissioner's discretion for up to an additional 60 calendar days as may be necessary to ensure appropriate review. Upon commissioner approval, the relevant leasing division shall include appropriate compliance measures in the relevant lease, easement, or other instrument, if applicable, consistent with applicable statutes and rules.

E. Timing of requirements. The undertakings required in Subsections A, B, and C of 19.2.24.8 NMAC are required at different points in time depending on the nature of the application or project, as follows:

(1) **Leases, easements, or other instruments not requiring subsequent approval.** For applications or projects where no review or approval is required after issuance of the applicable lease, easement, or other instrument: the acknowledgment specified in Subsection B of 19.2.24.8 NMAC, an ARMS inspection and survey specified in Subsection C of 19.2.24.8 NMAC, and any applicable compliance measures specified in Subsection D of 19.2.24.8 NMAC, are required at the time of submission of the application for the lease, easement, or other instrument, and in any event prior to commencement of surface-disturbing activities.

(2) **Leases, easements, or other instruments requiring subsequent approval.** For applications or projects where subsequent review by the commissioner is required after a lease, easement, or other instrument may be issued, and before project activities may take place: the acknowledgment specified in Subsection B of 19.2.24.8 NMAC is required at the time of submission of application or bid. The ARMS inspection or survey specified in Subsection C of 19.2.24.8 NMAC, and any applicable compliance measures specified in Subsection D of 19.2.24.8 NMAC, are required at the time of submission of the project plans or, if no project plans are required to be submitted, at least 60 calendar days prior to commencement of surface disturbing activities.

(3) **Oil and gas leases.** This subpart applies to oil and gas leases. The acknowledgment specified in Subsection B of 19.2.24.8 NMAC is required prior to issuance of a lease or any lease assignment. For all surface disturbing activities (whether under a new or existing lease or lease assignment), the description and location of the project, the ARMS inspection or survey specified in Subsection C of 19.2.24.8 NMAC, and any applicable compliance measures specified in Subsection D of 19.2.24.8 NMAC, must be received, reviewed, and approved by the state land office prior to any surface disturbing activity, along with the acknowledgment specified in Subsection B of 19.2.24.8 NMAC if one has not already been submitted by the party undertaking the surface disturbing activity for that particular lease. Upon authorization from the state land office, the party may commence the surface disturbing activity.

(4) **Mining leases.** This subpart applies to leases for mining as specified in Chapter 19, Articles 8-9 NMSA 1978, and 19.2.2, 19.2.3, 19.2.4, 19.2.5, 19.2.6, and 19.2.7 NMAC. The acknowledgment specified in Subsection B of 19.2.24.8 NMAC is required at the time of submission of an application or bid to lease. The ARMS inspection or survey specified in Subsection C of 19.2.24.8 NMAC and any applicable compliance measures specified in Subsection D of 19.2.24.8 NMAC, are required at the time of submission of an application for a mining permit with the mining and minerals division of the New Mexico energy, minerals, and natural resources department, or equivalent permitting agency, for leases that are subject to 19.2.2 and 19.2.6 NMAC; and prior to commencement of any surface disturbing activity for all other types of mineral leases.

F. Archaeological survey permits and notifications to survey. Individuals with valid archaeological survey permits issued by the New Mexico cultural properties review committee, as provided in 4.10.8 NMAC, are preapproved to access state trust lands for the sole purpose of conducting archaeological surveys pursuant to this rule, without the need for a separate authorization from the commissioner. For other project purposes (that is, other than archaeological surveys), parties who are already authorized to access and occupy particular state trust lands by virtue of a lease or easement are not required to obtain separate authorization from the commissioner. All other persons needing access to state trust lands for other project purposes (that is, other than archaeological surveys) shall apply for a right of entry permit on a form prescribed by the commissioner, and the state land office will process such application on a timely basis. The state land office should be notified at least 15 calendar days before an archaeological survey is conducted, except for exigent situations, including but not limited to responses to spills or hazardous conditions, in which case the state land office should be notified as soon as possible and in any event prior to the survey.
[19.2.24.8 NMAC - N, 12/01/2022]

19.2.24.9 **ACKNOWLEDGMENT-ONLY REQUIREMENTS:** The acknowledgement specified in Subsection B of 19.2.24.8 NMAC shall be included with applications for the following, with no ARMS inspection or survey as specified in Subsection C of 19.2.24.8 NMAC or compliance measures as specified in Subsection D of 19.2.24.8 NMAC, unless those additional measures are specifically required by the commissioner for a particular application:

A. renewals or reissues, assignments, conversions, and subleases of existing grants, leases or permits, and agricultural improvement replacements, where no new surface disturbance will occur, or when the area of potential effect of a new project activity is entirely within a previously disturbed area of the same nature and extent of disturbance;

B. applications for new agricultural leases in open acreage or through competitive bid; and

C. applications for non-surface disturbing rights of entry, with the final decision vested with the commissioner about whether or not the relevant activity is surface disturbing.

[19.2.24.9 NMAC - N, 12/01/2022]

19.2.24.10 EXEMPTIONS:

A. The following activities are exempt from the acknowledgment, ARMS inspection and survey, and compliance measures requirements of this rule. These exemptions do not provide authorization to enter or occupy state trust lands, which must be granted by the commissioner under a valid lease, easement, permit, or other instrument:

(1) law enforcement, emergency response, or natural disaster response (“emergency response”) activities, whether or not undertaken by or in coordination with the state land office, that are necessary to protect immediate threats to public health, safety, or the environment, including but not limited to firefighting, flood management, or for controlling, containing, or capturing releases of hazardous or harmful materials. If the state land office is not already involved in undertaking or coordinating the emergency response, it shall be notified of the response as soon as practicable. Any known cultural property within the area of emergency response should be monitored to the extent practicable so that any adverse effects to the cultural property can be avoided, mitigated, or minimized;

(2) administrative actions performed by the state land office, such as executive orders or rule making activities, and any internal agency processes or decisions that do not create new surface disturbance;

(3) memoranda of understanding or agreements to cooperate executed by the commissioner;

(4) easements, leases, or other instruments granted by the commissioner to any person that do not directly expand current surface uses or create new surface disturbance;

(5) recreational access permits and educational access permits, applications for such permits, non-surface disturbing natural resource authorizations, or activities that already require the presence of an archaeological monitor such as special use agreements;

(6) projects analyzed under the National Environmental Policy Act of 1969, 42 U.S.C. Section 4321 et seq. and the National Historic Preservation Act of 1966, 16 U.S.C. Section 470 et seq., and their implementing regulations, so long as such analysis includes impacted state trust lands. For such projects, the party shall submit a copy to the state land office of the survey or portions thereof pertaining to impacted state trust lands;

(7) acquisition or disposition of lands through exchange or sale; and

(8) plugging, restoration, remediation, or reclamation activities that do not involve new surface disturbing activity outside the authorized boundaries of any existing roads, rights of way, well pads, associated oil and gas facilities or other structures.

B. Parties or other persons engaged in the activities exempted in Subsection A of 19.2.24.10 NMAC remain subject to the requirements of the Cultural Properties Act, the Cultural Properties Protection Act, and 19.2.24.13 NMAC.

C. Notwithstanding any other provision of this part, the commissioner may require an ARMS inspection or survey for any project when determined to be in the best interest of the trust.
[19.2.24.10 NMAC - N, 12/01/2022]

19.2.24.11 CONFIDENTIALITY: Consistent with the Cultural Properties Act, Section 18-6-11.1 NMSA 1978 and Section 19-1-2.1 NMSA 1978, any information in the custody of the state land office concerning the location of cultural properties, the preservation of which is in the interest of the state of New Mexico, shall remain confidential and not subject to inspection under the New Mexico Inspection of Public Records Act, Section 14-2-1 to Section 14-2-12 NMSA 1978 unless the commissioner determines that the dissemination of such information will further the purposes of the Cultural Properties Act and will not create a risk of loss of cultural properties.
[19.2.24.11 NMAC - N, 12/01/2022]

19.2.24.12 ENFORCEMENT AND IMPLEMENTATION:

A. In the event any party becomes aware of actual or threatened damage to cultural properties on state trust lands where that party is conducting project activities or has filed an application to conduct project activities, the party shall immediately notify the state land office, which will then notify the SHPO, and the party shall immediately suspend all project activities in the immediate area of the damage or the threatened cultural property, in consultation with the state land office. Project activities shall remain suspended until the state land office, in consultation with the SHPO and any impacted tribe, approves resumption of those activities, and such approval may be conditioned on the party's adoption of compliance measures relating to project siting, avoidance, or mitigation of impacts to the cultural properties at issue. If human remains are uncovered, project activities within 50 feet shall stop immediately and the party shall notify the local law enforcement agency with jurisdiction, the state land office and the SHPO pursuant to the Cultural Properties Act, Subsection C of Section 18-6-11.2 NMSA 1978. Subsequent response by local law enforcement is governed by 4.10.11 NMAC.

B. In the event a party conducts project activities without first performing a survey or does not comply with any applicable avoidance and mitigation measures established by the survey or contained within the relevant lease, permit, or other instrument, and cultural property is damaged in the process, the party will be required to conduct an archaeological damage assessment at the party's own expense and will be liable for damages as determined by the archaeological damage assessment in the amount equal to the cost of restoration, stabilization, and interpretation of the damaged cultural property. If the party failed to conduct an archaeological survey as required by this rule prior to conducting surface disturbing activity, that party shall undertake such survey after the fact. In addition, the commissioner may recover an amount equal to twice the cost of restoration, stabilization, and interpretation of the damaged cultural property, in accordance with the Cultural Properties Act, Section 18-6-9.2 NMSA 1978.

C. All parties that are subject to any provision of 19.2.24.8 and 19.2.24.9 NMAC shall promptly provide to the state land office all records relating to compliance with this part upon request.

D. As provided by the Cultural Properties Act, Section 18-6-9.2 NMSA 1978 the commissioner may initiate a civil action against any person violating the Cultural Properties Act on or with respect to state trust lands. This remedy is not exclusive and does not limit the rights or remedies that are otherwise available to the commissioner and the state land office under applicable law, including action against a lease, easement, or other instrument issued by the commissioner.

E. The commissioner may refer a criminal violation of the Cultural Properties Act, Sections

18-6-9, 18-6-9.1, and 18-6-9.3 NMSA 1978 to the New Mexico attorney general or to the district attorney in whose district the violation took place.

F. The state land office may undertake monitoring and staff training to protect against damage to cultural properties.

G. The commissioner will develop instructional materials and forms necessary for the implementation of this rule.

[19.2.24.12 NMAC - N, 12/01/2022]

HISTORY of 19.2.24 NMAC: [RESERVED]

Cultural Properties Acknowledgment Form



Stephanie Garcia Richard, Commissioner of Public Lands
State of New Mexico

CULTURAL PROPERTIES PROTECTION ACKNOWLEDGMENT FORM

Exhibit _____

All lessees, operators, grantees, permittees, and/or applicants (collectively, "Parties") requesting any authorization from the Commissioner of Public Lands, or conducting any project or activity on state trust land, are expected to review and abide by all applicable laws and rules related to the protection of cultural properties on state land, including the New Mexico State Land Office's ("NMSLO") Cultural Properties Protection Rule, 19.2.24 NMAC. The Cultural Properties Protection Rule can be viewed at <https://www.nmstatelands.org/culturalproperties/>.

Parties conducting surface-disturbing activity on state trust land must follow the procedures and timelines outlined in 19.2.24.8 NMAC. To minimize processing delays, Parties are strongly encouraged to supply NMSLO with appropriate documentation as early as possible pursuant to 19.2.24.8 (C), (D), (E) & (F) NMAC. Parties are advised to always exercise due caution to ensure that cultural properties on state trust land are not inadvertently excavated, disturbed, dislodged, damaged, destroyed, or removed by any person, pursuant to the Cultural Properties Protection Rule, 19.2.24.8 (A) NMAC and Section 18-6-9 (A) and (B), NMSA 1978.

By signing this acknowledgment form, Parties affirm that they have read this document, including the accompanying Instructions for Compliance, and have reviewed and agree to comply with NMSLO's Cultural Properties Protection Rule. If a Party is other than a natural person, the individual signing below attests that they have the authority to execute this acknowledgment on behalf of and bind that Party.

Type and Number of Instrument (Lease Number):

(Required for Oil & Gas Leases-eg. VB06320001; include if available for other leases: Business, Renewables, Minerals, Water Bureau, ROW or Agricultural leases-eg. BL05220001, GR0232, R40893, SW0520, HA0102)

Name of Party (Company Name, if applicable):

Name of Signatory (Person Signing):

Relationship to Party/Title (position):

(eg. lessee, operator, grantee, applicant, self or other)

Phone Number:

Email Address:

Signature : _____

Date:

INSTRUCTIONS FOR COMPLIANCE

Cultural Properties Protection Rule (19.2.24 NMAC)

The following instructions apply to all lessees, operators, grantees, permittees, and/or applicants (collectively, "Parties") that intend to conduct new surface disturbing activities on state trust lands. The instructions provide additional guidance for fulfilling the requirements of the New Mexico State Land Office's (NMSLO) Cultural Properties Protection Rule. A copy of the Cultural Properties Protection Rule can be found at <https://www.nmstatelands.org/culturalproperties/>.

We thank you in advance for your commitment to protecting New Mexico's past and living history. The NMSLO encourages all Parties to provide current and accurate documentation as early as possible to minimize processing delays.

Please do not hesitate to reach out to the Cultural Resources Office at croinfo@nmslo.gov if you need additional clarification or guidance.

Part I: Archaeological Records Management Section (ARMS) Inspection

1. The ARMS inspection is a records review and should comply with the pre-field requirements of 4.10.15.9 NMAC. An ARMS inspection must be conducted prior to any new surface-disturbing activities, in compliance with 19.2.24.8 (C) NMAC. The specific timing of when an ARMS inspection is required depends on the category of activity, as described in 19.2.24.8 (E) NMAC. The Cultural Properties Protection Rule provides exceptions for certain categories of activity that do not require an ARMS inspection or survey; see 19.2.24.9 NMAC and 19.2.24.10 NMAC.
2. Parties are expected to engage a permitted archaeological consultant to conduct an ARMS inspection. The list of currently permitted archaeological consultants approved to conduct surveys on state land in New Mexico is available at <http://www.nmhistoricpreservation.org/documents/consultants.html>. Click on the pdf document titled "Cultural Resource Consultants." The list is updated regularly and arranged by county of location. Because costs vary, the NMSLO encourages Parties to contact more than one archaeological consultant.
3. The archaeological consultant will conduct an ARMS inspection of the entire area of potential effect (APE). Standard APEs have been defined by the NMSLO and shared with cultural resource consultants. APEs should be consulted with the NMSLO for projects that fall outside of these standard APE definitions prior to survey.
 4. If the ARMS inspection indicates that the entire APE has been previously covered by a qualifying survey and no cultural properties were located, NMSLO's Cultural Resources Office and the relevant leasing division (e.g. Water Bureau, Minerals; Agricultural Leasing; Business Leasing, Renewable Energy, Rights-of-Way, etc.) will complete the process of review and approval. In the case of oil and gas lease projects, once the Cultural Resources Office reviews and approves the ARMS inspection results, no further archaeological review is required and the project may proceed.
5. The archaeological consultant will complete and submit the ARMS Inspection/Desktop Review web form on the Cultural Compliance Web Portal (Web Portal), available at <http://culturalcompliance.nmstatelands.org/>. NMSLO's Cultural Resources Office will have immediate access to the submitted web form and accompanying documents.
 - (A) After submission of an ARMS Review through the Web Portal, a Cover Sheet will be automatically generated and available for the consultant.
6. If the ARMS inspection result indicates a previous survey showing the presence of cultural properties within the APE, the Party must propose avoidance and protection measures for the project as designed in collaboration with their archaeological consultant.
7. If the ARMS inspection shows that the entire APE has **not** been subject to archaeological survey or to a current standards survey, a complete archaeological survey must be conducted. See continued

instructions below, Part II.

8. Because specific locational information of cultural properties that may be contained in an ARMS inspection or archaeological survey is confidential under New Mexico law (see Cultural Properties Act, Section 18-6-11.1, NMSA 1978, and Section 19-1-2.1, NMSA 1978), Parties should expect to receive a copy only of the Cover Sheet from their archaeological consultant, and should include the Cover Sheet to the appropriate NMSLO leasing division with their application.
9. Parties conducting project activities on state land under oil and gas leases, like other Parties, will receive a copy of the Cover Sheet from their archaeological consultant. To provide information on their upcoming projects on state land, Parties will then fill in the Oil and Gas Project Description Web Form at <http://culturalcompliance.nmstatelands.org/> and will submit, along with the Cover Sheet, any necessary documentation for cultural compliance review pursuant 19.2.24.8 (E)(3) NMAC. Only on-lease oil and gas projects with activities that are not included in any other lease application at NMSLO (eg. Business or Right of Way) should utilize the Web Portal.

Part II: Archaeological Surveys and Compliance Measures

1. If the ARMS inspection indicates that the entire APE has not been subject to a qualifying archaeological survey (see Part I, Para. 4), a complete archaeological survey must be conducted to current standards in compliance with 4.10.15 NMAC. All previously identified cultural properties within the APE are expected to receive a full site update unless exempted through consultation with the NMSLO.
2. In compliance with 19.2.24.8 (F) NMAC, no less than 15 calendar days prior to any survey activities, the archaeological consultant should fill in and submit a Notification of Intent to Conduct an Archaeological Survey through the Web Portal at <http://culturalcompliance.nmstatelands.org/>.
3. Only archaeological surveys from permitted archaeological consultants will be accepted and must be conducted under current standards in compliance with 4.10.15 NMAC. Information on how to access the list of archaeological consultants is listed in Part I, Para. 2 above. NMSLO encourages Parties to contact more than one archaeological consultant in your location as proximity will be a factor in estimated costs of an archaeological survey.
4. Parties will be expected to design their project to avoid any cultural properties identified within the APE (as recorded on the Cover Sheet in Part I, Para. 4) by the archaeological survey obtained in conjunction with a project or by pre-existing surveys, or provide other mitigation measures in collaboration with their archaeological consultant. Parties are encouraged to provide NMSLO with appropriate current and accurate documentation of the proposed activity as early as possible (preferably at least sixty calendar days prior to any surface disturbing activity) to minimize processing delays and ensure implementation of avoidance and protection measures.
 - a. Pursuant to the Cultural Properties Protection Rule, 19.2.24.12 (A) NMAC, if any Party becomes aware of actual or imminent damage to cultural properties on state trust lands where that Party is conducting activities, that Party shall immediately notify NMSLO via email at croinfo@nmslo.gov and suspend project activities in the immediate area of the damage or the threatened cultural property. Activities shall remain suspended until the NMSLO approve resumption of activities.
 - b. A Party that damages cultural properties on state trust land is responsible for the cost of an archaeological damage assessment, plus the remediation value of the affected cultural property as determined by that damage assessment. In addition, the Commissioner of Public Lands may file an action to recover an amount equal to twice the cost of restoration, stabilization, and interpretation of the damaged cultural property, in accordance with the Cultural Properties Act, Section 18-6-11.2(C), NMSA 1978.
5. The archaeological consultant, upon completion of the survey report, should submit the fillable, completed Cover Sheet to croinfo@nmslo.gov with any relevant questions.

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Pursuant to the requirements of 4.10.8.18 NMAC, the Cultural Resources Office will review a complete copy of the survey report, its findings and any required compliance (avoidance or mitigation) measures and recommend revisions, if applicable. The Cultural Resources Office will provide further guidance on how archaeological consultants should submit complete survey reports and any required compliance measures for review.

6. The complete results of an archaeological survey are confidential under New Mexico law (see Cultural Properties Act, Section 18-6-11.1, NMSA 1978, and Section 19-1-2.1, NMSA 1978).
 - a. Upon approval of the final archaeological survey report and its findings/recommendations, the archaeological consultant will upload the final archaeological report along with all supporting documentation to the New Mexico Cultural Resources Information System (NMCRIS). Parties should expect to receive a copy of the Cover Sheet from their archaeological consultant, and should forward it to the appropriate leasing division with their application.
 - b. In the case of oil and gas leases only, Parties themselves will upload the Cover Sheet along with their Project Description Web Form documentation submitted via the Web Portal at <http://culturalcompliance.nmstatelands.org/>.

Cultural Resources Cover Sheet



Stephanie Garcia Richard, Commissioner of Public Lands
State of New Mexico

NMSLO Cultural Resources Cover Sheet Exhibit

NMCRIS Activity Number:
(if applicable)

Exhibit Type (select one)

- ARMS Inspection/Review** - Summarize the results (select one):
- (A) The entire area of potential effect or project area has been previously surveyed to current standards and **no cultural properties** were found within the survey area.
 - (B) The entire area of potential effect or project area has been previously surveyed to current standards and **cultural properties were found** within the survey area.
 - (C) The entire area of potential effect or project area has **not** been previously surveyed or **has not been surveyed** to current standards. A complete archaeological survey will be conducted and submitted for review.

Archaeological Survey

Findings:

- Negative** - No further archaeological review is required.
- Positive** - Have avoidance and protection measures been devised? Select one:

Comments:

Project Details:

NMSLO Lease Number (if available):

Cultural Resources Consultant:

Project Proponent (Applicant):

Project Title/Description:

Project Location:

County(ies):

PLSS/Section/Township/Range):

For NMSLO Agency Use Only:

NMSLO Lease Number: Acknowledgment-Only:

Lease Analyst:

Date Exhibit Routed to Cultural Resources Office:

No person may alter the wording of the questions or layout of the cover sheet. The completion of this cover sheet by itself does not authorize anyone to engage in new surface disturbing activity before the review and approvals required by the Cultural Properties Protections Rule.

Form Revised 12/22

For the most up to date form/fee please visit: <https://www.nmstatelands.org/resources/forms-and-applications/>

Oil and Gas Leases

Land Office oil and gas leases in New Mexico date back to 1922, with some of the earliest leases still in effect today. Over time, the form of the lease has evolved, along with the terms included in each lease. It is imperative to read and understand the terms of the lease upon which any operator conducts oil and gas operations on State Trust Lands. Moreover, many of the leases have been stipulated to later lease terms; information on whether a lease has been stipulated may be obtained from the Land Office's Records Department. Regardless of the lease terms, all lessees must adhere to the laws and rules applicable to the lands under lease, and the Land Office actively monitors the leases to make certain the lessees comply with said laws. Further, reclamation of lands must occur when oil and gas operations cease.

This section includes the following information:

1. A brief history of New Mexico oil and gas leases.
2. An oil and gas lease prefix and royalty rate cross-reference list.
3. Samples of the five statutory oil and gas lease forms currently used in New Mexico:
 - a. 5 Year Exploratory Lease Form
 - b. 10 Year Exploratory Lease Form
 - c. 5 Year Development Form (3/16 Royalty)
 - d. 5 Year Development Form (1/5 Royalty)
 - e. 5 Year Development Form (1/4 Royalty) in designated areas per 19-10-4.3 NMSA
 - f. 5 Year Development Form (1/5 Royalty) in designated areas per 19-10-4.3 NMSA
 - g. 5 Year Discovery Form

Special Reminder

Unlike some other states, New Mexico requires that ***BOTH*** annual rentals ***AND*** royalties be paid on oil and gas leases, regardless of the production status. Further, production must continue on leases.

Note: If someone else is operating on your lease, ***the State Land Office holds the lessee responsible for any and all environmental damage and required remediation and reclamation to the lease.*** Further, please make sure you, as lessee, are in compliance with 19.2.100.66 and 19.2.100.67 NMAC for all surface related operations, spills and reclamation.

Please refer to your lease contract for details, or contact the Oil, Gas and Minerals Division – Lease Manager at (505) 827-5749.

A Brief History of New Mexico's Oil and Gas leases

- 1922** Lease form provided for undivided interest.
- 1928** Gas Royalty on net proceeds, no "take-in-kind" provision.
- 1929** No statutory lease form, but the statute provided for a fixed term, cessation of production provisions, 1/8 royalty, and taking of production in-kind at the option of the Commissioner.
- 1930** Lease form eliminated the undivided interest provision of 1922.
- 1931** Basic lease form is established. Provided for take in-kind for oil, market value for oil, net proceeds at wellhead for gas and net proceeds for casinghead gas, except market value for casinghead gas.
- 1945** Inserted market value provision for gas, added drilling extension clause.
- 1947** Rewrote gas royalty provision in its current form, except for in-kind.
- 1957** Wrote current drainage provision, and amended cessation of production provision.
- 1967** Added "losing or junking hole" provision, and amended cessation of production provision.
- 1972** Added gas in-kind royalty provision.
- 1977** 5 Year Lease Form
- 1985** Three separate lease forms adopted, provision for varying royalty rates.
- 2025** Allowed for royalty rate up to ¼ in certain parts of the state.

Statutes not amending lease form, but affecting it:

- 1931** One-dollar (\$1.00) maximum initial rental set.
- 1941** Carbon dioxide included within natural gas definition.
- 1973** Authorization for Commissioner to purchase entire working interest.
- 1975** Five Year 1/6 royalty leases authorized.
- 1987** Authorization for Commissioner to allow oil wells to be shut-in under certain circumstances. Also authorized five-year 1/8 leases.

Oil and Gas Lease Prefixes, Numbers and Royalty Rates

Oil and gas leases in New Mexico are assigned a two-part number which consists of:

- 1) a two-character alphabetic or alpha-numeric prefix, and
- 2) a four-digit number.
 - The prefix indicates the date the lease was issued, its royalty rate, and the term of the lease, whether 5 year or 10 year.
 - The number after the prefix is the number of the lease within each prefix series.
- 3) The number following the four digits, if any, is the assignment number.

The cross-reference table below can help you determine what type of lease you have. For example, if you have New Mexico oil and gas lease **OG-0103-0002**, you will find, using the table, that:

- The lease was issued between 1956 and 1959.
- The lease has a 1/8 royalty.
- The term of the lease is 10 years.
- It is the 103rd lease issued in that series—here, the OG series.
- It is the second assignment.

* Note, some leases have certain agreements attached to them and do not always follow these rules. Thus, while the above holds true most of the time, it is always best practice to check a lease file to determine a royalty rate and any and all other terms impacting a particular lease.

DATE OF ISSUE, PREFIXES, ROYALTY RATES AND TERMS

Dates Issued	Prefix	Royalty Rate	Lease Term
1922	X0	1/8	10 Years
1928-1931	A0	1/8	10 Years
1928-1944	B0,BA,BH,B1	1/8	10 Years
1937	C (carbon dioxide)	1/8	10 Years
1945-1956	E0, E1	1/8	10 Years
1956-1959	OG	1/8	10 Years
1959-1967	K0	1/8	10 Years
1967-1972	L0	1/8	10 Years
1972-1981	LG	1/8	10 Years
1981-Present	LH	1/8	10 Years
1975-Present	V0	1/8	5 Years
1984-Present	VA	1/8	5 Years
1985-Present	VB	3/16	5 Years
1986-Present	VC	1/5	5 Years
2025-Present	SR	1/5	5 Years
2025-Present	SG	1/4	5 Years

Sample Oil and Gas Lease Forms

Following this page are samples of the seven types of oil and gas leases currently issued in New Mexico:

Ten-Year Exploratory Lease – LH prefix

- This lease is issued for exploration outside of the Restricted Areas. It has a ten-year term and a $1/8$ royalty.

Five-Year Exploratory Lease – VA prefix

- This lease is issued for exploration within the Restricted Area. It has a five-year term and a $1/8$ royalty.

Five-Year Discovery – V0 prefix

- This lease is issued for drilling within the Restricted Area and is assigned a five-year term and a $1/6$ royalty.

Five-Year Development Lease – VB prefix

- This lease is issued for development drilling inside the Restricted Area along established, productive trends. It has a five-year term and a $3/16$ royalty.

Five-Year Development Lease – VC prefix

- This lease is issued for development drilling inside the Restricted Area along established, productive trends. It has a five-year term and a $1/5$ royalty.

Five-Year Development Lease - SR prefix

- This lease is issued for development drilling inside the Restricted Area along established, productive trends. It has a five-year term and a $1/5$ royalty.
- If the leased premises is located in whole or in part within the following portions of the restricted districts established pursuant to Section 19-10-16 NMSA 1978: townships 8 to 10 south inclusive, ranges 31 to 38 east inclusive; townships 11 to 15 south inclusive, ranges 31 to 38 east inclusive; townships 16 to 20 south inclusive, ranges 21 to 39 east inclusive; township 20.5 south, ranges 21 to 23 east inclusive; or townships 21 to 26 south inclusive, ranges 21 to 38 east inclusive, N.M.P.M.

Five-Year Development Lease - SG prefix

- This lease is issued for development drilling inside the Restricted Area along established, productive trends. It has a five-year term and a $1/4$ royalty.
- If the leased premises is located in whole or in part within the following portions of the restricted districts established pursuant to Section 19-10-16 NMSA 1978: townships 8 to 10 south inclusive, ranges 31 to 38 east inclusive; townships 11 to 15 south inclusive, ranges 31 to 38 east inclusive; townships 16 to 20 south inclusive, ranges 21 to 39 east inclusive; township 20.5 south, ranges 21 to 23 east inclusive; or townships 21 to 26 south inclusive, ranges 21 to 38 east inclusive, N.M.P.M.

LH TYPE 0000 – 10 YEAR TERM, 1/8TH ROYALTY – EXPLORATORY FORM

OIL AND GAS LEASE

Application No:

THIS AGREEMENT, dated **EFFECTIVE LEASE DATE** between the state of New Mexico, acting by and through its commissioner of public lands, hereinafter called the "lessor", and

LESSEE OF RECORD
LESSEE'S STREET/MAILING ADDRESS
ADDITIONAL ADDRESS LINE
LESSEE'S CITY /STATE /ZIP
CODE hereinafter called the "lessee",

SAMPLE FORM

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 **BONUS AMOUNT [TEXT] (BONUS AMOUNT NUMBERS)**, the same being the amount of the tender above mentioned, and the further sum of \$100.00 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 t herefrom 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 **COUNTY NAME**, state of New Mexico, and more particularly described as follows:

Subdivisions	Sect	Twp	Rge	Acres	Institution

Said lands having been awarded to lessee and designated as Tract No. **LHSALE TRACT** at public sale held by the commissioner of public lands on **SALE DATE**.

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- 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 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-eighth 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-eighth 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.

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 as to the promotion of conservation of oil or gas or in the public interest.

This lease shall not expire at the end of either the primary or secondary 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 fifteen 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 ten 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 \$ _____ 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 the lessee shall have failed to make discovery of oil or gas in paying quantities during the primary term hereof or if such discovery shall have been made and production shall have ceased for any reason, 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 for 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 portion thereof, may be situated, if it be greater than double the rental provided for in the primary term; provided, however, such rental shall be paid within the time provided by Section 13 hereof. If oil or gas in paying quantities should be discovered during the secondary term hereof but production should cease during said secondary term, this lease shall continue for the remainder of said secondary term of five years so long as rental is paid and if oil or gas in paying quantities is being produced at the end of the secondary term of five years so long thereafter as oil and gas in paying quantities or either of them is produced from the leased premises.

15. If this lease shall have been maintained in accordance with the provisions hereof and if at the expiration of the secondary 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 secondary term shall be approved by the lessor upon written application filed with the lessor on or before the expiration of said secondary 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.

16. 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 ten 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.

17. 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.

18. 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 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.

19. 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.

20. 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.

21. All terms of this agreement shall extend to and bind the heirs, executors, administrator, 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 the day and year first above written.

STATE OF NEW MEXICO

By: _____
Commissioner of Public Lands, Lessor

(Seal)
Lessee

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ ss.

COUNTY OF _____ ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 20____, by

My commission expires: _____ 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.

COUNTY OF _____ ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 20____,
by _____ of _____
(Name) (Title) (Corporation)
a _____ corporation, on behalf of said corporation.

My commission expires: _____ Notary Public

VA TYPE 0000 – 5 YEAR TERM 1/8 ROYALTY – 5 YEAR EXPLORATORY FORM

OIL AND GAS LEASE

Application No:

THIS AGREEMENT, dated EFFECTIVE LEASE DATE between the state of New Mexico, acting by and through its commissioner of public lands, hereinafter called the "lessor", and

LESSEE OF RECORD
LESSEE'S STREET/MAILING ADDRESS
ADDITIONAL ADDRESS LINE
LESSEE'S CITY /STATE /ZIP
CODE hereinafter called the "lessee",

SAMPLE FORM

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 BONUS AMOUNT [TEXT] (BONUS AMOUNT NUMBERS), the same being the amount of the tender above mentioned, and the further sum of \$100.00 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, in cident 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 COUNTY NAME, state of New Mexico, and more particularly described as follows:

Table with 6 columns: Subdivisions, Sect, Twp, Rge, Acres, Institution. The table is currently empty.

Said lands having been awarded to lessee and designated as Tract No. VA SALE TRACT at public sale held by the commissioner of public lands on SALE DATE.

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- 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 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-eighth 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-eighth 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

equal to the net proceeds derived from the sale of such gas, including any liquid hydrocarbons recovered therefrom.

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 fifteen 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 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 \$ _____ 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 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.

VO TYPE 0000 – 5 YEAR TERM 1/6 ROYALTY – DISCOVERY FORM
OIL AND GAS LEASE

Application No:

THIS AGREEMENT, dated **EFFECTIVE LEASE DATE** between the state of New Mexico, acting by and through its commissioner of public lands, hereinafter called the "lessor", and

LESSEE OF RECORD
LESSEE'S STREET /MAILING ADDRESS
ADDITIONAL ADDRESS LINE
LESSEE'S CITY /STATE /ZIP CODE

SAMPLE FORM

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 **BONUS AMOUNT [TEXT]** (**BONUS AMOUNT NUMBERS**), the same being the amount of the tender above mentioned, and the further sum of \$100.00 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 t herefrom 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 **COUNTY NAME**, state of New Mexico, and more particularly described as follows:

Subdivisions	Sect	Twp	Rge	Acres	Institution

Said lands having been awarded to lessee and designated as Tract No. **VO SALE TRACT** at public sale held by the commissioner of public lands on **SALE DATE**

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.

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 **\$ RENTAL RATE** 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.

VB TYPE 0000 – 5 YEAR TERM 3/16 ROYALTY – DEVELOPMENT FORM
OIL AND GAS LEASE APPLICATION NO:

THIS AGREEMENT, dated **EFFECTIVE LEASE DATE** between the state of New Mexico, acting by and through its commissioner of public lands, hereinafter called the "lessor", and

LESSEE OF RECORD
LESSEE'S STREET/MAILING ADDRESS
ADDITIONAL ADDRESS LINE
LESSEE'S CITY /STATE /ZIP CODE
hereinafter called the "lessee",

SAMPLE FORM

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 **BONUS AMOUNT [TEXT] (BONUS AMOUNT NUMBERS)**, the same being the amount of the tender above mentioned, and the further sum of \$100.00 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 **COUNTY NAME** state of New Mexico, and more particularly described as follows:

Subdivisions	Sect	Twp	Rge	Acres	Institution

Said lands having been awarded to lessee and designated as Tract No. **VB SALE TRACT** at public sale held by the commissioner of public lands on **SALE DATE**.

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 three-sixteenth 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 three-sixteenth 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 three-sixteenth 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.

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 month 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 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 **\$ RENTAL RATE** 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 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.

VC TYPE 0000 – 5 YEAR TERM 1/5 ROYALTY – DEVELOPMENT FORM
 OIL AND GAS LEASE

Application No:

THIS AGREEMENT, dated **EFFECTIVE LEASE DATE** between the state of New Mexico, acting by and through its commissioner of public lands, hereinafter called the "lessor", and

LESSEE OF RECORD
LESSEE'S STREET /MAILING ADDRESS
ADDITIONAL ADDRESS LINE
LESSEE'S CITY /STATE /ZIP
CODE hereinafter called the "lessee",

SAMPLE FORM

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 **BONUS AMOUNT [TEXT]** (**BONUS AMOUNT NUMBERS**), the same being the amount of the tender above mentioned, and the further sum of \$100.00 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 thereunder 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 **COUNTY NAME** state of New Mexico, and more particularly described as follows:

Subdivisions	Sect	Twp	Rge	Acres	Institution

Said lands having been awarded to lessee and designated as Tract No. **VC SALE TRACT** at public sale held by the commissioner of public lands on **SALE DATE**.

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-fifth 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-fifth 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-fifth 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.

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 month 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 **\$ RENTAL RATE** 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 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.

LEASE NO. SR _____

APPLICATION NO. _____

OIL AND GAS LEASE
(Development Form)

This agreement, dated _____, between the state of New Mexico, acting by and through its commissioner of public lands, hereinafter called the "lessor", and _____, whose address is _____, 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 _____,

the same being the amount of the tender above mentioned, and the further sum of \$100.00 filing fee, and of the covenants and agreements hereinafter contained, the lessor does hereby grant, demise, lease and let unto the 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 the land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas or water from the lands, but not from the 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 county of **Lea**, state of New Mexico, and more particularly described as follows:

Line	SUBDIVISION	Sec.	Twsp.	Rge.	Acres	Institution
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1

The lands having been awarded to the lessee and designated as Tract No. _____ at a public sale held by the commissioner of public lands on _____.

To have and to hold the 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 the 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-fifth (not less than three-sixteenths nor more than one-fifth, or alternatively, not less than one-fifth nor more than one-fourth if the leased premises is located in whole or in part within the following portions of the restricted districts established pursuant to Section 19-10-16 NMSA 1978: townships 8 to 10 south inclusive, ranges 31 to 38 east inclusive; townships 11 to 15 south inclusive, ranges 31 to 38 east inclusive; townships 16 to 20 south inclusive, ranges 21 to 39 east inclusive; township 20.5 south, ranges 21 to 23 east inclusive; or townships 21 to 26 south inclusive, ranges 21 to 38 east inclusive, N.M.P.M.) 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-fifth (not less than three-sixteenths nor more than one-fifth, or alternatively, not less than one-fifth nor more than one-fourth if the leased premises is located in whole or in part within the following portions of the restricted districts established pursuant to Section 19-10-16 NMSA 1978: townships 8 to 10 south inclusive, ranges 31 to 38 east inclusive; townships 11 to 15 south inclusive, ranges 31 to 38 east inclusive; townships 16 to 20 south inclusive, ranges 21 to 39 east inclusive; township 20.5 south, ranges 21 to 23 east inclusive; or townships 21 to 26 south inclusive, ranges 21 to 38 east inclusive, N.M.P.M.) part of the gas produced and saved from the leased premises, including casing-head gas. Unless the option is exercised by the lessor, the lessee shall pay the lessor as royalty one-fifth (not less than three-sixteenths nor more than one-fifth, or alternatively, not less than one-fifth nor more than one-fourth if the leased premises is located in whole or in part within the following portions of the restricted districts established pursuant to Section 19-10-16 NMSA 1978: townships 8 to 10 south inclusive, ranges 31 to 38 east inclusive; townships 11 to 15 south inclusive, ranges 31 to 38 east inclusive; townships 16 to 20 south inclusive, ranges 21 to 39 east inclusive; township 20.5 south, ranges 21 to 23 east inclusive; or townships 21 to 26 south inclusive, ranges 21 to 38 east inclusive, N.M.P.M.) 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.

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 used 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 or conservation of oil or gas or in the public interest.

3. 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 the well was shut-in and on or before the rental date thereafter. The payment of the 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 the 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 the 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 the 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 month 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 the 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 the annual royalty unless, for good cause shown, the commissioner of public lands, in the commissioner's discretion, grants such a continuance.

4. The lessee agrees to make full settlement on the twentieth 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 the lessee's books relating to the production and disposition of oil and gas produced. The lessee further agrees to submit to the lessor annually upon forms furnished by the lessor, verified reports showing the lessee's operations for the preceding year.

5. An annual rental at the rate of **\$1.00** 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 the 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 the acreage, the lessee shall deliver to the lessor a duly executed release thereof and in event the lease has been recorded then the lessee shall upon request furnish and deliver to the lessor a certified copy of a duly recorded release.

6. 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.

7. 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.

8. 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.

9. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land that is draining the leased premises, the 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.

10. 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 the purchaser's 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.

11. 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 the lessor deems it to the interest of the beneficiaries of the lands granted hereunder to maintain the well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

12. The lessee shall be liable and agree to pay for all damages to the range, livestock, growing crops or improvements caused by the lessee's operations on the lands. When requested by the lessor, the lessee shall bury pipelines below plow depth.

13. The lessee shall not remove any machinery or fixtures placed on the 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 11 above.

14. 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 the notice the lessee shall remedy the default specified in the notice, cancellation shall not be made.

15. 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 the land but the 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 the 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 the term, and a report of the status of all of 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, the lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete the operations, then within twenty days after the abandonment of the operations, the 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 the drilling operations are commenced; provided, however, this lease shall be subject to cancellation in accordance with Paragraph 14 hereof for failure to pay rentals or file reports that may become due while operations are being conducted hereunder.

16. 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 the 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 the 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.

17. Lessees, 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 and federal authorities and agencies, in all matters and things affecting the premises and operations thereon that 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.

18. Should the 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. The lessee further agrees that it will require any purchaser of oil, gas or associated substances to likewise waive any such rights.

19. The 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.

20. The 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.

21. All 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 signed and caused its name to be signed by its commissioner of public lands duly authorized, with the seal of office affixed, and the lessee has signed this agreement the day and year first above written.

STATE OF NEW MEXICO

By _____
Commissioner of Public Lands, Lessor

_____(Seal)

Lessee."

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ ss.

COUNTY OF _____ ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 20____, by

My commission expires: _____
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.

COUNTY OF _____ ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 20____, by

_____ of _____

(Name) (Title) (Corporation)
a _____ corporation, on behalf of said corporation.

My commission expires: _____
Notary Public

LEASE NO. SG-_____

APPLICATION NO. _____

OIL AND GAS LEASE
(Development Form)

This agreement, dated _____, between the state of New Mexico, acting by and through its commissioner of public lands, hereinafter called the "lessor", and _____, whose address is _____ 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 _____, the same being the amount of the tender above mentioned, and the further sum of \$100.00 filing fee, and of the covenants and agreements hereinafter contained, the lessor does hereby grant, demise, lease and let unto the 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 the land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas or water from the lands, but not from the 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 county of **Eddy**, state of New Mexico, and more particularly described as follows:

Line	SUBDIVISION	Sec.	Twp.	Rge.	Acres	Institution
1						

The lands having been awarded to the lessee and designated as Tract No. _____ at a public sale held by the commissioner of public lands on _____.

To have and to hold the 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 the 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-fourth (not less than three-sixteenths nor more than one-fifth, or alternatively, not less than one-fifth nor more than one-fourth if the leased premises is located in whole or in part within the following portions of the restricted districts established pursuant to Section 19-10-16 NMSA 1978: townships 8 to 10 south inclusive, ranges 31 to 38 east inclusive; townships 11 to 15 south inclusive, ranges 31 to 38 east inclusive; townships 16 to 20 south inclusive, ranges 21 to 39 east inclusive; township 20.5 south, ranges 21 to 23 east inclusive; or townships 21 to 26 south inclusive, ranges 21 to 38 east inclusive, N.M.P.M.) 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-fourth (not less than three-sixteenths nor more than one-fifth, or alternatively, not less than one-fifth nor more than one-fourth if the leased premises is located in whole or in part within the following portions of the restricted districts established pursuant to Section 19-10-16 NMSA 1978: townships 8 to 10 south inclusive, ranges 31 to 38 east inclusive; townships 11 to 15 south inclusive, ranges 31 to 38 east inclusive; townships 16 to 20 south inclusive, ranges 21 to 39 east inclusive; township 20.5 south, ranges 21 to 23 east inclusive; or townships 21 to 26 south inclusive, ranges 21 to 38 east inclusive, N.M.P.M.) part of the gas produced and saved from the leased premises, including casing-head gas. Unless the option is exercised by the lessor, the lessee shall pay the lessor as royalty one-fourth (not less than three-sixteenths nor more than one-fifth, or alternatively, not less than one-fifth nor more than one-fourth if the leased premises is located in whole or in part within the following portions of the restricted districts established pursuant to Section 19-10-16 NMSA 1978: townships 8 to 10 south inclusive, ranges 31 to 38 east inclusive; townships 11 to 15 south inclusive, ranges 31 to 38 east inclusive; townships 16 to 20 south inclusive, ranges 21 to 39 east inclusive; township 20.5 south, ranges 21 to 23 east inclusive; or townships 21 to 26 south inclusive, ranges 21 to 38 east inclusive, N.M.P.M.) 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.

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 used 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 or conservation of oil or gas or in the public interest.

3. 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 the well was shut-in and on or before the rental date thereafter. The payment of the 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 the 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 the 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 the 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 month 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 the lessor and if such other lease includes lands communitized with lands granted hereunder for the purpose of proratically 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 the annual royalty unless, for good cause shown, the commissioner of public lands, in the commissioner's discretion, grants such a continuance.

4. The lessee agrees to make full settlement on the twentieth 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 the lessee's books relating to the production and disposition of oil and gas produced. The lessee further agrees to submit to the lessor annually upon forms furnished by the lessor, verified reports showing the lessee's operations for the preceding year.

5. An annual rental at the rate of **\$1.00** 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 the 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 the acreage, the lessee shall deliver to the lessor a duly executed release thereof and in event the lease has been recorded then the lessee shall upon request furnish and deliver to the lessor a certified copy of a duly recorded release.

6. 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.

7. 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.

8. 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.

9. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land that is draining the leased premises, the 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.

10. 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 the purchaser's 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.

11. 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 the lessor deems it to be in the interest of the beneficiaries of the lands granted hereunder to maintain the well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

12. The lessee shall be liable and agree to pay for all damages to the range, livestock, growing crops or improvements caused by the lessee's operations on the lands. When requested by the lessor, the lessee shall bury pipelines below plow depth.

13. The lessee shall not remove any machinery or fixtures placed on the 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 11 above.

14. 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 the notice the lessee shall remedy the default specified in the notice, cancellation shall not be made.

15. 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 the land but the 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 the 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 the term, and a report of the status of all of 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, the lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete the operations, then within twenty days after the abandonment of the operations, the 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 the drilling operations are commenced; provided, however, this lease shall be subject to cancellation in accordance with Paragraph 14 hereof for failure to pay rentals or file reports that may become due while operations are being conducted hereunder.

16. 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 the 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 the 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.

17. Lessees, 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 and federal authorities and agencies, in all matters and things affecting the premises and operations thereon that 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.

18. Should the 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. The lessee further agrees that it will require any purchaser of oil, gas or associated substances to likewise waive any such rights.

19. The 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.

20. The 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.

21. All 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 signed and caused its name to be signed by its commissioner of public lands duly authorized, with the seal of office affixed, and the lessee has signed this agreement the day and year first above written.

STATE OF NEW MEXICO

By _____
Commissioner of Public Lands, Lessor

(Seal)

Lessee."

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ ss.

COUNTY OF _____ ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 20____, by

My commission expires: _____

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.

COUNTY OF _____ ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 20____, by

_____ of _____

(Name)

(Title)

(Corporation)

a _____ corporation, on behalf of said corporation.

My commission expires: _____

Notary Public

Oil & Gas Lease Sale Process

The State Land Office offers tracts for oil and gas leasing the third Tuesday of every month. Tracts are leased through a competitive sealed or open bid process. Lease sales are held online through the SLO auction contractor, EnergyNet. <https://www.energynet.com/>

Lease sale notices and results are posted on our website <https://www.nmstatelands.org/divisions/oil-gas-and-minerals/lease-sale-notices-and-results/>

To receive a lease, you must have an OGRID number. If you do not have an OGRID, contact Veronica Gonzales at (505) 476-4578. Full directions regarding the monthly oil and gas lease sale can be found in the monthly lease sale notice. Potential bidders should work with EnergyNet to register to bid on any tract.

Anyone can nominate available tracts to offer at the lease sale. To nominate, send an email to Allison Marks, Director, at amarks@nmslo.gov. The earlier a nomination is submitted, the easier it is to get the nomination on the next lease sale. When submitting a nomination, please submit nominations broken down in tracts no larger than 320 contiguous acres. Any additional information submitted with the nomination (e.g. where the intended surface location will be) is helpful. To find out which tracts are available, use the Oil and Gas Interactive Map through the SLO website:

<https://www.nmstatelands.org/maps-gis/interactive-maps/>

This section includes the following information:

1. Monthly Lease Sale Book Example.
2. Lease Forms
 - a. Oil and Gas Record Title Assignment Forms.
 - b. Lease Assignment Information Coversheet.
3. Record Title Assignment Forms
 - a. Record Title Assignment frequently asked questions.
 - b. Acknowledgment in a Representative Capacity
 - c. Acknowledgment in an Individual Capacity
 - d. Assignors Acknowledgment and Assignee Acceptance.
4. Miscellaneous Instrument Filing.
5. Request for Change of Annual Rental Payor
6. General Relinquishment, Release and Quitclaim Deed of an Oil and Gas Lease.
7. Change of Address Form.

Monthly Lease Sale Book Example

To view monthly Lease Sale Books and Results visit:

<https://www.nmstatelands.org/divisions/oil-gas-and-minerals/lease-sale-notice-and-results/>

STATE OF NEW MEXICO
COMMISSIONER OF PUBLIC LANDS
P. O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148



September 16, 2025

**STATE OF NEW MEXICO
OIL AND GAS LEASE
SALE NOTICE**



PUBLIC NOTICE SALE OF OIL AND GAS LEASES

Office of the Commissioner of Public Lands
P.O. Box 1148
Santa Fe, New Mexico 87504-1148

Public Notice is hereby given pursuant to New Mexico Law 1929, Chapter 125, Section B, as amended, and rules and regulations of the State Land Office, that the Commissioner of Public Lands will hold a sale of oil and gas leases on 16 September, 2025, for the tracts of land herein described.

The sale will be held online in sealed bidding format. The sealed bid portion will close at 8:30 am MDT on September 16. Bidding will commence one week prior to lease sale day.

The sale will be held and conducted in accordance with the following terms and conditions:

The online auction will be conducted by the State Land Office contract auction house, EnergyNet. To view the online tract listing go to www.energynet.com. Prospective bidders must register with EnergyNet at https://www.energynet.com/govt_listing.pl and abide by the terms and conditions therein.

Prior to development, use, or occupation of the lease area, an oil and gas lessee must have a sufficient bond on file with the State Land Office.

No bids will be considered for less than the whole of any tract, nor for less than the specified minimum acceptable bid. Separate bids must be made for each tract. Leases will be awarded to the highest bidder, if the offer made is deemed to be satisfactory.

The successful bidder in every case of bidding will be required to deposit forthwith, the amount bid, plus the application fee of \$100.00, plus the minimum initial charge for any lease pursuant to 19.2.100.15 NMAC and to file application in due form before the close of business on said date. The successful bidder in online bidding will be required to make the deposit via electronic fund transfer, as specified on the EnergyNet auction site.

The applications received pursuant hereto will be deemed to have been filed simultaneously. In all cases, leases will be made on the specified Lease Form as set forth in the Sale Notice.

The State Land Office makes no warranty as to the conditions of the lands. Lessees must comply with all applicable federal and state laws or regulations.

THE COMMISSIONER RESERVES THE RIGHT TO REJECT ANY AND ALL BIDS.

Signed by:

Stephanie Garcia Richard

80A84ED7FDCE465...

STEPHANIE GARCIA RICHARD
COMMISSIONER OF PUBLIC LANDS

September Oil & Gas Lease Sale

The New Mexico State Land Office Oil & Gas lease sale for September will be held online in sealed bidding format. Online bidding will commence September 9, 2025, one week prior to the lease sale date. Sealed bidding will close at 8:30 am MDT on September 16, 2025.

The online auction will be conducted by the State Land Office auction house contractor, EnergyNet. When posted, the online tract listing can be viewed at www.energynet.com. Prospective bidders must register with EnergyNet at https://www.energynet.com/govt_listing.pl and abide by the terms and conditions therein.

PAYMENT FOR ALL WINNING ONLINE LEASES SHALL BE MADE THE DAY OF THE SALE, BY WIRE TRANSFER, OR IN-PERSON AT THE NEW MEXICO STATE LAND OFFICE BY CASH, CHECK, MONEY ORDER, CERTIFIED CHECK, OR ELECTRONIC TRANSFER ON A SOLVENT BANK.

LATE PAYMENTS WILL BE REJECTED AND NO LEASE WILL BE ISSUED FOR THAT TRACT.

("The successful bidders shall file proper applications for the leases purchased and shall complete the payment of any balance due on their bids before the closing of the office of the commissioner on the day of the sale." §19-10-17(B) NMSA 1978.)

"Applications" are the lease information sheets as provided by EnergyNet. To verify wire transfer payment, submit copies of the dated wire instructions (sent to your bank) to amedina@nmslo.gov and msolano@nmslo.gov by COB of the State Land Office on the day of the sale. General contact and inquiries should be directed to amarks@nmslo.gov.

When you provide a check as payment, you authorize the State of New Mexico to either use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. Please be advised that payments will be drafted from your account immediately upon receipt. All invoices will, pursuant to 19.2.100.15 NMAC, include the minimum initial charge for any lease for minimum rental (which shall be no less than \$100.00 or the annual rental, whichever is greater), plus the application fee, plus the winning bid for the lease tract.

Prior to development, use, or occupation of the lease area, an oil and gas lessee must have a sufficient bond on file with the State Land Office.

NEW MEXICO STATE LAND OFFICE
LEASE SALE NOTICE

***** SEALED TRACTS *****

Regular Sale - ONLINE SEALED BIDDING COMMENCES 9 SEPTEMBER 2025. BIDDING FOR THE SEALED TRACTS WILL CLOSE 8:30 AM MDT ON 16 SEPTEMBER 2025. THE ONLINE AUCTION WILL BE CONDUCTED BY THE SLO CONTRACTOR ENERGINET. NOTE: THE FOLLOWING TRACTS WILL BE OFFERED FOR SEALED BID PURSUANT TO THE NOTICES. LEASES FOR THE FOLLOWING TRACTS WILL BE ISSUED ON SECTION 19-10-4.3 NMSA 1978, DEVELOPMENT LEASE FORM, five (5) year term, 1/5th royalty, AND HAVE BEEN CLASSIFIED AND CATEGORIZED IN COMPLIANCE WITH 19-10-3 NMSA 1978.

TRACT #	COUNTY	SEC	TWP	RGE	DESCRIPTION	ACRES (MORE OR LESS)	PRIMARY RENTAL	MINIMUM ACCEPTABLE BID
001 SR-001	(D)	Eddy	11	17S	27E NE4NW4, S2NW4, N2SW4, SW4SW4	240.00	\$1.00	\$45,000.00
002 SR-002	(D)	Eddy	11	17S	27E W2NE4, SE4NE4, N2SE4	200.00	\$1.00	\$39,000.00
003 SR-003		Eddy	12	17S	27E N2SW4	80.00	\$1.00	\$17,000.00

Regular Sale - ONLINE SEALED BIDDING COMMENCES 9 SEPTEMBER 2025. BIDDING FOR THE SEALED TRACTS WILL CLOSE 8:30 AM MDT ON 16 SEPTEMBER 2025. THE ONLINE AUCTION WILL BE CONDUCTED BY THE SLO CONTRACTOR ENERGINET. NOTE: THE FOLLOWING TRACTS WILL BE OFFERED FOR SEALED BID PURSUANT TO THE NOTICES. LEASES FOR THE FOLLOWING TRACTS WILL BE ISSUED ON SECTION 19-10-4.3 NMSA 1978, DEVELOPMENT LEASE FORM, five (5) year term, 1/4th royalty, AND HAVE BEEN CLASSIFIED AND CATEGORIZED IN COMPLIANCE WITH 19-10-3 NMSA 1978.

TRACT #	COUNTY	SEC	TWP	RGE	DESCRIPTION	ACRES (MORE OR LESS)	PRIMARY RENTAL	MINIMUM ACCEPTABLE BID
004 SG-001	(B)	Eddy	16	21S	31E NE4SE4	40.00	\$1.00	\$650,000.00
005 SG-002	(B)	Eddy	32	21S	31E W2SW4, W2SE4	160.00	\$1.00	\$1,900,000.00
006 SG-003		Eddy	36	22S	25E NW4, E2SW4	240.00	\$1.00	\$225,000.00
007 SG-004		Eddy	36	22S	25E E2	320.00	\$1.00	\$310,000.00
008 SG-005	(B, D)	Eddy	32	22S	30E ALL	640.00	\$1.00	\$12,000,000.00
009 SG-006		Eddy	19	23S	26E E2W2	160.00	\$1.00	\$150,000.00
010 SG-007		Eddy	19	23S	26E SE4NE4, N2SE4, SE4SE4	160.00	\$1.00	\$150,000.00
011 SG-008	(E)	Lea	28	18S	33E NW4SW4	40.00	\$1.00	\$65,000.00

D: ALL OR PORTION OF SURFACE NON-STATE
B: ALL OR PORTION WITHIN DESIGNATED POTASH AREA; DRILLING RESTRICTIONS
E: SUBJECT TO 3/2012 CONSERVATION AGREEMENT

ALL HIGH BIDS ARE SUBJECT TO APPROVAL BY THE COMMISSIONER OF PUBLIC LANDS

www.nmstatelands.org

September 2025 Tract Rating Percentages

Per 19-10-4.3(C) NMSA, the individual percentages and total percentage for each factor set forth in 19-10-3 NMSA:

Tract No.	Oil and Gas Trends (%)	Oil and Gas Traps (%)	Reservoir Volume and Recovery (%)	Lease Sale Bonus (%)	Exploration and Activity (%)	Total (%)
1	18	18	19	19	18	92
2	18	18	19	19	18	92
3	18	18	19	19	18	92
4	20	20	19	20	19	98
5	20	20	19	20	20	99
6	19	19	19	20	19	96
7	19	19	19	20	19	96
8	20	20	19	20	19	98
9	19	19	19	20	19	96
10	19	19	19	20	19	96
11	19	19	19	19	19	95

The NM State Land Office (NMSLO) makes no representations or warranties regarding the ability to develop any oil and gas lease offered for auction based on the scoring above. The NMSLO scored each tract based on publicly available information to the best of its abilities.

POLICY ON COMMUNICATIONS REGARDING OIL & GAS LEASE SALE NOMINATIONS

Because the listing of oil & gas lease tracts to be offered for bid is neither finalized nor public prior to publication, the State Land Office will not provide notification of whether submitted or internal nominations will be included in a lease sale prior to publication. Notification of inclusion will be the form of the published lease sale listing.

Acknowledgement of receipt of nominations does not constitute a notification that such nominations will or will not be included in a lease sale.

To nominate, submit a location description of the nominated tract to amarks@nmslo.gov and pczoski@nmslo.gov. To be considered for an upcoming month's lease sale, nominations must be submitted as early as possible. If a tract is not included in the following month's lease sale, the nomination will be rolled over to the next available month's lease sale. Lease sales are held the third Tuesday of each month.

If a nominated tract is included in a lease sale, the nominator must ensure that at least a minimum bid is submitted for the nominated tract. If no minimum bid is submitted, future nominations may not be accepted.

Cultural Properties Protection Rule

The State Land Office adopted the Cultural Properties Protection Rule (19.2.24 NMAC) to protect cultural properties on state trust lands, which took effect on December 1, 2022. The purpose of this Rule is to proactively identify archaeological sites and other cultural properties on state trust lands and protect them before they are damaged. The Rule requires lessees of state trust lands to conduct informational reviews and cultural resource surveys before engaging in new surface disturbing activities.

The Rule provides for important exceptions, including repairs and maintenance of existing improvements, and for surface disturbing activities that are located entirely within an area of pre-existing disturbance (for example, a new well drilled within the confines of an extant well pad, or remediation and reclamation of a contaminated well pad).

The State Land Office's Cultural Resources Office will manage the Rule, along with the agency's leasing divisions. The text of the Rule is available on the State Land Office's website at <https://www.nmstatelands.org/culturalproperties/>. For questions about the Rule including what steps lessees need to take and at what stage of the leasing process in order to be in compliance with the Rule, please contact croinfo@nmslo.gov.

CONSERVATION EASEMENTS (CCAA)

In 2012, the New Mexico State Land Office entered into a Candidate Conservation Agreement with Assurances (CCAA) with the United States Fish and Wildlife Service (USFWS) and the Center of Excellence for Hazardous Material Management (CEHMM). The agreement was expanded in 2014.

The Purpose of the CCAA is to provide protections for the Lesser Prairie Chicken and Dunes Sagebrush Lizard, while allowing industry activities to continue on State Lands. There are now 404,000 acres of State Lands enrolled in the program.

By enrolling State Lands, the New Mexico State Land Office has provided for program eligibility for lease holders on these lands. Enrolled lands are marked on the oil & gas lease sale tract listing with a footnote.

This is a voluntary program entered into by industry through CEHMM and is still open for entry for new leases despite the recent listing of the LPC as endangered. Information on the program can be found at the CEHMM website: <https://www.cehmm.org/conservation-programs>

CULTURAL RESOURCE PROTECTION

All oil & gas or mineral leases, assigns, and operators conducting drilling, production, injection, or related operations on State Trust Lands should be aware that it is a criminal offense for any person to knowingly excavate, injure, or destroy cultural property located on State Land [§ 18-6-9, NMSA 1978]. Applicants and lessees should exercise due cation to ensure that cultural properties are not inadvertently excavated, injured, or destroyed by any person. A cultural resource survey prior to any surface disturbing activity may assist in site identification and avoidance of criminal liability associated with disturbance or destruction of sites. Should any activity reveal suspected cultural property, the activity should cease until a site evaluation is made. For further information, please contact the New Mexico State Land Office Cultural Resources Office at 505-827-5781.

CALICHE PITS ON OIL & GAS LEASES

FROM SLO MINERALS RULE 5:

19.2.5.11 USE OF NECESSARILY DISTURBED CALICHE FROM OIL AND GAS LEASE ACREAGE.

The commissioner shall make no charge for caliche necessarily moved within roadbed or within the perimeter of a specific well pad while in the process of developing oil and natural gas under a state oil and gas lease, subject to the following conditions.

- A. Only caliche derived from the cellar and reserve pit or cut and fill, which is necessarily disturbed in the process of building an access road and/or that oil and gas well location, may be used without charge.
- B. Caliche necessarily distributed during construction must remain within the boundaries of the oil and gas lease. If excess caliche exists from a necessary disturbance, that caliche may only be moved from that location to another well site within the lease once an operator or lessee of record obtains a permit and compensates the commissioner pursuant to the terms of a community caliche pit permit.
- C. Only caliche excavated during cut and fill construction of a well pad or roads built to 19.2.20 NMAC standards will be considered necessarily disturbed.
- D. [5/14/99; 19.2.5.11 NMAC – Rn, 19 NMAC 3. SLO 5.11 09/30/02]

▲ *Do you need New Mexico Oil and Gas Info?* ▲

USEFUL NEW MEXICO OIL AND GAS LINKS

New Mexico State Land Office

www.nmstatelands.org

Leasing Royalty management agency for State Trust Lands

SLO Lease Portal

<https://secure.slo.state.nm.us/Applications/SLOConnect>

The ONGARD (Oil and Natural Gas Administration and Revenue Database) computer system tracks oil and gas production, taxes, and royalties in a relational database. It provides the most accurate information to date about statewide oil and natural gas production, royalties, and taxes.

New Mexico State Land Office Oil and Gas Manual

<https://www.nmstatelands.org/divisions/oil-gas-and-minerals/oil-and-gas/notices/>

2023 Oil and Gas Manual

NM Bureau of Geology and Mineral Resources

<https://geoinfo.nmt.edu/>

Geologic information for the State

New Mexico Oil Conservation Division

<https://www.emnrd.nm.gov/ocd/>

ONGARD database for open acres and a wealth of other state data.



How may our Oil, Gas, and Minerals Division help you?

Lease Sales • Nominations • Potash Enclave • Geophysical Permitting

Allison Marks	<u>amarks@nmslo.gov</u>	505-827-5745
Paige Czoski	<u>pczoski@nmslo.gov</u>	505-827-5774

Office Procedures • Division Administration

Greg Bloom	Assistant Commissioner	505-827-5746
Allison Marks	Division Director	505-827-5745
John Winscott	Deputy Director	505-827-5759

**Bonds • Shut-In Royalty • OGRID • Lease Expirations
Cancellation • Rentals • Assignments
Miscellaneous Instruments**

Denise Gallegos	505-827-5749
Rubel Salazar	505-827-5730
Veronica Gonzales	505-827-4538
Loriann Gurule	505-827-5896
Meghan Bransford	505-827-5744
Rosemary Trujillo-Salinas	(505) 660-0642

Water Easements • Salt Water Disposal

Faith Crosby	505-827-5849
Mike McMillan	505-827-5788
David Gallegos	505-476-0378
Vacant	505-827-5754

Reduced Royalty • Engineering • Reservoir Analysis • Karst

Paige Czoski	505-827-5774
Brian McLoughlin	505-827-5711
Christiana Griego	505-827-5786

Communitization • Units • Commingling

Baylen Lamkin	505-231-0420
Joseph Thompson	505-827-5750
Dylan Rose-Coss	505-827-5791
Hailee Thompson	505-476-4652

Sand and Gravel • Caliche • General Mining

Bryan Victor	505-827-5743
Chris Gonzales	505-827-5783



**OUR MISSION IN THE
OIL, GAS AND MINERALS DIVISION**

***OPTIMIZE REVENUES WHILE PROTECTING
OUR HERITAGE AND OUR FUTURE***



Lease Forms

In the following pages, you will find forms used to modify leases. These forms are provided here as a service to the public. In the event of any inconsistencies between these forms and the official printed version, all parties agree to remain bound by the language of the official forms set forth by the State Land Office.

You can download the forms from the State Land Office website:

<https://www.nmstatelands.org/divisions/oil-gas-and-minerals/oil-and-gas-forms/>

Oil and Gas Record Title Assignment Forms

The State Land Office reviews all assignments submitted to the Land Office to make certain the assignments are properly executed and signed by all persons with the requisite authority to transfer a Land Office lease. Often, underlying documents are needed to show a person or entity has the authority to sign on behalf of an entity or person; these documents are referred to as miscellaneous instruments. It is important to note that the Land Office is the official record keeping entity for all State Land Office lands and documents recorded elsewhere are not recognized by the Land Office; all documents must be filed with the Land Office. Further, even if the lands have been depth severed in a private transaction, whomever the record title holder is with the Land Office is the person the Land Office looks to with respect to any relationship with the Land Office.

Further, when submitting any assignments, the Land Office reviews the status of the lands, as the Commissioner may deny an assignment if a lease is not in good standing (e.g. rentals not paid, no bond, not registered with NM SOS, basic environmental, etc). Therefore, the Land Office requires a coversheet to be submitted with each assignment detailing the status of the lease, including environmental issues, bonding, inactive wells, payment of royalties, etc. These areas of review are separately reviewed by Land Office staff prior to approval; thus, submitting assignments where a company has independently verified the status of activity on a lease helps expedite the assignment process. In addition, each company that receives any assignment will continue to be liable for any environmental and other issues on the lease, regardless of the assignment process; thus, the coversheet process will hopefully allow companies to identify areas of potential exposure in any asset they are acquiring.

BOTH THE LEASE ASSIGNMENT COVERSHEET AND THE RECORD TITLE WILL BE REQUIRED FOR ALL ASSIGNMENTS SUBMITTED

Lease Assignment Information Coversheet

Lease Assignment Information Coversheet

The Commissioner of Public Lands may reject any assignment for a lease that is not in good standing or for other reasons pursuant to New Mexico State Land Office rules. See 19.2.100.41 NMAC. Approval of an assignment does not guarantee that a lease is in good standing with the New Mexico State Land Office. Attach additional sheets if necessary.

Only one copy of this coversheet is needed for each lease.

PART 1: TO BE COMPLETED BY ASSIGNOR

Full Assignment Partial Assignment

Review and complete the following for each lease to be assigned:

Lease number (and any assignment): _____

Land description (Township, Range, Section, Quarter/Quarter): _____

SPILLS

Number of open spills reported to New Mexico Oil Conservation Division (OCD): _____

For any open spills, list RP number(s): _____

Number of spills on lease (if any) not reported to OCD: _____

Please provide a description of each unreported spill with as much information as available (date or time frame of spill, nature and volume of spill, location of spill, and any action taken to address spill), and any associated API/facility:

ROYALTY and RENTAL PAYMENTS

Is Assignor current on royalty payments, yes or no? _____

If no, how much is owed? _____ When will this amount be paid? _____

Are rental payments current, yes or no? _____

What is the annual rental payment on the lease? _____

BONDING

Is Assignor currently bonded with the State Land Office, yes or no: _____

If Yes, amount of bond(s) and name of surety: _____

Is Assignor requesting the release of the bond, yes or no: _____

COMPLIANCE

Has Assignor received or been the subject of any Notices of Violation, warning letters, compliance orders, lawsuits, or administrative proceedings, or entered into any settlement agreements, from/with OCD or SLO with respect to the lease at any point in time?

If Yes, describe (by reference to date, nature of action, etc.):

INACTIVE WELLS

If Yes, number of total wells under Assignor's operatorship: _____

Number of inactive wells under Assignor's operatorship: _____

Number of inactive wells on the lease (inactive per OCD rule 19.15.25.8 NMAC): _____

For each well on the lease, identify (1) its API and (2) its operator of record with OCD:

If any well(s) on the lease are operated by a party other than Assignor- what business relationship, if any, does Assignor have with the well operator(s):

OIL & GAS-RELATED INFRASTRUCTURE

Please detail all infrastructure on the lease (e.g. batteries, pits compressors, etc.):

PART 2: TO BE COMPLETED BY ASSIGNEE

(May be completed on a separate form)

BUSINESS STATUS

If a corporate entity, is Assignee authorized by the New Mexico Secretary of State to do business in the State of New Mexico, yes or no? _____

ROYALTY PAYMENTS

Is Assignee current on any royalty payments due to the State Land Office, yes or no? _____

If no, how much is owed? _____ When will that amount be paid? _____

BONDING

Is Assignee currently bonded with the State Land Office, yes or no: _____

If Yes, amount of bond(s) and name of surety: _____

COMPLIANCE

Has Assignee received or been the subject of any Notices of Violation, warning letters, compliance orders, lawsuits, or administrative proceedings, or entered into any settlement agreements, from/with OCD or SLO within the past five years, yes or no? _____

If Yes, describe (by reference to date, nature of action, etc.): _____

Is Assignee an operator of record of wells in New Mexico, on file with OCD, yes or no? _____

EXTENSIONS

I have reviewed any applicable extensions to this lease and understand I must request a new extension, if applicable, to the assignment and am submitting one herewith. (Initial Here) _____

INACTIVE WELLS

If Yes, number of total wells under Assignee's operatorship _____

Number of inactive wells under Assignee's operatorship _____

Number of inactive wells on the lease (inactive per OCD rule 19.15.25.8 NMAC): _____

For each well on the lease, identify (1) its API and (2) its operator of record with OCD:

If any well(s) on the lease are operated by a party other than Assignee - what business relationship, if any, does Assignee have with each such well operator(s):

For each inactive well on the lease, detail plans to bring each the well into production or plug and abandon:

OIL & GAS-RELATED INFRASTRUCTURE

Is Assignee assuming liability for any and all infrastructure on the lease (including pits, ponds, compressors, tank batteries etc), yes or no? _____

Acknowledgment: Assignee shall be liable for all infrastructure on a lease that is assigned to Assignee, regardless of whether the infrastructure is listed herein. Initial _____

SPILLS

Has Assignee reviewed the spill information contained in Part 1, yes or no? _____

Has Assignee performed separate due diligence as to spills on the lease, yes or no? _____

Acknowledgment: The State Land Office makes no representations as to any spills and/or releases currently on the lease by approving the assignment. The Assignee assumes all liability for any spills, releases, and reclamation of the lease. Initial _____

CULTURAL PROPERTIES

Assignee has reviewed and agrees to comply with the State Land Office’s Cultural Properties Protection Rule (19.2.24 NMAC), yes or no? _____

Submitting incomplete and/or inaccurate coversheets may result in the rejection or delay of any assignment(s) submitted to the Land Office, along with any other remedy available to the Land Office.

*I hereby affirm and attest, under penalty of perjury, that _____
(Assignor Company / Representative) has performed reasonable due diligence concerning the lease(s) to be assigned, and that the foregoing statements are true and correct to the best of my knowledge and belief.*

Signature

Name (Print or Type)

Assignor Company Name

Title

Date

Email

Phone

*I hereby affirm and attest, under penalty of perjury, that _____
(Assignee Company / Representative) has performed reasonable due diligence concerning the leases to
be assigned, and that the foregoing statements are true and correct to the best of my knowledge and
belief.*

Signature

Name (Print or Type)

Assignee Company Name

Title

Date

Email

Phone

Record Title Assignment of Oil and Gas Lease

<p>NEW MEXICO STATE LAND OFFICE RECORD TITLE ASSIGNMENT OF OIL AND GAS LEASE</p> <p><input type="checkbox"/> Full Acreage <input type="checkbox"/> Partial Acreage</p> <p>FOR VALUE RECEIVED, _____, OGRID No. _____ <small>Assignor Name (include type of business entity)</small></p> <p>("Assignor" whether one or more), assigns and conveys to _____, OGRID No. _____</p> <p>("Assignee" whether one or more), whose mailing address is _____ _____ ZIP _____</p> <p>the entire interest and title in and to Oil and Gas Lease No. _____ ("the Lease") initially made by the New Mexico State Land Office to: _____, Dated _____, insofar as the Lease covers the following</p> <p><small>ORIGINAL LESSEE</small></p> <p>land in _____ County, New Mexico: <small>Township Range Section Description:</small></p> <p>_____ _____ _____ _____</p> <p>together with the rights incident thereto, and improvements thereon, if any.</p> <p>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.</p> <p>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.</p> <p>EXECUTED this _____ day of _____, 20____ By: _____ <small>Assignor</small></p> <p style="text-align: center;">_____ <small>Title, if signing in representative capacity</small></p> <p style="text-align: center;">ACKNOWLEDGMENT</p> <p>STATE OF _____)) ss COUNTY OF _____)</p> <p>This Assignment was acknowledged before me this _____ day of _____, 20____, by _____, <small>Title, if signing in representative capacity</small></p> <p style="text-align: center;"><small>NOTARY SEAL</small></p> <p style="text-align: right;">_____ <small>Notary Public</small> My commission expires _____</p> <p style="text-align: center;">ASSIGNEE'S ACCEPTANCE</p> <p>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.</p> <p>EXECUTED this _____ day of _____, 20____ By: _____ <small>Assignee</small></p> <p style="text-align: center;">_____ <small>Title, if signing in representative capacity</small></p>	<p>From Lease Number _____</p> <hr/> <p>To Lease Number _____</p>
--	---

ACKNOWLEDGMENT

STATE OF _____ } ss
COUNTY OF _____

This Assignee's Acceptance was acknowledged before me this _____, day of _____, 20 _____,

by _____, Title, if signing in representative capacity

NOTARY SEAL

Notary Public
My commission expires _____

APPROVAL OF THE COMMISSIONER

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

I hereby certify that this Assignment was filed in my office on _____, was approved by me

and shall be effective as to the State of New Mexico on _____.

COMMISSIONER OF PUBLIC LANDS

INSTRUCTIONS AND INFORMATION

1. ANNUAL RENTAL: The annual rental for the land in this Assignment is _____ 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 shall 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. Additional filing requirements for Blanket Assignments are addressed under item ten, below.
5. RECORDING FEE: The recording fee for each Record Title Assignment is \$100.00. If, however, an assignment is filed more than one hundred days from the assignor's execution date an additional late filing fee of \$150.00 will be required for a total of \$250.00. This fee is required for each lease listed on a Blanket Assignment. Said fees are non-refundable.
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 has cleared.
7. ASSIGNMENT DISAPPROVAL: Per 19.2.100.41 NMAC Assignments shall not be accepted nor approved by the commissioner:
 - A. in the names of more than two persons or two legal entities;
 - B. for less than a legal subdivision. "Legal subdivision" means forty acres or a tract described by lot number. A tract described by lot number may be more or less than forty acres;
 - C. for less than assignor's entire interest in any legal subdivision (except where transfer is by operation of law);
 - D. in the name of a trusteeship unless the trust is expressly set forth and not more than two persons are named as trustee;
 - E. after a lis pendens is filed;
 - F. for any assignment containing any language other than the approved form;
 - G. where surety requirements have not been met; or
 - H. where the lease is not in good standing; Approval of the assignment by the Commissioner does not guarantee the lease is in good standing.
8. COMPLETE ADDRESS: An Assignment shall show the complete mailing address of the Assignee.
9. ACKNOWLEDGMENT: An Assignment shall 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. BLANKET ASSIGNMENTS: Commissioner of Public Lands does permit Blanket Assignments of Record Title. Blanket assignments are limited to twenty-five leases per filing. The submittal must have an Exhibit A attached, documenting each of the state leases to be assigned and the following information for each: original lessee of record, lease issue date, county, land description, total acres assigned and indicating full or partial acreage assignment. A copy of both the executed assignment and the Exhibit A must be submitted by the filer for each lease assignment listed thereon.
11. COMMUNICATIONS: All official business, letters and communications must be addressed directly to the Commissioner of Public Lands; Oil, Gas, and Minerals Division.
12. PAYMENT: Make all payments for recording fees to:

COMMISSIONER OF PUBLIC LANDS
P.O. Box 1148
Santa Fe, NM 87504-1148

Note: When you provide a check as payment, you authorize the State of New Mexico to either use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. Please be advised that payments will be drafted from your account immediately upon receipt.

Record Title Assignment Frequently Asked Questions

What forms are required to submit a Record Title Assignment?

The Record Title of Assignment of Oil and Gas Lease Form (must be submitted in triplicate, 3 originals, executed, dated and notarized) and Lease Assignment Information Coversheet (one copy). These forms must be completely filled out. The entity or person acquiring the lease(s) must have an OGRID #, appropriate bonding, and be registered with NMSOS, if applicable.

How can I research Oil & Gas Leases for land descriptions?

You can conduct research on this link:

<http://web.slo.state.nm.us/Applications/DataAccess/>. For further inquiries regarding title, please feel free to reach out to our **Records Division** at (505) 827-7984.

How do we complete and sign the Record Title Assignment form when there are 2 Assignees or 2 Assignors?

Each lessee must sign the Record Title Assignment Form. One lessee will sign the form and the 2nd lessee will sign the Additional Signature Block form that applies. These forms are on the website under Oil & Gas Forms for both the Assignees and Assignors.

What is the filing fee?

Please see the most recent schedule of fees on our website:

<https://www.nmstatelands.org/resources/fee-schedules-and-rentals/>

Can the Assignor sign one form and the Assignee sign a separate form, then we submit the forms together as one assignment?

No, only one form can be submitted.

What if an entity is no longer in business and sold all their assets, who can sign on behalf of the entity?

An officer of that company will need to be tracked down and still has authority to sign.

What if the current lessee is deceased? What do we do?

Before the assignment can be submitted, miscellaneous instrument (“MI”) documents must be filed and approved. An MI form must be submitted for each type of document, in triplicate, with an exhibit of all leases affected with the appropriate filing fee for each lease. The following supporting documents are required for a deceased persons/estate:

- A certified copy of any applicable death certificate(s)
- Evidence of who is signing for the estate (e.g., letters testamentary, trustee of trust etc.)
- Probated will, if applicable
- If the estate is closed, or many estates are involved, these assignments may become quite complex and may require multiple copies of various instruments and proof of heirship etc. Please feel free to work with us.

The entity merged into a different company/had a name change, what do I do?

MI forms and all supporting Merger/Name change documentation showing paper trail of how entity name transferred into new company name must be submitted before an assignment can be approved. If the name change/merger affects multiple leases, an exhibit of all leases should be included and the applicable filing fee per lease paid.

Will documents/bill of sale filed at the county level suffice as a transfer of record title?

No, these documents are not recognized at a state level. A Record Title Assignment must be filed with the NM State Land Office and must be filed and approved in order to be recognized at a state level.

What is required to file a blanket assignment?

Only 25 leases are allowed on a blanket assignment, use exhibit provided by the SLO. The assignment must be executed on NMSLO’s form, in triplicate (must be originals) notarized, original signatures.

In addition to the 3 original blanket assignments, you are required to send a copy of the signed assignment for each lease that is listed on the exhibits.

A filing fee is required for each lease for which an assignment of record title is filed. If executed by an Attorney-in-Fact the supporting document granting this authority is required. A copy must be attached to each lease. If assignor’s execution date is more than 100 days from the date filed, a late filing fee per lease applies.

Acknowledgment in a Representative Capacity

Acknowledgment in a Representative Capacity

State of _____)

County of _____)^{SS}

This instrument was acknowledged before me on _____ Date

By _____

Name(s) of Person(s)

as _____ of _____

Type of authority, e.g., officer, trustee, etc Name of party on behalf of whom instrument was executed

Name of notary public _____

(Notary Seal)

Signature of Notarial Officer

My commission expires: _____

Acknowledgment in a Representative Capacity

State of _____)

County of _____)^{SS}

This instrument was acknowledged before me on _____ Date

By _____

Name(s) of Person(s)

as _____ of _____

Type of authority, e.g., officer, trustee, etc Name of party on behalf of whom instrument was executed

Name of notary public _____

(Notary Seal)

Signature of Notarial Officer

My commission expires: _____

Acknowledgment in a Representative Capacity

State of _____)

County of _____)^{SS}

This instrument was acknowledged before me on _____ Date

By _____

Name(s) of Person(s)

as _____ of _____

Type of authority, e.g., officer, trustee, etc Name of party on behalf of whom instrument was executed

Name of notary public _____

(Notary Seal)

Signature of Notarial Officer

My commission expires: _____

Acknowledgment in an Individual Capacity

Acknowledgment in an Individual Capacity

State of _____)

County of _____) ss)

This instrument was acknowledged before me on _____ Date

By _____

Name(s) of Person(s)

Name of notary public _____

(Notary Seal)

Signature of Notarial Officer

My commission expires: _____

Acknowledgment in an Individual Capacity

State of _____)

County of _____) ss)

This instrument was acknowledged before me on _____ Date

By _____

Name(s) of Person(s)

Name of notary public _____

(Notary Seal)

Signature of Notarial Officer

My commission expires: _____

Acknowledgment in an Individual Capacity

State of _____)

County of _____) ss)

This instrument was acknowledged before me on _____ Date

By _____

Name(s) of Person(s)

Name of notary public _____

(Notary Seal)

Signature of Notarial Officer

My commission expires: _____

Online version
December 2004

Assignor's Acknowledgment

Acknowledgment in an Individual Capacity

State of _____)

County of _____) ss)

This instrument was acknowledged before me on _____ Date

By _____

Name(s) of Person(s)

Name of notary public _____

(Notary Seal)

Signature of Notarial Officer

My commission expires: _____

Acknowledgment in an Individual Capacity

State of _____)

County of _____) ss)

This instrument was acknowledged before me on _____ Date

By _____

Name(s) of Person(s)

Name of notary public _____

(Notary Seal)

Signature of Notarial Officer

My commission expires: _____

Acknowledgment in an Individual Capacity

State of _____)

County of _____) ss)

This instrument was acknowledged before me on _____ Date

By _____

Name(s) of Person(s)

Name of notary public _____

(Notary Seal)

Signature of Notarial Officer

My commission expires: _____

Assignor's Acknowledgment and Assignee Acceptance

NMSLO LEASE NUMBER: _____

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 _____ day of _____, 20____.

By:

Assignor

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

ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____)ss

This Assignment was acknowledged before me this _____ day of _____, 20____.

by _____

Title, if signing in representative capacity

NOTARY SEAL

My commission expires _____ Notary Public

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.

EXECUTED this _____ day of _____, 20____.

By:

Assignee

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

ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____)ss

This Assignment was acknowledged before me this _____ day of _____, 20____.

by _____

Title, if signing in representative capacity

NOTARY SEAL

My commission expires _____ Notary Public

Miscellaneous Instrument Filing

NEW MEXICO STATE LAND OFFICE MISCELLANEOUS INSTRUMENT FILING

Filed by _____

Filer's Mailing Address _____

Grantor Name(s) _____

Grantor's Mailing Address _____

Grantee Name(s) _____

Grantee's Address _____

Instrument Type (attached hereto)

Please check one of the following, accepted types:

- Name Change/Merger/Conversion (Secretary of State)
- Probate Documents/ Documents Supporting Transfer upon Death (must be certified)
 - Filed in _____ County, New Mexico
- Corporate Dissolution

IMPORTANT INFORMATION

Name Change/Merger/Conversion (Secretary of State) documents filed with NMSLO will be accepted to effectuate the change of the Record Title Lease's Name. The filing of Probate/Transfer upon death documents and Corporate Dissolutions alone will not alter the name(s) of any Oil and Gas Record Title Lessee and to change the name on any State Oil and Gas Lease, a NMSLO Record Title Assignment of Oil and Gas Lease Form, shall be filed with our office; this form will not be accepted and filed without the approval of the Commissioner of Public Lands. A separate assignment form shall be filed for each lease; NMSLO will accept blanket assignment filings.

INSTRUCTIONS

1. FILING OF MISCELLANEOUS INSTRUMENTS: Instruments shall be filed in triplicate, and shall include complete mailing addresses. If accepted, this form will be filed as a Public Record, and will provide notice to the public of the existence and contents of the document filed. If accepted, the filed instrument will be identified by NMSLO's book and page number where filed ("the recordation number").
2. EXHIBITS: A list of lease(s) affected by the Miscellaneous Instrument may be attached.
3. MISCELLANEOUS INSTRUMENTS ARE NOT APPROVED BY THE COMMISSIONER: Please note that filing a Miscellaneous Instrument does not require, and will not receive, the approval of the Commissioner of Public Lands, per 19.2.100.43 NMAC.
4. RECORDING FEE: The recording fee for a Name Change/Merger/Conversion is \$150.00 for each associated lease(s) listed on an exhibit. The recording fee for any other acceptable Miscellaneous Instrument type is \$50 for each associated lease(s) listed on an exhibit.
5. ACCEPTANCE OR REJECTION OF MISCELLANEOUS INSTRUMENTS: The New Mexico State Land Office may accept this instrument for filing, in accordance with 19.2.100.43 NMAC. Instruments may be rejected for the following reasons:
 - a. The lease(s) or lease assignment listed on the exhibit has been terminated.
 - b. The legal land description does not match the lease(s) or assignment(s) listed.
 - c. Insufficient or nonpayment of filing fees.
 - d. The type of instrument submitted is not one of the three types listed above (which are the only types that will be accepted).
6. FILING IN LEASE AND GRANTOR FILES: If accepted, NMSLO will place a Miscellaneous Instrument Record Sheet showing the recordation number of the Miscellaneous Instrument in each lease(s) file(s) on the exhibit for cross-indexing. NMSLO will file this form and the original Miscellaneous Instrument in the Grantor file.
7. PERSONAL CHECKS: If Recording Fees are paid by personal check, the Commissioner of Public Lands reserves the right to withhold filing until the check has cleared.
8. RETURN OF ACCEPTED FORM: If this form is accepted for filing, NMSLO will mail copies to the Filer, Grantor and Grantee showing the recordation number of the Miscellaneous Instrument.
9. COMMUNICATIONS: All official business, letters and communications shall be addressed directly to the Commissioner of Public Lands, Oil, Gas, and Minerals Division.
10. PAYMENT: Make all payments for Recording Fees to:

COMMISSIONER OF PUBLIC LANDS
P.O. Box 1148
Santa Fe, NM 87504-1148

Request for Change of Annual Rental Payor



ONLINE Version
New Mexico State Land Office
Oil, Gas, and Minerals Division
Request for Change of Annual Rental Payor
Designating Third Party as Payor

We, _____ **Lessee of Record** of

leases(s) number _____

_____ [attach additional page if necessary] to which this request applies,

AND _____ **Third Party**, do

hereby concur and agree that future billings from the New Mexico State Land Office (SLO) for annual rentals of the specific leases identified above be sent for payment directly to this Third Party designee:

Attention: _____ Telephone _____

Company: _____

Address: _____

City ST Zip: _____

I, the **Lessee of Record**, understand that this designation does not relieve me as Lessee of Record of any payment obligations under my leases(s), and any nonpayment of SLO billings or invoices by the **Third Party** designee shall be deemed as nonpayment by me, the Lessee of Record. As Lessee of Record, I acknowledge that the changing of billing to a third party designee is done strictly as an administrative convenience for the Lessee of Record and is not a waiver by the SLO of any performance obligations of the Lessee of Record under the terms of the leases identified above with the SLO.

Signatures below indicate mutual agreement and concurrence of Lessee and Third Party.

LESSEE OF RECORD

THIRD PARTY – COMPANY NAME

By _____
PRINT NAME

By _____
PRINT NAME

Title _____

Title _____

SIGNATURE

DATE

SIGNATURE

DATE

NOTE – Both parties may want to consider filing an *assignment of record title ownership* for the leases(s) referred to in this agreement.

ONLINE Version

October 2004

For the most up to date form/fee please visit: <https://www.nmstatelands.org/divisions/oil-gas-and-minerals/oil-and-gas-forms/>

Change of Address Form

**CHANGE OF ADDRESS – OFFICIAL NOTICE
For the Oil, Gas, and Minerals Division
New Mexico State Land Office**

Commissioner of Public Lands
Post Office Box 1148
Santa Fe NM 87504-1148

Dear Commissioner:

I am the holder of Oil & Gas Mineral Other _____

Lease # _____ Assignment # _____ [Please list multiple leases on an attached page.]

of record in the New Mexico State Land Office, and I request that **all official notices** from your office which are required to be sent to me by law or under the terms of my lease or contract be sent to me **at the new address shown below**, which address shall remain unchanged upon your records unless and until expressly directed in writing by me to do so.

Company name

Print lessee's or Attorney's-in-fact name

Telephone

E-mail address

Signature

Date

PREVIOUS Address:

Old post office or street address

City State ZipCode

NEW, CHANGED Address

New post office or street address

City State ZipCode

CLEAR Form

Revised for web September 2004

[ONLINE VERSION](#)

For the most up to date form/fee please visit: <https://www.nmstatelands.org/divisions/oil-gas-and-minerals/oil-and-gas-forms/>

Bonding and Surety Requirements

The Land Office requires each lessee of record to have a bond with the Land Office. The bond is separate from any bond required from the Oil Conservation Division, as the bond the Land Office requires is a lessee bond covering the lessee's obligations to the Land Office. The Land Office does not approve change of operators for wells, and, therefore, a separate lessee bond is required for the benefit of the Land Office. Any bond only gets released once all obligations owed to the Land Office that run with the lease have been fulfilled and the lease terminates or the lessee no longer has obligations under leases. In the event a lessee fails to comply with Land Office requests for clean up or other obligations under a lease, the Land Office may redeem any bond on file with the Land Office applicable to a lease.

SLO no longer accepts riders or amendments to bonds. If any changes are made, a new replacement bond must be submitted.

This section includes the following information:

1. Levels of Bonding and Instructions for Filing a Surface Improvement Damage Bond.
2. Megabond Form
3. Multi-Lease Blanket Bond Form
4. One Lease Bond Form
5. Assignment of Cash Collateral Form
6. Cash Bond Collateral Assignment
7. Letter of Credit

Levels of bonding and instructions for filing a Surface Improvement Damage Bond

ALL BONDS SHALL BE FILED BY THE LESSEE OF RECORD

1. **Single lease damage bond** in an amount determined by the Commissioner of not less than \$10,000.00, will provide coverage for only one oil and gas lease. Both an officer of the surety provider and an officer / representative of the principal must complete this form. All signatures must be notarized.
2. **Multi-lease (blanket) damage bond** in the amount of \$20,000.00, will provide coverage for two or more oil and gas leases. Both an officer of the surety provider and an officer/representative of the principal must complete this form. All signatures must be notarized. The Commissioner reserves the right to require a higher bond, if it is determined the bonding amount is not adequate.
3. **Mega-bond** in the amount of \$25,000.00, will provide coverage for state leases for oil and gas, minerals, coal and geothermal resources. Both an officer of the surety provider and an officer/representative of the principal must complete this form. All signatures must be notarized. **The acceptance of the megabond is at the discretion of the Commissioner.**
4. **Assignment of Cash Collateral Form** may suffice in lieu of a surety damage bond. It should be for the sum of \$10,000.00, \$20,000.00, or \$25,000.00, depending on the number of leases it will cover. The financial institution must be a federally insured bank or savings institution within the State of New Mexico. Both an officer of the financial institution and an officer/representative of the principal must complete this form. All signatures must be notarized.
5. **Cash Bond Collateral Assignment** may suffice in lieu of a surety damage bond. It should be for the sum of \$10,000.00, \$20,000.00, or \$25,000.00, depending on the number of leases it will cover. The entire amount of the cash bond can be submitted by a wire transfer or check made payable to Commissioner of Public Lands.
6. **Letter of Credit (LOC)** may suffice in lieu of a surety damage bond. It should be for the sum of \$10,000.00, \$20,000.00, or \$25,000.00, depending on the number of leases it will cover. The financial institution must be a federally insured bank or savings institution within the State of New Mexico. Both an officer of the financial institution and an officer/representative of the principal must complete this form. All signatures must be notarized.

NOTE: The respective damage bond form must also be completed in conjunction with the Assignment of Cash Collateral Form, cash bond collateral assignment or letter of credit. This damage bond form may be signed and notarized by the principal only.

Please contact the Oil, Gas and Minerals Division for assistance at (505) 827-5786. Once completed, please return the properly executed forms to the address below for filing.

Standard Mail

**NM State Land Office
Oil, Gas and Minerals Division
PO Box 1148
Santa Fe, NM 87504-1148**

Priority Mail

**NM State Land Office
Oil, Gas and Minerals Division
310 Old Santa Fe Trail
Santa Fe, NM 87501-2708**

19.2.100.23 SURETY TO PROTECT SURFACE PURCHASER AND LESSEE - WAIVERS:

A. Before any lessee shall commence development or operations, including any and all prospecting activities upon the lands, such lessee or operator shall execute and file with the commissioner a good and sufficient bond or other surety, in an amount to be fixed by the commissioner but not less than ten thousand dollars (\$10,000) in favor of the state of New Mexico for the benefit of the appropriate trust beneficiary and the state's contract purchasers, patentees and surface lessees, to secure payment to the extent allowed by law for such damage to their interests and tangible improvements upon such lands as may be suffered by reason of development, use and occupation of the lands by the oil and gas lessee.

B. A bond or other surety in the minimum amount of ten thousand dollars (\$10,000) for each lease shall be deemed sufficient unless and until the commissioner determines, or one or more surface lessees or purchasers show the commissioner, that such an amount is not adequate in a given case. Provided, however, that if a lessee holds more than one oil and gas lease, a blanket bond or other surety in the amount of twenty thousand dollars (\$20,000) will be acceptable unless and until the commissioner determines, or one or more surface lessees or purchasers show the commissioner, that such an amount is not adequate in a given case. Provided further, that if any purchaser, patentee or surface lessee shall file with the commissioner a waiver duly executed and acknowledged by the purchaser, patentee or surface lessee of the purchaser's, patentee's or surface lessee's right to require such bond or other surety pursuant to Section 19-10-26 NMSA 1978 the development, occupation and use of the lands by the oil and gas lessee may in the discretion of the commissioner be permitted without said surety.

C. With the approval of the commissioner, in lieu of the single and blanket bonds for oil and gas lessees, a twenty-five thousand dollar (\$25,000) bond or other surety may be used at the option of lessee for the use and benefit of the commissioner, to secure surface improvement damage and the performance of the lessee under one or more state leases or permits for minerals, oil and gas, coal or geothermal resources or as holder under one or more state rights of way or easements which the lessee has executed with the commissioner. The lessee will be obligated to perform and keep all terms, covenants, conditions and requirements of all state leases for minerals, oil and gas, coal or geothermal resources and of all state rights of way and easements executed with the commissioner, including the payment of royalties when due and compliance with all established mining plans and reclamation requirements.

[19.2.100.23 NMAC - Rp, 19.2.100.23 NMAC, 6/30/2016; A, 6/11/2019]

LOC Template

*NEW MEXICO STATE LAND OFFICE - Oil, Gas & Minerals Division
IMPROVEMENT DAMAGE BOND FOR OIL & GAS LEASES*

IRREVOCABLE STANDBY LETTER OF CREDIT

Letter of Credit

Date: Effective Date

Expiration: Expiration Date

Beneficiary:

Commissioner of Public Lands
New Mexico State Land Office
Oil Gas and Minerals Division
310 Old Santa Fe Trail
Santa Fe, NM 87504

On behalf of Principal Name (“Applicant”), we Bank Name,
Bank Address

(hereinafter “Bank”) hereby issue this Irrevocable Standby Letter of Credit (“LOC”) for the benefit of the New Mexico Commissioner of Public Lands (“Commissioner”) for the amount of US Amount in Words dollars (\$Numerical Amount). By this LOC we agree that, immediately upon receipt of written demand, whether in original form or by facsimile copy pursuant to the requirements set out in the “Documentary Requirements” BELOW, from the Commissioner for all or a portion of the LOC, we will pay the sum or sums demanded to the Commissioner. This LOC is made and issued pursuant to the Uniform Commercial Code, and is accepted in lieu of the bond requirements set out in New Mexico State Land Office Rule 100.23 C.

Term: The LOC becomes effective on Effective Date and shall remain in effect for exactly one year after that date and shall automatically be extended by this provision.

Renewal: At least one hundred twenty (120) days prior to the expiration of any one-year term of this LOC, the Commissioner must receive written notice by registered mail or by overnight courier service from the Bank that it intends not to extend this LOC; and in the absence of such notice, this LOC shall automatically be extended.

Upon receipt of notice of non-renewal from the Bank, the Commissioner may, before expiration of the term of this LOC, draw upon the Bank up to the amount of this LOC, provided that such draft is accompanied by a statement of the Commissioner on its letterhead that the Applicant has, at that time, failed to provide a satisfactory replacement bond.

Documentary Requirements: This LOC may be drawn upon by the Commissioner in whole or in part at any time during its term to secure payment for surface improvement damages and performance under the lease as described in New Mexico State Land Office Rule 100.23C. Any such drawings by the Commissioner shall be effected by a demand letter from the Commissioner on her letterhead stating that the Applicant has defaulted and that the amount demanded is in partial

Page | 1 Letter of Credit No. Letter of Credit #

or full satisfaction of that default.

Drawing may be effected personally, by overnight courier service or by facsimile. If drawing is effected by facsimile, presentation of such drawing documents may be made by fax transmission to Bank FAX Number or such other fax number identified by Bank in a written notice to you. Presentation via fax requires: (A) telephone notification to Bank, Bank Phone Number prior to or simultaneously with the sending of such fax transmission and (B) our receipt of original drawing document(s) to: Bank Name, Bank Address, Attention: Letter of Credit Department by overnight courier. Receipt by Bank of original documents(s) is a condition to payment hereunder.

Adjustments: No partial drawing by the Commissioner against this LOC shall extinguish the Bank's obligation to pay any remaining balance upon demand properly made. The outstanding obligation of this LOC shall be reduced by any partial drawing against this LOC, provided that the Bank shall promptly notify the Commissioner in writing of the post-drawing balance following any such drawing(s).

Surrender: If upon demand by the Commissioner, the Bank tenders the full amount represented by this LOC as properly adjusted, the Commissioner shall, upon the request of the Bank, surrender this original LOC and all amendments to the Bank. Similarly, the Commissioner shall surrender this original LOC and all amendments upon request at the expiration of this LOC. Except as expressly stated herein, this undertaking is not subject to any agreement, condition, or qualification. The obligation of the Bank under this LOC is the individual obligation of the Bank and is in no way contingent upon reimbursement with respect thereto.

Additional Terms: Any notice required to be sent to the Commission must be sent to:

Commissioner of Public Lands
State Land Office
Oil Gas & Minerals Division
310 Old Santa Fe Trail
Santa Fe, NM 87501-2708

Except as otherwise stated herein, this Letter of Credit shall be governed by and subject to the laws of the State of New Mexico. Bank and Commissioner agree that any action filed hereunder shall be filed in the First Judicial District Court, Santa Fe, New Mexico, and all parties agree to venue in said court.

This LOC is subject to the International Standby Practices 1998, International Chamber of Commerce Publication No. 590 ("ISP98"), in effect on the date this Letter of Credit is issued, and as to matters not addressed by ISP98 is subject to and governed by New Mexico State Law and applicable U.S. Federal Law. Any dispute under this LOC shall be filed in, and venue shall be, Santa Fe, New Mexico.

Page | 2 Letter of Credit No. Letter of Credit #

Bank Name _____

Attest:

By: _____
Name of Person Signing
Title _____

By: _____
(Authorized Bank Signature)

Approved as to form:

By: _____
Commissioner of Public Lands

Page | 3 Letter of Credit No. _____ Letter of Credit # _____

Megabond

NEW MEXICO STATE LAND OFFICE – Oil, Gas, and Minerals Division
BOND FOR CONTRACT PERFORMANCE AND SURFACE OR IMPROVEMENT DAMAGE
Surface Improvement Damage Megabond

BOND NO. _____
(For use of Surety Company)

KNOW ALL PERSONS BY THESE PRESENTS

BOND NO. _____
(For use of State Land Office)

_____, as
Principal, and _____, as **Surety**, a corporation
organized, existing and doing business under and by virtue of the laws of the State of
_____ and authorized to transact a surety business in the State of New Mexico, are
held and firmly bound unto the New Mexico Commissioner of Public Lands in the sum of **Twenty-five Thousand**
Dollars (\$25,000) for the following uses:

1. For the use and benefit of the Commissioner, to secure the performance of said Principal as lessee under one or more state leases or permits for minerals, oil and gas, coal and geothermal resources which Principal has heretofore executed or may hereafter execute with the Commissioner; and

2. For the use and benefit of the Commissioner, state surface lessees, state land contract purchasers, state patentees, and their successors and assigns, to pay for damages to the surface of lands subject to a state lease or permit for minerals, oil and gas, coal and geothermal resources held by Principal, or for damages to surface improvements located thereon, suffered by reason of Principal's operations under a state lease or permit for minerals, oil and gas, coal and geothermal resources.

For the payment of said sum, well and truly to be made, Principal and Surety bind themselves, their heirs, executors, administrators, successors and assigns, jointly and severally.

The conditions of the foregoing obligations are:

1. If the above bound Principal or its successors or assigns shall well and truly perform and keep all terms, covenants, conditions, and requirements of all state leases for minerals, oil and gas, coal and geothermal resources heretofore or hereafter executed by the Commissioner and Principal, including the payment of royalties when due and compliance with all established mining plans; and

2. If Principal or its successors or assigns shall in all respects make good and sufficient recompense, satisfaction or payment to the Commissioner of Public Lands for damages to the surface of lands subject to a state lease or permit for minerals, oil and gas, coal and geothermal resources held by Principal and for damages to livestock, water, crops, tangible improvements or surface improvements of any kind located thereon suffered by reason of Principal's operations under such state lease, permit, heretofore or hereafter executed by the Commissioner and Principal;

THEN, the obligation to pay the sum of Twenty-five Thousand Dollars (\$25,000) shall be null and void.

If, however, Principal shall default or otherwise fail in performance under such state lease, permit, including the failure to pay royalties when due or to comply with established mining plans, or if Principal shall fail or refuse to make good and sufficient recompense, satisfaction or payment to the Commissioner for damages to the surface of the above designated lands or to improvements located thereon, then the obligation to pay said sum shall remain in full force and effect.

The liability of Surety upon this bond shall not expire upon the termination of any state lease or permit or any renewal or extension thereof for minerals, oil and gas, coal and geothermal or any renewal or extension thereof which Principal or its successors or assigns has heretofore executed or may hereafter execute with the Commissioner, but shall be and remain in full force and effect until released in writing by the Commissioner of Public Lands.

Principal and Surety further agree that in the event an action is brought on this bond and a court of competent jurisdiction determines Principal or Surety is in breach of the agreements contained in this bond, Principal or Surety or both of them shall pay to the Commissioner the costs associated with the recovery of the amounts due hereunder, including reasonable attorneys' fees.

This bond is executed pursuant to the laws of the State of New Mexico, including Sections 19-8-24, 19-9- 12, 19-10-26, 19-13-19, and 46-6-1 through -9, NMSA 1978.

The premium for which this bond is written is _____ Dollars.

In witness whereof we hereunto set our hands this _____ day of _____, 20_____.

PRINCIPAL

SURETY

Address

Address

BY _____
Signature

BY _____
Attorney-in-Fact

Title

(Note: Principal, if corporation, affix
Corporate seal here.)

(Note: Corporate surety, affix
Corporate seal here.)

ACKNOWLEDGMENT FORM FOR NATURAL PERSONS

STATE OF _____)
_____) ss.
COUNTY OF _____)

On this _____ day of _____, 20_____,
before me personally appeared _____, to me known
to be the person(s) described in and who executed the same as (his, her, their) free act and deed.

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

My commission expires

Notary Public name

Signature, notary

(Notary Seal)

ACKNOWLEDGMENT FORM FOR CORPORATION

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 20_____,
before me personally appeared _____, to me personally known, who, being
by me duly sworn, did say that he is _____ of
_____ and that this instrument was signed and sealed on behalf of said
corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of
said corporation.

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

My commission expires _____ Notary Public name _____ Signature notary _____
(Notary Seal)

ACKNOWLEDGMENT FORM FOR CORPORATE SURETY

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 20_____,
before me personally appeared _____, to me personally known, who,
being by me duly sworn, did say that he is _____ of
_____ and that this instrument was signed and sealed on behalf of said corporation
by authority of its board of directors, and
acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires _____ Notary Public name _____ Signature, notary _____
(Notary Seal)

Note: Corporate surety, attach power of attorney.

APPROVED this _____ day of _____, 20_____.

COMMISSIONER OF PUBLIC LANDS

NOTE: File before development or operations are commenced, with:

Commissioner of Public Lands Commissioner of Public Lands
New Mexico State Land Office, OGMD New Mexico State Land Office, OGMD
P.O. Box 1148 or 310 Old Santa Fe Trail
Santa Fe, New Mexico 87504-1148 Santa Fe, NM 87501-2708

Multi-Lease Blanket Bond

ONLINE Version

*NEW MEXICO STATE LAND OFFICE – Oil, Gas, & Minerals Division
IMPROVEMENT DAMAGE BOND FOR OIL & GAS LEASES
MULTI-LEASE BLANKET BOND*

BOND NO. _____
(For use of Surety Company)

BOND NO. _____
(For Land Office Use)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (an individual) (a partnership) (a corporation organized in the State of _____, with its principal office in the City of _____, State of _____, and authorized to do business in the State of New Mexico), as **PRINCIPAL**, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico as **SURETY** are held firmly bound unto the State of New Mexico, for the use and benefit of the New Mexico State Land Office and its lessees holding grazing or patent to state lands, with minerals reserved, their grantees and successors in interest, pursuant to Section 19-10-26 NMSA 1978, as amended, in the sum of **Twenty Thousand (\$20,000)** lawful money of the United States, for the payment of which well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, the above principal has heretofore or may hereafter enter into one or more oil and gas leases with the State of New Mexico; and

WHEREAS, said leases were entered into by the said principal, subject to the requirements of the provisions of Section 19-10-26 NMSA 1978, as amended; and

WHEREAS, all or part of the lands embraced in said oil and gas leases have been leased for grazing or agricultural purposes or have been sold, with minerals reserved to the State of New Mexico or State purchase contracts; and

WHEREAS, the above principal, individually, or in association with one or more other parties, has commenced or may commence development or operations upon the land embraced in the aforesaid oil and gas lease.

NOW THEREFORE, if the above bounden principal and surety or either of them or their successors or assigns, or any of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the New Mexico State Land Office and its holders of State grazing or agricultural leases, State purchase contracts, or State patents, with minerals reserved to the State, and their heirs, executors, administrators, successors and assigns, for all damages to livestock, range, water, crops, or tangible improvements on such lands as may be suffered by the New Mexico State Land Office and its lessees and purchasers or their successors in interest, by reason of such development, use or occupancy of such lands by such principal, or for such damages including attorneys' fees as a court of competent jurisdiction may determine and fix in any action brought on this bond.

THEN THEREFORE, this obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

SIGNED AND SEALED this _____ day of _____, 20_____.

PRINCIPAL

Address
By _____
Signature
Title
(Note: Principal, if corporation, affix corporate seal here.)

SURETY

Address
By _____
Attorney-in-Fact Signature
(Note: Corporate surety affix corporate seal here.)

[Notary acknowledgements on following page.]

ACKNOWLEDGMENT FORM FOR NATURAL PERSONS

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 20____, before me personally appeared _____
to me known to be the person(s) described in and who executed the same as (his, her, their) free act and deed.

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

My commission expires Notary Public Name Signature, Notary (Notary seal)

ACKNOWLEDGMENT FORM FOR CORPORATION

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 20____, before me personally appeared _____
to me personally known, who, being by me duly sworn, did say that s/ he is _____ of
_____ and that the foregoing instrument was signed and sealed on behalf of said corporation
by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires Notary Public Name Signature – Notary (Notary Seal)

ACKNOWLEDGMENT FORM FOR CORPORATE SURETY

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 20____, before me personally appeared _____
to me personally known, who, being by me duly sworn, did say that s/ he is _____ of
_____ and that the foregoing instrument was signed and sealed on behalf of said corporation
by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires Notary Public name Notary signature (Notary Seal)

(Note: Corporate surety attach power of attorney.)

APPROVED this _____ day of _____, 20____.

COMMISSIONER OF PUBLIC LANDS

NOTE: **BEFORE** development or operations are commenced, file with Commissioner of Public Lands
New Mexico State Land Office
Oil Gas & Minerals Division

Revised for Web October 2004 – ONLINE Version

P.O. Box 1148, Santa Fe, New Mexico 87504-1148

One Lease Bond

NEW MEXICO STATE LAND OFFICE – Oil, Gas, & Minerals Division
IMPROVEMENT DAMAGE BOND FOR OIL & GAS LEASES
ONE LEASE BOND -- ONLINE Version

BOND NO. _____
(For use of Surety Company)

BOND NO. _____
(For use of Land Office)

KNOW ALL MEN BY THESE PRESENTS

LEASE NO. _____

That _____, *(an individual) (a partnership) (a corporation organized in the State of _____, with its principal office in the City of _____ State of _____, and authorized to do business in the State of New Mexico)*, as **PRINCIPAL**, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico as **SURETY**, are held firmly bound unto the State of New Mexico, for the use and benefit of the New Mexico State Land Office and its lessees holding grazing or patent to state lands, with minerals reserved, their grantees, and successors in interest, pursuant to Section 19-10-26 NMSA 1978, as amended, in the sum of **Ten Thousand (\$10,000)** lawful money of the United States, for the payment of which well and truly to be made, said **PRINCIPAL and SURETY** hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, the above principal has heretofore or may hereafter enter into an oil and gas lease with the State of New Mexico; and

WHEREAS, said lease was entered into by the said principal, subject to the requirements of the provisions of Section 19-10-26 NMSA 1978, as amended; and

WHEREAS, all or part of the lands embraced in said oil and gas lease has been leased for grazing or agricultural purposes or has been sold, with minerals reserved to the State of New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; and

WHEREAS, the above principal, individually, or in association with one or more other parties, has commenced or may commence development or operations upon the land embraced in the aforesaid oil and gas lease.

NOW THEREFORE, if the above bounden principal and surety or either of them or their successors or assigns, or any of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the New Mexico State Land Office and its holders of State grazing or agricultural leases, State purchase contracts, or State patents, with minerals reserved to the State, and their heirs, executors, administrators, successors and assigns, for all damages to livestock, range, water, crops, or tangible improvements on such lands as may be suffered by the New Mexico State Land Office and its lessees and purchasers or their successors in interest, by reason of such development, use or occupancy of such lands by such principal, or for such damages including attorneys' fees as a court of competent jurisdiction may determine and fix in any action brought on this bond.

THEN THEREFORE, this obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

SIGNED AND SEALED this _____ day of _____, 20_____.

 PRINCIPAL

 SURETY

 Address

 Address

BY _____
 Signature

By _____
 Attorney-in-Fact Signature

Title _____
 (Note: Principal, if corporation, affix corporate seal here.)

(Note: Corporate surety affix corporate seal here.)

[Continued on next page.]

ACKNOWLEDGMENT FORM FOR NATURAL PERSONS:

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 20____, before me personally appeared _____
to me known to be the person(s) described in and who executed the same as (his, her, their) free act and deed.

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

My Commission Expires _____ Notary Public name _____ Notary signature _____
(Notary seal)

ACKNOWLEDGMENT FORM FOR CORPORATION:

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 20____, before me personally appeared _____,
to me personally known, who, being by me duly sworn, did say that s/he is _____ of
_____ and that this instrument was signed and sealed on behalf of said corporation
by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires _____ Notary Public name _____ Notary signature _____
(Notary seal)

ACKNOWLEDGMENT FORM FOR CORPORATE SURETY:

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 20____, before me personally appeared _____
to me personally known, who, being by me duly sworn, did say that s/he is _____ of
_____ and that this instrument was signed and sealed on behalf of said corporation by
authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires _____ Notary Public name _____ Notary signature _____
(Notary seal)

(Note: Corporate surety attach power of attorney.)

APPROVED this _____ day of _____, 20____.

COMMISSIONER OF PUBLIC LANDS

NOTE: File with: Commissioner of Public Lands; New Mexico State Land Office OGMD ;
P.O. Box 1148; Santa Fe, New Mexico 87504-1148

BEFORE any development or operations are commenced.

Revised for web October 2004 -- ONLINE Version

Assignment of Cash Collateral



New Mexico Commissioner of Public Lands

310 Old Santa Fe Trail
P.O. Box 1148
Santa Fe, NM 87504-1148

ASSIGNMENT OF CASH COLLATERAL

(MUST BE A FEDERALLY-INSURED BANK OR FEDERALLY OR STATE CHARTERED SAVINGS AND LOAN ASSOCIATION)

Pursuant to the applicable rules for State Trust Lands under Title 19 Chapter 2 Dated _____

_____ "Grantee"

of _____
(Address)

has deposited with the _____
(Name of State or National Bank or Savings Association)

of _____
(Address) "Financial Institution" and "Trustee"

the sum of _____ dollars (\$ _____) in Certificate of Deposit or Savings Account No. _____ ("Fund"). Grantee hereby assigns and conveys all right, title and interest in the Fund to the New Mexico State Land Office (or successor agency). Grantee and Financial Institution agree that as to the Fund:

- a. The New Mexico State Land Office acquires by this assignment the entire beneficial interest in the Fund, with the right to order the Trustee in writing to distribute the Fund to the person(s) determined by the Oil, Gas and Minerals Division to be entitled thereto, including the New Mexico State Land Office itself, in amounts determined by the Division, without further consent by Grantee. Financial Institution hereby acknowledges that the New Mexico State Land Office is Financial Institution's customer with respect to the Fund.
- b. Grantee retains no legal or beneficial interest in the Fund and has only the right to interest, if any, thereon, and to return of the Fund upon written order of the Oil, Gas and Minerals Division.
- c. The Financial Institution agrees that the Fund may not be assigned, transferred, pledged or distributed except upon written order of the New Mexico State Land Office or a court of competent jurisdiction made in a proceeding in which the New Mexico State Land Office is a party. The Financial Institution waives all statutory or common law liens or rights of set-off against the fund, by reason of indebtedness or obligation of Grantee to Financial Institution now existing or hereafter incurred.
- d. Grantee agrees that the Financial Institution may deduct from interest due Grantee any attorney fees incurred by the Financial Institution if any claim or demand via writ, summons or other process arising from Grantee's business is made upon the Financial Institution.

This instrument shall be governed by the laws of the State of New Mexico.

Name of Grantee

BY: _____
Signature of Grantee,
Personally or Authorized Officer

Title

Name of Financial Institution

BY: _____
Signature of Authorized
Officer of Financial Institution

Officer's Title

Cash Bond Collateral Assignment



New Mexico Commissioner of Public Lands

310 Old Santa Fe Trail
P.O. Box 1148
Santa Fe, NM 87504-1148

CASH BOND COLLATERAL ASSIGNMENT

(FOR DEPOSIT OF FUNDS WITH THE STATE LAND OFFICE)

Pursuant to the terms of New Mexico State Land Office 19.2 NMAC

Dated _____

"Grantee"
of _____
(address)

has deposited with the New Mexico State Land Office ("Trustee") the sum of _____ dollars (\$_____) ("Fund"). Grantee hereby assigns and conveys all right, title and interest in the Fund to the New Mexico State Land Office (or successor agency). Grantee and Trustee agree that as to the Fund:

- a. The New Mexico State Land Office acquires by this assignment the entire beneficial interest in the Fund, with the right to order the Trustee in writing to distribute the Fund to the person(s) determined by the Oil, Gas and Minerals Division to be entitled thereto, including the New Mexico State Land Office itself, in amounts determined by the Division, without further consent by Grantee.
- b. Grantee retains no legal or beneficial interest in the Fund and has only the right to return of the Fund upon written order of the Oil, Gas and Minerals Division, upon satisfaction of all obligations to the New Mexico State Land Office.
- c. Grantee agrees that the Trustee may deduct from the Fund any attorney fees incurred by the Trustee if any claim or demand via writ, summons or other process arising from or related to Trustee's holding of the Fund or any action or claim related to the Fund.

This instrument shall be governed by the laws of the State of New Mexico.

Name of Grantee

New Mexico State Land Office

BY: _____
Signature of Grantee,
Personally or Authorized Officer

BY: _____

PERSONAL ACKNOWLEDGEMNT

STATE OF _____)
) ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me on this _____ day of _____, 20 _____

By _____

My Commission Expires: _____ (Notary Public)

ACKNOWLEDGMENT BY ATTORNEY

STATE OF _____)
) ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me on this _____ day of _____, 20 _____

By _____ as attorney-in-fact on behalf of _____
Please attach a copy of the Power Of Attorney

My Commission Expires: _____ (Notary Public)

ACKNOWLEDGMENT BY CORPORATION, PARTNERSHIP OR LIMITED LIABILITY

STATE OF _____)
) ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me on this _____ day of _____, 20 _____

By _____, _____ of _____
Name Title Name of Partnership, Corporation, LLC
,a _____
(Partnership, Corporation, LLC)

My Commission Expires: _____ (Notary Public)

Provisions for Extending Leases by Drilling, Reworking, Etc.

Seeking Extension of a Lease

Notwithstanding the examples in the following pages, the State Land Office encourages you to communicate with our office prior to lease expiration to determine if there are means to extend your lease. Communication with our office in the early stages of planning, when there may be a nearby frac, issues with venting or flaring, etc., are essential.

When is it required?

If you are within the first 5 years of your lease and have not produced on the lease yet, then you can invoke Paragraph 14 of your lease only if you are spudding a well on the lease and will bring production online. The well must be spud prior to lease expiration, and there must be continuous drilling operations during the extension period. In such a case, an application to extend your lease must be made to the Land Office *before your lease terminates*, and an administrative fee must be submitted (please allow enough time to submit the application and receive an approval from the Land Office). A report of the status of drilling operations for the well must be submitted to the Land Office every thirty days until production commences; cessation of activity for more than twenty days results in the termination of any extension, as does the failure to submit a report. If you have produced before and are outside of the first 5 years of your lease, then you can invoke Paragraph 15 of your lease if you are reworking a well on your lease and wish to preserve your lease. Similar to a Paragraph 14 extension, an application to the Land Office must be made, along with an administrative fee, and reports of reworking operations must be submitted every 30 days until the well returns to operation. You can invoke these paragraphs through a letter to the Oil, Gas, and Minerals Division. Sample templates invoking these paragraphs are included here in this manual.

What is required to apply?

- Request for an extension MUST be sent within 30 days of shut-in to invoke the rework provision in the lease. It is best practice to send the request as soon as it becomes evident that a well will be down for more than 20 days. Do NOT wait until the 30th day.
- Include a check with the administrative fee, \$500.00 per lease (note, the fee is subject to change per the published fee schedule).
- In the request: (templates attached)
 - List the name of the Well/API No.
 - State the reason for extension (well down, midstream shutdown, nearby frac, rework, etc.)
- Contact the SLO to ensure the submittal is correct and to answer any questions.

Non-statutory extensions

If you are seeking an extension that is not provided for in your lease, the SLO may grant a special extension. The extensions are discretionary and generally granted for reasons such as shutting in a well for a nearby frac, an operator losing takeaway due to a midstream conducting repair, etc. In such cases, an administrative fee must be submitted, along with the reason for the extension. If takeaway is a reason for seeking an extension, please be sure to include the name of the company causing takeaway issues and note the SLO may request certain backup documentation.

Lease Suspension Template

Company Logo

Requestor Name
Title
Address
City, State, Zip
O: XXX-XXX-XXXX
Requestor Email Address

Date

Via Email & Fedex Overnight

Ms. Stephanie Garcia Richard
Commissioner of Public Lands
New Mexico State Land Office
P.O. Box 1148
Santa Fe, New Mexico 87504

Attn: Allison Marks, Director of Oil, Gas and Minerals Leasing (amarks@nmslo.gov)
Denise Gallegos, Oil and Gas Lease Manager (dagallegos@nmslo.gov)
Meghan Bransford, Management Analyst (mbransford@nmslo.gov)

RE: *Suspension of Production Request PERTAINING TO [WELL NAME plus API] and NM State Oil & Gas Lease XX-XXXX-XXXX to Protect Air Quality;*

Dear Commissioner Garcia Richard:

On _____, 202X, [Name of Operator], (“NOO”), operator of the [Well Name] (API 30-xxx-xxxxx), (“Well”), owner of working interest in and producing from New Mexico State Land Office Oil and Gas Lease(s) XX-XXXX-XXXX (“Lease(s)”) shut-in the Well which is holding the Lease, Well, CA (if the well is part of one) and Lease are listed on Exhibit “A” attached hereto, due to [insert brief reason why the well is shut-in such as line break or force majeure, etc]. The Well must continue to be shut in while the [insert operations to be performed to return to production] to return the Well to production. Please find attached as Exhibit “B” notice from [insert name of offtake/midstream provider] notifying us of the event.

The Commissioner of Public Lands has the discretion to grant a suspension of production under the terms of the lease or agreement if compliance with the terms of the lease or agreement will result in waste or harm to the environment unless the leases or agreements are temporarily suspended. The Commissioner, in her discretion may grant such period of time which is sufficient to permit the suspension of the leases or agreements based on the particular circumstances of the leases or agreements. In this case, [Operator] must keep the well shut-in [insert operations to be performed] and not degrade air quality on State Trust Lands caused by flared gas or other emissions and continued compliance with New Mexico’s “No Flare” Rule (19.15.27 NMAC) and therefore, the protection of air quality justifies the Commissioner granting this request under her discretionary authority.

Therefore, as a result of the Well being shut-in, [Operator] respectfully requests the Commissioner grant an extension of the Lease since the cessation of production is expected to exceed 60 days. [Operator] requests a 120-day extension to ensure that The Well is protected adequately during this repair.

Commissioner of Public Lands
Name of Well, CA, Lease
Date

A check in the amount of \$500.00, which reflects the administrative fee for the extension of the Lease is included with this request. [*Operator*] is available to discuss this matter further in person or otherwise. Please do not hesitate to reach out with any questions.

With gratitude,

Name of Requestor
Title

Encls. Exhibit "A" List of Well, and Lease

1 x \$500 Administrative Fee
Exhibit "B" Notice [*email/letter*] from [*midstream provider*]

xc: [*Name of Lessee if not the Operator*] – Lessee of Record – XX-XXXX-XXXX

Commissioner of Public Lands
 Name of Well, CA, Lease
 Date

Exhibit "A"
Well, CA, Lease

WELL NAME	API	PRODUCING FROM OGL(s)	SHUT-IN DATE

COMMUNITIZATION AGREEMENT NAME	PUN; EFFECTIVE DATE	NMSLO OGL(s) IN CA	LEGAL DESCRIPTION
If none, write N/A			(Use the same description as listed on the NMSLO Portal)

NMSLO OGL NUMBER	ISSUE DATE	LEGAL DESCRIPTION	LESSEE OF RECORD
		(Use the Section, Township, Range, Quarter/Quarter description.) For example: T25S, R25E, SEC 16, NWNW, SWSE, E2	

CA and Lease Suspension Template

Company Logo

Requestor Name
Title
Address
City, State, Zip
O: XXX XXX-XXXX
Requestor Email Address

Date

Via Email & Fedex Overnight

Ms. Stephanie Garcia Richard
Commissioner of Public Lands
New Mexico State Land Office
P.O. Box 1148
Santa Fe, New Mexico 87504

Attn: Allison Marks, Director of Oil, Gas and Minerals Leasing (amarks@nmslo.gov)
Denise Gallegos, Oil and Gas Lease Manager (dagallegos@nmslo.gov)
Joseph Thompson, Petroleum Specialist (jthompson@nmslo.gov)
Meghan Bransford, Management Analyst (mbransford@nmslo.gov)
OGMDCOMS@nmslo.gov

RE: *Suspension of Production Request PERTAINING TO COMMUNITIZATION AGREEMENT and NEW MEXICO OIL AND GAS LEASE to Protect Air Quality; [Well Name] – NMSLO OIL & GAS LEASE XX-XXXX-XXXX; [Communitization Agreement Name] – PUN XXXXXXX*

Dear Commissioner Garcia Richard:

On _____, 202X, [Name of Operator], (“NOO”), operator of the [Well Name] (API 30-xxx-xxxxx), (“Well”), owner of working interest in the New Mexico State Communitization Agreement (“CA”) [Comm Agreement Name and PUN] dated effective XX/XX/XXXX and producing from New Mexico State Land Office Oil and Gas Lease XX-XXXX-XXXX (“Lease”) shut-in the Well which is holding the CA and Lease, Well, CA and Lease are listed on Exhibit “A” attached hereto, due to [insert brief description why the well is shut-in such as line break, force majeure, etc]. The Well must continue to be shut in while the [insert operations to be performed to return to production] to return the Well to production. Please find attached as Exhibit “B” notice from [insert name of offtake/midstream provider] notifying us of the event.

The Commissioner of Public Lands has the discretion to grant a suspension of production under the terms of the lease or agreement if compliance with the terms of the lease or agreement will result in waste or harm to the environment unless the leases or agreements are temporarily suspended. The Commissioner, in her discretion may grant such period of time which is sufficient to permit the suspension of the leases or agreements based on the particular circumstances of the leases or agreements. In this case, [Operator] must keep the well shut-in [insert operations to be performed] and not degrade air quality on State Trust Lands caused by flared gas or other emissions and continued compliance with New Mexico’s “No Flare” Rule (19.15.27 NMAC) and therefore, the protection of air quality justifies the Commissioner granting this request under her discretionary authority.

Commissioner of Public Lands
Name of Well, CA, Lease
Date

Therefore, as a result of the Well being shut-in, [*Operator*] respectfully requests the Commissioner grant an extension of the Lease since the cessation of production is expected to

exceed 60 days as provided under the terms of the CA. [*Operator*] requests a 120-day extension to ensure that The Well is protected adequately during this repair.

Two checks in the amount of \$500.00 each, which reflect the administrative fees for the extension of the CA and Lease are included with this request. [*Operator*] is available to discuss this matter further in person or otherwise. Please do not hesitate to reach out with any questions.

Very truly,

Name of Requestor
Title

Encls. Exhibit "A" List of Well, CA and Lease
2 x \$500 Administrative Fee
Exhibit "B" Notice [*email or letter*] from [*midstream provider*]

xc: [*Name of Lessee if not the Operator*] – Lessee of Record – XX-XXXX-XXXX

Commissioner of Public Lands
 Name of Well, CA, Lease
 Date

Exhibit "A"
Well, CA, Lease

WELL NAME	API	PRODUCING FROM OGL(s)	SHUT-IN DATE

COMMUNITIZATION AGREEMENT NAME	PUN; EFFECTIVE DATE	NMSLO OGL(s) IN CA	LEGAL DESCRIPTION
If none, write N/A			(Use the same description as listed on the NMSLO Portal)

NMSLO OGL NUMBER	ISSUE DATE	LEGAL DESCRIPTION	LESSEE OF RECORD
		(Use the Section, Township, Range, Quarter/Quarter description.) For example: T25S, R25E, SEC 16, NWNW, SWSE, E2	

Paragraph 14 Lease Extension Template

Company Logo

Requestor Name
Title
Address
City, State, Zip
O: XXX XXX-XXXX
Requestor Email Address

Date

Via Email & Fedex Overnight

Ms. Stephanie Garcia Richard
Commissioner of Public Lands
New Mexico State Land Office
P.O. Box 1148
Santa Fe, New Mexico 87504

Attn: Allison Marks, Director of Oil, Gas and Minerals Leasing (amarks@nmslo.gov)
Denise Gallegos, Oil and Gas Lease Manager (dagallegos@nmslo.gov)
Meghan Bransford, Management Analyst (mbransford@nmslo.gov)

RE: Request for Extension of the State Lease(s) XX-XXXX-XXXX

Dear Commissioner Garcia Richard:

[*Requesting Entity*], Lessee of Record under the captioned State of New Mexico Oil and Gas Lease *XX-XXXX-XXXX*, respectfully requests permission to conduct drilling operations across the expiration date pursuant to paragraph 14 of said lease. Drilling of the [*Well Name*] (*API 30-xxx-xxxx*), (“Well”) is scheduled to commence on or before [Date] with a rig capable of reaching total depth. The well(s) and Lease(s) are listed on Exhibit “A” attached hereto.

The Commissioner of Public Lands has the discretion to grant an extension of the primary term pursuant to Paragraph 14 of the State Lease.

A report of the status of all such operations shall be made by [*Name of Operator*] to the State Land Office every thirty days in accordance with Paragraph 14 of the State Lease. No cessation of activity may occur for more than 20 days during any 30 day reporting period.

A check in the amount of \$500.00, which reflects the administrative fee for the extension of the Lease is included with this request. [*Operator*] is available to discuss this matter further in person or otherwise. Please do not hesitate to reach out with any questions.

With gratitude,

Name of Requestor
Title

Encls. Exhibit “A” List of Well and Lease
1 x \$500 Administrative Fee

xc: [*Name of Lessee if not the Operator*] – Lessee of Record – XX-XXXX-XXXX

Commissioner of Public Lands
Name of Lessee
Date

Exhibit "A"
Well and Lease

WELL NAME	API

NMSLO OGL NUMBER	ISSUE DATE	LEGAL DESCRIPTION	LESSEE OF RECORD
		(Use the Section, Township, Range, Quarter/Quarter description.) For example: T25S, R25E, SEC 16, NWNW, SWSE, E2	

Lease Rework Notification Template

Company Logo

Requestor Name
Title
Address
City, State, Zip
O: XXX_XXX-XXXX
Requestor Email Address

[Insert Date]

Via Email & Fedex Overnight

Ms. Stephanie Garcia Richard
Commissioner of Public Lands
New Mexico State Land Office
P.O. Box 1148
Santa Fe, New Mexico 87504

Attn: Allison Marks, Director of Oil, Gas and Minerals Leasing (amarks@nmslo.gov)
Denise Gallegos, Oil and Gas Lease Manager (dagallegos@nmslo.gov)
Meghan Bransford, Management Analyst (mbransford@nmslo.gov)

**RE: *Extension by Rework –or Paragraph 15
Pertaining to [WELL NAME plus API No.] and NM State Oil & Gas Lease XX-XXXX-XXXX***

Dear Commissioner Garcia Richard:

[Insert name of operator], is the operator of and working interest owner (“Operator”) in the wellbore of the [Insert Well Name(s)] (API No. _____) (the “_____ Well”), which is currently holding the captioned state oil and gas lease by production (“Lease”). [Insert Lessees of Record] is the lessee of record of the Lease(s). The purpose of this letter is to invoke the rework provision in Paragraph 15 of the Lease(s).

Operator obtained production on the _____ Well on _____ [insert last date of production from the well], but it has now since ceased producing due to [insert description of mechanical issues] and requires rework operations. Because production from the _____ Well holds the Lease(s), Operator respectfully requests to invoke Paragraph 15 of the Lease(s), the rework provision, to extend the Lease(s) during rework operations. Per the provision, Operator understands that such operations must be diligently prosecuted in good faith with no cessation of more than twenty (20) consecutive days, and we shall provide operational updates on the rework operations every thirty (30) days until either production on the _____ Well is established and continuous.

A check in the amount of \$500.00 for the administrative fee associated with invoking the rework provisions in the Lease(s) has been included with this letter.

Operator is available to discuss this matter further in person or otherwise. Please do not hesitate to reach out with any questions.

Commissioner Garcia Richard
[Insert Date]
Page 2

Very truly,

[Insert Name of Requestor]
[Title]

Encls. Exhibit "A" List of Well, and Leases
1 x \$500 Administrative fee check for Lease

xc: *[Copy letter should be sent to lessees of record]*

Commissioner Garcia Richard
 [Insert Date]
 Page 3

Exhibit "A"

WELL NAME	API	PRODUCING FROM OGL(s)	SHUT-IN DATE

COMMUNITIZATION AGREEMENT NAME	PUN; EFFECTIVE DATE	NMSLO OGL(s) IN CA	LEGAL DESCRIPTION
			(Use the same description as listed on the NMSLO Portal)

NMSLO OGL NUMBER	ISSUE DATE	LEGAL DESCRIPTION	LESSEE OF RECORD
		(Use the Section, Township, Range, Quarter/Quarter description.) For example: T25S, R25E, SEC 16, NWNW, SWSE, E2	

Lease and CA Rework Notification Template

Company Logo

Requestor Name
Title
Address
City, State, Zip
O: XXX XXX-XXXX
Requestor Email Address

[Insert Date]

Via Email & Fedex Overnight

Ms. Stephanie Garcia Richard
Commissioner of Public Lands
New Mexico State Land Office
P.O. Box 1148
Santa Fe, New Mexico 87504

Attn: Allison Marks, Director of Oil, Gas and Minerals Leasing (amarks@nmslo.gov)
Denise Gallegos, Oil and Gas Lease Manager (dagallegos@nmslo.gov)
Meghan Bransford, Management Analyst (mbransford@nmslo.gov)
Joseph Thompson, Petroleum Specialist (jthompson@nmslo.gov)
OGMDCOMS@nmslo.gov

**RE: Extension by Rework –or Paragraph 15 (Lease) Paragraph 9 (CA)
[Insert State Communitization Agreement dated _____ for the _____
Well (PUN _____)]**

Dear Commissioner Garcia Richard:

[Insert name of operator], is the operator of and working interest owner (“Operator”) in the wellbore of the [Insert Well Name(s)] (API No. _____) (the “_____ Well”), which is currently holding the captioned state communitization agreement by production (“CA”). [Insert Lessees of Record] is the lessee of record of the Lease(s) committed to the CA. The purpose of this letter is to invoke the rework provisions in Paragraph 15 of the Lease(s) and Paragraph 9 of the CA.

Operator obtained production on the _____ Well on _____ [insert last date of production from the well], but it has now since ceased producing due to [insert description of mechanical issues] and requires rework operations. Because production from the _____ Well holds the Lease(s) and CA, Operator respectfully requests to invoke Paragraph 15 of the Lease(s) and Paragraph 9 of the CA, the rework provisions, to extend the Lease(s) and CA during rework operations. Per the provision, Operator understands that such operations must be diligently prosecuted in good faith with no cessation of more than twenty (20) consecutive days, and we shall provide operational updates on the rework operations every thirty (30) days until either production on the _____ Well is established and continuous.

Checks in the amount of \$500.00 each for the administrative fee associated with invoking the rework provisions in the Lease(s) and CA has been included with this letter.

Commissioner Garcia Richard
[Insert Date]
Page 2

Operator is available to discuss this matter further in person or otherwise. Please do not hesitate to reach out with any questions.

Very truly,

[Insert Name of Requestor]
[Title]

Encls. Exhibit "A" List of Well, CA and Leases committed to CA
1 x \$500 Administrative fee check for Lease
1 x \$500 Administrative fee check for CA

xc: [Copy letter should be sent to lessees of record]

Commissioner Garcia Richard
 [Insert Date]
 Page 3

Exhibit "A"

WELL NAME	API	PRODUCING FROM OGL(s)	SHUT-IN DATE

COMMUNITIZATION AGREEMENT NAME	PUN; EFFECTIVE DATE	NMSLO OGL(s) IN CA	LEGAL DESCRIPTION
			(Use the same description as listed on the NMSLO Portal)

NMSLO OGL NUMBER	ISSUE DATE	LEGAL DESCRIPTION	LESSEE OF RECORD
		(Use the Section, Township, Range, Quarter/Quarter description.) For example: T25S, R25E, SEC 16, NWNW, SWSE, E2	

Shut-In Royalty Payments

Certain leases allow gas wells, as classified by OCD, to be shut-in for lack of market or lack of pipeline connection. It is important to note that not all leases include this provision. In such an event, documentation evidencing the reason for shut-in must be provided to the Land Office, along with the application for shut-in. Further, if the well being shut-in is a communitized well, it is best practice to advise the manager of communitized well of the shut-in as well. Without notification of the shut-in to ogmdcoms@nmslo.gov, the com will likely receive a termination.

This section includes the following information:

1. Shut-In Royalty Due Dates-Illustration
2. Guidelines for Shut-In Royalty Payments
3. Shut-In Royalty Payment Summary
4. Shut-In Gas Royalty Payment Form
5. Shut-In Oil Well, Conditions

For further information please contact Rubel Salazar by email rsalazar@nmslo.gov

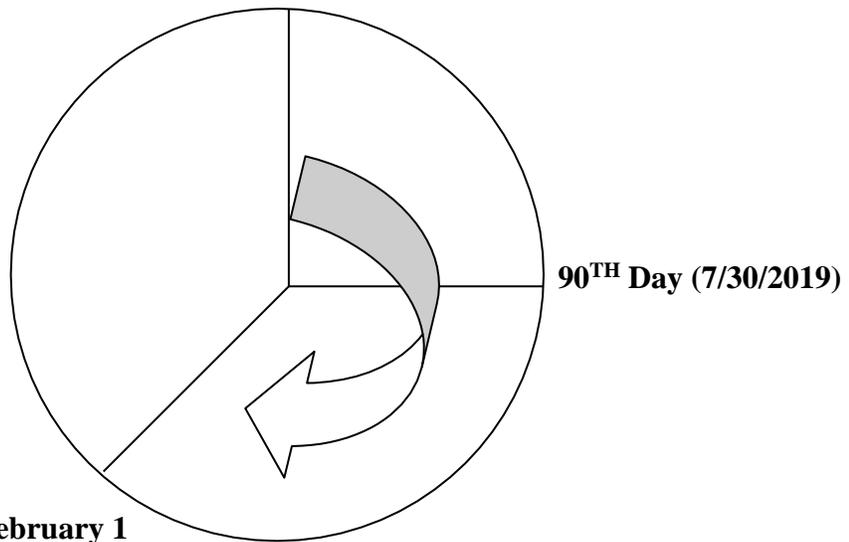
Shut-In Royalty Due Dates- Illustration

Shut-In Royalty is due on or before the lease anniversary date occurring after 90 days from the Shut-In well date.

See examples in Figures 1 and 2.

FIGURE 1:

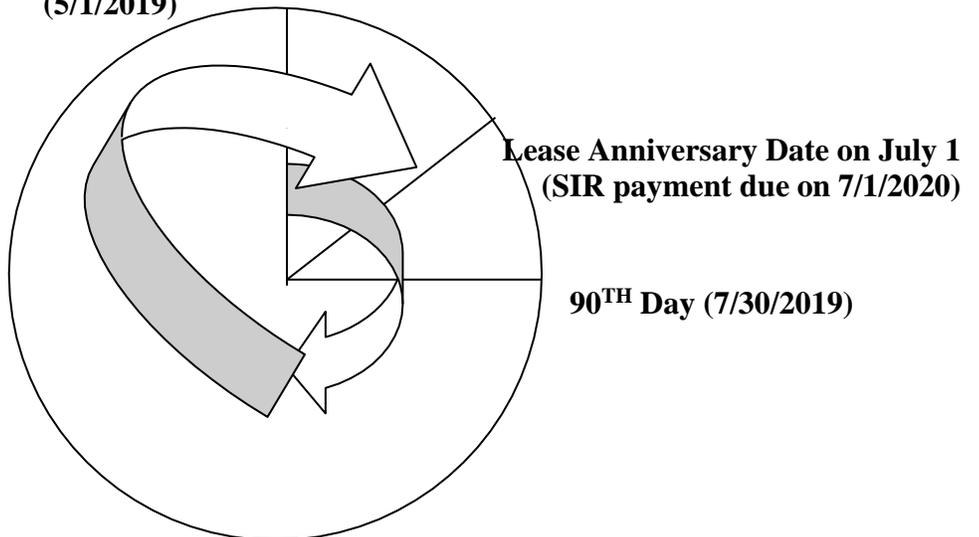
**Shut-in Well Date
(5/1/2019)**



**Lease Anniversary Date on February 1
(SIR payment due on 2/1/2020)**

FIGURE 2:

**Shut-in Well Date
(5/1/2019)**



Guidelines for Shut-In Royalty Payments

Shut-In Gas Well Royalty

Pursuant to Section 2 of an oil and gas leases issued after 1957, a gas well, capable of producing gas in paying quantities that has been shut-in by an operator due to lack of market or lack of a pipeline connection, may remit shut-in royalty (SIR) payment. This payment must be submitted with the required SIR Form prescribed by NMSLO. The SIR payment must be timely paid or the lease may automatically expire. To be “timely paid,” the shut-in royalty is due on or before the next lease anniversary date after the expiration of ninety days from the date the well was shut-in. However, remitting the SIR payment as soon as possible is encouraged to communicate the status of the well thereby avoiding lease expiration.

Examples of this requirement are provided below.

1. If the lease contract issue date is February 1, 1970, and a qualifying well is shut-in on May 1, 2019, the date for timely payment of a shut-in royalty (SIR) is computed as follows: May 1, 2019 + 90 days is July 30, 2019, the following lease anniversary date occurs on February 1, 2020, therefore the SIR payment is due on or before February 1, 2020. **See Figure 1.**
2. If the lease contract issue date is July 1, 2010, and a qualifying well is shut-in on May 1, 2019, the date for timely payment of a shut-in royalty (SIR) is computed as follows: May 1, 2019 + 90 days is July 30, 2019, the following lease anniversary date occurs on July 1, 2020, therefore the SIR payment is due on or before July 1, 2020. **See Figure 2.**

Note:

SIR payments are due per well per year, therefore if the well is part of a cooperative agreement, i.e., Communitization or Unit Agreement, only one SIR payment is necessary for each well annually. However, best practice is to advise the communitizations group within the Land Office of the shut-in payment

Failure to submit the SIR Form or the submittal of an incomplete form will result in an automatically rejected SIR payment.

In all such cases of SIR payments tendered, the NMSLO staff does review the well data, tests and records to determine, to our satisfaction, if the well is capable of producing in paying quantities and meets the qualifications of the SIR provision.

Annual Rentals are due at all times in addition to the SIR payment.

The Commissioner may grant further extensions of time upon the showing in good cause. All older existing oil and gas leases may be stipulated to include the provisions of the newer leases.

Shut-In Royalty (SIR) Payment Summary

LEASES ISSUED BEFORE JUN 14TH, 1985

5 Year Lease

V-

Primary Term - 5 Years
SIR = rental fee or \$100

Extended by production or 5 Years by SI Royalty payment.
SIR = Rental fee or \$100

10 Year Lease

A,B,E,K,LG,OG

Older leases such as series A-,B- & OG-1 through OG-75 must be stipulated in order to be shut-in.

Primary Term -5 Years
SIR = Current Rental Fee or \$100

Secondary Term -5 years
SIR= Current Rental Fee or \$100

Extended by production or 5 Years by SI Royalty Payment
SIR= current Rental Fee or \$100

LEASES ISSUED AFTER JUNE 14TH, 1985

Discovery V0 Exploratory VA

Primary Term - 5 Years
SI Royalty = 2X Rental Fee or \$320 well

10 Years after lease effective date, annual SI Royalty = 4x rental or \$2,000/well, whichever is greater

Development VB

Primary Term - 5 Years
SI Royalty = 2x Rental or \$320/well

10 Years after lease effective date, 4x rental or \$2,000/well, whichever is greater.

Development VC, SR & SG

Primary Term - 5 years
SI Royalty = 2x rental or \$320/ well

10 Years after lease effective date, 4x rental x 12 or \$2,000/well, whichever is greater

10 - Year Exploratory LH

Primary Term-
SI Royalty = 2x Rental fee or \$320/ well

15 Years after lease effective date, annual SI Royalty = 4x rental or \$2,000/well, whichever is greater.

Shut-In Gas Royalty Payment Form

Revised 5/1/2023

SHUT-IN GAS ROYALTY PAYMENT FORM
New Mexico State Land Office
Oil, Gas, & Minerals Division

P.O Box 1148
Santa Fe, NM 87504-1148

310 Old Santa Fe Trail
Santa Fe, NM 87501-2708

Make check payable to: NEW MEXICO COMMISSIONER OF PUBLIC LANDS

Party Submitting Form: Lessee Com Well Operator

Payment For:

Lease Number: _____ Assignment Number: _____

Well Name: _____ Well Number: _____

A.P.I Number: ____-____-____ Pool I.D. Number: _____

Section _____ Township _____ Range _____ Unit/Lot _____

Note: A separate form must be submitted for each well.

Well Participating in Communitization Agreement: Y N

Note: For com wells, a separate form must be submitted for each lease shut-in that is associated with the com. Only one fee per well is required.

If YES, Communitization Agreement Name: _____

Well Participating in Unit Agreement: Y N

If YES, Unit Agreement Name: _____

Shut- In Reason: Lack of market for gas from well(s)
 Inability of lessee to obtain gas pipeline connection for well(s)

*Attach supporting documentation for shut in reason indicated to this form.

Date Well Shut-In: _____

Is well capable of producing in paying quantities: Y N

If yes, please provide supporting documentation in order for this application to be processed.

Date of Lease: _____ Date of Stipulation: _____

Shut-In Amount: _____

Payor: _____

Representative: _____

Address: _____

Representative Telephone Number: _____

Representative Email: _____

SUBMITTAL OF ACCURATE AND COMPLETE INFORMATION IS REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. Submission of materially false or incomplete information is grounds for termination of shut-in in addition to any other remedies the New Mexico State Land Office may have. I also understand that no action will be taken on this application until all the required information and notifications are submitted to the Division.

NOTE: Statement must be completed by a representative with managerial or supervisory capacity. If submitting as a lease shut-in, complete as lessee. If submitting as a com shut-in, complete as com operator.

Printed Name

Signature

Title

Date

Please be advised that payments will be drafted from your account immediately upon receipt.
Please contact Rubel Salazar with questions or concerns at (505) 827 – 5730
or by email: rsalazar@nmslo.gov

For the most up to date form/fee please visit: <https://www.nmstatelands.org/divisions/oil-gas-and-minerals/oil-and-gas-forms/>

19-10-6. Shut-In Oil Wells; Conditions

Shut-In Oil Wells

SIR payments cannot be accepted for oil wells under the same terms and conditions as wells capable of producing gas in paying quantities. The circumstance where SIR payments may be accepted for oil wells is specified in Section 19-10-6 NMSA 1978.

19-10-6. Shut-in oil wells; conditions.

A. If, after notice and public hearing, the commissioner finds that because of a severe reduction in the price of oil the beneficiaries of state trust lands are ultimately better served if oil wells are allowed to be temporarily shut in rather than produced at a low price, he may promulgate a regulation which allows such wells to be shut in.

B. Any regulation promulgated under Subsection A of this section shall automatically expire two years from its effective date unless it is either extended by the commissioner after a subsequent notice and public hearing or terminated sooner by a subsequent regulation of the commissioner after finding that the price of oil is no longer severely reduced; provided, that any such termination shall not be effective until thirty days after the commissioner has by certified mail sent notice of the prospective termination to each lessee whose lease is being extended by the operation of this section.

C. Any oil and gas lease issued by the commissioner of public lands and maintained in good standing according to the terms and conditions thereof and all applicable statutes and regulations shall not expire if:

there is, currently in effect, a regulation promulgated under Subsection A of this section;

there is a well capable of producing oil located upon some part of the lands included in the lease and such well is shut in because of the severe reduction in the price of oil;

the lessee timely notifies the commissioner in writing within thirty days of the date the well is first shut in; and

the lessee timely pays an annual shut-in royalty within ninety days from the date the well was first shut in and thereafter before each anniversary of the date the well was first shut in. The amount of the shut-in royalty shall be twice the annual rental due by the lessee under the terms of the lease but not less than three hundred twenty dollars (\$320) per well per year. If the other requirements of this subsection are satisfied, the timely payment of the shut-in royalty shall be considered for all purposes the same as if oil were being produced in paying quantities until the next anniversary of the date the well was first shut in.

Also, please see the Administrative Code.

For questions, please contact the Oil and Gas Lease Manager, Denise Gallegos at (505) 827-5749

19.2.100.68

AMENDMENT OF LEASE TO LOWER ROYALTY RATE FOR OIL WELLS UNDER CERTAIN CONDITIONS:

H. Purpose - eligibility: The records owner of an oil and gas lease issued by the commissioner of public lands whose lease is maintained in good standing according to the terms and conditions of the lease and all applicable statutes and regulations, may apply to the commissioner for an amendment to the lease for the purpose of changing the royalty rate on oil produced from a specified oil well. Any well that produces on a lease basis or as a communitized or unitized property is eligible for the lower rate. Multiple wells from the same lease, communitization or unit may be submitted for approval under one application. Communitized or unit wells must qualify individually for the lower royalty rate.

I. Application, requirements, and information to be furnished. An application for a change in royalty rate shall be on a form prescribed by the commissioner and shall be accompanied by the application fee as set forth in the schedule of fees. For each oil well, the application shall:

- (1) show that the oil well has produced oil attributable to a communitization, unit or lease premises, and:
 - (a) if the production is from formations shallower than 5,000 feet, has produced less than an average of three barrels of oil per day during the preceding 12 months and has not averaged over five barrels per day for any month during the preceding 12 months; or
 - (b) if the production is from formations 5,000 feet deep or deeper, has produced less than an average of six barrels of oil per day during the preceding 12 months and has not averaged over 10 barrels of oil per day for any month during the preceding 12 months; and
- (2) include a statement that to the best of the applicant's knowledge and experience the well is not capable of sustained production limits specified in Paragraph (1) of this Subsection.
- (3) provide data and describe efforts to:
 - (a) negotiate lower rates paid to other royalty owners and overriding royalty owners in the oil well; and
 - (b) minimize the costs of operating the well; and
- (4) include any other fact which may justify a lower royalty rate.

Commissioners approval. Upon receipt of an application, the commissioner shall review the information submitted as well as other, independent information obtained by the commissioner and shall agree to amend the lease to a lower royalty rate for oil produced from the oil well if, in the commissioner's sole discretion, the commissioner finds that:

- (5) the operator has taken reasonable steps to minimize the operator's costs of operating the oil well;
- (6) the oil well will likely be plugged and abandoned in the near future, with a resulting loss of reserves, if operating costs are not reduced further;
- (7) the oil well will produce for a longer period, and the amount of oil produced will ultimately be larger, if the royalty rate is lowered; and
- (8) a lower royalty rate will actually maximize revenue to the trust beneficiaries.

J. Applicable royalty rate, effective date. The lower royalty rate agreed to under this Section shall be equal to five percent and, except as provided in Subsection G of this Section, shall be valid for a period of three years, after which time the record owner of the oil and gas lease may submit a written request for an extension which, if approved pursuant to Subsection C of this Section, shall be valid for an additional three year term.

K. Accounting and reporting of oil royalties. Production, royalties and taxes for oil produced from any well for which a lower royalty rate has been granted under this Section shall be reported separately from other oil wells, under the PUN-lease business rules of the oil and gas royalty filer's kit utilized by the oil and natural gas administration and revenue database (ONGARD) system.

L. Form of application. Applications for a lower royalty rate under this Section shall be submitted on a form provided by the commissioner.

M. Termination of lower rate. The effective period for a lower royalty rate, approved pursuant to this Section, shall terminate and the royalty rate specified in the lease shall be applicable if the commissioner determines, in the commissioner's sole discretion, that the oil production has significantly increased through well workover, recompletion or other means, so that the well would no longer qualify on an annual basis for a lower royalty rate.

[19.2.100.68 NMAC - Rp, 19.2.100.68 NMAC, 6/30/2016; A, 6/11/2019]

III. Well Information

A. Complete the following for each well applied for under this application. If there is more than one well, attach additional sheets for each Well with the same info as requested for the first.

1. Well Name:

Operator:

2. Record Title Owner of State and Gas Lease:**

** If communitized or unitized leases are involved with this application, list Record Title Owner(s) for the acreage that is pertinent to each qualified well.

3. State Lease Number and Assignment Number:

4. API Number:

5. Legal Description – Subdivisions:

Sec _____ Twp _____ Rge _____ NMPM _____ County, NM.

6. Completion Formation and Dedicated Acreage as Per OCD Form C-102:

7. Pool:

8. Please indicate gross perforation interval:

B. Operator Monthly Reports: Attach either copies of actual OCD C-115 reports or a spreadsheet showing oil production for a minimum of the preceding twelve (12) months prior to the application date.

IV. Additional Information

A. Detail all efforts and successes in negotiating lower rates paid to other royalty and overriding royalty owners specific to each oil well. A listing of all owners, data, and evidence of negotiation must be attached.

B. Detail steps taken to minimize the costs of operating the oil well and provide data of steps, including any reworking.

C. A statement that, to the best of the applicant's knowledge and experience, the well is not capable of sustained production over the production limits specified in the rule.

D. Any other facts that may help to justify a reduction in the State Royalty Rate from the current rate to 5.0%

E. Please provide a descriptions of each unreported or open spill with as much information as available (date or time frame of spill, nature and volume of spill, location of spill and any action taken to address spill). Please provide and associated API/facility:

F. Lease Standing

1. Please list all inactive wells per 19.15.25.8 NMAC on the lease.

2. List any other compliance issues on the lease.

V. Application Fees:

- 1. Initial Application:** (See Schedule of Fees). Must be remitted with the initial application for oil royalty rate reduction per lease or unit.
- 2. Request for Renewal:** A formal letter and this form are required in order to request an extension/renewal of the reduced royalty rate for an additional three-year period. Please reference the initial application number and remit the renewal fee of _____. (See Schedule of Fees)

NOTE: THE ABOVE-MENTIONED FEES ARE NON-REFUNDABLE.

SCHEDULE OF FEES CAN BE FOUND AT: <https://www.nmstatelands.org/fees-mineral-resources/>

VI. Certification:

The information above is submitted to the Commissioner of Public Lands as an application for a lower royalty rate under NMSA 19-10-5.1 (1994 Repl. Pamp.).

As applicant, I, _____, representing _____
hereby certify that the information submitted with this application is true and correct to the best of my
knowledge and belief.

Signature _____ **Title** _____ **Date** _____

NOTE: Complete Item VI (next page) for each lease or unit, and submit it along with this initial application. Please, place this application form and Item VI in front of all other information you are submitting.

VII. Record Title Ratification:

I/We, _____

Representing _____

Record Title Owner(s) of the above-mentioned lease, do hereby certify the information submitted with this application to be true and correct to the best of my knowledge. The oil well(s) applied for in this application do meet the criteria as set forth regarding a lower royalty rate. Therefore, I/we request a lower royalty rate pursuant to NMSA 19-10-5.1 (1994 Repl. Pamp.) and the rules and regulations of the State Land Office, as may apply to the oil well(s) production from the subject lease.

Record Title Owner Signature: _____ Title _____

Date _____

Record Title Owner Signature: _____ Title _____

Date _____

Frequently Asked Questions Regarding Maintaining Leases

Q: Do I need to pay rent and royalties to maintain my lease?

A: Yes, a lessee is responsible for staying current with rental payments for their lease and any royalty payments owed for production on their lease.

Q: How do I extend my lease if I am not currently producing?

A: If you are within the first 5 years of your lease and have not produced before then you can invoke Paragraph 14 of your lease only if you are spudding a well on the lease and will bring production online. In such a case, an application to extend your lease must be made to the Land Office and an administrative fee submitted. A report of the status of drilling operations on the well must be submitted to the Land Office every thirty days until production commences; cessation of activity for more than twenty days results in the termination of any extension, as does the failure to submit a report. If you have produced before and are outside of the first 5 years of your lease, then you can invoke Paragraph 15 of your lease if you are reworking a well on your lease and wish to preserve your lease. Similar to a Paragraph 14 extension, an application to the Land Office must be made, along with an administrative fee, and reports of reworking operations must be submitted every 30 days until the well returns to operation. You can invoke these paragraphs through a letter to the Oil, Gas, and Minerals Division. Sample letters invoking these paragraphs are included in this manual.

Q: How do I get the rental invoices for a lease if I am an operator on the lease and the lessee has agreed to me paying the annual rentals?

A: Please see the Request for Change of Annual Rental Payor form in this manual. This form must be completed and signed by the lessee of record then submitted to Denise Gallegos at dagallegos@nmslo.gov or Veronica Gonzales at vgonzales@nmslo.gov. In cases like this, both parties may wish to consider filing an assignment of record title for the leases.

Q: My business switched locations and I am no longer receiving mail associated with my lease, what should I do?

A: You will need to fill out a Change of Address Form with the Oil, Gas and Minerals Division. It is vital that all Oil and Gas lessees have current addresses on file with the Oil, Gas, and Minerals Division of the New Mexico State Land Office so that invoices and other correspondence can be received in a timely fashion. All notices for a lease go to the last address on file with the Division.

Q: What are valid reasons to Shut-In a gas well?

A: A gas well capable of producing gas in paying quantities can only be shut-in due to lack of market or lack of pipeline connection, unless a special extension is granted by the Commissioner. Documentation supporting one of these reasons must be attached when the Shut-In Gas Royalty Payment Form is submitted requesting the shut-in of a gas well.

Q: In what instances would I receive a Pending Cancellation Letter for my lease?

A: A pending cancellation letter will go out to the lessee of record at least 30 days before a lease is cancelled in instances where the lessee is not bonded or has not paid their rental payment. The lessee then has until those 30 days to remedy the situation before the lease is cancelled.

Q: Why am I, the lessee, responsible for cleaning up environmental issues on a lease that an operator created?

A: As lessee, you are required to comply with 19.2.100.67 NMAC– SURFACE RECLAMATION ON STATE OIL AND GAS LEASES. You are also required to comply with all lease terms. The SLO enters into a contract with you, the lessee. The lessee often enters into contracts or agreements with operators.

Q: Why does a lessee have to post a bond?

A: A lessee must post a bond according to NMAC 19.2.100.23 SURETY TO PROTECT SURFACE PURCHASER AND LESSEE – WAIVERS.

Q: How many entities/individuals can be listed on the record title of a lease?

A: Two entities/individuals can be listed on the record title of a lease. 19.2.100.41.C. RESTRICTIONS. Assignments shall not be accepted nor approved by the Commissioner in the names of more than two persons or legal entities.

Q: How can I stay notified of any O&G lease terminations?

A: If you would like to stay up-to-date on any O&G Lease terminations, there are two readily available resources:

1. The NMSLO Lease Portal: <https://secure.slo.state.nm.us/Applications/SLOConnect>
 - a. This portal allows lessees to look up information about leases, Units, and Communitization Agreements on State Trust Land. There, lessees can find out the statuses of these instruments among a variety of other information.
2. The NMSLO Oil and Gas Termination Notice Page: <https://www.nmstatelands.org/divisions/oil-gas-and-minerals/oil-and-gas/notices/>

- a. The Oil, Gas, and Minerals Division tries to update this page regularly with termination notices.

The New Mexico State Land Office makes no warranty or representation regarding the accuracy or completeness of any information provided here and reserves the right to supplement notices at any time. The New Mexico State Land Office reserves all its rights with respect to lessees, operators, or any other parties, regardless of whether any particular notice is posted on the website or not.

Further, the Oil, Gas and Minerals Division has a distribution list wherein it disseminates notices and regular Division updates, including pending and final terminations. If you would like to be added to said distribution list, please contact Meghan Bransford at mbransford@nmslo.gov.

Commingling of Production from State Trust Lands

This Section contains information regarding application for approval by the Commissioner of Public Lands for surface or downhole commingling of oil and gas and/or off-lease storage on New Mexico State Trust Lands.

This section includes the following information:

1. State Land Office Rule 19.2.100.53 NMAC
2. Commingling Application and Guidelines Form

Please Note:

The State Land Office accepts the same form and information for applications for commingling approval that is required by the Oil Conservation Division (OCD) of the New Mexico Energy, Minerals and Natural Resources Department.

If you are seeking to work with the Bureau of Land Management (“BLM”) and the SLO on commingling and the BLM requires access to SLO land, please contact Director Allison Marks at amarks@nmslo.gov.

19.2.100.53

19.2.100.53 COMMINGLING AND OFF-LEASE STORAGE OF OIL AND GAS ON STATE TRUST LANDS:

A. Commingling prohibited: Unless approved pursuant to Subsection B of 19.2.100.53 NMAC, the commingling, confusion or the intercommunication of oil or gas production from any state well with any production from any other well, whether state or non-state, by the use of common tankage facilities or central delivery points, is strictly prohibited.

B. Commingling allowed - off-lease storage:

(1) Commingling of oil and gas production, including downhole commingling, if properly metered or allocated and accounted for, may be permitted within the discretion of the commissioner only after the commissioner's receipt of a written application containing the information specified in Subsection C of 19.2.100.53 NMAC and an application fee as set forth in the schedule of fees.

(2) Off-lease storage of production may be permitted if properly metered or allocated and accounted for, within the discretion of the commissioner only after the commissioner's receipt of a written application containing the information specified in Subsection C of 19.2.100.53 NMAC and an application fee as set forth in the schedule of fees.

C. Application for permission to commingle or off-lease store production. Applications for permission to commingle or off-lease store production shall be directed to the commissioner and shall include:

- (1) formal application stating the type of permission desired and the reasons therefor, accompanied by an application fee as set forth in the schedule of fees;
- (2) plat showing the location of leases, wells, flow lines, metering facilities and common tankage. All plats and diagrams should differentiate between surface and underground pipe;
- (3) a list of the involved leases arranged by their state land office lease number, their legal description and including state beneficiaries;
- (4) a designation of the pool from which each well produces;
- (5) an economic analysis of proposed operation showing profit or loss to the state of New Mexico;
- (6) schematic diagram of entire system from production manifold to pipeline connection showing position of all components of flow stream;
- (7) description of the operating sequence explaining the complete operation;
- (8) the applicant's proposal for allocating or metering production so that all production is properly accounted for at the well; and
- (9) any other pertinent data that will assist the commissioner in deciding upon the application.

[19.2.100.53 NMAC - Rp, 19.2.100.53 NMAC, 6/30/2016; A, 6/11/2019]

Commingling Application and Guidelines Form

NEW MEXICO STATE LAND OFFICE
Guidelines for Requesting Commingling Approval

1. A commingling agreement from the New Mexico State Land Office is not required if the commingling operation does not contain New Mexico State Trust acreage.
2. If State Trust acreage will be part of a proposed commingling operation:
 - a. Commingling of production of all wells from the same pool within a single lease or unit area is permitted without additional Land Commissioner approval.
 - b. Surface commingling (including off-lease storage) from more than one pool, and/or from more than one lease, communitized area, unit area, or a combination of leases/communitized areas/unit areas, requires additional Land Commissioner approval.

The attached application form describes the process for submitting a commingling application to the New Mexico State Land Office.

Rev. 2017_10_25



APPLICATION FOR
COMMINGLING AND OFF-LEASE STORAGE
ON STATE TRUST LANDS



This application form is required for all commingling applications requiring approval by the Commissioner of Public Lands.

Applicant: _____ OGRID #: _____
Well Name: _____ API #: _____
Pool: _____

OPERATOR NAME: _____

OPERATOR ADDRESS: _____

APPLICATION REQUIREMENTS – SUBMIT:

- 1. New Mexico Oil Conservation Division (NMOCD) application packet (or equivalent information if no application is required by NMOCD),
2. Commingling application fee of \$150.

CERTIFICATION: To the best of my knowledge,

- All business leases and rights-of-way necessary for conducting the proposed operation on State Trust lands have been applied for or obtained,
The information submitted with this application is accurate and complete, and
No loss will accrue to the state of New Mexico as a result of the proposed operation.

I also understand that no action will be taken on this application until the required information and fee are submitted to the State Land Office.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name _____

Signature _____

Phone Number _____

Date _____

e-mail Address _____

Submit application to:
Commissioner of Public Lands
Attn: Commingling Manager
PO Box 1148
Santa Fe, NM 87504-1148

Questions?
Contact the Commingling Manager:
505.827.6628

Upon approval, the requesting organization will receive an acknowledgment letter from the Commissioner of Public Lands.

Subsurface Agreements

This Section contains information regarding application for approval by the Commissioner of Public Lands for a subsurface agreement on New Mexico State Trust Lands.

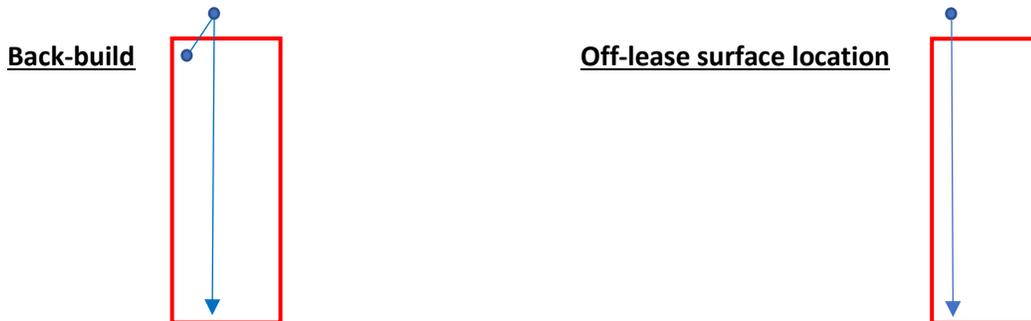
This section includes the following information:

- When is a subsurface agreement required?
- Subsurface Agreement Application and Guidelines Form

For more information regarding a subsurface agreement please contact Joseph Thompson at 505-827-5750 or by email at jthompson@nmslo.gov and/or Allison Marks at amarks@nmslo.gov.

When is a subsurface agreement is required?

A subsurface agreement is required anytime a wellbore crosses outside of the wells dedicated acreage (project area). There are two scenarios when a subsurface agreement is required; back-builds and off-lease surface locations. The intent for both scenarios is to prevent collisions and ensure maximum development of Land Office acreage.



Back-builds

If a well back-builds outside of the dedicated acreage of the com (project area) onto state minerals, an operator is required to obtain a subsurface agreement. The first step in obtaining said instrument is to work with the State Land Office's Oil, Gas and Minerals Division (OGM). OGM will provide initial review and guidance prior to submission of the subsurface agreement. An instrument shall be required for a back-build if the Land Office has *any* interest outside the project area, in the offsetting leases (e.g., mineral or full estate).

Off-lease surface location

If a well proposes to have the surface location outside of the dedicated acreage of the com (project area) onto state minerals, an operator is required to obtain a subsurface agreement. The first step in obtaining said instrument is to work with the State Land Office's Oil, Gas and Minerals Division (OGM). OGM will provide initial review and guidance prior to submission of the subsurface agreement. An instrument will be required if the SLO has *any* interest outside the project area, in the offsetting leases (e.g., mineral or full estate).

Timing

It is essential to allow ample time in your drilling plans if a subsurface agreement is required. An approved subsurface agreement will be required before the final approval of the communitization agreement is granted.

Point of Contact

Within OGM, please work with Joseph Thompson (jthompson@nmslo.gov) and/or Allison Marks (amarks@nmslo.gov) if you require one of these instruments.

Subsurface Agreement Application and Guidelines Form

Subsurface Agreement Guidance – NMSLO

1. Cover letter (attached)
2. Application for Subsurface agreement (must include the language below)
 - a. Subsurface agreement for well bore onto _____ and Oil & Gas lease _____. Ultimately the wells will produce from Lease # _____ as depicted in Exhibit B & C. The well will initiate on Lease _____ as drilled it will enter into the lease _____ @ KOP the well will be turned and back into lease _____.
 - b. Project name: Well name – Subsurface agreement.
 - c. Multiple wells can be applied for with one application. The \$250 application fee is per well and the total number of rods will be added together for each well.
 - d. The KMZ file noted will be of the wellbore unless Full Estate. If Full Estate, KMZ will include well pad, road, and any other surface disturbing activities.
3. Exhibit A – Cultural resource report - Only required for Full Estate applications.
4. Exhibit B – Surface plan. Well site & lease road.
5. Exhibit C – C102, directional plan and plot. (example attached)
6. Exhibit D – Off-Lease well bore length and length on-lease to FTP. This is the TOTAL amount of pipe in the ground off lease, not just what is depicted on an x, y coordinate plane. The acreage needs to be calculated for the subsurface easement of the NM State Lease based on a 100' wide easement (50' on either side of the wellbore). $\text{Off Lease Measured Distance} \times \text{Width of Easement} / 43,560 \text{ sq ft per acre} = \text{acres}$. Aliquot needs to be listed as well.(example attached)
7. Exhibit E – Consent letter (example attached)

***The entire packet is to be emailed to Allison Marks & Joseph Thompson @ NMSLO OGM division to obtain their approval. The emailed response from OGM will be attached to the application when submitting the entire packet with payment to OGM Division.**

*If there are multiple wells in the area where a project is proposes, there is difficulty obtaining consent, the plans look like they may strand acreage or cause difficulty for current or future drilling, it is best to have a quick meeting with OGM first to discuss the proposal.



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

APPLICATION FOR SUBSURFACE AGREEMENT

(Name of Applicant)

(Designated Field Contact Name)

(Street Address, City, State, Zip Code)

(Field Contact Phone Number)

(Contact Name, Phone Number)

(Field Contact Email Address)

Hereby applies for a subsurface agreement for the following lease(s)
(describe project):

Project Name:

(check the following that apply)

- New Mexico State Land Office Full Estate
- New Mexico State Land Office Mineral Only
- Back-build
- Off Project Area
- Potash Area
- Development Area approved. (date)

It is requested that the subsurface agreement be 30' (*must correspond with survey plat*) feet wide as indicated on the attached two copies of survey maps, plats, C102's and directional surveys with the survey centerline shown in red and length of the subsurface agreement measured in rods. The legal description of the proposed surface of the subsurface agreement is described in aliquot 40-acre tracts (qtr. /qtr. breakdown) with a description of rods and acres shown in each aliquot part and a total of rods used subsurface included in the proposed subsurface agreement. Permission to survey is included with this application. The survey was completed within twelve months of this application.

It is requested that the right-of-way be for a term of 30 years or until well(s) are plugged and abandoned.

Registration with NM Secretary of State: Active In Good Standing Business ID#:



- The Applicant is an Oil & Gas lessee with a current mega bond.
- The Applicant is an Oil & Gas lessee without a current mega bond.

Cultural Resource Protection:

Parties are expected to review and abide by the laws and rules related to the protection of cultural properties, including the Cultural Properties Protection Rule (19.2.24 NMAC). Please indicate whether you have signed the enclosed Acknowledgment Form. Yes No

=IF FULL ESTATE, THE FOLLOWING IS REQUIRED:

The NMSLO Cultural Resources Cover Sheet (Exhibit) provided to you by the archaeological consultant is attached to your application and indicates whether:

an ARMS Inspection or an Archaeological Survey has been conducted for this project.

(see 19.2.24.9 & 19.2.24.10 NMAC for exceptions of certain categories of activity that do not require an ARMS inspection or survey).

Does your project involve federal or other state agencies? Yes No

In addition to complying with the requirements of the Cultural Properties Protection Rule, parties also must comply with all other applicable state and federal laws and rules, including laws and rules pertaining to endangered and threatened species and habitat protection.

Digital Files:

Digital information of your project's location is required. Acceptable formats: shapefiles (ESRI shape files preferred) or kml/kmz files. Yes No

****Note that shape files must include the proposed route's centerline, Additional Temporary Workspaces, surface sites, etc. as well as a one-mile buffer layer.**

Digital Files Custodian-Name if other than the applicant:

Email: Phone Number:

Pursuant to New Mexico State Land Office fee schedule, enclosed is a check in the amount of \$ for rods (16.5 feet) at per rod, plus \$250.00 application fee per well.

** When you provide a check as payment, you authorize the State of New Mexico to either use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction.*



Applicant Signature

(Signature of Authorized Agent)

By:
Print Name of Attorney in Fact or Authorized Agent

Title:

Agent Name and address:
(Letter of Authorization attached)

Phone Number:

Email Address:



Complete this portion if applicant name is a corporation or company

ACKNOWLEDGMENT FOR CORPORATIONS

STATE OF [])
) ss.
COUNTY OF [])

The foregoing instrument was acknowledged before me this [] day of
[] 20[], by [] (Name of Officer), [] (Title of Officer)
of [] (Name of Corporation Acknowledging), a [] (State of Incorporation)

corporation, on behalf of said corporation.

My Commission Expires:

____ NOTARY PUBLIC

Complete this portion if applicant name is not a corporation or company

ACKNOWLEDGMENT FOR NATURAL PERSONS

STATE OF [])
) ss.
COUNTY OF [])

The foregoing instrument was acknowledged before me this [] day of
[] 20[], by []

My Commission Expires:

____ NOTARY PUBLIC

NEW MEXICO STATE LAND OFFICE
310 Old Santa Fe Trail
Santa Fe, NM 87501

Re: Subsurface Agreement Application
Section [redacted], T-[redacted]-S, R-[redacted]-E
[redacted] County, NM

Dear New Mexico State Land Office,

The enclosed application from [redacted] (" [redacted]"), as Operator, seeks to obtain a Subsurface Agreement, ("SA"), for the purpose of using the subsurface to drill well laterals across the subsurface of State lease lines. The SA is for the [redacted], drilled in the [redacted] formation (collectively, the "Well"). The Well will be drilled on the [redacted] well pad being located in Section [redacted] T [redacted] S R [redacted] E as shown on Exhibit "B", attached.

The Well will produce solely from State Trust Lands and are covered by State of New Mexico leases [redacted] covering the [redacted]. A detailed layout each wellbore path and well spacing unit can be found on the C102 plats attached as Exhibit "C".

The well bore of the Well will traverse State lease [redacted] being located in Section [redacted] T [redacted] S R [redacted] E. [redacted] is the Lessee of Record of [redacted] and operates [redacted]. The Well will not produce from [redacted]. As noted in the attached Exhibit "E" of this application, [redacted], as Lessee of Record, consents to [redacted], as Operator, obtaining a SA that will traverse [redacted] for the purposes stated in this letter and application. Sufficient in-house wellbore directional data has been accounted for and researched to mitigate the risk of wellbore collision.

Sincerely,



Stephanie Garcia Richard, Commissioner of Public Lands
State of New Mexico

NMSLO Cultural Resources Cover Sheet Exhibit [redacted]

NMCRIS Activity Number: [redacted]
(if applicable)

Exhibit Type (select one)

- ARMS Inspection/Review - Summarize the results (select one):
 - (A) The entire area of potential effect or project area has been previously surveyed to current standards and no cultural properties were found within the survey area.
 - (B) The entire area of potential effect or project area has been previously surveyed to current standards and cultural properties were found within the survey area.
 - (C) The entire area of potential effect or project area has not been previously surveyed or has not been surveyed to current standards. A complete archaeological survey will be conducted and submitted for review.

Archaeological Survey

Findings:

- Negative - No further archaeological review is required.
- Positive - Have avoidance and protection measures been devised? Select one: [dropdown]

Comments: [redacted]

Project Details:

NMSLO Lease Number (if available): [redacted]

Cultural Resources Consultant: [redacted]

Project Proponent (Applicant): [redacted]

Project Title/Description: [redacted]

Project Location:

County(ies): [redacted]

PLSS/Section/Township/Range): [redacted]

For NMSLO Agency Use Only:

NMSLO Lease Number: [redacted] Acknowledgment-Only:

Lease Analyst: [redacted]

Date Exhibit Routed to Cultural Resources Office: [redacted]

No person may alter the wording of the questions or layout of the cover sheet. The completion of this cover sheet by itself does not authorize anyone to engage in new surface disturbing activity before the review and approvals required by the Cultural Properties Protections Rule.

Form Revised 12 22



Stephanie Garcia Richard, Commissioner of Public Lands
State of New Mexico

CULTURAL PROPERTIES PROTECTION ACKNOWLEDGMENT FORM

Exhibit [redacted]

All lessees, operators, grantees, permittees, and/or applicants (collectively, "Parties") requesting any authorization from the Commissioner of Public Lands, or conducting any project or activity on state trust land, are expected to review and abide by all applicable laws and rules related to the protection of cultural properties on state land, including the New Mexico State Land Office's ("NMSLO") Cultural Properties Protection Rule, 19.2.24 NMAC. The Cultural Properties Protection Rule can be viewed at <https://www.nmstatelands.org/culturalproperties/>.

Parties conducting surface-disturbing activity on state trust land must follow the procedures and timelines outlined in 19.2.24.8 NMAC. To minimize processing delays, Parties are strongly encouraged to supply NMSLO with appropriate documentation as early as possible pursuant to 19.2.24.8 (C), (D), (E) & (F) NMAC. Parties are advised to always exercise due caution to ensure that cultural properties on state trust land are not inadvertently excavated, disturbed, dislodged, damaged, destroyed, or removed by any person, pursuant to the Cultural Properties Protection Rule, 19.2.24.8 (A) NMAC and Section 18-6-9 (A) and (B), NMSA 1978.

By signing this acknowledgment form, Parties affirm that they have read this document, including the accompanying Instructions for Compliance, and have reviewed and agree to comply with NMSLO's Cultural Properties Protection Rule. If a Party is other than a natural person, the individual signing below attests that they have the authority to execute this acknowledgment on behalf of and bind that Party.

Type and Number of Instrument (Lease Number): [redacted]

(Required for Oil & Gas Leases-eg. VB06320001; include if available for other leases: Business, Renewables, Minerals, Water Bureau, ROW or Agricultural leases-eg. BL05220001, GR0232, R40893, SW0520, HA0102)

Name of Party (Company Name, if applicable): [redacted]

Name of Signatory (Person Signing): [redacted]

Relationship to Party/Title (position): [redacted]

(eg. lessee, operator, grantee, applicant, self or other)

Phone Number: [redacted] **Email Address:** [redacted]

Signature : [redacted] **Date:** [redacted]

INSTRUCTIONS FOR COMPLIANCE

Cultural Properties Protection Rule (19.2.24 NMAC)

The following instructions apply to all lessees, operators, grantees, permittees, and/or applicants (collectively, “Parties”) that intend to conduct new surface disturbing activities on state trust lands. The instructions provide additional guidance for fulfilling the requirements of the New Mexico State Land Office’s (NMSLO) Cultural Properties Protection Rule. A copy of the Cultural Properties Protection Rule can be found at <https://www.nmstatelands.org/culturalproperties/>.

We thank you in advance for your commitment to protecting New Mexico’s past and living history. The NMSLO encourages all Parties to provide current and accurate documentation as early as possible to minimize processing delays.

Please do not hesitate to reach out to the Cultural Resources Office at croinfo@nmslo.gov if you need additional clarification or guidance.

Part I: Archaeological Records Management Section (ARMS) Inspection

1. The ARMS inspection is a records review and should comply with the pre-field requirements of 4.10.15.9 NMAC. An ARMS inspection must be conducted prior to any new surface-disturbing activities, in compliance with 19.2.24.8 (C) NMAC. The specific timing of when an ARMS inspection is required depends on the category of activity, as described in 19.2.24.8 (E) NMAC. The Cultural Properties Protection Rule provides exceptions for certain categories of activity that do not require an ARMS inspection or survey; see 19.2.24.9 NMAC and 19.2.24.10 NMAC.
2. Parties are expected to engage a permitted archaeological consultant to conduct an ARMS inspection. The list of currently permitted archaeological consultants approved to conduct surveys on state land in New Mexico is available at <http://www.nmhistoricpreservation.org/documents/consultants.html>. Click on the pdf document titled “Cultural Resource Consultants.” The list is updated regularly and arranged by county of location. Because costs vary, the NMSLO encourages Parties to contact more than one archaeological consultant.
3. The archaeological consultant will conduct an ARMS inspection of the entire area of potential effect (APE). Standard APEs have been defined by the NMSLO and shared with cultural resource consultants. APEs should be consulted with the NMSLO for projects that fall outside of these standard APE definitions prior to survey.
 4. If the ARMS inspection indicates that the entire APE has been previously covered by a qualifying survey and no cultural properties were located, NMSLO’s Cultural Resources Office and the relevant leasing division (e.g. Water Bureau, Minerals; Agricultural Leasing; Business Leasing, Renewable Energy, Rights-of-Way, etc.) will complete the process of review and approval. In the case of oil and gas lease projects, once the Cultural Resources Office reviews and approves the ARMS inspection results, no further archaeological review is required and the project may proceed.
5. The archaeological consultant will complete and submit the ARMS Inspection/Desktop Review web form on the Cultural Compliance Web Portal (Web Portal), available at <http://culturalcompliance.nmstatelands.org/>. NMSLO’s Cultural Resources Office will have immediate access to the submitted web form and accompanying documents.
 - (A) After submission of an ARMS Review through the Web Portal, a Cover Sheet will be automatically generated and available for the consultant.
6. If the ARMS inspection result indicates a previous survey showing the presence of cultural properties within the APE, the Party must propose avoidance and protection measures for the project as designed in collaboration with their archaeological consultant.
7. If the ARMS inspection shows that the entire APE has **not** been subject to archaeological survey or to a current standards survey, a complete archaeological survey must be conducted. See continued

instructions below, Part II.

8. Because specific locational information of cultural properties that may be contained in an ARMS inspection or archaeological survey is confidential under New Mexico law (see Cultural Properties Act, Section 18-6-11.1, NMSA 1978, and Section 19-1-2.1, NMSA 1978), Parties should expect to receive a copy only of the Cover Sheet from their archaeological consultant, and should include the Cover Sheet to the appropriate NMLS0 leasing division with their application.
9. Parties conducting project activities on state land under oil and gas leases, like other Parties, will receive a copy of the Cover Sheet from their archaeological consultant. To provide information on their upcoming projects on state land, Parties will then fill in the Oil and Gas Project Description Web Form at <http://culturalcompliance.nmstatelands.org/> and will submit, along with the Cover Sheet, any necessary documentation for cultural compliance review pursuant 19.2.24.8 (E)(3) NMAC. Only on-lease oil and gas projects with activities that are not included in any other lease application at NMSLO (eg. Business or Right of Way) should utilize the Web Portal.

Part II: Archaeological Surveys and Compliance Measures

1. If the ARMS inspection indicates that the entire APE has not been subject to a qualifying archaeological survey (see Part I, Para. 4), a complete archaeological survey must be conducted to current standards in compliance with 4.10.15 NMAC. All previously identified cultural properties within the APE are expected to receive a full site update unless exempted through consultation with the NMSLO.
2. In compliance with 19.2.24.8 (F) NMAC, no less than 15 calendar days prior to any survey activities, the archaeological consultant should fill in and submit a Notification of Intent to Conduct an Archaeological Survey through the Web Portal at <http://culturalcompliance.nmstatelands.org/>.
3. Only archaeological surveys from permitted archaeological consultants will be accepted and must be conducted under current standards in compliance with 4.10.15 NMAC. Information on how to access the list of archaeological consultants is listed in Part I, Para. 2 above. NMSLO encourages Parties to contact more than one archaeological consultant in your location as proximity will be a factor in estimated costs of an archaeological survey.
4. Parties will be expected to design their project to avoid any cultural properties identified within the APE (as recorded on the Cover Sheet in Part I, Para. 4) by the archaeological survey obtained in conjunction with a project or by pre-existing surveys, or provide other mitigation measures in collaboration with their archaeological consultant. Parties are encouraged to provide NMSLO with appropriate current and accurate documentation of the proposed activity as early as possible (preferably at least sixty calendar days prior to any surface disturbing activity) to minimize processing delays and ensure implementation of avoidance and protection measures.
 - a. Pursuant to the Cultural Properties Protection Rule, 19.2.24.12 (A) NMAC, if any Party becomes aware of actual or imminent damage to cultural properties on state trust lands where that Party is conducting activities, that Party shall immediately notify NMSLO via email at croinfo@nmslo.gov and suspend project activities in the immediate area of the damage or the threatened cultural property. Activities shall remain suspended until the NMSLO approve resumption of activities.
 - b. A Party that damages cultural properties on state trust land is responsible for the cost of an archaeological damage assessment, plus the remediation value of the affected cultural property as determined by that damage assessment. In addition, the Commissioner of Public Lands may file an action to recover an amount equal to twice the cost of restoration, stabilization, and interpretation of the damaged cultural property, in accordance with the Cultural Properties Act, Section 18-6-11.2(C), NMSA 1978.
5. The archaeological consultant, upon completion of the survey report, should submit the fillable, completed Cover Sheet to croinfo@nmslo.gov with any relevant questions.

2

Pursuant to the requirements of 4.10.8.18 NMAC, the Cultural Resources Office will review a complete copy of the survey report, its findings and any required compliance (avoidance or mitigation) measures and recommend revisions, if applicable. The Cultural Resources Office will provide further guidance on how archaeological consultants should submit complete survey reports and any required compliance measures for review.

6. The complete results of an archaeological survey are confidential under New Mexico law (see Cultural Properties Act, Section 18-6-11.1, NMSA 1978, and Section 19-1-2.1, NMSA 1978).
 - a. Upon approval of the final archaeological survey report and its findings/recommendations, the archaeological consultant will upload the final archaeological report along with all supporting documentation to the New Mexico Cultural Resources Information System (NMCRIS). Parties should expect to receive a copy of the Cover Sheet from their archaeological consultant, and should forward it to the appropriate leasing division with their application.
 - b. In the case of oil and gas leases only, Parties themselves will upload the Cover Sheet along with their Project Description Web Form documentation submitted via the Web Portal at <http://culturalcompliance.nmstatelands.org/>.

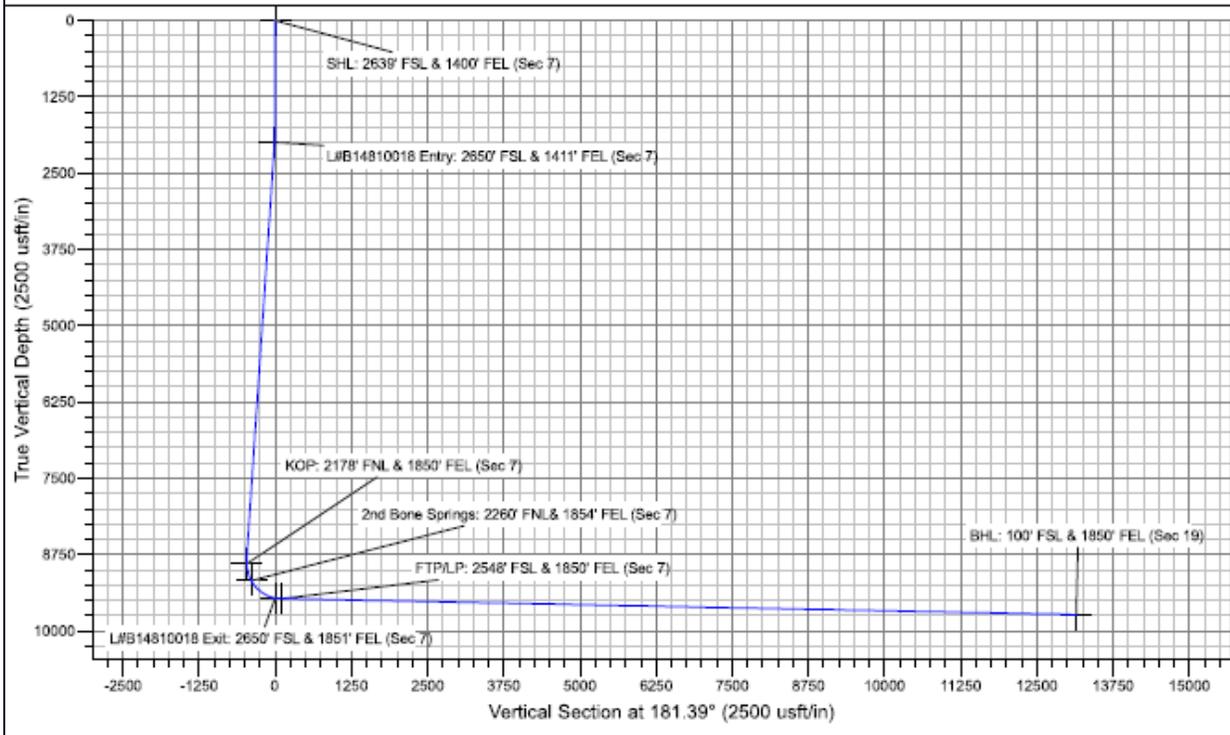
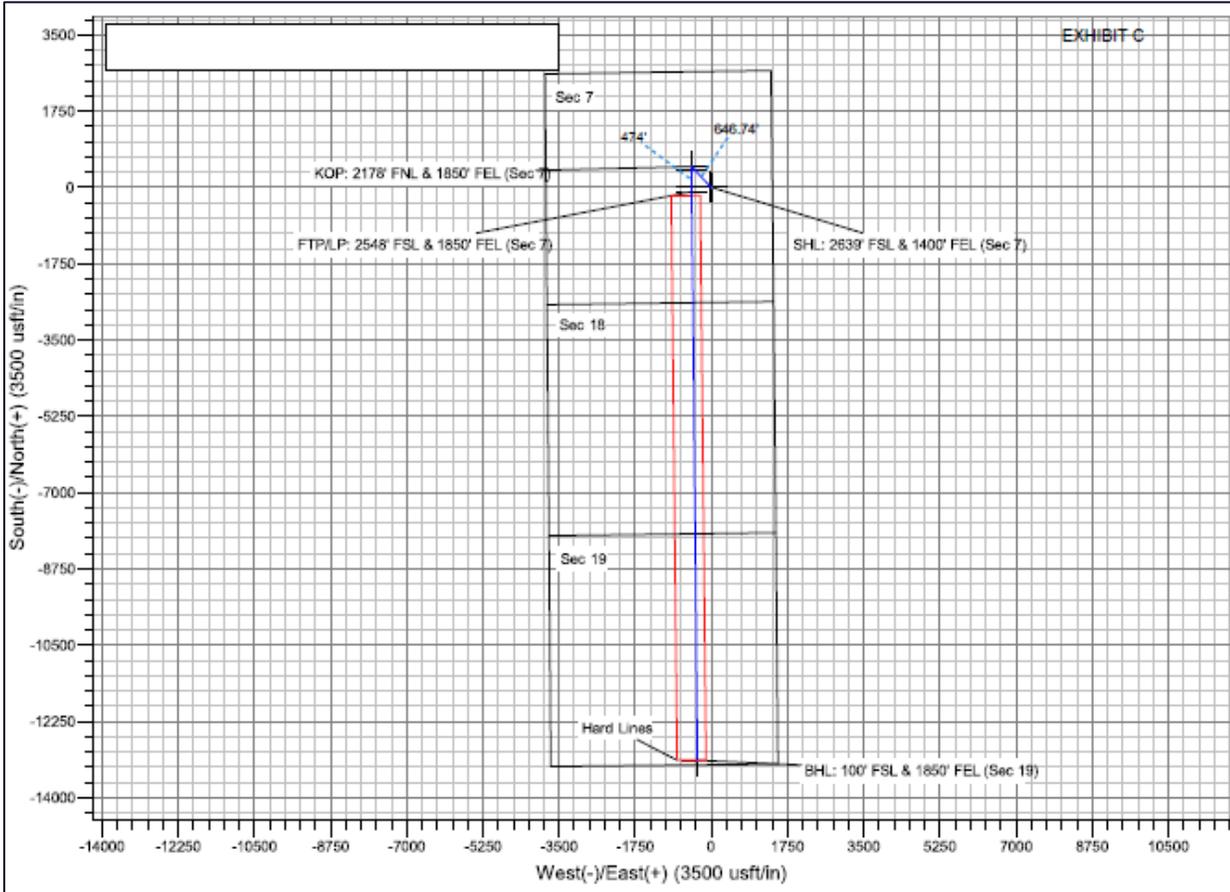


EXHIBIT "D"

SUBSURFACE AGREEMENT LENGTH AND FIRST ON-LEASE TAKE POINT

The table below is the calculated length or the measured distance (MD) of the well bore portion that will reside off lease.

WELL NAME	OFF LEASE MD-FT	OFF LEASE MD-ROD
TOTAL:		

DESCRIPTION OF SUBSURFACE AGREEMENT IN ACREAGE/ALIQUOT PARTS

WELL NAME	OFF LEASE MD-FT	SUBSURFACE AGREEMENT WIDTH-FT	SA SQ-FT	SA ACRES	ALIQUOT	SECTION	TOWNSHIP	RANGE

State of New Mexico
Commissioner of Public Lands
Attn: Allison Marks
310 Old Santa Fe Trail
Santa Fe, NM 87501-1148

Re: Subsurface Agreement Consent - _____
Section _____, T-_____-S, R-_____-E
_____ County, NM

Dear Ms. Marks,

This letter is to advise that _____ (“_____”), as Lessee of Record in State of New Mexico lease _____, waives any objections to and consents to _____ (“_____”), as Operator, drilling their _____ well, (“_____”), located at _____ & _____, Section _____ T _____ S, R _____ E, _____ County, New Mexico, where _____ operates additional State wells. It is further confirmed that only State Trust Land Wells will benefit from drilling the _____. This consent will terminate upon the termination of the associated Subsurface Agreement, which is in effect for 30 years, or when all _____ Wells are plugged and abandoned, whichever occurs earlier.

Sincerely,

Communitization Agreements

If a spacing or proration unit of an oil/gas well, as permitted by the New Mexico Oil Conservation Division (“OCD”), encompasses more than a single lease/type of land, a communitization agreement (“comm”) is required. Comms are for spacing/proration units, and, therefore, the acreage listed in a comm must match the dedicated acreage of the well(s). Comms cannot be bigger than well spacing units as permitted by OCD for the pool the well is to be completed in. However, the SLO may not approve a comm as large as the spacing approved by the OCD. Therefore, obtaining pre-approval of a comm by the SLO is essential.

The Commissioner of Public Lands must approve the comm **before** the well is drilled and crosses lease boundaries; further, from a communitized well, no production may take place without a comm in place. Along with the applicable per section or section part filing fees, two original copies of the agreement must be submitted for approval by the Commissioner. Only signatures of the lessee(s) of record and the operator are required for approval of the agreement by the Commissioner. Working interest owners (“WIO”) may sign an agreement, if they desire or any operator desires to have WIOs sign, but the SLO only recognizes lessees as interest owners and, therefore, the signatures of the lessee(s) suffice for communitization purposes.

This section includes the following information:

Checklist and Important Information Regarding Submitting Communitization Agreements.

Termination of Communitization Agreements.

New Mexico State Land Office’s Naming Requirements for State Comm Wells.

Communitization Forms.

Checklist and Important Information Regarding Submitting Comms

Check List for Comm Agreements

- **Submit CAs for pre-approval (Required)**
- Cover letter with API, well name(s), Contact info/Return address
- 1 Original that the Land Office will keep for record
- Fee: \$100/section (or portion) to be communitized, check made out to "Commissioner of Public Lands" (subject to change per published fee schedule)
- Most recent form, available on-line at: <https://www.nmstatelands.org/divisions/oil-gas-and-minerals/oil-and-gas-forms/>
- OCD forced-pooling order or self-certification form (only applicable to Fed and Private interests)
- All signatures notarized
- All lessees of record signed
- Operator signed
- Working interest owners signed (only for Fed minerals, unless self-certificated)
- Effective date is before first production from the well
- No changes or edits made to the legal language of the form, except for in the exhibits, if needed
- Acreage of comm matches OCD permit for the well spacing
- Recapitulation adds up to 100%
- If enlarged spacing is requested with OCD, modification of the com may be needed. Discuss with SLO prior to submitting a comm. This is case specific; allow extra time.
- An approved subsurface agreement in place (only if applicable)

Call Joseph Thompson at 505-827-5750 with ANY questions!

For the most up to date form/fee please visit: <https://www.nmstatelands.org/divisions/oil-gas-and-minerals/oil-and-gas-forms/>

Important Info for Submitting Comm Agreements to NMSLO

Comm agreements must be approved by the SLO prior to drilling across lease boundaries and producing wells across lease boundaries. Failure to obtain approval will subject an operator to penalty by the SLO, including the lack of approval of the well.

The SLO requires operators to email a copy of the proposed wellbore and spacing to the SLO's Oil and Gas Division's units and comms bureau for pre-authorization prior to seeking final approval of the comm. The bureau will email a pre- authorization approving the well and spacing. If subsequent changes need to be made to the proposed well, an updated pre-authorization may be received. By following this practice, the SLO ensures its acreage is fully developed, and operators can be confident that, when the final comm is submitted, the comm will be quickly processed, as only signatures need to be reviewed. Failure to follow this best practice may lead to delays in processing times of comms.

The forms are available on our website at:

<https://www.nmstatelands.org/divisions/oil-gas-and-minerals/oil-and-gas-forms/>

- Use the State/State or State/Fee form if all leases are State leases, or a combination of State and fee leases, and are in their primary term or held by production, or production will be established BEFORE the expiration date of the soonest-expiring lease
- Use the State/Fed or State/Fed/Fee form if there are both State and Federal minerals to be developed by a well. The BLM has a separate form that must be submitted to them, independently, but concurrently. Note: working interest owners must sign state/Fed agreements unless a self-certification form is provided
- Use the CO2 form if the well develops only carbon dioxide gas.

Submit the applicable fee, as set forth in the SLO fee schedule (currently, \$100/section or part thereof). If you have a 1-mile lateral well drilled in 1 section, the fee is \$100. If you have a 2- mile lateral well drilled in 2 sections, the fee is \$200 and so on. If the fee is missing, your agreement cannot be processed.

ALL lessees of record (record title holders) MUST sign the agreement. The only exception will be if you have a forced-pooling order from the OCD and an exhibit listing the interest to be pooled showing the non-committed leases; this applies, however, only to private and Federal lessees. The order should be submitted with the comm agreement. Even if you own all the working interest in a zone, and the lessee of record conveyed that interest via miscellaneous instrument, the Commissioner of Public Lands still recognizes the lessee of record as the responsible party, as that is the entity that will be held responsible for the lease and anything that happens on it; the lessee of record is the entity with whom the Commissioner has a contract. Working interest owners may also sign if they (or you) wish.

Use only the most recent versions of the comm forms, available on our website. DO NOT change the language of the agreement, change the font size or style, or add or subtract anything from the body of the agreement. Doing so will invalidate the agreement and/or make it much more difficult to process if the agreement appears different from the standard form

on the website, and will result in a delay of approval. If special language must be added, that can be included in the exhibits attached to the agreement.

All signatures must be notarized.

Fee lessees must also sign agreements or be subject to a forced-pooling order. Fee leases should be listed and ownership properly reported for each fee tract included in a comm agreement.

Please contact the Land Office if there is doubt about who is the lessee of record for a given SLO tract. We can look that up in our database if you are having trouble establishing ownership. If there is a break in the chain of title, we may be able to help assist in guiding you on what would legally be required to re-establish proper ownership.

If company X is listed as record title holder, then an agent from company X MUST sign the agreement. If a lease is in the name of company X and an agent from company Y, a subsidiary of company X signs the agreement in their stead, this will not be permitted and the comm will be rejected by SLO.

All parts of the agreement must be filled out correctly. The effective date of the comm should be sometime between APD effective date and first production from the well.

State/State comms are valid for 1 year, and as long thereafter as production in paying quantities is continued. State/Fed comms are also valid for 1 year, and as long thereafter as production is continued.

The recapitulation needs to show all the leases and their tract percentages, not only the state leases. Only the portions of a lease that are being developed by the particular well are included here. Percentages should equal 100%.

Comms are created for spacing units/proration units, so the number of acres to be communitized must coincide with the dedicated acreage of the well per the OCD permit. For example, if the pool to be produced by the well is on statewide oil rules and will be drilled one mile, in the W2W2 of a section, it will produce from a 160-acre proration unit. So, the comm must cover the same 160 acres in the formation/pool, and the comm cannot be enlarged to cover, for example, the entire W2 of the section. If a comm is desired that would be larger than the standard proration unit for the pool, an OCD hearing and order for a non-standard proration unit or spacing will be required; **additional language may need to be added to the comm for an enlarged comm spacing and must be discussed with the SLO prior to submission of the comm** (note, enlarged comms are not automatically granted and careful consideration should be made before submitting such spacing to the OCD, especially if no discussion with the SLO has taken place).

Only one original copy that can be kept by the Land Office is required for submission. If a second copy is submitted too, then it will be returned along with the approvals showing a timestamp of when it was received at the Land Office. Send a cover letter that states the

name of the well, API number and contact info/return address with the agreements.

The SLO requires operators to email a copy of the proposed wellbore and spacing to the SLO's Oil and Gas Division's units and comms bureau for pre-authorization prior to seeking final approval of the comm. The bureau will email a pre- authorization approving the well and spacing. If subsequent changes need to be made to the proposed well, an updated pre-authorization may be received. By following this practice, the SLO ensures its acreage is fully developed, and operators can be confident that, when the final comm is submitted, the comm will be quickly processed, as only signatures need to be reviewed. Failure to follow this best practice may lead to delays in processing times of comms.

Contact Joseph Thompson, at jthompson@nmslo.gov or 505-827-5750 if you have any questions or doubts about correctly filling out and submitting a comm agreement to SLO.

Self-Certification Form

Self-certification of non-State interests for Communitization Agreements

In an effort to simplify and streamline the process of communitization, the SLO legal division has approved the use of a self-certification form that operators can use in lieu of consenting lessees of record signatures or other consenting interest owner signatures for Federal, Fee or Tribal lands within a communitized area that includes State Trust Lands. The operator should execute the self-certification and attach it to the original signed/notarized Federal/State or State/Fee communitization agreement, verifying that they have the right to operate the Federal/Fee or Tribal lands encompassed by the comm agreement. Signatures of the Federal/Fee or Tribal consenting interests must be provided to SLO upon request.

All lessees of record for State lands that are in the communitized area must execute the agreement as normal.

It is hoped that with this self-certification process, SLO operators will be able to execute and submit required communitization agreements to SLO in a timely manner.

Please contact Joseph Thompson at 505-827-5750 for any questions.

NMSLO Communitization Agreement Self-Certification for Federal, Fee or Tribal

Interests

Approval of this Communitization Agreement does not constitute an adjudication of any federal, Tribal or private interests, and neither the Commissioner of Public Lands nor the State Land Office warrant or certify that the information supplied by the party submitting this agreement is accurate with regard to all private, Tribal or federal interests. The responsibility of the Commissioner and State Land Office is to protect and adjudicate only the State Land Office interests during the processing of Communitization Agreements. The State Land Office will only verify the accuracy of state leases in the proposed Communitization Agreement. All nonstate interests must be certified by the Operator.

As Operator of [Communitization Agreement Well Name/API], [Individual Name and Title] on behalf of [Operator Name] hereby certifies that all lessees and/or working interest owners that are parties to this Communitization Agreement, as shown on Exhibit A, have the legal rights and interests they claim to the private or federal or Tribal leases subject to this Communitization Agreement and [Operator Name] has obtained written consent and authority to enter into this Agreement on their behalf. Written consent/signatures of lessees and/or other interest owners will be made available to the State Land Office immediately upon request. Any misrepresentation or material omission by the Operator in this respect will be grounds to void the Communitization Agreement.

OPERATOR: _____

BY: _____ (Name and Title of Authorized Agent)

(Signature of Authorized Agent)

Termination of Communitization Agreements

A communitization agreement will automatically terminate one year from its effective date, if there is no production from the well after one year. Shut-in royalty payments for gas wells are considered to be production for qualifying wells, once it is established that the well is capable of producing gas in paying quantities. Please see the leasing section of this manual for information on how to shut-in a gas well and notice to ogmdcoms@nmslo.gov.

Under the terms of the agreement, a communitization will terminate if 1) a well ceases production for more than 60 days and reworking or drilling operations have not commenced or are not conducted with due diligence; 2) shut-in royalty is not timely paid; 3) the Commissioner of Public Lands was not notified of the intent to rework the well within 30 days from the cessation of production from the well; or 4) the Commissioner has not granted a special extension. An operator must notify the SLO, in writing, when a well will cease production, even if such cessation is to comply with other state rules. Further, the SLO may grant a special exception to allow an extension to the production requirement. All such requests must be submitted prior to the default, accompanied by the administrative processing fee.

A comm agreement will terminate if there is a change in the size of the proration unit. If, for example, a 320-acre communitization is formed for a gas well, but the gas well eventually depletes and is reclassified as an oil well, then the 320-acre communitization terminates, and the oil pool proration unit becomes effective. If it is an 80-acre oil proration unit, then another comm agreement will have to be approved if two separate tracts are involved. Further, if the spacing submitted to OCD does not match the spacing submitted to SLO, the comm will not be approved; similarly, if the spacing with OCD changes, after SLO approval, the comm will terminate.

If a comm agreement is terminated, the terms of the original lease contracts are used for determining if the lease will expire. Usually, if a lease has gone beyond its numerical term and there is no other production on the lease, or it is not part of another comm or unit, it will expire under its own terms. Leases in a communitized area are not segregated; i.e. production from any portion of the lease will hold the entire lease.

Note, comms terminate on their own and SLO is not required to send any notice to an operator regarding comm termination. Please contact SLO's Oil, Gas & Minerals Division at 505-827-5750 for questions regarding comms.

NMSLO Naming Requirements for State Comm Wells

1. The well must have the word “Com” in the name
2. The well must have the word “State” in the name if the spacing unit is comprised of State or State/Fee lands
3. The wells must have the word “Fed” or “Federal” in the name if there is Federal land in the spacing unit, in which case do not use “State” in the name
4. **All wells to be covered by a single agreement must have the same name/property ID.** It causes issues for SLO’s royalty division if there are different names for each well in the spacing unit. If there are 4 wells to be drilled in the W2W2 of a section all in the Wolfcamp formation, regardless of target WCA, WCB etc., then all wells need the exact same name. Well numbers can be assigned as desired.
5. **Example of wells with the same name in the same spacing unit:**

Green Grass 25 State Com #701, in the E2 section 25, Wolfcamp Formation
Green Grass 25 State Com #805, in the E2 section 25, Wolfcamp Formation
Green Grass 25 State Com #910, in the E2 of section 25, Wolfcamp Formation
6. **Example of wells without the same name but in the same spacing unit:**

Green Grass 25 WCA-PA #1H, in the E2 section 25, Wolfcamp Formation
Green Grass 25 WCB-BO #1H in the E2 section 25, Wolfcamp Formation
Green Grass 25 WCX-AO #1H in the E2 section 25, Wolfcamp Formation
7. In order for all your wells in a single comm or unit PA to pay on the same basis/Production Unit Number (PUN) these conventions should be adhered to. Naming infill wells differently from the initial well defeats the purpose of communitization, the point of which is to have all production from the spacing unit allocated the same way.
8. If your wells aren’t currently following these rules, please submit sundry notices to the NMOCD and have them changed accordingly.

Communitization Compliance

- It is the responsibility of the CA operator to ensure the spacing, pool, formation, and acreage are accurate with the NMOCD.
- Production for CA wells needs to be filed according to 19.15.17.24 NMAC (e.g. within 46 days of the month in which the production occurred)
- The New Mexico Commissioner of Public Lands does not allow multiple operators to operate wells covered by a single CA.
- Written authorization needs to be obtained from the Commissioner, not just proof of notice, when an operator transfers less than all of the wells covered under a CA.
 - Once the Commissioner provides approval, a new CA will still need to be filed by the new operator for the acquired well(s)
 - Note, if selling a well that is part of a CA and not selling all wells in the CA, the sold well will require a new, separate CA. The old CA will need to be amended to omit the sold well.

Communitization Agreements

The Land Office uses forms for the following:

- State/State or State/Fee Communitization Form
- State/Federal or State/Federal/Fee Communitization Form
- Carbon Dioxide
- **Please visit our website for the latest version of these forms:**
<https://www.nmstatelands.org/divisions/oil-gas-and-minerals/oil-and-gas-forms/>

State/State or State/Fee Communitization Form

**New Mexico State Land Office
Oil, Gas, & Minerals Division**

**STATE/STATE OR
STATE/FEE**
Revised August 2024

COMMUNITIZATION AGREEMENT

ONLINE Version

API #: 30-0_____ - _____

THIS COMMUNITIZATION AGREEMENT (“Agreement”) [which is NOT to be used for carbon dioxide or helium] is entered into and made effective this ____ [day] of _____ [month], 20__, by and between the parties signing below (“Parties”):

WHEREAS, the Commissioner of Public Lands of the State of New Mexico (“Commissioner”) is authorized by the Legislature, as set forth in Section 19-10-53, NMSA 1978, in the interest of development of oil and gas and the prevention of waste to consent to and approve the development or operation of State Trust Lands under agreements made by lessees of oil and gas leases thereon, jointly or severally with other oil & gas lessees of State Trust Lands, or oil and gas lessees or mineral owners of privately owned or fee lands, for the purpose of pooling or communitizing such lands to form a proration unit or portion thereof, or well-spacing unit, pursuant to any order, rule or regulation of the New Mexico Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department (“OCD”) where such agreement provides for the allocation of the production of oil or gas from such pools or communitized areas on an acreage or other basis found by the Commissioner to be fair and equitable.

WHEREAS, the Parties own working, royalty, or other leasehold or other interests or operating rights under the oil and gas leases and lands subject to this Agreement, and all such State leases are required to remain in good standing and compliant with State laws, rules and regulations, which leases, along with the well(s) on each lease to be encompassed by this Agreement, are more particularly described in the schedule attached hereto, marked Exhibit “A” and made a part hereof, for all purposes; and

WHEREAS, said leases, insofar as they cover the _____ formation or pool as defined by the NMOCD, as further described on Exhibit “A” (hereinafter referred to as “said formation”) in and under the land hereinafter described cannot be independently developed and operated in conformity with the well-spacing program established for such formation in and under said lands; and

WHEREAS, the Parties hereto desire to communitize and pool their respective interests in said leases subject to this Agreement for the purpose of developing, operating and producing hydrocarbons in the said formation in and under the land hereinafter described subject to the terms hereof.

ONLINE
version

State/State

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NOW THEREFORE, in consideration of the premises and the mutual advantages to the Parties, it is mutually covenanted and agreed by and between the undersigned as follows:

1. The lands described in Exhibit A (or B) covered by this Agreement (hereinafter referred to as the "communitized area") are described as follows:

Subdivisions: _____

Of Sect(s): _____ Twp: ___ Rng: ___ NMPM _____ County, NM

Containing _____ acres, more or less. It is the judgment of the Parties that the communitization, pooling and consolidation of the aforesaid land into a single unit for the development and production of hydrocarbons from the said formation in and under said land is necessary and advisable in order to properly develop and produce the hydrocarbons in the said formation beneath the said land in accordance with the well spacing rules of the OCD, and in order to promote the conservation of the hydrocarbons in and that may be produced from said formation in and under said lands, and would be in the public interest;

AND, for the purposes aforesaid, the Parties do hereby communitize for proration or spacing purposes only the leases and depths described in Exhibit "A" hereto insofar as they cover hydrocarbons within and that may be produced from the said formation (hereinafter referred to as "communitized substances") beneath the above-described land, into a single communitization, for the development, production, operation and conservation of the hydrocarbons in said formation beneath said lands.

Attached hereto and made a part of this Agreement for all purposes, is Exhibit A showing the acreage, depths communitized, and ownership (lessees of record) of all leases within the communitized area.

2. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the Parties that all communitized substances produced therefrom shall be allocated among the leases described in Exhibit "A" hereto in the proportion that the number of surface acres covered by each of such leases and included within the communitized area bears to the total number of acres contained in the communitized area.

3. Subject to Paragraph 5, the royalties payable on communitized substances allocated to the individual leases and the rentals provided for in said leases shall be determined and paid in the manner and on the basis prescribed in each of said leases. Except as provided for under the terms and provisions of the leases described in Exhibit "A" hereto or as herein provided to the contrary, the payment of rentals or performance of other lease obligations under the terms of said leases shall not be affected by this Agreement; and except as herein modified and changed or heretofore amended, the oil and gas leases subject to this Agreement shall remain in full force and effect as originally issued and amended.

4. _____ shall be the operator of the said communitized area (“Operator”) and all matters of operation shall be determined and performed by _____. If more than one Operator operates wells subject to this Agreement, the Commissioner reserves the right to require one or more or all operators who added infill wells to this Agreement to obtain a new agreement.

5. The Commissioner hereafter is entitled to the right to take in kind the Commissioner’s share for the communitized substances allocated to such tract, and the Operator shall make deliveries of such royaltyshare taken in kind in conformity with applicable contracts, laws, and regulations.

6. There shall be no obligation upon the Parties to offset any well or wells situated on the tracts of land comprising the communitized area, nor shall the Operator be required to measure separately the communitized substances by reason of the diverse ownership of the separate tracts of land comprising the said communitized area; provided, however, that the Parties shall not be released from their obligation to protect the communitized area from drainage of communitized substances by wells which may be drilled within offset distance (as that term is defined) of the communitized area.

7. The commencement, completion, and continued operation or production of a well or wells of communitized substances on the communitized area shall be considered as the commencement, completion, continued operation or production as to each of the leases described in Exhibit “A” hereto.

8. The production of communitized substances and disposal thereof shall be in conformity with the allocations, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State laws.

9. This Agreement shall be effective as of the date hereinabove written upon execution by the Parties, notwithstanding the date of execution, and upon approval by the Commissioner, shall remain in full force and effect for a period of one year from the date hereof and as long thereafter as communitized substances are produced from the communitized area in paying quantities, and so long as all State leases remain in good standing with all applicable State laws, rules, and regulations; provided, that this Agreement shall not expire if there is a well producing gas in paying quantities located upon some part of the communitized area, if such a well is shut-in due to the inability of the Operator to obtain a pipeline connection or to market the gas therefrom, and if either: **(a)** a shut-in royalty has been timely and properly paid pursuant to the provisions of one of the State of New Mexico oil and gas leases covering lands subject to this Agreement so as to prevent the expiration of such lease; or **(b)** each of the State of New Mexico oil and gas leases covering lands subject to this Agreement is in its primary term (if a five-year lease), or in its primary or secondary term (if a ten-year lease), or is held by production from another well located within the physical boundaries of that specific lease assignment. Provided further, however, that prior to production in paying quantities from the communitized area, and upon fulfillment of all requirements of the Commissioner with respect to any dry hole or abandoned well drilled upon the communitized area, this Agreement may be terminated at any time by mutual agreement of the Parties.

10. Notwithstanding any other provision herein, if there is a cessation of production of communitized substances for more than sixty (60) days beginning one year after the date of execution, this Agreement shall automatically terminate, along with the ability to produce communitized substances, unless notice of reworking or drilling operations on the communitized area is made within 60 days of cessation of production of communitized substances and are thereafter conducted with reasonable diligence or the Commissioner of Public Lands otherwise grants an exception to continued drilling operations, including for the compliance of other state rules, laws, or policies. All such notices provided pursuant to this Paragraph shall be in writing and must be approved by the Commissioner. As to State Trust Lands, written notice of intention to commence any operations hereunder shall be filed with the Commissioner within thirty(30) days after the cessation of such production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this Agreement. All requests to the Commissioner to grant an exception or exceptions for the compliance of other state rules, laws, or policies must be made in writing within thirty (30) days after the cessation of such production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to this Agreement or any lease from the State of New Mexico included in this Agreement

11. Operator shall furnish the Commissioner and the OCD, with any and all reports, statements, notices and well logs and records which may be required under the laws and regulations of the State of New Mexico.

12. It is agreed between the Parties that the Commissioner, or the Commissioner's duly authorized representatives, shall have the right of supervision over all operations under the communitized area to the same extent and degree as provided in the oil and gas leases described in Exhibit "A" hereto and in the applicable oil and gas regulations of the State Land Office and the OCD.

13. If any order of the OCD upon which this Agreement is predicated or based is in anyway changed or modified, then in such event said Agreement is likewise modified to conform thereto.

14. This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all Parties, or may be ratified or consented to by separate instruments, in writing, specifically referring hereto, and shall be binding upon all Parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

15. This Agreement shall be binding upon the Parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

16. In the event that Operator is aggrieved by a decision of the Commissioner with respect to any action by the Commissioner arising under this Agreement, Operator may within thirty (30) days after the date of such action file an administrative contest pursuant to 19-7-64 NMSA (1978) and 19.2.15 NMAC. Operator shall initiate no court action against the Commissioner or New Mexico State Land Office regarding this Agreement except to appeal a final decision of the Commissioner rendered pursuant to such a contest proceeding, and as provided by 19-7-64 NMSA (1978). **The Parties agree that any venue for any appeal or other action shall be in Santa Fe, New Mexico.**

17. Operator shall notify the Commissioner in writing within ten (10) days of (i) Operator's receipt of any compliance order, enforcement order, notice of violation, warning letter, or other written notice of final or contemplated enforcement action taken by any federal, state, or local governmental entity arising out of or concerning any of Operator's operations on New Mexico state trust land; (ii) Operator's receipt of any order, judgment, or decree (on consent or otherwise) entered by any federal or state court against Operator arising out of or concerning any of Operator's operations on New Mexico state trust land; or (iii) Operator's receipt of any written notice of claim, written pre-suit notice, or lawsuit arising out of or concerning any of Operator's operations on New Mexico state trust land. Upon the Commissioner's request, Operator shall promptly provide the Commissioner with a copy of any such order, judgment, decree, notice, letter, or lawsuit.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the day and year first above written.

Operator _____ Lessees of Record _____

By _____
Print name of person

Type of authority

Signature

Attach additional page(s) if needed.

State/Federal or State/Federal/Fee Communitization Form

NM State Land Office
Oil, Gas, & Minerals Division

STATE/FEDERAL OR
STATE/FEDERAL/FEE
Revised August, 2024

ONLINE Version
COMMUNITIZATION AGREEMENT

API Initial Well: 30-0 _____ - _____

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

WITNESSETH:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a federal oil and gas lease, or any portions thereof, with other lands, whether or not owned by the United States, when separate tracts under such federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area, and such communitization or pooling is determined to be in the public interest; and,

WHEREAS, the Commissioner of Public Lands of the State of New Mexico, herein called "the Commissioner", is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well-spacing and gas proration rules and regulations established for the field or area and such pooling is determined to be in the public interest; and,

WHEREAS, the parties hereto own working, royalty, or other leasehold interests, or operating rights under the oil and gas leases and land subject to this agreement, and all such State leases are required to remain in good standing and compliant with State laws, rules & regulations, which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and,

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of the agreement;

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Subdivisions _____,

Sect(s) _____, T _____, R _____, NMPM _____ County, NM

containing _____ acres, more or less, and this agreement shall include only the

_____ Formation

or pool, underlying said lands and the _____

(hereinafter referred to as "communitized substances") producible from such formation.

ONLINE
version
August 2024

State/Fed/Fee

1

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "B" designating the operator of the communitized area and showing the acreage, percentage, and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.
3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and three (3) executed copies of a designation of successor operator shall be filed with the Authorized Officer and three (3) additional executed copies thereof shall be filed with the Commissioner.
4. Operator shall furnish the Secretary of the Interior, or his authorized representative, and the Commissioner, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties, and such other reports as are deemed necessary to compute monthly the royalty due the United States and the State of New Mexico, as specified in the applicable oil and gas operating regulations.
5. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of leasehold bears to the entire acreage interest committed to this agreement.
6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any federal lease bearing a sliding-or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.
7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.
9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules, and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or is such failure results from, compliance with any such laws, orders, rules or regulations.
10. The date of this agreement is _____Month_____Day,_____Year, and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution of the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of Interior, or his/her duly authorized representative, and by the Commissioner or his/her duly authorized representative, and shall remain in force and effect for a period of one (1) year and so long thereafter as communitized substances are produced from the communitized area in paying quantities, and so long as all State leases remain in good standing with all State laws, rules & regulations; provided, that the one-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period; provided further that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of Interior, or his duly authorized representative, and all requirements of the Commissioner, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto.
11. Notwithstanding any other provision herein, if there is a cessation of production of communitized substances for more than sixty (60) days beginning one year after the date of execution, this Agreement shall automatically terminate, along with the ability to produce communitized substances, unless notice of reworking or drilling operations on the communitized area is made within 60 days of cessation of production of communitized substances and are thereafter conducted with reasonable diligence or the Commissioner of Public Lands otherwise grants an exception to continued drilling operations, including for the compliance of other state rules, laws, or policies. All such notices provided pursuant to this Paragraph shall be in writing and must be approved by the Commissioner. As to State Trust Lands, written notice of intention to commence any operations hereunder shall be filed with the Commissioner within thirty(30) days after the cessation of such production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this Agreement. All requests to the Commissioner to grant an exception or exceptions for the compliance of other state rules, laws, or policies must

be made in writing within thirty (30) days after the cessation of such production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to this Agreement or any lease from the State of New Mexico included in this Agreement.

12. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal lands shall be subject to approval by the Secretary of the Interior, and as to State of New Mexico lands shall be subject to approval by the Commissioner.
13. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
14. The agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
15. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.
16. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F. R. 12319), as amended which are hereby incorporated by reference in this agreement.
17. In the event that Operator is aggrieved by a decision of the Commissioner with respect to any action by the Commissioner arising under this Agreement, Operator may within thirty (30) days after the date of such action file an administrative contest pursuant to 19-7-64 NMSA (1978) and 19.2.15 NMAC. Operator shall initiate no court action against the Commissioner or New Mexico State Land Office regarding this Agreement except to appeal a final decision of the Commissioner rendered pursuant to such a contest proceeding, and as provided by 19-7-64 NMSA (1978). The Parties agree that any venue for any appeal or other action shall be in Santa Fe, New Mexico.

18. Operator shall notify the Commissioner in writing within ten (10) days of (i) Operator's receipt of any compliance order, enforcement order, notice of violation, warning letter, or other written notice of final or contemplated enforcement action taken by any federal, state, or local governmental entity arising out of or concerning any of Operator's operations on New Mexico state trust land; (ii) Operator's receipt of any order, judgment, or decree (on consent or otherwise) entered by any federal or state court against Operator arising out of or concerning any of Operator's operations on New Mexico state trust land; or (iii) Operator's receipt of any written notice of claim, written pre-suit notice, or lawsuit arising out of or concerning any of Operator's operations on New Mexico state trust land. Upon the Commissioner's request, Operator shall promptly provide the Commissioner with a copy of any such order, judgment, decree, notice, letter, or lawsuit.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

Operator _____ Lessees of Record _____
 By _____
Print name of person

Type of authority

 Signature

Attach additional page(s) if needed.

[Acknowledgments are on following page.]

Acknowledgment in an Individual Capacity

State of _____)

County of _____)^{SS}

This instrument was acknowledged before me on _____
DATE

By _____
Name(s) of Person(s)

(Seal)

Signature of Notarial Officer

My commission expires: _____

Acknowledgment in a Representative Capacity

State of _____)

County of _____)^{SS}

This instrument was acknowledged before me on _____
DATE

By _____
Name(s) of Person(s)

as _____ of _____

Type of authority, e.g., officer, trustee, etc Name of party on behalf of whom instrument was executed

(Seal)

Signature of Notarial Officer

My commission expires: _____

Communitization Agreement Form OG-CO2

Please see forms page: <https://www.nmstatelands.org/divisions/oil-gas-and-minerals/oil-and-gas-forms/>

Seeking Extension of Communitization Agreement

SLO Communitization Agreements provide that the agreement may terminate if there has been a cessation of communitized substances for more than 60 days. Therefore, in addition to seeking an extension of your state lease, operators must also seek an extension of a communitization agreement. The SLO has discretion to grant an extension of the terms of a communitization agreement if the requirements in the agreement have been followed. Refer to Paragraph 11 to the most current version of the SLO Communitization Agreement (CA) for the terms which have been abbreviated below. However, operators should read the CA that applies to its communitized acreage as well.

When is it required?

- Last well producing on the communitized area (If other wells producing that will hold comm, then not necessary) goes down for 20 days or longer

What is required to apply?

- Request for extension MUST be sent within 30 days of shut-in to invoke the rework provision in the CA. It is best practice to send the request as soon as it becomes evident that a well will be down for more than 20 days. Do NOT wait until the 30th day.
- Pay \$500 administrative fee (or latest applicable fee per the fee schedule)
- In the request: (templates attached)
 - List the name of the Well/API No. holding the CA
 - List the CA No.
 - State the reason for extension (well down, midstream shutdown, rework etc)
 - Request a period of time
 - Include a check for admin fee
- Contact the SLO to ensure the submittal is correct and to answer any questions.

CA Suspension Template

Company Logo

Requestor Name
Title
Address
City, State, Zip
O: XXX XXX-XXXX
Requestor Email Address

Date

Via Email & Fedex Overnight

Ms. Stephanie Garcia Richard
Commissioner of Public Lands
New Mexico State Land Office
P.O. Box 1148
Santa Fe, New Mexico 87504

Attn: Allison Marks, Director of Oil, Gas and Minerals Leasing (amarks@nmslo.gov)
Denise Gallegos, Oil and Gas Lease Manager (dagallegos@nmslo.gov)
Joseph Thompson, Petroleum Specialist (jthompson@nmslo.gov)
OGMDCOMS@nmslo.gov

RE: *Suspension of Production Request PERTAINING TO COMMUNITIZATION AGREEMENT to Protect Air Quality*; NAME OF COMM AGREEMENT AND PUN

Dear Commissioner Garcia Richard:

On _____, 202X, [*Name of Operator*], (“NOO”), operator of the [*Well Name*] (*API 30-xxx-xxxxx*), (“Well”), owner of working interest in the New Mexico State Communitization Agreement (“CAs”) [*Name of Comm Agreement*] – PUN XXXXXXXX dated effective _____, XXXX and producing from New Mexico State Land Office Oil and Gas Leases *XX-XXXX-XXXX* (“Lease”) shut-in the Well which is holding the CA, Well, CA and Lease are listed on Exhibit “A” attached hereto, due to [*insert brief reason why the well is shut-in such as line rupture, force majeure, etc.*]. The Well must continue to be shut in while the [*insert operations to be performed to return to production*] to return the Well to production. {*if other wells are producing from the Lease, include “Other wells are actively producing from XX-XXXX-XXXX Lease.” If the down well is last on Lease, you will need to use the template that includes CA and Lease.*}. Please find attached as Exhibit B notice from [*insert name of offtake/midstream provider*] notifying us of the event.

The Commissioner of Public Lands has the discretion to grant a suspension of production under the terms of the lease or agreement if compliance with the terms of the lease or agreement will result in waste or harm to the environment unless the leases or agreements are temporarily suspended. The Commissioner, in her discretion may grant such period of time which is sufficient to permit the suspension of the leases or agreements based on the particular circumstances of the leases or agreements. In this case, [*Operator*] must keep the well shut-in [*insert operations to be performed*] and not degrade air quality on State Trust Lands caused by flared gas or other emissions and continued compliance with New Mexico’s “No Flare” Rule (19.15.27 NMAC) and

Commissioner of Public Lands
Name of Well, CA, Lease
Date

therefore, the protection of air quality justifies the Commissioner granting this request under her discretionary authority.

Therefore, as a result of the Well being shut-in, [Operator] respectfully requests the Commissioner grant an extension of the CA since the cessation of production is expected to exceed 60 days as provided under the terms of the CA. [Operator] requests a 120-day extension to ensure that The Well is protected adequately during this repair.

A check in the amount of \$500.00, which reflects the administrative fee for the extension of the CA is included with this request. [Operator] is available to discuss this matter further in person or otherwise. Please do not hesitate to reach out with any questions.

Very truly,

Name of Requestor
Title

Encls. Exhibit "A" List of Well, CA and Lease
Exhibit "B" Notice [Email or letter] from [midstream operator]
1 x \$500 Administrative Fee

xc: [Name of Lessee if not the Operator] – Lessee of Record – XX-XXXX-XXXX

Commissioner of Public Lands
 Name of Well, CA, Lease
 Date

Exhibit "A"
Well, CA, Lease

WELL NAME	API	PRODUCING FROM OGL(s)	SHUT-IN DATE

COMMUNITIZATION AGREEMENT NAME	PUN; EFFECTIVE DATE	NMSLO OGL(s) IN CA	LEGAL DESCRIPTION
			(Use the same description as listed on the NMSLO Portal)

NMSLO OGL NUMBER	ISSUE DATE	LEGAL DESCRIPTION	LESSEE OF RECORD
		(Use the same Section, Township, Range, Lots/Units description as listed on the NMSLO Portal.) For example: T25S, R25E, SEC 16, Quarter/Quarter Breakdown (ex. NW4NW4, S2)	

CA and Lease Suspension Template

Company Logo

Requestor Name
Title
Address
City, State, Zip
O: XXX XXX-XXXX
Requestor Email Address

Date

Via Email & Fedex Overnight

Ms. Stephanie Garcia Richard
Commissioner of Public Lands
New Mexico State Land Office
P.O. Box 1148
Santa Fe, New Mexico 87504

Attn: Allison Marks, Director of Oil, Gas and Minerals Leasing (amarks@nmslo.gov)
Denise Gallegos, Oil and Gas Lease Manager (dagallegos@nmslo.gov)
Joseph Thompson, Petroleum Specialist (jthompson@nmslo.gov)
Meghan Bransford, Management Analyst (mbransford@nmslo.gov)
OGMDCOMS@nmslo.gov

RE: *Suspension of Production Request PERTAINING TO COMMUNITIZATION AGREEMENT and NEW MEXICO OIL AND GAS LEASE to Protect Air Quality; [Well Name] – NMSLO OIL & GAS LEASE XX-XXXX-XXXX; [Communitization Agreement Name] – PUN XXXXXXXX*

Dear Commissioner Garcia Richard:

On _____, 202X, [Name of Operator], (“NOO”), operator of the [Well Name] (API 30-xxx-xxxxx), (“Well”), owner of working interest in the New Mexico State Communitization Agreement (“CA”) [Comm Agreement Name and PUN] dated effective XX/XX/XXXX and producing from New Mexico State Land Office Oil and Gas Lease XX-XXXX-XXXX (“Lease”) shut-in the Well which is holding the CA and Lease, Well, CA and Lease are listed on Exhibit “A” attached hereto, due to [insert brief description why the well is shut-in such as line break, force majeure, etc]. The Well must continue to be shut in while the [insert operations to be performed to return to production] to return the Well to production. Please find attached as Exhibit “B” notice from [insert name of offtake/midstream provider] notifying us of the event.

The Commissioner of Public Lands has the discretion to grant a suspension of production under the terms of the lease or agreement if compliance with the terms of the lease or agreement will result in waste or harm to the environment unless the leases or agreements are temporarily suspended. The Commissioner, in her discretion may grant such period of time which is sufficient to permit the suspension of the leases or agreements based on the particular circumstances of the leases or agreements. In this case, [Operator] must keep the well shut-in [insert operations to be performed] and not degrade air quality on State Trust Lands caused by flared gas or other emissions and continued compliance with New Mexico’s “No Flare” Rule (19.15.27 NMAC) and therefore, the protection of air quality justifies the Commissioner granting this request under her discretionary authority.

Commissioner of Public Lands
Name of Well, CA, Lease
Date

Therefore, as a result of the Well being shut-in, [Operator] respectfully requests the Commissioner grant an extension of the Lease since the cessation of production is expected to

exceed 60 days as provided under the terms of the CA. [Operator] requests a 120-day extension to ensure that The Well is protected adequately during this repair.

Two checks in the amount of \$500.00 each, which reflect the administrative fees for the extension of the CA and Lease are included with this request. [Operator] is available to discuss this matter further in person or otherwise. Please do not hesitate to reach out with any questions.

Very truly,

Name of Requestor
Title

Encls. Exhibit "A" List of Well, CA and Lease
2 x \$500 Administrative Fee
Exhibit "B" Notice [email or letter] from [midstream provider]

xc: [Name of Lessee if not the Operator] – Lessee of Record – XX-XXXX-XXXX

Commissioner of Public Lands
 Name of Well, CA, Lease
 Date

Exhibit "A"
Well, CA, Lease

WELL NAME	API	PRODUCING FROM OGL(s)	SHUT-IN DATE

COMMUNITIZATION AGREEMENT NAME	PUN; EFFECTIVE DATE	NMSLO OGL(s) IN CA	LEGAL DESCRIPTION
If none, write N/A			(Use the same description as listed on the NMSLO Portal)

NMSLO OGL NUMBER	ISSUE DATE	LEGAL DESCRIPTION	LESSEE OF RECORD
		(Use the same Section, Township, Range, Lots/Units description as listed on the NMSLO Portal.) For example: T25S, R25E, SEC 16, Quarter/Quarter Breakdown (ex. NW4NW4, S2)	

CA Rework Notification Template

Company Logo

Requestor Name
Title
Address
City, State, Zip
O: XXX-XXX-XXXX
Requestor Email Address

[Insert Date]

Via Email & Fedex Overnight

Ms. Stephanie Garcia Richard
Commissioner of Public Lands
New Mexico State Land Office
P.O. Box 1148
Santa Fe, New Mexico 87504

Attn: Allison Marks, Director of Oil, Gas and Minerals Leasing (amarks@nmslo.gov)
Denise Gallegos, Oil and Gas Lease Manager (dagallegos@nmslo.gov)
Joseph Thompson, Petroleum Specialist (jthompson@nmslo.gov)
OGMDCOMS@nmslo.gov

RE: *Extension by Rework –or Paragraph 9*
[Insert State Communitization Agreement dated _____ for the _____
Well (PUN _____)]

Dear Commissioner Garcia Richard:

[Insert name of operator], is the operator of and working interest owner (“Operator”) in the wellbore of the [Insert Well Name(s)] (API No. _____) (the “_____ Well”), which is currently holding the captioned state communitization agreement by production (“CA”). [Insert Lessee of Record] is the lessee of record of the Lease(s) committed to the CA. The purpose of this letter is to invoke the rework provision in Paragraph 9 of the CA.

Operator obtained production on the _____ Well on _____ [insert last date of production from the well], but it has now since ceased producing due to [insert description of mechanical issues] and requires rework operations. Because production from the _____ Well holds the CA, Operator respectfully requests to invoke Paragraph 9 of the CA, the rework provision, to extend the CA during rework operations. Per the provision, Operator understands that such operations must be diligently prosecuted in good faith with no cessation of more than twenty (20) consecutive days, and we shall provide operational updates on the rework operations every thirty (30) days until either production on the _____ Well is established and continuous.

A check in the amount of \$500.00 for the administrative fee associated with invoking the rework provision in the CA has been included with this letter.

Operator is available to discuss this matter further in person or otherwise. Please do not hesitate to reach out with any questions.

Commissioner Garcia Richard
[Insert Date]
Page 2

Very truly,

[*Insert Name of Requestor*]
[*Title*]

Encls. Exhibit "A" List of Well, CA and Leases committed to CA
1 x \$500 Administrative fee check

xc: [*Copy letter should be sent to lessee of record*]

Commissioner Garcia Richard
 [Insert Date]
 Page 3

Exhibit "A"

WELL NAME	API	PRODUCING FROM OGL(s)	SHUT-IN DATE

COMMUNITIZATION AGREEMENT NAME	PUN; EFFECTIVE DATE	NMSLO OGL(s) IN CA	LEGAL DESCRIPTION
			(Use the same description as listed on the NMSLO Portal)

NMSLO OGL NUMBER	ISSUE DATE	LEGAL DESCRIPTION	LESSEE OF RECORD
		(Use the Section, Township, Range, Quarter/Quarter description.) For example: T25S, R25E, SEC 16, NWNW, SWSE, E2	

Lease and CA Rework Notification Template

Company Logo

Requestor Name
Title
Address
City, State, Zip
O: XXX XXX-XXXX
Requestor Email Address

[Insert Date]

Via Email & Fedex Overnight

Ms. Stephanie Garcia Richard
Commissioner of Public Lands
New Mexico State Land Office
P.O. Box 1148
Santa Fe, New Mexico 87504

Attn: Allison Marks, Director of Oil, Gas and Minerals Leasing (amarks@nmslo.gov)
Denise Gallegos, Oil and Gas Lease Manager (dagallegos@nmslo.gov)
Meghan Bransford, Management Analyst (mbransford@nmslo.gov)
Joseph Thompson, Petroleum Specialist (jthompson@nmslo.gov)
OGMDCOMS@nmslo.gov

**RE: Extension by Rework –or Paragraph 15 (Lease) Paragraph 9 (CA)
[Insert State Communitization Agreement dated _____ for the _____
Well (PUN _____)]**

Dear Commissioner Garcia Richard:

[Insert name of operator], is the operator of and working interest owner (“Operator”) in the wellbore of the [Insert Well Name(s)] (API No. _____) (the “_____ Well”), which is currently holding the captioned state communitization agreement by production (“CA”). [Insert Lessees of Record] is the lessee of record of the Lease(s) committed to the CA. The purpose of this letter is to invoke the rework provisions in Paragraph 15 of the Lease(s) and Paragraph 9 of the CA.

Operator obtained production on the _____ Well on _____ [insert last date of production from the well], but it has now since ceased producing due to [insert description of mechanical issues] and requires rework operations. Because production from the _____ Well holds the Lease(s) and CA, Operator respectfully requests to invoke Paragraph 15 of the Lease(s) and Paragraph 9 of the CA, the rework provisions, to extend the Lease(s) and CA during rework operations. Per the provision, Operator understands that such operations must be diligently prosecuted in good faith with no cessation of more than twenty (20) consecutive days, and we shall provide operational updates on the rework operations every thirty (30) days until either production on the _____ Well is established and continuous.

Checks in the amount of \$500.00 each for the administrative fee associated with invoking the rework provisions in the Lease(s) and CA has been included with this letter.

Commissioner Garcia Richard

[Insert Date]

Page 2

Operator is available to discuss this matter further in person or otherwise. Please do not hesitate to reach out with any questions.

Very truly,

[Insert Name of Requestor]

[Title]

Encls. Exhibit "A" List of Well, CA and Leases committed to CA

1 x \$500 Administrative fee check for Lease

1 x \$500 Administrative fee check for CA

xc: *[Copy letter should be sent to lessees of record]*

Commissioner Garcia Richard
 [Insert Date]
 Page 3

Exhibit "A"

WELL NAME	API	PRODUCING FROM OGL(s)	SHUT-IN DATE

COMMUNITIZATION AGREEMENT NAME	PUN; EFFECTIVE DATE	NMSLO OGL(s) IN CA	LEGAL DESCRIPTION
			(Use the same description as listed on the NMSLO Portal)

NMSLO OGL NUMBER	ISSUE DATE	LEGAL DESCRIPTION	LESSEE OF RECORD
		(Use the same Section, Township, Range, Lots/Units description as listed on the NMSLO Portal.) For example: T25S, R25E, SEC 16, Quarter/Quarter Breakdown (ex. NW4NW4, S2)	

Units and Unitizations

The Land Office looks at units as an opportunity for companies to develop land in a manner that will reduce surface disturbances. Units must still be maintained in a diligent manner and according to the terms of the applicable unit agreement. The Land Office frowns upon units that do not produce minerals for the benefit of our trustees and, therefore, analysis of units for paying quantities, along with ensuring units are maintained in an environmentally responsible manner, are reviews undertaken by Land Office staff. Moreover, any unit operator must also be careful to make certain that any applicable leases in a unit are properly maintained.

This section includes the following information:

1. Requirements for preliminary approval of a Unit by the Commissioner of Public Lands.
2. Requirements for final approval of a Unit by the Commissioner of Public Lands.
3. Suggested geological exhibits to include with the Unit Application Packages.
4. Types of Unit Agreement forms.

(Visit: <https://www.nmstatelands.org/divisions/oil-gas-and-minerals/oil-and-gas-forms/for-latest-version>):

- a. State/Fee Exploratory Units.
- b. State/Fee Waterflood Units.
- c. State/Federal/Fee Exploratory Units.
- d. State/Federal/Fee Waterflood Units.
5. Description and Example of Exhibit A to the Unit Agreement.
6. Description and example of Exhibit B to the Unit Agreement.
7. Unitization Change of Operator Check List.
8. Notice of Unit Operator Transfer.
9. Commonly asked questions regarding Units in the State of New Mexico.
10. Explanation of the Role of the OCD.
11. Explanation of Extension of State Leases.
12. Explanation of Segregation of State Leases.
13. Explanation of Ratifications.
14. Explanation of Drilling Requirements.
15. Explanation of Commercial determination.
16. Explanation of Product Allocation.
17. Explanation of Plans of Development.
18. Explanation of Subsequent Joinder.

Requirements for preliminary approval of State/Federal/Fee and State/Fee Units by the New Mexico Commissioner of Public Lands

The following information must be submitted when seeking preliminary approval of a Unit Agreement containing State of New Mexico Trust Lands:

- 1) The initial form of the Unit Agreement, on the latest version of the form.
- 2) Letter of Designation by the Bureau of Land Management, if the Unit contains Federal lands.
- 3) Engineering Report and Geological Data.
- 4) Rough form of Exhibits A and B
- 5) Presentation on surface use/disturbance to the Cultural Resources Office and Surface Resources Division

Naming the Unit

It is the policy of this office not to approve a unit that has the same name as another Unit whether active or terminated. The word “Federal” should not be in the Unit name if it contains both State and Federal land unless it also contains the word “State.” The word “Federal” can only be used alone if the Unit contains no State Trust Lands.

Open Acreage

This office will NOT approve any Unit containing OPEN State acreage within the Unit boundaries. Please reach out to Allison Marks (amarks@nmslo.gov) for nominating open acreage within a proposed Unit.

Pre-Approval Meeting

In some circumstances it is advantageous to have representatives of your company meet with the technical staff of the Oil, Gas, & Minerals Division of the State Land Office PRIOR to the Oil Conservation Division (of the New Mexico Energy, Minerals, and Natural Resources Department) hearing. Scheduled meetings can be arranged by contacting our Units Manager. If there is a question as to whether a meeting should be scheduled, SLO suggests calling the Units Manager and discussing the proposed unit to determine if SLO would like to have a meeting with your company.

For new units, the SLO will require a meeting with its Surface, Cultural Resources, and Units group prior to final approval. Often, additional stipulations will be required by SLO's Surface group; therefore, meeting with the SLO early in the unit process is encouraged and should be arranged with the Oil and Gas Director.

If the submitted information meets the Commissioner of Public Land’s requirements, preliminary approval of the Unit Agreement as to form and content will be granted. A letter confirming the granting of preliminary approval is sent to the Unit Operator and copies are sent to the Oil Conservation Division (“OCD”) and the Bureau of Land Management (“BLM”).

Requirements for Final Approval of State/Federal/Fee and State/Fee Units by the New Mexico Commissioner of Public Lands

Exploratory Unit

1. An application letter requesting final approval of the Commissioner of Public Lands. The letter will identify the tracts that have been committed and those that have not been committed.
2. One copy, with original signatures, of the Unit Agreement including Exhibits A and B.
3. One copy, with original signatures, of the Unit Operating Agreement (where applicable.)
4. All ratifications from Lessees of Record and Working Interest Owners. All signatures should be acknowledged before a notary public.
5. Order of the OCD. The State Land Office will not approve any Units until SLO receives a copy of the OCD order.
6. Certificate of Determination by the BLM, if the Unit contains Federal lands.
7. Filing fee each section or partial section.

Secondary Recovery Units

In addition to the requirements for an Exploratory Unit, application for a Secondary Recovery Unit requires the following information:

1. Initial Plan of Operation
2. Re-designation of well names and numbers

A letter granting Final Approval is sent by the State Land Office to the Unit Operator and copies are sent to the OCD and the BLM.

Suggested Geological Exhibits to be Included with Unit Application Package

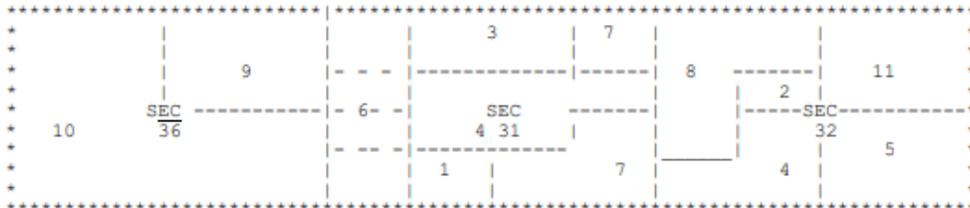
In general, the information that helps determine the need for a unit also helps expedite approval. The idea is not to place unreasonable burden on the operator, but to show that the unit area is reasonable and warranted. In all cases, the selection of unit boundaries based upon lease expiration dates is not acceptable.

1. **STRUCTURE MAP** – Map of a horizon that has a bearing on the objective reserves. A phantom horizon is acceptable if validated by points marked on a cross section. Seismic structure is acceptable.
2. **ISOPACH MAP** – A map of thickness and areal distribution of objective horizon(s), if data is available. In cases of sparse data, a schematic with increased emphasis upon cross sections is acceptable.
3. **CROSS SECTIONS** – Sparseness of data may render cross sections meaningless. In such cases, a “nearest typical log” with tops and zone(s) of interest is suggested. Where data are adequate, panel cross sections will help clarify the problem area and expedite consideration. Zig-zag cross sections seldom clarify the geology of an area, and simple, well-chosen sections crossing the unit area would be more appropriate.
4. **GEOLOGICAL/ENGINEERING DISCUSSION** – The more information that an operator can produce to provide insight into the continuity and quality of the reservoir underlying the unit area the faster the review process will go. Providing analogous off-setting drilling, completion, and production data is encouraged, as are any probability studies, well spacing estimations, and any documentation regarding full development of the unit area.
5. **WATER/SURFACE USE** – Include sources of water to be used within the unit, estimated amounts to be used, and water quality data for both formation water and injection water to be used in a secondary recovery unit. Include a map of all surface facilities for environmental review.
6. **SHAPEFILES** – Include a GIS shapefile of the unit boundaries.

S A M P L E: Submit on separate sheets.

EXHIBIT "A". MAP OF UNIT AREA

_____ UNIT
_____ County(ies), NEW MEXICO



INCLUDE IN THE MAP THE FOLLOWING INFORMATION

FEDERAL LANDS

STATE LANDS

FEE LANDS

TRACT NUMBERS

UNIT OUTLINE

EXHIBIT "B". SCHEDULE OF OWNERSHIP

Schedule Showing All Lands and Leases

Within the _____ UNIT
 _____ County(ies) NEW MEXICO

PLEASE ATTACH SHEETS WITH THE FOLLOWING INFORMATION FOR EXHIBIT "B"

TRACT NUMBER	DESCRIPTION OF LANDS	ACRES	SERIAL NUMBER AND EXPIRATION DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
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RECAPITULATION

_____ Acres of State of New Mexico Lands = _____ %
 _____ Acres of Fee Lands = _____ %
TOTAL _____ Acres **100 %**

EXHIBIT "C". SCHEDULE OF TRACT PARTICIPATION

PLEASE ATTACH ADDITIONAL SHEETS CONTAINING THE INFORMATION REQUESTED BELOW FOR EXHIBIT "C".

Tract Number Unit Participation Percentage

Note: When you provide a check as payment, you authorize the State of New Mexico to either use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. Please be advised that payments will be drafted from your account immediately upon receipt.

Unitization Change of Operator Checklist

August 2024

UNITIZATION CHANGE OF OPERATOR CHECK LIST

NOTE: THIS IS DONE IN STEPS, DO NOT TRANSFER WELLS WITH THE OCD UNTIL THE LAND OFFICE HAS GIVEN PRELIMINARY APPROVAL

RESIGNATION/DESIGNATION OF UNIT OPERATOR

SLO UNIT NAME _____

SLO UNIT NUMBER _____

EXTERNAL REVIEW

Both Resigning Unit Operator and Designated Unit Operator

PLEASE INITIAL THE FOLLOWING:

**RESIGNING
OPERATOR**

**DESIGNATED
OPERATOR**

Please provide a Unit Transfer cover letter including contact person(s) in case the NMSLO has questions.

A separate form should be submitted for each unit. If more than one unit is being transferred, all ratifications for each unit should be included and separate.

What is the designated operator's OGRID ? _____

Both Resigning Operator and Successor Operator must certify that all environmental rules and regulations pursuant to State Land Office Rules 19.2.100.66 (Surface Operations on State Oil and Gas Leases), 19.2.100.67 (Surface Reclamation on State Oil and Gas Leases) and 19.2.100.69 (Payment of State Royalties) are complied with.

If a name change and/or merger has occurred, please include instruments and attach certificates of merger. If applicable, any name change and/or merger should also be filed with the leasing manager. If not applicable, indicate here _____.

Resigning Operator has documented and relayed all open surface releases and environmental liabilities to the Designated Operator and included a copy to the NM State Land Office (NMSLO). All open surface releases and environmental liabilities must be addressed to the satisfaction of the NMSLO before the change of operator will be approved by the Commissioner.

Resigning Operator has documented and relayed all wells that have been plugged and all inactive wells that need to be plugged and abandoned, or returned to production, to the NMSLO and Designated Operator. All inactive wells must be addressed to the satisfaction of the NMSLO before the change of operator will be approved by the Commissioner.

Resigning Operator has provided current production reports up-to-date to the NMOCD.

Designating Operator has reviewed the production reports and is aware of the number of inactive wells in the unit, as defined by 19.15.5.9 NMAC.

SPILLS

Number of open spills reported to New Mexico Oil Conservation Division (OCD): _____

For any open spills, list RP number(s): _____

Number of spills on lease (if any) not reported to OCD: _____

Please provide a description of each unreported spill with as much information as available (date or time frame of spill, nature and volume of spill, location of spill, and any action taken to address spill), and any associated API/facility:

INACTIVE WELLS

List all wells, by API, in the unit that have not produced for the last 15 months:

Attach an exhibit detailing the plans for each inactive well listed above.

ATTESTATION

RESIGNING OPERATOR

I hereby affirm and attest, under penalty of perjury, that _____
Resigning Operator / Representative
has performed reasonable due diligence concerning the unit to be assigned, and that the forgoing
statements are true and correct to the best of my knowledge and belief.

Name (Print or Type) Resigning Operator Name _____

Title _____

Date _____

Email _____

Signature _____

DESIGNATED OPERATOR

I hereby affirm and attest, under penalty of perjury, that _____
Designated Operator / Representative
has performed reasonable due diligence concerning the unit to be assigned, and that the forgoing
statements are true and correct to the best of my knowledge and belief.

Name (Print or Type) Designated Operator Name

_____ **Title** _____

Date _____

Email _____

Signature _____

PART 2

Both Resigning Unit Operator and Designated Unit Operator

PLEASE INITIAL THE FOLLOWING:

RESIGNING
OPERATOR

DESIGNATED
OPERATOR

NMSLO has issued a preliminary approval letter to allow a C-145 and resignation / designation to be submitted.

On the NMSLO Operator Resignation / Designation Form, Resigning Operator completes and notarizes page 1. Designated Unit Operator completes and notarizes page 2.

*This will not be approved until NMSLO has approved this initial coversheet and granted preliminary approval. Do NOT submit until **after** receiving preliminary approval.

Has the complete approved NMOCD C-145 Well Transfer Form been attached?

*Do **NOT** submit a C-145 until receiving preliminary approval from NMSLO. **Only the operator or record, per NMSLO records, may operate unit wells.**

The Designated Unit Operator must adhere to all rules and regulations pursuant to Rule 19 NMAC - State Trust Lands Rules.

Resigning Operator Signature _____

Designated Operator Signature _____

Pre-approval Letter Issued After First Part of Unit Change of Operator Checklist



Stephanie Garcia Richard
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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

COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

Issuing Date, 2025

Transferring Company Name
Attn: Representative 1
Address of Company 1
City, State Zip Code

Acquiring Company Name
Attn: Representative 2
Address of Company 2
City, State Zip Code

RE: XXXXXXXXXXXXX UNIT CHANGE OF OPERATOR PART 1 PRELIMINARY APPROVAL

Dear Ms./Mr. Representative,

The New Mexico State Land Office ("NMSLO") has reviewed Part 1 of the Unitization Change of Operator Checklist jointly submitted by [Transferring Company and Acquiring Company] (collectively, the "Operators") and hereby grants preliminary approval for the Operators to now submit to Notice of Unit Operator Transfer (a/k/a Resignation/Designation form) to NMSLO. Operators may also now submit a C-145 to the Oil Conservation Division at this time.

Kind regards,

Gregory B. Bloom
Assistant Commissioner – Oil, Gas, and Minerals

GB/xx
cc: NMOCD – Attn:
BLM – Attn:

DESIGNATION OF SUCCESSOR UNIT OPERATOR

Under and pursuant to the provisions of Section ____ of the _____ Unit Agreement, I hereby acknowledge and certify that _____ (OGRID# _____) assumes the rights, duties, and obligations of Unit Operator and affirm the following (NMAC 19.2.100.51.B):

- (a) That the agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in the unit agreement area.
- (b) That under the unit operation, the state of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the unit 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 the agreement is in other respects for the best interests of the State Trust.

I also certify that the requisite approvals of the current working interest operators in the _____ Unit have been obtained to satisfy the requirement for selection of a successor operator as set forth in the terms and provisions of the agreement.

- Operations on State Trust lands in this agreement will be covered by the following bond:

- The effective date for assumption of Unit Operator duties is _____.
- Successor Operator mailing address: _____

Signature	Name	Title	Date
State of _____)			
County of _____)			

On this ____ day of _____, 20____, before me personally appeared _____ and acknowledged that (s)he represents the successor operator and is authorized to execute this transaction.

Notary Public

My commission expires _____

Submit form to:
 Commissioner of Public Lands
 Attn: Units Manager
 PO Box 1148
 Santa Fe, NM 87504-1148

Questions?
 Contact the Units Manager:
 505.827.5791

Upon approval, the successor Unit Operator will receive an acknowledgment letter from the Commissioner of Public Lands.

- 1. Reminder: The Change in Designated Unit Operator process is done in steps. The first part of the unit change of operator checklist is submitted to the SLO.**
- 2. The SLO performs an environmental review of all State leases and lands.**
- 3. Once any environmental issues found during the SLO review are addressed, then the SLO will issue the preliminary approval letter.**
- 4. Once the operator receives the SLO preliminary approval letter, then the operator may file a C-145 change of operator form with OCD.**
- 5. The operator submits part 2 of the unit change of operator checklist and the resignation/designation form.**
- 6. The change in designated unit operator final approval and transfer of assets with the OCD should coincide so that they acquiring entity does not operate the unit assets in violation of the unit agreement.**

Commonly Asked Questions Regarding Units

1. **General Questions**
2. **Role of the Oil Conservation Division – the OCD**
3. **Extension of State Leases**
4. **Segregation of State Leases**
5. **Ratifications of the Unit Agreement**
6. **Drilling Requirements on Exploratory Units**
7. **Commercial Determination of Unit Wells**
8. **Unit Production Allocation**
9. **Plans of Development**
10. **Subsequent Joinder**

MOST of the following questions can be answered simply by reading your Unit Agreement. In some cases, the terms of your Unit Agreement may differ from those in the Sample Forms provided in the Manual. The approved Unit Agreement is the legal contract that defines the terms of a particular unit. As such, the terms of the approved Unit Agreement supersede any of the answers to the general questions contained herein.

If you have any other questions or need additional information regarding Unitization in New Mexico, help is available from the following agencies:

STATE LAND OFFICE – OIL, GAS, & MINERALS DIVISION
Baylen Lamkin 505-231-0420

NM ENERGY, MINERALS & NATURAL RESOURCES DEPT. –
OIL CONSERVATION DIVISION (OCD) (Santa Fe)
505-476-3440

US BUREAU OF LAND MANAGEMENT (BLM)

NM State Office – Santa Fe

505-954-2000

Farmington District Office

505-564-7600

Las Cruces District Office

575-525-4300

Roswell

505-627-0248

General Questions

What is an acceptable time frame for receiving SLO approval?

Typically, you should allow a minimum of two months for the processing of an exploratory unit application or a waterflood unit application.

What are the different types of units?

There are four different types of units in New Mexico. A different Unit Agreement form is used for each type of unit.

- 1) The State/Fee forms are used for units containing state and fee land and for units containing only state lands.
- 2) Similarly, the State/Federal/Fee forms are used for units containing state, federal, and fee lands; this form is also used for units containing a combination of state and federal lands.
 1. State/Federal/Fee Exploratory Units
 2. State/Fee Exploratory Units
 3. State/Federal/Fee Waterflood Units
 4. State/Fee Waterflood Units

In addition to the above, there are also Federal/Fee and Federal Units. Please contact the BLM for information on such units. If the unit does NOT contain any state leases, approval by the State Land Office is not required. However, BLM and OCD approval is required on federal and federal/fee units located in the State of New Mexico.

Can I be forced to join an exploratory unit?

No, only a waterflood/secondary recovery Unit Agreement have a provision for statutory unitization under which all tracts are committed to the Unit. However, the SLO will not require any lessee of record to join a unit, regardless of any statutory unitization.

What percentage of tracts must be committed?

It is the policy of this office that all state tracts in a unitized interval be committed to a unit. Further, at minimum, the SLO will work with its BLM counterparts with respect to minimum percentage commitment of BLM land. This minimum can be increased at the discretion of the Commissioner of Public Lands when any SLO land is included in a unit.

Can I have OPEN state acreage inside the unit Boundary?

No, the Commissioner will not approve any Units containing open state trust lands within the boundary.

What must I submit in my unit package?

See "Requirements for Preliminary Approval" and "Requirements for Final approval" in this Manual for the information to be submitted in the Unit application package.

What is the difference between the Unit Agreement and the Unit Operating Agreement?

The Unit Agreement is a legal contract between the Commissioner of Public Lands and the Unit

Operator, the Lessees of Record, and the Working Interest Owners. The Unit Operating Agreement is a legal contract between the Unit Operator and the Working Interest Owners and has no effect on the lease contract.

What is a participating area?

A Participating Area (“PA”) is that portion of the unit area to which production of a commercial well is allocated as defined in a State/Federal/Fee Exploratory Unit Agreement. Production is allocated in State/Fee Exploratory Units according to established state spacing requirements.

Does the state have a set of instructions outlining the steps necessary to form a state exploration unit?

Yes. The information required for preliminary and final approval of a unit containing State of New Mexico Trust Lands is included in the first pages of this section on Units and Unitizations.

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Does the state require a geological report?

Yes, a list of information to be submitted in the geologic report is included immediately following the preliminary and final approval information.

Can a unit have more than one operator?

No, the Commissioner of Public Lands does not allow multiple operators within the unitized interval inside the unit boundary, except in cases of non-commercial wells, existing wellbores previously discussed with the Commissioner prior to unit approval, and historically authorized sub operators (not typical).

How does an operator transfer a unit?

This process is done in steps. First, an operator will submit the initial four (4) pages of the “unit change of operator checklist” to the Commissioner for consideration. Then, an environmental review of the unit area will be performed by technical staff. To facilitate the environmental review, please follow steps outlined in the environmental review section of this manual for all wells and facilities associated with the unit. Any additional information such as recent satellite, drone imagery, field photos, etc. are also helpful for the review (though not required). Once any issues found have been addressed to the satisfaction of the Commissioner, the final page of the “unit change of operator checklist” along with the “notice of unit operator transfer” forms can be submitted. At that point, the SLO will issue a pre-approval letter, and then a C-145 “change of operator” form may be filed with the OCD. Finally, the transfer of the unit into the new operator’s name should coincide with the transfer of the wells with the OCD.

Does the state help or offer suggestions in determining which lands are to be included in a unit?

Not directly. If the unit boundary does not comply with State Land Office Rules, or contradicts the submitted engineering or geologic reports, the Commissioner of Public Lands will not approve it. However, the SLO may request certain lands be included in a unit, so as not to strand acreage.

Who approves the depth of the initial test well: the Commissioner or the OCD?

Unless drilling depths are specified in the Unit Agreement, the Unit Operator specifies the depth of the initial test well.

In determining the unit outline, is it necessary to obtain preliminary approval by the Commissioner?

It is not necessary; however, it is in the Unit Operator's best interest to have received preliminary approval well in advance of the OCD hearing and the submittal of the application for final approval.

Is it necessary to obtain approval of the Commissioner as to the form of the Unit Agreement prior to seeking signatures and submitting the package for final approval?

Again, it is not necessary to obtain SLO approval of the form and content of the Unit Agreement prior to seeking signatures and submitting for final approval. It is, however, in the Unit Operator's best interest to have received preliminary approval prior to final approval, as the SLO may very well reject the or request changes to the proposal.

What are the SLO filing fees for Units?

The filing fee for a Unit is by each section or partial section of lands contained within the unit boundary. Please see the latest schedule of fees. <https://www.nmstatelands.org/resources/fee-schedules-and-rentals/>

Does the state have a printed form of the Unit Agreement for a state unit?

Yes, you will find sample copies of all four Unit Agreement forms at <https://www.nmstatelands.org/divisions/oil-gas-and-minerals/oil-and-gas-forms/>

Throughout a federal exploratory unit, reference is made to the Authorized Officer (AO), the Commissioner, and the Division. What happens if the Commissioner or the OCD disagrees with the Bureau of Land Management AO?

Generally speaking, we have good communication with both the OCD and the BLM, and we address any problems in advance of the deadlines for final approval.

Is the information submitted with the unit application package confidential?

Many times, some of the information in the unit application package is considered confidential -- especially the maps and some engineering information. If that is the case, please mark those exhibits "CONFIDENTIAL."

State Land Office Rule 19.2.100.51(C) addresses this question further. The Rule states:

Complete geological and engineering data shall be presented with the application and the information offered for the Commissioner's action must be in clear and understandable form. Such data shall be kept confidential by the Commissioner pursuant to 19-1-2.1 NMSA 1978 for a period of six (6) months or until the unit agreement is approved, whichever first occurs. Then such data will be made a permanent part of the records and open for public inspection. If for any reason such proposed agreement is not approved, then at the request of the applicant, the data shall be returned to the applicant.

Role of the Oil Conservation Division – OCD

What does the OCD approve?

The Oil Conservation Division must approve your unit prior to its final approval by the Commissioner of Public Lands. This requires a hearing by the OCD. The OCD schedules hearings every other week, and application for a hearing must be filed at least 22 days in advance of the hearing date. Contact the OCD office in Santa Fe at 505-476-3440.

Is it necessary to obtain OCD approval of a unit before the State Land Office approves?

Yes. Before the Commissioner of Public Lands grants final approval, the OCD must sign and approve the order.

Is it necessary to obtain Commissioner approval of the transfer of unit assets prior to the NMOCD approval of a C-145?

Yes, the Commissioner will provide preliminary approval of the unit transfer. At that time, the C-145 should be submitted to OCD, along with the resignation/designation form being submitted to SLO. The Unit will transfer to a new unit operator along with the wells at about the same time. It is *not* permissible for a non-unit operator recognized by the SLO to operate unit wells.

Does the OCD have specific well naming requirements?

Yes, the OCD in collaboration with the SLO and BLM have naming requirements for wells, CA wells, and unit wells.

If I want to drill a well that lies partly inside the unit and partly outside the unit, may I?

Yes, this is a unit/com well. The well must be operated by the unit operator. Per the horizontal well spacing rule, 19.15.16.15.B.6 NMAC, *“No horizontal spacing unit may be designated that lies partly within, and partly outside of, a state exploratory unit, or a federal exploratory unit or participating area if the horizontal spacing unit includes state trust lands, without the written consent of the commissioner of public lands.”* Thus, it is imperative to obtain the prior consent of the Commissioner.

Extension of State Leases

What happens to short term leases in an exploratory unit?

According to the Unit Agreement, if drilling of the initial test well commences prior to the expiration of the shortest-term state lease, each state lease will continue in force as long as the Unit Agreement remains in effect. Please communicate with the Units Manager and Leasing Manager to make certain the leases and units are extended properly.

How long will state leases be held by unit production in a federal exploratory unit?

For units pre-1985, please refer to your Unit Agreement. For 1985 and newer units, the following applies: A State lease will continue in force for the *primary* term of the Unit Agreement whether or not there is production from that State lease as specified by the Unit Agreement. After the unit contracts, at the end of the primary 5-year term under automatic elimination, the portion of any State lease contained in an active participating area will continue in force under the terms of the Unit Agreement.

What is the automatic elimination clause?

It is a required clause in an Exploratory Unit Agreement that eliminates any non-developed tracts from the unit five years after the effective date of the Unit unless diligent drilling operations are in progress on undeveloped tracts and/or an extension of the automatic elimination period has been granted by the Commissioner. This language may not apply to units that are 100% SLO Leases, as often, those units have lands that are 100% participating from the initial commercial well. It is imperative to read the unit agreement.

If a unit (whether state or federal) terminates for any reason, do the state leases get any sort of extension beyond their numerical term?

Not unless there is production from that State lease.

Will approval of the Unit Agreement extend a state lease beyond its numerical term if there is no drilling on the exploratory unit?

Not past the deadline for the initial test well.

Segregation of State Leases

What is the difference between a strict, modified and extended segregation clause?

The segregation clauses apply to those State leases wherein only part of the lease is within the unit boundary. The following explanation applies to “new” (1985 and after) units. Please refer to your Unit Agreement if your unit is pre-1985.

STRICT SEGREGATION: State/Fee Exploratory Unit Agreements contain the strict segregation clause. Under the terms of this clause, production from the unit, even if the wells are on that portion of the lease inside the unit, will NOT hold the portion of the lease outside of the unit boundary.

MODIFIED SEGREGATION: In the State/Federal/Fee Exploratory Unit Agreement and State/Federal/Fee Waterflood Units, production from a well on a portion of the lease inside the unit area will hold that portion of the lease outside the unit boundary.

EXTENDED SEGREGATION: Some waterflood units have what are referred to as “extended” segregation clauses because some come under NMOCD’s statutory unitization which forces each non committed lease to participate in the unit. The entire lease is extended in a waterflood unit if it is sharing in royalty. The Commissioner will no longer approve waterflood units with uncommitted State leases.

Will production on a portion of a state lease that is outside a unit also perpetuate that part inside the Unit?

For modified and strict segregation clauses, production outside the unit boundary will not perpetuate the committed portion of the lease. Extended segregation clauses only maintain the portion of the lease outside the unit if there is production on the portion committed to the unit.

If a state lease is already perpetuated by production and is then segregated by an Exploratory Unit, does the non-productive portion terminate upon approval of the unit or is the entire lease perpetuated just as if there were no unit?

If there are productive wells on the lease, they must be outside the unit boundary, then the lease is held by production. Note, when the unit forms, often the lease is segregated so the segregated lease outside the unit boundaries must have production in order to be maintained. If there are any questions on what will happen to leased acreage due to a unit approval, please reach out the Oil and Gas staff for clarification.

Can a state lease be segregated by a so-called deep unit wherein there is established shallow production and only the deeper formation is unitized?

Yes. The Unit Agreement can segregate a state lease in this manner.

Ratifications

Who must ratify the Unit Agreement and Unit Operating Agreement?

Both the Lessees of Record and the Working Interest Owners must ratify the Unit Agreement, and the Working Interest Owners must ratify the Unit Operating Agreement.

If all (100%) of operating rights on a state lease have been assigned to someone other than the Lessee of Record, is it necessary that the Lessee of Record sign the Unit Agreement?

Yes, according to statute 19-10-45 NMSA.

Drilling Requirements

What are the drilling requirements for an Exploratory Unit?

The drilling requirements for a State/Fee or State/Federal/Fee Exploratory Unit are addressed in detail in the Unit Agreement.

Once an Exploratory Unit is approved by the Commissioner, how long does the operator have before they must commence the initial well?

In order to hold the short-term State leases, drilling must commence prior to the expiration of the shortest-term State lease.

Otherwise, the following applies:

State/Fee Exploratory Unit: The Unit Operator must commence drilling operations within 60 days after the effective date of the Unit.

State/Federal/Fee Exploratory Unit: The Unit Operator must commence drilling operations within 6 months after the effective date of the unit.

Once an initial test well is drilled and completed as a dry-hole, how long does the operator have to commence a second test well?

For both State/Fee and State/Federal/Fee Exploratory Units, the Unit Operator has 6 months from the completion of the initial, non-commercial well within which to commence drilling of the second test well.

What happens if I am unable to get an exploratory well drilled within the required time period on a State/Fee Unit?

If the initial test well is not drilled within the allotted time frame, the Commissioner of Public Lands has the option of terminating the unit. The Commissioner may grant drilling extensions for the initial, the second and subsequent test wells on a State/Fee Exploratory Unit. The request for an extension must be submitted, in writing, to the Commissioner PRIOR to the expiration date of the shortest-term lease or 60 days after the effective date, or before the expiration of the 6 months allowed after the completion of the previous test well.

If a second test well on a State/Fee Exploratory Unit is NOT commenced, does the Unit Agreement automatically terminate?

If the drilling requirements of the Unit Agreement are not met, the Commissioner of Public Lands can, at the Commissioner's discretion, terminate the unit.

If unit production ceases on a state unit, how long does the operator have to commence additional drilling or re-working?

The operator must commence additional drilling or re-working within 60 days after unit production ceases.

The amount of time allowed for the Unit Operator to commence drilling or re-working on a State/Fee Exploratory Unit is not specified in the Unit Agreement, but is specified as 60 days under the terms of the State oil and gas lease contract. Note, a new agreement is forthcoming and the new agreement may have language regarding commencing drilling. **Always read your unit agreement, regardless of anything contained in this manual, as your unit agreement terms are the binding contract.**

For a State/Federal Fee Exploratory Unit, please refer to Section 20-c of the State/Federal/Fee Exploratory Unit form.

Assuming all state leases within a State/Fee or a State/Federal/Fee Exploratory Unit are beyond their numerical terms, and unit production ceases, can the Unit Operator save the unit and all leases by drilling a new well, or must they attempt to re-work and restore production?

Yes, the Unit Operator can save the unit and all leases after unit production ceases as long as diligent operations are in progress for restoration of production or discovery of new production within 60 days after production ceases.

Commercial Determination

Assuming that the OCD and the Commissioner have approved a State/Fee Exploratory Unit, and that a questionable well has been completed, who determines whether or not the well will qualify as a unit well?

The commerciality of the well in question must be established to the satisfaction of the Commissioner of Public Lands.

If the questionable well is located on State land committed to a State/Federal/Fee Exploratory Unit, who makes the determination of whether or not it is a qualifying unit well?

In a State/Federal/Fee Exploratory Unit, the determination of commerciality needs to have concurrence between the Commissioner and the BLM.

When must I submit a commercial determination?

Once a potential unit well is completed, the operator will be allowed 6 months of production to establish an initial decline. After 6 months of production, the operator must submit a commercial determination to the Commissioner and/or BLM for concurrence with their determination. If the well is not commercial, and it is a test well for the unit, the Unit Operator must begin drilling on a second well within 6 months of completion of the previous test well.

What do I submit in a commercial determination package?

For a well to be considered commercial, it must be able to produce in paying quantities. This means that it must be able to repay the costs of drilling, completion, and producing operations with a reasonable profit. You should submit information that will economically justify this. A template can be provided if you contact the units group.

What happens to production from a producing well that is not good enough to be considered as a unit well on a State/Federal/Fee Exploratory Unit?

In this case, the well is produced on a lease basis.

Production Allocation

Once it is determined that the initial test well qualifies as a unit well, how is production allocated among the different tracts or leases committed to and within the unit?

There are subtle differences in the way oil and gas production is allocated for the different types of units.

The following table lists the section of each unit agreement where the details of production allocation can be found.

Type of Unit	Section of Agreement
State/Fee Exploratory	Section 11
State/Federal/Fee Exploratory	Section 12
State/Fee Waterflood	Section 14
State/Federal/Fee Waterflood	Section 15

Please note Sections of agreements may have changed, and the above table may not be accurate

INDIAN HILLS UNIT

ALLOCATION OF STATE ROYALTY INTEREST FOR THE FIRST REVISION OF LOWER PENNSYLVANIAN PARTICIPATING AREA

The question: What are the correct participation factors for the Indian Hills Unit Well #7 and Indian Hills Unit Com Well #6.

Facts:

- Well #7 is located in Section 16, Township 21S, Range 24E.
- Com Well #6 is located in Section 17, Township 21S, Range 24E.
- All of Section 16 is state trust land.
- Forty acres of Section 17 is NOT committed to the unit and is state trust land, but shares in well #6 by virtue of a communitization agreement covering all of Section 17. All of Section 17 is federal land with the exception of the 40 acres of state trust land.
- The unit participating area for both wells consist of all of Sec. 16, and all of Sec.17 with the exception of 40 acres.

Calculation of State's royalty interest, assuming 1/8 (0.125) royalty rate for all leases, federal and state:

$$40/640 \times 0.125 = 0.0078125$$

$$640/1240 \times 0.125 = 0.064516$$

In calculating the total royalty value for these two wells, one would first have to deduct the non-unit production from well #6, and then the remaining production from both wells would be allocated using the royalty interest for the unit, as shown in the second calculation above.

Plans of Development

When must Plans of Development – also referred to as Plans of Operations or Drilling Program – be submitted?

If you are dealing with a pre-1985 unit, please refer to your Unit Agreement. For units in 1985 and after, the following applies:

Exploratory Units – State/Fee and State/Federal/Fee

After unitized substances in paying quantities are discovered in the unit area, the Unit Operator must file a report within 6 months after completion of the initial well. This report should discuss the status of unit development and any new development contemplated for the following 12 months. Subsequently, the Operator submits annual reports to the OCD, BLM, and the Commissioner of Public Lands. See the Unit Agreement for details.

Waterflood Units – State/Fee and State/Federal/Fee

The initial plan of development is filed with the OCD, BLM, and the Commissioner of Public Lands concurrently with the filing of the Unit Agreement for final approval. Subsequent annual updated plans of development should be submitted for approval.

What happens if the Plan of Development can NOT be submitted within the required time frame?

If you cannot possibly submit your Plan of Development within the allocated time frame, an extension may be granted at the discretion of the Commissioner of Public Lands and other appropriate agencies. A letter is required identifying the circumstances causing the delay and the date that you will submit the Plan of Development. Annual plans of development are due March 1st of every year, unless otherwise negotiated with the Commissioner.

Any exploratory unit developing stacked horizontal plays (i.e. the wolfcamp and bone spring) will be required to submit gun barrel/wine rack diagrams of the laterals within the unit. This can be broken down by PA, development area, or any other manner that makes logical sense.

It is impossible to determine whether a unit is being efficiently developed by looking at top down 2-D visuals of wellbores. These diagrams will help technical staff ascertain that units are being fully developed without the time-consuming task of constructing them from publicly available data.

Subsequent Joinder

What if a noncommitted tract wants to join the unit after we find oil or gas?

There is a section in each Unit Agreement form that addresses subsequent joinder or nonjoinder. Please read the section for details.

<i>Type of Unit</i>	<i>Section of Agreement</i>
<i>State/Fee Exploratory</i>	<u><i>Section 22</i></u>
<i>State/Federal/Fee Exploratory</i>	<u><i>Section 28</i></u>
<i>State/Fee Waterflood</i>	<u><i>Section 27</i></u>
<i>State/Federal/Fee Waterflood</i>	<u><i>Section 32</i></u>

Please note Sections of agreements may have changed, and the above table may not be accurate

Compliance, Accountability and Enforcement

The Land Office has a duty to maintain state land in an environmentally responsible manner. In carrying out such duties, the Land Office reviews various requests submitted to the Office to determine whether the lessee, along with any operators on the lease, are diligently producing wells in compliance with state laws, if spills are reported to both the Land Office and the Oil Conservation Division (and if said spills are properly remediated), and if sites are reclaimed.

This section includes the following information:

1. Environmental Review Process.
2. Rule 19.2.100.66 and .67

Environmental Reviews

Environmental reviews are completed during multiple processes at SLO. Please see below on specific instructions on how environmental reviews are completed. Please contact Paige Czoski (pczoski@nmslo.gov) for questions.

Review Process:

1. Is the well/lease on mineral estate only?
 - a. If yes, then you don't need to continue the review with respect to surface issues—note, inactive wells must still be noted.
2. Look at each well on the lease and write down the following:
 - a. Are there any compliance issues on the OCD well webpage? Write down the spill or compliance #, date, type of spill (oil, produced water, etc.) the amount, and the location.
 - b. Review other compliance issues (failure of MIT or other well test, trash left on site, etc.).
3. Use the OCD Spill Search webpage to look at each Lot-Section-Township-Range that the lease covers. Note any spill that does not have a “Final Report” date on it. Also, include the spill or compliance #, date, type of spill (oil, produced water, etc.) the amount, and the location.
4. Look at Google Earth Pro (free software) and any other aerial imagery for spills throughout time. Use Google Earth Pro's Historical Imagery function to look at sites through time (in software, click “View” and select “Historical Imagery”). Make sure to note the date when the photo was taken. Look for other things such as: overgrown well pad, trash on the lease, open pits, etc.
5. Review tank batteries for any spills or other environmental issues in Google Earth and using other satellite imagery.
6. Review entire lease for other flowline or pipeline spills.
7. Can also provide more recent drone imagery in addition to satellite images.

Note, the above information must be submitted for ALL wells, regardless of the operator, if they appear on lease

Useful Links:

NM State Land Office Interactive Oil and Gas Map

<https://mapservice.nmstatelands.org/OilGasMinerals/>

NM OCD Well Search

<https://wwwapps.emnrd.nm.gov/ocd/ocdpermitting/Data/Wells.aspx>

NM OCD Spill Search

<https://wwwapps.emnrd.nm.gov/OCD/OCDPermitting/Data/Spills/Spills.aspx>

Google Earth Pro Download Link

<https://www.google.com/earth/versions/>

19.2.100.66

SURFACE OPERATIONS ON STATE OIL AND GAS LEASES:

A. Purpose and application of 19.2.100.66 NMAC: The purpose of 19.2.100.66 NMAC is to establish minimum procedures for protecting the surface affected by operation and development activities on state oil and gas leases. 19.2.100.66 NMAC applies to all operations conducted after its effective date on state oil and gas leases, the surface of which is held in trust by the commissioner of public lands.

B. Operation Requirements:

(1) Surface trash and debris: All operators shall remove all surface trash and debris caused by their operations from the lease and shall keep such premises free and clear of such trash and debris. As used in 19.2.100.66 NMAC, "surface trash and debris" means all nonoperational and nonessential equipment resulting from the drilling and producing operation of oil and gas leases and includes, but is not limited to, garbage, rubbish, junk or scrap.

(2) Pits:

(a) Pits shall not be located in, or hazardously near, water drainages. Pits shall be constructed to prevent contamination of the surface and the subsurface by seepage or flowage; including, if necessary, lining with impermeable materials as provided by rules and regulations of the oil conservation division. Under no circumstances shall pits be used for disposal, dumping or storage of off-lease fluids. Subject to all applicable state and federal laws, and if the operator agrees to accept all liability therefore; garbage, junk, waste or other inorganic debris may be disposed of in the caliche or burn pit located on the side of the reserve pit when the reserve pit is reclaimed.

(b) All pits shall be fenced. The type of fence used must be specific to the class of livestock in the area. Fencing shall remain in place for the life of the pit and be maintained to keep livestock out. All fences shall be braced or constructed in such a manner as to keep wires tight with no sagging between posts. State land office personnel will inspect and, if necessary, notify operators or lessees of necessary repairs or requirements for maintaining the required condition of all fences associated with leases. Fencing shall comply with all other state and federal requirements.

(c) If a pit is lined, the liner shall be installed and maintained to prevent ingestion by livestock and wildlife.

(d) Drilling fluids and drill cuttings shall be disposed of in a manner to prevent contamination to the surface. Rules of the oil conservation division which relate to the disposal of drilling fluids and drill cuttings shall be complied with.

(3) Site Development:

(a) All access roads shall be built, maintained and reclaimed in accordance with 19.2.20 NMAC.

(b) All trees and wood over three inches in diameter removed for site preparation shall be disposed of on site as determined by the state land office.

(c) Where required by the federal Clean Water Act, other applicable federal or state, or regulations promulgated pursuant thereto, production and storage tanks shall be surrounded with an earth berm in compliance with such applicable law and regulations. In addition, such a berm may be required by the state land office if a particular tank has a history of repeated leaks.

(4) Spills:

(a) All new spills shall be treated and cleaned up immediately. All surface affected by such spills and leaks shall be reclaimed. Reclamation of the area involved shall be implemented in consultation with the state land office.

(b) All spills shall be reported in accordance with the regulations of the oil conservation division.

(5) Pipelines: If practicable, lines placed on top of the surface shall be placed to take advantage of existing roads or alongside other lines already on top of the ground. If regular maintenance and inspection by vehicle is necessary, and a permanent road required, the road shall be constructed and maintained in accordance with 19.2.20 NMAC. All other traffic shall be kept to a minimum.

C. Closeout and operation plan:

(1) A reclamation or operation plan may be submitted to the state land office for review. If approved, the plan shall substitute for the reclamation and operation requirements of 19.2.100.66 NMAC and 19.2.100.67 NMAC.

(2) The plan shall consist of reclamation and operation specifics for compliance with the regulations concerning reclamation and operations, with an additional section that sets out the schedule of

implementation on a continuing basis during the life of the lease relative to operation, maintenance, spills, leaks, cleanup and revegetation.

D. Review and inspection:

(1) State land office personnel or oil conservation division personnel may, from time to time, recommend actions necessary to comply with reasonable use of the surface and prudent operator standards.

(2) These recommendations shall be made either to state land office administrators or the commissioner's office, or to the lessee directly.

E. Exemptions and appeal procedure:

(1) The commissioner, or the commissioner's qualified designated representative, may grant an exemption to any or all of the requirements of this rule when a lessee provides a state land office approved reclamation or operation plan, or demonstrates that compliance would be impracticable or has occurred naturally. Any such exemption granted shall be in writing addressed to the lessee or operator requesting the exemption.

(2) Any lessee or operator aggrieved or adversely affected by a determination or interpretation of the state land office under 19.2.100.66 NMAC may, within 60 days of the receipt of such determination or interpretation, request a hearing before the commissioner of public lands. Within 30 days after receiving such a request, the commissioner shall convene a hearing at which the lessee or operator and the commissioner's staff may present evidence. Within 15 days of the hearing, the commissioner shall enter the commissioner's decision on the matter. Any decision of the commissioner may be appealed pursuant to Section 19- 10-23 NMSA 1978.

[19.2.100.66 NMAC - Rp, 19.2.100.66 NMAC, 6/30/2016; A, 6/11/2019]

19.2.100.67

SURFACE RECLAMATION ON STATE OIL AND GAS LEASES:

A. Purpose and application of 19.2.100.67 NMAC:

(1) The purpose of 19.2.100.67 NMAC is to establish minimum procedures to follow in reclaiming surface disturbances resulting from development and production on state oil and gas leases, the surface of which is held in trust by the commissioner of public lands.

(2) 19.2.100.67 NMAC applies to areas disturbed by operations conducted under all existing and future leases. However, current lessees will not be held responsible for reclaiming areas disturbed under a lease which has previously expired or been terminated and for which the current lessee is not a successor-in-interest. Also, a prudent operator standard will be applied to the reclamation of other conditions existing on the effective date of this rule. In this regard, lessees are expected to comply with all requirements concerning removal of debris and improvements; however, specific requirements relating to ripping and reseeding will be developed by consultation and planning between the lessee and the state land office, using accepted industry standards such as those established by the bureau of land management.

B. Definitions, as used in 19.2.100.67 NMAC:

(1) "temporary abandonment" occurs if a well is no longer usable for beneficial purposes; has been continuously inactive for more than one year; and has been approved for temporary abandonment by the oil conservation division.

(2) "permanent abandonment" occurs if a well is no longer usable for beneficial purposes; has been continuously inactive for more than one year; and has not been approved for temporary abandonment by the oil conservation division.

C. Reclamation requirements:

(1) Surface sites and off-lease storage areas:

(a) Surface sites and off-lease storage areas, upon temporary or permanent abandonment, shall be cleared of junk and debris and, if necessary, be bermed or water-barred in order to stabilize the site and prevent erosion. Within one year of permanent abandonment, the sites and areas shall be ripped through to the underlying material and reseeded.

(b) Where available, topsoil removed from surface sites shall be stored for use in future reclamation of the site. Pads, within one year of permanent abandonment, shall have all caliche ripped through to the underlying material, any remaining stored topsoil replaced and the site reseeded.

(2) Roads: Roads shall be left in place only if authorized by the state land office. If any road is not needed, then, within one year of permanent abandonment, it shall be ripped, reseeded, bermed (closed) at the entrance, and water bars shall be constructed as directed or approved by the state land office. 19.2.20 NMAC shall be followed for specifics relating to road construction, maintenance and reclamation.

(3) Spills and leaks: Within one year of permanent abandonment, all surface affected by spills and leaks shall be reclaimed. Reclamation of the area involved shall be implemented in consultation with the state land office.

(4) Pits (operating/drilling and other):

(a) All pits, within one year of permanent abandonment or within a reasonable time of nonuse, shall be dried and leveled to restore as much of the original contour as is practical to minimize erosion. The pits shall be reseeded as required by this Section.

(b) All lining materials (plastics or otherwise) shall be removed from the surrounding area, cut off and permanently buried below the surface or removed from the area.

(5) Pipelines:

(a) Buried pipelines may be left in place and the surface ripped, water-barred and reseeded according to the specifics of the site.

(b) Within one year of permanent abandonment, surface lines shall be removed and the surface reclaimed as specified in Subparagraph (a) of Paragraph (5) of Subsection C of 19.2.100.67 NMAC.

(6) Debris: All oil and gas lease related surface trash and debris shall be removed upon temporary or permanent abandonment or disposed of in the manner permitted in 19.2.100.66 NMAC. As used in 19.2.100.67 NMAC, "surface trash and debris" means all nonoperational and nonessential equipment resulting from the drilling and producing operation of oil and gas leases and includes, but is not limited to, garbage, rubbish, junk or scrap.

(7) Revegetation:

(a) For all reseeded required by this Section, the state land office will approve seeding rates and seed mixtures, or approve site-specific recommendations. When possible, the state land office will recommend such approved rates and mixtures, but will not require seed varieties in its mixtures which are not in common use in the area.

(b) All required reseeded shall be planned and completed with a goal of revegetation consistent with local natural vegetation density. After a failed attempt to revegetate an area, a second reseeded may be required by the state land office, but in no event shall such second reseeded be required more than two years after the initial one.

(8) Lessee's Improvements: The lessee or operator shall remove all improvements placed or erected on the premises within 60 days after the expiration or termination of an oil and gas lease. Any improvements remaining at the end of such 60-day period shall be deemed abandoned for the purposes of Sections 19-7-14 and 19-10-28 NMSA 1978 and no payments shall be due for such remaining improvements pursuant to those Sections.

D. Release upon permanent abandonment and grant of access: Upon state land office approval and release, a lessee's reclamation responsibilities are terminated. The state land office shall issue a reclamation permit for access to complete reclamation after expiration or termination of an oil and gas lease. The reclamation permit shall be a standard form developed after consultation with interested industry groups.

E. Closeout and operation plan:

(1) A reclamation or operation plan may be submitted to the state land office for review. If approved, the plan shall substitute for the reclamation and operation requirements of this Section and 19.2.100.66 NMAC.

(2) The plan shall consist of reclamation and operation specifics for compliance with the regulations concerning reclamation and operations, with an additional section that sets out the schedule of implementation on a continuing basis during the life of the lease relative to operation, maintenance, spills, leaks, cleanup and reseeded.

F. Exemptions and appeal procedure:

(1) The commissioner, or the commissioner's qualified designated representative, may grant an exemption to any or all of the requirements of 19.2.100.67 NMAC when a lessee provides a state land office approved reclamation or operation plan, or demonstrates that compliance would be impracticable or has occurred naturally. Any such exemption granted shall be in writing addressed to the lessee or operator requesting the exemption.

(2) Any lessee or operator aggrieved or adversely affected by a determination or interpretation of the state land office under 19.2.100.67 NMAC may, within 60 days of the receipt of such determination or interpretation, request a hearing before the commissioner of public lands. Within 30 days after receiving such a request, the commissioner shall convene a hearing at which the lessee or operator and the commissioner's staff may present evidence. Within 15 days of the hearing, the commissioner shall enter the commissioner's decision on the matter. Any decision of the commissioner may be appealed pursuant to Section 19- 10-23 NMSA 1978.

G. Temporary provision - phase-in: Lessees or operators of leases which contain conditions existing on the effective date of 19.2.100.67 NMAC, otherwise requiring immediate reclamation under 19.2.100.67 NMAC, shall have

five years to complete reclamation of such conditions if they demonstrate steady progress toward such completion pursuant to an approved reclamation plan or the requirements of 19.2.100.67 NMAC.
[19.2.100.67 NMAC - Rp, 19.2.100.67 NMAC, 6/30/2016; A, 6/11/2019]