STATE OF NEW MEXICO
COMMISSIONER OF PUBLIC LANDS

IN THE MATTER OF PROPOSED
AMENDMENT TO NMAC 19.2.100.23
(FINANCIAL ASSURANCE)

May 26, 2026

COMMENT OF INDEPENDENT PETROLEUM ASSOCIATION OF NEW MEXICO

The Independent Petroleum Association of New Mexico ("IPANM") submits this comment in opposition to the proposed amendment to 19.2.100.23 NMAC ("Proposed Rule"), which would dramatically increase the financial assurance ("FA") required of oil and gas lessees on State Trust Lands. The Proposed Rule increases the minimum bond from $10,000 to $150,000 per lease across approximately 5,700 active state leases, imposes heightened FA amounts in an unknown, undetermined amount for leases with certain well conditions, operating history, and potentially unrelated litigation postures while simultaneously instituting burdensome, unworkable reporting requirements on lessees at a minimum annually, but also triggered on each assignment or change in well status. IPANM urges the Commissioner of Public Lands ("Commissioner" or "CPL") to reject the Proposed Rule in its entirety, or to substantially revise the Proposed Rule to conform with the Commissioner's statutory authority under Section 19-10-26, NMSA 1978. Adopting punitive new financial assurance targeting responsible operators to address legacy orphaned well liability jeopardizes the State's primary economic engine

and puts the development of State Land Trust and the Trust Beneficiaries—whom the Commissioner is obligated to protect—at risk.

I. INTRODUCTION AND BACKGROUND

A. IPANM is committed to responsible operation and development of State Trust Lands.

Established in 1978, IPANM is a non-profit trade association representing independent oil and natural gas producers and mineral and royalty owners in New Mexico, with more than 300 members. IPANM's members support thousands of New Mexico residents and promote responsible and sustainable discovery, development, production, and conservation of oil and natural gas resources in New Mexico. IPANM membership ranges from third-generation family-run upstream producers to midstream pipeline and transportation employees to downstream independent marketers, consultants, and bankers. All are dedicated to the responsible growth and continued contributions of the oil and gas industry to New Mexico, especially with regard to the deserving State Trust Land schools and hospitals, who directly benefit from continued operations under existing State Oil and Gas Leases.

B. The History of New Mexico Statehood informs limits of the Commissioner of Public Lands Authority.

The authority of the Commissioner of Public Lands over the administration of oil and gas leasing of State Trust Lands derives from Article V, Section 1 and Article XIII, Section 2 of the New Mexico Constitution, the Enabling Act of 1910, (Act of June 20, 1910, 36 Stat. 557) and Chapter 19, Article 10 of the New Mexico Statutes, NMSA 1978, §§ 19-10-1 through 19-10-70. The Commissioner's jurisdiction extends only to those lands acquired pursuant to acts of Congress. 1980 Op. Att'y Gen. No. 80-10. New Mexico's

path to statehood ran through Congress and the Enabling Act of 1910 that authorized New Mexico's Constitution; Because of this route, admission to the Union came with strings attached. The 13.4 million acres that became state land, including the hydrocarbon rich "in lieu lands" in the Southeast and Northwest of the State — were granted in trust, for the benefit of specific institutions enumerated in the Act itself: the common schools, the university, the agricultural college, the school of mines, the military institute, and others. The Act imposes affirmative obligations on New Mexico to manage its lands for the benefit of the designated beneficiaries, to sell trust lands only at public auction and at not less than appraised value, and not to be disposed of except in exchange for lands of equal value. New Mexico and Arizona became states in tandem, with similar constraints. In *Lassen v. Arizona*, 385 U.S. 458 (1967), the Supreme Court confirmed that enabling acts create enforceable trusts from which states cannot deviate. Moreover, the Enabling Act of 1910 sought to impose these limits on the Commissioner to reform and eradicate the kinds of corrupt land transfers and insider dealing that accompanied the unfettered discretion of state land officials during territorial land management. *Id.* at 464. The Enabling Act's unusually detailed and restrictive conditions on the management of granted trust lands were a direct congressional response to the history and harms of The Santa Fe Ring. *Id.* at n. 10. Federal and New Mexico courts cite to this same history to hold that the Commissioner's authority over and management of State Trust Lands is a strictly delegated, trust-bounded authority, where every action must be justified by reference to the beneficiaries' interests and comport with the constraints set by Congress,

the New Mexico Constitutional Convention, and the New Mexico Legislature.[1] "The Commissioner of Public Lands is merely an agent of the state with such powers, and only such, as have been conferred upon h[er] by the Constitution and laws of the state as limited by the Enabling Act."[2]

The Commissioner's inability to unilaterally expand her own authority, her obligation to maximize trust revenues rather than subordinate them to regulatory preferences, and the legislative supremacy over significant land management decisions are structural responses to a historical pattern in which unreviewable official discretion over land was systematically converted into private benefit. Against the same headwinds that delayed New Mexico's admission to the Union for six decades, the Proposed Rules now seek to expand the Commissioner's authority beyond that prescribed by laws and imbue the Commissioner with the same kind of discretion the U.S. Congress eliminated.

C. Public Land Laws Codify the State Legislature's Restraints on the Commissioner.

The New Mexico Legislature enacted its Public Land laws (now codified at NMSA 1978, §§ 19-1-1 through 19-14-3) to implement the Enabling Act's requirements and define the Commissioner's executive authority. Where the Enabling Act and the New Mexico Constitution provide the origin source of the Commissioner's authority, those powers may only be exercised within the specific contours of Article 19. Thus, the New Mexico Legislature has set the interior boundaries as to the Commissioner's authority

[1] *See Harvey E. Yates Co. v. Powell,* 98 F.3d 1222 (10th Cir. 1996) (striking down a Commissioner rulemaking that exceeded the statutory authority granted by the Land Code, holding that the Commissioner had "usurped a legislative function" — she could not expand her own authority beyond what the Legislature, operating within the Enabling Act's framework, had granted her).

[2] *State ex rel. Del Curto v. District Court,* 1947-NMSC-032, ¶ 33, 183 P.2d 607, 613.

against the backstop of Enabling Act restrictions and the Commissioner is bound by those internal constraints.

In adopting Ch. 137, Section 5 (Laws 1925)[3] the Legislature authorized a specific and limited form of financial assurance — a surface damage bond on state trust lands under contract— and calibrated that authority to a particular purpose: for the benefit of the ***purchaser*** for "such damage to the livestock, range, water, crops, or tangible improvements of the purchaser." *Id.* Additional obligations imposed upon lessees arise under statutory lease forms, NMSA 1978, § 19-10-4.1 *to* -4.3. Moreover, the statutory lease forms prescribed under Article 19 govern the contractual relationship between the Commissioner and her lessees. The Commissioner cannot modify the terms of existing statutory leases through rulemaking in a manner that imposes obligations not contemplated by the lease form in use at the time of issuance. Imposing a $150,000 per-lease bond on lessees operating under leases that containno such requirement at issuance raises serious questions of contract impairment and retroactive regulatory overreach.

Critically, Article 19 does not authorize a blanket or uniform bond on all leases, nor does it authorize the Commissioner to impose bonds based on the mere existence of inactive wells, low production levels, or the historical compliance records of other operators. The Legislature's choice to authorize a surface damage bond—limited in scope

[3] Historical predecessor to 1929, § 132-423, NMSA 1941, § 8-119, NMSA 1978, § 1953, §7-11-20, and NMSA 1978, § 19-10-26). The only earlier law providing for a bond relates to Laws of 1912, § 5206, but is limited to leases of coal lands. In comparison, Section 5217 authorizes leasing for the extraction of petroleum and natural gas, with no bond to be imposed prior to development. *See* Compilation of Historical Statutes and Regulations, attached as **Exhibit 31**.

to surface protection for purchasers of that surface—rather than a broad remediation, reclamation, or plugging bond, constitutes an intentional policy decision that the Commissioner may not expand through rulemaking. Thus, The Commissioner cannot now bootstrap from that narrow and specific circumstance to blanket, general authority to impose comprehensive plugging, remediation, and reclamation bonds. To do so violates Section 19-10-26's express terms and, indirectly, the Enabling Act's requirement that the Commissioner act as a trustee bound by the terms of her trust instrument under a fiduciary duty to maximize long-term revenue to the trust beneficiaries.

The Proposed Rule far exceeds the Commissioner's statutory authority. By requiring a minimum $150,000 bond per lease—covering plugging, remediation, reclamation, and "damage to mineral resources and reservoirs"—the Proposed Rule imposes obligations well beyond the surface damage bond authorized by Section 19-10-26. To the extent plugging and reclamation obligations for state-leased wells are not adequately addressed by existing OCD financial assurance requirements under NMSA 1978, § 70-2-14, the proper avenue for expanding the Commissioner's authority is through the Legislature, not administrative rulemaking. *See Harvey E. Yates*, 98 F.3d at 1222 (Commissioner "usurped a legislative function" in promulgating rules exceeding statutory authority). As it stands, three firm limits on the Commissioner warrant rejection of the Proposed Rule. First, that the Commissioner's authority is derivative not sovereign, flowing from federal law through the State's Constitution and statutes, disposes of inherent or implicit gap-filling arguments. Second, the Commissioner's fiduciary obligation to the 21Trust Beneficiaries does not allow her to adopt a rule that sacrifices revenue or recovery under the guise of "protection." Third, the Commissioner's rulemaking arena is

more constrained than comparable executives because departures from the Legislature's calibrated choices carry constitutional, not merely administrative, consequences.

II. ROLE OF THE OIL AND GAS INDUSTRY IN THE STATE OF NEW MEXICO

A. State Trust Lands Permanent Fund and Beneficiaries

The Land Grant Permanent Fund ("LGPF") is one of the largest sovereign wealth funds in the United States, managing more than $28 billion in assets. Revenue in the LGPF comes principally from leases and royalties on non-renewable natural resources—primarily oil and gas—collected and remitted by the SLO on a monthly basis. Oil and gas revenues, including rents, royalties, and bonuses, constitute over 90 percent of annual contributions to the LGPF. The LGPF distributed $1.34 billion to beneficiaries in fiscal year 2024. Oil and gas development on state trust lands, including production from the independent operators targeted by the Proposed Rule, is the engine that funds the LGPF. A bonding scheme that reduces production on state trust lands, drives independent operators to prematurely plug wells, or causes lessees to abandon state leases directly diminishes the revenues available to the trust and harms the beneficiaries the Commissioner is constitutionally and statutorily obligated to protect.

The LGPF serves 21 designated beneficiaries under the Enabling Act, including New Mexico's 89 public school districts (approximately 85 percent of trust acreage), the University of New Mexico, New Mexico State University, New Mexico Highlands University, New Mexico Institute of Mining and Technology, the New Mexico Military Institute, the New Mexico State Hospital, the New Mexico School for the Blind and Visually Impaired, and state charitable, penal, and reformatory institutions. Approximately one quarter of New Mexico public school budgets are supported by income generated from

state trust lands. Any regulatory action that diminishes state trust land revenues necessarily harms these beneficiaries and conflicts with the Commissioner's fiduciary duty to maximize their benefit. The State Land Trusts Advisory Board is charged with reviewing the Commissioner's policies to provide a continuity in balancing recovery, income, and the protection and maintenance of assets. NMSA 1978, § 19-1-1.4.[4] At the recent annual meeting, the Commissioner briefly introduced the Proposed Rule, to which the Board members all expressed interest and concern. Notably, members of the State Land Office assured the Advisory Board that the proposed bonding levels were not only feasible, but achievable. The only public comment at the meeting, provided on behalf of IPANM, was interrupted multiple times and cut off at 2:00 minutes. Questions raised by the Board in response to IPANM's comments were quickly dispensed with and the meeting was adjourned without further consideration.

B. Lower-Producing Wells and Independent Operators

IPANM's members include many small and independent operators who produce from low-volume wells on state trust lands. These operators collectively account for a significant portion of state trust land royalties and production. Many operate wells producing fewer than 250 barrels of oil per year—one of many thresholds that triggers Heightened FA under the Proposed Rule, 19.2.100.23(B)(1)-(4)—yet these wells often

[4] NMSA 1978, 19-1-1.4(A). The consensus and advice of the state land trusts advisory board are intended to provide a continuity for resource management and to help the commissioner of public lands with understanding and maintaining the highest standards for maximizing the income from the trust assets, and to protect and maintain the assets and resources of the trust as required by the constitution of New Mexico, the Enabling Act for New Mexico and state statute. To that end, the board shall review the policies and practices of the commissioner of public lands and shall advise the commissioner on how such policies and practices affect and achieve those goals.

serve as feeders for secondary recovery units, provide economic benefit to mineral owners and working interest owners, and support local jobs and economies in communities throughout southeastern and northwestern New Mexico.[5] The Proposed Rule's blanket $150,000 per-lease bond minimum, applied without regard to the number of wells on a lease, the productivity of those wells, or the operator's compliance history, will disproportionately burden the smallest operators whose margins cannot absorb large upfront capital commitments. As demonstrated by the Colorado experience following that state's 2022 financial assurance rulemaking, dramatic bonding increases targeting marginal and low-producing wells caused orphaned well counts to nearly quadruple, statewide bonding levels to decrease by $4 million, and an exodus of small operators from the state. New Mexico should not repeat Colorado's mistakes.

Moreover, while it is the independent operators who have contributed the most by discovering and advancing development throughout the state, it is those same local, independent operators who remain active throughout downtimes and maintain equipment and infrastructure for the next boom. Martin Yates, Jr. drilled the Illinois State #3 in 1924, the first commercial oil well on state lands. Strata drilled the first long-reach lateral in the Delaware Basin in 1995. Many independent operators acquire packages of mixed-age wells and assets, then by devoting more individualized attention, can restore production or develop new horizons within undeveloped formations. These same operators plan for decommissioning on an annual basis. For example, one project took 100+ older vertical

[5] See Raul Torrez, "OPINION: Clean up wells. Protect New Mexico workers" Albuquerque Journal (May 15, 2026), available at https://www.abqjournal.com/opinion/opinion-clean-up-wells-protect-new-mexico-workers/3041092 (last accessed May 26, 2026), attached as **Exhibit 32**.

wells, plugged some, recompleted others, and drilled several dozen horizontal wells drastically increasing production, with another 200-plus locations identified for future development. These projects include wells producing from state trust lands. It is undisputed that as the No. 2 oil-producing state and No. 3 natural gas state, the oil and gas industry is the backbone of New Mexico's economy, contributing billions of dollars annually in production taxes, severance taxes, and royalties that fund state government, public schools, and infrastructure. Independent producers operating on state trust lands contribute materially to these revenues. Beyond direct fiscal contributions, oil and gas operations on state trust lands support thousands of direct and indirect jobs in communities throughout New Mexico, including in Lea, Eddy, San Juan, and Rio Arriba counties where state trust lands are concentrated. For example, one operator holds about 60 state leases, operates 31 state wells, and contracts with local well and support service companies, in addition to its 20+ full-time, local employees.[6] The Proposed Rule's financial burdens will reduce investment, accelerate plugging of marginal wells, and drive operators out of New Mexico, reducing production and the associated tax and royalty revenues that support New Mexico families and institutions.

III. IPANM PRIMARY CONCERNS WITH THE PROPOSED RULE

A. Authority to Adopt

IPANM outlined its concerns with the Commissioner's authority to adopt the Proposed Rule under the authorities cited above. Further, IPANM adopts and incorporates the New Mexico Oil and Gas Association's May 26, 2026 Comment outlining

[6] *See* Exhibits 16 & 30 to Public Comment submitted by Jim Winchester (May 26, 2026).

further concerns and legal challenges to the Commissioner's authority to adopt the Proposed Rule hereto in full.

B. Unintended Adverse Economic Effects

1. Statewide Production and Royalties Will Suffer under Premature Plugging.

The Proposed Rule will reduce production from state trust lands, directly reducing royalties and other trust revenues. By imposing a $150,000 minimum bond per lease across approximately 5,700 active state leases—a 1,400 percent increase from the prior $10,000 standard—the Proposed Rule requires operators to commit enormous amounts of capital as upfront financial assurance. As established in operator and surety industry expert testimony in Case No. 24683 and the State's own financial assurance reporting,[7] the surety bonding market is not available for most individuals and smaller companies, leaving only cash bonds or irrevocable letters of credit with the same capital constraints. For independent operators and lessees with just a dozen of state leases, total bonding requirements under the Proposed Rules will exceed $1 million. Once tied up as collateral, these funds are unavailable for drilling, well maintenance, workovers, and other activities that generate production and royalties for the Trust and its beneficiaries.

When—not if—bonding requirements combined with additional administrative burdens and regulatory capture make it uneconomical to impossible to hold and operate marginal wells, operators will plug those wells prematurely rather than retain the wells as

[7] *See* ONGARD, SLO Reports, Oil & Gas Bond Listing, available at http://web.slo.state.nm.us/Applications/OSCReporting/StartReport.aspx?ReportId=594 (downloaded May 26, 2026), attached as **Exhibit 33.**

inventory for future enhanced recovery and secondary production phases. Only 5-15% of original oil in place ("OOIP") is recovered in primary production, and secondary unit methods rely on existing wellbores to establish patterns for waterflood or later tertiary EOR phase to recoup another 35-55% of OOIP. The Proposed Rule's $150,000 bond and 250-barrel production threshold for Heightened FA, disproportionately targets the same older, lower-rate wells that are integral to future secondary recovery operations or comprise the infrastructure platform for tertiary recovery. Forcing those wells to be plugged early does not eliminate the associated remediation liability — but it does foreclose future double-to-triple revenues that would stream to the LGPF from the oil those wells would have helped produce in later phases. From a fiduciary standpoint, this kind of short-term, shortsighted regulatory action disregards the Commissioner's obligation to maximize long-term trust revenues. Moreover, testimony in the related OCD Case No. 24683 established that operators plan for and plug uneconomic wells on an orderly basis using cash flow from more productive wells; when new or increased bonding requirements tie up that cash, plugging is either delayed (creating orphaned wells) or accelerated (destroying recoverable value). Either outcome harms the trust.

2. Surety Bonding Market Will not Absorb Impact of Proposed Rule.

The Proposed Rule assumes a functioning surety market capable and interested in absorbing $150,000 *or more*[8] per lease across 5,700 leases. That assumption is incorrect. Expert testimony in Case No. 24683 established that the surety market is

[8] No details have been promulgated by the SLO regarding how the Commissioner will determined the full-cost bonding of "Heightened FA" required by the Proposed Rule but there are no textual limits on the amount she might require.

currently in one of its hardest periods in recent history, with sureties requiring working capital of at least 25% of the bond amount and collateral equal to 50-100% of the bond required. The Surety and Fidelity Association of America, a nonprofit, nonpartisan association that represents 450 surety and bonding companies responsible for **98%** of all private and public bonds, submitted comment in Case No. 24683 expressing the same concerns. For an operator with 150 leases facing $22.5 million in total bond obligations, collateral requirements alone would exceed $11 million. Annual premiums of 2.5–3.5% of the bond amount would cost $562,500–$787,500 per year, permanently for the life of lease.[9] Many small operators simply cannot qualify for bonds of this magnitude and it is less than certain the surety market has any appetite to extend eligibility to even those larger operators and lessees who qualify at rates that make it economically feasible to continue to operate in the State of New Mexico. Moreover, the increases in FA under the Proposed Rule likely endangers existing bonds for qualifying lessees.

C. Implementation Concerns

1. Split Leases and Multiple Operators

The Proposed Rule imposes bonding obligations on lessees of record, but on many state leases the lessee of record and the operator of wells on the lease are different parties. Further demonstrating the impracticality of implementation, there is no database that links the lessee of a state lease (maintained by SLO) to the operator and wells located on each of that lessee's leases (maintained by OCD). The Commissioner's decision to reject all

[9] *See* Direct and Rebuttal Testimony of Surety Experts in Case No. 24683, attached as Exhibit 10 to Jim Winchester Comment dated May 26, 2026; *see also* Comment of Surety Expert Trevor Gilstrap, attached as **Exhibit 35.**

miscellaneous filings regarding assignments of operating rights or other interests in leases as of 2018 adds another layer of obfuscation to the picture for the Lessee under the Proposed Rule attempting to comply with both the bonding and reporting requirements. Now that such information is unavailable in the SLO records, the Lessee is forced to undertake title research at considerable expense, to track the operating rights to each well located on the lease premises. Or, vice versa, the lessee of record (equivalent to record title lessee in federal) may now be dissolved, defunct, or simply deceased. Development may or may not have occurred on the lease premises, the lease being held by production on a parent lease prior to segregation or on communitized lands off-premises.

Under the Proposed Rule's lack of delivery requirement, a Notice of Cancellation for failure to post additional bond could be mailed, returned as undeliverable, the lease cancelled with the operator of the well none the wiser. Section B(5) of the Proposed Rule attempts to address this for communitization agreements but does not resolve broader implementation problems. One of those problems arises under standard industry joint operating agreements ("JOAs"), where the operator bears all costs of compliance with government-required bonds but recovers those costs only through a fixed monthly overhead charge that will not increase to reflect the dramatically higher bond amounts required by the Proposed Rule. The mismatch between lessee of record (who must post the bond) and operator (who bears the compliance cost) will create contractual chaos and disputes that the Commissioner's rules neither anticipate nor resolve. Moreover, the current Commissioner's interpretation requires both operators and lessees to post surface damage bonds under Section 19-10-26, which if applied similarly after adopting the

Proposed Rule means that not only will all 5,700 state leases be bonded at the $150,000 level, but also all 13,000 state wells, regardless of current OCD-required plugging bonds or possible federal bonds equally applicable to communitized leases and wells. Even the more rudimentary question of which lessee must post a bond is unanswered by the Proposed Rule: by statute, there may be no more than two (2) lessees of record due to the constraints of approval of an undivided interest. *See* NMSA 1978, § 19-10-13. However, in the scenario where a lease is held jointly by two Lessees pursuant to NMSA 1978, § 19.10-13 and NMAC 19.2.100.20, the Proposed Rule does not resolve whether the Commissioner may require bonding from both Lessees and whether lessee-specific conditions triggering Heightened FA can be considered in assessing the FA required of the other lessee.

2. Timing and Phase-In

Section L(2) of the Proposed Rule requires lessees holding 50 or more oil and gas leases to comply by December 1, 2026—likely less than six months from the rule's effective date. For an operator with 50 leases facing $7.5 million or more in new bonding obligations, six months is an inadequate period to arrange financing, negotiate surety terms, and post conforming financial assurance. The Proposed Rule provides no mechanism to obtain an extension of this deadline. A phase-in period of no less than 24 months for operators of 50 or more leases, and 36 months for all other lessees, would be more appropriate and would avoid forcing premature lease cancellations. The only described extension applies to Heightened FA requirements, NMAC 19.2.100.23(L)(1), which may trigger as soon as 30 days from adoption, for which the Commissioner may

authorize deferral. Given the recent shift in Commissioner's interpretation of Section 19-10-26 to require lessees to post surface damage bonds even where no surface operations have been commenced, where the operator has posted a bond, and for leases that fall outside of the surface-purchase limitation, even more concerning is that the Proposed Rule is to be effective immediately upon adoption.

3. Vague, Ambiguous, and Uncertain Provisions

The Proposed Rule vests the Commissioner with broad, unchecked discretion to require heightened financial assurance on an individual lease basis based on "other factors pertinent to the lessee's oil and gas operations in New Mexico." 19.2.100.23(B)(4). This open-ended discretion—exercisable without prior notice, hearing, or defined standards—is inconsistent with the norms of due process and the constraints of the Enabling Act. The Proposed Rule also does not define "inactive well" consistent with OCD's temporary abandonment regulations, creating uncertainty about whether a well in approved temporary abandonment triggers heightened FA. These ambiguities must be resolved before the Proposed Rule is finalized in any form.

D. No Individual Lease, Well, or Operator Analysis in the Proposed Rule

1. Well Economics

Section B(1)(b) of the Proposed Rule triggers heightened financial assurance for any lease with a a well on the lease premises that has produced 250 barrels of oil equivalent or less in the past year. The Commissioner has performed no analysis of how many wells on state leases fall below this production threshold, the economic profile of those leases and wells, or the financial impact of imposing heightened bonding on lessees

that may have no control over the operators or wells triggering the Heightened FA requirement.

At current oil prices, wells producing at or below the 250-barrel threshold are marginally economic. But imposing Heightened FA on leases containing such wells will either endanger the lease or, more accurately, the well becomes uneconomical to hold. In response, lessee/operators will plug the well prematurely or abandon leases, or operators may face pressure to plug the well or produce during less favorable markets to artificially increase production at lower prices to avoid bonding, depriving the trust of royalties either way.

2. Industry Costs of Reclamation and Remediation

The Proposed Rule sets a $150,000 minimum bond per lease, purportedly to cover plugging, remediation, and reclamation costs. First, those categories of expenses do not appear in Section 19-10-26. *Compare id.* (damage to livestock, range, crops, and tangible improvements) *to* Proposed Rule at 19.2.100.23(A)(1) & (B)(1) (defining damage to include plugging, remediation, reclamation, and reservoir damage) Second, this figure bears no rational relationship to actual industry surface damage costs or the total anticipated liability based on the observed abandonment rate. In response to NMOGA's public record request for reasoning and rationale in support of the Proposed Rule, the SLO produced the CFAR Report. First, the CFAR report does not analyze orphan well or abandoned lease liability, it estimates total costs—borne annually by industry at an annual rate of 95%—based on a small sample size and a series of assumptions. Second, and in stark contrast to the Proposed Rule, both the CFAR Report and the underlying 2021

Vertex study undertake to analyze well and associated well equipment based on actual characteristics (depth, age, type of well, et cetera). Here, the Proposed Rule assumes a flat $150,000 per lease regardless of development or infrastructure. Section 19-10-26 explicitly excludes plugging costs from the surface bond amount (§ 19-10-26), yet the minimum bond set in the Proposed Rule ($150,000) is calibrated to the same plugging cost estimates relied upon in Case No. 24683 before the Oil Conservation Commission and the 2025 Legislative Finance Committee Report. This internal inconsistency confirms that the Proposed Rule is not a surface damage bond authorized by statute but an unlawful attempt to create a comprehensive plugging and reclamation bond without legislative authority.

3. Operator Good Standing and Compliance History

The Proposed Rule is addressed uniformly to all 5,700 active state lessees, without regard to the lessee's compliance history, financial standing, or track record. The Commissioner has performed no analysis distinguishing between responsible operators who regularly plug their wells and maintain their leases in good standing, and the handful of problem operators responsible for the vast majority of orphaned or inactive state wells.

Data from OCD Case No. 24683 demonstrates that the orphaned well problem on state trust lands is concentrated among a very small number of operators. Of approximately 680 orphan state wells identified on OCD's Master Orphan Well Spreadsheet, 471 orphan state wells (**69%**) are attributable to five operators.[10] Critically, the operators responsible

[10] *See* Master Orphan Well Spreadsheet, OCD Exhibit 17 in Case No. 24683, attached as **Exhibit 34**. Ridgeway Arizona Oil Corp. – 189 orphan wells (also holds 126 state leases); M&M Energy, Sellers &

for the majority of orphaned wells on state trust lands are largely the same operators with little or no active lease holdings.[11] Imposing a $150,000 minimum bond on the remaining 5,700+ responsible lessees who are not among these problem operators is not rationally related to the stated goal of protecting state trust lands from orphaned well liability.

Furthermore, many state leases have no wells, because those leases are committed to a communitization or unit agreement. Subpart I(5) of the Proposed Rule allows the operator of a well on a communitized lease to post financial assurance, but this is a very limited exception and—moreover—ignores that while a Lease A may be held by production from an off-premise well communitized with Lease B, there may be no surface disturbance on Lease A. The single per-lease bond of $150,000 cannot be justified as a reasonable estimate of risk.

F. Member Operator Comments

IPANM solicited comments from its member operators on the Proposed Rule's specific effects on their operations and decision-making. The responses received, summarized below, confirm and amplify the concerns set forth in this comment. They reflect a cross-section of IPANM's membership—from single-lease prospectors to mid-sized multi-lease operators—and demonstrate that the Proposed Rule's burdens fall disproportionately and inequitably across a broad range of company sizes and operational structures.

Fulton, LLJ Ventures, Canyon E&P, Northern Pacific – 204 orphan wells collectively; Cano Petro of New Mexico, Inc. – 30 orphan wells; Marks and Garner Production LTD Co – 48 orphan wells.

[11] Although Ridgeway is still listed as lessee of 126 state leases, Acacia Operating (with 154 inactive state wells) holds 0 state leases; M&M Energy, Sellers & Fulton, LLJ Ventures, Canyon E&P, and Energy Acumen individually hold 1 or 0 state leases.

1. Financial Impact of the $150,000 Minimum Bond

Member operators reported that the new minimum bond requirement would impose crushing financial obligations that bear no relationship to the actual risks on their individual leases. One mid-sized operator holding over 100 state leases calculated that its total bonding obligation would increase to approximately $11 million under the Proposed Rule—capital that would largely be tied up in letters of credit at an estimated carrying cost of approximately $325,000 per year in interest on unused capital. This capital drain will directly limit the Mid-size Operator's ability to expand operations or acquire new wells in New Mexico. Another operator calculated that its prior $25,000 blanket bond would increase to approximately $10,000,000—a 400-fold increase—on top of existing redundant OCD plugging bonds. Combined with consistently low and negative gas prices, the Proposed Rule may force that operator into bankruptcy or abandonment. A third member operator holding just over 50 state leases similarly reported that the bonding increase "creates a tremendous amount of uncertainty and pressure," noting that many of its natural gas wells, already strained by low Permian Basin gas prices, could not support these bonding levels without reduced investment and likely job losses.

Even the smallest operators will be severely affected. For example, a company holding a single prospective state lease with no existing wells would still be required to post a significant bond before any wells are drilled—at a point where there is no corresponding risk to the state—and that the requirement "does not match the actual risk timing that we are facing." The same small operator had already experienced increasing difficulty finding insurance companies willing to underwrite bonds, a problem the Proposed Rule will only worsen.

2. Duplicative and Layered Bonding

Multiple member operators independently identified the Proposed Rule as imposing duplicative bonding on top of existing OCD financial assurance and the Oil and Gas Conservation Taxes that flow to the Reclamation Fund. Because the Commissioner introduced the Proposed Rule at the same time and before the Oil Conservation Commission has adopted a final rule as to individual well bonding, an operator may face the layering of up to four (4) separate FA obligations: OCD blanket bonding, OCD inactive well bonding, SLO lease bonding, and SLO Heightened FA requirements. These four ignore the possible overlap on communitized production with federal bonding. Moreover, the OCD Bond Form's existing language already secures plugging, abandonment, remediation, reclamation, restoration, monitoring, and post-closure care, such that the surface damage obligations contemplated by Section 19-10-26 should not require a separate SLO bond. Finally, the increases in Reclamation Fund contributions under HB80 already address orphaned wells on state trust lands, which undercuts if not eliminates the need for the duplicative bonding the Proposed Rule imposes.

3. Uncapped Commissioner Discretion in Heightened FA

Operators across all size categories expressed alarm at the heightened FA provisions, which vest the Commissioner with unlimited discretion to demand additional bonding of unspecified amounts. One 50+ lease operator called this "even more alarming" given the absence of any cap, stating that the company "has always diligently plugged and remediated inactive or wells at the end of their economic life without issues, so a blanket increase to all SLO leases with the possibility of even more bonding on top of that makes

our outlook very bleak in the State of New Mexico." Another member commented that the Commissioner's discretion "leads to uncertainty for small companies like us" and makes investment in New Mexico less attractive. Another operator identified multiple provisions—the inactive well trigger, the ten-year compliance history trigger, and the catch-all individual lease assessment under Section B(4)—as each providing independent, cumulative authority to stack additional bonds of unlimited amounts, characterizing the overall scheme as a mechanism for the SLO to impose "multiple bonds of unlimited amounts" without any rational cost-based limit.

4. Liability Imposed on Non-Operating Lessees of Record

Already referenced above under implementation concerns, one member was especially alarmed at the Proposed Rule's imposition of Heightened FA on record-title lessees who have no operational control over the wells on their leases. As a lessee of record who operates no active wells on the leased premises has no day-to-day involvement with operations, the Proposed Rule "creates a material disconnect between liability and control, and could result in significant financial exposure for non-operating lessees without a corresponding ability to mitigate that risk." The Proposed Rules run counter to the principles in the New Mexico Oilfield Anti-Indemnity Act, NMSA 1978, § 56-7-2, by removing the incentive of an operator to act prudently. Moreover, the practical consequences of this disconnect are not hypothetical. The State Land Office regularly crows about its success in the "forced plugging" efforts, last trumpeted at over 900 wells. These are not wells that the SLO or OCD are plugging – these 900 wells were plugged by associated interest holders found in the chain of title. One member reported that they

had already been approached and agreed to plug seven wells after the actual operator declared bankruptcy. Another commented similarly to plugging a well it owned no interest in other than lessee of record. These examples illustrate that the Proposed Rule's framework compounds an existing structural inequity rather than correcting it.

5. New Mexico Bonding Would Exceed Comparable Producing States

Members who operate in New Mexico and other producing states provided concrete comparisons demonstrating that the Proposed Rule would make New Mexico a significant outlier. For comparison:

- Oklahoma requires a flat blanket bond of $25,000 covering all wells, or a $50,000 net worth self-bonding alternative, and does not scale with well count in any meaningful way at the minimum level.

- Texas uses a well count-based blanket bond structure ranging from $25,000 for operators with 1–10 wells to $250,000 for those with 100 or more wells.

- North Dakota's standard single-well bond is $50,000, with blanket bonds ranging from approximately $100,000–$150,000 for multi-well operators.

- Wyoming historically required approximately $10,000 per well or a $100,000 blanket bond for multi-well operators.

-Colorado, widely considered the most stringent state system, bases its financial assurance on a case-by-case assessment of the number of wells, their condition, and estimated cleanup costs, and can run into the hundreds of thousands to millions for larger operators—but is calibrated to actual risk.

One operator with wells in both Texas and New Mexico, confirmed that current OCD and SLO bonding is roughly comparable to Texas blanket bond requirements, but if both WELC/OCD Rules in Case No. 24683 and the Commissioner's Proposed Rule are adopted as written, New Mexico "will greatly surpass Texas bonding requirements and will likely make operators reconsider where they do business in the future."

6. Good Operators Should Not Bear the Cost of Bad Actors

A recurring theme across member comments was that the Proposed Rule punishes responsible operators for the failures of a small number of bad actors. One operator stated plainly: "We believe that operators and record title owners with a good history of doing the right thing should not be punished by an across the board mandate of increased bonding. If there are operators out there that are walking away from wells, not remediating State lands, [etc.], have them be subject to increased bonding rules. Do not burden those of us that try to do things the right way with these measures that will only lead [to] reduced investment, financial loss for both businesses and State Land Office beneficiaries, premature abandonment and job loss in the great state of New Mexico." This sentiment was echoed throughout comments, and members were supportive of bonding levels tied to multiple factors to evaluate risk: compliance history, the actual footprint of surface disturbance on the lease, and the number and condition of wells—not a uniform flat amount applied equally to responsible and irresponsible operators alike. This aligns with the Proposed Rule's own heightened FA framework, which admits that compliance history is a relevant factor, but then fails to use that factor to exempt good-faith operators from the blanket $150,000 minimum.

7. Annual Reporting Requirements and Criminal Liability Concerns

Operators also raised serious concerns about the Proposed Rule's annual reporting requirements. First, the reporting obligation is duplicative, given that production data is already reported to OCD and that the rule calls for redundant disclosure of the same information. Separately, because the annual report must be certified under penalty of perjury by a person with authority to bind the lessee, a good-faith reporting error could expose a company to additional liability or lease cancellation. Member operators also sought clarification on whether the reporting requirements apply solely to wells on state-leased premises or to all wells the operator operates in New Mexico, noting that the rule's scope is ambiguous on this point. The administrative burdens and certification concerns are only amplified for member lessees that do no operate wells on the leases and are without access to a great amount of required information (litigation, lawsuits, violations, bond claims or forfeitures, infrastructure inventory, releases and remediation efforts).

8. Agricultural Surface Lessee Concerns

IPANM also received comments from an agricultural surface lessee, who offered a perspective distinct from that of the oil and gas operators but equally critical of the Proposed Rule. Section 19-10-26 is designed to protect the surface lessee, but the Proposed Rule would paradoxically, make surface lessees worse off under the new framework than under the current one. First, the Proposed Rule reorients the purpose of the financial assurance away from the existing regime's explicit focus on "surface improvement damage" protection—including livestock, range, water, and crop damages—and toward protection of the SLO against broad "damage to state trust land."

In fact, the words “livestock,” “crops,” and “range” no longer appear in 19.2.100.23: the Commissioner has literally written out and struck-through protections for surface purchasers and lessees in the Proposed Rule. Thus, the Proposed Rule creates competition between the plugging and remediation obligations the SLO wants to prioritize and the prompt compensation for direct agricultural damages that surface lessees are entitled to by law. Second, the existing rule allows surface lessees to affirmatively demonstrate to the Commissioner that the minimum bond is inadequate; the Proposed Rule eliminates this right, replacing it with a lessee-requested waiver regime entirely at the Commissioner’s discretion. Third, the Proposed Rule’s claims process is structured as a commissioner-driven mechanism with no explicit, time-certain procedure for surface lessees to initiate or receive direct payment from the instrument—potentially forcing surface lessees through an indirect and discretionary process to recover for damage to their fences, water systems, or crops. Fourth, the bulk bonding discount structure may accelerate market consolidation favoring large operators, leading to more intensive surface disturbance on the remaining leased acreage and greater interference with agricultural operations.

IV. FULL COST BONDING DOES NOT PLUG OR PREVENT ORPHAN WELLS

A. 2021 CFAR Report, 2021 Vertex Study, and 2025 Federal Orphan Well Program Reports do not support a single lease bond of $150,000.

Based on an influx of available federal funds under the Infrastructure Investment and Jobs Act, P.L. 117-58, to address orphan well liability, many oil and gas producing states undertook additional surveys and studies to qualify for the maximum grants. The State Land Office commissioned the Center for Applied Research, Inc., a private, Denver

based consulting firm to review and estimate the potential maximum liability related to oil and gas infrastructure on state trust and private lands. The 2021 CFAR report estimated decommissioning costs for wells, pipelines, and other facilities and equipment by adopting closure and clean up costs in a separate 2021 report by Vertex Resources Services, Ltd.[12] According to the 2021 CFAR Report, "Vertex found that per well plugging and abandonment costs varied considerably depending on certain well-specific parameters and specifications such as geographical location, age, fluid (i.e., oil, gas, produced water), well bore depth, number of producing pools crossed, drilling profile direction, and the presence of downhole equipment. To allow for nuance among wells and increase the accuracy of cost estimates, Vertex created a series of well type classifications and prepared class-specific plugging and abandonment cost estimates." *Id.* The Proposed Rule takes none of the above characteristics into account when establishing per-Lease minimum bonding or setting Heightened FA levels. Moreover, neither the CFAR nor the Vertex study put financial assurance into context with how wells are plugged 95%-99% of the time. With the federal funding referenced above, the Federal Orphan Well Program, the USGS has developed a methodology to estimate the number of wells at risk of being orphaned, which has yet to be published.[13] Those studies indicate that the orphaning rate

[12] *See* 2021 CFAR at 9 & n.9 ("To estimate the scope and cost of the well closure and clean-up process…the Center relied on a recent analysis prepared by Vertex Resources Services, Ltd. (Vertex Report).").

[13] *See* Orphan Wells Program Office, U.S. Department of Interior, Fiscal Year 2025 Orphaned Wells Program Annual Report to Congress, 14-15 (November 2025), attached as **Exhibit 36**; *see also* USGS Energy Resources Program Analysis of the U.S. Documented Unplugged Orphaned Oil and Gas Well Dataset, attached to Winchester Comment as Exhibit 17, at 7 & Figure 4 (ration of orphaned wells ranging from 0.08% in 2021 to peak of 2.74% in 1980, average of 1.42%).

has fallen year-after-year.[14] Because the $8 billion liability gap represents 100% of all oil and gas infrastructure, not just the 1-2% of abandoned or orphaned wells that will be reclaimed with funds from the Reclamation Fund, the 2021 CFAR Report is not substantial or even relevant evidence to support $150,000 minimum lease bonding. Assuming a 2% orphan rate applied to total infrastructure liability $8 billion would be $160 million, which when divided by 5,700 active state leases yields a per-lease bond of $28,000. Moreover, a review of the use of the State Restoration and Remediation Fund does not indicate that the Commissioner has applied any of those funds to the reclamation of oil and gas wellsites or routed forfeited financial assurance for that prupose. Instead, it appears that most if not all reclamation efforts are accomplished through "forced plugging" where bonding does not even come into play. Instead owners in the chain of title are pursued to accomplish plugging and abandonment. *See* Fiscal Year 2025 Commissioner of Public Lands Annual Report (reporting 840 wells force plugged at a cost of $84 million).

F. Economics of Bonding

For some projects, like large-scale uranium mines, full-cost bonding may make economic sense. As tied to surface damages on state trust lands due to oil and gas operations, it does not.[15] From an economic perspective, the optimal bond amount is often less than the total cost of reclamation or performance.[16] This is because the penalty an operator or lessee faces with bond forfeiture is much greater than the funds or collateral

[14] Ex. 17 at Figure 5.

[15] *See* Comment of Economist Rob Arscott dated May 26, 2026, attached as **Exhibit 37.**

[16] *See, e.g.*, OCD Exhibit 17 MOSS, attached as Ex. 34 (reporting Performance Bond amounts for contracted plugging services).

tied to the bond—instead it could be a complete inability to operate and loss of all potential future profit. Less-than-full cost bonding minimizes transaction costs while also reducing unnecessary risks to production levels. In contrast, at the per-lease minimum and Heightened FA levels under the Proposed Rules, the Commissioner should anticipate either premature plugging of lower-producing wells or increased abandonment.

G. Effect of HB80 on Funds Available for Reclamation and Remediation

The passage of HB80 during the most recent legislative session materially changes the financial landscape for reclamation and remediation of orphaned oil and gas wells in New Mexico. As analyzed by IPANM expert Robert Arscott, Ph.D., in Case No. 24683, HB80 directs a meaningful portion of oil and gas conservation tax revenues to the OCD Reclamation Fund, providing a sustainable, production-linked source of funding for well plugging and reclamation that is independent of operator financial assurance. Dr. Arscott's analysis, attached here in Comment form as Exhibit 37, demonstrates that under HB80, industry-derived conservation tax revenues allocated to the Reclamation Fund can be expected to provide adequate financial resources to plug far more wells than OCD currently estimates to be orphaned on state trust lands.

In light of HB80, the justification for a dramatic increase in financial assurance on state trust land leases—predicated on the need for additional funds to address orphaned well liability—is substantially undermined. As Dr. Arscott testified in Case No. 24683, "With the passage of HB80, that argument now fails on purely fund-raising grounds as well." The Commissioner should account for HB80's impact on available reclamation funding before imposing financial burdens of this magnitude on state trust land lessees.

V. CONCLUSION

For all of the foregoing reasons, IPANM respectfully requests that the Commissioner withdraw the Proposed Rule and, if the Commissioner determines that any revision to the financial assurance requirements for state trust land oil and gas lessees is warranted, that any such revision: (1) be confined to the surface damage bond authorized by NMSA 1978, § 19-10-26, and not extend to plugging, remediation, or reclamation obligations governed by the OCD's statutory authority; (2) be based on individual lease and well analysis, tied to actual risk factors including well depth, production history, and comparable plugging costs; (3) account for the operator's compliance history, distinguishing responsible operators from the small number of problem operators responsible for the majority of orphaned state wells; (4) be calibrated to the current surety market's practical constraints to avoid driving operators out of New Mexico and causing the very orphaned well problem the rule purports to prevent; (5) be coordinated with OCD's existing financial assurance framework to avoid duplicative or inconsistent obligations on the same wells; and (6) address the fundamental disconnect between bonding liability and operational control by ensuring that record-title lessees who have no operational involvement in day-to-day well operations are not required to post financial assurance for risks they cannot manage or mitigate, and (7) that annual reporting obligations are expressly limited to SLO-leased premises and do not expose company officers to criminal liability for good-faith reporting errors.

Respectfully submitted,

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CHAPTER 137.

AN ACT PROVIDING FOR THE ISSUANCE OF OIL AND GAS LEASES AND RENEWAL LEASES COVERING STATE LANDS BY THE COMMISSIONER OF PUBLIC LANDS, AND PROVIDING FOR THE ISSUANCE OF LIMITED PATENTS COVERING MINERAL LANDS, AND REPEALING CHAPTER 98 OF THE SESSION LAWS OF NEW MEXICO OF 1919.

Com. Sub. for H. B. No. 184; Approved March 20, 1925.

Be It Enacted by the Legislature of the State of New Mexico:

Section 1. The Commissioner of Public Lands is hereby authorized to issue leases for the development, exploration, and production of oil and natural gas on any lands of the State of New Mexico, upon such terms and conditions as he may deem to be to the best interest of the State and prescribed by the terms of this Act. Such leases to be for a term of five years, and with a preferential right of renewal as hereinafter set forth. The minimum rental for oil and gas leases, when issued, shall be One Hundred ($100.00) Dollars per annum. On all leases for oil and natural gas, the State shall receive a royalty of one-eighth of the proceeds derived from the sale of oil and natural gas produced, saved and marketed from the leased premises, at the prevailing market price at the well or wells for said oil or gas, except oil and gas used for operating purposes in developing and operating the land.

Sec. 2. Whenever the lessee of any State lands, his agent or assigns, shall have during the period of his mineral prospecting on the lands covered by his lease, made valuable improvements thereon for the purpose of discovering and developing the oil, gas, or other mineral deposits therein, he or they shall be given the preference over any and all other applicants to lease the land for a second period of five years, at such rental as may be equitable and just, both to the State and the lessee, his agent or assigns, but at a royalty to the State of New Mexico of one-eighth of the proceeds derived from the sale of all oil and gas produced, saved and marketed, except oil and gas used for operating purposes, in developing and operating the land. Subsequent renewal leases for periods of five years may be granted to the lessee, his agent or assigns, according to the same terms, as to preferences, and the other provisions of this statute applying to the issuance of the first renewal lease. Applications for lease under this section must be filed with the Commissioner of Public Lands prior to the expiration of any existing lease on the lands applied for, and where preference rights under this section are claimed, the basis of such rights

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must be shown at the time of filing an application for lease, but such showing may be subsequently made within the time allowed by the Commissioner of Public Lands, *Provided* the application for lease is on file prior to the expiration of the existing lease.

Sec. 3. If mineral lands upon which improvements have been made shall be leased in conformity with law to other than the owner of such improvements thereon, then such purchaser or such new lessee shall pay to the owner thereof the value of such improvements at an agreed price with the owner thereof; and if such owner of improvements and such new lessee or purchaser are not able to agree upon a value, the value shall be determined by a board of three arbitrators, one to be selected by the owner of the improvements, one by the Commissioner of Public Lands, and the third by the two so selected. The word "improvements" shall be construed to mean surface improvements, machinery, and other equipment not removed from said lands under the provisions of Section 9 used in the operation of the plant on such land, and work performed in the development of the property for operation and mining. No lease shall be issued to any applicant other than the owner of such improvements until such applicant files with the Commissioner of Public Lands a receipt showing payment in full of the value of such improvements as agreed upon between such applicant and the owner of the improvements, or determined by the board of arbitrators; or until such applicant shall pay to the Commissioner of Public Lands the value of such improvements so determined. If payment is made to the Commissioner of Public Lands it shall be at once delivered to the owner of the improvements.

Sec. 4. The lessee shall be required to submit to the Commissioner of Public Lands with each and every royalty payment, a correct statement showing the amount of oil or gas produced and saved since the last report and the market value thereof, except oil and gas used in developing and operating said lease. All books and accounts of the lessee pertaining to the production, transportation, and marketing of the output from the leased lands shall be open to the examination and inspection at all reasonable hours by the Commissioner of Public Lands or his representative. The value of any unpaid royalty, and any sum due the state upon any lease, shall become a prior lien upon the production from the leased premises and the improvements situated thereon. The lessee shall furnish to the Commissioner of Public Lands, as and when called for by him, a full, accurate, and complete log, and also a complete specimen

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of drill cuttings of any and all wells drilled by lessee on the leased lands.

Sec. 5. State lands sold heretofore, or which may be sold hereafter on any deferred payment plan under contract containing a reservation to the State of the minerals therein contained, the full amount of the purchase price not having been paid, or patent not having been issued, may be leased by the State as in this Act provided, in the same manner as other State lands:

Provided, that before any lease shall be issued for lands which have been sold, the applicant shall file with the Commissioner of Public Lands a good and sufficient bond or undertaking in an amount not less than Two Thousand ($2000.00) Dollars to be approved by the Commissioner, in favor of the State of New Mexico, for the use and benefit of the purchaser of such lands, his grantees or successors in interest, to secure the payment to such purchaser or his successors in interest, to secure the payment to such purchaser or his successors for such damage to the livestock, range, water, crops or tangible improvements of the purchaser or his successors in interest as may be determined and fined in any action brought upon the bond or undertaking in a court of competent jurisdiction against the principal and sureties thereon, resulting from the use of and operation on the land by such mineral lessee or his successors in interest.

Provided further, That if any such purchaser shall file with the Commissioner a waiver, duly executed by him, of his right to require such bond, the Commissioner may issue a mineral lease without requiring the lessee to furnish the bond herein provided.

Sec. 6. Where State lands have been sold heretofore, or may be sold hereafter on any deferred payment plan under contract containing a reservation to the State of the minerals therein contained and before the payment of the total purchase price, such land shall have been leased for mineral purposes as in this Act provided; or where before the payment of the full amount of the purchase price shall have been made or patent issued, the land shall be known, classified or reported as mineral lands, or where by reason of proximity to known mineral lands or productive oil and gas wells, the Commissioner of Public Lands shall deem such lands to be of probable mineral character and valuable as such, he shall make proper notation on the records of his office designating the said lands as mineral lands. The Commissioner of Public Lands is hereby authorized to issue to the purchaser of any such mineral land or lands so classified as mineral, upon full payment of the purchase

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price according to the terms of the contract, a limited patent only, which shall contain reservation to the State of New Mexico to all the minerals in the said lands, together with the right to the State or its grantees, to prospect for, mine and remove the same; and such lands shall, notwithstanding the issuance of such patent, be subject to lease under the provisions of this Act;

Provided, that no lease for such lands shall be issued and no person shall be authorized to prospect for, mine or remove any minerals until an indemnity bond shall be given or waiver of the same filed, as set forth in Sec. 5 of this Act.

Sec. 7. All oil and gas leases issued under the provisions of this Act may be assigned in whole or in part with the consent and approval of the Commissioner of Public Lands, and after such approval the assignee shall become entitled to all the rights and privileges and be bound by all the obligations of the lease only in so far as the lands assigned are concerned.

Sec. 8. In the event of the cancellation or forfeiture of any lease issued under the provisions of this Act from any cause whatever, the lessee or assignee shall be permitted to remove any and all improvements from the lands which lessee can remove without injury thereto, *Provided, however,* that the Commissioner of Public Lands may require that all or any part of the casing shall be left in any well which is productive of water when he shall deem it to the interest of the State to maintain said well, or wells, for water, and in such case the lessee shall be paid the reasonable value of the casing therein.

Sec. 9. The provisions of this Act are not intended to modify or in any manner call into question any leases heretofore issued by the Commissioner of Public Lands and which are not subject to cancellation on the date of this Act. But any and all such leases may be surrendered by the lessee, or assignees, and new leases taken by such lessees, or assignees, for the unexpired term of such existing leases, in accordance with the terms and provisions of this Act; or any lessee holding an oil and gas lease issued prior to the taking effect of this Act, may, upon the expiration of the term of said lease, assert a preference right of renewal in accordance with the provisions of this Act.

Sec. 10. The Commissioner of Public Lands shall be, and he hereby is, authorized and empowered to adopt such uniform and reasonable rules and regulations and to prepare such uniform forms of leases as he may deem necessary to carry into effect the terms and provisions of this Act and not inconsistent herewith.

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Sec. 11. That Chapter 98 of the Session Laws of 1919 of the State of New Mexico and any and all other laws or parts of laws in conflict herewith insofar as the same apply to leases for oil and gas are hereby repealed.

Sec. 12. Should any provisions of this Act be declared invalid by a court, such Act of the court shall not affect any other provision herein unless so expressly declared by such court, it being the intention of the Legislature to give effect to the valid provisions of this Act regardless of the invalidity of any other provision.

Sec. 13. That it is necessary for the preservation of the public peace and safety of the inhabitants of the State of New Mexico, that the provisions of this Act shall become effective at the earliest possible time, and therefore an emergency is hereby declared to exist and this Act shall take effect and be in full force and effect from and after its passage and approval, if passed by the required two-thirds majority, or failing such majority, at the time otherwise provided by the constitution.

CHAPTER 138.

AN ACT TO AMEND SECTIONS 1, 2 AND 4 OF CHAPTER 188, LAWS OF 1921, RELATING TO COUNTY BUDGETS AND THE CONTROL OF EXPENDITURE IN ACCORDANCE THEREWITH.

H. B. No. 239; Approved March 20, 1925.

Be It Enacted by the Legislature of the State of New Mexico:

"Section 1. That Section 1, of Chapter 188, Laws of 1921 be and the same is hereby amended so as to read as follows:

"Section 1. On or before the first day of May of each year the State Tax Commission shall require from the board of county commissioners of each county in the State, and the board of county commissioners of each county in the State shall prepare or cause to be prepared estimates of revenue required to meet the ordinary financial needs of each county in the State for the ensuing year, inclusive of school districts, and all other officials having the right to allow claims and make payments against the revenue so to be derived, itemized as the State Tax Commission may require, and a statement in detail of all moneys required for extraordinary purposes that may be needed for the ensuing calendar year. Such estimates shall be classified and grouped in such form and detail as the State Tax Commission may require. Such statements and estimates shall be filed with the Commission on or before the first Monday in July."

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ated on lands owned or controlled by the State of New Mexico, or any of its institutions, without the permission of the Commissioner of Public Lands, shall be fined in a sum of not more than $500.00 or be imprisoned for a period of not more than 90 days, or shall suffer both fine and imprisonment in the discretion of the court.

Sec. 2. That permits for the examination of ruins, the excavation of archaeological sites, and the gathering of objects of antiquity, or general scientific interest, may be granted by the Commissioner of Public Lands to institutions which he may deem properly qualified to conduct such examination, excavation, or gathering, subject to such rules and regulations as the aforesaid Commissioner may prescribe; *Provided,* That the examinations, excavations, and gatherings, are undertaken for the benefit of reputable museums, universities, colleges, or other recognized scientific or educational institutions, with a view to promoting the knowledge of such subjects, and; *Provided,* That not less than fifty per cent of all specimens so collected shall be retained as the property of the State of New Mexico, unless the Commissioner shall expressly accept a smaller portion, as meeting the requirements of this Act, and; *Provided,* That this Act shall not interfere with the making of natural history collections by individuals for scientific purposes only, provided that such individuals secure permits from the Commissioner.

CHAPTER 125.

AN ACT RELATING TO THE LEASING FOR OIL AND GAS PURPOSES OF STATE LANDS AND LANDS SOLD BY THE STATE WITH THE RESERVATION OF THE MINERALS TO THE STATE, DEFINING AND LIMITING THE POWERS OF THE COMMISSIONER OF PUBLIC LANDS WITH RESPECT THERETO, PRESCRIBING CERTAIN PROCEDURE FOR SUCH LEASING AND FOR THE DETERMINATION OF CONTROVERSIES RELATING TO OIL AND GAS LEASES ON SUCH LANDS, RECOGNIZING AND CONFIRMING CERTAIN OIL AND GAS LEASES HERETOFORE ISSUED ON SUCH LANDS, AND REPEALING ALL LAWS IN CONFLICT WITH THIS ACT.

Committee Substitute for Senate Bill No. 102; Approved March 12, 1929.

Be It Enacted by the Legislature of the State of New Mexico:

Section 1. The Commissioner of Public Lands, hereinafter referred to as the Commissioner, is hereby authorized to execute and issue in the name of the State of New Mexico as lessor, leases for the exploration and development of and production of oil and

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natural gas from any lands belonging to the State of New Mexico or held in trust by the state under grant from the United States and including lands which have been or may hereafter be sold by the state with the reservation of the minerals in the land, such leases to be issued upon such terms and conditions as the commissioner may deem to be to the best interests of the state and not inconsistent with the provisions of this act.

Sec. 2. The term of all oil and gas leases issued under the provisions of this act shall be five years and as long thereafter as oil or gas in paying quantities is produced from the leased lands, subject to the provisions of section 3 of this act; *Provided, however,* that if for any reason production of oil or gas from the leased lands shall cease after the primary term of five years, the lessee shall be entitled to resume drilling operations on the said land within such reasonable time as may be prescribed by the commissioner and if such drilling operations shall be continued with reasonable diligence and the production of oil or gas in paying quantities shall result therefrom, then the said lease shall remain in force as long thereafter as oil or gas in paying quantities is or can be produced from the leased lands. All such leases shall provide for the delivery to the state in the pipeline to which the lessee may connect his wells, of a royalty of one-eighth of the oil and gas produced, saved and marketed from the leased land, or the equivalent proportion of the market value of such oil and gas in the field at the time of production, at the option of the Commissioner; *Provided, however,* that no royalties shall be payable from oil or gas used in operations on the land for the development of the lands for oil and gas purposes and producing oil and gas therefrom. The leases shall provide for the payment of a reasonable annual rental to be fixed by the commissioner and designated in the lease, which shall not be less than one hundred ($100.00) dollars for the first year for all of the lands in any lease.

Sec. 3. Lessees and assignees of oil and gas leases on state lands who have not made a discovery of oil or gas in paying quantities within five years from the date of the lease and who are not in default in complying with the terms of their leases shall be given the preference over any and all other applicants for a new lease upon said lands at the rentals prevailing in the district in which the lands are situated, and whenever any such lessee or assignee, during the original or primary term of the original lease whether such lease was issued under this or prior acts, shall have made substantial expenditures in good faith on the lands covered by such lease, for the purpose of discovering and developing oil or gas thereon, such lessee or assignee shall be entitled to and shall receive from the commissioner an extension of the original or primary term of his lease for an additional period of five years. Applications for lease or extension under this section must be

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filed with the commissioner prior to the expiration of any existing lease and in case of any application for extension claimed under this section on account of expenditures made on the lands, satisfactory proof of such expenditures must be shown at the time of filing such application or within such reasonable time as the commissioner may require.

Sec. 4. All leases issued under the provisions of this act shall be assignable in whole or in part; *Provided, however,* that no assignment of an undivided interest in the lease or any part thereof, or any assignment of less than a legal subdivision shall be recognized or approved by the commissioner. The term "legal subdivision" as used in this act shall be construed in its ordinary sense as used and recognized in the General Land Office of the United States and in the State Land Office of New Mexico. The assignments provided for herein shall be executed and acknowledged in the manner prescribed for conveyance of real estate in this state and shall be filed in duplicate in the office of the commissioner who shall retain one copy of the said assignment in his office as a public record and shall record same in permanent form in his office as a public record and shall return the duplicate copy to the person entitled thereto. The approval of the commissioner shall be noted upon both copies of the said assignment. The commissioner shall prescribe the form to be used for such assignments and shall fix a reasonable fee for the filing, recording and approval of same. The commissioner shall have the right to refuse approval of any assignment not executed in proper form or by the proper person or persons, or when the lease is not in good standing as to the assigned tracts, or when litigation is pending affecting the lease or the interest of any person therein. Upon approval by the commissioner of an assignment the assignor shall stand relieved from all obligations to the state with respect to the lands embraced in the assignment and the state shall likewise be relieved from all obligations to the assignor as to such tract or tracts, and thereupon 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 state as to such tracts.

Sec. 5. Applications for the issuance of any lease authorized by this act shall be executed under oath by the applicant or by his agent or attorney duly authorized in writing, or by any officer or attorney in fact of the corporation if the application be made by a corporation. The application shall be accompanied by the amount offered by the applicant as the bonus, if any, and rental for the first year. The form of the application shall be prescribed by the commissioner and all applications shall contain a description of the lands by legal subdivisions upon which the lease is desired, together with such data and information concerning development on and in

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the vicinity of the lands as may reasonably be required by the commissioner. The commissioner may also require any applicant for a lease to file in the office of the commissioner an appraisement in such form as the commissioner may require, showing the value of the lands for oil and gas purposes, such appraisement to be made under oath by one or more disinterested persons having personal knowledge of the facts set forth in the appraisement. The commissioner shall not be bound by the statements contained in any such application or appraisement. No lease shall be issued without the filing of an application therefor as prescribed herein, and no lease shall be issued for less than the amount offered by the applicant as a bonus, if any, and rental for the first year, and if an appraisement of the land for oil and gas purposes be required as provided herein, then no lease shall issue for less than the value of same as shown by such appraisement.

Sec. 6. The commissioner shall prescribe by regulation the annual rental charge which shall be specified in leases issued under the provisions of this act, which said annual rental charge shall be a reasonable rental, but in no case less than five cents per acre, subject, however, to the provisions of section 2 of this act providing for a minimum rental for the first year.

Sec. 7. There is hereby created a restricted district comprising Townships 1 to 10 south, Ranges 34 to 38 East, Townships 11 to 20 South, Ranges 26 to 39 East, and Townships 21 to 26 South, Ranges 25 to 39 East. No oil and gas leases upon any State lands within said restricted district shall be made except upon competitive bidding by sealed bids or at public auction, as hereinafter provided. No lands within the boundaries of said restricted district shall be eliminated therefrom by the commissioner of Public Lands, but said Commissioner shall from time to time, when the interests of the State require such action, extend the boundaries thereof and create other restricted districts and areas within which oil and gas leases may be made only upon competitive bidding by sealed bids or at public auction.

Sec. 8. The Commissioner of public lands shall hold a sale of oil and gas leases which are subject to competitive bidding or public auction at his office on the tenth day of each month, or on the next business day following where the tenth falls on Sunday or legal holiday, and shall offer for lease such state lands as may be available in designated tracts to the highest and best bidder therefor. All sales of leases upon competitive bidding or at public auction shall be governed by regulations issued by the commissioner and subject to the provisions of this act. Notice of such sales shall be given by posting in a conspicuous place in the State Land Office not less than ten (10) days before the date of the sale, a notice of same specifying the day and hour when, and the place where the sale will be held, a description of the lands to be

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offered for lease and the minimum bid which will be accepted by the commissioner for the lease offered. The notice shall also contain such other information as the commissioner may deem advisable or necessary. The sale may be conducted through sealed bids or by public auction or by both methods combined, but the method of conducting the sale shall be stated in the notice of sale required herein. The sale may be held at the option of the commissioner either in the office of the commissioner or at the county seat of the county in which the lands or the greater part of same are located. The commissioner is authorized to give such additional notice of the sales provided for herein, either by publication in newspapers or by mailing copies of the notice of sale to interested persons, as he may deem necessary to give publicity to such sales. The commissioner shall have the right to reject all bids received for the lease upon any tract embraced in a sale conducted by competitive bidding or at public auction or by both methods combined, but shall not reject any bids made in conformity with regulations and the provisions of this act without rejecting all bids applicable to the same tract or tracts of land. Leases sold at sales as provided herein shall be awarded to the respective bidders offering the largest bonus. The successful bidders shall be required to file a proper application for the leases purchased and to complete the payment of any balance due on their bids before the closing of the office of the commissioner on the day of sale.

Sec. 9. If no bid be received for any leases offered by notice of sale as provided herein, then the tract or tracts upon which no bid is received may be leased by the commissioner upon application therefor made after such sale but on the same day, at not less than the minimum amount specified in the notice of sale.

Sec. 10. Nothing contained in this act shall be construed as requiring the commissioner to offer any tract or tracts of land for lease but the commissioner shall have power to withhold any tract or tracts from leasing for oil and gas purposes if in his opinion the best interests of the state will be served by so doing.

Sec. 11. The commissioner is hereby authorized to cancel any lease issued as provided herein for non-payment of rentals or non-performance by the lessee of any provision or requirement of the lease; *Provided, however,* that before any such cancellation shall be made the commissioner must mail to the lessee or assignee by registered letter, addressed to the post office address of such lessee or assignee shown by the records of the office of the commissioner, a notice of intention to cancel said lease, specifying the default for which the lease is subject to cancellation, and if within thirty (30) days after the mailing of said notice to the lessee or assignee he shall remedy the default specified in such notice, then no cancellation of the said lease shall be entered by the commissioner but otherwise the said cancellation shall be made and all rights of the

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lessee or assignee under the lease shall thereupon terminte. The mailing of the notice as provided in this section shall constitute notice of the intention of the commissioner to cancel the lease and no proof of receipt of such notice shall be necessary or required.

Sec. 12. The commissioner is authorized to insert in the leases issued under the provisions of this act, such general provisions as are customary and proper for the protection of the rights of the state and of the lessees and of the owners of the surface of the leased lands and not inconsistent or in conflict with the provisions of this act and of other laws.

Sec. 13. The commissioner is hereby authorized and required to prescribe and publish for the information of the public, all rules and regulations necessary for carrying out the provisions of this act, and he may amend or rescind any rule or regulation promulgated by him under the authority contained herein; *Provided, however,* that no rule or regulation or amendment of same, or any order rescinding any rule or regulation shall become effective earlier than fifteen (15) days after the promulgation of same, and a copy of the proposed rule, regulation, amendment or order shall be posted in a conspicuous place in the office of the commissioner for a period of at least fifteen (15) days prior to the taking effect of same.

Sec. 14. All oil and gas leases issued by the commissioner prior to the effective date of this act and in substantial conformity with the statutes of the state then in force which have not expired or which have not been legally cancelled for non-performance by the lessee or assignee, are hereby declared to be valid and existing contracts with the State of New Mexico according to their terms and provisions, and the obligation of the state to observe and conform to the terms and provisions of such leases is hereby recognized, and the commissioner is hereby directed to accept and recognize all such leases according to their express terms and provisions; *Provided, however,* that in any case where two or more persons claim a valid lease on the same tract or tracts of land under the provisions of this section, then the rights of the conflicting claimants shall be determined by suit in the manner prescribed in section 17 of this act. Any lease recognized and confirmed by this section which was issued prior to March 23rd, 1927, may be relinquished to the state by the lessee or assignee and new leases in the form authorized herein shall be issued in lieu of same and without bonus therefor, but the new lease so issued shall provide for the same annual rental as is fixed by regulations in force at the time such relinquishment is filed which would apply to such lands and the provisions of section 7 of this act shall not apply in such cases.

Sec. 15. Any oil and gas lease issued by the commissioner prior to the effective date of this act and subsequent to March 22,

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1927, may be amended by the commissioner pursuant to a written agreement with the lessee or assignee so that the term of such lease shall conform to the term specified by sections 2 and 3 of this act.

Sec. 16. Any person or corporation aggrieved by any ruling or decision of the commissioner affecting the interest of such person or corporation in any lease issued under, or affected by the provisions of this act, may apply to the district court of the county in which the lands or the greater part thereof affected by said order or decision, are located, for an order directed to the commissioner requiring him to show cause, if any cause he may have, why the said order or decision should not be cancelled or set aside. The district court of such county shall have jurisdiction as a court of equity to receive such application for order to show cause and to issue such order and to cancel or set aside the order or decision of the commissioner complained of by the petitioner, provided that not less than twenty (20) days shall be allowed to the commissioner for making return to any order to show cause which may be issued as provided herein. Any other person interested in the outcome of the controversy may upon proper showing to the court be made a party to or be permitted to intervene in the proceeding and have his rights in the subject matter determined. Appeals to and writs of error from the Supreme Court shall lie from the decisions of the district court in such cases as in other cases, provided that the application therefor be filed not less than thirty (30) days after the entering of the decision of the district court.

Sec. 17. The district court of the county in which the lands or the major portion thereof may be located which are embraced in any lease issued under or affected by the provisions of this act, shall have original exclusive jurisdiction as a court of equity for the determination of controversies between persons or corporations respecting their rights in, or claim under such lease, and no such controversies shall be considered or determined by the commissioner of public lands. Appeals to and writs of error from the Supreme Court shall be allowed in such cases, as provided in section 16 herein.

Sec. 18. In the proceedings above described in sections 16 and 17 of this act, records, books and papers in the office of the Commissioner of Public Lands shall be proven by copies thereof, duly certified by the commissioner, or by certified transcript of such records and proceedings as may be necessary, which shall be admissible in evidence in such cases; and no original book, record or paper shall be removed from the office of the Commissioner of Public Lands except upon order of a district court after a special application therefor.

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Sec. 19. If any provision of this act shall be declared invalid, then such invalidity shall not affect the remaining valid provisions of the act, it being the intent that all of the valid provisions hereof shall be given full force and effect regardless of the invalidity of any other provisions.

Sec. 20. Chapter 46 of the Session Laws of 1927 and all other acts and parts of acts in conflict or inconsistent with the provisions of this act are hereby repealed; *Provided, however,* that applications for oil and gas leases on file in the office of the commissioner and not disposed of when this act takes effect shall be disposed of and leases issued pursuant thereto in accordance with statutes and regulations in force at the time of the filing of the respective applications.

Sec. 21. That it is necessary for the preservation of the public peace, health and safety of the inhabitants of the State of New Mexico that the provisions of this act shall become effective at the earliest possible time, and therefore an emergency is hereby declared to exist and this act shall take effect and be in full force and effect from and after its passage and approval.

CHAPTER 126.

AN ACT TO AMEND SECTION 1 OF CHAPTER 132, NEW MEXICO SESSION LAWS OF 1919, BEING AN ACT PROHIBITING THE MAKING, DRAWING, UTTERING OR DELIVERING OF ANY FRAUDULENT CHECK, DRAFT OR ORDER FOR MONEY, AND PROVIDING PUNISHMENT THEREFOR.

Committee Substitute for S. B. No. 126; Approved March 12, 1929.

Be It Enacted by the Legislature of the State of New Mexico:

Section 1. That section 1 of chapter 132 of the Session Laws of 1919 be amended to read as follows:

"Section 1. Any person who, with intent to defraud, shall make, draw, utter or deliver any check, draft or order for the payment of money upon any bank or other depositary; or who shall make, draw, utter or deliver any check, draft or order for the payment of money upon any bank or other depositary in payment of any account, knowing at the time of such making, drawing, uttering or delivering, that the maker or drawer has not sufficient funds in or credit with such bank or other depositary for the payment of such check, draft or order, is guilty of larceny, and upon conviction thereof shall be fined not more than five thousand dollars, or imprisoned for not more than five years, or both such fine and imprisonment.

PENGAD-Bayonne, N. J.
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132-424. Mineral reservation on lands classified as mineral.
132-425. Assignment of leases.
132-426. Lessee may remove improvements upon cancellation of lease.
132-427. Rules and regulations.
132-428. Construction clause.

§ 132-401 Amn'd L '31 Ch 18 § 1 p 29

§§ 132-401 et seq. 34NM651 3P(2d)981

132-401. Commissioner of public lands may issue leases upon terms that he deems best. The commissioner of public lands, hereinafter referred to as the commissioner, is hereby authorized to execute and issue in the name of the state of New Mexico as lessor, leases for the exploration and development of and production of oil and natural gas from any lands belonging to the state of New Mexico or held in trust by the state under grant from the United States and including lands which have been or may hereafter be sold by the state with reservation of the minerals in the land, such leases to be issued upon such terms and conditions as the commissioner may deem to be to the best interests of the state and not inconsistent with the provisions of this act. [L. '29, Ch. 125, § 1.

An act relating to the leasing for oil and gas purposes of state lands and lands sold by the state with the reservation of the minerals to the state, defining and limiting the powers of the commissioner of public lands with respect thereto, prescribing certain procedure for such leasing and for the determination of controversies relating to oil and gas leases on such lands, recognizing and confirming certain oil and gas leases heretofore issued on such lands, and repealing all laws in conflict with this act. [Approved and in force March 12, 1929.

§ 132-402 Amn'd L '31 Ch 18 § 2 p 29

132-402 287P696

§ 132-402 34NM650

132-402. Terms of lease. The term of all oil and gas leases issued under the provisions of this act shall be five years and as long thereafter as oil or gas in paying quantities is produced from the leased lands, subject to the provisions of section 3 [132-403] of this act; Provided, however, that if for any reason production of oil or gas from the leased lands shall cease after the primary term of five years, the lessee shall be entitled to resume drilling operations on the said land within such reasonable time as may be prescribed by the commissioner and if such drilling operations shall be continued with reasonable diligence and the production of oil or gas in paying quantities shall result therefrom, then the said lease shall remain in force as long thereafter as oil or gas in paying quantities is or can be produced from the leased lands. All such leases shall provide for the delivery to the state in the pipe line to which the lessee may connect his wells, of a royalty of one-eighth of the oil and gas produced, saved and marketed from the leased land, or the equivalent proportion of the market value of such oil and gas in the field at the time of production, at the option of the commissioner; Provided, however, that no royalties shall be payable from oil or gas used in operations on the land for the development of the lands for oil and gas purposes and producing oil and gas therefrom. The leases shall provide for the payment of a reasonable annual rental to be fixed by the commissioner and designated in the lease, which shall not be less than one hundred ($100.00) dollars for the first year for all of the lands in any lease. [L. '29, Ch. 125, § 2. § 132-403 34NM520

§ 132-403 Amn'd L '31 Ch 18 § 3 p 29

132-403 284P702 287P697

132-403. Preference of lessees for new lease. Lessees and assignees of oil and gas leases on state land who have not made a discovery of oil or gas in paying quantities within five years from the date of the lease and who are not in default in complying with the terms of their leases shall be given the preference over any and all other applicants for a new lease upon said lands at the rentals prevailing in the district in which the lands are situated, and whenever any such lessee or assignee, during the original or primary term of the original lease whether such lease was issued under this or prior acts, shall have made substantial expenditures in good faith on the lands covered by such lease, for the purpose of discovering and developing oil or gas thereon, such lessee or assignee shall be entitled to and shall receive from the commissioner an extension of the original or primary term of his lease for an additional period of five years. Applications for lease or extension under this section must be filed with the commissioner prior to the expiration of any existing lease and in case of any application for extension claimed under this section on account of expenditures made on the lands, satisfactory proof of such expenditures must be shown at the time of filing such application or within such reasonable time as the commissioner may require. [L. '29, Ch. 125, § 3.

132-404. Assignment of leases. All leases issued under the provisions of this act shall be assignable in whole or in part; Provided, however, that no assignment of an undivided interest in the lease or any part thereof, or any assignment of less than a legal subdivision shall be recognized or approved by the commissioner. The term "legal subdivision" as used in this act shall be construed in its ordinary sense as used and recognized in the general land office of the United States and in the state land office of New Mexico. The assignments provided for herein shall be executed and acknowledged in the manner prescribed for conveyances of real estate in this state and shall be filed in duplicate in the office of the commissioner who shall retain one copy of the

§ 132-404 Amn'd L. '39 Ch. 234 § 1, p. 562



the name of the State of New Mexico, for the purpose of obtaining a final determination of any and all questions involved in such litigation.

Sec. 7. That it is necessary for the preservation of the public peace, health and safety of the inhabitants of the State of New Mexico that the provisions of this Act shall become effective at the earliest possible time, and therefore an emergency is hereby declared to exist, and this Act shall take effect and be in full force and effect from and after its passage and approval.

CHAPTER No. 18.

AN ACT AMENDING SECTIONS 401, 402, 403, 406, 407, 408, 409 AND 414, AND REPEALING SECTIONS 412 AND 415 OF CHAPTER 132 OF NEW MEXICO STATUTES ANNOTATED, 1929 COMPILATION, BEING AN ACT ENTITLED: "AN ACT RELATING TO THE LEASING FOR OIL AND GAS PURPOSES OF STATE LANDS AND LANDS SOLD BY THE STATE WITH THE RESERVATION OF THE MINERALS TO THE STATE, PRESCRIBING CERTAIN PROCEDURE FOR SUCH LEASING AND FOR THE DETERMINATION OF CONTROVERSIES RELATING TO OIL AND GAS LEASES ON SUCH LANDS, RECOGNIZING AND CONFIRMING CERTAIN OIL AND GAS LEASES HERETOFORE ISSUED ON SUCH LANDS AND REPEALING ALL LAWS IN CONFLICT WITH THIS ACT."

H. B. No. 126; Approved March 10, 1931.

Be It Enacted by the Legislature of the State of New Mexico:

Section 1. That Section 132-401 of the New Mexico Statutes Annotated, 1929 Compilation, be, and the same is hereby, amended to read as follows:

The Commissioner of Public Lands, hereinafter referred to as the "Commissioner", is hereby authorized to execute and issue, in the name of the State of New Mexico as lessor, leases for the exploration, development and production of oil and natural gas from any lands belonging to the State of New Mexico, or held in trust by the State under grants from the United States, and including lands which have been, or may hereafter be, sold by the State with reservation of the minerals in the land, such leases to be issued upon such terms and conditions as the Commissioner may deem to be for the best interests of the State, and not inconsistent with the provisions of Chapter 125 of the Session Laws of 1929 and amendments thereto.

Sec. 2. That Section 132-402 of the New Mexico Statutes Annotated, 1929 Compilation, be, and the same is hereby, revised and amended to read as follows:

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All leases issued by the Commissioner, except leases issued pursuant to Section 8 (132-414) of this Act, shall be for a primary term of five years, and as long thereafter as oil and gas in paying quantities, or either of them, be produced from the leased premises, and shall contain the following terms and conditions (except as otherwise noted), and shall be in substantially the following form:

Lease No._____ Application No._____

OIL AND GAS LEASE

THIS AGREEMENT, dated this the _____ day of _____, A. D. 19_____, made and entered into by and between the STATE OF NEW MEXICO, acting by and through the undersigned, its Commissioner of Public Lands, thereunto duly authorized, party of the first part and hereinafter called the "Lessor", and _____, party of the second part, hereinafter called the "Lessee", whether one or more,

WITNESSETH:

WHEREAS, the said lessee has filed in the office of the Commissioner of Public Lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment being not less than the amount required by law and by the rules and regulations of the New Mexico State Land Office; and

WHEREAS, all of the requirements of law relative to said application and tender have been duly complied with and said application has been approved and allowed by the Commissioner of Public Lands;

THEREFORE, for and in consideration of the premises as well as the sum of _____ ($_____) Dollars, the same being the amount of the tender above mentioned, paid in cash, and evidenced by official receipt No._____, and of the further sum of $_____ filing fee, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, the said lessor has granted and demised, leased and let, and by these presents does grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil and/or gas thereon and therefrom with the right to own all oil and gas so produced and saved therefrom and not reserved as royalty by the lessor under the terms of this lease, together with rights of way, easements and servitudes for pipe lines, telephone and telegraph lines, tanks, power houses, stations, gasoline plants, and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all

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rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas, or water from said lands, but not from lessor's water wells, and with the right of removing either during or after the term hereof, all and any improvements placed or erected on the premises by the lessee, including the right to pull all casing, subject, however, to the conditions hereinafter set out, the following described land situate in the county_____ of _____ State of New Mexico, and more particularly described as follows:

Said lands having been awarded to lessee and designated as tract No._____ at a public sale held by the Commissioner of Public Lands on _____, 19_____. (To be filled in only where lands are offered at public sale.)

To HAVE AND TO HOLD said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of _____ from the date hereof, and as long thereafter as oil and gas in paying quantities, or either of them, is produced from said land by the lessee, subject to all of the terms and conditions as hereinafter set forth.

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

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth part of the oil produced and saved from the leased premises, or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into a pipe line, if the oil be run into a pipe line, or into storage tanks, if the oil be stored.

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

3. Lessee agrees to make full settlement on the 20th day of each month for all royalties due the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. Lessee further agrees to submit to lessor annually upon forms furnished by

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lessor, verified reports showing lessee's operations for the preceding year.

4. It is expressly agreed that the consideration hereinbefore specified is a good, valid and substantial consideration and sufficient in all respects to support each and every covenant herein, including specifically the option granted the lessee to prevent the termination of this lease from year to year, by the payment or tender of the further rental hereinafter provided for.

An annual rental, at the rate of _____ per acre shall also become due and payable to the lessor by the lessee, or by any transferee or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor as hereinafter provided, upon each acre of the land above described and then claimed by such lessee, transferee or assignee hereunder, and the same shall be due and payable in advance to the lessor on the successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than Six Dollars ($6.00).

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

5. The lessee may at any time by paying to the State of New Mexico, acting by its Commissioner of Public Lands, or other authorized officer, all amounts then due as provided herein and the further sum of Ten Dollars ($10.00), surrender and cancel this lease insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor, or any assignee, to enforce this lease, or any of its terms express or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, in cash or by certified exchange at the office of the Commissioner of Public Lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor, shall have the right to assign this lease in whole or in part. Provided, however, that no assignment of 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

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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. Lessee agrees with reasonable diligence to offset all paying oil or gas wells drilled, within 300 feet of any of the land covered by this lease and retained hereunder.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor.

If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee or his assignee shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells all water-bearing strata shall be noted in the log, and the lessor reserved the right to require that all or any part of the casing shall be left in any non-productive well when lessor deems it to the interest of the State of New Mexico to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable and agrees to pay for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by the lessor, the lessee shall bury pipe-lines 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.

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13. Upon failure or default of the lessee or any assignee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee or assignee so defaulting, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancellation shall be made, the lessor shall mail to the lessee, or assignee so defaulting, by registered mail, addressed to the post-office address of such lessee or assignee as shown by the records of the State Land Office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within 30 days from the date of mailing said notice the said lessee or assignee shall remedy the default specified in said notice, cancellation shall not be made.

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

15. If the lessee shall have failed to make discovery of oil and/or gas in paying quantities during the primary term hereof, the lessee may continue this lease in full force and effect for an additional term of five years and as long thereafter as oil and gas in paying quantities, or either of them is produced from the leased premises, by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term. (This paragraph (15) shall not be inserted in any lease issued pursuant to the provisions of Section 3 (132-403) of this Act.)

IN WITNESS WHEREOF, the party of the first part has hereunto signed and caused its name to be signed by its Commissioner of Public Lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

p 35 post herein

STATE OF NEW MEXICO

By _____
Commissioner of Public Lands,
Lessor.

_____

_____ (SEAL)
Lessee.

Distributed this the _____ day of _____, 19_____.

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Sec. 3. That Section 132-403 of the New Mexico Statutes Annotated, 1929 Compilation, be, and the same is hereby, revised and amended to read as follows:

The legal owners of all leases issued by the Commissioner of Public Lands prior to the effective date of this amendment, containing provision, or provisions, for preference right to a new lease, or extension of the term thereof upon the expiration of the initial five year term, and where valuable discoveries of the oil and gas have not been made, shall have an absolute preference right to such new lease or extension, upon the terms and conditions provided in such leases without paying a bonus therefor, and in the exercise of such preference right the provisions of Chapter 125 of the 1929 Session Laws, and of this Act relating to sales made upon competitive bidding by sealed bids, or at public auction, shall not apply in any case, but all such renewals, extensions or new leases made pursuant to such preference rights shall be only for a term of five years and as long thereafter as oil and gas in paying quantities, or either of them, is produced from the leased premises, and without further preference right to renewal or extension for successive terms.

Sec. 4. That Section 132-406 of the New Mexico Statutes Annotated, 1929 Compilation, be, and the same is hereby, revised and amended to read as follows:

All leases issued by the Commissioner of Public Lands shall provide for an annual rental to be paid by the lessee, the amount thereof to be fixed by the Commissioner, but in no case shall the same be less than five cents nor more than One Dollar per acre, except during the secondary term of the leases provided for herein; provided the first year's rental for any lease, except leases issued pursuant to relinquishment under Section 8 (132-414) of this Act, shall not be less than One Hundred ($100.00) Dollars.

It shall be the duty of the Commissioner to classify and divide all State lands subject to lease hereunder, into districts to be known as "rental" districts, and thereupon prescribe the rental per acre to be paid under leases to be made upon lands in the respective rental districts, and upon such division shall post in a conspicuous place in the State Land Office a description of such districts and the rental prevailing in each; provided, however, the Commissioner may, from time to time, alter or change the boundaries of such districts, or re-district all of said lands, and increase or diminish the rental prevailing in each, but any change in the boundaries of the districts, or amount of rental, shall not become effective until ten days after giving notice thereof by posting a description, or list, of such changes, in a conspicuous place in the State Land Office.

Not more than six thousand, four hundred (6,400) acres of land may be embraced within any one lease, and where part of the

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lands in any lease are situated in one rental district and part thereof in another, or other districts, the lessee shall be required to pay the rental prevailing in the district wherein part of the lands affected are situated having the highest rental.

Sec. 5. That Section 132-407 of the New Mexico Statutes Annotated, 1929 Compilation, be, and the same hereby is, revised and amended to read as follows:

There is hereby created a restricted district comprising Townships 3 to 15 South inclusive, Ranges 34 to 39 East inclusive; Townships 16 to 20 South inclusive, Ranges 28 to 39 East inclusive; and Townships 21 to 26 South inclusive, Ranges 34 to 39 East inclusive, N. M. P. M. No oil and gas leases upon any state lands within said restricted district shall be made except upon competitive bidding by sealed bids or at public auction as hereinafter provided. No lands within the boundaries of said restricted district shall be eliminated therefrom by the Commissioner, but the Commissioner may, from time to time, when in his judgment the interest of the State requires such action, extend the boundaries thereof and create other restricted districts, or areas, within which oil and gas leases may be made only upon competitive bidding by sealed bids or at public auction. Notice of the extension of the boundaries of said district, or of the creation of other districts, shall be given in the same manner as provided for giving notice of change in rental districts, as provided by Section 4 (132-406) of this Act. Nothing contained in this Act shall be construed as requiring a uniform annual rental to prevail over the entire area embraced in any restricted district. The Commissioner may, when it is deemed for the best interests of the State, fix the annual rental to be paid under the terms of each lease covering lands in any restricted district at the time notice of sale thereof is given, as hereinafter provided, without regard to the rental prevailing in the district in which the lands offered for lease are situated, and in such cases the provisions of Section 4 hereof, except those relating to the maximum and minimum rental, shall not apply.

Sec. 6. That Section 132-408 of the New Mexico Statutes Annotated, 1929 Compilation, be, and the same is hereby, revised and amended to read as follows:

The Commissioner shall hold a public sale of oil and gas leases upon lands which may be open to lease and embraced within the restricted district, or districts, created, and which may be created under the preceding section, on the 10th day of each month, or, on the next business day following where the 10th falls on Sunday or a legal holiday and shall offer for lease such lands in designated tracts to the highest and best bidder therefor. All sales of leases upon competitive bidding, or at public auction, shall be governed by regulations issued by the Commissioner

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not in conflict with the provisions of this Act. Notice of such sales shall be given by posting in a conspicuous place in the State Land Office, not less than ten days before the date of sale, a notice of same, specifying the day and hour when, and the place where, the sale will be held, giving a description of the lands in each tract to be offered for lease and the annual rental per acre to be paid by the lessee. The Commissioner may, when it is deemed to be for the best interests of the State, also specify a minimum bonus to be paid for the leases upon the respective tracts, and when so specified the same shall be paid in addition to the first year's rental. The notice shall also contain such other information as the Commissioner may deem advisable or necessary. Sales may be conducted through sealed bids or at public auction, or by both methods combined, but the method of conducting each sale shall be stated in the notice of sale required herein. Sales may be held at the option of the Commissioner either in the office of the Commissioner or at the County Seat of the County in which the lands, or the greater part thereof, are situated. The Commissioner is authorized to give such additional notice of the sales, either by publication in newspapers, or by mailing copies of the Notice of Sale to interested persons, firms, or corporations, as he may deem necessary to give proper publicity thereto. The Commissioner shall have the right to reject all bids received at any sale for the lease upon any tract, but shall not reject any bids made in conformity with the regulations and provisions of this Act without rejecting all bids applicable to the same tract or tracts of land. Leases sold at sales as provided herein shall be awarded to the respective bidders offering the largest bonus, which shall be paid in addition to the first year's rental, or where a minimum bonus is not specified and no offer of a bonus is received, to the bidder offering the rental specified in the notice of sale, which, for the first year, shall not be less than $100 for each lease, as provided in Section 4 (132-406) hereof. Where two or more sealed bids making the same offer for the same tract are received, the Commissioner shall award the lease thereon in accordance with such regulations as he may prescribe. 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.

Sec. 7. That Section 132-409 of the New Mexico Statutes Annotated, 1929 Compilation, be, and the same is hereby, revised and amended to read as follows:

If no bid be received for any lease offered by Notice of Sale as provided herein, then the tract or tracts upon which no bids are received may be leased by the Commissioner to the first applicant for the respective tracts any time within ten days after such

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sale at not less than the minimum amount of rental and bonus, if any, specified in the Notice of Sale.

Sec. 8. That Section 132-414 of the New Mexico Statutes Annotated, 1929 Compilation, be, and the same is hereby, revised and amended to read as follows:

All oil and gas leases issued by the Commissioner of Public Lands prior to the effective date of this amendment which have not expired, or which have not been legally cancelled for non-performance by the lessee or assignee, are hereby declared to be valid and existing contracts with the State of New Mexico according to their terms and provisions, and the obligation of the State and of the Commissioner to observe and conform to the terms and provisions thereof is hereby recognized. In any case where two or more persons claim a valid lease on the same tract or tracts of land under the provisions of this section, then the rights of the conflicting claimants shall be determined by the Commissioner subject to right of appeal from the decision of the Commissioner as provided by law.

The legal owner and holder of any lease or leases issued by the Commissioner prior to March 12, 1929, if not in default of any of the provisions thereof, may relinquish the same to the State and upon application filed at the time of filing such relinquishment, the Commissioner shall issue the applicant a new lease upon the ~~form prescribed by Section 2 (132-402)~~ of this Act. The primary term of the new lease issued pursuant to such relinquishment shall be the unexpired term of the original lease and as long thereafter as oil and gas in paying quantities, or either of them, is produced from the leased premises by the lessee, and the new lease shall provide for the payment of the annual rental prevailing in the district wherein the lands affected are situated, but not less than the rental provided in the original lease. In converting such lease, as herein provided, the Commissioner shall prescribe a reasonable filing fee for the filing of the relinquishment and application, and the lessee shall not be required to pay any rental in addition to the rental provided in the lease relinquished for the current year in which the lease is relinquished, except the difference, if any, between the amount of rental provided in the old lease and that to be provided in the new lease. The provisions of Chapter 125 of the 1929 Session Laws, and of this Act relating to sales of leases within a restricted district upon competitive bidding, or by sealed bids, or at public auction, shall not apply to this section.

Sec. 9. That Sections 412 and 415 of Chapter 132 of the New Mexico Statutes Annotated, 1929 Compilation, also known and designated as Sections 12 and 15, respectively, of Chapter 125 of the 1929 Session Laws, be, and the same are hereby, repealed.

No emergency clause
Session ends 3/14/1931

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EXHIBIT E
PENGAD-Bayonne, N. J.

The 1941 amendment added the two provisos.

Repeal.

Section 3 of Laws 1941, ch. 137 repealed chapter 177 of the New Mexico Session Laws of 1937.

Comparative Legislation. Oil and gas leases:

Ariz. Code 1939, §§ 11-1301, 11-1323.
La. Dart's Stat., § 4720 et seq.

Prospecting permits for oil and gas:
Ariz. Code 1939, §§ 11-1303—11-1308.
Cal. Deering's Gen. Stat. 1939 Supp., No. 6342, § 51 et seq.
Idaho. Code 1932, § 46-704.

NOTES TO DECISIONS

Construction Prior to 1931 Amendment.

Commissioner of public lands under Laws 1929, ch. 125, § 1 (this section) could adopt such form as he desired for oil and gas leases. Atlantic Oil Producing Co. v. Crile, 34 N. M. 650, 287 Pac. 696.

Commissioner of public lands may insert matters of substance in oil and gas leases not inconsistent with the provisions of the act. Atlantic Oil Producing Co. v. Crile, 34 N. M. 650, 287 Pac. 696.

8-1102. Definitions.—The words "natural gas" as used in this act [§§ 8-1101, 8-1102] shall be construed to cover and include carbon dioxide gas as well as gas of the hydrocarbon kind. [Laws 1941, ch. 137, § 1, p. 236.]

Compiler's Note.

The section heading was part of the act.

Title of Act.

An act amending section 1, chapter 18, of the New Mexico Session Laws of 1931; relating to oil and gas leases of state land; defining certain terms and repealing chapter 177, Laws of 1937, relating to carbon dioxide leases. [Laws 1941, ch. 137.]

8-1103. Term of lease—Form.—All leases issued by the commissioner, except leases issued pursuant to section 8 [§ 8-1115] of this act, shall be for a primary term of five [5] years, and as long thereafter as oil and gas in paying quantities, or either of them, be produced from the leased premises, and shall contain the following terms and conditions (except as otherwise noted), and shall be in substantially the following form:

Lease No. ——— Application No. ———

OIL AND GAS LEASE

This Agreement, dated this the ——— day of ———, A. D. 19—, made and entered into by and between the State of New Mexico, acting by and through the undersigned, its Commissioner of Public Lands, thereunto duly authorized, party of the first part and hereinafter called the "Lessor," and ———, party of the second part, hereinafter called the "Lessee," whether one or more,

Witnesseth:

Whereas, the said lessee has filed in the office of the commissioner of public lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment being not less than the amount required by law and by the rules and regulations of the New Mexico State Land Office; and

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Whereas, all of the requirements of law relative to said application and tender have been duly complied with and said application has been approved and allowed by the commissioner of public lands;

Therefore, for and in consideration of the premises as well as the sum of ——— ($———) Dollars, the same being the amount of the tender above-mentioned, paid in cash, and evidenced by official receipt No. ——— and of the further sum of $——— filing fee, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, the said lessor has granted and demised, leased and let, and by these presents does grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil and/or gas thereon and therefrom with the right to own all oil and gas so produced and saved therefrom and not reserved as royalty by the lessor under the terms of this lease, together with rights of way, easements and servitudes for pipe-lines, telephone and telegraph lines, tanks, power houses, stations, gasoline plants, and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas, or water from said lands, but not from lessor's water wells, and with the right of removing either during or after the term hereof, all and any improvements placed or erected on the premises by the lessee, including the right to pull all casing, subject, however, to the conditions hereinafter set out, the following described land situate in the county ——— of ——— state of New Mexico, and more particularly described as follows:

Said lands having been awarded to lessee and designated as tract No. ——— at a public sale held by the commissioner of public lands on ———, 19—. (To be filled in only where lands are offered at public sale.)

To Have and to Hold said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of ——— from the date hereof, and as long thereafter as oil and gas in paying quantities, or either of them, is produced from said land by the lessee, subject to all of the terms and conditions as hereinafter set forth.

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

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth part of the oil produced and saved from the leased premises, or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into a pipe-line, if the oil be run into a pipe-line, or into storage tanks, if the oil be stored.

2. The lessee agrees to pay the lessor the one-eighth of the net proceeds derived from the sale of gas from each gas well. If casing-head gas produced from said land is sold by the lessee, the lessee shall pay the lessor as royalty one-eighth of the net proceeds of said sale;

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if casing-head gas produced from said lands is utilized by the lessee otherwise than for carrying on the lessee's operations for producing oil or gas from said lands, then the lessee shall pay the lessor the market value in the field of the equal one-eighth part of the casing-head gas so utilized at the time of such utilization.

3. Lessee agrees to make full settlement on the 20th day of each month for all royalties due the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. It is expressly agreed that the consideration hereinbefore specified is a good, valid and substantial consideration and sufficient in all respects to support each and every covenant herein, including specifically the option granted the lessee to prevent the termination of this lease from year to year, by the payment or tender of the further rental hereinafter provided for.

An annual rental, at the rate of ——— per acre shall also become due and payable to the lessor by the lessee, or by any transferee or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor as hereinafter provided, upon each acre of the land above described and then claimed by such lessee, transferee or assignee hereunder, and the same shall be due and payable in advance to the lessor on the successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than six dollars ($6.00).

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

5. The lessee may at any time by paying to the state of New Mexico, acting by its commissioner of public lands, or other authorized officer, all amounts then due as provided herein and the further sum of ten dollars ($10.00), surrender and cancel this lease in so far as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor, or any assignee, to enforce this lease, or any of its terms express or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, in cash or by certified exchange at the office of the commissioner of public lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor, shall have the right to assign this lease in whole or in part. Provided, however, that no

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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. Lessee agrees with reasonable diligence to offset all paying oil or gas wells drilled, within 300 feet of any of the land covered by this lease and retained hereunder.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor.

If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee or his assignee shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the live stock, 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 reserved 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 state of New Mexico to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable and agrees to pay for all damages to the range, live stock, growing crops or improvements caused by lessee's operations on said lands. When requested by the lessor, the lessee shall bury pipe-lines below plow depth.

12. The lessee shall not remove any machinery or fixtures placed on said premises, nor draw the casing from any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of paragraph 10 above.

13. Upon failure or default of the lessee or any assignee to comply with any of the provisions or covenants hereof, the lessor is hereby

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authorized to cancel this lease and such cancelation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee or assignee so defaulting, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancelation shall be made, the lessor shall mail to the lessee, or assignee so defaulting, by registered mail, addressed to the post-office address of such lessee or assignee as shown by the records of the state land office, a notice of intention of cancelation specifying the default for which cancelation is to be made, and if within 30 days from the date of mailing said notice the said lessee or assignee shall remedy the default specified in said notice, cancelation shall not be made.

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

15. If the lessee shall have failed to make discovery of oil and/or gas in paying quantities during the primary term hereof, the lessee may continue this lease in full force and effect for an additional term of five [5] years and as long thereafter as oil and gas in paying quantities, or either of them is produced from the leased premises, by paying each [illegible] in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term. (This paragraph (15) shall not be inserted in any lease issued pursuant to the provisions of section 3 [§ 8-1105] of this act.)

In Witness Whereof, the party of the first part has hereunto signed and caused its name to be signed by its commissioner of public lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

STATE OF NEW MEXICO

By_____
Commissioner of Public Lands,
Lessor.

_____

_____ (SEAL)
Lessee.

Distributed this the ____ day of ____, 19—. [Laws 1929, ch. 125, § 2, p. 281; C. S. 1929, § 132-402; Laws 1931, ch. 18, § 2, p. 29.]

Amendment.

Prior to the 1931 amendment, this section read: "The term of all oil and gas leases issued under the provisions of this act shall be five [5] years and as long thereafter as oil or gas in paying quantities is produced from the leased lands, subject to the provisions of section 3 [§ 8-1121] of this act; Provided, however, that if for any reason production of oil or gas from the leased lands shall cease after the primary term of five [5] years, the lessee shall be entitled to resume drilling operations on the said land within such reasonable time as may be prescribed by the commissioner and if such drilling operations shall be continued with reasonable diligence and the pro-

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duction of oil or gas in paying quantities shall result therefrom, then the said lease shall remain in force as long thereafter as oil or gas in paying quantities is or can be produced from the leased lands. All such leases shall provide for the delivery to the state in the pipe-line to which the lessee may connect his wells, of a royalty of one-eighth of the oil and gas produced, saved and marketed from the leased land, or the equivalent proportion of the market value of such oil and gas in the field at the time of production, at the option of the commissioner; Provided, however, that no royalties shall be payable from oil or gas used in operations on the land for the development of the lands for oil and gas purposes and producing oil and gas therefrom. The leases shall provide for the payment of a reasonable annual rental to be fixed by the commissioner and designated in the lease, which shall not be less than one hundred ($100) dollars for the first year for all of the lands in any lease."

Opinions of Attorney-General. The one hundred dollar provision of the Law of 1931 need not be considered on renewal of leases, but prevailing rate in district only is required rental. 1933-34, p. 108.

An oil and gas lease conveys no right to explore, develop, or produce carbon dioxide, for which a lease may issue on lands already subject to such oil and gas lease. 1937-38, p. 38.

Annual rental to be charged assignee of oil and gas lease is same as that of original lessee, and for secondary term the rental is double that of primary term. 1937-38, p. 73.

Compiled Statutes 1929, § 132-404 (§ 8-1106) expressly prohibits the commissioner of public lands from recognizing or approving any assignment of any portion of the lease of an undivided interest. This prohibits a retention by the assignor of a reversionary interest in the portion assigned such as an overriding royalty. 1937-38, p. 94.

Instrument designed an assignment of oil and gas lease, being Form 33-A2, when properly executed on a portion of land originally leased by the lessor, constitutes in law and in fact an assignment and not a sublease. 1937-38, p. 94.

NOTES TO DECISIONS

In General.

The provision in Laws 1929, ch. 125, § 4 (§ 8-1106) that the new lease is to be "issued in lieu of" the lease surrendered is not sufficient to render the statute ambiguous and to support the contention that the term of the new lease shall be merely the unexpired portion of the original term. Atlantic Oil Producing Co. v. Crile, 34 N. M. 650, 287 Pac. 696.

Development by Assignee of Portion of Lease.

Where oil and gas lease from commissioner of public lands provided that if oil and gas were produced in paying quantities within ten-year period, which time had been allowed lessee to produce oil and gas, lease might be continued in force as long as oil or gas should be produced, and portion of lease was assigned, assignee succeeded to all rights of original lessee, and on producing oil in portion of lease not covered by assignment, assignee had right to continue lease in force, subject to implied covenant to perform the development work. State ex rel. Shell Petroleum Corp. v. Worden, 44 N. M. 400, 103 Pac. (2d) 124.

8-1104. **Statement with royalty payment—Inspection of books—State's lien for unpaid royalty—Log—Specimen of drill cuttings.**—The lessee shall be required to submit to the commissioner of public lands with each and every royalty payment, a correct statement showing the amount of oil or gas produced and saved since the last report and the market value thereof, except oil and gas used in developing and operating said lease. All books and accounts of the lessee pertaining to the production, transportation, and marketing of the output from the leased lands shall be open to the examination and inspection at all reasonable hours by the commissioner of public lands or his representative. The value of any unpaid royalty, and any sum due the state upon any lease, shall become a prior lien upon the production from the leased premises and the improvements situated thereon. The lessee shall furnish to the commissioner of public lands, as and when called for by him, a full, accurate, and complete log, and also a com-

IPANM001704

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CHAPTER 111

AN ACT AMENDING SECTION 8-1103 OF CHAPTER 8 OF THE NEW MEXICO STATUTES ANNOTATED, COMPILATION OF 1941, BEING SECTION 2 OF CHAPTER 18, OF THE NEW MEXICO SESSION LAWS OF 1931, PROVIDING AN OIL AND GAS LEASE FORM FOR THE LEASING OF STATE LANDS.

SENATE BILL NO. 195; Approved April 13, 1945

Be It Enacted by the Legislature of the State of New Mexico:

Section 1. That Section 8-1103 of Chapter 8 of the New Mexico Statutes Annotated, Compilation of 1941, being Section 2 of Chapter 18 of the New Mexico Session Laws of 1931, be and the same is hereby amended to read as follows:

"8-1103. *Term of Lease—Form*—All leases issued by the Commissioner *of Public Lands* shall be for a primary term of five (5) years, and as long thereafter as oil and gas in paying quantities, or either of them, be produced from the leased premises, and shall contain the following terms and conditions (except as noted) and shall be in substantially the following form:

Lease No..... Application No.....

OIL AND GAS LEASE

This Agreement, dated this the .....day of....., A. D. 19....., made and entered into by and between the State of New Mexico, acting by and through the undersigned, its Commissioner of Public Lands, thereunto duly authorized, party of the first part and hereinafter called the 'Lessor', and ....., party of the second part, hereinafter called the 'Lessee' whether one or more,

Witnesseth:

Whereas, the said lessee has filed in the office of the commissioner of public lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment being not less than the amount required by law and by the rules and regulations of the New Mexico State Land Office; and

Whereas, all of the requirements of law relative to said application and tender have been duly complied with and said application has been approved and allowed by the Commissioner of public lands;

Therefore, for and in consideration of the premises as well as the sum of ($.....) Dollars, the same being the amount of the tender above-mentioned, paid in cash, and evidenced by official receipt No. ..... and of the further sum of $..... filing fee, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, the

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said lessor has granted and demised, leased and let, and by these presents does grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil and/or gas thereon and therefrom with the right to own all oil and gas so produced and saved therefrom and not reserved as royalty by the lessor under the terms of this lease, together with rights of way, easements and servitudes for pipe-lines, telephone and telegraph lines, tanks, power houses, stations, gasoline plants, and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas, or water from said lands, but not from lessor's water wells, and with the 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 conditions hereinafter set out, the following described land situate in the county of ....., state of New Mexico, and more particularly described as follows:
Said lands having been awarded to lessee and designated as Tract No. ..... at a public sale held by the commissioner of public lands on ....., 19..... (To be filled in only where lands are offered at public sale).

To have and to Hold said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of *five* (*5*) *years* from the date hereof, and as long thereafter as oil and gas in paying quantities, or either of them, is produced from said land by the lessee, subject to all of the terms and conditions as hereinafter set forth.

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

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth part of the oil produced and saved from the leased premises or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into a pipe-line, if the oil be run into a pipe-line, or into storage tanks, if the oil be stored.

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

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of the casing-head gas so utilized at the time of such utilization. *Provided, however, the lessor may require the payment of royalty for gas produced under this lease at price per M.C.F. equal to the maximum being paid for gas of like kind and quality in the same field or area.*

3. Lessee agrees to make full settlement on the 20th day of each month for all royalties due the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. Lessee further agrees to submit to lessor annually upon forms furnished by Lessor, verified reports showing lessee's operations for the preceding year.

4. It is expressly agreed that the consideration hereinbefore specified is a good, valid and substantial consideration and sufficient in all respects to support each and every covenant herein, including specifically the option granted the lessee to prevent the termination of this lease from year to year, by the payment or tender of the further rental hereinafter provided for.

An annual rental at the rate of ..... per acre shall become due and payable to the lessor by the lessee, or by any transferree or assignee of the same, or any part hereof, where such transferree or assignee has been recognized, and such transfer or assignment approved by the lessor as hereinafter provided, upon each acre of the land above described and then claimed by such lessee, transferree or assignee hereunder, and the same shall be due and payable in advance to the lessor on the successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than six dollars ($6.00).

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

5. The lessee may at any time by paying to the state of New Mexico, acting by its commissioner of public lands, or other authorized officer, all amounts then due as provided herein and the further sum of ten dollars ($10.00), surrender and cancel this lease in so far as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor, or any assignee, to enforce this lease, or any of its terms express or implied.

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6. All payments due hereunder shall be made on or before the day such payment is due, in cash or by certified exchange at the office of the commissioner of public lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor, shall have the 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 like wise 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. Lessee agrees with reasonable diligence to offset all paying oil or gas wells drilled, within 300 feet of any of the land covered by this lease and retained hereunder.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor.

If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee or his assignee shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells all water-bearing strata shall be noted in the log, and the lessor *reserves* the right to require that all or any part of the casing shall be left in any nonproductive well when lessor deems it to the interest of the state of New Mexico to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

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11. Lessee shall be liable and agrees to pay for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by the lessor, the lessee shall bury pipe-lines below plow depth.

12. The lessee shall not remove any machinery or fixtures placed on said premises, nor draw the casing from any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of paragraph 10 above.

13. Upon failure or default of the lessee or any assignee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancelation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee or assignee so defaulting, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancelation shall be made, the lessor shall mail to the lessee, or assignee so defaulting, by registered mail, addressed to the post-office address of such lessee or assignee as shown by the records of the state land office, a notice of intention of cancelation specifying the default for which cancelation is to be made, and if within 30 days from the date of mailing said notice the said lessee or assignee shall remedy the default specified in said notice, cancelation shall not be made.

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

15. If the lessee shall have failed to make discovery of oil and/or gas in paying quantities during the primary term hereof, the lessee may continue this lease in full force and effect for an additional term of five (5) years and as long thereafter as oil and gas in paying quantities, or either of them is produced from the leased premises, by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term.

16. If the lessee shall have maintained this lease 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

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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 term, and a report of the status of all of such operations shall be made by the lessee to the lessor every 30 days and a cessation of such operations for more than 20 consecutive days shall be considered as an abandonment of such operations and thereupon the provisions hereof shall be of no further force or effect.

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.

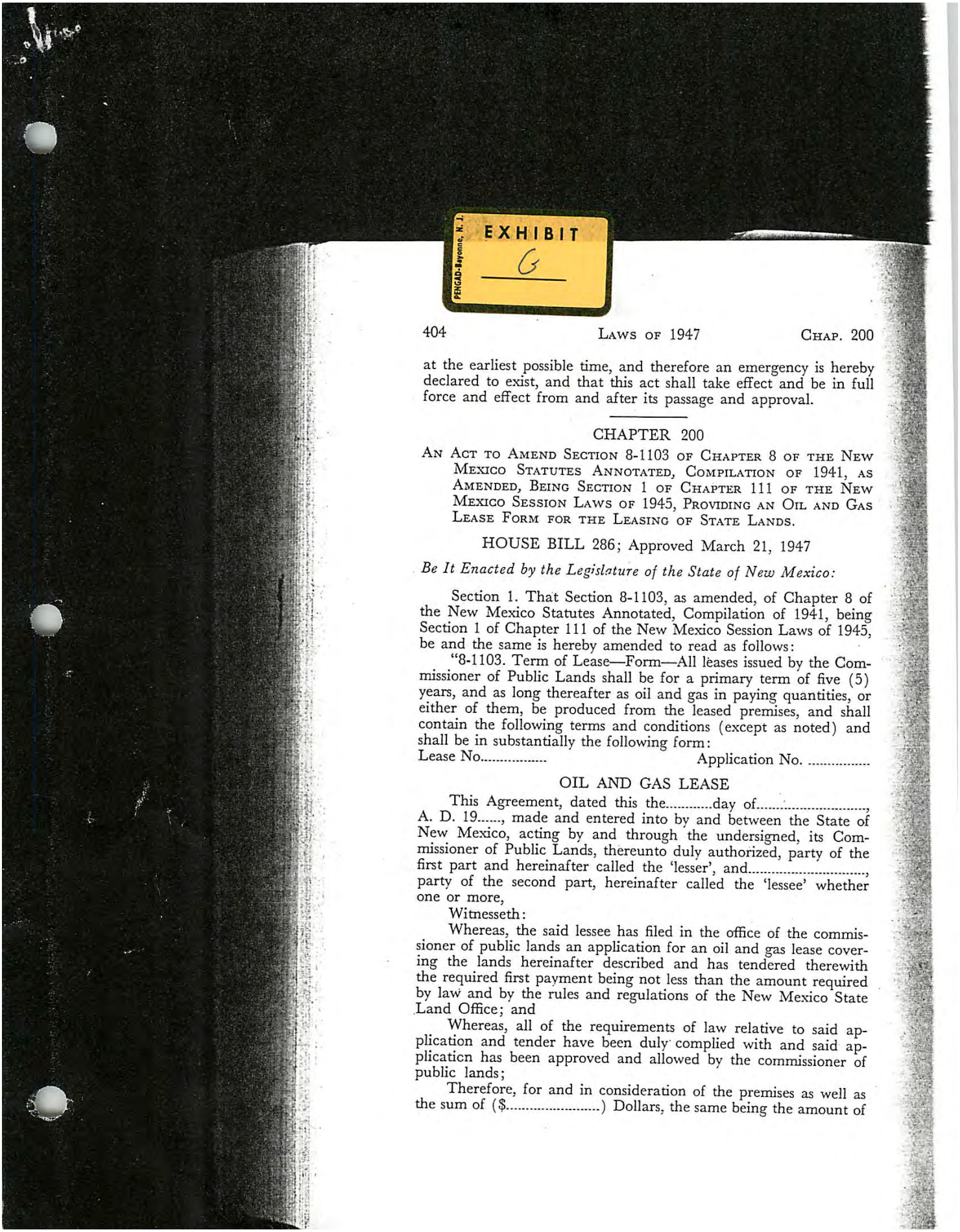
Distributed this the ..... day of ....., 19....."

Section 2. Any owner of an oil and gas lease heretofore 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 may, in accordance with regulations prescribed by the Commissioner of Public Lands, enter into a stipulation making the terms and conditions of paragraph 16 of the lease form prescribed in Section 1 hereof a part of any such existing lease, the same as if said paragraph had been originally embodied in the same.

Section 3. EMERGENCY CLAUSE. That it is necessary for the preservation of the public health, peace and safety of the inhabitants of the State of New Mexico that the provisions of this Act shall become effective at the earliest possible time, and therefore an emergency is hereby declared to exist and that this Act shall take effect and be in full force and effect from and after its passage and approval.

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at the earliest possible time, and therefore an emergency is hereby declared to exist, and that this act shall take effect and be in full force and effect from and after its passage and approval.

CHAPTER 200

AN ACT TO AMEND SECTION 8-1103 OF CHAPTER 8 OF THE NEW MEXICO STATUTES ANNOTATED, COMPILATION OF 1941, AS AMENDED, BEING SECTION 1 OF CHAPTER 111 OF THE NEW MEXICO SESSION LAWS OF 1945, PROVIDING AN OIL AND GAS LEASE FORM FOR THE LEASING OF STATE LANDS.

HOUSE BILL 286; Approved March 21, 1947

Be It Enacted by the Legislature of the State of New Mexico:

Section 1. That Section 8-1103, as amended, of Chapter 8 of the New Mexico Statutes Annotated, Compilation of 1941, being Section 1 of Chapter 111 of the New Mexico Session Laws of 1945, be and the same is hereby amended to read as follows:

"8-1103. Term of Lease—Form—All leases issued by the Commissioner of Public Lands shall be for a primary term of five (5) years, and as long thereafter as oil and gas in paying quantities, or either of them, be produced from the leased premises, and shall contain the following terms and conditions (except as noted) and shall be in substantially the following form:

Lease No..... Application No. .....

OIL AND GAS LEASE

This Agreement, dated this the.....day of....., A. D. 19....., made and entered into by and between the State of New Mexico, acting by and through the undersigned, its Commissioner of Public Lands, thereunto duly authorized, party of the first part and hereinafter called the 'lesser', and....., party of the second part, hereinafter called the 'lessee' whether one or more,

Witnesseth:

Whereas, the said lessee has filed in the office of the commissioner of public lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment being not less than the amount required by law and by the rules and regulations of the New Mexico State Land Office; and

Whereas, all of the requirements of law relative to said application and tender have been duly complied with and said application has been approved and allowed by the commissioner of public lands;

Therefore, for and in consideration of the premises as well as the sum of ($.....) Dollars, the same being the amount of

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the tender above-mentioned, paid in cash, and evidenced by official receipt No..... and of the further sum of $..... filing fee, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, the said lessor has granted and demised, leased and let, and by these presents does grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil and/or gas thereon and therefrom with the right to own all oil and gas so produced and saved therefrom and not reserved as royalty by the lessor under the terms of this lease, together with rights of way, easements and servitudes for pipelines, telephone and telegraph lines, tanks, power houses, stations, gasoline plants, and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas, or water from said lands, but not from lessor's water wells, and with the 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 conditions hereinafter set out, the following described land situate in the county of....., state of New Mexico, and more particularly described as follows:

Said lands having been awarded to lessee and designated as Tract No..... at a public sale held by the commissioner of public lands on....., 19..... (To be filled in only where lands are offered at public sale.)

To have and to hold said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five (5) years from the date hereof, and as long thereafter as oil and gas in paying quantities, or either of them, is produced from said land by the lessee, subject to all of the terms and conditions as hereinafter set forth.

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

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth part of the oil produced and saved from the leased premises or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into a pipe-line, if the oil be run into a pipe-line, or into storage tanks, if the oil be stored.

2. *Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth of the cash value of gas, including casinghead gas, produced and saved from the leased premises and marketed or utilized, such value to be equal to the greater of the following amounts:*



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(a) *the net proceeds derived from the sale of such gas in the field, or*

(b) *five cents ($.05) per thousand cubic feet (m.c.f.), the volume of gas for such purposes to be computed on a pressure basis of 10 ounces above an assumed atmospheric pressure of 14.4 pounds per square inch, or 15.025 pounds per square inch absolute, at 60° Fahrenheit, and pursuant to appropriate regulations of the commissioner of public lands which may provide, among other things, for a flowing temperature of 60° Fahrenheit to be assumed and applied in volume computation in all cases where a recording thermometer is not employed by the lessee in gas measurement, and for specific gravity tests at the lessee's expense at intervals not greater than one year in all cases where a recording gravitometer is not employed by the lessee in gas measurement;*

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, *acting by its commissioner of public lands,* 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.*

3. Lessee agrees to make full settlement on the 20th day of each month for all royalties due the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. It is expressly agreed that the consideration hereinbefore specified is a good, valid and substantial consideration and sufficient in all respects to support each and every covenant herein, including specifically the option granted the lessee to prevent the termination of this lease from year to year, by the payment or tender of the further rental hereinafter provided for.

An annual rental at the rate of.....per acre shall become due and payable to the lessor by the lessee, or by any transferree or

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assignee of the same, or any part hereof, where such transferree or assignee has been recognized, and such transfer or assignment approved by the lessor as hereinafter provided, upon each acre of the land above described and then claimed by such lessee, transferree, or assignee hereunder, and the same shall be due and payable in advance to the lessor or the successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than six dollars ($6.00).

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

5. The lessee may at any time by paying to the state of New Mexico, acting by its commissioner of public lands, or other authorized officer, all amounts then due as provided herein and the further sum of ten dollars ($10.00), surrender and cancel this lease in so far as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor, or any assignee, to enforce this lease, or any of its terms express or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, in cash or by certified exchange at the office of the commissioner of public lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor, shall have the 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. Lessee agrees with reasonable diligence to offset all paying oil or gas wells drilled, within 300 feet of any of the land covered by this lease and retained hereunder.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, ver-

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ified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor.

If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee or his assignee shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells all water-bearing strata shall be noted in the log, and the lessor reserves the right to require that all or any part of the casing shall be left in any nonproductive well when lessor deems it to the interest of the state of New Mexico to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable and agrees to pay for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by the lessor, the lessee shall bury pipe-lines below plow depth.

12. The lessee shall not remove any machinery or fixtures placed on said premises, nor draw the casing from any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of paragraph 10 above.

13. Upon failure or default of the lessee or any assignee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee or assignee so defaulting, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancellation shall be made, the lessor shall mail to the lessee, or assignee so defaulting, by registered mail, addressed to the post-office address of such lessee or assignee as shown by the records of the state land office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within 30 days from the date of mailing said notice the said lessee or assignee shall rem-

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edy the default specified in said notice, cancellation shall not be made.

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

15. If the lessee shall have failed to make discovery of oil and/or gas in paying quantities during the primary term hereof, the lessee may continue this lease in full force and effect for an additional term of five (5) years and as long thereafter as oil and gas in paying quantities, or either of them is produced from the leased premises, by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term.

16. If the lessee shall have maintained this lease 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 term, and a report of the status of all of such operations shall be made by the lessee to the lessor every 30 days and a cessation of such operations for more than 20 consecutive days shall be considered as an abandonment of such operations and thereupon the provisions hereof shall be of no further force or effect.

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.

Distributed this the.....day of....., 19....."

End
No emerg cl.
Adjourned 3/15/1947

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EXHIBIT H
PENGAD-Bayonne, N. J.

ARTICLE 11—LEASE OF OIL AND GAS LANDS

SECTION.
8-1103. Term of lease—Form.
8-1103a. Amendment of existing leases.
8-1106. Assignment of leases—Execution — Form — Approval — Effect — Development — Filing—Oil and gas in paying quantities.
8-1113. Cancelation of lease for nonpayment or nonperformance—Notice—Default—Remedy.
8-1138. Cooperative operating agreements between lessees or others authorized.
8-1139. Requisites of agreements.
8-1140. Amendment of lease to conform to agreement—Surrender of lease — Reissuance — Certain laws inapplicable.
8-1141. Powers of oil conservation commission and commissioner of public lands unaffected.
8-1142. Validation of existing leases—1947 Act.
8-1143. Leasing park lands for oil, gas and mineral purposes.
8-1144. Authority of land commissioner to lease park lands—Rentals, etc., to accrue to park fund.
8-1145. Agreements to compensate state for drainage.

8-1101. Issuance of leases authorized—Lands subject, etc.

Compiler's Note.

This section is affected by Laws 1945, ch. 98 set out as note to § 8-1105.

Opinions of Attorney-General. The commissioner of public lands has authority to advertise, offer and lease oil and gas lands upon the basis of the state receiving more than one-eighth royalty from the highest and best bidder "as the commissioner may deem to be for the best interests of the state." 1945-46, No. 4750.

8-1102. Definitions.

Opinions of Attorney-General. The word "gas" used in the oil and gas lease form means "natural gas" as defined by this section which includes carbon dioxide gas, but does not include either hydrogen or nitrogen. 1945-46, No. 4681.

8-1103. Term of lease—Form.—All leases issued by the commissioner of public lands shall be for a primary term of five (5) years, and as long thereafter as oil and gas in paying quantities, or either of them, be produced from the leased premises, and shall contain the following terms and conditions (except as noted) and shall be in substantially the following form:

Lease No. ——— Application No. ———

OIL AND GAS LEASE

This Agreement, dated this the ——— day of ———, A. D. 19—, made and entered into by and between the State of New Mexico, acting by and through the undersigned, its Commissioner of Public Lands, thereunto duly authorized, party of the first part and hereinafter called the "Lessor," and ———, party of the second part, hereinafter called the "Lessee" whether one or more,

Witnesseth:

Whereas, the said lessee has filed in the office of the commissioner of public lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment being not less than the amount required by law and by the rules and regulations of the New Mexico State Land Office; and

Whereas, all of the requirements of law relative to said application and tender have been duly complied with and said application has been approved and allowed by the commissioner of public lands;

Therefore, for and in consideration of the premises as well as the sum of ——— ($———) Dollars, the same being the amount of the

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tender above-mentioned, paid in cash, and evidenced by official receipt No. ——— and of the further sum of $——— filing fee, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, the said lessor has granted and demised, leased and let, and by these presents does grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil and/or gas thereon and therefrom with the right to own all oil and gas so produced and saved therefrom and not reserved as royalty by the lessor under the terms of this lease, together with rights of way, easements and servitudes for pipe-lines, telephone and telegraph lines, tanks, power houses, stations, gasoline plants, and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas, or water from said lands, but not from lessor's water wells, and with the 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 conditions hereinafter set out, the following described land situate in the county of ———, state of New Mexico, and more particularly described as follows:

Said lands having been awarded to lessee and designated as Tract No. ——— at a public sale held by the commissioner of public lands on ———, 19—. (To be filled in only where lands are offered at public sale).

To have and to hold said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five (5) years from the date hereof, and as long thereafter as oil and gas in paying quantities, or either of them, is produced from said land by the lessee, subject to all of the terms and conditions as hereinafter set forth.

In consideration of the premises the parties convenant and agree as follows:

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth part of the oil produced and saved from the leased premises or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into a pipe-line, if the oil be run into a pipe-line, or into storage tanks, if the oil be stored.

2. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth of the cash value of gas, including casinghead gas, produced and saved from the leased premises and marketed or utilized, such value to be equal to the greater of the following amounts:

(a) the net proceeds derived from the sale of such gas in the field, or

(b) five cents ($.05) per thousand cubic feet (m. c. f.), the volume of gas for such purposes to be computed on a pressure basis of 10 ounces above an assumed atmospheric pressure of 14.4 pounds per square inch, or 15.025 pounds per square inch absolute, at 60° Fahrenheit, and pursuant to appropriate regulations of the commissioner of public lands which may provide, among other things, for a flowing temperature of 60° Fahrenheit to be assumed and applied in volume computation in all

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cases where a recording thermometer is not employed by the lessee in gas measurement, and for specific gravity tests at the lessee's expense at intervals not greater than one year in all cases where a recording gravitometer is not employed by the lessee in gas measurement; 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, acting by its commissioner of public lands, 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.

3. Lessee agrees to make full settlement on the 20th day of each month for all royalties due the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. It is expressly agreed that the consideration hereinbefore specified is a good, valid and substantial consideration and sufficient in all respects to support each and every covenant herein, including specifically the option granted the lessee to prevent the termination of this lease from year to year, by the payment or tender of the further rental hereinafter provided for.

An annual rental at the rate of ——— per acre shall become due and payable to the lessor by the lessee, or by any transferree or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor as hereinafter provided, upon each acre of the land above described and then claimed by such lessee, transferee or assignee hereunder, and the same shall be due and payable in advance to the lessor on the successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than six dollars ($6.00).

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

The lessee may at any time by paying to the state of New Mexico, acting by its commissioner of public lands, or other authorized officer, all amounts then due as provided herein and the further sum of ten dollars ($10.00), surrender and cancel this lease in so far as the same covers all or any portion of the lands herein leased and be relieved from

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further obligations or liability hereunder, in the manner as herein before provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor, or any assignee, to enforce this lease, or any of its terms express or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, in cash or by certified exchange at the office of the commissioner of public lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor, shall have the right to assign this lease in whole or in part. Provided, however, that no assignment of 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. Lessee agrees with reasonable diligence to offset all paying oil or gas wells drilled, within 300 feet of any of the land covered by this lease and retained hereunder.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor.

If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee or his assignee shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the live stock, 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 state of New Mexico to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable and agrees to pay for all damages to the range, live stock, growing crops or improvements caused by lessee's

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operations on said lands. When requested by the lessor, the lessee shall bury pipe-lines below plow depth.

12. The lessee shall not remove any machinery or fixtures placed on said premises, nor draw the casing from any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of paragraph 10 above.

13. Upon failure or default of the lessee or any assignee to comply with any of the provisions or convenants hereof, the lessor is hereby authorized to cancel this lease and such cancelation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee or assignee so defaulting, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancelation shall be made, the lessor shall mail to the lessee, or assignee so defaulting, by registered mail, addressed to the post-office address of such lessee or assignee as shown by the records of the state land office, a notice of intention of cancelation specifying the default for which cancelation is to be made, and if within 30 days from the date of mailing said notice the said lessee or assignee shall remedy the default specified in said notice, cancelation shall not be made.

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

15. If the lessee shall have failed to make discovery of oil and/or gas in paying quantities during the primary term hereof, the lessee may continue this lease in full force and effect for an additional term of five (5) years and as long thereafter as oil and gas in paying quantities, or either of them is produced from the leased premises, by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term.

16. If the lessee shall have maintained this lease 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 term, and a report of the status of all of such operations shall be made by the lessee to the lessor every 30 days and a cessation of such operations for more than 20 consecutive days shall be considered as an abandonment of such operations and thereupon the provisions hereof shall be of no further force or effect.

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

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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.

Distributed this the ——— day of ———, 19—.

[Laws 1929, ch. 125, § 2, p. 281; C. S. 1929, § 132-402; Laws 1931, ch. 18, § 2, p. 29; 1945, ch. 111, § 1, p. 181; 1947, ch. 200, § 1.]

Compiler's Note.

The section heading was part of the 1947 amendatory act.

Titles of Acts.

An act amending section 8-1103 of chapter 8 of the New Mexico Statutes Annotated, Compilation of 1941, being section 2 of chapter 18, of the New Mexico Session Laws of 1931, providing an oil and gas lease form for the leasing of state lands. [Laws 1945, ch. 111.]

An act to amend section 8-1103 of chapter 8 of the New Mexico Statutes Annotated, Compilation of 1941, as amended, being section 1 of chapter 111 of the New Mexico Session Laws of 1945, providing an Oil and Gas Lease form for the leasing of state lands. [Laws 1947, ch. 200.]

Amendments.

The 1945 amendment added the words "of Public Lands" following the word "Commissioner"; deleted the words "except leases issued pursuant to section 8 [§ 8-1115] of this act" following the words "Commissioner of Public Lands" and the word "otherwise" from the parenthetical phrase "(except as noted)" in the first paragraph of this section; added the words "five (5) years" following the words "primary term of" in the seventh paragraph of this section; added the proviso at the end of second covenant; substituted the word "reserves" for the word "reserved" in the tenth covenant; deleted the parenthetical sentence "(This paragraph (15) shall not be inserted in any lease issued pursuant to the provisions of section 3 [§ 8-1105] of this act.)" at the end of the fifteenth covenant; and added the sixteenth covenant.

Laws 1947, ch. 200 amended subdivision 2 of this section. Prior to its amendment, said subdivision read: "The lessee agrees to pay the lessor the one-eighth of the net proceeds derived from the sale of gas from each gas well. If casinghead gas produced from said land is sold by the lessee, the lessee shall pay the lessor as royalty one-eighth of the net proceeds of said sale; if casinghead gas produced from said lands is utilized by the lessee otherwise than for carrying on the lessee's operations for producing oil or gas from said lands, then the lessee shall pay the lessor the market value in the field of the equal one-eighth part of the casinghead gas so utilized at the time of such utilization. Provided, however, the lessor may require the payment of royalty for gas produced under this lease at price per M. C. F. equal to the maximum being paid for gas of like kind and quality in the same field or area.

Cross-References.

Drilling and development requirements waived during period land used by United States, § 8-1113, note.

Extension of leases on account of war, § 8-1105.

Section to Section Reference.

This section is referred to in § 8-1103a.

Opinions of Attorney-General. The commissioner of public lands may impose a covenant running against the lessee in favor of the lessor to compel the reasonable development of the leased premises for oil and gas. 1941-42, p. 76.

Under this section the land office grants only the specified rights to the lessee, all other rights and interests in the land not having been granted may therefore be granted to other persons in so far as they do not conflict with the previous lease. 1943-44, No. 4508.

Under subsection 5 the lessee has an absolute right to surrender and cancel his lease upon the conditions contained in this section, but when a lessee has done so the commissioner can refuse to accept the application for a new lease made by the same party. 1945-46, No. 4659.

The state is entitled to royalty on 20c per barrel subsidy payments by the federal government and the entire royalty, including portion derived from subsidy payments, should be deposited in state treasury in regular course of business, and no credits can legally be allowed in event the federal government fails to abide by its agreement to reimburse the purchaser on the basis of 20c per barrel. 1945-46, No. 4692.

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Under this section as amended by Laws 1945, ch. 111, an assignee having succeeded the assignor in the right to continue under paragraph 16, may do so as to his portion without any concurrence by the assignor, and on like theory, the assignor having no longer any rights in the assigned portion and the land commissioner no longer owing any duties to him, the assignor could not continue the lease as to the assigned portion. 1945-46, No. 4729.

Extension of lease beyond secondary term is for the time that it takes the lessee or assignee to conclude the bona fide drilling that he is actually engaged in at expiration of the secondary term of the lease, and if this drilling operation results in the production of oil then the lease is continued as long as oil and gas in paying quantities or either of them is produced from said land, but if the lessee fails to produce oil or gas from the drilling operation in which he was actively engaged at the expiration of the secondary term, then at conclusion of this drilling operation without discovery of oil or gas, lease is terminated. 1949-50, No. 5230.

Paragraph 16 provides that the lease may be continued beyond its secondary term if the lessee is at time of expiration of the secondary term engaged in bona fide drilling or reworking operations, provided that such operations extending beyond the secondary term shall be approved by the lessor upon written application filed with the lessor on or before expiration of such term. 1949-50, No. 5230.

The words "said term" in paragraph 15 refer to "secondary term" found in the same paragraph. 1949-50, No. 5230.

8-1103a. Amendment of existing leases.—Any owner of an oil and gas lease heretofore 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 may, in accordance with regulations prescribed by the commissioner of public lands, enter into a stipulation making the terms and conditions of paragraph 16 of the lease form prescribed in section 1 [§ 8-1103] hereof a part of any such existing lease, the same as if said paragraph had been originally embodied in the same. [Laws 1945, ch. 111, § 2, p. 181.]

Emergency.

Section 3 of Laws 1945, ch. 111 declared an emergency. Approved April 13, 1945.

8-1105. New lease or extension where no discovery made, etc.

Extension of One Year of Valid Existing Oil and Gas Leases on Account of War.

Laws 1945, ch. 98, §§ 1-3, read:

Title of Act.

An act providing for an extension of one year of valid existing oil and gas leases issued by the commissioner of public lands of the state of New Mexico and suspending the operation of chapter 18 of the Laws of 1931 in relation thereto and declaring an emergency. [Laws 1945, ch. 98.]

Section 1. Leases expiring after April 1, 1945, and prior to January 1, 1946—Drilling operations hindered by war—Application for extension—Payment of rent—Acceptance or rejection of application by commissioner.—The commissioner of public lands of the state of New Mexico is hereby authorized to grant an extension of not to exceed one [1] year of the term of any valid existing oil and gas lease heretofore issued by the commissioner of public lands of the state of New Mexico and which has been maintained in good standing according to the terms and conditions thereof and all applicable statutes and regulations where the term of such lease expires after April 1, 1945, and prior to January 1, 1946, and where a showing is made that lessee has been and is unable to carry on drilling operations for oil and gas upon the lands embraced in any such lease, or has been unable to complete drilling operations commenced during the term of the lease due to inability, on account of the war, to obtain equipment or materials for such operations. The commissioner shall prescribe suitable regulations for making all such applications, which shall be under oath and filed in the office of the commissioner of public lands at Santa Fe on or before the expiration date of any such lease, or prior to April 30, 1945, and the lessee shall pay, at the same time of making such application, the rental for said extension of one [1] year at the same rate prescribed for the payment of rentals during the secondary term of the lease. The commissioner shall have the right to either accept or reject any such application and shall note his acceptance or rejection on the application. [Laws 1945, ch. 98, § 1, p. 151.]

Section 2. Suspension of other laws.—The provisions of chapter 18 of the New

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of the New Mexico Session Laws of 1931; relating to oil and gas leases of state land; defining certain terms and repealing chapter 177, Laws of 1937, relating to carbon dioxide leases.—Laws 1941, ch. 137.

Opinion of Attorney General.

"Gas" as used in the oil and gas lease form signifies "natural gas" as defined in this section and includes carbon dioxide, but not hydrogen or nitrogen. 1945-46, No. 4681.

7-11-3. Term of lease—Form.—All leases issued by the commissioner of public lands shall be for a primary term of five (5) years, and as long thereafter as oil and gas in paying quantities, or either of them, be produced from the leased premises, and shall contain the following terms and conditions (except as noted) and shall be in substantially the following form:

Lease No. ——— Application No. ———

OIL AND GAS LEASE

This Agreement, dated this the ——— day of ————, A. D. 19——, made and entered into by and between the State of New Mexico, acting by and through the undersigned, its Commissioner of Public Lands, thereunto duly authorized, party of the first part and hereinafter called the "Lessor," and ————, party of the second part, hereinafter called the "Lessee" whether one or more,

Witnesseth:

Whereas, the said lessee has filed in the office of the commissioner of public lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment being not less than the amount required by law and by the rules and regulations of the New Mexico State Land Office; and

Whereas, all of the requirements of law relative to said application and tender have been duly complied with and said application has been approved and allowed by the commissioner of public lands;

Therefore, for and in consideration of the premises as well as the sum of ———— ($———) Dollars, the same being the amount of the tender above-mentioned, paid in cash, and evidenced by official receipt No. ——— and of the further sum of $——— filing fee, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, the said lessor has granted and demised, leased and let, and by these presents does grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil and/or gas thereon and therefrom with the right to own all oil and gas so produced and saved therefrom and not reserved as royalty by the lessor under the terms of this lease, together with rights-of-way, easements and servitudes for pipe-lines, telephone and telegraph lines, tanks, power houses, stations, gasoline plants, and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas, or water from said lands, but not from lessor's water wells, and with the rights of removing

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either during or after the term hereof, all and any improvements placed or erected on the premises by the lessee, including the right to pull all casing, subject, however, to the conditions hereinafter set out, the following described land situate in the county of ————————, state of New Mexico, and more particularly described as follows:

Said lands having been awarded to lessee and designated as Tract No. ——— at a public sale held by the commissioner of public lands on ————————, 19——. (To be filled in only where lands are offered at public sale).

To have and to hold said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five (5) years from the date hereof, and as long thereafter as oil and gas in paying quantities, or either of them, is produced from said land by the lessee, subject to all of the terms and conditions as hereinafter set forth.

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

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth part of the oil produced and saved from the leased premises or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into a pipe-line, if the oil be run into a pipe-line, or into storage tanks, if the oil be stored.

2. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth of the cash value of gas, including casinghead gas, produced and saved from the leased premises and marketed or utilized, such value to be equal to the greater of the following amounts:

(a) the net proceeds derived from the sale of such gas in the field, or

(b) five cents ($.05) per thousand cubic feet (m. c. f.), the volume of gas for such purposes to be computed on a pressure basis of 10 ounces above an assumed atmospheric pressure of 14.4 pounds per square inch, or 15.025 pounds per square inch absolute, at 60° Fahrenheit, and pursuant to appropriate regulations of the commissioner of public lands which may provide, among other things, for a flowing temperature of 60° Fahrenheit to be assumed and applied in volume computation in all cases where a recording thermometer is not employed by the lessee in gas measurement, and for specific gravity tests at the lessee's expense at intervals not greater than one year in all cases where a recording gravitometer is not employed by the lessee in gas measurement; 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, acting by its commissioner of public lands, may require the payment of royalty for all or any part of the gas produced and saved under this lease and

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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 or oil or gas or to the promotion of conservation of oil or gas.

3. Lessee agrees to make full settlement on the 20th day of each month for all royalties due the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. It is expressly agreed that the consideration hereinbefore specified is a good, valid and substantial consideration and sufficient in all respects to support each and every covenant herein, including specifically the option granted the lessee to prevent the termination of this lease from year to year, by the payment or tender of the further rental hereinafter provided for.

An annual rental at the rate of ——— per acre shall become due and payable to the lessor by the lessee, or by any transferree or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor as hereinafter provided, upon each acre of the land above described and then claimed by such lessee, transferee or assignee hereunder, and the same shall be due and payable in advance to the lessor on the successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than six dollars ($6.00).

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

5. The lessee may at any time by paying to the state of New Mexico, acting by its commissioner of public lands, or other authorized officer, all amounts then due as provided herein and the further sum of ten dollars ($10.00), surrender and cancel this lease insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor, or any assignee, to enforce this lease, or any of its terms express or implied.

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6. All payments due hereunder shall be made on or before the day such payment is due, in cash or by certified exchange at the office of the commissioner of public lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor, shall have the 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. Lessee agrees with reasonable diligence to offset all paying oil or gas wells drilled, within 300 feet of any of the land covered by this lease and retained hereunder.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor.

If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee or his assignee shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the live stock, 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 state of New Mexico to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable and agree to pay for all damages to the range, live stock, growing crops or improvements caused by lessee's operations on said lands. When requested by the lessor, the lessee shall bury pipe-lines below plow depth.

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

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payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of paragraph 10 above.

13. Upon failure or default of the lessee or any assignee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancelation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee or assignee so defaulting, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; Provided, however, that before any such cancelation shall be made, the lessor shall mail to the lessee, or assignee so defaulting, by registered mail, addressed to the post-office address of such lessee or assignee as shown by the records of the state land office, a notice of intention of cancelation specifying the default for which cancelation is to be made, and if within 30 days from the date of mailing said notice the said lessee or assignee shall remedy the default specified in said notice, cancelation shall not be made.

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

15. If the lessee shall have failed to make discovery of oil and/or gas in paying quantities during the primary term hereof, the lessee may continue this lease in full force and effect for an additional term of five (5) years and as long thereafter as oil and gas in paying quantities, or either of them is produced from the leased premises, by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term.

16. If the lessee shall have maintained this lease 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 term, and a report of the status of all of such operations shall be made by the lessee to the lessor every 30 days and a cessation of such operations for more than 20 consecutive days shall be considered as an abandonment of such operations and thereupon the provisions hereof shall be of no further force or effect.

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

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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.

Distributed this the ——— day of ————, 19——.

History: Laws 1929, ch. 125, § 2; C. S. 1929, § 132-402; Laws 1931, ch. 18, § 2; 1945, ch. 111, § 1; 1947, ch. 200, § 1; 1941 Comp., § 8-1103.

Title of Act.

An act to amend section 8-1103 of chapter 8 of the New Mexico Statutes Annotated, Compilation of 1941, as amended, being section 1 of chapter 111 of the New Mexico Session Laws of 1945, providing an Oil and Gas Lease form for the leasing of state lands.— Laws 1947, ch. 200.

Amendments.

Prior to the 1931 amendment, this section read: "The term of all oil and gas leases issued under the provisions of this act shall be five years and as long thereafter as oil or gas in paying quantities is produced from the leased lands, subject to the provisions of section 3 of this act; Provided, however, that if for any reason production of oil or gas from the leased lands shall cease after the primary term of five years, the lessee shall be entitled to resume drilling operations on the said land within such reasonable time as may be prescribed by the commissioner and if such drilling operations shall be continued with reasonable diligence and the production of oil or gas in paying quantities shall result therefrom, then the said lease shall remain in force as long thereafter as oil or gas in paying quantities is or can be produced from the leased lands. All such leases shall provide for the delivery to the state in the pipe-line to which the lessee may connect his wells, of a royalty of one-eighth of the oil and gas produced, saved and marketed from the leased land, or the equivalent proportion of the market value of such oil and gas in the field at the time of production, at the option of the commissioner; Provided, however, that no royalties shall be payable from oil or gas used in operations on the land for the development of the lands for oil and gas purposes and producing oil and gas therefrom. The leases shall provide for the payment of a reasonable annual rental to be fixed by the commissioner and designated in the lease, which shall not be less than one hundred ($100) dollars for the first year for all of the lands in any lease." The 1931 amendment enacted this section in substantially its present form with the exception of the change made by the 1945 and 1947 amendments.

The 1945 amendment inserted the words "of public lands" after the words "by the commissioner"; deleted the words "except leases issued pursuant to section 8 of this act" after the words "by the commissioner of public lands" in that part of this section which precedes the form; substituted the words "five (5) years" for a blank after the words "primary term of" in the sixth paragraph of the form; added a proviso in subdivision 2 of the form; substituted the word "reserves" for "reserved" in subdivision 10; deleted a provision in parenthesis at the end of subdivision 15 which read "(This paragraph (15) shall not be inserted in any lease issued pursuant to the provisions of section 3 of this act)" and added subdivision 16.

The 1947 amendment substituted the present subdivision 2 of the form for one which read: "The lessee agrees to pay the lessor the one-eighth of the net proceeds derived from the sale of gas from each gas well. If casinghead gas produced from said land is sold by the lessee, the lessee shall pay the lessor as royalty one-eighth of the net proceeds of said sale; if casinghead gas produced from said lands is utilized by the lessee otherwise than for carrying on the lessee's operations for producing oil or gas from said lands, then the lessee shall pay the lessor the market value in the field of the equal one-eighth part of the casinghead gas so utilized at the time of such utilization. Provided, however, the lessor may require the payment of royalty for gas produced under this lease at price per M. C. F.

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equal to the maximum being paid for gas of like kind and quality in the same field or area."

Opinions of Attorney General.

An oil and gas lease conveys no right to explore, develop, or produce carbon dioxide, for which a lease may issue on lands already subject to such oil and gas lease. 1937-38, p. 38.

Annual rental to be charged assignee of oil and gas lease is same as that of original lessee, and for secondary term the rental is double that of primary term. 1937-38, p. 73.

Compiled Statutes 1929, § 132-404 (7-11-7) expressly prohibits the commissioner of public lands from recognizing or approving any assignment of any portion of the lease of an undivided interest. This prohibits a retention by the assignor of a reversionary interest in the portion assigned such as an overriding royalty. 1937-38, p. 94.

Instrument designed an assignment of oil and gas lease, being Form 33-A2, when properly executed on a portion of land originally leased by the lessor, constitutes in law and in fact an assignment and not a sublease. 1937-38, p. 94.

Commissioner may insert a covenant to compel a reasonable development of the leased premises for oil and gas. 1941-42, No. 3835.

Once a lessee has surrender his lease as provided for under subdivision 5, the commissioner may refuse to accept an application for a new lease made by the same party. 1945-46, No. 4659.

Extension of lease beyond its secondary term is for such period of time as required to conclude bona fide drilling in which lessee was engaged at expiration of the secondary term at which time lease terminates if oil or gas are not found, but if this drilling operation results in production, then the lease is continued for as long as oil and gas, or either of them, is produced from said land in paying quantities. 1949-50, No. 5230.

Under subdivision 16 a lessee may make application in writing before expiration of the secondary term for a continuation of the term if engaged in bona fide drilling or reworking operations. 1949-50, No. 5230.

Commencement of drilling on any part of a unit area prior to the expiration of the secondary term would extend the secondary term on all tracts included in the unit area and would be considered the same as though a well had been commenced on each tract in such unit area. 1953-54, No. 5708.

In General.

The provision in Laws 1929, ch. 125, § 4 (7-11-7) that the new lease is to be "issued in lieu of" the lease surrendered is not sufficient to render the statute ambiguous and to support the contention that the term of the new lease shall be merely the unexpired portion of the original term. Atlantic Oil Producing Co. v. Crile, 34 N. M. 650, 287 P. 696.

Development by Assignee of Portion of Lease.

Where oil and gas lease from commissioner of public lands provided that if oil and gas were produced in paying quantities within ten-year period, which time had been allowed lessee to produce oil and gas, lease might be continued in force as long as oil or gas should be produced, and portion of lease was assigned, assignee succeeded to all rights of original lessee, and on producing oil in portion of lease not covered by assignment, assignee had right to continue lease in force, subject to implied covenant to perform the development work. State ex rel. Shell Petroleum Corp. v. Worden, 44 N. M. 400, 103 P. 2d 124.

Collateral References.

24 Am. Jur. 540 et seq., Gas and Oil, § 32 et seq.

Law Reviews.

Can Co-Lessees under an Oil and Gas Lease Compel a Partition in Kind? D. N. Sherard, 3 Wyo. L. J. 144.

Construction of "Exceptions" and "Reservations" in Mineral and Royalty Grants, W. R. Wallace, 21 Okla. Bar Assn. J. 108.

Defects and Ambiguities in Oil and Gas Leases, A. W. Walker, Jr., 28 Texas L. Rev. 895.

Effect of Conservation Legislation on Implied Covenants in Oil and Gas Leases, J. C. Gibbens, 4 Okla. L. Rev. 337.

Formal Requirements for Creation of the Oil and Gas Lessee's Interest, W. D. Warren, 5 Vand. L. Rev. 177.

Implied Covenants and Secondary Recovery, M. H. Merrill, 4 Okla. L. Rev. 177.

Implied Covenants, Conservation and Unitization, M. H. Merrill, 2 Okla. L. Rev. 469.

Implied Covenants: Effect on Secondary Recovery Methods, E. P. Horner, 4 Baylor L. Rev. 296.

Implied Covenants of the Oil and Gas Lease, R. P. Ryan, 29 Dicta 178.

Joint and Community Leases, 5 Baylor L. Rev. 46.

Oil Well Spacing Regulations and Protection of Property Rights in Texas, R. E. Hardwicke, 31 Tex. L. Rev. 99.

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Production in Paying Quantities in an Oil and Gas Lease, 25 Tulane L. Rev. 506.
Review of Oil and Gas Lease Forms, T. M. Robinson, 28 N. D. L. Rev. 84, 24 Rocky Mt. L. Rev. 327.
Rights of Cotenants in Oil Leaseholds, R. S. Lowe, 6 Wyo. L. J. 237.

7-11-4. Existing leases—Amendment.—Any owner of an oil and gas lease heretofore 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 may, in accordance with regulations prescribed by the commissioner of public lands, enter into a stipulation making the terms and conditions of paragraph 16 of the lease form prescribed in section 1 [7-11-3] hereof a part of any such existing lease, the same as if said paragraph had been originally embodied in the same.

History: Laws 1945, ch. 111, § 2; 1941 Comp. Supp., § 8-1103a.

Emergency Clause.
Section 3 of ch. 111, Laws 1945 declared an emergency and provided the act should take effect from and after its passage and approval. Approved April 13, 1945.

7-11-5. Statement with royalty payment—Inspection of books—State's lien for unpaid royalty—Log—Specimen of drill cuttings.—The lessee shall be required to submit to the commissioner of public lands with each and every royalty payment, a correct statement showing the amount of oil or gas produced and saved since the last report and the market value thereof, except oil and gas used in developing and operating said lease. All books and accounts of the lessee pertaining to the production, transportation, and marketing of the output from the leased lands shall be open to the examination and inspection at all reasonable hours by the commissioner of public lands or his representative. The value of any unpaid royalty, and any sum due the state upon any lease, shall become a prior lien upon the production from the leased premises and the improvements situated thereon. The lessee shall furnish to the commissioner of public lands, as and when called for by him, a full, accurate, and complete log, and also a complete specimen of drill cuttings of any and all wells drilled by lessee on the leased lands.

History: Laws 1925, ch. 137, § 4; C. S. 1929, § 132-422; 1941 Comp., § 8-1104.

7-11-6. New lease or extension where no discovery made—Preference right—Conditions.—The legal owners of all leases issued by the commissioner of public lands prior to the effective date of this amendment, containing provision, or provisions, for preference right to a new lease, or extension of the term thereof upon the expiration of the initial five-year term, and where valuable discoveries of the oil and gas have not been made, shall have an absolute preference right to such new lease or extension, upon the terms and conditions provided in such leases without paying a bonus therefor, and in the exercise of such preference right the provisions of chapter 125 of the 1929 Session Laws [7-11-1, 7-11-3, 7-11-6 to 7-11-19], and of this act [7-11-1, 7-11-3, 7-11-6, 7-11-9 to 7-11-12, 7-11-16] relating to sales made upon competitive bidding by sealed bids, or at public auction, shall not apply in any case, but all such renewals, extensions or new leases made pursuant

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plats and field notes filed of record, and in the event of any conflict the description by reference to the subdivision, line, or corner of the United States public land surveys shall prevail over the description by coordinates.

Section 9. Nothing herein shall require any purchaser or mortgagee to rely on a description, any part of which depends exclusively upon the New Mexico coordinate system.

Section 10. SEVERABILITY.—If any part or application of this act is held invalid, the remainder of the act, or its application to other situations or persons shall not be affected.

Section 11. The effective date of this act shall be July 1, 1957.

CHAPTER 148

AN ACT AMENDING SECTION 7-11-3 NEW MEXICO STATUTES ANNOTATED, 1953 COMPILATION (BEING LAWS 1929, CHAPTER 125, SECTION 2, AS AMENDED) RELATING TO OIL AND GAS LEASES ISSUED BY THE COMMISSIONER OF PUBLIC LANDS UPON LANDS OF THE STATE OF NEW MEXICO AND PRESCRIBING A FORM FOR SAID LEASES; MAKING PROVISION FOR THE AMENDMENT OF OUTSTANDING LEASES TO CONFORM TO THE NEW LEASE FORM; AND DECLARING AN EMERGENCY.

SENATE BILL NO. 288; Approved March 26, 1957

Be It Enacted by the Legislature of the State of New Mexico:

Section 1. Section 7-11-3 New Mexico Statutes Annotated, 1953 Compilation (being Laws 1929, Chapter 125, Section 2, as amended) is amended to read:

"7-11-3. TERM OF LEASE—FORM.—All leases issued by the commissioner of public lands shall be for a primary term of five years, and as long thereafter as oil and gas in paying quantities, or either of them, be produced from the leased premises, and shall contain the following terms and conditions (except as noted) and shall be in substantially the following form:

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Lease No. ..... Application No. .....

OIL AND GAS LEASE

This agreement, dated this the ..... day of ....., A. D. 19....., made and entered into by and between the state of New Mexico, acting by and through the undersigned, its commissioner of public lands, thereunto duly authorized, party of the first part and hereinafter called the "Lessor", and....., party of the second part, hereinafter called the "Lessee", whether one or more,

Witnesseth:

Whereas, the said lessee has filed in the office of the commissioner of public lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment being not less than the amount required by law and by the rules and regulations of the New Mexico State Land Office; and

Whereas, all of the requirements of law relative to said application and tender have been duly complied with and said application has been approved and allowed by the commissioner of public lands;

Therefore, for and in consideration of the premises as well as the sum of..... ($.....) Dollars, the same being the amount of the tender abovementioned, paid in cash, and evidenced by official receipt no..... and of the further sum of $.....filing fee, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, the said lessor has granted and demised, leased and let, and by these presents does grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil or gas, 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 and telegraph lines, tanks, power houses, stations, gasoline plants, and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or

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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 conditions hereinafter set out, the following described land situated in the county of....., state of New Mexico, and more particularly described as follows:

Said lands having been awarded to lessee and designated as Tract No. .....at a public sale held by the commissioner of public lands on ....., 19.....(To be filled in only where lands are offered at public sale.)

To have and to hold said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five years from the date hereof, and as long thereafter as oil and gas in paying quantities, or either of them, is produced from said land by the lessee, subject to all of the terms and conditions as hereinafter set forth.

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

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth part of the oil produced and saved from the leased premises or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into a pipeline, if the oil be run into a pipeline, or into storage tanks, if the oil be stored.

2. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth of the cash value of gas, including casing-head gas, produced and saved from the leased premises and marketed or utilized, such value to be equal to the greater of the following amounts:

(a) the net proceeds derived from the sale of such gas in the field, or

(b) five cents ($.05) per thousand cubic feet (m.c.f.) the volume of gas for such purposes to be computed

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on a pressure basis of 10 ounces above an assumed atmospheric pressure of 14.4 pounds per square inch, or 15.025 pounds per square inch absolute, at 60° Fahrenheit, and pursuant to appropriate regulations of the commissioner of public lands which may provide, among other things, for a flowing temperature of 60° Fahrenheit to be assumed and applied in volume computation in all cases where a recording thermometer is not employed by the lessee in gas measurement, and for specific gravity tests at the lessee's expense at intervals not greater than one year in all cases where a recording gravitometer is not employed by the lessee in gas measurement; 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, acting by its commissioner of public lands, 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.

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 where such well is shut-in due to the inability of the lessee to obtain a pipeline connection or to market the gas therefrom; provided, however, the owner of this lease as to the lands upon which such well is located shall pay an annual royalty equal to the annual rental payable by such owner under the terms of this lease but not less than one hundred dollars ($100) per well per year, said royalty to be paid on or before the annual rental paying date next ensuing after the expiration of ninety days from the

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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. 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 five years by the payment of said annual royalty.

3. Lessee agrees to make full settlement on the 20th day of each month for all royalties due the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. It is expressly agreed that the consideration hereinbefore specified is a good, valid and substantial consideration and sufficient in all respects to support each and every covenant herein, including specifically the option granted the lessee to prevent the termination of this lease from year to year, by the payment or tender of the further rental hereinafter provided for.

An annual rental at the rate of..... per acre shall become due and payable to the lessor by the lessee, or by any transferee or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor as hereinafter provided, upon each acre of the land above described and then claimed by such lessee, transferee or assignee hereunder, and the same shall be due and payable in advance to the lessor on the successive anniversary dates of

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this lease, but the annual rental on any assignment shall in no event be less than six dollars ($6.00).

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

5. The lessee may at any time by paying to the state of New Mexico, acting by its commissioner of public lands, or other authorized officer, all amounts then due as provided herein and the further sum of ten dollars ($10.00), surrender and cancel this lease insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor, or any assignee, to enforce this lease, or any of its terms express or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, in cash or by certified exchange at the office of the commissioner of public lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor, shall have the 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.

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8. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land 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.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor.

If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee or his assignee shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells all water-bearing strata shall be noted in the log, and the lessor reserves the right to require that all or any part of the casing shall be left in any nonproductive well when lessor deems it to the interest of the state of New Mexico to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

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

12. The lessee shall not remove any machinery or fixtures placed on said premises, nor draw the casing from

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any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of Paragraph 10 above.

13. Upon failure or default of the lessee or any assignee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee or assignee so defaulting, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancellation shall be made, the lessor shall mail to the lessee, or assignee so defaulting, by registered mail, addressed to the post-office address of such lessee or assignee as shown by the records of the state land office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within thirty days from the date of mailing said notice the said lessee or assignee shall remedy the default specified in said notice, cancellation shall not be made.

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

15. If the lessee shall have failed to make discovery of oil 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 from the leased premises by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term; provided, however, such rental shall be paid within the time provided by Section 13 hereof, and provided, further, that if oil or gas in paying quantities should be discov-

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ered during the secondary term hereof but production should cease, this lease shall continue for the remainder of said secondary term of five years so long as said 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.

16. 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 or any assignee 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 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 thereupon the provisions hereof shall be of no further force or effect. 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 for failure to pay rentals or to otherwise comply with the foregoing provisions of this section in accordance with Section 13 hereof.

17. Should production of oil or 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

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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.

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

Distributed this the_____ day of_____, 19_____."

Section 2. The lease form as amended by this act shall apply to all leases issued by the commissioner of public lands subsequent to the effective date of this act and the owners of any oil and gas lease heretofore 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 may, in accordance with regulations prescribed by the commissioner of public lands, enter into a stipulation making the terms and conditions of the lease form prescribed by this act a part of any such existing lease, the same as if said lease form had been the original. Provided, however, that no such stipulation shall be effective or binding on any of the parties until each and

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every working interest owner and record owner of the original lease or, approved assignment thereof has signed said stipulation.

Section 3. EMERGENCY CLAUSE.—That it is necessary for the preservation of the public peace, health and safety of the inhabitants of the state of New Mexico that the provisions of this act shall become effective at the earliest possible time, and, therefore, an emergency is hereby declared to exist, and this act shall take effect and be in full force from and after its passage and approval.

CHAPTER 149

AN ACT RELATING TO ASSESSMENT FOR CONSTRUCTION OF WATER OR SEWER LINES, OR BOTH; AMENDING SECTIONS 14-40-9, 14-40-10 AND 14-40-15 NEW MEXICO STATUTES ANNOTATED, 1953 COMPILATION (BEING LAWS 1901, CHAPTER 72, SECTIONS 1, 2 AND 7, AS AMENDED); AND DECLARING AN EMERGENCY.

SENATE JUDICIARY COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 301; Approved March 26, 1957

Be It Enacted by the Legislature of the State of New Mexico:

Section 1. Section 14-40-9 New Mexico Statutes Annotated, 1953 Compilation (being Laws 1901, Chapter 72, Section 1) is amended to read:

"14-40-9. SEWER CONSTRUCTION—RESOLUTION—MAP—SPECIFICATIONS—ESTIMATE—CAPITAL DIVISION OF COST—ASSESSMENT—BOND ISSUE.—Whenever it shall be necessary and proper in the opinion of the city council or board of trustees of any municipality in this state, whether incorporated under general or special laws, or by special charter, to have constructed and maintained a sewer or sewers, water main or lines, in said municipality, or any portion of the same, they shall, by resolution, entered of record, declare the same, and shall cause to be prepared by the city or town engineer, or some other competent engineer, a map of the proposed sewer or water district, together with the lots or pieces of land situate therein, and shall, in said map have traced the commencement, and

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prior to approval and offering acreage embraced therein for lease upon competitive bidding by sealed bids or at public auction to the bidder offering the highest bonus in addition to the annual rentals as set by the commissioner. Provided, however, that notice of such public sale shall be given by posting in a conspicuous place in the state land office, not less than ten (10) days before the date of sale, a notice of same, specifying the day and hour when, and the place where, the sale will be held, giving a description of the lands in each tract to be offered for lease. The notice shall also state whether the sale shall be conducted through sealed bids or at public auction and any other such information as the commissioner may deem necessary.

Where two [2] or more sealed bids are received making the same offer on the same tract, the commissioner shall award the lease thereon in accordance with such regulations as he may prescribe.

History: Laws 1955, ch. 53, § 18.

Separability Clause.

Section 19 of ch. 53, Laws 1955 read: "If any provision of this Act shall be declared invalid, then such invalidity shall not affect the remaining valid provisions of the Act, it being the intent that all of the valid provisions hereof shall be given full force and effect regardless of the invalidity of any of the other provisions."

Repealing Clause.

Section 20 of ch. 53, Laws 1955 read: "Sections 7-9-1, 7-9-2, 7-9-3, 7-9-4, and 7-9-5 of the New Mexico Statutes Annotated, 1953 Compilation, are hereby repealed. All other acts and parts of acts in conflict or inconsistent with the provisions of this Act are hereby repealed."

Emergency Clause.

Section 21 of ch. 53, Laws 1955 declared an emergency and provided that the act should take effect upon its passage and approval. Approved March 3, 1955.

ARTICLE 11—LEASE OF OIL AND GAS LANDS

Section
- 7-11-3. Term of lease—Form.
- 7-11-3.1. Applicability of lease form.
- 7-11-3.2. Extension of terms of leases.
- 7-11-17. Application to district court to set aside order or decision of commissioner—Return—Intervention—Appeal and error.
- 7-11-39. Cooperative agreements for development or operation of oil and gas pools between lessees and others.
- 7-11-40. Cooperative agreements—Requisites for approval.
- 7-11-47. State participation in pooling and communitization agreements authorized.
- 7-11-48. Existing pooling and communitization agreements conferred and validated—Segregation of leases in accordance with prior agreement.
- 7-11-49. Validation of oil and gas leases.
- 7-11-50. Reports and remittance of state royalty—Rules and regulations prescribed by commissioner of public lands—Amendment of state oil and gas leases.
- 7-11-51. Rules—Regulations—Notice—Hearing.
- 7-11-52. Rules—Regulations—Record—Filing with Supreme Court librarian.
- 7-11-53. Reporting and rendition forms to be adopted by rule or regulation.
- 7-11-54. Remittance of state royalty to be transferred to commissioner of public lands.
- 7-11-55. Commissioner of public lands authorized to contract for services.

7-11-3. Term of lease—Form.—All leases issued by the commissioner of public lands shall be for a primary term of five [5] years, and as long thereafter as oil and gas in paying quantities, or either of them, be produced from the leased premises, and shall contain the fol-

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lowing terms and conditions (except as noted) and shall be in substantially the following form:

Lease No. ———— Application No. ————

OIL AND GAS LEASE

This agreement, dated this the ——— day of ———, A. D. 19——, made and entered into by and between the state of New Mexico, acting by and through the undersigned, its commissioner of public lands, thereunto duly authorized, party of the first part and hereinafter called the "Lessor", and ———, party of the second part, hereinafter called the "Lessee", whether one or more,

Witnesseth:

Whereas, the said lessee has filed in the office of the commissioner of public lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment being not less than the amount required by law and by the rules and regulations of the New Mexico State Land Office; and

Whereas, all of the requirements of law relative to said application and tender have been duly complied with and said application has been approved and allowed by the commissioner of public lands;

Therefore, for and in consideration of the premises as well as the sum of ——— ($———) Dollars, the same being the amount of the bonus under abovementioned, paid in cash, and evidenced by official receipt no. ——— and of the further sum of $——— filing fee, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, the said lessor has granted and demised, leased and let, and by these presents does grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil or gas, 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 and telegraph lines, tanks, power houses, stations, gasoline plants, and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas, or water from said lands, but not from lessor's water wells, and with the 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 conditions hereinafter set out, the following described land situated in the county of ———, state of New Mexico, and more particularly described as follows:

Said lands having been awarded to lessee and designated as Tract No. ——— at a public sale held by the commissioner of public lands on ———, 19——. (To be filled in only where lands are offered at public sale.)

To have and to hold said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five years from the date hereof, and as long thereafter as oil and gas in paying quantities, or either of them, is produced from said land by the lessee, subject to all of the terms and conditions as hereinafter set forth.

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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 be stored.

2. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth of the cash value of gas, including casing-head gas, produced and saved from the leased premises and marketed or utilized, such value to be equal to the greater of the following amounts:

(a) the net proceeds derived from the sale of such gas in the field, or

(b) five cents ($.05) per thousand cubic feet (m. c. f.) the volume of gas for such purposes to be computed on a pressure basis of 10 ounces above an assumed atmospheric pressure of 14.4 pounds per square inch, or 15.025 pounds per square inch absolute, at 60° Fahrenheit, and pursuant to appropriate regulations of the commissioner of public lands which may provide, among other things, for a flowing temperature of 60° Fahrenheit to be assumed and applied in volume computation in all cases where a recording thermometer is not employed by the lessee in gas measurement, and for specific gravity tests at the lessee's expense at intervals not greater than one year in all cases where a recording gravitometer is not employed by the lessee in gas measurement; 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, acting by its commissioner of public lands, 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.

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 where such well is shut-in due to the inability of the lessee to obtain a pipeline connection or to market the gas therefrom; Provided, however, the owner of this lease as to the lands upon which such well is located shall pay an annual royalty equal to the annual rental payable by such owner under the terms of this lease but not less than one hundred dollars ($100) per well per year, said royalty to be paid 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 con-

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sidered 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. 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 five years by the payment of said annual royalty.

3. Lessee agrees to make full settlement on the 20th day of each month for all royalties due the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. It is expressly agreed that the consideration hereinbefore specified is a good, valid and substantial consideration and sufficient in all respects to support each and every covenant herein, including specifically the option granted the lessee to prevent the termination of this lease from year to year, by the payment or tender of the further rental hereinafter provided for.

An annual rental at the rate of ——— per acre shall become due and payable to the lessor by the lessee, or by any transferee or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor as hereinafter provided, upon each acre of the land above described and then claimed by such lessee, transferee or assignee hereunder, and the same shall be due and payable in advance to the lessor on the successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than six dollars ($6.00).

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

5. The lessee may at any time by paying to the state of New Mexico, acting by its commissioner of public lands, or other authorized officer, all amounts then due as provided herein and the further sum of ten dollars ($10.00), surrender and cancel this lease insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor, or any assignee, to enforce this lease, or any of its terms express or implied.

6. All payments due hereunder shall be made on or before the day payment is due, in cash or by certified exchange at the office of the commissioner of public lands in Santa Fe, New Mexico.

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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 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.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor.

If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee or his assignee shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells all water-bearing strata shall be noted in the log, and the lessor reserves the right to require that all or any part of the casing shall be left in any nonproductive well when lessor deems it to the interest of the state of New Mexico to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

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

12. The lessee shall not remove any machinery or fixtures placed on said premises, nor draw the casing from any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of paragraph 10 above.

13. Upon failure or default of the lessee or any assignee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and

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include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee or assignee so defaulting, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; Provided, however, that before any such cancellation shall be made, the lessor shall mail to the lessee, or assignee so defaulting, by registered mail, addressed to the post-office address of such lessee or assignee as shown by the records of the state land office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within thirty days from the date of mailing said notice the said lessee or assignee shall remedy the default specified in said notice, cancellation shall not be made.

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

15. If the lessee shall have failed to make discovery of oil 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 from the leased premises by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term; Provided, however, such rental shall be paid within the time provided by section 13 hereof, and Provided, further, that if oil or gas in paying quantities should be discovered during the secondary term hereof but production should cease, this lease shall continue for the remainder of said secondary term of five years so long as said 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.

16. 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 or any assignee 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 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 thereupon the provisions hereof shall be of no further force or effect. 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 for failure to pay rentals

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or to otherwise comply with the foregoing provisions of this sectic in accordance with section 13 hereof.

17. Should production of oil or gas or either of them in payin quantities be obtained while this lease is in force and effect and shoul thereafter cease from any cause after the expiration of ten years fro the date hereof this lease shall not terminate if lessee commences add tional drilling or reworking operations within sixty days after th cessation of such production and shall remain in full force and effect s long as such operations are prosecuted in good faith with no cessatio of more than twenty consecutive days, and if such operations result i the production of oil or gas in paying quantities, so long thereafter a oil or gas in paying quantities is produced from said land; Provided however, written notice of intention to commence such operations shal 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 mad 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.

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

Distributed this the _____ day of _____, 19—.

History: Laws 1929, ch. 125, § 2; C. S. 1929, § 132-402; Laws 1931, ch. 18, § 2; 1945, ch. 111, § 1; 1947, ch. 200, § 1; 1941 Comp., § 8-1103; Laws 1957, ch. 148, § 1.

Title of Act.

An act amending section 7-11-3 New Mexico Statutes Annotated, 1953 Compilation (being Laws 1929, chapter 125, section 2, as amended) relating to oil and gas leases issued by the commissioner of public lands upon lands of the state of New Mexico and prescribing a form for said leases; making provision for the amendment of outstanding leases to conform to the new lease form; and declaring an emergency.—Laws 1957, ch. 148.

Amendment.

The 1957 amendment of the lease form made substantial additions and changes in covenants 2, 8, 15 and 16, for provisions of which before amendment, see parent volume; and added covenant 17.

Liability for Damages to Grazing Lessee.

Where owners of mineral leases authorize a person to enter upon state land for the purpose of seismographic work, with the consent of the commissioner of public land, such persons are nevertheless liable for damages caused to the owner of grazing leases on the land. Tidewater Associated Oil Co. v. Shipp, 59 N. M. 37, 278 P. 2d 571.

7-11-3.1. Applicability of lease form.—The lease form as amended by this act [7-11-3, 7-11-3.1] shall apply to all leases issued by the commissioner of public lands subsequent to the effective date of this act and the owners of any oil and gas lease heretofore issued by the commissioner of public lands and maintained in good standing according

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to the terms and conditions thereof and all applicable statutes and regulations may, in accordance with regulations prescribed by the commissioner of public lands, enter into a stipulation making the terms and conditions of the lease form prescribed by this act a part of any such existing lease, the same as if said lease form had been the original. 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 said stipulation.

History: Laws 1957, ch. 148, § 2.

Emergency Clause.

Section 3 of ch. 148, Laws 1957, declared an emergency and provided that the act should take effect upon its passage and approval. Approved March 26, 1957.

7-11-3.2. Extension of terms of leases.—In all cases where public lands under the jurisdiction of the commissioner of public lands are under lease for oil and gas and are concurrently leased for other minerals, and exploration or development operations under the oil and gas lease are incompatible with the exploration or mining operations under the mining lease and will result in waste of either oil and gas or minerals unless operations under the oil and gas lease are temporarily suspended, the commissioner of public lands may, from time to time, as to all or part of the lands, by legal subdivisions, waive compliance with the express or implied exploratory, drilling, development or production requirements, or may extend the term of the oil and gas lease for a period of time sufficient to permit the removal of the minerals and for subsidence of the ground if necessary.

Provided, however, no waiver or extension of term of the lease shall be for more than five [5] years at any one time and shall be effective only upon written order of the commissioner of public lands. Provided, further, the order shall specify the oil and gas and mineral lease numbers and the legal subdivision affected and shall not be effective until posted on the official land office bulletin board for a period of at least fifteen [15] days.

History: Laws 1961, ch. 93, § 1.

Title of Act.

An act relating to public lands; authorizing the commissioner of public lands to extend the terms of oil and gas leases on public lands during the time operations thereunder are incompatible with operations under other mineral leases.—Laws 1961, ch. 93.

7-11-7. Assignment of leases—Procedure—Effect.

Cancelation of Conveyance.

Plaintiff could not ask for and receive a withdrawal of her acreage from joint venture, place it in a status for further leasing and development under which she would be sole beneficiary of any production and at the same time hold on to a royalty interest under lands of her neighbors. Warren v. Spurck, 64 N. M. 106, 325 P. 2d 284, 288.

7-11-17. Application to district court to set aside order or decision of commissioner—Return—Intervention—Appeal and error.—Any person or corporation aggrieved by any ruling or decision of the commissioner affecting his interest in any lease issued under, or affected by the provisions relating to oil and gas leases of state lands may, within sixty [60] days after rendering of the order or decision, apply to the district court of the county in which the lands or the greater part of them affected by the order or decision are located, for an order directed to the commissioner requiring him to show cause why the order or

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CHAPTER 189

HOUSE BILL NO. 284; Approved March 29, 1967

AN ACT

RELATING TO OIL AND GAS LEASES; AMENDING SECTION 7-11-3 NEW MEXICO STATUTES ANNOTATED, 1953 COMPILATION (BEING LAWS 1929, CHAPTER 125, SECTION 2, AS AMENDED); AND REPEALING SECTION 7-11-3.1 NEW MEXICO STATUTES ANNOTATED, 1953 COMPILATION (BEING LAWS 1957, CHAPTER 148, SECTION 2).

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 7-11-3 New Mexico Statutes Annotated, 1953 Compilation (being Laws 1929, Chapter 125, Section 2, as amended) is amended to read:

"7-11-3. TERM OF LEASE--FORM.--All leases issued by the commissioner of public lands shall be for a primary term of five years, and as long thereafter as oil and gas in paying quantities, or either of them, be produced from the leased premises, and shall contain the following terms and conditions, except as noted, and shall be in substantially the following form:

"Lease No._____ Application No._____

OIL AND GAS LEASE

This agreement, dated this the_____day of_____, A. D. 19____, made and entered into by and between the state of New Mexico, acting by and through the undersigned, its commissioner of public lands, thereunto duly authorized, party of the first part and hereinafter called the "Lessor", and _____,party of the second part, hereinafter called the "Lessee", whether one or more,

Laws of the State of New Mexico 1967

Date	Attorney	Location
2/12/94	ATC	xerox

Witnesseth:

Whereas, the said lessee has filed in the office of the commissioner of public lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment being not less than the amount required by law and by the rules and regulations of the New Mexico State Land Office; and

Whereas, all of the requirements of law relative to said application and tender have been duly complied with and said application has been approved and allowed by the commissioner of public lands;

Therefore, for and in consideration of the premises as well as the sum of_____($_____) Dollars, the same being the amount of the tender abovementioned, paid in cash, and evidenced by official receipt no._____ and of the further sum of $_____filing fee, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, the said lessor has granted and demised, leased and let, and by these presents does grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil or gas, 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, telephones and telegraph lines, tanks, power houses, stations, gasoline plants, and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of

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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 conditions hereinafter set out, the following described land situated in the county of_____, state of New Mexico, and more particularly described as follows:

Said lands having been awarded to lessee and designated as Tract No._____at a public sale held by the commissioner of public lands on_____, 19_____. (To be filled in only where lands are offered at public sale.)

To have and to hold said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five years from the date hereof, and as long thereafter as oil and gas in paying quantities, or either of them is produced from said land by the lessee, subject to all of the terms and conditions as hereinafter set forth.

In consideration of the premises the parties convenant 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 be stored.

2. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth of the cash value of gas, including casing-head gas, produced and saved from the leased premises and marketed or utilized, such value to be equal to the greater

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of the following amounts:

(a) the net proceeds derived from the sale of such gas in the field, or

(b) five cents ($.05) per thousand cubic feet (m.c.f.) the volume of gas for such purposes to be computed on a pressure basis of 10 ounces above an assumed atmospheric pressure of 14.4 pounds per square inch, or 15.025 pounds per square inch absolute, at 60° Fahrenheit, and pursuant to appropriate regulations of the commissioner of public lands which may provide, among other things, for the following temperature of 60° Fahrenheit to be assumed and applied in volume computation in all cases where a recording thermometer is not employed by the lessee in gas measurement, and for specific gravity tests at the lessee's expense at intervals not greater than one year in all cases where a recording gravitometer is not employed by the lessee in gas measurement; 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, acting by its commissioner of public lands 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

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of the greatest ultimate recovery of oil or gas or to the promotion of conservation of oil or gas.

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 where such well is shut-in due to the inability of the lessee to obtain a pipeline connection or to market the gas therefrom; provided, however, the owner of this lease as to the lands upon which such well is located shall pay an annual royalty equal to the annual rental payable by such owner under the terms of this lease but not less than one hundred dollars ($100) per well per year, said royalty to be paid 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 lease hold 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. 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 five years by the payment of said annual royalty.

3. Lessee agrees to make full settlement on the 20th day of each month for all royalties due the lessor for

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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. It is expressly agreed that the consideration hereinbefore specified is a good, valid and substantial consideration and sufficient in all respects to support each and every convenant herein, including specifically the option granted the lessee to prevent the termination of this lease from year to year, by the payment or tender of the further rental hereinafter provided for.

An annual rental at the rate of_____per acre shall become due and payable to the lessor by the lessee, or by any transferee or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor as hereinafter provided, upon each acre of the land above described and then claimed by such lessee, transferee or assignee hereunder, and the same shall be due and payable in advance to the lessor on the successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than six dollars ($6.00).

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

5. The lessee may at any time by paying to the

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state of New Mexico, acting by its commissioner of public lands, or other authorized officer, all amounts then due as provided herein and the further sum of ten dollars ($10.00), surrender and cancel this lease insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor, or any assignee, to enforce this lease, or any of its terms expressed or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, in cash or by certified exchange at the office of the commissioner of public lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor, shall have the 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.

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8. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land 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.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor.

If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee or his assignee shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract or 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

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of the state of New Mexico to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

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

12. The lessee shall not remove any machinery or fixtures placed on said premises, nor draw the casing from any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of Paragraph 10 above.

13. Upon failure or default of the lessee or any assignee to comply with any of the provisions or convenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee or assignee so defaulting, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however that before any such cancellation shall be made, the lessor shall mail to the lessee, or assignee so defaulting, by registered or certified mail, addressed to the post-office address of such lessee or assignee as shown by the records of the state land office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within thirty days from the date of mailing said notice the said lessee or assignee shall remedy the default specified in said notice, cancellation shall not be made.

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

15. If the lessee shall have failed to make discovery of oil 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 from the leased premises by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term; provided, however, such rental shall be paid within the time provided by Section 13 hereof, and provided, further, that if oil or gas in paying quantities should be discovered during the secondary term hereof but production should cease, this lease shall continue for the remainder of said secondary term of five years so long as said 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.

16. 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 or any assignee is then engaged in bona fide drilling or reworking operations thereon, this lease shall remain in full force and effect so

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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 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 thereupon the provisions hereof shall be of no further force or effect.

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

17. Should production of oil or 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

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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.

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

Distributed this the_____day of_____, 19_____."."

Section 2. The lease form as amended by this act shall apply to all leses issued by the commissioner of public lands subsequent to the effective date of this act and the owners of any oil and gas lease heretofore issued by the commissioner of public lands and maintained in good

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standing according to the terms and conditions thereof and all applicable statutes and regulations may, in accordance with regulations prescribed by the commissioner of public lands, enter into a stipulation making the terms and conditions of the lease form prescribed by this act a part of any such existing lease, the same as if said lease form had been the original; 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 said stipulation.

Section 3. Section 7-11-3.1 New Mexico Statutes Annotated, 1953 Compilation (being Laws 1957, Chapter 148, Section 2) is repealed.

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CHAPTER 113

AN ACT

RELATING TO OIL AND GAS LEASES ON STATE LANDS; PROVIDING ADDITIONAL AUTHORITY TO THE COMMISSIONER OF PUBLIC LANDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. OIL AND GAS LEASES—COMMISSIONER'S ADDITIONAL AUTHORITY--PUBLIC AUCTION.—

A. In addition to other authority granted by law the commissioner is authorized to change the terms of the lease form set out in Section 7-11-3 NMSA 1953 as follows:

(1) eliminate the secondary term of the lease; and

(2) establish the royalty to be paid, but in no event shall the royalty be less than one-eighth or more than one-sixth.

B. All leases amended as provided in this section shall be offered at public sale in accordance with the provisions of Section 7-11-11 NMSA 1953 and the notice of sale shall specify the terms of the lease.

SENATE BILL 441
Approved April 3, 1975



CHAPTER 298

AN ACT

RELATING TO STATE LANDS; PROVIDING A FIVE-YEAR STATUTORY LEASE FORM; REPEALING AND ENACTING CERTAIN SECTIONS OF THE NMSA 1953.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. A new Section 7-11-3.1 NMSA 1953 is enacted to read:

"7-11-3.1. TERM OF LEASE--FIVE-YEAR FORM.--Notwithstanding the provisions of Section 7-11-3 NMSA 1953, the commissioner of public lands is authorized to enter into a lease containing the following terms and conditions and being substantially in the following form:

"Lease No._____ Application No._____

OIL AND GAS LEASE

This agreement, dated this the _____ day of _____, A. D. 19___, made and entered into by and between the state of New Mexico, acting by and through the undersigned, its commissioner of public lands, thereunto duly authorized, party of the first part and hereinafter called the "Lessor", and _____, party of the second part, hereinafter called the "Lessee", whether one or more,

Witnesseth:

Whereas, the said lessee has filed in the office of the commissioner of public lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment being not less than the amount required by law and by the rules and regulations of the New Mexico

SENATE BILL 159
Approved April 7, 1977

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state land office; and

Whereas, all of the requirements of law relative to said application and tender have been duly complied with and said application has been approved and allowed by the commissioner of public lands;

Therefore, for and in consideration of the premises as well as the sum of _____ dollars ($_____), the same being the amount of the tender above mentioned, paid in cash, and evidenced by official receipt No. _____ and of the further sum of $_____ filing fee, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, the said lessor has granted and demised, leased and let, and by these presents does grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil or gas, 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, telephones and telegraph lines, tanks, power houses, stations, gasoline plants, and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas, or water from

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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 conditions hereinafter set out, the following described land situated in the county of _____, state of New Mexico, and more particularly described as follows:

(Description)

Reserving to the lessor 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.

And further reserving to the lessor 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.

Said lands having been awarded to lessee and designated as Tract No. _____ at a public sale held by the commissioner of public lands on _____, 19___. (To be filled in only where lands are offered at public sale.)

To have and to hold said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five years from the date hereof, and as long thereafter

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as oil and gas in paying quantities, or either of them is produced from said land by the lessee, subject to all of the terms and conditions as hereinafter set forth.

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

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty not less than one-eighth nor more than one-sixth, to-wit, _____, 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 be 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 not less than one-eighth nor more than one-sixth, to-wit, _____, 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 not less than one-eighth nor more than one-sixth, to-wit, _____, 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 greater of the following amounts:

(a) the net proceeds derived from the sale of such gas in

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the field, or

(b) five cents ($.05) per thousand cubic feet (m.c.f.) the volume of gas for such purposes to be computed on a pressure basis of ten ounces above an assumed atmospheric pressure of fourteen and four-tenths pounds per square inch, or fifteen and twenty-five-thousandths pounds per square inch absolute, at sixty degrees Fahrenheit, and pursuant to appropriate regulations of the commissioner of public lands which may provide, among other things, for a flowing temperature of sixty degrees Fahrenheit to be assumed and applied in volume computation in all cases where a recording thermometer is not employed by the lessee in gas measurement, and for specific gravity tests at the lessee's expense at intervals not greater than one year in all cases where a recording gravitometer is not employed by the lessee in gas measurement; 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, acting by its commissioner of public lands, 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

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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 where such well is shut-in due to the inability of the lessee to obtain a pipeline connection or to market the gas therefrom; provided, however, the owner of this lease as to the lands upon which such well is located shall pay an annual royalty equal to the annual rental payable by such owner under the terms of this lease but not less than one hundred dollars ($100) per well per year, said royalty to be paid 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

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shall also apply where gas is being marketed from said lease-hold 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. 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 five years by the payment of said annual royalty.

3. 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 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. It is expressly agreed that the consideration hereinbefore specified is a good, valid and substantial consideration and sufficient in all respects to support each and every covenant herein, including specifically the option granted the lessee to prevent the termination of this lease from year to year, by the payment or tender of the further rental hereinafter provided for.

An annual rental at the rate of _____ per acre shall become due and payable to the lessor by the lessee, or by any transferee or assignee of the same, or any part hereof, where such

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transferee or assignee has been recognized, and such transfer or assignment approved by the lessor as hereinafter provided, upon each acre of the land above described and then claimed by such lessee, transferee or assignee hereunder, and the same shall be due and payable in advance to the lessor on the successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than six dollars ($6.00).

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

5. The lessee may at any time by paying to the state of New Mexico, acting by its commissioner of public lands, or other authorized officer, all amounts then due as provided herein and the further sum of ten dollars ($10.00), surrender and cancel this lease insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor, or any assignee, to enforce this lease, or any of its terms expressed or implied.

6. All payments due hereunder shall be made on or before the

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day such payment is due, in cash or by certified exchange at the office of the commissioner of public lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor shall have the rights to assign this lease in whole or in part. Provided, however, that no assignment of an undivided interest in the lease or 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 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.

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 fur-

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nish the log of any unfinished well at any time when requested to do so by the lessor.

If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee or his assignee shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells all water-bearing strata shall be noted in the log, and the lessor reserves the right to require that all or any part of the casing shall be left in any non-productive well when lessor deems it to the interest of the state of New Mexico to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable and agree to pay for all damages to the range, livestock, growing crops or improvements caused by

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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 or any assignee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee or assignee so defaulting, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancellation shall be made, the lessor shall mail to the lessee, or assignee so defaulting, by registered or certified mail, addressed to the post-office address of such lessee or assignee as shown by the records of the state land office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within thirty days from the date of mailing said notice the said lessee or assignee shall remedy the default specified in said notice, cancellation shall not be made.

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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 or any assignee 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 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 thereupon the provisions hereof shall be of no further force or effect.

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

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

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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

Distributed this _____ day of _____, 19___."."

Section 2. A new Section 7-11-3.1c NMSA 1953 is enacted to read:

"7-11-3.1c. APPLICABILITY OF LEASE FORM AS AUTHORIZED BY 1977 ACT.--The lease form as authorized by Section 1 of this act shall apply to all oil and gas leases, other than the ten-year leases issued under Section 7-11-3 NMSA 1953, issued by the commissioner of public lands subsequent to the effective date of this act and the owners of any oil and gas lease heretofore issued by the commissioner of public lands under the authority granted by Laws 1975, Chapter 113, Section 1 and maintained in good standing according to the terms and conditions thereof and all applicable statutes and regulations may, in accordance

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with regulations prescribed by the commissioner of public lands, enter into a stipulation making the terms and conditions of the lease form prescribed by this act a part of any such existing lease, the same as if said lease form had been the original; 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 said stipulation."

Section 3. REPEAL.--Section 7-11-3.4 NMSA 1953 (being Laws 1975, Chapter 113, Section 1) is repealed.



CHAPTER 195

AN ACT

RELATING TO THE COMMISSIONER OF PUBLIC LANDS; PROVIDING FOR CLASSIFICATION OF LANDS FOR OIL AND GAS LEASING; PROVIDING POWERS AND DUTIES; PROVIDING FOR FORMS FOR LEASES; AMENDING, REPEALING AND ENACTING CERTAIN SECTIONS OF THE NMSA 1978.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 19-10-3 NMSA 1978 (being Laws 1929, Chapter 125, Section 2, as amended) is repealed and a new Section 19-10-3 NMSA 1978 is enacted to read:

"19-10-3. CLASSIFICATION OF STATE LANDS FOR OIL AND GAS LEASING.--

A. For the purpose of issuing oil and gas leases thereon, all state lands under the jurisdiction of the commissioner shall be classified as either nonrestricted or restricted. Those lands placed within a restricted district pursuant to Section 19-10-16 NMSA 1978 shall be classified as restricted lands. All other lands owned by the state under the jurisdiction of the commissioner shall be classified as nonrestricted lands. Before leasing any tract of restricted land, it shall be further categorized as either regular or premium based upon the following factors relating to the tract:

(1) oil and gas trends;

(2) oil and gas traps;

(3) reservoir volume and recovery rating;

(4) lease bonus rating; and

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(5) exploration and activity.

A percentage of zero percent to twenty percent shall be allocated to each factor. If the total percentages of all factors for a tract of land to be leased 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 to be leased is seventy-five percent or more, the tract shall be categorized as premium.

B. After notice and hearing, the commissioner shall promulgate regulations specifying criteria to be used in categorizing tracts pursuant to Subsection A of this section."

Section 2. Section 19-10-4 NMSA 1978 (being Laws 1977, Chapter 298, Section 1) is repealed and a new Section 19-10-4 NMSA 1978 is enacted to read:

"19-10-4. AUTHORIZATION TO LEASE--LEASE PROVISIONS.--In issuing oil and gas leases, the commissioner shall:

A. use the exploratory lease form as set forth in Section 19-10-4.1 NMSA 1978 for oil and gas leases of tracts classified as nonrestricted lands under Section 19-10-3 NMSA 1978;

B. use the discovery lease form as set forth in Section 19-10-4.2 NMSA 1978 or the exploratory lease form for oil and gas leases of tracts classified as restricted lands and categorized as regular under Section 19-10-3 NMSA 1978; and

C. use the development lease form as set forth in Section 19-10-4.3 NMSA 1978, the discovery lease form or the exploratory lease form for oil and gas leases of tracts classified as restricted

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lands and categorized as premium under Section 19-10-3 NMSA 1978; provided that in using the development lease form for a tract receiving less than ninety total percentage points under Section 19-10-3 NMSA 1978, the royalty rate shall not exceed three-sixteenths."

Section 3. A new Section 19-10-4.1 NMSA 1978 is enacted to read:

"19-10-4.1. EXPLORATORY FORM OF LEASE--NONRESTRICTED--REGULAR RESTRICTED OR PREMIUM RESTRICTED LANDS.--The following form is designated as the "Exploratory Form". It shall be used for all oil and gas leases on lands classified as nonrestricted lands. At the discretion of the commissioner, it may be used for lands classified as restricted, whether categorized as regular or premium:

"LEASE NO. _____ APPLICATION NO._____

OIL AND GAS LEASE

(Exploratory Form)

This agreement, dated _____, 19___, 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

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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 _____ _____ dollars ($_____), the same being the amount of the tender above mentioned, and the further sum of $_____ 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,

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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 _____, state of New Mexico, and more particularly described as follows:

Line	SUBDIVISION	Sec.	Twp.	Rge.	Acres	Institution
1						
2						
3						
4						
5						
6						
7						

Said lands having been awarded to lessee and designated as Tract No. _____ at a public sale held by the commissioner of public lands on _____, 19___. (To be filled in only where lands are offered at public sale.)

To have and to hold said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five years from the date hereof, and as long thereafter as oil and gas, 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

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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

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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 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

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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; and 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 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,

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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 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 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

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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,

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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.

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11. Lessee shall be liable and agree to pay for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by the lessor the lessee shall bury 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.

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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 from the leased premises by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term; 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 said 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

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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 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, 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 pay-

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ing 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. 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, 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

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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 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 substances 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, administrators, successors and assigns of the parties hereto.

In witness whereof, the party of the first part has hereunto

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

STATE OF NEW MEXICO

By _____
Commissioner of Public Lands, Lessor

_____(Seal)"."
Lessee

Section 4. A new Section 19-10-4.2 NMSA 1978 is enacted to read:

"19-10-4.2. DISCOVERY FORM OF LEASE--REGULAR RESTRICTED OR PREMIUM RESTRICTED LANDS.--The following form is designated as the "Discovery Form". It may be used by the commissioner for oil and gas leases on lands classified as restricted lands, whether categorized as regular or premium:

"LEASE NO. _____ APPLICATION NO. _____

OIL AND GAS LEASE

(Discovery Form)

This agreement, dated _____, 19___, 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:

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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 _____dollars ($_____), the same being the amount of the tender above mentioned, and the further sum of $_____ 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 county of _____, state of New Mexico, and more particularly described as follows:

Line	SUBDIVISION	Sec.	Twp.	Rge.	Acres	Institution
1						
2						
3						
4						
5						
6						
7						

Said lands having been awarded to lessee and designated as Tract No. _____ at a public sale held by the commissioner of public lands on _____, 19___.

To 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

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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 the 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

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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.

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

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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 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 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 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

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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,

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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.

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11. Lessee shall be liable and agree to pay for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by the lessor the lessee shall bury 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.

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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 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, 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 com-

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menced; 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. 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, 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 substances 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

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grant rights of way and easements for these purposes.

20. 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 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

Section 5. A new Section 19-10-4.3 NMSA 1978 is enacted to read:

"19-10-4.3. DEVELOPMENT FORM OF LEASE--PREMIUM RESTRICTED LAND.--The following form is designed as the "Development Form". It may be used by the commissioner for oil and gas leases on lands classified as restricted lands and categorized as Premium:

LEASE NO. _____ APPLICATION NO. _____

OIL AND GAS LEASE

(Development Form)

This agreement, dated _____, 19___, between the state of New Mexico, acting by and through its commissioner of public lands, hereinafter called the "lessor", and _____

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_____,

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 _____ dollars ($_____), the same being the amount of the tender above mentioned, and the further sum of $_____ 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

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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 county of _____, state of New Mexico, and more particularly described as follows:

Line	SUBDIVISION	Sec.	Twp.	Rge.	Acres	Institution
1						
2						
3						
4						
5						
6						
7						

Said lands having been awarded to lessee and designated as Tract No. _____ at a public sale held by the commissioner of public lands on _____, 19___.

To have and to hold said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term

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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 _____ (not less than three-sixteenths nor more than 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 _____ (not less than three-sixteenths nor more than 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 _____ (not less than three-sixteenths nor more than 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

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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 or the greatest ultimate recovery of oil or gas or to the promotion or 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

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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 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 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 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

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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

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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.

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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 for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by the lessor the lessee shall bury 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

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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 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, lessee loses or junks the hole or well and after diligent

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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

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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. 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, 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 substances 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, administrators, successors and assigns of the parties hereto.

In witness whereof, the party of the first part has hereunto signed and caused its name to be signed by its commissioner of public lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

STATE OF NEW MEXICO

By _____
Commissioner of Public Lands, Lessor

_____

_____(Seal)"."
Lessee

Section 6. Section 19-10-5 NMSA 1978 (being Laws 1967, Chapter 189, Section 2) is repealed and a new Section 19-10-5 NMSA 1978 is enacted to read:

"19-10-5. EXISTING LEASES--STIPULATION.--

A. The owners of any oil and gas lease issued by the

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PENGAD-Bayonne, N. J.

19-10-4.1. Exploratory form of lease; nonrestricted; regular restricted or premium restricted lands.

The following form is designated as the "Exploratory Form". It shall be used for all oil and gas leases on lands classified as nonrestricted lands. At the discretion of the commissioner, it may be used for lands classified as restricted, whether categorized as regular or premium:

"Lease No. .....
Application No. .....

OIL AND GAS LEASE

(Exploratory Form)

This agreement, dated ....., 19 ....., 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 .... dollars ($ .....), the same being the amount of the tender above mentioned, and the further sum of $ ..... 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 county of ....., state of New Mexico, and more particularly described as follows:

Line	SUBDIVISION	Sec.	Twp.	Rge.	Acres	Institution
1						
2						
3						
4						
5						
6						
7						

Said lands having been awarded to lessee and designated as Tract No. ..... at a public sale held by the commissioner of public lands on ....., 19 ..... (To be filled in only where lands are offered at public sale.)

Supplement

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 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 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; and 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 the lessor for the preceding month, under this lease, and to permit the lessor

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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 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 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

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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 for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by the lessor the lessee shall bury 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 from the leased premises by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term; 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 said 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 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, 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

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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. 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, 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 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 substances 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, administrators, successors and assigns of the parties hereto.

In witness whereof, the party of the first part has hereunto signed and caused its name to be signed by its commissioner of public lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

STATE OF NEW MEXICO

By .....
Commissioner of Public Lands, Lessor
..... (Seal)."
Lessee

History: 1978 Comp., § 19-10-4.1, enacted by Laws 1985, ch. 195, § 3.

Cross references. — For commissioner of public lands, see 19-1-1 NMSA 1978.

Public policy. — It is the public policy as shown by the oil and gas leasing laws to promote development and production of oil and gas and it was not contemplated by the legislature that a lessee be deprived of his right to develop fully a well begun in good faith merely because he was attempting to determine the extent of the production possible at a depth less than he contemplated drilling in order to test the productivity of the area. 1953-54 Op. Att'y Gen. No. 5650.

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Use of form not required of other state agencies. — The form for leasing oil and gas lands belonging to agencies other than the office of the commissioner of public lands need not comply with the terms and conditions of this section, even where such leases are offered through the facilities of the commissioner as an accommodation to another state agency. 1980 Op. Att'y Gen. No. 80-10.

Surrender of lease and reapplication. — Once a lessee has surrendered his lease as provided for under Subdivision 5, the commissioner may refuse to accept an application for a new lease made by the same party. 1945-46 Op. Att'y Gen. No. 4659.

Rental on assignment of lease. — Annual rental to be charged assignee of oil and gas lease is same as that of original lessee, and for secondary term the rental is double that of primary term. 1937-38 Op. Att'y Gen. 73.

Effect of production in portion of premises on rights of partial assignee. — Where oil and gas lease from commissioner of public lands provided that if oil and gas were produced in paying quantities within 10-year period, which time had been allowed lessee to produce oil and gas, lease might be continued in force as long as oil or gas should be produced, and portion of lease was assigned, assignee succeeded to all rights of original lessee, and on producing oil in portion of lease not covered by assignment, assignee had right to continue lease in force, subject to implied covenant to perform the development work. State ex rel. Shell Petroleum Corp. v. Worden, 44 N.M. 400, 103 P.2d 124 (1940).

Liability for damages. — Persons performing seismographic work upon state land with consent of mineral lease holders and commissioner of public lands are liable for damages caused to holders of grazing leases on the land, since, under subdivision 11 of form lease found in this section, mineral lease holder would be liable for such damages. Tidewater Associated Oil Co. v. Shipp, 59 N.M. 37, 278 P.2d 571 (1954).

Production on part benefits whole. — If production has been obtained in a unit area the production inures to the benefit of all tracts contained in the unit area; under the form oil and gas lease all of the tracts contained in a lease are perpetuated for as long after the term of the lease as oil or gas in paying quantities is produced from said land by the lessee. 1953-54 Op. Att'y Gen. No. 5708.

As does drilling on part. — The commencement of drilling on any part of a unit area prior to the expiration of the secondary term would extend the secondary term on all tracts included in the unit area and would be considered the same as though a well had been commenced on each tract in such unit area. 1953-54 Op. Att'y Gen. No. 5708.

Expiration of lease prior to drilling. — Drilling operations may not be made upon a second well in the event the approved operation is completed without production where the drilling operations have not been begun on the second well prior to the expiration date of the second term. 1953-54 Op. Att'y Gen. No. 5650.

Purpose of extension. — Extension of lease beyond its secondary term is for such period of time as required to conclude bona fide drilling in which lessee was engaged at expiration of the secondary term at which time lease terminates if oil or gas are not found, but if this drilling operation results in production, then the lease is continued for as long as oil and gas, or either of them, is produced from said land in paying quantities. 1949-50 Op. Att'y Gen. No. 5230.

Application for continuation. — Under Subdivision 16 a lessee may make application in writing before expiration of the secondary term for a continuation of the term if engaged in bona fide drilling or reworking operations. 1949-50 Op. Att'y Gen. No. 5230.

Commissioner may insert covenant compelling reasonable development of the leased premises for oil and gas. 1941-42 Op. Att'y Gen. No. 3835.

Notice of intent to cancel lease by certified mail. — The commissioner of public lands fulfills the statutory requirement for notice to terminate a lessee's interest in an oil and gas lease when he sends a notice of intent to cancel by certified mail. Abbott v. Armijo, 100 N.M. 190, 668 P.2d 306 (1983).

Law reviews. — For note, "State Regulation of Oil and Gas Pools on State, Federal, Indian and Fee Lands," see 2 Nat. Resources J. 355 (1962).

Am. Jur. 2d, A.L.R. and C.J.S. references. — 38 Am. Jur. 2d Gas and Oil § 283.

Implied duty of oil and gas lessee to protect against drainage, 18 A.L.R.4th 14.

Remedy for breach of implied duty of oil and gas lessee to protect against drainage, 18 A.L.R.4th 147.

Production on one tract as extending term on other tract where one mineral lease conveys oil or gas rights in separate tracts for as long as oil or gas is produced, 35 A.L.R.4th 1167.

Construction and application of "Mother Hubbard" or "cover-all" clause in gas and oil lease or deed, 80 A.L.R.4th 205.

19-10-4.2. Discovery form of lease; regular restricted or premium restricted lands.

The following form is designated as the "Discovery Form". It may be used by the commissioner for oil and gas leases on lands classified as restricted lands, whether categorized as regular or premium:

"Lease No. ..... Application No. .....

OIL AND GAS LEASE

(Discovery Form)

This agreement, dated ....., 19 ....., between the state of New Mexico, acting by and through its commissioner of public lands, hereinafter called the "lessor", and .....,

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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 ..... dollars ($.....), the same being the amount of the tender above mentioned, and the further sum of $ ..... 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 county of ..... , state of New Mexico, and more particularly described as follows:

Line	SUBDIVISION	Sec.	Twp.	Rge.	Acres	Institution
1						
2						
3						
4						
5						
6						
7						

Said lands having been awarded to lessee and designated as Tract No. ..... at a public sale held by the commissioner of public lands on ..... , 19 .....

To 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 the 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

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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 or 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 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 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 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

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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 for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by the lessor the lessee shall bury 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

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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 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, 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. 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, 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 substances to likewise waive any such rights.

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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, administrators, successors and assigns of the parties hereto.

In witness whereof, the party of the first part has hereunto signed and caused its name to be signed by its commissioner of public lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

STATE OF NEW MEXICO

By .....
Commissioner of Public Lands, Lessor
.....
..... (Seal)."
Lessee

History: 1978 Comp., § 19-10-4.2, enacted by Laws 1985, ch. 195, § 4.

Cross references. — For commissioner of public lands, see 19-1-1 NMSA 1978.

Public policy. — It is the public policy as shown by the oil and gas leasing laws to promote development and production of oil and gas and it was not contemplated by the legislature that a lessee be deprived of his right to develop fully a well begun in good faith merely because he was attempting to determine the extent of the production possible at a depth less than he contemplated drilling in order to test the productivity of the area. 1953-54 Op. Att'y Gen. No. 5650.

Use of form not required of other state agencies. — The form for leasing oil and gas lands belonging to agencies other than the office of the commissioner of public lands need not comply with the terms and conditions of this section, even where such leases are offered through the facilities of the commissioner as an accommodation to another state agency. 1980 Op. Att'y Gen. No. 80-10.

Surrender of lease and reapplication. — Once a lessee has surrendered his lease as provided for under Subdivision 5, the commissioner may refuse to accept an application for a new lease made by the same party. 1945-46 Op. Att'y Gen. No. 4659.

Rental on assignment of lease. — Annual rental to be charged assignee of oil and gas lease is same as that of original lessee, and for secondary term the rental is double that of primary term. 1937-38 Op. Att'y Gen. 73.

Effect of production in portion of premises on rights of partial assignee. — Where oil and gas lease from commissioner of public lands provided that if oil and gas were produced in paying quantities within 10-year period, which time had been allowed lessee to produce oil and gas, lease might be continued in force as long as oil or gas should be produced, and portion of lease was assigned, assignee succeeded to all rights of original lessee, and on producing oil in portion of lease not covered by assignment, assignee had right to continue lease in force, subject to implied covenant to perform the development work. State ex rel. Shell Petroleum Corp. v. Worden, 44 N.M. 400, 103 P.2d 124 (1940).

Liability for damages. — Persons performing seismographic work upon state land with consent of mineral lease holders and commissioner of public lands are liable for damages caused to holders of grazing leases on the land, since, under Subdivision 11 of form lease found in this section, mineral lease holder would be liable for such damages. Tidewater Associated Oil Co. v. Shipp, 59 N.M. 37, 278 P.2d 571 (1954).

Production on part benefits whole. — If production has been obtained in a unit area the production inures to the benefit of all tracts contained in the unit area; under the form oil and gas lease all of the tracts contained in a lease are perpetuated for as long after the term of the lease as oil or gas in paying quantities is produced from said land by the lessee. 1953-54 Op. Att'y Gen. No. 5708.

As does drilling on part. — The commencement of drilling on any part of a unit area prior to the expiration of the secondary term would extend the secondary term on all tracts included in the unit area and would be considered the same as though a well had been commenced on each tract in such unit area. 1953-54 Op. Att'y Gen. No. 5708.

Expiration of lease prior to drilling. — Drilling operations may not be made upon a second well in the event the approved operation is completed without production where the drilling operations have not been begun on the second well prior to the expiration date of the second term. 1953-54 Op. Att'y Gen. No. 5650.

Purpose of extension. — Extension of lease beyond its secondary term is for such period of time as required to conclude bona fide drilling in which lessee was engaged at expiration of the secondary term at which time lease terminates if oil or gas are not found, but if this drilling operation results in production, then the lease is continued for as long as oil and gas, or either of them, is produced from said land in paying quantities. 1949-50 Op. Att'y Gen. No. 5230.

Application for continuation. — Under Subdivision 16 a lessee may make application in writing before expiration of the secondary term for a contin-

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uation of the term if engaged in bona fide drilling or reworking operations. 1949-50 Op. Att'y Gen. No. 5230.

Commissioner may insert covenant compelling reasonable development of the leased premises for oil and gas. 1941-42 Op. Att'y Gen. No. 3835.

Notice of intent to cancel lease by certified mail. — The commissioner of public lands fulfills the statutory requirement for notice to terminate a lessee's interest in an oil and gas lease when he sends a notice of intent to cancel by certified mail. Abbott v. Armijo, 100 N.M. 190, 668 P.2d 306 (1983).

Law reviews. — For note, "State Regulation of Oil and Gas Pools on State, Federal, Indian and Fee Lands," see 2 Nat. Resources J. 355 (1962).

Am. Jur. 2d, A.L.R. and C.J.S. references. — 38 Am. Jur. 2d Gas and Oil § 283.

Implied duty of oil and gas lessee to protect against drainage, 18 A.L.R.4th 14.

Remedy for breach of implied duty of oil and gas lessee to protect against drainage, 18 A.L.R.4th 147.

Production on one tract as extending term on other tract where one mineral lease conveys oil or gas rights in separate tracts for as long as oil or gas is produced, 35 A.L.R.4th 1167.

Construction and application of "Mother Hubbard" or "cover-all" clause in gas and oil lease or deed, 80 A.L.R.4th 205.

19-10-4.3. Development form of lease; premium restricted land.

The following form is designed as the "Development Form." It may be used by the commissioner for oil and gas leases on lands classified as restricted lands and categorized as Premium:

Lease No. ..... Application No. .....

OIL AND GAS LEASE

(Development Form)

This agreement, dated ....., 19 ....., 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 ..... dollars ($ .....), the same being the amount of the tender above mentioned, and the further sum of $ ..... 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 county of ....., state of New Mexico, and more particularly described as follows:

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Line	SUBDIVISION	Sec.	Twp.	Rge.	Acres	Institution
1						
2						
3						
4						
5						
6						
7						

Said lands having been awarded to lessee and designated as Tract No. ..... at a public sale held by the commissioner of public lands on ....., 19 .....

To 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 ..... (not less than three-sixteenths nor more than 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 ..... (not less than three-sixteenths nor more than 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 ..... (not less than three-sixteenths nor more than 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 or [of] the greatest ultimate recovery of oil or gas or to the promotion or 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

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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 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 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 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.

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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 for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by the lessor the lessee shall bury 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 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, 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.

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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. 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, 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 substances 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, administrators, successors and assigns of the parties hereto.

In witness whereof, the party of the first part has hereunto signed and caused its name to be signed by its commissioner of public lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

STATE OF NEW MEXICO

By .....
Commissioner of Public Lands, Lessor
.....
..... (Seal)."
Lessee

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History: 1978 Comp., § 19-10-4.3, enacted by Laws 1985, ch. 195, § 5.

Cross references. — For commissioner of public lands, see 19-1-1 NMSA 1978.

Public policy. — It is the public policy as shown by the oil and gas leasing laws to promote development and production of oil and gas and it was not contemplated by the legislature that a lessee be deprived of his right to develop fully a well begun in good faith merely because he was attempting to determine the extent of the production possible at a depth less than he contemplated drilling in order to test the productivity of the area. 1953-54 Op. Att'y Gen. No. 5650.

Use of form not required of other state agencies. — The form for leasing oil and gas lands belonging to agencies other than the office of the commissioner of public lands need not comply with the terms and conditions of this section, even where such leases are offered through the facilities of the commissioner as an accommodation to another state agency. 1980 Op. Att'y Gen. No. 80-10.

Surrender of lease and reapplication. — Once a lessee has surrendered his lease as provided for under Subdivision 5, the commissioner may refuse to accept an application for a new lease made by the same party. 1945-46 Op. Att'y Gen. No. 4659.

Rental on assignment of lease. — Annual rental to be charged assignee of oil and gas lease is same as that of original lessee, and for secondary term the rental is double that of primary term. 1937-38 Op. Att'y Gen. 73.

Effect of production in portion of premises on rights of partial assignee. — Where oil and gas lease from commissioner of public lands provided that if oil and gas were produced in paying quantities within 10-year period, which time had been allowed lessee to produce oil and gas, lease might be continued in force as long as oil or gas should be produced, and portion of lease was assigned, assignee succeeded to all rights of original lessee, and on producing oil in portion of lease not covered by assignment, assignee had right to continue lease in force, subject to implied covenant to perform the development work. State ex rel. Shell Petroleum Corp. v. Worden, 44 N.M. 400, 103 P.2d 124 (1940).

Liability for damages. — Persons performing seismographic work upon state land with consent of mineral lease holders and commissioner of public lands are liable for damages caused to holders of grazing leases on the land, since, under Subdivision 11 of form lease found in this section, mineral lease holder would be liable for such damages. Tidewater Associated Oil Co. v. Shipp, 59 N.M. 37, 278 P.2d 571 (1954).

Production on part benefits whole. — If production has been obtained in a unit area the production inures to the benefit of all tracts contained in the unit area; under the form oil and gas lease all of the tracts contained in a lease are perpetuated for as long after the term of the lease as oil or gas in paying quantities is produced from said land by the lessee. 1953-54 Op. Att'y Gen. No. 5708.

As does drilling on part. — The commencement of drilling on any part of a unit area prior to the expiration of the secondary term would extend the secondary term on all tracts included in the unit area and would be considered the same as though a well had been commenced on each tract in such unit area. 1953-54 Op. Att'y Gen. No. 5708.

Expiration of lease prior to drilling. — Drilling operations may not be made upon a second well in the event the approved operation is completed without production where the drilling operations have not been begun on the second well prior to the expiration date of the second term. 1953-54 Op. Att'y Gen. No. 5650.

Purpose of extension. — Extension of lease beyond its secondary term is for such period of time as required to conclude bona fide drilling in which lessee was engaged at expiration of the secondary term at which time lease terminates if oil or gas are not found, but if this drilling operation results in production, then the lease is continued for as long as oil and gas, or either of them, is produced from said land in paying quantities. 1949-50 Op. Att'y Gen. No. 5230.

Application for continuation. — Under Subdivision 16 a lessee may make application in writing before expiration of the secondary term for a continuation of the term if engaged in bona fide drilling or reworking operations. 1949-50 Op. Att'y Gen. No. 5230.

Commissioner may insert covenant compelling reasonable development of the leased premises for oil and gas. 1941-42 Op. Att'y Gen. No. 3835.

Notice of intent to cancel lease by certified mail. — The commissioner of public lands fulfills the statutory requirement for notice to terminate a lessee's interest in an oil and gas lease when he sends a notice of intent to cancel by certified mail. Abbott v. Armijo, 100 N.M. 190, 668 P.2d 306 (1983).

Law reviews. — For note, "State Regulation of Oil and Gas Pools on State, Federal, Indian and Fee Lands," see 2 Nat. Resources J. 355 (1962).

Am. Jur. 2d, A.L.R. and C.J.S. references. — 38 Am. Jur. 2d Gas and Oil § 283.

Implied duty of oil and gas lessee to protect against drainage, 18 A.L.R.4th 14.

Remedy for breach of implied duty of oil and gas lessee to protect against drainage, 18 A.L.R.4th 147.

Production on one tract as extending term on other tract where one mineral lease conveys oil or gas rights in separate tracts for as long as oil or gas is produced, 35 A.L.R.4th 1167.

Construction and application of "Mother Hubbard" or "cover-all" clause in gas and oil lease or deed, 80 A.L.R.4th 205.

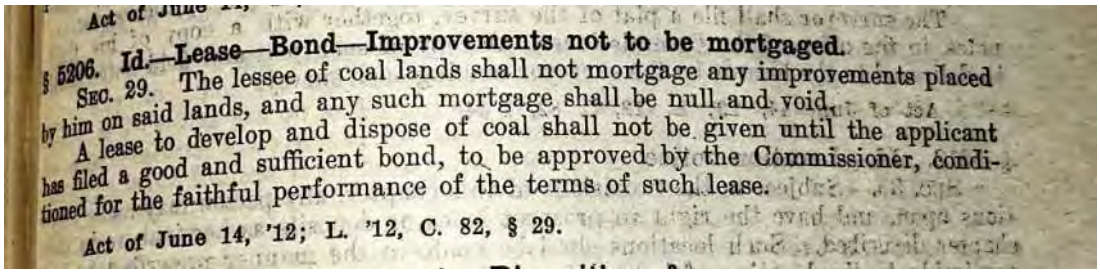
19-10-5. Existing leases; stipulation.

A. The owners of any oil and gas lease issued by the commissioner of public lands before the effective date of this section, other than a five year lease, and maintained in good standing according to the terms and conditions thereof and all applicable statutes and regulations, may, in accordance with regulations prescribed by the commissioner, enter into a stipulation making the terms and conditions of the lease form prescribed by Section 19-10-4.1 NMSA 1978, a part of any such existing lease, the same as if the lease form had been the original; provided, however, that no such stipulation shall be effective or binding

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A

Laws of 1912, §5206



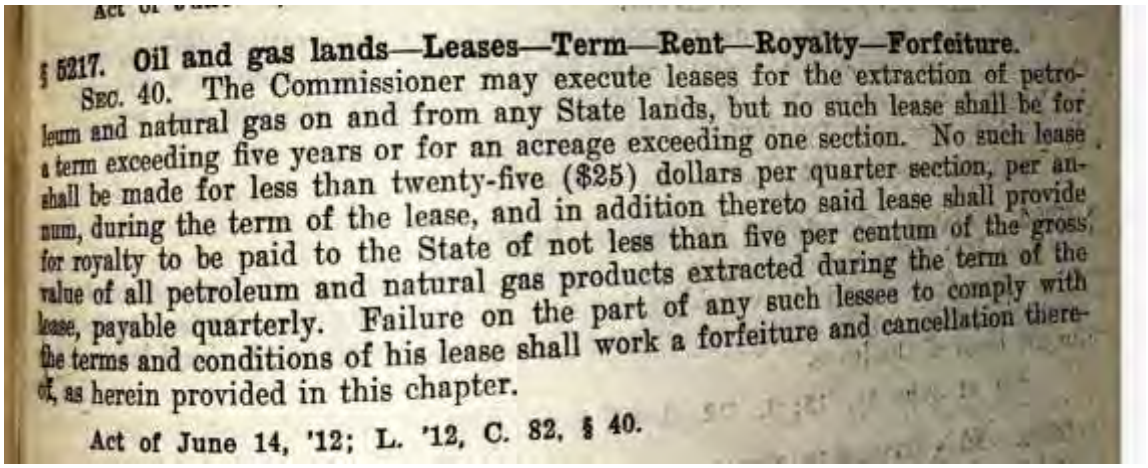
Act of June 14, '12.

§ 5206. Id.—Lease—Bond—Improvements not to be mortgaged.

SEC. 29. The lessee of coal lands shall not mortgage any improvements placed by him on said lands, and any such mortgage shall be null and void.

A lease to develop and dispose of coal shall not be given until the applicant has filed a good and sufficient bond, to be approved by the Commissioner, conditioned for the faithful performance of the terms of such lease.

Act of June 14, '12; L. '12, C. 82, § 29.



Act of June 14, '12.

§ 5217. Oil and gas lands—Leases—Term—Rent—Royalty—Forfeiture.

SEC. 40. The Commissioner may execute leases for the extraction of petroleum and natural gas on and from any State lands, but no such lease shall be for a term exceeding five years or for an acreage exceeding one section. No such lease shall be made for less than twenty-five ($25) dollars per quarter section, per annum, during the term of the lease, and in addition thereto said lease shall provide for royalty to be paid to the State of not less than five per centum of the gross value of all petroleum and natural gas products extracted during the term of the lease, payable quarterly. Failure on the part of any such lessee to comply with the terms and conditions of his lease shall work a forfeiture and cancellation thereof, as herein provided in this chapter.

Act of June 14, '12; L. '12, C. 82, § 40.

B

Laws 1925, ch. 137, § 5;

of drill cuttings of any and all wells drilled by lessee on the leased lands.

Sec. 5. State lands sold heretofore, or which may be sold hereafter on any deferred payment plan under contract containing a reservation to the State of the minerals therein contained, the full amount of the purchase price not having been paid, or patent not having been issued, may be leased by the State as in this Act provided, in the same manner as other State lands:

Provided, that before any lease shall be issued for lands which have been sold, the applicant shall file with the Commissioner of Public Lands a good and sufficient bond or undertaking in an amount not less than Two Thousand ($2000.00) Dollars to be approved by the Commissioner, in favor of the State of New Mexico, for the use and benefit of the purchaser of such lands, his grantees or successors in interest, to secure the payment to such purchaser or his successors in interest, to secure the payment to such purchaser or his successors for such damage to the livestock, range, water, crops or tangible improvements of the purchaser or his successors in interest as may be determined and fined in any action brought upon the bond or undertaking in a court of competent jurisdiction against the principal and sureties thereon, resulting from the use of and operation on the land by such mineral lessee or his successors in interest.

mineral lessee or his successors in interest.

Provided further, That if any such purchaser shall file with the Commissioner a waiver, duly executed by him, of his right to require such bond, the Commissioner may issue a mineral lease without requiring the lessee to furnish the bond herein provided.

C

C.S. 1929, § 132-423;

132-423. Lease of lands sold on contract. State lands sold heretofore, or which may be sold hereafter on any deferred payment plan under contract containing a reservation to the state of the minerals therein contained, may be leased by the state for oil, gas, or other

mineral development or exploitation, as provided by law in the same manner as other state lands.

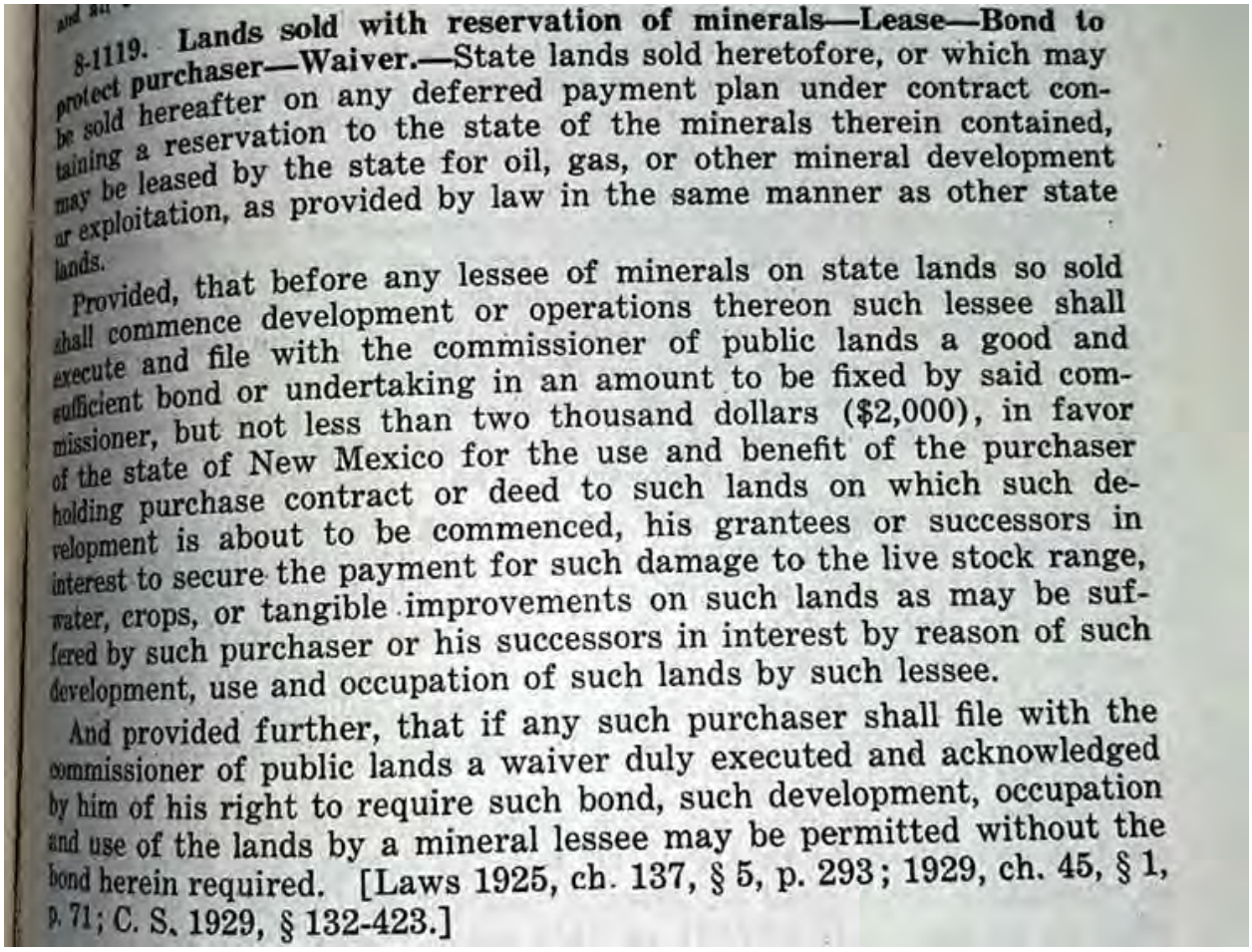
Provided, that before any lessee of minerals on state lands so sold shall commence development or operations thereon such lessee shall execute and file with the commissioner of public lands a good and sufficient bond or undertaking in an amount to be fixed by said commissioner, but not less than two thousand dollars ($2,000.00), in favor of the state of New Mexico for the use and benefit of the purchaser holding purchase contract or deed to such lands on which such development is about to be commenced, his grantees or successors in interest to secure the payment for such damage to the livestock range, water, crops, or tangible improvements on such lands as may be suffered by such purchaser or his successors in interest by reason of such development, use and occupation of such lands by such lessee.

And provided further, that if any such purchaser shall file with the commissioner of public lands a waiver duly executed and acknowledged by him of his right to require such bond, such development, occupation and use of the lands by a mineral lessee may be permitted without the bond herein required. [L. '29, Ch. 45, § 1, amending L. '25, Ch. 137, § 5.

An act providing for the protection of the purchasers of state lands and requiring bonds of mineral lessees, amending § 5, Ch. 137, of the session laws of 1925. [Approved March 11, 1929.

D

1941 Comp., § 8-1119;



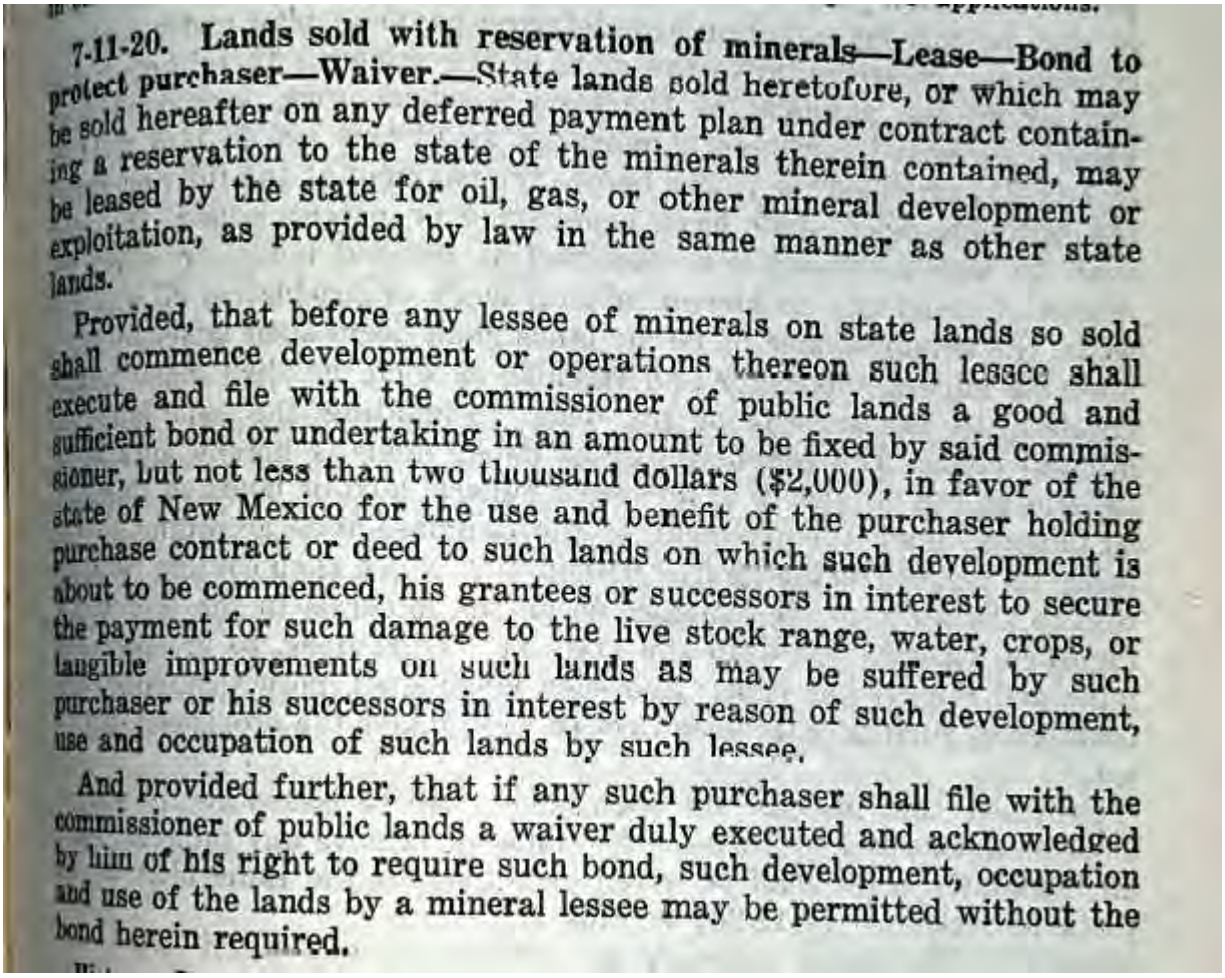
8-1119. **Lands sold with reservation of minerals—Lease—Bond to protect purchaser—Waiver.**—State lands sold heretofore, or which may be sold hereafter on any deferred payment plan under contract containing a reservation to the state of the minerals therein contained, may be leased by the state for oil, gas, or other mineral development or exploitation, as provided by law in the same manner as other state lands.

Provided, that before any lessee of minerals on state lands so sold shall commence development or operations thereon such lessee shall execute and file with the commissioner of public lands a good and sufficient bond or undertaking in an amount to be fixed by said commissioner, but not less than two thousand dollars ($2,000), in favor of the state of New Mexico for the use and benefit of the purchaser holding purchase contract or deed to such lands on which such development is about to be commenced, his grantees or successors in interest to secure the payment for such damage to the live stock range, water, crops, or tangible improvements on such lands as may be suffered by such purchaser or his successors in interest by reason of such development, use and occupation of such lands by such lessee.

And provided further, that if any such purchaser shall file with the commissioner of public lands a waiver duly executed and acknowledged by him of his right to require such bond, such development, occupation and use of the lands by a mineral lessee may be permitted without the bond herein required. [Laws 1925, ch. 137, § 5, p. 293; 1929, ch. 45, § 1, p. 71; C. S. 1929, § 132-423.]

E

1953 Comp., § 7-11-20



7-11-20. **Lands sold with reservation of minerals—Lease—Bond to protect purchaser—Waiver.**—State lands sold heretofore, or which may be sold hereafter on any deferred payment plan under contract containing a reservation to the state of the minerals therein contained, may be leased by the state for oil, gas, or other mineral development or exploitation, as provided by law in the same manner as other state lands.

Provided, that before any lessee of minerals on state lands so sold shall commence development or operations thereon such lessee shall execute and file with the commissioner of public lands a good and sufficient bond or undertaking in an amount to be fixed by said commissioner, but not less than two thousand dollars ($2,000), in favor of the state of New Mexico for the use and benefit of the purchaser holding purchase contract or deed to such lands on which such development is about to be commenced, his grantees or successors in interest to secure the payment for such damage to the live stock range, water, crops, or tangible improvements on such lands as may be suffered by such purchaser or his successors in interest by reason of such development, use and occupation of such lands by such lessee.

And provided further, that if any such purchaser shall file with the commissioner of public lands a waiver duly executed and acknowledged by him of his right to require such bond, such development, occupation and use of the lands by a mineral lessee may be permitted without the bond herein required.

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NMSA 1978, § 19-10-26. [Lands sold with reservation of minerals; lease; bond to protect purchaser; waiver.]

State lands sold heretofore, or which may be sold hereafter on any deferred payment plan under contract containing a reservation to the state of the minerals therein contained, may be leased by the state for oil, gas or other mineral development or exploitation, as provided by law in the same manner as other state lands.

Provided, that before any lessee of minerals on state lands so sold shall commence development or operations thereon such lessee or the operator (being any third party conducting exploratory or development operations authorized by the lessee within the authority granted to the lessee under the provisions of Section 19-10-13 NMSA 1978) shall execute and file with the commissioner of public lands a good and sufficient bond or undertaking in an amount to be fixed by the commissioner, but not less than two thousand dollars ($2,000), in favor of the state of New Mexico for the use and benefit of the purchaser holding purchase contract or deed to such lands on which such development is about to be commenced, his grantees or successors in interest to secure the payment for such damage to the livestock range, water, crops or tangible improvements on such lands as may be suffered by such purchaser or his successors in interest by reason of such development, use and occupation of such lands by such lessee.

And provided further, that if any such purchaser shall file with the commissioner of public lands a waiver duly executed and acknowledged by him of his right to require such bond, such development, occupation and use of the lands by a mineral lessee may be permitted without the bond herein required.

A

STATE OF NEW MEXICO

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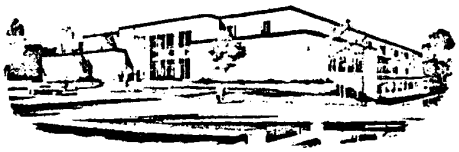
THE COMMISSIONER OF PUBLIC LANDS

RULES AND REGULATIONS CONCERNING THE SALE, LEASE AND OTHER DISPOSITIONS OF STATE TRUST LANDS

STATE COMMISSION OF PUBLIC RECORDS & ARCHIVES
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ALEX J. ARMIJO
Commissioner of Public Lands

State of New Mexico



Commissioner of Public Lands

ALEX J. ARMIJO
COMMISSIONER

P. O. BOX 1148
SANTA FE, NEW MEXICO

September 2, 1969

CERTIFICATE OF POSTING

I, ALEX J. ARMIJO, COMMISSIONER OF PUBLIC LANDS OF THE STATE OF NEW MEXICO, do hereby certify that a copy of the attached "RULES AND REGULATIONS CONCERNING THE SALE, LEASE, AND OTHER DISPOSITIONS OF STATE TRUST LANDS", was duly posted on the official Bulletin Board, in the State Land Office, Santa Fe, New Mexico, beginning at 8:45 a.m. on August 15, 1969, and remained thereon continuously from said time and date until and including 9:20 a. m. on September 2, 1969.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 2d day of September 1969.

ALEX J. ARMIJO
Commissioner of Public Lands
State of New Mexico

STATE COMMISSION OF
PUBLIC RECORDS & ARCHIVES

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INDEX TO RULES AND REGULATIONS CONCERNING THE SALE, LEASE, AND OTHER DISPOSITIONS OF STATE OF NEW MEXICO TRUST LANDS

ALEX J. ARMIJO,
COMMISSIONER OF PUBLIC LAND

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RULES AND REGULATIONS
RELATING TO OIL AND GAS LEASES

RULE 1. Products Included. The Commissioner of Public Lands is authorized to execute and issue oil and gas leases covering State institutional 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 Rule 59. All forms are provided by the Land Office.

RULE 2. 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 of Public Lands. A non or unrestricted district includes all lands outside the exterior boundaries of restricted districts.

RULE 3. Lands Subject to Lease. All state lands presently open for oil and gas lease purposes, or lands which may become open in the future by virtue of cancellation or expirations, or for any other reason, may be leased only by competitive bid after public notice in accordance with Rule 18 hereof, except as provided in Rule 5.

RULE 4. Restricted Districts. Lands in restricted areas are leased by offering same for sale at public auction to the highest bidder, as hereinafter explained and in accordance with Rule 18 et. seq.

RULE 5. Unrestricted Districts. Lands in an unrestricted district are ordinarily leased by offering same for sale at public auction to the highest bidder, as hereinafter explained and in accordance with Rule 18 et. seq. However, such lands may be leased on application without bidding if, in the opinion of the Commissioner of Public Lands, the best interests of the State will be served by so doing.

TERMS OF LEASES--FORMS--RESTRICTIONS

RULE 6. Term and Form. Oil and Gas leases upon State institutional lands are issued for a term of ten (10) years--a five (5) year primary term, and a five (5) year secondary term, and shall be in substantially the form provided by 7-11-3, N. M. S. A., 1953 Compilation, as amended. Each term is extended for so long as production in paying quantities is maintained.

RULE 7. Annual Rental--Primary and Secondary Term. All leases issued by the Commissioner of Public Lands shall provide for an annual rental to be paid by the lessee, the amount thereof to be fixed by the Commissioner, but in no case shall the amount be less than ten cents (10¢) per acre, or more than one dollar ($1.00) per acre during the primary term of five years. During the secondary term of five years, the rental 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, if it be more than double the primary term.

RULE 8. 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 a five dollar ($5.00) application fee. Minimum rental rate is computed by multiplying the rental rate by the acreage in each advertised tract.

RULE 9. Limitation of Acreage. No lease upon State lands shall be issued to cover more than two sections of land, but no restriction is placed upon the number of leases any one person may hold.

RULE 10. Different Rental Districts--Highest Rentals Prevailing. Where part of the lands in any lease are situated in one rental district and part thereof in another, or other district, the lessee shall pay the rental prevailing in the district wherein part of the lands affected are situated having the highest rental.

RULE 11. Refusal of Applications--Bombing Ranges--Military Establishments. Applications will not be accepted and no lease issued for land embraced by military areas or in areas which have been condemned by the United States Government for military purposes, or on which contemplated military operations are expected, until such lands are released by the United States Government except in co-use areas.

RULE 12. Clear-List of Lands from United States Essential Before Issuance of Lease. Leases will not ordinarily 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.

RULE 13. Limitation to Not More Than Two Individuals--Trust Limitation. Applications to lease State lands will not be accepted nor will any lease be issued in the name of more than two persons, nor will application be accepted from, or leases be issued to, a trustship, unless the trust is expressly set forth and regularly filed with the State Land Office, and names not more than two persons as trustees.

RULE 14. 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 (25 mi. x 25 mi.); however, this requirement may be waived by the Commissioner of Public Lands in any proper case.

RULE 15. Limitation to Not More Than One Beneficiary Institution. Leases will not be issued covering lands belonging to more than one (1) beneficiary institution.

RULE 16. $2,000.00 Bond Preceding Development. Before commencement of development operations upon any State institutional lands, the Surface and

Improvement Damage Bond required to be filed with the Commissioner of Public Lands by 7-11-20, N.M.S.A., 1953 Comp., as amended, and the Plugging and Indemnity Bond required to be filed with the Oil Conservation Commission of New Mexico by 65-3-11, N.M.S.A., 1953 Comp., as amended, will be filed as a joint bond with the Oil Conservation Commission of New Mexico, which office is designated as the official Land Office Depository of said bonds.

COMPETITIVE BIDDING FOR OIL AND GAS LEASES

RULE 17. Lands Within Three Miles of Production Require Sealed Bids or Public Auction. State lands lying within three (3) miles of a commercially productive oil or gas well shall not be leased except upon sealed bids or at public auction, in accordance with the regular sale procedure of the State Land Office.

RULE 18. 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 of Public Lands may, in his 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 land is situated.

RULE 19. 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.

RULE 20. Acceptance of bids. Up to the hour set for such sale, the Commissioner will receive sealed bids for oil and gas lease upon any tract of land described in the posted notice, and all sealed bids submitted will be opened at the hour mentioned in the notice, and the lease will be awarded to the highest bidder, subject to the discretionary right of the Commissioner to reject any bid.

RULE 21. 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 bidder, for cash, and lease will be awarded to such highest 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.

RULE 22. Application Under Oath--Fees. Application for lease accompanying sealed bids shall be executed under oath by the applicant, or by his 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 an application fee of five dollars ($5.00) and the amount of the first year's rental or bonus offered. Payment should be made in cash, money order, or acceptable certified exchange. Application blanks will be furnished upon request.

RULE 23. Tie Bids. When two or more sealed highest bids received for the same tract of land are equal in amount, the Commissioner of Public Lands, (if such highest bidders are present and cannot agree, by stipulation in writing, on how such tract shall be disposed of) shall call such equal highest bidders before him in the State Land Office, (or if such sale is held in the county seat of the county in which such lands are located, the person conducting such sale shall call such equal highest bidders before him) 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 bidder. If such bidders are not present when such bids are opened, then the Commissioner will notify such bidders to submit sealed proposals within ten days (10) next following the date of the sale at which such bids were determined to be equal.

RULE 24. Right to Reject Any And All Bids. The Commissioner of Public Lands reserves the right to reject any and all bids not in conformity with law or the posted Notice of Sale, and to require higher rentals, impose additional restrictions and requirements to whenever in his discretion, he shall deem it to be for the best interests of the State to do so.

APPROVED ASSIGNMENTS

RULE 25. Transfer and Assignment of Oil and Gas Leases. Oil and gas leases and assignments thereof are considered to convey interests in real property and are therefore required to be formally executed by the proper parties and upon prescribed forms furnished by the State Land Office before such assignments shall be approved by the Commissioner.

RULE 26. Joint Tenants. Assignments of oil and gas leases or interests therein, whose lessees or assignees are tenants in common or joint tenants not in violation of 7-11-7, N.M.S.A., 1953 Compilation, in case of death of one party and when such instruments expressly provide for survivorship, will be considered as belonging to the survivor, and the interest will be transferred to the survivor upon presentation of a certified copy of the certificate of death and the payment of the proper rentals and fees.

RULE 27. 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 of Public Lands.

RULE 28. Foreign Decedent. In case the residence of decedent is in a state other than New Mexico, the

estate should be probated in the state of such residence and ancillary proceedings consummated in New Mexico in the county wherein the property is situated, and proper certified copies thereof filed with the Commissioner of Public Lands.

RULE 29. Co-operative Agreements. Assignments of acreage committed to unit or co-operative agreements shall meet the requirements of Rule 49.

RULE 30. Relinquishment. Under the provisions of a state oil and gas lease, the same, by payment of a fee of ten dollars ($10.00), may be relinquished, provided however, that all rentals due and owing are paid; i.e., such relinquishment must be filed in the State Land Office prior to the next annual rental due date. Holders of assignments to lesser interests than the whole of the acreage may in like manner relinquish.

RULE 31. Lease Continued by Production in Paying Quantities. 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 or not the same remains in the original lease or is assigned to others either 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.

RULE 32. Assignments to Be in Triplicate--Acknowledgment Required. Assignments of Oil and Gas Leases shall be filed in TRIPLICATE in the office of the Commissioner of Public Lands and must be executed and acknowledged in the manner provided for transfer of real estate in New Mexico. The original and one copy of each assignment will be recorded and filed as a public record in the State Land Office, and the other copy returned to the person entitled to same.

RULE 33. Assignments Must Be Recorded in State Land Office -- No Assignment for Less Than Entire Interest in Any Legal Subdivision -- Fees, Rentals, in Advance. Assignments must be recorded in the State Land Office within one hundred (100) days after having been executed by the assignor. Those presented after the expiration of that time shall not be approved by the Commissioner of Public Lands.

RULE 34. Restrictions. Assignments will not be accepted nor approved by the Commissioner:

1. For less than assignor's entire interest in any legal subdivision (except where transfer is by operation of law).
2. For less than a legal subdivision.
3. In the name of more than two (2) persons or companies.
4. In the name of a trusteeship unless the trust is expressly set forth and not more than two (2) persons are named as trustees.
5. After lis pendens filed.
6. For any assignment containing any language other than the approved form.

RULE 35. Approval and Filing Withheld.

a. When assignments are accompanied by personal checks the Commissioner of Public Lands reserves the right to withhold approval on any and all assignments until checks are cleared and rentals on the lease form upon 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 of Public Lands for approval and the address of record of the assignee thereon is the same as that of the assignor, or where such address had not been established on the records of the State Land Office, or where 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 his acceptance of the assignment of the lease.

RULE 36. Minimum Rental on Assignment. The minimum rental on any lands in any assignment shall not be less than six dollars ($6.00) per annum for the primary term, and twelve dollars ($12.00) per annum for the secondary term where no production has been obtained during the first five (5) year term.

RULE 37. 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 in these rules provided.

RULE 38. By Consolidation. In cases where corporations consolidate, if more than one entity survives, in contemplation of preceding rules, transfer of oil and gas interest shall be by regular triplicate copies of assignments, accompanied by the proper fees.

RULE 39. By Merger. In cases where two or more corporations merge, only one corporation surviving, whether it be an existing named corporation, or a newly named corporation, a copy of the merger agreement or certificate of merger shall be filed and the oil and gas lease transferred on the books of the Land Office in the name of each such merged corporation by the filing of triplicate copies of the agreement, as in individual assignments.

RULE 40. 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.

RULE 41. Effect of Notice of Pendency of Suit Fees -- Notice of Intention to File Action Ineffective. 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 of Public Lands 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, 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.

CANCELLATION

RULE 42. Cancellation for Default. The Commissioner may cancel any lease or assignment thereof for default upon giving the lessor or assignee notice by registered mail of his intention to cancel specifying the default and unless the lessee or assignee remedies the default within thirty (30) 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.

CO-OPERATIVE AND UNIT AGREEMENTS

RULE 43. Purpose--Consent. The Commissioner of Public Lands may consent to and approve agreements made by lessees of State lands for any of the purposes enumerated in 7-11-39, N. M. S. A., 1953 Compilation.

RULE 44. Application--Requisites of Agreements. Formal application shall be filed with the Commissioner of Public Lands for the presentation of a co-operative or unit agreement; the filing fee therefor shall be five dollars ($5.00) for each section or fractional part thereof, with a minimum of five dollars ($5.00), whether the acreage is federal, state or privately owned. Such application shall contain a statement of facts, showing:

a. That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.

b. 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.

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 unit area.

d. That such unit agreement is in other respects for the best interests of the State, with respect to State lands.

RULE 45. Information to be Furnished. 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. In order that such geological and engineering data may be held confidential it will be considered held on a loan basis only and will not be made a matter or considered as part of the Land Office records for a period of six (6) months from date of its receipt. If at the end of such six (6) months period the co-operative agreement is approved then such data will be made a permanent part of the records. If for any reason such proposed agreement has not been approved at the end of the six (6) months period, then at the request of the applicant the data shall be returned to the applicant.

RULE 46. Decision Postponed. In any matter respecting co-operative and unit agreements, the Commissioner of Public Lands may postpone his decision pending action by the Oil Conservation Commission and may use any information obtained by his own investigators, or obtained by the Oil Conservation Commission to enable him 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.

RULE 47. 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.

RULE 48. Posting to Tract Books. In every case where a co-operative or unit agreement is finally approved by the Commissioner of Public Lands, 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 Commission; any modification or dissolution of such co-operative or unit agreement shall be likewise entered and filed. The fees therefor shall be those regularly charged by the State Land Office for similar services.

RULE 49. Assignments. No assignment of acreage under lease within any unitized or co-operative area will be approved by the Commissioner of Public Lands except such be subject to the provisions of the co-operative or unit agreement covering the area within which the acreage sought to be assigned lies.

RULE 50. 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.

RULE 51. Force Pooling - Oil Conservation Commission Order.

a. The record owner or operator of all oil and gas leases covering state owned lands force pooled by order of the New Mexico Oil Conservation Commission shall file with the Commissioner of Public Lands the following information:

   1. One (1) copy of application for hearing for force pooling at least ten (10) days prior to date set for hearing.

   2. State lease number, record owner and

legal description of all state lands force pooled.

3. Oil Conservation Commission Order Number and date.

4. Legal description and type (Federal, Fee or Indian) of all other lands included in force pooling order.

5. Location, formation and depth of well.

6. Oil Conservation Commission 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 Commission.

7. Date well put to producing.

This rule has no application to a situation wherein all parties have voluntarily executed a communitization agreement covering all lands in a proration unit and such agreement has been approved by the Commissioner of Public Lands.

COMMINGLING OF OIL AND GAS ON STATE OWNED LANDS

RULE 52. Commingling Prohibited--Different Beneficiary Institutions. It is required that all production of oil and/or gas from lands belonging to different state beneficiaries shall be segregated. The commingling, confusion or the intercommunication of such production by the utilization of common tankage facilities, before marketing, with the production from any other institutional lands or any lands not belonging to the State of New Mexico is strictly prohibited.

RULE 53. Commingling Allowed--Different State Leases--Common Beneficiary. Approval may be obtained to commingle production between different state leases provided the production is from land belonging to one common state beneficiary and provided the production from each state lease is properly metered and accounted for. The approval will be issued upon proof that royalty payable to the State of New Mexico will not be diminished by such operation.

Off lease storage is permitted if there is to be no commingling or intercommunication of production between handling, separating, treating or storage facilities. (See Fee Schedule for Application Fee.)

PROCEDURE OF APPLICATION

Permission for the utilization of common tankage may be obtained by transmitting the following data to:

Commissioner of Public Lands
Post Office Box 1148
Santa Fe, New Mexico 87501

1. Formal application stating the type of permission desired and the reasons therefor.

2. Plat showing the location of leases, wells, flow lines, 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. Detail drawing (s) of any component which is specifically fabricated; i. e., not commercially available.

8. Description of the operating sequence explaining the complete operation.

9. Any other pertinent data that will assist the Commissioner in deciding upon the application.

ACREAGE TAKEN FOR MILITARY PURPOSES

RULE 54. 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 part only 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.

RULE 55. Amendments of Leases Pursuant to 7-11-4, N. M. S. A., 1953 Compilation (Adding Paragraph 16).

NOTE: All leases issued on Form 45, 57 and 67 already contain Paragraph 16, therefore in such cases lessee shall disregard subparagraph a, b, and c and proceed complying with subparagraphs d, e, f, g, h, and i only.

a. The owner of any oil and gas lease issued by the Commissioner of Public Lands which does not contain paragraph 16, and which is in the last year of its secondary term, and which has been maintained in good standing, may file an application with the Commissioner of Public Lands to make the terms and conditions of paragraph 16 of the lease form, as prescribed by Chapter 111 of the Laws of 1945 (7-11-4) a part of such existing lease. The application shall be filed in duplicate upon forms to be furnished by the Land Office. Each application shall be accompanied by a filing fee of $25.00.

b. The application so filed shall be accompanied by a form of stipulation duly signed and acknowledged by the applicant.

c. Upon filing of such an application and determination by the Commissioner that the application conforms to the governing statutes and these regulations, the Commissioner of Public Lands will execute the stipulation and thereupon the provisions of said paragraph 16 of the lease form, as authorized by Chapter 111 of the Session Laws of 1945, will be a part of said existing lease with like effect as if originally incorporated therein. One executed copy of the stipulation will be attached to the original lease in the files of the Commissioner of Public Lands. The remaining copy will be forwarded to the applicant with the receipt of the State Land Office evidencing payment of the filing fee.

d. The payment in advance of rentals for the lease year commencing at the expiration of the secondary term shall be a prerequisite for the assertion of any rights under section 16 of any oil and gas lease issued by the Commissioner of Public Lands. 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 of Public Lands, whether in the primary or secondary term or subsequent to the expiration thereof.

e. The owner of any oil and gas lease proposing to conduct drilling or reworking operations pursuant to the provisions of section 16 of such lease, shall file in the Oil and Gas Division of the State Land Office, prior to the expiration of the secondary term of said 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 are contemplated, if any, and the name and address of the drilling contractor or other person who will conduct such operations. Such statement may be filed in letter form until a form is promulgated by the Commissioner of Public Lands for such use. The approval by the Commissioner of Public Lands of the operations so proposed will normally be evidenced by the signature of the Commissioner on a copy of such letter, but any proposed operation, a statement of which has been filed in accordance with this regulation, shall be conclusively presumed to have been approved by the Commissioner of Public Lands 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 his disapproval and the reasons therefor.

f. The owner of an oil and gas lease who is engaged in drilling or reworking operations on lands embraced therein, subsequent to the expiration of the secondary term of said lease, who proposes to rely upon such operations as extending said lease in accordance with paragraph 16 thereof, shall file a report of the status of such operations for each thirty (30) day period during which they are continued. Such report shall be in letter form until forms therefor are promulgated by the Commissioner of Public Lands. It shall contain a statement of the depth of said well, the status of any reworking operations at the end of said thirty (30) day period, a general statement of the drilling or reworking operations that have been accomplished during the preceding thirty (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 of Public Lands within fifteen (15) days after the close of such a thirty (30) day period shall meet the requirements of section 16 of the Act. If operations have ceased during any period covered by a status report such report shall state the date of cessation, the reason therefor, and the date of resumption of operations, if any.

g. Each application and stipulation filed under Rule 51(a) hereof 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 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.

h. Operations conducted by any person under the terms of an oil and gas lease issued by the Commissioner of Public Lands of the State of New Mexico, including all operations conducted under paragraph 16 of the lease form, shall be subject to inspection at all reasonable times by representatives of the State Land Office.

i. All well records, required to be submitted to the New Mexico Oil Conservation Commission, shall be filed with the Commissioner of Public Lands at the same time as filing with the Oil Conservation Commission.

RULE 56. Amendment of Leases Pursuant to Chapter 189, Laws of New Mexico, 1967 (Amending to Conform to the 1967 Form). The lease form as provided by Section 1, Chapter 189, Laws of 1967, shall be used by the Commissioner for issuing of oil and gas leases subsequent to June 17, 1967, and the owner of any oil and gas lease issued prior to that date by

the Commissioner of Public Lands, which lease has been maintained in good standing according to the terms and conditions thereof and all applicable statutes and regulations, may enter into a stipulation making the terms and conditions of the 1967 lease form a part of any such existing lease the same as if said 1967 lease form had been the original.

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, approved assignment thereof, has signed said stipulation. The stipulation shall be made in duplicate on forms prescribed and furnished by the Commissioner of Public Lands and shall be filed in duplicate, accompanied by a fee of $25.00.

REPORTS--ROYALTY

RULE 57. Production and Royalty Statement. Every oil and gas lessee of record (meaning any holder of an original lease or an assignment of a portion thereof, which assignment has been approved by the Commissioner of Public Lands and which lessee is thereby responsible to the State of New Mexico for payment of royalty due from oil and gas production or to be credited to the state lands) shall tender such royalty to the Commissioner of Public Lands through his agent, the Oil and Gas Accounting Commission, upon forms prescribed by said Commission for royalty reporting. Accounting forms now adopted or hereafter to be adopted by the Oil and Gas Accounting Commission are hereby adopted by the Commissioner of Public Lands.

Any operator, purchaser or person, as defined by the oil and gas tax laws of the State of New Mexico, or any other agent designated by the State's record lessee, may make royalty payments and submit reports on behalf of the record lessee; however, the relationship of the State of New Mexico and the record lessee shall not be changed but shall remain as defined in 7-11-7, N.M.S.A., 1953 Compilation.

Upon the payment of royalty and filing of reports as provided herein, any oil and gas lessee of record shall have, if he so desires, sixty-five (65) days from the end of the calendar month for which royalty is due the State of New Mexico within which to make full settlement for royalty due, and his lease shall be deemed automatically amended to so provide.

RULE 58. O.C.C. 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 Commission, the following New Mexico Oil Conservation Commission Reports covering all State oil and gas leases:

1. C-101 - Notice of Intention to Drill
2. C-102 - Miscellaneous Notices (of intention)
3. C-103 - Miscellaneous Reports of Wells
4. C-104 - Certificate of Compliance
5. C-105 - The Well Record

RULE 59. Inclusion of Helium Gas in Oil and Gas Lease Contract. Any record owner of an oil and gas lease issued prior to June 9, 1963, or of an approved assignment thereof, which lease or assignment is in good standing, may amend such lease or assignment to include helium gas within the terms thereof by filing a proposed stipulation therefor upon the form to be prescribed by the Commissioner of Public Lands. The fee for filing and approving same shall be twenty-five dollars ($25.00). (See Rule 1).

All oil and gas leases issued after June 9, 1963 are considered by the Commissioner, as matter of law, to include helium gas within their terms.

RULE 60. Waiver of Development in Potash or Other Mineral Area. 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 unless the same are waived, must be made in writing and accompanied by a filing and approval fee of twenty-five dollars ($25.00). Such applications must be filed in the State Land Office at least thirty (30) days before expiration date of the oil and gas lease.

RULE 61. 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 75-11-1 through 75-11-22, N.M.S.A., 1953 Compilation, as amended, with the regulations of the State Engineer, and with the Rules and Regulations Concerning the Leasing and Use of Water Pertaining to State Lands, heretofore promulgated by the Commissioner of Public Lands.

b. Within thirty (30) days after completion of said well the lessee shall furnish in writing to the Commissioner of Public Lands a report containing the following information:

    1. Location of Well
    2. Depth, Log and Casing Record
       Production Data

RULE 62. Salt Water Disposal. Lessees are expected to comply with all lawful rules of the New Mexico Oil Conservation Commission pertaining to prevention of waste which includes disposal of produced salt water or brines. If State lands are needed for a salt water disposal operation, then application for a Salt Water Disposal Easement Site or a Business Lease should be made to the "Land Surface Division" of the State Land Office depending upon whether an underground disposal or salt lake or other surface disposal site respectively is desired. Ordinarily water produced on lease may be disposed of on lease without Land Office permission if the disposal operation otherwise meets the approval of the Oil Conservation Commission and is an otherwise reasonable and accepted practice in the industry.

MISCELLANEOUS

RULE 63. Royalty Purchase--Preference Right. Requests to the Commissioner to purchase State royalty oil as a preference right under the provisions of Chapter 34, Laws of 1967 (7-11-57 et. seq., N. M. S. A., 1953 Compilation) shall be accompanied by an order or ruling of the New Mexico Oil Conservation Commission determining that the applicant is qualified and otherwise entitled to such preference. Requests to purchase State royalty 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 he desires to purchase the royalty oil.

RULE 64. Appeals From Decisions 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 (60) days after such ruling or decision is rendered by following the procedure of 7-11-17, et. seq., N. M. S. A., 1953 Compilation.

RULE 65. Fees.

1.	For filing each application for state oil and gas lease	$ 5.00
2.	For filing and approval of each oil and gas lease assignment	10.00
3.	For filing each relinquishment of lease or assignment	10.00
4.	For filing co-operative or unit agreement or expansion therefor, per section, or fraction thereof (See Rule 44)	5.00
5.	For filing of probate and other court papers affecting title, overriding, drilling and side agreements, death certificates and miscellaneous instruments: Per Page (Maximum Charge $10.00)	1.00
6.	For accepting and filing each notice of pendency of suit, on basis of EACH separate lease involved	5.00
7.	For photostatic copies of any records or plats up to size 8 1/2 x 14 inches, per page	1.00
8.	For photostatic copies for pages larger than 8 1/2 x 14 inches, per square foot or fraction thereof	1.00
9.	Certificates as true copies	$ 1.50
10.	Blank forms of oil and gas lease assignments per dozen triplicate sets	No Charge
11.	For filing application to incorporate, Par. 16 pursuant to 8-1103a, N. M. S. A., 1941	25.00
12.	For filing 57 Stipulation Form, Potash Stipulation and Helium Stipulation	25.00
13.	Application fee for commingling (Additional fee may be charged for investigation and administration at the discretion of the Commissioner with the prior approval of the applicant)	10.00

The foregoing Rules and Regulations are hereby adopted and enacted and all previous Rules and Regulations relating to the same subject are hereby repealed.

DONE AT SANTA FE, NEW MEXICO, this 1st day of September, 1969.

(SEAL)

ALEX J. ARMIJO
Commissioner of Public Lands
State of New Mexico

Superseded by Rules filed 1-7-77

Supersedes CPL 67-5

RECEIVED

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STATE OF NEW MEXICO

OFFICE OF THE COMMISSIONER OF PUBLIC LANDS

RULES AND REGULATIONS CONCERNING THE SALE, LEASE, AND OTHER DISPOSITIONS OF STATE TRUST LANDS

DECEMBER 1971 EDITION

ALEX J. ARMIJO
Commissioner of Public Lands

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CERTIFICATE OF POSTING

I, ALEX J. ARMIJO, Commissioner of Public Lands of the State of New Mexico, do hereby certify that a copy of the attached rules and regulations concerning the sale, lease, and other disposition of State trust lands, was duly posted on the official Bulletin Board in the State Land Office, Santa Fe, New Mexico, beginning at 10:00 A.M. on November 22, 1971, and remaining thereon continuously from said time and date until and including 8:00 A.M., December 8, 1971.

DONE AT SANTA FE, NEW MEXICO, this 13th day of December, 1971.

ALEX J. ARMIJO
Commissioner of Public Lands
State of New Mexico

(SEAL)

STATE OF NEW MEXICO

OFFICE OF
THE COMMISSIONER
OF
PUBLIC LANDS

RULES AND REGULATIONS
CONCERNING THE SALE, LEASE, AND
OTHER DISPOSITIONS OF STATE TRUST LANDS

DECEMBER 1971 EDITION

ALEX J. ARMIJO
Commissioner of Public Lands

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To

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Lease, and Other Disposition of
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ALEX J. ARMIJO,
COMMISSIONER OF PUBLIC LANDS

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RULES AND REGULATIONS
RELATING TO OIL AND GAS LEASES

RULE 1. Products Included. The Commissioner of Public Lands is authorized to execute and issue oil and gas leases covering State institutional 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 Rule 59. All forms are provided by the Land Office.

RULE 2. 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 of Public Lands. A non or unrestricted district includes all lands outside the exterior boundaries of restricted districts.

RULE 3. Lands Subject to Lease. All state lands presently open for oil and gas lease purposes, or lands which may become open in the future by virtue of cancellation or expirations, or for any other reason, may be leased only by competitive bid after public notice in accordance with Rule 18 hereof, except as provided in Rule 5.

RULE 4. Restricted Districts. Lands in restricted areas are leased by offering same for sale at public auction to the highest bidder, as hereinafter explained and in accordance with Rule 18 et. seq.

RULE 5. Unrestricted Districts. Lands in an unrestricted district are ordinarily leased by offering same for sale at public auction to the highest bidder, as hereinafter explained and in accordance with Rule 18 et. seq. However, such lands may be leased on application without bidding if, in the opinion of the Commissioner of Public Lands, the best interests of the State will be served by so doing.

TERMS OF LEASES--FORMS--RESTRICTIONS

RULE 6. Term and Form. Oil and Gas leases upon State institutional lands are issued for a term of ten (10) years--a five (5) year primary term, and a five (5) year secondary term, and shall be in substantially the form provided by 7-11-3, N.M.S.A., 1953 Compilation, as amended. Each term is extended for so long as production in paying quantities is maintained.

RULE 7. Annual Rental--Primary and Secondary Term All leases issued by the Commissioner of Public Lands shall provide for an annual rental

be paid by the lessee, the amount thereof to be fixed by the Commissioner, t in no case shall the amount be less than ten cents (10¢) per acre, or more han one dollar ($1.00) per acre during the primary term of five years. Durnt ehs secondary term of five years, the rental 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, if it be more than double the primary term.

RULE 8. 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 a ten dollar ($10.00) application fee. Minimum rental rate is computed by multiplying the rental rate by the acreage in each advertised tract.

RULE 9. Limitation of Acreage. No lease upon State lands shall be issued to cover more than two sections of land, but no restriction is placed upon the number of leases any one person may hold.

RULE 10. Different Rental Districts--Highest Rentals Prevailing. Where part of the lands in any lease are situated in one rental district and part thereof in another, or other district, the lessee shall pay the rental prevailing in the district wherein part of the lands affected are situated having he highest rental.

RULE 11. Refusal of Applications--Bombing Ranges--Military Establishents. Applications will not be accepted and no lease issued for land mbraced by military areas or in areas which have been condemned by the nited States Government for military purposes, or on which contemplated ilitary operations are expected, until such lands are released by the United tates Government except in co-use areas.

RULE 12. Clear-List of Lands from United States Essential Before suance of Lease. Leases will not ordinarily be issued for selected lands hich have not been clear-listed, or for any lands where the records of the ate Land Office sbow the title of the State to be in question, controversy or ispute.

RULE 13. Limitation to Not More Than Two Individuals--Trust imitation. Applications to lease State lands will not be accepted nor will y lease be issued in the name of more than two persons, nor will applican be accepted from, or leases be issued to, a trustship, unless the trust expressl set forth and regularly filed with the State Land Office, and mes not more than two persons as trustees.

RULE 14. Lease Within 25 Miles Square--Right of Commissioner. No 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 (25 mi. x 25 mi.); however, this requirement may be waived by the Commissioner of Public Lands in any proper case.

RULE 15. Limitation to Not More Than One Beneficiary Institution. Leases will not be issued covering lands belonging to more than one (1) beneficiary institution.

RULE 16. $2,000.00 Bond Preceding Development. Before commencement of development operations upon any State institutional lands, the Surface and Improvement Damage Bond required to be filed with the Commissioner of Public Lands by 7-11-20, N.M.S.A., 1953 Comp., as amended, and the Plugging and Indemnity Bond required to be filed with the Oil Conservation Commission of New Mexico by 65-3-11, N.M.S.A., 1953 Comp., as amended, will be filed as a joint bond with the Oil Conservation Commission of New Mexico, which office is designated as the official Land Office Depository of said bonds.

COMPETITIVE BIDDING FOR OIL AND GAS LEASES

RULE 17 Lands Within Three Miles of Production Require Sealed Bids or Public Auction. State lands lying within three (3) miles of a commercially productive oil or gas well shall not be leased except upon sealed bids or at public auction, in accordance with the regular sale procedure of the State Land Office.

RULE 18 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 of Public Lands may, in his 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 land is situated.

RULE 19. 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.

RULE 20. Acceptance of bids. Up to the hour set for such sale, the Commissioner will receive sealed bids for oil and gas lease upon any tract of land described in the posted notice, and all sealed bids submitted will be opened at the hour mentioned in the notice, and the lease will be awarded to the highest bidder, subject to the discretionary right of the Commissioner to reject any bid.

RULE 21. 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 bidder, for cash, and lease will be awarded to such highest 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.

RULE 22. Application Under Oath -- Fees. Application for lease accompanying sealed bids shall be executed under oath by the applicant, or by his 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 of $10.00 (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 the use of noncertified 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.

RULE 23. Tie Bids. When two or more sealed highest bids received for the same tract of land are equal in amount, the Commissioner of Public Lands, (if such highest bidders are present and cannot agree, by stipulation in writing, on how such tract shall be disposed of) shall call such equal highest bidders before him 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 bidders before him) 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 bidder. If such bidders are not present when such bids are opened, then the Commissioner will notify such bidders to submit sealed proposals within ten days (10) next following the date of the sale at which such bids were determined to be equal.

RULE 24. Right to Reject Any And All Bids - Withholding From Leasing. The Commissioner of Public Lands 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 his discretion he shall deem it to be for the best interests of the State to do so.

APPROVED ASSIGNMENTS

RULE 25. Transfer and Assignment of Oil and Gas Leases. Oil and gas leases and assignments thereof are considered to convey interests in real property and are therefore required to be formally executed by the proper parties and upon prescribed forms furnished by the State Land Office before such assignments shall be approved by the Commissioner.

RULE 26. Joint Tenants. Assignments of oil and gas leases or interests therein, whose lessees or assignees are tenants in common or joint tenants not in violation of 7-11-7, N.M.S.A., 1953 Compilation, in case of death of one party and when such instruments expressly provide for suvivorship, will be considered as belonging to the survivor, and the interest will be transferred to the survivor upon presentation of a certified copy of the certificate of death and the payment of the proper rentals and fees.

RULE 27. 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 of Public Lands.

RULE 28. Foreign Decedent. In case the residence of decedent is in a state other than New Mexico, the estate should be probated in the state of such residence and ancillary proceedings consummated in New Mexico in the county wherein the property is situated, and proper certified copies thereof filed with the Commissioner of Public Lands.

RULE 29. Co-operative Agreements. Assignments of acreage committed to unit or co-operative agreements shall meet the requirements of Rule 49.

RULE 30. Relinquishment. Under the provisions of a state oil and gas lease, the same, by payment of a fee of ten dollars ($10.00), may be relinquished, provided however, that all rentals due and owing are paid, i.e., such relinquishment must be filed in the State Land Office prior to the next annual rental due date. Holders of assignments to lesser interests than the whole of the acreage may in like manner relinquish.

RULE 31. Lease Continued by Production in Paying Quantities. 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 or not the same remains in the original lease or is assigned to others either 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.

RULE 32. Assignments to Be in Triplicate--Acknowledgment Required. Assignments of Oil and Gas Leases shall be filed in TRIPLICATE in the office of the Commissioner of Public Lands and must be executed and acknowledged in the manner provided for transfer of real estate in New Mexico. The original and one copy of each assignment will be recorded and filed as a public record in the State Land Office, and the other copy returned to the person entitled to same.

RULE 33. Assignments to be Recorded in the Land Office. Assignments must be filed with the Commissioner within one hundred (100) days after having been signed by the Assignor as shown upon the face of the instrument and not from the date of acknowledgment. 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 of $25.00 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.

RULE 34. Restrictions. Assignments will not be accepted nor approved by the Commissioner:

1. For less than assignor's entire interest in any legal subdivision (except where transfer is by operation of law).

2. For less than a legal subdivision.

3. In the name of more than two (2) persons or companies.

4. In the name of a trustship unless the trust is expressly set forth and not more than two (2) persons are named as trustees.

5. After lis pendens filed.

6. For any assignment containing any language other than the approved form.

7. Where the assignment covers acreage included in more than one lease.

RULE 35. Approval and Filing Withheld. Per change #1, April 21, 1972

(a) When assignments are accompanied by personal checks the Commissioner of Public Lands reserves the right to withhold approval on any and all assignments until checks are cleared

and rentals on the lease form upon 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 of Public Lands for approval and the address of record of the assignee thereon is the same as that of the assignor, or where such address had not been established on the records of the State Land Office, or where 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 his acceptance of the assignment of the lease.

RULE 36. Minimum Rental on Assignment. The minimum rental on any lands in any assignment shall not be less than six dollars ($6.00) per annum for the primary term, and twelve dollars ($12.00) per annum for the secondary term where no production has been obtained during the first five (5) year term.

RULE 37. 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 in these rules provided.

RULE 38. By Consolidation. In cases where corporations consolidate, if more than one entity survives, in contemplation of preceding rules, transfer of oil and gas interest shall be by regular triplicate copies of assignments, accompanied by the proper fees.

RULE 39. By Merger. In cases where two or more corporations merge, only one corporation surviving, whether it be an existing named corporation, or a newly named corporation, a copy of the merger agreement or certificate of merger shall be filed and the oil and gas lease transferred on the books of the Land Office in the name of each such merged corporation by the filing of triplicate copies of the agreement, as in individual assignments.

RULE 40. 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.

RULE 41. Effect of Notice of Pendency of Suit Fees--Notice of Intention to File Action Ineffective. 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 of

Public Lands 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, 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.

CANCELLATION

RULE 42. Cancellation for Default. The Commissioner may cancel any lease or assignment thereof for default upon giving the lessor or assignee notice by registered mail (certified mail if the lease so provides) of his intention to cancel specifying the default and unless the lessee or assignee remedies the default and unless the lessee or assignee remedies the default within thirty (30) 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.

CO-OPERATIVE AND UNIT AGREEMENTS

RULE 43. Purpose--Consent. The Commissioner of Public Lands may consent to and approve agreements made by lessees of State lands for any of the purposes enumerated in 7-11-39, N.M.S.A., 1953 Compilation.

RULE 44. Application - Requisites of Agreements. Formal application shall be filed with the Commissioner of Public Lands for the presentation of a co-operative or unit agreement; the filing fee therefor shall be ten dollars ($10.00) for each section or fraction part thereof, with a minimum of ten dollars ($10.00), whether the acreage is federal, state or privately owned. Such application shall contain a statement of facts showing:

(a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.

(b) 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.

(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 unit area.

(d) That such unit agreement is in other respects for the best interest of the State, with respect to State lands.

RULE 45. Information to be furnished. 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. In order that such geological and engineering data may be held confidential it will be considered held on a loan basis only and will not be made a matter or considered as part of the Land Office records for a period of six (6) months from date of its receipt. If at the end of such six (6) months period the co-operative agreement is approved, then such data will be made a permanent part of the records. If for any reason such proposed agreement has not been approved at the end of the six (6) months period, then at the request of the applicant the data shall be returned to the applicant.

RULE 46. Decision Postponed. In any matter respecting co-operative and unit agreements, the Commissioner of Public Lands may postpone his decision pending action by the Oil Conservation Commission and may use any information obtained by his own investigators, or obtained by the Oil Conservation Commission to enable him 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.

RULE 47. 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.

RULE 48. Posting to Tract Books. In every case where a co-operative unit agreement is finally approved by the Commissioner of Public Lands, 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 Commission; any modification or dissolution of such co-operative or unit agreement shall be likewise entered and filed. The fees therefor shall be those regularly charged by the State Land Office for similar services.

RULE 49. Assignments. No assignment of acreage under lease within any unitized or co-operative area will be approved by the Commissioner of Public Lands except such be subject to the provisions of the co-operative or unit agreement covering the area within which the acreage sought to be assigned lies.

RULE 50. 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.

RULE 51. Force Pooling - Oil Conservation Commission Order:

(a) The record owner or operator of all oil and gas leases covering state owned lands force pooled by order of the New Mexico Oil Conservation Commission shall file with the Commissioner of Public Lands the following information:

1. One (1) copy of application for hearing for force pooling at least ten (10) days prior to date set for hearing.

2. State lease number, record owner and legal description of all state lands force pooled.

3. Oil Conservation Commission Order Number and date.

4. Legal description and type (Federal, Fee or Indian) of all lands included in force pooling order.

5. Location, formation and depth of well.

6. Oil Conservation Commission 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 Commission.

7. Date well put to producing.

This rule has no application to a situation wherein all parties have voluntarily executed a communitization agreement covering all lands in a proration unit and such agreement has been approved by the Commissioner of Public Lands.

COMMINGLING OF OIL AND GAS ON STATE OWNED LANDS

RULE 52. Commingling Prohibited--Different Beneficiary Institutions. It is required that all production of oil and/or gas from lands belonging to different state beneficiaries shall be segregated. The commingling, confusion or the intercommunication of such production by the utilization of common tankage facilities, before marketing, with the production from any other institutional lands or any lands not belonging to the State of New Mexico is strictly prohibited.

RULE 53. Commingling Allowed--Different State Leases--Common Beneficiary. Approval may be obtained to commingle production between different state leases provided the production is from land belonging to one common state beneficiary and provided the production from each state lease is property metered and accounted for. The approval will be issued upon proof that royalty payable to the State of New Mexico will not be diminished by such operation.

Off lease storage is permitted if there is to be no commingling or intercommunication or production between handling, separating, treating or storage facilities. (See Fee Schedule for Application Fee.)

PROCEDURE OF APPLICATION

Permission for the utilization of common tankage may be obtained by transmitting the following data to:

Commissioner of Public Lands
Post Office Box 1148,
Santa Fe, New Mexico 87501

1. Formal application stating the type of permission desired and the reasons therefor.

2. Plat showing the location of leases, wells, flow lines, 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. Detail drawing (s) of any component which is specifically fabricated; i.e., not commercially available.

8. Description of the operating sequence explaining the complete operation.

θ. Any other pertinent data that will assist the Commissioner in deciding upon the application.

ACREAGE TAKEN FOR MILITARY PURPOSES

RULE 54. 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 part only 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.

RULE 55. Amendments of Leases Pursuant to 7-11-4, N.M.S.A., 1953 Compilation (Adding Paragraph 16).

NOTE: All leases issued on Form 45, 57 and 67 already contain Paragraph 16, therefore in such cases lessee shall disregard subparagraph a, b, c and proceed complying with subparagraphs d, e, f, g, h, and i only.

(a) The owner of any oil and gas lease issued by the Commissioner of Public Lands which does not contain paragraph 16, and which is in the last year of its secondary term, and which has been maintained in good standing, may file an application with the Commissioner of Public Lands to make the terms and conditions of paragraph 16 of the lease form, as prescribed by Chapter 111 of the Laws of 1945 (7-11-4) a part of such existing lease. The application shall be filed in duplicate upon forms to be furnished by the Land Office. Each application shall be accompanied by a filing fee of $25.00.

(b) The application so filed shall be accompanied by a form of stipulation duly signed and acknowledged by the applicant.

(c) Upon filing of such an application and determination by the Commissioner that the application conforms to the governing statutes and these regulations, the Commissioner of Public Lands will execute the stipulation and thereupon the provisions of said paragraph 16 of the lease form, as authorized by Chapter 111 of the Session Laws of 1945, will be a part of said existing lease with like effect as if originally incorporated therein. One executed copy of the stipulation will be attached to the original lease in the files of the Commissioner of Public Lands. The remaining copy will be forwarded to the applicant with the receipt of the State Land Office evidencing payment of the filing fee.

(d) The payment in advance of rentals for the lease year commencing at the expiration of the secondary term shall be a prerequisite for the assertion of any rights under section 16 of any oil and gas lease issued by the Commissioner of Public Lands. 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 of Public Lands, whether in the primary or secondary term or subsequent to the expiration thereof.

(e) The owner of any oil and gas lease proposing to conduct drilling or reworking operations pursuant to the provisions of section 16 of such lease, shall file in the Oil and Gas Division of the State Land Office, prior to the expiration of the secondary term of said 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 are contemplated, if any, and the name and address of the drilling contractor or other person who will conduct such operations. Such statement may be filed in letter form until a form is promulgated by the Commissioner of Public Lands for such use. The approval by the Commissioner of Public Lands of the operations so proposed will normally be evidenced by the signature of the Commissioner on a copy of such letter, but any proposed operation, a statement of which has been filed in accordance with this regulation, shall be conclusively presumed to have been approved by the Commissioner of Public Lands 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 his disapproval and the reasons therefor.

(f) The owner of an oil and gas lease who is engaged in drilling or reworking operations on lands embraced therein, subsequent to the expiration of the secondary term of said lease, who proposes to rely upon such operations as extending said lease in accordance with paragraph 16 thereof, shall file a report of the status of such operations for each thirty (30) day period during which they are continued. Such report shall be in letter form until forms therefor are promulgated by the Commissioner of Public Lands. It shall contain a statement of the depth of said well, the status of any reworking operations at the end of said thirty (30) day period, a general statement of the drilling or reworking operations that have been accomplished during the preceding thirty (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 of Public Lands within fifteen (15) days after the close of such a thirty (30) day period shall meet the requirements of section 16 of the Act. If operations have ceased during any period covered by a status report such report shall state the date of cessation, the reason therefor, and the date of resumption of operations, if any.

(g) Each application and stipulation filed under Rule 51(a) hereof 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 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.

(h) Operations conducted by any person under the terms of an oil and gas lease issued by the Commissioner of Public Lands of the State of New Mexico, including all operations conducted under paragraph 16 of the lease form, shall be subject to inspection at all reasonable times by representatives of the State Land Office.

(i) All well records, required to be submitted to the New Mexico Oil Conservation Commission, shall be filed with the Commissioner of Public Lands at the same time as filing with the Oil Conservation Commission.

RULE 56. ~~Amendment of Leases Pursuant to Chapter 189, Laws of~~ New Mexico, 1967 (Amended to Conform to the 1967 ~~Form~~). The lease form as provided by Section 1, Chapter ~~189,~~ Laws of 1967, shall be used by the Commissioner ~~for issuing~~ of oil and gas leases subsequent to June 17, 1967, ~~and the owner of any oil and gas lease issued prior to that date by the~~ See change #1 April 21, 1972

~~Commissioner of Public Lands, which lease has been maintained in good~~ standing according to the terms and conditions thereof and all applicable statutes and regulations, may enter into a stipulation ~~making~~ the terms and conditions of the 1967 lease form a part of any ~~such~~ existing lease the same as if said 1967 lease form had been the original.

see change #2 April 21, 19

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, approved assignment thereof, has signed said ~~stipulation~~. The stipulation shall be made in duplicate on forms prescribed ~~and furnished~~ by the Commissioner of Public Lands and shall be filed in duplicate, accompanied by a ~~fee of $25.00~~.

REPORTS--ROYALTY

RULE 57. Production and Royalty Statement. Every oil and gas lessee of record (meaning any holder of an original lease or an assignment of a portion thereof, which assignment has been approved by the Commissioner of Public Lands and which lessee is thereby responsible to the State of New Mexico for payment of royalty due from oil and gas production or to be credited to the state lands) shall tender such royalty to the Commissioner of Public Lands through his agent, the Oil and Gas Accounting Commission, upon forms prescribed by said Commission for royalty reporting. Accounting forms now adopted or hereafter to be adopted by the Oil and Gas Accounting Commission are hereby adopted by the Commissioner of Public Lands.

Any operator, purchaser or person, as defined by the oil and gas tax laws of the State of New Mexico, or any other agent designated by the State's record lessee, may make royalty payments and submit reports on behalf of the record lessee; however, the relationship of the State of New Mexico and the record lessee shall not be changed but shall remain as defined in 7-11-7, N.M.S.A., 1953 Compilation.

Upon the payment of royalty and filing of reports as provided herein, any oil and gas lessee of record shall have, if he so desires, sixty-five (65) days from the end of the calendar month for which royalty is due the State of New Mexico within which to make full settlement for royalty due, and his lease shall be deemed automatically amended to so provide.

RULE 58. O.C.C. 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 Commission, the following New Mexico Oil Conservation Commission Reports covering all State oil and gas leases:

1. C-101 - Notice of Intention to Drill

2. C-102 - Miscellaneous Notices (of intention)
3. C-103 - Miscellaneous Reports of Wells
4. C-104 - Certificate of Compliance
5. C-105 - The Well Record

RULE 59. Inclusion of Helium Gas in Oil and Gas Lease Contract. Any record owner of an oil and gas lease issued prior to June 9, 1963, or of an approved assignment thereof, which lease or assignment is in good standing, may amend such lease or assignment to include helium gas within the terms thereof by filing a proposed stipulation therefor upon the form to be prescribed by the Commissioner of Public Lands. The fee for filing and approving same shall be twenty-five dollars ($25.00). (See Rule 1).

All oil and gas leases issued after June 9, 1963 are considered by the Commissioner, as matter of law, to include helium gas within their terms.

RULE 60. 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 unless the same are waived, must be made in writing and accompanied by a filing and approval fee of twenty-five ($25.00). Such applications must be filed in the State Land Office at least thirty (30) days before expiration date of the oil and gas lease.

RULE 61. 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 75-11-1 through 75-11-22, N.M.S.A., 1953 Compilation, as amended, with the regulations of the State Engineer, and with the Rules and Regulations Concerning the Leasing and Use of Water Pertaining to State Lands, heretofore promulgated by the Commissioner of Public Lands.

(b) Within thirty (30) days after completion of said well the lessee shall furnish in writing to the Commissioner of Public Lands a report containing the following information:

1. Location of Well
2. Depth, Log and Casing Record Production Data

RULE 62. Salt Water Disposal. Lessees are expected to comply with all lawful rules of the New Mexico Oil Conservation Commission pertaining to prevention of waste which includes disposal of produced salt water or brines. If State lands are needed for a salt water disposal operation, then application for a Salt Water Disposal Easement Site or a Business Lease shall be made to the "Land Surface Division" of the State Land Office depending upon whether an underground disposal or salt lake or other surface disposal site respectively is desired. Ordinarily water produced on lease may be disposed of on lease without Land Office permission if the disposal operation otherwise meets the approval of the Oil Conservation Commission and is an otherwise reasonable and accepted practice in the industry.

MISCELLANEOUS

RULE 63. Royalty Purchase--Preference Right. Requests to the Commissioner to purchase State royalty oil as a preference right under the provisions of Chapter 34, Laws of 1967 (7-11-57 et. seq., N.M.S.A., 1953 Compilation) shall be accompanied by an order or ruling of the New Mexico Oil Conservation Commission determining that the applicant is qualified and otherwise entitled to such preference. Requests to purchase State royalty 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 he desires to purchase the royalty oil.

RULE 64. Appeals From Decisions 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 (60) days after such ruling or decision is rendered by following the procedure of 7-11-17, et. seq., N.M.S.A., 1953 Compilation.

RULE 65. Fees

1.	For filing each application for State oil and gas lease.	$10.00
2.	For filing and approval of each oil and gas lease relinquishment.	10.00
3.	For filing each set of lease assignments (If assignments are over one hundred (100) days old, an additional charge of $25.00 will be made, See Rule 33).	10.00
4.	For filing co-operative or unit agreements or expansion thereof, per section or fraction thereof (See Rule 44)	10.00

RULES RELATING TO LEASING OF STATE LANDS FOR ALL MINERALS OTHER THAN POTASSIUM, SODIUM, SULPHUR, PHOSPHORUS AND OTHER MINERALS OF SIMILAR OCCURRENCE, AND THEIR SALTS AND COMPOUNDS, SALT, OIL AND GAS, COAL, SHALE, CLAY, GRAVEL, BUILDING STONE AND BUILDING MATERIALS (COMMONLY CALLED GENERAL MINING RULES)

RULE 1. Definitions. The following terms as used in these rules shall have the meaning here indicated unless otherwise clearly stated in the text:

(a) Commissioner - Commissioner of Public Lands of the State of New Mexico.

(b) Mineral - All mineral deposits, whether the same be lode, placer or otherwise.

(c) Lessee - The original mineral lessee and the assignee of an assignment duly approved and recognized by the Commissioner pursuant to Rules 29 through 36, inclusive.

(d) Legal Subdivision - Legal subdivision as used and recognized by the General Land Office of the United States and the State Land Office, ordinarily consisting of 40 acres, more or less, or 1/16th part of a standard section, including lots as designated by the U. S. Survey Plats.

(e) Contiguous - Adjoining and having at least one common side or boundary.

(f) Person - Individual or corporation, and does not include partnership or any other unincorporated association.

(g) Land Office - New Mexico State Land Office.

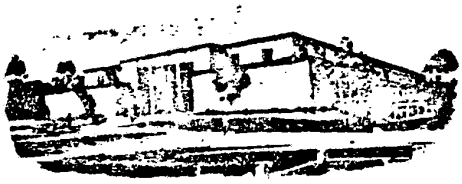
RULE 2. Minerals Included. The Commissioner is authorized by 7-8-17 through 7-9-34, N.M.S.A., 1953 Compilation, as amended, to execute and issue in the name of the State of New Mexico, as lessor, leases for the sole and exclusive purpose of prospecting for and mining of all minerals other than potassium, sodium, sulphur, phosphorus and other minerals of similar occurrence, and their salts and compounds, salt, oil and gas, coal,

CPL 17-1
Supersedes CPL 71-2, 76-1

C X101.21
977

S #39.31

State of New Mexico



Commissioner of Public Lands

PHIL R. LUCERO
COMMISSIONER

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

January 7, 1977

RECEIVED
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STATE COMMISSION OF
PUBLIC RECORDS & ARCHIVES

Mr. Joseph F. Halpin
Records Administrator
State Records Center and Archives
404 Montezuma
Santa Fe, New Mexico 87501

Dear Mr. Halpin:

Enclosed herewith for filing, pursuant to 71-7-1, N. M. S. A., 1953 Compilation, are the original and nine (9) copies of Rules and Regulations Concerning ~~the Sale~~, Lease, and Other Disposition of State of New Mexico Trust Lands, which Rules and Regulations were posted on the official Land Office Bulletin Board from December 22, 1976, to January 7, 1977. Please return the original and two stamped-in copies to this office for filing.

Very truly yours,

Phil R. Lucero

PHIL R. LUCERO
Commissioner of Public Lands

PRL:crk

Encls.

CERTIFICATE OF POSTING

I, PHIL R. LUCERO, Commissioner of Public Lands for the State of New Mexico, do hereby certify that a copy of the attached Rules and Regulations Concerning the Sale, Lease, and Other Disposition of State of New Mexico Trust Lands, was duly posted on the official bulletin board in the State Land Office, Santa Fe, New Mexico, beginning at 4:35 P. M., December 22, 1976, and remained thereon continuously from said time and date until and including 8:35 A. M., January 7, 1977.

DONE at Santa Fe, New Mexico, this 7th day of January, 1977.

(SEAL)

Phil R. Lucero

PHIL R. LUCERO
Commissioner of Public Lands
State Land Office
State of New Mexico

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STATE COMMISSION OF
PUBLIC RECORDS & ARCHIVES

INDEX

To

Rules and Regulations Concerning the Sale,
Lease, and Other Disposition of
State of New Mexico Trust Lands

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

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STATE COMMISSION OF
PUBLIC RECORDS & ARCHIVES

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RULES AND REGULATIONS
RELATING TO OIL AND GAS LEASES

RULE 1. Products Included. The Commissioner of Public Lands is authorized to execute and issue oil and gas leases covering State institutional 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 Rule 59. All forms are provided by the Land Office.

RULE 2. 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 of Public Lands. A non or unrestricted district includes all lands outside the exterior boundaries of restricted districts.

RULE 3. Lands Subject to Lease. All state lands presently open for oil and gas lease purposes, or lands which may become open in the future by virtue of cancellation or expirations, or for any other reason, may be leased only by competitive bid after public notice in accordance with Rule 18 hereof, except as provided in Rule 5.

RULE 4. Restricted Districts. Lands in restricted areas are leased by offering same for sale at public auction to the highest bidder, as hereinafter explained and in accordance with Rule 18 et seq.

RULE 5. Unrestricted Districts. Lands in an unrestricted district are ordinarily leased by offering same for sale at public auction to the highest bidder, as hereinafter explained and in accordance with Rule 18 et seq. However, such lands may be leased on application without bidding if, in the opinion of the Commissioner of Public Lands, the best interests of the State will be served by so doing.

TERMS OF LEASES--FORMS--RESTRICTIONS

See Amendment #7

RULE 6. Term and Form. Oil and Gas leases upon State institutional lands are issued for a term of ten (10) years--a five (5) year primary term, and a five (5) year secondary term, and shall be in substantially the form provided by 7-11-3, N. M. S. A., 1953 Compilation, as amended. Each term is extended for so long as production in paying quantities is maintained provided however, the Commissioner of Public Lands may, in his discretion, eliminate the secondary term of the lease and increase the royalty not to

exceed one-sixth. Before so doing, he shall set forth such amended terms in the notice of sale as provided in Rule 19 herein and otherwise comply with 7-11-11, N. M. S. A., 1953 Compilation. (History: Last paragraph added in this 1975 edition to comply with Chapter 113, Laws of New Mexico, 1975).

RULE 7. Annual Rental--Primary and Secondary Term. All leases issued by the Commissioner of Public Lands shall provide for an annual rental to be paid by the lessee, the amount thereof to be fixed by the Commissioner, but in no case shall the amount be less than ten cents (10¢) per acre, or more than one dollar ($1.00) per acre during the primary term of five years. During the secondary term of five years, the rental 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, if it be more than double the primary term.

RULE 8. 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 a ten dollar ($10.00) application fee. Minimum rental rate is computed by multiplying the rental rate by the acreage in each advertised tract.

RULE 9. Limitation of Acreage. No lease upon State lands shall be issued to cover more than two sections of land, but no restriction is placed upon the number of leases any one person may hold.

RULE 10. Different Rental Districts--Highest Rentals Prevailing. Where part of the lands in any lease are situated in one rental district and part thereof in another, or other district, the lessee shall pay the rental prevailing in the district wherein part of the lands affected are situated having the highest rental.

RULE 11. Refusal of Applications--Bombing Ranges--Military Establishments. Applications will not be accepted and no lease issued for land embraced by military areas or in areas which have been condemned by the United States Government for military purposes, or on which contemplated military operations are expected, until such lands are released by the United States Government except in co-use areas.

RULE 12. 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.

RULE 13. Limitation to Not More Than Two Individuals--Trust Limitation. Applications to lease State lands will not be accepted nor will any lease be issued in the name of more than two persons, nor will

application be accepted from, or leases be issued to, a trustship, unless the trust is expressly set forth and regularly filed with the State Land Office, and names not more than two persons as trustees.

RULE 14. 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 (25 mi. x 25 mi.); however, this requirement may be waived by the Commissioner of Public Lands in any proper case.

RULE 15. Limitation to Not More Than One Beneficiary Institution. Leases will not be issued covering lands belonging to more than one (1) beneficiary institution.

RULE 16. Bond Preceding Development. Before commencement of development operations upon any State institutional lands, the Surface and Improvement Damage Bond required to be filed with the Commissioner of Public Lands by 7-11-20, N. M. S. A., 1953 Compilation, as amended, and the Plugging and Indemnity Bond required to be filed with the Oil Conservation Commission of New Mexico by 65-3-11, N. M. S. A., 1953 Compilation, as amended, will be filed as a joint bond with the Oil Conservation Commission of New Mexico, which office is designated as the official Land Office Depository of said bonds. Such bond shall be in the amount of five thousand dollars ($5,000.00) but may be increased upon showing by the improvement owner that such amount is not sufficient.

COMPETITIVE BIDDING FOR OIL AND GAS LEASES

RULE 17. Lands Within Three Miles of Production Require Sealed Bids or Public Auction. State lands lying within three (3) miles of a commercially productive oil or gas well shall not be leased except upon sealed bids or at public auction, in accordance with the regular sale procedure of the State Land Office.

RULE 18. 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 of Public Lands may, in his 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 land is situated.

RULE 19. 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.

RULE 20. Acceptance of Bids. Up to the hour set for such sale, the Commissioner will receive sealed bids for oil and gas lease upon any tract of land described in the posted notice, and all sealed bids submitted will be opened at the hour mentioned in the notice, and the lease will be awarded to the highest bidder, subject to the discretionary right of the Commissioner to reject any bid.

RULE 21. 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 bidder, for cash, and lease will be awarded to such highest 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.

RULE 22. Application Under Oath--Fees. Application for lease accompanying sealed bids shall be executed under oath by the applicant, or by his 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 of $10.00 (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 the 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. (History: Change No. 2 dated January 20, 1971, and Change No. 3 dated June 3, 1971).

RULE 23. Tie Bids. When two or more sealed highest bids received for the same tract of land are equal in amount, the Commissioner of Public Lands, (if such highest bidders are present and cannot agree, by stipulation in writing, on how such tract shall be disposed of) shall call such equal highest bidders before him 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 bidders before him) 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 bidder. If such bidders are not present when such bids are opened, then the Commissioner will notify such bidders to submit sealed proposals within ten days (10) next following the date of the sale at which such bids were determined to be equal.

RULE 24. Right to Reject Any and All Bids - Withholding From Leasing. The Commissioner of Public Lands 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 his discretion he shall deem it to be for the best interests of the State to do so. (History: Amended by Change No. 2 dated January 20, 1971).

APPROVED ASSIGNMENTS

RULE 25. Transfer and Assignment of Oil and Gas Leases. Oil and gas leases and assignments thereof are considered to convey interests in real property and are therefore required to be formally executed by the proper parties and upon prescribed forms furnished by the State Land Office before such assignments shall be approved by the Commissioner.

RULE 26. Joint Tenants. Assignments of oil and gas leases or interests therein, whose lessees or assignees are tenants in common or joint tenants not in violation of 7-11-7, N. M. S. A., 1953 Compilation, in case of death of one party and when such instruments expressly provide for survivorship, will be considered as belonging to the survivor, and the interest will be transferred to the survivor upon presentation of a certified copy of the certificate of death and the payment of the proper rentals and fees.

RULE 27. 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 of Public Lands.

RULE 28. Foreign Decedent. In case the residence of decedent is in a state other than New Mexico, the estate should be probated in the state of such residence and ancillary proceedings consummated in New Mexico in the county wherein the property is situated, and proper certified copies thereof filed with the Commissioner of Public Lands.

RULE 29. Co-operative Agreements. Assignments of acreage committed to unit or co-operative agreements shall meet the requirements of Rule 49.

RULE 30. Relinquishment. Under the provisions of a state oil and gas lease, the same, by payment of a fee of ten dollars ($10.00), may be relinquished, provided however, that all rentals due and owing are paid, i.e., such relinquishment must be filed in the State Land Office prior to the next annual rental due date. Holders of assignments to lesser interests than the whole of the acreage may in like manner relinquish.

RULE 31. Lease Continued by Production in Paying Quantities. Except as otherwise provided in a cooperative 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 or not the same remains in the original lease) or is assigned to others either 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.

RULE 32. Assignments to be in Triplicate--Acknowledgment Required. Assignments of Oil and Gas Leases shall be filed in TRIPLICATE in the office of the Commissioner of Public Lands and must be executed and acknowledged in the manner provided for transfer of real estate in New Mexico. The original and one copy of each assignment will be recorded and filed as a public record in the State Land Office, and the other copy returned to the person entitled to same.

RULE 33. Assignments to be Recorded in the Land Office. Assignments must be filed with the Commissioner within one hundred (100) days after having been signed by the Assignor as shown upon the face of the instrument. 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 of twenty-five dollars ($25.00) 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. (History: Change No. 2 dated January 20, 1971.)

RULE 34. Restrictions. Assignments will not be accepted nor approved by the Commissioner:

1. For less than assignor's entire interest in any legal subdivision (except where transfer is by operation of law).
2. For less than a legal subdivision.
3. In the name of more than two (2) persons or companies.
4. In the name of a trustship unless the trust is expressly set forth and not more than two (2) persons are named as trustee.
5. After lis pendens filed.

6. For any assignment containing any language other than the approved form.

7. Where the assignment covers acreage included in more than one lease. (History: Change No. 1 dated April 21, 1972.)

RULE 35. Approval and Filing Withheld.

(a) When assignments are accompanied by personal checks the Commissioner of Public Lands reserves the right to withhold approval on 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 of Public Lands for approval and the address of record of the assignee thereon is the same as that of the assignor, or where such address had not been established on the records of the State Land Office, or where 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 his acceptance of the assignment of the lease.

RULE 35A. 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 rules 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 one dollar ($1.00) per page. (Maximum charge of ten dollars ($10.00) per instrument).

RULE 36. Minimum Rental on Assignment. The minimum rental on any lands in any assignment shall not be less than six dollars ($6.00) per annum for the primary term, and twelve dollars ($12.00) per annum for the secondary term where no production has been obtained during the first five (5) year term.

RULE 37. 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 in these rules provided.

RULE 38. By Consolidation. In cases where corporations consolidate, if more than one entity survives, in contemplation of preceding rules, transfer of oil and gas interest shall be by regular triplicate copies of assignments, accompanied by the proper fees.

RULE 39. By Merger. In cases where two or more corporations merge, only one corporation surviving, whether it be an existing named corporation, or a newly named corporation, a copy of the merger agreement or certificate of merger shall be filed and the oil and gas lease transferred on the books of the Land Office in the name of each such merged corporation by the filing of triplicate copies of the agreement, as in individual assignments.

RULE 40. 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.

RULE 41. Effect of Notice of Pendency of Suit Fees--Notice of Intention to File Action Ineffective. 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 of Public Lands 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, 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.

CANCELLATION

RULE 42. Cancellation for Default. The Commissioner may cancel any lease or assignment thereof for default upon giving the lessor or assignee notice by registered mail (certified mail if the lease so provides) of his intention to cancel specifying the default and unless the lessee or assignee remedies the default within thirty (30) 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. (History: Change No. 2, dated January 20, 1971.)

COOPERATIVE AND UNIT AGREEMENTS

RULE 43. Purpose--Consent. The Commissioner of Public Lands may consent to and approve agreements made by lessees of State lands for any of the purposes enumerated in 7-11-39, N. M. S. A., 1953 Compilation.

RULE 44. Application - Requisites of Agreements. Formal application shall be filed with the Commissioner of Public Lands for the presentation of a cooperative or unit agreement; the filing fee therefor shall be ten dollars ($10.00) for each section or fraction part thereof, with a minimum of ten dollars ($10.00), whether the acreage is federal, state or privately owned. Such application shall contain a statement of facts showing:

(a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.

(b) 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.

(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 unit area.

(d) That such unit agreement is in other respects for the best interest of the State, with respect to State lands. (History: Previously amended, see Change No. 3, dated June 3, 1971.)

RULE 45. Information to be Furnished. 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. In order that such geological and engineering data may be held confidential it will be considered held on a loan basis only and will not be made a matter or considered as part of the Land Office records for a period of six (6) months from date of its receipt. If at the end of

such six (6) month period the cooperative agreement is approved, then such data will be made a permanent part of the records. If for any reason such proposed agreement has not been approved at the end of the six (6) month period, then at the request of the applicant the data shall be returned to the applicant.

RULE 46. Decision Postponed. In any matter respecting cooperative and unit agreements, the Commissioner of Public Lands may postpone his decision pending action by the Oil Conservation Commission and may use any information obtained by his own investigators, or obtained by the Oil Conservation Commission to enable him 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.

RULE 47. Leases Conformed. When any cooperative 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 cooperative agreement; otherwise, said terms and provisions shall remain in full force and effect.

RULE 48. Posting to Tract Books. In every case where a cooperative unit agreement is finally approved by the Commissioner of Public Lands, 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 Commission; any modification or dissolution of such cooperative or unit agreement shall be likewise entered and filed. The fees therefor shall be those regularly charged by the State Land Office for similar services.

RULE 49. Assignments. No assignment of acreage under lease within any unitized or cooperative area will be approved by the Commissioner of Public Lands except such be subject to the provisions of the cooperative or unit agreement covering the area within which the acreage sought to be assigned lies, unless the Commissioner and all parties to the cooperative agreement agree, in writing, that such acreage is not needed for proper cooperative operations.

RULE 50. Form of Agreement. No specific forms for the various types of cooperative 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.

RULE 51. Force Pooling - Oil Conservation Commission Order:

(a) The record owner or operator of all oil and gas leases covering state owned lands force pooled by order of the New Mexico Oil Conservation Commission, either under 65-3-14 (gas proration unit) or under 65-14-1 et seq. (statutory unitization act for secondary recovery), shall file with the Commissioner of Public Lands the following information:

1. One (1) copy of application for hearing for force pooling at least ten (10) days prior to date set for hearing.

2. State lease number, record owner and legal description of all state lands force pooled.

3. Oil Conservation Commission Order number and date.

4. Legal description and type (Federal, Fee or Indian) of all lands included in force pooling order.

5. Location, formation and depth of well.

6. Oil Conservation Commission 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 Commission.

7. Date well put to producing.

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 of Public Lands.

COMMINGLING OF OIL AND GAS ON STATE OWNED LANDS

RULE 52. Commingling Prohibited--Different Beneficiary Institutions. It is required that all production of oil and/or gas from lands belonging to different state beneficiaries shall be segregated. The commingling, confusion or the intercommunication of such production by the utilization of common tankage facilities, before marketing, with the production from any other institutional lands or any lands not belonging to the State of New Mexico is strictly prohibited.

RULE 53. Commingling Allowed--Different State Leases--Common Beneficiary. Approval may be obtained to commingle production between different state leases provided the production is from land belonging to one common state beneficiary and provided the production from each state lease is properly metered and accounted for. The approval will be issued upon proof that royalty payable to the State of New Mexico will not be diminished by such operation.

Off lease storage is permitted if there is to be no commingling or intercommunication or production between handling, separating, treating or storage facilities. (See Fee Schedule for Application Fee.)

PROCEDURE OF APPLICATION

Permission for the utilization of common tankage may be obtained by transmitting the following data to:

Commissioner of Public Lands
P. O. Box 1148
Santa Fe, New Mexico 87501

1. Formal application stating the type of permission desired and the reasons therefor.

2. Plat showing the location of leases, wells, flow lines, 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. Detail drawing(s) of any component which is specifically fabricated; i.e., not commercially available.

8. Description of the operating sequence explaining the complete operation.

9. Any other pertinent data that will assist the Commissioner in deciding upon the application.

ACREAGE TAKEN FOR MILITARY PURPOSES

RULE 54. 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 part only 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.

RULE 55. Amendments of Leases Pursuant to 7-11-4, N. M. S. A., 1953 Compilation (Adding Paragraph 16).

NOTE: All leases issued on Forms 45, 57, and 67 already contain paragraph 16, therefore in such cases lessee shall disregard subparagraphs a, b, c, and proceed complying with subparagraphs d, e, f, g, h, and i only.

(a) The owner of any oil and gas lease issued by the Commissioner of Public Lands which does not contain paragraph 16, and which is in the last year of its secondary term, and which has been maintained in good standing, may file an application with the Commissioner of Public Lands to make the terms and conditions of paragraph 16 of the lease form, as prescribed by Chapter 111 of the Laws of 1945 (7-11-4) a part of such existing lease. The application shall be filed in duplicate upon forms to be furnished by the Land Office. Each application shall be accompanied by a filing fee of twenty-five dollars ($25.00).

(b) The application so filed shall be accompanied by a form of stipulation duly signed and acknowledged by the applicant.

(c) Upon filing of such an application and determination by the Commissioner that the application conforms to the governing statutes and these regulations, the Commissioner of Public Lands will execute the stipulation and thereupon the provisions of said paragraph 16 of the lease form, as authorized by Chapter 111 of the Session Laws of 1945, will be a part of said existing lease with like effect as if originally incorporated therein. One executed copy of the stipulation will be attached to the original lease in the files of the Commissioner of Public Lands. The remaining copy will be forwarded to the applicant with the receipt of the State Land Office evidencing payment of the filing fee.

(d) The payment in advance of rentals for the lease year commencing at the expiration of the secondary term shall be a prerequisite for the assertion of any rights under section 16 of any oil and gas lease issued by the Commissioner of Public Lands. 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 of Public Lands, whether in the primary or secondary term or subsequent to the expiration thereof.

(e) The owner of any oil and gas lease proposing to conduct drilling or reworking operations pursuant to the provisions of section 16 of such lease, shall file in the Oil and Gas Division of the State Land Office, prior to the expiration of the secondary term of said 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 are contemplated, if any, and the name and address of the drilling contractor or other person who will conduct such operations. Such statement may be filed in letter form until a form is promulgated by the Commissioner of Public Lands for such use. The approval by the Commissioner of Public Lands of the operations so proposed will normally be evidenced by the signature of the Commissioner on a copy of such letter, but any proposed operation, a statement of which has been filed in accordance with this regulation, shall be conclusively presumed to have been approved by the Commissioner of Public Lands 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 his disapproval and the reasons therefor.

(f) The owner of an oil and gas lease who is engaged in drilling or reworking operations on lands embraced therein, subsequent to the expiration of the secondary term of said lease, who proposes to rely upon such operations as extending said lease in accordance with paragraph 16 thereof, shall file a report of the status of such operations for each thirty (30) day period during which they are continued. Such report shall be in letter form until forms therefor are promulgated by the Commissioner of Public Lands. It shall contain a statement of the depth of said well, the status of any reworking operations at the end of said thirty (30) day period, a general statement of the drilling or reworking operations that have been accomplished during the preceding thirty (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 of Public Lands within fifteen (15) days after the close of such a thirty (30) day period shall meet the requirements of Section 16 of the Act. If operations have ceased during any period covered by a status report such report shall state the date of cessation, the reason therefor, and the date of resumption of operations, if any.

(g) Each application and stipulation filed under Rule 51(a) hereof 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 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.

(h) Operations conducted by any person under the terms of an oil and gas lease issued by the Commissioner of Public Lands of the State of New Mexico, including all operations conducted under paragraph 16 of the lease form, shall be subject to inspection at all reasonable times by representatives of the State Land Office.

(i) All well records, required to be submitted to the New Mexico Oil Conservation Commission, shall be filed with the Commissioner of Public Lands at the same time as filing with the Oil Conservation Commission.

RULE 56. Amendment of Leases Pursuant to Chapter 70, Laws of New Mexico, 1972 (Amended to Conform to the 1972 Form). The lease form as provided by Section 1, Chapter 70, Laws of 1972, shall be used by the Commissioner for issuing of oil and gas leases subsequent to

February 29, 1972, and the owner of any oil and gas lease issued prior to that date by the Commissioner of Public Lands, which lease has been maintained in good standing according to the terms and conditions thereof and all applicable statutes and regulations, may enter into a stipulation making the terms and conditions of the 1972 lease form a part of any such existing lease the same as if said 1972 lease form had been the original.

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, approved assignment thereof, has signed said stipulation. The stipulation shall be made in duplicate on forms prescribed and furnished by the Commissioner of Public Lands and shall be filed in duplicate, accompanied by a fee of $25.00. (History: See amendment dated April 1, 1972.)

REPORTS--ROYALTY

RULE 57. Production and Royalty Statement. Every oil and gas lessee of record (meaning any holder of an original lease or an assignment of a portion thereof, which assignment has been approved by the Commissioner of Public Lands and which lessee is thereby responsible to the State of New Mexico for payment of royalty due from oil and gas production or to be credited to the state lands) shall tender such royalty to the Commissioner of Public Lands through his agent, the Oil and Gas Accounting Commission, upon forms prescribed by said Commission for royalty reporting. Accounting forms now adopted or hereafter to be adopted by the Oil and Gas Accounting Commission are hereby adopted by the Commissioner of Public Lands.

Any operator, purchaser or person, as defined by the oil and gas tax laws of the State of New Mexico, or any other agent designated by the State's record lessee, may make royalty payments and submit reports on behalf of the record lessee; however, the relationship of the State of New Mexico and the record lessee shall not be changed but shall remain as defined in 7-11-7, N. M. S. A., 1953 Compilation.

Upon the payment of royalty and filing of reports as provided herein, any oil and gas lessee of record shall have, if he so desires, sixty-five (65) days from the end of the calendar month for which royalty is due the State of New Mexico within which to make full settlement for royalty due, and his lease shall be deemed automatically amended to so provide.

RULE 58. O. C. C. 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 Commission, the following New Mexico Oil Conservation Commission Reports covering all State oil and gas leases:

1. C-101 - Application for Permit to Drill.

2. C-102 - Well Application and Acreage Dedication Plat.

3. C-103 - Miscellaneous Reports of We[illegible].

4. C-104 - Request for Allowable.

5. C-105 - Well Completion Report.

RULE 59. Inclusion of Helium Gas in Oil and Gas Lease Contract. Any record owner of an oil and gas lease issued prior to June 9, 1963, or of an approved assignment thereof, which lease or assignment is in good standing, may amend such lease or assignment to include helium gas within the terms thereof by filing a proposed stipulation therefor upon the form to be prescribed by the Commissioner of Public Lands. The fee for filing and approving same shall be twenty-five dollars ($25.00). (See Rule 1).

All oil and gas leases issued after June 9, 1963, are considered by the Commissioner, as matter of law, to include helium gas within their terms.

RULE 60. 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 unless the same are waived, must be made in writing and accompanied by a filing and approval fee of twenty-five dollars ($25.00). Such applications must be filed in the State Land Office at least thirty (30) days before expiration date of the oil and gas lease. Ordinarily waivers will be granted only as to the legal subdivisions upon which the conflict exists.

RULE 61. 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 75-11-1 through 75-11-22, N. M. S. A., 1953 Compilation, as amended, with the regulations of the State Engineer, and with the Rules and Regulations concerning the Leasing and Use of Water Pertaining to State Lands, heretofore promulgated by the Commissioner of Public Lands.

(b) Within thirty (30) days after completion of said well the lessee shall furnish in writing to the Commissioner of Public Lands a report containing the following information:

1. Location of Well.
2. Depth, Log and Casing Record Production Data.

RULE 62. Salt Water Disposal. Lessees are expected to comply with all lawful rules of the New Mexico Oil Conservation Commission pertaining to prevention of waste which includes disposal of produced salt water or brines. 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 & Gas Division" or application for a business lease shall be made to the "Land Surface Division" of the State Land Office depending upon whether an underground disposal or salt lake or other surface disposal site respectively is desired. Ordinarily water produced on lease may be disposed of on lease without Land Office permission if the disposal operation otherwise meets the approval of the Oil Conservation Commission and is an otherwise reasonable and accepted practice in the industry.

MISCELLANEOUS

RULE 63. Royalty Purchase--Preference Right. Requests to the Commissioner to purchase State royalty oil as a preference right under the provisions of Chapter 34, Laws of 1967 (7-11-57 et seq., N. M. S. A., 1953 Compilation) shall be accompanied by an order or ruling of the New Mexico Oil Conservation Commission determining that the applicant is qualified and otherwise entitled to such preference. Requests to purchase State royalty 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 he desires to purchase the royalty oil.

RULE 64. Reservation of Right to Purchase Production. The state reserves a continuing option to purchase at anytime 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.

RULE 65. Appeals from Decisions 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 (60) days after such ruling or decision is rendered by following the procedure of 7-11-17, et seq., N. M. S. A., 1953 Compilation.

RULE 66. Fees. See Amendment #7

1. For filing each application for State oil and gas lease.	$10.00
2. For filing and approval of each oil and gas lease relinquishment.	$10.00

3.	For filing each set of lease assignments (if assignments are over one hundred (100) days old, an additional charge of $25.00 will be made). (See Rule 33.)	$10.00
4.	For filing cooperative or unit agreements or expansion thereof, per section or fraction thereof. (See Rule 44.)	$10.00
5.	For filing of probate and other court papers affecting title, overriding, drilling and side agreements, death certificates and miscellaneous instruments: Per page. (Maximum charge $10.00.)	$ 1.00
6.	For accepting and filing each notice of pendency of suit, on basis of EACH separate lease involved.	$ 5.00
7.	For photostatic copies of any records or plats up to size $8\frac{1}{2}$ x 14 inches, per page.	$ .25
8.	For photostatic copies of records for pages larger than $8\frac{1}{2}$ x 14 inches, per square foot or fraction thereof.	$ .25
	Copies of County Land Status Maps (blackline print), each.	$ 1.50
	Copies of Master Title Plats, per township.	$ .50
9.	Certificates as true copies.	$ 1.50
10.	Blank forms of oil and gas lease assignments per dozen, triplicate sets.	No Charge
11.	For filing application to incorporate, paragraph 16, pursuant to 8-1103a, N.M.S.A., 1941.	$25.00
12.	For filing 72 Stiuplation Form, Potash Stipulation and Helium Stipulation.	$25.00
13.	Application fee for commingling (additional fee may be charged for investigation and administration at the discretion of the Commissioner with the prior approval of the applicant).	$10.00

The foregoing Rules and Regulations are hereby adopted and enacted and all previous Rules and Regulations relating to the same subject are hereby repealed.

DONE at Santa Fe, New Mexico, this 21st day of December, 1976.

(SEAL)

Phil R. Lucero

PHIL R. LUCERO
Commissioner of Public Lands
State of New Mexico

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STATE COMMISSION OF PUBLIC RECORDS & ARCHIVES

NEW MEXICO STATE RECORDS CENTER
Publications Management Division

RULE COVER SHEET NO. _____

1. Agency's Name and Address: New Mexico State Land Office
P.O. Box 1148
Santa Fe, New Mexico 87501

2. If this is a NEW Rule: Rule No.: _____
Rule Title: _____

Effective Date (if other than filing date): _____

3. If this is a SUPERSEDING Rule: Rule No.: RULE 1
Rule Title: RELATING TO OIL AND GAS LEASES

Effective Date (if other than filing date): January 1, 1981
Old Rule No.: Unknown
Old Rule Title: RULES AND REGULATIONS RELATING TO OIL AND GAS LEASES
Old Rule Filing Date: January 7, 1977; Amendment 7, 08/01/77.

4. If this is an AMENDING Rule:
Rule No.: _____ Amendment No.: _____
Rule Title: _____

Effective Date (if other than filing date): _____
Existing Rule No.: _____
Existing Rule Title: _____

Existing Rule Filing Date: _____

5. If this is a REPEALING Rule: Rule No.: _____
Effective Date (if other than filing date): _____
Old Rule No.: _____
Old Rule Title: _____

Old Rule Filing Date: _____

6. This Rule consists of 11 sheets. Update as follows:

DELETE These Sheets		ADD These Sheets	
Page No.	Dated	Page No.	Dated
1 - 20	01/7/77	1 - 22	01/01/81
1 - 3	08/1/77		

7. The above Rule is hereby authorized by:

Signature — Title: COMMISSIONER OF PUBLIC LANDS — Date: 2/27/81

SRC-17 9/79

STATE OF NEW MEXICO

OFFICE OF THE COMMISSIONER OF PUBLIC LANDS

RULES AND REGULATIONS CONCERNING THE SALE, LEASE, AND OTHER DISPOSITIONS OF STATE TRUST LANDS

JANUARY 1981 EDITION

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

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OFFICE OF THE COMMISSIONER OF PUBLIC LANDS

RULES AND REGULATIONS
CONCERNING THE SALE, LEASE, AND
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State of New Mexico



Commissioner of Public Lands

ALEX J. ARMIJO
COMMISSIONER

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

February 27, 1981

Mr. James H. Purdy
Records Administrator
State Records Center
and Archives
404 Montezuma
Santa Fe, New Mexico 87503

Dear Mr. Purdy:

Enclosed herewith for filing, pursuant to § 14-4-5, N.M.S.A., 1978 Comp., are nine copies of the "Rules and Regulations Concerning the Sale, Lease, and Other Dispositions of State of New Mexico Trust Lands" which were posted on the official Land Office Bulletin Board from February 13, 1981, through February 27, 1981.

Please return two stamped-in copies to this office for filing.

Very truly yours,

ALEX J. ARMIJO
Commissioner of
Public Lands

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CERTIFICATE OF POSTING

I, ALEX J. ARMIJO, Commissioner of Public Lands for the State of New Mexico, do hereby certify that a copy of the attached Rules and Regulations Concerning the Sale, Lease, and Other Dispositions of State of New Mexico Trust Lands was duly posted on the official bulletin board in the State Land Office, Santa Fe, New Mexico, beginning at 4:00 p .m., February 13, 1981, and remained thereon continuously from said time and date until and including 5:00 p .m., February 27, 1981.

DONE at Santa Fe, New Mexico, this 27th day of February, 1981.

(SEAL)

ALEX J. ARMIJO
Commissioner of Public Lands
New Mexico State Land Office

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The following Rules and Regulations are hereby adopted and enacted and all previous Rules and Regulations relating to the same subject are hereby superseded.

DONE at Santa Fe, New Mexico, this 27th day of February, 1981.

(SEAL)

ALEX J. ARMIJO
Commissioner of Public Lands
State of New Mexico

I N D E X

To

Rules and Regulations Concerning the Sale, Lease, and Other Disposition of State of New Mexico Trust Lands

COMMISSIONER OF PUBLIC LANDS

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NEW MEXICO STATE LAND OFFICE
P.O. BOX 1148, SANTA FE, NEW MEXICO 87501

RULE 1 JANUARY 1, 1981

RELATING TO OIL AND GAS LEASES

1.001 Products Included. The Commissioner of Public Lands is authorized to execute and issue oil and gas leases covering State institutional 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 Item 1.060. All forms are provided by the Land Office.

1.002 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 of Public Lands. A non or unrestricted district includes all lands outside the exterior boundaries of restricted districts.

1.003 Lands Subject to Lease. All state lands presently open for oil and gas lease purposes, or lands which may become open in the future by virtue of cancellation or expirations, or for any other reason, may be leased only by competitive bid after public notice in accordance with Item 1.018 hereof, except as provided in Item 1.005.

1.004 Restricted Districts. Lands in restricted areas are leased by offering same for sale at public auction to the highest bidder, as hereinafter explained and in accordance with Item 1.018 et seq.

1.005 Unrestricted Districts. Lands in an unrestricted district are ordinarily leased by offering same for sale at public auction to the highest bidder, as hereinafter explained and in accordance with Item 1.018 et seq. However, such lands may be leased on application without bidding if, in the opinion of the Commissioner of Public Lands, the best interests of the trust will be served by so doing.

1.006 Term and Form of Leases. In his discretion, the Commissioner of Public Lands may issue oil and gas leases upon one of two statutory forms as follows, the choice to be set forth in the regular notice of public lease sale.

A. Under 19-10-3, NMSA, 1978 Comp., as amended, for a total term of ten (10) years, being a primary term of five (5) years and so long as oil and/or gas are produced therefrom in paying quantities and a secondary term of five (5) years and so long as oil and gas is produced therefrom in paying quantities. The royalty rate of this lease is set at 1/8 of the production under the terms specified in the statute.

B. Under 19-10-4, NMSA, 1978 Comp., for single term of five (5) years and so long as oil and/or gas are produced therefrom in paying quantities, the royalty rate under this lease is set at not less than 1/8 and not more than 1/6 of the production as specified under the terms of the statute. The royalty rate will be specified for each tract in the official sale notice under which the five-year leases are advertised.

The owners of any oil and gas lease issued prior to June 17, 1977, by the Commissioner of Public Lands pursuant to Laws of New Mexico 1975, Chapter 113, Section 1, which lease has been maintained in good standing according to the terms and conditions thereof and according to all applicable statutes and regulations, may enter into a stipulation with the Commissioner making the terms and conditions of the lease form prescribed by Laws of New Mexico 1977, Chapter 298, Section 1, part of such existing lease the same as if said lease form had been the original. Provided, however, that no such stipulation shall be effective or binding on any of the parties until each and every interest owner and owner of the original lease, or approved assignment thereof, has signed said stipulation.

Lessees desiring to enter into such stipulation shall submit to the Commissioner, upon a form prescribed by the Commissioner, a proposed stipulation, together with a fee of twenty-five dollars ($25.00). (History: Amended by Amendment No. 7 dated August 1, 1977.)

1.007 Annual Rental--Primary and Secondary Term. All leases issued by the Commissioner of Public Lands shall provide for an annual rental to be paid by the lessee, the amount thereof to be fixed by the Commissioner, but in no case shall the amount be less than ten cents ($.10) per acre, or more than one dollar ($1.00) per acre during the primary term of five years. During the secondary term of five years, the rental 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, if it be more than double the primary term.

1.008 Minimum Charge. The minimum initial charge for any lease shall be one hundred dollars ($100.00), or the minimum

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rental rate, whichever is greater, plus a ten dollar ($10.00) application fee. Minimum rental rate is computed by multiplying the rental rate by the acreage in each avertised tract.

1.009 Limitation of Acreage. No lease upon State lands shall be issued to cover more than two section of land, but no restriction is placed upon the number of leases any one person may hold.

1.010 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 district, the lessee shall pay the rental prevailing in the district wherein part of the lands affected are situated having the highest rental.

1.011 Refusal of Applications--Bombing Ranges--Military Establishments. Applications will not be accepted and no lease issued for land embraced by military areas or in areas which have been condemned by the United States Government for military purposes, or on which contemplated military operations are expected, until such lands are released by the United States Government, except in co-use areas.

1.012 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.

1.013 Limitation to Not More Than Two Individuals--Trust Limitation. Applications to lease State lands will not be accepted nor will any lease be issued in the name of more than two persons, nor will application be accepted from, or leases be issued to, a trustship, unless the trust is expressly set forth and regularly filed with the State Land Office, and names not more than two persons as trustees.

1.014 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 (25 mi. x 25 mi.); however, this requirement may be waived by the Commissioner of Public Lands in any proper case.

1.015 Limitation to Not More Than One Beneficiary Institution. Leases will not be issued covering lands belonging to more than one (1) beneficiary institution.

1.016 Bond to Protect Surface Purchaser and Lessee-Waivers. 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 undertaking, in an amount to be fixed by the Commissioner but not less than ten thousand dollars ($10,000.00), in favor of the State of New Mexico, for the benefit of the State's contract purchasers, patentees and surface lessees, to secure payment for such damage to their 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.

A bond in the minimum amount of ten thousand dollars ($10,000.00) for each lease shall be deemed sufficient unless and until 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 in the amount of twenty thousand dollars ($20,000.00) will be acceptable unless and until 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 him or his right to require such bond pursuant to 19-10-26, NMSA, 1978 Comp., the development, occupation, and use of the lands by the oil and gas lessee may be permitted without said bond. (History: Amended by Amendment No. 7 dated August 1, 1977.)

1.017 Lands Within Three Miles of Production Require Sealed Bid or Public Auction. State lands lying within three (3) miles of a commercially productive oil or gas well shall not be leased except upon sealed bids or at public auction, in accordance with the regular sale procedure of the State Land Office.

1.018 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 of Public Lands may, in his 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.

1.019 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

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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.

1.020 Acceptance of Bids. Up to the hour set of such sale, the Commissioner will receive sealed bids for oil and gas lease upon any tract of land described in the posted notice, and all sealed bids submitted will be opened at the hour mentioned in the notice, and the lease will be awarded to the highest bidder, subject to the discretionary right of the Commissioner to reject any bid.

1.021 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 bidder, for cash, and lease will be awarded to such highest 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.

1.022 Application Under Oath--Fees. Application for lease accompanying sealed bids shall be executed under oath by the applicant, or by his 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 of $10.00 (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. (History: Change No. 2 dated January 20, 1971, and Change No. 3 dated June 3, 1971.)

1.023 Tie Bids. When two or more sealed highest bids received for the same tract of land are equal in amount, the Commissioner of Public Lands (if such highest bidders are present and cannot agree, by stipulation in writing, on how such tract shall be disposed of) shall call such equal highest bidders before him 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 bidders before him) 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 bidder. If such bidders are not present when such bids are opened, then the Commissioner will notify such bidders to submit sealed proposals within ten (10) days next following the date of the sale at which such bids were determined to be equal.

1.024 Right to Reject Any and All Bids--Withholding From Leasing. The Commissioner of Public Lands 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 his discretion, he shall deem it to be for the best interests of the State to do so. (History: Amended Change No. 2 dated January 20, 1971.)

1.025 Transfer and Assignment of Oil and Gas Leases. Oil and gas leases and assignments thereof are considered to convey interests in real property and are therefore required to be formally executed by the proper parties and upon prescribed forms furnished by the State Land Office before such assignments shall be approved by the Commissioner.

1.026 Joint Tenants. Assignments of oil and gas leases or interests therein, whose lessees or assignees are tenants in common or joint tenants not in violation of 19-10-13, NMSA, 1978 Comp., in case of death of one party and when such instruments expressly provide for survivorship, will be considered as belonging to the survivor, and the interest will be transferred to the survivor upon presentation of a certified copy of the certificate of death and the payment of the proper rentals and fees.

1.027 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 of Public Lands.

1.028 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.

1.029 Co-operative Agreements. Assignments of acreage committed to unit or co-operative agreements shall met the requirements of Item 1.050.

1.030 Relinquishment. Under the provisions of state oil and gas lease, the same, by payment of a fee of ten dollars ($10.00), may be relinquished, provided however, that all rentals due and owing are paid, i.e., such relinquishment must be filed in the State Land Office prior to the next annual rental

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due date. Holders of assignments to lesser interests than the whole of the acreage may in like manner relinquish.

1.031 Lease Continued by Production in Paying Quantities. Except as otherwise provided in a cooperative 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 or not the same remains in the original lease), or is assigned to other either 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.

1.032 Assignments to be in Triplicate--Acknowledgment Required. Assignments of oil and gas leases shall be filed in TRIPLICATE in the office of the Commissioner of Public Lands 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 the other copy returned to the person entitled to same.

1.033 Assignments to be Recorded in the Land Office. Assignments must be filed with the Commissioner within one hundred (100) days after having been signed by the Assignor as shown upon the face of the instrument. 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 of twenty-five dollars ($25.00) 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. (History: Change No. 2 dated January 20, 1971.)

1.034 Restrictions. Assignments will not be accepted nor approved by the Commissioner:

1. For less than assignor's entire interest in any legal subdivison (except where transfer is by operation of law).

2. For less than a legal subdivision.

3. In the name of more than two (2) persons or companies.

4. In the name of a trustship unless the trust is

expressly set forth and not more than two (2) persons are named as trustee.

5. After lis pendens is filed.

6. For any assignment containing any language other than the approved form.

7. Where the assignment covers acreage included in more than one lease. (History: Change No. 1 dated April 21, 1972.)

1.035 Approval and Filing Withheld.

(a) When assignments are accompanied by personal checks, the Commissioner of Public Lands 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 of Public Lands for approval and the address of record of the assignee thereon is the same as that of the assignor, or where such address had not been established on the records of the State Land Office, or where 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 his acceptance of the assignment of the lease.

1.036 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

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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 therof 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 one dollar ($1.00) per page. (Maximum charge of ten dollars ($10.00) per instrument.)

1.037 Minimum Rental on Assignment. The minimum rental on any lands in any assignment shall not be less than six dollars ($6.00) per annum for the primary term, and twelve dollars ($12.00) per annum for the secondary term where no production has been obtained during the first five (5) year term.

1.038 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 in these rules provided.

1.039 By Consolidation. In cases where corporations consolidate, if more than one entity survives, in contemplation of preceding rules, transfer of oil and gas interest shall be by regular triplicate copies of assignments, accompanied by the proper fees.

1.040 By Merger. In cases where two or more corporations merge, only one corporation surviving, whether it be an existing named corporation, or a newly named corporation, a copy of the merger agreement or certificate of merger shall be filed and the oil and gas lease transferred on the books of the Land Office in the name of each such merged corporation by the filing of triplicate copies of the agreement, as in individual assignments.

1.041 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.

1.042 Effect of Notice of Pendency of Suit Fees--Notice of Intention to File Action Ineffective. 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 Commissioner of Public Lands 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, 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.

1.043 Cancellation for Default. The Commissioner may cancel any lease or assignment thereof for default upon giving the lessor or assignee notice by registered mail (certified mail if the lease so provides) of his intention to cancel, specifying the default and unless the lessee or assignee remedies the default within thirty (30) 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. (History: Change No. 2 dated January 20, 1971.)

COOPERATIVE AND UNIT AGREEMENTS

1.044 Purpose--Consent. The Commissioner of Public Lands may consent to and approve agreements made by lessees of State Lands for any of the purposes enumerated in 19-10-45, NMSA, 1978 Comp.

1.045 Application--Requisites of Agreements. Formal application shall be filed with the Commissioner of Public Lands for the presentation of a cooperative or unit agreement. The filing fee therefor shall be ten dollars ($10.00) for each section or fraction part hereof, with a minimum of ten dollars ($10.00), whether the acreage is federal, state, or privately owned. Such application shall contain a statement of facts showing:

(a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.

(b) 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.

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(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 unit area.

(d) That such unit agreement is in other respects for the best interest of the State, with respect to State lands. (History: Previously amended; see Change No. 3 dated June 3, 1971.)

1.046 Information to be Furnished. 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. In order that such geological and engineering data may be held confidential, it will be considered held on a loan basis only and will not be made a matter or considered as part of the Land Office records for a period of six (6) months from date of its receipt. If at the end of such six (6) month period the cooperative agreement is approved, then such data will be made a permanent part of the records. If for any reason such proposed agreement has not been approved at the end of the six (6) month period, then at the request of the applicant, the data shall be returned to the applicant.

1.047 Decision Postponed. In any matter respecting cooperative and unit agreements, the Commissioner of Public Lands may postpone his decision pending action by the Oil Conservation Division and may use any information obtained by his own investigators, or obtained by the Oil Conservation Division to enable him 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.

1.048 Leases Conformed. When any cooperative 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 cooperative agreement; otherwise, said terms and provisions shall remain in full force and effect.

1.049 Posting to Tract Books. In every case where a cooperative unit agreement is finally approved by the Commissioner of Public Lands, 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 cooperative or unit agreement shall be likewise entered and filed. The fees therefor shall be those regularly charged by the State Land Office for similar services.

1.050 Assignments. No assignment of acreage under lease within any unitized or cooperative area will be approved by the Commissioner of Public Lands, except such be subject to the provisions of the cooperative or unit agreement covering the area within which the acreage sought to be assigned lies, unless the Commissioner and all parties to the cooperative agreement agree, in writing, that such acreage is not needed for proper cooperative operations.

1.051 Form of Agreement. No specific forms for the various types of cooperative 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.

1.052 Force Pooling--Oil Conservation Division Order:

a. The record owner or operator of all oil and gas leases covering the state owned lands force pooled by order of the New Mexico Oil Conservation Division, either under 70-2-17 (gas proration unit) or under 70-7-1, NMSA (statutory unitization act for secondary recovery), shall file with the Commissioner of Public Lands the following information:

1. One (1) copy of application for hearing for force pooling at least ten (10) days prior to date set for hearing.

2. State lease number, record owner and legal description of all state lands force pooled.

3. Oil Conservation Division Order number and date.

4. Legal description and type (Federal, fee, or Indian) of all lands included in force 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.

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7. Date production commenced.

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.

This item 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 of Public Lands.

COMMINGLING OF OIL AND GAS ON STATE OWNED LANDS

1.053 Commingling Prohibited--Different Beneficiary Institutions. It is required that all production of oil and/or gas from lands belonging to different state beneficiaries shall be segregated. The commingling, confusion, or the intercommunication of such production by the utilization of common tankage facilities, before marketing, with the production from any other institutional lands or any lands not belonging to the State of New Mexico is strictly prohibited.

1.054 Commingling Allowed--Different States Leases--Common Beneficiary. Approval may be obtained to commingle production between different state leases provided the production is from land belonging to one common state beneficiary and provided the production from each state lease is properly metered and accounted for. The approval will be issued upon proof that royalty payable to the State of New Mexico will not be diminished by such operation.

Off lease storage is permitted if there is to be no commingling or intercommunication or production between handling, separating, treating, or storage facilities. (See Fee Schedule for application fee.)

PROCEDURE OF APPLICATION

Permission for the utilization of common tankage may be be obtained by transmitting the following data to:

Commissioner of Public Lands
P.O. Box 1148
Santa Fe, New Mexico 87501

1. Formal application stating the type of permission desired and the reasons therefor.

2. Plat showing the location of leases, wells, flow lines, 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. Detail drawing(s) of any component which is specifically fabricated; i.e., not commercially available.

8. Description of the operating sequence explaining the complete operation.

9. Any other pertinent data that will assist the Commissioner in deciding upon the application.

ACREAGE TAKEN FOR MILITARY PURPOSES

1.055 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

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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 part only 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.

1.056 Amendments of Leases Pursuant to 19-10-10, NMSA, 1978 Compilation (Adding Paragraph 16).

NOTE: All leases issued on Forms 45, 57, and 67 already contain paragraph 16; therefore, in such cases, lessee shall disregard subparagraphs a, b, c, and proceed complying with subparagraphs d, e, f, g, h, and i only.

a. The owner of any oil and gas lease issued by the Commissioner of Public Lands which does not contain paragraph 16, and which is in the last year of its secondary term, and which has been maintained in good standing, may file an application with the Commissioner of Public Lands to make the terms and conditions of paragraph 16 of the lease form, as prescribed by Chapter 111 of the Laws of 1945 (19-10-10) a part of such existing lease. The application shall be filed in duplicate upon forms to be furnished by the Land Office. Each application shall be accompanied by a filing fee of twenty-five dollars ($25.00).

b. The application so filed shall be accompanied by a form of stipulation duly signed and acknowledged by the applicant.

c. Upon filing of such an application and determination by the Commissioner that the application conforms to the governing statutes and

and these regulations, the Commissioner of Public Lands will execute the stipulation and thereupon the provisions of said paragraph 16 of the lease form, as authorized by Chapter 111 of the Session Laws of 1945, will be a part of said existing lease with like effect as if originally incorporated therein. One executed copy of the stipulation will be attached to the original lease in the files of the Commissioner of Public Lands. The remaining copy will be forwarded to the applicant with the receipt of the State Land Office evidencing payment of the filing fee.

d. The payment in advance of rentals for the lease year commencing at the expiration of the secondary term shall be a prerequisite for the assertion of any rights under paragraph 16 of any oil and gas lease issued by the Commissioner of Public Lands. 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 of Public Lands, whether in the primary or secondary term or subsequent to the expiration thereof.

e. The owner of any oil and gas lease proposing to conduct drilling or reworking operations, pursuant to the provisions of paragraph 16 of such lease, shall file in the Oil and Gas Division of the State Land Office, prior to the expiration of the secondary term of said 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 are contemplated, if any, and the name and address of the drilling contractor or other person who will conduct such operations. Such statement may be filed in letter form until a form is promulgated by the Commissioner of Public Lands for such use. The approval by the Commissioner of Public Lands of the operations so proposed will normally be evidenced by the signature of the Commissioner on a copy of such letter, but any proposed operation, a statement of which has been filed in accordance with this item, shall be conclusively presumed to have been

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approved by the Commissioner of Public Lands 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 his disapproval and the reasons therefor.

f. The owner of an oil and gas lease who is engaged in drilling or reworking operations on lands embraced therein, subsequent to the expiration of the secondary term of said lease, who proposes to rely upon such operations as extending said lease in accordance with paragraph 16 thereof, shall file a report of the status of such operations for each thirty (30) day period during which they are continued. Such report shall be in letter form until forms therefor are promulgated by the Commissioner of Public Lands. It shall contain a statement of the depth of said well, the status of any reworking operations at the end of said thirty (30) day period, a general statment of the drilling or reworking operations that have been accomplished during the preceding thirty (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 of Public Lands within fifteen (15) days after the close of such a thirty (30) day period shall meet the requirements of paragraph 16 of the Act. If operations have ceased during any period covered by a status report, such report shall state the date of cessation, the reason therefor, and the date of resumption of operations, if any.

g. Each application and stipulation filed under Item 1.052(a) hereof 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 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.

h. Operations conducted by any person under the terms of an oil and gas lease issued by the Commissioner of Public Lands of the State of

New Mexico, including all operations conducted under paragraph 16 of the lease form, shall be subject to inspection at all reasonable times by representatives of the State Land Office.

i. All well records, required to be submitted to the New Mexico Oil Conservation Division, shall be filed with the Commissioner of Public Lands at the same time as filing with the Oil Conservation Division.

1.057 Amendment of Leases Pursuant to Chapter 70, Laws of New Mexico, 1972 (Amended to Conform to the 1972 Form). The lease form, as provided by Section 1, Chapter 70, Laws of 1972, shall be used by the Commissioner for issuing oil and gas leases subsequent to February 29, 1972, and the owner of any oil and gas lease issued prior to that date by the Commissioner of Public Lands, which lease has been maintained in good standing according to the terms and conditions thereof and all applicable statutes and regulations, may enter into a stipulation making the terms and conditions of the 1972 lease form a part of any such existing lease the same as if said 1972 lease form had been the original.

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, approved assignment thereof, has signed said stipulation. The stipulation shall be made in duplicate and on forms prescribed and furnished by the Commissioner of Public Lands and shall be filed in duplicate, accompanied by a fee of $25.00. (History: See amendment dated April 21, 1972.)

REPORTS--ROYALTY

1.058 Production and Royalty Statement. Every oil and gas lessee of record (meaning any holder of an original lease or an assignment of a portion thereof, which assignment has been approved by the Commissioner of Public Lands and which lessee is thereby responsible to the State of New Mexico for payment of royalty due from oil and gas production or to be credited to the state lands) shall tender such royalty to the Commissioner of Public Lands through his agent, the Oil and Gas Accounting Division, upon forms prescribed by said Division for royalty reporting. Accounting forms now adopted or hereafter to be adopted by the Oil and Gas Accounting Division are hereby adopted by the Commissioner of Public Lands.

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Any operator, purchaser or person, as defined by the oil and gas tax laws of the State of New Mexico, or any other agent designated by the State's record lessee, may make royalty payments and submit reports on behalf of the record lessee; however, the relationship of the State of New Mexico and the record lessee shall not be changed but shall remain as defined in 19-10-13, NMSA, 1978 Comp.

Upon payment of royalty and filing of reports as provided herein, any oil and gas lessee of record shall have, if he so desires, sixty-five (65) days from the end of the calendar month for which royalty is due the State of New Mexico within which to make full settlement for royalty due, and his lease shall be deemed automatically amended to so provide.

1.059 O.C.D. 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 if filing with the New Mexico Oil Conservation Division, the following New Mexico Oil Conservation Division Reports covering all state oil and gas leases:

1. C-101 - Application for Permit to Drill
2. C-102 - Well Application and Acreage Dedication Plat
3. C-103 - Miscellaneous Reports of Wells
4. C-104 - Request for Allowable
5. C-105 - Well Completion Report

1.060 Inclusion of Helium Gas in Oil and Gas Lease Contract. Any record owner of an oil and gas lease issued prior to June 9, 1963, or of an approved assignment thereof, which lease or assignment is in good standing, may amend such lease or assignment to include helium gas within the terms therof by filing a proposed stipulation therefor upon the form to be prescribed by the Commissioner of Public Lands. The fee for filing and approving same shall be twenty-five dollars ($25.00). (See Item 1.001.)

All oil and gas leases issued after June 9, 1963, are considered by the Commissioner, as matter of law, to include helium gas within their terms.

1.061 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, unless the same are waived, must be made in writing and accompanied by a filing and approval fee of twenty-five dollars ($25.00). Such applications must be filed in the State Land Office at least thirty (30) days before expiration date of the oil and gas lease. Ordinarily, waivers will be granted only as to the legal subdivisions upon which the conflict exists.

1.062 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 72-12-1 through 72-12-21, NMSA, 1978 Comp., as amended, with the regulations of the State Engineer, and with the Rules and Regulations Concerning the Leasing and Use of Water Pertaining to State Lands, heretofore promulgated by the Commissioner of Public Lands.

b. Within thirty (30) days after completion of said well, the lessee shall furnish in writing to the Commissioner of Public Lands a report containing the following information:

    1. Location of well.

    2. Depth, Log and Casing Record Production Data.

1.063 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 Walt 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 an underground disposal or salt lake or other surface disposal site, respectively, is desired. Ordinarily, water produced on lease may be disposed of on lease without Land Office permission if the disposal operation otherwise meets the approval of the Oil Conservation Division and is otherwise reasonable and accepted practice in the industry.

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1.064 Royalty Purchase--Preference Right. Requests to the Commissioner to purchase state royalty oil as a preference right under the provisions of Chapter 34, Laws of 1967 (19-10-64 et seq., NMSA, 1978 Comp.) 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 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 he desires to purchase the royalty oil.

1.065 Reservation of Right to Purchase Production. The state reserves a continuing option to purchase at anytime 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.

1.066 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 (60) days after such ruling or decision is rendered by following the procedure of 19-10-23 et seq., NMSA, 1978 Comp.

1.067 Fees.

1.	For filing each application for oil and gas lease.	$10.00
2.	For filing and approval of each oil and gas lease relinquishment.	$10.00
3.	For filing each set of lease assignments. (If assignments are over one hundred (100) days old, an additional charge of $25.00 will be made.) (See Item 1.033.)	$10.00
4.	For filing cooperative or unit agreements or expansions, and orders for forced pooling, per section or fraction thereof.	$10.00
5.	For filing of probate and other court papers affecting title, overriding, drilling and side agreements, death certificates and miscellaneous instruments: Per page. (Maximum charge - $10.00.)	$ 1.00
6.	For accepting and filing each notice of	

	pendency of suit, on basis of EACH separate lease involved.	$ 5.00
7.	For photostatic copies of any records or plats up to size 8½ x 14 inches, per page.	$ .25
8.	For photostatic copies of records for pages larger than 8½ x 14 inches, per square foot or fraction thereof.	$ .25
9.	Copies of County Land Status Maps (blackline print), each.	$ 1.50
10.	Copies of Master Title Plats, per township.	$ .50
11.	Certificates as true copies.	$ 1.50
12.	Blank forms of oil and gas lease assignments per dozen, triplicate sets.	No charge
13.	For filing application to incorporate; paragraph 16, pursuant to 8-1103a, NMSA, 1941.	$25.00
14.	For the filing of each Stipulation form (includes Potash Stipulation, Helium Stipulation and Amendment of lease). (History: Amendment No. 7, 1977)	$25.00
15.	Application fee for commingling (additional fee may be charged for investigation and administration at the discretion of the Commissioner with the prior approval of the applicant). (History: Amendment No. 7 dated 8/1/77.)	$10.00

State Records Center
404 Montezuma
Santa Fe, New Mexico 87503

Rule Cover Sheet
Side B - Modifying Rule

E

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(Above Space for SRC Use Only) S-50.1

1 Instructions
Please Read The Instructions On Side A Of This Rule Cover Sheet.

2 Entire Name Of Agency
Commissioner of Public Lands
New Mexico State Land Office

3 Agency Address
P.O. Box 1148
Santa Fe, New Mexico 87504-1148

4 Title Of Existing Rule To Be Modified
RULES AND REGULATIONS CONCERNING THE SALE, LEASE, AND OTHER DISPOSITIONS OF STATE TRUST LANDS: RELATING TO OIL AND GAS LEASES

5 Number Of Existing Rule To Be Modified
CPL-77-1; Rule 1

6 Filing Date Of Existing Rule To Be Modified
01/07/77; 03/11/81

7 The Existing Rule Is To Be Modified By A (Check One)
☒ Superseding Rule (which replaces in its entirety an existing rule)
☐ Amending Rule (which changes only part of an existing rule)
☐ Repealing Rule (which removes in its entirety an existing rule)

8 Title Of Modifying Rule
RELATING TO OIL AND GAS LEASES

9 Modifying Rule Number
SLO RULE 1

10 Number Of Sheets
20

11 For Amendments List Pages Added

12 For Amendments List Pages Deleted

13 Authorization
Name: JIM BACA
Title: Commissioner of Public Lands
Date: January 20, 1984

Jim Baca
Signature

SRC-17B rev. 8

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

SLO RULE 1 JANUARY 20, 1984

RELATING TO OIL AND GAS LEASES

1.001 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 Rule 1.057. All forms are provided by the Land Office.

1.002 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.

1.003 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 Rule 1.018 hereof, except as provided in Rule 1.005.

1.004 Restricted Districts. Lands in restricted areas are leased by offering them for sale at public auction to the highest bidder, as hereinafter explained and in accordance with Rule 1.018 et seq.

1.005 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 Rule 1.018 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.

1.006 Term and Form of Leases. (See also Rule 1.057.) In his discretion, the Commissioner may issue oil and gas leases

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upon one of two statutory forms as follows, the choice to be set forth in the regular notice of public lease sale:

A. Under § 19-10-3 NMSA 1978, for a primary term of 5 years and a secondary term of 5 years and so long as oil or gas are produced therefrom in paying quantities. The royalty rate of this lease is set at 1/8 of the production under the terms specified in the lease.

B. Under § 19-10-4 NMSA 1978, for a primary term of 5 years and so long as oil and/or gas are produced therefrom in paying quantities. The royalty rate under this lease is set at not less than 1/8 and not more than 1/6 of the production as specified under the terms of the lease. The royalty rate will be specified for each tract in the official sale notice under which the five-year leases are advertised.

C. The owner(s) of any oil and gas lease issued prior to June 17, 1977, by the Commissioner pursuant to Laws of New Mexico 1975, Chapter 113, Section 1, which lease has been maintained in good standing according to the terms and conditions thereof and according to all applicable statutes and regulations, may enter into a stipulation with the Commissioner making the terms and conditions of the lease form prescribed by § 19-10-4 NMSA 1978, part of such existing lease the same as if said lease form had been the original. Provided, however, that no such stipulation shall be effective or binding on any of the parties until each and every interest owner and owner of the original lease, or approved assignment thereof, has signed said stipulation.Lessees desiring to enter into such stipulation shall submit to the Commissioner, upon a form prescribed by the Commissioner, a proposed stipulation, together with a fee of seventy-five dollars ($75.00).

1.007 Annual Rental--Primary and Secondary Term. All leases issued by the Commissioner shall provide for an annual rental to be paid by the lessee, the amount thereof to be fixed by the Commissioner, but in no case shall the amount be less than ten cents ($.10) per acre, or more than one dollar ($1.00) per acre during the primary term of five years. During the secondary term of five years, the rental 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, if it be more than double the primary term.

1.008 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 a thirty dollar ($30.00) application fee. Minimum rental rate is computed by

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multiplying the rental rate by the acreage in each advertised tract.

1.009 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.

1.010 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.

1.011 Reserved.

1.012 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.

1.013 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.

1.014 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 (25 mi. x 25 mi.); however, this requirement may be waived by the Commissioner in any proper case.

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1.015 Limitation to Not More Than One Beneficiary Institution. Leases will not be issued covering lands belonging to more than one (1) beneficiary institution.

1.016 Bond 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 undertaking, in an amount to be fixed by the Commissioner but not less than ten thousand dollars ($10,000.00), 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 in the minimum amount of ten thousand dollars ($10,000.00) 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 in the amount of twenty thousand dollars ($20,000.00) 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 him of his right to require such bond pursuant to § 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 bond.

1.017 Lands Within Three Miles of Production Require Sealed Bid or Public Auction. State lands lying within three (3) miles of a commercially productive oil or gas well shall not be leased except upon sealed bids or at public auction, in accordance with the regular sale procedure of the State Land Office.

1.018 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

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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, unless the Commissioner decides not to hold a sale. Lands outside the restricted districts may also be offered on said third Tuesday when it is deemed advisable. The Commissioner may, in his 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.

1.019 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.

1.020 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.

1.021 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.

1.022 Application Under Oath--Fees. Application for lease accompanying sealed bids shall be executed under oath by the applicant, or by his 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 of thirty dollars ($30.00) (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.

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1.023 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 him 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 him) 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 ten (10) days next following the date of the sale at which such bids were determined to be equal.

1.024 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 his discretion, he shall deem it to be for the best interests of the trust to do so.

1.025 Transfer and Assignment of Oil and Gas Leases. Any transfer of an oil and gas leases 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 Rule 1.013.

1.026 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.

1.027 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.

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1.028 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.

1.029 Co-operative Agreements. Assignments of acreage committed to unit or co-operative agreements shall meet the requirements of Rule 1.050.

1.030 Reserved.

1.031 Lease Continued by Production in Paying Quantities. Except as otherwise provided in a cooperative 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.

1.032 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.

1.033 Assignments to be Recorded in the Land Office. Assignments must be filed with the Commissioner for approval within one hundred (100) days after having been signed by the assignor as shown upon the face of the instrument, accompanied by a filing fee of thirty dollars ($30.00). 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 of seventy-five dollars ($75.00) will be charged for each such assignment (or each group of assignments if the

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same basic facts are involved) to cover expense of investigation and records search.

1.034 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 (2) persons or legal entities. (See Rule 1.013).

D. In the name of a trusteeship unless the trust is expressly set forth and not more than two (2) 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.

1.035 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 his acceptance of the assignment of the lease.

1.036 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

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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 ten dollars ($10.00) per instrument.

1.037 Minimum Rental on Assignment. The minimum rental on any lands in any assignment shall not be less than six dollars ($6.00) per annum for the primary term, and twelve dollars ($12.00) per annum for the secondary term where no production has been obtained during the first five (5) year term.

1.038 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 these rules .

1.039 By Consolidation. In cases where corporations consolidate, transfer of oil and gas interests to the newly created corporation shall be accomplished pursuant to Rules 1.032 through 1.038.

1.040 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

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COUNTY OF SANTA FE
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merger. Thereafter, the oil and gas lease shall be transferred on the books of the Land Office in the name of the surviving corporation.

1.041 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.

1.042 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 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.

1.043 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 his intention to cancel, specifying the default and unless the lessee or assignee remedies the default within thirty (30) 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.

COOPERATIVE AND UNIT AGREEMENTS

1.044 Purpose--Consent. The Commissioner may consent to and approve agreements made by lessees of State Lands for any of the purposes enumerated in § 19-10-45 NMSA 1978.

1.045 Application--Requisites of Agreements. Formal application shall be filed with the Commissioner for the presentation of a cooperative or unit agreement. The filing fee therefor shall be thirty dollars ($30.00) for each section or fractional part thereof, with a minimum fee of thirty dollars ($30.00), whether the acreage is federal, state, or privately owned. Such application shall contain a statement of facts showing:

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A. That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.

B. 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.

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 unit area.

D. That such unit agreement is in other respects for the best interest of the trust.

1.046 Information to be Furnished. 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. In order that such geological and engineering data may be held confidential, it will be considered held on a loan basis only and will not be made a matter or considered as part of the Land Office records for a period of six (6) months from date of its receipt. If at the end of such six (6) month period the cooperative agreement is approved, then such data will be made a permanent part of the records. If for any reason such proposed agreement has not been approved at the end of the six (6) month period, then at the request of the applicant, the data shall be returned to the applicant.

1.047 Decision Postponed. In any matter respecting cooperative and unit agreements, the Commissioner may postpone his decision pending action by the Oil Conservation Division and may use any information obtained by his own investigators, or obtained by the Oil Conservation Division to enable him 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.

1.048 Leases Conformed. When any cooperative 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 cooperative agreement; otherwise, said terms and provisions shall remain in full force and effect.

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1.049 Posting to Tract Books. In every case where a cooperative 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 cooperative or unit agreement shall be likewise entered and filed. The fees therefor shall be those regularly charged by the State Land Office for similar services.

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

1.051 Form of Agreement. No specific forms for the various types of cooperative 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.

1.052 Forced Pooling--Oil Conservation Division Order:

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 70-2-17 (gas proration unit) or under 70-7-1, NMSA (statutory unitization act for secondary recovery), shall file with the Commissioner the following information:

A. One (1) copy of application for hearing for forced pooling at least ten (10) days prior to date set for hearing.

B. State lease number, record owner and legal description of all state lands forced pooled.

C. Oil Conservation Division Order number and date.

D. Legal description and type (Federal, fee, or Indian) of all lands included in forced pooling order.

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E. Location, formation, and depth of well.

F. 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.

G. Date production commenced.

H. 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.

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.

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

1.053 Commingling Prohibited--Different Beneficiary Institutions. It is required that all production of oil or gas or both from lands belonging to different trust beneficiaries shall be segregated. The commingling, confusion, or the intercommunication of such production by the use of common tankage facilities, before marketing, with the production from any other trust lands or any lands not belonging to the State of New Mexico is strictly prohibited.

1.054 Commingling Allowed--Off Lease Storage--Grandfather Clause.

A. Except as provided in Rule 1.053, 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 his receipt of a written application containing the information specified in Rule 1.055 and application fee as set in Rule 1.067.

B. Off lease storage of production may be permitted within the discretion of the Commissioner, if there shall be no commingling or intercommuncation of production between handling, separation, treatment or storage facilities, only after his receipt of a written application containing the

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information specified in Rule 1.055 and an application fee as set in Rule 1.067.

C. Oil and gas lessees commingling or off lease storing production, or both, on the effective date of this Rule, without the written approval of the Commissioner, may continue to do so provided that within 90 days after the effective date of this Rule such lessees submit to the Commissioner in writing the information requested in Rule 1.055 together with the date such commingling or off lease storage began. Failure to comply with this requirement shall be considered grounds for cancellation of the pertinent lease or leases.

1.055 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:

A. Formal application stating the type of permission desired and the reasons therefor, accompanied by an application fee of thirty dollars ($30.00).

B. Plat showing the location of leases, wells, flow lines, and common tankage. All plats and diagrams should differentiate between surface and underground pipe.

C. A list of the involved leases arranged by their State Land Office Lease number, their legal description, and including state beneficiaries.

D. A designation of the pool from which each well produces.

E. An economic analysis of proposed operation showing profit or loss to the State of New Mexico.

F. Schematic diagram of entire system from production manifold to pipeline connection showing position of all components of flow stream.

G. Detail drawing(s) of any component which is specifically fabricated; i.e., not commercially available.

H. Description of the operating sequence explaining the complete operation.

I. Any other pertinent data that will assist the Commissioner in deciding upon the application.

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ACREAGE TAKEN FOR MILITARY PURPOSES

1.056 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 part only 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.

1.057 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 a fee of seventy-five dollars ($75.00).

C. Upon filing of such an application and determination by the Commissioner that the application conforms to the governing statutes and these rules, 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

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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.

1.058 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 ten year lease or at the expiration of the five year term in a five year lease shall be a prerequisite for the assertion of any rights under paragraph 16 of a ten year lease or paragraph 14 of a five year lease. 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, pursuant to the provisions of paragraph 16 in a ten year lease or paragraph 14 in a five year lease, shall file in the Oil and Gas Division of the State Land Office, prior to the expiration of the secondary term of a ten 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 his 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 ten 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

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accordance with paragraph 16 of a ten year lease or paragraph 14 of a five year lease, shall file a report of the status of such operations for each thirty (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 thirty (30) day period, a general statement of the drilling or reworking operations that have been accomplished during the preceding thirty (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 fifteen (15) days after the close of such a thirty (30) period shall meet the requirements of paragraph 16 of a ten year lease or paragraph 14 of a five year 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 Rule 1.058(B) 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 under paragraph 16 of a ten year lease or paragraph 14 of a five year lease, shall be subject to inspection at all reasonable times by representatives of the State Land Office.

REPORTS - ROYALTY

1.059 Production and Royalty Statement.

A. Every oil and gas lessee of record (meaning any holder of an original lease or an assignment of a portion thereof, which assignment has been approved by the Commissioner and which lessee is thereby responsible to the State of New Mexico for payment of royalty due from oil and gas production or to be credited to the state lands) shall tender such royalty to the Commissioner through his agent, the Oil and Gas Accounting Division, upon forms prescribed by said Division for royalty reporting. Accounting forms now adopted or hereafter

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to be adopted by the Oil and Gas Accounting Division are hereby adopted by the Commissioner.

B. Any operator, purchaser or person, as defined by the oil and gas tax laws of the State of New Mexico, or any other agent designated by the State's record lessee, may make royalty payments and submit reports on behalf of the record lessee; however, the relationship of the State of New Mexico and the record lessee shall not be changed but shall remain as defined in § 19-10-13 NMSA 1978.

C. Upon payment of royalty and filing of reports as provided herein, any oil and gas lessee of record shall have, if he so desires, sixty-five (65) days from the end of the calendar month for which royalty is due the State of New Mexico within which to make full settlement for royalty due.

1.060 O.C.D. 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, reports labeled C-101 through C-105.

1.061 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 of seventy-five dollars ($75.00). Such applications must be filed in the State Land Office at least thirty (30) 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.

1.062 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 §§ 72-12-1 through 72-12-21 NMSA 1978, as amended, with the regulations of the State Engineer, and with Rule 12 of these Rules.

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B. Within thirty (30) 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.

2. Depth, Log and Casing Record Production Data.

1.063 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.

MISCELLANEOUS

1.064 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 §§ 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 he desires to purchase the royalty oil.

1.065 Reservation of Right to Purchase Production. The state reserves a continuing option to purchase at anytime 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.

1.066 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 (60) days

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after such ruling or decision is rendered pursuant to § 19-10-23 NMSA 1978.

1.067 Fees.

A. Filing each application for oil and gas lease.....$30.00

B. Filing each set of lease assignments. (If assignments are over one hundred (100) days old, an additional charge of $75.00 will be made.) (See Rule 1.033.).....$30.00

C. Filing cooperative or unit agreements or expansions, and orders for forced pooling, per section or fraction thereof.....$30.00

D. Filing of probate and other court papers affecting title, overriding, drilling and side agreements, death certificates and miscellaneous instruments: Per instrument.....$10.00

E. Accepting and filing each notice of pendency of suit, on basis of EACH separate lease involved.....$10.00

F. Copies of records, plats, maps and certificates as true copies.....COST

G. Blank forms approved by the Land Office.....No charge

H. Filing of each Stipulation form (includes Potash Stipulation), Helium Stipulation and Amendment of Lease).....$75.00

I. Application fee for commingling (additional fee may be charged for investigation and administration at the discretion of the Commissioner with the prior approval of the applicant.).....$30.00

J. Off lease storage approval.....$30.00

IPANM EXHIBIT 31

State Records Center
404 Montezuma
Santa Fe, New Mexico 87503

Rule Cover Sheet
Side B - Modifying Rule

F

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1 Instructions	(Above Space for SRC Use Only)
Please Read The Instructions On Side A Of This Rule Cover Sheet.	

2 Entire Name Of Agency

COMMISSIONER OF PUBLIC LANDS
NEW MEXICO STATE LAND OFFICE

3 Agency Address

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

4 Title Of Existing Rule To Be Modified

RELATING TO OIL AND GAS LEASES

5 Number Of Existing Rule To Be Modified	6 Filing Date Of Existing Rule To Be Modified
SLO RULE 1	JANUARY 20, 1984

7 The Existing Rule Is To Be Modified By A (Check One)

☑ Superseding Rule (which replaces in its entirety an existing rule)
☐ Amending Rule (which changes only part of an existing rule)
☐ Repealing Rule (which removes in its entirety an existing rule)

8 Title Of Modifying Rule

RELATING TO OIL AND GAS LEASES

9 Modifying Rule Number	10 Number Of Sheets
SLO RULE 1	21

11 For Amendments List Pages Added	12 For Amendments List Pages Deleted
1 through 21	1 through 20

13 Authorization

Name: JIM BACA
Title: COMMISSIONER OF PUBLIC LANDS
Date: 6/19/85

Jim Baca
Signature

SRC-17B rev. 81

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

SLO RULE 1 JUNE 19, 1985

RELATING TO OIL AND GAS LEASES

1.001 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 Rule 1.057. All forms are provided by the Land Office.

1.002 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.

1.003 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 Rule 1.018 hereof, except as provided in Rule 1.005.

1.004 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

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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 stratographic 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.

1.005 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 Rule 1.018 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.

1.006 Term and Form of Leases.

The Commissioner shall issue oil and gas leases upon one

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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 Rule 1.002 of these regulations, 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 Rule 1.004 of these regulations, the Commissioner, in his 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 Rule 1.004 of these regulations, the Commissioner, in his 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 ninety total percentage points under Section 19-10-3 NMSA 1978 and Rule 1.004 of these regulations, the royalty rate shall not exceed three-sixteenths."

1.007 Annual Rental--Primary and Secondary Term. All leases issued by the Commissioner shall provide for an annual rental to be paid by the lessee, the amount thereof to be fixed by the Commissioner, but in no case shall the amount be less than ten cents ($.10) per acre, or more than one dollar ($1.00) per acre during the primary term of five years. During the secondary term of five years, the rental 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, if it be more than double the primary term.

1.008 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 a thirty dollar ($30.00) application fee. Minimum rental rate is computed by multiplying the rental rate by the acreage in each advertised tract.

1.009 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

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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.

1.010 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.

1.011 Reserved.

1.012 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.

1.013 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.

1.014 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 (25 mi. x 25 mi.); however, this requirement may be waived by the Commissioner in any proper case.

1.015 Limitation to Not More Than One Beneficiary Institution. Leases will not be issued covering lands belonging to more than one (1) beneficiary institution.

1.016 Bond to Protect Surface Purchaser and Lessee-Waivers.

A. Before any lessee shall commence development or

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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 undertaking, in an amount to be fixed by the Commissioner but not less than ten thousand dollars ($10,000.00), 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 in the minimum amount of ten thousand dollars ($10,000.00) 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 in the amount of twenty thousand dollars ($20,000.00) 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 him of his right to require such bond pursuant to § 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 bond.

1.017 Reserved.

1.018 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, unless the Commissioner decides not to hold a sale. Lands outside the restricted districts may also be offered on said third Tuesday when it is deemed advisable. The Commissioner may, in his 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.

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1.019 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.

1.020 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.

1.021 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.

1.022 Application Under Oath--Fees. Application for lease accompanying sealed bids shall be executed under oath by the applicant, or by his 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 of thirty dollars ($30.00) (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.

1.023 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 him 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 him) 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

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Commissioner will notify such bidders to submit sealed proposals within ten (10) days next following the date of the sale at which such bids were determined to be equal.

1.024 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 his discretion, he shall deem it to be for the best interests of the trust to do so.

1.025 Transfer and Assignment of Oil and Gas Leases. Any transfer of an oil and gas leases 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 Rule 1.013.

1.026 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.

1.027 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.

1.028 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.

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1.029 Co-operative Agreements. Assignments of acreage committed to unit or co-operative agreements shall meet the requirements of Rule 1.050.

1.030 Reserved.

1.031 Lease Continued by Production in Paying Quantities. Except as otherwise provided in a cooperative 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.

1.032 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.

1.033 Assignments to be Recorded in the Land Office. Assignments must be filed with the Commissioner for approval within one hundred (100) days after having been signed by the assignor as shown upon the face of the instrument, accompanied by a filing fee of thirty dollars ($30.00). 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 of seventy-five dollars ($75.00) 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.

1.034 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 (2) persons or legal

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entities. (See Rule 1.013).

D. In the name of a trusteeship unless the trust is expressly set forth and not more than two (2) 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.

1.035 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 his acceptance of the assignment of the lease.

1.036 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

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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 ten dollars ($10.00) per instrument.

1.037 Reserved.

1.038 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 these rules .

1.039 By Consolidation. In cases where corporations consolidate, transfer of oil and gas interests to the newly created corporation shall be accomplished pursuant to Rules 1.032 through 1.038.

1.040 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.

1.041 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.

1.042 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

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filing of such notice and payment of the required 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.

1.043 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 his intention to cancel, specifying the default and unless the lessee or assignee remedies the default within thirty (30) 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.

COOPERATIVE AND UNIT AGREEMENTS

1.044 Purpose--Consent. The Commissioner may consent to and approve agreements made by lessees of State Lands for any of the purposes enumerated in § 19-10-45 NMSA 1978.

1.045 Application--Requisites of Agreements. Formal application shall be filed with the Commissioner for the presentation of a cooperative or unit agreement. The filing fee therefor shall be thirty dollars ($30.00) for each section or fractional part thereof, with a minimum fee of thirty dollars ($30.00), whether the acreage is federal, state, or privately owned. Such application shall contain a statement of facts showing:

A. That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.

B. 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.

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 unit area.

D. That such unit agreement is in other respects for the best interest of the trust.

1.046 Information to be Furnished. 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. In order that such

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geological and engineering data may be held confidential, it will be considered held on a loan basis only and will not be made a matter or considered as part of the Land Office records for a period of six (6) months from date of its receipt. If at the end of such six (6) month period the cooperative agreement is approved, then such data will be made a permanent part of the records. If for any reason such proposed agreement has not been approved at the end of the six (6) month period, then at the request of the applicant, the data shall be returned to the applicant.

1.047 Decision Postponed. In any matter respecting cooperative and unit agreements, the Commissioner may postpone his decision pending action by the Oil Conservation Division and may use any information obtained by his own investigators, or obtained by the Oil Conservation Division to enable him 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.

1.048 Leases Conformed. When any cooperative 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 cooperative agreement; otherwise, said terms and provisions shall remain in full force and effect.

1.049 Posting to Tract Books. In every case where a cooperative 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 cooperative or unit agreement shall be likewise entered and filed. The fees therefor shall be those regularly charged by the State Land Office for similar services.

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

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1.051 Form of Agreement. No specific forms for the various types of cooperative 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.

1.052 Forced Pooling--Oil Conservation Division Order:

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 70-2-17 (gas proration unit) or under 70-7-1, NMSA (statutory unitization act for secondary recovery), shall file with the Commissioner the following information:

A. One (1) copy of application for hearing for forced pooling at least ten (10) days prior to date set for hearing.

B. State lease number, record owner and legal description of all state lands forced pooled.

C. Oil Conservation Division Order number and date.

D. Legal description and type (Federal, fee, or Indian) of all lands included in forced pooling order.

E. Location, formation, and depth of well.

F. 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.

G. Date production commenced.

H. 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.

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.

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

1.053 Commingling Prohibited--Different Beneficiary Institutions. It is required that all production of oil or gas or both from lands belonging to different trust beneficiaries shall be segregated. The commingling, confusion, or the intercommunication of such production by the use of common tankage facilities, before marketing, with the production from any other trust lands or any lands not belonging to the State of New Mexico is strictly prohibited.

1.054 Commingling Allowed--Off Lease Storage--Grandfather Clause.

A. Except as provided in Rule 1.053, 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 his receipt of a written application containing the information specified in Rule 1.055 and application fee as set in Rule 1.067.

B. Off lease storage of production may be permitted within the discretion of the Commissioner, if there shall be no commingling or intercommuncation of production between handling, separation, treatment or storage facilities, only after his receipt of a written application containing the information specified in Rule 1.055 and an application fee as set in Rule 1.067.

C. Oil and gas lessees commingling or off lease storing production, or both, on the effective date of this Rule, without the written approval of the Commissioner, may continue to do so provided that within 90 days after the effective date of this Rule such lessees submit to the Commissioner in writing the information requested in Rule 1.055 together with the date such commingling or off lease storage began. Failure to comply with this requirement shall be considered grounds for cancellation of the pertinent lease or leases.

1.055 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:

A. Formal application stating the type of permission desired and the reasons therefor, accompanied by an application fee of thirty dollars ($30.00).

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B. Plat showing the location of leases, wells, flow lines, and common tankage. All plats and diagrams should differentiate between surface and underground pipe.

C. A list of the involved leases arranged by their State Land Office Lease number, their legal description, and including state beneficiaries.

D. A designation of the pool from which each well produces.

E. An economic analysis of proposed operation showing profit or loss to the State of New Mexico.

F. Schematic diagram of entire system from production manifold to pipeline connection showing position of all components of flow stream.

G. Detail drawing(s) of any component which is specifically fabricated; i.e., not commercially available.

H. Description of the operating sequence explaining the complete operation.

I. Any other pertinent data that will assist the Commissioner in deciding upon the application.

ACREAGE TAKEN FOR MILITARY PURPOSES

1.056 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 part only 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.

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

1.057 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 a fee of seventy-five dollars ($75.00).

C. Upon filing of such an application and determination by the Commissioner that the application conforms to the governing statutes and these rules, 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.

1.058 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 ten 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.

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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 ten 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 his 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 ten 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 thirty (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 thirty (30) day period, a general statement of the drilling or reworking operations that have been accomplished during the preceding thirty (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 fifteen (15) days after the close of such a thirty (30) 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 Rule 1.058(B) 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

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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.

REPORTS - ROYALTY

1.059 Production and Royalty Statement.

A. Every oil and gas lessee of record (meaning any holder of an original lease or an assignment of a portion thereof, which assignment has been approved by the Commissioner and which lessee is thereby responsible to the State of New Mexico for payment of royalty due from oil and gas production or to be credited to the state lands) shall tender such royalty to the Commissioner through his agent, the Oil and Gas Accounting Division, upon forms prescribed by said Division for royalty reporting. Accounting forms now adopted or hereafter to be adopted by the Oil and Gas Accounting Division are hereby adopted by the Commissioner.

B. Any operator, purchaser or person, as defined by the oil and gas tax laws of the State of New Mexico, or any other agent designated by the State's record lessee, may make royalty payments and submit reports on behalf of the record lessee; however, the relationship of the State of New Mexico and the record lessee shall not be changed but shall remain as defined in the lease.

C. Upon payment of royalty and filing of reports as provided herein, any oil and gas lessee of record shall have, if he so desires, sixty-five (65) days from the end of the calendar month for which royalty is due the State of New Mexico within which to make full settlement for royalty due.

1.060 O.C.D. 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, reports labeled C-101 through C-105.

1.061 Waiver of Development in Potash or Other Mineral Areas. Application for waiver of compliance with exploratory

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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 of seventy-five dollars ($75.00). Such applications must be filed in the State Land Office at least thirty (30) 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.

1.062 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 §§ 72-12-1 through 72-12-21 NMSA 1978, as amended, with the regulations of the State Engineer, and with Rule 12 of these Rules.

B. Within thirty (30) 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.

2. Depth, Log and Casing Record Production Data.

1.063 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.

MISCELLANEOUS

1.064 Royalty Purchase--Preference Right. Requests made by petroleum refineries within the state to the Commissioner to

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purchase state royalty oil as a preference right under the provisions of §§ 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 he desires to purchase the royalty oil.

1.065 Reservation of Right to Purchase Production. The state reserves a continuing option to purchase at anytime 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.

1.066 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 (60) days after such ruling or decision is rendered pursuant to § 19-10-23 NMSA 1978.

1.067 Fees.

A. Filing each application for oil and gas lease.....$30.00

B. Filing each set of lease assignments. (If assignments are over one hundred (100) days old, an additional charge of $75.00 will be made.) (See Rule 1.033.).....$30.00

C. Filing cooperative or unit agreements or expansions, and orders for forced pooling, per section or fraction thereof.....$30.00

D. Filing of probate and other court papers affecting title, overriding, drilling and side agreements, death certificates and miscellaneous instruments: Per instrument.....$10.00

E. Accepting and filing each notice of pendency of suit, on basis of EACH separate lease involved.....$10.00

F. Copies of records, plats, maps and certificates as true copies.....COST

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G. Blank forms approved by the Land Office.....No charge

H. Filing of each Stipulation form (includes Potash Stipulation), Helium Stipulation and Amendment of Lease).....$75.00

I. Application fee for commingling (additional fee may be charged for investigation and administration at the discretion of the Commissioner with the prior approval of the applicant.).....$30.00

J. Off lease storage approval.....$30.00

IPANM EXHIBIT 31

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NMAC TRANSMITTAL FORM

1.24.10 NMAC

Historical [Sequence # 50.11]

1. Issuing Agency	2. Agency Code (DFA)
New Mexico State Land Office, Office of General Counsel	539

3. Agency Address
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

4. Contact Person					
Name	Patricia Tafoya Marlin	Phone #	827-5702	FAX	827-4262
E-mail	pmarlint@slo.state.nm.us				

5. Type of Rule Action

New	Amendment	Renumber	Repeal	Emergency
		X		

6. Total number of pages:	7. Hearing date:	8. Effective date:
43 44	NONE	12/13/02

9. NMAC Number		
Title	Chapter	Part
19	2	100

10. NMAC Name		
Title	Chapter	Part
Natural Resources and Wildlife	State Trust Lands	RELATING TO OIL AND GAS LEASES

11. Amendment Description	12 Amendment's NMAC Citation
Reformatted and Renumbered from SLO Rule 1	

13 Most recent filing date (if applicable)
06 / 24 / 85

14 Are there any materials incorporated by reference?

No X Yes

Please list attachments and Internet site(s) if applicable

Reference / Internet site

"SEE ATTACHED SHEET"

15 If materials are attached, has copyright permission been received?

No | Yes | Public domain X

16 Legal citation(s) that allows the *Issuing Agency* to regulate and the *Issuing Authority* to promulgate regulations on this subject (provide all that apply).
N.M. Const. Art. XIII; NMSA 1978 Section 19-1-1; NMSA 1978 Section 19-1-2

17 Signature & Title of Issuing Authority (*Delegated authority must be on file*)

Name: Ray Powell, M.S., D.V.M.

Check if delegated authority X

Title: Commissioner of Public Lands

Ray Powell
Signature

12/02/02
Date Signed

SRC-2000-02
5/26/2000

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Attachment to NMAC Transmittal Form

No 14. References

New Mexico Statutes:	www.lexislawpublishing.com 19-1-2.1 NMSA 1978 19-7-14 NMSA 1978 19-7-59 NMSA 1978 19-7-60 NMSA 1978 19-10-3 NMSA 1978 19-10-4.1 NMSA 1978 19-10-4.2 NMSA 1978 19-10-4.3 NMSA 1978 19-10-11 NMSA 1978 19-10-22 NMSA 1978 19-10-23 NMSA 1978 19-10-26 NMSA 1978 19-10-28 NMSA 1978 19-10-45 NMSA 1978 19-10-64 NMSA 1978 19-10-70 NMSA 1978 37-1-23 NMSA 1978 56-8-3 NMSA 1978 70-2-17 NMSA 1978 70-7-1 NMSA 1978 72-12-1 to 72-12-21 NMSA 1978 New Mexico Probate Code
Federal Clean Water Act	www.usbr.gov/laws/cleanwat.html
FERC:	www.fer.fed.us
Oil Conservation Forms:	www.emnrd.state.nm.us/ocd/ocdforms.htm
Oil Conservation Division Rules:	http://www.nmcpr.state.nm.us/nmac/
Oil & Gas Royalty Flyers Kit:	Attached
Tax & Revenue Forms:	www.state.nm.us/tax/forms/ogas/oag_form.htm
Gas Daily:	www.gasdaily.com
Natural Gas Weekly:	http://tonto.eia.doe.gov/oog/info/ngw/ngupdate.asp
Oil Price Information Service:	www.oilonline.com

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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, PO Box 1148, Santa Fe, New Mexico 87504-1148.
[19.2.100.1 NMAC – Rn, SLO Rule 1, 12/13/2002]

19.2.100.2 SCOPE: [Reserved]

19.2.100.3 STATUTORY AUTHORITY: [Reserved]

19.2.100.4 DURATION: [Reserved]

19.2.100.5 EFFECTIVE DATE: June 24, 1985.
[19.2.100.5 NMAC – Rn, SLO Rule 1, 12/13/2002]

19.2.100.6 OBJECTIVE: [Reserved]

19.2.100.7 DEFINITIONS: [Reserved]

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 - Rn, SLO Rule 1, Section 1.001, 12/13/2002]

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 - Rn, SLO Rule 1, Section 1.002, 12/13/2002]

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 - Rn, SLO Rule 1, Section 1.003, 12/13/2002]

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 stratographic 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

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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 – Rn, SLO Rule 1, Section 1.004, 12/13/2002]

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 - Rn, SLO Rule 1, Section 1.005, 12/13/2002]

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 his 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 his 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 ninety 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 - Rn, SLO Rule 1, Section 1.006, 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.007, 12/13/2002]

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 a thirty-dollar ($30.00) application fee. Minimum rental rate is computed by multiplying the rental rate by the acreage in each advertised tract.

[19.2.100.15 NMAC - Rn, SLO Rule 1, Section 1.008, 12/13/2002]

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

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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 – Rn, SLO Rule 1, Section 1.009, 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.010, 12/13/2002]

19.2.100.18 [Reserved]
[19.2.100.18 NMAC – Rn, SLO Rule 1, Section 1.011, 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.012, 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.013, 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.014, 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.015, 12/13/2002]

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 him of his 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.

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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 – Rn, SLO Rule 1, Section 1.016, 12/13/2002]

19.2.100.24 [Reserved]
[19.2.100.24 NMAC - Rn, SLO Rule 1, Section 1.017, 12/13/2002]

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, unless the commissioner decides not to hold a sale. Lands outside the restricted districts may also be offered on said third Tuesday when it is deemed advisable. The commissioner may, in his 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 – Rn, SLO Rule 1, Section 1.018, 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.019, 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.020, 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.021, 12/13/2002]

19.2.100.29 APPLICATION UNDER OATH - FEES: Application for lease accompanying sealed bids shall be executed under oath by the applicant, or by his 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 of thirty dollars ($30.00) (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 – Rn, SLO Rule 1, Section 1.022, 12/13/2002]

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 him 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

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equal highest and best bidders before him) 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 ten days next following the date of the sale at which such bids were determined to be equal.
[19.2.100.30 NMAC – Rn, SLO Rule 1, Section 1.023, 12/13/2002]

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 his discretion, he shall deem it to be for the best interests of the trust to do so.
[19.2.100.31 NMAC – Rn, SLO Rule 1, Section 1.024, 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.025, 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.026, 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.027, 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.028, 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.029, 12/13/2002]

19.2.100.37 [Reserved]
[19.2.100.37 NMAC – Rn, SLO Rule 1, Section 1.030, 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.031, 12/13/2002]

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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 – Rn, SLO Rule 1, Section 1.032, 12/13/2002]

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 of thirty dollars ($30.00). 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 of seventy-five dollars ($75.00) 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 – Rn, SLO Rule 1, Section 1.033, 12/13/2002]

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.

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 – Rn, SLO Rule 1, Section 1.034, 12/13/2002]

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 his acceptance of the assignment of the lease.
[19.2.100.42 NMAC – Rn, SLO Rule 1, Section 1.035, 12/13/2002]

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

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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 ten dollars ($10.00) per instrument.
[19.2.100.43 NMAC – Rn, SLO Rule 1, Section 1.036, 12/13/2002]

19.2.100.44 [Reserved]
[19.2.100.44 NMAC – Rn, SLO Rule 1, Section 1.037, 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.038, 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.039, 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.040 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.041, 12/13/2002]

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 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 – Rn, SLO Rule 1, Section 1.042, 12/13/2002]

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 his 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 – Rn, SLO Rule 1, Section 1.043, 12/13/2002]

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 twenty days in advance of the New Mexico oil conservation division's hearing date. The filing fee therefor shall be thirty dollars ($30.00) 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

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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.

(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.

(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 his decision pending action by the oil conservation division and may use any information obtained by his own investigators, or obtained by the oil conservation division to enable him 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 those regularly charged by the state land office for similar services.

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 – Rn, SLO Rule 1, Sections 1.044, 1.045, 1.046, 1.046.1, 1.047, 1.048, 1.049, 1.050, 1.051, 12/13/2002]

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 (gas proration unit) or

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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.

(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 – Rn, SLO Rule 1, Section 1.052, 12/13/2002]

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 his receipt of a written application containing the information specified in Subsection C of 19.2.100.53 NMAC and application fee as set in 19.2.100.65 NMAC.

(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 his receipt of a written application containing the information specified in Subsection C of 19.2.100.53 NMAC and an application fee as set in 19.2.100.65 NMAC.

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 of thirty dollars ($30.00).

(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.

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

[19.2.100.53 NMAC – Rn, SLO Rule 1, Sections 1.053, 1.054, 1.055, 12/13/2002]

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

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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 – Rn, SLO Rule 1, Section 1.056, 12/13/2002]

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 a fee of seventy-five dollars ($75.00).

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 – Rn, SLO Rule 1, Section 1.057, 12/13/2002]

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 ten-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 ten-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 his 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 ten-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 thirty 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 thirty day period, a general statement of the drilling or reworking operations that have been accomplished during the

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preceding thirty 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 fifteen days after the close of such a thirty 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 – Rn, SLO Rule 1, Section 1.058, 12/13/2002]

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.

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(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 – Rn, SLO Rule 1, Section 1.059, 12/13/2002]

19.2.100.58 O.C.D. 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, reports labeled C-101 through C-105.

[19.2.100.58 NMAC – Rn, SLO Rule 1, Section 1.060, 12/13/2002]

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 of seventy-five dollars ($75.00). 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 – Rn, SLO Rule 1, Section 1.061, 12/13/2002]

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.

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

[19.2.100.60 NMAC – Rn, SLO Rule 1, Section 1.062, 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.063, 12/13/2002]

[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 he desires to purchase the royalty oil.

[19.2.100.62 NMAC – Rn, SLO Rule 1, Section 1.064, 12/13/2002]

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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 – Rn, SLO Rule 1, Section 1.065, 12/13/2002]

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 – Rn, SLO Rule 1, Section 1.066, 12/13/2002]
[An amendment to Section 19-10-23, effective September 1, 1998, reduced the appeal period to thirty days]

19.2.100.65 FEES:

A. Filing each application for oil and gas lease: thirty dollars ($30.00).

B. Filing each set of lease assignments. (If assignments are over one hundred days old, an additional charge of seventy-five dollars ($75.00) will be made.) (See 19.2.100.40 NMAC): thirty dollars ($30.00).

C. Filing co-operative or unit agreements or expansions, and orders for forced pooling, per section or fraction thereof: thirty dollars ($30.00).

D. Filing of probate and other court papers affecting title, overriding, drilling and side agreements, death certificates and miscellaneous instruments (per instrument): ten dollars ($10.00).

E. Accepting and filing each notice of pendency of suit, on basis of each separate lease involved: ten dollars ($10.00).

F. Copies of records, plats, maps and certificates as true copies: cost

G. Blank forms approved by the land office: no charge

H. Filing of each stipulation form (includes potash stipulation), helium stipulation and amendment of lease): seventy-five dollars ($75.00).

I. Application fee for commingling (additional fee may be charged for investigation and administration at the discretion of the commissioner with the prior approval of the applicant): thirty dollars ($30.00).

J. Off lease storage approval: thirty dollars ($30.00).
[19.2.100.65 NMAC – Rn, SLO Rule 1, Section 1.067, 12/13/2002]

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/or nonessential equipment resulting from the drilling and/or 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

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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/or 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 and/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 and/or operation plan may be submitted to the state land office for review. If approved, the plan shall substitute for the reclamation and/or operation requirements of 19.2.100.66 NMAC and/or 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 and/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 and/or the commissioner's office, or to the lessee directly.

E. Exemptions and Appeal Procedure:

(1) The commissioner, or his 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 and/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 sixty days of the receipt of such determination or interpretation, request a hearing before the commissioner of public lands. Within thirty 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 fifteen days of the hearing, the commissioner shall enter his 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 – Rn, SLO Rule 1, Section 1.068, 12/13/2002]

19.2.100.67 SURFACE RECLAMATION ON STATE OIL AND GAS LEASES:

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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/or nonessential equipment resulting from the drilling and/or producing operation of oil and gas leases and includes, but is not limited to, garbage, rubbish, junk or scrap.

(7) Revegetation:

(a) For all reseeding 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

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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 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 state land office, but in no event shall such second reseeding 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 sixty days after the expiration or termination of an oil and gas lease. Any improvements remaining at the end of such sixty-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 and/or operation plan may be submitted to the state land office for review. If approved, the plan shall substitute for the reclamation and/or operation requirements of this Section and/or 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 his 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 and/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 sixty days of the receipt of such determination or interpretation, request a hearing before the commissioner of public lands. Within thirty 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 fifteen days of the hearing, the commissioner shall enter his 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 – Rn, SLO Rule 1, Section 1.069, 12/13/2002]

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 a forty-dollar ($40.00) application fee. 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:

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

(b) if the production is from formations five thousand feet deep or deeper, has produced less than an average of six barrels of oil per day during the preceding twelve months and has not averaged over ten barrels of oil per day for any month during the preceding twelve 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 his sole discretion, he finds that:

(1) the operator has taken reasonable steps to minimize his 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 his 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 – Rn, SLO Rule 1, Section 1.070, 12/13/2002]

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.

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(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 he or she 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 eighteen 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 forms OGR-1, OGR-2 and OGR-2c.

(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.

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(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 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 Sub-paragraph (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 sub-Paragraphs (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 – Rn, SLO Rule 1, Section 1.071, 12/13/2002]
[The effective date of 19.2.100.69 is December 30, 1995]

19.2.100.70 REPORTING AND ROYALTY RENDITION FORMS:

A. Purpose and Application

(1) The purpose of this Section is to adopt forms for the reporting and rendition of oil and gas royalties under the oil and natural gas administration and revenue database (ONGARD) system. Payment of royalties is further described in 19.2.100.57 NMAC.

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(2) This Section applies to the reporting and rendition of oil and gas royalties and is enacted pursuant to Sections 19-10-56 through 19-10-59 NMSA 1978.

(3) This Section applies to the reporting and remittance of oil and gas royalties, beginning with the May, 1995 reporting month for the sales month of March, 1995, and any amendments for prior to March, 1995 or to the June, 1995 reporting month for the sales month of April, 1995 and any amendments for sales months prior to April, 1995. Correspondence has been issued to remitting companies instructing them of which sales month such remitters are to begin reporting.

B. Forms and Instructions:

(1) The reporting and remittance of state oil and gas royalties shall be made on forms OGR-1, OGR-2 and OGR-2c. Each payment must be accompanied by an original OGR-1 remittance document. Copies of such forms and instructions are attached to and made a part of this Rule.

(2) Claims for refund shall be made on either form OGRCR-1 (for distributed royalty payments) or on form OGRCR-2 (for non-distributed royalty payments). Copies of such forms and instructions are attached to and made a part of this Rule.

(3) The application for lease credits (greater than $25,000) of distributed funds regarding the erroneous payment of oil and gas royalties will be handled by special form OGRLC-1. Reference is made to Section 19-7-59 NMSA 1978. Copies of such forms and instructions are attached to and made a part of this Rule.

(4) Property product disposition data for lease communitization or unitization properties and the entitlement versus take reporting method for natural gas on lease properties shall be submitted on form OGR-PD-1. Such data will be requested as needed. Copies of such form and instructions are attached to and made a part of this Rule.

(5) Special form (schedule 1) and a letter request will be utilized for the product classification (intermediate/sweet or sour) as it applies to oil and condensate from state trust lands. Such data will be requested as needed. Copies of such form and request are attached to and made a part of this Rule.

C. Under the prior (pre-ONGARD) combined production tax and state royalty reporting system, any person obligated to pay royalties pursuant to a producing oil and gas lease shall continue to make reports and remittance of state oil and gas royalties through the New Mexico taxation and revenue department (TRD), as agent for the commissioner of public lands and the state land office on TRD forms O-1 and O-2 or P-1 and P-2. Such reporting and remittance will continue until ONGARD reporting is implemented as stated in Paragraph (3) of Subsection A of 19.2.100.70 NMAC above. In connection with outstanding billings (debits and credits) or suspense amounts generated by the combined system, such items will be accounted for separately in the old combined system by filing appropriate TRD forms O-1 and O-2 or P-1 and P-2 subsequent to the implementation of ONGARD. As a result, reports and remittance will continue to be made on TRD forms O-1 and O-2 or P-1 and P-2 to resolve old outstanding items only.

[19.2.100.70 NMAC – Rn, SLO Rule 1, Section 1.072, 12/13/2002]

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19.2.100.71 SLO FORM: OGR-1 **REV: 03/95**

NEW MEXICO STATE LAND OFFICE
OIL & GAS ROYALTY REMITTANCE REPORT (OGR-1)

1. Date Submitted (Month/Day/Year):	/ /
2. Ogrid Number:	
3. Final Return ("Yes" or "No"):	
4. Remitted Return ("Yes" or "No"):	
5. Accelerated Royalty Payment: Sale Month/Year:	/
Amount:	
6. Total Oil/Gas Royalties: (Total of 'State Royalty' Column in OGR-2):	
7. Total Oil/Gas Interest: (Total of 'Interest' Column in OGR-2C):	
8. Total Assessments Paid (Attach Assessment Remittance Documents):	
9. Total Royalty and Interest Reported:	
10. Total Regular Credit Taken (Attach Invoice Remittance Documents):	
11. Total Lease Credit Taken: (Total of 'Lease Credit Amount Used' Column in OGR-2C)	
12. Use Accelerated Royalty Sale Month/Year:	/
Payment Previously Remitted: Amount:	
13. Total Credit Taken:	
14. Net advance payment or (credit) – See instructions	
15. Total Remittance:	

16. Type of Payment (Check box below):

(1) Fedwire ☐ (2) ACH Credit ☐ (3) ACH Debit ☐ (4) Check ☐ (5) Cash ☐

FOR OFFICE USE ONLY

Postmark Date:	\ \	Validated Remittance Amount:	\ \
Receipt Date:	\ \	In\Out State Check:	

This Report Submitted By:

Company Name: _____ Telephone Number (____) _____

Address: _____

City: _____ State: _____ Zip Code: _____

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This Report, for the month(s) of ___ 19__ through ___ 19__ consisting of _____ OGR-2 pages, has been examined by me and to the best of my knowledge and belief it is true, complete and pursuant to law and regulation.

Name _____ Title _____ Date _____

Signature _____

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Rev. 02/95

NEW MEXICO STATE LAND OFFICE

GENERAL INSTRUCTIONS

Oil & Gas Royalty Remittance Report-OGR-1

WHO MUST REPORT AND REMIT STATE ROYALTY:

Each responsible royalty remitter, by express or implied agreement with the operator or the lessee of record, must report monthly on OGR-1 and OGR-2 Forms, as long as the property (lease, communitization, or unitization) continues to produce. The OGR-1 and OGR-2 forms will also be used to submit amended line entries. The OGR-1 Form is to be used to summarize the royalty remittance detail line entries shown on the OGR-2 (detail) Form, and to identify other remittance such as: Accelerated Royalty Payments, Interest Payments, Assessments Paid, Credit(s) Taken and Advance Payment. Each filer is required to submit a Royalty Remittance Document identifying total payment submitted by check or cash remittances.

DUE DATE OF THE REPORT AND REMITTANCE:

The oil and gas royalty remittance reports and accompanying remittances are due as follows:

Payment and accompanying remittance OGR-1 and OGR-2 Forms are due on or before the 25th of the second month succeeding the month of production (55th day) for small producers or large producers who have elected the advance payment method. For large producers who have elected the accelerated royalty payment method, the payment and accompanying remittance report is due on or before the 20th day of the first month succeeding the month of production. The accelerated royalty remitter shall submit the required OGR-2 detailed forms on or before the 25th day of the second month succeeding the month of production (55th day).

WHERE TO FILE: EDI - ONGARD NETWORK PROVIDER

PAPER REPORT - must be mailed to: New Mexico State Land Office
C/O New Mexico Taxation and Revenue Department
P.O.Box 2308
Santa Fe, New Mexico 87504-2308

INTEREST: Interest on past due state royalty payments will be computed at the rate of one and one-quarter percent (1.25%) per month or any fraction thereof. Reference is made to New Mexico Statute -56-8-3 NMSA 1978 as amended.

DETAIL INSTRUCTIONS -OGR-1

ITEM 1 **DATE SUBMITTED** (Month/Day/Year): Enter the date this form (OGR-1) is submitted.

ITEM 2 **OGRID NUMBER**: Enter your assigned Oil and Gas Remittance Identification Number.

ITEM 3 **FINAL RETURN** (Yes or No): Enter Yes if this is your FINAL Return; NO, if this is not your final return, if this Line remains blank, the default is NO.

ITEM 4 **REMITTED RETURN** (Yes or No):
YES, if remittance is due.
No, if no remittance is due. Non-remittance will involve the submission of OGR-1 and OGR-2, when the whole stream accounting entries portion, which do not give rise to royalty payments are submitted under Rule 1.059.

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ITEM 5 **ACCELERATED ROYALTY PAYMENT** (No OGR-2 required for this item): SALE MONTH/YEAR: Enter the Sale month and year (sale month/year the product is produced and sold/entitled) for which the Accelerated Royalty Payment is being reported.
AMOUNT: Enter the total Accelerated Royalty Payment amount submitted.

ITEM 6 **TOTAL OIL/GAS ROYALTIES**: Enter the Grand Total of the State Royalty Column on the last page of the OGR-2 Form.

ITEM 7 **TOTAL OIL/GAS INTEREST**: Enter the Grand Total of the Interest Column on the last page of the OGR-2C Form.

ITEM 8 **TOTAL ASSESSMENTS PAID**: Enter the total amount paid on the attached Assessments Remittance Documents. Identify the allocation of cash to the detail line entries of the assessment if a partial payment is made.

ITEM 9 **TOTAL ROYALTY AND INTEREST REPORTED**: Enter the amount total of lines 5, 6, 7 and 8.

ITEM 10 **TOTAL REGULAR CREDIT TAKEN**: Enter the total amount of all attached Regular Credit(s) taken.

ITEM 11 **TOTAL LEASE CREDIT(s) TAKEN**: Enter the total of the Lease Credit Amount Used Column in the OGR-2C Form. An established lease credit invoice number must be associated with each credit taken.

ITEM 12 **ACCELERATED ROYALTY APPLIED**:
SALE MONTH/YEAR: Enter the Sale Month and Year for the previously submitted accelerated royalty payment.
AMOUNT: Enter the previously submitted accelerated royalty payment.

ITEM 13 **TOTAL CREDIT TAKEN**: Enter the sum of Items 10, 11, and 12.

ITEM 14 **ADVANCE PAYMENT (OR CREDIT):**
Enter the Advance Payment amount, a credit applied or adjustment as required.
Generally, the advance payment amount will be adjusted in July of each year, based on royalty payments made in the 12 consecutive months ending March 31 of that year under the advance payment method.

ITEM 15 **TOTAL REMITTANCE**: Enter the remainder between the amount in item 9 less the amount in item 13 less or add amount in item 14.

ITEM 16 **TYPE OF PAYMENT**: Check the appropriate Item, which identifies the type of Payment being submitted. Only one type of payment is acceptable per return.

****ALL CHECKS MUST BE MADE PAYABLE TO: THE COMMISSIONER OF PUBLIC LANDS****

FOR OFFICE USE ONLY: This section should be left blank.
THIS REPORT SUBMITTED BY: Complete this section as requested.
[19.2.100.71 NMAC, Rn, SLO Rule 1, Section 1.072, 12/13/2002]

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19.2.100.72 SLO FORM OGR-2 **Rev: 02/95**

NEW MEXICO STATE LAND OFFICE
OIL & GAS ROYALTY DETAIL REPORT (OGR-2)

Company Name: _____ **Page** _____ **of** _____
OGRID Number: _____ **Sale Mo./Yr** ____/____

Line	PUN	Lease No.	Product Code	Txn Code	Arms Length	Volume BBL/ MCF	NGL Gallons	BTU Content Of Gas	Gross Proceeds	Transport Deductions	Gas Marketing Prep/ Other	Gas Processing Deductions	State Royalty
1													
2													
3													
4													
5													
6													
7													
8													
							Page Total						
							Grand Total						

NOTE: Round the dollar amounts to nearest whole dollar. DO NOT use commas to designate thousands. Oil / Condensate to the nearest barrel. Gas / Gas Products to the nearest MCF (15.025 P.S.I.A). NGL to nearest Gallon.

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NEW MEXICO STATE LAND OFFICE

INSTRUCTIONS FOR OIL AND GAS ROYALTY DETAIL REPORT - OGR-2 FORM

COMPANY NAME, PAGE NUMBER:

Enter your company name and page number.
Number pages in sequence by sale month.

OGRID NUMBER: Enter your assigned Oil and Gas Remittance Identification Number.

SALE MONTH AND YEAR:

Enter the sale month and year the product is produced and sold/entitled. You must submit a separate OGR-2 (2-C) form for each sale month reported.

PRODUCTION UNIT NUMBER (PUN), AND LEASE NUMBER COLUMNS:

Each line entry on the report must show the related number as assigned by the State of New Mexico.

PRODUCT CODE: Enter the product code assigned by the State to indicate the type of hydrocarbon being sold.

TRANSACTION CODE: Enter the transaction code as assigned by the State.

ARMS LENGTH TRANSACTION:

Enter:
Y if the reported sale is an Arm's Length Transaction (if left blank, the transaction will default to Y) as defined by State Land Office Regulation.
N if the reported sale was a Non-Arm's Length Transaction.

VOLUME-BBL/MCF:
Report Oil and Condensate to the nearest whole barrel. Report Natural Gas to the nearest MCF metered at the wellhead at 15.025 psia at 60 degree Fahrenheit for unprocessed gas transaction. Report to the nearest MCF for Residue Gas and the equivalent MCF of the reported Natural Gas Liquids for processed gas.

NGL-GALLONS: Report the Natural Gas Liquids (all component products in total) to the nearest gallon.

BTU Content of Gas:
Report the BTU (settled basis-15.025 psia) content of Residue Natural Gas (after processing) for Non-Arms Length Transactions Only. In addition, report BTU content of Residue Natural Gas (after processing) for Arms length transactions, other than percent of proceeds (POP) contracts.

GROSS PROCEEDS:
Enter to the nearest whole dollar the value/actual price received for products from the production unit (property) before deductions.

TRANSPORT DEDUCTIONS:

Enter to the nearest whole dollar those cost(s), incurred to transport:
a) oil or condensate or
b) natural gas, gas plant products or residue gas to market. Natural Gas mainline transportation deductions are limited to mainline charges incurred from the tailgate of the gas plant or mainline entry connection point to the point of sale.

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GAS MARKETING PREPARATION/OTHER TRANSPORTATION DEDUCTIONS:

Enter to the nearest whole dollar those cost(s) incurred in non-field activities by the lessee to prepare produced Natural Gas, Gas Plant Products, or Residue Gas for market, including such cost incurred under an arm's length contract or allowable cost deductions for non-arm's length transactions . Other Transportation Deductions shall be cost(s) (to the nearest whole dollar) incurred from the boundary of the field to the mainline connection point or the processing plant.

GAS PROCESSING DEDUCTIONS:

Enter to the nearest whole dollar those costs incurred under an arm's length processing contract or those costs (imposed or approved by the lessor) incurred under non-arm's length contract, under Section F of Rule 1.059, and which are incurred to remove gas plant products from natural gas. This does not include costs incurred to physically separate liquid hydrocarbons from natural gas at or near the wellhead or costs normally incurred within the field.

STATE ROYALTY:
From the amount shown in the GROSS PROCEEDS column deduct any amounts shown in the deduction columns, and add the amount from the Natural Gas Liquid (NGL) Credit addition column (OGR-2C Form), and multiply the remainder by the applicable royalty rate.

PAGE TOTAL : Enter the required page totals for the last five columns of each OGR-2 Form page.

GRAND TOTAL: Enter the grand total of all pages on last page of report and transfer to applicable line on OGR-1 Form
[19.2.100.72, Rn, SLO Rule 1, Section 1.072, 12/13/2002]

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19.2.100.73 SLO FORM: OGR-2C **Rev: 02/95**

NEW MEXICO STATE LAND OFFICE
OIL & GAS ROYALTY DETAILED REPORT
CONTINUATION SHEET (OGR-2C)

Company Name: _____ Page _____ of OGR-2

OGRID Number: _____ Sale Mo/Yr ____ / ____

Line No. From OGR-2	Interest	NGL Credit Additions	Lease Credit No.	Lease Credit Amount Used	Reporter's Use Only
Page Total					
Grand Total					

NOTE: Round the dollar amounts to nearest whole dollar. DO NOT use comas to designate thousands.

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Rev. 07/98

NEW MEXICO STATE LAND OFFICE

Instructions for Oil & Gas Royalty Remittance Report - OGR-2C FORM

COMPANY NAME, PAGE NUMBER:

Enter your company name and page number.
Number pages in sequence by sale month.

OGRID NUMBER:
Enter your assigned Oil and Gas Remittance Identification Number.

SALE MONTH AND YEAR:

Enter the sale month and year the product is produced and sold/entitled.

INTEREST:
Enter the interest amount calculated for this detailed line entry and remitted with this report. Enter the grand total amount on OGR-1 Form.

NGL CREDIT ADDITIONS:

Enter any Natural Gas Liquid Credit amount issued to your company by the natural gas gatherer or transporter.

LEASE CREDIT NUMBER:

Enter the Lease Credit Invoice Number assigned by the state which you are applying to your detail line entries on this Form.

LEASE CREDIT AMOUNT USED:

Enter the Lease Credit Invoice Amount which you are applying to your detail line entries on this Form. This amount must be applied to a state lease with the same beneficiary.

REPORTER'S USE ONLY:

This column is for the Reporter's use when the Royalty Remittance Detail Form(s) are submitted by electronic media or paper returns. The remitter should report its matching company property number to the reported Pun/lease number.

PAGE TOTAL: Enter the required page totals for the OGR-2C FORM.

GRAND TOTAL: Enter the grand total of all pages on last page of report and transfer to applicable line on OGR-1 Form.
[19.2.100.73 NMAC, Rn, SLO Rule 1, Section 1.072, 12/13/2002]

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19.2.100.74 OGRCR-1 **08/94**

New Mexico State Land Office
Royalty Management Division

Claim for Refund
Oil and Gas Royalties - Erroneous Payment
Distributed Funds

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

Dear Sir:

Whereas,_____Dollars ($_____) were erroneously paid for oil and/or gas royalties by OGRID NO._____to the Commissioner of Public Lands on account of Lease No._____ and PUN .

Whereas, to the best of the knowledge of such applicant, such payment is not carried in any suspense fund by the State Land Office or its agent (if any) but has been distributed to the state permanent fund.

Applicant states that the reasons why such payment was erroneously made are, as follows:

_____

_____

_____

Now, therefore, the undersigned makes a claim for refund of said payment(s) from that part of the State Lands Maintenance Fund distributable to the fund into which such payment(s) was (were) erroneously made.

Claimant petitions the Commissioner of Public Lands to investigate the facts herein and endorse his approval of this claim and take action thereon, as provided by Section 19-7-59 et seq, NMSA 1978, as amended.

_____
Applicant/Claimant

_____ (Applicant) being duly sworn states that the foregoing claim is made in good faith and the facts stated herein are true.

Subscribed and sworn to before me this _____ day of _____ 199 ____.

My commission expires: _____

_____
Notary Public

SEAL

Approved ( )
Disapproved ( ) this the _____ day of _____, 199___.

_____
Commissioner of Public Lands

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OGRCR-1 08/94

New Mexico State Land Office
Royalty Management Division

Claim for Refund
Oil and Gas Royalties - Erroneous Payment
Distributed Funds

Instructions

Purposes:

This form is to be used for applying for a refund from the New Mexico State Land Office for oil and gas royalties which have been paid and distributed to a permanent fund.

Amended Data:

If you are changing any information for prior reporting periods (sales months, by product), you must submit an amended report for each period affected. Note: Failure to submit the required amended report(s) will prevent the processing of your application and will result in a delay of your oil and gas royalty claim for refund.

Letter of Explanation:

Attach a letter of explanation if the space provided for reason for an erroneous payment is insufficient.

Signature:

This form must be signed by the oil or gas royalty payor or an authorized agent.

State District Court Involvement:

If this claim for refund exceeds $2,000, approval or disapproval must also be obtained from the State District Court for Santa Fe County by the Commissioner of Public Lands, prior to any disbursement of state funds.

Authority - Claimant Time Limitation:

Section 37-1-23 (NMSA, 1978, as amended) Contractual Liability; statute of limitations provides that an action must be based on a valid written contract (e.g. oil and gas lease) and each claim permitted by this section shall be barred forever unless brought within two years from the time of accrual. Such accrual time relates to the time the erroneous payment was made.

Lease credits previously established through the Section 37-1-23 process can later be subject a claim for refund, without a time limit.

Presumption of Distribution:

If the remitter has not received notification from SLO of suspended funds within one month of the payment for which the credit is requested, the applicant can assume such payment(s) is/are not carried in a suspense account.

Subject to Audit

Refunds are still subject to audit at the discretion of the Commissioner of Public Lands.

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Registered Notification - Time Limitation:

If the Commissioner of Public Lands discovers an erroneous payment, notice is to be given, by registered mail, to the last recorded address of the person making such erroneous payment. All claims for refund of money shall be filed within ninety days after notice. All claims for refund not filed with the Commissioner of Public Lands within the time prescribed shall be forever barred. (Section 19-7-60).

PUN/Lease - Report Line Entries:

The applicant should submit separate PUN/Lease - Report Line Entries by a separate report so that the ONGARD system can validate the line entries.

The claim for refund application will then be verified by the Royalty Management Division of the State Land Office to the above processed data, as a part of the approval process.
[19.2.100.74 NMAC – Rn, SLO Rule 1, Section 1.072, 12/13/2002]

IPANM EXHIBIT 31

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19.2.100.75 OGRCR-2 **08/94**

New Mexico State Land Office
Royalty Management Division

Claim for Refund
Oil and Gas Royalties - Erroneous Payment
Non-Distributed Funds

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

Dear Sir:

Whereas, _____ Dollars ($ _____) were erroneously paid for oil and gas royalties by _____(OGRID NO.)_____to the Commissioner of Public Lands on account of Lease No. _____ and PUN_____ , or such amounts are represented by Credit Invoice No. ____ for suspended cash _____, suspended detail _____ or other (describe) _____.

Whereas, such payment is carried in an oil and gas royalty suspense fund by the State Land Office or its agent (if any) but has not been distributed to the state permanent fund.

Applicant states that the reasons why such payment was erroneously made are, as follows:

_____
_____
_____

Now, therefore, the undersigned makes a claim for refund of said payment from the oil and gas royalty suspense fund into which such payment was erroneously made.

Claimant petitions the Commissioner of Public Lands to investigate the facts herein and endorse his approval of this claim and take action thereon.

_____
Applicant/Claimant

_____ (Applicant) being duly sworn states that the foregoing claim is made in good faith and the facts stated herein are true.

Subscribed and sworn to before me this _____ day of_____ of 199__.

SEAL

My Commission Expires: _____

_____
Notary Public

Approved ( )
Disapproved ( ) this the _____ day of_____, 199____.

_____
Commissioner of Public Lands

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OGRCR-2 **08/94**

New Mexico State Land Office
Royalty Management Division

Claim for Refund
Oil and Gas Royalties - Erroneous Payment
Non-Distributed Funds

Instructions

Purposes:
This form is to be used for applying for a refund from the New Mexico State Land Office for oil and gas royalties which have been paid but not distributed to a permanent fund. State notifications of such suspense fund payments should be in the possession of the applicant.

Amended Data:
If you are changing any information for prior reporting periods (sales months, by product), you must submit an amended report for each period affected. Note: Failure to submit the required amended report(s) will prevent the processing of your application and will result in a delay of your oil and gas royalty claim for refund.

Letter of Explanation:
Attach a letter of explanation if the space provided for reason for an erroneous payment is insufficient.

Signature
This form must be signed by the oil or gas royalty payor or an authorized agent.

Authority - Claimant Time Limitation:
Section 37-1-23 (NMSA, 1978, as amended) Contractual Liability; statute of limitations provides that an action must be based on a valid written contract (e.g. oil and gas lease) and each claim permitted by this section shall be barred forever unless brought within two years from the time of accrual. Such accrual time relates to the time the erroneous payment was made.

Subject to Audit:
Refunds are still subject to audit at the discretion of the Commissioner of Public Lands.

Registered Notification - Time Limitation:
If the Commissioner of Public Lands discovers an erroneous payment, notice is to be given, by registered mail, to the last recorded address of the person making such erroneous payment. All claims for refund of money shall be filed within ninety days after notice. All claims for refund not filed with the Commissioner of Public Lands within the time prescribed shall be forever barred. (Section 19-7-60.)
[19.2.100.75 NMAC – Rn, SLO Rule 1.072, 12/13/2002]

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19.2.100.76 OGRLC-1 **08/94**

New Mexico State Land Office
Royalty Management Division

Application for Lease Credit
(greater than $25,000)
Oil and Gas Royalties - Erroneous Payment
Distributed Funds

Commissioner of Public Lands
New Mexico State Land Office
P. 0. Box 1148
Santa Fe, New Mexico 87504-1148

Dear Sir:

Whereas, _____ Dollars $ _____ were erroneously paid for oil and/or gas royalties by _____(OGRID NO.)_____ to the Commissioner of Public Lands on account of Lease No. _____ and PUN _____.

Whereas, to the best of the knowledge of such applicant, such payment(s) is/are not carried in any suspense account by the State Land Office or its agent (if any) but has been distributed to the state permanent fund.

Applicant states that the reason(s) why such payment was/were erroneously made are, as follows:

_____

_____

_____

Now, therefore, the undersigned makes application for a Lease Credit (greater than $25,000.00). It is understood that upon approval of the Commissioner, the applicant will plan to recoup such money by deducting up to an equivalent amount from subsequent royalty payments due for the same lease.

Applicant petitions the Commissioner of Public Lands to investigate the facts herein and endorse his approval of this application for Lease Credit and take action thereon, as provided by Section 19-7-59 et seq, NMSA 1978, as amended.

_____
Applicant

Approved ( )
Disapproved ( ) this the _____ day of_____, 199____.

_____
Commissioner of Public Lands

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OGRLC-1 08/94

New Mexico State Land Office
Royalty Management Division

Application for Lease Credit
(greater than $25,000)
Oil and Gas Royalties - Erroneous Payment
Distributed Funds

Instructions

Purposes:
This form is to be used for applying for an oil and gas royalty lease credit (greater than $25,000), which must be approved in advance by the Commissioner of Public Lands.

Authority:
Reference is made to Section 19-7-59. Prepayment of money erroneously paid on lease or purchase contract after distribution. Such statute reads as follows:

"A. Any money erroneously paid on account of any lease or sale of state lands, which money is not carried in any suspense fund but has been distributed to the proper income or permanent fund, shall be repaid in the manner prescribed in this section.

B. If the money erroneously paid was for royalty due under any lease, then, subject to subsequent audit by the commissioner of public lands or his agent, the money may be recouped by deducting an equivalent amount from subsequent royalty payments due for the same lease; provided that, if the amount to be recouped under this paragraph is greater than twenty-five thousand dollars ($25,000) for any lease, then no deduction from subsequent payments shall be made without the prior approval of commissioner of public lands."

Presumption of Distribution - If the remitter has not received notification from SLO of suspended funds within one month of the payment for which the credit is requested, the applicant can assume such payment(s) is/are not carried in a suspense account.

Letter of Explanation:

Attach a letter of explanation if the space provided for reason for an erroneous payment is insufficient.

Signature

This form must be signed by the oil or gas royalty payor or an authorized agent.

Subject to Audit:
An approval for a lease credit is still subject to audit at the discretion of the Commissioner of Public Lands.

Allowable Credits:

Lease Credits Established in a timely basis (within two years of accrual of such erroneous payment(s), can later be subject to claim for refund through the Section 37-1-23 process, without a time limit.

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Authority - Claimant Time Limitation:

Section 37-1-23 (NMSA, 1978, as amended) Contractual Liability; statute of limitations provides that an action must be based on a valid written contract (e.g. oil and gas lease) and each claim permitted by this section shall be barred forever unless brought within two years from the time of accrual. Such accrual time relates to the time the erroneous payment was made.

PUN/Lease - Report Line Entries:

The applicant should obtain approval prior to the filing of PUN/Lease - Report Line Entries to the ONGARD system.
[19.2.100.76 NMAC – Rn, SLO Rule 1, Section 1.072, 12/13/2002]

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19.2.100.77 SLO FORM: OGR-PD-1 **REV: 09/94**

STATE OF NEW MEXICO
STATE LAND OFFICE
PROPERTY DISPOSITION DATA – OIL AND GAS ROYALTIES

PROPERTY OPERATOR

1. Date Submitted: _____

2a. Type of Property: Lease ( ) Unit ( ) Unit-N/P ( ) Com ( )

2b. Reporting Method (Natural Gas Only): Entitlement ( ) Take ( )

3a. OGRID: _____

3b. Operator Name: _____

4a. PUN/LEASE: _____

4b. Property Name: _____

4c. Unit Phase / Expansion No.: _____

5. Reporting Decimals: Starting (MM/YY) From: _____

Continuing To: _____

6. Product: ( ) Oil/Condensate ( ) Natural Gas ( ) All Products

Reporters input (option)	Line No.	Lease No.	Unit Tract No. (opt)	OGRID No. (opt)	Gross working interest owner name	GWI Decimal
	1					
	2					
	3					
	4					
	5					
	6					
	7					
	8					
	9					
	10					
	11					
					TOTAL:	

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SLO FORM: OGR-PD-1 **REV: 02/95**

STATE OF NEW MEXICO
STATE LAND OFFICE
PROPERTY DISPOSITION DATA - OIL & GAS ROYALTIES
FORM OGR-PD-1
GENERAL INSTRUCTIONS

PURPOSE:

The purpose of Form OGR-PD-1 is to identify the Gross Working Interest Owners and responsible remitters (if available) by lease for oil and gas royalties due the State of New Mexico under a PUN-Lease.

AUTHORITY:

The authority is contained in NMSA 1978 Section 19-10-11 through Section 19-10-22, and regulations relating thereto, which allows the commissioner to prescribe forms for the reporting of royalties.

WHO MUST REPORT:

Each operator of a producing state oil and gas lease shall submit an OGR-PD-1 Form indicating the Gross Working Interest Owners and responsible remitter or remitters (if available) of royalties due on production from the lease, **unless the operator is the sole remitter - no report required.**

WHEN IS THE REPORT DUE:

The OGR-PD-1 Form is due by August 25, 1995, and within 30 days of the assignment of a new PUN-Lease number by SLO.

HOW IS DATA REPORTED:

Each operator shall report the decimal interest (.xxxxxxxx) by lease of each Gross Working Interest Owner or responsible royalty remitter for oil condensate and natural gas for each lease he/she operates.

The total decimal interest for each lease shall equal 1.00000000.

An OGR-PD-1 shall be submitted by product if the responsible owners are different or the decimal interests are not the same for all products.

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SLO FORM: OGR-PD-1 **REV: 02/95**

STATE OF NEW MEXICO
STATE LAND OFFICE
PROPERTY DISPOSITION DATA - OIL & GAS ROYALTIES

DETAIL INSTRUCTIONS FOR COMPLETING FORM OGR-PD-1

1. DATE SUBMITTED:

This is the date the form is submitted to the Royalty Management Division of the State Land Office.

2a. TYPE OF PROPERTY AGREEMENT:

This refers to the type of agreement being utilized on the state leases(s).

(a) Lease - Operated as an individual lease.
(b) Unit - Included in a unit and participating in the unit's production.
(c) Unit - N/P - Included in the unit land area, but not participating in the unit's production.
(d) COMM - Included in a Communitization Agreement with other leases.

2b. REPORTING METHOD:

This refers to the reporting method of natural gas and natural gas products for state royalties on properties operated as individual leases only.

(a) Entitlement
(b) Takes

3a. OGRID:

This is a number that has been assigned by the State ONGARD System. OGRID is the Oil and Gas Reporting I.D.

3b. OPERATOR NAME:

The OGRID name that corresponds to item 3a. above.

4a. PUN/LEASE:

This is an alpha-numeric identifier(s) that has been assigned to the particular property and lease, as assigned by the state.

4b. PROPERTY NAME:

This is the name the operator uses to identify the lease(s), unit(s) or comm(s), as designated by the operator.

4c. UNIT PHASE NO. OR UNIT EXPANSION NO:

This applies to the development phase of the unit at the time the production report or sale/entitlement is settled, or the expansion number (within the developmental phase, if applicable) of the unit.

5. REPORTED DECIMAL STARTING MM/YY:

Enter applicable date(s) the responsible owners were liable for remitting royalties, based on the participation decimal, on the state lease(s) being reported. If ending date is unknown indicate MM/YY.

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6. PRODUCT:

This refers to the type of product being produced from specific leases. If the lease produces more than one product, and the responsible owners are different, please submit one form for each product, copies accepted, unless the percentages are the same for all products.

7. LEASE NUMBER:

This is a six digit alpha-numeric number assigned to all state leases, by the state.

8. UNIT TRACT NO. (OPT.):

This column refers to the tract number assigned a state lease(s) that is (are) participating in a reported unit.

If this information is known by the operator, it should be reported to the State.

9. OGRID NUMBER (OPT.):

This is a number that has been assigned by the State ONGARD System. OGRID is the Oil and Gas Reporting I.D.

IF this information is known by the operator, it should be reported to the State.

10. GROSS WORKING INTEREST OWNER NAME:

The name of the Gross Working Interest Owner or responsible royalty remitter (if known) for the lease being reported.

11. GROSS WORKING INTEREST OWNER DECIMAL:

The Gross Working Interest Owner or responsible remitter's decimal portion of lease/tract that they are obligated to report.

12. LEASE/TRACT TOTAL:

This column should equal 1.00000000 for every lease being reported.
[19.2.100.77 NMAC – Rn, SLO Rule 1, Section 1.072, 12/13/2002]

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19.2.100.78 Product Classification Request

OGRID NAME:
OGRID ADDRESS:

Dear Ladies and Gentlemen:

This is our request to you, as an operator of oil properties, for certain data regarding crude oil or condensate produced involving State Trust Lands.

The following is our Product Classification Definition:

Production Classification applies to oil and condensate, the designation given by the industry for sales purposes, based on sulphur content:

a. Intermediate/Sweet
b Sour

Identify the sulphur content, by weight, in gravity and state such in percentages (i.e., .5%, or less will be intermediate/sweet crude oil and greater than .5% will be sour crude oil.)

If you have questions call _____, of our staff at :_____

Please submit this data to the Royalty Management Division as soon as practical, but no later than 30 days from the receipt of this letter.

Sincerely,

Maurice Lierz, Director
Royalty Management Division

Enclosures

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Schedule 1

New Mexico State Land Office
Royalty Management Division

Data Regrading Crude Oil or Condensate
From State Trust Lands

Property Operator

Property Name (Lease, Unitization, Or Communitization)	PUN/Lease	OCD-Point of Disposition Code	Product (Check One) Intermediate Sweet	Type Sour	Sulphur % Content

[19.2.100.78 NM – Rn, SLO Rule 1, Section 1.072, 12/13/2002

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 9/2/69.
CPL 71-2, filed 12/16/71.
CPL 77-1, filed 1/7/77.
Rule 1, Relating to Oil and Gas Leases, filed 3/11/81.
SLO Rule 1, Relating to Oil and Gas Leases, filed 1/20/84.
SLO Rule 1, Relating to Oil and Gas Leases, filed 6/24/85.

History of Repealed Material: [Reserved]

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LOCAL COLUMN

OPINION: Clean up wells. Protect New Mexico workers



Methane gas is burned off at two oil and gas wells in the Delaware Basin just south of Carlsbad in 2019. Eddie Moore/Journal

Raúl Torrez

PUBLISHED May 17, 2026 - 3:06 a.m.

New Mexicans believe in a simple idea: If you make a mess, you clean it up.

That principle is not political. It is common sense. It is what we teach our kids. And it is exactly the principle now before the New Mexico Oil Conservation Commission as it considers updated oil and gas bonding and cleanup rules.

After months of hearings, expert testimony and careful analysis, the commission is approaching a decision that will help determine whether oil and gas companies are truly responsible for the full cost of cleaning up the wells they drill. Getting this right matters, because the public should not be left holding the bill when companies walk away.

We have seen what happens when safeguards fall short.

In a case my office filed last year, we alleged that a group of oil executives used shell companies and bankruptcy proceedings to shift the cost of cleaning up hundreds of wells onto the public while keeping the profits. That case is still ongoing, but the lesson is clear: When financial safeguards are too weak, they can be exploited.

Across New Mexico, there are already hundreds of abandoned wells, with thousands more at risk. Some leak methane or contaminate groundwater, threatening public health and the land our communities depend on. When companies fail to clean them up, the cost does not disappear. It falls on the public.

That is not fair to New Mexico families.

The rules under cons
Companies should se
ahead and follow thr

In other words, if you drill it, you clean it.

But good policy does not just get the goal right. It gets the transition right.

New Mexico is one of the nation's leading energy producers, and thousands of our neighbors work in this industry, running equipment, maintaining infrastructure and doing the kind of physical work that does not happen from an office. As we strengthen accountability, we also have a responsibility to make sure those workers are not caught in the middle, and that means adopting rules that focus first on the highest-risk wells while giving responsible operators time to adjust, recognizing the difference between companies that have played by the rules and those that have not, and ensuring that as wells are plugged and remediated, New Mexico workers are first in line for those jobs.

Done right, stronger cleanup standards do not have to cost jobs. They can help create them.

Plugging and remediation work is labor-intensive and can provide stable employment, especially in communities already tied to the energy economy. By pairing stronger rules with a clear workforce strategy, we can protect both our environment and our workers.

We should also be clear-eyed about what these rules are and what they are not.

They are not about shutting down responsible operators. In fact, most companies already meet their obligations and plan for cleanup. Stronger rules ensure that everyone operates under the same standards, rather than allowing bad actors to cut corners and shift costs onto others.

They are also not about punishing an industry that has helped power New Mexico's economy. They are about making sure that success comes with responsibility.

The foundation for these proposed rules is strong. They are built on evidence, shaped by public input, and grounded in a simple principle of fairness. As the commission deliberates in the coming weeks, it should refine them to ensure they target the highest risks, support responsible operators and protect the workers who keep this industry running.

If you profit from our shared resources, you should take responsibility for cleaning them up. If you are a worker who has helped build this industry, you should not be left behind as we raise the bar.

That is what fairness looks like, and it is a standard worth standing behind.

Raúl Torrez is the New Mexico attorney general.

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EXHIBIT 32



GENERATE O & G BOND LISTING (GDBL - PUBLIC)

Report Parameters:

OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
17	778	BP AMERICA PRODUCTION COMPANY	778	BP AMERICA PRODUCTION COMPANY	SEABOARD SURETY COMPANY	B	8/27/1979	
315	117139	BP AMERICA PRODUCTION COMPANY	778	BP AMERICA PRODUCTION COMPANY	TRAVELERS CASUALTY & SURETY	B	1/13/1994	
1588	218098	BP AMERICA PRODUCTION COMPANY	778	BP AMERICA PRODUCTION COMPANY	TRAVELERS CASUALTY AND SURETY	M	11/11/2016	
432	785	AMTEX ENERGY INC	785	AMTEX ENERGY INC	PIONEER SAVINGS BANK	B	6/3/1996	
666	295943	ANADARKO E&P ONSHORE LLC	817	ANADARKO PETROLEUM CORP	LIBERY MUTUAL INSURANCE CO.	B	1/26/2004	
943	15422	APACHE CORP	873	APACHE CORPORATION	LIBERTY MUTUAL INSURANCE COMPA	M	6/14/2011	
227	43910	ATLANTIC RICHFIELD CO	986	ARCO OIL & GAS CO	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
791	1092	ARMSTRONG ENERGY CORP	1092	ARMSTRONG ENERGY CORP	JP MORGAN CHASE	M	2/20/2007	
133	1163	ASHER OIL CO	1163	ASHER OIL CO	WESTERN BANK	B	8/16/1988	
227	43910	ATLANTIC RICHFIELD CO	1271	ATLANTIC RICHFIELD CO	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
227	43910	ATLANTIC RICHFIELD CO	1280	ATLANTIC RICHFIELD COMPANY	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
445	1329	AUTRY C STEPHENS	1329	AUTRY C STEPHENS	NORWEST BANK OF NEW MEXICO	B	10/19/1996	
340	1903	BEACH EXPLORATION INC	1903	BEACH EXPLORATION INC	UNDERWRITERBS INDEMNITY CO.		6/14/1994	
206	2096	BENSON-MONTIN-GREER DRILLING CORP	2096	BENSON-MONTIN-GREER DRILLING CORP	CITIZENS BANK	B	9/28/1992	
127	2702	BP EXPLORATION INC	2702	BP EXPLORATION INC	TRAVELERS CASUALTY & SURETY CO	B	4/19/1988	
137	2840	BRIGHT & CO	2840	BRIGHT & CO	NEW MEXICO FEDERAL SAVINGS & L	B	12/16/1988	
1621	260297	BTA OIL PRODUCERS, LLC	3002	BTA OIL PRODUCERS	US SPECIALTY INSURANCE CO.	M	11/1/2018	
1621	260297	BTA OIL PRODUCERS, LLC	3019	BTA OIL PRODUCERS	US SPECIALTY INSURANCE CO.	M	11/1/2018	
204	3044	BURGUNDY OIL & GAS OF N M INC	3044	BURGUNDY OIL & GAS OF N M INC	UNDERWRITERBS INDEMNITY CO.		9/9/1992	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
598	3053	BURK ROYALTY CO., LTD.	3053	BURK ROYALTY CO., LTD.	CONTINENTAL CASUALTY	S	7/30/2001	VA 2432 0
1951	3080	BURNETT OIL CO INC	3080	BURNETT OIL CO INC	U.S. SPECIALTY INSURANCE COMPA	M	12/18/2023	
999	3474	C W TRAINER	3474	C W TRAINER	SECURITY BANK	B	9/13/2013	
731	4115	CHAPARRAL ENERGY LLC	4115	CHAPARRAL ENERGY LLC	US SPECIALTY INSURANCE	M	4/27/2005	
110	4323	CHEVRON U S A INC	4323	CHEVRON U S A INC	UNITED PACIFIC INS. CO.	B	6/26/1987	
258	4378	CHI OPERATING INC	4378	CHI OPERATING INC	RLI INSURANCE COMPANY	B	5/5/1993	
16	4468	CIBOLA ENERGY CORP	4468	CIBOLA ENERGY CORP	TRAVELERS CASULTY & SURETY COM	B	8/20/1979	
657	4537	CITATION OIL & GAS CORP	4537	CITATION OIL & GAS CORP	TRAVELERS CASUALTY & SURETY	B	10/30/2003	
1571	4838	COLEMAN OIL & GAS INC	4838	COLEMAN OIL & GAS INC	CITIZENS BANK	M	11/7/2017	
913	197035	XTO ENERGY INC	5380	XTO ENERGY, INC	PETROLEUM CASUALTY COMPANY	M	8/2/2010	
1910	5691	Dakota Resources, Inc	5691	Dakota Resources, Inc	EVERGREEN NATIONAL INDEMNITY C	M	3/13/2023	
1922	5691	Dakota Resources, Inc	5691	Dakota Resources, Inc	EVERGREEN NATIONAL INDEMNITY C	S	6/12/2023	V0 1355 1
171	5843	DAVCRO INC	5843	DAVCRO INC	SUNWEST BANK-HOBBS	B	4/4/1991	
1591	5898	DAVID H ARRINGTON OIL & GAS INC	5898	DAVID H ARRINGTON OIL & GAS INC	SECURITY BANK	M	1/31/2018	
294	6137	DEVON ENERGY PRODUCTION COMPANY, LP	6137	DEVON ENERGY PRODUCTION COMPANY, LP	AETNA CASUALTY & SURETY CO.	B	9/30/1993	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	6137	DEVON ENERGY PRODUCTION COMPANY, LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
672	6224	DINERO OPERATING CO	6224	DINERO OPERATING CO	FIRST AMERICAN BANK	M	3/18/2004	
1813	6464	DOYLE HARTMAN	6464	DOYLE HARTMAN	CASH BOND	B	3/16/2022	
1813	6464	DOYLE HARTMAN	6473	DOYLE HARTMAN	CASH BOND	B	3/16/2022	
237	6515	DUGAN PRODUCTION CORP	6515	DUGAN PRODUCTION CORP	FIRST NATL. BANK OF FARMINGTON	B	2/22/1993	
507	113927	DWIGHT A TIPTON	6550	DWIGHT A TIPTON	UNDERWRITERMS INDEMNITY		12/14/1998	
102	6676	E T C OIL CO	6676	E T C OIL CO	TRAVELERS INDEMNITY CO.	B	12/11/1986	
543	6742	ECHO PRODUCTION INC	6742	ECHO PRODUCTION INC	RLI INSURANCE CO.	M	4/5/2000	
599	7109	EL RAN INC	7109	EL RAN INC	RLI INSURANCE	B	7/30/2001	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
	272	7269 NGX COMPANY		7269 NGX COMPANY	GULF INSURANCE CO.	B	7/27/1993	
	447	7272 ENERGY DEVELOPMENT CORP		7272 ENERGY DEVELOPMENT CORP	SAFECO INSURANCE CO OF AMERICA	B	11/26/1996	
	2043	64432 EOG RESOURCES, INC.		7377 EOG RESOURCES INC	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	
	513	7673 EXXON MOBIL CORPORATION		7673 EXXON MOBIL CORPORATION	FEDERAL INSURANCE CO	B	4/1/1999	
	850	65888 FEATHERSTONE DEVELOPMENT CORPORATION		7819 FEATHERSTONE DEVELOPMENT CORP	OHIO CASUALTY INSURANCE COMPAN	B	12/18/2008	
	164	8079 FORTSON OIL CO		8079 FORTSON OIL CO	SUNWEST BANK-ALBUQUERQUE	B	11/28/1990	
	691	213179 H L BROWN OPERATING, LLC		9676 H L BROWN JR	US SPECIALTY INSURANCE	M	7/6/2004	
	903	9974 HANSON OPERATING CO INC		9974 HANSON OPERATING CO INC	U.S. SPECIALTY INSURANCE COMPA	M	2/25/2010	
	1899	10155 HARVARD PETROLEUM COMPANY, LLC		10155 HARVARD PETROLEUM COMPANY, LLC	EVERGREEN NATIONAL INDEMNITY C	M	1/4/2023	
	521	10268 HEADINGTON OIL CO LLC		10268 HEADINGTON OIL CO LLC	CONTINENTAL CASUALTY	B	8/4/1999	
	1770	10825 HUNT OIL CO		10825 HUNT OIL CO	ENDURANCE ASSURANCE CORPORATIO	M	10/30/2020	
	611	11095 J & J SERVICE INC		11095 J & J SERVICE INC	LEA COUNTY BANK	M	4/12/2015	
	152	11506 JACK J GRYNBERG		11506 JACK J GRYNBERG	FIRST INTERSTATE BANK-SANTA FE	B	1/29/1990	
	1869	12254 JPH OIL PRODUCERS DBA JIMMY P HODGE		12254 JPH OIL PRODUCERS DBA JIMMY P HODGE	FIRST AMERICAN BANK	M	8/19/2022	
	821	12361 KAISER-FRANCIS OIL CO		12361 KAISER-FRANCIS OIL CO	TRAVELERS CAUALTY AND SURETY C	M	12/21/2007	
	324	12558 KERR-MCGEE OIL & GAS ONSHORE LP		12558 KERR-MCGEE OIL & GAS ONSHORE LP	SAFECO INSURANCE CO. OF AMERIC	B	3/7/1994	
	348	12627 KEVIN O BUTLER & ASSOC INC		12627 KEVIN O BUTLER & ASSOC INC	UNITED STATES FIRE INSURANCE	B	11/10/1994	
	606	12627 KEVIN O BUTLER & ASSOC INC		12627 KEVIN O BUTLER & ASSOC INC	RLI INSURANCE CO.	B	1/3/2002	
	905	12807 KOCH EXPLORATION COMPANY, LLC		12807 KOCH EXPLORATION COMPANY, LLC	FEDERAL INSURANCE COMPANY	M	3/17/2010	
	218	13046 LANEXCO INC		13046 LANEXCO INC	UNDERWRITERS INDEMNITY CO.		12/9/1992	L0 4634 0

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1960	13089	LARIO OIL & GAS CO	13089	LARIO OIL & GAS CO	U.S. SPECIALTY INSURANCE COMPA	M	1/31/2024	
519	13300	BURLESON PETROLEUM, INC	13300	BURLESON PETROLEUM, INC	LEXON INSURANCE COMPANY	B	6/28/1999	
391	13645	LYNX PETROLEUM CONSULTANTS INC	13645	LYNX PETROLEUM CONSULTANTS INC	RLI INSURANCE COMPANY	B	8/31/1995	
857	154078	MACK ENERGY CORP. AND CHASE OIL CORP.	13837	MACK ENERGY CORP	U.S. SPECIALTY INSURANCE COMPA	M	3/9/2009	
590	13998	MARALEX RESOURCES INC	13998	MARALEX RESOURCES INC	FIDELITY & DEPOSIT	B	6/20/2001	
1509	86997	MARATHON OIL COMPANY LLC	14021	MARATHON OIL CO	LIBERTY MUTUAL INSURANCE COMPA	M	3/13/2017	
1509	86997	MARATHON OIL COMPANY LLC	14035	MARATHON OIL CO	LIBERTY MUTUAL INSURANCE COMPA	M	3/13/2017	
350	14070	MARKS AND GARNER PRODUCTION LTD CO	14070	MARKS AND GARNER PRODUCTION LTD CO	RLI INSURANCE COMPANY	B	12/14/1994	
1935	14096	MARK L SHIDLER INC	14096	MARK L SHIDLER INC	EVERGREEN NATIONAL INDEMNITY C	B	8/21/2023	
1936	14187	MARSHALL & WINSTON INC	14187	MARSHALL & WINSTON INC	EVERGREEN NATINAL INDEMNITY CO	B	11/8/2023	
446	14462	ME-TEX OIL & GAS INC	14462	ME-TEX OIL & GAS INC	UNDERWRITERM S INDEMNITY		11/12/1996	
159	140519	BURLINGTON RESOURCES OIL AND GAS CO.LP	14538	BURLINGTON RESOURCES OIL & GAS COMPANY LP	SAFECO INSURANCE CO.	B	8/3/1990	
858	149505	MERIT ENERGY COMPANY, LLC	14591	MERIT ENERGY COMPANY, LLC	FIDELITY AND DEPOSIT COMPANY O	M	3/2/2009	
252	14634	MERRION OIL & GAS CORP	14634	MERRION OIL & GAS CORP	FIRST NATL. BANK IN FARMINGTON	B	4/27/1993	
686	14744	MEWBOURNE OIL CO	14744	MEWBOURNE OIL CO	LIBERTY MUTUAL INSURANCE	B	6/4/2004	
972	90723	MEWBOURNE OIL COMPANY	14744	MEWBOURNE OIL CO	LIBERTY MUTUAL INSURANCE COMPA	M	9/20/2012	
1096	14771	MGM OIL & GAS CO	14771	MGM OIL & GAS CO	WELLS FARGO BANK, N.A.	M	12/18/2015	
38	15000	MISSION EXPLORATION	15000	MISSION EXPLORATION	HARTFORD ACCIDENT & INDEMNITY	B	4/14/1981	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	15025	DEVON ENERGY OPERATING COMPANY LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
958	15262	MOREXCO INC	15262	MOREXCO INC	WESTERN BANK	S	1/12/2016	V0 7076 1

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1989	314987	MURCHISON OIL & GAS,LLC	15363	Murchison Oil and Gas, LLC	EVERGREEN NATIONAL INDEMNITY C	M	9/3/2024	
943	15422	APACHE CORP	15422	APACHE CORP	LIBERTY MUTUAL INSURANCE COMPA	M	6/14/2011	
51	15439	MWJ PRODUCING CO	15439	MWJ PRODUCING CO	TRAVELERS INDEMNITY CO.	B	2/19/1982	
964	15742	NEARBURG PRODUCING CO	15742	NEARBURG PRODUCING CO	U.S. SPECIALTY INSURANCE COMPA	M	6/13/2012	
2114	342431	NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY	15847	NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY	FRANKENMUTH INSURANCE COMPANY	M	10/1/2025	
47	16482	OLSEN ENERGY INC	16482	OLSEN ENERGY INC	AMERICAN EMPLOYERS INS. CO.	B	6/24/1991	
876	16513	OMIMEX PETROLEUM INC	16513	OMIMEX PETROLEUM INC	U.S. SPECIALTY INSURANCE COMPA	M	6/18/2009	
1709	96694	OXY USA INC	16696	OXY USA INC	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
261	16903	PIONEER NATURAL RESOURCES USA INC	16903	PIONEER NATURAL RESOURCES USA INC	NATIONAL UNION FIRE INSURANCE	B	6/4/1993	
1673	108688	PAUL SLAYTON	17032	PAUL SLAYTON	BANK OF THE SOUTHWEST	B	6/1/2019	
888	17213	PENROC OIL CORP	17213	PENROC OIL CORP	US SPECIALTY INSURANCE COMPANY	M	11/4/2009	
238	17820	PLAINS RADIO PET CO	17811	PLAINS RADIO PETROLEUM CO	VALLEY BANK OF COMMERCE	B	2/22/1993	
238	17820	PLAINS RADIO PET CO	17820	PLAINS RADIO PET CO	VALLEY BANK OF COMMERCE	B	2/22/1993	
848	100363	PREMIER PRODUCTION COMPANY	17985	PREMIER OIL & GAS INC	WESTERN BANK	B	4/27/2015	
564	18099	PRIME OPERATING CO	18099	PRIME OPERATING CO	FIDELITY & DEPOSIT CO. OF MARY	B	9/1/2000	
607	18100	PRIMERO OPERATING INC	18100	PRIMERO OPERATING INC	VALLEY BANK OF COMMERCE	B	2/15/2002	
1952	18917	READ & STEVENS INC	18917	READ & STEVENS INC	U.S. SPECIALTY INSURANCE COMPA	M	1/22/2024	
323	19111	RHOMBUS OPERATING CO LTD	19111	RHOMBUS OPERATING CO LTD	UNDERWRITERS INDEMNITY CO.	B	3/7/1994	
1600	19174	RICE OPERATING COMPANY	19174	RICE OPERATING COMPANY	THE OHIO CASUALTY INS. CO.	M	6/10/2018	
778	19958	STEPHENS & JOHNSON OP CO	19958	STEPHENS & JOHNSON OP CO	U.S. SPECIALITY INSURANCE CO	B	8/23/2006	
1604	20165	SAMSON RESOURCES CO	20165	SAMSON RESOURCES CO	ARGONAUT INSURANCE COMPANY	B	8/6/2018	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
542	20451	SDX RESOURCES INC	20451	SDX RESOURCES INC	LEXON INSURANCE COMPANY	M	4/5/2000	
297	20497	SEELY OIL CO	20497	SEELY OIL CO	FIRST NATL. BANK OF ARTESIA	B	9/30/1993	
852	20497	SEELY OIL CO	20497	SEELY OIL CO	RLI INSURANCE COMPANY	M	1/9/2009	
358	20572	SG INTERESTS I LTD	20572	SG INTERESTS I LTD	RLI INSURANCE	B	2/17/1995	
104	107685	SHELL WESTERN E & P INC	20676	SHELL WESTERN E & P INC	ST. PAUL FIRE & MARINE INS. CO	B	12/29/1986	
707	20713	SHINNERY OIL COMPANY, INC	20713	SHINNERY OIL COMPANY, INC	LEXON INSURANCE COMPANY	M	10/29/2004	
256	20847	SIETE OIL & GAS CORP	20847	SIETE OIL & GAS CORP	SUNWEST BANK OF ROSWELL	B	5/5/1993	
266	21013	SNOW OIL & GAS INC	21013	SNOW OIL & GAS INC	WAIVER	B	7/7/1993	
287	109937	SOUTHWEST ROYALTIES INC	21355	SOUTHWEST ROYALTIES INC	RLI INSURANCE COMPANY	B	8/24/1993	
640	21566	STEARNS	21566	STEARNS	RLI INSURANCE	B	5/27/2003	
520	21602	TRILOGY OPERATING INC	21602	TRILOGY OPERATING INC	TRINITY UNIVERSAL INSURANCE CO	B	7/19/1999	
870	21712	STRATA PRODUCTION CO	21712	STRATA PRODUCTION CO	RLI INSURANCE COMPANY	M	4/27/2009	
625	22044	MCELVAIN ENERGY, INC	22044	MCELVAIN ENERGY, INC	FIDELITY & DEPOSIT	B	12/26/2002	
15	22256	TENNECO OIL CO	22256	TENNECO OIL CO	AETNA CASUALTY & SURETY CO.	B	8/6/1979	
1392	22767	EASTLAND OIL CO	22767	EASTLAND OIL CO	ENDURANCE ASSURANCE CORP.	B	8/4/2016	
390	24010	V-F PETROLEUM INC	24010	V-F PETROLEUM INC	UNDERWRITERBS INDEMNITY	B	8/30/1995	
277	24164	VINTAGE DRILLING LLC	24164	VINTAGE DRILLING LLC	WESTERN BANK	B	7/27/1993	
1010	24173	VINTAGE PETROLEUM,LLC	24173	VINTAGE PETROLEUM,LLC	ARCH INSURANCE COMPANY	M	7/3/2014	
386	24188	VISION ENERGY INC	24188	VISION ENERGY INC	IRREVOCABLE LETTER OF CREDIT	B	12/1/2015	
752	24480	WAGNER & BROWN	24480	WAGNER & BROWN	TRAVELERS CASUALTY	B	11/4/2005	
1805	339667	WALSH & WATTS INC.	24558	WALSH & WATTS INC	U.S. SPECIALTY INSURANCE COMPA	M	1/12/2022	
748	25078	WHITING OIL AND GAS CORPORATION	25078	WHITING OIL AND GAS CORPORATION	RLI INSURANCE	M	10/4/2005	
1925	25454	WTG EXPLORATION INC	25454	WTG EXPLORATION INC	EVERGREEN NATIONAL INDEMNITY C	M	7/12/2023	
303	25482	XERIC OIL & GAS CORP	25482	XERIC OIL & GAS CORP	UNITED NEW MEXICO BANK	B	11/29/1993	
751	25542	YATES ENERGY CORP	25542	YATES ENERGY CORP	US SPECIALTY	B	10/28/2005	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
536	25706	CLAYTON WILLIAMS ENERGY INC	25706	CLAYTON WILLIAMS ENERGY INC	RLI INSURANCE COMPANY	M	1/6/2000	
758	26307	JALAPENO CORPORATION	26307	JALAPENO CORPORATION	US SPECIALTY INSURANCE	B	1/27/2006	
418	130308	SABRE OPERATING INC	26460	SABRE OP INC	RLI INSURANCE COMPANY	B	2/21/1996	
227	43910	ATLANTIC RICHFIELD CO	30271	ARCO OIL & GAS CO	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
227	43910	ATLANTIC RICHFIELD CO	30280	ATLANTIC RICHFIELD COMPANY	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
1788	31560	EVKO DEVELOPMEN T CO	31560	EVKO DEVELOPMEN T CO	CASH BOND	B	9/10/2021	
1509	86997	MARATHON OIL COMPANY LLC	32954	MARATHON OIL CO - OIL	LIBERTY MUTUAL INSURANCE COMPA	M	3/13/2017	
1509	86997	MARATHON OIL COMPANY LLC	32966	MARATHON OIL CO - PURCH	LIBERTY MUTUAL INSURANCE COMPA	M	3/13/2017	
749	33021	MCBRIDE OIL AND GAS CORP	33021	MCBRIDE OIL AND GAS CORP	US SPECIALTY INSURANCE	B	10/17/2005	
1709	96694	OXY USA INC	33726	OXY USA INC - OIL	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
840	34945	KINDER MORGAN CO2 CO. LP	34945	KINDER MORGAN CO2 CO. LP	SAFECO INSURANCE COMPANY OF AM	M	6/27/2008	
1891	35048	SPEEREX LTD - PARTNERSHIP	35048	SPEEREX LTD - PARTNERSHIP	SOUTH ATLANTIC BANK	B	5/25/2022	
394	36851	YARBROUGH OIL LP	36851	YARBROUGH OIL LP	RLI INSURANCE COMPANY	B	9/26/1995	
1961	36851	YARBROUGH OIL LP	36851	YARBROUGH OIL LP	EVERGREEN NATIONAL INDEMNITY C	B	1/31/2024	
441	37079	GRAND BANKS ENERGY CO	37079	GRAND BANKS ENERGY CO	RLI INSURANCE COMPANY	B	8/1/1996	
322	37197	WEST LARGO CORP	37197	WEST LARGO CORP	UNITED NEW MEXICO BANK	S	3/3/1994	E0 1451 5
1392	22767	EASTLAND OIL CO	37465	EASTLAND OIL COMPANY	ENDURANCE ASSURANCE CORP.	B	8/4/2016	
702	37627	WESTERN GAS RESOURCES	37627	WESTERN GAS RESOURCES	LIBERTY MUTUAL	M	9/29/2004	
660	41452	HESS CORPORATION	41452	HESS CORPORATION	SAFECO INSURANCE COMPANY OF AM	B	11/24/2003	
17	778	BP AMERICA PRODUCTION COMPANY	41874	BP AMERICA PRODUCTION CO.	SEABOARD SURETY COMPANY	B	8/27/1979	
315	117139	BP AMERICA PRODUCTION COMPANY	41874	BP AMERICA PRODUCTION CO.	TRAVELERS CASUALTY & SURETY	B	1/13/1994	
1587	218098	BP AMERICA PRODUCTION COMPANY	41874	BP AMERICA PRODUCTION CO.	TRAVELERS CASUALTY AND SURETY	M	11/11/2017	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1588	218098	BP AMERICA PRODUCTION COMPANY	41874	BP AMERICA PRODUCTION CO.	TRAVELERS CASUALTY AND SURETY	M	11/11/2016	
17	778	BP AMERICA PRODUCTION COMPANY	41909	BP AMERICA PRODUCTION COMPANY	SEABOARD SURETY COMPANY	B	8/27/1979	
315	117139	BP AMERICA PRODUCTION COMPANY	41909	BP AMERICA PRODUCTION COMPANY	TRAVELERS CASUALTY & SURETY	B	1/13/1994	
1588	218098	BP AMERICA PRODUCTION COMPANY	41909	BP AMERICA PRODUCTION COMPANY	TRAVELERS CASUALTY AND SURETY	M	11/11/2016	
17	778	BP AMERICA PRODUCTION COMPANY	41947	BP AMERICA PRODUCTION CO.	SEABOARD SURETY COMPANY	B	8/27/1979	
315	117139	BP AMERICA PRODUCTION COMPANY	41947	BP AMERICA PRODUCTION CO.	TRAVELERS CASUALTY & SURETY	B	1/13/1994	
1588	218098	BP AMERICA PRODUCTION COMPANY	41947	BP AMERICA PRODUCTION CO.	TRAVELERS CASUALTY AND SURETY	M	11/11/2016	
943	15422	APACHE CORP	42614	APACHE CORP	LIBERTY MUTUAL INSURANCE COMPA	M	6/14/2011	
943	15422	APACHE CORP	42629	APACHE CORPORATION	LIBERTY MUTUAL INSURANCE COMPA	M	6/14/2011	
943	15422	APACHE CORP	42632	APACHE CORPORATION	LIBERTY MUTUAL INSURANCE COMPA	M	6/14/2011	
227	43910	ATLANTIC RICHFIELD CO	43042	ARCO OIL & GAS CO PERMIAN DIST WEST	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
133	1163	ASHER OIL CO	43602	ASHER OIL CO	WESTERN BANK	B	8/16/1988	
227	43910	ATLANTIC RICHFIELD CO	43864	ATLANTIC RICH CO & COLO OIL CO INC	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
227	43910	ATLANTIC RICHFIELD CO	43873	ATLANTIC RICH CO & TEX PROD INC	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
227	43910	ATLANTIC RICHFIELD CO	43897	ATLANTIC RICHFIELD & MONSANTO OILCO	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
227	43910	ATLANTIC RICHFIELD CO	43908	ATLANTIC RICHFIELD CO	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
227	43910	ATLANTIC RICHFIELD CO	43910	ATLANTIC RICHFIELD CO	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
227	43910	ATLANTIC RICHFIELD CO	43924	ATLANTIC RICHFIELD CO	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
227	43910	ATLANTIC RICHFIELD CO	43933	ATLANTIC RICHFIELD CO	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
227	43910	ATLANTIC RICHFIELD CO	43941	ATLANTIC RICHFIELD CO	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
227	43910	ATLANTIC RICHFIELD CO	43955	ATLANTIC RICHFIELD CO	TRAVELERS CASUALTY & SURETY	B	12/9/1992	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
	227	43910 ATLANTIC RICHFIELD CO	43962	ATLANTIC RICHFIELD CO	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
	227	43910 ATLANTIC RICHFIELD CO	43979	ATLANTIC RICHFIELD CO	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
	227	43910 ATLANTIC RICHFIELD CO	43986	ATLANTIC RICHFIELD CO	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
	227	43910 ATLANTIC RICHFIELD CO	43990	ATLANTIC RICHFIELD CO	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
	227	43910 ATLANTIC RICHFIELD CO	44009	ATLANTIC RICHFIELD CO	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
	227	43910 ATLANTIC RICHFIELD CO	44012	ATLANTIC RICHFIELD CO AND DOYLE HARTMAN	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
	227	43910 ATLANTIC RICHFIELD CO	44023	ATLANTIC RICHFIELD CO & EL PASO	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
	227	43910 ATLANTIC RICHFIELD CO	44034	ATLANTIC RICHFIELD CO & EL PASO GAS	TRAVELERS CASUALTY & SURETY	B	12/9/1992	
	2003	45465 PERRY R BASS TRUSTEE	45465	PERRY R BASS TRUSTEE	ARCH INSURANCE COMPANY	M	10/15/2024	
	340	1903 BEACH EXPLORATION INC	45711	BEACH EXPLORATION INC	UNDERWRITERS INDEMNITY CO.	B	6/14/1994	
	206	2096 BENSON-MONTIN-GREER DRILLING CORP	46511	BENSON-MONTIN-GREER DRILLING CORP	CITIZENS BANK	B	9/28/1992	
	206	2096 BENSON-MONTIN-GREER DRILLING CORP	46520	BENSON-MONTIN-GREER DRILLING CORP	CITIZENS BANK	B	9/28/1992	
	206	2096 BENSON-MONTIN-GREER DRILLING CORP	46538	BENSON-MONTIN-GREER DRILLING CORP	CITIZENS BANK	B	9/28/1992	
	1642	46950 BHP BILLITON PETROLEUM (AMERICAS) INC.	46950	BHP BILLITON PETROLEUM (AMERICAS) INC.	LIBERTY MUTUAL INSURANCE COMPA	M	5/24/2019	
	127	2702 BP EXPLORATION INC	48657	BP EXPLORATION INC.	TRAVELERS CASUALTY & SURETY CO	B	4/19/1988	
	648	49239 BROUGHTON PETROLEUM INC	49239	BROUGHTON PETROLEUM INC	NATIONAL AMERICAN INSURANCE	S	7/24/2003	V0 226 0
	2042	49239 BROUGHTON PETROLEUM INC	49239	BROUGHTON PETROLEUM INC	CROSSFIRST BANK	B	1/21/2025	
	1854	49408 JAMES L. BROWN	49408	JAMES L. BROWN	WAIVER	S	7/12/2022	B1 419 67
	691	213179 H L BROWN OPERATING, LLC	49520	H L BROWN JR	US SPECIALTY INSURANCE	M	7/6/2004	
	857	154078 MACK ENERGY CORP. AND CHASE OIL CORP.	50084	CHASE OIL CORP.	U.S. SPECIALTY INSURANCE COMPA	M	3/9/2009	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
204	3044	BURGUNDY OIL & GAS OF N M INC	50348	BURGUNDY OIL & GAS OF N MEX INC	UNDERWRITERBS INDEMNITY CO.		9/9/1992	
1757	51549	CAL-MON OIL COMPANY	51549	CAL-MON OIL COMPANY	COMMUNITY NATIONAL BANK	B	3/31/2021	
857	154078	MACK ENERGY CORP. AND CHASE OIL CORP.	53773	CHASE OIL CORPORATION	U.S. SPECIALTY INSURANCE COMPA	M	3/9/2009	
514	54207	CHEVRON USA INC	54186	CHEVRON USA INC	SAFECO INSURANCE CO OF AMERICA	M	4/1/1999	
110	4323	CHEVRON U S A INC	54190	CHEVRON USA INC	UNITED PACIFIC INS. CO.	B	6/26/1987	
514	54207	CHEVRON USA INC	54190	CHEVRON USA INC	SAFECO INSURANCE CO OF AMERICA	M	4/1/1999	
514	54207	CHEVRON USA INC	54207	CHEVRON USA INC	SAFECO INSURANCE CO OF AMERICA	M	4/1/1999	
514	54207	CHEVRON USA INC	54216	CHEVRON USA INC	SAFECO INSURANCE CO OF AMERICA	M	4/1/1999	
514	54207	CHEVRON USA INC	54284	CHEVRON USA INC	SAFECO INSURANCE CO OF AMERICA	M	4/1/1999	
514	54207	CHEVRON USA INC	54296	CHEVRON USA INC	SAFECO INSURANCE CO OF AMERICA	M	4/1/1999	
514	54207	CHEVRON USA INC	54302	CHEVRON USA INC	SAFECO INSURANCE CO OF AMERICA	M	4/1/1999	
514	54207	CHEVRON USA INC	54326	CHEVRON USA INC	SAFECO INSURANCE CO OF AMERICA	M	4/1/1999	
258	4378	CHI OPERATING INC	54404	CHI ENERGY INC	RLI INSURANCE COMPANY	B	5/5/1993	
840	34945	KINDER MORGAN CO2 CO. LP	57775	CORTEZ PIPELINE CO	SAFECO INSURANCE COMPANY OF AM	M	6/27/2008	
1829	339860	CRESCENT PORTER HALE FOUNDATION	58731	CRESCENT PORTER HALE FOUNDATION	CASH BOND	B	3/22/2022	
913	197035	XTO ENERGY INC	59005	XTO ENERGY, INC.	PETROLEUM CASUALTY COMPANY	M	8/2/2010	
1910	5691	Dakota Resources, Inc	59440	DAKOTA RESOURCES INC	EVERGREEN NATIONAL INDEMNITY C	M	3/13/2023	
673	60289	DAWSON GEOPHYSICAL	60289	DAWSON GEOPHYSICAL	US SPECIALTY INSURANCE CO.	M	3/18/2004	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	61077	DEVON ENERGY PRODUCTION CO., LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	61082	DEVON ENERGY PRODUCTION CO., LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
237	6515	DUGAN PRODUCTION CORP	62230	DUGAN PRODUCTION CORP	FIRST NATL. BANK OF FARMINGTON	B	2/22/1993	
2128	62526	DURANGO PRODUCTION CORP	62526	DURANGO PRODUCTION CORP	CASH BOND	S	1/29/2026	SG 42 0
418	130308	SABRE OPERATING INC	62526	DURANGO PRODUCTION CORP	RLI INSURANCE COMPANY	B	2/21/1996	
1392	22767	EASTLAND OIL CO	62923	EASTLAND OIL COMPANY	ENDURANCE ASSURANCE CORP.	B	8/4/2016	
104	107685	SHELL WESTERN E & P INC	63086	SHELL WESTERN E & P	ST. PAUL FIRE & MARINE INS. CO	B	12/29/1986	
159	140519	BURLINGTON RESOURCES OIL AND GAS CO.LP	63601	BURLINGTON RESOURCES OIL AND GAS CO. L.P.	SAFECO INSURANCE CO.	B	8/3/1990	
159	140519	BURLINGTON RESOURCES OIL AND GAS CO.LP	63615	BURLINGTON RESOURCES & XTO ENERGY	SAFECO INSURANCE CO.	B	8/3/1990	
1793	64269	EOG RESOURCES AND KING RESOURCES	64269	EOG RESOURCES AND KING RESOURCES	LIBERTY MUTUAL INSURANCE COMPA	S	10/5/2021	LG 1869 1
2043	64432	EOG RESOURCES, INC.	64283	EOG RESOURCES,INC.	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	
2043	64432	EOG RESOURCES, INC.	64432	EOG RESOURCES, INC.	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	
226	172981	EEX OPERATING, L.P.	64476	EEX CORPORATION	ST. PAUL FIRE AND MARINE	B	12/9/1992	
1796	65531	FAIR OIL LTD	65531	FAIR OIL LTD	CASH BOND/ SOUTHSIDE BANK	M	11/17/2021	
1754	151416	FASKEN OIL & RANCH LTD	65792	FASKEN LAND AND MINERALS, LTD.	U.S. SPECIALTY INSURANCE COMPA	M	2/26/2021	
850	65888	FEATHERSTONE DEVELOPMENT CORPORATION	65888	FEATHERSTONE DEVELOPMENT CORPORATION	OHIO CASUALTY INSURANCE COMPAN	B	12/18/2008	
164	8079	FORTSON OIL CO	67463	FORTSON OIL COMPANY	SUNWEST BANK-ALBUQUERQUE	B	11/28/1990	
164	8079	FORTSON OIL CO	67474	FORTSON OIL COMPANY	SUNWEST BANK-ALBUQUERQUE	B	11/28/1990	
164	8079	FORTSON OIL CO	67489	FORTSON OIL COMPANY	SUNWEST BANK-ALBUQUERQUE	B	11/28/1990	
1823	71826	WALTER GRANBERRY JR	71826	WALTER GRANBERRY JR	CASH BOND	B	4/8/2022	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
943	15422	APACHE CORP	73368	APACHE CORPORATION	LIBERTY MUTUAL INSURANCE COMPA	M	6/14/2011	
898	241333	CHEVRON MIDCONTINENT, L.P.	73564	CHEVRON MIDCONTINENT LP	SAFECO INSURANCE COMPANY OF AM	M	2/10/2010	
1913	73935	PEABODY NATURAL RESOURCES COMPANY	73935	PEABODY NATURAL RESOURCES COMPANY	INDEMNITY NATIONAL INSURANCE C	M	3/27/2023	
1813	6464	DOYLE HARTMAN	74572	DOYLE HARTMAN	CASH BOND	B	3/16/2022	
1004	261044	MRC PERMIAN COMPANY	74640	MRC DELAWARE RESOURCES, LLC	ARCH INSURANCE COMPANY	M	1/7/2014	
521	10268	HEADINGTON OIL CO LLC	75035	HEADINGTON MINERALS INC	CONTINENTAL CASUALTY	B	8/4/1999	
1770	10825	HUNT OIL CO	77722	HUNT OIL COMPANY	ENDURANCE ASSURANCE CORPORATIO	M	10/30/2020	
202	78436	J CLEO & JAMES CLEO THOMPSON JR, L.P.	78436	J CLEO & JAMES CLEO THOMPSON JR, L.P.	GULF INSURANCE CO./ TRAVELERS I	B	8/28/1992	
304	83137	ROBERT E LANDRETH	83137	ROBERT E LANDRETH	UNITED NEW MEXICO BANK/ ROSWELL	S	11/29/1993	VB 410 0
458	83137	ROBERT E LANDRETH	83137	ROBERT E LANDRETH	NORWEST BANK OF NM	B	4/7/1997	
1960	13089	LARIO OIL & GAS CO	83338	LARIO OIL & GAS CO	U.S. SPECIALTY INSURANCE COMPA	M	1/31/2024	
1945	83338	LARIO OIL & GAS CO	83338	LARIO OIL & GAS CO	WAIVER	S	11/22/2023	VC 1194 0
1946	83338	LARIO OIL & GAS CO	83338	LARIO OIL & GAS CO	WAIVER	S	11/22/2023	VC 1195 0
1960	13089	LARIO OIL & GAS CO	83346	LARIO OIL & GAS CO	U.S. SPECIALTY INSURANCE COMPA	M	1/31/2024	
1864	84093	LEEDE OPERATING COMPANY, LIMITED LIABILITY CO	84093	LEEDE OPERATING COMPANY, LIMITED LIABILITY CO	CASH BOND	B	8/10/2022	
1661	86143	MACK ENERGY CORPORATION	86143	MACK ENERGY CORPORATION	U.S. SPECIALTY INSURANCE COMPA	M	8/15/2019	
857	154078	MACK ENERGY CORP. AND CHASE OIL CORP.	86143	MACK ENERGY CORPORATION	U.S. SPECIALTY INSURANCE COMPA	M	3/9/2009	
1509	86997	MARATHON OIL COMPANY LLC	86988	MARATHON OIL COMPANY	LIBERTY MUTUAL INSURANCE COMPA	M	3/13/2017	
1509	86997	MARATHON OIL COMPANY LLC	86997	MARATHON OIL COMPANY LLC	LIBERTY MUTUAL INSURANCE COMPA	M	3/13/2017	
1509	86997	MARATHON OIL COMPANY LLC	87006	MARATHON OIL CO	LIBERTY MUTUAL INSURANCE COMPA	M	3/13/2017	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1509	86997	MARATHON OIL COMPANY LLC	87022	MARATHON OIL CO & TEX PROD INC	LIBERTY MUTUAL INSURANCE COMPA	M	3/13/2017	
625	22044	MCELVAIN ENERGY, INC	89247	MCELVAIN ENERGY, INC.	FIDELITY & DEPOSIT	B	12/26/2002	
686	14744	MEWBOURNE OIL CO	90712	MEWBOURNE OIL COMPANY	LIBERTY MUTUAL INSURANCE	B	6/4/2004	
972	90723	MEWBOURNE OIL COMPANY	90712	MEWBOURNE OIL COMPANY	LIBERTY MUTUAL INSURANCE COMPA	M	9/20/2012	
686	14744	MEWBOURNE OIL CO	90723	MEWBOURNE OIL COMPANY	LIBERTY MUTUAL INSURANCE	B	6/4/2004	
972	90723	MEWBOURNE OIL COMPANY	90723	MEWBOURNE OIL COMPANY	LIBERTY MUTUAL INSURANCE COMPA	M	9/20/2012	
972	90723	MEWBOURNE OIL COMPANY	90734	MEWBOURNE OIL COMPANY	LIBERTY MUTUAL INSURANCE COMPA	M	9/20/2012	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	91575	DEVON ENERGY PRODUCTION CO.	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
2002	91745	MOBIL PRODUCING TEXAS & NM INC	91739	MOBIL PRODUCING TEXAS & NM INC	LIBERTY MUTUAL INSURANCE COMPA	M	10/15/2024	
2002	91745	MOBIL PRODUCING TEXAS & NM INC	91745	MOBIL PRODUCING TEXAS & NM INC	LIBERTY MUTUAL INSURANCE COMPA	M	10/15/2024	
723	91994	W A MONCRIEF JR	91994	W A MONCRIEF JR	US SPECIALTY INSURANCE	M	2/11/2005	
943	15422	APACHE CORP	93661	APACHE CORPORATION	LIBERTY MUTUAL INSURANCE COMPA	M	6/14/2011	
964	15742	NEARBURG PRODUCING CO	94230	NEARBURG PRODUCING CO	U.S. SPECIALTY INSURANCE COMPA	M	6/13/2012	
964	15742	NEARBURG PRODUCING CO	94242	NEARBURG PRODUCING COMPANY	U.S. SPECIALTY INSURANCE COMPA	M	6/13/2012	
1885	94891	NM OIL CORP	94891	NM OIL CORP	WAIVER	S	9/8/2022	B1 420 183
1709	96694	OXY USA INC	96694	OXY USA INC	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
1708	96704	OXY USA WTP LIMITED PARTNERSHIP	96704	OXY USA WTP LIMITED PARTNERSHIP	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
124	97134	PALOMA OPERATING CO	97134	PALOMA OPERATING CO	UNITED NEW MEXICO BANK-LEA COU	B	4/15/1988	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	98117	DEVON ENERGY PRODUCTION CO. LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
226	172981	EEX OPERATING, L.P.	98959	EEX CORPORATION	ST. PAUL FIRE AND MARINE	B	12/9/1992	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
627	217817	CONOCOPHILLIPS COMPANY	99210	CONOCOPHILLIPS COMPANY	SAFECO INSURANCE CO OF AMERICA	M	1/28/2003	
20	256999	POGO PRODUCING COMPANY LLC	99834	POGO PRODUCING CO	RLI INSURANCE COMPANY	B	10/15/2008	
848	100363	PREMIER PRODUCTION COMPANY	100363	PREMIER PRODUCTION COMPANY	WESTERN BANK	B	4/27/2015	
1952	18917	READ & STEVENS INC	101924	READ & STEVENS INC	U.S. SPECIALTY INSURANCE COMPA	M	1/22/2024	
71	101924	READ & STEVENS INC	101924	READ & STEVENS INC	COMMERCIAL UNION INSURANCE CO.	B	9/7/1983	
984	101924	READ & STEVENS INC	101924	READ & STEVENS INC	WEST TEXAS NATIONAL BANK	M	3/18/2013	
2037	104738	RUTTER AND WILBANKS CORPORATION	104738	RUTTER AND WILBANKS CORPORATION	CASH BOND	M	1/9/2025	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	106015	DEVON ENERGY PRODUCTION CO.	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	106048	DEVON ENERGY PRODUCTION CO., LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	106114	DEVON ENERGY PRODUCTION CO., L.P.	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	106132	DEVON ENERGY PRODUCTION CO., LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	106176	DEVON ENERGY PRODUCTION CO., LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
1140	106718	DOUG J. SCHUTZ	106718	DOUG J. SCHUTZ	WAIVER	S	2/24/2016	VB 2649 0
297	20497	SEELY OIL CO	107021	SEELY OIL COMPANY	FIRST NATL. BANK OF ARTESIA	B	9/30/1993	
852	20497	SEELY OIL CO	107021	SEELY OIL COMPANY	RLI INSURANCE COMPANY	M	1/9/2009	
892	107096	STEVE SELL	107096	STEVE SELL	WAIVER	S	12/14/2009	VA 1188 4
49	107609	SHELL OIL CO	107609	SHELL OIL CO	INSURANCE CO. OF NORTH AMERICA	B	12/18/1981	
49	107609	SHELL OIL CO	107623	SHELL OIL COMPANY	INSURANCE CO. OF NORTH AMERICA	B	12/18/1981	
1710	107647	OXY Y-1 COMPANY	107647	OXY Y-1 COMPANY	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
104	107685	SHELL WESTERN E & P INC	107685	SHELL WESTERN E & P INC	ST. PAUL FIRE & MARINE INS. CO	B	12/29/1986	
104	107685	SHELL WESTERN E & P INC	107692	SHELL WESTERN E & P INC	ST. PAUL FIRE & MARINE INS. CO	B	12/29/1986	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1673	108688	PAUL SLAYTON	108688	PAUL SLAYTON	BANK OF THE SOUTHWEST	B	6/1/2019	
123	109413	SOFIA EXPLORATION COMPANY	109413	SOFIA EXPLORATION COMPANY	WAIVER - FOREST ATCHLEY	S	10/20/1986	LH 3449 1
159	140519	BURLINGTON RESOURCES OIL AND GAS CO.LP	109818	BURLINGTON RESOURCES OIL & GAS CO., L.P.	SAFECO INSURANCE CO.	B	8/3/1990	
159	140519	BURLINGTON RESOURCES OIL AND GAS CO.LP	109843	BURLINGTON RESOURCES OIL & GAS CO., L.P.	SAFECO INSURANCE CO.	B	8/3/1990	
159	140519	BURLINGTON RESOURCES OIL AND GAS CO.LP	109854	BURLINGTON RESOURCES OIL & GAS CO., L.P.	SAFECO INSURANCE CO.	B	8/3/1990	
287	109937	SOUTHWEST ROYALTIES INC	109937	SOUTHWEST ROYALTIES INC	RLI INSURANCE COMPANY	B	8/24/1993	
287	109937	SOUTHWEST ROYALTIES INC	109944	SOUTHWEST ROYALTIES INCORPORATED	RLI INSURANCE COMPANY	B	8/24/1993	
1891	35048	SPEEREX LTD - PARTNERSHIP	110219	SPEEREX LIMITED PARTNERSHIP	SOUTH ATLANTIC BANK	B	5/25/2022	
445	1329	AUTRY C STEPHENS	110670	AUTRY C STEPHENS	NORWEST BANK OF NEW MEXICO	B	10/19/1996	
324	12558	KERR-MCGEE OIL & GAS ONSHORE LP	111592	KERR-MCGEE O/G ONSHORE, LP	SAFECO INSURANCE CO. OF AMERIC	B	3/7/1994	
170	112688	TENISON OIL COMPANY	112688	TENISON OIL COMPANY	UNDERWRITERS S INDEMNITY CO.		4/4/1991	L0 4333 0
1993	113315	TEXLAND PETROLEUM-HOBBS, LLC	113315	TEXLAND PETROLEUM-HOBBS, LLC	EVERGREEN NATIONAL INDEMNITY C	M	9/17/2024	
507	113927	DWIGHT A TIPTON	113927	DWIGHT A TIPTON	UNDERWRITERM S INDEMNITY		12/14/1998	
999	3474	C W TRAINER	114463	C W TRAINER	SECURITY BANK	B	9/13/2013	
999	3474	C W TRAINER	114474	C W TRAINER	SECURITY BANK	B	9/13/2013	
999	3474	C W TRAINER	114489	C W TRAINER	SECURITY BANK	B	9/13/2013	
999	3474	C W TRAINER	114491	C W TRAINER	SECURITY BANK	B	9/13/2013	
1832	114794	TRIGG FAMILY TRUST	114794	TRIGG FAMILY TRUST	CASH BOND	B	5/11/2022	
355	115804	UNION OIL CO OF CALIF	115804	UNION OIL CO OF CALIF	TRAVELERS CASUALTY & SURETY CO	B	1/10/1995	
649	116196	QEP ENERGY COMPANY	116196	QEP ENERGY COMPANY	LIBERTY MUTUAL	B	7/24/2003	
1739	116962	VALLEY INC	116962	VALLEY INC	UNITED STATES AND GUARANTY COM	M	8/1/2020	
17	778	BP AMERICA PRODUCTION COMPANY	117139	BP AMERICA PRODUCTION COMPANY	SEABOARD SURETY COMPANY	B	8/27/1979	
315	117139	BP AMERICA PRODUCTION COMPANY	117139	BP AMERICA PRODUCTION COMPANY	TRAVELERS CASUALTY & SURETY	B	1/13/1994	
1588	218098	BP AMERICA PRODUCTION COMPANY	117139	BP AMERICA PRODUCTION COMPANY	TRAVELERS CASUALTY AND SURETY	M	11/11/2016	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
362	119305	RAY WESTALL OPERATING, INC.	119305	RAY WESTALL OPERATING, INC.	GULF INSURANCE CO.	B	3/9/1995	
2079	119305	RAY WESTALL OPERATING, INC.	119305	RAY WESTALL OPERATING, INC.	EVERGREEN NATIONAL INDEMNITY C	M	5/29/2025	
1095	119957	PHILIP L WHITE	119957	PHILIP L WHITE	BOK FINANCIAL	S	12/16/2015	VB 2126 0
1745	120782	WPX ENERGY PRODUCTION, LLC	120782	WPX ENERGY PRODUCTION, LLC	LIBERTY MUTUAL INSURANCE COMPA	B	1/27/2021	
60	121728	WOODS PETROLEUM CORP	121728	WOODS PETROLEUM CORP	ST. PAUL FIRE & MARINE INS. CO	B	7/27/1982	
850	65888	FEATHERSTONE DEVELOPMENT CORPORATION	123330	FEATHERSTONE DEVELOPMENT CORPORATION	OHIO CASUALTY INSURANCE COMPAN	B	12/18/2008	
988	123375	JAMES HAMILTON CONSTRUCTION CO.	123375	JAMES HAMILTON CONSTRUCTION CO.	ALLEGHENY CASUALTY CO.	M	6/1/2013	
1509	86997	MARATHON OIL COMPANY LLC	123419	MARATHON OIL COMPANY LLC & SDX RESOURCES, INC	LIBERTY MUTUAL INSURANCE COMPA	M	3/13/2017	
1953	123558	MOUNTAIN STATES CONSTRUCTORS, INC.	123558	MOUNTAIN STATES CONSTRUCTORS, INC.	WESTERN SURETY COMPANY	M	1/11/2024	
2043	64432	EOG RESOURCES, INC.	123807	EOG RESOURCES INC.	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	
103	123849	GREAT WESTERN DRILLING LTD	123849	GREAT WESTERN DRILLING LTD	TRAVELERS INDEMNITY CO.	B	1/6/1987	
967	124768	MNA ENTERPRISES LTD CO	124768	MNA ENTERPRISES LTD CO	LEXON INSURANCE COMP.	M	7/26/2012	
114	125839	CENTURY PRODUCTION, INC.	125839	CENTURY PRODUCTION, INC.	FIDELITY & DEPOSIT CO. OF MARY	B	1/4/1983	
631	126430	GOLIAD PARTNERS, L.P.	126430	GOLIAD PARTNERS, L.P.	TRAVELERS CASUALTY & SURETY	B	2/3/2003	
307	126493	SHELL OIL & GAS INVESTMENT L.P., ET AL.	126493	SHELL OIL & GAS INVESTMENT L.P., ET AL.	UNITED PACIFIC INSURANCE CO.	B	11/29/1993	
159	140519	BURLINGTON RESOURCES OIL AND GAS CO.LP	129146	BURLINGTON RESOURCES & OMIMEX PETROLEUM INC.	SAFECO INSURANCE CO.	B	8/3/1990	
521	10268	HEADINGTON OIL CO LLC	129202	HEADINGTON INVESTMENTS, INC.	CONTINENTAL CASUALTY	B	8/4/1999	
521	10268	HEADINGTON OIL CO LLC	129226	HEADINGTON ROYALTY, INC.	CONTINENTAL CASUALTY	B	8/4/1999	
418	130308	SABRE OPERATING INC	130308	SABRE OPERATING INC	RLI INSURANCE COMPANY	B	2/21/1996	
1366	131559	PURVIS OPERATING CO	131559	PURVIS OPERATING CO	FIRST NATIONAL BANK OF MIDLAND	M	6/2/2009	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
354	131994	FOUR STAR OIL & GAS CO	131994	FOUR STAR OIL & GAS CO	INSURANCE CO. OF NORTH AMERICA	B	1/3/1995	
2043	64432	EOG RESOURCES, INC.	134259	EOG RESOURCES, INC.	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	
1366	131559	PURVIS OPERATING CO	134857	PURVIS OPERATING CO	FIRST NATIONAL BANK OF MIDLAND	M	6/2/2009	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	136025	DEVON ENERGY OPERATING CORP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
999	3474	C W TRAINER	138277	C W TRAINER	SECURITY BANK	B	9/13/2013	
159	140519	BURLINGTON RESOURCES OIL AND GAS CO.LP	138746	BURLINGTON RESOURCES AND MARATHON OIL CO.	SAFECO INSURANCE CO.	B	8/3/1990	
625	22044	MCELVAIN ENERGY, INC	140204	T. H. MCELVAIN OIL & GAS LLLP	FIDELITY & DEPOSIT	B	12/26/2002	
1509	86997	MARATHON OIL COMPANY LLC	140468	MARATHON OIL CO&BURLINGTON RESOURCES OG CO LP	LIBERTY MUTUAL INSURANCE COMPA	M	3/13/2017	
159	140519	BURLINGTON RESOURCES OIL AND GAS CO.LP	140519	BURLINGTON RESOURCES OIL AND GAS CO.LP	SAFECO INSURANCE CO.	B	8/3/1990	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	140544	DEVON ENERGY OPERATING CORP.	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
484	172635	FULFER OIL & CATTLE CO., LLC	141402	FULFER OIL & CATTLE LLC	UNDERWRITERS S INDEMNITY		1/18/1998	B1 1300 3
494	172635	FULFER OIL & CATTLE CO., LLC	141402	FULFER OIL & CATTLE LLC	UNDERWRITERS S INDEMNITY		5/18/1998	E0 1057 0
512	252708	PATTERSON PETROLEUM LLC	141928	PATTERSON PETROLEUM LLC	RLI INSURANCE COMPANY	M	8/6/2007	
238	17820	PLAINS RADIO PET CO	142887	PLAINS RADIO PETROLEUM CO	VALLEY BANK OF COMMERCE	B	2/22/1993	
720	143199	ENERVEST OPERATING L.L.C.	143199	ENERVEST OPERATING L.L.C.	RLI INSURANCE	B	2/10/2005	
819	143199	ENERVEST OPERATING L.L.C.	143199	ENERVEST OPERATING L.L.C.	RLI INSURANCE COMPANY	M	11/8/2007	
1509	86997	MARATHON OIL COMPANY LLC	144121	MARATHON OIL COMPANY	LIBERTY MUTUAL INSURANCE COMPA	M	3/13/2017	
373	145590	SHELL LAND & ENERGY CO.	145590	SHELL LAND & ENERGY CO.	ST. PAUL FIRE & MARINE	B	4/7/1995	
1754	151416	FASKEN OIL & RANCH LTD	145768	FASKEN ACQUISITIONS 95-I, LTD.	U.S. SPECIALTY INSURANCE COMPA	M	2/26/2021	
1053	146906	ANSCHUTZ EXPLORATION CORPORATION	146906	ANSCHUTZ EXPLORATION CORPORATION	TRAVELERS CASUALTY & SURETY CO	M	11/13/2014	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1632	147141	ELAND ENERGY, INC.	147141	ELAND ENERGY, INC.	N/A	B	2/25/2019	
1583	147404	COBRA OIL & GAS CORPORATION	147404	COBRA OIL & GAS CORPORATION	U.S. SPECIALTY INSURANCE COMPA	M	2/15/2018	
1820	147691	CHILDRESS ROYALTY COMPANY	147691	CHILDRESS ROYALTY COMPANY	CASH BOND	B	3/29/2022	
991	148111	SOUTHWESTERN ENERGY PRODUCTION COMPANY	148111	SOUTHWESTERN ENERGY PRODUCTION COMPANY	TRAVELERS CASUALTY & SURETY CO	M	7/18/2013	
567	148376	NADEL AND GUSSMAN AND NADEL & GUSSMAN PERM	148376	NADEL AND GUSSMAN AND NADEL & GUSSMAN PERM	FIDELITY & DEPOSIT	M	11/6/2000	
596	148394	VERNON E. FAULCONER, INC.	148394	VERNON E. FAULCONER, INC.	RLI INSURANCE	B	7/24/2001	
810	148981	MIDLAND OPERATING INC.	148981	MIDLAND OPERATING INC.	LEXON INSURANCE COMPANY	B	7/11/2008	
1866	149315	MAGNUM HUNTER PRODUCTION, INC.	149315	MAGNUM HUNTER PRODUCTION, INC.	RLI INSURANCE COMPANY	M	7/21/2022	
1981	149408	FNF CONSTRUCTION INC	149408	FNF CONSTRUCTION INC	LIBERTY MUTUAL INSURANCE COMPA	M	7/10/2024	
2141	342739	FNF CONSTRUCTION, INC.	149408	FNF CONSTRUCTION INC	TRAVELERS CASUALTY AND SURETY	M	12/22/2025	
977	149424	ICA ENERGY, INC.	149424	ICA ENERGY, INC.	WELLS FARGO BANK N.A.	M	1/22/2013	
573	149441	RELIANCE ENERGY, INC.	149441	RELIANCE ENERGY, INC.	WEST TEXAS NATIONAL BANK	M	7/17/2007	
858	149505	MERIT ENERGY COMPANY, LLC	149505	MERIT ENERGY COMPANY, LLC	FIDELITY AND DEPOSIT COMPANY O	M	3/2/2009	
594	149538	ASHER ENTERPRISES LTD. CO.	149538	ASHER ENTERPRISES LTD. CO.	WESTERN BANK	B	6/3/2016	
934	150182	ROBERT L BAYLESS PRODUCER LLC	150182	ROBERT L BAYLESS PRODUCER LLC	CITIZEN BANK	B	1/21/2011	
414	150661	TITAN RESOURCES I INC	150628	PURE RESOURCES, LP	RLI INSURANCE COMPANY	M	1/23/1995	
414	150661	TITAN RESOURCES I INC	150661	TITAN RESOURCES I INC	RLI INSURANCE COMPANY	M	1/23/1995	
1096	14771	MGM OIL & GAS CO	151067	MGM OIL & GAS COMPANY	WELLS FARGO BANK, N.A.	M	12/18/2015	
531	151067	MGM OIL & GAS COMPANY	151067	MGM OIL & GAS COMPANY	NORWEST BANK	B	12/2/1999	
795	151228	MAR OIL & GAS CORP.	151228	MAR OIL & GAS CORP.	U.S. SPECIALTY INSURANCE COMPA	M	4/23/2007	
541	151323	PRIDE ENERGY COMPANY	151323	PRIDE ENERGY COMPANY	MID CONTINENT CASUALTY	M	2/3/2004	
644	151416	FASKEN OIL & RANCH LTD	151416	FASKEN OIL & RANCH LTD	BANK OF AMERICA	B	6/6/2003	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1754	151416	FASKEN OIL & RANCH LTD	151416	FASKEN OIL & RANCH LTD	U.S. SPECIALTY INSURANCE COMPA	M	2/26/2021	
1604	20165	SAMSON RESOURCES CO	152363	SAMSON RESOURCES CO	ARGONAUT INSURANCE COMPANY	B	8/6/2018	
650	152374	ROCA OPERATING, INC.	152374	ROCA OPERATING, INC.	RLI INSURANCE	B	7/24/2003	
1709	96694	OXY USA INC	153582	OXY USA INC.	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
319	153962	HUNT PETROLEUM, INC.	153962	HUNT PETROLEUM, INC.	UNITED PACIFIC INSURANCE CO.	B	2/2/1994	
857	154078	MACK ENERGY CORP. AND CHASE OIL CORP.	154078	MACK ENERGY CORP. AND CHASE OIL CORP.	U.S. SPECIALTY INSURANCE COMPA	M	3/9/2009	
725	154303	PRIMAL ENERGY CORPORATION	154303	PRIMAL ENERGY CORPORATION	US SPECIALTY INSURANCE	M	3/28/2005	
1565	155669	CONTINENTAL RESOURCES, INC.	155669	CONTINENTAL RESOURCES, INC.	N/A	B	9/27/2017	
1757	51549	CAL-MON OIL COMPANY	156297	CAL-MON OIL CO	COMMUNITY NATIONAL BANK	B	3/31/2021	
323	19111	RHOMBUS OPERATING CO LTD	157434	RHOMBUS OPERATING CO., LTD	UNDERWRITERS INDEMNITY CO.	B	3/7/1994	
659	157984	OCCIDENTAL PERMIAN LTD	157984	OCCIDENTAL PERMIAN LTD	SAFECO INSURANCE	M	10/20/2003	
1600	19174	RICE OPERATING COMPANY	158124	RICE OPERATING COMPANY	THE OHIO CASUALTY INS. CO.	M	6/10/2018	
449	159123	RAND PAULSON ENERGY COMPANY	159123	RAND PAULSON ENERGY COMPANY	NORWEST BANK / NEW MEXICO	M	12/30/1996	
452	159770	SYNERGY OIL & GAS INC	159770	SYNERGY OIL & GAS INC	UNDERWRITERS INDEMNITY	B	2/11/1997	
1262	159826	WESTERN AG-MINERALS COMPANY	159826	WESTERN AG-MINERALS COMPANY	SAFECO INSURANCE COMPANY OF AM	M	5/30/2007	
629	160073	WD PARTNERS, L.P.	160073	WD PARTNERS, L.P.	TRAVELERS CASUALTY	B	2/3/2003	
999	3474	C W TRAINER	160302	C W TRAINER	SECURITY BANK	B	9/13/2013	
877	160825	BC OPERATING, INC.	160825	BC OPERATING, INC.	LEXON INSURANCE COMPANY	M	7/16/2009	
2131	161522	CHALFANT PROPERTIES, INC.	161522	CHALFANT PROPERTIES, INC.	WAIVER	S	11/18/2025	SG 34 0
2132	161522	CHALFANT PROPERTIES, INC.	161522	CHALFANT PROPERTIES, INC.	WAIVER	S	11/18/2026	SG 37 0
2133	161522	CHALFANT PROPERTIES, INC.	161522	CHALFANT PROPERTIES, INC.	WAIVER	S	2/17/2026	SG 47 0
2134	161522	CHALFANT PROPERTIES, INC.	161522	CHALFANT PROPERTIES, INC.	WAIVER	S	2/17/2026	SG 48 0

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
2135	161522	CHALFANT PROPERTIES, INC.	161522	CHALFANT PROPERTIES, INC.	WAIVER	S	2/17/2026	SG 49 0
913	197035	XTO ENERGY INC	161624	XTO ENERGY, INC.	PETROLEUM CASUALTY COMPANY	M	8/2/2010	
418	130308	SABRE OPERATING INC	161690	TEXAS ENERGY SUPPLY, INC.	RLI INSURANCE COMPANY	B	2/21/1996	
975	161968	MESQUITE SWD, INC	161968	MESQUITE SWD, INC	RLI INSURANCE COMPANY	M	12/4/2012	
577	162499	NOVY OIL & GAS, INC	162499	NOVY OIL & GAS, INC	FIDELITY & DEPOSIT CO. OF MARY	B	1/9/2001	
560	162683	CIMAREX ENERGY CO. OF COLORADO	162683	CIMAREX ENERGY CO. OF COLORADO	RLI INSURANCE CO.	M	7/25/2000	
462	162928	ENERGEN RESOURCES CORPORATION	162928	ENERGEN RESOURCES CORPORATION	TRAVELERS CASUALTY & SURETY	M	5/5/1997	
1974	164490	S & J OPERATING COMPANY	164490	S & J OPERATING COMPANY	U. S. SPECIALTY INSURANCE COMP	B	5/29/2024	
481	164557	RIDGEWAY ARIZONA OIL CORP.	164557	RIDGEWAY ARIZONA OIL CORP.	NORWEST BANK, N.M.	B	1/13/1998	
1639	327870	PACIFIC ENERGY DEVELOPMEN T CORP	164557	RIDGEWAY ARIZONA OIL CORP.	ARGONAUT INSURANCE CO.	M	4/4/2019	
1724	164726	HUNT CIMARRON LIMITED PARTNERSHIP	164726	HUNT CIMARRON LIMITED PARTNERSHIP	LEXON INSURANCE COMPANY	B	6/9/2020	
2068	342253	HUNT CIMARRON LIMITED PARTNERSHIP	164726	HUNT CIMARRON LIMITED PARTNERSHIP	ATLANTIC SPECILTY INSURANCE CO	B	4/28/2025	
51	15439	MWJ PRODUCING CO	165255	EDMAR COMPANY LLC (THE)	TRAVELERS INDEMNITY CO.	B	2/19/1982	
51	15439	MWJ PRODUCING CO	165290	ARKLAND PRODUCING CO INC	TRAVELERS INDEMNITY CO.	B	2/19/1982	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	166111	DEVON ENERGY PRODUCTION CO. LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
913	197035	XTO ENERGY INC	167067	XTO ENERGY, INC.	PETROLEUM CASUALTY COMPANY	M	8/2/2010	
791	1092	ARMSTRONG ENERGY CORP	167733	Armstrong Energy Corporation	JP MORGAN CHASE	M	2/20/2007	
1568	168278	SHACKELFORD OIL CO.	168278	SHACKELFORD OIL CO.	RLI INSURANCE COMPANY	M	9/12/2017	
685	168687	SIANA OPERATING LLC	168687	SIANA OPERATING LLC	RLI INSURANCE	S	6/4/2004	LG 7641 1
522	169386	ECLIPSE OIL & GAS, INC.	169386	ECLIPSE OIL & GAS, INC.	RLI INSURANCE CO	B	9/3/1999	
1754	151416	FASKEN OIL & RANCH LTD	169448	FASKEN LAND & MINERALS, LTD.	U.S. SPECIALTY INSURANCE COMPA	M	2/26/2021	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1771	172329	SUMMIT OVERSEAS EXPLORATION, INC.	172329	SUMMIT OVERSEAS EXPLORATION, INC.	CASH BOND	S	6/25/2021	B1 1410 3
484	172635	FULFER OIL & CATTLE CO., LLC	172621	FULFER ELECTRIC, LLC	UNDERWRITERS INDEMNITY	S	1/18/1998	B1 1300 3
494	172635	FULFER OIL & CATTLE CO., LLC	172621	FULFER ELECTRIC, LLC	UNDERWRITERS INDEMNITY	S	5/18/1998	E0 1057 0
484	172635	FULFER OIL & CATTLE CO., LLC	172635	FULFER OIL & CATTLE CO., LLC	UNDERWRITERS INDEMNITY	S	1/18/1998	B1 1300 3
494	172635	FULFER OIL & CATTLE CO., LLC	172635	FULFER OIL & CATTLE CO., LLC	UNDERWRITERS INDEMNITY	S	5/18/1998	E0 1057 0
226	172981	EEX OPERATING, L.P.	172981	EEX OPERATING, L.P.	ST. PAUL FIRE AND MARINE	B	12/9/1992	
684	234550	NOBLE ENERGY INC	173252	PATINA SAN JUAN INCORPORATED	FIDELITY & DEPOSIT	M	3/31/2004	
518	173413	E G L RESOURCES INC	173413	E G L RESOURCES INC	UNDERWRITERS INDEMNITY	B	5/28/1999	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	174447	DEVON ENERGY PRODUCTION CO.,L.P.	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
510	175099	VIERSEN OIL & GAS CO.	175099	VIERSEN OIL & GAS CO.	RLI INSURANCE COMPANY	B	2/1/1999	VC 11 0
787	245872	JUDAH OIL LLC	175260	JUDAH OIL	WESTERN BANK	M	11/29/2006	
1892	177888	WAGNER OIL CO.	177888	WAGNER OIL CO.	ARCH INSURANCE COMPANY	M	11/2/2022	
641	199866	CAMERON OIL	181109	CAMERON OIL & GAS INC	FIRST NATIONAL BANK	M	6/2/2003	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	181622	DEVON ENERGY PRODUCTION CO., LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
884	182937	DOMESTIC ENERGY CORPORATION	182937	DOMESTIC ENERGY CORPORATION	PEOPLES BANK	S	9/18/2009	LH 5272 0
1754	151416	FASKEN OIL & RANCH LTD	183274	FASKEN OIL & RANCH LTD	U.S. SPECIALTY INSURANCE COMPA	M	2/26/2021	
1730	184290	THE ALLAR COMPANY	184290	THE ALLAR COMPANY	PHILADELPHIA INDEMNITY INSURAN	B	6/23/2020	
1853	184290	THE ALLAR COMPANY	184290	THE ALLAR COMPANY	CASH BOND	B	6/7/2022	
528	184357	AGHORN OPERATING INC	184357	AGHORN OPERATING INC	LEXON INSURANCE COMAPANY	B	10/27/1999	
588	185217	FRED F POOL, III	185217	FRED F POOL, III	FIRST FEDERAL BANK	S	6/18/2001	K0 2114 9
545	185239	ENERDYNE, LLC	185239	ENERDYNE, LLC	MAIN BANK	B	5/9/2006	
550	188712	BLUEGRASS ENRGY ENHANCEMENT FUND LLC	188712	BLUEGRASS ENRGY ENHANCEMENT FUND LLC	BANK OF ALBUQUERQUE	S	7/3/2000	X0 647 390

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
898	241333	CHEVRON MIDCONTINENT, L.P.	189100	CHEVRON MIDCONTINENT, LP	SAFECO INSURANCE COMPANY OF AM	M	2/10/2010	
2000	189489	COMSTOCK OIL AND GAS, LP	189489	COMSTOCK OIL AND GAS, LP	SIRIUSPOINT AMERICA INSURANCE	S	10/7/2024	E0 291 58
583	223170	CHESAPEAKE EXPLORATION L.L.C.	189535	CHESAPEAKE EXPLORATION L.L.C.	RLI INSURANCE CO.	M	3/22/2001	
1993	113315	TEXLAND PETROLEUM-HOBBS, LLC	189906	TEXLAND PETROLEUM HOBBS,LLC	EVERGREEN NATIONAL INDEMNITY C	M	9/17/2024	
800	189951	ENCORE OPERATING LP	189951	ENCORE OPERATING LP	SAFECO INSURANCE COMPANY OF AM	M	6/22/2007	
1591	5898	DAVID H ARRINGTON OIL & GAS INC	190439	DAVID H. ARRINGTON OIL & GAS INC.	SECURITY BANK	M	1/31/2018	
901	190595	ENDEAVOR ENERGY RESOURCES, LP	190595	ENDEAVOR ENERGY RESOURCES, LP	RLI INSURANCE COMPANY	M	3/5/2010	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	192278	DEVON ENERGY PRODUCTION CO., LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
1708	96704	OXY USA WTP LIMITED PARTNERSHIP	192463	OXY USA WTP LIMITED PARTNERSHIP	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
2044	342056	EOG RESOURCES MARKETING, LLC	192516	EOG RESOURCES MARKETING INC	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	
518	173413	E G L RESOURCES INC	192841	E G L RESOURCES INC	UNDERWRITERBS INDEMNITY		5/28/1999	
574	192951	GVC VENTURES	192951	GVC VENTURES	BANK OF AMERICA	S	1/9/2001	V0 3750 2
1708	96704	OXY USA WTP LIMITED PARTNERSHIP	193029	OXY USA WTP LIMITED PARTNERSHIP	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
1870	193242	MCAFEE OIL & GAS, LLC	193242	MCAFEE OIL & GAS, LLC	CASH BOND	B	8/12/2022	
2043	64432	EOG RESOURCES, INC.	193526	EOG RESOURCES, INC.	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	
1708	96704	OXY USA WTP LIMITED PARTNERSHIP	194188	OXY USA WTP LIMITED PARNERSHIP (OIL)	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
601	194393	WILBANKS FAMILY PARTNERSHIP, LTD.	194393	WILBANKS FAMILY PARTNERSHIP, LTD.	WAIVER AND CONSENT	S	9/5/2001	B0 2657 0
602	194393	WILBANKS FAMILY PARTNERSHIP, LTD.	194393	WILBANKS FAMILY PARTNERSHIP, LTD.	CONSENT AND WAIVER	S	9/6/2001	A0 2614 4
583	223170	CHESAPEAKE EXPLORATION L.L.C.	194720	CHESAPEAKE EXPL L.L.C. & EOG RESOURCES, INC.	RLI INSURANCE CO.	M	3/22/2001	
587	195797	GREKA AM, INC	195797	GREKA AM, INC	FIDELITY & DEPOSIT COMPANY	B	5/21/2001	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
668	196015	SLAYTON RESOURCES INC	196015	SLAYTON RESOURCES INC	BANK OF THE SOUTHWEST	M	2/3/2004	
595	196069	MOMENTUM OPERATING CO INC	196069	MOMENTUM OPERATING CO INC	FIRST NATIONAL BANK / ALBANY	M	6/13/2024	
2103	342482	MOMENTUM OPERATING CO., INC.	196069	MOMENTUM OPERATING CO INC	CLEAR FORK BANK, N.A.	M	7/8/2025	
913	197035	XTO ENERGY INC	197035	XTO ENERGY INC	PETROLEUM CASUALTY COMPANY	M	8/2/2010	
2123	197035	XTO ENERGY INC	197035	XTO ENERGY INC	FEDERAL INSURANCE COMPANY	M	6/4/2025	
1708	96704	OXY USA WTP LIMITED PARTNERSHIP	197070	OXY USA WTP LIMITED PARTNERSHIP	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
1678	197505	FAIRWAY MINERALS CORPORATION	197505	FAIRWAY MINERALS CORPORATION	COMMUNITY NATIONAL BANK	B	7/11/2019	
17	778	BP AMERICA PRODUCTION COMPANY	197983	BP AMERICA PRODUCTION CO	SEABOARD SURETY COMPANY	B	8/27/1979	
315	117139	BP AMERICA PRODUCTION COMPANY	197983	BP AMERICA PRODUCTION CO	TRAVELERS CASUALTY & SURETY	B	1/13/1994	
1588	218098	BP AMERICA PRODUCTION COMPANY	197983	BP AMERICA PRODUCTION CO	TRAVELERS CASUALTY AND SURETY	M	11/11/2016	
598	3053	BURK ROYALTY CO., LTD.	198524	BURK ROYALTY CO., LTD	CONTINENTAL CASUALTY	S	7/30/2001	VA 2432 0
604	198688	CAMBRIAN MANAGEMENT LTD	198688	CAMBRIAN MANAGEMENT LTD	RLI INSURANCE	M	10/9/2001	
641	199866	CAMERON OIL	199866	CAMERON OIL	FIRST NATIONAL BANK	M	6/2/2003	
878	208706	HUNTINGTON ENERGY, LLC	208706	HUNTINGTON ENERGY, LLC	BANK OF ALBUQUERQUE	M	6/16/2015	
713	209564	WILDCAT ENERGY LLC	209564	WILDCAT ENERGY LLC	SOUTHWEST BANK	B	12/29/2004	
159	140519	BURLINGTON RESOURCES OIL AND GAS CO.LP	209842	BURLINGTON RESOURCES/C. E. LONG	SAFECO INSURANCE CO.	B	8/3/1990	
904	210091	DKD,LLC	210091	DKD,LLC	FIRST AMERICAN BANK	M	3/12/2010	
2080	210494	HOG PARTNERSHIP LP	210494	HOG PARTNERSHIP LP	JMORGAN CHASE BANK,N.A.	B	6/3/2025	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	210735	DEVON ENERGY PRODUCTION COMPANY,LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
1588	218098	BP AMERICA PRODUCTION COMPANY	211070	BP AMERICA PRODUCTION COMPANY	TRAVELERS CASUALTY AND SURETY	M	11/11/2016	
1915	211455	PROVIDENCE MINERALS, LLC	211455	PROVIDENCE MINERALS, LLC	EVERGREEN NATIONAL INDEMNITY C	B	4/27/2023	
931	212092	SPINDLETOP OIL & GAS CO.	212092	SPINDLETOP OIL & GAS CO.	PROSPERITY BANK	B	1/27/2011	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
734	212253	IMPERIAL OIL PROPERTIES, INC.	212253	IMPERIAL OIL PROPERTIES, INC.	WELLS FARGO BANK	S	6/2/2005	LH 5580 0
972	90723	MEWBOURNE OIL COMPANY	212299	MEWBOURNE OIL COMPANY	LIBERTY MUTUAL INSURANCE COMPA	M	9/20/2012	
514	54207	CHEVRON USA INC	212764	CHEVRON USA INC	SAFECO INSURANCE CO OF AMERICA	M	4/1/1999	
2139	212940	VENTURE ENERGY, INC.	212940	VENTURE ENERGY, INC.	WAVIER	S	2/17/2026	SG 50 0
2140	212940	VENTURE ENERGY, INC.	212940	VENTURE ENERGY, INC.	WAVIER	S	2/17/2026	SG 51 0
1588	218098	BP AMERICA PRODUCTION COMPANY	213155	BP AMERICA PRODUCTION COMPANY	TRAVELERS CASUALTY AND SURETY	M	11/11/2016	
691	213179	H L BROWN OPERATING, LLC	213179	H L BROWN OPERATING, LLC	US SPECIALTY INSURANCE	M	7/6/2004	
2130	213190	CROWNQUEST OPERATING, LLC	213190	CROWNQUEST OPERATING, LLC	EVERGREEN NATIONAL INDEMITY CO	M	1/28/2026	
704	213663	JETTA OPERATING COMPANY, INC.	213663	JETTA OPERATING COMPANY, INC.	US SPECIALTY	M	10/1/2004	
792	215099	Coterra Energy Operating Co.	215099	Coterra Energy Operating Co.	FIDELITY & DEPOSIT COMPANY	M	3/22/2007	
2121	252846	COTERRA ENERGY OPERATING CO.	215099	Coterra Energy Operating Co.	UNITED STATES FIRE INSURANCE C	M	12/2/2025	
2136	252846	COTERRA ENERGY OPERATING CO.	215099	Coterra Energy Operating Co.	UNITED STATES FIRE INSURANCE C	M	1/27/2026	
583	223170	CHESAPEAKE EXPLORATION L.L.C.	215234	CHESAPEAKE EXPLORATION L.L.C.	RLI INSURANCE CO.	M	3/22/2001	
655	215732	CHISOS, LTD	215732	CHISOS, LTD	RLI INSURANCE	B	10/27/2003	
643	215758	PECOS PRODUCTION COMPANY	215758	PECOS PRODUCTION COMPANY	COMERICA BANK	M	6/6/2003	
1600	19174	RICE OPERATING COMPANY	215939	RICE OPERATING COMPANY	THE OHIO CASUALTY INS. CO.	M	6/10/2018	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	216835	DEVON ENERGY PRODUCTION CO LP/RAY WESTALL	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
621	216913	LAGUNA PETROLEUM CORP.	216913	LAGUNA PETROLEUM CORP.	LIBERTY MUTUAL	B	10/29/2002	
670	217598	ASPEN OPERATING COMPANY LLC	217598	ASPEN OPERATING COMPANY LLC	BANK OF TEXAS	B	3/10/2004	
622	217680	RUNNING HORSE PRODUCTION CO.	217680	RUNNING HORSE PRODUCTION CO.	WELLS FARGO BANK	M	12/12/2002	
627	217817	CONOCOPHILL IPS COMPANY	217817	CONOCOPHILL IPS COMPANY	SAFECO INSURANCE CO OF AMERICA	M	1/28/2003	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
956	303283	COG PRODUCTION, LLC	217955	COG PRODUCTION, LLC	U.S. SPECIALTY INSURANCE COMPA	M	11/29/2011	
1587	218098	BP AMERICA PRODUCTION COMPANY	218098	BP AMERICA PRODUCTION COMPANY	TRAVELERS CASUALTY AND SURETY	M	11/11/2017	
1588	218098	BP AMERICA PRODUCTION COMPANY	218098	BP AMERICA PRODUCTION COMPANY	TRAVELERS CASUALTY AND SURETY	M	11/11/2016	
964	15742	NEARBURG PRODUCING CO	218860	NEARBURG PRODUCING COMPANY	U.S. SPECIALTY INSURANCE COMPA	M	6/13/2012	
901	190595	ENDEAVOR ENERGY RESOURCES, LP	218885	LCX ENERGY, LLC	RLI INSURANCE COMPANY	M	3/5/2010	
964	15742	NEARBURG PRODUCING CO	218963	NEARBURG PRODUCING COMPANY	U.S. SPECIALTY INSURANCE COMPA	M	6/13/2012	
1604	20165	SAMSON RESOURCES CO	219895	SAMSON RESOURCES CO	ARGONAUT INSURANCE COMPANY	B	8/6/2018	
1604	20165	SAMSON RESOURCES CO	220260	SAMSON RESOURCES COMPANY	ARGONAUT INSURANCE COMPANY	B	8/6/2018	
2043	64432	EOG RESOURCES, INC.	220345	EOG RESOURCES, INC.	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	
1708	96704	OXY USA WTP LIMITED PARTNERSHIP	220364	OXY USA WTP LIMITED PARTNERSHIP	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
785	220758	PXP GULF COAST LLC	220758	PXP GULF COAST LLC	LIBERTY MUTUAL INSURANCE CO.	B	10/30/2006	
1754	151416	FASKEN OIL & RANCH LTD	221040	FASKEN ACQUISITIONS 02, LTD	U.S. SPECIALTY INSURANCE COMPA	M	2/26/2021	
1803	221708	ROY G. BARTON JR.	221708	ROY G. BARTON JR.	WAIVER	S	1/19/2022	VC 937 0
1587	218098	BP AMERICA PRODUCTION COMPANY	221891	BP AMERICA PRODUCTION CO / MARATHON OIL CO.	TRAVELERS CASUALTY AND SURETY	M	11/11/2017	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	221978	DEVON ENERGY PRODUCTION COMPANY, LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
1921	222417	FRED BOWMAN INC	222417	FRED BOWMAN INC	ARCH INSURANCE COMPANY	S	5/16/2023	B0 2456 11
957	222759	BUCKEYE DISPOSAL, L.L.C.	222759	BUCKEYE DISPOSAL, L.L.C.	LEXON INSURANCE COMPANY	M	12/5/2011	
1754	151416	FASKEN OIL & RANCH LTD	222938	FASKEN OIL AND RANCH, LTD.	U.S. SPECIALTY INSURANCE COMPA	M	2/26/2021	
583	223170	CHESAPEAKE EXPLORATION L.L.C.	223170	CHESAPEAKE EXPLORATION L.L.C.	RLI INSURANCE CO.	M	3/22/2001	
1588	218098	BP AMERICA PRODUCTION COMPANY	223554	BP AMERICA PRODUCTION COMPANY	TRAVELERS CASUALTY AND SURETY	M	11/11/2016	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
	897	227984 EDGE PETROLEUM EXPLORATION CO.	224400	EDGE PETROLEUM OPERATING COMPANY, INC.	RLI INSURANCE COMPANY	M	2/9/2010	
	857	154078 MACK ENERGY CORP. AND CHASE OIL CORP.	224482	MACK ENERGY CORPORATION	U.S. SPECIALTY INSURANCE COMPA	M	3/9/2009	
	951	224696 STRATA VIEW OPERATING, LLC	224696	STRATA VIEW OPERATING, LLC	BANK OF CLOVIS	M	10/25/2011	
	705	225243 HORSESHOE OPERATING INC.	225243	HORSESHOE OPERATING INC.	WEST TEXAS NATIONAL BANK	M	10/6/2004	
	674	225514 NORTHSTAR OPERATING COMPANY	225514	NORTHSTAR OPERATING COMPANY	LEXON INSURANCE CO.	M	3/22/2004	
	913	197035 XTO ENERGY INC	225648	XTO ENERGY, INC.	PETROLEUM CASUALTY COMPANY	M	8/2/2010	
	665	225774 RESOURCE DEVELOPMENT TECHNOLOGY LLC	225774	RESOURCE DEVELOPMENT TECHNOLOGY LLC	FIDELITY & DEPOSIT COMPANY	B	1/26/2004	
	1719	338915 MULLOY OPERATING, INC.	225942	MULLOY OPERATING, INC.	COMMUNITY NATIONAL BANK	B	6/4/2020	
	258	4378 CHI OPERATING INC	226159	CHI ENERGY, INC.	RLI INSURANCE COMPANY	B	5/5/1993	
	1588	218098 BP AMERICA PRODUCTION COMPANY	226424	BP AMERICA PRODUCTION CO	TRAVELERS CASUALTY AND SURETY	M	11/11/2016	
	1509	86997 MARATHON OIL COMPANY LLC	226538	MARATHON OIL COMPANY	LIBERTY MUTUAL INSURANCE COMPA	M	3/13/2017	
	812	226829 BLUE DOLPHIN PRODUCTION, LLC	226829	BLUE DOLPHIN PRODUCTION, LLC	COPPERMARK BANK	B	8/19/2011	
	1670	226950 INTREPID POTASH	226950	INTREPID POTASH	WESTERN COMMERCE BANK	M	2/27/2004	
	1815	240445 INTREPID POTASH	226950	INTREPID POTASH	INTREPID POTASH-NM, LLC	M	3/9/2022	
	682	227551 BRAZOS LIMITED PARTNERSHIP	227551	BRAZOS LIMITED PARTNERSHIP	FIRST NATIONAL BANK	M	5/3/2004	
	731	4115 CHAPARRAL ENERGY LLC	227725	CHAPARRAL ENERGY, LLC	US SPECIALTY INSURANCE	M	4/27/2005	
	897	227984 EDGE PETROLEUM EXPLORATION CO.	227984	EDGE PETROLEUM EXPLORATION CO.	RLI INSURANCE COMPANY	M	2/9/2010	
	717	228051 AMERICO ENERGY RESOURCES LLC	228051	AMERICO ENERGY RESOURCES LLC	LEXON INSURANCE CO.	S	1/6/2005	B0 9774 3
	543	6742 ECHO PRODUCTION INC	228769	ECHO PRODUCTION, INC.	RLI INSURANCE CO.	M	4/5/2000	
	1611	231269 COG OPERATING LLC	229137	COG OPERATING LLC	ARCH INSURANCE CO.	M	4/30/2018	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
702	37627	WESTERN GAS RESOURCES	229938	LANCE OIL & GAS COMPANY, INC.	LIBERTY MUTUAL	M	9/29/2004	
774	230387	PARALLEL PETROLEUM LLC	230387	PARALLEL PETROLEUM LLC	CITIBANK	M	7/25/2006	
728	230601	JM COX RESOURCES LP	230601	JM COX RESOURCES LP	US SPECIALTY INSURANCE	M	4/6/2005	
1611	231269	COG OPERATING LLC	230930	COG OPERATING LLC	ARCH INSURANCE CO.	M	4/30/2018	
1794	230987	SOUTHWAY CONSTRUCTION COMPANY, INC.	230987	SOUTHWAY CONSTRUCTION COMPANY, INC.	LEXON INSURANCE COMPANY	M	11/16/2021	
1611	231269	COG OPERATING LLC	231269	COG OPERATING LLC	ARCH INSURANCE CO.	M	4/30/2018	
970	231429	MANZANO LLC	231429	MANZANO LLC	VALLEY BANK OF COMMERCE	M	7/30/2012	
1959	237722	ETP CRUDE LLC	231432	CENTURION PIPELINE LP	FIDELITY AND DEPOSIT COMPANY O	M	1/29/2024	
1596	231606	EMERALD ENERGY LLC	231606	EMERALD ENERGY LLC	N/A	B	4/11/2018	
1959	237722	ETP CRUDE LLC	232088	CENTURION PIPELINE LTD PRTN.	FIDELITY AND DEPOSIT COMPANY O	M	1/29/2024	
858	149505	MERIT ENERGY COMPANY, LLC	232249	MERIT ENERGY PARTNERS III, LP	FIDELITY AND DEPOSIT COMPANY O	M	3/2/2009	
726	232611	SUNDOWN ENERGY LP	232611	SUNDOWN ENERGY LP	US SPECIALTY INSURANCE	M	3/28/2005	
726	232611	SUNDOWN ENERGY LP	232818	SUNDOWN ENERGY LP	US SPECIALTY INSURANCE	M	3/28/2005	
819	143199	ENERVEST OPERATING L.L.C.	232882	ENERVEST ENERGY INSTITUTIONAL FUND IX LP ETAL	RLI INSURANCE COMPANY	M	11/8/2007	
1952	18917	READ & STEVENS INC	234165	READ & STEVENS	U.S. SPECIALTY INSURANCE COMPA	M	1/22/2024	
583	223170	CHESAPEAKE EXPLORATION L.L.C.	234363	CHESAPEAKE EXPLORATION L.L.C.	RLI INSURANCE CO.	M	3/22/2001	
901	190595	ENDEAVOR ENERGY RESOURCES, LP	234445	LCX ENERGY,LLC	RLI INSURANCE COMPANY	M	3/5/2010	
684	234550	NOBLE ENERGY INC	234550	NOBLE ENERGY INC	FIDELITY & DEPOSIT	M	3/31/2004	
901	190595	ENDEAVOR ENERGY RESOURCES, LP	234667	LCX ENERGY, LLC	RLI INSURANCE COMPANY	M	3/5/2010	
258	4378	CHI OPERATING INC	234761	CHI ENERGY INC.	RLI INSURANCE COMPANY	B	5/5/1993	
833	236183	TANDEM ENERGY CORPORATION	236183	TANDEM ENERGY CORPORATION	BANK OF TEXAS	M	4/17/2022	
745	286614	CROSS BORDER RESOURCES, INC.	236435	PURE ENERGY OPERATING, INC.	STATE LAND OFFICE	B	8/24/2005	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1708	96704	OXY USA WTP LIMITED PARTNERSHIP	236710	OXY USA WTP LIMITED PARTNERSHIP	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
957	222759	BUCKEYE DISPOSAL, L.L.C.	237120	BUCKEYE DISPOSAL LLC	LEXON INSURANCE COMPANY	M	12/5/2011	
1091	240974	LEGACY RESERVES OPERATING, LP	237265	LEGACY RESERVES, LP	ARGONAUT INSURANCE COMPANY	M	10/14/2015	
1959	237722	ETP CRUDE LLC	237722	ETP CRUDE LLC	FIDELITY AND DEPOSIT COMPANY O	M	1/29/2024	
1708	96704	OXY USA WTP LIMITED PARTNERSHIP	237815	OXY USA WTP LIMITED PARTNERSHIP	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
1662	238004	JOBE MATERIALS, L.P.	238004	JOBE MATERIALS, L.P.	COMPASS BANK	M	7/22/2009	
943	15422	APACHE CORP	238427	APACHE CORPORATION	LIBERTY MUTUAL INSURANCE COMPA	M	6/14/2011	
1535	239442	LEACO NEW MEXICO EXPL. AND PROD., LLC	239442	LEACO NEW MEXICO EXPL. AND PROD., LLC	ARGONAUT INSURNACE COMPANY	M	5/24/2017	
1267	239509	RUSSELL SAND & GRAVEL	239509	RUSSELL SAND & GRAVEL	RUSSELL SAND AND GRAVEL INC AN	M	2/7/2007	
1689	239509	RUSSELL SAND & GRAVEL	239509	RUSSELL SAND & GRAVEL	CENTURY BANK	M	2/7/2007	
1815	240445	INTREPID POTASH	240445	INTREPID POTASH	INTREPID POTASH-NM, LLC	M	3/9/2022	
982	240974	LEGACY RESERVES OPERATING, LP	240974	LEGACY RESERVES OPERATING, LP	WELLS FARGO BANK, N.A.	B	2/25/2013	
1091	240974	LEGACY RESERVES OPERATING, LP	240974	LEGACY RESERVES OPERATING, LP	ARGONAUT INSURANCE COMPANY	M	10/14/2015	
898	241333	CHEVRON MIDCONTINENT, L.P.	241333	CHEVRON MIDCONTINENT, L.P.	SAFECO INSURANCE COMPANY OF AM	M	2/10/2010	
2079	119305	RAY WESTALL OPERATING, INC.	241582	RAY WESTALL OPERATING, INC.	EVERGREEN NATIONAL INDEMNITY C	M	5/29/2025	
1549	241851	PETROGULF CORPORATION	241851	PETROGULF CORPORATION	N/A	B	8/15/2017	
943	15422	APACHE CORP	242071	APACHE CORPORATION	LIBERTY MUTUAL INSURANCE COMPA	M	6/14/2011	
775	242247	BMT O&G NM, LLC	242247	BMT O&G NM, LLC	TRAVELERS CASUALTY & SURETY	B	7/28/2006	
1515	242767	FEDERAL ABSTRACT COMPANY	242767	FEDERAL ABSTRACT COMPANY	N/A	B	4/4/2017	
2027	242767	FEDERAL ABSTRACT COMPANY	242767	FEDERAL ABSTRACT COMPANY	WAIVER	S	12/11/2024	VC 1311 0
2028	242767	FEDERAL ABSTRACT COMPANY	242767	FEDERAL ABSTRACT COMPANY	WAIVER	S	12/11/2024	VC 1312 0

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
2029	242767	FEDERAL ABSTRACT COMPANY	242767	FEDERAL ABSTRACT COMPANY	WAIVER	S	12/11/2024	VC 1313 0
2036	242767	FEDERAL ABSTRACT COMPANY	242767	FEDERAL ABSTRACT COMPANY	WAIVER	S	12/24/2024	VC 1326 0
2108	242767	FEDERAL ABSTRACT COMPANY	242767	FEDERAL ABSTRACT COMPANY	WAIVER	S	9/17/2025	SG 11 0
2030	242767	FEDERAL ABSTRACT COMPANY	242767	FEDERAL ABSTRACT COMPANY	WAIVER	S	12/11/2024	VC 1314 0
2031	242767	FEDERAL ABSTRACT COMPANY	242767	FEDERAL ABSTRACT COMPANY	WAIVER	S	12/11/2024	VC 1315 0
2032	242767	FEDERAL ABSTRACT COMPANY	242767	FEDERAL ABSTRACT COMPANY	WAIVER	S	12/11/2024	VC 1316 0
2033	242767	FEDERAL ABSTRACT COMPANY	242767	FEDERAL ABSTRACT COMPANY	WAIVER	S	1/6/2025	VC 1323 0
2034	242767	FEDERAL ABSTRACT COMPANY	242767	FEDERAL ABSTRACT COMPANY	WAIVER	S	12/24/2024	VC 1324 0
2035	242767	FEDERAL ABSTRACT COMPANY	242767	FEDERAL ABSTRACT COMPANY	WAIVER	S	1/6/2025	VC 1325 0
776	243014	CTV O&G NM,LLC	243014	CTV O&G NM,LLC	TRAVELERS CASUALTY & SURETY	B	7/28/2006	
874	243452	CORKRAN ENERGY LP	243452	CORKRAN ENERGY LP	JP MORGAN CHASE BANK, N.A.	B	4/23/2009	
779	243544	MAINLINE ROCK & BALLAST INC	243544	MAINLINE ROCK & BALLAST INC	TRAVELERS CASUALTY AND SURETY	M	8/23/2006	
1733	243874	QUANTUM RESOURCES MANAGEMENT, LLC	243874	QUANTUM RESOURCES MANAGEMENT, LLC	ARGONAUT INSURANCE COMPANY	M	6/8/2020	
1604	20165	SAMSON RESOURCES CO	243960	SAMSON RESOURCES COMPANY	ARGONAUT INSURANCE COMPANY	B	8/6/2018	
877	160825	BC OPERATING, INC.	245105	BC OPERATING, INC.	LEXON INSURANCE COMPANY	M	7/16/2009	
1952	18917	READ & STEVENS INC	245329	READ & STEVENS, INC.	U.S. SPECIALTY INSURANCE COMPA	M	1/22/2024	
787	245872	JUDAH OIL LLC	245872	JUDAH OIL LLC	WESTERN BANK	M	11/29/2006	
258	4378	CHI OPERATING INC	246048	CHI OPERATING INC.	RLI INSURANCE COMPANY	B	5/5/1993	
789	246114	TE-RAY RESOURCES, INC.	246114	TE-RAY RESOURCES, INC.	BANK OF ALBUQUERQUE N.A.	B	1/30/2007	
1744	327480	WPX ENERGY PERMIAN, LLC.	246289	WPX Energy Permian, LLC	LIBERTY MUTUAL INSURANCE COMPA	M	1/27/2021	
1716	246368	BASIC ENERGY SERVICES, LP	246368	BASIC ENERGY SERVICES, LP	U. S. SPECIALTY INSURANCE COMP	M	3/17/2020	
1725	246368	BASIC ENERGY SERVICES, LP	246368	BASIC ENERGY SERVICES, LP	US SPECIALTY INSURANCE COMPANY	M	3/17/2020	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
898	241333	CHEVRON MIDCONTINENT, L.P.	247589	CHEVRON MIDCONTINENT, L.P.	SAFECO INSURANCE COMPANY OF AM	M	2/10/2010	
1684	249198	MOSAIC POTASH CARLSBAD INC.	249198	MOSAIC POTASH CARLSBAD INC.	LIBERTY MUTUAL SURETY	M	4/25/2016	
731	4115	CHAPARRAL ENERGY LLC	249841	CHAPARRAL ENERGY LLC	US SPECIALTY INSURANCE	M	4/27/2005	
1910	5691	Dakota Resources, Inc	250158	DAKOTA RESOURCES, INC	EVERGREEN NATIONAL INDEMNITY C	M	3/13/2023	
806	250384	KERNS PETROLEUM, INC.	250384	KERNS PETROLEUM, INC.	IBC LAREDO MAIN BANK	M	8/8/2007	
258	4378	CHI OPERATING INC	250460	CHI OPERATING INC.	RLI INSURANCE COMPANY	B	5/5/1993	
893	250539	JOHN E. MCCOOL	250539	JOHN E. MCCOOL	FIRST NIAGARA	M	2/28/2015	
962	251311	ENCANA OIL & GAS (USA) INC	251311	ENCANA OIL & GAS (USA) INC	TRAVELERS CASUALTY	M	4/13/2012	
1959	237722	ETP CRUDE LLC	251629	CENTURION PIPELINE LP	FIDELITY AND DEPOSIT COMPANY O	M	1/29/2024	
1763	339241	OGX RESOURCES, LLC	252435	OGX RESOURCES LLC	WEST TEXAS NATIONAL BANK	M	4/16/2021	
583	223170	CHESAPEAKE EXPLORATION L.L.C.	252468	CHESAPEAKE EXPLORATION, L.L.C.	RLI INSURANCE CO.	M	3/22/2001	
809	252496	SHERIDAN PRODUCTION COMPANY, LLC	252496	SHERIDAN PRODUCTION COMPANY, LLC	RLI INSURANCE COMPANY	M	8/28/2007	
512	252708	PATTERSON PETROLEUM LLC	252708	PATTERSON PETROLEUM LLC	RLI INSURANCE COMPANY	M	8/6/2007	
1639	327870	PACIFIC ENERGY DEVELOPMENT CORP	252779	RIDGEWAY ARIZONA OIL CORP	ARGONAUT INSURANCE CO.	M	4/4/2019	
792	215099	Coterra Energy Operating Co.	252846	COTERRA ENERGY OPERATING CO.	FIDELITY & DEPOSIT COMPANY	M	3/22/2007	
2121	252846	COTERRA ENERGY OPERATING CO.	252846	COTERRA ENERGY OPERATING CO.	UNITED STATES FIRE INSURANCE C	M	12/2/2025	
2136	252846	COTERRA ENERGY OPERATING CO.	252846	COTERRA ENERGY OPERATING CO.	UNITED STATES FIRE INSURANCE C	M	1/27/2026	
822	255756	MMCP LEASING, LTD	255756	MMCP LEASING, LTD	RLI INSURANCE COMPANY	M	12/26/2007	
475	255864	J R OIL, LTD. CO.	255864	J R OIL, LTD. CO.	WELLS FARGO BANK	B	11/17/1997	
475	255864	J R OIL, LTD. CO.	256073	J R OIL, LTD. CO.	WELLS FARGO BANK	B	11/17/1997	
1994	256073	J R OIL, LTD. CO.	256073	J R OIL, LTD. CO.	COMMUNITY NATIONAL BANK	B	9/17/2024	
512	252708	PATTERSON PETROLEUM LLC	256512	CML EXPLORATION, LLC	RLI INSURANCE COMPANY	M	8/6/2007	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
913	197035	XTO ENERGY INC	256965	XTO ENERGY, INC	PETROLEUM CASUALTY COMPANY	M	8/2/2010	
20	256999	POGO PRODUCING COMPANY LLC	256999	POGO PRODUCING COMPANY LLC	RLI INSURANCE COMPANY	B	10/15/2008	
594	149538	ASHER ENTERPRISES LTD. CO.	257260	ASHER ENTERPRISES LTD., CO.	WESTERN BANK	B	6/3/2016	
237	6515	DUGAN PRODUCTION CORP	257292	DUGAN PRODUCTION CORP.	FIRST NATL. BANK OF FARMINGTON	B	2/22/1993	
823	257794	KODIAK PETROLEUM (MONTANA), INC.	257794	KODIAK PETROLEUM (MONTANA), INC.	U.S. SPECIALTY INSURANCE COMPA	M	1/28/2008	
1621	260297	BTA OIL PRODUCERS, LLC	258369	BTA OIL PRODUCERS	US SPECIALTY INSURANCE CO.	M	11/1/2018	
836	258719	O'CONNELL HOLDINGS, LLC	258719	O'CONNELL HOLDINGS, LLC	U.S. SPECIALTY INSURANCE COMPA	B	5/6/2008	
1916	258983	BRIDWELL OIL COMPANY	258983	BRIDWELL OIL COMPANY	EVERGREEN NATIONAL INDEMNITY C	B	4/27/2023	
1621	260297	BTA OIL PRODUCERS, LLC	260297	BTA OIL PRODUCERS, LLC	US SPECIALTY INSURANCE CO.	M	11/1/2018	
849	260737	BOPCO, L.P.	260737	BOPCO, L.P.	TRAVELERS CASUALTY & SURETY CO	M	11/7/2008	
1588	218098	BP AMERICA PRODUCTION COMPANY	260744	BP AMERICA PRODUCTION COMPANY	TRAVELERS CASUALTY AND SURETY	M	11/11/2016	
1004	261044	MRC PERMIAN COMPANY	261044	MRC PERMIAN COMPANY	ARCH INSURANCE COMPANY	M	1/7/2014	
942	261166	RANGER 40 PETROLEUM, LLC	261166	RANGER 40 PETROLEUM, LLC	BANK OF OKLAHOMA	B	12/14/2014	
1936	14187	MARSHALL & WINSTON INC	261767	MARSHALL & WINSTON, INC.	EVERGREEN NATINAL INDEMNITY CO	B	11/8/2023	
819	143199	ENERVEST OPERATING L.L.C.	262152	ENERVEST ENERGY INST. FUND XI-A & XI-WI, LP	RLI INSURANCE COMPANY	M	11/8/2007	
1585	262196	FAITH TRADING, LLC	262196	FAITH TRADING, LLC	WELLS FARGO BANK	S	2/22/2018	V0 2113 0
999	3474	C W TRAINER	262333	C W TRAINER	SECURITY BANK	B	9/13/2013	
970	231429	MANZANO LLC	263559	MANZANO ENERGY PARTNERS, LLC	VALLEY BANK OF COMMERCE	M	7/30/2012	
851	263940	SOVEREIGN EAGLE, LLC	263940	SOVEREIGN EAGLE, LLC	RLI INSURANCE COMPANY	B	1/8/2009	
583	223170	CHESAPEAKE EXPLORATION L.L.C.	264006	CHESAPEAKE EXPLORATION, LLC	RLI INSURANCE CO.	M	3/22/2001	
1709	96694	OXY USA INC	264073	OXY USA INC.	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1866	149315	MAGNUM HUNTER PRODUCTION, INC.	264560	MAGNUM HUNTER PRODUCTION INC.	RLI INSURANCE COMPANY	M	7/21/2022	
204	3044	BURGUNDY OIL & GAS OF N M INC	264620	BURGUNDY OIL & GAS OF NM, INC.	UNDERWRITERS INDEMNITY CO.	B	9/9/1992	
2141	342739	FNF CONSTRUCTION, INC.	264831	FNF CONSTRUCTION, INC	TRAVELERS CASUALTY AND SURETY	M	12/22/2025	
912	265347	TIMBERLINE PUMP & LEASE SERVICE	265347	TIMBERLINE PUMP & LEASE SERVICE	WELLS FARGO BANK, N.A.	S	4/3/2009	VB 1683 0
1371	265378	G and C Operating, LLC	265378	G and C Operating, LLC	WESTERN BANK	M	6/7/2016	
2113	342587	G AND C OPERATING LLC	265378	G and C Operating, LLC	WESTERN BANK ARTESIA	M	8/27/2025	
849	260737	BOPCO, L.P.	265762	BOPCO, L.P.	TRAVELERS CASUALTY & SURETY CO	M	11/7/2008	
875	266091	VPR OPERATING, LLC	266091	VPR OPERATING, LLC	CASH BOND	M	6/17/2009	
1266	266458	SKANSKA USA CIVIL WEST ROCKY MTN. DIST. INC.	266458	SKANSKA USA CIVIL WEST ROCKY MTN. DIST. INC.	AMERICAN HOME ASSURANCE	M	6/24/2009	
1532	266458	SKANSKA USA CIVIL WEST ROCKY MTN. DIST. INC.	266458	SKANSKA USA CIVIL WEST ROCKY MTN. DIST. INC.	FIDELITY AND DEPOSIT COMPANY O	M	5/15/2017	
512	252708	PATTERSON PETROLEUM LLC	266749	CML EXPLORATION	RLI INSURANCE COMPANY	M	8/6/2007	
2130	213190	CROWNQUEST OPERATING, LLC	267153	CROWNQUEST OPERATING, LLC	EVERGREEN NATIONAL INDEMITY CO	M	1/28/2026	
894	267422	PEDERNALES PRODUCTION, LP	267422	PEDERNALES PRODUCTION, LP	COMMUNITY BANK	M	1/6/2010	
2145	268036	RUBICON ENERGY, L.P.	268036	RUBICON ENERGY, L.P.	GREAT MIDWEST INSURANCE COMPAN	B	3/24/2026	
1863	268114	DELFERN TRUST	268114	DELFERN TRUST	VALLEY BANK OF COMMERCE	B	8/13/2022	
1592	269267	801 LLC	269267	801 LLC	US SPECIALTY INSURANCE COMPANY	M	3/22/2018	
1580	269324	LINN OPERATING, LLC.	269324	LINN OPERATING, LLC.	UNITED STATES FIRE INSURANCE C	M	4/19/2017	
916	269864	CANYON E & P COMPANY	269864	CANYON E & P COMPANY	U.S. SPECIALTY INSURANCE COMPA	M	9/9/2010	
819	143199	ENERVEST OPERATING L.L.C.	269986	ENERVEST OPERATING LLC	RLI INSURANCE COMPANY	M	11/8/2007	
1533	270329	ENDURANCE RESOURCES LLC	270329	ENDURANCE RESOURCES LLC	WELLS FARGO BANK, N.A.	M	5/30/2017	
1579	271620	LINN ENERGY HOLDINGS, LLC	270400	LINN ENERGY HOLDINGS, LLC	UNITED STATES FIRE INSURANCE C	M	5/12/2017	
1959	237722	ETP CRUDE LLC	270593	CENTURION PIPELINE L.P.	FIDELITY AND DEPOSIT COMPANY O	M	1/29/2024	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
877	160825	BC OPERATING, INC.	270621	BLACK CROWN ENERGY PARTNERS, LP	LEXON INSURANCE COMPANY	M	7/16/2009	
943	15422	APACHE CORP	270684	APACHE CORPORATION	LIBERTY MUTUAL INSURANCE COMPA	M	6/14/2011	
916	269864	CANYON E & P COMPANY	271487	CANYON E & P COMPANY	U.S. SPECIALTY INSURANCE COMPA	M	9/9/2010	
1579	271620	LINN ENERGY HOLDINGS, LLC	271620	LINN ENERGY HOLDINGS, LLC	UNITED STATES FIRE INSURANCE C	M	5/12/2017	
907	272005	T D & F, LLLP	272005	T D & F, LLLP	WELLS FARGO	S	4/1/2010	L0 541 2
1708	96704	OXY USA WTP LIMITED PARTNERSHIP	272586	OXY USA WTP LIMITED PARTNERSHIP	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
914	272664	G & G OIL AND GAS, LLC	272664	G & G OIL AND GAS, LLC	FIRST AMERICAN BANK	B	7/13/2016	
1932	272853	KENNETH R WADE OR MARIE WADE	272853	KENNETH R WADE OR MARIE WADE	WESTERN BANK	S	10/16/2023	E0 9222 4
2043	64432	EOG RESOURCES, INC.	273395	EOG RESOURCES, INC.	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	
1744	327480	WPX ENERGY PERMIAN, LLC.	273753	WPX ENERGY PERMIAN, LLC	LIBERTY MUTUAL INSURANCE COMPA	M	1/27/2021	
1268	274182	OTERO/ GREENTREE SOLID WASTE AUTHORITY	274182	OTERO/ GREENTREE SOLID WASTE AUTHORITY	OTERO/ LINCOLN SOLID WASTE AUTH	B	8/2/2010	
938	275015	TIMBERLINE OIL & GAS, LLC	275015	TIMBERLINE OIL & GAS, LLC	WELLS FARGO BANK	S	4/4/2011	VB 1683 0
972	90723	MEWBOURNE OIL COMPANY	275813	MEWBOURNE OIL COMPANY	LIBERTY MUTUAL INSURANCE COMPA	M	9/20/2012	
918	277558	LIME ROCK RESOURCES II-A, L.P.	277558	LIME ROCK RESOURCES II-A, L.P.	U.S. SPECIALTY INSURANCE COMPA	M	10/7/2010	
1852	278710	FORTUNE NATURAL RESOURCES CORP.	278710	FORTUNE NATURAL RESOURCES CORP.	U.S. SPECIALTY INSURANCE COMPA	M	6/28/2022	
1763	339241	OGX RESOURCES, LLC	278985	OGX RESOURCES, LLC	WEST TEXAS NATIONAL BANK	M	4/16/2021	
1733	243874	QUANTUM RESOURCES MANAGEMENT, LLC	279617	QUANTUM RESOURCES MANAGEMENT, LLC	ARGONAUT INSURANCE COMPANY	M	6/8/2020	
972	90723	MEWBOURNE OIL COMPANY	279688	MEWBOURNE OIL COMPANY	LIBERTY MUTUAL INSURANCE COMPA	M	9/20/2012	
1543	280276	ENDURING RESOURCES,LLC	280276	ENDURING RESOURCES,LLC	RLI INSURANCE COMPANY	M	6/30/2017	
591	280525	CAMPECHE PETRO LP	280525	CAMPECHE PETRO LP	RLI INSURANCE CO.	M	6/28/2001	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1830	280525	CAMPECHE PETRO LP	280525	CAMPECHE PETRO LP	ARCH INSURANCE COMPANY	M	4/25/2022	
2066	280531	ZPZ DELAWARE I LLC	280531	ZPZ DELAWARE I LLC	LIBERTY MUTUAL INSURANCE COMPA	M	4/21/2025	
875	266091	VPR OPERATING, LLC	280979	VICTORY PARK RESOURCES (NM), LLC	CASH BOND	M	6/17/2009	
985	281085	RMR OPERATING, LLC	281085	RMR OPERATING, LLC	WELLS FARGO BANK, N.A.	M	4/29/2013	
833	236183	TANDEM ENERGY CORPORATION	281189	TANDEM ENERGY CORPORATION	BANK OF TEXAS	M	4/17/2022	
943	15422	APACHE CORP	281788	APACHE CORPORATION	LIBERTY MUTUAL INSURANCE COMPA	M	6/14/2011	
1709	96694	OXY USA INC	281850	OXY USA, INC.	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
944	338563	GRIZZLY OPERATING LLC	281994	GRIZZLY OPERATING, LLC	U.S. SPECIALTY INSURANCE COMP.	M	7/7/2011	
943	15422	APACHE CORP	282084	APACHE CORPORATION	LIBERTY MUTUAL INSURANCE COMPA	M	6/14/2011	
946	282096	THE SALIENT ZARVONA ENERGY FUND, L.P.	282096	THE SALIENT ZARVONA ENERGY FUND, L.P.	JP MORGAN CHASE BANK, N.A.	M	7/14/2011	
1357	282096	THE SALIENT ZARVONA ENERGY FUND, L.P.	282096	THE SALIENT ZARVONA ENERGY FUND, L.P.	ALLEGIANCE BANK	M	7/6/2016	
1685	283125	OLDCASTLE SW GROUP, INC.DBA FOUR CORNERS MATE	283125	OLDCASTLE SW GROUP, INC.DBA FOUR CORNERS MATE	FIDELITYAND DEPODSITCOM ARYLANDS	M	4/6/2011	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	283397	DEVON ENERGY PRODUCTION CORP.	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
2066	280531	ZPZ DELAWARE I LLC	284838	ZPZ DELAWARE I, LLC	LIBERTY MUTUAL INSURANCE COMPA	M	4/21/2025	
916	269864	CANYON E & P COMPANY	285493	CANYON E & P COMPANY	U.S. SPECIALTY INSURANCE COMPA	M	9/9/2010	
1600	19174	RICE OPERATING COMPANY	285509	RICE OPERATING COMPANY	THE OHIO CASUALTY INS. CO.	M	6/10/2018	
1733	243874	QUANTUM RESOURCES MANAGEMENT , LLC	286153	QUANTUM RESOURCES MANAGEMENT , LLC., ETAL	ARGONAUT INSURANCE COMPANY	M	6/8/2020	
898	241333	CHEVRON MIDCONTINEN T, L.P.	286165	CHEVRON MIDCONTINEN T, L.P.	SAFECO INSURANCE COMPANY OF AM	M	2/10/2010	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
	877 160825	BC OPERATING, INC.	286391	CROWN OIL PARTNERS V, L.P.	LEXON INSURANCE COMPANY	M	7/16/2009	
	641 199866	CAMERON OIL	286417	CAMERON OIL & GAS, INC.	FIRST NATIONAL BANK	M	6/2/2003	
	952 286583	PROSPECTOR, LLC	286583	PROSPECTOR, LLC	U.S. SPECIALTY INSURANCE COMPA	B	10/25/2011	
	745 286614	CROSS BORDER RESOURCES, INC.	286614	CROSS BORDER RESOURCES, INC.	STATE LAND OFFICE	B	8/24/2005	
	943 15422	APACHE CORP	286812	APACHE CORPORATION	LIBERTY MUTUAL INSURANCE COMPA	M	6/14/2011	
	583 223170	CHESAPEAKE EXPLORATION L.L.C.	287038	CHESAPEAKE EXPLORATION, L.L.C.	RLI INSURANCE CO.	M	3/22/2001	
	955 287160	MAVERICK OPERATING, LLC	287160	MAVERICK OPERATING, LLC	FROST BANK	M	7/8/2014	
	956 303283	COG PRODUCTION, LLC	287343	COG PRODUCTION LLC	U.S. SPECIALTY INSURANCE COMPA	M	11/29/2011	
	849 260737	BOPCO, L.P.	287510	BOPCO, LP	TRAVELERS CASUALTY & SURETY CO	M	11/7/2008	
	1709 96694	OXY USA INC	287524	OXY USA INC	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
	904 210091	DKD,LLC	287590	DKD, LLC	FIRST AMERICAN BANK	M	3/12/2010	
	1733 243874	QUANTUM RESOURCES MANAGEMENT, LLC	287837	BREITBURN OPERATING, LP	ARGONAUT INSURANCE COMPANY	M	6/8/2020	
	1951 3080	BURNETT OIL CO INC	288188	BURNETT OIL CO	U.S. SPECIALTY INSURANCE COMPA	M	12/18/2023	
	1150 6137	DEVON ENERGY PRODUCTION COMPANY, LP	288627	DEVON ENERGY PRODUCTION COMPANY, LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
	1150 6137	DEVON ENERGY PRODUCTION COMPANY, LP	289336	DEVON ENERGY PRODUCTION COMPANY, L.P.	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
	1978 289408	LOGOS OPERATING, LLC	289408	LOGOS OPERATING, LLC	U.S. SPECIALTY INSURANCE COMPA	M	6/17/2024	
	1006 297843	VANGUARD PERMIAN LLC	289511	VANGUARD PERMIAN, LLC	HANOVER INSURANCE COMPANY	M	4/30/2014	
	1611 231269	COG OPERATING LLC	290631	COG OPERATING LLC	ARCH INSURANCE CO.	M	4/30/2018	
	641 199866	CAMERON OIL	291393	CAMERON OIL & GAS CO., INC.	FIRST NATIONAL BANK	M	6/2/2003	
	969 291444	DIAMOND S ENERGY COMPANY	291444	DIAMOND S ENERGY COMPANY	TRAVELERS CASUALTY & SURETY CO	M	8/9/2012	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1980	291669	HYPERION OIL & GAS LLC	291669	HYPERION OIL & GAS LLC	ARCH INSURANCE COMPANY	S	7/1/2024	B0 9613 6
1936	14187	MARSHALL & WINSTON INC	292804	MARSHALL & WINSTON, INC.	EVERGREEN NATINAL INDEMNITY CO	B	11/8/2023	
930	293363	BLACK STONE MINERALS COMPANY, L.P.	293363	BLACK STONE MINERALS COMPANY, L.P.	U.S SPECIALTY INSURANCE COMPAN	B	12/15/2010	
930	293363	BLACK STONE MINERALS COMPANY, L.P.	293704	BLACK STONE ENERGY COM. L.L.C.	U.S SPECIALTY INSURANCE COMPAN	B	12/15/2010	
1896	293704	BLACK STONE ENERGY COM. L.L.C.	293704	BLACK STONE ENERGY COM. L.L.C.	JPMORGAN CHASE BANK, N.A.	M	12/22/2022	
813	293704	BLACK STONE ENERGY COM. L.L.C.	293704	BLACK STONE ENERGY COM. L.L.C.	U.S. SPECIALTY INSURANCE COMPA	S	9/28/2007	L0 3880 5
1827	293809	SYDHAN, LP	293809	SYDHAN, LP	ARCH INSURANCE COMPANY	M	5/3/2022	
1862	293991	RICHARD LYONS MOORE 2006 TRUST	293991	RICHARD LYONS MOORE 2006 TRUST	CASH BOND	B	8/3/2022	
2023	341840	MAGNUM PRODUCING, LP	294093	MAGNUM PRODUCING, LP	ENDURANCE ASSURANCE CORPORATIO	B	12/17/2024	
1074	294619	M&M ENERGY, LLC	294619	M&M ENERGY, LLC	WELLS FARGO BANK N.A.	S	4/21/2015	VB 1847 1
970	231429	MANZANO LLC	294839	MANZANO ENERGY PARTNERS II, LLC	VALLEY BANK OF COMMERCE	M	7/30/2012	
1716	246368	BASIC ENERGY SERVICES, LP	295227	BASIC ENERGY SERVICES, LP	U. S. SPECIALTY INSURANCE COMP	M	3/17/2020	
1725	246368	BASIC ENERGY SERVICES, LP	295227	BASIC ENERGY SERVICES, LP	US SPECIALTY INSURANCE COMPANY	M	3/17/2020	
1710	107647	OXY Y-1 COMPANY	295248	OXY Y-1 COMPANY	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
957	222759	BUCKEYE DISPOSAL, L.L.C.	295880	BUCKEYE DISPOSAL, LLC	LEXON INSURANCE COMPANY	M	12/5/2011	
1717	295925	C&J WELL SERVICES, INC.	295925	C&J WELL SERVICES, INC.	U.S. SPECIALTY INSURANCE COMPA	M	3/17/2020	
666	295943	ANADARKO E&P ONSHORE LLC	295943	ANADARKO E&P ONSHORE LLC	LIBERY MUTUAL INSURANCE CO.	B	1/26/2004	
964	15742	NEARBURG PRODUCING CO	296154	NEARBURG PRODUCING COMPANY	U.S. SPECIALTY INSURANCE COMPA	M	6/13/2012	
1709	96694	OXY USA INC	296166	OXY USA INC	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
1003	296278	PROBITY SWD, LLC	296278	PROBITY SWD, LLC	COMMUNITY NATIONAL BANK	M	11/6/2013	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1657	296411	CONSTRUCTORS, INC.	296411	CONSTRUCTORS, INC.	DUNAGAN ASSOCIATES, INC.	M	5/9/2011	
956	303283	COG PRODUCTION, LLC	296438	COG ACREAGE LP	U.S. SPECIALTY INSURANCE COMPA	M	11/29/2011	
1266	266458	SKANSKA USA CIVIL WEST ROCKY MTN. DIST. INC.	296794	SKANSKA	AMERICAN HOME ASSURANCE	M	6/24/2009	
774	230387	PARALLEL PETROLEUM LLC	296964	PLL E&P, LLC	CITIBANK	M	7/25/2006	
1663	297442	DEMING EXCAVATING, INC.	297442	DEMING EXCAVATING, INC.	WESTERN SURETY COMPANY	M	5/1/2013	
1006	297843	VANGUARD PERMIAN LLC	297843	VANGUARD PERMIAN LLC	HANOVER INSURANCE COMPANY	M	4/30/2014	
2079	119305	RAY WESTALL OPERATING, INC.	297999	RAY WESTALL OPERATING, INC.	EVERGREEN NATIONAL INDEMNITY C	M	5/29/2025	
2057	298299	CROSS TIMBERS ENERGY, LLC	298299	CROSS TIMBERS ENERGY, LLC	UNITED STATES FIRE INSURANCE C	M	2/24/2025	
1744	327480	WPX ENERGY PERMIAN, LLC.	298649	WPX ENERGY PERMIAN, LLC	LIBERTY MUTUAL INSURANCE COMPA	M	1/27/2021	
849	260737	BOPCO, L.P.	298976	BOPCO, LP	TRAVELERS CASUALTY & SURETY CO	M	11/7/2008	
1682	300221	THE MERCHANT LIVESTOCK COMPANY, INC.	300221	THE MERCHANT LIVESTOCK COMPANY, INC.	LEXON INSURANCE COMPANY	M	6/15/2017	
1078	300825	BLUE SKY NM, INC.	300825	BLUE SKY NM, INC.	NEW MEXICO BANK & TRUST	B	5/20/2015	
1364	300854	CRAIN HOT OIL SERVICE, INC.	300854	CRAIN HOT OIL SERVICE, INC.	FIRST AMERICAN BANK	M	7/25/2016	
1600	19174	RICE OPERATING COMPANY	302145	RICE OPERATING COMPANY	THE OHIO CASUALTY INS. CO.	M	6/10/2018	
956	303283	COG PRODUCTION, LLC	303283	COG PRODUCTION, LLC	U.S. SPECIALTY INSURANCE COMPA	M	11/29/2011	
1364	300854	CRAIN HOT OIL SERVICE, INC.	303735	CRAIN HOT OIL SERVICE, LLC	FIRST AMERICAN BANK	M	7/25/2016	
1051	303900	MEMORIAL PRODUCTION OPERATING, LLC	303900	MEMORIAL PRODUCTION OPERATING, LLC	ARGONAUT INSURANCE COMPANY	M	11/4/2014	
2074	342299	SPECIAL ENERGY CORPORATION	305614	SPECIAL ENERGY CORPORATION	FRANKENMUTH INSURANCE COMPANY	M	4/28/2025	
2057	298299	CROSS TIMBERS ENERGY, LLC	305793	CROSS TIMBERS ENERGY, LLC	UNITED STATES FIRE INSURANCE C	M	2/24/2025	
2043	64432	EOG RESOURCES, INC.	305878	EOG RESOURCES, INC.	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	
1005	306381	TAPS I ENERGY LLC	306381	TAPS I ENERGY LLC	LEXON INSURANCE COMPANY	S	3/7/2014	VB 1503 3

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
877	160825	BC OPERATING, INC.	306668	CROWN OIL PARTNERS V, L.P.	LEXON INSURANCE COMPANY	M	7/16/2009	
536	25706	CLAYTON WILLIAMS ENERGY INC	307029	CLAYTON WILLIAMS ENERGY, INC.	RLI INSURANCE COMPANY	M	1/6/2000	
1978	289408	LOGOS OPERATING, LLC	308053	LOGOS OPERATING, LLC	U.S. SPECIALTY INSURANCE COMPA	M	6/17/2024	
1258	308080	A-1 QUALITY REDI-MIX, INC.	308080	A-1 QUALITY REDI-MIX, INC.	LEXON INSURANCE COMPANY	M	3/14/2016	
1082	308177	LOMA HOMBRE ENERGY, LLC	308177	LOMA HOMBRE ENERGY, LLC	WAIVER	S	7/10/2014	VB 2196 0
1110	308177	LOMA HOMBRE ENERGY, LLC	308177	LOMA HOMBRE ENERGY, LLC	WAIVER	S	4/30/2015	V0 9113 0
1111	308177	LOMA HOMBRE ENERGY, LLC	308177	LOMA HOMBRE ENERGY, LLC	WAIVER	S	4/30/2015	V0 9348 0
1962	308177	LOMA HOMBRE ENERGY, LLC	308177	LOMA HOMBRE ENERGY, LLC	WAIVER	S	1/8/2024	VC 1169 0
1970	308177	LOMA HOMBRE ENERGY, LLC	308177	LOMA HOMBRE ENERGY, LLC	WAIVER	S	5/1/2024	VC 1255 0
1971	308177	LOMA HOMBRE ENERGY, LLC	308177	LOMA HOMBRE ENERGY, LLC	WAIVER	S	5/1/2024	VC 1256 0
1972	308177	LOMA HOMBRE ENERGY, LLC	308177	LOMA HOMBRE ENERGY, LLC	WAIVER	S	5/1/2024	VC 1257 0
1973	308177	LOMA HOMBRE ENERGY, LLC	308177	LOMA HOMBRE ENERGY, LLC	WAIVER	S	5/1/2024	VC 1258 0
1011	308339	OWL SWD OPERATING, LLC	308339	OWL SWD OPERATING, LLC	FROST BANK	M	7/25/2014	
1966	310548	CART HILL ENERGY, LLC	310548	CART HILL ENERGY, LLC	INDEMNITY NATIONAL INSURANCE C	M	5/8/2024	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	310728	DEVON ENERGY PRODUCTION COMPANY, L.P.	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
1072	310761	OASIS WATER SOLUTIONS LLC	310761	OASIS WATER SOLUTIONS LLC	LEA COUNTY STATE BANK	M	3/13/2015	
1037	311845	ONSHORE ROYALTIES, LLC	311845	ONSHORE ROYALTIES, LLC	PIONEER BANK	M	10/2/2014	
1042	370131	ANSCHUTZ OIL COMPANY, LLC	312642	ANSCHUTZ OIL COMPANY, LLC	TRAVELERS CASUALTY & SURETY CO	M	10/15/2014	
1263	314480	VOLCANIC STONE CO.	314480	VOLCANIC STONE CO.	VOLCANIC STONE CO	M	10/6/2015	
1708	96704	OXY USA WTP LIMITED PARTNERSHIP	314567	OXY USA WTP LIMITED PARTNERSHIP	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
1509	86997	MARATHON OIL COMPANY LLC	314705	MARATHON OIL COMPANY	LIBERTY MUTUAL INSURANCE COMPA	M	3/13/2017	
849	260737	BOPCO, L.P.	314720	BOPCO L.P.	TRAVELERS CASUALTY & SURETY CO	M	11/7/2008	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1762	317983	GUS H20 L.L.C. & RAZ OIL & GAS, L.L.C.	314757	GUS H2O LLC	ARCH INSURANCE COMPANY	M	5/11/2021	
791	1092	ARMSTRONG ENERGY CORP	314913	ARMSTRONG ENERGY CORPORATION	JP MORGAN CHASE	M	2/20/2007	
1989	314987	MURCHISON OIL & GAS,LLC	314987	MURCHISON OIL & GAS,LLC	EVERGREEN NATIONAL INDEMNITY C	M	9/3/2024	
2057	298299	CROSS TIMBERS ENERGY, LLC	315244	CROSS TIMBERS ENERGY LLC	UNITED STATES FIRE INSURANCE C	M	2/24/2025	
1709	96694	OXY USA INC	315329	OXY USA INC.	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
1004	261044	MRC PERMIAN COMPANY	315528	MRC DELAWARE RESOURCE, LLC	ARCH INSURANCE COMPANY	M	1/7/2014	
1745	120782	WPX ENERGY PRODUCTION, LLC	316485	WPX ENERGY PRODUCTION, LLC	LIBERTY MUTUAL INSURANCE COMPA	B	1/27/2021	
877	160825	BC OPERATING, INC.	316952	BC OPERATING, INC.	LEXON INSURANCE COMPANY	M	7/16/2009	
1083	317049	PRIZE EXPLORATION, LLC	317049	PRIZE EXPLORATION, LLC	WESTCHESTER FIRE INSURANCE COM	M	7/23/2015	
1079	317612	PADUCA PARTNERS LLC	317612	PADUCA PARTNERS LLC	ENDURANCE ASSURANCE CORPORATIO	B	6/12/2015	
1762	317983	GUS H20 L.L.C. & RAZ OIL & GAS, L.L.C.	317983	GUS H20 L.L.C. & RAZ OIL & GAS, L.L.C.	ARCH INSURANCE COMPANY	M	5/11/2021	
1089	318109	CAT SPRING PROPERTIES LLC	318109	CAT SPRING PROPERTIES LLC	CITIZENS STATE BANK	S	8/30/2015	L0 446 3
1259	318697	AGGREGATE TECHNOLOGIES, LLC	318697	AGGREGATE TECHNOLOGIES, LLC	THE OHIO CASUALTY INSURANCE CO	M	7/9/2015	
1744	327480	WPX ENERGY PERMIAN, LLC.	319214	WPX ENERGY PERMIAN, LLC	LIBERTY MUTUAL INSURANCE COMPA	M	1/27/2021	
1664	319310	DEMING SAND & GRAVEL, LLC	319310	DEMING SAND & GRAVEL, LLC	UNITED FIRE & CASUALTY COMPANY	M	8/24/2016	
1676	319333	KEY LIVESTOCK, LLC	319333	KEY LIVESTOCK, LLC	NATIONWIDE MUTUAL INSURANCE CO	M	7/19/2017	
1086	371101	CLEARWATER SWD, LLC	319851	CLEARWATER SWD, LLC	LEXON INSURANCE COMPANY	M	9/14/2015	
1652	319990	ESPANOLA TRANSIT MIX, LLC	319990	ESPANOLA TRANSIT MIX, LLC	INTERNATIONAL FIDELITY INSURAN	M	3/11/2015	
1086	371101	CLEARWATER SWD, LLC	320253	CLEARWATER SWD, LLC	LEXON INSURANCE COMPANY	M	9/14/2015	
1709	96694	OXY USA INC	320929	OXY USA INC	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	

IPANM EXHIBIT 33

OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	321578	DEVON ENERGY PRODUCTION CO, L.P.	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
943	15422	APACHE CORP	321605	APACHE CORPORATION	LIBERTY MUTUAL INSURANCE COMPA	M	6/14/2011	
2043	64432	EOG RESOURCES, INC.	321638	EOG RESOURCES, INC.	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	
1668	321646	FISHER SAND & GRAVEL-NEW MEXICO, INC.	321646	FISHER SAND & GRAVEL-NEW MEXICO, INC.	LIBERTY MUTUAL INSURANCE COMPA	M	8/23/2007	
2043	64432	EOG RESOURCES, INC.	321701	EOG RESOURCES	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	321750	DEVON ENERGY PRODUCTION CO., LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
1978	289408	LOGOS OPERATING, LLC	321818	LOGOS OPERATING, LLC	U.S. SPECIALTY INSURANCE COMPA	M	6/17/2024	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	321882	DEVON ENERGY PRODUCTION CO. LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	322201	DEVON ENERGY PRODUCTION CO. LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
1097	322227	JOHN S. CATRON & FLETCHER R. CATRON	322227	JOHN S. CATRON & FLETCHER R. CATRON	LEXON INSURANCE COMPANY	S	12/18/2015	A0 1375 36
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	322429	DEVON ENERGY PRODUCT. CO.,LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
1162	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	V0 9533 0
1163	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	V0 9536 0
1164	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	VB 2385 0
1165	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	V0 9516 1
1166	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	V0 9652 1
1167	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	V0 9635 1
1180	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	VB 2322 1
1181	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	V0 9581 1
1182	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	V0 9656 1
1183	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	VB 2390 1
1174	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	VB 2401 1
1175	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	V0 9637 1
1176	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	V0 9605 1

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1177	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	V0 9542 1
1178	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	VB 2391 1
1179	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	V0 9541 1
1168	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	V0 9640 1
1169	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	V0 9636 1
1170	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	VB 2214 1
1171	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	V0 9568 1
1172	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	V0 9535 1
1173	322954	TERRA NOVA ENERGY, LP	322954	TERRA NOVA ENERGY, LP	WAIVER	S	3/3/2016	V0 9534 1
1675	322966	JIM ROSS CAVINESS	322966	JIM ROSS CAVINESS	LEXON INSURANCE COMPANY	M	8/11/2017	
1717	295925	C&J WELL SERVICES, INC.	323096	C&J WELL SERVICES, INC.	U.S. SPECIALTY INSURANCE COMPA	M	3/17/2020	
1086	371101	CLEARWATER SWD, LLC	323408	CLEARWATER SWD, LLC	LEXON INSURANCE COMPANY	M	9/14/2015	
1683	323591	MICHELE'S READY MIX, ROCK & RECYCLE, INC.	323591	MICHELE'S READY MIX, ROCK & RECYCLE, INC.	LEXON INSURANCE COMPANY	M	3/24/2016	
1621	260297	BTA OIL PRODUCERS, LLC	323829	BTA OIL PRODUCERS, LLC	US SPECIALTY INSURANCE CO.	M	11/1/2018	
1744	327480	WPX ENERGY PERMIAN, LLC.	324019	WPX ENERGY PERMIAN, LLC	LIBERTY MUTUAL INSURANCE COMPA	M	1/27/2021	
1762	317983	GUS H20 L.L.C. & RAZ OIL & GAS, L.L.C.	324154	RAZ OIL AND GAS L.L.C.	ARCH INSURANCE COMPANY	M	5/11/2021	
913	197035	XTO ENERGY INC	324373	XTO ENERGY INC.	PETROLEUM CASUALTY COMPANY	M	8/2/2010	
2123	197035	XTO ENERGY INC	324373	XTO ENERGY INC.	FEDERAL INSURANCE COMPANY	M	6/4/2025	
1247	324463	SILVER HILL E&P II, LLC.	324463	SILVER HILL E&P II, LLC.	WAIVER	S	2/24/2016	VB 2225 2
1709	96694	OXY USA INC	324642	OXY USA, INC.	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
1485	324740	KASTLEFORD LAND COMPANY, LLC.	324740	KASTLEFORD LAND COMPANY, LLC.	N/A	S	1/26/2017	VB 2885 0
1517	324740	KASTLEFORD LAND COMPANY, LLC.	324740	KASTLEFORD LAND COMPANY, LLC.	N/A	B	4/11/2017	
1401	324973	HEADINGTON ENERGY PARTNERS LLC	324973	HEADINGTON ENERGY PARTNERS LLC	RLI INSURANCE COMPANY	M	9/27/2016	
1916	258983	BRIDWELL OIL COMPANY	325194	BRIDWELL OIL COMPANY	EVERGREEN NATIONAL INDEMNITY C	B	4/27/2023	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	325460	DEVON ENERGY PRODUCTION COMPANY, LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
1588	218098	BP AMERICA PRODUCTION COMPANY	325517	BP AMERICA PRODUCTION COMPANY	TRAVELERS CASUALTY AND SURETY	M	11/11/2016	
1502	325655	REMINGTON MONUMENT, L.L.C.	325655	REMINGTON MONUMENT, L.L.C.	BANK OF ALBUQUERQUE	M	1/25/2017	
1900	325718	ROY G. BARTON SR. & OPAL BARTON REV TRUST	325718	ROY G. BARTON SR. & OPAL BARTON REV TRUST	WAIVER	S	11/8/2022	VC 962 1
1901	325718	ROY G. BARTON SR. & OPAL BARTON REV TRUST	325718	ROY G. BARTON SR. & OPAL BARTON REV TRUST	WAIVER	S	11/8/2022	VC 963 1
1902	325718	ROY G. BARTON SR. & OPAL BARTON REV TRUST	325718	ROY G. BARTON SR. & OPAL BARTON REV TRUST	WAIVER	S	11/8/2022	VC 964 1
1903	325718	ROY G. BARTON SR. & OPAL BARTON REV TRUST	325718	ROY G. BARTON SR. & OPAL BARTON REV TRUST	WAIVER	S	11/8/2022	VC 965 1
1904	325718	ROY G. BARTON SR. & OPAL BARTON REV TRUST	325718	ROY G. BARTON SR. & OPAL BARTON REV TRUST	WAIVER	S	11/8/2022	VC 966 1
1553	325754	TAP ROCK RESOURCES, LLC.	325754	TAP ROCK RESOURCES, LLC.	BANK OF ALBUQUERQUE	M	9/19/2017	
1455	325830	ASCENT ENERGY, LLC.	325830	ASCENT ENERGY, LLC.	WELLS FARGO, N.A.	M	11/28/2016	
1752	325830	ASCENT ENERGY, LLC.	325830	ASCENT ENERGY, LLC.	ENDURANCE ASSURANCE CORPORATIO	M	2/25/2021	
1461	371762	ABO EMPIRE, LLC	325875	ABO EMPIRE, LLC.	U.S. SPECIALTY INSURANCE COMPA	M	11/16/2016	
964	15742	NEARBURG PRODUCING CO	325984	EAU ROUGE LLC	U.S. SPECIALTY INSURANCE COMPA	M	6/13/2012	
964	15742	NEARBURG PRODUCING CO	325996	ST. DEVOTE LLC	U.S. SPECIALTY INSURANCE COMPA	M	6/13/2012	
1458	371755	PERCUSSION PETROLEUM OPERATING, LLC	325996	ST. DEVOTE LLC	U.S. SPECIALTY INS CO.	M	12/21/2016	
1856	326061	SCR ENERGY CAPITAL, LLC.	326061	SCR ENERGY CAPITAL, LLC.	CASH BOND	B	6/14/2022	
1460	326121	LLJ VENTURES, LLC	326121	LLJ VENTURES, LLC	LEXON INSURANCE CO.	B	6/28/2016	
1599	326258	POGO OIL & GAS OPERATING, INC.	326258	POGO OIL & GAS OPERATING, INC.	US SPECIALTY INSURANCE COMPANY	M	4/23/2018	
1509	86997	MARATHON OIL COMPANY LLC	326310	MARATHON OIL PERMIAN LLC	LIBERTY MUTUAL INSURANCE COMPA	M	3/13/2017	
1540	326341	RCS - NM ENERGY, LLC	326341	RCS - NM ENERGY, LLC	ATLANTIC SPECIALTY INSURANCE C	M	6/5/2017	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1538	326448	DGP ENERGY LLC	326448	DGP ENERGY LLC	N/A	B	6/7/2017	
1562	372583	DGP ENERGY, LLC	326448	DGP ENERGY LLC	FIDELITY & DEPPOSIT CO OF MD	M	10/13/2017	
1715	371838	DJR OPERATING, LLC	326472	DJR ASSETS, LLC	U.S. SPECIALTY INSURANCE COMPA	M	4/14/2020	
1781	372137	CHISHOLM ENERGY OPERATING, LLC	326483	CHISHOLM ENERGY OPERATING, LLC.	U.S. SPECIALTY INSURANCE COMPA	M	6/26/2020	
1550	326495	TROVE ENERGY & WATER, LLC	326495	TROVE ENERGY & WATER, LLC	LEXON INSURANCE COMPANY	M	7/5/2017	
1527	372224	AMEREDEV OPERATING, LLC	326500	AMEREDEV NEW MEXICO, LLC.	ASPEN AMERICAN INSURANCE CO.	M	4/26/2017	
1584	326531	CHRISTEVE OIL COMPANY, INC.	326531	CHRISTEVE OIL COMPANY, INC.	WELLS FARGO BANK, N.A.	B	2/2/2018	
1528	326543	HAYES LAND, LP.	326543	HAYES LAND, LP.	WELLS FARGO BANK	B	5/16/2017	
944	338563	GRIZZLY OPERATING LLC	326554	GRIZZLY OPERATING, LLC	U.S. SPECIALTY INSURANCE COMP.	M	7/7/2011	
1694	338563	GRIZZLY OPERATING LLC	326554	GRIZZLY OPERATING, LLC	SIRIUS AMERICA INSURANCE COMPA	M	9/6/2019	
2098	326582	LONGFELLOW LH, LLC.	326582	LONGFELLOW LH, LLC.	EVERGREEN NATIONAL INDEMNITY C	M	6/5/2025	
1599	326258	POGO OIL & GAS OPERATING, INC.	326598	POGO RESOURCES, LLC.	US SPECIALTY INSURANCE COMPANY	M	4/23/2018	
1527	372224	AMEREDEV OPERATING, LLC	326626	AMEREDEV OPERATING, LLC.	ASPEN AMERICAN INSURANCE CO.	M	4/26/2017	
2097	326665	LONGFELLOW ENERGY, LP	326665	LONGFELLOW ENERGY, LP	EVERGREEN NATIONAL INDEMNITY C	M	6/5/2025	
1998	326734	CAZA PETROLEUM, LLC.	326734	CAZA PETROLEUM, LLC.	EVERGREEN NATIONAL INDEMNITY C	M	10/7/2024	
1543	280276	ENDURING RESOURCES,LLC	326756	ENDURING RESOURCES IV, LLC.	RLI INSURANCE COMPANY	M	6/30/2017	
1890	326760	ESTACADO LAND SERVICES, LLC.	326760	ESTACADO LAND SERVICES, LLC.	WAIVER	S	11/15/2022	VC 1078 0
1895	326760	ESTACADO LAND SERVICES, LLC.	326760	ESTACADO LAND SERVICES, LLC.	WAIVER	S	12/20/2022	VC 1082 0
1060	326806	WYATT PERMIAN, LLC.	326806	WYATT PERMIAN, LLC.	BANK OF AMERICA	M	2/26/2015	
1611	231269	COG OPERATING LLC	326822	SRO3, LLC.	ARCH INSURANCE CO.	M	4/30/2018	
1589	326839	TEXAS STANDARD OIL LLC.	326839	TEXAS STANDARD OIL LLC.	LEXON INSURANCE COMPANY	M	3/9/2018	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
596	148394	VERNON E. FAULCONER, INC.	326888	FAULCONER 1996 LIMITED PARTNERSHIP, LLP	RLI INSURANCE	B	7/24/2001	
596	148394	VERNON E. FAULCONER, INC.	326908	FAULCONER RESOURCES 1999 LIMITED PART, LLP	RLI INSURANCE	B	7/24/2001	
1552	326924	HILCORP SAN JUAN, LP	326924	HILCORP SAN JUAN, LP	WESTERN SURETY COMPANY	M	9/20/2017	
2100	326941	CALM FORT WORTH VENTURES, LLC.	326941	CALM FORT WORTH VENTURES, LLC.	CASH BOND/ WIRE TRANSFER	B	8/11/2025	
1756	327055	YATES INDUSTRIES LLC	327055	YATES INDUSTRIES LLC	LEXON INSURANCE COMPANY	M	3/17/2021	
970	231429	MANZANO LLC	327086	MANZANO ENERGY PARTNERS III, LLC.	VALLEY BANK OF COMMERCE	M	7/30/2012	
2050	327090	STRATEGIC ENERGY INCOME FUND IV, LP	327090	STRATEGIC ENERGY INCOME FUND IV, LP	U.S. SPECIALTY INSURANCE COMPA	M	2/3/2025	
1560	327122	IACX ROSWELL, LLC.	327122	IACX ROSWELL, LLC.	ARGONAUT INSURANCE COMPANY	M	9/14/2017	
596	148394	VERNON E. FAULCONER, INC.	327151	FAULCONER RESOURCES JOINT-VENTURE-1993, LLP	RLI INSURANCE	B	7/24/2001	
2092	327231	FLAG DEVELOPMENT, LLC.	327231	FLAG DEVELOPMENT, LLC.	SIRIUSPOINT AMERICA INSURANCE	M	3/5/2025	
1599	326258	POGO OIL & GAS OPERATING, INC.	327298	POGO OIL & GAS OPER, INC. & APACHE CORP.	US SPECIALTY INSURANCE COMPANY	M	4/23/2018	
1577	327328	SHELMAR E & P NM, LP	327328	SHELMAR E & P NM, LP	LEXON INSURANCE COMPANY	M	1/3/2018	
913	197035	XTO ENERGY INC	327330	XTO HOLDINGS, LLC	PETROLEUM CASUALTY COMPANY	M	8/2/2010	
2095	327330	XTO HOLDINGS, LLC	327330	XTO HOLDINGS, LLC	FEDERAL INSURANCE COMPANY	M	6/26/2025	
2091	327342	STETSON EXPLORATION, LLC.	327342	STETSON EXPLORATION, LLC.	SIRIUSPOINT AMERICA INSURANCE	M	3/22/2025	
1744	327480	WPX ENERGY PERMIAN, LLC.	327480	WPX ENERGY PERMIAN, LLC.	LIBERTY MUTUAL INSURANCE COMPA	M	1/27/2021	
913	197035	XTO ENERGY INC	327529	XTO PERMIAN OPERATING, LLC	PETROLEUM CASUALTY COMPANY	M	8/2/2010	
2094	327529	XTO PERMIAN OPERATING, LLC	327529	XTO PERMIAN OPERATING, LLC	FEDERAL INSURANCE COMPANY	M	6/26/2025	
1599	326258	POGO OIL & GAS OPERATING, INC.	327581	POGO OIL & GAS OPER INC. & APACHE CORP	US SPECIALTY INSURANCE COMPANY	M	4/23/2018	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1593	327594	RILEY EXPLORATION -PERMIAN, LLC.	327594	RILEY EXPLORATION -PERMIAN, LLC.	US SPECIALTY INSURANCE COMPANY	M	5/11/2018	
1603	327648	K. P. KAUFFMAN COMPANY, INC.	327648	K. P. KAUFFMAN COMPANY, INC.	FIDELITY AND DEPOSIT COMPANY O	M	6/26/2018	
1610	327650	MUSTANG RESOURCES, LLC.	327650	MUSTANG RESOURCES, LLC.	BOK FINANCIAL	B	10/4/2018	
1601	327683	VENDERA MANAGEMENT III, LLC.	327683	VENDERA MANAGEMENT III, LLC.	BANK OF OKLAHOMA	M	7/19/2018	
1614	327738	COERT HOLDINGS 1, LLC.	327738	COERT HOLDINGS 1, LLC.	GUARANTEE CO OF NA USA	M	8/29/2018	
1620	327746	FLAT CREEK RESOURCES, LLC.	327746	FLAT CREEK RESOURCES, LLC.	N/A	B	11/12/2018	
2009	327757	DUDLEY LAND COMPANY	327757	DUDLEY LAND COMPANY	WAIVER	S	11/19/2024	VC 1304 0
2109	327757	DUDLEY LAND COMPANY	327757	DUDLEY LAND COMPANY	WAIVER	S	9/24/2025	SG 5 0
2110	327757	DUDLEY LAND COMPANY	327757	DUDLEY LAND COMPANY	WAIVER	S	9/24/2025	SG 4 0
2111	327757	DUDLEY LAND COMPANY	327757	DUDLEY LAND COMPANY	WAIVER	S	9/24/2025	SG 3 0
1626	327774	SALT FORK LIMITED	327774	SALT FORK LIMITED	PIONEER BANK	B	12/28/2018	
596	148394	VERNON E. FAULCONER, INC.	327821	FAULCONER 2004 LIMITED PARTNERSHIP, LLP	RLI INSURANCE	B	7/24/2001	
1639	327870	PACIFIC ENERGY DEVELOPMEN T CORP	327870	PACIFIC ENERGY DEVELOPMEN T CORP	ARGONAUT INSURANCE CO.	M	4/4/2019	
1607	327884	SUMMIT PERMIAN TRANSMISSIO N, LLC	327884	SUMMIT PERMIAN TRANSMISSIO N, LLC	LIBERTY MUTUAL INSURANCE CO.	M	8/29/2018	
913	197035	XTO ENERGY INC	327896	XTO DELAWARE BASIN, LLC.	PETROLEUM CASUALTY COMPANY	M	8/2/2010	
2096	327896	XTO DELAWARE BASIN, LLC.	327896	XTO DELAWARE BASIN, LLC.	FEDERAL INSURANCE COMPANY	M	6/26/2025	
1623	327913	BEXP I, LP	327913	BEXP I, LP	US SPECIALTY INS CO	B	10/30/2018	
1699	327930	THRUST ENERGY, INC.	327930	THRUST ENERGY, INC.	WAIVER	B	12/10/2019	
1601	327683	VENDERA MANAGEMENT III, LLC.	327959	VENDERA RESOURCES III, L.P.	BANK OF OKLAHOMA	M	7/19/2018	
1616	328029	PERCHERON PROFESSIONA L SERVICES, LLC.	328029	PERCHERON PROFESSIONA L SERVICES, LLC.	N/A	B	10/30/2018	
670	217598	ASPEN OPERATING COMPANY LLC	328076	ASPEN OPERATING COMPANY, LLC.	BANK OF TEXAS	B	3/10/2004	
1704	328094	COTERRA ENERGY OPERATING M LLC	328094	COTERRA ENERGY OPERATING M LLC	FIDELITY AND DEPOSIT COMPANY O	M	10/17/2019	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
2063	328094	COTERRA ENERGY OPERATING M LLC	328094	COTERRA ENERGY OPERATING M LLC	UNITED STATES FIRE INSURANCE C	M	4/16/2025	
1625	328195	TASCOSA ENERGY PARTNERS, LLC.	328195	TASCOSA ENERGY PARTNERS, LLC.	WAIVER	B	12/18/2018	
1729	328195	TASCOSA ENERGY PARTNERS, LLC.	328195	TASCOSA ENERGY PARTNERS, LLC.	WEST TEXAS NATIONAL BANK	M	7/13/2020	
2051	328204	ONYX RESOURCES, L.P.	328204	ONYX RESOURCES, L.P.	CLEAR FORK BANK, NA	M	1/15/2025	
1666	328259	Permian Oilfield Partners, LLC	328259	Permian Oilfield Partners, LLC	RLI INSURANCE COMPANY	M	8/1/2019	
1720	328565	BAM Permian Operating, LLC	328565	BAM Permian Operating, LLC	AMERICAN MOMENTUM BANK	M	5/29/2020	
1640	328599	Ring Energy, Inc	328599	Ring Energy, Inc	TRAVELERS CASUALTY & SURETY CO	M	4/5/2019	
1987	328654	R&R Royalty, Ltd.	328654	R&R Royalty, Ltd.	ENDURANCE ASSURANCE CORPORATIO	B	7/24/2024	
1655	328733	Flint Oak Energy, LLC	328733	Flint Oak Energy, LLC	U.S. SPECIALTY INSURANCE CO.	M	6/7/2019	
1742	338408	SPUR ENERGY PARTNERS, LLC	328947	Spur Energy Partners LLC	U.S. SPECIALTY INSURANCE COMPA	M	7/8/2020	
1995	338424	HIGH RIVER RESOURCES OPERATING, LLC	328985	High River Resources Operating, LLC	PENNSYLVANI A INSURANCE COMPANY	M	9/17/2024	
1659	338511	SABINAL ENERGY OPERATING, LLC	328992	Sabinal Energy Operating, LLC	UNITED STATES FIRE INSURANCE C	M	8/1/2019	
2001	341771	LM TOUCHDOWN, LLC	329097	LM Touchdown LLC	U. S. SPECIALTY INSURANCE COMP	M	10/7/2024	
1701	329319	LH Operating, LLC	329319	LH Operating, LLC	U.S. SPECIALTY INSURANCE COMPA	M	10/8/2019	
1638	371416	FORTY ACRES ENERGY, LLC	329326	FAE II Operating LLC	U.S. SPECIALTY INSURANCE CO.	M	3/28/2019	
1731	329487	BXP Operating, LLC	329487	BXP Operating, LLC	ENDURANCE ASSURANCE CORPORATIO	M	7/1/2020	
1560	327122	IACX ROSWELL, LLC.	329556	IACX Roswell, LLC	ARGONAUT INSURANCE COMPANY	M	9/14/2017	
1692	329657	Cotton Draw Midstream, L.L.C	329657	Cotton Draw Midstream, L.L.C	TRAVELERS CASUALTY & SURETY CO	M	11/6/2019	
1769	329727	Sozo Natural Resources LLC	329727	Sozo Natural Resources LLC	ARGONAUT INSURANCE COMPANY	B	6/3/2021	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
	1729	328195 TASCOSA ENERGY PARTNERS, LLC.	329748	Tascosa Energy Partners, L.L.C	WEST TEXAS NATIONAL BANK	M	7/13/2020	
	1560	327122 IACX ROSWELL, LLC.	329877	IACX Production LLC	ARGONAUT INSURANCE COMPANY	M	9/14/2017	
	1954	330129 WaterBridge Stateline LLC	330129	WaterBridge Stateline LLC	ARCH INSURANCE COMPANY	M	1/24/2024	
	2056	338948 MORNINGSTAR OPERATING, LLC	330132	MorningStar Operating LLC	UNITED STATES FIRE INSURANCE C	M	3/4/2025	
	1800	339603 REDWOOD OPERATING, LLC	330211	Redwood Operating LLC	U.S. SPECIALTY INSURANCE COMPA	M	12/6/2021	
	1766	330220 RAYBAW Operating, LLC	330220	RAYBAW Operating, LLC	HILLCREST BANK	M	4/6/2021	
	1734	330238 Solis Partners, L.L.C.	330238	Solis Partners, L.L.C.	WEST TEXAS NATIONAL BANK	M	9/8/2020	
	1911	330396 Avant Operating, LLC	330396	Avant Operating, LLC	UMB BANK, N.A.	M	3/27/2023	
	1747	339102 EXTEX OPERATING COMPANY	330423	Extex Operating Company	TRAVELERS CASUALTY & SURETY CO	M	1/15/2021	
	2085	342394 CONTANGO RESOURCES, LLC	330447	Contango Resources, LLC	U.S. SPECIALTY INSURANCE COMPA	M	7/11/2025	
	1927	339497 MR NM OPERATING, LLC	330506	MR NM Operating LLC	UNITED STATES FIRE INSURANCE C	M	8/21/2023	
	1767	330522 Acacia Operating Company, LLC	330522	Acacia Operating Company, LLC	COMMUNITY NATIONAL BANK	M	4/29/2021	
	1768	330608 Roughhouse Operating, LLC	330608	Roughhouse Operating, LLC	WESTERN BANK	M	5/19/2021	
	1824	339847 ROUGHHOUSE OPERATING, LLC	330608	Roughhouse Operating, LLC	CASH BOND	M	4/6/2022	
	1931	330662 K&M RESOURCES LLC	330662	K&M RESOURCES LLC	WESTERN BANK	S	10/16/2023	L0 4493 4
	2090	340011 K&M RESOURCES LLC	330662	K&M RESOURCES LLC	WESTERN BANK ARTESIA	S	7/25/2025	E1 68 4
	1860	741801 EMPIRE NEW MEXICO, LLC	330679	Empire New Mexico LLC	GREAT MIDWEST INSURANCE COMPAN	M	7/12/2022	
	1799	330859 Alpha Energy Partners LLC	330859	Alpha Energy Partners LLC	CASH BOND	B	12/7/2021	
	1780	339305 OPAL OPERATING COMPANY LLC	330887	Opal Operating Company LLC	BANK OF ALBUQUERQUE	M	7/9/2021	
	1790	339406 SILVERBACK OPERATING II, LLC	330968	Silverback Operating II, LLC	ENDURANCE ASSURANCE CORP.	M	10/7/2021	
	1944	339406 SILVERBACK OPERATING II, LLC	330968	Silverback Operating II, LLC	ENDURANCE ASSURANCE CORPORATIO	M	11/28/2023	
	1798	330984 Amalgamated Sludge NM, LLC	330984	Amalgamated Sludge NM, LLC	WASHINGTON FEDERAL BANK, N.A.	M	11/2/2021	
	1795	339548 SELECT AGUA LIBRE MIDSTREAM, LLC	331031	SELECT AGUA LIBRE MIDSTREAM, LLC	RLI INSURANCE COMPANY	M	9/25/2021	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
	1814	331165 Earthstone Operating, LLC	331165	Earthstone Operating, LLC	U. S. SPECIALTY INSURANCE COMP	M	2/15/2022	
	1819	331180 Big Star Investments, LLC	331180	Big Star Investments, LLC	ARCH INSURANCE COMPANY	B	3/7/2022	
	1988	756700 Maverick Permian LLC	331199	Maverick Permian LLC	PENNSYLVANIA INSURANCE COMPANY	M	9/3/2024	
	1928	331290 Seattle's Best Consulting LLC	331290	Seattle's Best Consulting LLC	ARCH INSURANCE COMPANY	S	8/28/2023	B1 1410 3
	1949	331451 Black Top Operating, LLC	331451	Black Top Operating, LLC	EVERGREEN NATIONAL INDEMNITY C	M	12/18/2023	
	1883	340227 FINALY RESOURCES LLC	331515	Finaly Resources LLC	CASH BOND	B	10/25/2022	
	1906	331595 Coterra Energy Operating E LLC	331595	Coterra Energy Operating E LLC	UNITED STATES FIRE INSURANCE C	M	11/14/2022	
	1908	331595 Coterra Energy Operating E LLC	331595	Coterra Energy Operating E LLC	UNITED STATES FIRE INSURANCE C	M	11/14/2022	
	2055	341159 COFER & CO. LLC	331911	COFER & CO LLC	PIONEER BANK	B	3/11/2025	
	1939	332148 TEAM OPERATING, L.L.C.	332148	TEAM OPERATING, L.L.C.	STELLAR BANK	M	11/28/2023	
	1937	332195 Civitas Permian Operating, LLC	332195	Civitas Permian Operating, LLC	UNITED STATES FIRE INSURANCE C	M	11/20/2023	
	2142	332228 Waylander LLC	332228	Waylander LLC	FRANKENMUTH INSURANCE COMPANY	M	2/25/2026	
	2061	342023 PALOMA PERMIAN ASSETCO, LLC	332449	Paloma Permian AssetCo, LLC	INDEMNITY NATIONAL INSURANCE C	M	4/10/2025	
	1964	341574 LANDMARK ENERGY PARTNERS, LLC	332519	Landmark Energy Partners, LLC	ARCH INSURANCE COMPANY	M	4/25/2024	
	2137	342649 PBEX OPERATIONS, LLC	332544	PBEX Operations, LLC	EVERGREEN NATIONAL INDEMNITY C	M	2/5/2026	
	2076	342329 AD ASTRA RESOURCES, LLC	332741	Ad Astra Resources LLC	INTRUST BANK, N.A.	M	5/20/2025	
	2081	342358 AVANT OPERATING II, LLC	332947	Avant Operating II, LLC	PENNSYLVANIA INSURANCE COMPANY	M	7/1/2025	
	2038	342009 JONAH ENERGY LLC	333010	Jonah Energy LLC	UNITED STATES FIRE INSURANCE C	M	1/1/2025	
	2101	342376 TEXIAN OPERATING COMPANY, LLC	333122	Texian Operating Company, LLC	U.S. SPECIALTY INSURANCE COMPA	B	8/13/2025	
	2099	333188 Animas Resources, LLC	333188	Animas Resources, LLC	FRANKENMUTH INSURANCE COMPANY	M	7/30/2025	
	2084	333313 EW Operating (NM), LLC	333313	EW Operating (NM), LLC	RIL INSURANCE COMPANY	B	6/25/2025	
	2072	342138 SARVIS PERMIAN LAND FUND I SC, LLC	333342	Sarvis Permian Land Fund I SC, LLC	CASH BOND	M	4/29/2025	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
2138	342498	SEP LEGACY LLC	333683	SEP Legacy LLC	ARCH INSURANCE COMPANY	M	10/21/2025	
2106	342530	BCE-MACH III LLC	333695	BCE-Mach III LLC	UNITED STATES FIRE INSURANCE C	M	9/16/2025	
2122	342722	FED OPERATING LLC	333904	FED Operating LLC	EVERGREEN NATIONAL INDEMNITY C	M	12/18/2025	
1628	338251	MARKWEST ENERGY WEST TEXAS GAS CO. LLC	338251	MARKWEST ENERGY WEST TEXAS GAS CO. LLC	LIBERTY MUTUAL INSURANCE CO.	M	12/5/2018	
1697	338264	PLATFORM ENERGY III, LLC.	338264	PLATFORM ENERGY III, LLC.	WAIVER	B	11/25/2019	
1630	338273	MMCP EQUIPMENT, LTD	338273	MMCP EQUIPMENT, LTD	LEXON INSURANCE CO.	S	11/8/2018	LG 3345 1
1742	338408	SPUR ENERGY PARTNERS, LLC	338408	SPUR ENERGY PARTNERS, LLC	U.S. SPECIALTY INSURANCE COMPA	M	7/8/2020	
1995	338424	HIGH RIVER RESOURCES OPERATING, LLC	338424	HIGH RIVER RESOURCES OPERATING, LLC	PENNSYLVANIA INSURANCE COMPANY	M	9/17/2024	
1645	338479	SEP PERMIAN LLC	338479	SEP PERMIAN LLC	U.S. SPECIALTY INSURANCE COMPA	M	6/5/2019	
1741	338479	SEP PERMIAN LLC	338479	SEP PERMIAN LLC	ARCH INSURANCE COMPANY	M	11/17/2020	
1667	338490	E. L. LATHAM CO., LLC	338490	E. L. LATHAM CO., LLC	TRINITY BANK N.A.	S	8/19/2019	L0 4674 1
1659	338511	SABINAL ENERGY OPERATING, LLC	338511	SABINAL ENERGY OPERATING, LLC	UNITED STATES FIRE INSURANCE C	M	8/1/2019	
1674	338520	AMERIPERMIAN HOLDINGS, LLC.	338520	AMERIPERMIAN HOLDINGS, LLC.	WAIVER	B	8/20/2019	
1679	338557	RED SUN ENERGY LLC	338557	RED SUN ENERGY LLC	LIBERTY MUTUAL	M	9/10/2019	
944	338563	GRIZZLY OPERATING LLC	338563	GRIZZLY OPERATING LLC	U.S. SPECIALTY INSURANCE COMP.	M	7/7/2011	
1694	338563	GRIZZLY OPERATING LLC	338563	GRIZZLY OPERATING LLC	SIRIUS AMERICA INSURANCE COMPA	M	9/6/2019	
1690	338574	WARWICK-ARTEMIS, LLC	338574	WARWICK-ARTEMIS, LLC	UNITED STATES FIRE INS. CO.	B	9/17/2019	
877	160825	BC OPERATING, INC.	338647	CROWN OIL PARTNERS VI, LLC	LEXON INSURANCE COMPANY	M	7/16/2009	
1692	329657	Cotton Draw Midstream, L.L.C	338660	COTTON DRAW MIDSTREAM, L.L.C.	TRAVELERS CASUALTY & SURETY CO	M	11/6/2019	
1693	338678	NORTH FORK LAND MANAGEMENT, LP	338678	NORTH FORK LAND MANAGEMENT, LP	LEXON INSURANCE COMPANY	M	11/11/2019	
1731	329487	BXP Operating, LLC	338685	BXP OPERATING, LLC	ENDURANCE ASSURANCE CORPORATIO	M	7/1/2020	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
	1761 338692	MILO D. SMITH & SHEILA M. SMITH	338692	MILO D. SMITH & SHEILA M. SMITH	WAIVER	S	3/16/2021	E0 5184 55
	1743 338719	FAE II, LLC	338719	FAE II, LLC	U.S. SPECIALTY INSURANCE COMPA	B	5/8/2020	
	1638 371416	FORTY ACRES ENERGY, LLC	338719	FAE II, LLC	U.S. SPECIALTY INSURANCE CO.	M	3/28/2019	
	1731 329487	BXP Operating, LLC	338780	BXP PARTNERS V LP	ENDURANCE ASSURANCE CORPORATIO	M	7/1/2020	
	1722 338829	KCK RESOURCES, INC.	338829	KCK RESOURCES, INC.	WAIVER	B	3/27/2020	
	1589 326839	TEXAS STANDARD OIL LLC.	338858	TEXAS STANDARD OPERATING NM LLC	LEXON INSURANCE COMPANY	M	3/9/2018	
	1560 327122	IACX ROSWELL, LLC.	338867	IACX PRODUCTION LLC	ARGONAUT INSURANCE COMPANY	M	9/14/2017	
	1711 338881	ZONGE INTERNATIONAL, INC.	338881	ZONGE INTERNATIONAL, INC.	ENDURANCE ASSURANCE CORPORATIO	M	2/7/2020	
	1858 741932	Colgate Production, LLC	338894	COLGATE PRODUCTION, LLC	U S SPECIALTY INSURANCE COMPAN	M	7/28/2022	
	1719 338915	MULLOY OPERATING, INC.	338915	MULLOY OPERATING, INC.	COMMUNITY NATIONAL BANK	B	6/4/2020	
	2056 338948	MORNINGSTAR OPERATING, LLC	338948	MORNINGSTAR OPERATING, LLC	UNITED STATES FIRE INSURANCE C	M	3/4/2025	
	1750 339000	YUCCA RANCH DEVELOPMENT, LLC	339000	YUCCA RANCH DEVELOPMENT, LLC	WAIVER	B	3/8/2021	
	2086 339018	BLACKBUCK NEW MEXICO LLC	339018	BLACKBUCK NEW MEXICO LLC	PENNSYLVANIA INSURANCE COMPANY	M	7/9/2025	
	1738 339043	HENRIETTA SCHULTZ INHERITANCE PARTNERSHIP, LP	339043	HENRIETTA SCHULTZ INHERITANCE PARTNERSHIP, LP	CASH BOND	B	10/19/2020	
	1527 372224	AMEREDEV OPERATING, LLC	339054	AMEREDEV TEXAS, LLC	ASPEN AMERICAN INSURANCE CO.	M	4/26/2017	
	1747 339102	EXTEX OPERATING COMPANY	339102	EXTEX OPERATING COMPANY	TRAVELERS CASUALTY & SURETY CO	M	1/15/2021	
	1948 339126	PROMONTORY EXPLORATION LP	339126	PROMONTORY EXPLORATION LP	EVERGREEN NATIONAL INDEMNITY C	M	12/18/2023	
	1785 339137	NORTHERN OIL AND GAS INC.	339137	NORTHERN OIL AND GAS INC.	RLI INSURANCE COMPANY	B	8/23/2021	
	1773 339171	STATELINE OPERATING, LLC	339171	STATELINE OPERATING, LLC	WAIVER	S	6/4/2021	VC 479 1
	1774 339171	STATELINE OPERATING, LLC	339171	STATELINE OPERATING, LLC	WAIVER	S	6/4/2021	VC 480 1
	1775 339171	STATELINE OPERATING, LLC	339171	STATELINE OPERATING, LLC	WAIVER	S	6/4/2021	VC 490 1

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1776	339171	STATELINE OPERATING, LLC	339171	STATELINE OPERATING, LLC	WAIVER	S	6/4/2021	VC 491 1
1879	339180	FIVESTAR PETROLEUM CORPORATION	339180	FIVESTAR PETROLEUM CORPORATION	EXCHANGE BANK & TRUST COMPANY	B	9/20/2022	
1786	339199	FIRST PECOS, LLC	339199	FIRST PECOS, LLC	TEJAS BANK	M	7/21/2021	
1763	339241	OGX RESOURCES, LLC	339241	OGX RESOURCES, LLC	WEST TEXAS NATIONAL BANK	M	4/16/2021	
1779	339290	VALION47 LLC	339290	VALION47 LLC	WELLS FARGO BANK, N.A.	B	7/7/2021	
1780	339305	OPAL OPERATING COMPANY LLC	339305	OPAL OPERATING COMPANY LLC	BANK OF ALBUQUERQUE	M	7/9/2021	
1784	339338	ACACIA RESOURCES, LLC	339338	ACACIA RESOURCES, LLC	COMMUNITY NATIONAL BANK	M	7/22/2021	
1790	339406	SILVERBACK OPERATING II, LLC	339406	SILVERBACK OPERATING II, LLC	ENDURANCE ASSURANCE CORP.	M	10/7/2021	
1944	339406	SILVERBACK OPERATING II, LLC	339406	SILVERBACK OPERATING II, LLC	ENDURANCE ASSURANCE CORPORATIO	M	11/28/2023	
1789	339445	CRP XII, LLC	339445	CRP XII, LLC	OKLAHOMA FIDELITY BANK	B	9/24/2021	
1790	339406	SILVERBACK OPERATING II, LLC	339473	SILVERBACK NEW MEXICO, LLC	ENDURANCE ASSURANCE CORP.	M	10/7/2021	
1943	339473	SILVERBACK NEW MEXICO, LLC	339473	SILVERBACK NEW MEXICO, LLC	ENDURANCE ASSURANCE CORPORATIO	M	11/28/2023	
1720	328565	BAM Permian Operating, LLC	339488	BAM PERMIAN OPERATING, LLC	AMERICAN MOMENTUM BANK	M	5/29/2020	
1927	339497	MR NM OPERATING, LLC	339497	MR NM OPERATING, LLC	UNITED STATES FIRE INSURANCE C	M	8/21/2023	
1798	330984	Amalgamated Sludge NM, LLC	339515	AMALGAMATED SLUDGE NM, LLC	WASHINGTON FEDERAL BANK, N.A.	M	11/2/2021	
596	148394	VERNON E. FAULCONER, INC.	339536	FAULCONER ENERGY, LLC	RLI INSURANCE	B	7/24/2001	
1795	339548	SELECT AGUA LIBRE MIDSTREAM, LLC	339548	SELECT AGUA LIBRE MIDSTREAM, LLC	RLI INSURANCE COMPANY	M	9/25/2021	
2117	339569	SIMCOE LLC	339569	SIMCOE LLC	SIRISPOINT AMERICA INSURANCE C	M	9/25/2025	
1790	339406	SILVERBACK OPERATING II, LLC	339572	SILVERBACK MIDSTREAM II, LLC	ENDURANCE ASSURANCE CORP.	M	10/7/2021	
1941	339572	SILVERBACK MIDSTREAM II, LLC	339572	SILVERBACK MIDSTREAM II, LLC	ENDURANCE ASSURANCE CORPORATIO	M	11/28/2023	
1799	330859	Alpha Energy Partners LLC	339595	ALPHA ENERGY PARTNERS, LLC	CASH BOND	B	12/7/2021	
1800	339603	REDWOOD OPERATING, LLC	339603	REDWOOD OPERATING, LLC	U.S. SPECIALTY INSURANCE COMPA	M	12/6/2021	
1787	339614	PECOS OIL & GAS, LLC	339614	PECOS OIL & GAS, LLC	U.S.SPECIALTY INSURANCE COMPAN	M	9/23/2020	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
	1805	339667 WALSH & WATTS INC.	339667	WALSH & WATTS INC.	U.S. SPECIALTY INSURANCE COMPA	M	1/12/2022	
	1918	339713 THIRD ROW RESOURCES LLC	339713	THIRD ROW RESOURCES LLC	EVERGREEN NATIONAL INDEMNITY C	M	4/27/2023	
	1988	756700 Maverick Permian LLC	339742	MAVERICK PERMIAN LLC	PENNSYLVANIA INSURANCE COMPANY	M	9/3/2024	
	1814	331165 Earthstone Operating, LLC	339761	EARTHSTONE OPERATING, LLC	U. S. SPECIALTY INSURANCE COMP	M	2/15/2022	
	1819	331180 Big Star Investments, LLC	339809	BIG STAR INVESTMENTS, LLC DBA BIG STAR EXPL.	ARCH INSURANCE COMPANY	B	3/7/2022	
	1768	330608 Roughhouse Operating, LLC	339847	ROUGHHOUSE OPERATING, LLC	WESTERN BANK	M	5/19/2021	
	1824	339847 ROUGHHOUSE OPERATING, LLC	339847	ROUGHHOUSE OPERATING, LLC	CASH BOND	M	4/6/2022	
	1826	339856 EARTHSTONE PERMIAN, LLC	339856	EARTHSTONE PERMIAN, LLC	U. S. SPECIALTY INSURANCE COMP	M	4/18/2022	
	1829	339860 CRESCENT PORTER HALE FOUNDATION	339860	CRESCENT PORTER HALE FOUNDATION	CASH BOND	B	3/22/2022	
	1825	339878 ALADDIN PETROLEUM CORPORATION	339878	ALADDIN PETROLEUM CORPORATION	CASH BOND	S	2/12/2022	B1 889 15
	1833	339938 CD RAY EXPLORATION, LLC	339938	CD RAY EXPLORATION, LLC	U.S. SPECIALTY INSURANCE COMPA	B	5/9/2022	
	1831	339946 DENTON HOLDINGS NEVADA, INC.	339946	DENTON HOLDINGS NEVADA, INC.	ARCH INSURANCE COMPANY	S	5/13/2022	E0 7481 6
	1849	339963 BEXP II ALPHA, LLC	339963	BEXP II ALPHA, LLC	U.S. SPECIALTY INSURANCE COMPA	B	6/23/2022	
	1848	339974 BEXP II OMEGA, LLC	339974	BEXP II OMEGA, LLC	U.S. SPECIALTY INSURANCE COMPA	B	6/23/2022	
	1942	339989 SILVERBACK O-1, LLC	339989	SILVERBACK O-1, LLC	ENDURANCE ASSURANCE CORPORATIO	M	11/28/2023	
	1931	330662 K&M RESOURCES LLC	340011	K&M RESOURCES LLC	WESTERN BANK	S	10/16/2023	L0 4493 4
	2090	340011 K&M RESOURCES LLC	340011	K&M RESOURCES LLC	WESTERN BANK ARTESIA	S	7/25/2025	E1 68 4
	1949	331451 Black Top Operating, LLC	340046	BLACK TOP OPERATING, LLC	EVERGREEN NATIONAL INDEMNITY C	M	12/18/2023	
	1855	340074 GREYHOUND RESOURCES, LLC	340074	GREYHOUND RESOURCES, LLC	ARCH INSURANCE COMPANY	M	6/17/2022	
	1867	340089 CLIME DYNE LLC	340089	CLIME DYNE LLC	WAIVER	S	7/19/2022	VC 1001 0
	1868	340089 CLIME DYNE LLC	340089	CLIME DYNE LLC	WAIVER	S	7/19/2022	VC 1002 0
	1880	340089 CLIME DYNE LLC	340089	CLIME DYNE LLC	WAIVER	S	9/20/2022	VC 1028 0

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1881	340089	CLIME DYNE LLC	340089	CLIME DYNE LLC	WAIVER	S	9/20/2022	VC 1049 0
1857	340109	HANSON MCBRIDE PETROLEUM COMPANY, LLC	340109	HANSON MCBRIDE PETROLEUM COMPANY, LLC	U. S. SPECIALTY INSURANCE COM	M	7/18/2022	
1861	340134	MICHAEL HARRISON MOORE 2006 TRUST	340134	MICHAEL HARRISON MOORE 2006 TRUST	CASH BOND	B	8/2/2022	
1871	340156	ZEUS PETROLEUM, INC.	340156	ZEUS PETROLEUM, INC.	CASH BOND	S	8/25/2022	E0 8587 1
1889	340160	NANCY B. MANSFIELD-STAUDT FAMILY TRUST	340160	NANCY B. MANSFIELD-STAUDT FAMILY TRUST	WAIVER	S	9/7/2022	B0 6869 58
1874	340185	EDGETT BRINE, LLC	340185	EDGETT BRINE, LLC	CASH BOND	B	9/7/2022	
1872	340215	JOHN CHRISTOPHER DUBLIN	340215	JOHN CHRISTOPHER DUBLIN	PHILADELPHIS INDEMNITY INSURAN	B	9/20/2022	
1883	340227	FINALY RESOURCES LLC	340227	FINALY RESOURCES LLC	CASH BOND	B	10/25/2022	
1875	340236	COLL BROTHERS	340236	COLL BROTHERS	VALLEY BANK OF COMMERCE	S	9/13/2022	B0 2884 14
1876	340248	ELLIOTT-HALL COMPANY	340248	ELLIOTT-HALL COMPANY	CENTURY BANK	B	7/26/2022	
1877	340250	ELLIOTT INDUSTRIES LIMITED PARTNERSHIP	340250	ELLIOTT INDUSTRIES LIMITED PARTNERSHIP	CENTURY BANK	B	7/26/2022	
1592	269267	801 LLC	340318	801, LLC	US SPECIALTY INSURANCE COMPANY	M	3/22/2018	
1969	340331	THE JARAMILLO PARTNERSHIP LLC	340331	THE JARAMILLO PARTNERSHIP LLC	WELLS FARGO BANK	S	5/8/2024	E0 2869 5
1897	340403	LIBERTY OILFIELD SERVICES LLC	340403	LIBERTY OILFIELD SERVICES LLC	U.S. SPECIALTY INSURANCE COMPA	M	11/14/2022	
1978	289408	LOGOS OPERATING, LLC	340429	LOGOS OPERATING, LLC	U.S. SPECIALTY INSURANCE COMPA	M	6/17/2024	
1715	371838	DJR OPERATING, LLC	340458	DJR OPERATING, LLC	U.S. SPECIALTY INSURANCE COMPA	M	4/14/2020	
1906	331595	Coterra Energy Operating E LLC	340494	COTERRA ENERGY OPERATING E LLC	UNITED STATES FIRE INSURANCE C	M	11/14/2022	
1908	331595	Coterra Energy Operating E LLC	340494	COTERRA ENERGY OPERATING E LLC	UNITED STATES FIRE INSURANCE C	M	11/14/2022	
2062	340494	COTERRA ENERGY OPERATING E LLC	340494	COTERRA ENERGY OPERATING E LLC	UNITED STATES FIRE INSURANCE C	B	4/16/2025	
1917	340508	BRAD D. BASSORE D/B/A BASIN PETROLEUM COMPANY	340508	BRAD D. BASSORE D/B/A BASIN PETROLEUM COMPANY	NEW MEXICO EDUCATORS	S	4/27/2023	LG 1873 1

IPANM EXHIBIT 33

OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1907	340510	RIDGE RUNNER HOLDINGS, LLC	340510	RIDGE RUNNER HOLDINGS, LLC	FIRST AMERICAN BANK	M	11/28/2022	
1910	5691	Dakota Resources, Inc	340555	DAKOTA RESOURCES, INC.	EVERGREEN NATIONAL INDEMNITY C	M	3/13/2023	
1613	371710	ADVANCED WIRELESS COMMUNICATIONS, L.L.C.	340586	ADVANCED WIRELESS COMMUNICATIONS	THE OHIO CASUALTY INSURANCE CO	B	9/27/2018	
1919	340735	HCDD LLC	340735	HCDD LLC	WAIVER	S	4/17/2023	VC 1118 0
1920	340796	NEW HEIGHT ENERGY LLC	340796	NEW HEIGHT ENERGY LLC	CASHIERS CHECK	S	5/1/2023	V0 8391 2
1928	331290	Seattle's Best Consulting LLC	340802	SEATTLE'S BEST CONSULTING LLC	ARCH INSURANCE COMPANY	S	8/28/2023	B1 1410 3
1923	340844	THREE FORKS RESOURCES, LLC	340844	THREE FORKS RESOURCES, LLC	CASH BOND	B	6/12/2023	L0 4253 4
1968	340865	SUBSURFACE SOLAR, LLC	340865	SUBSURFACE SOLAR, LLC	WAIVER	S	4/17/2024	VC 1027 1
2077	340925	EDITH A. THOMAS TRUST	340925	EDITH A. THOMAS TRUST	CASH BOND	B	5/7/2025	
2049	340966	BUCKHORN PRODUCTION, LLC	340966	BUCKHORN PRODUCTION, LLC	ARCH INSURANCE COMPANY	M	10/2/2023	
1997	341007	ENPLAT III, LLC	341007	ENPLAT III, LLC	WAIVER	S	5/29/2024	VC 635 1
655	215732	CHISOS, LTD	341021	CHISOS, LTD.	RLI INSURANCE	B	10/27/2003	
2120	341021	CHISOS, LTD.	341021	CHISOS, LTD.	EVERGREEN NATIONAL INDEMNITY C	B	10/28/2025	
2048	341049	FE PERMIAN OWNER I, LLC	341049	FE PERMIAN OWNER I, LLC	U.S. SPECIALTY INSURANCE COMPA	B	2/12/2025	
1963	372165	Permian Resources Operating, LLC	341052	PERMIAN RESOURCES OPERATING, LLC	U. S. SPECIALTY INSURANCE COMP	M	3/19/2024	
1933	341113	FSPG, LLC	341113	FSPG, LLC	ARCH INSURANCE COMPANY	M	10/16/2023	
2112	341130	TAP ROCK RESOURCES III, LLC	341130	TAP ROCK RESOURCES III, LLC	ARCH INSURANCE COMPANY	M	10/1/2025	
1985	341142	TRANSCONTINENT OIL COMPANY	341142	TRANSCONTINENT OIL COMPANY	WAIVER	S	6/17/2024	VC 1189 0
1986	341142	TRANSCONTINENT OIL COMPANY	341142	TRANSCONTINENT OIL COMPANY	WAIVER	S	6/17/2024	VC 1190 0
2055	341159	COFER & CO. LLC	341159	COFER & CO. LLC	PIONEER BANK	B	3/11/2025	
1788	31560	EVKO DEVELOPMENT CO	341175	EVKO DEVELOPMENT CO.	CASH BOND	B	9/10/2021	
1938	341193	RIDGE RUNNER ASSETCO II, LLC	341193	RIDGE RUNNER ASSETCO II, LLC	INDEMNITY NATIONAL INSURANCE C	M	11/20/2023	
2124	341193	RIDGE RUNNER ASSETCO II, LLC	341193	RIDGE RUNNER ASSETCO II, LLC	RIDGE RUNNER ASSETCO II, LLC	M	1/13/2026	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1950	341206	REDSOX RESOURCES, LLC	341206	REDSOX RESOURCES, LLC	GREAT MIDWEST INSURANCE COMPAN	M	12/18/2023	
1976	341369	STRATTON LAND LLC	341369	STRATTON LAND LLC	U.S. SPECIALTY INSURANCE COMPA	B	6/3/2024	
1967	341383	ELLIPSIS OIL & GAS INC.	341383	ELLIPSIS OIL & GAS INC.	UNITED STATES FIRE INSURANCE C	B	5/8/2024	
898	241333	CHEVRON MIDCONTINENT, L.P.	341433	CHEVRON MIDCONTINENT, LP	SAFECO INSURANCE COMPANY OF AM	M	2/10/2010	
1963	372165	Permian Resources Operating, LLC	341441	PERMIAN RESOURCES OPERATING, LLC	U. S. SPECIALTY INSURANCE COMP	M	3/19/2024	
1982	341557	YALCH OPERATING, LP	341557	YALCH OPERATING, LP	WAIVER	S	3/4/2024	VC 688 1
1983	341557	YALCH OPERATING, LP	341557	YALCH OPERATING, LP	WAIVER	S	3/4/2024	VC 713 1
1984	341557	YALCH OPERATING, LP	341557	YALCH OPERATING, LP	WAIVER	S	3/4/2024	VC 714 1
1964	341574	LANDMARK ENERGY PARTNERS, LLC	341574	LANDMARK ENERGY PARTNERS, LLC	ARCH INSURANCE COMPANY	M	4/25/2024	
1966	310548	CART HILL ENERGY, LLC	341589	CART HILL ENERGY, LLC	INDEMNITY NATIONAL INSURANCE C	M	5/8/2024	
1977	341647	CIVITAS DE BASIN RESOURCES II, LLC	341647	CIVITAS DE BASIN RESOURCES II, LLC	UNITED STATES FIRE INSURANCE C	M	6/17/2024	
1996	341678	R&R ROYALTY, LTD.	341678	R&R ROYALTY, LTD.	WAIVER	S	6/25/2024	VC 1262 0
2078	341685	ALPHA ENERGY PARTNERS II, LLC	341685	ALPHA ENERGY PARTNERS II, LLC	FROST BANK	S	6/3/2025	VC 1263 0
2115	341692	CERRITO ENERGY, LLC	341692	CERRITO ENERGY, LLC	CASH BOND/ WIRE TRANSFER	S	10/1/2025	VB 2940 0
1992	341702	MCCRIGHT & ASSOCIATES, LLC	341702	MCCRIGHT & ASSOCIATES, LLC	WAIVER	S	7/29/2024	VC 1265 0
2010	341702	MCCRIGHT & ASSOCIATES, LLC	341702	MCCRIGHT & ASSOCIATES, LLC	WAIVER	S	11/25/2024	VC 1288 0
2020	341702	MCCRIGHT & ASSOCIATES, LLC	341702	MCCRIGHT & ASSOCIATES, LLC	WAIVER	S	10/24/2024	VC 1301 0
2021	341702	MCCRIGHT & ASSOCIATES, LLC	341702	MCCRIGHT & ASSOCIATES, LLC	WAIVER	S	10/24/2024	VC 1302 0
2022	341702	MCCRIGHT & ASSOCIATES, LLC	341702	MCCRIGHT & ASSOCIATES, LLC	WAIVER	S	10/24/2024	VC 1299 0
2059	341702	MCCRIGHT & ASSOCIATES, LLC	341702	MCCRIGHT & ASSOCIATES, LLC	WAIVER	S	3/31/2025	VC 1343 0
2060	341702	MCCRIGHT & ASSOCIATES, LLC	341702	MCCRIGHT & ASSOCIATES, LLC	WAIVER	S	3/31/2025	VC 1342 0

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
2011	341702	MCCRIGHT & ASSOCIATES, LLC	341702	MCCRIGHT & ASSOCIATES, LLC	WAIVER	S	11/25/2024	VC 1289 0
2012	341702	MCCRIGHT & ASSOCIATES, LLC	341702	MCCRIGHT & ASSOCIATES, LLC	WAIVER	S	11/25/2024	VC 1299 0
2013	341702	MCCRIGHT & ASSOCIATES, LLC	341702	MCCRIGHT & ASSOCIATES, LLC	WAIVER	S	11/25/2024	VC 1301 0
2014	341702	MCCRIGHT & ASSOCIATES, LLC	341702	MCCRIGHT & ASSOCIATES, LLC	WAIVER	S	11/25/2024	VC 1302 0
2018	341702	MCCRIGHT & ASSOCIATES, LLC	341702	MCCRIGHT & ASSOCIATES, LLC	WAIVER	S	10/24/2024	VC 1288 0
2019	341702	MCCRIGHT & ASSOCIATES, LLC	341702	MCCRIGHT & ASSOCIATES, LLC	WAIVER	S	10/24/2024	VC 1289 0
1999	341719	BUCKEYE WATER, LLC	341719	BUCKEYE WATER, LLC	VALLEY BANK OF COMMMERCE	M	10/7/2024	
1990	341737	NHPP II FORTUNA PERMIAN, LP	341737	NHPP II FORTUNA PERMIAN, LP	U.S. SPECIALTY INSURANCE COMPA	B	9/3/2024	
2015	341753	OPTIMA LAND SERVICES, LLC	341753	OPTIMA LAND SERVICES, LLC	WAIVER	S	9/19/2024	VC 1285 0
2016	341753	OPTIMA LAND SERVICES, LLC	341753	OPTIMA LAND SERVICES, LLC	WAIVER	S	9/19/2024	VC 1293 0
2017	341753	OPTIMA LAND SERVICES, LLC	341753	OPTIMA LAND SERVICES, LLC	WAIVER	S	9/19/2024	VC 1295 0
1991	341765	MRC HAT MESA, LLC	341765	MRC HAT MESA, LLC	ARCH INSURANCE COMPANY	M	9/16/2024	
2001	341771	LM TOUCHDOWN, LLC	341771	LM TOUCHDOWN, LLC	U. S. SPECIALTY INSURANCE COMP	M	10/7/2024	
2045	341780	COASTAL DESERT LP	341780	COASTAL DESERT LP	EVERGREEN NATIONAL INDEMNITY C	B	1/27/2025	
2004	341814	REMORA OPERATING	341814	REMORA OPERATING	CASH BOND/ ORIGIN BANK	M	12/3/2024	
2023	341840	MAGNUM PRODUCING, LP	341840	MAGNUM PRODUCING, LP	ENDURANCE ASSURANCE CORPORATIO	B	12/17/2024	
2054	341867	ROCKWOOD ENERGY LP	341867	ROCKWOOD ENERGY LP	COMMUNITY NATIONAL BANK	M	3/14/2025	
2008	341876	BEXP II OMEGA MISC., LLC	341876	BEXP II OMEGA MISC., LLC	U. S. SPECIALTY INSURANCE COMP	B	12/3/2024	
2006	341881	BEXP II GW ALPHA, LLC	341881	BEXP II GW ALPHA, LLC	U. S. SPECIALTY INSURANCE COMP	B	12/3/2024	
2007	341894	BEXP II GW WI OMEGA, LLC	341894	BEXP II GW WI OMEGA, LLC	U. S. SPECIALTY INSURANCE COMP	B	12/3/2024	
2005	341901	BAFIII GWDC, LLC	341901	BAFIII GWDC, LLC	U. S. SPECIALTY INSURANCE COMP	B	12/3/2024	
2024	341936	FLETCHER R. CATRON	341936	FLETCHER R. CATRON	LEXON INSURANCE COMPANY	S	12/17/2024	A0 1375 55

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
	2026	341950 HILCORP ENERGY COMPANY	341950	HILCORP ENERGY COMPANY	AXIS INSURANCE COMPANY	M	12/31/2024	
	2039	341969 XTO PERMIAN CT TXNM, LLC	341969	XTO PERMIAN CT TXNM, LLC	FEDERAL INSURANCE COMPANY	M	1/17/2025	
	2083	341995 SURPRISE VALLEY RESOURCES, LLC	341995	SURPRISE VALLEY RESOURCES, LLC	CASH BOND/ WIRE TRANSFER	S	6/2/2025	VC 1333 0
	2038	342009 JONAH ENERGY LLC	342009	JONAH ENERGY LLC	UNITED STATES FIRE INSURANCE C	M	1/1/2025	
	2061	342023 PALOMA PERMIAN ASSETCO, LLC	342023	PALOMA PERMIAN ASSETCO, LLC	INDEMNITY NATIONAL INSURANCE C	M	4/10/2025	
	2040	342034 XTO CT TXOK NEWMEX, LLC	342034	XTO CT TXOK NEWMEX, LLC	FEDERAL INSURANCE COMPANY	M	1/16/2025	
	2065	342047 STEVENS ENHANCED RECOVERY PARTNERS, LLC	342047	STEVENS ENHANCED RECOVERY PARTNERS, LLC	FROST BANK	B	3/28/2025	
	2044	342056 EOG RESOURCES MARKETING, LLC	342056	EOG RESOURCES MARKETING, LLC	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	
	2047	342060 HILCORP ENERGY I, L.P.	342060	HILCORP ENERGY I, L.P.	AXIS INSURANCE COMPANY	M	12/31/2024	
	2046	342085 TECK AMERICAN INCORPORATED	342085	TECK AMERICAN INCORPORATED	LIBERTY MUTUAL INSURANCE COMPA	M	2/11/2025	
	2052	342092 DESERT RAM SOUTH RANCH, INC.	342092	DESERT RAM SOUTH RANCH, INC.	INDEMNITY NATIONAL INSURANCE C	M	2/4/2025	
	2053	342105 RELIANCE ENERGY-CATCHING FREEDOM,LLC	342105	RELIANCE ENERGY-CATCHING FREEDOM,LLC	EVERGREEN NATIONAL INDEMNITY C	M	1/27/2025	
	2058	342120 JONAH ENERGY PERMIAN LLC	342120	JONAH ENERGY PERMIAN LLC	UNITED STATES FIRE INSURANCE C	M	2/19/2025	
	2072	342138 SARVIS PERMIAN LAND FUND I SC, LLC	342138	SARVIS PERMIAN LAND FUND I SC, LLC	CASH BOND	M	4/29/2025	
	2064	342163 COTERRA ENERGY OPERATING F LLC	342163	COTERRA ENERGY OPERATING F LLC	UNITED STATES FIRE INSURANCE C	M	4/16/2025	
	2068	342253 HUNT CIMARRON LIMITED PARTNERSHIP	342253	HUNT CIMARRON LIMITED PARTNERSHIP	ATLANTIC SPECILTY INSURANCE CO	B	4/28/2025	
	2071	342265 SAGUARO PETROLEUM, LLC	342265	SAGUARO PETROLEUM, LLC	COMMUNITY NATIONAL BANK	M	4/10/2025	
	2069	342271 BEXP III SHAKE, LLC	342271	BEXP III SHAKE, LLC	U.S SPECIALTY INSURANCE COMPAN	B	5/12/2025	
	2070	342280 BEXP III BAKE, LLC	342280	BEXP III BAKE, LLC	U.S.SPECIALTY INSURANCE COMPAN	B	5/12/2025	
	2074	342299 SPECIAL ENERGY CORPORATION	342299	SPECIAL ENERGY CORPORATION	FRANKENMUTH INSURANCE COMPANY	M	4/28/2025	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
	2076	342329 AD ASTRA RESOURCES, LLC	342329	AD ASTRA RESOURCES, LLC	INTRUST BANK, N.A.	M	5/20/2025	
	2082	342340 NORTHSTAR RESOURCES LLC DBA NSP RESOURCES LLC	342340	NORTHSTAR RESOURCES LLC DBA NSP RESOURCES LLC	U.S. SPECIALTY INSURANCE COMPA	M	7/1/2025	
	2081	342358 AVANT OPERATING II, LLC	342358	AVANT OPERATING II, LLC	PENNSYLVANIA INSURANCE COMPANY	M	7/1/2025	
	2101	342376 TEXIAN OPERATING COMPANY, LLC	342376	TEXIAN OPERATING COMPANY, LLC	U.S. SPECIALTY INSURANCE COMPA	B	8/13/2025	
	2085	342394 CONTANGO RESOURCES, LLC	342394	CONTANGO RESOURCES, LLC	U.S. SPECIALTY INSURANCE COMPA	M	7/11/2025	
	2089	342400 PRONGHORN PETROLEUM, LLC	342400	PRONGHORN PETROLEUM, LLC	VALLEY BANK OF COMMERCE	M	7/24/2025	
	2087	342418 MRC TORO, LLC	342418	MRC TORO, LLC	ARCH INSURANCE COMPANY	M	7/14/2025	
	2088	342425 UNITEX OIL & GAS, L.L.C.	342425	UNITEX OIL & GAS, L.L.C.	EVERGREEN NATIONAL INDEMNITY C	B	6/26/2025	
	2114	342431 NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY	342431	NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY	FRANKENMUTH INSURANCE COMPANY	M	10/1/2025	
	2093	342443 APEX NATURAL GAS, LLC	342443	APEX NATURAL GAS, LLC	ARCH INSURANCE COMPANY	S	5/23/2025	LG 864 0
	2125	342454 VENTURE ENERGY, LLC	342454	VENTURE ENERGY, LLC	WAIVER	S	12/16/2025	SG 39 0
	2126	342454 VENTURE ENERGY, LLC	342454	VENTURE ENERGY, LLC	WAIVER	S	12/16/2025	SG 41 0
	2127	342454 VENTURE ENERGY, LLC	342454	VENTURE ENERGY, LLC	WAIVER	S	12/16/2025	SG 40 0
	2102	342477 DESERT ENERGY CORP DBA DESERT MOUNTAIN ENERGY	342477	DESERT ENERGY CORP DBA DESERT MOUNTAIN ENERGY	CASH BOND/ WIRE TRANSFER	M	8/7/2025	
	2103	342482 MOMENTUM OPERATING CO., INC.	342482	MOMENTUM OPERATING CO., INC.	CLEAR FORK BANK, N.A.	M	7/8/2025	
	2138	342498 SEP LEGACY LLC	342498	SEP LEGACY LLC	ARCH INSURANCE COMPANY	M	10/21/2025	
	2105	342504 FINLEY RESOURCES INC.	342504	FINLEY RESOURCES INC.	UNITED STATES FIRE INSURANCE C	B	7/28/2025	
	2104	342513 SAEXPLORATION SEISMIC SERVICES (US), LLC	342513	SAEXPLORATION SEISMIC SERVICES (US), LLC	U.S. SPECIALTY INSURANCE COMPA	M	9/9/2025	
	2107	342528 WESTMORELAND SAN JUAN MINING LLC	342528	WESTMORELAND SAN JUAN MINING LLC	AXIS INSURANCE COMPANY	M	7/7/2025	
	2106	342530 BCE-MACH III LLC	342530	BCE-MACH III LLC	UNITED STATES FIRE INSURANCE C	M	9/16/2025	
	2113	342587 G AND C OPERATING LLC	342587	G AND C OPERATING LLC	WESTERN BANK ARTESIA	M	8/27/2025	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
2116	342621	XTOH CTRT PERMIAN, LLC	342621	XTOH CTRT PERMIAN, LLC	FEDERAL INSURANCE COMPANY	M	12/19/2025	
2118	342635	EW OPERATING (NM), LLC	342635	EW OPERATING (NM), LLC	SIRIUSPOINT AMERICA INSURANCE	B	8/25/2025	
2137	342649	PBEX OPERATIONS, LLC	342649	PBEX OPERATIONS, LLC	EVERGREEN NATIONAL INDEMNITY C	M	2/5/2026	
2119	342652	GEHRIG, INC.	342652	GEHRIG, INC.	MUENSTER STATE BANK	M	11/20/2025	
2143	342706	HILCORP PERMIAN, LLC	342706	HILCORP PERMIAN, LLC	TRAVELERS CASUALTY AND SURETY	M	3/9/2026	
2122	342722	FED OPERATING LLC	342722	FED OPERATING LLC	EVERGREEN NATIONAL INDEMNITY C	M	12/18/2025	
2141	342739	FNF CONSTRUCTIO N, INC.	342739	FNF CONSTRUCTIO N, INC.	TRAVELERS CASUALTY AND SURETY	M	12/22/2025	
2129	342745	TWIN WELLS RANCH LLC	342745	TWIN WELLS RANCH LLC	GREAT MIDWEST INSURANCE COMPAN	M	1/10/2026	
2144	342773	LEACO OPERATING LLC	342773	LEACO OPERATING LLC	PIONEER BANK	B	3/26/2026	
1772	349315	RUTH ANN JEFFERS-CALVERT	349315	RUTH ANN JEFFERS-CALVERT	CASH BOND	B	6/25/2021	
1783	349327	CARLO J. FARINA CO., LTD.	349327	CARLO J. FARINA CO., LTD.	LIBERTY MUTUAL INSURANCE COMPA	B	7/20/2021	
374	349336	MEDALLION PRODUCTION COMPANY	349336	MEDALLION PRODUCTION COMPANY	FIRST INTERSTATE BANK OF NEW M	B	4/10/1995	
168	349348	HALLWOOD PETROLEUM INC	349348	HALLWOOD PETROLEUM INC	RELIANCE INSURANCE CO.	B	3/14/1991	
1589	326839	TEXAS STANDARD OIL LLC.	370019	Texas Standard Midstream LLC	LEXON INSURANCE COMPANY	M	3/9/2018	
1071	370080	BREITBURN OPERATING LP	370080	BREITBURN OPERATING LP	ARGONAUT INSURANCE COMPANY	M	2/8/2015	
1042	370131	ANSCHUTZ OIL COMPANY, LLC	370131	ANSCHUTZ OIL COMPANY, LLC	TRAVELERS CASUALTY & SURETY CO	M	10/15/2014	
1073	370177	HESS CO2 RESOURCES LLC	370177	HESS CO2 RESOURCES LLC	LIBERTY MUTUAL INSURANCE COMPA	B	3/30/2015	
1762	317983	GUS H20 L.L.C. & RAZ OIL & GAS, L.L.C.	370507	RAZ OIL AND GAS L.L.C.	ARCH INSURANCE COMPANY	M	5/11/2021	
1083	317049	PRIZE EXPLORATION, LLC	370729	PRIZE EXPLORATION, LLC	WESTCHESTER FIRE INSURANCE COM	M	7/23/2015	
1084	370740	FOUNDATION ENERGY MANAGEMENT , LLC	370740	FOUNDATION ENERGY MANAGEMENT , LLC	U.S. SPECIALTY INSURANCE CO.	M	8/7/2015	
1442	370767	BLACKBEARD OPERATING, LLC	370767	BLACKBEARD OPERATING, LLC	WESTCHESTER FIRE INSURANCE COM	M	11/23/2016	

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OG BOND	PRINC_CDE	OGRID	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
	1548	370945	PIMA ENERGY LLC	370945	PIMA ENERGY LLC	GREAT AMERICAN INSURANCE COMPA	M	5/25/2017	
	1248	371029	JR CONE OPERATING, LLC	371029	JR CONE OPERATING, LLC	LEXON INSURANCE COMPANY	S	3/15/2016	E0 2523 0
	1086	371101	CLEARWATER SWD, LLC	371101	CLEARWATER SWD, LLC	LEXON INSURANCE COMPANY	M	9/14/2015	
	1358	371115	ROCKCLIFF OPERATING NEW MEXICO LLC	371115	ROCKCLIFF OPERATING NEW MEXICO LLC	U.S. SPECIALITY INSURANCE COMP	M	6/27/2016	
	1551	371416	FORTY ACRES ENERGY, LLC	371416	FORTY ACRES ENERGY, LLC	N/A	B	8/23/2017	
	1638	371416	FORTY ACRES ENERGY, LLC	371416	FORTY ACRES ENERGY, LLC	U.S. SPECIALTY INSURANCE CO.	M	3/28/2019	
	1507	371449	COLGATE OPERATING, LLC	371449	COLGATE OPERATING, LLC	U.S. SPECIALTY INSURANCE CO.	M	3/14/2017	
	1413	371484	ROVER OPERATING, LLC	371484	ROVER OPERATING, LLC	RLI INSURANCE COMPANY, IL	M	9/29/2016	
	1629	371553	BLUE RUBY OPERATING, LLC	371553	BLUE RUBY OPERATING, LLC	RLI INSURANCE CO.	B	2/4/2019	
	1516	371643	SOLARIS WATER MIDSTREAM, LLC	371643	SOLARIS WATER MIDSTREAM, LLC	ARGONAUT INSURANCE CO.	M	2/15/2017	
	1457	371682	STEWARD ENERGY II, LLC	371682	STEWARD ENERGY II, LLC	U.S. SPECIALTY INS CO.	M	12/13/2016	
	1520	371698	HPPC, INC.	371698	HPPC, INC.	PIONEER BANK	B	4/20/2017	
	1613	371710	ADVANCED WIRELESS COMMUNICATIONS, L.L.C.	371710	ADVANCED WIRELESS COMMUNICATIONS, L.L.C.	THE OHIO CASUALTY INSURANCE CO	B	9/27/2018	
	1458	371755	PERCUSSION PETROLEUM OPERATING, LLC	371755	PERCUSSION PETROLEUM OPERATING, LLC	U.S. SPECIALTY INS CO.	M	12/21/2016	
	1461	371762	ABO EMPIRE, LLC	371762	ABO EMPIRE, LLC	U.S. SPECIALTY INSURANCE COMPA	M	11/16/2016	
	1715	371838	DJR OPERATING, LLC	371838	DJR OPERATING, LLC	U.S. SPECIALTY INSURANCE COMPA	M	4/14/2020	
	1599	326258	POGO OIL & GAS OPERATING, INC.	372000	POGO OIL & GAS OPERATING, INC	US SPECIALTY INSURANCE COMPANY	M	4/23/2018	
	1519	372082	NBL PERMIAN LLC	372082	NBL PERMIAN LLC	LIBERTY MUTUAL INSURANCE COMPA	B	4/17/2017	
	1509	86997	MARATHON OIL COMPANY LLC	372098	MARATHON OIL PERMIAN LLC	LIBERTY MUTUAL INSURANCE COMPA	M	3/13/2017	

IPANM EXHIBIT 33

OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1781	372137	CHISHOLM ENERGY OPERATING, LLC	372137	CHISHOLM ENERGY OPERATING, LLC	U.S. SPECIALTY INSURANCE COMPA	M	6/26/2020	
1963	372165	Permian Resources Operating, LLC	372165	Permian Resources Operating, LLC	U. S. SPECIALTY INSURANCE COMP	M	3/19/2024	
2026	341950	HILCORP ENERGY COMPANY	372171	HILCORP ENERGY COMPANY	AXIS INSURANCE COMPANY	M	12/31/2024	
2097	326665	LONGFELLOW ENERGY, LP	372210	LONGFELLOW ENERGY, LP	EVERGREEN NATIONAL INDEMNITY C	M	6/5/2025	
1527	372224	AMEREDEV OPERATING, LLC	372224	AMEREDEV OPERATING, LLC	ASPEN AMERICAN INSURANCE CO.	M	4/26/2017	
1543	280276	ENDURING RESOURCES,LLC	372286	ENDURING RESOURCES, LLC	RLI INSURANCE COMPANY	M	6/30/2017	
1559	372290	RILEY PERMIAN OPERATING COMPANY, LLC	372290	RILEY PERMIAN OPERATING COMPANY, LLC	U.S. SPECIALTY INSURANCE COMPA	M	8/21/2017	
1556	372417	ADVANCE ENERGY PARTNERS HAT MESA, LLC	372417	ADVANCE ENERGY PARTNERS HAT MESA, LLC	U.S. SPECIALTY INS COMPANY	M	9/18/2017	
1563	372536	PERMEX PETROLEUM COMPANY, LLC	372536	PERMEX PETROLEUM COMPANY, LLC	PIONEER BANK	B	8/22/2017	
1573	372548	CONTINENTAL RESOURCES, INC.	372548	CONTINENTAL RESOURCES, INC.	RLI INSURANCE COMPANY	M	11/2/2017	
1562	372583	DGP ENERGY, LLC	372583	DGP ENERGY, LLC	FIDELITY & DEPPOSIT CO OF MD	M	10/13/2017	
1756	327055	YATES INDUSTRIES LLC	372658	YATES INDUSTRIES LLC	LEXON INSURANCE COMPANY	M	3/17/2021	
2044	342056	EOG RESOURCES MARKETING, LLC	372812	EOG RESOURCES MARKETING, LLC	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	
1582	372834	EPIC ENERGY, L.L.C.	372834	EPIC ENERGY, L.L.C.	RLI INSURANCE CO.	M	2/6/2018	
1631	372911	OSTRICH OIL AND GAS, LLC	372911	OSTRICH OIL AND GAS, LLC	N/A	B	3/1/2019	
1859	372920	NOVO OIL & GAS NORTHERN DELAWARE, LLC	372920	NOVO OIL & GAS NORTHERN DELAWARE, LLC	U.S. SPECIALTY INSURANCE COMPA	S	7/29/2022	VC 995 0
1717	295925	C&J WELL SERVICES, INC.	372946	C&J WELL SERVICES, INC.	U.S. SPECIALTY INSURANCE COMPA	M	3/17/2020	
1617	373013	Ridge Runner Resources Operating, LLC	373013	Ridge Runner Resources Operating, LLC	N/A	B	10/31/2018	
1654	373013	Ridge Runner Resources Operating, LLC	373013	Ridge Runner Resources Operating, LLC	BBVA COMPASS	M	6/25/2019	

IPANM EXHIBIT 33

OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
913	197035	XTO ENERGY INC	373075	XTO PERMIAN OPERATING LLC.	PETROLEUM CASUALTY COMPANY	M	8/2/2010	
1618	373121	POCO Resources LLC	373121	POCO Resources LLC	LEXON INSURANCE COMPANY	M	10/11/2018	
1610	327650	MUSTANG RESOURCES, LLC.	373495	Mustang Resources LLC	BOK FINANCIAL	B	10/4/2018	
1791	714391	Salt Creek Midstream, LLC	373554	Salt Creek Midstream, LLC	U.S. SPECIALTY INSURANCE CO.	M	10/12/2020	
2086	339018	BLACKBUCK NEW MEXICO LLC	373619	Blackbuck New Mexico LLC	PENNSYLVANIA INSURANCE COMPANY	M	7/9/2025	
1704	328094	COTERRA ENERGY OPERATING M LLC	373908	Coterra Energy Operating M LLC	FIDELITY AND DEPOSIT COMPANY O	M	10/17/2019	
1671	373910	Coterra Energy Operating F LLC	373910	Coterra Energy Operating F LLC	FIDELITY AND DEPOSIT CO. OF MA	M	8/27/2019	
1808	700026	CHEVRON U.S.A. INC.	700026	CHEVRON U.S.A. INC.	LIBERTY MUTUAL INSURANCE COMPA	M	10/29/2021	
1587	218098	BP AMERICA PRODUCTION COMPANY	700584	BP America Production Company	TRAVELERS CASUALTY AND SURETY	M	11/11/2017	
1753	702834	Southline Transmission, L.L.C.	702834	Southline Transmission, L.L.C.	ENDURANCE ASSURANCE CORPORATIO	M	10/19/2020	
1071	370080	BREITBURN OPERATING LP	703817	Breitburn Operating LP	ARGONAUT INSURANCE COMPANY	M	2/8/2015	
1808	700026	CHEVRON U.S.A. INC.	703822	Chevron U.S.A. Inc.	LIBERTY MUTUAL INSURANCE COMPA	M	10/29/2021	
1959	237722	ETP CRUDE LLC	704616	Centurion Pipeline Limited Partnership	FIDELITY AND DEPOSIT COMPANY O	M	1/29/2024	
1754	151416	FASKEN OIL & RANCH LTD	704739	Fasken Oil and Ranch Ltd.	U.S. SPECIALTY INSURANCE COMPA	M	2/26/2021	
1587	218098	BP AMERICA PRODUCTION COMPANY	705197	BP America Production Company	TRAVELERS CASUALTY AND SURETY	M	11/11/2017	
1588	218098	BP AMERICA PRODUCTION COMPANY	705197	BP America Production Company	TRAVELERS CASUALTY AND SURETY	M	11/11/2016	
258	4378	CHI OPERATING INC	705375	Chi Operating, Inc.	RLI INSURANCE COMPANY	B	5/5/1993	
1650	705774	Vulcan Materials Co. Calmat Division	705774	Vulcan Materials Co. Calmat Division	U.S. SPECIALTY INSURANCE COMPA	M	4/7/2017	
1715	371838	DJR OPERATING, LLC	706217	DJR Operating, LLC	U.S. SPECIALTY INSURANCE COMPA	M	4/14/2020	
432	785	AMTEX ENERGY INC	707597	Amtex Energy, Inc.	PIONEER SAVINGS BANK	B	6/3/1996	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1686	707842	Pearce Trust	707842	Pearce Trust	GREAT AMERICAN INSURANCE COMPA	M	6/28/2017	
1740	708124	Centennial Resource Production, LLC	708124	Centennial Resource Production, LLC	U.S. SPECIALTY INSURANCE COMPA	M	7/8/2020	
2123	197035	XTO ENERGY INC	708646	XTO Energy Inc.	FEDERAL INSURANCE COMPANY	M	6/4/2025	
1580	269324	LINN OPERATING, LLC.	708783	LINN Operating, LLC	UNITED STATES FIRE INSURANCE C	M	4/19/2017	
1715	371838	DJR OPERATING, LLC	708854	DJR Assets, LLC	U.S. SPECIALTY INSURANCE COMPA	M	4/14/2020	
1862	293991	RICHARD LYONS MOORE 2006 TRUST	708971	Richard Lyons Moore 2006 Trust	CASH BOND	B	8/3/2022	
2043	64432	EOG RESOURCES, INC.	709423	EOG RESOURCES, INC.	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	
1560	327122	IACX ROSWELL, LLC.	709460	IACX Roswell LLC	ARGONAUT INSURANCE COMPANY	M	9/14/2017	
1740	708124	Centennial Resource Production, LLC	709798	Centennial Resource Production LLC	U.S. SPECIALTY INSURANCE COMPA	M	7/8/2020	
1527	372224	AMEREDEV OPERATING, LLC	710465	Ameredev Operating, LLC	ASPEN AMERICAN INSURANCE CO.	M	4/26/2017	
1744	327480	WPX ENERGY PERMIAN, LLC.	710594	WPX ENERGY PERMIAN, LLC	LIBERTY MUTUAL INSURANCE COMPA	M	1/27/2021	
1709	96694	OXY USA INC	711074	Oxy USA Inc	LIBERTY MUTUAL INSURANCE COMPA	M	3/2/2020	
1562	372583	DGP ENERGY, LLC	711227	DGP Energy, LLC	FIDELITY & DEPPOSIT CO OF MD	M	10/13/2017	
1587	218098	BP AMERICA PRODUCTION COMPANY	711377	BP America Production Company	TRAVELERS CASUALTY AND SURETY	M	11/11/2017	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	711579	Devon Energy Production Company, LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
898	241333	CHEVRON MIDCONTINENT, L.P.	711664	Chevron Midcontinent, L.P.	SAFECO INSURANCE COMPANY OF AM	M	2/10/2010	
1959	237722	ETP CRUDE LLC	711721	Centurion Pipeline L.P.	FIDELITY AND DEPOSIT COMPANY O	M	1/29/2024	
913	197035	XTO ENERGY INC	712459	XTO Holdings, LLC	PETROLEUM CASUALTY COMPANY	M	8/2/2010	
2095	327330	XTO HOLDINGS, LLC	712459	XTO Holdings, LLC	FEDERAL INSURANCE COMPANY	M	6/26/2025	
1672	712560	PolyNatura Corporation	712560	PolyNatura Corporation	POLYNATURA CORPORATION	M	5/24/2010	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
913	197035	XTO ENERGY INC	712926	XTO Holding LLC	PETROLEUM CASUALTY COMPANY	M	8/2/2010	
1866	149315	MAGNUM HUNTER PRODUCTION, INC.	713069	Magnum Hunter Production Inc	RLI INSURANCE COMPANY	M	7/21/2022	
1740	708124	Centennial Resource Production, LLC	713132	Centennial Resource Production LLC	U.S. SPECIALTY INSURANCE COMPA	M	7/8/2020	
1781	372137	CHISHOLM ENERGY OPERATING, LLC	713522	Chisholm Energy Operating, LLC	U.S. SPECIALTY INSURANCE COMPA	M	6/26/2020	
2043	64432	EOG RESOURCES, INC.	713624	EOG Resources, Inc.	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	
1556	372417	ADVANCE ENERGY PARTNERS HAT MESA, LLC	713875	ADVANCE ENERGY PARTNERS HAT MESA, LLC	U.S. SPECIALTY INS COMPANY	M	9/18/2017	
1791	714391	Salt Creek Midstream, LLC	714391	Salt Creek Midstream, LLC	U.S. SPECIALTY INSURANCE CO.	M	10/12/2020	
1588	218098	BP AMERICA PRODUCTION COMPANY	714957	BP America Production Company	TRAVELERS CASUALTY AND SURETY	M	11/11/2016	
726	232611	SUNDOWN ENERGY LP	714991	Sundown Energy, LP	US SPECIALTY INSURANCE	M	3/28/2005	
1562	372583	DGP ENERGY, LLC	715052	DGP ENERGY, LLC	FIDELITY & DEPPOSIT CO OF MD	M	10/13/2017	
1806	715479	Lincoln County	715479	Lincoln County	GREAT MIDWEST INSURANCE COMPAN	M	2/18/2022	
2123	197035	XTO ENERGY INC	715692	XTO Energy Inc	FEDERAL INSURANCE COMPANY	M	6/4/2025	
1638	371416	FORTY ACRES ENERGY, LLC	715753	Forty Acres Energy LLC	U.S. SPECIALTY INSURANCE CO.	M	3/28/2019	
1461	371762	ABO EMPIRE, LLC	715948	Abo Empire, LLC.	U.S. SPECIALTY INSURANCE COMPA	M	11/16/2016	
1599	326258	POGO OIL & GAS OPERATING, INC.	716014	Pogo Resources, LLC	US SPECIALTY INSURANCE COMPANY	M	4/23/2018	
2043	64432	EOG RESOURCES, INC.	716484	EOG Resources, Inc.	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	
1677	716710	Kennecott Exploration Company	716710	Kennecott Exploration Company	LIBERTY MUTUAL INSURANCE COMPA	M	3/28/2017	
2057	298299	CROSS TIMBERS ENERGY, LLC	717477	Cross Timbers Energy LLC	UNITED STATES FIRE INSURANCE C	M	2/24/2025	
1588	218098	BP AMERICA PRODUCTION COMPANY	717967	BP America Production Company	TRAVELERS CASUALTY AND SURETY	M	11/11/2016	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1639	327870	PACIFIC ENERGY DEVELOPMENT CORP	720273	Ridgeway Arizona Oil Corp.	ARGONAUT INSURANCE CO.	M	4/4/2019	
1627	720408	MarkWest Tornado GP, LLC	720408	MarkWest Tornado GP, LLC	LIBERTY MUTUAL INS. CO.	M	12/5/2018	
1639	327870	PACIFIC ENERGY DEVELOPMENT CORP	720455	PACIFIC ENERGY DEVELOPMENT CORP	ARGONAUT INSURANCE CO.	M	4/4/2019	
1752	325830	ASCENT ENERGY, LLC.	720563	ASCENT ENERGY, LLC	ENDURANCE ASSURANCE CORPORATIO	M	2/25/2021	
1975	721053	LOGOS Resources II, LLC	721053	LOGOS Resources II, LLC	U. S. SPECIALTY INSURANCE COMP	M	5/29/2024	
1651	721732	NGL South Ranch, Inc.	721732	NGL South Ranch, Inc.	NGL SOUTH RANCH, INC.	M	7/31/2019	
2096	327896	XTO DELAWARE BASIN, LLC.	722075	XTO Delaware Basin, LLC	FEDERAL INSURANCE COMPANY	M	6/26/2025	
1715	371838	DJR OPERATING, LLC	722355	DJR Operating, LLC	U.S. SPECIALTY INSURANCE COMPA	M	4/14/2020	
857	154078	MACK ENERGY CORP. AND CHASE OIL CORP.	722450	Mack Energy Corporation	U.S. SPECIALTY INSURANCE COMPA	M	3/9/2009	
1715	371838	DJR OPERATING, LLC	722760	DJR Operating, LLC	U.S. SPECIALTY INSURANCE COMPA	M	4/14/2020	
1801	722817	TRINITY MATERIALS, LLC	722817	TRINITY MATERIALS, LLC	TRINITY MATERIALS, LLC	M	12/29/2021	
1644	722933	SCM Crude, LLC	722933	SCM Crude, LLC	ENDURANCE ASSURANCE CORPORATIO	M	5/13/2019	
2098	326582	LONGFELLOW LH, LLC.	723120	Longfellow LH, LLC	EVERGREEN NATIONAL INDEMNITY C	M	6/5/2025	
2107	342528	WESTMORELAND SAN JUAN MINING LLC	723303	Westmoreland San Juan Mining LLC	AXIS INSURANCE COMPANY	M	7/7/2025	
1666	328259	Permian Oilfield Partners, LLC	723587	Permian Oilfield Partners, LLC	RLI INSURANCE COMPANY	M	8/1/2019	
1740	708124	Centennial Resource Production, LLC	723958	Centennial Resource Production, LLC	U.S. SPECIALTY INSURANCE COMPA	M	7/8/2020	
1658	724039	CB2 LLC	724039	CB2 LLC	MERCHANTS BONDING COMPANY	M	7/25/2019	
2096	327896	XTO DELAWARE BASIN, LLC.	724216	XTO Delaware Basin, LLC	FEDERAL INSURANCE COMPANY	M	6/26/2025	
237	6515	DUGAN PRODUCTION CORP	724296	Dugan Production Corp.	FIRST NATL. BANK OF FARMINGTON	B	2/22/1993	
944	338563	GRIZZLY OPERATING LLC	724585	GRIZZLY OPERATING, LLC	U.S. SPECIALTY INSURANCE COMP.	M	7/7/2011	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1694	338563	GRIZZLY OPERATING LLC	724585	GRIZZLY OPERATING, LLC	SIRIUS AMERICA INSURANCE COMPA	M	9/6/2019	
1516	371643	SOLARIS WATER MIDSTREAM, LLC	724611	SOLARIS MIDSTREAM DB-NM, LLC	ARGONAUT INSURANCE CO.	M	2/15/2017	
2129	342745	TWIN WELLS RANCH LLC	724663	TWIN WELLS RANCH, LLC	GREAT MIDWEST INSURANCE COMPAN	M	1/10/2026	
2001	341771	LM TOUCHDOWN, LLC	724674	LM Touchdown, LLC	U. S. SPECIALTY INSURANCE COMP	M	10/7/2024	
2123	197035	XTO ENERGY INC	725470	XTO ENERGY INC.	FEDERAL INSURANCE COMPANY	M	6/4/2025	
1671	373910	Coterra Energy Operating F LLC	725654	Franklin Mountain Energy, LLC	FIDELITY AND DEPOSIT CO. OF MA	M	8/27/2019	
1752	325830	ASCENT ENERGY, LLC.	726057	Ascent Energy, LLC	ENDURANCE ASSURANCE CORPORATIO	M	2/25/2021	
1720	328565	BAM Permian Operating, LLC	726063	BAM Permian Operating, LLC	AMERICAN MOMENTUM BANK	M	5/29/2020	
1527	372224	AMEREDEV OPERATING, LLC	726768	WASHINGTON CROSSING FIELD SERVICES LLC	ASPEN AMERICAN INSURANCE CO.	M	4/26/2017	
1752	325830	ASCENT ENERGY, LLC.	727066	ASCENT ENERGY, LLC	ENDURANCE ASSURANCE CORPORATIO	M	2/25/2021	
809	252496	SHERIDAN PRODUCTION COMPANY, LLC	727082	Sheridan Production Company, LLC	RLI INSURANCE COMPANY	M	8/28/2007	
1959	237722	ETP CRUDE LLC	727137	CENTURION PIPELINE LP	FIDELITY AND DEPOSIT COMPANY O	M	1/29/2024	
2107	342528	WESTMORELAND SAN JUAN MINING LLC	727224	WESTMORELAND SAN JUAN MINING LLC	AXIS INSURANCE COMPANY	M	7/7/2025	
2043	64432	EOG RESOURCES, INC.	727311	EOG Resources, Inc.	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	
2129	342745	TWIN WELLS RANCH LLC	727346	Twin Wells Ranch, LLC	GREAT MIDWEST INSURANCE COMPAN	M	1/10/2026	
1583	147404	COBRA OIL & GAS CORPORATION	727391	COBRA OIL & GAS CORPORATION	U.S. SPECIALTY INSURANCE COMPA	M	2/15/2018	
1692	329657	Cotton Draw Midstream, L.L.C	727629	Cotton Draw Midstream, L.L.C.	TRAVELERS CASUALTY & SURETY CO	M	11/6/2019	
1706	727676	Mo's Crushing, LLC	727676	Mo's Crushing, LLC	MO'S CRUSING LLC	M	2/18/2020	
641	199866	CAMERON OIL	727704	Cameron Oil and Gas Inc.	FIRST NATIONAL BANK	M	6/2/2003	
1742	338408	SPUR ENERGY PARTNERS, LLC	727742	Spur Energy Partners LLC	U.S. SPECIALTY INSURANCE COMPA	M	7/8/2020	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
2097	326665	LONGFELLOW ENERGY, LP	728015	Longfellow Energy, LP	EVERGREEN NATIONAL INDEMNITY C	M	6/5/2025	
2095	327330	XTO HOLDINGS, LLC	728205	XTO HOLDINGS, LLC	FEDERAL INSURANCE COMPANY	M	6/26/2025	
2001	341771	LM TOUCHDOWN, LLC	728573	LM Touchdown, LLC	U. S. SPECIALTY INSURANCE COMP	M	10/7/2024	
1715	371838	DJR OPERATING, LLC	728921	DJR OPERATING, LLC	U.S. SPECIALTY INSURANCE COMPA	M	4/14/2020	
2117	339569	SIMCOE LLC	729082	Simcoe LLC	SIRISPOINT AMERICA INSURANCE C	M	9/25/2025	
1560	327122	IACX ROSWELL, LLC.	729286	IACX Production LLC	ARGONAUT INSURANCE COMPANY	M	9/14/2017	
1959	237722	ETP CRUDE LLC	729572	CENTURION PIPELINE L.P.	FIDELITY AND DEPOSIT COMPANY O	M	1/29/2024	
1638	371416	FORTY ACRES ENERGY, LLC	730136	FAE ll, LLC	U.S. SPECIALTY INSURANCE CO.	M	3/28/2019	
1527	372224	AMEREDEV OPERATING, LLC	730275	Ameredev Operating, LLC	ASPEN AMERICAN INSURANCE CO.	M	4/26/2017	
2114	342431	NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY	730323	New Mexico Institute of Mining and Technology	FRANKENMUTH INSURANCE COMPANY	M	10/1/2025	
1787	339614	PECOS OIL & GAS, LLC	731243	Pecos Oil & Gas, LLC	U.S.SPECIALTY INSURANCE COMPAN	M	9/23/2020	
1507	371449	COLGATE OPERATING, LLC	731304	Colgate Operating, LLC	U.S. SPECIALTY INSURANCE CO.	M	3/14/2017	
1734	330238	Solis Partners, L.L.C.	731359	Solis Partners, LLC	WEST TEXAS NATIONAL BANK	M	9/8/2020	
604	198688	CAMBRIAN MANAGEMENT LTD	731361	Cambrian Management, Ltd.	RLI INSURANCE	M	10/9/2001	
604	198688	CAMBRIAN MANAGEMENT LTD	731375	Cambrian Management, Ltd.	RLI INSURANCE	M	10/9/2001	
1729	328195	TASCOSA ENERGY PARTNERS, LLC.	731567	Tascosa Energy Partners, LLC	WEST TEXAS NATIONAL BANK	M	7/13/2020	
1959	237722	ETP CRUDE LLC	731648	Centurion Pipeline Limited Partnership	FIDELITY AND DEPOSIT COMPANY O	M	1/29/2024	
1671	373910	Coterra Energy Operating F LLC	731695	Franklin Mountain Energy, LLC	FIDELITY AND DEPOSIT CO. OF MA	M	8/27/2019	
1954	330129	WaterBridge Stateline LLC	731763	WaterBridge Stateline LLC	ARCH INSURANCE COMPANY	M	1/24/2024	
1740	708124	Centennial Resource Production, LLC	731789	CENTENNIAL RESOURCE PRODUCTION LLC	U.S. SPECIALTY INSURANCE COMPA	M	7/8/2020	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1752	325830	ASCENT ENERGY, LLC.	732050	Ascent Energy, LLC	ENDURANCE ASSURANCE CORPORATIO	M	2/25/2021	
1729	328195	TASCOSA ENERGY PARTNERS, LLC.	732478	TASCOSA ENERGY PARTNERS, LLC	WEST TEXAS NATIONAL BANK	M	7/13/2020	
1911	330396	Avant Operating, LLC	732766	Avant Operating, LLC	UMB BANK, N.A.	M	3/27/2023	
2086	339018	BLACKBUCK NEW MEXICO LLC	732782	Blackbuck New Mexico LLC	PENNSYLVANIA INSURANCE COMPANY	M	7/9/2025	
1767	330522	Acacia Operating Company, LLC	732887	ACACIA OPERATING LLC	COMMUNITY NATIONAL BANK	M	4/29/2021	
1671	373910	Coterra Energy Operating F LLC	733286	FRANKLIN MOUNTAIN ENERGY, LLC	FIDELITY AND DEPOSIT CO. OF MA	M	8/27/2019	
1752	325830	ASCENT ENERGY, LLC.	733320	Ascent Energy, LLC	ENDURANCE ASSURANCE CORPORATIO	M	2/25/2021	
1731	329487	BXP Operating, LLC	733793	BXP PARTNERS V, L.P.	ENDURANCE ASSURANCE CORPORATIO	M	7/1/2020	
2044	342056	EOG RESOURCES MARKETING, LLC	733809	EOG Resources Marketing, LLC	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	
901	190595	ENDEAVOR ENERGY RESOURCES, LP	733878	Endeavor Energy Resources, LP	RLI INSURANCE COMPANY	M	3/5/2010	
2097	326665	LONGFELLOW ENERGY, LP	733957	Longfellow Energy, LP	EVERGREEN NATIONAL INDEMNITY C	M	6/5/2025	
1911	330396	Avant Operating, LLC	734680	Avant Operating, LLC	UMB BANK, N.A.	M	3/27/2023	
1638	371416	FORTY ACRES ENERGY, LLC	734955	FAE II Operating, LLC	U.S. SPECIALTY INSURANCE CO.	M	3/28/2019	
1787	339614	PECOS OIL & GAS, LLC	735269	PECOS OIL & GAS, LLC	U.S.SPECIALTY INSURANCE COMPAN	M	9/23/2020	
1808	700026	CHEVRON U.S.A. INC.	735586	Chevron U.S.A. Inc.	LIBERTY MUTUAL INSURANCE COMPA	M	10/29/2021	
1731	329487	BXP Operating, LLC	735622	BXP Operating, LLC	ENDURANCE ASSURANCE CORPORATIO	M	7/1/2020	
2117	339569	SIMCOE LLC	735871	SIMCOE LLC	SIRISPOINT AMERICA INSURANCE C	M	9/25/2025	
1766	330220	RAYBAW Operating, LLC	736794	Raybaw Operating, LLC	HILLCREST BANK	M	4/6/2021	
1800	339603	REDWOOD OPERATING, LLC	738226	Redwood Operating LLC	U.S. SPECIALTY INSURANCE COMPA	M	12/6/2021	
2094	327529	XTO PERMIAN OPERATING, LLC	738751	XTO PERMIAN OPERATING, LLC	FEDERAL INSURANCE COMPANY	M	6/26/2025	
1978	289408	LOGOS OPERATING, LLC	739221	LOGOS Operating, LLC	U.S. SPECIALTY INSURANCE COMPA	M	6/17/2024	
2043	64432	EOG RESOURCES, INC.	739326	EOG RESOURCES, INC.	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1952	18917	READ & STEVENS INC	739727	Read & Stevens, Inc.	U.S. SPECIALTY INSURANCE COMPA	M	1/22/2024	
1927	339497	MR NM OPERATING, LLC	739750	MR NM Operating, LLC	UNITED STATES FIRE INSURANCE C	M	8/21/2023	
2056	338948	MORNINGSTAR OPERATING, LLC	739944	MorningStar Operating LLC	UNITED STATES FIRE INSURANCE C	M	3/4/2025	
972	90723	MEWBOURNE OIL COMPANY	740149	Mewbourne Oil Company	LIBERTY MUTUAL INSURANCE COMPA	M	9/20/2012	
1798	330984	Amalgamated Sludge NM, LLC	740341	Amalgamated Sludge NM, LLC	WASHINGTON FEDERAL BANK, N.A.	M	11/2/2021	
2085	342394	CONTANGO RESOURCES, LLC	740379	Contango Resources, LLC	U.S. SPECIALTY INSURANCE COMPA	M	7/11/2025	
1556	372417	ADVANCE ENERGY PARTNERS HAT MESA, LLC	740839	Advance Energy Partners Hat Mesa, LLC	U.S. SPECIALTY INS COMPANY	M	9/18/2017	
1814	331165	Earthstone Operating, LLC	740979	Earthstone Operating, LLC	U. S. SPECIALTY INSURANCE COMP	M	2/15/2022	
1659	338511	SABINAL ENERGY OPERATING, LLC	741047	SABINAL ENERGY OPERATING, LLC	UNITED STATES FIRE INSURANCE C	M	8/1/2019	
1768	330608	Roughhouse Operating, LLC	741587	Roughhouse Operating, LLC	WESTERN BANK	M	5/19/2021	
1824	339847	ROUGHHOUSE OPERATING, LLC	741587	Roughhouse Operating, LLC	CASH BOND	M	4/6/2022	
1988	756700	Maverick Permian LLC	741652	Maverick Permian LLC	PENNSYLVANIA INSURANCE COMPANY	M	9/3/2024	
1860	741801	EMPIRE NEW MEXICO, LLC	741801	EMPIRE NEW MEXICO, LLC	GREAT MIDWEST INSURANCE COMPAN	M	7/12/2022	
1858	741932	Colgate Production, LLC	741932	Colgate Production, LLC	U S SPECIALTY INSURANCE COMPAN	M	7/28/2022	
1851	742239	Northwind Midstream Partners LLC	742239	Northwind Midstream Partners LLC	GREAT MIDWEST INSURANCE COMPAN	M	6/6/2022	
1954	330129	WaterBridge Stateline LLC	742315	WaterBridge Stateline, LLC	ARCH INSURANCE COMPANY	M	1/24/2024	
1814	331165	Earthstone Operating, LLC	742505	Earthstone Operating LLC	U. S. SPECIALTY INSURANCE COMP	M	2/15/2022	
1944	339406	SILVERBACK OPERATING II, LLC	742520	Silverback Operating II, LLC	ENDURANCE ASSURANCE CORPORATIO	M	11/28/2023	
1941	339572	SILVERBACK MIDSTREAM II, LLC	742538	Silverback Midstream II, LLC	ENDURANCE ASSURANCE CORPORATIO	M	11/28/2023	
1943	339473	SILVERBACK NEW MEXICO, LLC	742546	Silverback New Mexico, LLC	ENDURANCE ASSURANCE CORPORATIO	M	11/28/2023	

IPANM EXHIBIT 33

OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1942	339989	SILVERBACK O-1, LLC	742557	Silverback O-1, LLC	ENDURANCE ASSURANCE CORPORATIO	M	11/28/2023	
1826	339856	EARTHSTONE PERMIAN, LLC	743278	Earthstone Permian LLC	U. S. SPECIALTY INSURANCE COMP	M	4/18/2022	
1884	745620	Matt Stockton Livestock, LLC	745620	Matt Stockton Livestock, LLC	INDEMNITY NATIONAL INSURANCE C	M	11/16/2022	
1963	372165	Permian Resources Operating, LLC	746640	Permian Resources Operating, LLC	U. S. SPECIALTY INSURANCE COMP	M	3/19/2024	
2095	327330	XTO HOLDINGS, LLC	746809	XTO Holdings, LLC	FEDERAL INSURANCE COMPANY	M	6/26/2025	
1966	310548	CART HILL ENERGY, LLC	747377	CART HILL ENERGY LLC	INDEMNITY NATIONAL INSURANCE C	M	5/8/2024	
1897	340403	LIBERTY OILFIELD SERVICES LLC	747440	Liberty Oilfield Services, LLC	U.S. SPECIALTY INSURANCE COMPA	M	11/14/2022	
1731	329487	BXP Operating, LLC	747622	BXP OPERATING LLC	ENDURANCE ASSURANCE CORPORATIO	M	7/1/2020	
2129	342745	TWIN WELLS RANCH LLC	747819	Twin Wells Ranch, LLC	GREAT MIDWEST INSURANCE COMPAN	M	1/10/2026	
1949	331451	Black Top Operating, LLC	747837	BLACK TOP OPERATING, LLC	EVERGREEN NATIONAL INDEMNITY C	M	12/18/2023	
1906	331595	Coterra Energy Operating E LLC	748086	Franklin Mountain Energy 3, LLC	UNITED STATES FIRE INSURANCE C	M	11/14/2022	
1908	331595	Coterra Energy Operating E LLC	748086	Franklin Mountain Energy 3, LLC	UNITED STATES FIRE INSURANCE C	M	11/14/2022	
1150	6137	DEVON ENERGY PRODUCTION COMPANY, LP	748197	Devon Energy Production Company, LP	TRAVELERS CASUALTY & SURETY CO	M	2/9/2016	
2117	339569	SIMCOE LLC	748298	SIMCOE LLC	SIRISPOINT AMERICA INSURANCE C	M	9/25/2025	
1929	748627	Uinta Basin Sand LLC	748627	Uinta Basin Sand LLC	MERCHANTS NATIONAL BONDING, IN	M	8/24/2023	
2049	340966	BUCKHORN PRODUCTION, LLC	748683	Buckhorn Production, LLC	ARCH INSURANCE COMPANY	M	10/2/2023	
1959	237722	ETP CRUDE LLC	748928	Centurion Pipeline	FIDELITY AND DEPOSIT COMPANY O	M	1/29/2024	
2049	340966	BUCKHORN PRODUCTION, LLC	749398	BUCKHORN PRODUCTION, LLC	ARCH INSURANCE COMPANY	M	10/2/2023	
1826	339856	EARTHSTONE PERMIAN, LLC	749541	Earthstone Permian LLC	U. S. SPECIALTY INSURANCE COMP	M	4/18/2022	
1814	331165	Earthstone Operating, LLC	750043	Earthstone Operating LLC	U. S. SPECIALTY INSURANCE COMP	M	2/15/2022	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
1963	372165	Permian Resources Operating, LLC	750224	Permian Resources Operating, LLC	U. S. SPECIALTY INSURANCE COMP	M	3/19/2024	
594	149538	ASHER ENTERPRISES LTD. CO.	750963	Asher Enterprises LTD. Co.	WESTERN BANK	B	6/3/2016	
2043	64432	EOG RESOURCES, INC.	751908	EOG Resources, Inc.	TRAVELERS CASUALTY AND SURETY	M	1/13/2025	
1940	752507	Scout Energy Group V, LP	752507	Scout Energy Group V, LP	U.S SPECIALTY INSURANCE COMPAN	M	11/28/2023	
2085	342394	CONTANGO RESOURCES, LLC	754173	Contango Resources, LLC	U.S. SPECIALTY INSURANCE COMPA	M	7/11/2025	
1959	237722	ETP CRUDE LLC	755376	CENTURION PIPELINE LP	FIDELITY AND DEPOSIT COMPANY O	M	1/29/2024	
1991	341765	MRC HAT MESA, LLC	755466	MRC HAT MESA, LLC	ARCH INSURANCE COMPANY	M	9/16/2024	
1937	332195	Civitas Permian Operating, LLC	755932	Civitas Permian Operating, LLC	UNITED STATES FIRE INSURANCE C	M	11/20/2023	
1959	237722	ETP CRUDE LLC	755967	Centurion Pipeline, LP	FIDELITY AND DEPOSIT COMPANY O	M	1/29/2024	
2001	341771	LM TOUCHDOWN, LLC	755976	LM Touchdown, LLC	U. S. SPECIALTY INSURANCE COMP	M	10/7/2024	
1963	372165	Permian Resources Operating, LLC	756072	Permian Resources Operating, LLC	U. S. SPECIALTY INSURANCE COMP	M	3/19/2024	
1937	332195	Civitas Permian Operating, LLC	756194	Civitas Permian Operating LLC	UNITED STATES FIRE INSURANCE C	M	11/20/2023	
1988	756700	Maverick Permian LLC	756700	Maverick Permian LLC	PENNSYLVANIA INSURANCE COMPANY	M	9/3/2024	
2026	341950	HILCORP ENERGY COMPANY	757301	Hilcorp Energy Company	AXIS INSURANCE COMPANY	M	12/31/2024	
2052	342092	DESERT RAM SOUTH RANCH, INC.	763235	Desert Ram South Ranch, Inc	INDEMNITY NATIONAL INSURANCE C	M	2/4/2025	
2096	327896	XTO DELAWARE BASIN, LLC.	763556	XTO Delaware Basin, LLC	FEDERAL INSURANCE COMPANY	M	6/26/2025	
2121	252846	COTERRA ENERGY OPERATING CO.	763611	COTERRA ENERGY OPERATING CO.	UNITED STATES FIRE INSURANCE C	M	12/2/2025	
2136	252846	COTERRA ENERGY OPERATING CO.	763611	COTERRA ENERGY OPERATING CO.	UNITED STATES FIRE INSURANCE C	M	1/27/2026	
2047	342060	HILCORP ENERGY I, L.P.	763831	Hilcorp Energy I, L.P.	AXIS INSURANCE COMPANY	M	12/31/2024	
2121	252846	COTERRA ENERGY OPERATING CO.	763866	Coterra Energy Operating Co.	UNITED STATES FIRE INSURANCE C	M	12/2/2025	

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OG BOND	PRINC_OGRID_CDE	PRINCIPAL NAME	COVERED OGRIDS	COVERED NAME	SURETY NAME	BOND COVG	EFF DTE	REMARKS
2136	252846	COTERRA ENERGY OPERATING CO.	763866	Coterra Energy Operating Co.	UNITED STATES FIRE INSURANCE C	M	1/27/2026	
2095	327330	XTO HOLDINGS, LLC	763937	XTO Holdings, LLC	FEDERAL INSURANCE COMPANY	M	6/26/2025	
2052	342092	DESERT RAM SOUTH RANCH, INC.	764349	DESERT RAM SOUTH RANCH, INC.	INDEMNITY NATIONAL INSURANCE C	M	2/4/2025	
2094	327529	XTO PERMIAN OPERATING, LLC	764690	XTO Permian Operating, LLC	FEDERAL INSURANCE COMPANY	M	6/26/2025	
2095	327330	XTO HOLDINGS, LLC	765687	XTO Holdings, LLC	FEDERAL INSURANCE COMPANY	M	6/26/2025	
2117	339569	SIMCOE LLC	767240	SIMCOE LLC	SIRISPOINT AMERICA INSURANCE C	M	9/25/2025	
2137	342649	PBEX OPERATIONS, LLC	768102	PBEX Operations, LLC	EVERGREEN NATIONAL INDEMNITY C	M	2/5/2026	
2117	339569	SIMCOE LLC	768439	Simcoe LLC	SIRISPOINT AMERICA INSURANCE C	M	9/25/2025	
2138	342498	SEP LEGACY LLC	769450	SEP Legacy LLC	ARCH INSURANCE COMPANY	M	10/21/2025	
2143	342706	HILCORP PERMIAN, LLC	770965	Hilcorp Permian, LLC	TRAVELERS CASUALTY AND SURETY	M	3/9/2026	

IPANM EXHIBIT 34

OCD EXHIBIT 17

OCC Case No. 24683

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Master Orphan Spreadsheet_7.2.25.xlsx

STATE OF NEW MEXICO
COMMISSIONER OF PUBLIC LANDS

REGARDING PROPOSED AMENDMENT TO 19.2.100.23 NMAC

May 26, 2026

I submit this comment in support of Independent Petroleum Association of New Mexico's opposition to the Commissioner of Public Lands and New Mexico State Land Office Proposed Amendment to Rule 19.2.100.23 published April 7, 2026 ("Proposed Rule"), which overhauls the current bond requirements for damages to surface interests, like crops, range, livestock, and tangible improvements, as set forth under NMSA 1978, §19-10-26. My 15 years of experience in the insurance and surety market supports and informs my comments on the Proposed Rule.

I currently serve as the Co-Managing Director of the Energy Practice with the Arthur J. Gallagher & Co., one of the leading insurance brokerage and risk management consulting companies in the world. Having joined Gallagher recently, I was previously the Senior Vice President and National Energy Practice Leader with AssuredPartners, an international insurance brokerage, for eleven (11) years. After graduating with a Bachelor of Arts in Psychology, I started my career as a claims adjuster with Farmers Insurance. I initially worked as a Liability claims adjuster, and then transitioned to Farmers' dedicated Catastrophe team, where I handled large scale natural disaster claims to insured automobiles and property. In 2011, I started working for Sisk & Co., a local insurance brokerage that primarily focused on placing insurance and surety programs for upstream and midstream service contractors and operators. My role with

Sisk & Co. was that of an insurance producer, and I specifically targeted the oil and gas industry. After Sisk & Co. was sold to AssuredPartners in 2015, I continued in the same production role for another two years, before developing and now leading the Energy vertical within AssuredPartners. The vast majority of my Energy clients are directly tied to the oil and gas industry. In my current role, I still actively produce my own new business opportunities, support other vertical and non-vertical producers in winning energy related opportunities, as well as dictate the overall direction and management of the Energy vertical.

I have over a decade of experience securing and placing insurance and surety needs for energy clients throughout the country. I was named a 2021 and 2024 "Top Producer" by Insurance Business America (IBA), and a "2021 Traditional Energy Power Broker" by Risk & Insurance magazine. Additionally, I hold the Energy Risk & Insurance Specialist (ERIS) designation from the International Risk Management Institute (IRMI). I regularly work with oil and gas client and companies in placing their surety need through various surety providers. The vast majority of my energy clients are linked to the oil and gas industry, and we provide insurance and surety placements for a few dozen exploration and production companies.

I am very familiar with the process, enactment, and aftereffects of recent bonding initiatives undertaken in Colorado. I testified as a witness for the Colorado Oil and Gas Association before the Colorado Oil and Gas Conservation Commission during the 2022 Financial Assurance Rulemaking which followed the Colorado Legislature's enactment of SB19-181, amending the Colorado Oil and Gas Conservation Act. I also testified as one of just two surety experts in the 2025 financial assurance rulemaking before the Oil

Conservation Commission in Case No. 24683, which proposed similar if not identical bonding levels as that of the Proposed Rule.

A. Primary Concerns with Proposed Rule

The Proposed Rule will require single lease bonding, at a minimum, of $150,000 increasing under various conditions to "Heightened" levels at an unknown amount deemed acceptable by the Commissioner. The sheer scope of this increase, from existing $10,000 single lease surface damage bonds, could have significant unintended consequences. My primary concern is the feasibility of implementing such a drastic increase in bonding for smaller and independent lessees because in my experience, the level of surety required by the Proposed Rule is not broadly available in today's market and is unlikely to be accessible at scale, particularly for small and mid-sized operators. Even for those lessees and operators who would qualify for the required level of surety, I believe the annual premiums and collateral costs will make it prohibitively expensive to comply.

In the decade plus that I've worked as an insurance broker, I have been primarily focused on placing insurance and bond programs for oil and gas companies. As I testified last year, we remain in one of the hardest surety markets I have experienced in my career. In recent years, sureties have become far more restrictive in their underwriting guidelines in determining collateral amounts—the days of zero-dollar collateral have become increasingly rare. While there is no formal written guideline, my experience over the past 15 years is that sureties are looking to see financial statements from the Principal with working capital of at least 25% or more of the surety amount required, if the surety is even

willing to offer terms with limited collateral. For most smaller companies, that level of capital is not readily available and the Proposed Rule will only exacerbate the squeeze felt by smaller operator and lessees.

B. Because Bonds work differently than Insurance, they are ill-fitted to address orphan wells and abandoned leases.

Unlike an insurance policy, a bond is simply a promise to pay. With insurance, the insured pays a premium and the insurer absorbs the risk. In a bond relationship, there is no shifting of risk: the risk always remains with the Principal. In the event the bond is called upon, the Surety then immediately seeks reimbursement from the Principal. In general, the lower the working capital, the higher the collateral required by the surety. Sureties underwrite to avoid loss and therefore typically require collateral of 50%-100% of the bond amount.

The vast majority of lessees and operators are going to be required to provide collateral to secure their bonds. The typical collateral I see ranges between 50%-100% of the bond. The larger the bond amount, the larger the collateral requirement. In addition to these collateral amounts, sureties also charge an annual bond premium and typical annual premiums range from 2.5%-3.5% (or more) of the bond amount. If the $150,000 bond is required for the entire life of the lease, that means the annual premiums continue for the life of the lease and neither the lessee nor the State recoups any part of the premium contributions. Absorbing this kind of increase in costs at the scale of the Proposed Rule is neither achievable nor feasible for the majority of small to midsize operators and lessees.

C. Examples to put Proposed Rule in Perspective

.A couple of examples help put the true "costs" of full cost bonding in perspective are:

In the first scenario, a lessee with 15 leases at the average minimum of $150,000 per lease faces a bond obligation of approximately $2.25 million. They would more than likely be facing a collateral requirement from the surety of at least 50% the bond amount, meaning the operator would need to provide $1,125,000 in collateral to secure the bonding. The operator in this scenario would also be paying an annual bond premium of $56,250 - $78,750 each year for those 15 leases, on top of the $1.125 million tied up in collateral, for the life of the lease.

In a second scenario, an operator with 100 leases faces a total bond obligation of about $15,000,000. They would more than likely be facing a collateral requirement from the surety of at least 50% of the bond amount, requiring a collateral commitment of at least $7,500,000 to secure the bonding. The operator in this scenario would also be paying an annual bond premium of $375,000- $525,000, on top of the $7.5 million tied up in collateral. Based on my understanding of the New Mexico plugging and abandonment process, remediation efforts can take a year or more until the Division agrees to release the operator, let alone accomplish release of the bond. Then, the bond will be formally cancelled with a pro-rata return of premiums effective that date, with the first year of premium fully earned. The longer the bond is in place, the more premium the operator pays. While a well may have an average lifespan of 20-30 years, there are many 1920s and 1930s state leases active today. At a conservative 3% premium, a 50-year lease costs $225,000 in premiums alone, without considering the time-value of money, forfeited

interest, or collateral tied to the bond.. And then the lessee or operator must come up with cash or capital out of their own pocket for plugging, remediation, and reclamation.

The above scenarios only come into play, however, if the operator is able to qualify for a bond in the first place. When I said that the surety market is difficult, and it is, that statement should be further qualified—because for many small operators bonds may not even be an option given the amount of collateral required. Especially for privately-held, closed partnerships that do not have the detailed financial disclosures readily or publicly available. For those lessees who are not able to gain access to the surety market, the remaining options to satisfy the Proposed Rule's increased financial assurance demands are limited to a cash deposit, Rule 19.2.100.23(F)(2)(b), or an irrevocable letter of credit, Rule 19.2.100.23(F)(2)(a). Going this route, there is no potential "discount" on the assurance amount, meaning 100% of the associated bond amount would be tied up through a letter of credit or cash deposit. To clarify, the letter of credit is typically secured through one of two options: (1)The operator will draw on their line of credit with their bank to post the irrevocable letter of credit or (2) in instances where their line of credit is not sufficient or non-existent, they will post cash in a certificate of deposit (CD), to back the letter of credit issued by their bank. But again, I do not believe the vast majority of small to medium size operators and lessees would be able to comply with alternate financial assurance options under the rule. At a minimum, full-cost bonding, and the associated collateral requirements of the surety and/or cash bond or letter of credit alternates will tie up large sums of money. This has the potential to significantly decrease the capital readily available for scheduled maintenance, reclamation, and remediation efforts. Not only that, but increasing bond amounts by double-digit multiples may also result in increased

bankruptcies, increased orphaning of wells and abandonment of leases, increased bank debt, less capital on-hand for normal operations, new drilling, workovers, routine maintenance. Ultimately, lessees and operators may prefer to exit New Mexico to avoid the regulatory uncertainty and pursue exploration and production in more favorable states.

D. The Results of Financial Assurance Reform in Colorado Should Temper Support for the Proposed Rule.

In Colorado, although bond levels increased for most, the 2022 rulemaking introduced six tiers based on multiple factors, including average daily per-well production, the number of wells operated, option to contribute a certain percentage over 10 or 20 years, and other individual circumstances. In Colorado, this "sinking fund" option may have allowed some smaller operators to continue operating wells, but extinguished their capacity for future development or acquisition in Colorado. Overall, Colorado saw the number of orphan wells double and then quadruple, total statewide financial assurance decrease by millions (with millions more in outstanding refunds), and the diversity of operations consolidate into fewer companies.

It is my understanding that the motivation for the Proposed Rule is a 2021 study that identified the potential liability for orphaned state wells. However, those same state wells are also covered by the Reclamation Fund and single-well bonding overseen by the Oil Conservation Division, which may or may not increase FA as a result of the 2025 rulemaking. Setting aside layers of duplicative bonding, the question of whether bonding reduces or prevents orphan wells remains. My experience and a review of historical operations in New Mexico indicates otherwise. First, if the proposed drastic increases in

surety requirements are adopted in New Mexico, I fear that more wells and leases will be abandoned, not less. The single lease bonding scheme proposed by the SLO will likely create a situation where once stable operators and lessees can no longer afford the costs of operating New Mexico. Thus, the state will see a precipitous increase in abandoned wells when smaller companies can no longer meet or comply with New Mexico's requirements, and exit the state to operate under achievable regulatory and surety obligations. During the WELC Rulemaking, the "Master Orphan Well Spreadsheet" maintained by OCD showed that the presence of FA did not prevent the wells from being abandoned. Moreover, testimony from OCD and EMNRD officials indicated that the FA claim process was so long and burdensome that the State rarely made claims or forfeited FA. In conclusion, not only do the Proposed Rules fail to accomplish the plugging of a single orphan well, the Proposed Rule, especially in conjunction with other FA increases, may create a second generation of newly orphaned wells and abandoned leases. In short, New Mexico has more tools at hand than bonds to address the issue of orphan well liability.

E. Better Alternatives Are Out There.

While the New Mexico Oil & Gas Act considers a plugging insurance policy as an alternative form, there is not such guidance in Section 19-10-26 regarding bonds for oil and gas leases on state lands. Here, the Proposed Rule has one benefit: Subpart F(2)(c) provides that in lieu of a surety bond, "a lessee may post:...other alternative forms of financial assurance, which may be considered on a case-by-case basis." All of the risks and downsides of bonds I discussed above are better addressed by an entirely different product: OneNexus' WellSecure™, a surety backed financial assurance structure

designed specifically for decommissioning obligations. In this model, premiums actually fund decommissioning costs through either a state insurance company, like Oklahoma, or a contractual liability insurance policy. Wyoming enacted legislation for medium and smaller operators to combine resources to meet well bonding requirements through a state-run bonding pool, and OneNexus pools collateral under Asset Retirement Agreements to obtain surety bonds for operators at preferred rates. In fact, New Mexico's own Legislative Finance Committee Orphan Well Policy Spotlight Report, issued June 24, 2025, recommends alternate funding options as preferable to traditional surety bonds, like a third-party trust or escrow account, which can be tailored or tiered to capture the bulk of the plugging costs during the most productive periods of the well's lifetime. In line with this recommendation to recoup costs over the entire lifetime of the well, the New Mexico Legislature unanimously adopted, and the Governor signed into law as of March 9, 2026, HB80 which reroutes the Oil and Gas Conservation Tax, collected on every barrel of oil sold, to the Reclamation Fund as it was originally intended. Conservative estimates predict $1 billion in the Reclamation Fund in the next ten years if not sooner.

New Mexico has consistently been at the forefront of innovation in the oilfield: from the first commercial oil well on state lands, the Illinois No. 3 by Martin Yates, Jr., in 1924 to the first long-reach lateral in the Delaware Basin in 1995 by Strata Production Company. I would encourage the Commissioner of Public Lands continue that tradition of innovation and consider insurance alternatives like OneNexus to allow lessees and operators to better plan, predict, and meet decommissioning obligations.

In conclusion, my 15 years of experience in the insurance and surety industry has taught me that financial assurance reforms have three likely outcomes: (1) fewer participants in the industry, (2) more orphan wells, and (3) less financial assurance overall. Based on the trends of the past few years, the magnitude and volume of bonding required by the Proposed Rule will not be met by Sureties. In fact, the increased demand likely endangers existing of bonding for lessees and operators. For those reasons, I respectfully request the Commissioner reject the Proposed Rule.

Date: 5-26-26

TREVOR GILSTRAP



ORPHANED WELLS PROGRAM ANNUAL REPORT TO CONGRESS

November 2025

Infrastructure Investment and Jobs Act Section 40601
Prepared by the Orphaned Wells Program Office
U.S. Department of the Interior

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Section 1: Orphaned Wells Program Overview

Orphaned Wells Program At-a-Glance

Figure 1: Orphaned Wells Program Milestone Timeline

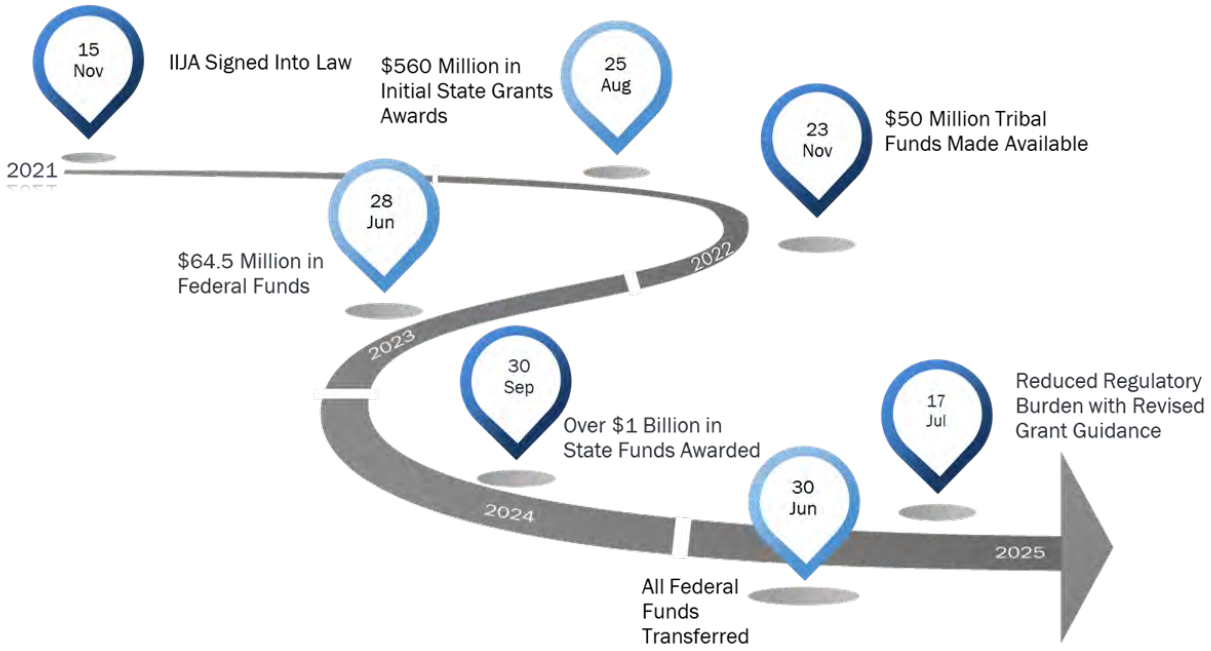
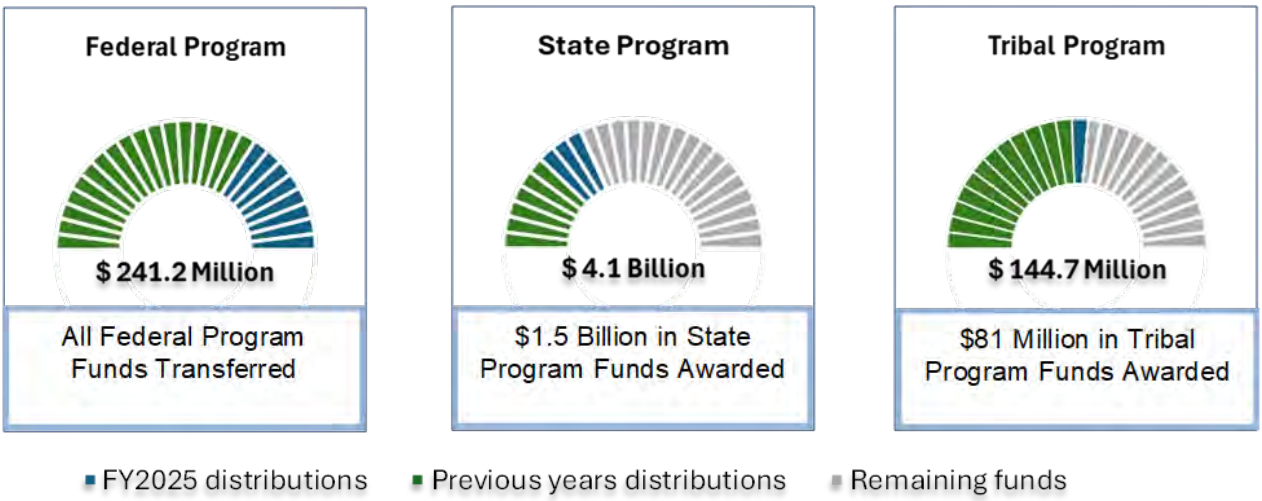


Figure 2: Funding Awarded by Program through FY 2025



Background

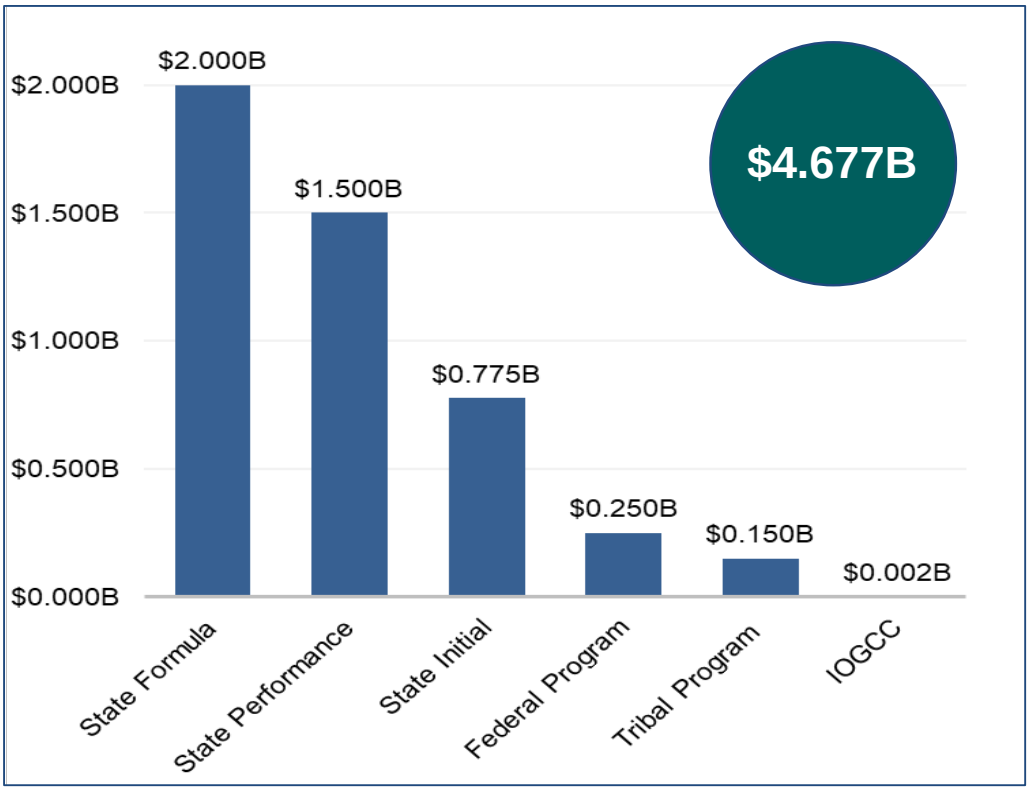
The Infrastructure Investment and Jobs Act (IIJA) (Public Law 117-58), Section 40601 "Orphaned Well Site Plugging, Remediation, and Restoration," signed into law on November 15, 2021, provides the Department of the Interior (Department) authority and funding to address the Nation's inventory of orphaned oil and gas wells. The Department, through the Orphaned Wells Program Office (OWPO), oversees a comprehensive, coordinated program to support the plugging of orphaned wells on federal, Tribal, state and private lands.

Under the IIJA, orphaned wells are generally defined as wells not used for an authorized purpose and for which no operator can be located, or where the operator is unable to plug the well and restore the site. States may apply their unique state definitions for orphaned wells on state and private lands.

As shown in Figure 3, Section 40601 of the IIJA provides $4.677 billion to support orphaned well site plugging, remediation, and restoration through three distinct programs:

- Federal Program – $250 million for wells on federal lands and waters
- State Program – $4.275 billion for wells on state and private lands
- Tribal Program – $150 million for wells on Tribal lands

Figure 3: Appropriated IIJA Funds Allocated by Program Area



Funding recipients have broad discretion in how they use awarded funds. Recipients may use funding, consistent with federal, state and Tribal priorities for the purposes outlined in the IIJA, including but not limited to plugging, remediating and reclaiming orphaned wells; identifying and characterizing undocumented orphaned wells; and remediating land adjacent to orphaned wells and decommissioning or removing associated pipelines, facilities and infrastructure.

In addition to program funding, the IIJA authorizes $2 million in funding for the Interstate Oil and Gas Compact Commission (IOGCC) for consultation and coordination activities. The IOGCC is a multi-state organization that provides a forum for states to coordinate regulatory practices, share information, and advocate for state-level leadership in the responsible development of oil and natural gas resources.

Distribution of FY 2025 IIJA Funds

From the passage of the IIJA through the end of FY 2025, the OWPO distributed approximately $1.85 billion in IIJA funds to federal, state, and Tribal recipients for inventorying and plugging orphaned wells, including remediation and restoration work. Of this amount, the OWPO distributed $554.8 million during FY 2025. Table 1 shows the distributions by program area.

$554.8 million distributed in FY 2025

Table 1: IIJA Funds Distributed through FY 2025

Orphaned Wells Program IIJA Funding					
Program Description	**OMB Apportioned**	**Administrative and OIG**	**Program Amount**	**Transferred or Awarded FY 2025**	**Cumulative FY 2022-2025 Distribution**
Federal Program	$250 M	$8.7 M	$241.3 M	$93 M	$241.3 M
State Program	$4.3 B	$150 M	$4.1 B	$450 M	$1.5 B
Tribal Program	$150 M	$5.3 M	$144.7 M	$11.8 M	$80.9 M
IOGCC Funding	$2 M	$0.07 M	$1.93 M	-	-
Totals	**$4.7 B**	**$164.1 M**	**$4.5 B**	**$554.8 M**	**$1.8 B**

Section 2: Supporting Presidential Priorities

Orphaned wells are found in rural, urban and agricultural areas across the United States. Orphaned wells can harm public health and interfere with current and future energy development. Plugging orphaned wells directly supports the Administration's priority to unleash American energy (Executive Order 14154) and promote American Energy Dominance (Executive Order 14213). In July, the OWPO published Revised Grant Guidance to help advance the

Streamlined and Reduced Regulatory Burden with Revised State Grant Guidance

Administration's goals of unleashing American energy resources, protecting American jobs and reducing federal overreach. In addition to promoting American Energy Dominance, the Revised Grant Guidance eliminated non-statutory requirements and reduced burdens on State grant recipients to provide more flexibility and speed up well-plugging efforts.

Unplugged orphaned wells can act as pathways that connect hydrocarbon reservoirs to other permeable, subsurface layers whether these wells are situated near active production infrastructure or in areas with no current development. These unintended connections diminish the crucial underground pressure balance required for production, allow oil, gas or other resources to leak away from active wells, and degrade production efficiency. This unwanted interference and leakage can cause valuable resources to migrate to the surface or into ground water aquifers, potentially damaging surrounding ecosystems and increasing operational costs for energy producers. By providing necessary funding to plug orphaned wells throughout the country, the OWPO helps protect and preserve oil and gas resources by sealing potentially detrimental subsurface pathways. This ensures energy companies can extract resources safely and efficiently, without risking contamination or loss of production.

In addition to the physical effects on current energy extraction, orphaned wells can hinder future hydrocarbon development. In some cases, approval to drill new wells is restricted by the presence of existing wells, including orphaned wells. Since many orphaned wells lie within active and developing oil and gas fields, plugging and remediating these sites helps unlock access to new development areas and enables better, more efficient well placement.

Beyond the negative effects on energy production, orphaned wells pose significant risks to natural resources. Orphaned wells can reduce land value, limit land use, disrupt ecosystems and often litter properties with rusted infrastructure, threatening wildlife, particularly in wetlands and other sensitive areas. With IIJA funding, the OWPO is making possible the restoration of these areas for public enjoyment and use.

Section 3: Federal Orphaned Wells Program

The IIJA allocated $250 million to the Federal Orphaned Wells Program for well plugging and reclamation of orphaned wells located on federal land. Portions of this amount are allocated to the OWPO as administrative funding (3.0%) and to the Office of the Inspector General for oversight purposes (0.5%), leaving $241.3 million in direct funding for the Federal Program.

$93 million in federal project funding in FY 2025

1,115 planned wells to be plugged with federal funds

All federal funds transferred as of 3rd Quarter FY 2025

Federal Programs Receiving IIJA Funds:

- Bureau of Land Management (BLM) received $35 million in total funds to plug 93 wells.
- Bureau of Safety and Environmental Enforcement (BSEE) received $46 million in total funds to plug 29 wells.
- U.S. Fish and Wildlife Service (FWS) received $64 million in total funds to plug 564 wells.
- U.S. Forest Service (USFS) received $58 million in total funds to plug 336 wells.
- National Park Service (NPS) received $39 million in total funds to plug 93 wells.

Federal Program Funding, Activities and Monitoring

In Fiscal Year 2025, the OWPO distributed the remaining $93 million in allocated Federal Program funding to bureaus within the Department and to the U.S. Forest Service. These funds are slated to support the plugging, reclamation, and remediation of 484 orphaned oil and gas wells, the removal of legacy oilfield equipment, and ongoing inventory efforts to identify and characterize additional orphaned wells.

484 orphaned wells planned for plugging with FY 2025 funds.

As of September 30, 2025, the OWPO's federal partners reported plugging 231 of the 1,115 planned and funded orphaned wells. Wells were plugged across 10 states including Alaska, California, Kentucky, Louisiana, Montana, Oklahoma, Tennessee, Texas, Utah, Wyoming, and three in the Gulf of America.

To ensure well-plugging activities are adequately completed, the OWPO will conduct site visits and randomized monitoring reviews. In addition, periodic monitoring of financial and operational aspects of the Federal Program are conducted to ensure that funding is expended according to statute and in alignment with the Administration's priorities. These internal controls ensure that federal tax dollars allocated for the Federal Program are efficiently and effectively expended.

Section 4: State Orphaned Wells Program

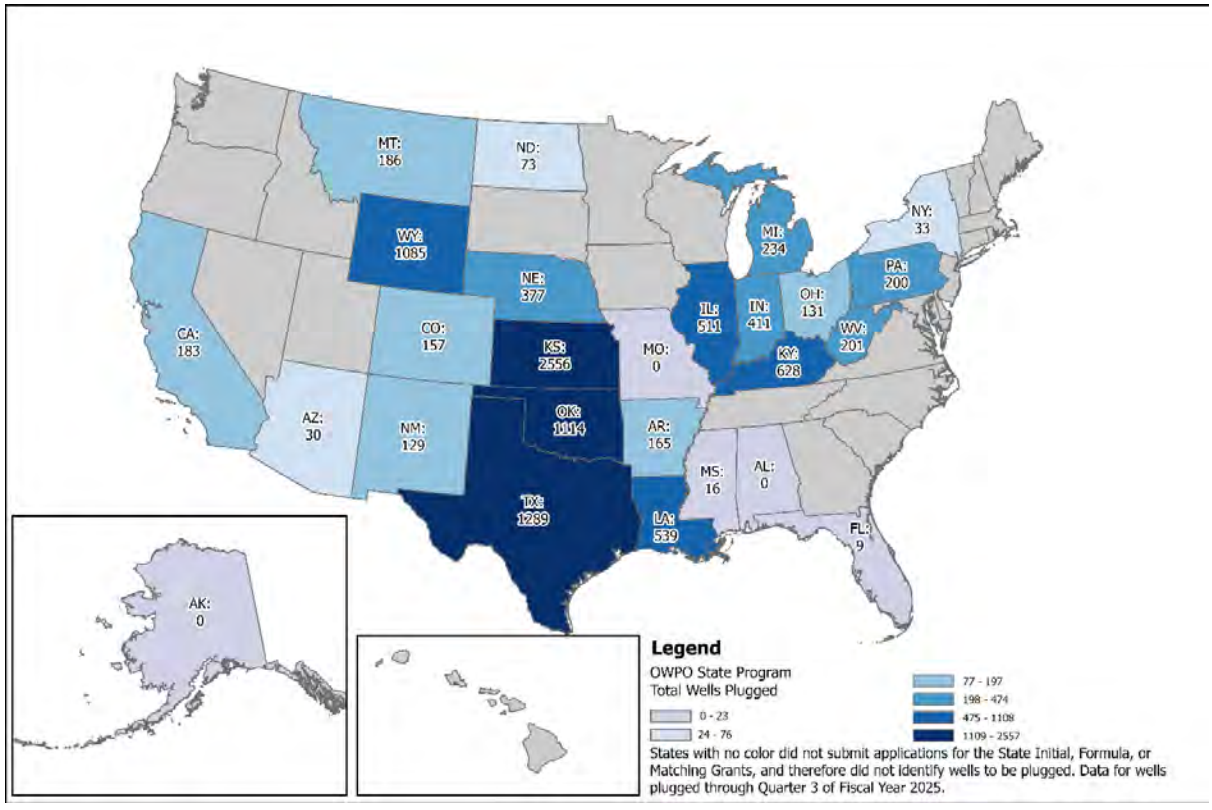
The IIJA established the State Orphaned Wells Program to address the environmental, health, and safety risks associated with orphaned oil and gas wells on state and private lands. The State Program provides direct funding to states through three primary grant mechanisms: Initial Grants, Formula Grants, and Matching Grants under the Performance Grant authority. These grants support states in developing, expanding, and sustaining their orphaned well plugging and site remediation programs.

10,257 wells plugged through June 2025 through State funds

Regardless of the type of grant that a state receives, it may use funding, consistent with its priorities, for the purposes stated in 42 U.S.C. § 15907(c)(2), which include: to plug, remediate, and reclaim orphaned wells located on state and private land; to identify and characterize undocumented orphaned wells on state and private land; and to remediate land adjacent to orphaned wells and decommission or remove associated pipelines, facilities and infrastructure.

This framework enables states to build tailored programs that reflect local needs while contributing to national goals of unleashing American energy, restoring natural resources, and protecting communities. Since the program began, state grant recipients have successfully plugged 10,257 wells across the country (see Figure 4).

Figure 4: Map of Orphaned Wells Plugged by State Using Initial and Formula Grant



State Program Funding, Activities and Monitoring

The IIJA allocated $4.3 billion for the State Program. Portions of this amount are allocated to the OWPO as administrative funding (3.0% and the Office of the Inspector General for oversight purposes (0.5%), leaving $4.1 billion in direct funding for the State Program. As of September 30, 2025, the OWPO awarded more than $1.5 billion through the State Program, supporting eligible activities across 26 states (see Table 2). These achievements were attainable with the strong support of the Trump Administration and continued state-federal collaboration. Funding from the State Program is delivered through three distinct grant types that each play a complementary role in advancing the OWPO's goals:

- **Initial Grants** provided early support to help states rapidly scale up their orphaned well programs. Large-scale grants of $25 million and small-scale grants of up to $5 million enabled hiring, contractor mobilization, and the launch of new plugging operations. These grants served as the foundation for states to participate in future Formula and Matching Grant opportunities. 26 states received Initial Grants totaling $570 million.

- **Formula Grants** offer scalable, multi-phase funding to 26 eligible states based on their orphaned wells inventory and demonstrated need. With over $520 million awarded in Phase 1, the program expanded in FY 2025 with Phase 2, which made up to $826 million available to eligible states. The OWPO will make the remaining Formula Grant funding available in future phases. These grants help states strengthen state-led orphaned well plugging, remediation and reclamation activities.

- **Matching Grants** under the Performance Grant authority incentivize states to increase their investment in their own orphaned well programs. For state funding above each state's 2010-2019 average annual funding, states are eligible to receive up to $30 million in Matching Grants. These performance-based awards offer powerful incentives for states to maintain momentum and scale up efforts beyond baseline levels.

To streamline and expedite the grant award process, the OWPO published Revised State Grant Guidance in July 2025. Changes align with the Administration's priorities to reduce unnecessary barriers and allow states to move more quickly to plug wells and reduce environmental risks.

- **Matching Grant Awards:** In FY 2025, the OWPO awarded Matching Grants to seven states (California, Louisiana, Michigan, Mississippi, New Mexico, Texas, and West Virginia) totaling $78 million. These awards allow recipients to leverage federal funding for their enhanced investments to alleviate orphaned wells by increasing state spending on well plugging, remediation, and reclamation.

- **Formula Phase 2 Grant Awards:** In FY 2025, the OWPO awarded Formula Grants to seven states (Alaska, California, Kansas, Kentucky, New York, Oklahoma, and Texas) totaling $367 million. These awards are distributed based on a statutory formula designed to strengthen state-led orphaned well plugging, remediation and reclamation activities.

Table 2: Funding Awarded to States by Grant Type through September 30, 2025

	State Grant Program			
Recipient	Initial	Formula	Performance Matching	Total Awarded
Alabama	$5,000,000	-	-	$5,000,000
Alaska	$25,000,000	$28,336,497	-	$53,336,497
Arizona	$25,000,000	$4,871,791	-	$29,871,791
Arkansas	$5,000,000	$5,589,721	-	$10,589,721
California	$25,000,000	$88,044,069	$9,028,614	$122,072,683
Colorado	$25,000,000	$25,000,000	-	$50,000,000
Florida	$25,000,000	-	-	$25,000,000
Illinois	$25,000,000	$25,000,000	-	$50,000,000
Indiana	$25,000,000	$14,076,668	-	$39,076,668
Kansas	$25,000,000	$33,600,000	-	$58,600,000
Kentucky	$25,000,000	$60,000,000	-	$85,000,000
Louisiana	$25,000,000	$25,000,000	$23,263,107	$73,263,107
Michigan	$25,000,000	$5,873,295	$5,000,000	$35,873,295
Mississippi	$5,000,000	$6,830,345	$2,077,801	$13,908,146
Missouri	$4,806,743	$5,123,494	-	$9,930,237
Montana	$25,000,000	-	-	$25,000,000
Nebraska	$25,000,000	-	-	$25,000,000
New Mexico	$25,000,000	$25,000,000	$5,500,000	$55,500,000
New York	$25,000,000	$44,672,162	-	$69,672,162
North Dakota	$25,000,000	$25,000,000	-	$50,000,000
Ohio	$25,000,000	$57,757,052	-	$82,757,052
Oklahoma	$25,000,000	$102,613,486	-	$127,613,486
Pennsylvania	$25,000,000	$76,406,474	-	$101,406,474
Texas	$25,000,000	$199,184,393	$30,000,000	$254,184,393
West Virginia	$25,000,000	$29,233,057	$5,271,948	$59,505,005
Wyoming	$25,000,000	-	-	$25,000,000
Totals	**$569,806,743**	**$887,212,504**	**$80,141,470**	**$1,537,160,717**

To ensure program integrity and effective outcomes, the OWPO conducts oversight through site visits, desk reviews, and standardized reporting. The OWPO conducted twelve site visits, including three in FY 2025, to verify that state operations meet regulatory, legal, and programmatic standards. States are also required to submit quarterly and annual reports, which include data on wells plugged, emissions measured, acres restored, and community impacts addressed. These reports play a key role in tracking progress and guiding future funding decisions.

Looking ahead, additional phases of Formula Grants will provide sustained support and aid in unleashing American Energy Dominance, while Performance Grants will drive innovation and higher standards across states. As reclamation and restoration projects mature and more wells are permanently removed from the orphaned well inventory, the benefits of this investment in cleaner air and water, public safety, and healthier landscapes will continue to grow. The OWPO will remain focused on tracking outcomes, sharing best practices, and ensuring that every federal dollar delivers measurable results.

Section 5: Tribal Orphaned Wells Program

The IIJA allocated $150 million to the Tribal Orphaned Wells Program for well plugging, remediation, and reclamation on Tribal land. Portions of this amount are allocated to the OWPO as administrative funding (3.0%) and to the Office of the Inspector General for oversight purposes (0.5%), leaving $144.7 million in direct funding for the Tribal Program. The Tribal Orphaned Wells Program is designed to support Tribal capacity building and fund well plugging, remediation and reclamation activities through three types of funding.

$81 million awarded through September 2025 to 14 Tribes and the BIA

1) **Program Development Grants** can be used to create and administer programs for well identification, assessment, training, and capacity building.

2) **Implementation Grants** can be used to fund the plugging, remediation, and reclamation of orphaned wells and well sites.

3) **In Lieu of Grant (ILOG) Funding** are the mechanism through which Tribes may request that the Department administer and conduct plugging, remediation, and reclamation activities related to eligible orphaned wells on their behalf.

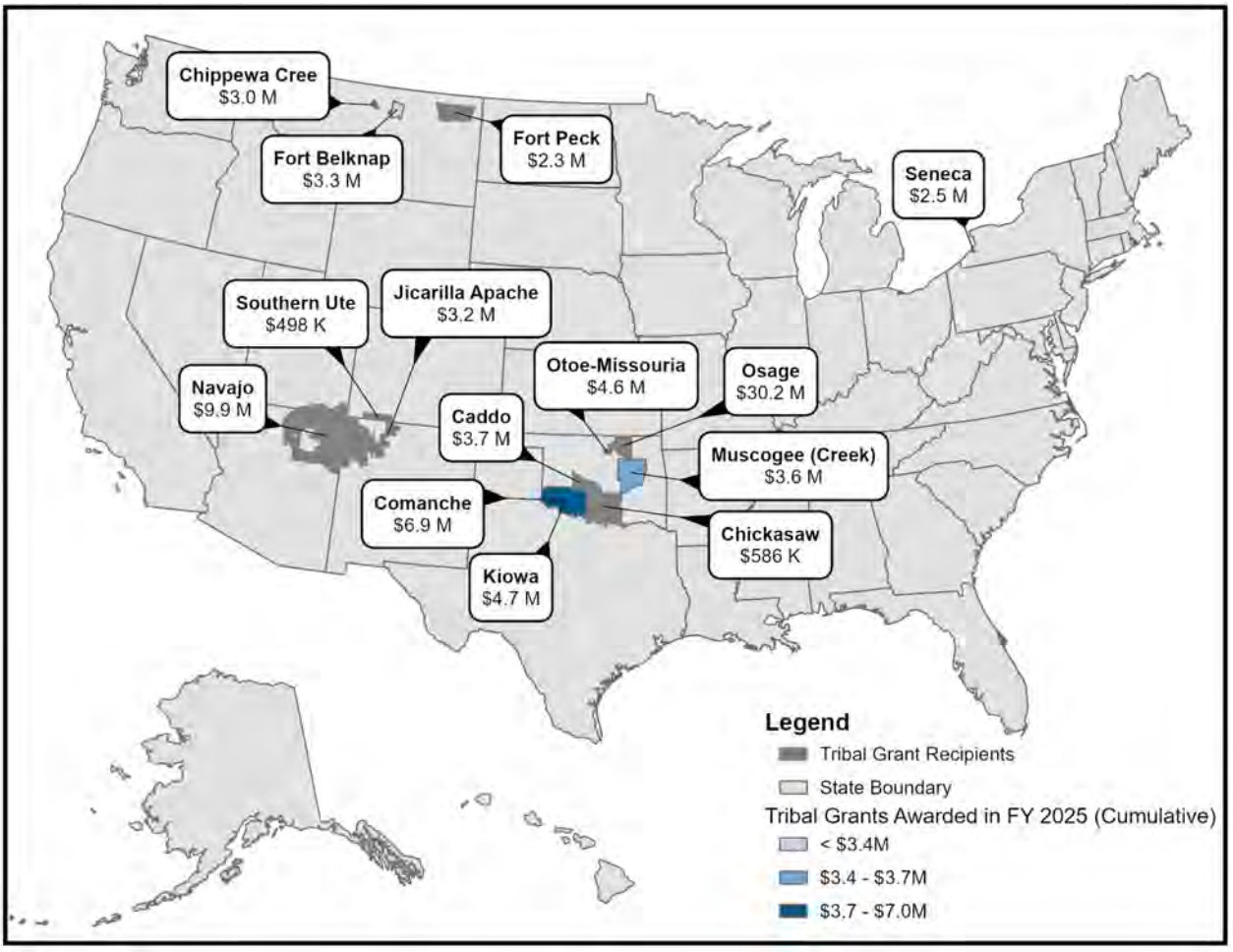
Tribal Program Funding, Activities and Monitoring

To date, the OWPO awarded $79.2 million to 14 Tribes, and transferred $2.6 million to the Bureau of Indian Affairs for ILOG funding to support well plugging and site remediation on Tribal lands. Through September 30, 2025, recipients have plugged 30 wells with Tribal Program funding (see Figure 5).

Through FY 2025, Tribes have identified over 600 wells to be plugged under Phase 1 and Phase 2 grants. Additionally, over 1,000 wells are in the process of being assessed for plugging eligibility. In support of Tribal well plugging operations, the OWPO provides technical assistance and program oversight through standardized reporting, desk reviews, and site visits. In FY 2025, the Tribal Program completed site visits on Fort Belknap Indian Community and Chippewa Cree of Rocky Boy reservation. These site visits focused on building working relationships and providing technical assistance prior to the start of plugging operations.

All remaining grant funds will be made available under a Phase 3 funding opportunity estimated to be released in the fourth quarter of FY2026. The Tribal Program will continue to assist Tribes in the grant application process and post award monitoring.

Figure 5: Map of Tribal Funding Awarded Through September 30, 2025



Section 6: IIJA Reporting Requirements

Emissions from Unplugged Orphaned Wells

The IIJA requires the Department to report on an annual basis an estimation of the quantities of methane and other gases emitted from orphaned wells and the emissions reduced from plugging, remediating, and reclaiming orphaned wells. Though the true number of orphaned wells in the United States is unknown, the IOGCC reports over 141,000 documented orphaned wells on state and private land and estimates an additional 250,000-740,000 undocumented orphaned wells nationwide.[1] The universe of documented and undocumented orphaned wells may emit nearly 63 million grams of methane per hour into the atmosphere, the equivalent of emissions from over 3.6 million gasoline-powered passenger cars driven per year.

[1] "Idle and Orphan Oil and Gas Wells: State and Provincial Regulatory Strategies-Supplemental Information on Orphan Well Plugging and Site Restoration." Interstate Oil & Gas Compact Commission. 2024.

With over 10,000 orphaned wells plugged by states and federal agencies with IIJA funds through June 30, 2025, the OWPO estimates that well plugging has prevented an estimated 5.9 billion grams of methane emissions per year. This equates to approximately 167,000 metric tons of carbon dioxide equivalent emissions per year or removing nearly 40,000 gasoline-powered passenger cars from the road for a year.

Economic Opportunities

The IIJA requires the Department to report on an annual basis on the number of jobs created and saved through plugging, remediation and reclamation of orphaned wells. In FY 2025, it is estimated that 5,217 jobs were created from the approximate $479.9 million in total funds obligated by the Program.

Habitat Restoration

The IIJA requires the Department to report on an annual basis on the acreage of habitat restored using grants awarded to plug, remediate, and reclaim orphaned wells and to remediate and reclaim adjacent land. One allowed purpose of the IIJA orphaned wells program funding is to remediate and reclaim adjacent land surrounding an orphaned well. This process restores the former well site into land available for beneficial use. Types of restoration practices include removing rusted tanks and equipment, dilapidated buildings and other infrastructure, remediating contaminated soil and reseeding and restoring native species.

Grant recipients report acres of restored land to the OWPO quarterly, in most cases. In instances in which this metric is not reported, the OWPO estimates acreage affected per well site based on the median of previously reported well restoration data. As reported through June 30 of this year, 5,259 acres have been remediated and made available for beneficial use. These reclaimed acres stretch across a variety of different land types. Former orphaned well sites are now used for farming and agriculture, providing native species habitat in national forests, parks and other public recreation areas, and supporting current and future energy development. Restoring orphaned well sites and making land available for beneficial use is creating multiple ancillary opportunities and economic benefits.

Each well site is unique and so are the benefits of reclamation for those that interact with the land. For one farmer in Nebraska, the benefits were both environmental and economical. The pictures below highlight the plugging and restoration process of the Pickering #1 well site in Scottsbluff County, Nebraska. This site was a hindrance to the landowner and prevented the optimization of land for agricultural use. The Nebraska Oil and Gas Conservation Commission used OWPO funds to plug the well and restore the site for beneficial use. It now provides increased economic value to the landowner by enlarging the farmable acreage.



Pickering #1 well and tank battery site before plugging and restoration work; note the unusable area due to orphaned infrastructure.



The same well site after the well was plugged and infrastructure removed in January 2024.



The site in June 2025 after remediation. The landowner uses the site for agriculture.

Orphaned Wells Inventories in the United States

While multiple organizations have developed their own estimates, a comprehensive national inventory of orphaned wells has not been established. The process of inventorying wells depends on how wells are categorized, such as orphaned, abandoned, idle or other classifications, which vary across jurisdictions. The absence of a standard definition for "orphaned" wells contributes to inconsistencies in reporting and complicates efforts to assess the true scope of the issue.

Since the passage of the IIJA, federal funding has enabled states to expand their identification and documentation of orphaned wells. For example, in 2020, the IOGCC surveyed its member and associate member states, identifying 92,203 documented orphaned wells.[2] By 2023, a follow-up survey reported 141,959 documented orphaned wells, a 54% increase. This growth is largely attributed to improved state-level data collection, including refined classification criteria, updated databases, and expanded field inspections. The IIJA funding has played a critical role in supporting these improvements.

The OWPO, in collaboration with the U.S. Geological Survey (USGS), developed a centralized database to compile the data collected from federal, state, and Tribal partners. This database tracks not only the number of wells plugged using IIJA funding, but also includes information on habitat restoration, water quality impacts, and well locations. In addition, the OWPO is working with the USGS to refine the national orphaned well count by updating the USGS's earlier Documented Unplugged Orphaned Oil and Gas Wells dataset.[3] The goal is to publish this updated dataset in 2026.

To prevent future orphaned wells, it is important to identify and track wells at risk of becoming orphaned. With funding from OWPO, the USGS has developed a methodology to estimate the number of wells at risk of becoming orphaned. Once published, this methodology will provide a critical foundation for proactive monitoring and mitigation efforts.

[2] https://oklahoma.gov/content/dam/ok/en/iogcc/documents/publications/Orphan%20Wells%20Revised.pdf
[3] https://www.usgs.gov/data/united-states-documented-unplugged-orphaned-oil-and-gas-well-dataset

Section 7: Looking Ahead

Orphaned Wells Program Outlook

The progress achieved to date in plugging orphaned wells and remediating and reclaiming surrounding lands, made possible through the framework established in the IIJA, has delivered significant benefits to the American people and to America's natural resources. The OWPO will continue to address legacy pollution, foster community revitalization, and support future energy development as plugging, remediation, and restoration efforts advance with the funding provided by the federal, state and Tribal programs featured in this report. Ongoing reporting and documentation of orphaned wells data will further strengthen current implementation and future program design.

In the coming years, as the OWPO distributes the remaining IIJA funding and recipients continue to plug and remediate orphaned wells and well sites nationwide, the benefits to public health, environmental quality, safety, and national energy are expected to grow substantially. Through consistent monitoring and enhanced data analysis, the OWPO will ensure the effective use of IIJA resources to restore lands and waters across the nation.

Additional program information is available and will be updated regularly on the Department's Orphaned Wells Program website, https://www.doi.gov/orphanedwells.

Public Comment Regarding Proposed Amendment to 19.2.100 NMAC, Section 23

Rob Arscott, PhD, *On behalf of IPANM*

May 27-28, 2026 at 9:00 a.m. (and continuing thereafter as necessary)

New Mexico State Land Office, Morgan Hall, Room 101

310 Old Santa Fe Trail, Santa Fe, NM 87501

Bonding | NM State Land Office

Overview

The proposed amendment, as written, will lead to a reduction in oil and gas production from state lands in New Mexico. The amendment will increase the required bond for certain lessees by a factor of 15, and higher in some cases, which will significantly increase the fixed operating costs of oil and gas production. Effects will be most pronounced among small, independent operators and those that operate lower-producing wells. Some of those wells will become uneconomic and will likely be plugged prematurely as a result. Lessees that have a high concentration of lower-producing and/or inactive wells may have no recourse but to default if they are unable to secure adequate bonding or to plug high-cost wells quickly. Those defaults would only increase the number of orphan wells in the short run.

Further, the increasing operating costs for all wells on state lands will motivate operators and/or lessees to plug wells earlier than they otherwise would, thereby permanently lowering production and its associated royalty and tax revenue for the state in the long run. Offsetting those costs is the hope that the proposed amendment may lead to fewer orphaned wells and therefore fewer state funds devoted toward plugging and reclamation costs over time. However, the net economic impact for the state is ambiguous and is likely to be revenue-neutral and perhaps negative depending on the number of lessee/operator defaults and the long-run impacts on orphaning and production.

Moreover, because the proposed amendment pertains to leases, it fails to target the actual source of orphaning, the wells themselves. This renders the proposed rule economically inefficient as it imposes the same financial assurance requirements on a lease with a single well as it would a lease with dozens of wells. Clearly those two leases would pose different risks of orphaned wells and should be subject to differing financial assurance requirements. In practice, those leases are treated differently from a financial assurance

standpoint because the OCD already imposes a bonding requirement on each well individually. Thus, the SLO's bonding requirement is not only economically inefficient (compared to a well-specific financial assurance provision) but also redundant to the OCD's financial assurance rules. Further distorting the proposed amendment's effectiveness in curbing the incidence of orphaned wells, the record title owners responsible for satisfying lease obligations are not necessarily the operators of the oil and gas wells on the lease. Therefore, the proposed financial assurance may not even target the decision-makers (operators) at the core of the moral hazard issue leading to well orphaning in the first place.

The primary benefit of the proposed amendment cannot simply be the addition of financial resources to fund state plugging and reclamation efforts. Indeed, the New Mexico Legislature has provided its solution to the state's funding concerns regarding plugging through the passage of HB80, which will provide more than enough funds to plug every orphan well for which the OCD currently has plugging authority. And, to the extent that increased bonding requirements may reduce the rate at which wells are orphaned in the future, the correct bonding amount is one determined based on factors specific to each well. The overly broad lease-level bond amounts contemplated in the proposed amendment are economically inefficient and will likely depress economic output more than is optimal given the likelihood of well orphaning and the costs of plugging and remediating those orphan wells.

This comment letter presents a discussion of the proposed amendment in three sections. Section one discusses bonding's role and why full-cost bonding is not economically efficient. The second presents an analysis of the impact of HB80 on the funds available to plug and remediate orphan wells in New Mexico. The third concludes the comment with a discussion of an economic framework for evaluating the fiscal impact of the proposed amendment. For clarity, this comment assumes that the operator and lessee are the same party unless distinguished otherwise in context.

The role of bonding and its costs

There is a tradeoff between the gain in economic growth accompanied by low bonding requirements and costs borne by the state when operators default.[1] Financial assurance requirements impose transaction

[1] Dachis, B., Shaffer, B. and Thivierge, V., 2017. All's Well That Ends Well: Addressing End-of-Life Liabilities for Oil and Gas Wells. CD Howe Institute Commentary, 492.

costs related to the underwriting of the risk associated with a particular well and operator.[2] In some cases, those transaction costs can result in total costs of financial assurance that exceed the value of anticipated plugging expense. Therefore, if set too high, bonding requirements could inefficiently exclude some operators that would otherwise operate profitably.[3] And in all cases, bonding costs add to the fixed costs of operating oil and gas wells. As those costs increase, the incentives to produce oil and gas decrease; thus, oil and gas output can be expected to shrink because of increases in bonding requirements.

Bond values are often smaller than the anticipated costs of plugging a well and site remediation. While it may make intuitive sense for bonds amounts to equal the expected costs of plugging and remediation, economic research reveals this to be undesirable. The optimal bond amount is often less than the expected costs of remediation.[4] This is due not only to the tradeoff between economic growth and costs of orphan wells to the state, but also because the forfeiture of a bond, even one in an amount equal to the expected remediation cost, is in most cases small in comparison to other costs borne by the operator should it not perform its plugging obligations.

Those costs include the loss of reputational capital, penalties resulting from non-performance, and the potential loss in future profitable operations due to regulatory enforcement. For many operators, the potential forfeiture of a bond, even one equal to the full plugging and remediation cost of a well, is likely tiny in comparison to the cost of enforcement actions such as revocation of authorizations to transport and permit denials, to say nothing of civil penalties that may be levied by regulators. An inability to operate would mean a complete loss of potential profit from future participation in the state's oil and gas industry, which would be significant for most operators. Additionally, and in line with recent practice,[5] operators could face litigation related to damages caused by improper abandonment.

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[2] I understand that the proposed rule is directed at lessees and that the lessee of a particular lease and operator of some or all the wells on that lease may not be the same entity or person. I know from my recent participation in Oil Conservation Commission proceedings that operators on state and private fee lands in New Mexico are under obligations to plug wells and reclaim lands by that agency. Where there the lessee is not the operator there are two levels of protection for State leases. I use the term "operator" herein synonymously with "lessee," but where those are different on a state lease that would suggest even lower bond amounts are appropriate.

[3] Boomhower, J., 2019. Drilling like there's no tomorrow: Bankruptcy, insurance, and environmental risk. American Economic Review, 109(2), pp.391-426.

[4] Gerard, D., 2000. The law and economics of reclamation bonds. *Resources policy*, *26*(4), pp.189-197.

[5] *See* Commissioner of Public Lands Fiscal Year 2025 Annual Report, pp. 43, 45, available at https://www.nmstatelands.org/wp-content/uploads/2026/05/2025-Annual-Report-FINAL-VERSION.pdf (last accessed May 26, 2026) (commenting on 40 lawsuits filed by the State Land Office and that "[t]he agency has not lost a compliance case yet.").

The proposed amendment would provide the commissioner with the authority to impose a bonding requirement on leases of up to "one-hundred percent of the estimated plugging, remediation, and reclamation costs," implying full-cost bonding may be imposed in at least some circumstances. However, the economic justification for a bonding requirement is to address moral hazard concerns affecting the abandonment of wells. And in addressing those concerns, full-cost bonding is known to be economically inefficient.[6] To put that another way, a full-cost bond is analogous to requiring renters to deposit $50,000 instead of one month's rent; the renter could certainly cause $50,000 worth of damage to the apartment, but the inclination of bad tenants to behave poorly is sufficiently addressed by requiring them to pay a deposit that is significantly less than the potential harm. Analogously, the state's bonding requirement should be high enough to motivate bad operators to behave like good operators, but not so high that it reduces oil and gas production needlessly.

For many small operators, particularly those operating lower-producing wells, the only realistic financial assurance instrument is a cash bond (essentially a cash deposit), for which the transaction costs can be high. In addition to the liquidity requirement of immediately depositing the full bond amount in cash up front, the ongoing service of that cash bond is equal to the operator's cost of capital, which can be 10 percent or more per year. That burden is lessened to some degree in state-issued renewable leases, for which there is a phased approach to decommissioning costs throughout the life of the project. Although, even in those cases, final phase bonding requirements are determined based on 100 percent of expected decommissioning costs.[7] In addition, the operator must still pay the cash expenses associated with actual plugging and remediation activities, effectively doubling the liquidity demands of responsible plugging and abandonment. Low bonding requirements minimize those transaction costs and their associated distortions on the continued production of oil and gas.

Ideally, bond amounts would be tailored to the probability that an operator would default and the costs to the state given that default. Analogously, the deposit required on your two-bedroom apartment should not be determined by the value of the penthouse atop your building, nor the city-wide average of all apartments. By many accounts, the costs of site reclamation and remediation vary widely from well to well. The OCD estimates those costs "can cover a large range from $50,000 to restore the surface around a

[6] Gerard, D., 2000. The law and economics of reclamation bonds. *Resources policy*, *26*(4), pp.189-197.
[7] *See*, for example, Section 5.5.1 of the Bid Packet Outline for Long-term Solar Energy Lease Number ES-0168. https://www.nmstatelands.org/wp-content/uploads/2024/06/ES-0168-Final-Bid-Packet.pdf., Accessed 26-May-2026.

plugged well, to several million dollars for the cleanup of large tank batteries with extensive contamination."[8] Mirroring those estimates, the OCD has also reported costs of assessment, remediation, and reclamation of a "typical well pad with minor issues" to average $35,000 per site, while others could reach into the millions if major remediation is required.[9] Estimates published by Vertex in 2021 relied on various factors in determining the expected costs associated with surface decommissioning. Commercial lease sites on state lands, for example, include dozens of separate cost estimates tailored to the circumstances of individual leases, such as the presence of storage tanks, well pads, truck stops, storage sites, processing/dehydration facilities, frac ponds, etc.[10] The myriad combinations of those factors results in a wide range of cost estimates for surface decommissioning of commercial lease sites on state lands. Cost estimates of well pad surface facility decommissioning costs also vary according to the type of well and whether oil is stored on the lease.[11] As of 2021, Vertex estimates ranged from $5,500 for flowing gas wells to $27,523 for flowing oil wells, and averaged nearly $17,500 across all well pads.[12] Economy-wide price inflation over the last five years would put those same estimates in the range of $6,754 to $33,797, averaging about $21,500.[13] Clearly, there is significant variation in the expected costs of site reclamation and remediation, which, in turn, implies there should be significant variation in the bonding requirements in connection with those costs. The proposed amendment fails to accommodate that variation and further burdens leases with bonding requirements equal to or exceeding the full expected costs of reclamation and remediation in many cases. For a lease with one well, for example, the bonding requirement of $100,000 to $150,000, as outlined in the proposed amendment, would exceed the average well pad surface decommissioning cost average quoted above by a factor of between four to seven times.

Lower bond amounts per lease resulting from bulk bonding requirements, such as those detailed in proposed 19.2.100.23.C, are somewhat tailored to operator-specific risks of orphaning; however, even the $100,000 bond per lease for lessees holding 50 or more leases would represent a tenfold increase over the

[8] EMNRD Annual Report for FY 2024, p. 58.
[9] *See* EMNRD OCD Orphan Well Plugging & Site Remediation Update & Overview of Financial Assurance Requirements, December 1, 2023, p. 3. https://assets.nationbuilder.com/nmoga/pages/2294/attachments/original/1770510192/RHMC_120123_Item_2_EMNRD_OCD_-_Orphan_Well___Financial_Assurance.pdf?1770510192=. Accessed 26-May-2026.
[10] New Mexico Oil and Gas Liability Assessment, Vertex, March 2021, pp. 23-26.
[11] New Mexico Oil and Gas Liability Assessment, Vertex, March 2021, pp. 16-17.
[12] New Mexico Oil and Gas Liability Assessment, Vertex, March 2021, p. 17.
[13] According to CPI US City Average published by the BLS. https://www.bls.gov/regions/mid-atlantic/data/consumerpriceindexhistorical_us_table.htm, Accessed 26-May-2026. The index values in March 2021 and January 2026 were 264.877 and 325.252, implying cost growth of 22.794 percent.

SLO's current bonding requirement of $10,000. Further, certain leases subject to "heightened financial assurance requirements" (hereon referred to as "heightened FA" leases or wells) would be prohibited from inclusion in such bulk bonds, isolating those leases from cross subsidization that might otherwise reduce the risk of orphan wells.[14]

The proposed amendment's provision regarding heightened FA wells is particularly problematic. By imposing higher bonding costs on otherwise low-risk oil and gas wells located on the same lease as an inactive well or a well producing less than 250 BOE per year, the proposed policy would impose an economically unjustified expense on those highly productive wells. At the same time, the additional costs imposed on higher producing wells would be internalized in the economics of the at-issue heightened FA wells (including those producing above the 250 BOE threshold because of the expectation that they may soon decline into heightened FA status), which will make those wells unprofitable to operate. This will not only lead to wells being prematurely plugged but will also place significant pressure on financially distressed lessees and those with high proportions of heightened FA wells on their balance sheet. It should be expected that in some cases, lessees with limited financial resources or those that cannot secure plugging services quickly enough will become insolvent and subsequently abandon their plugging responsibilities, resulting in additional orphaned wells being plugged at the public's expense.

HB80 provides sufficient industry-derived financial resources to plug and remediate orphan wells in New Mexico

The Oil and Gas Reclamation Fund (the "Fund") is available to the state to plug and remediate orphaned wells. That Fund is supported not only by the redemption of reclamation bonds but also by a conservation tax of levied on hydrocarbons severed and sold in the state. Therefore, there are additional funds, besides those resulting from bond redemptions, raised from private industry to pay for the reclamation of orphaned wells

HB80 will change the proportion of conservation tax revenue, raised from industry on the production of oil and gas in the state, that is allocated to the Fund. Prior to HB80, less than 20 percent of conservation tax revenue was allocated to the Fund. Specifically, 10.5 percent of conservation tax revenue was allocated to

[14] For example, a lessee trying to raise funds for plugging by selling highly productive wells will receive a lower value in those sales if they are on a heightened FA lease and therefore burdened by excessive financial assurance costs. This will place further strain on financially distressed operators trying to raise funds to plug lower producing and inactive wells.

the Fund when oil prices (West Texas Intermediate, or "WTI") were below $70 per barrel and 19.5 percent when oil prices were above $70 per barrel. HB80 replaces that allocation with the following:[15]

Period	Percentage Allocated to the Fund
July 1, 2027 through June 30, 2028	50 percent
July 1, 2028 through June 30, 2029	75 percent
July 1, 2029 through June 30, 2037	100 percent
July 1, 2037 and thereafter	50 percent

As a result, this new allocation of conservation tax revenue will significantly increase the funds available to the state for plugging and remediation activities. Using conservation tax projections from the LFC's December 2025 General Fund Consensus Revenue Estimates, the amount allocated to the Fund over the next five years is expected to be approximately $261 million.[16] As depicted in the following table, conservation tax revenue allocated to the Fund is expected to increase significantly beyond 2028, reaching over $100 million per year by 2030.

Expected Allocation to the Fund (in millions) Over the Next Five Years

	Conservation Tax Receipts	Allocation to Reclamation Fund (%)	HB80 Allocation to Reclamation Fund ($)
FY 2026	$90.7	10.5%	$9.5
FY 2027	$98.0	10.5%	$10.3
FY 2028	$105.4	50.0%	$52.7
FY 2029	$106.1	75.0%	$79.6
FY 2030	$108.7	100.0%	$108.7
Total			**$260.8**

The Consensus Revenue Estimating Group ("CREG") based these estimates, in part, on futures prices for oil (WTI) and gas (Henry Hub) as of December 3, 2025.[17] Oil prices have increased significantly since those estimates were made. The following table presents the futures prices as of December 3, 2025 and May 18, 2026 for oil deliveries between June 2026 and December 2030.

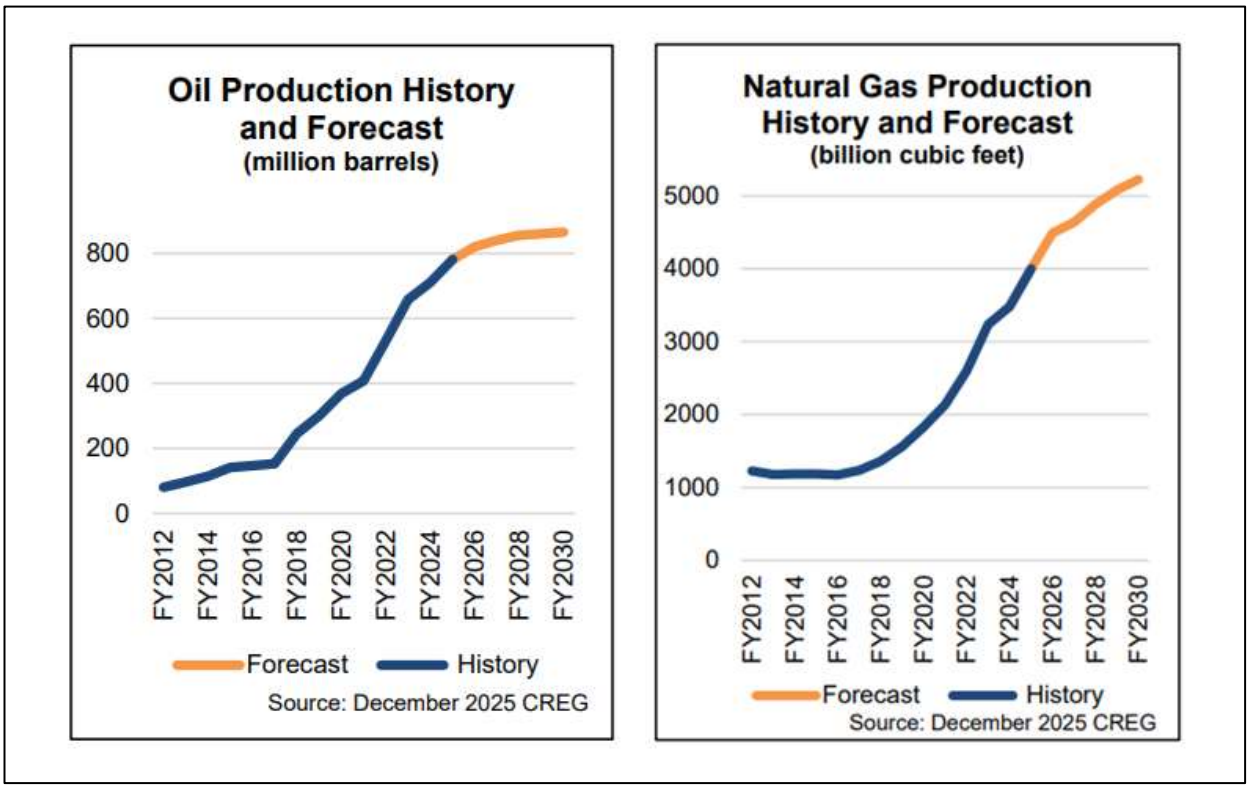
[15] HB80, available at: https://www.nmlegis.gov/Sessions/26%20Regular/final/HB0080.pdf
[16] General Fund Consensus Revenue Estimate, December 2025, pp. 20-21. Available at: https://www.nmlegis.gov/Entity/LFC/Documents/Revenue_Reports/General_Fund_Revenue_Forecast/2025/Dec%2025%20Consensus%20Revenue%20Brief%20Compiled.pdf
[17] General Fund Consensus Revenue Estimate, December 2025, p. 27.

NYMEX Oil Futures Prices

Delivery Month	Prices on 18-May-2026	Prices on 3-Dec-2025	Percentage Increase
Jun-26	$108.66	$58.34	86%
Dec-26	$85.32	$58.18	47%
Jun-27	$77.71	$58.47	33%
Dec-27	$74.62	$59.01	26%
Jun-28	$72.65	$59.60	22%
Dec-28	$71.24	$60.21	18%
Jun-29	$69.92	$60.71	15%
Dec-29	$68.66	$61.16	12%
Jun-30	$67.43	$61.51	10%
Dec-30	$66.33	$61.84	7%

Deliveries nearer the present have experienced the largest increases, with prices for delivery in June 2026 and December 2026 increasing 86 percent and 47 percent, respectively. Deliveries in 2028 and beyond (when the incremental effects of HB 80 begin) are also significantly higher than December 2025 estimates. All else equal, the increases in commodity prices imply concomitant increases in expected tax revenue, making LFC's December 2025 General Fund Consensus Revenue Estimates conservative considering today's prices. In addition to the increase in conservation tax collected because of these price increases, prices are now projected to remain above $70 per barrel for the remainder of 2026-2028, thereby doubling the expected proportion (from 10.5 percent to 20 percent) of conservation tax allocated to the Fund prior to the HB80 transition in July 2027.

Projecting HB80's effect on the Fund beyond 2030 requires assumptions regarding the long-term production of oil and gas and commodity prices. Projections of future production prepared by CREG in December 2025 are depicted below.



According to those projections, volumes of natural gas are expected to continue their upward trend through 2030, while the volume of oil production is expected to also increase, but at a slower rate, with volumes projected to flatten out around 2030. In the absence of any downward trend projected in the future volumes of oil and gas produced in the state, a reasonable forecast of the volumes produced in the near-term beyond 2030 would simply be to hold CREG's 2030 projections flat.

If one were to hold the LFC's revenue estimates flat beyond 2030, the amount of revenue allocated to the Fund would total approximately $1 billion by the end of fiscal year 2037. The following table presents the funds allocated in each of those years.

Expected Allocation to the Fund (in millions) Through 2037

	Conservation Tax Receipts	Allocation to Reclamation Fund (%)	HB80 Allocation to Reclamation Fund ($)
FY 2026	$90.7	10.5%	$9.5
FY 2027	$98.0	10.5%	$10.3
FY 2028	$105.4	50.0%	$52.7
FY 2029	$106.1	75.0%	$79.6
FY 2030	$108.7	100.0%	$108.7
FY 2031	$108.7	100.0%	$108.7
FY 2032	$108.7	100.0%	$108.7
FY 2033	$108.7	100.0%	$108.7
FY 2034	$108.7	100.0%	$108.7
FY 2035	$108.7	100.0%	$108.7
FY 2036	$108.7	100.0%	$108.7
FY 2037	$108.7	100.0%	$108.7
Total			$1,021.7

These projected amounts would add to the current balance of the Fund, which is reported to be approximately $66.7 million as of April 2025.[18] Assuming the Fund's current overhead and testing expenses to be $1.3 million per year, which is in line with the most recent Fund annual report (FY 2024)[19], the current balance available funds for plugging and remediation activity is $65.4 million. That balance together with additional tax revenue allocated to the Fund because of HB80 will be sufficient to plug a substantial number of wells.

The OCD reported its average plugging cost to have been $164,000 per well in 2024.[20] The OCD further reported remediation and reclamation costs to have been $50,000 for relatively clean sites as of that same year.[21] I note that there are very few data available to estimate the OCD's typical costs of reclamation and remediation (Fund annual reports between 2020 and 2023 do not report such expenses while the Fund annual report for FY 2024 lists remediation cost data for only eight sites[22]) and that some reclamation costs reportedly reach into the millions of dollars. Given these costs are highly skewed, I have adopted the LFC's assumption of $83,000 per well for reclamation costs.[23] Together these estimates imply OCD's costs of

[18] I was unable to find more recent estimates of the Fund's current balance. OCD records can no doubt confirm whether the current balance is higher or lower than this nearly year-old figure.
[19] IPANM Exhibit 43 filed in Case No. 24683. The Fund's "Other Expenses" were $922,105.16 and Pre- and Post-plug Methane Testing" expenses were $362,000.
[20] EMNRD Annual Report for FY 2024, p. 58.
[21] EMNRD Annual Report for FY 2024, p. 58.
[22] IPANM Exhibits 10, 11, 12, 13, and 43 in Case No. 24683.
[23] New Mexico Legislative Finance Committee, 2025, Policy Spotlight: Orphaned Wells, *LFC Program Evaluations.* p. 15.

plugging and remediation to average $247,000 per well. Although, this estimate likely exceeds the typical cost associated with every well the OCD is expected to plug due to the selection bias in the cost of wells the OCD has prioritized for plugging over the past few years. For example, wells with active leaks are given the highest priority in the state's plugging program and likely have more substantial costs necessitated by the specific problems leading to their prioritization. Indeed, the average cost of orphan wells plugged by OCD was just $30,000 in FY 2019.[24]

Assuming a per well cost of $247,000 and other Fund fixed costs of $1.3 million, the Fund's last reported balance of $66.7 million would be sufficient to plug and remediate 265 wells. Incorporating the projected conservation tax revenue allocated to the Fund through 2037, the Fund should supply sufficient financial resources to plug and remediate a further 3,492 wells, for a total of 3,756 wells over the next 12 years. Annual estimates are provided in the following table.

Estimated capacity to plug and remediate wells given Fund resources

	Reclamation Fund Resources ($mil)	Assumed Other Fund Expenses ($mil)	Assumed Plugging & Remediation Cost per Well ($)	Capacity Given Financial Resources (Wells)
Current Balance	$66.70	$1.30	$247,000	265
FY 2026	$9.52	$1.33	$251,940	33
FY 2027	$10.29	$1.35	$256,979	35
FY 2028	$52.70	$1.38	$262,118	196
FY 2029	$79.58	$1.41	$267,361	292
FY 2030	$108.70	$1.44	$272,708	393
FY 2031	$108.70	$1.46	$278,162	386
FY 2032	$108.70	$1.49	$283,725	378
FY 2033	$108.70	$1.52	$289,400	370
FY 2034	$108.70	$1.55	$295,188	363
FY 2035	$108.70	$1.58	$301,092	356
FY 2036	$108.70	$1.62	$307,113	349
FY 2037	$108.70	$1.65	$313,256	342
Total	$1,088.39			3,756

Note: assumes annual cost inflation of 2%

As illustrated above, the financial resources expected to be available through the Fund, adjusted for the effects of HB80, are sufficient to plug twice the number of wells (1,700) the OCD estimates to be orphaned

[24] LFC 2025

on state-owner and private lands.[25] Indeed, by the LFC's own estimates, "[p]lugging and reclaiming the well sites and associated infrastructure OCD currently has responsibility for will likely cost between $200 million and $400 million," less than half the financial resources currently estimated to be available from the Fund over the next 12 years.

These assumptions are conservative. Assumed plugging costs are arguably too high and are further inflated by 2 percent per year. And despite having inflated those cost assumptions, tax revenue is held flat beyond 2030. A reasonable alternative would be to assume inflated revenues as well as costs to reflect the overall increase in the economy-wide price level over time. Moreover, those tax revenue assumptions fail to account for recent increases in oil prices, which increase those revenue estimates even further. These estimates also assume *zero funds arising from the forfeiture of reclamation bonds*, which would further add to the Fund's resources.

As a result of HB80, the proposed amendment cannot be justified by a need for additional funds. Industry-derived conservation tax revenue allocated to the Fund is expected to provide adequate financial resources to plug far more wells than the OCD currently estimates to be orphaned.

Framework for evaluating the fiscal impact of the proposed amendment

While the proposed amendment will be unlikely to affect oil and gas production from new, high producing wells in the short term, all wells eventually decline over time to marginal status, at which point the incentives to prematurely plug wells in response to higher bonding costs will lead to plugging earlier than would otherwise be prudent under the status quo. As a result, the proposed amendment will likely shorten the operational lives of all current and future wells, thereby reducing the lifetime quantities of oil and gas extracted per well. Aside from the costs of such increases in terms of job loss and general economic output from communities dependent on the oil and gas industry, the costs to the state in connection with this anticipated reduction in oil and gas production are likely to take the form of lost tax and royalty revenue.

[25] EMNRD Annual Report for FY 2024, p. 58.

By recent estimates, there are approximately 6,400 state oil and gas leases in New Mexico.[26] OCD data indicate approximately 11,500 oil and gas wells on those leases (excluding non-producers such as injection and saltwater disposal wells).[27] Of those, approximately 2,600 produced 250 BOE or less during the most recent reporting year.[28] Those wells will almost certainly become uneconomic under the proposed amendment because the significant increase in bonding expense will likely surpass the economic benefit from continued operation. We should therefore expect operators to plug those wells immediately if the proposed amendment is adopted. Operators and lessees that lack the financial resources to immediately plug those wells, or who are unable to obtain plugging services given their high demand and limited availability, may become insolvent and default on their obligations as a result. In those cases, the state is likely to incur the costs of plugging and reclamation.

The fiscal impact for the state following the implementation of the amendment, as written, is likely to be net of four primary effects. The first, and primary benefit to the state, is an anticipated reduction in orphaned wells in the long run. The second is the direct benefit of increased funds available to the state from bond forfeitures, which would offset the remaining costs of orphaned wells that persist despite the proposed amendment (although, given HB80, funding should not be a constraint on the state's ability to plug and remediate those orphaned wells). Third, shorter economic lives of oil and gas wells resulting from the increase in financial assurance costs for all wells on state lands will decrease the amount of future royalty and tax revenue for the state. Lastly, the sharp increase in bonding costs will likely cause some operators to default, resulting in an immediate increase in the number of orphaned wells that the state will plug at the public's expense. To assist the SLO in evaluating the net fiscal impact of the proposed amendment, the following provides a framework for analyzing these four effects in more detail.

(a) Benefit of avoided plugging costs from fewer orphaned wells

The OCD plugged an average of 51 wells per year between FY 2002 and FY 2024.[29] That implies a rate of about 51 orphaned wells per year. Although, that number underestimates the rate of orphaning because

[26] Greg Bloom, 2022, NM State Land Office Oil & Gas Leasing: From the Lease Sale to the Royalty Check, SLO Presentation, https://www.nmlegis.gov/handouts/EDPC%20091422%20Item%203%20State%20Land%20Office%20Oil%20and%20Gas%20Leasing.pdf, pdf p. 21.
[27] OCD Exhibit 16 in Case No. 24683 was merged with mineral owner data available at https://www.emnrd.nm.gov/ocd/ocd-data/statistics to determine a list of wells by operator on state and private lands. Wells were merged based on operator name. Matching operator names were found for 484 out of operators 510 operators. Wells associated with the 26 operators without matching mineral owner data were ignored in this analysis.
[28] OCD Exhibit 16 and https://www.emnrd.nm.gov/ocd/ocd-data/statistics/
[29] New Mexico Legislative Finance Committee, 2025, Policy Spotlight: Orphaned Wells, *LFC Program Evaluations.* p. 9.

the OCD also has a backlog of 700 wells for which it has plugging authority.[30] The OCD also estimates the total number of orphaned wells on state and private lands to be as high as 1,700. Accounting for those additional orphaned wells, assume the rate of orphaning is double the OCD's plugging rate, an average of about 100 orphaned wells each year. OCD records indicate 19,363 wells on state and private lands (again, excluding non-producers).[31] The 11,500 state wells represent approximately 60 percent of those. Accordingly, the rate of orphaning from state lands is estimated to be 60 wells per year, on average.

If the proposed amendment is effective at deterring orphaned wells in the future, that rate of orphaned wells on state lands per year might be reduced by half, resulting in cost savings associated with avoiding plugging 30 wells per year. Assuming it costs the state about $250,000 to plug and remediate each orphaned well, the expected cost savings associated with those 30 wells is $7.5 million per year. Further, those savings would be expected to grow over time as plugging costs may increase with the monetary inflation rate. Assuming the Federal Reserve's target inflation rate of 2 percent[32] per year and a 10 percent[33] discount rate for the next 50 years of production, the present value of avoided plugging expenses to the state is approximately $92 million.[34] Although, the per-well plugging cost estimate is likely inflated relative to typical plugging costs due to the nature of wells prioritized for plugging by the OCD. Assuming current plugging costs average closer to $125,000 per well, for example, the benefit of costs saved from avoiding 30 additional orphaned wells per year over the next 50 years would be $46 million.[35]

(b) Benefit of increased plugging funds from bond forfeitures

In the most favorable scenario, increasing the required bond amount from $10,000 to $150,000 per lease would provide an additional $140,000 financial assurance per lease on average.[36] Dividing the 11,500 state wells by 6,400 state leases implies an average of 1.8 wells per state lease. This further implies an additional $140,000 bond forfeiture per lease equates to an average of approximately $78,000 per well.[37] If the proposed amendment were to reduce orphaned wells by half, that would still leave an average of 30 orphaned wells per year on state lands. Assuming an additional 78,000 bond forfeiture per orphaned well

[30] New Mexico Legislative Finance Committee, 2025, Policy Spotlight: Orphaned Wells, *LFC Program Evaluations.* p. 1.
[31] OCD Exhibit 16 and https://www.emnrd.nm.gov/ocd/ocd-data/statistics/
[32] https://www.federalreserve.gov/economy-at-a-glance-inflation-pce.htm
[33] 10 percent is a typical discount rate for cash flows associated with proven, developed, producing oil and gas reserves.
[34] 30 * $250,000 / (10%- 2%) * [1 – [(1 + 2%) / (1+10%)]^50]
[35] 30 * $125,000 / (10%- 2%) * [1 – [(1 + 2%) / (1+10%)]^50]
[36] This likely overestimates the anticipated incremental bond forfeiture under the proposed amendment due to bulk financial assurance provisions and the commissioner's discretion in determining individual bonding amounts for heightened FA leases.
[37] $140,000 / 1.8 = $77,778

growing year-after-year at an inflation rate of 2 percent, the total present value of those forfeitures over the next 50 years is about $29 million.[38]

(c) Cost of lost royalty and tax revenue

Shortening the economic lives of oil and gas wells located on state land will lead to fewer BOE extracted, and therefore reduced royalty and tax revenue for the state. Stripper wells, those producing at most 10 BOE per day, will be most at-risk of premature plugging in response to the anticipated increase in bonding costs. OCD records indicate wells classified as "oil" or "gas" on state lands that produced 3,650 or fewer BOE during the most recent production year collectively produced roughly 7.1 million BOE.[39]

A detailed economic analysis of operator profit margins, bonding expenses, total fixed costs, and market dynamics would be necessary to fully analyze the proposed amendment's impact on lost production related to premature plugging. However, a relatively straight-forward approximation of lost production from premature plugging assumes that 7.1 million BOE from stripper wells is a steady state, meaning some wells migrate into the classification as they age while others are removed due to plugging, leaving the overall BOE from the group fixed year after year. If just 5 percent of that production is prematurely plugged, the state stands to lose royalty and tax revenue associated with 355,000 BOE per year, just 0.3 percent of the annual production from state lands.[40] Assuming an average of $60 per BOE and an average royalty revenue interest of 15 percent, that lost production corresponds to a loss of about $3.2 million per year. At an inflation rate of 2 percent per year and a further 50 years of production, the current value of lost royalty revenue on those 355,000 BOE equals slightly more than $39 million.[41] At an average tax rate of 7 percent, the present value of lost tax revenue on that anticipated production would be about $15.5 million.[42] Together, the expected loss in royalty and tax revenue from premature plugging on state land would therefore have a present value of approximately $55 million.

(d) Cost of operator default

[38] 30 * $78,000 / (10%- 2%) * [1 – [(1 + 2%) / (1+10%)]^50]. Here the annual inflation rate is a simplifying assumption. The proposed amendment would tie bond amounts to CPI inflation every five years, which is conceptually similar and would yield a similar, if slightly lower, present value.
[39] OCD Exhibit 16 and https://www.emnrd.nm.gov/ocd/ocd-data/statistics/
[40] Estimates of lost production depend, in part, on operator profit margins and the future price of oil. Lost production could be higher under other reasonable assumptions. According to OCD records (@Exhibit 16), oil and gas wells on state lands recently produced a total 129.5 million BOE annually.
[41] 355,000 * $60 * 15% / (10%- 2%) * [1 – [(1 + 2%) / (1+10%)]^50].
[42] 355,000 * $60 * 7% * (1 – 15%) / (10%- 2%) * [1 – [(1 + 2%) / (1+10%)]^50].

OCD records indicate there are currently 98 operators on state lands for which at least 50 percent of their wells produce less than 250 BOE per year.[43] The proposed amendment would significantly increase the operating costs for these operators (assuming lessees are synonymous with operators in those cases) because of their high proportion of heightened FA wells. The likelihood that those operators would default due to the 15x increase in their financial assurance costs is extremely high. In total, those operators operate roughly 2,200 wells on state and private lands in New Mexico. In the event of default, the state would likely obtain the responsibility to operate, sell, or plug those 2,200 wells. Of that total, a little over 1,600 produce less than 250 BOE per year.[44] Those wells would effectively be unmarketable given their low rates of production in combination with the increased financial assurance costs under the proposed amendment. The remaining 600 wells may be low producing as well, decreasing the likelihood that the state could simply reallocate those wells among other producers; few, if any, operators would be willing to buy them especially if those wells may shortly be subject to heightened FA requirements as well.

A detailed analysis of default probabilities and costs given default would provide a more refined estimate of the expected costs associated with operator defaults in response to the proposed amendment; but the following provides a guide to approximating what those costs might be. Assuming those 98 operators default in response to the rule, a "best case" scenario would also assume all 600 orphan wells producing above 250 BOE per year could be redistributed to other operators, leaving only 1,600 wells for the state to plug. We might further assume the state could market and sell those 600 wells for an amount sufficient to cover the administrative and other transaction costs it would no doubt incur.[45] The remaining 1,600 wells would be plugged by the OCD at the state's expense. Even if one were to assume that half of those wells are orphans in all but name, implying the state would end up plugging those wells regardless of the proposed amendment, that would still leave 800 wells orphaned in response to the 15x increase in financial assurance costs proposed in the amendment.

Assuming the OCD could plug and remediate those 800 wells over a five-year period at an average cost of $250,000 per well, and annual cost inflation of 2 percent per year, the total present value cost would be

[43] OCD Exhibit 16 and https://www.emnrd.nm.gov/ocd/ocd-data/statistics/
[44] OCD Exhibit 16 and https://www.emnrd.nm.gov/ocd/ocd-data/statistics/
[45] Practically speaking, such costs could amount to millions of dollars in direct sales costs and indirect costs from consumption of OCD resources and oversight.

$157 million.[46] Assuming average bond recovery of $6,130[47] per well, those costs would be offset by about $5 million in bond forfeiture, leaving a net present cost of $152 million.[48] More conservatively, even if the number of additional orphan wells is further cut in half, the net present cost of plugging and remediating 400 wells would be $76 million.[49]

(e) Net cost-benefit of proposed amendment

Combining these four categories of costs and benefits, the net fiscal impact is expected to be revenue negative (-$10 million) under the assumptions described above.

	Present Value
(a) Benefit of avoided plugging costs from fewer orphaned wells	$92 million
(b) Benefit of increased plugging funds from bond forfeitures	$29 million
(c) Cost of lost royalty and tax revenue	-$55 million
(d) Cost of operator default	-$76 million
Net Present Value	**-$10 million**

The analysis can be adjusted to examine various scenarios under different assumptions. Unsurprisingly, the net present value depends, crucially, on the long-run reduction in orphaned wells and lost production each year as well as the short-term cost of additional orphaned wells resulting from the policy change. The following table presents two additional scenarios, which illustrate the sensitivity of the anticipated proposed amendment's fiscal impact to changes in those three assumptions. In a "more favorable" case, the policy is assumed to be successful in reducing the incidence of orphaned wells by 40 per year with a long-run reduction of only 255,000 BOE per year due to shorter economic well lives while creating only 200 additional orphan wells through operator defaults. A "less favorable" case assumes the policy is less effective, reducing long-run orphaning by only 20 per year, which comes at the cost of an additional 600 orphan wells through defaults and reduced long run production of 455,000 per year.

Scenario	Reduction in orphan wells per year	Lost production per year (BOE)	Additional orphan wells from operator defaults	Net fiscal impact
Less favorable	20	455,000	600	-$85 million

[46] 800 * $250,000 / (10%- 2%) * [1 – [(1 + 2%) / (1+10%)]^50]
[47] An Analysis of the Adequacy of Financial Assurance Requirements for Oil and Gas Infrastructure Located on State Trust and Private Lands in New Mexico, The Center for Applied Research, Inc., 2001, p. 22.
[48] $168 million – 800 * 6,130.
[49] 400 * $250,000 / (10%- 2%) * [1 – [(1 + 2%) / (1+10%)]^50] – 400 * 6,130.

Base case	30	355,000	400	-$10 million
More favorable	40	255,000	200	$64 million

Under these alternative assumptions, the fiscal impact of the proposed amendment ranges from -$85 million to +$64 million. Although, it must be stated again that the benefit to the state resulting from additional bond forfeitures has been rendered unnecessary by the passage of HB80. Removing the value from the analysis would shift the expected fiscal impact in all scenarios downward by a significant amount (-$29 million in the base case).

This framework is not a complete analysis of the anticipated economic impact of the proposed amendment. It does not account for lost jobs resulting from operator defaults or the economic impact on communities that disproportionately depend on the oil and gas industry. Nor does the analysis account for the option value of inactive wells, which could be substantial. Nevertheless, the framework can serve as a useful preliminary guide for policy evaluation.

Concluding remarks

The proposed amendment will reduce production of oil and gas from state lands in New Mexico. Royalty and tax revenue for the state will be reduced as a result. The proposed amendment will also place significant strain on financially distressed lessees and operators, which will likely lead some to default. Thus, the proposed amendment may also lead to additional orphaned wells in the short run, which would be plugged and remediated at the state's expense. The increased funds from bond forfeitures expected under the amendment are unnecessary considering HB80. And anticipated benefits associated with decreased well orphaning moving forward have a high likelihood of being overshadowed by the costs related to reduced royalty and tax revenue and plugging costs related to policy-induced well orphaning. In short, the proposed amendment seeks to solve a funding problem that does not currently exist at potentially high cost to the state while also harming small, financially sensitive operators and lessees.

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