



IN REPLY REFER TO

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
New Mexico State Office
P.O. Box 27115
Santa Fe, New Mexico 87502-0115
www.blm.gov/nm



NM135423X
3180 (P0220)

Reference:
Application and Request for Designation
Wolverine Federal Exploratory Unit

January 19, 2016

Yates Petroleum Corporation
104 South Fourth St.
Artesia, NM 88210-2118

Gentlemen:

Your revised application and Unit Agreement of November 12, 2015, and January 12, 2016 filed with the Bureau of Land Management (BLM) Carlsbad Field Office, requests the designation of the Wolverine Federal Exploratory Unit area, embracing 2,231.04 acres, more or less, in Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to public interest requirements and unit plan regulations 43 CFR 3180, the land requested as outlined on your plat marked Exhibit "A" and Exhibit "B", the Wolverine Federal Exploratory Unit area, Lea County, New Mexico, is hereby designated as a logical unit area and has been assigned agreement number NM135423X. This designation is for all oil and gas formations from the surface to the base of the Bone Spring formation and valid for a period of one year from the date of this letter.

The unit agreement to be submitted for the area designated shall provide for a horizontal well located in the E/2W/2 of sec. 18 T. 23 S., R. 35 E., Lea County, New Mexico to adequately test the 3rd Bone Spring formation, or to an approximate total vertical depth of 11,470 feet.

The Wolverine Federal #1 well will be the first designated obligation horizontal well to test the 3rd Bone Spring sandstone for the unit. As stated in paragraph 3 in the unit agreement unitized land and unitized substances are as follows:

**BEFORE THE OIL CONVERSATION
DIVISION**
Santa Fe, New Mexico
Exhibit No. 2
Submitted by: **YATES PETROLEUM**
Hearing Date: January 20, 2016

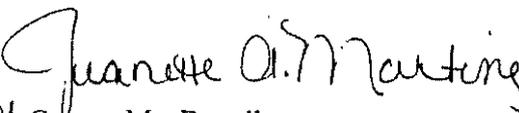
"All land now or hereafter committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement". All oil and gas from the surface to the stratigraphic equivalent of the base of the Bone Spring formation as identified on the Neutron-Density log at 11,548 feet, in the San Simon AWO State Com No. 1 well drilled at 660' FSL & 1,980' FEL Section 18, Township 23 South, Range 35 East, N.M.P.M. are unitized under the terms of this agreement and herein are called "unitized substances"."

Your proposed use of Model onshore unit agreement for unproven areas in 43 CFR 3186.1 will be accepted. If conditions are such that modification of said model form is deemed necessary, three copies of the proposed modifications with appropriate justification must be submitted to this office for preliminary approval.

In the absence of any type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, *notice is hereby given that the right is reserved to deny approval of any executed agreement submitted that, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.*

Please include the latest status of all acreage when the executed agreement is submitted for final approval. In preparing Exhibits "A" and "B", the format of the sample exhibits of the model form shall be followed. A minimum of three copies of the executed agreement shall be submitted with your request for final approval.

Sincerely,


for George MacDonell
Field Manager,
Lands and Minerals

Enclosure

cc: NM9210
NMP0220