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2016 FEB - 8

R:13270  
C:14473

**Aubrey Dunn**  
COMMISSIONER

*State of New Mexico*  
**Commissioner of Public Lands**

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COMMISSIONER'S OFFICE

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February 2, 2016

Yates Petroleum Corporation  
105 South Fourth Street  
Artesia New Mexico 88210-2118

Attn: Ms. Janet Richardson

Re: Termination Notice  
Herradura Unit Agreement  
Eddy County, New Mexico

Dear Ms. Richardson:

Our records reflect that Yates Petroleum Corporation is operating the Herradura Unit area. The Herradura Unit contains 7,681.37 acres of State and Federal lands in Eddy County, New Mexico.

Our records also reflect the following:

- The Herradura Unit Agreement was approved to test the Bone Spring formation effective July 30, 2010.
- NMOCD Case No. 14473, Order No. R-13270 approved the Herradura Exploratory Unit for all formations from the surface to the base of the Bone Spring formation.
- The initial unit well, the Herradura Unit Well No. 1 (30-15-37932) NE/4NE/4 Sec. 16-24S-25E was a non-commercial Morrow gas well with a N/2 dedicated spacing unit. This well is currently being produced on a lease basis.
- The Herradura Unit Well No. 2H (30-015-37933) Lot 1, Sec. 2-24S-25E was proposed to test the Bone Spring formation. This well was never drilled.
- The Herradura Well No. 002H (30-015-41957) SE/4SE/4 Sec. 2-24S-25E was proposed to test the Bone spring formation. This well was never drilled.
- The (Herradura BQB State Well No. 1H) Herradura Well No. 3H (30-015-37849) Lot 2, Sec. 4-24S-25E was changed from a proposed horizontal Bone Spring well (W/2E/2) to a vertical Morrow gas well. The well name was subsequently changed to the Herradura Unit Well No. 3. This well was completed as a Morrow gas well on February 3, 2012 and has an E/2 320.00 acre proration unit dedicated to it. This well was determined non-commercial by our letter of September 23, 2013 and the BLM letter of March 26, 2013. This well is currently being produced on a lease basis.

Our letter of August 2, 2012 approved Yates Petroleum Corporation's request for a drilling extension to November 3, 2012 to drill the Unit Well No. 4.

- The Herradura Unit Well No. 4H, Lot 2, Section 4-24S-25E was spudded on August 3, 2012, drilled to 255' and Plugged and abandoned on April 8, 2015.

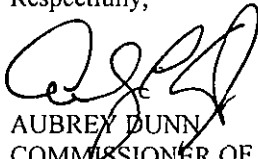
- Pursuant to Article 9 of the Herradura Unit Agreement, the initial Bone Spring well was never drilled or tested.
- There are no active participating areas in this unit.
- Your 2014 plan of development calls for no drilling and to evaluate production from the producing wells.

In view of the above, pursuant to Article 9, Drilling to Discovery, of the Herradura Unit Agreement, please be advised that the Commissioner of Public Lands has this date terminated the Herradura Unit agreement. This termination is effective April 8, 2015 being the date the Herradura Unit Well No. 4 was plugged and abandoned. This termination is subject to like approval by the Bureau of Land Management.

Please notify all interested parties of this action.

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Respectfully,



AUBREY DUNN  
COMMISSIONER OF PUBLIC LANDS

AD/pm

cc: Reader File,  
NMOCD Attention: Mr. Daniel Sanchez ✓  
TRD-Attention: Ms. Billie Luther  
RMD-Attn: Mr. Danny Martinez  
BLM Carlsbad – Attn: Mr. Ed Fernandez

TERMINATED

UNIT NAME: HERRADURA UNIT  
OPERATOR: YATES PETROLEUM CORPORATION  
COUNTY: EDDY

RECEIVED OGD

2016 FEB 10 P 2:39

DATE APPROVED	OCD CASE NO. OCD ORDER NO.	TOTAL ACREAGE	STATE	FEDERAL	INDIAN FEE	SEGREGATION CLAUSE	TERM
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EFFECTIVE 7/30/2010	CASE NO. 14473 ORDER NO. R-13270	7,681.37	5,600.49	1,640	440.88	MODIFIED	5 YEARS SO LONG AS
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APPROVALS

Terminated  
SLO-07/30/2010 Eff 04/08/2015 Approved 02/02/2016  
OCD-06/15/2010  
BLM-07/30/2010

TOWNSHIP 23 SOUTH, RANGE 25 EAST

SECTION 35: ALL  
SECTION 36: ALL

TOWNSHIP 24 SOUTH, RANGE 25 EAST

SECTION 1: LOTS 1 THROUGH 4, S/2N/2, S/2  
SECTION 2: LOTS 1 THROUGH 3, NE/4NW/4, S/2N/2, S/2  
SECTION 3: S/2N/2, S/2  
SECTION 4: LOTS 1, 2, S/2NE/4, SE/4  
SECTION 9: NE/4, S/2  
SECTION 10: ALL  
SECTION 11: ALL  
SECTION 15: ALL  
SECTION 16: ALL  
SECTION 17: ALL  
SECTION 18: LOTS 1 THROUGH 4, E/2W/2, E/2

TRD