



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
6251 College Blvd. Suite A
Farmington, New Mexico 87402
www.nm.blm.gov



IN REPLY REFER TO:
East Horseshoe Gallup Unit
NMNM136440X

October 27, 2016

Mr. John Thomas
Robert L. Bayless, Producer LLC
P. O. Box 168
Farmington, NM 87499

Reference is made to your request for the designation of 4,762.57 acres, more or less, in San Juan County, New Mexico as logically subject to exploration and development under unitization provisions of the Mineral Leasing Acts for Federal Lands. Pursuant to unitization regulations under 43 CFR Part 3180, the lands requested, as outlined on your plat marked Exhibit 'A' and dated 10/19/2016 for the **East Horseshoe Gallup Unit** is hereby designated as a logical unit area. Your proposed use of the modified form for Federal and patented lands and for a single formation undivided unit areas will be accepted. The undivided exploratory unit will unitize the Mancos Shale Group only within the vertical limits defined in type log shown as Exhibit C from Ute Mountain Tribal #35D well in your application. If conditions are such that further modification of said form is deemed necessary, two copies of the proposed modifications with appropriate justification must be submitted to this office for preliminary approval.

The unit agreement to be submitted for the area designated will provide for the initial obligation well to be the East Horseshoe Gallup 18-8H, a horizontal lateral which will develop the Mancos Shale Group within the defined vertical limits.

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form will be approved if submitted in an 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. The format of the sample exhibits attached to the model unit agreement (43 CFR 3186.1) should be followed closely in the preparation of Exhibits A and B. A minimum of Four (4) copies of the executed agreement should be submitted with your request for final approval. If you require additional executed copies of the agreement for further distribution, please increase the number of copies accordingly.

If you have questions regarding the above unit, please contact me at (505) 564-7740 or jhewitt@blm.gov.

Sincerely,

Joe Hewitt,
Geologist, Petroleum Mgt Team

EXHIBIT 3