



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Pecos District

Carlsbad Field Office

620 E. Greene

Carlsbad, New Mexico 88220-6292

www.blm.gov/nm



IN REPLY REFER TO:

3180 (P0220)

NM70977X

Reference:

April 11, 2016

Designation of Successor Unit Operator

Lechuguilla Canyon Unit

Unitization Agreement No. NM70977X

Eddy County, New Mexico

CERTIFIED—RETURN RECEIPT REQUESTED

7014 2120 0001 4869 6928

Vanguard Operating, LLC
5847 San Felipe, Suite 3000
Houston, TX 77057

Gentlemen:

This office has received and reviewed your designation of successor unit operator in which your company has agreed to assume all rights, duties, and obligations as the unit operator of the Lechuguilla Canyon Unit Eddy County, New Mexico.

As your company has obtained a \$350,000.00 BLM Bond (NMB000817), and all the conditions for becoming a successor unit operator have been met to the Authorized Officer's satisfaction, Vanguard Operating, LLC, is hereby approved as the unit operator for the Lechuguilla Canyon Unit as of this date and is effective October 5, 2015.

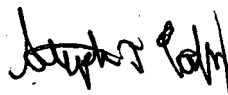
In accordance with this approval, Vanguard Operating, LLC, is responsible for all operations and the reporting of all production from the unit. Well signs should also reflect Vanguard Operating, LLC, as the unit operator. Please inform all interested principles of such approval. An approved copy of this designation is enclosed.

In approving this designation, the Authorized Officer neither warrants nor certifies that the designated party has obtained all required approvals that would entitle it to conduct operations under the Lechuguilla Canyon Unit Agreement.

Section 10 of the model form of unit agreement (43 CFR 3186.1) requires that a plan of development and operations be filed annually by March 1 of each year. As a new Unit Operator you are required to submit in triplicate for approval your plan of development and operations by May 31, 2016. Note a plan of development and operations has not been submitted for 2016. For your convenience a plan of development template, guidelines, and examples of maps can be accessed at the following website: www.blm.gov/nm/ReservoirManagement.

If you have any questions regarding this letter, please contact Edward G. Fernandez, Petroleum Engineer at the Division of Lands and Minerals at (575) 234-2220.

Sincerely,



Stephen Caffey
Assistant Field Manager,
Lands and Minerals

1 Enclosure

cc:

ONRR, Denver
NMOCD
CFO I&E
NM (P0221)
NM (P0220), CFO

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