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May 3, 2017

via Federal Express

William V. Jones, P.E.
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

RE: East Horseshoe Gallup Unit Area
San Juan County, New Mexico

Dear Sir:

Pursuant to the BLM's letter of October 27, 2016 and the Division's Order No. R-14305 (Case No. 15622), 4,762.57 acres, more or less, were designated in San Juan County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended, to be known as the East Horseshoe Gallup Unit Area.

We now enclose for your information and files, one (1) copy of the executed Unit Agreement for the Development and Operation of the East Horseshoe Gallup Unit Area, which has been executed on behalf of Robert L. Bayless, Producer LLC and ratification and joinder instruments executed by Wildcat Mountain Energy, LLC, Passport Energy, Inc., Five Star Royalty Partners (Record Title Owner in tract 2), Coleman Oil and Gas, Inc., JMJ Land and Mineral Company, Aventine Investments, LLC, Benson-Montin-Greer Drilling Co., Elizabeth Giron and Harvey Mineral Partners LP (Record Title Owner in tract 5.) Copies of this are being submitted to the BLM this same date.

We are also enclosing one (1) copy of the unit operating agreement executed by Robert L. Bayless, Producer LLC.

As reflected by Exhibit "B", the unit area of 4,762.57 acres is composed of 4,602.57 acres (96.64%) Federal lands and 160.00 acres (3.36%) Patented Lands.

Please let me know if you have any questions.

Sincerely,

UNITSOURCE INCORPORATED


Timothy K. Woodroof

Specializing in Unitization since 1971

East Horseshoe Gallup Unit Area
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enclosures

cc:

ATTN: CRANFORD NEWELL
ROBERT L. BAYLESS PRODUCER, LLC
621 – 17TH STREET, SUITE 2300
DENVER, CO 80293

**EAST HORSESHOE GALLUP UNIT AREA - COMMITMENT WORKSHEET
SAN JUAN COUNTY, NEW MEXICO**

| TR | LSE. NO. | EXPIRES | OWNER | FC- ACRES | EC- ACRES | PC- ACRES | NC- ACRES | % |
|-----------------------|-----------|----------|---------------------------------------|-----------|-----------|-----------|-----------|---------|
| FEDERAL TRACTS | | | | | | | | |
| 1 | NM-42428 | HBP | Burlington, Wildcat, Passport Bayless | | | | 240.00 | 5.04% |
| 2 | NM-86089 | HBP | Bayless (Five Star RT owner) | | 280.00 | | | 5.88% |
| 3 | NM-86497 | HBP | Burlington, Bayless | | | | 81.17 | 1.70% |
| 4 | NM-117582 | 02/28/17 | Bayless (Harvey RT owner) | 720.00 | | | | 15.12% |
| 5 | NM-121497 | 12/31/18 | Bayless | 1840.00 | | | | 38.63% |
| 6 | NM-121498 | HBP | Bayless | 1441.40 | | | | 30.27% |
| | | | | | | | | 0.00% |
| | | | | 4001.40 | 280.00 | 0.00 | 321.17 | 96.64% |
| | | | TOTALS | 4602.57 | | | | |
| STATE LANDS | | | | | | | | |
| | NONE | | | | | | | 0.00% |
| | | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| | | | TOTALS | 0.00 | | | | |
| PATENTED LANDS | | | | | | | | |
| 7 | | | | | | | 160.00 | 3.36% |
| | | | | | | | | 0.00% |
| | | | | 0.00 | 0.00 | 0.00 | 160.00 | 3.36% |
| | | | TOTALS | 160.00 | | | | |
| | | | UNIT TOTAL | 4762.57 | | | | |
| | | | GRAND TOTALS | 4001.40 | 280.00 | 0.00 | 481.17 | |
| | | | PERCENTAGES | 84.02% | 5.88% | 0.00% | 10.10% | 100.00% |
| | | | COMMITTED | 89.90% | | | | |

FC= FULLY COMMITTED (100% RECORD TITLE, WI, ORRI)

EC= EFFECTIVELY COMMITTED (100% RECORD TITLE, WI - LESS THAN 100% OF THE ORRI)

PC= PARTIALLY COMMITTED (100% RECORD TITLE AND WI, BUT LESS THAN 100% BASIC ROYALTY)

NC= NOT COMMITTED (LESS THAN 100% RECORD TITLE AND/OR WI)