



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:
PGA Unit

May 25, 2012

Paul Thompson,
Thompson Engineering and Production Corporation
7415 E. Main
Farmington, New Mexico 87402

Reference is made to your request for the designation of **8436.84** acres, more or less, in San Juan County, New Mexico as logically subject to exploration and development under unitization provisions of the Mineral Leasing Act, as amended. Pursuant to unit plan regulations 43 CFR Part 3180, the land requested, as outlined on your plat marked Exhibit 'A' (as amended) is hereby designated as a logical unit area. Your proposed use of the model State and Federal form of the Agreement for unproven areas, as modified, will be accepted. 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 should provide for initial obligation wells to be located in the NE1/4 of Section 2, T., 23N., R.11W., and in the SW1/4 of Section 22, T., 24N., R.11W., San Juan County, New Mexico and to provide core and desorption testing of the Fruitland Coal Formation in these wells. If alternatives to these locations are necessary, please provide a revised initial development plan.

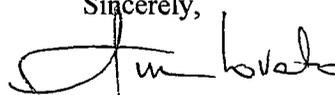
In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form will be approved if submitted in an approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved 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.

Oil Conservation Division
Case No. 14876
Exhibit No. 1

Inasmuch as this unit area contains State of New Mexico lands, we are sending a copy of this letter to the New Mexico State Land Office and we hereby request that you contact the State promptly in connection with this letter before soliciting joinders. If you have questions regarding the above unit, please contact me at (505) 564-7735.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Lovato". The signature is written in a cursive style with a large initial "J" and a distinct "L".

Jim Lovato,
Senior Technical Advisor
Petroleum Engineer

Cc: New Mexico State Land Office



Ray Powell, M.S., D.V.M.
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

June 20, 2012

Thompson Engineering & Production Corp.
7415 East Main
Farmington, NM 87402

Attention: Mr. Paul C. Thompson

Re: Preliminary Approval for Proposed PGA Unit
San Juan County, New Mexico

Dear Mr. Thompson:

This office has received your letters of June 6, 2012 and June 12, 2012 wherein you have requested preliminary approval for the PGA Unit area, San Juan County, New Mexico. The proposed unit agreement meets the general requirements of the Commissioner of Public Lands, who has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases, until final approval and an effective date have been given.

When submitting your agreement for final approval, please submit the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. Pursuant to SLO Rule 19.2.100.51, applications for approval shall contain a statement of facts showing:
 - a. That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.
 - b. That under the proposed unit operation, the State of New Mexico will receive its fair share of the recoverable oil and gas in place under its lands in the proposed unit area.
 - c. That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the unit area.
 - d. That such unit agreement is in other respects for the best interest of the trust.

3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
4. Designation/concurrence from the Bureau of Land Management.
5. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.
6. The filing fee for a Unit Agreement is \$30.00 for every section or partial section thereof. Please submit a filing fee in the amount of \$480.00.
7. Please submit a Multi-Lease (blanket) Surface Improvement Damage Bond in the amount of \$20,000.

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

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

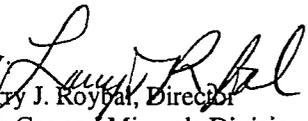
BY: 
Larry J. Roybal, Director
Oil, Gas and Minerals Division
(505) 827-5744
RP/LR/pm
cc: Reader File,
OCD-Attention: Mr. Ed Martin
BLM Farmington-Attention: Mr. Wayne Townsend

Exhibit A

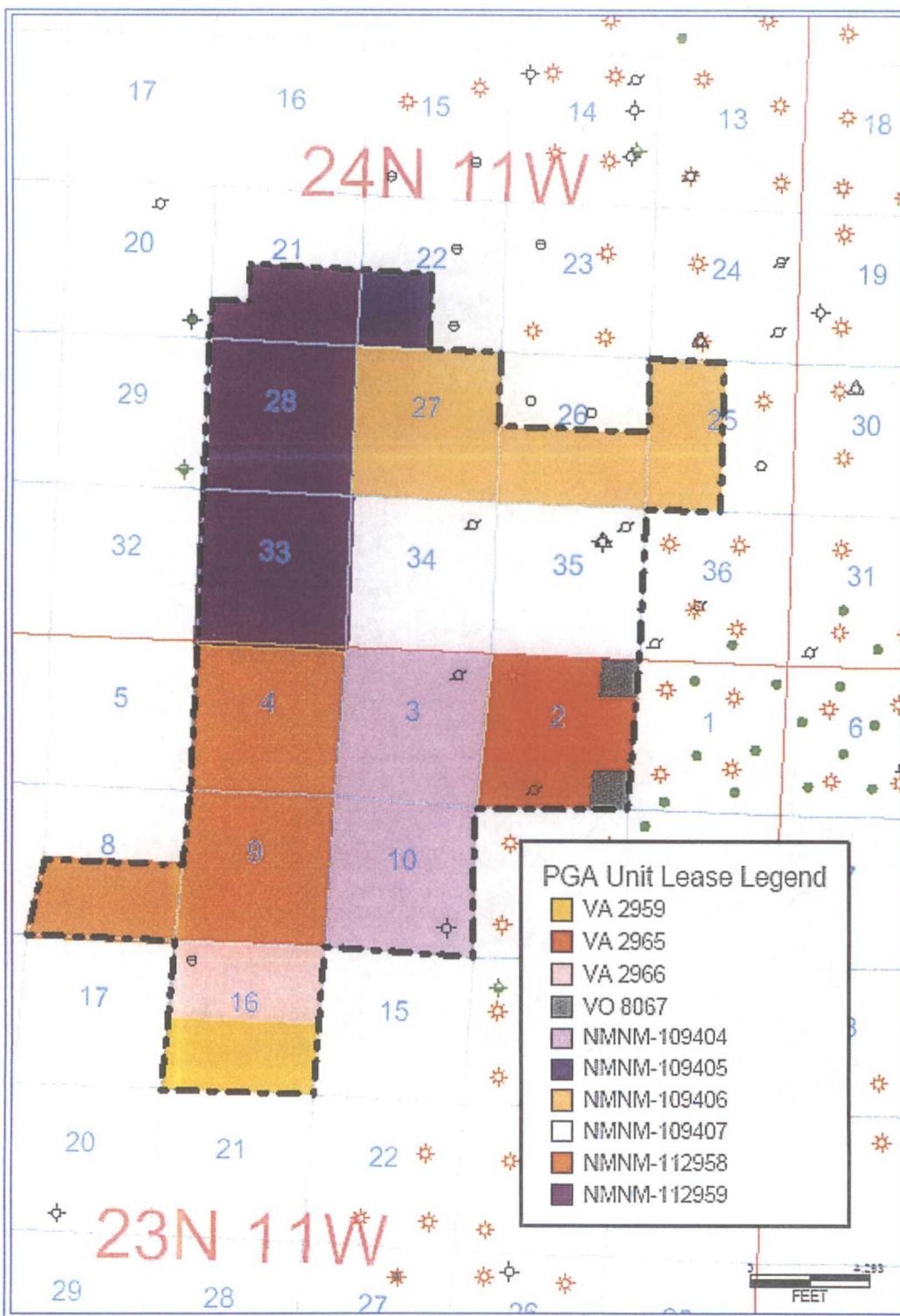


Exhibit B

PGA UNIT AGREEMENT DATED JUNE 1, 2012

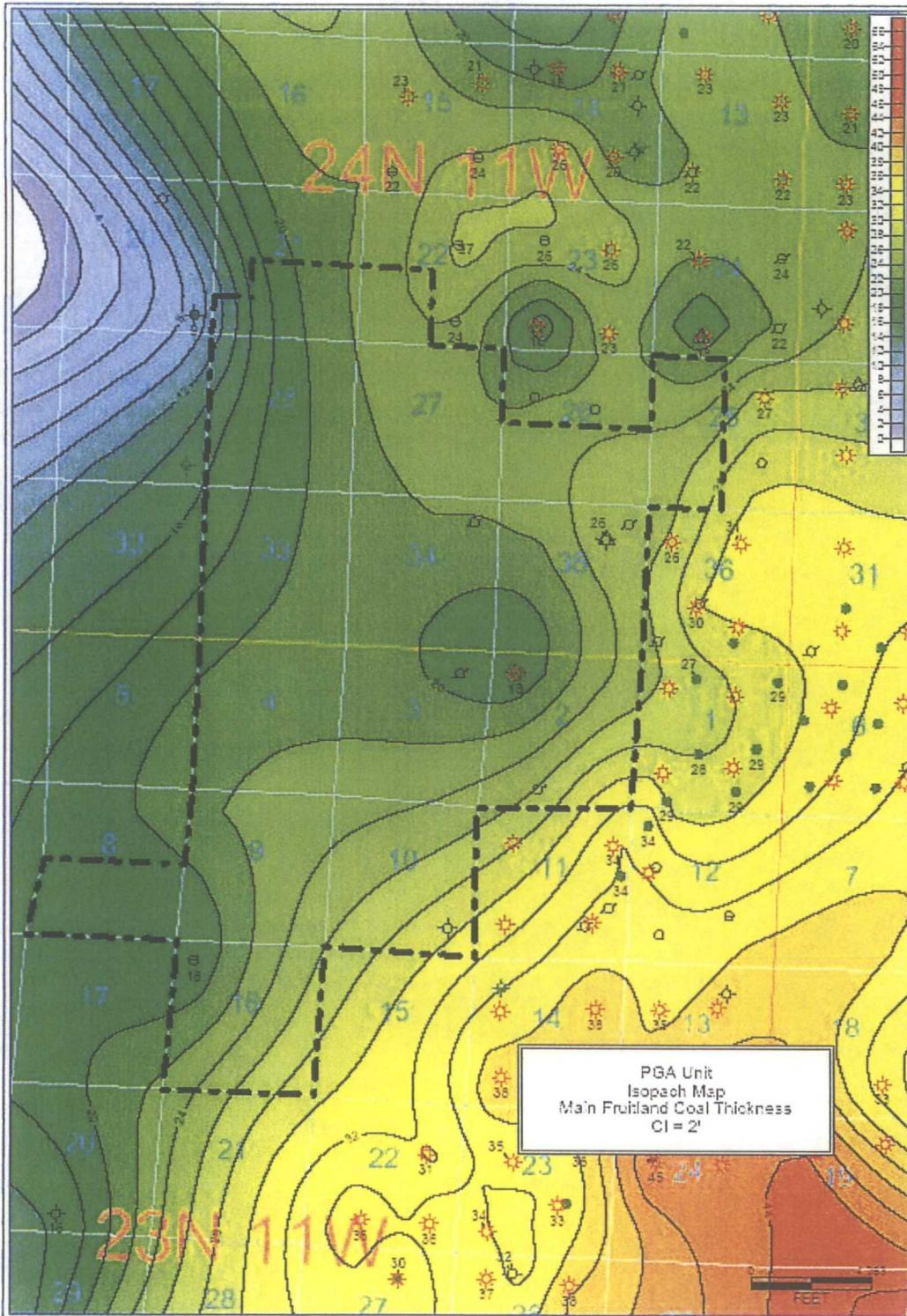
Township 23N, Range 11W and Township 24N, Range 11W, N.M.P.M

SAN JUAN COUNTY, NEW MEXICO

Tract #	Description of Land	Number of Acres	Serial No. & Expiration Date of Lease	Basic Royalty & Ownership Percentage	Lessee of Record	Overriding Royalty Owner	Overriding Royalty Percentage	Surface to base of Mesa Verde formation Working Interest and Percentage
FEDERAL LANDS								
1	<u>T. 23 N., R. 11 W., N.M.P.M.</u> Sec. 3: Lots 1, 2, 3, 4, S/2 N/2, S/2 Sec. 10: All	1278.58	NMNM-109404 11/30/2012	USA 12.50%	Coleman Oil & Gas, Inc. 100%	James E Fassett or Sarah S Fasset JT WROS OSO Energy Resources Corp.	1% 1%	Coleman Oil & Gas, Inc. 100%
2	<u>T. 24 N., R. 11 W., N.M.P.M.</u> Sec. 22: S/4	160.00	NMNM-109405 11/30/2012	USA 12.50%	Coleman Oil & Gas, Inc. 100%	James E Fassett or Sarah S Fasset JT WROS OSO Energy Resources Corp.	1% 1%	Coleman Oil & Gas, Inc. 100%
3	<u>T. 24 N., R. 11 W., N.M.P.M.</u> Sec. 25: W/2 Sec. 26: S/2; Sec. 27: All	1280.00	NMNM-109406 11/30/2012	USA 12.50%	Coleman Oil & Gas, Inc. 100%	James E Fassett or Sarah S Fasset JT WROS OSO Energy Resources Corp.	1% 1%	Coleman Oil & Gas, Inc. 100%
4	<u>T. 24 N., R. 11 W., N.M.P.M.</u> Sec. 34: All; Sec. 35: All	1280.00	NMNM-109407 11/30/2012	USA 12.50%	Coleman Oil & Gas, Inc. 100%	James E Fassett or Sarah S Fasset JT WROS OSO Energy Resources Corp.	1% 1%	Coleman Oil & Gas, Inc. 100%
5	<u>T. 23 N., R. 11 W., N.M.P.M.</u> Sec. 4: Lots 1, 2, 3, 4, S/2 N/2, S/2 Sec. 8: S/2; Sec. 9: All	1599.88	NMNM-112958 12/31/2014	USA 12.50%	Coleman Oil & Gas, Inc. 100%	none		Coleman Oil & Gas, Inc. 100%
6	<u>T. 24 N., R. 11 W., N.M.P.M.</u> Sec. 21: Lots 8, 9, 10, SE/4 Sec. 28: All; Sec. 33: All	1559.01	NMNM-112959 12/31/2014	USA 12.50%	Coleman Oil & Gas, Inc. 100%	none		Coleman Oil & Gas, Inc. 100%
6	FEDERAL TRACTS TOTALING	7157.47	ACRES,	84.84%	OF THE UNIT AREA			

Tract #	Description of Land	Number of Acres	Serial No. & Expiration Date of Lease	Basic Royalty & Ownership Percentage	Lessee of Record	Overriding Royalty Owner	Overriding Royalty Percentage	Surface to base of Mesa Verde formation Working Interest and Percentage
NEW MEXICO STATE LANDS								
7	T. 23 N., R. 11 W., N.M.P.M. Sec. 16: S/2	320.00	VA2959 0000 HBP	State of New Mexico 12.50%	XTO Energy, Inc 100%	James E Fassett Coleman Oil & Gas, Inc.	1% 6.5%	Thompson Engineering and Production Corp. 100%
8	T. 23 N., R. 11 W., N.M.P.M. Sec. 2: Lots 2, 3, 4, S/2 N/2, SW/4, N/2 SE/4, SW/4 SE/4	559.30	VA2965 0000 HBP	State of New Mexico 12.50%	XTO Energy, Inc 100%	James E Fassett Coleman Oil & Gas, Inc.	1% 6.5%	Thompson Engineering and Production Corp. 100%
9	T. 23 N., R. 11 W., N.M.P.M. Sec. 16: N/2	320.00	VA2966 0000 HBP	State of New Mexico 12.50%	XTO Energy, Inc 100%	James E Fassett Coleman Oil & Gas, Inc.	1% 6.5%	Thompson Engineering and Production Corp. 100%
10	T. 23 N., R. 11 W., N.M.P.M. Sec. 2: Lots 1, SE/4 SE/4	80.06	VO8067 0000 HBP	State of New Mexico 16.67%	XTO Energy, Inc 100%	Coleman Oil & Gas, Inc.	3.33333%	Thompson Engineering and Production Corp. 100%
4	STATE TRACTS TOTALING	1279.36	ACRES,	15.16%	OF THE UNIT AREA			
TOTAL UNIT LANDS								
10	TRACTS TOTALING	8436.83	ACRES,	100.00%	OF THE UNIT AREA			

Exhibit C



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Exhibit D

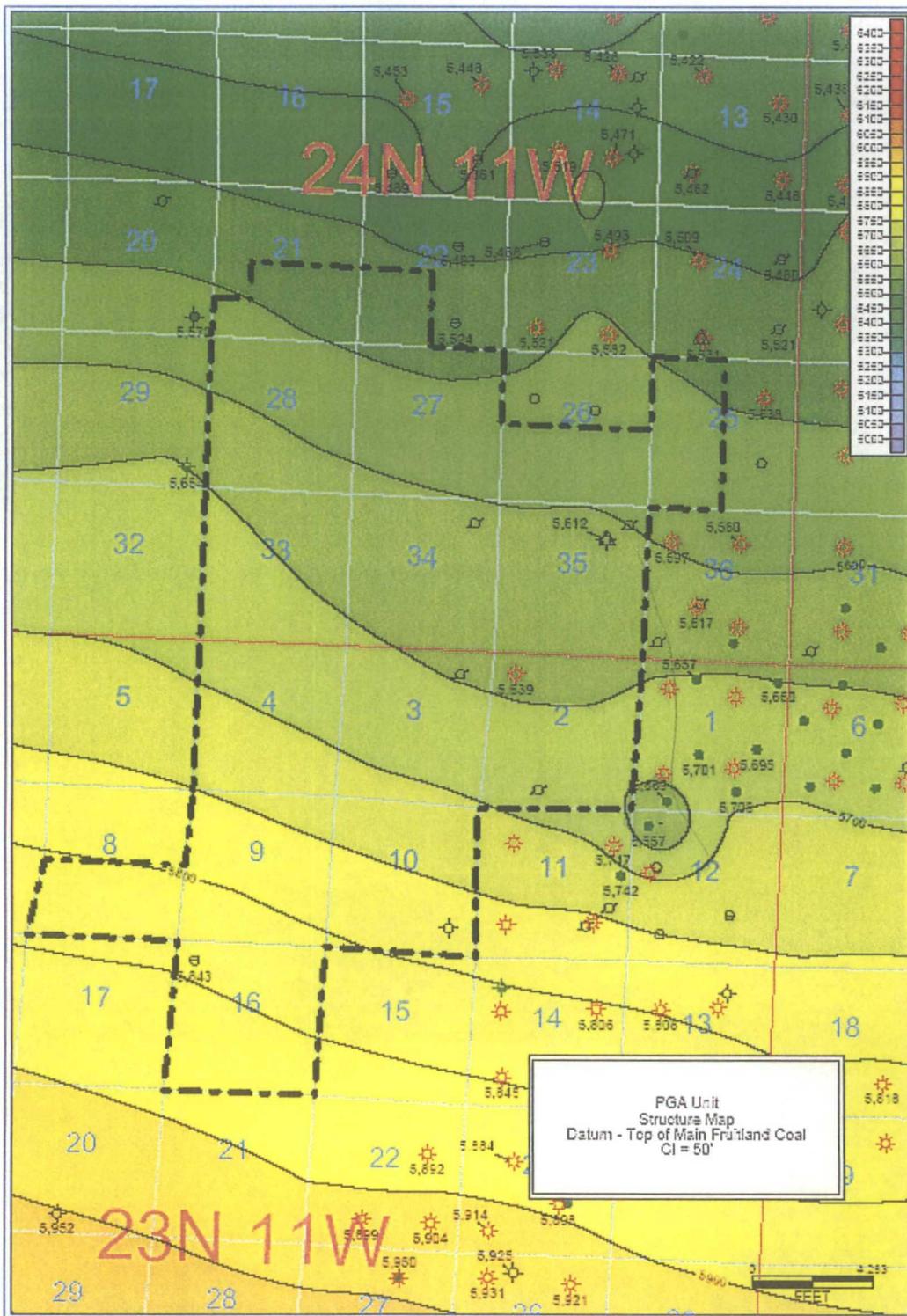


Exhibit J

