

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR APPROVAL OF
A UNIT AGREEMENT, LEA COUNTY,
NEW MEXICO**

Case No. 15342

SELF-AFFIRMED STATEMENT OF STERLING H. FLY III

I, Sterling H. Fly III, being first duly sworn, state as follows:

1. I am employed by the Yates Petroleum Corporation ("Yates") as a senior petroleum geologist. In that capacity, I have responsibility for Yates' proposed Tomorrow State Exploratory Unit ("the Unit"). I have personal knowledge of the matters addressed in Yates' application in this case.

2. The Unit is comprised of 1,920.76 acres, more or less, of State of New Mexico land situated in Lea County ("the Unit Area"). The horizontal limits of the Unit Area are:

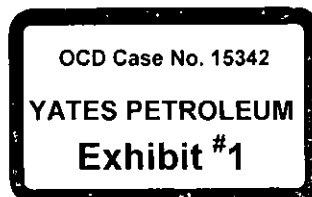
Township 23 South, Range 35 East, NMPM

Section 35: All

Section 36: All

Township 24 South, Range 35 East, NMPM

Section 2: All



The vertical limit of the Unit Area is the base of the Wolfcamp formation. The unitized interval includes all formations from the surface to the base of the Wolfcamp.

3. All of Yates' interests in the Unit Area have been committed to the Unit. The Unit Agreement has been approved by a sufficient percentage of the interest owners within the proposed Unit Area to provide Yates with effective control of unit operations.

4. Yates is designated as the Unit Operator in the Unit Agreement. All oil and gas in all formations in the Unit Area are unitized.

5. The Unit Area is consistent with and substantially supported by the geological limits of the unitized formations. Yates proposes the formation of the Unit to test all formations from the surface to the base of the Wolfcamp formation.

6. Yates' initial test well, a pilot well designated as the Tomorrow State Unit #001H, will have a surface location 200 feet from the South line and 1,980 feet from the West line and the bottom hole location for the lateral will be 330 feet from the North line and 1,980 feet from the West line of Section 35, Township 23 South, Range 35 East. The projected depth of the pilot well is 11,900 feet, which is a sufficient depth to allow Yates to evaluate the entire 3rd Bone Spring sandstone and potentially expand production in that interval. The estimated completed well cost is \$7,517,000.

7. The primary objective of the initial test well will be the basal Lower Brushy Canyon. Under its unit plan, Yates will attempt to extend Lower Brushy Canyon oil and gas production into an area where currently there is no production. The secondary objective of the well will be testing the 3rd Bone Spring sandstone.

8. Attached to this Self-Affirmed Statement are true and correct copies of the following documents:

Exhibit A: This exhibit is a copy of the Unit Agreement for the proposed Tomorrow State Exploratory Unit. The agreement is on the New Mexico State Land Office Unit Agreement form.

Exhibit B: This exhibit (which also is Exhibit A to the Unit Agreement) is a plat showing the boundaries of the proposed Unit.

Exhibit C: This exhibit is Yates' AFE for the Tomorrow State Unit #1 well.

Exhibit D: This exhibit (which also is Exhibit B to the Unit Agreement) is a listing that identifies the leases and the working interest ownership in the Unit Area. The State of New Mexico owns 100% of the royalty interest.

Exhibit E: This exhibit includes copies of the timely hearing notice letters that Yates sent to the State Land Office and Devon Energy Production Company, L.P. and the associated USPS green cards.

Exhibit F: This exhibit includes the hearing notice letter that Yates sent to the OXY Y-1 Company and a letter from OXY Y-1 waiving its right to receive the notice letter twenty days prior to the hearing and stating that OXY Y-1 does not oppose Yates' application.

Exhibit G: This exhibit is a letter dated July 8, 2015 from the Commissioner of Public Lands granting preliminary approval of the Unit Agreement.

Exhibit H: This exhibit is an isopach map showing the thickness of the primary objective in the Lower Brushy Canyon. At that location, the structural dip is to the west, striking generally to the north-northwest. Two north-to-south thick areas are evident. The thick area to the west has numerous wells, both vertical and horizontal, that

are producing from the Lower Brushy Canyon. Yates' initial test well is centered on the thick area to the east. In my opinion, the prospects for this area are very good.

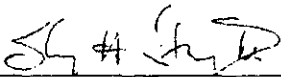
Exhibit I: This exhibit is an east-to-west cross section which highlights the target interval in both thick areas in the Lower Brushy Canyon.

9. The Unit covers an area that can reasonably be developed under a unit plan. All of the proposed unit acreage appears prospective for the recovery of oil and gas.

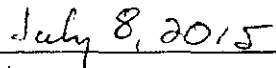
10. If the initial unit test well is successful, Yates will drill additional wells in the Unit Area. Accordingly, in my opinion the Division's approval of the Unit Agreement will result in the efficient recovery of hydrocarbons, prevention of waste, and protection of correlative rights.

11. Because it is facing an August 1, 2015 lease termination deadline, Yates requests that the Division give its application expedited consideration.

12. I understand that this Self-Affirmed Statement will be used as written testimony in the above-captioned case. I affirm that my testimony in Paragraphs 1 through 10 above is true and correct and is made under penalty of perjury under the laws of the State of New Mexico. My testimony is made as of the date handwritten next to my signature below.



Sterling H. Fly III



Date

**ONLINE VERSION
STATE/FEE
EXPLORATORY UNIT
UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
TOMORROW UNIT AREA
LEA COUNTY, NEW MEXICO**

ONLINE VERSION

**STATE/FEE
EXPLORATORY UNITS**

Revised February 12, 2004

**UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
TOMORROW STATE UNIT AREA
LEA COUNTY, NEW MEXICO**

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
TOMORROW STATE UNIT AREA
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the _____ day of June 2015, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto";

WITNESSETH:

WHEREAS, the parties hereto are the owners of working, royalty, or other oil or gas interests in the unit area subject to this agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, (Chap. 19, Art. 10, Sec. 45, N.M. Statutes 1978 Annotated), to consent to and approve the development or operation of State Lands under agreements made by lessees of State Land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162), (Laws of 1951, Chap. 19, Art. 10, Sec. 47, N.M. Statutes 1978 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State Lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field, or area; and

WHEREAS, the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico (hereinafter referred to as the "Division"), is authorized by an Act of the Legislature (Chap. 72, Laws 1935, as amended, being Section 70-2-1 et seq. N. M. Statutes Annotated, 1978 Compilation) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Tomorrow State Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below defined unit area, and agree severally among themselves as follows:

1. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area:

Township 23 South, Range 35 East, N.M.P.M.

Section 35 Subdivisions: All

Section 36 Subdivisions: All

Township 23 South, Range 35 East, N.M.P.M.

Section 2 Subdivisions: All

Containing 1920.76 total acres, more or less, in Lea County, New Mexico.

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown on said map or schedule as owned by such party. Exhibit "A" and "B" shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner" or the Oil Conservation Division, hereinafter referred to as the "Division".

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement".

2. UNITIZED SUBSTANCES: All oil, gas, natural gasoline, and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR: YATES PETROLEUM CORPORATION whose address is 105 South Fourth Street, Artesia, New Mexico, is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to accept the duties and obligations of unit operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

Unit operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner and the Division.

The resignation or removal of the unit operator under this agreement shall not terminate his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of unit operator becoming effective, such unit operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor unit operator, or to the owners thereof if no such new unit operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of wells.

5. SUCCESSOR UNIT OPERATOR: Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy-five percent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five percent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a unit operator so selected shall accept in writing the duties and responsibilities of unit operator, and (b) the selection shall have been approved by the Commissioner. If no successor unit operator is selected and qualified as herein provided, the Commissioner at his election, with notice to the Division, may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS: The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement". No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the unit operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY: The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to attain the top of the Brushy Canyon (Delaware Mountain Group) formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 8,550 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling and producing operations with

a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES:

Should unitized substances in paying quantities be discovered upon the unit area, the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter, file a report with the Commissioner and Division of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units, but in such event, the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees or record in the manner prescribed by (Sec. 19-10-20 N.M. Statutes 1978 Annotated), of intention to cancel on account of any alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal in the manner prescribed by (Sec. 19-10-23 N.M. Statutes 1978 Annotated), and , provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

Notwithstanding any of the provisions of this Agreement to the contrary, all undeveloped regular well spacing or proration unit tracts within the unit boundaries shall be automatically eliminated from this Agreement and shall no longer be a part of the unit or be further subject to the terms of this agreement unless at the expiration of five (5) years after the first day of the month following the effective date of this agreement diligent drilling operations are in progress on said tracts.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the unit operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

11. ALLOCATION OF PRODUCTION: All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized

area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tracts of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES: The respective lease owners in accordance with the terms of their leases shall pay all rentals due to the State of New Mexico.

All royalties due to the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty share in accordance with the terms of the respective leases.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

If the unit operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operation consented to by the Commissioner and approved by the Division as conforming to good petroleum engineering practices; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INsofar AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA: The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the terms of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offset to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico of which only a portion is committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such leases shall apply separately as two separate leases as to such segregated portions, commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced within the unitized area and committed to this agreement, in accordance with the terms of this agreement. If oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease which part is committed to this agreement at the expiration of the fixed term of such lease, such production shall not be considered as production from lands embraced in such lease which are not within the unitized area, and which are not committed thereto, and drilling or reworking operations upon some part of the lands embraced within the unitized area and committed to this agreement shall be considered as drilling and reworking operations only as to lands embraced within the unit agreement and not as to lands embraced within the lease and not committed to this unit agreement; provided, however, as to any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto upon which oil and gas, or either of them, has been discovered is discovered upon that portion of such lands not committed to this agreement, and are being produced in paying quantities prior to the expiration of the fixed term of such lease, such production in paying quantities shall

serve to continue such lease in full force and effect in accordance with its terms as to all of the lands embraced in said lease.

14. CONSERVATION: Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State laws or regulations.

15. DRAINAGE: In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder to the grantee, transferee or other successor in interest. No assignment or transfer or any working, royalty, or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photo static, or certified copy of the instrument of transfer.

17. EFFECTIVE DATE AND TERM: This agreement shall become effective upon approval by the Commissioner and the Division and shall terminate in five (5) years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced in paying quantities from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered are being produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five percent (75%) on an acreage basis of the owners of the working interests, signatory hereto, with the approval of the Commissioner and with notice to the Division. Likewise, the failure to comply with the drilling requirements of Section 8 hereof, may subject this agreement to termination as provided in said section.

18. RATE OF PRODUCTION: All production and the disposal thereof shall be in conformity with allocations, allotments, and quotas made or fixed by the Division, and in conformity with all applicable laws and lawful regulations.

19. APPEARANCES: Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby, before the Commissioner of Public Lands and the Division, and to appeal from orders issued under the regulations of the Commissioner or Division, or to apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Division; provided, however, that any other interest party shall also have the right at his own expense to appear and to participate in any such proceedings.

20. NOTICES: All notices, demands, or statements required hereunder to be given or rendered to the parties hereto, shall be deemed fully given, if given in writing and sent by postpaid registered mail, addressed to such party or parties at their respective addresses, set forth in connection with the signatures hereto or to the ratification or consent hereof, or to such other address as any such party may have furnished in writing to party sending the notice, demand, or statement.

21. LOSS OF TITLE: In the event title to any tract of unitized land or substantial interest therein shall fail, and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement, or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working, or other interest subject hereto, the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof, without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit Operator, as such, is relieved from any responsibility for any defect or failure of any title hereunder.

22. SUBSEQUENT JOINDER: Any oil or gas interest in lands within the unit area not committed hereto, prior to the submission of the agreement for final approval by the Commissioner and the Division, may be committed hereto by the owner or owners of such rights, subscribing or consenting to this agreement, or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development, and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the Commissioner and the filing with the Division of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties, before participating in any benefits hereunder, shall be required to assume and pay to unit operator, their proportionate share of the unit expenses incurred prior to such party's or parties joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment of revenue.

23. **COUNTERPARTS:** This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all such parties had signed the same document, and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described unit area.

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

UNIT OPERATOR AND WORKING INTEREST OWNER

YATES PETROLEUM CORPORATION

DATE OF EXECUTION

By: _____
Kathy H. Porter
Its: Attorney-in-Fact

NON-OPERATOR / LESSEE OF RECORD

ABO PETROLEUM CORPORATION

DATE OF EXECUTION

By: _____
Dan S. Lewis
Its: Attorney-in-Fact

MYCO INDUSTRIES, INC.

DATE OF EXECUTION

By: _____
Scott Yates
Its: President

ABO PETROLEUM CORPORATION

DATE OF EXECUTION

By: _____
Dan S. Lewis
Its: Attorney-in-Fact

OXY V-I COMPANY

DATE OF EXECUTION

By: _____
Its: _____

DEVON PRODUCTION COMPANY, L.P.

DATE OF EXECUTION

By: _____
Its: _____

Note: Acknowledgements pages to follow.

STATE OF NEW MEXICO)
 §
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of June, 2015, by Kathy H. Porter as Attorney-in-Fact for Yates Petroleum Corporation, a New Mexico corporation, on behalf of said corporation.

My commission expires: _____
Notary Public

STATE OF NEW MEXICO)
 §
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of June, 2015, by Dan S. Lewis as Attorney-in-Fact for Abo Petroleum Corporation, a New Mexico corporation, on behalf of said corporation.

My commission expires: _____
Notary Public

STATE OF NEW MEXICO)
 §
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of June, 2015, by Scott Yates as President of Myco Industries, Inc., a New Mexico corporation, on behalf of said corporation.

My commission expires: _____
Notary Public

STATE OF TEXAS)
 §
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this _____ day of June, 2015, by _____ as _____ for Oxy Y-I Company, a New Mexico corporation, on behalf of said corporation.

My commission expires: _____
Notary Public

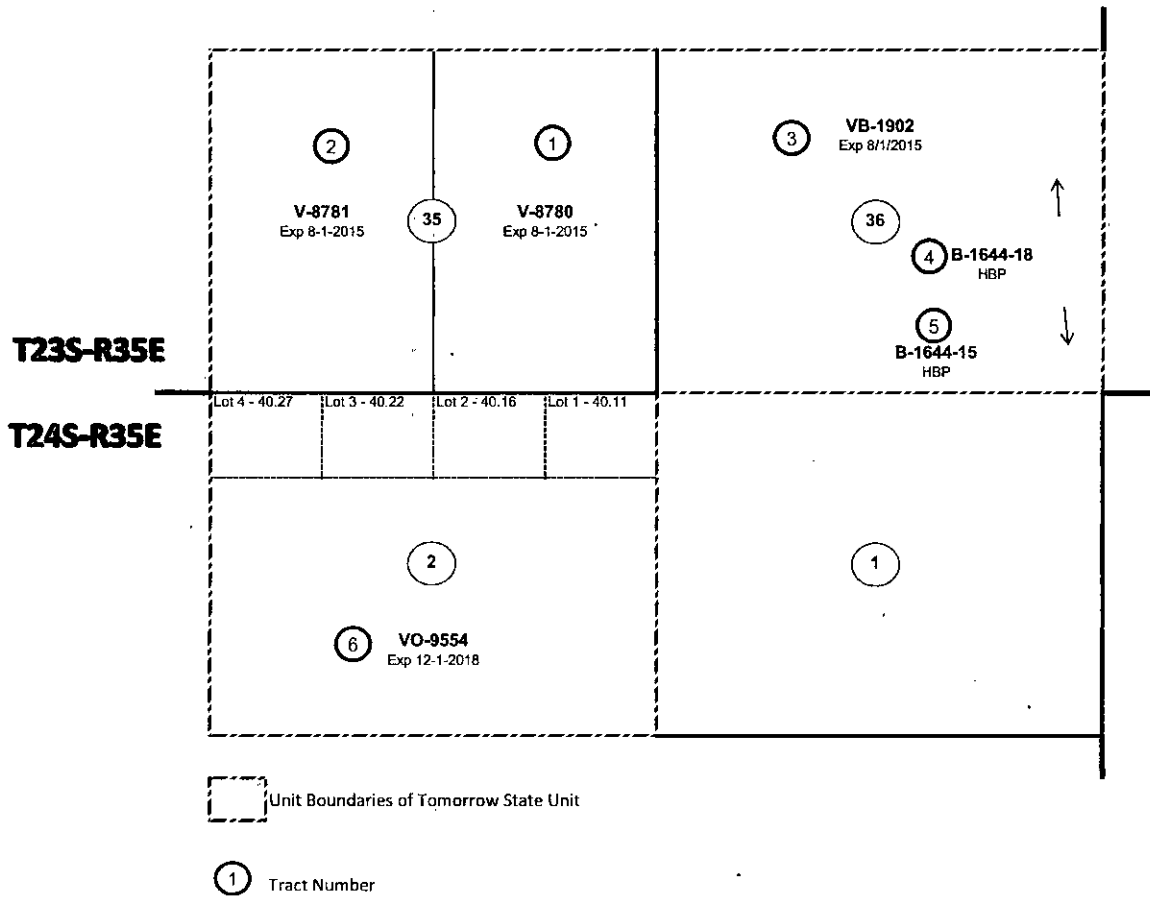
STATE OF OKLAHOMA)
 §
COUNTY OF OKLAHOMA)

The foregoing instrument was acknowledged before me this _____ day of June, 2015, by _____ as _____ of Devon Energy Production Company, L.P., an Oklahoma limited partnership, on behalf of said partnership.

My commission expires: _____
Notary Public

Exhibit "A"
Map of Unit Area

Tomorrow State Exploratory Unit
Lea County, New Mexico





ATES
PETROLEUM CORPORATION

185 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
Telephone (505) 748-1471

AFE Type:

☒ New Drilling
☐ Recompletion
☐ Re-entry

Well Objective:

☒ Oil
☐ Gas
☐ Injector

Well Type:

☒ Development
☐ Exploratory

AFE NO.
AFE DATE

AFE 005993

6/26/2015

AFE NO. (rev 1/15)

AFE STATUS:

☒ Original
☐ Revised
☐ Final

LEASE NAME
COUNTY
FIELD
SHL:
BHL:

TOMORROW STATE UNIT #1H
LEA
S-35-23S-35E SHL: 200' FSL & 1980 FWL
S-35-23S-35E BHL: 330' FNL & 1980' FWL

PROJ'D DEPTH
STATE
HORIZON
PROPERTY #

13100 MD (8510 TVD)
N.M.
Herkimer SS

DIVISION CODE
DISTRICT CODE
BRANCH CODE

100

DIVISION NAME
DISTRICT NAME
BRANCH NAME

Oil & Gas Division

PROGNOSIS: [DRILL VERTICAL PILOT HOLE TO 11900' LOG, PLUG BACK, KICKOFF AT 8062, BUILD AND LAND CURVE

AT 8860 (8540 TVD) DRILL LATERALLY TO 13100 MD (8510 TVD)

Lateral length 4240'

INTANGIBLE DRILLING COSTS:

	DRY HOLE	COMP'D WELL
9200.1000 Staking, Permit & Legal Fees	7,000	7,000
9200.1030 Archeology Studies		0
9200.1040 Environmental Studies		0
9200.1050 Environmental Permitting/Plt Closure		0
9200.1060 Environmental Permitting		0
9200.1100 Location, Right-of-Way	80,000	80,000
9200.1150 Seismic & Other Geol. Services		0
9200.1200 Drilling, Footage		0
9200.1300 Drilling, Daywork 38 days @ \$ 18000/DAY + \$130 K MOB + \$ 30K RH	901,000	901,000
9200.1350 Drilling, Power & Fuel 33 DAYS @ \$4000/DAY	132,000	132,000
9200.1400 Drilling Water, Fastline Rental	75,000	75,000
9200.1500 Drilling Mud & Additives	85,000	85,000
9200.1600 Mud Logging Unit, Sample Bags	30,000	30,000
9200.1650 Closed Loop - System Rentals, Repairs, etc.	75,000	75,000
9200.1670 Closed Loop - Waste Disposition	170,000	170,000
9200.1700 Cementing - Surface & Intermed. Casing & iso plugs & kickoff plug	200,000	200,000
9200.1800 Drill Stem Testing, OHT		0
9200.1900 Electric Logs & Tape Copies	75,000	75,000
9200.2000 Surface Drilling Tools & Equip. Rntl., Trkg. & Welding	125,000	125,000
9200.2050 Control of Well-Insurance	8,000	8,000
9200.2100 Supervision & Overhead	100,000	100,000
9200.2110 Wellsite Consultant	25,000	25,000
9200.2250 Down Hole Drilling Tool & Equipment Rental	110,000	110,000
9200.2275 Directional Drilling Tools and Services	300,000	300,000
9200.2300 Coring, Tools & Service		0
9200.2400 Bits, Tool & Supplies Purchase	25,000	25,000
9200.2420 Bit Rental	60,000	60,000
9200.3500 Cementing - Production Casing		225,000
9201.4100 Completion Unit - Swabbing		50,000
9201.4125 Coil Tubing Unit		100,000
9201.4200 Water for Completion		400,000
9201.4210 Flowback Water - Trucking and Disposal		100,000
9201.4300 Mud & Additives for Completion		5,000
9201.4400 Cementing - Completion		
9201.4500 Elec. Logs, Testing, Etc. - Completion		170,000
9201.4600 Surface Tools & Equip. Rental, Etc. - Completion		100,000
9201.4650 Down Hole Completion Tool & Equipment Rental		100,000
9201.4700 Stimulation for Completion		2,200,000
9201.4800 Supervision & O/H - Completion		10,000
9201.4805 Wellsite Consultant		30,000
9201.4900 Additional LOC Charges - Completion		10,000
9201.5100 Bits, Tools & Supplies - Completion		50,000
9201.6000 Fishing Services		
TOTAL INTANGIBLE DRILLING COSTS	2,583,000	6,133,000

TANGIBLE EQUIPMENT COSTS:

9300.0100 Christmas Tree & Wellhead	5,000	27,000
9300.0200 Casing 13 3/8" @ 1785'	58,000	58,000
9 5/8" @ 5800'	145,000	145,000
5 1/2" @ 13100'		245,000
9301.0215 Casing - Frac Ports, Packers, Tools & Services		
9301.0300 Tubing		44,000
9300.0400 Sub-Surface Lift Equip. & Packers		
9400.0100 Surface Pumping Equipment sub pump, cable & install		150,000
9400.0150 Electrification electrical panels, generator, hook-ups		225,000
9400.0200 Storage Facilities 4-500 steel & 2-500 fiberglass		100,000
9400.0300 Separation Equip., Flowlines, Misc. heater, ko, sep, vnu, vrt, n, etc.		190,000
9400.0400 Trucking & Construction Costs tank pad, liner, fittings, labor, trucking & etc.		200,000
9400.0500 Pipeline Construction-Labor		
9400.0600 Pipeline Construction-Material		
9400.0700 Reservoir Construction		
TOTAL TANGIBLE EQUIPMENT COSTS	208,000	1,384,000

TOTAL COSTS

2,791,000 7,517,000

IT IS RECOGNIZED THAT THE AMOUNTS PROVIDED FOR HEREIN ARE ESTIMATED ONLY AND APPROVAL OF THIS AFE SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATIONS SPECIFIED WHETHER MORE OR LESS THAN HEREIN SET OUT.

Prepared By CM	JIM NIES	Operations Approval	
BY	DATE		
BY	DATE		
BY	DATE		
BY	DATE		

Exhibit
C

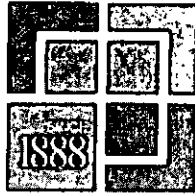
Exhibit "B"
Tomorrow State Exploratory Unit
Lea County, New Mexico

Tract No.	Lessor	Description of Land	No. of Acres	Lease Serial No.	Lease Expiration Date	Royalty	Lessee of Record/ Original Lessee	Overriding Royalty and Percentage	%	Working Interest Owner and Percentage	%
1	State of New Mexico	Township 23 South - Range 35 East, N.M.P.M. Sec. 35, E/2	320.00	V-8780	8/1/2015	1/8	Yates Petroleum Corporation	None	100%	Yates Petroleum Corporation Abo Petroleum Corporation Myco Industries, Inc. Oxy Y-1 Company	40.00% 20.00% 20.00% 20.00%
2	State of New Mexico	Township 23 South - Range 35 East, N.M.P.M. Sec. 35, W/2	320.00	V-8781	8/1/2015	1/8	Yates Petroleum Corporation	None	100%	Yates Petroleum Corporation Abo Petroleum Corporation Myco Industries, Inc. Oxy Y-1 Company	40.00% 20.00% 20.00% 20.00%
3	State of New Mexico	Township 23 South - Range 35 East, N.M.P.M. Sec. 36, N/2, SW/4, SE/4SE/4	520.00	V8-1902	8/1/2015	3/16	Yates Petroleum Corporation	None	100%	Yates Petroleum Corporation Abo Petroleum Corporation Myco Industries, Inc. Oxy Y-1 Company	40.00% 20.00% 20.00% 20.00%
4	State of New Mexico	Township 23 South - Range 35 East, N.M.P.M. Sec. 36, N/2SE/4	80.00	81-1644-0018	HBP	1/8	Devon Energy Production Company, L. P.	Gustave Kruse Connie Lee Alexander Mary Laverne Underwood	3.1250% 0.6875% 0.6875%	Devon Energy Production Company, L. P.	100.00%
5	State of New Mexico	Township 23 South - Range 35 East, N.M.P.M. Sec. 36, SW/4SE/4	40.00	81-1644-0015	HBP	1/8	Devon Louisiana Corporation	Gustave Kruse Connie Lee Alexander Mary Laverne Underwood	3.1250% 1.5000% 1.5000%	Devon Louisiana Corporation	100.00%
6	State of New Mexico	Township 24 South - Range 35 East, N.M.P.M. Sec. 2, Lots 1, 2, 3, 4, S/2N/2, S/2 (All)	640.76	V-9954	12/1/2018	1/8	Yates Petroleum Corporation	None	100%	Yates Petroleum Corporation	100.00%
			1920.76								

RECAPITULATION

1920.76	Acres of State of New Mexico Lands	100.00%
0	Acres of Fee Lands	0.00%
1920.76	Acres	100.00%

Total



hinklelawfirm.com

HINKLE SHANOR LLP

ATTORNEYS AT LAW

PO BOX 2068

SANTA FE, NEW MEXICO 87504

505-982-4554 (FAX) 505-982-8623

WRITER:

Gary W. Larson,
Partner

glarson@hinklelawfirm.com

June 19, 2015

VIA CERTIFIED MAIL

State of New Mexico Commissioner of Public Lands
Attn: Mr. Pete Martinez
310 Old Santa Fe Trail
Santa Fe, NM 87504

Re: Yates Petroleum Corporation NMOCD Application

Dear Mr. Martinez:

Enclosed is a copy of an application for approval of the Tomorrow State Exploratory Unit that Yates Petroleum Corporation ("Yates") has filed with the New Mexico Oil Conservation Division ("the Division"). The proposed exploratory unit is comprised of Sections 35 and 36, Township 23 South, Range 35 East and Section 2, Township 24 South, Range 35 East, N.M.P.M., Lea County, New Mexico.

This matter (Division Case No. 15342) is scheduled for hearing at 8:15 a.m. on Thursday, July 9, 2015 in Porter Hall at the Division's offices located at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear at the hearing and present testimony. If you do not appear at that time and become a party of record you will be precluded from contesting the matter at a later date.

A party appearing in a Division case is required by the Division's Rules to file a Pre-Hearing Statement, which in this matter must be filed no later than Thursday July 2, 2015. The Pre-Hearing Statement must be filed with the Division's Santa Fe office at the address above, and should include: the name of the party and the party's attorney; a concise statement of the case; the name(s) of the witness(es) the party will call to testify at the hearing; the approximate amount of time the party will need to present the party's case; and an identification of any procedural matters that need to be resolved prior to the hearing. The Pre-Hearing Statement must also be provided to me.

Thank you for your attention to this matter.

Very truly yours,

Gary W. Larson

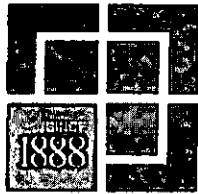
Exhibit
E

GWL:rc
Enclosure

PO BOX 10
ROSWELL, NEW MEXICO 88202
575-622-8510
(FAX) 575-623-9332

PO BOX 1720
ARTESIA, NEW MEXICO 88210
575-622-6510
(FAX) 575-746-6316

PO BOX 2068
SANTA FE, NEW MEXICO 87504
505-982-4554
(FAX) 505-982-8623



hinklelawfirm.com

HINKLE SHANOR LLP

ATTORNEYS AT LAW

PO BOX 2088

SANTA FE, NEW MEXICO 87504

505-982-4554 (FAX) 505-982-8623

WRITER

Gary W. Larson,
Partner

glarson@hinklelawfirm.com

June 19, 2015

VIA CERTIFIED MAIL

Kathy F. Blick, Land Advisor
Devon Energy Corporation
333 West Sheridan Avenue
Oklahoma City, OK 73102

Re: Yates Petroleum Corporation NMOCD Application

Dear Ms. Blick:

Enclosed is a copy of an application for approval of the Tomorrow State Exploratory Unit that Yates Petroleum Corporation ("Yates") has filed with the New Mexico Oil Conservation Division ("the Division"). The proposed exploratory unit is comprised of Sections 35 and 36, Township 23 South, Range 35 East and Section 2, Township 24 South, Range 35 East, N.M.P.M., Lea County, New Mexico.

This matter (Division Case No. 15342) is scheduled for hearing at 8:15 a.m. on Thursday, July 9, 2015 in Porter Hall at the Division's offices located at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear at the hearing and present testimony. If you do not appear at that time and become a party of record you will be precluded from contesting the matter at a later date.

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Thank you for your attention to this matter.

Very truly yours,

Gary W. Larson

GWL:rc
Enclosure

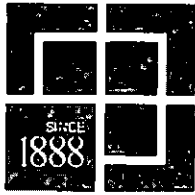
PO BOX 10
ROSWELL, NEW MEXICO 88202
575-622-6510
(FAX) 575-623-9332

PO BOX 1720
ARTESIA, NEW MEXICO 88210
575-622-6510
(FAX) 575-746-8318

PO BOX 2088
SANTA FE, NEW MEXICO 87504
505-982-4554
(FAX) 505-982-8623

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<p><input type="checkbox"/> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</p> <p><input type="checkbox"/> Print your name and address on the reverse so that we can return the card to you.</p> <p><input type="checkbox"/> Attach this card to the back of the mailpiece, or on the front if space permits.</p> <p>1. Article Addressed to:</p> <p style="font-size: 1.2em;">Kathy F. Blick, Land Advisor Devon Energy Corporation 333 West Sheridan Ave. Oklahoma City, OK 73102</p>	<p>A. Signature X <i>David Correll</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) _____</p> <p>C. Date of Delivery JUN 17 2013</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p>
<p>2. Article Number (Transfer from service label) 7012 0470 0001 5963 2663</p>	
<p>PS Form 3811, July 2013 Domestic Return Receipt</p>	

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<p><input type="checkbox"/> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</p> <p><input type="checkbox"/> Print your name and address on the reverse so that we can return the card to you.</p> <p><input type="checkbox"/> Attach this card to the back of the mailpiece, or on the front if space permits.</p> <p>1. Article Addressed to:</p> <p style="font-size: 1.2em;">State of New Mexico Commissioner of Public Lands Attn: Mr. Pete Martinez 310 Old Santa Fe Trail Santa Fe, NM 87504</p>	<p>A. Signature X <i>[Signature]</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) _____</p> <p>C. Date of Delivery _____</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p>
<p>2. Article Number (Transfer from service label) 7012 0470 0001 5963 5411</p>	
<p>PS Form 3811, July 2013 Domestic Return Receipt</p>	



HINKLE SHANOR LLP
ATTORNEYS AT LAW
PO BOX 2068
SANTA FE, NEW MEXICO 87504
505-982-4554 (FAX) 505-982-8623

WRITER:
Gary W. Larson,
Partner
glarson@hinklelawfirm.com

June 29, 2015

VIA EMAIL

Oxy Y-I Company
Attention: Land Manager – Permian Basin
P.O. Box 4294
Houston, TX 77210-4294

Re: Yates Petroleum Corporation NMOCD Application

Dear Madam/Sir:

Enclosed is a copy of an application for approval of the Tomorrow State Exploratory Unit that Yates Petroleum Corporation ("Yates") has filed with the New Mexico Oil Conservation Division ("the Division"). The proposed exploratory unit is comprised of Sections 35 and 36, Township 23 South, Range 35 East and Section 2, Township 24 South, Range 35 East, N.M.P.M., Lea County, New Mexico.

This matter (Division Case No. 15342) is scheduled for hearing at 8:15 a.m. on Thursday, July 9, 2015 in Porter Hall at the Division's offices located at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear at the hearing and present testimony. If you do not appear at that time and become a party of record you will be precluded from contesting the matter at a later date.

A party appearing in a Division case is required by the Division's Rules to file a Pre-Hearing Statement, which in this matter must be filed no later than Thursday July 2, 2015. The Pre-Hearing Statement must be filed with the Division's Santa Fe office at the address above, and should include: the name of the party and the party's attorney; a concise statement of the case; the name(s) of the witness(es) the party will call to testify at the hearing; the approximate amount of time the party will need to present the party's case; and an identification of any procedural matters that need to be resolved prior to the hearing. The Pre-Hearing Statement must also be provided to me.

Thank you for your attention to this matter.

Very truly yours,

Gary W. Larson

**Exhibit
F**

GWL:rc
Enclosure

PO BOX 10
ROSWELL, NEW MEXICO 88202
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PO BOX 1720
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575-822-8510
(FAX) 575-746-8318

PO BOX 2068
SANTA FE, NEW MEXICO 87504
505-982-4554
(FAX) 505-982-8623



OXY Y-1 Company
A subsidiary of Occidental Petroleum Corporation

5 Greenway Plaza, Suite 110, Houston, Texas 77046-0521
P.O. Box 4294, Houston, Texas 77210-4294
Phone 713.366.5768

June 29, 2015

Yates Petroleum Corporation
Attn: Chuck Moran
105 South Fourth Street
Artesia, New Mexico 88210-2118

Sent via email to: CMoran@yatespetroleum.com

Re: Waiver of right to 20-day notice
Tomorrow State Exploratory Unit
Lea County, New Mexico

Dear Mr. Moran:

Notwithstanding the fact OXY Y-1 Company ("OXY") did not receive notice within 20 days of Yates Petroleum Corporation's ("Yates") hearing with the New Mexico Oil Conservation Division regarding Case No. 15342 in which Yates seeks approval of the Tomorrow State Exploratory Unit, OXY hereby waives its right to said 20-day notice period and does not object to the application.

If you have any questions or concerns, please contact me at (713) 366-5768.

Respectfully,

A handwritten signature in black ink, appearing to read "Joel Johnson".

Joel Johnson
Land Negotiator



Aubrey Dunn
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

July 8, 2015

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Attention: Mr. Chuck Moran

Re: Preliminary Approval
Proposed Tomorrow State Exploratory Unit
Lea County, New Mexico

Dear Mr. Moran:

This office has received the unexecuted copy of the unit agreement, which you have submitted for the proposed Tomorrow State Exploratory Unit area, Lea County, New Mexico. This 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 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. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.


Exhibit
G

Yates Petroleum Corporation
July 8, 2015
Page 2

5. Please submit two copies of the Unit Agreement.
6. A copy of the Unit Operating Agreement (if applicable).
7. Copies of all the well records/reports for the initial unit well.
8. The filing fee for a unit agreement is \$30 (thirty dollars) for every section or partial section thereof. Please submit a \$90 (ninety dollar) filing fee.

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

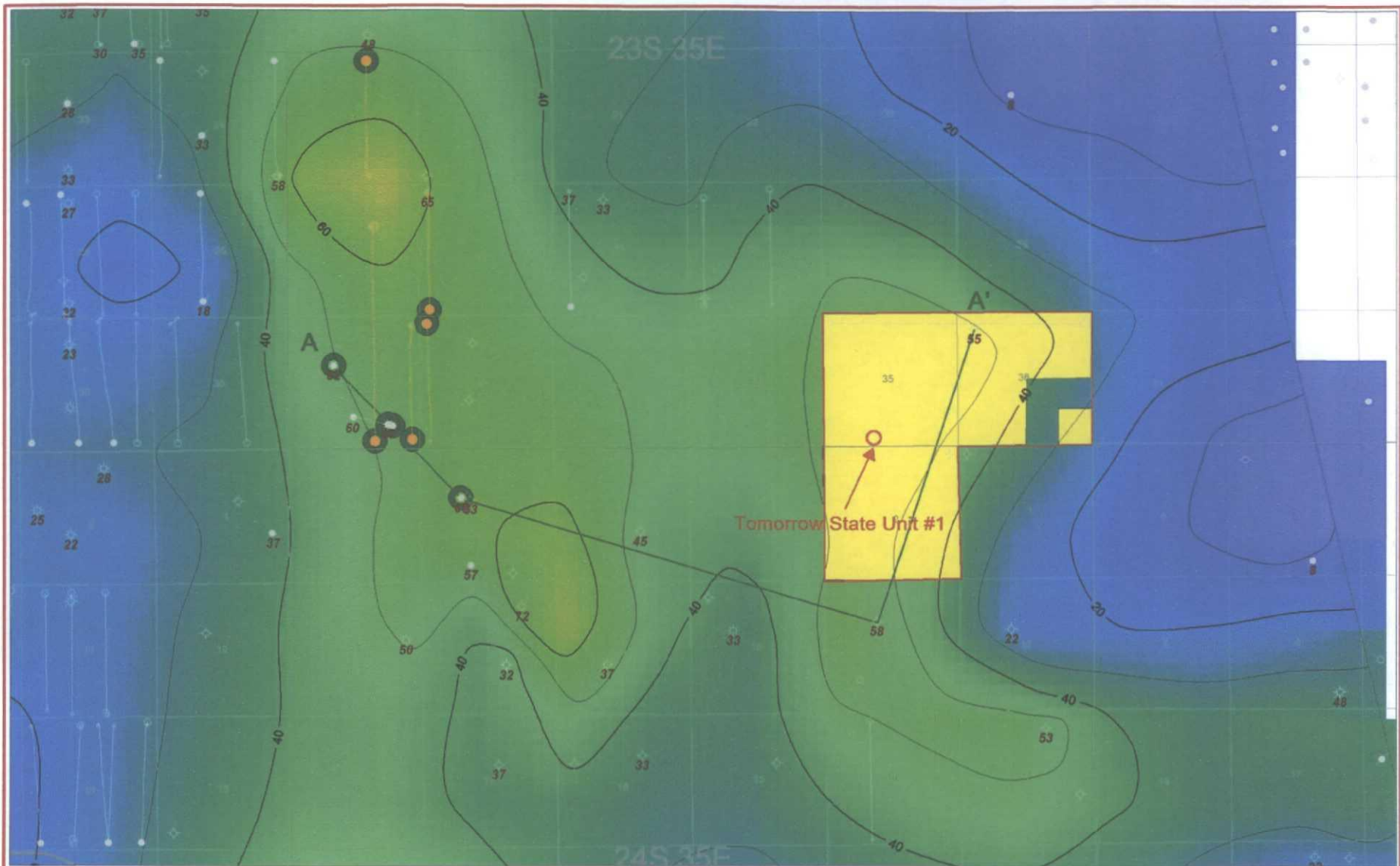
Very truly yours,


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

Exhibit
H



4500 0 4500 9000 13500 ft



Tomorrow State Unit
 Joseph of L. Brady Canyon,
 BRSC CDS Target Interval
 (Target value is 250)
 Orange wells = L. Brady Canyon intersecting wells
 Green wells = wells producing from BRSC CDS interval
 (Visible at BRSC on horizontal wells)

Author:	From:
1/1/11	1/1/11
Geological Section: 1/1	

Yates Petroleum Corporation
Tomorrow State Unit
West-East Stratigraphic Cross-Section A-A'
Datum: Lower Brushy Canyon marker

