

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

APPLICATION OF TORCH ENERGY SERVICES, INC. FOR APPROVAL OF A
UNIT AGREEMENT, ROOSEVELT COUNTY, NEW MEXICO.

CASE NO. 14495

AFFIDAVIT OF LOUIS J. MAZZULLO

STATE OF COLORADO)

) ss.

COUNTY OF DENVER)

I, Louis J. Mazzullo, being first duly sworn on oath, states as follows:

1. My name is Louis J. Mazzullo. I reside in Denver, Colorado. I am the contract petroleum geologist employed by Torch Energy Services, Inc. ("Torch") who is responsible for the San Juan Mesa 4-30 Exploratory Unit ("the Unit") comprised of 9160 acres, more or less, of State of New Mexico, and Fee land situated in Roosevelt County, New Mexico. The horizontal limits of said Unit Area are described as follows:

Township 4 South, Range 30 East, N.M.P.M.

Section 1: SE/4
Section 3: S/2
Section 9: All
Section 10: All
Section 11: NW/4, S/2 NE/4, SE/4, S/2 SW/4
Section 12: N/2 N/2, S/2 NE/4, W/2 SW/4
Section 14: N/2, S/2 SE/4
Section 15: All
Section 16: All
Section 17: E/2
Section 20: All
Section 21: All
Section 22: All
Section 23: NW/4, W/2 NE/4, S/2
Section 26: N/2
Section 27: All
Section 28: All
Section 29: N/2, NE/4 SE/4, SW/4

2. Torch Energy Services, Inc., designated Unit Operator in the San Juan Mesa 4-30 Exploratory Unit Agreement, proposes the formation of the Unit to test all formations from the surface to the base of the Fusselman-Montoya formation.

3. The initial unit well will be drilled at a standard well location 660 feet from the North line and 660 feet from the East line of Section 16, Township 4 South, Range 30 East, NMPM, Roosevelt County, New Mexico to an approximate depth of 8,600 feet to test all formations from the surface to the top of the Fusselman-Montoya formation. The estimated costs for this well are \$748,240 dry hole cost and \$1,328,560 total well cost. (The AFE is attached as Exhibit 2).

4. Attachment A to the Affidavit is a copy of the Unit Agreement for the proposed San Juan Mesa 4-30 Unit. This agreement is on the New Mexico State Land Office State/Fee Unit Agreement form.

5. Attachment B to the Affidavit is the plat to the Unit Agreement that shows the boundaries of the San Juan Mesa 4-30 Unit and the location of the initial unit test well.

6. Attachment C to this Affidavit is a copy of Schedule B to the Unit Agreement for the San Juan Mesa 4-30 Unit that identifies the working interest ownership in the unit area. Approximately 100% of the working interest in the Unit Area is committed to the Unit.

7. The schedule under Attachment C to the Affidavit also identifies the royalty interest in the Unit Area. 100% of the royalty interest is owned by the State of New Mexico and fee owners. Attachment D to this Affidavit is a letter from the New Mexico Commissioner of Public Lands giving preliminary approval of the State Land Office to the proposed San Juan Mesa 4-30 Unit.

8. All of Torch's interests in the Unit Area have been committed to the Unit.

9. Attachment E to this affidavit is a Fusselman-Montoya isopach map and shows possible oil/gas traps by red shading, and possible locations by yellow stars.

10. Attachment F is Cross-Section A-A' and shows structural cross-section incorporating the only three deep wells around the prospect area. The production symbols are aside those intervals that are potentially productive on the prospect. The primary targets are carbonates of the Fusselman-Montoya where they either build depositionally or truncate against several faults that punctuate the area; Cisco mounds that developed either as lowstand, prograding sequences off the flanks of the faults, or as small, amalgamated platform deposits; and Strawn-Atoka sands that were eroded off the reactivated fault blocks.

11. The unit covers an area that can be reasonably developed under a unit plan.

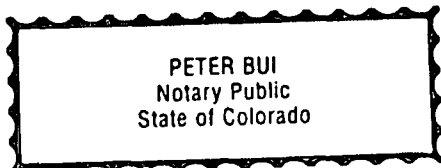
12. The primary target is the Fusselman-Montoya formation. Secondary targets include the Strawn-Atoka formation and Cisco-Canyon carbonate mounds.

13. If the initial unit well is successful, additional wells will be drilled in the Unit Area. Accordingly, approval of the unit agreement will result in the efficient recovery of hydrocarbons.

14. Approval of the San Juan Mesa 4-30 Exploratory Unit and the development of the Unit Area pursuant to a unit plan is in the best interest of conservation, the prevention of waste and the protection of correlative rights.


FURTHER AFFIANT SAYETH NOT.

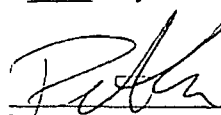
SUBSCRIBED AND SWORN before me on this 22ND day of June, 2010.



My Commission Expires:

~~My Commission Expires~~
July 31, 2013





Notary Public

STATE / FEE EXPLORATORY UNIT

[Revised February 12, 2004]

UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION

OF THE

SAN JUAN MESA 4-30 UNIT AREA

ROOSEVELT COUNTY, NEW MEXICO

NO. _____

ATTACHMENT A

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
SAN JUAN MESA 4-30 UNIT AREA
ROOSEVELT COUNTY, NEW MEXICO

NO. _____

TABLE OF CONTENTS by Section Numbers

Section

1. UNIT AREA
 2. UNITIZED SUBSTANCES
 3. UNIT OPERATOR
 4. RESIGNATION OR REMOVAL OF UNIT OPERATOR
 5. SUCCESSOR UNIT OPERATOR
 6. ACCOUNTING PROVISIONS
 7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR
 8. DRILLING TO DISCOVERY
 9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES
 10. PARTICIPATION AFTER DISCOVERY
 11. ALLOCATION OF PRODUCTION
 12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES
 13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA
 14. CONSERVATION
 15. DRAINAGE
 16. COVENANTS RUN WITH LAND
 17. EFFECTIVE DATE AND TERM
 18. RATE OF PRODUCTION
 19. APPEARANCES
 20. NOTICES
 21. LOSS OF TITLE
 22. SUBSEQUENT JOINDER
 23. COUNTERPARTS
- EXHIBIT "A". MAP OF UNIT AREA
- EXHIBIT "B". SCHEDULE OF OWNERSHIP
- EXHIBIT "C". SCHEDULE OF TRACT PARTICIPATION

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE

SAN JUAN MESA 4-30 UNIT AREA
ROOSEVELT COUNTY, NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the _____ day of _____, 2010, 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 (NMSA 1978, §§19-10-45, 19-10-46, as amended) 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 (NMSA 1978, §19-10-47, as amended) 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, Minerals and Natural Resources Department of the State of New Mexico (hereinafter referred to as the "Division"), is authorized by an Act of the Legislature (NMSA 1978, §70-2-1 et seq., as amended) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the San Juan Mesa 4-30 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 4 South, Range 30 East, N.M.P.M.

Sections: 1 (SE/4)
3 (S/2)
9 (All)
10 (All)

11 (NW/4, S/2 NE/4, SE/4 and S/2 SW/4)
12 (N/2 N/2, S/2 NE/4 and W/2 SW/4)
14 (N/2 and S/2 SE/4)
15 (All)
16 (All)
17 (E/2)
20 (All)
21 (All)
22 (All)
23 (NW/4, W/2 NE/4 and S/2)
26 (N/2)
27 (All)
28 (All)
29 (N/2, NE/4 SE/4 and SW/4)

Containing 9,160 acres, more or less, in Roosevelt County, New Mexico.

The land within the unit boundary that is not committed to this unit area is the N/2 SW/4 of Section 11 containing 80 acres, more or less.

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: Torch Energy Services, Inc., whose address is 1331 Lamar, Suite 1450, Houston, Texas 77010 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 and penetrate the Fusselman-Montoya 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 8,600 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 (6) 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 (6) months from the time of the completion of the initial discovery well and within thirty (30) days after the expiration of each twelve month 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 month 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 boundary 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: All rentals due to the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

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 re-pressuring, 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

Torch Energy Services, Inc.

By: _____
John J. Lendrum, III
President

Date of Execution: _____, 2010

UNIT WORKING INTEREST OWNER

NM Back Nine Exploration Partners, LLC

By: _____
John J. Lendrum, III
President

Date of Execution: _____, 2010

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

Acknowledgment in an Individual Capacity

This instrument was acknowledged before me on _____, 2010 by John J. Lendrum, III, in his capacity as President of Torch Energy Services, Inc., a Texas corporation, on behalf of said corporation.

(Seal)

Signature of Notarial Officer

My commission expires: _____

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

Acknowledgment in an Individual Capacity

This instrument was acknowledged before me on _____, 2010 by John J. Lendrum, III, in his capacity as President of NM Back Nine Exploration Partners, LLC, a Texas limited liability company, on behalf of said company.

(Seal)

Signature of Notarial Officer

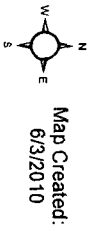
My commission expires: _____

**EXHIBIT "A" MAP OF UNIT AREA
SAN JUAN MESA 4-30 EXPLORATORY UNIT
ROOSEVELT COUNTY, NEW MEXICO**

T3S R30E

T3S R31E

- ☐ Fee Lands
- ☒ State of NM Lands
- ☐ Unit Area Boundary



T4S R29E

T4S R31E

T5S R29E

T5S R30E

T5S R31E

ATTACHMENT B

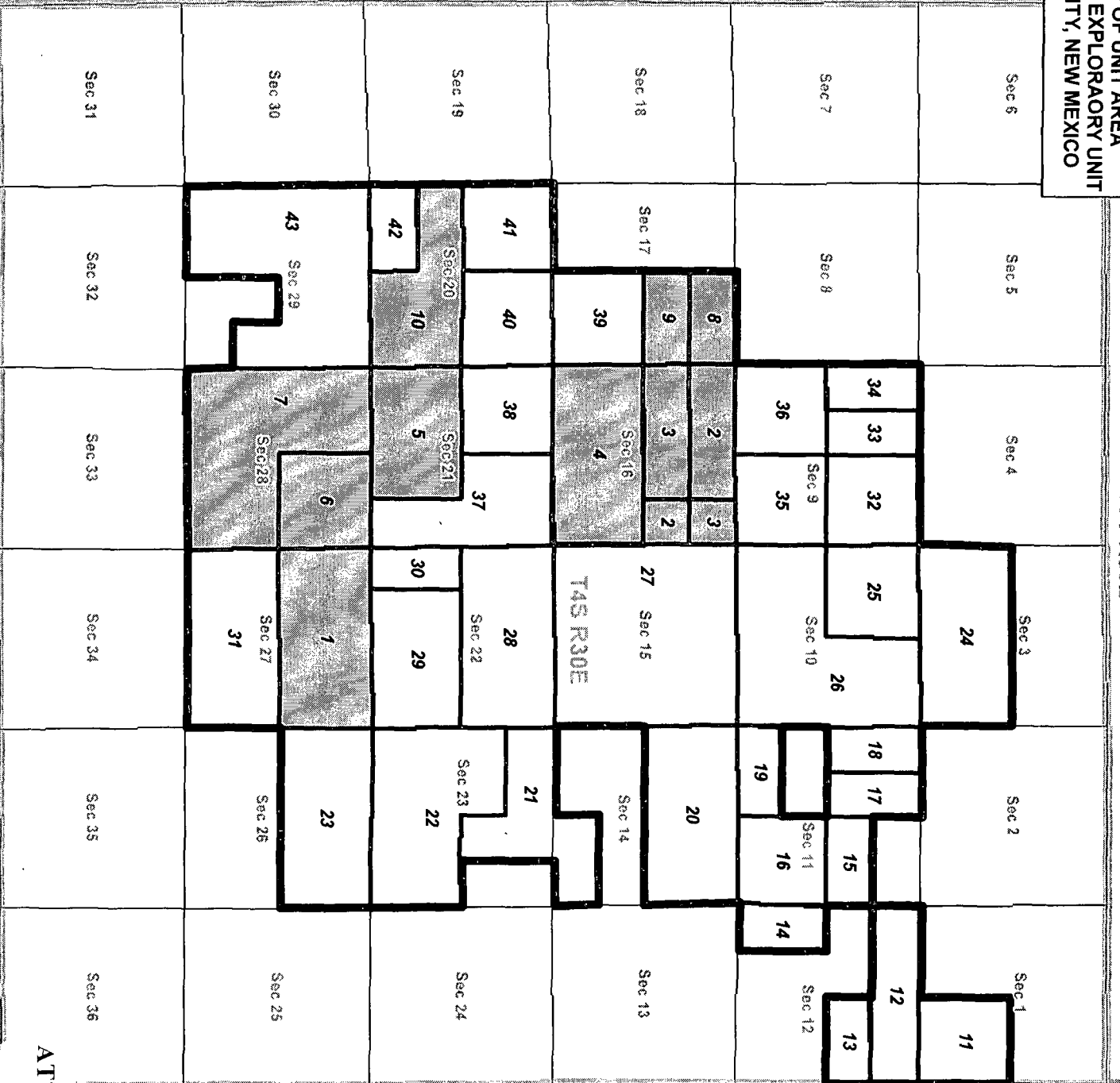


EXHIBIT "B" SCHEDULE OF OWNERSHIP

Schedule Showing All Lands and Leases
Within the San Juan Mesa 4-30 Exploratory Unit

Roosevelt County, New Mexico

Tract #	Description of Lands	Acres	State of New Mexico Serial Number or Lease Name	Basic Royalty	Lessee of Record	Working Interest	Recording	Expiration
1	N2 SEC 27 T 4 S R 30 E	320	ST NM VO-7853-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		9/1/2011
2	NWNE, SENE & N2NW SEC 16 T 4 S R 30 E	160	ST NM VO-8006-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		5/1/2012
3	NENE, SWNE & S2NW SEC 16 T 4 S R 30 E	160	ST NM VO-7865-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		10/1/2011
4	S2 SEC 16 T 4 S R 30 E	320	ST NM VO-7886-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		10/1/2011
5	SW & W2SE SEC 21 T 4 S R 30 E	240	ST NM VO-7840-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		9/1/2011
6	NE SEC 28 T 4 S R 30 E	160	ST NM VO-7854-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		9/1/2011
7	W2 & SE SEC 28 T 4 S R 30 E	480	ST NM VO-7841-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		9/1/2011
8	N2NE SEC 17 T 4 S R 30 E	80	ST NM VO-8019-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		5/1/2012
9	S2NE SEC 17 T 4 S R 30 E	80	ST NM VO-7887-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		10/1/2011
10	N2SW & SE SEC 20 T 4 S R 30 E	240	ST NM VO-7852-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		9/1/2011
11	SE SEC 1 T 4 S R 30 E	160	CAMPBELL, LINDA K. HOLMES, TOMMY L. SHAW, CAROLYN E.	0.1250 0.1250 0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C. NM BACK NINE EXPLORATION PARTNERS, L.L.C. NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100% 100% 100%	BK 152 PG 942 BK 152 PG 936 BK 157 PG 741	3/4/2011 3/4/2011 3/4/2011

EXHIBIT "B" SCHEDULE OF OWNERSHIP

Schedule Showing All Lands and Leases
Within the San Juan Mesa 4-30 Exploratory Unit
Roosevelt County, New Mexico

Tract #	Description of Lands			Acres	State of New Mexico Serial Number or Lease Name	Basic Royalty	Lessee of Record	Working Interest	Recording	Expiration
12	N2N2	SEC 12	T 4 S R 30 E	160	HOWARD, DAN ET. UX	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 563	8/10/2010
13	S2NE	SEC 12	T 4 S R 30 E	80	HOWARD, DAN ET. UX	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 563	8/10/2010
					BOONE IV, PATRICK ET. UX.	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 558	8/10/2010
14	W2SW	SEC 12	T 4 S R 30 E	80	HOWARD, DAN ET. UX	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 563	8/10/2010
15	S2NE	SEC 11	T 4 S R 30 E	80	HOWARD, DAN ET. UX	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 563	8/10/2010
					BOONE IV, PATRICK ET. UX.	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 558	8/10/2010
16	SE	SEC 11	T 4 S R 30 E	160	HOWARD, DAN ET. UX	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 563	8/10/2010
					BOONE IV, PATRICK ET. UX.	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 558	8/10/2010
17	E2NW	SEC 11	T 4 S R 30 E	80	HOWARD, DAN ET. UX	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 563	8/10/2010
18	W2NW	SEC 11	T 4 S R 30 E	80	HOWARD, DAN ET. UX	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 563	8/10/2010
					BOONE IV, PATRICK ET. UX.	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 558	8/10/2010
19	S2SW	SEC 11	T 4 S R 30 E	80	HOWARD, DAN ET. UX	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 563	8/10/2010
					BOONE IV, PATRICK ET. UX.	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 558	8/10/2010
20	N2	SEC 14	T 4 S R 30 E	320	HOWARD, DAN ET. UX	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 563	8/10/2010
21	S2SE N2NW & W2NE	SEC 14 SEC 23	T 4 S R 30 E T 4 S R 30 E	80 160	HOWARD, DAN ET. UX	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 563	8/10/2010

EXHIBIT "B" SCHEDULE OF OWNERSHIP

Schedule Showing All Lands and Leases
Within the San Juan Mesa 4-30 Exploratory Unit

Roosevelt County, New Mexico

Tract #	Description of Lands			Acres	State of New Mexico Serial Number or Lease Name	Basic Royalty	Lessee of Record	Working Interest	Recording	Expiration
22	S2NW 8 S2	SEC 23	T 4 S	R 30 E	400	HOWARD, DAN ET. UX	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 563	8/10/2010
						0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 558	8/10/2010
						0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 157 PG 744	3/29/2011
						0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 155 PG 858	3/29/2011
						0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 933	3/29/2011
23	N2	SEC 26	T 4 S	R 30 E	320	HOWARD, DAN ET. UX	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 563	8/10/2010
						0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 558	8/10/2010
						0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 157 PG 744	3/29/2011
						0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 155 PG 858	3/29/2011
						0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 933	3/29/2011

EXHIBIT "B" SCHEDULE OF OWNERSHIP

Schedule Showing All Lands and Leases
Within the San Juan Mesa 4-30 Exploratory Unit
Roosevelt County, New Mexico

Tract #	Description of Lands	Acres	State of New Mexico Serial Number or Lease Name	Basic Royalty	Lessee of Record	Working Interest	Recording	Expiration
24	S2 SEC 3 T 4 S R 30 E	320	ANTHONY, WANDA JEAN HOLMES, ET. VIR.	0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 953	1/4/2011
			ARNOLD, KERRY LEE	0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 955	3/4/2011
			CAMPBELL, LINDA K.	0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 942	3/4/2011
			HOLMES, HAZEL M.	0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 939	3/4/2011
			HOLMES, SHAWN EDWARD	0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 154 PG 239	3/4/2011
			HOLMES, TOMMY L.	0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 936	3/4/2011
			NIDAY, CAROL	0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 961	1/3/2011
			RIORDAN, JESSIE L.	0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 963	3/4/2011
			RUSHING, DONALD J.	0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 965	1/3/2011
			RUSHING JR., PAUL J.	0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 967	1/3/2011
			SHAW, CAROLYN E.	0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 157 PG 741	3/4/2011
25	NW SEC 10 T 4 S R 30 E	160	MARSHALL & WINSTON, INC.	0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 160 PG 693	8/14/2011
			FRANCISCA S. WINSTON TRUST	0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 161 PG 319	8/14/2011

EXHIBIT "B" SCHEDULE OF OWNERSHIP

Schedule Showing All Lands and Leases
Within the San Juan Mesa 4-30 Exploratory Unit
Roosevelt County, New Mexico

Tract #	Description of Lands			Acres	State of New Mexico Serial Number or Lease Name	Basic Royalty	Lessee of Record	Working Interest	Recording	Expiration
26	NE & S2	SEC 10	T 4 S	R 30 E	BOONE IV, PATRICK ET. UX.	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 558	8/10/2010
						0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 157 PG 744	3/29/2011
						0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 155 PG 858	3/29/2011
						0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 933	3/29/2011
27	ALL	SEC 15	T 4 S	R 30 E	HOWARD, DAN ET. UX	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 563	8/10/2010
						0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 558	8/10/2010
						0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 157 PG 744	3/29/2011
						0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 155 PG 858	3/29/2011
					STOCKTON, JANE MALONE	0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 933	3/29/2011
28	N2	SEC 22	T 4 S	R 30 E	BOONE IV, PATRICK ET. UX.	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 558	8/10/2010
						0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 157 PG 744	3/29/2011
						0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 155 PG 858	3/29/2011
						0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 933	3/29/2011

EXHIBIT "B" SCHEDULE OF OWNERSHIP

Schedule Showing All Lands and Leases
Within the San Juan Mesa 4-30 Exploratory Unit
Roosevelt County, New Mexico

Tract #	Description of Lands			Acres	State of New Mexico Serial Number or Lease Name	Basic Royalty	Lessee of Record	Working Interest	Recording	Expiration
29	SE & E2SW	SEC 22	T 4 S	R 30 E	HOWARD, DAN ET. UX	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 563	8/10/2010
					BOONE IV, PATRICK ET. UX.	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 558	8/10/2010
					MALONE JR., CHARLES F.	0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 157 PG 744	3/29/2011
					MALONE, KATHERINE ANN	0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 155 PG 858	3/29/2011
30	W2SW	SEC 22	T 4 S	R 30 E	STOCKTON, JANE MALONE	0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 933	3/29/2011
					HOWARD, DAN ET. UX	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 563	8/10/2010
					BOONE IV, PATRICK ET. UX.	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 558	8/10/2010
					MALONE JR., CHARLES F.	0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 157 PG 744	3/29/2011
31	S2	SEC 27	T 4 S	R 30 E	MALONE, KATHERINE ANN	0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 155 PG 858	3/29/2011
					STOCKTON, JANE MALONE	0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 933	3/29/2011
					HOWARD, DAN ET. UX	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 563	8/10/2010
					BOONE IV, PATRICK ET. UX.	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 558	8/10/2010

EXHIBIT "B" SCHEDULE OF OWNERSHIP

Schedule Showing All Lands and Leases

Within the San Juan Mesa 4-30 Exploratory Unit

Roosevelt County, New Mexico

Tract #	Description of Lands			Acres	State of New Mexico Serial Number or Lease Name	Basic Royalty	Lessee of Record	Working Interest	Recording	Expiration
32	NE	SEC 9	T 4 S	R 30 E	HOWARD, DAN ET. UX	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 563	8/10/2010
					BOONE IV, PATRICK ET. UX.	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 558	8/10/2010
					BURKETT, JERRY	0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 160 PG 691	8/8/2011
					MARSHALL & WINSTON, INC.	0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 160 PG 693	8/14/2011
					FRANCISCA S. WINSTON TRUST	0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 161 PG 319	8/14/2011
33	E2NW	SEC 9	T 4 S	R 30 E	CAMPBELL, LINDA K.	0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 942	3/4/2011
					HOLMES, HAZEL M.	0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 939	3/4/2011
					HOLMES, TOMMY L.	0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 936	3/4/2011
					SHAW, CAROLYN E.	0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 157 PG 741	3/4/2011
34	W2NW	SEC 9	T 4 S	R 30 E	BEVERAGE, ALVERNA S.	0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 957	2/17/2011
					SHORT, THERESA R.	0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 156 PG 546	2/14/2011
					KERR, CAROLINE C.	0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 959	2/17/2011
					STOWELL, ALICE B.	0.1250	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 969	12/28/2010

EXHIBIT "B" SCHEDULE OF OWNERSHIP

Schedule Showing All Lands and Leases
Within the San Juan Mesa 4-30 Exploratory Unit
Roosevelt County, New Mexico

Tract #	Description of Lands			Acres	State of New Mexico Serial Number or Lease Name	Basic Royalty	Lessee of Record	Working Interest	Recording	Expiration
35	SE	SEC 9	T 4 S	R 30 E	HOWARD, DAN ET. UX	0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 563	8/10/2010
						0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 558	8/10/2010
						0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 157 PG 744	3/29/2011
						0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 155 PG 858	3/29/2011
36	SW	SEC 9	T 4 S	R 30 E	STOCKTON, JANE MALONE	0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 152 PG 933	3/29/2011
						0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 563	8/10/2010
						0.2000	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 558	8/10/2010
						0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 160 PG 693	8/14/2011
37	NE & E2SE	SEC 21	T 4 S	R 30 E	MARSHALL & WINSTON, INC.	0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 161 PG 319	8/14/2011
						0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 174 PG 558	8/10/2010
						0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 157 PG 744	3/29/2011
						0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 155 PG 858	3/29/2011

EXHIBIT "B" SCHEDULE OF OWNERSHIP

Schedule Showing All Lands and Leases
Within the San Juan Mesa 4-30 Exploratory Unit

Roosevelt County, New Mexico

Tract #	Description of Lands	Acres	State of New Mexico Serial Number or Lease Name	Basic Royalty	Lessee of Record	Working Interest	Recording	Expiration
38	NW SEC 21 T 4 S R 30 E	160	ESTATE OF JAMES A. MURI FREDLUND, JOHN ET. UX. TONNSEN, JOHN J.	0.1667 0.1667 0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C. NM BACK NINE EXPLORATION PARTNERS, L.L.C. NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100% 100% 100%	BK 169 PG 225 BK 152 PG 945 BK 152 PG 949	11/26/2011 3/20/2011 3/20/2011
39	SE SEC 17 T 4 S R 30 E	160	HOWARD, DAN ET. UX BOONE IV, PATRICK ET. UX. MALONE JR., CHARLES F. MALONE, KATHERINE ANN STOCKTON, JANE MALONE	0.2000 0.2000 0.1875 0.1875 0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C. NM BACK NINE EXPLORATION PARTNERS, L.L.C. NM BACK NINE EXPLORATION PARTNERS, L.L.C. NM BACK NINE EXPLORATION PARTNERS, L.L.C. NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100% 100% 100% 100% 100%	BK 174 PG 563 BK 174 PG 558 BK 157 PG 744 BK 155 PG 858 BK 152 PG 933	8/10/2010 8/10/2010 3/29/2011 3/29/2011 3/29/2011
40	NE SEC 20 T 4 S R 30 E	160	ESTATE OF JAMES A. MURI FREDLUND, JOHN ET. UX. TONNSEN, JOHN J.	0.1667 0.1667 0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C. NM BACK NINE EXPLORATION PARTNERS, L.L.C. NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100% 100% 100%	BK 169 PG 225 BK 152 PG 945 BK 152 PG 949	11/26/2011 3/20/2011 3/20/2011
41	NW SEC 20 T 4 S R 30 E	160	HOWARD, DAN ET. UX BOONE IV, PATRICK ET. UX. MALONE JR., CHARLES F. MALONE, KATHERINE ANN STOCKTON, JANE MALONE	0.2000 0.2000 0.1875 0.1875 0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C. NM BACK NINE EXPLORATION PARTNERS, L.L.C. NM BACK NINE EXPLORATION PARTNERS, L.L.C. NM BACK NINE EXPLORATION PARTNERS, L.L.C. NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100% 100% 100% 100% 100%	BK 174 PG 563 BK 174 PG 558 BK 157 PG 744 BK 155 PG 858 BK 152 PG 933	8/10/2010 8/10/2010 3/29/2011 3/29/2011 3/29/2011

EXHIBIT "B" SCHEDULE OF OWNERSHIP

Schedule Showing All Lands and Leases
Within the San Juan Mesa 4-30 Exploratory Unit

Roosevelt County, New Mexico

Tract #	Description of lands	Acres	State of New Mexico Serial Number or Lease Name	Basic Royalty	Lessee of Record	Working Interest	Recording	Expiration
42	S2SW SEC 20 T 4 S R 30 E	80	ESTATE OF JAMES A. MURI FREDLUND, JOHN ET. UX. TONNSEN, JOHN J.	0.1667 0.1667 0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C. NM BACK NINE EXPLORATION PARTNERS, L.L.C. NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100% 100% 100%	BK 169 PG 225 BK 152 PG 945 BK 152 PG 949	11/26/2011 3/20/2011 3/20/2011
43	N2, SW & NESE SEC 29 T 4 S R 30 E	520	HOWARD, DAN ET. UX BOONE IV, PATRICK ET. UX. MALONE JR, CHARLES F. MALONE, KATHERINE ANN STOCKTON, JANE MALONE	0.2000 0.2000 0.1875 0.1875 0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C. NM BACK NINE EXPLORATION PARTNERS, L.L.C. NM BACK NINE EXPLORATION PARTNERS, L.L.C. NM BACK NINE EXPLORATION PARTNERS, L.L.C. NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100% 100% 100% 100% 100%	BK 174 PG 563 BK 174 PG 558 BK 157 PG 744 BK 155 PG 858 BK 152 PG 933	8/10/2010 8/10/2010 3/29/2011 3/29/2011 3/29/2011

RECAPITULATION

2240 Acres of State of New Mexico Lands	=	24.454148%
6920 Acres of Fee Lands	=	75.545852%
9160 Total Acres		100.000000%

*** No overriding royalty interests of record affecting any committed lands within the unit area. ***

EXHIBIT "C" SCHEDULE OF TRACT PARTICIPATION

Schedule Showing Tract Participation of All Lands
Within the San Juan Mesa 4-30 Exploratory Unit
Roosevelt County, New Mexico

Tract #	Description of Lands	Acres	State of New Mexico Serial Number	Tract Participation Factor
State Of New Mexico Lands				
1	N2 SEC 27 T 4 S R 30 E	320	ST NM V0-7853-0001	0.03493450
2	NWNE, SENE & N2NW SEC 16 T 4 S R 30 E	160	ST NM V0-8006-0001	0.01746725
3	NENE, SWNE & S2NW SEC 16 T 4 S R 30 E	160	ST NM V0-7865-0001	0.01746725
4	S2 SEC 16 T 4 S R 30 E	320	ST NM V0-7886-0001	0.03493450
5	SW & W2SE SEC 21 T 4 S R 30 E	240	ST NM V0-7840-0001	0.02620087
6	NE SEC 28 T 4 S R 30 E	160	ST NM V0-7854-0001	0.01746725
7	W2 & SE SEC 28 T 4 S R 30 E	480	ST NM V0-7841-0001	0.05240175
8	N2NE SEC 17 T 4 S R 30 E	80	ST NM V0-8019-0001	0.00873362
9	S2NE SEC 17 T 4 S R 30 E	80	ST NM V0-7887-0001	0.00873362
10	N2SW & SE SEC 20 T 4 S R 30 E	240	ST NM V0-7852-0001	0.02620087
Total State of New Mexico Lands				0.24454148
Fee Lands				
11	SE SEC 1 T 4 S R 30 E	160		0.01746725
12	N2N2 SEC 12 T 4 S R 30 E	160		0.01746725
13	S2NE SEC 12 T 4 S R 30 E	80		0.00873362
14	W2SW SEC 12 T 4 S R 30 E	80		0.00873362
15	S2NE SEC 11 T 4 S R 30 E	80		0.00873362
16	SE SEC 11 T 4 S R 30 E	160		0.01746725
17	E2NW SEC 11 T 4 S R 30 E	80		0.00873362
18	W2NW SEC 11 T 4 S R 30 E	80		0.00873362
19	S2SW SEC 11 T 4 S R 30 E	80		0.00873362
20	N2 SEC 14 T 4 S R 30 E	320		0.03493450
21	S2SE SEC 14 T 4 S R 30 E	80		0.00873362
	N2NW & W2NE SEC 23 T 4 S R 30 E	160		0.01746725
22	S2NW & S2 SEC 23 T 4 S R 30 E	400		0.04366812
23	N2 SEC 26 T 4 S R 30 E	320		0.03493450
24	S2 SEC 3 T 4 S R 30 E	320		0.03493450
25	NW SEC 10 T 4 S R 30 E	160		0.01746725
26	NE & S2 SEC 10 T 4 S R 30 E	480		0.05240175
27	ALL SEC 15 T 4 S R 30 E	640		0.06986900
28	N2 SEC 22 T 4 S R 30 E	320		0.03493450
29	SE & E2SW SEC 22 T 4 S R 30 E	240		0.02620087
30	W2SW SEC 22 T 4 S R 30 E	80		0.00873362
31	S2 SEC 27 T 4 S R 30 E	320		0.03493450
32	NE SEC 9 T 4 S R 30 E	160		0.01746725
33	E2NW SEC 9 T 4 S R 30 E	80		0.00873362

EXHIBIT "C" SCHEDULE OF TRACT PARTICIPATION

Schedule Showing Tract Participation of All Lands

Within the San Juan Mesa 4-30 Exploratory Unit

Roosevelt County, New Mexico

Tract #	Description of Lands	Acres	State of New Mexico Serial Number	Tract Participation Factor
34	W2NW SEC 9 T 4 S R 30 E	80		0.00873362
35	SE SEC 9 T 4 S R 30 E	160		0.01746725
36	SW SEC 9 T 4 S R 30 E	160		0.01746725
37	NE & E2SE SEC 21 T 4 S R 30 E	240		0.02620087
38	NW SEC 21 T 4 S R 30 E	160		0.01746725
39	SE SEC 17 T 4 S R 30 E	160		0.01746725
40	NE SEC 20 T 4 S R 30 E	160		0.01746725
41	NW SEC 20 T 4 S R 30 E	160		0.01746725
42	S2SW SEC 20 T 4 S R 30 E	80		0.00873362
43	N2, SW & NESE SEC 29 T 4 S R 30 E	520		0.05676856
Total Fee Lands				0.75545852

Recapitulation			
	Unit Percentage	Total Acres	
Total State Of New Mexico Lands	24.454148%	2240	
Total Fee Lands	75.545852%	6920	
Total Unit Area	100%	9160	



PATRICK H. LYONS
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 17, 2010

Torch Energy Advisors
1331 Lamar, Suite 1450
Houston, Texas 77010-3039

Attention: Mr. R. Keith Turner

Re: Preliminary Approval
Proposed San Juan Mesa 4-30 Exploratory Unit
Roosevelt County, New Mexico

Dear Mr. Turner:

This office has received the unexecuted copy of the unit agreement, which you have submitted for the proposed San Juan Mesa 4-30 Exploratory Unit area, Roosevelt 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.

ATTACHMENT D

-State Land Office Beneficiaries -

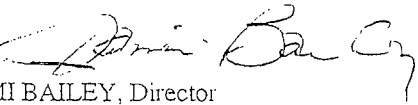
Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University

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 for the initial unit well.
8. The filing fee for a unit agreement is \$30 for every section or partial section thereof. Please submit a filing fee in the amount of \$510.00.
9. Please ratify the Agreement to Maintain the State's Tract Percentages. It is our understanding that the operator will hold the Commissioner of Public Lands, agents and employees harmless from any liability, loss, damages or expenses which may arise regarding any actions or misunderstandings by any Fee or other owners regarding the State's tract participation and approval of this unit.
10. Torch Energy Advisors, as operator, must submit a \$20,000 surface improvement damage bond.

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

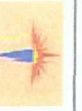
Very truly yours,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY: 
JAMI BAILEY, Director
Oil, Gas & Minerals Division
(505) 827-5744

PL/JB/pm

cc: OCD-Santa Fe, Attention: Mr. Ed Martin
Holland & Hart, Attention Ms. Ocean Munds-Dry



TORCH ENERGY ADVISORS

*San Juan Mesa Prospect
Roosevelt County, NM*

Geology by: Louis J. Mazzullo
Denver, Colorado

Structural cross-section incorporating the only 3 deep wells around the prospect area. The production symbols are aside those intervals that are potentially productive on the prospect. The primary targets are carbonates of the Silurian **Fusselman** and **Ordovician Montoya Formations** where they either build positionally or truncate against several faults that punctuate the area; **Cisco-Canyon carbonate mounds** that developed either as lowstand, prograding sequences off the flanks of the faults, or as small, amalgamated platform deposits; and **Strawn-Atoka** sands that were eroded off the reactivated fault blocks. There is also secondary potential from shallower Wolfcamp carbonates and Abo sands/dolomites. Analogs for these targets are found at Peterson and Peterson North Field to the east, and Foor Ranch Field to the southwest.

