

Submit 1 Copy To Appropriate District
Office -
District I - (575) 393-6161
1625 N. French Dr., Hobbs, NM 88240
District II - (575) 748-1283
811 S. First St., Artesia, NM 88210
District III - (505) 334-6178
1000 Rio Brazos Rd., Aztec, NM 87410
District IV - (505) 476-3460
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
Revised July 18, 2013

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-015-37849
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator Yates Petroleum Corporation		6. State Oil & Gas Lease No. VB-0669-001
3. Address of Operator 105 South Fourth Street, Artesia, NM 88210		7. Lease Name or Unit Agreement Name Herradura Unit
4. Well Location Unit Letter <u>B</u> : <u>510</u> feet from the <u>North</u> line and <u>1930</u> feet from the <u>East</u> line Section <u>4</u> Township <u>24S</u> Range <u>25E</u> NMPM <u>Eddy</u> County		8. Well Number 3
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3742' GR		9. OGRID Number 025575
		10. Pool name or Wildcat Carlsbad; Morrow, South

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:	SUBSEQUENT REPORT OF:
PERFORM REMEDIAL WORK <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>
DOWNHOLE COMMINGLE <input type="checkbox"/>	P AND A <input type="checkbox"/>
CLOSED-LOOP SYSTEM <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>
OTHER: <input type="checkbox"/>	OTHER: Name change <input checked="" type="checkbox"/>

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Former well name: Herradura Unit #3

New well name: Herradura BXA State #3

Effective 4/15

Property 316015

NM OIL CONSERVATION
ARTESIA DISTRICT

MAR 24 2016

RECEIVED

Spud Date:

Rig Release Date:

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Tina Huerta TITLE Regulatory Reporting Supervisor DATE March 22, 2016

Type or print name Tina Huerta E-mail address: tinah@yatespetroleum.com PHONE: 575-748-4168

For State Use Only

APPROVED BY: [Signature] TITLE Geologist DATE 4/9/16

Conditions of Approval (if any):



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Pecos District

Carlsbad Field Office

620 E. Greene

Carlsbad, New Mexico 88220-6292

www.blm.gov/um



NM124848X
3180 (P0220)

Reference:
Unit Termination
Herradura Unit – NMNM124848X
Eddy County, New Mexico

02/19/2016

RECEIVED
FEB 24 2016
YPC MAIL ROOM

CERTIFIED – RETURN RECEIPT REQUESTED:
7014 2120 0001 4869 6805

Yates Petroleum Corporation
104 South Fourth St.
Artesia, NM 88210-2118

Gentlemen:

The Herradura Unit (NM124848X), Eddy County, New Mexico, is terminated effective April 8, 2015, pursuant to 43 CFR 3186.1.20.b and per Unit Agreement Article 21(c), which states the following: "The term of this agreement shall remain in effect for such term and so long as Unitized Substances can be produced in paying quantities," and pursuant to Article 9, Drilling to Discovery.

Our records indicate the following:

- Herradura Unit well No.1 (30-015-37932) was a non-commercial Morrow gas well and is currently producing on a lease basis.
- Herradura Unit Well No. 3(30-015-37849) was also a non-commercial Morrow gas well and is currently producing on a lease basis.
- Herradura Unit Well No. 4H was plugged and abandoned on April 8,2015
- Pursuant to Article 9 of the Herradura unit Agreement, the initial Bone Spring well was never drilled or tested.

- There are no active participating areas in this unit.
- See attached NMSLO termination letter dated February 2, 2016.


Pursuant to 43 CFR 3183.4(b), Public Interest requirements have been fulfilled, and the following leases, NMNM105549, NMNM105873, NMNM105551 and NMNM105550 are entitled to a two year extension pursuant to 43 CFR 3107.3-2 and 3107.4. This two year extension will expire April 8, 2017.

Copies of this letter are being distributed to the appropriate Federal agencies. It is requested that you furnish notice of this termination to each working interest owner, lessee and lessor.

If you have any questions regarding this termination, please contact Edward G. Fernandez, Petroleum Engineer at (575) 234-2220.

A person contesting a decision shall request a State Director review. This request must be filed within 20 working days of receipt of the Notice with the appropriate State Director (see 43 CFR 3165.3). The State Director review decision may be appealed to the Interior Board of Land Appeals, 801 North Quincy Street, Suite 300, Arlington, VA 22203 (see 43 CFR 3165.4). Contact the above listed Bureau of Land Management office for further information.

Sincerely,


Stephen Caffey
Assistant Field Manager,
Lands and Minerals

cc:
ONRR, Denver (357B-1, Antoinette Contreras, Stacey Kaiser)
NM Taxation & Revenue Dept. (Revenue Processing Div.)
State of NM Commissioner of Public Lands
NM (9210)
NM (P0220-CFO, File Room)



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

February 2, 2016

Yates Petroleum Corporation
105 South Fourth Street
Artesia New Mexico 88210-2118

Attn: Ms. Janet Richardson

Re: Termination Notice
Herradura Unit Agreement
Eddy County, New Mexico

Dear Ms. Richardson:

Our records reflect that Yates Petroleum Corporation is operating the Herradura Unit area. The Herradura Unit contains 7,681.37 acres of State and Federal lands in Eddy County, New Mexico.

Our records also reflect the following:

- The Herradura Unit Agreement was approved to test the Bone Spring formation effective July 30, 2010.
- NMOCD Case No. 14473, Order No. R-13270 approved the Herradura Exploratory Unit for all formations from the surface to the base of the Bone Spring formation.
- The initial unit well, the Herradura Unit Well No. 1 (30-15-37932) NE/4NE/4 Sec. 16-24S-25E was a non-commercial Morrow gas well with a N/2 dedicated spacing unit. This well is currently being produced on a lease basis.
- The Herradura Unit Well No. 2H (30-015-37933) Lot 1, Sec. 2-24S-25E was proposed to test the Bone Spring formation. This well was never drilled.
- The Herradura Well No. 002H (30-015-41957) SE/4SE/4 Sec. 2-24S-25E was proposed to test the Bone spring formation. This well was never drilled.
- The (Herradura BQB State Well No. 1H) Herradura Well No. 3H (30-015-37849) Lot 2, Sec. 4-24S-25E was changed from a proposed horizontal Bone Spring well (W/2E/2) to a vertical Morrow gas well. The well name was subsequently changed to the Herradura Unit Well No. 3. This well was completed as a Morrow gas well on February 3, 2012 and has an E/2 320.00 acre proration unit dedicated to it. This well was determined non-commercial by our letter of September 23, 2013 and the BLM letter of March 26, 2013. This well is currently being produced on a lease basis.

Our letter of August 2, 2012 approved Yates Petroleum Corporation's request for a drilling extension to November 3, 2012 to drill the Unit Well No. 4.

- The Herradura Unit Well No. 4H, Lot 2, Section 4-24S-25E was spudded on August 3, 2012, drilled to 255' and Plugged and abandoned on April 8, 2015.

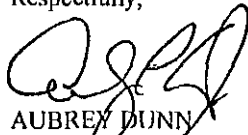
- Pursuant to Article 9 of the Herradura Unit Agreement, the initial Bone Spring well was never drilled or tested.
- There are no active participating areas in this unit.
- Your 2014 plan of development calls for no drilling and to evaluate production from the producing wells.

In view of the above, pursuant to Article 9, Drilling to Discovery, of the Herradura Unit Agreement, please be advised that the Commissioner of Public Lands has this date terminated the Herradura Unit agreement. This termination is effective April 8, 2015 being the date the Herradura Unit Well No. 4 was plugged and abandoned. This termination is subject to like approval by the Bureau of Land Management.

Please notify all interested parties of this action.

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

Respectfully,



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
BLM Carlsbad – Attn: Mr. Ed Fernandez ✓