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

APPLICATION TO RE-OPEN CASE NO. 21593: APPLICATION OF SOZO I LP AND SOZO NATURAL RESOURCES, LLC TO REQUIRE A COMMON PURCHASER TO RATABLY TAKE GAS ON REASONABLE TERMS UNDER THE TERMS OF NMSA 1978, § 70-2-19.D AND NMAC 19.15.24.12, LEA COUNTY, NEW MEXICO.

CASE NO. 21726

TARGA'S MOTION TO DISMISS CASE NO. 21593

Targa Midstream Services LLC ("Targa") files this *Motion to Dismiss* ("Motion") the application filed by Sozo I LP and Sozo Natural Resources, LLC (collectively, "Sozo") in Case No. 21593. Sozo has not met its burden to make or sustain a claim of discrimination under NMSA 1978, Section 70-2-19(D) and 19.15.24.12 NMAC, thereby compelling dismissal either for failure to state a claim on which relief can be granted or for failing to proffer evidence on an essential element of Sozo's discrimination claim. In support of this Motion, Targa states as follows:

I. INTRODUCTION

1. In Case No. 21593, Sozo filed an application alleging that because Targa is a common purchaser under Section 70-2-19(D) and 19.15.24.12 NMAC, Targa must "ratably take" gas from its Caleb State Well No. 1 (API No. 30-025-37497) ("Caleb well") "under non-discriminatory terms." As a remedy, Sozo asks the Division to force Targa to take its gas "on reasonable terms to keep [Sozo's] well economic[.]"

2. Sozo's application must be dismissed. Sozo has not met its pleading burden to allege a cognizable claim of discrimination against Targa under Section 70-2-19(D) or 19.15.24.12 NMAC. This deficiency compels dismissal of Sozo's application and Case No. 21593 for failing to state a claim upon which relief can be granted. *See* Rule 1-012(B)(6).

3. In the alternative, summary judgment is required because Sozo has proffered <u>no</u> evidence of discrimination by Targa against Sozo under any of the essential elements of a discrimination claim defined by Section 70-2-19(D) and 19.15.24.12 NMAC. Sozo has failed, therefore, to establish a prima facie discrimination case. *See* Rule 1-056(C) NMRA; *see also Goradia v. Hahn Co*., 1991-NMSC-040, ¶ 18, 810 P.2d 798 (holding that summary judgment "must be granted" when there is a "complete failure of proof concerning an essential element of the nonmoving party's case").

4. On January 7, 2021, the Division held a hearing on Sozo's application (the "January 7 hearing"), and Sozo presented its witness, Britt Pence, along with exhibits. *See* Case No. 21593, Sozo's Exhibits A-F; *see also* Tr. Feb. 2, 2021. After the hearing, the hearing officer kept the evidentiary record open and continued the case pending submission of a legal memorandum from Sozo's counsel addressing the Division's authority and Sozo's requested relief. *See* Case No. 21593, Tr. Feb. 2, 2021 at 27:6-28:15. Sozo has not yet submitted its legal memorandum.

5. Targa did not appear at the January 7 hearing because it did not actually receive notice of the hearing. Upon learning of the application and the hearing, Targa immediately entered an appearance in Case No. 21593 through counsel on January 8, 2021. *See also Targa Application to Re-Open Case No. 21593 and Motion for Status Conference* in Case No. 21726. The Division has accepted Targa's Application to Re-Open Case No. 21593, assigned it Case

No. 21726, and has set the matter for hearing on the Division's March 4, 2021 Examiner Docket. In its application, Targa requested that the March 4, 2021 hearing be set as a status conference because the matter is contested.

6. Further evidentiary hearing on Sozo's application is unnecessary, however, given the legal deficiencies in Sozo's application and in the record.

II. ARGUMENT

7. Under Section 70-2-19(D), the Division has jurisdiction and authority to ensure that gas purchases are "made without unreasonable discrimination <u>in favor of one producer against another</u>[.]" (emphasis added).

8. The Division is instructed that, under Section 70-2-19(D), "reasonable <u>differences in prices paid</u> or facilities afforded, or both, <u>shall not</u> constitute unreasonable discrimination if such differences bear a fair relationship to differences in quality, quantity or pressure of the gas available or to the relative lengths of time during which such gas will be available to the purchaser." § 70-2-19(D) (emphasis added).

9. In making its determination, the Division also "consider[s] the quality and the deliverability of the gas, the pressure of the gas at the point of delivery, acreage attributable to the well, market requirements in the case of unprorated pools, and other pertinent factors." § 70-2-19(E).

10. The language of Rule 19.15.24.12 NMAC similarly prohibits unreasonable discrimination <u>between producers</u> and allows the Division to consider the totality of the circumstances when deciding whether unreasonable discrimination exists.

A. Sozo Has Not Alleged A Cognizable Discrimination Claim.

11. Here, Sozo has alleged no facts in its application that Targa discriminated against Sozo in favor of another producer on <u>any</u> basis, let alone "in the price paid" for its gas, as the statute and Division rules require.

12. Sozo's application alleges instead that its Caleb well "is now uneconomic to produce and has been shut in[1] due to Targa's unilateral price increase" and that the "massive increase in costs proposed by Targa unreasonably discriminates against Sozo" in violation of Section 70-2-19(D) and 19.15.24.12 NMAC. *See* Case No. 21593, Sozo Application at ¶¶ 5-6.

13. But the statute and Division's rules do not prohibit "unilateral" or "massive" price increases in the cost of gathering services. Section 70-2-19 and the Division's corresponding rule prohibit only "unreasonable discrimination" <u>between producers</u> and only "in the price paid, the quantities purchased, the bases of measurement or the gas transportation facilities afforded for gas of like quantity, quality and pressure[.]"

14. Sozo's application does not allege that Targa is discriminating against Sozo relative to any other producer "in the price paid . . . for gas of like quantity, quality and pressure," or with respect to any other factor recognized under the statute required to make out a valid discrimination claim. Sozo merely alleges that the substitute agreement proposed by Targa discriminates against Sozo because it imposes a "massive increase in costs[.]" *See* Case No. 21593, Sozo Application at ¶ 6. That allegation, even if accepted as true, falls short of the

[1] It is critical to understand that the decision to shut in Sozo's Caleb well was made by <u>Sozo</u>, not at the behest of Targa or as a result of anything imposed or mandated by Targa, including the termination of the original gas purchase agreement. In fact, Targa made clear in its correspondence to Sozo that Sozo could continue to flow gas from its Caleb well under a temporary agreement so the well could continue to produce gas. *See* email from M. Edwards to K. Pence, dated August 31, 2020, attached as **<u>Exhibit A</u>** at pg. 5 (stating Targa will continue to take Sozo's Caleb well gas on the month-to-month terms of the original 2006 gas purchase agreement pending transmission of the proposed agreement); *see also* Proposed Gas Purchase Agreement effective October 1, 2020, dated August 31, 2020, attached as **<u>Exhibit B</u>** (allowing Sozo to continue to produce gas from its wells under temporary terms). Sozo nevertheless opted to shut in its well. *See, e.g.*, Case No. 21593, Sozo Exhibit B, Attachment 2. Accordingly, Targa has done nothing to impair Sozo's correlative rights.

requirement under the statute to allege that Targa is discriminating against Sozo "in the price paid" relative to other producers "for gas of like quantity, quality and pressure."

15. Moreover, nothing in the statute requires common purchasers to enter into contracts with producers "on reasonable terms" that will keep their wells economic, as Sozo requests. And nothing in the statute authorizes the Division to force common purchasers to "ratably take" a producer's gas "on reasonable terms" to keep wells "economic."

16. Sozo's failure to allege facts that would support a finding of discrimination under the statute compels dismissal of its application and Case No. 21593. Simply stated, Sozo has failed to state a claim upon which relief can be granted under the terms of the statute and the Division's corresponding rules.

B. Sozo Has Proffered No Evidence that Targa is Discriminating Against Sozo on the Price Paid.

17. As important, Sozo has proffered no evidence whatsoever of price discrimination by Targa against Sozo. Having had the opportunity to go to hearing and present uncontested evidence and testimony, Sozo nevertheless failed to muster evidence on the essential elements of its claim.

18. At the hearing, Sozo's witness provided no evidence or testimony on discrimination against Sozo in favor of other producers by Targa. *See* Sozo's Exhibit B, Self-Affirmed Statement of Britt Pence. Rather, the only evidence presented by Sozo, similar to the allegations in the application, address Sozo's complaints about Targa's price increases under the proposed September 3, 2020 replacement agreement. *Id.*

19. Setting aside the merits of the evidence, which Targa disputes, Sozo's witness simply stated in support of its application that its Caleb well "is now uneconomic to produce, … and has been shut in due to Targa's unilateral price increase." *Id.* ¶ 4. In support, Sozo presented

evidence on Targa's proposed replacement agreement,[2] the timeline of discussions and related events between Targa and Sozo,[3] and an economic analysis on the impact of the original gas purchase agreement from 2006[4] and Targa's proposed replacement agreement.[5] Such evidence arguably goes to the "price paid" element of the claim, but does not support a finding that Targa is discriminating against Sozo on price because Sozo has proffered no evidence on prices Targa charges other producers or that such prices favor other producers over Sozo.

20. As to evidence regarding "gas of like quantity, quality and pressure," Sozo's witness simply stated that its Caleb well is capable of producing a certain rate of sweet gas with high BTU content and that Sozo believes its well is the "best gas producer in Targa's system" in that area of Lea County. *See* Case No. 21593, Sozo Exhibit B ¶ 6. As with its evidence on "price paid," such evidence cannot support a finding that Targa is discriminating against Sozo because Sozo presented no evidence that Targa treats other producers of gas of similar quantity and quality differently than it treats Sozo.

21. Having failed to adduce essential evidence on price paid or gas quality and quantity, Sozo nevertheless baldly asserts that "the massive increase in costs proposed by Targa unreasonably discriminates against Sozo." *See id.* Such testimony, unsupported by evidence of actual discrimination against Sozo in favor of other producers, cannot, as a matter of law, support a finding of discrimination under Section 70-2-19(D) and 19.15.24.12 NMAC.

22. Given that Sozo already presented its evidence and testimony at the January 7 hearing, it is clear that Sozo has no evidence of discrimination by Targa against Sozo and is unable to adduce such evidence. Lacking evidence on essential elements of its claim, Sozo's

---

[2] Case No. 21593, Sozo Exhibit B ¶ 3.
[3] *Id.* at Attachments 1 and 2.
[4] *Id.* at Attachments 3, 4, and 5.
[5] *Id.* at Attachments 6 and 7.

application has failed to establish a prima facie case of discrimination and must be dismissed. *See Goradia*, 1991-NMSC-040, ¶ 18; *Katcher v. Johnson Controls World Servs.*, 2003-NMCA-105, ¶ 19, 75 P.3d 877 (granting summary judgment on a claim for which plaintiff did not "present any evidence"). Targa is therefore entitled to an order dismissing the case and denying the requested relief.

23. At bottom, Sozo's dispute with Targa is not the stuff of a discrimination claim, but a run-of-the-mill contractual dispute over the terms and pricing of a proposed update to a gas gathering agreement that has not been revised or updated through 14 years and three different well operators. Such disputes implicate "contractual rights that the Division does not have jurisdiction to determine." Order No. R-12790, ¶ (15); *see also* Order No. R-13789, at ¶ (16). As Sozo's written correspondence with Targa makes plain, Sozo is simply dissatisfied with the terms of the proposed replacement agreement. *See* Exhibit B at p. 3 ("Sozo believes that the proposed replacement agreement is not just and reasonable."). But Targa's proposed terms are not tantamount to discrimination just because Sozo believes the terms are "not just and reasonable" and that its well is superior. Section 70-2-19(D) does not permit the Division to reach so far into the dealings of producers and gas gatherers that it is authorized to force Targa to accept Sozo's gas on "reasonable terms" in a mere contract dispute, such as this one. To allow Sozo's application to proceed would empower operators to turn a statute meant to serve as a shield into a sword that can be wielded as a strategy in contract negotiations. *See* Exhibit B at p. 2 (stating that if Targa does not agree to keep the original 2006 gas purchase agreement in place that Sozo will file an application with the Division). The Division must decline to do so.

24. Counsel for Targa has conferred with counsel for Sozo and has been informed that Sozo opposes the relief requested in this Motion.

WHEREFORE, Targa respectfully requests that the Division dismiss Case No. 21593 for the reasons stated in this Motion, after notice and hearing as required by the Division, and provide any additional relief determined to be just and proper.

Respectfully submitted,

HOLLAND & HART LLP

____

Michael H. Feldewert
Adam G. Rankin
Julia Broggi
Kaitlyn A. Luck
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421
(505) 983-6043 Facsimile
mfeldewert@hollandhart.com
agrankin@hollandhart.com
jbroggi@hollandhart.com
kaluck@hollandhart.com

ATTORNEYS FOR TARGA MIDSTREAM SERVICES LLC

CERTIFICATE OF SERVICE

I hereby certify that on February 24, 2021, I served a copy of the foregoing document to the following counsel of record via electronic mail:

James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
505-982-2043
jamesbruc@aol.com

ATTORNEY FOR SOZO I LP AND SOZO NATURAL RESOURCES, LLC

____
Adam G. Rankin

EXHIBIT A

From: Britt Pence <bpence@sozonr.com>
Sent: Wednesday, October 28, 2020 11:19 AM
To: Edwards, Misty <medwards@targaresources.com>
Cc: Katherine Pence <kpence@sozonr.com>
Subject: RE: [EXTERNAL] Fw: Targa info on the Caleb well

Ms. Edwards,

Sozo declines the proposal. Sozo proposes to go back to the original agreement with a 2 year term, month-to-month thereafter.

Regards,

Britt Pence
President and CEO
Sozo Natural Resources LLC
5005 Riverway Dr., suite 150
Houston, TX 77056
832.788.1662

From: Edwards, Misty <medwards@targaresources.com>
Sent: Monday, October 26, 2020 2:39 PM
To: Britt Pence <bpence@sozonr.com>
Cc: Katherine Pence <kpence@sozonr.com>
Subject: RE: [EXTERNAL] Fw: Targa info on the Caleb well

Mr. Pence,

I'm working on an alternate Amendment using the majority of the existing terms of the contract that Sozo acquired from Oxy. I'm making two adjustments to the term and fee:

Term: 2 years, Month-to-Month thereafter
Fee: $0.50/MMBtu

This fee is slightly higher than what the contract is currently at, however, the structure is what Sozo is already accustomed to. Please let me know if you are agreeable to this revised Agreement and I'll get it to you so as soon as legal reviews. We can get this to you this week and if signed by 10/31/2020, you could turn the Caleb well back online. If signed after that, the effective date would be the first day of the month during which we received the partially executed Amendment.

Thanks,

Misty Edwards
Director, Marketing & Business Development

EXHIBIT A

TARGA

811 Louisiana St. | Suite 2100 | Houston, TX 77002
Office: 713-584-1052 | Cell: 832-654-0716 | Email: medwards@targaresources.com

---

From: Britt Pence <bpence@sozonr.com>
Sent: Tuesday, October 6, 2020 4:50 PM
To: Edwards, Misty <medwards@targaresources.com>
Cc: Katherine Pence <kpence@sozonr.com>
Subject: RE: [EXTERNAL] Fw: Targa info on the Caleb well

Ms. Edwards,

Sozo has shut-in the Caleb State No. 1 well prior to October 2020 because Targa has terminated the gas purchase agreement and Targa's proposed agreement makes the Caleb well uneconomic. Sozo requests to return to the original 2006 gas agreement that was in place within the next week. If Targa is unwilling to do so, then Sozo is prepared to pursue the attached application with the New Mexico Oil Conservation Division.

Respectfully,

Britt Pence
President and CEO
Sozo Natural Resources LLC
5005 Riverway Dr., suite 150
Houston, TX 77056
832.788.1662

From: Edwards, Misty <medwards@targaresources.com>
Sent: Monday, September 14, 2020 2:27 PM
To: Britt Pence <bpence@sozonr.com>
Cc: Katherine Pence <kpence@sozonr.com>
Subject: RE: [EXTERNAL] Fw: Targa info on the Caleb well

Mr. Pence,

I appreciate the details/backstory you provided below and am happy to explain that when producers request consent to assign their contracts, we simply consent (to the contracted producer) that they can assign their contract. We don't negotiate the terms of that contract with the new producer, especially since we have to wait for the recorded documents, etc. before we can officially make any changes. That can take some time to receive, etc. so we strictly provide consent for the assignment.

As I stated in our phone conversation our operating expenses for every mcf in our Saunders system is ~ $1.70/mcf. It's costly to operate this particular low pressure system/plant and therefore, we have to make sure we are covering those costs. Therefore, the offer provided to Sozo on September 3, 2020 is our final offer. I've reattached those documents here.

Regards,

EXHIBIT A

Misty Edwards
Director, Marketing & Business Development
811 Louisiana St. | Suite 2100 | Houston, TX 77002
Office: 713-584-1052 | Cell: 832-654-0716

From: Britt Pence <bpence@sozonr.com>
Sent: Friday, September 4, 2020 12:06 PM
To: Edwards, Misty <medwards@targaresources.com>
Cc: Katherine Pence <kpence@sozonr.com>
Subject: RE: [EXTERNAL] Fw: Targa info on the Caleb well

Ms. Edwards,

Sozo received Targa's notice July 29, 2020 to terminate the Gas Purchase Agreement for the Caleb State #1. This termination notice was a surprise to Sozo because:

- Sozo acquired Oxy's ownership in the Caleb State #1 and took over operations effective March 1, 2020. March 2, 2020, Targa consented to assign the gas purchase agreement over to Sozo. Therefore, Sozo thought that Targa was fine with the agreement.
- June 25, 2020, Sozo met with Targa's Steve Bingham and discussed the Caleb State #1's gas agreement, as well as Sozo's other gas agreements, and Mr. Bingham decided not to change any agreements. Therefore again, Sozo thought that Targa was fine with the agreement.
- The Caleb State #1 is a sweet (it doesn't produce H_2S) gas well and is currently flows between 225 mcfd and 275 mcfd with no condensate or water. Sozo felt that Targa would find the Caleb well's gas favorable because of the relative high volumes of sweet gas that can be used to blend with the sour gas from other wells that is produced into Targa's system. Therefore, Sozo was surprised that Targa would terminate the gas purchase agreement on the Caleb State #1 gas, because it's one of the best wells in the area producing into Targa's system.

Then, August 31, 2020 Targa deferred the termination date per Targa's September 30, 2020 email. Then, on September 3, 2020 Targa proposed a replacement agreement to Sozo. Sozo believes that the proposed replacement agreement is not just and reasonable. Therefore, Sozo proposes to keep the existing gas purchase agreement as discussed with Steve Bingham on June 25th. However, per our phone conversation yesterday, it's my understanding that Targa prefers a POP agreement. Therefore, if Targa now insists on a POP agreement, then Sozo is willing to work with Targa on a just and reasonable POP agreement. Attached is a proposed POP replacement agreement that is a marked up version of Targa's proposed POP agreement. Sozo feels our proposal is just and reasonable.

Sincerely,

Britt Pence
President and CEO
Sozo Natural Resources LLC
5005 Riverway Dr., suite 150
Houston, TX 77056
832.788.1662

From: Edwards, Misty <medwards@targaresources.com>
Sent: Wednesday, September 02, 2020 12:21 PM
To: Katherine Pence <kpence@sozonr.com>
Cc: Britt Pence <bpence@sozonr.com>
Subject: RE: [EXTERNAL] Fw: Targa info on the Caleb well

Attached is the word document of the Sozo Replacement contract for the Caleb well.

Thanks,

Misty Edwards
Director, Marketing & Business Development
811 Louisiana St. | Suite 2100 | Houston, TX 77002
Office: 713-584-1052 | Cell: 832-654-0716

From: Katherine Pence <kpence@sozonr.com>
Sent: Wednesday, September 2, 2020 11:25 AM
To: Edwards, Misty <medwards@targaresources.com>
Cc: Britt Pence <bpence@sozonr.com>
Subject: Re: [EXTERNAL] Fw: Targa info on the Caleb well

Misty- Who is in charge of this contract? We would like to discuss with them.

Thanks

From: Edwards, Misty <medwards@targaresources.com>
Sent: Monday, August 31, 2020 5:26 PM
To: Katherine Pence <kpence@sozonr.com>
Subject: RE: [EXTERNAL] Fw: Targa info on the Caleb well

Katherine,
Attached is the letter and Replacement contract I mentioned earlier. Please review and let's plan on talking about this later this week or sometime next week. Whatever works for your schedule.

Thanks,
Misty

From: Edwards, Misty
Sent: Monday, August 31, 2020 2:46 PM
To: Katherine Pence <kpence@sozonr.com>
Subject: RE: [EXTERNAL] Fw: Targa info on the Caleb well

That's correct.

From: Katherine Pence <kpence@sozonr.com>
Sent: Monday, August 31, 2020 2:44 PM

EXHIBIT A

To: Edwards, Misty <medwards@targaresources.com>
Subject: Re: [EXTERNAL] Fw: Targa info on the Caleb well

Thanks Misty. Therefore, I assume that September gas from the Caleb will be under the current agreement, so we will continue to produce the Caleb per your email. Please, let me know if my assumption is incorrect.

Thanks!

From: Edwards, Misty <medwards@targaresources.com>
Sent: Monday, August 31, 2020 12:44 PM
To: Katherine Pence <kpence@sozonr.com>
Subject: Re: [EXTERNAL] Fw: Targa info on the Caleb well

Hey Katherine, I'm waiting to get the pdf version of the Replacement contract and letter. Since it took a month to get this together, we will continue to settle the terms of the well under the Month to Month contract it's settling under right now.

I expect to get the letters some time this afternoon. We will overnight them in addition to sending via email.

Thanks,
Misty

On: 31 August 2020 12:40,
"Katherine Pence" <kpence@sozonr.com> wrote:

Hey Misty- Do you have any update on the Targa well currently? We haven't heard or received anything. Thanks.

From: Britt Pence <bpence@sozonr.com>
Sent: Monday, August 31, 2020 12:20 PM
To: Katherine Pence <kpence@sozonr.com>
Cc: Sean Riordan (sriordan@calichestorage.com) <sriordan@calichestorage.com>
Subject: RE: Targa info on the Caleb well

Katie,

Targa hasn't contacted me since their termination letter July 29th. Please, find out from Targa if they want Sozo to shut-in the Caleb well at the end of today?

Britt

From: Britt Pence
Sent: Thursday, August 20, 2020 1:11 PM
To: Sean Riordan (sriordan@calichestorage.com) <sriordan@calichestorage.com>
Cc: Katherine Pence <kpence@sozonr.com>
Subject: Targa info on the Caleb well

EXHIBIT A

CAUTION: [External Email] Use very high caution, especially if this message contains attachments, links, or requests for information. As a first defense, hover (with your mouse pointer) over email addresses and links to see the actual locations.

EXHIBIT B

TARGA

110 W. 7th St., Suite 2300
Tulsa, OK 74119
(844) 659-9938
www.targaresources.com

August 31, 2020

SOZO I LP
Attn: Contract Administration
5005 Riverway Drive, Suite 150
Houston, TX 77056

Re: Proposed Gas Purchase Agreement effective October 1, 2020 ("***Replacement GPA***") replacing *Gas Purchase Agreement effective May 1, 2006, as amended* (Versado contract no. 031595, herein the "***Terminated Contract***")

Dear Colleague:

In accordance with Versado Gas Processors, L.L.C. ("***Versado***") prior correspondence dated July 29, 2020, which tendered a notice of termination for the referenced Terminated Contract between Versado and SOZO I LP ("***Producer***") effective August 31, 2020. Producer has requested additional time to review the enclosed Replacement GPA. In response to Producer's request, Versado agrees to temporarily receive Producer's Gas pursuant to the terms of the Terminated Contract, provided the term provision of the Terminated Contract shall no longer be in effect and Versado's temporary receipt of Gas under the Terminated Contract terms shall be for September, 2020, only. Please find enclosed Versado's proposed Replacement GPA for the Terminated Contract that will be applicable for receipt of gas on and after October 1, 2020, as further described below.

If you would like to continue your gas sales to Versado as provided in the enclosed Replacement GPA, then (a) please verify the Producer notice and payment/statement provisions (and update them as needed) and (b) return to my attention a signed original of the enclosed Replacement GPA and a signed and notarized memorandum.

Please note that if Versado has not received your signed Replacement GPA and other requested documents by September 30, 2020, but you continue to deliver gas into Versado's facilities, then:

(1) Any receipt of gas by Versado will be on a fully interruptible basis, subject to the pricing and all other terms and conditions set forth in the Replacement GPA; except

(2) Instead of the gathering and processing fee per Mcf set forth in the enclosed Replacement GPA, a gathering and processing fee in the amount of $0.95 per MMbtu (the "***G&P Fee***") will be deducted from the amounts otherwise payable for your residue gas and natural gas liquids, until the first day of the month in which the Replacement GPA is fully executed by Producer and Versado.

(3) Any delivery of gas by you into Versado's facilities after September 30, 2020 constitutes an acceptance by you of the above items (1) and (2).

Until such time as the Replacement GPA is fully executed by Versado and Producer, Versado reserves the right to (i) modify any provision of the Replacement GPA, or (ii) withdraw, in its entirety, Versado's offer to enter into the Replacement GPA.

Should you have any questions, please contact Misty Edwards at (713) 584-1052 or medwards@targaresources.com.

Sincerely,
Kimberley Blattler
Kimberley Blattler
Sr. Contract Analyst

Enclosure(s)