

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

APPLICATION OF CENTENNIAL
RESOURCE PRODUCTION, LLC FOR A
NON-STANDARD SPACING AND
PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO

No. 16265

APPLICATION OF CENTENNIAL
RESOURCE PRODUCTION, LLC FOR A
NON-STANDARD SPACING AND
PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO

No. 16266

BAIRD TRUST
EXHIBITS

July 26, 2018

OIL & GAS LEASE

THIS AGREEMENT made this 5TH day of AUGUST, 2013 between WELDON BAIRD, Co-Trustee of the Beulah M. Baird Trust, whose address is 709 McCoy Drive Irving, TX 75062, herein called lessor (whether one or more) and GMT Exploration Company, LLC whose address is 1560 Broadway, Suite 2000, Denver, CO 80202 hereinafter called Lessee:

1 Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process,

store and transport said minerals, the following described land in _____ LEA _____ County, New Mexico, to-wit:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM

Section 12: NW4SE4

Said land is estimated to comprise 40.00 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of 3(three) years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, 1/4TH of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of 1/4TH of the gas used, provided that on gas sold on or off the premises, the royalties shall be 1/4TH of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance shut-in royalty equals to \$1.00 per net acre of lessors gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of the lease in the same manner as though a proper payment had been made if lessee shall correct such error within 30 days after lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by lessee and gas purchaser for such term and under such conditions as are customary in the industry. A Price shall mean the net amount received by lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if lessee commences operations for additional drilling or for reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessors wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right of way at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within five hundred feet (500 ft.) of any residence or barn now on said land without lessors consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall properly comply or make such payments.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil and gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and its toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas than the entire and undivided fee simple estate (whether lessors interest is herein specified or not) then the royalties, shut-in royalty, and from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein,

NMOCD CASE Nos. 16265 & 16266
Baird Trust
Exhibit No. 1

to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

12. On or before the expiration date of the primary term as provided for in paragraph 2, Lessee shall have the option to extend said primary term for an additional two (2) year period, by the payment of the amount equal to the initial per net mineral acre bonus consideration paid for this lease (proportionately reduced) to the Lessor or their successors or assigns.

Executed the day and year first above written.


BY: WELDON BAIRD,
Co-Trustee of the Beulah M. Baird Trust

ACKNOWLEDGMENTS

STATE OF TEXAS
COUNTY OF Dallas

The foregoing instrument was acknowledged before me this 16th day of September, 2013, by WELDON BAIRD,
Co-Trustee of the Beulah M. Baird Trust.


Notary Public

Notary's Printed Name: Melissa C. Timmons

My Commission Expires: 06/21/2017

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

SEP 30 2013

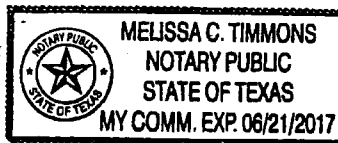
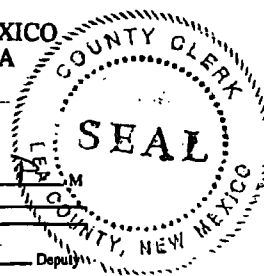
at 1:01 o'clock PM

and recorded in Book

Page

Pat Chappelle, Lea County Clerk

By CSandoval Deputy



10999

2.
54130

AMENDMENT TO OIL AND GAS LEASE
(Paid-up Extension of Primary Term of Lease)

State: New Mexico
County: Lea
Lessor: Weldon Baird, Co-Trustee of the Beulah M. Baird Trust
Lessee: GMT Exploration Company, LLC

This Amendment Oil and Gas Lease is made and entered into this 7th day of July, 2016 by and between Weldon Baird, Co-Trustee of the Beulah M. Baird Trust, ("Lessor") and GMT Exploration Company, LLC ("Lessee"), a Delaware limited liability company.

WHEREAS, Lessor and Lessee, entered into an Oil and Gas Lease (the "Lease"), dated August 5, 2013, and recorded at Book 1859, Page 248 in the Lea County records.

WHEREAS, the Lease covers the following lands:

Township 23 South, Range 34 East, N.M.P.M.
Section 12: NE $\frac{1}{4}$ SW $\frac{1}{4}$
Containing 40.00 acres, more or less

WHEREAS, Lessor and Lessee desire to amend the Lease by providing that the primary term of the Lease should be extended through and until August 5, 2018, that the Lease shall be deemed to be within a renewed primary term, and that during that renewed and extended primary term, this Lease may be maintained in full force and effect by the payment of the consideration provided below, without the necessity of operations on or production from the Lease.

NOW, THEREFORE, in consideration of Ten Dollars (\$10.00) and other valuable consideration, paid by Lessee, the receipt and sufficiency of which is acknowledged by Lessor, Lessor does hereby GRANT, LET, LEASE, and DEMISE unto Lessee the Lease for an extended primary term until August 5, 2018 (the "New Primary Term") and as long thereafter as oil or gas are produced from the Lands, or lands pooled therewith, or in the manner provided for and on the terms and conditions set forth in the Lease, as amended. In all other respects the Lease remains unchanged. Lessor acknowledges, ratifies, affirms, confirms, and adopts, the Lease described to be in full force, valid, and in effect, and hereby grants, leases, and lets the lands to Lessee, on the terms and provisions provided in the Lease, as amended and ratified, for the New Primary Term.

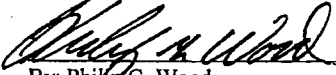
Lessor and Lessee hereby amend the Lease by providing that the primary term of the Lease is hereby extended through and until August 5, 2018, that the Lease is in its amended and renewed primary term, and that this Lease is maintained in full force and effect, without the necessity of operations on or production from the Lease. Lessor and Lessee acknowledge and agree that the Lease is valid and in full force and effect.

This Amendment to Oil and Gas Lease shall be deemed effective for all purposes as of August 5, 2013.

Lessor: Weldon Baird, Co-Trustee of the Beulah M. Baird Trust


By: Weldon Baird, Co-Trustee

Lessee: GMT Exploration Company, LLC


By: Phillip G. Wood
Title: Vice President

BOOK 2047 PAGE 240

NMOCD CASE Nos. 16265 & 16266
Baird Trust
Exhibit No. 2

ACKNOWLEDGMENTS

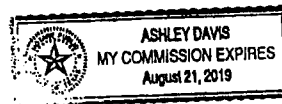
STATE OF Texas §
COUNTY OF Dallas §

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 16th day of August, 2016, personally appeared Weldon Baird, to me known to be the person, described in and who executed the within and foregoing instrument of writing and acknowledged to me that he duly executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires August 21, 2019

Ashley Davis
Notary Public

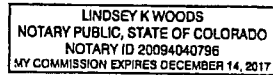


STATE OF COLORADO §
COUNTY OF DENVER §

This instrument was acknowledged before me on this 7th day of July, 2016, by Philip G. Wood, Vice President of GMT Exploration Company, LLC, a Delaware limited liability company, on behalf of said limited liability company.

My Commission Expires 12/14/2017

Lindsey K Woods
Notary Public



STATE OF NEW MEXICO
COUNTY OF LEA

FILED
At 12:54 o'clock P.M

AUG 25 2016

Recorded in Book _____ Page _____
Pat Chappelle, Lea County Clerk
By Sandoval Deputy



54130

BOOK 2047 PAGE 241

CENTENNIAL

May 9, 2018

RE: Duck Hunt State Com #602H
SHL: 2,340' FSL Sec. 1 & 933' FEL Sec. 1 T23S R34E
BHL: 100' FSL Sec. 12 & 1,485' FEL Sec. 12 T23S R34E
Lea County, New Mexico

To Whom it May Concern:

Centennial Resource Production, LLC ("CRP") proposes to drill and complete the Duck Hunt State Com #602H as a horizontal well to test the Bone Spring Formation at a TVD of 11,350 feet. The W/2 E/2 of the referenced Section 12 and the W/2 SE/4 of Section 1 will be dedicated to the well as the proration unit being a total of 240 acres. Please see the enclosed AFE in the amount of \$10,632,550.00

Upon your response we will send a Joint Operating Agreement ("JOA") with an effective date of May 1, 2018, covering Township 23 South, Range 34 East, Section 12: E/2 & Section 1: SE/4. The JOA contains a proposed overhead rate of \$7500 per day for drilling and \$750 per day for producing and provides for a 100%/300%/300% non-consent penalty.

In the space provided below, please indicate your election and return one original copy of this letter along with an original copy of the enclosed AFE or email me a copy at carl.messina@cdevinc.com. Should you have any questions, please call me at (720) 499-1411.

Best Regards



Carl Messina
Land Coordinator

C
CENTENNIAL
CELEBRATING 100 YEARS OF TEXAS

THE UNDERSIGNED HEREBY ELECTS TO PARTICIPATE IN THE CAPTIONED DUCK HUNT STATE COM #602H WELLBORE AND TO WAIVE THE NEED FOR A COMPLETION ELECTION.

AGREED TO and ACCEPTED this _____ day of _____, 2018.

Owner Name: _____

Signature: _____

By: _____

Title: _____

THE UNDERSIGNED HEREBY ELECTS NOT TO PARTICIPATE IN THE CAPTIONED DUCK HUNT STATE COM #602H WELLBORE, AND TO GO NONCONSENT.

AGREED TO and ACCEPTED this _____ day of _____, 2018.

Owner Name: _____

Signature: _____

By: _____

Title: _____

HOLLAND & HART.



Adam G. Rankin
Associate
Phone (505) 988-4421
Fax (505) 983-6043
agrankin@hollandhart.com

June 22, 2018

VIA CERTIFIED MAIL
CERTIFIED RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: Application of Centennial Resource Production, LLC for a Non-Standard Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico.
Duck Hunt State Com No. 601H Well


Ladies & Gentlemen:

This letter is to advise you that Centennial Resource Production, LLC has filed the enclosed amended application with the New Mexico Oil Conservation Division. This application will be set for hearing before a Division Examiner at 8:15 a.m. on July 12, 2018. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B to file a Pre-hearing Statement four days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter please contact Gavin Smith at (720) 499-1474 or gavin.smith@cdevinc.com.

Sincerely,


Adam G. Rankin
ATTORNEY FOR CENTENNIAL RESOURCE
PRODUCTION, LLC

NMOCD CASE Nos. 16265 & 16266
Baird Trust
Exhibit No. 4



Adam G. Rankin
Associate
Phone (505) 988-4421
Fax (505) 983-6043
agrarkin@hollandhart.com

June 22, 2018

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: OFFSETTING LESSEES AND OPERATORS

RE: Application of Centennial Resource Production, LLC for a Non-Standard Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico.
Duck Hunt State Com No. 601H Well

This letter is to advise you that Centennial Resource Production, LLC has filed the enclosed application with the New Mexico Oil Conservation Division. *Your interests are not being pooled under this application*, but as a lessee or operator in an offsetting tract, you are entitled to notice of this application.

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If you have any questions about this matter please contact Gavin Smith at (720) 499-1474 or gavin.smith@cdevinc.com.

Sincerely,

Adam G. Rankin
ATTORNEY FOR CENTENNIAL RESOURCE
PRODUCTION, LLC

Holland & Hart LLP

Phone (505) 988-4421 Fax (505) 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ☐



Adam G. Rankin
Associate
Phone (505) 988-4421
Fax (505) 983-6043
agrankin@hollandhart.com

June 22, 2018

VIA CERTIFIED MAIL
CERTIFIED RECEIPT REQUESTED

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Sincerely,

Adam G. Rankin
ATTORNEY FOR CENTENNIAL RESOURCE
PRODUCTION, LLC

NMOCD CASE Nos. 16265 & 16266
Baird Trust
Exhibit No. 5

Holland & Hart LLP

Phone (505) 988-4421 Fax (505) 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ☎



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agrarkin@hollandhart.com

June 22, 2018

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: OFFSETTING LESSEES AND OPERATORS

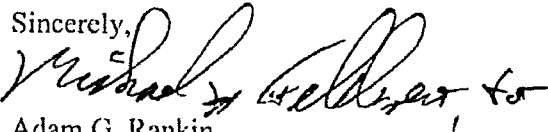
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Sincerely,

Adam G. Rankin
ATTORNEY FOR CENTENNIAL RESOURCE
PRODUCTION, LLC

Holland & Hart LLP

Phone (505) 988-4421 Fax (505) 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ☞

July 18, 2018

Beulah M. Baird Trust
Weldon Baird Co-Trustee
c/o Brad Hellums
736 Mulberry Lane
DeSoto, TX 75115

Re: Proposal to Extend Oil & Gas Lease
Lea County, New Mexico

Dear Mr. Hellums:

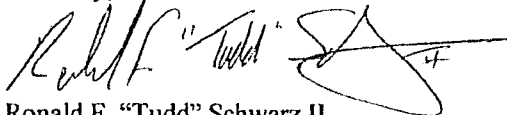
Pursuant to your recent phone conversation with Mr. Gavin Smith of Centennial Resource Production, LLC, we kindly present to you this offer to extend the Oil & Gas Lease executed by Mr. Weldon Baird as Co-Trustee of the Beulah M. Baird Trust in favor of GMT Exploration Company, LLC. Said lease is dated August 5, 2013 and is recorded in Book 1859, at Page 248, under Registry No. 10999 of the County Records in and for Lea County, New Mexico. The original lease was for a three (3) primary term with an Option to Extend for two (2) additional years. The option was exercised on July 7, 2016 and recorded in Book 2047, at Page 240, under Registry No. 54130. Centennial Resource Production acquired the lease from GMT Exploration Company in an Assignment dated effective April 1, 2017 recorded in Book 2109, at Page 668, under Registry No. 8240.

Our offer to extend the current lease is \$7,000.00 per net mineral acre owned for a one (1) Year extension that would amend the expiration date to August 5, 2019. This extension offer will be for a total of \$28,000.00 to be split between Mr. Weldon Baird and Mrs. Norma Baird Loving as Co-Trustees.

If you are in agreement of this offer or should you have any questions, please do not hesitate to call me at (337) 291-2910.

Thank you for your time and consideration in this matter.

Sincerely,



Ronald F. "Tudd" Schwarz II
RFS/ms

Cc: Mrs. Norma Baird Loving
Mr. Gavin Smith