

BTA OIL PRODUCERS, LLC

CARLTON BEAL, JR.
BARRY BEAL
SPENCER BEAL
KELLY BEAL
BARRY BEAL, JR.
STUART BEAL
ROBERT DAVENPORT, JR.

104 SOUTH PECOS STREET MIDLAND, TEXAS 79701-5021 432-682-3753 FAX 432-683-0311 GULF COAST DISTRICT TOTAL PLAZA 1201 LOUISIANA STREET, STE. 570 HOUSTON, TEXAS 77002 713-658-0077 FAX 713-655-0346

ROCKY MOUNTAIN DISTRICT 600 17TH STREET, STE. 2230 SOUTH DENVER, COLORADO 80202 303-534-4404 FAX 303-534-4661

February 26, 2020

Certified Return Receipt 70130600000184995199

In re: Well Proposal - South Ridge 8030 State Com #1H

Township 23 South, Range 34 East, N.M.P.M.

Section 2: W/2 SW/4 Section 11: W/2 W/2 Lea County, New Mexico

SHL: Section 2 - 2380' FNL & 1125' FWL BHL: Section 11 - 50' FSL & 400' FWL

BTA 8030 JV-P South Ridge, Tr. IV, V, IX

Centennial Resource Production, LLC 1001 17th Street, Suite 1800 Denver, CO 80202

Attn: Mr. Gavin Smith

Dear Gavin:

In regard to the Application for Compulsory Pooling, Case No. 20914, submitted by BTA Oil Producers, LLC, pertaining to the above referenced proposed well (the "Well"), the State of New Mexico Oil Conservation Division has issued Order No. R-21129 (see enclosed). Be advised that subject to Order No. R-21129, Centennial Resource Production, LLC has thirty (30) days to elect to participate or not to participate in the drilling of the BTA Oil Producers, LLC South Ridge 8040 State Com #1H Well (the "Well"), a horizontal 2nd Bone Spring communitized well with a TVD of 10,425' and a MD of 17,900' (the "Operation"), at the above referenced location. The Well was spudded on February 23, 2020. Cumulative Well Costs for the Operation are estimated to be \$8,417,036.00, as detailed in our enclosed Authority for Expenditure.

Our proposed Operating Agreement dated January 1, 2020 was mailed to you by separate cover dated January 31, 2020. Exhibit "A" to the Operating Agreement indicates your working interest in the Well is believed to be 8.333334%.

Should you elect to participate in the drilling of the Well, please indicate so by returning a signed copy of this letter along with a signed copy of the AFE. Please note the Well is a horizontal well and there will not be a casing point election.

If you have any questions or require further information, please let me know.

	Sincerely, Carrier Comments
	Rèx D. Barkeř Landman
	Elect to participate in the South Ridge 8030 State Com #1H Well (Send Well Information Requirements to BTA Oil Producers, LLC)
	Elect to go non-consent in the South Ridge 8030 State Com #1H Well
Center	nnial Resource Production, LLC
	· · · · · · · · · · · · · · · · · · ·
Enclos	sure
	New Mexico Oil Conservation Division (Certified # 70130600000184995205) 1220 South St. Francis Drive Santa Fe, NM 87505 Attn: Mr. John Garcia
RB	•
Enclos	sures

 $C: \label{lem:condition} C: \label{lem:condition} \label{lem:condition} C: \label{lem:condition} \label{lem:condition} C: \label{lem:condition} \label{lem:condition} \label{lem:condition} \label{lem:condition} C: \label{lem:condition} \label{lem:condition} \label{lem:condition} \label{lem:condition} \label{lem:condition} \label{lem:condition} \label{lem:condition} \label{lem:condition} C: \label{lem:condition} \l$

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

IN THE MATTER OF APPLICATION FOR COMPULSORY POOLING SUBMITTED BY BTA OIL PRODUCERS, LLC

CASE NO.	20914
ORDER NO.	R-21129

ORDER

The Director of the New Mexico Oil Conservation Division ("OCD"), having heard this matter through a Hearing Examiner on November 15, 2019, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

- 1. BTA Oil Producers, LLC ("Operator") submitted an application ("Application") to compulsory pool the uncommitted oil and gas interests within the spacing unit ("Unit") described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
- 2. Operator will dedicate the well(s) described in Exhibit A ("Well(s)") to the Unit.
- Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
- 4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
- 5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

- 6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
- 7. Operator is the owner of an oil and gas working interest within the Unit.
- 8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
- OCD satisfied the notice requirements for the hearing as required by 19.15.4,9
 NMAC.
- 10. Operator has the right to drill the Well(s) to a common source of supply at the described depth(s) and location(s) in the Unit.
- 11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
- 12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
- 13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
- 14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

<u>ORDER</u>

- 15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
- 16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
- 17. Operator is designated as operator of the Unit and the Well(s).
- 18. If the Surface Location or Bottom Hole Location of a well is changed from the location described in Exhibit A, Operator shall submit an amended Exhibit A, which the Division shall append to this Order.
- 19. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location before commencing production of the well.

CASE NO. <u>20914</u> ORDER NO. <u>R-21129</u>

Page 2 of 6

- 20. The Operator shall commence drilling the initial well within one (1) year after the date of this Order; and (b) for an infill well, no later than thirty (30) days after completion of the well.
- Operator shall comply with the infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC.
- 22. This Order shall terminate automatically if Operator fails to comply with Paragraphs 20 or 21.
- Operator shall submit to OCD and each owner of a working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs") no later than fair for an initial well, no later than thirty (30) days after the date of this Order, (b) for an initial well proposed by Operator, no later than (30) days after the later of the initial notice period pursuant to 19.15.13.10(B) NMAC or the extension granted by the OCD Director pursuant 19.15.13.10(D) NMAC; or (c) for an infill well proposed by an owner of a Pooled Working Interest, no later than thirty (30) days after expiration of the last action sequired by 19.15.13.11 NMAC.
- No later than thirty (30) days after Operator submits the Estimated Well-Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equipathe well. "Acquait Well Costs") out of production from the well. Arrowner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs Shall render payment to Operator no later than thirty (30) days after the equipation of the election period, and shall be liable for operating costs, but not risk charges; for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."
- No later than within one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
- 26. No later than sixty (60) days after the later of the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well

Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.

- 27. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
- 28. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless OCD or an owner of a Paoled Working Interest files a written objection no later than forty-five (16) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
- 29. Operator may withhold the following cests and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Operating Charges; and (b) the proportionate share of the Operating Charges.
- 30. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Paoled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the personnage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
- 31. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to OCD and each towner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
- 32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
- 33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978,

Sections 70-10-1 et seq., and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 et seq.

The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a 34. voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.

OCD retains jurisdiction of this matter for the entry of such orders as may be 35.

deemed necessary.

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

ADRIENNE SANDOVAL DIRECTOR AS/jag

Date: February 19, 2020

Exhibit "A"

CASE NO. 20914 ORDER NO. R-21129

Page 5 of 6

Applicant:

BTA Oil Producers, LLC

Operator:

BTA Oil Producers, LLC (OGRID 260297)

Spacing Unit:

Horizontal Oil

Building Blocks:

Quarter-quarter sections 240 acres, more or less

Spacing Unit Size: Orientation of Unit: North to South

Spacing Unit Description:

W/2SW/4 of Section 2 and W/2W/2 of Section 11.

Township 23 South, Range 34 East, NMPM, Lea County, New Mexico.

Pooling this Vertical Extent: Bone Spring Pormation

Depth Severance? (Yes/No): No

Pool:

Ojo Chiso: Bone Spring, South (Pool code 97293)

Pool Spacing Unit Size:

Quarter-quarter sections

Governing Well Setbacks:

Horizontal Oil Well Rules

Pool Rules:

Latest Horizontal Rules Apply.

Proximity Tracts:

None Included

Monthly charge for supervision: While drilling: \$8000; While producing: \$800 As the charge for risk, 200 percent of reasonable well costs.

Proposed Well:

South Ridge 8030 State Com. Well No. 1H, API No. 30-025-46059

SHL: 2380 feet from the North line and 1125 feet from the West line, (Unit E) of Section 2, Township 23 South, Range 34 East, NMPM. BHL: 50 feet from the South line and 400 feet from the West line, (Unit M) of Section 11, Township 23 South, Range 34 East, NMPM.

Completion Target: 2nd Bone Spring Sand at approx. 10425 feet TVD.

Well Orientation:

North to South

Completion Location expected to be: standard

CASE NO. 20914 ORDER NO. <u>R-21129</u>

Page 6 of 6

BTA OIL PRODUCERS, LLC WELL COST ESTIMATE & AUTHORITY FOR EXPENDITURE

Well Name:

Date Prepared:

South Ridge 8030 State #1H (B2LM)

Total Depth:

10,425' TVD 17,900' MD

Location:

SHL: 2380 FNL 1125 FWL sec 2, 23S, 34E BHL: 50 FSL 400 FWL sec 11 Lea County, NM

2/11/19

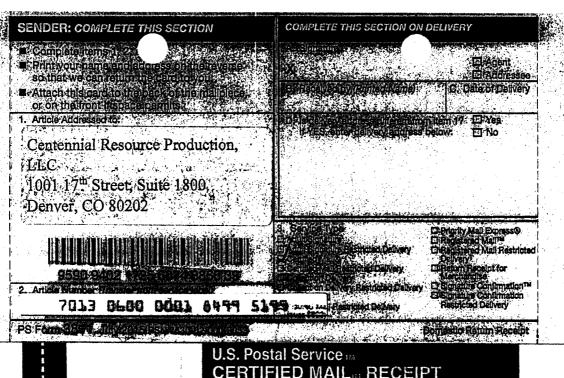
Formation:

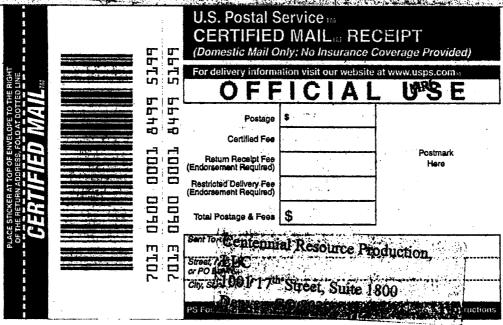
2nd Bone

	Date Prepared: 2/11/19				
			Prepared By:		
		NE	NE CASED HOLE	TW	
	(Prof.Qcl):histojokers		CASED MOLE		
CODE	FORMATION EVALUATION	\$	\$	\$	\$
2203	Logs	8,000		20,000	28,000
2204 2205	Cores DST				
	LOCATION & ACCESS				e .
2211 2212	Survey & Stake	5,000			5,000
2212	Damages Road & Location	20,000 65,000		12,000	20,000 77,000
2214	Other Location	140,000		,_,,,,,	140,000
2222	DRILLING RIG	00.000		•	
2223 2225	Mobilization Daywork	90,000 517,000	94,000		90,000 611,000
2226	Footage	0,,,,,,,	5 1,555		0.1,000
2227	Tumkey				
2232	DRILLING SUPPLIES Bits	72,000			72,000
2233	ВНА	45,000		65,000	110,000
2234 2236	Fuel Other Supplies	145,200	26,400		171,600
2230	Other Supplies MUD RELATED				
2241	Mud Purchase	75,000	5,000		80,000
2242 2244	Mud Rental	25.000	4 000	800 000	000 000
2244	Fresh Water Brine	35,000 35,000	1,000	800,000	836,000 35,000
2246	Solids Control (Closed Loop)	33,000	6,000		39,000
2247 2249	, Mud Monitor Mud Related Other	28,000			28,000
2249	DRILLING SERVICES	8,000			8,000
2252	BOP Related	15,000	4,000		19,000
2253	Casing Related	21,000	80,000		101,000
2254 2255	Welding Trucking	8,000 22,500	2,000 10,000	54,000	10,000 86,500
2256	Rental Equipment	70,000	8,000	330,000	408,000
2257	Other Services (Direction/GR Services)	209,000	-,		209,000
2064	CEMENT	00.000	405.000		225 200
2261 2262	Casing Cementing Other Cementing	90,000	135,000	150,000	225,000 150,000
LLUL	CONTRACT SERVICES			100,000	100,000
2266	Engineering	8,000		-	8,000
2267 2268	Geological Roustabout	22,000 6,000		5,000	· 22,000 11,000
2269	Wellsite Supervision	49,500	9,000	50,000	108,500
2270	Other Contract Services	25,000	-,		25,000
0070	COMPLETION SERVICES			60.000	60.000
2272 2273	Pulling Unit Drilling Rig			60,000	60,000
2276	Perforate			230,000	230,000
2277	Stimulation			2,500,000	2,500,000
2278	Other Compl. Services OVERHEAD			200,000	200,000
2280	Drilling & Administrative	10,000		10,000	20,000
	मुक्तिम् कृतः वर्तात्त्रवर्श्याद्वाद्वाद्वाद्वाद्वाद्वाद्वाद्वाद्वाद्व	\$ 1,877,200	\$ 380,400	\$ 4,486,000	\$ 6,743,600
	TayMelElat Gorage				
CODE	TUBULARS				
2311	Surface Casing (13 3/8" @ 1900')	81,000			81,000 161,000
2312 2313	Intermediate Casing (9 5/8" @ 5,000') Drig Liner & Hanger	161,000			101,000
2314	Production Casing (5-1/2" @ TD)		295,000		295,000
2315	Production Liner & Hanger (10,000 - TD)				
2316	Other Tubulars WELL EQUIPMENT				
2321	Well Head				
2322	Flowline	22,000	10,000	75,000	107,000
2325		22,000	10,000	10,000	10,000
2326	Tubing	22,000	10,000		
2326 2327		22,000	10,000	10,000	10,000
2327 2328	Tubing Rods Pumps Pumping Unit	22,000	10,000	10,000 60,000	10,000 60,000
2327 2328 2329	Tubing Rods Pumps Pumping Unit Subsurface Equipment	22,000	10,000	10,000	10,000
2327 2328	Tubing Rods Pumps Pumping Unit	22,000	10,000	10,000 60,000 25,000	10,000 60,000 25,000
2327 2328 2329 2331	Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks	22,000	10,000	10,000 60,000 25,000	10,000 60,000 25,000
2327 2328 2329 2331 2361 2362	Tubing Rods Pomps Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators	22,000	10,000	10,000 60,000 25,000	10,000 60,000 25,000
2327 2328 2329 2331	Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks	22,000	10,000	10,000 60,000 25,000 3,000	10,000 60,000 25,000 3,000
2327 2328 2329 2331 2361 2362 2363 2364 2365	Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System	22,000	10,000	10,000 60,000 25,000	10,000 60,000 25,000
2327 2328 2329 2331 2361 2362 2363 2364 2365 2366	Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters	22,000	10,000	10,000 60,000 25,000 3,000	10,000 60,000 25,000 3,000
2327 2328 2329 2331 2361 2362 2363 2364 2365	Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System	22,000	10,000	10,000 60,000 25,000 3,000	10,000 60,000 25,000 3,000
2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367	Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors	22,000	10,000	10,000 60,000 25,000 3,000	10,000 60,000 25,000 3,000
2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368	Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment			10,000 60,000 25,000 3,000 5,000	10,000 60,000 25,000 3,000 5,000
2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368	Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment	264,000	305,000	10,000 60,000 25,000 3,000	10,000 60,000 25,000 3,000
2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369	Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS			10,000 60,000 25,000 3,000 5,000	10,000 60,000 25,000 3,000 5,000
2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369	Tubing Rods Pumps Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS Gas Line Tangibles			10,000 60,000 25,000 3,000 5,000	10,000 60,000 25,000 3,000 5,000
2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369	Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS			10,000 60,000 25,000 3,000 5,000	10,000 60,000 25,000 3,000 5,000
2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369	Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS Gas Line Tangibles Gas Line Intangibles Compresssor Gas Plant Tangibles			10,000 60,000 25,000 3,000 5,000	10,000 60,000 25,000 3,000 5,000
2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369 2353 2353 2353 2382 2382	Tubing Rods Pumps Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS Gas Line Tangibles Gas Line Intangibles Compresssor Gas Plant Tangibles Gas Plant Tangibles Gas Plant Intangibles			10,000 60,000 25,000 3,000 5,000	10,000 60,000 25,000 3,000 5,000
2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369	Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS Gas Line Tangibles Gas Line Intangibles Compresssor Gas Plant Tangibles			10,000 60,000 25,000 3,000 5,000	10,000 60,000 25,000 3,000 5,000
2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369 2353 2353 2353 2382 2382	Tubing Rods Pumps Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS Gas Line Tangibles Gas Line Intangibles Compresssor Gas Plant Tangibles Gas Plant Tangibles Gas Plant Intangibles		305,000	10,000 60,000 25,000 3,000 5,000	10,000 60,000 25,000 3,000 5,000
2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369 2353 2353 2353 2382 2382	Tubing Rods Pumps Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS Gas Line Tangibles Gas Line Intangibles Compresssor Gas Plant Tangibles Gas Plant Intangibles Dehydrator SUBTOTAL - SYSTEMS	264,000	305,000	10,000 60,000 25,000 3,000 5,000 450,000 628,000	10,000 60,000 25,000 3,000 5,000 450,000
2327 2328 2329 2331 2361 2365 2366 2367 2368 2369 2353 2353 2353 2381 2382 2382 2384	Tubing Rods Pumps Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS Gas Line Tangibles Gas Line Intangibles Compresssor Gas Plant Tangibles Gas Plant Tangibles Gas Plant Intangibles Dehydrator SUBTOTAL - SYSTEMS		305,000	10,000 60,000 25,000 3,000 5,000	10,000 60,000 25,000 3,000 5,000
2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369 2353 2353 2353 2382 2382	Tubing Rods Pumps Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS Gas Line Tangibles Gas Line Intangibles Compresssor Gas Plant Tangibles Gas Plant Tangibles Gas Plant Intangibles Dehydrator SUBTOTAL - SYSTEMS	264,000	305,000	10,000 60,000 25,000 3,000 5,000 450,000 628,000	10,000 60,000 25,000 3,000 5,000 450,000
2327 2328 2329 2331 2361 2365 2366 2367 2368 2369 2353 2353 2353 2381 2382 2382	Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS Gas Line Tangibles Gas Line Intangibles Compresssor Gas Plant Tangibles Gas Plant Tangibles Gas Plant Tangibles Dehydrator SUBTOTAL - SYSTEMS	\$ 264,000 128,472	\$ 305,000 41,124	\$ 628,000 306,840	10,000 60,000 25,000 3,000 5,000 450,000 1,197,000 \$ 1,197,000 476,436
2327 2328 2329 2331 2361 2365 2366 2367 2368 2369 2353 2353 2353 2381 2382 2382	Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS Gas Line Tangibles Gas Line Intangibles Compresssor Gas Plant Tangibles Gas Plant Tangibles Gas Plant Tangibles Dehydrator SUBTOTAL - SYSTEMS	\$ 264,000	305,000	10,000 60,000 25,000 3,000 5,000 450,000 628,000	10,000 60,000 25,000 3,000 5,000 450,000 1,197,000
2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369 2353 2353 2381 2382 2382 2384	Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS Gas Line Tangibles Gas Line Intangibles Compresssor Gas Plant Tangibles Gas Plant Tangibles Gas Plant Tangibles Dehydrator SUBTOTAL - SYSTEMS	\$ 264,000 128,472	\$ 305,000 41,124	\$ 628,000 306,840	10,000 60,000 25,000 3,000 5,000 450,000 1,197,000 \$ 1,197,000 476,436

Initial Routing Date: 02/14/19

NE RTW BMM CR, LJH, RMD, BBJ







BTA OIL PRODUCERS, LLC

CARLTON BEAL, JR.
BARRY BEAL
SPENCER BEAL
KELLY BEAL
BARRY BEAL, JR.
STUART BEAL
ROBERT DAVENPORT, JR.

104 SOUTH PECOS STREET MIDLAND, TEXAS 79701-5021 432-682-3753 FAX 432-683-0311 GULF COAST DISTRICT TOTAL PLAZA 1201 LOUISIANA STREET, STE. 570 HOUSTON, TEXAS 77002 713-658-0077 FAX 713-655-0346

ROCKY MOUNTAIN DISTRICT 600 17TH STREET, STE. 2230 SOUTH DENVER, COLORADO 80202 303-534-4404 FAX 303-534-4661

February 26, 2020

Certified Return Receipt 70130600000184995212

In re: Well Proposal - South Ridge 8030 State Com #1H

Township 23 South, Range 34 East, N.M.P.M.

Section 2: W/2 SW/4 Section 11: W/2 W/2 Lea County, New Mexico

SHL: Section 2 - 2380' FNL & 1125' FWL BHL: Section 11 - 50' FSL & 400' FWL

BTA 8030 JV-P South Ridge, Tr. IV, V, IX

Chevron U.S.A. Inc. 6301 Deauville Midland, TX 79706

Attn: Ms. Kristen Hunter

Dear Kristen:

In regard to the Application for Compulsory Pooling, Case No. 20914, submitted by BTA Oil Producers, LLC, pertaining to the above referenced proposed well (the "Well"), the State of New Mexico Oil Conservation Division has issued Order No. R-21129 (see enclosed). Be advised that subject to Order No. R-21129, Chevron U.S.A. Inc. has thirty (30) days to elect to participate or not to participate in the drilling of the BTA Oil Producers, LLC South Ridge 8040 State Com #1H Well (the "Well"), a horizontal 2nd Bone Spring communitized well with a TVD of 10,425' and a MD of 17,900' (the "Operation"), at the above referenced location. The Well was spudded on February 23, 2020. Cumulative Well Costs for the Operation are estimated to be \$8,417,036.00, as detailed in our enclosed Authority for Expenditure.

Our proposed Operating Agreement dated June 1, 2019 was mailed to you by separate cover dated June 5, 2019. Exhibit "A" to the Operating Agreement indicates your working interest in the Well is believed to be 4.166667%.

Should you elect to participate in the drilling of the Well, please indicate so by returning a signed copy of this letter along with a signed copy of the AFE. Please note the Well is a horizontal well and there will not be a casing point election.

If you have any questions or require further information, please let me know.

	Sincerely, Sincerely,
	Rex D. Barker Landman
	Landinan
	Elect to participate in the South Ridge 8030 State Com #1H Well (Send Well Information Requirements to BTA Oil Producers, LLC)
	Elect to go non-consent in the South Ridge 8030 State Com #1H Well
By:_ Title:	ron U.S.A. Inc.
cc:	New Mexico Oil Conservation Division (Certified # 70130600000184995205) 1220 South St. Francis Drive Santa Fe, NM 87505 Attn: Mr. John Garcia
RB	
	OSUTES nlagan\Documents\Land\Letters\Rex Barker\Well Proposal Letter under Order R-21129 - Chevron.docx

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

IN THE MATTER OF APPLICATION FOR COMPULSORY POOLING SUBMITTED BY BTA OIL PRODUCERS, LLC

CASE NO.	20914
ORDER NO.	R-21129

ORDER

The Director of the New Mexico Oil Conservation Division ("OCD"), having heard this matter through a Hearing Examiner on November 15, 2019, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

- 1. BTA Oil Producers, LLC ("Operator") submitted an application ("Application") to compulsory pool the uncommitted oil and gas interests within the spacing unit ("Unit") described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
- 2. Operator will dedicate the well(s) described in Exhibit A ("Well(s)") to the Unit.
- 3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
- 4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
- 5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

- 6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
- 7. Operator is the owner of an oil and gas working interest within the Unit.
- 8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
- 9. OCD satisfied the notice requirements for the hearing as required by 19.15.4,9 NMAC.
- 10. Operator has the right to drill the Well(s) to a common source of supply at the described depth(s) and location(s) in the Unit.
- 11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
- 12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
- 13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
- 14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

ORDER

- 15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
- 16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
- 17. Operator is designated as operator of the Unit and the Well(s).
- 18. If the Surface Location or Bottom Hole Location of a well is changed from the location described in Exhibit A, Operator shall submit an amended Exhibit A, which the Division shall append to this Order.
- 19. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location before commencing production of the well.

- 20. The Operator shall commence drilling the initial well within one (1) year after the date of this Order; and (b) for an infill well, no later than thirty (30) days after completion of the well.
- 21. Operator shall comply with the infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC.
- 22. This Order shall terminate automatically if Operator fails to comply with Paragraphs 20 or 21.
- Operator shall submit to OCD and each owner of a working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs") no later than: (a) for an initial well, no later than thirty (30) days after the date of this Order; (b) for an infill well proposed by Operator, no later than (30) days after the later of the initial notice period pursuant to 19.15.13.10(B) NMAC or the extension granted by the OCD Director pursuant 19.15.13.10(D) NMAC; or (c) for an infill well proposed by an owner of a Pooled Working Interest, no later than thirty (30) days after expiration of the last action required by 19.15.13.11 NMAC.
- 24. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."
- 25. No later than within one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
- 26. No later than sixty (60) days after the later of the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well

Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.

- 27. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
- 28. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
- 29. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
- 30. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
- 31. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to OCD and each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
- 32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
- 33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978,

Sections 70-10-1 et seq., and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 et seq.

34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.

35. OCD retains jurisdiction of this matter for the entry of such orders as may be

deemed necessary.

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

ADRIENNE SANDOVAL DIRECTOR

AS/jag

Date: February 19, 2020

Exhibit "A"

CASE NO. ORDER NO. <u>R-21129</u>

Page 5 of 6

Applicant:

BTA Oil Producers, LLC

Operator:

BTA Oil Producers, LLC (OGRID 260297)

Spacing Unit:

Horizontal Oil

Building Blocks:

Quarter-quarter sections 240 acres, more or less

Spacing Unit Size:

Orientation of Unit: North to South

Spacing Unit Description:

W/2SW/4 of Section 2 and W/2W/2 of Section 11,

Township 23 South, Range 34 East, NMPM, Lea County, New Mexico

Pooling this Vertical Extent: Bone Spring Formation

Depth Severance? (Yes/No): No

Pool:

Ojo Chiso: Bone Spring, South (Pool code 97293)

Pool Spacing Unit Size:

Quarter-quarter sections

Governing Well Setbacks:

Horizontal Oil Well Rules

Pool Rules:

Latest Horizontal Rules Apply.

Proximity Tracts:

None Included

Monthly charge for supervision: While drilling: \$8000; While producing: \$800 As the charge for risk, 200 percent of reasonable well costs.

Proposed Well:

South Ridge 8030 State Com. Well No. 1H, API No. 30-025-46059

SHL: 2380 feet from the North line and 1125 feet from the West line, (Unit E) of Section 2, Township 23 South, Range 34 East, NMPM. BHL: 50 feet from the South line and 400 feet from the West line, (Unit M) of Section 11, Township 23 South, Range 34 East, NMPM.

Completion Target: 2nd Bone Spring Sand at approx. 10425 feet TVD.

Well Orientation:

North to South

Completion Location expected to be: standard

CASE NO. 20914 ORDER NO. R-21129

Page 6 of 6

BTA OIL PRODUCERS, LLC WELL COST ESTIMATE & AUTHORITY FOR EXPENDITURE

Well Name:

South Ridge 8030 State #1H (B2LM)

Total Depth:

10,425' TVD 17,900' MD

Location:

SHL: 2380 FNL 1125 FWL sec 2, 23S, 34E BHL: 50 FSL 400 FWL sec 11 Lea County, NM

Formation:

2nd Bone

	5 . 5			Formation:	2nd Bone
	Date Prepared: 2/11/19		Prepared By:		
		NE	NE	TW	
	ARONA (TEHR) URACA (SE		CASED HOLE		
CODE	FORMATION EVALUATION	\$	\$	\$	\$
2203 2204	Logs Cores	8,000		20,000	28,000
2205	DST				
2211	LOCATION & ACCESS Survey & Stake	5,000			5,000
2212	Damages	20,000			20,000
2213	Road & Location	65,000		12,000	77,000
2214	Other Location DRILLING RIG	140,000		•	140,000
2223	Mobilization	90,000			90,000
2225 2226	Daywork Footage	517,000	94,000		611,000
2227	Turnkey				
2022	DRILLING SUPPLIES	70.000			70.000
2232 2233	Bits BHA	72,000 45,000		65,000	72,000 110,000
2234	Fuel	145,200	26,400	, -	171,600
2236	Other Supplies MUD RELATED				
2241	Mud Purchase	75,000	5,000		80,000
2242	Mud Rental				
2244 2245	Fresh Water Brine	35,000 35,000	1,000	800,000	836,000 35,000
2246	Solids Control (Closed Loop)	33,000	6,000		39,000
2247	, Mud Monitor	28,000			28,000
2249	Mud Related Other DRILLING SERVICES	8,000			8,000
2252	BOP Related	15,000	4,000		19,000
2253 2254	Casing Related	21,000	80,000		101,000
2255	Welding Trucking	8,000 22,500	2,000 10,000	54,000	10,000 86,500
2256	Rental Equipment	70,000	8,000	330,000	408,000
2257	Other Services (Direction/GR Services) CEMENT	209,000			209,000
2261	Casing Cementing	90,000	135,000		225,000
2262	Other Cementing			150,000	150,000
2266	CONTRACT SERVICES Engineering	8,000		_	8,000
2267	Geological	22,000		_	. 22,000
2268	Roustabout	6,000	0.000	5,000	11,000
2269 2270	Wellsite Supervision Other Contract Services	49,500 25,000	9,000	50,000	108,500 25,000
	COMPLETION SERVICES				·
2272 2273	Pulling Unit Drilling Rig			60,000	60,000
2276	Perforate			230,000	230,000
2277	Stimulation			2,500,000	2,500,000
2278	Other Compl. Services OVERHEAD			200,000	200,000
2280	Drilling & Administrative	10,000		10,000	20,000
	(Contral (No Ante) Contral of the	\$ 1,877,200	\$ 380,400	\$ 4,486,000	\$ 6,743,600
	ाष्ट्री/(हो होइट अर् <i>ट्</i> रिक्ट)				
CODE	TUBULARS				
2311 2312	Surface Casing (13 3/8" @ 1900') Intermediate Casing (9 5/8" @ 5,000')	81,000 161,000			81,000 161,000
2313	Drig Liner & Hanger	101,000			101,000
2314	Production Casing (5-1/2" @ TD)		295,000		295,000
2315 2316	Production Liner & Hanger (10,000 - TD) Other Tubulars				
	WELL EQUIPMENT				
2321	Well Head	22,000	10,000	75,000	107,000
2322 2325	Flowline Tubing			10,000 60,000	10,000 60,000
2326	Rods			•	·
2327 2328	Pumps Pumping Unit				
2329	Subsurface Equipment			25,000	25,000
2331	Other Well Equipment			3,000	3,000
2361	LEASE EQUIPMENT Tanks				
2362	Separators				
2363 2364	Heater Treater				
2364	Pumps Electrical System			5,000	5,000
2366	Meters			-,	-,
2367 2368	Connectors Lact Equipment				
2369	Other Lease Equipment			450,000	450,000
	SUBTOTAL TANGED SE	264,000	305,000	628,000	1,197,000
	SUBTOTAL - TANGIBLES	204,000	303,000	020,000	1,187,000
	SYSTEMS				
2353 2353	Gas Line Tangibles Gas Line Intangibles				
2381	Compresssor				
2382	Gas Plant Tangibles				
2382 2384	Gas Plant Intangibles Dehydrator				
2307			•	-	
	SUBTOTAL - SYSTEMS				
	agazetta agazetta karantari e	\$ 264,000	\$ 305,000	\$ 628,000	\$ 1,197,000
3					
	GENERAL CONTINGENCIES	128,472	41,124	306,840	476,436
		\$ 2,269,672	\$ 726,524	\$ 5,420,840	\$ 8,417,036
	GUMBULTAVIE WILLELFORFICE				

Initial Routing Date: 02/14/19

NE RTW BMM CR, LJH, RMD, BBJ

Centified Fee Chevron U.S.A. Inc. Commestic Methods visit out Commestic Methods visit out Commestic Methods Commestic			Chevron U.S.A. Inc. 6301 Deauville Midland, TX 79706	SENDER: COMPLETE THIS SECTION Complete Items 1, 2, and 3, Print your name and addition of the reverse so that we gar return the cate to your manufactor of the mailpress of or on the front if space painting.
For delivery information visit our website at www.usps.come OFFICIAL USE Postage Certified Fee Accept Fee Endorsement Required) Total Postage & Fees For 6301 Deauville Wife Midland, TX 79706 See Reverse for instructions	ervice : 0 MAIL: RECEIPT	3. Spridge Type Cladus Sgrature Cladus Spridge Cladu	D. is delivery authors different port light, 19、河 Yes If YES, enter delivery address below: □ No	COMPLETE THIS SECTION ON DELIVERY A. Signature B. Received by Printed Name) C. D.
ctions	Tiggipro Rossign		□ ((((((((((VERY Adjout Adjusted C. Date of Definity

:



BTA OIL PRODUCERS, LLC

CARLTON BEAL, JR.
BARRY BEAL
SPENCER BEAL
KELLY BEAL
BARRY BEAL, JR.
STUART BEAL
ROBERT DAVENPORT, JR.

104 SOUTH PECOS STREET MIDLAND, TEXAS 79701-5021 432-682-3753 FAX 432-683-0311 GULF COAST DISTRICT TOTAL PLAZA 1201 LOUISIANA STREET, STE. 570 HOUSTON, TEXAS 77002 713-658-0077 FAX 713-655-0346

ROCKY MOUNTAIN DISTRICT 600 17TH STREET, STE. 2230 SOUTH DENVER, COLORADO 80202 303-534-4404 FAX 303-534-4661

February 26, 2020

Certified Return Receipt 50130600000184995229

In re: Well Proposal - South Ridge 8030 State Com #1H

Township 23 South, Range 34 East, N.M.P.M.

Section 2: W/2 SW/4 Section 11: W/2 W/2 Lea County, New Mexico

SHL: Section 2 - 2380' FNL & 1125' FWL BHL: Section 11 - 50' FSL & 400' FWL

BTA 8030 JV-P South Ridge, Tr. IV, V, IX

Frost Bank, Trustee of the Josephine T. Hudson Testamentary Trust f/b/o J. Terrell Ard 640 Taylor Street, Floor 17 Fort Worth, TX 76102

Attn: Mr. Brad Ince

Dear Brad:

In regard to the Application for Compulsory Pooling, Case No. 20914, submitted by BTA Oil Producers, LLC, pertaining to the above referenced proposed well (the "Well"), the State of New Mexico Oil Conservation Division has issued Order No. R-21129 (see enclosed). Be advised that subject to Order No. R-21129, Frost Bank, Trustee of the Josephine T. Hudson Testamentary Trust f/b/o J. Terrell Ard, has thirty (30) days to elect to participate or not to participate in the drilling of the BTA Oil Producers, LLC South Ridge 8040 State Com #1H Well (the "Well"), a horizontal 2nd Bone Spring communitized well with a TVD of 10,425' and a MD of 17,900' (the "Operation"), at the above referenced location. The Well was spudded on February 23, 2020. Cumulative Well Costs for the Operation are estimated to be \$8,417,036.00, as detailed in our enclosed Authority for Expenditure.

Our proposed Operating Agreement dated June 1, 2019 was mailed to you by separate cover dated June 5, 2019. Exhibit "A" to the Operating Agreement indicates your working interest in the Well is believed to be 0.151910%.

Should you elect to participate in the drilling of the Well, please indicate so by returning a signed copy of this letter along with a signed copy of the AFE. Please note the Well is a horizontal well and there will not be a casing point election.

If you have any questions or require further information, please let me know.

	Sincerely
	R'ex D. Barker Landman
	Elect to participate in the South Ridge 8030 State Com #1H Well (Send Well Information Requirements to BTA Oil Producers, LLC)
	Elect to go non-consent in the South Ridge 8030 State Com #1H Well
Frost	Bank, Trustee of the Josephine T. Hudson Testamentary Trust f/b/o J. Terrell Ard
cc:	New Mexico Oil Conservation Division (Certified # 70130600000184995205) 1220 South St. Francis Drive

Santa Fe, NM 87505 Attn: Mr. John Garcia

RB

Enclosures

C:\Users\mlagan\Documents\Land\Letters\Rex Barker\Well Proposal Letter under Order R-21129 - Frost Bank.docx

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

IN THE MATTER OF APPLICATION FOR COMPULSORY POOLING SUBMITTED BY BTA OIL PRODUCERS, LLC

CASE NO.	20914
ORDER NO.	R-21129

ORDER

The Director of the New Mexico Oil Conservation Division ("OCD"), having heard this matter through a Hearing Examiner on November 15, 2019, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

- 1. BTA Oil Producers, LLC ("Operator") submitted an application ("Application") to compulsory pool the uncommitted oil and gas interests within the spacing unit ("Unit") described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
- 2. Operator will dedicate the well(s) described in Exhibit A ("Well(s)") to the Unit.
- 3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
- 4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
- 5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

- 6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
- 7. Operator is the owner of an oil and gas working interest within the Unit.
- 8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
- 9. OCD satisfied the notice requirements for the hearing as required by 19.15.4,9 NMAC.
- 10. Operator has the right to drill the Well(s) to a common source of supply at the described depth(s) and location(s) in the Unit.
- 11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
- 12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
- 13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
- 14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

<u>ORDER</u>

- 15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
- 16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
- 17. Operator is designated as operator of the Unit and the Well(s).
- 18. If the Surface Location or Bottom Hole Location of a well is changed from the location described in Exhibit A, Operator shall submit an amended Exhibit A, which the Division shall append to this Order.
- 19. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location before commencing production of the well.

- 20. The Operator shall commence drilling the initial well within one (1) year after the date of this Order; and (b) for an infill well, no later than thirty (30) days after completion of the well.
- 21. Operator shall comply with the infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC.
- 22. This Order shall terminate automatically if Operator fails to comply with Paragraphs 20 or 21.
- Operator shall submit to OCD and each owner of a working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs") no later than: (a) for an initial well, no later than thirty (30) days after the date of this Order; (b) for an infill well proposed by Operator, no later than (30) days after the later of the initial notice period pursuant to 19.15.13.10(B) NMAC or the extension granted by the OCD Director pursuant 19.15.13.10(D) NMAC; or (c) for an infill well proposed by an owner of a Pooled Working Interest, no later than thirty (30) days after expiration of the last action required by 19.15.13.11 NMAC.
- 24. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."
- 25. No later than within one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
- 26. No later than sixty (60) days after the later of the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well

Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.

- 27. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
- 28. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
- 29. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
- 30. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
- 31. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to OCD and each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
- 32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
- 33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978,

CASE NO. <u>20914</u> ORDER NO. R-21129 Sections 70-10-1 et seq., and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 et seq.

34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.

35. OCD retains jurisdiction of this matter for the entry of such orders as may be

deemed necessary.

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

ADRIENNE SANDOVAL DIRECTOR

AS/jag

Date: February 19, 2020

Exhibit "A"

CASE NO. 20914 ORDER NO. <u>R-21129</u>

Page 5 of 6

Applicant:

BTA Oil Producers, LLC

Operator:

BTA Oil Producers, LLC (OGRID 260297)

Spacing Unit:

Horizontal Oil

Building Blocks:

Quarter-quarter sections 240 acres, more or less

Spacing Unit Size:

Orientation of Unit: North to South

Spacing Unit Description:

W/2SW/4 of Section 2 and W/2W/2 of Section 11,

Township 23 South, Range 34 East, NMPM, Lea County, New Mexico

Pooling this Vertical Extent: Bone Spring Formation

Depth Severance? (Yes/No): No

Pool:

Ojo Chiso; Bone Spring, South (Pool code 97293)

Pool Spacing Unit Size:

Quarter-quarter sections

Governing Well Setbacks:

Horizontal Oil Well Rules

Pool Rules:

Latest Horizontal Rules Apply.

Proximity Tracts:

None Included

Monthly charge for supervision: While drilling: \$8000; While producing: \$800 As the charge for risk, 200 percent of reasonable well costs.

Proposed Well:

South Ridge 8030 State Com. Well No. 1H, API No. 30-025-46059

SHL: 2380 feet from the North line and 1125 feet from the West line, (Unit E) of Section 2, Township 23 South, Range 34 East, NMPM. BHL: 50 feet from the South line and 400 feet from the West line, (Unit M) of Section 11, Township 23 South, Range 34 East, NMPM.

Completion Target: 2nd Bone Spring Sand at approx. 10425 feet TVD.

Well Orientation:

North to South

Completion Location expected to be: standard

CASE NO. _20914 ORDER NO. <u>R-21129</u>

Page 6 of 6

BTA OIL PRODUCERS, LLC WELL COST ESTIMATE & AUTHORITY FOR EXPENDITURE

Well Name:

South Ridge 8030 State #1H (B2LM)

Total Depth:

10,425' TVD 17,900' MD

Location:

SHL: 2380 FNL 1125 FWL sec 2, 23S, 34E BHL: 50 FSL 400 FWL sec 11 Lea County, NM

Formation:

2nd Bone

	Date Prepared: 2/11/19				
		NE NE	Prepared By:	711	
		NE	NE CASED HOLE	TW	
	1/38/AV(G)E102(6/GC57S				<u></u>
2203	FORMATION EVALUATION	\$	\$	\$	\$
2203	Logs Cores	8,000		20,000	28,000
2205	DST				
2211	LOCATION & ACCESS	5 000			
2212	Survey & Stake Damages	5,000 20,000			5,000 20,000
2213	Road & Location	65,000		12,000	77,000
2214	Other Location DRILLING RIG	140,000			140,000
2223	Mobilization	90,000			90,000
2 2 25 2 22 6	Daywork	517,000	94,000		611,000
2220	Footage Tumkey				
	DRILLING SUPPLIES				
2232 2233	Bits BHA	72,000			72,000
2234	Fuel	45,000 145,200	26,400	65,000	110,000 171,600
2236	Other Supplies		35,110		,
2241	MUD RELATED Mud Purchase	75.000	5 000		
2242	Mud Rental	75,000	5,000		80,000
2244	Fresh Water	35,000	1,000	800,000	836,000
2245 2246	Brine Solids Control (Closed Loop)	35,000	6.000		35,000
2247	. Mud Monitor	33,000 28,000	6,000		39,000 28,000
2249	Mud Related Other	8,000			8,000
2252	DRILLING SERVICES BOP Related	45.000	4.000		10.000
2253	Casing Related	15,000 21,000	4,000 80,000		19,000 101,000
2254	Welding	8,000	2,000		10,000
2255 2256	Trucking Postal Equipment	22,500	10,000	54,000	86,500
2257	Rental Equipment Other Services (Direction/GR Services)	70,000 209,000	8,000	330,000	408,000 209,000
	CEMENT				200,000
2261 2262	Casing Cementing	90,000	135,000	450.000	225,000
2202	Other Cementing CONTRACT SERVICES			150,000	150,000
2266	Engineering	8,000		-	8,000
2267	Geological	22,000			22,000
2268 2269	Roustabout Wellsite Supervision	6,000 49,500	9,000	5,000 50,000	11,000 108,500
2270	Other Contract Services	25,000	0,000	30,000	25,000
0070	COMPLETION SERVICES				
2272 2273	Pulling Unit Drilling Rig			60,000	60,000
2276	Perforate			230,000	230,000
2277	Stimulation		4	2,500,000	2,500,000
2278	Other Compl. Services OVERHEAD			200,000	200,000
2280	Drilling & Administrative	10,000		10,000	20,000
	and his captains and constitutions	\$ 1,877,200	\$ 380,400	\$ 4,486,000	\$ 6,743,600
	TANGIBUTIOOSUS				
CODE	TUBULARS				
2311					81,000
2312	Surface Casing (13 3/8" @ 1900')	81,000			
	Intermediate Casing (9 5/8" @ 5,000')	81,000 161,000			161,000
2313 2314			295.000		161,000
2314 2315	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD)		295,000		
2314	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars		295,000		161,000
2314 2315	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD)	161,000	·	75.000	161,000 295,000
2314 2315 2316 2321 2322	Intermediate Casing (9 5/8" @ 5,000') Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline		295,000 10,000	75,000 10,000	161,000 295,000 107,000 10,000
2314 2315 2316 2321 2322 2325	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing	161,000	·		161,000 295,000 107,000
2314 2315 2316 2321 2322	Intermediate Casing (9 5/8" @ 5,000') Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline	161,000	·	10,000	161,000 295,000 107,000 10,000
2314 2315 2316 2321 2322 2325 2326 2327 2328	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit	161,000	·	10,000 60,000	161,000 295,000 107,000 10,000 60,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2329	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment	161,000	·	10,000 60,000 25,000	161,000 295,000 107,000 10,000 60,000
2314 2315 2316 2321 2322 2325 2326 2327 2328	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit	161,000	·	10,000 60,000	161,000 295,000 107,000 10,000 60,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2329 2331	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks	161,000	·	10,000 60,000 25,000	161,000 295,000 107,000 10,000 60,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2329 2331	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators	161,000	·	10,000 60,000 25,000	161,000 295,000 107,000 10,000 60,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2329 2331	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks	161,000	·	10,000 60,000 25,000	161,000 295,000 107,000 10,000 60,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2329 2331 2361 2362 2363 2364 2365	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System	161,000	·	10,000 60,000 25,000	161,000 295,000 107,000 10,000 60,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2329 2331 2361 2362 2363 2364 2365 2366	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters	161,000	·	10,000 60,000 25,000 3,000	161,000 295,000 107,000 10,000 60,000 25,000 3,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2329 2331 2361 2362 2363 2364 2365	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System	161,000	·	10,000 60,000 25,000 3,000	161,000 295,000 107,000 10,000 60,000 25,000 3,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors	161,000	·	10,000 60,000 25,000 3,000	161,000 295,000 107,000 10,000 60,000 25,000 3,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2331 2361 2362 2363 2364 2365 2366 2367 2368	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment Other Lease Equipment	22,000	10,000	10,000 60,000 25,000 3,000 5,000	161,000 295,000 107,000 10,000 60,000 25,000 3,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2331 2361 2362 2363 2364 2365 2366 2367 2368	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment Other Lease Equipment	161,000	·	10,000 60,000 25,000 3,000	161,000 295,000 107,000 10,000 60,000 25,000 3,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment Other Lease Equipment	22,000	10,000	10,000 60,000 25,000 3,000 5,000	161,000 295,000 107,000 10,000 60,000 25,000 3,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2331 2361 2362 2363 2364 2365 2366 2367 2368	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment Other Lease Equipment	22,000	10,000	10,000 60,000 25,000 3,000 5,000	161,000 295,000 107,000 10,000 60,000 25,000 3,000 5,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS Gas Line Tangibles Gas Line Intangibles Compresssor	22,000	10,000	10,000 60,000 25,000 3,000 5,000	161,000 295,000 107,000 10,000 60,000 25,000 3,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369 2353 2353 2353 2353	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment	22,000	10,000	10,000 60,000 25,000 3,000 5,000	161,000 295,000 107,000 10,000 60,000 25,000 3,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment Other Lease Equipment Other Lease Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS Gas Line Tangibles Gas Plant Tangibles Gas Plant Tangibles Gas Plant Intangibles	22,000	10,000	10,000 60,000 25,000 3,000 5,000	161,000 295,000 107,000 10,000 60,000 25,000 3,000 5,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369 2353 2353 2353 2353	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment	22,000	10,000	10,000 60,000 25,000 3,000 5,000	161,000 295,000 107,000 10,000 60,000 25,000 3,000 5,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment Other Lease Equipment Other Lease Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS Gas Line Tangibles Gas Plant Tangibles Gas Plant Tangibles Gas Plant Intangibles	22,000	305,000	10,000 60,000 25,000 3,000 5,000	161,000 295,000 107,000 10,000 60,000 25,000 3,000 5,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS Gas Line Tangibles Gas Plant Tangibles Gas Plant Tangibles Gas Plant Tangibles Gas Plant Intangibles Dehydrator SUBTOTAL - SYSTEMS	22,000	305,000	10,000 60,000 25,000 3,000 5,000 450,000	161,000 295,000 107,000 10,000 60,000 25,000 3,000 5,000 450,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS Gas Line Tangibles Gas Plant Tangibles Gas Plant Intangibles Dehydrator SUBTOTAL - SYSTEMS	264,000 \$ 264,000	305,000	10,000 60,000 25,000 3,000 5,000	161,000 295,000 107,000 10,000 60,000 25,000 3,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS Gas Line Tangibles Gas Plant Tangibles Gas Plant Tangibles Gas Plant Tangibles Gas Plant Intangibles Dehydrator SUBTOTAL - SYSTEMS	22,000	305,000	10,000 60,000 25,000 3,000 5,000 450,000	161,000 295,000 107,000 10,000 60,000 25,000 3,000 5,000 450,000
2314 2315 2316 2321 2322 2325 2326 2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger Production Casing (5-1/2" @ TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS Gas Line Tangibles Gas Plant Tangibles Gas Plant Intangibles Dehydrator SUBTOTAL - SYSTEMS	\$ 264,000 128,472	\$ 305,000 41,124	\$ 628,000 306,840	161,000 295,000 107,000 10,000 60,000 25,000 3,000 5,000 450,000 1,197,000 476,436
2314 2315 2316 2321 2322 2325 2326 2327 2328 2329 2331 2361 2362 2363 2364 2365 2366 2367 2368 2369	Intermediate Casing (9 5/8" © 5,000") Drig Liner & Hanger Production Casing (5-1/2" © TD) Production Liner & Hanger (10,000 - TD) Other Tubulars WELL EQUIPMENT Well Head Flowline Tubing Rods Pumps Pumping Unit Subsurface Equipment Other Well Equipment LEASE EQUIPMENT Tanks Separators Heater Treater Pumps Electrical System Meters Connectors Lact Equipment Other Lease Equipment SUBTOTAL - TANGIBLES SYSTEMS Gas Line Tangibles Gas Plant Tangibles Compresssor Gas Plant Intangibles Dehydrator SUBTOTAL - SYSTEMS	264,000 \$ 264,000	305,000	10,000 60,000 25,000 3,000 5,000 450,000 628,000	161,000 295,000 107,000 10,000 60,000 25,000 3,000 5,000 450,000 1,197,000

Initial Routing Date: 02/14/19

RTW BMM CR, LJH, RMD, BBJ

PLACE STICKER A OF THE RETURN CERT	TOP OF ENVELOPE TO THE ADDRESS, FOLD AT BOTTED FIED WALL	RIGHT LINE PS FORM SOIL 1, July 2015 PSN 7530		Frost Bank, Trustee of the Josephine T. Hudson Testamentary Trust f/b/o J. Terrell Ard 640 Taylor Street, Floor 17 Fort Worth, TX 76102	OMPLETE THIS SEC
Total Postage & Fees \$ Sen Frost Bank, Trustee of Sin Hudson or! Testamentary Trust f/b Cin 640 Taylor Street, Flour PS Fort Worth, TX 76102	Postage Certified Fee Certified Fee Return Receipt Fee (Endorsement Required) Restricted Delivery Fee	U.S. Postal CERTIFIE (Domestic Mail For delivery inform	255	ince q.	CTION of the reverse the mailphore.
Total Postage & Fees \$ Ser Frost Bank, Trustee of the Josephine T. Sir Hudson or Testamentary Trust f/b/o J. Terrell Ard Cib 640 Taylor Street, Floor 17 PS Fort Worth, TX 76102 nstructions	Postman Here	Service TO MAIL TO RECEIP Only; No Insurance Coverage nation visit our website at www.	3. Service Type Chatuit Signature (Chatuit Signature Restricted Delivery Chatuit Signature Confirmation for Restricted Delivery El Chated on Delivery Restricted Delivery Signature Confirmation restricted Delivery Signature Confirmation restricted Delivery Signature Confirmation restricted Delivery Domestic Return Receipt	D. ts delivery address different from item 17 Ll Yes If YES; enter delivery address below:	
75		Accepta	priess (in it is in i		Agent Addressee also of Delivery

,

,



BTA OIL PRODUCERS, LLC

CARLTON BEAL, JR.
BARRY BEAL
SPENCER BEAL
KELLY BEAL
BARRY BEAL, JR.
STUART BEAL
ROBERT DAVENPORT, JR.

104 SOUTH PECOS STREET MIDLAND, TEXAS 79701-5021 432-682-3753 FAX 432-683-0311 GULF COAST DISTRICT TOTAL PLAZA 1201 LOUISIANA STREET, STE. 570 HOUSTON, TEXAS 77002 713-658-0077 FAX 713-655-0346

ROCKY MOUNTAIN DISTRICT 600 17TH STREET, STE. 2230 SOUTH DENVER, COLORADO 80202 303-534-4404 FAX 303-534-4661

February 26, 2020

Certified Return Receipt 70130600000184995236

In re: Well Proposal - South Ridge 8030 State Com #1H

Township 23 South, Range 34 East, N.M.P.M.

Section 2: W/2 SW/4 Section 11: W/2 W/2 Lea County, New Mexico

SHL: Section 2 - 2380' FNL & 1125' FWL BHL: Section 11 - 50' FSL & 400' FWL

BTA 8030 JV-P South Ridge, Tr. IV, V, IX

Francis H. Hudson, Trustee of Lindy's Living Trust 4200 South Hulen, Suite 302
Fort Worth, TX 76109

Attn: Ms. Tanya Stout

Dear Tanya:

In regard to the Application for Compulsory Pooling, Case No. 20914, submitted by BTA Oil Producers, LLC, pertaining to the above referenced proposed well (the "Well"), the State of New Mexico Oil Conservation Division has issued Order No. R-21129 (see enclosed). Be advised that subject to Order No. R-21129, Francis H. Hudson, Trustee of Lindy's Living Trust, has thirty (30) days to elect to participate or not to participate in the drilling of the BTA Oil Producers, LLC South Ridge 8040 State Com #1H Well (the "Well"), a horizontal 2nd Bone Spring communitized well with a TVD of 10,425' and a MD of 17,900' (the "Operation"), at the above referenced location. The Well was spudded on February 23, 2020. Cumulative Well Costs for the Operation are estimated to be \$8,417,036.00, as detailed in our enclosed Authority for Expenditure.

Exhibit "A" to our Operating Agreement dated June 1, 2019 indicates your working interest in the Well is believed to be 0.911458%.

Should you elect to participate in the drilling of the Well, please indicate so by returning a signed copy of this letter along with a signed copy of the AFE. Please note the Well is a horizontal well and there will not be a casing point election.

If you have any questions or require further information, please let me know.

	Rex D. Barker
	Landman
	Elect to participate in the South Ridge 8030 State Com #1H Well (Send Well Information Requirements to BTA Oil Producers, LLC)
	Elect to go non-consent in the South Ridge 8030 State Com #1H Well
Francis H.	Hudson, Trustee of Lindy's Living Trust
Date:	

cc: New Mexico Oil Conservation Division (Certified # 70130600000184995205)

1220 South St. Francis Drive

Santa Fe, NM 87505 Attn: Mr. John Garcia

RB

Enclosures

C:\Users\mlagan\Documents\Land\Letters\Rex Barker\Well Proposal Letter under Order R-21129 - Lindy's.docx

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

IN THE MATTER OF APPLICATION FOR COMPULSORY POOLING SUBMITTED BY BTA OIL PRODUCERS, LLC

CASE NO.	20914
ORDER NO.	R-21129

<u>ORDER</u>

The Director of the New Mexico Oil Conservation Division ("OCD"), having heard this matter through a Hearing Examiner on November 15, 2019, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

- 1. BTA Oil Producers, LLC ("Operator") submitted an application ("Application") to compulsory pool the uncommitted oil and gas interests within the spacing unit ("Unit") described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
- 2. Operator will dedicate the well(s) described in Exhibit A ("Well(s)") to the Unit.
- 3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
- 4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
- 5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

- 6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
- 7. Operator is the owner of an oil and gas working interest within the Unit.
- 8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
- 9. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.
- 10. Operator has the right to drill the Well(s) to a common source of supply at the described depth(s) and location(s) in the Unit.
- 11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
- 12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
- 13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
- 14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

ORDER

- 15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
- 16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
- 17. Operator is designated as operator of the Unit and the Well(s).
- 18. If the Surface Location or Bottom Hole Location of a well is changed from the location described in Exhibit A, Operator shall submit an amended Exhibit A, which the Division shall append to this Order.
- 19. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location before commencing production of the well.

- 20. The Operator shall commence drilling the initial well within one (1) year after the date of this Order; and (b) for an infill well, no later than thirty (30) days after completion of the well.
- 21. Operator shall comply with the infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC.
- 22. This Order shall terminate automatically if Operator fails to comply with Paragraphs 20 or 21.
- 23. Operator shall submit to OCD and each owner of a working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs") no later than: (a) for an initial well, no later than thirty (30) days after the date of this Order; (b) for an infill well proposed by Operator, no later than (30) days after the later of the initial notice period pursuant to 19.15.13.10(B) NMAC or the extension granted by the OCD Director pursuant 19.15.13.10(D) NMAC; or (c) for an infill well proposed by an owner of a Pooled Working Interest, no later than thirty (30) days after expiration of the last action required by 19.15.13.11 NMAC.
- 24. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."
- 25. No later than within one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
- 26. No later than sixty (60) days after the later of the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well

Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.

- 27. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
- 28. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
- Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
- 30. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
- Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to OCD and each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
- 32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
- 33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978,

CASE NO.	20914			
ORDER NO.	R-21129			

Sections 70-10-1 et seq., and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 et seq.

34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.

35. OCD retains jurisdiction of this matter for the entry of such orders as may be

deemed necessary.

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

ADRIENNE SANDOVAL DIRECTOR AS/jag

Date: February 19, 2020

Exhibit "A"

CASE NO. ORDER NO. <u>R-21129</u>

Page 5 of 6

Applicant:

BTA Oil Producers, LLC

Operator:

BTA Oil Producers, LLC (OGRID 260297)

Spacing Unit:

Horizontal Oil

Building Blocks:

Quarter-quarter sections 240 acres, more or less

Spacing Unit Size: Orientation of Unit: North to South

Spacing Unit Description:

W/2SW/4 of Section 2 and W/2W/2 of Section 11,

Township 23 South, Range 34 East, NMPM, Lea County, New Mexico

Pooling this Vertical Extent: Bone Spring Formation

Depth Severance? (Yes/No): No

Pool:

Ojo Chiso; Bone Spring, South (Pool code 97293)

Pool Spacing Unit Size:

Quarter-quarter sections Horizontal Oil Well Rules

Governing Well Setbacks: Pool Rules:

Latest Horizontal Rules Apply.

Proximity Tracts:

None Included

Monthly charge for supervision: While drilling: \$8000; While producing: \$800 As the charge for risk, 200 percent of reasonable well costs.

Proposed Well:

South Ridge 8030 State Com. Well No. 1H, API No. 30-025-46059

SHL: 2380 feet from the North line and 1125 feet from the West line, (Unit E) of Section 2, Township 23 South, Range 34 East, NMPM. BHL: 50 feet from the South line and 400 feet from the West line, (Unit M) of Section 11, Township 23 South, Range 34 East, NMPM.

Completion Target: 2nd Bone Spring Sand at approx. 10425 feet TVD.

Well Orientation:

North to South

Completion Location expected to be: standard

CASE NO. 20914 ORDER NO. <u>R-21129</u>

Page 6 of 6

BTA OIL PRODUCERS, LLC WELL COST ESTIMATE & AUTHORITY FOR EXPENDITURE

Well Name:

South Ridge 8030 State #1H (B2LM)

Total Depth:

10,425' TVD 17,900' MD

Location:

SHL: 2380 FNL 1125 FWL sec 2, 23S, 34E BHL: 50 FSL 400 FWL sec 11 Lea County, NM

Formation:

2nd Bone

	Date Prepared: 2/11/19			r omitation.	2110	DOME
	Date Frequence.		Prepared By:			
		NE NE	NE CASEC HOUE I	TW		· . · · · ·
	Nanyylelight Molsag	_		CROSS Suiton's Sale - mercane - 9 Androdo Total		
2203	FORMATION EVALUATION Logs	\$ 8,000	\$	\$ 20,000	\$	20 000
2204	Cores	8,000		20,000		28,000
2205	DST					
2211	LOCATION & ACCESS Survey & Stake	5,000			•	5,000
2212	Damages	20,000				20,000
2213 2214	Road & Location Other Location	65,000 140,000		12,000		77,000 140,000
	DRILLING RIG	140,000		•		140,000
2223 2225	Mobilization Daywork	90,000 517,000	94,000			90,000
2226	Footage	317,000	94,000			611,000
2227	Tumkey					
2232	DRILLING SUPPLIES Bits	72,000				72,000
2233	ВНА	45,000		65,000		110,000
2234 2236	Fuel Other Supplies	145,200	26,400			171,600
2200	MUD RELATED					
2241	Mud Purchase	75,000	5,000			80,000
2242 2244	Mud Rental Fresh Water	35.000	1,000	800,000		836,000
2245	Brine	35,000	1,000	300,000		35,000
2246 2247	Solids Control (Closed Loop) , Mud Monitor	33,000	6,000			39,000
2247	Mud Related Other	28,000 8,000				28,000 8,000
	DRILLING SERVICES					
2252 2253	BOP Related Casing Related	15,000 21,000	4,000 80,000			19,000
2254	Welding	8,000	2,000			101,000 10,000
2255	Trucking	22,500	10,000	54,000		86,500
2256 2257	Rental Equipment Other Services (Direction/GR Services)	70,000 209,000	8,000	330,000		408,000 209,000
	CEMENT					200,000
2261 2262	Casing Cementing Other Cementing	90,000	135,000	450.000		225,000
2202	CONTRACT SERVICES			150,000		150,000
2266	Engineering	8,000		-		8,000
2267 2268	Geological Roustabout	22,000 6,000		5,000	•	22,000 11,000
2269	Wellsite Supervision	49,500	9,000	50,000		108,500
2270	Other Contract Services	25,000				25,000
2272	COMPLETION SERVICES Pulling Unit			60,000		60,000
2273	Drilling Rig					
2276 2277	Perforate Stimulation			230,000 2,500,000		230,000 2,500,000
2278	Other Compl. Services			200,000		200,000
2280	OVERHEAD Drilling & Administrative	10,000		10,000		20,000
2200	Story And Private Colores	\$ 1,877,200	\$ 380,400	\$ 4,486,000	<u> </u>	20,000 6,743,600
		, ,,===	,,	7,111,001	•	-11
CODE	TANGIBIE GOSTS TUBULARS					
2311	Surface Casing (13 3/8" @ 1900')	81,000				81,000
2312 2313	Intermediate Casing (9 5/8" @ 5,000") Drlg Liner & Hanger	161,000				161,000
2314	Production Casing (5-1/2" @ TD)		295,000			295,000
2315	Production Liner & Hanger (10,000 - TD)					
2316	Other Tubulars WELL EQUIPMENT					
2321	Well Head	22,000	10,000	75,000		107,000
2322 2325	Flowline Tubing			1 0, 000 60,000		10,000
2326	Rods			00,000		60,000
2327	Pumps					
2328 2329	Pumping Unit Subsurface Equipment			25,000		25,000
2331	Other Well Equipment			3,000		3,000
2361	LEASE EQUIPMENT Tanks					
2362	Separators					
2363	Heater Treater					
2364 2365	Pumps Electrical System			5,000		5,000
2366	Meters			-,		
2367 2368	Connectors Lact Equipment					
2369	Other Lease Equipment			450,000		450,000
	SUBTOTAL - TANGIBLES	264,000	305,000	628,000		1,197,000
		204,000	303,000	020,000		1,191,000
2252	SYSTEMS Cas Line Tensibles					
2353 2353	Gas Line Tangibles Gas Line Intangibles					
2381	Compresssor					
2382 2382	Gas Plant Tangibles Gas Plant Intangibles					
2384	Dehydrator					
	•		•	No. and the state of the state		
	SUBTOTAL - SYSTEMS					
					_	4 407 000
	1(0) (16 17:1/1c) 2 2 (6))	\$ 264,000	\$ 305,000	\$ 628,000	\$	1,197,000
`		•			\$	
1	GENERAL CONTINGENCIES	\$ 264,000 128,472 \$ 2,269,672	\$ 305,000 41,124 \$ 726,524	\$ 628,000 306,840	\$	476,436 8,417,036

क्वित्राणायस्वरग्रहः वर्गन्नवान्द्रक्तिः हरः Initial Routing Date: 02/14/19

NE RTW

BMM

CR, LJH, RMD, BBJ

