

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 70130600000184995243

In re: Well Proposal - South Ridge 8030 State Com #2H

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

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

SHL: Section 2 - 2380' FNL & 1155' FWL BHL: Section 11 - 50' FSL & 1880' 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. 20915, 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-21130 (see enclosed). Be advised that subject to Order No. R-21130, 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 #2H 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 today, February 26, 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.

	Sipeerely,
	Rex D. Barker Landman
	Elect to participate in the South Ridge 8030 State Com #2H Well (Send Well Information Requirements to BTA Oil Producers, LLC)
A SPECIAL SPEC	Elect to go non-consent in the South Ridge 8030 State Com #2H Well
Cente	ennial Resource Production, LLC
By:	
Date.	
cc:	New Mexico Oil Conservation Division (Certified # 70130600000184995205) 1220 South St. Francis Drive Santa Fe, NM 87505 Attn: Mr. John Garcia

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RB

Enclosures

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.	20915
ORDER NO.	R-21130

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."
- 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.

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. <u>20915</u> ORDER NO. <u>R-21130</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:

E/2SW/4 of Section 2 and E/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:

Ouarter-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. 2H, API No. 30-025-46060

SHL: 2380 feet from the North line and 1155 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 1880 feet from the West line, (Unit N) 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

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

Well Name: Location:

South Ridge 8030 State #2H (B2KN) SHL: 2380 FNL 1155 FWL sec 2, 23S, 34E BHL: 50 FSL 1880 FWL sec 11

Total Depth:

10,425' TVD 17,900' MD

Lea County, NM

Formation:

2nd Bone

	Date Prepared: 2/11/19				
	·		Prepared By:		
		NE	NE CASED HOLE	S - (30)KEVES (0)K, ∫ TW	
	NAVIGIERE GOSTE			Superior in the State of the St	
CODE	FORMATION EVALUATION	\$	\$	\$	\$
2203 2204	Logs Cores	8,000		20,000	28,000
2205	DST				
0011	LOCATION & ACCESS				
2211 2212	Survey & Stake Damages	5,000 20,000			5,000 20,000
2213	Road & Location	65,000		12,000	77,000
2214	Other Location	140,000			140,000
222 3	DRILLING RIG Mobilization	90,000			90,000
2225	Daywork	517,000	94,000		611,000
2226	Footage				
2227	Turnkey DRILLING SUPPLIES				
2232	Bits	72,000			72,000
2233	BHA	45,000		65,000	110,000
2234 2236	Fuel Other Supplies	145,200	26,400		171,600
	MUD RELATED	·			
2241 2242	Mud Purchase	75,000	5,000		80,000
2242	Mud Rental Fresh Water	35,000	1,000	800,000	836,000
2245	Brine	35,000		555,555	35,000
2246 2247	Solids Control (Closed Loop) Mud Monitor	33,000	6,000		39,000
2249	Mud Related Other	28,000 8,000			28,000 8,000
	DRILLING SERVICES	0,000			0,000
2252	BOP Related	15,000	4,000		19,000
2253 2254	Casing Related Welding	21,000 8,000	80,000 2,000		101,000
2255	Trucking	22,500	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
2261	CEMENT Casing Cementing	90,000	135,000		225,000
2262	Other Cementing	90,000	135,000	150,000	150,000
	CONTRACT SERVICES				100,000
2266 2267	Engineering	8,000		•	8,000
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			80,000	60,000
2276	Perforate			230,000	230,000
2277 2278	Stimulation Other Compl. Services			2,500,000	2,500,000
2210	OVERHEAD			200,000	200,000
2280	Drilling & Administrative	10,000		10,000	20,000
	[46] N. W. [46] N. W. (61] 1. S. (61] (61]	\$ 1,877,200	\$ 380,400	\$ 4,486,000	\$ 6,743,600
	TANGIBLE COSTS				
CODE	TUBULARS				
2311	Surface Casing (13 3/8" @ 1900')	81,000			81,000
2312 2313	Intermediate Casing (9 5/8" @ 5,000") Drig 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	Flowline			10,000	10,000
2325 2326	Tubing			60,000	60,000
2327	Rods Pumps				
2328	Pumping Unit				
2329	Subsurface Equipment			25,000	25,000
2331	Other Well Equipment LEASE EQUIPMENT			3,000	3,000
2361	Tanks				
2362	Separators				
2363 2364	Heater Treater Pumps				
2365	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
	SYSTEMS				
2353	Gas Line Tangibles				
2353	Gas Line Intangibles				
2381 2382	Compresssor Gas Plant Tangibles				
2382	Gas Plant Intangibles				
2384	Dehydrator				
	CHOTOTAL OVOTELO				
	SUBTOTAL - SYSTEMS				
	HOMAS MANIGIBLE COSTAS	\$ 264,000	\$ 305,000	\$ 628,000	\$ 1,197,000
	OCHER LA CONTROL CONTR				
	GENERAL CONTINGENCIES	128,472	41,124	306,840	476,436
	4 3 4 4 2 5 6 1 TO HOW	\$ 2,269,672	\$ 726,524	\$ 5,420,840	\$ 8,417,036
	CUMODATIONE WELL GOSTIS				

Initial Routing Date: 02/14/19

NE

RTW BMM CR, LJH, RMD, BBJ

CERTIFIED MAIL. Dentified Fees For delivery information visit our postage & Fees Endorsement Required) Restricted Delivery Fee (Endorsement Required) Restricted Delivery Fee (Endorsement Required) For delivery information visit our postage & Fees Restricted Delivery Fee (Endorsement Required) For delivery information visit our postage & Fees Restricted Delivery Fee (Endorsement Required) For delivery information visit our postage & Fees Restricted Delivery Fee (Endorsement Required) For delivery information visit our postage & Fees Restricted Delivery Fee (Endorsement Required) For delivery information visit our postage & Fees Restricted Delivery Fee (Endorsement Required) For delivery information visit our postage & Fees Restricted Delivery Fee (Endorsement Required) For delivery information visit our postage & Fees Restricted Delivery Fee (Endorsement Required) For delivery information visit our postage & Fees Restricted Delivery Fee (Endorsement Required) For delivery information visit our postage & Fees Restricted Delivery Fee (Endorsement Required) For delivery information visit our postage & Fees Restricted Delivery Fee (Endorsement Required) For delivery information visit our postage & Fees Restricted Delivery Fee (Endorsement Required) For delivery information visit our postage & Fees Restricted Delivery Fee (Endorsement Required) For delivery information visit our postage & Fees Restricted Delivery Fee (Endorsement Required) For delivery information visit our postage & Fees Restricted Delivery Fee (Endorsement Required) For delivery information visit our postage & Fees Restricted Delivery Fee (Endorsement Required) For delivery information visit our postage & Fees Restricted Delivery Fee (Endorsement Required) For delivery information visit our postage & Fees Restricted Delivery Fee (Endorsement Required)	3. 3. 3. 3. 3. 3. 3. 3. 3. 3. 3. 3. 3. 3	SENDER: COMPLETE THIS SECTION Complete items 1, 2, and 3. Print your name and address on the press so that we can return the card to your. Attach this card to the back of the malipiece, or on the front if space permits. Anticle Addressed to the Centennial Resource Production; LLC 1001 17th Street, Suite 1800 Denver, CO 80202
U.S. Postal Service (CERTIFIED MAILTIN RECEIPT (Domestic Mail Only; No Insurance Coverage Provided) For delivery information visit our website at www.usps.com. OFFICIAL USMAL Postage & Fee (Endorsement Required) Restricted Delivery Fee (Endorsement Required) Total Postage & Fees \$ Seni. Centennial Resource Production, Siris LLC OFFI 1001 17th Street, Suite 1800 Denver, CO 80202	3. Service Type District Signature Districts	COMPLETE THIS SECTION ON DELIVERY Signature Agent Agent Agent Addressee B. Received by (Printed Name) C. Date of Delivery C. is delivery address different from them 1? FYES, enter delivery address below:



BTA OIL PRODUCERS, LLC

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

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

February 25, 2020

Certified Return Receipt 70130600000184995281

In re: Well Proposal - South Ridge 8030 State Com #2H

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

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

SHL: Section 2 - 2380' FNL & 1155' FWL BHL: Section 11 - 50' FSL & 1880' 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. 20915, 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-21130 (see enclosed). Be advised that subject to Order No. R-21130, 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 #2H 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 today, 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 #2H Well (Send Well Information Requirements to BTA Oil Producers, LLC)
- In the second	Elect to go non-consent in the South Ridge 8030 State Com #2H Well
Franc	eis H. Hudson, Trustee of Lindy's Living Trust
By:_	
Title:	
Enclo	osure
cc:	New Mexico Oil Conservation Division (Certified # 70130600000184995205)

Santa Fe, NM 87505 Attn: Mr. John Garcia

RB

Enclosures

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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.	20915
ORDER NO.	R-21130

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."
- 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.
- 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. 20915 ORDER NO. <u>R-21130</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

Spacing Unit Size:

240 acres, more or less Orientation of Unit: North to South

Spacing Unit Description:

E/2SW/4 of Section 2 and E/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 Spacing Unit Size:

Ojo Chiso; Bone Spring, South (Pool code 97293) Quarter-quarter sections

Governing Well Setbacks:

Horizontal Oil Well Rules

Pool Rules:

Pool:

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. 2H, API No. 30-025-46060

SHL: 2380 feet from the North line and 1155 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 1880 feet from the West line, (Unit N) 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. 20915 ORDER NO. <u>R-21130</u>

Page 6 of 6

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

Well Name: Location:

South Ridge 8030 State #2H (B2KN)

SHL: 2380 FNL 1155 FWL sec 2, 23S, 34E

BHL: 50 FSL 1880 FWL sec 11

Lea County, NM

Total Depth:

10,425' TVD

17,900' MD

Formation: 2nd Bone Date Prepared: 2/11/19 Prepared By: TW CASED HOLE FORMATION EVALUATION CODE \$ \$ 2203 8,000 20,000 28,000 Logs 2204 Cores 2205 DST LOCATION & ACCESS Survey & Stake Damages Road & Location 2211 5.000 5.000 20,000 65,000 20,000 77,000 2212 12,000 2213 2214 Other Location 140,000 140,000 DRILLING RIG 90,000 2223 Mobilization 90,000 2225 Daywork 517,000 94,000 611,000 2226 Footage Turnkey
DRILLING SUPPLIES 2227 72,000 2232 Bits 72.000 2233 BHA 65,000 110,000 171,600 2234 Fuel 145,200 26,400 2236 Other Supplies MUD RELATED 2241 5,000 80,000 Mud Purchase 75,000 2242 2244 2245 Mud Rental 836,000 35,000 35,000 35,000 Fresh Water 1,000 800,000 Brine 2246 2247 33,000 28,000 39,000 28,000 Solids Control (Closed Loop) 6,000 Mud Monitor Mud Related Othe 2249 8.000 8.000 DRILLING SERVICES
BOP Related 19,000 2252 15,000 4,000 Casing Related Welding 21,000 8,000 22,500 80,000 2,000 10,000 2253 101.000 10,000 86,500 2255 54,000 Trucking Rental Equipment Other Services 2256 70.000 330.000 408.000 (Direction/GR Services) 209,000 CEMENT Casing Cementing
Other Cementing
CONTRACT SERVICES 2261 90,000 135,000 225.000 150,000 150,000 2262 Engineering Geological 8,000 22,000 2266 8.000 22,000 11,000 2267 6,000 2268 Roustabout 5,000 2269 2270 Wellsite Supervision
Other Contract Services
COMPLETION SERVICES 49,500 25,000 9,000 50,000 108,500 25,000 2272 2273 2276 Pulling Unit Drilling Rig 60,000 60,000 230.000 230,000 Perforate 2277 2278 2,500,000 Stimulation 2 500 000 Other Compl. Services
OVERHEAD 200,000 200,000 Drilling & Administrative 2280 10,000 10,000 20.000 1,877,200 380.400 4.486.000 6.743.600 TRANCHEUE (NO STEEL CODE TUBULARS 81,000 161,000 2311 2312 (13 3/8" @ 1900') (9 5/8" @ 5,000') Surface Casing 161,000 Intermediate Casing Orig Liner & Hanger
Production Casing (5-1/2" @ TD)
Production Liner & Hanger (10,000 - TD) 2313 295,000 295,000 2315 Other Tubulars
WELL EQUIPMENT 2316 107,000 10,000 2321 Well Head 22,000 75,000 2322 2325 Flowline 10,000 10.000 60,000 Tubing 60,000 2326 Rods 2327 Pumps Pumping Unit 2328 25.000 2329 Subsurface Equipment 25.000 Other Well Equipment
LEASE EQUIPMENT 3,000 2361 Tanks 2362 2363 Separators Heater Treater Pumps Electrical System Meters 2364 2365 2366 5,000 5,000 2367 Connectors 2368 2369 Lact Equipment
Other Lease Equipment 450,000 450,000 1.197.000 628,000 SUBTOTAL - TANGIBLES 264.000 305.000 SYSTEMS Gas Line Tangibles
Gas Line Intangibles 2353 2353 2381 Compresssor Gas Plant Tangibles 2382 Gas Plant Intangibles SUBTOTAL - SYSTEMS मा**ार्ग्या कर्म्य (स्टाइस्ट** (सर्वाटा है) 264,000 305,000 628,000 1,197,000 GENERAL CONTINGENCIES 128,472 41,124 306,840 476,436 8,417,036 2,269,672 5,420,840 \$ 726,524 \$ -5

Initial Routing Date: 02/14/19

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вмм CR, LJH, RMD, BBJ

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7013	Postage \$ Certified Fee Certified	L ₇₆₄	7 [] 1.3 [] [] [] [] [] [] [] [] [] [] [] [] []	3. Senice i) D. Mun Syrys D. Mun Syrys D. Mun Syrys D. Cattled Na D. Cat	Francis H. Hudson, Trustee of Lindy's Living Trust 4200 South Hulen, Suite 302 Fort Worth, TX 76109	COMPLETE THIS SECTION TO THE THIS SECTION ON DELIVERY TO THE PROPERTY OF THE PROPERTY WE CONTRIBUTE THIS SECTION ON DELIVERY A. SIGNATURE X. WE CONTRIBUTE THIS SECTION ON DELIVERY A. SIGNATURE X. B. Received by (Printed Name) C. D. B. Tront II (Space Permits.



BTA OIL PRODUCERS, LLC

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

1

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 70130600000184995267

In re: Well Proposal - South Ridge 8030 State Com #2H

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

Section 2: E/2 SW/4
Section 11: E/2 W/2

Lea County, New Mexico

SHL: Section 2 - 2380' FNL & 1155' FWL BHL: Section 11 - 50' FSL & 1880' 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. 20915, 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-21130 (see enclosed). Be advised that subject to Order No. R-21130, 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 #2H 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 today, February 26, 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.

	Rex D. Barker Landman
	Elect to participate in the South Ridge 8030 State Com #2H Well (Send Well Information Requirements to BTA Oil Producers, LLC)
-	Elect to go non-consent in the South Ridge 8030 State Com #2H Well
Frost Bank, 7	Trustee of the Josephine T. Hudson Testamentary Trust f/b/o J. Terrell Ard
By:	
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-21130 - 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.	20915
ORDER NO.	R-21130

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.

CASE NO. <u>20915</u> ORDER NO. <u>R-21130</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.
- 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."
- 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.
- 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.

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. 20915 ORDER NO. R-21130

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:

E/2SW/4 of Section 2 and E/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:

Ouarter-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. 2H, API No. 30-025-46060

SHL: 2380 feet from the North line and 1155 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 1880 feet from the West line, (Unit N) 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. <u>20915</u> ORDER NO. <u>R-21130</u>

Page 6 of 6

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

Well Name: Location:

South Ridge 8030 State #2H (B2KN)

SHL: 2380 FNL 1155 FWL sec 2, 23S, 34E

BHL: 50 FSL 1880 FWL sec 11

Lea County, NM

Formation:

Total Depth:

10,425' TVD

2nd Bone

17,900' MD

Date Prepared: 2/11/19

Prepared By: NE CASED HOLE NE TW FORMATION EVALUATION \$ CODE 2203 Logs Cores 8,000 20.000 28,000 2204 2205 DST LOCATION & ACCESS Survey & Stake Damages Road & Location 5,000 2211 5.000 20,000 65,000 20,000 12,000 2213 2214 Other Location 140,000 140,000 DRILLING RIG 90,000 2223 Mobilization 90,000 2225 Daywork 517,000 94.000 611,000 2226 Footage Turnkey
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Initial Routing Date: 02/14/19

ΝE RTW BMM CR. LJH. RMD. BBJ

PS FORTH 38'11, July 2016 PSN 7839-32-40%-93 640 Taylor Street, Floor 17 Fort Worth, TX 76102 Testamentary Trust f/b/o J. Terrell Ard Frost Bank, Trustee of the Josephine T. Hudson 7013 0600 0001 8499 5267 Park 8499 8499 5267 5267 007 Hudson
Sine Restamentary Trust f/b/o J. Terrell Ard
Civ. 640 Taylor Street, Floor 17 Return Receipt Fea (Endorsement Required) Sent Frost Bank, Trustee of the Josephine T. Restricted Delivery Fee (Endorsement Required) For delivery information visit our website at www.usps.com CERTIFIED MAIL. RECEIPT s Fort Worth, TX,76102 Total Postage & Fees \$ Certified Fee Postage Postmark Here



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 25, 2020

Certified Return Receipt 70130600000184995250

In re: Well Proposal - South Ridge 8030 State Com #2H

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

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

SHL: Section 2 - 2380' FNL & 1155' FWL BHL: Section 11 - 50' FSL & 1880' 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. 20915, 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-21130 (see enclosed). Be advised that subject to Order No. R-21130, 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 #2H 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 today, 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.

	Rex D. Barker Landman
	Elect to participate in the South Ridge 8030 State Com #2H Well (Send Well Information Requirements to BTA Oil Producers, LLC)
	Elect to go non-consent in the South Ridge 8030 State Com #2H Well
Chevron U	.S.A. Inc.
_	
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-21130 - Chevron.docx

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

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

CASE NO.	20915	
ORDER NO.	R-21130	

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.

CASE NO. <u>20915</u> ORDER NO. <u>R-21130</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.
- 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.

- 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.
- 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.	20915_
ORDER NO.	R-21130

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.

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. <u>20915</u> ORDER NO. <u>R-21130</u>

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Applicant:

BTA Oil Producers, LLC

Operator:

BTA Oil Producers, LLC (OGRID 260297)

Spacing Unit:

Horizontal Oil

Building Blocks: Spacing Unit Size:

Quarter-quarter sections 240 acres, more or less

Orientation of Unit: North to South

Spacing Unit Description:

E/2SW/4 of Section 2 and E/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. 2H, API No. 30-025-46060

SHL: 2380 feet from the North line and 1155 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 1880 feet from the West line, (Unit N) 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

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

Well Name: Location:

Date Prepared:

South Ridge 8030 State #2H (B2KN) SHL: 2380 FNL 1155 FWL sec 2, 23S, 34E BHL: 50 FSL 1880 FWL sec 11

Total Depth:

10,425' TVD

17,900' MD

Lea County, NM

2/11/19

Formation:

2nd Bone

	Date Prepared: 2/11/19	[Prepared By:		
		NE NE	NE	TW	
			CASED HOLE	STORE WELLS THE REAL	
CODE	INVANGELEEROSYS				
CODE	FORMATION EVALUATION	\$	\$	\$	\$
2203 2204	Logs Cores	8,000		20,000	28,000
2205	DST				
	LOCATION & ACCESS		•		
2211	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			00.000
2225	Daywork	517,000	94.000		90,000 611,000
2226	Footage		01,000		011,000
2227	Turnkey				
2222	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	140,200	20,400		171,000
	MUD RELATED				
2241	Mud Purchase	75,000	5,000		80,000
2242 2244	Mud Rental				
2244	Fresh Water Brine	35,000 35,000	1,000	800,000	836,000
2246	Solids Control (Closed Loop)	33,000	6,000		35,000 39,000
2247	Mud Monitor	28,000	0,000		28,000
2249	Mud Related Other	8,000			8,000
	DRILLING SERVICES				,,,,,
2252 2253	BOP Related	15,000	4,000		19,000
2253	Casing Related Welding	21,000 8,000	80,000		101,000
2255	Trucking	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	3,555	000,000	209,000
0004	CEMENT				
2261 2262	Casing Cementing	90,000	135,000		225,000
2202	Other Cementing CONTRACT SERVICES			150,000	150,000
2266	Engineering	8,000			9.000
2267	Geological	22,000		•	8,000 22,000
2268	Roustabout	6,000		5,000	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			00.000	
2273	Drilling Rig			60,000	60,000
2276	Perforate			230,000	230,000
2277	Stimulation			2,500,000	2,500,000
2278	Other Compl. Services			200,000	200,000
2280	OVERHEAD Drilling & Administrative	. 10.000		40.000	
2200	Many and Malinia (40) and and an analysis of the state of	10,000 \$ 1,877,200	\$ 380,400	10,000 \$ 4 486 000	20,000 \$ 6,743,600
		¥ 1,077,200	φ 300,400	\$ 4,486,000	\$ 6,743,600
	WANCIEUE GOSTEEL				
CODE	TUBULARS				
2311 2312	Surface Casing (13 3/8" @ 1900')	81,000			81,000
2312	Intermediate Casing (9 5/8" @ 5,000") Drig Liner & Hanger	161,000			161,000
2314	Production Casing (5-1/2" @ TD)		295,000		295,000
2315	Production Liner & Hanger (10,000 - TD)		200,000		200,000
2316	Other Tubulars				
2224	WELL EQUIPMENT				
2321 2322	Well Head Flowline	22,000	10,000	75,000	107,000
2325	Tubing			10,000 60,000	10,000 60,000
2326	Rods			00,000	80,000
2327	Pumps				
2328	Pumping Unit				
2329 2331	Subsurface Equipment			25,000	25,000
2551	Other Well Equipment LEASE EQUIPMENT			3,000	3,000
2361	Tanks				
2362	Separators				
2363	Heater Treater				
236 4 2365	Pumps Floatrical System			5	
2366	Electrical System Meters			5,000	5,000
2367	Connectors				
2368	Lact Equipment				
2369	Other Lease Equipment			450,000	450,000
	OUDTOTAL TANASIS TO				
	SUBTOTAL - TANGIBLES	264,000	305,000	628,000	1,197,000
	SYSTEMS				
2353	Gas Line Tangibles				
2353	Gas Line Intangibles				
2381	Compressor				
2382 2382	Gas Plant Intensibles				
2382	Gas Plant intangibles Dehydrator				
2004	Donyardio				,
	SUBTOTAL - SYSTEMS				
	MONGAL TRANSPORTE GORGES	\$ 264,000	\$ 305,000	\$ 628,000	\$ 1,197,000
	GENERAL CONTINGENCIES	400 470	44.404	000.040	170 160
	OCIACIONE COM HINGENOIS	128,472	41,124	306,840	476,436
	Section 18 Control of the Control of	\$ 2,269,672	\$ 726,524	\$ 5,420,840	\$ 8,417,036
	(MalWinterAuthern (Marinter)				

Initial Routing Date: 02/14/19

NĘ RTW BMM CR, LJH, RMD, BBJ

COMPLETE THIS SECTION ON DELIVERY	A. Signature X. E. Agent D. Addressee B. Received by (Printed Name) C. Date of Delivery	D. is delivery address different from Item 17 ☐ Yes If YES, enter delivery address below: ☐ No	Service Type Adult Signature Adult Signature Adult Signature Certified Maile Certified Delivery Lail Restricted Delivery	Domestic Return Receipt	Service Total Parameter Coverage attornwist our website at www attornwist our website at www strong
SENDER: COMPLETE THIS SECTION	 Complete items 1.4, and 3. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	1. Article Addressed to: Chevron U.S.A. Inc. 6301 Deauville Midland, TX 79706		PS Form 3811, July 2015 PSN 7830-02-000-6053	U.S. Postal S CERTIFIEL (Pomestic Mail of Postage S Fees Endower Information Properties and Postage S Fees Endowers and Postage S Fees Endowers and Postage S Fees Endowers (Endowersment Required) Certified Fee Certified Fee Endowersment Required) Certified Fee Certified Fee Endowersment Required) Certified Fee Certified Fee Certified Fee Endowersment Required) Certified Fee Certified Fee Certified Fee Certified Fee Certified Fee Endowersment Required) Certified Fee Certified Fee Certified Fee Certified Fee Endowersment Required) Certified Fee Certified Fee Certified Fee Certified Fee Certified Fee Endowersment Required) Certified Fee Certified