



BTA OIL PRODUCERS, LLC

104 SOUTH PECOS STREET
MIDLAND, TEXAS 79701-5021
432-682-3753
FAX 432-683-0311

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

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.

Sincerely,


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

Centennial Resource Production, LLC

By: _____
Title: _____
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\mjagan\Documents\Land\Letters\Rex Barker\Well Proposal Letter under Order R-21130 - Centennial.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. 20915
ORDER NO. R-21130

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.
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

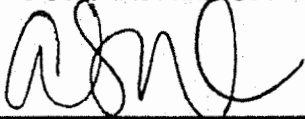
Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.

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.
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

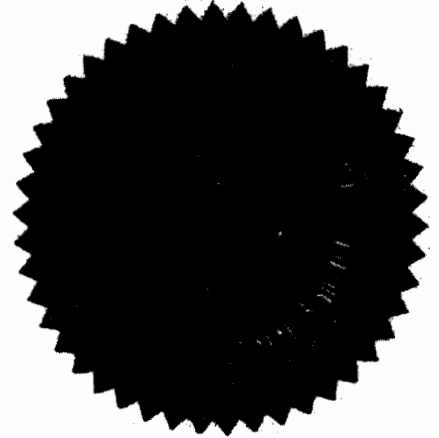


Exhibit "A"

CASE NO. 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
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: 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

CASE NO. 20915
ORDER NO. R-21130

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

Well Name: South Ridge 8030 State #2H (B2KN)
Location: 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	TW	
			CASED HOLE	COMPLETION	
INTANGIBLE COSTS					
CODE	FORMATION EVALUATION	\$	\$	\$	\$
2203	Logs	8,000		20,000	28,000
2204	Cores				
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	140,000			140,000
DRILLING RIG					
2223	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	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	Fresh Water	35,000	1,000	800,000	836,000
2245	Brine	35,000			35,000
2246	Solids Control (Closed Loop)	33,000	6,000		39,000
2247	Mud Monitor	28,000			28,000
2249	Mud Related Other	8,000			8,000
DRILLING SERVICES					
2252	BOP Related	15,000	4,000		19,000
2253	Casing Related	21,000	80,000		101,000
2254	Welding	8,000	2,000		10,000
2255	Trucking	22,500	10,000	54,000	86,500
2256	Rental Equipment	70,000	8,000	330,000	408,000
2257	Other Services (Direction/GR Services)	209,000			209,000
CEMENT					
2261	Casing Cementing	90,000	135,000		225,000
2262	Other Cementing			150,000	150,000
CONTRACT SERVICES					
2266	Engineering	8,000		-	8,000
2267	Geological	22,000			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
COMPLETION SERVICES					
2272	Pulling Unit			60,000	60,000
2273	Drilling Rig				
2276	Perforate			230,000	230,000
2277	Stimulation			2,500,000	2,500,000
2278	Other Compl. Services			200,000	200,000
OVERHEAD					
2280	Drilling & Administrative	10,000		10,000	20,000
TOTAL INTANGIBLE COSTS		\$ 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	Intermediate Casing (9 5/8" @ 5,000')	161,000			161,000
2313	Drig Liner & Hanger				
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	Tubing			60,000	60,000
2326	Rods				
2327	Pumps				
2328	Pumping Unit				
2329	Subsurface Equipment			25,000	25,000
2331	Other Well Equipment			3,000	3,000
LEASE EQUIPMENT					
2361	Tanks				
2362	Separators				
2363	Heater Treater				
2364	Pumps				
2365	Electrical System			5,000	5,000
2366	Meters				
2367	Connectors				
2368	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	Compressor				
2382	Gas Plant Tangibles				
2382	Gas Plant Intangibles				
2384	Dehydrator				
SUBTOTAL - SYSTEMS					
TOTAL TANGIBLE COSTS		\$ 264,000	\$ 305,000	\$ 628,000	\$ 1,197,000
GENERAL CONTINGENCIES		128,472	41,124	306,840	476,436
		\$ 2,269,672	\$ 726,524	\$ 5,420,840	\$ 8,417,036
CUMULATIVE WELL COSTS		\$ 2,269,672	\$ 726,524	\$ 5,420,840	\$ 8,417,036

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, 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:

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

COMPLETE THIS SECTION ON DELIVERY

A. Signature

☐ Agent
☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

9590 9402 1725 6074 8666 77

2. Article Number (Transfer from service label)

7013 0600 0001 8499 5243

(over \$500)

PS Form 3811, July 2015 PSN 7530-02-000-9053

Domestic Return Receipt

U.S. Postal ServiceTMCERTIFIED MAILTM RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USMR

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS, FOLD AT DOTTED LINE

CERTIFIED MAILTM7013 0600 0001 8499 5243
7013 0600 0001 8499 5243

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Postmark
Here

Sent Centennial Resource Production,

LLC

1001 17th Street, Suite 1800

Denver, CO 80202

PS Form 3811, July 2015 PSN 7530-02-000-9053



BTA OIL PRODUCERS, LLC

104 SOUTH PECOS STREET
MIDLAND, TEXAS 79701-5021
432-682-3753
FAX 432-683-0311

CARLTON BEAL, JR.
BARRY BEAL
SPENCER BEAL
KELLY BEAL
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GULF COAST DISTRICT
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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.

Sincerely, 
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

Francis H. Hudson, Trustee of Lindy's Living Trust

By: _____
Title: _____
Date: _____

Enclosure

cc: New Mexico Oil Conservation Division (Certified # 70130600000184995205)
1220 South St. Francis Drive
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

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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.
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12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
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ORDER

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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.
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CASE NO. 20915
ORDER NO. R-21130

Page 2 of 6

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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

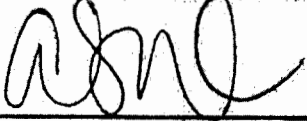
Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.

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

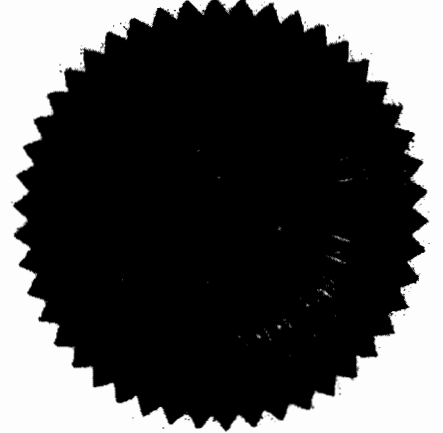


Exhibit "A"

CASE NO. 20915
ORDER NO. R-21130

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: 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

CASE NO. 20915
ORDER NO. R-21130

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

Well Name: South Ridge 8030 State #2H (B2KN)
Location: 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	TW
	CASED HOLE	COMPLETION

INTANGIBLE COSTS					
CODE	FORMATION EVALUATION	\$	\$	\$	\$
2203	Logs	8,000		20,000	28,000
2204	Cores				
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	140,000			140,000
DRILLING RIG					
2223	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	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	Fresh Water	35,000	1,000	800,000	836,000
2245	Brine	35,000			35,000
2246	Solids Control (Closed Loop)	33,000	6,000		39,000
2247	Mud Monitor	28,000			28,000
2249	Mud Related Other	8,000			8,000
DRILLING SERVICES					
2252	BOP Related	15,000	4,000		19,000
2253	Casing Related	21,000	80,000		101,000
2254	Welding	8,000	2,000		10,000
2255	Trucking	22,500	10,000	54,000	86,500
2256	Rental Equipment	70,000	8,000	330,000	408,000
2257	Other Services (Direction/GR Services)	209,000			209,000
CEMENT					
2261	Casing Cementing	90,000	135,000		225,000
2262	Other Cementing			150,000	150,000
CONTRACT SERVICES					
2266	Engineering	8,000		-	8,000
2267	Geological	22,000			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
COMPLETION SERVICES					
2272	Pulling Unit			60,000	60,000
2273	Drilling Rig				
2276	Perforate			230,000	230,000
2277	Stimulation			2,500,000	2,500,000
2278	Other Compl. Services			200,000	200,000
OVERHEAD					
2280	Drilling & Administrative	10,000		10,000	20,000
TOTAL INTANGIBLE COSTS		\$ 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	Intermediate Casing (9 5/8" @ 5,000')	161,000			161,000
2313	Drig Liner & Hanger				
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	Tubing			60,000	60,000
2326	Rods				
2327	Pumps				
2328	Pumping Unit				
2329	Subsurface Equipment			25,000	25,000
2331	Other Well Equipment			3,000	3,000
LEASE EQUIPMENT					
2361	Tanks				
2362	Separators				
2363	Heater Treater				
2364	Pumps				
2365	Electrical System			5,000	5,000
2366	Meters				
2367	Connectors				
2368	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	Compressor				
2382	Gas Plant Tangibles				
2382	Gas Plant Intangibles				
2384	Dehydrator				
SUBTOTAL - SYSTEMS					
TOTAL TANGIBLE COSTS		\$ 264,000	\$ 305,000	\$ 628,000	\$ 1,197,000
GENERAL CONTINGENCIES		128,472	41,124	306,840	476,436
		\$ 2,269,672	\$ 726,524	\$ 5,420,840	\$ 8,417,036
COMBINATION WELL COSTS					

Initial Routing Date: 02/14/19

NE RTW BMM CR, LJH, RMD, BBJ

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, 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:

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

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

9580 9402 1725 6074 8888 69

2. Article Number (Master's Tracking Label)

7013 0600 0001 8499 5236

PS Form 3811, July 2015 PSN 7530-02-000-9053

Domestic Return Receipt

U.S. Postal Service™

CERTIFIED MAIL™ RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com®

OFFICIAL USE

Postage

\$

Certified Fee

Return Receipt Fee
(Endorsement Required)Restricted Delivery Fee
(Endorsement Required)

Total Postage & Fees

\$

Postmark
Here

Sent to

Francis H. Hudson, Trustee of

Lindy's Living Trust

4200 South Hulen, Suite 302

Fort Worth, TX 76109

PS Form

Instructions

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT
OF THE RETURN ADDRESS. FOLD AT DOTTED LINE

CERTIFIED MAIL™

7013 0600 0001 8499 5236
7013 0600 0001 8499 5236



BTA OIL PRODUCERS, LLC

104 SOUTH PECOS STREET
MIDLAND, TEXAS 79701-5021
432-682-3753
FAX 432-683-0311

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

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:

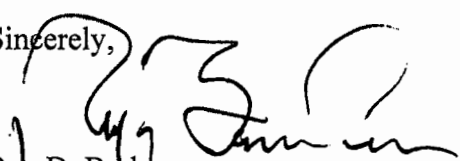
In regard to the Application for Compulsory Pooling, Case No. 20915, submitted by BTA Oil Producers, LLC, pertaining to the above referenced proposed well (the "Well"), the State of New Mexico Oil Conservation Division has issued Order No. R-21130 (see enclosed). Be advised that subject to Order No. 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.

Sincerely,


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, Trustee of the Josephine T. Hudson Testamentary Trust f/b/o J. Terrell Ard

By: _____
Title: _____
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. 20915
ORDER NO. R-21130

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.
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."
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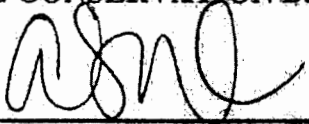
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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



ADRIENNE SANDOVAL
DIRECTOR
AS/jag

Date: February 19, 2020

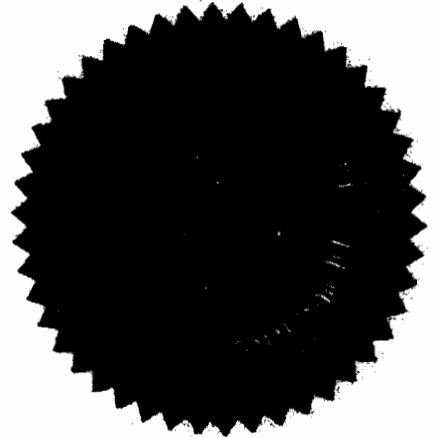


Exhibit "A"

CASE NO. 20915
ORDER NO. R-21130

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Operator: BTA Oil Producers, LLC (OGRID 260297)

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Completion Location expected to be: standard

CASE NO. 20915
ORDER NO. R-21130

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

Well Name: South Ridge 8030 State #2H (B2KN)
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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:			
		NE	NE	TW	
			CASED HOLE	COMPLETION	
CODE	DESCRIPTION	\$	\$	\$	\$
INTANGIBLE COSTS					
FORMATION EVALUATION					
2203	Logs	8,000		20,000	28,000
2204	Cores				
2205	DST				
LOCATION & ACCESS					
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2227	Turnkey				
DRILLING SUPPLIES					
2232	Bits	72,000			72,000
2233	BHA	45,000		65,000	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	Fresh Water	35,000	1,000	800,000	836,000
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2246	Solids Control (Closed Loop)	33,000	6,000		39,000
2247	Mud Monitor	28,000			28,000
2249	Mud Related Other	8,000			8,000
DRILLING SERVICES					
2252	BOP Related	15,000	4,000		19,000
2253	Casing Related	21,000	80,000		101,000
2254	Welding	8,000	2,000		10,000
2255	Trucking	22,500	10,000	54,000	86,500
2256	Rental Equipment	70,000	8,000	330,000	408,000
2257	Other Services (Direction/GR Services)	209,000			209,000
CEMENT					
2261	Casing Cementing	90,000	135,000		225,000
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TOTAL WELL COSTS		\$ 2,269,672	\$ 726,524	\$ 5,420,840	\$ 8,417,036

SENDER: COMPLETE THIS SECTION

- Complete items 1-3 and 5.
- 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:

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

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent

B. Received by (Printed Name)

☐ Addressee

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

9590 9402 1225 8924 8997 14

2. Article Number (Insurance Only)

7013 0600 0001 8499 5267

PS Form 3811, July 2010 PSN 7530-02-000-9000

U.S. Postal ServiceTMCERTIFIED MAILTM RECEIPT

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For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Postmark
HereSent Frost Bank, Trustee of the Josephine T.
HudsonStreet Testamentary Trust f/b/o J. Terrell Ard
City, 640 Taylor Street, Floor 17

PS Form 3811, July 2010 PSN 7530-02-000-9000

Instructions

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT
OF THE RETURN ADDRESS. FOLD AT DOTTED LINECERTIFIED MAILTM

7013 0600 0001 8499 5267

7013 0600 0001 8499 5267



BTA OIL PRODUCERS, LLC

104 SOUTH PECOS STREET
MIDLAND, TEXAS 79701-5021
432-682-3753
FAX 432-683-0311

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

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:

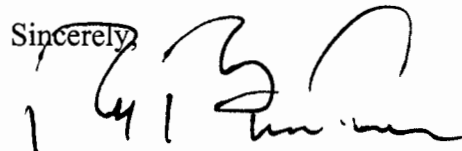
In regard to the Application for Compulsory Pooling, Case No. 20915, submitted by BTA Oil Producers, LLC, pertaining to the above referenced proposed well (the "Well"), the State of New Mexico Oil Conservation Division has issued Order No. R-21130 (see enclosed). Be advised that subject to Order No. 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.

Sincerely,



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.

By: _____
Title: _____
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 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. 20915
ORDER NO. R-21130

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.
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

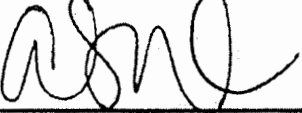
Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.

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.
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

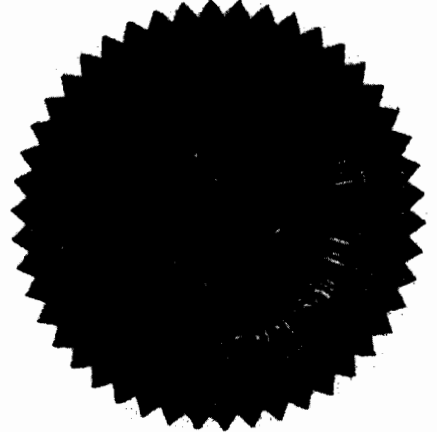


Exhibit "A"

CASE NO. 20915
ORDER NO. R-21130

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: 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

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

Well Name: South Ridge 8030 State #2H (B2KN)
Location: 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	TW	
			CASED HOLE	COMPLETION	
CODE	DESCRIPTION	\$	\$	\$	\$
INTANGIBLE COSTS					
FORMATION EVALUATION					
2203	Logs	8,000		20,000	28,000
2204	Cores				
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	140,000			140,000
DRILLING RIG					
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Initial Routing Date: 02/14/19

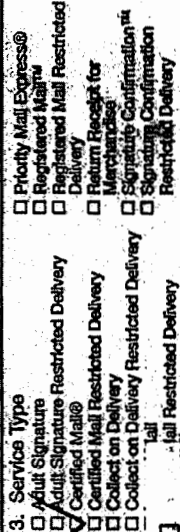
NE RTW BMM CR, LJH, RMD, BBJ

COMPLETE THIS SECTION ON DELIVERY

- | | | |
|--|--|--|
| A. Signature
X | | <input type="checkbox"/> Agent
<input type="checkbox"/> Addressee |
| B. Received by (<i>Printed Name</i>) | | C. Date of Delivery |
| D. Is delivery address different from item 1? <input type="checkbox"/> Yes
if YES, enter delivery address below: <input type="checkbox"/> No | | |

D. Is delivery address different from item 1? ☐ Yes ☐ No
If YES, enter delivery address below:

If YES, enter delivery address below:



☐ **Signature Confirmation**
☐ **Signature Confirmation Restricted Delivery**
☐ **Signature Confirmation Restricted Delivery Mail**
☐ **Signature Confirmation Restricted Delivery Mail**

☐ **Call** **Restricted Delivery**

Domestic Return Receipt

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Only: No Insurance Coverage Provided)

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U.S.A. Inc.
Houstonville
TX 79706

Instructions

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