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

APPLICATION OF NOVO OIL & GAS NORTHERN DELAWARE, LLC FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO	**Case Nos. 21275 and 21276 (*De Novo* Case Nos. 20916 and 20917)**

BTA OIL PRODUCERS, LLC'S
PRE-HEARING STATEMENT

BTA Oil Producers, LLC ("BTA") submits its Pre-Hearing Statement pursuant to the rules of the Oil Conservation Commission.

APPEARANCES

APPLICANT	APPLICANT'S ATTORNEY
Novo Oil & Gas Northern Delaware, LLC	James Bruce Post Office Box 1056 Santa Fe, New Mexico 87504 (505) 982-2043 jamesbruc@aol.com
OPPONENT	OPPONENT'S ATTORNEYS
BTA Oil Producers, LLC	Dana S. Hardy Dioscorro "Andy" Blanco Hinkle Shanor LLP Santa Fe, NM 87504-2068 (505) 982-4554 dhardy@hinklelawfirm.com dblanco@hinklelawfirm.com

STATEMENT OF THE CASE

In Case No. 21275 (*De Novo* Case No. 20916), Applicant Novo Oil & Gas Northern Delaware, LLC ("Novo") requests an order pooling all uncommitted mineral interests in the Wolfcamp formation underlying a (proximity tract) horizontal spacing unit comprised of the N/2 of Section 8 and the N/2 of Section 9, Township 23 South, Range 29 East in Eddy County. Novo proposes to drill the Astrodog Fed Com 0809 Well Nos. 211H, 212H, 215H, 221H, 222H, 225H, 231H, 232H, and 235H and dedicate the N/2 of Section 8 and the N/2 of Section 9 to the wells.

In Case No. 21276 (*De Novo* Case No. 20917), Novo requests an order pooling all uncommitted mineral interests in the Bone Spring formation (from 8,773 feet subsurface as found in the Road Lizard 5 Fed Com Well No. 2H [API No. 30-015-39283] to the base of the Bone Spring formation) underlying a (proximity tract) horizontal spacing unit comprised of the N/2 of Section 8 and the N/2 of Section 9, Township 23 South, Range 29 East in Eddy County. Novo proposes to drill the Astrodog Fed Com 0809 Well Nos. 111H, 112H, 131H, 132H and 135H and dedicate the N/2 of Section 8 and the N/2 of Section 9 to the wells.

Pursuant to a Joint Operating Agreement ("JOA"), BTA is the operator of the acreage comprising the N/2 of Section 7 and the NW/4 of Section 8, Township 23 South, Range 29 East (the "Ochoa Acreage"). BTA acquired its interest in the Ochoa Acreage before Novo acquired its interest in the proposed horizontal spacing units that are the subject of its applications. BTA plans to fully develop the Ochoa Acreage, controls 100% of the interest in the Ochoa Acreage, does not need to file a pooling application to develop the acreage, and is ready to commence development. Because Novo's proposed well locations directly conflict with BTA's ongoing development plan for the Ochoa Acreage, the granting of Novo's applications would impair BTA's correlative rights.

Granting Novo's applications would also render BTA's JOA meaningless, which is inconsistent with New Mexico's preference for voluntary agreements.

Further, BTA is a prudent and experienced operator that has successfully drilled and completed 80 horizontal wells in New Mexico, including 14 horizontal wells in Eddy County. BTA is also a successful multi-well pad operator. Novo has not completed any multi-well pad developments and has only completed three horizontal wells in New Mexico. One of those wells – the Rana Salada 0504 #234H – did not reach the planned total vertical depth, stranding part of the unit. Novo also recently failed to comply with Order No. R-20249, which required it to drill two wells simultaneously. BTA's experience and success drilling, completing, and operating horizontal wells in New Mexico, including multi-well pad developments, demonstrates that Novo's applications should be denied so that BTA can develop its Ochoa Acreage in a manner that prevents waste, conserves resources, and protects correlative rights.

BTA's plan for developing its Ochoa Acreage is also superior to Novo's plan, as BTA's plan will more efficiently recover the reserves underlying its acreage. Novo's plan would consequently impair BTA's correlative rights and result in waste.

Novo's applications should also be denied because BTA is able to timely locate wells and is ready, willing, and able to commence drilling operations once this case is resolved. The BLM has already approved BTA's well sites, and BTA has continued to spud wells in New Mexico during 2020 and has active rigs available. In contrast, Novo has stated that it does not intend to complete wells that were included in compulsory pooling Order No. R-20567 anytime soon and has requested a one-year extension to do so. Accordingly, BTA should be permitted to develop its Ochoa Acreage to prevent waste, conserve resources, and protect its correlative rights.

Denial of Novo's applications is further warranted because Novo failed to negotiate with BTA in good faith prior to seeking compulsory pooling.

Any claim that denial of Novo's applications will result in waste because Novo will have to drill a one-half mile dead hole to reach its acreage in the Potash Area lacks merit. Novo could economically and safely drill tangents to reach its proposed wells as it is doing in other locations, which would allow BTA and Novo to each develop its acreage.

In addition, in Case Nos. 20410 and 20298, the Division rejected attempts to preclude operators that held 100% of the working interest in their units from developing their acreage. In Case No. 20410, the Division denied OXY USA, Inc.'s ("OXY") motion to stay administrative approval of drilling permits issued to Murchison Oil & Gas ("Murchison") when Murchison controlled 100% of the working interest in its 1-mile laterals and OXY sought to develop 2-mile laterals.[1] Similarly, in Case No. 20298, the Division denied Catena Resources Operating, LLC's motion to suspend Mewbourne's drilling permit when Mewbourne controlled 100% of the working interest in its proposed spacing unit.[2] The issues presented here are analogous, and the Commission should similarly deny Novo's applications so that BTA can develop its Ochoa Acreage.

PROPOSED EVIDENCE

WITNESSES	EST. TIME	EXHIBITS
Willis Price (Landman)	20 minutes	9
Nick Eaton (Engineer)	40 minutes	15
Britton McQuien (Engineer)	30 minutes	8

[1] *See* Order No. R-20430.
[2] *See* Order No. R-20467.

BTA reserves its right to call a rebuttal witness(es) if appropriate. In accordance with 19.15.4.13.B.2 NMAC, copies of the exhibits that BTA proposes to offer in evidence at the hearing are attached.

Respectfully submitted,

HINKLE SHANOR LLP

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Counsel for BTA Oil Producers, LLC

CERTIFICATE OF SERVICE

I hereby certify that on this 6th day of August, 2020 I served a true and correct copy of the foregoing ***Prehearing Statement*** via email to:

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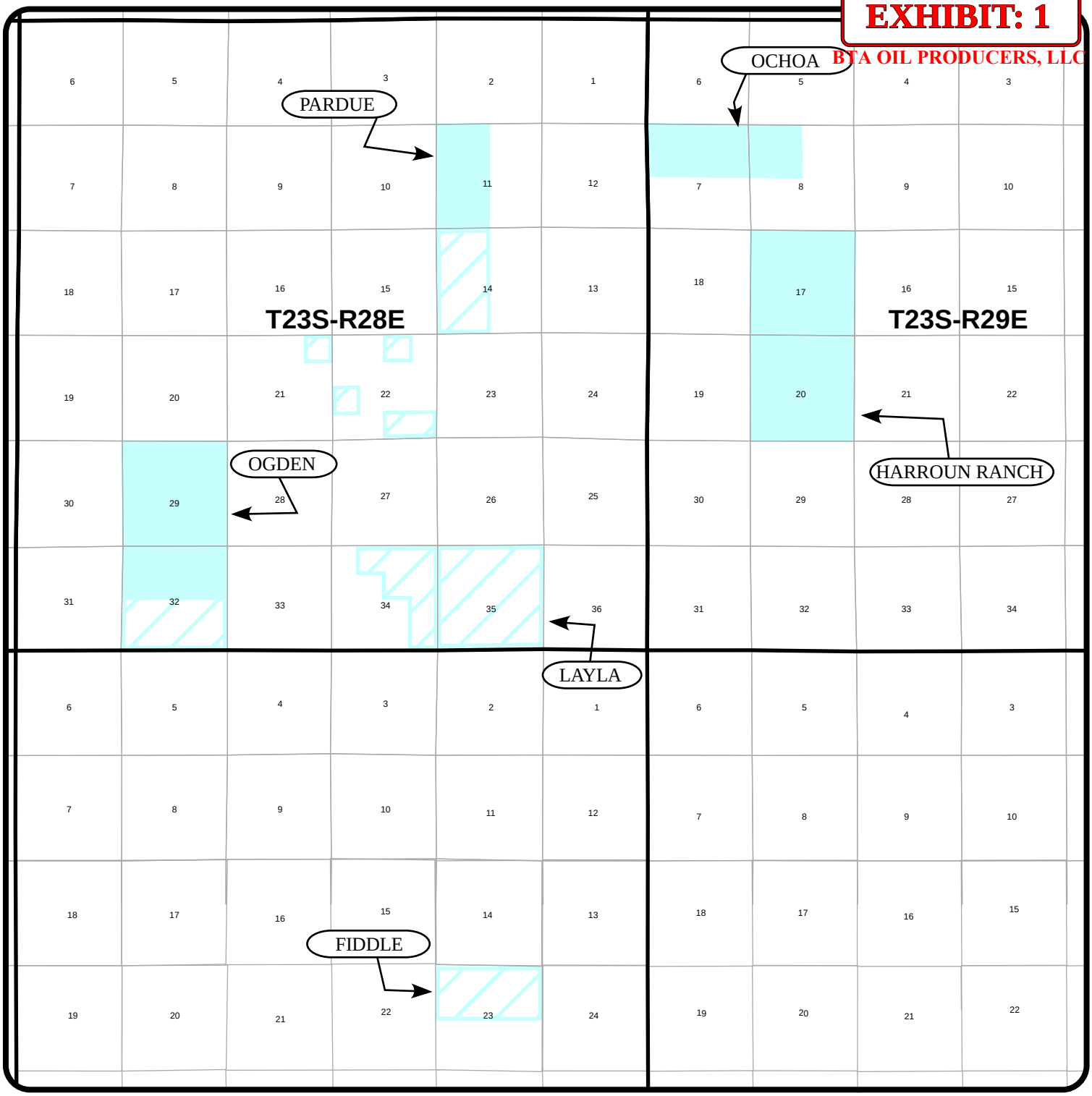
Santa Fe, New Mexico 87504
(505) 982-2043
jamesbruc@aol.com

Counsel for Novo Oil & Gas Northern Delaware, LLC

/s/ Dana S. Hardy
Dana S. Hardy

EXHIBIT: 1

BTA OIL PRODUCERS, LLC



LEGEND:

BTA Operated

BTA Non-Operated

N

0 7,000'

FEET

BTA Oil Producers, LLC

LOVING AREA

BTA ACREAGE POSITION MAP

T23S-R28E & T23S-R29E

Eddy County, New Mexico

EXHIBIT: 2

BTA OIL PRODUCERS, LLC

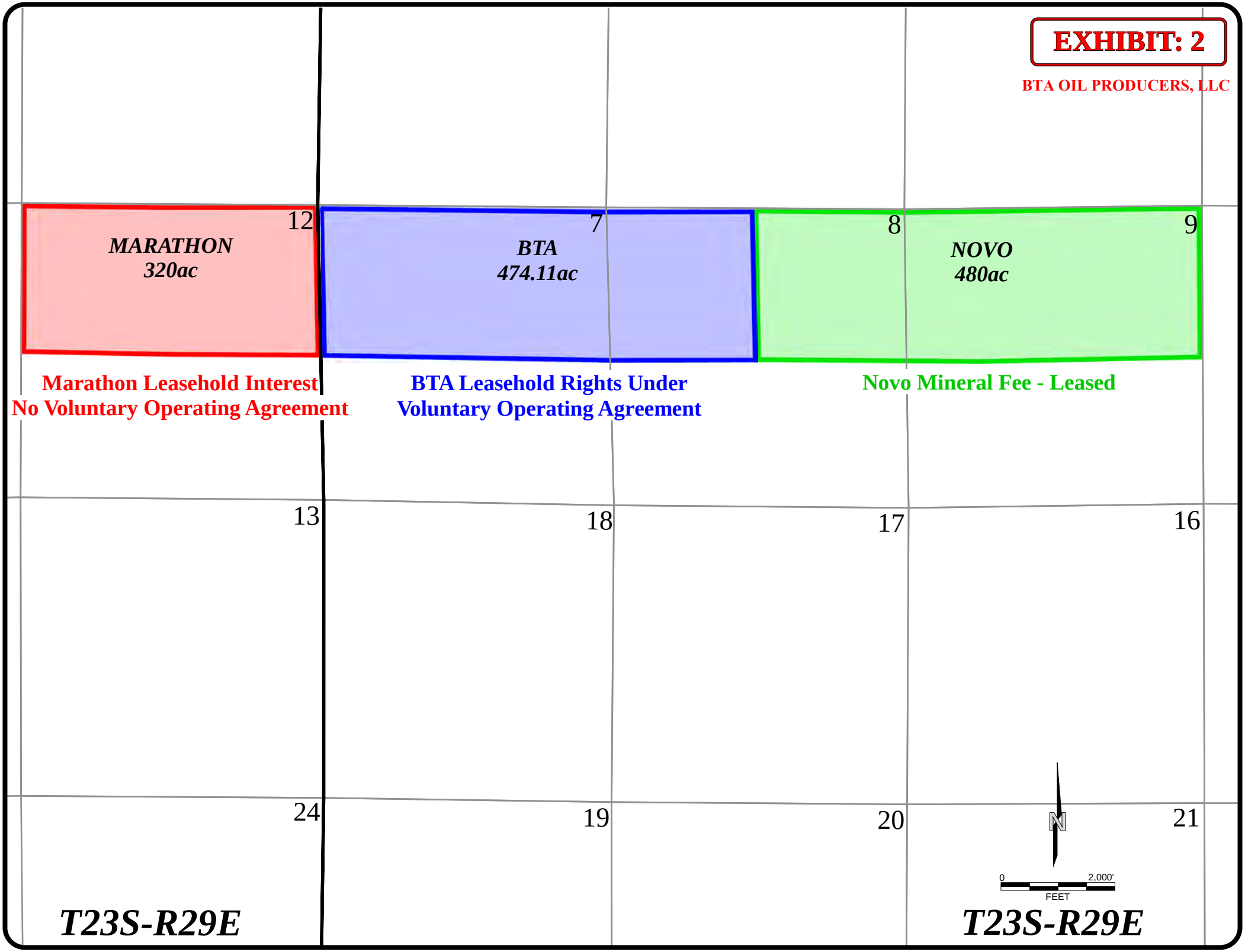


EXHIBIT: 3

BTA OIL PRODUCERS, LLC

TIME LINE - BTA – NOVO – OCHOA
N/2 SECTION 7 AND NW/4 SECTION 8-T23S-R29E-EDDY COUNTY, NM

03/01/2000 Federal Oil & Gas Lease USA-NMNM 103879 to Yates, et al, dated effective 03/01/2000, covering Lots 1, 2, NE/4, E/2NW/4 **(N/2) of Section 7**-T23S-R29E-Eddy County, NM, and Federal Oil & Gas Lease USA-NMNM 121951 to Yates, et al, dated effective 05/01/2009, covering **NE/4 Section 8**-T23S-R29E-Eddy County, NM, among other lands. The above leasehold was owned by Yates Petroleum Corporation, Abo Petroleum Corp. Yates Drilling Company, and Myco Industries, Inc., and **is subject to a voluntary Operating Agreement**, naming Yates Petroleum Corporation, as Operator, effective on the date that the first Oil & Gas Lease described above was taken.

07/21/2010 Yates Petroleum Corporation drills and completes the **Culebra BLV Federal #1H**, a horizontal well producing from the Delaware formation. The Yates – Culebra BLV Federal #1H was committed to **Communitization Agreement** approved 07/15/2010, effective 07/15/2010, **covering the N/2N/2 of Section 7 and the N/2NW/4 of Section 8**-T23S-R29E-Eddy County, NM.

10/06/2010 The name of Yates Drilling Company was changed to Oxy Y-1 Company.

12/20/2011 COG Operating LLC drilled and completed the **Road Lizard 5 Federal Com 2H** producing from the **Bone Spring** formation on **a 280 acre unit covering the SW/4NE/4 and W/2SE/4 of Section 5, and the W/2E/2 of Section 8**-T23S-R29E-Eddy County, NM.

07/24/2013 RKI drilled and completed the **Longview Federal 1 21H, 12 2H, 12 4H, 12 13H, and 12 15H** producing from the **Bone Spring** formation on units covering +/- 800 acres, being **all of Section 1 and the N/2N/2 Section 12**-T23S-R28E-Eddy County, NM.

11/01/2018 **ASSIGNMENT AND BILL OF SALE – FROM EOG RESOURCES INC**. (SEPARATELY AND AS SUCCESSOR BY MERGER TO EOG Y RESOURCES, INC., EOG A RESOURCES, INC. AND EOG M RESOURCES, INC.) TO BTA OIL PRODUCERS, LLC, COVERING ALL OF EOG'S INTEREST IN THE **N/2 SECTION 7 AND THE NW/4 SECTION 8**-T23S-R29E-EDDY COUNTY, NM, **CONTAINING 474.11 ACRES, AS TO ALL DEPTHS**, AND INCLUDED ALL OF EOG'S INTEREST IN THE CULEBRA BLV FEDERAL #1H. **THE CONVEYANCE WAS MADE SUBJECT TO THE VOLUNTARY OPERATING AGREEMENT WITH EOG RESOURCES INC., AS OPERATOR, COVERING THE 474.11 ACRES AS TO ALL DEPTHS.**

EXHIBIT: 3

BTA OIL PRODUCERS, LLC

11/01/2018 **BTA OIL PRODUCERS, LLC** AND OXY Y-1 COMPANY ENTER INTO **RATIFICATION OF OPERATING AGREEMENT** WHEREIN OXY **RATIFIES THE VOLUNTARY OPERATING AGREEMENT** NAMING **BTA OIL PRODUCERS, LLC** **AS OPERATOR**, AND CONFIRMING THAT THE VOLUNTARY OPERATING AGREEMENT COVERS THE 474.11 ACRES DESCRIBED ABOVE AS TO ALL DEPTHS AND STIPULATES THE INTEREST EACH PARTY OWNS UNDER THE VOLUNTARY OPERATING AGREEMENT.

02/07/2019 **BTA** obtains management approval to drill the **BTA** – **Ochoa 8703 Fed #1H, #2H, #3H, and #4H**. The well surveying was conducted on 02/25/2019. Survey plats were received on 04/23/2019. **BTA** requested BLM onsite meeting by filing the Notice of Staking on 05/01/2019.

05/16/2019 **BTA**/BLM onsite meeting for the **Ochoa 8703 Fed #1H, #2H, #3H, and #4H** held at the proposed surface location.

06/26/2019 **BTA** filed Application for Permit to Drill with BLM for the **Ochoa 8703 Fed #1H, #2H, #3H, and #4H** wells.

07/08/2019 **BTA** sent well proposals to Oxy covering the **Ochoa 8703 #1H, #2H, #3H, and #4H** wells in the N/2 Section 7 and the NW/4 of Section 8-T23S-R29E-Eddy County, NM.

07/25/2019 **BTA** and Oxy enter into a Letter Agreement providing that the election on the **BTA Ochoa well proposals** is due thirty (30) days from notice from BTA of receipt of an approved application for permit to drill for each well.

07/25/2019 Mineral Deed from TDY Industries, LLC to Novo Oil & Gas Northern Delaware, LLC dated 07/25/2019, effective 03/01/2019, covering the NE/4 of Section 8 and N/2 of Section 9-T23S-R29E-Eddy County, NM, among other lands.

07/29/2019 Novo sends well proposals to BTA for nine (9) Wolfcamp wells being the Astrodog Fed Com 0809 211H, 212H, 215H, 221H, 222H, 225H, 231H, 232H, and 235H, and five (5) Bone Spring wells being the Astrodog Fed Com 0809 111H, 112H, 131H, 132H, and 135H, all of the above proposed wells located on the N/2 of Section 8 and the N/2 of Section 9-T23S-R29E-Eddy County, NM.

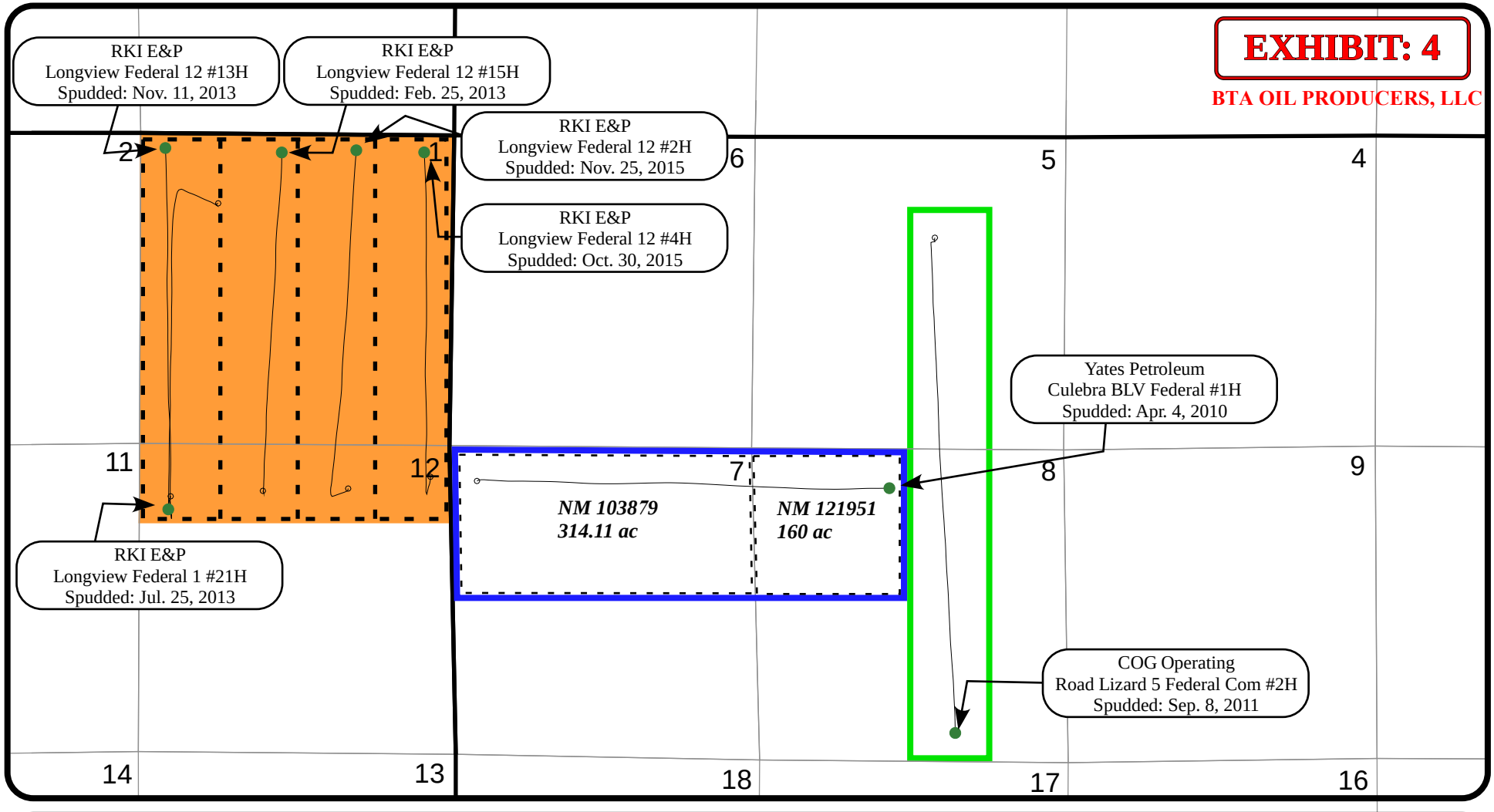
08/28/2019 **BTA** sends notification of the **Ochoa Development Area** since the Ochoa #1H, #2H, #3H, and #4H wellbores will be within the Potash Development Area in the N/2 of Section 7 and the NW/4 of Section 8-T23S-R29E-Eddy County, NM.

09/05/2019 **BTA** sets up and meets with Novo in Oklahoma City to discuss BTA's plans to develop its Ochoa acreage.

EXHIBIT: 3

BTA OIL PRODUCERS, LLC

09/20/2019	Novo sends well proposals to BTA for two (2) First Bone Spring wells, being the Astrodog Fed Com 0809 111H and 115H, both proposed wells located in the N/2 of Section 8 and the N/2 of Section 9-T23S-R29E-Eddy County, NM.
10/01/2019	Novo objects to the BTA Ochoa Development Area.
11/15/2019	New Mexico Oil Conservation Division hearing in Santa Fe on the Novo - Astrodog Pooling Application – N/2 Section 8- and N/2 Section 9-T23S-R29E-Eddy County, NM.
11/19/2019	Novo sends notification of the Astrodog Development Area since the proposed Astrodog wellbores will be within the Potash Development Area in the N/2 of Section 8 and N/2 of Section 9-T23S-R29E-Eddy County, NM.
12/03/2019	BTA objects to the Novo Astrodog Development Area by letter to James Rutley with the BLM.



LEGEND:

Longview Bone Spring Units

BTA - Ochoa Acreage - JOA

Road Lizard 2nd Bone Spring Unit

WELL SYMBOL

SL ——— BHL

OIL WELL

BTA PROPOSED LOCATION

N

0 2500

FEET

BTA Oil Producers, LLC

LOVING AREA

Bone Spring Spacing Units Outline

T23S-R28E & T23S-R29E

Eddy County, New Mexico

By: WDP August, 2020 Dwg:JHB

EXHIBIT: 5

BTA OIL PRODUCERS, LLC

EXHIBIT A

YATES OA

A.A.P.L. FORM 610 - 1977

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

January 1, 19 87,

OPERATOR YATES PETROLEUM CORPORATION

CONTRACT AREA All lands owned by parties but not covered by another Operating Agreement

COUNTY ~~ORDERSH~~ OF _____ STATE OF _____

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EXHIBIT A

YATES OA

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1977

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EXHIBIT A

YATES OA

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1977

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between YATES PETROLEUM CORPORATION, a New Mexico corporation, 105 S. 4th Street, Artesia, NM, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators",

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided:

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".

E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.

F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II.
EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

☒ A. Exhibit "A", shall include the following information:
- (1) Identification of lands subject to agreement,
- (2) Restrictions, if any, as to depths or formations,
- (3) Percentages or fractional interests of parties to this agreement,
- (4) Oil and gas leases and/or oil and gas interests subject to this agreement,
- (5) Addresses of parties for notice purposes.

☐ B. Exhibit "B", Form of Lease.

☒ C. Exhibit "C", Accounting Procedure.

☒ D. Exhibit "D", Insurance.

☒ E. Exhibit "E", Gas Balancing Agreement.

☒ F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.

If any provision of any exhibit, except Exhibit "E", is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an unleased oil and gas interest in the Contract Area, that interest shall be treated for the purpose of this agreement and during the term hereof as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B". As to such interest, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee interest.

B. Interest of Parties in Costs and Production:

Exhibit "A" lists all of the parties and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and material acquired in operations on the Contract Area shall be owned by the parties as their interests are shown in Exhibit "A". All production of oil and gas from the Contract Area, subject to the payment of lessor's royalties ~~which will be borne by the Joint Account,~~ shall also be owned by the parties in the same manner during the term hereof; provided, however, this shall not be deemed an assignment or cross-assignment of interests covered hereby.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and/or oil and gas interests included, or planned to be included, in the drilling unit around such well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and/or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including Federal Lease Status Reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

~~☐ Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including~~ preliminary, supplemental, shut-in gas royalty opinions ~~and division order~~ title opinions) shall be a part of the administrative ~~overhead~~ as provided in Exhibit "C," and shall not be a direct charge, whether ~~performed by Operator's staff attorneys or by outside attorneys.~~

☒ Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. The Operator shall be responsible for the preparation and recording of Pooling Designations or Declarations as well as the conduct of hearings before Governmental Agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

B. Loss of Title:

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests, and

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development

or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto for drilling, development, operating or other similar costs by reason of such title failure: and

(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the interest lost; and

(c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled on the Contract Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interests (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well; and

(d) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded; and

(e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties in the same proportions in which they shared in such prior production; and

(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in connection therewith.

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;

(b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and

(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall not be considered failure of title but shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.
OPERATOR

A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:

YATES PETROLEUM CORPORATION, 105 South 4th Street, Artesia, NM 88210 shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest in the Contract Area, or is no longer capable of serving as Operator, it shall cease to be Operator without any action by Non-Operator, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the Parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. If the Operator that is removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator, and all such employees shall be the employees of Operator.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI.
DRILLING AND DEVELOPMENT

~~A. Initial Well:~~

On or before the_____day of_____, 19__, Operator shall commence the drilling of a well for oil and gas at the following location:

and shall thereafter continue the drilling of the well with due diligence to

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the well as a dry hole, it shall first secure the consent of all parties and shall plug and abandon same as provided in Article VI.E.1. hereof.

B. Subsequent Operations:

1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well provided for in Article VI.A., or to rework, deepen or plug back a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities, the party desiring to drill, rework, deepen or plug back such a well shall give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of proposal to rework, plug back or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday or legal holidays. Failure of a party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing.

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VI.E.1. elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within sixty (60) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of (a) the total interest of the parties approving such operation, and (b) its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A", or (b) carry its proportionate part of Non-Consenting Parties' interest. The proposing party, at its election, may withdraw such proposal if there is insufficient participation, and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting production taxes, crude oil excise taxes, royalty, overriding royalty and other interests existing on the effective date hereof, payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

(a) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to each Non-Consenting Party had it participated in the well from the beginning of the operation; and

(b) 300 % of that portion of the costs and expenses of drilling reworking, deepening, or plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and

300 % of that portion of the cost of newly acquired equipment in the well (to and including the well-head connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Gas production attributable to any Non - Consenting Party's relinquished interest upon such Party's election, shall be sold to its purchaser, if available, under the terms of its existing gas sales contract. Such Non - Consenting Party shall direct its purchaser to remit the proceeds receivable from such sale direct to the Consenting Parties until the amounts provided for in this Article are recovered from the Non - Consenting Party's relinquished interest. If such Non - Consenting Party has not contracted for sale of its gas at the time such gas is available for delivery, or has not made the election as provided above, the Consenting Parties shall own and be entitled to receive and sell such Non-Consenting Party's share of gas as hereinabove provided during the recoupment period.

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, crude oil excise taxes, severance, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

Within sixty (60) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure, attached hereto.

Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. except (a) when Option 2, Article VII.D.1., has been selected, or (b) to the reworking, deepening and plugging back of such initial well, if such well is or thereafter shall prove to be a dry hole or non-commercial well, after having been drilled to the depth specified in Article VI.A.

C. Right to Take Production in Kind:

Each party electing to take in kind or separately dispose of its proportionate share of the production from the Contract Area shall keep accurate records of the volume, selling price, royalty and taxes relative to its share of production. Non-Operators shall, upon request, furnish Operator with true and complete copies of the records required to be kept hereunder whenever, under the terms of this agreement or any agreement executed in connection herewith, it is necessary for Operator to obtain said information. Any information furnished to Operator hereunder shall be used by Operator only to the extent necessary to carry out its duties as Operator and shall otherwise be kept confidential.

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and

treating oil for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment direct from the purchaser thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year. Notwithstanding the foregoing, Operator shall not make a sale, including one into interstate commerce, of any other party's share of gas production without first giving such other party thirty (30) days notice of such intended sale.

In the event any party hereto is not at any time taking or marketing its share of gas production and Operator is either (i) unwilling to purchase or sell or (ii) unable to obtain the prior written consent to purchase or sell such party's share of gas production, or in the event any party has contracted to sell its share of gas produced from the Contract Area to a purchaser which does not at any time while this agreement is in effect take the full share of gas attributable to the interest of such party, then in any such event the terms and conditions of the Gas Balancing Agreement attached hereto as Exhibit "E" and incorporated herein shall automatically become effective.

D. Access to Contract Area and Information:

Each party shall have access to the Contract Area at all reasonable times, at its sole risk to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the information.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled pursuant to Article VI.B.2., any well which has been drilled under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling of such well. Any party who objects to the plugging and abandoning such well shall have the right to take over the well and conduct further operations in search of oil and/or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well which has been drilled or reworked pursuant to Article VI.B.2. hereof for which the Consenting Parties have not been fully reimbursed as therein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of such well, all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals of the formation or formations then open to production, for a term of one year and so long thereafter as oil and/or gas is produced from the interval or inter-

vals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners. It is not the intention of the parties that this contract is made or intended for the benefit of any third person.

B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in the Accounting Procedure attached hereto as Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the State, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, plus interest has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in the Accounting Procedure attached hereto as Exhibit "C". Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Limitation of Expenditures:

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this Agreement, it being understood that the consent to the drilling or deepening shall include:

~~☐ Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and/or surface facilities.~~

☒ Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and/or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement, it being understood that the consent to the reworking or plugging back of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and/or surface facilities.

3. Other Operations: Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of TWENTY FIVE THOUSAND Dollars ($ 25,000.00), except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares "Authority for Expenditures" for its own use, Operator, upon request, shall furnish copies of its "Authority for Expenditures" for any single project costing in excess of FIFTEEN THOUSAND Dollars ($ 15,000.00).

E. Royalties, Overriding Royalties and Other Payments:

Each party shall pay or deliver, or cause to be paid or delivered, all royalties to the extent of 1/8 of 8/8ths due on its share of production and shall hold the other parties free from any liability therefor. If the interest of any party in any oil and gas lease covered by this agreement is subject to any royalty, overriding royalty, production payment, or other charge over and above the aforesaid royalty, such party shall assume and alone bear all such obligations and shall account for or cause to be accounted for, such interest to the owners thereof.

No party shall ever be responsible, on any price basis higher than the price received by such party, to any other party's lessor or royalty owner; and if any such other party's lessor or royalty owner should demand and receive settlements on a higher price basis, the party contributing such lease shall bear the royalty burden insofar as such higher price is concerned.

It is recognized by the parties hereto that in addition to each party's share of working interest production as shown in Exhibit "A", each party shall have the right, subject to existing contracts, to market the royalty gas attributable to each lease which it contributes to the Contract Area and to receive payments due for such royalty gas produced from or allocated to such lease or leases. It is agreed that, regardless of whether each party markets or contracts for its share of gas, including the royalty gas under the leases which it contributed to the Contract Area, each party agrees to pay or cause to be paid to the royalty owners under its lease or leases the proceeds attributable to their respective royalty interest and to hold all other parties hereto harmless for its failure to do so.

F. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments

of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

G. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. Operator shall bill other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

Each party shall pay or cause to be paid all production, severance, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of oil and/or gas produced under the terms of this agreement.

H. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be an amount equivalent to the premium which would have been paid had such insurance been obtained. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's fully owned automotive equipment.

ARTICLE VIII
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. If the interest of the assigning party includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not desiring to surrender an oil and gas lease covering such oil and gas interest for a term of one year and so long thereafter as oil and/or gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B". Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall

be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignor's or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Contract Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

B. Renewal or Extension of Leases:

If any party secures a renewal of any oil and gas lease subject to this Agreement, all other parties shall be notified promptly, and shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the interests held at that time by the parties in the Contract Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment without warranty of its proportionate interest therein by the acquiring party.

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall apply also and in like manner to extensions of oil and gas leases. The provisions of this Article VIII-B shall only apply to leases, or portions of leases, located within the Unit Area.

C. Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash toward the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. If all parties hereto are Drilling Parties and accept such tender, such acreage shall become a part of the Contract Area and be governed by the provisions of this agreement. If less than all parties hereto are Drilling Parties and accept such tender, such acreage shall not become a part of the Contract Area. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Contract Area.

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C. This paragraph shall not be applicable to the contribution of acreage by the Contributing Parties toward the Initial, Substitute, or Option Test Well.

D. Subsequently Created Interest:

Notwithstanding the provisions of Article VIII.E. and VIII.G., if any party hereto shall, subsequent to execution of this agreement, create an overriding royalty, production payment, or net proceeds interest, which such interests are hereinafter referred to as "subsequently created interest", such subsequently created interest shall be specifically made subject to all of the terms and provisions of this agreement, as follows:

1. If non-consent operations are conducted pursuant to any provision of this agreement, and the party conducting such operations becomes entitled to receive the production attributable to the interest out of which the subsequently created interest is derived, such party shall receive same free and clear of such subsequently created interest. The party creating same shall bear and pay all such subsequently created interests and shall indemnify and hold the other parties hereto free and harmless from any and all liability resulting therefrom.

2. If the owner of the interest from which the subsequently created interest is derived (1) fails to pay, when due, its share of expenses chargeable hereunder, or (2) elects to abandon a well under provisions of Article VI.E. hereof, or (3) elects to surrender a lease under provisions of Article VIII.A. hereof, the subsequently created interest shall be chargeable with the pro rata portion of all expenses hereunder in the same manner as if such interest were a working interest. For purposes of collecting such chargeable expenses, the party or parties who receive assignments as a result of (2) or (3) above shall have the right to enforce all provisions of Article VII.B. hereof against such subsequently created interest.

E. Maintenance of Uniform Interest:

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells, equipment and production unless such disposition covers either:

1. the entire interest of the party in all leases and equipment and production; or

2. an equal undivided interest in all leases and equipment and production in the Contract Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the right of the other parties.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds hereof.

F. Waiver of Right to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

~~**G. Preferential Right to Purchase:**~~

~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and~~ interests in the Contract Area, it shall promptly give written notice to the other parties, ~~with full information~~ concerning its proposed sale, which shall include the name and address ~~of the~~ prospective purchaser (who must be ready, willing and able to purchase), the ~~purchase price~~, and all other terms of the offer. The other parties shall then have an optional ~~prior right~~, for a period of ten (10) days after receipt of the notice, to purchase on the same ~~terms and~~ conditions the interest which the other party proposes to sell; and, if this optional ~~right is~~ exercised, the purchasing parties shall share the purchased interest in the ~~proportions that~~ the interest of each bears to the total interest of all purchasing parties. However, ~~there shall~~ be no preferential right to purchase in those cases where any party wishes to ~~mortgage its interests~~, or to dispose of its interests by merger, reorganization, consolidation, or sale ~~of all or~~ substantially all of its assets to a subsidiary or parent company or to a subsidiary of a parent ~~company, or to any company in which any one party owns a majority of the stock.~~

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No

such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from Operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single damage claim or suit arising from operations hereunder if the expenditure does not exceed FIFTEEN THOUSAND Dollars ($ 15,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, the party shall immediately notify Operator, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

ARTICLE XII.
NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by United States mail or Western Union telegram, postage or charges prepaid, or by teletype, and addressed to the party to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid, or when sent by teletype. Each party shall have the right to change its address at any time, and from time to time, by giving written notice hereof to all other parties.

ARTICLE XIII.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subjected hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease, or oil and gas interest contributed by any other party beyond the term of this agreement.

☒ Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise, and/or so long as oil and/or gas production continues from any lease or oil and gas interest.

~~2. Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled, under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 180 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling or reworking a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling or reworking operations are commenced within 120 days from the date of abandonment of said well.~~

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the committed acreage is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

The essential validity of this agreement and all matters pertaining thereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state where most of the land in the Contract Area is located shall govern.

ARTICLE XV.
OTHER PROVISIONS

A. Not included.

B. Not included.

C. Not included.

D. Notwithstanding any other provisions herein, if during the term of this agreement, a well is required to be drilled, deepened, reworked, plugged back, sidetracked, or recompleted, or any other operation that may be required in order to (1) continue a lease or leases in force and effect, or (2) maintain a unitized area or any portion thereof in force and effect, or (3) earn or preserve an interest in and to oil and/or gas and other minerals which may be owned by a third party or which, failing in such operation, may revert to a third party, or, (4) comply with an order issued by a regulatory body having jurisdiction in the premises, failing in which certain rights would terminate, the following shall apply. Should less than all of the parties hereto elect to participate and pay their proportionate part of the costs to be incurred in such operation, those parties desiring to participate shall have the right to do so at their sole cost, risk, and expense. Promptly following the conclusion of such operation, each of those parties not participating agree to execute and deliver an appropriate assignment to the total interest of each non-participating party in and to the lease, leases, or rights which would have terminated or which otherwise may have been preserved by virtue of such operation, and in and to the lease, leases or rights within the balance of the drilling unit upon which the well was drilled, excepting, however, wells theretofore completed and capable of producing in paying quantities. Such assignment shall be delivered to the participating parties in the proportion that they bore the expense attributable to the non-participating parties' interest.

E. No production, whether oil or gas, may be sold from the lease acreage, or lands pooled therewith, to any party's subsidiaries, affiliates, or associates, without each party's prior written consent. All production sold from the lease acreage, or lands pooled therewith, will be an arm's length trade with a third party purchaser. It is expressly agreed if prior written consent is given to a party selling to themselves, its subsidiaries, affiliates, or associates, the other parties to this agreement will have the option to also sell to said purchaser, at the same or better price. In the event any party hereto, makes an arm's length trade with a third party purchaser, the remaining parties will have the option to also sell at the same or higher price.

EXHIBIT A

YATES OA

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1977

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED JANUARY 1, 1987, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR", AND YATES DRILLING COMPANY, ET AL, "NON-OPERATORS", COVERING ALL LANDS OWNED BY PARTIES BUT NOT COVERED BY ANOTHER OPERATING AGREEMENT.

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of _____ day of _____, 19___. on the effective date of each lease covered hereby.

OPERATOR

YATES PETROLEUM CORPORATION

By _____
Attorney-in-Fact

NON-OPERATORS

YATES DRILLING COMPANY

By _____
Attorney-in-Fact

STATE OF NEW MEXICO)
: ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 26th day of May, 19 87, by S P Yates, Attorney-in-Fact for YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
March 1, 1990

Miriam L Harlow
Notary Public

STATE OF NEW MEXICO)
: ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 26th day of May, 19 87, by Peyton Yates, Attorney-in-Fact for YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
March 1, 1990

Miriam L Harlow
Notary Public

EXHIBIT A

YATES OA

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED JANUARY 1, 1987, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR"; AND YATES DRILLING COMPANY, ET AL, "NON-OPERATORS", COVERING ALL LANDS OWNED BY PARTIES BUT NOT COVERED BY ANOTHER OPERATING AGREEMENT.

MYCO INDUSTRIES, INC.

By Frank W. Yates Jr.
Attorney-in-Fact

ABO PETROLEUM CORPORATION

By
Attorney-in-Fact

S.P. YATES

JOHN A. YATES

ESTATE OF MARTIN YATES III
LILLIE M. YATES

By Frank W. Yates Jr.
Frank W. Yates Jr., as Attorney-in-Fact for LILLIE M. YATES, individually and with S.P. Yates, Personal Representatives of the ESTATE OF MARTIN YATES III

STATE OF NEW MEXICO)
: ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 26th day of May, 1987, by Frank W. Yates Jr., Attorney-in-Fact for MYCO INDUSTRIES, INC., by John A. Yates, Attorney-in-Fact for ABO PETROLEUM CORPORATION, both New Mexico corporations, on behalf of said corporations, by Frank W. Yates Jr. as Attorney-in-Fact for LILLIE M. YATES, individually and with S. P. Yates, Personal Representatives of ESTATE OF MARTIN YATES III, by S.P. YATES AND JOHN A. YATES.

My commission expires:
March 1, 1990

Miriam L. Morlow
Notary Public

EXHIBIT A

YATES OA

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED JANUARY 1, 1987, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR", AND YATES DRILLING COMPANY, ET AL, "NON-OPERATORS", COVERING ALL LANDS OWNED BY PARTIES BUT NOT COVERED BY ANOTHER OPERATING AGREEMENT.

LOS CHICOS

By _____
John A. Yates, Agent

WEED OIL & GAS

By _____
Peyton Yates, Partner

BY-OIL

By _____
Frank Yates, Jr., Attorney-In-Fact

STATE OF NEW MEXICO)
:ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 5th day of January, 1994 by John A. Yates, Agent for LOS CHICOS, a partnership.

My commission expires:
March 9, 1996

Rhonda A. Becker
Notary Public

STATE OF NEW MEXICO)
:ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 5th day of January, 1994 by Peyton Yates, Partner for WEED OIL & GAS, a partnership.

My commission expires:
March 9, 1996

Rhonda A. Becker
Notary Public

STATE OF NEW MEXICO)
:ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 5th day of January, 1994 by Frank Yates, Jr., Attorney-In-Fact for BY-OIL, a partnership.

My commission expires:
March 9, 1996

Rhonda A. Becker
Notary Public

EXHIBIT A

YATES OA

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED JANUARY 1, 1987, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR", AND YATES DRILLING COMPANY, ET AL, "NON-OPERATORS", COVERING ALL LANDS OWNED BY PARTIES BUT NOT COVERED BY ANOTHER OPERATING AGREEMENT.

ATTEST:

By John A. Yates
John A. Yates, Jr., Secretary

TRAIL MOUNTAIN, INC.

By Peyton Yates
Peyton Yates, President

ESTATE OF LILLIE M. YATES, DECEASED

By Frank Yates Jr.
Frank Yates, Jr., Attorney-In-Fact for S. P. Yates, B. W. Harper and Frank Yates, Jr., Personal Representatives of the ESTATE OF LILLIE M. YATES, DECEASED.

STATE OF NEW MEXICO)
:ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 5th day of January, 1994 by Peyton Yates, President of TRAIL MOUNTAIN, INC., a New Mexico corporation, on behalf of said corporation.

My commission expires:
March 9, 1996

Rhonda R. Becker
Notary Public

STATE OF NEW MEXICO)
:ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 5th day of January, 1994 by Frank Yates, Jr., Attorney-In-Fact for S. P. Yates, B. W. Harper and Frank Yates, Jr., Personal Representatives of the ESTATE OF LILLIE M. YATES, DECEASED.

My commission expires:
March 9, 1996

Rhonda R. Becker
Notary Public

EXHIBIT A

YATES OA

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED JANUARY 1, 1987, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR" AND YATES DRILLING COMPANY, ET AL, "NON OPERATORS", COVERING ALL LANDS OWNED BY PARTIES BUT NOT COVERED BY ANOTHER OPERATING AGREEMENT.

SHARBRO OIL LTD. CO.

By: Frank Yates Jr
Manager

FRANK W. YATES, JR.

By: Frank Yates Jr

PEGGY A. YATES ESTATE

By: John A. Yates
John A. Yates, Personal Representative

JOHN A. YATES, JR.

By: John A. Yates Jr

STATE OF NEW MEXICO)
:ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 13 day of September 1999 by Frank W. Yates, Jr., Manager for SHARBRO OIL LTD. CO. a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

6-14-2003

Notary Public

STATE OF NEW MEXICO)
:ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 13 day of September 1999 by FRANK W. YATES, JR.

My Commission Expires:

6-14-2003

Notary Public

STATE OF NEW MEXICO)
:ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 13 day of September 1999 by John A. Yates, Personal Representative for PEGGY A. YATES ESTATE

My Commission Expires:

6-14-2003

Notary Public

STATE OF NEW MEXICO)
:ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 13 day of September 1999 by JOHN A. YATES, JR.

My Commission Expires:

6-14-2003

Notary Public

EXHIBIT A

YATES OA

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED JANUARY 1, 1987, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR" AND YATES DRILLING COMPANY, ET AL, "NON OPERATORS", COVERING ALL LANDS OWNED BY PARTIES BUT NOT COVERED BY ANOTHER OPERATING AGREEMENT.

SACRAMENTO PARTNERS
LIMITED PARTNERSHIP

By: Peyton Yates
Peyton Yates, Manager of Weed Oil & Gas, L.C., General Partner

ESTELLE H. YATES

By: Peyton Yates

PEYTON YATES

By: Peyton Yates

RICHARD YATES

By: Peyton Yates

STATE OF NEW MEXICO)
:ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 13 day of September, 1999 by Peyton Yates, Attorney-in-Fact for SACRAMENTO PARTNERS LIMITED PARTNERSHIP, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

6-14-2003

Notary Public

STATE OF NEW MEXICO)
:ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 13 day of September, 1999 by PEYTON YATES.

My Commission Expires:

6-14-2003

Notary Public

STATE OF NEW MEXICO)
:ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 13 day of September, 1999 by ESTELLE H. YATES.

My Commission Expires:

6-14-2003

Notary Public

STATE OF NEW MEXICO)
:ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 13 day of September, 1999 by RICHARD YATES.

My Commission Expires:

6-14-2003

Notary Public

EXHIBIT A

YATES OA

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED JANUARY 1, 1987, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR" AND YATES DRILLING COMPANY; ET AL, "NON OPERATORS", COVERING ALL LANDS OWNED BY PARTIES BUT NOT COVERED BY ANOTHER OPERATING AGREEMENT.

MARY YATES DAVIS

By: _____

S.P. & ESTELLE H. YATES 1976 TRUST FOR GRANDCHILDREN

_____
St. Clair Peyton Yates, Jr. Trustee

WEED OIL & GAS COMPANY, LC

By: _____
Peyton Yates, Manager

ATTEST

By: _____
Dennis Kinsey, Secretary

MARICO EXPLORATION, INC.

By: _____
Mo Sarwar, Vice President

STATE OF NEW MEXICO)
:ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 13 day of September 19 99 by MARY YATES DAVIS.

My Commission Expires:

6-14-2003

Notary Public

STATE OF NEW MEXICO)
:ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 13 day of September 19 99 by St. Clair Peyton Yates, Jr for S.P. & ESTELLE H. YATES 1976 TRUST FOR GRANDCHILDREN.

My Commission Expires:

6-14-2003

Notary Public

STATE OF NEW MEXICO)
:ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 13 day of September 19 99 by PEYTON YATES, Manager for WEED OIL & GAS COMPANY, L.C., a New Mexico limited liability company.

My Commission Expires:

6-14-2003

Notary Public

STATE OF NEW MEXICO)
:ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 13 day of September 19 99 by Mo Sarwar, Vice President for MARICO EXPLORATION, INC. a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

6-14-2003

Notary Public

EXHIBIT A

YATES OA

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED JANUARY 1, 1987, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR" AND YATES DRILLING COMPANY, ET AL, "NON-OPERATORS", COVERING ALL LANDS OWNED BY PARTIES BUT NOT COVERED BY ANOTHER OPERATING AGREEMENT.

TRUST Q CREATED UNDER THE LAST WILL AND TESTAMENT OF PEGGY A. YATES, DECEASED

By: _____
John A. Yates, Trustee of Trust Q u/w/o Peggy A. Yates, deceased.

STATE OF NEW MEXICO)
) ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 28th day of June, 2000, by John A. Yates, Trustee of Trust Q under the Last Will and Testament of Peggy A. Yates, deceased.

My Commission Expires:
9-12-01

_____
Notary Public

EXHIBIT A

YATES OA

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED JANUARY 1, 1987, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR" AND YATES DRILLING COMPANY, ET AL, "NON-OPERATOR", COVERING ALL LANDS OWNED BY PARTIES BUT NOT COVERED BY ANOTHER OPERATING AGREEMENT.

EXHIBIT "A"

I. 1. Lands Subject to Agreement:
All lands owned by the parties but not covered by another Operating Agreement

2. Depth Restriction:
None

3. Drilling Units for the Wells:
Proration Unit as established by the governing regulatory agency

II. Percentage Interests of Parties Under the Agreement:

Yates Petroleum Corporation	Interests as they appear of record
Yates Drilling Company	
Myco Industries, Inc.	
Abo Petroleum Corporation	
S.P. Yates	
John A. Yates	
Estate of Martin Yates, III	
Lillie M. Yates	
Los Chicos	
Weed Oil & Gas, a partnership	
By-Oil	
Trail Mountain, Inc.	
Estate of Lillie M. Yates	
Sharbro Oil Ltd. Co.	
Frank W. Yates, Jr.	
Estate of Peggy A. Yates	
John A. Yates, Jr.	
Sacramento Partners Limited Partnership	
Estelle H. Yates	
Peyton Yates	
Marico Exploration, Inc.	
Richard Yates	
Mary Yates Davis	
S.P. and Estelle H. Yates 1976 Trust	
Trust Q created under the Last Will and Testament of Peggy A. Yates, deceased.	

III. Leasehold Interest of Each Party:

All Leases owned by the parties but not covered by another Operating Agreement

IV. Addresses of Parties to Which Notices Should Be Sent:

Yates Petroleum Corporation
Myco Industries, Inc.
Sharbro Industries, Inc.
John A. Yates
John A. Yates, Jr.
Estelle H. Yates
Lillie M. Yates
Estate of Peggy A. Yates
Weed Oil & Gas, a partnership
Trail Mountain, Inc.
Marico Exploration, Inc.
Mary Yates Davis

105 South Fourth Street
Artesia, New Mexico 88210

Yates Drilling Company
Abo Petroleum Corporation
S.P. Yates
Frank W. Yates, Jr.
Peyton Yates
Estate of Martin Yates, III
Estate of Lillie M. Yates
Los Chicos
By-Oil
Sacramento Partners Limited Partnership
Richard Yates
S.P. and Estelle H. Yates 1976 Trust
Trust Q created under the Last Will & Testament of Peggy A. Yates, dec.

updated 6-28-03 JA
updated 9-13-99 JA

EXHIBIT A

YATES OA

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED JANUARY 1, 1987, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR", AND YATES DRILLING COMPANY, ET AL, "NON-OPERATORS", COVERING ALL LANDS OWNED BY PARTIES BUT NOT COVERED BY ANOTHER OPERATING AGREEMENT.

EXHIBIT "A"

I. 1. Lands Subject to Agreement:
All lands owned by the parties but not covered by another Operating Agreement

2. Depth Restriction:
None

3. Drilling Units for Wells:
Proration Unit as established by the governing regulatory agency

II. Percentage Interests of Parties Under the Agreement:

YATES PETROLEUM CORPORATION
YATES DRILLING COMPANY
MYCO INDUSTRIES, INC.
ABO PETROLEUM CORPORATION
S.P. YATES
JOHN A. YATES
ESTATE OF MARTIN YATES III
LILLIE M. YATES
LOS CHICOS
WEED OIL & GAS

Interests as they appear of record
BY-OIL
TRAIL MOUNTAIN, INC.
ESTATE OF LILLIE M. YATES

III Leasehold Interest of Each Party:

All leases owned by the parties but not covered by another Operating Agreement

IV. Addresses of Parties to Which Notices Should be Sent:

Yates Petroleum Corporation
Yates Drilling Company
Myco Industries, Inc.
Abo Petroleum Corporation
S.P. Yates
John A. Yates
Estate of Martin Yates III
Lillie M. Yates
105 South Fourth Street
Artesia, New Mexico 88210
ATTN Randy G. Patterson

LOS CHICOS
WEED OIL & GAS
BY-OIL
TRAIL MOUNTAIN, INC.
ESTATE OF LILLIE M. YATES
105 South Fourth Street
Artesia, New Mexico 88210

Kraftbilt 601, TULSA 74101

COPAS — 1974
Recommended by the Council of Petroleum Accountants Societies of North America

COPAS

EXHIBIT "C"

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED JANUARY 1, 1987, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR", AND YATES DRILLING COMPANY, ET AL, "NON-OPERATORS", COVERING ALL LANDS OWNED BY PARTIES BUT NOT COVERED BY ANOTHER OPERATING AGREEMENT.

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. **Rentals and Royalties**

   Lease rentals and royalties paid by Operator for the Joint Operations.

2. **Labor**

   A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

   (2) Salaries of First Level Supervisors in the field.

   (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

   B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

   C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.

   D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. **Employee Benefits**

   Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%), or percentage most recently recommended by COPAS.

4. **Material**

   Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. **Transportation**

   Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

   A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

   B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

   C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of $200 or less excluding accessorial charges.

6. **Services**

   The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. **Equipment and Facilities Furnished by Operator**

   A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

   B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. **Damages and Losses to Joint Property**

   All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. **Legal Expense**

   Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

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10. **Taxes**

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. **Insurance**

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. **Other Expenditures**

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. **Overhead - Drilling and Producing Operations**

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(XX) Fixed Rate Basis, Paragraph 1A, or
( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not (X) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate $ furnished to Accounting by separate memo
Producing Well Rate $

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

[1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.

[2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days

[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

[1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.

[2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

[3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

[4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.

[5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

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B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:
For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

2. **Overhead - Major Construction**

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of $ 25,000.00 :

A. 5 % of total costs if such costs are more than $ 25,000.00 but less than $ 100,000.00 ; plus
B. 3 % of total costs in excess of $ 100,000.00 but less than $1,000,000; plus
C. 2 % of total costs in excess of $1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.

3. **Amendment of Rates**

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. **Purchases**

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. **Transfers and Dispositions**

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

(b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

(2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

EXHIBIT A

YATES OA

EXHIBIT "D"

ATTACHED TO AND MADE A PART OF

OPERATING AGREEEMENT

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED JANUARY 1, 1987, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR"; AND YATES DRILLING COMPANY, ET AL, "NON-OPERATORS", COVERING ALL LANDS OWNED BY PARTIES BUT NOT COVERED BY ANOTHER OPERATING AGREEMENT.

ADDITIONAL INSURANCE PROVISIONS

Operator, during the term of this agreement, shall carry insurance for the benefit and at the expense of the parties hereto, as follows:

(A) Workmen's Compensation Insurance as contemplated by the state in which operations will be conducted, and Employer's Liability Insurance with limits of not less than $100,000.00 per employee.

(B) Public Liability Insurance:
Bodily Injury - $500,000.00 each occurrence.

(C) Automobile Public Liability Insurance:
Bodily Injury - $250,000.00 each person.
$500,000.00 each occurrence.

Property Damage - $100,000.00 each occurence.

Except as authorized by this Exhibit "D", Operator shall not make any charge to the joint account for insurance premiums. Losses not covered by Operator's insurance (or by insurance required by this agreement to be carried for the benefit and at the expense of the parties hereto) shall be charged to the joint account.

EXHIBIT A

ATTACHED TO AND MADE A I T OF OPERATING AGREEMENT DATED NUARY 1, 1987, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR", AND YATES DRILLING COMPANY, ET AL, "NON-OPERATORS", COVERING ALL LANDS OWNED BY PARTIES BUT NOT COVERED BY ANOTHER OPERATING AGREEMENT.

EXHIBIT "E"

GAS BALANCING AGREEMENT

The parties to the Operating Agreement to which this agreement is attached own the working interest in the gas rights underlying the lands covered by such agreement (the "Contract Area") in accordance with the percentages of participation as set forth in Exhibit "A" to the Operating Agreement (the "participation percentage").

In accordance with the terms of the Operating Agreement, each party thereto has the right to take its share of gas produced from the Contract Area and market the same. In the event any of the parties hereto collectively owning participation percentages of less than 50% are not at any time taking or marketing their share of gas or have contracted to sell their share of gas produced from the Contract Area to a purchaser which does not at any time while this agreement is in effect take the full share of gas attributable to the interest of such parties, this agreement shall automatically become effective upon the terms hereinafter set forth.

1. During the period or periods when any parties hereto collectively owning participation percentages of less than 50% have no market for their share of gas produced from any proration unit within the Contract Area, or their purchaser does not take its full share of gas produced from such proration unit, other parties collectively owning participation percentages of more than 50% shall be entitled to produce each month 100% of the lesser of a) allowable gas production assigned to such proration unit by applicable state regulatory authority or b) the delivery capacity of gas from such proration unit; provided, however, no party who does not have gas in place shall be entitled to take or deliver to a purchaser gas production in excess of 200% of the lesser of c) its share of the volumes of gas capable of being delivered on a daily basis or d) its share of allowable gas production. All parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by lease equipment in accordance with their respective interests and subject to the Operating Agreement to which this agreement is attached, but the party or parties taking such gas shall own all of the gas delivered to its or their purchaser.

2. On a cumulative basis, each party not taking or marketing its full share of the gas produced shall be credited with gas in place equal to its full share of the gas produced under this agreement, less its share of gas used in lease operations, vented or lost, and less that portion such party took or delivered to its purchaser. The Operator will maintain a current account of gas balance between the parties and will furnish all parties hereto monthly statements showing the total quantity of gas produced, the amount used in lease operations, vented or lost, the total quantity of liquid hydrocarbons recovered therefrom, and the monthly and cumulative over and under account of each party.

3. At all times while gas is produced from the Contract Area, each party hereto will make settlement with the respective royalty owners to whom they are each accountable, just as if each party were taking or delivering to a purchaser its share, and its share only. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by royalty owners to whom each party is accountable. The term "royalty owner" shall include owners of royalty, overriding royalties, production payments and other similar interests.

Each party producing and taking or delivering gas to its purchaser shall pay any and all production taxes due on such gas.

4. After notice to the Operator, any party at any time may begin taking or delivering to its purchaser its full share of the gas produced from a proration unit under which it has gas in place less such party's share of gas used in operations, vented or lost. In addition to such share, each party, including the Operator, until it has recovered its gas in place and balanced the gas account as to its interest, shall be entitled to take or deliver to its purchaser a share of gas determined by multiplying 50% of the interest in the current gas production of the party or parties without gas in place by a fraction, the numerator of which is the interest in the proration unit of such party with gas in

place and the denominator of which is the total percentage interest in such proration unit of all parties with gas in place currently taking or delivering to a purchaser.

5. Nothing herein shall be construed to deny any party the right, from time to time, to produce and take or deliver to its purchaser its full share of the allowable gas production to meet the deliverability tests required by its purchaser, provided that said test should be reasonable in length, normally not to exceed 72 hours.

6. If a proration unit ceases to produce gas and/or liquid hydrocarbons in paying quantities before the gas account is balanced, settlement will be made between the underproduced and overproduced parties. In making such settlement, the underproduced party or parties will be paid a sum of money by the overproduced party or parties attributable to the overproduction which said overproduced party received, less applicable taxes theretofore paid, at the applicable price defined below for the delivery of a volume of gas equal to that for which settlement is made. For gas, the price of which is not regulated by federal, state or other governmental agencies, the price basis shall be the price received for the sale of the gas. For gas, the price of which is subject to regulation by federal, state or other governmental authorities, the price basis shall be the rate collected, from time to time, which is not subject to possible refund, as provided by the Federal Energy Regulatory Commission or any other governmental authority, pursuant to final order or settlement applicable to the gas sold from such well, plus any additional collected amount which is not ultimately required to be refunded by such authority, such additional collected amount to be accounted for at such time as final determination is made with respect hereto.

7. Notwithstanding the provisions of ¶6, it is expressly agreed that any underproduced party shall have the optional right, with respect to each proration unit, to receive a cash settlement bringing such underproduced party's gas account into balance at any time and from time to time prior to the final settlement, by first giving each overproduced party 90 days' written notice of demand for cash settlement. If such option is so exercised, settlement shall be made (as of 7:00 o'clock A.M. on the first day of the calendar month following the date of such written demands) within 90 days following the actual receipt of such written demands by the overproduced parties, in the same manner provided for in ¶6. The option provided for in this paragraph may be exercised, from time to time, but only one time in each calendar year.

8. Nothing herein shall change or affect each party's obligation to pay its proportionate share of all costs and liabilities incurred, as its share thereof is set forth in the Operating Agreement.

9. This agreement shall constitute a separate agreement as to each proration unit approved by the applicable regulatory authority for a pool within the Contract Area, but such proration unit shall not include any producing horizon which is not within the vertical limits of said pool. This agreement shall remain in force and effect so long as the Operating Agreement to which it is attached remains in effect, and shall inure to the benefit of and be binding upon the parties hereto, their heirs, successors, legal representatives and assigns.

EXHIBIT A

YATES OA

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED JANUARY 1, 1987, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR", AND YATES DRILLING COMPANY, ET AL, "NON-OPERATORS", COVERING ALL LANDS OWNED BY PARTIES BUT NOT COVERED BY ANOTHER OPERATING AGREEMENT.

EXHIBIT "F"

EQUAL EMPLOYMENT OPPORTUNITY PROVISION

During the performance of this contract, the Operator agrees as follows:

(1) The Operator will not discriminate against any employee or applicant for employment because of race, color, religion, national origin or sex. The Operator will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, national origin or sex. Such action shall include, but not be limited to the following: Employment, upgrading, demotion, or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Operator agrees to post in conspicuous places, available to employees and applicants for employment notices to be provided for the contracting officer setting forth the provisions of this non-discrimination clause.

(2) The Operator will, in all solicitations or advertisements for employees placed by or on behalf of the Operator, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin or sex.

(3) The Operator will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting officer, advising the labor union or workers' representative of the Operator's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The Operator will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations, and relevent orders of the Secretary of Labor.

(5) The Operator will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the Operator's non-compliance with the non-discrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated or suspended in whole or in part and the Operator may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The Operator will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Operator will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for non-compliance: Provided, however, that in the event the Operator becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Operator may request the United States to enter into such litigation to protect the interests of the United States.

Operator acknowledges that it may be required to file Standard Form 100 (EEO-1) promulgated jointly by the Office of Federal Contract Compliance, the Equal Employment Opportunity Commission and Plans for Progress with Joint Reporting Committee, Federal Depot, Jeffersonville, Indiana, within thirty (30) days of the date of contract award if such report has not been filed for the current year and otherwise comply with or file such other compliance reports as may be required under Executive Order 11246, as amended and Rules and Regulations adopted thereunder.

Operator further acknowledges that he may be required to develop a written affirmative action compliance program as required by the Rules and Regulations approved by the Secretary of Labor under authority of Executive Order 11246 and supply Non-Operators with a copy of such program if they so request.

CERTIFICATION OF NON-SEGREGATED FACILITIES

Operator assures Non-Operators that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not and will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. For this purpose, it is understood that the phrase "segregated facilities" includes facilities which are in fact segregated on a basis of race, color, religion, or national origin, because of habit; local custom or otherwise. It is further understood and agreed that maintaining or providing segregated facilities for its employees or permitting its employees to perform their services at any location under its control where segregated facilities are maintained is a violation of the equal opportunity clause required by Executive Order 11246 of September 24, 1965.

Operator further understands and agrees that a breach of the assurance herein contained subjects it to the provisions of the Order at 41 CFR Chapter 60 of the Secretary of Labor dated May 21, 1968, and the provisions of the equal opportunity clause enumerated in contracts between the United States of America and Non-Operators.

Whoever knowingly and willfully makes any false, fictitious or fraudulent representation may be liable to criminal prosecution under 18 U.S.C. § 1001.

Exhibit "F"
Page 2

EXHIBIT B

INSURANCE REQUIREMENTS

A. As to all operations hereunder, Operator shall carry for the benefit and protection of the parties hereto Workers' Compensation and Employer's Liability Insurance in accordance with the applicable State law. If under the laws of said State, Operator is authorized to be a self-insurer as to Workers' Compensation and Employer's Liability, Operator may elect to be a self-insurer under such laws and in such event Operator shall charge to the joint account, in lieu of any premiums for such insurance, a premium equivalent not to exceed manual insurance rates applied to the payroll.

B. Operator shall not be required to carry any other insurance for the joint account. The liability of the parties hereto in damages for claims growing out of personal injury to or death of third persons or damage or destruction of property of third parties resulting from the operations conducted hereunder shall be borne by the parties hereto in the proportions of their respective obligations to bear such costs. Operator shall not be liable to Non-Operator for loss, damages or destruction to jointly owned property from operations hereunder unless such loss, damages or destruction arise solely out of willful misconduct or gross negligence of Operator.

C. Each party individually may acquire at its own cost and expense such insurance as it deems proper to protect itself from third party claims or damages to joint property and such insurance shall inure solely for the benefit of such party procuring same; provided, however, that each such insurance policy shall contain a waiver on the part of the insurance carrier of all rights, by subrogation or otherwise, against all of the other parties hereto.

D. Operator shall require all contractors engaged in work on or for the benefit of the operations hereunder to comply with applicable Workers' Compensation and Employer's Liability laws and to maintain such other insurance as Operator shall deem necessary.

EXHIBIT: 6

BTA OIL PRODUCERS, LLC

RATIFICATION OF OPERATING AGREEMENT AND STIPULATION OF INTEREST

STATE OF NEW MEXICO §
§
COUNTY OF EDDY §

Reference is made to the terms and provisions of the Yates Petroleum Corporation "in-house" Operating Agreement dated January 1, 1987, (the "Yates Operating Agreement") covering, among other lands, the following (the "Subject Lands"):

Lots 1, 2, NE/4 and E/2NW/4 of Section 7 and the NW/4 of Section 8, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico, covering 474.11 acres, more or less, as to all depths.

The following described oil and gas leases issued by the United States of America, as Lessor, to Yates Petroleum Corporation, Yates Drilling Company, Myco Industries, Inc. and Abo Petroleum Corporation, insofar as said leases cover the Subject Lands, are hereinafter referred to as the "Subject Leases":

Oil and Gas Lease NM-103879 dated effective March 1, 2000
Township 23 South, Range 29 East, NMPM
Section 7: Lots 1, 2, NE/4 and E/2 NW/4
Eddy County, New Mexico, containing 314.11 acres, more or less.

Oil and Gas Lease NM-121951 dated effective May 1, 2009
Township 23 South, Range 29 East, NMPM
Section 8: NW/4
Eddy County, New Mexico, containing 160 acres, more or less.

WHEREAS, that certain Pooling Agreement and Stipulation of Interest dated February 22, 2010, recorded in Book 820, Page 252 of the Eddy County Records, Eddy County, New Mexico, was executed by Yates Petroleum Corporation, Myco Industries, Inc., Abo Petroleum Corporation and Yates Drilling Company (the "Pooling Agreement"). In addition to the Subject Lands the Pooling Agreement covers the N/2 SW/4 of Section 4, Township 23 South, Range 29 East, NMPM, Eddy County, Texas Mexico (the "Novo Lands").

WHEREAS, the name of Yates Drilling Company was changed to Oxy Y-1 Company, as reflected by instrument filed October 6, 2010, in Eddy County, New Mexico in Book 835 Page 435.

WHEREAS, Abo Petroleum Corporation changed its name to EOG A Resources, Inc., Myco Industries, Inc. changed its name to EOG M Resources, Inc. and Yates Petroleum Corporation changed its name to EOG Y Resources, Inc.

BTA OIL PRODUCERS LLC
ATTN MONA LAGAN
104 SOUTH PECOS ST
MIDLAND TX 79701-5021

MIDLAND\000011\000247\2319634.3

Reception: 1906452 Book: 1123 Page: 0370 Pages: 6
Recorded: 05/16/2019 10:08 AM Fee: $25.00
Eddy County, New Mexico ~ Robin Van Natta, County Clerk

TW

WHEREAS, thereafter, pursuant to Assignment of Oil, Gas and Mineral Leases dated October 12, 2018, effective August 1, 2018, recorded in Book 1116, Page 1089 of the Eddy County Records, Eddy County, New Mexico, EOG Y Resources, Inc., EOG A Resources, Inc. and EOG M Resources, Inc., as assignor, assigned to Novo Oil & Gas Northern Delaware, LLC, as assignee, all of assignor's interest in United States of America Oil and Gas Lease NM-121951 insofar and only insofar as said lease covers the N/2 SW/4 of Section 4, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico (the "Novo Assignment"). The Novo Assignment is made subject to the Pooling Agreement. It was the intent of the parties to the Novo Assignment for Novo Oil & Gas Northern Delaware, LLC to own an interest only in the Novo Lands.

WHEREAS, EOG Resources, Inc., a Delaware corporation, is successor by merger to EOG Y Resources, Inc., EOG A Resources, Inc., and EOG M Resources, Inc., each filed December 17, 2018, effective January 1, 2019.

WHEREAS, EOG Resources, Inc., a Delaware corporation (separately and as successor by merger to EOG Y Resources, Inc., EOG A Resources, Inc., and EOG M Resources, Inc.) assigned to BTA Oil Producers, LLC, a Texas limited liability company, the Subject Leases insofar as said leases cover the Subject Lands pursuant to Assignment dated effective November 1, 2018, recorded in Book 1119, Page 0048 of the Eddy County Records, Eddy County, New Mexico.

WHEREAS, BTA Oil Producers, LLC, and Novo Oil & Gas Northern Delaware, LLC ("Novo") executed a Stipulation of Interest dated effective August 1, 2018, and recorded in Book 1121, Page 0804 of the Eddy County Records, Eddy County, New Mexico, wherein said parties agreed that pursuant to the Novo Assignment, Novo acquired an interest in only the Novo Lands and Novo owns no interest in the Subject Lands.

WHEREAS, the undersigned parties desire to clarify that the Subject Lands will no longer be subject to the Yates Operating Agreement but instead the Subject Lands will be subject to a separate operating agreement containing terms identical to the Yates Operating Agreement less and except Article XV.D. which is hereby stricken and removed. The undersigned parties further desire to stipulate and agree that the Pooling Agreement is amended to cover the Subject Lands only.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and for the mutual benefits to be derived herefrom, the undersigned parties do hereby covenant, stipulate and agree that (i) the Subject Lands are not subject to the Yates Operating Agreement but instead are subject to a separate operating agreement containing terms identical to the Yates Operating Agreement (the "Subject Lands JOA"); (ii) Exhibit "A" to the Subject Lands JOA is as shown on Exhibit "A" attached hereto; (iii) BTA Oil Producers, LLC is the current Operator under the Subject Lands JOA; and (iv) as between BTA Oil Producers, LLC and Oxy Y-1 Company, the Pooling Agreement is amended to delete the Novo Lands and cover the Subject Lands only.

This instrument shall be deemed to contain adequate words of grant and conveyance as are necessary and proper in order to effectuate the stipulation and agreement above. The undersigned parties agree to execute, acknowledge and deliver such further instruments and take such other

action as may be reasonably necessary in order to more fully accomplish the purposes of this Ratification of Operating Agreement and Stipulation of Interest.

This agreement may be executed in any number of separate counterparts by the parties. For recording purposes, the signature and acknowledgement pages of the counterparts may be assembled into one document. The terms and provisions of this instrument shall be binding upon and inure to the benefit of the undersigned parties and their respective heirs, successors and assigns once signed by both of the undersigned parties.

This Stipulation of Interest is executed on the dates of the respective acknowledgments of the parties but is effective as of November 1, 2018.

BTA OIL PRODUCERS, LLC, Texas limited liability company

By: _____
Name: Barry Beal, Jr. WDP
Title: Managing Member

OXY Y-1 COMPANY, a New Mexico corporation

By: _____
Name: BRADLEY S. DUSEK
Title: ATTORNEY-IN-FACT

STATE OF TEXAS §
§
COUNTY OF MIDLAND §

This instrument was acknowledged before me on the 10th day of ~~February~~ May 2019, by Barry Beal, Jr., Managing Member of BTA Oil Producers, LLC, a Texas limited liability company, on behalf of said limited liability company.

MONA LAGAN
Notary Public, State of Texas
Notary ID 6648700
My Commission Exp. 03-27-2021

Mona Lagan
Notary Public – State of Texas
My Commission Expires: 3-27-21

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on the 16th day of ~~February~~ May, 2019, by Bradley S. Dosek Attorney-In-Fact of Oxy Y-1 Company., a New Mexico corporation, on behalf of said corporation.

DELEENA D. LANG
Notary Public, State of Texas
Comm. Expires 02-18-2022
Notary ID 128179978

Deleena D. Lang
Notary Public – State of Texas
My Commission Expires: 02/18/2022

Exhibit "A"

Attached to and made a part of that certain Operating Agreement
by and between BTA Oil Producers, LLC, Operator and
Oxy Y-1 Company, Non-Operator

I. LANDS SUBJECT TO AGREEMENT:

Lots 1, 2, NE/4 and E/2NW/4 of Section 7, and NW/4 of Section 8, Township 23 South, Range 29 East, Eddy County, New Mexico, containing 474.11 acres, more or less.

II. RESTRICTIONS AS TO DEPTHS, FORMATIONS OR SUBSTANCES:

All Depths.

III. INTEREST OF THE PARTIES TO THIS AGREEMENT:

In the Culebra "BLV" Federal No. 1-H Well as to the Bone Spring formation

BTA Oil Producers, LLC 104 South Pecos Midland, Texas 79701 Phone: 432-682-3753 Attn: Willis Price	73.19666%
Oxy Y-1 Company P. O. Box 4294 Houston, TX 77210-4294	26.80334%

In wells drilled on the Lands referenced above save except the Culebra "BLV" Federal No. 1-H Well as to the Bone Spring formation

BTA Oil Producers, LLC 104 South Pecos Midland, Texas 79701 Phone: 432-682-3753 Attn: Willis Price	73.19752%
Oxy Y-1 Company P. O. Box 4294 Houston, TX 77210-4294	26.80248%

IV. OIL AND GAS LEASES:

Oil and Gas Leases owned by the parties hereto covering the lands subject to this Agreement insofar as they cover Lots 1, 2, NE/4 and E/2NW/4 of Section 7, and NW/4 of Section 8, Township 23 South, Range 29 East, Eddy County, New Mexico, as to all depths:

1. Federal Lease No.: NMNM-121591
   Lessor: United State of America
   Lessee: Yates Petroleum Corporation, et al
   Date: May 01, 2009
   Recorded:
   Land Covered: Insofar as it covers the NW/4 of Section 8, Township 23 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, containing 160 acres, more or less.

2. Federal Lease No.: NMNM-103879
   Lessor: United State of America
   Lessee: Yates Petroleum Corporation, et al
   Date: March 1, 2000
   Recorded:
   Land Covered: Lots 1, 2, NE/4, and E/2NW/4 of Section 7, Township 23 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, containing 314.11 acres, more or less.

EXHIBIT: 7

BTA OIL PRODUCERS, LLC

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

July 8, 2019

In re: BTA – Ochoa 8703 Fed #1H
Lots 1, 2, NE/4 and E/2NW/4 of Section 7, and NW/4 of Section 8-T23S-R29E-
Eddy County, New Mexico, containing 474.11 acres, more or less

Oxy Y-1 Company
5 Greenway Plaza, Suite 110
Houston, TX 77046
Attention: Mr. Peter R. Van Liew

Dear Peter:

BTA Oil Producers, LLC ("BTA") proposes to drill the Ochoa 8703 Fed #1H well ("the Ochoa #1H"). Records indicate that Oxy Y-1 Company ("Oxy") owns an 26.80248% working interest in the above described lands under that certain Operating Agreement dated January 1, 1987, naming BTA as Operator, as amended and ratified. Enclosed for your review are two (2) original AFE(s) to drill and complete the Ochoa #1H, a proposed 18,445' MD, and approximate 10,532' TVD horizontal Lower Wolfcamp Shale well with a SHL of approximately 1,620' FNL and 375' FEL of Section 12-T23S-R28E, and a BHL of approximately 330' FNL and 2,600' FWL of Section 8-T23S-R29E. The first take point is approximately 330' FNL and 100' FWL of Section 7, and the last take point is approximately 330' FNL and 2,540' FWL of Section 8. The 474.11 acre spacing unit for the Ochoa #1H covers Lots 1, 2, NE/4 and E/2NW/4 of Section 7, and the NW/4 of Section 8, Township 23 South, Range 29 East, Eddy County, New Mexico as to the Wolfcamp formation. Please note that the Ochoa #1H is a horizontal well and there will not be a casing point election. The election to participate in drilling the Ochoa #1H is also an election to participate in the completion of the Ochoa #1H.

Should Oxy elect to participate in the drilling of the Ochoa #1H, please so indicate in the space provided below and return one (1) executed copy of this letter to the undersigned along with one (1) executed copy of the AFE. BTA will schedule the drilling of the Ochoa #1H upon the receipt of a permit to drill.

Should you have any questions or wish to discuss, please call me at (432) 682-3753.

Respectfully,

Willis D. Price III
Land Manager

_____ Oxy hereby elects to participate in the drilling and completion of the proposed Ochoa 8703 Fed #1H well.

_____ Oxy hereby elects NOT to participate in the drilling and completion of the proposed Ochoa 8703 Fed #1H well.

Working Interest Owner:

Oxy Y-1 Company

By:_____

Title:_____

Date:_____

Enclosures

BTA OIL PRODUCERS, LLC

WELL COST ESTIMATE & AUTHORITY FOR EXPENDITURE

Well Name: *Ochoa 8703 Fed #1H (WLDC)*

Total Depth: *~10532' TVD*
18,445' MD

Location: *1 5 mile*
SHL: 1620' FNL 375 FEL Sec 12 23S 28E
BHL: 330' FNL 2600' FWL Sec 8 23S 29E
Eddy County, NM

Formation: *Lwr Wolfcamp*

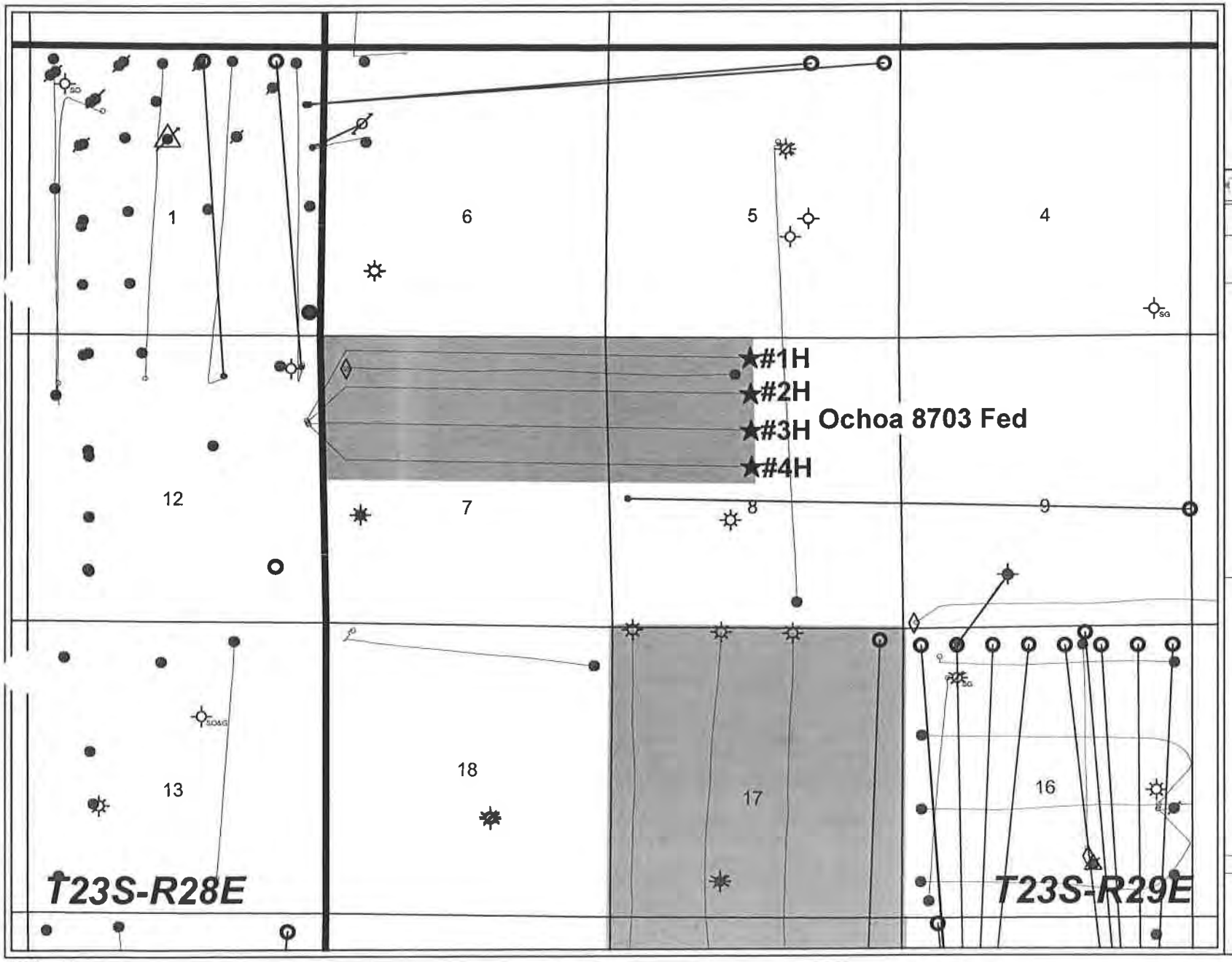
Date Prepared: *6/27/19*

		DRY	CASED HOLE	COMPLETION	TOTAL COSTS
INTANGIBLE COSTS					
FORMATION EVALUATION		$	$	$	$
LOGS		5,000		20,000	25,000
LOCATION & ACCESS					0
SURVEY & STAKE		5,000			5,000
DAMAGES		10,000			10,000
ROAD & LOCATION		50,000		12,000	62,000
OTHER LOCATION		120,000			120,000
DRILLING RIG					0
MOBILIZATION		60,000			60,000
DAYWORK		409,500	78,000		487,500
DRILLING SUPPLIES					0
BITS		68,000			68,000
BHA		35,000		65,000	100,000
FUEL		126,000	24,000		150,000
MUD RELATED					0
MUD PURCHASE		85,000	5,000		90,000
MUD RENTAL					0
FRESH WATER		25,000	5,000	500,000	530,000
BRINE		20,000			20,000
SOLIDS CONTROL	(Centrifuge)	26,565	9,000		35,565
MUD MONITOR		22,000	1,000		23,000
MUD RELATED OTHER		28,000			28,000
DRILLING SERVICES					0
BOP RELATED		15,000	4,000		19,000
CASING RELATED		25,000	35,000		60,000
WELDING		8,000	2,000		10,000
TRUCKING		22,500	10,000	54,000	86,500
RENTAL EQUIP		45,000	10,000	330,000	385,000
OTHER SERVICES	(Direction/GR Services)	205,000			205,000
CEMENT					0
CASING CEMENTING		110,000	85,000		195,000
OTHER CEMENTING				120,000	120,000
CONTRACT SERVICES					0
ENGINEERING		8,000			8,000
GEOLOGICAL		20,000			20,000
ROUSTABOUT		8,000		5,000	13,000
WELLSITE SUPERVISION		43,470	14,400	50,000	107,870
OTHER CONTRACT SERV.		5,000			5,000
COMPLETION SERVICES					0
PULLING UNIT				40,000	40,000
PERFORATE				216,000	216,000
STIMULATION				2,400,000	2,400,000
OTHER COMPL. SERV.				200,000	200,000
OVERHEAD					0
DRLG & ADMIN.		10,000		4,600	14,600
TOTAL INTANGIBLE COSTS		$ 1,620,035	$ 282,400	$ 4,016,600	$ 5,919,035
TANGIBLE COSTS					
TUBULARS					
SURFACE CASING	(13 3/8" @ 480')	19,500			19,500
INTERMEDIATE CSG	(9 5/8" @ 2,550')	76,000			76,000
PRODUCTION CSG	7" @10558	285,000			285,000
PROD LINER & HNGR	4-1/2" @ TD		150,000		150,000
WELL EQUIPMENT					0
WELL HEAD		22,000	10,000	60,000	92,000
FLOWLINE				10,000	10,000
TUBING				60,000	60,000
PUMPING UNIT					0
SUBSURFACE EQUIP				25,000	25,000
OTHER WELL EQUIP			90,000	3,000	93,000
LEASE EQUIPMENT					0
ELECTRICAL SYSTEM				5,000	5,000
OTHER LEASE EQUIP				450,000	450,000
SUBTOTAL - TANGIBLES		402,500	250,000	613,000	1,265,500
SYSTEMS					
GAS LINE TANGIBLES				0	0
GAS LINE INTANGIBLES				0	0
COMPRESSOR				-	0
GAS PLANT TANGIBLES				-	0
GAS PLANT INTANGIBLES				-	0
DEHYDRATOR				-	0
SUBTOTAL - SYSTEMS		0	0	0	0
TOTAL TANGIBLE COSTS		402,500	250,000	613,000	$ 1,265,500
GENERAL CONTINGENCIES		121,352	31,944	277,776	
TOTALS BY PHASE		$ 2,143,887	$ 564,344	$ 4,907,376	$ 7,184,535
CUMULATIVE WELL COSTS		$ 2,143,887	$ 2,708,231	$ 7,615,607	

APPROVED BY: _____

COMPANY: _____

DATE: _____



BTA Oil Producers, LLC

Ochoa 8703 Fed - ATS Map

SHL:Sec.12,T23S-R28E/BHL:Sec.8,T23S-29E

Eddy Co., New Mexico

WELL SYMBOLS

- Location Only
- Proposed Location
- Oil Well
- Gas Well
- Dry Hole
- Injection Well
- Plugged & Abandoned Oil Well
- Plugged & Abandoned Gas Well
- Service Well
- Junked
- Dry Hole With Gas Show
- Dry Hole With Oil Show
- Dry Hole With Oil & Gas Show
- Pilot Hole
- Plugged Service Well

REMARKS

**** IN-HOUSE USE ONLY ****

BTA Acreage Highlighted In Lt. Blue

Ochoa 8703 Fed #1H (WLDC)
SHL:1620'FNL&375'FEL(Sec.12)
BHL:330'FNL&2600'FWL(Sec.8)
FTP:330'FNL&100'FWL(Sec.7)
LTP:330'FNL&2540'FWL(Sec.8)

Ochoa 8703 Fed #2H (WLDC)
SHL:1650'FNL&375'FEL(Sec.12)
BHL:990'FNL&2600'FWL(Sec.8)
FTP:990'FNL&100'FWL(Sec.7)
LTP:990'FNL&2540'FWL(Sec.8)

Ochoa 8703 Fed #3H (WLEF)
SHL:1680'FNL&375'FEL(Sec.12)
BHL:1650'FNL&2600'FWL(Sec.8)
FTP:1650'FNL&100'FWL(Sec.7)
LTP:1650'FNL&2540'FWL(Sec.8)

Ochoa 8703 Fed #4H (WLEF)
SHL:1710'FNL&375'FEL(Sec.12)
BHL:2310'FNL&2600'FWL(Sec.8)
FTP:2310'FNL&100'FWL(Sec.7)
LTP:2310'FNL&2540'FWL(Sec.8)

By: JHB

0 2,456
FEET

PETRA 7/8/2019 2:06:57 PM

ORIGIN ID:MAFA (432) 682-3753
WILLIS PRICE
BTA OIL PRODUCERS
104 SOUTH PECOS

MIDLAND, TX 79701
UNITED STATES US

SHIP DATE: 08JUL19
ACTWGT: 2.00 LB
CAD: 111366055/INET4100

BILL SENDER

TO **PETER R. VAN LIEW**
OCCIDENTAL OIL & GAS CORPORATION
5 GREENWAY PLAZA, SUITE 110

HOUSTON TX 77046
(713) 985-6972 REF: 1013-3770-7
INV
PO OCHOA FED DEPT

565J2/A5F9/23AD

FedEx Express

J151819/0201ur

TUE - 09 JUL 10:30A
PRIORITY OVERNIGHT
DSR
77046
IAH
TX-US

TRK# 0201 **7756 5585 6380**

AB HOUA

After printing this label:
1. Use the 'Print' button on this page to print your label to your laser or inkjet printer.
2. Fold the printed page along the horizontal line.
3. Place label in shipping pouch and affix it to your shipment so that the barcode portion of the label can be read and scanned.

Warning: Use only the printed original label for shipping. Using a photocopy of this label for shipping purposes is fraudulent and could result in additional billing charges, along with the cancellation of your FedEx account number.
Use of this system constitutes your agreement to the service conditions in the current FedEx Service Guide, available on fedex.com. FedEx will not be responsible for any claim in excess of $100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation, unless you declare a higher value, pay an additional charge, document your actual loss and file a timely claim. Limitations found in the current FedEx Service Guide apply. Your right to recover from FedEx for any loss, including intrinsic value of the package, loss of sales, income interest, profit, attorney's fees, costs, and other forms of damage whether direct, incidental, consequential, or special is limited to the greater of $100 or the authorized declared value. Recovery cannot exceed actual documented loss. Maximum for items of extraordinary value is $1,000, e.g. jewelry, precious metals, negotiable instruments and other items listed in our ServiceGuide. Written claims must be filed within strict time limits, see current FedEx Service Guide.

Mona Lagan

From: TrackingUpdates@fedex.com
Sent: Tuesday, July 9, 2019 9:44 AM
To: Mona Lagan
Subject: FedEx Shipment 775655856380 Delivered

******* EXTERNAL EMAIL - Please use caution and DO NOT open attachments or click links from unknown or unexpected emails. *******

Your package has been delivered

Tracking # 775655856380

Ship date:
Mon, 7/8/2019

Willis Price
BTA Oil Producers
Midland, TX 79701
US

Delivered

Delivery date:
Tue, 7/9/2019 9:40 am

Peter R. Van Liew
Occidental Oil & Gas Corporation
5 Greenway Plaza, Suite 110
HOUSTON, TX 77046
US

Shipment Facts

Our records indicate that the following package has been delivered.

Tracking number:	775655856380
Status:	Delivered: 07/09/2019 09:40 AM Signed for By: M.HALL
Purchase order number:	Ochoa Fed
Reference:	1013-3770-7
Signed for by:	M.HALL
Delivery location:	HOUSTON, TX
Delivered to:	Mailroom
Service type:	FedEx Priority Overnight®
Packaging type:	FedEx® Pak
Number of pieces:	1
Weight:	1.00 lb.

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

July 8, 2019

In re: BTA – Ochoa 8703 Fed #2H
Lots 1, 2, NE/4 and E/2NW/4 of Section 7, and NW/4 of Section 8-T23S-R29E-
Eddy County, New Mexico, containing 474.11 acres, more or less

Oxy Y-1 Company
5 Greenway Plaza, Suite 110
Houston, TX 77046
Attention: Mr. Peter R. Van Liew

Dear Peter:

BTA Oil Producers, LLC ("BTA") proposes to drill the Ochoa 8703 Fed #2H well ("the Ochoa #2H"). Records indicate that Oxy Y-1 Company ("Oxy") owns an 26.80248% working interest in the above described lands under that certain Operating Agreement dated January 1, 1987, naming BTA as Operator, as amended and ratified. Enclosed for your review are two (2) original AFE(s) to drill and complete the Ochoa #2H, a proposed 18,532' MD, and approximate 10,693' TVD horizontal Lower Wolfcamp Shale well with a SHL of approximately 1,650' FNL and 375' FEL of Section 12-T23S-R28E, and a BHL of approximately 990' FNL and 2,600' FWL of Section 8-T23S-R29E. The first take point is approximately 990' FNL and 100' FWL of Section 7, and the last take point is approximately 990' FNL and 2,540' FWL of Section 8. The 474.11 acre spacing unit for the Ochoa #2H covers Lots 1, 2, NE/4 and E/2NW/4 of Section 7, and the NW/4 of Section 8, Township 23 South, Range 29 East, Eddy County, New Mexico as to the Wolfcamp formation. Please note that the Ochoa #2H is a horizontal well and there will not be a casing point election. The election to participate in drilling the Ochoa #2H is also an election to participate in the completion of the Ochoa #2H.

Should Oxy elect to participate in the drilling of the Ochoa #2H, please so indicate in the space provided below and return one (1) executed copy of this letter to the undersigned along with one (1) executed copy of the AFE. BTA will schedule the drilling of the Ochoa #2H upon the receipt of a permit to drill.

Should you have any questions or wish to discuss, please call me at (432) 682-3753.

Respectfully,

Willis D. Price III
Land Manager

_____ Oxy hereby elects to participate in the drilling and completion of the proposed Ochoa 8703 Fed #2H well.

_____ Oxy hereby elects NOT to participate in the drilling and completion of the proposed Ochoa 8703 Fed #2H well.

Working Interest Owner:

Oxy Y-1 Company

By:_____

Title:_____

Date:_____

Enclosures

BTA OIL PRODUCERS, LLC

WELL COST ESTIMATE & AUTHORITY FOR EXPENDITURE

Well Name: *Ochoa 8703 Fed #2H (WLDC)*

Total Depth: *~10693' TVD*
18,532' MD

Location: *1.5 mile*
SHL: 1650' FNL 375 FEL Sec 12 23S 28E
BHL: 990' FNL 2600' FWL Sec 8 23S 29E
Eddy County, NM

Formation: *Lwr Wolfcamp*

Date Prepared: *6/27/19*

		Prepared By:			
		NE	NE	TW	
		DRY	CASED HOLE	COMPLETION	TOTAL COSTS
INTANGIBLE COSTS					
FORMATION EVALUATION		$	$	$	$
LOGS		5,000		20,000	25,000
LOCATION & ACCESS					0
SURVEY & STAKE		5,000			5,000
DAMAGES		10,000			10,000
ROAD & LOCATION		50,000		12,000	62,000
OTHER LOCATION		120,000			120,000
DRILLING RIG					0
MOBILIZATION		60,000			60,000
DAYWORK		409,500	78,000		487,500
DRILLING SUPPLIES					0
BITS		68,000			68,000
BHA		35,000		65,000	100,000
FUEL		126,000	24,000		150,000
MUD RELATED					0
MUD PURCHASE		85,000	5,000		90,000
MUD RENTAL					0
FRESH WATER		25,000	5,000	500,000	530,000
BRINE		20,000			20,000
SOLIDS CONTROL	(Centrifuge)	26,565	9,000		35,565
MUD MONITOR		22,000	1,000		23,000
MUD RELATED OTHER		28,000			28,000
DRILLING SERVICES					0
BOP RELATED		15,000	4,000		19,000
CASING RELATED		25,000	35,000		60,000
WELDING		8,000	2,000		10,000
TRUCKING		22,500	10,000	54,000	86,500
RENTAL EQUIP		45,000	10,000	330,000	385,000
OTHER SERVICES	(Direction/GR Services)	205,000			205,000
CEMENT					0
CASING CEMENTING		110,000	85,000		195,000
OTHER CEMENTING				120,000	120,000
CONTRACT SERVICES					0
ENGINEERING		8,000			8,000
GEOLOGICAL		20,000			20,000
ROUSTABOUT		8,000		5,000	13,000
WELLSITE SUPERVISION		43,470	14,400	50,000	107,870
OTHER CONTRACT SERV.		5,000			5,000
COMPLETION SERVICES					0
PULLING UNIT				40,000	40,000
PERFORATE				216,000	216,000
STIMULATION				2,400,000	2,400,000
OTHER COMPL. SERV.				200,000	200,000
OVERHEAD					0
DRLG & ADMIN		10,000		4,600	14,600
TOTAL INTANGIBLE COSTS		$ 1,620,035	$ 282,400	$ 4,016,600	$ 5,919,035
TANGIBLE COSTS					
TUBULARS					
SURFACE CASING	(13 3/8" @ 480')	19,500			19,500
INTERMEDIATE CSG	(9 5/8" @ 2,550')	76,000			76,000
PRODUCTION CSG	7" @10558	285,000			285,000
PROD LINER & HNGR	4-1/2" @ TD		150,000		150,000
WELL EQUIPMENT					0
WELL HEAD		22,000	10,000	60,000	92,000
FLOWLINE				10,000	10,000
TUBING				60,000	60,000
SUBSURFACE EQUIP				25,000	25,000
OTHER WELL EQUIP			90,000	3,000	93,000
LEASE EQUIPMENT					0
ELECTRICAL SYSTEM				5,000	5,000
OTHER LEASE EQUIP				450,000	450,000
SUBTOTAL - TANGIBLES		402,500	250,000	613,000	1,265,500
SYSTEMS					
GAS LINE TANGIBLES				0	0
GAS LINE INTANGIBLES				0	0
COMPRESSOR				-	0
GAS PLANT TANGIBLES				-	0
GAS PLANT INTANGIBLES				-	0
DEHYDRATOR				-	0
SUBTOTAL - SYSTEMS		0	0	0	0
TOTAL TANGIBLE COSTS		402,500	250,000	613,000	$ 1,265,500
GENERAL CONTINGENCIES		121,352	31,944	277,776	
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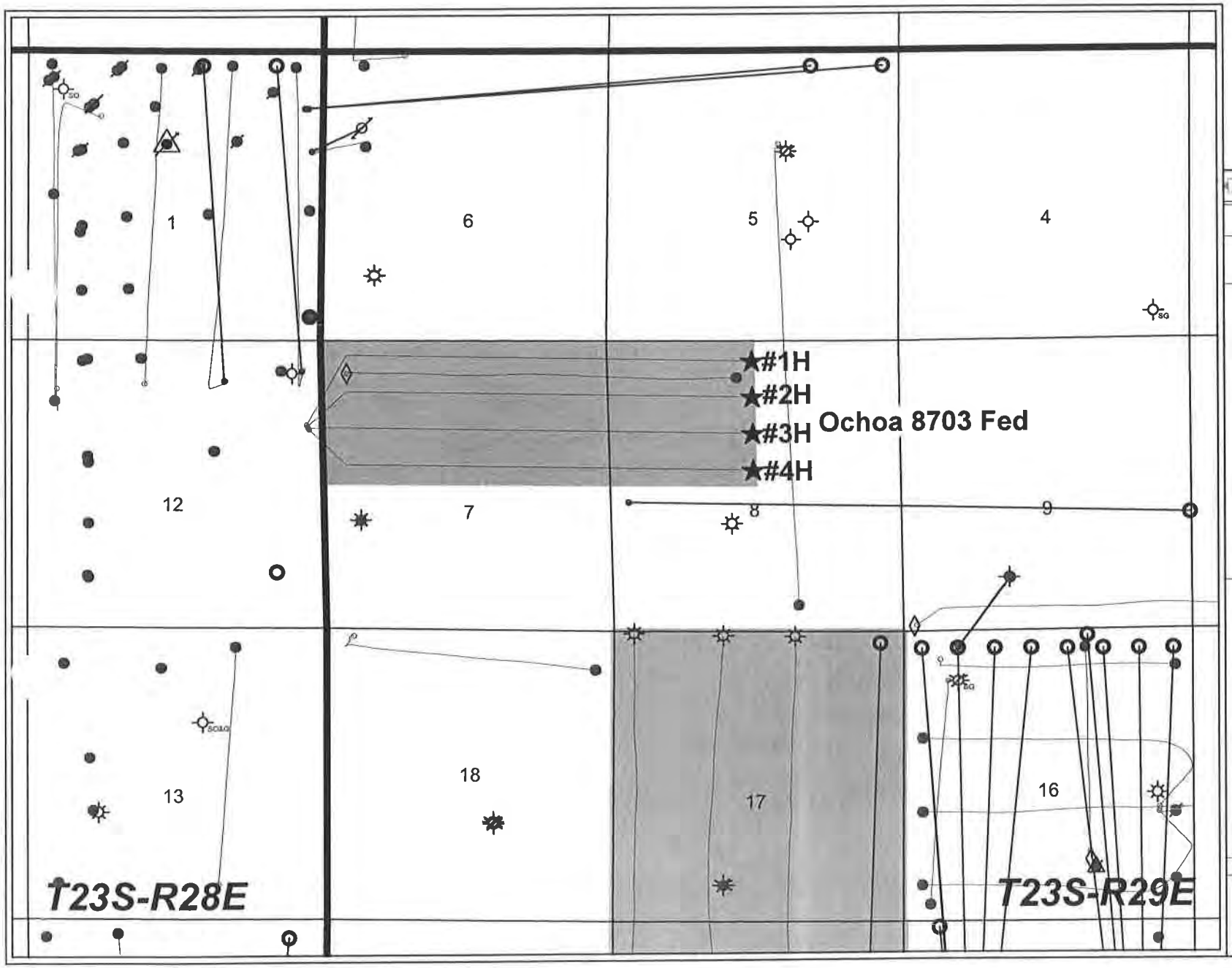
CUMULATIVE WELL COSTS		$ 2,143,887	$ 2,708,231	$ 7,615,607	

APPROVED BY: _____
COMPANY: _____
DATE: _____



BTA Oil Producers, LLC

Ochoa 8703 Fed - ATS Map

SHL:Sec.12,T23S-R28E/BHL:Sec.8,T23S-29E

Eddy Co., New Mexico

WELL SYMBOLS

- Location Only
- Proposed Location
- Oil Well
- Gas Well
- Dry Hole
- Injection Well
- Plugged & Abandoned Oil Well
- Plugged & Abandoned Gas Well
- Service Well
- Junked
- Dry Hole With Gas Show
- Dry Hole With Oil Show
- Dry Hole With Oil & Gas Show
- Pilot Hole
- Plugged Service Well

REMARKS

**** IN-HOUSE USE ONLY ****

BTA Acreage Highlighted in LL Blue

Ochoa 8703 Fed #1H (WLDC)
SHL:1620'FNL&375'FEL(Sec.12)
BHL:330'FNL&2600'FWL(Sec.8)
FTP:330'FNL&100'FWL(Sec.7)
LTP:330'FNL&2540'FWL(Sec.8)

Ochoa 8703 Fed #2H (WLDC)
SHL:1650'FNL&375'FEL(Sec.12)
BHL:990'FNL&2600'FWL(Sec.8)
FTP:990'FNL&100'FWL(Sec.7)
LTP:990'FNL&2540'FWL(Sec.8)

Ochoa 8703 Fed #3H (WLEF)
SHL:1680'FNL&375'FEL(Sec.12)
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FTP:1650'FNL&100'FWL(Sec.7)
LTP:1650'FNL&2540'FWL(Sec.8)

Ochoa 8703 Fed #4H (WLEF)
SHL:1710'FNL&375'FEL(Sec.12)
BHL:2310'FNL&2600'FWL(Sec.8)
FTP:2310'FNL&100'FWL(Sec.7)
LTP:2310'FNL&2540'FWL(Sec.8)

By: JHB

0 2,456
FEET

PETRA 7/8/2019 2:06:57 PM

ORIGIN ID:MAFA (432) 682-3753
WILLIS PRICE
BTA OIL PRODUCERS
104 SOUTH PECOS

MIDLAND, TX 79701
UNITED STATES US

SHIP DATE: 08JUL19
ACTWGT: 2.00 LB
CAD: 111366055/INET4100

BILL SENDER

TO **PETER R. VAN LIEW**
OCCIDENTAL OIL & GAS CORPORATION
5 GREENWAY PLAZA, SUITE 110

HOUSTON TX 77046
(713) 985-6972 REF 1013-3770-7
INV
PO OCHOA FED DEPT

565JZ/A6F9/23AD

FedEx Express

TUE - 09 JUL 10:30A
PRIORITY OVERNIGHT

TRK# 0201 **7756 5585 6380**

DSR
77046
IAH

AB HOUA TX-US

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775655856380

Delivered
Tuesday 7/09/2019 at 9:40 am

DELIVERED

Signed for by: M.HALL

GET STATUS UPDATES

OBTAIN PROOF OF DELIVERY

FROM

MIDLAND, TX US

TO

HOUSTON, TX US

Shipment Facts

TRACKING NUMBER
775655856380

SERVICE
FedEx Priority Overnight

SIGNATURE SERVICES
Direct signature required

SHIPPER REFERENCE
1013-3770-7

SPECIAL HANDLING SECTION
Deliver Weekday, Direct Signature Required

SHIP DATE

Mon 7/08/2019

ACTUAL DELIVERY
Tue 7/09/2019 9:40 am

Travel History

Local Scan Time

Tuesday , 7/09/2019

9:40 am	HOUSTON, TX	Delivered

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

July 8, 2019

In re: BTA – Ochoa 8703 Fed #3H
Lots 1, 2, NE/4 and E/2NW/4 of Section 7, and NW/4 of Section 8-T23S-R29E-
Eddy County, New Mexico, containing 474.11 acres, more or less

Oxy Y-1 Company
5 Greenway Plaza, Suite 110
Houston, TX 77046
Attention: Mr. Peter R. Van Liew

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Respectfully,

Willis D. Price III
Land Manager

_____ Oxy hereby elects to participate in the drilling and completion of the proposed Ochoa 8703 Fed #3H well.

_____ Oxy hereby elects NOT to participate in the drilling and completion of the proposed Ochoa 8703 Fed #3H well.

Working Interest Owner:

Oxy Y-1 Company

By:_____

Title:_____

Date:_____

Enclosures

BTA OIL PRODUCERS, LLC

WELL COST ESTIMATE & AUTHORITY FOR EXPENDITURE

Well Name: *Ochoa 8703 Fed #3H (WLEF)*

Total Depth: *~10541' TVD*
18,347' MD

Location: *1.5 mile*
SHL: 1680' FNL 375 FEL Sec 12 23S 28E
BHL: 1650' FNL 2600' FWL Sec 8 23S 29E
Eddy County, NM

Formation: *Lwr Wolfcamp*

Date Prepared: *6/27/19*

		Prepared By:			
		NE	NE	TW	
		DRY	CASED HOLE	COMPLETION	TOTAL COSTS
INTANGIBLE COSTS					
FORMATION EVALUATION		$	$	$	$
LOGS		5,000		20,000	25,000
LOCATION & ACCESS					0
SURVEY & STAKE		5,000			5,000
DAMAGES		10,000			10,000
ROAD & LOCATION		50,000		12,000	62,000
OTHER LOCATION		120,000			120,000
DRILLING RIG					0
MOBILIZATION		60,000			60,000
DAYWORK		409,500	78,000		487,500
DRILLING SUPPLIES					0
BITS		68,000			68,000
BHA		35,000		65,000	100,000
FUEL		126,000	24,000		150,000
MUD RELATED					0
MUD PURCHASE		85,000	5,000		90,000
FRESH WATER		25,000	5,000	500,000	530,000
BRINE		20,000			20,000
SOLIDS CONTROL	(Centrifuge)	26,565	9,000		35,565
MUD MONITOR		22,000	1,000		23,000
MUD RELATED OTHER		28,000			28,000
DRILLING SERVICES					0
BOP RELATED		15,000	4,000		19,000
CASING RELATED		25,000	35,000		60,000
WELDING		8,000	2,000		10,000
TRUCKING		22,500	10,000	54,000	86,500
RENTAL EQUIP		45,000	10,000	330,000	385,000
OTHER SERVICES	(Direction/GR Services)	205,000			205,000
CEMENT					0
CASING CEMENTING		110,000	85,000		195,000
OTHER CEMENTING				120,000	120,000
CONTRACT SERVICES					0
ENGINEERING		8,000			8,000
GEOLOGICAL		20,000			20,000
ROUSTABOUT		8,000		5,000	13,000
WELLSITE SUPERVISION		43,470	14,400	50,000	107,870
OTHER CONTRACT SERV.		5,000			5,000
COMPLETION SERVICES					0
PULLING UNIT				40,000	40,000
PERFORATE				216,000	216,000
STIMULATION				2,400,000	2,400,000
OTHER COMPL. SERV.				200,000	200,000
OVERHEAD					0
DRLG & ADMIN.		10,000		4,600	14,600
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TANGIBLE COSTS					
TUBULARS					
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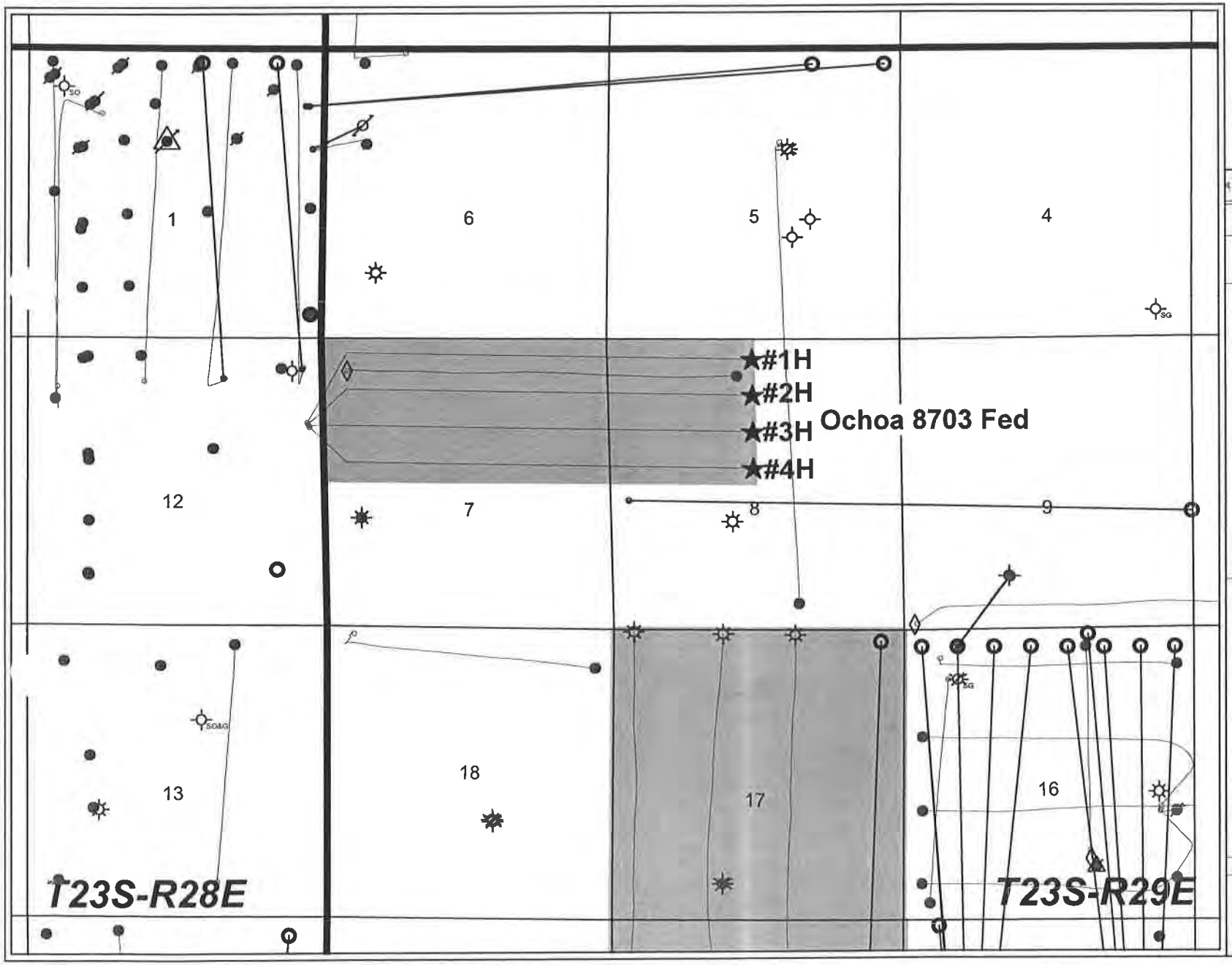
INTERMEDIATE CSG	(9 5/8" @ 2,550')	76,000			76,000
PRODUCTION CSG	7" @10558	285,000			285,000
PROD LINER & HNGR	4-1/2" @ TD		150,000		150,000
WELL EQUIPMENT					0
WELL HEAD		22,000	10,000	60,000	92,000
FLOWLINE				10,000	10,000
TUBING				60,000	60,000
SUBSURFACE EQUIP				25,000	25,000
OTHER WELL EQUIP			90,000	3,000	93,000
LEASE EQUIPMENT					0
ELECTRICAL SYSTEM				5,000	5,000
OTHER LEASE EQUIP				450,000	450,000
SUBTOTAL - TANGIBLES		402,500	250,000	613,000	1,265,500
SYSTEMS					
GAS LINE TANGIBLES				0	0
GAS LINE INTANGIBLES				0	0
COMPRESSOR				-	0
GAS PLANT TANGIBLES				-	0
GAS PLANT INTANGIBLES				-	0
DEHYDRATOR				-	0
SUBTOTAL - SYSTEMS		0	0	0	0
TOTAL TANGIBLE COSTS		402,500	250,000	613,000	$ 1,265,500
GENERAL CONTINGENCIES		121,352	31,944	277,776	
TOTALS BY PHASE		$ 2,143,887	$ 564,344	$ 4,907,376	$ 7,184,535
CUMULATIVE WELL COSTS		$ 2,143,887	$ 2,708,231	$ 7,615,607	

APPROVED BY: _____
COMPANY: _____
DATE: _____



BTA Oil Producers, LLC

Ochoa 8703 Fed - ATS Map

SHL:Sec.12,T23S-R28E/BHL:Sec.8,T23S-29E

Eddy Co., New Mexico

WELL SYMBOLS

- Location Only
- Proposed Location
- Oil Well
- Gas Well
- Dry Hole
- Injection Well
- Plugged & Abandoned Oil Well
- Plugged & Abandoned Gas Well
- Service Well
- Junked
- Dry Hole With Gas Show
- Dry Hole With Oil Show
- Dry Hole With Oil & Gas Show
- Pilot Hole
- Plugged Service Well

REMARKS

**** IN-HOUSE USE ONLY ****

BTA Acreage Highlighted in Lt. Blue

Ochoa 8703 Fed #1H (WLDC)
SHL: 1620'FNL&375'FEL(Sec.12)
BHL:330'FNL&2600'FWL(Sec.8)
FTP:330'FNL&100'FWL(Sec.7)
LTP:330'FNL&2540'FWL(Sec.8)

Ochoa 8703 Fed #2H (WLDC)
SHL:1650'FNL&375'FEL(Sec.12)
BHL:990'FNL&2600'FWL(Sec.8)
FTP:990'FNL&100'FWL(Sec.7)
LTP:990'FNL&2540'FWL(Sec.8)

Ochoa 8703 Fed #3H (WLEF)
SHL:1680'FNL&375'FEL(Sec.12)
BHL:1650'FNL&2600'FWL(Sec.8)
FTP:1650'FNL&100'FWL(Sec.7)
LTP:1650'FNL&2540'FWL(Sec.8)

Ochoa 8703 Fed #4H (WLEF)
SHL:1710'FNL&375'FEL(Sec.12)
BHL:2310'FNL&2600'FWL(Sec.8)
FTP:2310'FNL&100'FWL(Sec.7)
LTP:2310'FNL&2540'FWL(Sec.8)

By: JHB

0 2,456
FEET

PETRA 7/8/2019 2:06:57 PM

ORIGIN ID:MAFA (432) 682-3753
WILLIS PRICE
BTA OIL PRODUCERS
104 SOUTH PECOS

MIDLAND, TX 79701
UNITED STATES US

SHIP DATE: 08JUL19
ACTWGT: 2.00 LB
CAD: 111366055/INET4100

BILL SENDER

TO **PETER R. VAN LIEW**
OCCIDENTAL OIL & GAS CORPORATION
5 GREENWAY PLAZA, SUITE 110

HOUSTON TX 77046

(713) 985-6972 REF 1013-3770-7
INV
PO: OCHOA FED DEPT

565J2/A6F9/23AD

FedEx Express

J151818010701ur

TUE - 09 JUL 10:30A
PRIORITY OVERNIGHT

TRK# 0201 **7756 5585 6380**

DSR
77046
IAH

AB HOUA TX-US

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Use of this system constitutes your agreement to the service conditions in the current FedEx Service Guide, available on fedex.com. FedEx will not be responsible for any claim in excess of $100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation, unless you declare a higher value, pay an additional charge, document your actual loss and file a timely claim. Limitations found in the current FedEx Service Guide apply. Your right to recover from FedEx for any loss, including intrinsic value of the package, loss of sales, income interest, profit, attorney's fees, costs, and other forms of damage whether direct, incidental, consequential, or special is limited to the greater of $100 or the authorized declared value. Recovery cannot exceed actual documented loss. Maximum for items of extraordinary value is $1,000, e.g. jewelry, precious metals, negotiable instruments and other items listed in our ServiceGuide. Written claims must be filed within strict time limits, see current FedEx Service Guide.

775655856380

Delivered
Tuesday 7/09/2019 at 9:40 am

DELIVERED

Signed for by: M.HALL

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FROM
MIDLAND, TX US

TO
HOUSTON, TX US

Shipment Facts

TRACKING NUMBER
775655856380

SERVICE
FedEx Priority Overnight

SIGNATURE SERVICES
Direct signature required

SHIPPER REFERENCE
1013-3770-7

SPECIAL HANDLING SECTION
Deliver Weekday, Direct Signature Required

SHIP DATE
Mon 7/08/2019

ACTUAL DELIVERY
Tue 7/09/2019 9:40 am

Travel History

Local Scan Time

Tuesday , 7/09/2019

9:40 am	HOUSTON, TX	Delivered

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

BTA OIL PRODUCERS, LLC
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

July 8, 2019

In re: BTA – Ochoa 8703 Fed #4H
Lots 1, 2, NE/4 and E/2NW/4 of Section 7, and NW/4 of Section 8-T23S-R29E-
Eddy County, New Mexico, containing 474.11 acres, more or less

Oxy Y-1 Company
5 Greenway Plaza, Suite 110
Houston, TX 77046
Attention: Mr. Peter R. Van Liew

Dear Peter:

BTA Oil Producers, LLC ("BTA") proposes to drill the Ochoa 8703 Fed #4H well ("the Ochoa #4H"). Records indicate that Oxy Y-1 Company ("Oxy") owns an 26.80248% working interest in the above described lands under that certain Operating Agreement dated January 1, 1987, naming BTA as Operator, as amended and ratified. Enclosed for your review are two (2) original AFE(s) to drill and complete the Ochoa #4H, a proposed 18,566' MD, and approximate 10,731' TVD horizontal Lower Wolfcamp Shale well with a SHL of approximately 1,710' FNL and 375' FEL of Section 12-T23S-R28E, and a BHL of approximately 2,310' FNL and 2,600' FWL of Section 8-T23S-R29E. The first take point is approximately 2,310' FNL and 100' FWL of Section 7, and the last take point is approximately 2,310' FNL and 2,540' FWL of Section 8. The 474.11 acre spacing unit for the Ochoa #4H covers Lots 1, 2, NE/4 and E/2NW/4 of Section 7, and the NW/4 of Section 8, Township 23 South, Range 29 East, Eddy County, New Mexico as to the Wolfcamp formation. Please note that the Ochoa #4H is a horizontal well and there will not be a casing point election. The election to participate in drilling the Ochoa #4H is also an election to participate in the completion of the Ochoa #4H.

Should Oxy elect to participate in the drilling of the Ochoa #4H, please so indicate in the space provided below and return one (1) executed copy of this letter to the undersigned along with one (1) executed copy of the AFE. BTA will schedule the drilling of the Ochoa #4H upon the receipt of a permit to drill.

Should you have any questions or wish to discuss, please call me at (432) 682-3753.

Respectfully,

Willis D. Price III
Land Manager

_____ Oxy hereby elects to participate in the drilling and completion of the proposed Ochoa 8703 Fed #4H well.

_____ Oxy hereby elects NOT to participate in the drilling and completion of the proposed Ochoa 8703 Fed #4H well.

Working Interest Owner:

Oxy Y-1 Company

By:_____

Title:_____

Date:_____

Enclosures

BTA OIL PRODUCERS, LLC

WELL COST ESTIMATE & AUTHORITY FOR EXPENDITURE

Well Name: *Ochoa 8703 Fed #4H (WLEF)*

Total Depth: *~10731' TVD*
18,566' MD

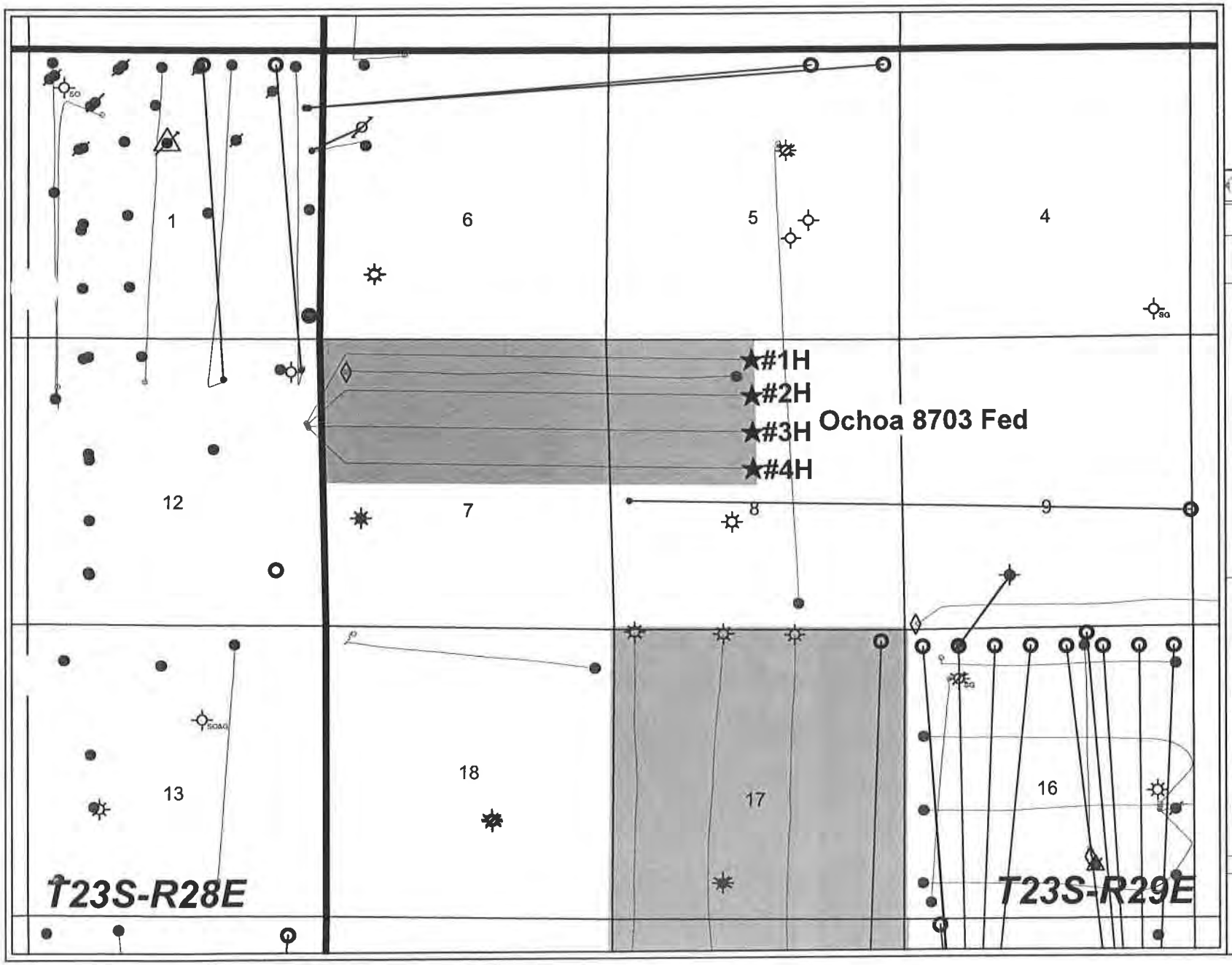
Location: *1.5 mile*
SHL: 1710' FNL 375 FEL Sec 12 23S 28E
BHL: 2310' FNL 2600' FWL Sec 8 23S 29E
Eddy County, NM

Formation: *Lwr Wolfcamp*

Date Prepared: *6/27/19*

		Prepared By: NE DRY	NE CASED HOLE	TW COMPLETION	TOTAL COSTS
INTANGIBLE COSTS					
FORMATION EVALUATION		$	$	$	$
LOGS		5,000		20,000	25,000
LOCATION & ACCESS					0
SURVEY & STAKE		5,000			5,000
DAMAGES		10,000			10,000
ROAD & LOCATION		50,000		12,000	62,000
OTHER LOCATION		120,000			120,000
DRILLING RIG					0
MOBILIZATION		60,000			60,000
DAYWORK		409,500	78,000		487,500
DRILLING SUPPLIES					0
BITS		68,000			68,000
BHA		35,000		65,000	100,000
FUEL		126,000	24,000		150,000
MUD RELATED					0
MUD PURCHASE		85,000	5,000		90,000
FRESH WATER		25,000	5,000	500,000	530,000
BRINE		20,000			20,000
SOLIDS CONTROL	(Centrifuge)	26,565	9,000		35,565
MUD MONITOR		22,000	1,000		23,000
MUD RELATED OTHER		28,000			28,000
DRILLING SERVICES					0
BOP RELATED		15,000	4,000		19,000
CASING RELATED		25,000	35,000		60,000
WELDING		8,000	2,000		10,000
TRUCKING		22,500	10,000	54,000	86,500
RENTAL EQUIP		45,000	10,000	330,000	385,000
OTHER SERVICES	(Direction/GR Services)	205,000			205,000
CEMENT					0
CASING CEMENTING		110,000	85,000		195,000
OTHER CEMENTING				120,000	120,000
CONTRACT SERVICES					0
ENGINEERING		8,000			8,000
GEOLOGICAL		20,000			20,000
ROUSTABOUT		8,000		5,000	13,000
WELLSITE SUPERVISION		43,470	14,400	50,000	107,870
OTHER CONTRACT SERV.		5,000			5,000
COMPLETION SERVICES					0
PULLING UNIT				40,000	40,000
PERFORATE				216,000	216,000
STIMULATION				2,400,000	2,400,000
OTHER COMPL. SERV.				200,000	200,000
OVERHEAD					0
DRLG & ADMIN.		10,000		4,600	14,600
TOTAL INTANGIBLE COSTS		$ 1,620,035	$ 282,400	$ 4,016,600	$ 5,919,035
TANGIBLE COSTS					
TUBULARS					
SURFACE CASING	(13 3/8" @ 480')	19,500			19,500
INTERMEDIATE CSG	(9 5/8" @ 2,550')	76,000			76,000
PRODUCTION CSG	7" @10558	285,000			285,000
PROD LINER & HNGR	4-1/2" @ TD		150,000		150,000
WELL EQUIPMENT					0
WELL HEAD		22,000	10,000	60,000	92,000
FLOWLINE				10,000	10,000
TUBING				60,000	60,000
SUBSURFACE EQUIP				25,000	25,000
OTHER WELL EQUIP			90,000	3,000	93,000
LEASE EQUIPMENT					0
ELECTRICAL SYSTEM				5,000	5,000
OTHER LEASE EQUIP				450,000	450,000
SUBTOTAL - TANGIBLES		402,500	250,000	613,000	1,265,500
SYSTEMS					
GAS LINE TANGIBLES				0	0
GAS LINE INTANGIBLES				0	0
COMPRESSOR				-	0
GAS PLANT TANGIBLES				-	0
GAS PLANT INTANGIBLES				-	0
DEHYDRATOR				-	0
SUBTOTAL - SYSTEMS		0	0	0	0
TOTAL TANGIBLE COSTS		402,500	250,000	613,000	$ 1,265,500
GENERAL CONTINGENCIES		121,352	31,944	277,776	
TOTALS BY PHASE		$ 2,143,887	$ 564,344	$ 4,907,376	$ 7,184,535
CUMULATIVE WELL COSTS		$ 2,143,887	$ 2,708,231	$ 7,615,607	

APPROVED BY: _____
COMPANY: _____
DATE: _____



BTA Oil Producers, LLC

Ochoa 8703 Fed - ATS Map

SHL:Sec.12,T23S-R28E/BHL:Sec.8,T23S-29E

Eddy Co., New Mexico

WELL SYMBOLS

- Location Only
- Proposed Location
- Oil Well
- Gas Well
- Dry Hole
- Injection Well
- Plugged & Abandoned Oil Well
- Plugged & Abandoned Gas Well
- Service Well
- Junked
- Dry Hole With Gas Show
- Dry Hole With Oil Show
- Dry Hole With Oil & Gas Show
- Pilot Hole
- Plugged Service Well

REMARKS

**** IN-HOUSE USE ONLY ****

BTA Acreage Highlighted in Lt. Blue

Ochoa 8703 Fed #1H (WLDC)
SHL:1620'FNL&375'FEL(Sec.12)
BHL:330'FNL&2600'FWL(Sec.8)
FTP:330'FNL&100'FWL(Sec.7)
LTP:330'FNL&2540'FWL(Sec.8)

Ochoa 8703 Fed #2H (WLDC)
SHL:1650'FNL&375'FEL(Sec.12)
BHL:990'FNL&2600'FWL(Sec.8)
FTP:990'FNL&100'FWL(Sec.7)
LTP:990'FNL&2540'FWL(Sec.8)

Ochoa 8703 Fed #3H (WLEF)
SHL:1680'FNL&375'FEL(Sec.12)
BHL:1650'FNL&2600'FWL(Sec.8)
FTP:1650'FNL&100'FWL(Sec.7)
LTP:1650'FNL&2540'FWL(Sec.8)

Ochoa 8703 Fed #4H (WLEF)
SHL:1710'FNL&375'FEL(Sec.12)
BHL:2310'FNL&2600'FWL(Sec.8)
FTP:2310'FNL&100'FWL(Sec.7)
LTP:2310'FNL&2540'FWL(Sec.8)

By: JHB

0 2,456
FEET

PETRA 7/8/2019 2:06:57 PM

ORIGIN ID:MAFA (432) 682-3753
WILLIS PRICE
BTA OIL PRODUCERS
104 SOUTH PECOS

MIDLAND, TX 79701
UNITED STATES US

SHIP DATE: 08JUL19
ACTWGT: 2.00 LB
CAD: 111366055/INET4100

BILL SENDER

TO **PETER R. VAN LIEW**
OCCIDENTAL OIL & GAS CORPORATION
5 GREENWAY PLAZA, SUITE 110

HOUSTON TX 77046
(713) 985-6972 REF: 1013-3770-7
INV
PO OCHOA FED DEPT

565J2/AGF9/23AD

FedEx Express

TUE - 09 JUL 10:30A
PRIORITY OVERNIGHT

TRK# 0201 **7756 5585 6380**

DSR
77046
IAH

AB HOUA

TX-US

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775655856380

Delivered
Tuesday 7/09/2019 at 9:40 am

DELIVERED

Signed for by: M.HALL

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FROM

MIDLAND, TX US

TO

HOUSTON, TX US

Shipment Facts

TRACKING NUMBER
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SERVICE
FedEx Priority Overnight

SIGNATURE SERVICES
Direct signature required

SHIPPER REFERENCE
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SPECIAL HANDLING SECTION
Deliver Weekday, Direct Signature Required

SHIP DATE

Mon 7/08/2019

ACTUAL DELIVERY
Tue 7/09/2019 9:40 am

Travel History

Local Scan Time

Tuesday , 7/09/2019

9:40 am	HOUSTON, TX	Delivered

EXHIBIT: 8

BTA OIL PRODUCERS, LLC

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 303-534-4861

July 25, 2019

In re: BTA – Ochoa 8703 Fed #1H, #2H, #3H, and #4H
Lots 1, 2, NE/4 and E/2NW/4 of Section 7, and NW/4 of Section 8-T23S-R29E-
Eddy County, New Mexico, containing 474.11 acres, more or less

Oxy Y-1 Company
5 Greenway Plaza, Suite 110
Houston, TX 77046
Attention: Mr. Jeremy Murphrey

Dear Jeremy:

BTA Oil Producers, LLC ("BTA") sent well proposals dated July 8, 2019, to Oxy Y-1 Company ("Oxy") covering the BTA – Ochoa 8703 Fed #1H, #2H, #3H, and #4H. The wells were proposed under that certain Operating Agreement dated January 1, 1987, naming BTA as Operator, as amended and ratified. BTA agrees to amend the election period on each of the well proposals referenced above so that Oxy's election is due thirty (30) days from notice from BTA of receipt of an approved application for permit to drill ("APD") for each well.

Please signify your approval of the amendment of the election period as set out above by signing in the space provided below. Should you have any questions or wish to discuss, please call me at (432) 682-3753.

Respectfully,

Willis D. Price III
Land Manager

AGREED TO AND ACCEPTED:

Oxy Y-1 Company

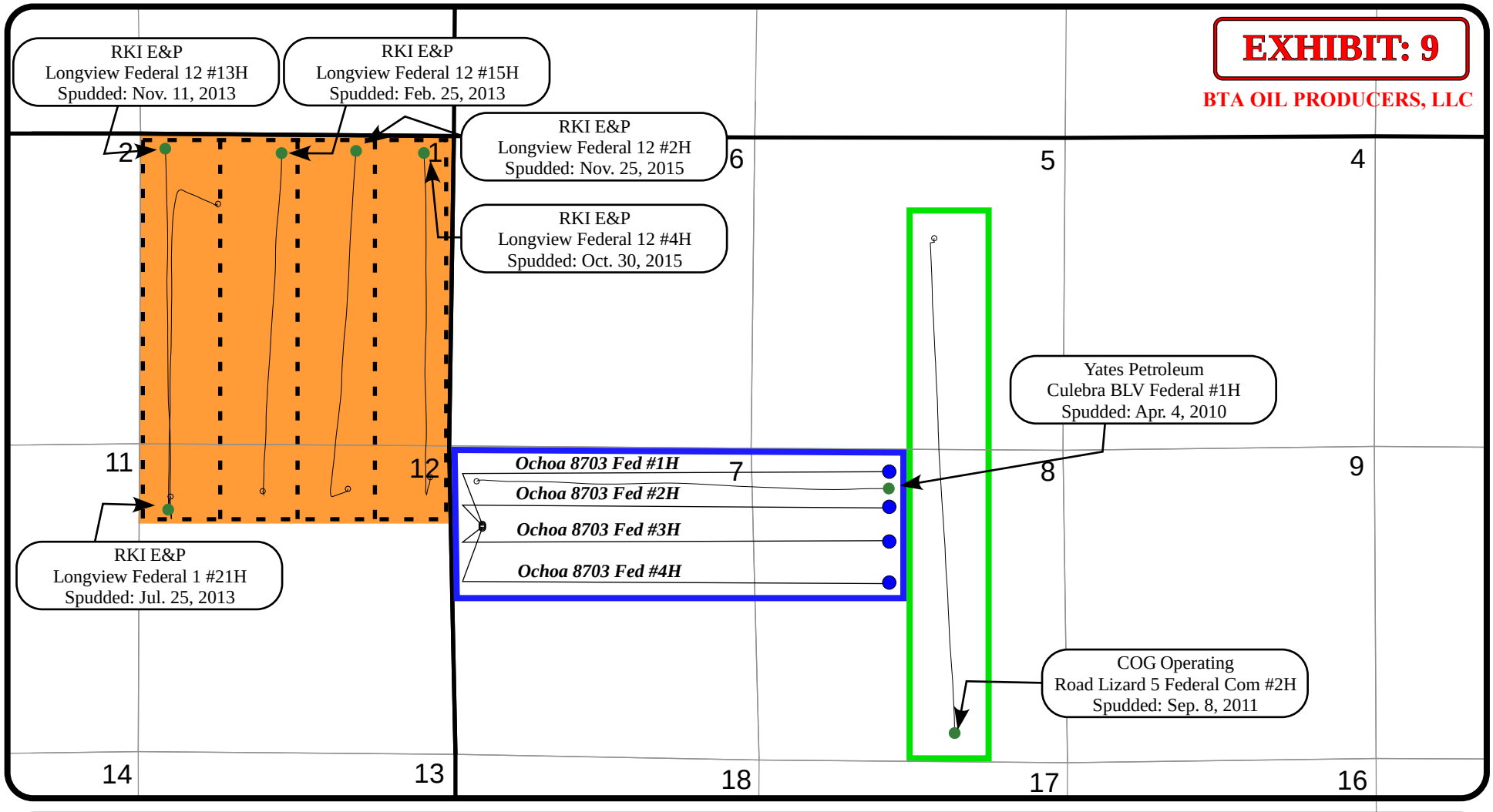
By: _____

Title: Land Negotiator Advisor

Date: 7/26/2019

EXHIBIT: 9

BTA OIL PRODUCERS, LLC



LEGEND:

Longview Bone Spring Units

BTA - Ochoa Acreage - JOA

Road Lizard 2nd Bone Spring Unit

WELL SYMBOL

SL ——— BHL

OIL WELL

BTA PROPOSED LOCATION

N

0 2500

FEET

BTA Oil Producers, LLC

LOVING AREA

Bone Spring Spacing Units Outline

T23S-R28E & T23S-R29E

Eddy County, New Mexico

By: WDP August, 2020 Dwg:JHB

EXHIBIT: 10

BTA OIL PRODUCERS, LLC

Novo has only drilled 3 wells in New Mexico
No multi-well pad development

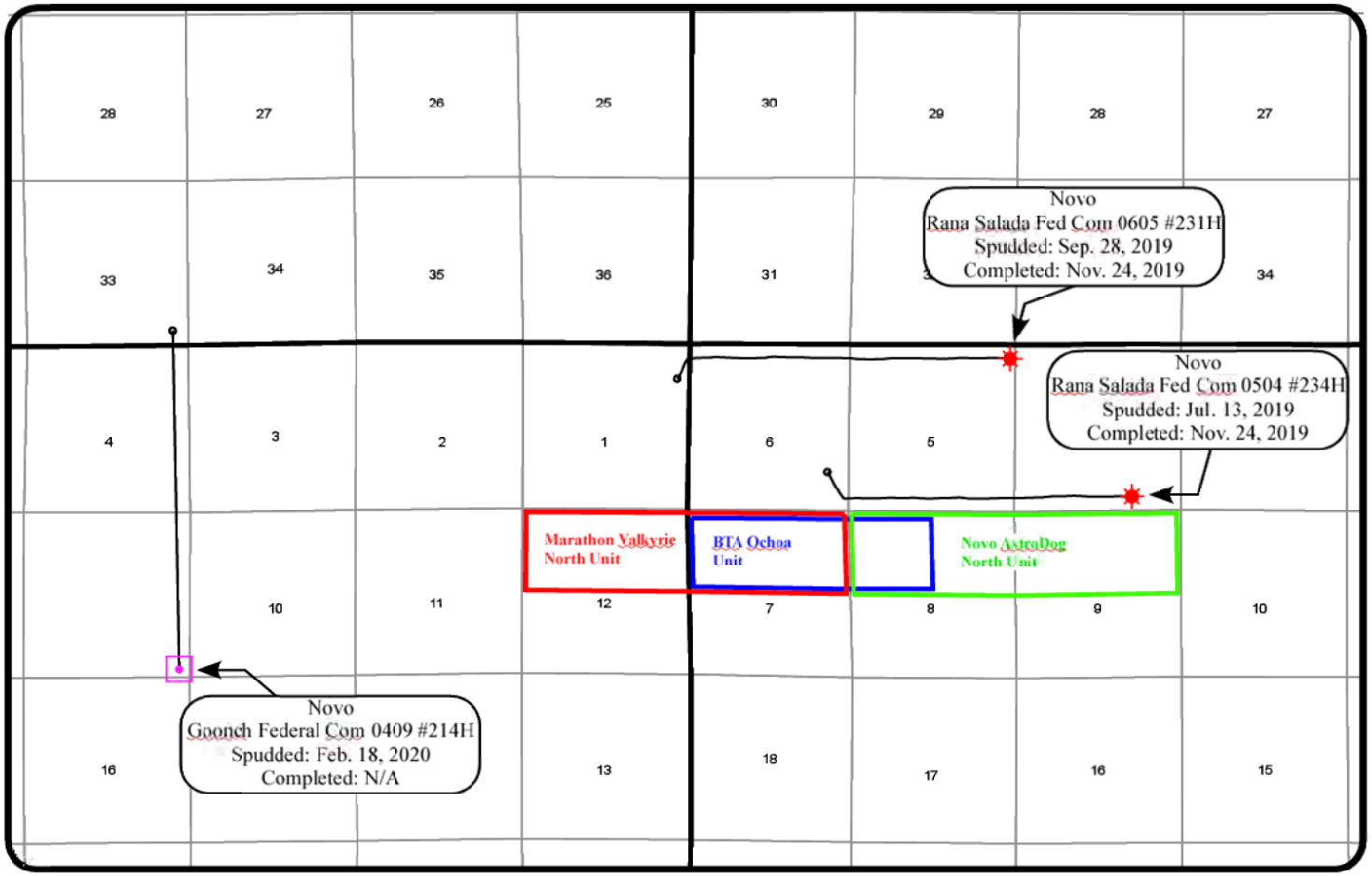
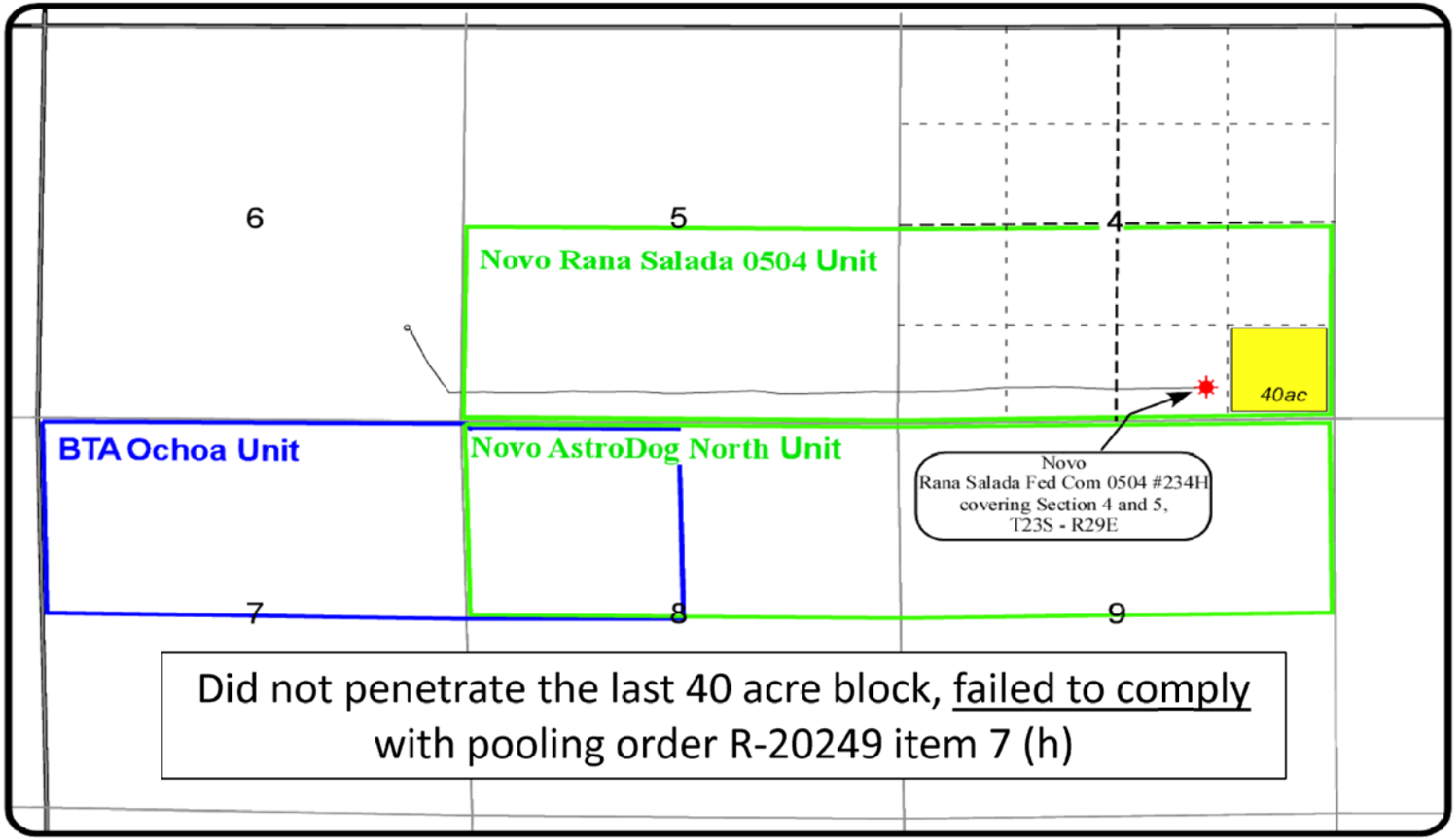


EXHIBIT: 11

BTA OIL PRODUCERS, LLC

Novo Rana Salada 0504 #234H failed to reach planned TD



Did not penetrate the last 40 acre block, <u>failed to comply</u> with pooling order R-20249 item 7 (h)

EXHIBIT: 12

BTA OIL PRODUCERS, LLC

Novo failed to complete Rana Salada 0504 #234 in each 40 acre quarter-quarter

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

JAN 1 0 2020
EMNRD-OCD ARTESIA

Form C-102
Revised August 1, 2011
Submit one copy to appropriate District Office
☒ AMENDED REPORT as drilled

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-015-46088	98220	PURPLE SAGE; WOLFCAMP (GAS)

Property Code	Property Name	Well Number
325748	RANA SALADA FED COM 0504	234H

OGRID No.	Operator Name	Elevation
372920	NOVO OIL AND GAS NORTHERN DELAWARE, LLC	3039.1

Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	6	23 S	29 E		1241	SOUTH	669	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	4	23 S	29 E		382	SOUTH	1550	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
640.00		C	

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

OPERATOR CERTIFICATION

1-2-20

BRIAN WOOD

brian@permitswest.com

505 466-8120

SURVEYOR CERTIFICATION

APRIL 1, 2019

- Novo stopped short of reaching the planned TD
- Called TD at 19,892'. Planned TD was 20985'.
- 1093' undrilled lateral, **40 acres of the unit left stranded**

(h) Applicant requested 180 days commencement of drilling and completion of the Proposed Well, versus the Division standard of 120 days between drilling and completion. Further, the Applicant requested 240 days for wells dedicated to gas pools. Applicant is proposing to drill the wells back to back and complete simultaneously. However, after discussion Applicant agreed that there should be a one-year limit after commencing drilling and completion with the requirement that the Applicant provide to the Engineering Bureau and District Office a Sundry Notice that each of the quarter-quarter sections have been penetrated and capable of producing oil and gas.

EXHIBIT: 13

BTA OIL PRODUCERS, LLC

Novo did not comply with pooling order R-20249 to drill 2 wells simultaneously in the Wolfcamp

(g) At the request of the BLM, Applicant has renamed the Proposed Wells: Rana Salada Fed Com 6 4 WB Well No. 1H to the Rana Salada Fed Com 0504 Well No. 234H. The Rana Salada Fed Com 6 4 WXY Well No. 1H was renamed to the Rana Salada Fed Com 0504 Well No. 214H.

(h) Applicant requested 180 days commencement of drilling and completion of the Proposed Well, versus the Division standard of 120 days between drilling and completion. Further, the Applicant requested 240 days for wells dedicated to gas pools. Applicant is proposing to drill the wells back to back and complete simultaneously. However, after discussion Applicant agreed that there should be a one-year limit after commencing drilling and completion with the requirement that the Applicant provide to the Engineering Bureau and District Office a Sundry Notice that each of the quarter-quarter sections have been penetrated and capable of producing oil and gas.

Well #234H was spud July 13th 2019

Novo has <u>not</u> commenced drilling of well #214H

EXHIBIT: 14

BTA OIL PRODUCRS, LLC

Kurt Shipley testifying in case 16286 that Novo will sequentially drill 4 wells on Rana Salada

1 Kurt Shipley.

2 KURT SHIPLEY,

3 after having been previously sworn under oath, was

4 questioned and testified as follows:

5 DIRECT EXAMINATION

6 BY MS. CALLAHAN:

7 Q. Mr. Shipley, please state your name for the

8 record.

9 A. Kurt Shipley.

10 Q. And by whom are you employed?

11 A. Novo Oil & Gas.

12 Q. In what capacity?

13 A. I'm the vice president of operations.

21 Q. Have you prepared a preliminary drilling and

22 completion schedule for the seven wells?

23 A. Yes.

24 Q. Your plan is to drill these wells sequentially

25 and batch complete them, correct?

1 A. Yes.

2 Q. So can you explain how you plan to group the

3 sequential drilling and completion in terms of all of

4 the applications? You plan to sequentially drill four

5 wells identified in Cases 16282 --

EXHIBIT: 15

BTA OIL PRODUCERS, LLC

Kurt Shipley testifying in case 16286 that Novo will sequentially drill 4 wells (*cont.*)

Q. And our applications have requested an extension of the 120-day requirement from spud date to completion; is that right?

A. Yes.

Q. So you plan to drill these wells sequentially and batch complete them; is that right?

A. Yes. We --

Q. So the first four wells that you'd like to sequentially drill and batch complete are the wells in Case Numbers 16282, 16283 and 16286. That's the two Bone Spring and the two Wolfcamp wells; is that right?

A. Yes. The plan is a four-well pad, then we would drill the four wells and then follow up with four-well completion.

EXAMINER McMILLAN: 220 days is awful hard to figure out, I mean, looking at a calendar. Is there any way you can make it 180 both? Either that or go up to --

MS. CALLAHAN: 220.

THE WITNESS: I'd prefer to make both 220. There is a lot of work that goes into sequentially drilling four wells back to back to back and then subsequently trying to procure the frac fleet to -- you have to then complete all four wells sequentially behind that. So from the spud of the first well to completion of the last well, that's the timing that we had.

EXHIBIT: 16

BTA OIL PRODUCERS, LLC

Novo informing EMNRD they have no intention of drilling the Bone Spring wells on Rana Salada that were pooled under order R-20567 granted May 2019 (Kurt Shipley testified to batch drilling with Wolfcamp)

From: Cory Walk
To: McClure, Dean, EMNRD
Subject: [EXT] Re: Surface commingle for the Rana Salada Fed Com 0504 Pad E
Date: Monday, May 4, 2020 2:15:52 PM
Attachments: AAC_Signed.pdf
NMNM 141829 w Approval Letter.pdf

Hi Dean,

Novo just received the approved CA for these wells (see attached). Similar to what we did about a month ago on the Rana Salada Fed Com 0605 Pad A, Novo doesn't plan on drilling any of the BS wells on this pad anytime soon. So, can you remove the BS wells and wells that are not approved yet? That means the only wells that should be tied to this OLM are the Rana Salada Fed Com 0504 234H & 214H. I've also attached a filled out and attached an AAC form. Please let me know if you have any questions or need any additional information.

Thank you,

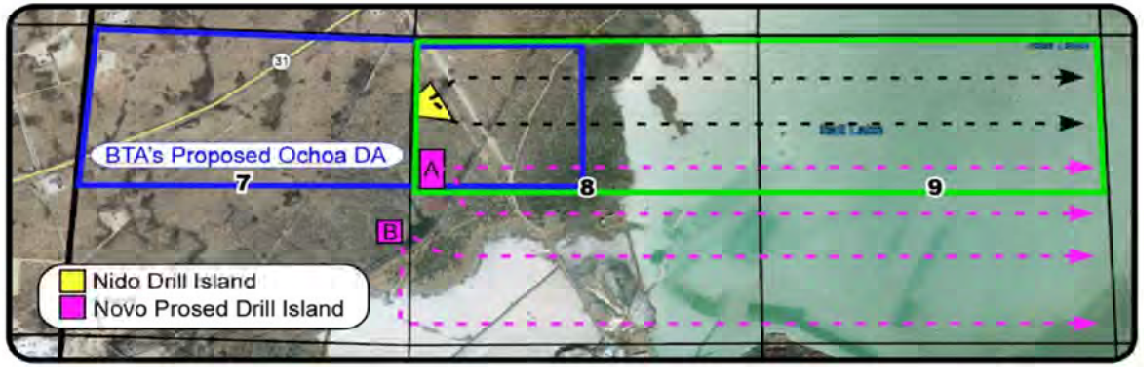
EXHIBIT: 17

BTA OIL PRODUCERS, LLC

Novo argues BTA Ochoa development would cause "extreme economic harm" while preparing to drill in similar situation on S/2 of sections 8 & 9

Brandon Patrick's, Land Manager Novo, testimony in case 20916 regarding N/2 of 8 & 9

11 develop our land. We couldn't put our pads in the S/2 NW/4
12 as we learned from our discussions with Mosaic. And the
13 only alternative, only alternative is to have existing pads
14 here and drill half a mile of dead hole and also incur for
15 both BTA and Novo, all the collision risk, the economic harm
16 created by doing that.
17 And whenever I say the collision risk, and our
18 engineers can go more into that if we want to, we are
19 talking about safety, we are talking about extreme economic
20 harm. If something bad happens where you drill into a
21 producing well or something like that you could be looking
22 at tens of millions of dollars of damage to the wells alone.
23 Then you have safety concerns where you harm
24 somebody, that's even more, you have bodily harm, plus, you
25 know, lawsuits on your hand that you would be taking on, it



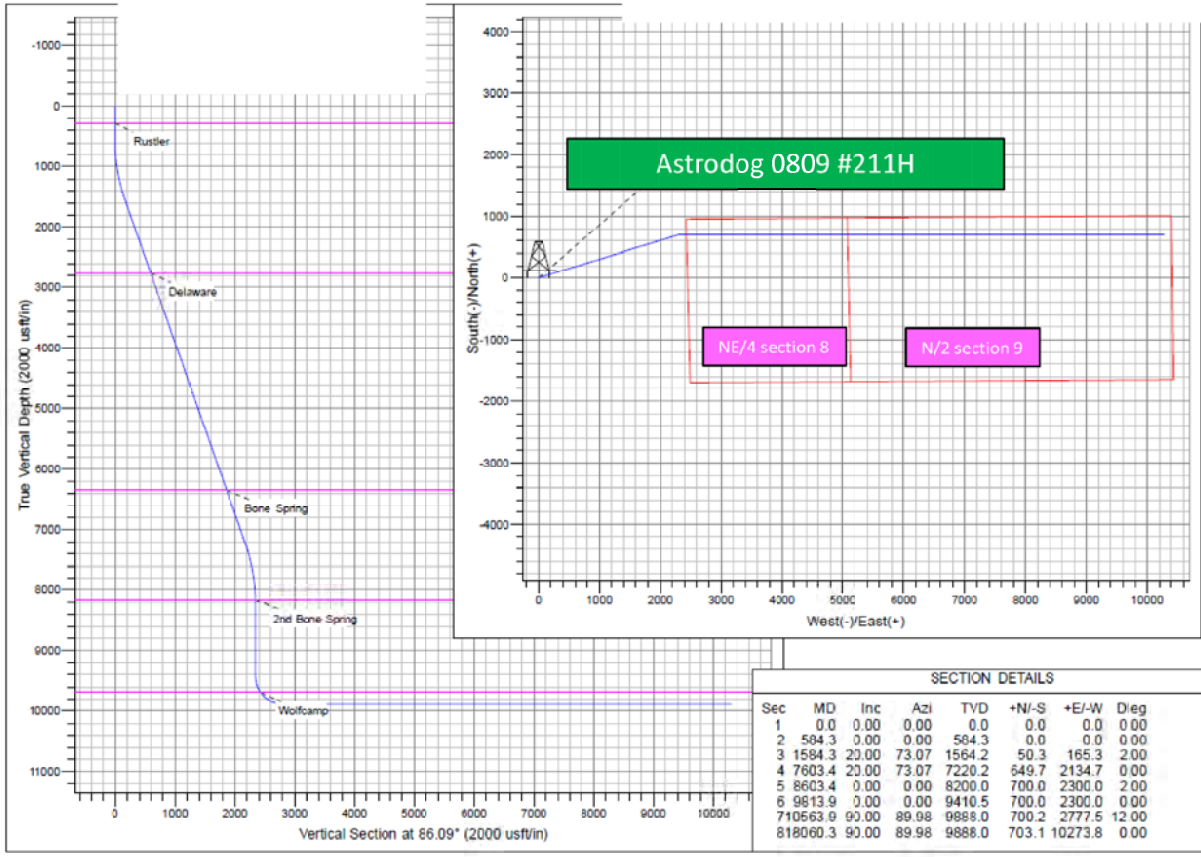
Brandon Patrick's testimony in case 20916 (same case). Utilizing drill island "B" to access S/2 of sections 8 & 9 that is ½ mile off unit.

17 EXAMINER COSS: I see. And then you are unable
18 to put any other pads further south in the S/2 of 7?
19 THE WITNESS: That is as close as we could get
20 south, and we would have preferred to put it farther south.
21 We tried, but the BLM said they didn't want us to go farther
22 south. It's going to be a heck of a kickout, but it's not
23 outside the realm of possibility, and it's definitely
24 something we can do from a technical standpoint, but, yeah,
25 we can't go farther south.

EXHIBIT: 18

BTA OIL PRODUCEERS, LLC

Simple well design to access Novo 480 acre Astrodog North unit from approved Nido Salado drill island



SECTION DETAILS

Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	Dleg
1	0.0	0.00	0.00	0.0	0.0	0.0	0.00
2	584.3	0.00	0.00	584.3	0.0	0.0	0.00
3	1584.3	20.00	73.07	1564.2	50.3	165.3	2.00
4	7603.4	20.00	73.07	7220.2	649.7	2134.7	0.00
5	8603.4	0.00	0.00	8200.0	700.0	2300.0	2.00
6	9813.9	0.00	0.00	9410.5	700.0	2300.0	0.00
7	10563.9	90.00	89.98	9888.0	700.2	2777.5	12.00
8	18060.3	90.00	89.98	9888.0	703.1	10273.8	0.00

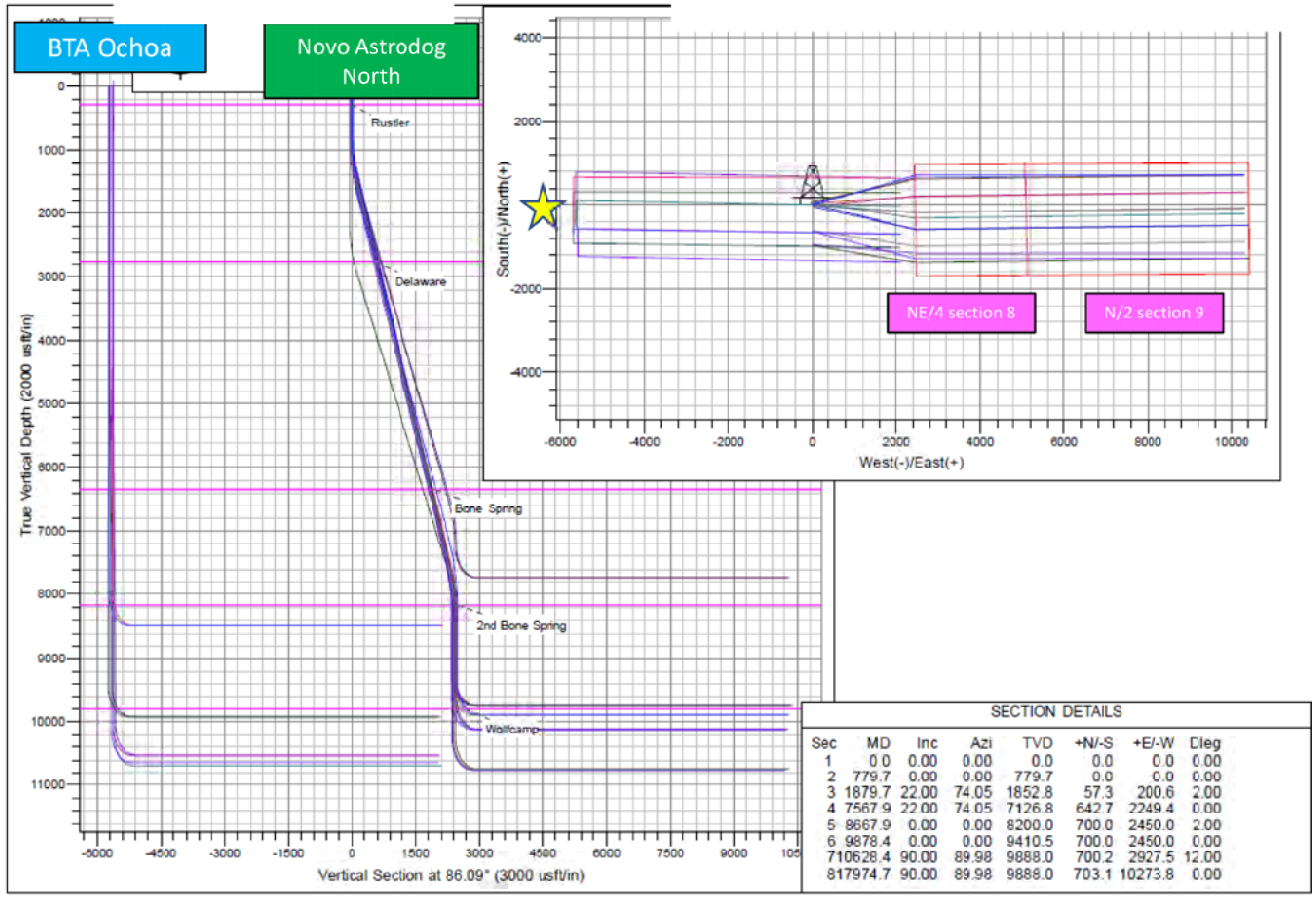
- Simple tangent design to drill from the approved Nido Salado drill island
- Plan places the wellbores beyond the setback area of BTA Ochoa lease prior to entering the 2nd Bone Spring
- **This alleviates all potential collision issues**

- 403' of additional tangent portion drilled, <u>not</u> ½ mile as Novo testified.
- Plan uses a 20 degree tangent, much less than the 48 degree tangent proposed on Novo Astrodog Fee 0809 #244H

EXHIBIT: 19

BTA OIL PRODUCERS, LLC

Full field co-development of BTA Ochoa wells and Novo Astrodog North wells



SECTION DETAILS

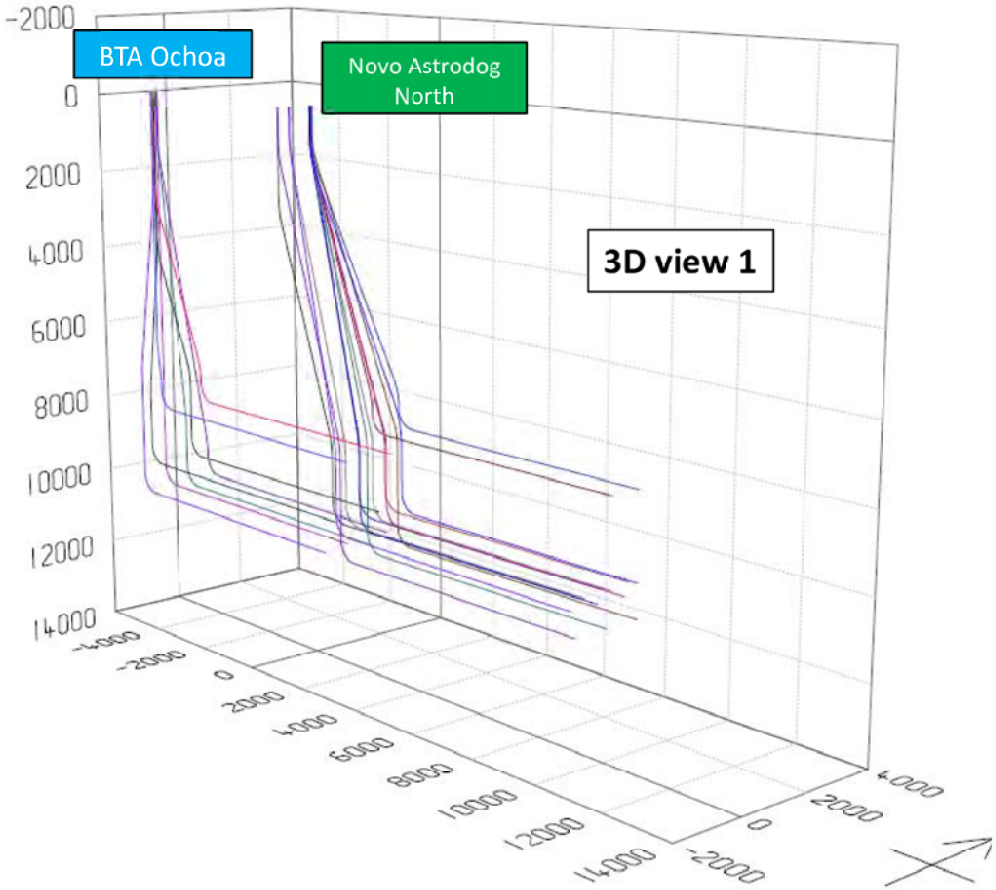
Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	Dleg
1	0.0	0.00	0.00	0.0	0.0	0.0	0.00
2	779.7	0.00	0.00	779.7	0.0	0.0	0.00
3	1879.7	22.00	74.05	1852.8	57.3	200.6	2.00
4	7567.9	22.00	74.05	7126.8	642.7	2249.4	0.00
5	8667.9	0.00	0.00	8200.0	700.0	2450.0	2.00
6	9878.4	0.00	0.00	9410.5	700.0	2450.0	0.00
7	10628.4	90.00	89.98	9888.0	700.2	2927.5	12.00
8	17974.7	90.00	89.98	9888.0	703.1	10273.8	0.00

EXHIBIT: 20

BTA OIL PRODUCERS, LLC

Full field co-development 3D View

No Collision Risk



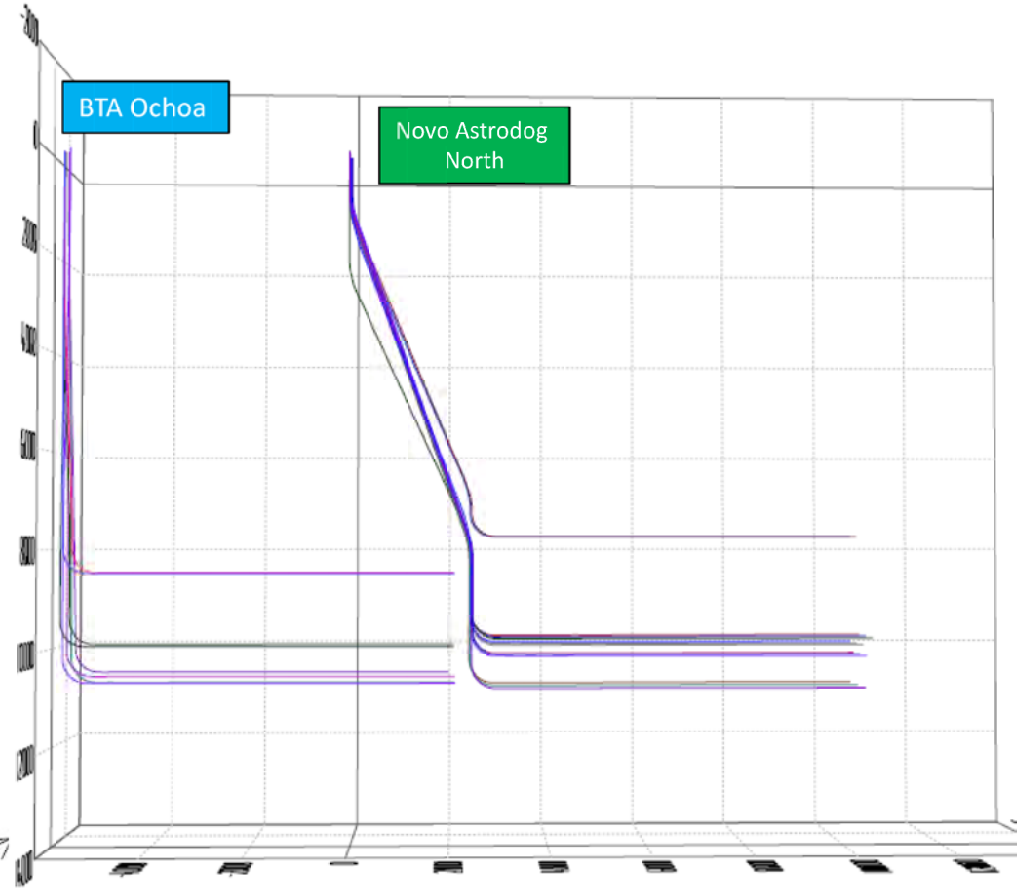
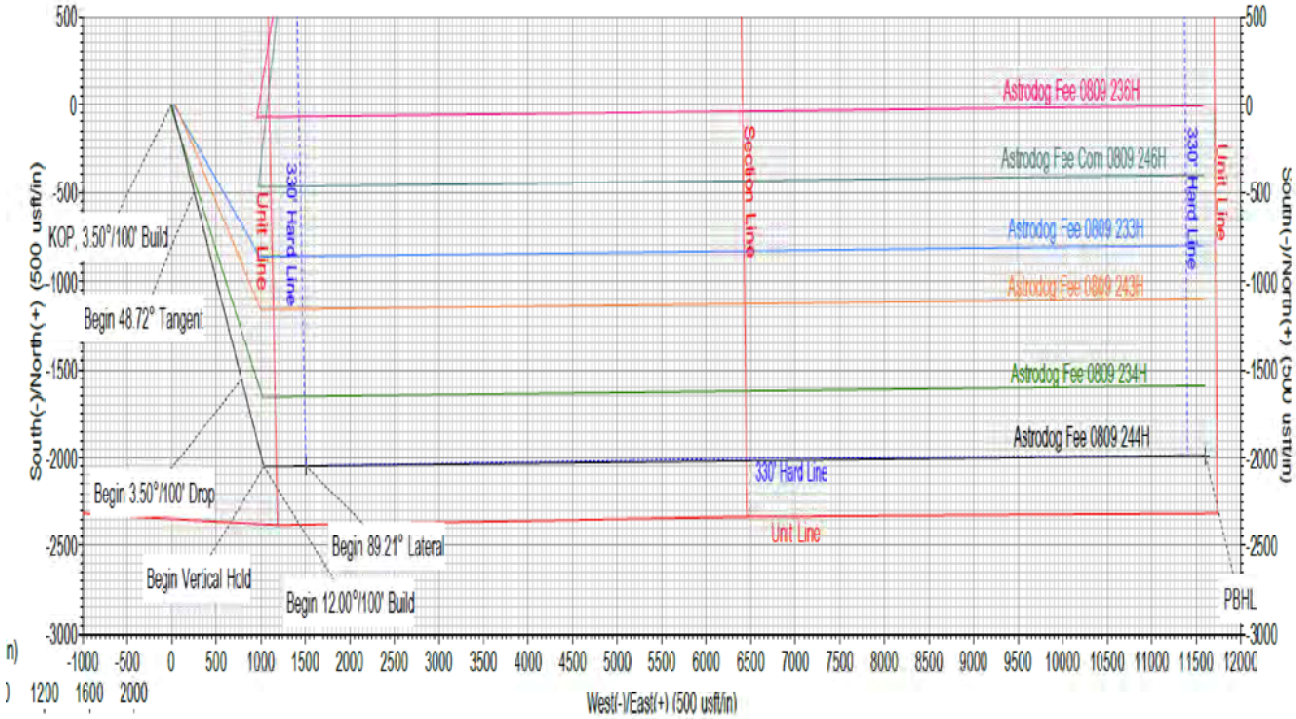


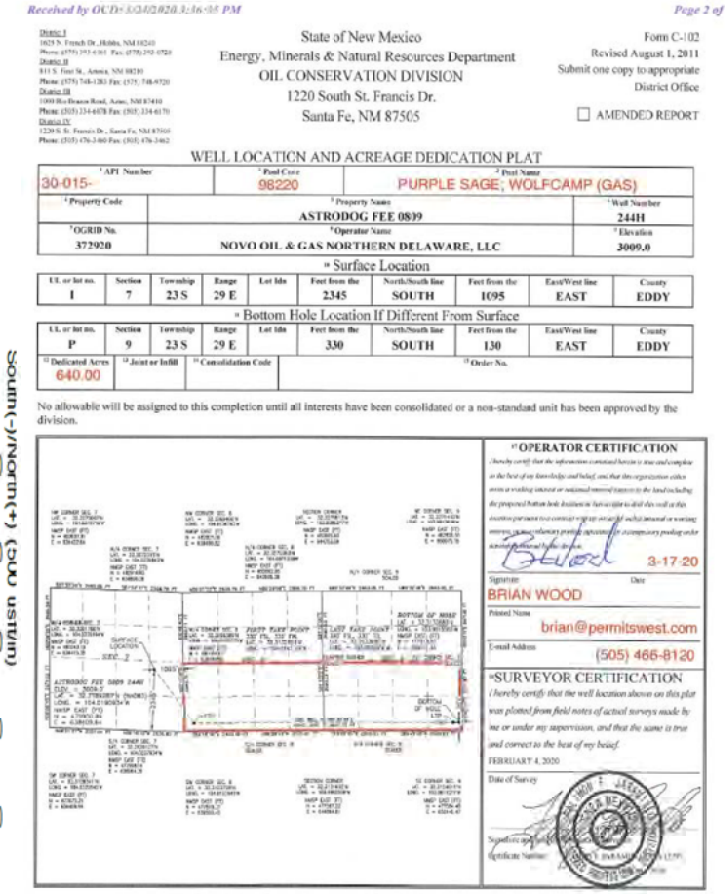
EXHIBIT: 21

BTA OIL PRODUCERS, LLC

BTA solution is simpler, less aggressive than Novo's plan to access the S/2 of sections 8 & 9

- Novo Astrodog Fee 0809 #244H.
- Surface location is 2048' North and 1506' West of the first take location.
- Novo is already planning wells that are 1/2 mile off the producing unit





Received by OCD: 3/31/2020 3:16:48 PM

Page 2 of

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

[1] API Number	[2] Pool Code	[3] Pool Name
30-015-	98220	PURPLE SAGE; WOLFCAMP (GAS)

[4] Property Code	[5] Property Name	[6] Well Number
	ASTRODOG FEE 0809	244H
[7] OGRID No.	[8] Operator Name	[9] Elevation
372920	NOVO OIL & GAS NORTHERN DELAWARE, LLC	3009.0

[10] Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	7	23 S	29 E		2345	SOUTH	1095	EAST	EDDY

[11] Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	9	23 S	29 E		330	SOUTH	130	EAST	EDDY

[12] Dedicated Acres	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
640.00			

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

[17] OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

3-17-20

Signature: Date

BRIAN WOOD

Printed Name

brian@permitswest.com

E-mail Address

(505) 466-8120

[18] SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

FEBRUARY 4, 2020

Date of Survey

Signature and Seal of Professional Surveyor

Certificate Number

EXHIBIT: 22

BTA OIL PRODUCERS, LLC

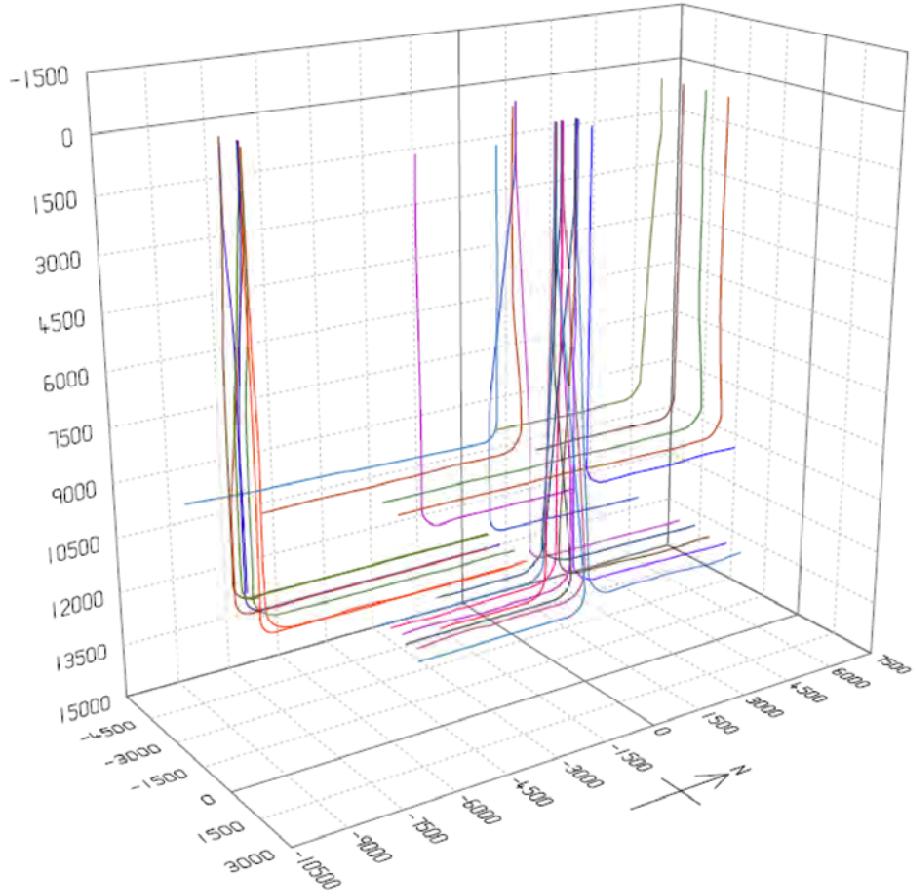
BTA drill site approved by BLM May 16th, 2019.

- BTA Ochoa drill site
- Placed outside the Potash Boundary
- Moves surface locations 1.2 miles away from salt mining operations (Mosaic and United Salt very happy)
- Near BTA's horizontal well Culebra BLV Fed #1H
- Oil sales, gas sales and water disposal readily available

EXHIBIT: 23

BTA OIL PRODUCERS, LLC

BTA is an experienced multi-well pad operator in New Mexico



BTA Rojo lease

(Sec 22, 27 & 34; T25S; R33E)

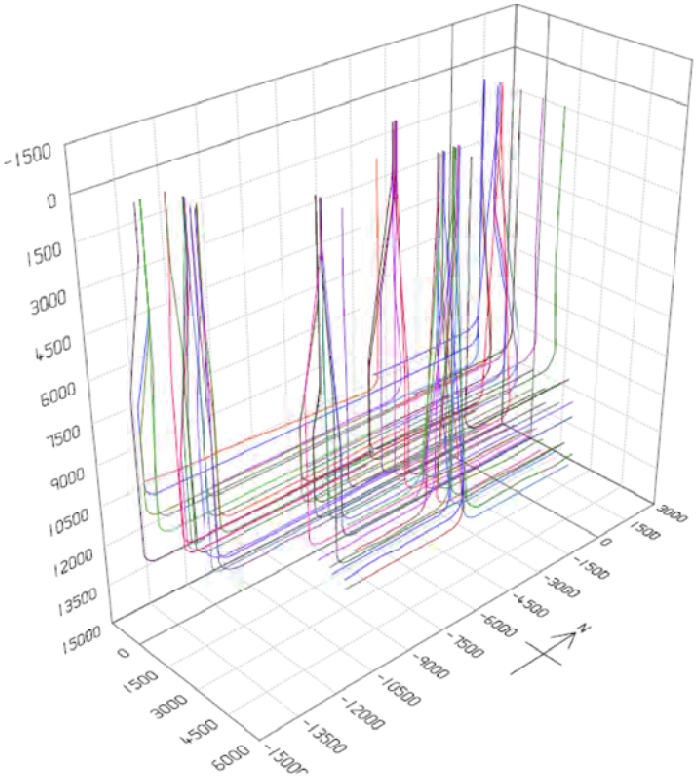
BTA DRILLED ROJO WELLS

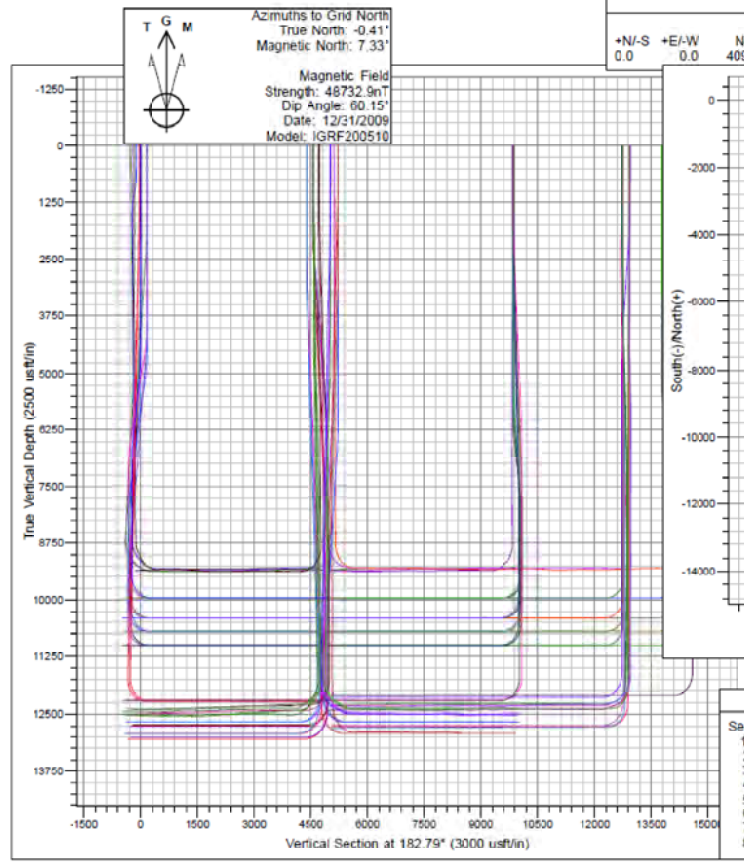
- 34 wells in 5 horizons from 12 pads
- Currently employing 8-well pads

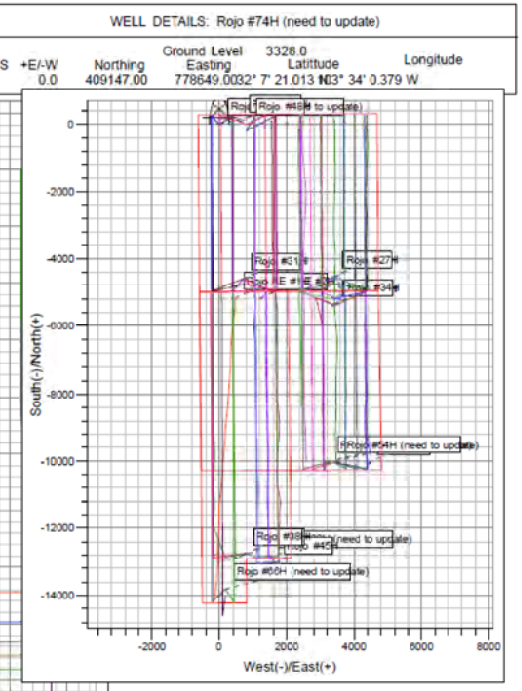
EXHIBIT: 24

BTA OIL PRODUCERS, LLC

BTA full field development of Rojo lease
Lea County, New Mexico







SECTION DETAILS

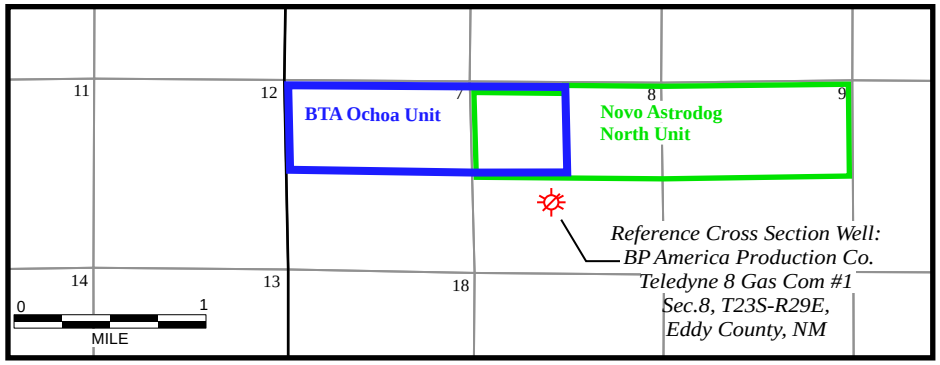
Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	DLeg
1	0.0	0.00	0.00	0.0	0.0	0.0	0.00
2	4529.4	0.00	0.00	4529.4	0.0	0.0	0.00
3	5029.4	10.00	316.05	5026.9	31.3	-30.2	2.00
4	6527.8	10.00	316.05	6502.5	218.7	-210.8	0.00
5	7027.8	0.00	0.00	7000.0	250.0	-241.0	2.00
6	9500.4	0.00	0.00	9472.5	250.0	-241.0	0.00
7	10250.4	90.00	180.00	9950.0	-227.5	-241.0	12.00
8	14963.0	90.00	180.00	9950.0	-4940.1	-241.0	0.00

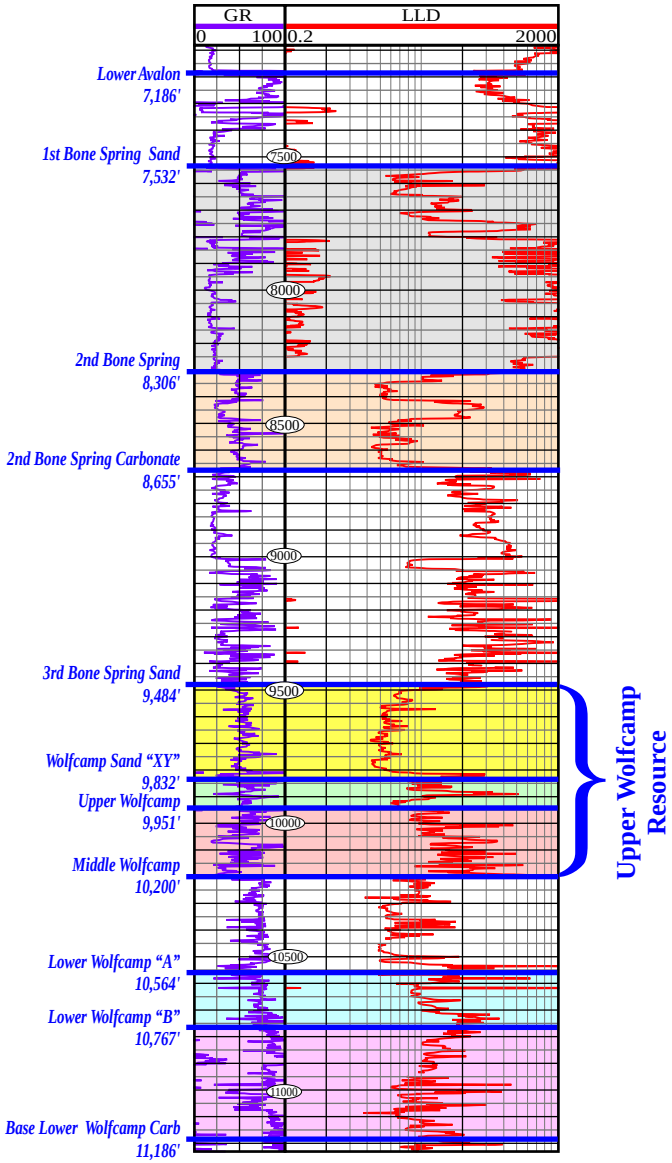
EXHIBIT: 25

BTA OIL PRODUCERS, LLC

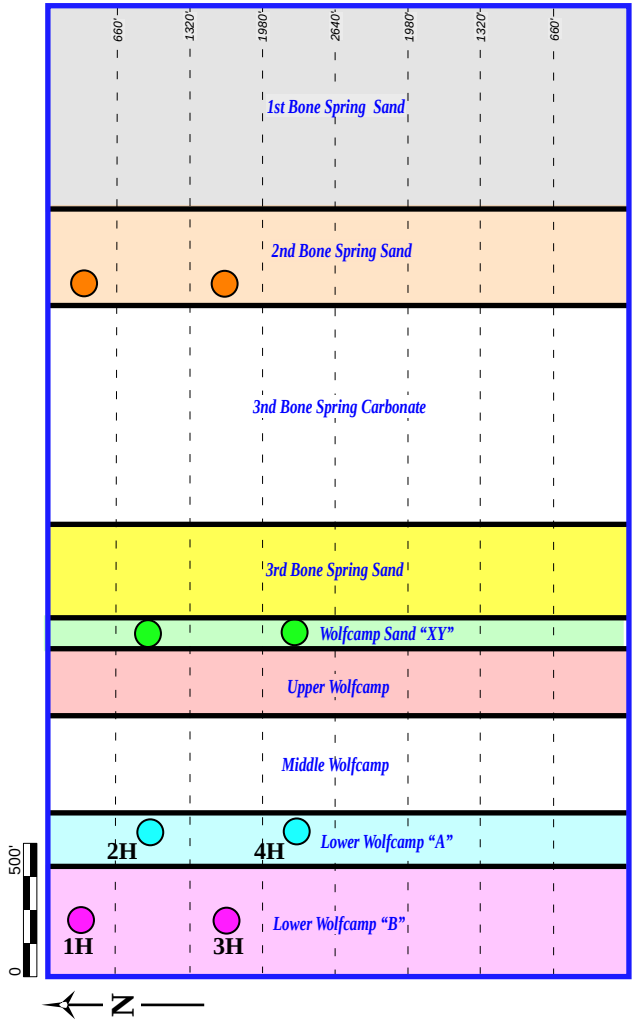
BTA Oil Producers, LLC

Comparison Development Plan
BTA / Novo

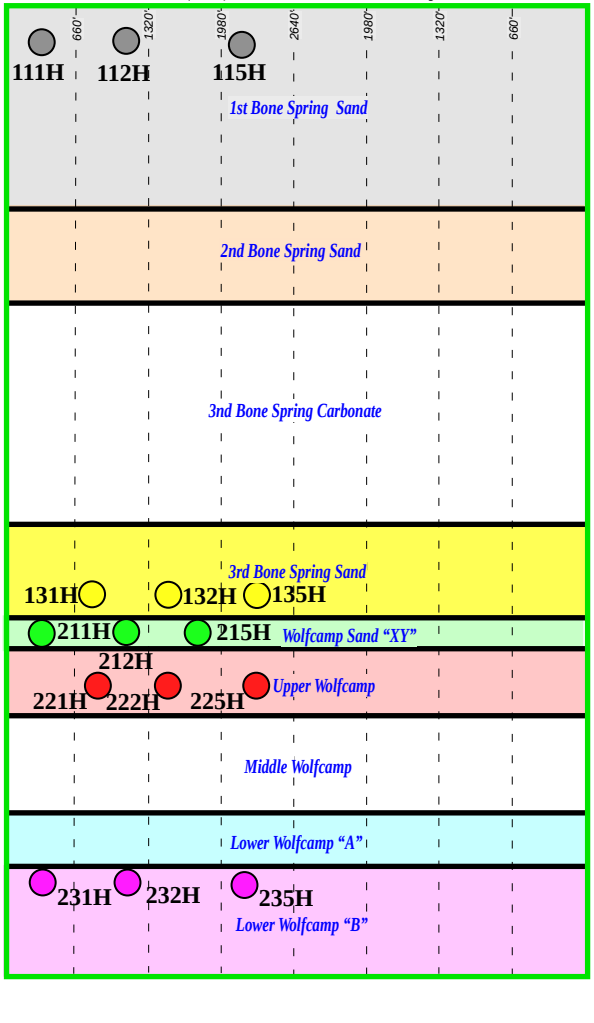




BTA Oil Producers, LLC
8 well Proposal
SHL: Sec. 12 (N2), T23S-R28E,
BHL: Sec. 8 (NW4), T23S-R29E, Eddy Co., NM



Novo Oil & Gas Northern Delaware, LLC
15 well Proposal
SHL: Sec. 8 (N2), T23S-R29E,
BHL: Sec. 9 (N2), T23S-R29E, Eddy Co., NM

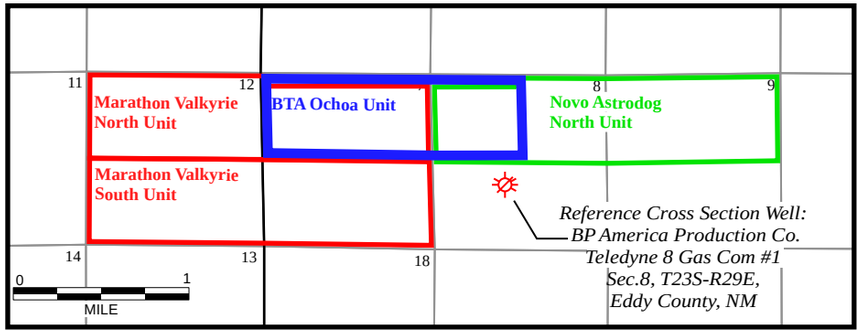


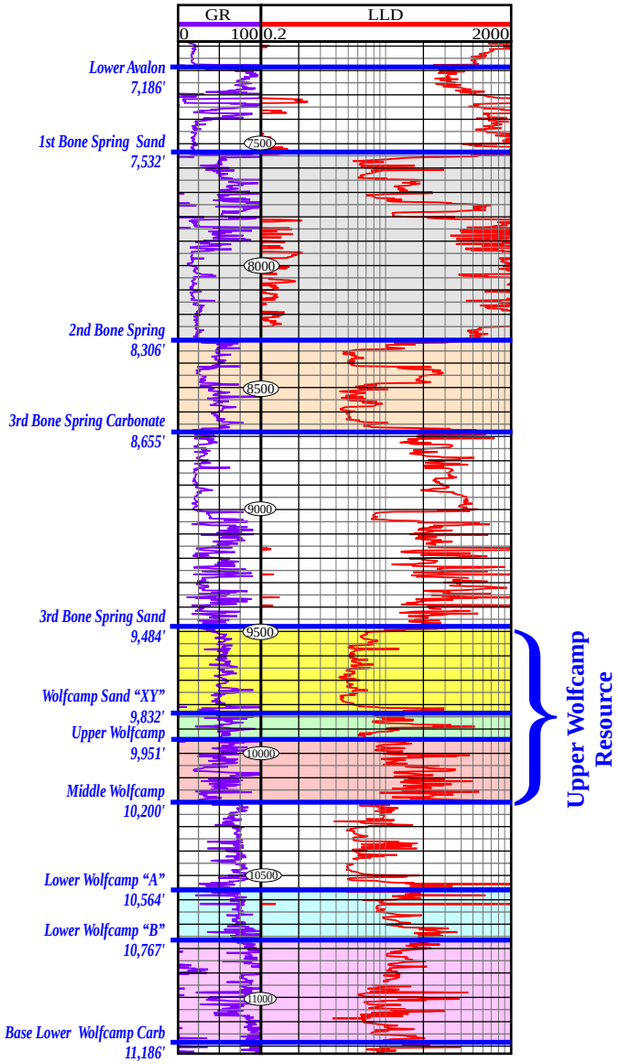
BTA Oil Producers, LLC

EXHIBIT: 26

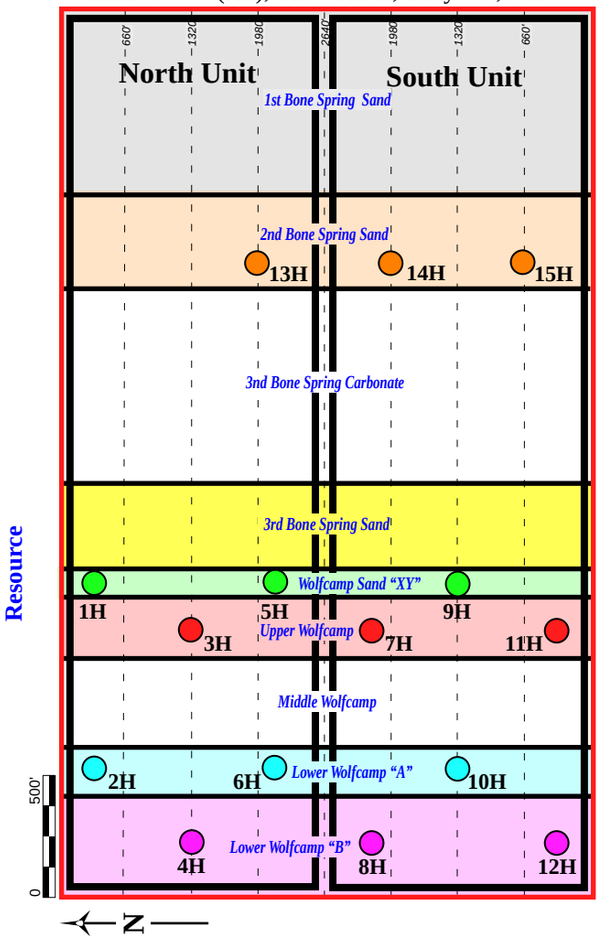
BTA OIL PRODUCERS, LLC

Comparison Development Plan
Marathon / BTA / Novo

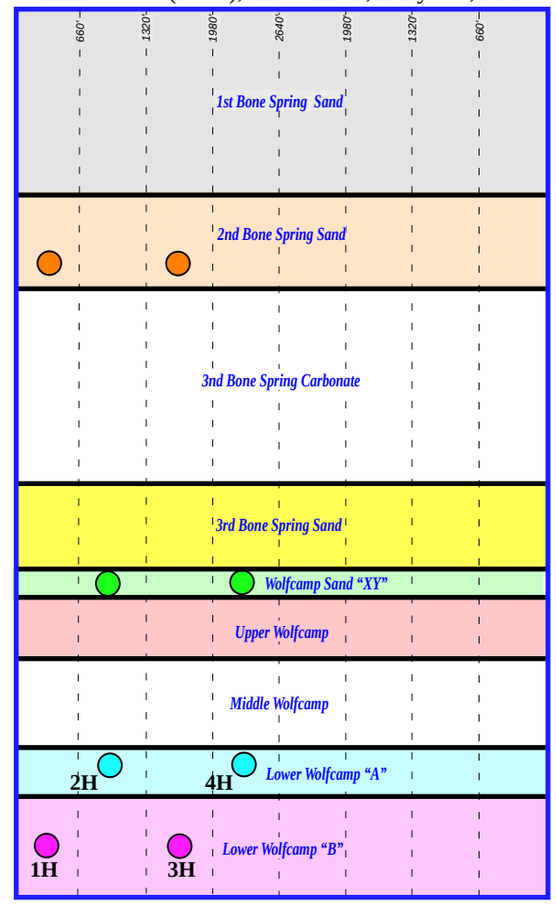




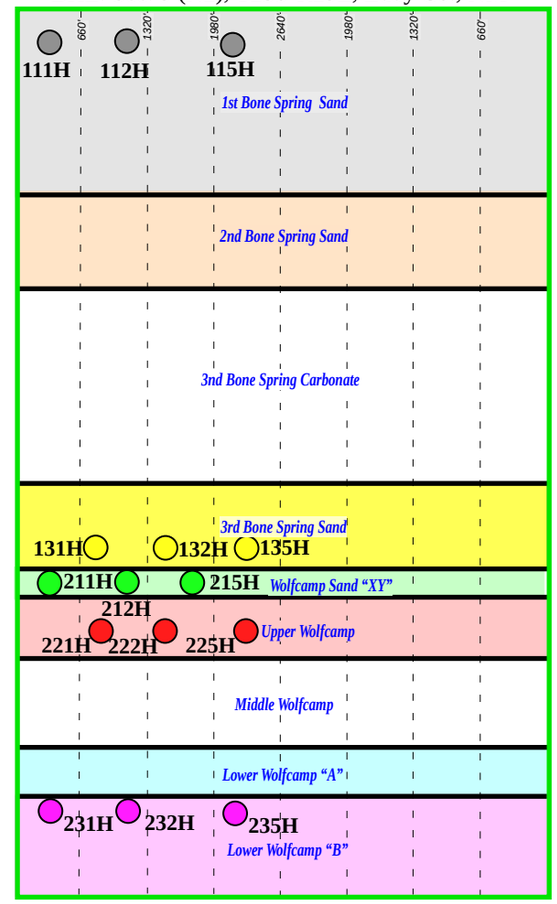
Marathon Oil Permian
15 well Proposal
SHL: Sec. 12 (All), T23S-R28E &
BHL: Sec. 7 (All), T23S-R29E, Eddy Co., NM



BTA Oil Producers, LLC
8 well Proposal
SHL: Sec. 12 (N2), T23S-R28E,
BHL: Sec. 8 (NW4), T23S-R29E, Eddy Co., NM



Novo Oil & Gas Northern Delaware, LLC
15 well Proposal
SHL: Sec. 8 (N2), T23S-R29E,
BHL: Sec. 9 (N2), T23S-R29E, Eddy Co., NM



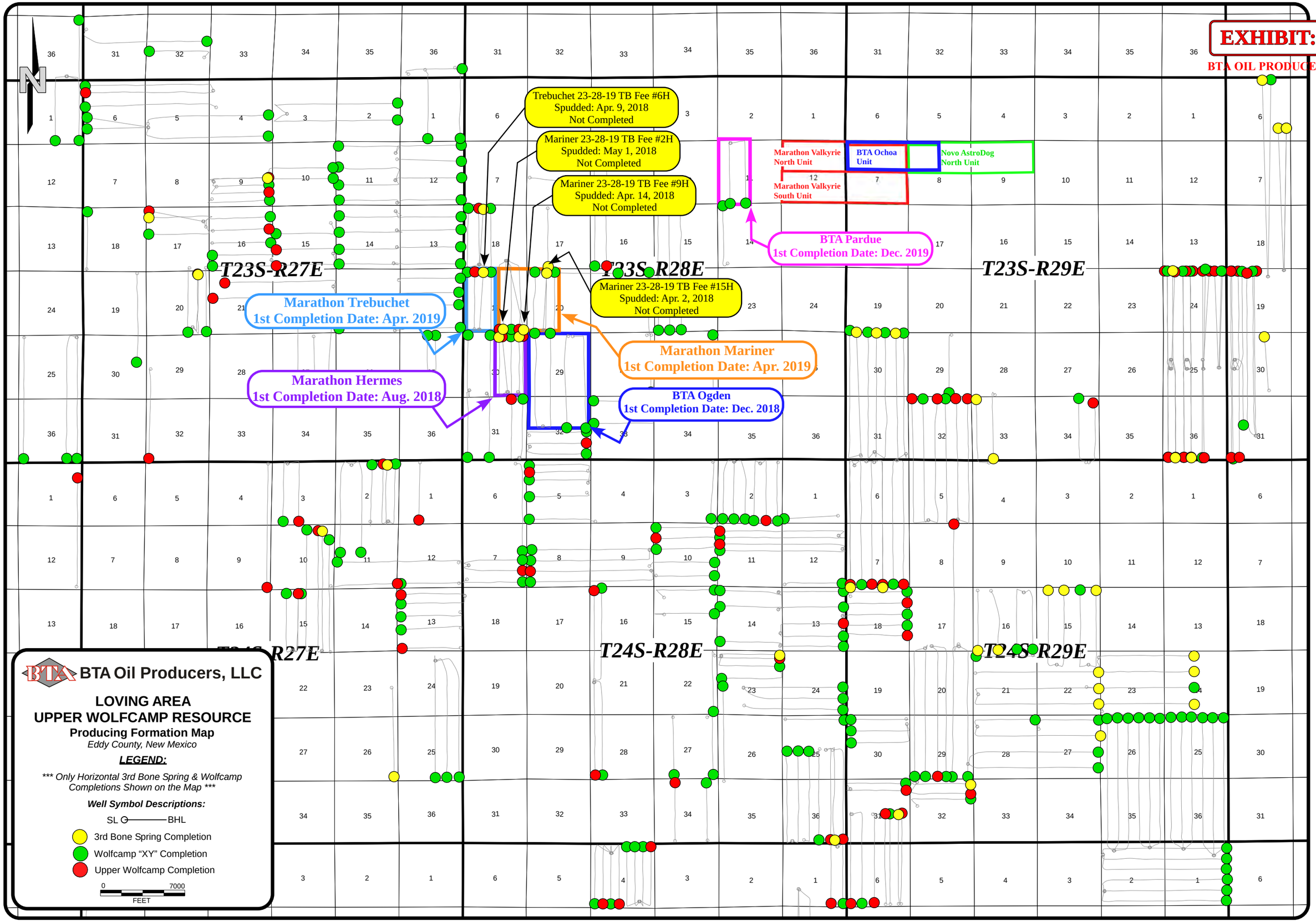


EXHIBIT: 27
BTA OIL PRODUCERS, LLC
N
Trebuchet 23-28-19 TB Fee #6H
Spudded: Apr. 9, 2018
Not Completed
Mariner 23-28-19 TB Fee #2H
Spudded: May 1, 2018
Not Completed
Mariner 23-28-19 TB Fee #9H
Spudded: Apr. 14, 2018
Not Completed
Mariner 23-28-19 TB Fee #15H
Spudded: Apr. 2, 2018
Not Completed
Marathon Valkyrie North Unit
BTA Ochoa Unit
Novo AstroDog North Unit
Marathon Valkyrie South Unit
BTA Pardue
1st Completion Date: Dec. 2019
T23S-R27E
T23S-R28E
T23S-R29E
Marathon Trebuchet
1st Completion Date: Apr. 2019
Marathon Mariner
1st Completion Date: Apr. 2019
Marathon Hermes
1st Completion Date: Aug. 2018
BTA Ogden
1st Completion Date: Dec. 2018
T24S-R27E
T24S-R28E
T24S-R29E
BTA Oil Producers, LLC
LOVING AREA
UPPER WOLFCAMP RESOURCE
Producing Formation Map
Eddy County, New Mexico
LEGEND:
*** Only Horizontal 3rd Bone Spring & Wolfcamp Completions Shown on the Map ***
Well Symbol Descriptions:
SL BHL
3rd Bone Spring Completion
Wolfcamp "XY" Completion
Upper Wolfcamp Completion
0 7000
FEET

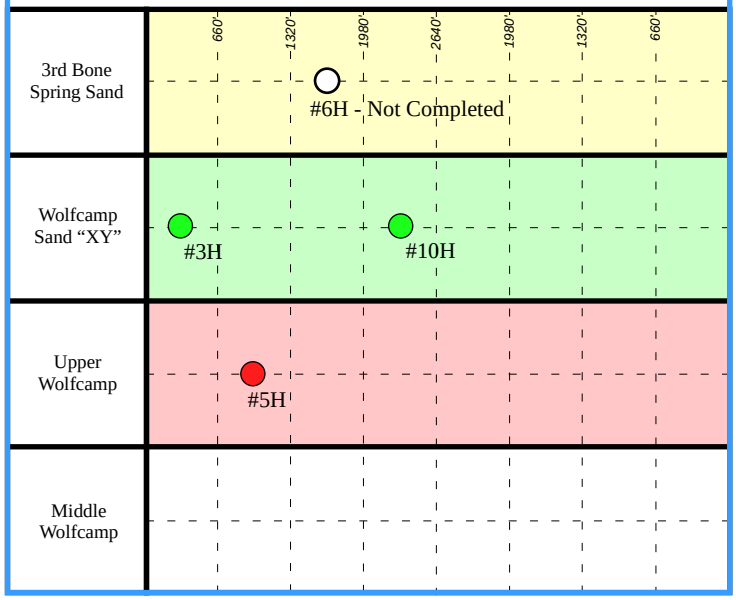
EXHIBIT: 28

BTA OIL PRODUCERS, LLC

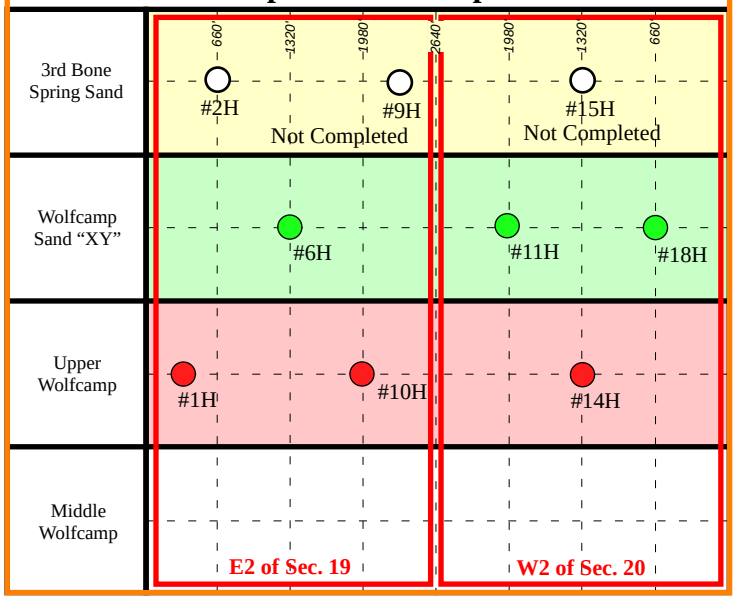
BTA Oil Producers, LLC

Comparison of Development Spacing Patterns
Upper Wolfcamp Resource
BTA Oil Producers, LLC vs Marathon Oil Permian, LLC
Sec. 19, 20, 29, 30 & 32, T23S - R28E, Eddy Co., NM

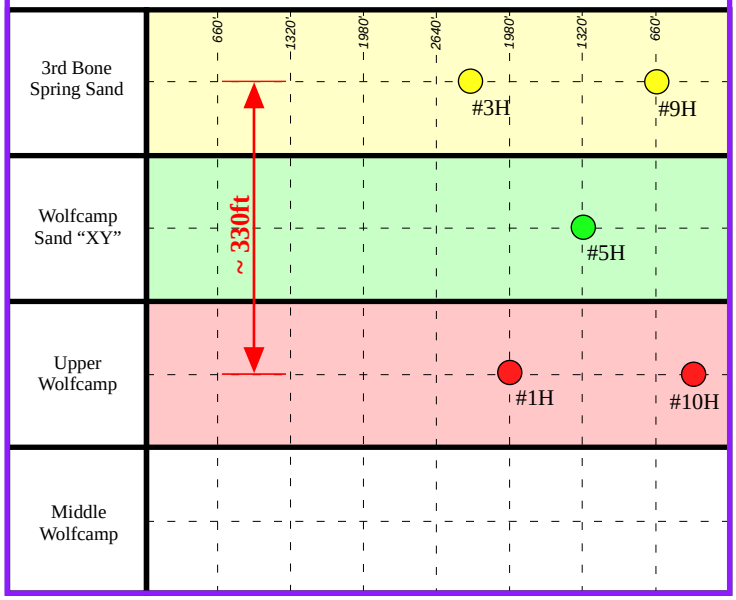
Marathon - Trebuchet Fee 23-28-19 Lease
Sec. 19 (W2), T23S-R28E, Eddy Co., NM
1st Completion Date: Apr. 2019



Marathon - Mariner Fee 23-28-19 & Mariner Fee 23-28-20 Lease
Sec. 19 (E2), T23S-R28E & Sec. 20 (W2), T23S-R28E, Eddy Co., NM
1st Completion Date: Apr. 2019



Marathon - Hermes Fee 23-28-30 Lease
Sec. 30 (E2), T23S-R28E, Eddy Co., NM
1st Completion Date: Aug. 2018



BTA - 20509 Ogden Lease
Sec. 29 (All) & Sec. 32 (N2), T23S-R28E, Eddy Co., NM
1st Completion Date: Dec. 2018

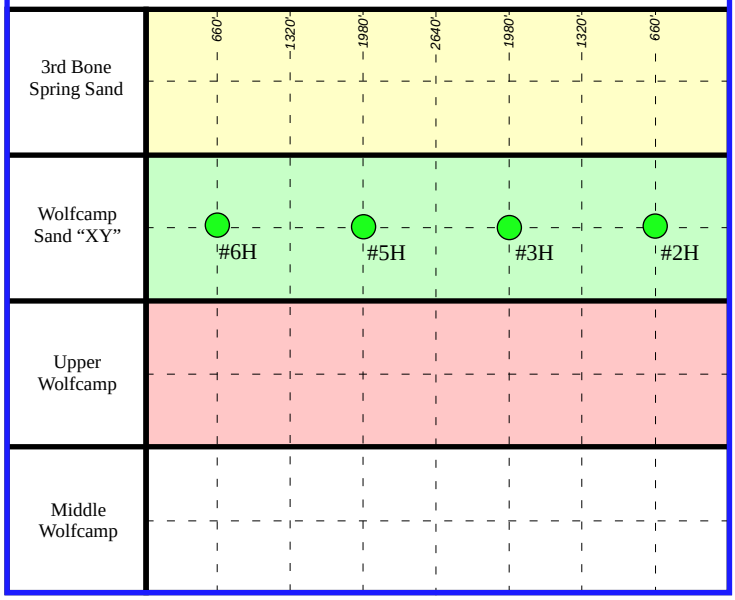


EXHIBIT: 29

BTA OIL PRODUCERS, LLC

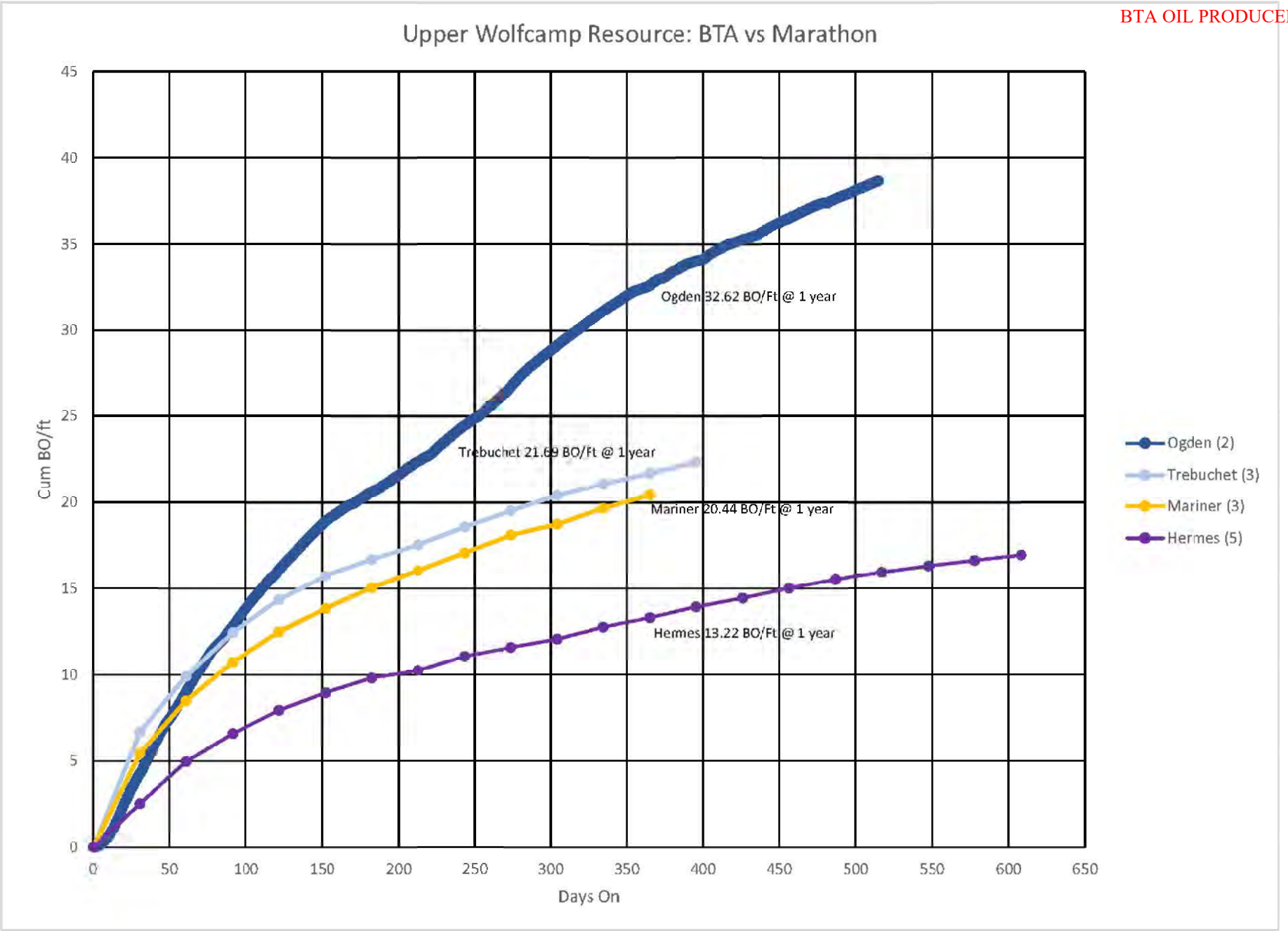


EXHIBIT: 30

BTA OIL PRODUCERS, LLC

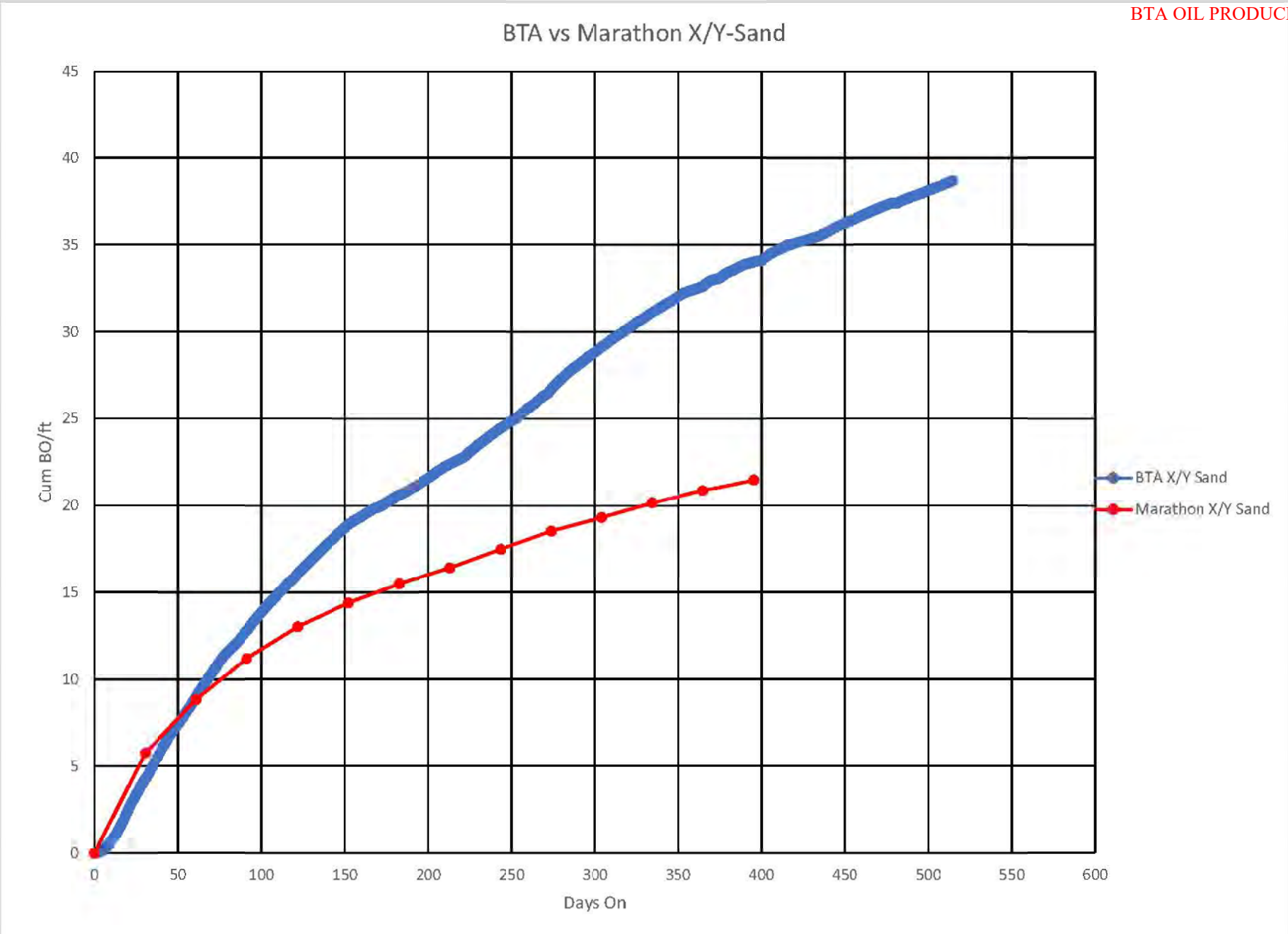
Upper Wolfcamp Resource Project Recovery Summary

BTA vs Marathon

A	B	C	D	E
Lease	**1 year Cum, BO/ft**	**Wells per 1/2 Section**	**Normalized Completed Interval**	**1 year Cum per 1/2 Section (BxCxD)**
Ogden	32.62	2	4500	293,580
Trebuchet	21.69	3	4500	292,815
Mariner	20.44	3	4500	275,940
Hermes	13.22	5	4500	297,450

EXHIBIT: 31

BTA OIL PRODUCERS, LLC



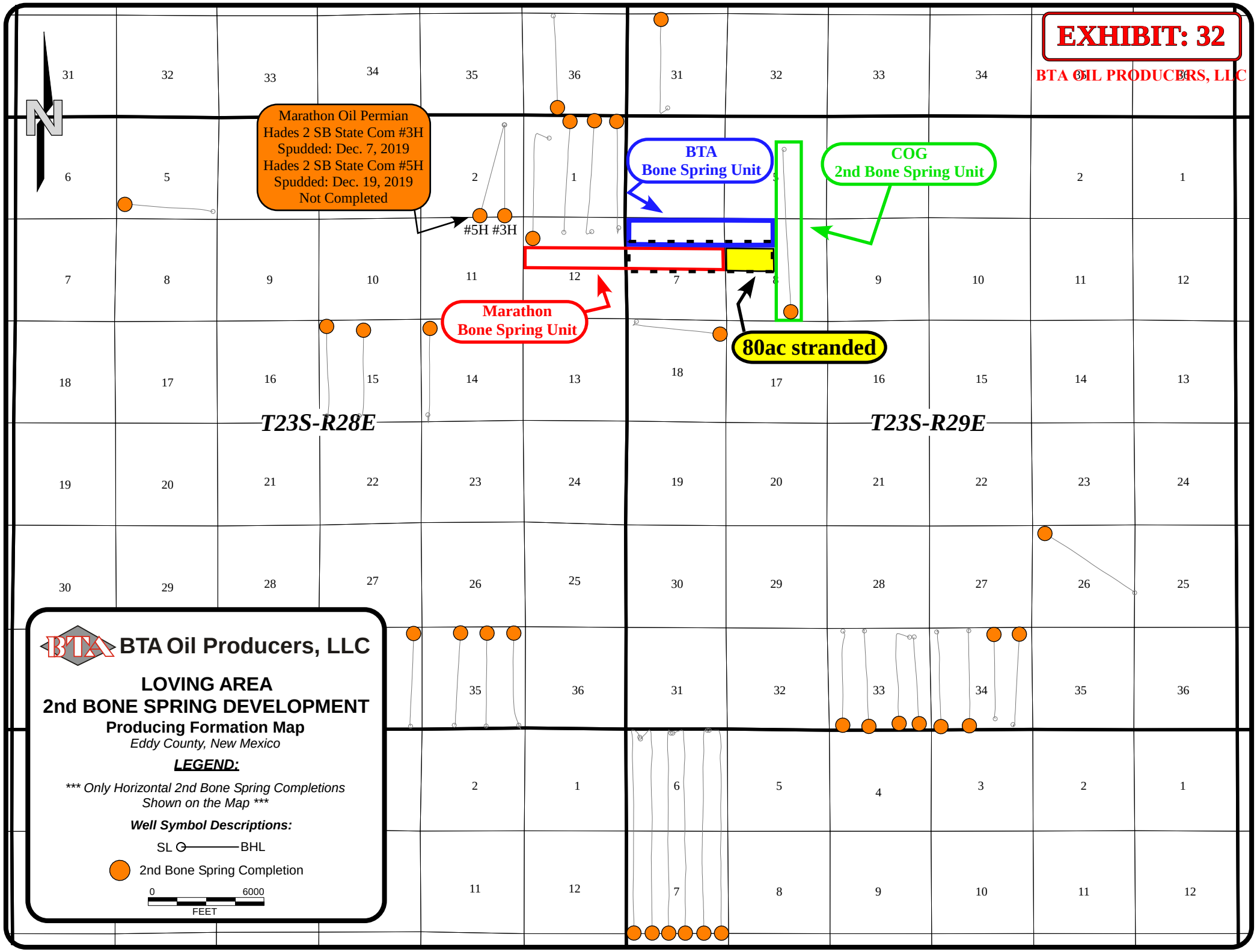


EXHIBIT: 32
BTA OIL PRODUCERS, LLC
N
Marathon Oil Permian
Hades 2 SB State Com #3H
Spudded: Dec. 7, 2019
Hades 2 SB State Com #5H
Spudded: Dec. 19, 2019
Not Completed
#5H #3H
BTA
Bone Spring Unit
COG
2nd Bone Spring Unit
Marathon
Bone Spring Unit
80ac stranded
T23S-R28E
T23S-R29E
BTA Oil Producers, LLC
LOVING AREA
2nd BONE SPRING DEVELOPMENT
Producing Formation Map
Eddy County, New Mexico
LEGEND:
*** Only Horizontal 2nd Bone Spring Completions Shown on the Map ***
Well Symbol Descriptions:
SL BHL
2nd Bone Spring Completion
0 6000
FEET