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June 19, 2014

Via e-mail and U.S. mail

Sheila K. Mallory
Deputy State Director (Minerals)
Bureau of Land Management
301 Dinosaur Trail
Santa Fe, New Mexico 87508

Re: BTA Oil Producers, LLC
SWD conversion of the 9418 JV-P Vaca Draw Well No. 1
Section 10, Township 25 South, Range 33 East, NMPM
Lea County, New Mexico
Oil Conservation Division Case No. 15159

Dear Ms. Mallory:

BTA is in receipt of your letter to the Oil Conservation Division, dated June 12, 2014, objecting to the conversion of the above well to salt water disposal. BTA proposes to pay the BLM for potential lost royalty income from the well, should the referenced application be approved by the Oil Conservation Division, in return for the BLM withdrawing its objection.

The well is currently producing at low rates from the Wolfcamp formation. Attached are a decline curve analysis of remaining economic reserves from the well (Exhibit A), a current monthly cash flow report (Exhibit B), a current Lease Operating Statement (Exhibit C), and a calculation of royalties which will be due in the future to the United States (Exhibit D). If the BLM accepts this agreement, BTA will pay this amount immediately upon approval of the conversion by the Oil Conservation Division.

The reason BTA desires to convert the well to injection is that it is drilling horizontal Bone Spring wells on the same lease (NM 97153). The wells currently drilled or planned are as follows:

Oil Conservation Division
Case No. 6 15159
Exhibit No.

<u>Well Name</u>	<u>API No.</u>	<u>Well Unit</u>
9418 JV-P Vaca Draw No. 2H	30-025-41621	E/2E/2 §10-25S-33E
9418 JV-P Vaca Draw No. 3H	30-035-41622	W/2E/2 §10-25S-33E
9418 JV-P Vaca Draw No. 4H	30-025-41623	E/2W/2 §10-25S-33E
9418 JV-P Vaca Draw No. 5H	30-025-41624	W/2W/2 §10-25S-33E

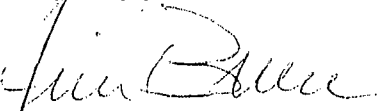
These wells produce (or will produce) substantial volumes of water which, absent an injection well, will have to be trucked off lease and injected at a cost of approximately \$6.00/barrel of water. An injection well will substantially reduce operating costs for the Bone Spring wells, making them more economic and extending their productive lives. Attached as Exhibit E is disposal cost information.

In addition, BTA is currently trucking an average of 30 loads of water per day *from the initial Bone Spring well*. This heavy use of the surface will be eliminated if an injection well is approved.

Please contact me, or Pam Inskeep of BTA (432-682-3753; pinskeep@btaoil.com), if you have any questions.

Thank you for your consideration of this request.

Very truly yours,



James Bruce

Attorney for BTA Oil Producers, LLC

cc: Joseph Galluzzi (BLM)
Pam Inskeep (BTA)

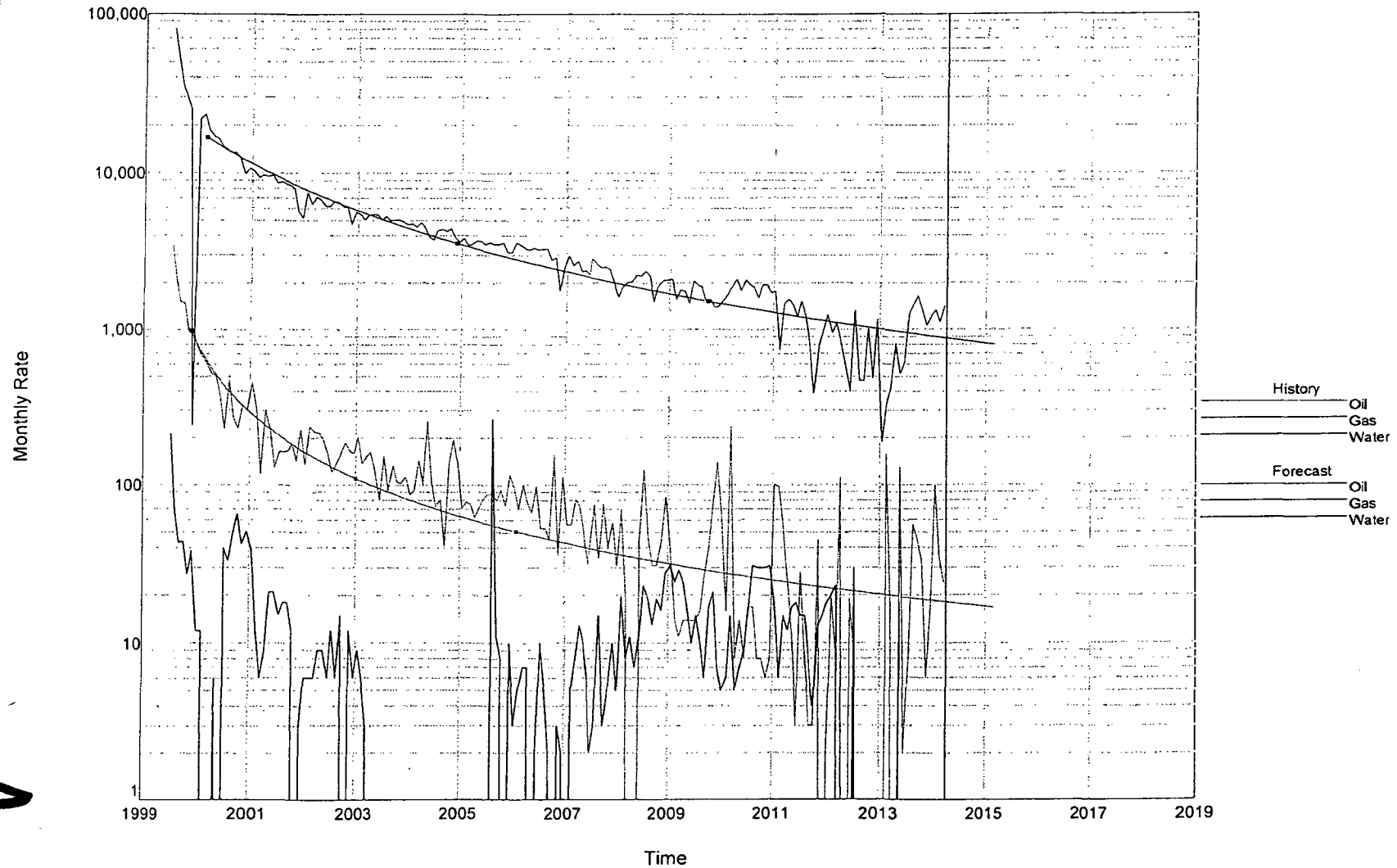
Rate/Time Graph

Project: C:\Users\TWohlfahrt\Documents\IHS\PowerTools\Projects v9.2\Vaca Draw 1 Production_updated_6-14.mdb Date: 6/19/2014
Time: 10:24 AM

Lease Name: VACA DRAW 9418 JV-P (1)
County, ST: LEA, NM
Location: S25 E33 10 C NE SW

Operator: BTA OIL PRODUCERS LLC
Field Name: JOHNSON RANCH

VACA DRAW 9418 JV-P - JOHNSON RANCH



EXHIBIT

A



BTA Oil Producers

104 S. Pecos
Midland, Texas 79701

Office: (432) 6823753

Fax: (432) 683-0325

Re: 9418 JVP Vaca Draw #1
API: 30-025-33639
Economic Analysis

Mr. Ingram,

The economic analysis on the Vaca Draw #1 was performed on a decline curve basis using the prior twelve month average for lease operating expense and lease product prices. No price adjustments or escalations were applied. The gross lease product prices were determined by dividing the gross revenue by the gross sales. The PowerTools model accounts for taxes. A load of oil was sold in February. Prior to February, the last load was sold in June of 2013.

Respectfully,

A handwritten signature in cursive script that reads 'Trace Wohlfahrt'.

Trace Wohlfahrt
BTA Oil Producers

EXHIBIT B

Monthly Cash Flow Report

Project: C:\Users\T Wohlfaht\Documents\Monthly Cash Flow Report 1 Production_updated_6-14.mdb
 Lease Name: VACA DRAW 9418 JV-P (1) Operator: BTA OIL PRODUCERS LLC
 County, ST: LEA, NM Field Name: JOHNSON RANCH
 Location: S25 E33 10 C NE SW Reserve Type/Class: Proved/Developed, Producing

Date	Well Count	Gross Production		Net Production		Average Prices		Sales Total (\$)
		Oil (Bbl)	Gas (Mcf)	Oil (Bbl)	Gas (Mcf)	Oil (\$/Bbl)	Gas (\$/Mcf)	
04/2014	1	18	875	16	766	93.48	4.33	4,793
05/2014	1	18	867	16	759	93.48	4.33	4,753
06/2014	1	18	860	16	752	93.48	4.33	4,714
07/2014	1	18	852	15	746	93.48	4.33	4,676
08/2014	1	18	845	15	739	93.48	4.33	4,637
09/2014	1	17	838	15	733	93.48	4.33	4,600
10/2014	1	17	831	15	727	93.48	4.33	4,563
11/2014	1	17	824	15	721	93.48	4.33	4,526
12/2014	1	17	817	15	714	93.48	4.33	4,490
01/2015	1	17	810	15	708	93.48	4.33	4,454
02/2015	1	17	803	15	702	93.48	4.33	4,419
Grand Total:		192	9,221	168	8,068	93.48	4.33	50,624

Date	Operating Expenses (\$)	Taxes (\$)	Operating Income (\$)	Other Costs (\$)	Periodic Cash Flow (\$)	Cumulative Cash Flow (\$)	10% Cash Flow (\$)
04/2014	4,048	368	377	0	377	377	374
05/2014	4,048	365	340	0	340	718	335
06/2014	4,048	362	304	0	304	1,022	297
07/2014	4,048	359	269	0	269	1,291	260
08/2014	4,048	356	233	0	233	1,524	224
09/2014	4,048	353	199	0	199	1,723	189
10/2014	4,048	350	164	0	164	1,887	155
11/2014	4,048	347	130	0	130	2,017	122
12/2014	4,048	345	97	0	97	2,114	90
01/2015	4,048	342	64	0	64	2,178	59
02/2015	4,048	339	31	0	31	2,210	29
Grand Total:	44,528	3,886	2,210	0	2,210	2,210	2,136

Discount Present Worth:

0.00 %	2,210
10.00 %	2,136
20.00 %	2,072
30.00 %	2,016
40.00 %	1,965
50.00 %	1,920
60.00 %	1,879
70.00 %	1,841
80.00 %	1,807
90.00 %	1,775
100.00 %	1,746

Economic Dates:

Effective Date	04/2014
Calculated Limit	02/2015
Economic Life	11 Months
	0 Years 11 Months

Economics Information:

Net Payout Date:	04/2014
Rate of Return:	>100 %
Return on Investment:	0.00
Disc Return on Invest:	0.00
Initial Division of Interest:	

Economics Summary:

	Bbl Oil	Mcf Gas
Ultimate Gross	28,775	925,498
Historic Gross	28,583	916,277
Gross at Eff Date	28,583	916,277
Remaining Gross	192	9,221
Remaining Net	168	8,068

BTU Content:	1.000 mmbtu/mcf
Gravity:	Oil: 53.00 Gas: 0.800
	NRI
Oil:	87.500000
Gas:	87.500000
Injection:	0.000000

Reversion Date: None

ORI
0.000000
0.000000
0.000000

83500
LOS
BTA0000013

BTA Oil Producers
Lease Operating Statements
Oil Wells
For the Period Ending April 30, 2014

06/17/2014
10:31:27

0941831 VACA DRAW (Wolfcamp)

Description	January 2013	February 2014	March 2014	April 2014	12 Month Average	YTD Cumulative
VOLUMES SOLD - 8/8th's						
Oil (Bbl)		204			50	204
Gas (MCF)	1,367	1,137	1,450	1,058	1,196	5,012
REVENUES - 8/8th's						
Oil \$ - Gross		19,343			4,674	19,343
Taxes		1,399			338	1,399
Marketing/Gathering						
Net Oil Sales		17,944			4,336	17,944
\$/Bbl (Net)		87.96			86.72	87.96
Gas \$ - Gross	6,703	6,645	6,462	5,501	5,179	25,311
Taxes	532	527	512	436	411	2,007
Marketing						
Net Gas Sales	6,171	6,118	5,950	5,065	4,768	23,304
\$/MCF (Net)	4.51	5.38	4.10	4.79	3.99	4.65
REVENUE - WI (after Royalty)	87.50	87.50	87.50	87.50	87.50	87.50
OIL - TOTAL NET SALES WI		15,701			3,794	15,701
GAS - TOTAL NET SALES WI	5,400	5,353	5,206	4,432	4,172	20,391
Total Working Interest Revenue	5,400	21,054	5,206	4,432	7,966	36,092
TOTAL NET WI REV. PER EQUIV. BBL		76.84			75.87	76.96
EXPENSES						
Overhead Expenses						
Supervision	1,715	1,715	1,715	1,756	1,718	6,901
Other	87	43	43	43	66	217
Total Overhead Expenses	1,802	1,758	1,758	1,799	1,784	7,118
Field Expenses						
Electricity & Fuel	10	11	11	11	10	42
Salt Water Disposal						
Moustaabout					761	3
Surface Well Equipment	21	24	12	12	13	69
Chemical & Hot Oil						
Reservoir Costs						
Pulling Costs				1,484	124	1,484
Compression	631	631	631	631	649	2,544
Other	699	716	712	714	707	2,841
Total Field Expenses	1,361	1,382	1,369	2,852	2,264	6,962
Total Operating Expenses	3,163	3,140	3,127	4,651	4,048	14,080
GROSS OPER. COSTS PER EQUIV. BBL		11.46			38.55	30.02
OPER. CASH PROFIT PER EQUIV. BBL		65.38			37.31	46.93
OPERATING CASH PROFIT	2,237	17,914	2,079	219	3,918	22,012
WI REVENUE RATIO TO EXPENSES	1.71	6.71	1.66	.95	1.97	2.56
BTA WI %	100.00	100.00	100.00	100.00		100.00

EXHIBIT

C

Attachment to correspondence
dated June 19, 2014
from James Bruce to Bureau of Land Management re:

BTA Oil Producers, LLC
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Section 10, Township 25 South, Range 33 East, NMPM
Lea County, New Mexico

Calculation of Royalties

Remaining Gross BO	192.00
BLM royalty (1/8)	24.00
12 mo avg price	<u>\$ 93.48</u>
	\$2243.52

Remaining Gross MCF	9221.00
BLM royalty (1/8)	1153.00
12 mo avg price	<u>\$ 4.33</u>
	\$4992.49

Total Remaining Net to BLM

\$7236.01

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D

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Section 10, Township 25 South, Range 33 East, NMPM
Lea County, New Mexico

Disposal Information

The 9418 JV-P Vaca Draw No. 4H is currently flowing approximately 4000 bbls/day of water. The water is being hauled by truck to 3 separate commercial SWD sites. The estimated trucking disposal cost is \$6.00/bbl. With an in-place disposal, the trucking will be eliminated. Water would be piped to the disposal well, reducing disposal costs to \$0.25/bbl.

4000 bbl/day = 30 truck loads

Commercial SWD's currently utilized

Mesquite Paduca SWD (H-22-25S-32E)	34 mile round trip
COG Eata Fajita (F-08-24S-33E)	16 mile round trip (unable to take all the water)
COG Bebidas 16 SWD (L-16-23S-33E)	36 mile round trip (unable to take all the water)

EXHIBIT

E