



Ray Powell, M.S., D.V.M.
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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COMMISSIONER'S OFFICE

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May 29, 2014

Certified Mail
Return Receipt Requested

BTA Oil Producers, LLC
ATTN: Brian Wood, Agent
37 Verano Loop, Santa Fe, NM 87508

Re: Brian 8036 JV-P #1 Well
Conversion from Gas Producer to Salt Water Disposal
In the 70360 ANTELOPE RIDGE; ATOKA (GAS) Pool,
Unit letter L, Section 11, Township 23 South, Range 34 East,
Lea County, New Mexico

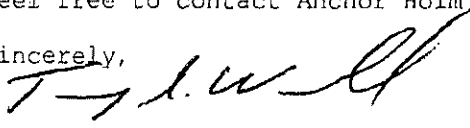
Gentlemen:

In response to your request for the New Mexico State Land Office to approve the conversion of the Brian 8036 JV-P #1 Well, which is currently producing gas from the ANTELOPE RIDGE; ATOKA (GAS) Pool. Our records, obtained through the Oil Conservation Division, indicate that the well located on the subject lease is producing in large enough amounts to hold the lease. We are concerned that the State Land Office Oil & Gas Lease LG-1025-0005 will lose Atoka gas royalties due to our beneficiary, the NM Military Institute (MI), if this well were converted to the salt water disposal (SWD) as proposed.

This Office has reviewed the item which BTA Oil Producers has submitted to us: the Letter of Transmittal regarding your upcoming submittal of the full application. Our review demonstrates that the well is capable of producing gas in paying quantities for at least 5 more years at an estimated gas price of \$4.50 per MCF. No change in the liquids free gas production and its gas market is apparent. Since the Atoka Gas Pool is still capable of gas production and plugging the well back to conversion to salt water disposal into the shallower Brushy Canyon and Cherry Canyon zones will cause waste to occur and loss of royalty revenues to the State Land Office Beneficiary. The loss of royalty revenue is calculated to be \$9,753.75 based on the past 12 months of production history and a gas price of \$4.50/MCF including BTU adjustment.

As operator of the well, you are requested to remit to this office \$9,753.75 advance royalty payment within 30 days from the date of this letter. Upon receipt of payment, this office will approve your conversion of this State well to salt water disposal service as proposed if approved by the NM Oil Conservation Division. Failure to remit the requested advanced royalty payment will result in disapproval of your request to convert this well to salt water disposal service on this State Trust Land. If you have any questions, please feel free to contact Anchor Holm at (505) 827-5759.

Sincerely,


Terry G. Warnell, Director
Oil, Gas & Minerals Division
(505) 827-5745

Oil Conservation Division
Case No. 215178
Exhibit No. 2

TGW/ah
Attachment (SLO Reserve Calculation Sheet)
Cc: Phillip Goetz, NM OCD; Hugh Dangler, NM SLO

PAY.Quan.Ltr.Brian8036JV-P1

NM State Land Office - Remaining Gas Reserve Calculation

BTA Oil Producers, LLC

30 25 30535

TMD: 13,440'

<u>Well No.</u>	<u>Mo/Yr</u>	<u>Days on</u>	<u>MCF</u>	<u>BO</u>	<u>BW</u>
BTA Oil	Apr-13	30	451	0	0
Producers	May	31	578	0	0
Brian 8036	June	30	172	0	0
JV-P	July	31	139	0	0
#1	Aug	31	135	0	0
Antelope	Sep	30	292	0	0
Ridge;	Oct	31	277	0	0
Atoka (Gas)	Nov	30	382	0	0
	Dec	31	221	0	0
12094'-12128'	Jan-14	31	327	0	0
	Feb	28	267	0	0
	Mar	31	227	0	0

Totals: 365 3468 0 0

Total/DO MCFD 9.50
 Total/12 MCFM 289
 Max/Mo MCFD 19.27 578
 Total/360 BOPD 0.00
 Total/360 BWPD 0.00

Remaining Reserves:

3468 MCFY
 x 5 Yr.
 17340 MCF Gross Remaining Reserves
 x 0.125 SLO Royalty Interest
 2167.5 Lost MCF royalty
 x \$4.50 Gas Value/MCF (est.)
 \$9,753.75 Lost SLO Royalty Value.

AEH 5/29/2014