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

ORIGINAL

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

Case No. 14702

APPLICATION OF JTD RESOURCES, LLC, FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: TERRY WARNELL, Technical Examiner
DAVID K. BROOKS, Legal Examiner

August 4, 2011

Santa Fe, New Mexico

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This matter came on for hearing before the New Mexico Oil Conservation Division, TERRY WARNELL, Technical Examiner, and DAVID K. BROOKS, Legal Examiner, on August 4, 2011, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South St. Francis, Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Irene Delgado, NM CCR 253
Paul Baca Professional Court Reporters
500 Fourth Street, NW, Suite 105
Albuquerque, New Mexico 87102

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A P P E A R A N C E S

FOR THE APPLICANT:

JIM BRUCE
P.O. Box 1056
Santa Fe, NM 87504

I N D E X

EXHIBITS 1 THROUGH 3 ADMITTED

08

1 EXAMINER BROOKS: At this time we call Case Number
2 14702, the application of JTD Resources LLC for compulsory
3 pooling, Lea County, New Mexico. Call for appearances.

4 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe
5 representing the applicant. I'm submitting this case by
6 affidavit.

7 EXAMINER BROOKS: Okay. You may proceed.

8 MR. BRUCE: Mr. Examiner, submitted as Exhibit 1 is
9 the verified statement of Dan Leonard, the landman for JTD
10 Resources and its managing member. If you will go back to
11 the fourth page there is a land plat, and in this case JTD
12 Resources is seeking an order pooling all mineral interests
13 from the surface to the base of the Abo Formation underlying
14 the Northeast Quarter Southwest Quarter of Section 4,
15 Township 20 South, Range 38 East to form a standard 40-acre
16 oil unit.

17 The unit is to be dedicated to the Collins heirs,
18 Well Number 1, to be located at an orthodox location in the
19 Northeast Quarter Southwest Quarter of Section 4. The
20 affidavit also states that mineral ownership in the well unit
21 is common as to all depths being pooled. If you look at the
22 next page you will see the acreage dedication plat which
23 shows that the location is 17 -- 16 hundred 50 feet from the
24 South Line of 700 -- 1,700 feet from the west line. The APD
25 for this well has been approved, and the API number is -- if

1 I can find it -- 3002540178.

2 EXAMINER BROOKS: 40178?

3 MR. BRUCE: Yeah. And they are seeking to force
4 pool a number of people. You will see that there are
5 certainly locatable people being pooled and then certain
6 unlocatable people being pooled. They are split out, and I
7 will get to that in a minute. The total interest being
8 pooled are maybe a little over one percent of the well unit.
9 This is a single tract which all the people descend from one
10 certain person -- like if you go to three pages from the back
11 of the landman's affidavit to Exhibit C attached to the
12 affidavit, I will explain a little bit.

13 The people who are being pooled are all descendants
14 of William V. Farliss. And the reason there are some unknown
15 interests is that Mr. Farliss had three wives, and children
16 from those three wives, and he also adopted children from one
17 of his wives. They then proceeded to have children
18 themselves. There is very little data on probates or
19 anything else from these people and so you're looking at, in
20 this case, a number of unknown descendants as set forth in
21 the -- in the affidavit and in the attachments thereto.

22 JTD has been, for two years, trying to find these
23 people and lease them, and they have -- they think they've
24 gotten 99 percent, plus or minus, of everybody leased up.
25 But the -- as stated in the affidavit, the family members

1 weren't really forthcoming about people in the family or half
2 brothers or half sisters and unknown heirs. So that is the
3 genesis of the issues regarding title in this matter.

4 So, anyway, they are seeking to force pool the
5 people listed in Paragraph 2C who are locatable and have
6 small interests. Attached to the affidavit as Exhibits B1
7 through B4 are the contacts with the various people. Like I
8 said, they started actually in January of 2009 trying to
9 locate these people and lease them. If they couldn't get
10 leases immediately, they sent lease proposal letters early
11 this year, and after they couldn't get lease -- leases from
12 the people, they then followed up with the well proposal.

13 And then in Subparagraph E, you will see they are
14 seeking to force pool the unknown -- the following persons or
15 their unknown heirs. Again, we are just seeking to force
16 pool everybody who may have an interest because we don't know
17 exactly what interest there might be outstanding from the
18 unknown heirs.

19 An AFE for the well is attached. And the well costs
20 are -- completed well costs are \$1,568,000. The overhead
21 rates are 4,500 a month for a drilling well, and 450 a month
22 for a producing well, and they request that these rates be
23 adjusted under the COPAS Accounting Procedure. Applicant
24 requests a 200 percent risk charge against any non-consenting
25 interest owner, and it requests that Primero Operating Inc.

1 be designated operator of the well, and that is in the
2 application.

3 Due to the unlocatable people, notice was published
4 in the Hobbs newspaper, and that is submitted as Exhibit 3,
5 the affidavit of publication. And then as to the locatable
6 people, Exhibit 2 is my affidavit of notice. The four
7 locatable people did receive notice or notice has been sent
8 to their known address which is stated in the affidavit. The
9 letter to Joseph Farliss, one of the known people, has been
10 not picked up by Mr. Farliss, but the affidavit states that
11 this is a current and correct address. As a matter of fact,
12 if you look through the package they have spoken with
13 Mr. Farliss five or six times and sent letters to him which
14 have not been returned.

15 So with that, we move the admission of Exhibits 1
16 through 3 and ask that the case be taken under advisement.

17 EXAMINER BROOKS: Very good. And you said there
18 were unlocated heirs, so --

19 MR. BRUCE: Yes and both in Subparagraphs E on Page
20 2 and also in Exhibit C, the steps taken to locate these
21 people are set forth.

22 EXAMINER BROOKS: Okay. These are unleased mineral
23 interests.

24 MR. BRUCE: They are all unleased mineral interests.

25 EXAMINER BROOKS: You said the interval was from the

1 surface to the base of the Abo?

2 MR. BRUCE: Correct.

3 EXAMINER BROOKS: You are pooling 40-acre tracts?

4 MR. BRUCE: Correct.

5 EXAMINER BROOKS: That would be only for oil?

6 MR. BRUCE: There are -- there are a number of
7 offsetting wells in this area, and all of those depths are
8 primarily in the House Field and they are all oil pools.

9 EXAMINER BROOKS: Okay. So you've got on here
10 that's a Wildcat.

11 MR. BRUCE: Well, yeah, it might be. I do know that
12 there is production. The operator put it as Wildcat. I do
13 know that there is production from the Abo Section 9.

14 EXAMINER BROOKS: What is the relationship between
15 JTD and Primero?

16 MR. BRUCE: Primero is their contract operator, and
17 I believe, also, an investor in the well.

18 EXAMINER BROOKS: JTD is filing this application on
19 behalf of Primero?

20 MR. BRUCE: Yes, as operator of the well. JTD
21 Resources is a working interest owner in the well.

22 EXAMINER BROOKS: Okay. Very good, if there is
23 nothing further --

24 EXAMINER WARNELL: Exhibits 1 through 3, we need to
25 admit Exhibits 1 through 3. I don't think we admitted them.

1 EXAMINER BROOKS: If I didn't say before, Exhibits 1
2 through 3 are admitted.

3 (Exhibits 1 through 3 admitted.)

4 EXAMINER BROOKS: If there is nothing further, Case
5 Number 14702 is taken under advisement.

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14702
heard by me on 8-4-11
David K. Brooks Examiner
Oil Conservation Division

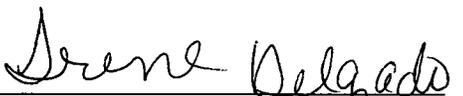
REPORTER'S CERTIFICATE

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I, IRENE DELGADO, New Mexico CCR 253, DO HEREBY
CERTIFY THAT ON August 4, 2011, proceedings in the
above-captioned case were taken before me and that I did
report in stenographic shorthand the proceedings set forth
herein, and the foregoing pages are a true and correct
transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by nor
related to nor contracted with any of the parties or
attorneys in this case and that I have no interest whatsoever
in the final disposition of this case in any court.

WITNESS MY HAND this _____ day of August 2011.


Irene Delgado, CCR 253
Expires: 12-31-2011