

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

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

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

Case No. 14,702

VERIFIED STATEMENT OF DAN M. LEONARD

Dan M. Leonard, being duly sworn upon his oath, deposes and states:

1. I am the Managing Member of JTD Resources, LLC, and am a petroleum landman by profession. I have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule NMAC 19.15.4.12.A(1)(b), the following information is submitted in support of the application filed herein:

(a) No opposition to this application is expected because the unleased mineral interest owners being pooled have not responded to lease offers or well proposals, or cannot be located.

(b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Abo formation underlying the NE/4SW/4 of Section 4, Township 20 South, Range 38 East, NMPM. to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent. The unit is to be dedicated to the Collins Heirs Well No. 1, to be located at an orthodox location in the NE/4SW/4 of Section 4.

Mineral ownership in the well unit is common as to the depths being pooled.

(c) The locatable parties being pooled, their interests in the well unit, and their addresses, are as follows:

Joseph Farless  
1602 Lundy SW  
Albuquerque, NM 87105

0.10376%

Oil Conservation Division  
Case No. \_\_\_\_\_  
Exhibit No. 1

Kevin Ahlgrim No. 2 Road 3007 Aztec, NM 87410	<u>0.07782%</u>
Randy Ahlgrim No. 2 Road 3007 Aztec, NM 87410	<u>0.07782%</u>
Kathleen Ahlgrim Reynolds 554 West 1425 North Cedar City, Utah 84721	<u>0.07782%</u>

These addresses are current and correct.

(d) Copies of the lease requests and well proposal letters sent to the locatable owners, together with information on telephone and/or e-mail contacts, is attached hereto as Exhibits B-1 (Joseph Farless), B-2 (Kevin Ahlgrim), B-3 (Randy Ahlgrim), and B-4 (Kathleen Ahlgrim Reynolds).

(e) In addition, we seek to force pool the following persons or their unknown heirs:

William V. Farless, deceased	<u>Unknown %</u>
William E. Farless, deceased	<u>Unknown %</u>
Charlene Ahlgrim, deceased	<u>Unknown %</u>
Vernon McKinney, deceased	<u>Unknown %</u>
Timothy Ahlgrim, deceased	<u>Unknown %</u>
Vernell Fenn, address unknown	<u>0.41503900%</u>
Male child of William V. Farless and Edna Condo, address unknown	<u>0.41503900%</u>

These persons are all related, and we have had numerous contacts with family members trying to form a family tree to determine all heirs. However, some of the above persons reportedly have had multiple marriages or out-of-wedlock children, and the heirs were not forthcoming with complete family information. We have conducted probate searches, internet searches, and telephone searches, and have been unable to determine with accuracy all such heirs or their whereabouts. A summary of our efforts to locate these persons is attached hereto as Exhibit C.

(f) JTD Resources, LLC has made a good faith effort to obtain the voluntary joinder of the uncommitted interest owner in the well, or to locate all parties to be pooled.

(g) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against a non-consenting interest owner.

(h) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit D. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Lea County.

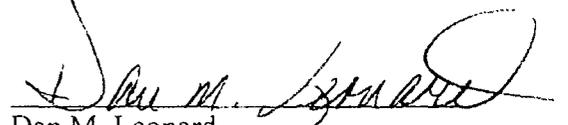
(i) Overhead charges of \$4,500.00/month for a drilling well, and \$450.00/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant requests that the rates be adjusted under the COPAS accounting procedure.

(k) Applicant requests that Primero Operating, Inc. be designated operator of the well.

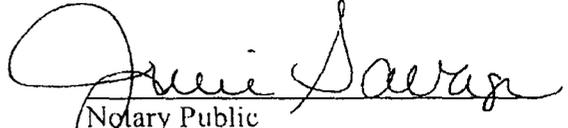
VERIFICATION

STATE OF TEXAS            )  
  ) ss.  
COUNTY OF MIDLAND    )

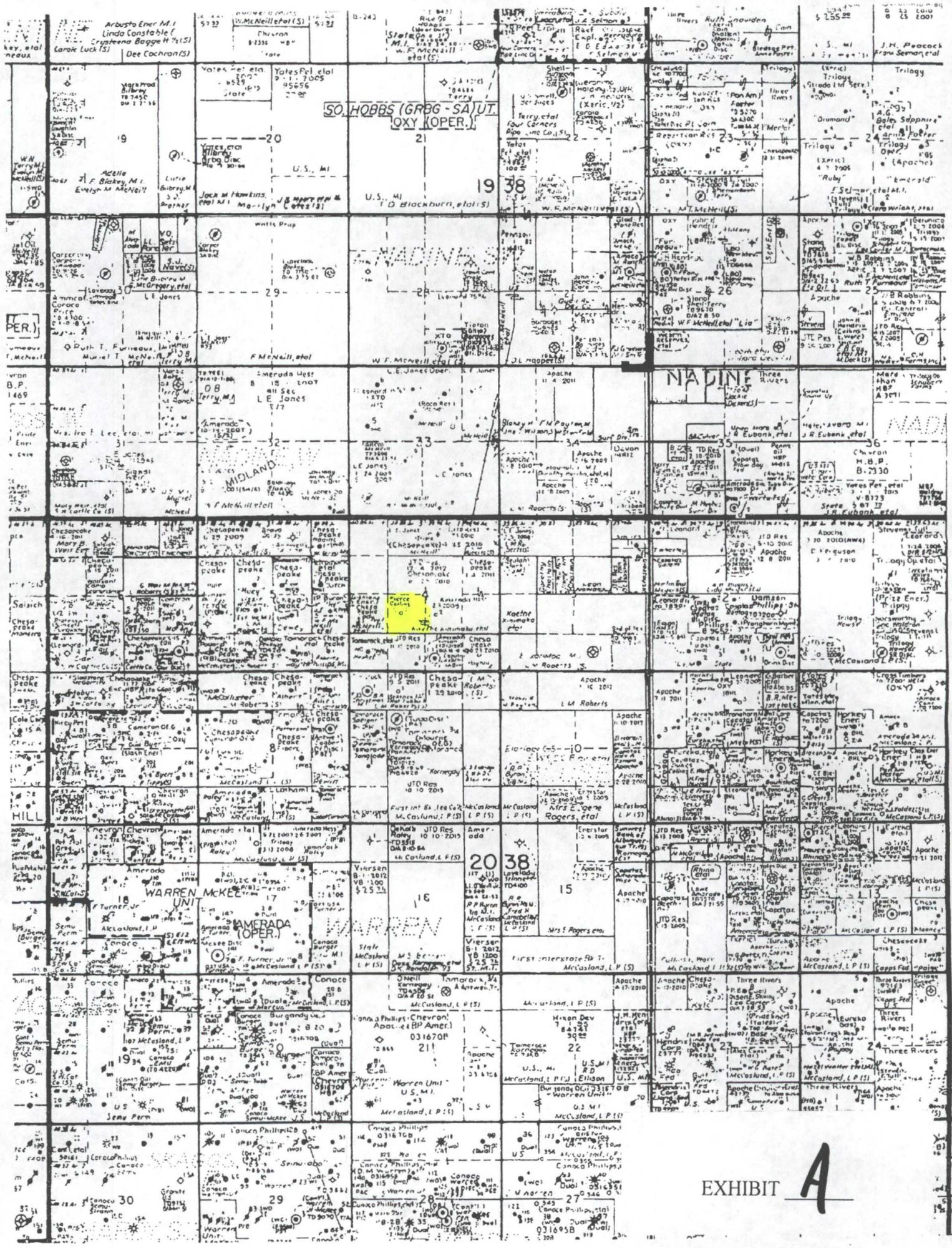
Dan M. Leonard, being duly sworn upon his oath, deposes and states that: He is the Managing Member of JTD Resources, LLC; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.

  
Dan M. Leonard

SUBSCRIBED AND SWORN TO before me this 3rd day of August, 2011 by Dan M. Leonard.

My Commission Expires: March 22, 2013   
Notary Public





EXHIBIT

A

DISTRICT I  
1625 N FRENCH DR., HOBBS, NM 88240  
DISTRICT II  
1301 W. GRAND AVENUE, ARTESIA, NM 88210  
DISTRICT III  
1000 RIO BRAZOS RD., AZTEC, NM 87410  
DISTRICT IV  
11885 S. ST. FRANCIS DR., SANTA FE, NM 87505

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

Form C-102  
Revised July 16, 2010  
Submit to Appropriate  
District Office

**HOBBS OGD**

**JUN 27 2011**

AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number <b>3D-025-40178</b>	Pool Code <b>97714</b>	Well Location <b>W. Locat NADINE, ABO, WEST</b>
Property Code <b>38678</b>	Property Name <b>COLLINS HEIRS</b>	Well Number <b>1</b>
OGRID No. <b>018100</b>	Operator Name <b>PRIMERO OPERATING</b>	Elevation <b>3577'</b>

**Surface Location**

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>K</b>	<b>4</b>	<b>20-S</b>	<b>38-E</b>		<b>1650</b>	<b>SOUTH</b>	<b>1700</b>	<b>WEST</b>	<b>LEA</b>

**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

Dedicated Acres <b>40</b>	Joint or Infill	Consolidation Code	Order No
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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

LOT 4	LOT 3	LOT 2	LOT 1
40.06 AC	40.00 AC	39.96 AC	39.90 AC

**OPERATOR CERTIFICATION**

I hereby certify that the information 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 mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature: *[Signature]* Date: **6-24-11**

Printed Name: **PAELPS White**

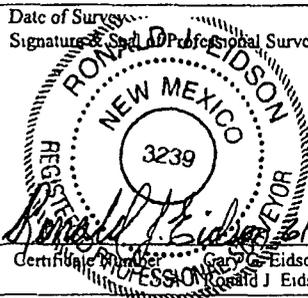
E-mail Address: **PWIV@ZIANET.COM**

**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.

**JUNE 13, 2011**

Date of Survey: \_\_\_\_\_  
Signature of Registered Professional Surveyor: *[Signature]*



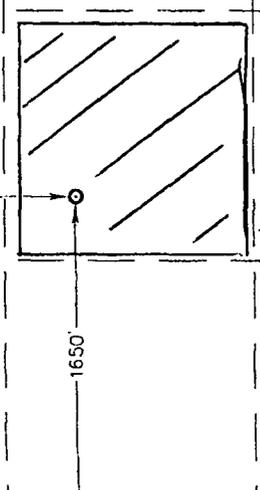
Certificate Number: **3239** Surveyor: **Romeo J. Eidson 12641**

LA JWSC WO 11.11.1312

**GEODETIC COORDINATES**  
NAD 27 NME

**SURFACE LOCATION**  
Y=583748.1 N  
X=862530.6 E

LAT.=32 599312' N  
LONG.=103 156174' W



Sent 2 offer letters to Joseph Farless and called him on the following dates:

4/21/09

3/19/09

2/4/09

2/12/09

1/13/09

1/12/09

Talked with his sister, Brandy Farless and she said she would talk to him and have him call me. Left messages on his answering machine each time, but have not talked with him. Also talked with Brandy in 2011 and she said she would have Joseph call - he never called.

EXHIBIT

B-1

**JTD RESOURCES, LLC**  
**P.O. Box 3422**  
**Midland, Texas 79702**

OIL AND GAS INVESTMENT

(432) 682-3712 OFFICE  
(432) 682-8652 FAX

April 13, 2011

Mr. Joseph Farless  
1602 Lundy SW  
Albuquerque, New Mexico 87105

RE. Oil and Gas Top Lease  
T-20-S, R-38-E  
SE/4 NW/4; SW/4 NE/4, NW/4 SE/4 &  
NE/4 SW/4 of Section 4  
Lea County, New Mexico

Dear Mr. Farless:

The Deed Records of Lea County, New Mexico indicate that you own an undivided .103759765% mineral interest under the captioned tracts of land, being 166015625 net mineral acres, more or less. As we discussed, JTD Resources would like to acquire a lease covering your minerals.

Accordingly, please find enclosed an Oil and Gas Lease dated April 13, 2011 between you, as Lessor, and JTD Resources, LLC, as Lessee covering your interest in the captioned lands.

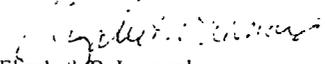
JTD Resources, LLC offers the following terms and conditions: \$127.00 per acre bonus consideration and prepaid delay rental and one-sixth (1/6) royalty for the three (3) year paid up lease. The form of the lease is a Producers 1988, New Mexico Form 342P, Paid-Up.

We have taken the liberty of preparing the Oil and Gas Lease for your consideration. Should the lease meet with your satisfaction, please execute the lease in the presence of a Notary Public, have your signature properly acknowledged, and mail it back to us. Upon receipt of your executed lease, we will forward you a check in the amount of \$21.09.

Please do not hesitate to call if you have any questions concerning this transaction. Thanks very much for your prompt handling of the Lease.

Very truly yours,

JTD Resources, LLC

  
Elizabeth B. Leonard

OIL & GAS LEASE

THIS AGREEMENT, made this 13<sup>th</sup> day of April, 2011, between Joseph Farless, dealing in his sole and separate property, of 1602 Lundy SW, Albuquerque, New Mexico 87105, herein called Lessor (whether one or more), and JTD RESOURCES, LLC, of P.O. Box 3422, Midland, Texas 79702, Lessee.

1. Lessor, in consideration of Ten and Other Dollars in hand paid, receipt of which is hereby acknowledged, and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, hereinafter referred to as "said land" or "the land", to-wit

T-20-S, R-38-E, N.M.P.M.  
Sec 4 SE/4NW/4, SW/4NE/4, NW/4SE/4 and NE/4SW/4

Said land is estimated to comprise 160 acres, whether it actually comprises more or less

2 Subject to the other provisions herein contained, this lease shall remain in force for a term of three (3) years from the date first written hereinabove, (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled

3 The royalties to be paid by Lessee are: a) on oil, and other liquid hydrocarbons saved at the well, one-sixth (1/6) of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; b) on gas, casinghead gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of one-sixth (1/6) of the gas used, provided that on gas sold on or off the premises, the royalties shall be one-sixth (1/6) of the amount realized from such sale, c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being sold or used and such well is shut-in, either before or after production therefrom, then on or before 90 days after said well is shut-in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such error within thirty (30) days after Lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of the functions performed.

4 This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term, however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included

in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though production from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing from any cause, this lease shall not terminate if Lessee commences operations for additional drilling or for re-working within 60 days thereafter. If any drilling, additional drilling, or re-working operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have the free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipelines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent.

8. The right of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee, and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through the death of the owner, Lessee may, at its option, pay or tender royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or re-working operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or materials, or by operation of force majeure, or by any Federal or state law or order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended and Lessee shall not be liable for failure to comply therewith, and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or re-working operations or from producing oil or gas hereunder, and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

12. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, or gas, or production of oil or gas, whether or not in paying quantities.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

\_\_\_\_\_  
Joseph Farless, dealing in his sole and separate property

\*\*\*\*\*

ACKNOWLEDGMENTS

STATE OF NEW MEXICO     }  
  }  
COUNTY OF \_\_\_\_\_     }

This instrument was acknowledged before me on this \_\_\_\_\_ day of \_\_\_\_\_,  
2011, by Joseph Farless

\_\_\_\_\_  
Notary Public in and for the State of New Mexico  
Notary's Printed Name: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

**JTD RESOURCES, LLC**  
**P.O. Box 3422**  
**Midland, Texas 79702**

OIL AND GAS INVESTMENT

(432) 682-3712 OFFICE  
(432) 682-8652 FAX

January 13, 2009

Mr. Joseph Farless  
1602 Lundy SW  
Albuquerque, New Mexico 87105

RE: Oil and Gas Top Lease  
T-20-S, R-38-E  
SE/4 NW/4; SW/4 NE/4, NW/4 SE/4 &  
NE/4 SW/4 of Section 4  
Lea County, New Mexico

Dear Mr. Farless

The Deed Records of Lea County, New Mexico indicate that you own an undivided .103759765% mineral interest under the captioned tracts of land, being 166015625 net mineral acres, more or less. As we discussed, JTD Resources would like to acquire a lease covering your minerals

Accordingly, please find enclosed an Oil and Gas Lease dated April 13, 2011 between you, as Lessor, and JTD Resources, LLC, as Lessee covering your interest in the captioned lands

JTD Resources, LLC offers the following terms and conditions. \$127.00 per acre bonus consideration and prepaid delay rental and one-sixth (1/6) royalty for the three (3) year paid up lease. The form of the lease is a Producers 1988, New Mexico Form 342P, Paid-Up

We have taken the liberty of preparing the Oil and Gas Lease for your consideration. Should the lease meet with your satisfaction, please execute the lease in the presence of a Notary Public, have your signature properly acknowledged, and mail it back to us. Upon receipt of your executed lease, we will forward you a check in the amount of \$21 09.

Please do not hesitate to call if you have any questions concerning this transaction. Thanks very much for your prompt handling of the Lease.

Very truly yours,

JTD Resources, LLC

  
Elizabeth B. Leonard

OIL & GAS LEASE

THIS AGREEMENT, made this 13<sup>th</sup> January, 2009, between Joseph Farless, dealing in his sole and separate property, of 1602 Lundy SW, Albuquerque, New Mexico 87105, herein called Lessor (whether one or more), and JTD RESOURCES, LLC, of P.O. Box 3422, Midland, Texas 79702, Lessee

1 Lessor, in consideration of Ten and Other Dollars in hand paid, receipt of which is hereby acknowledged, and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, hereinafter referred to as "said land" or "the land", to-wit.

T-20-S, R-38-E, N.M.P.M.  
Sec 4. SE/4NW/4, SW/4NE/4, NW/4SE/4 and NE/4SW/4

Said land is estimated to comprise 160 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of three (3) years from November 9, 2009, (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by Lessee are. a) on oil, and other liquid hydrocarbons saved at the well, one-sixth (1/6) of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected, b) on gas, casinghead gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of one-sixth (1/6) of the gas used, provided that on gas sold on or off the premises, the royalties shall be one-sixth (1/6) of the amount realized from such sale; c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being sold or used and such well is shut-in, either before or after production therefrom, then on or before 90 days after said well is shut-in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such error within thirty (30) days after Lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of the functions performed.

4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included

in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though production from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing from any cause, this lease shall not terminate if Lessee commences operations for additional drilling or for re-working within 60 days thereafter. If any drilling, additional drilling, or re-working operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have the free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipelines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent.

8. The right of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee, and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through the death of the owner, Lessee may, at its option, pay or tender royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or re-working operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or materials, or by operation of force majeure, or by any Federal or state law or order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended and Lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or re-working operations or from producing oil or gas hereunder; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

12. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, or gas, or production of oil or gas, whether or not in paying quantities.

13. This lease is subject to any existing Oil and Gas lease of record in Lea County, New Mexico and to the extent said lease is currently in effect This Lease shall become effective upon the expiration of said lease, provided that if said existing Oil and Gas Lease, has not expired prior to three years after its primary term, this lease shall automatically terminate.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

\_\_\_\_\_  
Joseph Farless, dealing in his sole and separate property

\*\*\*\*\*

ACKNOWLEDGMENTS

STATE OF NEW MEXICO     )  
  )  
COUNTY OF \_\_\_\_\_    )

This instrument was acknowledged before me on this \_\_\_\_\_ day of \_\_\_\_\_, 2009, by Joseph Farless.

\_\_\_\_\_  
Notary Public in and for the State of New Mexico  
Notary's Printed Name: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

**JTD RESOURCES, LLC**  
**P.O. Box 3422**  
**Midland, Texas 79702**

OIL AND GAS INVESTMENT

(432) 682-3712 OFFICE  
(432) 682-8652 FAX

July 15, 2011

Mr. Joseph Farless  
1602 Lundy Lane SW  
Albuquerque, New Mexico 87105

RE: Proposal to Drill the Collins  
Heirs No. 1 Well  
T-20-S, R-38-E  
Section 4: NE/4SW/4  
Lea County, New Mexico

Dear Mr. Farless:

JTD Resources, LLC hereby proposes to drill the Collins Heirs No. 1 Well at an orthodox oil well location in the NE/4SW/4 of Section 4, Township 20 South, Range 38 East, N.M.P.M., Lea County, New Mexico. The well will be operated by Primero Operating, Inc., and is scheduled to be drilled to 7,800 feet or to a depth sufficient to test the Abo formation. Primero Operating anticipates commencing drilling operations in October of 2011.

We enclose two copies of an Authority for Expenditure (AFE) prepared by Primero for your review. Dry hole costs are estimated to be \$875,000.00 and the completion cost estimate is \$475,000.00, for an estimated total completed well cost of \$1,350,000.00.

JTD Resources respectfully requests your support and participation in the proposed well. In the event you elect to participate, please execute one (1) copy of the AFE and return it to us at your earliest convenience. Upon receipt of same, we will prepare the Operating Agreement and forward it to you for review and execution.

In the event you elect not to participate, JTD would be receptive to purchasing an Oil and Gas Lease covering your interest in the NE/4SW/4, SE/4NW/4, SW/4NE/4 and NW/4SE/4 of Section 4 under the following terms and conditions: \$125.00 per net mineral acre bonus consideration, three-sixteenths (3/16ths) royalty and \$2.00 per acre prepaid delay rentals for a three (3) year, paid-up Oil and Gas Lease.

Thank you for your consideration of this proposal. Should you have any questions, please give me a call at (432) 682-3712

Very truly yours,

JTD Resources, LLC

A handwritten signature in black ink, appearing to read "Dan M. Leonard". The signature is fluid and cursive, with a large, stylized initial "D".

Dan M. Leonard, Managing Member

**JTD RESOURCES, LLC**  
**P.O. Box 3422**  
**Midland, Texas 79702**

OIL AND GAS INVESTMENT

(432) 682-3712 OFFICE  
(432) 682-8652 FAX

July 15, 2011

Mr. Joseph Farless  
1602 Lundy SW  
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Heirs No. 1 Well  
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Section 4: NE/4SW/4  
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Dear Mr. Farless:

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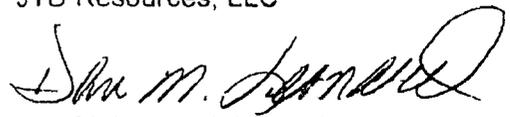
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Thank you for your consideration of this proposal. Should you have any questions, please give me a call at (432) 682-3712.

Very truly yours,

JTD Resources, LLC

A handwritten signature in black ink, appearing to read "Dan M. Leonard". The signature is fluid and cursive, with a large loop at the end.

Dan M. Leonard, Managing Member

Talked with Kevin at his office on the following dates. He offices next to his brother, Randy Ahlgrim. On two occasions talked with Randy when we talked with Kevin. Called him on the following dates:

4/15/09

2/04/09

1/14/09

Also talked with Kevin in 2011 and he said "he was a very busy man and didn't have time to mess with this." Mailed his offer and paperwork three times.

EXHIBIT

B-2

**JTD RESOURCES, LLC**  
**P.O. Box 3422**  
**Midland, Texas 79702**

OIL AND GAS INVESTMENT

(432) 682-3712 OFFICE  
(432) 682-8652 FAX

February 8, 2011

Mr. Kevin Ahlgrim  
#2 Road 3007  
Aztec, New Mexico 87410

RE Oil and Gas Lease  
T-20-S, R-38-E  
Section 4 SE/4 NW/4, SW/4 NE/4,  
NE/4 SW/4 & NW/4 SE/4  
Lea County, New Mexico

Dear Mr. Ahlgrim

The Deed Records of Lea County, New Mexico indicate that you own an undivided 207519% mineral interest under the captioned tracts of land, being 0.33203 net mineral acres, more or less. The records further reflect that your mineral interest is unleased.

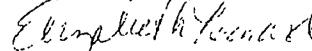
JTD Resources, LLC previously leased your minerals from your grandfather, William V. Farless, and would like to lease them again. We offer the following terms and conditions: \$125 per acre bonus consideration, 1/6th royalty and \$2.00 per acre prepaid delay rentals for a 3 year term lease. The form of the lease is a Producers 1988, New Mexico Form 342P, Paid-Up.

We have taken the liberty of preparing the Oil and Gas Lease for your consideration. Should the Lease and draft meet with your satisfaction, please execute the Lease in the presence of a Notary Public, have your signature properly acknowledged, and mail it back to us. When we receive your lease, we will mail you a check in the amount \$42.17, which represents the \$125.00 per acre bonus consideration and \$2.00 per acre prepaid delay rental for the 3 year, 1/6th royalty lease covering your 0.33203 net mineral acres.

Please do not hesitate to call if you have any questions concerning this transaction. We would appreciate your prompt and favorable response.

Very truly yours,

JTD Resources, LLC

  
Elizabeth B. Leonard

OIL & GAS LEASE

THIS AGREEMENT, made this 9th day of February, 2011, between Kevin Ahlgum, dealing in his sole and separate property of #2 Road 3007, Aztec, New Mexico 87410, herein called Lessor (whether one or more) and JTD RESOURCES, LLC, of P O Box 3422, Midland, Texas 79702, Lessee

1 Lessor, in consideration of Ten and Other Dollars in hand paid, receipt of which is hereby acknowledged, and of the agreements of the lessee herein contained, hereby grants leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil building tanks, roadways, telephone lines and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, hereinafter referred to as "said land" or "the land", to-wit:

T-20-S, R-38-E, N.M.P.M.  
Sec. 4. SW/4NE/4, SE/4NW/4, NE/4SW/4 & NW/4S<sup>W</sup>/4

Said land is estimated to comprise 160 acres, whether it actually comprises more or less

2 Subject to the other provisions herein contained, this lease shall remain in force for a term of three (3) years from the date first written hereinabove, (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled

3 The royalties to be paid by Lessee are: a) on oil, and other liquid hydrocarbons saved at the well one-sixth (1/6) of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; b) on gas, casinghead gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of one-sixth (1/6) of the gas used, provided that on gas sold on or off the premises the royalties shall be one sixth (1/6) of the amount realized from such sale, c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being sold or used and such well is shut-in, either before or after production therefrom, then on or before 90 days after said well is shut-in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1 00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such error within thirty (30) days after Lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of the functions performed

4 This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all

purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though production from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing from any cause, this lease shall not terminate if Lessee commences operations for additional drilling or for re-working within 60 days thereafter. If any drilling, additional drilling, or re-working operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have the free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipelines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent.

8. The right of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee, and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through the death of the owner, Lessee may, at its option, pay or tender royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or re-working operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or materials, or by operation of force majeure, or by any Federal or state law or order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended and Lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or re-working operations or from producing oil or gas hereunder, and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the county in which said land is situated, thereupon Lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

12. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, commingling, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, or gas, or production of oil or gas, whether or not in paying quantities

IN WITNESS WHEREOF, this instrument is executed on the date first above written

Kevin Ahlgrim, dealing in his sole and separate property

\*\*\*\*\*

ACKNOWLEDGMENT

The State of NEW MEXICO }  
County of \_\_\_\_\_ }

The foregoing instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2009, by Kevin Ahlgrim.

Notary Public in and for the \_\_\_\_\_  
State of New Mexico  
Notary's Printed Name: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

**Elizabeth Leonard**

---

**From:** "Elizabeth Leonard" <eleonard@jtdresources.com>  
**To:** <kahlgrim@natco-us.com>  
**Sent:** Wednesday, January 14, 2009 10:31 AM  
**Attach:** kevin ahlgim lease - SW Nadine doc, offer to buy lease -kevin ahlgim doc  
**Subject:** Lea Co lease

Dear Kevin - attached is the Oil and Gas Lease and a cover letter explaining the lease. If the lease meets with your approval, please have it signed in front of a notary public and mail back to us. I'll mail you a check the next day. If you have any questions, please call me. Elizabeth Leonard (432) 682-3712

1/14/2009

**JTD RESOURCES, LLC**  
**P.O. Box 3422**  
**Midland, Texas 79702**

OIL AND GAS INVESTMENT

(432) 682-3712 OFFICE  
(432) 682-8652 FAX

January 14, 2009

Mr Kevin Ahlgrim  
#2 Road 3007  
Aztec, New Mexico 87410

RE Oil and Gas Lease  
T-20-S, R-38-E  
Section 4 SE/4 NW/4, SW/4 NE/4,  
NE/4 SW/4 & NW/4 SE/4  
Lea County, New Mexico

Dear Mr Ahlgrim

The Deed Records of Lea County, New Mexico indicate that you own an undivided 207519% mineral interest under the captioned tracts of land, being 0.33203 net mineral acres, more or less. The records further reflect that your mineral interest is unleased.

JTD Resources, LLC previously leased your minerals from your grandfather, William V. Farless, and would like to lease them again. We offer the following terms and conditions: \$125 per acre bonus consideration, 1/6th royalty and \$2.00 per acre prepaid delay rentals for a 3 year term lease. The form of the lease is a Producers 1988, New Mexico Form 342P, Paid-Up.

We have taken the liberty of preparing the Oil and Gas Lease for your consideration. Should the Lease and draft meet with your satisfaction, please execute the Lease in the presence of a Notary Public, have your signature properly acknowledged, and mail it back to us. When we receive your lease, we will mail you a check in the amount \$42.17, which represents the \$100.00 per acre bonus consideration and \$2.00 per acre prepaid delay rental for the 3 year, 1/6th royalty lease covering your 0.33203 net mineral acres.

Please do not hesitate to call if you have any questions concerning this transaction. We would appreciate your prompt and favorable response.

Very truly yours,

JTD Resources, LLC

Elizabeth B. Leonard

OIL & GAS LEASE

THIS AGREEMENT, made this 14th day of January, 2009, between Kevin Ahlgrim, dealing in his sole and separate property of #2 Road 3007, Aztec, New Mexico 87410, herein called Lessor (whether one or more) and JTD RESOURCES, LLC, of P.O. Box 3422, Midland, Texas 79702, Lessee

1. Lessor, in consideration of Ten and Other Dollars in hand paid, receipt of which is hereby acknowledged, and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, hereinafter referred to as "said land" or "the land", to-wit:

T-20-S, R-38-E, N.M.P.M.  
Sec. 4 - SW/4NE/4, SE/4NW/4, NE/4NW/4 & NW/4SE/4

Said land is estimated to comprise 160 acres, whether it actually comprises more or less

2 Subject to the other provisions herein contained, this lease shall remain in force for a term of three (3) years from the date first written hereinabove, (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3 The royalties to be paid by Lessee are: a) on oil, and other liquid hydrocarbons saved at the well, one-sixth (1/6) of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; b) on gas, casinghead gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of one-sixth (1/6) of the gas used, provided that on gas sold on or off the premises, the royalties shall be one sixth (1/6) of the amount realized from such sale; c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being sold or used and such well is shut-in, either before or after production therefrom, then on or before 90 days after said well is shut-in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such error within thirty (30) days after Lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of the functions performed.

4 This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all

purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though production from said land under the terms of this lease. Any pooled unit designated by lessee as provided herein may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after completion of a dry hole or the cessation of production on said unit

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing from any cause, this lease shall not terminate if Lessee commences operations for additional drilling or for re-working within 60 days thereafter. If any drilling, additional drilling, or re-working operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have the free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipelines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent.

8. The right of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee, and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through the death of the owner, Lessee may, at its option, pay or tender royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or re-working operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or materials, or by operation of force majeure or by any Federal or state law or order, rule or regulation of governmental authority, then while so prevented Lessee's duty shall be suspended and Lessee shall not be liable for failure to comply therewith, and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or re-working operations or from producing oil or gas hereunder; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.



**JTD RESOURCES, LLC**  
**P.O. Box 3422**  
**Midland, Texas 79702**

OIL AND GAS INVESTMENT

(432) 682-3712 OFFICE  
(432) 682-8652 FAX

March 30, 2009

Mr. Kevin Ahlgrim  
#2 Road 3007  
Aztec, New Mexico 87410

RE Oil and Gas Lease  
T-20-S, R-38-E  
Section 4: SE/4 NW/4, SW/4 NE/4,  
NE/4 SW/4 & NW/4 SE/4  
Lea County, New Mexico

Dear Mr. Ahlgrim:

The Deed Records of Lea County, New Mexico indicate that you own an undivided .207519% mineral interest under the captioned tracts of land, being 0.33203 net mineral acres, more or less. The records further reflect that your mineral interest is unleased.

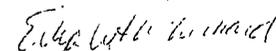
JTD Resources, LLC previously leased your minerals from your grandfather, William V. Farless, and would like to lease them again. We offer the following terms and conditions: \$125 per acre bonus consideration, 1/6th royalty and \$2.00 per acre prepaid delay rentals for a 3 year term lease. The form of the lease is a Producers 1988, New Mexico Form 342P, Paid-Up.

We have taken the liberty of preparing the Oil and Gas Lease for your consideration. Should the Lease and draft meet with your satisfaction, please execute the Lease in the presence of a Notary Public, have your signature properly acknowledged, and mail it back to us. When we receive your lease, we will mail you a check in the amount \$42.17, which represents the \$125.00 per acre bonus consideration and \$2.00 per acre prepaid delay rental for the 3 year, 1/6th royalty lease covering your 0.33203 net mineral acres.

Please do not hesitate to call if you have any questions concerning this transaction. We would appreciate your prompt and favorable response.

Very truly yours,

JTD Resources, LLC

  
Elizabeth B. Leonard

OIL & GAS LEASE

THIS AGREEMENT, made this 30th day of March, 2009, between Kevin Ahlgrim, dealing in his sole and separate property of #2 Road 3007, Aztec, New Mexico 87410 herein called Lessor (whether one or more) and JTD RESOURCES, LLC, of P.O. Box 3422, Midland, Texas 79702 Lessee

1. Lessor, in consideration of Ten and Other Dollars in hand paid, receipt of which is hereby acknowledged, and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and operating for and producing oil and gas injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil building tanks, roadways, telephone lines and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, hereinafter referred to as "said land" or "the land", to-wit:

T-20-S, R-38-E, N.M.P.M.  
Sec. 4. SW/4NE/4, SE/4NW/4, NE/4NW/4 & NW/4SE/4

Said land is estimated to comprise 160 acres, whether it actually comprises more or less

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of three (3) years from the date first written hereinabove, (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled

3. The royalties to be paid by Lessee are: a) on oil, and other liquid hydrocarbons saved at the well, one-sixth (1/6) of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected, b) on gas, casinghead gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products the market value at the well of one-sixth (1/6) of the gas used, provided that on gas sold on or off the premises, the royalties shall be one sixth (1/6) of the amount realized from such sale, c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being sold or used and such well is shut-in, either before or after production therefrom then on or before 90 days after said well is shut-in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such error within thirty (30) days after Lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of the functions performed

4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all

purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though production from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after completion of a dry hole or the cessation of production on said unit

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing from any cause, this lease shall not terminate if Lessee commences operations for additional drilling or for re-working within 60 days thereafter. If any drilling, additional drilling, or re-working operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have the free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipelines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent.

8. The right of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee, and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through the death of the owner, Lessee may at its option, pay or tender royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or re-working operations hereunder or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or materials, or by operation of force majeure, or by any federal or state law or order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended and Lessee shall not be liable for failure to comply therewith, and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or re-working operations or from producing oil or gas hereunder; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the county in which said land is situated, thereupon Lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.



**JTD RESOURCES, LLC**  
**P.O. Box 3422**  
**Midland, Texas 79702**

OIL AND GAS INVESTMENT

(432) 682-3712 OFFICE  
(432) 682-8652 FAX

July 15, 2011

Mr. Kevin Ahlgrim  
No. 2 Road 3007  
Aztec, New Mexico 87410

RE: Proposal to Drill the Collins  
Heirs No. 1 Well  
T-20-S, R-38-E  
Section 4: NE/4SW/4  
Lea County, New Mexico

Dear Mr. Ahlgrim:

JTD Resources, LLC hereby proposes to drill the Collins Heirs No. 1 Well at an orthodox oil well location in the NE/4SW/4 of Section 4, Township 20 South, Range 38 East, N.M.P.M., Lea County, New Mexico. The well will be operated by Primero Operating, Inc., and is scheduled to be drilled to 7,800 feet or to a depth sufficient to test the Abo formation. Primero Operating anticipates commencing drilling operations in October of 2011.

We enclose two copies of an Authority for Expenditure (AFE) prepared by Primero for your review. Dry hole costs are estimated to be \$875,000.00 and the completion cost estimate is \$475,000.00, for an estimated total completed well cost of \$1,350,000.00.

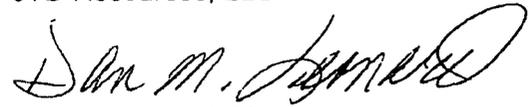
JTD Resources respectfully requests your support and participation in the proposed well. In the event you elect to participate, please execute one (1) copy of the AFE and return it to us at your earliest convenience. Upon receipt of same, we will prepare the Operating Agreement and forward it to you for review and execution.

In the event you elect not to participate, JTD would be receptive to purchasing an Oil and Gas Lease covering your interest in the NE/4SW/4, SE/4NW/4, SW/4NE/4 and NW/4SE/4 of Section 4 under the following terms and conditions: \$125.00 per net mineral acre bonus consideration, three-sixteenths (3/16ths) royalty and \$2.00 per acre prepaid delay rentals for a three (3) year, paid-up Oil and Gas Lease.

Thank you for your consideration of this proposal. Should you have any questions, please give me a call at (432) 682-3712.

Very truly yours,

JTD Resources, LLC

A handwritten signature in black ink, appearing to read "Dan M. Leonard". The signature is fluid and cursive, with a large loop at the end.

Dan M. Leonard, Managing Member

Talked with Randy on 2 occasions at his office. Also called him 3 other times:

4/15/09

2/04/09

1/13/09

Sent him an offer and paperwork on 2 occasions.

EXHIBIT B-3

**JTD RESOURCES, LLC**  
**P.O. Box 3422**  
**Midland, Texas 79702**

OIL AND GAS INVESTMENT

(432) 682-3712 OFFICE  
(432) 682-8652 FAX

February 8, 2011

Mr. Randy Ahlgrim  
#2 Road 3007  
Aztec, New Mexico 87410

RE Oil and Gas Lease  
T-20-S, R-38-E  
Section 4 SE/4 NW/4, SW/4 NE/4,  
NE/4 SW/4 & NW/4 SE/4  
Lea County, New Mexico

Dear Mr Ahlgrim

The Deed Records of Lea County, New Mexico indicate that you own an undivided .207519% mineral interest under the captioned tracts of land, being 0.33203 net mineral acres, more or less. The records further reflect that your mineral interest is unleased.

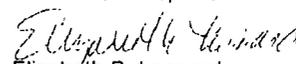
JTD Resources, LLC previously leased your minerals from your grandfather, William V Farless, and would like to lease them again. We offer the following terms and conditions. \$125 per acre bonus consideration, 1/6th royalty and \$2.00 per acre prepaid delay rentals for a 3 year term lease. The form of the lease is a Producers 1988, New Mexico Form 342P, Paid-Up.

We have taken the liberty of preparing the Oil and Gas Lease for your consideration. Should the Lease and draft meet with your satisfaction, please execute the Lease in the presence of a Notary Public, have your signature properly acknowledged, and mail it back to us. When we receive your lease, we will mail you a check in the amount \$42.17, which represents the \$125.00 per acre bonus consideration and \$2.00 per acre prepaid delay rental for the 3 year, 1/6<sup>th</sup> royalty lease covering your 0.33203 net mineral acres.

Please do not hesitate to call if you have any questions concerning this transaction. We would appreciate your prompt and favorable response.

Very truly yours,

JTD Resources, LLC

  
Elizabeth B Leonard

OIL & GAS LEASE

THIS AGREEMENT, made this 9th day of February, 2011, between Randy Ahlgrim, dealing in his sole and separate property of #2 Road 3007, Aztec, New Mexico 87410, herein called Lessor (whether one or more) and JTD RESOURCES, LLC, of P O Box 3422, Midland, Texas 79702, Lessee

I Lessor, in consideration of Ten and Other Dollars in hand paid, receipt of which is hereby acknowledged, and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, hereinafter referred to as "said land" or "the land", to-wit

T-20-S, R-38-E, N.M.P.M.  
Sec. 4. SW/4NE/4, SE/4NW/4, NE/4SW/4 & NW/4SE/4

Said land is estimated to comprise 160 acres, whether it actually comprises more or less

2 Subject to the other provisions herein contained, this lease shall remain in force for a term of three (3) years from the date first written hereinabove, (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled

3. The royalties to be paid by Lessee are a) on oil, and other liquid hydrocarbons saved at the well, one-sixth (1/6) of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; b) on gas, casinghead gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of one-sixth (1/6) of the gas used, provided that on gas sold on or off the premises, the royalties shall be one sixth (1/6) of the amount realized from such sale; c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith but gas or condensate is not being sold or used and such well is shut-in, either before or after production therefrom, then on or before 90 days after said well is shut-in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such error within thirty (30) days after Lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of the functions performed.

4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all

purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though production from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after completion of a dry hole or the cessation of production on said unit

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing from any cause, this lease shall not terminate if Lessee commences operations for additional drilling or for re-working within 60 days thereafter. If any drilling, additional drilling, or re-working operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have the free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipelines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent

8. The right of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee, and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through the death of the owner, Lessee may, at its option, pay or tender royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or re-working operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or materials, or by operation of force majeure or by any Federal or state law or order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended and Lessee shall not be liable for failure to comply therewith, and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or re-working operations or from producing oil or gas hereunder; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases



**Elizabeth Leonard**

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**From:** "Elizabeth Leonard" <eleonard@jtdresources.com>  
**To:** <rca2970@yahoo.com>  
**Sent:** Wednesday, January 14, 2009 10:33 AM  
**Attach:** offer to buy lease -randy ahlgrim.doc, randy ahlgrim lease - SW Nadine.doc  
**Subject:** NM oil and gas lease

Dear Randy - attached is the Oil and Gas Lease and a cover letter explaining the lease. If the lease meets with your approval, please have it signed in front of a notary public and mail back to us. I'll mail you a check the next day. If you have any questions, please call me. Elizabeth Leonard (432) 682-3712

PS - I will also need your address

1/14/2009

**JTD RESOURCES, LLC**  
**P.O. Box 3422**  
**Midland, Texas 79702**

OIL AND GAS INVESTMENT

(432) 682-3712 OFFICE  
(432) 682-8652 FAX

January 14, 2009

Mr. Randy Ahlgrim  
Aztec, New Mexico 87410

RE: Oil and Gas Lease  
T-20-S, R-38-E  
Section 4 SE/4 NW/4, SW/4 NE/4,  
NE/4 SW/4 & NW/4 SE/4  
Lea County, New Mexico

Dear Mr Ahlgrim:

The Deed Records of Lea County, New Mexico indicate that you own an undivided 207519% mineral interest under the captioned tracts of land, being 0.33203 net mineral acres, more or less. The records further reflect that your mineral interest is unleased.

JTD Resources, LLC previously leased your minerals from your grandfather, William V. Farless, and would like to lease them again. We offer the following terms and conditions: \$125 per acre bonus consideration, 1/6th royalty and \$2.00 per acre prepaid delay rentals for a 3 year term lease. The form of the lease is a Producers 1988, New Mexico Form 342P, Paid-Up.

We have taken the liberty of preparing the Oil and Gas Lease for your consideration. Should the Lease and draft meet with your satisfaction, please execute the Lease in the presence of a Notary Public, have your signature properly acknowledged, and mail it back to us. When we receive your lease, we will mail you a check in the amount \$42.17, which represents the \$100.00 per acre bonus consideration and \$2.00 per acre prepaid delay rental for the 3 year, 1/6<sup>th</sup> royalty lease covering your 0.33203 net mineral acres.

Please do not hesitate to call if you have any questions concerning this transaction. We would appreciate your prompt and favorable response.

Very truly yours,

JTD Resources, LLC

Elizabeth B Leonard

OIL & GAS LEASE

THIS AGREEMENT, made this 14th day of January, 2009, between Randy Ahlgrim, dealing in his sole and separate property of \_\_\_\_\_, Aztec, New Mexico 87410, herein called Lessor (whether one or more) and JTD RESOURCES, LLC, of P.O. Box 3422, Midland, Texas 79702, Lessee

1. Lessor, in consideration of Ten and Other Dollars in hand paid, receipt of which is hereby acknowledged, and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and operating for and producing oil and gas injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, hereinafter referred to as "said land" or "the land", to-wit:

T-20-S, R-38-E, N.M.P.M.  
Sec. 4: SW/4NE/4, SE/4NW/4, NE/4NW/4 & NW/4SE/4

Said land is estimated to comprise 160 acres, whether it actually comprises more or less

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of three (3) years from the date first written hereinabove, (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled

3. The royalties to be paid by Lessee are: a) on oil, and other liquid hydrocarbons saved at the well, one-sixth (1/6) of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; b) on gas, casinghead gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of one-sixth (1/6) of the gas used, provided that on gas sold on or off the premises, the royalties shall be one sixth (1/6) of the amount realized from such sale, c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being sold or used and such well is shut-in, either before or after production therefrom, then on or before 90 days after said well is shut-in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1 00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such error within thirty (30) days after Lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of the functions performed.

4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all

purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though production from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing from any cause, this lease shall not terminate if Lessee commences operations for additional drilling or for re-working within 60 days thereafter. If any drilling, additional drilling, or re-working operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have the free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipelines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent.

8. The right of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee, and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through the death of the owner, Lessee may, at its option, pay or tender royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or re-working operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or materials, or by operation of force majeure, or by any federal or state law or order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended and Lessee shall not be liable for failure to comply therewith, and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or re-working operations or from producing oil or gas hereunder; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the county in which said land is situated, thereupon Lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.



**JTD RESOURCES, LLC**  
**P.O. Box 3422**  
**Midland, Texas 79702**

OIL AND GAS INVESTMENT

(432) 682-3712 OFFICE  
(432) 682-8652 FAX

July 15, 2011

Mr. Randy Ahlgrim  
No. 2 Road 3007  
Aztec, New Mexico 87410

RE: Proposal to Drill the Collins  
Heirs No 1 Well  
T-20-S, R-38-E  
Section 4: NE/4SW/4  
Lea County, New Mexico

Dear Mr. Ahlgrim

JTD Resources, LLC hereby proposes to drill the Collins Heirs No. 1 Well at an orthodox oil well location in the NE/4SW/4 of Section 4, Township 20 South, Range 38 East, N.M.P.M., Lea County, New Mexico. The well will be operated by Primero Operating, Inc., and is scheduled to be drilled to 7,800 feet or to a depth sufficient to test the Abo formation. Primero Operating anticipates commencing drilling operations in October of 2011.

We enclose two copies of an Authority for Expenditure (AFE) prepared by Primero for your review. Dry hole costs are estimated to be \$875,000.00 and the completion cost estimate is \$475,000.00, for an estimated total completed well cost of \$1,350,000.00.

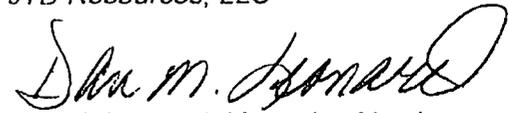
JTD Resources respectfully requests your support and participation in the proposed well. *In the event you elect to participate, please execute one (1) copy of the AFE and return it to us at your earliest convenience. Upon receipt of same, we will prepare the Operating Agreement and forward it to you for review and execution.*

In the event you elect not to participate, JTD would be receptive to purchasing an Oil and Gas Lease covering your interest in the NE/4SW/4, SE/4NW/4, SW/4NE/4 and NW/4SE/4 of Section 4 under the following terms and conditions: \$125.00 per net mineral acre bonus consideration, three-sixteenths (3/16ths) royalty and \$2.00 per acre prepaid delay rentals for a three (3) year, paid-up Oil and Gas Lease.

Thank you for your consideration of this proposal. Should you have any questions, please give me a call at (432) 682-3712.

Very truly yours,

JTD Resources, LLC

A handwritten signature in black ink, appearing to read "Dan M. Leonard". The signature is written in a cursive style with a large, looping initial "D".

Dan M. Leonard, Managing Member

Have never spoken with Kathleen Reynolds. Have spoken to her sister, Kimberly Ahlgrim, and she said to send Kathleen's paperwork to her and have her call me. She would not give out her phone number or address. I also called Kathleen's mother-in-law. She said she and her son (Kathleen's husband) used to live with them, but they just moved and she didn't have an address or number for them. Gave her our name and number and asked her to have Kathleen call, but she never called.

EXHIBIT B-4

**JTD RESOURCES, LLC**  
**P.O. Box 3422**  
**Midland, Texas 79702**

OIL AND GAS INVESTMENT

(432) 682-3712 OFFICE  
(432) 682-8652 FAX

February 8, 2011

Ms. Kathleen Ahlgrim  
1277 West 790 North  
St George, Utah 84770

RE Oil and Gas Lease  
T-20-S, R-38-E  
Section 4 SE/4NW/4, SW/4NE/4,  
NE/4SW/4 & NW/4SE/4  
Lea County, New Mexico

Dear Ms. Ahlgrim:

The Deed Records of Lea County, New Mexico indicate that you own an undivided .207519% mineral interest under the captioned tracts of land, being 0.33203 net mineral acres, more or less. The records further reflect that your mineral interest is unleased.

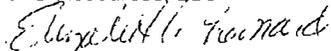
JTD Resources, LLC previously leased your minerals from your grandfather, William V Farless, and would like to lease them again. We offer the following terms and conditions: \$125 per acre bonus consideration, 1/6th royalty and \$2.00 per acre prepaid delay rentals for a 3 year term lease. The form of the lease is a Producers 1988, New Mexico Form 342P, Paid-Up.

We have taken the liberty of preparing the Oil and Gas Lease for your consideration. Should the Lease and draft meet with your satisfaction, please execute the Lease in the presence of a Notary Public, have your signature properly acknowledged, and mail it back to us. When we receive your lease, we will mail you a check in the amount \$42.17, which represents the \$125.00 per acre bonus consideration and \$2.00 per acre prepaid delay rental for the 3 year, 1/6<sup>th</sup> royalty lease covering your 0.33203 net mineral acres.

Please do not hesitate to call if you have any questions concerning this transaction. We would appreciate your prompt and favorable response.

Very truly yours,

JTD Resources, LLC



Elizabeth B. Leonard

OIL & GAS LEASE

THIS AGREEMENT, made this 9th day of February, 2011, between Kathleen Ahlgrim, dealing in her sole and separate property of 1277 W. 790 N., St George, Utah 84770, herein called Lessor (whether one or more) and JTD RESOURCES, LLC, of P O Box 3422, Midland, Texas 79702, Lessee

1 Lessor, in consideration of Ten and Other Dollars in hand paid, receipt of which is hereby acknowledged, and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, hereinafter referred to as "said land" or "the land", to-wit:

T-20-S, R-36-E, N.M.P.M.  
Sec. 4 SW/4NE/4, SE/4NW/4, NE/4SW/4 & NW/4SE/4

Said land is estimated to comprise 160 acres, whether it actually comprises more or less

2 Subject to the other provisions herein contained, this lease shall remain in force for a term of three (3) years from the date first written hereinabove, (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3 The royalties to be paid by Lessee are: a) on oil, and other liquid hydrocarbons saved at the well, one-sixth (1/6) of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected, b) on gas, casinghead gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of one-sixth (1/6) of the gas used, provided that on gas sold on or off the premises, the royalties shall be one sixth (1/6) of the amount realized from such sale, c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being sold or used and such well is shut-in, either before or after production therefrom, then on or before 90 days after said well is shut-in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such error within thirty (30) days after Lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of the functions performed

4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof

5 Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all

purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though production from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing from any cause, this lease shall not terminate if Lessee commences operations for additional drilling or for re-working within 60 days thereafter. If any drilling, additional drilling, or re-working operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have the free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipelines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or harm now on said land without Lessor's consent.

8. The right of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee, and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through the death of the owner, Lessee may, at its option, pay or tender royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or re-working operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or materials, or by operation of force majeure, or by any Federal or state law or order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended and Lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or re-working operations or from producing oil or gas hereunder; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the county in which said land is situated, thereupon Lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

12. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, or gas, or production of oil or gas, whether or not in paying quantities.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

\_\_\_\_\_  
Kathleen Ahlgrim, dealing in her sole and separate property

\*\*\*\*\*

ACKNOWLEDGMENT

The State of UTAH                    }  
  }  
County of \_\_\_\_\_                }

The foregoing instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2011, by Kathleen Ahlgrim.

\_\_\_\_\_  
Notary Public in and for the  
State of Utah  
Notary's Printed Name: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

**JTD RESOURCES, LLC**  
**P.O. Box 3422**  
**Midland, Texas 79702**

OIL AND GAS INVESTMENT

(432) 682-3712 OFFICE  
(432) 682-8652 FAX

July 15, 2011

Ms. Kathleen Reynolds  
554 West 1425 North  
Cedar City, UT 84721

RE: Proposal to Drill the Collins  
Heirs No. 1 Well  
T-20-S, R-38-E  
Section 4: NE/4SW/4  
Lea County, New Mexico

Dear Ms. Reynolds:

JTD Resources, LLC hereby proposes to drill the Collins Heirs No. 1 Well at an orthodox oil well location in the NE/4SW/4 of Section 4, Township 20 South, Range 38 East, N.M.P.M., Lea County, New Mexico. The well will be operated by Primero Operating, Inc., and is scheduled to be drilled to 7,800 feet or to a depth sufficient to test the Abo formation. Primero Operating anticipates commencing drilling operations in October of 2011.

We enclose two copies of an Authority for Expenditure (AFE) prepared by Primero for your review. Dry hole costs are estimated to be \$875,000.00 and the completion cost estimate is \$475,000.00, for an estimated total completed well cost of \$1,350,000.00.

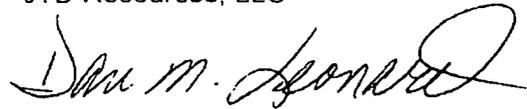
JTD Resources respectfully requests your support and participation in the proposed well. In the event you elect to participate, please execute one (1) copy of the AFE and return it to us at your earliest convenience. Upon receipt of same, we will prepare the Operating Agreement and forward it to you for review and execution.

In the event you elect not to participate, JTD would be receptive to purchasing an Oil and Gas Lease covering your interest in the NE/4SW/4, SE/4NW/4, SW/4NE/4 and NW/4SE/4 of Section 4 under the following terms and conditions. \$125.00 per net mineral acre bonus consideration, three-sixteenths (3/16ths) royalty and \$2 00 per acre prepaid delay rentals for a three (3) year, paid-up Oil and Gas Lease.

Thank you for your consideration of this proposal. Should you have any questions, please give me a call at (432) 682-3712.

Very truly yours,

JTD Resources, LLC

A handwritten signature in black ink, appearing to read "Dan M. Leonard". The signature is fluid and cursive, with a large loop at the end.

Dan M. Leonard, Managing Member

JTD RESOURCES, LLC  
P.O. Box 3422  
Midland, Texas 79702

OIL AND GAS INVESTMENT

(432) 682-3712 OFFICE  
(432) 682-8652 FAX

July 15, 2011

Ms. Kathleen Reynolds  
C/O Ms. Kimberly Ahlgrim  
1277 West 790 North  
St. George, Utah 84770

RE: Proposal to Drill the Collins  
Heirs No. 1 Well  
T-20-S, R-38-E  
Section 4: NE/4SW/4  
Lea County, New Mexico

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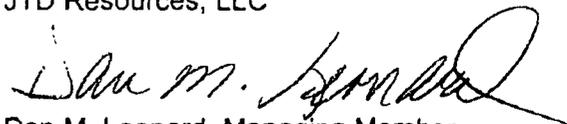
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Very truly yours,

JTD Resources, LLC

A handwritten signature in black ink, appearing to read "Dan M. Leonard". The signature is fluid and cursive, with a large loop at the end.

Dan M. Leonard, Managing Member

Deceased persons:

Heirs of William V. Farless, deceased

- unknown heirs - Mr. Farless had three wives, and children from those wives. In addition, he adopted the prior children of one of his wives.

Heirs of William E. Farless, deceased

- unknown heirs -

Heirs of Charlene Ahlgrim, deceased

- unknown heirs -

Heirs of Vernon McKinney, deceased

- he died in 2005 in Dona Ana, County, NM - called the county clerk and district clerk and neither have a probate or will for him. Unable after search to locate any heirs.

Heirs of Timothy Ahlgrim, deceased

- unknown heirs - not sure he had any heirs

Vernell Fenn - address unknown

- tried internet searches for her. Think she was married three times - the last time to Alan Tobish in Arizona. Tried all numbers and information for her and Alan Tobish - no working numbers or current addresses.

Male child of William V. Farless and Edna Condo - address unknown

- after an internet search, thought that Edna Condo may be Edna Condo Bradford, who has died. Called her son and he didn't know anything about his mother having another child. E-mailed the owner of a family tree that listed a "male Farless" and she didn't have any information about him.

Fathers of unknown children:

1) William V. Farless, deceased

2) William E. Farless, deceased

- unknown if married at time of death -

3) Vernon McKinney, deceased

- surviving spouse of William V. Farless' daughter Vernell Fenn, who died intestate - unknown who his heirs are -

4) Timothy Ahlgrim

- grandson of William V. Farless who predeceased his mother, Charlene Ahlgrim - may have had unknown children

5) Vernell Fenn

- daughter of William V. Farless - do not know if still living (see above)

6) Male child of Wm. V. Farless

- no clue as to whereabouts or if still living (see above)

**PRIMERO OPERATING, INC**

PO Box 1433, Roswell, NM 88202-1433  
505.622.1001

Authority For Expenditure

Collins Heirs #1  
Sec 4, T20S, R38E, Unit K  
Lea County, NM

15-Jul-11  
Day

INTANGIBLE EXPENSE	Dry Hole	COMPLETED WELL
Damages, Permit, Title, Survey Etc.	15000	15000
Conductor, Rat and Mouse hole	6000	6000
Location Costs	30000	30000
Mobilization	20000	20000
Rig; Daywork, 18 days @ 12000	207000	207000
Fuel, 18 days @ 500 gpd @ 3.8/gal	34200	34200
Closed Loop System, 18 days @ 2000	36000	36000
Fluid and Cuttings Haul and disposal	70000	70000
Bits	30000	30000
Drilling Chemicals	25000	25000
Water	15000	15000
Rentals; Housing, Sewage, etc	5000	5000
Surface Casing, 1550' of 8 5/8" 24#	26,350	26,350
Cement for Surface	20,000	20,000
Casing Crews	4,000	4,000
Mud Logging 13 days @ 1100 +RU	15,400	15,400
Electric Logs	20,000	20,000
Geologist	20,000	20,000
Field Supervision 18 days @ 800 + exp	18,000	18,000
Admin Overhead	6,500	6,500
Insurance	2,500	2,500
Plugging @ Cleanup	50,000	
Taxes and Contingencies 15%	98,243	90,743
Casing Crews, Production		5,000
Cement, Production		40,000
Location and Anchors		2,000
Completion Unit, 10 days @ 3800		38,000
Rental Surface Eq.		5,000
Rental Downhole Eq., pkrs plugs		5,500
Logging and Perforating		6,000
Water		5,000
Trucking and Roustabout		8,000
Electrification		10,000
Overhead		5,500
Supervision 10 Days @ 800		8,000
Stimulation, Acid and Frack		300,000
Taxes and Contingencies 15%	0	65,700
<b>Total Drilling and Completion</b>	<b>774,193</b>	<b>1,220,393</b>
<b>Tangible Drilling and Comp Costs.</b>		
Surface Wellheads	2000	2,500
Production Casing 7550' 5 1/2" 17# I-80		124,800
Tubing		50,700
Tubing Head and Xmas Tree		1,500
Tankage; 2 500 bbls steel + 1 210 FG		30,000
Separator		12,000
Pumping Unit		60,000
Rods & Pump		20,000
Valves and Connections		15,000
Taxes and Contingencies, 10%	200	31,650
<b>Total Tangible Expense</b>	<b>2,200</b>	<b>348,150</b>
<b>Total Estimated Well Costs</b>	<b>\$776,393</b>	<b>\$1,568,543</b>

The costs shown are ESTIMATES ONLY, you are responsible for your pro-rata share of costs be they Higher or Lower

For \_\_\_\_\_ By: \_\_\_\_\_

Title: \_\_\_\_\_ Date \_\_\_\_\_

EXHIBIT **D**