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March 16, 2005

Case 13465

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Q

Re: Case No. ~~132557~~ unorthodox well locations

Dear Florene:

Enclosed for filing, on behalf of JTD Resources, LLC, are an original and one copy of an application for compulsory pooling, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the April 7th hearing. Thank you.

Very truly yours,


James Bruce

Attorney for JTD Resources, LLC

PROPOSED ADVERTISEMENT

Case No. 13465 : JTD Resources, LLC seeks an order pooling all mineral interests from the surface to the base of the Atoka formation underlying the following described acreage in Section 11, Township 25 South, Range 28 East, NMPM, Eddy County, New Mexico, and in the following morning: The W/2 to form a standard 320-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent, including the Salt Draw-Atoka Gas Pool; the SW/4 to form a standard 160-acre gas spacing and proration unit for any and all formations or pools developed on 160-acre spacing within that vertical extent; and the NW/4SW/4 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, including the Undesignated Southwest Willow Lake-Delaware Pool and Undesignated North San Lorenzo-Bone Spring Pool. The unit is to be designated to the Salt Draw "11" Federal Well No. 1, to be located at an orthodox well location in the NW/4SW/4 of Section 11. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 5-1/2 miles south-southeast of Malaga, New Mexico.

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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

2005 MAR 16 AM 10 01

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

Case No. 13465

APPLICATION

JTD Resources LLC applies for an order pooling all mineral interests from the surface to the base of the Atoka formation underlying the W $\frac{1}{2}$ of Section 11, Township 25 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the W $\frac{1}{2}$ of Section 11, and has the right to drill a well thereon.

2. Applicant proposes to drill its Salt Draw "11" Federal Well No. 1, at an orthodox location in the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 11, to a depth sufficient to test the Atoka formation, and seeks to dedicate the following acreage to the well:

(a) The NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 11 to form a standard 40 acre oil spacing and proration unit for any and all formations and/or pools developed on 40 acre spacing within that vertical extent, including the Undesignated Southwest Willow lake-Delaware Pool and Undesignated North San Lorenzo-Bone Spring Pool;

(b) The SW $\frac{1}{4}$ of Section 11 to form a standard 160 acre gas spacing and proration unit for any and all formations and/or pools developed on 160 acre spacing within that vertical extent; and

(c) The W $\frac{1}{2}$ of Section 11 to form a standard 320 acre gas spacing and proration unit for any and all formations and/or

pools developed on 320 acre spacing within that vertical extent, including the Salt Draw-Atoka Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W $\frac{1}{2}$ of Section 11 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the W $\frac{1}{2}$ of Section 11, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the W $\frac{1}{2}$ of Section 11, and approval of the unorthodox location, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the W $\frac{1}{2}$ of Section 11 from the surface to the base of the Atoka formation;
- B. Designating Nearburg Producing Company as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;

D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and

E. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



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Attorney for JTD Resources, LLC