

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

ORIGINAL

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

Case No. 14702

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

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING

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

August 4, 2011

Santa Fe, New Mexico

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

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

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A P P E A R A N C E S

FOR THE APPLICANT:

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

I N D E X

EXHIBITS 1 THROUGH 3 ADMITTED

08

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

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

7 EXAMINER BROOKS: Okay. You may proceed.

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

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

1 I can find it -- 3002540178.

2 EXAMINER BROOKS: 40178?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 EXAMINER BROOKS: You said the interval was from the

1 surface to the base of the Abo?

2 MR. BRUCE: Correct.

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

4 MR. BRUCE: Correct.

5 EXAMINER BROOKS: That would be only for oil?

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

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

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

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

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

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

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

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

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

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

3 (Exhibits 1 through 3 admitted.)

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

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

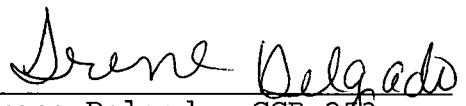


## REPORTER'S CERTIFICATE

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

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

WITNESS MY HAND this \_\_\_\_\_ day of August 2011.

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