

**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. 13,839

VERIFIED STATEMENT OF DAN M. LEONARD

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

1. I am the Manager of JTD Resources, LLC, and have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule 1207.A(1)(b), the following information is submitted in support of the compulsory pooling application filed herein:

(a) No opposition is expected because the working interest owner being pool has been contacted numerous times, in writing and by telephone, but has not responded to the well proposal.

(b) A plat outlining the spacing unit being pooled, and marking the location of the subject well, is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 23, Township 21 South, Range 32 East, N.M.P.M., 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 Undesignated Hat Mesa-Morrow Gas Pool. The unit is to be dedicated to the Papa Joe "23" Fed. Well No. 1, to be drilled at an orthodox location in the NE/4NE/4 of Section 23.

(c) The party being pooled, its working interest in the 320 acre well unit, and its address, is:

ConocoPhillips Company
P.O. Box 2197
Houston, TX 77252

50%

(d) Copies of the proposal letters sent to the uncommitted working interest owner are attached hereto as Exhibit B.

Oil Conservation Division
Case No. _____
Exhibit No. 1

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

(f) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit C. 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.

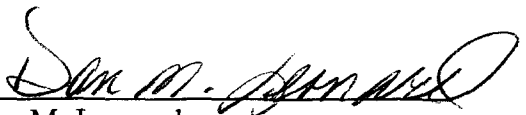
(g) Overhead charges of \$6,000.00 month for a drilling well, and \$600.00 month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant requests that these rates be adjusted pursuant to the COPAS accounting procedure.

(h) Applicant requests that it be designated operator of the well.


VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

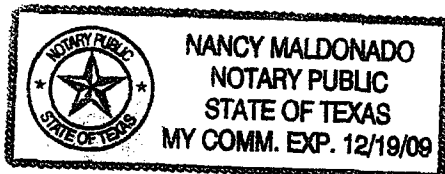
Dan M. Leonard, being duly sworn upon his oath, deposes and states that: He is the Manager of JTD Resources, LLC; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge,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


Dan M. Leonard

SUBSCRIBED AND SWORN TO before me this 11th day of December, 2006 by
Dan M. Leonard.


Nancy Maldonado
Notary Public

My Commission Expires: 12/19/09



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

OIL AND GAS INVESTMENT

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

November 10, 2006

ConocoPhillips Company
P. O. Box 2197
Houston, TX 77252-2197

EXHIBIT **B**

Attention: Mr. Greg Fuzzell, Landman
WL 3, 14th Floor

RE: Farmout Agreement
T-21-S, R-32-E
Section 23: N/2
Section 24: N/2
Lea County, New Mexico

Gentlemen:

The BLM Records in Santa Fe indicate that ConocoPhillips Company is the Lessee of record and owns 100% of the Operating Rights in Federal Lease No. NM 2518, insofar as said lease covers the N/2 of Section 23, T-21-S, R-32-E, and in Federal Lease No. NM 0556868, insofar as said lease covers the N/2 of Section 24, T-21-S, R-32-E, all in Lea County, New Mexico.

JTD Resources, LLC ("JTD") has entered into an agreement with Lowe Partners (Now COG Operating, L.L.C.) relative to its undivided fifty percent (50%) interest in Federal Lease No. NM 94848 covering the S/2's of Sections 23 and 24, T-21-S, R-32-E. The agreement provides that we will drill or cause to be drilled a 15,000' Morrow test at a location on said land or on lands pooled therewith, and thereby earn a term assignment of Lowe Partners' interest in the lease. JTD has also entered into a Farmout Agreement with Devon Energy Production Company, L.P. relative to the remaining undivided fifty percent (50%) interest in Federal Lease No. NM 94848 covering the S/2's of Sections of 23 and 24.

NM 94848 was due to expire June 1, 2005. Due to two stipulations on the lease that made it impossible to get a well drilled prior to the expiration date, we requested that the BLM suspend the lease. The first stipulation is a Time Limitation Stipulation which provides that due to the prairie chicken booming season, no oil and gas activities, including exploration, drilling and other development activities, will be allowed during the three month period from March 15 to June 15 annually. The second stipulation provides that "no surface occupancy or use is allowed "on all lands covered by the lease due to

proximity to potash reserves. The BLM granted the initial suspension effective November 1, 2004. That suspension remained in effect for one year, or until November 1, 2005. A second suspension was granted by the BLM effective November 1, 2005. The second suspension was for an indefinite term.

JTD initially proposed the formation of a 320 acre spacing unit comprising the W/2 of Section 23, and approached ConocoPhillips in 2004 to participate with its fifty percent (50%) interest in the drilling of a 15,000' Morrow test, or farmout said interest to JTD. The initial location was permitted on the SW/4 of Section 23. We were unable to obtain the permit because of the no surface occupancy stipulation on the lease covering the S/2's of Sections 23 and 24. The BLM suggested we move the location to the NE/4 of Section 23 on ConocoPhillip's acreage, where there is no such no surface occupancy stipulation. Our geology supports a location of the NE/4 of Section 23, so we re-staked the location and submitted a revised APD to the BLM. We received approval in mid September of this year from the BLM for the revised APD, and enclose a copy for your review.

Accordingly, JTD hereby proposes the formation of a 320 acre spacing unit comprising the E/2 of Section 23, T-21-S, R-32-E for the drilling of a 15,000' Morrow test, the Papa Joe "23" Federal #1, at a location approximately 990' FNL and 990' FEL of said Section 23. It is anticipated that the well will spud in the summer of 2007 following the prairie chicken booming season.


Enclosed are two (2) copies of an updated Authority for Expenditure that details estimated dry hole and completed well costs. ConocoPhillips would own a 50 % interest in the proposed spacing unit. JTD respectfully requests ConocoPhillips' support and participation in the proposed unit, operations of which would be governed by the terms and provisions of a mutually acceptable 1982 A.A.P.L. Model Form Operating Agreement. Should ConocoPhillips elect to participate, please execute both copies of the AFE and return one copy 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 that ConocoPhillips elects not to participate in the drilling of the Papa Joe "23" Federal No. 1, we would be receptive to a farmout or term assignment of ConocoPhillips' operating rights under the subject lease covering the N/2's of Sections 23 and 24.

We would appreciate ConocoPhillips' prompt consideration of this proposal and response.

Very truly yours,

JTD Resources, LLC


Dan M. Leonard, Manager

DML/vb
Enclosures

JTD RESOURCES, LLC
P. O. BOX 3422
MIDLAND, TEXAS 79702

OIL AND GAS INVESTMENTS

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

September 20, 2005

ConocoPhillips Company
P. O. Box 2197
WL3 - #5050
Houston, TX 77252-2197

ATTN: Linda Hicks
Senior Landman

RE: Farmout Proposal
T-21-S, R-32-E
Section 23: N/2
Section 24: N/2
Lea County, New Mexico

Dear Linda:

We have finalized the Farmout Agreement with Devon Energy Production Company, L.P. covering its undivided fifty percent (50%) leasehold interest in Federal Lease No. NM 94848, insofar as said lease covers the S/2's of Sections 23 and 24, T-21-S, R-32-E, Lea County, New Mexico. As you suggested at our meeting in your Houston office Monday, August 15th, we have prepared an identical agreement for ConocoPhillips' execution and enclose two (2) copies of said agreement for your consideration.

You may recall that JTD Resources has entered into an agreement with Lowe Partners covering the remaining undivided fifty percent (50%) interest in Federal Lease No. NM 94848 covering the S/2's of Section 23 and 24. The agreement provides that we will drill or cause to be drilled a 15,000' Morrow test at a location 660' FSL and 1,650' FWL of Section 23, T-21-S, R-32-E, and thereby earn a term assignment of Lowe Partners' interest in the lease.

NM 94848 was due to expire June 1, 2005. Due to two stipulations on the lease that made it impossible to get a well drilled prior to its expiration date, we requested that the BLM suspend the lease. The first stipulation is a Time Limitation Stipulation which provides that due to the prairie chicken booming season, no oil and gas activities, including exploration, drilling and other development activities, will be allowed during the

period from March 31 through June 15 annually. The second stipulation provides that "no surface occupancy or use is allowed" on all lands covered by the lease due to proximity to potash reserves. The BLM granted the suspension on March 18, 2005. The suspension will toll the lease terms for one year, or remain in effect from November 1, 2004, until November 1, 2005. The new lease expiration date is June 1, 2006.

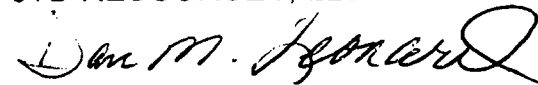
The BLM agreed to work with the potash company for potential drilling islands on Sections 23 and 24. We have not yet seen any results from that effort. If an agreement to grant us a drilling island for our initial test well does not happen soon, we are going to file an APD to drill the well directionally from an existing drilling pad to the west or south of our proposed bottom hole location in Section 23. In either event, we are proposing the formation of a stand-up 320 acre unit comprising the W/2 of Section 23.

As we discussed, ConocoPhillips' acreage is critical to our proposed drilling and development, so we are hopeful that you will be receptive to the Farmout Agreement we enclose.

Thanks for your assistance, Linda.

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 "D" and "L".

Dan M. Leonard, Manager

DML/sne
Enclosures

JTD RESOURCES, LLC
P. O. BOX 3422
MIDLAND, TEXAS 79702

OIL AND GAS INVESTMENTS

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

September 20, 2005

ConocoPhillips Company
P. O. Box 2197
WL3 - #5050
Houston, TX 77252-2197

ATTN: Linda Hicks
Senior Landman

RE: Farmout Agreement
Lea County, New Mexico

Gentlemen:

The BLM Records in Santa Fe indicate that ConocoPhillips Company is the Lessee of record and owns 100% of the Operating Rights in Federal Lease No. NM 2518, insofar as said lease covers the N/2 of Section 23, T-21-S, R-32-E, and in Federal Lease No. NM 0556868, insofar as said lease covers the N/2 of Section 24, T-21-S, R-32-E, all in Lea County, New Mexico.

Reference is made to our numerous discussions with regard to the referenced leasehold interests ("Prospect Area") we have had with Linda Hicks. JTD Resources, LLC ("JTD") has requested a farmout of ConocoPhillips' leasehold interest for the purpose of drilling a Morrow test well on a 320 acre spacing unit comprising the W/2 of Section 23. Subject to the following terms and conditions, ConocoPhillips agrees to farmout its leasehold interests:

1. Within thirty (30) days of ConocoPhillips' execution of this letter agreement, JTD agrees to provide ConocoPhillips with a complete geological presentation and drilling plan for the Prospect Area. Such presentation shall be held in ConocoPhillips' Houston office. In exchange for such presentation, ConocoPhillips agrees to farmout 50% of its leasehold interest in the Prospect Area subject to paragraph 3 below.
2. Within ten (10) business days following such technical presentation, ConocoPhillips shall elect (1) to participate with its remaining leasehold

interest in the drilling of the initial test well on the Prospect area, or (2) subject to paragraph 3 below, farmout its remaining leasehold interest in the Prospect Area to JTD.

3. Any such farmout agreement from ConocoPhillips to JTD will incorporate the following general terms:
 - a. On or before March 1, 2006, JTD shall commence actual drilling operations for a 15,000' Morrow test well ("Initial Well") at a location of JTD's choice on the Prospect Area or on lands pooled therewith.
 - b. Upon reaching casing point in the Initial Well, after testing and logging operations are completed, ConocoPhillips shall have the option for a period of forty eight (48) hours (excluding Saturdays, Sundays and legal holidays) following receipt of all logs and test results, including but not limited to, the test results of a Drillstem Test (DST) or Repeat Formation Tester (RFT), within which to make an affirmative election to participate in the drilling and completion of the Initial Well. In the event that ConocoPhillips elects to participate in such completion attempt, ConocoPhillips shall pay 30% of its existing leasehold interest to drill, test, log and complete the Initial Well as a producer or as a dry hole (except for any of your costs to acquire additional leasehold rights not currently owned by ConocoPhillips in the drilling and spacing unit attributable to the Initial Well) and JTD shall pay the remaining 70% of ConocoPhillips' existing leasehold interests to drill, test, log and complete the Initial Well as a producer or as a dry hole.
 - c. In the event the Initial Well is drilled and completed as a producer of gas and/or oil in commercial quantities, JTD shall earn an assignment of either (1) all of ConocoPhillips' leasehold interest attributable to the spacing unit for the Initial Well, if ConocoPhillips elects not to participate in the completion attempt in the Initial Well as provided above, or (2) an undivided 70% of ConocoPhillips' leasehold interest attributable to the spacing unit for the Initial Well if ConocoPhillips elects to participate in the completion of the Initial Well as provided above.
 - d. ConocoPhillips shall reserve in any assignment delivered an overriding royalty interest in and to all production attributable to such leasehold interest assigned equal to the difference between existing burdens and twenty-two and one-half percent (22.5%).
 - e. In the event the Initial Well is completed as a producer of gas and/or oil in commercial quantities, thereby earning an assignment of ConocoPhillips' leasehold interest in a spacing or proration unit that covers less than the Prospect Area, JTD shall have the option but not the

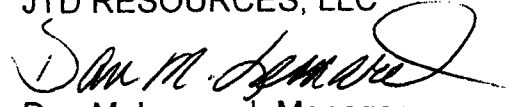
obligation to conduct a continuous drilling program on the remainder of the Prospect Area or on lands pooled therewith, with not more than one hundred eighty (180) days elapsing from drilling rig release on one well and commencement of the next succeeding well. All joint operations subsequent to casing point in the Initial Well, if any, shall be governed by an A.A.P.L. 1982 Model Form Operating Agreement containing mutually acceptable terms and conditions.

- f. ConocoPhillips and JTD agree to use their best efforts to enter into a formal farmout agreement which shall be superior in all respects to this letter agreement

If the above general terms meets with ConocoPhillips' approval, please so indicate by signing and returning one (1) copy of this letter to the undersigned at your earliest convenience. We will then schedule a convenient time for the geologic presentation to you.

If there are any questions or if additional information is required, feel free to contact me at (432) 682-3712.

Very truly yours,
JTD RESOURCES, LLC


Dan M. Leonard, Manager

CONOCOPHILLIPS COMPANY

By: _____

Name: _____

Title: _____

11/23/04

Gonda likes. The mid proposal and should have written it up by now. Glad I called to remind her. Will get it written up this afternoon and circulating. Croylest leaving 12/15. So need to get working.

Gonda's Phone:

(832) 486-2618

3/4/05

Gonda last her "team" over the holidays. New employees know nothing about SEDM. Matter-
um on farmans or team again. Will have to present well posed. If not in production

unit, knowledge is unit. Will then have to make some points. Then we will be able to get format. Question - will we be limited to initial presentation unit, or can it be more "global"?

JTD RESOURCES, LLC
P. O. BOX 3422
MIDLAND, TEXAS 79702

OIL AND GAS INVESTMENTS

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

November 11, 2004

ConocoPhillips Company
P.O. Box 2197
WL3 - #5050
Houston, Texas 77252-2197

Attn: Linda Hicks
Senior Landman

Re: Well Proposal - Bilbrey Area
T-21-S, R-32-E
Section 23: N/2
Lea County, New Mexico

Gentlemen:

The BLM Records in Santa Fe indicate that ConocoPhillips Company is the Lessee of record and owns 100% of the operating rights in Federal Lease No. NM 2518, out of NM 0556868 covering the captioned land. Said operating rights appear to be subject to royalty and overriding royalty interests totaling 17.5%.

Confirming my recent telephone conversation with Linda Hicks, JTD Resources, LLC has acquired a farmout from Lowe Partners, LP of its undivided fifty percent (50%) interest in Federal Lease No. NM 94848, insofar as said lease covers the S/2 of Section 23, T-21-S, R-32-E. JTD Resources hereby proposes the formation of a 320-acre spacing unit comprising the W/2 of Section 23, T-21-S, R-32-E for the drilling of a 15,000' Morrow test at a location approximately 660' FSL and 1,650' FWL of said Section 23. It is anticipated that the well will spud in late December of 2004 or early January of 2005.

Enclosed is a copy of the Authorization For Expenditure that details estimated dry hole and completed well costs. ConocoPhillips would own a 50% working interest in the proposed spacing unit.

JTD Resources respectfully requests ConocoPhillips' support and participation in the proposed unit, operations of which would be governed by the terms and provisions of a mutually acceptable 1982 A.A.P.L. Model Form Operating Agreement. Should ConocoPhillips elect to participate, please execute both copies of the AFE and return one copy 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 that ConocoPhillips elects not to participate in the drilling of the Bilbrey 23 Federal #1 well, we would be receptive to discussing the terms of a farmout or term assignment of ConocoPhillips' operating rights under the subject lease covering the N/2 of Section 23.

We would appreciate your prompt consideration of this proposal and response. Thanks very much, and please do not hesitate to call me if you have any questions or concerns.

Very truly yours,

JTD RESOURCES, LLC



Dan M. Leonard, Manager

/Enclosures

JTD RESOURCES, LLC
AUTHORITY FOR EXPENDITURE

WELL NAME: Papa Joe "23" Federal #1
LOCATION: Sec. 23-T21S-R32E
REMARKS: 990' FNL & 990' FEL

PROSPECT NAME:
COUNTY & STATE: Lea, New Mexico
OBJECTIVE: 14,900' Morrow Gas Well
APE CODE: New Drill and Complete

<u>INTANGIBLE COSTS</u>	<u>BCP</u>	<u>*ACP</u>	<u>TOTAL</u>
PERMITS	502 2,500	702 0	2,500
TITLE OPINION & CURATIVE	504 6,500	704 0	6,500
SURVEYING / STAKE LOCATION	506 2,000	706 0	2,000
DAMAGES & R-O-W'S	508 0	708 0	0
ROADS, LOCATION, PITS, LINERS, ETC.	510 58,000	710 12,000	70,000
DRILLING - FOOTAGE	512 0	712 0	0
DRILLING - DAYWORK: 58 days @ \$19,500/day	514 1,131,000	714 0	1,131,000
DRILLING MUD & CHEMICALS	516 130,000	716 0	130,000
WATER	518 90,000	718 2,500	92,500
BITS, REAMERS, ETC.	520 98,000	720 0	98,000
FUEL	522 108,750	722 0	108,750
CEMENTING SURFACE	524 26,000	724 0	26,000
CEMENTING 1st & 2nd INTERMEDIATE CASINGS	526 118,000	726 0	118,000
CEMENTING PRODUCTION LINER	528 0	728 40,000	40,000
TUBULAR SERVICES AND TOOLS	530 8,000	730 2,500	10,500
CASING CREWS / PU LD MACHINE	532 20,000	732 11,000	31,000
FLOAT EQUIPMENT & LINER HANGER	534 9,000	734 27,000	36,000
TESTING; DST & COMPLETION	536 0	736 8,500	8,500
OPEN HOLE LOGGING / CASED HOLE LOGS	538 86,000	738 15,000	101,000
MUD LOGGING	540 40,000	740 0	40,000
WELDING & HOURLY LABOR	542 3,500	742 12,500	16,000
EQUIPMENT RENTAL	544 45,000	744 6,500	51,500
RIG MOBILIZATION, TRANSPORTATION, ETC.	546 135,000	746 0	135,000
COMPLETION UNIT	548 0	748 43,000	43,000
FORMATION STIMULATION: Breakdown & Frac	550 0	750 165,000	165,000
WIRELINE SERVICES / TCP SERVICES	552 0	752 15,000	15,000
GEOLOGIC / ENGINEERING	554 20,000	754 5,000	25,000
CONTRACT LABOR	556 65,000	756 14,000	79,000
DRILLING WELL RATE (A/O)	558 15,000	758 4,000	19,000
INSURANCE	560 22,000	760 0	22,000
MISCELLANEOUS	562 5,000	762 2,500	7,500
CONTINGENCY (10%)	564 224,425	764 38,600	263,025
TOTAL INTANGIBLES	2,468,675	424,600	2,893,275

<u>TANGIBLE COSTS</u>			
CONDUCTOR CASING	602 5,100	0	5,100
SURFACE CASING	604 0	0	0
700' of 13 3/8", 48#, H-40, 8rd STC new API	606 24,500	0	24,500
INTERMEDIATE CASING	608 0	0	0
4,400' of 9 5/8", 40#, N-80, 8rd LTC/BTC new API	610 126,000	0	126,000
DEEP INTERMEDIATE CASING	612 0	0	0
12,100' of 7", 29#, P-110, 8rd LTC new API	614 311,000	0	311,000
PRODUCTION CASING / LINER	616 0	816 0	0
3,100' of 4 1/2", 15.10#, P-110, FL4S, new API	618 0	818 58,900	58,900
TUBING: 14,900' 2 3/8", 4.70#, P110, 8rd ABM new API	620 0	820 89,400	89,400
WELLHEAD EQUIPMENT	622 14,000	822 22,000	36,000
SURFACE LIFT & ELECTRICITY	624 0	824 0	0
RODS AND PUMP	626 0	826 0	0
PACKERS, BP'S, DOWNHOLE EQUIPMENT	628 0	828 15,000	15,000
GAS PRODUCTION EQUIPMENT	630 0	830 36,000	36,000
SEPARATOR, TREATER	632 0	832 3,200	3,200
FLOWLINES, VALVES, CONNECTIONS	634 0	834 18,000	18,000
TANKS (Water and Production)	636 0	836 8,600	8,600
MISCELLANEOUS	638 2,000	838 1,000	3,000
CONTINGENCY (10%)	640 48,260	840 12,606	60,866
TOTAL TANGIBLES	530,860	264,705	795,565
TOTAL WELL COSTS	2,999,535	689,305	3,688,840

PLUGGING COST 566 50,465

Prepared By: Bill Pierce; Petroleum Engineer
Delta P Petroleum Services
Midland, Texas
Date: November 10, 2006

APPROVAL AND ACCEPTANCE

Participant: _____

Signature: _____

Title: _____

Wf: _____

Date: _____

It is recognized that amounts herein are estimates only and approval of this authorization shall extend to the actual costs incurred in conducting the operation specified.

Oil Conservation Division
Case No. _____
Exhibit No. **C**