

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:

ORIGINAL

CASE NO. 14200

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

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

October 30, 2008

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico
Oil Conservation Division, DAVID K. BROOKS, Legal Examiner,
TERRY G. WARNELL, Technical Examiner, and RICHARD EZEANYIM,
Technical Examiner, on Thursday, October 30, 2008, at the
New Mexico Energy, Minerals and Natural Resources Department,
1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: JOYCE D. CALVERT, P-03
Paul Baca 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:

James G. Bruce, Esq.
ATTORNEY AT LAW
P.O. Box 1056
Santa Fe, New Mexico 87504

PAGE

WITNESS: DAN LEONARD

DIRECT EXAMINATION BY:

MR. BRUCE

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EXHIBITS 1 THROUGH 4 ADMITTED

8

REPORTER'S CERTIFICATE

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1 MR. WARNELL: Our second case we'll hear this
2 morning, then, is Case No. 14200, Application of JTD
3 Resources, LLC, for Compulsory Pooling, Lea County, New Mexico.

4 Call for appearances.

5 MR. BRUCE: I thought you were going to take the
6 plugging case first, Mr. Examiner.

7 Jim Bruce of Santa Fe, representing the applicant. I
8 have one witness.

9 MR. WARNELL: Will the witness please stand and be
10 sworn and state your name, please?

11 THE WITNESS: Dan Leonard.

12 DAN LEONARD

13 after having been first duly sworn under oath,
14 was questioned and testified as follows:

15 DIRECT EXAMINATION

16 BY MR. BRUCE:

17 Q. Would you please state your name for the record?

18 A. I'm Dan Leonard. I'm from Midland, Texas.

19 Q. And who do you work for?

20 A. I work for JTD Resources, Limited Liability
21 Company.

22 Q. And what is your title with JTD Resources?

23 A. Manager.

24 Q. And by trade, are you a professional landman?

25 A. I am.

1 Q. Have you previously testified before the
2 Division?

3 A. I have.

4 Q. And were your credentials as an expert petroleum
5 landman accepted as a matter of record?

6 A. Yes.

7 Q. And are you familiar with the land matters
8 involved in this case?

9 A. I am.

10 MR. BRUCE: Mr. Examiner, I tender Mr. Leonard as an
11 expert petroleum landman.

12 MR. WARNELL: He is so accepted.

13 Q. (By Mr. Bruce): Mr. Leonard, could you identify
14 Exhibit 1 for the Examiner and describe what JTD Resources
15 seeks in this case?

16 A. Yes. This land plat highlights the NE, NW/4 of
17 Section 9 and 20 South, 38 East. JTD Resources seeks an order
18 pooling this tract to NE, NW of 9 from the surface to the base
19 of the Abo formation. The unit will be dedicated to Pierce
20 Production Company's Roberts No. 1 well.

21 Q. What is the well's location -- footage location?

22 A. The location is staked 430 feet from the North
23 Line and 650 feet from the West Line of Section 9.

24 Q. And this will be a new well?

25 A. Yes.

1 Q. What is the working interest ownership in the
2 well unit?

3 A. Well, this is a fee tract with eight mineral
4 owners. We have four working interest owners in this tract.
5 JTD, my company, owns an undivided 75 percent. Tamarack
6 Petroleum has 3/16, 18.75 percent, and Cross Timbers -- or XTO
7 Energy -- and an individual named Alvin White own a 1/32 each.

8 Q. Who do you seek to pool in this case?

9 A. We seek to pool Tamarack.

10 Q. And you have made deals with Alton White and XTO
11 Energy?

12 A. Yes, we have.

13 Q. Let's discuss your efforts to obtain the
14 voluntary joinder of Tamarack Petroleum in the well. What is
15 Exhibit 2?

16 A. Exhibit 2 is a proposal that I hand-carried to
17 Bob Liem of Tamarack on September -- it's dated September
18 10, 2008, and that's the date I took it over and met with him.
19 It's a proposal for the Abo test that we're going to drill in
20 this section, and it is -- we sought to have them join us in
21 the drilling of this well or, in the alternative, grant us a
22 term assignment or a farmout.

23 Q. Have you had subsequent contact with Mr. Liem of
24 Tamarack?

25 A. Right after this, the week following

1 September 10th, Bob Liem advised me that he went to Milwaukee
2 to meet with his board of directors, and he took this proposal
3 with him to the board to consider.

4 When he got back, I visited with him about it, and he
5 said he didn't have an answer for me, but he would hope to have
6 one. And I've since made several telephone calls to him there
7 in Midland and have not had an opportunity to talk with him,
8 and he's not taking the time to return any phone calls I've
9 made to him.

10 So I have no response to the proposal or the
11 telephone calls I've made.

12 Q. In your opinion, have you made a good-faith
13 effort to obtain the voluntary joinder of Tamarack Petroleum in
14 the well?

15 A. We have.

16 Q. Would you identify Exhibit 3 and discuss the cost
17 of the well?

18 A. Exhibit 3 is an AFE prepared by our operator,
19 Pierce Production Company. The dry hole cost in this well is
20 \$1,263,883; the completed well cost is \$1,997.839.

21 Q. Are there several objectives in this well?

22 A. Yes, the Blinebry, the Tubb, the Drinkard, and
23 the Abo are our objectives.

24 Q. Are these well costs in line with the costs of
25 other wells drilled to this depth in this area of Lea County?

1 A. Yes, they are. We've just completed a re-entry
2 offsetting this and then, based on some participation that
3 we've done in the last two years over to the east of this, I'd
4 say they're very much in line.

5 Q. Who do you request be named operator of the well?

6 A. Pierce Production Company, LLC, a Midland
7 operator.

8 Q. And are they the operator of the well immediately
9 to the north also?

10 A. Yes, they are.

11 Q. Do you have a recommendation for the amounts
12 which the operator should be paid for supervision and
13 administrative expenses?

14 A. Yes, I do. We request and the operating
15 agreement provides for \$4500 a month drilling overhead and \$450
16 a month for producing overhead.

17 Q. And are these amounts equivalent to those
18 normally charged for operators in this area for wells of this
19 depth?

20 A. In our experience, they are.

21 Q. Do you request that this rate be adjusted
22 periodically as provided by the COPAS accounting procedure?

23 A. We do.

24 Q. And do you request the maximum cost plus
25 200 percent risk charge in the event Tamarack goes non-consent

1 in the drilling of this well?

2 A. Yes, we do.

3 Q. Was Tamarack notified of this hearing?

4 A. They were.

5 Q. And is that reflected in Exhibit 4?

6 A. Yes, it is.

7 Q. Were Exhibits 1 through 4 prepared by you or
8 under your supervision or compiled from company business
9 records?

10 A. They were.

11 Q. And in your opinion, is the granting of this
12 application in the interests of conservation and the prevention
13 of waste?

14 A. Yes, it is.

15 MR. BRUCE: Mr. Examiner, I move the admission of
16 JTD's Exhibits 1 through 4.

17 MR. WARNELL: We'll accept Exhibits 1 through 4.

18 [Applicant's Exhibits 1 through 4 admitted into
19 evidence.]

20 MR. WARNELL: Mr. Brooks, do you have any questions?

21 MR. BROOKS: No questions.

22 MR. WARNELL: Mr. Ezeanyim, any questions?

23 MR. EZEANYIM: No questions.

24 MR. WARNELL: The TD of the well is going to be --

25 THE WITNESS: 7800, yes sir.

1 MR. WARNELL: -- 7800?

2 THE WITNESS: Yes, sir.

3 MR. WARNELL: And that will be down through the --

4 THE WITNESS: It'll be into the bottom part of the
5 Abo.

6 MR. WARNELL: The base of the Abo, okay.

7 THE WITNESS: Yes, sir.

8 MR. WARNELL: I have no further questions.

9 MR. BRUCE: I have nothing further in this matter.

10 MR. WARNELL: Thank you. We will take Case No. 14200
11 under advisement.

12 * * *

13
14 I do hereby certify that the foregoing is
15 a complete and true record of the proceedings in
16 the above entitled case of Case No. _____,
heard by me on _____.

17 _____, Examiner
18 Oil Conservation Division
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REPORTER'S CERTIFICATE

I, JOYCE D. CALVERT, Provisional Court Reporter for the State of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

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

DATED this 30th of October, 2008.



JOYCE D. CALVERT

New Mexico P-03

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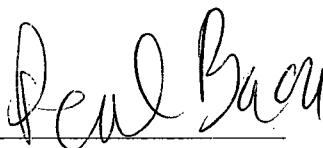
1 STATE OF NEW MEXICO)
2 COUNTY OF BERNALILLO)

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4 I, JOYCE D. CALVERT, a New Mexico Provisional
5 Reporter, working under the direction and direct supervision of
6 Paul Baca, New Mexico CCR License Number 112, hereby certify
7 that I reported the attached proceedings; that pages numbered
8 1-9 inclusive, are a true and correct transcript of my
9 stenographic notes. On the date I reported these proceedings,
10 I was the holder of Provisional License Number P-03.

11 Dated at Albuquerque, New Mexico, 30th day of
12 October, 2008.

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14 

15 Joyce D. Calvert
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