

CASE 7343: CARIBOU FOUR CORNERS, INC.
FOR COMPULSORY POOLING, SAN JUAN COUNTY,
NEW MEXICO

Count 23
9

Case No.

7343

Application

Transcripts.

Small Exhibits

ETC

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
23 September 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Caribou Four
Corners, Inc., for compulsory
pooling, San Juan County, New
Mexico.

CASE
7343

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

Sumner Buell, Esq.
JASPER & BUELL
Santa Fe, New Mexico 87501

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I N D E X

ERNEST BUSCH

Direct Examination by Mr. Buell

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Cross Examination by Mr. Stamets

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E X H I B I T S

Applicant Exhibit One, Plat

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Applicant Exhibit Two, AFE

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MR. STAMETS: We'll call next Case 7343.

MR. PEARCE: Application of Caribou Four
Corners, Inc., for compulsory pooling, San Juan County, New
Mexico.

MR. BUELL: Mr. Examiner, I'm Sumner
Buell, with the firm of Jasper and Buell, appearing on behalf
of the applicant, and I have one witness.

(Witness sworn.)

ERNEST BUSCH

being called as a witness and being duly sworn upon his oath,
testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. BUELL:

Q Would you state your name, please, sir?

A Ernest Busch.

Q Where do you reside, Mr. Busch?

A Kirtland, New Mexico.

Q And by whom are you employed?

A Caribou Four Corners, Inc.

Q In what capacity?

A Area Manager.

Q Have you previously testified before the Oil Conservation Commission or the Oil Conservation Division?

A No, I have not.

Q Would you briefly tell the Commission, or the Examiner, your educational background?

A Yes. I have a Bachelor of Science degree in university studies at Brigham Young University with a major in geology.

Q When did you obtain that?

A December, 1975.

Q And what has been your employment history in the petroleum industry?

A I worked for Tucker Atterbury and Associates, Consulting Geologist, as a geologist.

Q And where was that and during what period of time?

A It was in the San Juan Basin and in 1979.

Q And then who did you work for next?

A Caribou Four Corners, Inc.

Q And what have you done for Caribou Four Corners?

A I began employment with Caribou Four Corners as a production superintendent; July 15th, 1981, promoted to Area Manager.

1

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Q And what are your duties as Area Manager?

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A As Area Manager I'm in charge of the

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drilling and the production operations.

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Q This is in the San Juan Basin area?

6

A Yes, it is.

7

Q And are you familiar with what's sought

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in this application in No. 7343?

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A Yes, I am.

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MR. BUELL: Are the witness' qualifica-

11

tions acceptable?

12

MR. STAMETS: They are.

13

Q

Briefly would you state what Caribou

14

Four Corners seeks in this application?

15

A

Caribou Four Corners seeks an order

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pooling all mineral interests in the Cha Cha-Gallup Pool

17

underlying the east half of the northwest quarter of Section

18

18, Township 29 North, Range 14 West, to be dedicated to a

19

well to be drilled at a standard location thereon.

20

Q

Referring you to what has been marked

21

for identification as Exhibit Number One, would you briefly

22

explain what that shows?

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Yes. Exhibit Number One is a plat of

24

the communitized area covering the east half of the northwest

25

quarter of Section 18, Township 29 North, Range 14 West, in

1 the Cha Cha-Gallup Field, San Juan County, New Mexico.

2 In the plat is the San Juan River as it
3 was located in 1881 on a land survey that constitutes the
4 treaty of the Navajo Tribe with the United States of America.
5 In the north portion of the east half of the northwest quarter
6 is the fee acreage which constitutes approximately 42.23 acres,
7 including riparian acreage.
8

9 In the south portion of the east half
10 is the portion which belongs to the Navajo Tribal lands,
11 which has dedicated acreage of approximately 37.77 acreage,
12 including riparian acreage.

13 In the west half of the northeast
14 quarter is situated Kirtland No. 3, which is a presently
15 producing oil well for Caribou Four Corners, and in the west
16 half of the northwest quarter is a point indicating Kirtland
17 No. 4, which is also a producing oil well belonging to Four
18 Corners -- to Caribou Four Corners, Incorporated.

19 That's all I have to say at this present
20 time.

21 Q Does that exhibit also show your proposed
22 location?

23 A Oh, yes, yes. The proposed location
24 for the well aforementioned is located 1310 feet, has been
25 surveyed at 1310 feet from the north line and 1740 feet from

1
2 the west line and is indicated by the green dot.

3 Q Referring you to what's been marked for
4 identification as Exhibit Number Two, would you explain what
5 that is, please?

6 A Yes. Exhibit Number Two is an AFE for
7 the proposed Kirtland No. 11, which is the well represented
8 by the green dot, in the Cha Cha-Gallup Field, the east half
9 of the northwest quarter of Section 18, Township 29 North,
10 Range 14 West, San Juan County, New Mexico, with a projected
11 TD of 4700 feet.

12 An estimated cost of drilling and com-
13 pleting at this time has been set at \$307,092; however, with
14 the precarious nature of the location, in that it is in a
15 swampy area, the location and roads section of the intangibles,
16 Section Number 5-A, may be as high as \$20,000 more.

17 If it is a dry hole, the cost incurred
18 would be somewhere around \$158,000 to Caribou Four Corners
19 and their partners.

20 Q Would you briefly outline the histories
21 of Kirtland No. 3 and Kirtland No. 4, the present wells?

22 A Yes. Kirtland No. 3 was spudded in
23 August of 1979 with a total depth of 4751 feet. The completed
24 zones are 4514 feet to 4554 feet. The initial production
25 on the -- on Kirtland No. 3 was a trace of oil with about 90

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2 barrels of water. The current production is 40 barrels of
3 oil a day with about 10 barrels of water. This -- this water
4 is from a waterflood project that was instituted by Humble
5 Oil back in 1966 to the -- to the south of us in the reserva-
6 tion area.

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8 Kirtland No. 4 was spudded in September
9 of 1979 and drilled to a total depth of 4705 feet with a com-
10 pleted zone -- the completed zone of 4448 to 4520 feet. The
11 initial production was -- excuse me. Initial production was
12 78 barrels of oil to 60 barrels of water. Current production
13 is 14 barrels of oil to zero barrels of water, which indicates
14 that, to me, that there may be some channeling effect in the
15 waterflood system which makes the reservoir unpredictable in
16 terms of what fluid movement may result.

17 Q Mr. Busch, have you made any efforts to
18 contact the mineral interest owners under the Navajo tract?

19 A Yes, I have. I initially contacted
20 Energy Reserves Group, which is a partner of Suburban Propane.
21 They then referred me to Suburban Propane as the -- as the
22 operators.

23 I then called Steve Lee, the Vice Presi-
24 dent of production in San Antonio, Texas, July 18th, and dis-
25 cussed this matter with him. I asked Steve, Mr. Lee, if he
was interested in joining Caribou Four Corners in this project,

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2 and at that time he indicated that they were not interested,
3 but that they had no objection to us drilling a well.

4 Later conversations indicated that we
5 should go ahead with our application of forced pooling and
6 that they might voluntarily join later.

7 Q Now you have asked that a risk penalty
8 be assessed. What would you recommend to the Commission?

9 A I feel that 200 percent is not -- is not
10 out of line.

11 Q Why is that?

12 A Well, the well is, in my opinion, a high
13 risk well in that it is located in a waterflood area and inso-
14 much that -- that channeling may occur, it is very difficult
15 to determine what may be the status of the hydrocarbons in
16 the underlying portion.

17 Q What in your opinion would be a reason-
18 able charge for supervision while this well is drilling?

19 A I feel that in terms of drilling \$1500
20 and after completion \$300.

21 Q Are you of the opinion that the granting
22 of this application will prevent waste and protect correla-
23 tive rights?

24 A Yes. Yes, I am.

25 Q And do you also ask to be designated

operator of this well?

A. Yes, we do.

Q. Have you a particular problem with this lease that's somewhat unique but maybe not too unique to the Commission?

A. Yes, I'm certain that that's the case. I have a leaseholder who wants this well drilled and his lease expires October 4th, and so he's moving -- moving to have it done, and he has indicated that if a forced pooling order is obtained that he will extend us a six month lease to give us reasonable period in which to drill the aforementioned well.

Q. Were Exhibits One and Two prepared by you or under your supervision?

A. Yes, sir, they were.

MR. BUELL: I move the introduction of Exhibits One and Two.

MR. STAMETH: These exhibits will be admitted.

MR. BUELL: I have nothing else, Mr. Stameth.

CROSS EXAMINATION

BY MR. STAMETH:

Q. Mr. Buach, do you have anything in

1
2 writing that would show that you had indeed contacted Suburban
3 Propane, or from them which would show that you had contacted
4 them and they chose not to join?

5 A I do not, sir, in my possession.

6 Q Can you acquire same and submit it sub-
7 sequent to this hearing?

8 A I certainly can.

9 Q That's pretty much standard procedure
10 to verify that in fact bona fide attempts have been made to
11 obtain voluntary agreement prior to this hearing.

12 And Suburban Propane is the working
13 interest owner of the Navajo Tribal lands?

14 A Yes. Yes, sir.

15 MR. STAMETS: Okay, we will leave the
16 record open for submittal of that information.

17 And then the well location is an unortho-
18 dox location. Has that already been obtained or are you
19 going to seek that administratively?

20 A It has not been obtained. I would seek
21 it administratively.

22 MR. STAMETS: Okay. As a matter of fact,
23 the advertisement in this case does say standard location,
24 so that would have to be either a separate application or as
25 a result of some sort of a topographic condition in the area

1
2 which would require that.

3 A Okay, the condition that requires the
4 unorthodox location is the north portion of the east half is
5 a residential area.

6 MR. STAMETS: Let's go off the record,
7 Sally.

8
9 (Thereupon a discussion
10 was had off the record.)

11
12 MR. STAMETS: Okay, we'll go back on the
13 record, Sally.

14 Mr. Busch, do you have any voluntary
15 operating agreements that you've entered or written of late
16 which show that these are indeed the overhead charges which
17 Suburban is utilizing at this time, or not Suburban, but
18 Caribou?

19 A Okay, pertaining to the AFE?

20 Q Well, the overhead charges for operation
21 of a well while it's being --

22 A Oh, oh, yes. Yes.

23 Q Okay, would you submit those subsequent
24 to the hearing?

25 A Okay.

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Q I would appreciate it.

A. Okay.

MR. STAMETS: Any other questions of this witness? He may be excused.

Anything further in this case?

MR. BUELL: I have nothing else, Mr. Examiner.

MR. STAMETS: Okay, what about the standard location problem?

MR. BUELL: I'm going to write Suburban.

MR. STAMETS: Okay, but we need somebody to ask us to amend the application.

MR. BUELL: Would you amend the application?

MR. STAMETS: We will amend the application.

MR. STAMETS: And at this time we will take a short recess.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. _____, heard by me on _____ 19____.

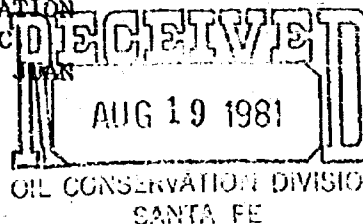
_____, Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

BEFORE THE OIL CONSERVATION DIVISION
OF THE
NEW MEXICO ENERGY AND MINERALS DEPARTMENT

IN THE MATTER OF THE APPLICATION
OF CARIBOU FOUR CORNERS, INC.
FOR COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO.



No. 7343

A P P L I C A T I O N

Comes now Caribou Four Corners, Inc. by its attorneys, Jasper and Buell, and applies to the Oil Conservation Division for an order pooling all mineral interests in the Gallup formation beneath the east half of the northwest quarter of Section 18, Township 29 North, Range 14 West (E/2 NW/4 Sec. 18, T. 29 N., R. 14 W.) N.M.P.M. San Juan County, New Mexico, and in support of its application states:

1. Applicant proposes to be the operator of and is an interested party in the mineral interests under the above described lands within the intervals designated.
2. Applicant proposes to drill its Caribou Four Corners Kirtland No. 12 well on the above described lands to test the above described formation for the production of oil, gas and other hydrocarbons at a standard location.
3. Applicant has attempted to obtain the participation of all remaining working interest owners in the above described lands and intervals in the drilling of the proposed well, but has not been successful.
4. Applicant is entitled to a reasonable allocation of costs in the drilling and operating of the well and a reasonable charge for supervision during drilling and operations.
5. Applicant is entitled to be designated operator of the well.
6. Applicant asks that it be awarded a three hundred percent (300%) risk factor to be charged non-participating interest owners.

200% statutory max - JSC

7. A mineral interest owner of the formation under the above described lands which may have an interest is:

Suburban Propane & Exploration Company, Inc.
P. O. Box 17689
San Antonio, Texas 78217

8. The granting of this application will prevent waste and protect correlative rights.

9. This application may be heard by the Oil Conservation Division or one of its designated examiners.

JASPER and BUELL

By Sumner G. Buell
Sumner G. Buell
Post Office Box 1626
Santa Fe, New Mexico 87501

EXHIBIT "A"

Plat of communitized area covering E $\frac{1}{2}$ NW $\frac{1}{4}$
 Sec. 18, T29N, R14W, Cha Cha Gallup Field -
 San Juan, New Mexico.

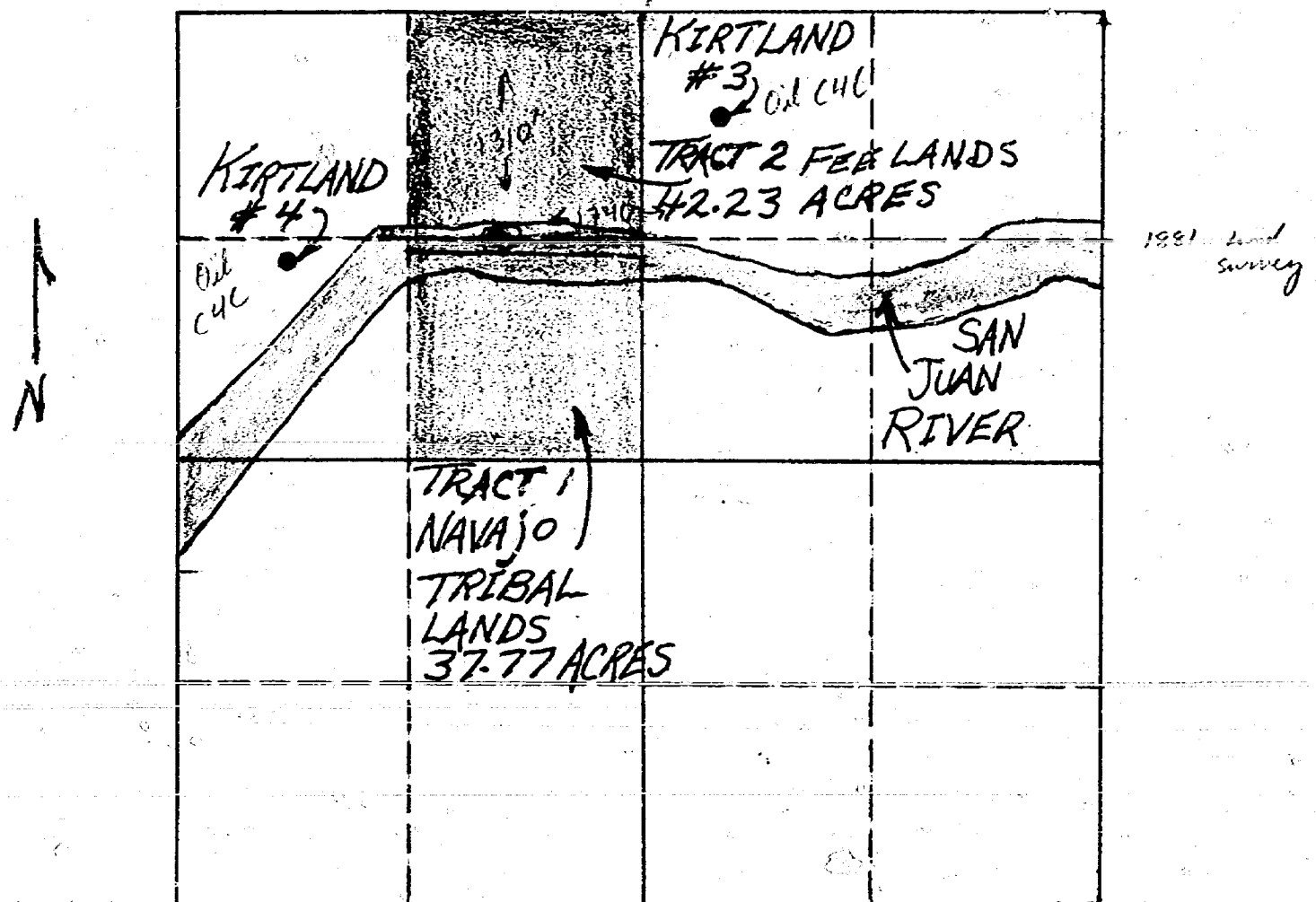


Exhibit 1
 Case 7343

Scale
 1" = 1000'

COST ESTIMATE & AUTHORITY FOR EXPENDITURE

Case & Well No.: KIRTLAND #11 Field or Area: Cha Cha Gallup
Location: E¹/₄ NW¹/₄ Section 18 Township 29 North, Range 14 West
County: San Juan State New Mexico Projected TO 4,700'
Lease Date Requirement: October 1, 1981
Classification: Exploratory () Development (XX) Oil (XX) Gas ()

stification: _____

ESTIMATED GROSS COST

Drilling				Completion				Total				Remarks			
NGIBLE LEASE & WELL EQUIP.															
Surface Casing				\$ 3,145				\$ 3,145							
Intermediate Casing															
Production Casing															
Tubing															
Wellhead Equip.															
Artificial Lift Equip.															
Flow Line															
Process & Storage Equip.															
Power Supply Equipment															
Packers, Anchors, Misc.												Inc. Fence			
Total Lease & Well Equip.				\$ 3,145				\$ 94,744				\$ 97,489			
TANGIBLES															
(a) Footage 4,350															
Ft. @ 12.38				53,853								53,853			
(b) Daywork XXXX Using Cable															
Day @ Tool				10,500								10,500			
(c) Daywork WDDP logging															
Day @ 5,800				5,800								5,800			
(d) Service Rig								18,000				18,000			
(e) XXXX & Water								2,000				2,000			
(f) Mud & Chemicals				17,000								17,000			
(a) Supervision				1,500				2,500				4,000			
(b) Geol. and/or Anal.				2,750								2,750			
(c) Logging				9,000				2,000				11,000			
(d) Drill Stem Tests															
(e) Coring Equipment															
(a) Cement & Service				3,100				10,700				13,800			
(b) Floating Equipment				100				2,500				2,600			
(c) Welding				500				500				1,000			
(a) Perforating								3,000				3,000			
(b) Fracturing & Service								20,000				20,000			
(c) Acidizing & Service								above							
(a) Location & Roads				25,000								25,000			
(b) Transp. & Freight															
(c) Roustabout Labor				3,000				7,800				10,800			
(a) Bits & Rental Tools				Bits inc.w/ ftg. 700				1,800				2,500			
(b) Miscellaneous				2,000				4,000				6,000			
Total Intangibles				\$ 134,803				\$ 74,800				\$ 209,603			
TOTAL :				\$ 137,948				\$ 169,144				\$ 307,092			

RETURN ONE SIGNED COPY TO CARIBOU

prepared by: Ernie Busch

Exhibit 2
Case 7343

Date:

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
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Direct Examination by Mr. Buell

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E X H I B I T S

Applicant Exhibit One, Plat

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Q And by whom are you employed?

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15 ciates, Consulting Geologist, as a geologist.

16 Q And where was that and during what period
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19 Q And then who did you work for next?

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2 operator of this well?

3 A Yes, we do.

4 Q Have you a particular problem with this
5 lease that's somewhat unique but maybe not too unique to the
6 Commission?

7 A Yes, I'm certain that that's the case.
8 I have a leaseholder who wants this well drilled and his lease
9 expires October 4th, and so he's moving -- moving to have it
10 done, and he has indicated that if a forced pooling order is
11 obtained that he will extend us a six month lease to give us
12 reasonable period in which to drill the aforementioned well.

13 Q Were Exhibits One and Two prepared by
14 you or under your supervision?

15 A Yes, sir, they were.

16 MR. BUELL: I move the introduction of
17 Exhibits One and Two.

18 MR. STAMETS: These exhibits will be ad-
19 mitted.

20 MR. BUELL: I have nothing else, Mr.
21 Stamets.

22
23 CROSS EXAMINATION

24 BY MR. STAMETS:

25 Q Mr. Busch, do you have anything in

1
2 writing that would show that you had indeed contacted Suburban
3 Propane, or from them which would show that you had contacted
4 them and they chose not to join?

5 A. I do not, sir, in my possession.

6 Q Can you acquire same and submit it sub-
7 sequent to this hearing?

8 A. I certainly can.

9 Q That's pretty much standard procedure
10 to verify that in fact bona fide attempts have been made to
11 obtain voluntary agreement prior to this hearing.

12 And Suburban Propane is the working
13 interest owner of the Navajo Tribal lands?

14 A. Yes. Yes, sir.

15 MR. STAMETS: Okay, we will leave the
16 record open for submittal of that information.

17 And then the well location is an unortho-
18 dox location. Has that already been obtained or are you
19 going to seek that administratively?

20 A. It has not been obtained. I would seek
21 it administratively.

22 MR. STAMETS: Okay. As a matter of fact,
23 the advertisement in this case does say standard location,
24 so that would have to be either a separate application or as
25 a result of some sort of a topographic condition in the area

1
2 which would require that.

3 A. Okay, the condition that requires the
4 unorthodox location is the north portion of the east half is
5 a residential area.

6 MR. STAMETS: Let's go off the record,
7 Sally.

8
9 (Thereupon a discussion
10 was had off the record.)

11
12 MR. STAMETS: Okay, we'll go back on the
13 record, Sally.

14 Mr. Busch, do you have any voluntary
15 operating agreements that you've entered or written of late
16 which show that these are indeed the overhead charges which
17 Suburban is utilizing at this time, or not Suburban, but
18 Caribou?

19 A. Okay, pertaining to the AFE?

20 Q. Well, the overhead charges for operation
21 of a well while it's being --

22 A. Oh, oh, yes. Yes.

23 Q. Okay, would you submit those subsequent
24 to the hearing?

25 A. Okay.

1

13

2

Q I would appreciate it.

3

A. Okay.

4

MR. STAMETS: Any other questions of this witness? He may be excused.

6

Anything further in this case?

7

MR. BUELL: I have nothing else, Mr.

8

Examiner.

9

MR. STAMETS: Okay, what about the standard location problem?

10

11

MR. BUELL: I'm going to write Suburban.

12

MR. STAMETS: Okay, but we need somebody to ask us to amend the application.

13

14

MR. BUELL: Would you amend the application?

15

16

MR. STAMETS: We will amend the application.

17

18

MR. STAMETS: And at this time we will take a short recess.

19

20

21

(Hearing concluded.)

22

23

24

25

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7343, heard by me on 9-23 1981.

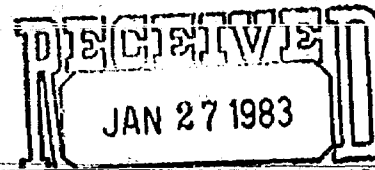
Richard L. Hunt, Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

Caribou

Four Corners, Inc.



OIL CONSERVATION DIVISION
SANTA FE

Production and Exploration Office
PO Box 2105
Farmington, NM 87499

January 24, 1983

Starnets

State of New Mexico
Energy and Minerals Department
Oil Conservation Division
Post Office Box 2088
State Land Office Building
Santa Fe, New Mexico 87501

Attention: Joe Ramey

RE: T. 29 N., R. 14 W., N.M.P.M.
Sec. 18: E/2 NW/4 San Juan County
New Mexico

Joe Ramey, Director,

As per Case No. 7343, Order No. R-6800, please find escrow
accounts opened for proceeds from production of referenced spac-
ing unit, with escrow agent being, First National Bank, PO Box
540, Farmington, NM 87499.

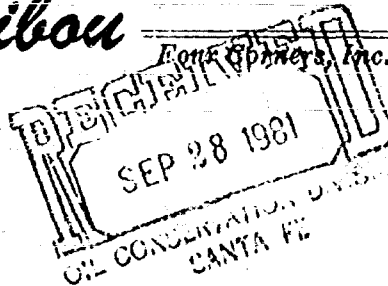
Respectfully Submitted,

Patsy Hedgecock
Patsy Hedgecock
Land Records & Accounting Manager

CARIBOU FOUR CORNERS, INC.

RL

Caribou



Production and Exploration Office
Box 627
Kirtland, New Mexico
87417

Sept, 25, 1981

Oil Conservation Division
Richard L. Stamets
P O Box 2088
Santa Fe, New Mexico 87501

RE: Docket No. 29-81
Case No. 7343

A large, stylized handwritten signature in dark ink, consisting of the letters "RLL" with a large loop.

Sir,

This letter is in compliance with your request concerning overhead operating costs for the proposed well location in the W/2 of the NW/4 of Section 18, Township 29 North, Range 14 West, San Juan.

The overhead operating costs for office and administrative supervision will be around \$250.00/mo. However, after the well is completed the well site supervision, pumping etal, will be around \$400.00/mo.

Respectfully Submitted,

A handwritten signature in dark ink, appearing to be "Ernie Busch".

Ernie Busch,
Area Manager

EB/ph

cc: file



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

October 14, 1981

POST OFFICE BOX 2098
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Mr. Sumner G. Buell
Jasper & Buell
Attorneys at Law
Post Office Box 1626
Santa Fe, New Mexico

Re: CASE NO. 7343
ORDER NO. R-6800

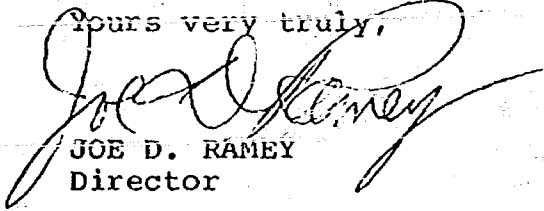
Applicant:

Caribou Four Corners, Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD X
Artesia OCD X
Aztec OCD X

Other _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7343

Order No. R-6800

APPLICATION OF CARIBOU FOUR
CORNERS, INC. FOR COMPULSORY
POOLING, SAN JUAN COUNTY, NEW
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 23, 1981, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 13th day of October, 1981, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Caribou Four Corners, Inc., originally requested an order pooling all mineral interests in the Cha Cha Gallup Oil Pool underlying the E/2 NW/4 of Section 18, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico to be dedicated to a well to be drilled at a standard location thereon.

Case No. 7343
Order No. R-6800

(3) That at the hearing the applicant sought amendment of the application to permit it to subsequently seek approval of an unorthodox location for the well to be drilled upon the pooled unit.

(4) That the proposed amendment to the application was approved.

(5) That the applicant has the right to drill and proposes to drill a well at a standard location thereon or an unorthodox location to be subsequently approved.

(6) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

(7) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(8) That the applicant should be designated the operator of the subject well and unit.

(9) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(10) That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(11) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(12) That following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

-3-

Case No. 7343
Order No. R-5800

(13) That \$1500.00 per month while drilling and \$300.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(14) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(15) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before February 1, 1982, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Cha Cha Gallup Oil Pool underlying the E/2 NW/4 of Section 18, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a standard 80-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon or an unorthodox location to be subsequently approved.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of February, 1982, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Gallup formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of February, 1982, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

-4-

Case No. 7343
Order No. R-68C0

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Caribou Four Corners, Inc. is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

Case No. 7343
Order No. R-6800

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$1500.00 per month while drilling and \$300.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

-6-

Case No. 7343
Order No. R-6800

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

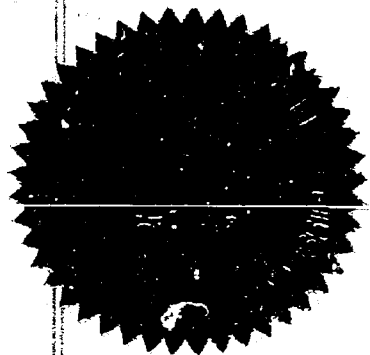
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JOE D. RAMEY
DIRECTOR



S E A L



Suburban Propane Exploration Co., Inc.

Reply to:
P. O. Box 17689
San Antonio, Texas 78217

September 29, 1981

*OK to do
Order
RLL*

New Mexico Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: N.M.O.C.D. Case No. 7343
Caribou Four Corners, Inc.
for Compulsory Pooling in
San Juan County, New Mexico

Gentlemen:

This letter is to inform you that Suburban Propane has no objection to the proposed application of Caribou Four Corners or to its well's location. We will cooperate in the communitization of the 80 acres and await action by Caribou toward that end.

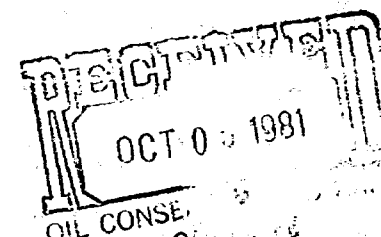
Very truly yours,

Stephen K. Lee

Stephen K. Lee
Vice President
Drilling and Production

SKL:dt

cc: Jasper and Buell
P.O. Box 1626
Santa Fe, New Mexico 87501
Caribou Four Corners, Inc.
P.O. Box 627
Kirtland, New Mexico 87417



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

9 September 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Caribou Four
Corners, Inc., for compulsory
pooling, San Juan County, New
Mexico.

CASE
7343

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

MR. NUTTER: Call Case Number 7343.

MR. PEARCE: Application of Caribou Four
Corners, Inc., for compulsory pooling, San Juan County, New
Mexico.

MR. NUTTER: Applicant in this case has
requested continuance.

Case Number 7343 will be continued to the
Examiner Hearing scheduled to be held at this same place at
9:00 o'clock a. m. September 23rd, 1981.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 7313
heard by me on 9/9 1981.
[Signature], Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

9 September 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Caribou Four
Corners, Inc., for compulsory
pooling, San Juan County, New
Mexico.

CASE
7343

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

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MR. NUTTER: Call Case Number 7343.

MR. PEARCE: Application of Caribou Four
Corners, Inc., for compulsory pooling, San Juan County, New
Mexico.

MR. NUTTER: Applicant in this case has
requested continuance.

Case Number 7343 will be continued to the
Examiner Hearing scheduled to be held at this same place at
9:00 o'clock a. m. September 23rd, 1981.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7343 heard by me on 9/9 1981.

[Signature], Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

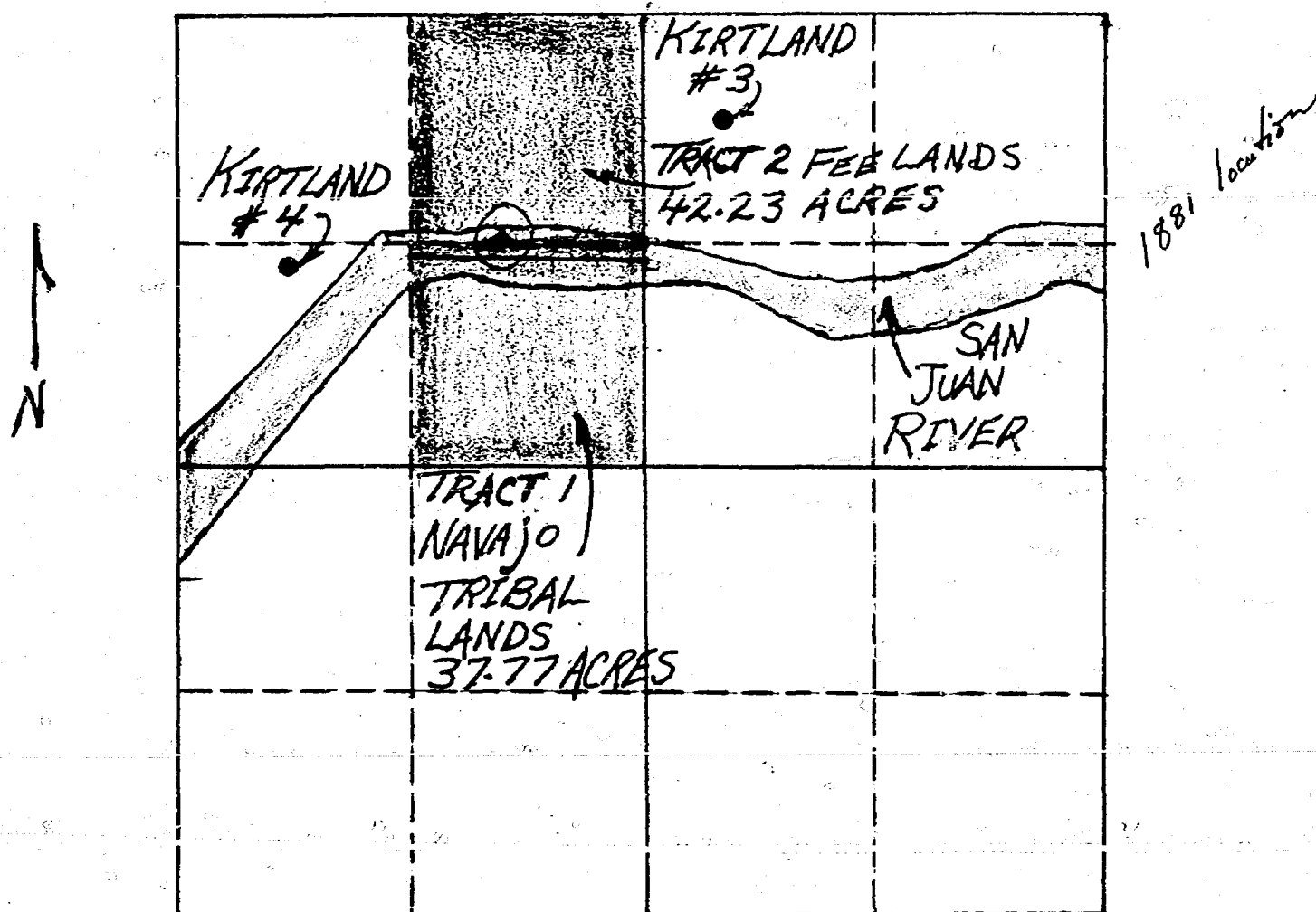
Appl EXHIBIT NO. 1

CASE NO. 17343

Submitted by Cariball & Cornick

Hearing Date Sept 23, 1981 EXHIBIT "A"

Plat of communitized area covering $E\frac{1}{2}NW\frac{1}{4}$
Sec. 18, T29N, R14W, Cha Cha Gallup Field -
San Juan, New Mexico.



Scale

1" = 1000'

COST ESTIMATE & AUTHORITY FOR EXPENDITURE

lease & Well No.: KIRTLAND #11 Field or Area: Cha Cha Gallup
Location: E 1/4 NW 1/4 Section 18 Township 29 North, Range 14 West
County: San Juan State New Mexico Projected TD 4,700'
Shut Date Requirement: October 1, 1981
Classification: Exploratory () Development (XX) Oil (XX) Gas ()

Justification: _____

ESTIMATED GROSS COST

TANGIBLE LEASE & WELL EQUIP.				
	Drilling	Completion	Total	Remarks
Surface Casing	\$ 3,145	\$	\$ 3,145	
Intermediate Casing				
Production Casing		20,430	20,430	
Tubing		13,214	13,214	
Wellhead Equip.		5,000	5,000	
Artificial Lift Equip.		30,000	30,000	
Flow Line		1,200	1,200	
Process & Storage Equip.		13,500	13,500	
Power Supply Equipment		3,000	3,000	
Packers, Anchors, Misc.		8,000	8,000	Inc. Fence
Total Lease & Well Equip.	\$ 3,145	\$ 94,744	\$ 97,489	
TANGIBLES				
(a) Footage 4,350 Ft. @ 12.38	53,853		53,853	
(b) Daywork WOODX Using Cable Day @ Tool	10,500		10,500	
(c) Daywork WOODP logging Day @ 5,800	5,800		5,800	
(d) Service Rig		18,000	18,000	
(e) WOODX & Water		2,000	2,000	
(f) Mud & Chemicals	17,000		17,000	
(a) Supervision	1,500	2,500	4,000	
(b) Geol. and/or Anal.	2,750		2,750	
(c) Logging	9,000	2,000	11,000	
(d) Drill Stem Tests				
(e) Coring Equipment				
(a) Cement & Service	3,100	10,700	13,800	
(b) Floating Equipment	100	2,500	2,600	
(c) Welding	500	500	1,000	
(a) Perforating		3,000	3,000	
(b) Fracturing & Service		20,000	20,000	
(c) Acidizing & Service		above		
(a) Location & Roads	25,000		25,000	
(b) Transp. & Freight				
(c) Roustabout Labor	3,000	7,800	10,800	
(a) Bits & Rental Tools	Bits inc.w/ ftg. 700	1,800	2,500	
(b) Miscellaneous	2,000	4,000	6,000	
Total Intangibles	\$ 134,803	\$ 74,800	\$ 209,603	
TOTAL:	\$ 137,948	\$ 169,144	\$ 307,092	

Caribou Four Corners/Mountain States
43 Acres +

RETURN ONE SIGNED COPY TO CARIBOU

Prepared by:

Ernie Busch

APPROVALS

Date:

Dockets Nos. 29-81 and 30-81 are tentatively set for September 23 and October 7, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 9, 1981

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- CASE 7341: Application of Superior Oil Company for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of South Carlsbad Strawn and Morrow production in the wellbore of its Collatt State Com Well No. 1 located in Unit J of Section 1, Township 23 South, Range 26 East.
- CASE 7342: Application of Arco Oil and Gas Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinebry and Drinkard production in the wellbore of its State 367 Well No. 2 located in Unit L of Section 36 and its Roy Barton Well No. 2 located in Unit B of Section 23, both in Township 21 South, Range 37 East.
- CASE 7343: Application of Caribou Four Corners, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Cha Cha Gallup - Oil Pool underlying the E/2 NW/4 of Section 18, Township 29 North, Range 14 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7344: Application of Read & Stevens, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the W/2 of Section 19, Township 23 South, Range 28 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7345: Application of Bass Enterprises Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Lovington Penn Pool underlying the N/2 NE/4 of Section 13, Township 16 South, Range 36 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7346: Application of Cibola Energy Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp through Devonian formations underlying the W/2 of Section 19, Township 10 South, Range 29 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7347: Application of Tenneco Oil Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 660 feet from the South Line and 860 feet from the West Line of Section 20, Township 16 South, Range 34 East, Kernitz-Morrow Gas Pool, the W/2 of said Section 20 to be dedicated to the well.

Dockets Nos. 31--1 and 31-81 are tentatively set for October 7, and October 21, 1981. Applications for hearing must be filed at least 12 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 23, 1981

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner or Daniel S. Nutter, Alternate Examiner:

- CASE 7353:** Application of Texaco, Inc., for the amendment of Division Order No. R-5530, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5530, which authorized its Central Vacuum Unit Area Pressure Maintenance Project, to increase the total project area allowable, or as an alternative, to reclassify the project as a waterflood project.
- CASE 7354:** Application of Corona Oil Company, for a pilot steam-enhanced oil recovery project, Guadalupe County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pilot steam-enhanced oil recovery project in the Santa Rosa formation by using two existing wells and three additional wells to be drilled to complete a five spot pattern located in the NE/4 NW/4 of Section 17, Township 11 North, Range 26 East.
- CASE 7355:** Application of Doyle Hartman for directional drilling and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill his Bates Well No. 3, the surface location of which is 1635 feet from the South line and 1210 feet from the West line of Section 20, Township 25 South, Range 37 East, in such a manner as to bottom it at a depth of 3500 feet in the Jalmat Gas Pool at an unorthodox location 2310 feet from the South line and 1650 feet from the West line of Section 20. The SW/4 of said Section 20 would be dedicated to the well.
- CASE 7356:** Application of S & I Oil Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the W/2 SW/4 of Section 12, Township 29 North, Range 15 West, Cha Cha-Gallup Oil Pool, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7357:** Application of Union Oil Company of California for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Atoka and Morrow formations underlying the W/2 of Section 16, Township 22 South, Range 33 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7343:** (Continued from September 9, 1981, Examiner Hearing)
- Application of Caribou Four Corners, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Cha Cha Gallup Oil Pool underlying the E/2 NW/4 of Section 18, Township 29 North, Range 14 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7358:** Application of John Yuronka for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Langley Mattix Pool underlying the SW/4 of Section 6, Township 23 South, Range 37 East, to form four 40-acre tracts, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.

JASPER and BUELL

Attorneys

121 East Palace Avenue
Post Office Box 1626
Santa Fe, New Mexico 87501
505: 988-2841

John G. Jasper
Sumner G. Buell

September 4, 1981

Oil Conservation Division
Land Office Building, P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 7343
Application of Caribou Four Corners, Inc. for Compulsory
Pooling, San Juan County

Gentlemen:

On behalf of the applicant, we request that the above case be removed from the docket of September 9, 1981 and reset on the docket of September 23, 1981.

If you need anything further, please feel free to call me.

Yours very truly,

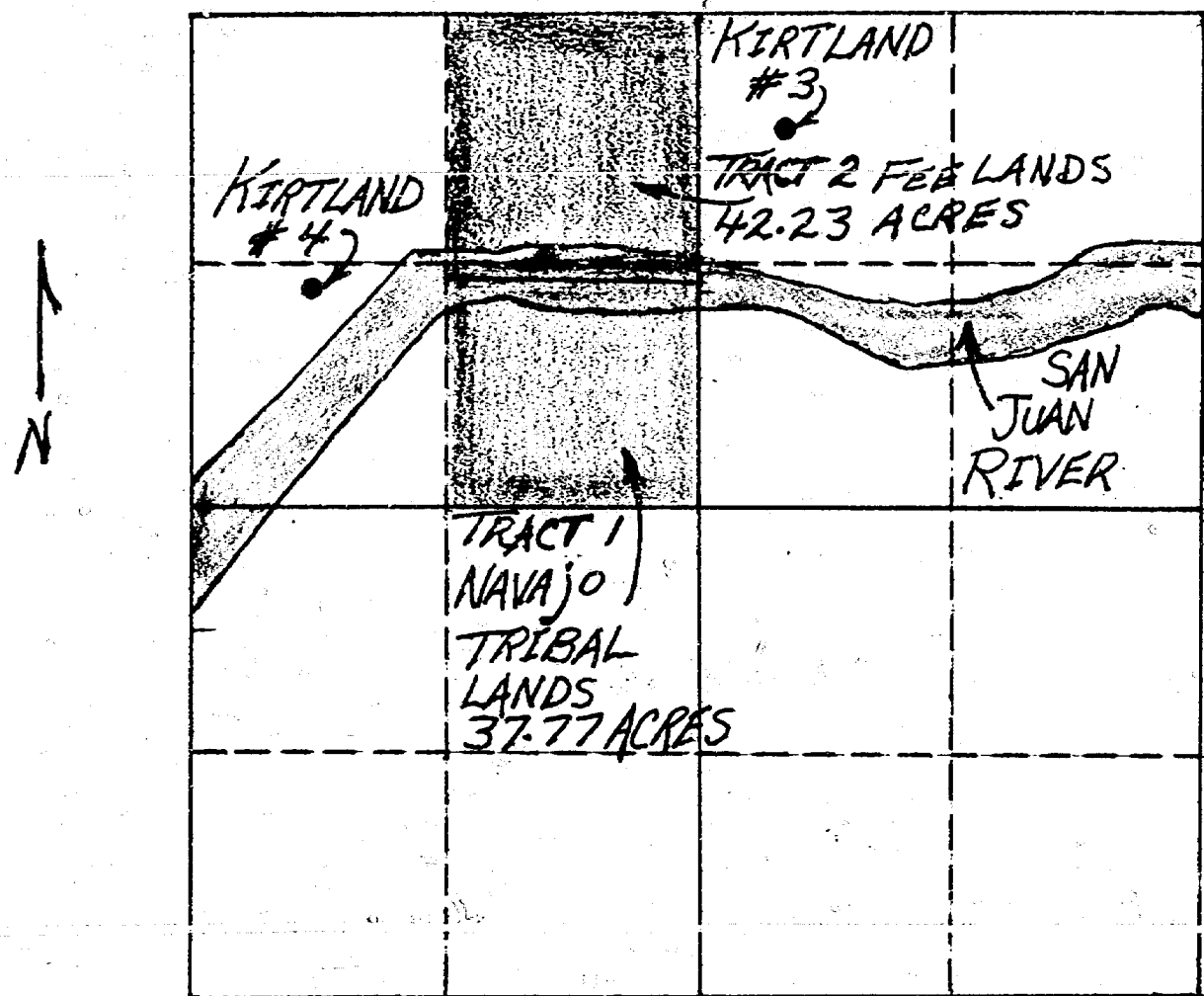

SUMNER G. BUELL

SGB:lp

RECEIVED
SEP 08 1981
OIL CONSERVATION DIVISION
SANTA FE

EXHIBIT "A"

Plat of communitized area covering E $\frac{1}{2}$ NW $\frac{1}{4}$
Sec. 18, T29N, R14W, Cha Cha Gallup Field -
San Juan, New Mexico.



Scale

1" = 1000'

Exhibit 1

Case 7343

COST ESTIMATE & AUTHORITY FOR EXPENDITURE

Case & Well No.: KIRTLAND #13 Field or Area: Cha Cha Gallup
Location: E $\frac{1}{2}$ NW $\frac{1}{4}$ Section 18 Township 29 North, Range 14 West
County: San Juan State New Mexico Projected TD 4,700'
Valid Date Requirement: October 1, 1981
Classification: Exploratory ☐ Development ☒ Oil ☒ Gas ☐

stification: _____

ESTIMATED GROSS COST

	Drilling	Completion	Total	Remarks
SURFACIBLE LEASE & WELL EQUIP.				
Surface Casing	\$ 3,145	\$	\$ 3,145	
Intermediate Casing		20,430	20,430	
Production Casing		13,214	13,214	
Tubing		5,000	5,000	
Wellhead Equip.		30,000	30,000	
Artificial Lift Equip.		1,200	1,200	
Flow Line		13,500	13,500	
Process & Storage Equip.		3,000	3,000	
Power Supply Equipment		8,000	8,000	Inc. Fence
Packers, Anchors, Misc.				
Total Lease & Well Equip.	\$ 3,145	\$ 97,489	\$ 97,489	
TANGIBLES				
(a) Footage 4,350 Ft. @ 12.38	53,853		53,853	
(b) Daywork WOOD Using Cable Day @ Tool	10,500		10,500	
(c) Daywork WOOD logging Day @ 5,800	5,800		5,800	
(d) Service Rig		18,000	18,000	
(e) PUMP & Water		2,000	2,000	
(f) Mud & Chemicals	17,000		17,000	
(a) Supervision	1,500	2,500	4,000	
(b) Geol. and/or Anal.	2,750		2,750	
(c) Logging	9,000	2,000	11,000	
(d) Drill Stem Tests				
(e) Coring Equipment				
(a) Cement & Service	3,100	10,200	13,300	
(b) Floating Equipment	100	2,500	2,600	
(c) Welding	500	500	1,000	
(a) Perforating		3,000	3,000	
(b) Fracturing & Service		20,000	20,000	
(c) Acidizing & Service		above		
(a) Location & Roads	25,000		25,000	
(b) Transp. & Freight				
(c) Roustabout Labor	3,000	7,800	10,800	
(a) Bits & Rental Tools	700	1,800	2,500	
(b) Miscellaneous	2,000	4,000	6,000	
Total Intangibles	\$ 134,803	\$ 74,800	\$ 209,603	
TOTAL:	\$ 137,948	\$ 169,144	\$ 307,092	

Caribou Four Corners/Mountain States
43 Acres +

RETURN ONE SIGNED COPY TO CARIBOU

prepared by:

Ernie Busch

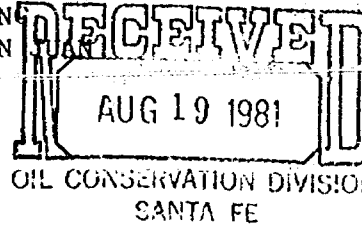
APPROVALS

Exhibit 2
Case 7343

Date:

BEFORE THE OIL CONSERVATION DIVISION
OF THE
NEW MEXICO ENERGY AND MINERALS DEPARTMENT

IN THE MATTER OF THE APPLICATION
OF CARIBOU FOUR CORNERS, INC.
FOR COMPULSORY POOLING, SAN
JUAN COUNTY, NEW MEXICO.



No. 7343

A P P L I C A T I O N

Comes now Caribou Four Corners, Inc. by its attorneys, Jasper and Buell, and applies to the Oil Conservation Division for an order pooling all mineral interests in the Gallup formation beneath the east half of the northwest quarter of Section 18, Township 29 North, Range 14 West (E/2 NW/4 Sec. 18, T. 29 N., R. 14 W.) N.M.P.M. San Juan County, New Mexico, and in support of its application states:

1. Applicant proposes to be the operator of and is an interested party in the mineral interests under the above described lands within the intervals designated.
2. Applicant proposes to drill its Caribou Four Corners Kirtland No. 12 well on the above described lands to test the above described formation for the production of oil, gas and other hydrocarbons at a standard location.
3. Applicant has attempted to obtain the participation of all remaining working interest owners in the above described lands and intervals in the drilling of the proposed well, but has not been successful.
4. Applicant is entitled to a reasonable allocation of costs in the drilling and operating of the well and a reasonable charge for supervision during drilling and operations.
5. Applicant is entitled to be designated operator of the well.
6. Applicant asks that it be awarded a three hundred percent (300%) risk factor to be charged non-participating interest owners.

7. A mineral interest owner of the formation under the above described lands which may have an interest is:

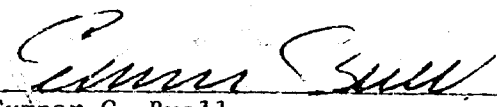
Suburban Propane & Exploration Company, Inc.
P. O. Box 17689
San Antonio, Texas 78217

8. The granting of this application will prevent waste and protect correlative rights.

9. This application may be heard by the Oil Conservation Division or one of its designated examiners.

JASPER and BUELL

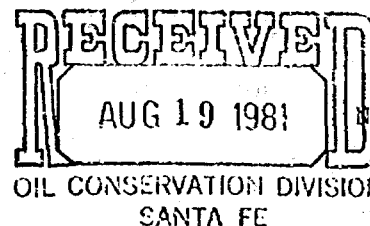
By


Sumner G. Buell

Post Office Box 1626
Santa Fe, New Mexico 87501

BEFORE THE OIL CONSERVATION DIVISION
OF THE
NEW MEXICO ENERGY AND MINERALS DEPARTMENT

IN THE MATTER OF THE APPLICATION
OF CARIBOU FOUR CORNERS, INC.
FOR COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO.



No. 2343

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1. Applicant proposes to be the operator of and is an interested party in the mineral interests under the above described lands within the intervals designated.
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3. Applicant has attempted to obtain the participation of all remaining working interest owners in the above described lands and intervals in the drilling of the proposed well, but has not been successful.
4. Applicant is entitled to a reasonable allocation of costs in the drilling and operating of the well and a reasonable charge for supervision during drilling and operations.
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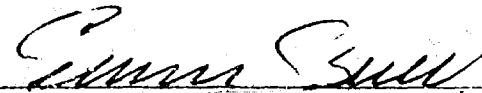
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JASPER and BUELL

By


Sumner G. Buell
Post Office Box 1626
Santa Fe, New Mexico 87501

DRAFT

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7343

Order No. R- 6800

APPLICATION OF CARIBOU FOUR
CORNERS, INC. FOR COMPULSORY
POOLING, ~~LEA COUNTY, NEW MEXICO~~. SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 23
19 81, at Santa Fe, New Mexico, before Examiner Richard L. Stames

NOW, on this _____ day of _____, 19 81, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

(1) That due public notice having been given as required by
law, the Division has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Caribou Four Corners, Inc.,
originally requested
~~seeks an order pooling~~ all mineral interests in the Cha Cha Gallup Oil
Pool underlying the E/2 NW/4
of Section 18, Township 29 North, Range 14 West,
NMPM, _____, San Juan County, New
Mexico to be dedicated to a well to be drilled at
a standard location thereon.

(3) That at the hearing the applicant sought
sought amendment of the application to permit
it to subsequently seek approval of an
unorthodox location for the well to be
drilled upon the pooled unit.

(4) That the proposed amendment to
the application was approved.

- (5) (3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon or an unorthodox location to be subsequently approved.
- (6) (6) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (7) (7) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.
- (8) (8) That the applicant should be designated the operator of the subject well and unit.
- (9) (9) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.
- (10) (10) That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.
- (11) (11) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.
- (12) (12) That following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(13) ~~(12)~~ That \$ 1500⁰⁰ per month while drilling and \$ 300⁰⁰ per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(14) ~~(12)~~ That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(15) ~~(13)~~ That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before February 1, 1982, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Cha Cha Gallup Oil Pool ~~formation~~ underlying the E/2 NW/4 of Section 18, Township 29 North, Range 14 West, NMDM: San Juan County, New Mexico, are hereby pooled to form a standard 80- acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon or an unorthodox location to be subsequently approved. PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of February, 1982 and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Gallup formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of February, 1982, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Caribou Four Corners, Inc. is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided

-5-
Case No.
Order No. R-

above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$ 1500⁰⁰ per month while drilling and \$ 300⁰⁰ per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-6-
Case
Order No.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.