

CASE 7124: CARIBOU FOUR CORNERS, INC.
FOR TWO NON-STANDARD PRORATION UNITS, *cc.*
SAN JUAN COUNTY, NEW MEXICO

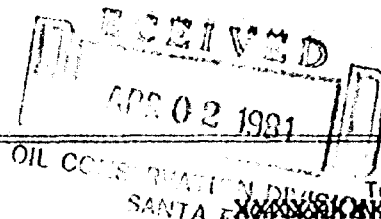
CASE NO.

7124

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

Caribou

Four Corners, Inc.



Production and Exploration Office
Transwestern Life Building - ~~XXXXXX~~
Billings, Montana 59101

2906 1st Ave. No.

March 25, 1981

Conoco, Inc.
Attention: Mr. Floyd Radloff
P O Box 2197
Houston, Texas 77001

RE: Case No. 7124
Application of Caribou Four
Corners, Inc.
San Juan County, New Mexico

The Navajo Nation Legal Department
Attention: Michael Tang
Window Rock, Arizona 86515

Gentlemen:

The New Mexico Oil Conservation Division in Santa Fe, New Mexico, is in receipt of your letters concerning the above case, and have given us permission to produce the well, Kirtland #6 in the E $\frac{1}{2}$ NW $\frac{1}{4}$ and Kirtland #7 in the W $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 13, Township 29 North, Range 15 West, San Juan County, New Mexico.

Caribou Four Corners, Inc., as operator of the above mentioned wells, will disburse royalties due the Navajo Tribe and will escrow the overriding royalty funds due Conoco in a Bank in San Juan County, New Mexico, until such time as the Navajo Tribe and Conoco dispute is resolved. The escrowed funds will be released at such time as Caribou receives satisfactory identification of ownership.

Please indicate your agreement to the aforesaid by dating, signing, and returning one copy to us as soon as possible.

Sincerely,

CARIBOU FOUR CORNERS, INC.

Patricia L West

Patricia L. West, Manager
Land Records & Accounting

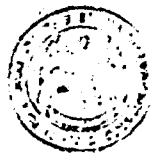
AGREED TO AND ACCEPTED this _____ day of _____, 1981.

Conoco, Inc.

Navajo Tribe

cc: Mr. Sumner Buell
121 East Palace Avenue
P O Box 1626
Santa Fe, NM 87501

✓ Mr. Ernest Padilla
New Mexico Oil Conservation Division
P O Box 2088
Santa Fe, New Mexico 87501



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

March 10, 1981

POST OFFICE BOX 2088
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 87501

Re: CASE NO. 7124
ORDER NO. R-6605

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. 7124
Order No. R-6605

APPLICATION OF CARIBOU FOUR CORNERS, INC.
FOR TWO NON-STANDARD PRORATION UNITS,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on January 14, 1981,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 6th day of March, 1981, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

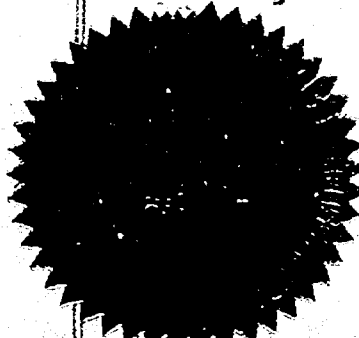
FINDS:

That the application should be dismissed.

IT IS THEREFORE ORDERED:

That Case No. 7124 is hereby dismissed.

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

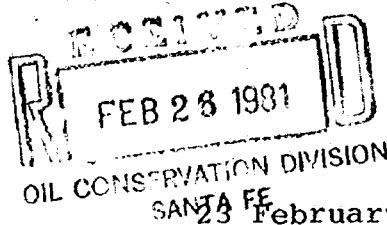
Joe D. Ramey
JOE D. RAMEY
Director

SEAL
Pd/



THE NAVAJO NATION

WINDOW ROCK, NAVAJO NATION (ARIZONA) 86515



PETER MACDONALD
CHAIRMAN, NAVAJO TRIBAL COUNCIL

FRANK E. PAUL
VICE CHAIRMAN, NAVAJO TRIBAL COUNCIL

Mr. Ernest Padilla
New Mexico Oil Conservation
Division
Post Office Box 2088
Santa Fe, New Mexico 87501

RE: Case No. 7124
Application of Caribou Four Corners, Inc.
San Juan County, New Mexico

Dear Mr. Padilla:

Pursuant to our conversation of February 19, 1981, this letter will confirm that my letter of February 10, 1981 intended to include the east half, northwest quarter of section 13. Thus, the Navajo Tribe wishes Conoco to escrow funds generated by sale of production allocated to Navajo lands from W/2, NW/4 and E/2, NW/4 section 13, Township 29 North, Range 15 West. Since the royalty amount is not in dispute, royalties should continue to be disbursed.

Sincerely,

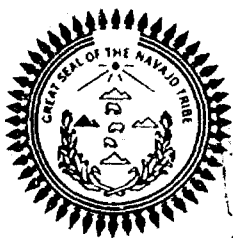
Michael Tang

MT:dw

cc: Caribou Four Corners
404 N 31 Street
Billings, Montana 59101

Mr. Floyd Radloff
Conoco Inc.
Post Office Box 2197
Houston, Texas 77001

Mr. Sumner Buell
121 East Palace Avenue
Post Office Box 1626
Santa Fe, New Mexico 87501



THE NAVAJO NATION LEGAL DEPARTMENT

Window Rock, Navajo Nation (Arizona) 86515

(602) 871-4941 Ext. 1343 or 1344

FEB 17 1981

OIL CONSERVATION DIVISION
SANTA FE

February 10, 1981

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

PETER MacDONALD
CHAIRMAN, NAVAJO TRIBAL COUNCIL

FRANK E. PAUL
VICE CHAIRMAN, NAVAJO TRIBAL COUNCIL

CLIFFORD J. HOFMANN
DIRECTOR

ATTORNEYS

LYNN TETTERINGTON
ROBERT J. WILSON, JR.
MICHAEL TANG

RE: Case No. 7124
Application of Caribou Four Corners, Inc.
San Juan County, New Mexico

Gentlemen:

Because of a dispute between the Navajo Nation and Conoco Inc., with respect to W 1/2 NW 1/4, Section 13, Township 29 North, Range 15 West, Caribou Four Corners, Inc. has requested that the Navajo Nation and Conoco agree to escrow funds generated by production allocated to Navajo lands.

Conoco has agreed to escrow said funds by a January 27, 1981 letter to the Oil Conservation Division.

Since the amounts in question involve only Conoco's interest in the above area, the Navajo Nation agrees only to allow Conoco to escrow funds pending the resolution of the dispute. Royalties due shall continue to be distributed to the Navajo Nation.

Sincerely,

Michael Tang
Michael Tang, Staff Attorney
Navajo Tribal Legal Department

MT:dw

cc: Caribou Four Corners
404 N 31 Street
Billings, Montana 59101

Mr. Floyd Radloff
Conoco Inc.
Post Office Box 2197
Houston, Texas 77001

Mr. Sumner Buell
121 East Palace Avenue
Post Office Box 1626
Santa Fe, New Mexico 87501

2/18/81
Verified by telephone
from M. Tang that
S 1/2 of NW 1/4 was also
included.
EP

Floyd E. Radloff
Senior Counsel

Conoco Inc.
P.O. Box 2197
Houston, TX 77001

RECEIVED
FEB 04 1981
OIL CONSERVATION DIVISION
SANTA FE

January 27, 1981

Slamets

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

Re: Case No. 7124
Application of Caribou Four Corners, Inc.
San Juan County, New Mexico

Gentlemen:

Conoco Inc. owns Navajo Lease 14-20-0603-6358, which covers portions of the following proration units in San Juan County, New Mexico:

Township 29 North, Range 15 West

Section 13: W/2 NW/4
Section 13: E/2 NW/4

Caribou Four Corners, Inc. drilled and completed Kirtland No. 6 in the E/2 NW/4 and Kirtland No. 7 in the W/2 NW/4 and has requested that allowables be assigned to such wells. The validity of Conoco's above-referenced lease has been questioned and Caribou has requested that Conoco and the Navajo Tribe agree to the escrow of funds generated by sale of production allocated to the Navajo Tribal lands in each of said proration units.

This is to advise that Conoco Inc. is willing to participate in a suitable agreement to escrow funds attributable to production allocated to the Navajo lands until the validity of Conoco's lease is resolved.

Very truly yours,

Floyd E. Radloff
Floyd E. Radloff

FER/cb

cc: Caribou Four Corners, Inc.
404 N. 31st Street
Billings, Montana 59101

New Mexico Oil Conservation Division
Page 2
January 27, 1981

RECEIVED
FEB 04 1981
OIL CONSERVATION DIVISION
SANTA FE

cc (cont): Mr. Sumner G. Buell
Attorney at Law
121 East Palace Avenue
P. O. Box 1626
Santa Fe, New Mexico 87501

Mr. Jerry Hardin
Exploration Department
Conoco Inc.
Midland, Texas

Dockets Nos. 4-81 and 5-81 are tentatively set for January 28 and February 11, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 14, 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:

ALLOWABLE: (1) Consideration of the allowable production of gas for February, 1981, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for February, 1981, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 7117: Application of Gulf Oil Corporation for a non-standard gas proration unit, unorthodox location, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of a previously approved 320-acre non-standard proration unit comprising the E/2 of Section 25, Township 20 South, Range 36 East, Eumont Gas Pool, to its L. W. White (NCT-A) Wells No. 2 in Unit 1 and No. 7 at an unorthodox location 990 feet from the North line and 660 feet from the East line of said Section 25.

CASE 7118: Application of El Paso Exploration Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of South Blanco-Tocito and Basin-Dakota production in the wellbore of its Jicarilla 152 W Well No. 3 in Unit D of Section 7, Township 26 North, Range 5 West.

CASE 7119: Application of Shell Oil Company for a unit agreement, Bernalillo and Sandoval Counties, New Mexico. Applicant, in the above-styled cause, seeks approval for the West Mesa Unit Area, comprising 26,722 acres, more or less, of State, Federal, and fee lands in Townships 10, 11, and 12 North, Ranges 1 and 2 East.

CASE 7120: Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of undesignated Gallup and Basin-Dakota production in the wellbore of its Merry May Well No. 1 in Unit I of Section 24, Township 24 North, Range 10 West.

CASE 7121: Application of Flag-Redfern Oil Co. for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Pinon-Fruitland and Fulcher Kutz-Pictured Cliffs production in the wellbores of its Aloha Wells Nos. 1 and 2 located in Units L and D, respectively, of Section 16, Township 28 North, Range 11 West.

CASE 7122: Application of Elk Oil Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Pennsylvanian formation in the interval from 10,445 feet to 10,516 feet in its C. S. State Well No. 2 in Unit K of Section 26, Township 14 South, Range 34 East, High Plains-Pennsylvanian Pool.

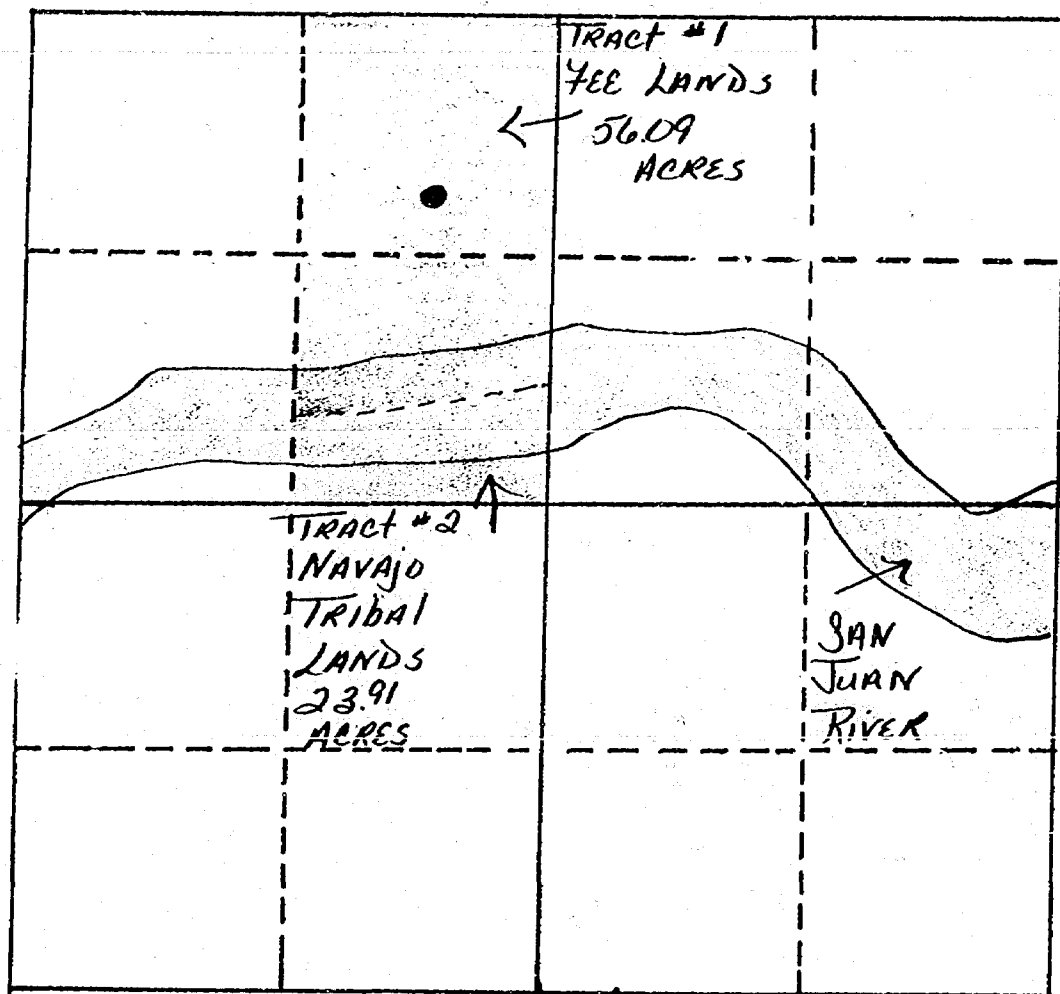
CASE 7123: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Federal "AB" Well No. 7, a Morrow test to be drilled 1980 feet from the North line and 660 feet from the West line of Section 9, Township 18 South, Range 25 East, the N/2 of said Section 9 to be dedicated to the well.

CASE 7124: Application of Caribou Four Corners, Inc. for two non-standard proration units, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for two non-standard oil proration units in Section 13, Township 29 North, Range 15 West, Cha Cha-Gallup Oil Pool, as follows: a 56.09-acre unit consisting of those fee lands comprising the NE/4 NW/4 and northermost 16.09 acres of the SE/4 NW/4 of said Section 13, and a 66.33-acre unit consisting of those fee lands comprising the NW/4 NW/4 and northermost 23.33 acres of the SW/4 NW/4 of said Section 13. In the alternative applicant seeks an order directing the escrowing of funds attributable to those lands in the E/2 NW/4 and W/2 NW/4, respectively, of said Section 13 which are not included in the above-described non-standard proration units.

Kitland
#6 well

EXHIBIT "A"

Plat of communitized area covering E $\frac{1}{2}$ NW $\frac{1}{4}$ sec. 13, T. 29N,
R. 15W, Cha-Cha Gallup Field, SAN JUAN
NEW MEXICO.



BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

Appx EXHIBIT NO. 1

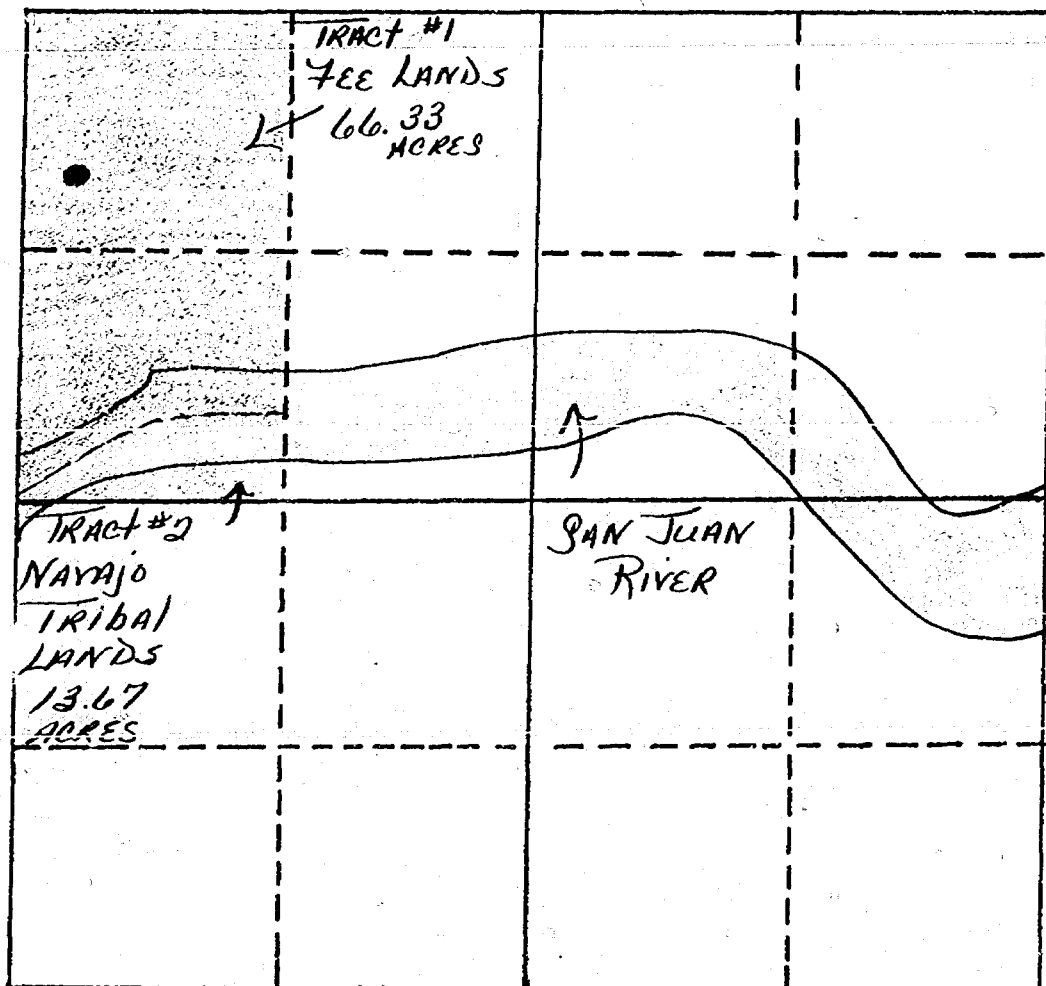
CASE NO. 7124

Submitted by Caribon 4 Corners

Hearing Date Jan 14, 1981

EXHIBIT "A"

Plat of communitized area covering $W\frac{1}{2}NW\frac{1}{4}$ sec. 13, T. 29 N,
R. 15 W, Cha Cha Gallup Field, SAN JUAN Co
NEW MEXICO.



BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
Appl EXHIBIT NO. 2
CASE NO. 7124
Submitted by Robert C. Corcoran
Hearing Date Jan 14, 1981

(2)

Case 7124

Caribaux - San Juan

T-29-N, R-15-W

Sec 13: W/2 NW/4

Sec 13: E/2 NW/4

Mike Lang
Navajo Nations

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Caribou Four Corners,
Inc., for two non-standard proration
units, San Juan County, New Mexico.

CASE
7124

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

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

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I N D E X

DENNY FOUST

Direct Examination by Mr. Buell	3
USGS statement by Mr. Stephens	10

E X H I B I T S

Applicant Exhibit One, Plat	6
Applicant Exhibit Two, Plat	6

1
2 MR. STAMETS: We'll call next Case 7124.

3 MR. PADILLA: Application of Caribou
4 Four Corners, Inc., for two non-standard proration units,
5 San Juan County, New Mexico.

6 MR. BUELL: Mr. Examiner, I'm Sumner
7 Buell of Jasper and Buell, appearing on behalf of the Applicant.
8 We have one witness.

9 MR. STAMETS: Any other appearances in
10 this case?

11 I'd like to have the witness stand and
12 be sworn, please.

13
14 (Witness sworn.)

15
16 DENNY FOUST
17 being called as a witness and being duly sworn upon his oath,
18 testified as follows, to-wit:

19
20 DIRECT EXAMINATION

21 BY MR. BUELL:

22 MR. BUELL: Mr. Examiner, as a prelimin-
23 ary matter, I believe that a correction has to be made to
24 the application in paragraph three.

25 It should reflect that we're talking

1
2 about the east half of the northwest quarter of Section 13.

3 MR. STAMETS: Let me find paragraph
4 three first here.

5 MR. BUELL: Okay.

6 MR. STAMETS: Oh, I see.

7 MR. PADILLA: In the application.

8 MR. BUELL: In the application. The
9 advertisement reflects correctly what should be on the appli-
10 cation.

11 MR. STAMETS: Okay.

12 MR. BUELL: But we're referring to the
13 east half of the northwest quarter of Section 13, and the
14 west half of the northwest quarter of 13.

15 In paragraph four, again we're referring
16 to the east half of the northwest quarter and the west half
17 of the northwest quarter of Section 13.

18 MR. STAMETS: Okay, what I'd ask you to
19 do, I think this is probably corrected on our copy of that,
20 but I'd like you to take a look at it before you leave, Mr.
21 Buell, and make sure that the copy we have on file is -- does
22 reflect this correction, does appear someone has corrected
23 that already.

24 MR. BUELL: Mr. Padilla did me that
25 favor.

1

2

Q Would you please state your name, sir?

3

A My name is Denny Foust.

4

Q Mr. Foust, by whom are you employed and

5

in what capacity?

6

A I'm employed by Caribou Four Corners,

7

Inc., as a geologist.

8

Q And where do you reside, Mr. Foust?

9

A Bloomfield, New Mexico.

10

Q Have you previously testified before

11

this Commission and had your qualifications accepted?

12

A Yes, I have.

13

Q And are you familiar with what is sought

14

in this application?

15

A Yes, I am.

16

Q Very briefly, what does Caribou Four

17

Corners seek in this application?

18

A Caribou Four Corners in this application

19

seeks to have certain lands in Section 13, 29 North, 15 West,

20

San Juan County, New Mexico, be exempted from the state rules

21

which require the escrowing of funds for production from

22

wells that do not have the entire spacing unit communitized.

23

Q Referring you to what has been marked

24

for identification as Applicant's Exhibit Number One, would

25

you outline for the Examiner what that application shows --

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2

I mean that exhibit?

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A. Okay, Exhibit Number One shows Caribou Four Corners Kirtland No. 6 spacing unit. This is a copy of a Federal communitization agreement plat. This plat shows the fee acreage in brown, which is 56.09 acres, and the Navajo Tribal acreage in red, which is 23.91 acres. It also shows graphically the location of the San Juan River channel in the 18 -- early 1880's, which survey set up the present day Navajo reservation.

Q. That is the north boundary of the reservation?

A. To the best of my knowledge that is the mid-channel of the river is the northern boundary of the Navajo reservation.

Q. Does Exhibit Number One also show the location of the No. 6, Kirtland No. 6 Well?

A. Yes, it does. It is indicated by a red dot or circle.

Q. Referring you to Applicant's Exhibit Number Two, would you explain what that shows?

A. Okay. Exhibit Number Two shows the spacing unit for the Caribou Four Corners, Inc., Kirtland No. 7 Well. This is also a copy of a plat submitted with a Federal communitization order. It also shows the fee lands

1
2 in a light brown, totalling 66.33 acres, and it shows the
3 Tract No. 2, which are the tribal lands, in a light red,
4 13.67 acres, and it indicates the estimated position of the
5 river channel during the 1880's surveys, and the location for
6 Kirtland No. 7 is indicated by a red circle or a dot.

7 Q On both of these 80-acre spacing units
8 have efforts been made on behalf of Caribou Four Corners, Inc.,
9 to communitize the entire acreage within the 80-acre unit?

10 A Yes, sir. There have been efforts.
11 Communitization agreements on these two spacing units were
12 prepared and submitted to Continental Oil Company, who is
13 the leaseholder of record from the Navajo Tribe, on January
14 30th, 1980.

15 These communitization agreements were
16 approved by Continental and submitted to the USGS in Albu
17 querque April 17th, 1980, and to -- they were forwarded to
18 the BIA on August 18th of 1980, and in a letter from the
19 BIA in reply to the USGS dated September 29th, 1980, the
20 Navajo Tribe questioned the validity of the Continental Oil
21 Company lease on the tribal acreage in question.

22 Q So as I understand it to date the
23 Navajo Tribe has not yet approved the communitization because
24 of this dispute between the Navajo Tribe and Continental Oil
25 Company, or Conoco?

1
2 A. That is true to the best of my knowledge
3 in that I talked to their representative on Monday of this
4 week.

5 Q. When were the two wells in question
6 drilled and completed?

7 A. The two wells in question were drilled
8 during September and October of 1980 and completed in November
9 of 1980.

10 Q. And what is the current status of those
11 two wells?

12 A. These two wells are currently shut-in
13 as a result of this dispute and hoping that we can resolve
14 some generation of revenue to Caribou to help recover their
15 drilling costs and evaluate these wells.

16 Q. Has all the surface equipment necessary
17 been installed with these wells?

18 A. As far as our knowledge goes at this
19 time.

20 Q. And would you have tank batteries in
21 place and --

22 A. Yes.

23 Q. --- ready to go on line?

24 A. Yes.

25 Q. How long have these wells been ready to

1
2 produce?

3 A. Since December 1st of 1980.

4 Q. Do you have a proposed solution for put-
5 ting these wells on line and producing them to protect the
6 correlative rights of either the Navajo tribal -- Navajo
7 Tribe or Conoco, whoever is the -- finally determined the
8 valid leasehold interest?

9 A. Yes, sir, we think so. We would request
10 that production be initiated from these wells and that the
11 revenues attributed to the fee lands be distributed in the
12 normal manner and that revenues attributed to the tribal
13 lands be escrowed until such time as this dispute is resolved
14 between Continental and the Navajo Tribe.

15 Q. Do you have a proposed alternative
16 solution?

17 A. As an alternative to this solution we
18 would ask the possibility of non-standard proration units
19 being granted to the two wells in question.

20 Q. And have you discussed these two proposed
21 solutions with the Navajo Tribe representative?

22 A. Yes, sir, I have.

23 Q. And has he expressed a preference for
24 one or the other?

25 A. Yes, sir, he expressed a preference for

1
2 the first where the tribal revenues would be escrowed until
3 such time as they can work out their dispute with Continental
4 Oil Company.

5 Q In your opinion would the granting of
6 this application prevent waste and protect correlative rights?

7 A Yes, sir.

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

10 A Yes.

11 MR. BUELL: I would move the admission
12 of Exhibits Numbers One and Two.

13 MR. STAMETS: Exhibits One and Two will
14 be admitted.

15 MR. BUELL: I have nothing further.

16 MR. STAMETS: Let's go off the record
17 a minute.

18 (There followed a discussion
19 off the record.)

20 MR. BUELL: I have nothing further.

21 MR. STAMETS: Is there anything further
22 in this case? Oh, I'm sorry, yes, sir.

23 MR. STEPHENS: Mr. Examiner, the USGS
24 would object to the alternate proposal, that is, the non-
25 standard proration unit, and note that in the docket it was

1
2 listed as their primary proposal, but at any rate, we would
3 object, the USGS would object to the non-standard proration
4 units, but would concur with the escrowing fund attributable
5 to the Navajo Indians, provided they were upheld by BIA,
6 Bureau of Indian Affairs.

7 MR. STAMETS: Okay, that perhaps pre-
8 sents us with a third option, that if the Bureau of Indian
9 Affairs or the Geological Survey, or someone who has the
10 appropriate power, says that these lands may be dedicated to
11 these two wells pending the outcome of this ownership dispute,
12 that may be sufficiently acceptable. I'm not certain, but
13 whoever -- whoever agrees to this has to have the power to
14 agree to it, and I'm certain that you can appreciate that
15 we can't authorize an operator to produce something that he
16 doesn't have the rights to, regardless of what the situation
17 is.

18 Of course in an oil pool his allowable
19 would be restricted based upon the -- the amount of acreage
20 he had in there compared to what a standard proration unit
21 would be 56/80ths in one case and 66/80ths in the other.

22 Anything further in this case?

23 MR. FOUST: Mr. Examiner, if I might
24 speak off the record.

25 MR. STAMETS: You certainly may.

(There followed a discussion
off the record.)

MR. STAMETS: If there is nothing further, the case will be taken under advisement.

(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 C.S.R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 7124
heard by me on 1-14 1981.
Richard L. Stum, Examiner
Oil Conservation Division

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

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Caribou Four Corners,
Inc., for two non-standard proration
units, San Juan County, New Mexico.

CASE
7124

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

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

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I N D E X

DENNY FOUST

Direct Examination by Mr. Buell	3
USGS statement by Mr. Stephens	10

E X H I B I T S

Applicant Exhibit One, Plat	6
Applicant Exhibit Two, Plat	6

1
2 MR. STAMETS: We'll call next Case 7124.

3 MR. PADILLA: Application of Caribou
4 Four Corners, Inc., for two non-standard proration units,
5 San Juan County, New Mexico.

6 MR. BUELL: Mr. Examiner, I'm Sumner
7 Buell of Jasper and Buell, appearing on behalf of the Applicant.
8 We have one witness.

9 MR. STAMETS: Any other appearances in
10 this case?

11 I'd like to have the witness stand and
12 be sworn, please.

13
14 (Witness sworn.)

15
16 DENNY FOUST
17 being called as a witness and being duly sworn upon his oath,
18 testified as follows, to-wit:

19
20 DIRECT EXAMINATION

21 BY MR. BUELL:

22 MR. BUELL: Mr. Examiner, as a prelimin-
23 ary matter, I believe that a correction has to be made to
24 the application in paragraph three.

25 It should reflect that we're talking

1
2 about the east half of the northwest quarter of Section 13.

3 MR. STAMETS: Let me find paragraph
4 three first here.

5 MR. BUELL: Okay.

6 MR. STAMETS: Oh, I see.

7 MR. PADILLA: In the application.

8 MR. BUELL: In the application. The
9 advertisement reflects correctly what should be on the appli-
10 cation.

11 MR. STAMETS: Okay.

12 MR. BUELL: But we're referring to the
13 east half of the northwest quarter of Section 13, and the
14 west half of the northwest quarter of 13.

15 In paragraph four, again we're referring
16 to the east half of the northwest quarter and the west half
17 of the northwest quarter of Section 13.

18 MR. STAMETS: Okay, what I'd ask you to
19 do, I think this is probably corrected on our copy of that,
20 but I'd like you to take a look at it before you leave, Mr.
21 Buell, and make sure that the copy we have on file is -- does
22 reflect this correction, does appear someone has corrected
23 that already.

24 MR. BUELL: Mr. Padilla did me that
25 favor.

1

2

Q Would you please state your name, sir?

3

A My name is Denny Foust.

4

Q Mr. Foust, by whom are you employed and

5

in what capacity?

6

A I'm employed by Caribou Four Corners,

7

Inc., as a geologist.

8

Q And where do you reside, Mr. Foust?

9

A Bloomfield, New Mexico.

10

Q Have you previously testified before

11

this Commission and had your qualifications accepted?

12

A Yes, I have.

13

Q And are you familiar with what is sought

14

in this application?

15

A Yes, I am.

16

Q Very briefly, what does Caribou Four

17

Corners seek in this application?

18

A Caribou Four Corners in this application

19

seeks to have certain lands in Section 13, 29 North, 15 West,

20

San Juan County, New Mexico, be exempted from the state rules

21

which require the escrowing of funds for production from

22

wells that do not have the entire spacing unit communitized.

23

Q Referring you to what has been marked

24

for identification as Applicant's Exhibit Number One, would

25

you outline for the Examiner what that application shows --

1

2

I mean that exhibit?

3

4

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10

A. Okay, Exhibit Number One shows Caribou Four Corners Kirtland No. 6 spacing unit. This is a copy of a Federal communitization agreement plat. This plat shows the fee acreage in brown, which is 56.09 acres, and the Navajo Tribal acreage in red, which is 23.91 acres. It also shows graphically the location of the San Juan River channel in the 18 -- early 1880's, which survey set up the present day Navajo reservation.

11

12

Q That is the north boundary of the reservation?

13

14

15

A To the best of my knowledge that is the mid-channel of the river is the northern boundary of the Navajo reservation.

16

17

Q Does Exhibit Number One also show the location of the No. 6, Kirtland No. 6 Well?

18

19

A Yes, it does. It is indicated by a red dot or circle.

20

21

Q Referring you to Applicant's Exhibit Number Two, would you explain what that shows?

22

23

24

25

A Okay. Exhibit Number Two shows the spacing unit for the Caribou Four Corners, Inc., Kirtland No. 7 Well. This is also a copy of a plat submitted with a Federal communitization order. It also shows the fee lands

1
2 in a light brown, totalling 66.33 acres, and it shows the
3 Tract No. 2, which are the tribal lands, in a light red,
4 13.67 acres, and it indicates the estimated position of the
5 river channel during the 1880's surveys, and the location for
6 Kirtland No. 7 is indicated by a red circle or a dot.

7 Q On both of these 80-acre spacing units
8 have efforts been made on behalf of Caribou Four Corners, Inc.,
9 to communitize the entire acreage within the 80-acre unit?

10 A Yes, sir. There have been efforts.
11 Communitization agreements on these two spacing units were
12 prepared and submitted to Continental Oil Company, who is
13 the leaseholder of record from the Navajo Tribe, on January
14 30th, 1980.

15 These communitization agreements were
16 approved by Continental and submitted to the USGS in Albu
17 querque April 17th, 1980, and to -- they were forwarded to
18 the BIA on August 18th of 1980, and in a letter from the
19 BIA in reply to the USGS dated September 29th, 1980, the
20 Navajo Tribe questioned the validity of the Continental Oil
21 Company lease on the tribal acreage in question.

22 Q So as I understand it to date the
23 Navajo Tribe has not yet approved the communitization because
24 of this dispute between the Navajo Tribe and Continental Oil
25 Company, or Conoco?

1
2 A That is true to the best of my knowledge
3 in that I talked to their representative on Monday of this
4 week.

5 Q When were the two wells in question
6 drilled and completed?

7 A The two wells in question were drilled
8 during September and October of 1980 and completed in November
9 of 1980.

10 Q And what is the current status of those
11 two wells?

12 A These two wells are currently shut-in
13 as a result of this dispute and hoping that we can resolve
14 some generation of revenue to Caribou to help recover their
15 drilling costs and evaluate these wells.

16 Q Has all the surface equipment necessary
17 been installed with these wells?

18 A As far as our knowledge goes at this
19 time.

20 Q And would you have tank batteries in
21 place and --

22 A Yes.

23 Q -- ready to go on line?

24 A Yes.

25 Q How long have these wells been ready to

1
2 produce?

3 A. Since December 1st of 1980.

4 Q. Do you have a proposed solution for put-
5 ting these wells on line and producing them to protect the
6 correlative rights of either the Navajo tribal -- Navajo
7 Tribe or Conoco, whoever is the -- finally determined the
8 valid leasehold interest?

9 A. Yes, sir, we think so. We would request
10 that production be initiated from these wells and that the
11 revenues attributed to the fee lands be distributed in the
12 normal manner and that revenues attributed to the tribal
13 lands be escrowed until such time as this dispute is resolved
14 between Continental and the Navajo Tribe.

15 Q. Do you have a proposed alternative
16 solution?

17 A. As an alternative to this solution we
18 would ask the possibility of non-standard proration units
19 being granted to the two wells in question.

20 Q. And have you discussed these two proposed
21 solutions with the Navajo Tribe representative?

22 A. Yes, sir, I have.

23 Q. And has he expressed a preference for
24 one or the other?

25 A. Yes, sir, he expressed a preference for

1
2 the first where the tribal revenues would be escrowed until
3 such time as they can work out their dispute with Continental
4 Oil Company.

5 Q In your opinion would the granting of
6 this application prevent waste and protect correlative rights?

7 A Yes, sir.

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

10 A Yes.

11 MR. BUELL: I would move the admission
12 of Exhibits Numbers One and Two.

13 MR. STAMETS: Exhibits One and Two will
14 be admitted.

15 MR. BUELL: I have nothing further.

16 MR. STAMETS: Let's go off the record
17 a minute.

18 (There followed a discussion
19 off the record.)

20 MR. BUELL: I have nothing further.

21 MR. STAMETS: Is there anything further
22 in this case? Oh, I'm sorry, yes, sir.

23 MR. STEPHENS: Mr. Examiner, the USGS
24 would object to the alternate proposal, that is, the non-
25 standard proration unit, and note that in the docket it was

1
2 listed as their primary proposal, but at any rate, we would
3 object, the USGS would object to the non-standard proration
4 units, but would concur with the escrowing fund attributable
5 to the Navajo Indians, provided they were upheld by BIA,
6 Bureau of Indian Affairs.

7 MR. STAMETS: Okay, that perhaps pre-
8 sents us with a third option, that if the Bureau of Indian
9 Affairs or the Geological Survey, or someone who has the
10 appropriate power, says that these lands may be dedicated to
11 these two wells pending the outcome of this ownership dispute,
12 that may be sufficiently acceptable. I'm not certain, but
13 whoever -- whoever agrees to this has to have the power to
14 agree to it, and I'm certain that you can appreciate that
15 we can't authorize an operator to produce something that he
16 doesn't have the rights to, regardless of what the situation
17 is.

18 Of course in an oil pool his allowable
19 would be restricted based upon the -- the amount of acreage
20 he had in there compared to what a standard proration unit
21 would be 56/80ths in one case and 66/80ths in the other.

22 Anything further in this case?

23 MR. FOUST: Mr. Examiner, if I might
24 speak off the record.

25 MR. STAMETS: You certainly may.

(There followed a discussion
off the record.)

MR. STAMETS: If there is nothing fur-
ther, the case will be taken under advisement.

(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, 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. _____, heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

DEC 12 1980

Oil Conservation

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

RE THE APPLICATION OF CARIBOU
FOUR CORNERS, INC. FOR A NON-
STANDARD PRORATION UNIT, OR IN
THE ALTERNATIVE AN ORDER OF THE
COMMISSION ALLOWING THE PRODUCTION
FROM TWO WELLS WITH THE ESCROWING
OF A PORTION WITH THE PROCEEDS
FROM THE PRODUCTION TO NON-JOINING
MINERAL INTEREST OWNERS.

NO. 7124

A P P L I C A T I O N

Comes now Caribou Four Corners, Inc., and applies to the Oil Conservation Division for a non-standard proration unit or, in the alternative, for an order directing the escrowing of a portion of the funds from the production of two wells, and in support thereof states:

1. Applicant is the operator of two wells designated the Caribou Four Corners Kirtland No. 6 located in the NE-1/4 of the NW-1/4 of Section 13, Township 29 North, Range 15 West, N.M.P.M., San Juan County, New Mexico, and the Caribou Four Corners Kirtland No. 7 located in the NW-1/4 of the NW-1/4 of Section 13, Township 29 North, Range 15 West, N.M.P.M.

2. The aforementioned wells are located in an extension of Cha Cha Gallup Pool and are located on 80-acre spacing.

3. Applicant controls 56.09 acres in the NE-1/4 of the NW-1/4 of Section 13, and applicant controls 66.33 acres in the NW-1/4 of the NW-1/4 of Section 13.

4. Applicant is informed and believes that the Navajo Tribe and an alleged lessee are in a dispute as to the validity of the leases on those lands located within the Navajo Reservation.

Twenty-Three and Ninety-one Hundredths acres of the NE-1/4 of the NW-1/4 lie within the Navajo Reservation and 13.67 acres of the NW-1/4 of the NW-1/4, Section 13 lie within the Navajo Reservation.

5. Applicant requests the assignment of an allowable to its wells and requests that it be granted a non-standard proration unit or, in the alternative, that the commission grant an allowable to applicant's wells to allow them to be produced with a proportionate share of the production allocable to the Navajo lands placed in escrow until the dispute between the Navajo Tribe and its lessee is finally resolved.

6. The granting of this application will prevent waste, protect correlative rights and be in the best interests of conservation.

JASPER & BUELL

By

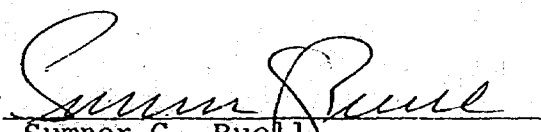
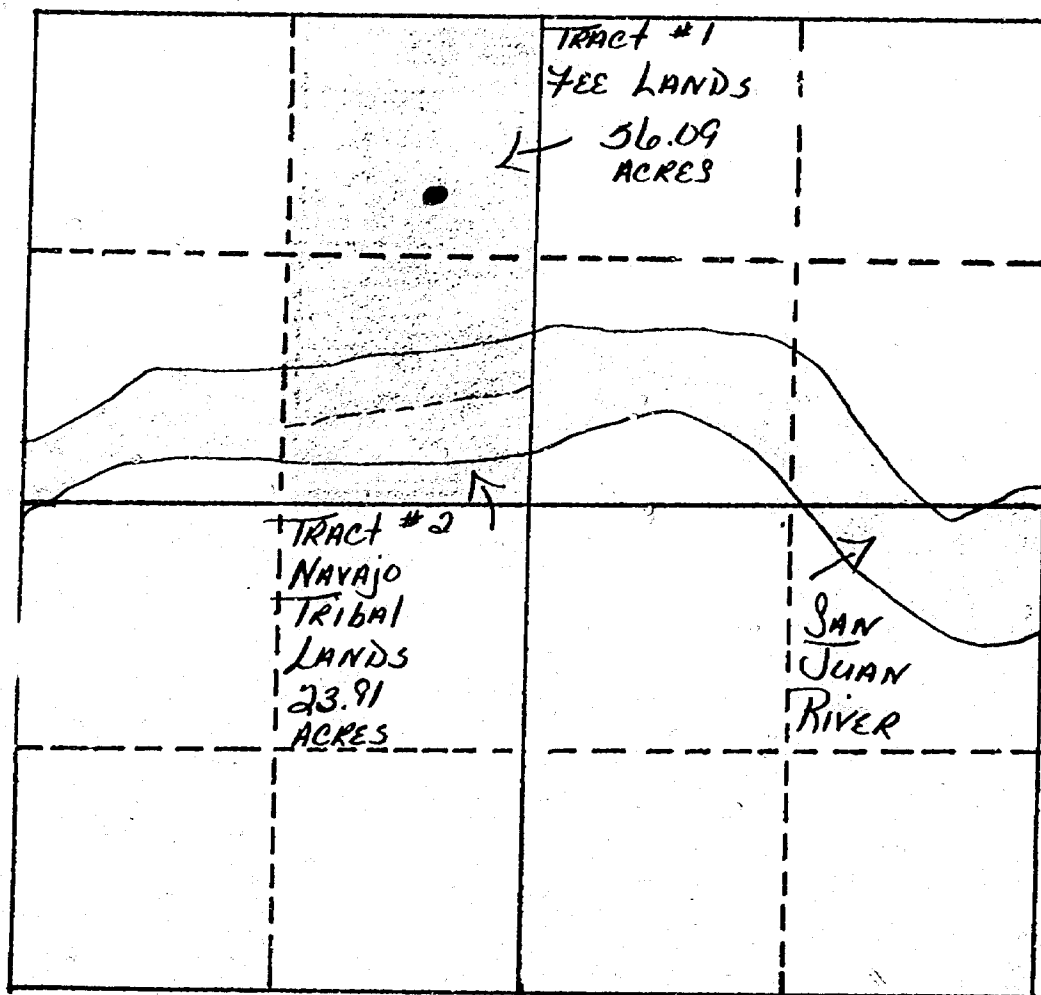

Sumner G. Buell
Attorneys for Applicant,
Caribou Four Corners, Inc.
Post Office Box 1626
Santa Fe, New Mexico 87501
(505)988-2841

EXHIBIT "A"

Plat of communitized area covering E 1/2 NW 1/4 sec. 13, T. 29 N,
R. 15 W, Cha-Cha Gallup Field, SAN JUAN Co.
NEW MEXICO.



BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

Appl EXHIBIT NO. 1

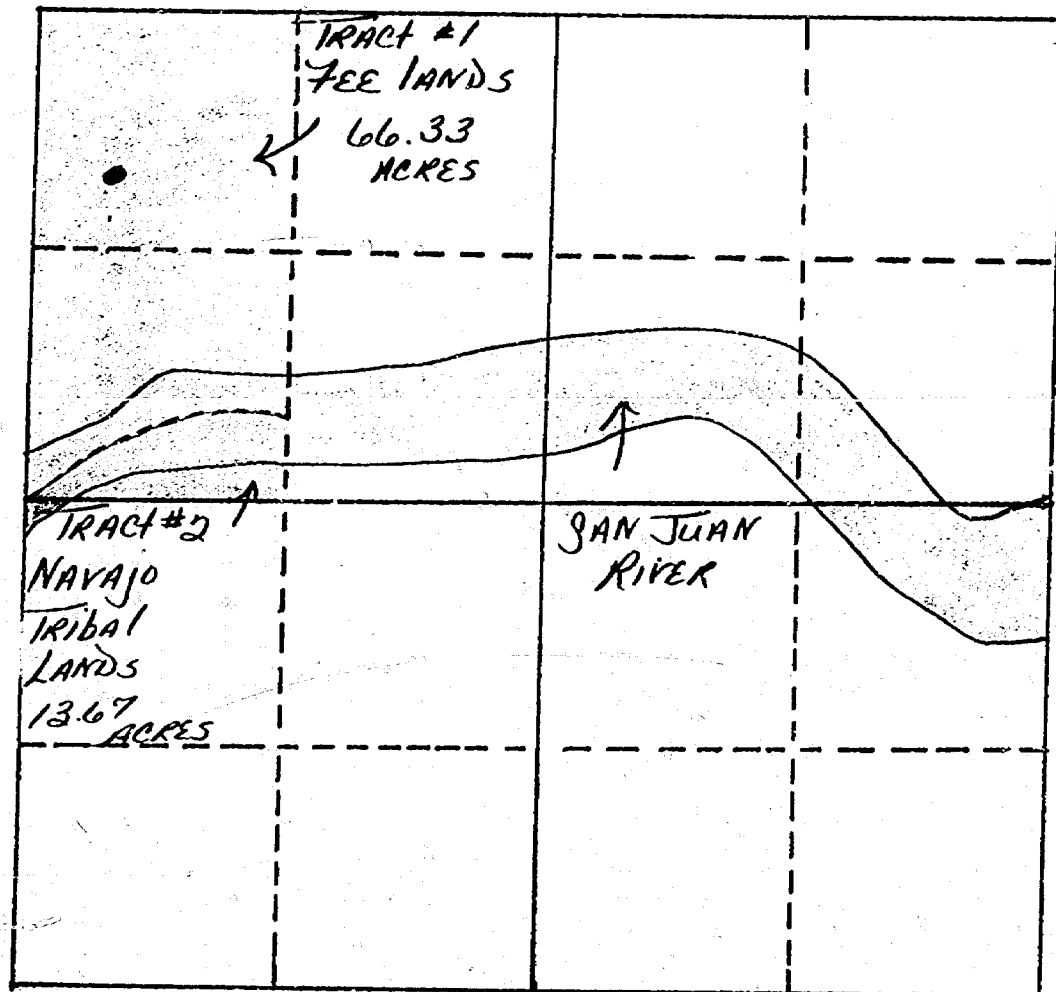
CASE NO. 7124

Submitted by Caribon & Connors

Hearing Date Jan. 14, 1981

EXHIBIT "A"

Plat of communitized area covering W $\frac{1}{2}$ NW $\frac{1}{4}$ sec. 13, T. 29 N,
R. 15 W, Cha-Cha Gallup Field, SAN JUAN Co.
NEW MEXICO.



BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

Appl EXHIBIT NO. 2

CASE NO. 7124

Submitted by Coribou 4 Corner

Hearing Date Jan 14, 1981

DEC 12 1980

Oil Conservation

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NEW MEXICO ENERGY AND MINERALS DEPARTMENT

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NO. 7124

APPLICATION

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80.00	80.00
66.33	56.09
13.67	23.91

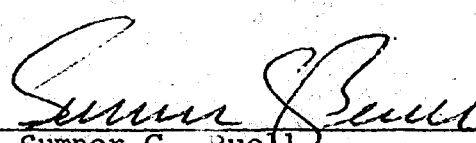
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DEC 12 1980

Oil Conservation

BEFORE THE OIL CONSERVATION DIVISION

OF THE

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NO. 7124APPLICATION

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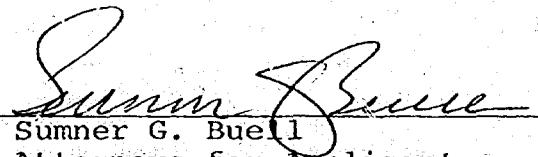
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Post Office Box 1626
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(505)988-2841

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. 7124

Order No. R- 6605

APPLICATION OF CARIBOU FOUR CORNERS, INC.
TWO

FOR A NON-STANDARD PRORATION UNITS

SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on January 14
19 81, at Santa Fe, New Mexico, before Examiner Richard L. Stamets
NOW, on this day of January, 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:

The application should be dismissed.
That ~~the applicant's request for dismissal should be granted.~~

IT IS THEREFORE ORDERED:

That Case No. 7124 is hereby dismissed.

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

~~Repealed~~