

CASE 6627: CARIBOU FOUR CORNERS, INC.  
FOR COMPULSORY POOLING, SAN JUAN COUNTY,  
NEW MEXICO

**Amberg**

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CASE NO.

6627

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,

ETC.



BRUCE KING  
GOVERNOR  
LARRY KEHOE  
SECRETARY

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

September 21, 1979

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-2434

Mr. Damon Weems  
Attorney.  
Caribou Four Corners, Inc.  
2901 East 20th  
Farmington, New Mexico 87401

Re: CASE NO. 6627  
ORDER NO. R-6112

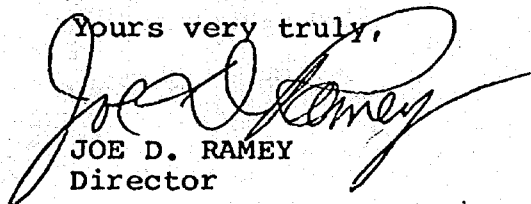
Applicant:

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. 6627  
Order No. R-6112

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 August 22, 1979,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 19th day of September, 1979, 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., seeks  
an order pooling all mineral interests in the Gallup formation  
underlying a previously approved 64.32-acre non-standard unit  
comprising the NW/4 NW/4 and that portion of Lot 5 lying north  
of mid-channel of the San Juan River, all in Section 18, Town-  
ship 29 North, Range 14 West, NMPM, Cha Cha-Gallup Oil Pool,  
San Juan County, New Mexico.
- (3) That the applicant has the right to drill and proposes  
to drill a well at a previously approved unorthodox location  
thereon.
- (4) That there are interest owners in the proposed proration  
unit who have not agreed to pool their interests.
- (5) 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

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without unnecessary expense his just and fair share of the oil and gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(7) 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.

(8) That any non-consenting working interest owner that 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.

(9) 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.

(10) That following determination of reasonable well costs, any non-consenting working interest owner that 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.

(11) That \$150.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge 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.

(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.

Case No. 6627  
Order No. R-6112

(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 December 1, 1979, 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 Gallup formation underlying a previously approved 64.32-acre non-standard unit comprising the NW/4 NW/4 and that portion of Lot 5 lying north of mid-channel of the San Juan River, all in Section 18, Township 29 North, Range 14 West, NMPM, Cha Cha-Gallup Oil Pool, San Juan County, New Mexico, are hereby pooled to form an oil spacing and proration unit to be dedicated to a well to be drilled at a previously approved unorthodox location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of December, 1979, 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 first day of December, 1979, 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 that 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.
- (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 \$150.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge 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,

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Case No. 6627

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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 interests 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 hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY  
Director

  
S E A L

td/



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
Oil Conservation Division  
State Land Office Building  
Santa Fe, New Mexico  
22 August 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Caribou Four Corners, ) CASE  
Inc. for compulsory pooling, San ) 6627  
Juan County, New Mexico. )

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

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For the Applicant:

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I N D E X

DENNY FOUST

Direct Examination by Mr. Weems 3

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E X H I B I T S

Applicant Exhibit One, Map 4

Applicant Exhibit Two, Lease 6

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1 MR. NUTTER: We'll call Case Number 6627.

2 MR. PADILLA: Application of Caribou Four  
3 Corners, Inc. for compulsory pooling, San Juan County, New  
4 Mexico.

5 MR. WEEMS: Mr. Examiner, I'm Damon Weems,  
6 attorney from Farmington, New Mexico, on behalf of Caribou  
7 Four Corners, Incorporated.

8 I'll have one witness.

9  
10 (Witness sworn.)

11  
12 DENNY FOUST

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

15  
16 DIRECT EXAMINATION

17 BY MR. WEEMS:

18 Q Would you state your name, please?

19 A Denny Foust.

20 Q And your occupation?

21 A I'm a geologist with Caribou Four Corners.

22 Q Have you previously testified before the  
23 Division and had your qualifications as an expert accepted?

24 A Yes, I have.

25  
26 MR. WEEMS: Will the witness be accepted as

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1 an expert witness?

2 MR. NUTTER: Yes, he's qualified.

3 Q (Mr. Weems continuing.) Are you aware of  
4 the application pending today?

5 A Yes, I am.

6 Q And would you describe what the application  
7 is for?

8 A It's an application for compulsory pooling  
9 for 1.1 acres lying within the nonstandard proration unit  
10 of 64.32 acres in the Kirtland area, which is an extension  
11 of the Northwest Cha-Cha Unit.

12 Q To your knowledge has there been a non-  
13 standard proration unit approved by this Division previously?

14 A It is my understanding that this nonstan-  
15 dard proration unit has been approved.

16 Q I hand you what has been marked as Exhibit  
17 One. Did you prepare that or was it prepared under your  
18 supervision?

19 A Yes, this exhibit shows the acreage  
20 dedicated to a nonstandard proration unit for our proposed  
21 Kirtland No. 4 Well, and it has colored in the acreage in  
22 question, 1.1 acres.

23 Q You're talking about the acreage in ques-  
24 tion, is that the acreage that is not leased to Caribou Four  
25 Corners?

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1 A That is the acreage that's not leased to  
2 Caribou Four Corners.

3 Q Is all other acreage in the 64.32-acre  
4 nonstandard proration unit leased to Caribou Four Corners?

5 A Yes, sir.

6 Q I hand you what has been marked as --

7 MR. NUTTER: Do you have a copy of those  
8 exhibits we could look at?

9 MR. WEEMS: Yes. I was hoping just after  
10 identification, Mr. Examiner, just to give you the exhibits.

11 MR. NUTTER: Okay. Now, this green tract  
12 is the unleased acreage, is it?

13 A Yes, sir.

14 MR. NUTTER: On this exhibit?

15 A Uh-huh.

16 MR. NUTTER: And that totals 1.1 acres.

17 A Right, uh-huh.

18 MR. NUTTER: These people, then, own the  
19 land and own the minerals in fee, is that it?

20 A Yes, sir.

21 Q So if they are pooled under this proceeding  
22 today, they would be working interest owners in the well.

23 A Yes.

24 MR. NUTTER: Okay, go ahead.

25 Q (Mr. Weems continuing.) I hand you what

1 has been marked as Exhibit Two, which is an oil and gas lease.  
2 Was that prepared by you or under your supervision?

3 A Yes, sir.

4 Q And would you describe what the oil and  
5 gas lease contains in terms of legal description?

6 A It describes the following property located  
7 in Section 18, Township 29 North, Range 11 West, San Juan  
8 County, New Mexico: The east 18 feet of Lot 3 and all of  
9 Lot 4 of Block 7 of the town of Kirtland, New Mexico.

10 Q Is that a description of the 1.1 acres  
11 that you have colored in in green on Exhibit One?

12 A Yes, it is.

13 Q What efforts have you made to secure sig-  
14 nature of the owner on this lease?

15 A Our representative in the area who has  
16 been calling upon fee holders there, Mr. Don Roscoe, called  
17 upon Mr. and Mrs. Thomas, and they were rather adamant that  
18 they wanted domestic gas in order to sign a lease, and  
19 after this visit by Mr. Roscoe, myself and Mr. Roscoe also  
20 called upon Mr. Thomas and I discussed the problem with him  
21 and the fact that we had 22 additional royalty owners in  
22 this nonstandard proration unit, and it would be very dif-  
23 ficult to grant any kind of domestic gas, and he was very,  
24 very adamant that he would not sign a lease without domestic  
25 gas. And that seemed to be his only objection to the lease.

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1 Q During your discussions with him did you  
2 advise him of the fact that he would be compulsory pooled  
3 if he did not sign?

4 A Yes, I advised him that that would be  
5 our alternative action.

6 Q Did he respond to that?

7 A I asked him if he was familiar with the  
8 compulsory pooling, or force pooling, in the State of New  
9 Mexico. He stated that he was and repeated again that he  
10 would not sign a lease without domestic gas being provided.

11 Q To what pool is the proposed well in this  
12 nonstandard proration unit to be drilled?

13 A It will be the Gallup formation and it  
14 is dedicated as an extension of the Northwest Cha-Cha Unit.

15 Q Would you please describe the risk in-  
16 volved in drilling a well in this particular unit?

17 A We are still attempting to define this  
18 extension of the Northwest Cha-Cha Unit. We have one suc-  
19 cessful well in the area and our current program is to drill  
20 three additional wells, including the No. 4, and at this  
21 time I think the economic risk is significant.

22 Q Would a charge for risk of 300 percent be  
23 out of order? In your opinion?

24 A I don't feel that it would be.

25 Q Does Caribou wish to be designated oper-

1 ator of the unit?

2 A Yes, sir.

3 Q Would Caribou expeditiously develop the  
4 unit if they are designated operator?

5 A Yes sir.

6 Q In your opinion what would be the reason-  
7 able charge for supervision of the proposed well?

8 A For the well in its entirety the reasonable  
9 cost for operation for a pumper is approximately \$300 per  
10 month and a bookkeeping fee of \$150 per month.

11 Q In your opinion would a compulsory pooling  
12 order prevent waste, protect correlative rights, and pre-  
13 vent the drilling of unnecessary wells?

14 A To the best of my knowledge.

15 MR. WEEMS: I move the introduction of  
16 Exhibits One and Two, and I have no further questions.

17 MR. NUTTER: Exhibits One and Two will be  
18 admitted in evidence.

19

20

CROSS EXAMINATION

21

BY MR. NUTTER:

22

23

Q Mr. Foust, what is the estimated cost  
of drilling this well?

24

25

A To drill and complete this well should be  
on the order of \$240,000, plus or minus.



1 Q Have you prepared an AFE for the well, as  
2 yet?

3 A My office is currently preparing an AFE.  
4 I don't have one in my possession at this time.

5 Q So you haven't presented Thomas with an  
6 AFE and given him an opportunity to join in the drilling of  
7 the well on a voluntary basis prior to bringing this action,  
8 then, have you?

9 A No, sir.

10 Q Now, you state that you think 300 percent  
11 would be an adequate or a desireable risk factor for the  
12 drilling of the well on a nonconsent basis.

13 Are you aware that the statutes of the  
14 State of New Mexico limit that to 200 percent?

15 A My understanding was that you were to  
16 recover the cost of the well plus 200 percent or a total  
17 of 300.

18 Q Well, it's 200 percent penalty. You  
19 stated 300 percent penalty.

20 A Okay. This is a misstatement on my part.

21 Q You understand it's to be 100 percent of  
22 cost plus a maximum of 200 percent penalty?

23 A Right.

24 Q Now, you also stated that for operating  
25 costs that \$300 per month would be chargeable to the pumper

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1 and \$150 a month to bookkeeping expense. I believe, Mr.  
2 Foust, that it's been customary under compulsory pooling  
3 actions in the state for all direct chargeable expenses to  
4 be charged as such and the pumper would be a direct chargeable  
5 expense, as well as well maintenance and material, supplies,  
6 and so forth; however, under the COPAS operating agreement,  
7 usually overhead is chargeable as an unspecified charge.

8 Now I presume that your \$150 a month for  
9 bookkeeping would be for combined fixed rates of overhead.

10 A. Right; uh-huh.

11 Q. \$150 per month.

12 A. That would be for the well in its entirety.

13 Q. Right.

14 A. Is my understanding.

15 Q. Right. You're also aware that any order  
16 of the Division would require that within thirty days prior  
17 to drilling the well, after entry of the order, you would  
18 submit an AFE to the poolee and give him an opportunity to  
19 join on a voluntary basis and pay his proportionate share  
20 and not be subject to the penalty.

21 A. No, sir, I was not aware of this.

22 Q. That would be the provision of any order  
23 of this Division.

24 Okay. Now, on your Exhibit Number One I  
25 see two wells, Kirtland No. 2 and Kirtland No. 3. Have those

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1 wells both been completed?

2 A No, sir. Those wells had their unorthodox  
3 locations approved in July before this Commission and we're  
4 currently in the process of setting surface casing on those  
5 wells.

6 Q I see. And so after those two wells  
7 would be completed, you would drill another fourth well?

8 A Yes, sir.

9 Q Now where is the well that you said you  
10 had successfully completed in this area?

11 A Okay, it's in the -- let me think a  
12 minute -- Section 13. It's in the northeast northeast,  
13 29 North, 15 West. That would be the offset to the proposed  
14 Well NO. 4.

15 Q That would be a diagonal offset to the  
16 southwest, then.

17 A Yes, sir.

18 Q And the main pool, the body of the pool,  
19 is to the south here?

20 A It seems to have a trend to the northwest  
21 at this point.

22 Q Do you have any idea when it will be be-  
23 fore you get to Kirtland No. 4?

24 A Well, I'd like to get started on it as  
25 soon as possible.

1 Q Generally, our compulsory pooling orders,  
2 Mr. Foust, provide that the well would be commenced by a  
3 specific date and if it hadn't been commenced by that date,  
4 specific date, then the order is null and void.

5 What is a safe date to put in that order?

6 A Well, I filed an application, preliminary  
7 application, for permission to spud the well with a date of  
8 August the 25th on that.

9 Q That would just -- that would just be a  
10 spud, though, that wouldn't be a full fledged attempt to  
11 drill the well, is that it?

12 A Yeah, we would set surface casing through  
13 the boulders as a normal procedure, and I'm due to have a  
14 rotary rig move on here as soon as they finish the hole that  
15 they're drilling to start No. 2, and then 3, 4, and we would  
16 be looking at about a week's delay for each well.

17 Q Have you been using spuadders to drill the  
18 No. 2 and 3?

19 A We've been using a cable tool rig on this  
20 program in order to penetrate the boulders in the area, which  
21 gave us extreme trouble on the No. 1 with a rotary on there,  
22 and we've been drilling about a 12-1/2 inch hole and setting  
23 about 350 foot of 8-5/8ths with cement circulated to the  
24 surface.

25 Q And then you move a rotary rig on?

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1 A Yes.

2 Q And you have drilled your No. 2 and No. 3  
3 to the surface casing points already?

4 A No. 2 and we're in the process of drilling  
5 the No. 3.

6 Q And when will the rotary move onto No. 2?

7 A As soon as it completes the well that it's  
8 on. They have about 1000 feet yet to drill.

9 Q Where is that well being drilled?

10 A Well, that is not my well.

11 Q I see.

12 A It's a Supron well. We have a contract  
13 with ODOCO.

14 Q So that the rig will be moving into your  
15 area, then, when it's available.

16 A Right.

17 Q How long does it take them to drill one  
18 of these after you get the rotary on it?

19 A Six to seven days should put us to TD of  
20 approximately 4700 feet.

21 Q So probably a sixty day period from the  
22 date of entry of the order for completion of Well No. 2,  
23 completion of Well No. 3 and spudding or commencement of  
24 rotary operations on No. 4 would be sufficient, wouldn't  
25 it?

1 A Should be more than ample, yes.

2 MR. NUTTER: Are there any further questions  
3 of Mr. Foust? He may be excused.

4 Do you have anything further, Mr. Weems?

5 MR. WEEMS: No, Mr. Examiner.

6 MR. NUTTER: Does anyone have anything they  
7 wish to offer in Case Number 6627?

8 Take the case under advisement.

9  
10 (Hearing concluded.)  
11  
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25

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REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a court reporter, DO HEREBY  
 CERTIFY that the foregoing and attached 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, from my notes taken at the time of the hearing.

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. 6627  
 heard by me on 8/22/79.  
[Signature], Examiner  
 Oil Conservation Division

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STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
Oil Conservation Division  
State Land Office Building  
Santa Fe, New Mexico  
22 August 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Caribou Four Corners, ) CASE  
Inc. for compulsory pooling, San ) 6627  
Juan County, New Mexico. )

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

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Legal Counsel for the Division  
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Santa Fe, New Mexico 87503

For the Applicant:

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I N D E X

DENNY FOUST

Direct Examination by Mr. Weems 3

Cross Examination by Mr. Nutter 8

E X H I B I T S

Applicant Exhibit One, Map 4

Applicant Exhibit Two, Lease 6

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Santa Fe, New Mexico 87501

1 MR. NUTTER: We'll call Case Number 6627.

2 MR. PADILLA: Application of Caribou Four  
3 Corners, Inc. for compulsory pooling, San Juan County, New  
4 Mexico.

5 MR. WEEMS: Mr. Examiner, I'm Damon Weems,  
6 attorney from Farmington, New Mexico, on behalf of Caribou  
7 Four Corners, Incorporated.

8 I'll have one witness.

9  
10 (Witness sworn.)

11  
12 DENNY FOUST  
13 being called as a witness and having been duly sworn upon  
14 his oath, testified as follows, to-wit:

15  
16 DIRECT EXAMINATION

17 BY MR. WEEMS:

18 Q Would you state your name, please?

19 A Denny Foust.

20 Q And your occupation?

21 A I'm a geologist with Caribou Four Corners.

22 Q Have you previously testified before the  
23 Division and had your qualifications as an expert accepted?

24 A Yes, I have.

25 MR. WEEMS: Will the witness be accepted as

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Santa Fe, New Mexico 87501

1 an expert witness?

2 MR. NUTTER: Yes, he's qualified.

3 Q (Mr. Weems continuing.) Are you aware of  
4 the application pending today?

5 A Yes, I am.

6 Q And would you describe what the application  
7 is for?

8 A It's an application for compulsory pooling  
9 for 1.1 acres lying within the nonstandard proration unit  
10 of 64.32 acres in the Kirtland area, which is an extension  
11 of the Northwest Cha-Cha Unit.

12 Q To your knowledge has there been a non-  
13 standard proration unit approved by this Division previously?

14 A It is my understanding that this nonstan-  
15 dard proration unit has been approved.

16 Q I hand you what has been marked as Exhibit  
17 One. Did you prepare that or was it prepared under your  
18 supervision?

19 A Yes, this exhibit shows the acreage  
20 dedicated to a nonstandard proration unit for our proposed  
21 Kirtland No. 4 Well, and it has colored in the acreage in  
22 question, 1.1 acres.

23 Q You're talking about the acreage in ques-  
24 tion, is that the acreage that is not leased to Caribou Four  
25 Corners?

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1 A That is the acreage that's not leased to  
2 Caribou Four Corners.

3 Q Is all other acreage in the 64.32-acre  
4 nonstandard proration unit leased to Caribou Four Corners?

5 A Yes, sir.

6 Q I hand you what has been marked as --

7 MR. NUTTER: Do you have a copy of those  
8 exhibits we could look at?

9 MR. WEEMS: Yes. I was hoping just after  
10 identification, Mr. Examiner, just to give you the exhibits.

11 MR. NUTTER: Okay. Now, this green tract  
12 is the unleased acreage, is it?

13 A Yes, sir.

14 MR. NUTTER: On this exhibit?

15 A Uh-huh.

16 MR. NUTTER: And that totals 1.1 acres.

17 A Right, uh-huh.

18 MR. NUTTER: These people, then, own the  
19 land and own the minerals in fee, is that it?

20 A Yes, sir.

21 Q So if they are pooled under this proceeding  
22 today, they would be working interest owners in the well.

23 A Yes.

24 MR. NUTTER: Okay, go ahead.

25 Q (Mr. Weems continuing.) I hand you what

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1 has been marked as Exhibit Two, which is an oil and gas lease.  
2 Was that prepared by you or under your supervision?

3 A Yes, sir.

4 Q And would you describe what the oil and  
5 gas lease contains in terms of legal description?

6 A It describes the following property located  
7 in Section 18, Township 29 North, Range 14 West, San Juan  
8 County, New Mexico: The east 18 feet of Lot 3 and all of  
9 Lot 4 of Block 7 of the town of Kirtland, New Mexico.

10 Q Is that a description of the 1.1 acres  
11 that you have colored in in green on Exhibit One?

12 A Yes, it is.

13 Q What efforts have you made to secure sig-  
14 nature of the owner on this lease?

15 A Our representative in the area who has  
16 been calling upon fee holders there, Mr. Don Roscoe, called  
17 upon Mr. and Mrs. Thomas, and they were rather adamant that  
18 they wanted domestic gas in order to sign a lease, and  
19 after this visit by Mr. Roscoe, myself and Mr. Roscoe also  
20 called upon Mr. Thomas and I discussed the problem with him  
21 and the fact that we had 22 additional royalty owners in  
22 this nonstandard proration unit, and it would be very dif-  
23 ficult to grant any kind of domestic gas, and he was very,  
24 very adamant that he would not sign a lease without domestic  
25 gas. And that seemed to be his only objection to the lease.

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1 Q During your discussions with him did you  
2 advise him of the fact that he would be compulsory pooled  
3 if he did not sign?

4 A Yes, I advised him that that would be  
5 our alternative action.

6 Q Did he respond to that?

7 A I asked him if he was familiar with the  
8 compulsory pooling, or force pooling, in the State of New  
9 Mexico. He stated that he was and repeated again that he  
10 would not sign a lease without domestic gas being provided.

11 Q To what pool is the proposed well in this  
12 nonstandard proration unit to be drilled?

13 A It will be the Gallup formation and it  
14 is dedicated as an extension of the Northwest Cha-Cha Unit.

15 Q Would you please describe the risk in-  
16 volved in drilling a well in this particular unit?

17 A We are still attempting to define this  
18 extension of the Northwest Cha-Cha Unit. We have one suc-  
19 cessful well in the area and our current program is to drill  
20 three additional wells, including the No. 4, and at this  
21 time I think the economic risk is significant.

22 Q Would a charge for risk of 300 percent be  
23 out of order? In your opinion?

24 A I don't feel that it would be.

25 Q Does Caribou wish to be designated oper-

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1 ator of the unit?

2 A. Yes, sir.

3 Q. Would Caribou expeditiously develop the  
4 unit if they are designated operator?

5 A. Yes, sir.

6 Q. In your opinion what would be the reason-  
7 able charge for supervision of the proposed well?

8 A. For the well in its entirety the reasonable  
9 cost for operation for a pumper is approximately \$300 per  
10 month and a bookkeeping fee of \$150 per month.

11 Q. In your opinion would a compulsory pooling  
12 order prevent waste, protect correlative rights, and pre-  
13 vent the drilling of unnecessary wells?

14 A. To the best of my knowledge.

15 MR. WEEMS: I move the introduction of  
16 Exhibits One and Two, and I have no further questions.

17 MR. NUTTER: Exhibits One and Two will be  
18 admitted in evidence.

19  
20 CROSS EXAMINATION

21 BY MR. NUTTER:

22 Q. Mr. Foust, what is the estimated cost  
23 of drilling this well?

24 A. To drill and complete this well should be  
25 on the order of \$240,000, plus or minus.

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1 Q Have you prepared an AFE for the well, as  
2 yet?

3 A My office is currently preparing an AFE.  
4 I don't have one in my possession at this time.

5 Q So you haven't presented Thomas with an  
6 AFE and given him an opportunity to join in the drilling of  
7 the well on a voluntary basis prior to bringing this action,  
8 then, have you?

9 A No, sir.

10 Q Now, you state that you think 300 percent  
11 would be an adequate or a desirable risk factor for the  
12 drilling of the well on a nonconsent basis.

13 Are you aware that the statutes of the  
14 State of New Mexico limit that to 200 percent?

15 A My understanding was that you were to  
16 recover the cost of the well plus 200 percent or a total  
17 of 300.

18 Q Well, it's 200 percent penalty. You  
19 stated 300 percent penalty.

20 A Okay. This is a misstatement on my part.

21 Q You understand it's to be 100 percent of  
22 cost plus a maximum of 200 percent penalty?

23 A Right.

24 Q Now, you also stated that for operating  
25 costs that \$300 per month would be chargeable to the pumper



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1 and \$150 a month to bookkeeping expense. I believe, Mr.  
2 Foust, that it's been customary under compulsory pooling  
3 actions in the state for all direct chargeable expenses to  
4 be charged as such and the pumper would be a direct chargeable  
5 expense, as well as well maintenance and material, supplies,  
6 and so forth; however, under the COPAS operating agreement,  
7 usually overhead is chargeable as an unspecified charge.

8 Now I presume that your \$150 a month for  
9 bookkeeping would be for combined fixed rates of overhead.

10 A. Right; uh-huh.

11 Q. \$150 per month.

12 A. That would be for the well in its entirety.

13 Q. Right.

14 A. Is my understanding.

15 Q. Right. You're also aware that any order  
16 of the Division would require that within thirty days prior  
17 to drilling the well, after entry of the order, you would  
18 submit an AFE to the poolee and give him an opportunity to  
19 join on a voluntary basis and pay his proportionate share  
20 and not be subject to the penalty.

21 A. No, sir, I was not aware of this.

22 Q. That would be the provision of any order  
23 of this Division.

24 Okay. Now, on your Exhibit Number One I  
25 see two wells, Kirtland No. 2 and Kirtland No. 3. Have those

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1 wells both been completed?

2 A. No, sir. Those wells had their unorthodox  
3 locations approved in July before this Commission and we're  
4 currently in the process of setting surface casing on those  
5 wells.

6 Q. I see. And so after those two wells  
7 would be completed, you would drill another fourth well?

8 A. Yes, sir.

9 Q. Now where is the well that you said you  
10 had successfully completed in this area?

11 A. Okay, it's in the -- let me think a  
12 minute -- Section 13. It's in the northeast northeast,  
13 29 North, 15 West. That would be the offset to the proposed  
14 Well NO. 4.

15 Q. That would be a diagonal offset to the  
16 southwest, then.

17 A. Yes, sir.

18 Q. And the main pool, the body of the pool,  
19 is to the south here?

20 A. It seems to have a trend to the northwest  
21 at this point.

22 Q. Do you have any idea when it will be be-  
23 fore you get to Kirtland No. 4?

24 A. Well, I'd like to get started on it as  
25 soon as possible.

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1 Q Generally, our compulsory pooling orders,  
2 Mr. Foust, provide that the well would be commenced by a  
3 specific date and if it hadn't been commenced by that date,  
4 specific date, then the order is null and void.

5 What is a safe date to put in that order?

6 A Well, I filed an application, preliminary  
7 application, for permission to spud the well with a date of  
8 August the 25th on that.

9 Q That would just -- that would just be a  
10 spud, though, that wouldn't be a full fledged attempt to  
11 drill the well, is that it?

12 A Yeah, we would set surface casing through  
13 the boulders as a normal procedure, and I'm due to have a  
14 rotary rig move on here as soon as they finish the hole that  
15 they're drilling to start No. 2, and then 3, 4, and we would  
16 be looking at about a week's delay for each well.

17 Q Have you been using spudders to drill the  
18 No. 2 and 3?

19 A We've been using a cable tool rig on this  
20 program in order to penetrate the boulders in the area, which  
21 gave us extreme trouble on the No. 1 with a rotary on there,  
22 and we've been drilling about a 12-1/2 inch hole and setting  
23 about 350 foot of 8-5/8ths with cement circulated to the  
24 surface.

25 Q And then you move a rotary rig on?

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21 gave us extreme trouble on the No. 1 with a rotary on there,  
22 and we've been drilling about a 12-1/2 inch hole and setting  
23 about 350 foot of 8-5/8ths with cement circulated to the  
24 surface.

25 Q And then you move a rotary rig on?

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1 A. Yes.

2 Q And you have drilled your No. 2 and No. 3  
3 to the surface casing points already?

4 A No. 2 and we're in the process of drilling  
5 the No. 3.

6 Q And when will the rotary move onto No. 2?

7 A As soon as it completes the well that it's  
8 on. They have about 1000 feet yet to drill.

9 Q Where is that well being drilled?

10 A Well, that is not my well.

11 Q I see.

12 A It's a Supron well. We have a contract  
13 with ODOCO.

14 Q So that the rig will be moving into your  
15 area, then, when it's available.

16 A Right.

17 Q How long does it take them to drill one  
18 of these after you get the rotary on it?

19 A Six to seven days should put us to TD of  
20 approximately 4700 feet.

21 Q So probably a sixty day period from the  
22 date of entry of the order for completion of Well No. 2,  
23 completion of Well No. 3 and spudding or commencement of  
24 rotary operations on No. 4 would be sufficient, wouldn't  
25 it?

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A. Should be more than ample, yes.

MR. NUTTER: Are there any further questions of Mr. Foust? He may be excused.

Do you have anything further, Mr. Weems?

MR. WEEMS: No, Mr. Examiner.

MR. NUTTER: Does anyone have anything they wish to offer in Case Number 6627?

Take the case under advisement.

(Hearing concluded.)

REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a court reporter, DO HEREBY  
 CERTIFY that the foregoing and attached 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, from my notes taken at the time of the hearing.

Sally W. Boyd C.S.R.  
 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. 6627.  
 heard by me on 8/22 1979.  
[Signature], Examiner  
 Oil Conservation Division

SALLY WALTON BOYD  
 CERTIFIED SHORTHAND REPORTER  
 2020 Plaza Blanca (S&S) 471-2462  
 Santa Fe, New Mexico 87501

# OIL AND GAS LEASE

Oil and Gas Lease  
Form No. 1, 1974

**Agreement,** Made and entered into the 23rd day of April, 1979  
by and between George E. and Ruby Thomas  
Box 163  
of Kirtland, NM 87417, hereinafter called  
lessor (whether one or more), and Caribou Four Corners, Inc.  
Box 457, Afton, WY 83110, hereinafter called lessee:

**Witnesseth:** That the said lessor, for and in consideration of Ten and more Dollars,  
cash in hand paid, the receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained  
on part of lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, de-  
mise, lease and let unto the said lessee for the sole and only purpose of exploring by geophysical and other methods, mining  
and operating for oil, gas, casinghead gas, casinghead gasoline and of laying of pipe lines, and of building tanks, powers,  
stations and structures thereon to produce, save and take care of said products, all that certain tract of land situated in the  
County of San Juan State of New Mexico described as follows, to-wit:

T. 29 N., R. 14 W.,

Sec. 18: The East 18 feet of Lot 3 and all of Lot 4 of Block 7 of the Town of  
Kirtland, NM.

~~XXXXXX~~ and for rental paying purposes estimated to contain Three (3) 1.11± acres.  
It is agreed that this lease shall remain in force for a term of ten years from this date, referred to as primary term  
and as long thereafter as oil, gas, casinghead gas, casinghead gasoline, or either of them is produced from said land, or  
from lands with which said land is pooled or operations are continued as hereinafter provided.

In consideration of the premises the said lessee covenants and agrees:

- 1st. To deliver to the credit of lessor, free of cost, in the pipe line to which lessee may connect wells on said land, the equal one-eighth part  
of all oil produced and saved from the leased premises.
- 2nd. To pay lessor one-eighth (1/8) of the gross proceeds each year, payable quarterly, from the sale of gas from each well where gas only is  
found, or if no such gas be sold during any such year, at the end thereof to pay lessor fifty dollars (\$50.00) as royalty from each such well, and  
while such royalty is paid each such well shall be held to be a producing well under the provisions hereof; and if such gas be used in the manu-  
facture of gasoline a royalty of one-eighth (1/8), payable monthly at the prevailing market rate for gas; and lessor to have gas free of cost from  
any such well for all stoves and all inside lights in the principal dwelling on said land during the same time, by making lessor's own connections  
with the well at lessor's own risk and expense.
- 3rd. To pay lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a  
royalty of one-eighth (1/8) of the proceeds, at the mouth of the well, payable monthly at the prevailing market rate.

If no well be commenced on said land, or on acreage pooled therewith as hereinafter provided, on or before the 23rd day  
of April, 1980 this lease shall terminate as to both parties, unless the lessee shall on or before that date pay or  
tender to the lessor or to the lessor's credit in the Bank at

or its successors which shall continue as the depository regardless of changes in the ownership  
of said land, the sum of Twenty-Five and no/100 (\$25.00) dollars,

which shall operate as a rental and cover the privilege of deferring the commencement of a well for Twelve (12) months from said date.  
In like manner and upon like payments or tenders, the commencement of a well may be further deferred for like periods of the same number of  
months successively. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege  
granted to the date when said first rental is payable as aforesaid, but also the lessee's option of extending that period as aforesaid, and any and all  
other rights conferred.

Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with  
other land, lease or leases in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order to properly  
develop and operate said lease premises so as to promote the conservation of oil, gas or other minerals in and under and that may be produced from  
said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 40 acres each in the event of an  
oil well, or into a unit or units not exceeding 640 acres each in the event of a gas well. Lessee shall execute in writing and record in the convey-  
ance records of the county in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire  
acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it  
were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the  
well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, lessor shall receive on pro-  
duction from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty  
interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

Should any well drilled on the above described land, or on acreage pooled therewith during the primary term and prior to production being  
obtained, be a dry hole, or if, after production is obtained, the same should cease from any cause during the primary term, then if a further well is  
not commenced on said land, or on acreage pooled therewith or reworking operations to restore such production have not been commenced, prior to  
the next ensuing rental paying date, this lease shall terminate as to both parties, unless the lessee on or before such rental date shall resume the  
payment of rentals, in the same amount and in the same manner as hereinbefore provided. And it is agreed that upon the resumption of the payment  
of rentals as above provided, that the provisions hereof governing the payment of rentals and the effect thereof, shall continue in force just as though  
there had been no interruption in the rental payments, and if the lessee shall commence to drill a well within the primary term of this lease on the  
land above described, or on acreage pooled therewith, the lessee shall have the right to drill such well to completion with reasonable diligence and  
dispatch, and if oil, gas, casinghead gas, casinghead gasoline, or either of them, be found in paying quantities, this lease shall continue and be in  
force with like effect as if such well had been completed within the primary term. Should production from the above described land, or from acreage  
pooled therewith, cease from any cause after the expiration of the primary term this lease shall not terminate provided lessee succeeds in bringing  
back such production within six (6) months from such cessation, or within such six (6) month period commences drilling another well on the above  
described land or on land pooled therewith, and prosecutes the drilling thereof with due diligence to completion, and if such production is restored  
through any such operations this lease shall continue with the like effect as if there had been no cessation thereof.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and  
rentals herein provided for shall be paid the said lessor only in the proportion which lessor's interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for lessee's operation thereon, except water from the  
wells of lessor.

When requested by lessor, lessee shall bury lessee's pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of lessor.

Lessee shall pay for damages caused by lessee's operations to growing crops on said land.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove  
casing.

If the estate of either party hereto is assigned—and the privilege of assigning in whole or in part is expressly allowed—the covenants hereof  
shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land, or assignments of rental or  
royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a true copy thereof; and  
it is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described lands and the assignee or assignees  
of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not  
operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or any assignee thereof shall make  
due payment of said rental. In case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the  
assigned portion or portions arising subsequent to the date of assignment. Lessee may at any time surrender this lease in whole or in part by mailing  
a release to lessor or placing a release of record in the proper county and shall thereupon be relieved of all obligations hereunder except as to any  
part retained.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this  
lease shall not be terminated, in whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented  
by, or if such failure is the result of, any such Law, Order, Rule or Regulation.

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any  
time to redeem for lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by  
lessor, and be subrogated to the rights of the holder thereof, and the undersigned lessors, for themselves and their heirs, successors, and assigns,  
hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may  
in any way affect the purposes for which this lease is made, as recited herein.

IN WITNESS WHEREOF WE SIGN: This the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_  
WITNESSES: **BEFORE EXAMINER NUTTER**  
INFORMATION DIVISION  
#6627

George E. Thomas

Social Security No.

Ruby Thomas

Social Security No.



ACKNOWLEDGMENT

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } ss.

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me, \_\_\_\_\_, a Notary Public in and for the State and County aforesaid, personally appeared \_\_\_\_\_

known to me to be the person whose name \_\_\_\_\_ subscribed to the within instrument and acknowledged that \_\_\_\_\_ he executed the same.

In Witness Whereof, I have hereunto set my hand and affixed my seal the day and year first above written.

My Commission Expires \_\_\_\_\_

Notary Public for the State of \_\_\_\_\_  
Residing at \_\_\_\_\_

ACKNOWLEDGMENT

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } ss.

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Notary Public for the State of \_\_\_\_\_  
Residing at \_\_\_\_\_

No. _____		PRODUCERS 88 REVISED	
<b>OIL AND GAS LEASE</b>			
FROM		TO	
Deed _____ 19____ Loc. _____ Block _____ Addition _____ Section _____ Township _____ Range _____ County _____ No. of Acres _____ Term _____ STATE OF _____ } COUNTY OF _____ } ss. This instrument was filed for record on the _____ day of _____, 19____, at _____ o'clock _____ M., and duly recorded in Book _____ Page _____ of the records of this office. _____ County Clerk—Register of Deeds By _____ Deputy When Recorded Return to _____			

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } ss.

ACKNOWLEDGEMENT, CORPORATION

Before me, the undersigned, a Notary Public, in and for said County and State, on this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, personally appeared \_\_\_\_\_ to me known

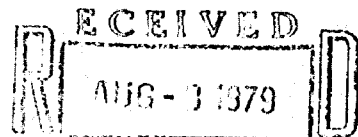
to be the identical person who subscribed the name of the maker thereof to the foregoing instrument as its \_\_\_\_\_

and acknowledged to me that he executed the same as his free and voluntary act and deed and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

Given under my hand and seal of office the day and year last above written.

My commission expires \_\_\_\_\_

Notary Public  
P. O. \_\_\_\_\_



OIL CONSERVATION DIVISION  
STATE OF NEW MEXICO

DEPARTMENT OF ENERGY AND MINERALS

OIL CONSERVATION DIVISION

Application of  
CARIBOU FOUR CORNERS, INC.,  
for COMPULSORY POOLING  
of 64.32 acres in  
SECTION 18, TOWNSHIP 29 NORTH,  
RANGE 14 WEST, N.M.P.M.,  
SAN JUAN COUNTY, NEW MEXICO  
consisting of the NORTHWEST  
QUARTER of the NORTHWEST QUARTER  
of (NW $\frac{1}{4}$ NW $\frac{1}{4}$ ) of said Section,  
Township and Range and LOT 5  
NORTH OF THE MIDCHANNEL OF THE  
SAN JUAN RIVER

Case No. 6627

APPLICATION FOR COMPULSORY POOLING


Caribou Four Corners, Inc., by and through its attorney,  
Damon L. Weems, respectfully requests that the Division compulsory  
pool 64.32 acres as described in the caption above for the drilling  
of an oil well in the Cha Cha-Gallup Pool.

Further, Applicant respectfully requests that such order  
that be issued designate Applicant as operator and establish a  
risk factor of two hundred percent (200%) of the non-consenting  
working interest owners' prorata share of the cost of drilling and  
completing the well.

The non-consenting owner is George E. and Ruby Thomas  
who own 1.11 acres more or less, described as follows:

East Eighteen (18) feet of Lot Three (3)  
and all of Lot Four (4) of Block Seven  
(7) of the Town of Kirtland, New Mexico  
located in Section Eighteen (18),  
Township Twenty-nine (29) North, Range  
Fourteen (14) West, N.M.P.M., San Juan  
County, New Mexico.

*64.32-acre  
now std  
previously approved  
by Order No. R.*

  
Damon L. Weems  
Attorney for Caribou Four Corners, Inc.  
2901 East 20th  
Farmington, New Mexico 87401  
327-4469

STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY AND MINERALS  
OIL CONSERVATION DIVISION

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STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY AND MINERALS  
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Case No. 6627

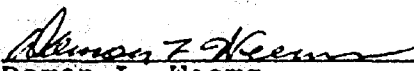
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Damon L. Weems  
Attorney for Caribou Four Corners, Inc.  
2901 East 20th  
Farmington, New Mexico 87401  
327-4469

sent 8-1-79

Damon Weems 7-31-77

Application of Corbett Four Corners  
in for compulsory pooling.  
Gallup formation

NW/NW and lot 5  
18 - 29<sup>N</sup> - 14W San Jan Co  
64.32 acres

Cha Cha Gallup Oil Pool

Risk factor  
operating costs

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:

*[Signature]*  
CASE NO. 6627

Order No. R- 6112

*[Handwritten initials]*  
APPLICATION OF CARIBOU FOUR CORNERS,  
INC. FOR COMPULSORY POOLING, SAN JUAN  
COUNTY, NEW MEXICO.

*[Signature]*  
ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on August 22,  
19 79, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this \_\_\_\_\_ day of \_\_\_\_\_, 19 79, 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.,  
seeks an order pooling all mineral interests in the Gallup  
formation 64.32-acre non-standard unit comprising the NW/4 NW/4  
underlying the a previously approved/  
and that portion of Lot 5 lying north of the San Juan River, all in  
Section 18, Township 29 North, Range 14 West  
NMPM, Cha Cha-Gallup Oil Pool, San Juan County, New  
Mexico.

*mid-channel of*

(3) That the applicant has the right to drill and proposes to drill a well at a ~~standard~~ <sup>previously approved unorthodox</sup> location thereon.

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

(5) 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 <sup>oil and</sup> gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(7) 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.

(8) That any non-consenting working interest owner that 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.

(9) 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.

(10) That following determination of reasonable well costs, any non-consenting working interest owner that 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.



(11) That \$150<sup>00</sup> per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge 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.

(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.

(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 December 1, 1979, 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 Gallup formation underlying ~~the~~ a previously approved 64.32-acre non-standard unit comprising the NW/4 NW/4 and that portion of Section 18, Township 29 North, Range 14 West, NMPM, Cha Cha-Gallup Oil Pool, San Juan County, New Mexico, are hereby pooled to form an <sup>oil</sup> ~~standard~~ ~~acre~~ gas spacing and proration unit to be dedicated to a well to be drilled at a ~~standard location thereon~~ previously approved unorthodox location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of December, 19 79, 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 first day of December, 19 79, 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.

★ Lot 5 lying north of <sup>mid-channel of</sup> the San Juan River, all in

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 that has paid his share of estimated costs in advance as provided

-5-  
Case No.  
Order No.

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, \_\_\_\_\_ 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 \$150.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge 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 interests 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 hereinabove designated.