CASE 7231: CARIBOU FOUR CORNERS, INC.
FOR COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO

CASE NO.

2231

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.

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

EXAMINER HEARING

IN THE MATTER OF:

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

CASE 7231

BEFORE: Daniel S. Nutter

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
Santa Fe, New Mexico 87501

I N D E X

E X H I B I T S

MR. NUTTER: We'll call next Case Number 7231.

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

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

I have one witness and ask that he be sworn.

(Witness sworn.)

DENNY G. FOUST

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

DIRECT EXAMINATION

BY MR. BUELL:

Q Would you state your name, please, and spell it for the reporter?

A My name is Denny G. Foust, F-O-U-S-T.

Q Mr. Foust, by whom are you employed and in what capacity and where do you reside?

A. I'm employed by Caribou Four Corners, Inc., as a geologist, and I reside in Bloomfield, New Mexico.

Q. Have you previously testified before this Commission or one of its examiners and had your qualifications accepted as a -- as an expert?

A. Yes, sir, I have.

Q. And are you familiar with what is sought in this application of Number 7231?

A. Yes, sir.

MR. BUELL: Are his qualifications acceptable?

MR. NUTTER: Yes, they are.

Q. Would you briefly explain what is sought here?

A. Caribou Four Corners seeks to pool all the mineral interests under the south half of the southeast quarter of Section 11, Township 29 North, Range 15 West, San Juan County, New Mexico, in the Mesaverde and Gallup formations.

Caribou further requests to be designated operator and to be permitted to charge a reasonable drilling cost and a cost of supervision.

Any non-joining interest within this 80-acre well unit to be assessed a risk factor to be charged

against their proportionate interest.

Q. Referring you to what's been marked for identification as Applicant Exhibit Number One, would you please explain what that is?

A. Okay. Exhibit Number One shows the southeast quarter of Section 11, Township 29 North, Range 15 West.

The owners of the various acreage in there are designated by color. Caribou Four Corners owns the leases which are colored brown. El Paso Natural Gas Products Company has a half interest under 36 acres, for a net of 18 acres; the remaining half interest is leased to Caribou Four Corners. And S & I Oil Company has a total of 14.25 net acres under lease.

Q. What efforts have you made to contact both El Paso and S & I to have them join in this proration unit?

A. Caribou has been negotiating with both parties. We've been in contact with S & I concerning this farmout since the latter part of December, 1980. There seems to be a difficulty with some of the technical statements as to who should possibly operate a well concerning the farmout on this acreage and some reciprocal farmouts from Caribou to S & I, and they've been writing letters back and forth and we

haven't been able to get a decision.

Q. Okay, and what has been your contact with El Paso?

A. With El Paso Natural Gas we've been in contact with them since February of 1981. I've talked to John Am (sic), the chief landman in Farmington on several occasions, and we have submitted our title work on this acreage to El Paso and they seem to be in agreement with the title work, and they have recommended from the land department, the geologic department, and the drilling department that they join us, but further conversations with Mr. Am have indicated that we may not get a decision from the El Paso office until the latter part of this year or the first part of next year.

Q. Incidentally, is the proposed Caribou Four Corners Kirtland No. 8 shown on this exhibit?

A. Yes, sir, it is shown and identified in the southwest of the southeast of Section 11.

Q. Is that that black dot?

A. Yes, sir, it is.

Q. I refer you to what's been marked for identification as Exhibit Number Two and would you explain what that is?

A. Exhibit Number Two is Caribou Four Corners' estimated well cost. This is an AFE that's been

prepared under my supervision by personnel in our Billings office. It's prepared from a compilation of previous well costs in the area and our current drilling contract and our current tubular goods cost.

Q. This AFE is prepared anticipating a single completion, is that correct, on the Gallup?

A. Yes. This is prepared -- was prepared for a single completion in the Gallup.

Q. Has this AFE ever been circulated to El Paso or S & I?

A. This AFE has been in El Paso's possession for well over a month. The second week of March it was presented to Mr. Am and he forwarded it to the drilling department.

The AFE has not been submitted to S & I Oil Company due to their indications of willingness to farm out this acreage to this point.

Q. In your opinion, Mr. Foust, would you say -- what would you say would be the risk involved in this?

A. This well is a step out from the field wells, the S & I Dorothy No. 1 Well, which is labeled on the diagram number one in the northeast of the southeast of Section 11 is the nearest producing well from the Cha Cha Gallup Field. There's also a producing well just over a half

mile to the southeast. This is a Caribou well, and there is a dry hole, which was drilled back in the '60s, just over a half a mile to the northwest.

So we consider this to be a well of some risk. If it is a successful well it will prove two additional locations in Section 14 that we feel can be drilled yet this year.

Q. What, in your opinion, would be a reasonable risk factor to be attached to the non-participating interest owners, mineral interest owners that do not join?

A. Caribou Four Corners would like to receive the maximum risk factor of recovery of the well costs plus 200 percent.

Q. And do you have an estimate of the supervision costs of this well, daily supervision -- monthly supervision costs while the well is drilling?

A. Yes. Caribou would submit that a $2000 per month fixed drilling cost would be a fair charge and that a supervision charge of $200 per month for a producing well, to be prorated on the various parties' interest in this well would be a fair charge.

Q. Why is it necessary to go for this forced pooling when you haven't finished negotiations with either El Paso or S & I at this time?

A. We have both tubular goods and a drilling rig lined up to drill this well in June of 1981. Also, any additional well in this area will help us gain a gas hookup from a utility which has expressed recent interest in the area, so that we can stop flaring gas, and also, there is the distinct possibility that the S&I Dorothy No. 1 would be draining our well spacing unit.

Q. Is it your opinion then that the granting of this application would prevent waste and protect correlative rights?

A. Yes, sir, I believe so.

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

A. Yes, sir, they were.

MR. BUELL: Mr. Examiner, I'd move the admission of Exhibits One and Two.

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

MR. BUELL: I have nothing further.

CROSS EXAMINATION

BY MR. NUTTER:

Q. Now, Mr. Foust, if I understand it, the brown acreage on Exhibit One is 100 percent Caribou.

A. Right.

Q. And the blue cross hatched is 50 percent Caribou and 50 percent El Paso?

A. Yes. It's 50 percent Caribou lease and 1/2 of that acreage, 18 net acres, is owned by El Paso.

Q. I see.

A. It is not a lease.

Q. And then the green acreage is the S&I acreage.

A. Yes, sir.

Q. Which contains 14 acres.

A. Yes, sir.

Q. Okay. Now, you think eventually El Paso will join in the drilling of the well, is that it?

A. Yes, sir. The problem seems to be to get a decision from their people. As Mr. Am explained it to me, they just have so many proposals before them that it's like wherever yours is laying at the moment, if it's in the pile, it will be gotten to.

Q. And you don't think they're going to get to it before June, at any rate?

A. That was his indication to me that we would be probably not getting any kind of an answer until the latter part of '81 or the first part of '82.

Q. Now, the symbol given here on Exhibit One for the Kirtland No. 8, the same as for the Dorothy No. 1, is a black dot, which indicates a producing oil well. Is this well completed and producing?

A. No, sir, it is not.

Q. It's not even a location, or it's just a location.

A. It's just staked.

Q. So we really ought to have a little open circle there for it, I presume.

A. Yes, sir.

Q. As a location. Now the application and also the advertisement of the case was to pool all mineral interests in the Mesaverde and Gallup formations underlying the east half of the southwest -- or the south half of the southeast of Section 11. Now, I realize that this 80-acre tract is within one mile of the Cha Cha Gallup Pool, which I believe is an 80-acre pool.

A. Yes, sir.

Q. And would justify the pooling on -- of 80 acres for that pool; however, is it within one mile of any Mesaverde Pool that has this 80-acre spacing?

A. Not to my knowledge.

Q. So we could only pool 40 acres with

respect to the Mesaverde.

Has Mesaverde production been obtained from other wells in this general area?

A. There has been one Mesaverde completion to the west of this location just over a mile and it was in the early '60s and it was not very long-lived, but our other wells in the area indicate that there is in all probability potential gas production in the Point Lookout member of the Mesaverde, and we have cemented and run our casing with this in mind, preparing to eventually perforate these zones and produce gas from them.

Q. Well, to simplify things, would it be better for any order emitting from this hearing to just relate to the Gallup formation and if you've got Mesaverde production come back later and amend the order to include the Mesaverde?

A. Yes, sir, that would be fine.

Q. Because, see, we're going to get complicated if we pool 40 acres for the Mesaverde and 80 acres for the Gallup.

A. I see what you're saying.

Q. It's going to get complicated because how are you going to apportion costs to S&I, for example.

A. Yes, uh-huh.

Q. Because they're not on the 40 acres where

the well is.

A. Right. Well, in this particular field there is in the field rules, you're allowed up to two Gallup wells on an 80-acre spacing.

Q. Right, but you're not asking for a 40-acre tract.

A. No, sir.

Q. To be pooled. You're asking for an 80-acre, but for Mesaverde you would be limited to a 40-acre.

A. Okay.

Q. So I think if we omit the Mesaverde from any order it would simplify the order.

A. That would be -- seem to be --

Q. Write it to the Gallup formation.

A. That would seem to be fine to me.

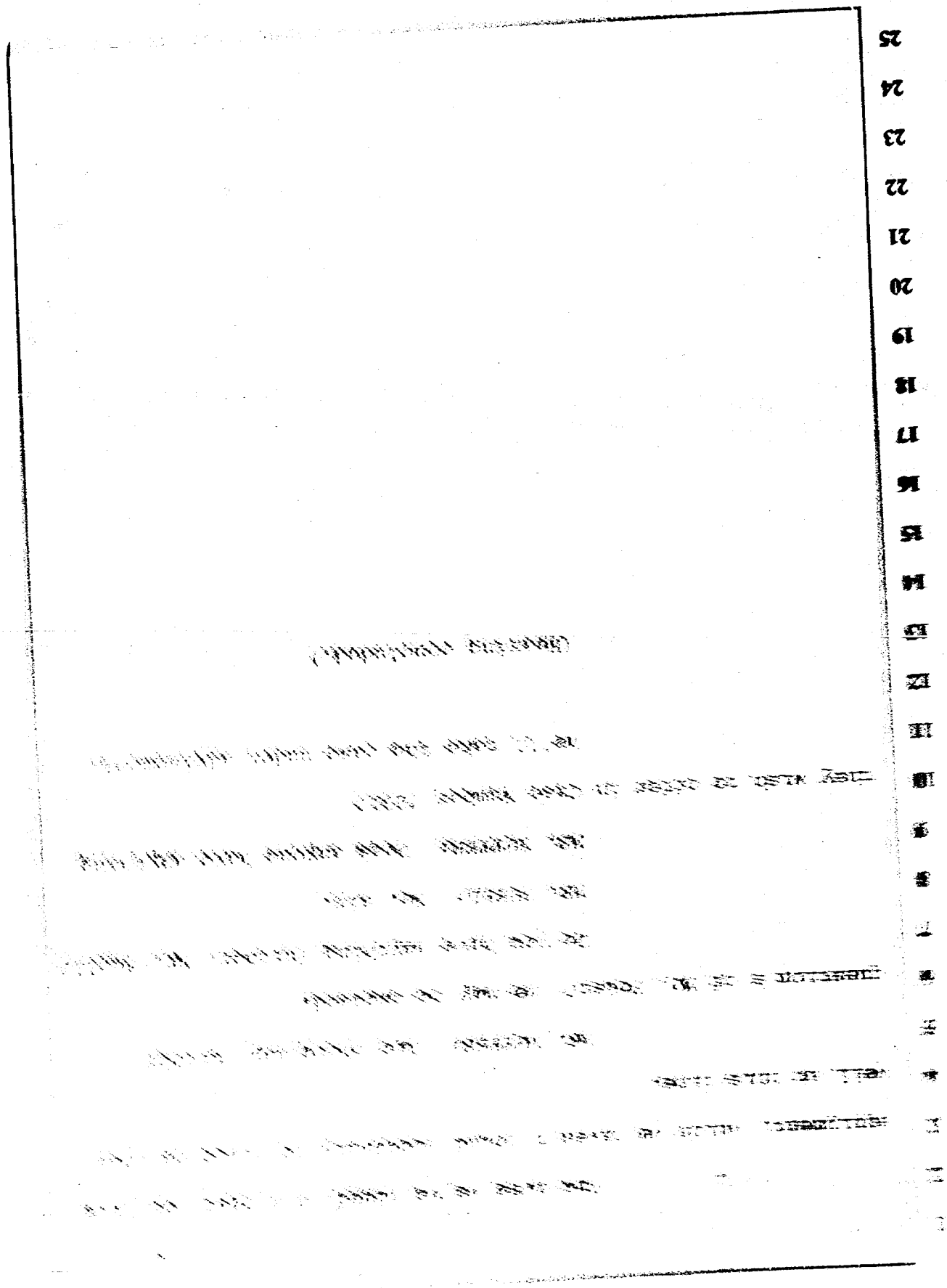
Q. Because the primary target is the Gallup

A. Yes, sir.

Q. Okay. Now these costs, you state, are based on drilling costs that you had on some recent well or --

A. Yes, sir. They are based on a compilation of the drilling costs on the Caribou Four Corners Kirtland No. 7, which is located in the northwest northwest of Section 13.

Q. Okay.



C E R T I F I C A T E

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

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7231, heard by me on 4/22 19 81.

, Examiner
Oil Conservation Division

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

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I have one witness and ask that he be sworn.

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A. My name is Denny G. Foust, F-O-U-S-T.

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Right.

A   And the [illegible] [illegible] [illegible] 50 percent

Q   [illegible] percent Caribou [illegible] Caribou and 50 percent El Paso?

A   Yes. It's 50 percent Caribou [illegible] [illegible] and 1/2 of that acreage, is [illegible] [illegible] is owned by El Paso.

Q   I see.

A   It is not a lease.

Q   And then the [illegible] acreage in the [illegible] acreage.

A   Yes, sir.

Q   Which contains [illegible] [illegible]

A   Yes, sir.

Q   [illegible]. [illegible], you think [illegible] [illegible]

A   [illegible] [illegible] of the [illegible] is that [illegible] Paso will join in the [illegible] [illegible] [illegible]

A   Yes, sir. [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] get a decision from their people. [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] me, they just have [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] line whenever [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible], it will be [illegible] [illegible]

Q   [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] get it [illegible] before [illegible] [illegible] [illegible]

A   [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] would [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] latter part of [illegible] [illegible] [illegible]

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A. That would seem to be fine to me.

Q. Because the primary target is the Gallup.

A. Yes, sir.

Q. Okay. Now these costs, you state, are based on drilling costs that you had on some recent well or --

A. Yes, sir. They are based on a compilation of the drilling costs on the Caribou Four Corners Kirtland No. 7, which is located in the northwest northwest of Section 13.

Q. Okay.

A. And also we've added in a cost for lift equipment, which we haven't found necessary to place on that well at this time.

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

Do you have anything further, Mr. Buell?

MR. BUELL: No, sir.

MR. NUTTER: Does anyone have anything they wish to offer in Case Number 7231?

We'll take the case 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 CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7231, heard by me on 4/22 19 81.

, 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

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

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

May 1, 1981

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

Re: CASE NO. 7231
ORDER NO. R-6673

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. 7231
Order No. R-6673

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 April 22, 1981, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 30th day of April, 1981, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Caribou Four Corners, Inc., seeks an order pooling all mineral interests in the Gallup formation underlying the S/2 SE/4 of Section 11, Township 29 North, Range 15 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 standard 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 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 who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(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 who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That $2000.00 per month while drilling and $200.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(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 July 1, 1981, 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 S/2 SE/4 of Section 11, Township 29 North, Range 15 West, NMPM, Cha Cha-Gallup Oil Pool, San Juan County, New Mexico, are hereby pooled to form a standard 80-acre spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of July, 1981, 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 July, 1981, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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

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

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

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

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt

of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided 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 $2000.00 per month while drilling and $200.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8)

royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working 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

fd/

Dockets Nos. 15-81 and 16-81 are tentatively set for May 6 and 20, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 22, 1981

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

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

CASE 7220: Application of McClellan Oil Corporation for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Connor Unit Area, comprising 5,120 acres, more or less, of State and Federal lands in Township 13 South, Range 29 East.

CASE 7221: Application of Maddox Energy Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Flower Draw Unit Area, comprising 3,760 acres, more or less, of State lands in Townships 25 and 26 South, Range 28 East.

CASE 7222: Application of GMW Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Starman Unit Area, comprising 2,803 acres, more or less, of State, Federal, and fee lands in Township 26 South, Range 35 East.

CASE 7211: (Continued from April 8, 1981, Examiner Hearing)

Application of Gulf Oil Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the North Rock Lake State Unit Area, comprising 2,880 acres, more or less, of State land in Township 22 South, Range 35 East.

CASE 7223: Application of Sun Oil Company for a dual completion and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of a well to be drilled in Unit M of Section 1, Township 22 South, Range 37 East, to produce oil from the Wantz-Granite Wash Pool and gas from the Tubb formation and to simultaneously dedicate the SW/4 of said Section 1 to said well and to its Lynch Christmas Com Well No. 4 in Unit L.

CASE 7224: Application of S & I Oil Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in all formations underlying the SW/4 SW/4 of Section 2, Township 29 North, Range 15 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7225: Application of Knox Industries, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Morrow location of its Maddox Well No. 1 to be drilled 1980 feet from the South line and 660 feet from the West line of Section 12, Township 23 South, Range 34 East, Northeast Antelope Ridge Field, the S/2 of said Section 12 to be dedicated to the well.

CASE 7226: Application of Enserch Exploration, Inc. for salt water disposal, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Montoya formation in the interval from 7902 feet to 7930 feet in its Rader Well No. 2 in Unit E of Section 32, Township 5 South, Range 33 East.

CASE 7227: Application of Alpha Twenty-One Production Company for an unorthodox gas well location and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 120-acre non-standard proration unit comprising the E/2 SW/4 and SW/4 SE/4 of Section 21, Township 21 South, Range 37 East, Hare-Sun Andres Gas Pool, to be dedicated to its Lansford Well No. 1 at an unorthodox location 660 feet from the South line and 1650 feet from the West line of said Section 21.

CASE 7228: Application of Yates Petroleum Corporation for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Wolfcamp-Pennsylvanian location of its Rio Penasco "KD" Well No. 3 to be drilled 990 feet from the North line and 660 feet from the East line of Section 11, Township 19 South, Range 25 East, the N/2 of said Section 11 to be dedicated to said well and to applicant's Rio Penasco "MF" Federal Well No. 1 located in Unit F.

CASE 7229: 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 Morrow-Pennsylvanian location of its Sharp "QS" Com. Well No. 1 to be drilled 660 feet from the South and East lines of Section 4, Township 17 South, Range 26 East, the S/2 of said Section 4 to be dedicated to the well.

CASE 7184: (Continued from March 11, 1981, Examiner Hearing)

Application of Harvey E. Yates Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the E/2 of Section 13, Township 17 South, Range 28 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7230: Application of Caribou Four Corners, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Gallup formations underlying the S/2 SW/4 of Section 7, Township 29 North, Range 14 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7231: Application of Caribou Four Corners, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Gallup formations underlying the S/2 SE/4 of Section 11, Township 29 North, Range 15 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7232: Application of Caribou Four Corners, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Gallup formations underlying the E/2 SW/4 of Section 12, Township 29 North, Range 15 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7233: Application of Bass Enterprises Production Co. for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Montieth Well No. 3, the surface location of which is 2130 feet from the South line and 1980 feet from the East line of Section 13, Township 16 South, Range 36 East, Northeast Lovington-Pennsylvanian Pool, and drill said well in an easterly direction to bottom it not closer than 510 feet to the outer boundary of the dedicated unit, being the N/2 SE/4 of said Section 13.

CASE 7234: Application of Getty Oil Company for a dual completion, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Farming E Well No. 1-E located in Unit I of Section 2, Township 24 North, Range 6 West, to produce oil from the Gallup formation thru the casing-tubing annulus and gas from the Dakota formation thru tubing.

CARIBOU FOUR CORNERS, INC.

7251

COST ESTIMATE & AUTHORITY FOR EXPENDITURE

DATE: March 2, 1981

ease & Well No.: Kirtland #8 Field or Area: Cha Cha
ocation: S½SE¼ - Section 11 - T. 29 N., R. 15 W
ounty: San Juan State NM Projected TD 4700'
ud Date Requirement:
lassification: Exploratory ( ) Development (X) Oil (X) Gas ( )

ustification: Step out from producing well

ANGIBLE LEASE & WELL EQUIP.	ESTIMATED GROSS COST Drilling	Completion	Total	Remarks
Surface Casing	$ 3,145	$	$ 3,145	
Intermediate Casing				
Production Casing		20,430	20,430	
Tubing		13,214	13,214	
Wellhead Equip.		5,000	5,000	
Artificial Lift Equip.		30,000	30,000	
Flow Line		1,200	1,200	
Process & Storage Equip.		13,500	13,500	
Power Supply Equipment		3,000	3,000	
Packers, Anchors, Misc.		8,000	8,000	Inc. fence
Total Lease & Well Equip.	$ 3,145	$ 94,344	$ 97,489	
TANGIBLES				
(a) Footage 4,350 Ft. @ 16.16	80,296		80,296	
(b) Daywork ~~XXX~~ using cable Day @ toole	10,500		10,500	
(c) Daywork ~~XXX~~ logging Day @ 5,500'	5,500	5,500	11,000	
(d) Service Rig		18,000	18,000	
(e) Fuel & Water	3,000	2,000	5,000	
(f) Mud & Chemicals	17,000		17,000	
(a) Supervision	1,500	2,700	4,200	
(b) Geol. and/or Anal.	2,750		2,750	
(c) Logging	9,000	2,000	11,000	
(d) Drill Stem Tests				
(e) Coring Equipment				
(a) Cement & Service	2,600	10,000	12,600	
(b) Floating Equipment	100	2,500	2,600	
(c) Welding	500	500	1,000	
(a) Perforating		3,000	3,000	
(b) Fracturing & Service		25,000	25,000	
(c) Acidizing & Service		see above		
(a) Location & Roads	10,000	13,500	23,500	
(b) Transp. & Freight				
(c) Roustabout Labor	2,900	7,375	10,275	
(a) Bits & Rental Tools	700	1,700	2,400	
(b) Miscellaneous	2,000	4,000	6,000	
Total Intangibles	$ 148,346	$ 97,775	$ 246,121	
TOTAL:	$ 151,491	$ 192,119	$ 343,610	

RETURN ONE SIGNED COPY TO CARIBOU

APPROVALS

Date:

(2)

epared by: Patricia L. West
Patricia L. West, Manager
Land Records & Accounting

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Appl EXHIBIT NO. 2
CASE NO. 7231

N

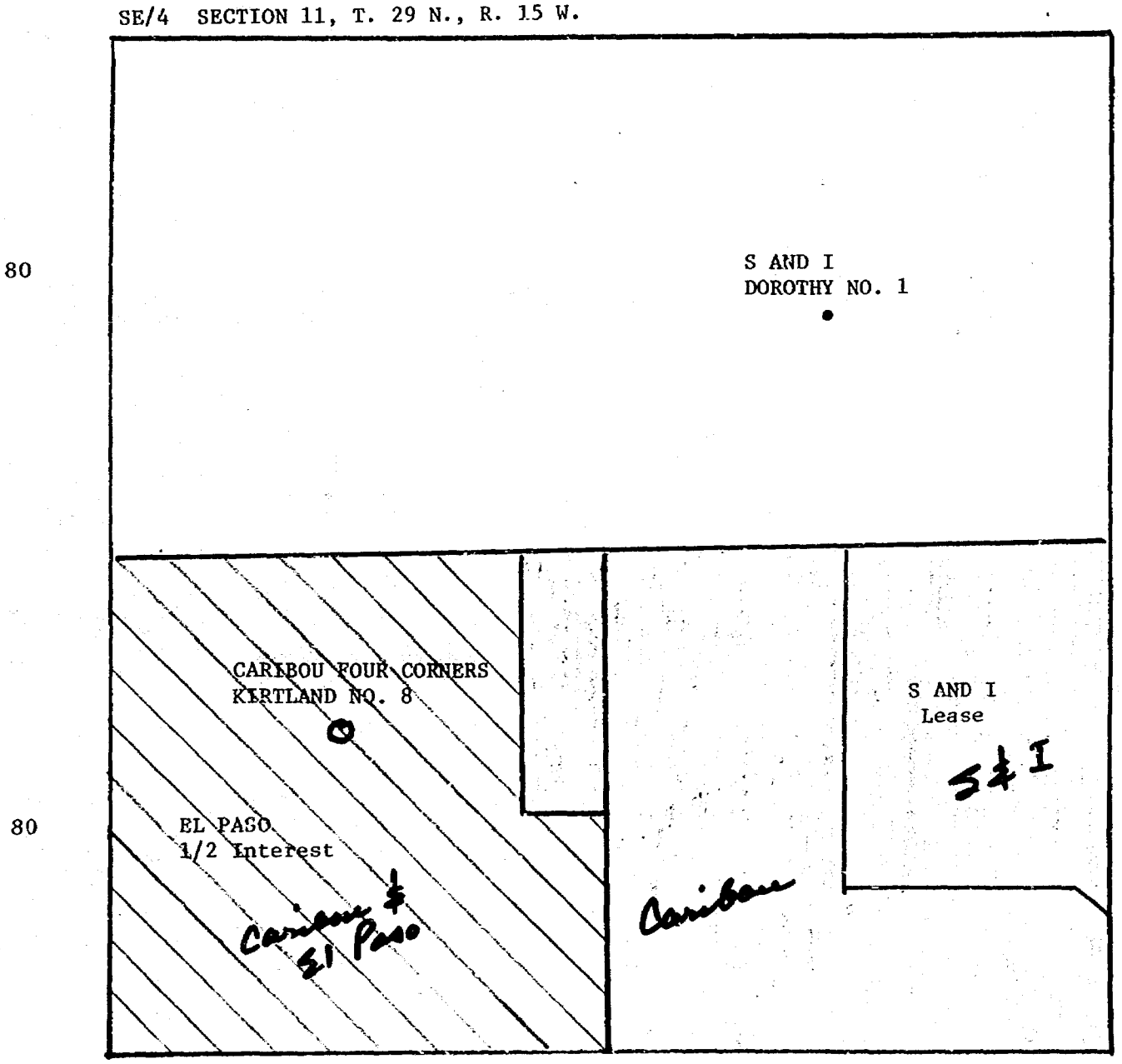
BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Appl. EXHIBIT NO. 1
CASE NO. 7231

CARIBOU FOUR CORNERS, INC.
47.75 net acres leased

S AND I OIL CO.
14.25 net acres leased

EL PASO NATURAL GAS PRODUCTS COMPANY
18 net acres owned

SE/4 SECTION 11, T. 29 N., R. 15 W.



7231

(1)

N

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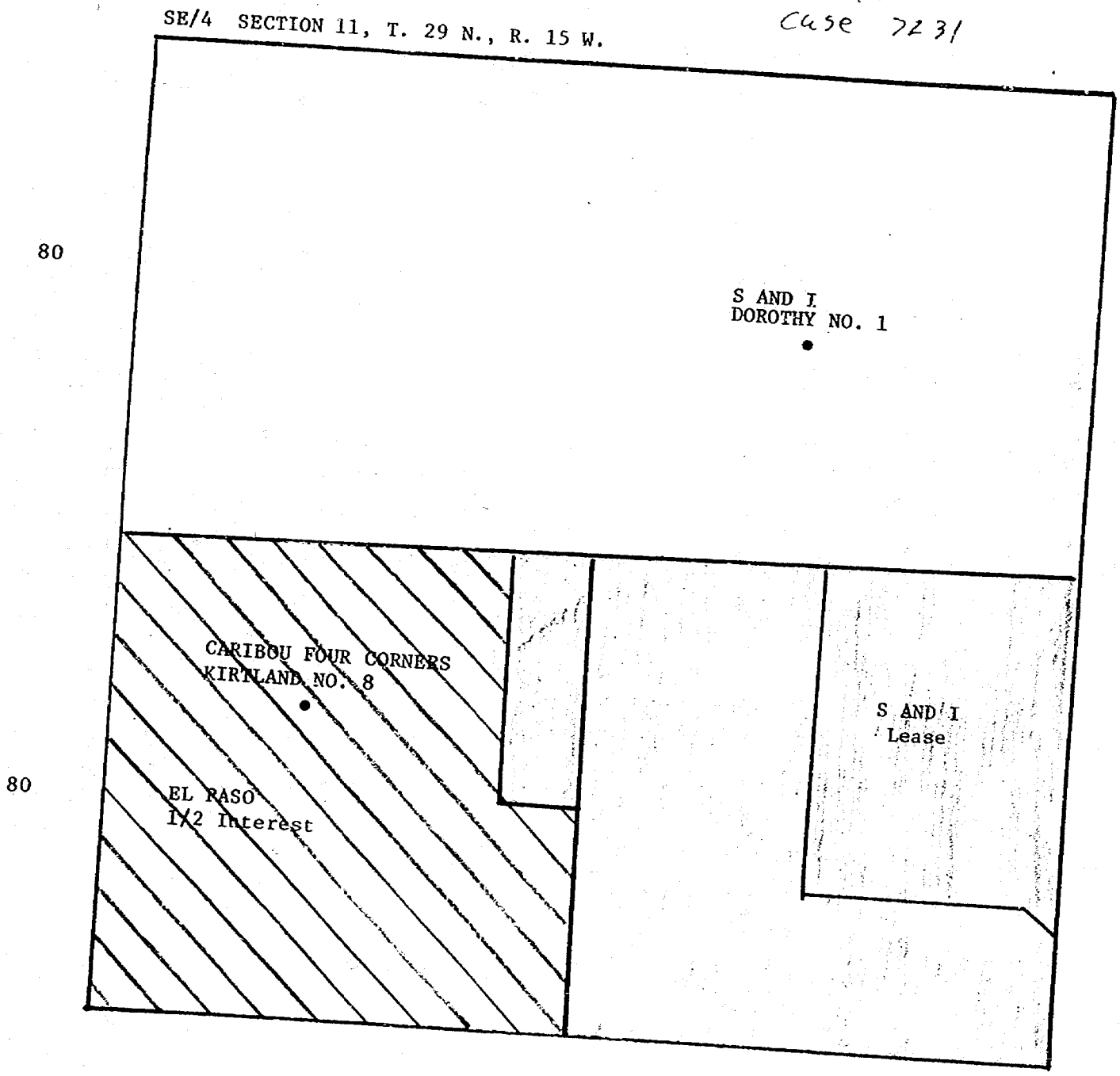
Exhibit 1
Case 7231

SE/4 SECTION 11, T. 29 N., R. 15 W.



7231

(1)

UNITED [illegible] OIL OWNERS, INC.

7251

COST ESTIMATE & AUTHORITY FOR EXPENDITURE

DATE: March 2, 1981

ease & Well No.: Kirtland #8 Field or Area: Cha Cha
ocation: S½SE¼ - Section 11 - T. 29 N., R. 15 W
ounty: San Juan State NM Projected TD 4700'
ud Date Requirement:
lassification: Exploratory ( ) Development (X) Oil (X) Gas ( )

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TOTAL:	$ 151,491	$ 192,119	$ 343,610	

RETURN ONE SIGNED COPY TO CARIBOU

APPROVALS Date:

Exhibit 2
Case 7231

(2)

pared by: Patricia L. West
Patricia L. West, Manager
Land Records & Accounting

MAR 23 1981

BEFORE THE OIL CONSERVATION DIVISION

OF THE

NEW MEXICO ENERGY AND MINERALS DEPARTMENT

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

No. 7231

APPLICATION

Comes now Caribou Four Corners, Inc., by its atrorneys, Jasper and Buell and applies to the Oil Conservation Division of the New Mexico Energy and Minerals Department for an order pooling all the mineral interests in the Mesa Verde and Gallup formations beneath the South one-half of the Southeast one-quarter of Section 11, Township Twenty-Nine North, Range Fifteen West (S 1/2 SE 1/4, Sec. 11, T.29N., R.15W.) N.M.P.M., San Juan County, New Mexico, and in support of this application states:

1. Applicant proposes to be the operator of and is an interested party in the mineral interests under the above described lands within the intervals designated.

2. Applicant proposes to drill its Caribou Four Corners Kirtland No. 8 well on the above described lands to test the above designated foundations for the production of oil, gas and other hydrocarbons at a standard location.

3. Applicant has attempted to obtain the participation of all remaining working interest owners in the above described lands and intervals in the drilling of the proposed well, but has not been successful.

4. Applicant is entitled to a reasonable allocation of costs in the drilling of the well and a reasonable charge for the supervision of drilling and operating the well.

5. Applicant is entitled to be designated the operator of the well.

6. Applicant asks that it be awarded a three hundred percent (300%) risk factor to be charged non-participating interest owners.

7. Other mineral interest owners that may have an interest in this application include:

S & I Oil Co.
413 West Main
Farmington, New Mexico

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

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

JASPER and BUELL

By Sumner G. Buell

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

MAR 23 1981

BEFORE THE OIL CONSERVATION DIVISION

OF THE

NEW MEXICO ENERGY AND MINERALS DEPARTMENT

IN THE MATTER OF THE APPLICATION OF
CARIBOU FOUR CORNERS, INC. FOR
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By Sumner Buell

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

BEFORE THE OIL CONSERVATION DIVISION

OF THE

NEW MEXICO ENERGY AND MINERALS DEPARTMENT

IN THE MATTER OF THE APPLICATION OF
CARIBOU FOUR CORNERS, INC. FOR
COMPULSORY POOLING, SAN JUAN COUNTY,
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JASPER and BUELL

By Sumner G. Buell

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

DRAFT

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7231

Order No. R-6673

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 April 22, 1981, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

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

FINDS:

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

(2) That the applicant, Caribou Four Corners, Inc., seeks an order pooling all mineral interests in the ~~Mesaverde and~~ Gallup formation underlying the S/2 SE/4 of Section 11, Township 29 North, Range 15 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 standard 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 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 who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(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 who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That $ 2000.00 per month while drilling and $ 200.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(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 July 1, 1981, 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 ~~Mesaverde and~~ Gallup formation underlying the S/2 SE/4 of Section 11, Township 29 North, Range 15 West, NMPM, Cha Cha Gallup Oil Pool, San Juan County, New Mexico, are hereby pooled to form a standard 80 - acre ~~gas~~ spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of July, 1981, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the ~~Mesaverde and~~ 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 July, 1981, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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

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

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

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

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

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

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 $ 2000.00 per month while drilling and $ 200.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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

(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.