

CASE 7232: CARIBOU FOUR CORNERS, INC.  
FOR COMPULSORY POOLING, SAN JUAN  
COUNTY, NEW MEXICO

CASE NO.

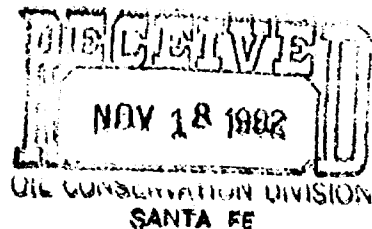
72 32

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,

ETC.

November 14, 1982



Alfred Ray Brannon  
P. O. Box 941  
Kirtland, New Mexico  
87417-0941

State of New Mexico  
Energy and Minerals Dept.  
Oil Conservation Division

RE: Case No. 7232 and resulting order No. R-6674


ATTENTION: Mr. Joe D. Ramey

Due to the litigation that we are in with Caribou Four Corners involving Caribou #9 well drilled on our property, we find it necessary to obtain certified copies of the following pursuant to New Mexico Statutes 70-2-7 and 70-2-13.

1. Transcript of testimony- made for or by examiner of hearing held 9:00 a.m., April 22, 1981; Case No. 7232.
2. List of personal notice of such hearing and applicable proof of notice (Case No. 7232).
3. List of witness testifying in cause (Case No. 7232).
4. List of interest owners that had not agreed to pool their interest as noted in findings of order No. R-6674 (4).
5. Copy of rules and regulations of Cha Cha- Gallup Oil Pool in effect at time of hearing, Case No. 7232.
6. Affidavit as to whether or not the Oil Conservation Division has been notified of any escrow agent of deposit as outlined in order No. R6674 (12).

Your cooperation in suppling the above information will be greatly appreciated and any reasonable charges of copies, time, and mailing fees will be paid promptly upon receipt for such.

Thank you;

  
Ray Brannon

kb/ARB

N

■ Acreage Leased to Caribou Four Corners

■ Caribou Four Corners 1/2 Interest  
Ira Beck Estate 1/2 Interest

■ Caribou Four Corners 1/2 Interest  
Larkin Beck Estate 1/2 Interest

R 15 W

E-1/2 SW-1/4 Section 12, T. 29 N., R. 15 W., San Juan County, New Mexico

Sec. 12

66.78  
5.67  
2/7 of 1.03%  
(blue)

CARIBOU FOUR CORNERS  
KIRTLAND NO. 9

66.78 Acres ±

Caribou

Old Highway 550

50% Caribou  
50% owned by  
Ira Beck

11.34 Acres ±

2.072 Acres ±

T  
29  
N

BEFORE EXAMINER NUTTER  
OIL CONSERVATION DIVISION  
Appl. EXHIBIT NO. 1  
CASE NO. 7232

heirs of  
Larkin Beck

prod wells  
in NW 1/4 SW 1/4  
and in SE 1/4  
of Sec 12  
of Section 13

## COST ESTIMATE &amp; AUTHORITY FOR EXPENDITURE

DATE: March 2, 1981

Lease & Well No.: Kirtland #9 Field or Area: Cha Cha  
 Location: East 1/4 - Section 12 - T. 29 N., R. 15 W  
 County: San Juan State NM Projected TD 4700'  
 Budget Date Requirement: \_\_\_\_\_  
 Classification: Exploratory ( ) Development (X) Oil (X) Gas ( )  
 Justification: Infill

## TANGIBLE LEASE &amp; WELL EQUIP.

Surface Casing  
 Intermediate Casing  
 Production Casing  
 Tubing  
 Wellhead Equip.  
 Artificial Lift Equip.  
 Flow Line  
 Process & Storage Equip.  
 Power Supply Equipment  
 Packers, Anchors, Misc.

Total Lease &amp; Well Equip.

## ESTIMATED GROSS COST

Drilling	Completion	Total	Remarks
\$ 3,145		\$ 3,145	
	20,430	20,430	
	13,214	13,214	
	5,000	5,000	
	30,000	30,000	
	1,200	1,200	
	13,500	13,500	
	3,000	3,000	
	8,000	8,000	Inc. fence
\$ 3,145	\$ 94,344	\$ 97,489	
TANGIBLES			
(a) Footage <u>4,350</u> Ft. @ <u>16.16</u>	80,296	80,296	
(b) Daywork <del>XXX</del> using cable Day @ <u>toole</u>	10,500	10,500	
(c) Daywork <del>XXX</del> logging Day @ <u>5,500'</u>	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

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

APPROVAL'S

Date:

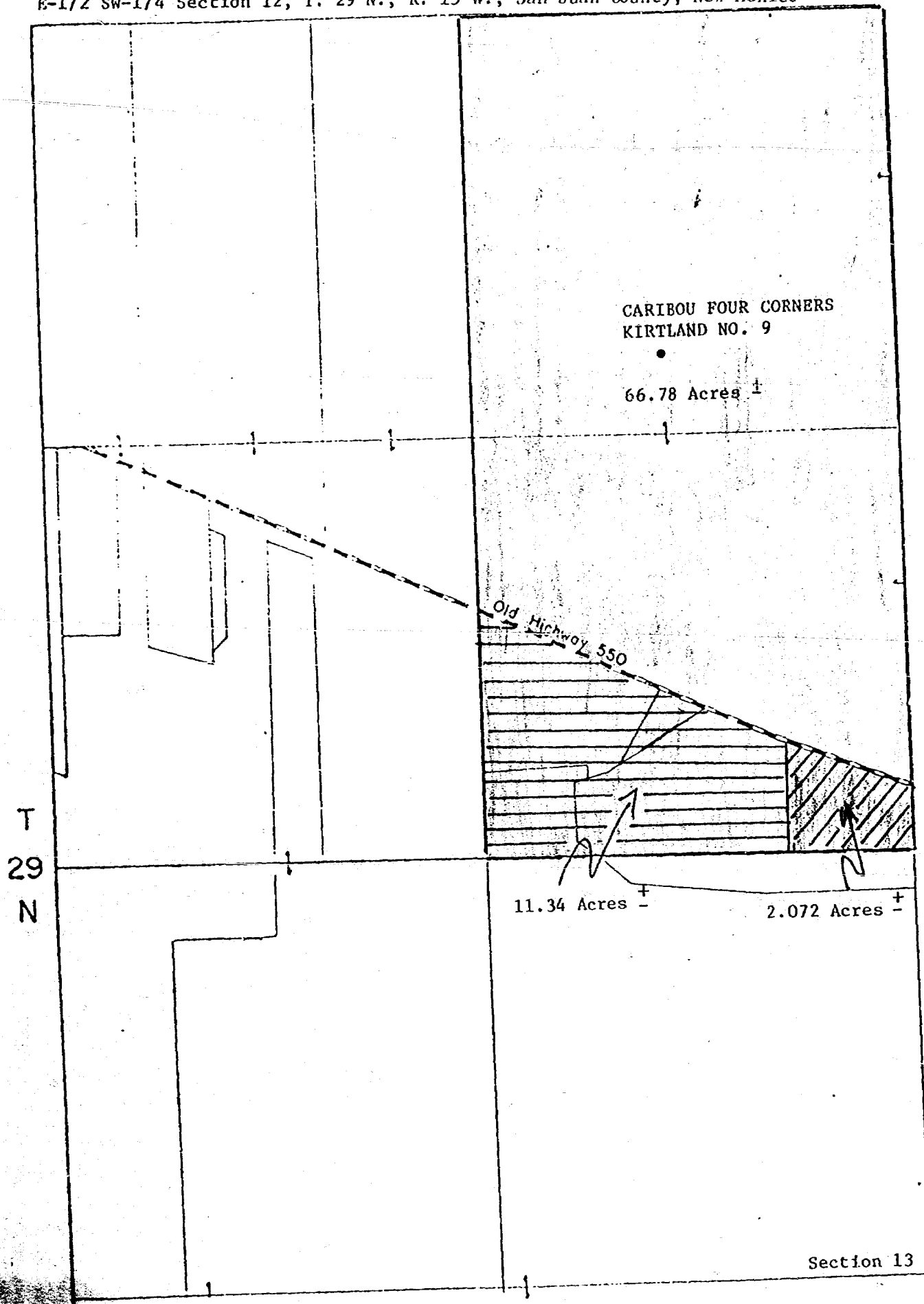
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Ira Beck Estate 1/2 Interest

Caribou Four Corners 1/2 Interest  
Larkin Beck Estate 1/2 Interest

R 15 W

E-1/2 SW-1/4 Section 12, T. 29 N., R. 15 W., San Juan County, New Mexico

Sec. 12



N



☐ Acreage Leased to Caribou Four Corners

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Ira Beck Estate 1/2 Interest

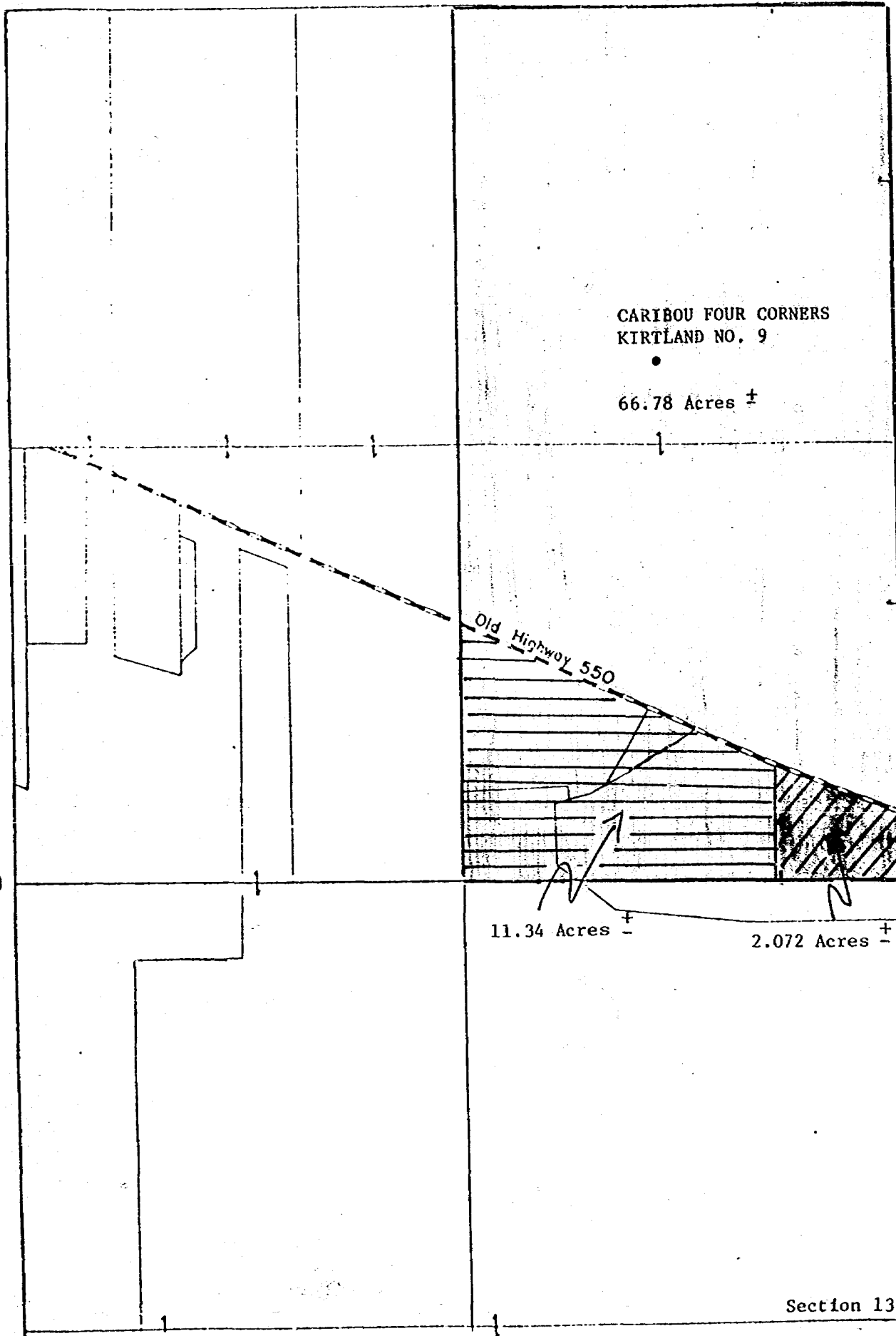
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Larkin Beck Estate 1/2 Interest

R 15 W

E-1/2 SW-1/4 Section 12, T. 29 N., R. 15 W., San Juan County, New Mexico

Sec 12

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Section 13

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. 7232

A P P L I C A T I O N

Comes now Caribou Four Corners, Inc., by its attorneys, Jasper and Buell, and applies to the Oil Conservation Division 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 East one-half of the Southwest one-quarter of Section 12, Township Twenty-Nine North, Range Fifteen West (E 1/2 SW 1/4, Sec. 12, 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. 9 well on the above described lands to test the above designated formations 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. Some of the other mineral interest owners that may have an interest in this application include:

Elmer E. and Charlotte E. Whorton  
P. O. Box 882  
Kirtland, New Mexico

Estate of Ira Beck or its successors  
Address unknown

Donnie Beck  
Address unknown

Ora Jones  
Address unknown

Lloyd Jones,  
Address unknown

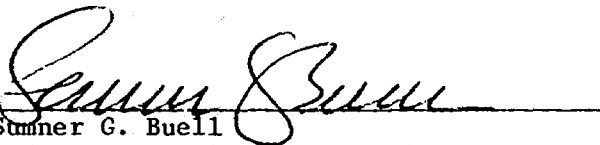
Myrtle Kennedy  
Address unknown

Gertrude Roche  
Address unknown

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  
Attorneys for Applicant  
Post Office Box 1626  
Santa Fe, New Mexico 87501

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  
7232

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

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I N D E X

DENNY G. FOUST

Direct Examination by Mr. Buell  
Cross Examination by Mr. Nutter

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E X H I B I T S

Applicant Exhibit One, Flat  
Applicant Exhibit Two, AFE

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MR. NUTTER: Call next Case Number 7232.

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

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

MR. NUTTER: Mr. Foust is going to be  
your witness?

MR. BUELL: Yes, sir.

MR. NUTTER: He's still under oath.

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 please state your name, by  
whom you're employed, and in what capacity?

A. My name is Denny G. Foust. I'm a  
geologist with Caribou Four Corners, Inc.

Q. And where do you reside, Mr. Foust?

A. Bloomfield, New Mexico.

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Q

And have you previously testified before this Commission or one of its examiners and had your qualifications accepted as a matter of record?

A.

Yes, sir, I have.

Q

Are you familiar with what is sought in this application, Number 7232?

A.

Yes, sir, I am.

Q

And would you briefly explain what is sought?

A.

Caribou Four Corners seeks to pool all mineral interests under the east half of the southwest quarter of Section 12, Township 29 North, Range 15 West, San Juan County, New Mexico, and in the Mesaverde and Gallup formations.

And we wish to be designated operator of said well spacing unit and be permitted to charge reasonable drilling costs and costs of supervision, any non-joining interest to be assessed a risk factor to be charged against their proportionate interest.

Q

Referring you to what has been marked for identification as Exhibit Number One, would you please explain what that is?

A.

That is the -- Exhibit Number One is a plat showing the east half of the south -- shows the southwest quarter of Section 12, Township 29 North, Range 15 West, San

Juan County, New Mexico.

The colored portion is the well spacing unit in question. The acreage colored in brown, some 66.78 acres, is 100 percent leased to Caribou Four Corners. The acreage colored in orange, 11.34 acres, is 50 percent leased to Caribou and 50 percent owned by the estate of Ira Beck, who is now deceased, and passed away in Phoenix in the early 1940's.

The remaining acreage, 2.072 acres, belongs to the heirs of Larkin Beck, who is now deceased. Larkin Beck is deceased in 1939 and these heirs were probated in San Juan County, New Mexico court records.

Q What efforts have you made to contact the heirs of Ira Beck?

A Caribou Four Corners has located two heirs of Ira Beck, Mr. Beck's niece, a Mrs. Margaret Beck Ewan resides in California. The wife of the nephew, Larkin Arthur Beck, of Ira Beck resides in the Phoenix, Arizona, area. And these are the only two living heirs; which Caribou Four Corners has been able to locate.

Q Have you ever found an ancillary probate for Ira Beck in San Juan County, New Mexico?

A No, sir. We had an abstract prepared on this well spacing unit and was examined by Caribou Four

1  
2 Corners counsel in Farmington, New Mexico, during his prepara-  
3 tion of the drill site title opinion, and there was no such  
4 probate available and he further checked the court records  
5 available in San Juan County and could not find any probate.

6 It is our hearsay knowledge, at least,  
7 from Mrs. Ewan that Ira Beck died in the early 1940's in  
8 Maricopa County, Arizona, intestate.

9 Q Okay, referring you to Exhibit Number  
10 Two, would you please explain what that is?

11 A Exhibit Number Two is the AFE for the  
12 proposed well, the Kirtland No. 9.

13 Q And where were those figures compiled  
14 from?

15 A They were compiled exactly the same as  
16 the previous testimony in the previous case, from our offset  
17 well costs and the current costs of drilling rigs and tubular  
18 goods.

19 Q And in your opinion what would be a  
20 reasonable cost for supervision while this well was drilling?

21 A It would be the \$2000 per month prorated  
22 to the -- each interest holder.

23 Q And what would be a reasonable supervision  
24 cost while the well was producing?

25 A \$200 per month for fixed producing well

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2 rate prorated.

3 Q And if a risk factor is going to be  
4 assigned to the nonparticipating interest owners in this well,  
5 do you have an opinion as to what would be a reasonable risk  
6 factor?

7 A Of course, we would like to see the  
8 maximum risk factor, but there are producing wells located in  
9 the west half of the southwest quarter of Section 12, and there  
10 also is a producing well located in the west half of the  
11 southeast quarter of Section 12, so each -- to the east and  
12 to the west this well location is immediately offset by  
13 established producing wells.

14 Q What does Four Corners intend to do with  
15 the funds that would eventually, assuming a producing well,  
16 that would eventually go to the non-joining mineral owners  
17 that you're unable to locate at this time?

18 A It is our understanding that New Mexico  
19 statute requires that such funds be escrowed until such time  
20 as the people who have a claim to them come forth and claim  
21 such proceeds or that they revert to the State after the time  
22 period.

23 Q Is it your opinion that the granting  
24 of this application would prevent waste and protect correlative  
25 rights?

1  
2 A Yes, sir, I believe it would because  
3 this well spacing unit has a definite possibility to be drained  
4 by offsetting producing wells to the east and west.

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

7 A Yes, sir, they were.

8 MR. BUELL: Mr. Examiner, I'd move the  
9 admission of Exhibits One and Two at this time.

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

12  
13 CROSS EXAMINATION

14 BY MR. NUTTER:

15 Q Mr. Foust, has Kirtland No. 9 been  
16 drilled or is it a location?

17 A It is a location also.

18 Q Now, with respect to the coloring here  
19 on Exhibit Number One, Mr. Foust, I understand the brown is  
20 Caribou's and it comprises 66.7 acres; that the orange color  
21 totals 11.34 acres, and Caribou has 50 percent interest in  
22 it.

23 A Yes, sir.

24 Q And 50 percent is owned by the estate  
25 of Ira Beck.

1

A. Right.

2

3

Q.

4

The blue acreage is 2.072 acres and is owned by the heirs of Larkin Beck.

5

A.

Right.

6

Q.

7

Now you mentioned that you had been able to contact a couple or three heirs altogether. Were you able to get any leases from them?

8

9

A.

Yes, sir, we do have leases from Mrs.

10

Ewan and from Mrs. Dorothy Beck.

11

Q.

12

Now are they included in the 50 percent of the orange that you said you owned or are they deducted from this 50 percent owned by the state of Ira Beck?

13

14

A.

15

They're deducted from the 50 percent owned by the Larkin Beck estate, that would be -- at this time their clear title would only be to the one slightly more than they're -- let me get this phrased right here.

16

17

18

19

50 percent of the Larkin Beck estate would be 1.036 acres.

20

Q.

Okay.

21

A.

22

And they would have approximately 2/7ths of that.

23

Q.

Of the 1.036 acres?

24

A.

Yes.

25

Q.

So what total working interest ownership

1  
2 in the 80-acre tract does Caribou own?

3 You would own 66.78 acres up in the  
4 brown.

5 A. Yes, sir.

6 Q. And 50 percent of 11.43 acres?

7 A. Yes, uh-huh.

8 Q. Which is how many? 5, 6, 7.

9 A. Just a minute here. 5.67.

10 Q. And then you would own 2/7ths of 1.036  
11 acres.

12 A. Yes, sir.

13 Q. And that's your interest. Now, with  
14 respect to the same questions I asked awhile ago regarding  
15 Mesaverde production and the Gallup production, the primary  
16 target here is Gallup?

17 A. Yes, sir, it sure is.

18 Q. In the name of simplicity will you have  
19 objection to the order relating only to the Gallup formation  
20 as far as compulsory pooling is concerned?

21 A. No, sir, I wouldn't.

22 Q. And it could be amended if you got --

23 A. Yes, sir.

24 Q. -- production in the Mesaverde.

25 A. Yes, sir.

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

Do you have anything further, Mr. Buell?

MR. BUELL: I have nothing further, no.

MR. NUTTER: Does anyone have anything  
they wish to offer in Case Number 7232?

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 Conserva-  
tion Division was reported by me; that the said transcript  
is a full, true, and correct record of the hearing, prepared  
by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 7232  
heard by me on 4/22 1981.

[Signature] Examiner  
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

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

22 April 1981

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Sumner Buell, Esq.  
JASPER & BUELL  
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I N D E X

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DENNY G. FOUST

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Direct Examination by Mr. Buell

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Cross Examination by Mr. Nutter

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E X H I B I T S

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Applicant Exhibit One, Plat

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Applicant Exhibit Two, AFE

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A Yes, sir, they were.

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

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

#### CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Foust, has Kirtland No. 9 been drilled or is it a location?

A It is a location, also.

Q Now, with respect to the coloring here on Exhibit Number One, Mr. Foust, I understand the brown is Caribou's and it comprises 66.7 acres; that the orange color totals 11.34 acres, and Caribou has 50 percent interest in it.

A Yes, sir.

Q And 50 percent is owned by the estate of Ira Beck.

1  
2 A Right.

3 Q The blue acreage is 2.072 acres and is  
4 owned by the heirs of Larkin Beck.

5 A Right.

6 Q Now you mentioned that you had been able  
7 to contact a couple or three heirs altogether. Were you able  
8 to get any leases from them?

9 A Yes, sir, we do have leases from Mrs.  
10 Ewan and from Mrs. Dorothy Beck.

11 Q Now are they included in the 50 percent  
12 of the orange that you said you owned or are they deducted  
13 from this 50 percent owned by the state of Ira Beck?

14 A They're deducted from the 50 percent  
15 owned by the Larkin Beck estate, that would be -- at this time  
16 their clear title would only be to the one slightly more than  
17 they're -- let me get this phrased right here.

18 50 percent of the Larkin Beck estate  
19 would be 1.036 acres.

20 Q Okay.

21 A And they would have approximately 2/7ths  
22 of that.

23 Q Of the 1.036 acres?

24 A Yes.

25 Q So what total working interest ownership

1  
2 in the 80-acre tract does Caribou own?

3 You would own 66.78 acres up in the  
4 brown.

5 A Yes, sir.

6 Q And 50 percent of 11.43 acres?

7 A Yes, uh-huh.

8 Q Which is how many? 5, 6, 7.

9 A Just a minute here. 5.67.

10 Q And then you would own 2/7ths of 1.036  
11 acres.

12 A Yes, sir.

13 Q And that's your interest. Now, with  
14 respect to the same questions I asked awhile ago regarding  
15 Mesaverde production and the Gallup production, the primary  
16 target here is Gallup?

17 A Yes, sir, it sure is.

18 Q In the name of simplicity will you have  
19 objection to the order relating only to the Gallup formation  
20 as far as compulsory pooling is concerned?

21 A No, sir, I wouldn't.

22 Q And it could be amended if you got --

23 A Yes, sir.

24 Q -- production in the Mesaverde.

25 A Yes, sir.

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

Do you have anything further, Mr. Buell?

MR. BUELL: I have nothing further, no.

MR. NUTTER: Does anyone have anything  
they wish to offer in Case Number 7232?

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 Conserva-  
tion Division was reported by me; that the said transcript  
is a full, true, and correct record of the hearing, prepared  
by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 7237  
heard by me on 4/22 1981.

[Signature], Examiner  
Oil Conservation Division

SALLY W. BOYD, C.S.R.

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

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. 7232  
Order No. R-6674

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 E/2 SW/4 of Section 12, 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

2-

Case No. 7232

Order No. R-6674

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

-3-

Case No. 7232  
Order No. R-6674

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 E/2 SW/4 of Section 12, 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

-4-

Case No. 7232  
Order No. R-6674

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

5-

Case No. 7232

Order No. R-6674

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

SEAL

fd/



BRUCE KING  
GOVERNOR

LARRY KEHOE  
SECRETARY

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

May 1, 1981

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

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

Re: CASE NO. 7232  
ORDER NO. R-6674

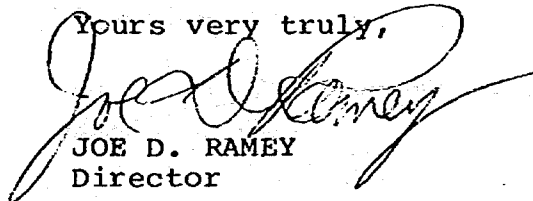
Applicant:

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 \_\_\_\_\_  
\_\_\_\_\_

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. 7232

A P P L I C A T I O N

Comes now Caribou Four Corners, Inc., by its attorneys, Jasper and Buell, and applies to the Oil Conservation Division 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 East one-half of the Southwest one-quarter of Section 12, Township Twenty-Nine North, Range Fifteen West (E 1/2 SW 1/4, Sec. 12, 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. 9 well on the above described lands to test the above designated formations 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. Some of the other mineral interest owners that may have an interest in this application include:

Elmer E. and Charlotte E. Whorton  
P. O. Box 882  
Kirtland, New Mexico

Estate of Ira Beck or its successors  
Address unknown

Donnie Beck  
Address unknown

Ora Jones  
Address unknown

Lloyd Jones.  
Address unknown

Myrtle Kennedy  
Address unknown

Gertrude Roche  
Address unknown

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

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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No. 7232

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2. Applicant proposes to drill its Caribou Four Corners Kirtland No. 9 well on the above described lands to test the above designated formations 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.

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Estate of Ira Beck or its successors  
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Address unknown

Ora Jones  
Address unknown

Lloyd Jones.  
Address unknown

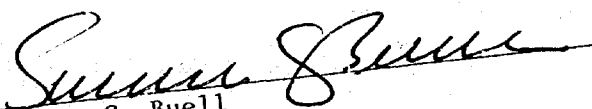
Myrtle Kennedy  
Address unknown

Gertrude Roche  
Address unknown

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  
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. 7232

Order No. R- 6674

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 Mesa Verde and  
Gallup formations underlying the E/2 SW/4  
of Section 12, 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 <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 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 <sup>paid</sup> 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 ~~Mesaville~~ Gallup formation underlying the E/2 SW/4 of Section 12, Township 29 North, Range 15 West, NMPM, Chacha - 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 ~~Mesaville~~ 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.

-6-  
Case  
Order No.

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

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

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

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

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

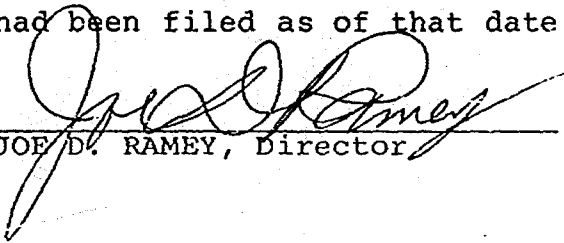
AFFIDAVIT

STATE OF NEW MEXICO

COUNTY OF SANTA FE

CITY OF SANTA FE

JOE D. RAMEY, being first duly sworn, deposes, and says:  
that he is the Director of the New Mexico Oil Conservation  
Division; that on November 30, 1982, I caused a search of the  
records of the Oil Conservation Division of the Energy and  
Minerals Department of the State of New Mexico to be made to  
ascertain whether or not a notification of escrow agent had  
been filed relating to Oil Conservation Division Case No.  
7232, which resulted in Order No. R-6674 of the Oil  
Conservation Division; that that record search revealed that  
no such notification of agent had been filed as of that date.

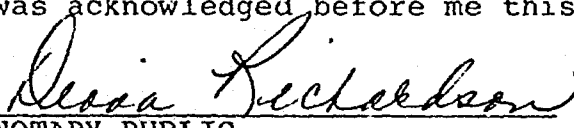
  
JOE D. RAMEY, Director

STATE OF NEW MEXICO)

) ss.

COUNTY OF SANTA FE )

The foregoing instrument was acknowledged before me this  
3rd day of December, 1982.

  
NOTARY PUBLIC

My Commission Expires:

Oct 28, 1985