

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

1 August 1984

COMMISSION HEARING

IN THE MATTER OF:

Application of Greenwood Properties,                   CASE  
Inc. to vacate and void Division                   8285  
Order No. R-7482, San Juan County,  
New Mexico.

BEFORE: Commissioner Joe Ramey, Chairman  
Commissioner Ed Kelley

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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## A P P E A R A N C E S

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DENNY FOUST

Direct Examination by Mr. Padilla

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STATEMENT BY MR. PADILLA

STATEMENT BY MS. AUBREY

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2  
3 MR. RAMEY: The hearing will  
4 come to order.

5 Call next Case 8285.

6 MR. PEARCE: That case is on  
7 the application of Greenwood Properties, Inc. to vacate and  
8 void Division Order No. R-7482, San Juan County, New Mexico.

9 MR. KELLAHIN: If the Commis-  
10 sion please, Tom Kellahin and Karen Aubrey, Kellahin and  
11 Kellahin, appearing on behalf of the applicant, Greenwood  
12 Properties, Inc..

13 MR. PADILLA: Mr. Chairman, Er-  
14 nest L. Padilla, Santa Fe, New Mexico for Slayton Oil Cor-  
15 poration.

16 MR. RAMEY: Any witnesses each  
17 of the parties propose to call.

18 MR. PEARCE: Could I ask all of  
19 the prospective witnesses to rise please.

20 (Witnesses sworn.)

21 MR. KELLAHIN: Mr. Chairman, I  
22 have a brief statement.

23 We represent Greenwood Proper-  
24 ties. We propose to introduce into evidence an acreage map  
25 on Section 18, Township 29 North, Range 14 West. That map  
shows proration units and spacing the units in the Cha Cha-

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Gallup Pool.

The evidence will demonstrate to you that in Section 18 there have been created by the Division three non-standard proration units in that section.

The evidence will show you that the first non-standard proration unit was created in August of 1979 and consisted of Tract 4 and 5 and certain reparation rights. That proration unit is generally located in the west half of the northwest quarter. This was the first proration unit created on a non-standard basis.

A standard unit, the evidence will show you, is an 80-acre tract.

Thereafter, wells were drilled in the section. The evidence will show that the east half of the northwest quarter is a standard 80-acre tract to which there is a Cha Cha-Gallup well dedicated.

The evidence will further show you that there is an 80-acre tract in the north half of the northwest quarter -- northeast quarter, I'm sorry, of Section 18, a standard 80-acre tract, including lots and a certain portion of reparation rights dedicated to the well.

The evidence will also show you that Slayton Oil Corporation in March of this year before an Examiner Hearing requested and received from the Division the second and third non-standard proration units in the section. One of them was the west half of the southwest quarter of the section, generally, and conformed to the pro-

1  
2 ration unit that had been first established as a non-  
3 standard unit.

4 The third non-standard prora-  
5 tion unit created, the evidence will show you, is the one in  
6 which Greenwood Resources contends that their correlative  
7 rights have been violated. That non-standard proration unit  
8 includes two Federal lots plus certain riparian rights north  
9 of the river to the center line of the river channel. That  
proration unit consists of approximately 71 acres.

10 The evidence will demonstrate  
11 to you that there is in combination with the proration unit  
12 to the north a hiatus created between the proration units in  
13 which there is a section of over nine acres north of the  
14 center line of the channel and south of the south boundary  
15 of this proration unit in the north half of the northwest  
16 quarter that is not now, nor has been dedicated to produc-  
tion in the Cha Cha-Gallup.

17 We believe the evidence will  
18 demonstrate to you that there is no engineering or geologic  
19 justification for the exclusion of that acreage and there-  
20 fore the non-standard proration unit approved for the well  
21 ought to be set aside and that Slayton, as operator, ought  
22 to be required to include the nine acres that was omitted.

23 The evidence will further show  
24 you that Greenwood Resources has been ready, willing, and  
25 able to participate and contribute its acreage to this well  
and to this proration unit, and that they have received no

1 notice of the creation of a non-standard proration unit and  
2 that prior to drilling of this well by Slayton, they were  
3 fully able to pay and contribute their share so their  
4 acreage would be included.

5 We believe at the conclusion of  
6 the evidence we will have provided you sufficient  
7 justification to set aside and void the non-standard  
8 proration unit order and require that this acreage be  
9 included in the order to avoid violating Greenwood  
10 Resources' correlative rights.

11 That is our position at this  
12 time.

13 MR. RAMEY: Thank you, Mr.  
14 Kellahin.

15 Do you have any opening  
16 statement, Mr. Padilla?

17 MR. PADILLA: I have no  
18 argument, Mr. Chairman.

19 MR. RAMEY: You may proceed,  
20 Mr. Kellahin.

21 MR. KELLAHIN: Mr. Chairman, as  
22 our first witness we will call Mr. Denny Foust, please.

23 DENNY FOUST,  
24 being called as a witness and being duly sworn upon his  
25 oath, testified as follows, to-wit:



## DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Foust, for the record would you please state your name and occupation, sir?

A My name is Denny Foust and I'm a consulting geologist out of Bloomfield, New Mexico.

Q Mr. Foust, do you hold a degree in geology?

A Yes, I do.

Q And when and where did you obtain that degree?

A Bowling Green State University, 1966-'72.

Q Subsequent to graduation have you been employed in the San Juan Basin as a petroleum geologist?

A Yes. I worked for Caribou Four Corners for approximately three years.

Q What period of time were you employed as a geologist for Caribou Four Corners, Mr. Foust? Can you give us the approximate time?

A From 1978 through '81.

Q And have you been employed by Slayton Oil Corporation?

A Yes, as a consultant.

Q And what period of times do your employment as a consultant for Slayton, what periods of time have those been?

1  
2 A I'd say October of '82 through the pre-  
3 sent.

4 Q I want to direct your attention to Town-  
5 ship 29 North, Range 14 West, and principally to Section 18  
6 and to the Cha Cha-Gallup Oil Pool within that section. Are  
7 you familiar with that property?

8 A Yes.

9 Q Are you familiar with Greenwood  
10 Resources, Mr. Foust?

11 A Yes.

12 Q In what way are you familiar with Green-  
13 wood Resources?

14 A Oh, I know it's purchased Caribou's in-  
15 terest in the acreage north of the river and subsequently  
16 purchased some interest from Mountain States through Paul  
17 Slayton.

18 Q Have you ever done consulting geologic  
19 work or been employed by Mountain States Petroleum?

20 A No, sir.

21 Q Mountain States is the other principal  
22 owner involved in this transaction, is it not?

23 A Yes. I don't know the particulars of the  
24 transaction but they were. I don't know how the successor  
25 operations took place.

Q You've worked for Caribou Four Corners,  
done consulting work for Greenwood Resources, and you are  
familiar with Mountain States.

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A Yes.

Q Would you describe for us what consulting geologic work you did for Greenwood Resources with regards to Section 18 and the Cha Cha-Gallup Pool? In a general way describe for us what you were retained to do.

A In Section 18?

Q Yes.

MR. PADILLA: I'm sorry, did you ask the question for Greenwood Resources?

MR. KELLAHIN: Yes, sir.

A I went to Denver one day at Greenwood's request and reviewed some possible locations for Greenwood in the area north of the river, not just Section 18, and we did talk about an offset to the Kirtland No. 3 Well, which is located in the north half of the northeast quarter.

Q All right, sir, and when did that take place, approximately?

A February.

Q February of 1984?

A Yes.

Q All right. Are you familiar with the Cha Cha-Gallup Wells that have been drilled in Section 18?

A Yes.

Q In fact, haven't you participated in some fashion as a geologist in either the location or the evaluation of those locations for all those wells in that section?

A I would say that's true except for the

1  
2 No. 11 Well. I really wasn't involved in that.

3 Q All right, sir.

4 MR. KELLAHIN: We tender Mr.  
5 Foust as an expert petroleum geologist.

6 MR. RAMEY: He is so qualified,  
7 Mr. Kellahin.

8 Q Mr. Foust, I have copies of an exhibit  
9 that I want to use as simply a way to help orient all of us  
10 to the various wells and the proration units in the section.  
11 Let me ask you, Mr. Foust, on behalf of Slayton Oil Corpora-  
12 tion, did you testify as the geologist before the Examiner  
13 of the Oil Conservation Division on March 14th, 1984, with  
14 regards to seeking approval for two of the non-standard pro-  
15 ration units in this section?

16 A Yes, sir.

17 Q And you also testified in 1979 with re-  
18 gards to the request to obtain the first non-standard prora-  
19 tion unit in this section for the Cha Cha-Gallup Pool.

20 A Yes.

21 Q As part of your testimony in the March  
22 hearing before the Examiner, Mr. Foust, did you submit as  
23 Exhibit Number One this oil and gas plat from the Bureau of  
24 Land Management records --

25 A Yes.

Q -- concerning this township?

Because the township map is on such a  
small scale, Mr. Foust, I've simply taken Section 18 and had

1  
2 the copy machine increase the size of that exhibit, and what  
3 I show you as Greenwood's Exhibit Number Nine is that same  
4 exhibit. All right, sir?

5 A Yes, that's right.

6 Q If you will, Mr. Foust, let me direct  
7 your attention to what is identified as the first non-stand-  
8 ard proration unit generally consisting of Lots 5 and Lots 4  
9 out of the north half of the northwest quarter. Do you see  
10 that?

11 A Yes, I know what you're talking about.

12 Q All right, sir, are you in general agree-  
13 ment as to the approximate configuration of that non-stand-  
14 ard proration unit?

15 A To the best of my knowledge this would be  
16 pretty close.

17 Q All right, sir, to the best of your re-  
18 collection, that non-standard proration unit included Lots  
19 4, 5, and the reparation rights north of the center line of  
20 the -- is this the San Juan River?

21 A Yes.

22 Q All right, is that a correct statement?

23 A Yes.

24 Q And you testified before the Oil Conser-  
25 vation Division in August, I guess, of 1979 in order to get  
that proration unit approved?

A Yes, I did.

Q All right, sir. What is the well name or

1  
2 identification for the well that was drilled in that prora-  
3 tion unit?

4 A The well name is the Kirtland No. 4.

5 Q Would you locate for us on that exhibit  
6 the approximate location of the Kirtland No. 4 Well?

7 A It's approximately on the east/west divi-  
8 sion line between Lots 4 and 5, about the center.

9 Q All right, sir. Slightly north of the  
10 edge of the reparian rights in the center of -- did you say  
11 Lot 5?

12 A Yes. See the line going across there be-  
13 tween Lots 4 and 5?

14 Q Yes, sir.

15 A And if you just go to about the center of  
16 that line, that's approximately the location.

17 Q All right. Mr. Foust, I show you what I  
18 have marked as Greenwood Resources Exhibit Number Ten and  
19 ask you if this is the C-104 and the other Oil Commission  
20 forms with regards to the Kirtland No. 4 Well that is in  
21 that non-standard proration unit we've been discussing? If  
22 you'll take a minute to look at that, sir.

23 A It appears to be.

24 Q All right, sir. In chronological order  
25 now, Mr. Foust, after the Kirtland No. 4 Well proration  
unit, did that -- is that the first well drilled in the sec-  
tion to the Cha Cha-Gallup?

A Actually that was the second well drilled

1  
2 in the section to the Cha Cha-Gallup.

3 Q The first well would be the No. 3 Well?

4 A Yes.

5 Q All right, let's go to that one. Would  
6 you identify for us what the proration unit is for the Kirt-  
land No. 3 Well?

7 A It should be the north half of the north-  
8 east quarter.

9 Q All right, sir, and approximately where  
10 is the Kirtland No. 3 Well located?

11 A It would be located approximately in the  
12 center of Lot 2.

13 Q And that is a standard 80-acre proration  
14 and spacing unit for the No. 3 Well?

15 A Yes.

16 Q Mr. Foust, I'm going to show you what  
17 I've marked as Exhibit Number Eleven, which is copies of do-  
18 cuments in the Commission well file on this Well No. 3, and  
19 ask you to review that and see whether or not those docu-  
ments are correct.

20 A Yes.

21 Q All right, sir. In looking at the C-102  
22 that's appended to Exhibit Number Eleven, Mr. Foust, does  
23 Exhibit Number Nine, which is the enlarged copy of the BLM  
24 oil and gas plat, does the proration and spacing unit as-  
25 signed to the Kirtland No. 3 Well, does that generally con-  
form to the way it's depicted on Exhibit Number Nine?

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A Is this Number Nine?

Q Yes, sir, let's mark that on there for you.

A I guess so. You really don't have the proration units depicted on here or numbered or anything.

Q Who -- who drilled this No. 3 Well, Mr. Foust?

A Caribou Four Corners.

Q And were you employed as a geologist for Caribou Four Corners when that well was drilled?

A Yes.

Q In looking at Exhibit Number Nine, in your opinion does that reasonably accurately project the location of that proration unit in relation to the San Juan River?

A Yes.

Q Who drilled the -- all right, let me ask you this. The No. 3 Well, when was that well spudded, do you recall approximately when?

A September of '79.

Q All right.

A Probably the first half.

Q We go from the No. 3 Well, then, and we go to the No. 4 Kirtland Well.

A Yes.

Q That was the next well in the progression?



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After the No. 4 Well, what then is the next well that was drilled?

A The next well that was drilled would be the Kirtland No. 11.

Q All right, let's look at the Kirtland No. 11, Mr. Foust.

Mr. Foust, I show you the well file documents from the Oil Commission file with regards to the Kirtland No. 11 Well, which is marked as the Greenwood Exhibit Number 12, and ask you if you can identify those documents?

A I wasn't associated with this well in any way, but these appear to be the records.

Q All right, sir, you were not associated with Caribou Four Corners when that well was drilled?

A No, sir.

Q Based upon your study and knowledge in the area, were you aware that that well was being drilled?

A Yes.

Q All right. Approximately when was that well spudded, Mr. Foust? Do you recall?

A I think it was December of '81.

Q And at that point you had left employment with Caribou Four Corners?

A Yes.

Q And what was your next employment?

A I had as a consultant worked with several parties, Dick Lauritsen, he's the Lobo Production in the

1  
2 area.

3 Q Mr. Foust, based upon your knowledge of  
4 the area, are you able to identify for us what the proration  
5 and spacing unit for the No. 11 Well is? Can you tell us  
6 what it is?

7 A Yes. It's an 80-acre spacing as a result  
8 of the forced pooling.

9 Q Do you recall who the parties were that  
10 were force pooled into that 80-acre spacing unit?

11 A It would have been the current unit owner  
12 at that time in 19 -- or latter half of 1981, which would  
13 have been Suburban Propane.

14 Q All right. When you refer to the current  
15 unit owner, Mr. Foust, what unit are you talking about?

16 A This is the Northwest Cha Cha Unit, which  
17 is a Federal production unit.

18 Q All right, and generally with regards to  
19 Section 18, what are the boundaries of the Northwest Cha Cha  
20 Unit?

21 A All of that land south of the mid-channel  
22 of the San Juan River.

23 Q Directing your attention to the standard  
24 80-acre spaced proration and spacing unit for the No. 11  
25 Well, do you have an opinion as to whether or not that  
well's proration and spacing unit consists of acreage both  
north and south of the mid-channel of the San Juan River?

A Yes.

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Q And what is that opinion?

A It does consist of acreage both north and south.

Q And will that proration unit consist of acreage both within and without of the Northwest Cha Cha Unit?

A Yes, it does.

Q All right, sir. Let me direct your attention now to the proration unit that was part of your request in March of '84, the proration unit that lies south of the center line of the San Juan River channel and is in the west half of the southwest quarter. All right, sir, are you with me?

A Uh-huh.

Q If you'll look at Exhibit Number Nine, does that depiction of the proration unit generally conform to your recollection and knowledge about its configuration?

A Yes. The spacing unit is Lots 6, 10, and 11 of 18, plus the adjacent river channel. That's Lot 6.

Q Okay. And when you combine -- let's see, what well is drilled to that non-standard proration unit?

A It would be the Northwest Cha Cha No. 1318.

Q No. 13-18, and what's the approximate location of that well, Mr. Foust?

A It's 870 feet from the west line and 2130 from the south line; approximately the center of Lot 10.

1  
2 Q All right, sir. In comparing the non-  
3 standard proration unit for the No. 4 Well and the non-  
4 standard proration unit for the 13-18 Well, is there any ac-  
5 reage between those proration units along the river channel  
6 that is not dedicated to either one or the other of those  
7 proration units?

8 A No.

9 Q All right. Let me direct your attention  
10 now to the next proration unit that was the subject of the  
11 March '84 hearing. There is a non-standard proration unit  
12 consisting of Lots 8 and 9 and riparian rights north of  
13 those lots to the center of the river channel. Is that cor-  
14 rect?

15 A Yes.

16 Q And is that accurately depicted and re-  
17 presented on Exhibit Number Nine?

18 A I guess so, apparently to the center of  
19 the river channel.

20 Q All right, sir. Do you recall what the  
21 size of the non-standard proration unit is for that unit?

22 A 70.57 acres.

23 Q And what is the well that's been drilled  
24 on that non-standard proration unit? What's the well num-  
25 ber?

A It's the Northwest Cha Cha No. 32-18.  
32-18.

Q And who is -- that's a Northwest Cha Cha

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Unit?

A Slayton Oil Corporation.

Q Now, in the March '84 hearing, Mr. Foust, you qualified as a geologic consultant and indicated in the record that you were familiar with land title problems in the unit area. Are you in fact familiar with the ownership in this section?

A I think so.

Q All right, sir. When the 80-acre proration unit was established for the No. 3 Well in the north half of the northeast quarter of 18 --

A Yes.

Q -- who was the operator of that well?

A Caribou Four Corners.

Q Okay, and who is the current operator of that well?

A Greenwood Resources.

Q What, if any, interest did Mr. Slayton or Slayton Oil Corporation have in Caribou Four Corners? Is Mr. Slayton or Slayton Oil Corporation a principal in Caribou Four Corners?

A No.

Q Company?

A No.

Q Did Mr. Slayton or his company have any interest ownership in the 80-acre proration unit that was assigned to the No. 3 Well?

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A           It was a joint venture between Mountain States and Caribou Four Corners.

Q           All right, sir. Does Mr. Slayton at all material times here, or Slayton Oil Corporation, have any interest in Mountain States?

A           Not now.

Q           Did they have any -- did Mr. Slayton have any interest in Mountain States when it was joint ventured with Caribou in that No. 3 proration unit?

A           Yes.

Q           All right, what was Mr. Slayton's interest in Mountain States?

A           I assume he was an equal partner. There were two individuals involved.

Q           Mountain States was composed of Mr. Slayton and who else?

A           K. Havenor.

Q           You'll have to spell it for the court reporter.

A           H-A-V-E-N-O-R. Havenor.

Q           Mr. Slayton and Mr. Havenor were 50 percent partners in Mountain States?

A           To the best of my knowledge.

Q           And Mountain States then was a 50 percent joint venture partner with Caribou?

A           Slightly more than 50 percent.

Q           All right, sir. In the 80-acre proration

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unit assigned to the No. 3 Well.

A Yes.

Q And Caribou Four Corners, then, was the operator for the well.

A Yes.

Q Do you recall approximately when Greenwood Resources obtained operation of the Caribou Well, the No. 3, Kirtland No. 3 Well?

A You'll have to ask the Greenwood.

Q You don't remember. Is that Mountain States relationship we've just described for that proration unit, is that typical of the way Mr. Slayton had the rest of his interest north of the center line of the San Juan River?

A To the best of my knowledge it was a joint venture for the acreage that was included in the agreement.

Q All right, and did that cover the properties in Section 28 north of the center line of the San Juan River, or was that also indicative of the ownership south of the river?

A It only covered certain leases covered in the agreement, and it didn't have anything to do with the Northwest Cha Cha Unit.

Q All right. Mr. Foust, I'd like to direct your attention to the subject of the March '84 hearing before the Examiner, Mr. Stamets, of the Oil Commission.

Let me have a minute and see if I can put

1 your exhibits back in the right order.

2 MR. PADILLA: Mr. Chairman, we  
3 have no objection to the exhibits and record of the previous  
4 case being entered in this case.

5 MR. KELLAHIN: Mr. Chairman, I  
6 think it might facilitate my questions of Mr. Foust if we  
7 simply incorporated into this proceeding the transcript, ex-  
8 hibits and testimony from the Examiner Hearing in Case 8117  
9 and Case 8118, heard on March 14th, 1984, and the subsequent  
10 order entered after that.

11 MR. RAMEY: All right, those  
12 cases will be incorporated into the record of this case.

13 Q With regards to your testimony about the  
14 70.5-acre non-standard proration unit to which the 31-18  
15 well was dedicated, Mr. Foust, am I correct in understanding  
16 that that proration unit included only Lots 8, 9, and the  
17 reparation rights to the center of the San Juan River?

18 A Yes.

19 Q Let me show you Exhibit -- let me show  
20 you Exhibit Number Six from that hearing in March of '84,  
21 Mr. Foust, and ask you whether or not you prepared that ex-  
22 hibit?

23 A Yes, I did.

24 Q Mr. Foust, there are reparation rights just  
25 north of the north line of this non-standard proration unit  
from the center line of the San Juan River up to the south  
boundary line of the proration unit for the No. 3 Well that





1  
2 MR. KELLAHIN: I don't think  
3 I've asked any question that should raise that kind of ob-  
4 jection. I simply asked Mr. Foust whether or not he had  
5 given notice to any of the offset owners to this non-stand-  
6 ard proration unit.

7 MR. PADILLA: Nonetheless, it  
8 calls for a legal conclusion.

9 MR. KELLAHIN: It escapes me  
10 what the legal conclusion is I'm asking. It's a factual  
11 question. Mr. Foust was the geologic expert for Slayton.  
12 He testified at the hearing. He's obviously done the work  
13 in the area.

14 I want to find out who he's  
15 told what about the non-standard proration unit. I think  
16 that's a fair question.

17 MR. RAMEY: I'm going to over-  
18 rule the objection and let the witness answer, if he can do  
19 that.

20 MR. KELLAHIN: Let me see if I  
21 can figure out what the question was, Mr. Foust.

22 Q With regards to the non-standard prora-  
23 tion unit for the 32-18 Well, in preparing that application  
24 for hearing and going about working on this project for Mr.  
25 Slayton, did you contact any of the working interest owners  
in Section 18 about your requested application for the non-  
standard unit?

A No, I did not.

1  
2 Q All right, sir. Were you the principal  
3 individual retained by Slayton Oil Corporation to prepare  
4 the exhibits and testimony and to obtain approval for the  
5 non-standard proration unit?

6 A I believe so.

7 Q Did you attempt to form a standard prora-  
8 tion unit of 80 acres for this well?

9 A No.

10 Q Do you have an opinion or knowledge as to  
11 whom you believe to be the owner of the oil and gas rights  
12 to the 9.6 reparation interest that was excluded from this  
13 non-standard proration unit?

14 MR. PADILLA: Objection. Mr.  
15 Foust isn't qualified as an expert in land titles.

16 MR. KELLAHIN: I'll withdraw  
17 the question.

18 Q Mr. Foust, what is your understanding of  
19 who owns the 9.6 acres?

20 A I don't really know who owns the 9.6 ac-  
21 res or 9.4 acres.

22 Q All right, you've indicated that you ex-  
23 cluded the 9.6 acres from that proration unit. What are the  
24 reasons for doing that, Mr. Foust?

25 A The principal reason was to have the en-  
tire spacing unit, or proration unit, excuse me, within the  
boundaries of the Northwest Cha Cha Unit so the well could  
be operated as a part of the Northwest Cha Cha Unit, and it

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would be entirely on Navajo Tribal lands.

Q All right, sir, are there any other reasons?

A Well, there are some economic reasons that go with operating it as a unit well.

Q Did you identify for the Examiner at the March '84 hearing the reasons why you wanted a non-standard proration unit?

A I don't recall exactly what the testimony was.

Q Did you submit for his consideration any of these factors, such as you wanted the entire operation to be within the North Cha Cha Unit area?

A Again, I don't recall exactly what the testimony was.

Q Did you indicate to the Examiner that the area south of the river was Navajo lands?

A Yes.

Q You have some knowledge, then, of the approximate location of the Navajo interests in the Cha Cha Gallup in Section 18?

A At least I make an interpretation, yes.

Q All right, sir, and generally where are the Navajo Tribal interests in relation to the center line of the San Juan River channel?

A Everything south of the center line of the channel.

1  
2 Q With regards to the economic considera-  
3 tions for the formation of a non-standard proration unit,  
4 Mr. Foust, in order to have unit and non-unit lands assigned  
5 to a proration unit for production from the 32-18 Well, it  
6 would simply require you to allocate production between unit  
7 and non-unit interest, would it not?

8 A If you can get the approval of the Navajo  
9 Tribe.

10 Q All right, sir. Based upon your exper-  
11 ience in this area and as a geologist, are you aware that it  
12 is possible to unitize or communitize unit and non-unit  
13 operations for a well on a proration unit like that?

14 A I'm aware that it has been attempted.

15 Q Apart from the Navajo question, Mr.  
16 Foust, you can simply set a tank battery for the 32-18 Well  
17 or measure oil production from that well so that you can ac-  
18 count to the non-unit owners. You can do that, can't you?

19 A Well, this is where some of the economic  
20 questions come in.

21 Q All right. Anyway, it can be done, can't  
22 it, subject to economics?

23 A Yes, sir.

24 Q All right. What is the initial potential  
25 for the well drilled, the 32-18 Well? What kind of well did  
you get?

A I think I based it on a one-day pumping  
when we turned in our data for 42 barrels of oil and 40 bar-

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rels of water.

Q It's a one-day pump test?

A Yes. I have the pumping or production records from -- for about 30 or 31 days since it's been on a pump.

MR. PADILLA: We'll be submitting this information on our case in chief, Mr. Chairman.

MR. KELLAHIN: May I have just a moment?

Q Mr. Foust, I'd like to show you Exhibit Number Seven from the March '84 hearing, which you introduced. Is that a true and accurate copy of your Exhibit Number Seven from that hearing?

A This is a demand letter that was addressed to Suburban Propane.

Q All right, sir, let's describe, if you will, for the Commission what the significance to you, if any, is of the demand letter.

A Well, the BLM had requested that certain steps be taken involving some wells, some of which were already plugged; some of which were supposed to have a communitization agreement finalized on them, and they're asking to drill these wells on a demand basis to prevent drainage.

Q Let me direct your attention to the last sentence in the last paragraph of the letter on the first page there, and ask you to read that for me.

A Being a statement such as communitization

1  
2 agreements with the offsetting wells, as appropriate, would  
3 be considered adequate protection for Lots 6, 7, and 8.

4 Q Yes, sir. Did you attempt, or were you  
5 involved in any way in an attempt to form a standard prora-  
6 tion unit or to communitize the necessary leases to form a  
7 standard 80-acre proration unit for the south half of the  
8 northeast quarter?

9 A Well, the way this statement reads, I  
10 don't think that we could have got a communization agreement  
11 including Lots 7 and 8 with -- or 8 in particular. With  
12 Kirtland No. 3 Lot 7 is supposed to be included a communiti-  
13 zation agreement with Kirtland No. 11, which has never been  
14 completed.

15 Q I confused you with my question, I'm sor-  
16 ry.

17 Did you make any efforts to form a stand-  
18 ard proration unit which would have included Lots 8 and 9  
19 and the reparation rights so that you would have a full 80-  
20 acre proration unit for hte 32-18 Well?

21 A No, sir.

22 MR. KELLAHIN: Thank you. That  
23 concludes my questions of Mr. Foust.

24 MR. RAMEY: Any questions of  
25 Mr. Foust?

MR. PADILLA: By way of cross  
examination. I will call him later, Mr. Examiner -- or Mr.  
Chairman.

## CROSS EXAMINATION

BY MR. PADILLA:

Q Mr. Foust, do you know for sure who owns title to the minerals underlying the riverbed of the San Juan River?

MR. KELLAHIN: I'm going to object to the question. We just went through that, I think. We decided that Mr. Foust is not an expert on land title ownership.

MR. RAMEY: And that he didn't know.

MR. KELLAHIN: Yes, sir.

Q Let me show you what we have identified as Exhibit Number Five, and ask you to identify that.

A This is a master title plat for 29 North, 14 West.

Q And does that fit the Section 18?

A Yes, it does.

Q Does it also show in the bold line the north half of Section 18 and the south half of Section 7 as the patent having been issued regarding the south half of Section 7 and the north half -- and the northeast -- or the north half of the northeast quarter of Section 18?

MR. KELLAHIN: I'm going to object to the question. He's not laid a foundation to show that this witness is capable to answer that question.



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Q Mr. Foust, have you -- are you familiar with master title plats of the Bureau of Land Management?

A Yes, as they relate to oil and gas plats.

Q Have you studied those plats at the office of the Bureau of Land Management here in Santa Fe?

A Periodically.

Q Have you examined those with regard to Section 18, Township 29 North, 15 West?

A Yes, I looked at this one in advance of the hearing.

Q And are you familiar with the plat so that you can testify regarding inception of fee titles of lands of Section 18?

A Yes, I have examined the patent deeds which are issued on the lands in Section 18.

Q Now, do you know whether a patent deed was issued to the north half of the northeast quarter of Section 18?

A Yes, sir, it was.

Q I show you what we have marked as Exhibit Number Four and have you identify that.

A This is a patent deed from the United States of America to Frank J. Coolidge.

Q How was that patent described?

A It's the north half of the northeast quarter of Section 18 and the south half of the southeast quarter to Section 7.

1  
2 Q How many acres were included in that pat-  
3 ent?

4 MR. KELLAHIN: I'm going to ob-  
5 ject at this time, Mr. Chairman. This obviously is not  
6 quite the way to do this. This is all hearsay testimony.

7 The appropriate way is to get  
8 certified copies of these documents from the Bureau of Land  
9 Management. There is a self-attesting certificate that is  
10 appended to these kinds of things and they are therefore ad-  
11 missible in District Court and to the Commission for all  
12 those kind of things.

13 I think we've established earl-  
14 ier this afternoon that Mr. Foust, although he has some  
15 knowledge of the ownership in the area, and to which Mr.  
16 Padilla has already objected, is certainly not an expert in  
17 determining land title ownership, and if that's the purpose  
18 or the direction we're headed, we'll object.

19 MR. PADILLA: Mr. Ramey, I be-  
20 lieve that in direct examination Mr. Foust was asked as to  
21 whether these proration units under consideration here in-  
22 cluded the -- started from the mid-channel of the river and  
23 whether they included properties where mineral rights under-  
24 lie the river.

25 I'm just simply trying to show  
the extent of those mineral rights the best that I can.

MR. KELLAHIN: Mr. Chairman,  
the document speaks for itself and it's simply hearsay to

1  
2 allow the man to testify from that.

3 The documents themselves are  
4 not admissible at this point because they have not been cer-  
5 tified by either the custodian of those records or the BLM  
6 with their certification stamp and it does not matter at all  
7 what Mr. Foust has to say about that subject, it's hearsay.

8 MR. RAMEY: We'll overrule the  
9 objection. Please proceed, Mr. Padilla.

10 Q I believe my question, Mr. Foust, was how  
11 many acres were conveyed by that patent?

12 A According to this copy, the deed states  
13 containing 156 acres and 36/100ths of an acre.

14 Q Mr. Foust, reading that document, and I  
15 assume that you've read it before, is there any mention of  
16 reparation rights?

17 A No, sir, there is not.

18 MR. PADILLA: I have no further  
19 questions of this witness.

20 CROSS EXAMINATION

21 BY MR. RAMEY:

22 Q That amount of acreage would be the south  
23 half of the southwest quarter of 7, or southeast quarter of  
24 7 and then Lots 1 and 2 of 18.

25 A The deed says the north half of the  
northeast quarter; makes no reference to Lots 1 and 2.

MR. KELLAHIN: I have some

1  
2 questions.

3  
4 REDIRECT EXAMINATION

5 BY MR. KELLAHIN:

6 Q Mr. Foust, are you aware of whether or  
7 not, either prior to or after this patent issuance, whether  
8 there have been additional patents issued with regards to  
ownership in the northeast quarter of Section 18?

9 A I did not find any in searching the  
10 county records of San Juan County.

11 Q It's possible for you, as patents be  
12 issued and not be subject to record in San Juan County, is  
13 it not?

14 A Yes, sir.

15 MR. KELLAHIN: I have no more  
16 questions. Are we waiting for me?

17 MR. PEARCE: Yes, we are.

18 MR. KELLAHIN: I'm sorry. I am  
all through because I don't know what this is.

19 MR. RAMEY: The witness may be  
20 excused.

21 MS. AUBREY: The next witness  
22 is Linda Price.

23 LINDA PRICE,

24 being called as a witness and being duly sworn upon her  
25 oath, testified as follows, to-wit.

## DIRECT EXAMINATION

BY MS. AUBREY:

Q State your name for the record, please.

A My name is Linda Price.

Q And where are you employed?

A I'm employed with Greenwood Resources as Vice President of Land.

Q Ms. Price, how many years have you been employed in the oil and gas business?

A Twelve years.

Q And how many years have you been employed by Greenwood?

A I've been with Greenwood for five years.

Q Would you describe for the Commission what your duties are Vice President, Land, with Greenwood Resources?

A I am in charge of the Land Department, which consists of myself and a Lease Analyst/Secretary. Between the two of us we prepare assignments, maintain lease records with regard to all of our prospects, these included. We prepare -- I oversee preparation of title opinions, both for drill sites and Division order purposes; assignments; and any curative documents that are required.

Q Are you involved with the acquisition and sale of properties for Greenwood Resources?

A Yes.

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Q Ms. Price, have you researched and are you familiar with state of the title underlying Section 18 that we've been discussing today?

A When we purchased the properties from Caribou Four Corners, we retained an attorney in Farmington who also had done an extensive amount of work with Caribou Four Corners, and he has -- he has searched title to that.

Q In connection with the Greenwood application that we're hearing today, are you familiar with the title in Section 18?

A That's right, I'm familiar with the leases.

Q And have you examined your company's records and other records in order to familiarize yourself with the state of the title in Section 18?

A That's correct.

MS. AUBREY: Mr. Chairman, I tender Ms. Price as an expert in petroleum land title of Section 18.

MR. RAMEY: She is so qualified, Ms. Aubrey.

MS. AUBREY: Thank you.

Q Ms. Price, let me refer you to what we've marked as Exhibit Number One. That would be Greenwood Exhibit No. 1. Can you open that out and briefly explain to the Commission what that shows?

A This plat shows our ownership of our

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wells north of the -- of the mid-channel that we have either communitized with Indian lands or in the case of the Kirtland No. 3, that comprise the north of the northeast quarter of Section 18, which is all fee land.

Q Is the Kirtland No. 11 Well shown on that plat?

A The Kirtland No. 11 comprises the east half of the northwest section.

Q There's been some testimony here this afternoon that it was not possible to complete a communitization agreement with the Navahos in connection with the No. 11 Well.

Do you agree with that statement?

A When we purchased the property from Caribou Four Corners they had attempted to -- or rather they had submitted a communitization agreement to the BLM and it had been returned to them with changes that they needed to make.

When we acquired the property that had not been done yet. Greenwood resubmitted the communitization agreement and I do have correspondence from the Bureau of Indian Affairs that that is approved, but I do not have a copy of the actual contract stamped by the Bureau of Indian Affairs.

Q But you've been informed by the BIA that it has been approved.

A Right, I have correspondence on it.

1  
2 Q And does that communitization agreement  
3 cover both Indian and non-Indian land?

4 A Yes, it does.

5 Q Let me refer you now, Ms. Price, to Num-  
6 ber Two, Exhibit Number Two. Can you explain what that is?

7 A Okay, what I've done here is made a list  
8 of -- of our involvement with these properties from the be-  
9 ginning, that being that in June of '83 we were negotiating  
10 with Caribou Four Corners to purchase the property and we  
11 made due diligent review of the -- of the ouspices, the pro-  
12 perty to the south, and traveled to Farmington to do so.

13 At the end of June we were contacted by  
14 Kay Havenor of Mountain States Petroleum. It was his con-  
15 cern of some problems regarding the operations that Caribou  
16 Four Corners -- Caribou Four Corners operations of the pro-  
17 perties as regards to Mountain States' interest, and indi-  
18 cated that there might be a lawsuit between the two of them.

19 Q Let me stop you there, Ms. Price. Is the  
20 Caribou Four Corners that you testified about earlier and  
21 that's shown on your Exhibit Two the Caribou Four Corners  
22 that Mr. Foust was employed by?  
23 shown on your Exhibit Two

24 A That's right.

25 Q And is the Mountain States Petroleum that  
you're testifying about the Mountain States Petroleum with  
which Paul Slayton was involved?

A That's right.



1 Q Okay.

2 A We met with Paul Slayton, rather our  
3 president, Bob Schillingham, met with Mr. Slayton on the  
4 12th of July, and they discussed the problems and possible  
5 solutions. Mountain States in that time period was  
6 interested in taking over the properties as operator, or  
7 they might be interested in selling their interest to Green-  
8 wood.

9 We were not in a position to negotiate  
10 that with them at that time period but --

11 Q When did you begin negotiations for the  
12 purchase of the Mountain States' interest in this area?

13 A We were contacted by Mr. Slayton. Bob  
14 Schillingham was contacted by Mr. Slayton in the middle of  
15 September and was advised that we could not begin negotia-  
16 tions until our exchange offer was further along.

17 Thereafter, in October, October 11th, we  
18 did begin negotiations with Mr. Slayton.

19 Q Let me stop you there. We've introduced  
20 an exhibit earlier, marked Exhibit Nine. There's an area  
21 marked in yellow on that exhibit. Can you tell me whether  
22 or not that area marked in yellow is included in the land  
23 that you were negotiating with Mr. Slayton to purchase?

24 A Yes. Slayton came to Denver on the 14th  
25 of November when we discussed further terms and conditions  
of the sale. Our exchange offered -- at that point in time  
he was told that we could not again make a contract with him

1  
2 until at such time as we closed our exchange offer, which  
3 was accomplished on December 7th.

4 We negotiated a contract on the 28th of  
5 December, which was mailed to Mr. Slayton.

6 The purchase was supposed to occur by our  
7 purchasing it from Slayton Oil Company. Slayton Oil Corpor-  
8 ation was to purchase that interest from Mountain States Pe-  
9 troleum.

10 The contract was executed on the 20th of  
11 -- 27th of January and assignments were executed on the 9th  
12 of February.

13 Q In February of 1984, Ms. Price, did you  
14 retain Denny Foust to assist you in connection with this ac-  
15 quisition, or evaluation of the property that you'd ac-  
16 quired?

17 A We wanted him to -- he was very familiar  
18 with the area and we wanted to ask him to help us with con-  
19 tinued operations and select further locations.

20 Q At the time that you retained him were  
21 you aware that he had been working for Slayton?

22 A I don't think I was personally. I don't  
23 know about anyone else.

24 Q Let me interrupt your discussion of Exhi-  
25 bit Two and have you refer to Exhibit Three. Tell me what  
that is.

A That's an invoice received from Mr. Foust  
for his services on the 9th of February when he came to

1  
2 Denver to discuss the prospective locations and which does  
3 cite the dates.

4 Q And shows that he worked for you on the  
5 9th of February. I assume that's supposed to be the 10th of  
6 February to 13th of February, is that correct.

7 A Right.

8 Q Look at page two, would you?

9 A Okay, that's the -- in April we had some  
10 leases that were -- that needed to be renewed and also ac-  
11 reage that we also wanted to acquire within that area, and  
12 Mr. Foust did some title research for us at the County  
13 Courthouse and also did lease from Bonavar (sic).

14 Q Would you look at the next page, please?

15 A The next page is his letter to us giving  
16 us his information with regard to the locations for poten-  
17 tial drilling.

18 Q Ms. Price, would you look at the third  
19 page of Exhibit Number Three. Does that discuss possible  
20 locations in the northeast quarter of the northeast quarter  
21 of Section 18?

22 A Well --

23 Q We may be stapled together differently.

24 A Yeah.

25 MR. PADILLA: I'm curious where  
we're going with Mr. Foust's statements other than the fact  
that he works for 25 hourly rate, or something. I'm curious  
where this is going.

1  
2 MS. AUBREY: Would you like me  
3 to respond to that, Mr. Ramey?

4 Are you also curious?

5 MR. RAMEY: Yeah, I'm curious.  
6 Where -- where are you going?

7 MS. AUBREY: Mr. Ramey, we're  
8 going ot show that Mr. Foust knew at the time that he testi-  
9 fied before the Examiner that Greenwood had an interest in  
10 the 9.7 acres which were excluded from the proration unit  
11 and that Slayton knew it and that the exclusion was deliber-  
12 ate and that there were no reasons to justify the exclusion  
13 and that there were no reasons given to the Examiner to es-  
14 tablish a non-standard proration unit.

15 MR. RAMEY: All right, please  
16 proceed.

17 MS. AUBREY: Thank you.

18 Q Ms. Price, would you look at a plat on  
19 the second to last page on the exhibit. Can you tell us  
20 what that is?

21 A Okay. We were looking at possibly drill-  
22 ing in the northeast quarter, northeast northeast quarter  
23 of Section 18 and Mr. Foust was helping us with regard to  
24 possible drillsite locations, and this, this plat cites  
25 three locations.

Q So he was helping you pick drilling loca-  
tions within Section 18.

A That's right.

1  
2 Q I want to refer you specifically to the  
3 week of the 6th through 11th of February, 1984. Did you  
4 have any conversations with Paul Slayton during that week  
5 with regard to a non-standard proration unit which he in-  
6 tended to form south of the San Juan River?

7 A Yes. Mr. Slayton telephoned me and asked  
8 that we write a letter to the Commission approving a non-  
9 standard proration unit that would not include the acreage  
10 that we owned, the reparation acreage that we owned which  
11 would be included in a standard proration unit.

12 Q That would be the 9.7 acres north --

13 A That's right.

14 Q -- of the mid-channel of the San Juan  
15 River?

16 A Uh-huh.

17 Q What was your response to him?

18 A I had a meeting with Paul Paulson, our  
19 engineer, and Bob Schillingham, our president, and we came  
20 to the conclusion that we would just as soon drill and pay  
21 our proportionate share of the cost, which I later advised  
22 Mr. Slayton over the telephone.

23 Q What was his response to your offer to  
24 come into the unit and pay your proportionate share of the  
25 cost?

A Mr. Slayton wanted the non-standard pro-  
ration unit in order that he could avoid additional drilling  
and disbursement of revenue, and also the placement of a

1  
2 tank battery just for that well.

3 Q What happened next with the non-standard  
4 -- what was the next thing you heard about the non-standard  
5 proration unit?

6 A We heard that the well was being drilled.

7 Q Did you receive any notice of any appli-  
8 cations filed in connection with the application for a non-  
9 standard proration unit?

10 A No, we did not.

11 Q Did you see the Commission docket in con-  
12 nection with the application for a non-standard proration  
13 unit?

14 A No.

15 Q How did you find out about it?

16 A Paul Paulson found out about -- well,  
17 Paul Paulson found out about the well being drilled through  
18 our field pumper who operates the wells north of the river  
19 and also through his discussions with Ernie Bush with the  
20 Aztec Office.

21 Q I think you testified that the acreage  
22 dedicated to the No. 11 Well is comprised of both Navajo and  
23 non-Navajo lands.

24 A Yes.

25 Q Are you aware that it's also comprised of  
unit and non-unit lands?

A Yes.

Q Do you have an opinion as to whether or

1  
2 not it would have been possible to include the 9.7 acre  
3 tract with the 70.57 acre tract to form a standard 80-acre  
4 proration unit?

5 A I know of no reason why it should not.

6 Q Ms. Price, is the 9.7 acre tract present-  
7 ly sharing in production from any well?

8 A No, it's not. It's excluded from the  
9 Kirtland No. 3 spacing unit and also the proration unit  
10 formed -- well, from the Cha Cha Unit and the proration unit  
11 for the 32-18 Well which was subsequently drilled.

12 Q Let's go now to Exhibit Number Four.  
13 Will you look at that and identify it for the Commission?

14 A Okay. Exhibit Number Four consists of  
15 assignments of the leases that cover the reparian rights in  
16 Section 18 of this 9.7 acres.

17 There's an assignment of oil and gas  
18 lease from Caribou Four Corners into Greenwood Resources,  
19 Inc. which is effective July 1 of '83; an assignment from --  
20 well, they're not in the right order.

21 Q Would you take a minute and put them in  
22 some order that makes sense?

23 A Okay. Our next assignment should be an as-  
24 signment of Caribou Four Corners into Mountain States inter-  
25 est, Mountain States Petroleum, to bring their 56-1/4 work-  
ing interest in all of those wells.

Mountain States then assigned the inter-  
est of Paul Slayton and Patricia Slayton, individually, and

1 Slayton Oil Corporation, effective January 1 of '84.

2 He also made assignment to Blair Petro-  
3 leum, which is a partial interest that did not wish to sell  
4 their interest to Greenwood Resources, and of which he is a  
5 working interest owner in these leases.

6 And then there's an assignment from Paul  
7 Slayton, Patricia Slayton, individually, and Slayton Oil  
8 Corporation into Greenwood Resources, Inc., according to the  
9 terms of our purchase.

10 Also in this exhibit are two basal oil  
11 and gas leases with the legal description that covers the  
12 acreage adjacent to Lot 2 of Section 18 and also adjacent to  
13 Lot 1.

14 Q Based on the documents contained in Exhi-  
15 bit Four can you offer an opinion to the Commission as to  
16 the ownership of the 9.7 acres north of the mid-channel of  
the San Juan River?

17 A I believe that these documents show that  
18 Greenwood Resources and Blair Petroleum Corporation current-  
19 ly own this acreage.

20 Q And the documents you have before you,  
21 Ms. Price, can you testify for the Commission as to the num-  
22 ber of acres that was purchased by Greenwood Resources in  
this tract?

23 A Some of this -- some of the acreage on  
24 these two base leases I believe is involved in the Kirtland  
25 No. 3.



1  
2 The Nell Beavers lease contains approxi-  
3 mately 9.7 acres and the -- the (not understood) and repar-  
4 ian acreage rights lease covers 3.35 acres.

5 Q Of the assignments into Greenwood, can  
6 you look at the assignments and see how many acres they  
7 cover?

8 A They cover the same.

9 Q And that would be 9.7 acres?

10 A 9.7 acres for the Beavers lease and 3.35  
11 acres for the (not understood.)

12 Q Just so I'm clear, I'm referring you now  
13 to Exhibit Nine, the yellow section there. Can you testify  
14 as to how many acres are contained within the area marked in  
15 yellow on that plat?

16 A That would be the 9.43 acres; 70.57 acres  
17 being Lots 8 and 9, as testified by Mr. Foust.

18 Q Ms. Price, do you have an opinion as to  
19 whether or not if the application of Greenwood to void the  
20 non-standard proration unit is not granted, whether or not  
21 the correlative rights will be violated?

22 A I believe that the -- that the Kirtland  
23 No. 3 proration unit was formed under the field rules, com-  
24 prising 80 acres as a standard unit and that if the order is  
25 not vacated, that there would be definitely a hiatus of the  
9.43 acres, which would not enjoy any benefit from produc-  
tion of either of these wells.

Q If the proration units remain as they are

1  
2 today, will the correlative rights of the royalty owners in  
3 the 9.43 acre tract, or the yellow area on Exhibit Nine, be  
4 violated?

5 A That's right, their rights will be im-  
6 paired.

7 MR. AUBREY: I have no other  
8 questions.

9 MR. RAMEY: Any questions of  
10 Ms. Price?

11 Mr. Padilla?

12 MR. PADILLA: I have a few, Mr.  
13 Examiner.

14 CROSS EXAMINATION

15 BY MR. PADILLA:

16 Q Ms. Price, have you staked a well in the  
17 northeast of the northeast quarter of Section 19?

18 A No, we have not.

19 Q Do you have any plans to drill a well  
20 there?

21 A Excuse me?

22 Q Do you have any plans to drill a well  
23 there?

24 A Yes, we do.

25 Q But you haven't staked it yet. What  
would you dedicate to that well? What acreage would you de-  
dicate to that well?

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A We're going to appeal to the Commission to produce, to drill a well. We believe that the Kirtland No. 3 does not produce according to the allowable of that 80 acre spacing unit and we will appeal to the Commission to drill a second well in that 80-acre unit in order to attempt to produce allowable.

Q Field rules allow second wells to be drilled on a proration unit, don't they?

A Yes, sir.

Q With regard to your Exhibit 9 on the acreage colored yellow, do you know for sure that you own that land? Can you testify and tell us that Greenwood Resources has that land absolutely as against any other party?

A I have opinions from our trades stating that we do own that land. If there are any title defects then that won't be the case, however.

Q Do you know, did your Exhibit No. 9, which is I believe a blow-up of a portion of the oil and gas title plat at the BLM, the difference between the delineation of Lots 1 and 2, and Mr. Foust's previous testimony as to the description of that property as the north half of the northeast quarter? Can you--do you know why there's a difference?

A The difference would be due to the location of the river, the San Juan River.

Q Would you say that Lot 1 as depicted in your exhibit is what I--I believe it's 35.86 acres?

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A I believe that.

Q Lot 2 is 38.50 acres, correct?

A That's right.

Q If we were to describe that same acreage as the north half of the northeast quarter we would be talking about 80 acres, correct?

A That's right.

MR. KELLAHIN: Doesn't add up right.

MR. PEARCE: I would suggest that if everybody were to look at Slayton Exhibit Number Five to check those acreage numbers that you just said because the blown-up copy looks different than your Exhibit Five.

MR. PADILLA: Let me look at that. It looks like 35.

MR. PEARCE: Yeah.

MR. KELLEY: They're both different.

MR. RAMEY: 36? It looks like 36.

MR. KELLAHIN: Can we go off the record for just a second.

(Thereupon a discussion was had off the record.)

MR. RAMEY: All right. Let's go back on the record.

Q Ms. Price, let me ask those questions and correct the acreage description. I have identified, and I'm not sure that I've done it correctly, Lot 1 as depicted on the oil and gas plat as 36.86 acres, correct?

A That's right.

Q Lot 2 is 39.50 acres.

A That's right.

Q Now, Lot 1 is described on your Exhibit Number Nine. Is that acreage from the north line of Section 18, east line of Section 18, bounded by the river and also bounded by the quarter quarter line between Lot 1 and 2, correct?

A Right.

Q And Lot No. 2 is bounded on the west by the half-section line of Section 18 as it appears on that plat, correct?

A Correct.

Q The south boundary of that is the river-bank, as depicted on your Exhibit Number Nine of Lot 2?

A Of Lot 2, yes.

Q And also Lot No. 1?

A That's right.

Q And the combined acreage there is less than 80 acres--

A That's right.

1  
2 Q --correct? Now, can you tell us the dif-  
3 ference between a description as specified to by Mr. Foust  
4 earlier on the U. S. patent that indicates the north half of  
5 the northeast quarter and Lots 1 and 2--

6 A No.

7 Q --as shown on your Exhibit Nine?

8 A No, not entirely.

9 Q Then we don't know for sure whether the  
10 descriptions on your oil and gas leases, whether they be  
11 from Caribou or Green or Nell Beavers. We don't know  
whether that's correct or not?

12 A That's right.

13 Q You would agree that under the patent  
14 from the government to Frank J. Coolidge that no riparian  
15 rights were included in that patent?

16 MS. AUBREY: I object to that  
17 question. This witness hadn't seen that exhibit.

18 Q Well, let me show you a copy of what we  
19 have marked as Exhibit Five.

20 MS. AUBREY: Take your time and  
21 read it.

22 Before the witness answers the  
23 question I have an additional objection, and it's a renewal  
24 of an earlier objection. Mr. Foust testified when he spon-  
25 sored this exhibit that he did not check anything but the  
San Juan County records; he did not check Federal records to  
see whether they are the patents issued before or subsequent

1  
2 to the issuance of the patent which is shown on Slayton Ex-  
3 hibit Four. My objection goes both to the relevancy and to  
4 the lack of foundation. I'd like to renew that foundational  
5 objection.

6 MR. PADILLA: If I may reply,  
7 Mr. Chairman.

8 I think the--I don't know what  
9 is involved in those oil and gas leases. For all I know--an  
10 objection has been made that they're not certified copies of  
11 those records on this oil and gas plat or master title plat.  
12 These are not certified. We're simply trying to establish,  
13 and this is the improper form--I'm trying to show that this  
14 is not--that we don't know who owns the title to that and  
15 that this Commission does not have jurisdiction. If that is  
16 the question, and we can't decide, and Greenwood Resources  
17 thinks that they have title but don't know for sure, then I  
18 think that this is not the place to decide who owns title to  
19 that riverbed.

20 MS. AUBREY: Well, that mis-  
21 states the witness's testimony. In addition, under New Mex-  
22 ico law the owner of property can always testify to the  
23 chain of title. She is the vice president of Greenwood Re-  
24 sources and she has every right to testify to the title of  
25 that land. The patent isn't admissible because it's not  
certified; it's not stamped with a self-authenticating  
stamp; and the witness has failed to lay sufficient founda-  
tion that he searched the Federal records and can tell us

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2 whether or not there are patents issued before or after  
3 this. This is being offered for the purposes of showing  
4 that riparian rights were not patented. This document can't  
5 do that without testimony from this witness that he had--  
6 from Mr. Foust that he searched the records and can testify  
7 that there are no other patents.

8 MR. PADILLA: Mr. Ramey, I  
9 don't think that I have moved for admission of this Exhibit  
10 Number Four. I simply asked the witness to testify from it.

11 MR. PEARCE: I'm sorry, clari-  
12 fication for the Commission and the Commission's counsel,  
13 I'd like the question repeated please. What is the witness  
14 being asked to testify to?

15 MS. AUBREY: Mr. Ramey, I be-  
16 lieve the question before the witness is whether or not this  
17 patent conveys riparian rights.

18 MR. PEARCE: Is that the ques-  
19 tion?

20 MR. KELLAHIN: That's the way  
21 it started.

22 MR. PEARCE: Or is that what  
23 you thought he wanted? I'm sorry, is that your question,  
24 Mr. Padilla?

25 MR. PADILLA: If I recall, I  
think my last question was whether she would agree with Mr.  
Foust's reading of this document that riparian rights were  
not patented under the document.



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MR. RAMEY: Okay, we're going to sustain the objection. The witness can testify as to what the document says, but whether it--whether she could draw a legal opinion as to whether it's--it covers the riparian rights in there, I don't think she could answer that.

Q Ms. Price, are you familiar with the master title plats of the Bureau of Land Management?

A Yes, I am.

Q Are you familiar with the way they're depicted? With their symbols? Are you familiar with the symbols on master title plats of the Bureau of Land Management?

A Well, I don't believe I've seen them. I haven't actually seen them of -- seen the master plat, and that's the plat I've seen --

Q Well, are you familiar with -- yes.

A Right.

Q Can you tell us how boundaries are depicted on those plats? Let's take Section 18, for example, Lots 1 and 2.

A Boundaries are -- of lots --

Q Can you tell us--can you tell us what the bold line around the north half for Lots 1 and 2 in the south half of Section -- or Lots 1 and 2 in the south half of Section 7 on that plat, what that means?

A That is the original patent.

Q And where does that end on the south?

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A It ends at the location of the river.

Q The bank of the river, doesn't it?

A Bank of the river.

Q Do you know whether the Navajo tribe has approved the communitization agreement on Kirtland No. 11?

A Yes, I have correspondence to that effect.

Q From the tribe or from the Bureau of Land-- Indian Affairs?

A From the Bureau of Indian Affairs.

Q Do you know whether any royalty disbursements have been made to the tribe and to the fee owners under the proration unit in the Kirtland No. 11?

A I have requested--excuse me, to answer your question, Caribou Four Corners prepared a Division order and indemnified--an indemnifying Division order that the royalty owners and working interest owners agreed to their interests, and they have disbursed according to those that have responded and executed a Division order.

Q Why is--

A To the Tribe there has been no royalties disbursed, which we're in the process of determining the amount.

Q Why is an indemnification agreement necessary?

A Because there--because it was not possible to get a legal Division order title opinion due to

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no communitization agreement being approved.

Q Have the fee owners been paid royalties?

A Some have.

Q Those who signed the indemnification agreement?

A That's right.

Q Do the terms of the indemnification agreement call for a repayment of those royalties in the event that the royalty calculations are incorrect?

A That's right.

Q Does the Navajo tribe have to sign the communitization agreement?

A Yes, they do.

Q Have they done so yet?

A I have not received it.

Q How long has it been before the tribe?

A Okay, the date of the communitization agreement is March 15. I received communica--

Q March 15, what?

A Of '84. Excuse me.

Q When was the date of first production?

A The date of first production was I believe sometime in '82.

Q Why the delay?

A The delay was due to Caribou Four Corners not answering the BLM's initial return of the communitization agreement with the specified changes. As I understand

1  
2 it, Suburban Propane objected to one of the requirements  
3 from the tribe, or rather from the BLM, which the tribe  
4 would've required. The matter was dropped for reasons that  
5 I'm not aware of.

6 Q Would Greenwood Resources sign a commun-  
7 itization agreement or a--that indemnification agreement?

8 A Pardon me?

9 Q Would Greenwood Resources sign an agree-  
10 ment indemnifying Four Corners--who required the indemnifi-  
11 cation agreement you testified to earlier?

12 A The indemnification agreement was with  
13 regard to Division orders that were distributed for purposes  
14 of disbursing revenue.

15 Q Well, let me ask this question. Was  
16 title approved in the title opinion under which the Division  
17 order was based?

18 A The title opinion could not be accom-  
19 plished due to the fact that there was not a communitization  
20 agreement. And we are in the process now of obtaining that.

21 Q Consequently title was not approved by  
22 the examining attorney, is that--

23 A That's correct.

24 Q --your testimony?

25 A That's--that was the method of operation  
that Caribou had started.

MR. PADILLA: No further ques-  
tions.

MR. RAMEY: Any other questions  
of Ms. Price?

MS. AUBREY: Briefly, Mr.  
Ramey.

## REDIRECT EXAMINATION

BY MS. AUBREY:

Q Did you pay Slayton for 9.6 acres of  
land, Ms. Price?

A Yes, we did.

Q In connection with your acquisition?

A Yes, we did.

Q And was the attorney who examined the  
title and gave you the opinion Slayton's own attorney?

A For the acquisition?

MR. KELLAHIN: For the title  
work?

A For the title work?

MR. KELLAHIN: Was it Mr.  
Weems?

A Mr. Weems did title work for both Caribou  
and Mountain States.

Q The final questions that Mr. Padilla was  
asking you on cross examination, just so the record's clear,  
are directed to the Kirtland 11, is that correct?

A That's correct.

1  
2 Q They don't have anything to do with the  
3 9.6 acres that we're talking about.

4 A Not that I know of.

5 Q Were Exhibits One through Four, Ms.  
6 Price, prepared by you or under your supervision and direc-  
7 tion?

8 A That's correct.

9 MS. AUBREY: I tender Exhibits  
10 One through Four.

11 MR. RAMEY: Exhibits One  
12 through Four will be admitted.

13 Q Will granting of Greenwood's application  
14 prevent waste, protect correlative rights, and promote con-  
15 servation, in your opinion?

16 A Yes.

17 MS. AUBREY: I have no more  
18 questions of this witness.

19 MR. RAMEY: Any other questions  
20 of Ms. Price? Mr. Padilla.

21 MR. PADILLA: Would granting of  
22 the application get approval from the Indian Tribe?

23 MS. AUBREY: Well, I object to  
24 that question. That's beyond Ms. Price's ability to answer.

25 MR. PADILLA: I'll withdraw the  
question.

MR. KELLAHIN: Mr. Chairman, at  
this time we would withdraw, because we simply haven't ten-

1  
2 dered them. Exhibits Five, Six, Seven and Eight. The exhi  
3 bits have been renumbered Ten, Eleven, Twelve, and Thirteen.  
4 I think that's right. Nine, Ten, Eleven and Twelve.

5 MR. RAMEY: So you have One  
6 through Four and Ten through Twelve?

7 MR. KELLAHIN: Nine through  
8 Twelve.

9 MR. RAMEY: Nine through  
10 Twelve, okay, and you're offering those?

11 MR. KELLAHIN: Yes, sir.

12 MR. RAMEY: All right, they  
13 will be admitted.

14 Do you have another witness,  
15 Mr. Kellahin?

16 MR. KELLAHIN: No, sir, that  
17 concludes our presentation.

18 MR. RAMEY: Okay. Before we  
19 get into yours, Mr. Padilla, let's take a little stretch.

20  
21 (Thereupon a recess was taken.)

22 MR. RAMEY: The hearing will  
23 come to order. Mr. Padilla.

24 MR. PADILLA: I call Mr. Denny  
25 Foust, Mr. Examiner, or Mr. Chairman.

He's already been called and  
qualified.

1  
2 MR. RAMEY: He's already been  
3 qualified and sworn.

4 MR. PADILLA: And sworn.

5 DENNY FOUST,  
6 being recalled as a witness and having been previously sworn  
7 upon his oath, testified as follows, to-wit:

8  
9 DIRECT EXAMINATION

10 BY MR. PADILLA:

11 Q Mr. Foust, would you briefly describe  
12 what we have marked as Exhibit Number One and tell the Com-  
13 mission what it is and what it contains?

14 A It's a plat that's prepared graphically  
15 from the oil and gas plats and master title plats of the U.  
16 S. government, showing Section 18 with the acreage north of  
17 the river, which in general agreement, Greenwood owns, and  
18 the Northwest Cha Cha Unit south of the river shown in  
19 brown, and the acreage in question is shown in blue. And  
20 the two new wells are shown there with the black circles  
with red centers.

21 It's very similar to some previous exhi-  
22 bits.

23 Q Mr. Foust, will the -- in the interest of  
24 brevity, is there anything new that we haven't covered with  
25 regard to this exhibit that we haven't covered in previous  
testimony?



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A I don't believe so.

Q Let me show you what we have marked as Exhibit Number Two and have you identify that for the Commission and tell us what it is and what it contains.

A This is the same graphic plat with the spacing units for the individual wells color coded as they are presently approved.

And it also shows the two new wells that were drilled in the northwest Cha Cha Unit in red with black circles, and the existing oil wells in the north half of the section a standard black circle.

Q Mr. Foust, you've heard Ms. Price testify here that Greenwood Resources had plans to drill a well in what is described as Lot Number 1 of their Exhibit Number Nine in Section 18.

Assuming that that well is drilled, can you tell us how many wells will be north of the river and how many wells will be south of the river and how -- how much land would be dedicated to each of those wells?

MR. KELLAHIN: I'll object, Mr. Chairman, that is irrelevant. It doesn't matter how many wells are north of the river, south of the river. The spacing in this pool is 80 acres and it doesn't matter if you have a second well.

MR. PADILLA: Mr. Ramey, I think we've already established that we have three non-standard proration units, all exceptions to 80-acre spacing.

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2 We now have a new dimension with plans for drilling a well  
3 in Lot 1, and I think it's very relevant to show how many  
4 wells are going to be drilled in Section 18 north -- or  
5 going to exist in Section 18 north of the river and how many  
6 wells there currently will be south of the river, in view of  
7 the lay of the land.

8 It most certainly is relevant  
9 as far as correlative rights is concerned, which is what the  
10 application of Greenwood Resources is all about.

11 MR. RAMEY: I'll overrule the  
12 objection and let the witness answer the question.

13 A Well, there are currently three producing  
14 wells north of the San Juan River and assuming that a well  
15 in Lot 1 would be successful, it would make four producing  
16 wells.

17 On the south side of the river the two  
18 new wells which were recently drilled by Slayton Oil Corpor-  
19 ation are the only producing wells.

20 Q Could you drill more wells in those pro-  
21 duction units south of the river?

22 A The only location that we could drill  
23 south of the river would be in Lot 11, which is in the  
24 southwest southwest corner.

25 Q Would that --

26 A That's of the ones that we're dealing  
27 with here. There are some more wells could be drilled in  
28 the south.

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Q Would that have the effect of draining lands in Lots 5 and 4?

A No, sir.

Q It would have the effect of draining your own well, wouldn't it?

A Yes.

Q Now, I see in Lot Number 9 in the proration unit under consideration here today, could you drill a well on that?

A Due to the National Wetlands Act, the BIA will not permit a well to be drilled in Lot 9.

Q Is that marshy land?

A That's marsh.

Q As a practical matter would you drill a well on that land?

A It still would be possible to drill a well if the BIA would permit it, and they're very, very touchy about it.

Q Can you do a quick computation for us assuming that well is drilled and also assuming that it is a successful well, how much acreage would be dedicated to the wells north of the river and to the current wells south of the river?

A It would be about 225 acres owned by Greenwood north of the river with four wells and then --

Q What does that average per well?

A 55-56 acres.

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Q Does that include also the entire 80-acre proration unit under which -- to which the No. 11 is dedicated?

A Yes, that would.

Q Now, give us a computation as to the acreage south of the river, a proration unit south of the river.

A Well, that's about 165 acres.

Q What's the average on that?

A Just slightly over 80, about 82.

Q Do you believe correlative rights would be impaired given that scenario?

A I do not believe so.

Q Let's go now to based on current wells and the -- and the dedication of those wells north of the river, how much land is currently dedicated to those wells north of the river without the additional new well?

A The same 225 acres.

Q And what does that average?

A About 75 acres.

Q That's still less than the dedication south of the river, is that correct?

A Yes, it is.

Q Is there any further testimony you have with connection to Exhibit Number Two?

A Just if we wanted to refer to the Kirtland No. 11 Well situation.

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Q Yes. Can you give us your version of the problems with that communitization, please?

A Well, to the best of my knowledge, I agree with Linda to a point that the BIA has approved a communitization agreement that was finally submitted to the BLM and approved, but we have received two or three rather vehement telephone calls from the Navajo Minerals Department. Mr. Aktar Zammon --

THE REPORTER: Please spell that name, Mr. Aktar Zammon.

A That one's easy. A-K-T-A-R, Aktar.

THE REPORTER: All right, Aktar.

A Zammon, Z-A-M-M-O-N.

And the engineer's name is Ferfera, as close as I can come.

Q Would you proceed, Mr. Foust, and tell us your version of --

A Well, I don't know whether or not we're going to be able to persuade them to sign the communitization agreement. They have made an attempt to get the lease cancelled with the BLM to date, with Sue Umsler in Albuquerque, and I think their principal objection is to State jurisdiction over Indian lands and the ability to force pool Indian lands with non-Indian lands.

Q Was that 80-acre tract force pooled?

A Yes, it was.

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2 Q What's the nature of their objection? Is  
3 it that they don't want the Indian lands combined with other  
4 lands?

5 MS. AUBREY: Well, I object.  
6 That calls for hearsay from this witness.

7 A I don't know the exact answer anyway.

8 Q Okay. I don't need to go further on  
9 that.

10 Let's go on to Exhibit Number Three and  
11 have you tell us what that is, what it contains.

12 A This shows the production from the Well  
13 No. 32-18, which is the one located in Lot 8.

14 Since we got it pumping on a regular  
15 basis, and I've got slightly more than 30 days there, starts  
16 about the 28th of June and goes through the 30th of this  
17 month, and it's broken down into oil and water.

18 Q Is that stated in barrels?

19 A Yes, it is.

20 Q Okay.

21 A And it looks like it will average some-  
22 where between 15 and 20 barrels of oil and 30 to 50 barrels  
23 of water, depending on whether it settles in. We do have  
24 all our frac fluid back on this well about the 15th of the  
25 month, so it may be a halfway decent picture.

Q Would you say that the decline from June  
28th, 1984, to July 30th, 1984, from 75 barrels of oil to 17  
barrels of oil is a rapid decline?

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A Yes, if it's a true decline and there's nothing downhole affecting it.

Q How about the water production? Tell us about it.

A Well, I would have hoped it would have been more in the 50/50 range, about 40 barrels of oil and 40 barrels of water. When we decided to drill the well that is what we were hoping for.

Q How much does it cost to haul that water away?

MS. AUBREY: I object. That question is not relevant to the proceeding before the Commission.

MR. PADILLA: Mr. Chairman, I'm trying to show that -- well, let me rephrase the question.

Q Do you -- do you expect that the water will remain under your -- the same under your July 30th date?

A If it's necessary to dispose of the water as a separately operated well, when you get to be about 10 percent oil it becomes economically zero. It's no longer feasible to produce the well.

Q Do you think this is going to be a good or bad well?

A It could decline very shortly to about a 10-barrel a day well, 50 barrels of water or 100 barrels of water. It's hard to say.

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Q Do you have anything further to add to your testimony?

A I don't believe so.

MR. PADILLA: Tender the witness for cross examination, Mr. Chairman.

MR. RAMEY: Any questions of Mr. Foust?

MS. AUBREY: I have no questions.

MR. RAMEY: The witness will be excused.

Anything else, Mr. Padilla?

MR. PADILLA: Nothing else, Mr. Chairman. I move the admission of Exhibits One through Five.

MR. RAMEY: One through Five, did you say?

MR. PADILLA: Yes.

MR. RAMEY: Oh, okay. Exhibits One through Five will be admitted.

Any closing statements? Mr. Padilla, do you have one?

MR. PADILLA: Mr. Chairman, very briefly, I think there are some critical title problems here that can be solved by this Commission.

We have shown that the northeast quarter of Section 18, or at least the north half of



1 the northeast quarter of Section 18, has been described as  
2 both the northeast quarter and the north half of the north-  
3 east quarter, and as Lots 1 and 2.

4 The plat of the Bureau of Land  
5 Management shows that patents that were issued went to the  
6 riverbank. Now, I'm also aware that these oil and gas  
7 leases that were submitted by the applicants in this case,  
8 I'm sure that they relied in good faith on title, but that  
9 does not affect the issued -- or the orders issued by the  
10 Oil Conservation Division earlier, which I believe by virtue  
11 of this application is a collateral attack on that.

12 We've had testimony here con-  
13 cerning lack of notice. Well, I think we have followed all  
14 the notice requirements of the Division. It's not necessary  
15 under current regulations to notify individually, or to give  
16 personal notice of an application. Consequently, I think we  
17 now have a valid order. I think there's a serious question  
18 as to title of the riverbed and the minerals underlying the  
19 riverbed, as far as I can see, title has not been approved  
20 on Section 11 or 12. Involving Section 11, I don't know  
21 what to tell the problems are with that well.

22 No testimony has been presented  
23 other than the fact that -- testimony that Ms. Price's com-  
24 munitization agreement has not been approved; however, with  
25 regard to that, Division Order under that well, it concerns  
me that indemnification agreements have been issued and I  
think brings up and supports our contention that there are

1  
2 serious title problems.

3 My belief, and my opinion is,  
4 whether it's any good or -- basically is that the United  
5 States Government owns the title to the minerals underlying  
6 the riverbed.

7 Exhibit Number Five or Number  
8 Four, as we have marked it, shows that by Executive Order  
9 dated 4-24-1886 the Navajos got everything south of the  
10 river. North of the river is owned under that patent that  
11 we have shown here and we have not had any testimony from  
12 the applicants concerning title to the river, other than oil  
13 and gas leases, which I think are based on erroneous opin-  
14 ions or I wouldn't prove title on that, let me put it that  
15 way, on those gas leases having that kind of situation.

16 And I think that in view, we  
17 have presented testimony, if the applicants own lands north  
18 of the river, we're not going to have five or four wells  
19 north of the river if they drill that well and it's a suc-  
20 cessful well. I don't think their rights are being im-  
21 paired. They now have a proration unit there consisting of  
22 64 acres, or thereabouts, north of the river. South of the  
23 river we have one consisting of 93 acres. I think the  
24 equity flows both ways and I think that the order of the Di-  
25 vision ought to be left undisturbed.

MR. RAMEY: Thank you, Mr. Pa-  
dilla. Ms. Aubrey?

MS. AUBREY: Thank you, Mr.

1 Ramey.

2  
3 What we have here today is a  
4 problem created by Slayton by ignoring the correlative  
5 rights of the mineral owners under the 9.6 and 9.1 acre  
6 tract. Even Slayton's own Exhibit Number One admits that  
7 the area is in question; that it's not dedicated to any pro-  
8 ration unit. There can't be any question of that before the  
9 Commission today.

10 We have a hiatus created by  
11 Slayton from which Slayton benefited, and was created by  
12 Slayton because they didn't want to follow the accounting  
13 problem they in fact created themselves.

14 We have shown by substantial  
15 evidence that Greenwood has title to that land and to those  
16 minerals. None of the exhibits or testimony presented be-  
17 fore the Commission today has disproved that.

18 There can be no question from  
19 the testimony and the exhibits that even if Greenwood drill-  
20 led the well at the location in Lot 1, there's no testimony  
21 that the mineral owners in the 9.6-acre tract are going to  
22 share in that production.

23 In fact the testimony is to the  
24 opposite, that unless the Commission recognizes that the  
25 Examiner Order is fatally defective, the mineral interest  
owners under that tract will never share in production at  
all from any well.

This acreage was sold by Slay-

1  
2 ton to Greenwood. Greenwood paid Slayton money for it, and  
3 now Slayton wants to exclude it from any production from any  
4 well.

5 At the Examiner hearing no testimony was  
6 presented to justify the creation of a non-standard prora-  
7 tion unit. There was no explanation given to the Examiner  
8 of why they were requesting the non-standard proration unit  
9 beyond the statement that part of it was Indian land and  
part of it wasn't.

10 Well, we know from -- from the acreage  
11 dedicated to the Kirtland ll Well that a communitization  
12 agreement can be entered into involving Indian and non-  
13 Indian land, and Linda Price has testified that she has  
14 heard from the BIA that the agreement will be approved.

15 On behalf of the applicant we ask that  
16 the Commission vacate the order, finding that it is fatally  
17 defective in that the applicant at the Examiner Hearing,  
18 Slayton Oil, failed to satisfy the jurisdictional require-  
19 ments for the creation of a non-standard proration unit and  
20 once you have vacated that order, then Slayton will have to  
figure out to solve this problem which they have created.

21 As it stands now, Greenwood bought the  
22 land, paid money for it, and now finds itself excluded from  
23 all production. That is an inequitable result, a result  
which cannot be allowed to stand.

24 MR. RAMEY: Does anyone have  
25 anything further to add in this case?

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2 We would request both counsel  
3 to give me a suggested order on this as soon as possible.

4 The Commission will take this  
5 case under advisement and the hearing is adjourned.

6 (Hearing concluded.)  
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## 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 Con-  
servation Division was reported by me; that the said tran-  
script is a full, true, and correct record of the hearing,  
prepared by me to the best of my ability.

Sally W. Boyd CSR