

STATE OF NEW MEXICO
 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
 OIL CONSERVATION DIVISION

OIL CONSERVATION DIV.
 APR 15 AM 6:31

IN THE MATTER OF THE HEARING CALLED BY)
 THE OIL CONSERVATION DIVISION FOR THE)
 PURPOSE OF CONSIDERING:) CASE NO. 12,141
)
 APPLICATION OF FALCON CREEK RESOURCES,)
 INC., FOR SURFACE COMMINGLING, OFF-LEASE)
 MEASUREMENT AND STORAGE, LEA COUNTY,)
 NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MARK ASHLEY, Hearing Examiner

April 1st, 1999

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MARK ASHLEY, Hearing Examiner, on Thursday, April 1st, 1999, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
 (505) 989-9317

I N D E X

April 1st, 1999
 Examiner Hearing
 CASE NO. 12,141

PAGE

REPORTER'S CERTIFICATE

7

* * *

E X H I B I T

Applicant's	Identified	Admitted
Exhibit 1	4	6

* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
 Attorney at Law
 Legal Counsel to the Division
 2040 South Pacheco
 Santa Fe, New Mexico 87505

FOR THE APPLICANT:

KELLAHIN & KELLAHIN
 117 N. Guadalupe
 P.O. Box 2265
 Santa Fe, New Mexico 87504-2265
 By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 11:05 a.m.:

3 EXAMINER ASHLEY: The Division calls Case Number
4 12,141.

5 MR. CARROLL: Application of Falcon Creek
6 Resources, Inc., off-lease measurement and storage, Lea
7 County, New Mexico.

8 EXAMINER ASHLEY: Call for appearances.

9 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
10 the Santa Fe law firm of Kellahin and Kellahin, appearing
11 on behalf of the Applicant.

12 With your permission, Mr. Examiner, I believe
13 there are no other parties. You may want to call for
14 appearances, though.

15 EXAMINER ASHLEY: Are there any additional
16 appearances?

17 Okay, Mr. Kellahin?

18 MR. KELLAHIN: With you permission, Mr. Examiner,
19 we would like to present Falcon Creek's technical evidence
20 by way of affidavit. Mr. Oscar Peters has signed this
21 affidavit. He is a production engineer with Falcon Creek,
22 and I have presented you a copy.

23 This was originally an administrative application
24 for surface commingling. As part of the administrative
25 processing, the Division advised Falcon that because

1 there's a difference in ownership you ask that it be placed
2 on the Examiner docket, and we've done so.

3 We've notified the parties involved in the two
4 leases that surface commingling is requested at.

5 The principal difference is this: There are two
6 State of New Mexico leases involved, and there are
7 different state beneficiaries for each lease. So there's a
8 technical difference of ownership, not only as to identity
9 of beneficiary, but as to the royalty. The one lease has
10 got an eighth and the other has a sixth, if I'm not
11 mistaken.

12 We have obtained a letter from the Commissioner
13 of Public Lands approving the surface commingling, and
14 because this is an unopposed matter, we ask that we be able
15 to present this by affidavit.

16 If you'll turn to the second page of Mr. Peters'
17 affidavit, he has summarized the wells that are involved.
18 If you'll look to the first attachments behind the
19 affidavit, you'll find Exhibit A, which is a schematic of
20 the configuration by which the production is taken from the
21 wells to a common battery.

22 Mr. Peters has identified the three wells that
23 are active, he's identified the three additional wells that
24 are inactive, and in paragraph number 4 on page 2, he's
25 shown you the differences between the two leases, as to

1 what acreage is involved in the common facility.

2 On page 3 he has identified the actual lease
3 numbers, and then he's gone through and verified the
4 attachments. And the attachments are as follows:

5 First is the layout of the battery and the
6 gathering facilities on Exhibit A.

7 Exhibit A-1 shows you a configuration of the
8 facility leases.

9 Exhibit B shows you a production accounting
10 allocation. They are metering the production on a monthly
11 basis. They use a portable tester. The tester has a gas
12 meter that's calibrated annually. The water and oil are
13 measured separately, and then the gas goes through a
14 separate metering system, and he describes that
15 configuration in paragraph 8 on page 3.

16 Following the sample allocation is our
17 certificate of mailing of notification. We have sent
18 notice to all the interest owners, including the
19 Commissioner of Public Lands.

20 Exhibit D is the concurrence of the Commissioner
21 of Public Lands as to the surface commingling.

22 Exhibit E shows you a better schematic of the
23 tank-battery facilities, and then attached to that are the
24 two C-102s to show you the well locations.

25 We believe we have given you sufficient

1 information so that you could issue approval of this
2 Application, and we would ask that you do so, Mr. Examiner.

3 With that conclusion, we would ask that you
4 submit our affidavit as Falcon Exhibit 1.

5 EXAMINER ASHLEY: Exhibit 1 will be admitted into
6 evidence at this time.

7 And there being nothing further in this case,
8 Case 12,141 will be taken under advisement.

9 MR. KELLAHIN: Thank you, sir.

10 EXAMINER ASHLEY: Thank you.

11 (Thereupon, these proceedings were concluded at
12 11:10 a.m.)

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17 I do hereby certify that the foregoing is
18 a complete record of the proceedings in
the Examiner hearing of Case No. 12141,
19 heard by me on 4-1-1999.

20 Mark Blum, Examiner
Oil Conservation Division

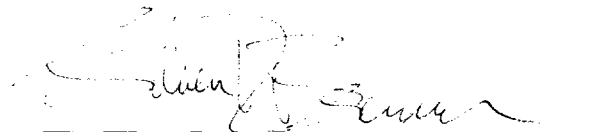
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL April 4th, 1999.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002