

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

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

CASE NO. 12141

APPLICATION OF FALCON CREEK RESOURCES, INC.
FOR SURFACE COMMINGLING
LEA COUNTY, NEW MEXICO.

AFFIDAVIT OF OSCAR L. PETERS

STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

Before me, the undersigned authority, personally appeared Oscar L. Peters, being duly sworn, stated:

A. My name is Oscar L. Peters. I am over the age of majority and am competent to make this Affidavit.

B. My qualifications as an expert petroleum engineer are as follows:

(1) Education: B. S. in engineering from Montana Technical College of Mineral Science University in 1987.
 & Technology O.L.P.

(2) Experience:

As a petroleum engineer employed by Falcon Creek Resources, Inc. ("Falcon Creek"), I have been responsible for and involved in preparing the necessary documents for submittal to the New Mexico Oil Conservation Division for this case.

I am personally knowledgeable and familiar with the facts and circumstances of this case and the following factual statements:

NMOCD Case 12141
Affidavit of Oscar L. Peters
Page 2

C. My expert opinions are based on the following facts and events:

CHRONOLOGICAL SUMMARY OF SIGNIFICANT EVENTS

1. Falcon Creek is the operator of the following described wells being produced from the West Teas Yates-Seven Rivers Pool all within Township 20 South, Range 33 East" (See Exhibit "A")

	Well	Location	Status
(a)	Conoco State Well No. 2,	NW/4NW/4 Section 16	active
(b)	BF State Well No. 3,	NW/4SW/4 Section 16	active
(c)	Conoco State Well No. 1,	NE/4NW/4 Section 16	active
(b)	BF State Well No. 1,	SW/4SE/4 Section 16	inactive
(b)	BF State Well No. 2,	NE/4SW/4 Section 16	inactive
(b)	BF State Well No. 4,	NE/4NE/4 Section 16	inactive

2. Falcon Creek also operates a centralized facility in the SW/4NE/4 (Unit G) of Section 16, T20S, R33E for the gathering of production from all these wells.

3. Division Rules authorized administrative approval of surface commingling "only so long as all commingled production is of identical ownership...."

4. Falcon Creek is the operator of portions of two different State of New Mexico oil & gas leases in the following parts of Section 16:

- (a) Conoco State Lease: N/2NW/4
- (b) BF State Lease: E/2NE/4, SW/4NE/4, NW/4SE/4, N/2SW/4

5. As a result of different beneficiaries for these two State of New Mexico oil & gas leases, ownership in the commingled production is not identical in terms of parties or interest.

03/31/1999 11:10

NMOCD Application
Falcon Creek Resources, Inc.
-Page 3-

6. Falcon Creek desires approval to permit the surface commingling, off-lease measurement and storage of West Teas Yates-Seven Rivers Pool production from its BF State Lease (lease number E-3441) and its Conoco State Lease (lease number V-4021) all in Section 16, T20S, R33E, which shall be stored and measured at its centralized facility located in Unit G of this section.

7. Attached allocation shows the allocated amounts for each record as recorded by a portable testing unit. See Exhibit "B"

8. The wells will be tested on a monthly basis using this portable tester which is a three phase separator. Oil and water are measured with a small turbine meter. Gas is measured with a two pen Barton recorded and orifice plate. The gas meter is calibrated annually.

9. In accordance with Division Rule 1207, applicant has sent a copy of this application and notice for hearing to be held on April 1, 1999 to all the proper parties entitled to said notice. See Exhibit "C"

10. The Commissioner of Public Lands for New Mexico has approved the surface commingling. See Exhibit "D"

11. Diagrams of the battery and the Division Form C-102 are attached. See Exhibit "E"

SUPPORTING EXHIBITS

Attached are the following exhibits in support of this case:

Exhibit A: map outlining the wells and project area

Exhibit B: allocation procedures and volumes based upon last test.

Exhibit C: notice to affected parties

Exhibit D: State Land Officer approval

Exhibit E: Diagram of battery and Division forms C-102s

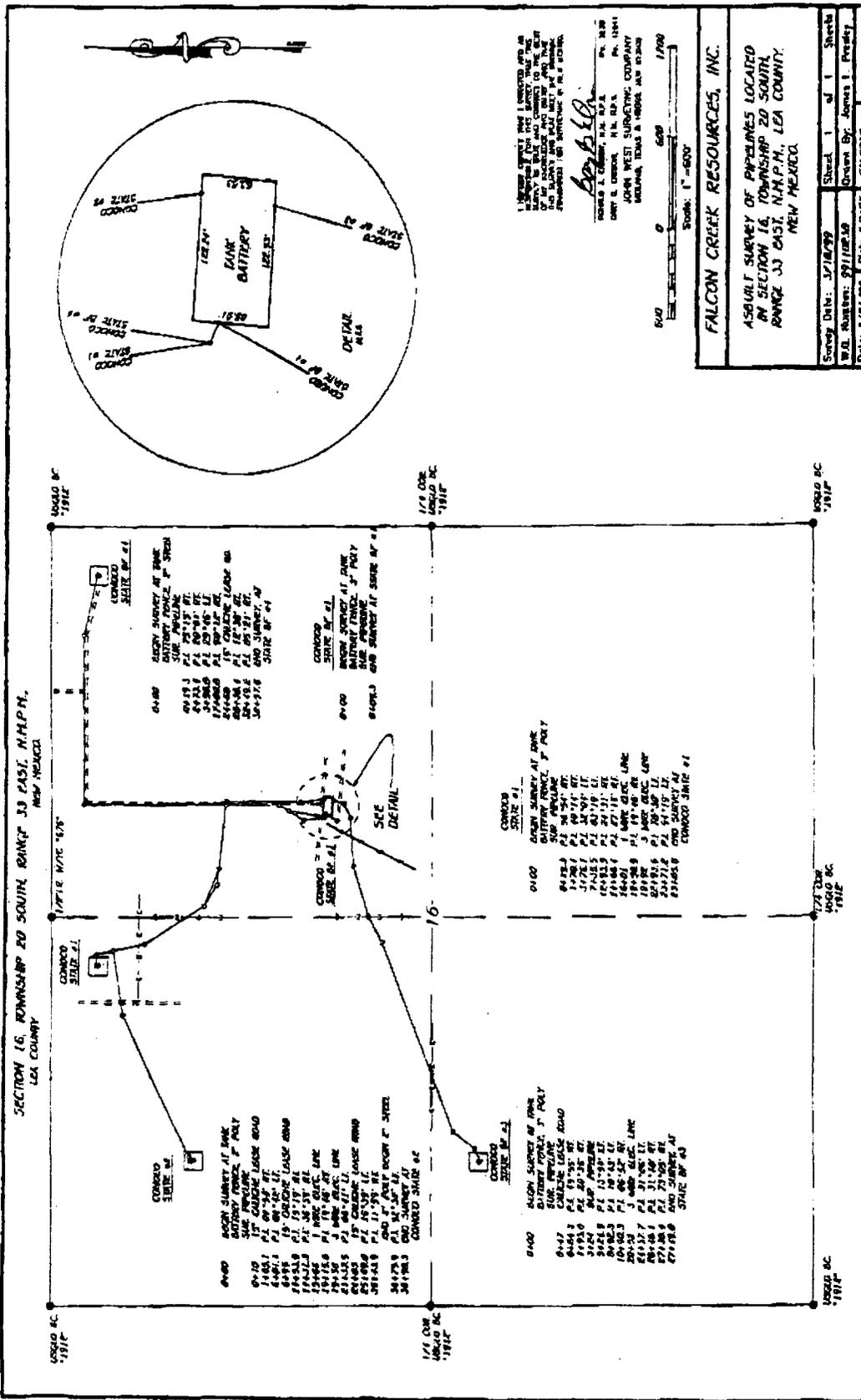
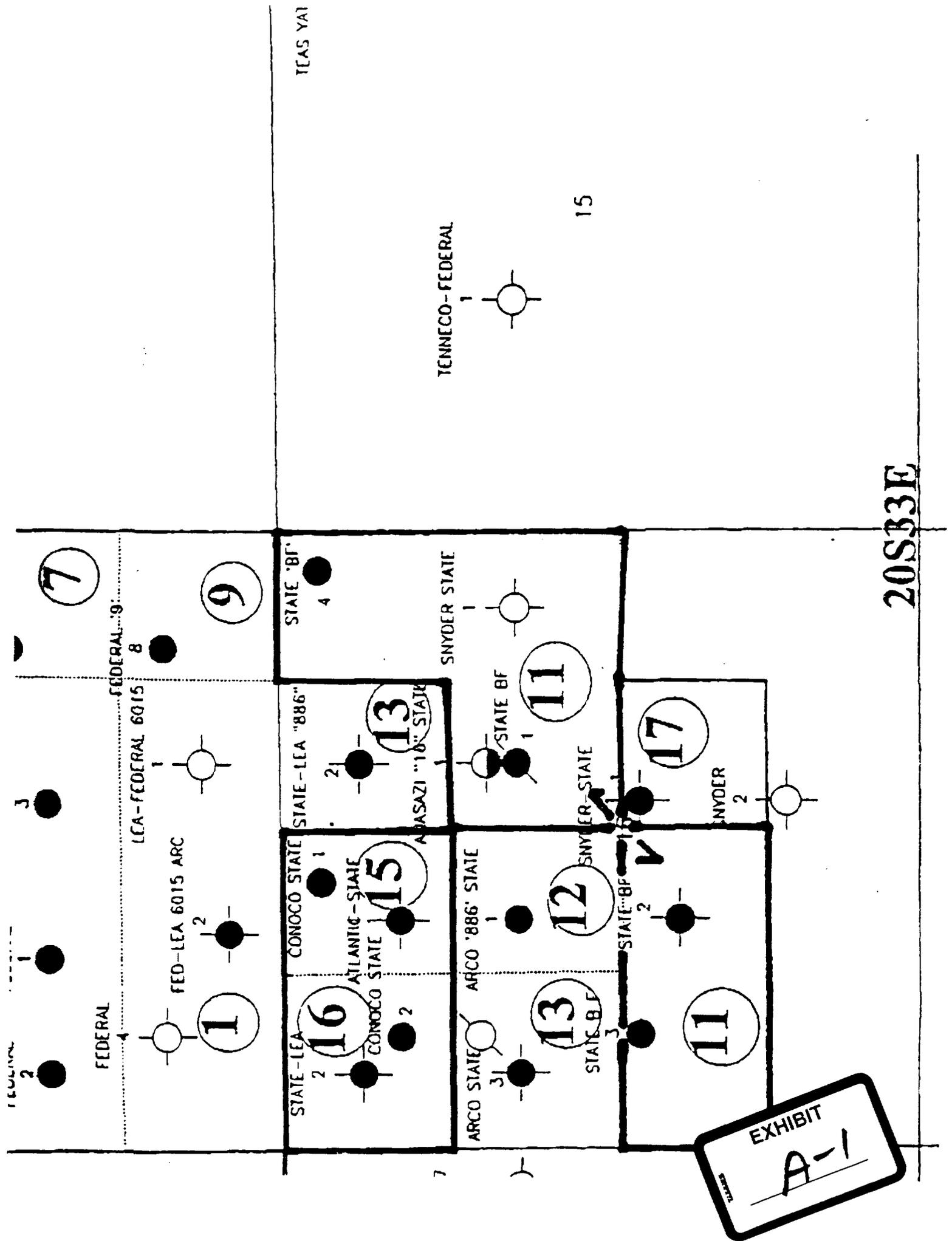


EXHIBIT
A



20S33E

REPORT NO: PASS
RUP DATE : 08/12/1998

FALCON CREEK RESOURCES, INC
PRODUCTION ACCOUNTING SYSTEM
WELL ALLOCATION REPORT
JUL 1998

FACILITY : STATE BF STATE BF
TANK/METER : TANK BATTERY
PRODUCT :

WELL ID.	NAME	DATE	OIL (BBL/D)	WATER (BBL/D)
NM00202	CONOCO STATE #2	07-31-1998	5.50	46.00
AVERAGE			5.50	46.00

WELL ID.	NAME	DATE	OIL (BBL/D)	WATER (BBL/D)
NM00212	BF STATE #3	07-31-1998	1.60	16.00
AVERAGE			1.60	16.00

WELL ID.	NAME	DAYS ON	OIL (BBL/M)	WATER (BBL/M)	OIL (%)
NM00201	CONOCO STATE #1		0.00	0.00	0.000
NM00202	CONOCO STATE #2	31	170.50	1426.00	77.465
NM00211	BF STATE #2		0.00	0.00	0.000
NM00212	BF STATE #3	31	49.60	1116.00	22.535
TOTAL			220.10	2542.00	100.000



KELLAHIN AND KELLAHIN
ATTORNEYS AT LAW
EL PATIO BUILDING
117 NORTH GUADALUPE
POST OFFICE BOX 2265
SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

February 24, 1999

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

TO: NOTICE OF THE HEARING OF THE FOLLOWING
NEW MEXICO OIL CONSERVATION DIVISION CASE:

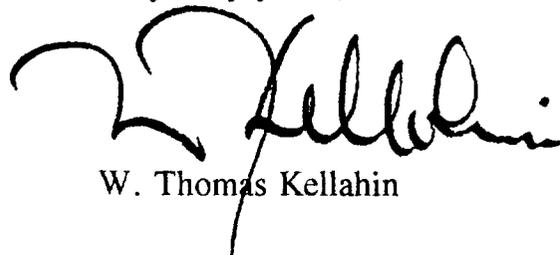
*Re: Application of Falcon Creek Resources, Inc.
for surface commingling, off-lease measurement and storage
Lea County, New Mexico.*

On behalf of Falcon Creek Resources, Inc., please find enclosed our a copy of its referenced application. This case has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for March 18, 1999. The hearing will be held at the Division hearing room located at 2040 South Pacheco, Santa Fe, New Mexico.

As party who may be affected by this application, we are notifying you of your right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application. Failure to appear at the hearing may preclude you from any involvement in this case at a later date.

Pursuant to the Division's Memorandum 2-90, you are further notified that if you desire to appear in this case, then you are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, February 26, 1999 with a copy delivered to the undersigned.

Very truly yours,



W. Thomas Kellahin

Falcon Creek
Surface commingling
March 18, 1999
2/24/99

I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

4a. Article Number 2 235 440 745
 4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD
 7. Date of Delivery

3. Article Addressed to:
Commissioner of Public Lands
PO Box 1148
Santa Fe, NM 87504
Attn: Pete Martinez

5. Received By: (Print Name)
 Signature: (Addressee or Agent)
X

8. Addressee's Address (Only if requested and fee is paid)
FEB 25 1999
 102595-98-B-0229 Domestic Return Receipt

is your RETURN ADDRESS completed on the reverse side?

Falcon Creek
Surface commingling
March 18, 1999
2/24/99

I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

4a. Article Number 2 235 440 744
 4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD
 7. Date of Delivery 2/26/99

3. Article Addressed to:
Sid Cowan
PO Box 1448
Del Rio, TX 78841

5. Received By: (Print Name)
 Signature: (Addressee or Agent)
X

8. Addressee's Address (Only if requested and fee is paid)
 102595-98-B-0229 Domestic Return Receipt

is your RETURN ADDRESS completed on the reverse side?

Falcon Creek
Surface commingling
March 18, 1999
2/24/99

I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

4a. Article Number 2 193 575 844
 4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD
 7. Date of Delivery 2/26

3. Article Addressed to:
Laguna Gatuna, Inc.
PO Box 2158
Hobbs, NM 88241

5. Received By: (Print Name)
 Signature: (Addressee or Agent)
X

8. Addressee's Address (Only if requested and fee is paid)
 102595-98-B-0229 Domestic Return Receipt

is your RETURN ADDRESS completed on the reverse side?

Falcon Creek
Surface commingling
March 18, 1999
2/24/99

I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

4a. Article Number 2 193 575 844
 4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD
 7. Date of Delivery 3-1-99

3. Article Addressed to:
Sheehy & Richardson
1408 Washington
Waco, TX 76701

5. Received By: (Print Name)
 Signature: (Addressee or Agent)
X

8. Addressee's Address (Only if requested and fee is paid)
 receipt

is your RETURN ADDRESS completed on the reverse side?

SEND!

- Complete
- Print your name
- Attach to permit
- Write "Return Receipt for Merchandise" on the reverse side
- The Return Receipt is delivered

**Falcon Creek
Surface Commingling
March 18, 1999
3/8/99**

I also wish to receive the following services (for an extra fee):

1. Addressee's Address
2. Restricted Delivery

Consult postmaster for fee.

4a. Article Number
2 193 575 829

4b. Service Type

- Registered
- Express Mail
- Return Receipt for Merchandise

7. Date of Delivery

8. Addressee's Address (Only if requested and fee is paid)

5. Received By: (Print Name)

6. Signature: (Address or Agent)

3. Article Addressed to:

**Randy Hall
PO Box 10095
Midland, Tx 79702**

PS Form 3811, December 1994

4a. Article Number
2 193 575 829

4b. Service Type

- Certified
- Insured
- COD

7. Date of Delivery

8. Addressee's Address (Only if requested and fee is paid)

5. Received By: (Print Name)

6. Signature: (Address or Agent)

3. Article Addressed to:

**JA McClatchy
PO Box 4126
Midland, TX 79704**

PS Form 3811, December 1994

4a. Article Number
2 193 575 829

4b. Service Type

- Certified
- Insured
- COD

7. Date of Delivery

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5. Received By: (Print Name)

6. Signature: (Address or Agent)

3. Article Addressed to:

**JA McClatchy
PO Box 4126
Midland, TX 79704**

PS Form 3811, December 1994

Is your RETURN ADDRESS completed on the reverse side? Thank you for using Return Receipt Service.



COMMERCIAL RESOURCES
(505)-827-5724

SURFACE RESOURCES
(505)-827-5793

MINERAL RESOURCES
(505)-827-5744

ROYALTY
(505)-827-5772

State of New Mexico
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.
310 Old Santa Fe Trail, P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Phone (505)-827-5760, Fax (505)-827-5766

PUBLIC AFFAIRS
(505)-827-5785

ADMINISTRATIVE MGMT.
(505)-827-5700

LEGAL
(505)-827-5713

PLANNING
(505)-827-5752

March 1, 1999

Falcon Creek Resources
621 17th Street, Suite 1800
Denver, Colorado 80293-0621

Attention: Ms. Jaylene D. Roope

Re: Commingling Application
Conoco State Lease and BF State Lease Battery
Section 16-20S-33E
Lea County, New Mexico

Dear Ms. Roope:

We are in receipt of your letter of January 22, 1999 requesting our approval to surface commingle the Conoco State and BF State Lease production at the BF Tank Battery located in the SW/4NE/4 of Section 16-20S-33E. It is our understanding that all production is from the Teas, Yates-Seven Rivers, West pool.

Since it appears that all the New Mexico Oil Conservation Division's rules and regulations have been complied with, and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request is hereby approved. Our approval is subject to like approval by the New Mexico Oil Conservation Division.

Please submit a \$30.00 filing fee.

Please contact Ms. Debbie Padilla at 505/827-5729 regarding a possible right-of-way through the SW/4NE/4 of Section 16-20S-33E.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY:

JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/pm

pc: Reader File,
OCD-Attention: David Catanach, Ben Stone,
Debbie Padilla

"WE WORK FOR EDUCATION"



BF-CONOCO TANK BATTERY

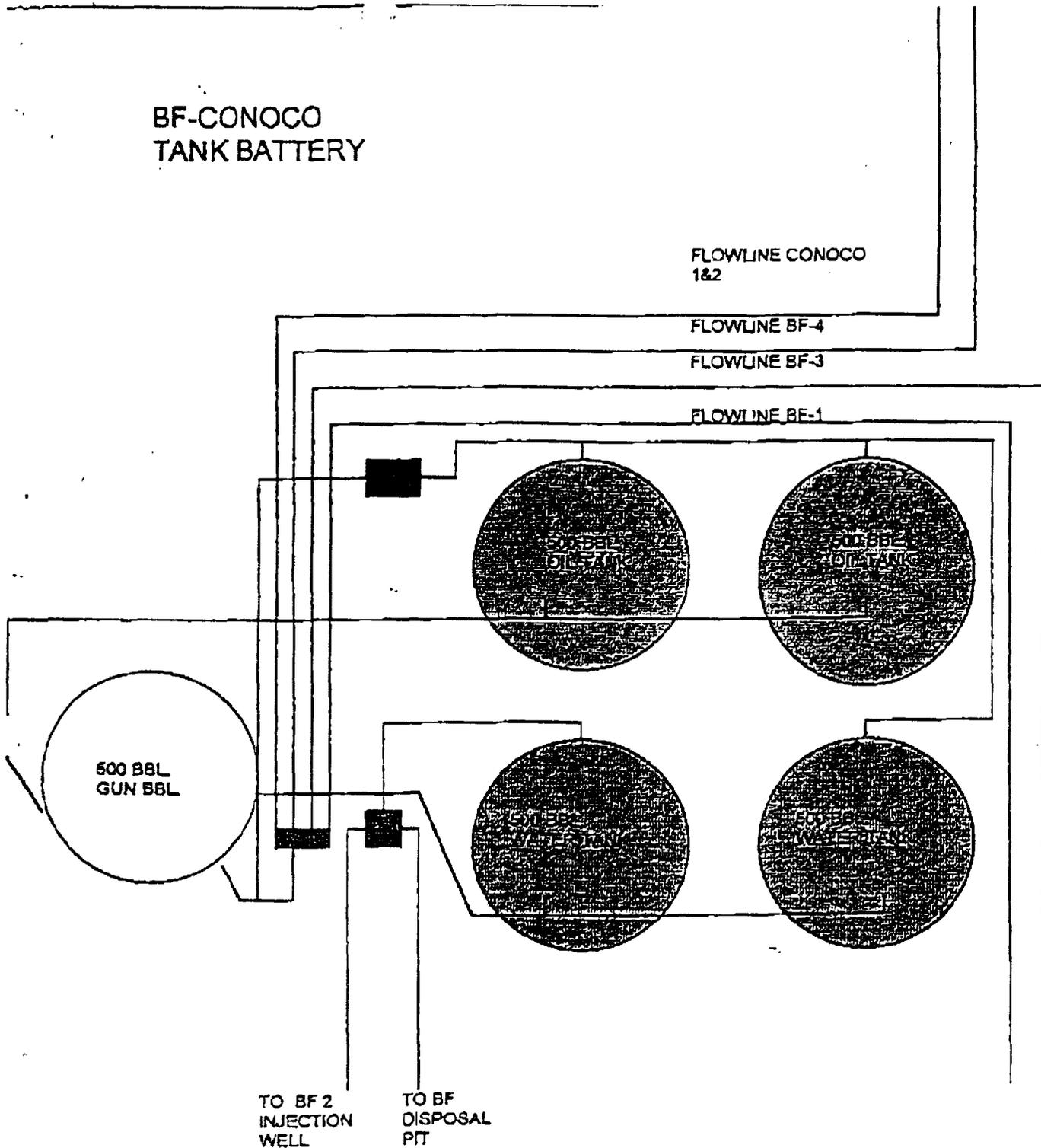


EXHIBIT
E

District I
 PO Box 1980, Hobbs, NM 88240-1980
 District II
 PO Drawer DD, Artesia, NM 88211-0717
 District III
 1000 Rio Grande Rd., Alamo, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Form C-102
 Revised February 10, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 1 Copy

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-32779		Pool Code 59110	Pool Name West Teas Y-SR
Property Code 15594	Property Name STATE BF		Well Number 3
OGRID No. 021602	Operator Name STEVENS & TULL, INC.		Elevation 3533.

10 Surface Location

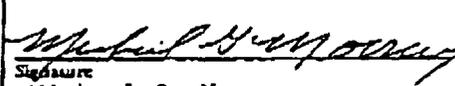
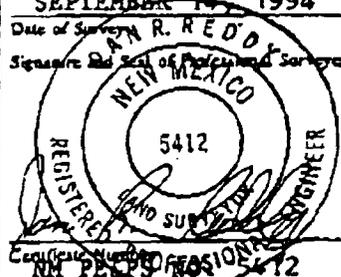
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	16	20S	33E		2310	SOUTH	990	WEST	LEA

11 Bottom Hole Location if Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	16	20S	33E		2310	South	990	West	Lea

Dedicated Acres 40	Joint or Infill N	Consolidation Code	Order No.
------------------------------	-----------------------------	--------------------	-----------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16 990' 2310'				17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature Michael G. Mooney Printed Name Engineer Title 9/22/94 Date
				18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. SEPTEMBER 14, 1994 Date of Survey Signature and Seal of Professional Surveyor:  REGISTERED PROFESSIONAL SURVEYOR AN R. REDDY NEW MEXICO 5412 ENGINEER NM PLATS POSITION 472

DISTRICT I
P.O. Box 1960, Hobbs, NM 88240

DISTRICT II
P.O. Drawer 99, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Artesia, NM 87410

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-33697	Pool Code 59110	Pool Name West Teas Y-SR
Property Code 18376	Property Name Conoco State	Well Number 2
OCRID No. 021602	Operator Name Stevens & Tull, Inc.	Elevation 3533'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	16	20 S	33 E		990	North	990	West	Lea

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	16	20S	33E		990	North	990	West	Lea

Dedicated Acres 40	Joint or Infill I	Consolidation Code	Order No.
------------------------------	-----------------------------	--------------------	-----------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Michael G. Mooney</i> Signature Michael G. Mooney Printed Name Consulting Engineer Title 11/19/96 Date</p>
	<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p>November 13, 1996 Date Surveyed</p> <p><i>[Signature]</i> Signature in Seal of Professional Surveyor</p> <p>W.O. No. 64930 Certificate No. Gary Jones 7977</p> <p>BASIN SURVEYS</p>