

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.

**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

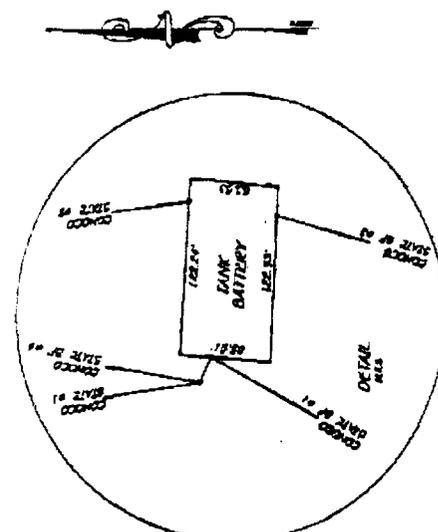
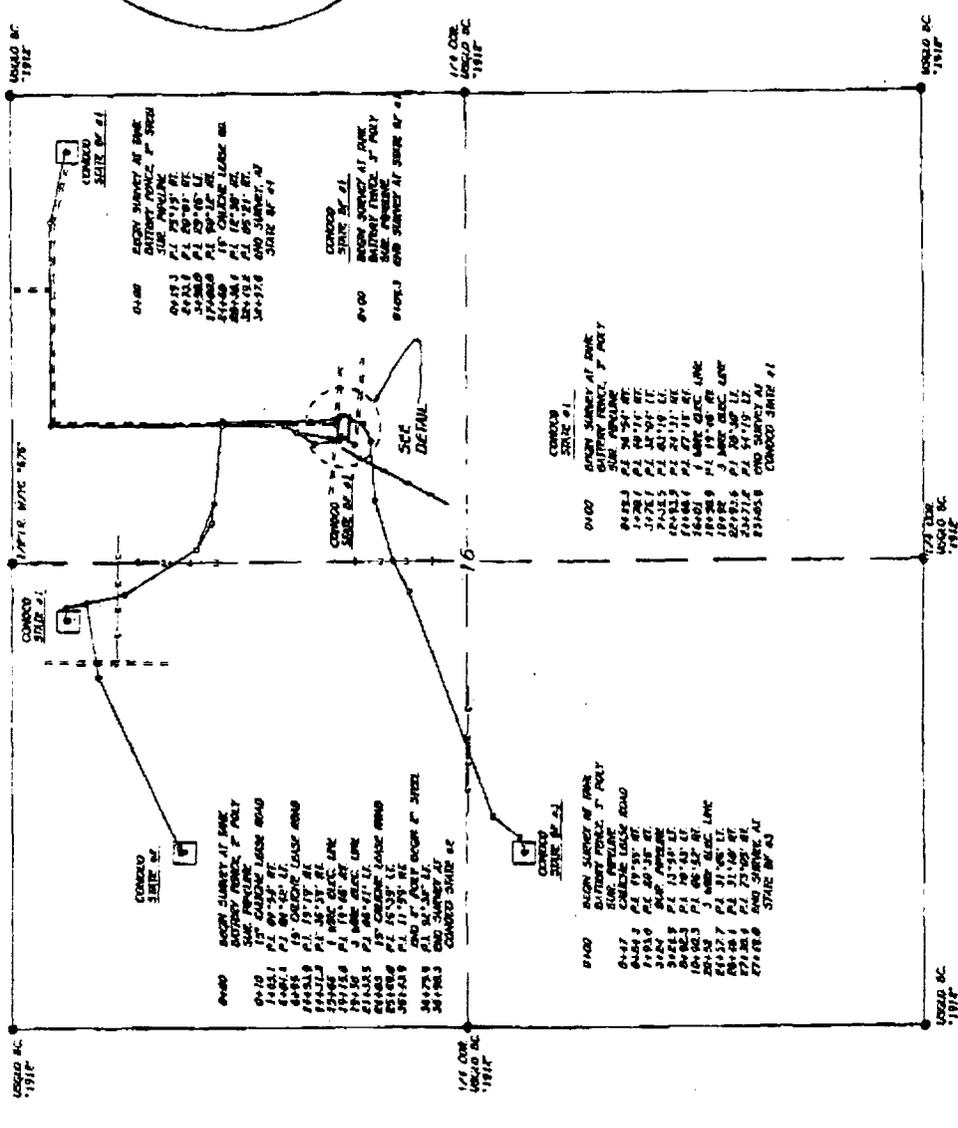
Exhibit B: allocation procedures and volumes based upon last test.

Exhibit C: notice to affected parties

Exhibit D: State Land Officer approval

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

SECTION 16, TOWNSHIP 20 SOUTH, RANGE 33 EAST, N.M.P.M.
LEA COUNTY, NEW MEXICO



UNLESS OTHERWISE SPECIFIED, ALL SURVEYS FOR THE PURPOSES OF THIS SURVEY TO BE MADE, SHALL BE MADE IN ACCORDANCE WITH THE BEST PRACTICES OF THE SURVEYING PROFESSION AS PRACTICED IN THE STATE OF NEW MEXICO.

[Signature]
 JAMES WEST SURVEYING COMPANY
 ALBUQUERQUE, NEW MEXICO

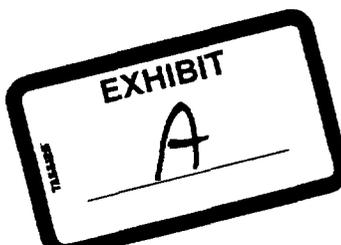
Scale: 1" = 400'

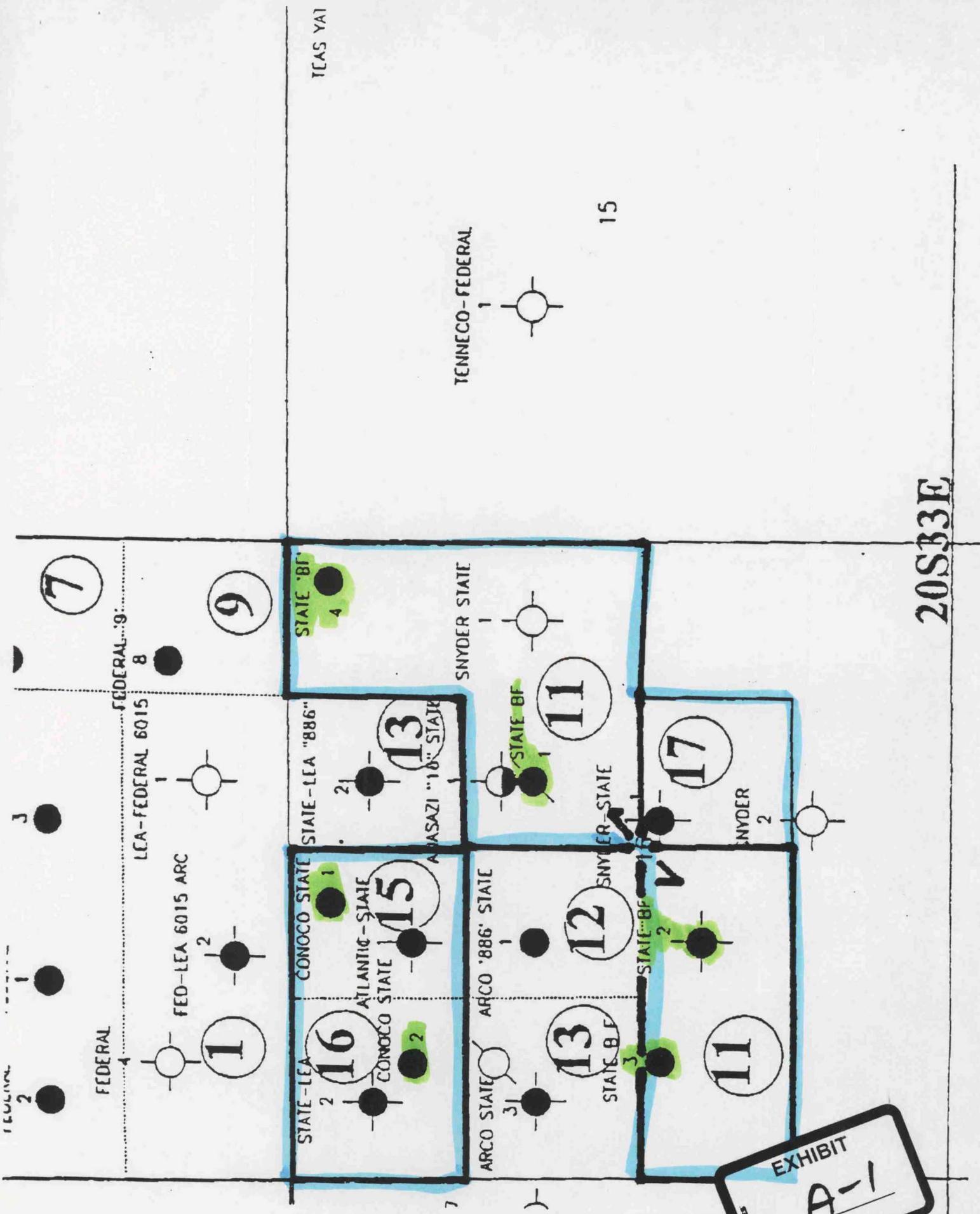
0 600 1200

FALCON CREEK RESOURCES, INC.

ASBUILT SURVEY OF PIPELINES LOCATED IN SECTION 16, TOWNSHIP 20 SOUTH, RANGE 33 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO.

Survey Date: 3/18/99	Sheet 1 of 1
W.D. Number: 8910810	Drawn By: James I. Presley
Plot: 3/27/99	Dist: 46468
	7416230





20S33E

EXHIBIT
A-1

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

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

PAGE NO: 1

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	36.00
AVERAGE			1.60	36.00

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. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.
3. Article Addressed to: Laguna Gatuna, Inc. PO Box 2158 Hobbs, NM 88241		4a. Article Number 2 193 575 844
5. Received By: (Print Name) [Signature]		8. Addressee's Address (Only if requested and fee is paid)
6. Signature: (Addressee or Agent) X [Signature]		102595-98-B-0229 Domestic Return Receipt PS Form 3811, December 1994

Falcon Creek Surface commingling March 18, 1999 2/24/99		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.
3. Article Addressed to: Commissioner of Public Lands PO Box 1148 Santa Fe, NM 87504 Attn: Pete Martinez		4a. Article Number 2 235 440 745
5. Received By: (Print Name) [Signature]		8. Addressee's Address (Only if requested and fee is paid)
6. Signature: (Addressee or Agent) X [Signature]		102595-98-B-0229 Domestic Return Receipt PS Form 3811, December 1994

Falcon Creek Surface commingling March 18, 1999 2/24/99		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.
3. Article Addressed to: Sid Cowan PO Box 1448 Del Rio, TX 78841		4a. Article Number 2 235 440 744
5. Received By: (Print Name) [Signature]		8. Addressee's Address (Only if requested and fee is paid)
6. Signature: (Addressee or Agent) X [Signature]		102595-98-B-0229 Domestic Return Receipt PS Form 3811, December 1994

Falcon Creek Surface commingling March 18, 1999 2/24/99		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.
3. Article Addressed to: Sheehy & Richardson 1408 Washington Waco, TX 76701		4a. Article Number 2 193 575 842
5. Received By: (Print Name)		8. Addressee's Address (Only if requested and fee is paid)
6. Signature: (Addressee or Agent)		102595-98-B-0229 Domestic Return Receipt PS Form 3811, December 1994

SENDE
 Complete
 Print your
 card to yc
 Attach the
 permit
 Write "Re
 The Retu
 delivered.

Falcon Creek
Surface Commingling
March 18, 1999
3/9/99

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

3. Article Addressed to:

Randy Hall
PO Box 10095
Midland, Tx 79702

4a. Article Number

2 193 575 P32

4b. Service Type

Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery

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

5. Received By: (Print Name)

6. Signature: (Addressed or Agent)

X *Randy Hall*



PS Form 3811, December 1994

102595-98 B-0229 Domestic Return Receipt

Thank you for using Return Receipt Service.

SEND!
 Complete
 Print yo
 card to
 Attach t
 permit
 Write "r
 The Ret
 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.

3. Article Addressed to:

JA McClatchy
PO Box 4126
Midland, TX 79704

4a. Article Number

2 193 575 P29

4b. Service Type

Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

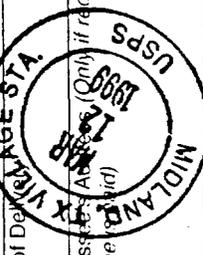
7. Date of Delivery

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

5. Received By: (Print Name)

6. Signature: (Addressed or Agent)

X *JA McClatchy*



PS Form 3811, December 1994

102595-98 B-0229 Domestic Return Receipt



COMMERCIAL RESOURCES
(505)-827-5724

SURFACE RESOURCES
(505)-827-5795

MINERAL RESOURCES
(505)-827-5744

ROYALTY
(505)-827-5772

PUBLIC AFFAIRS
(505)-827-5765

ADMINISTRATIVE MGMT.
(505)-827-5700

LEGAL
(505)-827-5715

PLANNING
(505)-827-5752

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

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

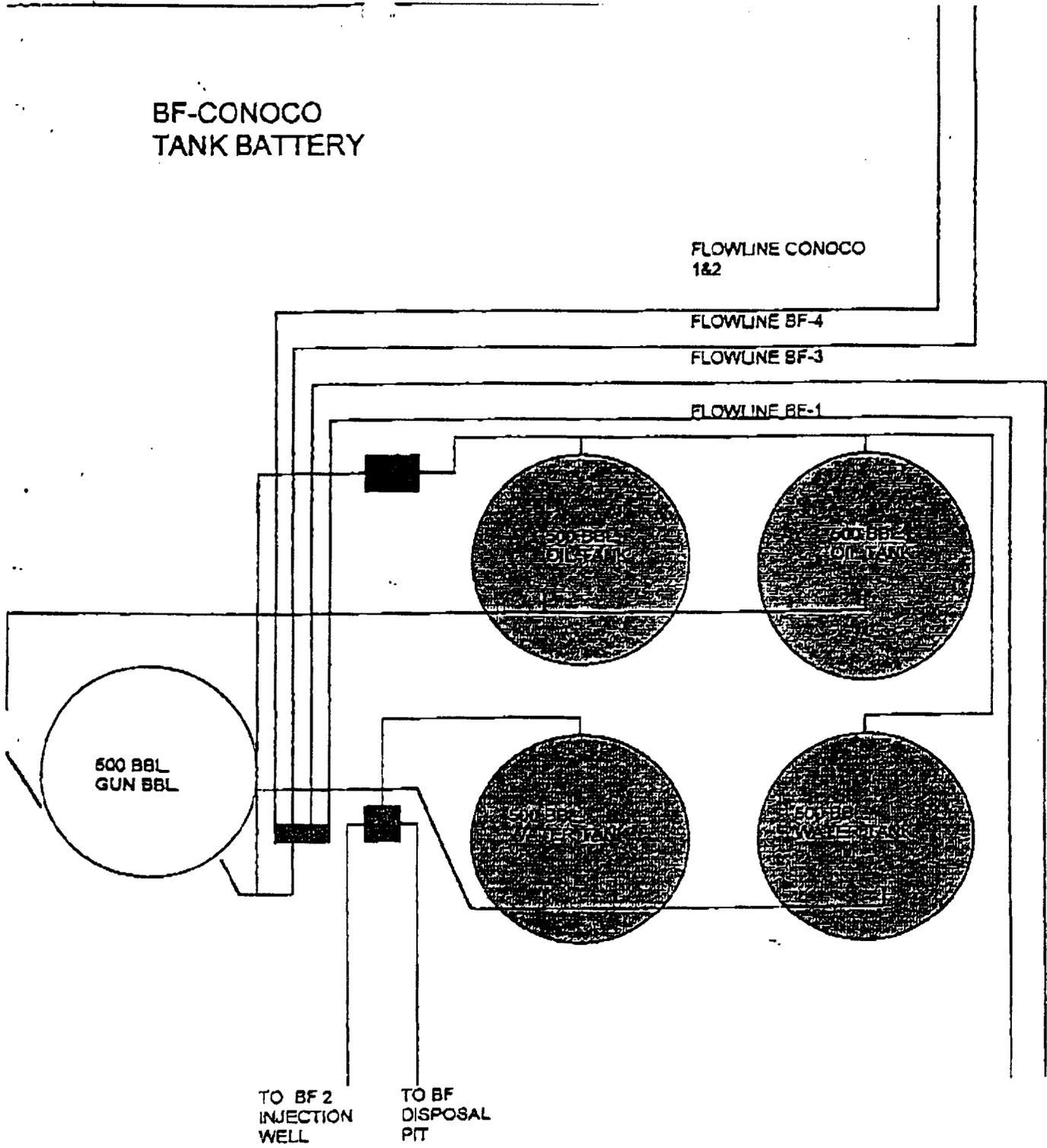


EXHIBIT
E

District I
 PO Box 1988, Hobbs, NM 88241-1988
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1900 Rio Grande Rd., Aztec, 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 - 3 Copies

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 LUTR N	** Consolidation Code	** Order No.
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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'								<p>17 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 Engineer 9/22/94 Date</p>
										<p>18 SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was placed 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>SEPTEMBER 14, 1994 Date of Survey Signature: <i>R. REDDY</i> Registered Professional Surveyor NEW MEXICO 5412 REGISTERED PROFESSIONAL ENGINEER EQUIPMENT NUMBER NM PLS 95 PROS 12</p>

DISTRICT I
P.O. Box 1900, Hobbs, NM 87240

DISTRICT II
P.O. Drawer 00, 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.
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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 & Seal of Professional Surveyor W. O. No. 84936 Certificate No. Gary Jones 7977</p> <p>BAIRD SURVEYS</p>