

FALCON CREEK RESOURCES, INC.

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

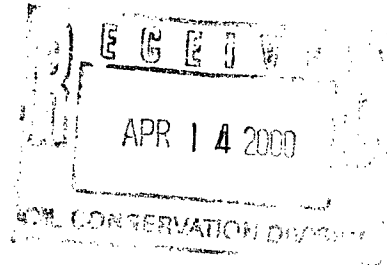
Telephone 303-675-0007
Facsimile 303-675-0008

AMEND DHC 5/4/00
29251714

April 12, 2000

Oil Conservation Division
2040 South Pacheco St.
Santa Fe, New Mexico 87505

RE: Application for Downhole Commingling
Kyte #~~4~~ 3
"I" Section 23 T20S-R38E
Lea County, New Mexico

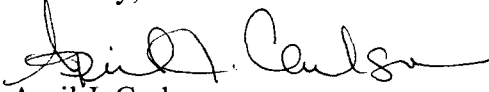


Gentlemen:

Please find enclosed a revised Application for Downhole Commingling. The previous DHC order is DHC-2181. We are requesting to add the Abo formation to this permit. As required, we have enclosed a Form C-102 for the Abo zone, the tested production, and a list of working interest owners. Percentage allocations are based on current and past production. All affected parties have been notified of this application by certified mail.

Please advise if you have any questions, or need additional information. We appreciate your prompt attention with this matter.

Sincerely,


April J. Carlson
Operations Technician

cc: Hobbs District Office

DISTRICT I

P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II

811 South First St., Artesia, NM 88210-2835

DISTRICT III

1000 Rio Brazos Rd, Aztec, NM 87410-1693

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429Form C-107-A
New 3-12-96

APPROVAL PROCESS:

☐ Administrative ☐ Hearing

EXISTING WELLBORE

☐ YES ☒ NO

APPLICATION FOR DOWNHOLE COMMINGLING

Falcon Creek Resources, Inc.

621 17th St., Suite 1800, Denver, CO 80293-0621

Operator

Address

Kyte

3

I

Sec 8

T20S, R38E

Lea

Lease

Well No.

Unit Ltr. - Sec - Twp - Rge

County

Spacing Unit Lease Types: (check 1 or more)

OGRID NO. 169415 Property Code 010711 API NO. 30-025-33427 Federal ☐ State ☐ (and/or) Fee ☒

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Blinebry	Tubb	Abo
2. Top and Bottom of Pay Section (Perforations)	6012'-6096'	6611'-6750'	7313'-7763'
3. Type of production (Oil or Gas)	Oil	Oil	Oil
4. Method of Production (Flowing or Artificial Lift)	Pumping	Pumping	Pumping
5. Bottomhole Pressure Oil Zones - Artificial Lift: Gas & Oil - Flowing: All Gas Zones: Estimated Current Measured Current Estimated Or Measured Original	a. (Current) 1800 psi	a. 1800 psi	a. 1800 psi
	b. (Original) Unknown	b. Unknown	b. Unknown
6. Oil Gravity (^o API) or Gas BTU Content	37.9	37.9	
7. Producing or Shut-In?	Producing	Producing	New Zone
Production Marginal? (yes or no)	Yes	Yes	Yes
* If Shut-In, give date and oil/gas/water rates of last production Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data			
* If Producing, give date and oil/gas/ water rates of recent test (within 60 days)	Date: 01-2000 Rates: 17 BOPD, 62 MCFD, 5 BWPD	Date: 01-2000 Rates: 6 BOPD, 89 MCFD, 1 BWPD	Date 03-01-00 Thru 04-12-00 Rates: 47 BOPD, 192 MCFD, 91 BWPD
8. Fixed Percentage Allocation Formula - % for each zone (total of %'s to equal 100%)	Oil: 24.33% Gas: 18.06% H2O: 5.17%	Oil: 8.59% Gas: 25.93% H2O: 1.03%	Oil: 67.08% Gas: 56.01% H2O: 93.80%

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones? ☐ Yes ☒ No
If not, have all working, overriding, and royalty interests been notified by certified mail? ☒ Yes ☐ No
Have all offset operators been given written notice of the proposed downhole commingling? ☒ Yes ☐ No11. Will cross-flow occur? ☐ Yes ☒ No If yes, are fluids compatible, will the formations not be damaged, will any cross- flowed production be recovered, and will the allocation formula be reliable. ☐ Yes ☐ No (If No, attach explanation)12. Are all produced fluids from all commingled zones compatible with each other? ☒ Yes ☐ No13. Will the value of production be decreased by commingling? ☐ Yes ☒ No (If Yes, attach explanation)14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. ☐ Yes ☐ No

15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S) _____

16. ATTACHMENTS:

- * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- * Production curve for each zone for at least one year. (If not available, attach explanation.)
- * For zones with no production history, estimated production rates and supporting data.
- * Data to support allocation method or formula.
- * Notification list of all offset operators.
- * Notification list of working, overriding, and royalty interests for uncommon interest cases.
- * Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Gerald Lucero TITLE Mgr of Operations DATE April 12, 2000TYPE OR PRINT NAME Gerald Lucero TELEPHONE NO. (303) 675-0007

Falcon Creek Resources, Inc.
Kyte #3 Commingling Allocations

Upper Abo Tested Production

	Oil	Water	Gas
3/1/2000	22	38	80
3/2/2000	34	2	114
3/3/2000	30	0	110
3/4/2000	20	0	107
3/5/2000	23	0	106
3/6/2000	20	0	117
3/7/2000	21	0	115
3/8/2000	20	0	117
Total	190	40	866
Total/ Days On	24	5	108

Lower Abo Tested Production

	Oil	Water	Gas
4/4/2000	18	45	107
4/5/2000	22	50	74
4/6/2000	25	100	80
4/7/2000	23	89	81
4/8/2000	30	103	85
4/9/2000	20	106	85
4/10/2000	27	79	86
4/11/2000	26	104	81
4/12/2000	17	96	77
Total	208	772	756
Total/ Days On	23	86	84

Abo Total Tested Production

Oil	Water	Gas
47	91	192

Blinebry Production

Oil	Water	Gas
17	5	62

Tubb Production

Oil	Water	Gas
6	1	89

Total of Daily Production

Oil	Water	Gas
70	97	343

Commingling Allocations

Abo Allocations

Oil	Water	Gas
67.08%	93.80%	56.01%

Blinebry Allocations

Oil	Water	Gas
24.33%	5.17%	18.06%

Tubb Allocations

Oil	Water	Gas
8.59%	1.03%	25.93%

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

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

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

OIL CONSERVATION DIVISION

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-33427	Pool Code	Pool Name Abo
Property Code 010711	Property Name KYTE	Well Number 3
OGRIID No. 169415	Operator Name Falcon Creek Resources, Inc.	Elevation 3567

Surface Location

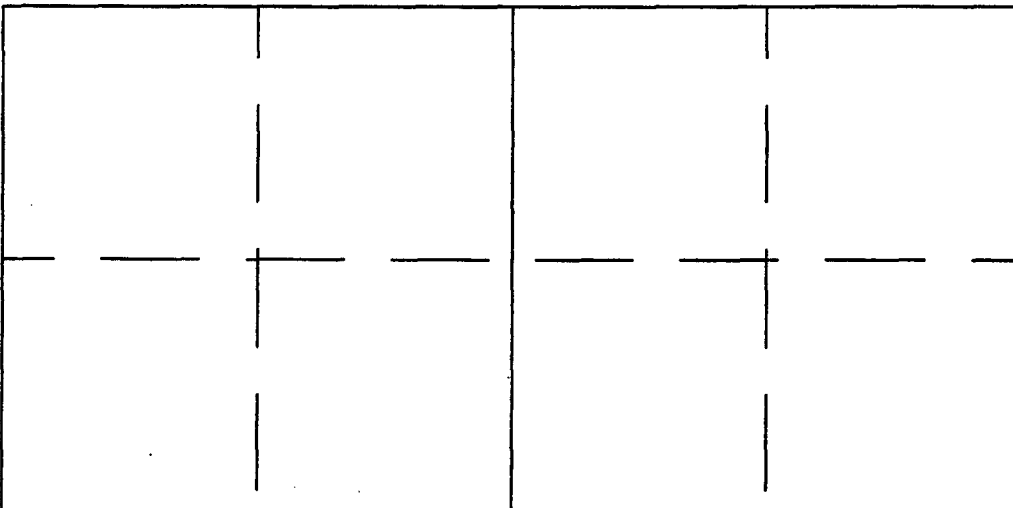
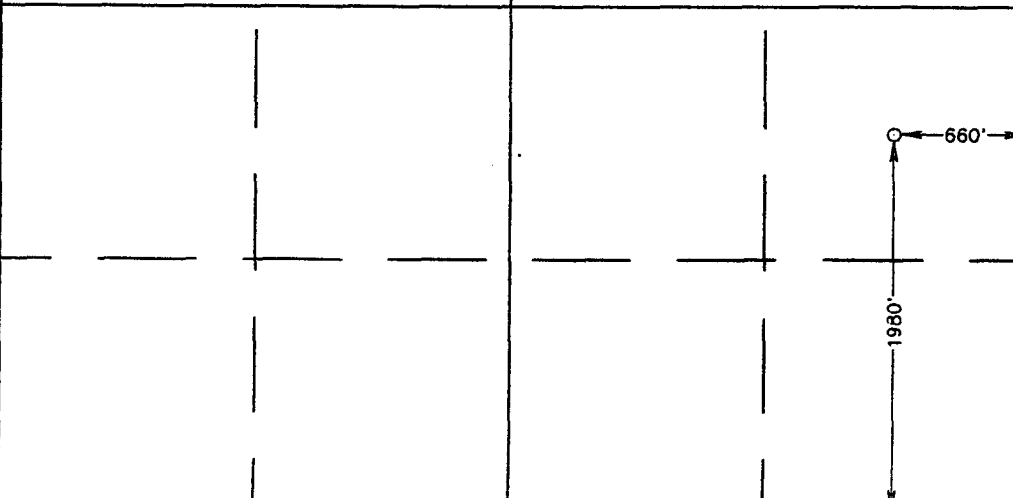
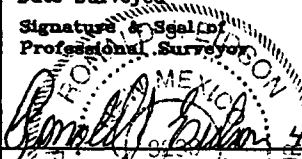
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	23	20 S	38 E		1980	SOUTH	660	WEST	LEA

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
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Dedicated Acres	Joint or Infill	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

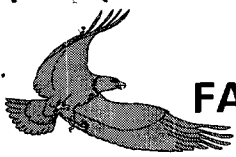
	<div style="border: 1px solid black; padding: 5px;"> <p align="center">OPERATOR CERTIFICATION</p> <p><i>I hereby certify the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p><u><i>Gerald Lucero</i></u> Signature</p> <p><u>Gerald Lucero</u> Printed Name</p> <p><u>Manager of Operations</u> Title</p> <p><u>April 12, 00</u> Date</p> </div>									
	<div style="border: 1px solid black; padding: 5px;"> <p align="center">SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p align="center">APRIL 8, 1996</p> <p>Date Surveyed SJA</p> <p>Signature & Seal of Professional Surveyor</p> <div style="text-align: center;">  </div> <p>W.O. Num. 96-1150430</p> <table border="0" style="width: 100%;"> <tr> <td>Certificate No.</td> <td>JOHN W. WEST</td> <td>676</td> </tr> <tr> <td></td> <td>RONALD J. EDSON</td> <td>3239</td> </tr> <tr> <td></td> <td>CARL EDSON</td> <td>12641</td> </tr> </table> </div>	Certificate No.	JOHN W. WEST	676		RONALD J. EDSON	3239		CARL EDSON	12641
Certificate No.	JOHN W. WEST	676								
	RONALD J. EDSON	3239								
	CARL EDSON	12641								

Kyte #4 Working Interest Owners Other than Falcon Creek Resources, Inc.

Sid Cowan
1010 South Main Street
Del Rio, TX 78841-1448

Sheehy & Richardson
1408 Washington
Waco, TX 76701

Patco LTD
7977 Caruth Court
Dallas, TX 75225



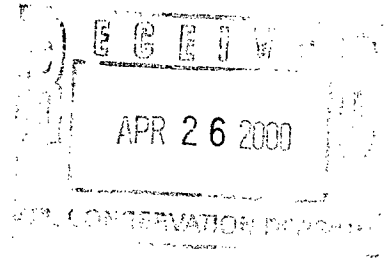
FALCON CREEK RESOURCES, INC.

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

Telephone 303-675-0007
Facsimile 303-675-0008

April 12, 2000

Sheehy & Richardson
1408 Washington
Waco, TX 76701



RE: Application for Downhole Commingling
Kyte #3
"I" Section 23, T20S-R38E
Lea County, New Mexico

To Whom It May Concern:

Please find enclosed for your review a copy of our revised Application for Downhole Commingling in the captioned well. This well is already commingled in the Blinebry and Tubb. We are now requesting to add the Abo to the permit. We request that you execute this letter signifying your waiver to any objection of said commingling.

Please route an executed copy of this letter to the New Mexico Oil Conservation Division at 2040 Pacheco Street, Santa Fe, New Mexico 87505. Thank you for your cooperation in this matter.

Sincerely

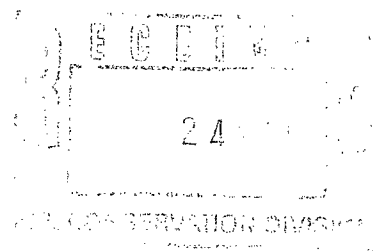
April J. Carlson
Operations Technician

We hereby waive any objection to Falcon Creek Resources, Inc.'s Application for Downhole Commingling of the Federal 24-1.

Sheehy & Richardson

By: Bill M. Richardson
Title: Partner
Print Name: BILL M. RICHARDSON
Date: 4/18/00

SID COWAN
35 MEADOW LANE
DEL RIO, TEXAS 78840
(830) 774-6200, Fax (830) 703-8650



April 20, 2000

Falcon Creek Resources, Inc.
621 South 17th Street, Suite 1800
Denver, CO 80293-0621

Attn: April J. Carlson

Re: Application for Downhole Commingling
Kyte #3
"I" Section 23, T-20-S, R-38-E,
Lea County, New Mexico

Ladies & Gentlemen:

I am in receipt of your April 12, 2000, letter proposing to commingle the Blinebry, Tubb and Abo production from the subject well. You have asked me to consent and send such consent to the New Mexico Oil Conservation Commission in Santa Fe, New Mexico.

As you are aware, Falcon Creek and various working interest owners do not share the same production interest in all formations, in the above Downhole Commingling and other revenues which you purchased in 1998 from Steven & Tull Development. (ie. Your need to commingle)

In view of your December 7, 1998 unreasonably low offer to purchase my entire production interest in the above mentioned Steven & Tull properties, I have questions concerning the commingling prior to waiving any rights. I have the following concerns in your above Commingling proposal. My production is historically well established, and I am concerned that by simply applying a percentage allocation, I may be penalized by the more rapid decline from your new production from the Abo formation. Please advise me as to how you plan to monitor any declines in production. Further, I do not believe that the enclose one (1) month test is an adequate method to assure I am not penalized for drops in production over the nest year or so from this well. I believe the Abo production will decline more significantly than the existing Blinebry and Tubb production.

Therefore, I cannot agree to this proposal until such time as you have satisfactorily answered my concerns. Thank you for your prompt response.

Yours very truly,

Sid Cowan

cc. New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

SAPIENT ENERGY CORP.

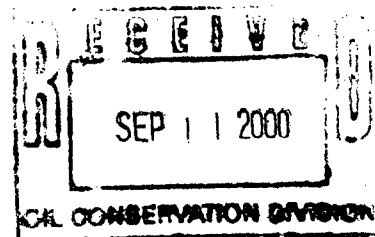
621 SEVENTEENTH STREET, SUITE 1800
DENVER, COLORADO 80293-0621

TELEPHONE 303 675-0007
FACSIMILE 303 675-0008

August 18, 2000

VIA FACSIMILE TRANSMISSION (830) 703-8650 (original by mail)

Mr. Sid Cowan
35 Meadow Lane
Del Rio, TX 78840



RE: Kyte #3 Commingling Application

Dear Mr. Cowan,

Effective July 14, 2000, Falcon Creek Resources, Inc. has merged into Sapient Energy Corp. of Tulsa, Oklahoma. The former Denver office and staff of Falcon Creek has now become the Western Region office of Sapient.

Please reference your written objection to the application to commingle the various producing formations in the Kyte #3 well in your April 20, 2000, of which you copied Mr. David Catenach of the NMOCD. Sapient did recomplete the well in the Abo formation and is currently producing from that zone. The NMOCD will not approve the commingling of the Abo production with production from other formations until you withdraw your objection in writing or a hearing is held. In other words, until you withdraw your objection (assuming no hearing), Sapient can not obtain approval to commingle the production from the Abo formation with that from the Tubb formation, in which you own an interest. This is why the well is producing, however you are not receiving any revenues. Therefore, we would ask that you consider withdrawing your objection by signing in the space provided below and faxing a copy to Mr. Catenach and myself. In the event you have any questions, please call me at 303-675-0007, extension 154. Thank you for your cooperation in this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "Lynn D. Becker". The signature is fluid and cursive, with a large initial "L" and "B".

Lynn D. Becker, CPL
Land Manager

I, Sid Cowan, do hereby withdraw my objection to Sapient Energy's application to commingle downhole, oil and gas production from the Kyte #3 well located in the NE/4 SE/4 of Section 23, T20S-R38E, Lea County, New Mexico on this 6 day of September, 2000.

A handwritten signature in dark ink, appearing to read "Sid Cowan". The signature is cursive and somewhat stylized, with a large initial "S".

cc: Mr. David Catenach (Via Fax 505-827-8177)
Oil Conservation Division
New Mexico Department of Energy, Minerals and Natural Resources
2040 South Pacheco
Santa Fe, New Mexico 87505