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SIGNED Agent 10/26/98 (This space for Federal or State office use) DATE DATE (This space for Federal or State office use) APPROVAL DATE DATE PERMIT NO. AMis Addition APPROVAL DATE DATE Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations CONDITIONS OF APPROVAL, IF ANY: Acting Assistant Field Office Manager,	epen directionally, give pe	IBE PROPOSED PROGRAM: Trinent data on subsurface locat	If proposal is to deepen, ions and measured, and b	give data on		ERAL RI	EQUIRE	EMENTS AN IONS Thew productive zone, If proposal is to drill or	
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CONDITIONS OF APPROVAL, IF ANY: ActingAssistant Field Office Manager,	PERMIT NO.	Mis William	<u>/</u>						
Lands and Minerals NOV 3 9 1998				ActingAss	sistant Fiel	ld Office			

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

DISTRICT I P.C. Box 1980, Hobbs, NM 88241-1980

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

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

DISTRICT IV P.O. Box 2086. Santa Fe. NM 87504-2088

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State of New Mexico

Energy, Minerels and Natural Resources Department

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

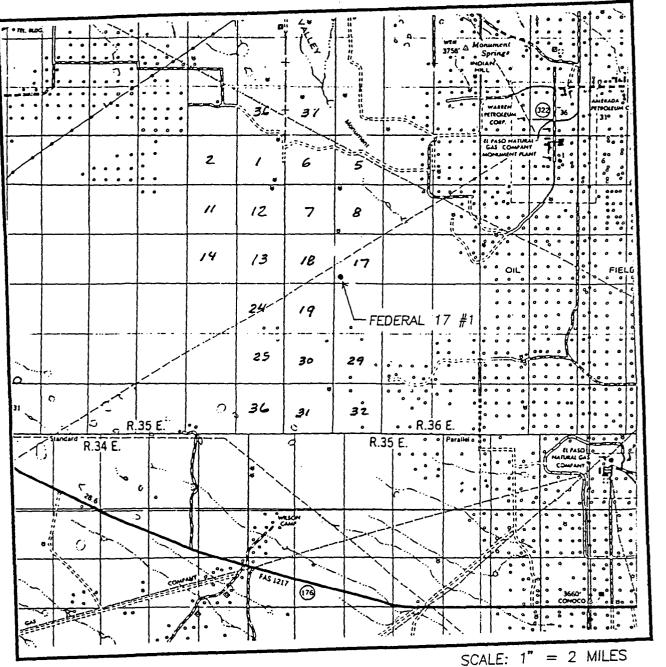
OIL CONSERVATION DIVISION P.O. Box 2088 Santa Fe, New Mexico 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

□ AMENDED REPORT

	Number			Pool C	ode			Pool Name		
30.02:	5-34	537	22800			EU	MONT , YATES,	7Rv's, QUEE	N	
Property C	Code	Property Name						Well Num	lber	
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OGRID No					-	ator Nam			Elevatio	n
169415			F	TALC(ON CREEK	RESC	DURCES, INC.		3624	
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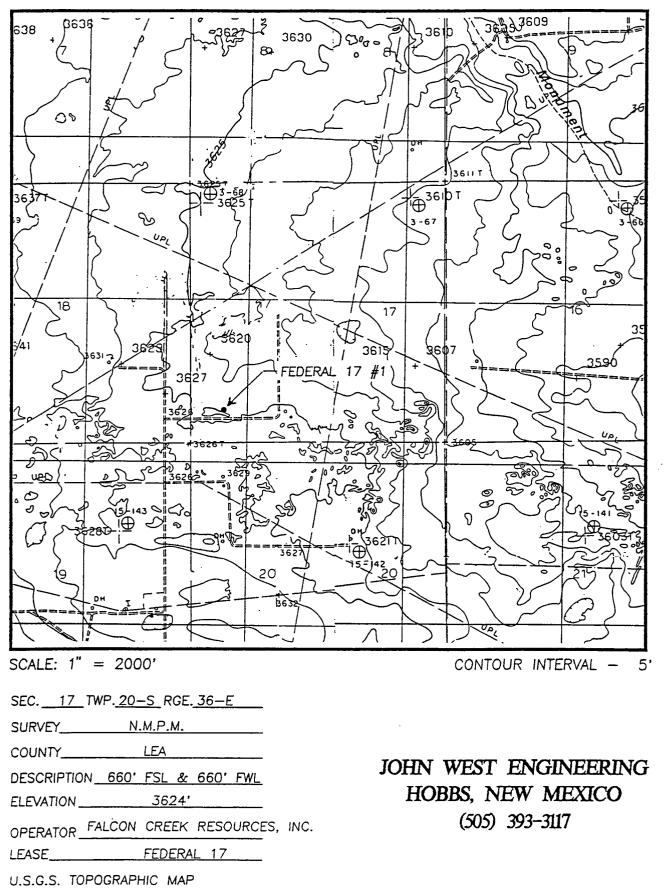
VICINITY MAP



SEC. <u>17</u> TWP.<u>20-S</u> RGE.<u>36-E</u> SURVEY <u>N.M.P.M.</u> COUNTY <u>LEA</u> DESCRIPTION <u>660' FSL & 660' FWL</u> ELEVATION <u>3624'</u> OPERATOR FALCON CREEK RESOURCES, INC. LEASE <u>FEDERAL 17</u>

JOHN WEST ENGINEERING HOBBS, NEW MEXICO (505) 393-3117

LOCATION VERIFICATION MAP



MONUMENT S - MONUMENT SW, N.M.

APPLICATION TO DRILL

FALCON CREEK RESOURCES, INC. FALCON CREEK "17" FEDERAL # 1 SECTION 17 UNIT "M" LEA CO. NM T205-R36E

In response to questions asked under Section II B of Bulletin NTL-6 the following information is provided for your consideration:

1. Location: 660' FSL & 660' FWL SEC. 17 UNIT "M" T20S-R36E LEA CO NM

- 2. Elevation above sea level: 3624' GR.
- 3. Geologic name of surface formation: Quaternery Aeolian Deposits.
- 4. Drilling tools and associated equipment: Conventional rotary drilling rig using fluid as a circulating medium for solids removal.
- 5. Proposed drilling depth: 4150'

6.	Estimated tops of	geological markers:		
	Rustler Anhydrite	1820'	Seven Rivers	3760'
	Base of Salt	3280'	Lower Seven Rivers	3944'
	Yates	3530'		

7. Possible mineral bearing formation:

Yates		0i1
Seven	Rivers	0i1
Queen		0il

8. Casing program:

Hole size	Interval	Casing OD	Weight	Thread	Collar	Grade
25"	0-40	20"	NA	NA	NA	Conductor
124"	0-300'	8 5/8"	24#	8-R	ST&C	J-55
7 7/8"	0-4150'	5½"	14#	8-R	ST&C	K-55

APPLICATION TO DRILL

FALCON CREEK RESOURCES, INC.FALCON CREEK "17" FEDERAL # 1UNIT "M"SECTION 17T20S-R36ELEA CO. NM

9. CEMENTING & SETTING DEPTH:

20"	Conductor	Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
8 5/8"	Surface	Set 300' of 8 5/8" 24# J-55 ST&C casing. Cement with 200 Sx. of Class "C" cement $+2\%$ CaCl $+\frac{1}{2}$ # Flocele/Sx. Circulate cement to surface.
5½"	Production	Set 4150' of $5\frac{1}{2}$ " K-55 14# ST&C casing. Cement with 550 Sx. of 35/65 POZ + 6% Gel + $\frac{1}{2}$ # Flocele/Sx. + 5% salt, tail in with 300 Sx. of Class "C" + .5% FL-25 + .2% CD-32 + .1% SM, circulate cement to surface.

10. <u>PRESSURE CONTROL EOUIPMENT</u>: Exhibit "E". A Series 900 3000 PSI working pressure B.O.P. consting of a double ram type preventor with a bag type annular preventor. The B.O.P. unit will be hydraulically operated. Exhibit "E-1". Choke manifold and closing unit. The B.O.P. will be nippled up on 8 5/8" casing and will be operated at least once each 24 hour period while drilling and blind rams will be operated when out of hole on trips. Full opening stabbing valve and upper kelly cock will be utilized. No abnormal pressure or temperature is expected while drilling.

11. PROPOSED MUD CIRCULATING SYSTEM:

Depth	Mud Wt.	Visc.	Fluid Loss	Type Mud System
40-300'	8.6-9	32-35	NC	Fresh water spud mud add paper to control seepage, maintain viscosity to clean hole
300-3800'	9.9-10.1	28-30	NC	Brine water add paper to control seepage , mix lime to control pH.
3800-4150'	10-10.1	29-30	10 cc or less	Brine water add Dynalose Y for water loss control use high viscosity sweeps to clean hole for logging.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run DST's, open hole logs, and casing the viscosity and/or water loss may have to be adjusted to meet these needs.

APPLICATION TO DRILL

FALCON CREEK RESOURCES, INC.FALCON CREEK "17" FEDERAL # 1UNIT "M"SECTION 17T20S-R36ELEA CO. NM

12. Testing, Logging and Coring Program:

- A. Open hole logs: Platform Express with Azimuthal Laterlog-MCFL-Compensated Neutrom-Litho-Density, Natural Gamma Spectrometry.
- B. No cores or DST's are planned at this time.

C. No mud logger is planned.

13. Potential Hazards:

No abnormal pressures or temperatures are expected. Hydrogen Sulfide gas may be encountered, H_2S detectors will be in place to detect any presence. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used. Estimated BHP 1850 PSI, estimated BHT 120° .

14. Anticipated Starting Date and Duration of Operation:

Road and location construction will begin after BLM approval of APD. Anticipated spud date as soon as approved. Drilling expected to take $\frac{7-10}{2}$ days. If production casing is run an additional 30 days will be required to complete and construct surface facilities.

15. Other Facets of Operations:

After running casing, cased hole gamma ray neutron collar logs will be run from total depth over possible pay intervals. The Yates 7Rivers, Queen pay will be perforated and stimulated. The well will be swab tested and potentialed as an Oil well.

- 1. All Company and Contract personnel admitted on location must be trained by a qualified H₂S safety instructor to the following:
 - A. Characteristics of H₂S
 - B. Physical effects and hazzards
 - C. Proper use of safety equipment and life support systems.
 - D. Principle and operation of H₂S detectors, warning system and briefing areas.
 - E. Evacuation procedure, routes and first aid.
 - F. Proper use of 30 minute pressure demand air pack.
- 2. H₂S Detection and Alarm Systems
 - A. H₂S detectors and audio alarm system to be located at bell nipple, end of blooie line (mud pit) and on derrick floor or doghouse.
- 3. Windsock and/or wind streamers
 - A. Windsock at mudpit area should be high enough to be visible.
 - B. Windsock at briefing area should be high enough to be visible.
 - C. There should be a windsock at entrance to location.
- 4. Condition Flags and Signs
 - A. Warning sign on access road to location.
 - B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H₂S present in dangerous concentration. Only emergency personnel admitted to location.
- 5. Well control equipment

A. See exhibit "E"

6. Communication

- A. While working under masks chalkboards will be used for communication.
- B. Hand signals will be used where chalk board is inappropriate.
- C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephoned will be available at most drilling foreman's trailer or living quarters.
- 7. Drillstem Testing
 - A. Exhausts will be watered.
 - B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
 - C. If the location is near to a dwelling a closed DST will be performed.

13-A

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

L.

- 8. Drilling contractor supervisor will be required to be familiar with the effects H2S has on tubular goods and other mechanical equipment.
- 9. If H₂S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas seperator will be brought into service along with H₂S scavengers if necessary.

SURFACE USE PLAN

FALCON CREEK RESOURCES, INC.FALCON CREEK "17" FEDERAL # 1UNIT "M"SECTION 17T20S-R36ELEA CO. NM

- 1. EXISTING ROADS. Area map, Exhibit "B" is a reproduction of the New Mexico General Hi-way Co. Map. Exhibit "C" is a reproduction of a topographic map. Existing roads and proposed roads are shown on each exhibit. All roads will be maintained in a condition equal to or better than existed prior to start of construction.
 - A. Exhibit "A" shows the proposed developement well as staked.
 - B. From Eunice New Mexico take State Hi-way 8 West for 6.2 miles to junction with State Hi-way 176. Take State Hi-way 176 West Northwest go 8.9 miles to Co. Road C-30. Turn North and follow main road North Northeast for 4.2 miles. Bear Northwest go 1.2 miles, turn North go 1.2 miles turn East go .2 miles to location on the North side of road.
- 2. PLANNED ACCESS ROADS: No new roads will be required.
 - A. the access road will be crowned and ditched to a 12'00" wide travel surface with a 40' right-of-way.
 - B. Gradient on all roads will be less tha 5.00%.
 - C. No turnouts will be necessary.
 - D. If needed, road will be surfaced with a minimum of 4" of caliche. This material will be obtained from a local source.
 - E. Centerline for the new access road has been flagged. Earthwork will be as required by field conditions.
 - F. Culverts in the access road will not be used. The road will be constructed to utilize low water crossings for drainage as required by the Lopography.
- 3. LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A-1"

Α.	Water wells -	None known
в.	Disposal wells -	None known
c.	Drilling wells -	None known
D.	Producing wells -	As shown on Exhibit "A-1"
E.	Abandoned wells -	As shown on Exhibit "A-1"

SURFACE USE PLAN

FALCON CREEK RESOURCES, INC.FALCON CREEK "17" FEDERAL # 1UNIT "M"SECTION 17T20S-R36ELEA CO. NM

4. If, on completion this well is aproducer Falcon Creek Resources, Inc. will furnish maps and/or plats showing on site facilities or off site facilities if needed. This will be accompanied with a sundry notice.

5. LOCATION AND TYPE OF WATER SUPPLY:

Water will be purchased locally from a commercial source and trucked over the access roads or piped in flexible lines laid on top of the ground.

6. SOURCE OF CONSTRUCTION MATERIAL:

If possible construction will be obtained from the excavation of drill site, if additional material is needed it will be purchased from a local source and transported over the access route as shown on Exhibit"C".

7. METHODS OF HANDLING WASTE MATERIAL:

- A. Drill cuttings will be disposed of in the reserve pit.
- B. All trash, junk and other waste material will be contained in trash cages or bins to prevent scattering. When the job is completed all contents will be removed and disposed of in a approved sanitary land fill.
- C. Salts remaining after completion of well will be picked up by supplier including broken sacks.
- D. Sewage from living quaters will drain into holes with a minium depth of 10'. These holes will be covered during drilling and will be back filled upon completion. A Porta-John will be prowided for the rig crews. This equipment will be properly maintained during the drilling operations and removed upon completion of the well.
- E. Remaining drilling fluids will be allowed to evaporate in the reserve pit until the pit is dry enough for breaking out. In the event that drilling fluids do not evaporate in a reasonable time they will be hauled off by transports and be disposed of at a state approved disposal facility. Later pits will be broken out to speed drying. Water produced during testing will be put in reserve pits. Any oil or condensate produced will be stored in test tanks until sold and hauled from the site.

8. ANCILLARY FACILITIES:

A. No camps or airstrips to be constructed.

SURFACE USE PLAN

FALCON CREEK RESOURCES, INC.FALCON CREEK "17" FEDERAL # 1UNIT "M"SECTION 17T20S-R36ELEA CO. NM

9. WELL SITE LAYOUT

- A. Exhibit "D" shows the proposed well site layout.
- B. This exhibit indicated proposed location of reserve and sump pits and living facilities.
- C. Mud pits in the active circulating system will be steel pits & the reserve pit is proposed to be unlined unless subsurface condition encountered during pit construction indicate that lining is needed for lateral containment of fluids.
- D. If needed, the reserve pit is to be lined with polyethelene. The pit liner will be 6 mils thick. Pit liner will extend a minimum 2'00" over the reserve pits dikes where the liner will be anchored down.
- E. The reserve pit will be fenced on three sides with four strands of barbed wire during drilling and completion phases. The fourth side will be fenced after all drilling operations have ceased. If the well is a producer, the reserve pit fence will be torn down. The reserve pit and those areas of the location not essential to production facilities will be reclaimed and seeded per BLM requirements.
- 10. PLANS FOR RESTORATION OF SURFACE

Rehabilitation of the location and reserve pit will start in a timely manner after all drilling operations cease. The type of reclamation will depend on whether the well is a producer or a dry hole.

However, in either event, the reserve pit will be allowed to dry properly, and fluid removed and disposed of in accordance with Article 7.B as previously noted. The pit area will then be leveled and contoured to conform to the original and surrounding area. Drainage systems, if any, will be reshaped to the original configuration with provisions made to alleviate erosion. These may need to be modified in certain circumstances to prevent inundation of the location's pad and surface facilities. After the area has been shaped and contoured, topsoil from the spoil pile will be placed over the disturbed area to the extent possible. Revegetation procedures will comply with BLM standards.

If the well is a dry hole, the pad and road area will be contoured to match the existing terrain. Topsoil will be spread to the extent possible. Revegetation will comply with BLM standards.

Should the well be a producer, the previously noted procedures will apply to those areas which are not required for production facilities.

FALCON CREEK RESOURCES, INC.FALCON CREEK "17" FEDERAL # 1UNIT "M"SECTION 17T20S-R36ELEA CO. NM

- 11. Other Information:
 - A. Topography consists of low lying sand dunes with native grasses, Mesquite, and shinnery oak. Dip is to the West toward the Pecos River. Surface is used for grazing of live stock and oil and gas production.
 - B. The surface is privately owned by Leo V. Sims et al and the minerals are owned by the U.S. GOVERNMENT.
 - C. An archaeological survey will be conducted and copies will be filed with The BLM, Carlsbad Resource Area Office in Carlsbad, New Mexico.
 - D. There are no dwellings within 2 miles of location.
- 12. Operator's Representative:

Field representative for contact regarding compliance with the surface use plan is:

Before Construction.

After and during construction.

TIERRA EXPLORATION INC. P.O. BOX 2188 HOBBS, NEW MEXICO 88241 OFFICE PHONE 505-392-2112 JOE T. JANICA

Agent

FALCON CREEK RESOURCES, INC. 621 17th STREET SUITE 1800 DENVER, COLORADO 80293 OSCAR PETERS 303-675-0007

13. Certification: I hereby certify that I, or persons under my direct supervision, have inspected the proposed drilling site and access route, and that I an familiar with the conditions which currently exist; that the statements made in this plan are to the best of my knowledge, true and correct. The work associated with the operations proposed herein will be performed by Falcon Creek Resources, Inc. its contractors/subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provision of 18 U.S.C. 1001 for the filing of a false statement.

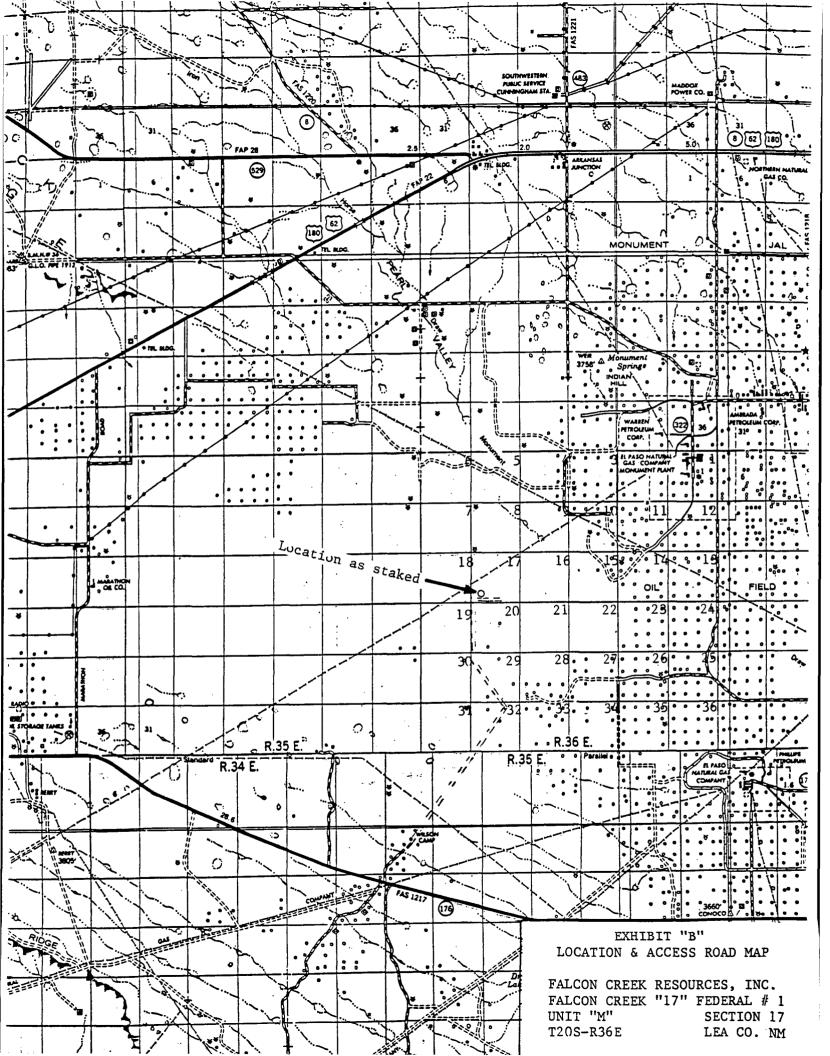
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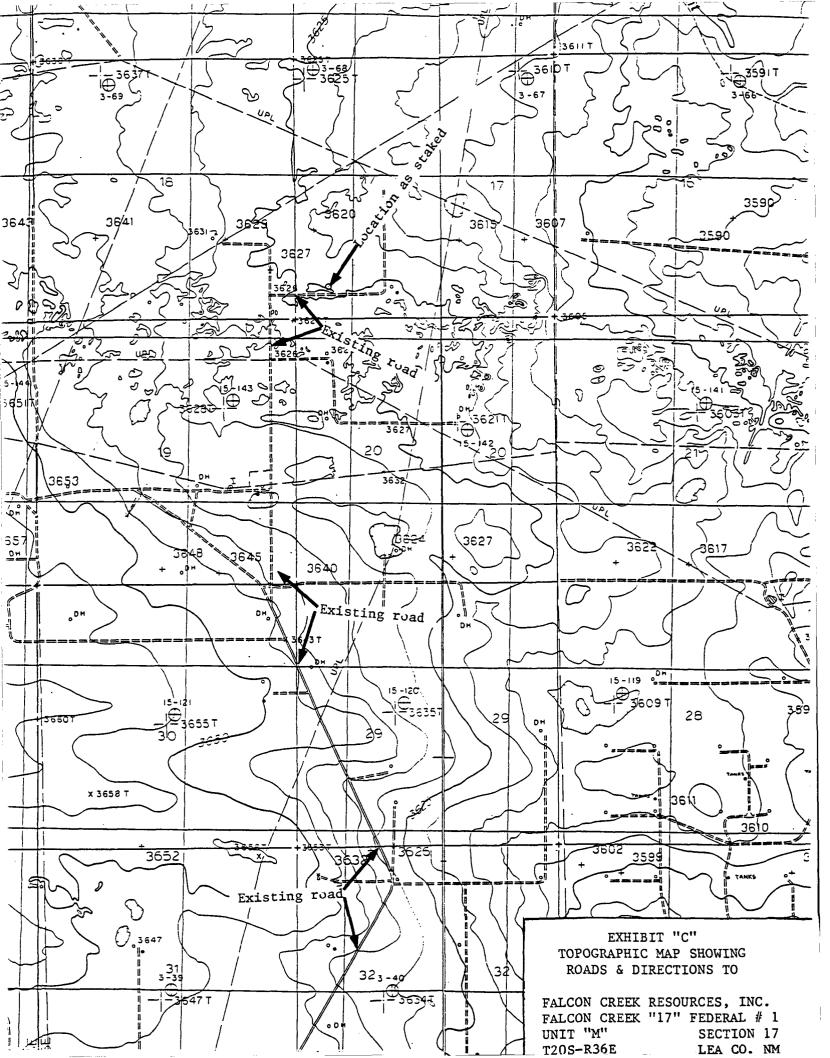
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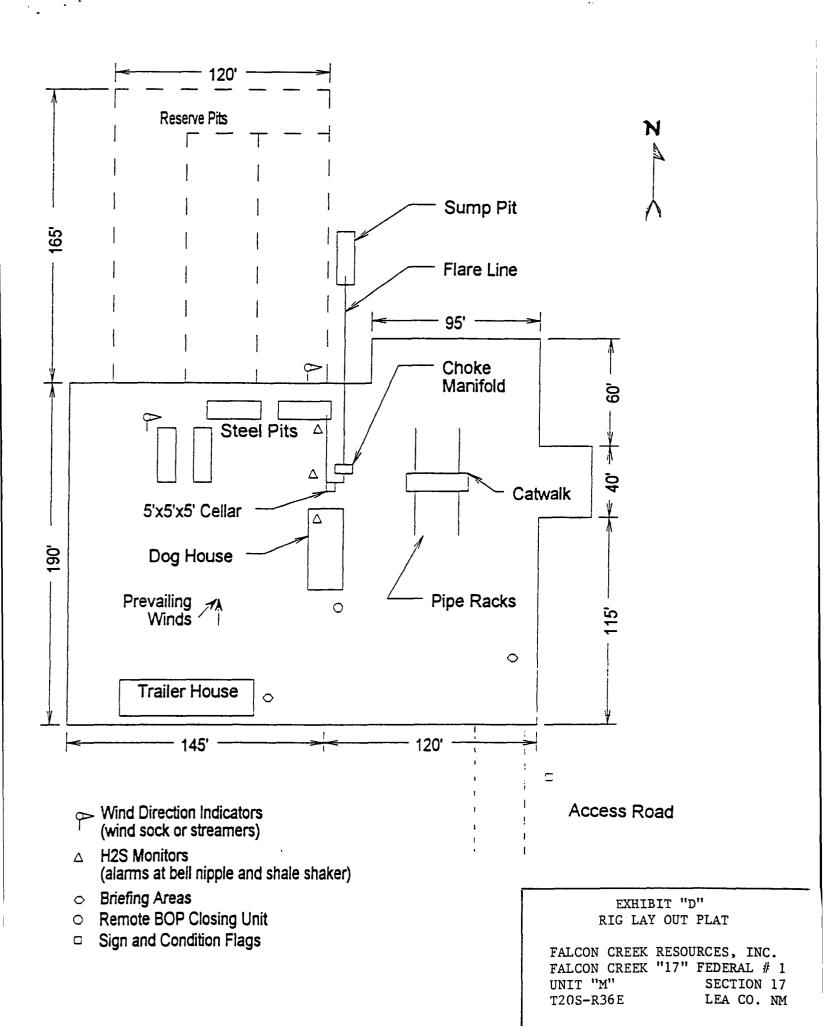
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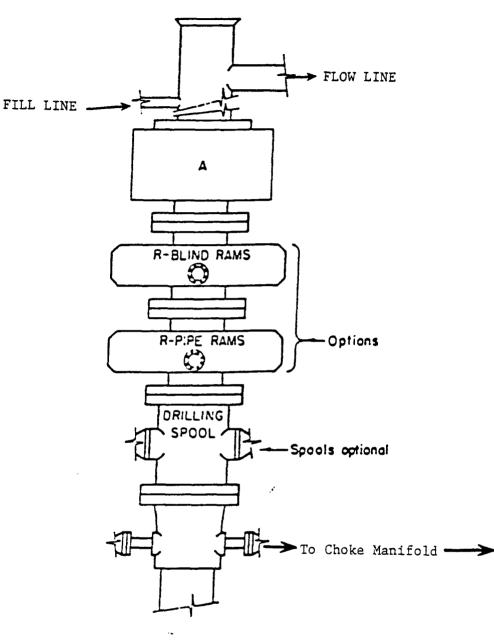
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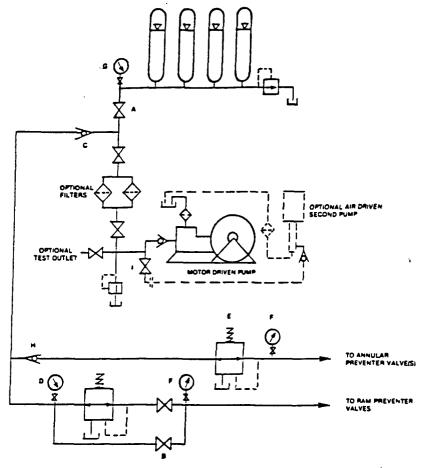


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ARRANGEMENT SRRA

900 Series 3000 PSI WP

> EXHIBIT "E" B.O.P. SKETCH TO BE USED ON FALCON CREEK RESOURCES, INC. FALCON CREEK "17" FEDERAL # 1 UNIT "M" SECTION 17 T20S-R36E LEA CO. NM



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FIGURE K6-1. The schematic sketch of an accumulator system shows required and optional components.

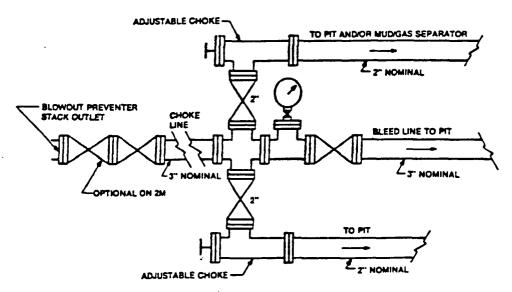


FIGURE K4-1. Typical choke manifold assembly for 2M and 3M rated working pressure service - surface installation.

EXHIBIT "E-1" CHOKE MANIFOLD & CLOSING UNIT
FALCON CREEK RESOURCES, INC. FALCON CREEK "17" FEDERAL # 1 UNIT "M" SECTION 17 T2OS-R36E LEA CO. NM