

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

AM 10: 45

**IN THE MATTER OF THE APPLICATION
OF FALCON CREEK RESOURCES, INC.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 12066

APPLICATION

FALCON CREEK RESOURCES, INC. by its attorneys, Kellahin & Kellahin, and in accordance with NMSA 1978 Section 70-2-17(c), applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Abo formation underlying the SE/4NE/4 of Section 24, T20S, R38E, NMPM, Lea County, New Mexico, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools spaced on 40-acre spacing, including but not limited to the Undesignated House-San Andres Pool, Blinebry Oil and Gas Pool, East Warren Tubb Oil and Gas Pool and Undesignated D-K-Abo Pool. Said unit is to be dedicated to its Terry Well No. 2 to be drilled and completed at a standard well location in Unit H of said Section 24. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in said well.

In support of its application, Falcon Creek Resources, Inc. states:

1. Falcon Creek Resources, Inc. has a working interest ownership in the oil and gas minerals from the surface to the base of the Abo formation underlying the SE/4NE/4 of Section 24, T20S, R38E, NMPM, Lea County, New Mexico.
2. The subject tract is located within one mile of the Undesignated House-San Andres Pool, Blinebry Oil and Gas Pool, East Warren Tubb Oil and Gas Pool and Undesignated D-K-Abo Pool.

3. The subject well is to be drilled at a standard oil well location in the SE/4NE/4 (Unit H) of Section 24 to test any and all formations in the pooled interval from the surface to the base of the Abo formation.

4. Falcon Creek Resources, Inc. has the voluntary agreement of certain of the working interest ownership of the oil & gas minerals from the surface to the base of the Abo formation underlying the SE/4NE/4 of said Section 24.

5. Falcon Creek Resources, Inc., despite its good faith effort, has been unable to obtain the voluntary agreement the remaining mineral and working interest owner(s) in the spacing unit as identified on Exhibit "A."

6. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Falcon Creek Resources, Inc. needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

7. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for October 22, 1998.

WHEREFORE, Falcon Creek Resources Inc., Inc., as applicant, requests that this application be set for hearing on October 22, 1998 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for the drilling of the subject well at a standard well location upon terms and conditions which include:

- (1) Falcon Creek Resources, Inc. be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;

(3) In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200 %;

(4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;

(5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

EXHIBIT "A"

Liberty Trust Company, Trustee for
the Benefit of the Montgomery/Walker 1970 Trust
c/o John E. Patterson, Jr.
5555 North Grand Blvd.
Oklahoma City, OK 73112

Mr. W. M. Furman
c/o Mrs. Furman
2909 E 17th Street
Odessa, Texas 79761

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Collins & Ware, Inc.
303 W. Wall, Suite 2200
Midland, Texas 79701