

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.
f 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

NMOCD Application
Falcon Creek Resources, Inc.
-Page 4-

RECOMMENDATIONS

I recommend that an order be entered which provides for approval of this operational change.

OPINIONS AND CONCLUSIONS

D. I have formed the following opinions based upon my expertise and upon the foregoing chronology of events:

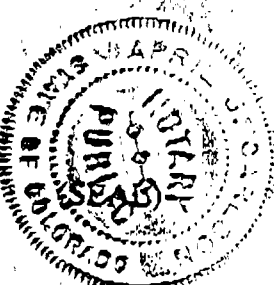
(1) That approval of Falcon Creek Resources, Inc.'s application in Division Case 12141 is necessary in order to reduce the operational costs for these leases.


FURTHER AFFIANT SAYETH NOT.

Oscar L. Peters
Oscar L. Peters

State of Colorado)
) SS
County of Denver)

SUBSCRIBED AND SWORN TO before me this 31st day of March, 1999 by
Oscar L. Peters.

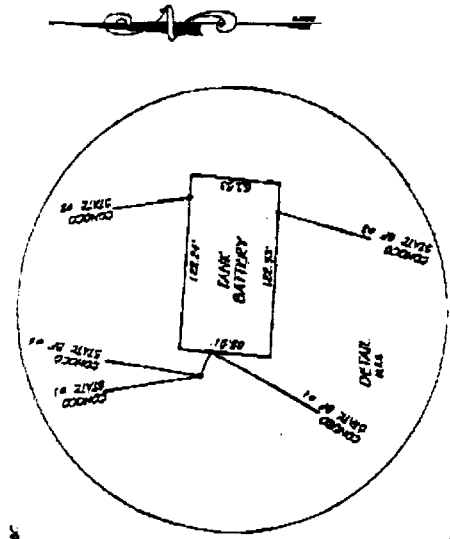
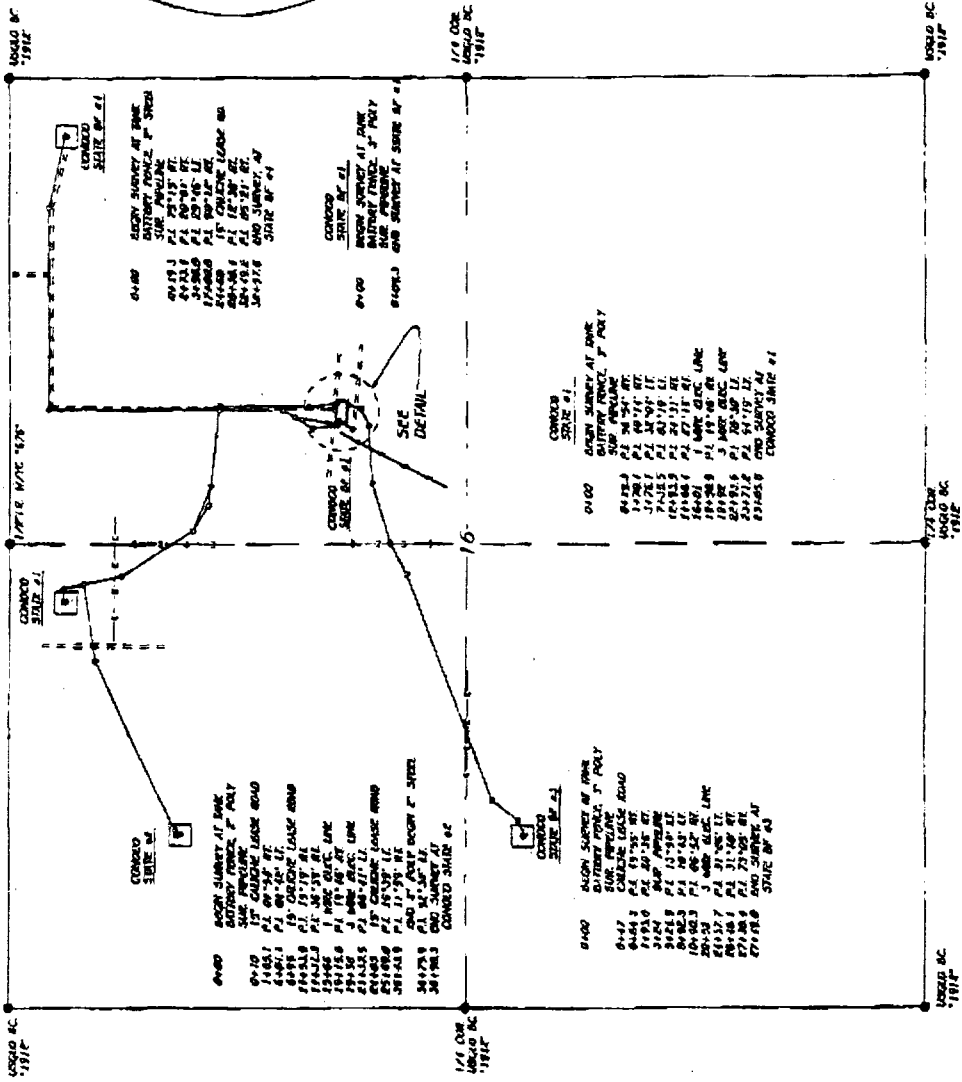



Notary Public, April Carlson

My Commission Expires:

February 20, 2002

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



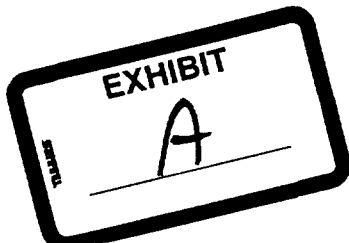
I HEREBY CERTIFY THAT I HAVE PERSONALLY AND INDEPENDENTLY EXAMINED THE SURVEY AND THE INSTRUMENTS USED THEREIN, AND THAT THE SAME ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF, AND THAT THE SAME HAVE BEEN PREPARED BY ME OR UNDER MY CLOSE PERSONAL SUPERVISION AND IN MY PRESENCE.

[Signature]
 JAMES E. LINDSEY, S.W.
 COUNTY CLERK, LEA COUNTY, N.M.
 OFFICE: WEST SURVEYING COMPANY
 1000 WEST 10TH STREET, SUITE 100
 ALBUQUERQUE, NEW MEXICO 87102

FALCON CREEK RESOURCES, INC.

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

Survey Date: 1/18/99	Sheet: 1 of 1
W.D. Number: 99110210	Owner: J. Lindsey
Date: 1/22/99	Drawn: J. Lindsey



REPORT NO: PASS
RUN 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

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)

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

February 24, 1999

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

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

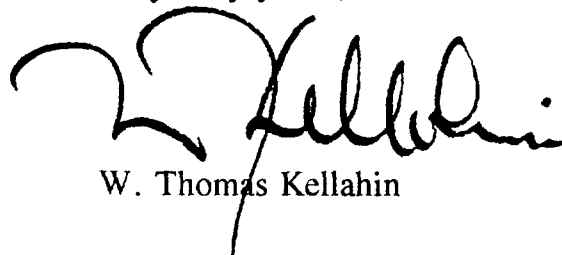
*Re: Application of Falcon Creek Resources, Inc.
for surface commingling, off-lease measurement and storage
Lea County, New Mexico.*

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,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over a horizontal line.

W. Thomas Kellahin

<p>Falcon Creek Surface commingling March 18, 1999 2/24/99</p>		<p>I also wish to receive the following services (for an extra fee):</p> <p>1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery</p> <p>Consult postmaster for fee.</p>	
<p>we can return this ice does not ile number, ind the date</p>		<p>3a. Article Number 2 235 440 745</p>	
<p>3. Article Addressed to:</p> <p>Commissioner of Public Lands PO Box 1148 Santa Fe, NM 87504 Attn: Pete Martinez</p>		<p>4b. Service Type</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD</p>	
<p>5. Received By: (Print Name) Pete Martinez</p>		<p>7. Date of Delivery</p>	
<p>6. Signature: (Addressee or Agent) [Signature]</p>		<p>8. Addressee's Address (Only if requested and fee is paid) NM</p>	
<p>X</p>		<p>FEB 25 1999</p>	

SEN 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.	1a. Article Number <u>2 235- 440 744</u> 4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD 7. Date of Delivery <u>2/26/99</u>
3. Article Addressed to: Sid Cowan PO Box 1448 Del Rio, TX 78841	5. Received By: (Print Name) <u>BOSA J. Reyes</u> 6. Signature: (Addressee or Agent) <u>[Signature]</u>	8. Addressee's Address (Only if requested and fee is paid) Thank you for using Return Receipt Service.

3. Article Addressed to: Laguna Gatuna, Inc. PO Box 2158 Hobbs, NM 88241		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.	
4a. Article Number 2193 525 844		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise 7. Date of Delivery 3/26	
5. Received By: (Print Name)		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature: (Addressee or Agent) X LCE			

SENI 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.	
return this as not mber date		4a. Article Number 2 193 575 842	
3. Article Addressed to: Sheehy & Richardson 1408 Washington Waco, TX 76701		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Certified <input type="checkbox"/> Insured <input type="checkbox"/> COD	
5. Received By: (Print Name) 6. Si PS		7. Date of Delivery 3-1-99	
8. Addressee's Address (Only if requested and fee is paid)		receipt	

Is your RETURN ADDRESS completed on the reverse side?

SENDE 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
2193575832

4b. Service Type
☐ Registered ☐ Certified
☐ Express Mail ☐ Insured
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery
March 18, 1999

8. Addressee's Address (Only if requested and fee is paid)
Midland, TX 79702

5. Received By: (Print Name)
Randy Hall

6. Signature: (Addressing or Agent)
X [Signature]

PS Form 3811, December 1994 102595-98 B-0229 Domestic Return Receipt

Is your RETURN ADDRESS completed on the reverse side?

SEND!
Complete
Print your card to permit
Attach to Write "F" The Return 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
2193575829

4b. Service Type
☐ Registered ☐ Certified
☐ Express Mail ☐ Insured
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery
March 18, 1999

8. Addressee's Address (Only if requested and fee is paid)
Midland, TX 79704

5. Received By: (Print Name)
JA McClatchy

6. Signature: (Addressing or Agent)
X [Signature]

PS Form 3811, December 1994 102595-98 B-0229 Domestic Return Receipt



COMMERCIAL RESOURCES
(505)-827-3724

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.

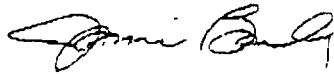
Please submit a \$30.00 filing fee.

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.

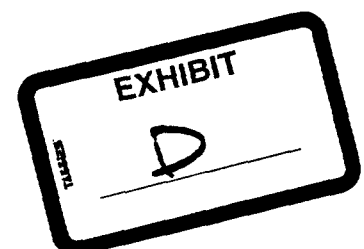
Very truly yours,

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

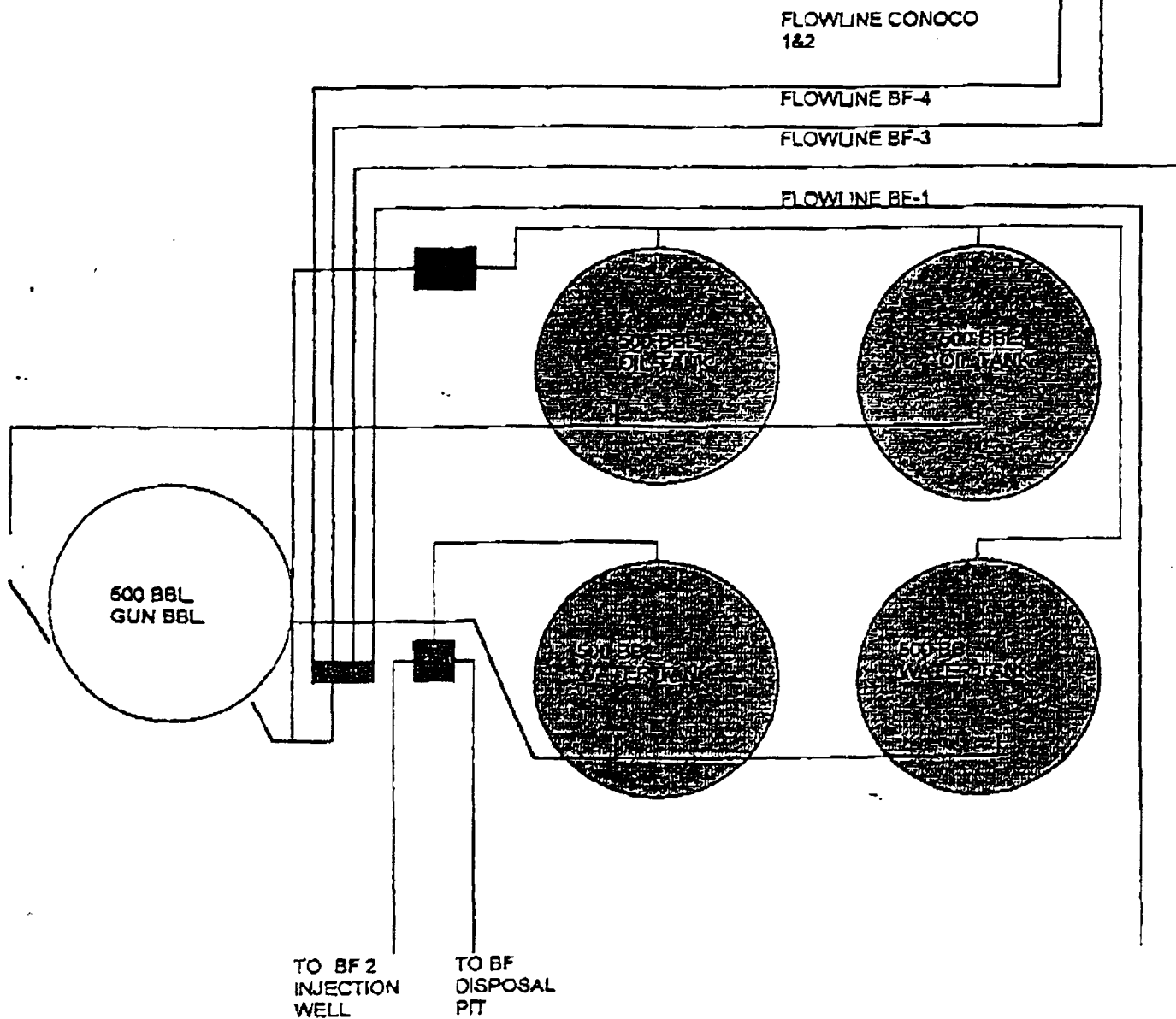
BY: 
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744
RP/JB/pm

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

"WE WORK FOR EDUCATION"



BF-CONOCO
TANK BATTERY



District I
PO Box 1980, Hobbs, NM 88240-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Grande Rd., Alamo, NM 87410
District IV
PO Box 1088, Santa Fe, NM 87504-1088

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 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
OGRIID 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

¹² Dedicated Acre	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
40	N		

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>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 Title 9/22/94 Date</p>
<p>¹⁸ 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>SEPTEMBER 14, 1994 Date of Survey Signature and Seal of Professional Surveyor: </p>					

DISTRICT I
P.O. Box 1950, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, 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

Instructions 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

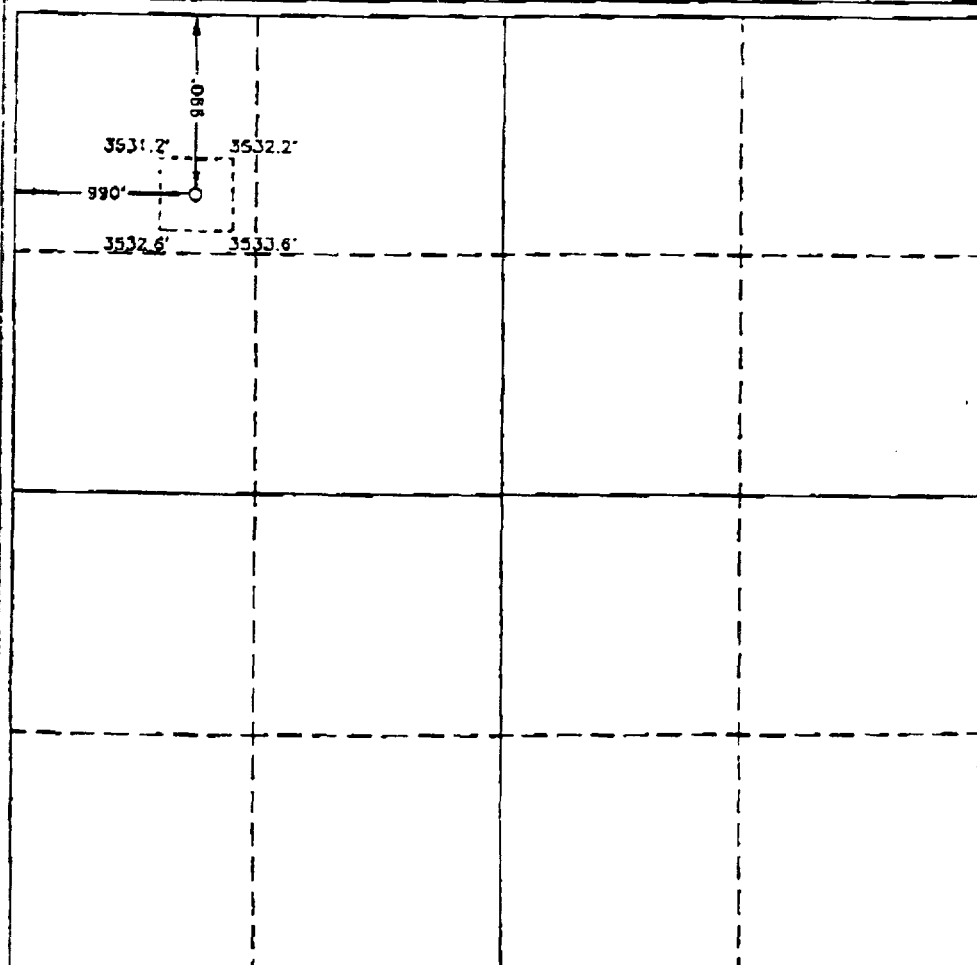
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	16	20 S	33 E		990	North	990	West	Lea

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 the 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 Signature & Seal of Professional Surveyor W.D. No. 84930 Certificate No. Gary Jones 7977 BASTIN SURVEYS</p>
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