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:

FAUN

CONTRACTOR AND A

CASE NO. 12141

APPLICATION OF FALCON CREEK RESOURCES, INC. FOR SURFACE COMMINGLING LEA COUNTY, NEW MEXICO.

AFFIDAVIT OF OSCAR L. PETERS

STATE OF COLORADO)
) 58
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.

 † Technology 0 2. 8.
 - (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.

ANTONORY CONTRACTOR AND SOCIORIZED FOR

NMOCD Case 12141 Affidavit of Oscar L. Peters Page 2

i istorii

U3/31/1777 14.40

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.

n.πογυμ. ε. εε ιενεί ολί εδ ον Μό, σορίοε∠εε` ἐ - μ

NMOCD Application
Falcon Creek Resources, Inc.
-Page 3-

83/31/1337 FE/FA

- 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

୍ୟାୟବା ବଳ ବା । ଏହା ଅଟେବା ଲହି ଓଡ଼ୀଚିଲ୍ଲ ଖିଡି ଓଡ଼ିଶ୍ୱରଥିଛି । ନ୍ରିଟ

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

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 Carl

My Commission Expires:

February 20, 2002

4 ASSUAL SURVEY OF PIPELINES LOCATED IN SECTION 16, TOWNSHIP TO SOUTH, POWER SU SOUTH, LEA COUNTY, MEMPERO. FALCON CREEK RESOURCES, INC. BATTERY OCTAR. De otto 100 OCE. USUALO BC CONDICE OF EL SECTION (6, RONNINNS TO SOUTH RAING 33 EAST, WALPH, LEA COUNTY - The Control of the See INTIR NINE SIE 8 Same (CONTROL OF 20070 201 1 3181. 1887 9C 181. 181.0 DC 3161. 34 00000

Application as in his in in his modulation of the



STATE-LEA "886"

ASAZI "18

LEA-FEDERAL 6015 8

FEDERAL

FULLING

FED-LEA 6015 ARC

TENNECO-FEDERAL

20S33E SNYDER STATE NYDER ARCO '886' STATE ARCO STATE EXHIBIT 上

REPORT NO: PASS RUM DATE : 08/12/1996

PALCON CREEK RESOURCES, INC PRODUCTION ACCOUNTING SYSTEM WELL ALLOCATION REPORT

PAGE NO: I

JUL 1998

FACILITY : STATE BF STATE BF TANK/METER: TANK BATTERY

PRODUCT :

WELL ID.	•	DATE	QIL (BBL/D)	WATER (BBL/D)	
MM00202	CONOCO STATE #2	07-31-1998	5.50	46.00	
AVERAGE		•••••••••••••••••••••••••		46.00	
.WELL ID.		DATE	OIL (BBL/D)	WATER (BBL/D)	
19 100212	BP STATE #3	07-31-1998	1.50	36.00	
AVERAGE			1,68	36.00	
WELL ID.		DAYS ON	OIL (BSL/M)	MATER (BBL/M)	OIL (%)
	CONOCO STATE #1	••••••••••••••••••••••••••••••••••••••		0.00	
NM30202	CCNOCO STATE #2	31	170.50	1426.00	77.465
NM00211	BF STATE #2		0.00	0.00	0.000
· · · · · · · · · · · · · · · · · · ·	ef State #3			1116,00	
TOTAL				2542.00	



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

APPLICATION OF FALCON CREEK RESOURCES, INC. FOR SURFACE COMMINGLING LEA COUNTY, NEW MEXICO.

CASE NO. 12141

CERTIFICATE OF MAILING AND COMPLIANCE WITH ORDER R-8054

STATE OF NEW MEXICO)

Output

W. Thomas Kellahin, being first duly sworn, hereby certifies that he is an attorney for the Applicant and responsible for notification in this matter and that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on February 24, 1999, he caused to be mailed by certified mail return-receipt requested the attached notice of this hearing and a copy of the application for the above referenced case, at least twenty days prior to the hearing of this case originally scheduled for April 1, 1999 to the parties shown in said application and as evidenced by the attached copies of return receipt cards and/or receipts of certified mailing, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.

W. Thomas Kellahin

SUBSCRIBED AND SWORN to before me this 31st day of March, 1999, by W. Thomas Kellahin.

Lynda Kellahin, Notary Public





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

RECOGNIZED SPECIALIST IN THE AREA OF NATURAL RESOURCES-OIL AND GAS LAW JASON KELLAHIN (RETIRED 1991)

NEW MEXICO BOARD OF LEGAL SPECIALIZATION

W. THOMAS KELLAHIN*

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,

I also wish to receive the following services (for an extra fee): does not 1. \[\begin{array}{c} Addresse's Address \\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \	4a. Article Number 7 1973 575 844 4b. Service Type Registered Express Mail Return Receipt for Merchandise 7. Date of Delivery	8. Addressee's Address (Only if requested and fee is paid) and fee is paid) 102595-99-8-0229 Domestic Return Receipt	return this extra fee): 3s not extra fee): 1. Addressee's Address (Only if requested and fee is paid)	receipt
Production and		5. Received By: (Print Name) 6. Signalure: (Addressee or Agent) 7	SENI Falcon Creek "Comy Surface commingling "Comy Surface commingling "Comy Surface commingling "Comy Surface commingling "The Talcon Creek "The Talcon Talcon Talcon "The Talcon Creek "The Talcon	2 S.1
re can return this extra fee): ce does not ice does not consult postmaster for fee.	4a. Article Number A A S S VV	8. Address paid) M. Requested and the is paid) M. F. F. P. S. 1999 F. F. R. P. S. 1999 102595-98-8-0229 Domestic Peturn Receipt		102595-98-B-0229 Domestic Return Receipt
Falcon Creek Surface commingling March 18, 1999 2/24/99	Add No.	5. Received By (Print Name) 6. Signalure: (Addressee of Agent) X PS Form 3811, December 1994	gling	rs rom 30 11, December 1994

SENDE Falcon Creek **Complete Surface Commingling		SENDI de Comple s = Comple Falcon Creek	I also wish to receive the following services (for an
Printyou March 18 1999	ro this extra fee):	e Print yo	sturn this extra fee):
	≥ 1. ☐ Addressee's Address	ver card to	not 1. Addressee's Address
	r. 2. T Restricted Delivery		2. Restricted Delivery
■ The Retu delivered.	Consult postmaster for fee.	in the Rol 3/8/99	Consult postmaster for fee.
3. Article Addressed to:	4a. Article Number		4a. Article Number
	Z 193 575 P32		72 193 S75 B29
Randy Hall		əld	4b. Service Type
PO Box 10095	☐ Registered ☐ Certified 🛱	шo	☐ Registered ☐ Certified €
Midland Tx 79702	Express Mail	_	☐ Express Mail ☐ Insured
	rchandise 🔲 COD		☐ Return Receipt for Martabardise ☐ COD
	7. Date off Delivery	<u> </u>	7. Date of Der Car Adde of
		A !	() () () () () ()
5. Received By: (Print Name)	ess Only if requested	5. Received By: (Print, Name)	8. Addressers Address (Qnl) if requested
	N (p)	T 4164(1) 1/000/1	
6. Signature (Addressed or Agent)			20,000
7 0 1 X	USPS	100 100 100 Nove	MIS
PS Form 3811, December 1994	102595-98-B-0229 Domestic Return Receipt	@ 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

Commissioner of Public Lands Ray Powell, M.S., D.V.M.

Kay FOWEII, M.S., D.V.FI.
310 Old Senta Fe Traff, P. O. Sox 1148
Senta Fe, New Mexico 87504-1148
Phone (505)-827-5760, Fax (505)-827-5766

State of New Mexico

PUBLIC AFFAIRS (503)-#27-5765

ADMINISTRATIVE MOMT. (\$95)-827-5700

> LEGAL (505)-827-5713

PLANNING (505)-827-9752

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.

Picase 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: O JAMI BAILEY, Director

Oil, Gas and Minerals Division

(505) 827-5744 RP/JB/pm

pc:

Reader File,

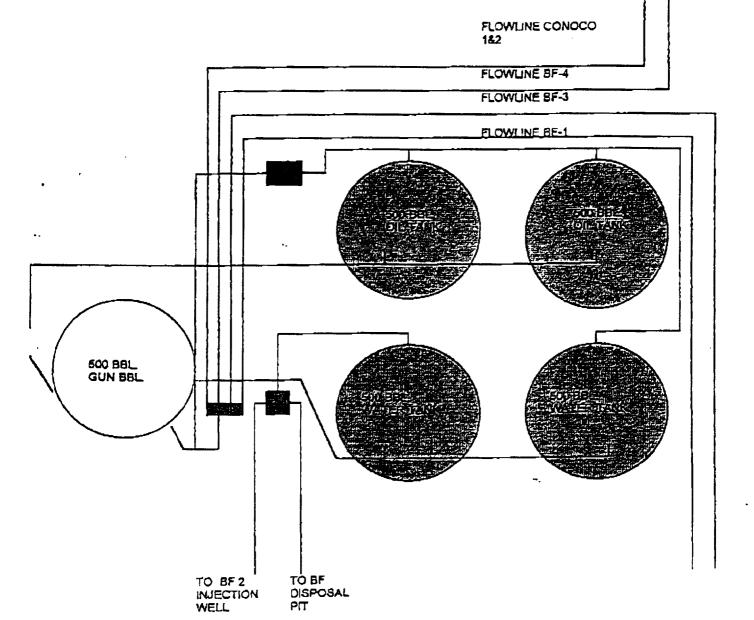
OCD-Attention: David Catanach, Ben Stone,

Debbie Padilla

"WE WORK FOR EDUCATION"









PO Box 1780, Holder, NM 2028-1980 Diaries II

PO Driver DD. Arteis, NM 8211-0717 Disuria: III

1900 Rie Brazes Rd., Aziec, NS 27410 Discrict IV

PO Box 1000, Santa Fr. NM 2504-1000

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION PO Box 2088 Santa Fe, NM 87504-2088

Form C-107 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

30-025-32779				Food Code 59110 West Teas Y-SR				1480	
* Present	Code				* Property	Name			· Well Number
15594		S	TATE	3F					3
	OCRID No. Operator Name OZI 502 STEVENS & TULL, INC.								1 Deresion 3533.
10 Surface Location									
UL or les so.	Section	Townsip	Range	lot ida	Foot (rea the	North/South Size	Fees from the	Fast/West Epe	County
L	16	205	33E		2310	SOUTH	990	VEST	LEA
,		~	11 Bot	tom Hol	e Location I	f Different Fr	om Surface		
UL or los so.	Section 16	Lemandip 205	Range 33E	iot (da	Fees (ross the 2310	South	Feet from the	West	Lea
" Dedicated Acr	" Joint	oe Lufte !" (ozeotidacio	Cade "O	rder No.	**************************************	<u> </u>		
40	1	1 j							
NO ALLOY	VABLE V	WILL BE A	SSIGNE	D TO THE	S COMPLETIO	ON UNTIL ALL	INTERESTS H	LAVE BEEN CO	NSOLDATED

OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16				17 OPERATOR CERTIFICATION I hereby earthy that the information contained herein is true and complete to the best of my browledge and initial
				Mehil Guy orray
			.•	Michael G. Mooney Name Engineer
	:	. :		Tilf/22/94
990'				is SURVEYOR CERTIFICATION I hereby cerefy that the well location shown on this plat was pleated from field motes of actual surveys made by me or under my supervision, and that the same is true and corrues to the best of my bellef.
	-			SEPTEMBER 14 1994 Date of Survey R. R. E. D. D. Signature Date of Difference Survey.
.0162	.			5412 E

DISTRICT | 9.0. Box 1900, Bobbs, NK BUZLO State of New Mexico

Source, Electric and Metural Resources Department

Form C-102
Revised Pobruary 10, 1994
Instruction on back
Submit to appropriate District Office

For Loane - 4 Copies

DISTRICT II F.O. Drewer DD, Artesia, MA 44210

DISTRICT III 1000 Rie Brazes Rd., Artec, NOE 87410

OIL CONSERVATION DIVISION

F.O. Box 2065
Santa Fe, New Mexico 87504-2085

I AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Post Code	Pool Name	
30-025-33697	59110	West Teas Y-SR	
Property Code	ን	Well Number	
18376	Con	oco State	2
OCRID No.	01	erator Nome	Elevation .
021602	Steve	ns & Tull, inc.	3533'

Surface Location

ſ	UL or lot No.	Section	Township	Range	تما امت	Foot from the	Herth/South line	Feet from the	Rest/West Use	County	
	D	16	20 S	3 3 E		990	North	990	West	Lea	ĺ

Bottom Hole Location II Different From Surface

ſ	UL or lot No.	Section	Township	Range	Lot 142	Feel from the	North/South Mac	Feet from the	East/Vest line	County
-	ם	16	20S	33E	_	990	North	990	West	Lea
ſ	Dedicated Acres	s loint e	r infill Co	neolidation (Code Or	dec No.				
1	40	I	j							

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

OR A NO.	N-STANDARD UNIT HAS BEEN APP	ROVED BY THE DIVISION
3531.2° 3532.2° 990° 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0		OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the oest of my transledge and order. Signature Michael G. Mooney Printed Name Consulting Engineer Tiue 11/19/96 Date
		SURVEYOR CERTIFICATION / hereby servicy that the tool tooution shows on this piet was plated from field notes of service surprise made by me or under my supervision and that the same is free and carreet to the best of my being. November 73, 1996 Dute Surveyed. Signature to Seaf of Professional Surveyor.
		Contribute Not ; Geny L. Jones 7977 BASIN SURTEYS