

**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
Order No. R-11165**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 1, 1999, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 19th day of April, 1999, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.
- (2) The applicant, Falcon Creek Resources, Inc. ("Falcon"), is the lessee of the Conoco State Lease (Lease No. V-4021), which comprises the N/2 NW/4, and the BF State Lease (Lease No. E-3441), which comprises the E/2 NE/4, SW/4 NE/4, NW/4 SE/4, and N/2 SW/4, of Section 16, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico.
- (3) Falcon seeks authority to surface commingle West Teas-Yates Seven Rivers Pool production from two existing wells located on the Conoco State Lease and the four existing wells located on the BF State Lease.
- (4) Legal counsel appeared on behalf of Falcon and presented evidence for admission in this case.
- (5) Falcon proposes to install a central tank battery at a location within the SW/4 NE/4 (Unit G) of Section 16.

**BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12209 Exhibit No. 2
Submitted By:
Falcon Creek Resources
Hearing Date: August 5, 1999**

(6) Falcon further seeks authority to determine the production from each of the wells on the Conoco State Lease and the BF State Lease by monthly well tests.

(7) According to Falcon's evidence and testimony, the working and/or overriding royalty interest ownership in the subject State leases is not common.

(8) Division Rule No. 309-B.A.(5) provides for administrative approval of lease commingling, provided however that in order to commingle the production from two or more separate leases in a common tank battery without first separately metering the production from each lease, the ownership must be common throughout, including working, royalty and overriding royalty interest ownership.

(9) Each interest owner within the Conoco State Lease and the BF State Lease was provided notice of this application and at the time of the hearing no interested party entered an appearance in this matter or filed an objection to the application.

(10) Approval of the application will result in economic savings to the operator, is in the best interest of conservation, is based on sound engineering principles, and will serve to prevent waste and protect correlative rights, provided that the installation of facilities for commingling production will permit the individual testing of each well on the lease on at least a monthly basis.

(11) The commingling facilities should be installed and operated in accordance with the applicable provisions of Division Rule No. 309 and the Division's "*Manual for the Installation and Operation of Commingling Facilities.*"

(12) The operator should notify the supervisor of the Division's Hobbs District Office prior to commingling and at such times as wells are completed and production from these wells is commingled at the central tank battery.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Falcon Creek Resources, Inc. ("Falcon"), is hereby authorized to surface commingle West Teas-Yates Seven Rivers Pool production from its Conoco State Lease (Lease No. V-4021), which comprises the N/2 NW/4, and the BF State Lease (Lease No. E-3441), which comprises the E/2 NE/4, SW/4 NE/4, NW/4 SE/4, and N/2 SW/4, of Section 16, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico.

(2) Commingled production shall be stored in a central tank battery to be installed at a location within the SW/4 NE/4 (Unit G) of Section 16.

(3) Production from each of the wells on the Conoco State Lease and the BF State Lease shall be determined and allocated on the basis of well tests to be conducted on each well on at least a monthly basis.

(4) The commingling facilities shall be installed and operated in accordance with the applicable provisions of Division Rule No. 309 and the Division's "*Manual for the Installation and Operation of Commingling Facilities.*"

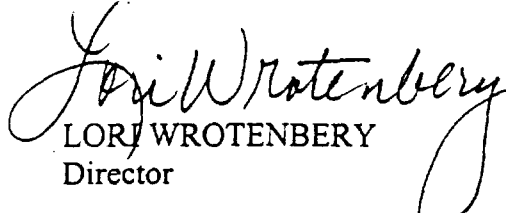
(5) The operator shall notify the supervisor of the Division's Hobbs District Office prior to commingling and at such times as wells are completed and production from these wells is commingled at the central tank battery.

(6) It shall be the responsibility of the applicant to notify the transporter of this commingling authority.

(7) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

S E A L