

To: David Catanach - NMOCD, Santa Fe

Fax: 505-827-8177

From: Mark Stephenson

Date: September 8, 1999

Pages: 2, including cover sheet.

Please fax me a date-stamped copy of this letter for my files.

From the desk of...

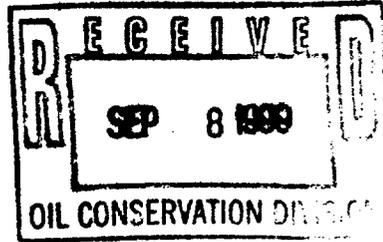
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Via Fax (505-827-8177) & Federal Express

September 8, 1999

Mr. David Catanach
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505



Re: *Notice of Intent to Protest*
Application of Falcon Creek Resources Inc. for Injection Authority for Six Wells
in the Proposed West Teas (Yates-Seven Rivers) Unit Secondary Recovery Project
Lea County, New Mexico

Dear Mr. Catanach:



On August 24, 1999, Mitchell Energy Corporation (MEC) received a copy of Falcon Creek Resources, Inc.'s (FCR) New Mexico Oil Conservation Division (NMOCD) Form C-108, *Application for Authorization to Inject*, for six wells in the West Teas (Yates-Seven Rivers) Field. MEC operates one of those wells. FCR owns no interest in the well operated by MEC or in the tract on which the well is located. MEC and other working interest owners in the proposed West Teas (Yates-Seven Rivers) Unit have asked FCR to address several important issues relating to the proposed unit. On August 27, 1999, MEC sent FCR a letter reminding FCR that these issues needed to be addressed before a secondary recovery project could be seriously considered. MEC's August 27 letter also advised FCR that MEC felt that it was inappropriate to file the Form C-108 Application with the NMOCD due to these unresolved issues. One of the issues that has not been resolved is an agreement among the working interest owners on an injection pattern for the proposed unit. Clearly, the lack of a consensus on this issue alone makes the filing of the Form C-108 application by FCR premature.

It is MEC's understanding that this application was received by the NMOCD on August 25, 1999 and that the notice period to protest expires on September 9, 1999. MEC does not believe that FCR has made a good faith effort to secure voluntary unitization because FCR has failed to timely and adequately address the concerns expressed by MEC and other working interest owners. Accordingly, MEC hereby files this notice of its intent to protest this application.

If you have any questions, please call me at 713-377-5818.

Sincerely,

MITCHELL ENERGY CORPORATION

Mark N. Stephenson
Manager, Regulatory Affairs

cc: Mr. Joe Cox, Jr., Falcon Creek Resources, Inc. (Via Fax 303-675-0008)
Mr. Richard Sullivan, Bass Enterprises Production Company (Via Fax 915-687-0329)
Mr. Paul Marchand, Camterra Resources Partners, Ltd. (Via Fax 903-935-0521)
Mr. Rick Vanderslice, Santa Fe-Synder Corporation (Via Fax 915-686-6734)