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**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:**

**APPLICATION OF BEACH EXPLORATION,
INC. FOR STATUTORY UNITIZATION,
EDDY COUNTY, NEW MEXICO.**

Case No. 13,972

**APPLICATION OF BEACH EXPLORATION,
INC. FOR APPROVAL OF A WATERFLOOD
PROJECT AND TO QUALIFY THE PROJECT
FOR THE RECOVERED OIL TAX RATE,
EDDY COUNTY, NEW MEXICO.**

Case No. 13,973

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by applicant as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

Beach Exploration, Inc.
Suite 200
800 North Marientfeld
Midland, Texas 79701

Attention: Robert Hinson
(432) 683-6226

APPLICANT'S ATTORNEY

James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

OPPONENT

MYCO Industries, Inc.

OPPONENT'S ATTORNEY

William F. Carr

STATEMENT OF THE CASE

APPLICANT

In Case No. 13972, applicant seeks an order unitizing all mineral interests in the Queen Sand member of the Turkey Track Seven Rivers-Queen-Grayburg-San Andres Pool underlying parts

of Sections 1, 2, and 11, Township 19 South, Range 29 East, N.M.P.M., comprising 1040.00 acres of state lands for its proposed Eastland Queen Unit. Among the matters to be considered at hearing, pursuant to the New Mexico Statutory Unitization Act, NMSA 1978 §§70-7-1 *et seq.*, will be: The necessity of unit operations; the determination of horizontal and vertical limits of the unit area; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investments, to each of the tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate.

In Case 13973, applicant seeks approval to institute a waterflood project in the Queen Sand member of the Turkey Track Seven Rivers-Queen-Grayburg-San Andres Pool by the injection of water into eighteen wells located on state lands covering parts of Sections 1, 2, and 11, Township 19 South, Range 29 East, N.M.P.M. Applicant further seeks to qualify the project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1-5).

OPPONENT

PROPOSED EVIDENCE

APPLICANT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Robert Hinson (landman)	25 min.	Approx. 6
<u> </u> (geologist)	15 min.	Approx. 4
Jack Rose (engineer)	45 Min.	Approx. 5

OPPONENT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
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PROCEDURAL MATTERS

1. Applicant requests that these two cases be consolidated for hearing.
2. MYCO Industries, Inc. has informed applicant that it will file a motion for continuance.

Respectfully submitted,



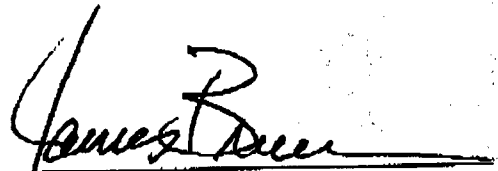
James Bruce
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(505) 982-2043

Attorney for Beach Exploration, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 16th day of August, 2007 by facsimile transmission:

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James Bruce