

September 10, 1999

SEP 13 1999

Ms. Lori Wrotenberry  
Mr. David Catanach  
Oil Conservation Division  
New Mexico Department of Energy, Minerals and Natural Resources  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Case 12272

Re: 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 Ms. Wrotenberry and Mr. Catanach:

This is in response to Bill Carr's September 9, 1999 letter requesting that Falcon Creek Resources, Inc.'s (FCR) Form C-108, *Application for Authorization to Inject*, for six wells in the West Teas (Yates-Seven Rivers) Field be set for hearing before the Oil Conservation Division (OCD) on October 21, 1999. In that letter, Mr. Carr indicates that FCR *hopes* to have its applications for statutory unitization, waterflood project approval, and certification of the project for the Recovered Tax Rate ready for hearing on October 21. Mitchell Energy Corporation (MEC) believes it is premature to set any application relating to the proposed West Teas (Yates-Seven Rivers) Unit secondary recovery project for hearing and urges the OCD to take no action on FCR's request at this time.

Simply stated, MEC believes FCR put the cart before the horse when it filed the Form C-108 application prior to receiving approval of the proposed injection pattern from the other working interest owners in the proposed unit. Furthermore, although FCR plans to go forward with a hearing for statutory unitization less than six weeks from now, FCR has not yet provided MEC or other working interest owners with any of the following pertinent information relating to the proposed secondary recovery project:

- ▶ a completed unitization agreement;
- ▶ a completed unit operating agreement;
- ▶ a technical flood plan. The plan should address how FCR intends to implement a secondary recovery project covering the entire unit area, not only the portion of the unit FCR intends to develop initially;
- ▶ the proposed tract participation formula for the unit; and
- ▶ the proposed method to equitably allocate among all working interest owners in the unit the cost of disposing of produced salt water (in the only proposal provided to MEC to date, FCR would charge its partners 8 to 9 times FCR's cost to dispose of water).

MEC and other working interest owners requested this information from FCR at a meeting on July 15, 1999, or almost two months ago. Until this critical information is provided, MEC is unable to determine whether it will agree to participate in the proposed unit on a voluntary basis or whether it will protest the application for statutory unitization. Accordingly, MEC asks that FCR's request for hearing be held in abeyance until MEC and the other interested parties have been afforded a reasonable opportunity to evaluate the merits of participating in the proposed secondary recovery project. MEC also requests that the OCD urge FCR to provide this information to the parties in a timely manner.

In the event the OCD decides to set the matter for hearing at this time, MEC requests that the hearing not be scheduled before November 11, 1999. This short delay is required to give the parties sufficient time to evaluate the merits of joining the proposed unit and, if necessary, prepare for a contested hearing.

MEC appreciates your consideration in this matter.

Sincerely,

MITCHELL ENERGY CORPORATION



Mark N. Stephenson  
Manager, Regulatory Affairs

cc: Mr. Bill Carr, Attorney for Falcon Creek Resources, Inc. *(Via Fax 505-983-6043)*  
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)*