



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
ROSWELL FIELD OFFICE
2909 West Second Street
Roswell, New Mexico 88201-2019

IN REPLY REFER
NMNM103145X
3180 (06300)

JAN 18 2000

Falcon Creek Resources, Inc.
Attention: Lynn D. Becker, CPL
621 Seventeenth Street, Suite 1800
Denver, CO 80293-0621

Gentlemen:

Your application of December 30, 1999, filed with the BLM requests the designation of the West Teas (Yates-Seven Rivers) Unit area, embracing 1320.00 acres, more or less, Lea County, New Mexico, as logically subject to secondary recovery operations under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 43 CFR 3180, the land requested as outlined on your plat marked Exhibit A, Falcon Creek Resources, Inc. West Teas (Yates-Seven Rivers) Unit, Lea County, New Mexico, is hereby designated as a logical unit area and has been assigned No. NMNM103145X. This designation is valid for a period from one year from the date of this letter.

Waterflooding will be limited to the following interval: That subsurface stratigraphic interval underlying the Unit Area found between the top of the Yates Formation and the base of the Seven Rivers Formation. The top of the Yates Formation is defined as all points underlying the Unit Area correlative to the depth of 3,062 feet, and the base of the Seven Rivers Formation is defined as all points underlying the Unit area correlative to the depth of 3,358 feet, as said depths are identified on the Compensated Neutron/Litho-Density Log for the State No. 1 Well, located in the SE1/4NE1/4 of Section 16, T. 20 S., R. 33 E., NMPM, Lea County, New Mexico.

Your basis for allocation of unitized substances and your proposed form of unit agreement are acceptable. Corrections that need to be made to the enclosed Exhibit B are marked in red.

If conditions are such that modification of said standard form is deemed necessary, two copies of the proposed modifications with appropriate justification must be submitted to this office for preliminary approval.

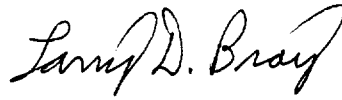
In the absence of any type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical with said form, modified as outline above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to the BLM for final approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the reprint of the aforementioned form.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12331 and 12332 Exhibit No. 5
Submitted by:
Falcon Creek Resources, Inc.
Hearing Date: February 17, 2000

Inasmuch as this unit agreement involves State and Fee land, we are sending a copy of the letter to the Commissioner of Public Lands and the NMOCD. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the state.

Sincerely,

A handwritten signature in cursive script that reads "Larry D. Bray". The signature is written in dark ink and is positioned above the printed name and title.

Larry D. Bray
Assistant Field Office Manager,
Lands and Minerals

Enclosure

SCHEDULE OF OWNERSHIP OF OIL AND GAS INTERESTS
WEST TEAS (YATES-SEVEN RIVERS) UNIT AREA
LEA COUNTY, NEW MEXICO

Corrections to be made in red

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER LEASE EXPIRATION LEASE STATUS	ROYALTY OWNERSHIP		LESSEE OF RECORD		OVERRIDING ROYALTY		WORKING INTEREST	
				BASIC ROYALTY PERCENTAGE	PERCENTAGE	OWNERSHIP	PERCENTAGE	OWNERSHIP	PERCENTAGE	OWNERSHIP	PERCENTAGE
FEDERAL LANDS: T20S-R33E, N.M.P.M.											
1A.	Sec. 9: S/2 SW/4, SW/4 SE/4	120.00	NM-51844 Effective 4-1-82 HBP	U.S.A. 12.5% Royalty <i>56 1/3</i>	All	Mobil Producing TX & NM, Inc.	100.0000000%	Mobil Producing TX & NM, Inc. 7.5000%	Falcon Creek Resources, Inc.	100.0000000%	
1B.	Sec. 9: N/2 SW/4, NW/4 SE/4	120.00	NM-51844 Effective 4-1-82 HBP	U.S.A. 12.5% Royalty <i>56 1/3</i>	All	Mobil Producing TX & NM, Inc.	100.0000000%	Mobil Producing TX & NM, Inc. 7.5000% Bob Shackelford 5.0000%	Falcon Creek Resources, Inc.	100.0000000%	
2A.	Sec. 9: S/2 NW/4	80.00	NM-89889 Effective 4-1-84 HBP	U.S.A. 12.5% Royalty	All	Mitchell Energy Corporation	100.0000000%	Southeast Royalties, Inc. 12.5000%	Falcon Creek Resources, Inc.	100.0000000%	
2B.	Sec. 9: NE/4 NW/4	40.00	NM-89889 Effective 4-1-84 HBP	U.S.A. 12.5% Royalty	All	Mitchell Energy Corporation	100.0000000%	Southeast Royalties, Inc. 12.5000%	Falcon Creek Resources, Inc. PATCO, Ltd. Sid Cowan Sheehy & Richardson	94.116471% 2.5000000% 2.383529% 1.0000000%	
2C.	Sec. 9: NW/4 NE/4	40.00	NM-89889 Effective 4-1-84 HBP	U.S.A. 12.5% Royalty	All	Mitchell Energy Corporation	100.0000000%	Southeast Royalties, Inc. 12.5000%	Falcon Creek Resources, Inc. Sid Cowan Charles McNeese Sheehy & Richardson	94.605871% 2.2280000% 2.0000000% 1.166129%	
2D.	Sec. 9: NE/4 NE/4	40.00	NM-89889 Effective 4-1-84 HBP	U.S.A. 12.5% Royalty	All	Mitchell Energy Corporation	100.0000000%	Southeast Royalties, Inc. 12.5000%	Falcon Creek Resources, Inc. PATCO, Ltd. Sid Cowan Sheehy & Richardson	94.5000000% 2.5000000% 2.0000000% 1.0000000%	
2E.	Sec. 9: SW/4 NE/4	40.00	NM-89889 Effective 4-1-84 HBP	U.S.A. 12.5% Royalty	All	Mitchell Energy Corporation	100.0000000%	Southeast Royalties, Inc. 12.5000%	Falcon Creek Resources, Inc. Kenneth English Sheehy & Richardson Sid Cowan	88.316213% 10.0000000% 1.0000000% 0.683787%	

SCHEDULE OF OWNERSHIP OF OIL AND GAS INTERESTS
WEST TEAS (VATES-SEVEN RIVERS) UNIT AREA
LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER		ROYALTY OWNERSHIP		LESSEE OF RECORD		OVERRIDING ROYALTY		WORKING INTEREST	
			LEASE EXPIRATION	LEASE STATUS	BASIC ROYALTY PERCENTAGE		OWNERSHIP PERCENTAGE		OWNERSHIP PERCENTAGE		OWNERSHIP PERCENTAGE	
2F.	Sec. 9: SE/4 NE/4	40.00	NM-89889 Effective 4-1-84 HBP		U.S.A. 12.5% Royalty		All Mitchell Energy Corporation	100.0000000%	Southeast Royalties, Inc.	12.5000%	Falcon Creek Resources, Inc. PATCO, Ltd. Sid Cowan Sheehy & Richardson	94.2500000% 2.5000000% 2.0000000% 1.2500000%
2G.	Sec. 9: NE/4 SE/4	40.00	NM-89889 Effective 4-1-84 HBP		U.S.A. 12.5% Royalty		All Mitchell Energy Corporation	100.0000000%	Southeast Royalties, Inc.	12.5000%	Falcon Creek Resources, Inc. Sid Cowan Sheehy & Richardson	97.0000000% 2.0000000% 1.0000000%
3.	Sec. 9: SE/4 SE/4	40.00	NM-94851 Effective 6-1-95 HBP		U.S.A. 12.5% Royalty		All Falcon Creek Resources, Inc. Sid Cowan Sheehy & Richardson	^{100.} 97.0000000% 2.0000000% 1.0000000%	Douglas Tull Robert D. Stevens Trilogy Operating, Inc.	5.7500% 5.7500% 1.0000%	Falcon Creek Resources, Inc. Sid Cowan Sheehy & Richardson	97.0000000% 2.0000000% 1.0000000%
4.	Sec. 17: E/2 NE/4, NE/4 SE/4	120.00	NM-94852 Effective 6-1-95 Expires 5-7-2005 31		U.S.A. 12.5% Royalty		All Trilogy Operating, Inc.	100.0000000%	Trilogy Operating, Inc.	12.5000%	Falcon Creek Resources, Inc.	100.0000000%

10 FEDERAL TRACTS TOTALING 720.00 ACRES OR 54.55% OF THE UNIT AREA

SCHEDULE OF OWNERSHIP OF OIL AND GAS INTERESTS
WEST TEAS (VATES-SEVEN RIVERS) UNIT AREA
LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	SERIAL NUMBER	LEASE EXPIRATION	NUMBER OF ACRES	ROYALTY OWNERSHIP BASIC ROYALTY PERCENTAGE	LESSEE OF RECORD OWNERSHIP PERCENTAGE	OVERRIDING ROYALTY OWNERSHIP PERCENTAGE	WORKING INTEREST OWNERSHIP PERCENTAGE
STATE LANDS: J20S-R33E, N.M.P.M.								
5A.	Sec. 16: NE/4 NE/4, S/2 NE/4, N/2 SW/4	200.00	E-3441-5 Effective 4-10-50 HBP		State of New Mexico 12.5% Royalty	All Snyder Ranches, Inc.	100.0000000% Laguna Gatuna, Inc. Douglas Tull Robert D. Stevens Randy Hall	97.0000000% 5.00000% 2.50000% 2.50000% 2.50000%
5B.	Sec. 16: SE/4 NW/4	40.00	E-3441-7 Effective 4-10-50 HBP		State of New Mexico 12.5% Royalty	All Falcon Creek Resources, Inc.	100.0000000% Vicki Shackelford	100.0000000% 4.1667%
5C.	Sec. 16: NW/4 NE/4, SW/4 NW/4	80.00	E-3441-7 Effective 4-10-50 HBP		State of New Mexico 12.5% Royalty	All Falcon Creek Resources, Inc.	100.0000000% Vicki Shackelford	100.0000000% 4.1667%
6A.	Sec. 16: NE/4 NW/4	40.00	V-4021-0 Effective 5-1-92 HBP		State of New Mexico 16.666667% Royalty	All Conoco Inc.	100.0000000% Conoco Inc. Douglas Tull Robert D. Stevens Randy Hall	96.924030% 4.83333% 1.1667% 1.1666% 1.1667%
6B.	Sec. 16: NW/4 NW/4	40.00	V-4021-0 Effective 5-1-92 HBP		State of New Mexico 16.666667% Royalty	All Conoco Inc.	100.0000000% Conoco Inc. Douglas Tull Robert D. Stevens Randy Hall	96.909405% 4.83333% 1.1667% 1.1666% 1.1667%
7.	Sec. 4: N/2 SE/4	80.00	E-5231-8 Effective 5-10-51 HBP		State of New Mexico 12.5% Royalty	All Bass Enterprises Production Co.	100.0000000% None	100.0000000% Falcon Creek Resources, Inc.
8.	Sec. 16: NW/4 SE/4	40.00	V-5241-1 Effective 2-1-98 Expires 2-1-03		State of New Mexico 16.666667% Royalty	All Santa Fe Energy Resources, Inc.	100.0000000% None	100.0000000% Santa Fe-Snyder Corporation

7 STATE TRACTS TOTALING 520.00 ACRES OR 39.39% OF THE UNIT AREA

SCHEDULE OF OWNERSHIP OF OIL AND GAS INTERESTS
WEST TEAS (VATES-SEVEN RIVERS) UNIT AREA
LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	SERIAL NUMBER	LEASE EXPIRATION	ROYALTY OWNERSHIP		LESSEE OF RECORD OWNERSHIP		OVERRIDING ROYALTY OWNERSHIP		WORKING INTER OWNERSHIP	
				NUMBER OF ACRES	LEASE STATUS	BASIC ROYALTY PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE

PATENTED LANDS: J20S-R33E, N.M.P.M.

9.	Sec. 4: S/2 SE/4	80.00	HBP	Scharbauer Cattle Company 20% royalty	Mitchell Energy Corporation Santa Fe-Snyder Corporation	50.0000000% 33.333333%	RIMCO Royalty Partners Matt S. Muratta	0.1583% 0.0083%	Mitchell Energy Corporation Santa Fe-Snyder Corporation
			HBP	Giles M. Lee 20% royalty	Canterra Resources Partners, L.P.	16.666667%			Canterra Resources Partners, L.P.
			HBP	Charles R. Lee 20% royalty		5%			
			HBP	R. D. Lee, Jr. 20% royalty		5%			
			HBP	John R. Anderson, Personal Representative for the Estate of Brookie Lee Anderson 20% royalty		5%			
			HBP	Brookie Lee Green 20% royalty		1.25%			
			HBP	Elizabeth Forrester Berry 20% royalty		1.25%			
			HBP	Becky Brooks Christmas 20% royalty		1.25%			
			HBP	Mary Ann Ham 20% royalty		1.25%			

1 PATENTED TRACT TOTALING 80.00 ACRES OR 6.06% OF THE UNIT AREA
18 TRACTS TOTALING 1,320.00 ACRES IN THE UNIT AREA