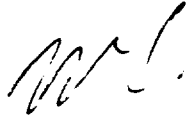


**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**


CASE NOS. 12272, 12331 and 12332

00 FEB 11 PM 4:19

OIL CONSERVATION DIV.

**APPLICATION OF FALCON CREEK RESOURCES, INC.
FOR AUTHORITY TO INJECT WATER INTO SIX WELLS
IN THE PROPOSED TEAS-YATES SEVEN RIVERS UNIT
WATERFLOOD PROJECT AREA,
LEA COUNTY, NEW MEXICO.**

AND

**APPLICATION OF FALCON CREEK RESOURCES, INC.
FOR STATUTORY UNITIZATION,
LEA COUNTY, NEW MEXICO.**

AND

**APPLICATION OF FALCON CREEK RESOURCES, INC.
FOR APPROVAL OF A WATERFLOOD PROJECT FOR ITS
WEST TEAS (YATES-SEVEN RIVERS) UNIT AREA AND
QUALIFICATION OF PROJECT FOR THE RECOVERED OIL TAX RATE
PURSUANT TO THE ENHANCED OIL RECOVERY ACT,
LEA COUNTY, NEW MEXICO.**

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Campbell, Carr, Berge & Sheridan, P.A.,
as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Falcon Creek Resources, Inc.
Attn: Lynn Becker
621 17th Street, Suite 1800
Denver, CO 80293-0621
(303) 675-0007

ATTORNEY

William F. Carr, Esq.
Campbell, Carr, Berge & Sheridan, P.A.
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 988-4421

OPPOSITION

Mitchell Energy Corporation
Attn: Ben Waller
P.O. Box 4000
The Woodlands, TX 77387-4000
(281) 296-3472

ATTORNEY

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

STATEMENT OF CASE

APPLICANT

Applicant seeks an order unitizing, for the purpose of establishing an enhanced recovery project, all mineral interest in the Yates and Seven Rivers formations, West Teas (Yates-Seven Rivers) Pool, underlying 1,320 acres, more or less, of Federal, State and Fee lands in the following acreage:

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM

Section 4: SE/4
Section 9: S/2, NE/4, S/2 NW/4, NE/4 NW/4
Section 16: N/2, N/2 SW/4, NW/4 SE/4
Section 17: E/2 NE/4, NE/4 SE/4

Said unit to be designated the West Teas (Yates - Seven Rivers) Unit.

Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the designation 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 investment, to each of the various 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 for carrying on efficient unit operations; including but not limited to, unit voting procedures, selection, removal or substitution of

unit operator, and time of commencement and termination of unit operations. Applicant also requests that any such order issued in this case include a provision for carrying any non-consenting working interest owner within the unit area upon such terms and conditions to be determined by the Division as just and reasonable. Said unit area is located approximately 30 miles west by southwest of Hobbs, New Mexico.

Applicant further seeks and order approval of its West Teas (Yates-Seven Rivers) Unit Waterflood Project for injection of water in the Yates and Seven Rivers Formation, West Teas-Yates Seven Rivers Pool through six injection wells located in the described area;

Applicant further requests that the Division establish procedures for the administrative approval of additional injection wells within the project are without the necessity of further hearings and the adoption of such other provisions as are necessary for the waterflood operations. Applicant further seeks to qualify the project area for the recovered oil tax rate pursuant to the ratified statutory unitization order of the Commission to include all land affected by the pressure maintenance project being conducted in the pool. This unit is located approximately 4.5 miles west-northwest of Lovington, New Mexico.

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

PROPOSED EVIDENCE

APPLICANT

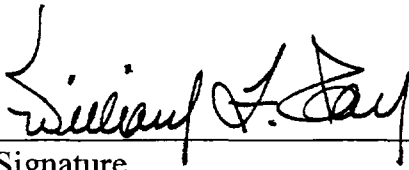
WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
Lynn Becker (Landman)	Approx. 15 min.	Approx. 7
Denny LeMar (Geologist)	Approx. 15 min.	Approx. 5
Joe Cox (Petroleum Engineer)	Approx. 15 min.	Approx. 4

OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
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PROCEDURAL MATTERS

Falcon Creek Resources respectfully requests that the cases be consolidated for hearing.

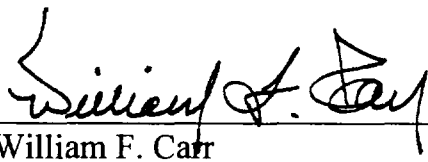


Signature

CERTIFICATE OF SERVICE

I hereby certify that on this 11th day of February, 2000, I have caused to be delivered, a copy of our Entry of Appearance in the above-captioned case to the following named parties via the US Postal Service:

James Bruce, Esq.
P.O. Box 1056
Santa Fe, NM 87504



William F. Carr