

**HINKLE, COX, EATON, COFFIELD & HENSLEY,  
L.L.P.**

**ATTORNEYS AT LAW**

**218 MONTEZUMA POST OFFICE BOX 2068  
SANTA FE, NEW MEXICO 87504-2068  
(505) 982-4554 FAX (505) 982-8623**

LEWIS C. COX, JR. (1924-1993)  
CLARENCE E. HINKLE (1904-1985)

OF COUNSEL  
O. M. CALHOUN\*  
JOE W. WOOD  
RICHARD L. CAZZELL\*

ELLEN S. CASEY  
MARGARET CARTER LUDEWIG  
S. BARRY PAISNER  
WYATT L. BROOKS\*  
DAVID M. RUSSELL\*  
ANDREW J. CLOUTIER  
STEPHANIE LANDRY  
KIRT E. MOELLING\*  
DIANE FISHER  
JULIE P. NEERKEN  
WILLIAM P. SLATTERY  
CHRISTOPHER M. MOODY  
JOHN D. PHILLIPS  
EARL R. NORRIS  
JAMES A. GILLESPIE  
MARGARET R. MCNETT  
DARREN T. GROCE\*

GARY W. LARSON  
LISA K. SMITH\*  
NORMAN D. EWART  
MOLLY MCINTOSH  
MARCIA B. LINCOLN  
SCOTT A. SHUART\*  
PAUL G. NASON  
AMY C. WRIGHT\*  
KAROLYN KING NELSON  
ELLEN T. LOUDERBOUGH  
JAMES H. WOOD\*  
NANCY L. STRATTON  
TIMOTHY R. BROWN  
JAMES C. MARTIN  
KATHLEEN M. HALL  
DANNY W. JARRETT  
MATTHEW E. FORBES\*

PAUL W. EATON  
CONRAD E. COFFIELD  
HAROLD L. HENSLEY, JR.  
STUART D. SHANOR  
ERIC D. LANPHERE  
C. D. MARTIN  
ROBERT P. TINNIN, JR.  
MARSHALL G. MARTIN  
MASTON C. COURTNEY\*  
DON L. PATTERSON\*  
DOUGLAS L. LUNSFORD  
NICHOLAS J. NOEDING  
T. CALDER EZZELL, JR.  
WILLIAM B. BURFORD\*  
RICHARD E. OLSON  
RICHARD R. WILFONG\*  
THOMAS J. MCBRIDE  
NANCY S. CUSACK  
JEFFREY L. FORNACIARI

JEFFREY D. HEWETT  
JAMES BRUCE  
JERRY F. SHACKELFORD\*  
JEFFREY W. HELLBERG\*  
W. F. COUNTISS\*  
ALBERT L. PITTS  
THOMAS M. HNASKO  
JOHN C. CHAMBERS\*  
GARY D. COMPTON\*  
W. H. BRIAN, JR.\*  
RUSSELL J. BAILEY\*  
STEVEN D. ARNOLD  
THOMAS D. HAINES, JR.  
GREGORY J. NIBERT  
FRED W. SCHWENDIMANN  
JAMES M. HUDSON  
JAMES E. HOOD\*  
REBECCA NICHOLS JOHNSON  
STANLEY K. KOTOVSKY, JR.

\*NOT LICENSED IN NEW MEXICO

January 24, 1997

**Hand Delivered**

Florene Davidson  
New Mexico Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

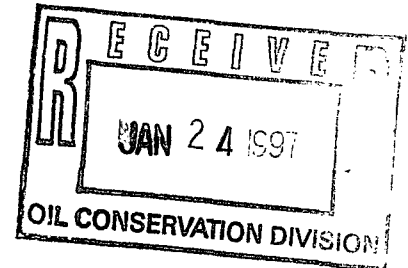
Dear Florene:

Enclosed are an original and two copies of an application for unit expansion/statutory unitization, together with a proposed advertisement, filed on behalf of Gillespie-Crow, Inc. Please set this matter for the February 20, 1997 Examiner hearing. Thank you.

Very truly yours,

HINKLE, COX, EATON, COFFIELD  
& HENSLEY, L.L.P.

*James Bruce*  
James Bruce



POST OFFICE BOX 10  
ROSWELL, NEW MEXICO 88202  
(505) 622-6510  
FAX (505) 623-9332

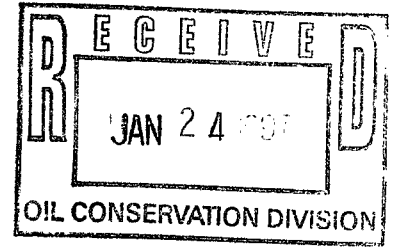
POST OFFICE BOX 3580  
MIDLAND, TEXAS 79702  
(915) 683-4691  
FAX (915) 683-6518

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AMARILLO, TEXAS 79105  
(806) 372-5569  
FAX (806) 372-9761

POST OFFICE BOX 2043  
ALBUQUERQUE, NEW MEXICO 87103  
(505) 768-1500  
FAX (505) 768-1529

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF GILLESPIE-CROW, INC.  
FOR UNIT EXPANSION, STATUTORY  
UNITIZATION, AND QUALIFICATION OF THE  
EXPANDED UNIT AREA FOR THE RECOVERED  
OIL TAX RATE AND CERTIFICATION  
OF A POSITIVE PRODUCTION RESPONSE  
PURSUANT TO THE "NEW MEXICO ENHANCED  
OIL RECOVERY ACT," LEA COUNTY, NEW MEXICO.



No. 11724

APPLICATION

Gillespie-Crow, Inc., for its application, states:

1. Applicant is engaged in the business of producing and selling oil and gas as defined by the Statutory Unitization Act, N.M. Stat. Ann. §§70-7-1 through 21 (1995 Repl. Pam.) ("the Act").

2. Applicant is the operator of the West Lovington Strawn Unit ("WLSU"), approved by Division Order No. R-10449, which statutorily unitized the Strawn formation underlying the following lands located in Lea County, New Mexico:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, N.M.P.M.

Section 33: All

Section 34: W½

TOWNSHIP 16 SOUTH, RANGE 35 EAST, N.M.P.M.

Section 1: Lots 1 through 8

TOWNSHIP 16 SOUTH, RANGE 36 EAST, N.M.P.M.

Section 6: Lots 3 through 5

Containing 1458.95 acres, more or less.

The vertical limits of the unitized formation are defined in Order No. R-10449, which is incorporated herein by reference.

3. Additional development of the Strawn formation has occurred on lands adjoining the WLSU, and the additional wells are

in communication with the wells in the WLSU. As a result, applicant requests that the WLSU be expanded to include the Strawn formation underlying the following lands:

**TOWNSHIP 15 SOUTH, RANGE 35 EAST, N.M.P.M.**

Section 28: S $\frac{1}{2}$ SE $\frac{1}{4}$

Section 34: W $\frac{1}{2}$ SE $\frac{1}{4}$

Containing 160 acres, more or less.

A map of the proposed expanded unit area, containing 1618.95 acres, is attached hereto as Exhibit A. The Strawn formation underlying the expanded unit area has been reasonably defined by development.

4. The WLSU is subject to a natural gas injection pressure maintenance project, authorized by Division Order No. R-10448. Said order also qualified the WLSU pressure maintenance project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

5. The plan of unitization for the expanded unit area, as modified by the tract participations set forth in ¶11 below, is embodied in the Unit Agreement approved by the Division in Case No. 11195 (Order No. R-10449), which agreement is incorporated herein by reference, and the plan is fair, reasonable, and equitable.

6. The operating plan for the expanded unit area, covering the manner in which the expanded unit area will be supervised and managed, and costs allocated and paid, is embodied in the Unit Operating Agreement approved by the Division in Case No. 11195 (Order No. R-10449), which is agreement incorporated herein by reference.

7. The unitized management, operation, and further development of the Strawn formation underlying the expanded unit area is reasonably necessary in order to effectively carry on pressure maintenance operations and to substantially increase the ultimate recovery of oil and gas therefrom.

8. The existing pressure maintenance operation, as applied to the Strawn formation underlying the expanded unit area, is feasible, will prevent waste, and will result with reasonable probability in the increased recovery of substantially more oil from the Strawn formation than would otherwise be recovered.

9. The estimated additional costs, if any, of conducting unitized operations will not exceed the estimated value of the additional oil recovered thereby, plus a reasonable profit.

10. Applicant has made a good faith effort to secure voluntary unitization of the Strawn formation underlying the expanded unit area, but there are persons who have not voluntarily committed their interests thereto.

11. The proposed tract participations for the expanded unit area are as follows:

<u>TRACT</u>	<u>PARTICIPATION</u>
1 - 11 (WLSU)	95.2797924%
12 (NW¼SE¼ §34)	2.3161519%
13 (SW¼SE¼ §34)	2.1147842%
14 (S½SE¼ §28)	<u>0.2892715%</u>
	100.0000000%

Pursuant to §70-7-10 of the Act, the existing WLSU has been treated as one tract, and production allocated thereto will be allocated among the tracts in the original WLSU as specified in Order No. R-10449. The participation formula for the proposed expanded unit area allocates the produced and saved unitized oil to the separately owned tracts on a fair, reasonable, and equitable basis.

12. By Order No. R-10608, as amended, the Division certified a positive production response for the wells within the WLSU. The two additional wells within the proposed expanded unit area are entitled to be qualified for the recovered oil tax rate and certified for a positive production response. These wells, and the acreage dedicated thereto, are as follows:

<u>WELL NAME</u>	<u>WELL UNIT</u>
State "S" No. 1 (WLSU No. 12)	WLSU Tracts 12 and 13
Chandler No. 1 (WLSU No. 13)	WLSU Tract 14

13. The granting of this application is in the interests of conservation, the prevention of waste, and the protection of correlative rights.

14. Applicant requests that this matter be set for hearing on February 20, 1997.

**WHEREFORE**, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving the expansion of the WLSU to include the lands described in ¶3 above;
- B. Statutorily unitizing the expanded unit area;

- C. Approving the tract participations for the expanded unit area as described in ¶11 above;
- D. Approving the WLSU Unit Agreement, as amended, and the WLSU Unit Operating Agreement for the expanded unit area;
- E. Qualifying the expansion area of the WLSU for the recovered oil tax rate and certifying WLSU Well Nos. 12 and 13 for a positive production response; and
- F. Granting such further relief as the Division deems proper.

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD  
& HENSLEY, L.L.P.

A handwritten signature in black ink, appearing to read "James Bruce", written over a horizontal line.

James Bruce  
P. O. Box 2068  
Santa Fe, New Mexico 87504-2068  
(505) 982-4554

Attorneys for Gillespie-Crow, Inc.

gciapp.ux

VERIFICATION

STATE OF TEXAS       )  
COUNTY OF MIDLAND   )

William R. Crow, being duly sworn upon his oath, deposes and states that: he is a an employee of applicant; he is familiar with the matters set forth in the foregoing application; and the statements therein are true and correct to the best of his knowledge.

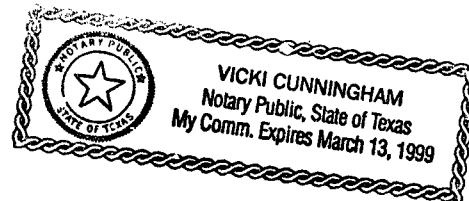
William R. Crow  
William R. Crow

SUBSCRIBED AND SWORN TO before me this 20TH day of January, 1997 by William R. Crow.

Vicki Cunningham  
Notary Public




My Commission expires:

MARCH 13, 1999

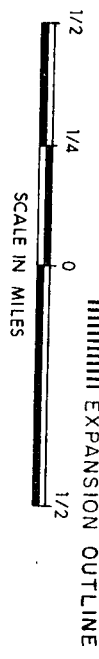


**RCM**



	EXISTING ACREAGE	EXPANDED ACREAGE	PERCENTAGE
 FEDERAL LANDS	320.00	320.00	19.77%
 STATE LANDS	502.42	582.42	35.97%
 PATENTED LANDS	636.53	716.53	44.26%

TRACT NUMBER	UNIT OUTLINE
1,018.95	100.00%

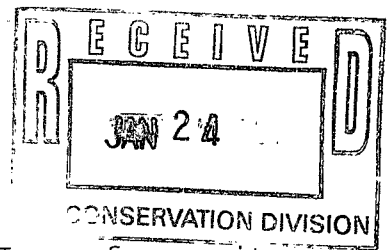


**Exhibit "A"**  
**WEST LOVINGTON (STRAWN) UNIT**  
LEA COUNTY, NEW MEXICO

**AS EXPANDED**

**GILLESPIE - CROW, INC.**  
MIDLAND, TEXAS





PROPOSED ADVERTISEMENT

Case 11724: Application of Gillespie-Crow, Inc. for unit expansion, statutory unitization, and qualification of the expanded unit area for the recovered oil tax rate and certification of a positive production response pursuant to the "New Mexico Enhanced Oil Recovery Act," Lea County, New Mexico. Applicant seeks an order expanding the West Lovington Strawn Unit and unitizing all mineral interests in the designated and Undesignated West Lovington-Strawn Pool underlying the S $\frac{1}{2}$ SE $\frac{1}{4}$  of Section 28, all of Section 33, and the W $\frac{1}{2}$  and W $\frac{1}{2}$ SE $\frac{1}{4}$  of Section 34, Township 15 South, Range 35 East; Lots 1 through 8 of Section 1, Township 16 South, Range 35 East; and Lots 3 through 5 of Section 6, Township 16 South, Range 36 East, comprising 1618.95 acres, more or less, of state, federal, and fee lands. Among the matters to be considered at the hearing, pursuant to the New Mexico Statutory Unitization Act, Sections 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. Applicant further seeks to qualify the expanded unit area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5), and to certify two wells within the expanded unit area

for a positive production response. Said unit is located approximately 4.5 miles West-Northwest of Lovington, New Mexico.