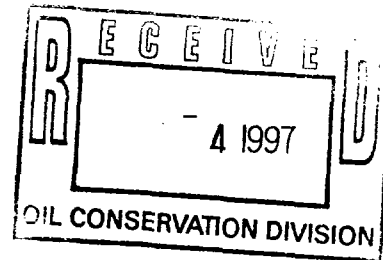


STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

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



APPLICATION OF GILLESPIE-CROW, INC.
TO AMEND ORDER NO. R-10448-A AND TO
AMEND THE SPECIAL POOL RULES FOR
THE WEST LOVINGTON-STRAWN POOL,
LEA COUNTY, NEW MEXICO.

CASE 11827

REPLY OF
YATES PETROLEUM CORPORATION
AND HANLEY PETROLEUM INC.
IN SUPPORT OF THEIR MOTION TO DISMISS, OR IN THE ALTERNATIVE,
TO CONTINUE HEARING

The issue presented to the Division with this Motion is whether it is premature to go to hearing on this application before an order has been entered in Case 11724 which will determine the boundaries of the West Lovington-Strawn Unit ("WLSU") and the unit participation formula. Until an order is entered in that case an additional hearing in the on-going dispute between the interest owners in the West Lovington-Strawn Pool can only further complicate the efforts of the Division and the parties to determine how this pool can best be operated. This Motion is not about past delays in bringing matters to the Division¹.

¹ Yates Petroleum Corporation ("Yates") and Hanley Petroleum, Inc. ("Hanley") and the other interest owners in The West Lovington-Strawn Pool now stand before the Division. Each side professes its diligence in trying to resolve the issues concerning the development of this pool and unit. At the same time, each contends that the other has caused delays in timely bring issues before the Division. The facts show that Gillespie-Crow, Inc. commenced unitization efforts in November 1994 and filed its application for statutory unitization of the WLSU on December 13, 1994. Yates and Hanley were not involved in those proceedings. The unit became effective on October 1, 1995 and that month Gillespie discovered the unit boundaries were wrong and that a tract in which Yates owned an interest was in the reservoir. Although Yates requested that the unit be

If the case proceeds to hearing on August 7, 1997, the parties again will make lengthy presentations and again ask the Division to decide matters that have either been resolved by Order No. R-9722-C and R-10448-A (Case 11599) or are involved in and interrelated to the matters currently pending in the unit expansion case (Case 11724) which was heard on May 15 and 16, 1997.

If the Case is heard on August 7, 1997, Yates and Hanley will call witnesses and present testimony in opposition to any further changes in the rules governing the West Lovington-Strawn Pool and West Lovington-Strawn Unit until a decision is rendered in Case 11724, the boundaries of the WLSU are determined and a fair, reasonable and equitable participation formula is adopted for the WLSU . At the end of the hearing, we will request that the case be continued and reopened after an order has been entered in the unit expansion case.

A continuance is necessary for Yates and Hanley we cannot adequately prepare for the August 7 hearing until the outcome of Case 11724 is known. Only then will we know how our interests will be affected by Gillespie's current proposal. If the Yates and Hanley interests are committed to the unit under a fair participation formula, then we could have no objection. However, if our interests are outside the unit offset by unit wells which are authorized to produce as much as ten times more than our wells, we will vigorously object. Only when the Division enters its Order in the unit expansion case will we know if our share of unit production will be determined under the current participation formula which would reduce Hanley's interest in pool production from 194 BOPD to 8 BOPD. See, Yates Exhibit 5, Case 11724. In that circumstance, correlative rights will be impaired and we will present evidence how the current proposal impacts these rights.

If no continuance is granted, when an order is entered in Case 11724, Yates and Hanley may have to file an application so there can be yet another hearing to review allowables for this pool in the context of the Division's decision in the unit expansion case.

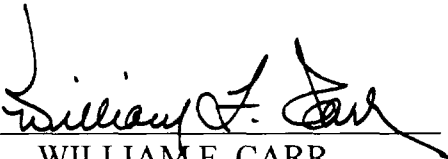
This can all be avoided if the issues concerning the development of this unit are

expanded in early 1996, no application for unit expansion was filed until January 24, 1997. Gillespie waited **fifteen months** after it knew the unit boundaries were incorrect to file for unit expansion. To obtain data necessary to present their arguments in the unit expansion case, Yates and Hanley had to subpoena data from Gillespie. That data was produced on March 24, 1997 and Yates and Hanley were prepared to proceed with their case on May 15, 1997. It took Yates and Hanley only **fifty-two days** after receiving the subpoenaed data to prepare for hearing. The Division can determine who has delayed in bringing the issues in this dispute to hearing.

resolved in a logical way. This will be accomplished if the Division either dismisses or continues the current application of Gillespie-Crow, Inc. until an order is entered in the unit expansion case. At that time, either the current application should be set for hearing or new applications can be filed.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P. A.

By: 
WILLIAM F. CARR

ATTORNEYS FOR YATES
PETROLEUM CORPORATION AND
HANLEY PETROLEUM, INC.

CERTIFICATE OF SERVICE

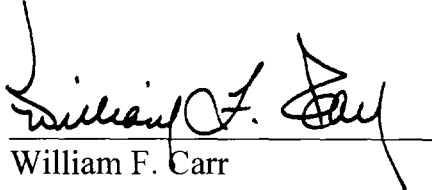
I hereby certify that I have caused to be hand-delivered a true and correct copy of the foregoing pleading to the following counsel of record on this 4th day of August, 1997:

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