

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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.

No. 11827

RESPONSE OF GILLESPIE-CROW, INC. IN OPPOSITION TO
MOTION TO DISMISS, OR IN THE ALTERNATIVE, TO CONTINUE HEARING

Gillespie-Crow, Inc. ("Gillespie-Crow") requests the Division to deny the Motion to Dismiss, or in the Alternative, to Continue Hearing, filed by Yates Petroleum Corporation ("Yates") and Hanley Petroleum, Inc. ("Hanley"). In support thereof, Gillespie-Crow states:

A. REASONS FOR HEARING CASE.

1. Gillespie-Crow is the operator of the West Lovington Strawn Unit ("WLSU"). In Case 11599, Gillespie-Crow requested that the allowable for the West Lovington-Strawn Pool ("the Pool") be reduced to 250 bopd. The Division approved the request, finding that:

[U]nrestricted rates of production from this reservoir... is counter-productive to the overall capabilities of this reservoir. In order to prevent waste and the premature abandonment of this reservoir, measures should be enacted to assure that adequate reservoir pressure is maintained throughout and that the gas cap within this reservoir is managed in a prudent manner.

Order No. R-9722-C/R-10448-A ("the Order"), Finding ¶(15). The Division then approved a 250 bopd allowable for the Pool, and also eliminated a project allowable for the WLSU. The Order did not address the GOR in the Pool.

2. Gillespie-Crow produced the WLSU in accordance with the Order, but, subsequent to the issuance of the Order, the GOR in

several unit wells increased, causing production from the WLSU to decline from 2369 bopd in March 1997 to 1600 bopd during June and July 1997. **See Affidavit of M. Mladenka** (attached hereto as Exhibit A). Wells outside the WLSU, but within the Pool, continue to produce either at capacity or at 250 bopd. Therefore, wells inside the WLSU are not being treated the same as wells outside the WLSU, contrary to the Order. **See Order No. R-9722-C/R-10448-A, Finding ¶(15)** ("[A]ll wells whether inside or outside the WLSU should be treated the same").

3. This case should be heard on August 7, 1997 because: (a) the issue of the GOR for the Pool is separate from the WLSU expansion case (No. 11724), and the unit expansion case does not address the Pool's GOR; (b) wells outside the WLSU have a competitive advantage over wells inside the WLSU;¹ (c) new evidence has been acquired since the Order was entered, which justifies a hearing at this time (**See Exhibit A**); and (d) a decision on the project allowable does not affect the unit expansion case.

B. MISSTATEMENTS BY YATES AND HANLEY.

4. Yates and Hanley state that they cannot prepare for hearing, but give no reasoning to support that statement. In fact, the persons having an interest in this application have all the engineering and geologic data on the Pool and the WLSU necessary to

¹The Order gives no credit to the WLSU's injection well. However, without gas injection (and Gillespie-Crow's restriction of production from WLSU wells to 100 bopd for 1½ years), the reservoir would have depleted by now, or be in its final stages of depletion.

prepare for this case. This data was prepared by or provided to them in preparation for the unit expansion case.

5. Yates and Hanley also assert that the WLSU drains wells outside the unit. That statement is untrue, and is contrary to the testimony of Yates' witness in Case No. 11724:

A. ...You know, it sounds crazy but in this case [the State "S" Well No.1] is valuable because it's downdip.

Q. And it's...

A. And it's going to -- And it's been producing at this low GOR, and as the gas comes down and down, that State "S" take point is going to physically take a heck of lot of the secondary oil out of the unit.

Q. The gas cap is pushing the oil out; is that correct?

A. The gas cap is pushing the oil out there.

Testimony of D. Boneau, Transcript at 161 (Case No. 11724). In other words, oil is being pushed off the WLSU, and is being produced by non-unit wells.

6. Finally, Yates and Hanley assert, for the umpteenth time, that Gillespie-Crow delayed unitization. This is a blatant misrepresentation. The evidence at the unit expansion case showed that:

(a) Yates opposed unitization;

(b) Hanley opposed unitization of its interests, and withheld information which delayed unit expansion discussions;

(c) There were title defects in tracts sought to be included in the WLSU, which delayed unitization; and

(d) Once the application for unit expansion was filed, Yates and Hanley sought and obtained continuances of the hearing thereon for an additional three months.

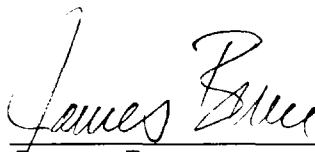
See testimony in Case 11724. In short, it is Yates and Hanley who have delayed a timely resolution of the expansion of the WLSU.

C. CONCLUSION.

7. The foregoing shows that the correlative rights of the interest owners in the WLSU are being impaired if the Pool's GOR is not increased and a unit allowable is not reinstated. Any delay in the hearing only maintains the competitive advantage of Yates and Hanley. Moreover, if unit production continues to decline, gas injection will become uneconomic, and the unit will have to be prematurely terminated, or the WLSU will have to incur needless costs.²

WHEREFORE, Gillespie-Crow requests that the Yates/Hanley motion be denied.

Respectfully submitted,



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

Attorney for Gillespie-Crow, Inc.

²If a unit allowable is not reinstated, the WLSU will have to drill several unnecessary wells, at a cost of about \$700,000 per well.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the forgoing pleading was sent by this 29th day of July, 1997 to:

Via Fax:

William F. Carr
Campbell, Carr, Berge & Sheridan, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504
Fax No.: 983-6043

J. Scott Hall
Miller, Stratvert & Torgerson, P.A.
P.O. Box 1986
Santa Fe, New Mexico 87504
Fax No.: 989-9857

W. Thomas Kellahin
Kellahin & Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504
Fax No.: 982-2047

Via Hand Delivery:

Rand L. Carroll
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505



James Bruce

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AFFIDAVIT OF MARK MLADENKA

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

Mark Mladenka, being duly sworn upon his oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters stated herein.

2. I am the production manager for Gillespie-Crow, Inc.

3. There are ten producing wells in the West Lovington Strawn Unit.

4. During March 1997, the West Lovington Strawn Unit produced at a rate of 2369 bopd.

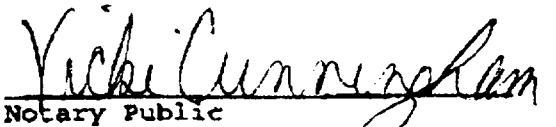
5. During June and July 1997, the West Lovington Strawn Unit has been producing at a rate of 1600 bopd, due to increased GOR's in a number of unit wells.

6. The State "S" Well No. 1 produces at a rate of 250 bopd, and the Chandler Well No. 1 produces at capacity.



Mark Mladenka

SUBSCRIBED AND SWORN TO before me this 29th day of July, 1997, by Mark Mladenka.



Notary Public

My Commission Expires:

March 13, 1999

