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CONSERVATION DIVISION

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September 8, 2000

Lori Wrotenbery, Director
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

ms. S.

Re: Case No. 12289
Order No. R-10864-B
West Lovington Strawn Unit second expansion

Dear Ms. Wrotenbery:

Enclosed are the approvals of the second expansion by the Commissioner of Public Lands and the Bureau of Land Management. Ratifications executed by other interest owners were previously submitted to the Division. The second expansion has now been voluntarily approved by more than 75% of working interest owners, and by more than 75% of royalty owners. Therefore, the second expansion has become effective as of the dates provided in Order No. R-10864-B.

Very truly yours,

James Bruce
James Bruce

Attorney for Gillespie Oil, Inc.

cc: William F. Carr
J. Scott Hall
W. Thomas Kellahin

**COMMISSIONER OF PUBLIC LANDS
STATE OF NEW MEXICO**

**CERTIFICATE OF CONDITIONAL APPROVAL
OF THE SECOND UNIT EXPANSION**

**GILLESPIE OIL, INC.
2ND EXPANSION OF WEST LOVINGTON STRAWN UNIT
LEA COUNTY, NEW MEXICO**

Gillespie Oil, Inc., as operator for the West Lovington Strawn Unit, has presented for approval a proposed expansion of the Unit Area defined by that certain Unit Agreement for the Development and Operation of the West Lovington Strawn Unit ("Unit Agreement"). The proposed expansion ("Unit Expansion") is described in Order No. R-10864-B of the Oil Conservation Division ("OCD") of the Energy, Minerals and Natural Resources Department of the State of New Mexico. The Commissioner of Public Lands, having reviewed the Unit Expansion, makes the following findings:

- (a) The Unit Expansion will tend to promote the conservation of oil and gas and better utilization of reservoir energy in expanded unit-area.
- (b) The State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands under the Unit Expansion.
- (c) Each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands under the Unit Expansion.
- (d) That Unit Expansion is in other respects for the best interests of the State, with respect to state lands, provided the operator complies with the conditions of this Approval.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, the Commissioner of Public Lands consents to and approves the Unit Expansion set out and described in OCD Order No. R-10864-B; provided, however, that this Approval is subject to the following conditions:

1. With regard to that certain ten acres within Unit Tract 20-A, comprising the SW/4 of Lot 12 of Section 1-16S-35E ("Ten Acres"), which is excluded from the expanded Unit Area:

A. The Operator and the Commissioner agree that the Gillespie State "D" well No. 8, which is located on the Ten Acres, is completed in and produces exclusively from the South Big Dog Strawn Gas Pool and not from the Unitized Formation.

B. Production from the Gillespie State "D" well No. 8 shall not be regarded as production from the Unitized Formation, shall not affect or in any way alter the Participating Area defined under the Unit Agreement, and shall not in any way be subject to the Unit Agreement.

C. Notwithstanding Conditions 1.A and 1.B., the Ten Acres shall be shown on the records of the State Land Office as being included within the Unit Area, but strictly for purposes of administrative convenience and practicality.

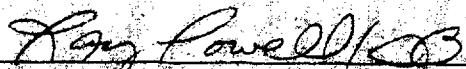
2. This Approval is limited to the lands within the expanded Unit Area that are effectively committed to the Unit Agreement as of the date of this Approval.

3. The state oil and gas leases encumbering the state lands that are committed to the Unit Agreement, as expanded pursuant to OCD Order No. R-10864-B, shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with their terms and conditions, as amended by the Unit Agreement.

4. The Unit Operator shall seek approval from the Commissioner of Public Lands for any further expansion of the Unit Agreement in strict accordance with Section 4 of the Unit Agreement.

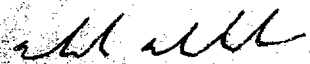
5. This approval is subject to Sections 19-10-45, 19-10-46, and 19-10-47.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 6TH day of SEPTEMBER, 2000.


RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS for the
STATE OF NEW MEXICO

Gillespie Oil, Inc., as Unit Operator, agrees to the terms and conditions of this Approval.

GILLESPIE OIL, INC.

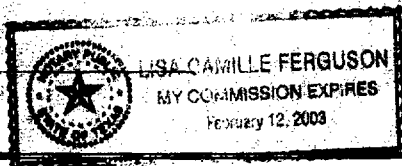
By: 
Mark Mladenka, Production Manager

Date 9/1/00

SUBSCRIBED AND SWORN to before me this 1 day Sept, 2000, by Mark Mladenka.

Lisa Camille Ferguson
Notary Public

My Commission Expires:





United States Department of the Interior

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

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NMNM91055X
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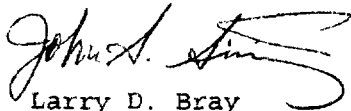
James Bruce
Attorney at Law
P. O. Box 1056
Santa Fe, NM 87504

Gentlemen:

Your application for the second expansion of the West Lovington Strawn Unit No. NMNM91055X, Lea County, New Mexico, filed on behalf of Gillespie Oil, Inc., has been approved as of this date. Approval of the second expansion, effective as of April 1, 1999, increases the size of the unit from 1618.95 acres to 2622.12 acres.

You are requested to furnish the Commissioner of Public Lands, the New Mexico Oil Conservation Division, and other interested principals with appropriate evidence of this approval.

Sincerely,


for: Larry D. Bray
Assistant Field Manager,
Lands and Minerals