

William R. & Lisa L. Crow
P. O. Box 3625
Midland, Texas 79702

#11195

M.S. Forward to Legal

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CONSERVATION DIVISION

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September 26, 2000

Mr. Michael Stogner
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: Case No. 12289
West Lovington Strawn Unit
Second Expansion
Lea County, New Mexico

Dear Sir:

Please be advised that William R. and Lisa L. Crow hereby oppose and object to the second expansion of the West Lovington Strawn Unit as currently proposed. We are the fourth largest working interest owners in the Unit but we were never properly notified of any of the hearings that were held regarding this expansion. We, therefore, were never provided the opportunity to have legal representation present at said hearings to voice our objections.

The proposed second expansion of the West Lovington Strawn Unit will have an adverse effect on our working interest in the Snyder "EC" Com Well No. 1. The proration unit established for this well makes up Tracts 16A and 16B under the current proposed second expansion. The Snyder "EC" Com well produces from the Strawn formation but in our opinion is not in communication with the West Lovington Strawn Unit reservoir or any of the West Lovington Strawn Unit wells. Therefore, the Snyder "EC" Com well is not benefitting from or harming the pressure maintenance project for the Unit. We have not been provided with any engineering data that would suggest otherwise. We offer the following facts to support our opinion and to request that the Snyder "EC" Com No. 1 well and Tracts 16A and 16B be omitted from the proposed second expansion:

1. All of the West Lovington Strawn Unit wells have extremely high permeability and were completed as flowing wells with simple mud acid completion jobs. All these wells had the capability to initially flow at top allowable rates. The Snyder "EC" Com No. 1 well has extremely low permeability as evidenced by it's initial drill stem test and completion attempts. In this well alone the Strawn formation would not break down, even after an attempted acid frac completion where pressures reached rates of over 7000 lbs. This alone proves the formation around this wellbore is not in communication with the other Unit wells. The Snyder "EC" Com No. 1 well is the only well in the West Lovington Strawn field that would not flow and it had to be placed on pump. It's initial potential test was significantly lower than all the other wells in the pool.

2. The permeability in the West Lovington Strawn pool is so high that when Unit wells are shut in for bottom hole pressure surveys, the downhole recording charts show that pressures build up and break over within a few hours. This is an indication of the reservoirs high permeability. The bottom hole pressure survey taken on the Snyder "EC" Com No. 1 well, however, indicates a completely different scenerio. The pressure charts from this test show a very slow build up of bottom hole pressure over a 72 hour period and the curves never break over during the period the test was taken. This would suggest the formation is extremely tight around the wellbore and the well is not in communication with other Unit wells. Therefore, it is not capable of draining from the West Lovington Strawn Unit reservoir.
3. The gas/oil ratios (GOR) for all the West Lovington Strawn Unit wells near the Snyder "EC" Com No. 1 have increased dramatically since the wells were completed, as would be expected in a solution-gas drive reservoir. This would be especially true for the structurally high wells in a gas injection/pressure maintenance Unit. It is well known that the Strawn algal mound reservoirs near Lovington, New Mexico produce flowing wells that flow at or near top allowable rates until the bottom hole pressure drops (depletes) to the point the gas that drives the reservoir begins to separate from the oil. This gas-oil separation results in a rapid increase in GOR's and a rapid decrease in oil production. As gas breaks free and flows to the surface, oil is no longer carried with it. Thereafter, wells quickly gas out. When this GOR increase is noted, the life expectancy of a well becomes very short. This is exactly why the pressure maintenance project for the West Lovington Strawn pool was proposed in the first place. The Operator is attempting to maintain the reservoir's bottom hole pressure at a high enough point to prevent gas-oil separation, thereby extending oil production for as long as possible. The Unit wells around the Snyder "EC" Com No. 1 have now experienced gas break through and their GOR's have increased dramatically. But the GOR for the Snyder "EC" Com well shows a completely different picture. The GOR has remained relatively flat in this well, proving that this well is not in communication with the Unit wells.
4. The proposed second expansion of the West Lovington Strawn Unit will reduce the income from production for the current interest owners in the Snyder "EC" Com No. 1 well by approximately 40%. The proposed tract participation factors for Tracts 16A and 16B total a meger 1.49979831% of the total Unit production. Since the Unit makes approximately 1500 barrels of oil per day, the interest owners in these two Tracts will be credited with approximately 22.5 barrels of oil production per day. The Snyder "EC" Com No. 1 well currently produces approximately

38 barrels of oil per day. Therefore, the proposed tract participation factors for Tracts 16A and 16B result in a reduction of oil production for the interest owners in the Snyder "EC" Com lease of approximately 15.5 barrels of oil per day. This 15.5 barrel reduction equates to a 40% decrease in production and income.

5. The West Lovington Strawn Unit appears to be on a much steeper decline rate than the Snyder "EC" Com No. 1 well. Therefore, while the interest owners in the Snyder "EC" Com lease currently enjoy a relatively flat production decline, the proposed second expansion will result in these interest owners receiving not only an immediate reduction in income, but also a much shorter production life from the Unit.
6. The proposed second expansion of the West Lovington Strawn Unit does not treat the interest owners in the Snyder "EC" Com No. 1 well fairly and equally to those interest owners in the other wells that were drilled outside of the Unit and then later brought in under the first Unit expansion. Nor are we being treated equally to the interest owners in the other wells that are currently proposed to be brought in under this second expansion.

The interest owners in the State "S" Com No. 1 well, now the WLSU No. 12, which was brought into the Unit under its first expansion, were permitted to produce their well separately from the Unit until production had reached over 200,000 barrels of oil. This permitted the working interest owners who took the risk in drilling the State "S" Com well to recover their costs several times over before the well was brought into the Unit. The interest owners in the Hanley Petroleum Chandler No. 1 well, now the WLSU No. 13, were also permitted to produce their well separately from the Unit until it had made almost 100,000 barrels of oil. This allowed the working interest owners in this well to recover their costs plus a substantial profit also, before the well was brought into the Unit under the first expansion. In addition, the Snyder "C" No. 4 well which is currently being proposed to be placed into the Unit under this second expansion, has produced approximately 150,000 barrels of oil to date. The interest owners in this well have also been provided the opportunity to receive a substantial profit from their well's production prior to it being brought into the Unit.

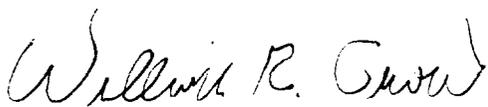
The Snyder "EC" Com No. 1 well, however, has only made a little over 50,000 barrels of oil since it was completed. Therefore, bringing this well into the Unit at this time does not allow the working interest owners who took the risk to drill the well to receive as much income beyond payout as those owners in the previously mentioned wells. By doing so, the owners in the Snyder "EC" Com lease are not being treated fairly and equally to those in the other wells.

In conclusion, since the evidence supports our opinion that the Snyder "EC" Com No. 1 well is not in communication with the West Lovington Strawn Unit reservoir or wells, producing this well outside of the Unit will not drain the Unit's reservoir or harm the Unit's pressure maintenance project. We see no positive benefit from placing this well into the Unit.

We would hereby propose that the New Mexico Oil Conservation Division drop the Snyder "EC" Com No. 1 well and it's associated acreage, being Tracts 16A and 16B, from the proposed second expansion of the West Lovington Strawn Unit at this time. Should the New Mexico Oil Conservation Division elect to place the well in the Unit in lue of the aforementioned facts, we would ask that the tract participation factors for Tracts 16A and 16B be increased substantially in order to account for the Snyder "EC" Com well's current production and it's relatively flat decline rate. Furthermore, the working interest owners in the Snyder "EC" Com No. 1 should be reimbursed by the other working interest owners in the West Lovington Strawn Unit for their risk, in an amount that is equal in production to the average production of the State "S" Com No. 1, the Chandler No. 1, and the Snyder "C" No. 4 wells.

Your consideration of these objections and requests will be greatly appreciated.

Very truly yours,



William R. Crow

Enclosures

xc: New Mexico State Land Office
Commissioner of Public Lands
Mr. Ray Powell, M.S., D.V.M.

Bureau of Land Management
Roswell District Office
Mr. Armando Lopez

Snyder Ranches, Inc.
Hobbs, New Mexico
Mr. Larry Squires

West Lovington Strawn Pool
GORs For Wells Closest To
The Snyder "EC" Com No. 1

WLSU #6 (Earnestine St. No. 2)	Sec. 1-T16S-R35E	GOR-8200
WLSU #9 (Snyder "S" Com No. 2)	Sec. 34-T15S-R35E	GOR-5065
WLSU #12 (State "S" Com No. 1)	Sec. 34-T15S-R35E	GOR-6780
Snyder "C" #4	Sec. 6-T16S-R36E	GOR-10291
Snyder "EC" Com #1	Sec. 6-T16S-R36E	GOR-1615

VOLUMES / RATIO

1000000

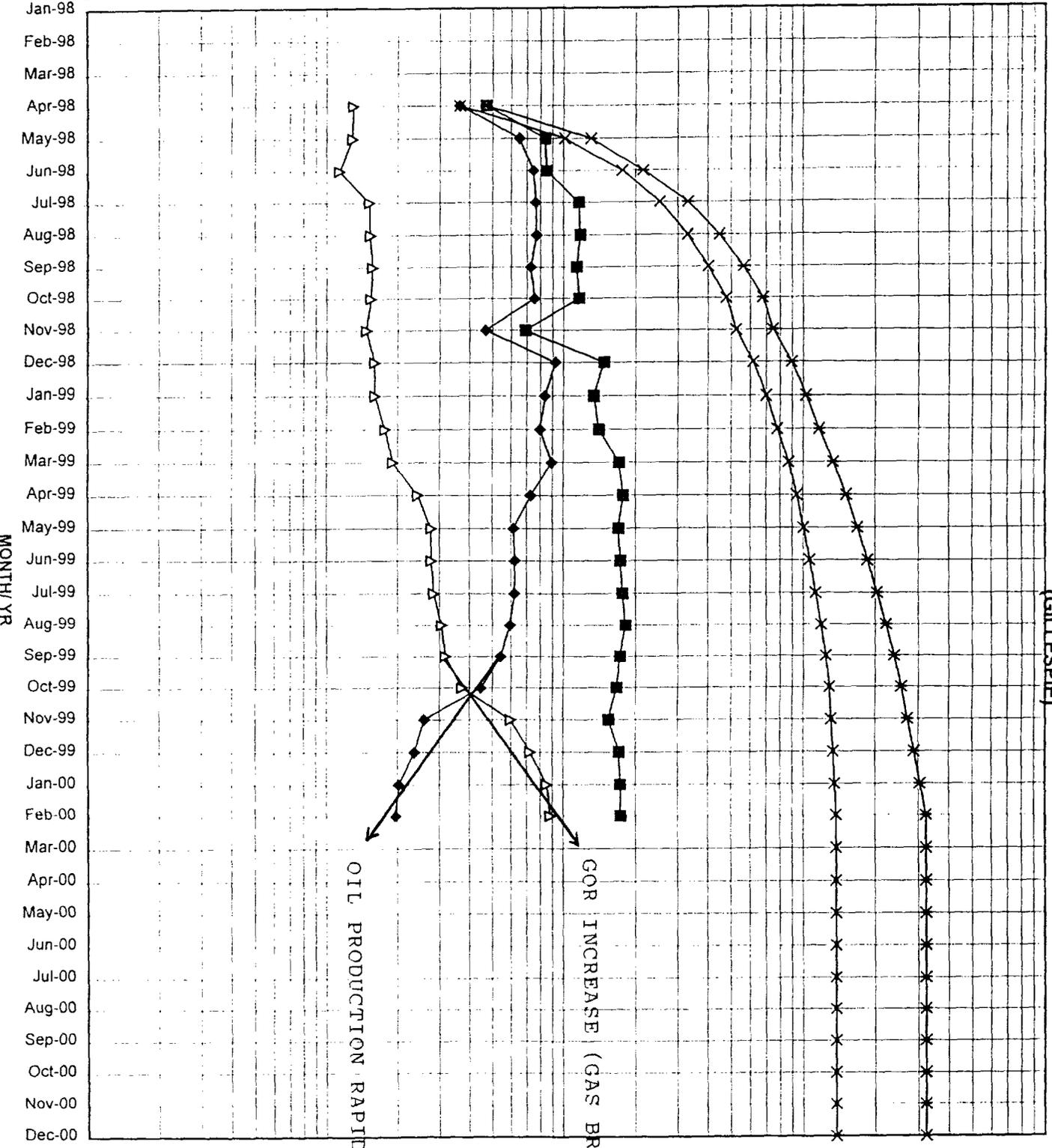
100000

10000

1000

100

SNYDER 'C' WELL NO. 4
WEST LOVINGTON STRAWN POOL
(GILLESPIE)



OIL PRODUCTION RAPID DECREASE

GOR INCREASE (GAS BREAKTHROUGH)

EXAMPLE OF TYPICAL STRAWN ALGAL MOUND RESERVOIR WHERE SUDDEN GOR INCREASE IS ASSOCIATED WITH DECREASE IN OIL PRODUCTION

- x— CUM OIL PROD - (BO)
- *— CUM GAS PROD - (MCF)
- Δ— GOR - (CU-FT/BO)
- GAS PROD - (MCF/M)
- ◆— OIL PROD - (BOPM)

West Lovington Strawn Pool							
Current Average Well Test							
April, 2000							
WELL	BOPD	BWPD	MCF/D	GOR	CHOKE	FTP	REMARKS
WLSU No.1	12	0	65	5417	16	1975	Intermittent
WLSU No.2	6	0	60	10000	16	2000	Intermittent
WLSU No.3	48	0	327	6813	9	1500	
WLSU No.4	20	0	184	9339	4	1298	
WLSU No.5	12	0	112	9333	16	2200	Intermittent
WLSU No.6	5	0	41	8200	16	1580	Intermittent
WLSU No.8	41	0	281	6851	4	1476	
WLSU No.9	39	0	195	5065	5	1336	
WLSU No.10	68	10	463	6778	8	1494	
WLSU No.11	129	1	441	3414	18	588	
WLSU No.12	161	0	1089	6780	11	1703	
WLSU No.13	69	181	120	1732			Rod Pump
WLSU No.14	253	0	369	1458	13	926	
Unit Totals	863	192	3747	4342			
Snyder "EC" #1	39	0	63	1615			Rod Pump
Snyder "C" #4	45	0	459	10291	9	1663	
Beadle #1	168	0	452	2690	12	1098	
Snyder "F" #3	270	0	660	2442	14	832	
Outside Unit	522	0	1634	3130			
Pool Total	1385	192	5381	3885			

VOLUMES / RATIO

10000000

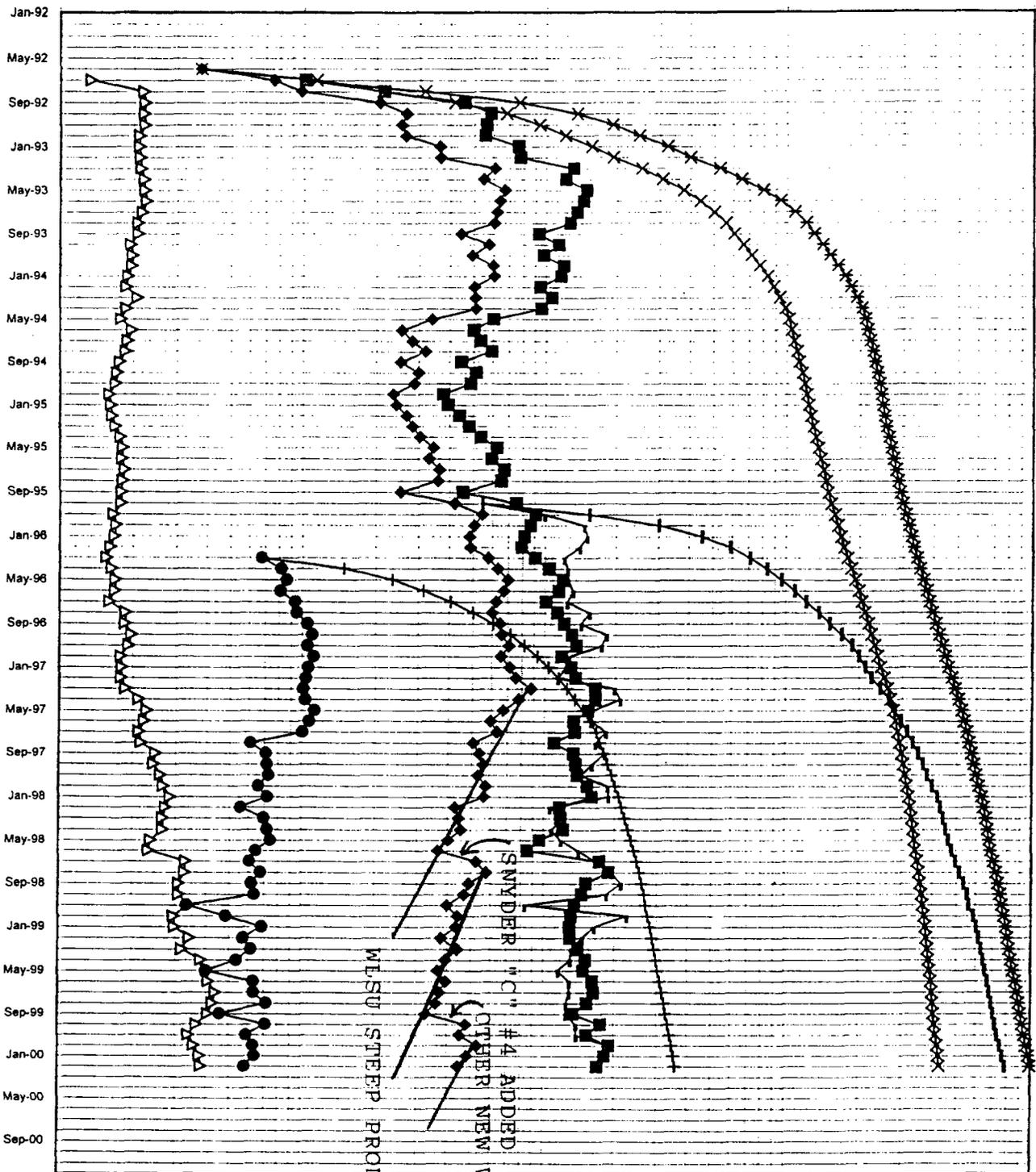
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WEST LOVINGTON STRAWN POOL
 (INCLUDES WLSU #1-14, SNYDER EC COM#1, SNYDER C#4, SNYDER F#3, BEADLE#1)



- ◆ OIL PROD - (BOPM)
- GAS PROD - (MCFM)
- △ GOR - (CU-FT/BO)
- ✖ CUM OIL PROD - (BO)
- * CUM GAS PROD - (MCF)
- WATER PROD - (BWPM)
- + CUM WATER PROD - (BW)
- GAS INJECTION - (MCFM)
- CUM GAS INJECTED - (MCF)

VOLUMES / RATIO

100000

10000

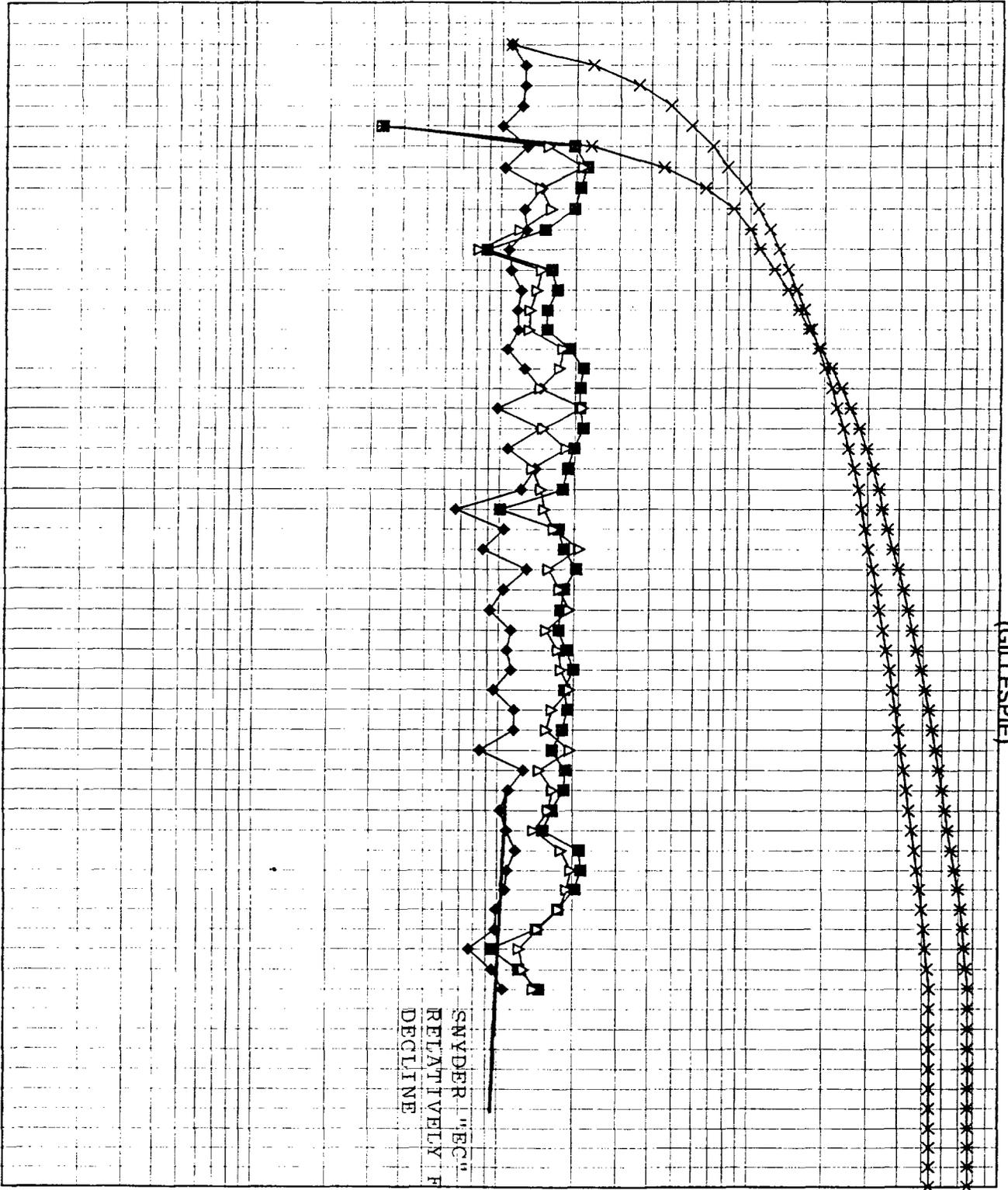
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100

10

SNYDER 'EC' COM WELL NO. 1
WEST LOVINGTON STRAWN POOL
(GILLESPIE)

Jan-96
Mar-96
May-96
Jul-96
Sep-96
Nov-96
Jan-97
Mar-97
May-97
Jul-97
Sep-97
Nov-97
Jan-98
Mar-98
May-98
Jul-98
Sep-98
Nov-98
Jan-99
Mar-99
May-99
Jul-99
Sep-99
Nov-99
Jan-00
Mar-00
May-00
Jul-00
Sep-00
Nov-00



SNYDER "EC" COM NO. 1
RELATIVELY FLAT PRODUCTION
DECLINE

- ◆ OIL PROD - (BOPM)
- GAS PROD - (MGFM)
- △ GOR - (CU-FT/BO)
- × CUM OIL PROD - (BO)
- * CUM GAS PROD - (MCF)

State "S" #1 - Gillespie - Crow, Inc.

West Lovington Strawn Field

Lea County, New Mexico

Monthly Oil and Gas Production

Month/Yr	Oil (BO)	Gas (MCF)	GOR (CUFT/BO)	Cum Oil (BO)	Cum Gas (MCF)
Oct-95	5272	8574	1626	5272	8574
Nov-95	13173	24125	1831	18445	32699
Dec-95	12748	19893	1560	31193	52592
Jan-97	5651	8126	1438	36844	60718
Feb-96	2707	3803	1405	39551	64521
Mar-96	3067	4333	1413	42618	68854
Apr-96	2844	4469	1571	45462	73323
May-96	3196	4808	1504	48658	78131
Jun-96	5396	9440	1749	54054	87571
Jul-96	4189	6354	1517	58243	93925
Aug-96	9218	15934	1729	67461	109859
Sep-96	12000	18671	1556	79461	128530
Oct-96	11811	19108	1618	91272	147638
Nov-96	11576	18434	1592	102848	166072
Dec-96	11663	17521	1502	114511	183593
Jan-97	9789	14638	1495	124300	198231
Feb-97	8033	12136	1511	132333	210367
Mar-97	8026	11744	1463	140359	222111
Apr-97	7500	11808	1574	147859	233919
May-97	7750	12901	1665	155609	246820
Jun-97	7500	10826	1443	163109	257646
Jul-97	7750	13225	1706	170859	270871
Aug-97	7402	12416	1677	178261	283287
Sep-97	7534	12858	1707	185795	296145
Oct-97	7903	11703	1481	193698	307848
Nov-97	7142	11388	1595	200840	319236
Dec-97	7816	11040	1412	208656	330276
Jan-98	7423	11643	1569	216079	341919
Feb-98	6744	10152	1505	222823	352071

Chandler #1 - Hanley Petroleum
 West Lovington Strawn Field
 Lea County, New Mexico

Monthly Oil and Gas Production

<u>(MONTH/YR)</u>	<u>Oil</u> <u>(BO)</u>	<u>Gas</u> <u>(MCF)</u>	<u>GOR</u> <u>(CUFT/BO)</u>	<u>Cum Oil</u> <u>(BO)</u>	<u>Cum Gas</u> <u>(MCF)</u>	<u>Water</u> <u>(BW)</u>	<u>Cum Wtr</u> <u>(BW)</u>
Jan-96							
Feb-96							
Mar-96	3130	2886	922	3130	2886	6701	6701
Apr-96	4142	7987	1928	7272	10873	8124	14825
May-96	4575	8360	1827	11847	19233	8555	23380
Jun-96	4458	8650	1940	16305	27883	8080	31460
Jul-96	5148	9708	1886	21453	37591	9288	40748
Aug-96	5336	9898	1855	26789	47489	9423	50171
Sep-96	6254	11135	1780	33043	58624	10428	60599
Oct-96	6399	11692	1827	39442	70316	10933	71532
Nov-96	6231	11122	1785	45673	81438	10452	81984
Dec-96	6514	11525	1769	52187	92963	11106	93090
Jan-97	6033	10454	1733	58220	103417	10455	103545
Feb-97	5437	9452	1738	63657	112869	10022	113567
Mar-97	4873	8397	1723	68530	121266	9691	123258
Apr-97	4729	8145	1722	73259	129411	9803	133061
May-97	5041	8830	1752	78300	138241	10666	143727
Jun-97	4423	7686	1738	82723	145927	9950	153677
Jul-97	3944	6337	1607	86667	152264	9218	162895
Aug-97	1660	2429	1463	88327	154693	5357	168252
Sep-97	2506	4087	1631	90833	158780	6360	174612
Oct-97	2599	4499	1731	93432	163279	6410	181022
Nov-97	2434	3970	1631	95866	167249	6480	187502
Dec-97	2597	3499	1347	98463	170748	5760	193262
Jan-98	2466	4126	1673	100929	174874	6561	199823
Feb-98	2474	3584	1449	103403	178458	5085	204908

WEST LOVINGTON STRAWN POOL

SNYDER 'C' WELL NO. 4 - (CHARLES B. GILLESPIE JR. - OPERATOR)

MO/YR	OIL PROD (BOPM)	GAS PROD (MCF/MO)	GOR (CUFT/BO)	CUM OIL (BO)	CUM GAS (MCF)	WTR PROD (BWPM)	CUM WTR (BW)
Jan-98							
Feb-98							
Mar-98							
Apr-98	3624	4684	1292	3624	4684	0	0
May-98	6494	8339	1284	10118	13023	0	0
Jun-98	7466	8462	1133	17584	21485	0	0
Jul-98	7621	11560	1517	25205	33045	0	0
Aug-98	7688	11729	1526	32893	44774	0	0
Sep-98	7256	11326	1561	40149	56100	0	0
Oct-98	7529	11587	1539	47678	67687	0	0
Nov-98	4675	6872	1470	52353	74559	0	0
Dec-98	9231	14727	1595	61584	89286	0	0
Jan-99	8343	13363	1602	69927	102649	0	0
Feb-99	7951	14056	1768	77878	116705	0	0
Mar-99	8911	17002	1908	86789	133707	0	0
Apr-99	7294	17730	2431	94083	151437	0	0
May-99	6140	16949	2760	100223	168386	0	0
Jun-99	6237	17266	2768	106460	185652	0	0
Jul-99	6212	17594	2832	112672	203246	0	0
Aug-99	5939	18090	3046	118611	221336	0	0
Sep-99	5415	17138	3165	124026	238474	0	0
Oct-99	4469	16616	3718	128495	255090	0	0
Nov-99	2584	15442	5976	131079	270532	0	0
Dec-99	2350	17025	7245	133429	287557	0	0
Jan-00	2023	17239	8522	135452	304796	0	0
Feb-00	1963	17282	8804	137415	322078	0	0

SNYDER 'EC' COM WELL NO. 1 - (CHARLES B. GILLESPIE JR. - OPERATOR)

MO/YR	OIL PROD (BOPM)	GAS PROD (MCF/MO)	GOR (CUFT/BO)	CUM OIL (BO)	CUM GAS (MCF)	WTR PROD (BWPM)	CUM WTR (BW)
Jan-96							
Feb-96							
Mar-96	1087	0	0	1087	0	0	0
Apr-96	1236	0	0	2323	0	0	0
May-96	1239	0	0	3562	0	0	0
Jun-96	1204	0	0	4766	0	0	0
Jul-96	1009	328	325	5775	328	0	0
Aug-96	1268	1961	1547	7043	2289	0	0
Sep-96	1036	2217	2140	8079	4506	0	0
Oct-96	1447	2074	1433	9526	6580	0	0
Nov-96	1239	1968	1588	10765	8548	0	0
Dec-96	1262	1501	1189	12027	10049	0	0
Jan-97	1077	879	816	13104	10928	0	0
Feb-97	1098	1596	1454	14202	12524	0	0
Mar-97	1207	1682	1394	15409	14206	0	0
Apr-97	1168	1533	1313	16577	15739	0	0
May-97	1178	1533	1301	17755	17272	0	0
Jun-97	1062	1889	1779	18817	19161	0	0
Jul-97	1248	2151	1724	20065	21312	0	0
Aug-97	1447	2091	1445	21512	23403	0	0
Sep-97	976	2090	2141	22488	25493	0	0
Oct-97	1451	2149	1481	23939	27642	0	0
Nov-97	1075	1981	1843	25014	29623	0	0
Dec-97	1389	1874	1349	26403	31497	0	0
Jan-98	1222	1790	1465	27625	33287	0	0
Feb-98	665	1002	1507	28290	34289	0	0
Mar-98	1042	1724	1655	29332	36013	0	0
Apr-98	863	1816	2104	30195	37829	0	0
May-98	1289	2038	1581	31484	39867	0	0
Jun-98	1040	1817	1747	32524	41684	0	0
Jul-98	919	1765	1921	33443	43449	0	0
Aug-98	1118	1735	1552	34561	45184	0	0
Sep-98	1080	1871	1732	35641	47055	0	0
Oct-98	1120	1994	1780	36761	49049	0	0
Nov-98	955	1840	1927	37716	50889	0	0
Dec-98	1156	1895	1639	38872	52784	0	0
Jan-99	1157	1807	1562	40029	54591	0	0
Feb-99	846	1649	1949	40875	56240	0	0
Mar-99	1269	1863	1468	42144	58103	0	0
Apr-99	1106	1841	1665	43250	59944	0	0
May-99	1027	1647	1604	44277	61591	0	0
Jun-99	1084	1516	1399	45361	63107	0	0
Jul-99	1180	2125	1801	46541	65232	0	0
Aug-99	1094	2159	1973	47635	67391	0	0
Sep-99	1073	2039	1900	48708	69430	0	0
Oct-99	988	1746	1767	49696	71176	0	0
Nov-99	980	1432	1461	50676	72608	0	0
Dec-99	769	944	1228	51445	73552	0	0
Jan-00	952	1217	1278	52397	74769	0	0
Feb-00	1052	1470	1397	53449	76239	0	0

It seems impossible that this updip well would not have experienced gas breakthrough if it was truly in communication with the WLSU wells

DOWN DIP EDGE OF POOL

DRY HOLE

R 35 E

R 36 E

BC

FEDERAL LANDS	320.00	0.00	320.00	12.25%
STATE LANDS	582.42	230.00	812.42	31.10%
PATENTED LANDS	716.95	763.33	1,479.86	56.65%
TOTAL	1,618.95	993.33	2,612.28	100.00%

TRACT NUMBER	UNIT OUTLINE
③	EXPANSION OUTLINE (2ND)
1/2	EXPANSION OUTLINE (1ST)

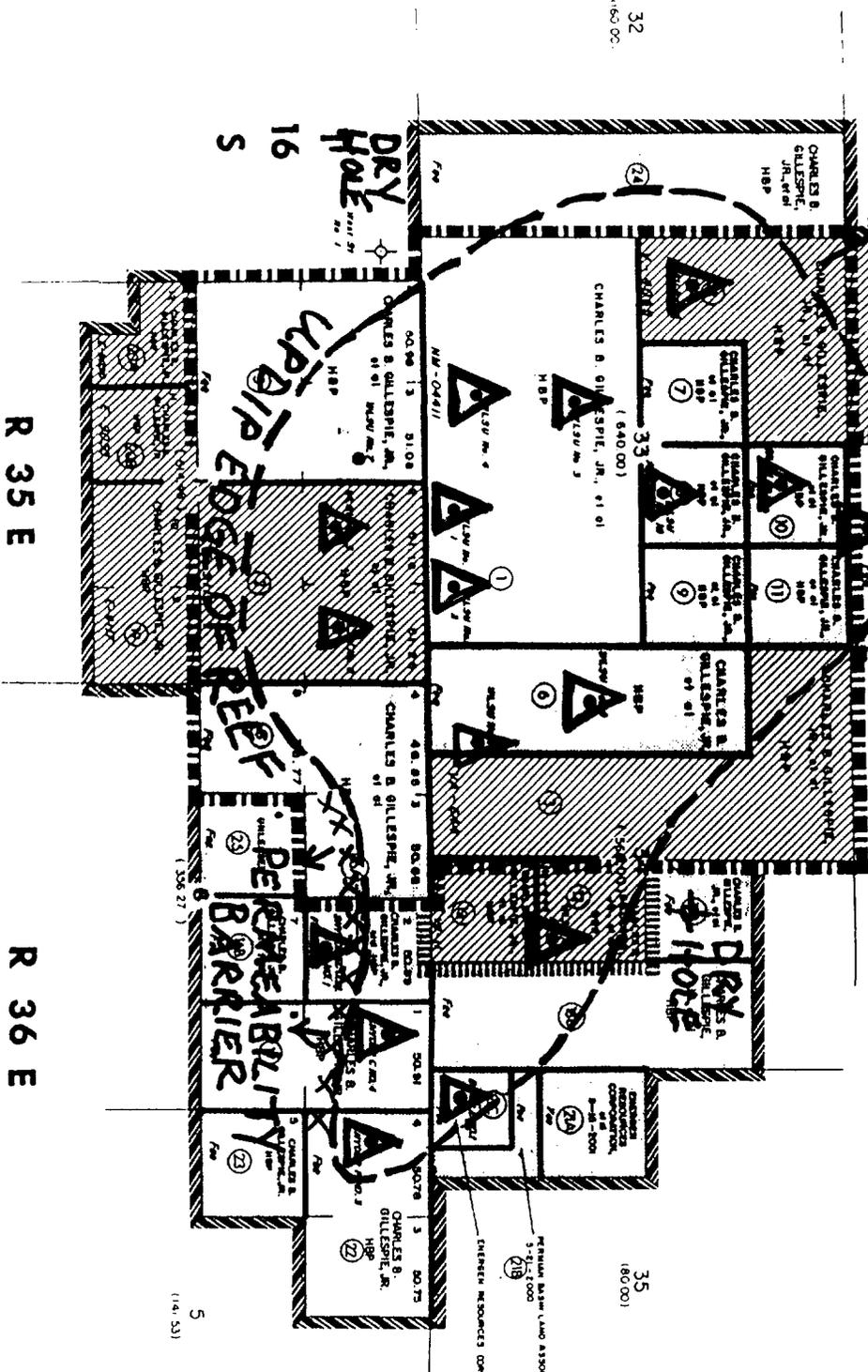
SCALE IN MILES

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

AS EXPANDED

GILLESPIE OIL, INC.
 MIDLAND, TEXAS

- △ - INJECTION WELL
- △ - HIGH GOR WELLS (GAS BREAKTHROUGH)
- △ - LOW GOR WELLS (DOWNDIP OR OUTSIDE RESERVOIR BOUNDARY)
- - WLSU RESERVOIR BOUNDARY



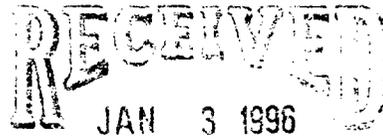
Gillespie-Crow, Inc.

Oil & Gas
Exploration & Production
P.O. Box 2557
Midland, Texas 79702

Copy to Bill
FAX 505-593-4043
Midland, NM

EDS
MSW
file

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**



(915) 683-5060
Fax (915) 683-1491

January 2, 1996

Hanley Petroleum Inc.

Hanley Petroleum Inc.
415 West Wall, Suite 1500
Midland, Texas 79701

Attention: Mr. James W. Rogers

Re: Chandler Well No. 1
330' FSL & 1650' FEL
State '28' Well No. 1
330' FSL & 2310' FWL
Section 28, T-15-S, R-35-E
Lea County, New Mexico

Gentlemen:

In reference to the captioned wells your Company has proposed to drill, Gillespie-Crow, Inc., as Operator of the offset West Lovington Strawn Unit, hereby requests written and verbal notice of Hanley's intent to run production casing to or below the Strawn formation in either well, thereby allowing Gillespie-Crow, Inc. sufficient time to request a directional survey of either wellbore pursuant to Rule 111.B. of the State of New Mexico Oil Conservation Division's Rules and Regulations.

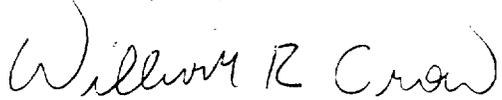
Should either well be completed in the unitized formation of the West Lovington Strawn Pool, Gillespie-Crow, Inc. would hereby request that Hanley provide this office with copies of all DST data, electric log information, completion information, bottomhole pressure buildup tests, production history and any other information pertinent in determining whether either well is in communication with the West Lovington Strawn reservoir and if it should be brought into the West Lovington Strawn Unit. If Hanley completes either well in the unitized formation and believes that said well is not in communication with the West Lovington Strawn reservoir, Hanley will be expected to take a bottomhole pressure buildup test on such well within 30 days after completion, pursuant to Rule 302. of the aforementioned OCD Rules and Regulations.

? We are not in the unit

Hanley Petroleum Inc.
January 2, 1996
Page 2

All notices of intent to run casing, completions and pressure tests should be faxed to Gillespie-Crow, Inc.'s office at 915-683-1491 to the attention of the undersigned. Verbal notifications should be made to Bill Crow at 915-683-5060 during normal working hours or at 915-685-1911 during the evenings or on weekends. If I can not be reached, please call Mr. Kevin Widner at our office number or his home at 915-687-2903.

Yours very truly,



William R. Crow
President

xc: Mr. William J. Lemay, Director
State of New Mexico
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Mr. Jerry Sexton, Supervisor
Oil Conservation Division
Hobbs District I
P. O. Box 1980
Hobbs, New Mexico 88240

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

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 (1901-1985)

OF COUNSEL
O. M. CALHOUN* JOE W. WOOD
RICHARD L. CAZZELL** RAY W. RICHARDS**
L. A. WHITE**

AUSTIN AFFILIATION
HOFFMAN & STEPHENS, P.C.
KENNETH R. HOFFMAN*
TOM D. STEPHENS*
RONALD C. SCHULTZ, JR.*
JOSE CANO*

JEFFREY S. BAIRD*
THOMAS E. HOOD**
REBECCA NICHOLS JOHNSON
STANLEY K. KOTOVSKY, JR.
H. R. THOMAS
ELLEN S. CASEY
MARGARET CARTER LUDEWIG
S. BARRY PAISNER
MARTIN MEYERS
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

JAMES A. GILLESPIE
MARGARET R. MCNETT
LISA K. SMITH*
NORMAN D. EWART
DARREN T. GROCE*
MOLLY MCINTOSH
MARCIA B. LINCOLN
SCOTT A. SHUART*
PAUL G. NASON
R. "TREY" ARVIZU, III
AMY C. WRIGHT**
BRADLEY G. BISHOP*
KAROLYN KING NELSON
ELLEN T. LOUDERBOUGH
BARBARA GREGG GLENN
JAMES H. WOOD*

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*
WILLIAM F. COUNTISS**
ALBERT L. PITTS
THOMAS M. HNASKO
JOHN C. CHAMBERS*
GARY D. COMPTON*
W. H. BRIAN, JR.**
RUSSELL J. BAILEY**
CHARLES R. WATSON, JR.**
THOMAS D. HAINES, JR.
GREGORY J. NIBERT
MARK C. DOW
FRED W. SCHWENDMANN
JAMES M. HUDSON

*REGISTERED IN NEW MEXICO
AS HINKLE, COX, EATON,
COFFIELD & HENSLEY, P.L.L.C., LTD., CO.

*NOT LICENSED IN NEW MEXICO
**FORMERLY COMPRISING THE FIRM OF
CULTON, MORGAN, BRITAIN & WHITE, P.C.

October 17, 1995

HAND DELIVERED

Case 11195

RECEIVED

OCT 17 1995

Oil Conservation Division

Mr. William LeMay
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87501

Re: West Lovington Strawn Unit, Division Order No. R-10449

Dear Mr. LeMay:

On behalf of Gillespie-Crow, Inc., the operator of the Unit, we request you to execute the enclosed Certificate of Effectiveness for the Unit.

Order No. R-10449 changed the tract participations for the Unit, and provided in ordering paragraph (8) as follows:

This order shall not become effective unless and until the owners of seventy-five (75) percent of the working interest and seventy-five (75) percent of the royalty interest in the West Lovington Strawn Unit Area have approved the plan for unit operations as required by Section 70-7-8 NMSA, (1978) Comp.

As a result of the Order, Gillespie-Crow, Inc. obtained new ratifications of the Unit. Copies of the new working interest owner ratifications and royalty owner ratifications are enclosed, together with copies of the final approvals of the Unit issued by the Commissioner of Public Lands and the Bureau of Land Management. As you can see, more than 75% of working interest owners and more than 75% of royalty owners ratified the Unit prior to October 1, 1995. Therefore, we ask that the enclosed Certificate be executed making the Order effective September 30, 1995, so that the effective date of the Unit Agreement can be October 1, 1995.

POST OFFICE BOX 10
ROSWELL, NEW MEXICO 86202
(505) 622-6510
FAX (505) 623-9332

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

POST OFFICE BOX 9238
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

401 W 15TH STREET, SUITE 800
AUSTIN, TEXAS 78701
(512) 476-7137
FAX (512) 476-5431

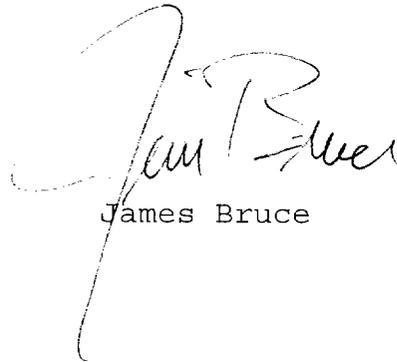
William J. LeMay
October 17, 1995
Page 2

Also enclosed for the Division's file are revised copies of Exhibit "C" to the Unit Agreement, and Exhibit "D" to the Unit Operating Agreement. These had to be revised to reflect the tract participations in Order No. R-10449.

Please call if you have any questions.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY, P.L.L.C., Ltd., Co.

A handwritten signature in cursive script, appearing to read "James Bruce". The signature is written in dark ink and is positioned above the printed name.

James Bruce

Enclosures
cc: William R. Crow

JB/sp

CERTIFICATE OF EFFECTIVENESS

WEST LOVINGTON STRAWN UNIT

The Oil Conservation Division of the State of New Mexico issued Order No. R-10449 on August 29, 1995, approving statutory unitization of the West Lovington Strawn Unit Area.

Order No. R-10449 provided, in Decretory Paragraph (8), as follows:

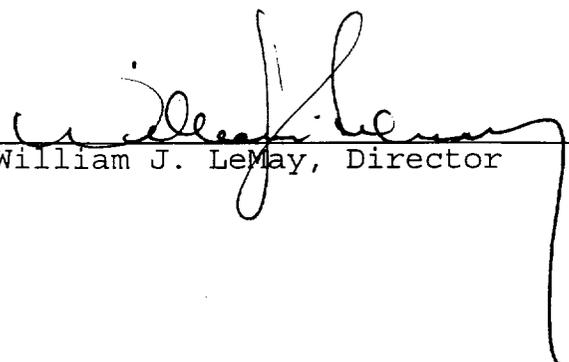
This order shall not become effective unless and until the owners of seventy-five (75) percent of the working interest and seventy-five (75) percent of the royalty interest in the West Lovington Strawn Unit Area have approved the plan for unit operations as required by Section 70-7-8 NMSA, (1978) Comp.

Subsequent to the issuance of Order No. R-10449, and prior to October 1, 1995, the Unit Operator obtained ratifications approving the plan for unit operations from more than 75% of working interest owners in the Unit Area, and from more than 75% of royalty owners in the Unit Area, as required by N.M. Stat. Ann. § 70-7-8.

As a result of the foregoing, Order No. R-10449 became effective September 30, 1995.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

By:



William J. Lemay, Director

S E A L

WEST LOVINGTON STRAWN UNIT AREA
Lea County, New Mexico

UNIT DESCRIPTION	UNIT 1	UNIT 2	UNIT 3	UNIT 4	UNIT 5	UNIT 6	UNIT 7	UNIT 8	UNIT 9	UNIT 10	UNIT 11	UNIT 12
Bank Interest:	0.1985/886	0.1687/638	0.1135/0860	0.0487/9123	0.2128/623	0.0951/0370	0.0748/2238	0.0407/8802	0.0359/0195	0.0176/2177	0.0151/4051	1.00000000
Banking Interest (Cont):					0.0013/1185							
Anderson, Kenneth S. Jr. & Co., William R.*								0.0006/652	0.0006/7206	0.0004/1554	0.0003/0751	0.0013/1185
PHH Resources O & G Co.*	0.0746/530	0.0818/801	0.0632/2330	0.0249/6606	0.1011/8071	0.0175/5163	0.0241/1119	0.0195/5801	0.0134/5919	0.0008/1089	0.0017/4033	0.4698/3523
Calleguez, Charles B. Jr. & Co., Frank C. & Co.*	0.0746/530	0.0818/801	0.0632/2330	0.0249/6606	0.1011/8071	0.0175/5163	0.0241/1119	0.0195/5801	0.0122/8628	0.0008/1089	0.0017/4033	0.4698/3523
Adams, Andy D.					0.0013/1185							0.0013/1185
Phillips Petroleum Co.	0.0906/972				0.0078/7111							0.0078/7111
Total	0.1985/886	0.1687/638	0.1135/0860	0.0487/9123	0.2128/623	0.0951/0370	0.0748/2238	0.0407/8802	0.0359/0195	0.0176/2177	0.0151/4051	1.00000000

* Ratified Unit Agreement and Unit Operating Agreement

Total Working Interest Owner Ratifications: 95.0356528%

WEST LOVINGTON (STRAWN) UNIT AREA
LEA COUNTY, NEW MEXICO

TR. #	ROYALTY OWNER	ROYALTY	TOT. TR ROY	ROY %	TR. PART.	TR %
INTEREST BY TRACT						
1/ROY	UNITED STATES	12.5000000%	17.5000000%	71.4285714%	19.8573886%	14.1633490%
1/ORRI	CHARLES B. GILLESPIE, JR.	2.0000000%		11.4285714%		2.2694133%
1/ORRI	XERIC OIL & GAS CORP.	1.6406250%		9.3750000%		1.3613300%
1/ORRI	WILLIAM R. CROW	0.5781250%		3.3035714%		0.6550000%
1/ORRI	GPC OIL & GAS CORP.	0.5468750%		3.1250000%		0.6205434%
1/ORRI	DONALD R. CURRY	0.1562500%		0.8928571%		0.1772961%
1/ORRI	KEVIN & PATRICIA WIDNER	0.0781250%		0.4464286%		0.0886491%
	TOTALS	17.5000000%		100.0000000%		19.8573886%
2/ROY	STATE OF NEW MEXICO	12.5000000%	17.9687500%	69.5652174%	16.8776208%	11.7409536%
2/ORRI	ERNESTINE GILLESPIE	5.4687500%		30.4347826%		5.1366670%
	TOTALS	17.9687500%		100.0000000%		16.8776208%
3ROY	STATE OF NEW MEXICO	12.5000000%	12.5000000%	100.0000000%	12.6504860%	12.6504860%
	TOTALS	12.5000000%		100.0000000%		12.6504860%
4/ROY	STATE OF NEW MEXICO	16.6666670%	16.6666670%	100.0000000%	4.8793213%	4.8793213%
	TOTALS	16.6666670%		100.0000000%		4.8793213%

*Royalty
 Owners
 Ratifications*

5/ROY	JUNE D SPEIGHT	10.9375000%	20.8914510%	52.3539509%	21.2989623%	11.1508483%
5/ROY	DOROTHY L LUSK	1.5453606%		7.3970955%		1.5755046%
5/ROY	MARJORIE SMART, TRUSTEE	1.0416675%		4.9861903%		1.0620068%
5/ROY	CLARENCE V SHELFER	0.5494615%		2.6300782%		0.5601794%
5/ROY	ANNIE L. STURDIVANT	0.5494615%		2.6300782%		0.5601794%
5/ROY	TEDDIE D SHELFER	0.5494615%		2.6300782%		0.5601794%
5/ROY	ROY G BARTON, TRUSTEE	0.7812500%		3.7395679%		0.7964892%
5/ROY	RICHARD H. POWER	0.4578847%		2.1917322%		0.4668162%
5/ROY	JEAN BENSON	0.4578847%		2.1917322%		0.4668162%
5/ROY	BETTY L. PIEPER	0.3906244%		1.8697810%		0.3982439%
5/ROY	ROBERT L. BROWN	0.3906244%		1.8697810%		0.3982439%
5/ROY	EFFIE SHELFER	0.2747308%		1.3150395%		0.2800398%
5/ROY	JAMES D SHELFER	0.2747308%		1.3150395%		0.2800398%
5/ROY	JANE B. STONEMAN	0.2343750%		1.1218704%		0.2389457%
5/ROY	RICKIE D. THOMPSON	0.1831538%		0.8766927%		0.1867265%
5/ROY	TREVA J. THOMPSON	0.3663077%		1.7533654%		0.3734529%
5/ROY	PENELOPE L. HOLCOMB	0.1953126%		0.9348923%		0.1991224%
5/ROY	MONTY D. MCLANE	0.1736146%		0.8310320%		0.1770012%
5/ROY	LAVERNE W. COLBY	0.0781251%		0.3739571%		0.0796490%
5/ROY	LESTER F. COLBY	0.0781251%		0.3739571%		0.0796490%
5/ROY	DOROTHY C. FELTZ	0.0781251%		0.3739571%		0.0796490%
5/ROY	MILTON M. KRASNE	0.0694457%		0.3324122%		0.0709003%
5/ROY	PATRICK J. CESARANO TRUST	0.0590290%		0.2825510%		0.0601604%
5/ROY	FRANCIS J. MOYNIHAN, JR.	0.0390624%		0.1869781%		0.0398244%
5/ROY	BERKELEY N. MOYNIHAN	0.0390624%		0.1869781%		0.0398244%
5/ROY	BARBARA M. GALLAGHER	0.0390624%		0.1869781%		0.0398244%
5/ROY	SUZANNE M. CHAMBERS	0.0231486%		0.1108043%		0.0236002%
5/ROY	DAVID G. MCDONALD	0.0231486%		0.1108043%		0.0236002%
5/ROY	JOHN W. MCDONALD, ESTATE	0.0231486%		0.1108043%		0.0236002%
5/ROY	KELLY H. BAXTER	0.0104169%		0.0498619%		0.0106201%
5/ROY	HENRY W. LAWTON	0.1250000%		0.5983309%		0.1274383%
5/ROY	JOAN SERMAK	0.1250000%		0.5983309%		0.1274383%
5/ROY	NANCY O'CONNOR	0.1250000%		0.5983309%		0.1274383%
5/ROY	LEWIS E. MCLAUGHLIN	0.0625000%		0.2991654%		0.0637191%
5/ROY	LOIS M. MCLAUGHLIN	0.0625000%		0.2991654%		0.0637191%
5/ROY	MICHAEL STADWICK	0.0390625%		0.1869784%		0.0398245%
5/ROY	CHERIE WEICHEL	0.0390625%		0.1869784%		0.0398245%
5/ROY	LOIS STADWICK	0.0390625%		0.1869784%		0.0398245%
5/ROY	ROBERT STADWICK	0.0390625%		0.1869784%		0.0398245%
5/ROY	TODD STADWICK	0.0390625%		0.1869784%		0.0398245%
5/ROY	HARVARD STADWICK, JR.	0.0390625%		0.1869784%		0.0398245%
5/ROY	JOHN STADWICK	0.0390625%		0.1869784%		0.0398245%
5/ROY	KEITH STADWICK	0.0390625%		0.1869784%		0.0398245%
5/ROY	GERALDINE A. HILL	0.0781250%		0.3739568%		0.0796489%
5/ROY	LEONARD S. ANDERSON, JR.	0.0781250%		0.3739568%		0.0796489%
5/ORRI	LAWRENCE J. SERIGHT	0.0093750%		0.0448748%		0.0095579%
		20.8914510%		99.9999998%		21.2989623%
6/ROY	SNYDER RANCHES INC	20.0000000%	20.0000000%	100.0000000%	9.5103287%	9.5103267%

7/ROY	JAY ROOY ROYALTY TRUST	18.7500000%	18.7500000%	100.0000000%	5.0822238%	5.0822238%
8/ROY	CHAD L. & NORMA WILEY TRUS	9.3750000%	18.7500000%	50.0000000%	3.8706062%	1.9353031%
8/ROY	MARY KATHERINE NCBLE	4.6875000%		25.0000000%		0.9676516%
8/ROY	BILLIE GARRETT LYTLE	4.6875000%		25.0000000%		0.9676516%
		18.7500000%		100.0000000%		3.8706062%
9/ROY	MILDRED A WRIGHT, TRUST	9.3750000%	12.5000000%	75.0000000%	2.6918395%	2.0188796%
9/ROY	THOMAS W PETTIT	3.1250000%		25.0000000%		0.6729599%
		12.5000000%		100.0000000%		2.6918395%
10/ROY	ROY G. BARTON, TRUSTEE	10.0000000%	20.7715678%	48.1427309%	1.7662177%	0.8503054%
10/ROY	FAYE L. KLEIN	4.1667500%		20.0596724%		0.3543010%
10/ROY	GRACE STARMER	0.9375000%		4.5133810%		0.0797181%
10/ROY	MILTON M. KRASNE	0.7812501%		3.7611512%		0.0664301%
10/ROY	THE GROOMS TRUST	0.7031250%		3.3850353%		0.0597671%
10/ROY	CHARLES B GILLESPIE, JR.	0.4144286%		1.9951726%		0.0352361%
10/ROY	VANCE LEE MASON	0.4687500%		2.2566905%		0.0398551%
10/ROY	JOHN S. RANDALL, TRUST	0.6250000%		3.0089207%		0.0531441%
10/ROY	DALEN RESOURCES	0.2563473%		1.2341275%		0.0217974%
10/ROY	DOROTHY FULLER LUNDEEN	0.3417968%		1.6455029%		0.0290632%
10/ROY	RUSSELL & ANN PANG	0.2929683%		1.4104316%		0.0249113%
10/ROY	JOHN W. MCDONALD, ESTATE	0.2604167%		1.2537171%		0.0221434%
10/ROY	DAVID G. MCDONALD	0.2604167%		1.2537171%		0.0221434%
10/ROY	MARGOT S. CHAMBERS	0.2604167%		1.2537171%		0.0221434%
10/ROY	HEIDI C. BARTON	0.3038195%		1.4626700%		0.0258339%
10/ROY	BRETT C. BARTON	0.3038195%		1.4626700%		0.0258339%
10/ROY	ROY G. BARTON, III	0.3038195%		1.4626700%		0.0258339%
10/ROY	KELLY H. BAXTER	0.0781251%		0.3761154%		0.0066430%
10/ROY	WILLIAM R. CROW	0.0128174%		0.0617063%		0.0010399%
		20.7715678%		100.0000001%		1.7662177%
11/ROY	ROY G. BARTON, TRUSTEE	6.2500000%	22.6562500%	27.5862069%	1.5150051%	0.4179324%
11/ROY	FAYE L. KLEIN	6.2500000%		27.5862069%		0.4179324%
11/ROY	ROY G. BARTON, JR.	3.1250000%		13.7931034%		0.2089662%
11/ROY	NORMA J. CHANLEY	3.1250000%		13.7931034%		0.2089662%
11/ROY	JOAN L. YARNELL RINE	1.5625000%		6.8965517%		0.1044631%
11/ROY	WILLIAM ROBERT YARNELL	2.3437500%		10.3448276%		0.1567247%
		22.6562500%		100.0000000%		1.5150051%
					87.5416257%	
	= SHADED AREA DENOTES RECEIVED LATEST JOINDERS				Royalty	91395
					Owner	
					Joinders	

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the West Lovington Strawn Unit Area, County of Lea, State of New Mexico, in form approved on behalf of the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands or leases, or Royalty Interests therein, presently held or which may arise under existing option agreements, or other interests in production, consents to the inclusion of said lands and interests within the Unit and expressly ratifies, approves, and adopts said Unit Agreement, and agrees that the terms of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the terms of said Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her, or its several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement.

This Ratification and Joinder shall be binding upon the undersigned, and his, her, or its heirs, devisees, executors, personal representatives, assigns, or successors in interest.

EXECUTED this 18 day of September 1995.

NAME: Berkeley McNIHAN

ADDRESS: 448 Windswept Dr.
Asheville, NC 28801

ACKNOWLEDGEMENT

STATE OF North Carolina)
COUNTY OF Buncombe) ss.

SUBSCRIBED AND SWORN TO before me this 18 day of Sept. 1995, by _____

Katherine J. Miller
Notary Public

My Commission Expires:
10-31-98

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the West Lovington Strawn Unit Area, County of Lea, State of New Mexico, in form approved on behalf of the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands or leases, or Royalty Interests therein, presently held or which may arise under existing option agreements, or other interests in production, consents to the inclusion of said lands and interests within the Unit and expressly ratifies, approves, and adopts said Unit Agreement, and agrees that the terms of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the terms of said Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her, or its several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement.

This Ratification and Joinder shall be binding upon the undersigned, and his, her, or its heirs, devisees, executors, personal representatives, assigns, or successors in interest.

EXECUTED this 19th day of September, 1995.

NAME: Betty Louise Pappas
ADDRESS: 5200 Britton Dr. So. Apt. 1701
St. Petersburg, FL 33715

ACKNOWLEDGEMENT

STATE OF Florida)
COUNTY OF Duval) ss.

SUBSCRIBED AND SWORN TO before me this 19th day of Sept., 1995, by Betty Louise Pappas.

Sandra Lee Gallagher
Notary Public

My Commission Expires:
June 22, 1999



SANDRA LEE GALLAGHER
MY COMMISSION # 00475778 EXPIRES
June 22, 1999
BONDED THRU TROY FAIR INSURANCE, INC.

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the West Lovington Strawn Unit Area, County of Lea, State of New Mexico, in form approved on behalf of the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands or leases, or Royalty Interests therein, presently held or which may arise under existing option agreements, or other interests in production, consents to the inclusion of said lands and interests within the Unit and expressly ratifies, approves, and adopts said Unit Agreement, and agrees that the terms of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the terms of said Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her, or its several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement.

This Ratification and Joinder shall be binding upon the undersigned, and his, her, or its heirs, devisees, executors, personal representatives, assigns, or successors in interest.

EXECUTED this 18th day of September, 1995.

NAME: Annie L. Shurdiant
ADDRESS: RT 1 Box 1219
Pennington Mo 64854

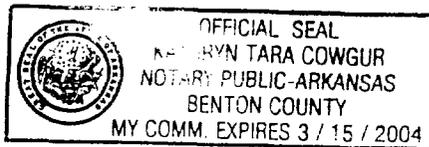
ACKNOWLEDGEMENT

STATE OF Arkansas)
COUNTY OF Benton) ss.

SUBSCRIBED AND SWORN TO before me this 18th day of Sept, 1995, by Annie L. Shurdiant

Kathryn Tara Cowgur
Notary Public

My Commission Expires:



RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the West Lovington Strawn Unit Area, County of Lea, State of New Mexico, in form approved on behalf of the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands or leases, or Royalty Interests therein, presently held or which may arise under existing option agreements, or other interests in production, consents to the inclusion of said lands and interests within the Unit and expressly ratifies, approves, and adopts said Unit Agreement, and agrees that the terms of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the terms of said Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her, or its several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement.

This Ratification and Joinder shall be binding upon the undersigned, and his, her, or its heirs, devisees, executors, personal representatives, assigns, or successors in interest.

EXECUTED this 15th day of Sept, 1995.

NAME: Donald Smart
ADDRESS: 1238 Broadway Cir
Blk. 2000
72543

ACKNOWLEDGEMENT

STATE OF Arkansas)
COUNTY OF Chicot) ss.

SUBSCRIBED AND SWORN TO before me this 19th day of Sept, 1995, by Pat Harrison.

Pat Harrison
Notary Public

My Commission Expires:
My Commission Expires June 21, 1999

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the West Lovington Strawn Unit Area, County of Lea, State of New Mexico, in form approved on behalf of the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands or leases, or Royalty Interests therein, presently held or which may arise under existing option agreements, or other interests in production, consents to the inclusion of said lands and interests within the Unit and expressly ratifies, approves, and adopts said Unit Agreement, and agrees that the terms of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the terms of said Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her, or its several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement.

This Ratification and Joinder shall be binding upon the undersigned, and his, her, or its heirs, devisees, executors, personal representatives, assigns, or successors in interest.

EXECUTED this 15th day of SEPTEMBER, 1995.

NAME: W. H. THOMPSON GUARDIAN FOR TREVA J
ADDRESS: 16242 HICKORY DRIVE THOMPSON
ROGERS AR 72756

W.H. Thompson

ACKNOWLEDGEMENT

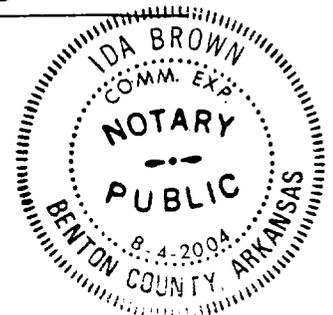
STATE OF ARKANSAS)
) ss.
COUNTY OF BENTON)

SUBSCRIBED AND SWORN TO before me this 15th day of SEPTEMBER, 1995, by W. H. THOMPSON

Ida Brown
Notary Public

My Commission Expires:

8-04-95



RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the West Lovington Strawn Unit Area, County of Lea, State of New Mexico, in form approved on behalf of the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands or leases, or Royalty Interests therein, presently held or which may arise under existing option agreements, or other interests in production, consents to the inclusion of said lands and interests within the Unit and expressly ratifies, approves, and adopts said Unit Agreement, and agrees that the terms of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the terms of said Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her, or its several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement.

This Ratification and Joinder shall be binding upon the undersigned, and his, her, or its heirs, devisees, executors, personal representatives, assigns, or successors in interest.

EXECUTED this 15th day of September, 1995.

NAME: Dorothy Fuller Lunden

ADDRESS: 4304 Lavin Lane Dr.

Tampa, FL 33615
Dorothy Fuller Lunden

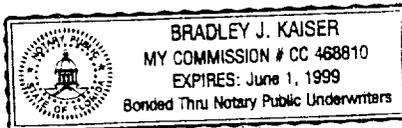
ACKNOWLEDGEMENT

STATE OF FLORIDA)
) ss.
COUNTY OF HILLSBOROUGH)

SUBSCRIBED AND SWORN TO before me this 15th day of SEPTEMBER, 1995, by DOROTHY FULLER LUNDEN.

Bradley J. Kaiser
Notary Public

My Commission Expires:



RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the West Lovington Strawn Unit Area, County of Lea, State of New Mexico, in form approved on behalf of the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands or leases, or Royalty Interests therein, presently held or which may arise under existing option agreements, or other interests in production, consents to the inclusion of said lands and interests within the Unit and expressly ratifies, approves, and adopts said Unit Agreement, and agrees that the terms of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the terms of said Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her, or its several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement.

This Ratification and Joinder shall be binding upon the undersigned, and his, her, or its heirs, devisees, executors, personal representatives, assigns, or successors in interest.

EXECUTED this 14th day of September, 1995.

The Estate of John W. McLeod, McLeod, Dec.
NAME: John W. McLeod (est)
ADDRESS: 1301 Lanning Hall Ct.
Bartlesville, Dec 57727

ACKNOWLEDGEMENT

STATE OF Oawa)
COUNTY OF Scott) ss.

SUBSCRIBED AND SWORN TO before me this 14th day of September 1995, by _____

Laura L Metzgar
Notary Public

My Commission Expires:
6/11/97



RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the West Lovington Strawn Unit Area, County of Lea, State of New Mexico, in form approved on behalf of the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands or leases, or Royalty Interests therein, presently held or which may arise under existing option agreements, or other interests in production, consents to the inclusion of said lands and interests within the Unit and expressly ratifies, approves, and adopts said Unit Agreement, and agrees that the terms of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the terms of said Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her, or its several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement.

This Ratification and Joinder shall be binding upon the undersigned, and his, her, or its heirs, devisees, executors, personal representatives, assigns, or successors in interest.

EXECUTED this 15th day of September, 1995.

THE GROOMS TRUST

NAME:

Margaret E. Grooms
BY: Margaret E. Grooms, Trustee

ADDRESS:

P. O. Box 2328

Roswell, NM 88202-2328

ACKNOWLEDGEMENT

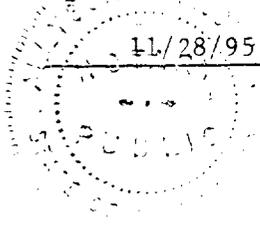
STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

SUBSCRIBED AND SWORN TO before me this 15th day of September, 1995, by Margaret E. Grooms, Trustee of the Grooms Trust.

Allyson L McClain
Notary Public

My Commission Expires:

11/28/95



RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the West Lovington Strawn Unit Area, County of Lea, State of New Mexico, in form approved on behalf of the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands or leases, or Royalty Interests therein, presently held or which may arise under existing option agreements, or other interests in production, consents to the inclusion of said lands and interests within the Unit and expressly ratifies, approves, and adopts said Unit Agreement, and agrees that the terms of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the terms of said Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her, or its several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement.

This Ratification and Joinder shall be binding upon the undersigned, and his, her, or its heirs, devisees, executors, personal representatives, assigns, or successors in interest.

EXECUTED this _____ day of _____, 1995.

NAME: _____

ADDRESS: _____

ACKNOWLEDGEMENT

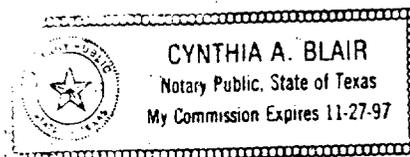
STATE OF Texas)
) ss.
COUNTY OF Midland)

SUBSCRIBED AND SWORN TO before me this 15th day of September, 1995, by Robert J. Hansen.

Cynthia A. Blair
Notary Public

My Commission Expires:

11-27-97



RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the West Lovington Strawn Unit Area, County of Lea, State of New Mexico, in form approved on behalf of the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands or leases, or Royalty Interests therein, presently held or which may arise under existing option agreements, or other interests in production, consents to the inclusion of said lands and interests within the Unit and expressly ratifies, approves, and adopts said Unit Agreement, and agrees that the terms of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the terms of said Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her, or its several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement.

This Ratification and Joinder shall be binding upon the undersigned, and his, her, or its heirs, devisees, executors, personal representatives, assigns, or successors in interest.

EXECUTED this 15 day of SEPT, 1995.

NAME: Laddie D. Shelton
ADDRESS: 4509 SKY LARK
EL PASO, TX 79922

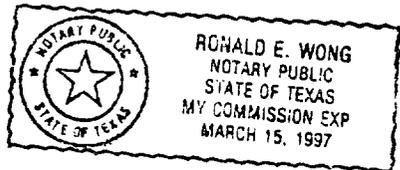
ACKNOWLEDGEMENT

STATE OF TEXAS)
) ss.
COUNTY OF EL PASO)

SUBSCRIBED AND SWORN TO before me this 15 day of SEPTEMBER, 1995, by RONALD E. WONG.

Ronald E. Wong
Notary Public

My Commission Expires:
3-15-97



RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the West Lovington Strawn Unit Area, County of Lea, State of New Mexico, in form approved on behalf of the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands or leases, or Royalty Interests therein, presently held or which may arise under existing option agreements, or other interests in production, consents to the inclusion of said lands and interests within the Unit and expressly ratifies, approves, and adopts said Unit Agreement, and agrees that the terms of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the terms of said Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her, or its several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement.

This Ratification and Joinder shall be binding upon the undersigned, and his, her, or its heirs, devisees, executors, personal representatives, assigns, or successors in interest.

EXECUTED this 15 day of Sept, 1995.

NAME: Dorothy Lee Just
ADDRESS: P.O. Box 5317
Terrebonne, N.M.
87574

ACKNOWLEDGEMENT

STATE OF New Mexico)
COUNTY OF Santa Fe) ss.

SUBSCRIBED AND SWORN TO before me this 15th day of September, 1995, by Dorothy Lee Just.

Lawrence C. Vigil
Notary Public

My Commission Expires:

March 18, 1999

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the West Lovington Strawn Unit Area, County of Lea, State of New Mexico, in form approved on behalf of the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands or leases, or Royalty Interests therein, presently held or which may arise under existing option agreements, or other interests in production, consents to the inclusion of said lands and interests within the Unit and expressly ratifies, approves, and adopts said Unit Agreement, and agrees that the terms of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the terms of said Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her, or its several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement.

This Ratification and Joinder shall be binding upon the undersigned, and his, her, or its heirs, devisees, executors, personal representatives, assigns, or successors in interest.

EXECUTED this 15th day of September, 1995.

NAME: Faye L. (Lipsett) Klein
ADDRESS: Box 1503
Albuquerque, N.M. 87124
525-41-2130

ACKNOWLEDGEMENT

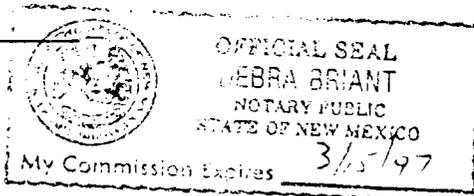
STATE OF New Mexico)
) ss.
COUNTY OF Lea)

SUBSCRIBED AND SWORN TO before me this 15th day of Sept., 1995, by Faye L. (Lipsett) Klein.

Debra Briant
Notary Public

My Commission Expires:

3/15/97



RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the West Lovington Strawn Unit Area, County of Lea, State of New Mexico, in form approved on behalf of the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands or leases, or Royalty Interests therein, presently held or which may arise under existing option agreements, or other interests in production, consents to the inclusion of said lands and interests within the Unit and expressly ratifies, approves, and adopts said Unit Agreement, and agrees that the terms of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the terms of said Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her, or its several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement.

This Ratification and Joinder shall be binding upon the undersigned, and his, her, or its heirs, devisees, executors, personal representatives, assigns, or successors in interest.

EXECUTED this 21st day of September, 1995.

NAME: Chad L. & Norma B. Wiley Trust
Norwest Bank, New Mexico, N.A., Trustee
ADDRESS: by: Dixie D. Edwards
Dixie D. Edwards, Vice President & Trust Officer
P.O. Box 5614
Hobbs, NM 88241

ACKNOWLEDGEMENT

STATE OF New Mexico)
) ss.
COUNTY OF Lea)

SUBSCRIBED AND SWORN TO before me this 21st day of September, 1995, by Dixie D. Edwards

Donna Larin
Notary Public

My Commission Expires:
8-10-98

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the West Lovington Strawn Unit Area, County of Lea, State of New Mexico, in form approved on behalf of the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands or leases, or Royalty Interests therein, presently held or which may arise under existing option agreements, or other interests in production, consents to the inclusion of said lands and interests within the Unit and expressly ratifies, approves, and adopts said Unit Agreement, and agrees that the terms of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the terms of said Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her, or its several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement.

This Ratification and Joinder shall be binding upon the undersigned, and his, her, or its heirs, devisees, executors, personal representatives, assigns, or successors in interest.

EXECUTED this 21 day of Sept, 1995.

NAME:

Burt C. Burton

ADDRESS:

708 SW 149th PC

OKC OK 73170

ACKNOWLEDGEMENT

STATE OF Oklahoma)
COUNTY OF Cleveland) ss.

SUBSCRIBED AND SWORN TO before me this 21 day of Sept, 1995, by Burt C. Burton.

Warren S. Sledge
Notary Public

My Commission Expires:

11-9-97

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the West Lovington Strawn Unit Area, County of Lea, State of New Mexico, in form approved on behalf of the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands or leases, or Royalty Interests therein, presently held or which may arise under existing option agreements, or other interests in production, consents to the inclusion of said lands and interests within the Unit and expressly ratifies, approves, and adopts said Unit Agreement, and agrees that the terms of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the terms of said Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her, or its several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement.

This Ratification and Joinder shall be binding upon the undersigned, and his, her, or its heirs, devisees, executors, personal representatives, assigns, or successors in interest.

EXECUTED this 16th day of SEPTEMBER, 1995.

NAME: Ruby Gibson Carley
ADDRESS: 2511 Willowick #335
HOUSTON, TX 77027

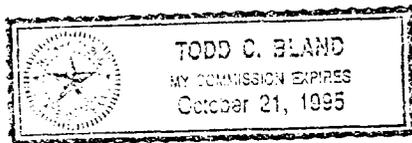
ACKNOWLEDGEMENT

STATE OF TEXAS)
) ss.
COUNTY OF HARRIS)

SUBSCRIBED AND SWORN TO before me this 16th day of SEPTEMBER, 1995, by RUBY GIBSON CARLEY

Todd C. Bland
Notary Public

My Commission Expires:
10-21-95



RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the West Lovington Strawn Unit Area, County of Lea, State of New Mexico, in form approved on behalf of the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands or leases, or Royalty Interests therein, presently held or which may arise under existing option agreements, or other interests in production, consents to the inclusion of said lands and interests within the Unit and expressly ratifies, approves, and adopts said Unit Agreement, and agrees that the terms of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the terms of said Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her, or its several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement.

This Ratification and Joinder shall be binding upon the undersigned, and his, her, or its heirs, devisees, executors, personal representatives, assigns, or successors in interest.

EXECUTED this 26th day of Sept, 1995.

NAME: Robert Roy Stadwick
ADDRESS: 39904 Shoreline
Harrison Twp., Me
48045

ACKNOWLEDGEMENT

STATE OF Michigan)
COUNTY OF Macomb) ss.

SUBSCRIBED AND SWORN TO before me this 26 day of September, 1995, by Robert Roy Stadwick.

Kevin A. Yezback
Notary Public Steven A. Yezback

My Commission Expires:
May 24, 2000

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the West Lovington Strawn Unit Area, County of Lea, State of New Mexico, in form approved on behalf of the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands or leases, or Royalty Interests therein, presently held or which may arise under existing option agreements, or other interests in production, consents to the inclusion of said lands and interests within the Unit and expressly ratifies, approves, and adopts said Unit Agreement, and agrees that the terms of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the terms of said Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her, or its several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement.

This Ratification and Joinder shall be binding upon the undersigned, and his, her, or its heirs, devisees, executors, personal representatives, assigns, or successors in interest.

EXECUTED this 26th day of Sept, 1995.

NAME: Michael C. Stadwick
ADDRESS: 3990 4 Shoreline
Harrison Twp, MI
48045

ACKNOWLEDGEMENT

STATE OF Michigan)
COUNTY OF Macomb) ss.

SUBSCRIBED AND SWORN TO before me this 26 day of September, 1995, by MICHAEL C. STADWICK.

Steven A. Yezback
Notary Public Steven A. Yezback

My Commission Expires:
May 24, 2000

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the West Lovington Strawn Unit Area, County of Lea, State of New Mexico, in form approved on behalf of the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands or leases, or Royalty Interests therein, presently held or which may arise under existing option agreements, or other interests in production, consents to the inclusion of said lands and interests within the Unit and expressly ratifies, approves, and adopts said Unit Agreement, and agrees that the terms of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the terms of said Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her, or its several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement.

This Ratification and Joinder shall be binding upon the undersigned, and his, her, or its heirs, devisees, executors, personal representatives, assigns, or successors in interest.

EXECUTED this 26th day of Sept, 1995.

NAME: Keith C. Stadwick
ADDRESS: Keith C. Stadwick
137 S Vincent
Bolingbrook, IL 60440

ACKNOWLEDGEMENT

STATE OF Michigan)
COUNTY OF Macomb) ss.

SUBSCRIBED AND SWORN TO before me this 26 day of September, 1995, by Keith C. Stadwick.

Steven A. Yezbuck
Notary Public Steven A. Yezbuck

My Commission Expires:
May 24, 2000

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

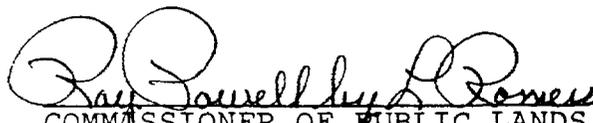
GILLESPIE-CROW, INC.
WEST LOVINGTON STRAWN UNIT
LEA COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Unit Agreement for the development and operation of acreage which is described within the referenced Agreement, dated OCTOBER 1, 1995, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That 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 within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

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, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and further, that leases insofar as the lands covered thereby committed to this Unit Agreement 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 the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 28th day of SEPTEMBER, 1995.


COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

CERTIFICATION--DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, under the Act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C., sec. 181, et seq., and delegated to the Authorized Officer of the Bureau of Land Management, under the authority of 43 CFR 3183, I do hereby:

- A. Approve the attached agreement for the development and operation of the West Lovington Strawn unit area, State of New Mexico. This approval shall be invalid ab initio if the public interest requirement under §3183.4 (b) of this title is not met.

- B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

- C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

Dated: September 29, 1995



(Authorized Officer)
Bureau of Land Management

Contract No: NMNM91055X

EXHIBIT "C"

Attached to and made a part of the
Unit Agreement for the West Lovington Strawn Unit Area
Lea County, New Mexico

<u>TRACT NO.</u>	<u>TRACT PARTICIPATION</u>
1	19.8573886%
2	16.8776208%
3	12.6504860%
4	4.8793213%
5	21.2989623%
6	9.5103287%
7	5.0822238%
8	3.8706062%
9	2.6918395%
10	1.7662177%
11	1.5150051%
	<hr/>
Total:	100.0000000%

EXHIBIT "D"
SUMMARY OF WORKING INTERESTS
PAGE 2

UNIT PARTICIPATION	TRACT 1	TRACT 2	TRACT 3	TRACT 4	TRACT 5	TRACT 6	TRACT 7	TRACT 8	TRACT 9	TRACT 10	TRACT 11	TOTAL
Tract Interest:	0.198573886	0.168776208	0.126504860	0.048793213	0.212989623	0.095103287	0.050822238	0.038706062	0.026918395	0.017662177	0.015150051	1.000000000
Working Interest Owner:					0.001331185							0.001331185
Anderson, Leonard S. Jr.												
Crow, William R.								0.000967652	0.000672960	0.000441554	0.000378751	0.002460917
DALFN Resources O & G Co.	0.074465207	0.084388104	0.063252430	0.024396606	0.101170071	0.047551643	0.025411119	0.019353031	0.013459197	0.008831089	0.007575026	0.469853523
Gillespie, Charles B. Jr.	0.074465207	0.084388104	0.063252430	0.024396607	0.101170071	0.047551644	0.025411119	0.018365379	0.012786238	0.008389534	0.007196274	0.467392607
Hill, Laura Geraldine					0.001331185							0.001331185
McLane, Monty D.					0.007987111							0.007987111
Phillips Petroleum Co.	0.049643472											0.049643472
Total	0.198573886	0.168776208	0.126504860	0.048793213	0.212989623	0.095103287	0.050822238	0.038706062	0.026918395	0.017662177	0.015150051	1.000000000

FAX Transmittal Sheet

FILE

HANLEY PETROLEUM INC.

415 W. Wall, Suite 1500

Midland, TX 79701

Telephone number: 915 684-8051 242

FAX Number: 915 685-1104

Date: 10/11/95 Time: 2:50 ~~AM~~ PM

To: Name Bill Carr

Firm _____

City _____

Destination FAX No. (505) 983 - 6043

From: Jim Rogers

Total number of pages (including this transmittal sheet) 4

If the number of pages indicated is not received or if there are any other problems in receiving the transmittal, please call (915) 684-8051 at your earliest convenience.



415 WEST WALL, SUITE 1500/MIDLAND, TEXAS 79701-4473/915-684-8051 FAX: 915-685-1104

October 11, 1995

Mr. Bill Carr
 Campbell, Carr & Berge
 Post Office Box 2208
 Santa Fe, New Mexico 87504-2208
 FAX (505) 983-6043

*West Lovington Strawn -
 R-9722 - 9/23/92
 SEC. 33 W/2 SE/4
 80 acre spacing
 330' from any quarter-quarter
 section line
 10-1020' to nearest well
 DSH - 445 BOPD*

Gentlemen:

**Re: Proposed Drilling Operations
 Hanley Petroleum Inc.
 Section 28, T-15-S, R-35-E
 Lea County, New Mexico
 (West Lovington Strawn Field)**

Hanley Petroleum Inc. is preparing to file permits with the NMOCC to drill the following wells to a depth sufficient to test the Strawn formation:

1. Test well located 330' FSL and 1650' FEL Section 28, T-15-S, R-35-E (a fee lease);
2. Test well located 330' FSL and 2310' FWL Section 28, T-15-S, R-35-E (a state lease).

Both locations are north offsets to Charles B. Gillespie's production which is being unitized as a result of a June 1995 NMOCC hearing.

In connection with the filing of these permits, we would request that you review the locations to make sure that they conform to the field rule spacing. It has also come to our attention that Gillespie has requested the right to run directional surveys in offset operators' wellbores pursuant to Rule 111B of the NMOCC Rules and Regulations. We request your opinion as to the requirements set forth in this rule that will keep us in compliance therewith.

*330' - OK
 if right to site - survey - Gillespie pays
 - could result in flooding*

Mr. Bill Carr
October 11, 1995
Page 2

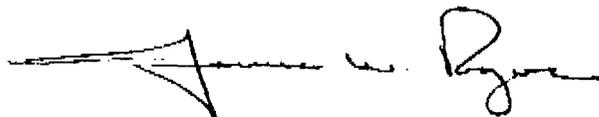
It is also our desire to be able to drill our wells and operate them without the threat of Gillespie or the NMOCC forcing us into a field unit just as Amerind Oil Company (another offset operator to the proposed Gillespie Unit) has been able to do.

only way - hold off any unit - fight on what is most reasonable

Your earliest attention to this matter herein discussed would be most appreciated along with any other advice you may offer to insure that we have our chance to develop our part of this reservoir.

Yours very truly,

HANLEY PETROLEUM INC.



James W. Rogers

Enclosure: Lease plat

WEST LOVINGTON - STRAWN ¹⁰⁰⁰ County, _____

Township 15 S Range 35 E

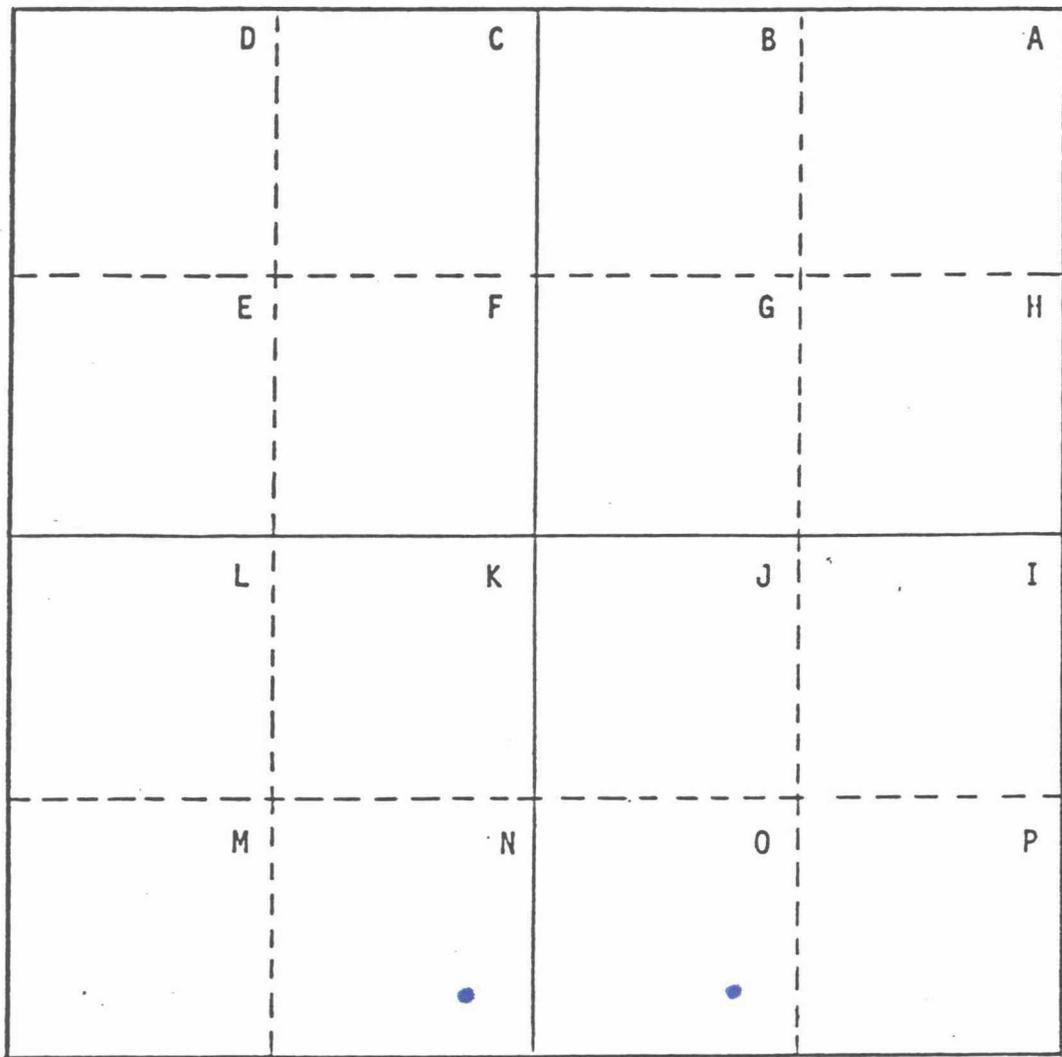
Township _____ Range _____

Township 16 S Range 35 E

Township _____ Range _____

Form 104 - (Four on Township)

6	5	4	3	2	1	6	5	4	3	2	1
7	8	9	10	11	12	7	8	9	10	11	12
18	17	16	15	14	13	18	17	16	15	14	13
19	20	21	22	23	24	19	20	21	22	23	24
30	29	28	27	26	25	30	29	28	27	26	25
31	32	33	34	35	36	31	32	33	34	35	36
6	5	4	3	2	1	6	5	4	3	2	1
7	8	9	10	11	12	7	8	9	10	11	12
18	17	16	15	14	13	18	17	16	15	14	13
19	20	21	22	23	24	19	20	21	22	23	24
30	29	28	27	26	25	30	29	28	27	26	25
31	32	33	34	35	36	31	32	33	34	35	36



330' 990'

1320' OK



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Roswell District Office
1717 West Second Street
Roswell, New Mexico 88201-2019

RECEIVED
SEP 29 1995

IN REPLY REFER TO:
NMNM91055X
3180 (06200)

SEP 29 1995

Hinkle, Cox, Eaton, Coffield, & Hensley
Attention: Mr. James Bruce
P. O. Box 2068
Santa Fe, NM 87504-2068

Gentlemen:

One approved copy of the West Lovington Strawn Unit Agreement, No. NMNM91055X, Lea County, New Mexico, filed on behalf of Gillespie-Crow, Inc., is enclosed. Such agreement is approved as of the date of approval and will become effective upon submittal of a Certificate of Effectiveness pursuant to Section 24 of the unit agreement. Your initial plan of operation has been reviewed and is acceptable.

Approval of the agreement does not warrant or certify that the operator thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

You are required to furnish all interested principals with appropriate evidence of this approval.

Sincerely,

(Handwritten signature)

Tony L. Ferguson
Assistant District Manager,
Minerals Support Team

Enclosure

cc:
Commissioner of Public Lands, Santa Fe
MMS, Denver (3110)
NMOCD, Santa Fe

CERTIFICATION- DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, under the Act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C., sec. 181, et seq., and delegated to the Authorized Officer of the Bureau of Land Management, under the authority of 43 CFR 3183, I do hereby:

- A. Approve the attached agreement for the development and operation of the West Lovington Strawn unit area, State of New Mexico. This approval shall be invalid ab initio if the public interest requirement under §3183.4 (b) of this title is not met.

- B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

- C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

Dated: September 29, 1995

1025 (09-29-95) 107-1-1

(Authorized Officer)
Bureau of Land Management

Contract No: NMNM91055X



#11195

OIL CONSERVATION DIVISION
RECEIVED

1995 09 28 52

RAY POWELL, M.S., D.V.M.
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL P.O. BOX 1148

SANTA FE, NEW MEXICO 87504-1148

(505) 827-5760
FAX (505) 827-5766

September 28, 1995

Hinkle, Cox, Eaton, Coffield & Hensley
P.O. Box 2068
Santa Fe, New Mexico 87504-2068

Attention: Mr. James Bruce

Re: Final Approval
West Lovington Strawn Unit Agreement
Lea County, New Mexico

Dear Mr. Bruce:

This office is in receipt of your letter of September 25, 1995, wherein on behalf of Gillespie-Crow, Inc. you have requested final approval of the West Lovington Strawn Unit Agreement, Lea County, New Mexico.

Please be advised that the Commissioner of Public Lands has this date granted final approval to the West Lovington Strawn Unit Agreement, Lea County, New Mexico. Also, approved on this date is your initial plan of operation for the above-mentioned unit area.

Pursuant to Section 24 of the West Lovington Strawn Unit Agreement, please submit a copy of the "Certificate of Effectiveness".

Our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

Enclosed are Five (5) Certificates of Approval. Your filing fee in the amount of \$120.00 Dollars has been received.

Hinkle, Cox, Eaton, Coffield & Hensley
Page 2
September 28, 1995

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
LARRY KEHOE, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/LK/cpm

Enclosure

cc: Reader File

BLM--Attention: Mr. Armando Lopez
OCD--Attention: Mr. Roy Johnson
TRD--Attention: Mr. Valdean Severson
Commissioner's File

UNIT NAME: WEST LOVINGTON STRAWN UNIT
OPERATOR: GILLESPIE/CROW, INC.
COUNTY: LEA

SECTION
01 8 52

DATE	OCC CASE NO.	TOTAL	STATE	FEDERAL	FEE	SEGREGATION	TERM
APPROVED	OCC ORDER NO.	ACREAGE				CLAUSE	
EFFECTIVE	11194--A-10448	1458.95	502.42	320.00	636.53	MODIFIED	SO LONG AS
9-28-95	11195--R-10449						

APPROVALS

SLO--9-28-95
OCD--8-29-95
BLM--10-01-95

TOWNSHIP 15 SOUTH, RANGE 35 EAST

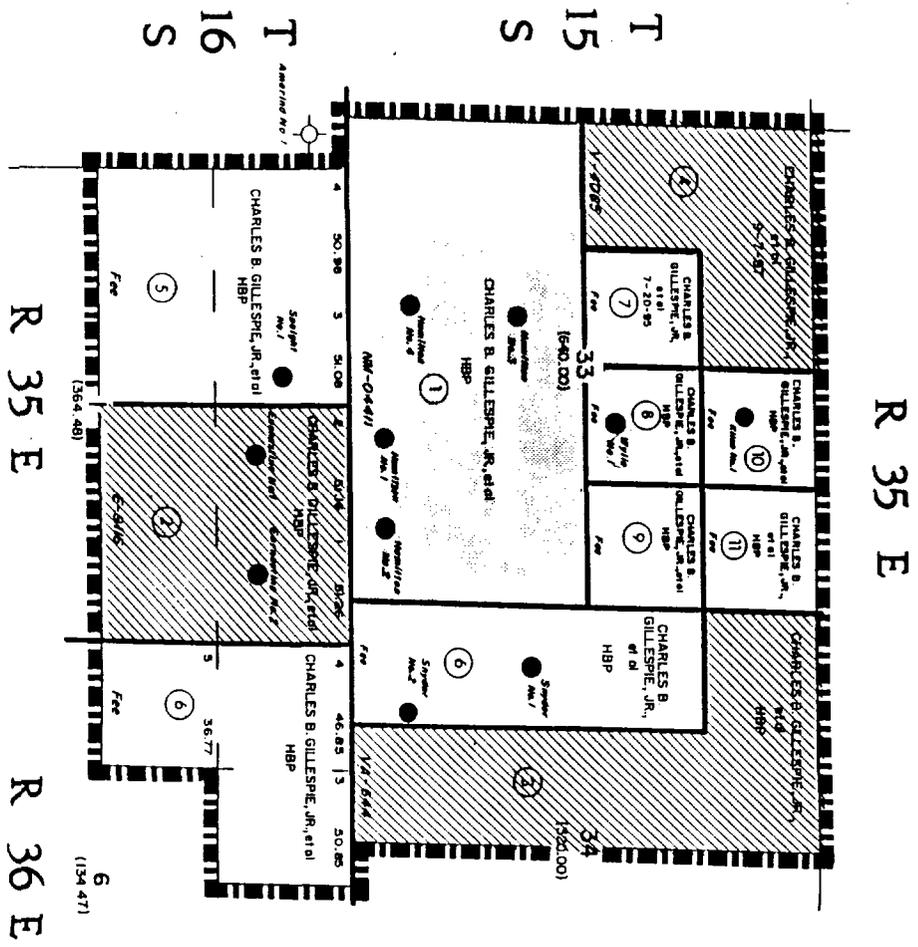
Section 33: All
Section 34: W/2

TOWNSHIP 16 SOUTH, RANGE 35 EAST

Section 1: 1, 2, 3, 4, 5, 6, 7, 8

TOWNSHIP 16 SOUTH, RANGE 36 EAST

Section 6: Lots 3, 4, 5



R 35 E

R 35 E

R 36 E

	ACREAGE	PERCENTAGE
Federal Lands	320.00	21.93 %
State Lands	502.42	34.44 %
Patented Lands	636.53	43.63 %
TOTALS	1,458.95	100.00 %



Exhibit "A"

WEST LOVINGTON (STRAWN) UNIT
LEA COUNTY, NEW MEXICO

GILLESPIE - CROW, INC.
MIDLAND, TEXAS

EXHIBIT "B"
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS
 WEST LOVINGTON (STRAWN) UNIT AREA
 LEA COUNTY, NEW MEXICO

Ownership as to the Strawn Formation

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
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FEDERAL LANDS:

1.	T15S-R35E, N.M.P.M. Sec. 33: S/2	320.00	NM-04411 Effective 8-1-51 HBP	U.S.A. - All (12.5% royalty)	Phillips Petroleum Company 100%	Charles B. Gillespie, Jr. 2% Randall Capps, dba Xeric Oil & Gas Corp. 1.640625% William R. Crow .578125% GPC Oil & Gas Corp. .546875% Donald R. Curry .15625% Kevin L. Widner & Patricia Widner .078125%	Charles B. Gillespie, Jr. 37.5% DALEN Resources Oil & Gas Co. 37.5% Phillips Petroleum Company 25%
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FEDERAL TRACTS	TOTALING	ACRES	OR	OF	UNIT	AREA
1	FEDERAL TRACTS	320.00	21.93%	OF	UNIT	AREA

TRACT NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSOR OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
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STATE LANDS:

2. T16S-R35E, N.M.P.M.
 Sec. 1: Lots 1, 2, 7, 8
 182.42
 E-9116 - 2
 State of New Mexico - All (12.5% royalty)
 Charles B. Gillespie, Jr. 100%
 Ernestine Gillespie 5.46875%
 Charles B. Gillespie, Jr. 50%
 DALEN Resources Oil & Gas Co. 50%

3. T15S-R35E, N.M.P.M.
 Sec. 34: N/2NW/4, SE/4NW/4, E/2SW/4
 200.00
 VA-644 - 1
 State of New Mexico - All (12.5% royalty)
 Charles B. Gillespie, Jr. 100%
 None
 Charles B. Gillespie, Jr. 50%
 DALEN Resources Oil & Gas Co. 50%

4. T15S-R35E, N.M.P.M.
 Sec. 33: N/2NW/4, SW/4NW/4
 120.00
 V-4065 - 1
 State of New Mexico - All (16.666667% royalty)
 Charles B. Gillespie, Jr. 100%
 None
 Charles B. Gillespie, Jr. 50%
 DALEN Resources Oil & Gas Co. 50%

Expires
9-7-97

3 STATE TRACTS TOTALING 502.42 ACRES OR 34.44% OF UNIT AREA

TRACT NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LEASE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
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PATENTED LANDS:

✓ 5.	<u>T16S-R35E, N.M.P.M.</u> Sec. 1: Lots 3,4,5,6	182.06	HBP	June Danglede Speight 43.75% (25% royalty)	Charles B. Gillespie, Jr. 47.5%	Lawrence J. Seright 009375%	Charles B. Gillespie, Jr. 47.5%
			HBP	Dorothy Lee Lusk 9.271978% (16.667% royalty)	DALEN Resources Oil & Gas Co. 47.5%		DALEN Resources Oil & Gas Co. 47.5%
			HBP	Marjorie Smart, Trustee of Marjorie C. Smart Revocable Trust dated 5/9/90 6.25% (16.667% royalty)	Monty D. McLaine 3.75%		Monty D. McLaine 3.75%
			HBP	Clarence V. Shelfer 3.296703% (16.667% royalty)			
			HBP	Annie Laura Sturdivant 3.296703% (16.667% royalty)			
			HBP	Teddie Darrell Shelfer 3.296703% (16.667% royalty)			

5. cont'd

TRACT NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LEASE OF RECORD AND PERCENTAGE	OVERRIDE ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
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HBP	Roy G. Barton, Jr., Trustee of the Roy G. Barton, Sr. and Opal Barton Revocable Trust			3.125% (25% royalty)			
-----	---	--	--	-------------------------	--	--	--

HBP	Richard H. Power			2.747253% (16.667% royalty)			
-----	------------------	--	--	--------------------------------	--	--	--

HBP	Jean Benson			2.747253% (16.667% royalty)			
-----	-------------	--	--	--------------------------------	--	--	--

HBP	Betty Louise Pieper			2.083333% (18.75% royalty)			
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HBP	Robert L. Brown			2.083333% (18.75% royalty)			
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HBP	Effie Shelfer			1.648352% (16.667% royalty)			
-----	---------------	--	--	--------------------------------	--	--	--

HBP	James Darrell Shelfer			1.648352% (16.667% royalty)			
-----	--------------------------	--	--	--------------------------------	--	--	--

HBP	Jane Bowers Stoneman			1.25% (18.75% royalty)			
-----	-------------------------	--	--	---------------------------	--	--	--

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	LESSOR AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDE ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
5. cont'd							
			HBP	Rickie Don Thompson 1.098901% (16.667% royalty)			
			HBP	Treva Joyce Thompson 2.197802% (16.667% royalty)			
			HBP	Penelope Louise Holcomb 1.041667% (18.75% royalty)			
			HBP	Monty D. McLane 1.041667% (16.667% royalty)			
			HBP	Laverne W. Colby .416667% (18.75% royalty)			
			HBP	Lester F. Colby .416667% (18.75% royalty)			
			HBP	Dorothy C. Feltz .416667% (18.75% royalty)			

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
5. cont'd							
	HBP			Milton M. Krasne .416666% (16.667% royalty)			
	HBP			Patrick J. Cesarano Revocable Trust .354167% (16.667% royalty)			
	HBP			Francis J. Moynihan, Jr. .208333% (18.75% royalty)			
	HBP			Berkeley N. Moynihan .208333% (18.75% royalty)			
	HBP			Barbara M. Gallagher .208333% (18.75% royalty)			
	HBP			Suzanne M. Chambers .138889% (16.667% royalty)			
	HBP			David Graham McDonald .138889% (16.667% royalty)			

5. cont'd

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDE ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
HBP	The Estate of John William McDonald, Anita M. McDonald as Independent Executrix			.138889% (16.667% royalty)			
HBP	Kelly H. Baxter			.0625% (16.667% royalty)			
HBP	Henry W. Lawton			.625% (20% royalty)			
HBP	Joan Sernak			.625% (20% royalty)			
HBP	Nancy O'Connor			.625% (20% royalty)			
HBP	Lewis E. McLaughlin			.3125% (20% royalty)			
HBP	Lois M. McLaughlin			.3125% (20% royalty)			
HBP	Michael Stadwick			.15625% (25% royalty)			

TRACT NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
5. cont'd							
	HBP			Cherie Weichel .15625% (25% royalty)			
	HBP			Lois H. Stadwick .15625% (25% royalty)			
	HBP			Robert Stadwick .15625% (25% royalty)			
	HBP			Todd Stadwick .15625% (25% royalty)			
	HBP			Harvard Stadwick, Jr. .15625% (25% royalty)			
	HBP			John Stadwick .15625% (25% royalty)			
	HBP			Keith Stadwick .15625% (25% royalty)			
	Unleased			Geraldine Anderson Hill .625% (12.5% royalty)	Unleased	100%	None
	Unleased			Leonard S. Anderson, Jr. .625% (12.5% royalty)	Unleased	100%	None
							Leonard S. Anderson, Jr. .625%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
6.	<u>T15S-R35E, N.M.P.M.</u> Sec. 34: W/2SW/4, SW/4NW/4	254.47	HBP	Snyder Ranches, Inc. 100% (20% royalty)	Charles B. Gillespie, Jr. 50% DALEN Resources Oil & Gas Co. 50%	None	Charles B. Gillespie, Jr. 50% DALEN Resources Oil & Gas Co. 50%
	<u>T16S-R36E, N.M.P.M.</u> Sec. 6: Lots 3,4,5						
7.	<u>T15S-R35E, N.M.P.M.</u> Sec. 33: SE/4NW/4	40.00	7-20-95	First Interstate Bank of Albuquerque, Trustee of the L. Jay Root Royalty Trust Agreement dated 4/28/83 100% (18.75% royalty)	Charles B. Gillespie, Jr. 50% DALEN Resources Oil & Gas Co. 50%	None	Charles B. Gillespie, Jr. 50% DALEN Resources Oil & Gas Co. 50%

revised May 8, 1995

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
8.	<u>T155-R35E, N.M.P.M.</u> Sec 33 SW/4NE/4	40.00	HBP	United Bank of Lea County, Trustee for Chad L. and Norma B. Wiley 50% (18.75% royalty)	DALEN Resources Oil & Gas Co. 50% Charles B. Gillespie, Jr. 47.5% William R. Crow 2.5%	None	DALEN Resources Oil & Gas Co. 50% Charles B. Gillespie, Jr. 47.5% William R. Crow 2.5%
			HBP	Mary Katherine Garrett Noble 25% *(18.75% royalty)			
			HBP	Billie Garrett Lytle 25% *(18.75% royalty)			

*Subject to the following
Non-Participating
Royalty Owner:
Charles B. Gillespie,
Jr. 3.125%

TRACT NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
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9. T15S-R35E, N.M.P.M.
Sec. 33, SE/4NE/4

40.00	HBP	Mildred A. Wright, Trustee under Trust Agreement No. 1 dated 9/9/80	75%	DALEN Resources Oil & Gas Co. 50% Charles B. Gillespie, Jr. 47.5% William R. Crow 2.5%	None	DALEN Resources Oil & Gas Co. 50% Charles B. Gillespie, Jr. 47.5% William R. Crow 2.5%
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HBP
Thomas W. Pettit
25%
*(12.5% royalty)

***Subject to the following**

Non-Participating Royalty Owners:

Parallel Petroleum Corporation		.9375%
Rebel Oil Company		.78125%
Robert H. Hannifin		.78125%
Eva H. Matson & Ephraim G. Matson J/T		.78125%
Emily Irene Park & Thomas S. Park		.625%
Winfield S. Carson		.625%
Wilbur W. Irvin & Jannaeah S. Irvin J/T		.46875%
Roy G. Barton, Jr., Trustee of the Roy G. Barton, Sr. and Opal Barton Revocable Trust		.3125%
Lanis Palmer		.3125%
The heirs or devisees of Paul Paulk, apparently Selma Paulk		.3125%
Felix Corley		.3125%
C. R. Alderson & Arlene Alderson (h&w)		.3125%
Total:		6.5625%

TRACT NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
10.	T155-R35E, N.M.P.M. Sec. 33: NW/4NE/4	40.00	HBP	Roy G. Barton, Jr., Trustee of the Roy G. Barton, Sr. and Opal Barton Revocable Trust 40% (25% royalty)	DALEN Resources Oil & Gas Co. 47.949219% Charles B. Gillespie, Jr. 44.184571% William R. Crow 2.397461%	None	DALEN Resources Oil & Gas Co. 47.949219% Charles B. Gillespie, Jr. 44.184571% William R. Crow 2.397461%
			HBP	Faye L. Lipsett Klein 25% (16.667% royalty)			
			HBP	Grace Starmer 5% (18.75% royalty)			
			HBP	Elaine Graham Krasne & Milton Krasne (w&h) 4.166667% (18.75% royalty)			
			HBP	The Grooms Trust w/a dated 12/15/82 3.75% (18.75% royalty)			
			Unleased	Charles B. Gillespie, Jr. 3.315429% (12.5% royalty)	Unleased	100%	None
			HBP	Vance Lee Mason 2.5% (18.75% royalty)			Charles B. Gillespie, Jr. 3.315429%

revised May 8, 1995

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
10. cont'd							
			HBP	The Estate of John Sewell Randall 2.5% (25% royalty)			
			Unleased	DALEN Resources Oil & Gas Co. 2.050781% (12.5% royalty)	Unleased	None	DALEN Resources Oil & Gas Co. 2.050781%
			HBP	Dorothy Fuller Lundeen 1.822916% (18.75% royalty)			
			HBP	Russell Pang & Ann Pang (h&w) 1.5625% (18.75% royalty)			
			HBP	The Estate of John William McDonald 1.388889% (18.75% royalty)			
			HBP	David Graham McDonald 1.388889% (18.75% royalty)			
			HBP	Margot Suzanne McDonald Chambers 1.388889% (18.75% royalty)			

revised May 8, 1995

TRACT NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
----------	---------------------	-----------------	--	------------------------------	---------------------------------	-----------------------------------	---------------------------------

10. cont'd
 HBP Heidi C. Barton
 1.215278%
 (25% royalty)

HBP Brett C. Barton
 1.215278%
 (25% royalty)

HBP Roy G. Barton, III
 1.215278%
 (25% royalty)

HBP Kelly H. Baxter
 .41667%
 (18.75% royalty)

Unleased William R. Crow
 .102539%
 (12.5% royalty)

Unleased 100% None William R. Crow
 .102539%

11. T1SS-R35E, N.M.P.M.
 Sec. 33: NE/4NE/4 40.00 HBP Roy G. Barton, Jr.,
 Trustee of the Roy
 G. Barton, Sr. and
 Opal Barton
 Revocable Trust
 25%
 (25% royalty)

DALEN Resources Oil & Gas Co. 50.0%
 Charles B. Gillespie, Jr. 47.5%
 William R. Crow 2.5%

HBP Faye L. Lipsett
 Klein 25%
 (16.667% royalty)

HBP Roy G. Barton, Jr.
 12.5%
 (25% royalty)

DALEN Resources Oil & Gas Co. 50.0%
 Charles B. Gillespie, Jr. 47.5%
 William R. Crow 2.5%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSOR OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
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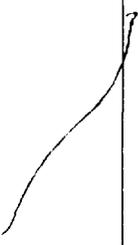
11. cont'd

HBP	Norma J. Chanley	12.5%	(25% royalty)
HBP	Joan L. Yarnell	12.5%	(12.5% royalty)
HBP	William Robert Yarnell	12.5%	(18.75% royalty)

7	PATENTED TRACTS	TOTALING	636.53	ACRES	OR	43.63%	OF	UNIT	AREA
---	-----------------	----------	--------	-------	----	--------	----	------	------

11	TRACTS	TOTALING	1,458.95	ACRES	IN	UNIT	AREA
----	--------	----------	----------	-------	----	------	------

0.1



CAMPBELL, CARR & BERGE, P.A.
LAWYERS

Handley

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD G. BERGE
MICHAEL H. FELDWEERT
TANNIS L. FOX
TANYA M. TRUJILLO
PAUL R. OWEN
JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1110 NORTH GUADALUPE
POST OFFICE BOX 3208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 982-8842

TELECOPIER COVER SHEET

Date: 9-22-95

TO: Jim Rodgers
FROM: Bill Carr, Esq.
TELECOPIER NUMBER: 915-685-1104
TOTAL PAGES (including this cover sheet): 3
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TOTAL 0:02'51" 3

WEST LOVINGTON-STRAWN POOL
(Formerly East Big Dog-Strawn Pool)
Lea County, New Mexico

Order No. R-9722, Adopting Temporary Operating Rules for the West Lovington-Strawn (Formerly East Big Dog-Strawn) Pool, Lea County, New Mexico, September 23, 1992, as Amended by Order No. R-9722-A, September 23, 1992.

Order No. R-9722-B, effective March 1, 1995, continues in full force and effect the rules adopted in Order No. R-9722, as amended.

Application of Charles B. Gillespie, Jr. for Pool Creation and Special Pool Rules, Lea County, New Mexico.

CASE NO. 10530
Order No. R-9722

ORDER OF THE DIVISION

BY THE DIVISION: This cause came on for hearing at 8:15 a.m. on September 3, 1992, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 23rd day of September, 1992 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Charles B. Gillespie, Jr., is the owner and operator of the Hamilton Federal Well No. 1 located 330 feet from the South line and 2145 feet from the East line (Unit O) of Section 33, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico, which was completed in June 1992 as a wildcat Strawn oil well from perforations at 11,500 to 11,520 feet subsurface.

(3) The applicant now seeks the creation of a new pool for the production of oil from the Strawn formation comprising the W/2 SE/4 of Section 33, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico, and the promulgation of special rules therefor including provisions for 80-acre spacing and designated well location requirements whereby wells would be no closer than 330 feet to the outer boundary of a spacing unit.

(4) Evidence presented by the applicant at the time of the hearing indicates that the newly discovered reservoir is similar in nature to other Strawn producing oil pools in the general area such as the Humble City, Shipp, and Casey Strawn Pools and the Northeast Lovington Pennsylvanian Pool, which is primarily a Strawn producing pool, all of which produce from localized high porous algal reef mounds within the Strawn interval. Such evidence further indicates that the Strawn formation encountered in the above-described well is of high permeability and is capable of draining an area in excess of 40 acres.

(5) In order to prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for said pool.

(6) The proposed 330-foot set-back requirement is a departure from the established set-back requirements for 80-acre pools which restricts well locations to an area of 150 feet radius of the center of either quarter-quarter section or lot in the unit.

(WEST LOVINGTON-STRAWN POOL) - Cont'd.)

(7) Numerous location exceptions have been granted over the years in the four above-mentioned pools based on geology so as to increase the likelihood for a well to intercept these numerous "patch reefs" found in the Strawn formation in this area of Lea County, New Mexico.

FINDING: The 330-foot set-back request would serve to provide the operators in the subject pool maximum flexibility in locating wells at more favorable positions on the reef mound or mounds in the immediate area

(8) In order to assure orderly development of the pool and to deter the grouping of wells at intersections of spacing units, a requirement of 1020 feet between wells should be adopted for said pool. (1020 feet being the minimum distance two wells could be from one another in pools with 80-acre spacing and the 150-foot radius setback requirements.)

(9) In the best interest of conservation and to protect correlative rights, the temporary special rules and regulations should include set-back requirements that incorporate the above-described restrictions.

(10) The applicant proposes to designate the above-described pool as the Patience-Strawn Pool; however the name "Patience" does not appear to correspond to the Division's long-standing policy of referencing nearby geographical place names to a pool name. On the recommendation of the Hobbs District Office, said pool should instead be designated the West Lovington-Strawn Pool.

(11) A new pool classified as an oil pool for Strawn production should be created and designated the West Lovington-Strawn Pool, with vertical limits to include the Strawn formation and the horizontal limits comprising the W/2 SE/4 of Section 33, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico. Further, the proposed pool should be established for a two-year period in order to allow the operators in the subject pool to gather sufficient reservoir information to determine that the area can be sufficiently and economically drained and developed by one well.

(12) This case should therefore be reopened at an examiner hearing in September, 1994, at which time the operators in the subject pool should be prepared to appear and show cause why the temporary special pool rules for the West Lovington-Strawn Pool should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) A new pool in Lea County, New Mexico, classified as an oil pool for Strawn production is hereby created and designated the West Lovington-Strawn Pool, with vertical limits comprising the Strawn formation and the horizontal limits comprising the following described area:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPM
Section 33: W/2 SE/4

(2) The Temporary Special Rules and Regulations for the West Lovington-Strawn Pool, Lea County, New Mexico, are hereby promulgated as follows:

TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE
WEST LOVINGTON-STRAWN POOL

RULE 1. Each well completed or recompleted in the West Lovington-Strawn Pool or in the Strawn formation within one mile thereof, and not nearer to or within the limits of another Strawn oil pool, shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2 or W/2 of a governmental quarter section; provided however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in that unit.

RULE 3. The Director of the Oil Conservation Division, hereinafter referred to as the "Division", may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit comprising a governmental quarter-quarter section or lot, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within thirty days after the Director has received an application.

RULE 4. Each well shall be located no closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1020 feet to the nearest well drilling to or capable of producing from the same pool.

RULE 5. The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within twenty days after the Director has received the application.

RULE 6. A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth-bracket allowable of 445 barrels of oil per day. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

(3) The locations of all wells presently drilling to or completed in the West Lovington-Strawn Pool or in the Strawn formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well within thirty days from the date of this order.

(4) Pursuant to Paragraph A of Section 70-2-18, NMSA (1978), contained in Chapter 271, Laws of 1969, existing wells in the West Lovington-Strawn Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within sixty days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said sixty-day limitation, each well presently drilling to or completed in the West Lovington-Strawn Pool or in the Strawn formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(5) Unless called earlier upon the motion of the Division, this case shall be reopened at an examiner hearing in September, 1994, at which time the operators in the subject pool should be prepared to appear and show cause why the temporary special pool rules for the West Lovington-Strawn Pool should not be rescinded and said pool not be developed on 40-acre spacing units.

(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

OIL CONSERVATION DIVISION

September 8, 1995

Hinkle, Cox, Eaton, Coffield
& Hensley P.L.L.C.
P.O. Box 2068
Santa Fe, New Mexico 87504-2068

Attention: Mr. James Bruce

Re: Division Order No. R-10449

Dear Jim:

I have reviewed your letter dated September 5, 1995 and Mr. Kellahin's response letter dated September 7, 1995. Based upon the explanation provided by Mr. Terry Payne, I have determined that the tract participation figures contained within Order No. R-10449 are correct and accurately reflect the Division's intent in this matter.

If I can be of further assistance, please contact me at (505) 827-8184.

Sincerely,



David Catanach
Division Examiner

xc: Mr. W. Thomas Kellahin
Case File 11195 ✓

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

September 7, 1995

HAND DELIVERED

Mr. David R. Catanach
Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

*Re: NMOCD Case 11195
Order R-10449
Application of Gillespie-Crow, Inc.
for Statutory Unitization
Lea County, New Mexico*

Dear Mr. Catanach:

I am responding to Mr. Bruce's letter to you dated September 5, 1995 in which he questions the accuracy of the tract participation percentages set forth in Finding 31 of the referenced order.

His concern is based upon Mr. Crow's inability to "balance" the individual tract hydrocarbon pore volume ("HCPV") entry with the Original Oil in Place ("OOIP") entry contained on Snyder Ranches Exhibit 16.

I have reviewed this matter with Terry Payne, our reservoir petroleum engineering expert who prepared Exhibit 16.

As we understand your order, you wanted to use the Snyder Ranch HCPV distribution map and the Gillespie participation formula. While we dispute the use of the Gillespie formula and consider it to be a substantial error to do so, Mr. Payne assures me that you have correctly and accurately accomplished your intent.

Mr. David R. Catanach
September 7, 1995
Page 2

The explanation is this:

(1) The Snyder HCPV map (exhibit 7) shows that approximately 5.6% of the HCPV is outside the unit boundary yet will contain oil which will be produced by the unit wells. Thus, that additional oil production must be accounted for by the participation formula or the unit expanded to include that oil. Mr. Payne chose to equitably distribute the HCPV outside the unit among the unit tracts on the same percentage as that tract HCPV related to unit HCPV. If that is not done, then the unit operator will receive a "windfall" because the unit wells will ultimately produce 100% the oil outside the unit but the operator will only distribute 94.4% of the proceeds.

(2) Therefore, in order to arrive at an equitable distribution for the oil to be produced by unit wells both inside and outside the unit, Mr. Payne did the following:

(a) he determined from Snyder Exhibit 7 that the HCPV within the unit is 3,172.6 ac-ft. (the sum of tracts 1-11 on column 2 of Exhibit 12);

(b) he then determined the HCPV for each tract as shown in column 3;

(c) he then determined the percentage of each tract's HCPV as it relates only to the HCPV within the unit. For example, the Hamilton tract (Tract 1) has 731.0 ac-ft which was divided by 3172.6 ac-ft in the unit for a percentage of 23.04104%;

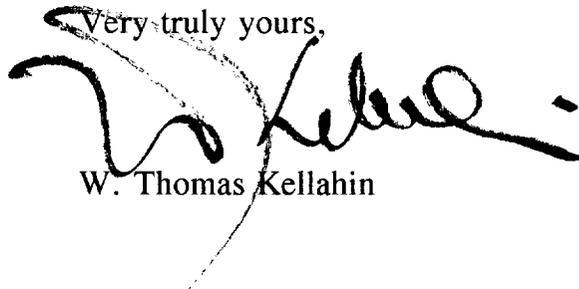
(d) he then determined that the total pool HCPV is 3,360.7 ac-ft. which calculates to a total OOIP for the pool of 11,688 MSTBO.

Mr. David R. Catanach
September 7, 1995
Page 3

(e) then he determined each tract's share of the OOIP for the pool (11,688 MSTBO) based upon HCPV inside and outside the unit boundary. For example, for the Hamilton tract (Tract 1), he took 23.04104% of the total pool HCPV of 3,360.7 which results in 2,693 OOIP for this tract.

(3) Then you used the individual tract OOIP numbers contained on Snyder Exhibit 16 and applied the Gillespie formula and correctly derived the individual tract participation numbers shown in Finding 31.

We would appreciate you informing Mr. Bruce that the order contains correct participation numbers in Finding 31 consistent with the decision you have reached in this matter.

Very truly yours,

W. Thomas Kellahin

cc: James Bruce, Esq.
Attorney for Gillespie-Crow
cc: Larry Squires
cc: Terry Payne
cc: Michael Clemenson

HINKLE, COX, EATON, COFFIELD & HENSLEY

P.L.L.C.*

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 (1901-1985)

OF COUNSEL
O. M. CALHOUN* JOE W. WOOD
RICHARD L. CAZZELL* RAY W. RICHARDS**
L. A. WHITE**

AUSTIN AFFILIATION
HOFFMAN & STEPHENS, P.C.
KENNETH R. HOFFMAN*
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RONALD C. SCHULTZ, JR.*
JOSÉ CANO*

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H. R. THOMAS
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MARGARET CARTER LUDEWIG
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PAUL W. EATON
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FRED W. SCHWENDIMANN
JAMES M. HUDSON

*REGISTERED IN NEW MEXICO
AS HINKLE, COX, EATON,
COFFIELD & HENSLEY, P.L.L.C., LTD., CO

*NOT LICENSED IN NEW MEXICO
*FORMERLY COMPRISING THE FIRM OF
CULTON, MORGAN, BRITAIN & WHITE, P.C.

September 5, 1995

HAND DELIVERY

David Catanach
Oil Conservation Division
2040 Pacheco Street
Santa Fe, New Mexico

Re: **OCD Order No. R-10449 (West Lovington-Strawn Unit)**

Dear Mr. Catanach:

My client reviewed your tract participation numbers, using Snyder Ranches exhibit (enclosed), and could not arrive at the numbers you set forth in the Order. They used the following formula:

$$\frac{\text{HCPV} \times 7.758}{\text{Boi}} = \text{OOIP}$$

$$\text{Boi} = 2.2307$$

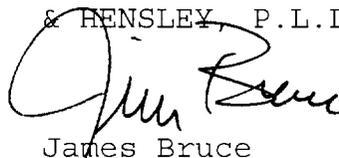
The OOIP numbers in the attached exhibit do not match the calculation.

Before new ratifications are sent out to interest owners in the Unit, we want to be sure the numbers are accurate.

Please contact me about this.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY, P.L.L.C., Ltd., Co.



James Bruce

Enclosure
cc: W. Thomas Kellahin, Esq.
JB/sp

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
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401 W. 15TH STREET, SUITE 800
AUSTIN, TEXAS 78701
(512) 476-7137
FAX (512) 476-5431

RECEIVED

SEP 5 1995

Oil Conservation Division

Gillespie-Crow, Inc.

Oil & Gas
Exploration & Production
P.O. Box 2557
Midland, Texas 79702

(915) 683-5060
Fax (915) 683-1491

TELECOPY TRANSMITTAL SHEET

Date Transmitted: 8/31/95

Time: _____

Please deliver the following pages to:

Mr. Jim Bruce

Number of pages: 2 (counting cover pages)

Subject: WLSU - Tract Participation calculations,

$$\frac{HCPV \times 7.758}{Boi (Boi = 2.2307)} = \text{should equal OOIP}$$

Thank you,

GILLESPIE-CROW, INC.

From: Bill Crow

Fax No.: _____

West Lovington (Strawn) Oil Pool

PSA Proposed Tract Participation Factors

(Recoveries Equalize @ 30% Recovery of OOIP)

OOIP = 11,688 MSTBO

from

(HCPV = 3,360.7 ac-ft & Boi = 2.2307 RB/STBO)

Tract Number	Tract Name	HCPV (ac-ft)	% HCPV of Unit Total	OOIP (STBO)	Phase 1 Tract Participation Factor	Phase 2 Tract Participation Factor
1	Hamilton	731.0	23.04104	2,693	7.83839	23.04104
2	Earnestine	571.6	18.01677	2,106	12.55825	18.01677
3	State "S"	362.7	11.43226	1,336	17.24089	11.43226
4	State "T"	137.1	4.32138	505	6.98208	4.32138
5	Speight	667.6	21.04268	2,459	22.26710	21.04268
6	Snyder	274.5	8.65221	1,011	12.74913	8.65221
7	Root	142.9	4.50419	526	7.27716	4.50419
8	Wiley "A"	112.8	3.55544	416	5.03494	3.55544
9	Wiley "B"	79.9	2.51844	294	3.35945	2.51844
10	Klein "A"	49.8	1.56969	183	2.52695	1.56969
11	Klein "B"	42.7	1.34590	157	2.16536	1.34590
Totals:			100.00000	11,688	100.00000	100.00000

August 30, 1995

HINKLE, COX, EATON,
COFFIELD & HENSLEY
Attorneys at Law
P. O. Box 2068
Santa Fe, New Mexico 87501

ATTN: Jim Bruce

**RE: CASE NO. 11194 - Order No. R-10448
CASE NO. 11195 - Order No. R-10449**

Dear Sir:

Enclosed herewith are four copies of the above-referenced Division orders recently entered in the subject cases.

Sincerely,


Sally E. Martinez
Administrative Secretary

cc: BLM - Carlsbad
Pete Martinez - SLO
Tom Kellahin

OFFICE OF THE SECRETARY - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5950
ADMINISTRATIVE SERVICES DIVISION - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5925
ENERGY CONSERVATION AND MANAGEMENT DIVISION - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5900
FORESTRY AND RESOURCES CONSERVATION DIVISION - P. O. BOX 1948 - SANTA FE, NM 87504-1948 - (505) 827-5830
MINING AND MINERALS DIVISION - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5970
OIL CONSERVATION DIVISION - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-7131
PARK AND RECREATION DIVISION - P. O. BOX 1147 - SANTA FE, NM 87504-1147 - (505) 827-7465

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 NO. 11,195

ORDER NO. R-_____

**APPLICATION OF GILLESPIE-CROW, INC. FOR STATUTORY UNITIZATION, LEA
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

**(Proposed by Gillespie-Crow, Inc. and supported by Phillips Petroleum Company
and Dalen Resources Oil & Gas Company)**

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 15, 1995 at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this ___ day of July, 1995, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) At the time of the hearing, this case was consolidated with Division Case No. 11,194 for the purposes of testimony.

(3) The applicant, Gillespie-Crow, Inc., seeks the statutory unitization, pursuant to the "Statutory Unitization Act," Sections 70-7-1 through 70-7-21 NMSA (1978), for the purpose of establishing a pressure maintenance project, of all mineral interests in the designated and undesignated West Lovington-Strawn Pool, underlying its proposed West Lovington Strawn Unit Area, comprising 1458.95 acres, more or less, of State, Federal, and fee lands in Lea County, New Mexico, said unit to henceforth be known as the West Lovington Strawn Unit Area; the applicant further seeks approval of the plan of unitization which includes the unit agreement and the unit operating agreement and which were submitted in evidence at the time of the hearing as applicant's Exhibit Nos. 11 and 19.

(4) The applicant proposes that said unit comprise the following described area in Lea County, New Mexico:

Township 15 South, Range 35 East, NMPM

Section 33: All
Section 34: W½

Township 16 South, Range 35 East, NMPM

Section 1: Lots 1 through 8

Township 16 South, Range 36 East, NMPM

Section 6: Lots 3, 4, and 5

(5) The proposed Unit Area includes portions of the designated and undesignated West Lovington-Strawn Pool ("the Pool").

(6) The proposed "unitized formation" is that stratigraphic interval underlying the Unit Area found between the top of the Strawn formation and the base of the Strawn Formation. The top of the Strawn Formation is defined as all points underlying the Unit Area correlative to the depth of 11,420 feet, and the base of the Strawn Formation is defined as all points underlying the Unit Area correlative to the depth of 11,681 feet, as identified on the Compensated Neutron/Litho-Density Log for the Speight Well No. 1, located in Lot 3 (Unit C) of Section 1, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico.

(7) The proposed Unit Area contains eleven separate tracts of land, the working interests in which are owned by eight (8) different persons. There are sixty-seven (67) royalty and eight (8) overriding royalty interest owners in the Unit Area.

(8) At the time of the hearing, the owners of one-hundred percent (100%) of the working interest, and the owners of over eighty-three percent (83%) of the royalty and overriding royalty interest, had voluntarily joined the Unit. The 83% royalty owner approval includes the U.S. Bureau of Land Management, which has indicated its preliminary approval by designating the unit as logical for conducting secondary recovery operations, and the Commissioner of Public Lands, which has preliminarily approved the unit.

(9) All interested parties who have not agreed to unitization were notified of the hearing by applicant. At the hearing in this matter, Phillips Petroleum Company ("Phillips") entered an appearance and presented evidence in support of the application. In addition, the application was supported by Dalen Resources Oil & Gas Company ("Dalen"). One royalty owner, Snyder Ranches, Inc. ("Snyder Ranches"), entered an appearance and requested that unitization and the pressure maintenance project be approved, but that the participation formula and tract participations be made more favorable to Snyder Ranches.

(10) The applicant has made a good faith effort to secure voluntary unitization within the above-described Unit Area.

(11) The applicant proposes to institute a gas injection pressure maintenance project for the secondary recovery of oil and associated gas, condensate, and all associated liquefiable hydrocarbons within and to be produced from the proposed Unit Area (being the subject of Division Case No. 11,194). The estimated reserves recoverable from the gas pressure maintenance project are approximately 1.6 - 2.3 million barrels of oil.

(12) **The evidence presented shows that:**

- (a) The Pool was discovered in June 1992 by Charles B. Gillespie, Jr., who has drilled and completed eleven producing wells in the Pool, with no dry holes. All wells are currently operated by Mr. Gillespie. Since discovery, the reservoir pressure has declined by over 1000 psi from an initial pressure of 4392 psi.
- (b) Mr. Gillespie and Dalen are the largest working interest owners in the Unit Area, each owning approximately 45% of the working interest in the Unit.
- (c) Tract participations are based on hydrocarbon pore volume ("HPV") under each tract, less cumulative oil production prior to unitization.
- (d) The geologic interpretations of HPV by the applicant, Dalen, and Phillips are based on well control as well as three-dimensional seismic data owned by Dalen. All working interest owners agree with the HPV map submitted as Gillespie-Crow Exhibit 9.

- (e) The geologic interpretation of Snyder Ranches allocates additional HPV to the eastern portion of the Unit Area, in an area in which Snyder Ranches owns the royalty interest (Tract 6). However, there is less well control data available in the eastern portion of the Unit Area, and the information that is available supports the geological mapping submitted by the applicant. Furthermore, Snyder Ranches did not incorporate available 3-D seismic data into its interpretation of the geology underlying the Unit Area.
- (f) Tract participations were originally proposed to all interest owners in December 1994. Due to demands to drill additional wells, including a demand from Snyder Ranches, two wells were drilled in March 1995. The new well data, together with existing seismic data, shows that the low structural position of the Strawn reef in the NW¼ of Section 34 causes the porosity in that area to fall below the oil/water contact; therefore, approximately 100 acres in the NW¼ of Section 34 cannot be credited with any HPV. The affected leases are owned 100% by Mr. Gillespie and Dalen. Data from the new wells caused tract participations to be revised which caused the interests of Mr. Gillespie and Dalen to decrease by over 2%.
- (g) The bottom hole pressure for the reservoir is below the original bubble point of the reservoir, and gas is breaking out of solution. Since the GOR for the Pool and for the wells in the Pool has not increased, the gas is migrating to a point higher in the reservoir than the structurally highest wells (the Speight No. 1 and the Earnestine No. 1). However, Snyder Ranches' geological maps do not show where this gas could be migrating, since it places the structural high at the location of the Speight No. 1 and Earnestine No. 1 wells.
- (h) Production from wells in the Unit Area is currently restricted to 100 bopd to alleviate pressure drawdown. Upon approval of the Unit and the commencement of gas injection, the applicant will increase production to 175 bopd from each producing unit well. Any change in tract participations could cause a significant delay in the start of the injection project, causing additional pressure depletion and waste.
- (i) Restricted production on wells in the Pool has allowed gas breaking out of solution to migrate to the top of the reservoir and form a gas

cap. As a gas cap forms, oil is forced downward in the reservoir towards the edges or flanks of the Unit Area (described in the testimony as "gravity-stabilized natural gas displacement"). As a result, downdip tracts have benefitted from production restrictions.

- (j) Dalen was faulted by Snyder Ranches' witnesses for certain resistivity readings. However, Dalen did not correct the deep resistivity readings (Rt) from the electric logs because five different logging companies were used to log the eleven unit wells, and each logging company has its own correction charts. Therefore, due to the inconsistencies in these charts, Dalen chose to use the deep resistivity curve from each log, which is the most accurate of the three recorded curves.
- (k) The 30% recovery factor in Snyder Ranches' proposed participation formula cannot be substantiated. Furthermore, the formula assumes that each tract in the unit will have this same recovery factor, whereas the tracts where the porosity occurs in one or two massive, continuous blocks (Speight, Earnestine, and Hamilton, designated Tracts 1, 2, and 5) will in fact have higher recovery factors than the other tracts. Imposing a single recovery factor in the participation formula would not be fair to the tracts containing the higher quality reservoir rock which contains most of the oil and which will have a higher recovery percentage. In addition, Snyder Ranches' formula penalizes tract owners who invested capital dollars and took exploration and development risks in the primary development phase. The formula attempts to "retroactively" equalize all tracts from date of first production, including tracts which by virtue of lesser reservoir quality and structural location were not, and are not, viable primary productive tracts. If Snyder Ranches' formula were adopted, it would unjustly award primary production to these lesser quality tracts, solely at the cost of the major invested and contributing tract owners.
- (l) The participation formula as proposed by Gillespie-Crow, Inc. is fair and equitable to all working and royalty interest owners. The formula assures that each tract will be allocated its proportionate share of underlying recoverable reserves from the date of unitization forward, not from the date of first production forward, as proposed by Snyder

Ranches. Gillespie-Crow, Inc. has obtained 100% working interest owner approval of this formula.

- (m) The tract participations proposed by Snyder Ranches benefits primarily Tract 6, owned by Snyder Ranches, although it would increase the interests of Gillespie and Dalen because of their 100% working interest ownership in Tracts 6 and 7.
- (n) Snyder Ranches claims it is at a disadvantage with respect to primary production. However, Tract 6 (the Snyder Ranches' tract) has two producing wells on it (producing 200 bopd), while Tract 5 has only one well thereon (producing 100 bopd), even though Tract 5 has more than three times the HPV of Tract 6.

(13) **Based upon the foregoing, the Division concludes that:**

- (a) The applicant's reserve estimates and hydrocarbon pore volume map are fair and reasonable. Snyder Ranches' geologic maps are speculative and unsubstantiated.
- (b) The participation formula and tract participations proposed by the applicant are fair and equitable.

(14) The proposed unitized method of operation as applied to the West Lovington Strawn Unit is feasible and will result with reasonable probability in the increased recovery of substantially more oil and gas from the unitized portion of the Pool than would otherwise be recovered without unitization.

(15) Such unitization and adoption of applicant's proposed unitized method of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the West Lovington Strawn Unit Area.

(16) The granting of the application in this case will have no adverse effect upon the Pool.

(17) The estimated additional costs of such operations will not exceed the estimated value of the additional oil so recovered, plus a reasonable profit.

(18) The applicant's Exhibit Nos. 11 and 19 in this case, being the Unit Agreement and the Unit Operating Agreement, should be incorporated by reference into this order.

(19) The unitized management, operation and further development of the West Lovington Strawn Unit Area, as proposed, is reasonably necessary to effectively increase the ultimate recovery of oil and gas from the unitized portion of the Pool.

(20) The West Lovington Strawn Unit Agreement and the West Lovington Strawn Unit Operating Agreement provide for unitization and unit operation of the West Lovington Strawn Unit Area upon terms and conditions that are fair, reasonable, and equitable, and include:

- (a) a participation formula which will result in fair, reasonable, and equitable allocation to the separately owned tracts of the Unit Area of all oil and gas that is produced from the Unit Area and which is saved, being the production that is (i) not used in the conduct of unit operations, or (ii) unavoidably lost;
- (b) a provision for the credits and charges to be made in the adjustment among the owners in the Unit Area for their respective investments in wells, tanks, pumps, machinery, materials, and equipment contributed to the unit operators;
- (c) a provision governing how the costs of unit operations, including capital investments, shall be determined and charged to the separately-owned tracts, and how said costs shall be paid, including a provision providing when, how, and by whom such costs shall be charged to each owner, or the interest of such owner, and how his interest may be sold and the proceeds applied to the payment of his costs;
- (d) a provision for carrying any working interest owner on a limited or carried basis payable out of production, upon terms and conditions which are just and reasonable, and which allow an appropriate charge for interest for such service payable out of production, upon such terms and conditions determined by the Division to be just and reasonable;

- (e) a provision designating the Unit Operator and providing for supervision and conduct of the unit operations, including the selection, removal, and substitution of an operator from among the working interest owners to conduct the unit operations;
- (f) a provision for a voting procedure for decisions on matters to be decided by the working interest owners in respect to which each working interest owner shall have a voting interest equal to his unit participation; and
- (g) a provision specifying the time when the unit operation shall commence and the manner in which, and the circumstances under which, the operations shall terminate and for the settlement of accounts upon such termination.

(21) The statutory unitization of the West Lovington Strawn Unit Area is in conformity with the above findings, and will prevent waste and protect correlative rights of all interest owners within the proposed Unit Area, and should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The application of Gillespie-Crow, Inc. for the West Lovington Strawn Unit, covering 1458.95 acres, more or less, of State, Federal and fee lands in the West Lovington Strawn Pool, Lea County, New Mexico, is hereby approved for statutory unitization pursuant to the "Statutory Unitization Act," Sections 70-7-1 through 70-7-21 NMSA (1978).

(2) The West Lovington Strawn Unit Agreement, and the West Lovington Strawn Unit Operating Agreement, which were submitted to the Division at the time of the hearing as Gillespie-Crow, Inc. Exhibits 11 and 19, are hereby incorporated by reference into this order.

(3) The lands herein designated the West Lovington Strawn Unit Area shall comprise the following described acreage in Lea County, New Mexico:

Township 15 South, Range 35 East, NMPM

Section 33: All
Section 34: W½

Township 16 South, Range 35 East, NMPM

Section 1: Lots 1 through 8

Township 16 South, Range 36 East, NMPM

Section 6: Lots 3, 4, and 5

(4) The vertical limits of the unitized area is that stratigraphic interval underlying the Unit Area found between the top of the Strawn formation and the base of the Strawn Formation. The top of the Strawn Formation is defined as all points underlying the Unit Area correlative to the depth of 11,420 feet, and the base of the Strawn Formation is defined as all points underlying the Unit Area correlative to the depth of 11,681 feet, as identified on the Compensated Neutron/Litho-Density Log for the Speight Well No. 1, located in Lot 3 (Unit C) of Section 1, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico.

(5) The applicant shall have the right to institute a gas pressure maintenance project for the secondary recovery of oil and associated gas, condensate, and all associated liquefiable hydrocarbons within and produced from the Unit Area and said pressure maintenance project which is the subject of Division Case No. 11,194.

(6) Since the persons owning the required statutory minimum percentage of interest in the Unit Area have approved, ratified, or indicated their preliminary approval of the Unit Agreement and the Unit Operating Agreement, the interests of all persons within the Unit Area are hereby unitized whether or not such persons have approved the Unit Agreement or the Unit Operating Agreement in writing.

(7) The applicant, hereby designated as Unit Operator, shall notify in writing the Division Director of any removal or substitution of said Unit Operator by any other working interest owner within the Unit Area.

(8) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 11,195
Order No. R-_____
Page 10

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

S E A L

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

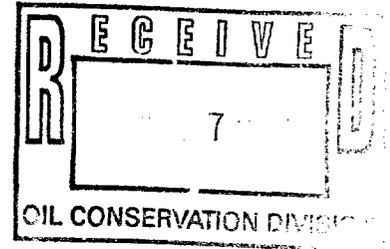
*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

July 17, 1995

HAND DELIVERED

Mr. David R. Catanach
Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505



*Re: NMOCD Case 11195
Application of Gillespie-Crow, Inc.
for Statutory Unitization
Lea County, New Mexico*

Dear Mr. Catanach:

On behalf of Snyder Ranches, Inc. and Larry Squires, please find enclosed our proposed order for your consideration in this matter which was presented to you at the hearing held on June 16, 1995.

Very truly yours,

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin".

W. Thomas Kellahin

cc: James Bruce, Esq.
Attorney for Gillespie-Crow
cc: Larry Squires
cc: Terry Payne
cc: Michael Clemenson

**STATE OF NEW MEXICO
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:**

**CASE NO. 11195
ORDER NO. R-**

**APPLICATION OF GILLESPIE-CROW, INC.
FOR STATUTORY UNITIZATION, LEA COUNTY,
NEW MEXICO**

**SNYDER RANCHES INC.'S PROPOSED
ORDER OF THE DIVISION**

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 16, 1995, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this ____ day of July, 1995, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) Division Case Nos. 11194 and 11195 were consolidated at the time of the hearing for the purpose of testimony.

(3) The applicant, Gillespie-Crow, Inc. ("Gillespie"), seeks the statutory unitization, pursuant to the "Statutory Unitization Act", Sections 70-7-1 through 70-7-21, N.M.S.A. (1978), of 1,458.95 acres, more or less, being a portion of the Strawn formation of the West Lovington-Strawn Pool, Lea County, New Mexico, said portion to be known as the West Lovington Strawn Unit; the applicant further seeks approval of the Unit Agreement and the Unit Operating Agreement which were submitted in evidence as Applicant's Exhibit Nos. 11 and 19 in this case.

(4) The horizontal limits of said unit area would be comprised of the following described Federal, State and Fee lands in Lea County, New Mexico:

- Tract 1: S/2 Sec 33, T15S, R35E
- Tract 2: NE/4 Sec 2, T16S, R35E
- Tract 3: E/2W/2 & NW/4NW/4 Sec 34, T15S, R35E
- Tract 4: W/2NW/4 & NE/4NW/4 Sec 33, T15S, R35E
- Tract 6: W/2SW/4 & SW/4NW/4 Sec 34, T15S, R35E and
N/2NW/4 & SW/4NW/4 Sec 6, T16S, R36E
- Tract 7: SE/4NW/4 Sec 33, T15S, R35E
- Tract 8: SW/4NE/4 Sec 33, T15S, R35E
- Tract 9: SE/4NE/4 Sec 33, T15S, R35E
- Tract 10: NW/4NE/4 Sec 33, T15S, R35E
- Tract 11: NE/4NE/4 Sec 33, T15S, R35E

(5) The vertical limits of said unit area would comprise that interval which extends from an upper limit of the top of the Strawn formation which is defined as all points under the unit area correlative to a depth of 11,420 feet to a lower limit of the base of the Strawn formation which is defined at all points under the unit area correlative to a depth of 11,681, as identified on the Compensated Neuron/Litho Density Log for the Speight Fee Well No. 1, located in Unit C of Section 1, T16S, R35E, NMPM, Lea County, New Mexico.

(6) The horizontal and vertical limits of said unit have been reasonably defined by development.

(7) Gillespie proposes to institute a pressure maintenance project for the secondary recovery of oil and associated gas, condensate, and all associated liquefiable hydrocarbons within and to be produced from the proposed unit area (being the subject of Division Case No. 11194).

(8) On December 5, 1994, Gillespie, as a working interest owner in the unit and the proposed operator proposed to the other working interest owners the formation of the subject unit utilizing a Tract Participation Formula whereby remaining recoverable oil would be "shared" based upon each tract's ratio of volumetric original oil in place ("OOIP") less cumulative oil recovery as of November 1, 1994.

(9) Gillespie's proposed formula is predicated upon the intention to allow each tract to recover its percentage of the original oil in place and in order to accomplish that objective, Gillespie intended to reduce the share of remaining recoverable oil for tracts with greater current cumulative oil recovery and to increase the share for those tracts with lesser current cumulative oil recovery so that when all of the remaining oil to be recovered had been produced, each tract would have received the same percentage of recoverable oil.

(10) To establish the "relative value" for each tract, in November 1994, Gillespie undertook a geologic study, prepared a structure map, a net porosity map and then calculated original oil in place for each tract based upon logged derived hydrocarbon pore volume above the oil-water contact at -7617(subsea) and advised the interest owners of the following distribution:

TRACT	OOIP	TRACT PARTICIPATION
Tract 1:	2558.4 MBOIP	17.551 %
Tract 2:	2804.2 MBOIP	21.848 %
Tract 3:	765.5 MBOIP	6.600 %
Tract 4:	765.9 MBOIP	6.746 %
Tract 5:	3090.0 MBOIP	25.135 %
Tract 6:	997.5 MBOIP	8.643 %
Tract 7:	757.3 MBOIP	6.671 %
Tract 8:	412.7 MBOIP	3.573 %
Tract 9:	290.5 MBOIP	2.497 %
Tract 10:	62.7 MBOIP	0.552 %
Tract 11:	20.3 MBOIP	0.178 %

(11) On January 19, 1995, Gillespie appeared before the Division in Case 10530 to request and support special rules for the West Lovington Strawn Oil Pool and provided this same November, 1994 geologic interpretation as evidence that:

(a) 2-D and 3-D seismic data had been integrated into log data from which Gillespie had determined a size and shape for the reservoir;

(b) an oil-water contract had been established at -7617 (subsea);
and

(c) primary production recovery was estimated to be 10 to 30 percent and possibly 60-percent with pressure maintenance.

(12) In December, 1994, David Petroleum Corporation, with 43.645% working interest in Tract 10 and with 37.5% working interest in Tract 11, filed a compulsory pooling case (NMOCD Case 11183-docketed for January 5, 1995) seeking to pool Gillespie and others to form an 80-acre spacing unit consisting of the N/2NE/4 of said Section 33 for a well later known as the Klein Fee Well No. 1.

(13) In April, 1995, the Klein Fee Well No. 1 is completed and David Petroleum Corporation sells its interest in Tract 10 and 11 to Bill Crow, Gillespie's geologist, to Dalan and to Gillespie and dismisses NMOCD Case 11183.

(14) In April and May, 1995, Phillips Petroleum Company, who owns a substantial working interest share of Tract 1, met with Gillespie/Dalen and persuaded them to (a) add reservoir thickness to Tract 1 by "re-interpretation" of the 3-D seismic data; and (b) to extend a plunging structural nose further into Tract 6 and to alter the oil-water contact such that hydrocarbon pore volume was reduced under Tract 6 and increased under Tracts 1, 10 and 11.

(15) On May 12, 1995, Gillespie, in accordance with this geologic re-interpretation by Phillips and Dalen, submitted to the interest owners revised the unit parameters and the tract participation values (See Snyder Exhibit 13) as follows:

TRACT	OOIP	ORIGINAL REVISED CHANGE		
		TRACT PARTICIPATION		
Tract 1:	3606.5 MBOIP	17.551 %	28.014 %	+59.61 %
Tract 2:	2237.4 MBOIP	21.848 %	17.723 %	-18.88 %
Tract 3:	614.0 MBOIP	6.600 %	5.542 %	-16.04 %
Tract 4:	791.3 MBOIP	6.746 %	7.467 %	+10.67 %
Tract 5:	2507.5 MBOIP	25.135 %	21.259 %	-15.42 %
Tract 6:	697.5 MBOIP	8.643 %	6.329 %	-26.77 %
Tract 7:	668.3 MBOIP	6.671 %	6.306 %	-5.47 %
Tract 8:	392.8 MBOIP	3.573 %	3.561 %	-0.35 %
Tract 9:	220.8 MBOIP	2.497 %	1.938 %	-22.39 %
Tract 10:	156.0 MBOIP	0.552 %	1.470 %	+166.18 %
Tract 11:	41.3 MBOIP	0.178 %	0.387 %	+116.88 %

(16) As a result of this "re-interpretation" of the 3-D seismic data, Snyder's Tract 6 participation share is reduced by 26.77% while Tract 1 is increased by 59.61%, Tract 10 is increased by 166.18% and Tract 11 increased by 116.88%.

(17) Gillespie, supported by Dalen Resources Inc. and Phillips Petroleum Company, presented geologic evidence and now contends that:

(a) water saturation (S_w) should be calculated where water resistivity (R_w) is 0.052, where true resistivity (R_t) is derived from the uncorrected deep lateral log reading and where the neutron curve is ignored and porosity is read only from the density curve and adjusted by 0.85 for gas effect; (See Snyder Exhibits 9 and 10)

(b) the oil-water contact is still at -7617 (subsea) but is now located farther south into Tract 6;

(c) the 3-D seismic data can be re-interpreted so that more porosity thickness can be added to certain tracts including Tract 1;

(d) data from the two new wells drilled and completed since January 19, 1995, (the Snyder Ranch Well in Unit M of Section 34 and the Klein Well No 1 in Unit B of Section 33) is consistent with this re-interpretation.

(18) Snyder Ranches Inc. and Larry Squires collectively ("Snyder") a royalty owner in Tract 6 appeared in opposition to the case.

(19) Snyder contends that the revised Gillespie proposed unit shape, reservoir parameters and participation formula fail to provide "relative value" to Tract 6 as required by Section 70-7-4(J) NMSA (1978), as amended, and unless corrected by the Division, the correlative rights of Snyder will be violated.

(20) Snyder provided geologic and petroleum engineer evidence which demonstrates that:

(a) an "overlay" (Snyder Exhibit 17) of Gillespie's hydrocarbon pore volume map (Gillespie Exhibit 9) which shows Gillespie's interpretation of the oil-water contact and superimposing it over the Gillespie's Structure Map (Gillespie Exhibit 4) demonstrates that Gillespie has the oil-water contact "climbing" some 30 feet upstructure which is contrary to the laws of physics and Gillespie's own contentions that the oil-water contact conforms to the structural elevation in this reservoir;

(b) the integration of the log data from the Klein Well No. 1 and the Snyder Ranch Well No. 2 with all other available log data establishes a hydrocarbon pore volume distribution (Snyder Exhibit 7) of 11,655,000 barrels of oil originally in place which have been verified by petroleum engineering material balance calculations; (See Snyder Exhibit 11)

(c) Gillespie's proposed formula is flawed because it will require 100 percent recovery of the original oil in place in order to achieve its stated objectives; (See Snyder Exhibit 12)

(d) Snyder's proposed two phase formula is realistic because it requires only 30 percent recovery of the original oil in place in

order to achieve the objectives stated by Gillespie. (See Snyder Exhibit 14)

(21) Based upon its geological interpretation as verified by petroleum engineering material balance calculation Snyder requests the Division to approve the proposed unit **PROVIDED** it adopts the following tract values and participation formula as set forth in Snyder Exhibit 16:

TRACT	OOIP	PERCENT OF OOIP	PHASE 1	PHASE 2
Tract 1:	2693 MBOIP	23.04104 %	07.83839	23.04104
Tract 2:	2106 MBOIP	18.01677 %	12.55825	18.01677
Tract 3:	1336 MBOIP	11.43226 %	17.24089	11.43226
Tract 4:	505 MBOIP	04.32138 %	06.98208	04.32138
Tract 5:	2459 MBOIP	21.04268 %	22.26710	21.04268
Tract 6:	1011 MBOIP	8.65221 %	12.74913	08.65221
Tract 7:	526 MBOIP	4.50419 %	07.27746	04.50419
Tract 8:	416 MBOIP	3.55544 %	05.03494	03.55544
Tract 9:	294 MBOIP	2.51844 %	03.35945	02.51844
Tract 10:	183 MBOIP	1.56969 %	02.52695	01.56969
Tract 11:	157 MBOIP	1.34590 %	02.16536	01.34590

(22) The Division finds that:

(a) Section 70-2-33(H) NMSA of the Oil and Gas Act defines Correlative Rights as "...the opportunity afforded, as far as it is practicable to do so, to the owners of each property in a pool to produce without waste his just and equitable share of the oil or gas or both in the pool, being an amount so far as can be practicably determined and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas or both under the property bears to the total recoverable oil or gas or both in the pool and for such purpose, to use his just and equitable share of the reservoir energy;"

(b) Section 70-7-6(B) NMSA of the Statutory Unitization Act states "If the Division determines that the participation formula contained in the unitization agreement does not allocate unitized hydrocarbons on a fair, reasonable and equitable basis, the Division shall determine relative value, from the evidence introduced at the hearing taking into account the separately owned tracts i the unit area, exclusive of physical equipment for development of oil and gas by unit operations, and the production allocated to each tract shall be the proportion that the relative value of each tract so determined bears to the relative value of all tracts i the unit area.

(c) Section 70-7-4 (J) NMSA of the Statutory Unitization Act says "relative value" means the value of each separately owned tract for oil and gas and its contributing value to the unit in relation to like values of other tracts in the unit, taking into account acreage, the quantity of oil and gas recoverable therefrom, location on structure, its probable productivity of oil and gas in the absence of unit operations, the burden of operation to which the tract will or is likely to be subjected, or so many of said factors, or such other pertinent engineering, geological, operating or pricing facts, as may be reasonably susceptible of determination.

(23) The Division further FINDS that:

(a) Gillespie's calculations of original oil in place for each tract is incorrect, unreliable and contrary to the statutory provisions set forth in paragraph (19) above because, among other things, it is based (a) upon erroneous thickness, porosity and water saturation calculations; (b) that it incorrectly contoured the oil-water contact; (c) it adds additional hydrocarbon pore volume to certain tracts based only upon theoretical 3-D seismic inferences without verification by production tests; (d) it is in disagreement with the material balance estimate done by their consulting engineer of approximately 14,000,000 barrels of oil; (e) and has used wrong well locations;

(b) Gillespie's proposed formula can obtain its stated objectives only if there is 100 percent recovery of all of the original oil in place (See Snyder Exhibit 12);

(c) Snyder's calculation of original oil in place for each tract is accurate and reliable because, among other things, (a) its size has been verified by material balance calculations; (b) it incorporates **all** available log data to determine the correct thickness, porosity and water saturation values to calculate hydrocarbon pore volume; (c) it correctly contoured the oil-water contact; (d) it used additional structural control points from wells outside the unit boundary to contour a structural trend, which demonstrates that there is no plunging structure noise in Tract 6 and (e) correctly spotted well locations.

(24) The Division finds that Snyder's proposal:

(a) conforms to the statutory requirements set forth in Paragraph 22 above;

(b) has demonstrated the appropriate distribution of hydrocarbon pore volume with accurate corresponding reservoir parameters and has established the appropriate relative value to be attributed to each tract including Tract 6; and

(c) has submitted an appropriate participation formula to allow the owners of all tracts including Tract 6 to recover their proportionate share of the total remaining recoverable hydrocarbons underlying the unit.

(25) Based upon 30% ultimate recovery of the 11,665,000 original oil in place and with primary recovery currently at 11.4% then the proposed pressure maintenance project should result in the additional recovery of approximately 2,100,000 barrels of oil.

(26) The unitized management, operation and further development of the West Lovington-Strawn Unit Area, as modified by Snyder, is reasonably necessary to effectively carry on secondary recovery operations and will

substantially increase the ultimate recovery of oil and gas from the unitized portion of the pool.

(27) The unitized method of operation as applied to the West Lovington-Strawn Unit Area is feasible and will result with reasonable probability in the increased recovery of substantially more oil and gas from the unitized portion of the pool than would otherwise be recovered without unitization.

(28) The estimated additional costs of such operations will not exceed the estimated value of the additional oil so recovered plus a reasonable profit.

(29) Such unitization and adoption of a unitized method of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the West Lovington-Strawn Unit Area.

(30) The granting of the application with the modifications as proposed by Snyder in this case will have no adverse effect upon the Strawn formation.

(31) The Snyder modifications to West Lovington-Strawn Unit Agreement and the West Lovington-Strawn Unit Operating Agreement provide for unitization and unit operation of the West Lovington-Strawn Unit Area upon terms and conditions that are fair, reasonable and equitable, and include:

- a) an allocation to the separately owned tracts in the unit area of all oil, gas, condensate and plant products that are produced from the unit area and which are saved, being the production that is not used in the conduct of unit operations or not unavoidably lost;
- b) a provision for the credits and charges to be made in the adjustment among the owners in the unit area for their respective investments in wells, tanks, pumps, machinery, materials and equipment contributed to the unit operations;

- c) a provision governing how the costs of unit operations, including capital investments, shall be determined and charged to the separately owned tracts and how said costs shall be paid, including a provision providing when, how, and by whom, such costs shall be paid, including a provision providing when, how and by whom such costs shall be charged to each owner or the interest of such owner, and how his interest may be sold and the proceeds applied to the payment of his costs;
- d) a provision for carrying any working interest owner on a limited, carried or net-profits basis, payable out of production, upon terms and conditions which are just and reasonable, and which allow an appropriate charge for interest for such service payable out of production, upon such terms and conditions determined by the Division to be just and reasonable;
- e) a provision designating the Unit Operator and providing for supervision and conduct of the unit operations, including the selection, removal or substitution of an operator from among the working interest owners to conduct the unit operations;
- f) a provision for a voting procedure for decisions on matters to be decided by the working interest owners in respect to which each working interest owner shall have a voting interest equal to his unit participation; and,
- g) the time when the unit operations shall commence and the manner in which, and the circumstances under which, the operations shall terminate and for the settlement of accounts upon such termination.

(32) Section 70-7-7.F. N.M.S.A. of said "Statutory Unitization Act" provides that any working interest owner who has not agreed in writing to participate in a unit could have relinquished to the Unit Operator all of its operating rights and working interest in and to the unit until his share of the

costs has been repaid plus an additional 200 percent thereof as a non-consent penalty.

(33) At the time of the hearing, the applicant requested that no 200% penalty be assessed these working interest owners in said unit who have not committed their interests.

(34) The statutory unitization of the West Lovington-Strawn Unit Area is in conformity with the above findings, and will prevent waste and protect correlative rights of all interest owners within the proposed unit area, and should be approved.

IT IS THEREFORE ORDERED:

(1) The application of Gillespie-Crow, Inc. for the West Lovington-Strawn Unit Agreement covering 1,458.95 acres, more or less, of Federal, State and Fee lands in the West Lovington Strawn Pool, Lea County, New Mexico, is hereby approved for statutory unitization pursuant to the "Statutory Unitization Act", Section 70-7-1 through 70-7-21, N.M.S.A. (1978), **SUBJECT** to the following:

(a) that Snyder's distribution of hydrocarbon pore volume with accurate corresponding reservoir parameters as set forth in Finding Paragraph 21 above (also Snyder Exhibit (16) above is hereby established as the appropriate relative value to be attributed to each tract; and

(b) that Snyder's two phase participation formula as set forth on Snyder Exhibit 14 is hereby adopted as an appropriate participation formula to allow the owners of all tracts to recover their proportionate share of the total remaining recoverable hydrocarbons underlying the unit.

(2) The lands covered by said West Lovington-Strawn Unit Agreement shall be designated the West Lovington-Straw Unit Area and shall comprise the following described acreage in Lea County, New Mexico:

Tract 1: S/2 Sec 33, T15S, R35E
Tract 2: NE/4 Sec 2, T16S, R35E
Tract 3: E/2W/2 & NW/4NW/4 Sec 34, T15S, R35E
Tract 4: W/2NW/4 & NE/4NW/4 Sec 33, T15S, R35E
Tract 6: W/2SW/4 & SW/4NW/4 Sec 34, T15S, R35E and
N/2NW/4 & SW/4NW/4 Sec 6, T16S, R36E
Tract 7: SE/4NW/4 Sec 33, T15S, R35E
Tract 8: SW/4NE/4 Sec 33, T15S, R35E
Tract 9: SE/4NE/4 Sec 33, T15S, R35E
Tract 10: NW/4NE/4 Sec 33, T15S, R35E
Tract 11: NE/4NE/4 Sec 33, T15S, R35E

(3) The vertical limits of said unit area shall comprise that interval which extends from an upper limit of the top of the Strawn formation which is defined as all points under the unit area correlative to a depth of 11,420 feet to a lower limit of the base of the Strawn formation which is defined at all points under the unit area correlative to a depth of 11,681, as identified on the Compensated Neutron/Litho Density Log for the Speight Fee Well No. 1, located in Unit C of Section 1, T16S, R35E, NMPM, Lea County, New Mexico.

(4) The applicant shall institute a pressure maintenance project for the secondary recovery of oil and associated gas, condensate and all associated liquefiable hydrocarbons within and produced from the unit area, and said pressure maintenance (gas-injection) project is the subject of Division Case No. 11194.

(5) The West Lovington Strawn Unit Agreement and the West Lovington Unit Operating Agreement, which were submitted to the Division at the time of the hearing as Exhibit Nos. 19 and 11, respectively, are hereby incorporated by reference into this order.

(6) The West Lovington Straw Unit Agreement and the West Lovington Unit Operating Agreement provide for unitization and unit operation of the Strawn formation upon terms and conditions that are fair, reasonable and equitable **PROVIDED** the following amendments are made:

(a) that Snyder's distribution of hydrocarbon pore volume with accurate corresponding reservoir parameters as set forth in Finding Paragraph 21 above (also Snyder Exhibit (16) above is hereby substituted as the appropriate relative value to be attributed to each tract; and

(b) that Snyder's two phase participation formula as set forth on Snyder Exhibit 14 is hereby substituted as an appropriate participation formula to allow the owners of all tracts to recover their proportionate share of the total remaining recoverable hydrocarbons underlying the unit.

(7) This order shall not become effective unless and until seventy-five percent of the working interest and seventy-five percent of the royalty interest owners in the Unit Area have approved the plan for unit operations as required by Section 70-7-8, N.M.S.A., 1978 Compilation.

(8) If the persons owning the required percentage of interest in the Unit Area as set out in Section 70-7-8, N.M.S.A., 1978 Compilation, do not approve the plan for unit operations within a period of six months from the date of entry of this order, this order shall cease to be of further force and effect and shall be revoked by the Division, unless the Division shall extend the time for ratification for good cause shown.

(9) When the persons owning the required percentage of interest in the Unit Area have approved the plan for unit operations, the interests of all persons in the Unit Area are unitized whether or not such persons have approved the plan or unitization in writing.

(10) Any working interest owner who has not agreed in writing to participate in the unit prior to the effective date of this order shall be deemed to have relinquished to the Unit Operator all of his operating rights and working interest in and to the unit until his share of the costs has been repaid. Such repayment shall not include a non-consent penalty (Section 70-7-7.F N.M.S.A. 1978)

CASE NO. 11195
ORDER NO. R-
PAGE NO. 15

(11) The applicant as Unit Operator shall notify in writing the Division Director of any removal or substitution of said Unit Operator by any other working interest owner within the area.

(12) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE in Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

S E A L



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Roswell District Office
1717 West Second Street
Roswell, New Mexico 88201-2019

IN REPLY REFER TO:

NMNM91055X
3180 (06200)

JUN 13 1995

Hinkle, Cox, Eaton, Coffield, & Hensley
Attention: Mr. James Bruce
P. O. Box 2068
Santa Fe, NM 87504-2068

Gentlemen:

Our letter of December 13, 1994, designated the West Lovington Strawn Unit, No. NMNM91055X, Lea County, New Mexico. Your letter of May 25, 1995, states that the Commissioner of Public Lands requested certain changes to the State/Federal/Fee Unit Agreement form.

The amendments to the agreement have been reviewed and are hereby accepted for record purposes. Please furnish all interested principals with appropriate evidence of this acceptance.

Sincerely,

acting
for: 

Tony L. Ferguson
Assistant District Manager,
Minerals Support Team



State of New Mexico
Commissioner of Public Lands

RAY POWELL, M.S., D.V.M.
COMMISSIONER

310 OLD SANTA FE TRAIL P.O. BOX 1148

SANTA FE, NEW MEXICO 87504-1148

(505) 827-5760
FAX (505) 827-5766

May 26, 1995

Hinkle, Cox, Eaton, Coffield & Hensley
P.O. Box 2068
Santa Fe, New Mexico 87504-2068

Attention: Mr. James Bruce

Re: Request for Preliminary Approval
West Lovington Strawn Unit
Lea County, New Mexico

Dear Mr. Bruce:

This office has reviewed the unexecuted copy of the unit agreement for the proposed West Lovington Strawn Unit, Lea County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands who has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases until final approval and an effective date are given.

When submitting your agreement for final approval, please submit the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. Two copies of the Unit Agreement.
3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged before a notary. One set of ratifications must contain original signatures.
4. Initial Plan of Operation.
5. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.

Hinkle, Cox, Eaton, Coffield & Hensley

Page 2

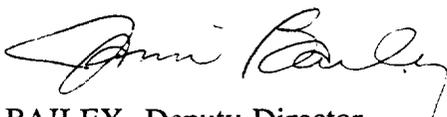
May 25, 1995

6. A copy of the Unit Operating Agreement.
7. Please date the unit agreement on Page 1.
8. A redesignation of all well names and numbers. The list should include the OCD property name, property number, pool name , pool code, API number, section, township, range and subdivision.
9. On page 2 of Exhibit "B", the correct lessee of record for state tract numbers 2, 3 and 4 is Charles B. Gillespie, Jr.,. A copy of changes to Exhibit "B" are attached.

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
JAMI BAILEY, Deputy Director
Oil/Gas and Minerals Division
(505) 827-5745

RP/JB/pm

Enclosure

cc: Reader File

BLM-Roswell--Attention: Mr. Armando Lopez

OCD-Santa Fe--Attention: Mr. Roy Johnson

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE

STATE LANDS:

2. T16S-R35E, N.M.P.M.
 Sec. 1: Lots 1,2,7,8
 182.42
 E-9116 - 2
 State of New Mexico - All (12.5% royalty)
 Charles B. Gillespie, Jr. 50%
 Ernestine Gillespie 5.46875%
 Charles B. Gillespie, Jr. 50%
 DALEN Resources Oil & Gas Co. 50%
 DALEN Resources Oil & Gas Co. 50%

3. T15S-R35E, N.M.P.M.
 Sec. 34: N/2NW/4, SE/4NW/4, E/2SW/4
 200.00
 VA-644 - /
 State of New Mexico - All (12.5% royalty)
 Charles B. Gillespie, Jr. 50%
 None
 Charles B. Gillespie, Jr. 50%
 DALEN Resources Oil & Gas Co. 50%

4. T15S-R35E, N.M.P.M.
 Sec. 33: N/2NW/4, SW/4NW/4
 120.00
 V-4065 - /
 State of New Mexico - All (16.666667% royalty)
 Charles B. Gillespie, Jr. 50%
 None
 Charles B. Gillespie, Jr. 50%
 DALEN Resources Oil & Gas Co. 50%

Expires 9-7-97

3	STATE	TRACTS	TOTALING	ACRES	OR	34.44%	OF	UNIT	AREA
---	-------	--------	----------	-------	----	--------	----	------	------

KLATCHKO & KLATCHKO

ATTORNEYS AT LAW

PROFESSIONAL PARK, SUITE 3

177 SOUTH CIVIC DRIVE

PALM SPRINGS, CALIFORNIA 92262

TELEPHONE (619) 320-7878

FAX (619) 320-3819

LINDA STEARNS KLATCHKO

PHILIP S. KLATCHKO

OIL CONSERVATION DIVISION
RECEIVED
MAY 30 AM 8 52 '95

May 26, 1995

*Case File.
11/95*

CERTIFIED MAIL, RETURN RECEIPT

State of New Mexico
Oil Conservation Division
Attention: David Catanach, Examiner
2040 S. Pacheco Street
Santa Fe, NM 87505

Re: West Lovington (Strawn) Unit Area, Lea County, New Mexico; Application for
Unitization of Interest Owners Currently Scheduled for June 1, 1995

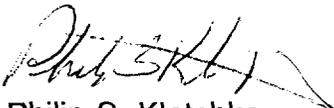
Dear Mr. Catanach:

Consistent with our telephone conversation of May 23, 1995, please consider this correspondence to be an appearance and preservation of rights on behalf of my clients, Leonardo S. Anderson, Jr., and Laura Geraldine Anderson Hill with regard to the above-referenced matter.

Thanking you for your courtesy and cooperation in this matter, I am

Sincerely yours,

KLATCHKO & KLATCHKO


Philip S. Klatchko

PSK/tah

cc: Leonardo S. Anderson, Jr.
Laura Geraldine Anderson Hill



OIL CONSERVATION DIVISION
RECEIVED

FILE

95 JUN 4 AM 8 52

State of New Mexico
Commissioner of Public Lands

RAY POWELL, M.S., D.V.M.
COMMISSIONER

310 OLD SANTA FE TRAIL P.O. BOX 1148

(505) 827-5760
FAX (505) 827-5766

SANTA FE, NEW MEXICO 87504-1148

May 26, 1995

Hinkle, Cox, Eaton, Coffield & Hensley
P.O. Box 2068
Santa Fe, New Mexico 87504-2068

Attention: Mr. James Bruce

Re: Request for Preliminary Approval
West Lovington Strawn Unit
Lea County, New Mexico

Dear Mr. Bruce:

This office has reviewed the unexecuted copy of the unit agreement for the proposed West Lovington Strawn Unit, Lea County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands who has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases until final approval and an effective date are given.

When submitting your agreement for final approval, please submit the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. Two copies of the Unit Agreement.
3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged before a notary. One set of ratifications must contain original signatures.
4. Initial Plan of Operation.
5. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.

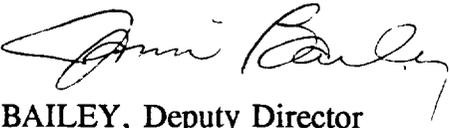
Hinkle, Cox, Eaton, Coffield & Hensley
Page 2
May 25, 1995

6. A copy of the Unit Operating Agreement.
7. Please date the unit agreement on Page 1.
8. A redesignation of all well names and numbers. The list should include the OCD property name, property number, pool name , pool code, API number, section, township, range and subdivision.
9. On page 2 of Exhibit "B", the correct lessee of record for state tract numbers 2, 3 and 4 is Charles B. Gillespie, Jr.,. A copy of changes to Exhibit "B" are attached.

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
JAMI BAILEY, Deputy Director
Oil/Gas and Minerals Division
(505) 827-5745

RP/JB/pm
Enclosure

cc: Reader File
BLM-Roswell--Attention: Mr. Armando Lopez
OCD-Santa Fe--Attention: Mr. Roy Johnson

UnitSource INCORPORATED

PAUL S. CONNER

UNITIZATION

May 25, 1995

TO: ROYALTY INTEREST OWNERS

RE: **West Lovington Strawn** Unit Area
Lea County, New Mexico

Ladies and Gentlemen:

We previously provided you with copies of the proposed Unit Agreement for the above Unit Area, together with revised copies of Exhibits A, B, and C thereto. The operator of the proposed Unit Area has been changed from Charles B. Gillespie, Jr. to Gillespie-Crow, Inc., a corporation. Accordingly, the Unit Agreement has been changed, and a copy of the revised Unit Agreement is enclosed with this letter. The Exhibits A, B, and C sent to you two weeks ago have not been changed. If you have not already done so, we request that you execute the ratifications provided to you, and return them to me. Also, please be advised that the New Mexico Oil Conservation Division hearing on this matter, scheduled for June 1, 1995, has been continued to a hearing scheduled for June 15, 1995.

Sincerely,

UNITSOURCE INCORPORATED



Paul S. Conner

PSC/bt
Enclosure



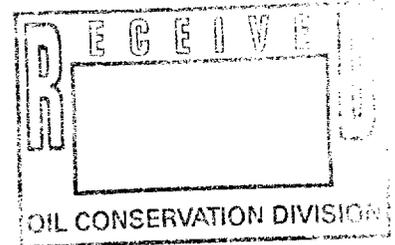
State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL P.O. BOX 1148

SANTA FE, NEW MEXICO 87504-1148

(505) 827-5760
FAX (505) 827-5766

RAY POWELL, M.S., D.V.M.
COMMISSIONER



May 8, 1995

Hinkle, Cox, Eaton, Coffield & Hensley
P. O. Box 2068
Santa Fe, New Mexico 87504-2068

Attn: Mr. James Bruce

Re: Request for Preliminary Approval
West Lovington Strawn Unit
Lea County, New Mexico

Dear Mr. Bruce:

This office is in receipt of your letter of April 20, 1995, together with your proposed unit agreement form for the Lovington Strawn Unit Agreement.

Thank you for pointing out all the modifications and differences between your proposed unit form and our state, federal and fee waterflood unit agreement form.

Please be advised that since so many changes have been made to the language that we prefer in our model form, we can not accept the proposed unit agreement form for the West Lovington Strawn Unit. We will accept the changes requested by the Bureau of Land Management under Section 14 and the obvious changes to the unitized formation and tract participation, however a re-writing of the entire unit agreement may not be in the best interest of the State of New Mexico.

In view of the above, please re-submit your proposed unit agreement form for our review. Also, in order to expedite our approval, please follow our model form as close as possible.

Hinkle, Cox, Eaton, Coffield & Hensley
May 8, 1995
Page 2

Thank you for your cooperation regarding this matter. If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
JAMI BAILEY, Deputy Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/pm

cc: Reader File
OCD-Santa Fe
BLM-Roswell

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

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 (1901-1985)

OF COUNSEL
O. M. CALHOUN* JOE W. WOOD
RICHARD L. CAZZELL* RAY W. RICHARDS**
L. A. WHITE**

AUSTIN AFFILIATION
HOFFMAN & STEPHENS, P.C.
KENNETH R. HOFFMAN*
TOM D. STEPHENS*
RONALD C. SCHULTZ, JR.*
JOSE CANO*

JEFFREY S. BAIRD*
THOMAS E. HOOD*
REBECCA NICHOLS JOHNSON
STANLEY K. KOTOVSKY, JR.
H. R. THOMAS
ELLEN S. CASEY
MARGARET CARTER LUDEWIG
S. BARRY PAISNER
MARTIN MEYERS
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

JAMES A. GILLESPIE
MARGARET R. MCNETT
LISA K. SMITH*
NORMAN D. EWART
DARREN T. GROCE*
MOLLY MCINTOSH
MARCIA B. LINCOLN
SCOTT A. SHUART*
PAUL G. NASON
R. "TREY" ARVIZU, III
AMY C. WRIGHT*
BRADLEY G. BISHOP*
KAROLYN KING NELSON
ELLEN T. LOUDERBOUGH
BARBARA GREGG GLENN
JAMES H. WOOD*

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**
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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*
WILLIAM F. COUNTISS**
ALBERT L. PITTS
THOMAS M. HNASKO
JOHN C. CHAMBERS*
GARY D. COMPTON*
W. H. BRIAN, JR.**
RUSSELL J. BAILEY**
CHARLES R. WATSON, JR.**
THOMAS D. HAINES, JR.
GREGORY J. NIBERT
MARK C. DOW
FRED W. SCHWENDMANN
JAMES M. HUDSON

*REGISTERED IN NEW MEXICO
AS HINKLE, COX, EATON,
COFFIELD & HENSLEY, P.L.L.C., LTD., CO.

*NOT LICENSED IN NEW MEXICO
*FORMERLY COMPRISING THE FIRM OF
CULTON, MORGAN, BRITAIN & WHITE, P.C.

April 17, 1995

ms

HAND DELIVERED

Mr. William LeMay
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87501

Re: Case No. 11,194 and 11,195 (Charles B. Gillespie, Jr.)

Dear Mr. LeMay:

Please continue the above cases to the May 18, 1995 Examiner Hearing. Thank you.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY

James Bruce
James Bruce

cc: W. Thomas Kellahin, Esq. (via Facsimile to: 982-2047)
William F. Carr, Esq. (via Facsimile to: 983-6043)

JB/sp

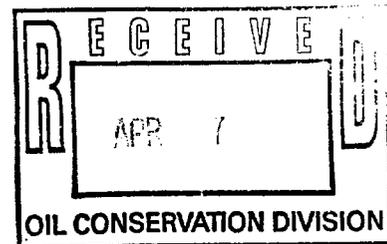
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FAX (512) 476-5431



HINKLE, COX, EATON, COFFIELD & HENSLEY

P.L.L.C.†

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 (1901-1985)

OF COUNSEL
O. M. CALHOUN* JOE W. WOOD
RICHARD L. CAZZELL* RAY C. RICHARDS*
L. A. WHITE**

AUSTIN AFFILIATION
HOFFMAN & STEPHENS, P.C.
KENNETH R. HOFFMAN*
TOM D. STEPHENS*
RONALD C. SCHULTZ, JR.*
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STANLEY K. KOTOVSKY, JR.
H. R. THOMAS
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AMY C. WRIGHT*
BRADLEY G. BISHOP*
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BARBARA GREGG GLENN
JAMES H. WOOD*

PAUL W. EATON
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HAROLD L. HENSLEY, JR.
STUART D. SHANOR
ERIC D. LANPHERE
C. D. MARTIN
ROBERT P. TINNIN, JR.
MARSHALL G. MARTIN
MASTON C. COURTNEY**
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DOUGLAS L. LUNSFORD
NICHOLAS J. NOEDING
T. CALDER EZZELL, JR.
WILLIAM B. BURFORD*
RICHARD E. OLSON
RICHARD R. WILFONG*
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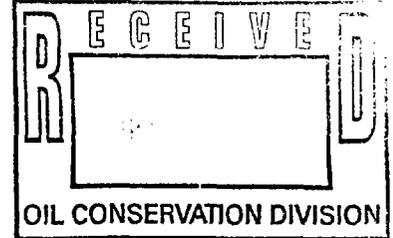
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**FORMERLY COMPRISING THE FIRM OF
CULTON, MORGAN, BRITAIN & WHITE, P.C.

April 3, 1995

HAND DELIVERY

William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87501



Re: Case Nos. 11,194 and 11,195 (Charles B. Gillespie, Jr.)

Dear Mr. LeMay:

Please continue the above cases for two weeks. Mr. Gillespie is still in negotiations with interest owners in the Unit represented by Mr. Kellahin and Mr. Carr, and additional time is needed to come to terms with these parties.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY

A handwritten signature in cursive script that reads "James Bruce". Below the signature is the printed name "James Bruce".

James Bruce

cc: William F. Carr, Esq.
W. Thomas Kellahin, Esq.

JB/sp
lemay3.ltr

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

218 MONTEZUMA POST OFFICE BOX 2068

SANTA FE, NEW MEXICO 87504-2068

(505) 982-4554 FAX (505) 982-8623

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RICHARD L. CAZZELL** RAY W. RICHARDS**
L. A. WHITE**

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THOMAS E. HOOD**
REBECCA NICHOLS JOHNSON

January 30, 1995

HAND DELIVERY

Mr. William LeMay
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87501

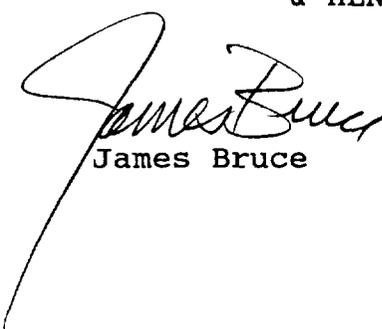
Re: Case Nos. 11,194 and 11,195

Dear Mr. LeMay:

On behalf of Charles B. Gillespie, Jr., we request that the above cases be continued for one month. Various parties are attempting to work out their differences regarding the proposed unit, necessitating the continuance. Other counsel do not oppose this request.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY


James Bruce

cc: William F. Carr
W. Thomas Kellahin

JGB/sp

