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FAX COVER SHEET

DELIVER TO: Rand Carroll

COMPANY: Oil Conservation Division

CITY: Santa Fe, New Mexico

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MEMO: Rand: Enclosed is a pleading in Case 11724.

CONFIDENTIALITY NOTICE

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May 12, 1997

Via Fax

David Catanach
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Case 11724 (Application of Gillespie-Crow, Inc. for unit expansion, etc.)

Dear Mr. Catanach:

This letter serves as the response of Gillespie-Crow, Inc. in opposition to the motion to dismiss filed by Yates Petroleum Corporation and Hanley Petroleum, Inc. (collectively, "Yates"). In support of its response, Gillespie-Crow, Inc. states:

1. Gillespie-Crow, Inc. adopts by reference the response to the motion filed by Enserch Exploration, Inc.

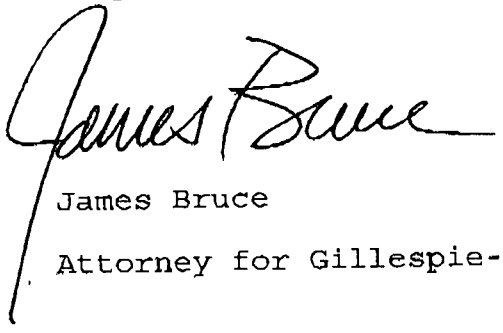
2. The application of Gillespie-Crow, Inc. seeks to add acreage which has been reasonably defined by development. Thus, it complies with the Statutory Unitization Act. **See N.M. Stat. Ann. (1995 Repl. Pamp.) §70-7-5(B).**

3. Yates states that the application is not proper because it may include less than the entire reservoir. However, the Statutory Unitization Act expressly allows unitization of less than entire reservoir, so long as other portions of the pool are not adversely affected. **N.M. Stat. Ann. (1995 Repl. Pamp.) §70-7-11.** The evidence will show that the reservoir has benefitted from unitization, and in fact it is the Yates' wells which are draining reserves from the unit. If there is additional reservoir outside the unit, it is not being harmed.

Based on the foregoing, Yates' motion should be summarily denied.

Gillespie-Crow, Inc. also requests that its motion to shut-in the two Yates wells until an order is issued in Case 11724 be granted.

Very truly yours,



James Bruce

Attorney for Gillespie-Crow, Inc.

cc: counsel of record (via fax)