

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

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
MICHAEL H. FELDEWERT  
ANTHONY F. MEDEIROS  
PAUL R. OWEN  
  
JACK M. CAMPBELL  
OF COUNSEL

July 9, 1997

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
FACSIMILE: (505) 983-6043  
E-MAIL: ccbspa@ix.netcom.com

**HAND DELIVERED**

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: ***Case 11599 (De Novo): Application of Gillespie-Crow, Inc. for an allowable reduction, Lea County, New Mexico***

Dear Mr. LeMay:

On February 20, 1997, the Division entered Order Nos. R-9722-C and R-10448-A in the above referenced case which, among other things, reduced the pool allowable for the West Lovington-Strawn Pool from 445 BOPD to 250 BOPD and abolished the project allowable for the West Lovington Strawn Unit ("WLSU"). The reasons stated for these allowable changes were that "all wells whether inside or outside the WLSU should be treated the same" to "assure fairness for all operators in this reservoir." (Finding 15, page 6)

On March 8, 1997, Yates Petroleum Corporation and Hanley Petroleum, Inc. filed written applications for hearing de novo in this case to preserve for later review the issues related to these new pool allowables. No other party filed for hearing de novo.

Since the entry of Order Nos. R-9722-C and R-10448-A, there has been a two day hearing before Examiner Catanach concerning this pool and unit. In that case, the Examiner is being asked to determine the proper unit boundaries for the WLSU and to amend the unit participation formula. Until there is a decision in that case, any further discussion of pool allowables is premature. Furthermore, the allowable issues in Case 11599 are intertwined with the issues in the case now before the Examiner. Accordingly, Yates and Hanley have withdrawn their Applications for Hearing De Novo.

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
July 9, 1997  
Page 2

On July 8, 1997, James Bruce wrote the Division/Commission on behalf of Gillespie-Crow, Inc. characterizing the withdrawal of our applications for hearing de novo as a "motion to dismiss" and then asking that it be denied.

In response to the argument of Gillespie-Crow, Inc., Yates and Hanley call your attention to the provisions of the Oil and Gas Act. The Act does not state, as Mr. Bruce suggests, that the Rules of Civil Procedure govern Division proceedings. Instead, Sections 70-2-7 and 70-2-13 direct the Division to "prescribe by rule its rules of order or procedure." That has been done.

Enclosed is a copy of Oil Conservation Division Rule 1220, a portion of which is set out below. With this rule, the Division has prescribed how a case may be appealed to the Commission for de novo review. It reads in pertinent part as follows:

**RULE 1220. - DE NOVO HEARING BEFORE THE COMMISSION**

"When any order has been entered by the Division pursuant to any hearing held by an Examiner, **any party of record adversely affected by such order shall have the right to have the matter or proceeding heard de novo** before the Commission, **provided** that within thirty (30) days from the date such order is rendered **such party files with the Division a written application** for such hearing before the Commission..."

Unlike Yates and Hanley neither Gillespie-Crow, Inc. nor any other party filed a written application for hearing de novo. They cannot do it now. Yates and Hanley have withdrawn their applications. Order Nos. R-9722-C and R-10448-A are final orders and nothing remains for the Commission to consider.

If you determine a hearing on this matter is required, I will be at the Division all day on July 10, 1997 and will be prepared to present argument on this issue at your convenience.

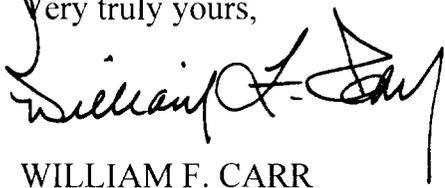
William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources

July 9, 1997

Page 3

Your attention to this matter is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is written in a cursive style with a large, stylized initial "W".

WILLIAM F. CARR

WFC:mlh

Attorney for Yates Petroleum Corporation  
and Hanley Petroleum, Inc.

cc: Marilyn S. Hebert, Esq., (Via Hand-Delivery)  
James Bruce, Esq., (Via Hand-Delivery)  
J. Scott Hall, Esq., (Via Hand-Delivery)  
W. Thomas Kellahin, Esq., (Via Hand-Delivery)

**1217 EXAMINER'S MANNER OF CONDUCTING HEARING**

An Examiner conducting a hearing under these rules shall conduct himself as a disinterested umpire. [9-15-55...2-1-96]

**1218 REPORT AND RECOMMENDATIONS, EXAMINER'S HEARING**

Upon the conclusion of any hearing before an Examiner, the Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Examiner shall prepare his written report and recommendations for the disposition of the matter or proceeding by the Division. Such report and recommendations shall either be accompanied by a proposed order or shall be in the form of a proposed order, and shall be submitted to the Division Director with the certified record of the hearing. [9-15-55...2-1-96]

**1219 DISPOSITION OF CASES HEARD BY EXAMINERS**

After receipt of the report and recommendations of the Examiner, the Division Director shall enter the Division's order disposing of the matter or proceeding. [9-15-55...2-1-96]

**1220 DE NOVO HEARING BEFORE COMMISSION**

When any order has been entered by the Division pursuant to any hearing held by an Examiner, any party of record adversely affected by such order shall have the right to have such matter or proceeding heard de novo before the Commission, provided that within thirty (30) days from the date such order is rendered such party files with the Division a written application for such hearing before the Commission. If such application is filed, the matter or proceeding shall be set for hearing before the Commission at the first available hearing date following the expiration of fifteen days from the date such application is filed with the Division. Any party to the proceeding adversely affected by the order or decision rendered by the Commission after hearing before the Commission may apply for rehearing pursuant to and in accordance with the provisions of Rule 1222 and said Rule 1222 together with the law applicable to rehearings and appeals in matters and proceedings before the Commission shall thereafter apply. [9-15-55... 2-1-96]

**1221 NOTICE OF COMMISSION AND DIVISION ORDERS**

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered. [9-15-55...2-1-96]

**1222 REHEARINGS**

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances. [1-1-50...2-1-96]

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

SUITE B  
612 OLD SANTA FE TRAIL  
SANTA FE, NEW MEXICO 87501

(505) 982-2043  
(505) 982-2151 (FAX)

July 8, 1997

Via Fax

William J. LeMay  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: Case 11599 (*De Novo*); Application of Gillespie-Crow, Inc.  
for an allowable reduction, Lea County, New Mexico

Dear Mr. LeMay:

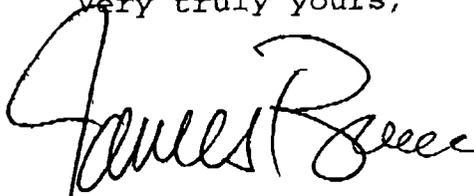
We have received the request of Yates Petroleum Corp[oration and Hanley Petroleum, Inc. to "withdraw" the *de novo* application. Gillespie-Crow, Inc. requests that this motion to dismiss be denied, for the following reasons:

1. A case cannot be dismissed without the approval of all parties involved. The rules of civil procedure apply to administrative proceedings, and those rules require all parties to agree to the dismissal of an action. SCRA (1986) 1-041. Gillespie-Crow, Inc. and Enserch Exploration, Inc. do not agree to a dismissal. *if you would that be a...*
2. Gillespie-Crow, Inc. is also seeking relief in the *de novo* case: In the order entered by the Division in February 1997, the unit's project allowable was eliminated, even though no request for termination of the allowable was requested by any party. Gillespie-Crow, Inc. seeks the re-institution of a unit project allowable. This request is based on a change in circumstances since the original hearing last October. Enserch Exploration supports this request. *where? the...*

As a result of the foregoing, a dismissal of the *de novo* case is improper. Due to witness travel plans, Gillespie-Crow, Inc. respectfully requests that a decision on the dismissal motion be issued by Thursday morning. I believe all counsel are available

to meet with Ms. Hebert at that time to discuss this matter, if you so desire.

Very truly yours,



James Bruce

Attorney for Gillespie-Crow, Inc.

cc: William F. Carr (via fax) *William F. Carr*  
J. Scott Hall (via fax) *J. Scott Hall*  
W. Thomas Kellahin (via fax) *W. Thomas Kellahin*  
Marilyn S. Hebert (via fax) *Marilyn S. Hebert*

**JAMES BRUCE**  
**Attorney at Law**  
**Post Office Box 1056**  
**Santa Fe, New Mexico 87504**  
**Telephone: (505) 982-2043**  
**Fax: (505) 982-2151**

FAX COVER SHEET

DELIVER TO: Lyn Hebert  
COMPANY: Oil Conservation Division  
CITY: Santa Fe, New Mexico  
FAX NUMBER: 827-8177  
NUMBER OF PAGES: 3 (Including Cover Sheet)  
DATE SENT: 7/8/97  
MEMO:

CONFIDENTIALITY NOTICE

This transmission contains information which may be confidential and legally privileged. The information is intended only for the above-named recipient. If you are not the intended recipient, any copying or distribution of the information is prohibited. If you have received this transmission in error, please call us at the above number and return the document by United States mail. Thank you.

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

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
MICHAEL H. FELDEWERT  
ANTHONY F. MEDEIROS  
PAUL R. OWEN  

---

JACK M. CAMPBELL  
OF COUNSEL

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
FACSIMILE: (505) 983-6043  
E-MAIL: ccbspa@ix.netcom.com

July 8, 1997

HAND-DELIVERED

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

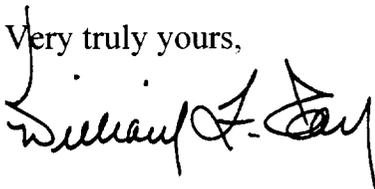
Re: ***Oil Conservation Division Case No. 11599 (De Novo):  
Application of Gillespie-Crow, Inc. for Pool Expansion and Contraction,  
Pool Creation, and the Promulgation of Special Pool Rules Therefor, Lea  
County, New Mexico***

Dear Mr. LeMay:

Yates Petroleum Corporation and Hanley Petroleum, Inc., hereby withdraw their Application for Hearing De Novo in the above-captioned case and request that the July 14th hearing on this matter be dismissed.

Your attention to this matter is appreciated.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

cc: Rand Carroll, Esq., (Via Hand-Delivery)  
Jim Bruce, Esq., (Via Hand-Delivery)  
J. Scott Hall, Esq., (Via Hand-Delivery)



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

June 3, 1997

Mr. James Bruce  
Attorney at Law  
Post Office Box 1056  
Santa Fe, New Mexico 87504

Mr. Thomas Kellahin  
Kellahin & Kellahin  
Attorneys at Law  
Post Office Box 2265  
Santa Fe, New Mexico 87504-2265

Mr. William F. Carr  
Campbell, Carr, Berge & Sheridan  
Attorneys at Law  
Post Office Box 2208  
Santa Fe, New Mexico 87504-2208

Mr. Scott Hall  
Miller, Stratvert, Torgerson  
& Schlenker  
Attorneys at Law  
Post Office Box 1986  
Santa Fe, New Mexico 87504-1986

Gentlemen:

The request for continuance of De Novo Case No. 11599 received from Hanley Petroleum, Inc. and Yates Petroleum Corporation as De Novo applicants in said case is hereby granted. De Novo Case No. 11599 will be continued to the Commission hearing scheduled for July 8, 1997.

Sincerely,

A handwritten signature in black ink, appearing to read "William J. Lemay". The signature is written in a cursive style with a long, sweeping tail that extends downwards and to the right.

WILLIAM J. LEMAY  
Director