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PLEASE REPLY TO SANTA FE

June 22, 1999

Michael Stogner  
New Mexico Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87501

**Hand Delivered**

Re: Re: NMOCD Case No. 12171; Application of Gillespie Oil, Inc. for Unit Expansion, West  
Lovington Strawn Unit, Lea County, New Mexico

Dear Mr. Stogner:

At the June 6, 1999 hearing on the above matter, you directed the parties to provide you with drafts of proposed orders for your consideration. Toward that end, I understand Mr. Bruce is preparing a draft of an order with provisions incorporating the recommendations of the West Lovington Strawn Unit Technical Committee with respect to, among other things, the boundaries of the expanded unit, tract allocations and a revised participation formula. Such a version of a proposed order, which my client Energen Resources prospectively supports, will be submitted to you on behalf of the Applicant, Gillespie Oil, Inc. The Applicant's draft will then provide the larger framework for modification by those other parties such as Charles B. Gillespie, Jr. who may wish to propose alternative provisions for a final order in conformance with the positions taken and evidenced adduced by them at the hearing. Such alternatives could be provided to you in the form of an addendum filing which would propose modifications and/or substitutions to specific provisions of the Applicant's draft order. This way, we should be able to avoid unnecessary duplication of effort.

Energen anticipates filing an addendum which will propose an amendment to the Unit Operating Agreement for the WLSU addressing the payout status of wells drilled on expan-

Michael Stogner

June 22, 1999

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sion acreage that are brought into the unit. A copy of the proposed amendment is enclosed and is accompanied by a copy of the Affidavit of Barney Kahn. The amendment is a product of post-hearing discussions between Gillespie and Energen and, consequently, there is presently no evidentiary basis in the record for the incorporation of such provisions into any order. Accordingly, in order to satisfy the requirements of Section 70-2-14 of the Oil and Gas Act in this regard, I request this proposed amendment to the Unit Operating Agreement and accompanying affidavit be incorporated into the record. The affidavit establishes a foundation for the incorporation.

By copies hereof, the amendment and affidavit are being provided to all counsel for review and comment by the parties of record. In the absence of any objection, the case could then be taken under advisement with the new material included in the record and there should be no need to convene another hearing on the matter.

Thank you for your cooperation.

Very truly yours,

A handwritten signature in black ink, appearing to read "J. Scott Hall", written in a cursive style.

J. Scott Hall

JSH/ao

Enclosure(s) – as stated

Cc: Rand Carroll, Esq. (with enclosures, by facsimile transmission)  
James Bruce, Esq. (with enclosures, by facsimile transmission)  
W. Thomas Kellahin, Esq. (with enclosures, by facsimile transmission)  
Wm. F. Carr, Esq. (with enclosures, by facsimile transmission)  
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