

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
HYDE PARK ESTATES
SANTA FE, NEW MEXICO 87501

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

July 27, 2001

Hand Delivered

David Catanach
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Cases 12684 and 12685 (Beach Exploration Inc.)

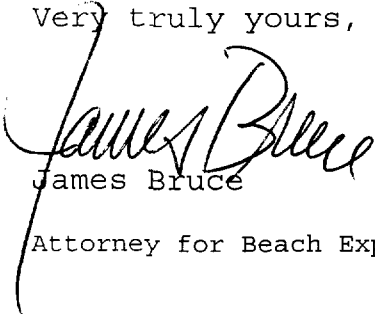
Dear Mr. Catanach:

Enclosed is the BLM's letter of designation for the West High Lonesome Unit.

We have received Mr. Taylor's letter. I will not respond in kind. I would simply note that, under the Statutory Unitization Act, the maximum penalty on non-consenting interests is 200%, which is what is requested by applicant. As applicant's engineer stated at the hearing, if Mr. Taylor believes there is no risk involved in the project, then he should join and pay his share of costs. No-risk ventures are hard to find. In addition, as applicant's landman testified, no one was "threatened" to join in the unit or sell his or her interest. Mr. Taylor simply wants more money than applicant is willing to pay.

We ask that an order be entered in accordance with the applications filed herein.

Very truly yours,


James Bruce

Attorney for Beach Exploration, Inc.

cc: Bill Taylor