



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
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October 14, 1997

Mr. James Bruce
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Santa Fe, NM 87504

Mr. William Carr
Post Office Box 2208
Santa Fe, NM 87504-2208

Mr. J. Scott Hall
Post Office Box 1986
Santa Fe, NM 87504-1986

Re: CASE NO. 11724 (*De Novo*)

Dear Gentlemen:

On October 1, 1997, at the request of Yates Petroleum Company ("Yates") and Hanley Petroleum Inc. ("Hanley") I issued Subpoenas Duces Tecum directed to Enserch Exploration, Inc. ("Enserch") and Gillespie-Crow, Inc. ("Gillespie"). Enserch filed a Motion to Quash the subpoena directed to it on October 8, 1997; Gillespie filed a Motion to Quash the subpoena directed to it on October 9, 1997. On October 10, 1997, Yates and Hanley filed their Response to the Motions to Quash.

On October 10, 1997, the parties through their attorneys presented oral argument to the Oil Conservation Commission's attorney, Lyn Hebert, and Oil Conservation Division Hearing Examiner David Catanach. I have reviewed the transcript of these arguments, and I have discussed the oral argument with Ms. Hebert and Mr. Catanach.

The following are my decisions on the Motions to Quash:

1. Enserch's Motion to Quash is granted only as to the seismic information sought in Numbers 1, 2 and 3 of the Subpoenas. In the event that Gillespie or Enserch intends to introduce such information to support the application at the hearing set for October 16, 1997, then the party intending to make use of such information must produce the seismic information sought in Numbers 1, 2 and 3 of the Subpoenas to Hanley and Yates in advance of the hearing. If such

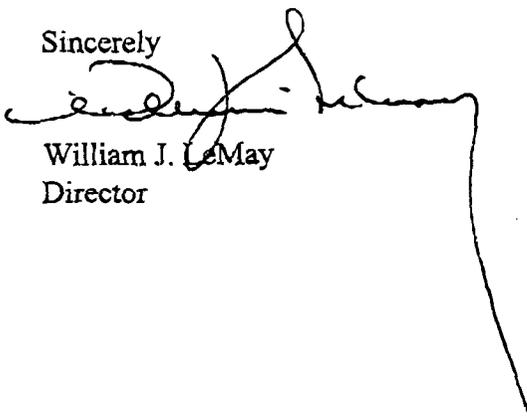
EXHIBIT

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production is not made, the information will not be admitted at the hearing.
Enserch's Motion to Quash is denied as the all other information set forth in the Subpoenas.

2. Gillespie's Motion to Quash is granted as to: seismic information; reserve studies and reserve reports; privileged attorney/client memoranda; information that is publicly available; and information that has been previously produced. However, in the event that Gillespie or Enserch intends to introduce any of the requested information other than that publicly available or previously produced, Gillespie must produce such information to Hanley and Yates. All other information pertinent to the application shall be produced to Hanley and Yates in advance of the hearing set for October 16, 1997.

Sincerely



William J. LeMay
Director