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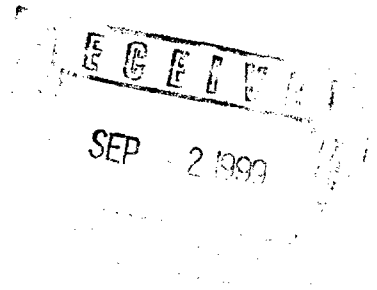
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September 2, 1999

**HAND DELIVERED**

Michael E. Stogner  
Hearing Examiner  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505



Re: Case No. 12171: Application of Gillespie Oil, Inc. for Unit Expansion, Statutory Unitization, and Qualification of the Expanded Unit area for the Recovered Oil Tax Rate and Certification of a Positive Production Response Pursuant to the "New Mexico Enhanced Oil Recovery Act," Lea County, New Mexico.

Dear Mr. Stogner:

The proposed order which has been provided to you in the above referenced case for the working interest owners provides in finding (12) (a) (iii) as follows:

"(iii) In order to protect correlative rights and prevent waste, Tract 15 shall be incorporated into the unit area effective November 1, 1997, and Tracts 14 and 15 shall have jointly allocated to them a 0.2892715% tract participation for the period from November 1, 1997 to the April 1, 1999."

If the Division's Order provides for the expansion of the unit to include Tract 15 after November 1, 1999 and if the order is ratified, Hanley Petroleum Corporation will then calculate and pay additional royalty to New Mexico State Land Office for production

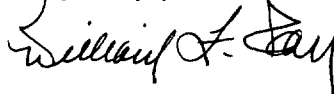
Michael E. Stogner  
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attributed to Tract 15 after November 1, 1997. This effort will be simplified if the tract participation is set out in the order for each of these tracts. To accurately reflect the participation of each of these tracts, finding (12) (a) (iii) should provide as follows:

"(iii) In order to protect correlative rights and prevent waste, Tract 15 shall be incorporated into the unit effective November 1, 1997, and , for the period from November 1, 1997 to April 1, 1999, Tract 14 shall have allocated to it a 0.15504952% tract participation and Tract 15 shall have allocated to it a 0.13422197% tract participation."

Hanley Petroleum Inc. supports the proposed order of the unit working interest owners and appreciates your consideration of the above-requested amendment thereto.

Very truly yours,



William F. Carr

cc: Lori Wrotenbery  
Rand Carroll, Esq.  
J. Scott Hall, Esq.  
James Bruce, Esq.  
W. Thomas Kellahin, Esq.  
Eric Hanson  
Jim Rogers