

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF PREMIER OIL & GAS, INC.
TO INCLUDE ITS FV-1 WELLBORE AS A
QUALIFYING WELLBORE COMMITTED TO
AVALON (DELAWARE) UNIT,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 11838

**FIRST AMENDED APPLICATION
OF
PREMIER OIL & GAS, INC.**

Comes now PREMIER OIL & GAS, INC., ("Premier") by and through its attorney's, Kellahin & Kellahin, for its first amended application, petitions the New Mexico Oil Conservation Division ("Division") for an order including Premier Oil & Gas, Inc.'s FV-1 Well located 1980 feet from the North line and 990 feet from the East line (Unit H) Section 25, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico, as a qualifying wellbore committed to the Avalon (Delaware) Unit in compliance with the Statutory Unitization Act ("the Act"), Section 70-7-1 NMSA (1978).

And in Support States:

(1) Commission Order R-10460-B, issued March 12, 1996, (Case 11298) approved an statutory unitization application by Exxon Corporation ("Exxon") to involuntarily commit all four Premier tracts in Exxon's Avalon-Delaware Unit Waterflood Project in Eddy County, New Mexico.

(2) Conversation with Exxon confirmed that Exxon wanted both the FV-1 and FV-3 wellbores as unit wellbores.



(3) Oddly, and without explanation or evidence presented in Case 11298, while Premier has two wells in Tract 6, Exxon included only the FV-3 Wellbore and excluded the FV-1 Wellbore.

(4) Now Exxon has refused to include Premier's FV-1 Well located in Tract 1309 (SE/4NE/4) of Section 25, Township 20 South, Range 27 East, as a wellbore committed to Exxon's Avalon (Delaware) Unit as of October 1, 1997, despite the fact that the Tract 1309 was involuntarily committed into Exxon's Unit by Commission Order R-10460-B.

(5) The Commission in Case 11298 (upon which Order R-10460-B is based) did not address the issue of the exclusion of the FV-1 Wellbore from the Unit nor did Exxon provide any evidence in the record upon which to support excluding FV-1 Wellbore while including FV-3 Wellbore in the list of wellbores to be contributed to the Unit.

(6) Section 70-7-7 NMSA (1979) of the "Statutory Unitization Act" requires: "the order providing for unitization and unit operations of a pool or portion of a pool shall be upon terms and conditions that are fair, reasonable and equitable and shall approve **or prescribe** a plan or unit agreement for unit operation which **shall include**:

J. such additional provision as are found to be appropriate for carrying on the unit operations and for the protection of correlative rights and the prevention of waste." (emphasis added).

(7) In violation of Section 70-7-6 NMSA (1979), Exxon failed to submit any evidence in Case 11298 to show that **including** Well Tract 1309 in the Unit while **excluding** that tract's wellbore (FV-1) from the Unit "to be fair, reasonable, equitable and which are necessary or proper to protect and safeguard the respective rights and obligations of the working interest owners and royalty owners."

(8) Order R-10460-B retained continuing jurisdiction to enter such orders as are deemed necessary.

(9) In accordance with Order R-10460-B and Section 70-7-7 NMSA (1979), it is necessary for the Division to address the arbitrary exclusion of the FV-1 Wellbore from this Unit which is an issue not addressed by the Commission in the prior case.

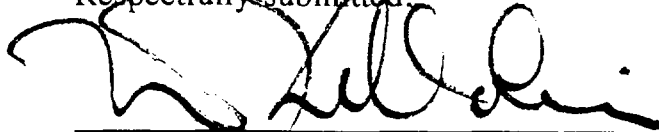
(10) Premier Oil & Gas, Inc.'s FV-1 Well located 1980 feet from the North line and 990 feet from the East line (Unit H) Section 25, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico is necessary for the carbon dioxide project in the Avalon (Delaware) Unit in order to comply with the Statutory Unitization Act ("the Act"), Section 70-7-1 NMSA (1978),

(11) Premier contends that a supplemental order must be issued pursuant to the Division's "continuing jurisdiction" and in accordance with Section 70-7-7 and Section 70-7-6 NMSA (1979) to require Exxon to include Premier's FV-1 Wellbore in the Unit.

(12) In addition, it is necessary for the Division to take action in this matter prior to October 1, 1997 which is the last date provided for in the Unit Operating Agreement in which to commit wellbores to the unit.

Wherefore, Applicant requests that this matter be set for hearing before the Division's Examiner and that after notice and hearing, the application be granted as requested.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285