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August 15, 1997

Via Fax and U.S. Mail

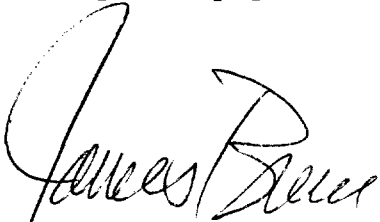
Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Case 11838; Application of Premier Oil & Gas, Inc.

Dear Mr. Stogner:

Enclosed is a motion to dismiss the above application.

Very truly yours,

A handwritten signature in cursive script, appearing to read "James Bruce", written in dark ink.

James Bruce

Attorney for Exxon Corporation

cc: Counsel of record (via fax)

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF PREMIER OIL & GAS, INC.
TO HAVE THE DIVISION ORDER EXXON COMPANY
U.S.A TO APPEAR AND SHOW CAUSE WHY ITS
AVALON (DELAWARE) UNIT OPERATING AGREEMENT
SHOULD NOT BE AMENDED TO CONFORM TO THE
REQUIREMENTS OF THE STATUTORY UNITIZATION
ACT, EDDY COUNTY, NEW MEXICO.

No. 11838

MOTION TO DISMISS

Exxon Company U.S.A., a division of Exxon Corporation ("Exxon"), moves to dismiss the above application. In support thereof, Exxon states:

1. Exxon is the operator of the Avalon (Delaware) Unit ("the Unit"), located in Eddy County, New Mexico. The Unit was approved by Order No. R-10460-B ("the Order").

2. The Order approved the Unit Operating Agreement¹ for the Unit. The Unit Operating Agreement listed, in Exhibit H thereto, wells which were considered potentially useful for Unit operations. The list of wells included the FV3 well, operated by Premier Oil & Gas, Inc. ("Premier"); it did not include Premier's FV1 well, which is also located within the exterior boundaries of the Unit.

3. Premier has filed an application requesting that the Division order Exxon to include the FV1 well in the Unit.

Premier Has Not Complied
With The Unit Operating Agreement

4. Article 10 of the Unit Operating Agreement provides for taking over property for Unit operations. Article 10.1.1 states:

¹Exxon Exhibit 3 at the Commission hearing.

Wells and Well Equipment. All wells listed on Exhibit "H" and associated well equipment shall be delivered subject to the terms of Article 11 hereof, provided that: (i) Exhibit "H" may be amended to add or delete wells by vote of the Working Interest Owners as provided herein....

No vote of the working interest owners has been conducted to include the FV1 well in the Unit. In fact, Premier has not even requested such a vote.

5. As a result of the foregoing, Premier's application should be dismissed because of its failure to comply with the Unit Operating Agreement.

The Unit Was Not Required To Include The FV1 Well

6. Premier asserts that the FV1 well must be included since it is located on a unitized tract. The Statutory Unitization Act does not require that every well on a unit tract be included. It merely requires that the Unit Operating Agreement include a provision making credits for wells which are "contributed to unit operations." **N.M. Stat. Ann. §70-7-7.D (1995 Repl. Pamph.).** Articles 10 and 11 of the Unit Operating Agreement comply with that requirement.

7. Since the Unit Operating Agreement complies with the Statutory Unitization Act, there is no basis for the Division to force the other interest owners to include the FV1 well in the Unit.

Premier Failed To Raise The Issue At Hearing

8. Premier was provided with a copy of the Unit Operating

Agreement, and was aware that Exxon did not request that the FV1 well be included in the Unit. Premier could have easily requested that the FV1 well be included in the Unit, at either the Division or Commission hearing, but failed to do so. There is no basis to re-open the case at this time, and there has been no change in circumstances which would justify amending the Order.

There Is No Evidence The FV1 Well
Is Necessary For Unit Operations

9. Even when a well is listed in the Unit Operating Agreement, it is not automatically used by the Unit. The Unit Operating Agreement provides for using wells which "are related to production from the Unitized Formation" (Article 10.1.2). However, the Unit inventory must "exclude all items not of use and value to the Unit and not necessary to Unit Operations." Article 10.3.

10. Premier has not even attempted to offer any evidence that the FV1 well is (i) related to production from the Unitized Formation,² or (ii) necessary for Unit operations. Those decisions should be left to the working interest owners pursuant to the Unit Operating Agreement.

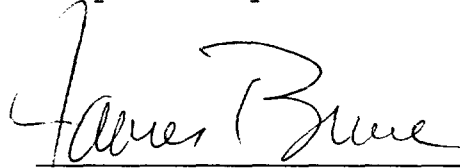
WHEREFORE, Exxon requests that the application be dismissed.

²In fact, Ken Jones, Premier's owner, stated at the Commission hearing:

[The FV1] well is making some gas out of the first Bone Springs sand. This lease was purchased because of the Bone Springs and the Delaware, and we're currently working up in the Bone Springs right now. We still have another pay for that well.

Transcript at 306.

Respectfully submitted,



James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Exxon Corporation

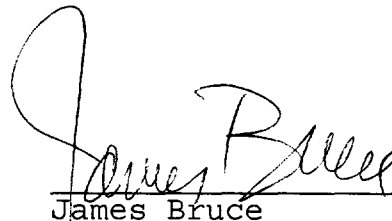
CERTIFICATE OF SERVICE

I hereby certify that a copy of the forgoing pleading was sent by facsimile transmission this 15th day of August, 1997 to:

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James Bruce