

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:

CASE NO. 11838
ORDER NO. R-10906

**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.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 21, 1997 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 31st day of October, 1997, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) By application dated July 29, 1997 Premier Oil & Gas Inc. ("Premier") requested the New Mexico Oil Conservation Division ("Division") order Exxon Company U.S.A. ("Exxon") to appear before a Division Hearing Examiner and show cause why the Premier operated Eddy "FV" State Well No. 1 (API No. 30-015-21758), located at a standard oil well location within the East Penlon-Bone Spring Pool 1980 feet from the North line and 990 feet from the East line (Unit H) of Section 25, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico, should not be ordered by the Division to be included in the Exxon operated Avalon Delaware Unit (approved by Division Order No. R-10460, as amended) and in compliance with the Statutory Unitization Act, Sections 70-7-1 through 70-7-21, NMSA (1978), including but not limited to amending Exhibit "H" of the Avalon (Delaware) Unit Agreement, which was

incorporated by reference into said Order No. R-10460, as amended, to include said wellbore and to qualify said wellbore a useable wellbore committed to the Avalon (Delaware) Unit.

(3) On August 15, 1997 the Division received from Exxon's Legal Counsel a motion to dismiss the subject application.

(4) On August 18, 1997 the Division also received from Yates Petroleum Corporation ("Yates"), working interest owner in the Avalon (Delaware) Unit, a motion to dismiss the subject application.

(5) By letter dated August 20, 1997 Examiner Michael E. Stogner, the appointed hearing officer in this case, granted Exxon's and Yates Petroleum Corporation's request and dismissed Case 11838 stating:

"The issue in this case [11838] was properly an issue in the case previously heard by the Division which was also heard de novo by the New Mexico Oil Conservation Commission and has been appealed to the courts [Division Case 11298, which resulted, in part, in the issuance of said Order No. R-10460, as amended]. It will not therefore be heard by the Division at this time [August 21, 1997]."

(6) At the August 21, 1997 hearing stayed the letter decision of August 20, 1997 in order to provide Premier with an opportunity to file a response to the Exxon and Yates motions for dismissal.

(7) On August 25, 1997 Premier's legal counsel delivered to the Division its response.

(8) Nothing in Premier's response persuades the Division to change its August 20, 1997 position.

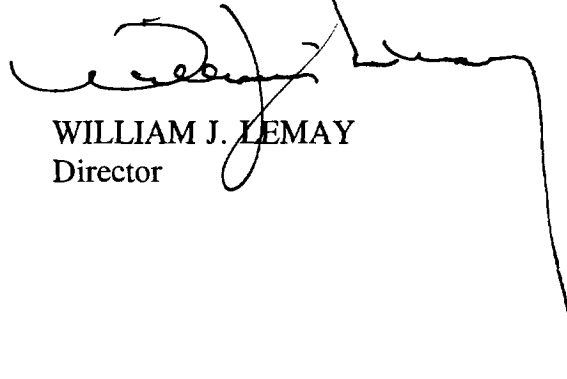
(9) The subject application of Premier in Case 11838 should therefore be dismissed.

IT IS THEREFORE ORDERED THAT:

Case No. 11838 is hereby dismissed.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read 'William J. Lemay', is written over the printed name. The signature is fluid and cursive, with a long, sweeping line extending from the end of the name down towards the bottom right of the page.

WILLIAM J. LEMAY
Director

S E A L