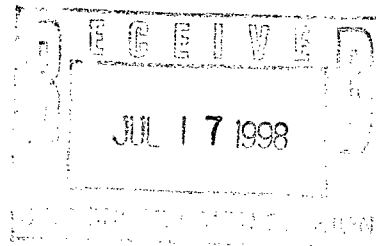


JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)



July 16, 1998

Via Fax and U.S. Mail


David Catanach
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: (Case 12011

Dear Mr. Catanach:

Enclosed is a motion to dismiss or for a continuance in the above matter, filed on behalf of Exxon Corporation. When a decision is made on this motion, please call me and leave a message on my voice mail, because I will be on vacation next Monday, Tuesday, and Wednesday. Thank you.

Very truly yours,


James Bruce

Attorney for Exxon Corporation

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF STRATA PRODUCTION
COMPANY FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

Case No. 12,011

**MOTION TO DISMISS APPLICATION,
OR IN THE ALTERNATIVE MOTION FOR A CONTINUANCE**

Exxon Corporation ("Exxon") hereby enters its appearance in this case, and moves the Division to enter an order dismissing the above application, or in the alternative continuing the case until the August 20, 1998 Examiner hearing. In support thereof, Exxon states:

I. FACTS.

On June 12, 1998, Strata Production Company ("Strata") mailed a well proposal to Exxon for the Hill Federal Well No. 1, located 1980 feet FSL and FWL. (The letter incorrectly gave the well's location as 1980 feet FEL, and thus the letter is defective. Also, the letter does not identify the well unit.) **See Exhibit A.**

On June 30, 1998, just two weeks after Exxon received the proposal letter, Strata filed an application to force pool the W½ of Section 22, Township 22 South, Range 32 East, NMPM, from the surface to the base of the Morrow formation, to form a standard 320 acre gas spacing and proration unit for all pools or formations spaced on 320 acres. **See Exhibit B.**

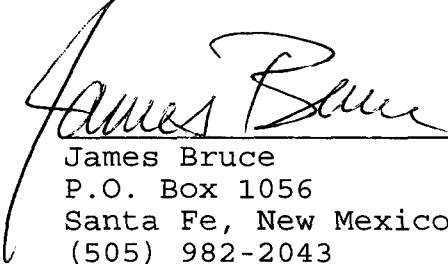
II. ARGUMENT.

It is Division policy to require sufficient time to lapse between the sending of a well proposal and the filing of a pooling application in order to allow the parties time to negotiate in good faith, as required by statute. **NMSA 1978 §§70-2-17, 18.** Two weeks

is insufficient time to satisfy the statutory mandate. As a result, Case No. 12,011 must be dismissed, or in the alternative continued so that the parties have time to discuss this matter.

WHEREFORE, Exxon requests that Strata's application be dismissed, or in the alternative be continued to the August 20, 1998 Examiner hearing.

Respectfully submitted,

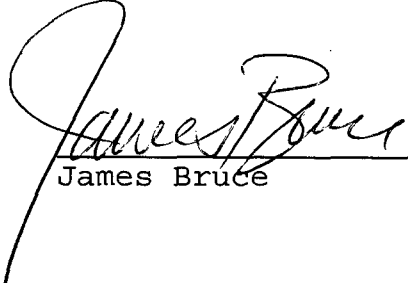

James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Exxon Corporation

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was sent via facsimile transmission this 16th day of July, 1998 to:

Sealy H. Cavin, Jr.
Stratton & Cavin, P.A.
P.O. Box 1216
Albuquerque, New Mexico 87103
(505) 243-1700


James Bruce

Post-It [®] brand fax transmittal memo 7871		# of pages	12
To: SCOTT LANGDON	From: BOB MATTHEW		
Co.	Co. HPO		
Dept. LAN	Phone # 431-1029		
Fax # 656-6123	Fax # 431-1475		



TELEPHONE (805) 622-1127
FACSIMILE (805) 623-8838

200 WEST FIRST STREET, ROSWELL PETROLEUM BUILDING, SUITE 700
ROSWELL, NEW MEXICO 88201

June 12, 1998

RECEIVED

JUN 16 1998

LAND SERVICES

VIA - CERTIFIED MAIL-RETURN RECEIPT REQUESTED

Mr. Bob Matthew
Exxon Company, USA
Post Office Box 4697
Houston, Texas 77210-4697

RE: REQUEST FOR TERM ASSIGNMENT
Township 22 South, Range 32 East, NMPM
Section 22: NW/4NW/4, SE/4NW/4
Below the base of the Delaware formation
Containing 80.0 acres m/l
Lea County, New Mexico

Dear Bob:

In accordance with our conversation regarding Strata's offer to Exxon of June 2, 1998 you advised that although the \$250.00 per acre Strata offered for a one year term assignment was agreeable to Exxon, the 5% overriding royalty interest was unacceptable.

You further advised that Exxon would only deliver a 75% NRI to Strata for a one year assignment. Since Strata is drilling a deep Morrow test, this NRI is not acceptable to Strata. In addition, Strata has already earned the upper zones from the surface to the Base of the Delaware under its Farmout Agreement with Exxon. Therefore, Strata cannot realize any additional pay in the upper formations to make this low NRI workable. Due to these facts Strata cannot accept less than the 82.5% NRI as originally proposed.

Strata hereby proposes the drilling of the Under the Hill Federal #1 well at a location 1980' FWL and 1980' FGL of Section 22, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico. S

Strata estimates the total cost to drill and complete this well to be \$1,479,485.00 as shown on the enclosed Authority for Expenditure ("AFE") #UTHF-22-32-22.


Given that standard proration units in this area are 320.0 acres for wells to this depth, Exxon will hold 25% working interest and Strata will hold 75% working interest.



Please review the enclosed AFE and if Exxon approves same and elects to participate, please execute one copy of the AFE where indicated and return to Strata with your share of dry hole costs as set out on the attached invoice.

Thank you for your attention and if you have any questions, please contact the undersigned.

Sincerely,



Jo McInerney, CPL
Landman

STRATTON & CAVIN, P.A.

ATTORNEYS & COUNSELORS AT LAW

40 FIRST PLAZA

SUITE 610

ALBUQUERQUE, NEW MEXICO 87102

HAROLD O. STRATTON, JR.,
SEALY H. CAVIN, JR.,
STEPHEN O. INGRAM
BRIAN J. PEZZILLO

*ALSO ADMITTED IN INDIANA
*ALSO ADMITTED IN TEXAS
*ALSO ADMITTED IN COLORADO
*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
*RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES - OIL AND GAS LAW

TELEPHONE
(505) 243-0400

FACSIMILE
(505) 243-1700

MAILING ADDRESS
P. O. BOX 1210
ALBUQUERQUE, NM 87103-1210

June 30, 1998

CERTIFIED MAIL/RETURN RECEIPT REQUESTED

Addressees listed at Exhibit A hereto.

Re: *Application of Strata Production Company for Compulsory Pooling, Lea County,
New Mexico*

Gentlemen:

This letter is to advise you that Strata Production Company has filed the enclosed Application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests in all formations developed on 320-acre spacing in the W/2 of Section 22, Township 22 South, Range 32 East, N.M.P.M., Lea County, New Mexico. Strata Production Company proposes to dedicate the above-described spacing or proration unit to its Hill Federal No. 1 Well to be drilled at a standard location 1980 feet from the west line and 1980 feet from the south line of Section 22, to a depth sufficient to test any and all formations down to the base of the Morrow Formation. Our records indicate that you are an interest owner in the above-described lands.

The Application has been set for hearing before a division examiner on Thursday, July 23, 1998. The Application was filed with the New Mexico Oil Conservation Division on June 30, 1998 and notice of the case by publication was properly made. We are enclosing for your information a copy of the Application.

Very truly yours,


Sealy H. Cavin, Jr.

SHC/skc

Enclosures

cc: Lori Wrotenbery, Oil Conservation Division (w/o encl.)
Jo McInerney, Strata Production Company (w/encl.)

EXHIBIT

B