

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

**APPLICATION OF LIME ROCK RESOURCES
II-A, L.P. FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

Case No. 20210

**APPLICATION OF PERCUSSION PETROLEUM
OPERATING, LLC FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

Case No. 20232

**APPLICATION OF PERCUSSION PETROLEUM
OPERATING, LLC FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

Case No. 20371

**APPLICATION OF LIME ROCK RESOURCES II-A, L.P.
FOR COMPULSORY POOLING, EDDY COUNTY
NEW MEXICO.**

Case No. 20319

REPLY TO RESPONSE IN OPPOSITION TO MOTION TO DISMISS

Ann Landrith Holdings, LLC, (“Landrith”) by and through its undersigned attorney, for its reply to the Response in Opposition to Motion to Dismiss of Lime Rock Resources II-A L.P. (“Lime Rock”) states:

A. The Yeso formation in the area of Lime Rock’s applications is not governed by special pool rules.

Lime Rock applications in Cases 20319 and 20210 ask for different acreage dedications. In Case 20319 Lime Rock asks to pool 160 acres and in Case 20210 it asks to pool 200 acres. The Division has not established special pool rules setting forth acreage dedication requirements for 160-acre spacing or 200-acre spacing, such that Lime Rock has to combine in the traditional sense called for by NMSA 1978, § 70-2-17 (C) whereby the Division has established rules governing well density.

Here, Lime Rock’s acreage dedication are for nonstandard spacing units comprised entirely to favor Lime Rock’s acreage position. Instead of negotiation with Landrith, Lime Rock

is effectively asking the Division to allow breach of the oil and gas lease which has an acreage limitation of 43 acres for an oil well.

B. Landrith is not attempting to enforce a lease provision before the Division.

Lime Rock's response argues that the Division has no authority to construe or interpret provisions in oil and gas leases or whether oil and gas leases are contracts. Landrith has no quarrel with the authorities cited by Lime Rock which are not applicable in this proceeding. At issue here is whether Lime Rock has sought to amend the oil and gas lease to conform to its proposed nonstandard pooling applications in good faith—which is within the purview of the Division. Lime Rock cannot simply run to the Division to have the Division enter compulsory pooling orders. In its single attempt to amend the lease, it merely provided to Landrith a proposed lease amendment, not based on any reality in the current oil and gas climate in the Permian Basin of New Mexico.

C. Conclusion.

Lime Rock cannot circumvent its duty of good faith to negotiate a lease amendment to allow it to commit the lease acreage in its proposed non-standard spacing units.

WHEREFORE, for the foregoing reasons Landrith renews its request that Lime Rock's applications should be dismissed.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I caused a copy of the foregoing pleading to be sent via e-mail on this 18th day of June, 2019 to:

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/s/ ERNEST L. PADILLA
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