

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF CHISHOLM ENERGY OPERATING, LLC FOR A NON-STANDARD OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

Case No. 16115

MOTION TO DISMISS

PREMIER OIL & GAS, INC., by and through it undersigned attorney, moves the Division for an order dismissing the above compulsory pooling application, and in support thereof, states:

1. Chisholm Energy Operating, LLC has filed the above application seeking to force pool all uncommitted interests in the Wolfcamp formation underlying the E/2 of Section 6, Township 23 South, Range 26 East, NMPM and the E/2 of Section 31, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico.
2. Premier Oil & Gas, Inc. (Premier) has a 20% undivided working interest in the Wolfcamp formation underlying all of Section 31.
3. Premier acquired its interest from Resource Rock Exploration, LLC, a copy of the Assignment, Bill of Sale and Conveyance effective as of September 19, 2017, which is attached hereto as Exhibit 1.
4. Premier's interest is committed to a Joint Operation Agreement dated January 1, 2008 (JOA), as a non-operator, and Devon Energy Production Company, as operator.
5. The JOA covers all of Section 31 and the W/2 of Section 32, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico.

6. The Chisholm interest which evolved from Devon Energy Production Company through Resource Rock Exploration, LLC, is also subject to the JOA.

7. The JOA covers one hundred percent (100%) of the interest sought to be force pooled by the Chisholm application in Section 31.

8. The JOA is still in effect, and therefore, compulsory pooling is inappropriate under NMSA 1978, § 70-2-17 (C), which states in part:

When two or more separately owned tracts of land are embraced within a spacing or proration unit, or where there are owners of royalty interests or undivided interests in oil and gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, the owner or owners thereof may validly pool their interests and develop their lands as a unit. Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a common source of supply, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interests or both in the spacing or proration unit as a unit.

Chisholm cannot ignore the contractual relationship between the parties in this case. The JOA, not compulsory pooling, governs the conduct of the parties in drilling the proposed wells.

The Division has no jurisdiction to override a purely private contract.

WHEREFORE, Premier requests that this case be dismissed.

Respectfully submitted,

PADILLA LAW FIRM, P.A.

/s/ ERNEST L. PADILLA

Ernest L. Padilla

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CERTIFICATE OF SERVICE

I hereby certify that I caused a copy of this Motion to Dismiss to be served upon, Adam G. Rankin, Holland & Hart, PO Box 2208 Santa Fe, New Mexico 87504-2208, by electronic mail agrarkin@hollandhart.com, on this 19th day of April, 2018.

/s/ ERNEST L. PADILLA
ERNEST L. PADILLA