



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

August 20, 1997

James Bruce
Legal Counsel for Exxon Company U.S.A.
P. O. Box 1056
Santa Fe, New Mexico 87504-1056

Telefax No. (505) 982-2151

Campbell, Carr, Berge & Sheridan, P. A.
Attn: William F. Carr, Legal Counsel for Yates Petroleum Corporation
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Telefax No. (505) 983-6043

Kellahin and Kellahin
Attn: W. Thomas Kellahin, Legal Counsel for Premier Oil & Gas, Inc.
P. O. Box 2265
Santa Fe, New Mexico 87504

Telefax No. (505) 982-2047

Re: Case No. 11838, 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.

Dear Messrs. Bruce, Carr, and Kellahin:

Reference is made to the aforementioned case scheduled to be heard on Thursday, August 21, 1997, at the Division hearing, which case file contains the following:

- (1) Mr. Kellahin's original application dated July 29, 1997;
- (2) The advertisement and call of this case as it appears on Docket No. 26-97;
- (3) Mr. Bruce's motion to dismiss, dated August 15, 1997; and,

Bruce, Kellahin and, Carr

Re: Case 11838

Page 2

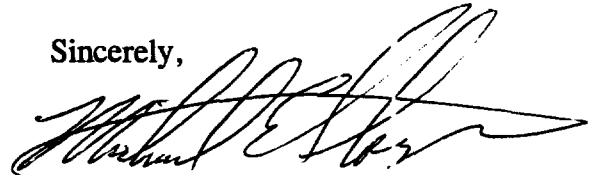
(4) Mr. Carr's motion to dismiss, dated August 18, 1997.

Premier Oil & Gas, Inc. is requesting the Division call Exxon Company U.S.A., operator of the Avalon (Delaware) Unit and corresponding waterflood project in portions of Townships 20 and 21 South, Ranges 27 and 28 East, NMPM, Eddy County, New Mexico, which were the subject of previously issued Order Nos. R-10460, R-10460-A, R-10460-B, and R-10460-B-1, before it and require Exxon to show cause why a particular well belonging to Premier Oil & Gas, Inc. should not be included in said Unit.

The issue in this case 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. It will not therefore be heard by the Division at this time. In addition, it should be noted that show cause hearings are utilized by the Division to enforce its rules, regulations, and orders. In an instance when an operator violates or fails to comply with a Division order or rule, the Division may then call that operator before it with a show cause hearing to assure compliance with its order or rules. That is not the case here. Here, a party other than the Division has requested a show cause hearing.

For the above stated reasons, Case 11838 is hereby dismissed.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia
Case File 11838
William J. LeMay, OCD Director - Santa Fe
Rand Carroll, Legal Counsel - OCD, Santa Fe
Florene Davidson - OCD, Santa Fe