

Prime

DATE IN 5/8/06	SUSPENSE 6-12-06	ENGINEER MIKE STOGNER	LOGGED IN 5/8/06	TYPE NSL	APP NO. PTDS0612855545
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ABOVE THIS LINE FOR DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

**[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]**  
**[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]**  
**[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]**  
**[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]**  
**[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]**  
**[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]**

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]  
 [A] Location - Spacing Unit - Simultaneous Dedication  
☒ NSL ☐ NSP ☐ SD
- Check One Only for [B] or [C]  
 [B] Commingling - Storage - Measurement  
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR
- [D] Other: Specify \_\_\_\_\_
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply  
 [A] ☐ Working, Royalty or Overriding Royalty Interest Owners  
 [B] ☐ Offset Operators, Leaseholders or Surface Owner  
 [C] ☐ Application is One Which Requires Published Legal Notice  
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office  
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,  
 [F] ☐ Waivers are Attached
- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

**Note:** Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name _____	Signature _____	Title _____	Date _____
e-mail Address _____			

# **Prime** Operating Company

a subsidiary of **PrimeEnergy** Corporation

3300 North A, Building One, Suite 238 • Midland, Texas 79705  
(915) 682-5600 • FAX (915) 682-0223

May 2, 2006

New Mexico Oil Conservation Commission  
P.O. Box 2088  
Santa Fe, New Mexico 87504

ATTN: Mr. David Catanach

RE: Wells -A- and Wells -B-1- Leases  
560 Acre Non-Standard Gas Unit Approval  
Jalmat Field  
Sec. 1, T25S, R36E,  
Lea County, NM

2006 MAY 8 PM 12 50

Dear Mr. Catanach:

Prime Operating Company ("Prime") respectfully requests administrative approval from the New Mexico Oil Conservation Commission ("NMOCD") for the formation of a 560 acre non-standard Jalmat Field gas unit for the gas wells that make up Prime's Wells -A- and Wells -B- leases of Lea Co., New Mexico. The proposed new Jalmat Field gas unit is shown on the attached Plat "A" C-102 Form and includes the E/2, the NE/4 of the NW/4, the W/2 of the NW/4, the E/2 of the SW/4, and the SW/4 of the SW/4, of Section 1, T25S, R36E. Administrative approval is requested under Rule R-1670 of the Special Rules and Regulations for the Jalmat Gas Pool. For your reference, the attached Plat "B" shows the subject leases with each well's current assigned gas and oil unit.

In conjunction with this request, Prime is also submitting for your approval Form C-104's for four wells that need to be re-designated as gas wells. These wells include the Wells B-1 No. 1, B-1 No. 3, B-1 No. 4, and the B-1 No. 6.

To facilitate the formation of the requested gas unit, Prime is working with the Bureau of Land Management ("BLM") to communitize the two leases into a new Wells -AB- Com lease. A copy of Prime's communitization request that is being presented to the BLM is attached for your reference.

Prime is interested in using horizontal/high angle drilling to more fully develop the two subject leases. Using current horizontal/high angle drilling techniques, Prime believes that it can recover additional gas reserves from the Yates Formation that otherwise would be uneconomical to recover. To place the horizontal/high angle laterals in the most effective locations, having one lease and one gas unit will be critical to the success of the horizontal drilling project.

**Wells -A- and Wells -B-Leases  
Non-Standard Proration Unit Approval**

Prime is ready to move forward with this project and has obtained approval from the BLM (as evidenced by the attached BLM approved Sundry Notice to drill a horizontal/high angle lateral in the current producing Yates formation out of the Wells B-1 No. 3 wellbore located in the NE/4 of the NW/4 of Sec. 1. The lateral will be drilled in a southwesterly direction in such a manner as to intersect the Wells -A- No. 2 wellbore located in the SW/4 of the NW/4. To maximize the gas recovery from each of the three quarter sections that the lateral will transgress, Prime plans on producing both the Wells -B- #3 and the Wells -A- No.2 wells simultaneously.

The proposed non-standard unit being requested conforms to all of the necessary requirements as follows:

- 1) Said unit consists of contiguous quarter-quarter sections.
- 2) Said unit lies wholly within a single governmental section.
- 3) The entire proposed unit may be reasonably presumed to be productive of gas.
- 4) The length and width of said unit does not exceed 5,280 feet.

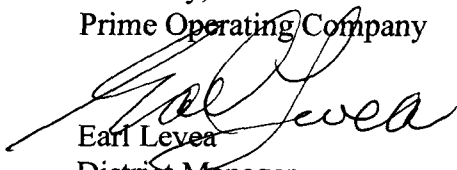
The proposed unit and location of each well is shown on the attached Plat "A" C-102 form.

The ownership in both leases is identical, with the Bureau of Land Management owning all of the royalty interest, and PrimeEnergy Management Corp. owning all of the working interest. With all of the working interest and royalty interest in the two leases being the same and with the potential for horizontal/high angle drilling to recover a large amount of otherwise wasted natural gas from the two leases, it is in the best interest of the NMOCD, the BLM, and PrimeEnergy Management Corp. to join these two leases into one new lease and create a new 560 acre gas unit.

For your use in evaluating this request, I have attached a copy of the request that Prime is submitting to the BLM asking them to approve the communitization of these two leases for the purpose of drilling the horizontal/high angle wells. In addition, as mentioned earlier, I have also attached a copy of the Sundry Notice approved by the BLM pertaining to the horizontal/high angle drilling operations planned for the Wells B-1 No.3 wellbore. Your approval of the operations proposed on the Sundry Notice and approved by the BLM is also respectfully requested.

Thank you for your assistance in this matter.

Sincerely,  
Prime Operating Company

  
Earl Levea  
District Manager

Enclosures

XC: BLM - Mr. Larry Bray  
NMOCD Hobbs - Mr. Paul Kautz

@ 3:07 PM I talked w/ Earl Levea

- will submit proof of notice  
- will check on communitization of the B-1 #3 well

6-19-06 (6/19/06) (2:20 PM)

- talked w/ Mr. Lyle who sided

NSP-200

NSP-1056

NSP-1251

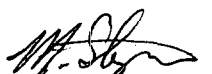
SD-96-3

NSP-872

confirmed that the WI of all three  
leases in Sec. 1 are owned 100% by

Prime

- will check on notification to all affected  
parties as required



# PLAT "A"

State of New Mexico

Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☒ AMENDED REPORT

## District I

1625 N. French Dr., Hobbs, NM 88240

## District II

1301 W. Grand Avenue, Artesia, NM 88210

## District III

1000 Rio Brazos Rd., Aztec, NM 87410

## District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

## WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number		<sup>2</sup> Pool Code 33820 & 79240		<sup>3</sup> Pool Name JALMAT TANSIL YT 7RIVERS & JLMT TNSL YT 7RV (PRO GAS)	
<sup>4</sup> Property Code 009391 & 009392		<sup>5</sup> Property Name WELLS A & WELLS B-1			<sup>6</sup> Well Number 2006
<sup>7</sup> OGRID No. 018099		<sup>8</sup> Operator Name PRIME OPERATING COMPANY			<sup>9</sup> Elevation 7119

## <sup>10</sup> Surface Location

UL or lot no.	Section 1	Township 25 S	Range 36 E	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County LEA
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## <sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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<sup>12</sup> Dedicated Acres 560	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code P	<sup>15</sup> Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.  
**"PROPOSED" 560 ACRE GAS UNIT"**

<p><sup>16</sup></p>				<p><sup>17</sup> <b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has the right to drill this well at this location pursuant to an agreement with an owner of such a mineral or working interest, or to a voluntary pooling agreement or compulsory pooling order heretofore entered by the division.</p> <p>Signature: <i>Earl W. Levea</i> Date: 4/27/06</p> <p>Printed Name: EARL W. LEVEA, DISTRICT MANAGER</p>	
<p><sup>18</sup> <b>SURVEYOR CERTIFICATION</b></p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>Date of Survey: _____</p> <p>Signature and Seal of Professional Surveyor: _____</p> <p>Certificate Number: _____</p>					

# PLAT "B"

State of New Mexico

Energy, Minerals & Natural Resources Department

## OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

### District I

1625 N. French Dr., Hobbs, NM 88240

### District II

1301 W. Grand Avenue, Artesia, NM 88210

### District III

1000 Rio Brazos Rd., Aztec, NM 87410

### District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

## WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number	<sup>2</sup> Pool Code 33820 & 79240	<sup>3</sup> Pool Name JALMAT TANSIL YT 7RIVERS & JLMT TNSL YT 7RV (PRO GAS)
<sup>4</sup> Property Code 009391 & 009392	<sup>5</sup> Property Name WELLS A & WELLS B-1	
<sup>7</sup> OGRID No. 018099	<sup>8</sup> Operator Name PRIME OPERATING COMPANY	<sup>6</sup> Well Number
		<sup>9</sup> Elevation

### <sup>10</sup> Surface Location

UL or lot no.	Section 1	Township 25 S	Range 36 E	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County LEA
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### <sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
<sup>12</sup> Dedicated Acres		<sup>13</sup> Joint or Infill		<sup>14</sup> Consolidation Code		<sup>15</sup> Order No.			

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.  
"CURRENT"

<p><sup>16</sup></p>				<p><sup>17</sup> OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>4/27/06</p> <p>Signature _____ Date _____</p> <p>EARL W. LEVEA, DISTRICT MANAGER Printed Name</p>	
<p><sup>18</sup> SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>Date of Survey _____</p> <p>Signature and Seal of Professional Surveyor: _____</p> <p>Certificate Number _____</p>					

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District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources

Form C-104  
Revised June 10, 2003

Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Submit to Appropriate District Office  
5 Copies

☒ AMENDED REPORT

**I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT**

<sup>1</sup> Operator name and Address PRIME OPERATING COMPANY 3300 N. A., BLDG. 1-238 MIDLAND, TX 79705		<sup>2</sup> OGRID Number 018099
		<sup>3</sup> Reason for Filing Code/ Effective Date Reclassify from Oil to Gas 3/1/06
<sup>4</sup> API Number 30 - 025-09718	<sup>5</sup> Pool Name JALMAT TNSL YT 7 RVRS PRO GAS	<sup>6</sup> Pool Code 79240
<sup>7</sup> Property Code 009392	<sup>8</sup> Property Name WELLS B-1	<sup>9</sup> Well Number 001

**II. <sup>10</sup> Surface Location**

UL or lot no. A	Section 1	Township 25 S	Range 36 E	Lot.Idn A	Feet from the 660	North/South Line NORTH	Feet from the 660	East/West line EAST	County LEA
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**<sup>11</sup> Bottom Hole Location**

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<sup>12</sup> Lse Code F	<sup>13</sup> Producing Method Code P	<sup>14</sup> Gas Connection Date	<sup>15</sup> C-129 Permit Number	<sup>16</sup> C-129 Effective Date	<sup>17</sup> C-129 Expiration Date				

**III. Oil and Gas Transporters**

<sup>18</sup> Transporter OGRID	<sup>19</sup> Transporter Name and Address	<sup>20</sup> POD	<sup>21</sup> O/G	<sup>22</sup> POD ULSTR Location and Description
020809	SID RICHARDSON 201 MAIN ST. FT. WORTH, TX 76102	2181030	G	01-25S-36E GAS METER
020445	PLAINS MARKETING, LP P. O. BOX 4648 HOUSTON, TX 77210	2181010	O	01-25S-36E TANK BATTERY

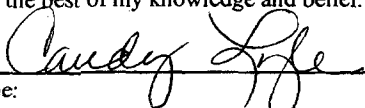
**IV. Produced Water**

<sup>23</sup> POD 2180950	<sup>24</sup> POD ULSTR Location and Description 01-25S-36E WATER TANK
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**V. Well Completion Data**

<sup>25</sup> Spud Date	<sup>26</sup> Ready Date	<sup>27</sup> TD	<sup>28</sup> PBSD	<sup>29</sup> Perforations	<sup>30</sup> DHC, MC
<sup>31</sup> Hole Size	<sup>32</sup> Casing & Tubing Size	<sup>33</sup> Depth Set	<sup>34</sup> Sacks Cement		

**VI. Well Test Data**

<sup>35</sup> Date New Oil	<sup>36</sup> Gas Delivery Date	<sup>37</sup> Test Date 3/23/06	<sup>38</sup> Test Length 24	<sup>39</sup> Tbg. Pressure 35.025	<sup>40</sup> Csg. Pressure 35.025
<sup>41</sup> Choke Size N/A	<sup>42</sup> Oil 0	<sup>43</sup> Water 40	<sup>44</sup> Gas 15	<sup>45</sup> AOF 15	<sup>46</sup> Test Method P
<sup>47</sup> I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief. Signature: 			OIL CONSERVATION DIVISION		
Printed name: CANDY LYLE			Approved by:		
Title: ENG. ASST./PRODUCTION			Title:		
E-mail Address: clyle@primeenergy.com			Approval Date:		
Date: 3/29/06		Phone: 432-682-5774			

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources

Form C-104  
Revised June 10, 2003

Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Submit to Appropriate District Office  
5 Copies

☒ AMENDED REPORT

**I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT**

<sup>1</sup> Operator name and Address <b>PRIME OPERATING COMPANY</b> 3300 N. A., BLDG. 1-238 MIDLAND, TX 79705		<sup>2</sup> OGRID Number <b>018099</b>
		<sup>3</sup> Reason for Filing Code/ Effective Date Reclassify from Oil to Gas 3/1/06
<sup>4</sup> API Number <b>30 - 025-21460</b>	<sup>5</sup> Pool Name <b>JALMAT TNSL YT 7 RVRS PRO GAS</b>	<sup>6</sup> Pool Code <b>79240</b>
<sup>7</sup> Property Code <b>009392</b>	<sup>8</sup> Property Name <b>WELLS B-1</b>	<sup>9</sup> Well Number <b>003</b>

**II. <sup>10</sup> Surface Location**

Ul or lot no. <b>C</b>	Section <b>1</b>	Township <b>25 S</b>	Range <b>36 E</b>	Lot.Idn	Feet from the <b>660</b>	North/South Line <b>NORTH</b>	Feet from the <b>1650</b>	East/West line <b>WEST</b>	County <b>LEA</b>
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**<sup>11</sup> Bottom Hole Location**

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<sup>12</sup> Lse Code <b>F</b>	<sup>13</sup> Producing Method Code <b>P</b>	<sup>14</sup> Gas Connection Date	<sup>15</sup> C-129 Permit Number	<sup>16</sup> C-129 Effective Date	<sup>17</sup> C-129 Expiration Date				

**III. Oil and Gas Transporters**

<sup>18</sup> Transporter OGRID	<sup>19</sup> Transporter Name and Address	<sup>20</sup> POD	<sup>21</sup> O/G	<sup>22</sup> POD ULSTR Location and Description
<b>020809</b>	<b>SID RICHARDSON</b> <b>201 MAIN ST. FT. WORTH, TX</b> <b>76102</b>	<b>2181030</b>	<b>G</b>	<b>01-25S-36E</b> <b>GAS METER</b>
<b>020445</b>	<b>PLAINS MARKETING, LP</b> <b>P. O. BOX 4648</b> <b>HOUSTON, TX 77210</b>	<b>2181010</b>	<b>O</b>	<b>01-25S-36E</b> <b>TANK BATTERY</b>

**IV. Produced Water**

<sup>23</sup> POD <b>2180950</b>	<sup>24</sup> POD ULSTR Location and Description <b>01-25S-36E WATER TANK</b>
-------------------------------------	--

**V. Well Completion Data**

<sup>25</sup> Spud Date	<sup>26</sup> Ready Date	<sup>27</sup> TD	<sup>28</sup> PBSD	<sup>29</sup> Perforations	<sup>30</sup> DHC, MC
<sup>31</sup> Hole Size	<sup>32</sup> Casing & Tubing Size	<sup>33</sup> Depth Set	<sup>34</sup> Sacks Cement		

**VI. Well Test Data**

<sup>35</sup> Date New Oil	<sup>36</sup> Gas Delivery Date	<sup>37</sup> Test Date <b>3/22/06</b>	<sup>38</sup> Test Length <b>24</b>	<sup>39</sup> Tbg. Pressure <b>35.025</b>	<sup>40</sup> Csg. Pressure <b>35.025</b>
<sup>41</sup> Choke Size <b>N/A</b>	<sup>42</sup> Oil <b>0</b>	<sup>43</sup> Water <b>100</b>	<sup>44</sup> Gas <b>20</b>	<sup>45</sup> AOF <b>20</b>	<sup>46</sup> Test Method <b>P</b>

<sup>47</sup> I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Candy Lyle*

Printed name:  
**CANDY LYLE**

Title:  
**ENG. ASST./PRODUCTION**

E-mail Address:  
**clyle@primeenergy.com**

Date:  
**3/29/06**

Phone:  
**432-682-5774**

OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:

District I  
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State of New Mexico  
Energy, Minerals & Natural Resources

Form C-104  
Revised June 10, 2003

Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Submit to Appropriate District Office  
5 Copies

☒ AMENDED REPORT

**I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT**

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		<sup>3</sup> Reason for Filing Code/ Effective Date Reclassify from Oil to Gas 3/1/06
<sup>4</sup> API Number 30 - 025-25532	<sup>5</sup> Pool Name JALMAT TNSL YT 7 RVRS PRO GAS	<sup>6</sup> Pool Code 79240
<sup>7</sup> Property Code 009392	<sup>8</sup> Property Name WELLS B-1	<sup>9</sup> Well Number 004

**II. <sup>10</sup> Surface Location**

UL or lot no. I	Section 1	Township 25 S	Range 36 E	Lot.Idn	Feet from the 1980	North/South Line SOUTH	Feet from the 660	East/West line EAST	County LEA
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**<sup>11</sup> Bottom Hole Location**

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<sup>12</sup> Lse Code F	<sup>13</sup> Producing Method Code P	<sup>14</sup> Gas Connection Date	<sup>15</sup> C-129 Permit Number	<sup>16</sup> C-129 Effective Date	<sup>17</sup> C-129 Expiration Date				

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<sup>41</sup> Choke Size N/A	<sup>42</sup> Oil 0	<sup>43</sup> Water 110	<sup>44</sup> Gas 20	<sup>45</sup> AOF 20	<sup>46</sup> Test Method P

<sup>47</sup> I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.  
Signature:

*Candy Lyle*

Printed name:  
CANDY LYLE  
Title:  
ENG. ASST./PRODUCTION

E-mail Address:  
clyle@primeenergy.com

Date:  
3/29/06  
Phone:  
432-682-5774

OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:



District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources

Form C-104  
Revised June 10, 2003

Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Submit to Appropriate District Office  
5 Copies

☒ AMENDED REPORT

**I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT**

<sup>1</sup> Operator name and Address <b>PRIME OPERATING COMPANY 3300 N. A., BLDG. 1-238 MIDLAND, TX 79705</b>		<sup>2</sup> OGRID Number <b>018099</b>
		<sup>3</sup> Reason for Filing Code/ Effective Date Reclassify from Oil to Gas 3/1/06
<sup>4</sup> API Number <b>30 - 025-32345</b>	<sup>5</sup> Pool Name <b>JALMAT TNSL YT 7 RVRS PRO GAS</b>	<sup>6</sup> Pool Code <b>79240</b>
<sup>7</sup> Property Code <b>009392</b>	<sup>8</sup> Property Name <b>WELLS B-1</b>	<sup>9</sup> Well Number <b>006</b>

**II. <sup>10</sup> Surface Location**

UL or lot no. <b>B</b>	Section <b>1</b>	Township <b>25 S</b>	Range <b>36 E</b>	Lot.Idn	Feet from the <b>660</b>	North/South Line <b>NORTH</b>	Feet from the <b>1980</b>	East/West line <b>EAST</b>	County <b>LEA</b>
---------------------------	---------------------	-------------------------	----------------------	---------	-----------------------------	----------------------------------	------------------------------	-------------------------------	----------------------

**<sup>11</sup> Bottom Hole Location**

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<sup>12</sup> Lse Code <b>F</b>	<sup>13</sup> Producing Method Code <b>P</b>	<sup>14</sup> Gas Connection Date	<sup>15</sup> C-129 Permit Number	<sup>16</sup> C-129 Effective Date	<sup>17</sup> C-129 Expiration Date				

**III. Oil and Gas Transporters**

<sup>18</sup> Transporter OGRID	<sup>19</sup> Transporter Name and Address	<sup>20</sup> POD	<sup>21</sup> O/G	<sup>22</sup> POD ULSTR Location and Description
<b>020809</b>	<b>SID RICHARDSON 201 MAIN ST. FT. WORTH, TX 76102</b>	<b>2181030</b>	<b>G</b>	<b>01-25S-36E GAS METER</b>
<b>020445</b>	<b>PLAINS MARKETING, LP P. O. BOX 4648 HOUSTON, TX 77210</b>	<b>2181010</b>	<b>O</b>	<b>01-25S-36E TANK BATTERY</b>

**IV. Produced Water**

<sup>23</sup> POD <b>2180950</b>	<sup>24</sup> POD ULSTR Location and Description <b>01-25S-36E WATER TANK</b>
-------------------------------------	--

**V. Well Completion Data**

<sup>25</sup> Spud Date	<sup>26</sup> Ready Date	<sup>27</sup> TD	<sup>28</sup> PBTD	<sup>29</sup> Perforations	<sup>30</sup> DHC, MC
<sup>31</sup> Hole Size	<sup>32</sup> Casing & Tubing Size	<sup>33</sup> Depth Set	<sup>34</sup> Sacks Cement		

**VI. Well Test Data**

<sup>35</sup> Date New Oil	<sup>36</sup> Gas Delivery Date	<sup>37</sup> Test Date <b>3/20/06</b>	<sup>38</sup> Test Length <b>24</b>	<sup>39</sup> Tbg. Pressure <b>35.025</b>	<sup>40</sup> Csg. Pressure <b>35.025</b>
<sup>41</sup> Choke Size <b>N/A</b>	<sup>42</sup> Oil <b>0</b>	<sup>43</sup> Water <b>275</b>	<sup>44</sup> Gas <b>25</b>	<sup>45</sup> AOF <b>25</b>	<sup>46</sup> Test Method <b>P</b>

<sup>47</sup> I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Signature:

*Candy Lyle*

Printed name:

CANDY LYLE

Title:

ENG. ASST./PRODUCTION

E-mail Address:

clyle@primeenergy.com

Date:

3/29/06

Phone:

432-682-5774

OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:

# **Prime** Operating Company

a subsidiary of **PrimeEnergy** Corporation

3300 North A, Building One, Suite 238 • Midland, Texas 79705  
(915) 682-5600 • FAX (915) 682-0223

---

May 3, 2006

Bureau of Land Management  
Lands and Minerals  
2909 W. 2<sup>nd</sup> Street  
Roswell, NM 88201

Attn: Mr. Larry Bray

Re: Communitization Agreement for the Wells -A- and Wells -B- Leases  
Sec. 1, T25S, R36E, Lea County, NM  
NMLC-032582A and NMLC-032582B

Dear Mr. Bray:

Prime Operating Company ("Prime"), designated operator for PrimeEnergy Management Corp., respectfully requests your assistance in communitizing the Wells -A- and Wells -B- leases located in Lea County, New Mexico. Attached are two executed Communitization Agreements covering these two leases for your approval. Please return one of the originals to Prime after approval.

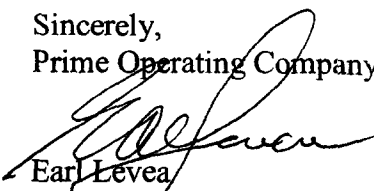
Prime intends to use horizontal/high angle drilling to more fully develop the two subject leases. Using current horizontal/high angle drilling techniques, Prime believes that it can recover additional gas reserves from the Yates Formation that otherwise would be uneconomical to recover. To place the horizontal/high angle laterals in the most effective locations, communitizing the Wells -A-and -B- leases is necessary.

The ownership in both leases is identical, with the Bureau of Land Management owning all of the royalty interest, and PrimeEnergy Management Corp. owning all of the working interest.

For your use in evaluating this request, I have attached a copy of the request that Prime is submitting to the New Mexico Oil Conservation Division ("NMOCD") asking the NMOCD to allow Prime to form one 560 acre gas unit out of the proposed communitized acreage for the purpose of drilling the horizontal/high angle wells.

Thank you for your assistance in this matter.

Sincerely,  
Prime Operating Company



Earl Levea  
District Manager

Enclosures

Contract No. \_\_\_\_\_

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof by and between the parties subscribing, ratifying, or consenting hereto, such Parties being hereinafter referred to as "parties hereto."

W I T N E S S E T H:

WHEREAS, the Act of February 25, 1920 (41 Stat. 437), as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement:

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are shown on Exhibit "A" attached hereto and further described as follows:

containing 600 acres, and this agreement shall include only the Yates, Seven Rivers, and Queen Formation(s) underlying said lands and the oil, gas and water, hereinafter, referred to as "communitized substances, producible from such formation(s).

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "B", designating the operator of the communitized area and showing the acreage, percentage, and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area, and four (4) executed copies of a designation of successor

operator shall be filed with the Authorized Officer.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States, as specified in the applicable oil and gas regulations.

5. The communitized area shall be developed and operated as an entirety, with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

All proceeds, 8/8ths, attributed to unleased Federal, State or fee land included within the CA area are to be placed in an interest earning escrow or trust account by the designated operator until the land is leased or ownership is established.

6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any Federal lease bearing a sliding- or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day, such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.

7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. The commencement, completion, continued operation, or

production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation, or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders rules or regulations.

10. The date of this agreement is May 1, 2006 ,

and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or by his duly authorized representative, and shall remain in force and effect for a period of 2 years and for as long as communitized substances are, or can be, produced from the communitized area in paying quantities: Provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within 60 days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The 2-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.

11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interests until this agreement terminates and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior, or his duly authorized representative.

12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all fee and State mineral operations within the communitized area to the extent necessary to monitor production and measurement, and assure that no avoidable loss of hydrocarbons occurs in which the United States has an interest pursuant to applicable oil and gas regulations of the Department of the Interior relating to such production and measurement.

13. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors, and assigns.

14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

DATE: May 3, 2006 BY: PrimeEnergy Management Corporation  
Beverly A. Cummings  
Beverly A. Cummings  
Executive Vice President

STATE OF OKLAHOMA )  
COUNTY OF OKLAHOMA ) ss.

On this 3rd day of May, 2006, before me, a Notary Public for the State of Oklahoma, personally appeared Beverly A. Cummings, known to me to be the Exec. Vice President of PrimeEnergy Management Corporation, the corporation that executed the foregoing instrument and acknowledged to me such corporation executed the same.

(SEAL)  
NOTARY  
SEAL  
PUBLIC  
MYRNA R. GRAY  
Oklahoma County  
Notary Public in and for  
State of Oklahoma  
Commission # 03007039 Expires 6/04/07

Myrna R. Gray  
Notary Public  
My Commission Expires

**EXHIBIT "A"**

Plat of communitized area covering NW/4, E/2, S/2 of SW/4, Sec. 1, T-25S, R-36E, Jalmat Field, Lea County, NM

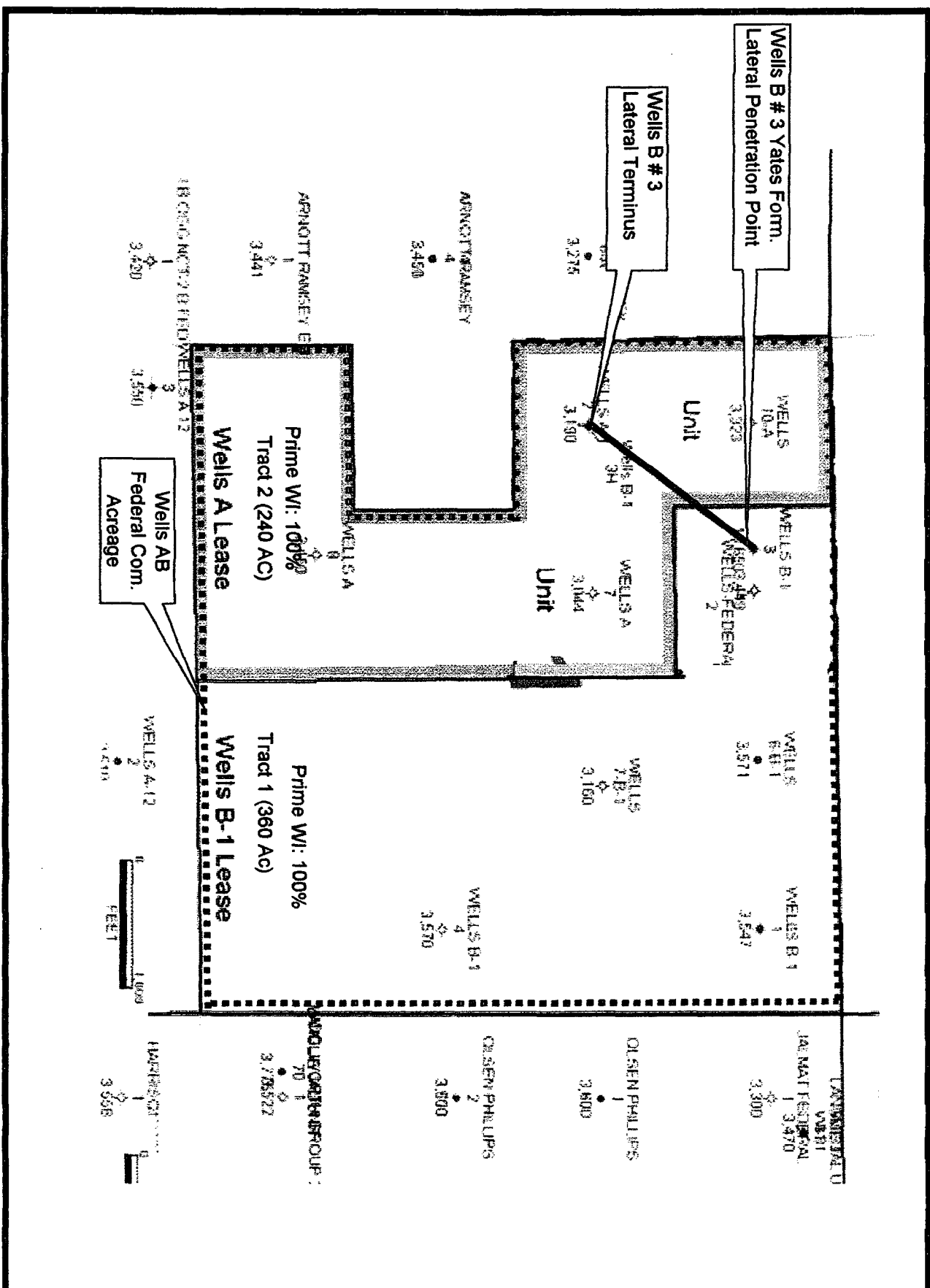


EXHIBIT "B"

Page 1 of 2

To Communitization Agreement dated May 1, 2006, embracing Sec. 1,  
T. 25 S., R. 36 E., Jalmat field, Lea County, New Mexico.

**Operator of Communitized Area:** Prime Operating Company for PrimeEnergy  
Corporate Management

DESCRIPTION OF LEASES COMMITTED

Tract No. 1

Lease Serial No.: NMLC-032582B (Wells B Lease)

Lease Date: November 1, 1991

Lease Term: 20 years

Lessor(s): United States of America

Original Lessee: Amoco Prod. Co., Atlantic Richfield Co., Conoco Inc.,  
Chevron USA Inc

Lessee on effective date of agreement if different from present lessee:  
Same

Present Lessee: PrimeEnergy Management Corporation.

Description of Land Committed:

Township 25 South, Range 36 East, Section 1: E/2 and NE¼  
of NW¼

Number of Acres: 360.00

Pooling Clause: Not Applicable

Basic Royalty Rate: 12-½ percent to United States of America

Name and Percent ORRI Owners: None

Name and Percent WI Owners: PrimeEnergy Management Corp. : 100%



Exhibit "B"

Page 2 of 2

Tract No. 2

Lease Serial No.: NMLC-032582A (Wells A Lease)

Lease Date: March 1, 1951

Lease Term: 5 years

Lessor: United States of America

Original Lessee: J.C. Frazier

Lessee on effective date of agreement if different from present lessee:  
Same

Present Lessee: PrimeEnergy Management Corporation.

Description of Land Committed:

Township 25 South, Range 36 East, Section 1: W/2 of NW/4,  
SE/4 of NW/4, E/2 of SW/4, and SW/4 of SW/4

Number of Acres: 240.00

Pooling Clause: Not Applicable

Royalty Rate: 12-½ percent to United States of America

Name and Percent ORRI Owners: None

Name and Percent WI Owners: PrimeEnergy Management Corp., : 100%.

R E C A P I T U L A T I O N

<u>Tract No.</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
1	360.00	60.0000%
2	240.00	40.0000%
Total	600.00	100.0000%

Contract No. \_\_\_\_\_

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof by and between the parties subscribing, ratifying, or consenting hereto, such Parties being hereinafter referred to as "parties hereto."

W I T N E S S E T H:

WHEREAS, the Act of February 25, 1920 (41 Stat. 437), as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement:

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are shown on Exhibit "A" attached hereto and further described as follows:

containing 600 acres, and this agreement shall include only the Yates, Seven Rivers, and Queen Formation(s) underlying said lands and the oil, gas and water, hereinafter, referred to as "communitized substances, producible from such formation(s).

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "B", designating the operator of the communitized area and showing the acreage, percentage, and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area, and four (4) executed copies of a designation of successor

operator shall be filed with the Authorized Officer.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States, as specified in the applicable oil and gas regulations.

5. The communitized area shall be developed and operated as an entirety, with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

All proceeds, 8/8ths, attributed to unleased Federal, State or fee land included within the CA area are to be placed in an interest earning escrow or trust account by the designated operator until the land is leased or ownership is established.

6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any Federal lease bearing a sliding- or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day, such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.

7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. The commencement, completion, continued operation, or

production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation, or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders rules or regulations.

10. The date of this agreement is May 1, 2006,

and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or by his duly authorized representative, and shall remain in force and effect for a period of 2 years and for as long as communitized substances are, or can be, produced from the communitized area in paying quantities: Provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within 60 days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The 2-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.

11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interests until this agreement terminates and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior, or his duly authorized representative.

12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all fee and State mineral operations within the communitized area to the extent necessary to monitor production and measurement, and assure that no avoidable loss of hydrocarbons occurs in which the United States has an interest pursuant to applicable oil and gas regulations of the Department of the Interior relating to such production and measurement.

13. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors, and assigns.

14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

PrimeEnergy Management Corporation

DATE: May 3, 2006

BY:

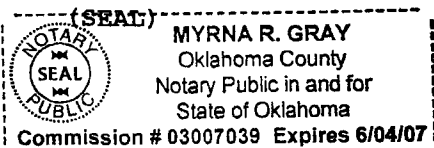
Beverly A. Cummings  
Beverly A. Cummings  
Executive Vice President

STATE OF OKLAHOMA )

) ss.

COUNTY OF OKLAHOMA )

On this 3rd day of May, 2006, before me, a Notary Public for the State of Oklahoma, personally appeared Beverly A. Cummings, known to me to be the Exec. Vice President of PrimeEnergy Management Corporation, the corporation that executed the foregoing instrument and acknowledged to me such corporation executed the same.



Myrna R. Gray  
Notary Public

My Commission Expires

**EXHIBIT "A"**

Plat of communitized area covering NW/4, E/2, S/2 of SW/4, and NE/4 of SW/4, Sec. 1, T-25S, R-36E, Jalmat Field, Lea County, NM

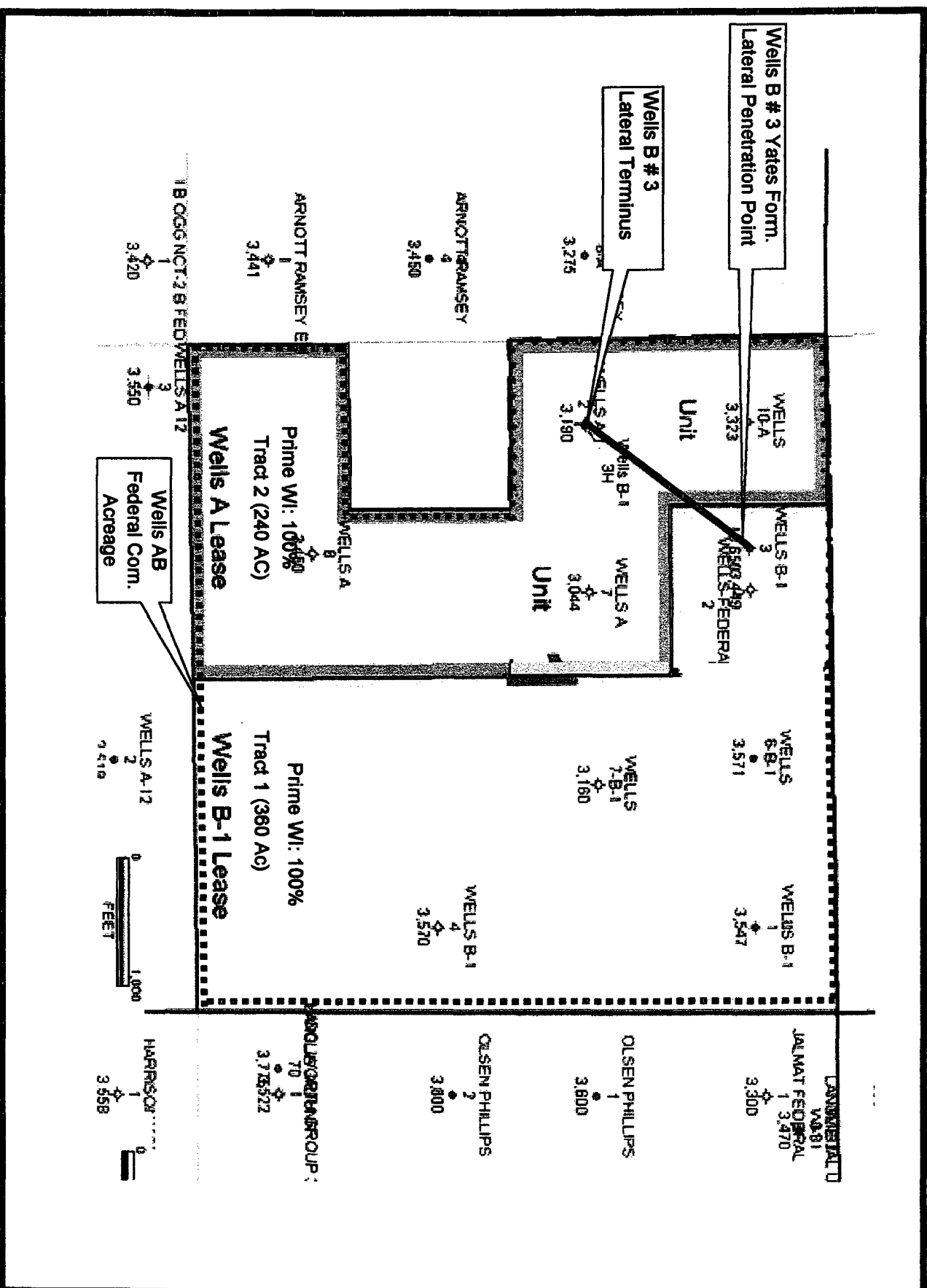


EXHIBIT "B"

Page 1 of 2

To Communitization Agreement dated May 1, 2006, embracing Sec. 1,  
T. 25 S., R. 36 E., Jalmat field, Lea County, New Mexico.

Operator of Communitized Area: Prime Operating Company for PrimeEnergy  
Corporate Management

DESCRIPTION OF LEASES COMMITTED

Tract No. 1

Lease Serial No.: NMLC-032582B (Wells B Lease)

Lease Date: November 1, 1991

Lease Term: 20 years

Lessor(s): United States of America

Original Lessee: Amoco Prod. Co., Atlantic Richfield Co., Conoco Inc.,  
Chevron USA Inc

Lessee on effective date of agreement if different from present lessee:  
Same

Present Lessee: PrimeEnergy Management Corporation.

Description of Land Committed:

Township 25 South, Range 36 East, Section 1: E/2 and NE¼  
of NW¼

Number of Acres: 360.00

Pooling Clause: Not Applicable

Basic Royalty Rate: 12-½ percent to United States of America

Name and Percent ORRI Owners: None

Name and Percent WI Owners: PrimeEnergy Management Corp. : 100%

Exhibit "B"

Page 2 of 2

Tract No. 2

Lease Serial No.: NMLC-032582A (Wells A Lease)

Lease Date: March 1, 1951

Lease Term: 5 years

Lessor: United States of America

Original Lessee: J.C. Frazier

Lessee on effective date of agreement if different from present lessee:  
Same

Present Lessee: PrimeEnergy Management Corporation.

Description of Land Committed:

Township 25 South, Range 36 East, Section 1: W/2 of NW/4,  
SE/4 of NW/4, E/2 of SW/4, and SW/4 of SW/4

Number of Acres: 240.00

Pooling Clause: Not Applicable

Royalty Rate: 12-½ percent to United States of America

Name and Percent ORRI Owners: None

Name and Percent WI Owners: PrimeEnergy Management Corp., : 100%.

R E C A P I T U L A T I O N

<u>Tract No.</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
1	360.00	60.0000%
2	240.00	40.0000%
Total	600.00	100.0000%



# OPERATOR'S COPY

Form 3160-5  
(February 2005)

## UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

### SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

**SUBMIT IN TRIPLICATE- Other instructions on reverse side.**

1. Type of Well  
☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator **PRIME OPERATING COMPANY**

3a. Address  
3300 N. A., BLDG. 1-238, MIDLAND, TX 79705

3b. Phone No. (include area code)  
432-682-5774

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)  
660' FNL & 1650' FWL of Sec. 1, T-25S, R-36E Lot "C"

RECEIVED	
MAR 19 2006	
FORM APPROVED OMB No. 1004-0137 Expires: March 31, 2007	
BY:	5. Lease Serial No. <b>032582B</b>
6. If Indian, Allottee or Tribe Name	
7. If Unit or CA/Agreement, Name and/or No. <b>NMLC032582B ok</b>	
8. Well Name and No. <b>WELLS B-1 #3</b>	
9. API Well No. <b>30-025-2532 30/025/21460</b>	
10. Field and Pool, or Exploratory Area <b>JALMAT/TNS/YTS</b>	
11. County or Parish, State <b>LEA COUNTY, NM</b>	

### 12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <b>drill high angle</b>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	<b>lateral in current</b>
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	<b>producing zone</b>

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleation in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

1.) Set whipstock in 9 5/8" production casing on CIBP @ 2650'.

2.) Mill window in casing @ 2630'. Drill 4 3/4" hole out of window @ kickoff point of 2630'. Drill curve section. Pickup lateral drilling assembly and drill +/- 1500' long lateral section starting @ 2727' TVD and ending @ 2980' TVD, per Multi Shot Directional well plan attached.

3. Acidize open hole lateral and place well on production.

Subject to  
Like Approval  
By State **OCD**

14. I hereby certify that the foregoing is true and correct  
Name (Printed/Typed)

**CANDY LYLE**

Title **ENG. ASST./PRODUCTION**

Signature

*Candy Lyle*

Date

**3/6/06**

### THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

*Lee D. Lora*

Title

**Ret. Eng**

Date

**3/8/06**

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

**CFO**

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

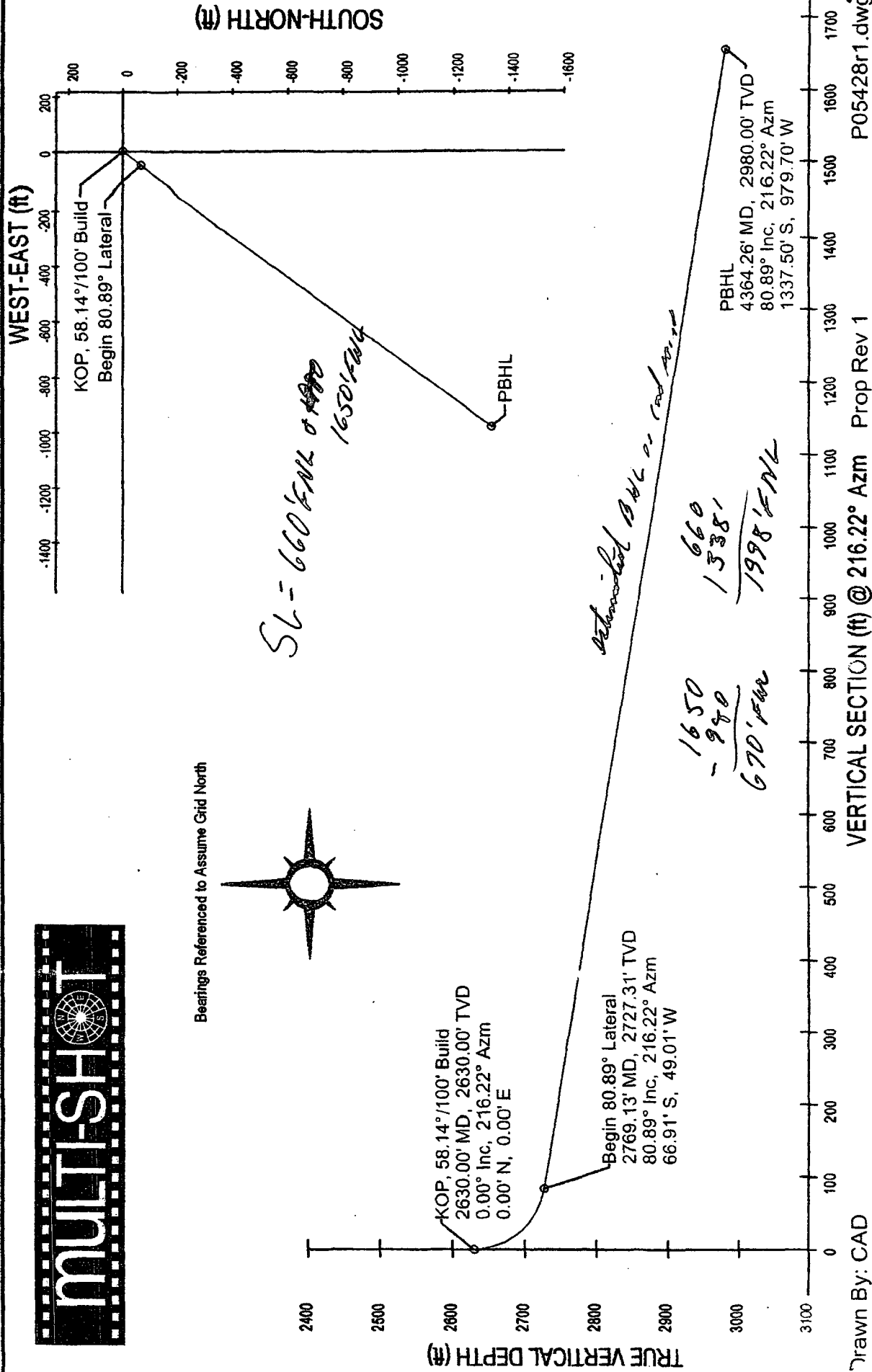
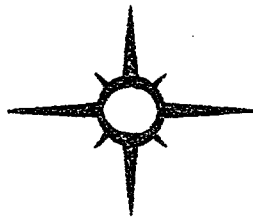
Company: Prime Operating  
 Lease/Well: Wells B #3  
 Location: Lea County  
 Rig Name: Unknown

# Prime Operating

State/Country: New Mexico  
 Declination:  
 Grid: Assumed to Grid North  
 Date/Time: 12/07/05



Bearings Referenced to Assume Grid North





Job Number: P05-428  
Company: Prime Operating  
Lease/Well: Wells B #3  
Location: Lea County  
Rig Name: Unknown  
RKB:  
G.I. or M.S.L.:

State/Country: New Mexico  
Declination:  
Grid: Assumed to Grid North  
File name: F:\WELLPL-12005\IP05428\OS428.SVY  
Date/Time: 07-Dec-05 / 16:58  
Curve Name: Prop Rev 2

WINSERVE PROPOSAL REPORT  
Minimum Curvature Method  
Vertical Section Plane 216.22  
Vertical Section Referenced to Wellhead  
Rectangular Coordinates Referenced to Wellhead

Measured Depth FT	Incl Angle Deg	Drift Direction Deg	True Vertical Depth	N-S FT	E-W FT	Vertical Section FT	CLOSURE Distance FT	Direction Deg	Grid X FT	Grid Y FT	Dogleg Severity Deg/100
KOP, 58.14°/100' Build											
2630.00	.00	216.22	2630.00	.00	.00	.00	.00	.00	844055.10	425339.10	.00
2660.00	17.44	216.22	2659.54	-3.66	-2.68	4.53	4.53	216.22	844052.42	425335.44	58.14
2690.00	34.88	216.22	2686.36	-14.29	-10.46	17.71	17.71	216.22	844044.64	425324.81	58.14
2720.00	52.32	216.22	2708.00	-30.91	-22.64	38.32	38.32	216.22	844032.46	425308.19	58.14
2750.00	69.77	216.22	2722.47	-52.01	-38.09	64.47	64.47	216.22	844017.01	425287.09	58.14
Begin 80.89° Lateral											
2769.13	80.89	216.22	2727.31	-68.91	-49.01	82.94	82.94	216.22	844006.09	425272.19	58.14
PBHL											
4364.26	80.89	216.22	2380.00	-1337.50	-979.70	1657.93	1657.93	216.22	843075.40	424001.60	.00