

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

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**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
COMPLIANCE AND ENFORCEMENT BUREAU FOR A COMPLIANCE
ORDER AGAINST PRIMAL ENERGY CORPORATION, FOR WELLS
OPERATED IN EDDY AND LEA COUNTIES, NEW MEXICO.**

CASE NO. 16358

APPLICATION

The Oil Conservation Division Compliance and Enforcement Bureau (“Bureau”), through its undersigned attorney, hereby files this application with the Oil Conservation Division (“OCD” or “Division”) pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator Primal Energy Corporation, (“Operator”) is out of compliance with 19.15.5.9(A)(4), and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9(A)(4) and 19.15.25.8 NMAC within forty-five (45) days, and requiring producing wells shut-in until compliance is achieved; and (3) in the event of non-compliance, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator’s financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification and costs as permitted by NMSA 1978, § 70-2-14(E). This application deals specifically with Operator’s violations of 19.15.5.9(A)(4) and 19.15.25.8 NMAC and does not include all violations that may exist. The OCD retains its right to bring a compliance action for any other existing and future violations. In support of this application, the Bureau states:

1. Operator is a Foreign profit corporation that operates 10 wells in Eddy and Lea Counties, New Mexico, under OGRID No. 154303. See *Exhibit 1: Well List and Financial Assurance Report*, attached hereto and incorporated by reference as if set forth in its entirety.

2. Operator's address of record with OCD is: 21021 Springbrook Plaza Drive, Suite 160, Spring, TX 77379.

3. The New Mexico Secretary of State has Operator registered under entity number 1790989 and identifies Michael R. Drake, President, as officer of record.

4. Operator has one blanket bond filed with the OCD, letter of credit no. B001518, from U.S. Specialty Insurance Company, for the amount of \$50,000.

5. Bank's address of record is: 13403 Northwest Freeway, Houston, TX 77040-6006.

6. 19.15.5.9(A) NMAC states that an operator is in compliance with Subsection A of 19.15.5.9 NMAC if the operator:

(1) currently meets the financial assurance requirements of 19.15.8 NMAC;

(2) is not subject to a division or commission order, issued after notice and hearing, finding the operator to be in violation of an order requiring corrective action;

(3) does not have a penalty assessment that is unpaid more than 70 days after issuance of the order assessing the penalty; and

(4) has no more than the following number of wells out of compliance with 19.15.25.8 NMAC that are not subject to an agreed compliance order setting

a schedule for bringing the wells into compliance with 19.15.25.8 NMAC and imposing sanctions if the schedule is not met:

- a. two wells or 50 percent of the wells the operator operates, whichever is less, if the operator operates 100 wells or less;
- b. five wells if the operator operates between 101 and 500 wells;
- c. seven wells if the operator operates between 501 and 1000 wells; and
- d. 10 wells if the operator operates more than 1000 wells.

7. 19.15.25.8 NMAC requires an operator to plug and abandon or temporarily abandon a well within 90 days after: (1) a 60 day period following the suspension of drilling operations; (2) a determination that a well is no longer usable for beneficial purposes; or (3) a period of one year in which a well has been continuously inactive.

8. The Operator currently has 10 wells out of a total of 10 wells out of compliance with 19.15.25.8 NMAC, exceeding the amount allowed under 19.15.5.9(A)(4) NMAC. See *Exhibit 2: Inactive Well List*.

9. Operator is currently in violation of OCD Order No. R-14388, in which Operator agreed to provide adequate financial assurance within sixty (60) days of June 30, 2017.

10. On June 16, 2016, the Bureau sent the Operator notice via first class mail that it was out of compliance with 19.15.5.9 NMAC and that the Bureau would seek formal compliance proceedings if no action was taken by the Operator to return to compliance within 60 days as required by 19.15.5.9(B) NMAC.

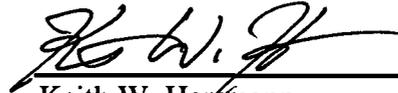
11. The Operator has not contacted the Bureau to resolve the outstanding compliance issues.

WHEREFORE, the Bureau, by and through its compliance and enforcement manager, hereby applies to the Director to enter an Order:

- A. determining that the Operator is in violation of 19.15.5.9(A)(4), and 19.15.25.8 NMAC;
- B. determining that Operator is in violation of an order requiring corrective action, OCD Order no. R-14388, and finding the operator to be to be in violation of the Oil and Gas Act and the Rules promulgated pursuant to the act;
- C. requiring the Operator to return the subject wells to compliance with 19.15.5.9(A)(4) and 19.15.25.8 NMAC within forty-five (45) days;
- D. requiring producing wells to be shut-in pursuant to 19.15.5.10(B) NMAC until compliance with the order is achieved;
- E. in the event of non-compliance with the sought Division order by the dates established by the OCD, finding the Operator in violation of a Division order, declaring the violating wells abandoned and authorizing the Division to plug the subject wells in accordance with a Division-approved plugging program and restore and remediate the location, and recover costs from the Operator's financial assurance as required by 19.15.8.13 NMAC and seek indemnification and costs as permitted by NMSA 1978, § 70-2-14(E);

- F. upon a finding of non-compliance with the issued Division order,
requiring producing wells shut-it pursuant to 19.15.5.10(B) NMAC;
- G. for such other and further relief as the Director deems just and proper
under the circumstances.

RESPECTFULLY SUBMITTED,
this 10th day of July, 2018 by



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Attorney for the Compliance and
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Case No. 16358. Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Primal Energy Corporation, for Wells Operated in Eddy and Lea Counties, New Mexico. The Oil Conservation Division Compliance and Enforcement Bureau (“Bureau”), through its undersigned attorney, hereby files this application with the Oil Conservation Division (“OCD” or “Division”) pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator Primal Energy Corporation, (“Operator”) is out of compliance with 19.15.5.9(A)(4), and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9(A)(4) and 19.15.25.8 NMAC within 45 days and requiring producing wells shut-in until compliance is achieved; and (3) in the event of non-compliance, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator’s financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

Inactive Well Additional Financial Assurance Report

154303 PRIMAL ENERGY CORPORATION

Total Well Count: 10

Printed On: Tuesday, July 10 2018

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod[In]	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Required Now	Covered By Blanket TA Bond	Bond In Place	In Violation
25097	BIG EDDY UNIT #127	S	K-16-21S-29E	K	30-015-27635	O	12/2009	01/01/2012	7000	12000	Y		0	Y
18946	COCHISE-KING GAS COM #001	P	F-12-23S-36E	F	30-025-30812	G	07/2006	08/01/2008	3525	8525	Y		0	Y
	COCHISE-KING GAS COM #002	P	L-12-23S-36E	L	30-025-09337	O	07/2006	08/01/2008	3672	8672	Y		0	Y
18947	FOWLER HAIR #001	P	E-14-24S-37E	E	30-025-11103	O	10/2002	11/01/2004	3531	8531	Y		0	Y
	FOWLER HAIR #003	P	D-14-24S-37E	D	30-025-11105	O	07/2013	08/01/2015	3563	8563	Y		0	Y
	FOWLER HAIR #005	P	D-14-24S-37E	D	30-025-11107	O	07/2004	08/01/2006	3655	8655	Y		0	Y
18951	HARRISON #001	P	A-07-25S-37E	A	30-025-24609	O	02/2010	03/01/2012	3462	8462	Y		0	Y
	HARRISON #002	P	H-07-25S-37E	H	30-025-24749	O	02/2010	03/01/2012	3610	8610	Y		0	Y
18954	JUDY #001	P	C-07-25S-37E	C	30-025-24641	O	08/2012	09/01/2014	3621	8621	Y		0	Y
	JUDY #003	P	F-07-25S-37E	F	30-025-26262	O	08/2012	09/01/2014	3500	8500	Y		0	Y

WHERE Ogrid:154303



Inactive Well List

Total Well Count: 10 Inactive Well Count: 10
Printed On: Tuesday, July 10 2018

District	API	Well	ULSTR	OCD Unit	Ogrid	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
2	30-015-27635	BIG EDDY UNIT #127	K-16-21S-29E	K	154303	PRIMAL ENERGY CORPORATION	S	O	12/2009	DELAWARE		
1	30-025-30812	COCHISE-KING GAS COM #001	F-12-23S-36E	F	154303	PRIMAL ENERGY CORPORATION	P	G	07/2006			
1	30-025-09337	COCHISE-KING GAS COM #002	L-12-23S-36E	L	154303	PRIMAL ENERGY CORPORATION	P	O	07/2006	YATES 7 RVRS		
1	30-025-11103	FOWLER HAIR #001	E-14-24S-37E	E	154303	PRIMAL ENERGY CORPORATION	P	O	10/2002			
1	30-025-11105	FOWLER HAIR #003	D-14-24S-37E	D	154303	PRIMAL ENERGY CORPORATION	P	O	07/2013			
1	30-025-11107	FOWLER HAIR #005	D-14-24S-37E	D	154303	PRIMAL ENERGY CORPORATION	P	O	07/2004			
1	30-025-24609	HARRISON #001	A-07-25S-37E	A	154303	PRIMAL ENERGY CORPORATION	P	O	02/2010			
1	30-025-24749	HARRISON #002	H-07-25S-37E	H	154303	PRIMAL ENERGY CORPORATION	P	O	02/2010			
1	30-025-24641	JUDY #001	C-07-25S-37E	C	154303	PRIMAL ENERGY CORPORATION	P	O	08/2012			
1	30-025-26262	JUDY #003	F-07-25S-37E	F	154303	PRIMAL ENERGY CORPORATION	P	O	08/2012			

WHERE Operator:154303, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period