

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

**IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION FOR THE
PURPOSE OF CONSIDERING:**

**CASE NO. 15686
ORDER NO. R-143 88**

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

STIPULATED ORDER OF THE DIVISION

In response to the Application for a Compliance Order filed by the Compliance and Enforcement Bureau ("Bureau") of the Oil Conservation Division in the above referenced case, the Bureau and Primal Energy Corporation ("Primal" or "Operator") agree to the following Stipulated Order.

FINDINGS

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) The Bureau seeks a compliance order against Primal finding the Operator is in violation of 19.15.8.9 NMAC and NMSA 1978, Section 70-2-14 (2015) as to ten (10) wells (the "Subject Wells").

(3) The Operator is registered under OGRID No. 154303.

(4) The Operator is a foreign corporation registered with the New Mexico Secretary of State under business identification number 1790989 and their authority to do business in New Mexico is cancelled with the Secretary of State. The New Mexico Secretary of State identifies Michael R. Drake as both the Director and President.

(5) The Bureau maintains a public database, through its *E-permitting* website, summarizing the well status for all current operators in New Mexico. This database also identifies the wells in violation of the financial assurance requirements along with the corresponding amount for each well necessary to satisfy the financial assurance.

(6) All of the Subject Wells are inactive in excess of a period of one (1) year plus ninety (90) days, and are not plugged or abandoned, nor placed in status of approved temporary abandonment based on the production reports which determine the inactive

well list. Therefore, these inactive Subject Wells are classified with a status of "temporary abandonment" as defined in Division Rule 19.15.2.7(T)(3) NMAC.

(7) The Subject Wells have been in temporary abandonment in excess of a period of two (2) years, and additional bonding is now required by 19.15.8.9(C) NMAC as follows:

- (a) Big Eddy Unit #127 (API # 30-015-27635) required bond amount \$12,000;
- (b) Cochise-King Gas Com #001 (API # 30-025-30812) required bond amount \$8,525;
- (c) Cochise-King Gas Com #002 (API # 30-025-09337) required bond amount \$8,572;
- (d) Fowler Hair #001 (API # 30-025-11103) required bond amount \$8,563;
- (e) Fowler Hair #003 (API # 30-025-11105) required bond amount \$8,563;
- (f) Fowler Hair #005 (API # 30-025-11107) required bond amount \$8,655;
- (g) Harrison #001 (API # 30-025-24609) required bond amount \$8,462;
- (h) Harrison #002 (API # 30-025-24749) required bond amount \$8,610;
- (i) Judy #001 (API # 30-025-24641) required bond amount \$8,621;
- (j) Judy #003 (API # 30-025-26262) required bond amount \$8,500.

(8) The Bureau notified the Operator of the violations in a Division correspondence dated June 30, 2016, sent via certified mail.

(9) Following the return mailings, the Bureau provided notice of the hearing application for a compliance order via certified mail to the two known addresses and published in the "The Lovington Leader" and the "Artesia Daily Press," newspapers of general circulation in Lea and Eddy Counties as required by 19.15.4.12(B) NMAC.

(10) Based on Division records, none of the Subject Wells are included in an agreed compliance order between the Division and the Operator.

CONCLUSIONS

(1) Primal is the operator of record for the Subject Wells and is responsible for compliance with the Oil and Gas Act and Division rules.

(2) 19.15.5.10(B) NMAC authorizes the Division to commence compliance proceedings for violation of a provision of the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38 or a provision of a rule or order issued pursuant to the Act.

(3) Primal does not dispute that it is in violation of Division Rule 19.15.8.9 NMAC. The Operator is required to have additional financial assurance on the Subject Wells, as they have been in temporary abandonment for more than two years and the

Operator has failed to provide the Division with the requisite financial assurance for the Subject Wells.

(4) Primal should be required to provide the Division with the requisite financial assurance to continue operations in the State of New Mexico.

IT IS THEREFORE ORDERED THAT:

(1) Primal shall provide the Division with acceptable financial assurance for the Subject Wells within sixty (60) days of the issuance date of this order.

(2) If Primal fails to comply with Ordering Paragraph (1), Primal shall be in violation of this order pursuant to 19.15.8.9(C) NMAC.

(3) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

ACCEPTANCE

PRIMAL ENERGY CORPORATION (OGRID No. 154303), operator of record of the wells identified in Findings para. 5, hereby agrees to all the terms and provisions as set forth in this Stipulated Order.

PRIMAL ENERGY CORPORATION

By:  _____

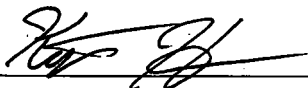
Name: Paul Funkhouser

Title: CEO

Date: MAY 9, 2017

ASSISTANT GENERAL COUNSEL, representing the Compliance and Enforcement Bureau of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department, hereby agrees to all the terms and provisions as set forth in this Stipulated Order.

ASSISTANT GENERAL COUNSEL

By:  _____

Name: Keith Herrmann

Title: Assistant General Counsel

Date: 5/10/17

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DONE at Santa Fe, New Mexico, on this 30th day of ~~May~~ ^{JUNE}, 2017.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "David R. Catanach", written over the printed name.

DAVID R. CATANACH
DIRECTOR

SEAL