

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

**APPLICATION OF PRIMA EXPLORATION INC  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

Case No. \_\_\_\_\_

**APPLICATION**

Prima Exploration, Inc., (“Prima”), OGRID No. 329344, through its undersigned attorneys, hereby files this Application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order (1) creating a standard spacing and proration unit comprised of Lots 3 and 4 [W/2 SW/4 equivalent] of Section 19 and Lots 1 - 4 [W/2 W/2 equivalent] of Section 30, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico, encompassing 225.41-acres, more or less, and (2) pooling all uncommitted mineral interests in the Bone Spring formation (E-K; BONE SPRING [Pool Code 21650]) underlying said unit.

In support of its Application, Prima states the following:

1. Prima is a working interest owner in the proposed horizontal spacing and proration unit (“HSU”) and has a right to drill a well thereon.
2. Prima proposes to dedicate the HSU to its **EK 30 BS2 Federal Com 4H Well**, an oil well, proposed to be horizontally drilled from a surface location in SW/4 SW/4 (Unit M, Lot 4) of Section 30 to a bottom hole location in the NW/4 SW/4 (Unit L, Lot 3) of Section 19. The **EK 30 BS2 Federal Com 4H Well** defines the HSU.
3. The E-K; Bone Spring Pool is subject to Special Rules promulgated in Order R-4981, as amended, issued in Case No. 5422. However, Order No. R-14689 provides for the dedication of this well to the HSU pursuant to 19.15.16.15(E)(3) NMAC, such that the HSU is

properly comprised of six adjacent quarter-quarter sections oriented from south to north to form the standard horizontal spacing unit.

4. The completed intervals and first and last take points for the proposed well in the HSU meets the setback requirements set forth in the Division's statewide rules and regulations for horizontal oil wells, pursuant to 19.15.16.15(B)(1)(b) NMAC.

5. Prima has sought in good faith, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the well or in the commitment of their interests to the well for their development within the proposed HSU.

6. The pooling of all interests in the Bone Spring formation within the proposed HSU, and creation of the spacing unit, will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights.

7. In order to provide for its just and fair share of the oil and gas underlying the subject lands, Prima requests that all uncommitted interests in this HSU be pooled and that Prima be designated the operator of the proposed horizontal well and HSU.

8. Based on its drilling schedule and plans in the area, Prima requests an extension of the normal 120-day period to drill and complete the well, with the provision that the well be drilled and completed within one year from the Division Order.

WHEREFORE, Prima requests that this Application be set for hearing before an Examiner of the Oil Conservation Division on April 2, 2020, and after notice and hearing as required by law, the Division enter an order:

A. Approving the creation of a standard spacing and proration unit comprising Lots 3 and 4 [W/2 SW/4 equivalent] of Section 19 and Lots 1 - 4 [W/2 W/2 equivalent] of Section 30, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico, encompassing 225.41-acres, more or less;

- B. Pooling all uncommitted mineral interests in the Bone Spring formation Bone (E-K; BONE SPRING [Pool Code 21650]) underlying the proposed HSU;
- C. Dedicating the EK 30 BS2 Federal Com 4H Well to the HSU as the defining well;
- D. Designating Prima as operator of this HSU and the horizontal well to be drilled thereon;
- E. Authorizing Prima to recover its costs of drilling, equipping and completing this well;
- F. Approving actual operating charges and costs of supervision, to the maximum extent allowable, while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures;
- G. Setting a 200% charge for the risk assumed by Prima in drilling and completing the well in the event a working interest owner elects not to participate in the well; and
- H. Authorizing an extension of the normal 120-day period to drill and complete the well with the provision that the well be drilled and completed within one year of the order.

Respectfully submitted,

ABADIE & SCHILL, PC

/s/ Darin C. Savage

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Darin C. Savage  
William E. Zimsky  
Andrew D. Schill  
214 McKenzie Street  
Santa Fe, New Mexico 87501  
Telephone: 970.385.4401  
Facsimile: 970.385.4901  
darin@abadieschill.com  
bill@abadieschill.com  
andrew@abadieschill.com

**Attorneys for Applicant**

***Application of Prima Exploration, Inc., for a Horizontal Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico.*** Applicant in the above-styled cause seeks an order from the Division: (1) creating a standard horizontal spacing and proration unit comprised of the Lots 3 and 4 [W/2 SW/2 equivalent] of Sections 19 and Lots 1 – 4 [W/2 W/2 equivalent] of Section 30, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico, encompassing 225.41-acres, more or less, and (2) pooling all uncommitted mineral interests in the Bone Spring formation (E-K; BONE SPRING [Pool Code 21650]) underlying the unit. Said horizontal spacing unit is to be dedicated to the proposed **EK 30 BS2 Federal Com 4H Well**, to be horizontally drilled from a surface location in SW/4 SW/4 (Unit M, Lot 4) of Section 30 to a bottom hole location in the NW/4 SW/4 (Unit L, Lot 3) of Section 19, thus defining the unit. The completed intervals and first take and last take points for the proposed well in the unit meet the Division's statewide setback requirements for horizontal oil wells. Also to be considered will be the cost of drilling and completing the well and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the well and unit; and a 200% charge for the risk involved in drilling and completing the well. The well and lands are located approximately 4 miles west of Hobbs, New Mexico.