

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

OCD Case # 16358
 Exhibit 1: Inactive Well List
 Page 1 of 1

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/Inj	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

OCD Case # 16358
Exhibit 2: Additional Financial
Assurance Report
Page 1 of 1

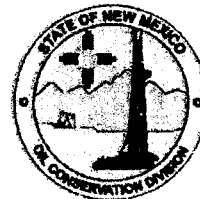
State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Tony Delfin
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



June 16, 2016

Primal Energy Corporation
OGIRD #154303
21021 Springbrook Plaza Drive, Suite 160
Spring, TX 77379

Re: 19.15.5.9 NMAC Compliance

Dear Operator:

The Oil Conservation Division (OCD) is conducting ongoing review of all operators' compliance status with Subsection A of 19.15.5.9 NMAC. According to OCD records, your company is not in compliance with Subsection A of 19.15.5.9 NMAC for the following reasons:

 Financial assurance. Your company is in violation of the financial assurance requirements for well plugging set out in 19.15.8.9 NMAC. Specifically, your company has not posted the required financial assurance required for state or fee wells which have been inactive for more than two years. The wells requiring single-well financial assurances are identified in the attached sheet.

 Corrective action. Order , issued on , found your company to be in violation of an order requiring corrective action.

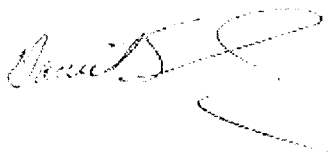
 X Inactive wells. According to the attached inactive well list, your company has too many wells in violation of 19.15.25.8 NMAC (the inactive well rule) that are not subject to an inactive well agreed compliance order. As an operator of 10 well, your company may have no more than 2 well in violation of the inactive well rule. Your company has 10 well in violation of the inactive well rule.

Non-compliance with 19.15.5.9 NMAC will prevent your company from acquiring any new wells, acquiring approval of exploration and development plans, receiving new allowables, and obtaining drilling, injection, and other OCD issued permits, and potentially expose your company to additional compliance actions including an OCD order requiring compliance, and revocation of injection permits. As the operator of a non 19.15.5.9 NMAC compliant company, you will not be permitted to register any additional companies to operate in New Mexico or have any interest exceeding 25 percent in any other companies in New Mexico.

June 22, 2017
Page 2

The OCD is requesting that you review the OCD's online database for your specific Oil and Gas Registration Identification (OGRID) number and notify the OCD how your company plans to return to compliance with 19.15.5.9 NMAC. This is an opportunity for your company to work with the OCD toward achieving its goal of maintaining compliance with the rules of the State of New Mexico. Please respond to the OCD within 30 days of receipt of this letter. If no response is received the OCD may begin formal compliance action.

Respectfully yours,



Daniel Sanchez,
Compliance and Enforcement Manager
(505)476-3493
Daniel.sanchez@state.nm.us

Ec: David R. Catanach, Division Director
Maxey Brown, District 1 Supervisor
Charlie Perrin, District 3 Supervisor
Randolph Bayliss, District 2 Supervisor
Will Jones, District 4 Supervisor
Keith Herrmann, Attorney, Santa Fe

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

**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.**

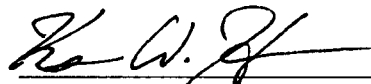
CASE NO. 16358

AFFIDAVIT OF SERVICE

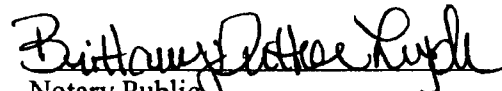
In accordance with 19.15.4.9 and 19.15.4.12 NMAC, I hereby certify that notice of the August 9, 2018 hearing in the above captioned case was mailed to the following party(ies) by certified mail, return receipt requested, at least 20 days prior to the hearing date, with a copy of the application:

Primal Energy Corporation
21021 Springbrook Plaza Dr., Suite 106
Spring, TX 77379

U.S. Specialty Insurance c/o
Office of the Superintendent of Insurance
Attn: Service of Process
P.O. Box 1689
Santa Fe, NM 87504-1689

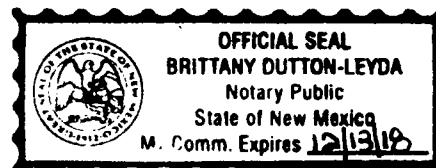

Keith W. Herrmann

SUBSCRIBED AND SWORN before me on this August 7, 2018.


Notary Public

My Commission Expires:

December 13, 2018



State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

Heather Riley, Division Director
Oil Conservation Division



July 13, 2018

Primal Energy Corporation
21021 Springbrook Plaza Dr.
Suite 160
Spring, TX 77379

VIA CERTIFIED MAIL, RETURN RECEIPT: 7018 0040 0000 5414 9553

U.S. Specialty Insurance c/o
Office of the Superintendent of Insurance
Attn: Service of Process
P.O. Box 1689
Santa Fe, NM 87504-1689

Re: OCD Case No. 16358 for a Compliance Order against Primal Energy Corporation

Dear Operator:

Pursuant to the notice provisions contained in 19.15.4 NMAC, you are hereby notified that at 8:15 AM on August 9, 2018, the New Mexico Oil Conservation Division ("OCD") will hold a hearing in front of a Division Examiner seeking an order determining that Primal Energy Corporation ("Operator") (1) is out of compliance with 19.15.5.9(A)(4), and 19.15.25.8 NMAC and NMSA 1978, § 70-2-14; (2) requiring Operator to return to compliance with 19.15.5.9(A)(4), and 19.15.25.8 NMAC 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). The hearing will be held in Porter Hall at 1220 South St. Francis Dr., Santa Fe, New Mexico.

Please review 19.15.4 NMAC to see applicable rules for division hearings. A person entitled to notice may enter an appearance at any time by filing a written notice of appearance with the division or the commission clerk, as applicable, or, subject to the provisions in Subsection C of 19.15.4.10 NMAC, by oral appearance on the record at the hearing. A party who has not entered an appearance at least one business day prior to the pre-hearing statement filing date provided in Paragraph (1) of Subsection B of 19.15.4.13 NMAC shall not be allowed to present technical evidence at the hearing unless the Oil Conservation Commission chairman or the OCD examiner, for good cause, otherwise directs.

OCD Case # 16358

Exhibit 4-A: Direct Notice to Operator

Page 1 of 4

July 13, 2018
Page 2

If you have any questions regarding the hearing process, please contact me at (505) 476-3463 or keith.herrmann@state.nm.us.

Sincerely



Keith Herrmann
Attorney for the New Mexico Oil Conservation Division
Compliance and Enforcement Bureau

Encl: OCD Case No. 16358 Compliance and Enforcement Bureau Application for Hearing

Cc: Corporation Service Company
125 Lincoln Avenue
Suite 223
Santa Fe, NM 87501
VIA CERTIFIED MAIL, RETURN RECEIPT: 7018 0040 0000 5414 9560

OCD Case # 16358
Exhibit 4-A: Direct Notice to Operator
Page 2 of 4

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Primal Energy Corporation
21021 Springbrook Plaza Dr.
Suite 120
Spring, TX 77379



9590 9402 3720 7335 0618 49

2. Article Number (Number from random label)

7018 0040 0000 5414 9553

PS Form 3811, July 2015 PSN 7530-02-000-9053

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1?
If YES, enter delivery address below:☐ Yes☐ No

3. Service Type

☐ Adult Signature☐ Adult Signature Restricted Delivery☒ Certified Mail®☐ Certified Mail Restricted Delivery☐ Collect on Delivery☐ Collect on Delivery Restricted DeliveryMail
Restricted Delivery

(07)

☐ Priority Mail Express®☐ Registered Mail™☐ Registered Mail Restricted
Delivery☒ Return Receipt for
Merchandise™☐ Signature Confirmation™☐ Signature Confirmation
Restricted Delivery

Domestic

OCD Case # 16358

Exhibit 4-A: Direct Notice to Operator

Page 3 of 4

USPS TRACKING



First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

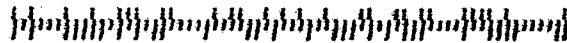
9590 9402 3720 7335 0618 49

United States
Postal Service

* Sender: Please print your name, address, and ZIP+4® in this box*

New Mexico Energy, Minerals and
Natural Resources Department
Office of the General Counsel
1220 South St. Francis Drive
Santa Fe, NM 87505

Attn: Keith Hermann



OCD Case # 16358

Exhibit 4-A: Direct Notice to Operator

Page 4 of 4

**STATE OF NEW MEXICO
OFFICE OF THE SUPERINTENDENT OF INSURANCE
CERTIFICATE**

STATE OF NEW MEXICO
COUNTY OF
JUDICIAL DISTRICT

OCD CASE NO. 16358
Plaintiff,

v.

No. OCD 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
Defendants,

ACCEPTANCE OF SERVICE

I, John G. Franchini, Superintendent of Insurance of the State of New Mexico, do hereby certify that a copy of a Application and Compliance Order against Primal Energy Corporation was served on U.S. Specialty Insurance Company on 7/16/2018 as provided in Section 59A-5-31 and 59A-5-32 NMSA 1978, and was received by said company on 7/20/2018 as shown by return receipt by Postmaster.



In Witness Whereof, I have
hereunto set my official seal
on July 24, 2018.

John G. Franchini
Superintendent of Insurance

OCD Case # 16358
Exhibit 4-B: Acceptance of Service
Page 1 of 1

**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: 

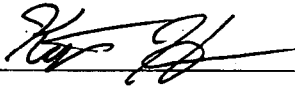
Name: Paul Funkhouser

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

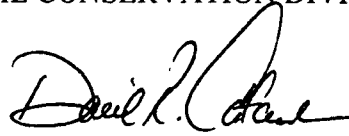
Case Nos. 15686

Order No. R-_____

Page 4 of 4

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



DAVID R. CATANACH
DIRECTOR

SEAL

OCD Case # 16358
Exhibit 5: Order R-14388
Page 4 of 4

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

**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

AFFIDAVIT OF DANIEL SANCHEZ

I, Daniel Sanchez, being first duly sworn on oath, states as follows:

1. I am employed as the Compliance and Enforcement Manager at the Oil Conservation Division ("OCD").

My duties include as the Compliance & Enforcement Manager

Manage the division's four district offices and Environmental Bureau.
Program Director for the EPA's Underground Injection Control program.
Coordinate field inspections between the BLM (Carlsbad, Roswell, and Hobbs District Offices and the OCD (Artesia and Hobbs District Offices).
Conduct quarterly meetings between the BLM and OCD to coordinate various enforcement actions on co-jurisdictional sites and issues.
Manage the use of the State Reclamation Fund for the purpose of plugging abandoned wells, remediation of well sites and the remediation of oil and gas related environmental contamination.
Testify in Hearing Examiner and Commission hearings in support of OCD staff positions on compliance and enforcement issues.
Conduct operator orientation for operators new to the state.
Negotiate Agreed Compliance Orders with operators out of compliance with OCD Rule 5.9.
Simplify and standardize the Oil Conservation Division's business procedures.
Eliminate outdated practices and address current regulatory issues.
Oversee the consistent interpretation and enforcement of division rules.
Ensure compliance with rules and permits on oil and gas facilities and operations.
Assure that inactive wells are tested and plugged in accordance with division rules.
Act as a backup for C-115, production reports, review and approvals.
Act as a backup for data entry of ACOI wells into the divisions Risk Based Data Management System.

2. The OCD's information on production and injection comes from monthly production reports filed by the well operators.

3. In 1993 the OCD began using the ONGARD (Oil and Natural Gas Administration and Revenue Database) to record oil and gas production and injection by well. Since 1993, production and injection data from the monthly production reports filed by operators has been entered into ONGARD.

4. When the OCD began using the ONGARD system in 1993, it converted existing production and injection data into ONGARD for those wells that were not shown as "plugged" according to the OCD records available at that time. The pre-1993 production and injection information for each such well was totaled and appears in ONGARD under the last month of production or injection for that well.

5. Upon information and belief, Primal Energy Corporation ("Operator") is a Foreign Corporation and is operating the wells ("subject wells") in Eddy and Lea County, New Mexico identified in *Exhibit 1, Inactive Well List*.

6. Upon information and belief, the New Mexico Secretary of State has Operator registered under entity number 1790989 and identifies Michael Drake as officer of record.

7. Upon information and belief, the subject wells operated by Operator in New Mexico have been inactive for a continuous period exceeding one year plus 90 days, and are neither plugged and abandoned in accord with 19.15.25.9 to -11 NMAC nor on approved temporary abandonment status in accord with 19.15.25.12 NMAC.

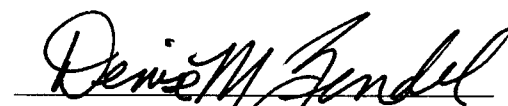
8. Upon information and belief, the number of subject wells out of compliance with 19.15.25.8 NMAC (wells to be properly abandoned) exceeds the amount allowed by 19.15.5.9 NMAC. As an operator of 10 wells, Operator may not have more than 2 wells out of compliance with 19.15.25.8 NMAC.

9. Operator is not in compliance with a division order. OCD Order R-14388 which found it out of compliance with rule 19.15.8.9 NMAC and required Operator to provide adequate bonding within sixty (60) days of June 30, 2017.

10. Exhibits 1-3, and 5-6 presented in this case are true and accurate reproductions of OCD records and were prepared by me or under my direction.


Daniel Sanchez

STATE OF NEW MEXICO)
COUNTY OF SANTA FE)
SUBSCRIBED AND SWORN before me on this August 8, 2017.


Notary Public

My Commission Expires:

01-12-20