

NSL PPRG 131333 0080

DATE IN 03/08/13	SUSPENSE 5/28	ENGINEER DB	LOGGED IN 05/10/13	TYPE NSL/NSP	APP NO. NSP PPAG 131333 0403
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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



30-041-20943

Grover #1

Primero Operating

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.

James Bruce

Print or Type Name

Signature

Attorney

Title

5/7/13

Date

jamesbruc@aol.com

e-mail Address

 RECEIVED OGD
 2013 MAY - 8 P 2:57

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

May 7, 2013

Jami Bailey
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Ms. Bailey:

Pursuant to Division Rules 19.15.15.11 and NMAC 19.15.15.13, Primero Operating Inc. applies for approval of a non-standard gas spacing and proration unit and an unorthodox gas well location in the Pennsylvanian formation for the following well:

<u>Well:</u>	Grover Well No. 1
<u>Location:</u>	1930 feet FSL & 660 FEL
<u>Current well unit:</u>	NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 32, Township 5 South, Range 33 East, N.M.P.M., Roosevelt County, New Mexico
<u>Proposed well unit:</u>	SE $\frac{1}{4}$ of Section 32

The well was originally drilled to test the South Peterson-Fussleman Pool, but was plugged back and completed in the South Peterson-Pennsylvanian (Associated) Pool. Under Division Order No. R-5353-I, the South Peterson-Pennsylvanian (Associated) Pool is an associated pool under which spacing is 40 acres for an oil well (with statewide setbacks) and 320 acres for a gas well. Under the Division's general rules for associated pools, gas wells must be located no closer than 1980 feet to the end line nor closer than 660 feet to the side boundary of a well unit.

The reasons for the non-standard unit request are as follows:

1. The well, when originally completed, was an oil well with no gas production, and 40 acres was dedicated to the well. See **Exhibit A**, the write-up of John C. Maxey, applicant's engineering consultant. However, the well has started producing gas such that it has, or will soon, exceed a GOR of 30,000:1, which will make it a gas well under the Division's general rules for associated pools.

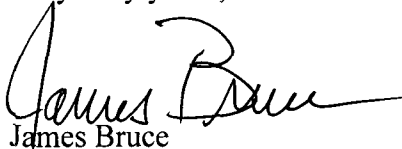
2. The proposed gas well unit, the SE¹/₄ of Section 32, is comprised of a single fee tract, with common ownership (royalty, working, and overriding royalty interests). In addition, the working interest owners in the SE¹/₄ of Section 32 paid the entire costs of drilling the well, and the equities in the well should not be changed.

3. The well is not prolific, so the offsetting quarter sections will not be adversely affected by the non-standard unit or unorthodox location.

The NE¹/₄ or the SW¹/₄ of Section 32 will be excluded from a 320 acre gas well unit. Attached as **Exhibit B** is a listing of all mineral interest and leasehold owners in those two quarter sections. The well is unorthodox as to the NE¹/₄ of Section 32. Notice of this application has been given to the offset interest owners, and a copy of the notice letter is attached as **Exhibit C**.

Please contact me if you need any further information on this application.

Very truly yours,



James Bruce

Attorney for Primero Operating Inc.

Application for a Non-Standard Location

Grover #1

1930' FSL & 660' FEL

Sec 32 T5S R33E

Roosevelt Co., NM

South Peterson Pennsylvanian Associated Pool

The subject well was completed in the South Peterson Pennsylvanian Associated Pool as an oil well in February of 2012 with a test rate of 12 BOPD and gas TSTM. Over the next nine months the well started to produce quantities of gas and subsequently the well was hooked up to a gas sales line. In November of 2012 after connecting to the gas sales line, the well tested at a rate of 7.5 BOPD and 210 MCFD for a GOR of 28,000 CF/BO. The pool rules for associated oil and gas pools in Southeast New Mexico and the South Peterson Penn Associated rules state that producing wells with a GOR of less than 30,000 CF/BO will be classified as oil wells, and producing wells with a GOR of 30,000 CF/BO or more will be classified as gas. Based upon the November 2012 test, and the increasing GOR evidenced by the monthly production, the well will most likely be reclassified as gas on the next semiannual test scheduled for May 2013.

Location requirements for Southeast New Mexico under the Associated Oil and Gas Pools field rules state that any oil well on a standard 40 acre proration unit will be no closer than 330 feet to the boundary of the tract. As classified the subject well is at a standard location. Under the South Peterson field rules any gas well will be on a standard 320 acre spacing unit and the Associated Oil and Gas Pools field rules for Southeast New Mexico state that any gas well on a 320 acre proration unit will be no closer than 660 feet to the nearest side boundary nor closer than 1980 feet to the nearest end boundary of the spacing unit, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. Therefore when this well is reclassified as gas it will be at an unorthodox location by virtue of being 1930 feet from the south line rather than 1980 feet from the south line. Attached is the original C102 illustrating the current location of the subject well.

EXHIBIT

A

RECEIVED

DISTRICT I
1625 N. FIENCH DR., HOHNS, NM 87240

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III
1000 RIO BRAZOS RD., AZTEC, NM 87410

DISTRICT IV
11930 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

MAR 15 2011
HOBBSON

OIL CONSERVATION DIVISION
11930 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-041-20995	Pool Code 50358	Pool Name PETERSON; FUSSELMAN, SOUTH
Property Code 38625	Property Name GROVER	Well Number 1
GRID No. 018100	Operator Name PRIMERO OPERATING INC.	Elevation 4379'

Surface Location

UL or lot No. 1	Section 32	Township 5-S	Range 33-E	Lot Idn	Feet from the 1930	North/South line SOUTH	Feet from the 660	East/West line EAST	County Roosevelt
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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
Dedicated Acres 40	Joint or Infill	Consolidation Code	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

<p>GEODETIC COORDINATES NAD 27 NME</p> <p>SURFACE LOCATION Y=1029207.1 N X=754847.4 E</p> <p>1 AT = 33.826341° N LONG. = 103.494202° W</p> <p>DETAIL</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information 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 mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature: <i>[Signature]</i> Date: 3/13/11</p> <p>Printed Name: Diaps White</p>
	<p>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>MARCH 1, 2011</p> <p>Date Surveyed: 03/08/2011</p> <p>Signature & Seal of Professional Surveyor: <i>[Signature]</i></p> <p>Certificate No. GARY G. EIDSON 12641 RONALD J. EIDSON 3239</p>

District I
1625 N. French Dr., Hobbs, NM 88201
District II
811 S. First St., 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 August 1, 2011

Submit one copy to appropriate District Office

☐ AMENDED REPORT

I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT

¹ Operator name and Address Primero Operating, Inc. PO Box 1433 Roswell, NM 88201-1433		² OGRID Number 018100
⁴ API Number 20445 30-0 41-20896		³ Reason for Filing Code/ Effective Date Notification of Gas Transporter
⁵ Pool Name Peterson, Penn, South	⁶ Pool Code 50360	⁷ Well Number 1
⁸ Property Code 38628	⁹ Property Name Grover	

II. ¹⁰ Surface Location

Ul or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West line	County
I	32	5-S	33-E		1930	South	660	E	Roosevelt

¹¹ 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
¹² Lse Code P	¹³ Producing Method Code P	¹⁴ Gas Connection Date 10/18/2012	¹⁵ C-129 Permit Number	¹⁶ C-129 Effective Date	¹⁷ C-129 Expiration Date				


III. Oil and Gas Transporters

¹⁸ Transporter OGRID	¹⁹ Transporter Name and Address	²⁰ O/G/W
24650	Targa Midstream Services 1000 Louisiana, Suite 4700 Houston, TX 77002	G

IV. Well Completion Data

²¹ Spud Date	²² Ready Date	²³ TD	²⁴ PBD	²⁵ Perforations	²⁶ DHC, MC
6/13/2011	2/17/2012	7905	7612	7603-7606	
²⁷ Hole Size	²⁸ Casing & Tubing Size	²⁹ Depth Set	³⁰ Sacks Cement		
12.25"	8 5/8"	2178	975		
7 7/8"	5 1/2"	7905	1780		
	2 7/8	7587			

V. Well Test Data

³¹ Date New Oil	³² Gas Delivery Date	³³ Test Date	³⁴ Test Length	³⁵ Tbg. Pressure	³⁶ Csg. Pressure
11/15/2012	10/18/2012	11/5/2012	24	40	40
³⁷ Choke Size	³⁸ Oil	³⁹ Water	⁴⁰ Gas	⁴¹ Test Method	
NA	7.5	0	210	Pump	
⁴² 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: 					
Printed name: Phelps White			Approved by: 		
Title: President			Title: DIST MGR		
E-mail Address: pwiv@zianet.com			Approval Date: 12-06-2012		
Date: 11/27/2012		Phone: 575 626 7660			

DEC 06 2012

EXHIBIT

B

TOWNSHIP 5 SOUTH, RANGE 33 EAST, N.M.P.M.

Section 32: N2NE4

Peterson Family Revocable Trust
dated 4/16/91, G.E. Peterson,
George Ernest Peterson, Jr.,
Sue Mathis, each dealing in
their respective capacities as
Trustees or Successor
Co-Trustees
Box 128
Elida, NM 88116

ConocoPhillips Company
P.O. Box 2197
Houston, Texas 77251-2197

TOWNSHIP 5 SOUTH, RANGE 33 EAST, N.M.P.M.

Section 32: S2NE4

George W. Williams and
Charlotte W. Williams, HW
9215 Homestead Ave.
Lubbock, TX 79424

Armstrong Energy Corporation
P.O. Box 1973
Roswell, NM 88202-1973

TOWNSHIP 5 SOUTH, RANGE 33 EAST, N.M.P.M.

Section 32: N2SW4

William W. Luallin and wife,
Nina F. Luallin
408 Lantern Lane
Lebanon, MO 65536

Rex L. Luallin and wife,
Bonnie J. Luallin
510 S. Newport
Conway, MO 65532

John S. Luallin, and wife
Peggy S. Luallin
120 Chancery Lane
Columbus, SC 29223

Robert Vestal and wife,
Juanita Vestal
3531 E. Cherokee, Apt 104
Springfield, MO 65809

Armstrong Energy Corporation
P.O. Box 1973
Roswell, NM 88202-1973

Slash Exploration Limited
Partnership
P.O. Box 1973
Roswell, NM 88202-1973

T.H. McElvain Oil & Gas
1050 17th 1st Ste. 1800
Denver, CO 80265

Verde Vista Energy Company
P.O. Box 310
Roswell, NM 88202

Brazos Limited Partnership
P.O. Box 911
Breckenridge, TX 76424

Robert G. Armstrong
P.O. Box 1973
Roswell, NM 88202

Breckenridge Partnership, Ltd.
P.O. Box 1973
Roswell, NM 88202

Chimney Rock Oil & Gas
P.O. Box 1973
Roswell, NM 88202

Gunsight Limited Partnership
P.O. Box 1973
Roswell, NM 88202

Clarkyle Limited Partnership
P.O. Box 1973
Roswell, NM 88202

J. Theo Thompson and James
Cleo Thompson, Jr., L.P.
125 N. Saint Paul. Ste. 4300
Dallas, TX 75201

Campbell Investment Company
P.O. Box 3854
Roswell, NM 88202

Kidd Family Partnership, Ltd.
3838 Oaklawn Ave., Ste. 725
Dallas, TX 75219

The Toles Company
P.O. Box 1300
Roswell, NM 88202

United Drilling, Inc.
P.O. Box 3854
Roswell, NM 88202

TOWNSHIP 5 SOUTH, RANGE 33 EAST, N.M.P.M.
Section 32: $\frac{1}{4}$ 2SW4

Oil, Gas and Minerals Division
Commissioner of Public Lands
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

May 7, 2013

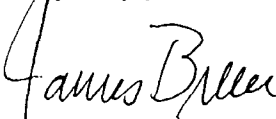
CERTIFIED MAIL – RETURN RECEIPT REQUESTED

To: Persons on Exhibit 1

Ladies and gentlemen:

Primero Operating Inc. has filed an application with the New Mexico Oil Conservation Division seeking approval of a non-standard gas spacing and proration unit and an unorthodox gas well location in the SE¼ of Section 32, Township 5 South, Range 33 East, N.M.P.M., Roosevelt County, New Mexico. A copy of the application is enclosed. You are an offset interest owner. If you object to the application, you must notify the Division in writing within 20 days of the date of this letter (the Division's address is 1220 South St. Francis Drive, Santa Fe, New Mexico 87505). Failure to object will preclude you from contesting this matter at a later date.

Very truly yours,


James Bruce

Attorney for Primero Operating Inc.

EXHIBIT

C

EXHIBIT 1

TOWNSHIP 5 SOUTH, RANGE 33 EAST, N.M.P.M.

Section 32: N2NE4

Peterson Family Revocable Trust
dated 4/16/91, G.E. Peterson,
George Ernest Peterson, Jr.,
Sue Mathis, each dealing in
their respective capacities as
Trustees or Successor
Co-Trustees
Box 128
Elida, NM 88116

ConocoPhillips Company
P.O. Box 2197
Houston, Texas 77251-2197

TOWNSHIP 5 SOUTH, RANGE 33 EAST, N.M.P.M.

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Charlotte W. Williams, HW
9215 Homestead Ave.
Lubbock, TX 79424

Armstrong Energy Corporation
P.O. Box 1973
Roswell, NM 88202-1973

TOWNSHIP 5 SOUTH, RANGE 33 EAST, N.M.P.M.

Section 32: N2SW4

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408 Lantern Lane
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510 S. Newport
Conway, MO 65532

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Peggy S. Luallin
120 Chancery Lane
Columbus, SC 29223

Robert Vestal and wife,
Juanita Vestal
3531 E. Cherokee, Apt 104
Springfield, MO 65809

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T.H. McElvain Oil & Gas
1050 17th 1st Ste. 1800
Denver, CO 80265

Verde Vista Energy Company
P.O. Box 310
Roswell, NM 88202

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Cleo Thompson, Jr., L.P
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Dallas, TX 75201

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United Drilling, Inc.
P.O. Box 3854
Roswell, NM 88202

TOWNSHIP 5 SOUTH, RANGE 33 EAST, N.M.P.M.
Section 32: $\frac{1}{4}$ 2SW4

Oil, Gas and Minerals Division
Commissioner of Public Lands
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Tuesday, May 28, 2013 12:11 PM
To: jamesbruc@aol.com
Subject: Primero Operating - Grover #1 - NSP and NSL Application

Good morning, Jim

I have looked at this application. The NSP portion seems to be in order and ready to write.

It would seem, however, that the necessary notices may not have been given for the NSL portion. This depends on the interpretation of Rules 1 and 2 of the General Rules for Associated Pools as adopted by Order R-5353. I cannot find any subsequent order amending these rules, although it is difficult to be certain given the extremely large number of orders in the R-5353 series.

If the provisions of Rule 2(b) for a 160-acre unit were applied, this well would be at a standard location. However, Rule 2(b) specifies that the setbacks therein provided are for a "Standard Proration Unit." Application of the location rule for a 320-acre unit is problematic because it cannot be determined in which direction the location encroaches. Thus, under the statewide exception rule, notice would be required to owners in the offsetting spacing units in Section 33 and in Sections 4 and 5 of 6S-33E. However, Rule 2(c) contains a special NSL notice provision that requires notice to all offsets. Statewide Rule 2.9 provides that orders trump rules. There has been some difference of opinion around here as to whether orders trump subsequently adopted statewide rules. However, that would seem likely to have been the intent as to special pool orders, if not other orders.

I will proceed to write the NSP order, and await your response before taking further action on the NSL application.

Sincerely

David