

John W. Tannehill, SSP

P.O. Box 819  
Paso Robles, California 93447

(805) 467-2217

[john@tannehill.com](mailto:john@tannehill.com)

October 17, 2013

**CERTIFIED MAIL - RETURN RECEIPT  
REQUESTED**

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

Dear Ms. Bailey,

Please refer to the attached letters, dated Sept 30, 2013, from James Bruce, Attorney at Law to you, and his letter also dated Sept 30, 2013, addressed to John Tannehill, SSP.

On the behalf of John W. Tannehill, I object to this application for an unorthodox gas well in the SE 1/4 of Section 32, T5S, R33E, N.M.P.M., Roosevelt County, New Mexico.

The south end line of the proposed gas pool (unit) would be 1980 feet from the well location, thus encroaching on Section 6, lots 1,2,3, and possibly Section 7, lots 1, 2, 3 of T6S, R34E, in which we own mineral interests. Therefore, we should be entitled to our percentage of Royalty revenue from this gas pool ( unit). Also, the encroachment of the proposed gas pool (unit) could possibly inhibit the ability of us to lease the subject mineral interests in Section 6, lots 1, 2, 3, and Section 7 of lots 1, 2,3 of T6S, R34E, N.M.P.M., Roosevelt County, New Mexico

Sincerely,



John W Tannehill, SSP  
P.O. Box 819  
Paso Robles, CA 93447  
(805) 467-2217

Enclosures

Grover # 1  
— 30-041-20945

RECEIVED OGD

2013 OCT 21 P 2: 02

**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**

September 30, 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.

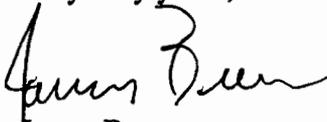
2. The proposed gas well unit, the SE¼ of Section 32, is comprised of a single fee tract, with common ownership (royalty, working, and overriding royalty interests). In addition, the working interest owners in the SE¼ of Section 32 paid the entire costs of drilling the well, and the equities in the well 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.

Notice of this application has been given to the offset interest owners, and a copy of the notice letter is attached as **Exhibit B**.

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

Very truly yours,



James Bruce

Attorney for Primero Operating Inc.

**JAMES BRUCE**  
ATTORNEY AT LAW

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SANTA FE, NEW MEXICO 87504

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[jamesbruc@aol.com](mailto:jamesbruc@aol.com)

September 30, 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 an unorthodox gas well location, *etc.*, 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 (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 1

Grover Family, LP  
P.O. Box 3988  
Midland, TX 79702

Nancy Chappell-Tobin, SSP  
1039 SW 20th Street  
Loveland, CO

80537

Albert G. Boyce, Jr., SSP  
3161 Nile Avenue  
Manteca, CA 95337

Spur Holdings, L.L.C.  
16803 E. Palomino Blvd.  
Fountain Hills, AZ 85268

William Quincy Boyce, III, SSP  
2666 Crestview Drive  
Woodland, Utah 84036

John Tannehill, SSP  
P.O. Box 819  
Paso Robles, CA 93447

Michelle Tannehill Boyce  
Mayfield, SSP  
4066 Highway 61  
Carrollton Villa Rica Highway  
Villa Rica, GA 30180 (1996)

Lisle Tannehill, SSP  
2611 Garden Road  
Suite A-180  
Monterey, CA 93940

Albert G. Boyce, Jr., as Trustee  
of The Albert G. Boyce Trust  
3161 Nile Avenue  
Manteca, CA 95337

Prism Energy, Inc.  
P.O. Box 190  
Glenpool, OK 74033

Mitchell Royalty, a Limited  
Partnership  
Route 2  
Box 10-A  
Haskell, OK 74436

Yates Brothers  
P.O. Box 1394  
Artesia, New Mexico 88211

Happy Hill Northern  
Holdings, L.L.C.  
Star Route 88  
Box 891  
Okanogan, Washington 98840

William J. Boyce, SSP  
P.O. Box 871  
Manteca, CA 95336 (1997)

O.D. Lambirth, Trustee of the  
O.D. and Mildred P. Lambirth  
Trust - Trust "B" - U/T/A dated  
September 27, 1989, as  
amended  
16803 E. Palomino Blvd.  
Fountain Hills, AZ 85268

CC James Bruce  
Attorney at Law  
PO Box 1056  
Santa Fe, NM 87504

William J. Boyce Estate  
C/O Barry Warner  
601 North 39<sup>th</sup> Avenue  
Yakima, WA 98902

Happy Hill Northern Holdings  
C/O Barry Warner  
601 North 39<sup>th</sup> Avenue  
Yakima, WA 98902

William Q. Boyce, III  
2666 Crestview Drive  
Woodland, UT 84036

Michelle Tannehill Boyce Mayfield  
4055 Highway 61  
Carrolton Villa Rica Highway  
Villa Rica, GA 30180

John Tannehill  
PO Box 819  
Paso Robles, CA 93447

Lisle Tannehill  
2511 Garden Road, Suite A-180  
Monterey, CA 93940

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

**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)

[jamesbruce@aol.com](mailto:jamesbruce@aol.com)

RECEIVED CO-  
2013 SEP 30 P 2:21

September 30, 2013

Via fax and U.S. Mail

*Case 15062*

David Brooks  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

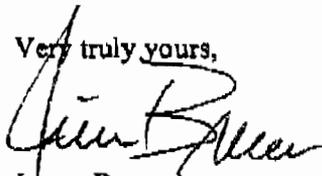
Re: Primero Operating, Inc.  
Grover Well No. 1

Dear David:

The above well involved a joint NSP/NSL application. The first two pages of the application are attached (Attachment 1). You had approved the NSP, but after the application was approved an objection was received (Attachment 2). The objecting parties have now waived their objection (Attachment 3). Therefore, the NSP approval should remain in effect.

You had also requested additional notice for the NSL. I had previously notified all offset interest owners in Section 32. I have now notified all offset interest owners in Section 33, as well as Sections 5 and 6, Township 6 South, Range 34 East, NMPM (Attachment 4). (The townships "jog" here, so that is why it is 6S-34E).

Very truly yours,

  
James Bruce

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 313  
SANTA FE, NEW MEXICO 87501

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

[jamesbruce@aol.com](mailto:jamesbruce@aol.com)

RECEIVED QID  
2013 SEP 30 P 2:21

Case 15062

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.

Attachment 1

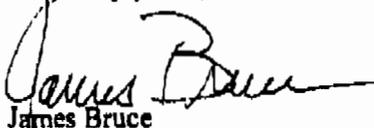
2. The proposed gas well unit, the SE¼ of Section 32, is comprised of a single fee tract, with common ownership (royalty, working, and overriding royalty interests). In addition, the working interest owners in the SE¼ of Section 32 paid the entire costs of drilling the well, and the equities in the well 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 NE¼ or the SW¼ 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 NE¼ 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.

RECEIVED OGD

2013 MAY 28 PM 2:21

George Williams  
9215 Homestead  
Lubbock, Texas 79424

May 23, 2013

*Case 15062*

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

To: State of New Mexico  
Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Sir or Madam:

Re: Application for Non-Standard Location

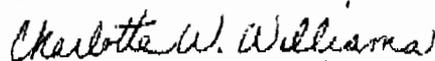
I and my husband, as offset interest owners, object to approval of a non-standard gas spacing and proration unit and an unorthodox gas well location in the SE¼ of Section 32, Township 5 South, Range 33 East, N.M.P.M.; Roosevelt County, New Mexico. Application has been made by Primero Operating Inc.

Thank you for your attention to this matter.

George W. Williams



Charlotte W. Williams



Attachment 2

**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](mailto:jamesbruc@aol.com)

September 30, 2013

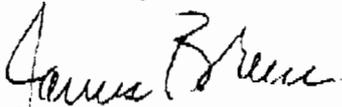
**CERTIFIED MAIL – RETURN RECEIPT REQUESTED**

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 an unorthodox gas well location, etc., 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 (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.

Attachment 4

EXHIBIT 1

Grover Family, LP  
P.O. Box 3416  
Midland, TX 79702

Nancy Chappell-Tobin, SSP  
1038 SW 30th Street  
Leveland, CO

80537

Albert G. Boyce, Jr., SSP  
3181 Nile Avenue  
Manteca, CA 95337

Spur Holdings, L.L.C.  
18803 E. Palomino Blvd.  
Fountain Hills, AZ 85268

William Quincy Boyce, III, SSP  
1666 Greenlaw Drive  
Woodland, Utah 84038

John Tannehill, SSP  
P.O. Box 810  
Paso Robles, CA 93447

Michelle Tannehill Boyce  
Mayfield, SSP  
4058 Highway 81  
Carrollton VINA Roca Highway  
Villa Rica, GA 30180 (1896)

Liele Tannehill, SSP  
2511 Garden Road  
Suite A-100  
Monterey, CA 93940

Albert G. Boyce, Jr., as Trustee  
of The Albert G. Boyce Trust  
3181 Nile Avenue  
Manteca, CA 95337

Prism Energy, Inc.  
P.O. Box 180  
Glenpool, OK 74033

Mitchell Royalty, a Limited  
Partnership  
Route 2  
Box 10-A  
Haskell, OK 74436

Yates Brothers  
P.O. Box 1394  
Artesia, New Mexico 88211

Happy Hill Northern  
Holdings, L.L.C.  
Star Route 68  
Box 891  
Okanogan, Washington 98840

William J. Boyce, SSP  
P.O. Box 871  
Manteca, CA 95336 (1897)

O.D. Lambirth, Trustee of the  
O.D. and Mildred P. Lambirth  
Trust - Trust "B" - U/T/A dated  
September 27, 1989, as  
amended  
18803 E. Palomino Blvd.  
Fountain Hills, AZ 85268

State of New Mexico  
Energy, Minerals and Natural Resources Department

---

**Susana Martinez**  
Governor

**David Martin**  
Cabinet Secretary-Designate

**Brett F. Woods, Ph.D.**  
Deputy Cabinet Secretary

**Jami Bailey, Division Director**  
Oil Conservation Division



May 28, 2013

*Case 13062*

Primero Operating Inc.  
c/o Mr. James Bruce, Attorney

ADMINISTRATIVE NON-STANDARD PRORATION UNIT ORDER

**Administrative Order NSP-1967**  
**Administrative Application Reference No. pPRG1313330403**

**Primero Operating Inc.**  
OGRID 18100

**Subject Pool:** South Peterson; Pennsylvanian Associated Pool (Pool Code 50360)

**Subject Unit:** SE/4 of Section 32  
Township 5 South, Range 33 East, Roosevelt County, New Mexico

**Subject Well:** Grover Well No. 1  
API No. 30-041-20945  
1930 FSL & 660 FEL of Section 32

Reference is made to your application received on May 8, 2013.

You have requested an exception pursuant to Rule 19.15.15.11.B(2) NMAC, to approve a non-standard gas spacing and proration unit comprising 160 acres, described above as the Subject Unit. The Special Rules applicable to the Subject Pool provide that a standard gas spacing unit shall consist of 320 acres. The Subject Well was completed as an oil well, but is apparently now producing as a gas well.

Your application has been duly filed under the provisions of said Rule 19.15.15.11.B and Rule 19.15.4.12.A(3) NMAC.

We understand that the proposed non-standard gas unit is requested in order to avoid a change of ownership of production from the Subject Well.

It is also understood that you have given due notice of this application to all persons to whom notice is required by Rule 19.15.4.12.A(3) NMAC.

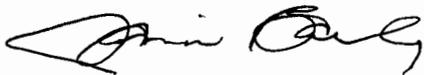
Pursuant to the authority conferred by Rule 19.15.15.11.B(2), the Subject Unit is hereby approved.

The Subject Unit shall be dedicated to the Subject Well if and when the Subject Well produces as a gas well.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9 [19.15.15.9 NMAC].

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jami Bailey". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

Jami Bailey  
Director

NSL PPA6 131 333 0080

DATE IN 05/08/13	SUSPENSE 5/28	ENGINEER DB	LOGGED IN 05/10/13	TYPE NSL/NSP	APP NO NSP PPA6 131 333 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



30-041-20945  
 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

*James Bruce*  
 Signature

Attorney  
 Title

5/7/13  
 Date

jamesbruc@aol.com  
 e-mail Address

RECEIVED  
 2013 MAY 10 10 57 AM

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

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

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[jamesbruc@aol.com](mailto: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 SE $\frac{1}{4}$  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 SE $\frac{1}{4}$  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.

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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. FRENCH DR., HOHHS, NM 88240

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

DISTRICT III  
1000 RIO URAZOS 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  
HOBSOCD

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 <b>30-041-20945</b>	Pool Code <b>50358</b>	Pool Name <b>PETERSON; FUSSELMAN, SOUTH</b>
Property Code <b>38625</b>	Property Name <b>GROVER</b>	Well Number <b>1</b>
OGRID No. <b>018100</b>	Operator Name <b>PRIMERO OPERATING INC.</b>	Elevation <b>4379'</b>

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>1</b>	<b>32</b>	<b>5-S</b>	<b>33-E</b>		<b>1930</b>	<b>SOUTH</b>	<b>660</b>	<b>EAST</b>	<b>ROOSEVELT</b>

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 <b>40</b>	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

GEODEIC COORDINATES  
NAD 27 NME

SURFACE LOCATION  
Y=1029207.1 N  
X=75482.4 E

LAT = 33.826341° N  
LONG. = 103.494202° W

DETAIL

**OPERATOR CERTIFICATION**

*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.*

Signature Date **3/13/11**  
 Printed Name **Phelps White**

---

**SURVEYOR CERTIFICATION**

*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.*

MARCH 1, 2011

Date Surveyed \_\_\_\_\_ DSS

Signature & Seal of Professional Surveyor  
  
 Signature **Ronald J. Eidson** Date **03/08/2011**

Certificate No. GARY G. EIDSON 12641  
 RONALD J. EIDSON 3239  
 PROFESSIONAL

District I  
1625 N. French Dr., Hobbs, NM 88240  
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**

<sup>1</sup> Operator name and Address <b>Primero Operating, Inc. PO Box 1433 Roswell, NM 88201-1433</b>		<sup>2</sup> OGRID Number <b>018100</b>
<sup>4</sup> API Number <b>20445</b> <b>30 - 0 41-20996</b>		<sup>3</sup> Reason for Filing Code/ Effective Date <b>Notification of Gas Transporter</b>
<sup>5</sup> Pool Name <b>Peterson, Penn, South</b>	<sup>6</sup> Pool Code <b>50360</b>	
<sup>7</sup> Property Code <b>38628</b>	<sup>8</sup> Property Name <b>Grover</b>	<sup>9</sup> Well Number <b>1</b>

**II. <sup>10</sup> Surface Location**

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

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

**III. Oil and Gas Transporters**

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

**IV. Well Completion Data**

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

**V. Well Test Data**

<sup>31</sup> Date New Oil	<sup>32</sup> Gas Delivery Date	<sup>33</sup> Test Date	<sup>34</sup> Test Length	<sup>35</sup> Tbg. Pressure	<sup>36</sup> Csg. Pressure
<b>11/15/2012</b>	<b>10/18/2012</b>	<b>11/5/2012</b>	<b>24</b>	<b>40</b>	<b>40</b>
<sup>37</sup> Choke Size	<sup>38</sup> Oil	<sup>39</sup> Water	<sup>40</sup> Gas	<sup>41</sup> Test Method	
<b>NA</b>	<b>7.5</b>	<b>0</b>	<b>210</b>	<b>Pump</b>	

<sup>42</sup> 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: 

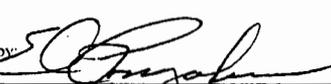
Printed name: **Phelps White**

Title: **President**

E-mail Address: **pwiv@zianet.com**

Date: **11/27/2012** Phone: **575 626 7660**

OIL CONSERVATION DIVISION

Approved by: 

Title: **Dist Mgr**

Approval Date: **12-06-2012**

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:  $\leq$ 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](mailto:jamesbruc@aol.com)

May 7, 2013

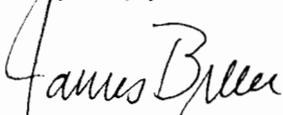
CERTIFIED MAIL – RETURN RECEIPT REQUESTED

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           



EXHIBIT 1

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

**Section 32: N2NE4**

**Peterson Family Revocable Trust  
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Sue Mathis, each dealing in  
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Trustees or Successor  
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TOWNSHIP 5 SOUTH, RANGE 33 EAST, N.M.P.M.  
Section 32:  $\leq$  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