

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

**APPLICATION OF SPUR ENERGY
PARTNERS, LLC FOR COMPULSORY
POOLING AND OVERLAPPING SPACING
UNIT, EDDY COUNTY, NEW MEXICO**

CASE NO. _____

APPLICATION

Pursuant to NMSA § 70-2-17, Spur Energy Partners, LLC (“Spur”) applies for an order pooling all uncommitted mineral interests in the Yeso formation from a depth of approximately 3,500’ TVD to the base of the formation underlying a 320-acre, more or less, standard overlapping horizontal spacing unit comprised of the S/2 of Section 28, Township 17 South, Range 28 East, Eddy County, New Mexico (“Unit”). In support of its application, Spur states the following.

1. Spur (OGRID No. 328947) is a working interest owner in the Unit and has the right to drill wells thereon.
2. The Unit will be dedicated to the following wells (collectively “Wells”):
 - **Welch CD 28 State Com 10H, Welch CD 28 State Com 21H, Welch CD 28 State Com 51H, and Welch CD 28 State Com 91H**, which will be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 27 to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 28; and
 - **Welch CD 28 State Com 20H, Welch CD 28 State Com 50H, Welch CD 28 State Com 70H, and Welch CD 28 State Com 90H**, which will be horizontally drilled from a surface location in the NW/4 SW/4 (Unit L) of Section 27 to a bottom hole location in the NW/4 SW/4 (Unit L) of Section 28.
3. The completed interval of the **Welch CD 28 State Com 50H** will be unorthodox.

4. The completed interval of the **Welch CD 28 State Com 10H** will be located within 330' of the line separating the N/2 S/2 and S/2 S/2 of Section 28 to allow for the formation of a standard 320-acre horizontal spacing unit.

5. There is a depth severance in the Yeso formation within the Unit. Accordingly, Spur seeks to pool interests from approximately 3,500' TVD to the base of the Yeso formation at a stratigraphic equivalent of approximately 5,624' TVD as shown on the Geronimo 28 State Com #1: Schlumberger Platform Express Litho-Density / Compensated Neutron Log (API# 30-015-31829).

6. The Unit will partially overlap with the spacing unit for the Red Lake 28 K State #001 well (API #30-015-33740), Red Lake 28 K State #002 well (API #30-015-34005), Red Lake 28 K State #003 well (API #30-015-35560), Red Lake 28 K State #004 well (API #30-015-35541), Red Lake 28 N State #002 (API #30-015-34002), Red Lake 28 N State #003 well (API #30-015-34382), and Red Lake 28 N State #004 well (API #30-015-35540) (collectively referred to as the "Red Lake Wells"). The Red Lake are located in the NE/4 SW/4 and SE/4 SW/4 of Section 28, Township 17 South, Range 28 East, Eddy County. These wells produce from the Artesia; Glorieta-Yeso Pool (Code 96830).

7. The Unit will also partially overlap with the spacing unit for the Tigner State #001 well (API #30-015-31387), Tigner State #002 well (API #30-015-34994), Tigner State #003 well (API #30-015-40067), and Tigner State #004 well (API #30-015-40086) (collectively referred to as the "Tigner State Wells"). The Tigner State Wells are located in the NW/4 SW/4 of Section 28, Township 17 South, Range 28 East. These wells produce from Artesia; Glorieta-Yeso Pool (Code 96830).

8. Spur has undertaken diligent, good-faith efforts to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the Wells but has been unable to obtain voluntary agreements from all of the mineral interest owners.

9. The pooling of uncommitted mineral interests will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

10. In order to allow Spur to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted mineral interests in the Unit should be pooled and Spur should be designated the operator of the Wells and Unit.

WHEREFORE, Spur requests this application be set for hearing on May 4, 2023, and that, after notice and hearing, the Division enter an order:

- A. Pooling all uncommitted interests in the Unit;
- B. Approving the Wells in the Unit;
- C. Approving the proposed overlapping spacing unit;
- D. Designating Spur as operator of the Unit and the Wells to be drilled thereon;
- E. Authorizing Spur to recover its costs of drilling, equipping and completing the Wells;
- F. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- G. Imposing a 200% penalty for the risk assumed by Spur in drilling and completing the Wells against any working interest owner who does not voluntarily participate in the drilling of the Wells.

Respectfully submitted,

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