

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

**APPLICATION OF SPC RESOURCES, LLC  
TO AMEND ORDER NO. R-21104-C,  
EDDY COUNTY, NEW MEXICO.**

**CASE NO. \_\_\_\_\_**

**APPLICATION**

SPC Resources, LLC (“Applicant” or “SPC”) (OGRID No. 372262), through its undersigned attorneys, hereby files this application with the Oil Conservation Division, to amend Order No. R-21104-C (the “Order”) to allow for a one-year extension for drilling the proposed initial well under the Order. In support of its application, Applicant states:

1. Division Order No. R-21104, entered on February 13, 2020 in Case No. 20860, and Order No. R-21104-A, entered on May 19, 2020 in Case No. 21257, created a 473.59-acre, more or less, standard horizontal spacing unit underlying the SW/4 of irregular Section 5, and Lots 6-7, the E/2 SW/4, and the SE/4 (S/2 equivalent) of irregular Section 6, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico (the “Unit”), and designated Applicant as operator of the Unit.
2. Order Nos. R-21104 & 21104-A further pooled uncommitted interests in the Bone Spring formation (Esperanza; Bone Spring Pool (Pool Code 97755)) in the Unit and dedicated the Unit to the proposed initial **Barney #303H well (formerly Barney 5-6 B3 3H well)** (API No. 30-015-49106).
3. On April 12, 2021, the Division issued Order No. R-21104-B under Case No. 21574, pooling previously unidentified interest owners in the subject spacing unit.
4. In July 2021, the Division issued an emergency order suspending approval of SPC’s initial well in a nearby spacing unit over concerns involving the Carlsbad Brine Well Remediation Area. The Division subsequently determined that drilling and completing wells near the Brine Well

Remediation Area “poses a clear and immediate risk of harm to the stability of the [Carlsbad Brine Well] Cavity and the successful completion of the ongoing Carlsbad Brine Well remediation project[,]” and “to surface development and the groundwater aquifer overlying the Cavity.” *See* Order R-21888, ¶¶ 57-58; *see also* Division Application in Case No. 22472. As a result, the Division ordered the cessation of drilling and completion activities wells within the vicinity of the Brine Well Remediation Area. *See generally* Order R-21888 and Case No. 22472.

5. On January 4, 2022, SPC applied in Case No. 22535 to Amend Order No. R-21104-B to extend the drilling deadlines until February 17, 2023 due to the Division’s suspension of drilling and completion activities.

6. After hearing, the Division issued Order No. R-21104-C on March 9, 2022, amending Order No. R-21104-B to extend the deadline to commence drilling until one year from the date SPC receives notice that the Division has determined the remediation of the Carlsbad Brine Well is complete and that drilling and completion activities may resume. *See* Order No. R-21104-C at ¶ 20.

7. SPC received notice from the Division that remediation of the Carlsbad Brine Well was complete and that drilling and completion activities may resume on July 7, 2022. *See* Notice of Resumption, dated July 7, 2022, attached as **Exhibit A**. Accordingly, pursuant to Order No. R-21104-C, the deadline to commence drilling an initial well under the Order is July 7, 2023.

8. There is good cause for Applicant’s request that the Order be amended to allow additional time to commence drilling the initial well under the Order.

9. Due to the disruption to SPC’s initial drilling schedule, the suspension of its drilling and completion operations, and uncertainty over when the suspension would be lifted, SPC requires additional time to plan, coordinate, and retain a drilling crew to drill its planned initial well.

10. Accordingly, SPC requests the deadline to commence drilling an initial well under Order No. R-21104, as amended, be extended for one year until July 7, 2024.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 4, 2023, and, after notice and hearing as required by law, the Division amend Order No. R-21104, as amended, to extend the time to commence drilling the proposed initial well until July 7, 2024.

Respectfully submitted,

HOLLAND & HART LLP

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ATTORNEYS FOR SPC RESOURCES, LLC

CASE \_\_\_\_\_: **Application of SPC Resources, LLC to Amend Order No. R-21104-C, Eddy County, New Mexico.** Applicant in the above-styled cause seeks to amend Order No. R-21104-C (the “Order”) to allow for a one-year extension for drilling the proposed initial well under the Order. Applicant seeks a drilling extension until July 7, 2024. The subject spacing unit created under the Order is comprised of the SW/4 of irregular Section 5, and Lots 6-7, the E/2 SW/4, and the SE/4 (S/2 equivalent) of irregular Section 6, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico, and is dedicated to the proposed initial **Barney #303H well** (API No. 30-15-49106). Portions of said area are located within the city limits of Carlsbad, New Mexico.

State of New Mexico  
Energy, Minerals and Natural Resources Department

Michelle Lujan Grisham  
Governor

Sarah Cottrell Propst  
Cabinet Secretary

Todd E. Leahy, JD, PhD  
Deputy Cabinet Secretary

Adrienne Sandoval Director  
Oil Conservation Division



July 7, 2022

By Electronic Mail

**Notice of Resumption of Certain Drilling and Completion Activity in Proximity to the Carlsbad Brine Well**

Dear Operators:

You are receiving this notice because you are the registered Operator of well(s) affected by temporary restrictions on drilling and completion activities planned within five miles of the Carlsbad Brine Well ("backfilled void"). These include activities affected by Division Orders R-21888, R-22063, R-21100-B, R-21104-C, and R-21123-C, or restricted by Conditions of Approval ("COAs") attached to Applications for Permits to Drill ("APDs") approved after July 2, 2021. This announces that such activities may resume at certain facilities, subject to the conditions detailed below.

Effective immediately, the Director of the Oil Conservation Division has determined that drilling and completion activities associated with oil and gas production may resume ***outside of a one-mile radius*** of the backfilled void. Wells, or any portion of wells, or any activity, planned within one mile of the backfilled void ***may not*** resume activity at this time.

The Conditions of Approval identified remain in effect and OCD intends to administer them as follows for activities outside of a one-mile radius:

- OCD requires that operators continue to comply with all notice requirements as prescribed in the applicable Division Order or COAs.
- Certain COAs required operators to submit notification of drilling or completion activities to OCD, subject to OCD approval. Operators may consider such activities approved by OCD ***once operator complies with applicable notification requirements for activities outside of a one-mile radius of the backfilled void.***
- While OCD is requiring that operators continue to provide notice of planned drilling and completion activities within five miles of the backfilled void for informational and planning purposes, OCD does not intend to restrict or delay the planned activity occurring between one and five miles of the backfilled void.

This Notice is effective immediately, please contact Jesse Tremaine at [JesseK.Tremaine@state.nm.us](mailto:JesseK.Tremaine@state.nm.us) or (505) 231-9312 with any questions about this Notice, affected Division Orders, COAs, or individual activities.

Sincerely,

Adrienne Sandoval  
Director

**EXHIBIT A**