

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

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
SPC RESOURCES, LLC**

**CASE NO. 21574
ORDER NO. R-21104-B**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on January 21, 2021, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order:

FINDINGS OF FACT

1. SPC Resources, LLC (“Operator”), applied to conform Order R-21104 and Order R-21104-A (“Existing Orders”) issued in Case No. 20860 and Case No. 21257 with the Division’s recently amended order template (“Amended Template”). Operator also seeks an extension of time to commence drilling and to update the names and locations of the subject wells.
2. Operator is in good standing under state-wide rules and regulations with respect to the Existing Order.
3. Operator has reviewed and agrees to the terms and conditions in the ordering paragraphs of the Amended Template.
4. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

5. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
6. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
7. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.
8. This Order affirms the Findings of Fact and Conclusions of Law in the Existing Order and replaces the ordering paragraphs 15-35 in the Existing Order as stated below. This Order also grants the change of names and locations of subject wells

as set forth in Exhibit A attached hereto, and grants a one-year extension until February 17, 2022, to commence drilling the subject wells.

ORDER

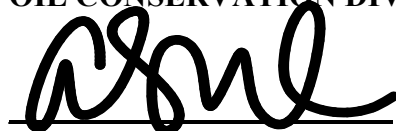
9. The uncommitted interests in the Unit are pooled as set forth in Exhibit A as appended to the original and amended orders and incorporated by reference herein.
10. The Unit shall be dedicated to the Well(s) set forth in Exhibit A attached hereto.
11. Operator is designated as operator of the Unit and the Well(s).
12. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.
13. The Operator shall commence drilling the Well(s) by February 17, 2022, within one year after the date of this Order and complete each Well no later than one (1) year after the commencement of drilling the Well.
14. This Order shall terminate automatically if Operator fails to comply with Paragraph 13 unless Operator obtains an extension by an amendment of this Order for good cause shown.
15. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.
16. Operator shall submit to each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").
17. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."

18. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
19. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.
20. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
21. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
22. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
23. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
24. Operator shall distribute a proportionate share of the costs and charges withheld

pursuant to paragraph 23 to each Pooled Working Interest that paid its share of the Estimated Well Costs.

25. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
26. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
27. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*
28. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
29. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**




**ADRIENNE SANDOVAL
DIRECTOR**
AES/kms

Date: 4/12/2021

Exhibit "A"

COMPULSORY POOLING APPLICATION CHECKLIST (pdf)	
ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS	
Case: 21574	APPLICANT'S RESPONSE
Date: January 21, 2021	
Applicant	SPC Resources, LLC
Designated Operator & OGRID (affiliation if applicable)	SPC Resources, LLC (OGRID No. 372262)
Applicant's Counsel:	Holland & Hart LLP
Case Title:	APPLICATION OF SPC RESOURCES, LLC TO AMEND ORDER NOS. R-21104, R-21104-A, EDDY COUNTY, NEW MEXICO
Entries of Appearance/Intervenors:	
Well Family	Barney well
Formation/Pool	
Formation Name(s) or Vertical Extent:	Bone Spring
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Bone Spring formation
Pool Name and Pool Code:	Esperanza; Bone Spring Pool (Pool code 97755)
Well Location Setback Rules:	Statewide horizontal rules
Spacing Unit Size:	473.59 acres, more or less
Spacing Unit	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	473.59 acres, more or less
Building Blocks:	quarter-quarter sections
Orientation:	east/west
Description: TRS/County	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
Standard Horizontal Well Spacing Unit (Y/N), If No, describe	Yes
Other Situations	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	N/A
Proximity Defining Well: if yes, description	N/A

Applicant's Ownership in Each Tract	See Exhibit C; see also Case Nos. 20860 & 21257
Well(s)	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	Add as needed
Well #1	Barney #303H Well (API No. 30-015-pending): SHL: 654 FSL and 1132 FWL (Unit M) of Section 5, 22S, 27E BHL: 1640 FSL and 50 FWL (Lot 6) of Section 6, 22S, 27E Completion Target: Bone Spring Well Orientation: east/west Completion Location expected to be: standard
Horizontal Well First and Last Take Points	Exhibit C-3
Completion Target (Formation, TVD and MD)	See Case No. 20860 Exhibit B, B-3
AFE Capex and Operating Costs	
Drilling Supervision/Month \$	\$8,000
Production Supervision/Month \$	\$800
Justification for Supervision Costs	Case No. 20860 Exhibit A
Requested Risk Charge	200%
Notice of Hearing	
Proposed Notice of Hearing	Exhibit A
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit C-8
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit D
Ownership Determination	
Land Ownership Schematic of the Spacing Unit	Case No. 20860 Exhibit A
Tract List (including lease numbers and owners)	Case No. 20860 Exhibit A
Pooled Parties (including ownership type)	Case No. 20860 Exhibit A
Unlocatable Parties to be Pooled	Case No. 20860 Exhibit A
Ownership Depth Severance (including percentage above & below)	N/A
Joinder	
Sample Copy of Proposal Letter	See Case No. 20860 Exhibit A
List of Interest Owners (ie Exhibit A of JOA)	See Case No. 20860 Exhibit A
Chronology of Contact with Non-Joined Working Interests	See Case No. 20860 Exhibit A
Overhead Rates In Proposal Letter	See Case No. 20860 Exhibit A
Cost Estimate to Drill and Complete	See Case No. 20860 Exhibit A
Cost Estimate to Equip Well	See Case No. 20860 Exhibit A
Cost Estimate for Production Facilities	See Case No. 20860 Exhibit A

Geology	
Summary (including special considerations)	See Case No. 20860 Exhibit B
Spacing Unit Schematic	See Case No. 20860 Exhibit B
Gunbarrel/Lateral Trajectory Schematic	See Case No. 20860 Exhibit B
Well Orientation (with rationale)	See Case No. 20860 Exhibit B
Target Formation	See Case No. 20860 Exhibit B
HSU Cross Section	See Case No. 20860 Exhibit B
Depth Severance Discussion	N/A
Forms, Figures and Tables	
C-102	Exhibit C-3
Tracts	See Case No. 20860 Exhibit A
Summary of Interests, Unit Recapitulation (Tracts)	See Case No. 20860 Exhibit A
General Location Map (including basin)	See Case No. 20860 Exhibit A
Well Bore Location Map	See Case No. 20860 Exhibit B
Structure Contour Map - Subsea Depth	See Case No. 20860 Exhibit B
Cross Section Location Map (including wells)	See Case No. 20860 Exhibit B
Cross Section (including Landing Zone)	See Case No. 20860 Exhibit B
Additional Information	
CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.	
Printed Name (Attorney or Party Representative):	Kaitlyn A. Luck
Signed Name (Attorney or Party Representative):	
Date:	4/7/2021