

## GRISWOLD EXHIBIT 2

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

APPLICATION OF SPC RESOURCES, LLC  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

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

### APPLICATION

SPC Resources, LLC (“Applicant”) (OGRID No. 372262) through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order pooling all uncommitted interests in the Wolfcamp formation underlying a standard 1267.1-acre, more or less, horizontal well spacing unit comprised of the W/2 and the E/2 of Section 12, Township 22 South, Range 26 East, and the W/2 and the E/2 of Irregular Section 7, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico. In support of its application, Applicant states:

1. Applicant is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced horizontal spacing unit to the following proposed wells:
  - The **Caveman 7-12 WCXY #2H Well** to be horizontally drilled from a surface location in the SW/4 NW/4 (Unit E) of Section 8 to a bottom-hole location in the SW/4 NW/4 (Unit E) of Section 12.
  - The **Caveman 7-12 WCD #3H Well** to be horizontally drilled from a surface location in the NW/4 SW/4 (Unit L) of Section 8 to a bottom-hole location in the NW/4 SW/4 (Unit L) of Section 12.

3. Applicant has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

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

5. In order to permit Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this proposed unit should be pooled and Applicant should be designated the operator of the proposed horizontal wells and spacing unit.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on September 5, 2019, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the Wolfcamp formation underlying the proposed spacing unit;
- B. Approving the initial wells in the horizontal well spacing unit;
- C. Designating Applicant as operator of the horizontal spacing unit and the horizontal wells to be drilled thereon;
- D. Authorizing Applicant to recover its costs of drilling, equipping and completing the wells;
- E. 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
- F. Imposing a 200% charge for the risk assumed by Applicant in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

HOLLAND & HART LLP

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**ATTORNEYS FOR SPC RESOURCES, LLC**

CASE \_\_\_\_\_:

**Application of SPC Resources, LLC for compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order pooling all uncommitted interests in the Wolfcamp formation underlying a standard 1267.1-acre, more or less, horizontal well spacing unit comprised of the W/2 and the E/2 of Section 12, Township 22 South, Range 26 East, and the W/2 and the E/2 of Irregular Section 7, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico. Applicant proposes to dedicate the above-referenced spacing unit to the following initial proposed wells:

- The **Caveman 7-12 WCXY #2H Well** to be horizontally drilled from a surface location in the SW/4 NW/4 (Unit E) of Section 8 to a bottom-hole location in the SW/4 NW/4 (Unit E) of Section 12.
- The **Caveman 7-12 WCD #3H Well** to be horizontally drilled from a surface location in the NW/4 SW/4 (Unit L) of Section 8 to a bottom-hole location in the NW/4 SW/4 (Unit L) of Section 12.

Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof, the actual operating costs and charges for supervision, the designation of applicant as operator of the wells, and the imposition of a 200% charge for risk involved in drilling and completing each well. Portions of said area are located within the city limits of Carlsbad, New Mexico.

**Exhibit "A"**

Applicant: SPC Resources, LLC  
Operator: SPC Resources, LLC (OGRID 372262)

Spacing Unit: Horizontal Gas  
Building Blocks: Half Section Equivalent  
Spacing Unit Size: 1267.1 acres (more or less)  
Orientation of Unit: North/South

**Spacing Unit Description:**

W/2 and E/2 of Section 12, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico, and  
W/2 and E/2 of Section 7, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico.

Pooling this Vertical Extent: Wolfcamp Formation  
Depth Severance? (Yes/No): No

Pool: Purple Sage;Wolfcamp Gas (Pool code 98220)  
Pool Spacing Unit Size: Half Sections  
Governing Well Setbacks: Special Rules for the Purple Sage Gas Pool Apply  
Pool Rules: Purple Sage and Horizontal Well Rules

Proximity Tracts: No

Monthly charge for supervision: While drilling: \$8000 While producing: \$800  
As the charge for risk, 200 percent of reasonable well costs.

**Proposed Wells:**

**Caveman 7-12 WCXY Well No. 2H, API No. 30-015-Pending**

SHL: 2271 feet from the North line and 240 feet from the West line, (Unit E) of Section 8, Township 22 South, Range 27 East, NMPM.  
BHL: 1650 feet from the North line and 100 feet from the West line, (Unit E) of Section 12, Township 22 South, Range 26 East, NMPM.

Completion Target: Wolfcamp A at approx. 8780 feet TVD.  
Well Orientation: East to West  
Completion Location expected to be: standard

**Caveman 7-12 WCD Well No. 3H, API No. 30-015-Pending**

SHL: 2331 feet from the North line and 490 feet from the West line, (Unit E) of Section 8, Township 22 South, Range 27 East, NMPM.  
BHL: 1980 feet from the South line and 100 feet from the West line,

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(Unit L) of Section 12, Township 22 South, Range 26 East, NMPM.

Completion Target: Wolfcamp D at approx. 9300 feet TVD.

Well Orientation: East to West

Completion Location expected to be: standard