

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

**APPLICATION OF SPUR ENERGY
PARTNERS, LLC FOR APPROVAL OF AN
OVERLAPPING HORIZONTAL WELL
SPACING UNIT AND COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

Spur Energy Partners, LLC (“Spur” or “Applicant”) (OGRID No. 328947) 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 (i) approving a 320-acre, more or less, overlapping horizontal well spacing unit in a portion of the Yeso formation from the top of the Yeso formation to a depth of 4,100 feet comprised of the N/2 of Section 32, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico; and (ii) pooling all uncommitted interests in this overlapping horizontal well spacing unit. In support of its application, Spur states:

1. An affiliate entity of Spur is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.
2. Applicant seeks to dedicate the above-referenced horizontal spacing unit to the following proposed initial wells:
 - The **Blalock #1H well**, to be horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) of Section 31, to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 32;

- the **Blalock #10H well**, to be horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) of Section 31, to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 32; and the
- **Blalock #11H well**, to be horizontally drilled from a surface location in the SE/4 NE/4 (Unit H) of Section 31, to a bottom hole location in the SE/4 NE/4 (Unit H) of Section 32.

3. The completed interval of the **Blalock #1H well** will remain within 330 feet of the quarter-quarter line separating the N/2 N/2 from the S/2 N/2 of Section 32 to allow inclusion of these proximity tracts into a standard horizontal spacing unit.

4. A depth severance exists in the Yeso formation within the proposed horizontal spacing unit. Accordingly, Spur seeks to pool only a portion of the Yeso formation, from the top of the Yeso formation to a depth of 4,100 feet, as defined in the Schlumberger Platform Express High Resolution Azimuthal Laterolog of the Dancer “32” State Com No.1 Well (API No. 30-015-28863). Spur will provide notice of this hearing to the vertical offset parties within the pool who are not subject to this pooling application.

5. This 320-acre horizontal well spacing unit will overlap three existing 40-acre vertical well spacing units in the Yeso formation, as follows:

- A 40-acre vertical well spacing unit comprised of the NW/4 NW/4 of Section 32, Township 17 South, Range 28 East, NMPM, Eddy County, and dedicated to the Enron State #012 (API# 30-015-35050), Enron State #018 (API# 30-015-40339), Enron State #021 (API# 30-015-42156), and the Enron State #002 (API# 30-015-31920).

- A 40-acre vertical well spacing unit comprised of the NE/4 NW/4 of Section 32, Township 17 South, Range 28 East, NMPM, Eddy County, and dedicated to the Enron State #019 (API# 30-015-41833), Enron State #014 (API# 30-015-36979), Enron State #001 (API# 30-015-31530), and the Enron State #017 (API# 30-015-39996).
- A 40-acre vertical well spacing unit comprised of the SE/4 NW/4 of Section 32, Township 17 South, Range 28 East, NMPM, Eddy County, and dedicated to the AA State #001 (API# 30-015-01657).

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

7. Approval of this overlapping horizontal well spacing unit and the pooling of interests will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

8. 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 horizontal spacing unit should be pooled, and Applicant should be designated the operator of the proposed horizontal spacing unit and the proposed initial wells.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division, on March 3, 2022, and, after notice and hearing as required by law, the Division enter an order:

- A. Approving the overlapping horizontal well spacing unit and pooling all uncommitted interests in the horizontal spacing unit in the defined portion of the Yeso formation and approving the initial wells thereon;

- B. Designating Applicant as operator of this spacing unit and the horizontal wells to be drilled thereon;
- C. Authorizing Applicant to recover its costs of drilling, equipping, and completing the wells;
- D. 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
- E. 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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