

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

**APPLICATION OF SPC RESOURCES,
LLC TO AMEND ORDER NO. R-21096,
AS AMENDED, EDDY COUNTY, NEW
MEXICO.**

CASE NO. _____
ORDER NO. R-21096, As Amended

APPLICATION

SPC Resources, LLC (“Applicant”) (OGRID No. 372262), through its undersigned attorneys, hereby files this application with the Oil Conservation Division to amend Order No. R-21096, as amended, to allow for a one-year extension of time to drill an initial a well under the Order until February 17, 2025. In support of this application, Applicant states:

1. Division Order No. R-21096, entered on February 12, 2020 in Case No. 20762, created a 1,267.1-acre, more or less, standard horizontal spacing unit consisting of the W/2 and E/2 of Section 12, Township 22 South, Range 26 East, and the W/2 and E/2 of Section 7, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico (the “Unit”), and designated Applicant as the operator of the Unit.

2. Order No. R-21096 pooled the uncommitted interests in the Wolfcamp formation (Purple Sage; Wolfcamp Pool (Pool Code 98220)) in the Unit and dedicated the Unit to the following Proposed Wells: (1) the **Caveman #402H well** (API No. 30-015-53285), and (2) the **Caveman #442H well** (API 30-015-53280).

3. On April 12, 2021, the Division entered Order No. R-21096-A in Case No. 21577 to (1) conform Order No. R-21096 to the amended order template (“Amended Order”) described in the Division Director’s April 9, 2020 *Letter to Counsel Regarding Amended CP Order Template*; (2) pool additional interest owners under the terms of Order No. R-21096; (3) extend

the time to commence drilling an initial well under Order No. R-21096 to February 12, 2022; and (4) update the names and locations of the initial Proposed Wells.

4. On May 17, 2021, the Division entered Order No. R-21096-B, pooling additional interest owners under the terms of Order No. R-21096 without modifying the February 12, 2022, drilling deadline.

5. Applicant was under contract with a drilling crew and preparing to spud an initial well under Order No. R-21096 in July 2021 when the Division issued an emergency order suspending approval of SPC's initial well.

6. Subsequently, the Division filed an application to revoke Order No. R-21096, as amended, and the approved APDs for the initial wells.

7. On October 19, 2021, the Division entered Order No. R-21888 temporarily suspending Order No. R-21096 pending remediation of the Carlsbad Brine Well project and until other certain conditions were met. All deadlines under Order No. R-21096 were tolled effective July 2, 2021 until the Division Director notified SPC that drilling and/or completion activities may resume.

8. The Division notified SPC on July 7, 2022, that suspension of Order No. R-21096 had been lifted and that drilling and completion activities may resume, but only outside a one-mile radius around the Carlsbad Brine Well. Pursuant to the tolling of Order No. R-20196, the deadline to commence drilling an initial well was February 17, 2023.

9. While the Division authorized resumption of drilling and completion activities outside a one-mile radius of the Carlsbad Brine Well, the suspension remained effective within a one-mile radius. The spacing unit authorized under Order No. R-21096 is partially within the one-mile radius subject to the continued suspension.

10. In the interim, Applicant drilled and completed other wells outside the one-mile radius adjacent to the spacing unit approved under Order No. R-21096, namely the Barney #404H (API No. 30-015-49097) and Barney #434H (API No. 30-015-49107) approved under Order No. R-21123, as amended, pending the Division's decision to lift suspension of activities within the one-mile radius.

11. Due to the disruption to SPC's initial drilling schedule, suspension of its drilling and completion operations, the remaining suspension of activity within a one-mile radius of the Carlsbad Brine Well, and uncertainty over when the complete suspension would be lifted, SPC required additional time to plan, coordinate, and retain a drilling crew to drill its planned initial wells.

12. On November 16, 2022, Applicant filed an application under Case No. 23218 to further amend Order No. R-21096, as amended, to allow additional time to commence drilling an initial well until February 17, 2024.

13. Applicant presented Case No. 23218 at hearing on January 4, 2023, but the Division did not issue an order until August 4, 2023, when it approved the request to extend the deadline to commence drilling until February 17, 2024, under Order No. R-21096-C.

14. However, the Division did not lift the suspension of drilling and completion activities within a one-mile radius until November 13, 2023, when it issued the *Amended Notice and Resumption of Drilling and Completion Activity in Proximity to the Carlsbad Brine Well*.

15. Applicant now seeks an additional one-year extension to commence drilling until February 17, 2025.

16. Good cause exists for Applicant's request for an extension of time.

17. Accordingly, SPC requests the deadline to commence drilling an initial well under Order No. R-21096, as amended, be extended for one year until February 17, 2025.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on January 4, 2024, and after notice and hearing as required by law, the Division amend Order No. R-21096, as amended, to extend the time to commence drilling the proposed initial well until February 17, 2025.

Respectfully submitted,

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ATTORNEYS FOR SPC RESOURCES, LLC

CASE _____:

Application of SPC Resources, LLC to Amend Order No. R-21096, As Amended, Eddy County, New Mexico. Applicant in the above-styled cause seeks to amend Order No. R-21096, as amended, to allow for a one-year extension of time to drill an initial a well under the Order until February 17, 2025. The Unit is comprised of the W/2 and E/2 of Section 12, Township 22 South, Range 26 East, and the W/2 and E/2 of Section 7, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico. Order No. R-21096 pooled the uncommitted interests in the Wolfcamp formation (Purple Sage; Wolfcamp Pool (Pool Code 98220)). The Unit is dedicated to the **Caveman #402H well** (API No. 30-015-53285), and the **Caveman #442H well** (API 30-015-53280). Portions of said area are located within the city limits of Carlsbad, New Mexico.