

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

**APPLICATION OF SPUR ENERGY PARTNERS LLC  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.**

**CASE NO. 25727**

**PRE-HEARING STATEMENT**

Spur Energy Partners LLC (“Spur” or “Applicant”) submits its Pre-Hearing Statement pursuant to the rules of the Oil Conservation Division.

**APPLICANT**

Spur Energy Partners LLC

**ATTORNEYS**

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**OPPONENT**

EML 2010 Trust, GLJ 2010 Trust,  
JLM 2010 Trust, and EMC Oil & Gas Ltd.

**ATTORNEY**

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**STATEMENT OF THE CASE**

Spur seeks an order pooling all uncommitted interests in the Yeso formation underlying a 120-acre, more or less, standard horizontal spacing unit comprised of the N/2 SE/4 and the NE/4 SW/4 of Section 17, Township 17 South, Range 31 East, Eddy County, New Mexico (“Unit”). The Unit will be dedicated to the **Garrison 17 Fed 20H**, **Garrison 17 Fed 70H**, and **Garrison 17 Fed 90H** wells (“Wells”), to be drilled from surface hole locations in the NW/4 SW/4 (Unit L) of

Section 16 to bottom hole locations in the NE/4 SW/4 (Unit K) of Section 17. Spur has applied administratively for approval of non-standard well locations. Also to be considered will be the costs of drilling and completing the Wells, the allocation of the costs, the designation of Applicant as operator of the Wells and the Unit, and a 200% charge for the risk involved in drilling and completing the Wells.

The issue in this matter is straightforward. Spur has extensively negotiated with the ML 2010 Trust, GLJ 2010 Trust, JLM 2010 Trust (collectively "Trusts"), and EMC Oil & Gas, Ltd. ("EMC"), but these parties have objected to Spur's application as an effort to pressure Spur after failing to secure their preferred terms. In addition to the 12.5% federal lease royalty owed to the Bureau of Land Management ("BLM"), the interests are burdened by an 18.4375% overriding royalty. These royalty burdens significantly reduce the Trusts' and EMC's net proceeds. Because of these royalty burdens, the Trusts and EMC have demanded an unreasonable price for their interests. Spur cannot agree to their demands, as doing so would make the wells uneconomic and harm Spur, the other interest owners, and the BLM.

Good faith negotiation requires an operator to submit well proposals to working interest owners at least 30 days prior to filing a pooling application, communicate with interest owners, and provide a Joint Operating Agreement on request. *See, e.g.*, Order No. R-13165. Spur's negotiations with the Trusts and EMC far exceeded these requirements. Good faith negotiation does not require an operator to pay unreasonable amounts to acquire interests that are overburdened by royalty due to no fault of the operator or the other interest owners. Requiring an operator to do so would result in waste and violate the correlative rights of the other interest owners because it would prevent them from receiving their just and equitable share of the oil and gas produced by the Wells. In other words, overpaying the Trusts and EMC for their overburdened interests would

reduce payments to the other interest owners and deprive them of their just and equitable share of the oil and gas.

Precluding Spur from developing the Unit based on the Trusts' and EMC's unreasonable demands would also result in waste because these parties have not proposed a competing development plan. If Spur's application is denied, the acreage may not be developed at all. Spur has negotiated with the Trusts and EMC in good faith, and their arguments should be rejected. Spur should be permitted to proceed with its development plan.

**PROPOSED EVIDENCE**

<b>Witness</b>	<b>Occupation</b>	<b>Estimated Time</b>	<b>Exhibits</b>
Drew Oldis	Landman	Affidavit	Approx. 5
Matthew Van Wie	Geologist	Affidavit	Approx. 4

**PROCEDURAL MATTERS**

Spur reserves the right to present rebuttal testimony and exhibits at hearing.

Respectfully submitted,

HARDY McLEAN LLC

*/s/ Dana S. Hardy*  
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*Counsel for Spur Energy Partners LLC*

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served on the following counsel of record via electronic mail on March 4, 2025:

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*/s/ Dana S. Hardy* \_\_\_\_\_  
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**State of New Mexico**  
**Energy, Minerals and Natural Resources**  
**Oil Conservation Division**  
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QUESTIONS

Action 559726

**QUESTIONS**

Operator: Spur Energy Partners LLC 9655 Katy Freeway Houston, TX 77024	OGRID: 328947
	Action Number: 559726
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

**QUESTIONS**

<b>Testimony</b>	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	<i>Not answered.</i>
Testimony time (in minutes)	<i>Not answered.</i>