

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

**APPLICATION OF SPUR ENERGY
PARTNERS LLC TO REVOKE ORDER NO.
R-21578 AND FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

Spur Energy Partners, LLC (“Spur” or “Applicant”) (OGRID No. 338479) through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, to revoke Order No. R-21578, as amended, and for an order pooling all uncommitted interests in a portion of the Yeso formation, from below 3,150 feet to the base of the Yeso formation, underlying a standard 480-acre horizontal spacing unit comprised of the SE/4 of Section 6 and E/2 of Section 7, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico. 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. Division Order No. R-21578 (the “Order”), entered on January 19, 2021, in Case No. 21588, created a 320-acre, more or less, standard horizontal well spacing unit consisting of the E/2 of Section 7, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico (the “Unit”), and designated Applicant as the operator of the Unit, pooled the uncommitted interests in the Yeso formation [Penasco Draw; SA-Yeso (Assoc) (50270)] in the Unit, and dedicated the Unit to the proposed initial wells identified in the Order.
3. The Division issued Order No. R-21578-A, amending the Order to extend the deadlines until January 19, 2023.

4. Since the entry of the Order, Applicant has determined that it is prudent to re-form the subject spacing unit into a 480-acre, more or less, standard spacing unit by including the SE/4 of Section 6. Inclusion of SE/4 of Section 6, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, introduces an ownership depth severance at 3,150 feet into the proposed spacing unit. The depth severance necessitates that Spur seek separate pooling orders for the shallow and deep intervals of the proposed unit (hereinafter, the “Shallow Unit” and “Deep Unit”).

5. In Case No. 22760, Spur seeks to revoke the existing Order and to replace it with an order pooling all uncommitted interests in a portion of the Yeso formation from the top of the Yeso to a depth of 3,150 feet within a standard 480-acre, more or less, horizontal spacing unit comprised of the SE/4 of Section 6 and E/2 of Section 7, Township 19 South, Range 25 East (the “Shallow Unit”). That case was presented at hearing on June 2, 2022 and has been taken under advisement by the Division. An order has not yet been issued.

6. In Case No. 22760, the Division Examiner required Spur to file a second application to pool uncommitted interests in the proposed Deep Unit to pool all uncommitted interests from a depth below 3,150 feet to the base of the Yeso formation within the proposed acreage (the “Deep Unit”). Accordingly, Spur now seeks an order pooling those interests.

7. Applicant proposes to dedicate the Deep Unit to the following initial proposed wells:

- The **Trudy Federal Com 90H Well**, which will be horizontally drilled from a surface location in the SE/4 NE/4 (Unit H) of said Section 6 to bottom hole locations in the SE/4 SE/4 (Unit P) of Section 7; and

- The **Trudy Federal Com 91H Well**, which will be horizontally drilled from a surface location in the SW/4 NE/4 (Unit G) of said Section 6 to bottom hole location in the SW/4 SE/4 (Unit O) of Section 7.
8. The completed interval for the **Trudy Federal Com 90H** well will remain within 330 feet of the offsetting quarter-quarter sections or equivalent tracts to include them in a standard horizontal well spacing unit.
 9. Applicant has sought and been unable to obtain voluntary agreement for the development of these lands from all of the interest owners in the proposed spacing unit.
 10. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.
 11. 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 the proposed 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 July 7, 2022, and, after notice and hearing as required by law, the Division Order No. R-21578, as amended, and enter an order:

- A. Pooling all uncommitted interests in the horizontal spacing unit in the portion of Yeso formation and approving the initial wells thereon, as described herein;
- B. Designating Applicant as operator of the 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,

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ATTORNEYS FOR SPUR ENERGY PARTNERS LLC

CASE _____: **Application of Spur Energy Partners LLC to Revoke Order No. R-21578 and for compulsory pooling, Eddy County, New Mexico.**
Applicant in the above-styled cause seeks to revoke Order No. R-21578, as amended, and an order pooling all uncommitted interests in a portion of the Yeso formation, from below 3,150 feet to the base of the Yeso formation, underlying a standard 480-acre horizontal spacing unit comprised of the SE/4 of Section 6 and E/2 of Section 7, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico. Applicant proposes to dedicate the proposed standard horizontal well spacing unit to the following initial proposed wells:

- The **Trudy Federal Com 90H Well**, which will be horizontally drilled from a surface location in the SE/4 NE/4 (Unit H) of said Section 6 to bottom hole locations in the SE/4 SE/4 (Unit P) of Section 7; and
- The **Trudy Federal Com 91H Well**, which will be horizontally drilled from a surface location in the SW/4 NE/4 (Unit G) of said Section 6 to bottom hole location in the SW/4 SE/4 (Unit O) of Section 7.

The completed interval for the **Trudy Federal Com 90H** well will remain within 330 feet of the offsetting quarter-quarter sections or equivalent tracts to include them in a standard horizontal well spacing unit. Also, to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof, actual operating costs, charges for supervision, designation of applicant as operator of the wells, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 13 miles south of Artesia, New Mexico.