

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

**APPLICATION OF SPC RESOURCES, LLC
TO AMEND ORDER NO. R-21100, AS
AMENDED, EDDY COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

SPC Resources, LLC (“Applicant” or “SPC Resources”) (OGRID No. 372262), through its undersigned attorneys, hereby files this application with the Oil Conservation Division, to amend Order No. R-21100-D (the “Order”) to allow for a one-year extension of time to commence drilling an initial well until July 7, 2025, to add additional initial wells under the Order, and to designate Permian Resources Operating, LLC (OGRID 372165) as the operator of the horizontal well spacing unit. In support, Applicant states:

1. SPC Resources, LLC is a wholly owned subsidiary of Permian Resources Operating, LLC (“Permian”). Permian closed on the acquisition of SPC Resources in December 2023 with an effective date in September 2023.
2. Applicant seeks to designate Permian Resources Operating, LLC (OGRID 372165) as the operator of the horizontal well spacing unit.
3. Division Order No. R-21100, entered on February 12, 2020 in Case No. 20859, created a 635.06-acre, more or less, standard horizontal spacing unit underlying the Lots 1-4 and the S/2 N/2 (N/2 equivalent) of irregular Section 5, and Lots 1-5, the SE/4 NW/4, and the S/2 NE/4 (N/2 equivalent) of irregular Section 6, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico (the “Unit”), and designated Applicant as the operator of the Unit.

4. Order No. R-21100 and pooled the uncommitted interests in the Wolfcamp formation (Purple Sage; Wolfcamp Pool (Pool Code 98220)) in the Unit and dedicated the Unit to the **Betty #402H well (formerly Betty 5-6 WCXY 2H)** (API No. 30-015-49015).

5. On April 12, 2021, the Division issued Order No. R-21100-A under Case No. 21576 pooling previously unidentified interest owners in the subject spacing unit and extending the drilling deadline until February 12, 2022.

6. In July 2021, the Division issued an emergency order suspending approval of SPC's initial well in a nearby spacing unit over concerns involving the Carlsbad Brine Well Remediation Area. The Division subsequently determined that drilling and completing wells near the Brine Well Remediation Area "poses a clear and immediate risk of harm to the stability of the [Carlsbad Brine Well] Cavity and the successful completion of the ongoing Carlsbad Brine Well remediation project[,]" and "to surface development and the groundwater aquifer overlying the Cavity." *See* Order R-21888, ¶¶ 57-58; *see also* Division Application in Case No. 22472. As a result, the Division ordered the cessation of drilling and completion activities wells within the vicinity of the Brine Well Remediation Area. *See generally* Order R-21888 and Case No. 22472.

7. On January 4, 2022, SPC applied in Case No. 22534 to Amend Order No. R-21100-A to extend the drilling deadlines until February 12, 2023 due to the Division's suspension of drilling and completion activities.

8. After hearing, the Division issued Order No. R-21100-B on March 9, 2022, amending Order No. R-21100-A to extend the deadline to commence drilling until one year from the date SPC receives notice that the Division has determined remediation of the Carlsbad Brine Well is complete and that drilling and completion activities may resume. *See* Order No. R-21100-B at ¶ 20.

9. SPC received notice from the Division that remediation of the Carlsbad Brine Well was complete and that drilling and completion activities may resume on July 7, 2022, effectively setting July 7, 2023 as the deadline to commence drilling under Order No. R-21100-B.

10. On March 31, 2023, SPC filed an application to further extend the deadline to commence drilling under Case No. 23469. Following notice and hearing, the Division issued Order No. R-21100-C and nunc pro tunc Order No. R-21100-D extending the deadline to commence drilling until July 7, 2024.

11. Now, SPC seeks to further amend Order No. R-21100-D to extend the deadline to commence drilling until July 7, 2025 and to add the following additional proposed initial wells to be horizontally drilled from a common surface location in the SE/4 NE/4 (Unit H) of irregular Section 5:

- **Betty 221H** and **421H wells**, with a first take points in the NE/4 NE/4 (Lot 1) of said Section 5 and a last take points in the NW/4 NW/4 (Lot 5) of irregular Section 6, all within Township 22 South, Range 27 East; and
- **Betty 422H** with a first take point in the SE/4 NE/4 (Unit H) of said Section 5 and a last take point in the SW/4 NW/4 (Unit E) of irregular Section 6, all within Township 22 South, Range 27 East.

12. Applicant also seeks to rename the **Betty #402H** well (formerly Betty 5-6 WCXY 2H) (API No. 30-015-49015) to the **Betty 222H** well.

13. Good cause exists for Applicant's request that the Order be amended to allow additional time to commence drilling the initial well under the Order and to add additional initial wells. SPC Resources was recently acquired by Permian, which has determined it is prudent to drill additional initial wells through batch drilling and to simultaneously co-develop the targeted Upper Wolfcamp in this spacing unit with the Lower Bone Spring formation in an overlying spacing unit.

The overlying Bone Spring pool spacing unit is not yet subject to a voluntary agreement or a compulsory order. Accordingly, Applicant requires additional time to compulsory pool the overlying Bone Spring formation and to coordinate simultaneous co-development of both spacing units. Applicant has filed an application contemporaneously with this one to compulsory pool the overlying Bone Spring formation to allow it to co-develop both pools.

14. Simultaneous co-development of the Upper Wolfcamp and Lower Bone Spring formations is expected to increase ultimate recovery of hydrocarbons from both formations, will reduce waste, and protect correlative rights.

15. SPC therefore requests the deadline to commence drilling an initial well under Order No. R-21100, as amended, be extended for one year until July 7, 2025, and that the proposed additional initial wells be included in an amended order.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on April 4, 2024, and, after notice and hearing as required by law, the Division amend Order No. R-21100, as amended, to extend the time to commence drilling the proposed initial well until July 7, 2025, that the proposed additional initial wells be included in an amended order, and to designate Permian Resources Operating, LLC (OGRID 372165) as the operator of the horizontal well spacing unit.

Respectfully submitted,

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ATTORNEYS FOR SPC RESOURCES, LLC

CASE _____: Application of SPC Resources, LLC to Amend Order No. R-21100, As Amended, Eddy County, New Mexico. Applicant in the above-styled cause seeks to amend Order No. R-21100-D (the "Order") to allow for a one-year extension for drilling the proposed initial well under the Order, to add additional initial proposed wells, and to designate Permian Resources Operating, LLC (OGRID 372165) as the operator of the horizontal well spacing unit. Applicant seeks a drilling extension until July 7, 2025. The subject spacing unit is comprised of Lots 1-4 and the S/2 N/2 (N/2 equivalent) of irregular Section 5, and Lots 1-5, the SE/4 NW/4, and the S/2 NE/4 (N/2 equivalent) of irregular Section 6, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico, and is dedicated to the **Betty 402H well (API No. 30-015-49105)**. In addition, Applicant seeks add the following additional proposed initial wells to be horizontally drilled from a common surface location in the SE/4 NE/4 (Unit H) of irregular Section 5:

- **Betty 221H and 421H wells**, with a first take points in the NE/4 NE/4 (Lot 1) of said Section 5 and a last take points in the NW/4 NW/4 (Lot 5) of irregular Section 6, all within Township 22 South, Range 27 East; and
- **Betty 422H** with a first take point in the SE/4 NE/4 (Unit H) of said Section 5 and a last take point in the SW/4 NW/4 (Unit E) of irregular Section 6, all within Township 22 South, Range 27 East.

Applicant also seeks to rename the **Betty #402H** well (formerly Betty 5-6 WCXY 2H) (API No. 30-015-49015) to the **Betty 222H** well. Portions of said area are located within the city limits of Carlsbad, New Mexico.