

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

**IN THE MATTER OF APPLICATION
OF SPC RESOURCES, LLC TO
AMEND ORDER NO. R-21104-B,
EDDY COUNTY, NEW MEXICO.**

**CASE NO. 22535
ORDER NO. R-21104-C**

ORDER

The Director of the New Mexico Oil Conservation Division (“Division”), having heard this matter through a Hearing Examiner on February 3, 2022, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order:

FINDINGS OF FACT

1. SPC Resources, LLC (“Operator”) applied for an order to amend Order R-21104, as amended (“Existing Order”) for a one-year extension until February 17, 2023, to commence drilling the initial well.
2. Operator is in good standing under state-wide rules and regulations with respect to the Existing Order.
3. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through an affidavit in support of the Application. No other party presented evidence at the hearing.
4. The Division takes administrative notice of the record, findings, and orders in Case Nos. 22102 and 22472.
5. The proposed surface hole location and vertical borehole for the well proposed under the Existing Order is located within 3 miles of the Carlsbad Brine Well Cavity (the “Cavity”).

CONCLUSIONS OF LAW

6. The Division has jurisdiction over the parties and the subject matter therein to issue this Order pursuant to NMSA 1978, Sections 70-2-17 and 70-2-6.
7. The Division is authorized to make orders “to prevent crude petroleum oil, natural gas or water from escaping from strata in which it is found into other strata.” NMSA 1978, § 70-2-12(B)(2).

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8. The Division is authorized to make orders “to require wells to be drilled, operated and produced in such manner as to prevent injury to neighboring leases or properties.” NMSA 1978, § 70-2-12(B)(7).
9. Operator’s intent to drill and complete any well within the acreage affected by Order R-21104, as amended, poses a clear and immediate risk of harm to the stability of the Cavity and the successful completion of the ongoing Carlsbad Brine Well remediation project.
10. Operator’s intent to drill and complete any well within the acreage affected by Order R-21104, as amended, poses a clear and immediate risk of harm to surface development and the groundwater aquifer overlying the Cavity.
11. The Director finds that Operator’s proposed activity, as well as any drilling or completion activities occurring within three miles of the Cavity, must be suspended until such time as the Division determines the remediation is completed and the Cavity sufficiently stabilized.
12. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
13. The Division satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.
14. This Order affirms the Findings of Fact and Conclusions of Law in the Existing Order, and grants an extension of the deadline to commence drilling the subject wells to one year from the date Operator receives notice that the Division has determined remediation of the Carlsbad Brine Well is complete and drilling and completion activities may resume.
15. All other provisions of Order R-21104, as amended, not in conflict with this Order shall remain in full force and effect.

ORDER

16. Order R-21104, as amended, is suspended until such time as the Director determines that drilling and/or completion activities may commence.
17. Operator’s APD for the Barney #303H well (API No. 30-015-49106) is suspended, until such time as:
 - a. The remediation of the Carlsbad Brine Well project is complete,
 - b. The Cavity is considered stabilized, and
 - c. The Director or her delegate has provided written confirmation to Operator that drilling activities may commence, which confirmation shall be provided 10 business days after the conditions in subparagraphs 17(a) and

(b) above have been met.

18. Operator's APD for the Barney #303H well (API No. 30-015-49106) is retroactively suspended effective November 22, 2021.
19. Suspension of Order R-21104, as amended, is effective as of the date of the Division's Emergency Order, July 2, 2021.
20. The deadline in Order R-21104, as amended, to commence drilling is extended to one year from the date on which Operator receives notice that the Division has determined that remediation of the Carlsbad Brine Well is complete and that drilling and completion activities may resume. However, in no event shall this Order extend Order R-21104, as amended, beyond August 17, 2023; provided, however, that the Division Director may, upon written request, administratively extend Order R-21104 for good cause shown.
21. Operator may not commence any drilling or completion activities at any depth within the acreage affected by Order R-21104, as amended, until such time as the Director or her delegate notifies Operator that activities may commence. The Division will provide notice to Operator of the Division's determination that activities may commence at the same time it provides notice pursuant to paragraph 17(c).
22. The Operator shall commence drilling the Well(s) within one year from the date Operator receives notice that the Division has determined remediation of the Carlsbad Brine Well is complete and drilling and/or completion activities may commence, and complete each Well no later than one (1) year after the commencement of drilling the Well.
23. This Order shall terminate automatically if Operator fails to comply with Paragraph 22 unless Operator obtains an extension by an amendment of this Order for good cause shown.
24. The Division retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



**ADRIENNE SANDOVAL
DIRECTOR
AES/bb**

Date: 3/09/2022