

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

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

CASE NO. 21733

**APPLICATION OF LONGFELLOW ENERGY, LP
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 21651

**SPUR ENERGY PARTNERS, LLC’S CONSOLIDATED
PRE-HEARING STATEMENT**

Spur Energy Partners, LLC (“Spur”) (OGRID No. 328947), the applicant in the above-referenced case, submits this consolidated Pre-Hearing Statement pursuant to the rules of the Oil Conservation Division.

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APPLICANT’S STATEMENT OF CASE

These matters involve competing pooling cases between Spur and Longfellow Energy, LP (“Longfellow Energy”) for development of the Yeso formation within the Empire; Glorieta-Yeso Pool [Pool Code 96210], underlying the N/2 of Section 13, and the NE/4 of Section 14, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico.

The competing cases can be summarized as follows:

Longfellow Energy Case No. 21651: Longfellow Energy seeks to pool a standard 480-acre horizontal spacing unit comprised of N/2 of Section 13, and the NE/4 of Section 14, to be dedicated to five wells:

1. **Hendrix State Com 1314 ABX 001H well**, to be horizontally drilled from an approximate surface hole location 361’ FNL and 2400’ FEL of Section 14, to an approximate bottom hole location

347' FNL and 20' FEL of Section 13, with an approximate total vertical depth of 3,800 feet.

2. **Hendrix State Com 1314 ABX 002H well**, to be horizontally drilled from an approximate surface hole location 386' FNL and 2400' FEL of Section 14, to an approximate bottom hole location 800' FNL and 20' FEL of Section 13, with an approximate total vertical depth of 4,200 feet.
3. **Hendrix State Com 1314 ABX 003H well**, to be horizontally drilled from an approximate surface hole location 1703' FNL and 2428' FEL of Section 14, to an approximate bottom hole location 1254' FNL and 20' FEL of Section 13, with an approximate total vertical depth of 3,800 feet.
4. **Hendrix State Com 1314 ABX 004H well**, to be horizontally drilled from an approximate surface hole location 1728' FNL and 2428' FEL of Section 14, to an approximate bottom hole location 1708' FNL and 20' FEL of Section 13, with an approximate total vertical depth of 4,200 feet.
5. **Hendrix State Com 1314 ABX 005H well**, to be horizontally drilled from an approximate surface hole location 1753' FNL and 2428' FEL of Section 14, to an approximate bottom hole location 2161' FNL and 20' FEL of Section 13, with an approximate total vertical depth of 3,800 feet.

Spur Case No. 21733: Spur seeks to pool Longfellow Energy's minority working interest into a standard 480-acre horizontal well spacing unit comprised of N/2 of Section 13, and the NE/4 of Section 14, to be dedicated to six wells:

1. The **Aid North #10H well**, to be horizontally drilled from an approximate surface location 860 feet FNL and 2,400 feet FEL (Unit B) of Section 14, to a bottom hole location 330 feet FNL and 100 feet FEL (Unit A) of Section 13, with a total vertical depth of approximately 4,065 feet.
2. The **Aid North #11H well**, to be horizontally drilled from an approximate surface location 900 feet FNL and 2,400 feet FEL (Unit B) of Section 14, to a bottom hole location 1,220 feet FNL and 100 feet FEL (Unit H) of Section 13, with a total vertical depth of approximately 4,065 feet. The completed interval will remain within 330 feet of the quarter-quarter line separating the N/2 N/2 from the S/2 N/2 of Section 13 and the N/2 NE/4 from the S/2 SE/4 of Section 14 to allow inclusion of these proximity tracts into a standard horizontal spacing unit.
3. The **Aid North #12H well**, to be horizontally drilled from an approximate surface location 2,370 feet FNL and 2,400 feet FEL (Unit G) of Section 14, to a bottom hole location 2,110 feet FNL and 100 feet FEL (Unit H) of Section 13, with a total vertical depth of approximately 4,065 feet.

4. The **Aid North #50H well**, to be horizontally drilled from an approximate surface location 880 feet FNL and 2,400 feet FEL (Unit B) of Section 14, to a bottom hole location 430 feet FNL and 100 feet FEL (Unit A) of Section 13, with a total vertical depth of approximately 4,430 feet.
5. The **Aid North #51H well**, to be horizontally drilled from an approximate surface location 2,390 feet FNL and 2,400 feet FEL (Unit G) of Section 14, to a bottom hole location 2,300 feet FNL and 100 feet FEL (Unit H) of Section 13, with a total vertical depth of approximately 4,430 feet.
6. The **Aid North #70H well**, to be horizontally drilled from an approximate surface location 920 feet FNL and 2,400 feet FEL (Unit B) of Section 14, to a bottom hole location 1,365 feet FNL and 100 feet FEL (Unit H) of Section 13, with a total vertical depth of approximately 4,645 feet.

With 46.25% working interest, Spur owns the largest share of the working interest in the proposed standard 480-acre spacing unit and will be ultimately responsible for that portion of the development costs. Because Spur owns the greatest share of working interest in the acreage, it will bear the largest burden of the expenses and should be awarded operatorship over Longfellow Energy.

In addition to controlling the largest share of the working interest in the proposed spacing unit, all the other factors considered by the Division in competing compulsory pooling cases favor Spur:

- Spur has extensive experience drilling and operating horizontal wells in New Mexico and has successfully drilled and completed numerous horizontal wells in the Yeso formation in the subject area. In contrast, a review of the public records indicates Longfellow has drilled only five horizontal wells in the Yeso formation in New Mexico.
- The spacing and target intervals for Spur's proposed wells are based on Spur's drilling experience in this immediate area that will result in the most efficient and effective development of the acreage. In contrast, Longfellow Energy's well plan leaves a gap in the Blinebry interval that would go undeveloped relative to existing offsetting wells in the area and will result in waste or the later drilling of unnecessary wells.
- The well cost estimates (AFEs) proposed by Spur are based on its extensive experience drilling Yeso formation wells in this area and are substantially lower than those proposed by Longfellow Energy.
- Spur's proposed overhead rates are consistent with what Spur and other operators are charging in this area for similar wells and are lower than those proposed by Longfellow Energy.

Because the factors considered by the Division weigh in favor of Spur, including the most significant factor—control of the largest share of the working interest in the proposed spacing unit—the Division should grant Spur's pooling application so Spur can control the costs that it will ultimately be responsible for on its acreage. Doing so will ensure that the acreage will be developed under the most cost-effective and efficient development plan that will avoid waste and protect correlative rights.

Undisputed Facts

- The parties propose horizontal wells to be drilled in the same 480-acre horizontal well spacing unit.
- The parties agree that the formation intervals that each party proposes to target are similar.
- The parties agree that there is no significant difference in the geology between the parties’ competing proposals.
- The parties agree that a 200% risk charge is appropriate in these competing cases.

Disputed Facts

- The parties dispute the number of wells necessary for maximum recovery of hydrocarbons in the proposed horizontal well spacing unit.
- The parties dispute their respective share of working interest in the proposed spacing unit.
- The parties dispute which proposal is the better proposal, as more specifically stated in their respective pre-hearing statements and pre-filed written testimony, in light of the factors to be considered by the Division as set forth in its prior orders.

APPLICANT’S PROPOSED EVIDENCE

<u>WITNESS</u> Name and Expertise	<u>ESTIMATED TIME</u>	<u>EXHIBITS</u>
Paul R. Eschete, Executive Vice President-Land	30 mins.	C-1 through C-6
C. J. Lipinski, Geologist	30 mins.	D-1 through D-9
John M. Nabors, Engineer	30 mins.	E-1 through E-4

PROCEDURAL MATTERS

This case competes with Longfellow Energy’s proposed Hendrix wells in Case No. 21651. Case Nos. 21733 and 21651 have been consolidated for purposes of hearing.

Respectfully submitted,

HOLLAND & HART LLP

By: _____

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CERTIFICATE OF SERVICE

I hereby certify that on June 10, 2021, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

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QUESTIONS

Action 31460

QUESTIONS

Operator: Spur Energy Partners LLC 9655 Katy Freeway Houston, TX 77024	OGRID: 328947
	Action Number: 31460
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witness	3
Testimony time (in minutes)	90