

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

**APPLICATION OF SPC RESOURCES, LLC
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

SPC Resources, LLC ("Applicant") (OGRID No. 372262) through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order pooling all uncommitted interests in the Bone Spring formation underlying a standard 473.59-acre, more or less, horizontal well spacing unit comprised of the SW/4 of irregular Section 5, and Lots 6-7, the E/2 SW/4, and the SE/4 (S/2 equivalent) of irregular Section 6, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico. In support of its application, Applicant states:

1. Applicant is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.
2. Applicant seeks to dedicate the above-referenced horizontal spacing unit to the following proposed initial wells:
 - the **Barney 5-6 B3 #3H well**, to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 5 to a bottom-hole location in the NW/4 SW/4 (Lot 6) of Section 6; and
 - the **Barney 5-6 B3 #4H well**, to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 5 to bottom-hole location in the SW/4 SW/4 (Lot 7) of Section 6.

3. The completed interval for the proposed **Barney 5-6 B3 #3H well** will be within 330' of the quarter-quarter line separating the N/2 S/2 and the S/2 S/2 of Sections 5 and 6 to allow inclusion of this acreage into a standard 473.59-acre horizontal well spacing unit.

4. Applicant has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

5. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

6. 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 this proposed unit should be pooled and Applicant should be designated the operator of the proposed horizontal wells and spacing unit.


WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 14, 2019, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the Bone Spring formation underlying the proposed spacing unit;
- B. Approving the initial wells in the horizontal well spacing unit;
- C. Designating Applicant as operator of the horizontal spacing unit and the horizontal wells to be drilled thereon;
- D. Authorizing Applicant to recover its costs of drilling, equipping, and completing the wells;
- E. 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

- F. Imposing a 200% charge for the risk assumed by Applicant in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

HOLLAND & HART LLP

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ATTORNEYS FOR SPC RESOURCES, LLC

CASE _____:

Application of SPC Resources, LLC for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all uncommitted interests in the Bone Spring formation underlying a standard 473.59-acre, more or less, horizontal well spacing unit comprised of the SW/4 of irregular Section 5, and Lots 6-7, the E/2 SW/4, and the SE/4 (S/2 equivalent) of irregular Section 6, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico. Applicant proposes to dedicate the above-referenced spacing unit to the following proposed initial wells: (1) the **Barney 5-6 B3 #3H well** to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 5 to a bottom-hole location in the NW/4 SW/4 (Lot 6) of Section 6, and (2) the **Barney 5-6 B3 #4H well**, to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 5 to a bottom-hole location in the SW/4 SW/4 (Lot 7) of Section 6. The completed interval for the proposed **Barney 5-6 B3 #3H well** will be within 330' of the quarter-quarter line separating the N/2 S/2 and the S/2 S/2 of Sections 5 and 6 to allow inclusion of this acreage into a standard 473.59-acre 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, the actual operating costs and charges for supervision, the designation of applicant as operator of the wells, and the imposition of a 200% charge for risk involved in drilling and completing each well. Portions of said area are located within the city limits of Carlsbad, New Mexico.