

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

**APPLICATION OF SPUR ENERGY
PARTNERS LLC FOR TWO COMPULSORY
POOLING ORDERS REPLACING AND
REVOKING ORDER NO. R-21578, 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, for two compulsory pooling orders replacing and revoking Order No. R-21578, as amended, (the “Order”) and pooling (1) all uncommitted interests in a portion of the Yeso formation, from the top of the formation to 3,150 feet, 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; and (2) 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 units and has the right to drill thereon.
2. Division Order R-21578, 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 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.

5. Accordingly, Applicant seeks two orders that will revoke the existing Order and replacing it with two separate pooling orders creating two standard 480-acre, more or less, horizontal spacing units comprised of the SE/4 of Section 6 and E/2 of Section 7, Township 19 South, Range 25 East. The first order will pool all uncommitted interests from the top of the Yeso formation to a depth of 3,150 feet within the proposed acreage (the "Shallow Unit"). The second order will 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").

6. Applicant proposes to dedicate the Shallow Unit to the following initial proposed wells:

- The **Trudy Federal Com 10H, 30H, and 50H Wells**, each of 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 11H, 20H, 51H, and 70H Wells**, each of which will be horizontally drilled from a surface location in the SW/4 NE/4 (Unit G) of said Section 6 to bottom hole locations in the SW/4 SE/4 (Unit O) of Section 7.
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. 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 units.
9. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.
10. 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 units should be pooled, and Applicant should be designated the operator of the proposed horizontal spacing units and the proposed initial wells.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 5, 2022, and, after notice and hearing as required by law, the Division enter two separate orders:

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