

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

**APPLICATION OF SPC RESOURCES, LLC
TO AMEND ORDER NOS. R-21104, R-21104-
A, EDDY COUNTY, NEW MEXICO.**

**CASE NO. 21574
ORDER NOS. R-21104, R-21104-A**

**APPLICATION OF SPC RESOURCES, LLC
TO AMEND ORDER NOS. R-21123, R-21123-
A, EDDY COUNTY, NEW MEXICO.**

**CASE NO. 21575
ORDER NOS. R-21123, R-21123-A**

SPC'S CONSOLIDATED PRE-HEARING STATEMENT

SPC Resources, LLC, applicant in the above-referenced cases, submits this consolidated Pre-Hearing Statement, pursuant to the rules of the Oil Conservation Division.

APPEARANCES

APPLICANT

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APPLICANT'S STATEMENT OF CASE

In **Case No. 21574**, SPC seeks to amend Order Nos. R-21104 & 21104-A (“Orders”): (1) to pool additional interest owners under the terms of Order Nos. R-21104 & 21104-A; (2) to allow for an extension of time for drilling a well under the Orders, (3) update the names and locations of the Proposed Wells, and (4) to conform the Orders to the amended order template (“Amended Order”) described in the Division Director’s April 9, 2020 *Letter to Counsel Regarding Amended CP Order Template*. Division Order No. R-21104, entered on February 13, 2020 in Case No. 20860, and Order No. R-21104-A, entered on May 19, 2020 in Case No. 21257, created a 473.59-acre, more or less, standard horizontal spacing unit underlying 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 (the “Unit”), and designated SPC Resources as operator of the Unit. Order Nos. R-21104 & 21104-A further pooled the uncommitted interests in the Bone Spring formation (Esperanza; Bone Spring Pool (Pool Code 97755)) in the Unit and dedicated the Unit to the following Proposed Wells: (1) the **Barney 5-6 B3 #3H well** (API No. 30-015-pending), and the **Barney 5-6 B3 #4H well** (API No. 30-015-pending).

Since the entry of the Orders, SPC Resources has changed the name and location of the Proposed Barney 5-6 B3 #3H well to the **Barney 303H Well**, to now be drilled from a surface hole location in the SW/4 SW/4 (Unit M) of Section 5, to a bottom hole location in the

NW/4 SW/4 (Lot 6) of Section 6, Township 22 South, Range 27 East. The Barney 5-6 B3 #4H well will be dropped from the Order, as it is no longer planned to be drilled as a Proposed Well.

SPC Resources seeks to pool additional interest owners in the Unit under the terms of Order Nos. R-21104 & 21104-A. The pooling of the additional interest owners under the terms of Order Nos. R-21104 & 21104-A will prevent waste, will protect correlative rights, and will promote administrative efficiency. In order to permit SPC Resources to obtain its just and fair share of the oil and gas underlying the subject lands, the additional interest owners should be pooled in the Unit pursuant to the terms of Order Nos. R-21104 & 21104-A.

SPC Resources requests that Order Nos. R-21104 & 21104-A be re-opened and amended to allow SPC Resources additional time to commence drilling a well under the Orders. There is good cause for SPC Resources' request for an extension of time due to the unfavorable economic environment, the global pandemic caused by COVID and reduction in rig count, and SPC Resources has delayed its intended plans to develop the acreage subject to the Orders. Under the Orders, SPC Resources would be required to commence drilling a well by February 13, 2021, and therefore, asks for the deadline to commence drilling a well be extended for a year, to February 13, 2022.

In **Case No. 21575**, SPC seeks to amend Order Nos. R-21123 & R-21123-A ("Orders"): (1) to pool additional interest owners under the terms of Order Nos. R-21123 & R-21123-A, (2) to allow for an extension of time for drilling a well under the Orders, (3) update the names and locations of the Proposed Wells, and (4) to conform the Orders to the amended order template ("Amended Order") described in the Division Director's April 9, 2020 *Letter to Counsel Regarding Amended CP Order Template*. Division Order No. R-21123, entered on February 17, 2020 in Case No. 20858, and Order No. R-21123-A, entered on May 19, 2020 in Case No. 21258,

created a 473.59-acre, more or less, standard horizontal spacing unit underlying 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 (the “Unit”), and designated SPC Resources as the operator of the Unit. Order Nos. R-21123 & R-21123-A further pooled the uncommitted interests in the Wolfcamp formation (Purple Sage; Wolfcamp Pool (Pool Code 98220)) in the Unit and dedicated the Unit to the following Proposed Wells: (1) the **Barney 5-6 WCXY #4H well** (API No. 30-015-pending), and the **Barney 5-6 WCD #4H well** (API No. 30-015-pending).

Since the entry of the Orders, SPC Resources has changed the names and locations of the Proposed Wells as follows: the Barney 5-6 WCXY #4H well is now the **Barney 404H Well**, and the Barney 5-6 WCD #4H well is now the **Barney 444H Well**, to be drilled from surface hole locations in the SW/4 SW/4 (Unit M) of Section 5, to bottom hole locations in the SW/4 SW/4 (Lot 7) of Section 6, Township 22 South, Range 27 East.

SPC Resources seeks to pool additional interest owners in the Unit under the terms of Order Nos. R-21123 & R-21123-A. The pooling of the additional interest owners under the terms of Order Nos. R-21123 & R-21123-A will prevent waste, will protect correlative rights, and will promote administrative efficiency. In order to permit SPC Resources to obtain its just and fair share of the oil and gas underlying the subject lands, the additional interest owners should be pooled in the Unit pursuant to the terms of Order Nos. R-21123 & R-21123-A.

SPC Resources requests that Order Nos. R-21123 & R-21123-A be re-opened and amended to allow SPC Resources additional time to commence drilling a well under the Orders. There is good cause for SPC Resources’ request for an extension of time due to the unfavorable economic environment, the global pandemic caused by COVID and reduction in rig count, and SPC

Resources has delayed its intended plans to develop the acreage subject to the Orders. Under the Orders, SPC Resources would be required to commence drilling a well by February 17, 2021, and therefore, asks for the deadline to commence drilling a well be extended for a year, to February 17, 2022.

APPLICANT'S PROPOSED EVIDENCE

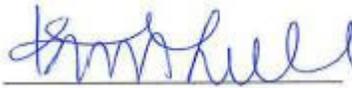
WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Colleen Bradley, Land Representative	Affidavit	Approx. 5

PROCEDURAL MATTERS

SPC intends to present these consolidated cases by affidavit, if uncontested at time of hearing.

Respectfully submitted,

HOLLAND & HART LLP



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CERTIFICATE OF SERVICE

I hereby certify that on January 14, 2021, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

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