

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

**APPLICATION OF FLAT CREEK RESOURCES, LLC
FOR COMPULSORY POOLING AND APPROVAL OF
NON-STANDARD SPACING UNIT,
EDDY COUNTY, NEW MEXICO**

Case No. _____

APPLICATION

Flat Creek Resources, LLC, OGRID# 374034 ("Flat Creek"), through its undersigned counsel Montgomery & Andrews, P.A. (Sharon T. Shaheen), hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order pooling all mineral interests in the Bone Spring formation (WC-015 G-04 S232628M; BONE SPRING [98056]) in a non-standard 640-acre, more or less, horizontal spacing and proration unit ("HSU") comprised of the W/2 of Sections 7 and 18 of Township 23 South, Range 26 East, NMPM, in Eddy County, New Mexico ("HSU") and, as an alternative, a non-standard 600-acre, more or less, HSU comprised of the W/2 of Section 7, the NW/4 of Section 18, the W/2 of the SW/4 of Section 18, and the NE/4 of the SW/4 of Section 18. Flat Creek also seeks approval of a non-standard unit. In support of its application, Flat Creek states as follows:

1. Flat Creek is a working interest owner in the proposed HSU and has the right to drill thereon.
2. Flat Creek proposes to dedicate the HSU to the: **Rena 7 Fed Com 601H** well, to be horizontally drilled from an approximate surface hole location 94' FSL and 646' FWL of Section 6-T23S-R26E, to an approximate bottom hole location 100' FSL and 330' FWL of Section 18-T23S-R26E.

3. The proposed spacing unit and Rena 7 Fed Com 601H well are part of a larger development plan in Sections 7 and 18 that includes lower Bone Spring and upper Wolfcamp wells. Applications for the other wells in Flat Creek's development plan are filed concurrently. In light of the development plan, correlative rights in the E/2 of the W/2 will be best protected by allocating production from the Rena 7 Fed Com 601H to all interest owners in the W/2 of Sections 7 and 18.

4. The purpose of the alternative HSU is to prepare for potential issues relating to any delays in approval for Bureau of Land Management permits and upcoming lease termination(s).

5. The same well will be drilled in either HSU. However, the name of the well in the alternative HSU would be the Rena 7 State Com 601H.

6. The completed interval and first and last take points will meet the setback requirements set forth in the statewide rules for horizontal oil wells.

7. Flat Creek has in good faith sought and been unable to obtain voluntary agreement for the development of these lands from all of the mineral interest owners in the HSU.

8. Approval of the HSU and the pooling of all mineral interest owners in the Bone Spring formation underlying the HSU will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

9. In order to permit Flat Creek to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this HSU should be pooled and Flat Creek should be designated the operator of the HSU.

WHEREFORE, Flat Creek requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 6, 2023, and that, after notice and hearing as required by law, the Division enter an order:

A. Approving and creating a non-standard 640-acre, more or less, HSU comprised of the W/2 of Sections 7 and 18, Township 23 South, Range 26 East, NMPM, in Eddy County, New Mexico and, as an alternative, a non-standard 600-acre, more or less, HSU comprised of the W/2 of Section 7, the NW/4 of Section 18, the W/2 of the SW/4 of Section 18, and the NE/4 of the SW/4 of Section 18;

B. Pooling all mineral interests in the Bone Spring formation underlying the HSU;

C. Allowing the drilling of the Rena 7 Fed Com 601H and, as an alternative, the Rena 7 State Com 601H;

D. Designating Flat Creek as operator of the HSU and the wells to be drilled thereon;

E. Authorizing Flat Creek to recover its costs of drilling, equipping, and completing the wells;

F. Approving the operating charges and costs of supervision while drilling of \$8,000/month and, after completion, \$800/month, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

G. Imposing a 200% penalty for the risk assumed by Flat Creek in drilling and completing the wells against any interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

/s/ Sharon T. Shaheen

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Attorneys for Flat Creek Resources, LLC

Application of Flat Creek Resources, LLC for Compulsory Pooling and Approval of Non-Standard Spacing Unit, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order from the Division pooling all uncommitted mineral interests in the Bone Spring formation (WC-015 G-04 S232628M; BONE SPRING [98056]) in a non-standard 640-acre, more or less, horizontal spacing and proration unit ("HSU") comprised of the W/2 of Sections 7 and 18 of Township 23 South, Range 26 East, NMPM, in Eddy County, New Mexico ("HSU") and, as an alternative, a non-standard 600-acre, more or less, HSU comprised of the W/2 of Section 7, the NW/4 of Section 18, the W/2 of the SW/4 of Section 18, and the NE/4 of the NW/4 of Section 18, if timing issues arise with seeking Bureau of Land Management permits. Applicant also seeks approval of a non-standard HSU. Applicant proposes to drill the following well in the HSU: **Rena 7 Fed Com 601H** well, to be horizontally drilled from an approximate surface hole location 94' FSL and 646' FWL of Section 6-T23S-R26E, to an approximate bottom hole location 100' FSL and 330' FWL of Section 18-T23S-R26E. The completed interval and first and last take points will meet the setback requirements set forth in the statewide rules for horizontal oil wells. Also to be considered will be the cost of drilling and completing the well and the allocation of the costs, the designation of Applicant as operator of the well, and a 200% charge for the risk involved in completing the well. The wells and lands are located approximately 4 miles South West of Carlsbad, New Mexico.