

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

**APPLICATION OF FRANKLIN MOUNTAIN
ENERGY 3, LLC FOR COMPULSORY POOLING
AND, TO THE EXTENT NECESSARY, APPROVAL
OF OVERLAPPING SPACING UNIT,
LEA COUNTY, NEW MEXICO**

CASE NO. _____

APPLICATION

Franklin Mountain Energy 3, LLC (“Franklin”), OGRID Number 331595, through its undersigned attorneys, hereby files this amended application¹ with the Oil Conservation Division (“Division”) pursuant to the provisions of NMSA 1978, § 70-2-17, for an order pooling all uncommitted mineral interests within a 324.13-acre, more or less, Bone Spring horizontal spacing unit comprising the W/2W/2 of Section 35, Township 18 South, Range 34 East, and Lot 4, the SW/NW, and W/2SW of Section 2 (the equivalent of the W/2W/2 of Section 2), Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico. Franklin also seeks, to the extent necessary, approval of an overlapping spacing unit. In support of this application, Franklin states as follows:

1. Franklin has an interest in the subject lands and has a right to drill and operate a well thereon.
2. Franklin seeks to dedicate the W/2W/2 of Section 35, Township 18 South, Range 34 East, and Lot 4, the SW/NW, and W/2SW of Section 2 (the equivalent of the W/2W/2 of Section 2), Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico to form a standard 324.13-acre, more or less, Bone Spring horizontal spacing unit.

¹ This application amends the application filed in Case No. 23848.

3. Franklin plans to drill the **Parallel State Com 301H and Parallel State Com 501H wells** to a depth sufficient to test the Bone Spring formation. The wells will be horizontally drilled, from a proposed surface hole location in the NE/4NW/4 (Unit C) of Section 35 to a proposed bottom hole location in the SW/4 SW/4 (Unit M) of Section 2; and the producing area for the wells is expected to be orthodox.

4. Franklin filed Case No. 23848 on September 5, 2023, in which Franklin requested that uncommitted mineral interests in the above described unit be pooled. In that case, Franklin also provided notice that the unit proposed in that application would “partially overlap a spacing unit in Section 35, Township 18 South, Range 34 E.” Application Case No. 23848, ¶ 4.

5. On December 1, 2023, the Division issued Order R-22971, which pooled uncommitted interests in a Bone Spring spacing unit comprised of the W/2SW/4 of Section 23, the W/2W/2 of Section 26, and the NW/4NW/4 of Section 35, Township 18 South, Range 34 East, Lea County, NM.

6. That unit is dedicated to Franklin Mountain Energy 3, LLC’s Gold State Com 301H well (API 30-0025-51666) and Gold State 601H (API 30-0025-51667) wells.

7. Franklin is filing this amended application, to the extent necessary, to provide notice that the spacing unit proposed in this application will partially overlap the Gold State Com Bone Spring spacing unit described above.

8. Franklin’s proposed spacing unit in this case will also partially overlap existing Bone Spring spacing units as follows:

- a. A 160-acre Bone Spring horizontal well spacing unit comprised of the N/2S/2 of Section 35 dedicated to Franklin Mountain’s Butter Cup 35 State Com 2H well (API 30-05-40642).

- b. A 160-acre Bone Spring horizontal well spacing unit comprised of the S/2S/2 of Section 35 dedicated to Franklin Mountain's Butter Cup 35 State Com 1H well (API 30-05-40634).
- c. A 164.13-acre Bone Spring horizontal well spacing unit comprised of the W2W2 of Section 2 dedicated to Franklin Mountain's Playa 2 State #002H (API 30-025-40549).

9. Franklin sought, but has been unable to obtain, a voluntary agreement from all interest owners in the Bone Spring formation underlying the proposed spacing unit to participate in the drilling of the wells or to otherwise commit their interests to the wells.

10. The pooling of all interests in the Bone Spring formation underlying the proposed unit and approving, to the extent necessary, the overlapping spacing unit will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

11. Case No. 23848 is currently set for contested hearing on April 9, 2024.

12. Franklin requests that this case be set for a status conference on April 4, 2024 and then set for a contested hearing on April 9, 2024.

WHEREFORE, Franklin requests this application be set for hearing before an Examiner of the Oil Conservation Division, and after notice and hearing as required by law, the Division enter its order:

A. Pooling all uncommitted interests in the Bone Spring formation underlying a horizontal spacing unit within the W/2W/2 of Section 35, Township 18 South, Range 34 East, and Lot 4, the SW/NW, and W/2SW of Section 2 (the equivalent of the W/2W/2 of Section 2), Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico;

B. Approving, to the extent necessary, the proposed overlapping spacing unit;

- C. Designating Franklin as operator of this unit and the wells to be drilled thereon;
- D. Authorizing Franklin to recover its costs of drilling, equipping and completing the wells;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.

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CASE NO. _____: Application of Franklin Mountain Energy 3, LLC for compulsory pooling and, to the extent necessary, approval of an overlapping spacing unit, Lea County, New Mexico. Applicant seeks an order from the Division pooling all uncommitted mineral interests within a 324.13-acre, more or less, Bone Spring horizontal spacing unit comprising the W/2W/2 of Section 35, Township 18 South, Range 34 East, and Lot 4, the SW/NW, and W/2SW of Section 2, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the **Parallel State Com 301H and Parallel State Com 501H wells**, to be horizontally drilled, from a proposed surface hole location in the NE/4NW/4 (Unit C) of Section 35 to a proposed bottom hole location in the SW/4SW/4 (Unit M) of Section 2. The producing area for the wells is expected to be orthodox. Franklin also seeks, to the extent necessary, approval of an overlapping spacing unit. The proposed horizontal spacing unit will partially overlap a 280-acre horizontal spacing unit W/2SW/4 of Section 23, the W/2W/2 of Section 26, and the NW/4NW/4 of Section 35, Township 18 South, Range 34 East dedicated to Franklin Mountain Energy 3, LLC's Gold State Com 301H well (API 30-0025-51666) and Gold State 601H (API 30-0025-51667) wells. Franklin's proposed spacing unit in this case will also partially overlap the following Bone Spring spacing units: A 160-acre Bone Spring horizontal well spacing unit comprised of the N/2S/2 of Section 35 dedicated to Franklin Mountain's Butter Cup 35 State Com 2H well (API 30-05-40642); a 160-acre Bone Spring horizontal well spacing unit comprised of the S/2S/2 of Section 35 dedicated to Franklin Mountain's Butter Cup 35 State Com 1H well (API 30-05-40634); and a 164.13-acre Bone Spring horizontal well spacing unit comprised of the W2W2 of Section 2 dedicated to Franklin Mountain's Playa 2 State #002H (API 30-025-40549). Also to be considered will be the cost of drilling and completing said wells, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Franklin Mountain Energy 3, LLC as operator of the wells, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 24 miles west of Hobbs, New Mexico.