

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

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

CASE NOS. 24457, 24459, 24479

**APPLICATIONS OF FRANKLIN MOUNTAIN
ENERGY 3, LLC FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

CASE NOS. 24898-24901

**APPLICATIONS OF MRC PERMIAN
COMPANY FOR APPROVAL OF AN
OVERLAPPING HORIZONTAL WELL
SPACING UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NOS. 24778-24783

**APPLICATIONS OF MRC PERMIAN COMPANY
FOR APPROVAL COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

CASE NOS. 24784-24786¹

PRE-HEARING STATEMENT

Franklin Mountain Energy 3, LLC (“Franklin”) submits this Pre-Hearing Statement for the above-referenced cases pursuant to the rules of the Oil Conservation Division.

APPEARANCES

APPLICANT

FRANKLIN MOUNTAIN ENERGY 3, LLC

ATTORNEY

Deana M. Bennett
Earl E. DeBrine
Yarithza Peña
MODRALL, SPERLING, ROEHL,
HARRIS & SISK, P.A.
P. O. Box 2168

¹ On November 7, 2024, MRC Permian Company dismissed case numbers 24787-24790.

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(505) 848-1800

OTHER PARTIES

MRC Permian Company

ATTORNEY

Michael H. Feldewert
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Paula M. Vance
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PO Box 2208
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STATEMENT OF CASES

The above captioned cases involve partially overlapping competing development plans. In its Bone Spring cases (Cases 24457, 24459, 24479), FME3 seeks orders from the Division pooling all uncommitted interests within Bone Spring horizontal spacing units underlying Sections 18, 19, and 30, Township 18 South, Range 35 East. In its Wolfcamp cases (Case Nos. 24899-24901), FME3 seeks orders from the Division pooling all uncommitted interests within Wolfcamp horizontal spacing units underlying Sections 19 and 30, Township 18 South, Range 35 East. These spacing units will be dedicated to FME3's Rope State Com wells. MRC Permian, LLC's ("MRC") cases seek orders from the Division pooling uncommitted interests within Bone Spring and Wolfcamp horizontal spacing units underlying Sections 19 and 30, Township 18 South, Range 35 East, proposed to be dedicated to MRC's Airstrip wells.

FME3's applications should be granted and MRC's denied. FME has higher working interest control and higher working interest than MRC across FME3's proposed Rope State Com units. FME3 will also demonstrate at the contested hearing in these matters that FME3's development plan is superior to MRC's development plan because FME3 is targeting more formations with more wells. Because FME3 is targeting more formations, with more wells, FME3's

development plan protects correlative rights and prevents waste, while MRC's development negatively impacts correlative rights and will result in waste.

The issue to be resolved at the contested hearing in these matters is who should be designated operator of the acreage and units at issue. The factors the Division evaluates when analyzing competing applications weigh in favor of granting FME3's applications. *See* Commission Order R-21416-A. Those factors are:

1. A comparison of geologic evidence presented by each party as it relates to the proposed well location and the potential of each proposed prospect to efficiently recover the oil and gas reserves underlying the property.
2. A comparison of the risk associated with the parties' respective proposal for the exploration and development of the property.
3. A review of the negotiations between the competing parties prior to the applications to force pool to determine if there was a "good faith" effort.
4. A comparison of the ability of each party to prudently operate the property and, thereby, prevent waste.
5. A comparison of the differences in well cost estimates (AFEs) and other operational costs presented by each party for their respective proposals.
6. An evaluation of the mineral interest ownership held by each party at the time the application was heard.
7. A comparison of the ability of the applicants to timely locate well sites and to operate on the surface (the "surface factor").

See Order R-21416-A, ¶ 9.

FME3 believes that the following facts are undisputed and are material to the issue presented in these consolidated cases:

1. FME3 has higher working interest than MRC across the Rope State Com units.
2. FME3 is an experienced oil and gas operator in Lea County and is developing acreage adjacent to the tracts at issue in these cases. FME3 has received pooling orders for multiple spacing units adjacent to the tracts at issue in these cases.
3. FME3's development plans minimize surface impacts, and FME3 has been proactively planning and developing infrastructure to support FME3's operations in this area.

4. FME3's development plans target more formations with more wells. Specifically, FME3 is targeting the Wolfcamp A, which MRC is not and FME3 is proposing a total of 15 wells, whereas MRC is only proposing a total of 10 wells.

5. FME3 plans to develop the Bone Spring in Section 18, which MRC is not.

6. FME3 has received or submitted permits necessary to commence drilling.

7. The Rope State Com wells are on FME3's plan to develop in early 2025 to meet leasehold expiration.

8. There are no faults, pinch outs or other geologic impediments to developing the Bone Spring and Wolfcamp formations.

9. FME3's AFE costs are lower than MRC's.

The testimony and evidence at the hearing will address disputed facts and issues relating to the Division's evaluation of competing applications.

SUMMARY OF FME3 CASES

In its cases, FME3 seeks to pool standard horizontal spacing units as follows:

- In **Case No. 24457**, Franklin Mountain Energy 3, LLC seeks an order from the Division pooling all uncommitted mineral interests within a 459.56-acre, more or less, Bone Spring horizontal spacing unit comprised of Lots 1, 2, 3, and 4 of irregular Sections 18, 19, and 30 (W/2 W/2 equivalent), Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico to be dedicated to the **Rope State Com 301H** and **Rope State Com 601H** wells.
- In **Case No. 24459**, Franklin Mountain Energy 3, LLC seeks an order from the Division pooling all uncommitted mineral interests within a 960-acre, more or less, Bone Spring horizontal spacing unit comprised of the E/2 of Sections 18, 19, and 30, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico to be dedicated to the **Rope State Com 303H**, **Rope State Com 304H** and **Rope State Com 604H**.
- In **Case No. 24479**, Franklin Mountain Energy 3, LLC seeks an order from the Division pooling all uncommitted mineral interests within a 480-acre, more or less, Bone Spring

horizontal spacing unit comprised of the E/2 W/2 of Sections 18, 19, and 30, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico to be dedicated to the **Rope State Com 302H** and **Rope State Com 602H** wells.

- In **Case No. 24898**, Franklin Mountain Energy 3, LLC seeks an order from the Division pooling all uncommitted mineral interests within a 320-acre, more or less, Wolfcamp horizontal spacing unit comprised of the W/2E/2 of Sections 19 and 30, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico to be dedicated to the **Rope State Com 703H** and **Rope State Com 803H** wells.
- In **Case No. 24899**, Franklin Mountain Energy 3, LLC seeks an order from the Division pooling all uncommitted mineral interests within a 306.92-acre, more or less, Wolfcamp horizontal spacing unit comprised of Lots 1, 2, 3, and 4 of irregular Sections 19 and 30 (W/2 W/2 equivalent), Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico to be dedicated to the **Rope State Com 701H** and **Rope State Com 801H** wells.
- In **Case No. 24900**, Franklin Mountain Energy 3, LLC seeks an order from the Division pooling all uncommitted mineral interests within a 320-acre, more or less, Wolfcamp horizontal spacing unit comprised of the E/2 W/2 of Sections 19 and 30, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico to be dedicated to the **Rope State Com 702H** and **Rope State Com 802H** wells.
- In **Case No. 24901**, Franklin Mountain Energy 3, LLC seeks an order from the Division pooling all uncommitted mineral interests within a 320-acre, more or less, Wolfcamp horizontal spacing unit comprised of the E/2E/2 of Sections 19 and 30, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico to be dedicated to the **Rope State Com 704H** and **Rope State Com 804H** wells.

PROPOSED EVIDENCE

FME has filed self-affirmed declarations for the following witnesses and intends to call them at the hearing in these consolidated matters:

APPLICANT:

WITNESS	ESTIMATED TIME	EXHIBITS
Landman: Don Johnson	Approx. 30 minutes	Approx. 25

Geologist: Ben Kessel	Approx. 15 minutes	Approx. 15
Reservoir Engineer: Cory McCoy	Approx. 30 minutes	Approx. 15

PROCEDURAL ISSUES

Pursuant to the Pre-Hearing Order entered in these matters, FME3 has filed self-affirmed statements containing the direct testimony for each witness, the exhibits discussed in those affidavits, and the hearing notice affidavits and exhibits. FME3 reserves the rights to call rebuttal witnesses or submit rebuttal exhibits.

Respectfully submitted,

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


By: /s/ Deana M. Bennett

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on counsel of record by electronic mail on November 13, 2024.

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State of New Mexico
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Oil Conservation Division
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QUESTIONS

Action 403142

QUESTIONS

Operator: Franklin Mountain Energy 3, LLC 44 Cook Street Denver, CO 80206	OGRID: 331595
	Action Number: 403142
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	3
Testimony time (in minutes)	75