

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

**APPLICATION OF FLAT CREEK RESOURCES, LLC  
FOR A HORIZONTAL SPACING UNIT AND COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO**

Case No. 21560

**SELF-AFFIRMED STATEMENT (AMENDED) OF MICHAEL GREGORY**

STATE OF TEXAS            )  
                                          ) ss.  
COUNTY OF TARRANT    )

I, being duly sworn on oath, state the following:

1. I am over the age of eighteen years and have the capacity to execute this Self-Affirmed Statement, which is based on my personal knowledge and correct to the best of my knowledge.
2. I am employed as Vice President, Land with Flat Creek Resources, LLC. (“Flat Creek”), and I am familiar with the subject application and the lands involved.
3. I graduated from the Texas Tech University with a Bachelor’s degree in Energy Commerce in 2008. I have worked at Flat Creek for approximately three (3) years. I have not previously testified before the New Mexico Oil Conservation Division (“Division”), and I am attaching a one-page resume of my credentials for the Division’s review and consideration, and ask that I be accepted as an expert witness in petroleum landman matters.
4. This Self-Affirmed Statement is submitted in connection with the filing by Flat Creek of the above-referenced spacing and compulsory pooling application pursuant to 19.15.4.12.A(1) NMAC.

5. The purpose of this application is to force pool uncommitted working interest owners and overriding royalty interest owners into the horizontal spacing unit described below, and in the wells proposed to be drilled in the unit by Flat Creek.

6. Flat Creek seeks an order (1) creating a non-standard 480-acre, more or less, spacing and proration unit comprised of the North Half and North Half of the South Half (N/2 and N/2 of the S/2) of Section 23, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted mineral interests in the Purple Sage; Wolfcamp formation ([Pool Code 98220]), designated as a gas field, underlying said unit in the Permian Basin.

7. The proposed spacing unit will be dedicated to the following initial wells: Thirteen Seconds 23 Fed-Fee 701H Well, Thirteen Seconds 23 Fed-Fee 702H Well, and Thirteen Seconds 23 Fed-Fee 703H Well.

8. The **Thirteen Seconds 23 Fed-Fee 701H Well** is proposed to be horizontally drilled from a surface location in the Northwest Quarter (NW/4 of the NW/4) of Section 23 to a bottom hole location in the Northeast Quarter of the Northeast Quarter (NE/4 of the NE/4) of the same Section 23.

9. The **Thirteen Seconds 23 Fed-Fee 702H Well** is proposed to be horizontally drilled from a surface location in Northwest Quarter (NW/4 of the NW/4) of Section 23 to a bottom hole location in the Southeast Quarter of the Northeast Quarter (SE/4 of the NE/4) of the same Section 23.

10. The **Thirteen Seconds 23 Fed-Fee 703H Well** is proposed to be horizontally drilled from a surface location in Northwest Quarter of the Southwest Quarter (NW/4 of the SW/4) of Section 23 to a bottom hole location in the Northeast Quarter of the Southeast Quarter (NE/4 of the SE/4) of the same Section 23.

11. These wells are located in the Purple Sage; Wolfcamp (Gas) Pool (Pool Code 98220) and have unorthodox locations; Flat Creek will be applying for administrative approval of the non-standard locations of these wells with notice letters to the affected persons. Flat Creek will also be applying administratively for approval of a non-standard proration unit.

12. A plat outlining the unit being pooled is attached hereto as **Exhibit A-2**, which shows the location of the proposed wells within the unit.

13. The parties being pooled, the nature of their interests, and their last known addresses are listed on **Exhibit A-2** attached hereto. **Exhibit A-2** includes information regarding working interest owners and overriding royalty interest owners.

14. There are no depth severances in the Wolfcamp formation in this acreage.

15. The locations and proposed depths of the well to be drilled on the pooled units is as follows:

<b>Well Name</b>	<b>SHL</b>	<b>BHL</b>	<b>TVD</b>	<b>TMD</b>
Thirteen Seconds 23 Fed-Fee 701H	912' FNL and 343' FWL of Section 23	590' FNL and 100' FEL of Section 23	9,317'	14,300'
Thirteen Seconds 23 Fed-Fee 702H	942' FNL and 343' FWL of Section 23	1,910' FNL and 100' FEL of Section 23	9,319'	14,300'
Thirteen Seconds 23 Fed-Fee 703H	1,835' FSL and 889' FWL of Section 23	2,010' FSL and 100' FEL of Section 23	9,328'	14,300'

16. I provided the law firm of Abadie & Schill P.C. a list of names and addresses for the uncommitted interest owners and ORRI owners shown on Exhibit A-2. In compiling these addresses, I conducted a diligent search of the public records in Eddy County, New Mexico, where the well is located, and of phone directories and did computer searches to locate the contact information for parties entitled to notification. Notice of this hearing was published in the Carlsbad Current-Argus, a newspaper of general circulation in Eddy County, New Mexico, to account for any unanticipated parties. There were no unlocatable parties.

17. Flat Creek has made a good faith effort to obtain voluntary joinder of the working interest owners in the proposed wells which consists solely of subsidiaries of Matador Resources Company (“Matador”). **Exhibit A-4** provides a chronology and history of negotiations and commercial discussions with Matador which dates back to September of 2019. Flat Creek has been the more proactive party in its good-faith attempts to find a commercial solution for this unit accounting for an estimated twenty-one (21) of the emails opposed to Matador’s three (3). The majority of the communication was initiated via email with some follow up discussions being held over the phone and the rest in three (3) meetings organized by Flat Creek.

18. Flat Creek obtained its lease in this Section 23 from the Bureau of Land Management (“BLM”) in the December 5, 2018 lease sale which was issued effective November 1, 2019. The lease covers 120 acres in the North Half (N/2) of Section 23 and 40 acres in the South Half (S/2) of Section 23. The lease had a stipulation requiring the Lessee to join the Communitization Agreements (“CA”) for Matador’s two (2) existing vertical wells covering the Morrow formation in the South Half (S/2) of Section 23 (NMNM 138621) and the North Half (N/2) of Section 23 (NMNM 138785) which Flat Creek executed timely on April 11, 2019. Notably, Matador has not formally delivered well proposals to Flat Creek for these two (2) Morrow wells since our lease was issued nor has Flat Creek been paid for an overriding royalty interest (“ORRI”) that is owned by a subsidiary of Flat Creek in both of those units. Flat Creek has been entitled to payment on these wells for both its working interest and ORRI since the approval on November 1, 2019, of the federal lease, but has received no payments from Matador.

19. Matador also had an existing horizontal well (Norris-Thornton Com 204H Well; API No. 30-015-44659) in the S/2 of Section 23 which commenced production prior to the December 5, 2018 lease sale. As a standing policy, the BLM gives notice of an escrow account and the amount

in it from the time of first production. However, there was no mention for an escrow account or the amounts involved in BLM's Notice of Sale for the lease, not to mention that, as far as we can determine with the Office of Natural Resources Revenue ("ONRR"), Matador has failed to place any payments for production in an escrow account, see Exhibit A-6, and there was no stipulation from the BLM to join into a CA for that well which has presumably been producing on 320-acre spacing without any type of voluntary or involuntary pooling in place. The stipulation to join a CA is also part of the requirements of notice during the BLM sale. Given the absence of these requirements, and the apparent lack of payment, Flat Creek has requested that the BLM stay or terminate the CA for the Norris-Thorton Com 204H Well, and Flat Creek's request, and the basis for it, can be reviewed in Exhibit A-5. We believe this CA is currently invalid, and the OCD should exercise its authority under these circumstances to determine which development plan best prevents waste and protects correlative rights.

20. The Norris-Thornton Com 204H is forecasted to have a low Estimated Ultimate Recovery (EUR) relative to other offset wells in the same formation as demonstrated in Flat Creek's Engineering Testimony. Our Reservoir Engineer provides the data on this. Matador initially requested that Flat Creek join their proposed 320-acre spacing unit for that well consisting of the South Half (S/2) of Section 23. This was declined by Flat Creek as we believe more value can be created for the working and royalty interest owners by drilling additional wells rather than participate in the existing horizontal well forecasted to have a low EUR. In addition, that well was drilled prior to the Flat Creek lease being granted so Flat Creek was not able to have any input in its development.

21. Flat Creek initiated commercial discussions with Matador in September of 2019 and has proposed numerous resolutions since then. This includes proposals to trade within Section 23,

whereby Flat Creek would operate the North Half (N/2) and Matador would operate the South Half (S/2), opportunities to trade with other sections, as well as cash and farmout proposals. Matador never provided formal feedback to any of our proposals as we were told that this was not getting attention internally at Matador. Following that feedback Flat Creek proposed a well to Matador to initiate development, protect everyone's correlative rights, and optimize the production of the section. Eventually, on February 10, 2021, we were told by Matador that it would purchase our working and/or royalty interest for a value that is far below market. Flat Creek immediately advised that was unacceptable as we believe that would result in stalled development of these lands and cause unnecessary waste. On March 19, 2021 Matador advised that they would be sending a revised proposal to Flat Creek the week of March 22<sup>nd</sup>, however no such proposal was made until April 21, 2021 despite multiple follow up attempts by Flat Creek which are documented in Exhibit A-4. On April 22, 2021, Flat Creek advised Matador that its April 21<sup>st</sup> proposal was also insufficient as it was not materially changed from the March 19<sup>th</sup> proposal. Flat Creek also reiterated its desire to trade or have Matador participate with Flat Creek as the operator but has not received any response from Matador.

22. Flat Creek wants to ensure that the OCD has the opportunity to select the best development plan for maximum production, prevention of waste and the protection of correlative rights. Our Reservoir Engineer and Geologist demonstrate in their testimony and exhibits that our proposed 480 acre unit will outperform Matador's proposed 320-acre unit, and given that Flat Creek has provided the basis for showing that the CA for the S/2 is invalid, Flat Creek proposes that its 480-acre plan is the best option. We have an established track record for diligence and timeliness in our drilling and operations. Our professional team has been selected from the oil and gas industry and represent 98 years of cumulative experience in drilling and operations between four (4) key

personnel in Land, Geology and Engineering with a substantial amount of that being horizontal development in the Permian Basin.

23. The interest owners being pooled have been contacted regarding the proposed well, but have failed or refused to voluntarily commit their interests in the well. However, Flat Creek has been in ongoing discussions with Matador to voluntarily enter into a Joint Operating Agreement. If a mutually agreeable Joint Operating Agreement is reached between Flat Creek and Matador, Flat Creek requests that the voluntary agreement become operative and supersede the Division's order for said parties, except to the extent the Division deems it necessary to maintain spacing criteria for the purpose of conservation, the prevention of waste, and the protection of correlative rights.

24. Proposed C-102s for the wells are attached as **Exhibit A-1**. The wells will develop the Wolfcamp formation (PURPLE SAGE; WOLCAMP [Pool Code 98220]).

25. **Exhibit A-3** is the proposal letter and the AFE's for the proposed wells that was sent to Matador on December 14, 2020. The estimated cost of the well set forth in the AFE is fair, reasonable, and comparable to the costs of other wells of similar depths and lengths drilled in this area of New Mexico.

26. Flat Creek requests overhead and administrative rates of \$8,000/month for drilling the well and \$800/month for producing the well. These rates are fair and comparable to the rates charged by other operators for wells of this type in this area of southeastern New Mexico. Flat Creek requests that these rates be adjusted periodically as provided in the COPAS Accounting Procedure.

27. Flat Creek requests the maximum cost, plus 200% risk charge be assessed against non-consenting working interest owners.

28. Flat Creek requests that it be designated operator of the unit and well.

29. The Exhibits to this Statement were prepared by me, or compiled from Flat Creek's company business records under my direct supervision.

30. The granting of this Application is in the best interests of conservation, the prevention of waste, and the protection of correlative rights, and will avoid the drilling of unnecessary wells.

31. The foregoing is correct and complete to the best of my knowledge and belief.

*[Signature page follows]*

Michael Gregory as a Vice President of Land and authorized agent of Flat Creek Resources, LLC, the Affiant, being duly sworn, upon oath, states that the information contained in his Self-Affirmed Statement is accurate and complete to the best of his knowledge.



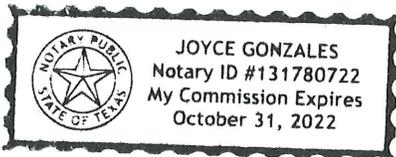
Michael Gregory

FURTHER AFFIANT SAYETH NAUGHT



Michael Gregory

Subscribed to and sworn before me this 30 day of April, 2021.



Notary Public