



Before the Oil Conservation Division
Examiner Hearing June 1st, 2023

Compulsory Pooling

Case No. 23566: Eagle State Com 303H

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

IN THE MATTER OF THE APPLICATION OF

**FRANKLIN MOUNTAIN ENERGY 3, LLC
FOR COMPUSLORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 23566

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- Exhibit C-7: Regional Stress Orientation Justification


COMPULSORY POOLING APPLICATION CHECKLIST

ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS

| | |
|---|--|
| Case: 23566 | APPLICANT'S RESPONSE |
| Date: May 30, 2023 | |
| Applicant | Franklin Mountain Energy 3, LLC |
| Designated Operator & OGRID (affiliation if applicable) | Franklin Mountain Energy 3, LLC OGRID 331595 |
| Applicant's Counsel: | Modrall Sperling |
| Case Title: | APPLICATION OF FRANKLIN MOUNTAIN ENERGY 3, LLC FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO |
| Entries of Appearance/Intervenors: | None |
| Well Family | Eagle State |
| Formation/Pool | |
| Formation Name(s) or Vertical Extent: | Bone Spring |
| Primary Product (Oil or Gas): | Oil |
| Pooling this vertical extent: | Bone Spring |
| Pool Name and Pool Code: | Scharb; Bone Spring Pool Code 55610 |
| Well Location Setback Rules: | State-Wide Rules Apply |
| Spacing Unit | |
| Type (Horizontal/Vertical) | Horizontal |
| Size (Acres) | 319.62 |
| Building Blocks: | Per the State Wide Rules, the building blocks are 40 acre tracts. See Rule 19.15.16.15(B) (spacing for oil wells); 19.15.16.15(E)(3) (providing that any statewide rules or special pool rules that conflict with the horizontal well rules are inapplicable, except the Purple Sage Wolfcamp Order). The Division's pool list identifies this pool as having 80-acre building blocks. To the extent not superceded by 19.15.16.15(E)(3), the unit is still standard with 80-acre building blocks. |
| Orientation: | North-South |
| Description: TRS/County | W/2E/2 of Sections 3 and 10, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico. |
| Standard Horizontal Well Spacing Unit (Y/N), if No, describe and is approval of non-standard unit requested in this application? | Unit is standard. |
| Other Situations | |
| Depth Severance: Y/N. If yes, description | N |
| Proximity Tracts: If yes, description | N |
| Proximity Defining Well: if yes, description | N/A |
| Applicant's Ownership in Each Tract | See Exhibit B-3. |
| Well(s) | |
| Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard) | Add wells as needed |



| | |
|--|--|
| | SHL: 325' FNL & 1920' FWL, Section 3, T-19-S R-35-E FTP: 673' FNL & 2181' FEL, Section 3, T-19-S R-35-E LTP: 100' FSL & 2180' FEL, Section 10, T-19-S R-35-E Orientation: North/South Completion Target: Bone Spring Completion Status: Standard TVD: 9,057' MVD: 19,057' |
| Horizontal Well First and Last Take Points | See above cells and Exhibit B, paragraph 13, and Exhibit B-2 (C-102) |
| Completion Target (Formation, TVD and MD) | See above cells and Exhibit B-5 (proposal letter) |
| AFE Capex and Operating Costs | |
| Drilling Supervision/Month \$ | \$9,000 |
| Production Supervision/Month \$ | \$900 |
| Justification for Supervision Costs | See Exhibit B Paragraph 24 |
| Requested Risk Charge | 200% |
| Notice of Hearing | |
| Proposed Notice of Hearing | Exhibit B-7 |
| Proof of Mailed Notice of Hearing (20 days before hearing) | Exhibit B-7 |
| Proof of Published Notice of Hearing (10 days before hearing) | Exhibit B-7 |
| Ownership Determination | |
| Land Ownership Schematic of the Spacing Unit | Exhibit B-4 |
| Tract List (including lease numbers and owners) | Exhibit B-4 |
| If approval of Non-Standard Spacing Unit is requested, Tract List (including lease numbers and owners) of Tracts subject to notice requirements. | Exhibit B-4 |
| Pooled Parties (including ownership type) | Exhibit B-4 |
| Unlocatable Parties to be Pooled | Exhibit B-4 |
| Ownership Depth Severance (including percentage above & below) | NA |
| Joinder | |
| Sample Copy of Proposal Letter | Exhibit B-5 |
| List of Interest Owners (ie Exhibit A of JOA) | Exhibit B-3 |
| Chronology of Contact with Non-Joined Working Interests | Exhibit B-4 |
| Overhead Rates In Proposal Letter | Exhibit B-5 |
| Cost Estimate to Drill and Complete | Exhibit B-6 |
| Cost Estimate to Equip Well | Exhibit B-6 |
| Cost Estimate for Production Facilities | Exhibit B-6 |
| Geology | |
| Summary (including special considerations) | Exhibit C |
| Spacing Unit Schematic | Exhibit C-2 |
| Gunbarrel/Lateral Trajectory Schematic | Exhibit C-2 |
| Well Orientation (with rationale) | Exhibit C-7 |

| | |
|--|--|
| Target Formation | Exhibits C-3 to C-6 |
| HSU Cross Section | Exhibit C-5 |
| Depth Severance Discussion | NA |
| Forms, Figures and Tables | |
| C-102 | Exhibit B-2 |
| Tracts | Exhibit B-3 |
| Summary of Interests, Unit Recapitulation (Tracts) | Exhibit B-3 |
| General Location Map (including basin) | Exhibit C-1 |
| Well Bore Location Map | Exhibit C-3 |
| Structure Contour Map - Subsea Depth | Exhibit C-3 |
| Cross Section Location Map (including wells) | Exhibit C-4 |
| Cross Section (including Landing Zone) | Exhibit C-5 |
| Additional Information | |
| Special Provisions/Stipulations | NA |
| CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate. | |
| Printed Name (Attorney or Party Representative): | Deana M. Bennett |
| Signed Name (Attorney or Party Representative): |  |
| Date: | 30-May-23 |

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

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

CASE NO. 23566

SELF AFFIRMED DECLARATION OF DON JOHNSON

Don Johnson hereby states and declares as follows:

1. I am over the age of 18, I am a Senior Land Analyst for Franklin Mountain Energy 3, LLC (“FME3”), and I have personal knowledge of the matters stated herein.
2. I have previously testified before the Oil Conservation Division (“Division”) and my credentials as an expert petroleum landman were accepted as a matter of record.
3. My area of responsibility at FME3 includes the area of Lea County in New Mexico.
4. I am familiar with the application filed by FME3 in this case, which is attached as **Exhibit B.1.**
5. I am familiar with the status of the lands that are subject to the application.
6. I submit the following information pursuant to NMAC 19.15.4.12.A(1) in support of the above referenced compulsory pooling application.
7. The purpose of the application is to force pool all uncommitted interests into the horizontal spacing unit described below, and in the well to be drilled in the unit.
8. No opposition is expected because 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.



9. In this case, FME3 seeks an order from the Division pooling all uncommitted mineral interests within a 320-acre, more or less, Bone Spring horizontal spacing unit comprising the W/2E/2 of Sections 3 and 10, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico.

10. This spacing unit will be dedicated to the **Eagle State Com 303H** well, to be horizontally drilled.

11. Attached as **Exhibit B.2** is the proposed C-102 for the well.

12. The C-102 identifies the proposed surface hole location and the bottom hole location. The C-102 also identifies the pool and pool code.

13. The Eagle State Com 303H well is proposed to have the following first and last take points: First take point: 673' FNL, 2,181' FEL

Last take point: 100' FSL, 2,180' FEL

14. The well will develop the Scharb; Bone Spring, Pool Code 55610.

15. This pool is an oil pool with 40-acre building blocks.

16. This pool is governed by the state-wide horizontal well rules.

17. The producing area for the well is expected to be orthodox.

18. There are no depth severances within the proposed spacing unit.

19. **Exhibit B.3** includes a lease tract map outlining the unit being pooled. Exhibit B.3 also includes the parties being pooled, the nature, and the percent of their interests.

20. I have conducted a diligent search of the public records in the county where the well is located, and conducted phone directory and computer searches to locate contact information for parties entitled to notification, and mailed the working interest owners well proposals, including an Authorization for Expenditure.

21. In my opinion, FME3 has made a good faith effort to obtain voluntary joinder of the working interest owners in the proposed well.

22. **Exhibit B.4** is a summary of my contacts with the working interest owners.

23. **Exhibit B.5** is a sample of the well proposal letter that was sent to all working interest owners. The proposal letter identifies the proposed surface hole and bottom hole locations and approximate TVD/MD for the well.

24. **Exhibit B.6** contains the Authorization for Expenditure for the proposed well. The estimated cost of the well set forth therein is fair and reasonable, and is comparable to the costs of other wells of similar depths and length drilled in this area of New Mexico.

25. FME3 requests overhead and administrative rates of \$9000.00/month for drilling a well and \$900.00/month for a producing 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. FME3 requests that these rates be adjusted periodically as provided in the COPAS Accounting Procedure.

26. FME3 requests the maximum cost plus 200% risk charge be assessed against non-consenting working interest owners.

27. FME3 requests that it be designated operator of the well.

28. The parties FME3 is seeking to pool were notified of this hearing.

29. **Exhibit B.7** is an affidavit of notice prepared by counsel for FME3 that shows the parties who were notified of this hearing, the status of whether they received notice, and an affidavit of publication from the Hobbs News-Sun newspaper, showing that notice of this hearing was published on May 17, 2023.

30. The attachments to this declaration were prepared by me, or compiled from company business records, or were prepared at my direction.

31. In my opinion, the granting of this application is in the interests of conservation and the prevention of waste.

[Signature page follows]

I attest under penalty of perjury under the laws of the State of New Mexico that the information provided herein is correct and complete to the best of my knowledge and belief.

Dated: May 25, 2023



Don Johnson

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

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

CASE NO. 23566

APPLICATION

Franklin Mountain Energy 3, LLC ("Franklin"), OGRID Number 331595, through its undersigned attorneys, hereby files this application 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 320-acre, more or less, Bone Spring horizontal spacing unit comprising the W/2E/2 of Sections 3 and 10, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico. 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/2E/2 of Sections 3 and 10, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico to form a standard 320-acre, more or less, Bone Spring horizontal spacing unit.
3. Franklin plans to drill the **Eagle State Com 303H** well to a depth sufficient to test the Bone Spring formation. The well will be horizontally drilled, and the producing area for the well is expected to be orthodox.
4. 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 well or to otherwise commit their interests to the well.



5. The pooling of all interests in the Bone Spring formation underlying the proposed unit will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

WHEREFORE, Franklin requests this application be set for hearing before an Examiner of the Oil Conservation Division on June 1, 2023 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/2E/2 of Sections 3 and 10, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico;

B. Designating Franklin as operator of this unit and the wells to be drilled thereon;

C. Authorizing Franklin to recover its costs of drilling, equipping and completing the well;

D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and

E. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

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

By: /s/ Deana M. Bennett
Earl E. DeBrine, Jr.
Deana M. Bennett
Post Office Box 2168
500 Fourth Street NW, Suite 1000
Albuquerque, New Mexico 87103-2168
Telephone: 505.848.1800
Attorneys for Applicant

CASE NO. 23566 : Application of Franklin Mountain Energy 3, LLC for Compulsory Pooling, Lea County, New Mexico. Applicant seeks an order from the Division pooling all uncommitted mineral interests within a 320-acre, more or less, Bone Spring horizontal spacing unit comprising the W/2E/2 of Sections 3 and 10, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the **Eagle State Com 303H** well, to be horizontally drilled. The producing area for the well is expected to be orthodox. Also to be considered will be the cost of drilling and completing said well, 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 well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 18 miles west of Hobbs, New Mexico.

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | | | |
|-----------------------|--|--|--|-----------------------------------|--|
| 1 API Number | | 2 Pool Code 55610 | | 3 Pool Name SCHARB;BONE SPRING | |
| 4 Property Code | | 5 Property Name EAGLE STATE COM | | 6 Well Number 303H | |
| 7 OGRID No. 331595 | | 8 Operator Name FRANKLIN MOUNTAIN ENERGY 3, LLC | | 9 Elevation 3847.8' | |

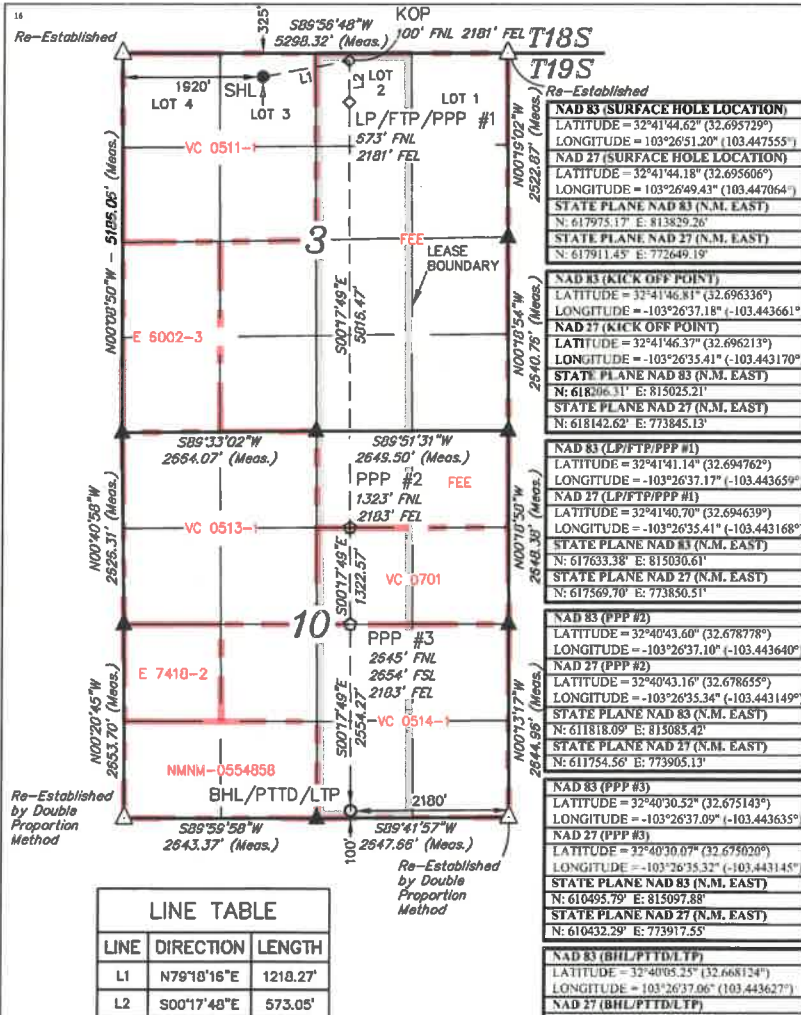
10 Surface Location

| | | | | | | | | | |
|--------------------|--------------|-----------------|--------------|---------|----------------------|---------------------------|-----------------------|------------------------|---------------|
| UL or lot no. 3 | Section 3 | Township 19S | Range 35E | Lot Idn | Feet from the 325 | North/South line NORTH | Feet from the 1920 | East/West line WEST | County LEA |
|--------------------|--------------|-----------------|--------------|---------|----------------------|---------------------------|-----------------------|------------------------|---------------|

11 Bottom Hole Location If Different From Surface

| | | | | | | | | | |
|------------------------------|---------------|--------------------|--------------|-----------------------|----------------------|---------------------------|-----------------------|------------------------|---------------|
| UL or lot no. O | Section 10 | Township 19S | Range 35E | Lot Idn | Feet from the 100 | North/South line SOUTH | Feet from the 2180 | East/West line EAST | County LEA |
| 12 Dedicated Acres 319.62 | | 13 Joint or Infill | | 14 Consolidation Code | | 15 Order No. | | | |

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



| LINE | DIRECTION | LENGTH |
|------|-------------|----------|
| L1 | N79°18'16"E | 1218.27' |
| L2 | S00°17'48"E | 573.05' |

- = SURFACE HOLE LOCATION
- ◇ = KICK OFF POINT/LANDING POINT/FIRST TAKE POINT
- = PRODUCTION PENETRATION POINT
- = BOTTOM HOLE LOCATION/PTTD/LAST TAKE POINT
- ▲ = SECTION CORNER LOCATED
- △ = SECTION CORNER RE-ESTABLISHED. (Not Set on Ground.)
- = LEASE LINE

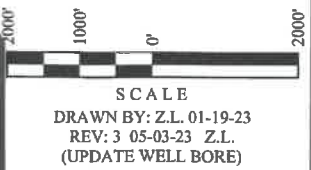
| | |
|---------------------------------------|---|
| NAD 83 (SURFACE HOLE LOCATION) | |
| LATITUDE = 32°41'44.62" (32.695729°) | LONGITUDE = 103°26'51.20" (103.447555°) |
| NAD 27 (SURFACE HOLE LOCATION) | |
| LATITUDE = 32°41'44.18" (32.695606°) | LONGITUDE = 103°26'49.43" (103.447064°) |
| STATE PLANE NAD 83 (N.M. EAST) | |
| N: 617975.17' E: 813829.26' | |
| STATE PLANE NAD 27 (N.M. EAST) | |
| N: 617911.45' E: 772649.19' | |
| NAD 83 (KICK OFF POINT) | |
| LATITUDE = 32°41'46.81" (32.696336°) | LONGITUDE = -103°26'37.18" (-103.443661°) |
| NAD 27 (KICK OFF POINT) | |
| LATITUDE = 32°41'46.37" (32.696213°) | LONGITUDE = -103°26'35.41" (-103.443170°) |
| STATE PLANE NAD 83 (N.M. EAST) | |
| N: 618206.31' E: 815025.21' | |
| STATE PLANE NAD 27 (N.M. EAST) | |
| N: 618142.62' E: 773845.13' | |
| NAD 83 (LP/FTP/PPP #1) | |
| LATITUDE = 32°41'41.14" (32.694762°) | LONGITUDE = -103°26'37.17" (-103.443659°) |
| NAD 27 (LP/FTP/PPP #1) | |
| LATITUDE = 32°41'40.70" (32.694639°) | LONGITUDE = -103°26'35.41" (-103.443168°) |
| STATE PLANE NAD 83 (N.M. EAST) | |
| N: 617633.38' E: 815030.61' | |
| STATE PLANE NAD 27 (N.M. EAST) | |
| N: 617569.70' E: 773850.51' | |
| NAD 83 (PPP #2) | |
| LATITUDE = 32°40'43.60" (32.678778°) | LONGITUDE = -103°26'37.10" (-103.443640°) |
| NAD 27 (PPP #2) | |
| LATITUDE = 32°40'43.16" (32.678655°) | LONGITUDE = -103°26'35.34" (-103.443149°) |
| STATE PLANE NAD 83 (N.M. EAST) | |
| N: 611818.09' E: 815085.42' | |
| STATE PLANE NAD 27 (N.M. EAST) | |
| N: 611754.56' E: 773905.13' | |
| NAD 83 (PPP #3) | |
| LATITUDE = 32°40'30.52" (32.675143°) | LONGITUDE = -103°26'37.09" (-103.443635°) |
| NAD 27 (PPP #3) | |
| LATITUDE = 32°40'30.07" (32.675020°) | LONGITUDE = -103°26'35.52" (-103.443145°) |
| STATE PLANE NAD 83 (N.M. EAST) | |
| N: 610495.79' E: 815097.88' | |
| STATE PLANE NAD 27 (N.M. EAST) | |
| N: 610432.29' E: 773917.55' | |
| NAD 83 (BHL/PTTD/LTP) | |
| LATITUDE = 32°40'05.25" (32.668124°) | LONGITUDE = 103°26'37.06" (103.443627°) |
| NAD 27 (BHL/PTTD/LTP) | |
| LATITUDE = 32°40'04.80" (32.668001°) | LONGITUDE = 103°26'35.29" (103.443137°) |
| STATE PLANE NAD 83 (N.M. EAST) | |
| N: 607942.03' E: 815121.95' | |
| STATE PLANE NAD 27 (N.M. EAST) | |
| N: 607878.61' E: 773941.53' | |

"OPERATOR CERTIFICATION"
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order previously entered by the division.
[Signature]
5/8/2023
Date
Rachael Overbey
Printed Name
roverbey@fmlc.com
E-mail Address

"SURVEYOR CERTIFICATION"
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.
January 17, 2023
Date of Survey
Signature and Seal of Professional Surveyor:
[Signature]
PAUL BUCHELE
NEW MEXICO
23792
05-03-23
PROFESSIONAL SURVEYOR
Certificate Number:

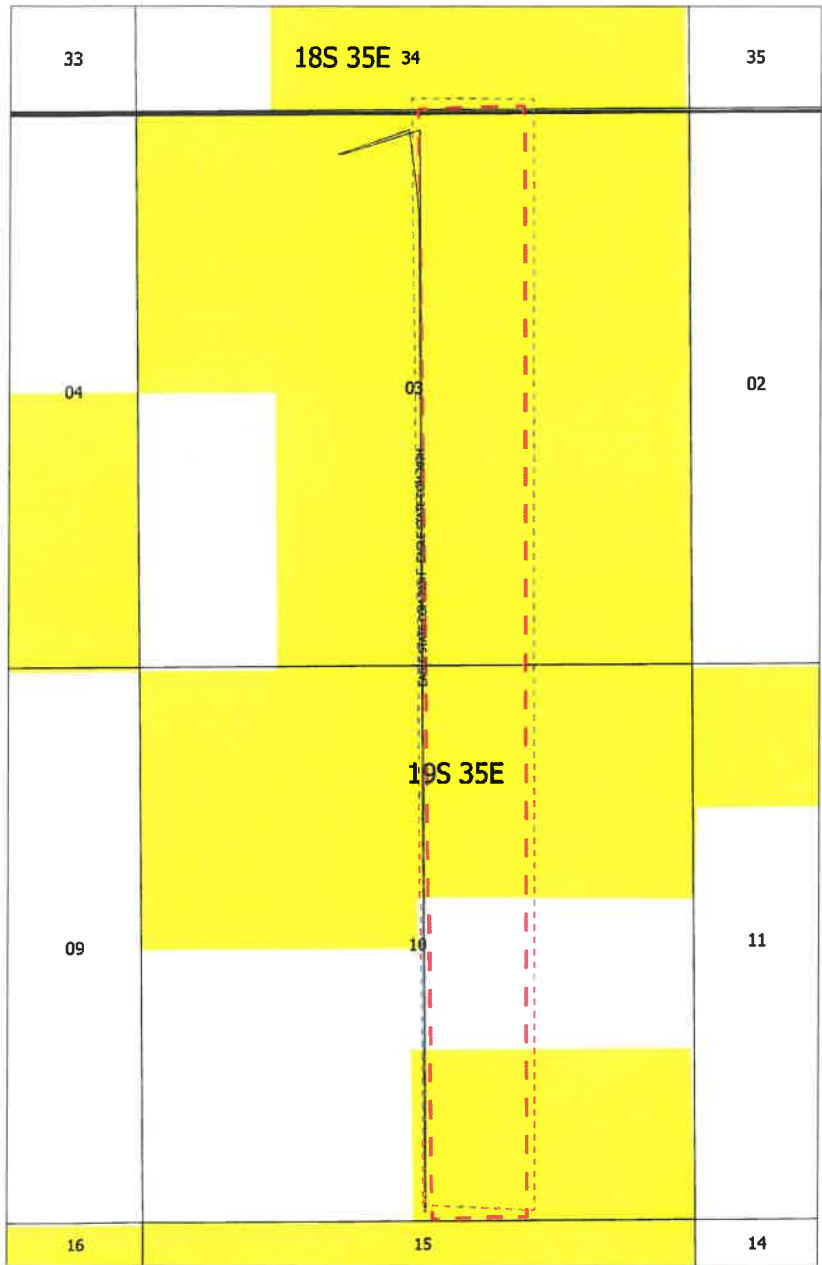
NOTE:
• Distances referenced on plat to section lines are perpendicular.
• Basis of Bearings is a Transverse Mercator Projection with a Central Meridian of W103°53'00" (NAD 83)
• Section breakdown information for this plat may be obtained from Uintah Engineering & Land Surveying.




EXHIBIT
B.2



Development Overview

Case Nos. 23565, 23566



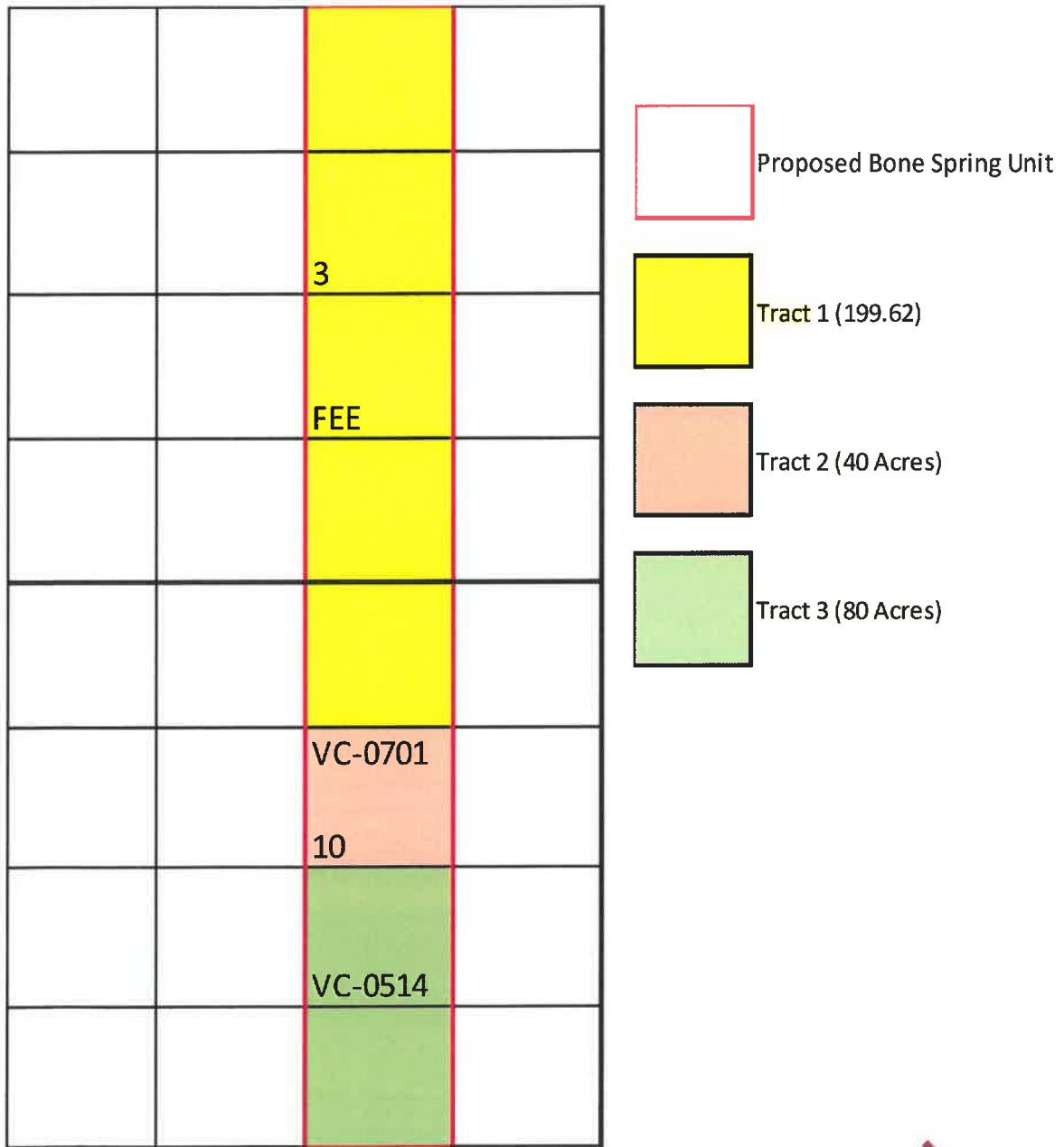
-  Franklin Mountain Acreage
-  Wolfcamp Spacing Unit
-  Bone Spring Spacing Unit

1 mile



Lease Tract Map

Case No. 23566
W/2E/2 of Sections 3 & 10-T19S-R35E, 319.62 Acres
Eagle State Com 303H



Summary of Interests

Case No. 23566
W/2E/2 of Sections 3 & 10-T19S-R35E, 319.62 Acres
Eagle State Com 303H

| Committed Working Interest | |
|-------------------------------------|--------------------|
| Franklin Mountain Energy 3, LLC | 87.485139% |
| Northern Oil and Gas Inc. | 12.514861% |
| | |
| Uncommitted Working Interest | |
| | 0.000000% |
| | |
| | |
| Total: | 100.000000% |



Unit Recapitulation

Case No. 23566
W/2E/2 of Sections 3 & 10-T19S-R35E, 319.62 Acres
Eagle State Com 303H

| Committed Working Interest | |
|---------------------------------|--------------------|
| Franklin Mountain Energy 3, LLC | 87.485139% |
| Northern Oil and Gas Inc. | 12.514861% |
| | |
| Uncommitted Working Interest | |
| | 0.000000% |
| | |
| Total: | 100.000000% |

| | | | |
|--|--|---------|--|
| | | | |
| | | 3 | |
| | | FEE | |
| | | | |
| | | | |
| | | VC-0701 | |
| | | 10 | |
| | | VC-0514 | |
| | | | |

| Tract | Lease |
|-------|---------|
| 1 | FEE |
| 2 | VC-0701 |
| 3 | VC-0514 |



Summary of Contacts

- Franklin retained a broker who conducted title work to determine the working interest owners and other interest owners.
- Franklin searched public records, phone directory, and various different types of internet searches.
- There is only one other working interest owner in this acreage, Northern Oil and Gas Inc.
- Franklin initially sent a well proposal to Northern Oil and Gas Inc. on or around February 1, 2023.
- Franklin modified its proposal and sent a revised well proposal letter to Northern Oil and Gas Inc. on or around April 5, 2023.
- Franklin proposed general terms of a Joint Operating Agreements (JOA) within the well proposal letter.
- Northern Oil and Gas Inc. is the only working interest owner Franklin seeks to pool.
- Franklin’s communications with Northern Oil and Gas Inc. are outlined in the chart below.
- Franklin has not been able to reach voluntary agreement with Northern Oil and Gas Inc. and so filed an application to pool.
- Franklin’s counsel sent notices of the force pooling application to Northern Oil and Gas Inc.’s address of record.
- Franklin also published notice in a newspaper of general circulation in the county where the wells will be located.

| Summary of Contacts with Working Interest Owners to Be Pooled | | | |
|---|---------------------------|--------------------------|---|
| Name | Date Proposal Letter Sent | Proposal Letter Received | Follow Up |
| Northern Oil and Gas | February 1, 2023 | 3/6/2023 | |
| Northern Oil and Gas | April 5, 2023 | 5/3/2023 | Participating under JOA (JOA Pending) Last updated sent 5/19/2023 |





Sent via USPS: 9405 5036 9930 0517 7728 57

April 5, 2023

Northern Oil and Gas Inc.
 4350 Baker Rd, Ste 400
 Minnetonka, MN 55343
 Attn: Land Department, Delaware Basin

RE: **Well Proposals**
 Township 19 South, Range 35 East:
 Sections 3 & 10: W/2E/2
 Lea County, New Mexico
 319.62 acres, more or less

Dear Working Interest Owner:

Franklin Mountain Energy 3, LLC ("FME3"), as Operator, hereby proposes the drilling and completion of the following wells:

| Well Name | Target Formation | Total Vertical Depth | Measured Depth | SHL | BHL | Total AFE | Order |
|----------------------|------------------|----------------------|----------------|---------------------------------------|--|-----------------|-------|
| Eagle State Com 303H | 1st Bone Spring | 9,057' | 19,057' | Sec. 3-T19S-R35E: 325' FNL, 1920' FWL | Sec. 10-T19S-R35E: 100' FSL, 2180' FEL | \$11,355,549.08 | N/A |
| Eagle State Com 703H | Wolfcamp A | 10,445' | 20,445' | Sec. 3-T19S-R35E: 325' FNL, 1945' FWL | Sec. 10-T19S-R35E: 100' FSL, 2180' FEL | \$11,650,592.43 | N/A |

FME3 reserves the right to modify the locations and drilling plans described above in order to comply with any requirements from a governing regulatory agency or to address any topography, environmental and/or cultural concerns.

FME3 is proposing to drill and complete the aforementioned wells under the terms of a modified, wellbore specific 1989 AAPL form Operating Agreement with the following general provisions:

- 100/300% Non-Consenting Penalty
- \$9,000/\$900 Drilling and Producing Rate
- Franklin Mountain Energy 3, LLC designated as Operator



44 Cook Street | Suite 1000 | Denver, CO 80206

OCD Hearing Exhibits 6-1-23

No. 23566



Should you be interested in participating under an Operating Agreement, with your working interest, FME3 will send you our proposed form.

Please indicate your election in the space provided on the following page, sign and return this letter, along with a signed copy of the enclosed AFE. If you do not wish to participate, FME3 proposes a term assignment at the following terms:

The forgoing offer is non-binding in nature until a definitive agreement and/or conveyance documents are negotiated and agreed to by each party. FME3 is under no obligation to negotiate, lease or purchase your interest.

Please return your signed documents to Don Johnson at djohnson@fmelc.com or to the address provided below at your earliest convenience.

FME3 looks forward to working with you or your company on this proposed development and encourages you to call with any questions pertaining to these plans. However, please be advised that, in the near term, FME3 will file an application for compulsory pooling to pool any uncommitted owners.

Should you have any questions, please do not hesitate to contact the undersigned at (720) 414-7863.

Respectfully,

Franklin Mountain Energy 3, LLC



Don Johnson
Sr. Land Analyst



Eagle State Com 303H:

_____ I/We hereby elect to participate in the **Eagle State Com 303H** well.
 _____ I/We hereby elect **NOT** to participate in the **Eagle State Com 303H** well.

Eagle State Com 703H:

_____ I/We hereby elect to participate in the **Eagle State Com 703H** well.
 _____ I/We hereby elect **NOT** to participate in the **Eagle State Com 703H** well.

Owner: _____

By: _____

Printed Name: _____

Title: _____

Date: _____



Franklin Mountain Energy 3, LLC
 44 Cook Street, Suite 1000
 Denver, CO 80206
 Phone: 720-414-7868
 franklinmountainenergy.com

Well Name: Englo State Com 303H **Well #:** 303H
Location: SHL Sec 3-T195-R35E 325 FNL 1920 FWL **County/State:** Lem Co., NM
Operator: Franklin Mountain Energy 3, LLC **Date Prepared:** 4/9/2023
Purpose: Dril and complete a 10,000' IBS well **AFE #:** DCE230113
 TVD 9,037', MD 19,037'

| Intangible Drilling Costs | | | | Intangible Completion Costs | | | |
|---------------------------|-------|---|--------------------|-----------------------------|-------|---|--------------------|
| Major | Minor | Description | Amount | Major | Minor | Description | Amount |
| 225 | 3 | ADMINISTRATIVE OVERHEAD | \$4,000 | 240 | 5 | ADMINISTRATIVE OVERHEAD | \$8,200 |
| 225 | 10 | CASING CREW & EQPT | \$45,000 | 240 | 10 | CASED HOLE LOGS & SURVEYS | \$6,635 |
| 225 | 15 | CEMENTING INTERMEDIATE CASING | \$40,000 | 240 | 15 | CASING CREW & EQPT | \$0 |
| 225 | 16 | CEMENTING PRODUCTION CASING | \$80,000 | 240 | 20 | COILED TUBING/SUBRING UNIT | \$194,313 |
| 225 | 20 | CEMENTING SURFACE CASING | \$36,000 | 240 | 25 | COMMUNICATIONS | \$1,896 |
| 225 | 25 | COMMUNICATIONS | \$19,000 | 240 | 30 | COMPANY DIRECT LABOR | \$0 |
| 225 | 30 | COMPLETION FLUIDS | \$6,000 | 240 | 35 | COMPLETION/WORKOVER RIG | \$75,000 |
| 225 | 34 | CONSTRUCTION/LOCATION & ROAD | \$45,000 | 240 | 45 | CONTRACT LABOR/ROUSTABOUTS | \$23,697 |
| 225 | 40 | CONTRACT LABOR | \$50,000 | 240 | 50 | DAMAGES/RECLAMATION | \$1,896 |
| 225 | 45 | DAMAGES | \$15,000 | 240 | 55 | DISPOSAL SOLIDS | \$2,844 |
| 225 | 50 | DAYWORK CONTRACT | \$520,000 | 240 | 60 | ELECTRICAL POWER/GENERATION | \$0 |
| 225 | 55 | DRILLING - DIRECTIONAL | \$206,000 | 240 | 62 | ENGINEERING | \$5,887 |
| 225 | 60 | DRILLING - FOOTAGE | \$90,000 | 240 | 65 | ENVIRONMENTAL/CLEANUP | \$0 |
| 225 | 65 | DRILLING BITS | \$90,000 | 240 | 70 | FISHING TOOLS / SERVICES | \$0 |
| 225 | 70 | ELECTRICAL POWER/GENERATION | \$0 | 240 | 71 | FLUIDS/HAULING/DISPOSAL | \$180,000 |
| 225 | 75 | ENGINEERING | \$0 | 240 | 72 | FRAC WATER/COMPLETION FLUID | \$470,000 |
| 225 | 80 | ENVIRONMENTAL SERVICES | \$200,000 | 240 | 75 | FUEL, POWER/DIESEL | \$550,000 |
| 225 | 84 | EQUIPMENT RENTAL DOWNHOLE | \$40,000 | 240 | 80 | HEALTH & SAFETY | \$4,700 |
| 225 | 85 | EQUIPMENT RENTAL | \$50,000 | 240 | 85 | HOUSING AND SUPPORT SERVICES | \$14,000 |
| 225 | 90 | FISHING TOOLS/SERVICES | \$0 | 240 | 90 | MATERIALS & SUPPLIES | \$0 |
| 225 | 95 | HEALTH & SAFETY | \$7,000 | 240 | 95 | MISCELLANEOUS | \$0 |
| 225 | 100 | HOUSING AND SUPPORT SERVICES | \$18,000 | 240 | 100 | MUD & CHEMICALS | \$10,000 |
| 225 | 105 | INSURANCE | \$1,700 | 240 | 110 | PERMITS COSTS | \$0 |
| 225 | 106 | INSPECTIONS | \$15,000 | 240 | 115 | PERFORATING/WIRELINE SERVICE | \$265,403 |
| 225 | 110 | LEGAL, TITLE SERVICES | \$0 | 240 | 120 | PIPE INSPECTION | \$0 |
| 225 | 115 | MATERIALS & SUPPLIES | \$5,000 | 240 | 125 | ROAD, LOCATIONS REPAIRS | \$2,000 |
| 225 | 120 | MISCELLANEOUS | \$5,000 | 240 | 130 | STIMULATION | \$2,616,000 |
| 225 | 125 | MOUSE/RATHOLE/CONDUCT PIPE | \$31,000 | 240 | 135 | SUBSURFACE EQUIPMENTAL RENTAL | \$37,915 |
| 225 | 130 | MUD & CHEMICALS | \$180,000 | 240 | 140 | SUPERVISION | \$90,047 |
| 225 | 140 | OPENHOLE LOGGING | \$0 | 240 | 145 | SURFACE EQUIP RENTAL | \$189,573 |
| 225 | 141 | CASED HOLE LOGGING | \$0 | 240 | 150 | TRANSPORTATION/TRUCKING | \$2,844 |
| 225 | 145 | PERMITS, LICENSES, ETC. | \$20,000 | 240 | 155 | WATER TRANSFER | \$56,872 |
| 225 | 150 | POWER FUEL & WATER HAULING | \$160,000 | 240 | 160 | WELDING SERVICES | \$0 |
| 225 | 155 | RIG MOVE & RACKING COSTS | \$130,000 | 240 | 165 | WELL TESTING/FLOWBACK | \$165,000 |
| 225 | 160 | RIG UP TEAR OUT & STANDBY | \$0 | 240 | 148 | TAXES | \$273,599 |
| 225 | 163 | SITE RESTORATION | \$10,000 | 240 | 40 | CONTINGENCY COSTS 5% | \$248,726 |
| 225 | 165 | STAKING & SURVEYING | \$6,983 | | | Total Intangible Completion Costs: | \$3,496,437 |
| 225 | 170 | SUPERVISION | \$71,400 | | | | |
| 225 | 175 | SUPERVISION - GEOLOGICAL | \$39,000 | | | | |
| 225 | 180 | TRANSPORTATION/TRUCKING | \$20,000 | | | | |
| 225 | 178 | TAXES | \$125,131 | | | | |
| 225 | 35 | CONTINGENCY COSTS 5% | \$113,755 | | | | |
| | | Total Intangible Drilling Costs: | \$2,511,980 | | | | |

| Tangible Drilling Costs | | | |
|-------------------------|-------|---------------------------------------|--------------------|
| Major | Minor | Description | Amount |
| 230 | 10 | INTERMEDIATE CASING & ATTACHMENTS | \$173,733 |
| 230 | 20 | PACKERS/SLEEVES/PLUGS | \$66,000 |
| 230 | 25 | PRODUCTION CASING & ATTACHMENTS | \$1,034,380 |
| 230 | 35 | SURFACE CASING & ATTACHMENTS | \$169,740 |
| 230 | 45 | WELLHEAD EQUIPMENT/CASING BOWL | \$70,000 |
| 230 | 40 | TAXES | \$83,283 |
| | | Total Tangible Drilling Costs: | \$1,597,141 |

| Tangible Facility Costs | | | |
|-------------------------|-------|---------------------------------------|--------------------|
| Major | Minor | Description | Amount |
| 270 | 10 | FACILITY PIPE/VALVES/FITTINGS | \$180,000 |
| 270 | 15 | CONTRIBUTMENT | \$0 |
| 270 | 25 | DEHYDRATION | \$0 |
| 270 | 30 | PRIMARY POWER MATERIALS | \$56,000 |
| 270 | 50 | FLOWLINES / PIPELINE / HOOKUP | \$47,000 |
| 270 | 60 | H2S TREATING EQUIPMENT | \$0 |
| 270 | 65 | SEPARATION EQUIPMENT | \$125,000 |
| 270 | 66 | ROAD/LOCATION/FENCING/REPAIRS | \$0 |
| 270 | 75 | PRE-FABRICATED SKIDS | \$0 |
| 270 | 85 | FACILITY SURFACE EQUIPMENT | \$137,000 |
| 270 | 90 | H2S SAFETY SYSTEM | \$4,000 |
| 270 | 100 | CONTROL / INSTRUMENT / METERS / SCADA | \$86,000 |
| 270 | 110 | TANKS & WALKWAYS | \$90,000 |
| 270 | 130 | MECHANICAL BATTERY BUILD | \$154,000 |
| 270 | 132 | EI&C BATTERY BUILD | \$45,000 |
| 270 | 134 | CONTROLS AND SCADA BATTERY BUILD | \$5,000 |
| 270 | 136 | PRIMARY POWER BUILD | \$56,000 |
| 270 | 138 | FLOWLINE INSTALLATION | \$27,000 |
| 270 | 140 | SIGNAGE | \$24,000 |
| 270 | 125 | TAXES | \$55,674 |
| | | Total Tangible Facility Costs: | \$1,087,974 |

| Tangible Completion Costs | | | |
|---------------------------|-------|---|------------------|
| Major | Minor | Description | Amount |
| 245 | 5 | ARTIFICIAL LIFT | \$175,000 |
| 245 | 15 | FLOWLINES | \$20,000 |
| 245 | 25 | FRAC STRING | \$0 |
| 245 | 40 | PACKERS/SLEEVES/PLUGS/GL MANDRELS | \$0 |
| 245 | 45 | PRODUCTION LINER | \$0 |
| 245 | 50 | PRODUCTION PROCESSING FACILITY | \$0 |
| 245 | 55 | PRODUCTION TUBING | \$150,000 |
| 245 | 60 | RODS/PUMPS | \$0 |
| 245 | 65 | SUBSURFACE EQUIPMENT | \$50,000 |
| 245 | 75 | WELLHEAD EQUIPMENT | \$125,000 |
| 245 | 70 | TAXES | \$28,600 |
| | | Total Tangible Completion Costs: | \$518,600 |

| Intangible Facility Costs | | | |
|---------------------------|-------|---|------------------|
| Major | Minor | Description | Amount |
| 265 | 5 | CONSULTING | \$18,199 |
| 265 | 12 | COMPANY DIRECT LABOR | \$0 |
| 265 | 20 | DAMAGES/ROW/PERMITS, ETC | \$24,000 |
| 265 | 22 | PAD/ROAD CONSTRUCTION | \$50,000 |
| 265 | 25 | ENGINEERING / SCIENCE | \$22,000 |
| 265 | 40 | HEALTH/SAFETY/ENVIRONMENTAL | \$0 |
| 265 | 45 | CONTRACT LABOR & SERVICES | \$0 |
| 265 | 60 | OVERHEAD | \$3,000 |
| 265 | 80 | SURVEY / PLATS / STAKINGS | \$1,500 |
| 265 | 85 | TRANSPORTATION / TRUCKING | \$0 |
| 265 | 83 | TAXES | \$6,523 |
| 265 | 10 | CONTINGENCY COSTS 5% | \$5,920 |
| | | Total Intangible Facility Costs: | \$131,051 |

Office Use Only.

| | |
|----------------------|------------------------|
| Total Drill: | \$4,111,126.79 |
| Total Completion: | \$6,045,445.34 |
| Total Facility: | \$1,198,976.73 |
| Total DC Intangible: | \$3,010,831.04 |
| Total DC Tangible: | \$2,145,741.29 |
| Total AFE: | \$11,355,549.08 |

THIS AUTHORITY FOR EXPENDITURE IS BASED ON COST ESTIMATES. BILLING WILL REFLECT YOUR PROPORTINATE SHARE OF THE ACTUAL INVOICE COSTS.

Operator: Franklin Mountain Energy 3, LLC
 Approved By: [Signature]
 Chief Executive Officer

Date: 4/4/2023

WI Owner: _____
 Approved By: _____
 Printed Name: _____

Date: _____
 Title: _____

ALL PARTICIPANTS MUST CARRY THEIR OWN CONTROL OF WELL INSURANCE AND ATTACH A CERTIFICATE OF INSURANCE TO THIS ELECTION OR INSURE WITH FME



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

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

CASE NO. 23566

SELF-AFFIRMED DECLARATION OF DEANA M. BENNETT

Deana M. Bennett, attorney in fact and authorized representative of Franklin Mountain Energy 3, LLC, the Applicant herein, declares as follows:

1) The above-referenced Application was provided under notice letters, dated May 11, 2023, and attached hereto, as Exhibit A.

2) Exhibit B are the mailing lists, which show the notice letter to Northern Oil and Gas was delivered to the USPS for mailing on May 11, 2023; and the notice letter to the State of New Mexico was delivered to USPS for mailing on May 12, 2023.

3) Exhibit C is the certified mailing tracking information, which is automatically complied by CertifiedPro, the software Modrall uses to track the mailings. This shows the names and addresses of the parties to whom notice was sent and proof of delivery.

4) Exhibit D is the Affidavit of Publication from the Hobbs News-Sun, confirming that notice of the June 1, 2023 hearing was published on May 17, 2023.

5) I attest under penalty of perjury under the laws of the State of New Mexico that the information provided herein is correct and complete to the best of my knowledge and belief.

Dated: May 30, 2023




Deana M. Bennett



MODRALL SPERLING

LAWYERS

May 11, 2023

Deana M. Bennett
505.848.1834
dmb@modrall.com

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

**Re: APPLICATION OF FRANKLIN MOUNTAIN ENERGY 3, LLC
FOR COMPULSORY POOLING, LEA COUNTY, NEW
MEXICO**

CASE NO. 23565

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

CASE NO. 23566

TO: AFFECTED PARTIES

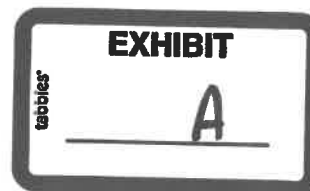
This letter is to advise you that Franklin Mountain Energy 3, LLC ("Franklin Mountain Energy 3") has filed the enclosed applications.

In Case No. 23565, Franklin Mountain Energy 3 seeks an order from the Division pooling all uncommitted mineral interests within a 320-acre, more or less, Wolfcamp horizontal spacing unit comprising the W/2E/2 of Sections 3 and 10, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the **Eagle State Com 703H** well, to be horizontally drilled. The producing area for the well is expected to be orthodox. Also to be considered will be the cost of drilling and completing said well, 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 well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 18 miles west of Hobbs, New Mexico.

In Case No. 23566, Franklin Mountain Energy 3 seeks an order from the Division pooling all uncommitted mineral interests within a 320-acre, more or less, Bone Spring horizontal spacing unit comprising the W/2E/2 of Sections 3 and 10, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the **Eagle State Com 303H**

Modrall Spierling
Roehl Harris & Sisk P.A.
500 Fourth Street NW
Suite 1000
Albuquerque,
New Mexico 87102

PO Box 2168
Albuquerque,
New Mexico 87103-2168
Tel: 505.848.1800
www.modrall.com



Page 2

well, to be horizontally drilled. The producing area for the well is expected to be orthodox. Also to be considered will be the cost of drilling and completing said well, 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 well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 18 miles west of Hobbs, New Mexico.

The hearing will be conducted remotely on June 1, 2023 beginning at 8:15 a.m. To participate in the electronic hearing, see the posted on the docket for the hearing date: <https://www.cmnrd.nm.gov/ocd/hearing-info/>. This hearing is subject to continuance by the Division to a subsequent docket date.

As a party who may be affected by these applications, we are notifying you of your right to appear at the hearing and participate in these cases, including the right to present evidence either in support of or in opposition to the applications. Failure to appear at the hearing may preclude you from any involvement in these cases at a later date.

You are further notified that if you desire to appear in these cases, then you are requested to file a Pre-Hearing Statement with the Division at least four business days in advance of a scheduled hearing before the Division or the Commission, but in no event later than 5:00 p.m. mountain time, on the Thursday preceding the scheduled hearing date, with a copy delivered to the undersigned.

Sincerely,



Deana M. Bennett

Attorney for Applicant

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

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

CASE NO. 23565

APPLICATION

Franklin Mountain Energy 3, LLC ("Franklin"), OGRID Number 331595, through its undersigned attorneys, hereby files this application 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 320-acre, more or less, Wolfcamp horizontal spacing unit comprising the W/2E/2 of Sections 3 and 10, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico. 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/2E/2 of Sections 3 and 10, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico to form a standard 320-acre, more or less, Wolfcamp horizontal spacing unit.
3. Franklin plans to drill the Eagle State Com 703H well to a depth sufficient to test the Wolfcamp formation. The well will be horizontally drilled, and the producing area for the well is expected to be orthodox.
4. Franklin sought, but has been unable to obtain, a voluntary agreement from all interest owners in the Wolfcamp formation underlying the proposed spacing unit to participate in the drilling of the well or to otherwise commit their interests to the well.

5. The pooling of all interests in the Wolfcamp formation underlying the proposed unit will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

WHEREFORE, Franklin requests this application be set for hearing before an Examiner of the Oil Conservation Division on June 1, 2023 and after notice and hearing as required by law, the Division enter its order:

A. Pooling all uncommitted interests in the Wolfcamp formation underlying a horizontal spacing unit within the W/2E/2 of Sections 3 and 10, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico;

B. Designating Franklin as operator of this unit and the wells to be drilled thereon;

C. Authorizing Franklin to recover its costs of drilling, equipping and completing the well;

D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and

E. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

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

By: /s/ Deana M. Bennett

Earl E. DeBrine, Jr.
Deana M. Bennett
Post Office Box 2168
500 Fourth Street NW, Suite 1000
Albuquerque, New Mexico 87103-2168
Telephone: 505.848.1800
Attorneys for Applicant

Received by OCD: 5/2/2023 4:55:45 PM

Page 3 of 3

CASE NO. 23565 : Application of Franklin Mountain Energy 3, LLC for Compulsory Pooling, Lea County, New Mexico. Applicant seeks an order from the Division pooling all uncommitted mineral interests within a 320-acre, more or less, Wolfcamp horizontal spacing unit comprising the W/2E/2 of Sections 3 and 10, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the **Eagle State Com 703H** well, to be horizontally drilled. The producing area for the well is expected to be orthodox. Also to be considered will be the cost of drilling and completing said well, 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 well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 18 miles west of Hobbs, New Mexico.

Released to Imaging: 5/3/2023 10:32:06 AM

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

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

CASE NO. 23566

APPLICATION

Franklin Mountain Energy 3, LLC ("Franklin"), OGRID Number 331595, through its undersigned attorneys, hereby files this application 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 320-acre, more or less, Bone Spring horizontal spacing unit comprising the W/2E/2 of Sections 3 and 10, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico. 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/2E/2 of Sections 3 and 10, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico to form a standard 320-acre, more or less, Bone Spring horizontal spacing unit.
3. Franklin plans to drill the **Eagle State Com 303H** well to a depth sufficient to test the Bone Spring formation. The well will be horizontally drilled, and the producing area for the well is expected to be orthodox.
4. 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 well or to otherwise commit their interests to the well.

5. The pooling of all interests in the Bone Spring formation underlying the proposed unit will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

WHEREFORE, Franklin requests this application be set for hearing before an Examiner of the Oil Conservation Division on June 1, 2023 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/2E/2 of Sections 3 and 10, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico;

B. Designating Franklin as operator of this unit and the wells to be drilled thereon;

C. Authorizing Franklin to recover its costs of drilling, equipping and completing the well;

D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and

E. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

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

By: /s/ Deana M. Bennett
Earl E. DeBrine, Jr.
Deana M. Bennett
Post Office Box 2168
500 Fourth Street NW, Suite 1000
Albuquerque, New Mexico 87103-2168
Telephone: 505.848.1800
Attorneys for Applicant

Received by OCD: 5/2/2023 4:58:56 PM

Page 3 of 3

CASE NO. 23566 : Application of Franklin Mountain Energy 3, LLC for Compulsory Pooling, Lea County, New Mexico. Applicant seeks an order from the Division pooling all uncommitted mineral interests within a 320-acre, more or less, Bone Spring horizontal spacing unit comprising the W/2E/2 of Sections 3 and 10, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the **Eagle State Com 303H** well, to be horizontally drilled. The producing area for the well is expected to be orthodox. Also to be considered will be the cost of drilling and completing said well, 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 well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 18 miles west of Hobbs, New Mexico.

Released to Imaging: 5/3/2023 11:11:22 AM

Karlene Schuman
Modrall Sperling Roehl Harris & Sisk P.A.
500 Fourth Street, Suite 1000
Albuquerque NM 87102

PS Form 3877

Type of Mailing: CERTIFIED MAIL
05/11/2023

Firm Mailing Book ID: 246094

| Line | USPS Article Number | Name, Street, City, State, Zip | Postage | Service Fee | RR Fee | Rest.Del.Fee | Reference Contents |
|---------------------|-----------------------------|---|---------------|---------------|---------------|---------------|-----------------------|
| 1 | 9314 8699 0430 0107 8553 30 | Northern Oil and Gas, Inc. 4350 Baker Road, Suite 400 Minnetonka MN 55343 | \$1.74 | \$4.15 | \$2.10 | \$0.00 | 10154.0001 No. 23565, |
| Totals: | | | \$1.74 | \$4.15 | \$2.10 | \$0.00 | |
| Grand Total: | | | | | | \$7.99 | |

| List Number of Pieces Listed by Sender | Total Number of Pieces Received at Post Office | Postmaster: Name of receiving employee | Dated: |
|--|--|---|--------|
| 1 | 1 |  | |



Karlene Schuman
Modrall Sperling Roehl Harris & Sisk P.A.
500 Fourth Street, Suite 1000
Albuquerque NM 87102

PS Form 3877

Type of Mailing: CERTIFIED MAIL
05/12/2023

Firm Mailing Book ID: 246134

| Line | USPS Article Number | Name, Street, City, State, Zip | Postage | Service Fee | RR Fee | Rest.Del.Fee | Reference Contents |
|---------------------|-----------------------------|--|---------------|---------------|---------------|---------------|-----------------------|
| 1 | 9314 8699 0430 0107 8962 96 | State of New Mexico 310 Old Santa Fe Trail Santa Fe NM 87501 | \$1.50 | \$4.15 | \$2.10 | \$0.00 | 10154.0001, NO. 23565 |
| Totals: | | | \$1.50 | \$4.15 | \$2.10 | \$0.00 | |
| Grand Total: | | | | | | \$7.75 | |

| List Number of Pieces Listed by Sender | Total Number of Pieces Received at Post Office | Postmaster: Name of receiving employee | Dated: |
|--|--|---|--------|
| 1 | 1 | <i>[Signature]</i> | |





May 17, 2023

Dear Covius Document Services:

The following is in response to your request for proof of delivery on your item with the tracking number: 9314 8699 0430 0107 8553 30.

Item Details

Status: Delivered, Front Desk/Reception/Mail Room
Status Date / Time: May 16, 2023, 09:43 a.m.
Location: HOPKINS, MN 55343
Postal Product: First-Class Mail®
Extra Services: Certified Mail™
 Return Receipt Electronic
Recipient Name: Northern Oil and Gas Inc

Shipment Details

Weight: 3.0oz

Destination Delivery Address

Street Address: 4350 BAKER RD STE 400
City, State ZIP Code: HOPKINS, MN 55343-8628

Recipient Signature

| | |
|-------------------------|--------------------------|
| Signature of Recipient: | NOGS NOGS |
| Address of Recipient: | 4350 Baker RD STE 400 |

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OCD Hearing Exhibits 6-1-23

No. 23566

33





May 17, 2023

Dear Covius Document Services:

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Affidavit of Publication

STATE OF NEW MEXICO
COUNTY OF LEA

I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

Beginning with the issue dated
May 17, 2023
and ending with the issue dated
May 17, 2023.



Publisher

Sworn and subscribed to before me this
17th day of May 2023.



Business Manager

My commission expires
January 29, 2027

(Seal)

STATE OF NEW MEXICO
NOTARY PUBLIC
GUSSIE RUTH BLACK
COMMISSION # 1087526
COMMISSION EXPIRES 01/29/2027

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said

LEGAL NOTICE May 17, 2023

CASE NO. 23565: Notice to all affected parties, as well as heirs and devisees of: Northern Oil and Gas, Inc.; and State of New Mexico of Application of Franklin Mountain Energy 3, LLC for Compulsory Pooling, Lea County, New Mexico. The State of New Mexico through its Oil Conservation Division hereby gives notice that the Division will conduct a public hearing at 8:15 a.m. on **June 1, 2023** to consider this application. Information about accessing the electronic hearing is posted at "OCD NOTICES" at <https://www.emnrd.nm.gov/ocd/hearing-info/>. This hearing is subject to continuance by the Division to a subsequent docket date. Applicant seeks an order from the Division pooling all uncommitted mineral interests within a 320-acre, more or less, Wolfcamp horizontal spacing unit comprising the W/2E/2 of Sections 3 and 10, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the **Eagle State Com 703H** well, to be horizontally drilled. The producing area for the well is expected to be orthodox. Also to be considered will be the cost of drilling and completing said well, 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 well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 18 miles west of Hobbs, New Mexico.

CASE NO. 23566: Notice to all affected parties, as well as heirs and devisees of: Northern Oil and Gas, Inc.; and State of New Mexico of Application of Franklin Mountain Energy 3, LLC for Compulsory Pooling, Lea County, New Mexico. The State of New Mexico through its Oil Conservation Division hereby gives notice that the Division will conduct a public hearing at 8:15 a.m. on **June 1, 2023** to consider this application. Information about accessing the electronic hearing is posted at "OCD NOTICES" at <https://www.emnrd.nm.gov/ocd/hearing-info/>. This hearing is subject to continuance by the Division to a subsequent docket date. Applicant seeks an order from the Division pooling all uncommitted mineral interests within a 320-acre, more or less, Bone Spring horizontal spacing unit comprising the W/2E/2 of Sections 3 and 10, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the **Eagle State Com 303H** well, to be horizontally drilled. The producing area for the well is expected to be orthodox. Also to be considered will be the cost of drilling and completing said well, 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 well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 18 miles west of Hobbs, New Mexico.
#00278681

01104570

00278681

DOLORES SERNA
MODRALL, SPERLING, ROEHL, HARRIS &
P. O. BOX 2168
ALBUQUERQUE, NM 87103-2168



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

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

CASE NO. 23566

SELF AFFIRMED DECLARATION OF BEN KESSEL

Ben Kessel hereby states and declares as follows:

1. I am over the age of 18, I am a geologist for Franklin Mountain Energy 3, LLC (“FME3”), and have personal knowledge of the matters stated herein. I have previously testified before the Oil Conservation Division (“Division”) and my credentials as an expert petroleum geologist were accepted by the Division as a matter of record.

2. My area of responsibility at FME3 includes the area of Lea County in New Mexico.

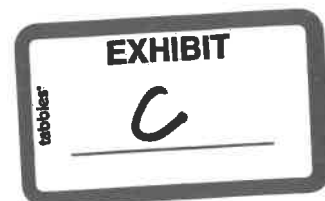
3. I am familiar with the application filed by FME3 in this case.

4. **Exhibit C.1** is a locator map showing the approximate location of the proposed unit in relation to the Capitan Reef.

5. **Exhibit C.2** is a wellbore schematic showing FME3’s development plan.

6. **Exhibit C.3** through **Exhibit C.6** are the geology study I prepared for the **Eagle State Com 303H well**, which will target the First Bone Spring.

7. **Exhibit C.3** is a structure map of the First Bone Spring formation. The proposed spacing unit is identified by a purple box. The Eagle State Com 303H well proposed in this case is identified by the black-dashed line. The contour interval used in this exhibit is 25 feet. This exhibit shows that the structure dips gently to the southwest.



8. **Exhibit C.4** is a cross-section reference map that identifies five wells in the vicinity of the proposed Eagle State Com 303H well, shown by a line of cross-section running from A to A'.

9. **Exhibit C.5** is a stratigraphic cross-section, and the well logs shown on the cross-section give a representative sample of the First Bone Spring formation in the area. The target zone is identified by a bracket and the words "Producing Interval." I have also identified where the proposed well falls within the wells I used for the cross-section.

10. In my opinion, the gross interval thickness for the First Bone Spring formation increases slightly to the southwest.

11. **Exhibit C.6** is an Isopach map of the First Bone Spring formation. The gross interval thickness increases slightly to the southwest.

12. I conclude from the geology studies referenced above that:

- a. The horizontal spacing unit is justified from a geologic standpoint.
- b. There are no structural impediments or faulting that will interfere with horizontal development.
- c. Each quarter-quarter section in the proposed unit will contribute more or less equally to production.

13. **Exhibit C.7** provides an overview of the stress orientation in the area based on the 2018 Snee-Zoback paper.

14. The preferred well orientation in this area is either north/south or south/north, nearly orthogonal to S_{Hmax} , optimal for induced fracture propagation. This is because the S_{Hmax} is at approximately 255 degrees ENE in this area of Lea County.

15. In my opinion, the granting of FME3's application is in the interests of conservation and the prevention of waste.

16. The attachments to this declaration were prepared by me, or compiled from company business records, or were prepared at my direction.

[Signature page follows]

I attest under penalty of perjury under the laws of the State of New Mexico that the information provided herein is correct and complete to the best of my knowledge and belief.

Dated: May 26, 2023

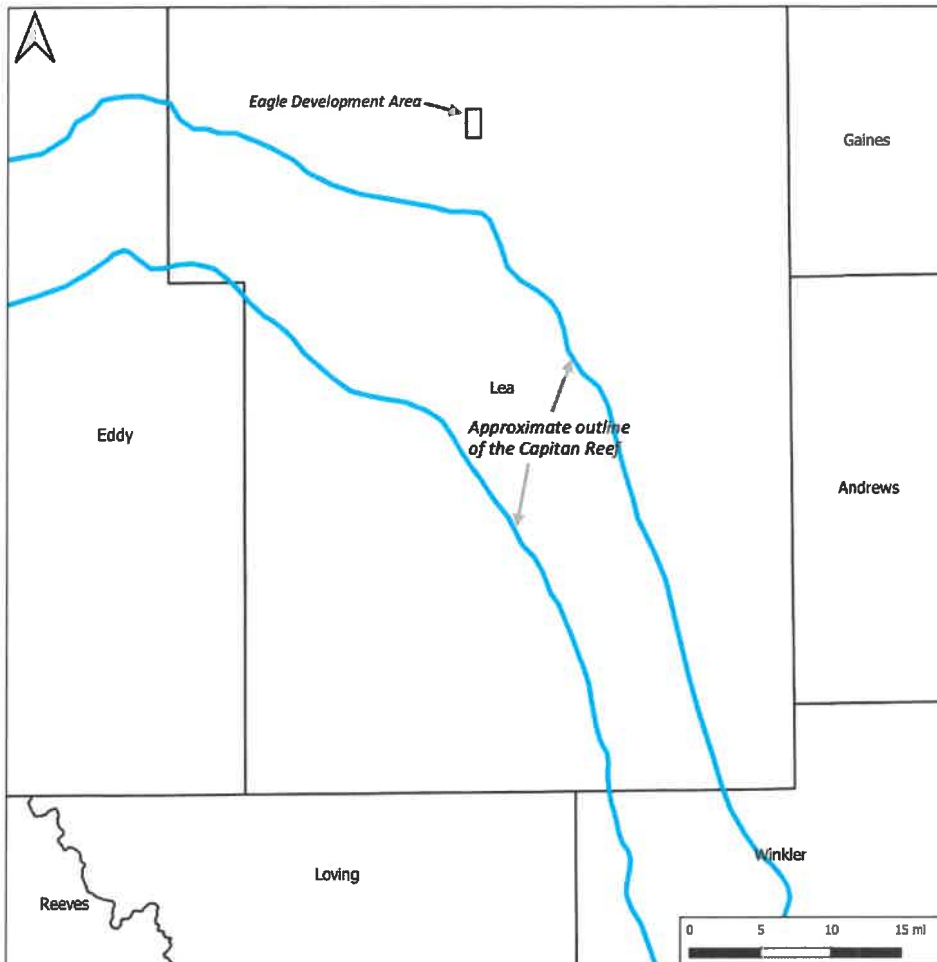


Ben Kessel



Eagle Development

Locator Map

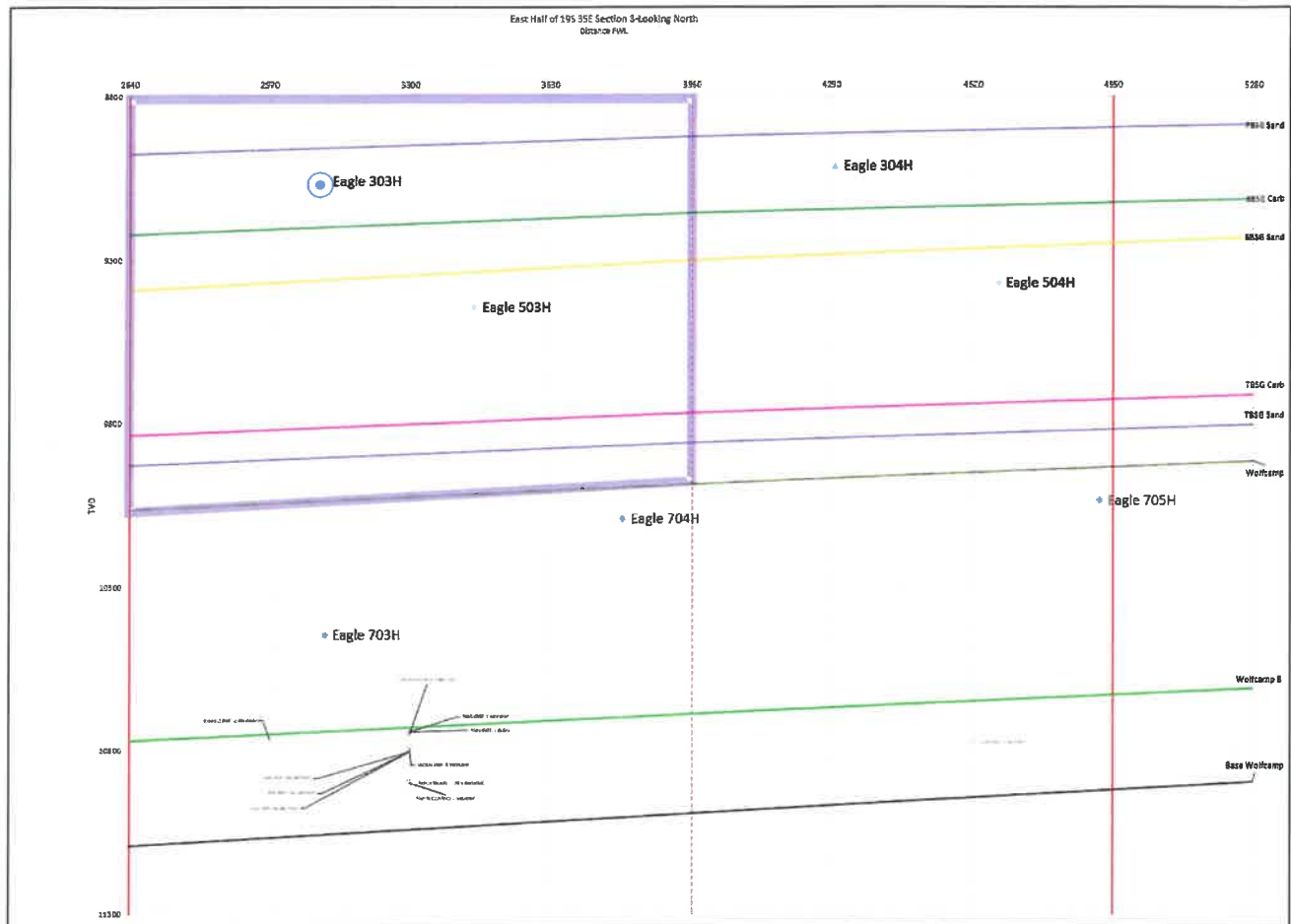


- Black box shows the location of Eagle development area
- Planned wells are located outside of the eastern edge of the Capitan Reef

https://www.twdb.texas.gov/publications/reports/contracted_reports/doc/0804830794CapitanReef/Final%20Revised%20Capitan%20PDF%20w_Seals.pdf



Wellbore Schematic

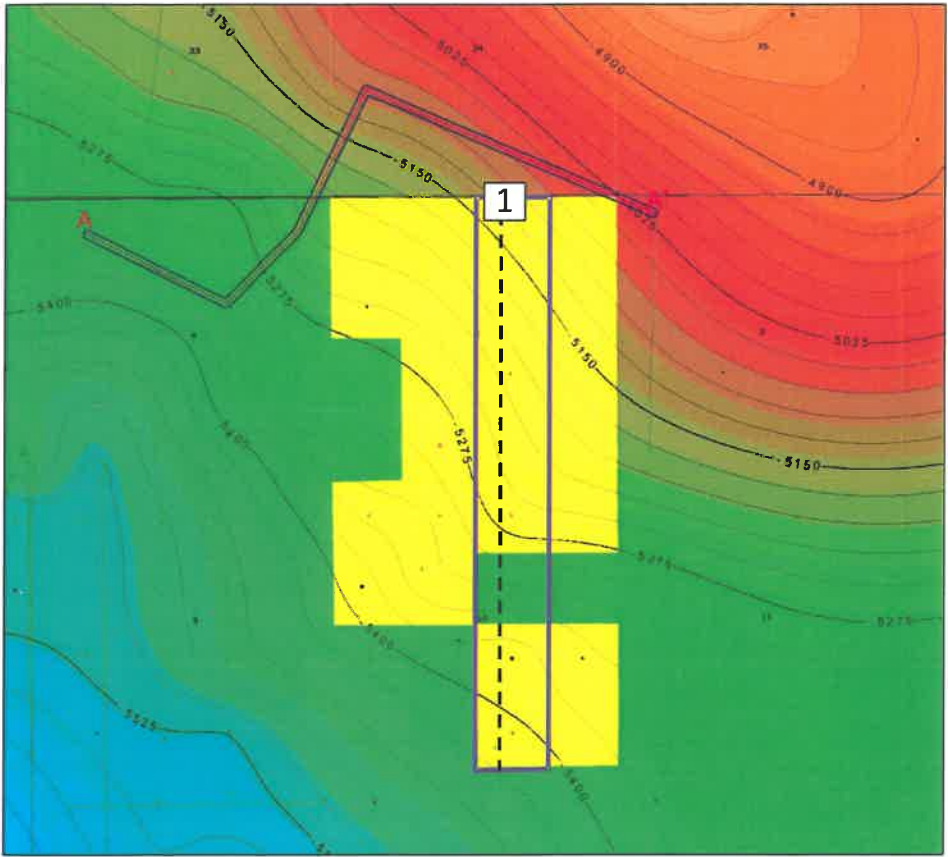




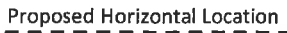

⊙ Proposed Lateral

□ Bone Spring Spacing Unit



FBSG Structure



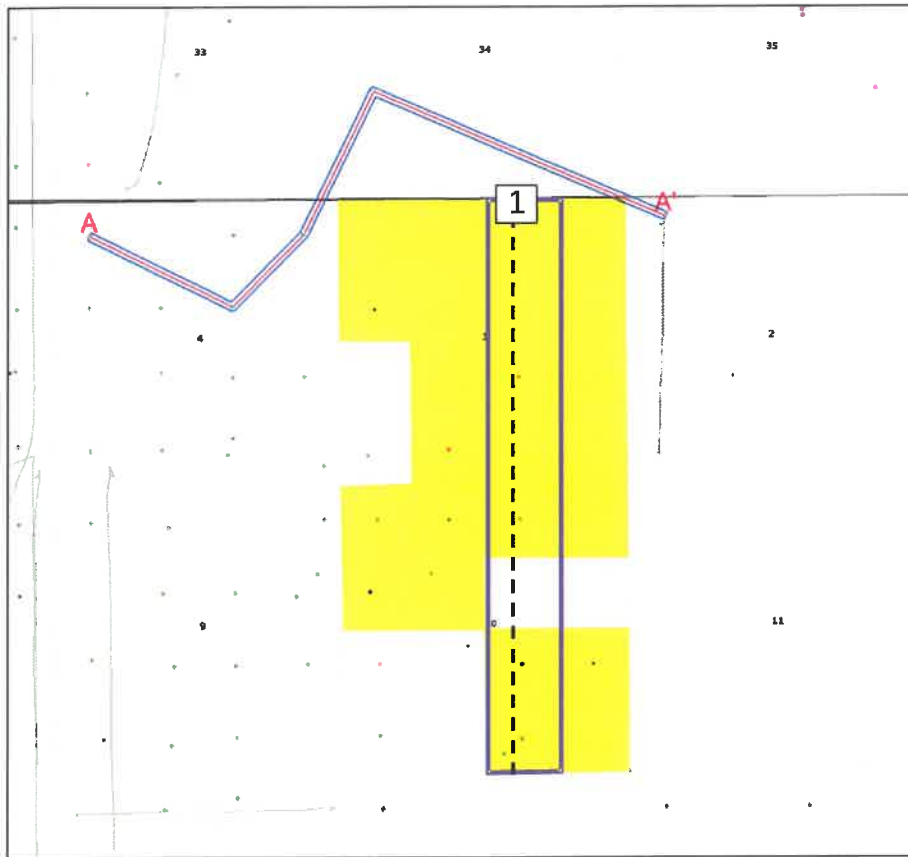
-  Franklin Mountain Acreage
-  Bone Spring Spacing Unit
-  Proposed Horizontal Location
-  Eagle State Com 303H

All wells shown

1 mile



Cross Section Reference Map



- Franklin Mountain Acreage
- Bone Spring Spacing Unit
- Proposed Horizontal Location
- 1 Eagle State Com 303H

All wells shown

1 mile



Bone Spring Cross Section

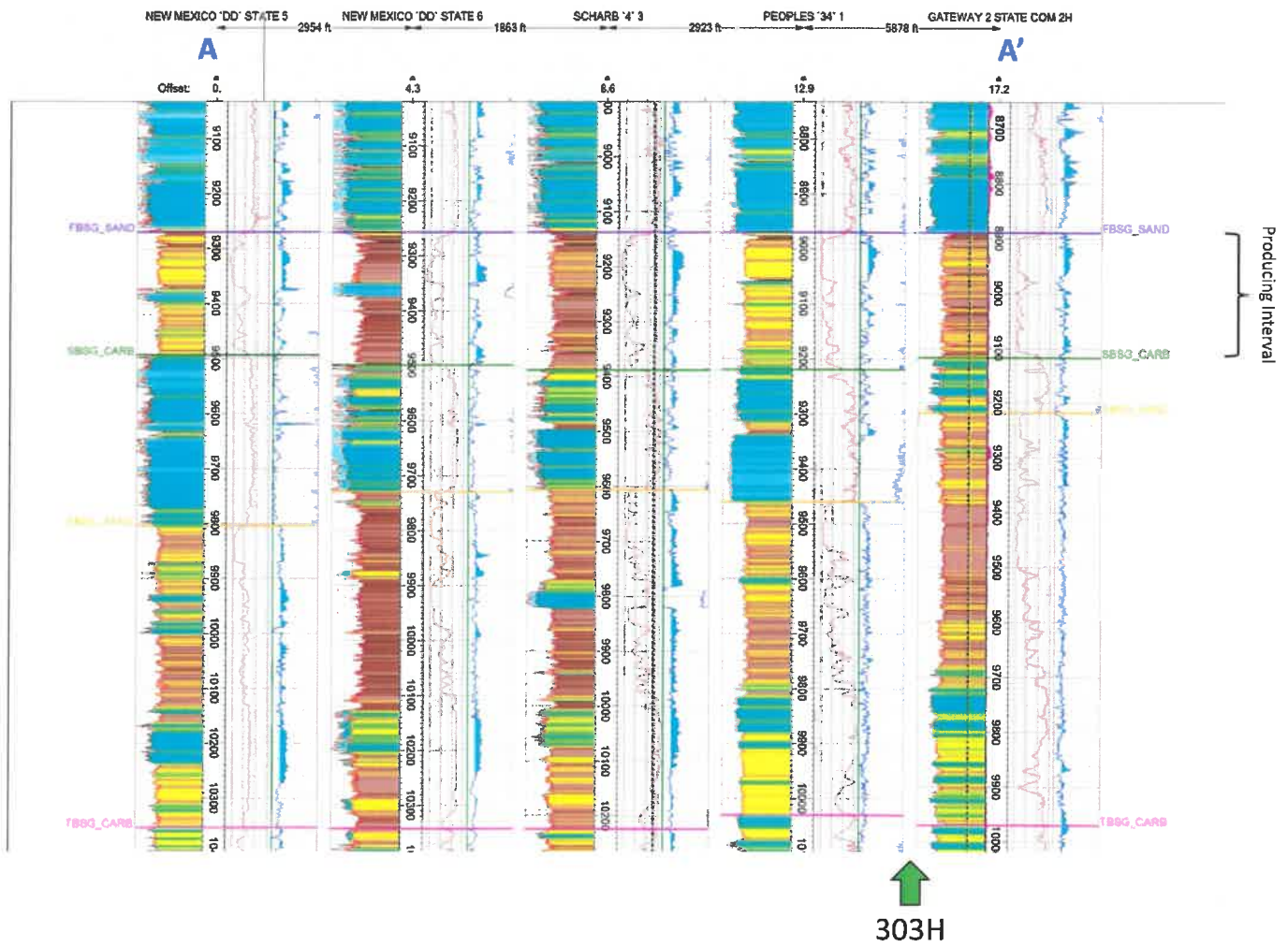
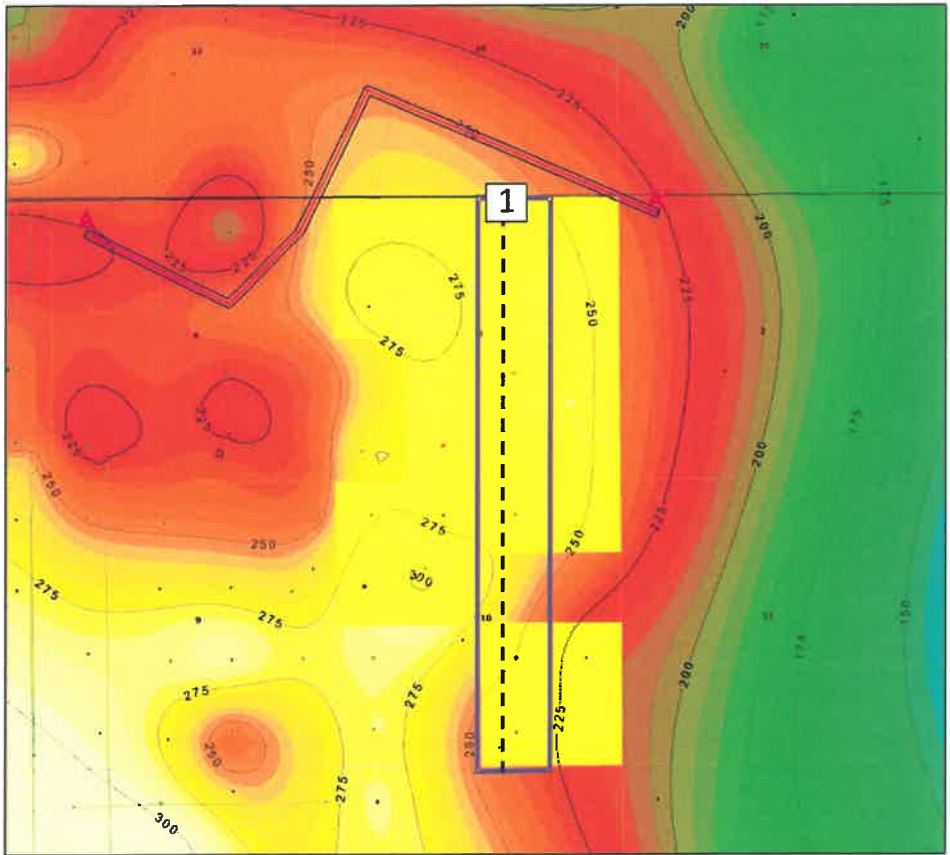


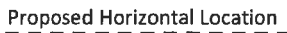



EXHIBIT
 C-5

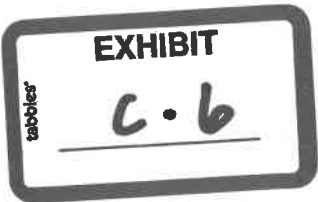
FBSG Isopach



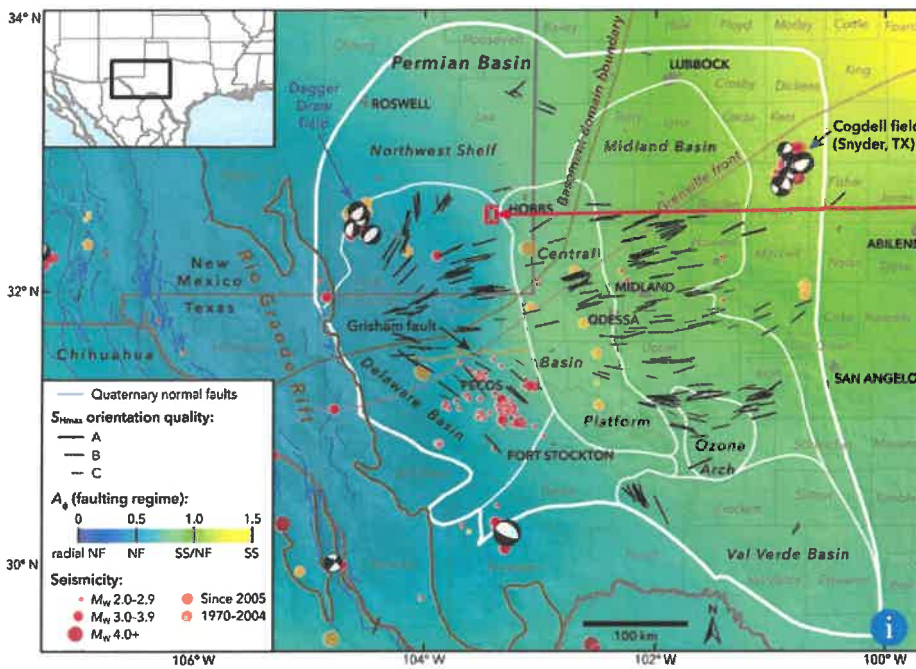
-  Franklin Mountain Acreage
-  Bone Spring Spacing Unit
-  Proposed Horizontal Location
-  Eagle State Com 303H

All wells shown

1 mile



Regional Stress



- Red box shows the approximate location of the Eagle development
- Reported local S_{Hmax} (Snee and Zoback, 2018) direction is ENE, around 255°
- The Eagle State Com 303H well is planned to drill N-S, nearly orthogonal to S_{Hmax} , optimal for induced fracture propagation

Snee, J.L. and Zoback, M.D., 2018, State of stress in the Permian Basin, Texas and New Mexico: Implications for induced seismicity: The Leading Edge, 37, no. 2

http://www.tleonline.org/theleadingedge/february_2018/MobilePagedArticle.action?articleId=1331603#articleId1331603

