

**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. \_\_\_\_\_

**APPLICATION**

Flat Creek Resources, LLC, (“Flat Creek”), through its undersigned attorneys, hereby files this Application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order (1) establishing a 320-acre, more or less, standard horizontal spacing and proration unit comprised of the N/2 of Section 23, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted mineral interests in the Wolfcamp formation, designated by the Division as a gas field, underlying said unit.

In support of its Application, Flat Creek states the following:

1. This Application competes with a pooling application recently filed by Matador Production Company (“Matador”) for the same lands, being the N/2 of Section 23, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico. Matador and Flat Creek are currently in the process of competing over the best development plan involving the S/2 of Section 23, proposed by Matador in Case No. 21543, and the N/2 and N/2 S/2 of Section 23, proposed by Flat Creek in Case No. 21560. Matador and Flat Creek requested that the Division review and consider these mutually exclusive development plans pursuant to Prehearing Order dated December 3, 2020. After issuance of the Prehearing Order, Matador filed an additional Application for the N/2 of Section 23. As a result, Matador and Flat Creek agreed to a motion to vacate the existing prehearing order and have a status conference for the cases on

March 4, 2021, in order to account for Case Nos. 21543, 21560, 21630, and the application herein being submitted by Flat Creek for the N/2 of Section 23.

2. Flat Creek respectfully requests that the Division consider the applications in these cases in an order that would first compare the merits of the S/2 proposed by Matador against the N/2 and N/2 S/2 proposed by Flat Creek. If the Division should grant Flat Creek's plan for the N/2 and N/2 S/2, then that would be the end of the consideration as the two plans are mutually exclusive. However, if the Division should rule for Matador's plan for the S/2, then the Division would have the opportunity to compare the merits of Flat Creek's plan for the N/2 against Matador's plan for the N/2 in order to assess the best plan for the prevention of waste and protection of correlative rights.

3. At the time of the hearing, the Division will have been provided, for the sake of administrative efficiency, all four cases for its review. However, Flat Creek submits that such sequence of review and consideration (the S/2 vs. the N/2 and N/2 S/2 first) would provide the Division opportunity to focus on the issues unique to each set of competing applications and would best allow for the consideration of the prevention of waste and the protection of correlative rights.

4. For purposes of this Application for the N/2 of Section 23, Flat Creek is a working interest owner in the proposed horizontal spacing and proration unit ("HSU") and has a right to drill a well thereon.

5. Flat Creek seeks to dedicate the HSU to two initial wells, the **Thirteen Seconds 23 Fed-Fee 701H Well** and **Thirteen Seconds 23 Fed-Fee 702H Well**, and proposes to drill the wells to a depth sufficient to test the Wolfcamp formation.

6. Flat Creek proposes the **Thirteen Seconds 23 Fed-Fee 701H Well**, to be horizontally drilled from a surface location in NW/4 NW/4 (Unit D) of Section 23 to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 23.

7. Flat Creek proposes the **Thirteen Seconds 23 Fed-Fee 702H Well**, to be horizontally drilled from a surface location in NW/4 NW/4 (Unit D) of Section 23 to a bottom hole location in the SE/4 NE/4 (Unit H) of Section 23.

8. The completed intervals for the proposed wells will be nonstandard in relation to the setback requirements imposed by the Special Rules for the Purple Sage Gas Pool, as provided in Order No. R-14262, and Flat Creek will be applying administratively for approval of the nonstandard location.

9. Flat Creek has sought in good faith, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the wells or in the commitment of their interests to the wells for their development within the proposed HSU.

10. The pooling of all interests in the Wolfcamp formation within the proposed HSU will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights.

11. Flat Creek reserves the right to add additional wells to the HSU when and if deemed necessary by Flat Creek for the proper development of the HSU and its resources, in accordance with the state-wide rules.

WHEREFORE, Flat Creek requests that this Application be set for hearing before an Examiner of the Oil Conservation Division on April 8, 2021 (or on an appropriate date as determined by the prehearing order pursuant to the status conference on March 4, 2021, to coincide with Case Nos. 21543, 21560, and 21630), and after notice and hearing as required by law, the Division enter an order:

A. Approving the creation of a 320-acre, more or less, spacing and proration unit comprising the N/2 of Section 23, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico, and approving the wells thereon;

B. Pooling all uncommitted mineral interests in the Wolfcamp formation underlying the proposed HSU;

- C. Designating Flat Creek as operator of this HSU and the horizontal wells to be drilled thereon;
- D. Authorizing Flat Creek to recover its costs of drilling, equipping and completing the wells;
- E. Approving actual operating charges and costs of supervision, while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures;
- F. Setting a 200% charge for the risk assumed by Flat Creek in drilling and completing the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,

ABADIE & SCHILL, PC

/s/ Darin C. Savage

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**Attorneys for Flat Creek Resources, LLC**

***Application of Flat Creek Resources, LLC, for a Horizontal Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico.*** Applicant in the above-styled cause seeks an order from the Division: (1) establishing a 320-acre, more or less, standard horizontal spacing and proration unit comprised of the N/2 of Section 23, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico and (2) pooling all mineral interests in the Wolfcamp formation, a gas field, underlying the unit. Said horizontal spacing unit is to be dedicated to two wells. Flat Creek proposes the **Thirteen Seconds 23 Fed-Fee 701H Well**, to be horizontally drilled from a surface location in NW/4 NW/4 (Unit D) of Section 23 to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 23; and the **Thirteen Seconds 23 Fed-Fee 702H Well**, to be horizontally drilled from a surface location in NW/4 NW/4 (Unit D) of Section 23 to a bottom hole location in the SE/4 NE/4 (Unit H) of Section 23. The completed intervals for the proposed wells will be nonstandard in relation to the setback requirements imposed by the Special Rules for the Purple Sage Gas Pool. Flat Creek will apply administratively for approval of the nonstandard location. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 3 miles west of Loving, New Mexico.