

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

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

Case No. _____
(curing application in Case No. 21560)

AMENDED APPLICATION

Flat Creek Resources, LLC, (“Flat Creek”), through its undersigned attorneys, hereby files this Application with the Oil Conservation Division (“Division”) pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order (1) establishing a 480-acre, more or less, non-standard horizontal spacing and proration unit comprised of the N/2 and N/2 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 Wolfcamp formation, designated by the Division as a gas field, underlying said unit.

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

1. This Amended Application is submitted in order to address and cure any defects involving the description of the spacing unit as standard in the original application in Case No. 21560 and any notice issues that might have arisen from such description, pursuant to the Division’s “Notice: Material Changes or Deficiencies in Applications Submitted to the OCD Engineering Bureau,” dated effective June 11, 2020, which provides that if the Division denies an application, “the applicant may refile through the fee portal” to cure any deficiencies.

2. The original application in Case No. 21560 was heard by the Division on May 6, 2021, and subsequent Order No. R-21800 issued August 26, 2021, denied the application in favor of the competing application filed by Matador Production Company in Case Nos. 21543 and

21630. As noted in the Order, Flat Creek mis-identified the 480-acre spacing unit as standard, when it was non-standard. See Order No. R-21800, p. 2, FN 1; however, Flat Creek described the size and location of the unit accurately. This matter was fully addressed during the hearing, which was allowed to move forward and be heard based on the content and merits of the application, with Matador's consent, and the defect was not described in the Order as dispositive or affecting the Division's final decision. Flat Creek has applied for a hearing *de novo* with the Oil Conservation Commission ("Commission") for reconsideration of Case No. 21560 and now files this Amended Application to confirm, for purposes of notice and to address any material defects pursuant to said Division Deficiency letter dated June 11, 2020, that the 480-acre, more or less, horizontal spacing unit is non-standard, and Flat Creek will be applying administratively to the Division for approval of the non-standard unit.

3. In the original application in Case No. 21560, Flat Creek described the unit as overlapping the S/2 of Section 23, and this Amended Application describes the same 480-acre unit, as covering the N/2 and N/2 S/2 of Section 23, overlapping Matador's existing spacing unit in the S/2 of Section 23, which contains the Norris Thornton Com RB #204H Well (API No. 30-015-44659). Accordingly, Flat Creek will be seeking approval of an overlapping well spacing unit to account for the existing well in the hearing *de novo*, pursuant to NMAC 19.15.16.15B(9)(b).

4. This Amended Application is materially and substantively the same as the application in Case No. 21560 and is submitted to address and cure any deficiencies of the original application, including the assurance of proper notice, in order to move forward with the hearing *de novo* so that the substance and merits of the original case can be reconsidered by the Commission, as Flat Creek, a party of record adversely affected by the issuance of Order No. R-21800, exercises its right under NMSA 1978 Section 70-2-13.

5. 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.

6. Flat Creek seeks to dedicate the HSU to three initial wells, the **Thirteen Seconds 23 Fed-Fee 701H Well**, **Thirteen Seconds 23 Fed-Fee 702H Well**, and the **Thirteen Seconds 23 Fed-Fee 703H Well** and proposes to drill the wells to a depth sufficient to test the Wolfcamp formation.

7. Flat Creek proposes the **Thirteen Seconds 23 Fed-Fee 701H Well**, to be horizontally drilled from a surface location in the 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.

8. Flat Creek proposes the **Thirteen Seconds 23 Fed-Fee 702H Well**, to be horizontally drilled from a surface location in the 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.

9. Flat Creek proposes the **Thirteen Seconds 23 Fed-Fee 703H Well**, to be horizontally drilled from a surface location in the NW/4 SW/4 (Unit L) of Section 23 to a bottom hole location in the NE/4 SE/4 (Unit I) of Section 23.

10. The completed intervals for the proposed wells will be non-standard 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 non-standard location.

11. 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.

12. 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.

13. 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.

14. This application competes against the application of Matador Production Company in Case Nos. 21543 and 21630.

WHEREFORE, Flat Creek requests that this Amended Application be set for hearing before an Examiner of the Oil Conservation Division on November 4, 2021, and after notice and hearing as required by law, the Division enter an order containing the provisions (A-F) below. In the alternative, since this Amended Application has been initiated for incorporation in Flat Creek's application for a hearing *de novo* filed September 23, 2021, to the extent the Division deems it appropriate, Flat Creek requests that the Division remove this Amended Application to the Commission, to be considered as curative to the application in Case No. 21560, and be heard in the *de novo* proceedings, during which Flat Creek would request the Commission to enter an order:

A. Approving the creation of a 480-acre, more or less, spacing and proration unit comprising the N/2 and N/2 S/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; and

G. Acknowledging the curative effect of the Amended Application pursuant to the Division's "Notice: Material Changes or Deficiencies in Applications Submitted to the OCD Engineering Bureau," dated effective June 11, 2020.

Respectfully submitted,

ABADIE & SCHILL, PC

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Amended 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 480-acre, more or less, non-standard horizontal spacing and proration unit comprised of the N/2 and N/2 S/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 3 wells. Flat Creek proposes the **Thirteen Seconds 23 Fed-Fee 701H Well**, to be horizontally drilled from a surface location in the 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; the **Thirteen Seconds 23 Fed-Fee 702H Well**, to be horizontally drilled from a surface location in the 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; and the **Thirteen Seconds 23 Fed-Fee 703H Well**, to be horizontally drilled from a surface location in the NW/4 SW/4 (Unit L) of Section 23 to a bottom hole location in the NE/4 SE/4 (Unit I) of Section 23. The completed intervals for the proposed wells will be non-standard in relation to the setback requirements imposed by the Special Rules for the Purple Sage Gas Pool, Order No. R-14262. Flat Creek will apply administratively for approval of the non-standard location, as well as the non-standard proration and spacing unit. Also to be considered will be approval of an overlapping well spacing unit for the S/2 of Section 23 to account for the existing Norris Thornton Com RB #204H well (API No. 30-015-44659), pursuant to NMAC 19.15.16.15B(9)(b); 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 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.