



# FRANKLIN MOUNTAIN ENERGY

Before the Oil Conservation Division  
Examiner Hearing July 6<sup>th</sup>, 2023

Compulsory Pooling

**Case No. 23609: Annex State Com 502H**

**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. 23609**

**TABLE OF CONTENTS**

**Tab A:** Compulsory Pooling Checklist

**Tab B:** Self Affirmed Declaration of Ilona Hoang, Land Professional

- Exhibit B-1 : Application
- Exhibit B-2: C-102
- Exhibit B-3: Lease Tract Maps/Parties to Be Pooled
- Exhibit B-4: Summary of Contacts
- Exhibit B-5 : Proposal Letter
- Exhibit B-6 : AFE
- Exhibit B-7: Notice Affidavit

**Tab C:** Self Affirmed Declaration of Ben Kessel, Geologist

- Exhibit C-1: Locator Map
- Exhibit C-2: WellBore Schematic
- Exhibit C-3: Structure Map
- Exhibit C-4: Cross Section Reference Map
- Exhibit C-5: Cross Section
- Exhibit C-6: Isopach Map
- Exhibit C-7: Regional Stress Orientation Justification


# COMPULSORY POOLING APPLICATION CHECKLIST

**ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS**

<b>Case: 23609</b>	<b>APPLICANT'S RESPONSE</b>
<b>Date: July 6, 2023</b>	
<b>Applicant</b>	<b>Franklin Mountain Energy 3, LLC</b>
<b>Designated Operator &amp; OGRID (affiliation if applicable)</b>	<b>Franklin Mountain Energy 3, LLC OGRID 331595</b>
<b>Applicant's Counsel:</b>	<b>Modrall Sperling</b>
<b>Case Title:</b>	<b>APPLICATION OF FRANKLIN MOUNTAIN ENERGY 3, LLC FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO</b>
<b>Entries of Appearance/Intervenors:</b>	<b>None</b>
<b>Well Family</b>	<b>Annex State</b>
<b>Formation/Pool</b>	
<b>Formation Name(s) or Vertical Extent:</b>	<b>Bone Spring</b>
<b>Primary Product (Oil or Gas):</b>	<b>Oil</b>
<b>Pooling this vertical extent:</b>	<b>Bone Spring</b>
<b>Pool Name and Pool Code:</b>	<b>Pearl; Bone Spring South (49685)</b>
<b>Well Location Setback Rules:</b>	<b>State-Wide Rules Apply</b>
<b>Spacing Unit</b>	
<b>Type (Horizontal/Vertical)</b>	<b>Horizontal</b>
<b>Size (Acres)</b>	<b>320</b>
<b>Building Blocks:</b>	<b>40 acres</b>
<b>Orientation:</b>	<b>North-South</b>
<b>Description: TRS/County</b>	<b>E/2W/2 of Sections 25 and 36, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico.</b>
<b>Standard Horizontal Well Spacing Unit (Y/N), If No, describe and is approval of non-standard unit requested in this application?</b>	<b>Unit is standard.</b>
<b>Other Situations</b>	
<b>Depth Severance: Y/N. If yes, description</b>	<b>N</b>
<b>Proximity Tracts: If yes, description</b>	<b>N</b>
<b>Proximity Defining Well: if yes, description</b>	<b>N/A</b>
<b>Applicant's Ownership in Each Tract</b>	<b>See Exhibit B-3.</b>
<b>Well(s)</b>	
<b>Name &amp; API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)</b>	<b>Add wells as needed</b>
<b>Well #1: Eagle State Com 303 (API Pending)</b>	<b>SHL: 250' FSL &amp; 1700' FWL, Section 36, T-19-S R-35-E FTP: 150' FSL &amp; 2140' FEL, Section 36, T-19-S R-35-E LTP: 130' FNL &amp; 2140' FEL, Section 25, T-19-S R-35-E Orientation: South/North Completion Status: Standard Completion Target: Bone Spring TVD: 10,015' MVD: 20,015'</b>
<b>Horizontal Well Fr</b>	<b>See above cells and Exhibit B-2 (C-102)</b>



Completion Target (Formation, TVD and MD)	See above cells and Exhibit B-5 (proposal letter)
<b>AFE Capex and Operating Costs</b>	
Drilling Supervision/Month \$	\$9,000
Production Supervision/Month \$	\$900
Justification for Supervision Costs	See Exhibit B Paragraph 23
Requested Risk Charge	200%
<b>Notice of Hearing</b>	
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
<b>Ownership Determination</b>	
Land Ownership Schematic of the Spacing Unit	Exhibit B-3
Tract List (including lease numbers and owners)	Exhibit B-3
If approval of Non-Standard Spacing Unit is requested, Tract List (including lease numbers and owners) of Tracts subject to notice requirements.	N/A
Pooled Parties (including ownership type)	Exhibit B-3
Unlocatable Parties to be Pooled	Exhibit B-3/B-7
Ownership Depth Severance (including percentage above & below)	NA
<b>Joinder</b>	
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
<b>Geology</b>	
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
<b>Forms, Figures and Tables</b>	
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
<b>Additional Information</b>	
Special Provisions/Stipulations	NA
<b>CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.</b>	
Printed Name (Attorney or Party Representative):	Deana M. Bennett
Signed Name (Attorney or Party Representative):	
Date:	3-Jul-23

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

APPLICATION OF FRANKLIN MOUNTAIN  
ENERGY3, LLC FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

CASE NO. 23609

SELF AFFIRMED DECLARATION OF ILONA HOANG

Ilona Hoang hereby states and declares as follows:

1. I am over the age of 18, I am a landman for Franklin Mountain Energy 3, LLC (“FME3”), and I 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 landman 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, which is attached as **Exhibit B.1.**

4. I am familiar with the status of the lands that are subject to the application.

5. I submit the following information pursuant to NMAC 19.15.4.12.A(1) in support of the above referenced compulsory pooling application.

6. The purpose of the application is to force pool all uncommitted interests into the horizontal spacing unit described below, and in the wells to be drilled in the unit.

7. 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.





8. 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 E/2W/2 of Sections 25 and 36, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico.

9. This spacing unit will be dedicated to the **Annex State Com 502H** well, to be horizontally drilled.

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

11. The C-102 identifies the proposed surface hole locations and the bottom hole locations, and the first take point. The C-102 also identifies the pool and pool code.

12. The wells will develop the Pearl; Bone Spring South pool (Pool code 49685).

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

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

15. The producing areas for the wells is expected to be orthodox.

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

17. **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.

18. 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.

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

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

21. **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.

22. **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.

23. 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.

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

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

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

27. FME3 seeks to pool overriding royalty interest owners, and they were also provided notice of this hearing.

28. **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 June 21, 2023.

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

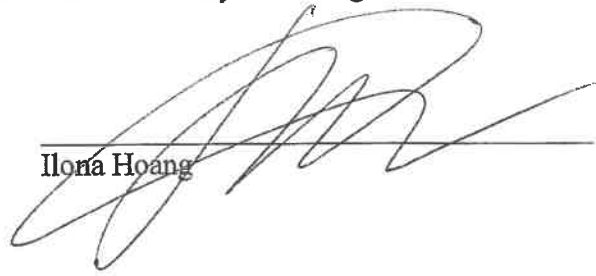


30. In my opinion, the granting of this application is in the interests of conservation and the prevention of waste.

*[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: June 29, 2023

  
Ilona Hoang

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. 23609

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 E/2W/2 of Sections 25 and 36, 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 E/2W/2 of Sections 25 and 36, 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 **Annex State Com 502H** 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 July 6, 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 E/2W/2 of Sections 25 and 36, 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. 23609 : 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 E/2W/2 of Sections 25 and 36, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the **Annex State Com 502H** 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

<sup>1</sup> API Number	<sup>2</sup> Pool Code 49685	<sup>3</sup> Pool Name PEARL; BONE SPRING, SOUTH
<sup>4</sup> Property Code	<sup>5</sup> Property Name ANNEX STATE COM	<sup>6</sup> Well Number 502H
<sup>7</sup> GRID No. 331595	<sup>8</sup> Operator Name FRANKLIN MOUNTAIN ENERGY 3, LLC	<sup>9</sup> Elevation 3660.7'

<sup>10</sup> Surface Location

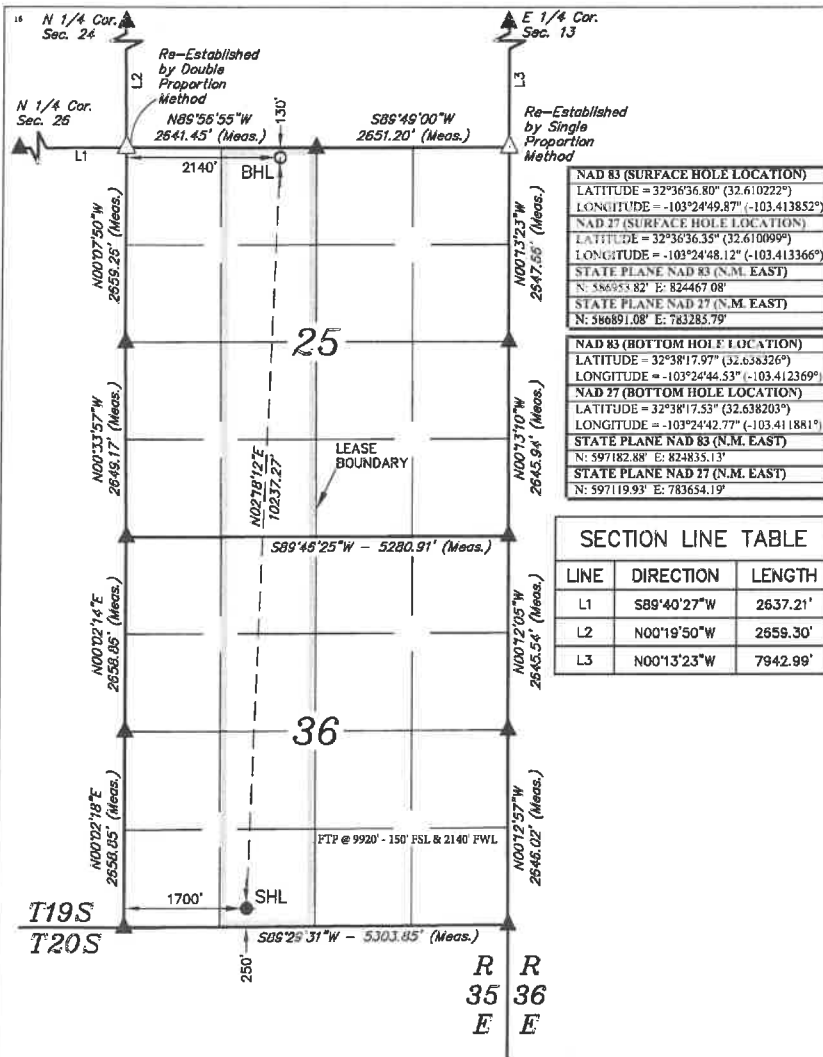
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	36	19S	35E		250	SOUTH	1700	WEST	LEA

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	25	19S	35E		130	NORTH	2140	WEST	LEA

<sup>12</sup> Dedicated Acres 320	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> 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.



NAD 83 (SURFACE HOLE LOCATION)	
LATITUDE	= 32°36'36.80" (32.610222°)
LONGITUDE	= -103°24'49.87" (-103.413852°)
NAD 27 (SURFACE HOLE LOCATION)	
LATITUDE	= 32°36'36.35" (32.610099°)
LONGITUDE	= -103°24'48.12" (-103.413366°)
STATE PLANE NAD 83 (N.M. EAST)	
N: 586953.82' E: 824467.08'	
STATE PLANE NAD 27 (N.M. EAST)	
N: 586891.08' E: 783285.79'	
NAD 83 (BOTTOM HOLE LOCATION)	
LATITUDE	= 32°38'17.97" (32.638326°)
LONGITUDE	= -103°24'44.53" (-103.412369°)
NAD 27 (BOTTOM HOLE LOCATION)	
LATITUDE	= 32°38'17.53" (32.638203°)
LONGITUDE	= -103°24'42.77" (-103.411881°)
STATE PLANE NAD 83 (N.M. EAST)	
N: 597182.88' E: 824835.13'	
STATE PLANE NAD 27 (N.M. EAST)	
N: 597119.93' E: 783654.19'	

SECTION LINE TABLE		
LINE	DIRECTION	LENGTH
L1	S89°40'27"W	2637.21'
L2	N00°19'50"W	2659.30'
L3	N00°13'23"W	7942.99'

**<sup>17</sup> 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 heretofore created by the division.

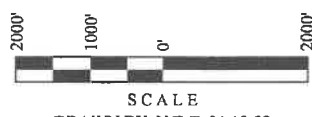
Signature: *Rachel Overbey* Date: 5/13/2023  
Printed Name: Rachel Overbey  
E-mail Address: roverbey@fmccllc.com

**<sup>18</sup> 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.

April 5, 2023  
Date of Survey  
Signature and Seal of Professional Surveyor:



tabbies  
**EXHIBIT**  
**B.2**

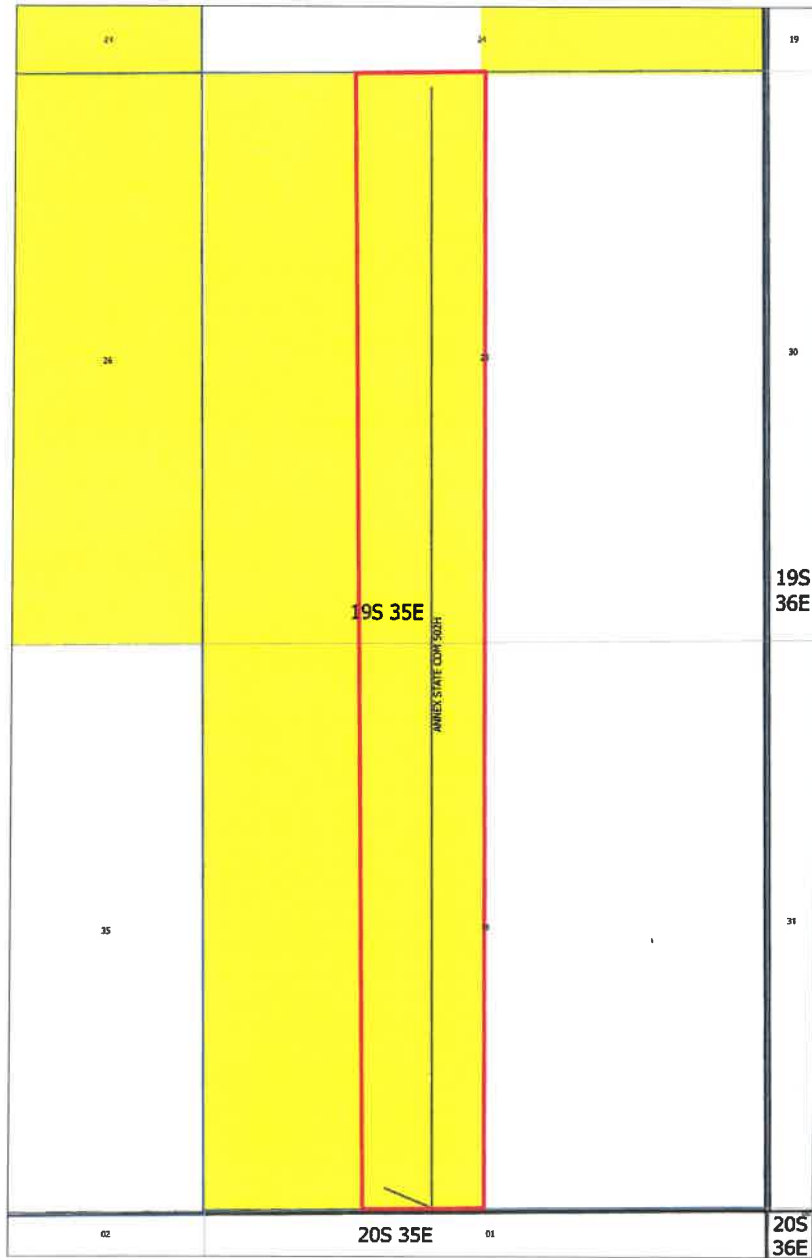


SCALE  
DRAWN BY: NDD 04-10-23  
NM OCD Hearing 7-6-23



# Development Overview

Case Nos. 23609



Franklin Mountain Acreage



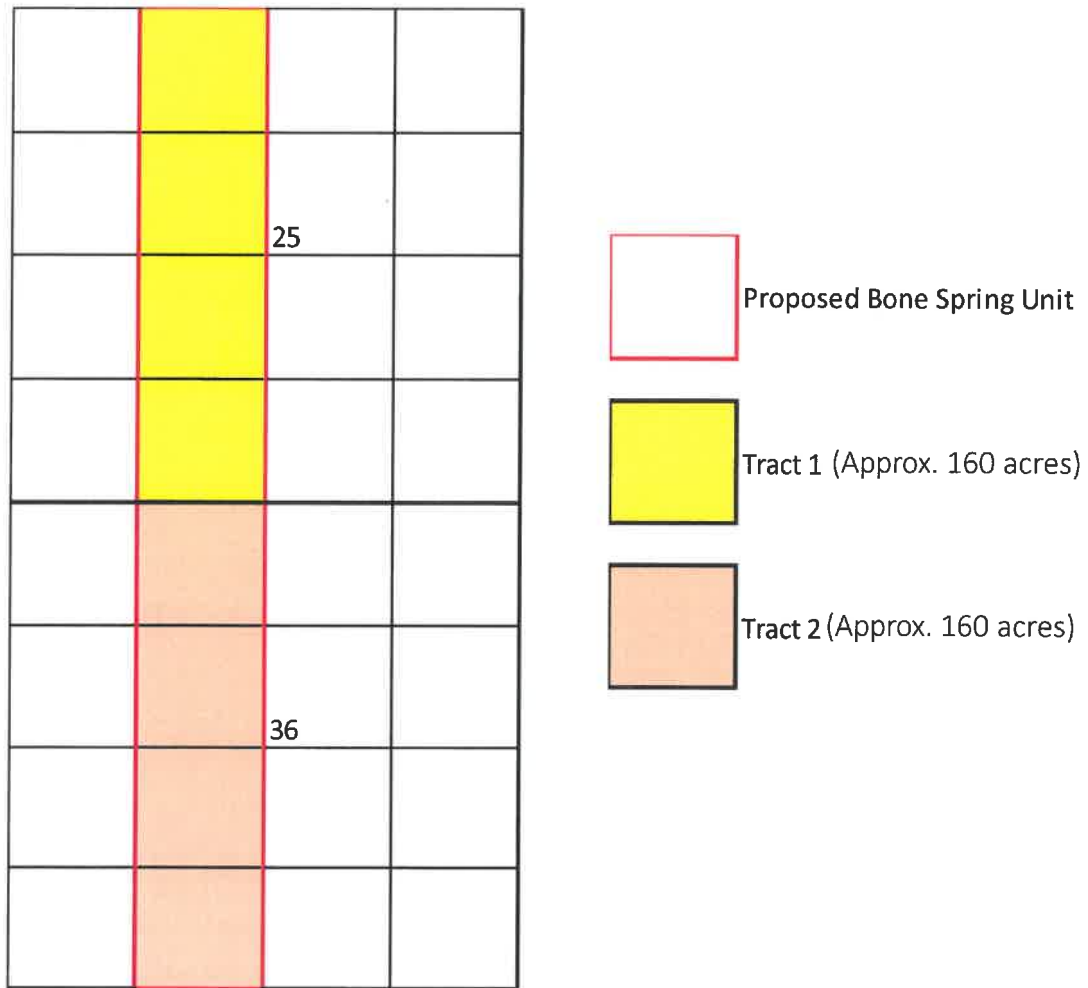
Bone Spring Spacing Unit

1 Mile



### Lease Tract Map

Case No. 23609  
E/2W/2 of Sections 25 & 36-T19S-R35E, 320 Acres  
Annex State Com 502H



### Summary of Interests

Case No. 23609  
E/2W/2 of Sections 25 & 36-T19S-R35E, 320 Acres  
Annex State Com 502H

<b>Committed Working Interest</b>	
Franklin Mountain Energy 3, LLC	98.828125%
<b>Uncommitted Working Interest</b>	
A & P Family Limited Partnership	0.390625%
George Lynn Sims	0.195313%
Bon Vivant, LLC	0.325521%
Elizabeth Lea Daugherty Rev Trust	0.130208%
Realeza Del Spear, LP*	0.130208%
<b>Total:</b>	<b>100.000000%</b>

\* In discussions with Realeza and Realeza not being pooled in this case



### Unit Recapitulation

**Case No. 23609**  
**E/2W/2 of Sections 25 & 36-T19S-R35E, 320 Acres**  
**Annex State Com 502H**

Committed Working Interest	
Franklin Mountain Energy 3, LLC	98.828125%
Uncommitted Working Interest	
A & P Family Limited Partnership	0.390625%
George Lynn Sims	0.195313%
Bon Vivant, LLC	0.325521%
Elizabeth Lea Daugherty Rev Trust	0.130208%
Realeza Del Spear, LP*	0.130208%
<b>Total:</b>	<b>100.000000%</b>

		25	
		36	

\* In discussions with Realeza and Realeza not being pooled in this case

Tract	Lease
1	FEE
2	VC-0523



**Parties To Be Pooled**  
**Case No. 23609-Annex**

Name	Interest Type
A&P Family Limited Partnership	UMI/RI
Bon Vivant LLC	UMI/RI
Elizabeth Lea Daugherty Revocable Trust U/A/D 3/22/2012, Bank Of America As Agent	UMI/RI
George Lynn Sims	WIO
Featherstone Development Corporation	ORRI

### Summary of Contacts (Case No. 23609-Annex)

- Franklin retained a broker who conducted extensive 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.
- Franklin sent well proposal letters to the unleased mineral interest owners and working interest owners on or around May 8, 2023.
- Franklin proposed general terms of a Joint Operating Agreements (JOA) within the well proposal letters.
- Franklin had multiple communications with the uncommitted interest owners, which I have outlined in the chart below.
- Franklin filed the application to force pool uncommitted interest owners who had not entered in to an agreement.
- Franklin’s counsel sent notices of the force pooling applications to the addresses of record for the uncommitted interest owners and also for overriding royalty interest owners.
- Franklin also published notice in a newspaper of general circulation in the county where the wells will be located.

Name	Ownership Type	Date Proposal Letter Sent	Proposal Letter Received	Follow Up
A&P FAMILY LIMITED PARTNERSHIP	UMI/RI	5/5/2023	5/8/2023	Received an email from attorney about leasing. Made an offer we feel is a fair and competitive offer. Offer was declined and counter offer not within range.
BON VIVANT LLC	UMI/RI	5/5/2023	5/8/2023	Received proposal letter; no further information requests received.
ELIZABETH LEA DAUGHERTY REVOCABLE TRUST U/A/D 3/22/2012, BANK OF AMERICA AS AGENT	UMI/RI	5/5/2023	5/8/2023	Received proposal letter; no further information requests received.
GEORGE LYNN SIMS	WIO	5/5/2023	5/8/2023	Received proposal letter; no further information requests received.
REALEZA DEL SPEAR, LP	WIO	5/5/2023	5/8/2023	Currently in discussion with Realeza.



NM OCD Hearing 7-6-23

No. 23609





Sent via USPS: 9405 5036 9930 0538 5265 76

May 5, 2023

A&P Family, Limited Partnership  
 1800 17th St  
 Eunice, NM 88231  
 Permian Basin, Land

RE: **Well Proposals**  
 Township 19 South, Range 35 East:  
 Sections 25 & 36: E/2W/2  
 Lea County, New Mexico  
 320.00 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
Annex State Com 502H	2nd Bone Spring	10,015'	20,015'	Sec. 36-T19S-R35E: 250' FSL, 1700' FWL	Sec. 25-T19S-R35E: 130' FNL, 2140' FWL	\$11,355,549.08	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





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 for your working interest 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@fmellc.com](mailto:djohnson@fmellc.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) 414-7868.

Respectfully,

Franklin Mountain Energy 3, LLC



Don Johnson  
Sr. Land Analyst



**Annex State Com 502H:**

\_\_\_\_\_ I/We hereby elect to participate in the **Annex State Com 502H** well.

\_\_\_\_\_ I/We hereby elect **NOT** to participate in the **Annex State Com 502H** well.

Owner: A&P Family, Limited Partnership

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: Annex State Cont 502H
Location: SHL Sec 16-T19S-R35E 250 FSL 1700 FWL
Operator: Franklin Mountain Energy 3, LLC
Purpose: Drill and complete a 10,000' 2BS well

Well #: 502H
County/State: Lea Co., NM
Date Prepared: 3/27/2023
AFE #: DCE230321

Table with 4 columns: Major, Minor, Description, Amount. Sub-sections: Intangible Drilling Costs, Intangible Completion Costs, Tangible Drilling Costs, Tangible Completion Costs.

Table with 4 columns: Major, Minor, Description, Amount. Sub-sections: Tangible Drilling Costs, Tangible Completion Costs.

Table with 4 columns: Major, Minor, Description, Amount. Sub-sections: Tangible Facility Costs, Intangible Facility Costs.

Summary table with 2 columns: Description, Amount. Rows: Total Drill, Total Completion, Total Facility, Total DC Intangible, Total DC Tangible.

Total AFE: \$11,355,549.08

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

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

Date: 3/27/2023

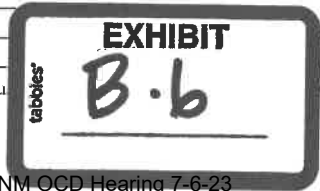
WI Owner:

Approved By:

Printed Name:

ALL PARTICIPANTS MUST CARRY THEIR OWN CONTROL OF WELL

...ANCE 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. 23609

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 letter, dated June 15, 2023, and attached hereto, as Exhibit A.
- 2) Exhibit B is the mailing list, which show the notice letters were delivered to the USPS for mailing on June 15, 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 spreadsheet shows the names and addresses of the parties to whom notice was sent and the status of the mailing.
- 4) Exhibit D is the Affidavit of Publication from the Hobbs News-Sun, confirming that notice of the July 6, 2023 hearing was published on June 21, 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: June 30, 2023

  
Deana M. Bennett





MODRALL SPERLING  
LAWYERS

June 15, 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. 23609**

TO: AFFECTED PARTIES

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

In Case No. 23609, 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 E/2W/2 of Sections 25 and 36, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the **Annex State Com 502H** 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 July 6, 2023 beginning at 8:15 a.m. To participate in the electronic hearing, see the instructions posted on the docket for the hearing date: <https://www.emnrd.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 this application, we are notifying you of your right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application. Failure to appear at the hearing may preclude you from any involvement in this case at a later date.

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

You are further notified that if you desire to appear in this case, 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. 23609

**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 E/2W/2 of Sections 25 and 36, 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 E/2W/2 of Sections 25 and 36, 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 **Annex State Com 502H** 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 July 6, 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 E/2W/2 of Sections 25 and 36, 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. 23609 : 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 E/2W/2 of Sections 25 and 36, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the **Annex State Com 502H** 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: 7/3/2023 12:45:23 PM

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  
06/15/2023

Firm Mailing Book ID: 247696

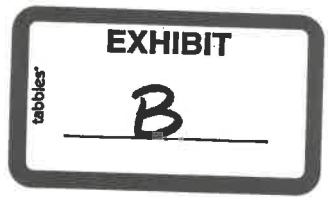
Received by OCD: 7/3/2023 12:22:24 PM

Line	USPS Article Number	Name, Street, City, State, Zip	Postage	Service Fee	RR Fee	Rest.Del.Fee	Reference Contents
1	9314 8699 0430 0109 0376 04	A&P FAMILY LIMITED PARTNERSHIP 1800 17TH STREET EUNICE NM 88231	\$1.50	\$4.15	\$2.10	\$0.00	10154.0001Annex Notice
2	9314 8699 0430 0109 0376 11	BON VIVANT LLC PO BOX 2630 HOBBS NM 88241	\$1.50	\$4.15	\$2.10	\$0.00	10154.0001Annex Notice
3	9314 8699 0430 0109 0376 28	Elizabeth Lea Daugherty Revocable Trust Bank of America as Agent 329 WEST HOUGHTON STREET SANTA FE NM 87505	\$1.50	\$4.15	\$2.10	\$0.00	10154.0001Annex Notice
4	9314 8699 0430 0109 0376 35	FEATHERSTONE DEVELOPMENT CORPORATION PO BOX 429 ROSWELL NM 88202	\$1.50	\$4.15	\$2.10	\$0.00	10154.0001Annex Notice
5	9314 8699 0430 0109 0376 42	GEORGE LYNN SIMS PO BOX 34 MAYHILL NM 88339	\$1.50	\$4.15	\$2.10	\$0.00	10154.0001Annex Notice
6	9314 8699 0430 0109 0376 59	STATE OF NEW MEXICO BY AND THROUGH ITS COMMISSIONER OF PUBLIC LANDS 310 Old Santa Fe Trail SANTA FE NM 87504	\$1.50	\$4.15	\$2.10	\$0.00	10154.0001Annex Notice
7	9314 8699 0430 0109 0376 66	REALEZA DEL SPEAR, LP PO BOX 1684 MIDLAND TX 79702	\$1.50	\$4.15	\$2.10	\$0.00	10154.0001Annex Notice
<b>Totals:</b>			<b>\$10.50</b>	<b>\$29.05</b>	<b>\$14.70</b>	<b>\$0.00</b>	
<b>Grand Total:</b>						<b>\$54.25</b>	

List Number of Pieces Listed by Sender: 7

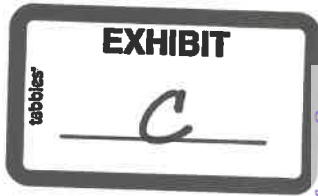
Total Number of Pieces Received at Post Office: 7

Postmaster: Name of receiving employee: *[Signature]*



Transaction Report Details - CertifiedPro.net  
 Firm Mail Book ID= 247696  
 Generated: 6/29/2023 10:40:50 AM

USPS Article Number	Date Created	Reference Number	Name 1	Name 2	City	State	Zip	Mailing Status	Service Options	Mail Delivery Date
9314869904300109037666	2023-06-15 7:41 AM	10154.0001Annex	REALEZA DEL SPEAR, LP		MIDLAND	TX	79702	Delivered	Return Receipt - Electronic, Certified Mail	2023-06-20 11:12 AM
9314869904300109037659	2023-06-15 7:41 AM	10154.0001Annex	STATE OF NEW MEXICO BY AND THROUGH IT'S	COMMISSIONER OF PUBLIC LANDS	SANTA FE	NM	87504	Delivered	Return Receipt - Electronic, Certified Mail	
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9314869904300109037628	2023-06-15 7:41 AM	10154.0001Annex	Elizabeth Lea Daugherty Revocable Trust	Bank of America as Agent	SANTA FE	NM	87505	Delivered	Return Receipt - Electronic, Certified Mail	2023-06-20 5:19 PM
9314869904300109037611	2023-06-15 7:41 AM	10154.0001Annex	BON VIVANT LLC		HOBBS	NM	88241	Delivered	Return Receipt - Electronic, Certified Mail	2023-06-27 9:32 AM
9314869904300109037604	2023-06-15 7:41 AM	10154.0001Annex	A&P FAMILY LIMITED PARTNERSHIP		EUNICE	NM	88231	To be Returned	Return Receipt - Electronic, Certified Mail	



# 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  
June 21, 2023  
and ending with the issue dated  
June 21, 2023.



Publisher

Sworn and subscribed to before me this  
21st day of June 2023.



Business Manager

My commission expires



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**  
June 21, 2023

**CASE NO. 23609:** Notice to all affected parties, as well as heirs and devisees of: A&P Family Limited Partnership; Bon Vivant LLC; Elizabeth Lea Daugherty Revocable Trust U/A/D 3/22/2012, Bank of America as Agent; Featherstone Development Corporation; George Lynn Sims; State of New Mexico by and through its Commissioner of Public Lands; Realeza Del Spear, LP 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 July 6, 2023 to consider this application. Information about accessing the electronic hearing is posted at "OCD NOTICES" at <https://www.emnrd.nm.gov/oed/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 E/2W/2 of Sections 25 and 36, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the Annex State Com 502H 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. #00279809

01104570

00279809

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. 23609

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 **Annex State Com 502H well**, which will target the Second Bone Spring.

7. **Exhibit C.3** is a structure map of the Second Bone Spring formation. The proposed spacing unit is identified by a purple box. Annex State Com 502H 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 Annex State Com 502H 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 Second 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 Second Bone Spring formation increases to the south.

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

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 2020 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: July 3rd, 2023



\_\_\_\_\_  
Ben Kessel



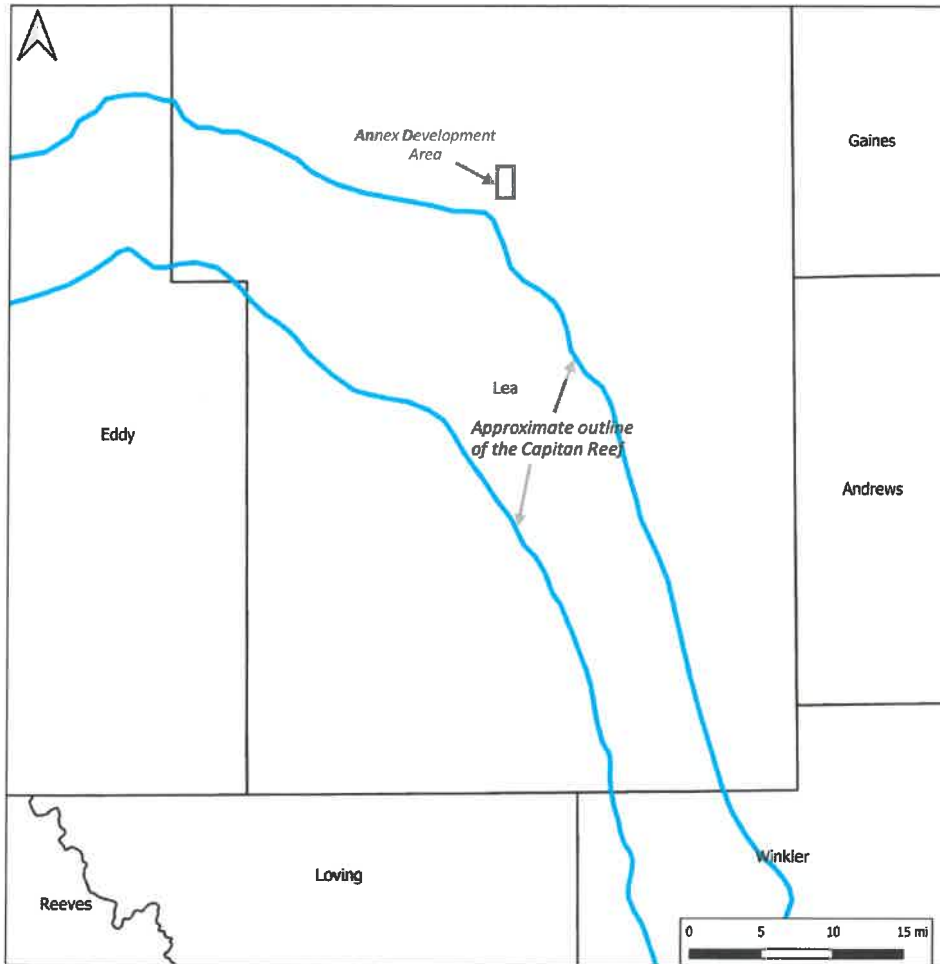
# Annex State Com 502H

Case No. 23609 Bone Spring



# Treble Development

## Locator Map

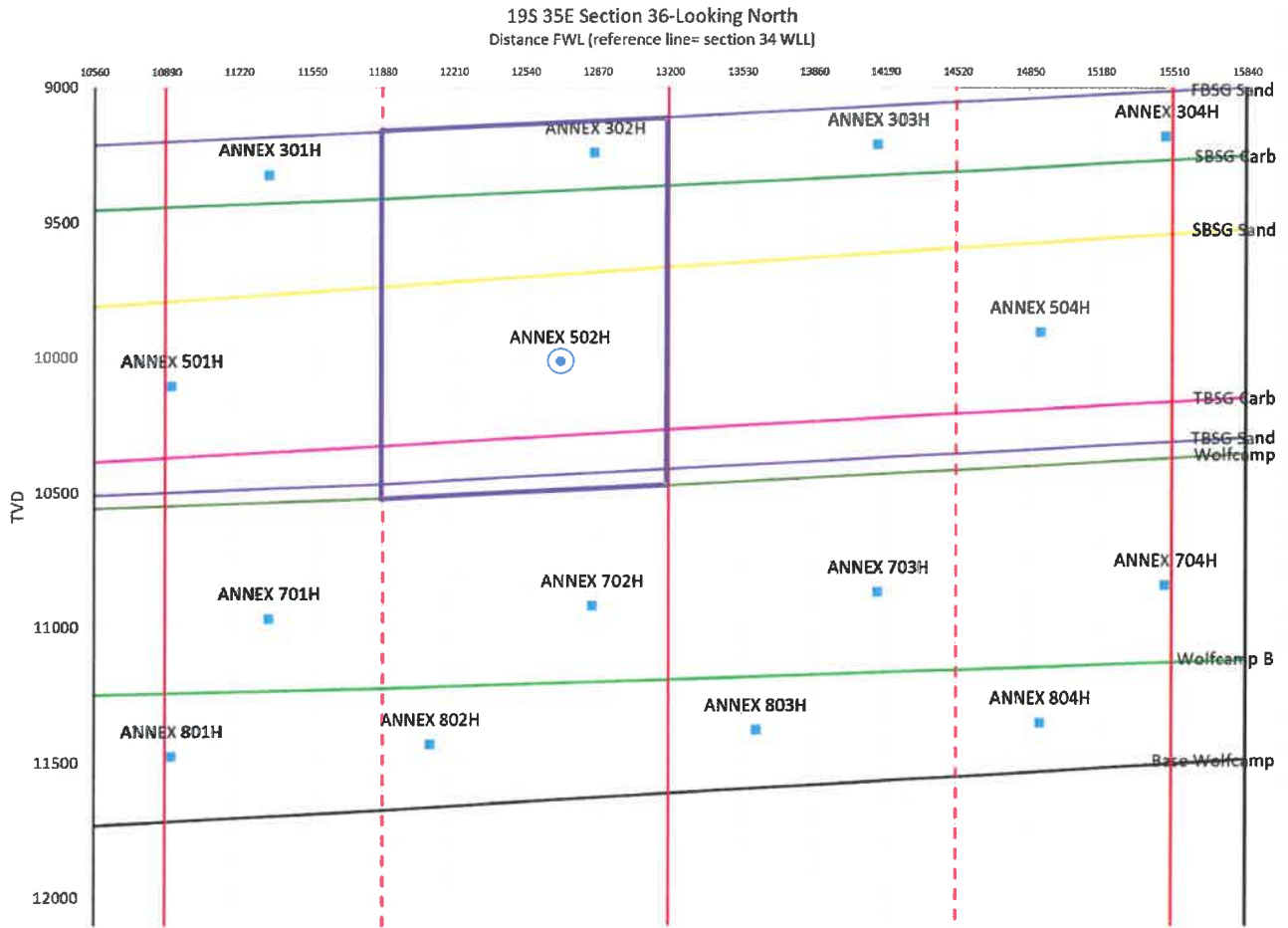


- Black box shows the location of the Annex development area
- Planned wells are located outside of the eastern edge of the Capitan Reef

[https://www.twdb.texas.gov/publications/reports/contracted\\_reports/doc/0804830794CapitanReef/Final%20Revised%20Capitan%20PDF%20w\\_Seals.pdf](https://www.twdb.texas.gov/publications/reports/contracted_reports/doc/0804830794CapitanReef/Final%20Revised%20Capitan%20PDF%20w_Seals.pdf)



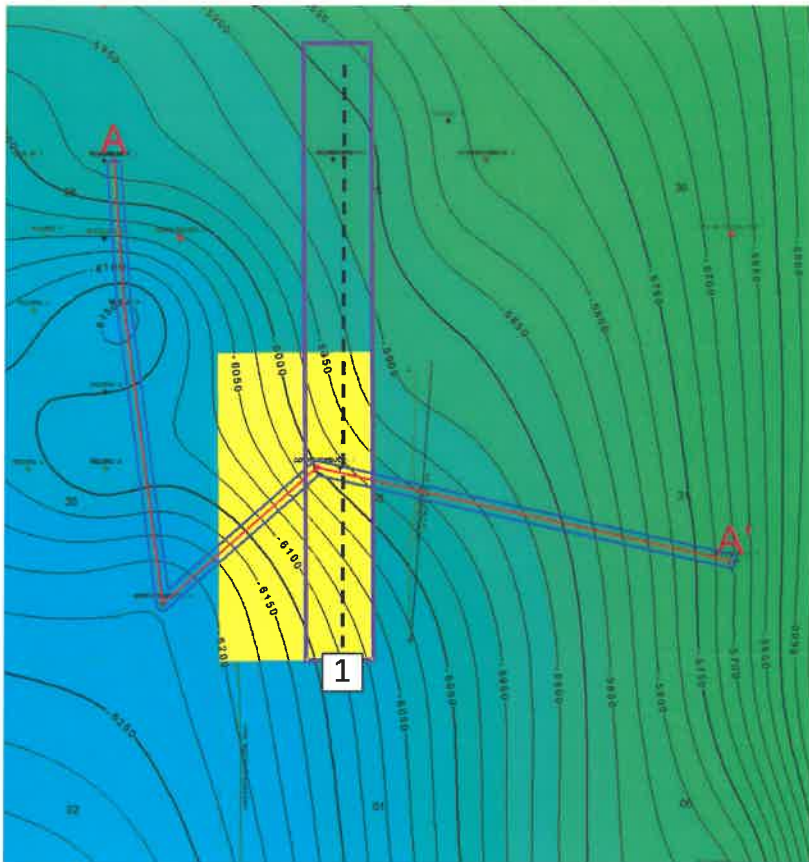
# Wellbore Schematic





○ Proposed Lateral     
  Bone Spring Spacing Unit



# SBSG Structure



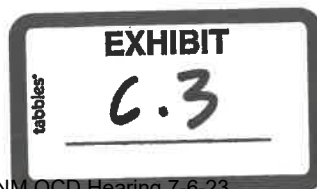
-  Franklin Mountain Acreage
-  Bone Spring Spacing Unit

Proposed Horizontal Location

**1** Annex State Com 502H

All wells shown

1 mile



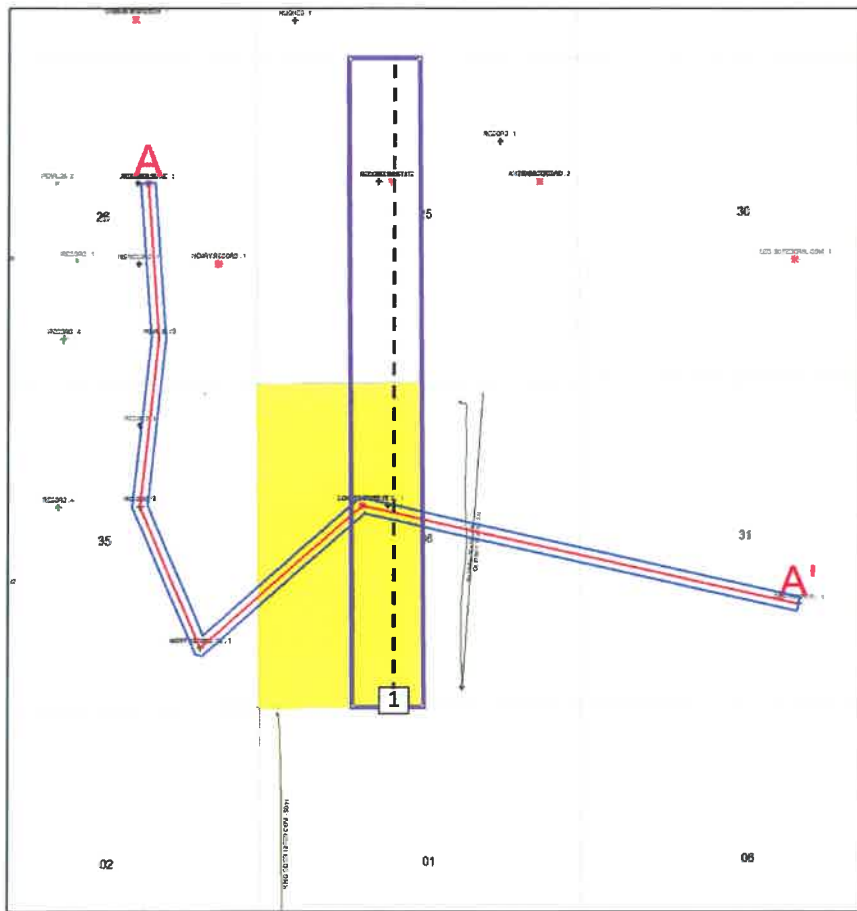
NM OCD Hearing 7-6-23



No. 23609

39



# Cross Section Reference Map



-  Franklin Mountain Acreage
-  Bone Spring Spacing Unit

Proposed Horizontal Location

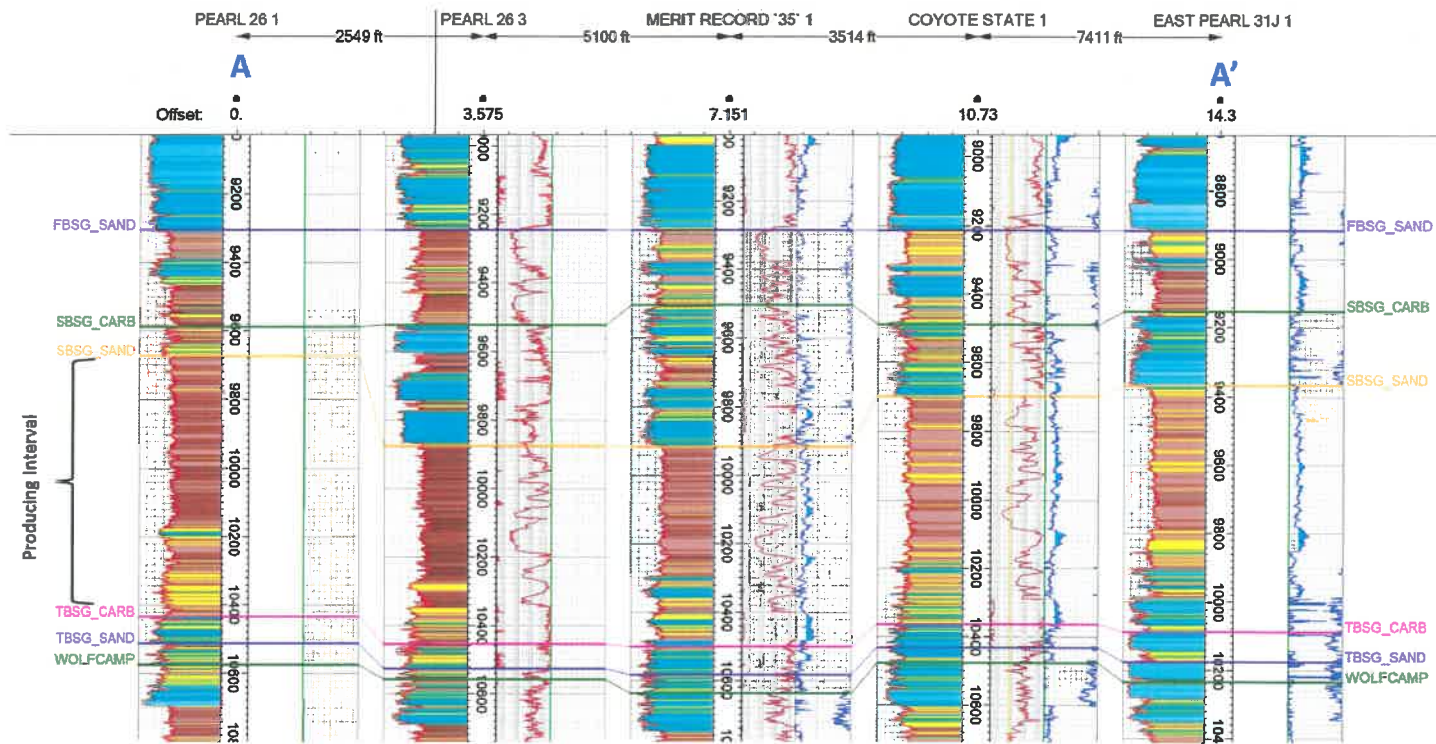
**1** Annex State Com 502H

All wells shown

1 mile



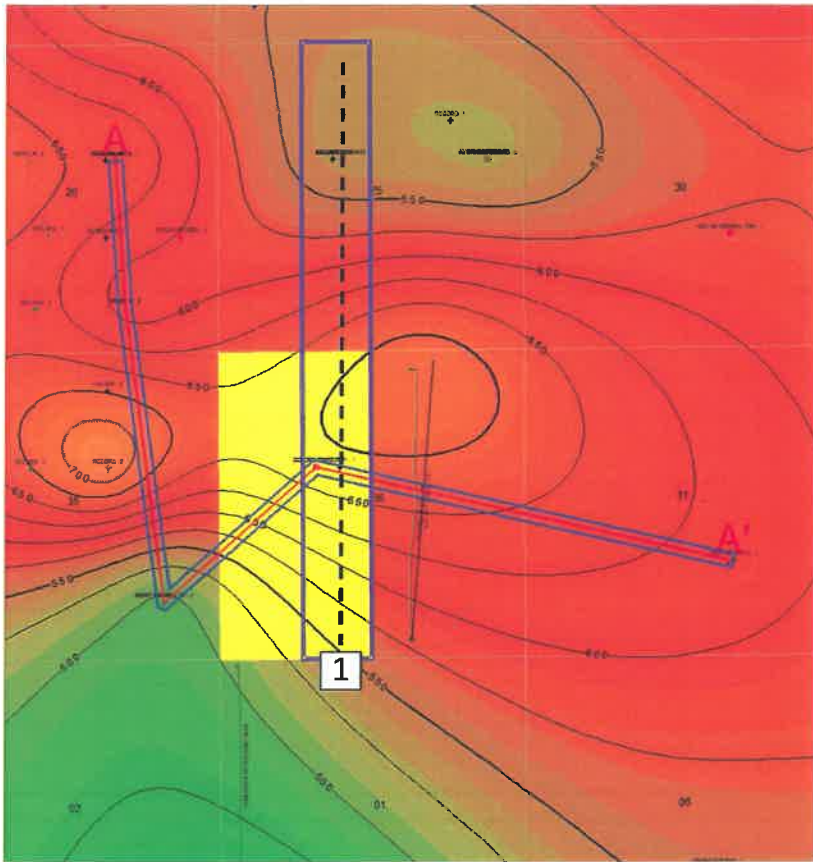
# Bone Spring Cross Section





↑  
502H



# SBSG Isopach



-  Franklin Mountain Acreage
-  Bone Spring Spacing Unit

Proposed Horizontal Location

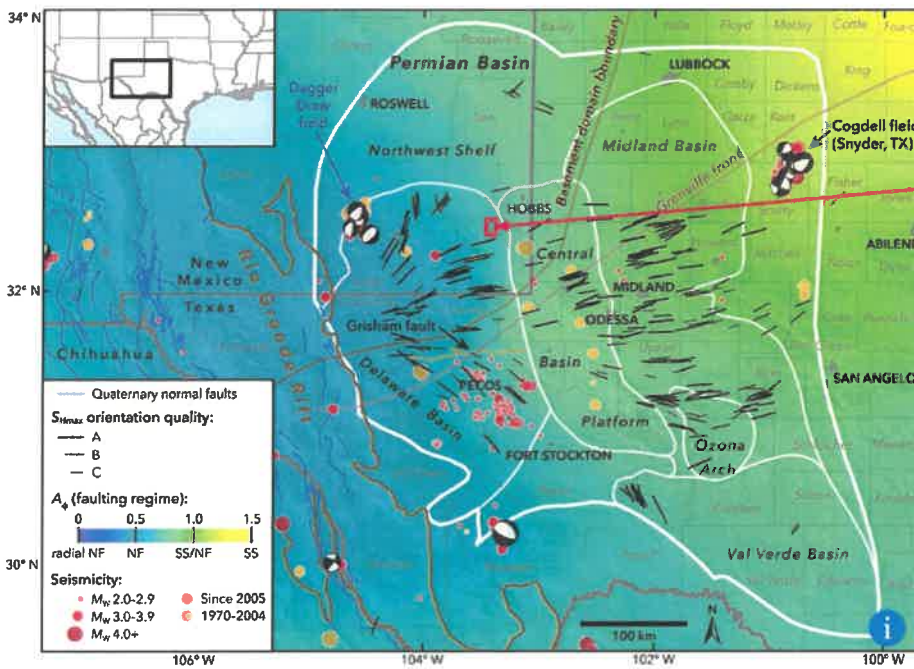
**1** Annex State Com 502H

All wells shown

1 mile



# Regional Stress



- Red box shows the approximate location
- Reported local  $S_{Hmax}$  (Snee and Zoback, 2018) direction is ENE, around  $255^{\circ}$
- The Annex State Com 502H wells are 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](http://www.tleonline.org/theleadingedge/february_2018/MobilePagedArticle.action?articleId=1331603#articleId1331603)

