

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

**APPLICATIONS OF FRANKLIN MOUNTAIN ENERGY 3, LLC
FOR COMPULSORY POOLING AND, TO THE EXTENT
NECESSARY, APPROVAL OF AN OVERLAPPING SPACING
UNIT, LEA COUNTY, NEW MEXICO**

CASE NOS. 24110-24112, 24115

**APPLICATIONS OF FRANKLIN MOUNTAIN ENERGY 3, LLC
FOR COMPULSORY POOLING AND NOTICE OF
OVERLAPPING SPACING UNIT, LEA COUNTY, NEW MEXICO**

**CASE NOS. 23833, 23835, 23838,
23839**

**APPLICATIONS OF MRC PERMIAN COMPANY
FOR APPROVAL OF AN OVERLAPPING HORIZONTAL
WELL SPACING UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

CASE NOS. 23961-23964

**APPLICATIONS OF MRC PERMIAN COMPANY
FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

CASE NOS. 24142-24145

AMENDED¹ CONSOLIDATED PRE-HEARING STATEMENT

Franklin Mountain Energy 3, LLC (“FME3”) submits this Consolidated Pre-Hearing Statement for the above-referenced cases pursuant to the rules of the Oil Conservation Division.

¹ FME3 served its Consolidated Pre-hearing Statement on February 1, 2024 on all counsel of record, including counsel for COG Operating, LLC. FME3 is filing this Amended Consolidated Prehearing Statement only to add COG Operating, LLC to “Other Parties” and to the Certificate of Service and to correct a typographical error in the Certificate of Service.

APPEARANCES

APPLICANT

FRANKLIN MOUNTAIN ENERGY 3, LLC

OTHER PARTIES

MRC Permian, LLC

Slash Exploration LP
Armstrong Energy Corporation

COG Operating, LLC

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STATEMENT OF CASES

The above captioned cases involve competing development plans for the Bone Spring and Wolfcamp formations underlying Section 36, Township 18 South, Range 34 East, and Section 1, Township 19 South, Range 34 East. N.M.P.M., Lea County, New Mexico, designated by FME3

as its Cross State Development Area, which is part of a larger comprehensive development plan in the area planned by FME3.

MR Permian, LLC (“MRC”) has filed competing applications for its Mongoose Fee wells, to create Bone Spring and Wolfcamp spacing units underlying Sections 36 and 1. MRC does not have any working interest in Section 36, and to FME3’s knowledge, does not have the support of any working interest owner in Section 36. FME3 has higher working interest control and higher working interest than MRC across the proposed units. MRC’s working interest in the Wolfcamp is less than 4% and its working interest in the Bone Spring is less than 13%, yet it seeks to preclude FME3 from developing acreage where FME3 has substantially higher working interest and working interest control. As the Oil Conservation Commission has held, working interest control is the controlling factor in determining to whom operatorship should be awarded. *See* Order No. R-10731-B, ¶ 24 (“In the absence of compelling factors such as geologic and prospect differences, ability to operator prudently, or any reason why one operator would economically recover more oil or gas by virtue of being awarded operations than the other, “working interest control”...should be the controlling factor in awarding operations.”). Even beyond having the higher working interest and working interest control, FME3 will demonstrate at the contested hearing in these matters that FME3’s development plan is superior to MRC’s development plan. FME3’s development plan protects correlative rights, prevents waste by reducing surface impacts while at the same time allowing FME3 to access additional reserves, and is a more effective development plan.

The issue to be resolved at the contested hearing in these matters is who should be designated operator of the acreage and units at issue. FME3 believes that the following facts are undisputed and are material to the issue presented in these consolidated cases:

1. FME3 has higher working interest and higher working interest control than MRC across all of the proposed units.
2. MRC does not own any interest in Section 36.
3. Franklin has interests in Section 36 and Section 1.
4. There are no faults, pinch outs or other geologic impediments to developing the Bone Spring and Wolfcamp formations.
5. FME3 is proposing a wine racked (or offset) development plan, whereas MRC is proposing a stacked development plan.
6. FME3's development plan will reduce surface impacts by reducing the number of surface facilities required.

The testimony and evidence at the hearing will address disputed facts and issues relating to the Division's evaluation of competing applications.

SUMMARY OF FME3 CASES

In *Case No. 23833*, Franklin Mountain Energy 3 seeks an order from the Division pooling all uncommitted mineral interests within a 323.59-acre, more or less, Wolfcamp horizontal spacing unit comprising the W/2E/2 of Section 36, Township 18 South, Range 34 East, and Lot 2, the SW/NE, and W/2SE of Section 1, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the **Cross State Com 703H and Cross State Com 803H wells**, to be horizontally drilled. The producing area for the wells is expected to be orthodox. The spacing unit proposed in this application will partially overlap a spacing unit in Section 36, Township 18 South, Range 34 East, N.M.P.M. Lea County, New Mexico. Also to be considered will be the cost of drilling and completing said wells, 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 wells, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 24 miles west of Hobbs, New Mexico.

In *Case No. 23835*, Franklin Mountain Energy 3 seeks an order from the Division pooling all uncommitted mineral interests within a 323.73-acre, more or less, Wolfcamp horizontal spacing unit comprising the W/2W/2 of Section 36, Township 18 South, Range 34 East, and Lot 4, the SW/NW, and W/2SW of Section 1, Township 19 South, Range 34 East, N.M.P.M., Lea County,

New Mexico. This spacing unit will be dedicated to the **Cross State Com 701H and Cross State Com 801H wells**, to be horizontally drilled. The producing area for the wells is expected to be orthodox. The spacing unit proposed in this application will partially overlap a spacing unit in Section 36, Township 18 South, Range 34 East, N.M.P.M. Lea County, New Mexico. Also to be considered will be the cost of drilling and completing said wells, 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 wells, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 24 miles west of Hobbs, New Mexico.

In *Case No. 23838*, Franklin Mountain Energy 3 seeks an order from the Division pooling all uncommitted mineral interests within a 323.51-acre, more or less, Wolfcamp horizontal spacing unit comprising the E/2E/2 of Section 36, Township 18 South, Range 34 East, and Lot 1, the SE/NE, and E/2SE of Section 1, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the **Cross State Com 704H and Cross State Com 804H wells**, to be horizontally drilled. The producing area for the wells is expected to be orthodox. The spacing unit proposed in this application will partially overlap a spacing unit in Section 36, Township 18 South, Range 34 East, N.M.P.M. Lea County, New Mexico. Also to be considered will be the cost of drilling and completing said wells, 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 wells, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 24 miles west of Hobbs, New Mexico.

In *Case No. 23839*, Franklin Mountain Energy 3 seeks an order from the Division pooling all uncommitted mineral interests within a 323.65-acre, more or less, Wolfcamp horizontal spacing unit comprising the E/2W/2 of Section 36, Township 18 South, Range 34 East, and Lot 3, the SE/NW, and E/2/SW of Section 1, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the **Cross State Com 702H and Cross State Com 802H wells**, to be horizontally drilled. The producing area for the wells is expected to be orthodox. The spacing unit proposed in this application will partially overlap a spacing unit in Section 36, Township 18 South, Range 34 East, N.M.P.M. Lea County, New Mexico. Also to be considered will be the cost of drilling and completing said wells, 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 wells, and a 200% charge for risk involved in drilling said wells. In *Case No. 24110*, Franklin Mountain Energy 3 seeks an order from the Division pooling all uncommitted mineral interests within a 323.51-acre, more or less, Bone Spring horizontal spacing unit comprising the E/2E/2 of Section 36, Township 18 South, Range 34 East, and Lot 1, the SE/NE, and E/2SE of Section 1, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the **Cross State Com 304H and Cross State Com 504H wells**, to be horizontally drilled. The producing area for the wells is expected to be orthodox. Franklin also seeks, to the extent necessary, approval of an overlapping spacing unit. The proposed spacing unit will partially overlap the following existing Bone Spring spacing units:

- A 174-acre horizontal well spacing unit comprised of the N2N2 of Section 1 dedicated to COG's Wild Cobra 1 State 1H (API 30-02541110)
- A 160-acre horizontal well spacing unit comprised of the S2N2 of Section 1 COG's Wild Cobra 1 State 2H (API 30-025-40404)
- A 160-acre horizontal well spacing unit comprised of the N2S2 of Section 1 dedicated to Matador's Mongoose Fee 1H (API 30-02540727)
- A 160-acre horizontal well spacing unit comprised of the S2S2 of Section 36 dedicated to Franklin Mountain's Butter Cup 36 State Com 1H (API 30-025-40640)
- A 160-acre horizontal well spacing unit comprised of the N2S2 of Section 36 dedicated to Franklin Mountain's Butter Cup 36 State Com 2H (API 30-025-40641)
- A 160-acre horizontal well spacing unit comprised of the S2N2 of Section 36 dedicated to Franklin Mountain's Butter Cup 36 State Com 3H (API 30-025-42367)

Also to be considered will be the cost of drilling and completing said wells, 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 wells, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 24 miles west of Hobbs, New Mexico.

In *Case No. 24111*, Franklin Mountain Energy 3 seeks an order from the Division pooling all uncommitted mineral interests within a 323.59-acre, more or less, Bone Spring horizontal spacing unit comprising the W/2E/2 of Section 36, Township 18 South, Range 34 East, and Lot 2, the SW/NE, and W/2SE of Section 1, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the **Cross State Com 303H and Cross State Com 503H wells**, to be horizontally drilled. The producing area for the wells is expected to be orthodox. Franklin also seeks, to the extent necessary, approval of an overlapping spacing unit. The proposed spacing unit will partially overlap the following existing Bone Spring spacing units:

- A 174-acre horizontal well spacing unit comprised of the N2N2 of Section 1 dedicated to COG's Wild Cobra 1 State 1H (API 30-02541110)
- A 160-acre horizontal well spacing unit comprised of the S2N2 of Section 1 COG's Wild Cobra 1 State 2H (API 30-025-40404)
- A 160-acre horizontal well spacing unit comprised of the N2S2 of Section 1 dedicated to Matador's Mongoose Fee 1H (API 30-02540727)
- A 160-acre horizontal well spacing unit comprised of the S2S2 of Section 36 dedicated to Franklin Mountain's Butter Cup 36 State Com 1H (API 30-025-40640)
- A 160-acre horizontal well spacing unit comprised of the N2S2 of Section 36 dedicated to Franklin Mountain's Butter Cup 36 State Com 2H (API 30-025-40641)
- A 160-acre horizontal well spacing unit comprised of the S2N2 of Section 36 dedicated to Franklin Mountain's Butter Cup 36 State Com 3H (API 30-025-42367)

Also to be considered will be the cost of drilling and completing said wells, 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 wells, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 24 miles west of Hobbs, New Mexico.

In *Case No. 24112*, Franklin Mountain Energy 3 seeks an order from the Division pooling all uncommitted mineral interests within a 323.73-acre, more or less, Bone Spring horizontal spacing unit comprising the W/2W/2 of Section 36, Township 18 South, Range 34 East, and Lot 4, the SW/NW, and W/2SW of Section 1 (the equivalent of the W/2W/2 of Section 1), Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the **Cross State Com 301H and Cross State Com 501H wells**, to be horizontally drilled. The producing area for the wells is expected to be orthodox. Franklin also seeks, to the extent necessary, approval of an overlapping spacing unit. The proposed spacing unit will partially overlap the following existing Bone Spring spacing units:

- A 174-acre horizontal well spacing unit comprised of the N2N2 of Section 1 dedicated to COG's Wild Cobra 1 State 1H (API 30-025-41110)
- A 160-acre horizontal well spacing unit comprised of the S2N2 of Section 1 COG's Wild Cobra 1 State 2H (API 30-025-40404)
- A 160-acre horizontal well spacing unit comprised of the N2S2 of Section 1 dedicated to Matador's Mongoose Fee 1H (API 30-025-40727)
- A 160-acre horizontal well spacing unit comprised of the S2S2 of Section 36 dedicated to Franklin Mountain's Butter Cup 36 State Com 1H (API 30-02540640)
- A 160-acre horizontal well spacing unit comprised of the N2S2 of Section 36 dedicated to Franklin Mountain's Butter Cup 36 State Com 2H (API 30-02540641)
- A 160-acre horizontal well spacing unit comprised of the S2N2 of Section 36 dedicated to Franklin Mountain's Butter Cup 36 State Com 3H (API 30-02542367)
- A 200-acre horizontal well spacing unit comprised of the S2N2 of Section 35 and the SWW4NW4 of Section 36 dedicate to Franklin Mountain's Tin Cup 36 State Com 1H (API 30-025-40422).

Also to be considered will be the cost of drilling and completing said wells, 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 wells, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 24 miles west of Hobbs, New Mexico.

In *Case No. 24115*, Franklin Mountain Energy 3 seeks an order from the Division pooling all uncommitted mineral interests within a 323.65-acre, more or less, Bone Spring horizontal spacing unit comprising the E/2W/2 of Section 36, Township 18 South, Range 34 East, and Lot 3, the SE/NW, and E/2/SW of Section 1, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the **Cross State Com 302H and Cross State Com 502H wells**, to be horizontally drilled. The producing area for the wells is expected to be orthodox. Franklin also seeks, to the extent necessary, approval of an overlapping spacing unit. The proposed spacing unit will partially overlap the following existing Bone Spring spacing units:

- A 174-acre horizontal well spacing unit comprised of the N2N2 of Section 1 dedicated to COG's Wild Cobra 1 State 1H (API 30-02541110)

- A 160-acre horizontal well spacing unit comprised of the S2N2 of Section 1 COG’s Wild Cobra 1 State 2H (API 30-025-40404)
- A 160-acre horizontal well spacing unit comprised of the N2S2 of Section 1 dedicated to Matador’s Mongoose Fee 1H (API 30-02540727)
- A 160-acre horizontal well spacing unit comprised of the S2S2 of Section 36 dedicated to Franklin Mountain’s Butter Cup 36 State Com 1H (API 30-025-40640)
- A 160-acre horizontal well spacing unit comprised of the N2S2 of Section 36 dedicated to Franklin Mountain’s Butter Cup 36 State Com 2H (API 30-025-40641)
- A 160-acre horizontal well spacing unit comprised of the S2N2 of Section 36 dedicated to Franklin Mountain’s Butter Cup 36 State Com 3H (API 30-025-42367)

Also to be considered will be the cost of drilling and completing said wells, 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 wells, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 24 miles west of Hobbs, New Mexico.

PROPOSED EVIDENCE

FME3 has filed affidavits for the following witnesses and intends to call them at the hearing in these consolidated matters:

| WITNESS | ESTIMATED TIME | EXHIBITS |
|--------------------------------|-----------------------|-----------------|
| Landman: Lee Zink | Approx. 60 minutes | Approx. 35 |
| Geologist: Ben Kessel | Approx. 30 minutes | Approx. 20 |
| Reservoir Engineer: Cory McCoy | Approx. 30 minutes | Approx. 10 |

PROCEDURAL ISSUES

Pursuant to the Pre-Hearing Order entered in these matters, FME3 has filed affidavits containing the direct testimony for each witness, the exhibits discussed in those affidavits, and the hearing notice affidavits and exhibits.

Respectfully submitted,

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

By: /s/ Deana M. Bennett

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on counsel of record by electronic mail on February 2, 2024.

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State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

QUESTIONS
 Action 310966

QUESTIONS

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| Operator: Franklin Mountain Energy 3, LLC 44 Cook Street Denver, CO 80206 | OGRID: 331595 |
| | Action Number: 310966 |
| | Action Type: [HEAR] Prehearing Statement (PREHEARING) |

QUESTIONS

| | |
|--|----------------------|
| Testimony | |
| <i>Please assist us by provide the following information about your testimony.</i> | |
| Number of witnesses | <i>Not answered.</i> |
| Testimony time (in minutes) | <i>Not answered.</i> |