

**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. 24198, 24206

**APPLICATION 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 NO. 24199, 24205

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

CASE NOS. 24367-24368

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

CASE NOS. 24369-24370

CONSOLIDATED PRE-HEARING STATEMENT

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

APPEARANCES

APPLICANT

FRANKLIN MOUNTAIN ENERGY 3, LLC

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OTHER PARTIES¹

MRC Permian Company

ATTORNEY

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STATEMENT OF CASES

The above captioned cases involve competing development plans for the Bone Spring and Wolfcamp formations underlying the W/2 of Sections 20 and 29, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico, designated by FME3 as its Ball State Development Area, which is part of a larger comprehensive development plan in the area planned by FME3.

MRC Permian Company (“MRC”) has filed competing applications for its Condor State Com wells, to create Bone Spring and Wolfcamp spacing units underlying the W/2 of Sections 20 and 29. FME3 has higher working interest than MRC across the proposed units. 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, FME3 will

¹ Marathon Oil Permian LLC withdrew its entry of appearance and objection to these cases proceeding by affidavit on August 6, 2024.

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 targeting more formations, 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 than MRC across the proposed units.
2. FME3's development plan will reduce surface impacts by reducing the number of surface facilities required.
3. FME3 is targeting the Third Bone Spring and Wolfcamp A, which MRC has not proposed to target.
4. There are no faults, pinch outs or other geologic impediments to developing the Bone Spring and Wolfcamp formations.

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. 24198, Franklin Mountain Energy 3, LLC seeks an order from the Division pooling all uncommitted mineral interests within a 320-acre, more or less, Wolfcamp horizontal spacing unit comprising the E/2 W/2 of Sections 20 and 29, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the **Ball State Com 702H** and **Ball State Com 802H** wells to be horizontally drilled from a surface hole location in the NE/4 NW/4 (Unit C) of Section 32 to a bottom hole location in the NE/4 NW/4 (Unit C) of Section 20. The producing area for the wells is expected to be orthodox. 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 17 miles west of Hobbs, New Mexico.

In Case No. 24199, Franklin Mountain Energy 3, LLC 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/2 W/2 of Sections 20 and 29, Township 18 South, Range 35 East, N.M.P.M.,

Lea County, New Mexico. Franklin also seeks, to the extent necessary, approval of an overlapping spacing unit. This spacing unit will be dedicated to the **Ball State Com 302H** and **Ball State Com 602H** wells to be horizontally drilled from a surface hole location in the NE/4 NW/4 (Unit C) of Section 32 to a bottom hole location in the NE/4 NW/4 (Unit C) of Section 20. The producing area for the wells is expected to be orthodox. The proposed horizontal spacing unit will overlap with a 160-acre horizontal spacing unit comprised of the E/2 W/2 of Section 20 dedicated to COG Operating LLC's Condor State #002H well (API 30-025-41025). 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 17 miles West of Hobbs, New Mexico.

In Case No. 24205, Franklin Mountain Energy 3, LLC 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/2 W/2 of Sections 20 and 29, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico. Franklin also seeks, to the extent necessary, approval of an overlapping spacing unit. This spacing unit will be dedicated to the **Ball State Com 301H** and **Ball State Com 601H** wells to be horizontally drilled from a surface hole location in the NW/4 NW/4 (Unit D) of Section 32 to a bottom hole location in the NW/4 NW/4 (Unit D) of Section 20. The producing area for the wells is expected to be orthodox. The proposed horizontal spacing unit will overlap with the following existing Bone Spring spacing units:

- A 160-acre horizontal spacing unit comprised of the W/2 W/2 of Section 20 dedicated to COG Operating LLC's Condor State #001H well (API 30-025-40814);
- A 160-acre horizontal spacing unit comprised of the W/2 W/2 of Section 29 dedicated to Marathon Oil Permian LLC's Nighthawk State Com #001H well (API 30-025-41519).

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 17 miles West of Hobbs, New Mexico.

In Case No. 24206, Franklin Mountain Energy 3, LLC 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/2 W/2 of Sections 20 and 29, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico. This spacing unit will be dedicated to the **Ball State Com 701H** and **Ball State Com 801H** wells to be horizontally drilled from a surface hole location in the NW/4 NW/4 (Unit D) of Section 32 to a bottom hole location in the NW/4 NW/4 (Unit D) of Section 20. The producing area for the wells is expected to be orthodox. 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 17 miles west of Hobbs, New Mexico.

PROPOSED EVIDENCE

FME3 is filing self-affirmed declarations and exhibits for the following witnesses and intends to call them at the hearing in these consolidated matters:

| WITNESS | ESTIMATED TIME | EXHIBITS |
|--------------------------------|-----------------------|-----------------|
| Landman: Don Johnson | Approx. 30 minutes | Approx. 30 |
| Geologist: Ben Kessel | Approx. 15 minutes | Approx. 10 |
| Reservoir Engineer: Cory McCoy | Approx. 15 minutes | Approx. 5 |

PROCEDURAL ISSUES

Pursuant to the Pre-Hearing Order entered in these matters, FME3 has filed self-affirmed declarations containing the direct testimony for each witness, the exhibits discussed in those affidavits, and the hearing notice affidavits and exhibits. Marathon Oil Permian LLC has withdrawn its objection to FME3’s Ball State Com cases.

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 August 20, 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 375845

QUESTIONS

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| Operator: Franklin Mountain Energy 3, LLC 44 Cook Street Denver, CO 80206 | OGRID: 331595 |
| | Action Number: 375845 |
| | Action Type: [HEAR] Prehearing Statement (PREHEARING) |

QUESTIONS

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| 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> |