

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

**AMENDED APPLICATIONS OF FLAT CREEK RESOURCES, LLC
FOR COMPULSORY POOLING AND NOTICE OF
OVERLAPPING SPACING UNIT,
EDDY COUNTY, NEW MEXICO**

Case Nos. 24732-24735

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

Case No. 24772

PRE-HEARING STATEMENT

Applicant FLAT CREEK RESOURCES, LLC (“Flat Creek”) provides this Pre-Hearing Statement as required by the rules of the Division.

APPEARANCES

APPLICANT

FLAT CREEK RESOURCES, LLC

ATTORNEY

Sharon T. Shaheen
Spencer Fane LLP
P.O. Box 2307
Santa Fe, New Mexico 87504-2307
(505) 986-2678
sshaheen@spencerfane.com
ec:dortiz@spencerfane.com

OTHER PARTIES

COTERRA ENERGY, INC.
CIMAREX ENERGY CO.
MAGNUM HUNTER PRODUCTION, INC.

Darin C. Savage
Andrew D. Schill
William E. Zimsky
Abadie & Schill, PC
214 McKenzie Street
Santa Fe, NM 87501
970.385.4401
970.385.4901 (fax)
darin@abadieschill.com
andrew@abadieschill.com
bill@abadieschill.com

CIVITAS PERMIAN OPERATING, LLC
(Case Nos. 24262-24263)

Ocean Munds-Dry
Michael Rodriguez
309 Johnson St.
Santa Fe, NM 87501
505-592-0521
303-312-8518
omundsdry@civiresources.com
mdrodriguez@civiresources.com

MARATHON OIL PERMIAN, LLC

Deana M. Bennett
Earl E. DeBrine, Jr.
Yarithza Peña
P.O. Box 2168
500 Fourth Street NW, Suite 1000
Albuquerque, NM 87103-2168
505-848-1800
deana.bennett@modrall.com
earl.debrine@modrall.com
yarithza.pena@modrall.com

STATEMENT OF THE CASE

Case No. 24732: *Amended Application of Flat Creek Resources, LLC for Compulsory Pooling and Notice of Overlapping Spacing Unit, Eddy County, New Mexico.* Applicant in the above-styled cause seeks an order from the Division pooling all uncommitted mineral interests in the Bone Spring formation down to 8,062’ (being 300’ above the top of the Wolfcamp Formation, or 8,362’) (WILLOW LAKE; BONE SPRING, WEST [96415]) in a standard 320-acre, more or less, horizontal spacing and proration unit (“HSU”), comprised of the N/2 N/2 of Sections 22 and 23 (“2-Mile HSU”), Township 24 South, Range 26 East, in Eddy County, New Mexico and, as an alternative, a standard 240-acre, more or less, HSU, comprised of the N/2 N/2 of Section 22 and the N/2 W/4 of Section 23 (“Alternative HSU”), Township 24 South, Range 26 East, in Eddy County, New Mexico, if timing issues arise with securing the Bureau of Land Management lease for the N/2 NE/4 of Section 23. Applicant proposes to drill the following 2-mile well in the HSU: **Jurnegan Fed Com BS2 #1H** well, to be horizontally drilled from a surface hole location

approximately 965' FNL and 610' FWL of Section 22, T24S-R26E to a bottom hole location approximately 440' FNL and 100' FEL of Section 23, T24S-R26E. In the alternative, Flat Creek proposes to drill the **Jurnegan Fed Com BS2 #1H** well, from a surface hole location approximately 965' FNL and 610' FWL of Section 22, T24S-R26E to a bottom hole location approximately 440' FNL and 2740' FWL of Section 23, T24S-R26E as a 1.5-mile lateral in the Alternative HSU. The completed intervals and first and last take points in either HSU will meet statewide setback requirements for horizontal oil wells. Also to be considered will be the cost of drilling and completing the well and the allocation of the costs, the designation of Applicant as Operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The well and land are approximately 6 miles South West of Whites City, New Mexico.

Case No. 24733: Amended Application of Flat Creek Resources, LLC for Compulsory Pooling and Notice of Overlapping Spacing Unit, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order from the Division pooling all uncommitted mineral interests in the Bone Spring formation down to 8,062' (being 300' above the top of the Wolfcamp Formation, or 8,362') (WILLOW LAKE; BONE SPRING, WEST [96415]) in a standard 320-acre, more or less, horizontal spacing and proration unit ("HSU"), comprised of the S/2 N/2 of Sections 22 and 23, Township 24 South, Range 26 East, in Eddy County, New Mexico. Applicant proposes to drill the following 2-mile well in the HSU: **Jurnegan Fed Com BS2 #2H** well, to be horizontally drilled from a surface hole location approximately 995' FNL and 610' FWL of Section 22, T24S-R26E to a bottom hole location approximately 1,870' FNL and 100' FEL of Section 23, T24S-R26E. The completed intervals and first and last take points will meet statewide setback requirements for horizontal oil wells. Also to be considered will be the cost of drilling and completing the well and the allocation of the costs, the designation of Applicant as Operator of the

well, and a 200% charge for the risk involved in drilling and completing the well. The well and land are approximately 6 miles South West of Whites City, New Mexico.

Case No. 24734: Amended Application of Flat Creek Resources, LLC for Compulsory Pooling and Notice of Overlapping Spacing Unit, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order from the Division pooling all uncommitted mineral interests in the Bone Spring formation down to 8,062' (being 300' above the top of the Wolfcamp Formation, or 8,362') (WILLOW LAKE; BONE SPRING, WEST [96415]) in a standard 320-acre, more or less, horizontal spacing and proration unit ("HSU"), comprised of the N/2 S/2 of Sections 22 and 23, Township 24 South, Range 26 East, in Eddy County, New Mexico. Applicant proposes to drill the following 2-mile well in the HSU: **Jurnegan Fed Com BS2 #3H** well, to be horizontally drilled from a surface hole location approximately 1,400' FSL and 725' FWL of Section 22, T24S-R26E to a bottom hole location approximately 1,900' FSL and 100' FEL of Section 23, T24S-R26E.

Case No. 24735: Amended Application of Flat Creek Resources, LLC for Compulsory Pooling and Notice of Overlapping Spacing Unit, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order from the Division pooling all uncommitted mineral interests in the Bone Spring formation down to 8,062' (being 300' above the top of the Wolfcamp Formation, or 8,362') (WILLOW LAKE; BONE SPRING, WEST [96415]) in a standard 320-acre, more or less, horizontal spacing and proration unit ("HSU"), comprised of the S/2 S/2 of Sections 22 and 23, Township 24 South, Range 26 East, in Eddy County, New Mexico. Applicant proposes to drill the following 2-mile well in the HSU: **Jurnegan Fed Com BS2 #4H** well, to be horizontally drilled from a surface hole location approximately 1,370' FSL and 725' FWL of Section 22, T24S-R26E to a bottom hole location approximately 440' FSL and 100' FEL of Section 23, T24S-R26E.

Case No. 24772: Application of Flat Creek Resources, LLC for Compulsory Pooling and Notice of Overlapping Spacing Unit, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order from the Division pooling all uncommitted mineral interests in the Wolfcamp formation in a standard 640-acre, more or less, horizontal spacing and proration unit (“HSU”), comprised of the N/2 of Sections 22 and 23 (“2-Mile HSU”), Township 24 South, Range 26 East, in Eddy County, New Mexico. Applicant proposes to drill the following 2-mile wells in the HSU: **Jurnegan Fed Com WC 1H** well, to be horizontally drilled from a surface hole location approximately 965’ FNL and 560’ FWL of Section 22, T24S-R26E to a bottom hole location approximately 390’ FNL and 330’ FEL of Section 23, T24S-R26E and **Jurnegan Fed Com WC 2H** well, to be horizontally drilled from a surface hole location approximately 995’ FNL and 560’ FWL of Section 22, T24S-R26E to a bottom hole location approximately 1820’ FNL and 330’ FEL of Section 23, T24S-R26E. In the alternative, Flat Creek seeks to pool all uncommitted interests in a non-standard 520-acre, more or less, HSU comprised of the N/2 of Section 22, and the NW/4 and S/2 NE/4 of Section 23, Township 24 South, Range 26 East, in Eddy County, New Mexico. The alternative well would be horizontally drilled from a surface hole location approximately 995’ FNL and 560’ FWL of Section 22, T24S-R26E to a bottom hole location approximately 1820’ FNL and 2740’ FEL of Section 23, T24S-R26E.

The completed intervals and first and last take points of all proposed wells will meet statewide setback requirements for horizontal oil and gas wells. Also to be considered will be the cost of drilling and completing the well and the allocation of the costs, the designation of Applicant as Operator of the well, and a 200% charge for the risk involved in drilling and completing the wells. The wells and land are approximately 6 miles North East of Whites City, New Mexico.

JUSTIFICATION FOR APPROVAL OF ALTERNATIVE WELLS/UNITS

In Case Nos. 24732 and 24772, Flat Creek seeks approval of alternative spacing units and alternative wells because the North half of the Northeast quarter is a BLM tract that is currently unleased (“Unleased BLM Tract”). The previous lessee is in the process of getting the lease reinstated. This tract will be stranded if it is not pooled for this proposed development. If the lease is reinstated, Flat Creek will drill 2-mile wells. If the lease is not reinstated, Flat Creek will drill 1.5-mile wells. Flat Creek has conferred with the previous lessee, who has indicated that it intends to voluntarily participate if the lease is reinstated. If the lease is reinstated and the lessee does not voluntarily participate, Flat Creek will seek to pool the lessee in a subsequent proceeding. In the event that the alternative 1.5-mile Wolfcamp well will be drilled, Flat Creek will seek administrative approval of a non-standard unit.

Precedent exists for approval of alternative wells. The Division has previously issued orders approving alternative wells and spacing units in Case Nos. 23588-23590, Order Nos. R-22845, -22846, and 22847. The Division also recognized its authority to approve alternative wells and units in Case Nos. 20897-20899, *In re Applications of Titus Oil & Gas Production LLC*, when the Division denied EOG Resource’s motion to dismiss, which sought dismissal of the applications on the basis that “[i]t would be premature to have a compulsory pooling hearing without knowing what lands are included in the designated area, drilling area.” Tr. 5:12-14, 12:11-12 (Feb. 20, 2020); *see id.* 6:21-25, 7:1-4, 10:10-16.

Moreover, the Division has historically issued orders approving alternative spacing units for vertical wells in order to prevent waste and protect correlative rights. This practice is analogous to Flat Creek’s request in the subject applications. *See, e.g.,*

- Order No. R-13139 at 3-4, Ordering ¶ 1, Case No. 14298, *In re Application of Mewbourne Oil Co. for Compulsory Pooling, Eddy County, New Mexico* (June 17, 2009) (pooling three different size units to be dedicated to one well to

accommodate potential for completion in various formations, which may be oil or gas);

- Order No. R-12283 at 6-7, Ordering ¶ 1, Case No. 13359, *In re Application of Mewbourne Oil Co. for Compulsory Pooling, Lea County, New Mexico* (Feb. 15, 2005) (pooling two different size units dedicated to one well to accommodate potential completion in different formations); *id.* at 6, ¶ 16 (“To avoid the drilling of unnecessary wells, protect correlative rights, and afford to the owner of each interest in the proposed 40-acre oil and 160-acre gas spacing Units (‘the Two Unit’) the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted mineral interests, whatever they may be, within these two Units.”);
- Order No. R-11914 at 4, Ordering ¶ 1, Case No. 12987, *In re Application of Mewbourne Oil Co. for Compulsory Pooling and an Unorthodox Well Location, Eddy County, New Mexico* (Feb. 26, 2003) (pooling four different size units dedicated to one well to accommodate potential completion in various formations, which may be oil or gas);
- Order No. R-7032 at 85, ¶¶ 10-11, Case No. 7499, *In re Application of Amoco Prod. Co. for Compulsory Pooling, Lea County, New Mexico* (July 1, 1982) (pooling “all mineral interests, whatever they may be, within said unit”; allowing the operator to drill to the Morrow or to the Devonian, or both, and the “poolee” to exercise its option to participate on a “split-risk” basis); *see also id.* at 88, ¶ 26 (providing that the terms of the order should be applicable to drilling and completion in possible pay zones above the Morrow or between the base of the Morrow and the top of the Devonian).

As the foregoing orders demonstrate, no statute or rule prohibits the Division from issuing an order approving alternative units. Rather, the Division is authorized and obligated “to do whatever may be reasonably necessary to carry out the provisions of” to prevent waste and to protect correlative rights. NMSA 1978, § 70-2-11. Here, a prudent operator would drill two-mile wells to prevent waste that could occur if the unleased BLM tract for which the previous lessee is seeking reinstatement is not included in the spacing units. The requested alternative spacing units and wells seek to prevent waste by including the federal tract that is currently in the reinstatement process.

PROPOSED EVIDENCE

APPLICANT:

WITNESSES

Landman Michael Gregory

Geologist Thomas M. Anderson

EXHIBITS

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PROCEDURAL MATTERS

Assuming no opposition at the time of hearing, these cases will be presented by affidavit.

Respectfully submitted,

SPENCER FANE LLP

By: /s/Sharon T. Shaheen

Sharon T. Shaheen

Post Office Box 2307

Santa Fe, NM 87504-2307

(505) 986-2678

sshaheen@spencerfane.com

ec: dortiz@spencerfane.com

Attorney for Flat Creek Resources, LLC

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 October 3, 2024:

Darin C. Savage
Andrew D. Schill
William E. Zimsky
ABADIE & SCHILL, PC
214 McKenzie Street
Santa Fe, NM 87501
(970) 385-4401
darin@abadieschill.com
andrew@abadieschill.com
bill@abadieschill.com

Attorneys for Coterra Energy, Inc., and its subsidiaries, including Cimarex Energy Co. and Magnum Hunter Production, Inc.

Ocean Munds Dry
Michael Rodriguez
309 Johnson St.
Santa Fe, NM 87501
505-592-0521
303-312-8518
omundsdry@civiresources.com
mdrodriguez@civiresources.com

Attorneys for Civitas Permian Operating, LLC

/s/ Sharon S. Shaheen
Sharon T. Shaheen

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 Rd., Aztec, NM 87410
 Phone:(505) 334-6178 Fax:(505) 334-6170

District IV
 1220 S. St Francis Dr., Santa Fe, NM 87505
 Phone:(505) 476-3470 Fax:(505) 476-3462

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

QUESTIONS
 Action 389850

QUESTIONS

Operator: Flat Creek Resources, LLC 777 Main St. Fort Worth, TX 76102	OGRID: 374034
	Action Number: 389850
	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>