

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

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

Case Nos. 21560 & 21747

**APPLICATIONS OF MATADOR PRODUCTION
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

Case Nos. 21543 & 21630

PREHEARING STATEMENT

Flat Creek Resources, LLC, ("Flat Creek"), OGRID No. 374034, submits the following Prehearing Statement pursuant to the rules of the Oil Conservation Division ("Division").

APPEARANCES

APPLICANT

Flat Creek Resources, LLC

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PARTY IN COMPETITION

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APPLICANT'S STATEMENT OF CASES

In Case No. 21560, Flat Creek has submitted a pooling application for an order (1) establishing a 480-acre, more or less, standard horizontal spacing and proration unit comprised of the N/2 and N/2 S/2 of Section 23, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted mineral interests in the Wolfcamp formation, designated by the Division as a gas field, underlying said unit. Flat Creek seeks to dedicate the unit to three initial wells, the **Thirteen Seconds 23 Fed-Fee 701H Well, Thirteen Seconds 23 Fed-Fee 702H Well, and the Thirteen Seconds 23 Fed-Fee 703H Well** and proposes to drill the wells to a depth sufficient to test the Wolfcamp formation. Flat Creek proposes the **Thirteen Seconds 23 Fed-Fee 701H Well**, to be horizontally drilled from a surface location in NW/4 NW/4 (Unit D) of Section 23 to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 23. The **Thirteen Seconds 23 Fed-Fee 702H Well** is to be horizontally drilled from a surface location in NW/4 NW/4 (Unit D) of Section 23 to a bottom hole location in the SE/4 NE/4 (Unit H) of Section

23. And the **Thirteen Seconds 23 Fed-Fee 703H Well** is to be horizontally drilled from a surface location in NW/4 SW/4 (Unit L) of Section 23 to a bottom hole location in the NE/4 SE/4 (Unit I) of Section 23. The wells are unorthodox in location, and Flat Creek will be applying administratively for approval of the non-standard locations.

Flat Creek's Application in Case No. 21560 overlaps with and competes against Matador Production Company's ("Matador") Application in Case No. 21543, which Matador submitted for pooling the S/2 of Section 23, Township 23 South, Range 27 East, and which covers both private lands and 40 acres of federal land leased by Flat Creek. Matador has entered a Communitization Agreement (NMNM139002) ("CA") for its proposed unit, but Flat Creek contends that the CA is invalid, does not provide the best spacing for development, and has filed with the BLM, on August 28, 2021, a REQUEST FOR ADMINISTRATIVE REVIEW BY THE STATE DIRECTOR AND AN IMMEDIATE STAY OF THE COMMUNITIZATION AGREEMENT, asking that the CA be stayed or terminated. In either case, when non-federal lands are involved, the federal regulations contemplate deference to the Division's decisions regarding the proper and most effective spacing for the lands. *See, i.e.*, 43 CFR 3105.2-3(b).

Should the Division decide to grant Matador's proposed spacing of the S/2 of Section 23, Flat Creek, as a compromise, has filed an Application in Case No. 21747 for the pooling of the N/2 of Section 23, requesting an order (1) establishing a 320-acre, more or less, standard horizontal spacing and proration unit comprised of the N/2 of Section 23, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted mineral interests in the Wolfcamp formation, designated by the Division as a gas field, underlying said unit. Flat Creek proposes for this unit the **Thirteen Seconds 23 Fed-Fee 701H Well** and **Thirteen Seconds 23 Fed-Fee 702H Well** to be drilled to a depth sufficient to test the Wolfcamp formation. The

Thirteen Seconds 23 Fed-Fee 701H Well, would be horizontally drilled from a surface location in NW/4 NW/4 (Unit D) of Section 23 to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 23, and the **Thirteen Seconds 23 Fed-Fee 702H Well** would be horizontally drilled from a surface location in NW/4 NW/4 (Unit D) of Section 23 to a bottom hole location in the SE/4 NE/4 (Unit H) of Section 23. The wells have unorthodox locations, and Flat Creek would apply administratively for approval of the non-standard locations.

Flat Creek’s Application in Case No. 21747 competes against Matador’s Application in Case No. 21630, also for the N/2 of Section 23.

APPLICANT’S PROPOSED EVIDENCE

| WITNESS | ESTIMATED TIME | EXHIBITS |
|---|----------------|------------|
| Michael Gregory - Landman See Exhibit A in Hearing Packet for Cases 21560 and 21747 for resume & credentials | Approx. 30 min | Approx. 12 |
| Thomas A. Anderson – Geologist See Exhibit B in Hearing Packet for Cases 21560 and 21747 for resume & credentials | Approx. 30 min | Approx. 10 |
| Anand Kote – Reservoir Engineer See Exhibit C in Hearing Packet for Cases 21560 and 21747 for resume & credentials | Approx. 30 min | Approx. 3 |

PROCEDURAL MATTERS

Flat Creek respectfully requests that the Division give due consideration first to Flat Creek’s and Matador’s competing Applications in Case Nos. 21560, for the N/2 and N/2 S/2 of Section 23, and 21543, for the S/2 of Section 23, as these two cases represent development plans that have substantial consequences for the entire section. Should the Division decide on Matador’s plan for the S/2 of Section 23, Flat Creek requests that the Division subsequently compare the

competing development plans of Flat Creek and Matador for the N/2 of Section 23 in Case Nos. 21747 and 21630.

Finally, Flat Creek respectfully requests that the parties to this hearing held May 6, 2021, be provided the opportunity to submit a closing brief in support of its applications and cases.

Respectfully submitted,

ABADIE & SCHILL, PC

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was filed with the New Mexico Oil Conservation Division and was served on counsel of record via electronic mail on April 29, 2021:

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/s/ Darin C. Savage

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