

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

**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. 24472

PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW

The above entitled and numbered case came for hearing on August 1, 2024, before Gregory Chakalian, as Hearing Examiner of the Oil Conservation Division (“Division”), with Deana Bennett and Yarithza Peña, Modrall Law Firm, appearing as counsel for Applicant Franklin Mountain Energy 3, LLC (“Franklin Mountain”) and Ernest L. Padilla, Esq., Padilla Law Firm, P.A., appearing as counsel for North Fork Operating LP and Aguila Operating Company, LLC (both “North Fork”). The Hearing Examiner, having heard the testimony and having examined the proofs offered by the parties, and having heard the arguments of counsel, and this cause having been taken under advisement, and the Division Court being fully advised herein, now makes the following proposed Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. The application for this case was brought by Franklin Mountain for compulsory pooling and approval of an overlapping spacing unit.
2. The Franklin Mountain proposed 320-acre horizontal spacing unit in the Wolfcamp formation covered the following land:

W/2E/2 of Sections 27 and 34, Township 19 South, Range 35 East, NMPM, Lea County, New Mexico.

3. Franklin Mountain's proposed spacing unit will be dedicated to the Treble State Com 703H and Treble State Com 803H wells to be completed in the Wolfcamp formation.
4. The North Fork spacing unit covers the SW/4NE/4 of Section 27, Township 19 South, Range 35 East, NMPM, Lea County, New Mexico, and is dedicated to its existing vertical well Toro 27 No. 5 well, completed in the Wolfcamp formation.
5. The basis of the dispute raised by North Fork is two-fold:
 - a. when Franklin Mountain drills its proposed wells a collision of the drilling equipment and the well bore of North Fork's vertical bottomhole well bore may occur; and,
 - b. completion through hydraulic fracturing of the Franklin Mountain wells may damage the Toro 27 No. 5 well.
6. North Fork's expert witness Aaron Hoak, a registered petroleum engineer, qualified as an expert in drilling and completion engineer, testified that:
 - a. Franklin Mountain's proposed Treble State Com 703H well was planned within 260 feet of the bottomhole location of the North Fork well at approximately the same depth.
 - b. When drilling with survey tools, a degree of measurement uncertainty, known as "Ellipse of Uncertainty" arises due to natural tool measurement caused by magnetic and gravitational forces
 - c. The vertical Toro 27 State 5 well does not have a wellbore deviation survey, only an inclination survey. Without a directional survey to accurately determine the bottomhole location, the Toro 27 State 5, at approximately 11,000 feet deep, and the Treble State Com 703H, at an approximate measured depth of 20,000 feet, are within a potential collision distance of 260 feet.
 - d. Consultations by Mr. Hoak with multiple well planners advised North Fork that there should be a horizontal separation of 330 feet between the wellbores.
 - e. There have been instances of wells in the immediate area being damaged or destroyed by fractures within similar proximity.
 - f. The parties have stipulated that Franklin Mountain shall provide notice to North Fork 30 days prior to commencement of drilling operations and 30 days prior to completion and hydraulic fracturing operations.
 - g. North Fork has conceded that the Treble 803H Well is further than 330 feet from the bottomhole location of the Toro 27 #005 Well and therefore satisfies the separation limit.
7. Cameron Jarrett, Drilling Manager for Franklin Mountain testified that:

- FME3 can and will shade (i.e., micro move during drilling) 40' to the West in order to eliminate all anti-collision risk;
 - FME3 has a proven track record in Lea County of executing horizontal wells near vertical offset wells without hitting a well;
 - FME3 uses industry leading real time survey corrections (MWD+IFR1+MS) to shrink error of uncertainty and ensure accurate wellbore placement;
 - FME3 uses real time monitoring software that every stake holder in operation has access to in order to monitor for anti-collision concerns;
 - FME3 has a proven Anti-Collision policy developed from high density infill projects globally
8. The proximity of the Treble 703H will be within 330 feet and poses a risk of damage to North Fork's well.
9. To prevent impairment of North Fork correlative rights and damage to its well, Franklin Mountain should be restricted from conducting hydraulic fracturing within the 40-acre North Fork spacing unit.

CONCLUSIONS OF LAW

- A. The horizontal rules of the oil conservation division allow an overlap of the proposed Franklin Mountain well and the 40-acre spacing unit dedicated to the North Fork Toro 27 #005 well.
- B. The correlative rights, being the right of North Fork to produce its fair share of hydrocarbons from its spacing unit will be impaired, unless hydraulic fracturing within North Fork's 40-acre spacing unit is restricted.
- C. Franklin Mountain is hereby restricted from perforations in fracturing within the 40-acre North Fork Spacing unit.

PADILLA LAW FIRM, P.A.

/s/ Ernest L. Padilla

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Pre-Hearing Statement was serve by e-mail to the following listed below on this 13th day of September, 2024:

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