

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

**IN THE MATTER OF APPLICATION FOR  
COMPULSORY POOLING, AND, TO THE  
EXTENT NECESSARY, APPROVAL OF AN  
OVERLAPPING SPACING UNIT, LEA COUNTY,  
NEW MEXICO. SUBMITTED BY FRANKLIN  
MOUNTAIN ENERGY 3, LLC**

**CASE NO. 24472  
ORDER NO. R-23808**

**ORDER**

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on May 16, 2024, and August 1, 2024, and after considering the testimony, evidence, and recommendation of the Hearing and Technical Examiners, issues the following Order.

**FINDINGS OF FACT**

1. Franklin Mountain Energy 3, LLC (“Operator”) submitted an application (“Application”) to compulsory pool the uncommitted oil and gas interests within the spacing unit (“Unit”) described in Exhibit A. Operator seeks to be designated the operator of the Unit.
2. Operator will dedicate the wells described in Exhibit A (“Wells”) to the Unit.
3. Operator proposes the supervision and risk charges for the Wells described in Exhibit A.
4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
5. After the initial Examiner Hearing held on May 16, 2024, an entry of appearance and notice of objection was made by North Fork Land Management, LP and Aguila Operating Company, LLC (“North Fork”) on June 3, 2024, stating lack of notice.
6. North Fork amended its objection on July 11, 2024, stating that they were the operator of the Toro 27 No. 5 located in the Southwest quarter of the Northeast quarter of Section 27, Township 19 South, Range 35 East, N.M.P.M. in Lea County, New Mexico (API No. 30-025-35425) (“Toro Well”) that had been conveyed to them on October 1, 2022, from Devon Energy Production Company, LP and WPX Permian, LLC. However, the assignment of the Toro Well did not convey a working or leasehold interest in the proposed spacing unit and, therefore, notice of the compulsory pooling hearing was not required for the May 16, 2024, hearing and its objection based on lack of notice was withdrawn. North Fork did, however,

object and request a stay of issuance of an order based on its concerns that damage to the Toro Well might occur during drilling and completion activities in the Unit.

7. North Fork's Toro Well is a vertical well and active producer in the Klein Ranch; Wolfcamp Pool [96989] with perforations from 10,732' to 10,881' TVD.
8. Operator's Application lists two wells to be dedicated to the Unit and drilled in a North/South orientation:
  - a. the Treble State Com No. 703H targeting the Wolfcamp A (Approx. 10,860' TVD) with a proposed wellbore path 262' west of the Toro Well; and
  - b. the Treble State Com No. 803H targeting the Wolfcamp B (Approx. 11,392' TVD) with a proposed wellbore path 426' east of the Toro Well.
9. At the hearing on August 1, 2024, Operator and North Fork presented evidence through affidavits and testimony in support (Operator) and opposition (North Fork) of the Application.
  - a. Operator and North Fork agreed that the Treble State Com No. 803H targeting the Wolfcamp B interval posed no risk to the Toro Well.
  - b. Operator agreed to "shade" the Treble State Com No. 703H wellbore an additional 42' west of the Toro Well to improve the separation factor during drilling, increasing the proposed distance from the Toro Well to approximately 304'. Operator's expert witness and Drilling Manager, Cameron Jarrett, testified that with the advanced technologies employed during the drilling phase, there is no risk of wellbore collision while drilling the proposed wells. Mr. Jarrett was not qualified to address North Fork's questions regarding the likelihood or risk of a frac hit of the Toro Well from the proposed Treble State Com No. 703H.
  - c. Operator's petroleum geology witness, Ben Kessel, submitted a Wolfcamp cross section (Exhibit C-5) illustrating the producing interval for the proposed Treble State Com No. 703H being adjacent to North Fork's Toro Well's perforated interval. The Hooper No. 1 well log displayed in Exhibit C-5 is approximately 1/4 mile north of the Toro Well. Mr. Kessel also submitted a regional stress map (Exhibit C-11) illustrating that the local maximum horizontal stress direction is East Northeast, around 255 degrees.
  - d. Operator agreed to notify North Fork 30 days prior to the commencement of drilling activities and 30 days prior to the commencement of stimulation (hydraulic fracturing).
10. The wells are located in the Klein Ranch; Wolfcamp Pool (pool code; 96989) which follows the State wide setbacks for oil wells of 330' perpendicular to the edge of the spacing unit.
11. The State wide setbacks were established to protect correlative rights and prevent waste.
12. Operator's proposed Treble State Com No. 703H will be in close proximity (304' including the 42' proposed "shading" to the west) to the Toro Well, less than the

prescribed setback of 330' for the Klein Ranch; Wolfcamp Pool and both wells would share a common producing interval as shown in Operator's Exhibit C-5. Therefore, a buffer zone for hydraulic fracture stimulation in the proposed Treble State Com No. 703H completed interval should be established to eliminate the risk of a frac hit and subsequent damage to North Fork's Toro Well

### **CONCLUSIONS OF LAW**

13. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
14. Operator is the owner of an oil and gas working interest within the Unit.
15. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
16. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.
17. Operator has the right to drill the Well(s) to a common source of supply at the depth(s) and location(s) in the Unit described in Exhibit A.
18. The Unit contains separately owned uncommitted interests in oil and gas minerals.
19. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
20. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
21. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

### **ORDER**

22. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
23. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
24. Operator is designated as operator of the Unit and the Well(s).
25. Operator shall notify North Fork 30 days prior to the commencement of drilling activities and 30 days prior to the commencement of stimulation (hydraulic fracturing) of Well(s) in Exhibit A.

26. Operator will establish a buffer zone during stimulation operations within the Treble State Com No. 703H well's completed interval that complies with the Klein Ranch; Wolfcamp Pool 330' setbacks.
27. The buffer zone and notice requirement as described in paragraphs 25 and 26 will also apply to any future infill well(s).
28. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.
29. If the Unit is a non-standard horizontal spacing unit which has not been approved under this Order, Operator shall obtain the OCD's approval for a non-standard horizontal spacing unit in accordance with 19.15.16.15(B)(5) NMAC.
30. The Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.
31. This Order shall terminate automatically if the Operator fails to comply with the preceding paragraph unless the Operator requests an extension by notifying the OCD and all parties that required notice of the original compulsory pooling application in accordance with 19.15.4.12.B and 19.15.4.12.C NMAC. Upon no objection after twenty (20) days the extension is automatically granted up to one year. If a protest is received the extension is not granted and the Operator must set the case for a hearing.
32. Operator may propose reasonable deviations from the development plan via notice to the OCD and all parties that required notice of the original compulsory pooling application in accordance with 19.15.4.12.B and 19.15.4.12.C NMAC. Upon no objection after twenty (20) days the deviation is automatically granted. If a protest is received the deviation is not granted and the Operator must set the case for a hearing.
33. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.
34. Operator shall submit each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").
35. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the

election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."

36. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
37. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.
38. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
39. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
40. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
41. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share

of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.

42. Operator shall distribute a proportionate share of the costs and charges withheld pursuant to the preceding paragraph to each Pooled Working Interest that paid its share of the Estimated Well Costs.
43. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
44. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
45. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*
46. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
47. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

**STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION**



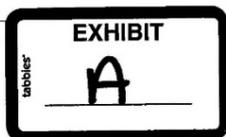
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**GERASIMOS RAZATOS**  
**DIRECTOR (Acting)**  
GR/asf

Date: 5/7/2025

## Exhibit A

<b>COMPULSORY POOLING APPLICATION CHECKLIST</b>	
<b>ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS</b>	
<b>Case: 24472</b>	<b>APPLICANT'S RESPONSE</b>
<b>Date</b>	<b>June 13, 2024</b>
Applicant	<b>Franklin Mountain Energy 3, LLC</b>
Designated Operator & OGRID (affiliation if applicable)	<b>Franklin Mountain Energy 3, LLC OGRID No. 331595</b>
Applicant's Counsel:	Modrall, Sperling, Roehl, Harris, & Sisk, P.A.
Case Title:	Application of Franklin Mountain Energy 3, LLC for Compulsory Pooling, and, to the Extend Necessary, Approval of an Overlapping Spacing Unit, Lea County, New Mexico.
Entries of Appearance/Intervenors:	North Fork Land Management, LP; Aguila Operating Company, LLC
Well Family	Treble State Com
<b>Formation/Pool</b>	
Formation Name(s) or Vertical Extent:	Wolfcamp
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Wolfcamp
Pool Name and Pool Code:	Klein Ranch; Wolfcamp Pool, (Code 96989)
Well Location Setback Rules:	State-Wide Rules Apply
<b>Spacing Unit</b>	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	320-acres
Building Blocks:	40-acres
Orientation:	North/South
Description: TRS/County	W/2 E/2 of Sections 27 and 34, Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico.
Standard Horizontal Well Spacing Unit (Y/N), If No, describe and is approval of non-standard unit requested in this application?	Yes.
<b>Other Situations</b>	
Depth Severance: Y/N. If yes, description	N/A
Proximity Tracts: If yes, description	N/A
Proximity Defining Well: if yes, description	N/A
Applicant's Ownership in Each Tract	See Exhibit B.3
<b>Well(s)</b>	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	Add wells as needed
Well #1: Treble State Com 703H	API No. <i>Pending</i> SHL: 740' FSL & 1729' FEL, (Unit O), Section 22, T19S, R35E BHL: 100' FSL & 2290' FEL, (Unit O) Section 34, T19S, R35E Completion Target: Wolfcamp A (Approx. 10,860' TVD) Orientation: North/South
Well #2: Treble State Com 803H	API No. <i>Pending</i> SHL: 840' FSL & 1669' FEL, (Unit O), Section 22, T19S, R35E BHL: 100' FSL & 1680' FEL, (Unit O) Section 34, T19S, R35E Completion Target: Wolcamp B (Approx. 11,392' TVD) Orientation: North/South
Horizontal Well First and Last Take Points	See Exhibit B.2



Completion Target (Formation, TVD and MD)	See Exhibit B.6
<b>AFE Capex and Operating Costs</b>	
Drilling Supervision/Month \$	\$9,000.00
Production Supervision/Month \$	\$900.00
Justification for Supervision Costs	See Exhibit B Paragraph 25
Requested Risk Charge	200%
<b>Notice of Hearing</b>	
Proposed Notice of Hearing	Exhibit D.1
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit D.2 and D.3
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit D.4
<b>Ownership Determination</b>	
Land Ownership Schematic of the Spacing Unit	Exhibit B.3
Tract List (including lease numbers and owners)	Exhibit B.3
Tract List (including lease numbers and owners) of Tracts subject to notice	N/A
Pooled Parties (including ownership type)	Exhibit B.5
Unlocatable Parties to be Pooled	N/A
Ownership Depth Severance (including percentage above &	N/A
<b>Joinder</b>	
Sample Copy of Proposal Letter	Exhibit B.6
List of Interest Owners (ie Exhibit A of JOA)	Exhibit B.3
Chronology of Contact with Non-Joined Working Interests	Exhibit B.4
Overhead Rates In Proposal Letter	Exhibit B.6
Cost Estimate to Drill and Complete	Exhibit B.7
Cost Estimate to Equip Well	Exhibit B.7
Cost Estimate for Production Facilities	Exhibit B.7
<b>Geology</b>	
Summary (including special considerations)	Exhibit C
Spacing Unit Schematic	Exhibit C.1
Gunbarrel/Lateral Trajectory Schematic	Exhibit C.1
Well Orientation (with rationale)	Exhibit C.11
Target Formation	Exhibit C.3 to C.6; C.7 to C.10
HSU Cross Section	Exhibit C.4; C.8
Depth Severance Discussion	N/A
<b>Forms, Figures and Tables</b>	
C-102	See Exhibit B.2
Tracts	Exhibit B.3
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit B.3
General Location Map (including basin)	Exhibit C.1
Well Bore Location Map	Exhibit C.2
Structure Contour Map - Subsea Depth	Exhibit C.3; C.7
Cross Section Location Map (including wells)	Exhibit C.4; C.8

Cross Section (including Landing Zone)	Exhibit C.5; C.9
<b>Additional Information</b>	
Special Provisions/Stipulations	N/A
<b>CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.</b>	
Printed Name (Attorney or Party Representative):	Deana M. Bennett
Signed Name (Attorney or Party Representative):	/s/ Deana M. Bennett
Date:	6/5/2024