

**BEFORE THE OIL CONSERVATION DIVISION  
EXAMINER HEARING MAY 6, 2021**

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

**Case No. 21560: Flat Creek Resources, LLC  
Thirteen Seconds 23 Fed-Fee 701H Well  
Thirteen Seconds 23 Fed-Fee 702H Well  
Thirteen Seconds 23 Fed-Fee 703H Well**

**N/2 and N/2 S/2 of Section 23, Township 23 South, Range 27 East, NMPM**

**An Application in Competition with:**

**Case No. 21543: Matador Production Company**

**S/2 of Section 23, Township 23 South, Range 27 East, NMPM**

**Flat Creek Resources, LLC**

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## **TAB 1**

**Reference for Case No. 21560**  
**Facts and Issues Case No. 21560**  
**Application for Case No. 21560**  
**NMOCD Checklist Case No. 21560**

## Facts and Issues Case No. 21560

### Undisputed Facts:

1. Both Flat Creek Resources, LLC, (“Flat Creek”) and Matador Production Company (“Matador”) own working interest in proposed units and would have a right to drill and operate the units as proposed with permission from the OCD.
2. Flat Creek owns working interest in its proposed units as Lessee of Federal Lease NMNM 139351.
3. Matador acquired working interest in its proposed units from private lands.
4. Flat Creek owns 33.33% working interest in its proposed 480-acre unit covering the N/2 and N/2 S/2 of Section 23-T23S-R27E, and Matador owns 66.66% working interest in the proposed unit.

### Disputed Facts and Issues:

1. Whether Communitization Agreement NMNM139002 acquired by Matador, but not joined by Flat Creek, is valid under the facts and circumstances of its execution. To be determined by the BLM pursuant to Flat Creek’s Request for Administrative Review by the State Director and Immediate Stay of the Communitization Agreement, filed with the BLM on August 28, 2021.
2. Whether Flat Creek’s production data, included within its exhibits, forecast superior production from the proposed units, in comparison with Matador, as demonstrated by Flat Creek.
3. Whether the years of operational experience of an operator should be measured by the years of operational experience of the key personnel of a company or by the years of operational experience of the entity, which with personnel changes, may not reflect the same level of expertise.

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

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

Case No. 21560

**APPLICATION**

Flat Creek Resources, LLC, (“Flat Creek”), through its undersigned attorneys, hereby files this Application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, Section 70-2-17, 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.

In support of its Application, Flat Creek states the following:

1. Flat Creek is a working interest owner in the proposed horizontal spacing and proration unit (“HSU”) and has a right to drill a well thereon.
2. Flat Creek seeks to dedicate the HSU 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.
3. 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.

4. Flat Creek proposes the **Thirteen Seconds 23 Fed-Fee 702H 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 SE/4 NE/4 (Unit H) of Section 23.

5. Flat Creek proposes the **Thirteen Seconds 23 Fed-Fee 703H Well**, 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.

6. The completed intervals for the proposed wells will be nonstandard in relation to the setback requirements imposed by the Special Rules for the Purple Sage Gas Pool, as provided in Order No. R-14262, and Flat Creek will be applying administratively for approval of the nonstandard location.

7. Flat Creek has sought in good faith, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the wells or in the commitment of their interests to the wells for their development within the proposed HSU.

8. The pooling of all interests in the Wolfcamp formation within the proposed HSU will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights.

9. Flat Creek reserves the right to add additional wells to the HSU when and if deemed necessary by Flat Creek for the proper development of the HSU and its resources, in accordance with the state-wide rules.

10. This application competes against the application of Matador Production Company in Case No. 21543.

WHEREFORE, Flat Creek requests that this Application be set for hearing before an Examiner of the Oil Conservation Division on January 7, 2021, and after notice and hearing as required by law, the Division enter an order:

A. Approving the creation of a 480-acre, more or less, spacing and proration unit comprising the N/2 and N/2 S/2 of Section 23, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico, and approving the wells thereon;

B. Pooling all uncommitted mineral interests in the Wolfcamp formation underlying the proposed HSU;

C. Designating Flat Creek as operator of this HSU and the horizontal wells to be drilled thereon;

D. Authorizing Flat Creek to recover its costs of drilling, equipping and completing the wells;

E. Approving actual operating charges and costs of supervision, while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures;

F. Setting a 200% charge for the risk assumed by Flat Creek in drilling and completing the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,

ABADIE & SCHILL, PC

/s/ Darin C. Savage

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**Attorneys for Applicant**

***Application of Flat Creek Resources, LLC, for a Horizontal Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico.*** Applicant in the above-styled cause seeks an order from the Division: (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 mineral interests in the Wolfcamp formation, a gas field, underlying the unit. Said horizontal spacing unit is to be dedicated to 3 wells. 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**, 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**, to be horizontally drilled from a surface location in the 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 completed intervals for the proposed wells will be nonstandard in relation to the setback requirements imposed by the Special Rules for the Purple Sage Gas Pool. Flat Creek will apply administratively for approval of the nonstandard location. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 3 miles west of Loving, New Mexico.

# COMPULSORY POOLING APPLICATION CHECKLIST

**ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS**

<b>Case: 21560</b>	<b>APPLICANT'S RESPONSE</b>
<b>Date</b>	<b>April 29, 2021</b>
Applicant	Flat Creek Resources, LLC
Designated Operator & OGRID (affiliation if applicable)	374034
Applicant's Counsel:	Darin C. Savage - Abadie & Schill, PC
Case Title:	Application of Flat Creek Resources, LLC for a Horizontal Spacing Unit and Compulsory Pooling, Eddy County, New Mexico
Entries of Appearance/Intervenors:	None
Well Family	Thirteen Seconds
<b>Formation/Pool</b>	
Formation Name(s) or Vertical Extent:	Wolfcamp
Primary Product (Oil or Gas):	Gas
Pooling this vertical extent:	Exhibit B-2
Pool Name and Pool Code:	Purple Sage; Wolfcamp formation [Pool Code 98220]
Well Location Setback Rules:	Special rules from Order No. R-14262; 330' setback
Spacing Unit Size:	480 acres
<b>Spacing Unit</b>	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	480 acres
Building Blocks:	160-acre tracts
Orientation:	East - West
Description: TRS/County	Section 23, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico
Standard Horizontal Well Spacing Unit (Y/N), If No, describe	Yes
<b>Other Situations</b>	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	No
Proximity Defining Well: if yes, description	
Applicant's Ownership in Each Tract	See Landman Exhibit A-2
<b>Well(s)</b>	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	
Well #1	Thirteen Seconds 23 Fed-Fee 701H Well (API-pending), SHL: 912' FNL, 343' FWL, Section 23, T23S-R27E, NMPM; BHL: 590' FNL, 100' FEL, Section 23, T23S-R27E, NMPM, laydown, non-standard location
Well #2	Thirteen Seconds 23 Fed-Fee 702H Well (API-pending), SHL: 942' FNL, 343' FWL, Section 23, T23S-R27E, NMPM; BHL: 1,910' FNL, 100' FEL, Section 23, T23S-R27E, NMPM, laydown, non-standard location

Well #3	Thirteen Seconds 23 Fed-Fee 703H Well (API-pending), SHL: 1,835' FSL, 889' FWL, Section 23, T23S-R27E, NMPM; BHL: 2,010' FSL, 100' FEL, Section 23, T23S-R27E, NMPM, laydown, non-standard location
Horizontal Well First and Last Take Points	Thirteen Seconds 23 Fed-Fee 701H Well: FTP 590' FNL, 100' FWL, Sec. 23; LTP 590' FNL, 100' FEL, Sec. 23 'Thirteen Seconds 23 Fed-Fee 702H Well: FTP 1,910' FNL, 100' FWL, Sec. 23; LTP 1,910' FNL, 100' FEL, Sec. 23 'Thirteen Seconds 23 Fed-Fee 703H Well: FTP 2,010' FSL, 100' FWL, Sec. 23; LTP 2,010' FSL, 100' FEL, Sec. 23
Completion Target (Formation, TVD and MD)	Thirteen Seconds 23 Fed-Fee 701H Well: TVD approx 9,317', TMD approx 14,300'; Wolfcamp formation See Exhibts A, B-2, B-4 'Thirteen Seconds 23 Fed-Fee 702H Well: TVD approx 9,319', TMD approx 14,300'; Wolfcamp formation See Exhibts A, B-2, B-4 'Thirteen Seconds 23 Fed-Fee 703H Well: TVD approx 9,328', TMD approx 14,300'; Wolfcamp formation See Exhibts A, B-2, B-4
<b>AFE Capex and Operating Costs</b>	
Drilling Supervision/Month \$	\$8000, Exhibit A
Production Supervision/Month \$	\$800, Exhibit A
Justification for Supervision Costs	Exhibit A
Requested Risk Charge	200%, Exhibit A
<b>Notice of Hearing</b>	
Proposed Notice of Hearing	Exhibit D, D-1
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit D-2
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit D-3
<b>Ownership Determination</b>	
Land Ownership Schematic of the Spacing Unit	Exhibit A-2
Tract List (including lease numbers and owners)	Exhibit A-2
Pooled Parties (including ownership type)	Exhibit A-2
Unlocatable Parties to be Pooled	Exhibit A, N/A
Ownership Depth Severance (including percentage above & below)	Exhibit A-2, N/A
<b>Joinder</b>	
Sample Copy of Proposal Letter	Exhibit A-3
List of Interest Owners (ie Exhibit A of JOA)	Exhibit A-2
Chronology of Contact with Non-Joined Working Interests	Exhibit A-4
Overhead Rates In Proposal Letter	Exhibit A-3
Cost Estimate to Drill and Complete	Exhibit A-3
Cost Estimate to Equip Well	Exhibit A-3
Cost Estimate for Production Facilities	Exhibit A-3
<b>Geology</b>	
Summary (including special considerations)	Exhibit B

Spacing Unit Schematic	Exhibit B-1
Gunbarrel/Lateral Trajectory Schematic	Exhibit B-4
Well Orientation (with rationale)	Exhibit B, B-1
Target Formation	Exhibit B, B-2
HSU Cross Section	Exhibit B-2, B-4, B-5
Depth Severance Discussion	Exhibit B, N/A
<b>Forms, Figures and Tables</b>	
C-102	Exhibit A-1
Tracts	Exhibit A-2, B-1
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit A-2
General Location Map (including basin)	Exhibit A-2
Well Bore Location Map	Exhibit B-1, B-4
Structure Contour Map - Subsea Depth	Exhibit B-1
Cross Section Location Map (including wells)	Exhibit B-2, B-4, B-5
Cross Section (including Landing Zone)	Exhibit B-2, B-4, B-5
<b>Additional Information</b>	
<b>CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.</b>	
<b>Printed Name (Attorney or Party Representative):</b>	Darin C. Savage
<b>Signed Name (Attorney or Party Representative):</b>	
<b>Date:</b>	29-Apr-21

## **TAB 2**

- Exhibit A: Self-affirmed Statement of Michael Gregory, Landman
- Exhibit A-1: C-102 Forms
- Exhibit A-2: Tracts, Ownership and Sectional Map
- Exhibit A-3: Well Proposal Letter and AFE –
- Exhibit A-4: Chronology of Contacts with Uncommitted Owners
- Exhibit A-5: BLM Communitization Agreement Appeal, Filed 8/28/21
- Exhibit A-6: Email Correspondence with Office of Natural Resources Revenue

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

**APPLICATION OF FLAT CREEK RESOURCES, LLC  
FOR A HORIZONTAL SPACING UNIT AND COMPULSORY  
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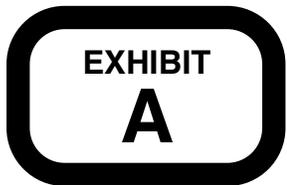
Case No. 21560

**SELF-AFFIRMED STATEMENT OF MICHAEL GREGORY**

STATE OF TEXAS            )  
  ) ss.  
COUNTY OF TARRANT    )

I, being duly sworn on oath, state the following:

1. I am over the age of eighteen years and have the capacity to execute this Self-Affirmed Statement, which is based on my personal knowledge and correct to the best of my knowledge.
2. I am employed as Vice President, Land with Flat Creek Resources, LLC. (“Flat Creek”), and I am familiar with the subject application and the lands involved.
3. I graduated from the Texas Tech University with a Bachelor’s degree in Energy Commerce in 2008. I have worked at Flat Creek for approximately three (3) years. I have not previously testified before the New Mexico Oil Conservation Division (“Division”), and I am attaching a one-page resume of my credentials for the Division’s review and consideration, and ask that I be accepted as an expert witness in petroleum landman matters.
4. This Self-Affirmed Statement is submitted in connection with the filing by Flat Creek of the above-referenced spacing and compulsory pooling application pursuant to 19.15.4.12.A(1) NMAC.



5. The purpose of this application is to force pool uncommitted working interest owners and overriding royalty interest owners into the horizontal spacing unit described below, and in the wells proposed to be drilled in the unit by Flat Creek.

6. Flat Creek seeks an order (1) creating a standard 480-acre, more or less, spacing and proration unit comprised of the North Half and North Half of the South Half (N/2 and N/2 of the 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 Purple Sage; Wolfcamp formation ([Pool Code 98220]), designated as a gas field, underlying said unit in the Permian Basin.

7. The proposed spacing unit will be dedicated to the following initial wells: Thirteen Seconds 23 Fed-Fee 701H Well, Thirteen Seconds 23 Fed-Fee 702H Well, and Thirteen Seconds 23 Fed-Fee 703H Well.

8. The **Thirteen Seconds 23 Fed-Fee 701H Well** is proposed to be horizontally drilled from a surface location in the Northwest Quarter (NW/4 of the NW/4) of Section 23 to a bottom hole location in the Northeast Quarter of the Northeast Quarter (NE/4 of the NE/4) of the same Section 23.

9. The **Thirteen Seconds 23 Fed-Fee 702H Well** is proposed to be horizontally drilled from a surface location in Northwest Quarter (NW/4 of the NW/4) of Section 23 to a bottom hole location in the Southeast Quarter of the Northeast Quarter (SE/4 of the NE/4) of the same Section 23.

10. The **Thirteen Seconds 23 Fed-Fee 703H Well** is proposed to be horizontally drilled from a surface location in Northwest Quarter of the Southwest Quarter (NW/4 of the SW/4) of Section 23 to a bottom hole location in the Northeast Quarter of the Southeast Quarter (NE/4 of the SE/4) of the same Section 23.

11. These wells are located in the Purple Sage; Wolfcamp (Gas) Pool (Pool Code 98220) and have unorthodox locations; Flat Creek will be applying for administrative approval of the non-standard locations of these wells with notice letters to the affected persons.

12. A plat outlining the unit being pooled is attached hereto as **Exhibit A-2**, which shows the location of the proposed wells within the unit.

13. The parties being pooled, the nature of their interests, and their last known addresses are listed on **Exhibit A-2** attached hereto. **Exhibit A-2** includes information regarding working interest owners and overriding royalty interest owners.

14. There are no depth severances in the Wolfcamp formation in this acreage.

15. The locations and proposed depths of the well to be drilled on the pooled units is as follows:

<b>Well Name</b>	<b>SHL</b>	<b>BHL</b>	<b>TVD</b>	<b>TMD</b>
Thirteen Seconds 23 Fed-Fee 701H	912' FNL and 343' FWL of Section 23	590' FNL and 100' FEL of Section 23	9,317'	14,300'
Thirteen Seconds 23 Fed-Fee 702H	942' FNL and 343' FWL of Section 23	1,910' FNL and 100' FEL of Section 23	9,319'	14,300'
Thirteen Seconds 23 Fed-Fee 703H	1,835' FSL and 889' FWL of Section 23	2,010' FSL and 100' FEL of Section 23	9,328'	14,300'

16. I provided the law firm of Abadie & Schill P.C. a list of names and addresses for the uncommitted interest owners and ORRI owners shown on Exhibit A-2. In compiling these addresses, I conducted a diligent search of the public records in Eddy County, New Mexico, where the well is located, and of phone directories and did computer searches to locate the contact information for parties entitled to notification. Notice of this hearing was published in the Carlsbad Current-Argus, a newspaper of general circulation in Eddy County, New Mexico, to account for any unanticipated parties. There were no unlocatable parties.

17. Flat Creek has made a good faith effort to obtain voluntary joinder of the working interest owners in the proposed wells which consists solely of subsidiaries of Matador Resources Company (“Matador”). **Exhibit A-4** provides a chronology and history of negotiations and commercial discussions with Matador which dates back to September of 2019. Flat Creek has been the more proactive party in its good-faith attempts to find a commercial solution for this unit accounting for an estimated twenty-one (21) of the emails opposed to Matador’s three (3). The majority of the communication was initiated via email with some follow up discussions being held over the phone and the rest in three (3) meetings organized by Flat Creek.

18. Flat Creek obtained its lease in this Section 23 from the Bureau of Land Management (“BLM”) in the December 5, 2018 lease sale which was issued effective November 1, 2019. The lease covers 120 acres in the North Half (N/2) of Section 23 and 40 acres in the South Half (S/2) of Section 23. The lease had a stipulation requiring the Lessee to join the Communitization Agreements (“CA”) for Matador’s two (2) existing vertical wells covering the Morrow formation in the South Half (S/2) of Section 23 (NMNM 138621) and the North Half (N/2) of Section 23 (NMNM 138785) which Flat Creek executed timely on April 11, 2019. Notably, Matador has not formally delivered well proposals to Flat Creek for these two (2) Morrow wells since our lease was issued nor has Flat Creek been paid for an overriding royalty interest (“ORRI”) that is owned by a subsidiary of Flat Creek in both of those units. Flat Creek has been entitled to payment on these wells for both its working interest and ORRI since the approval on November 1, 2019, of the federal lease, but has received no payments from Matador.

19. Matador also had an existing horizontal well (Norris-Thornton Com 204H Well; API No. 30-015-44659) in the S/2 of Section 23 which commenced production prior to the December 5, 2018 lease sale. As a standing policy, the BLM gives notice of an escrow account and the amount

in it from the time of first production. However, there was no mention for an escrow account or the amounts involved in BLM's Notice of Sale for the lease, not to mention that, as far as we can determine with the Office of Natural Resources Revenue ("ONRR"), Matador has failed to place any payments for production in an escrow account, see Exhibit A-6, and there was no stipulation from the BLM to join into a CA for that well which has presumably been producing on 320-acre spacing without any type of voluntary or involuntary pooling in place. The stipulation to join a CA is also part of the requirements of notice during the BLM sale. Given the absence of these requirements, and the apparent lack of payment, Flat Creek has requested that the BLM stay or terminate the CA for the Norris-Thorton Com 204H Well, and Flat Creek's request, and the basis for it, can be reviewed in Exhibit A-5. We believe this CA is currently invalid, and the OCD should exercise its authority under these circumstances to determine which development plan best prevents waste and protects correlative rights.

20. The Norris-Thornton Com 204H is forecasted to have a low Estimated Ultimate Recovery (EUR) relative to other offset wells in the same formation as demonstrated in Flat Creek's Engineering Testimony. Our Reservoir Engineer provides the data on this. Matador initially requested that Flat Creek join their proposed 320-acre spacing unit for that well consisting of the South Half (S/2) of Section 23. This was declined by Flat Creek as we believe more value can be created for the working and royalty interest owners by drilling additional wells rather than participate in the existing horizontal well forecasted to have a low EUR. In addition, that well was drilled prior to the Flat Creek lease being granted so Flat Creek was not able to have any input in its development.

21. Flat Creek initiated commercial discussions with Matador in September of 2019 and has proposed numerous resolutions since then. This includes proposals to trade within Section 23,

whereby Flat Creek would operate the North Half (N/2) and Matador would operate the South Half (S/2), opportunities to trade with other sections, as well as cash and farmout proposals. Matador never provided formal feedback to any of our proposals as we were told that this was not getting attention internally at Matador. Following that feedback Flat Creek proposed a well to Matador to initiate development, protect everyone's correlative rights, and optimize the production of the section. Eventually, on February 10, 2021, we were told by Matador that it would purchase our working and/or royalty interest for a value that is far below market. Flat Creek immediately advised that was unacceptable as we believe that would result in stalled development of these lands and cause unnecessary waste. On March 19, 2021 Matador advised that they would be sending a revised proposal to Flat Creek the week of March 22<sup>nd</sup>, however no such proposal was made until April 21, 2021 despite multiple follow up attempts by Flat Creek which are documented in Exhibit A-4. On April 22, 2021, Flat Creek advised Matador that its April 21<sup>st</sup> proposal was also insufficient as it was not materially changed from the March 19<sup>th</sup> proposal. Flat Creek also reiterated its desire to trade or have Matador participate with Flat Creek as the operator but has not received any response from Matador.

22. Flat Creek wants to ensure that the OCD has the opportunity to select the best development plan for maximum production, prevention of waste and the protection of correlative rights. Our Reservoir Engineer and Geologist demonstrate in their testimony and exhibits that our proposed 480 acre unit will outperform Matador's proposed 320-acre unit, and given that Flat Creek has provided the basis for showing that the CA for the S/2 is invalid, Flat Creek proposes that its 480-acre plan is the best option. We have an established track record for diligence and timeliness in our drilling and operations. Our professional team has been selected from the oil and gas industry and represent 98 years of cumulative experience in drilling and operations between four (4) key

personnel in Land, Geology and Engineering with a substantial amount of that being horizontal development in the Permian Basin.

23. The interest owners being pooled have been contacted regarding the proposed well, but have failed or refused to voluntarily commit their interests in the well. However, Flat Creek has been in ongoing discussions with Matador to voluntarily enter into a Joint Operating Agreement. If a mutually agreeable Joint Operating Agreement is reached between Flat Creek and Matador, Flat Creek requests that the voluntary agreement become operative and supersede the Division's order for said parties, except to the extent the Division deems it necessary to maintain spacing criteria for the purpose of conservation, the prevention of waste, and the protection of correlative rights.

24. Proposed C-102s for the wells are attached as **Exhibit A-1**. The wells will develop the Wolfcamp formation (PURPLE SAGE; WOLCAMP [Pool Code 98220]).

25. **Exhibit A-3** is the proposal letter and the AFE's for the proposed wells that was sent to Matador on December 14, 2020. The estimated cost of the well set forth in the AFE is fair, reasonable, and comparable to the costs of other wells of similar depths and lengths drilled in this area of New Mexico.

26. Flat Creek requests overhead and administrative rates of \$8,000/month for drilling the well and \$800/month for producing the well. These rates are fair and comparable to the rates charged by other operators for wells of this type in this area of southeastern New Mexico. Flat Creek requests that these rates be adjusted periodically as provided in the COPAS Accounting Procedure.

27. Flat Creek requests the maximum cost, plus 200% risk charge be assessed against non-consenting working interest owners.

28. Flat Creek requests that it be designated operator of the unit and well.

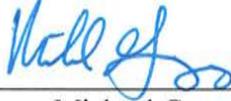
29. The Exhibits to this Statement were prepared by me, or compiled from Flat Creek's company business records under my direct supervision.

30. The granting of this Application is in the best interests of conservation, the prevention of waste, and the protection of correlative rights, and will avoid the drilling of unnecessary wells.

31. The foregoing is correct and complete to the best of my knowledge and belief.

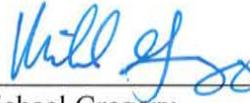
*[Signature page follows]*

Michael Gregory as a Vice President of Land and authorized agent of Flat Creek Resources, LLC, the Affiant, being duly sworn, upon oath, states that the information contained in his Self-Affirmed Statement is accurate and complete to the best of his knowledge.



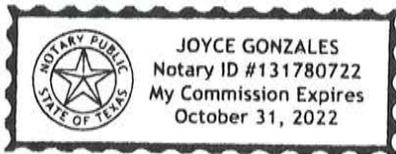
Michael Gregory

FURTHER AFFIANT SAYETH NAUGHT



Michael Gregory

Subscribed to and sworn before me this 29 day of April, 2021.



Notary Public

# Mike B. Gregory, CPL

| 777 Main St., Ste. 3600, Fort Worth, TX 76102 | (817) 310-8572 | [mike.gregory@flatcreekresources.com](mailto:mike.gregory@flatcreekresources.com) |

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## PROFESSIONAL EXPERIENCE

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### Vice President of Land; Flat Creek Resources, LLC

Fort Worth, TX

Permian Basin

2018 - Present

- Manage Land Department primarily responsible for acquisitions, divestitures, acreage trades as well as preparing assets for development via title curative, surface planning and collaboration with counterparties.
- Organically sourced acquisition opportunities; assembled 5,000+ acres in Eddy Co, NM and Reeves Co, TX through 30+ different transactions.
- Executed multiple acreage trades to extend lateral lengths for horizontal wells and optimize development; 30+ gross locations improved from 5,000' to 10,000' lateral lengths.
- Communicate with capital providers and board members to obtain approval for acquisitions, and development opportunities and other company matters.

### Senior Landman; XTO Energy Inc.

Fort Worth, TX

Regional Land Group - Midland Basin

2017 - 2018

- Oversaw active drilling program and prepared assets for horizontal development; collaborated with engineers and geologists to incorporate critical land information into well planning.
- Worked with industry counterparts to complete acreage trades and consolidate leasehold positions.

Land Acquisitions & Divestitures

2016 - 2017

- Project Lead for the \$5.6B acquisition of Bass companies; provided support to management during evaluation and obtained title coverage on 150k+ net acres in the NM Delaware Basin during due diligence.
- Negotiated, prepared and analyzed Purchase and Sale Agreements, Exchange Agreements, and related contracts; facilitated transactions internally to ensure cross-department alignment.
- Coordinated due diligence teams for acquisitions, divestitures and trades across the XTO portfolio.

Regional Land Group - East TX / North LA

2008 - 2015

- Responsible for assets in multiple counties/parishes which involved new drills, leasing programs, lease maintenance, managing company-owned minerals and various other projects.
- Negotiated and interpreted contracts including operating agreements, farmout/farmin agreements, oil and gas leases, pooling agreements and surface/water use agreements.

Other XTO Positions Held: **Landman** (2011 - 2014), **Associate Landman** (2008 - 2010), **Intern** (2007)

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## EDUCATION

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Texas Tech University, Rawls College of Business

Lubbock, TX

Bachelor of Business Administration, Energy Commerce

2008 Graduate

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## ORGANIZATIONS & CERTIFICATIONS

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Energy Commerce Advisory Council

Lubbock, TX

Texas Tech University

2015 - Present

Fort Worth Association of Professional Landmen

Fort Worth, TX

Executive Committee

2019 - Present

-American Association of Professional Landmen - Certified Professional Landman (CPL)

-Permian Basin Landmen's Association

**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 Road, Aztec, NM 87410  
 Phone: (505) 334-6178 Fax: (505) 334-6170  
**District IV**  
 1220 S. St. Francis Dr., Santa Fe, NM 87505  
 Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
 Energy, Minerals & Natural Resources Department  
**OIL CONSERVATION DIVISION**  
 1220 South St. Francis Dr.  
 Santa Fe, NM 87505

Form C-102  
 Revised August 1, 2011  
 Submit one copy to appropriate  
 District Office

AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

<sup>1</sup> API Number	<sup>2</sup> Pool Code 98220	<sup>3</sup> Pool Name PURPLE SAGE; WOLFCAMP (GAS)
<sup>4</sup> Property Code	<sup>5</sup> Property Name THIRTEEN SECONDS 23 FED-FEE	
<sup>7</sup> OGRID No. 374034	<sup>8</sup> Operator Name FLAT CREEK RESOURCES, LLC	
		<sup>6</sup> Well Number 701H
		<sup>9</sup> Elevation 3133'

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	23	23 SOUTH	27 EAST, N.M.P.M.		912'	NORTH	343'	WEST	EDDY

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	23	23 SOUTH	27 EAST, N.M.P.M.		590'	NORTH	100'	EAST	EDDY

<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

**Sec. 23**  
CORNER COORDINATES TABLE (NAD 27)

A - Y=472122.90, X=550787.13
B - Y=472130.63, X=553430.62
C - Y=472135.35, X=556065.65
D - Y=470796.50, X=550786.05
E - Y=470802.93, X=553427.91
F - Y=470807.85, X=556064.02
G - Y=469470.10, X=550784.98
H - Y=469480.35, X=556062.40
I - Y=466813.95, X=550780.56
J - Y=466820.03, X=553419.77
K - Y=466824.74, X=556058.51

**<sup>17</sup> OPERATOR CERTIFICATION**

*I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.*

Signature: *AS* Date: 4/29/2021

Printed Name: **ADAM SMITH**

E-mail Address: **ADAM.SMITH@FLATCREEKRESOURCES.COM**

---

**<sup>18</sup> SURVEYOR CERTIFICATION**

*I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.*

Date of Survey: 04/20/2021

Signature and Seal of Professional Surveyor: *Steven M. Coleman*

Steven M. Coleman  
 Certificate Number

<b>PROPOSED THIRTEEN SECONDS 23 FED-FEE NO. 701H WELL</b> X= 551,129' Y= 471,212' LAT. 32.295369° N LONG. 104.167865° W NAD 27 X= 592,312' Y= 471,271' LAT. 32.295489° N LONG. 104.168364° W ELEV. +3133' NAVD 88 NAD83/86	<b>PROPOSED FIRST TAKE POINT</b> X= 550,887' Y= 471,533' LAT. 32.296254° N LONG. 104.168648° W NAD 27 X= 592,069' Y= 471,592' LAT. 32.296373° N LONG. 104.169147° W NAD83/86	<b>PROPOSED BOTTOM HOLE LOCATION</b> X= 555,965' Y= 471,545' LAT. 32.296264° N LONG. 104.152214° W NAD 27 X= 597,147' Y= 471,604' LAT. 32.296384° N LONG. 104.152711° W NAD83/86
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EXHIBIT  
A-1

District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720

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811 S. First St., Artesia, NM 88210  
Phone: (575) 748-1283 Fax: (575) 748-9720

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Phone: (505) 334-6178 Fax: (505) 334-6170

District IV  
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Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
Energy, Minerals & Natural Resources Department  
**OIL CONSERVATION DIVISION**  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office

AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

<sup>1</sup> API Number		<sup>2</sup> Pool Code		<sup>3</sup> Pool Name	
		98220		PURPLE SAGE; WOLFCAMP (GAS)	
<sup>4</sup> Property Code		<sup>5</sup> Property Name			<sup>6</sup> Well Number
		THIRTEEN SECONDS 23 FED-FEE			702H
<sup>7</sup> OGRID No.		<sup>8</sup> Operator Name			<sup>9</sup> Elevation
374034		FLAT CREEK RESOURCES, LLC			3133'

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	23	23 SOUTH	27 EAST, N.M.P.M.		942'	NORTH	343'	WEST	EDDY

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	23	23 SOUTH	27 EAST, N.M.P.M.		1910'	NORTH	100'	EAST	EDDY

<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

**CORNER COORDINATES TABLE (NAD 27)**

A - Y=472122.90, X=550787.13	G - Y=469470.10, X=550784.98
B - Y=472130.63, X=553430.62	H - Y=469475.23, X=553425.19
C - Y=472135.35, X=556065.65	I - Y=469480.35, X=556062.40
D - Y=470796.50, X=550786.05	J - Y=466813.95, X=550780.56
E - Y=470802.93, X=553427.91	K - Y=466820.03, X=553419.77
F - Y=470807.85, X=556064.02	L - Y=466824.74, X=556058.51

**<sup>17</sup> OPERATOR CERTIFICATION**

*I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.*

Signature: *AS* Date: 4/29/2021

Printed Name: ADAM SMITH

E-mail Address: ADAM.SMITH@FLATCREEKRESOURCES.COM

**Sec. 23**

PROPOSED THIRTEEN SECONDS 23 FED-FEE NO. 702H WELL	PROPOSED FIRST TAKE POINT	PROPOSED BOTTOM HOLE LOCATION
X= 551,129' Y= 471,182' LAT. 32.295287° N LONG. 104.167865° W NAD 27	X= 550,886' Y= 470,213' LAT. 32.292625° N LONG. 104.168658° W NAD 27	X= 555,963' Y= 470,225' LAT. 32.292636° N LONG. 104.152226° W NAD 27
X= 592,311' Y= 471,241' LAT. 32.295407° N LONG. 104.168364° W ELEV. +3133' NAVD 88	X= 592,068' Y= 470,272' LAT. 32.292745° N LONG. 104.169157° W NAD83/86	X= 597,146' Y= 470,284' LAT. 32.292755° N LONG. 104.152724° W NAD83/86

**<sup>18</sup> SURVEYOR CERTIFICATION**

*I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.*

Date of Survey: 04/20/2021

Signature and Seal of Professional Surveyor: *Steven M. Coleman*

Certificate Number: 22921

District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720

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AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

<sup>1</sup> API Number	<sup>2</sup> Pool Code 98220	<sup>3</sup> Pool Name PURPLE SAGE; WOLFCAMP (GAS)
<sup>4</sup> Property Code	<sup>5</sup> Property Name THIRTEEN SECONDS 23 FED-FEE	
<sup>7</sup> OGRID No. 374034	<sup>8</sup> Operator Name FLAT CREEK RESOURCES, LLC	
		<sup>6</sup> Well Number 703H
		<sup>9</sup> Elevation 3144'

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	23	23 SOUTH	27 EAST, N.M.P.M.		1835'	SOUTH	889'	WEST	EDDY

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	23	23 SOUTH	27 EAST, N.M.P.M.		2010'	SOUTH	100'	EAST	EDDY

<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

<p style="text-align: center;"><sup>16</sup> A</p> <p style="text-align: center;">CORNER COORDINATES TABLE (NAD 27)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td>A - Y=472122.90, X=550787.13</td> <td>G - Y=468142.03, X=550782.77</td> </tr> <tr> <td>B - Y=472130.63, X=553430.62</td> <td>H - Y=468147.63, X=553422.48</td> </tr> <tr> <td>C - Y=472135.35, X=556065.65</td> <td>I - Y=468152.54, X=556060.45</td> </tr> <tr> <td>D - Y=469470.10, X=550784.98</td> <td>J - Y=466813.95, X=550780.56</td> </tr> <tr> <td>E - Y=469475.23, X=553425.19</td> <td>K - Y=466820.03, X=553419.77</td> </tr> <tr> <td>F - Y=469480.35, X=556062.40</td> <td>L - Y=466824.74, X=556058.51</td> </tr> </table> <table style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <tr> <td style="width: 33%; border: 1px solid black; padding: 5px;"> <p style="text-align: center;">PROPOSED THIRTEEN SECONDS 23 FED-FEE NO. 703H WELL</p> <p>X= 551,673' Y= 468,651' NAD 27 LAT. 32.288327° N LONG. 104.166119° W</p> <p>X= 592,855' Y= 468,709' NAD83/86 LAT. 32.288446° N LONG. 104.166617° W</p> <p>ELEV. +3144' NAVD 88</p> </td> <td style="width: 33%; border: 1px solid black; padding: 5px;"> <p style="text-align: center;">PROPOSED FIRST TAKE POINT</p> <p>X= 550,884' Y= 468,824' NAD 27 LAT. 32.288807° N LONG. 104.168671° W</p> <p>X= 592,066' Y= 468,883' NAD83/86 LAT. 32.288927° N LONG. 104.169169° W</p> </td> <td style="width: 33%; border: 1px solid black; padding: 5px;"> <p style="text-align: center;">PROPOSED BOTTOM HOLE LOCATION</p> <p>X= 555,961' Y= 468,835' NAD 27 LAT. 32.288813° N LONG. 104.152240° W</p> <p>X= 597,144' Y= 468,893' NAD83/86 LAT. 32.288933° N LONG. 104.152737° W</p> </td> </tr> </table> <p style="text-align: center;">D</p> <p style="text-align: center;">E</p> <p style="text-align: center;">F</p> <p style="text-align: center;">G</p> <p style="text-align: center;">H</p> <p style="text-align: center;">I</p> <p style="text-align: center;">J</p> <p style="text-align: center;">K</p> <p style="text-align: center;">L</p>	A - Y=472122.90, X=550787.13	G - Y=468142.03, X=550782.77	B - Y=472130.63, X=553430.62	H - Y=468147.63, X=553422.48	C - Y=472135.35, X=556065.65	I - Y=468152.54, X=556060.45	D - Y=469470.10, X=550784.98	J - Y=466813.95, X=550780.56	E - Y=469475.23, X=553425.19	K - Y=466820.03, X=553419.77	F - Y=469480.35, X=556062.40	L - Y=466824.74, X=556058.51	<p style="text-align: center;">PROPOSED THIRTEEN SECONDS 23 FED-FEE NO. 703H WELL</p> <p>X= 551,673' Y= 468,651' NAD 27 LAT. 32.288327° N LONG. 104.166119° W</p> <p>X= 592,855' Y= 468,709' NAD83/86 LAT. 32.288446° N LONG. 104.166617° W</p> <p>ELEV. +3144' NAVD 88</p>	<p style="text-align: center;">PROPOSED FIRST TAKE POINT</p> <p>X= 550,884' Y= 468,824' NAD 27 LAT. 32.288807° N LONG. 104.168671° W</p> <p>X= 592,066' Y= 468,883' NAD83/86 LAT. 32.288927° N LONG. 104.169169° W</p>	<p style="text-align: center;">PROPOSED BOTTOM HOLE LOCATION</p> <p>X= 555,961' Y= 468,835' NAD 27 LAT. 32.288813° N LONG. 104.152240° W</p> <p>X= 597,144' Y= 468,893' NAD83/86 LAT. 32.288933° N LONG. 104.152737° W</p>	<p style="text-align: center;"><sup>17</sup> OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order hereinafter entered by the division.</i></p> <p style="text-align: right; font-size: 2em; color: blue;">AJA</p> <p style="text-align: right; font-size: 1.5em; color: blue;">4/29/2021</p> <p>Signature _____ Date _____</p> <p style="text-align: center; font-size: 1.2em; color: blue;">ADAM SMITH</p> <p>Printed Name _____</p> <p style="text-align: center; font-size: 1.2em; color: blue;">ADAM.SMITH@FLATCREEK RESOURCES.COM</p> <p>E-mail Address _____</p> <hr/> <p style="text-align: center;"><sup>18</sup> SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p style="text-align: center; font-size: 1.5em; color: blue;">STEVEN M. COLEMAN</p> <p style="text-align: center; font-size: 1.2em; color: blue;">NEW MEXICO</p> <p style="text-align: center; font-size: 1.2em; color: blue;">PROFESSIONAL SURVEYOR</p> <p style="text-align: center; font-size: 1.2em; color: blue;">04/29/2021</p> <p>Date of Survey _____</p> <p>Signature and Seal of Professional Surveyor: _____</p> <p style="text-align: center; font-size: 1.2em; color: blue;">Steven M. Coleman</p> <p>Certificate Number _____</p>
A - Y=472122.90, X=550787.13	G - Y=468142.03, X=550782.77															
B - Y=472130.63, X=553430.62	H - Y=468147.63, X=553422.48															
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**EXHIBIT A-2**

**OWNERSHIP BREAKDOWN – Wolfcamp formation, Permian Basin**

**N/2 & N/2 S/2 of Section 23, Township 23 South, Range 27 East, Eddy County, NM  
Thirteen Seconds 23 Fed-Fee 701H, 702H, 703H (480-acre spacing unit)**

**Tract 1: N/2 N/2 (160 Acres); Thirteen Seconds 23 Fed-Fee 701H**

**Tract 2: S/2 N/2 (160 Acres); Thirteen Seconds 23 Fed-Fee 702H**

**Tract 3: N/2 S/2 (160 Acres); Thirteen Seconds 23 Fed-Fee 703H**

**OVERALL UNIT OWNERSHIP (N/2 & N/2 S/2 of Section 23 –23S–27E; 480 acres)**

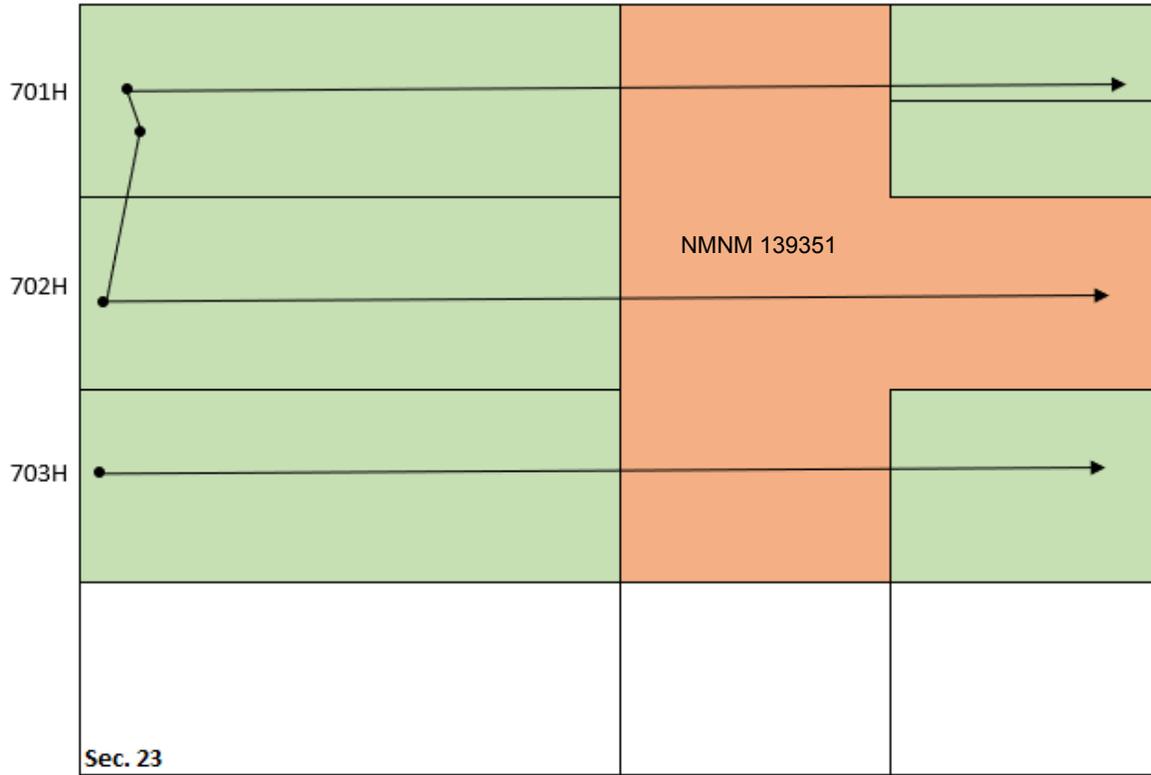
<b>Working Interest Owner</b>	<b>Net Acres</b>	<b>Unit WI</b>	<b>Status</b>
Flat Creek Resources, LLC 777 Main Street, Suite 3600 Fort Worth, Texas 76102	160	33.333333%	Committed
MRC Permian Company One Lincoln Centre 5400 LBJ Freeway, Suite 1500 Dallas, Texas 75240	320	66.666667%	Uncommitted
<b>UNIT TOTAL</b>	<b>480</b>	<b>100%</b>	

<b>Overriding Royalty Owners</b>	<b>Address</b>
Flat Creek Royalties LLC	777 Main Street, Suite 3600 Fort Worth, TX 76102
Mo Oil Co.	PO Box 429 Roswell, NM 88202
Ross Duncan Properties LLC	PO Box 647 Artesia, New Mexico 88211
B&G Royalties	PO Box 376 Artesia, NM 88211
Compound Properties LLC	PO Box 2990 Ruidoso, NM 88355

**UNIT RECAPITULATION (N/2 & N/2 S/2 of Section 23 –23S–27E; 480 acres)**

Flat Creek Resources, LLC	33.333333%	WI
MRC Permian Company	66.666667%	WI

N/2 & N/2 S/2 of Section 23, T-23-S, R-27-E, Eddy County, New Mexico, Wolfcomp Formation



Private  
Matador - 100%  
320 Acres

BLM  
Flat Creek 100%  
160 Acres

**Thirteen Seconds Fed-Fee 701H**

SHL: 912' FNL & 343' FWL  
BHL: 590' FNL & 100' FEL

**Thirteen Seconds Fed-Fee 703H**

SHL: 1,835' FSL & 889' FWL  
BHL: 2,010' FSL & 100' FEL

**Thirteen Seconds Fed-Fee 702H**

SHL: 942' FNL & 343' FWL  
BHL: 1,910' FNL & 100' FEL



**FLAT CREEK**  
R E S O U R C E S

November 12, 2020

SENT VIA CERTIFIED MAIL

MRC Permian Company  
One Lincoln Centre  
5400 LBJ Freeway, Suite 1500  
Dallas, Texas 75240

RE: Well Proposal: Thirteen Seconds 23 Fed-Fee 703H  
N/2 and N/2 S/2 of Section 23-T23S-R27E  
Eddy County, New Mexico

MRC Permian Company,

Flat Creek Resources, LLC ("Flat Creek"), as Operator, proposes to drill and complete the Thirteen Seconds 23 Fed-Fee 703H (the "Well") as a horizontal well to an approximate TVD of 9,328' and approximate TMD of 14,300' into the Wolfcamp formation at a SHL 2,430' FSL and 550' FWL of Section 23-23S-27E and BHL 2,010' FSL and 100' FEL of Section 23-23S-27E, Eddy County, New Mexico. Enclosed for your review is Flat Creek's AFE indicating total drilling and completed well costs of \$7,540,344.24.

Flat Creek reserves the right to modify the locations and drilling plans described above in order to address topography, cultural or environmental concerns, or any other surface and or subsurface concerns, among other reasons. Flat Creek will advise you of any such modifications.

Flat Creek will drill the Well under the terms of the modified 1989 AAPL form of Operating Agreement, with Horizontal Modifications, ("JOA"), which will be provided upon request. The JOA will have the following general provisions:

- Flat Creek Resources, LLC named as Operator
- Contract Area of N/2 and N/2 S/2 of Section 23-T23S-R27E, Eddy County, New Mexico
- 100%/300% Non-Consenting Penalty
- \$10,000/\$1,000 Drilling and Production Rates

Please indicate your election to participate in the drilling and completion of the Well in the space provided below, within 30 days of receipt, by signing and returning one (1) copy of this letter and AFE, along with your well data requirements sheet. A Communitization Agreement for said well will be supplied for your review and execution at a later date.

If your election is to participate, a cash call invoice will be sent following receipt of a timely election.

If an agreement cannot be reached within 30 days of receipt of this letter, Flat Creek will apply to the New Mexico Oil Conservation District for compulsory pooling of your interest into a spacing unit for the Well, if uncommitted at such time.

**EXHIBIT**  
**A-3**

If you have any questions concerning this proposal, please contact me at (817) 310-8569 or adam.smith@flatcreekresources.com.

Sincerely,

Flat Creek Resources, LLC



Adam J. Smith, RPL  
Senior Landman

MRC Permian Company hereby elects:

\_\_\_\_\_ **TO PARTICIPATE** in the drilling and completion of the referenced well

\_\_\_\_\_ **NOT TO PARTICIPATE** in the drilling and completion of the referenced well

Agreed to and Accepted this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

MRC Permian Company

By: \_\_\_\_\_

**FLAT CREEK RESOURCES, INC**  
**AUTHORIZATION FOR EXPENDITURE**  
**DRILL & COMPLETE HORIZONTAL WOLFCAMP**

**AFE#: D19110**

Date: 11/11/2020

County/State: Eddy / NM

Lease: Thirteen Seconds 23 Fed-Fee 703H

Surface Location: 2,430' FSL and 550' FWL of Section 23-23S-27E

Proposed Depth: 14,300' MD

Objective: Drill Horizontal Well, Complete ~1-Mile Lateral, Production Facility

Account Code	Account Name	AFE Amount
<b>Intangible Drilling Costs (310)</b>		
310 / 1	LAND SERVICE & EXP	\$ 60,000.00
310 / 4	PERMITS - SURVEY - REGULATORY	\$ 8,000.00
310 / 5	LOCATION - DAMAGES - CLEAN UP	\$ 250,000.00
310 / 6	RIG - MOB/DEMOB	\$ 250,000.00
310 / 7	RIG - DAYWORK	\$ 297,000.00
310 / 8	RIG - FOOTAGE	\$ -
310 / 9	RIG - TURNKEY	\$ -
310 / 10	COILED TBG/SNUBBING/NITROGEN	\$ -
310 / 11	FUEL - POWER - WATER	\$ 53,460.00
310 / 12	COMMUNICATIONS	\$ 7,200.00
310 / 13	TRANSPORTATION	\$ 36,000.00
310 / 14	CONSULTING SERVICE/SUPERVISION	\$ 92,400.00
310 / 15	CONTRACT LABOR & SERVICES	\$ 50,000.00
310 / 16	RENTALS - DOWNHOLE	\$ 50,400.00
310 / 17	RENTALS - SURFACE	\$ 128,160.00
310 / 18	BITS	\$ 60,000.00
310 / 19	CASING CREW & EQUIPMENT	\$ 40,000.00
310 / 20	CEMENT & SERVICES	\$ 112,000.00
310 / 21	DIRECTIONAL TOOLS & SERVICES	\$ 194,400.00
310 / 22	FISHING TOOLS & SERVICE	\$ -
310 / 23	MUD - CHEMICALS - FLUIDS	\$ 180,000.00
310 / 24	MUD LOGGING	\$ 15,120.00
310 / 25	OPENHOLE LOGGING - FT - SWC	\$ 30,000.00
310 / 26	ELEC/WIRELINE & PERF SERVICE	\$ -
310 / 27	DRILL STEM TESTING - CORING	\$ -
310 / 28	TUBULAR TESTING & INSPECTION	\$ 22,500.00
310 / 29	CUTTINGS & FLUID DISPOSAL	\$ 150,000.00
	Subtotal	\$ 2,086,640.00
310 / 30	MISC & CONTINGENCY	\$ 208,664.00
310 / 60	P&A COSTS	\$ -
310 / 70	NON-OP DRILLING - INTANG	\$ -
	Total Intangibles For Operations Involving Drilling Rig	\$ 2,295,304
<b>Tangible Drilling Costs (311)</b>		
311 / 1	DRIVE PIPE - CONDUCTOR	\$ 23,500.00
311 / 2	CASING - SURFACE	\$ 42,500.00
311 / 3	CASING - INTERMEDIATE	\$ 310,000.00
311 / 4	CASING - PRODUCTION	\$ 210,000.00
311 / 5	CASING - LINER/TIEBACK	
311 / 6	HANGER - CSG ACCESSORY	\$ 20,000.00
311 / 7	WELLHEAD EQPT	\$ 35,000.00
	Subtotal	\$ 641,000.00
311 / 8	MISC & CONTINGENCY	\$ 64,100.00
311 / 70	NON-OP DRILLING - TANG	
	Total Tangibles For Operations Involving Drilling Rig	\$ 705,100
<b>Total Drilling Cost</b>		<b>\$ 3,000,404</b>

<b>Intangible Completion Costs (320)</b>			
320 / 1	LAND SERVICE & EXP	\$	-
320 / 2	LEGAL FEES & EXP	\$	-
320 / 3	INSURANCE	\$	-
320 / 4	PERMITS - SURVEY - REGULATORY	\$	-
320 / 5	LOCATION - DAMAGES - CLEAN UP	\$	15,000
320 / 6	RIG - DAYWORK	\$	-
320 / 7	RIG - COMPLETION/WORKOVER	\$	25,500
320 / 8	COILED TBG/SNUBBING/NITROGEN	\$	145,000
320 / 9	FUEL - POWER - WATER	\$	5,000
320 / 10	COMMUNICATIONS	\$	5,000
320 / 11	TRANSPORTATION	\$	25,000
320 / 12	CONSULTING SERVICE/SUPERVISION	\$	69,717
320 / 13	CONTRACT LABOR & SERVICES	\$	7,500
320 / 14	RENTALS - DOWNHOLE	\$	25,000
320 / 15	RENTALS - SURFACE	\$	57,000
320 / 16	BITS	\$	10,000
320 / 17	CASING CREW & EQUIPMENT	\$	-
320 / 18	CEMENT & SERVICES	\$	-
320 / 19	FISHING TOOLS & SERVICE	\$	-
320 / 20	MUD - CHEMICALS - FLUIDS	\$	45,000
320 / 21	ELEC/WIRELINE & PERF SERVICE	\$	183,500
320 / 22	TUBULAR TESTING & INSPECTION		
320 / 23	GRAVEL PACKING	\$	-
320 / 24	FRAC & STIMULATION	\$	1,138,500
320 / 25	SWABBING & WELL TESTING	\$	115,000
320 / 26	CUTTINGS & FLUID DISPOSAL	\$	227,500
320 / 28	FRAC WATER	\$	262,500
320 / 29	FRAC POND	\$	-
320 / 30	WATER TRANSFER	\$	133,000
320 / 60	P&A COSTS	\$	-
		Subtotal	\$ 2,494,717
320 / 70	NON-OP COMP - INTANG	\$	-
320 / 27	MISC & CONTINGENCY	\$	249,472
	<b>Total Intangibles For Completions Operations</b>	\$	<b>2,744,189</b>
<b>Tangible Completion Costs (321)</b>			
321 / 1	CASING - LINER/TIEBACK		
321 / 2	HANGER - CSG ACCESSORY		
321 / 3	PRODUCTION TUBING	\$	46,500.00
321 / 4	TUBINGHEAD & TREE	\$	35,000.00
321 / 5	PACKERS - SUBSURFACE EQUIP	\$	7,500.00
321 / 6	RODS - PUMPS - ANCHORS ETC	\$	2,850.00
321 / 7	ART LIFT - SURFACE EQUIP		
321 / 8	PUMPING UNITS - SURFACE EQUIP		
321 / 9	VALVES - FITTING - MISC EQUIP	\$	12,500.00
321 / 10	SEPARATOR/HEAT TREATER/DEHY		
321 / 11	GUN BBL/TANKS & RELATED EQUIP		
321 / 12	COMPRESSOR & RELATED EQUIP		
321 / 13	METERS - LACT UNIT		
321 / 14	SWD PUMPS & EQUIPMENT		
321 / 15	PIPELINES - TIE-INS		
321 / 16	PROD FACILITY - FAB & INSTALL		
		Subtotal	\$ 104,350.00
321 / 17	MISC & CONTINGENCY	\$	10,435.00
321 / 60	P&A COSTS		
321 / 70	NON-OP COMP - TANG		
	<b>Total Tangibles For Completions Operations</b>	\$	<b>114,785</b>
<b>Total Completion Costs</b>		\$	<b>2,858,974</b>

<b>Intangible Facility Costs (330)</b>			
330 / 1	LAND SERVICE & EXP	\$	64,000.00
330 / 2	LEGAL FEES & EXP		
330 / 3	CONSULTING SERVICE/SUPERVISION	\$	25,000.00
330 / 4	CONTRACT LABOR & SERVICES	\$	101,250.00
		Subtotal	\$ 190,250.00
330 / 5	MISC & CONTINGENCY	\$	19,025.00
330 / 70	NON-OP FAC - INTANG		
		<b>Total Intangibles for Facility Construction</b>	<b>\$ 209,275.00</b>

<b>Tangible Facility Costs (331)</b>			
331 / 1	ART LIFT - SURFACE EQUIP	\$	15,000.00
331 / 2	PUMPING UNITS - SURFACE EQUIP		
331 / 3	VALVES - FITTING - MISC EQUIP	\$	73,500.00
331 / 4	SEPARATOR/HEAT TREATER/DEHY	\$	170,200.00
331 / 5	GUN BBL/TANKS & RELATED EQUIP	\$	96,000.00
331 / 6	COMPRESSOR & RELATED EQUIP	\$	25,000.00
331 / 7	METERS - LACT UNIT	\$	150,000.00
331 / 8	SWD PUMPS & EQUIPMENT	\$	15,000.00
331 / 9	PIPELINES - TIE-INS	\$	687,500.00
331 / 10	PROD FACILITY - FAB & INSTALL	\$	105,701.40
		Subtotal	\$ 1,337,901.40
331 / 11	MISC & CONTINGENCY	\$	133,790.14
331 / 70	NON-OP FAC- TANG		
		<b>Total Tangible for Facility Construction</b>	<b>\$ 1,471,691.54</b>
<b>Total Facility Costs</b>		<b>\$</b>	<b>1,680,966.54</b>
<b>Total Estimated Well Cost</b>		<b>\$</b>	<b>7,540,344.24</b>

**Flat Creek Resources, LLC**

Approved By: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_  
 Authorization Requested From: John Wierzowiecki Operations Manager

PLEASE INDICATE YOUR APPROVAL AND AUTHORIZATION FOR YOUR PROPORTIONATE PARTE OF THE ESTIMATED EXPENDITURE AS DETAILED ABOVE BY SIGNING BELOW AND RETURNING ONE SIGNED COPY TO BMOG II LLC

OWNERSHIP: \_\_\_\_\_ COST TO COMPLETE: \_\_\_\_\_  
 DATE: \_\_\_\_\_ PARTICIPANTS ESTIMATED COST: \_\_\_\_\_  
 APPROVED BY: \_\_\_\_\_ TITLE: \_\_\_\_\_



December 14, 2020

SENT VIA CERTIFIED MAIL

MRC Permian Company  
 One Lincoln Centre  
 5400 LBJ Freeway, Suite 1500  
 Dallas, Texas 75240

RE: Updated Well Proposal  
 Thirteen Seconds 23 Fed-Fee 701H, 702H, 703H (the "Wells")  
 N/2 and N/2 S/2 of Section 23-T23S-R27E  
 Eddy County, New Mexico

MRC Permian Company,

By letter dated November 12, 2020, Flat Creek Resources, LLC, ("Flat Creek") provided its well proposal for the development of the N/2 and N/2 S/2 of Section 23-T23S-R27E, Eddy County, New Mexico. Flat Creek is updating its well proposal by including two additional wells, the Thirteen Seconds 23 Fed-Fee 701H and 702H Wells, included to promote optimal development of the proposed unit. The AFE for the 703H Well has not changed, and the AFEs for the 701H and 702H Wells are attached, along with an additional copy of the AFE for the 703H Well.

Flat Creek, as Operator, in addition to the Thirteen Seconds 23 Fed-Fee 703H ("703H") proposed to be drilled and completed according to specifications in the well proposal dated November 12, 2020, proposes to drill and complete the Thirteen Seconds 23 Fed-Fee 701H ("701H") and the Thirteen Seconds 23 Fed-Fee 702H ("702H") as horizontal wells to an approximate TVD of 9,317', and 9,319', respectively, each with an approximate TMD of 14,300' into the Wolfcamp formation. The 701H SHL will be 1,265' FNL and 645' FWL and BHL will be 590' FNL and 100' FEL of Section 23-23S-27E, Eddy County, New Mexico. The 702H SHL will be 1,295' FNL and 645' FWL and BHL will be 1,910' FNL and 100' FEL of Section 23-23S-27E, Eddy County, New Mexico. Enclosed for your review is Flat Creek's AFEs for 701H and 702H indicating total drilling and completed well costs of \$6,485,993.47 and \$6,485,993.47, respectively, along with an additional copy of the AFE for 703H, in which the cost of \$7,540,344.24 has not changed. As indicated below, Flat Creek has updated its overhead costs of 703H to \$800/\$8000, to be in line with the costs of 701H and 702H.

As previously stated in its well proposal, Flat Creek reserves the right to modify the locations and drilling plans described above in order to address topography, cultural or environmental concerns, or any other surface and or subsurface concerns, among other reasons. Flat Creek will advise you of any such modifications.

Flat Creek will drill the Wells under the terms of the modified 1989 AAPL form of Operating Agreement, with Horizontal Modifications, ("JOA"), which will be provided upon request. The JOA will have the following general provisions:

- Flat Creek Resources, LLC named as Operator

- Contract Area of N/2 and N/2 S/2 of Section 23-T23S-R27E, Eddy County, New Mexico
- 100%/300% Non-Consenting Penalty
- \$8000/\$800 Drilling and Production Rates

Please indicate your election to participate in the drilling and completion of the Wells in the space provided below, within 30 days of receipt, by signing and returning one (1) copy of this letter and AFE, along with your well data requirements sheet. A Communitization Agreement for said well will be supplied for your review and execution at a later date.

If your election is to participate, a cash call invoice will be sent following receipt of a timely election.

If an agreement cannot be reached within 30 days of receipt of this letter, Flat Creek will apply to the New Mexico Oil Conservation District for compulsory pooling of your interest into a spacing unit for the Well, if uncommitted at such time.

If you have any questions concerning this proposal, please contact me at (817) 310-8569 or adam.smith@flatcreekresources.com.

Sincerely,

Flat Creek Resources, LLC



Adam J. Smith, RPL  
Senior Landman

MRC Permian Company hereby elects:

\_\_\_\_\_ **TO PARTICIPATE** in the drilling and completion of the referenced well

\_\_\_\_\_ **NOT TO PARTICIPATE** in the drilling and completion of the referenced well

Agreed to and Accepted this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

MRC Permian Company

By: \_\_\_\_\_

**FLAT CREEK RESOURCES, INC**  
**AUTHORIZATION FOR EXPENDITURE**  
**DRILL & COMPLETE HORIZONTAL WOLFCAMP**

**AFE#:**

Date: 11/11/2020

County/State: Eddy / NM

Lease: Thirteen Seconds 23 Fed-Fee 701H

Surface Location: 1,265' FNL and 645' FWL of Section 23-23S-27E

Proposed Depth: 14,300' MD

Objective: Drill Horizontal Well, Complete ~1-Mile Lateral, Production Facility

Account Code	Account Name	AFE Amount
<b>Intangible Drilling Costs (310)</b>		
310 / 1	LAND SERVICE & EXP	\$ 60,000.00
310 / 4	PERMITS - SURVEY - REGULATORY	\$ 8,000.00
310 / 5	LOCATION - DAMAGES - CLEAN UP	\$ 250,000.00
310 / 6	RIG - MOB/DEMOB	\$ 250,000.00
310 / 7	RIG - DAYWORK	\$ 297,000.00
310 / 8	RIG - FOOTAGE	\$ -
310 / 9	RIG - TURNKEY	\$ -
310 / 10	COILED TBG/SNUBBING/NITROGEN	\$ -
310 / 11	FUEL - POWER - WATER	\$ 53,460.00
310 / 12	COMMUNICATIONS	\$ 7,200.00
310 / 13	TRANSPORTATION	\$ 36,000.00
310 / 14	CONSULTING SERVICE/SUPERVISION	\$ 92,400.00
310 / 15	CONTRACT LABOR & SERVICES	\$ 50,000.00
310 / 16	RENTALS - DOWNHOLE	\$ 50,400.00
310 / 17	RENTALS - SURFACE	\$ 128,160.00
310 / 18	BITS	\$ 60,000.00
310 / 19	CASING CREW & EQUIPMENT	\$ 40,000.00
310 / 20	CEMENT & SERVICES	\$ 112,000.00
310 / 21	DIRECTIONAL TOOLS & SERVICES	\$ 194,400.00
310 / 22	FISHING TOOLS & SERVICE	\$ -
310 / 23	MUD - CHEMICALS - FLUIDS	\$ 180,000.00
310 / 24	MUD LOGGING	\$ 15,120.00
310 / 25	OPENHOLE LOGGING - FT - SWC	\$ 30,000.00
310 / 26	ELEC/WIRELINE & PERF SERVICE	\$ -
310 / 27	DRILL STEM TESTING - CORING	\$ -
310 / 28	TUBULAR TESTING & INSPECTION	\$ 22,500.00
310 / 29	CUTTINGS & FLUID DISPOSAL	\$ 150,000.00
	Subtotal	\$ 2,086,640.00
310 / 30	MISC & CONTINGENCY	\$ 208,664.00
310 / 60	P&A COSTS	\$ -
310 / 70	NON-OP DRILLING - INTANG	\$ -
	Total Intangibles For Operations Involving Drilling Rig	\$ 2,295,304
<b>Tangible Drilling Costs (311)</b>		
311 / 1	DRIVE PIPE - CONDUCTOR	\$ 23,500.00
311 / 2	CASING - SURFACE	\$ 42,500.00
311 / 3	CASING - INTERMEDIATE	\$ 310,000.00
311 / 4	CASING - PRODUCTION	\$ 210,000.00
311 / 5	CASING - LINER/TIEBACK	
311 / 6	HANGER - CSG ACCESSORY	\$ 20,000.00
311 / 7	WELLHEAD EQPT	\$ 35,000.00
	Subtotal	\$ 641,000.00
311 / 8	MISC & CONTINGENCY	\$ 64,100.00
311 / 70	NON-OP DRILLING - TANG	
	Total Tangibles For Operations Involving Drilling Rig	\$ 705,100
<b>Total Drilling Cost</b>		<b>\$ 3,000,404</b>

<b>Intangible Completion Costs (320)</b>			
320 / 1	LAND SERVICE & EXP	\$	-
320 / 2	LEGAL FEES & EXP	\$	-
320 / 3	INSURANCE	\$	-
320 / 4	PERMITS - SURVEY - REGULATORY	\$	-
320 / 5	LOCATION - DAMAGES - CLEAN UP	\$	15,000
320 / 6	RIG - DAYWORK	\$	-
320 / 7	RIG - COMPLETION/WORKOVER	\$	25,500
320 / 8	COILED TBG/SNUBBING/NITROGEN	\$	145,000
320 / 9	FUEL - POWER - WATER	\$	5,000
320 / 10	COMMUNICATIONS	\$	5,000
320 / 11	TRANSPORTATION	\$	25,000
320 / 12	CONSULTING SERVICE/SUPERVISION	\$	69,717
320 / 13	CONTRACT LABOR & SERVICES	\$	7,500
320 / 14	RENTALS - DOWNHOLE	\$	25,000
320 / 15	RENTALS - SURFACE	\$	57,000
320 / 16	BITS	\$	10,000
320 / 17	CASING CREW & EQUIPMENT	\$	-
320 / 18	CEMENT & SERVICES	\$	-
320 / 19	FISHING TOOLS & SERVICE	\$	-
320 / 20	MUD - CHEMICALS - FLUIDS	\$	45,000
320 / 21	ELEC/WIRELINE & PERF SERVICE	\$	183,500
320 / 22	TUBULAR TESTING & INSPECTION		
320 / 23	GRAVEL PACKING	\$	-
320 / 24	FRAC & STIMULATION	\$	1,138,500
320 / 25	SWABBING & WELL TESTING	\$	115,000
320 / 26	CUTTINGS & FLUID DISPOSAL	\$	227,500
320 / 28	FRAC WATER	\$	262,500
320 / 29	FRAC POND	\$	-
320 / 30	WATER TRANSFER	\$	133,000
320 / 60	P&A COSTS	\$	-
		Subtotal	\$ 2,494,717
320 / 70	NON-OP COMP - INTANG	\$	-
320 / 27	MISC & CONTINGENCY	\$	249,472
		Total Intangibles For Completions Operations	\$ 2,744,189
<b>Tangible Completion Costs (321)</b>			
321 / 1	CASING - LINER/TIEBACK		
321 / 2	HANGER - CSG ACCESSORY		
321 / 3	PRODUCTION TUBING	\$	46,500.00
321 / 4	TUBINGHEAD & TREE	\$	35,000.00
321 / 5	PACKERS - SUBSURFACE EQUIP	\$	7,500.00
321 / 6	RODS - PUMPS - ANCHORS ETC	\$	2,850.00
321 / 7	ART LIFT - SURFACE EQUIP		
321 / 8	PUMPING UNITS - SURFACE EQUIP		
321 / 9	VALVES - FITTING - MISC EQUIP	\$	12,500.00
321 / 10	SEPARATOR/HEAT TREATER/DEHY		
321 / 11	GUN BBL/TANKS & RELATED EQUIP		
321 / 12	COMPRESSOR & RELATED EQUIP		
321 / 13	METERS - LACT UNIT		
321 / 14	SWD PUMPS & EQUIPMENT		
321 / 15	PIPELINES - TIE-INS		
321 / 16	PROD FACILITY - FAB & INSTALL		
		Subtotal	\$ 104,350.00
321 / 17	MISC & CONTINGENCY	\$	10,435.00
321 / 60	P&A COSTS		
321 / 70	NON-OP COMP - TANG		
		Total Tangibles For Completions Operations	\$ 114,785
<b>Total Completion Costs</b>			<b>\$ 2,858,974</b>

<b>Intangible Facility Costs (330)</b>			
330 / 1	LAND SERVICE & EXP	\$	64,000.00
330 / 2	LEGAL FEES & EXP		
330 / 3	CONSULTING SERVICE/SUPERVISION	\$	25,000.00
330 / 4	CONTRACT LABOR & SERVICES	\$	101,250.00
		Subtotal	\$ 190,250.00
330 / 5	MISC & CONTINGENCY	\$	19,025.00
330 / 70	NON-OP FAC - INTANG		
		<b>Total Intangibles for Facility Construction</b>	<b>\$ 209,275.00</b>
<b>Tangible Facility Costs (331)</b>			
331 / 1	ART LIFT - SURFACE EQUIP	\$	15,000.00
331 / 2	PUMPING UNITS - SURFACE EQUIP		
331 / 3	VALVES - FITTING - MISC EQUIP	\$	36,750.00
331 / 4	SEPARATOR/HEAT TREATER/DEHY	\$	85,100.00
331 / 5	GUN BBL/TANKS & RELATED EQUIP	\$	19,200.00
331 / 6	COMPRESSOR & RELATED EQUIP		
331 / 7	METERS - LACT UNIT	\$	30,000.00
331 / 8	SWD PUMPS & EQUIPMENT	\$	3,000.00
331 / 9	PIPELINES - TIE-INS	\$	137,500.00
331 / 10	PROD FACILITY - FAB & INSTALL	\$	52,850.70
		Subtotal	\$ 379,400.70
331 / 11	MISC & CONTINGENCY	\$	37,940.07
331 / 70	NON-OP FAC- TANG		
		<b>Total Tangible for Facility Construction</b>	<b>\$ 417,340.77</b>
<b>Total Facility Costs</b>		<b>\$</b>	<b>626,615.77</b>
<b>Total Estimated Well Cost</b>		<b>\$</b>	<b>6,485,993.47</b>
<b>Flat Creek Resources, LLC</b>			
Approved By:	Title:	Date:	
Authorization Requested From: John Wierzowiecki	Operations Manager		
PLEASE INDICATE YOUR APPROVAL AND AUTHORIZATION FOR YOUR PROPORTIONATE PARTE OF THE ESTIMATED EXPENDITURE AS DETAILED ABOVE BY SIGNING BELOW AND RETURNING ONE SIGNED COPY TO BMOG II LLC			
OWNERSHIP:	COST TO COMPLETE:		
DATE:	PARTICIPANTS ESTIMATED COST:		
APPROVED BY:	TITLE:		

**FLAT CREEK RESOURCES, INC**  
**AUTHORIZATION FOR EXPENDITURE**  
**DRILL & COMPLETE HORIZONTAL WOLFCAMP**

**AFE#:**

Date: 11/11/2020

County/State: Eddy / NM

Lease: Thirteen Seconds 23 Fed-Fee 702H

Surface Location: 1,295' FNL and 645' FWL of Section 23-23S-27E

Proposed Depth: 14,300' MD

Objective: Drill Horizontal Well, Complete ~1-Mile Lateral, Production Facility

Account Code	Account Name	AFE Amount
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310 / 5	LOCATION - DAMAGES - CLEAN UP	\$ 250,000.00
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310 / 7	RIG - DAYWORK	\$ 297,000.00
310 / 8	RIG - FOOTAGE	\$ -
310 / 9	RIG - TURNKEY	\$ -
310 / 10	COILED TBG/SNUBBING/NITROGEN	\$ -
310 / 11	FUEL - POWER - WATER	\$ 53,460.00
310 / 12	COMMUNICATIONS	\$ 7,200.00
310 / 13	TRANSPORTATION	\$ 36,000.00
310 / 14	CONSULTING SERVICE/SUPERVISION	\$ 92,400.00
310 / 15	CONTRACT LABOR & SERVICES	\$ 50,000.00
310 / 16	RENTALS - DOWNHOLE	\$ 50,400.00
310 / 17	RENTALS - SURFACE	\$ 128,160.00
310 / 18	BITS	\$ 60,000.00
310 / 19	CASING CREW & EQUIPMENT	\$ 40,000.00
310 / 20	CEMENT & SERVICES	\$ 112,000.00
310 / 21	DIRECTIONAL TOOLS & SERVICES	\$ 194,400.00
310 / 22	FISHING TOOLS & SERVICE	\$ -
310 / 23	MUD - CHEMICALS - FLUIDS	\$ 180,000.00
310 / 24	MUD LOGGING	\$ 15,120.00
310 / 25	OPENHOLE LOGGING - FT - SWC	\$ 30,000.00
310 / 26	ELEC/WIRELINE & PERF SERVICE	\$ -
310 / 27	DRILL STEM TESTING - CORING	\$ -
310 / 28	TUBULAR TESTING & INSPECTION	\$ 22,500.00
310 / 29	CUTTINGS & FLUID DISPOSAL	\$ 150,000.00
	Subtotal	\$ 2,086,640.00
310 / 30	MISC & CONTINGENCY	\$ 208,664.00
310 / 60	P&A COSTS	\$ -
310 / 70	NON-OP DRILLING - INTANG	\$ -
	Total Intangibles For Operations Involving Drilling Rig	\$ 2,295,304
<b>Tangible Drilling Costs (311)</b>		
311 / 1	DRIVE PIPE - CONDUCTOR	\$ 23,500.00
311 / 2	CASING - SURFACE	\$ 42,500.00
311 / 3	CASING - INTERMEDIATE	\$ 310,000.00
311 / 4	CASING - PRODUCTION	\$ 210,000.00
311 / 5	CASING - LINER/TIEBACK	
311 / 6	HANGER - CSG ACCESSORY	\$ 20,000.00
311 / 7	WELLHEAD EQPT	\$ 35,000.00
	Subtotal	\$ 641,000.00
311 / 8	MISC & CONTINGENCY	\$ 64,100.00
311 / 70	NON-OP DRILLING - TANG	
	Total Tangibles For Operations Involving Drilling Rig	\$ 705,100
<b>Total Drilling Cost</b>		<b>\$ 3,000,404</b>

<b>Intangible Completion Costs (320)</b>			
320 / 1	LAND SERVICE & EXP	\$	-
320 / 2	LEGAL FEES & EXP	\$	-
320 / 3	INSURANCE	\$	-
320 / 4	PERMITS - SURVEY - REGULATORY	\$	-
320 / 5	LOCATION - DAMAGES - CLEAN UP	\$	15,000
320 / 6	RIG - DAYWORK	\$	-
320 / 7	RIG - COMPLETION/WORKOVER	\$	25,500
320 / 8	COILED TBG/SNUBBING/NITROGEN	\$	145,000
320 / 9	FUEL - POWER - WATER	\$	5,000
320 / 10	COMMUNICATIONS	\$	5,000
320 / 11	TRANSPORTATION	\$	25,000
320 / 12	CONSULTING SERVICE/SUPERVISION	\$	69,717
320 / 13	CONTRACT LABOR & SERVICES	\$	7,500
320 / 14	RENTALS - DOWNHOLE	\$	25,000
320 / 15	RENTALS - SURFACE	\$	57,000
320 / 16	BITS	\$	10,000
320 / 17	CASING CREW & EQUIPMENT	\$	-
320 / 18	CEMENT & SERVICES	\$	-
320 / 19	FISHING TOOLS & SERVICE	\$	-
320 / 20	MUD - CHEMICALS - FLUIDS	\$	45,000
320 / 21	ELEC/WIRELINE & PERF SERVICE	\$	183,500
320 / 22	TUBULAR TESTING & INSPECTION		
320 / 23	GRAVEL PACKING	\$	-
320 / 24	FRAC & STIMULATION	\$	1,138,500
320 / 25	SWABBING & WELL TESTING	\$	115,000
320 / 26	CUTTINGS & FLUID DISPOSAL	\$	227,500
320 / 28	FRAC WATER	\$	262,500
320 / 29	FRAC POND	\$	-
320 / 30	WATER TRANSFER	\$	133,000
320 / 60	P&A COSTS	\$	-
		Subtotal	\$ 2,494,717
320 / 70	NON-OP COMP - INTANG	\$	-
320 / 27	MISC & CONTINGENCY	\$	249,472
		Total Intangibles For Completions Operations	\$ 2,744,189
<b>Tangible Completion Costs (321)</b>			
321 / 1	CASING - LINER/TIEBACK		
321 / 2	HANGER - CSG ACCESSORY		
321 / 3	PRODUCTION TUBING	\$	46,500.00
321 / 4	TUBINGHEAD & TREE	\$	35,000.00
321 / 5	PACKERS - SUBSURFACE EQUIP	\$	7,500.00
321 / 6	RODS - PUMPS - ANCHORS ETC	\$	2,850.00
321 / 7	ART LIFT - SURFACE EQUIP		
321 / 8	PUMPING UNITS - SURFACE EQUIP		
321 / 9	VALVES - FITTING - MISC EQUIP	\$	12,500.00
321 / 10	SEPARATOR/HEAT TREATER/DEHY		
321 / 11	GUN BBL/TANKS & RELATED EQUIP		
321 / 12	COMPRESSOR & RELATED EQUIP		
321 / 13	METERS - LACT UNIT		
321 / 14	SWD PUMPS & EQUIPMENT		
321 / 15	PIPELINES - TIE-INS		
321 / 16	PROD FACILITY - FAB & INSTALL		
		Subtotal	\$ 104,350.00
321 / 17	MISC & CONTINGENCY	\$	10,435.00
321 / 60	P&A COSTS		
321 / 70	NON-OP COMP - TANG		
		Total Tangibles For Completions Operations	\$ 114,785
<b>Total Completion Costs</b>			<b>\$ 2,858,974</b>

<b>Intangible Facility Costs (330)</b>			
330 / 1	LAND SERVICE & EXP	\$	64,000.00
330 / 2	LEGAL FEES & EXP		
330 / 3	CONSULTING SERVICE/SUPERVISION	\$	25,000.00
330 / 4	CONTRACT LABOR & SERVICES	\$	101,250.00
		Subtotal	\$ 190,250.00
330 / 5	MISC & CONTINGENCY	\$	19,025.00
330 / 70	NON-OP FAC - INTANG		
		<b>Total Intangibles for Facility Construction</b>	<b>\$ 209,275.00</b>
<b>Tangible Facility Costs (331)</b>			
331 / 1	ART LIFT - SURFACE EQUIP	\$	15,000.00
331 / 2	PUMPING UNITS - SURFACE EQUIP		
331 / 3	VALVES - FITTING - MISC EQUIP	\$	36,750.00
331 / 4	SEPARATOR/HEAT TREATER/DEHY	\$	85,100.00
331 / 5	GUN BBL/TANKS & RELATED EQUIP	\$	19,200.00
331 / 6	COMPRESSOR & RELATED EQUIP		
331 / 7	METERS - LACT UNIT	\$	30,000.00
331 / 8	SWD PUMPS & EQUIPMENT	\$	3,000.00
331 / 9	PIPELINES - TIE-INS	\$	137,500.00
331 / 10	PROD FACILITY - FAB & INSTALL	\$	52,850.70
		Subtotal	\$ 379,400.70
331 / 11	MISC & CONTINGENCY	\$	37,940.07
331 / 70	NON-OP FAC- TANG		
		<b>Total Tangible for Facility Construction</b>	<b>\$ 417,340.77</b>
<b>Total Facility Costs</b>		<b>\$</b>	<b>626,615.77</b>
<b>Total Estimated Well Cost</b>		<b>\$</b>	<b>6,485,993.47</b>
<b>Flat Creek Resources, LLC</b>			
Approved By:	Title:	Date:	
Authorization Requested From: John Wierzowiecki	Operations Manager		
PLEASE INDICATE YOUR APPROVAL AND AUTHORIZATION FOR YOUR PROPORTIONATE PARTE OF THE ESTIMATED EXPENDITURE AS DETAILED ABOVE BY SIGNING BELOW AND RETURNING ONE SIGNED COPY TO BMOG II LLC			
OWNERSHIP:	COST TO COMPLETE:		
DATE:	PARTICIPANTS ESTIMATED COST:		
APPROVED BY:	TITLE:		

**FLAT CREEK RESOURCES, INC**  
**AUTHORIZATION FOR EXPENDITURE**  
**DRILL & COMPLETE HORIZONTAL WOLFCAMP**

**AFE#:**

Date: 11/11/2020

County/State: Eddy / NM

Lease: Thirteen Seconds 23 Fed-Fee 703H

Surface Location: 2,430' FSL and 550' FWL of Section 23-23S-27E

Proposed Depth: 14,300' MD

Objective: Drill Horizontal Well, Complete ~1-Mile Lateral, Production Facility

Account Code	Account Name	AFE Amount
<b>Intangible Drilling Costs (310)</b>		
310 / 1	LAND SERVICE & EXP	\$ 60,000.00
310 / 4	PERMITS - SURVEY - REGULATORY	\$ 8,000.00
310 / 5	LOCATION - DAMAGES - CLEAN UP	\$ 250,000.00
310 / 6	RIG - MOB/DEMOB	\$ 250,000.00
310 / 7	RIG - DAYWORK	\$ 297,000.00
310 / 8	RIG - FOOTAGE	\$ -
310 / 9	RIG - TURNKEY	\$ -
310 / 10	COILED TBG/SNUBBING/NITROGEN	\$ -
310 / 11	FUEL - POWER - WATER	\$ 53,460.00
310 / 12	COMMUNICATIONS	\$ 7,200.00
310 / 13	TRANSPORTATION	\$ 36,000.00
310 / 14	CONSULTING SERVICE/SUPERVISION	\$ 92,400.00
310 / 15	CONTRACT LABOR & SERVICES	\$ 50,000.00
310 / 16	RENTALS - DOWNHOLE	\$ 50,400.00
310 / 17	RENTALS - SURFACE	\$ 128,160.00
310 / 18	BITS	\$ 60,000.00
310 / 19	CASING CREW & EQUIPMENT	\$ 40,000.00
310 / 20	CEMENT & SERVICES	\$ 112,000.00
310 / 21	DIRECTIONAL TOOLS & SERVICES	\$ 194,400.00
310 / 22	FISHING TOOLS & SERVICE	\$ -
310 / 23	MUD - CHEMICALS - FLUIDS	\$ 180,000.00
310 / 24	MUD LOGGING	\$ 15,120.00
310 / 25	OPENHOLE LOGGING - FT - SWC	\$ 30,000.00
310 / 26	ELEC/WIRELINE & PERF SERVICE	\$ -
310 / 27	DRILL STEM TESTING - CORING	\$ -
310 / 28	TUBULAR TESTING & INSPECTION	\$ 22,500.00
310 / 29	CUTTINGS & FLUID DISPOSAL	\$ 150,000.00
	Subtotal	\$ 2,086,640.00
310 / 30	MISC & CONTINGENCY	\$ 208,664.00
310 / 60	P&A COSTS	\$ -
310 / 70	NON-OP DRILLING - INTANG	\$ -
	Total Intangibles For Operations Involving Drilling Rig	\$ 2,295,304
<b>Tangible Drilling Costs (311)</b>		
311 / 1	DRIVE PIPE - CONDUCTOR	\$ 23,500.00
311 / 2	CASING - SURFACE	\$ 42,500.00
311 / 3	CASING - INTERMEDIATE	\$ 310,000.00
311 / 4	CASING - PRODUCTION	\$ 210,000.00
311 / 5	CASING - LINER/TIEBACK	
311 / 6	HANGER - CSG ACCESSORY	\$ 20,000.00
311 / 7	WELLHEAD EQPT	\$ 35,000.00
	Subtotal	\$ 641,000.00
311 / 8	MISC & CONTINGENCY	\$ 64,100.00
311 / 70	NON-OP DRILLING - TANG	
	Total Tangibles For Operations Involving Drilling Rig	\$ 705,100
<b>Total Drilling Cost</b>		<b>\$ 3,000,404</b>

<b>Intangible Completion Costs (320)</b>			
320 / 1	LAND SERVICE & EXP	\$	-
320 / 2	LEGAL FEES & EXP	\$	-
320 / 3	INSURANCE	\$	-
320 / 4	PERMITS - SURVEY - REGULATORY	\$	-
320 / 5	LOCATION - DAMAGES - CLEAN UP	\$	15,000
320 / 6	RIG - DAYWORK	\$	-
320 / 7	RIG - COMPLETION/WORKOVER	\$	25,500
320 / 8	COILED TBG/SNUBBING/NITROGEN	\$	145,000
320 / 9	FUEL - POWER - WATER	\$	5,000
320 / 10	COMMUNICATIONS	\$	5,000
320 / 11	TRANSPORTATION	\$	25,000
320 / 12	CONSULTING SERVICE/SUPERVISION	\$	69,717
320 / 13	CONTRACT LABOR & SERVICES	\$	7,500
320 / 14	RENTALS - DOWNHOLE	\$	25,000
320 / 15	RENTALS - SURFACE	\$	57,000
320 / 16	BITS	\$	10,000
320 / 17	CASING CREW & EQUIPMENT	\$	-
320 / 18	CEMENT & SERVICES	\$	-
320 / 19	FISHING TOOLS & SERVICE	\$	-
320 / 20	MUD - CHEMICALS - FLUIDS	\$	45,000
320 / 21	ELEC/WIRELINE & PERF SERVICE	\$	183,500
320 / 22	TUBULAR TESTING & INSPECTION		
320 / 23	GRAVEL PACKING	\$	-
320 / 24	FRAC & STIMULATION	\$	1,138,500
320 / 25	SWABBING & WELL TESTING	\$	115,000
320 / 26	CUTTINGS & FLUID DISPOSAL	\$	227,500
320 / 28	FRAC WATER	\$	262,500
320 / 29	FRAC POND	\$	-
320 / 30	WATER TRANSFER	\$	133,000
320 / 60	P&A COSTS	\$	-
		Subtotal	\$ 2,494,717
320 / 70	NON-OP COMP - INTANG	\$	-
320 / 27	MISC & CONTINGENCY	\$	249,472
		Total Intangibles For Completions Operations	\$ 2,744,189
<b>Tangible Completion Costs (321)</b>			
321 / 1	CASING - LINER/TIEBACK		
321 / 2	HANGER - CSG ACCESSORY		
321 / 3	PRODUCTION TUBING	\$	46,500.00
321 / 4	TUBINGHEAD & TREE	\$	35,000.00
321 / 5	PACKERS - SUBSURFACE EQUIP	\$	7,500.00
321 / 6	RODS - PUMPS - ANCHORS ETC	\$	2,850.00
321 / 7	ART LIFT - SURFACE EQUIP		
321 / 8	PUMPING UNITS - SURFACE EQUIP		
321 / 9	VALVES - FITTING - MISC EQUIP	\$	12,500.00
321 / 10	SEPARATOR/HEAT TREATER/DEHY		
321 / 11	GUN BBL/TANKS & RELATED EQUIP		
321 / 12	COMPRESSOR & RELATED EQUIP		
321 / 13	METERS - LACT UNIT		
321 / 14	SWD PUMPS & EQUIPMENT		
321 / 15	PIPELINES - TIE-INS		
321 / 16	PROD FACILITY - FAB & INSTALL		
		Subtotal	\$ 104,350.00
321 / 17	MISC & CONTINGENCY	\$	10,435.00
321 / 60	P&A COSTS		
321 / 70	NON-OP COMP - TANG		
		Total Tangibles For Completions Operations	\$ 114,785
		<b>Total Completion Costs</b>	<b>\$ 2,858,974</b>

<b>Intangible Facility Costs (330)</b>			
330 / 1	LAND SERVICE & EXP	\$	64,000.00
330 / 2	LEGAL FEES & EXP		
330 / 3	CONSULTING SERVICE/SUPERVISION	\$	25,000.00
330 / 4	CONTRACT LABOR & SERVICES	\$	101,250.00
		Subtotal	\$ 190,250.00
330 / 5	MISC & CONTINGENCY	\$	19,025.00
330 / 70	NON-OP FAC - INTANG		
		<b>Total Intangibles for Facility Construction</b>	<b>\$ 209,275.00</b>
<b>Tangible Facility Costs (331)</b>			
331 / 1	ART LIFT - SURFACE EQUIP	\$	15,000.00
331 / 2	PUMPING UNITS - SURFACE EQUIP		
331 / 3	VALVES - FITTING - MISC EQUIP	\$	73,500.00
331 / 4	SEPARATOR/HEAT TREATER/DEHY	\$	170,200.00
331 / 5	GUN BBL/TANKS & RELATED EQUIP	\$	96,000.00
331 / 6	COMPRESSOR & RELATED EQUIP	\$	25,000.00
331 / 7	METERS - LACT UNIT	\$	150,000.00
331 / 8	SWD PUMPS & EQUIPMENT	\$	15,000.00
331 / 9	PIPELINES - TIE-INS	\$	687,500.00
331 / 10	PROD FACILITY - FAB & INSTALL	\$	105,701.40
		Subtotal	\$ 1,337,901.40
331 / 11	MISC & CONTINGENCY	\$	133,790.14
331 / 70	NON-OP FAC- TANG		
		<b>Total Tangible for Facility Construction</b>	<b>\$ 1,471,691.54</b>
<b>Total Facility Costs</b>		<b>\$</b>	<b>1,680,966.54</b>
<b>Total Estimated Well Cost</b>		<b>\$</b>	<b>7,540,344.24</b>
<b>Flat Creek Resources, LLC</b>			
Approved By:	Title:	Date:	
Authorization Requested From: John Wierzowiecki	Operations Manager		
PLEASE INDICATE YOUR APPROVAL AND AUTHORIZATION FOR YOUR PROPORTIONATE PARTE OF THE ESTIMATED EXPENDITURE AS DETAILED ABOVE BY SIGNING BELOW AND RETURNING ONE SIGNED COPY TO BMOG II LLC			
OWNERSHIP:	COST TO COMPLETE:		
DATE:	PARTICIPANTS ESTIMATED COST:		
APPROVED BY:	TITLE:		



April 23, 2021

SENT VIA EMAIL

MRC Permian Company  
One Lincoln Centre  
5400 LBJ Freeway, Suite 1500  
Dallas, Texas 75240

Reference is made to Flat Creek Resources, LLC's ("Flat Creek") previous proposals for our Thirteen Seconds 23 Fed-Fee 701H, Thirteen Seconds 23 Fed-Fee 702H and Thirteen Seconds 23 Fed-Fee 703H (the "Proposals"), each located in Section 23, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico.

Flat Creek reserved the right within its Proposals to modify the locations and drilling plans if necessary. I am writing to modify Flat Creek's Proposals to provide modified surface hole location ("SHL") footage calls. The modified SHL for each well is described below:

- **Thirteen Seconds 23 Fed-Fee 701H**
  - SHL: 912' FNL & 343' FWL
- **Thirteen Seconds 23 Fed-Fee 702H**
  - SHL: 942' FNL & 343' FWL
- **Thirteen Seconds 23 Fed-Fee 703H**
  - SHL: 1835' FSL & 889' FWL

These changes are necessary to accommodate for surface location interferences which were not present when the Proposals were submitted. The bottom hole location, formation and target for each well remains the same.

If you have any questions concerning this SHL modification, please contact me at (817) 310-8569 or [adam.smith@flatcreekresources.com](mailto:adam.smith@flatcreekresources.com).

Sincerely,

Flat Creek Resources, LLC

A handwritten signature in blue ink, appearing to read "Adam J. Smith".

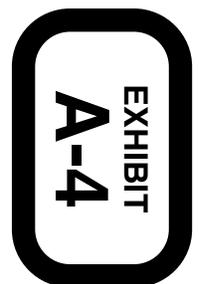
Adam J. Smith, RPL  
Senior Landman

**EXHIBIT A-4**

<u>Date</u>	<u>Sender Name</u>	<u>Sender Company</u>	<u>Recipient Name</u>	<u>Recipient Company</u>	<u>Description</u>
9/30/19	Mike Gregory	Flat Creek	Sara Hartsfield	Matador	Notified Matador of our lease getting close to being issued by BLM; FCR initiated trade discussions involving a Matador lease in another area
3/23/20	Mike Gregory	Flat Creek	Jonathan Filbert	Matador	Suggested a call to discuss trade opportunities
5/4/20	Mike Gregory	Flat Creek	Jonathan Filbert	Matador	Reached out to discuss trade opportunities
5/13/20	Mike Gregory	Flat Creek	Sara Hartsfield	Matador	Requested revised well proposal with corrected WI for the existing 204H well; followed up on trade idea in 9/30/19 email and added another trade idea involving a different lease
5/26/20	Mike Gregory	Flat Creek	Sara Hartsfield	Matador	Followed up on revised well proposal and trade ideas
5/27/20	Mike Gregory	Flat Creek	Sara Hartsfield	Matador	Inquired what our share of the D&C cost is net of prior revenue (not provided); followed up on trade idea
6/9/20	Mike Gregory	Flat Creek	Sara Hartsfield	Matador	Followed up on trade ideas
7/1/20	Mike Gregory	Flat Creek	Sara Hartsfield / Trey Goodwin	Matador	Following up on trade ideas
7/8/20	Mike Gregory	Flat Creek	Goodwin	Matador	Following up on trade ideas
10/2/20	Mike Gregory	Flat Creek	Sara Hartsfield	Matador	Proposed 5 new trade ideas to Matador
10/20/20	Mike Gregory	Flat Creek	Sara Hartsfield	Matador	Followed up on trade ideas
11/13/20	Mike Gregory	Flat Creek	Sara Hartsfield	Matador	Requested to discuss trade proposals with Matador prior to pooling hearing
12/4/20	Mike Gregory	Flat Creek	Sara Hartsfield	Matador	Requested to discuss trade proposals with Matador prior to pooling hearing
12/9/20	Mike Gregory	Flat Creek	Sara Hartsfield	Matador	Requested to discuss trade proposals with Matador prior to pooling hearing
2/10/21	Trey Goodwin	Matador	Mike Gregory	Flat Creek	Cash offer from MTDR to FCR; trade/development proposal
2/10/21	Mike Gregory	Flat Creek	Trey Goodwin	Matador	Counter to Matador proposals
3/2/21	Mike Gregory	Flat Creek	Trey Goodwin	Matador	Follow up on counter; Trey advised he'd respond the next day
3/15/21	Mike Gregory	Flat Creek	Trey Goodwin	Matador	Trey never responded; followed up
3/19/21	Trey Goodwin	Matador	Mike Gregory	Flat Creek	Trey advised that a counteroffer should be sent the week of 3/22
3/29/21	Mike Gregory	Flat Creek	Trey Goodwin	Matador	Followed up to see if Trey had time for a phone call to discuss (no response)
4/8/21	Mike Gregory	Flat Creek	Trey Goodwin	Matador	Followed up to my 3/29 email (no response)
4/12/21	Mike Gregory	Flat Creek	Jonathan Filbert	Matador	Followed up to previous correspondence since no response was given
4/21/21	Trey Goodwin	Matador	Mike Gregory	Flat Creek	Offer to purchase Flat Creek's leasehold in this section or sign JOA
4/22/21	Mike Gregory	Flat Creek	Trey Goodwin	Matador	Declined offer to purchase; offered trade within section (no response received)

Flat Creek initiated correspondence  
 Matador initiated correspondence

**NOTE:** Total email correspondence is an estimated 42 from Flat Creek and 29 from Matador. The list shown above is filtered down to those involving commercial discussions. The majority of the communication was initiated via email with some follow up being on the phone and the rest in three (3) meetings organized by Flat Creek.



**UNITED STATES DEPARTMENT OF INTERIOR  
BUREAU OF LAND MANAGEMENT  
NEW MEXICO STATE OFFICE  
301 Dinosaur Trail  
Santa Fe, New Mexico 87508**

<b>Flat Creek Resources, LLC</b>	)	
	)	
	)	<b>Order of Authorized Officer</b>
	)	
	)	<b>Communitization Agreement</b>
	)	<b>NMNM139002</b>
	)	<b>3105.2 (NM920)</b>
	)	<b>Norris Thornton Com #204H</b>
	)	<b>Wolfcamp Formation</b>
	)	<b>Section 23: S/2</b>
	)	<b>Township 23 South, Range 27 East, NMPM</b>
<b><u>Appellant</u></b>	)	

**REQUEST FOR ADMINISTRATIVE REVIEW BY THE STATE DIRECTOR  
AND AN IMMEDIATE STAY OF THE COMMUNITIZATION AGREEMENT**

**1. Introduction**

1. Appellant Flat Creek Resources, LLC ("Flat Creek"), pursuant to 43 C.F.R. §3165.3(b), hereby requests that Steve Wells, Acting State Director of the New Mexico State Office of the Bureau of Land Management (the "BLM"), review and suspend the effectiveness of the Communitization Agreement NMNM139002 (the "Communitization Agreement") that the Authorized Officer, Sheila Mallory, Deputy State Director, Division of Minerals, approved on March 31, 2021. Flat Creek is the Lessee of Federal Lease NMNM139351. The Communitization Agreement, which Matador Production Company ("Matador") requested, communitized 40 acres of Federal land, the NW/4SE/4 of Section 23, which are subject to Federal Lease NMNM139351, with 280 acres of fee land, the NE/4SE/4 and SW/4 of Section 23, all in Township 23 South, Range 27 East, NMPM, comprising a 320-acre well spacing unit for the Wolfcamp formation. (A copy

of the Communitization Agreement as approved by Sheila Mallory is attached hereto as Exhibit

1.)

2. Flat Creek requests that the BLM furnish a copy of the administrative record.

**2. Supporting Evidence and Statement of Reasons for the Review and Stay.**

3. Flat Creek submits the following supporting evidence and statement of reasons pertinent to this appeal. Flat Creek reserves the right to supplement this Request as may be necessary if Matador submits a response to this Request for Administrative Review.

**A. Factual Background**

**i. The Norris Thornton Com #204H Well (API 30-015-44659)**

4. Matador filed an Application for Permit to Drill the Norris Thornton Com # 204H Well with the New Mexico Oil Conservation Division (“NMOCD”) on January 29, 2018. The NMOCD approved the APD on February 2, 2018. (A copy of the approved APD is attached hereto as Exhibit 2.)

5. Matador spud the Norris Thornton Com # 204H Well on July 4, 2018, and completed it on September 13, 2018. (A copy of the Completion Report is attached hereto as Exhibit 3.)

6. The surface location for this well is on fee land in the SW/4SW/4 of Section 23, and all take points are located in the S/2S/2 of Section 23, all of which are fee land. A copy of the Form C-102 for the Norris Thornton Com # 204H Well is attached hereto as Exhibit 4.

7. While Matador proposed dedicating 320 acres to this well, consisting of the S/2 of Section 23, the NMOCD has not yet approved a spacing or pooling application for the S/2 of Section 23.

**ii. The Communitization Agreement**

8. Matador executed a proposed communitization agreement on June 27, 2018, which MRC Delaware Resources, LLC, Matador's parent company, sent to the BLM's Carlsbad District Office on June 28, 2018.

9. The Communitization Agreement provides that "[t]he communitized area shall be developed and operated as an entirety." Communitization Agreement at Section 5.

10. When Matador submitted the proposed communitization agreement, the NW/4SE/4 of Section 23 was released.

11. Section 5 of the Communitization Agreement requires the establishment of an interest bearing escrow account or trust account in which the operator is to deposit all proceeds attributable to unleased Federal land within the communitized lands until the land is leased.

12. Upon information and belief, no such escrow account was ever established for the proceeds attributable to the unleased Federal land within the communitized area, *i.e.*, the NW/4SE/4 of Section 23, and according to correspondence with the Office of Natural Resources Revenue ("ONRR"), no payments have been made since production from the well. *See* Email exchange on April 26 and 27, 2021, between Mike Gregory, Flat Creek, and Mark Moreno, Accountant, Revenue, Reporting & Compliance Management, ONRR, attached hereto as Exhibit 5.

13. The authorized officer approved the Communitization Agreement on March 31, 2021, effective June 1, 2018. As set forth in Paragraphs 33 and 34, below, the lands subject to the Communitization Agreement were subject to pending forced pooling applications before the NMOCD; therefore, the effective date of the Communitization Agreement may be revised to reflect the date of the NMOCD's forced pooling order.

**iii. Federal Oil and Gas Lease NMNM139351**

14. On October 22, 2018, the BLM issued a Notice of Competitive Oil and Gas Internet-Based Lease Sale (“Notice of Lease Sale”) that included the unleased parcel within the then proposed communitized area, the NW/4SE/4 of Section 23, as well as W/2NE/4 and SE/4NE/4 of Section 23.

15. The BLM Communitization Handbook, BLM Manual 3160-9, provides that notice of the lease sale of land subject to a communitization agreement shall include the amount in escrow for proceeds attributable to unleased Federal lands subject to a communitization agreement and also provides that the notice of sale shall state that the lease will be subject to a stipulation that the successful bidder must negotiate a subsequent joinder to the communitization agreement so that proceeds may be distributed. BLM Manual 3160-9 at Section .11.H.1 and .2.

16. With respect to the proposal to lease the Subject Parcel, neither the Notice of Lease Sale nor any amendments thereto, set forth the amount contained in any escrow account attributable to production from the unleased Federal land in the S/2 of Section 23, nor did the Notice or amendments thereto state that the successful bidder would be required to negotiate a subsequent joinder to the communitization agreement so that proceeds from the escrow account may be distributed.

17. The BLM issued Lease NMNM139351 to Flat Creek on October 30, 2019, effective November 1, 2019.

18. Lease NMNM139351 does not contain any stipulation requiring Flat Creek to join the Communitization Agreement.

19. Flat Creek has not joined the Communitization Agreement.

**iv. The Pending, Competing Spacing and Pooling Applications**

20. On November 3, 2020, Matador filed an Application with the NMOCD for approval of a horizontal spacing unit and the issuance of compulsory pooling order for the development of the Wolfcamp formation covering the S/2 of Section 23. The NMOCD has docketed Matador's Application for the S/2 of Section 23 as Case No. 21543. A copy of Matador's Application for the S/2 of Section 23 is attached hereto as Exhibit 6.

21. On December 4, 2020, Flat Creek filed a competing Application with the NMOCD for approval of a horizontal spacing unit and the issuance of compulsory pooling order for the development of the Wolfcamp formation covering the N/2 and N/2S/2 of Section 23. The NMOCD has docketed Flat Creek's Application for the N/2 and N/2S/2 of Section 23 as Case No. 21560. A copy of Flat Creek's Application for the N/2 and N/2S/2 of Section 23 is attached hereto as Exhibit 7.

22. On December 18, 2020, Matador filed an Application with the NMOCD for approval of a horizontal spacing unit and the issuance of compulsory pooling order for the development of the Wolfcamp formation covering the N/2 of Section 23. The NMOCD has docketed Matador's Application for the N/2 of Section 23 as Case No. 21630. A copy of Matador's Application for the N/2 of Section 23 is attached hereto as Exhibit 8.

23. On February 23, 2021, Flat Creek filed an alternative Application with the NMOCD for approval of a horizontal spacing unit and the issuance of compulsory pooling order for the development of the Wolfcamp formation covering the N/2 of Section 23. The NMOCD has docketed Flat Creek's Application for the N/2 of Section 23 as Case No. 21747. A copy of Flat Creek's Application for the N/2 of Section 23 is attached hereto as Exhibit 9.

24. The NMOCD has set all of these applications for a hearing scheduled for May 6, 2021.

**B. Legal Argument**

25. The Communitization Agreement is not effective for the following reasons. First, 43 C.F.R. § 3105.2-3 requires that a communitization agreement be signed by all of the necessary parties. Flat Creek, as the Lessee of the Federal land within the communitized area, has not executed the Communitization Agreement and is not required to do so in light of the fact that the Notice of Sale did not include any stipulation mandating any such joinder and Lease NMNM139351 does not contain any such stipulation.

26. Second, it appears that Matador failed to deposit any revenues attributable to what the unleased Federal lands into an escrow account as required by Section 5 of the Communitization Agreement. Thus, Matador failed to meet one of the conditions of the Communitization Agreement.

27. Third, the BLM Communitization Handbook provides that:

If the Federal tract cannot be independently developed and there are a number of spacing options, the authorized officer should require the one that is in the best interest of the Federal Government, *i.e.*, the one that provides the largest Federal participation.

BLM Manual 3160-9, Section .11A.1. In this case, Flat Creek's Application pending before the NMOCD seeking approval to develop a 480-acre spacing unit consisting of the N/2 and N/2S/2 of Section 23 would result in the United States owning one-third of the mineral interests in the spacing unit (160/480) versus a one-eighth ownership in the minerals in the S/2 of Section 23 (40/320). Even if a communitization agreement were approved for the N/2 of Section 23, the United States would own a total of 160 net mineral acres in the 640 acres of communitized lands, a one-quarter

interest, versus owning 160 net mineral acres in Flat Creek's proposed 480-acre spacing unit, a one-third interest.

28. Finally, both the State of New Mexico and the United States have a vested interest in establishing spacing units that will maximize production of oil and gas. *See*, 43 C.F.R. § 3162.1(a) (imposing obligation on an operator producing Federal minerals to "conduct all operations in a manner . . . which results in maximum ultimate economic recovery of oil and gas with minimum waste and with minimum adverse effect on ultimate recovery of other mineral resources") and NMSA Sec. 70-2-2 (setting forth New Mexico's prohibition of waste). As the Communitization Agreement provides: "Approval of a communitization agreement does not constitute an adjudication of any state or private interest." Thus, the BLM generally defers to the expertise of the NMOCD to approve spacing units based on the criteria of maximizing production, preventing waste, and protecting correlative rights.

29. One of the justifications for communitization is to provide for more efficient reservoir management:

Adequate engineering and/or geological data is presented to indicate that communitizing two or more leases or unleased Federal acreage will result in more efficient reservoir management of an area.

BLM's Manual 3160-9 at Section.11A.2.

30. In order to satisfy this justification for communitizing the Federal land subject to Lease NMNM139351, the BLM should take advantage of the expertise of the New Mexico NMOCD to review the competing spacing applications and decide which development proposal(s) presents the optimal plan for developing the United States' mineral interests in Section 23.

**D. Request for Immediate Stay of Notice Pending Appeal.**

31. Pursuant to 43 C.F.R. §3165.3(e), Appellant requests that the State Director promptly issue a suspension or stay of the Communitization Agreement pending administrative review.

32. The Communitization Agreement provides that “[t]he communitized area shall be developed and operated as an entirety.” Communitization Agreement at Section 5. This language could be used by Matador to argue that this language is controlling and that the mere existence of the Communitization Agreement mandates that the NMOCD must grant its application for horizontal spacing and compulsory pooling the S/2 of Section 23.

33. However, 43 CFR 3105.2-3(b) provides that:

Approved communitization agreements are considered effective from the date of the agreement or from the date of the onset of production from the communitized formation, whichever is earlier, except when the spacing unit is subject to a State pooling order after the date of first sale, then the effective date of the agreement may be the effective date of the order.

34. This provision contemplates that a communitization agreement is subject to the State of New Mexico’s compulsory pooling procedure and is not effective until the issuance of a compulsory pooling order.

35. Thus, the BLM should suspend the effectiveness of the Communitization Agreement until there is a final, non-appealable order issued with respect to the competing spacing and pooling applications that are set for a May 6, 2021 hearing before the NMOCD.

36. A stay will not adversely affect the BLM or its obligation to carry out its statutory and regulatory duties, but will instead allow the NMOCD to apply its expertise to ensure that the United States’ mineral interest in Section 23 is developed in the most efficient manner, maximizing production from the lands covered by Lease NMNM139351

**E. Conclusion and Request for Relief**

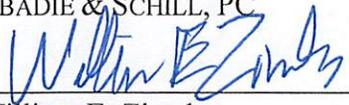
37. Flat Creek respectfully requests that the BLM suspend the effectiveness of the Communitization Agreement until there is a final, non-appealable order issued with respect to the competing spacing and pooling applications that are set for a May 6, 2021 hearing before the NMOCD.

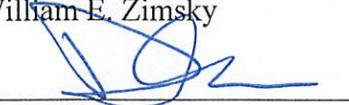
38. Flat Creek respectfully requests that the BLM ultimately terminate Communitization Agreement NMNM139002.

Submitted this 28<sup>th</sup> day of April, 2021.

Respectfully submitted,

ABADIE & SCHILL, PC

 by *Darin C. Savage*  
\_\_\_\_\_  
William E. Zimsky

  
\_\_\_\_\_  
Darin C. Savage  
Andrew D. Schill  
214 McKenzie Street  
Santa Fe, New Mexico 87501  
(970) 385-4401 (phone)  
(505) 385-4401 (fax)  
darin@abadieschill.com  
bill@abadieschill.com  
andrew@abadieschill.com

Attorneys for Flat Creek Resources, LLC

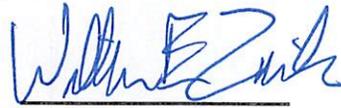
**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was filed with the New Mexico State Office of the Bureau of Land Management and was served on the following persons on April 28, 2021 by electronic mail, unless otherwise noted:

Sheila Mallory (Via U.S. First Class Mail, postage prepaid)  
Deputy State Director  
Division of Minerals  
Bureau of Land Management  
New Mexico State Office  
310 Dinosaur Trail  
Santa Fe, New Mexico 87508

Michael H. Feldewert (mfeldewert@hollandhart.com)  
Adam G. Rankin (agrarkin@hollandhart.com)  
Julia Broggi (jbroggi@hollandhart.com)  
Kaitlyn A. Luck (kaluck@hollandhart.com)

Holland & Hart LLP  
Attorneys for Matador Production Company

 by Darin C. Savage  
\_\_\_\_\_  
William E. Zimsky

**EMAIL No. 1:**

**From:** Mike Gregory <[mike.gregory@flatcreekresources.com](mailto:mike.gregory@flatcreekresources.com)>  
**Sent:** Monday, April 26, 2021 2:53 PM  
**To:** Moreno, Mark M <[mark.moreno@onrr.gov](mailto:mark.moreno@onrr.gov)>  
**Cc:** Adam Smith <[adam.smith@flatcreekresources.com](mailto:adam.smith@flatcreekresources.com)>  
**Subject:** RE: EXT-RE: [EXTERNAL] Royalty Payment Status - NMNM 139351 (BLM Oil & Gas Lease)

Mark,

Thanks for the voicemail and email. Just to confirm, the ONRR has not received any royalty payments related to NMNM 139351? The reason I ask is because Flat Creek committed this lease to NMNM 138785 and NMNM 138621, both operated by Matador, yet we have not been paid or invited to participate in the wells within those CA's. They're been producing for 3+ years. I know that Flat Creek hasn't been able to pay any royalties so just confirming that Matador hasn't on behalf of us.

We're trying to get to the bottom of this situation with Matador and why we aren't being paid but I wanted to get with you first.

Thanks,  
Mike

**EMAIL No. 2:**

**From:** Moreno, Mark M <[mark.moreno@onrr.gov](mailto:mark.moreno@onrr.gov)>  
**Sent:** Monday, April 26, 2021 4:22:16 PM  
**To:** Mike Gregory <[mike.gregory@flatcreekresources.com](mailto:mike.gregory@flatcreekresources.com)>  
**Cc:** Adam Smith <[adam.smith@flatcreekresources.com](mailto:adam.smith@flatcreekresources.com)>  
**Subject:** EXT-RE: EXT-RE: [EXTERNAL] Royalty Payment Status - NMNM 139351 (BLM Oil & Gas Lease)

Hello Mike – Thank you for your email.

You are correct, I am only showing a Rental obligation in the ONRR records for NMNM139351/ ONRR lease # 0301393510, which as stated in my email below – has been paid through 11/1/21. I do not see a minimum royalty due at this time and I do not see that any royalties have been paid on 0301393510.

Have a great day!

**Mark Moreno**

Accountant, Financial Services Team 2  
Revenue, Reporting & Compliance Management  
Office of Natural Resources Revenue  
Bldg 85, Denver Federal Center  
Denver, CO 80225  
303-231-3325 office

[mark.moreno@onrr.gov](mailto:mark.moreno@onrr.gov)

**EMAIL No. 3:**

**From:** Mike Gregory <[mike.gregory@flatcreekresources.com](mailto:mike.gregory@flatcreekresources.com)>  
**Sent:** Tuesday, April 27, 2021 6:42 AM  
**To:** Moreno, Mark M <[mark.moreno@onrr.gov](mailto:mark.moreno@onrr.gov)>  
**Cc:** Adam Smith <[adam.smith@flatcreekresources.com](mailto:adam.smith@flatcreekresources.com)>  
**Subject:** Re: EXT-RE: EXT-RE: [EXTERNAL] Royalty Payment Status - NMNM 139351 (BLM Oil & Gas Lease)

Mark,

One last clarification question. Was there ever an escrow account set up for this BLM lease/tract by Matador? It was released at the time the wells started producing so that's why I ask.

Thanks!  
Mike

**EMAIL No. 4:**

**From:** Moreno, Mark M <[mark.moreno@onrr.gov](mailto:mark.moreno@onrr.gov)>  
**Sent:** Tuesday, April 27, 2021 10:32 AM  
**To:** Mike Gregory <[mike.gregory@flatcreekresources.com](mailto:mike.gregory@flatcreekresources.com)>  
**Cc:** Adam Smith <[adam.smith@flatcreekresources.com](mailto:adam.smith@flatcreekresources.com)>  
**Subject:** EXT-RE: EXT-RE: EXT-RE: [EXTERNAL] Royalty Payment Status - NMNM 139351 (BLM Oil & Gas Lease)

Hello Mike – Thank you for your email.

Unfortunately, I do not handle escrow accounts, I only handle ONRR Federal AR & Billing -- thus you will need to reach out to the BLM for any and all BLM related payments, accounts, questions, etc.

The only other ONRR payment (other than the Rental payment shown in my email below) that I see is the Bonus payment shown below made by Flat Creek Resources LLC/ PC 70008 in 11/2019 for \$2,880,000.00.

Have a great day!

**Mark Moreno**

Accountant, Financial Services Team 2

Revenue, Reporting & Compliance Management  
Office of Natural Resources Revenue  
Bldg 85, Denver Federal Center  
Denver, CO 80225  
303-231-3325 office  
[mark.moreno@onrr.gov](mailto:mark.moreno@onrr.gov)

## **TAB 3**

- Exhibit B: Self-affirmed Statement of Thomas M. Anderson, Geologist
- Exhibit B-1: Structure Map
- Exhibit B-2: Cross-section Log
- Exhibit B-3: Gross Isochore
- Exhibit B-4: Gun Barrel graph
- Exhibit B-5: Cross-section Well Trajectories

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

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

**Case No. 21560**

**SELF-AFFIRMED STATEMENT OF THOMAS M. ANDERSON**

STATE OF TEXAS            )  
  ) ss.  
COUNTY OF TARRANT    )

I, Thomas M. Anderson, being duly sworn on oath, state the following:

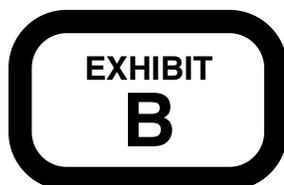
1. I am over the age of 18, and I have personal knowledge of the matters stated herein.
2. I am employed as a petroleum geologist for Flat Creek Resources, LLC (“Flat Creek”), and

I am familiar with the subject application and the geology involved.

3. This testimony is submitted in connection with the filing by Flat Creek of the above-referenced compulsory pooling application pursuant to 19.15.4.12.A(1) NMAC.

4. I have previously made my credentials a matter of public record and been qualified by the Oil Conservation Division (“Division”) as an expert petroleum geologist.

- a. I hold a Bachelor’s degree in Geology obtained from the University of South Florida and a Master’s degree in Geology from Florida State University. I completed my education in 1981.
- b. I have been employed as a petroleum geologist with Flat Creek since June, 2018. Prior to Flat Creek, I was employed as a petroleum geologist with Exxon/ExxonMobil/XTO Energy starting July, 1981. Since 2011 I have



worked fulltime in the Permian Basin, including the northern portion of the Delaware and the NW Shelf in New Mexico.

5. Wells drilled at Flat Creek, 3 in number, have been planned and executed flawlessly. In the 3 years preceding the formation of Flat Creek while at XTO, I was operations geologist for approximately 35 laterals up to 3 miles in length that were planned and executed in New Mexico with similar results.

6. **Exhibit B-1** is a subsea TVD structure map on the top of the Wolfcamp formation, contour interval 25'. The top defines the top of the target interval for the proposed wells. The proposed spacing unit is outlined by the blue rectangle and the proposed horizontal wells are shown. There is no evidence of faults, pinch-outs or other significant impediments to the horizontal development of the Wolfcamp X/Y. The line of the cross-section A-A' is also on the exhibit.

7. **Exhibit B-2** is a stratigraphic cross-section flattened on the top of the Wolfcamp. Log curves for each well on the section consist of a gamma ray, deep resistivity, and neutron/density porosity. The targeted interval for the proposed wells (Wolfcamp Y sand) is shaded yellow.

8. Additional exhibits for the benefit of the Division's review include **Exhibit B-3**, a gross isochore of the Wolfcamp X/Y; **Exhibit B-4**, a gun barrel representation of the unit; and **Exhibit B-5**, a schematic cross-section with well trajectories is a gross isochore of the Wolfcamp target formation.

9. I conclude from the attached exhibits that:

- a. The horizontal spacing and proration unit is justified from a geologic standpoint.
- b. There are no structural impediments or faulting that will interfere with horizontal development.

c. Each quarter-quarter section in the unit will contribute more or less equally to production.

10. The planned well orientation in this area is east-west to fit with existing development. The inferred orientation of the maximum horizontal stress is roughly NE-SW.

11. The subject acreage represents a considerable percentage of Flat Creek's total acreage and will have the complete attention of the company with the goal of optimizing and accelerating operations.

12. The Exhibits to this Statement were prepared by me.

13. The granting of this Application is in the interests of conservation, the prevention of waste, and the protection of correlative rights.

14. The foregoing is correct and complete to the best of my knowledge and belief.

*[Signature page follows]*

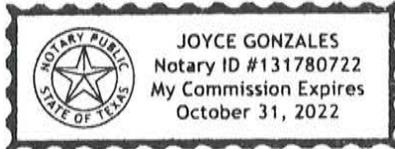
Thomas M. Anderson as a petroleum geologist and authorized agent of Flat Creek Resources, LLC, the Affiant, being duly sworn, upon oath, states that the information contained in his Self-affirmed Statement is accurate and complete to the best of his knowledge.

Thomas M. Anderson  
Thomas M. Anderson

FURTHER AFFIANT SAYETH NAUGHT

Thomas M. Anderson  
Thomas M. Anderson

Subscribed to and sworn before me this 29 day of April, 2021.



Joyce Gonzales  
Notary Public

## **Thomas M. Anderson**

3721 Cliff View Loop  
Weatherford, TX 76087  
713-817-4839  
[tmander138@yahoo.com](mailto:tmander138@yahoo.com)

### **Experience**

#### **Flat Creek Resources, Fort Worth, TX June 2018 – Present**

Business development/operations work primarily in the Delaware Basin

#### **XTO Energy, Fort Worth, TX January 2012 – May 2018**

Primary responsibility in prospect generation and operations in the northern (Lea and Eddy, NM) and southern (southern Reeves and Pecos, TX) Delaware Basin

#### **ExxonMobil Exploration, Houston, TX March 2009 – December 2011**

Exploration/operations assignments in US resource plays – Piceance/Unita, Green River, and Permian Basins

#### **ExxonMobil Exploration, Houston, TX August 2007 – February 2009**

Exploration/business development assignment in the far east: Pakistan-China-Australia

#### **ExxonMobil Production, Houston, TX July 2004 – July 2007**

Operations assignment Santa Ynez Unit, offshore CA

#### **ExxonMobil Exploration, Houston TX January 2000 – June 2004**

Exploration/operations assignment in the Pricaspian Basin, Kazakhstan

#### **Exxon Exploration, Houston TX August 1988 – December 2000**

Wide-ranging exploration/business development assignments in North and South America, Europe, Asia, and Africa

#### **Exxon Exploration, New Orleans LA June 1985 – July 1988**

Exploration/operations assignment working Smackover/Norphlet in eastern US gulf coast

#### **Exxon Production, New Orleans LA July 1981 – May 1985**

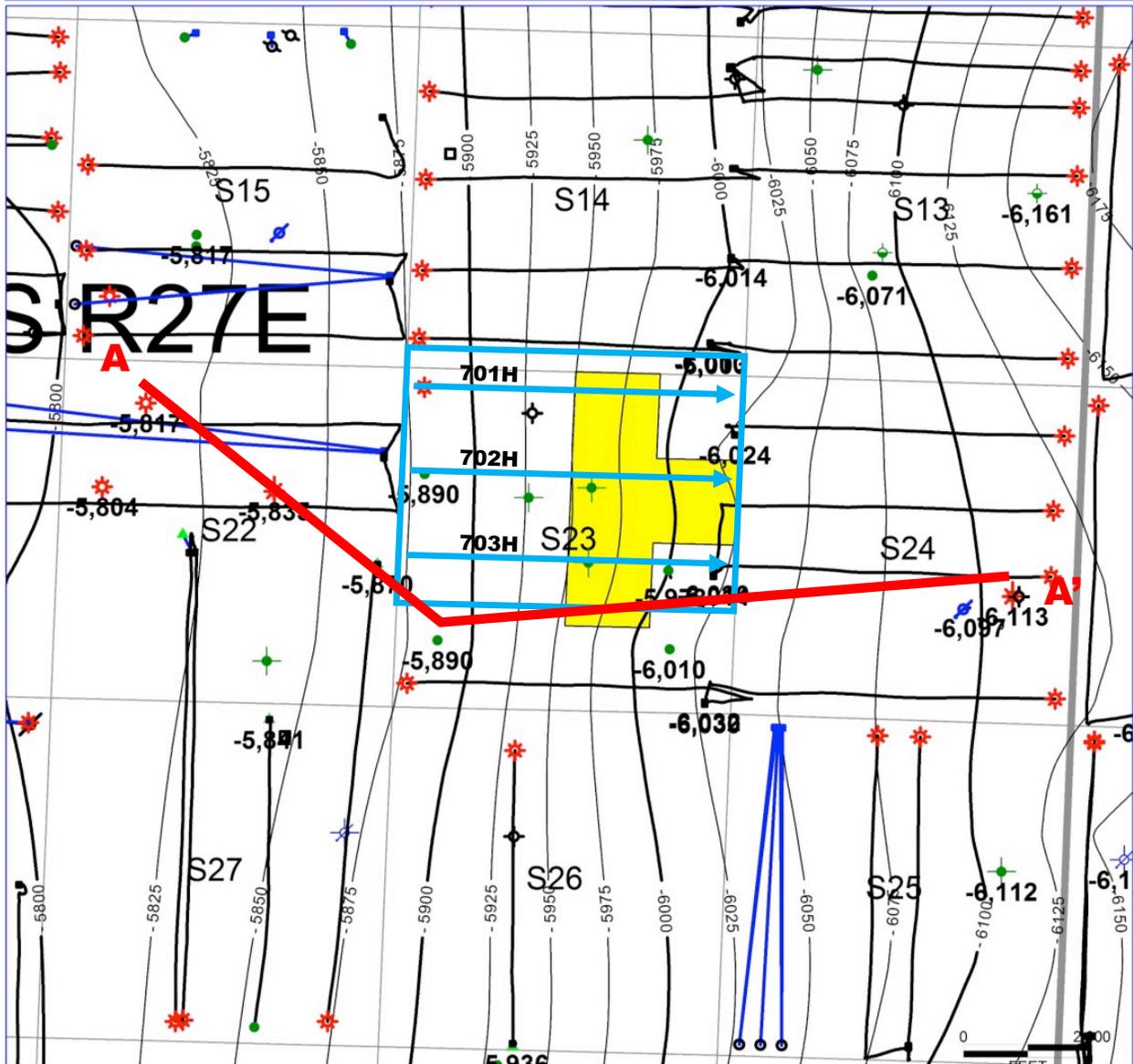
Field operations assignments onshore south LA and south MS, and offshore GOM

### **Education**

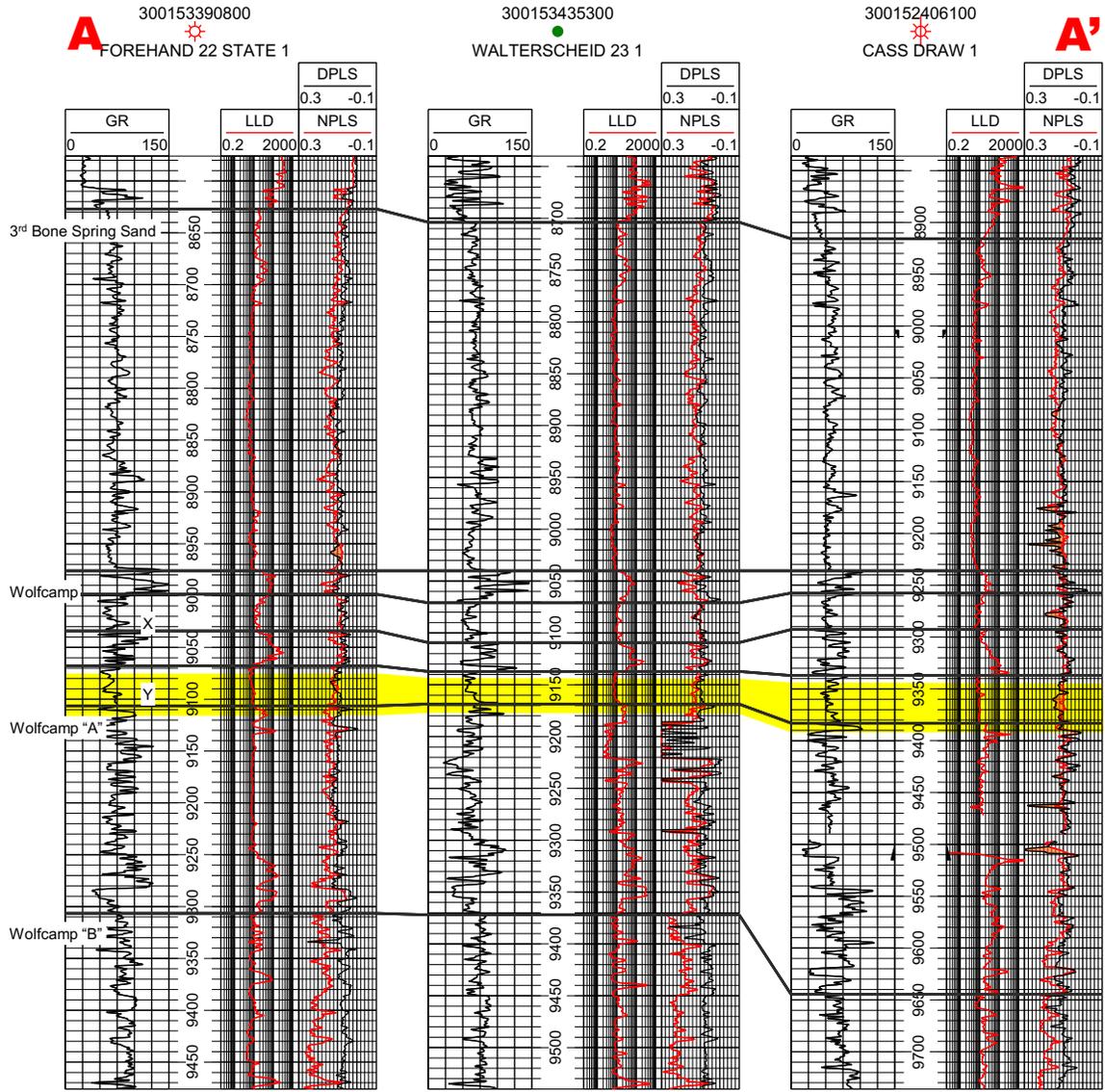
#### **Florida State University, MS Geology, 1981**

Thesis: Application of Fission Track Dating to a Metamorphic Terrain, Pine Mountain Belt, South Georgia Piedmont

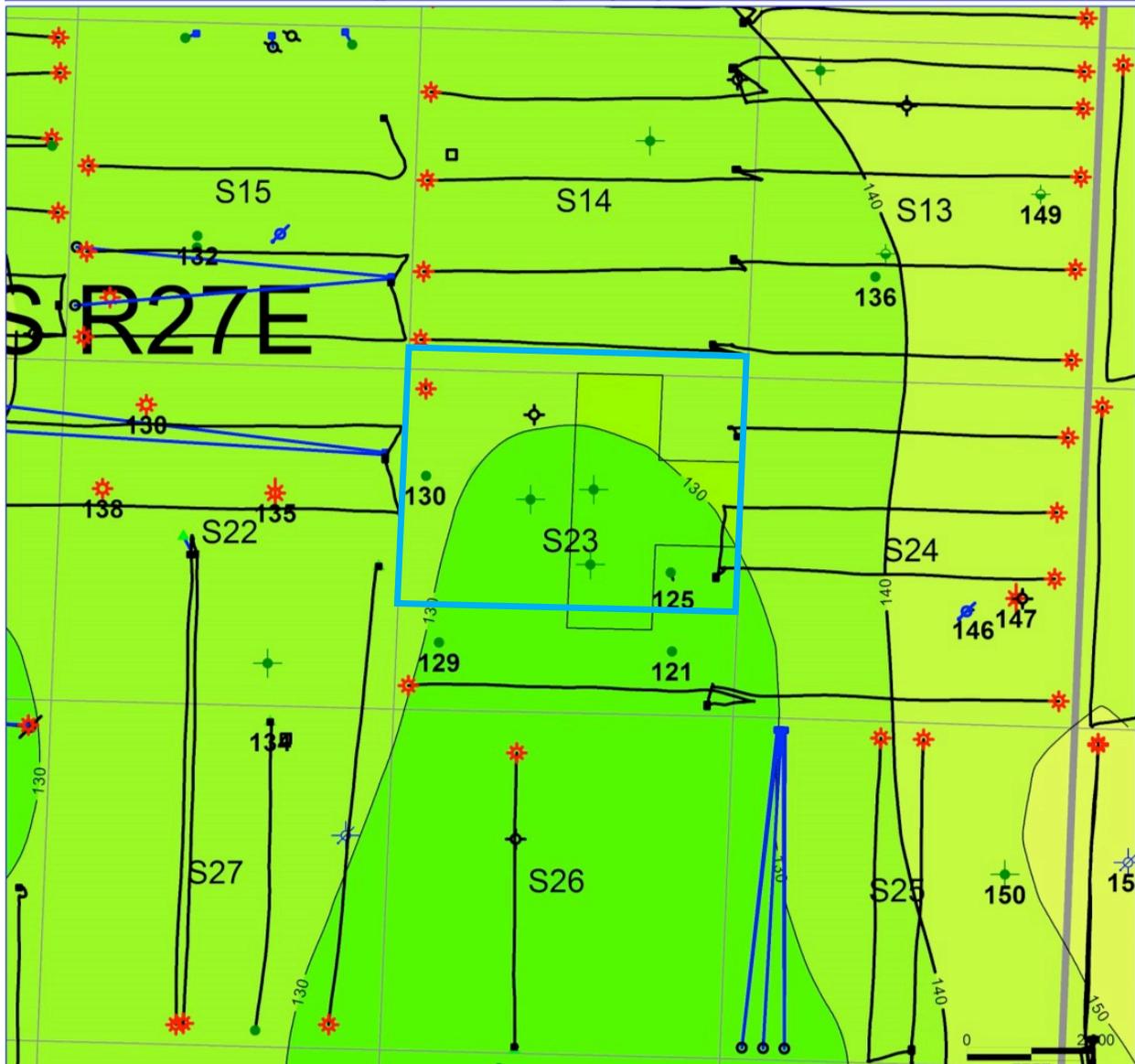
#### **South Florida University, BA Geology, summa cum laude, 1977**



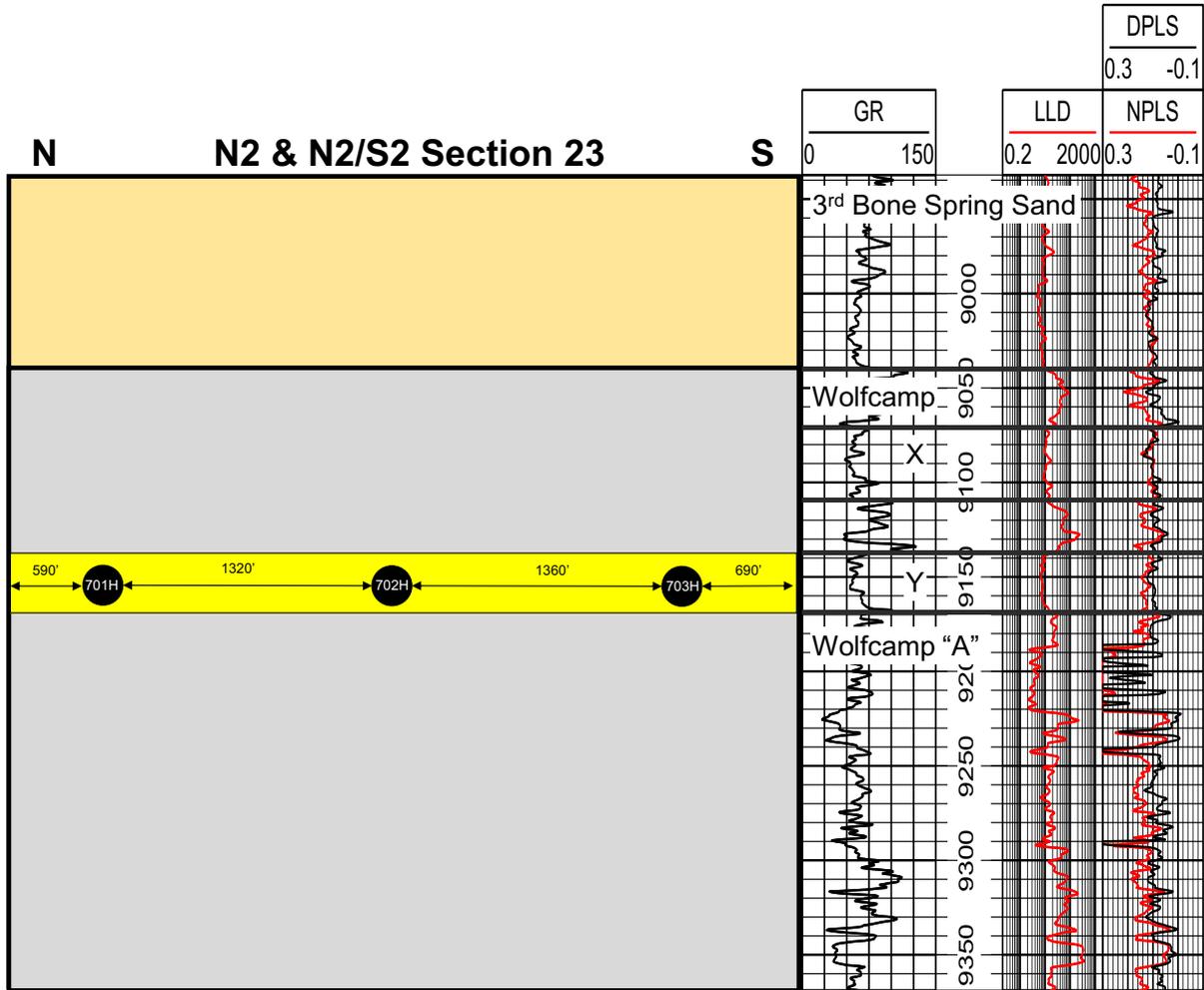
**Exhibit B-1** is a subsea TVD structure map at the top of the Wolfcamp formation.



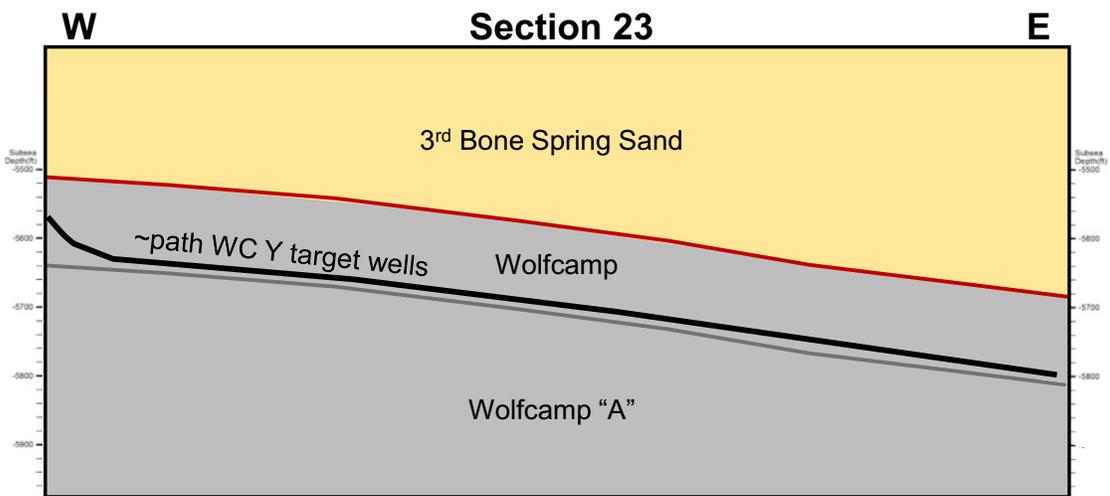
**Exhibit B-2** is cross-section A-A'. Stratigraphic section hung on the top Wolfcamp. Target interval of wells 701-703H (Y sand) indicated by yellow shading.



**Exhibit B-3** is a gross isochore of the Wolfcamp X/Y target formation.



**Exhibit B-4:** Gun barrel representation of the unit.



**Exhibit B-5:** Well trajectories.

## **TAB 4**

- Exhibit C: Self-affirmed Statement of Anand Kote, Engineer
- Exhibit C-1: EUR & economic evaluation of Norris-Thornton Com #204H Well
- Exhibit C-2: Graph: Comparison of oil production from operators (Matador & Mewbourne)
- Exhibit C-3: Graph: Comparison of production (Flat Creek & Matador)

**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:**

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

**Case No. 21560**

**SELF-AFFIRMED STATEMENT OF ANAND KOTE**

I, Anand Kote, being duly sworn on oath, state the following:

1. I am over the age of 18, and I have personal knowledge of the matters stated herein.
2. I am employed as a reservoir engineer for Flat Creek Resources, LLC (“Flat Creek”) and I am familiar with the subject application and the engineering involved.
3. I have never testified previously before the Oil Conservation Division (“Division”) as an expert engineer and ask that the Division accept my credentials as an expert witness, based on my educational background, stated herein, and my resume attached for your review and consideration.
  - a. I hold a Bachelor’s degree in Mechanical Engineering obtained from the University of Pune (India). I completed my education in the year of 2013.
  - b. I hold a Master’s degree in Industrial Engineering obtained from the University of Texas at Arlington. I completed my master’s degree in the year of 2016.
  - c. I have been employed as a reservoir engineer since 2016 covering several disciplines from operations, production, and reservoir engineering.
4. This Statement is submitted in connection with the filing by Flat Creek of the above-referenced compulsory pooling applications pursuant to 19.15.4.12.A(1) NMAC.



5. Flat Creek and Matador Production Company (“Matador”) have submitted competing pooling applications for the development of the Section 23, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico (referred to herein as “Subject Lands” or “Section 23”). In Case No. 21560, Flat Creek proposed the development of a 480-acre unit covering the N/2 S/2 and N/2 of Section 23, which, as shown in Exhibit C-3, provides for superior production, with an EUR projection of 456 MBO, compared to the EUR data coming out of Matador’s development of the S/2 of Section 23, which shows an EUR of 306 MBO. Thus, Flat Creek’s plan would maximize production and prevent excessive waste in comparison with Matador’s plan that underproduces substantially and leaves product in the ground to the tune of 150 MBO of waste. Furthermore, compared to other operators in the area, Matador’s production and recovery consistently underperform, as shown in Exhibit C-2. Flat Creek has a track record of diligent and timely drilling and production, executed flawlessly, and the Exhibits herein show that Flat Creek is positioned to be among the top-producers in this area, if not exceeding expectations. The Exhibits demonstrate the following:

7. **Exhibit C-1** illustrates that the one mile horizontal Norris Thornton Com 204H well (the “Existing Well”) drilled and completed by Matador Resources Company (“Matador”) in September 2018 in the S/2 S/2 of Section 23 has a relatively low EUR and a low internal rate of return on investment. Exhibit C-1 also identifies the production actuals and forecast graph that were used to calculate EUR’s along with historical and future product pricing to calculate economics.

8. **Exhibit C-2** compares the production of all horizontal Wolfcamp XY wells drilled within a 20 mile radius of the AOI by Matador and Mewbourne Oil Company (“Mewbourne”). It also demonstrates well performance on a normalized cumulative oil basis per 1,000 feet of lateral length

per well. Matador drilled 49 Wolfcamp XY wells compared to Mewbourne's 31. Matador's wells averaged less oil production, resulting in less reservoir drainage and thus increasing waste. Exhibit C-2 also includes a map highlighting the AOI location and wells used to create the average curves.

9. **Exhibit C-3** plots the neighboring operators' cumulative oil production per 1,000 feet of lateral over time for the Wolfcamp XY. The plot also highlights the cumulative oil production of the Existing Well, along with Flat Creek's Wolfcamp XY Type Curve superimposed on the actual production realized by peers. The Existing Well has aggregated lower oil production over time than other offset wells. Flat Creek's curve forecasts an achievable recovery of EUR 465 MBO versus 306 MBO of existing PDP of the Existing Well drilled and completed by Matador. Our objective is to maximize economic reservoir drainage and prevent waste, which both increases severance taxes for the state of New Mexico and enhances returns for investors.

10. The Exhibits herein were prepared by me, or prepared from Flat Creek's business records under my direct supervision.

11. The granting of this Application is in the best interests of conservation, the prevention of waste, and the protection of correlative rights.

12. The foregoing is correct and complete to the best of my knowledge and belief.

*[Signature page follows]*

Anand Kote as a reservoir engineer and authorized agent of Flat Creek Resources, LLC, the Affiant, being duly sworn, upon oath, states that the information contained in his Self-affirmed Statement is accurate and complete to the best of his knowledge.

*Anand Kote*

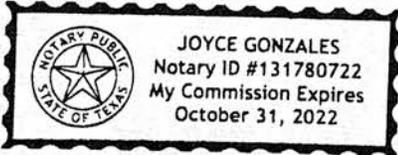
\_\_\_\_\_  
Anand Kote

FURTHER AFFIANT SAYETH NAUGHT

*Anand Kote*

\_\_\_\_\_  
Anand Kote

Subscribed to and sworn before me this 29 day of April, 2021.



*Joyce Gonzales*  
\_\_\_\_\_  
Notary Public

# Anand Sanjay Kote

E: ranand.kote@gmail.com T: 682-230-6513

A: 7211 Monet Ln, Grand Praire, TX 75054

---

## EDUCATION

---

- Master of Science in Industrial Engineering** (2016)  
University of Texas at Arlington- Arlington, Texas
- Bachelor of Engineering in Mechanical Engineering** (2013)  
University of Pune - P.G.Moze College of Engineering, India

## PROFESSIONAL EXPERIENCE

---

### Flat Creek Resources LLC

**Reservoir Engineer II** (Nov 2019 - present)

- Developing Type Curves, Aries evaluation models for new PDP acquisition, complete development models to provide drill out summary and recycling of cashflow in the future development scenario of the new acquisition.
- Working closely with Geo team to understand the reservoir and log characteristics, deep basin faults, H<sub>2</sub>S issues close to Permian basin platforms and overcome technical challenges associated with field development pertaining to Estimated Ultimate Recovery (EUR), Well Spacing, GOR, WOR.
- Working with Geo team to help build the engineering technical evaluation model to provide dollar recommendations on new acquisition, help facilitate strategic trade deals and evaluate minerals by risking the model based on geology characteristics of the part of basin.
- Participating as a team member in well planning and drilling, helped drilling engineers with geo-steering and designing the production lift mechanism for new wells. Provided recommendations on completion recipes of new wells by analyzing the offset completion parameters and well performance and create the maximum diversion.

•

### Black Mountain Oil and Gas II

**Reservoir Engineer** (Oct 2017 – Oct 2019)

- Participated as a strategic member of acquisition team to develop economic model scenarios in order to put together 18,000 acres leasehold position in southern Delaware basin at low entry prices.
- Performed analytical and numerical analysis of offset well performance to assess completion effectiveness, quantify recoverable resource, and forecast production.
- Worked with geology team to understand reservoir characterization of southern Delaware basin and new acquisition opportunities by analysing type logs.
- Worked with cross-functional team to map Delaware Mountain group graben features on the existing asset to identify potential source of water and H<sub>2</sub>S, correlated it back to observed frac treating pressure data and frac gradient for each stage of horizontal wolfcamp completions.
- Developed drilling and economic scenarios avoiding graben features to understand economic viability of asset for different laterals, frac design for upside development.
- Worked with geologists to understand petrophysical log properties of bone spring sand to come up with limited perforating interval design and evaluated economic impact for recompletion and full field development of vertical wells on existing asset in southern Delaware basin.
- Designed the flow back and production lift mechanism for drilled wells by performing volumetric analysis of fluid rate to justify the well economics.
- Worked with cross-functional team by developing updated type curves, rig scheduling for remaining locations, reservoir and economic merit (NPV, IRR) resulting in profitable disposition of a portion of the acreage (~5,000 ac, \$50M) to XTO and recovering most of the cost basis over the entire position.

**Reservoir Engineer**

- Participated as an early member of the technical team to help deploy \$150M with acquisitions in Lea and Eddy counties, New Mexico.
- Generated economic model scenarios for prospect evaluation, PDP value and provided recommendations for the new acquisitions.
- Worked as a team member of cross-functional team comprised of geologists, production engineer, business development to prepare reserves / economic analysis of working / mineral interest.
- Assisted senior reservoir engineer for production forecasting using material balance, volumetric analysis and decline curve analysis, economic assessment of PDP properties, scheduling drilling activities and evaluation runs.
- Evaluated PDP packages, HBP acquisitions and made economic recommendations to strategize developing capital, production budget and acreage expansion.
- Increased efficiency and productivity using IHS Field Direct software to capture real time production data accurately, troubleshooting well production performance and reduce operating cost.
- Conducted reservoir engineering studies including analytical and continuous improvement techniques in order to provide technical assessments to identify recompletion and drilling opportunities on the operated assets.
- Participated as a member of divestiture team by type curve assignments, remaining inventory appraisal, current base production, capital and operating expenses allocation with careful consideration on oil price differential leading to profitable disposition of Permian assets (\$700M, >5x).
- Actively participated in drilling and completion design for a wolfcamp well in Northern Delaware Basin, overlooked completion operation along with completion engineers in the field, analyzed proppant per gallon/feet/cluster and other completion parameters of the offset wells to maximize production, designed production lift mechanism to flowback the well using artificial lift mechanisms.

**CERTIFICATIONS**

---

- Halliburton ARIES Petroleum Economic Software
- Applied Reservoir Engineering (Petro skills)
- Basic Open Hole Logging

## Exhibit C-1

Norris Thornton Com 204H

DATE : 04/06/2021  
 TIME : 10:12:56  
 DBS : FCR  
 SETTINGS : SETDATA  
 SCENARIO : FCR

### RESERVES AND ECONOMICS

EFF DATE: 07/2018  
 PW DATE: 07/2018

---END--- MO-YEAR	GROSS OIL PRODUCTION ---MBBLS---	GROSS GAS PRODUCTION ---MMCF---	GROSS NGL PRODUCTION ---MBBLS---	NET OIL PRODUCTION ---MBBLS---	NET GAS PRODUCTION ---MMCF---	NET NGL PRODUCTION ---MBBLS---	NET OIL REVENUE ---M\$---	NET GAS REVENUE ---M\$---	NET NGL REVENUE ---M\$---	TOTAL NET REVENUE ---M\$---
12-2018	49.564	178.466	17.847	38.164	83.825	13.742	2292.550	222.243	115.307	2630.099
12-2019	55.030	326.959	32.696	42.373	153.573	25.176	2254.544	264.447	142.351	2661.342
12-2020	25.065	161.169	16.117	19.300	75.701	12.410	709.873	90.747	115.213	915.833
12-2021	20.352	144.414	14.441	15.671	67.831	11.120	887.168	127.061	267.430	1281.659
12-2022	15.337	108.631	10.863	11.810	51.024	8.365	637.156	89.911	192.189	919.255
12-2023	12.487	87.540	8.754	9.615	41.117	6.741	489.841	68.218	146.780	704.838
12-2024	10.622	73.554	7.355	8.179	34.548	5.664	401.043	57.948	119.019	578.010
12-2025	9.295	63.567	6.357	7.157	29.858	4.895	342.802	50.977	100.626	494.405
12-2026	8.297	56.062	5.606	6.389	26.332	4.317	301.592	45.749	87.556	434.897
12-2027	7.515	50.205	5.021	5.787	23.582	3.866	272.851	41.032	78.322	392.205
12-2028	6.885	45.503	4.550	5.301	21.373	3.504	249.958	37.188	70.985	358.131
12-2029	6.364	41.639	4.164	4.900	19.558	3.206	231.051	34.031	64.958	330.039
12-2030	5.915	38.406	3.841	4.555	18.039	2.957	214.747	31.388	59.914	306.049
12-2031	5.501	35.645	3.565	4.236	16.743	2.745	199.715	29.132	55.607	284.454
12-2032	5.116	33.150	3.315	3.939	15.570	2.553	185.735	27.092	51.714	264.541
S TOT	243.347	1444.910	144.491	187.377	678.674	111.258	9670.624	1217.164	1667.970	12555.757
AFTER	48.880	316.732	31.673	37.638	148.769	24.388	1774.622	258.858	494.108	2527.587
TOTAL	292.227	1761.642	176.164	225.015	827.443	135.646	11445.246	1476.022	2162.078	15083.344
---END--- MO-YEAR	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET NGL PRICE ---\$/BBL---	SEVERANCE TAXES ---M\$---	AD VALOREM TAXES ---M\$---	NET OPER EXPENSE ---M\$---	OPERATING CASH FLOW ---M\$---	EQUITY INVESTMENT ---M\$---	UNDISC NET CASH FLOW ---M\$---	DISC NET CASH FLOW ---M\$---
12-2018	60.07	2.65	8.39	162.420	49.354	607.044	1811.281	6937.380	-5126.099	-5145.427
12-2019	53.21	1.72	5.65	162.022	49.986	845.509	1603.824	0.000	1603.824	1472.457
12-2020	36.78	1.20	9.28	51.389	17.289	422.585	424.570	0.000	424.570	348.964
12-2021	56.61	1.87	24.05	64.906	24.335	368.862	823.556	0.000	823.556	620.241
12-2022	53.95	1.76	22.98	46.548	17.454	295.532	559.721	0.000	559.721	383.412
12-2023	50.94	1.66	21.78	35.740	13.382	235.183	420.533	0.000	420.533	261.596
12-2024	49.03	1.68	21.01	29.366	10.973	201.303	336.368	0.000	336.368	190.233
12-2025	47.89	1.71	20.56	25.174	9.385	181.433	278.414	0.000	278.414	143.106
12-2026	47.21	1.74	20.28	22.192	8.254	166.492	237.959	0.000	237.959	111.173
12-2027	47.15	1.74	20.26	20.060	7.443	154.811	209.890	0.000	209.890	89.130
12-2028	47.15	1.74	20.26	18.357	6.795	145.408	187.571	0.000	187.571	72.405
12-2029	47.15	1.74	20.26	16.951	6.262	137.660	169.166	0.000	169.166	59.360
12-2030	47.15	1.74	20.26	15.743	5.806	131.068	153.432	0.000	153.432	48.944
12-2031	47.15	1.74	20.26	14.638	5.396	125.189	139.231	0.000	139.231	40.377
12-2032	47.15	1.74	20.26	13.613	5.019	119.785	126.124	0.000	126.124	33.251
S TOT	51.61	1.79	14.99	699.119	237.133	4137.864	7481.642	6937.380	544.261	-1270.777
AFTER	47.15	1.74	20.26	130.068	47.950	1525.876	703.692	0.000	703.692	129.499
TOTAL	50.86	1.78	15.94	829.187	285.083	5663.740	8185.334	6937.380	1247.954	-1141.278
	OIL	GAS	NGL	METRICS				PW %	PW M\$	
GROSS WELLS	1.0	0.0		LIFE, YRS.			32.00	0.00	1247.954	
GROSS ULT., MB & MMF	292.227	1761.642	176.164	PRIMARY DISCOUNT %			10.00	5.00	-234.315	
GROSS CUM., MB & MMF	0.000	0.000	0.000	UNDISCOUNTED PAYOUT, YRS.			10.76	8.00	-825.617	
GROSS RES., MB & MMF	292.227	1761.642	176.164	DISCOUNTED PAYOUT, YRS.			32.00	10.00	-1141.278	
NET RES., MB & MMF	225.015	827.443	135.646	UNDISCOUNTED NET/INVEST.			1.18	12.00	-1410.008	
NET REVENUE, M\$	11445.245	1476.022	2162.078	DISCOUNTED NET/INVEST.			0.83	15.00	-1745.711	
INITIAL PRICE, \$	66.730	2.100	10.460	RATE OF RETURN, PCT.			4.21	25.00	-2503.650	
INITIAL N.I., PCT.	77.000	77.000		INITIAL W.I., PCT.			100.000	35.00	-2966.444	
								60.00	-3609.592	
								150.00	-4390.344	

### Exhibit C-1 (continued)

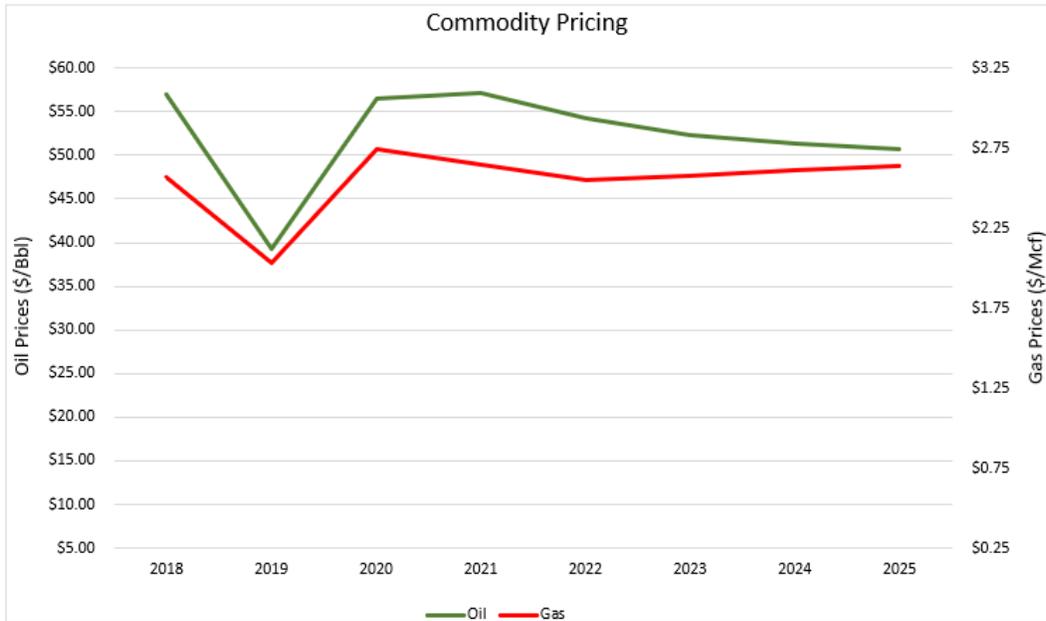
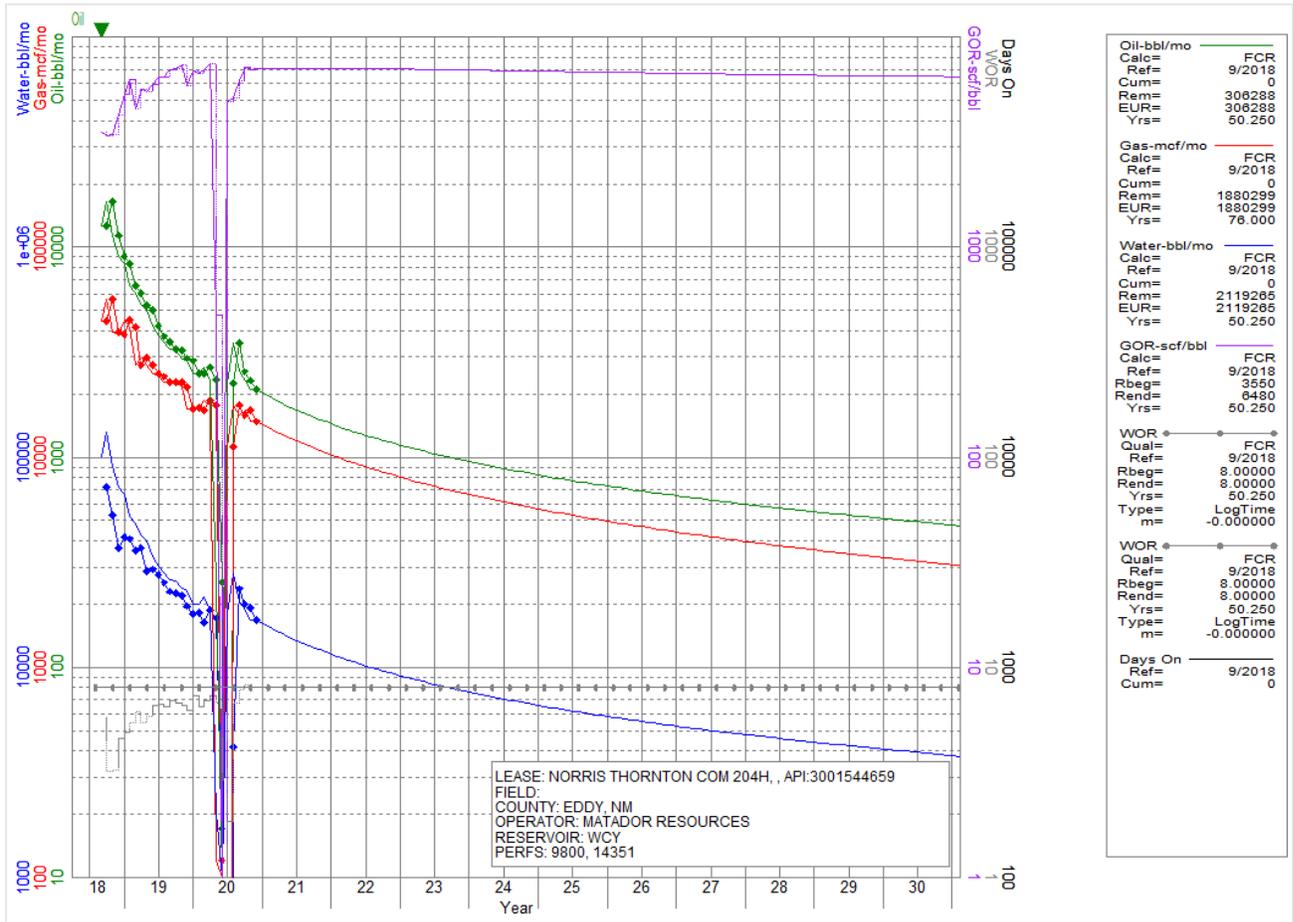


Exhibit C-1 is an EUR and economic evaluation of existing well in S2 of 23S27E section 23 along with historical and forecast curves and historical and future commodity pricing.

### Exhibit C-2

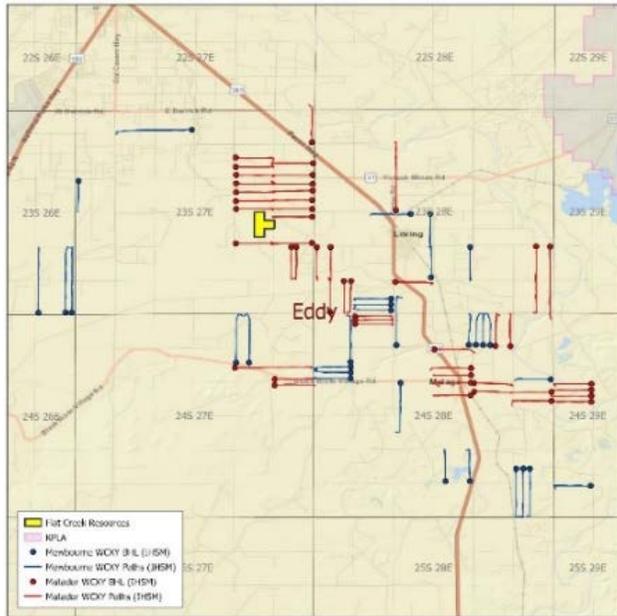
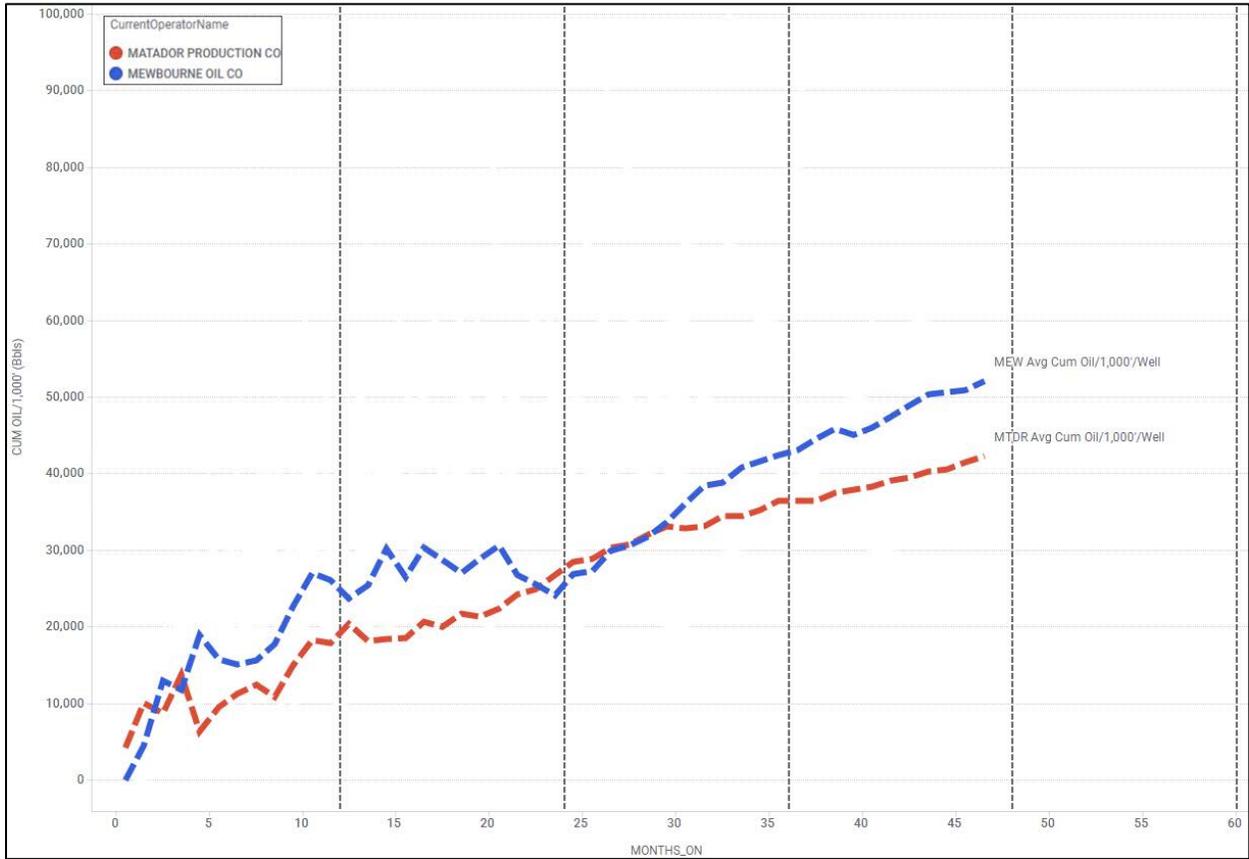


Exhibit C-2 is a plot of cumulative oil production per 1,000 feet of lateral per well for Wolfcamp XY formation drilled and completed by Matador Resources Company and Mewbourne Oil Company.



### Exhibit C-3

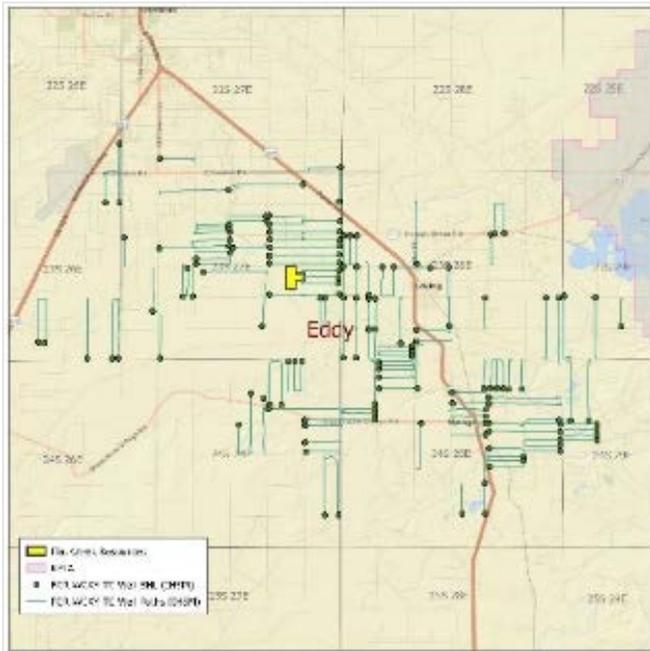
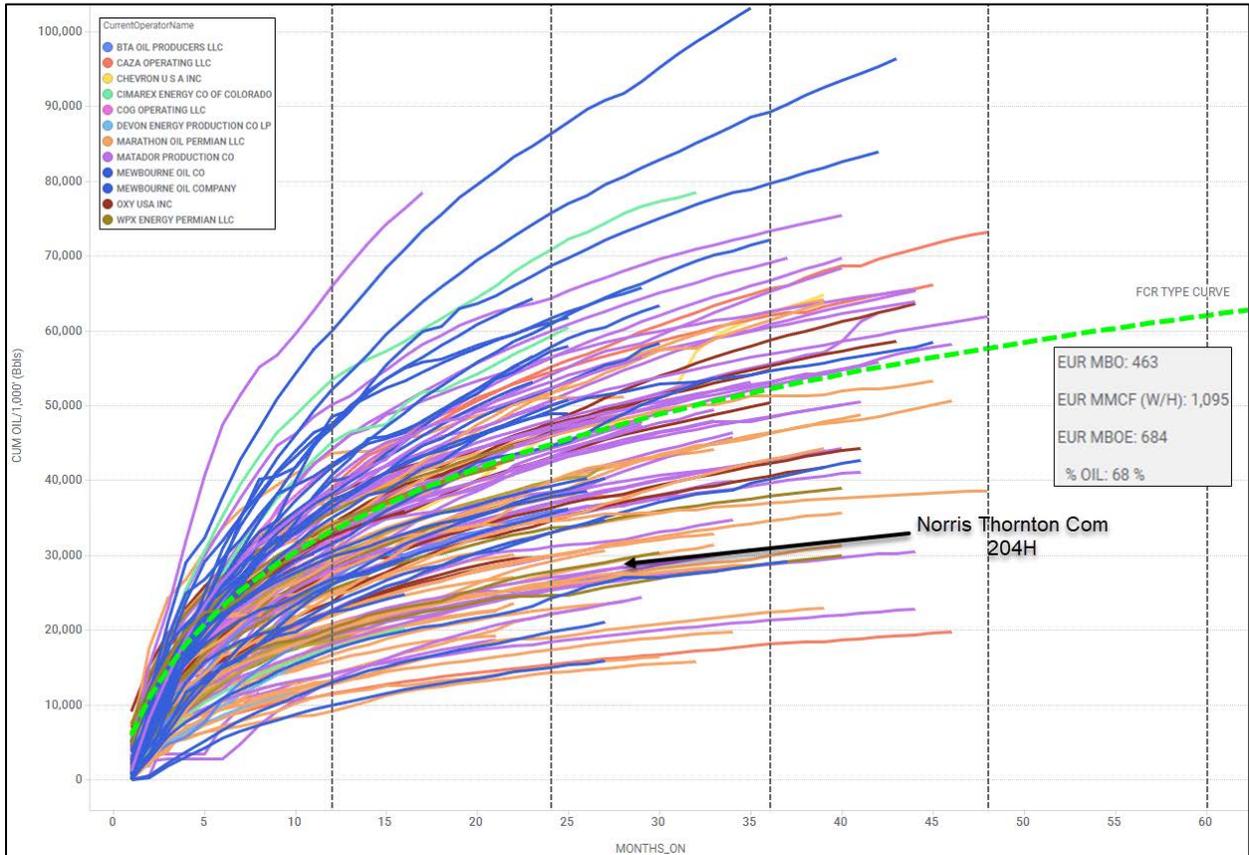


Exhibit C-3 is a plot of cumulative oil production per 1,000 feet of lateral over time for Wolfcamp XY wells drilled and completed by all neighboring operators along with Flat Creek’s Wolfcamp XY type curve superimposed over it and highlighting existing PDP ‘Norris Thornton Com 204H’.

## **TAB 5**

Exhibit D: Affidavit of Notice, Darin C. Savage  
Exhibit D-1: Notice Letters (WI & ORRI)  
Exhibit D-2: Mailing List  
Exhibit D-3: Affidavit of Publication





For the Pursuit of Energy

ABADIE | SCHILL PC

Colorado      New Mexico  
Louisiana      Texas  
Kansas      Utah  
Nebraska      Wyoming  
Montana      California  
Oklahoma      North Dakota

December 16, 2020

VIA CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re:      Application of Flat Creek Resources, LLC, for horizontal spacing and  
         compulsory pooling, Eddy County, New Mexico  
         Thirteen Seconds 23 Fed-Fee 701H Well  
         Thirteen Seconds 23 Fed-Fee 702H Well  
         Thirteen Seconds 23 Fed-Fee 703H Well

Case No. 21560

Dear Interest Owners:

This letter is to advise you that Flat Creek Resources, LLC, has filed the enclosed application, Case No. 21560, with the New Mexico Oil Conservation Division for a horizontal spacing and compulsory pooling comprising the N/2 and N/2 S/2 of Section 23-23S-27E, NMPM, Eddy County, New Mexico, encompassing 480 acres, more or less, and to pool all uncommitted mineral owners in the Wolfcamp formation underlying said unit, as described in the enclosed application.

A hearing has been requested before a Division Examiner on January 7, 2021, and the status of the hearing can be monitored through the Division's website. Division hearings will commence at 8:15 a.m., traditionally in Porter Hall at the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. However, under the COVID-19 Public Health Emergency, the hearing will be conducted remotely. For information about remote access, you can visit the Division's website at: <http://www.emnrd.state.nm.us/OCD/hearings.html>, or call (505) 476-3441.

You are being notified as a working interest owner and are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may

[abadieschill.com](http://abadieschill.com)

214 McKenzie Street, Santa Fe, New Mexico, 87501

O : 970.385.4401 • F : 970.385.4901

**EXHIBIT  
D-1**

appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B NMAC to file a Pre-hearing Statement four business days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: The names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter, please contact Adam Smith at (817) 310-8569 or at [adam.smith@flatcreekresources.com](mailto:adam.smith@flatcreekresources.com).

Sincerely,

A handwritten signature in black ink, appearing to read 'Darin C. Savage', written over a horizontal line.

Darin C. Savage

Attorney for Flat Creek Resources, LLC



For the Pursuit of Energy

ABADIE | SCHILL PC

Colorado      New Mexico  
Louisiana      Texas  
Kansas      Utah  
Nebraska      Wyoming  
Montana      California  
Oklahoma      North Dakota

December 16, 2020

VIA CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re:      Application of Flat Creek Resources, LLC, for horizontal spacing and  
         compulsory pooling, Eddy County, New Mexico  
         Thirteen Seconds 23 Fed-Fee 701H Well  
         Thirteen Seconds 23 Fed-Fee 702H Well  
         Thirteen Seconds 23 Fed-Fee 703H Well

Case No. 21560

Dear ORRI Interest Owners:

This letter is to advise you that Flat Creek Resources, LLC, has filed the enclosed application, Case No. 21560, with the New Mexico Oil Conservation Division for a horizontal spacing and compulsory pooling comprising the N/2 and N/2 S/2 of Section 23-23S-27E, NMPM, Eddy County, New Mexico, encompassing 480 acres, more or less, and to pool all uncommitted mineral owners in the Wolfcamp formation underlying said unit, as described in the enclosed application.

A hearing has been requested before a Division Examiner on January 7, 2021, and the status of the hearing can be monitored through the Division's website. Division hearings will commence at 8:15 a.m., traditionally in Porter Hall at the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. However, under the COVID-19 Public Health Emergency, the hearing will be conducted remotely. For information about remote access, you can visit the Division's website at: <http://www.emnrd.state.nm.us/OCD/hearings.html>, or call (505) 476-3441.

You are being notified as an overriding royalty interest owner and are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you

[abadieschill.com](http://abadieschill.com)

214 McKenzie Street, Santa Fe, New Mexico, 87501

O : 970.385.4401 • F : 970.385.4901

may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B NMAC to file a Pre-hearing Statement four business days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: The names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter, please contact Adam Smith at (817) 310-8569 or at [adam.smith@flatcreekresources.com](mailto:adam.smith@flatcreekresources.com).

Sincerely,

A handwritten signature in black ink, appearing to read 'Darin C. Savage', written over a horizontal line.

Darin C. Savage

Attorney for Flat Creek Resources, LLC

By Owner

Interest	Owner Name	Address	USPS Article Number	Date Mailed	Status	Service	Delivery Date	Card Returned?
BLM	Bureau of Land Management	620 E. Greene St. Carlsbad, NM 88220-6292	70201810000040153352	12/16/20	delivered	Certified Mail	12.22.20	YES
BLM	Bureau of Land Management	301 Dinosaur Trail Santa Fe, NM 87508	70201810000040153369	12/16/20	delivered	Certified Mail	12.18.20	YES
WI	MRC Permian Company/Matador Production Company	One Lincoln Centre, 5400 LBJ Freeway, Suite 1500, Dallas, Texas 75240	70201810000040153338	12/16/20	delivered	Certified Mail	12.22.20	YES
WI	Fiat Creek Resources							
ORRI	Fiat Creek Royalties LLC	777 Main Street, Suite 3600 Fort Worth, TX 76102	70201810000040153321	12/16/20	delivered	Certified Mail	12.22.20	NO
ORRI	Mo Oil Co.	PO Box 429 Roswell, NM 88202	70201810000040153307	12/16/20	delivered	Certified Mail	12.22.20	YES
ORRI	Ross Duncan Properties LLC	PO Box 647 Artesia, New Mexico 88211	70201810000040153314	12/16/20	delivered	Certified Mail	N/A	YES
ORRI	B&G Royalties	PO Box 376 Artesia, NM 88211	70201810000040153345	12/16/20	delivered	Certified Mail	12.21.20	YES
ORRI	Compound Properties LLC	PO Box 2990 Ruidoso, NM 88355	70201810000040153291	12/16/20	delivered	Certified Mail	N/A	YES



**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Ross Duncan Properties LLC  
 PO Box 647  
 Artesia, NM 88211



9590 9402 4008 8079 4749 28

2. Article Number (Transfer from service label)

7020 1810 0000 4015 3314

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X *a. Watts*

- Agent
- Addressee

B. Received by (Printed Name)

A WATTS

C. Date of Delivery

D. Is delivery address different from item 1?  Yes  
 If YES, enter delivery address below:  No

3. Service Type

- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Collect on Delivery Restricted Delivery
- First-Class Mail®
- First-Class Mail Restricted Delivery (500)

- Priority Mail Express®
- Registered Mail™
- Registered Mail Restricted Delivery
- Return Receipt or Merchandise Receipt
- Signature Confirmation™
- Signature Confirmation Restricted Delivery

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

B&G Royalties  
 PO Box 376  
 Artesia, NM 88211



9590 9402 4008 8079 4749 66

2. Article Number (Transfer from service label)

7020 1810 0000 4015 3345

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X Emily McCaw

- Agent
- Addressee

B. Received by (Printed Name)

Emily McCaw

C. Date of Delivery

12-21-20

D. Is delivery address different from item 1?  Yes  
 If YES, enter delivery address below:  No

3. Service Type

- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Collect on Delivery Restricted Delivery
- Registered Mail
- Registered Mail Restricted Delivery (500)

- Priority Mail Express®
- Registered Mail™
- Registered Mail Restricted Delivery
- Return Receipt for Merchandise
- Signature Confirmation™
- Signature Confirmation Restricted Delivery

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Bureau of Land Management  
 301 Dinosaur Trail  
 Santa Fe, NM 87508



9590 9402 4008 8079 4749 80

2. Article Number (Transfer from service label)

7020 1810 0000 4015 3369

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X *R Duran*

Agent

Addressee

B. Received by (Printed Name)

*Regina Duran*

C. Date of Delivery

*12-18-20*

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No



3. Service Type

- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Collect on Delivery Restricted Delivery
- Insured Mail
- Registered Mail Restricted Delivery (\$500)
- Priority Mail Express®
- Registered Mail™
- Registered Mail Restricted Delivery
- Return Receipt for Merchandise
- Signature Confirmation™
- Signature Confirmation Restricted Delivery

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

Bureau of Land Management  
 620 E. Greene St.  
 Carlsbad, NM 88220-6292



9590 9402 4008 8079 4749 97

2. Article Number (Transfer from service label)

7020 1810 0000 4015 3352

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X JC MN C-3

- Agent
- Addressee

B. Received by (Printed Name)

C-19

C. Date of Delivery

12-22-2000

D. Is delivery address different from item 1?  Yes  
 If YES, enter delivery address below:  No

3. Service Type

- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Collect on Delivery Restricted Delivery
- Insured Mail
- Registered Mail Restricted Delivery (\$500)

- Priority Mail Express®
- Registered Mail™
- Registered Mail Restricted Delivery
- Return Receipt for Merchandise
- Signature Confirmation™
- Signature Confirmation Restricted Delivery

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mo Oil Co.  
 PO Box 429  
 Roswell, NM 88202



9590 9402 4008 8079 4749 42

2. Article Number (Transfer from service label)

7020 1810 0000 4015 3307

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X *Marisa*

- Agent
- Addressee

B. Received by (Printed Name)

*Marisa*

C. Date of Delivery

D. Is delivery address different from item 1?  Yes  
 If YES, enter delivery address below:  No



3. Service Type

- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Collect on Delivery Restricted Delivery
- Registered Mail Express®
- Registered Mail™
- Registered Mail Restricted Delivery
- Return Receipt for Merchandise
- Signature Confirmation™
- Signature Confirmation Restricted Delivery

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

MRC Permian Company/Matador  
Production Company  
One Lincoln Center  
5400 LBJ Freeway Suite 1500  
Dallas, TX 75240



9590 9402 4008 8079 4749 73

2. Article Number (Transfer from service label)

7020 1810 0000 4015 3338

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X

- Agent
- Addressee

B. Received by (Printed Name)

4002 C19

C. Date of Delivery

12/22/20

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

3. Service Type

- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Collect on Delivery Restricted Delivery
- Insured Mail
- Mail Restricted Delivery (500)
- Priority Mail Express®
- Registered Mail™
- Registered Mail Restricted Delivery
- Return Receipt for Merchandise
- Signature Confirmation™
- Signature Confirmation Restricted Delivery

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Compound Properties LLC  
PO Box 2990  
Ruidoso, NM 88355



9590 9402 4008 8079 4749 35

2. Article Number (Transfer from service label)

7020 1810 0000 4015 3291

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X

*Nonna Hasty*

- Agent
- Addressee

B. Received by (Printed Name)

*Donna Hasty*

C. Date of Delivery

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

3. Service Type

- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Collect on Delivery Restricted Delivery
- Priority Mail Express®
- Registered Mail™
- Registered Mail Restricted Delivery
- Return Receipt for Merchandise
- Signature Confirmation™
- Signature Confirmation Restricted Delivery

Mail  
Mail Restricted Delivery  
00)

**Affidavit of Publication**

Ad # 0004514919

This is not an invoice

**ABADIE SCHILL P.C.**  
555 RIVERGATE LANE SUITE B4-18

**DURANGO, CO 81301**

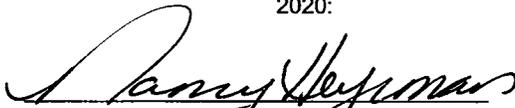
I, a legal clerk of the **Carlsbad Current Argus**, a newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements may be published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in supplement thereof on the date as follows, to wit:

12/18/2020



Legal Clerk

Subscribed and sworn before me this December 18, 2020:



State of WI, County of Brown  
NOTARY PUBLIC

5.15.23

My commission expires

**CASE No. 21560:** Notice to all affected parties and persons having any right, title, interest or claim to this case, including overriding royalty interest owners, as well as the known and unknown heirs, devisees, assigns and successors of MRC PERMIAN COMPANY / MATADOR PRODUCTION COMPANY, FLAT CREEK ROYALTIES LLC, MO OIL CO., ROSS DUNCAN PROPERTIES LLC, B&G ROYALTIES, COMPOUND PROPERTIES LLC, of Flat Creek Resources, LLC, application for approval of a spacing unit and compulsory pooling, Eddy County, New Mexico. The State of New Mexico, through its Oil Conservation Division, hereby gives notice that the Division Examiner will conduct a public hearing at 8:15 a.m. on January 7, 2021, at 1220 S. St. Francis, Santa Fe, New Mexico, 87505. However, under the COVID-19 Public Health Emergency, the hearing will be conducted remotely. For information about remote access, you can visit the Division's website at: <http://www.emnrd.state.nm.us/OCD/hearings.html>, or call (505) 476-3441. Flat Creek Resources, LLC, at 777 Main Street, Fort Worth, TX 76102, seeks an order from the Division: (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; the Thirteen Seconds 23 Fed-Fee 701H 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 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; 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 completed intervals for the proposed wells will be nonstandard in relation to the setback requirements imposed by the Special Rules for the Purple Sage Gas Pool, as provided in Order No. R-14262, and Flat Creek Resources, LLC, will be applying administratively for approval of the nonstandard location. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 3 miles west of Loving, New Mexico.  
#4514919, Current Argus, December 18, 2020

Ad # 0004514919

PO #:

# of Affidavits 1

This is not an invoice

**NANCY HEYRMAN**  
Notary Public  
State of Wisconsin

**EXHIBIT**  
**D-3**