

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

**APPLICATIONS OF PERMIAN RESOURCES
OPERATING, LLC FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NOS. 25283, 25284

**PERMIAN RESOURCES OPERATING, LLC'S
REBUTTAL EXHIBIT INDEX**

Rebuttal Land Exhibits

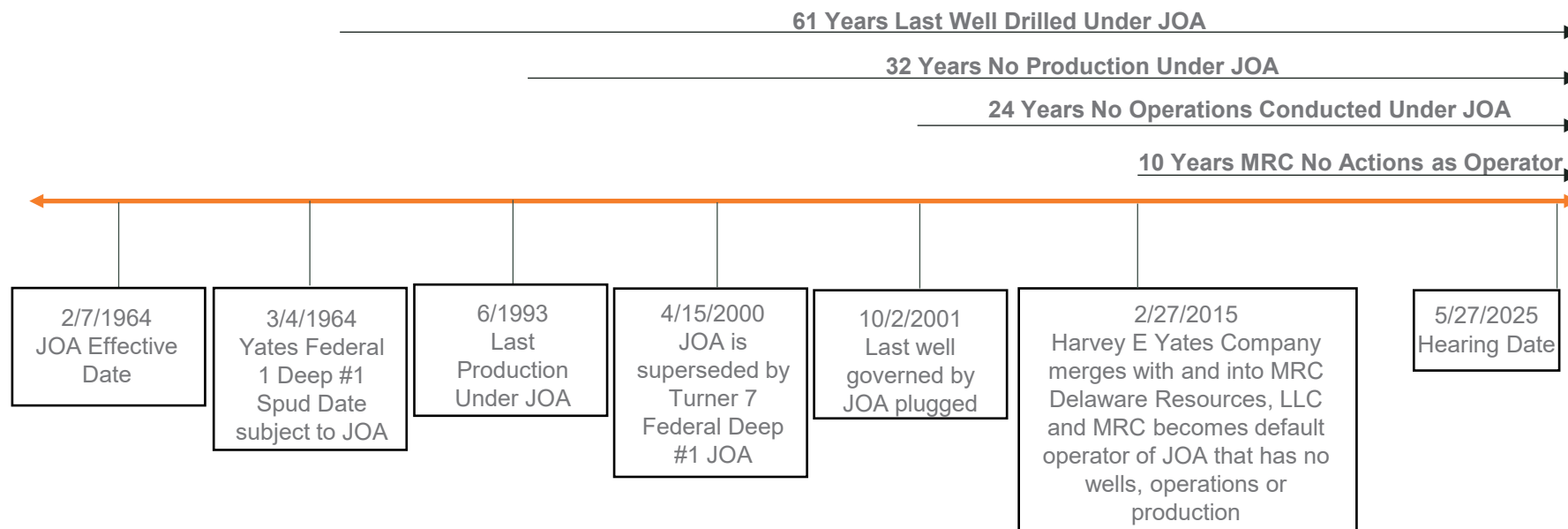
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MRC JOA Argument – 1964 JOA Timeline

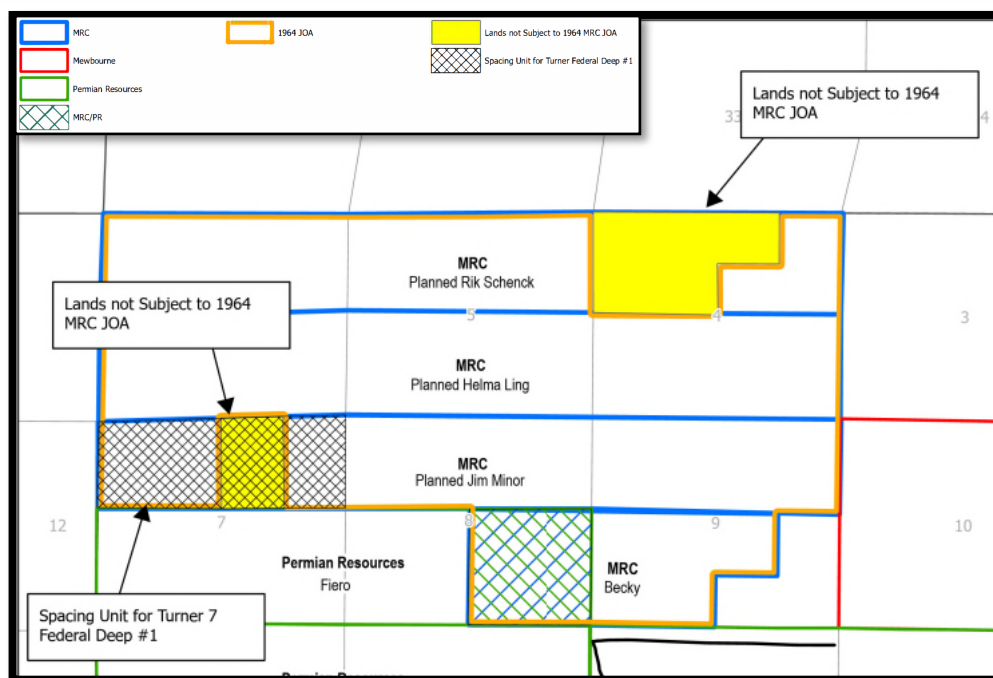


Commentary

- The 1964 MRC JOA is a legacy JOA that was not intended for horizontal development and MRC's argument for self development under the 1964 JOA is crafted purely for hearing purposes. This is shown through MRC's actions.
- There have been no operations conducted subject to the JOA since 10/2/2001 when the Yates Federal 1 Deep #001 Well (API: 30-015-10436) was plugged. The last time a well was spud subject to the JOA was 61 years ago on 3/4/1964.
- MRC has not fulfilled any duties of an operator under the JOA since becoming the default operator of the JOA in 2015 through a merger.
- MRC currently operates the Turner 7 Deep Federal #001 (API: 30-015-31255) which has a spacing unit comprised of the 1964 JOA lands and additional outside lands in the N/2 of Section 7, T20S-R27E. MRC operates this well under a JOA dated 4/15/2000 which superseded and replaced the 1964 JOA.
- MRC has shown through MRC Exhibit A-5: MRC Area Development, that MRC plans to continue superseding the 1964 JOA and not operating under it in the planned Rik Schenck development (N/2 of Sections 4,5 & 6, T20S-R27E) and the planned Jim Minor development (N/2 of Sections 7, 8 & 9, T20S-R27E). The aforementioned MRC planned development includes the NW/4, NW/4NE/4 of Section 4, T20S-R27E and the W/2NE/4 of Section 7, T20S-R27E, which are not part of the 1964 JOA lands.



MRC JOA Argument – Current and Future Treatment of 1964 JOA



Commentary

- MRC's argument for development under the 1964 JOA contradicts its practices
 - MRC currently operates the Turner 7 Deep Federal #1 (API: 30-015-31255) with a spacing unit comprised of the N/2 of Section 7. The W/2NE/4 of Section 7 is not a part of the 1964 JOA lands and a new JOA was put in place to develop this well effective 4/15/2000. MRC currently operates a well that is comprised of partial 1964 JOA lands and non 1964 JOA lands.
 - MRC's planned Rik Schenk development in the N/2 of Sections 4, 5 & 6, T20S-R27E would require MRC to supersede the 1964 JOA and operate under a new JOA because the NW/4 & NW/4NE/4 of Section 4, T20S-R27E is not subject to the 1964 JOA
 - MRC's planned Jim Minor development in the N/2 of Sections 7, 8 & 9, T20S-R27E would also require MRC to supersede the 1964 JOA and operate under a new JOA because the W/2NE/4 of Section 7 is not subject to the 1964 JOA.



Permian/MRC Ownership & Joinder Comparison – SE/4 Section 8, T20S-R27E

SE/4 Section 8 Parties	Superseded MRC JOA	Subject to 1964 MRC JOA
Jalapeno Corporation	X	
Sharbro Energy, LLC	X	
Nortex Corporation	X	
Powderhorn Assets, LLC	X	
Astra Exploration Company, Inc.	X	
Read & Stevens, Inc.	X	
Eako, LLC	X	
Calco, LLC	X	
TTXMCO, LLC	X	
Chief Capital (O&G) II, LLC	X	
Valko, LLC	X	
Blue Star Royalty, LLC	X	
MRC Delaware Resources, LLC		X
EOG Resources Inc.		X
Yates Energy Corporation		X
MRC Permian Company		X
Lucas Properties, LLC		X
Patricia H. Miller		X
Mary Ann Morrison		X

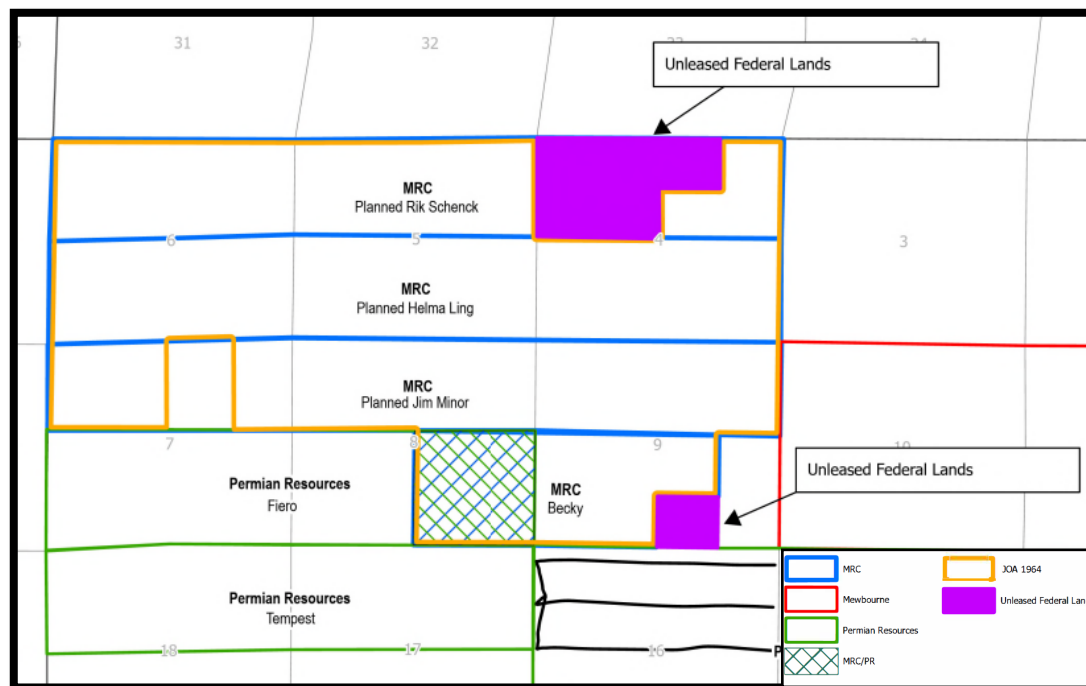
SE/4 Section 8 Ownership by JOA	
MRC via 1964 JOA	26.100062%
Permian via Fiero JOA	24.760365%

Commentary

- MRC no longer has 100% joinder of the parties in the SE/4 of Section 8, T20S-R27E committed to the 1964 JOA
- The majority of the parties who were subject to the 1964 MRC JOA have superseded and replaced the 1964 JOA with Permian's Fiero JOA.
- Permian and MRC now have almost identical ownership under their respective JOAs in the SE/4 of Section 8 where Fiero and Becky overlap



MRC Testimony Assumptions – Stranding of the S/2SW/4 of Section 9 (Unleased BLM)

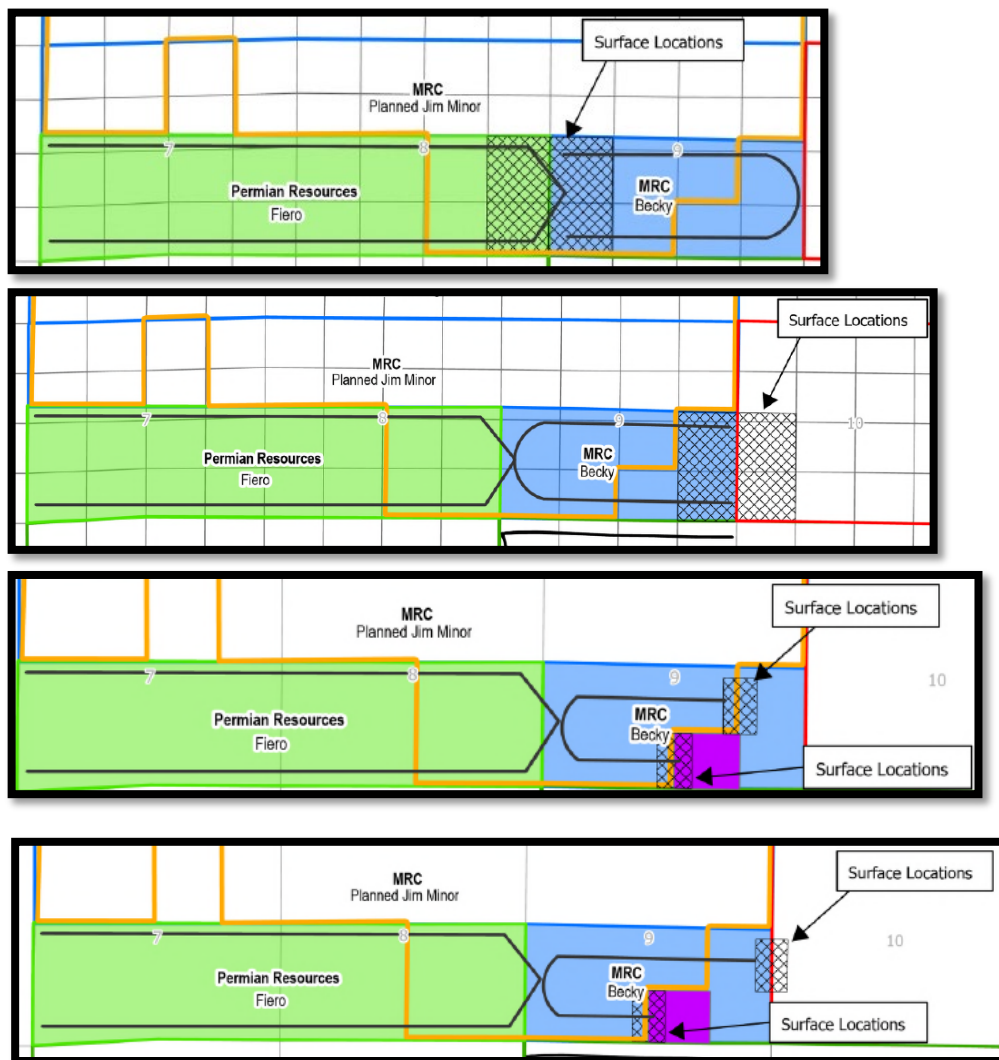


Commentary

- MRC's testimony hinges on the assumption that the SW/4SE/4 of Section 9 would not be leased. There is no basis for this assumption, and it conflicts with MRC's offset development plans.
 - In MRC's offset development plans for Rik Schenck they contemplate developing unleased federal lands which would require MRC to wait until the NW/4 and NW/4NE/4 of Section 4 are leased until development. This contradicts their assumptions for Becky.
 - The BLM has leased a total of 6 tracts covering 640 acres in the immediate area being the N/2 of T20S-R27E since 2021. MRC has not nominated the unleased federal tract in the SW/4SE/4 of Section 9. The assumption this tract wouldn't be leased ignores the active practices of the BLM in the immediate area. Additionally, this assumption has no basis as MRC has not attempted to nominate the unleased federal lands offset Becky in the SW/4SE/4 of Section 9.



MRC Testimony Assumptions – Stranding of the S/2SW/4 of Section 9 (Surface)

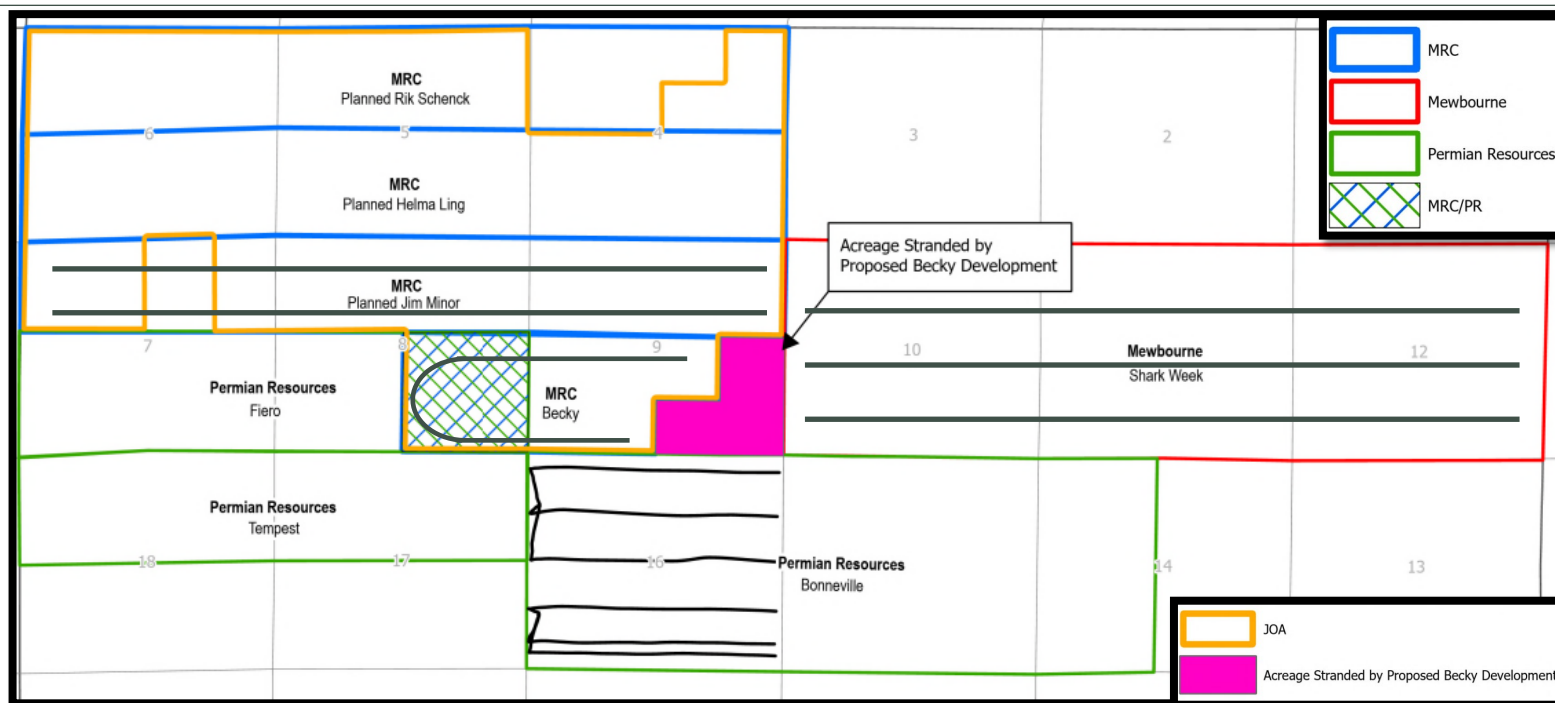


Commentary

- MRC claims that approval of Permian's Fiero applications could strand the S/2SW/4 of Section 9, but the following development scenarios provide numerous options to develop the S/2SW/4 of Section 9:
 - The top development plan illustrates a prudent development scenario in which the BLM leases the SW/4SE/4 of Section 9 and MRC drills a U-turn well surfaced in either the E/2SE/4 of Section 8 or the W/2SW/4 of Section 9
 - The next development plan illustrates a prudent development scenario in which the BLM leases the SW/4SE/4 of Section 9 and MRC drills a U-turn well surfaced in either the E/2SE/4 of Section 9 or the W/2SW/4 of Section 10
 - The next development plan illustrates the unlikely event that the SW/4SE/4 of Section 9 remains unleased for the sake of MRC's argument. MRC can develop a 1.25-mile U-turn surfaced in either the SE/4SW/4, SW/4SE/4, NE/4SE/4 or NW/4SE/4 of Section 9.
 - The final development plan modified MRC's development plan to not unnecessarily strand the NE/4SE/4 of Section 9 which they propose in options 1 & 2 of their Becky development. The assumption is made that the BLM will not lease the SW/4SE/4 of 9 for the sake of MRC's argument. It shows that MRC can drill a 1.5-mile U-turn surfaced in the SE/4SW/4, SW/4SE/4, NE/4SE/4 of Section 9 or the NW/4SW/4 of Section 10.
- In all of the above scenarios the approval of Permian's application would not strand the S/2SW/4 of Section 9.
- MRC's claim that the S/2SW/4 of Section 9 could be stranded is based on unsubstantiated assumptions. MRC's testimony shows they have not begun the process of examining surface options.



MRC Becky – Stranding of Acreage



Commentary

MRC's proposed Becky development permanently strands 120 acres in the S/2SE/4 and NE/4SE/4 of Section 9, T20S-R27E. The acreage would be fully bounded by the following:

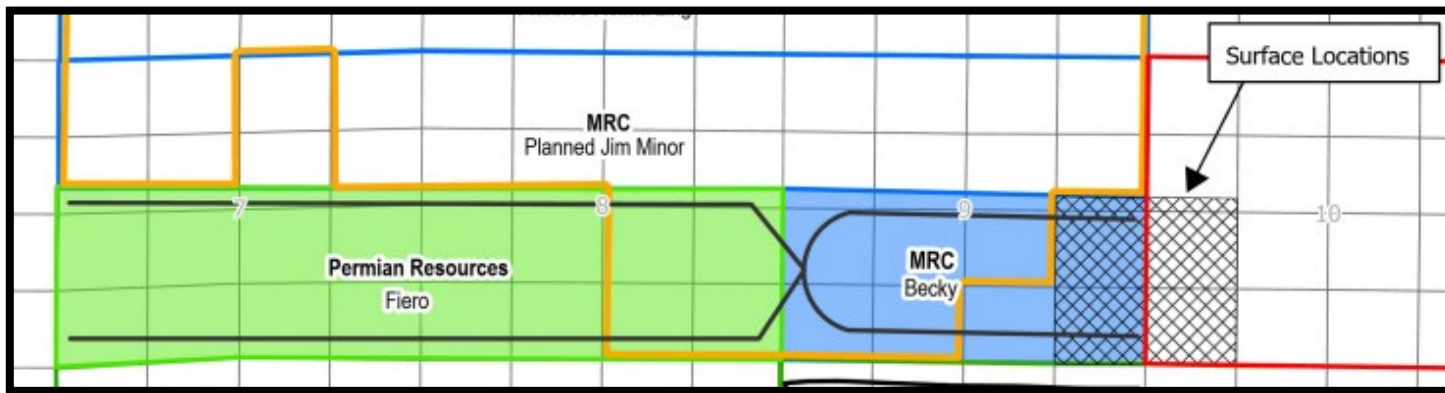
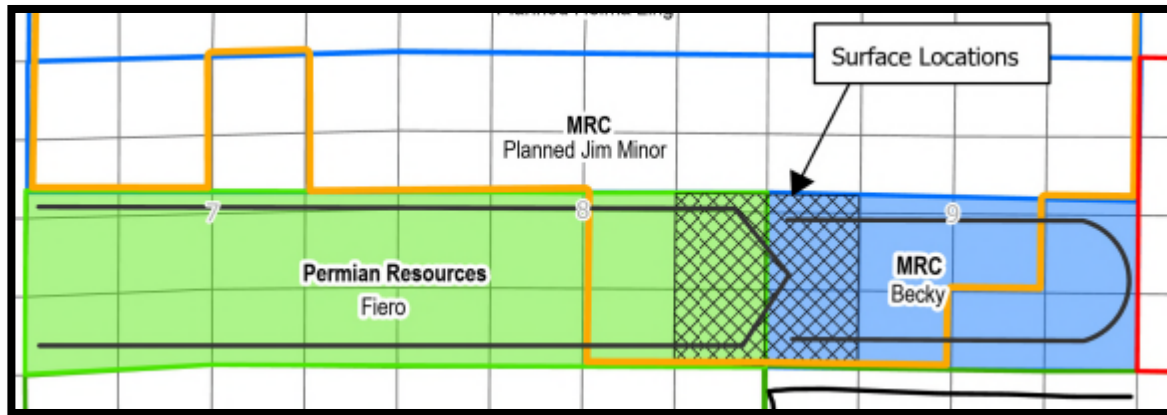
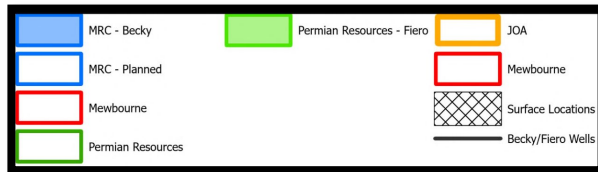
- MRC's Jim Minor project as outlined in MRC Exhibit A-5: MRC Area Development would develop the S/2 of Sections 7, 8 & 9, T20S-R27E to the North
- MRC's Becky proposed development as outlined in MRC Exhibit A-3: MRC Becky Development (Option 1) would develop the acreage to the West.
- Permian's existing Bonneville wells in Section 16, T20S-R27E has developed the acreage to the South
- Mewbourne's Shark Week (R-23511) development in Section 10, T20S-R27E develops the acreage to the East.

MRC further states in the Self Affirmed Statement of Tanner Schulz "...I believe that neither a half-mile Second Bone Spring well nor a half-mile Third Bone Spring well would be economically viable...Accordingly, MRC would not elect to drill those half-mile wells..."

- The only development available for the E/2SE/4 and SW/4SE/4 of Section 9, T20S-R27E would be half-mile development



MRC Prudent Development Options

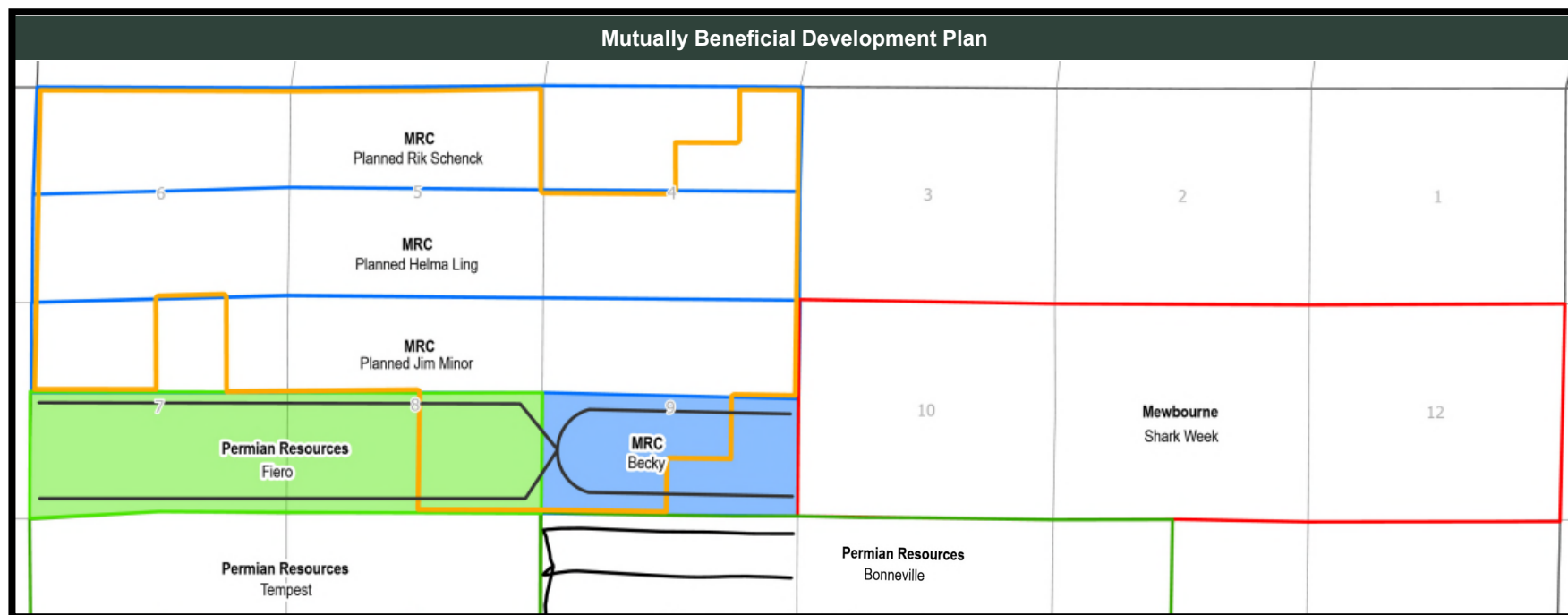


Commentary

- The prudent manner in which to develop the S/2 of Section 9 requires development to be postponed until the unleased federal lands located in the SW/4SE/4 of Section 9, T20S-R27E are leased.
- Upon the leasing of the unleased federal lands in the SW/4SE/4 of Section 9, T20S-R27E, MRC would be able to have its preferred development of two-mile U-turn wells in the S/2 of Section 9, without causing waste or stranding acreage.
- MRC would be able to have a variety of available surface options in the following lands: E/2SE/4 of Section 9, W/2SW/4 of Section 9, W/2SW/4 of Section 10, E/2SE/4 of Section 8.



MRC SBSG & TBSG Economics

**MRC Economic Scenario**

	Well Count	Total MBO	Package PV15 (\$MM)
TBSG	1	542	\$5.0
SBSG	1	610	\$11.2

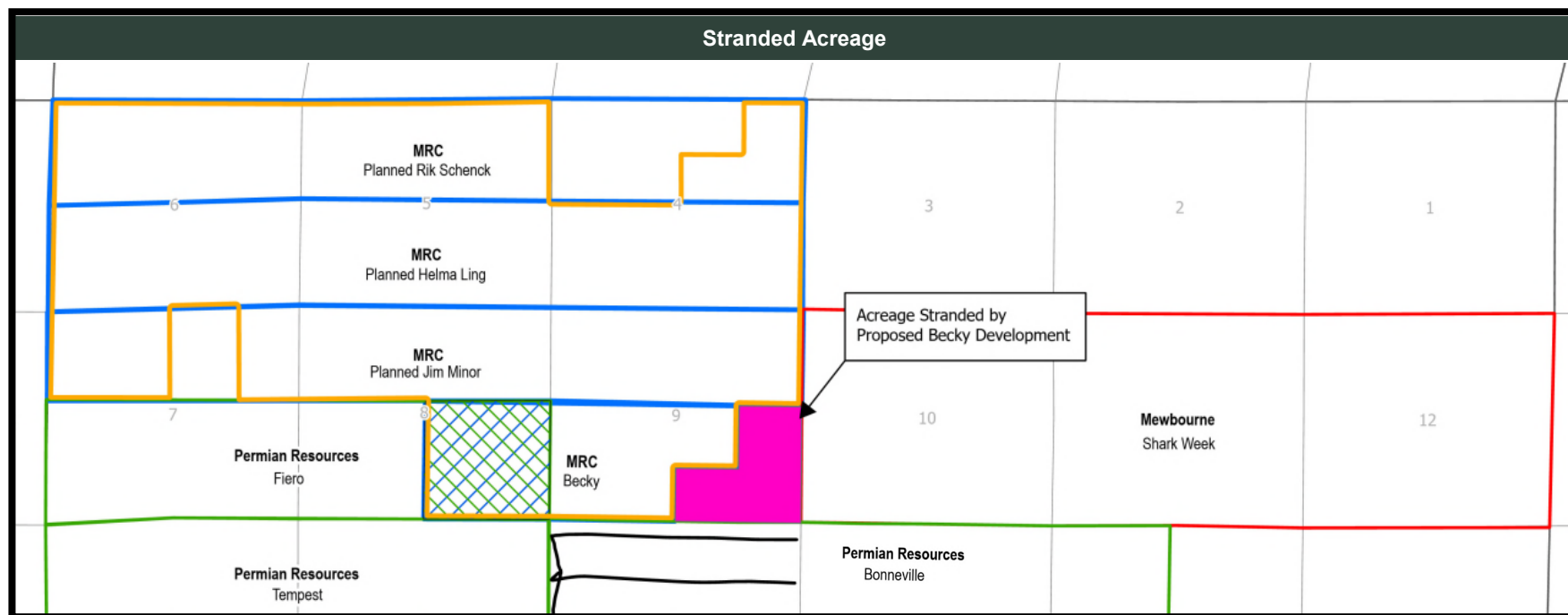
Value Generated By MRC 1,152 \$16.2

Commentary

- MRC acreage can be efficiently and economically developed using U-Turn wellbore configuration, minimizing waste
- Economics run at flat price deck of \$70 oil and \$3 gas
- Type Curves are unique to each bench, with PR cost structure
- All Economics generated at 100% WI / 75% NRI and are time-zero



MRC Stranded Acreage



Commentary

- All development configurations MRC has suggested strand 120 acres in the SE4 of Section 9
- MRC exhibits state stranding 80 acres of Section 9 would result in 207,000 barrels of oil and 1,345,000 Mcf of gas that would be undeveloped and therefore wasted in the Second Bone Spring and Third Bone Spring
- MRC model implies 2,588 barrels of oil and 16,813 Mcf of gas are wasted on a per acre basis
- MRC calculated waste per acre multiplied by the 120 acres of waste they would create yields 310,560 barrels of oil and 2,017,560 Mcf of gas that would go unrecovered

120 Acres stranded by MRC