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

APPLICATIONS OF WPX ENERGY PERMIAN, LLC
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO

Case Nos. 25204 & 25205

APPLICATIONS OF 3R OPERATING, LLC
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO

Case Nos. 25123 & 25124

REVISED PROPOSED FINDINGS OF FACT AND CONCLUSIONS

WPX Energy Permian, LLC ("WPX"), through its undersigned attorneys, hereby submits its Proposed Findings of Fact and Conclusions. These Proposed Findings of Fact and Conclusions provide the basis for granting WPX's applications in Case Nos. 25204 and Case No. 25205 and denying the competing applications of 3R Operating, LLC ("3R") in Case Nos. 25123 and 25124. The proposed findings and conclusions have been revised to confirm with the requirements of the Hearing Examiner's Ruling on Post-Hearing Filings and Request for Sanctions issued on May 22, 2025. The revisions are designated herein by yellow highlights.

PROPOSED FINDINGS OF FACT

General Overview of the Competing Development Plans

1. Both parties are proposing to develop Sections 32 and 33, Township 23 South, Range 26 East. WPX's plan for these lands is named "Frontier," while 3R's plan for these lands is named "Crystal. " These lands are sometimes collectively referred to herein as the "Subject Lands.

2. WPX seeks an order pooling all uncommitted mineral interests in the Wolfcamp formation ([Purple Sage: Wolfcamp]; Pool Code: [98220]), designated as a gas pool, underlying a standard 640-acre, more or less, spacing unit comprised of the N/2 (Case No. 25204) and the S/2 (Case No. 25205) of Sections 32 and 33, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico as follows.

3. The WPX Wells are targeting the Wolfcamp XY. WPX Hearing Packet at p. 69 (WPX Ex. B-3); p. 70 (WPX Ex. B-4); and p. 71 (WPX Ex. B-5). [1]

4. The 3R Crystal N 33 32 Fed Com #701H, Crystal N 33 32 Fed Com #702H, and the Crystal N 33 32 Fed Com #703H Wells are to be completed and produce from the Wolfcamp XY Sand, while the 3R Crystal N 33 32 Fed Com #801H, Crystal N 33 32 Fed Com #802H, Crystal N 33 32 Fed Com #803H, and the Crystal N 33 32 Fed Com #804H Wells are to be completed in the Wolfcamp B. *See* 3R 000042; 3R000045

5. WPX requests overhead and administrative rates of $10,000/month for drilling each well and $1,000/month for producing each 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. WPX requests that these rates be adjusted periodically as provided in the COPAS Accounting Procedure. *Id*. at 30 (Bennett Statement at ¶ 28).

6. 3R requests overhead and administrative rates of $8,000/month for drilling each well and $800/month for producing each well. These rates are fair and comparable to the rates charged by other operators for wells of this type in this area of New Mexico. 3R 000072 (Affidavit of Brian van Staveren at ¶ 11).

[1] References to page numbers to the WPX Hearing Packet are to the page number of the .pdf of the entire WPX Hearing Packet as set forth in the lower left-hand corner of every page and not references to the page number of the referenced Exhibit.

7. Both parties request the maximum cost, plus 200% risk charge to be assessed against nonconsenting working interest owners. *See* WPX Hearing Packet at 30 (Bennett Statement at ¶ 29) and 3R 000072 (van Staveren Affidavit at ¶ 12).

8. 3R proposes to the spud the Crystal 701H and 702H Wells, two Wolfcamp XY wells located in the N/2 Unit, in August 2025 and then wait until February 2026 to spud the remaining Crystal Wells. *See* 3R 000066. WPX on the other hand proposes to drill all four of its Frontier Wells in September 2025. WPX Hearing Packet at p. 135 (WPX Rebuttal Exhibit R-1 [lower left table]). WPX's drilling strategy will limit depletion while 3R's plan incurs wellbore risk due to unnecessarily leaving 2 wells as drilled uncompleted wells. *Id*.; Tr. (April 29, 2025) 226:12-16. In addition, there is the risk that if 3R cannot get a rig to come back in February 2026, they will need to file for an extension of the pooling order, further delaying bringing the Crystal Wells on line. *Id*. at 226:18-22.

WPX Holds a Greater Share of the Working Interest in the Subject Lands

9. WPX owns all of the working interest in Section 32 and therefore controls 50% of the working interest in both units sought to be pooled. 3R owns all of the working interests in the W/2, SE/4, N/2NE/4, and SW/4NE/4 of Section 33, but does not own any interest in the SE/4NE/4 and therefore controls 43.75% of the working interest in Case No. 25204, being the N/2 spacing unit sought to be pooled. When ownership is viewed across the entirety of Sections 32 and 33, WPX holds a 50% interest, whereas 3R owns 46.875% WI. WPX Hearing Packet at p. 28 (Bennett Statement at ¶ 20); WPX Hearing Packet at pp. 40-43 (WPX Ex. A-2); 3R Ex. 3R 000091-97; Tr. (April 29, 2025) 216:11-19.

10. 3R owns 100% working interest in BLM Lease NMNM-105311253 (Legacy Serial Number NMNM-134858) (referred to herein as the "Federal Lease"), which covers all of the oil

and gas interests in the W/2 of Section 33. 3R Ex. 000091 and 000092. The primary term of this Lease is set to expire on October 1, 2025, subject to any decision, as described in the testimony, that the BLM may suspend the lease and extend its term. *Id.*; *see also* Tr. (April 29, 2025) 220: 1-25; 221: 1-9.

The Parties Respective History of Development in The Area

11. WPX and Devon Energy Corporation ("Devon") merged as equals and are related entities. The merger left WPX's assets in WPX's name but they both own the assets under one umbrella and the employees of Devon and WPX drill both Devon and WPX wells in New Mexico. Tr. (April 29, 2025) 213: 9-23.

12. WPX (an indirect subsidiary of Devon) has been a company for over 50 years and has been a long time, active driller and operator of horizontal wells in New Mexico with multiple present day horizontal rigs continuously running and active in Eddy County, New Mexico, having drilled extended lateral wells that can reach up to 3+ miles horizontally. These wells have been very successful, which has allowed WPX to continue to increase its rig count in Eddy County over the last handful of years. To date, when combining Devon and WPX together, there are over 2,500 wells operated by the combined companies in Eddy County, New Mexico. WPX Hearing Packet at pp. 26-27 (Bennett Statement at ¶ 18).

13 WPX's current level of activity is evidenced by the fact that they have 13 rigs currently running in the Basin. Tr. (April 29, 2025) 227:2-8.

14. WPX drilled the Frontier 32-23-26 431H Well located in Section 32 in 2018,[2] which was completed in 2019 and began producing in 2019 as a test well from the Wolfcamp B

[2] This well was mistakenly referred to as the "Frontier 434 Well" during the testimony. However, as shown on p. 70 of WPX's Hearing Packet (Ex. B-4), the actual name of this well is the Frontier

formation. WPX Hearing Packet at 80 (WPX Ex. B-4); Tr. (April 29, 2025) 265:11-266:7. WPX was at the forefront (prior to other parties) of testing the geology of the Subject Lands, which represent "the western extent of the basin," that being, the "more peripheral areas of the basin." *See* Tr. (April 29, 2025), 265: 20-24; 266: 1-2. The WC B Test Well, which 3R describes as an underperforming well, was an early test well, drilled as a one mile well to limit the risks and costs of the test. *See id.*

15. WPX has been working with the BLM since October 2021 to seek approval for a lease reinstatement covering Sections 30 and 31 of Township 23 South, Range 26 East, directly adjacent to the Subject Lands. WPX received a letter from BLM dated April 18, 2025, listing additional stipulations to be met in order for the lease to be reinstated. WPX is working to satisfy these requirements, which will ultimately allow for additional development in this immediate area that WPX has been waiting on for almost 4 years. Tr. (April 29, 2025) at 254:21 – 255: 5); WPX Hearing Packet at p. 143 (WPX Rebuttal Exhibit R-9; 10th Bullet Point).[3] Based on his experience as a landman, Mr. Bennett testified that once WPX complies with the additional stipulations listed by the BLM, that the lease will be reinstated. Tr. (April 29, 2025) at 259:11-20.

16. 3R is the designated operator for Ridge Runner Resources II ("RRR II") . RRR II having only been in existence since August of 2023. Tr. (April 29, 2025) 110: 5-6. 3R has been in existence one or two years before that. *Id*. at 110:7-11. RRR II has a history of developing assets and selling them shortly thereafter. 3R 0000054, Hearing Packet, p. 55 (listing wells and assets sold by operator as operator exits operatorship after each closing). The current 3R team with RRR

32-23-26 431H Well, although it is technically listed in the OCD's records as the "Frontier 32-23-26 State 431H Well." This well will be referred to as the "WC B Test Well¶."

[3] When referring to the number of a Bullet Point on an Exhibit, all "sub" Bullet Points are counted as a Bullet Point.

II operates only 3 wells in the area of interest, which are in the Rena development; other wells RRR II/3R attempts to claim were drilled by other companies. Tr. (April 29, 2025) 270: 7-12; 161: 13-15; *see also* 3R 000065.

17. 3R has approximately twenty-four (24) historically producing horizontal wells in 3R's type curve area, 4 of which are Wolfcamp B wells and fifteen (15) of which are Wolfcamp XY wells. 3R only operates three of those wells, the Rena Wells. WPX Hearing Packet at 140 (WPX Rebuttal Exhibit R-6 [2nd and 3rd Bullet Points]); Tr. (April 29, 2025) 269:1-12. By contrast, WPX/Deon has forty-one (41) historical producing horizontal wells in 3R's type curve area, 4 of which are Wolfcamp B wells and twenty-four (24) are Wolfcamp XY wells. *Id*. (Exhibit R-6 [1st and 2nd Bullet Points]).

Good Faith Negotiations

18. WPX contacted the interest owners that WPX seeks to pool regarding the proposed well but have failed or refused to voluntarily commit their interest in the well. WPX Hearing Packet at p. 25 (Bennett Statement at ¶ 14). WPX has made a good faith effort to negotiate with the interest owners, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the well or in the commitment of their interests to the well for its development within the proposed horizontal spacing unit. *Id*. (Bennett Statement at ¶ 15); WPX Hearing Packet at p. 58 (WPX Ex. A-4).

19. 3R's land expert, Brian van Staveren, appears to suggest in his testimony that WPX did not negotiate in good faith with 3R based on WPX's rejection of 3R's offer to carry WPX's interests in 3R's 3 proposed Wolfcamp XY wells. Tr. (April 29, 2025) 176:20 – 178:5. *See also*: 3R 000097.

20. However, although 3R began its negotiations with WPX in late 2023 and early 2024, WPX and 3R did not start to negotiate in earnest until the fourth quarter of 2024, after 3R acquired Marathon Oil Permian LLC's working interest in the Federal Lease through a term assignment covering only the Wolfcamp formation. Tr. 217:11–21; 227:21 – 228:10; WPX Hearing Packet at 143 (WPX Rebuttal Exhibit R-9 [1st and 2nd Bullet Points]). 3R only offered to carry WPX's interest in the three Crystal Wells covering the Wolfcamp XY formation and did not offer to carry WPX's interest in the four Crystal Wells covering the Wolfcamp B formation. *Id*. at 218:5-11; 228:11-18; WPX Hearing Packet at p. 143 (WPX Rebuttal Exhibit 9 [8th Bullet Point]). WPX did not accept 3R's offer given WPX's larger ownership in the Wolfcamp and WPX's ownership in Bone Spring formation and the fact that 3R did not own any interest in the Bone Spring formation. *Id*. at 218:11-15; 229:11-17; WPX Hearing Packet at p. 153 (WPX Rebuttal Ex. R-9 [6th and 9th Bullet Points]). In addition, the fact that 3R did not offer to carry WPX's interest in the 4 Wolfcamp B wells (the Crystal N 33 32 Fed Com 801H Well; the Crystal N 33 32 Fed Com 802H Well; the Crystal N 33 32 Fed Com 803H Well; and the Crystal N 33 32 Fed Com 804H Well) raised a red flag about the economic viability of those Wolfcamp B Wells. *Id*. at 228:19 – 229:5. WPX did turn around and made the same offer to 3R, but 3R rejected WPX's carry offer. *Id*. at 218:25 - 219:7. Another factor leading to the rejection of 3R's carry offer was the higher capital expenses for the Crystal Wells versus the Frontier Wells that would negatively impact the overall economics of the Crystal Wells. *Id*. at 229:6-10; WPX Hearing Packet at p. 143 (Rebuttal Exhibit R-9 [5th Bullet Point]). Another reason that WPX rejected 3R's offer is that WPX wanted to operate the wells because of its high working interest. *Id*. at 230:15-18. Moreover, if WPX accepted 3R's offer, it would have negative environmental impacts since WPX would be developing the Bone Spring formation (assuming that the OCD grants WPX's applications for the

Bone Spring), the Crystal Wells would double the amount of surface disturbances. *Id*. at 229:18 – 230:2; and WPX Hearring Packet at p. 153 (WPX Rebuttal Ex. R-9 [7th Bullet Point).

21. WPX and 3R are continuing to negotiate and the communications have gone well. *Id*. at 217:25 - 218: 4; 218:16-22.

Geological Evidence

22. Both parties agree to the following facts regarding the geology of the Subject Lands:

- The horizontal spacing and proration unit is justified from a geologic standpoint;
- There are no structural impediments or faulting that will interfere with horizontal development;
- The target formation is present and continuous throughout the Subject Lands; and
- Each quarter-quarter section in the unit will contribute more or less equally to production.

See 3R 000037 (Affidavit of Brian Atwell at ¶ 12) and 3R000042 through 3R 000047; and WPX Hearing Packet at p. 74-75 (Amended Self-Affirmed Statement of Joe Dixon at ¶¶ 5, 6 and 8) and WPX Hearing Packet at pp. 75-79 (WPX Amended Exhibits B-1 through B-5). *See also*: Tr (April, 29, 2025) 265: 11-19.

23. In addition, both parties believe that the preferred well orientation in this area is East-West so that the wells run sub-perpendicular to the inferred orientation of the maximum horizontal stress. *See* WPX Hearing Packet at p. 75 (Dixon Statement at ¶ 9). Although Mr. Atwell, 3R's geologist, does not specifically state this fact, the orientation of 3R's wells is consistent with Mr. Dixon's written testimony in this regard. *See* 3R Hearing Packet at 3R 000077 through 3R 000090 (the Form C-102's for the Crystal Wells).

Reservoir Engineering

24. The Wolfcamp XY is "the more prolific zone to drill wells in," and therefore, WPX has committed to "drilling four XY wells across" the sections. WPX Hearing Packet at 70 (WPX Exhibit B-4); Tr. (April 29, 2025) 267: 5-9; 269: 7-24); WPX Hearing Packet at 70 (Exhibit B-4). 3R, on the other hand, only proposes to drill 3 wells in the XY while proposing 4 wells in the less productive Wolfcamp B bench. 3R 000045 (gun barrel representation of 3R's proposed wells in lower right-hand side of Exhibit).

25. The Frontier wells are located and positioned with the proposed spacing units for the N/2 and S/2 of Sections 32 and 33 in a manner that will optimize production. There are two initial wells in each Unit that create an array of production points across the spacing unit at depths within the Wolfcamp formation which are specifically targeted to optimize production. WPX Hearing Packet at pp. 73-74 (WPX Exhibit C, Self-Affirmed Statement of Keevin Barnes, at ¶ 6).

26. The plat map on the left-hand side of WPX Exhibit C-1 (WPX Hearing Packet at p. 79), shows numerous producing wells drilled in the area of the Subject Lands, including twelve Wolfcamp XY wells using a Type Curve Informing Wells. Type Curve informing wells are chosen as the most analogous group of wells to the wells you plan to drill and complete. They are generally of similar geology, spacing, and completion size to most accurately predict performance. Based on the production from these twelve wells, Mr. Barners created three graphs. The first graph, "Oil Rate vs. Oil Cum," shows the expected rate of production over time, including cumulative production. The second graph, "GOR vs. Time (Mo.)" shows the Gas to Oil Ratio over time. The third graph "WOR vs. Time (Mo.) shows the Water to Oil Ration over time. WPX Hearing Packet at p. 74 (Barnes Statement at ¶ 7). Tr. (April 29, 2025) 282:23 – 283:21.

27. In constructing his type curve, Mr. Barnes looked at wells that are most analogous to the area in which WPX is working and used a 12-well set. Tr. (April 29, 2025) 282:23 – 283:4; WPX Hearing Packet at 79 (WPX Exhibit C-1 [plat map on left hand side of the Exhibit]).

28. By contrast, 3R expanded that range with a nine-section Wolfcamp XY type curve area that introduced risks and some uncertainty. *Id*. at 283:6-10. All of the wells on 3R's Wolfcamp XY type curve further to the east have lower water-oil rations on average which is why 3R is at 6 and WPX is at an 8 on the water-oil ratios comparing the parties' type curves. *Id*. at 283:11-15.

29. The bar charts on 3R 000058 show that 3R is going to recover more reserves than WPX. However, 3R's type curves are inflated by the volumes as shown by the bar chart shown on the bottom left-hand side of Exhibit R-2 based on the fact that 3R expanded the range of its type curve with a nine-section Wolfcamp XY type curve area that introduced risks and some uncertainty because all of the wells further to the east that were included in 3R's type curve have lower water-oil rations on average inflating the projected recovery. *Id*. at 283:6-15.

30. WPX Rebuttal Exhibit R-7 (WPX Hearing Packet at p. 141) rebuts 3R 000056. Tr. 289:5. The Rate Cum Plot on the right-hand side of the Exhibit shows the average of all wells in the area as the black line, the blue line shows the WPX/Devon wells in the area, the red line shows the claimed non-3R operated wells, and the green line shows the three Rena 7 Wells. Tr. (April 29, 2025) 11-21. Visually one can determine that the WPX/Devon wells outperform the average wells in the area, as well as the claimed non-3R operated wells, and the three Rena 7 Wells. *Id*. at 289:22-23. The table below the Rate Cum Plot summarizes the average completion size (showing WPX/Devon at 2,686 lbs/ft versus 3R's 2,104 lbs/ft) and, more importantly, shows the WPX/Devon wells outperforming the 3R wells 560 MBO versus 404 MBO.

31. Although 3R claims that it has experience operating the 24 wells because they are wells associated with what 3R views as predecessor companies, in actuality, 3R only operates three of these 24 wells included in its type curve. *See id.* at 270: 7-11

32. WPX is locating its laterals with a 330-foot setback from the lease lines as allowed by pool rules, which will to protect correlative rights. Tr. (April 29, 2025) 295:11-15.

33. Based on this information derived from the Type Curve built from the fully bounded well performance as shown on WPX Exhibit C-1 (WPX Hearing Packet at p. 79), and assuming 4 wells per section, with completion size between 2,000 – 3,000 pounds per foot, the WPX wells in the N/2 Unit ($7,516,088 AFE) will have a 50.9% rate of return (ROR) and a net present value discounted at an annual 10% discount rate (NPV10) of $2,572,620 and its wells in the S/2 Unit ($8,021,088 AFE) will have a 43.3% ROR and a net present value discounted at an annual 10% discount rate (NPV10) of $2,317,500. WPX Hearing Packet at p. 74 (Barnes Statement at ¶ 7). However, these calculations were based on the original AFEs that show the N/2 Unit AFEs at $7,516,088 and the S/2 Unit AFEs at $8,021,088, whereas the updated AFEs for the N/2 Unit are $7,934,703.91 each and the S/2 Unit AFEs are $8,439,703.91 each, an increase of $418,615 each. Tr. (April 29, 2025) 282:12-17. *See also*: WPX Hearing Packet at pp. 47-50; 54-57 (WPX Ex. A-3 [the AFEs for each well]). The added costs lower the Rate of Return by 3 to 4 percent. Tr. (April 29, 2025) 282:12-20.

34. By comparison, 3R wells targeting the Wolfcamp XY Sands will have a 22.5% ROR and a NPV10 of $1,181,000. (The ROR and NPV10 are based on the estimates for the price of oil at $60/bbl, the price of gas at $3.00/mcf, and the price of natural gas liquids at $20/bbl.) WPX Hearing Packet at p. 74 (Barnes Statement at ¶ 7).

35. WPX Exhibit C-2 (WPX Hearing Packet at p. 80) is similar to Exhibit C-1, but for the performance of Wolfcamp B wells. It is based on 20 producing Wolfcamp B wells in the area of the Subject Lands. The majority of the Wolfcamp B wells are unbounded parent wells, meaning that they had access to the entire reservoir's hydrocarbons without competition from any adjacent wells allowing them to produce from an undisturbed reservoir not influenced by pressure depletion or interference from nearby wells, including wells drilled in the Wolfcamp XY Sand. The high WOR (6 bbl/bbl flat) reduces oil production and leads to increased costs for water handling and disposal and also leads to higher costs due to corrosion and maintenance. The high GOR (14,000 scf/bbl flat) could lead to takeaway constraints and thus limit oil production volumes. Based on the foregoing, the ROR for Wolfcamp B wells is only 9.3% and the NPV10 is a negative $88,400. WPX Hearing Packet at 75 (Barnes Statement at ¶ 8).

36. In creating Exhibit C-2, Mr. Barnes did include one low completion well, that would not normally be included in type curve evaluation. Tr. (April 29, 2025) 283:25 – 284:4. Removing that well increased the EUR by about 3 percent and the IP about 1 percent. *Id*. at 284:5-10.

37. In 3R's type curve used to predict its EUR for its Wolfcamp B wells (3R 000057 and 3R000124), 3R included rock that contained volatile oil fluid type (the Devon Atlatl 11-10 Fed Com 331H well) and rock that contains Retrograde Gas (Sunrise 31032 Fee 825H Well and the Cletus 28-21 Fed Com 512H Well), moving from northeast to southwest towards the proposed Crystal Wolfcamp B wells. Tr. 270:13-271:2; WPX Hearing Packet at p. 142 (WPX Rebuttal Exhibit R-8 [Map on right hand side of the Exhibit; table on bottom left of the Exhibit; 1st Bullet Point]). Thus, 3R is overestimating the amount of oil that it is going to recover from the Wolfcamp

B formation. *Id*. at 271:3-7; WPX Hearing Packet at 142 (WPX Rebuttal Exhibit R-8 [2nd Bullet Point]); Tr. (April 29, 2025) 284:18 – 285:8.

38. Thus, 3R's plan to drill and complete both Wolfcamp XY Sand wells and Wolfcamp B wells in a short time period carries a high degree of risk and limited return. WPX Hearing Packet at 75 (Barnes Statement at ¶ 9).

39. WPX Exhibit C-3 (WPX Hearing Packet at p. 81) provides examples of production from a Wolfcamp B Sand well that was infilled after the development of the Wolfcamp XY Sand. This Exhibit shows that there is little to no interference between the Wolfcamp XY Sand wells and the infilled Wolfcamp B wells if the Wolfcamp B wells are drilled and completed three years after the Wolfcamp XY wells and without any adverse effect to the Estimated Ultimate Recovery (EUR). Thus, WPX can return to the Subject Lands to drill and complete wells in the Wolfcamp B Sand when the price environment improves. However, the decision to return to drill the infill Wolfcamp B Sand wells will depend, to a large degree, on the performance of the parent Wolfcamp XY Sand wells. If production from parent Wolfcamp XY Sand wells is less than expected, it may not be economical to drill and complete the infill Wolfcamp B Sand wells. WPX Hearing Packet at 75 (Barnes Statement at ¶ 10).

40. WPX Exhibit C-3 shows the location of the Pliney the Elder wells (location plat in lower left-hand side of Exhibit) and a gun barrel depiction (upper left hand portion of the Exhibit) of the two Pliner the Elder XY wells (201H and 202H) both drilled in September 2019 and the two Pliner the Elder B wells, one stacked and one offset (231H and 232H), which were drilled three years later. Tr. (April 29. 2025) 285:11-19. The two charts on the right-hand side of the Exhibit show that it is viable to come back at a later date to drill the Wolfcamp B with the existing Wolfcamp XY above. Id. at 285:20 – 285:6.

41. There is sufficient footage separation between the XY Sand and the Wolfcamp B formations, with a bit higher clay content, so that you are not going to see interference as shown by WPX's proprietary data and the Pliny the Elder Wells. Tr. (April 29, 2025) 301:5-10. 3R's own geologist confirms the Wolfcamp XY and the Wolfcamp B are two separate zones and sources of supply, especially since the two zones are separated by a third zone, Wolfcamp A, situated between the Wolfcamp XY and Wolfcamp B. *See* 3R Exhibit 000046, Hearing Packet, p. 47; *see also* Tr. (April 29, 2025), 71: 25 through 72: 1-7 (3R Geologist confirming that the Wolfcamp XY and B are separate zones and separate sources of supply). *See also* Tr. (April 30, 2025) 56:9-18 (Mr. Womack testifying that "I doubt, at the 750-foot vertical distance, that it would alter frac growth very much" in response to whether when coming back to drill and complete the Wolfcamp B wells the stimulation and fractures will preferentially migrate towards any pressure sink in the XY bench.)

42. WPX Rebuttal Exhibit R-2 (WPX Hearing Packet at p. 136) rebuts 3R 000058, which is shown on the right hand of Exhibit R-2, that classifies WPX's decision to wait to drill the Wolfcamp B as causing a parent-child issue and potential harmful frac hits in the future. Tr. (April 29, 2025) 287:12-21.

43. WPX's early investment in the WC B Test Well that provided WPX with data and a better understanding of how to develop the Subject Lands. Tr. (April 29, 2025) 266: 2-7 (WPX's Geologist explaining that WPX was being efficient in drilling the WC B Test Well, as a one mile well, in its an effort to learn "from a good test."). Based on its early experience, WPX will be targeting the Wolfcamp XY as its main landing zone. *Id.* at 266: 22-24.

44. WPX views the XY as "the more prolific zone to drill wells in," and therefore, WPX has committed to "drilling four XY wells across" the sections. *Id.* at 267: 5-9. WPX's

commitment to four (4) wells in the XY is a major difference from 3R's plan, which has committed only to three (3) wells in the Wolfcamp XY. *See* 3R Geology Exhibit 000045 (showing 3R's commitment to drill only the 701H, 702H, and 703H as initial wells and holding off on a fourth well in the XY). In comparison, WPX commits to drilling a fourth well in the XY near the WC B Test Well, the WPX's Frontier 604H Well, positioned to produce hydrocarbons from the void left by 3R's lack of commitment to a fourth well. *See* Tr. (April 29, 2025), 266: 8-13 (WPX's geologist explaining that WPX tried to be as prudent as possible in the location of its fourth well, the 604H, offset to the WC B Test Well in a manner that minimizes depletion from the WC B Test Well).

45. WPX is the more prudent operator by fully developing the XY with four wells, and then based on its experience with, and its analysis of, the Wolfcamp B, viewing the Wolfcamp B as "a viable target to come back to." *See id.* at 285: 11-18; *see also* WPX's Exhibit C-3. Furthermore, 3R's own geologist confirms the Wolfcamp XY and the Wolfcamp B are two separate zones and sources of supply, especially since the two zones are separated by a separate third zone, Wolfcamp A, situated between the Wolfcamp XY and Wolfcamp B. *See* 3R Exhibit 000046, Hearing Packet, p. 47; *see also* Tr. (April 29, 2025), 71: 25 through 72: 1-7 (3R Geologist confirming that the Wolfcamp XY and B are separate zones and separate sources of supply). Therefore, the hydrocarbons in Wolfcamp XY and Wolfcamp B are preserved as separate sources of supply and not subject to negative impacts form parent/child concerns. *See* WPX Hearing Packet at p. 136 (WPX Rebuttal Exhibit R-2 [2nd Bullet Point]). Therefore, it is not necessary that the two zones be drilled simultaneously, and the prudent approach for development would be to drill and produce the prolific XY zone first and then evaluate the Wolfcamp B as a prospective zone. *See id.* (WPX's Reservoir Engineer's noting that the best approach would to be to return to the Wolfcamp B after developing the Wolfcamp XY, based on WPX's experience with "the Pliny

Elder Wolfcamp XY wells" which were drilled in 2019 with the Wolfcamp B wells being successfully drilled and produced three years later once the economic viability of the Wolfcamp B had been determined); *see also* WPX Exhibit C-3.

46. 3R alleges that WPX does not use modern completion designs. 3R 000127-129. 3R incorrectly claims in 3R 000127 that since 2018 WPX/Devon's average proppant/ft (lbs/ft) was 2,043 and its Fluid/ft was 1,646 when the correct averages were actually 2,474 proppant/ft and the Fluid/ft was 1,899. WPX Hearing Packet at 129 (Self-Affirmed Statement of Rebuttal Witness Michael Tanner Womack at ¶ 7);[4] *id*. at 137 (WPX Rebuttal Ex. R-3 [2nd Bullet Point; Table on bottom left of Exhibit); Tr. (April 30, 2025) 24:22-25. This calculation includes the Devon wells drilled and completed after the WPX/Devon Merger. Tr. 23:13-20; 25:22-26:28:21. Moreover, WPX/Devon's data shows consistent average job sizes of around 2,450 – 2,500 proppant/ft. WPX Hearing Packet at p. 137 (WPX Rebuttal Exhibit R-3 [3rd Bullet Point];

47. In addition, the proppant/ft and fluid/ft for the Mimosa and Prairie Fire Wells shown at 3R000127 (shown on bottom of 3R 000127) are lower than the other Devon/WPX wells based on the fact that these wells are in a different area with differing geology and do not support the claim that WPX is not using modern completion techniques. Tr. (April 30, 2025) 28:22-29:4.

48. 3R is "concerned that WPX does not plan to maximize reserves capture and avoid waste by appropriately stimulating the rock." *See* 3R 000128 (4th Bullet Point). However, WPX plans to pump 2,500 proppant/ft and 1,900 gallons per foot completion designs on the Frontier Wells. *Id*. at 129 (Womack Statement at ¶ 8); WPX Hearing Packet at p. 137 (WPX Rebuttal Exhibit R-3R [4th Bullet Point]).

Comparative Costs of AFEs and The Effect on the

[4] The Hearing Examiner qualified Mr. Womack as an expert in completions engineering. Tr. (April 30, 2025) p. 22:11-13

Economics of Both Parties Proposed Development Plans

49. There is a significant difference in the costs of the proposed Frontier Wells vis-à-vis the Crystal Wells. The total costs for drilling and completing the Frontier 601H Well and the Frontier 602H Well is $7,934,703.91 each, while the costs for drilling and completing the Frontier 603H Well and the Frontier 604H Well is $8,439,703.91 each, for an average of $8,187,203.91. *See* WPX Hearing Packet at pp. 47-50; 54-57 (WPX Ex. A-3 [the AFEs for each well]). By comparison, the cost for the 3 Crystal Wells to be completed in the Wolfcamp XY Sand, the Crystal 701H Well, the Crystal 702H Well, and the Crystal 703H Well, is $10,376,980 each. *See* 3R 000101-104; 3R 000111-112. Thus, the costs of the Crystal XY Wells are 26.75% higher than the costs of WPX's proposed XY wells.

50. 3R correctly notes that WPX's cost projections set forth on its AFEs are significantly below the average 2-mile AFE from 3R's database of AFEs. *See* 3R 000128 (2nd and 3rd Bullet Points and scatter graph). 3R also suggests that WPX's AFEs do not accurately reflect modern completion size costs. See 3R 000129.

51. While 3R is correct in acknowledging WPX's lower AFE costs, the AFEs that WPX generated in early December 2024 utilized actuals from Eddy County a few miles north of Frontier DSU. WPX Hearing Packet at 138 (WPX Rebuttal Exhibit R-4 [1st Bullet Point below second heading on left hand side of the Exhibit that reads "Completion Overview in WPX/DVN's Favor"]). Moreover, WPX's original AFEs were updated based on design changes, including utilizing what 3R acknowledges is the "modern design" of 2500 lbs/ft and 45 bbl/ft. *Id*. (2nd to 5tht Bullet Points below second heading on left hand side of the Exhibit that reads "Completion Overview in WPX/DVN's Favor"]). This change of design resulted in an increase of $420,000 for each of WPX's AFEs. Tr. (April 30. 2025) 37:21 – 38:6.

52. WPX/Devon's commitment to continual improvements in its operations in a deflationary market has resulted in a drop in the costs of prep work, fracturing, and plug drillout costs reducing those costs from $4.2 Million as of December 1, 2023 to $3.2 Million as of March 1, 2025. Tr. (April 30, 2025) 32:5-14; 33:1-17; WPX Hearing Packet at p. 138 (WPX Rebuttal Exhibit R-4 (red line on the graph on right hand side of the Exhibit and the two Bullet Points below the graph). As Mr. Womack testified, WPX was able to take advantage on improvements in its operations: "we're always looking to improve." Tr. (April 30, 2025) 34:8-14.

53. 3R also questions whether WPX is proposing the proper amount of dyed fuel costs and water costs. 3R 000129 (first 8 Bullet Points). However, 3R miscalculated both the Fuel Costs and Water Cost. WPX Hearing Packet at p. 138 (WPX Rebuttal Exhibit R-4 [first three Bullet Points]); Tr. (April 30, 2025) 34:23-35:14.

54. 3R also claims that WPX's CTB costs are lower than what they will be, alleging that the CTB costs leave out pipeline costs associated with transporting hydrocarbons to the CTB. *See* 3R 000129 and Tr. (April 29, 2025) 155:22-24. However, WPX's estimates that it will cost $9.5 Million to build the CTB and flowlines for the 4 Wolfcamp XY wells and includes upgrade cost for the 4 2nd Bone Spring wells (assuming that the OCD grants WPX's applications for the Bone Spring), which is consistent with historical actuals of comparable scope resulting in a $1.2 Million per well facilities cost. WPX Hearing Packet at 139 (Rebuttal Exhibit R-5 [2nd Bullet Point]).

WPX's Development Plan Will Have Less Surface Impacts Than 3R's Development Plan

55. WPX applied for compulsory pooling of the Subject Lands in the Bone Spring formation in Case Nos. 25200 – 25203. WPX's Applications in those cases were uncontested, and the hearings proceeded by affidavit on March 13, 2025. WPX anticipates that orders pooling the

Bone Spring formation and granting operatorship to WPX will be received. WPX Hearing Packet at 28 (Bennett Statement at ¶ 21).

56. If the OCD grants WPX's Bone Springs applications and WPX's applications for the development of the Wolfcamp formation in Sections 32 and 33, WPX will be able to develop both the Wolfcamp and Bone Spring with only 29.1 acres of disturbance to the surface, consisting of approximately 4.0 acres of roads, 20.2 acres for pads, and 4.9 acres for flowline corridors. Disturbance attributed to power lines and 3rd party takeaway infrastructure is not included in these numbers. WPX Hearing Packet at pp. 83-84 (Self-Affirmed Statement of Paul Melland, at ¶ 6) and p. 89 (Exhibit D-2).[5] This s results in a minimal 2.27% disturbance of the Subject Lands (all of Sections 32 and 33) that substantially minimizes the environmental impact of the WPX's plans of development. . WPX Hearing Packet at pp. 83-84 (Self-Affirmed Statement of Paul Melland, at ¶ 6).

57. The WPX facility is designed to be capable of handling fourteen (14) wells, so it will be capable of handling 4 Bone Spring wells (assuming that the OCD grants WPX's applications for the Bone Spring), 4 Wolfcamp XY wells, and 4 Wolfcamp B wells. Tr. (April 30, 2025) 11:6-11; WPX Hearing Packet at p. 139 (WPX Rebuttal Exhibit R-5 [3rd and 4th Bullet Points]). The CTB (Central Tank Battery) equipment costs will be shared across all wells, providing for better economics to the benefit all of working interest owners. WPX Hearing Packet at p. 139 (WPX Rebuttal Exhibit R-5 [5th Bullet Points]).

58. By contrast, if the OCD grants 3R's development plans for its Wolfcamp Wells, total disturbance will be increased by an amount equal to that which is attributable to 3R's

[5] The Hearing Examiner qualified Mr. Melland as an expert in facilities and construction engineering. Tr. (April 30, 2025) at 9:20-23.

development, given that WPX's disturbance will remain unchanged when considering the Bone Springs Wells (assuming that the OCD grants WPX's applications for the Bone Spring). WPX Hearing Packet at p. 84 (Melland Statement at ¶ 7). In addition, the capital required for surface facilities is sure to increase if 3R is granted operatorship of the Wolfcamp wells. Tr. (April 30, 2025) 12:5-15.

59. In addition, by having a single operator for both the Bone Springs and Wolfcamp wells in Sections 32 and 33 (assuming that the OCD grants WPX's applications for the Bone Spring), WPX estimates that the traffic disturbances will be reduced by approximately 50% overall if WPX is the sole operator of both the Bone Spring and Wolfcamp formations. WPX Hearing Packet at p. 84 (Melland Statement at ¶ 8).

Environmental

60. WPX will deploy it's Rev 3 Low Emissions ("Low-E") standard facility design for the Wolfcamp development. The "Low-E" designation is primarily attributable to the capture of all tank emissions, under normal flow conditions, by Vapor Recovery Units and reinjection to sales. This design has been implemented across the Delaware Basin since 2022. The following demonstrates the effect this design has had on tank emissions:

a. WPX utilizes continuous emissions monitoring and during a recent study over a 95-day period, total tank alarms for Rev 3 facilities represent an 87% reduction compared to previous standard designs and 96% reduction compared to older, legacy facilities.

b. Approximately 74% of WPX's current Delaware production is flowing through a Rev 3 facility, and total calculated tank emissions have been reduced by an estimated 89% as a result.

WPX Hearing Packet at p. 84 (Exhibit D - Mellard Statement at ¶ 9). WPX's design if fully compliant with all applicable state and federal rules. Tr. (April 30, 2025) at 10:11-20.

61. 3R has a zero-flare policy and modern facility designs in compliance with NM Precursor rule and 0000b. 3R uses a fully enclosed vent system to prevent releases, improving environmental protection and operational safety. Drilling and completions operations are conducted with adaptable and re-usable liner system for spill mitigation in sensitive Karst areas. 3R 000067.

62. 3R's proposed "puppy" pads for the Crystal Project Area lie within the medium karst occurrence area. 3R's drilling and completion operations are conducted on top of an adaptable & re-usable liner/berm system for spill mitigation in sensitive Karst areas. 3R 000068.

63. 3R plans to use 100% reuse of water. 3R 000069.

64. 3R has agreement with Plains Oryx Permian Basin Pipeline to gather oil on day 1 of production and has gas gathering agreement with ETC/Sendero Pipeline Network to gather gas volumes on day 1 of production. 3R 000070.

65. However, currently there are no lines in place to serve the Subject Lands, as the majority of 3R's system has not been developed and is only proposed for 3R's Crystal wells. *See* 3R Exhibit 000069, Hearing Packet, p. 70; *see also* Tr. (April 29, 2025), 166: 6-15.

Both Parties Have Provided Proper Notice

66. WPX sent proper notice to all interested parties. *See* WPX Hearing Packet at pp. 24-25 (Bennett Statement at ¶ 12); p. 91 (WPX Exhibit E, Darin C. Savage's Self-Affirmed Statement of Notice at ¶¶ 1 and 2); and pp. 93-126 (WPX Exhibits E-1 through E-3).

67. 3R sent proper notice to all interested parties. *See* 3R 000029-34.

PROPOSED CONCLUSIONS OF LAW

1. Both parties provided adequate notice. Findings of Fact at ¶¶ 66-67.

2. The OCD has jurisdiction to evaluate the competing development plans.

3. When evaluating competing development plans, the Division bases it determination of which plan best satisfies the Division's statutory obligation to ensure that proposed oil and gas operations prevent waste, protect correlative rights, and the avoid of the costs and risks associated with drilling unnecessary wells through the application of the following seven (7) factors, as described in OCD Orders such as No. R-21834, among others:

a. A comparison of geologic evidence presented by each party as it relates to the proposed well location and the potential of each proposed prospect to efficiently recover the oil and gas reserves underlying the property.

b. A comparison of the risk associated with the parties' respective proposal for the exploration and development of the property.

c. A review of the negotiations between the competing parties prior to the applications to force pool to determine if there was a "good faith" effort.

d. A comparison of the ability of each party to prudently operate the property and, thereby, prevent waste.

e. A comparison of the differences in well cost estimates (AFEs) and other operational costs presented by each party for their respective proposals.

f. An evaluation of the mineral interest ownership held by each party at the time the application was heard.

g. A comparison of the ability of the applicants to timely locate well sites and to operate on the surface (the "surface factor").

a. A comparison of geologic evidence presented by each party as it relates to the proposed well location and the potential of each proposed prospect to efficiently recover the oil and gas reserves underlying the property

4. Both parties agree to the following facts regarding the geology of the Subject Lands:

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

- The target formation is present and continuous throughout the Subject Lands; and
- Each quarter-quarter section in the unit will contribute more or less equally to production.

Findings of Fact at ¶ 22.

5. In addition, both parties believe that the preferred well orientation in this area is East-West so that the wells run sub-perpendicular to the inferred orientation of the maximum horizontal stress. *Id*. at ¶ 23.

6. WPX proposes to drill four wells in the Wolfcamp XY, two in the N/2 of Sections 32 and 33 and two in the S/2. *Id*. at ¶¶ 3-6; 8; 40. 3R proposes to drill three wells in the XY Sand, two in the N/2 N/2 of Sections 32 and 33 and one in the S/2 along with four wells in the Wolfcamp B formation, two in the N/2 of Sections 32 and 33 and two in the S/2. *Id*. at ¶¶ 2-3; 24.

7. The Wolfcamp XY is the more prolific zone (*id*. at ¶ 24) and that the location of the WPX wells located and positioned within the proposed spacing units for the N/2 and S/2 of Sections 32 and 33 in a manner that will optimize production. *Id*. at ¶ 25. The fact that WPX will be drilling an additional well in the XY, the most prolific zone, gives WPX an advantage under the geologic factor because its proposal will more efficiently recover the oil and gas reserves underlying the Subject Lands insofar as the Wolfcamp XY is concerned. *Id*. at ¶ 44.

8. WPX's wells in the general area of the Subject Lands are more productive than those that 3R has drilled and completed. *Id*. at ¶ 30.

9. 3R's estimates of ultimate recovery for the XY Wells by WPX and 3R are flawed by including wells that have a better geology than the Subject Lands. *Id*. at ¶ 26-29.

10. The NPV and Rate of Return for WPX's four XY wells are significantly superior to the NPV and Rate of Return than the three 3R XY wells. *Id*. at ¶¶ 33-34.

11. WPX drilled a test well in the Wolfcamp B in 2018 in the S/2 of Section 32 and intends to come back to the Wolfcamp B formation based on the results of the XY wells. *Id*. at ¶ 43. The evidence establishes that the Wolfcamp A interval between the XY Sand and the Wolfcamp B is thick and dense enough that it will prevent and communication between Wolfcamp XY Wells and Wolfcamp B wells and there will be no adverse effects if the Wolfcamp B wells are drilled at a later date. *Id*. at ¶ 39-42; 45. This is a prudent decision that may avoid the drilling of unnecessary wells.

12. 3R's projection of recovery from the Wolfcamp B wells is flawed because it is based on using production from wells that have a different geology than the geology of the Subject Lands. *Id*. at ¶¶ 35-38.

13. Waste is defined and considered with respect to the full scope of the definition of waste under the New Mexico Oil and Gas Act ("OGA"). Under NMSA 1978 Section 70-2-3, the definition of waste includes (1) the ordinary meaning of waste, which should include economic waste, and (2) the enumerated technical meanings of waste such as underground waste. WPX prevents underground waste better than 3R by fully developing the primary target zone (the XY) of the Wolfcamp formation with four (4) wells in comparison to 3R's underdevelopment of the XY with three (3) wells.

14. WPX has collected data on the Wolfcamp B zone through its operations in this area and is prudent in its plan to evaluate the Wolfcamp B's prospectivity based on production data from the XY in order to determine the best way to develop the Wolfcamp B to avoid the drilling of unnecessary wells and prevent economic waste. *Id*. at ¶ 39. Because the Wolfcamp B is a separate zone and common source of supply, separated from the XY, Parent/Child interference will not affect later production of the Wolfcamp B. *Id. at* ¶ 41. Therefore, delaying its development

until the zone can be evaluated is the better and more prudent approach for preventing waste (*id*. at ¶ 45), both underground waste and economic waste as defined in the OGA. *See* Section 70-2-3;

15. The fact that the ROR for 3R's Wolfcamp B wells is only 9.3% and the NPV10 is a negative $88,400, establishes that 3R's Wolfcamp B wells are not economical. *Id*. at ¶ 51. The fact that has approximately twenty-four (24) historically producing horizontal wells in 3R's type curve area, 4 of which are Wolfcamp B wells and fifteen (15) of which are Wolfcamp XY wells (*id*. at ¶ 32) also illustrates the fact that the Wolfcamp B bench is a less desirable target as compared to the XY. In addition, the fact that 3R offered to carry WPX's interest in its XY Wells but not in its Wolfcamp B wells (id. at ¶ 36) indicates that 3R does not believe that its Wolfcamp B wells are economical.

16. The fact that the ROR for 3R's Wolfcamp B wells is only about 12.3% and the NPV10 is a negative $88,400, establishes that 3R's Wolfcamp B wells are not economical. *Id*. at ¶ 35-36. The fact that has approximately twenty-four (24) historically producing horizontal wells in 3R's type cure area, 4 of which are Wolfcamp B wells and fifteen (15) of which are Wolfcamp XY wells (*id*. at ¶ 17) also illustrates the fact that the Wolfcamp B bench is a less desirable target as compared to the XY. In addition, the fact that 3R offered to carry WPX's interest in its XY Wells but not in its Wolfcamp B wells (*id*. at ¶ 20) indicates that 3R does not believe that its Wolfcamp B wells are economical.

17. While 3R claims that WPX is not using "modern completion designs," the evidence shows that WPX had historically employed a more robust completion design than 3R. *Id*. at ¶¶ 46-48.

b. A comparison of the risk associated with the parties' respective proposal for the exploration and development of the property.

18. WPX owns an interest in the Bone Spring formation in the Subject Lands and has a pending application for the Bone Spring formation that WPX believes the OCD will grant (*id*. at ¶ 55) and now seeks to develop the Wolfcamp XY and then the Wolfcamp B, if viable. *Id*. at ¶ 45. Developing both formations reduces the costs of all wells since they will be sharing infrastructure reducing the risk of nondevelopment of the XY and B benches. *Id*. at ¶ 56-58.

19. WPX has also exhibited an interest in the Subject Lands and surrounding area, having drilled the WC B Test Well in 2018 and is working on developing other lands in the area. *Id*. at ¶¶ 14 and 15.

20. 3R does not own any interest in the Bone Spring (*id*. at ¶ 20) and it would not enjoy the advantage of having an infrastructure that would serve all depths in the Subject Lands (assuming that the OCD grants WPX's applications for the Bone Spring). Thus, there is some risk that 3R may not be able to development the Wolfcamp formation.

21. Moreover, WPX has a long track record of prudent operatorship in New Mexico, currently operating approximately 2,500 wells in the State (*id*. at ¶¶ 11-12) and currently has 13 rigs operating in the Basin. *Id*. at ¶ 13. By contrast, RRR II, for which 3R is the operator, came into existence less than two years ago, only operates 3 wells in the area, and it and its predecessors have a tract record of drilling and completing a package of wells that it will only operate until they can be sold to another operator. *Id*. at ¶ 16 and 31.

22. 3R's plan to drill and complete both Wolfcamp XY Sand wells and Wolfcamp B wells in a short time period carries a high degree of risk and limited return. *Id*. at ¶ 38.

23. 3R proposal to the spud the Crystal 701H and 702H Wells, two Wolfcamp XY wells located in the N/2 Unit, in August 2025 and then wait until February 2026 to spud the remaining Crystal Wells incurs wellbore risk due to unnecessarily leaving 2 wells as drilled

uncompleted wells and creates a further risk that if 3R cannot get a rig to come back in February 2026, 3R will need to file for an extension of the pooling order, further delaying bringing the Crystal Wells on line. *Id. at ¶ 8.*

24. Thus, the risk factor comparison weighs in favor of WPX.

c. A review of the negotiations between the competing parties prior to the applications to force pool to determine if there was a "good faith" effort.

25. Both parties negotiating in good faith prior to the applications to force pool were filed. *Id*. at ¶¶ 18-21.

d. A comparison of the ability of each party to prudently operate the property and, thereby, prevent waste.

26. WPX has a long history of drilling and producing wells in New Mexico and WPX drills wells with the intent to maintain and operate the wells as part of its inventory for the life of the wells. *Id*. at ¶¶ 11-12. This intent requires WPX to meet its long-term obligations for any remediation or clean-up of the wells. 3R's limited history of development and its history of developing projects and selling them does not provide the same assurances. *Id*. at ¶ 16.

27. WPX is proposing four XY wells with the intention of returning to the Wolfcamp B bench based on the results of the XY Wells and when the price environment improves. *Id*. at ¶¶ 39 and 45. This is a prudent decision based on the questionable economics of Wolfcamp B wells. *Id*. at ¶¶ 36, 39, 40.

28. Granting WPX's applications will result in less surface impacts and less traffic than 3R's proposed development. *Id*. at ¶¶ 55-59.

29. Both WPX (*id*. at ¶ 60) and 3R (*id*. at ¶¶ 61-64) will employ technologies that will reduce environmental impacts of the operations. However, 3R's claim that from day1 all gas and

oil will be transported by pipeline is suspect as no infrastructure is currently in place to do so. *Id*. at ¶ 65.

e. A comparison of the differences in well cost estimates (AFEs) and other operational costs presented by each party for their respective proposals.

30. There is a significant difference in the costs of the proposed Frontier Wells vis-à-vis the Crystal Wells. The total costs for drilling and completing the Frontier 601H Well and the Frontier 602H Well is $7,934,703.91 each, while the costs for drilling and completing the Frontier 603H Well and the Frontier 604H Well is $8,439,703.91 each, for an average of $8,187,203.91. By comparison, the cost for the 3 Crystal Wells to be completed in the Wolfcamp XY Sand, the Crystal 701H Well, the Crystal 702H Well, and the Crystal 703H Well, is $10,376,980 each. Thus, the costs of the Crystal XY Wells are 26.75% higher than the costs of WPX's proposed XY wells. *Id* at 49.

31. Based on the cost differences in the AFE's, the Rate of Return on WPX's Frontier XY wells will be about 47% for the N/2 Wells and 39% for the S/2 wells. *Id*. at ¶ 49. By contrast, 3R's Rate of Return on its XY Wells will be 22.5%. *Id*. at ¶ 50.

32. 3R claims that WPX's AFEs are too low and reflect the failure of WPX to use modern completion designs. *Id*. at ¶ 50. However, WPX has been using modern completion designs and proposes to do so with its Frontier Wells, using proppant at 2500 lbs/ft and fluid at 45 bbl/ft. *Id*. at ¶¶ 50-54.

f. An evaluation of the mineral interest ownership held by each party at the time the application was heard.

33. WPX owns all of the working interest in Section 32 and therefore controls 50% of the working interest in both units sought to be pooled. 3R owns all of the working interests in the

W/2, SE/4, N/2NE/4, and SW/4NE/4 of Section 33, but does not own any interest in the SE/4NE/4 and therefore controls 43.75% of the working interest in Case No. 25204, being the N/2 spacing unit sought to be pooled. When ownership is viewed across the entirety of Sections 32 and 33, WPX holds a 50% interest, whereas 3R owns 46.875% WI. *Id*. at ¶ 9.

g. A comparison of the ability of the applicants to timely locate well sites and to operate on the surface (the "surface factor").

34. WPX is in the unique position to develop both the Wolfcamp formation and the Bone Spring formation (assuming that the OCD grants WPX's applications for the Bone Spring) using the same drilling pads and surface infrastructure thereby minimizing the surface disturbance and costs. *Id*. at ¶¶ 55-57.

35. If 3R's plan is approved, it will result in an increase in surface disturbances (assuming that the OCD grants WPX's applications for the Bone Spring). Id. at¶ 58.

36. Although 3R claims that it will be able to transport oil and gas from its wells on day 1 (*id*. at ¶ 64) there are no lines in place to serve the Subject Lands, as the majority of 3R's system has not been developed and is only proposed for 3R's Crystal wells. *Id*. at ¶ 65.

37. Thus, considering all of Findings of Fact and Conclusions of Law, granting WPX's Development plan is in the best interests of conservation, the prevention of waste, the protection of correlative rights, and will avoid the drilling of unnecessary wells.

Respectfully submitted,

ABADIE & SCHILL, PC

/s/ Wiliam E. Zimsky
William E. Zimsky

Andrew D. Schill
Darin C. Savage
214 McKenzie Street
Santa Fe, New Mexico 87501

Telephone: 970.385.4401
Facsimile: 970.385.4901
darin@abadieschill.com
andrew@abadieschill.com
bill@abadieschill.com

Attorneys for WPX Energy Permian, LLC

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was filed with the New Mexico Oil Conservation Division and was served on counsel of record via electronic mail on May 21, 2025:

Miguel A. Suazo – msuazo@bwenergylaw.com
James P. Parrot – jparrot@bwenergylaw.com
Jacob L. Everhart – jeverhart@bwenergylaw.com
Attorneys for 3R Operating, LLC

beth.ryan@conocophillips.com
keri.hatley@conocophillips.com
Attorneys Marathon Oil Permian, LLC

/s/ Wiliam E. Zimsky
William E. Zimsky