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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION FOR THE PURPOSE OF CONSIDERING:

OCC CASE NO. 25371

APPLICATIONS OF CIMAREX ENERGY CO. FOR A HORIZONTAL SPACING UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO

CASE NOS. 23448-23455

APPLICATIONS OF CIMAREX ENERGY CO. FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO

CASE NOS. 23594-23601

APPLICATIONS OF READ & STEVENS, INC. FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

CASE NOS. 23508-23523

APPLICATION OF READ & STEVENS, INC. FOR THE CREATION OF A SPECIAL WOLFBONE POOL IN SECTIONS 4, 5, 8 AND 9, TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM, LEA COUNTY, NEW MEXICO.

CASE NO. 24528

APPLICATION OF CIMAREX ENERGY CO. FOR THE CREATION OF A SPECIAL POOL, A WOLFBONE POOL, PURSUANT TO ORDER NO. R-23089 AND TO REOPEN CASE NOS. 23448 – 23455, 23594 – 23601, AND 23508 – 23523, LEA COUNTY, NEW MEXICO.

CASE NO. 24541
ORDER NO. R-23089
ORDER NO. R-23089-A

NOTICE OF *AMENDED* PRE-HEARING STATEMENT

Read & Stevens, Inc. and Permian Resources Operating, LLC applicants in the above-referenced cases, give notice that they are filing the attached Amended Pre-hearing Statement to include an additional potential witness, Patrick Godwin.

Respectfully submitted,

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By: _____

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ATTORNEYS FOR READ & STEVENS, INC. AND PERMIAN RESOURCES OPERATING, LLC

CERTIFICATE OF SERVICE

I hereby certify that on September 12, 2025, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

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STATE OF NEW MEXICO
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CASE NO. 24528

APPLICATION OF CIMAREX ENERGY CO. FOR THE CREATION OF A SPECIAL POOL, A WOLFBONE POOL, PURSUANT TO ORDER NO. R-23089 AND TO REOPEN CASE NOS. 23448 – 23455, 23594 – 23601, AND 23508 – 23523, LEA COUNTY, NEW MEXICO.

CASE NO. 24541
ORDER NO. R-23089
ORDER NO. R-23089-A

AMENDED PRE-HEARING STATEMENT

Read & Stevens, Inc. ("Read & Stevens"), the applicant in Case No. 24528, and Permian Resources Operating, LLC ("Permian Resources") (OGRID No. 372165) (collectively "Permian Resources"), submit this Consolidated Pre-Hearing Statement pursuant to the rules of the Oil Conservation Commission.

APPEARANCES

APPLICANT	ATTORNEY
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PERMIAN RESOURCES' STATEMENT OF THE CASE

I. Introduction

As the Division found in Order No. R-23089-A, Permian Resources' plan to simultaneously co-develop the Bone Spring and Wolfbone pools in these competing pooling cases is the only plan that will protect the correlative rights of all owners and prevent waste.

Contrary to Coterra's assertions, the Upper Wolfcamp within the Wolfbone Pool in this area is a "sweet spot" that is a viable and valid independent target for development. Because no frac baffles or barriers exist between the Upper Wolfcamp and basal Third Bone Spring intervals within the Wolfbone Pool, these intervals must be developed together to maximize recovery and avoid potential parent-child depletion effects. Targeting only the basal Third Bone Spring, as Coterra proposes, will not effectively or efficiently drain the available reserves and will permanently strand hydrocarbons. Returning to drill Upper Wolfcamp wells later, as Coterra might do, will be substantially less effective due to documented parent-child depletion effects within the Upper Wolfcamp. Either way, Coterra's plan will strand significant reserves and cause waste, substantially impairing correlative rights. The same problems apply to Coterra's plan to develop the Upper Bone Spring pools in this acreage, where it plans to initially target only the Second Bone Spring Sand—and even, to initially drill a single well in this bench in each of its developments. Doing so will cause substantial parent-child depletion effects, resulting in stranded reserves in the Upper Bone Spring pools, as established in immediately offsetting developments.

In contrast, Permian Resources' proposal to co-develop all zones—particularly the basal Third Bone Spring Sand and Upper Wolfcamp intervals—is supported by offsetting production, demonstrating substantially improved production, capturing incremental reserves, compared to developing these targets independently. In addition, the basal Third Bone Spring Sand and Upper Wolfcamp intervals are also found on either side of an ownership depth severance within the Wolfbone pool.[1] While these geologic targets are thick enough in the Wolfbone pool

[1] The ownership depth severance within the Wolfbone pool is found at a stratigraphic equivalent of approximately 10,876 feet, measured depth, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30- 025-31056).

to require a vertically staggered and stacked "wine-rack" pattern to effectively and efficiently drain them, separately targeting these benches is also necessary to protect the correlative rights of mineral owners on both sides of the depth severance. *See* Order No. R-23089-A, ¶ 44. Coterra targets only the basal Third Bone Spring interval and contends that co-development will be "financially wasteful." Coterra cannot show economic waste when offsetting development has conclusively established Permian's development will generate more production and more revenue than Coterra's single-bench plan. Extensive legal and factual justification demonstrates that co-development is necessary. The Division agreed and the vast majority of working interest owners support Permian's development proposals. Co-development is the only way to afford owners on both sides of an ownership depth severance within the Wolfbone Pool an opportunity to access their just and equitable share of production on each side of the ownership depth severance—and importantly—increasing overall production and preventing waste.

Coterra's proposal to allocate production and costs across the depth severance in the Wolfbone Pool is not valid, equitable, or workable under the statutes or regulations. Doing so violates the New Mexico Oil and Gas Act and administrative rules. Furthermore, Coterra cannot demonstrate that imposing a non-standard allocation of costs and production within the Wolfbone pool is necessary, accurate, or protective of correlative rights; the proposal is therefore untenable.

Given the substantial positive results from Permian Resources' offsetting production, and eager to see the subject acreage finally developed and producing, several working interest owners have switched support from Coterra to Permian Resources. Before Order No. R-23089-A, Permian Resources had approximately 36.75%

working interest control in the Bone Spring and 44.42% in the Wolfcamp. Permian Resources now has approximately 68% working interest control in the Bone Spring and 77% in the Wolfcamp. In comparison, Coterra has an ownership interest of about 31% in the Bone Spring and 23% in the Wolfcamp and no active support from any owner. The difference in working interest control is now substantial and exceeds 35% across both proposed developments and is as high as 54% in the Wolfcamp. Coterra's proposed plan contravenes the express mandate of the Oil and Gas Act, impairs the correlative rights of owners in the Wolfcamp portion of the Wolfbone Pool, is now devoid of working interest owner support, and will demonstrably result in waste by stranding Wolfcamp reserves and failing to produce incremental reserves stimulated through co-development.

In addition, Permian Resources' plan prioritizes re-use of produced water, capitalizes on substantial existing surface infrastructure, can leverage existing development and production to secure favorable takeaway agreements, and minimizes surface disturbance by consolidating roads, flowlines, pads, and tank batteries. As with its adjacent developments, it plans to commingle production from its Joker and Bane units into two batteries, reducing surface impacts and minimizing waste by eliminating emissions with fewer surface facilities and potential emission sources.

As to an asserted takings claim, Coterra substantially misapprehends the legal standards necessary to make out a taking claim in the context of impairment to correlative rights. Moreover, no legally valid takings claim can be articulated when data from immediately offsetting production demonstrates Permian Resources' development plan will generate more resources and revenue for all interest owners, including Coterra, than would be developed under Coterra's plan.

II. Overview of Permian Resources' Development Plan

Permian Resources seeks orders (1) designating Permian Resources Operating, LLC (OGRID No. 372165) operator of its proposed horizontal well spacing units and of its proposed initial wells, and (2) separately pooling all uncommitted mineral owners in the Bone Spring and Wolfcamp formations, as described below.

For the **Joker** development, which covers Sections 5 and 8 all within Township 20 South, Range 34 East, NMPM, Lea County, New Mexico, Permian Resources proposes the following 12 standard 320-acre, more or less, horizontal well spacing units with the following initial wells comprised of the following acreage, as described from west to east and from upper-most to lower-most spacing unit within the acreage:[2]

1. Lot 4 (NW/4 NW/4 equivalent), the SW/4 NW/4, and the W/2 SW/4 of Section 5 and the W/2 W/2 of Section 8, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Joker 5-8 Federal Com 111H, 121H, 122H, and 171H wells**, to be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 5, Township 20 South, Range 34 East, to bottom hole locations in the SW/4 SW/4 (Unit M) of Section 8, Township 20 South, Range 34 East, targeting the Bone Spring Pool.[3]

2. Lot 4 (NW/4 NW/4 equivalent), the SW/4 NW/4, and the W/2 SW/4 of Section 5 and the W/2 W/2 of Section 8, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Joker 5-8 Federal Com 131H Well**, to be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 5, Township 20 South, Range 34 East, to bottom hole locations in the SW/4 SW/4 (Unit M) of Section 8, Township 20 South, Range 34 East, targeting the Upper Portion of the Quail Ridge, Wolfbone Pool, (Pool Code 98396). An ownership depth severance exists in the Wolfbone Pool within

[2] Permian Resources is submitting revised Compulsory Pooling Checklists for each of its 12 proposed Joker spacing units that take into account the creation of the Wolfbone Pool and contraction of the existing Bone Spring and Wolfcamp pools under Order No. 23751. The Checklists refer to the proposed spacing units described above by paragraph number. For example, Joker DSU 1 refers to Paragraph 1, above, which describes the proposed spacing unit for the Joker 5-8 Federal Com 111H, 121H, 122H, and 171H wells.

[3] Based on recent correspondence with the Division, Permian Resources understands that wells targeting the Bone Spring pool in Sections 5 and 8 will likely be assigned to the TEAS;BONE SPRING, EAST [96637] pool. After the Division confirms pool assignments, Permian will submit final C-102s to the Division for administrative approval.

the proposed horizontal well spacing unit. Accordingly, Permian seeks to pool only a portion of the Wolfbone Pool within this spacing unit, measured from the top of the Third Bone Spring Sand interval, located at approximately 10,598 feet measured depth, to the stratigraphic equivalent of approximately 10,876 feet, measured depth, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30-025-31056).

3. Lot 4 (NW/4 NW/4 equivalent), the SW/4 NW/4, and the W/2 SW/4 of Section 5 and the W/2 W/2 of Section 8, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Joker 5-8 Federal Com 201H Well**, to be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 5, Township 20 South, Range 34 East, to bottom hole locations in the SW/4 SW/4 (Unit M) of Section 8, Township 20 South, Range 34 East, targeting the Lower Portion of the Quail Ridge, Wolfbone Pool, (Pool Code 98396). An ownership depth severance exists in the Wolfbone Pool within the proposed horizontal well spacing unit. Accordingly, Permian seeks to pool only a portion of the Wolfbone Pool within this spacing unit, measured from the stratigraphic equivalent of approximately 10,876 feet, measured depth, to the stratigraphic equivalent of the base of the Wolfcamp A shale, located at approximately 11,236 feet measured depth, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30- 025-31056).

4. Lot 3 (NE/4 NW/4 equivalent), the SE/4 NW/4, and the E/2 SW/4 of Section 5 and the E/2 W/2 of Section 8, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Joker 5-8 Federal Com 112H, 123H, 124H, and 172H wells**, to be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 5, Township 20 South, Range 34 East, to bottom hole locations in the SE/4 SW/4 (Unit N) of Section 8, Township 20 South, Range 34 East, targeting the Bone Spring Pool.

5. Said unit will be initially dedicated to the proposed **Joker 5-8 Federal Com 132H well**, to be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 5, Township 20 South, Range 34 East, to bottom hole locations in the SE/4 SW/4 (Unit N) of Section 8, Township 20 South, Range 34 East, targeting the Upper Portion of the Quail Ridge, Wolfbone Pool, (Pool Code 98396). An ownership depth severance exists in the Wolfbone Pool within the proposed horizontal well spacing unit. Accordingly, Permian seeks to pool only a portion of the Wolfbone Pool within this spacing unit, measured from the top of the Third Bone Spring Sand interval, located at approximately 10,598 feet measured depth, to the stratigraphic equivalent of approximately 10,876 feet, measured depth, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30- 025-31056).

6. Lot 3 (NE/4 NW/4 equivalent), the SE/4 NW/4, and the E/2 SW/4 of Section 5 and the E/2 W/2 of Section 8, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Joker 5-8 Federal Com 202H well**, to be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 5, Township 20 South, Range 34 East, to a bottom hole location in the SE/4 SW/4 (Unit N) of Section 8, Township 20 South, Range 34 East, targeting the Lower Portion of the Quail Ridge, Wolfbone Pool, (Pool Code 98396). An ownership depth severance exists in the Wolfbone Pool within the proposed horizontal well spacing unit. Accordingly, Permian seeks to pool only a portion of the Wolfbone Pool within this spacing unit, measured from the stratigraphic equivalent of approximately 10,876 feet, measured depth, to the stratigraphic equivalent of the base of the Wolfcamp A shale, located at approximately 11,236 feet measured depth, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30- 025-31056).

7. Lot 2 (NW/4 NE/4 equivalent), the SW/4 NE/4, and the W/2 SE/4 of Section 5 and the W/2 E/2 of Section 8, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Joker 5-8 Federal Com 113H, 125H, 126H, and 173H wells**, to be horizontally drilled from a surface location in the NW/4 NE/4 (Lot 2) of Section 5, Township 20 South, Range 34 East, to bottom hole locations in the SW/4 SE/4 (Unit O) of Section 8, Township 20 South, Range 34 East, targeting the Bone Spring Pool.

8. Lot 2 (NW/4 NE/4 equivalent), the SW/4 NE/4, and the W/2 SE/4 of Section 5 and the W/2 E/2 of Section 8, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Joker 5-8 Federal Com 133H well**, to be horizontally drilled from a surface location in the NW/4 NE/4 (Lot 2) of Section 5, Township 20 South, Range 34 East, to bottom hole locations in the SW/4 SE/4 (Unit O) of Section 8, Township 20 South, Range 34 East, targeting the Upper Portion of the Quail Ridge, Wolfbone Pool, (Pool Code 98396). An ownership depth severance exists in the Wolfbone Pool within the proposed horizontal well spacing unit. Accordingly, Permian seeks to pool only a portion of the Wolfbone Pool within this spacing unit, measured from the top of the Third Bone Spring Sand interval, located at approximately 10,598 feet measured depth, to the stratigraphic equivalent of approximately 10,876 feet, measured depth, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30-025-31056).

9. Lot 2 (NW/4 NE/4 equivalent), the SW/4 NE/4, and the W/2 SE/4 of Section 5 and the W/2 E/2 of Section 8, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Joker 5-8 Federal Com 203H well**, to be horizontally drilled from a surface location in the NW/4 NE/4 (Lot 2) of Section 5, Township 20 South, Range 34 East, to bottom hole locations in the SW/4 SE/4 (Unit O) of Section 8, Township 20 South, Range

34 East, targeting the Lower Portion of the Quail Ridge, Wolfbone Pool, (Pool Code 98396). An ownership depth severance exists in the Wolfbone Pool within the proposed horizontal well spacing unit. Accordingly, Permian seeks to pool only a portion of the Wolfbone Pool within this spacing unit, measured from the stratigraphic equivalent of approximately 10,876 feet, measured depth, to the stratigraphic equivalent of the base of the Wolfcamp A shale, located at approximately 11,236 feet measured depth, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30- 025-31056).

10. Lot 1 (NE/4 NE/4 equivalent), the SE/4 NE/4, and the E/2 SE/4 of Section 5 and the E/2 E/2 of Section 8, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Joker 5-8 Federal Com 114H, 127H, 128H, and 174H wells**, to be horizontally drilled from a surface location in the NW/4 NE/4 (Lot 2) of Section 5, Township 20 South, Range 34 East, to bottom hole locations in the SE/4 SE/4 (Unit P) of Section 8, Township 20 South, Range 34 East, targeting the Bone Spring Pool.

11. Lot 1 (NE/4 NE/4 equivalent), the SE/4 NE/4, and the E/2 SE/4 of Section 5 and the E/2 E/2 of Section 8, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Joker 5-8 Federal Com 134H well**, to be horizontally drilled from a surface location in the NW/4 NE/4 (Lot 2) of Section 5, Township 20 South, Range 34 East, to bottom hole locations in the SE/4 SE/4 (Unit P) of Section 8, Township 20 South, Range 34 East, targeting the Upper Portion of the Quail Ridge, Wolfbone Pool, (Pool Code 98396). An ownership depth severance exists in the Wolfbone Pool within the proposed horizontal well spacing unit. Accordingly, Permian seeks to pool only a portion of the Wolfbone Pool within this spacing unit, measured from the top of the Third Bone Spring Sand interval, located at approximately 10,598 feet measured depth, to the stratigraphic equivalent of approximately 10,876 feet, measured depth, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30-025-31056).

12. Lot 1 (NE/4 NE/4 equivalent), the SE/4 NE/4, and the E/2 SE/4 of Section 5 and the E/2 E/2 of Section 8, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Joker 5-8 Federal Com 204H well**, to be horizontally drilled from a surface location in the NW/4 NE/4 (Lot 2) of Section 5, Township 20 South, Range 34 East, to bottom hole locations in the SE/4 SE/4 (Unit P) of Section 8, Township 20 South, Range 34 East, targeting the Lower Portion of the Quail Ridge, Wolfbone Pool, (Pool Code 98396). An ownership depth severance exists in the Wolfbone Pool within the proposed horizontal well spacing unit. Accordingly, Permian seeks to pool only a portion of the Wolfbone Pool within this spacing unit, measured from the stratigraphic equivalent of approximately 10,876 feet, measured depth, to the stratigraphic equivalent of the base of the Wolfcamp

A shale, located at approximately 11,236 feet measured depth, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30- 025-31056).

For the **Bane** development, which covers Sections 4 and 9 all within Township 20 South, Range 34 East, NMPM, Lea County, New Mexico, Permian Resources proposes the following 12 standard 320-acre, more or less, horizontal well spacing units with the following initial wells comprised of the following acreage, as described from west to east and from upper-most to lower-most spacing unit within the acreage:[4]

1. Lot 4 (NW/4 NW/4 equivalent), the SW/4 NW/4, and the W/2 SW/4 of Section 4 and the W/2 W/2 of Section 9, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Bane 4-9 Federal Com 111H, 121H, 122H, and 171H wells**, to be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 4, Township 20 South, Range 34 East, to bottom hole locations in the SW/4 SW/4 (Unit M) of Section 9, Township 20 South, Range 34 East, targeting the Bone Spring Pool.[5]

2. Lot 4 (NW/4 NW/4 equivalent), the SW/4 NW/4, and the W/2 SW/4 of Section 4 and the W/2 W/2 of Section 9, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Bane 4-9 Federal Com 131H well**, to be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 4, Township 20 South, Range 34 East, to bottom hole locations in the SW/4 SW/4 (Unit M) of Section 9, Township 20 South, Range 34 East, targeting the Upper Portion of the Quail Ridge, Wolfbone Pool, (Pool Code 98396). An ownership depth severance exists in the Wolfbone Pool within the proposed horizontal well spacing unit. Accordingly, Permian seeks to pool only a portion of the Wolfbone Pool within this spacing unit, measured from the top of the Third Bone Spring Sand interval, located at approximately 10,598 feet measured depth, to the stratigraphic equivalent of approximately 10,876 feet, measured depth, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30-025-31056).

3. Lot 4 (NW/4 NW/4 equivalent), the SW/4 NW/4, and the W/2 SW/4 of Section 4 and the W/2 W/2 of Section 9, Township 20 South, Range 34 East, NMPM, Lea

[4] Permian Resources is submitting revised Compulsory Pooling Checklists for each of its 12 proposed Bane spacing units that take into account the creation of the Wolfbone Pool and contraction of the existing Bone Spring and Wolfcamp pools under Order No. 23751.

[5] Based on recent correspondence with the Division, Permian Resources understands that wells targeting the Upper Bone Spring pool in Sections 5 and 8 will likely be assigned to the QUAIL RIDGE;BONE SPRING, SOUTH [50461] pool.

County, New Mexico. Said unit will be initially dedicated to the proposed **Bane 4-9 Federal Com 201H well**, to be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 4, Township 20 South, Range 34 East, to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 9, Township 20 South, Range 34 East, targeting the Lower Portion of the Quail Ridge, Wolfbone Pool, (Pool Code 98396). An ownership depth severance exists in the Wolfbone Pool within the proposed horizontal well spacing unit. Accordingly, Permian seeks to pool only a portion of the Wolfbone Pool within this spacing unit, measured from the stratigraphic equivalent of approximately 10,876 feet, measured depth, to the stratigraphic equivalent of the base of the Wolfcamp A shale, located at approximately 11,236 feet measured depth, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30- 025-31056).

4. Lot 3 (NE/4 NW/4 equivalent), the SE/4 NW/4, and the E/2 SW/4 of Section 4 and the E/2 W/2 of Section 9, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Bane 4-9 Federal Com 112H, 123H, 124H, and 172H wells**, to be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 4, Township 20 South, Range 34 East, to bottom hole locations in the SE/4 SW/4 (Unit N) of Section 9, Township 20 South, Range 34 East, targeting the Bone Spring Pool.

5. Lot 3 (NE/4 NW/4 equivalent), the SE/4 NW/4, and the E/2 SW/4 of Section 4 and the E/2 W/2 of Section 9, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Bane 4-9 Federal Com 132H well**, to be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 4, Township 20 South, Range 34 East, to bottom hole locations in the SE/4 SW/4 (Unit N) of Section 9, Township 20 South, Range 34 East, targeting the Upper Portion of the Quail Ridge, Wolfbone Pool, (Pool Code 98396). An ownership depth severance exists in the Wolfbone Pool within the proposed horizontal well spacing unit. Accordingly, Permian seeks to pool only a portion of the Wolfbone Pool within this spacing unit, measured from the top of the Third Bone Spring Sand interval, located at approximately 10,598 feet measured depth, to the stratigraphic equivalent of approximately 10,876 feet, measured depth, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30-025-31056).

6. Lot 3 (NE/4 NW/4 equivalent), the SE/4 NW/4, and the E/2 SW/4 of Section 4 and the E/2 W/2 of Section 9, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Bane 4-9 Federal Com 202H well**, to be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 4, Township 20 South, Range 34 East, to a bottom hole location in the SE/4 SW/4 (Unit N) of Section 9, Township 20 South, Range 34 East, targeting the Lower Portion of the Quail Ridge, Wolfbone Pool, (Pool Code 98396). An ownership depth severance exists in the Wolfbone Pool within

the proposed horizontal well spacing unit. Accordingly, Permian seeks to pool only a portion of the Wolfbone Pool within this spacing unit, measured from the stratigraphic equivalent of approximately 10,876 feet, measured depth, to the stratigraphic equivalent of the base of the Wolfcamp A shale, located at approximately 11,236 feet measured depth, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30- 025-31056).

7. Lot 2 (NW/4 NE/4 equivalent), the SW/4 NE/4, and the W/2 SE/4 of Section 4 and the W/2 E/2 of Section 9, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be dedicated to the following proposed initial wells targeting the Bone Spring Pool:

    - **Bane 4-9 Federal Com 113H and 173H wells**, to be horizontally drilled from a surface location in the NW/4 NE/4 (Lot 2) of Section 4, Township 20 South, Range 34 East, to bottom hole locations in the SW/4 SE/4 (Unit O) of Section 9, Township 20 South, Range 34 East; and

    - **Bane 4-9 Federal Com 125H and 126H wells**, to be horizontally drilled from a surface location in the NE/4 NE/4 (Lot 1) of Section 4, Township 20 South, Range 34 East, to bottom hole locations in the SW/4 SE/4 (Unit O) of Section 9, Township 20 South, Range 34 East.

8. Lot 2 (NW/4 NE/4 equivalent), the SW/4 NE/4, and the W/2 SE/4 of Section 4 and the W/2 E/2 of Section 9, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be dedicated to the **Bane 4-9 Federal Com 133H well**, to be horizontally drilled from a surface location in the NE/4 NE/4 (Lot 1) of Section 4, Township 20 South, Range 34 East, to bottom hole locations in the SW/4 SE/4 (Unit O) of Section 9, Township 20 South, Range 34 East, targeting the Upper Portion of the Quail Ridge, Wolfbone Pool, (Pool Code 98396). An ownership depth severance exists in the Wolfbone Pool within the proposed horizontal well spacing unit. Accordingly, Permian seeks to pool only a portion of the Wolfbone Pool within this spacing unit, measured from the top of the Third Bone Spring Sand interval, located at approximately 10,598 feet measured depth, to the stratigraphic equivalent of approximately 10,876 feet, measured depth, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30- 025-31056).

9. Lot 2 (NW/4 NE/4 equivalent), the SW/4 NE/4, and the W/2 SE/4 of Section 4 and the W/2 E/2 of Section 9, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Bane 4-9 Federal Com 203H well**, to be horizontally drilled from a surface location in the NE/4 NE/4 (Lot 1) of Section 4, Township 20 South, Range 34 East, to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 9, Township 20 South, Range 34 East, targeting the Lower Portion of the Quail Ridge, Wolfbone Pool, (Pool Code 98396). An ownership depth severance exists in the Wolfbone Pool within the

proposed horizontal well spacing unit. Accordingly, Permian seeks to pool only a portion of the Wolfbone Pool within this spacing unit, measured from the stratigraphic equivalent of approximately 10,876 feet, measured depth, to the stratigraphic equivalent of the base of the Wolfcamp A shale, located at approximately 11,236 feet measured depth, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30- 025-31056).

10. Lot 1 (NE/4 NE/4 equivalent), the SE/4 NE/4, and the E/2 SE/4 of Section 4 and the E/2 E/2 of Section 9, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Bane 4-9 Federal Com 114H, 127H, 128H, and 174H wells**, to be horizontally drilled from a surface location in the NE/4 NE/4 (Lot 1) of Section 4, Township 20 South, Range 34 East, to bottom hole locations in the SE/4 SE/4 (Unit P) of Section 9, Township 20 South, Range 34 East, targeting the Bone Spring Pool.

11. Lot 1 (NE/4 NE/4 equivalent), the SE/4 NE/4, and the E/2 SE/4 of Section 4 and the E/2 E/2 of Section 9, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Bane 4-9 Federal Com 134H well**, to be horizontally drilled from a surface location in the NE/4 NE/4 (Lot 1) of Section 4, Township 20 South, Range 34 East, to bottom hole locations in the SE/4 SE/4 (Unit P) of Section 9, Township 20 South, Range 34 East, targeting the Upper Portion of the Quail Ridge, Wolfbone Pool, (Pool Code 98396). An ownership depth severance exists in the Wolfbone Pool within the proposed horizontal well spacing unit. Accordingly, Permian seeks to pool only a portion of the Wolfbone Pool within this spacing unit, measured from the top of the Third Bone Spring Sand interval, located at approximately 10,598 feet measured depth, to the stratigraphic equivalent of approximately 10,876 feet, measured depth, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30- 025-31056).

12. Lot 1 (NE/4 NE/4 equivalent), the SE/4 NE/4, and the E/2 SE/4 of Section 4 and the E/2 E/2 of Section 9, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Bane 4-9 Federal Com 204H well**, to be horizontally drilled from a surface location in the NE/4 NE/4 (Lot 1) of Section 4, Township 20 South, Range 34 East, to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 9, Township 20 South, Range 34 East, targeting the Lower Portion of the Quail Ridge, Wolfbone Pool, (Pool Code 98396). An ownership depth severance exists in the Wolfbone Pool within the proposed horizontal well spacing unit. Accordingly, Permian seeks to pool only a portion of the Wolfbone Pool within this spacing unit, measured from the stratigraphic equivalent of approximately 10,876 feet, measured depth, to the stratigraphic equivalent of the base of the Wolfcamp A shale, located at approximately 11,236 feet measured depth, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30- 025-31056).

A depiction of Permian Resource's proposed development, identifying the above-described spacing units by depth, is included for reference below:

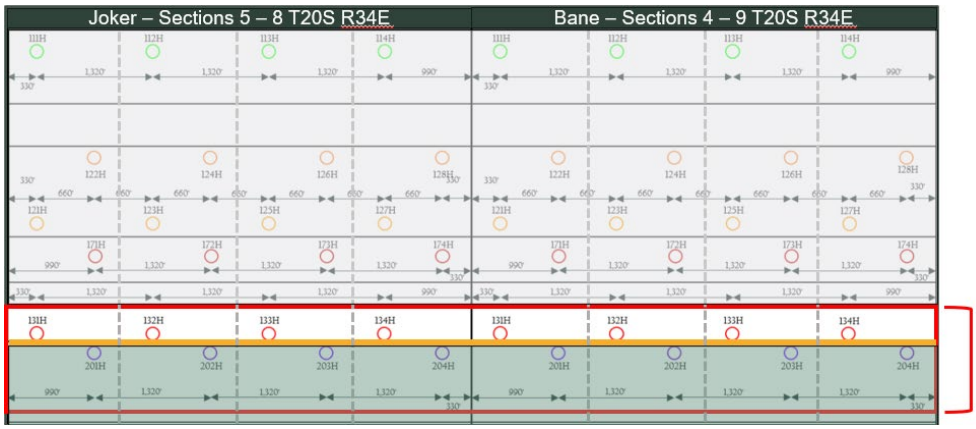

Fig. 1: For each of its two developments, Joker and Bane, Permian proposes 4 spacing units in the Upper Bone Spring (Depth Spacing Unit 1), 4 in the Upper Wolfbone (Depth Spacing Unit 2), and 4 in the Lower Wolfbone (Depth Spacing Unit 3).

Permian Resources has sought and been unable to obtain voluntary agreement for the development of these lands from all interest owners in the proposed spacing units. The pooling of interests will allow Permian Resources to obtain a just and fair share of the oil and gas underlying the subject lands, avoid the drilling of unnecessary wells, and will prevent waste and protect correlative rights.

III. Overview of Coterra's Development Plan

Coterra proposes a competing development plan in the same acreage Permian Resources seeks to develop with its initial proposed wells. A graphical depiction of Coterra's initial proposed wells its Mighty Pheasant/Loosey Goosey development is depicted below:

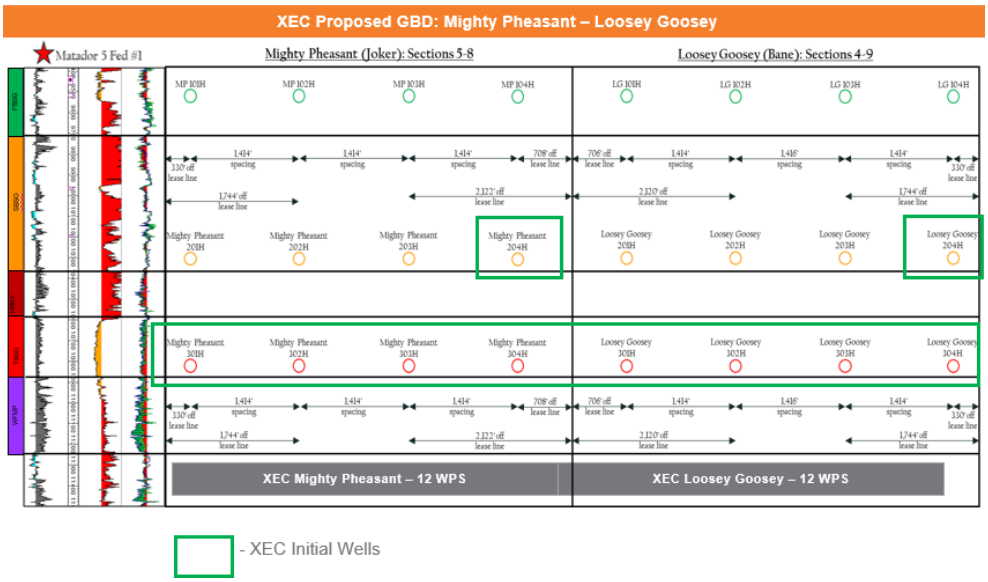

Fig. 2: For each of its development plans (Mighty Pheasant and Loosey Goosey), Coterra initially proposes 4 wells per Section spacing for the basal Third Bone Spring within the Wolfbone pool, but only 1 Second Bone Spring well for the Upper Bone Spring pools.

Of note, Coterra plans to initially drill only one Second Bone Spring well in each of its proposed developments (204H series wells), leaving three-quarters of each recently amended Bone Spring pool without an initial well in the W/2 and W/2 E/2 of Sections 5 and 8, and the W/2 and W/2 E/2 of Sections 4 and 9. *See* Cimarex Applications in Case Nos. 23448-23455 and 23594-23601. Setting aside the problem that Coterra effectively has no spacing units with initial wells directly competing against Permian's full development of the Bone Spring pools across the Subject Acreage—and has done nothing to address that issue since creation of the Wolfbone Pool in this acreage—Coterra's anemic initial development plan will create stark parent-child depletion effects within the Bone Spring pools, resulting in stranded reserves. Even considering Coterra's proposed full development plan for the Bone Spring pool, which proposes only four-well-per-section spacing at maximum development, Coterra's plan will strand reserves in that zone that requires co-development using eight-well-per-section spacing to avoid parent-child depletions and maximize recovery.

As to the deeper targets, Coterra postures it can capture the Upper Wolfcamp reserves through its proposed basal Third Bone Spring wells because no frac baffles prevent production

across the formations within the pool. Drilling only basal Third Bone Spring wells, however, will severely and irreparably harm Wolfcamp owners' correlative rights. And, as alluded to above, it will also result in substantial waste by permanently stranding reserves in the Wolfcamp because there are no frac baffles between the pools to prevent parent-child depletion effects in later-drilled Wolfcamp wells deeper in the Wolfbone pool. Moreover, as proven by Permian Resource's offsetting development, failure to co-develop these Wolfbone benches results in a lower ultimate recovery from the basal Third Bone Spring wells. Finally, Coterra's proposed unsupported, foreign, and made-up allocation formula would violate the requirement of the Oil and Gas Act to allocate production under compulsory pooling orders among owners "to the respective tracts within the unit in the proportion that the number of surface acres included within each tract bears to the number of surface acres included in the entire unit." NMSA 1978 § 70-2-17(C). Coterra is unable to provide any valid legal or factual basis to diverge from this statutory mandate. Critically, Coterra failed to include in its applications a request for relief from the statutorily mandated allocation of production on a surface acreage basis or a proposed alternative allocation method. *See* 19.15.4.8(A)(4) NMAC (requiring applications to include the "general nature of the order sought"). Because Coterra did not state that it seeks an order modifying the statutorily required allocation method in its applications, or a proposed alternative, it has no basis to seek that relief before the Commission in this de novo proceeding.

The ownership depth severance, which makes mineral ownership across the Wolfbone pool non-uniform, makes it is impossible under Coterra's plan to allocate production and costs across all owners in its Wolfbone pool spacing units on an "acreage basis" as required by

statute.[6] Under Coterra's plan, Wolfcamp owners would not be allocated production in accordance with their prorated share of surface ownership in the Wolfcamp but would be instead apportioned only approximately 27.2% of the production based on Coterra's proposed Phi*Ht calculation. The other 72.8% would be allocated to Bone Spring owners using the same Phi*Ht analysis. Use of Phi*Ht is flawed for a multitude of reasons. Phi*Ht it is not a reliable, proven, or accurate predictor of oil production in this area, and the way Coterra calculated its formula is also flawed at its very foundation. Coterra uses only the Third Bone Spring and Wolfcamp XY intervals to calculate its proposed Phi*Ht allocation formula even though Coterra asserts that its Wolfbone wells will produce the entire pool, which includes the Wolfcamp A interval. *See* Cimarex Application for a Special Pool at ¶ 20, Case No. 24541.[7] Coterra completely excludes the Phi*Ht contributions of the Wolfcamp A shale in the special Wolfbone pool in its total Phi*Ht calculation. Coterra's allocation formula thus ignores oil-bearing porosity in the Wolfcamp A Shale portion of the pool, which accounts for 42% of the Phi*Ht in the Wolfbone Pool. This alone makes Coterra's proposed allocation formula invalid on its face. This fact forcefully demonstrates the inherent impairment to Wolfcamp owners where Coterra contends that its proposed basal Third Bone Spring wells "will produce the entire Wolfbone pool, such that a specified percentage, 72.8%, will be produced from the Third Bone Spring formation and a certain percentage, 27.2%, will be produced from the Upper Wolfcamp formation." *See id.* at ¶ 28, Case No. 24541 (emphasis added).

In contrast, Permian Resources' proposal complies with the Oil and Gas Act mandate to allocate production under compulsory pooling orders among owners on a surface acreage basis—

[6] Permian Resources' plan addresses the non-uniform ownership issue by creating separate spacing units for each segment of the Wolfbone pool where ownership is uniform. Accordingly, Permian proposes separate spacing units for the Upper Wolfbone pool and for the Lower Wolfbone Pool.
[7] https://ocdimage.emnrd.nm.gov/Imaging/FileStore/santafe/cf/20240514/24541_05_14_2024_11_38_51.pdf.

and is supported by the same impacted owners. Coterra's proposed violation of an express statutory mandate gives rise to a per se impairment of Wolfcamp owner's correlative rights. Permian Resources' offsetting Batman co-development appraisal confirms Coterra's plan will materially impair not just Wolfcamp owners, but Bone Spring owners, as well. Co-development of the two target Wolfbone intervals is confirmed to be necessary to obtain incremental reserves that would otherwise remain stranded and unrecovered from both intervals within the Wolfbone. Permian Resources' updated analysis of its co-development proposal compared to the stand-alone Third Bone Spring development proposed by Coterra is dispositive—Coterra's proposed development will cause waste.

In addition to contradicting the express statutory mandate to allocate production on an acreage basis, Coterra's proposed allocation formula is neither accurate nor valid, and it fails to protect correlative rights. Furthermore, because Coterra did not request relief from the mandatory allocation formula in its pooling applications—even generally—it has no basis to seek an alternative allocation methodology from the Commission in this de novo proceeding.

IV. Coterra's Impairment and Takings Claims are Unsupported by Law or Fact.

Coterra's 35-page Prehearing Motion filed on August 30, 2025, misapprehends the elements of what is required to make out a claim that correlative rights may be impaired and that a regulatory taking may occur.

The term "correlative rights" is defined as:

> The opportunity afforded, as far as it is practicable to do so, to the owner of each property in a pool to produce without waste the owner's just and equitable share of the oil or gas in the pool, being an amount, so far as can be **practicably determined**, and so far as can be **practicably obtained without waste**, substantially in the proportion that the **quantity of recoverable oil or gas or both under the property bears to the total recoverable oil or gas or both**

> **in the pool**, and for the purpose to use the owner's just and equitable share of the reservoir energy.

Id. § 70-2-33(H) (emphasis added). When parties own oil and gas interests in the same pool, the "correlative right is having the opportunity to produce, not having a guaranteed share of production. Once the state has afforded that opportunity, it has protected the correlative rights of a party; it need not ensure a share of production to a party." Williams & Meyers, *supra* § 204 (quotation omitted and emphasis added). Correlative rights can be summarized as "(1) an opportunity to produce, (2) only insofar as it is **practicable** to do so, (3) **without waste**, (4) a proportion, (5) insofar as it can be **practically determined** and obtained **without waste**, (6) of the gas in the pool." *Cont'l Oil Co.,* 1962-NMSC-062, ¶ 27 (emphases added).

Before correlative rights may be effectively protected, the Commission must make certain basic findings. *See id.* The four most salient findings "**without which the correlative rights of the various owners cannot be ascertained**," are: "(1) the amount of recoverable [hydrocarbons] under each producer's tract; (2) the total amount of recoverable [hydrocarbons] in the pool; (3) the proportion that (1) bears to (2); and (4) what portion of the arrived at proportion can be recovered without waste." *Id*. ¶ 12. "**That the extent of the correlative rights must first be determined before the commission can act to protect them is manifest.**" *Id*.

Determining the extent of correlative rights is a threshold issue that precedes the Commission's ability to protect those rights, but such determination must be practicable. *See* NMSA, § 70-2-33(H) (defining correlative rights as the opportunity afforded to owners in a pool "so far as it is practicable to do so" to recover an amount of oil and gas "so far as can be practicably determined" and "practicably obtained"). To "comply with

the mandate of the statute," Coterra must establish, "so far as can be practicably determined," that there is a "**certain amount**" of oil in the pool, a "**certain amount**" of oil within its proposed spacing units, and that "a **determined amount**" of oil "could be produced and obtained **without waste**." *Cont'l Oil Co.,* 1962-NMSC-062, ¶ 28 (emphasis added).

In *Grace*, the plaintiff (alleging waste and impairment of correlative rights) challenged OCC's order as arbitrary and capricious because it "failed to determine the amount of recoverable gas under each producer's tract or in the pool," and argued such determination was possible and required. *Grace v. Oil Conservation Comm'n*, 1975-NMSC-001, ¶ 15. But the New Mexico Supreme Court upheld OCC's findings, in part, because data in that case were "not sufficiently reliable to practicably determine recoverable reserves[.]" *Id*. ¶¶ 23-34. Thus, *Grace* allows the OCC to enter orders where the evidentiary record establishes that data "are not sufficiently reliable to **practicably** determine recoverable reserves." 1975-NMSC-001, ¶¶ 24, 30 (emphasis added). The exception created in *Grace*, applicable where evidence shows it is not possible to obtain data necessary to determine quantities of recoverable hydrocarbons, is applicable here after the necessary evidentiary showing is made.

Because the evidence in *Grace* established there was no practicable way to ascertain the quantities of recoverable reserves required to determine the extent of each owners' correlative rights, the OCC implemented an allocation using a "100% surface acreage formula," in a manner similar to the mandated allocation for compulsory pooling orders. 1975-NMSC-001, ¶¶ 3, 24. In *Grace*, however, the matter pending before the Commission was not a compulsory pooling order, as it is here, but a gas

proration order during the time when gas prorationing was still in effect. Unlike compulsory pooling orders, allocation under gas proration orders is not statutorily defined and the OCC is free to determine an appropriate method of allocation based on the evidence. *See, e.g.*, § 70-2-16(C). With the evidence showing it was not practical to determine recoverable reserves, the OCC found that "adoption of a 100% surface acreage formula" was reasonable and protected correlative rights. *Grace*, 1975-NMSC-001, ¶ 23.

The Plaintiffs in *Grace* challenged those findings, contending the OCC failed to protect their correlative rights and deprived them of their property without due process. *Id.* ¶ 6. The Supreme Court rejected those arguments, finding that the OCC's order sufficiently established that it was not practicable to ascertain recoverable reserves for purposes of allocating production and that a 100% surface acreage allocation formula was reasonable. In rejecting Plaintiffs' takings claim, the Supreme Court further held

> **Prevention of waste is paramount**, and private rights, such as prevention of drainage not offset by counterdrainage **and correlative rights must stand aside until it is practical to determine the amount of [hydrocarbons] underlying each producer's tract or in the pool**.

Grace, 1975-NMSC-001, ¶ 29 (emphasis added).

In this case, Coterra has made no effort to establish the extent of its correlative rights under the elements set out in *Continental Oil*. *See* 1962-NMSC-062, ¶¶ 12, 28. Nor has Coterra established it is not practicable to do so, as required in *Grace*. 1975-NMSC-001, ¶¶ 24, 30. Instead, without first establishing the proper evidentiary foundation, Coterra asserts its made-up Phi*Ht allocation formula is a valid and accurate stand-in for determining correlative rights, impairment, and a regulatory taking because it is "reasonable" and "logical." *See* Coterra Prehearing Mot. at 32. Not only is

that contrary to long-standing Supreme Court precedent and legally invalid, but it is also factually inaccurate. As explained above, the data and evidence prove that Phi*Ht is not a reliable, accurate, or valid method for allocating production in this area. On its face, it also fails to account for more than 40% of the Phi*Ht in the Wolfcamp that comprises the Wolfbone pool. Moreover, using Coterra's proposed methodology with its single-bench development plan targeting only the basal Third Bone Spring, would result in substantially less production for both Bone Spring and Wolfcamp owners than Permian Resources' co-development plan, as confirmed by offsetting production data. Thus, Coterra cannot show that its development plan and allocation method can be implemented without waste, as required. *See Cont'l Oil Co.,* 1962-NMSC-062, ¶ 28.

Accordingly, no claim for a regulatory taking lies where Coterra is unable to establish in the first instance the extent of their correlative rights or that their proxy measurement is a legally and factually proper substitute for the requirements in *Continental Oil* and *Grace*. Moreover, Coterra is unable to prove that its plan and allocation method can be implemented without causing waste, as required, where incremental reserves will remain untapped and stranded. Even setting aside those defects, Coterra's claims fail where offsetting production confirms co-development results in substantially greater reserves in both the Bone Spring and Wolfcamp targets than their competing single-bench proposal. In other words, there is no valid claim for a regulatory taking when Permian's development plan demonstrably results in a greater share of production for Coterra than Coterra's own competing plan.

V. Coterra's Cases and Authorities Do Not Support its Arguments

Contrary to Coterra's assertion, depth severances in pools are common but imposition of non-surface-acreage allocation formulas in compulsory pooling orders are exceedingly rare because it contradicts the statutory mandate. Far more common—especially since the advent of drilling horizontal wells—is the compulsory pooling of vertically severed portions of pools to preserve uniform ownership and effect the statutorily mandated allocation of production on a strictly surface-acreage basis. *See, e.g.*, Order Nos. R-21582, R-21583, R-21580, R-21579, R-22222, R-20642, R-20643, R-20703, R-20704. This is the approach that is required by statute and—contrary to Coterra's assertion—is the long-standing practice of the Division and Commission.

At the Division hearing in these matters, Coterra counsel reflected this understanding when he pointed out to the Division Technical Examiner that when there is an ownership difference within the same pool, "under permit [sic] interpretations of the statute and regulations, you account for a severance by—you know, if you want to produce below the severance, you have to do a separate well bore as I am sure you know." OCD Hearing, Aug. 9, 2023, Tr. 212:13-17 (emphasis added). This comment shows Coterra counsel agrees that when there is a depth severance in a pool separate spacing units are required above and below the depth severance and separate completed well bores are required to produce each spacing unit, *i.e.*, each spacing unit requires its own completed well bore to be dedicated to it.

The cases and authorities Coterra references in its Prehearing Motion do not support the proposition that alternative allocation formulas in compulsory pooling orders are generally authorized or common—in fact, they establish just the opposite.

First, as to Order R-12094, the Division issued a compulsory pooling order for a vertical well where undisputed testimony established that the proposed allocation formula was necessary for the well to be drilled because the parties were unable to reach agreement on an allocation formula and without an allocation formula the well would not be drilled, resulting in waste. Because this was before the advent of horizontal wells, there was no other way to produce the targeted minerals other than by drilling a vertical well. Notably, no party opposed the proposed allocation formula and no party contested the compulsory pooling. The Division adopted the uncontested proposed allocation formula that diverged from the required mandatory surface allocation because the undisputed evidence was that doing so was necessary to drill the well, produce the reserves, and prevent waste. Those facts are not analogous to the cases before the Commission here, where Coterra's proposed allocation method is heavily disputed, there is evidence that the proposed allocation formula cannot accurately account for the source of production, facially misrepresents the Phi*Ht ratios in the Wolfbone pool, will harm working interest owners, and the standard statutory surface acreage allocation can be applied and will actually result in a greater share of production for all minerals owners through co-development. Coterra can find no support for its arguments in Order R-12094.

Second, Coterra cites Division Order No. R-21165 where the applicant proposed an allocation formula to account for multiple ownership depth severances within the Wolfcamp pool.[8] Again, no party opposed compulsory pooling or the proposed allocation formula. Most importantly, the applicant proffered no technical evidence or testimony to substantiate the basis for the allocation formula proposed or why it should be adopted over the statutorily mandated

[8] It should be noted that, unlike Coterra here, the applicant in Case No. 20869 underlying Order No. R-21165 included a request to approve an alternative method to allocate production in the application, complying with 19.15.4.8(A)(4) NMAC.

allocation. Similarly, Order No. R-21165 provides no findings that support the Division's adoption of the proposed allocation formula over the statutory requirement. Order No. R-21165 was issued following an uncontested case and, therefore, was not subject to the crucible of the adversarial process that would normally bring such legal and factual defects to light. Order No. R-21165 contravenes the express mandate of the Oil and Gas Act without any factual or legal basis and should be considered invalid.

Third, Coterra refers to Order Nos. R-12283 and R-13137, attached as **Exhibits A and B**, respectively. Because these are compulsory pooling orders dealing with vertical wells many of the details cited are neither relevant nor applicable here. Nevertheless, neither order imposes an allocation of costs on non-consenting pooled parties that vary from what is required under the governing statute. The statute provides

> **Such pooling order of the division shall make definite provision as to any owner, or owners, who elects not to pay his proportionate share in advance for the prorata reimbursement solely out of production to the parties advancing the costs of the development and operation**, which shall be limited to the actual expenditures required for such purpose not in excess of what are reasonable, but which shall include a reasonable charge for supervision and may include a charge for the risk involved in the drilling of such well, which charge for risk shall not exceed two hundred percent of the nonconsenting working interest owner's or owners' prorata share of the cost of drilling and completing the well.

NMSA 1978, § 70-2-17(C) (emphasis added). Both orders paraphrase the requirements of the statute as to imposition of costs without variance. *See* Ex. A, Order No. R-12283 at decretal ¶¶ 13-14; Ex. B, Order No. R-13137 at decretal ¶¶ 12-13. In addition, the parties to Order R-12283 stipulated that the order should be vacated and dismissed, giving it no effect for purposes of precedent or authority. *See* Order No. R-12283-A, attached as **Exhibit C**. These orders provide no support for Coterra's arguments in favor of adopting an allocation of production that diverges from the statutory mandate.

Fourth, Coterra cites Case No. 20169 where the applicant originally proposed an allocation formula as part of the compulsory pooling but withdrew it after the affected mineral owner reached an agreement on a different allocation with the applicant. Accordingly, the Division entered Order No. R-21026 without a special allocation provision. Case No. 20169 and Order No. R-21026 provide no support for Coterra's argument.

Fifth, Coterra cites OCC Case No. 4763 for the proposition that Order No. R-4353-A did "did not utilize surface acreage" as a basis for allocation. Rather than cite the actual Commission Order, Coterra quotes the Supreme Court opinion that affirms the Commission's decision on this compulsory pooling case. It notes that the OCC employed "a participation formula giving each owner in the unit a share in production in the same ratio as his acreage bears to the acreage of the whole units." Coterra Mot. at 28 (quoting *Rutter & Wilbanks Corp. v. Oil Conservation Comm'n*, 1975-NMSC-006, ¶ 27, 532 P.2d 582, 588). Contrary to Coterra's contention, this is simply the Court's restatement of the applicable statutory mandate for allocating on a surface acreage basis. *See* § 70-2-17(C). The Supreme Court simply paraphrased the statute. This is confirmed by reviewing Order No. R-4353-A, attached as **Exhibit D**, which makes no provision for a different allocation. In the absence of a special allocation provision the statutory allocation governs, and production is allocated on a surface acreage basis, just as the Supreme Court noted.

Finally, Coterra cites the *Santa Fe Exploration Co. v. Oil Conservation Commission* case. 1992-NMSC-044, 835 P.2d 819. However, the analysis in that case and the underlying Commission Order No. R-9035 involve allocation of oil allowables as between producers across a pool under Section 70-2-16(A) and have no bearing on the analysis of a compulsory pooling case subject to the requirements of Section 70-2-17(C). Section 70-2-16(A) provides that

> Whenever, to prevent waste, the total allowable production of crude petroleum oil for any field or pool in the state is fixed by the oil conservation division in an amount less than that which the field or pool could produce if no restriction were imposed, the division shall prorate or distribute the allowable production among the producers in the field or pool upon a reasonable basis and recognizing correlative rights.

(emphasis added). This gives the Commission broad authority to allocate as necessary in a manner protective of correlative rights when enforcing allowables. Order No. R-9035 makes clear that compulsory pooling is not at issue; instead, the Commission invoked its authority to enforce oil allowables and allocate production in an equitable manner across a pool—not within a force-pooled spacing unit. *See* Order No. R-9035, attached as **Exhibit E**. In contrast, Section 70-2-17(C) is applicable only to compulsory pooling orders and expressly limits the Commission's authority to allocate production to owners within a spacing unit on an acreage basis.

While the Commission has broad authority when enforcing allowables to implement allocation methodologies across a pool based on the evidence, it is required to allocate production within a spacing unit on a surface acreage basis under compulsory pooling orders. Coterra substantially misapprehends the analysis in *Santa Fe Exploration Co.* and erroneously attempts to apply its analysis and holding to the context of compulsory pooling. The *Santa Fe Exploration Co.* case and its analysis and holding are inapposite here.

Coterra's position rests on mischaracterizations of both statute and precedent. The decisions cited by Coterra are either factually distinguishable, legally infirm, or, as in the case of uncontested or vacated orders, devoid of any precedential value. None authorizes the Commission to jettison the compulsory-pooling mandate that production be allocated strictly on the basis of surface acreage. By contrast, the plain text of Section 70-2-17(C), the Commission's modern practice in horizontal development, and the uncontested line of orders compelling separate spacing

units above and below depth severances all converge on a single, immutable rule: allocation formulas that deviate from surface acreage are permissible only where every affected owner consents or where undisputed technical evidence establishes that such a deviation is the sole means of preventing waste—circumstances conspicuously absent here. Because Coterra neither requested the requisite relief in its applications cannot carry its burden to demonstrate that an alternative allocation is necessary, its proposed formula contravenes legal authority and cannot be adopted in these proceedings. The Commission should therefore deny Coterra's Prehearing Motion and its competing applications, reaffirm the statutory surface-acreage allocation, uphold the Division's Order and proceed to affirm Permian Resources' co-development proposal—which alone comports with the Oil and Gas Act, safeguards correlative rights, and maximizes recovery for all owners—so that these valuable reserves may be produced without waste and in full accordance with New Mexico law.

APPLICANT'S PROPOSED EVIDENCE

WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Mark Hajdik, Landman and/or Patrick Godwin, Landman Mr. Hajdik and/or Mr. Godwin will provide an overview of Permian's development plan and testify on its well proposals, AFEs, parties it is seeking to pool, ownership interests, working interest support, good-faith efforts to reach agreement, and a proposed special provision for the pooling order addressing the timing and sequence of cost payments.	Approx. 45 minutes	Exhibit C and C-1 through C-20 Mr. Godwin's resume is marked C-21
Davro Clements, Facilities Engineer Mr. Clements will testify regarding Permian's facilities design, its siting	Approx. 20 minutes	Exhibit D and D-1 through D-6

consideration, habitat issues, water and gas takeaway, and gas capture.		
Ira Bradford, Petroleum Geologist Mr. Bradford will testify on the geologic considerations between the parties competing development plans, the new Wolfbone pool, co-development of the Wolfbone zones, problems with Coterra's proposed allocation formula, and the geologic targets for each of Permian's proposed wells.	Approx. 1 hour	Exhibit E and Exhibits E-1 through E-30
Carlos Sonka, Reservoir Engineer Mr. Sonka will provide an engineering analysis of the competing development plans, confirming the necessity of co-developing the benches in the Bone Spring and Wolfbone pools to avoid depletion, as confirmed by projects in immediately offsetting acreage. He also will testify regarding the invalidity of Coterra's proposed Phi*Ht allocation methodology.	Approx. 1 hour	Exhibit F and Exhibit F-1 through F-18

The qualifications for each witness are contained in the exhibits filed with this prehearing statement.

PROCEDURAL MATTERS

Permian Resources reserves the right to present rebuttal testimony and exhibits in response to the exhibits and testimony presented by Coterra at the hearing in this matter, including the right to call rebuttal witnesses not identified in this prehearing statement.

The parties have conferred and stipulated to a number of evidentiary and procedural matters that was memorialized in an email to Director Chang on Tuesday, September 9, 2025, that counsel understands will be made part of the record.

DATED: September 11, 2025

Respectfully submitted,

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By: 

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ATTORNEYS FOR READ & STEVENS, INC. AND PERMIAN RESOURCES OPERATING, LLC

CERTIFICATE OF SERVICE

I hereby certify that on September 11, 2025, I served a copy of the foregoing document and the accompanying exhibits to the following counsel of record via Electronic Mail:

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EXHIBIT A

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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 13359
ORDER NO. R-12283

APPLICATION OF MEWBOURNE OIL COMPANY FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 21 and on December 2, 2004, at Santa Fe, New Mexico before Examiner Michael E. Stogner.

NOW, on this 15th day of February, 2005, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT;

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) Mewbourne Oil Company ("Mewbourne" or "Applicant") seeks an order pooling all uncommitted mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 9, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico, in the following manner:

> (a) the N/2 to form a standard 320-acre lay-down gas spacing unit ("the 320-acre Unit") for any and all formations and/or pools developed on 320-acre spacing within that vertical extent [see Division Rule 104.C(2)], which presently include but are not necessarily limited to the Undesignated Osudo-Morrow Gas Pool (82120) and Undesignated South Osudo-Morrow Gas Pool (82200);

(b) the NE/4 to form a standard 160-acre gas spacing unit ("the 160-acre Unit") for any and all formations and/or pools developed on 160-acre spacing within that vertical extent and pursuant to Division Rule 104.C (3), which presently include but are not necessarily limited to the Undesignated South Osudo-Wolfcamp Gas Pool (82280) and Undesignated Wilson-Wolfcamp Gas Pool (87560), both of which were created and defined prior to November 1, 1975 (see the Division Director's notice to all operators, mineral interest owners, and interested parties dated October 25, 1999), and the Undesignated Wilson-Yates Seven Rivers Associated Pool (64600), which pool is governed by the provisions of the *"General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico,"* as promulgated by Division Order No. R-5353, as amended, and the *"Special Rules and Regulations for the Wilson Yates-Seven Rivers Associated Pool"* as promulgated by Division Order No. R-9645; and

(c) the SE/4 NE/4 (Unit H) to form a standard 40-acre oil spacing and proration unit ("the 40-acre Unit") for any and all formations and/or pools developed on 40-acre spacing within that vertical extent and pursuant to Division Rule 104.B (1), which presently include but are not necessarily limited to the Undesignated Osudo-Wolfcamp Pool (48140) and Undesignated Osudo-Strawn Pool (48120), and the Undesignated Eumont Gas Pool (22800), which pool is governed by the provisions of the *"Special Pool Rules for the Eumont Gas Pool,"* as promulgated by Division Order No. R-8170-P, issued in Case No. 12563 on December 14, 2001.

(3) The three above-described Units ("the three Units") are to be dedicated to the Applicant's proposed Osudo "9" State Com. Well No. 1 (API No. 30-025-36828) to be drilled at a standard location for all three of the above-described Units 1980 feet from the North line and 660 feet from the East line of Section 9.

(4) Mr. James D. Finley of Fort Worth, Texas **("Finley")** and Chesapeake Operating, Inc. of Oklahoma City, Oklahoma ("Chesapeake"), who own interests in the N/2 of Section 9, entered appearances in this matter. Finley presented a witness at the second hearing in this case.

(5) Two or more separately owned tracts are embraced within the three Units, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the three Units that are separately owned.

(6) Applicant is an owner of an oil and gas working interest within the three Units and therefore has the right to drill for and develop the minerals underlying these Units.

(7) At this time, however, not all of the interest owners within the N/2 of Section 9 have agreed to pool their interests.

(8) The testimony presented in this case shows the following:

(a) The lands being pooled are comprised of two tracts of state lands, being the NW/4 of Section 9 (State Lease No. V-07049-0001) and the NE/4 of Section 9 (State Lease No. E-01732-0009);

(b) Since the start of these proceedings, Chesapeake, who at the time was the sole working interest owner of the NW/4 of Section 9, has voluntarily executed an operating agreement with Applicant, designating Applicant as operator of the proposed well; therefore, that portion of this case seeking to pool 320-acre Units may be dismissed:

(c) The NE/4 of Section 9 is depth severed with rights from the surface to 10,000 feet being owned by Finley as to a 96.875% working interest and Applicant as to the remaining 3.125% working interest; for depths below 10,000 feet, Applicant owns 100% of the working interests;

(d) Chesapeake voluntarily signed an operating agreement with Mewbourne, under which it acquired one-half of Applicant's 3.125% working interest in the NE/4 of Section 9 above 10,000 feet subsurface, and Chesapeake has voluntarily agreed that the Applicant be the operator as to those depths;

(e) Subsequent to Chesapeake signing an operating agreement with Mewbourne, Finley and Chesapeake entered into an agreement to share their interests in the N/2 of Section 9; therefore, Finley is subject to the operating agreement to the extent of his interest derived from Chesapeake;

(f) As a result, Finley's interest in the NE/4 of Section 9 above 10,000 feet is not subject to a voluntary agreement, except for the interest he derives from Chesapeake, if any; and

(g) Applicant has been negotiating with Finley since July, 2004 to obtain a voluntary joinder in the proposed well.

(9) At the hearing, Mewbourne requested that the uncommitted working interest in the NE/4 of Section 9 above 10,000 feet be pooled only for a completion attempt in an up-hole zone, spaced on 40 or 160 acres, which occurs within 120 days of well commencement under the ordering provisions of this order. Applicant proposes that the uncommitted interest be asked to pay its share of drilling costs from the surface to 100 feet below the deepest perforation if there is such a completion attempt; the uncommitted interest will not be responsible for the costs of pipe, logs, etc. that are associated with operations or completion attempts which have previously been attempted in the wellbore below 10,000 feet; and because an up-hole completion attempt is time sensitive, Applicant further requested that Finley be required to make an election on a completion attempt above 10,000 feet within 48 hours from the time a schedule of costs is furnished to him if there is a well on location, and 30 days if there is not a rig on location.

(10) The time periods set forth above conform to the time periods contained within the operating agreement agreed to by Chesapeake.

(11) Finley testified that he did not comprehend **Applicant's** operating agreement, yet: (i) never contacted Applicant to discuss or clarify the provisions of the operating agreement; and (ii) acquired an interest from Chesapeake subject to the operating agreement and will be subject to its terms as to all of the working interest below 10,000 feet, and a portion of the working interest above **10,000** feet.

(12) Finley further objected to being responsible for almost all well costs in a completion attempt above **10,000** feet; however: (i) Applicant is requesting that all costs of drilling the proposed well to a depth below **10,000** feet are to be initially borne by the owners of these rights; however, if a completion is attempted in a formation lying above **10,000** feet subsurface within a reasonable time period, then the working interest owners of the rights above **10,000** feet shall bear only their proportionate shares of drilling and completion costs from the surface to **100** feet below the deepest perforation; (ii) Finley, through testimony, believes there are no prospective zones above **10,000** feet; **(iii)** Finley will receive copies of all well logs on which it can make an election decision; (iv) Applicant is also requesting that the interest owners above **10,000** feet shall not be responsible for costs of pipe, logs, etc. that are associated with operations or completion attempts within the wellbore below **10,000** feet; and (v) Finley has the right to elect to non-consent a shallow completion, under either an operating agreement or a pooling order. Furthermore, Finley has proposed no alternative cost allocation for a completion attempt above **10,000** feet.

(13) The cost allocation formula proposed by Applicant for a completion attempt above **10,000** feet is fair and reasonable, and should be adopted in this case.

(14) Finley requested that Chesapeake be designated operator of the well if it is completed above **10,000** feet. However, Applicant is a qualified operator, and Chesapeake has already signed an operating agreement designating Applicant as operator. Therefore, Finley's request should be **denied.**

(15) Finley also requested that the pooling application be denied. The pooling statute, **NMSA 1978 §70-2-17.C,** provides that if the owners cannot voluntarily agree, the Division shall pool all interests. Approval of this application containing **Mewbourne's** timing provisions is in the best interest of conservation.

(16) To avoid the drilling of unnecessary wells, protect correlative rights, and afford to the owner of each interest in the proposed 40-acre oil and 160-acre gas spacing Units ("the two Unit") the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted mineral interests, whatever they may be, within these two Units.

(17) Applicant should be designated the operator of the subject well and of the two Units.

(18) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the proposed Osudo "9" State Com. Well No. 1.

(19) Reasonable charges for supervision (combined fixed rates) should be fixed at $ 5,000.00 per month while drilling and $ 500.00 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled *"Accounting Procedure-Joint Operations."* The operator should be authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

IT IS THEREFORE ORDERED THAT;

(1) Pursuant to the application of Mewbourne Oil Company ("Mewbourne" or "Applicant"), all uncommitted mineral interests, whatever they may be, from the surface to 10,000 feet subsurface underlying the following described acreage in Section 9, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico, are hereby pooled, as follows:

(a) the NE/4 to form a standard 160-acre gas spacing unit ("the 160-acre Unit") for any and all formations and/or pools developed on 160-acre spacing within that vertical extent and pursuant to Division Rule 104.C (3), which presently include but are not necessarily limited to the Undesignated South Osudo-Wolfcamp Gas Pool (82280) and Undesignated Wilson-Wolfcamp Gas Pool (87560), both of which were created and defined prior to November 1, 1975 (see the Division Director's notice to all operators, mineral interest

owners, and interested parties dated October 25, 1999), and the Undesignated **Wilson-Yates** Seven Rivers Associated Pool (64600), which pool is governed by the provisions of the *"General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico"* as promulgated by Division Order No. R-5353, as amended, and the *"Special Rules and Regulations for the Wilson Yates-Seven Rivers Associated Pool"* as promulgated by Division Order No. **R-9645**; and

(b) the SE/4 NE/4 (Unit H) to form a standard 40-acre oil spacing and proration unit ("the 40-acre Unit") for any and all formations **and/or** pools developed on 40-acre spacing within that vertical extent and pursuant to Division Rule **104.B (1),** which presently include but are not necessarily limited to the Undesignated Osudo-Wolfcamp Pool (48140) and Undesignated **Osudo-Strawn** Pool (48120), and the Undesignated Eumont Gas Pool (22800), which pool is governed by the provisions of the *"Special Pool Rules for the Eumont Gas Pool"* as promulgated by Division Order No. R-**8170-P,** issued in Case No. 12563 on December **14, 2001.**

The two above-described 40-acre oil and **160-acre** gas spacing Units ("the two Units") are to be dedicated to the **Applicant's** proposed Osudo "9" State Com. Well No. 1 **(API** No. 30-025-36828) to be drilled at a standard location for both Units **1980** feet from the North line and 660 feet from the East line of Section 9.

(2) The portion of the application requesting to pool the N/2 of Section 9 to form a standard 320-acre lay-down gas spacing unit for any and all formations **and/or** pools developed on 320-acre spacing is hereby **dismissed.**

(3) The operator of the two Units shall commence drilling the proposed well on or before April **30, 2005,** and shall thereafter continue drilling the well with due diligence to a depth sufficient to test the Morrow formation.

(4) In the event the operator does not commence drilling the proposed well on or before April **30, 2005,** Ordering Paragraph No. (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause.

(5) Should the proposed well not be drilled, and a completion attempt be made above 10,000 feet subsurface, within 120 days after commencement thereof, Ordering Paragraph No. (1) shall be of no further effect, and the two Units created by this order shall terminate unless the operator appears before the Division Director and obtains an extension of time to complete the well for good cause demonstrated by satisfactory evidence.

(6) Upon final plugging and abandonment of the subject well, the two-pooled Units created by this Order shall terminate, unless this order has been amended to authorize further operations.

(7) Mewbourne is hereby designated the operator of the proposed well and of the two Units.

(8) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the two Units, including unleased mineral interests, who are not parties to an operating agreement governing the two Units.) After the effective date of this order, and if within the time period specified in Ordering Paragraph No. (5) above, a completion is attempted above 10,000 feet, the operator shall furnish the Division and each known pooled working interest owner in the two Units an itemized schedule of estimated costs of drilling, completing and equipping the subject well ("well costs"); provided, however, if the operator has actual data on drilling costs, that data shall be used in lieu of estimated well costs.

(9) All costs of drilling the proposed well to a depth below 10,000 feet shall be initially borne by the owners of these rights; however, if a completion is attempted in a formation lying above 10,000 feet subsurface within the time permitted by Ordering Paragraph No. (5), then the working interest owners of the rights above 10,000 feet shall bear their proportionate shares of drilling and completion costs from the surface to 100 feet below the deepest perforation lying above 10,000 feet. The interest owners above 10,000 feet shall not be responsible for costs of pipe, logs, etc. that are associated with operations or completion attempts which have previously been attempted in the wellbore below 10,000 feet.

(10) Within the time set forth below that the schedule of estimated drilling costs, or schedule of actual drilling costs, on a completion attempt above 10,000 feet subsurface is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners." The election of a pooled working interest owner shall be made: (i) within 48 hours if a rig is on location; or (ii) within 30 days if no rig is on location, from the time that the schedule is furnished, whether by facsimile transmission, U.S. Mail, or overnight delivery, at operator's option.

(11) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(12) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs which exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid which exceed its share of reasonable well costs.

(13) The operator is hereby authorized to withhold the following costs and charges from production:

(a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and

(b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(14) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(15) Reasonable charges for supervision (combined fixed rates) are hereby fixed at $ 5,000.00 per month while drilling and $ 500.00 per month while producing, provided that this rate shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled *"Accounting Procedure-Joint Operations."* The operator is hereby authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(16) Except as provided in Ordering Paragraphs No. (13) and (15) above, all proceeds from production from the well that are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.

(17) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8)-royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(18) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, that portion of this order authorizing compulsory pooling shall thereafter be of no further effect.

(19) The operator of the well and the two Units shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(20) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P. E.
Director

SEAL

EXHIBIT B

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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 14299
ORDE_R NO. R-13137

APPLICATION OF MEWBOURNE OIL COMPANY FOR COMPULSORY POOLING AND THREE NON-STANDARD WELL UNITS, EDDY COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. at Santa Fe, New Mexico on March 31, 2009 before Examiners William V. Jones and David K. Brooks.

NOW, on this 17th day of June, 2009, the Division Director, having considered the testimony, the record and the recommendations of the "Examiners,

FINDS THAT:

(I) Due public notice has been given, and the Oil Conservation Division has jurisdiction of this case and of the subject matter.

(2) Mewboume Oil Company ("applicant" or "Mewboume"), seeks an order pooling all uncommitted interests from the surface to a depth of I0,600 feet or the top of the Morrow formation underlying Lots 5-12 (the N/2 equivalent) of Section 1, Township 22 South, Range 25 East, NMPM, Eddy County, New Mexico, in the following manner:

a. Lots 5-12 (N/2 equivalent), fanning a non-standard 343.54-acre, more or less, gas spacing unit for any and all fonnations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to, the following gas pools:

Undesignated Catclaw Draw-Wolfcamp Gas Pool (74440)
Undesignated Hackberry Hills-Canyon Gas Pool (77920)

Undesignated Catclaw Draw-Strawn Gas Pool (74360)
Undesignated Hac;:kberry Hills-Atoka Gas Pool (96239)
Undesignated Revelation-Atoka Gas Pool (97205)

b. Lots 7-10, (NW/4 equivalent), fanning a non-standard 176.05-acre, more or less, gas spacing unit for any and all. fonnations and/or pools developed on 160-acre spacing within that vertical extent; and

c. Lot 9, (SW/4 NW/4), f01ming a non-standard 44.43-acre, more or less, oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, including but not limited to, the Undesignated Happy Valley-Bone Spring Pool (96437).

(3) The above-described units ("the Unit or Units") are to be dedicated to the applicant's Hackberry Hills "1" Federal Well No. 1 (API No. 30-015-36960) [the proposed well], to be drilled at a standard well location 1650 feet from the North line and 990 feet from the West line (Lot 9) of Section 1 to an approximate depth of 12,000 feet with the Morrow formation gas as the primary target. The Morrow formation top is expected to be encountered at approximately 10,600 feet from surface. Secondary targets above the Morrow being pooled in this case may be completed as conditions dictate.

(4) The applicant appeared at the hearing and presented a Landman who testified that:

a. For depths from the surface to I0,600 feet:

1. ownership is identical within the entire N/2 of Section 1;
2. at least one interest owner could not be located because that company was no longer in business;
3. there are other interest owners who have not agreed to participate;
4. all formations above the Morrow are included in these depths and are prospective as targets only after the Morrow is tested;
5. The Joint Operating Agreement ("JOA"), currently dated 2/25/09, defines these depths as the "Shallow Unit";
6. That JOA has details of the cost allocation formula between the owners of the Shallow Unit and owners of the Deep Unit (Morrow owners);
7. Owners of the Shallow Unit would participate in the well only if fonnations above the Morrow are completed, otherwise Shallow Unit owners would not be charged for this well;

8. If the well is completed in any formation in the Shallow Unit, the participating owners in the Shallow Unit would reimburse the owners in the Deep Unit for a proportion of well costs as provided in the JOA, the relevant provisions of which were tendered in evidence as Exhibit 3.
9. This cost allocation fonnula 'ls also used by Yates Petroleum Corporation.

b. For depths from 10,600 feet to the base of the Morrow fonnation:

1. All interest owners have agreed to participate in the well and therefore are not being compulsorily pooled;
2. These depths include only the Morrow formation;
3. As detailed in the JOA, these "Deep Unit" owners would pay all well costs if the MorTOW is the only formation completed for production.

(5) No other party entered an appearance in this case or otherwise opposed this application.

(6) Applicant is an owner of an oil and gas working interest within the Units. Applicant has a right to propose and drill its Hackberry Hills "!" Federal Well No. I (API No. 30-015-36960) to a common source of supply within the N/2 of Section 1.

(7) Two or more separately owned tracts are embraced within the Units, and/or there are royalty interests and/or undivided internsts in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(8) There are interest owners within these Units who could not be located. As a result of parties not being located, notice of this pooling was also published in the newspaper. There are other parties who have not yet agreed to pool their interest(s).

(9) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Units the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Units.

(10) Applicant should be desi$_{g\,n}$ated the operator of the proposed well and of the Units.

(11) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.

(12) Reasonable charges for supervision (combined fixed rates) should be fixed at $7,000 per month while drilling and $700 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3 of the COPAS form titled *"Accounting Procedure-Joint Operations."*

(13) The formula proposed by the applicant for allocation of well costs between owners in the Deep Unit and owners in the Shallow Unit is just and reasonable.

(14) These proposed Units are non-standard due to variations in legal subdivisions of the United States Public Lands Survey. The applicant's application to allow creation of non-standard units in this case should be approved.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Mewboume Oil Company ("applicant"), all uncommitted interests, whatever they may be, in the oil and gas from the surface to 10,600 feet or the top of the Morrow formation underlying Lots 5-12 (the N/2 equivalent) of Section 1, Township 22 South, Range 25 East, NMPM, Eddy County, New Mexico, are hereby pooled, as follows:

a. Lots 5-12 (N/2 equivalent), forming a non-standard 343.54-acre, more or less, gas spacing unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to, the following gas pools:

Undesignated Catclaw Draw-Wolfcamp Gas Pool (74440)
Undesignated Hackberry Hills-Canyon Gas Pool (77920)
Undesignated Catclaw Draw-Strawn Gas Pool (74360)
Undesignated Hackberry Hills-Atoka Gas Pool (96239)
Undesignated Revelation-Atoka Gas Pool (97205)

b. Lots 7-10, (NW/4 equivalent), fonning a non-standard 176.05-acre, more or less, gas spacing unit for any and all formations and/or pools developed on 160-acre spacing within that vertical extent; and

c. Lot 9, (SW/4 NW/4), forming a non-standard 44.43-acre, more or less, oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, including but not limited to, the Undesignated Happy Valley-Bone Spring Pool (96437).

(2) The above-described units ("the Units or Unit") shall be dedicated to the applicant's "proposed well", the Hackberry Hills "1". Federal Well No. I (API No. 30-015-36960), to be drilled vertically from a standard well location within Lot 9 (SW/4 NW/4) of Section 1 to approximately 12,000 feet to test the .Morrow formation.

Secondary targets above the Morrow which are pooled in this case shall be completed as conditions dictate and at the discretion of the operator or as provided in the Joint Operating Agreement.

(3) Applicant's request to create non-standard sized units in this case is hereby approved.

(4) Mewbourne Oil Company (OGRID 14744) is hereby designated the operator of the proposed well and of the Units.

(5) The operator of the Units shall commence drilling the proposed well on or before June 30, 2010, and shall thereafter continue drilling and completing the well with due diligence to test the productivity of the Morrow formation. In the event the operator does not commence drilling the proposed well on or before June 30, 2010, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause.

(6) Should the proposed well not be completed within 120 days after commencement thereof, Ordering Paragraph (1) shall be of no further effect, and the Unit created by this Order shall tenninate unless the operator, prior to the expiration of such 120-day period, files a request with the Division for extension of the time for completion of the proposed well. Such request shall include an affidavit or affidavits setting forth good cause for an extension, supported by satisfactory evidence. The Division Director may grant such request without hearing.

(7) Upon final plugging and abandonment of the Hackberry Hills "I" Federal Well No. 1 (API No. 30-015-36960) and any other well drilled on the Unit pursuant to Division Rules 13.9 through 13.11, the pooled unit created by this Order shall tenninate, unless this order has been amended to authorize further operations.

(8) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) •When the operator makes a decision to complete the proposed well in the Shallow Unit (as it is defined in the JOA), the operator shall furnish the Division and each known pooled working interest owner in the Shallow Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well which are allocable to the owners of the Shallow Unit under the formula provided in the JOA, applicable provisions of which were admitted in evidence as Exhibit 3 at the hearing of this case ("well costs").

(9) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall

not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(10) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the proposed well in the Shallow Unit. If no objection to the actual well costs is received by the Division, and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will detennine reasonable well costs after public notice and hearing.

(11) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(12) The operator is hereby authorized to withhold the following costs and charges from production:

(a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and

(b) as a charge for the risk involved in drilling the wen, 200% of the above costs.

(13) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(14) Reasonable charges for supervision (combined fixed rates) are hereby fixed at $7,000 per month while drilling and $700 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III. l.A.3. of the COPAS fonn titled *"Accounting Procedure-Joint Operations."* TIle operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners. The amount of costs withheld shall be only those applicable for the time when the proposed well is being completed in, or producing from, the Shallow Unit.

(15) Except as provided in Ordering Paragraphs (12) and (14), all proceeds from production from the well that are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division (Attn: Records Clerk) of

the name and address of the escrow agent within one (1) year from the date of issuance of this order.

(16) Any unieased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty inteJest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(17) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(18) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of a)I parties subject to the forced pooling provisions of this order.

(19) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove desi g n ated.

SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARKE. FESMIRE, P.E.
Director

EXHIBIT C

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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 13359 (*de novo*)
ORDER NO. R-12283-A

APPLICATION OF MEWBOURNE OIL COMPANY FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

STIPULATED ORDER OF DISMISSAL

BY THE COMMISSION:

This matter came before the New Mexico Oil Conservation Commission (the "Commission") on April 14, 2005 at Santa Fe, New Mexico, upon the stipulation of the parties. The Commission, having considered the same, now, on this 14th day of April, 2005,

FINDS THAT:

1. Due public notice has been given, and the Commission has jurisdiction of this case and of the subject matter.

2. This matter should be dismissed according to the stipulation of the parties.

IT IS THERFORE ORDERED THAT:

1. The applications for hearing *de novo* are dismissed.

2. Division Order No. R-12283 is vacated.

DONE at Santa Fe, New Mexico on the 14th day of April 2005.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

MARK E. FESMIRE, P.E., CHAIR

JAMI BAILEY, CPG, MEMBER

FRANK T. CHAVEZ, MEMBER

SEAL

Approved:

tames Bruce
Attorney for Mewbourne Oil Company

W. Thomas Kellahin
Attorney for Chesapeake Energy Corporation
and Chesapeake Operating, Inc.

J. Scott Hall
Attorney for James D. Finley
and Finley Resources, Inc.

EXHIBIT D

Entered November 29, 1972
A.L.P.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 4763
Order No. R-4353-A

APPLICATION OF BLACK RIVER
CORPORATION FOR COMPULSORY
POOLING AND NON-STANDARD
PRORATION UNIT, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing de novo at 9 a.m. on November 21, 1972, at Santa Fe, New MexI'co, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 29th day of November, 1972, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That after an examiner hearing, Commission Order No. R-4353, dated August 7, 1972, was entered in Case No. 4763 pooling all mineral interests, whatever they may be, in the Washington Ranch-Morrow Gas Pool underlying the E/2 of Section 3, Township 26 South, Range 24 East, NMPM, Eddy County, New Mexico, to form a 409.22-acre non-standard gas proration unit to be dedicated to Black River Corporation's Cities "3" Federal Well No. 2, located 2212 feet from the North line and 1998 feet from the East line of said Section 3, and designating Black River Corporation as operator of the unit.

(3) That Rutter and Wilbanks Corporation requested and was granted a hearing de of Case 4763 before the Commission.

(4) That the evidence presented at the hearing de novo indicates that the entire E/2 of the above-described Section 3 can reasonably be presumed to be productive of gas from the Washington Ranch-Morrow Gas Pool.

(5) That the evidence presented at the hearing de novo establishes to the satisfaction of the Commission thatt entire E/2 of the above-described Section 3 can be efficiently and economically drained by the above-described Cities "3" Federal Well No. 2.

(6) That to reduce the size of the proration unit dedicated to said Cities "3" Federal Well No. 2, as proposed by Rutter and Wilbanks Corporation, would deprive the owners of mineral interests in that portion of the unit which would be deleted of the opportunity to recover their just and equitable share of the hydrocarbons **in** the Washington Ranch-Morrow Gas Pool, unless a third well were to be drilled in said Section 3, with a complete realignment of the acreage dedicated to the subject well and to the well located in the W/2 of Section 3.

(7) That to drill a third well in Section 3, Township 26 South, Range 24 East, Washington Ranch-Morrow Gas Pool, would result in supererogatory risk and economic waste caused by the drilling of an unnecessary well.

(8) That Commission Order No. R-4353 provides protection for the correlative rights of all mineral interest owners in the E/2 of Section 3, when considered as a whole, and will result in the prevention of waste.

(9) That Commission Order No. R-4353 should be reaffirmed.

IT IS THEREFORE ORDERED:

(1) That Commission Order No. R-4353, dated August 7, 1972, be and the same is hereby reaffirmed in its entirety.

(2) That jurisdiction of this cause be retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL SONSERVATION COMMISSION

BRUCE KING, Chairman

ALEX J. ARMIJO, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

EXHIBIT E

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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION FOR THE PURPOSE OF CONSIDERING:

DE NOVO

APPLICATION OF CURRY AND THORNTON FOR AN UNORTHODOX OIL WELL LOCATION AND A NON-STANDARD PRORATION UNIT, CHAVES COUNTY, NEW MEXICO. CASE NO. 9617

APPLICATION OF STEVENS OPERATING CORPORATION TO AMEND DIVISION ORDER NO. R-8917, DIRECTIONAL DRILLING AND AN UNORTHODOX OIL WELL LOCATION, CHAVES COUNTY, NEW MEXICO. CASE NO. 9670

Order No. R-9035

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on October 19, 1989, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 2nd day of November, 1989, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Curry and Thornton and Stevens Operating Corporation, own the leasehold on the W/2 of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico and desire to dedicate their directionally-drilled Deemar Federal Well No. 1 to a non-standard unit consisting of

the E/2 W/2 of said Section 9 at an unorthodox bottomhole location 1948 feet from the South line and 2562 feet from the West line (Unit K) of said Section 9 in the North King Camp-Devonian Pool.

(3) Santa Fe Exploration and Exxon USA appeared at the hearing and opposed the subject application on the basis that the unorthodox location would impair correlative rights; and, if granted, a penalty should be assessed based upon an estimate of recoverable pool reserves under each tract or the ratio penalty formula set forth in Division Order No. R-8917 and R-8917-A.

(4) The discovery well, the No. 1 Holmstrom, was drilled by Santa Fe Exploration at a standard location 1980 feet from the South and East lines of said Section 9.

(5) Special pool rules for said pool were promulgated by Order No. R-8806 after the hearing held November 22, 1988 in Case No. 9529, which provided for 160-acre spacing and proration units consisting of a governmental quarter section with the well to be located not less than 660 feet from the unit boundary, nor less than 330 feet from an inner quarter-quarter section line, nor less than 1320 feet from the nearest well completed in said pool.

(6) Pursuant to Order R-8917-A, Stevens Operating Corporation ("Stevens") re-entered the Philtex Oil Company Honolulu Federal Well No. 1 in Unit K of said Section 9 and directionally drilled the Deemar Federal Well No. 1 to the approved bottomhole location and encountered only water. After notifying the Division, Stevens plugged back said well bore and deviated a second hole at a higher angle to the east, which they completed as a producer.

(7) Timely applications for hearing de novo before the Commission were filed by both Stevens Operating Corporation and Santa Fe Exploration and the hearing date was extended to October 19, 1989 with the concurrence of all parties.

(8) After reviewing the Eastman Christensen "Report of Subsurface Directional Survey" for the Stevens Operating Corporation Deemar Federal Well No. 1, which showed the bottom-most perforated interval of the wellbore to be at 1948 feet from the South line and 2562 feet from the West line of Section 9, or 78 feet from the East line of the proration unit, the Director assigned a daily oil allowable of 35 barrels per day in accordance with Decretory Paragraph (5) of Order No. R-8917-A.

(9) Both sides presented testimony that was in substantial agreement as to the geometry, the geology field and the producing reservoir characteristics, of the reservoir differing in their interpretations of the rate of north dip and to a minor degree, the trace of the major trapping fault at the west boundary.

(10) In unorthodox location cases, the Commission has generally endorsed a penalty formula using ratios based upon the proportional distance a well crowds the proration unit boundary and nearest producing well as in Division Order R-8917-A, but in cases where there is substantial evidence and agreement as to productive acreage and recoverable reserves, the Commission is obligated under the Oil and Gas Act to set allowables which allow operators to recover the oil and gas underlying their respective tracts while preventing waste.

(11) The geological witness for Stevens presented testimony that the pool oil-water contact was estimated at subsea elevation of -6055 feet which was not refuted by subsequent witnesses.

(12) The same witness established the major fault trace based upon a Formation Micro Scanner survey run in the Deemar Federal No. 1.

(13) Santa Fe Exploration's geophysicist presented a seismic interpretation showing a rate of north dip steeper than that presented by the Stevens' witness who relied upon a geological interpretation of the Micro Scanner survey. That survey only shows the rate of dip within the No. 1 Deemar wellbore.

(14) Based upon the oil-water contact and the major fault trace established by Stevens' geologist, the rate of north dip established by the Santa Fe geophysicist, and other geologic and engineering criteria which was in substantial agreement, the relative percentages of oil productive rock volume calculated under each tract are as follows:

(a) Within the total field there is approximately 10,714 acre-feet of Devonian oil pay or oil saturated rock volume.

(b) Underlying the E/2 W/2 of Section 9, there is approximately 2,246 acre-feet of Devonian oil pay or 21% of the pool total.

(c) Underlying the SE/4 of Section 9 there is approximately 5,688 acre-feet of Devonian oil pay or 53% of the pool total.

(d) Underlying the NE/4 of Section 9 there is approximately 2,780 acre-feet of Devonian oil pay or 26% of the pool total.

(15) The North King Camp-Devonian Pool has an active water drive and the relative percentages of oil pay or oil-saturated rock volume under each tract are the same approximate percentages as the recoverable oil reserves under each tract, provided wells are positioned to permit the recovery.

(16) Productive surface area is calculated to be approximately 177 acres and expert engineering testimony has established that one well located at the highest part of the North King Camp structure could effectively and efficiently drain all of the recoverable oil reserves under this 177 acre pool.

(17) The Stevens' Deemar Federal No. 1 well occupies the highest portion of the structure and could effectively drain the entire pool. Only well locations that are unorthodox, such as the Stevens' well, could drain the upper portion (attic) of this oil reservoir and prevent the waste of unrecoverable oil reserves.

(18) Producing the Stevens' well at top allowable rates would eliminate waste but would violate the correlative rights of interest owners in the SE/4 of Section 9 unless all interest owners in Section 9 agreed to operate the pool and share oil and gas production and costs in some equitable fashion.

(19) The Santa Fe Exploration No. 1 Holmstrom Federal, the only other producing well in the pool, is located 55 feet lower structurally than the No. 1 Deemar.

(20) Testimony did establish that Santa Fe Exploration is producing their No. 1 Holmstrom well at a rate of 200 barrels of oil per day plus 10 barrels of water so as to minimize the effects of coning water.

(21) In the absence of unitized operations, in order to prevent waste and protect the correlative rights of all interest owners in a pool, allowables must be established which reflect the relative percentages established in Finding (14), encourage voluntary unitization and discourage the

drilling of additional wells which are not needed and would constitute waste.

(22) Penalized allowables for the Stevens well that are tied to the producing rates of the No. 1 Holmstrom would be indefinite and violate Stevens' correlative rights. Allowables which would encourage drilling additional wells would cause waste.

(23) In order to protect correlative rights, total pool allowable should be the current pool production rate which includes the penalized rate of 35 barrels of oil per day for the Stevens' well, and the producing rate of 200 barrels of oil per day from the Santa Fe well. Said pool allowable of 235 barrels of oil per day should be allocated according to the percentages established in Finding (14) which are:

(a) The E/2 W/2 of Section 9 should have an allowable of 49 (.21 x 235) barrels of oil per day.

(b) The SE/4 of Section 9 should have an allowable of 125 (.53 x 235) barrels of oil per day.

(c) the NE/4 of Section 9 should have an allowable of 61 (.26 x 235) barrels of oil per day if it is drilled.

(24) The allowables established in Finding (23) should become effective December 1, 1989 and should remain in effect unless voluntary agreement is reached by all interest parties in the field at which time the pool allowable should be increased to 1,030 barrels of oil per day which is the top allowable rate for the two producing wells currently in the pool and which new pool allowable could be produced in any proportion between the two existing wells.

(25) The tract allowables established in Finding (23) should protect correlative rights by honoring the percentages established in Finding (14) and prevent waste by discouraging the drilling of additional wells which are not necessary to effectively and efficiently drain the subject pool.

(26) Should all interest owners in this pool reach voluntary agreement subsequent to the entry of this order, operators of the pool wells should file with the Director of the Division application for approval of the unit agreement and, upon approval, this order should thereafter be of no further effect and the new pool allowable should take effect on the first day of the month following approval of said unit agreement by the Director.

IT IS THEREFORE ORDERED THAT:

(1) Effective December 1, 1989, the pool allowable for the North King Camp-Devonian field shall be 235 barrels of oil per day which shall be shared by the below listed proration units in the amounts shown:

(a) The E/2 W/2 of Section 9, Township 14 South, Range 29 East, shall have a top allowable of 49 barrels of oil per day.

(b) The SE/4 of Section 9, Township 14 South, Range 29 East, shall have a top allowable of 125 barrels of oil per day.

(c) The NE/4 of Section 9, Township 14 South, Range 29 East, shall have a top allowable of 61 barrels of oil per day if a well is drilled and completed in the Devonian.

(2) Said allowable shall remain in effect unless all interest owners in the pool reach voluntary agreement to provide for unitized operation of its pool.

(3) Should all interest owners reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(4) The operators of the pool wells shall file with the Director of the Division an application for approval of the unit agreement and this order shall then terminate on the first day of the month following approval of said unit. A new pool allowable of 1,030 barrels of oil per day shall then take effect; said new pool allowable can be produced in any proportion between existing pool wells.

(5) Jurisdiction of this case is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

WILLIAM R. HUMPHRIES, Member

William W. Weiss

WILLIAM W. WEISS, Member

WILLIAM J. LEMAY, Chairman
and Secretary

S E A L

dr/

EXHIBIT C-21

Patrick Godwin

Patrick.godwin@permianres.com • https://www.linkedin.com/in/patrick-godwin-38556a42/

EDUCATION

Texas Tech University, Lubbock, TX **2010**
Bachelor of Business Administration, Energy Commerce

PROFESSIONAL EXPERIENCE

Permian Resources - Midland, TX **2022-Present**
Vice President – Land

Colgate Energy - Midland, TX **2017-2022**
Vice President – Land
Land Manager

2010 -2017

Concho Resources - Midland, TX
Senior Landman
Landman

RESPONSIBILITIES

- Lead enterprise land strategy across Permian Basin in Texas and New Mexico; direct leasing, mineral acquisitions/divestitures to optimize inventory and returns.
- Run acquisition and divestiture land due diligence and integration; align with BD, Legal, Geology, and Operations to enhance development cadence.
- Build and mentor high-performing land team; and all responsibilities of running a department for a large public company
- Steward stakeholder relations with mineral/royalty owners, surface owners, regulators, and communities.
- Report acreage position, working interest, encumbrances, and value drivers to executives/board; support prospect maturation and capital allocation.

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https://www.emnrd.nm.gov/ocd/contact-us

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

QUESTIONS

Operator: Permian Resources Operating, LLC 300 N. Marienfeld St Ste 1000 Midland, TX 79701	OGRID: 372165
	Action Number: 505732
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
Please assist us by provide the following information about your testimony.	
Number of witnesses	*Not answered.*
Testimony time (in minutes)	*Not answered.*