

1 DISCLAIMER: This transcript was auto-generated with the assistance of Microsoft AI
2 technology and may contain errors, omissions, or not reflect the original audio's
3 nuances. Its intended purpose is to provide general information only. The official record
4 is the video recording of the hearing, which is posted to the **OCD's** YouTube channel,
5 which can be viewed here: [OCD Pecos Hall - YouTube](#).

7 **OCD Special Docket April 21, 2026-20260421_142451UTC-Meeting Recording**

8 **DAY 1 OF HEARING**

9 April 21, 2026, 2:24PM

10 4h 0m 0s

11
12 **Pecos Hall 31:03**

PH

13 It's April 21st, Tuesday, we're going to have some hearings by affidavit and then we're
14 going to go into a contested hearing between Avant and Permian Resources.

15 I'm going to call some of the hearing by affidavits first, since there should be simpler,
16 I'm going to start with case 25947. This is an amendment.

17 Filed by Marathon, I think we're here.

18 Again, after hearing this case for the first time a little while ago, and she's of
19 appearance, please. Good morning, Mr. hearing Officer Adam Rankin with the Senate,
20 the office of Allen Heart appearing on behalf of Marathon and both cases.

21 Both Casey, I can do one at a time.

22 That's fine. Yeah. OK.

23 Yeah, in this case, Mr. hearing officer, there was no other parties.

24 Not to my knowledge.

25 OK.

26 Very good.

27 Go ahead and this is a case, Mr. Young. Officer. Where notice needed to be perfected.

28 No. For two additional parties.

29 Actually, one additional party, Carnegie Energy LLC.

30 We revised the hearing packet previously and submitted, indicating showing that notice
31 was timely provided to this party and now time has elapsed and notice has been
32 perfected to that party and the exhibits reflect that certified mail was sent to Carnegie
33 and they have been advised timely. OK, so.

34 You.

35 So I'm gathering 'cause. I'm not looking at the actual imaging system.

36 At this moment.

37 So you filed an amended exhibit packet with that additional notice, correct? OK. Thank
38 you.

39 So that's admitted into evidence without exception and.

40 Let's see who is the.

41 Is it Mr. McLean McClure?

42 Are you the hearing technical examiner for that case?

43

44  **McClure, Dean, EMNRD** 32:51

45 Yeah. For the first two cases I am and we can take him on or we can take him under
46 advisement.

47

48  **Pecos Hall** 32:57

49 Fantastic. Thank you. OK.

50 So you heard, Mr. Rankin, that we're gonna do the same for the second case. But I'm
51 gonna call it anyway. 'cause. I haven't called it yet, 25949.

52 Thank you, Mr. Ring, officer.

53 Again, Adam Rankin with Holl Hart appearing on behalf of the applicant marathon. In
54 that case, same situation. Same party has been provided. Notice timely and notice has
55 now been perfected for that party and it's reflected in the revised hearing packet. The
56 exhibits are admitted without exception.

57 Cases taken under advisement.

58 Thank you, Mr. Rankin.

59 Let's move on now to case number three on the docket that is a compulsory pooling
60 application on behalf of Devon Energy. 25984 entries please.

61 Good morning, Mr. herring examiner.

62 Good morning, Mr. Technical examiner Darren Savage, with Abbott and Schill appearing
63 on behalf of Devon Energy production company. Thank you.

64 Mr. Savage, you know, if there's any other parties.

65 No, there's not. Go right ahead.

66 So this was a this is a follow up to a previous hearing and we needed to do an amended
67 hearing packet. The items that we addressed were revising the checklist to include all
68 necessary boxes and entries.

69 We updated the information regarding Colgate's waiver of notice.

70 We also included a e-mail.

71 To to note noting that waiver and.

72 We removed EGL resources from the pooling list because they are not participatory,
73 record title, owner and that basically covered everything and I believe that the technical
74 examiner for DICE is the examiner for this.

75 Have you submitted new documents showing that? Yes. OK, so then your new exhibits
76 are admitted without exception and the case is taken under advisement. Yeah. Thank

77 you.
78 Thank you.
79 Let's move on to case number 4.
80 This is a non standard unit in compulsory pooling applications submitted by avant
81 25986.
82 Good morning, Mr. Examiner.
83 Deena Bennett, on behalf of a bond operating to LLC, are there any other parties there
84 are Mr. Rankin and Holland and Hart Internet appearance, on behalf of MRC Permian.
85 Mr. ranking. Thank you, Mr. Officer.
86 We'll just tracking this case. Thank you.
87 Sure.
88 Apologize Adam Rankin appearing on behalf of Matador in this case with law firm
89 Mcconne.
90 With the law firm of Paul and I wasn't sure if you said you withdrew something or Miss
91 Bennett. Thank you very much.
92 This case is a continuation of a hearing that was held on March 26th and at the March
93 26th hearing, the technical examiner asked that avant make certain revisions to its
94 exhibit packet and as reflected in the notice of revised exhibit packet, we have made
95 those Rev.
96 And we timely filed the revised exhibit packet. And so with that, I would ask that the
97 exhibits in case number 25986 be admitted into the record in the case taken under
98 advisement.
99 Grant, without exception, taken under advisement.
100 Thank you.
101 Let's move on now.
102 I think this is a new case.
103 It's case #5 on our docket.
104 I don't believe it's attached to any of the case.
105 This is 25813 compulsory pooling overlapping spacing unit coterra energy.
106 Good morning, Mr. Examiner.
107 Deanna Bennett, on behalf of Cotera Energy operating.
108 And originally Miss Luck had entered an appearance in this case on behalf of Ichthis,
109 but has since withdrawn.
110 Their competing application and objection to the case moving forward by affidavit.
111 So this is a new case.
112 There it is, and we it was originally set for today's hearing for a contested hearing and
113 with the divisions.
114 Grace, we were allowed to come to hearing.

115 Day given some lease expiration issues.

116 So let's do this, Mr.

117 Oh, we have Miss Kessler.

118 Let's hear from Miss Kessler.

119

120 **JK** **Jordan Kessler** 37:10

121 Good morning, Mr. Examiner.

122 Jordan Kessler with EOG Resources and we're just monitoring this case.

123

124 **PH** **Pecos Hall** 37:15

125 Thank you, Miss Kessler, and Miss Luck.

126 Did you want to enter an appearance?

127

128 **KL** **Kaitlyn Luck** 37:20

129 Oh, I just wanted to confirm Caitlin Locke for IK this energy and Miss Bennett correctly
130 provided we have dismissed our application with John.

131 The objection to this case? Thanks.

132

133 **PH** **Pecos Hall** 37:28

134 But you're still maintaining your appearance.

135

136 **KL** **Kaitlyn Luck** 37:33

137 Yes, I'm here today for akkis.

138 Thank you.

139

140 **PH** **Pecos Hall** 37:34

141 All right, perfect.

142 Thank you, miss luck.

143 So, Miss Bennett, Mr. McClure had a lot to review for today's, so we will get to your
144 case. But after lunch today, so we'll hear the by affidavit at that time. Sounds good.

145 All right.

146 Sounds good.

147 So thank you. And I don't what time lunch will be, but.

148 You'll remind me to take up that case.

149 Yes, I will.

150 And I'll just need to confirm with my witnesses that they're available after lunch, which I
151 will do on a break.

152 Sounds good.

153 I just know that the exhibits have not been reviewed, OK at this point.
154 Now if we come back tomorrow, we could also, if your witnesses are not available till
155 tomorrow, we can hear it then by affidavit as well.
156 Perfect. I'll make sure that they're available either after lunch or tomorrow.
157 All right. Thank you.
158 You're off the record in that case, but we're in recess on that case.
159 Let's call case number six on our docket 25951.
160 This is an exception to the well density requirements by hillcourt.
161 Good morning, Mr. Hanger, officer Adam Rankin with the Santa Fe Office of Holland and
162 Hart appearing on behalf of the applicant.
163 Hillcorp in this case, to my knowledge there are no other parties who have appeared. So
164 Mr. Rankin, just so you know, this is a new case. If I'm correct.
165 That's my understanding.
166 Yep, and the same thing goes for this case than the last case, which is that the
167 technical examiner has not had time to review the exhibits yet.
168 And will be able to take this case and hear it by affidavit either after lunch.
169 If your witnesses are available or tomorrow morning at at whatever you decide, I'll have
170 to confirm with my witnesses to make sure their availability and report back, hopefully
171 before the lunch hour, just to make sure that they're available.
172 But I think either either option should be suitable.
173 Perfect and thank you for your understanding both of you.
174 OK.
175 Let's move on to #7. On our docket 258.
176 Well, so we're, we're in recess on 25951.
177 Let's move on to #7 on our docket.
178 This is avant operated.
179 We have a contested hearing today.
180 Avant has. Let's see.
181 But why don't I do it this way since on so many different pages of paper at this point?
182 We have a contested hearing with Avant and Permian resources.
183 Avant, would you like to enter an appearance and give me your case numbers?
184 Yes, good morning. Mr. Hearing examiner, Mr. Technical examiner Deena Bennett, on
185 behalf of Avant Operating LLC and the avant cases are numbers 258272582925831 and
186 25832. Perfect.
187 And now to Permian resources.
188 Good morning. Jackie McLean and Dana Hardy on behalf of Permian Resources and our
189 case numbers are 25833 through 25845. Thank you.
190 And you have Co counsel.

191 Yes, M's Hardy.
192 Would you like to enter an appearance?
193 Oh, Miss McClain interned appearance for me, but Dana Hardy, also on behalf of
194 Permian Resources. Thank you.
195 I submitted.
196 I apologize.
197 That's OK.
198 Are there any other parties?
199 Yes, good morning, Mr. Miguel Suaza with beating Wozniak appearing today on behalf of
200 Kotera Energy operating company, Magnum Hunter and Simrups Energy Company in
201 each of the cases that the.
202 The other Council has listed for the record, which I can.
203 List for the record.
204 So you're saying all the cases?
205 Yes, OK, perfect. And I thought you were you.
206 You entered an appearance yesterday, didn't I?
207 Did. Yes. OK, good. And your appearance was titled what?
208 Well, we're primarily just monitoring these cases.
209 We're not going to be asking questions or anything like that, but we did want to express
210 our support for Permian resources applications simply because we think that they're
211 more efficient and effective and they also develop koteras.
212 You know acreage?
213 So for what it's worth, we do support that, but other than that, we're monitoring only.
214 Thank you.
215 Are there any other entries of appearance?

216

217 **JK** Jordan Kessler 41:39

218 Yes, good morning.
219 This is Jordan Kessler. On behalf of EOG Resources.
220 We're actually only an offset party in this case, so we did review the exhibits.
221 We don't have any questions.
222 We're monitoring but taking no position.

223

224 **PH** Pecos Hall 41:54

225 What does it mean an offset?
226 I think you muted yourself.

227

228 **JK** Jordan Kessler 42:01

229 I think somebody muted me.

230 Can you hear me now?

231

232 **PH** Pecos Hall 42:03

233 Oh I can.

234

235 **JK** Jordan Kessler 42:05

236 OK, great.

237 EOG does not own in the tracks that are being compulsory pooled, but we're given

238 notice by virtue of the request for non standard spacing unit.

239 So we do not actually own in the compulsory pool tracks and don't are not taking a
240 position.

241

242 **PH** Pecos Hall 42:16

243 Oh.

244 Perfect. Thank you for the clarification.

245

246 **JK** Jordan Kessler 42:24

247 Thanks.

248

249 **PH** Pecos Hall 42:26

250 All right, Mr. Speaker.

251 I'm sorry. Before we begin, I also wanted to introduce my Co counsel, Steph Goodwin.

252 He's with the law firm of module Sperling, and he's here with me as well. I think I've met
253 you once before.

254 Yes. Excellent. Welcome.

255 I have been handed from Permian Resources a notebook with their exhibits beautifully
256 labeled as we really appreciate that they do, and the rebuttal exhibits.

257 Miss. Miss Bennett, did you have?

258 Something similar you do have something similar. OK, thank you.

259 Now your rebuttal is in here as well.

260 Yeah, this is all of it. When you say all, do you mean all of yours or all of everyone's?

261 Everyone.

262 So I have everyone's.

263 Alright, alright.

264 Well, thank you very much.

265 So I've been handed a notebook from Avant with their exhibits, their rebuttal exhibits
266 and permian's exhibits.

267 But I think I'll just keep them separate.
268 OK. But thank you for that.
269 I think the way I'd like to proceed is first of all, to ask the parties, have they discussed
270 who's gonna present their case in Chief first?
271 And I see nodding. So that means yes.
272 Yes, I discussed with Miss Bennett, and Yvonne is going to go first. OK. Yvonne's gonna
273 go first.
274 Excellent. Miss Bennett, before we get to witnesses and exhibits by stipulation, et
275 cetera. Are there any preliminary issues?
276 I had intended to address Kotera's late filed entry of appearance, but given that Kotera
277 does not intend to cross examine the witnesses, then that is no longer an issue.
278 I did want to just raise perhaps some efficiencies in the hearing today or an ordering of
279 the witnesses in terms of their direct and our rebuttal and then reviewing Permian's
280 rebuttal. And in the past, I know that contested hearings have gone in that order where
281 one witness.
282 Does his or her direct then reverse reviews his or her rebuttal and then?
283 We could then review his or her review of Permian's rebuttal in my case.
284 So that's what I'd like to suggest in terms of ordering for the testimony. But of course,
285 I'm only suggesting that OK, Miss McLean?
286 I appreciate the way that you've been handling the cases recently, which is the land you
287 know, the first witness will get up.
288 They'll do very limited direct since we have pre filed testimony and really just essentially
289 doing their rebuttal exhibits and testimony and then we would have.
290 Ability to cross. Mm-hmm. I think the parties are basically saying the same thing.
291 I'll I'll keep doing what I have been doing and if there's an objection to it, please let me
292 know and I'll consider it.
293 By all means, we have to be fair to everyone due process.
294 Extends to both parties in the same equal manner.
295 Both have filed applications with US and.
296 OK.
297 So today our technical examiner is Dean McClure.
298 Mr. McClure, are you prepared to begin?

300  **McClure, Dean, EMNRD** 45:43

301 Yes, I am Mr. her examiner.

302

303  **Pecos Hall** 45:45

304 Thank you. And have you had an opportunity to review?
305 The direct exhibits and the rebuttal exhibits from both parties.
306

307  **McClure, Dean, EMNRD** 45:56

308 I reviewed the direct exhibits.
309 I have not reviewed the rebuttal exhibits.
310

311  **Pecos Hall** 46:01

312 Perfect. Well, I guess you'll get familiar.
313 So parties and witnesses, you've heard that Mister McClure. And when he says he's
314 reviewed them, he's reviewed them carefully so you don't have to worry about he's
315 missed something.
316 So we're going to ask you to give brief summaries of your direct testimony.
317 You can get into your rebuttal testimony a bit more because he has not had an
318 opportunity to review them yet.
319 And then the cross examination.
320 We'll bring out more and then the redirect. You'll have plenty of opportunity to make
321 your point today.
322 I didn't ask you if there were any preliminary issues on behalf of Permian.
323 Nothing from Permian resources. Thank you.
324 OK.
325 So now let's see about stipulation 2 exhibits.
326 So I'll start with you, Ms. McLean, which avant exhibits. And please be specific, it's for
327 the record and for the court reporter.
328 Are you willing to admit through stipulation?
329 Permune Resources is willing to admit all exhibits and rebuttal exhibits, with the
330 exception of rebuttal exhibit C5.
331 C C5 correct.
332 OK.
333 So then I am going to admit into the evidentiary record all of Yvonne's exhibits, with the
334 exception of rebuttal, exhibit C5.
335 Did I get that right?
336 That's correct. OK.
337 Mine let me take some notes here.
338 Miss Bennett, thank you the same question.
339 Yes, thank you. With respect to Permian's direct testimony, Avant is willing to stipulate
340 to the admission of all permian's direct testimony, subject to questions of questioning
341 that may show that the testimony or the exhibits are unreliable or irrelevant. OK.

342 So then I'm going to admit all of Permian's direct exhibits. Now when you say direct
343 exhibits, do you mean the rebuttal exhibits as well?
344 No. With respect to the rebuttal exhibit.
345 There are some issues with Permian's rebuttal exhibits, and so we are not willing to
346 stipulate to several of their rebuttal exhibits.
347 So can you be specific?
348 So I could admit some of the rebuttal exhibits.
349 Or are you not willing to admit any of the rebuttal exhibits?
350 At this point, the only one I've noted haven't noted an objection to is C13 and C-14.
351 I didn't hear you say it again.
352 C13 and C-14 are the only two that I do not have an objection to.
353 I thought I heard something 13 and then D14.
354 Sorry it again C13 and C-14.
355 Thank you.
356 All right, so those you are willing to admit? Yes, all right.
357 So let me put down.
358 C.
359 13 and C-14.
360 Are also admitted by stipulation so.
361 Miss schoenberg.
362 What? OK.
363 Well, just to be clear.
364 And when we say direct exhibits, I I is there, Miss McLean?
365 For the exhibits that are not rebuttal exhibits, what are you gonna call them?
366 Well, we labeled our exhibits in.
367 Consecutive order.
368 So it's just a one through 13 B one through.
369 So it's very easy.
370 We'll just call them B123.
371 So let me get your.
372 Let me get your table of contents.
373 If yes, there is one here.
374 Thank you. By the way for the table of contents so.
375 What has been admitted?
376 By Yvonne, through stipulation of Permian's, exhibits are.
377 A and then a one through a 12.
378 Right M's McLean OK, exhibit B.
379 B1 through 20 correct CC one through C11.

380 DD1 through.
381 D9 and EE one through E4 and then also.
382 Rebuttal exhibits C13 and C-14.
383 The other rebuttal exhibits are not yet admitted through stipulation, and we'll have to go
384 through the usual foundation.
385 And any kind of objection will be dealt with at that time, all right.
386 Fine.
387 Let's see how many witnesses Miss McLean, do you have? We have 4 witnesses.
388 Let me write this down.
389 And.
390 Miss Bennett, how many witnesses do you have? Thank you.
391 We have 3 witnesses, 3 yes, three, and they've all previously testified. OK, very good.
392 They've all previously testified as experts in their field.
393 Yes, they have. OK. And Miss McLean for Permian resources.
394 Everyone has testified, except for Hank Higginson, and he will need to be admitted as
395 an expert.
396 Fine. We'll deal with that right off the bat thing.
397 Could I have all 7 witnesses come up to the witness stand?
398 And would someone turn on the microphone?
399 Thank you.
400 Yeah, you've done this before.
401 I recognize you.
402 All right.
403 Well, why don't?
404 OK.
405 Why don't we start here and we'll just move down the list?
406 Are you with Evan?
407 Yes, OK. Are all the Avante people together? Sounds good.
408 Perfect right here, right.
409 And I recognize all of you.
410 So I know that you testified here before.
411 So what?
412 I'd like everyone to do is raise your right hands please.
413 Thank you.
414 Do you all swear or affirm, under penalty of perjury, that the testimony you're about to
415 give is the truth, the whole truth, and nothing but the truth? Yes, yes, yes.
416 OK, now starting with you, would you state and spell your name for the court reporter
417 and then tell me.

418 If you and I know you have, but if you've previously been admitted as an expert by this
419 division and in what field that is, sure my name is Shane Kelly.
420 SHANEKELLY and I have previously testified as an expert in the field of Resour
421 engineering.
422 Reservoir engineering. Thank you.
423 So now you can just go back and sit down for now. Thank you.
424 My name is John Harper.
425 JOHNHARPER and I previously testified for the division in my expert witness for
426 petroleum geology.
427 And my name is Tiffany Sorrentino.
428 Tiffany Sorrentino, SARANTINOS and I have also previously testified with the division in
429 land matters. Perfect. Thank you.
430 And now we're going to hear from Permian's resource permian's. Witnesses go right
431 ahead. Davaro Clements.
432 That's DAV.
433 ROCLE.
434 EM.
435 ENTS.
436 I've previously testified in front of the division as an expert in facilities engineering.
437 Name is Chris Canton.
438 It's C.
439 HRISCANTIN previously testified before division and under Geldi matters patrolling
440 geology.
441 Mark Haddock, MARKHAJDIK and I have a previously testified before this division as an
442 expert in land matters. Thank you.
443 Hi, I'm Hank Higginson at H.
444 ANKHIGGINSONI have not testified before, but I intend to as a resident.
445 Why don't you have a seat? Yep.
446 I have a feeling that M's McClain has given me ACV somewhere in the documents, but
447 I'm not going to look at that right now.
448 But thank you for for providing that.
449 Reservoir engineer.
450 All right, sounds good. And make sure that you speak close to the microphone because
451 she's she's gonna have trouble if you don't.
452 What education do you have, first of all?
453 What does a reservoir engineer do?
454 A number of things risk management, understanding, risk of assets, asset
455 development.

456 Oops, sorry risk evaluation.
457 Financial and economic evaluation of assets for development also works in.
458 And with other disciplines within oil and gas, oftentimes, so with mineral, mineral land
459 to work out trades and other dealings with other operators as well.
460 OK. And what education do you have? Just give me the degrees and the dates you earn
461 them and where you earn them.
462 Yes, I have a Bachelor of Science and Petroleum Engineering from the University of
463 Texas.
464 I earn that in 2018, May.
465 I'm currently pursuing Amba Masters in Business administration from Indiana
466 University.
467 Expecting to graduate in late 2027.
468 You said Indiana University.
469 Yes, OK. And who are you employed with now?
470 Permian resources, Permian. OK. And have you, when did you start working for
471 Permian?
472 November of 2024.
473 Who? Who did you work with before?
474 Permian Endeavor Energy Resources OK and for what years from when I graduated, so
475 June 2018 until October 2024?
476 And what did you do for endeavor?
477 Endeavour I was a production engineer for the majority of time and then for around a
478 year or so at the end I was a reservoir engineer.
479 It's OK to rolls, you know, from a high level, OK.
480 What's the difference between a production engineer and a reservoir engineer?
481 They evaluate different portions of the business, so the resource engineer essentially
482 begins the from an engineering standpoint, begins the evaluation process, determines
483 which wells to drill, where to drill them, calculate the expected returns as a result of
484 those drilled wells, while factoring in risk, as I mentioned before.
485 As well as any economic inputs on the production side, they essentially.
486 Handle whatever wells the reservoir engineer proposed.
487 And so they then produce as well as once they're online, optimize them as they as they
488 should and as they can, and also try to mitigate costs while operating wells in the most
489 environmentally and safety conscious way.
490 So it sounds to me like a reservoir engineer evaluates a wider scope.
491 Of issues then a then.
492 A.
493 Then the production engineer.

494 It it depends on the specific role.
495 The economic aspect has potentially a wider or a high level of impact on an organization
496 individually, but a productive engineer has a lot of unique and nuanced projects on a
497 daily basis to work on, so.
498 Not literally, but essentially production engineers putting out fires.
499 But a production engineer is work on a number of projects at a wide variety at
500 essentially.
501 All times, while a reservoir engineer has larger capital projects that you know generally
502 will take a longer time to evaluate. OK, I understand.
503 And now at Permian Resources, what's your job title?
504 Senior reservoir engineer and.
505 OK. Are there any objections?
506 No objections.
507 Thank you. Wonderful. From here on in your, the division sees you qualified as a
508 reservoir engineer.
509 I'm also also as a production engineer, so awesome.
510 Thank you.
511 There you have it.
512 So anyway, you can go back and sit down. Thank you.
513 Appreciate it, testimony.
514 OK.
515 Is there anything else from Permian at this time before we start with Ivan?
516 Nothing at this time. All right, very good.
517 Miss Bennett, in what order do you want to call your witnesses?
518 Thank you, Mr. Examiner.
519 I would ask leave to present a brief opening statement by all means, and then I intend to
520 call the witnesses in the order of land geology.
521 And reservoir engineering?
522 OK.
523 Please go right ahead.
524 Thank you.
525 These the Avant and Permian cases involve a somewhat unusual set of competing
526 cases. They both have proposed cases both Avante and Permian, that cover section 23
527 only, and they have also proposed cases that covers section 23 in the north half of
528 section 26 and that.
529 Important because the ownership here is really key.
530 And the ultimate issue for the division to decide is who should be operator as between
531 Avant and Permian.

532 And as I'll discuss in more detail, Avant should be awarded operatorship because Avant
533 does have a majority working interest owner in both the section 23 units and what I'll
534 refer to as the 1.5 mile units, which are the 23 and N AF of 20.
535 6 units and Avon's ownership is not just the majority, it's dominant.
536 And so they should be awarded operatorship under the division's precedent.
537 Avant is also proposing more wells across more benches than Permian.
538 And so Yvonne's development plan will prevent waste and protect correlative rights.
539 And Avante is a prudent operator and has a lot of experience in this area and is ready to
540 drill these wells.
541 I wanted to talk a little bit more about the working interest ownership for a moment.
542 Avant has.
543 The highest and the majority working interest and working interest control, no matter
544 how the division looks at this avant, provided testimony showing that Avant has in
545 section 23, I think 95 or 94% working interest.
546 In fact, Avon just acquired another interest.
547 Is working on negotiating, acquiring another interest to add to its working interest to
548 control.
549 Which will bring it up to 94.1%.
550 And so that's the difference between Avon's ownership and permian's ownership in
551 section 23 is over 90%.
552 So it's clear that Avant has the not just the majority, but the dominant ownership in
553 section 23.
554 And looking at the 1.5 mile cases, avonta again has the majority and a significant.
555 Increase over permians.
556 Working interest and working interest control avant now will have 64.04% due to the
557 pending acquisition of the trainer interests and this is 30% more than permians.
558 So this is a significant amount of.
559 A significant difference between working interest control between the two parties and
560 Permian in its exhibits advanced an argument that it's that Avon's working interest
561 control numbers were inflated.
562 But Permian's exhibits are actually based on a hypothetical future scenario that has not
563 come to pass. Avant exhibits are based on today's record title, and that is the record
564 title that the division that Avant believes the division should consider, even if the
565 division though, does.
566 Accept Permian's invitation to review the more hypothetical ownership amounts.
567 Avon still has the majority interest and still has a dominant interest.
568 Even under that scenario, Avant's ownership is so much greater than permian's it
569 ranges from 20% in the 1.5 mile wells to 75% greater than permians in the section 23

570 wells.

571 And that is in line with awarding Avant operatorship is in line with a number of OCD
572 precedent precedents in the using those same figures.

573 Permian's concern one of Permian's major concerns in their materials.

574 Is that avant is not proposing to develop the second Bone Spring shale, which we'll get
575 into in quite a bit of detail.

576 But that argument actually falls flat when we look at the facts here.

577 First, Permian didn't drill second Bone Spring shale wells right next door?

578 The second Bone Spring Shale is not going to be stranded, which is one of Perman's
579 main main points.

580 Permian is not initially targeting the Avalon or the.
581 Wolf camp.

582 The Lourd camp or the wolf camp?

583 The upper pen and so Permian's argument that somehow leaving behind reserves in a .5
584 mile stretch is going to be stranding is falls flat when you consider that.

585 Permian is leaving behind 1.5 miles of three different benches.

586 And finally.

587 And I think this is fatal to permian's applications.

588 None of Permian's second Bone spring applications.
589 Actually include a pooled interval that corresponds to their second Bone spring shale
590 wells.

591 So their second Bone Spring applications do not include a pooled interval.

592 That captures the wells upon which they are supporting most of their opposition to
593 Avon's applications, and so those applications may need to be dismissed because they
594 certainly don't support.

595 Permian's request here.

596 And Permian hasn't demonstrated that it's ready to begin to develop this acreage.
597 They've had this acreage since 2023, but Avant has only had this acreage since 2025
598 and they've undertaken a number of steps to obtain additional working interests. And
599 Permian also, like I said, it's many of its pooling applications up here to have fatal
600 deficiencies and.

601 It's proposing AFE costs that we'll talk about later that are using.
602 An incorrect casing design.

603 For this particular area of Lee County.

604 So those costs are inaccurate and it recently completely changed its service facilities.
605 It has solutions that it's posing for problems that are overly expensive and likely
606 insufficient.

607 And it doesn't seem Permian doesn't seem willing to develop the Avalon, Lower Bone

608 Spring and Upper Pen.
609 Ins.
610 Ula.
611 Tax correlative rates.
612 So For these reasons, Avon's application should be granted and permits denied.
613 Thank you, miss McLean.
614 Do you want to do an opening now, or do you want to do an opening before you present
615 your case in Chief now?
616 Please go right ahead. Thank you.
617 Can't let that go without saying something as you know.
618 As Miss Finnett stated, we are here about competing development plans and while
619 Avant seems to believe they win simply because of greater working interest.
620 Ownership and the fact that they're going to drill more wells, that's simply not the case.
621 PR is working.
622 Our premium resources working interest is not insignificant. Even going with Yvonne's
623 calculations, we have almost 33% working interest in our 1 1/2 mile wells.
624 Which is not, as I said, insignificant.
625 You will hear a lot of testimony about the way that these calculations have been made,
626 and this is.
627 Quite novel, I think, before the division to present this type of ownership interest.
628 What's going on in section 23?
629 Is that there is an old ability to convert overriding royalty interest into working interest
630 ownership and.
631 This ability to convert can be executed after written notice of the intention to spud
632 wells.
633 And that overriding royalty interest owner who can make the election, can make it at
634 that time.
635 So what Permian Resources has done is present what it believes to be the most realistic
636 working interest ownership that will also be in the division's best interest.
637 Because we have chosen to pool all potential working interest owners, not just the ones
638 that have currently made the made a premature election to convert.
639 So that we don't have to come back at a later time and reopen.
640 In these cases and pool other working interest owners who chose to make the election
641 at a later date, so Permian Resources will present that working interest ownership and
642 those calculations.
643 And Yvonne has chosen to make those calculations, and the rebuttal exhibit.
644 So we will get into that. But even looking at Evans calculation, Permian Resources still
645 owns a significant interest in the spacing units.

646 Importantly, Permian Resources development Plan also is not stranding resources.
647 I'm unsure what Miss Bennett is talking about.
648 And us not pooling certain intervals.
649 Permian Resources is seeking to pull the first, second and third Bone spring intervals
650 and the Wolfcamp formation in all of section 23 and the north half of section 26.
651 Avant has no application.
652 That is, seeking to cool the second Bone Spring interval in the north half of section 26.
653 This is important as you will hear because there is no other way to develop this second
654 bone spring without the 1 1/2 mile laterals that Permian Resources is going.
655 To implement in the spacing unit due to potash drill islands.
656 So if we do not develop and we do not pull the second Bone spring in the north half of
657 20.
658 Kotera, who own only owns in that acreage, is completely out of out of luck and can't
659 develop those resources.
660 And the state is too, because as you'll see, this is very, very valuable. The second Bone
661 Spring and produces a lot of reserves.
662 So if Yvonne prevails, the second bone sprang in the north half of section 26 will be
663 stranded with no hope for development.
664 Permian Resources Development plan you'll hear is also more cost efficient.
665 And timely due to numerous existing facilities and the offsetting spacing unit, the PAXI
666 unit which is operated by Permian Resources and it's directly offsetting with wells you
667 know less than 1000 feet from where the spicy chicken unit is. Finally Permian
668 Resources has made real plans to develop.
669 This spacing unit by taking into account H2 US, you'll hear a lot about that today.
670 It's an off.
671 Set of drilling in this area and particularly in the Avalon.
672 And due to Permian Resources, extensive operations in this area, they know that that's
673 a real possibility and have taken steps to be able to drill and operate wells in the future.
674 They don't intend to do avalons in their initial set of balls, mostly because they want to
675 account for the significant risk and H2S as you'll hear.
676 Can.
677 Lead to significant additional costs associated with drilling as well as significant safety
678 concerns with drilling wells in that area.
679 Overall, Permian Resources will show that it will be in the best position to develop this
680 acreage. Its ownership interest is not insignificant as Yvonne would like you to think and
681 Permian Resources will best prevent waste and protect correlative rights.
682 OK.
683 Thank you both.

684 Is there any other thing you want to do before we call your first witness? Nothing for me.
685 Thank you. Go right ahead.
686 I'd like to call Tiffany Sorrentino's, please.
687 And Miss Sorrentino's, will you pull that microphone closer to you?
688 I know you have a book there as well.
689 And would you, for the record, tell us what you have in front of you?
690 I have the binder of our exhibits and PRS that have been labeled and that you guys saw
691 ahead. And when you say PR you mean premium resources.
692 Yes, yes, all right for the court reporter, if you would avoid using acronyms or
693 abbreviations, at least at first, yes and then.
694 Go right ahead and spell it.
695 Did you swear the witnesses in?
696 I apologize.
697 Everyone's sworn in. OK, great.
698 May I ask for the ability to share my screen by all means.
699 Tiffany sorrentino's.
700 Thank you.
701 And what I'm sharing on the screen are Yvonne's prefil exhibits and testimony.
702 M's Tarantino's if you could say.
703 State your name again and for whom you're employed and for how long you been
704 employed.
705 My name is Tiffany Sorrentino.
706 I'm with Yvonne operating and I will have been with Yvonne for six years in May.
707 And you are familiar with the land matters at issues in these cases, right?
708 Yes. And did you prepare written testimony?
709 Yes. And did you prepare exhibits? Yes.
710 And have you had a chance to review your written testimony and exhibits?
711 And since they were submitted, yes and.
712 Are there any changes you'd like to make to your written testimony?
713 Yes, there's a couple, OK. And if you could walk through those one by one or actually I'll
714 ask you questions so that we're the record's clear about which ones you want to change
715 and then we will.
716 Just make sure everyone understands what's changing.
717 So the first exhibit that I think you that we've discussed that you need to change is the.
718 Working interest ownership slides that you prepared. Is that right?
719 That is correct.
720 After filing our exhibits, we have acquired the trainer partners interest, which would
721 increase our working interest and our working interest control across the board of all of

722 the exhibits for all of the cases M's sorrentinos, before you continue M's Bennett, you
723 have an exhibit on the.
724 Screen but I don't know which exhibit.
725 But it is.
726 Can you?
727 If you're going to bring up an exhibit, if any party wants to bring up, just say what the
728 exhibit is.
729 Yes, this is exhibit A4A4 and this is an exhibit of the working interest control that will
730 need to be changed A4.
731 Thank you.
732 So M's sorrentino's, can you briefly describe what will need to be changed on this
733 exhibit?
734 So we would increase in the Section 23 unit the work, the unit working interest by 1.74%
735 I believe and also the unit working interest control by 1.74% interest. And just to be
736 clear, this is the slide that shows the.
737 Working interest for Section 23 is that right?
738 That's correct. Before the acquisition, yes.
739 And then the second page of Exhibit 4 would also need to be changed.
740 Is that correct? That is correct?
741 Yep. And why would this exhibit need to be changed?
742 So this one also does not reflect the Trainer partners acquisition and in this one, I
743 believe it increases it by 1.61 or one, 6% in the working interest and the working interest
744 control.
745 Thank you. And so.
746 And then you also have exhibits that are unit recapitulations for each unit, right?
747 That is correct. And with all of those need to be updated as well to reflect the trainer
748 interest being added.
749 That is correct and the working interest control. I think we have on that tab as well,
750 yeah.
751 Thank you.
752 The next exhibit that I'm going to bring up is exhibit A11 as an example.
753 Sorry, there's some what of a delay between my computer and the screen?
754 Do you recognize this exhibit, Miss Sarantino?
755 The NOT standard one. Yes, non standard units. Yes, yes. And in this exhibit on.
756 The notice parties which I'm turning to and that's page 89 of.
757 322 that's where it starts to see that, yes.
758 On Page 90 of 322, do you see where it says waiver pending for pexb?
759 Yes. And have you received the waiver?

760 We did, yes.
761 We received it on the 20th.
762 Thank you. Yes.
763 And then the last.
764 Change. I believe you have is in the discussion of the chronology of contacts.
765 Yes, which is.
766 Sorry, this finding that.
767 A six. And that's your chronology of contacts with Permian Resources?
768 And we just wanted to add an additional entry that an additional offer was sent over on
769 the 19th, an aggressive offer actually.
770 And so you wanted you want to update that to show your most recent discussions with
771 Permian, correct?
772 Yep, trying to work a deal up until today. Thank you. Mm-hmm.
773 So with those changes and we'll make those changes when we resubmit exhibits.
774 Do you adopt your testimony and exhibits? I do.
775 Thank you.
776 I want to ask you to give a brief summary of your direct testimony.
777 So if you don't mind.
778 And I'll go back to your exhibit A4, recognizing that it's needs to be updated.
779 But this is the information we have in our in our materials at the moment. So if you
780 wouldn't mind giving a brief summary.
781 Of the working interest ownership in each of the two different types of units and the
782 working interest control.
783 Sure, this would be for our five hundreds.
784 Avon is applying to pool for the Bone Spring.
785 And this shows that we have previously the 513.77 the additional acres are obviously
786 not shown on here and we have 80% approximately working interest control with
787 additional JOA owners.
788 Which increases our working interest control to the 93, which again should be
789 increased by that additional 1%.
790 And so when you submit the corrected testimony, this will show a working interest
791 control of 94%, correct?
792 And turning to the next page of this exhibit.
793 Can you briefly describe the working interest, ownership and working interest control
794 on this exhibit?
795 Yes. So this one shows Avant is applying to pool for a 960 acre spacing unit in the Bone
796 Spring and the wolf camp again here you'll see that we have the majority working
797 interest and the working interest control, the working interest control it has the.

798 63% approximate.
799 Prior to the trainer partners with the parties under JOA, which would increase it to
800 approximately 64%.
801 Thank you.
802 And so in both of these slides, you're showing that Avon has the both the majority
803 interest in the units.
804 That's undisputed.
805 Is that right?
806 That is correct, and that avant has the higher working interest control the significant
807 higher, yes.
808 I'm going to.
809 Now turn to your with. Is there anything else you wanted to say about your?
810 Your direct exam testimony before I turn to your rebuttal exhibits, I don't think so.
811 Gonna stop sharing and.
812 Turn to the rebuttal exhibits.
813 While I'm pulling this up, one of the things you mentioned that you need to change to
814 your direct testimony is the summary of communications with Permian Resources.
815 In your opinion, has avant engaged in good faith negotiation with Permian resources?
816 Yes, there was extensive negotiations that have been happening since.
817 Probably over five months.
818 Avant feels that we we were the ones taking charge of all of the trade talks.
819 We took several trades to PR.
820 None of which they presented any counter trades. We presented an offer at the
821 beginning of April, even after we knew that we were heading to contested hearing, and
822 then again the 2nd aggressive offer that was given on the 19th.
823 Thank you.
824 Try. For some reason I'm having some issues with sharing today but does not want to
825 allow me to share.
826 And not share for the moment because it's not allowing me to.
827 I don't know if it's.
828 The shared button share button is grayed out on my computer, so we'll we'll come back
829 to that in a moment.
830 But you have your rebuttal exhibits in front of you, right? I do.
831 Yes, OK.
832 Let's turn to your rebuttal exhibit.
833 Well, first of all, you prepared a self affirm declaration in support of your rebuttal
834 exhibits, right?
835 Correct. And so let's turn to your your rebuttal exhibits.

836 You prepared?
837 For rebuttal exhibits, is that right?
838 That is correct. And can you please explain to the division why you've decided to
839 prepare rebuttal exhibits when you saw Permian's direct testimony?
840 I think the biggest.
841 Exhibit was of concern.
842 Was their working interest.
843 They are purporting working interest that does not exist.
844 It's speculative and can be misleading to the Commission.
845 Many assumptions could be made for future assignments or other activities that will
846 change a working interest.
847 But what should be presented to the division is what should be of record today.
848 And that's what you put in your pre filed testimony. Is that right?
849 Correct. And we provided the document.
850 Yes. And when you reviewed Permian's testimony, did you see in their testimony the
851 assignment an option to convert to override that permian's council was referring to
852 earlier today?
853 They did not provide it, but I remember seeing a footnote where they were purporting
854 their working interests, but under it in red. It basically also supported what we believe is
855 that.
856 These are assumed working interests.
857 Or assumptions made on parties that have not made these elections whatsoever.
858 Thank you.
859 And so is your rebuttal, exhibit A1.
860 The assignment and.
861 The agreement that is the assignment in option.
862 That is correct.
863 It's a 1980 assignment of override royalty interest and have you had a chance to review
864 that? Yes and.
865 Is it?
866 A. Does it allow overriding royalty interest owners to exercise the an option to convert to
867 a working interest correct?
868 And are there steps just in general?
869 Are there steps that need to be followed before an option can be exercised?
870 Yeah, this is not a blanket assignment of working interest or leasehold whatsoever.
871 And so it's not an automatic assignment or a conversion. Is what you're saying exactly?
872 Yep.
873 And to your knowledge, has Permian Resources converted its override to a working

874 interest? To my knowledge, no.
875 And we checked county records before coming here so.
876 And have you reviewed Permian Resources rebuttal exhibits, right?
877 Yes. And did they provide any documentation in their rebuttal exhibits that they had
878 showed that they'd converted?
879 No, it they just seemed to be comparing or restating again their assumptions of parties
880 that will be converting.
881 And we have we have known.
882 Verbal that some of those parties do not intend to convert, so it is inaccurate. Thank
883 you.
884 And.
885 Then you went, even though those are just assumed numbers and purely hypothetical,
886 you undertook to.
887 Do an analysis to show even assuming those numbers that Avat has the majority
888 interest. Is that right?
889 That is correct, yeah.
890 And what if you could turn to your bottle?
891 Exhibit A3.
892 And again, I apologize that I'm unable to share, but it's rebuttal.
893 Exhibit A3. If you could turn to that rebuttal.
894 Exhibit. Do you see that?
895 Yep. And could you please describe to the examiners what rebuttal exhibit A3 is? This is
896 the potential scenario which?
897 Just basically restates that. AO2 still holds the majority working interest and majority
898 working interest control.
899 Even when using P, Rs assumed an inaccurate numbers and what is avant's working
900 interest control even using the assumed conversion in the section 23640 acre unit it is
901 85.54.
902 This includes our working interest control with Joa owners, tree chief trainer.
903 TD and DIAGA and P Rs increases.
904 To 10.56, because we also recognize their acquisition of WR, not OP and I'm able to
905 share my screen now.
906 So is this the exhibit A3 that you were just referring to?
907 That is correct, yes and.
908 This is again, this assumes the conversion has taken place. That is, all parties convert
909 yes, which we also know is still not accurate because we know that there are parties on
910 this list who have do not intend to convert and.
911 Again, even with assuming all parties convert, Avant has 85%.

912 Yes, a significant working interest.
913 Yeah, control and then turning to exhibit rebuttal, exhibit A4.
914 Are you seeing that on the screen? Yes.
915 Is this your rebuttal exhibit that addresses the 1.5 mil laterals.
916 That is correct.
917 Yep, this is for the 960 acre unit using the same what we believe to be incorrect.
918 Assumptions and this is all parties converting and you'll see that avant still holds the
919 majority working interest control here with almost 58% compared to their 38%. Thank
920 you.
921 Now on this one it shows diaga on both of these slides.
922 Is that right?
923 That is correct.
924 And you saw in Permian's rebuttal exhibits that they have a letter of support from Diaga,
925 and that Diagga has signed Permian's JOA. Is that right?
926 I did.
927 Yep, I saw it. And so can you explain to the examiners why you included diaga in your
928 summary of working interest control attributable to avant?
929 Yes, we we felt it was correct to leave diaga in our working interest control and also I'm
930 sure they believe the same because they have signed our JOA, they have expressed
931 their interest to participate in our unit under the JOA.
932 They also did not oppose our development plan, even in the.
933 Letter of support that they provided to Permian.
934 It just says that they support them, but it wasn't in opposition of avant and additionally
935 they did not send us any additional communication that they did no longer wanted to be
936 under our JOA.
937 And so that's why you're including them in your ownership control category, correct?
938 And even if.
939 Even if we were to remove that, it's such a small interest that it really doesn't move the
940 needle much. It's .2%.
941 I apologize.
942 This reflects that you.
943 This reflects the update to include the trainer pending acquisition.
944 Is that right?
945 That is correct, yes and.
946 This also this and by this I mean exhibit A4 includes petrolux as one of the interests that
947 you're including as committed to avant.
948 Do you see that?
949 I do.

950 And did you see in permian's materials that they are asserting that petrolux does not
951 own an interest?

952 In section the north half of section 26, I did yes.

953 And can you explain to the hearing examiners why you've included petrolux in your
954 exhibit and consider them to be under your control?

955 Yes. So with the petrolux entity, it actually was never released.

956 There is no county records and no BLM filing records that moves any interest out of
957 Petrolux. If I would had to have backed into.
958 PR removing them.

959 It would have to be based on again additional assumptions that are not placed of
960 record.

961 I believe they. They ran it forward from Monarch, which is a stranger in title, and so it's
962 your understanding or avant's understanding that petrolux does own in the north half of
963 section 26, correct?

964 And that's why you've included them in the unit recaps, correct?

965 Earlier well, in your tracked maps, you did not propose to pool Siddle or Blue Star.
966 Is that right?

967 That is correct.

968 We did not or pool them as working interest owners. We have pooled them as their
969 interest is today, which is a record in their overriding royalty interest owners.

970 So in your opinion, the pooling notice that you sent out on the pooling the parties that
971 you intend to pool or seek to pool?
972 Are appropriate given.

973 And the current state of title that is correct and I would make the assumption that if
974 they wanted to participate at a later time that they would obviously most likely want to
975 be under our JOA because we've had them under several joas before as well. So they
976 would.

977 Have that option and right to do so later. Thank you.

978 Is there anything else you wanted to add? While we're before I turn you over for cross
979 examination?

980 I don't think so.

981 OK.

982 Thank you very much. Thank you.

983 Miss McLean.

984 Yeah, and I'll probably share my screen too please.

985 And when you're sharing your screen, would you tell the court reporter which exhibit
986 you are bringing up?

987 Yes, Sir. Thank you.








988 Good morning.
989 Good morning.
990 Let's go.
991 I'm and I'm on Avon's rebuttal exhibit A.
992 Paragraph eleven of your testimony.
993 Oh, sorry, not and on.
994 You're showing the wrong screen.
995 Sorry, we're on your regular exhibit A OK A2.
996 Your direct self affirmed statement at paragraph 11, where you say that each party is
997 proposing units that include section 23 and the north half of section 26, and also
998 proposing units.
999 That include only section 23, correct? Correct. But Yvonne isn't proposing any units that
1000 include the Second Bone Spring in the north half of section 26.
1001 Is that correct? Correct and objection? Objection, that is not what is reflected in the
1002 testimony.
1003 OK.
1004 To help me out.
1005 What are you saying is reflected in the testimony?
1006 Avonn is proposing to develop the north half of section 26 in the Second Bone Spring
1007 sand, not the second bone springsale.
1008 So that was an A vague question in asking whether Avon is proposing to develop the
1009 second Bone Spring.
1010 Miss McLean, do you? Do you think that the question could be asked differently or do
1011 you oppose the objection?
1012 I oppose the objection because I think it's clear from their application that they are not
1013 seeking to pull any second bone spring wells in the north half of section 26, and it
1014 expressly says so in there in one of their applications, which I could point out for.
1015 The division, my apologies.
1016 I I was.
1017 Would you?
1018 Would you?
1019 Yes, I do.
1020 Yeah, I I I was.
1021 Did you ask the question? I did? Yep.
1022 Where did you answer?
1023 I didn't hear it.
1024 We we did not, Sir.
1025 No. I looked at her.

1026 Yeah, jomina reasks the question.
1027 Yes, because now that makes me even more confused.
1028 Your answer is making me go.
1029 Did you ask the question you guys?
1030 I will thank you.
1031 Avant isn't proposing any units that include. Sorry, I heard you ask it.
1032 This is go ahead.
1033 I was second guessing myself on reading for a moment.
1034 So Ivan isn't proposing.
1035 Any spacing units that include the Second Bone Spring and the north half of section 26,
1036 correct, correct and Permian Resources does have 1 1/2 miles laterals that extend into
1037 the Second Bone spring in the north half of section 26, correct, correct, and Yvonne
1038 doesn't
1039 Own anything in the second bone. Spray in the north half of section 26, correct.
1040 Neither does PR correct.
1041 I didn't ask you that.
1042 I saw you wink at me.
1043 That's cute, but my question was Avant doesn't own anything.
1044 In the Second Bone Spring in the north half of section 26, correct.
1045 Correct. It's owned 100% by Cattera which who is here today supporting Permian
1046 Resources application, correct.
1047 I believe that's what he said. Yeah, and did not oppose bars.
1048 Speak that.
1049 Speak more.
1050 I believe that's, he said. And he said he did not oppose Evans. But Coterra said that they
1051 support Permian resources in the development because they best they think they will
1052 best develop this acreage, correct?
1053 He might have said that, yes.
1054 OK. And so at this time?
1055 Ivant hasn't included any working interest calculations.
1056 That include interest owned in the Second Bone Spring and the north half of section 26.
1057 Correct, correct.
1058 Let's go to paragraph 16 of your testimony.
1059 Right here.
1060 Yes, for the competing cases covering section 23 in the north half of section 26.
1061 AO2 has 62.88% working interest control and 53.52 working interest in Permian owns
1062 32.99% correct? This is without the additional trainer interest, but yes, OK. And trainer
1063 is one of those parties that has that.

1064 Ability to convert from an override.
1065 An additional interest could be can you let me finish answering my question before you
1066 start or asking my question before you start answering? Sure.
1067 Thank you. Trainer is one of those parties that has the ability to convert an overriding
1068 royalty interest to a working interest, correct.
1069 Yes, a portion of his interest can be converted. OK. Thank you.
1070 And TD Minerals, who evant also has listed as a working interest owner, has actually
1071 made that conversion crypt.
1072 Let's go to Avonte exhibit A9.
1073 And we'll go to the second page of that and that's page 84 of their exhibit packet.
1074 And so TD minerals here is listed.
1075 I'm sorry. Let me move this.
1076 TD Minerals right here.
1077 Is shown as 3.17% in the tracked working interest.
1078 Ownership. Correct. Correct.
1079 And that working interest percentage is the working interest they get after making the
1080 election from the override to the working interest ownership. No, these are all record
1081 title interest.
1082 So this is their purported or their correct working interests as of today.
1083 But they did have the ability to convert from an override to a working interest honor,
1084 correct?
1085 And they made that election to convert, correct. And so does this take that into
1086 account, the election to convert?
1087 Yes, it displays their current record title interest, so that would be their initial working
1088 interest plus the additional working interest they gained as a result of converting from
1089 the override to the working interest owner assuming yes.
1090 And.
1091 You actually have Permian Resources listed on Exhibit A9 twice, correct?
1092 Or earth stone. Who is their working interest owner here?
1093 Yes. And why do you list them twice?
1094 Sorry, so you're referring to like the tract one and then the TRAC 2 interest because the
1095 they own differing working interests within those tracts.
1096 And so if you add up their total interest ownership here.
1097 It's over 33%.
1098 Is that correct? Yeah, approximately. Yep.
1099 And I think you said in your direct testimony that the division should only consider what
1100 is of record today, correct, correct.
1101 Let's look at your rebuttal exhibit.

1102 That you mentioned this assignment of overriding royalty interest and options.
1103 And this is of record correct.
1104 This document.
1105 Yes, yes.
1106 And so the ability of an overriding royalty interest owner to convert to the working
1107 interest is quote of record as you would term it.
1108 No, I would disagree with that.
1109 This is an assignment of an override which has been documented. The option to convert
1110 is an action that has to be taken, but that option is not of record.
1111 I no, I would say no.
1112 This is an assignment of an overriding this is not a leasehold assignment.
1113 So at your rebuttal, exhibit A2 and this is like a shrunken version of what's up record,
1114 right?
1115 You call out that this person is granted the option of converting their overriding royalty
1116 interest to a working interest, correct? Yes. OK.
1117 I'd also like to go to.
1118 Marked as and this one is Permian Resources rebuttal exhibit A13, which Ivan did not
1119 stipulate.
1120 To the admission of so I I would like to attempt to use it on rebuttal and enter it that way.
1121 I don't know what the division would prefer. You're talking about C5.
1122 Now I'm talking about it's.
1123 There are exhibits C13.
1124 Sorry, a 13 which avant did not stipulate to and it's a side by side comparison of working
1125 interest ownership and your you'd like to use it now for demonstrative purposes.
1126 I can use it for demonstrative.
1127 That's fine.
1128 That way we don't have to worry about admitting it.
1129 OK, so to be clear for the court reporter, this exhibits a 13.
1130 You said a 13.
1131 K13, which is not evidence, is gonna be used for demonstrative purposes only. Is there
1132 an objection to that, Miss Bennett? Not to use as a demonstrative.
1133 I will say it's cumulative and duplicative of the materials in the in the.
1134 Record already previewing can you redirect?
1135 Of course, yes, of course, based on it as well, without admit.
1136 But I'll allow as demonstrative.
1137 Thank you.
1138 OK.
1139 This is premium resources exhibit A13 and have you reviewed this?

1140 Yes, I'll see if I can make it a little bit bigger.
1141 Thank you.
1142 All right.
1143 OK. And so on on these tables, Permian resources.
1144 Lists all the working interest owners, including those that have the ability to convert
1145 from the overhead to a working interest center.
1146 Correct, yes.
1147 And then you see in Table 2 the Permian Resources working interest calculations.
1148 It has additional interest. Owners of the Sital and Blue Star royalty, correct.
1149 Correct. And they have the ability to convert their overriding royalty interest into a
1150 working interest.
1151 Correct, they have the option, yes.
1152 And you did not include them as potential working interest parties to be pooled, correct,
1153 correct. We pulled them as an overriding royalty, right, and not working interest,
1154 correct, correct.
1155 Correct.
1156 Let's go back to.
1157 Avon's exhibit A13.
1158 And it's page 101 of Avon's full exhibit pocket.
1159 And this shows Avon's second Bone Spring development correct.
1160 Yes. And the only second Bone Spring development that Ivan has is 1 mililiterals in
1161 section 23, correct, yes.
1162 And you don't account for Permian Resources ability to convert their overriding royalty
1163 interests to a working interest in this table, do you?
1164 No, we displayed the working interest of record in these.
1165 OK.
1166 And Yvonne doesn't have any second Bone Spring wells in this exhibit.
1167 That include the north half of section 26.
1168 Is that correct correct?
1169 So your working interest breakdown here for the Second Bone Spring bells.
1170 Bone Spring bells won't include kotera because they only own in the north half of
1171 section 26.
1172 Correct, correct. And at this point Ivan has no plans to develop the Second Bone spring
1173 in the north half of 26th.
1174 Is that correct?
1175 I would actually defer to one of my reservoir engineers or geologists.
1176 Well, you have no applications that have included that acreage.
1177 Is that correct?

1178 I would let them plant or.
1179 Speak on potential future development.
1180 No, no.
1181 I'm asking currently before the division.
1182 Do you have any applications that include no, the second bone spring in the north half
1183 of the 26th? OK.
1184 Thank you.
1185 No more questions.
1186 Thank you, Mr. McClure.
1187
1188  **McClure, Dean, EMNRD** 1:43:52
1189 Thank you, Mr. Herring examiner.
1190 Miss Sarah tino's.
1191 Can you please briefly describe for me?
1192 The death severances that is.
1193 Within the proposed units.
1194
1195  **Pecos Hall** 1:44:21
1196 I would like to defer all of those to our OPS technical team as well, if I may.
1197
1198  **McClure, Dean, EMNRD** 1:44:30
1199 Is it not of the death? Severance is not referenced within yourself, affirmed statement.
1200
1201  **Pecos Hall** 1:44:37
1202 I do not believe so, no.
1203
1204  **McClure, Dean, EMNRD** 1:44:42
1205 Do you not?
1206 Were you not involved in?
1207 Are you aware of which depths avant wishes to wishes the division to force pool in each
1208 case?
1209
1210  **Pecos Hall** 1:45:14
1211 Generally speaking, yes.
1212
1213  **McClure, Dean, EMNRD** 1:45:18
1214 Do you believe it's Bond's attention to for the division to force pull the entirety of the
1215 Bone Spring, split up by the deaf severances?

1216

1217 **PH** Pecos Hall 1:45:30

1218 Excluding the second bone, yes.

1219

1220  McClure, Dean, EMNRD 1:45:37

1221 Excluding the second bone, can you clarify what you mean by that?

1222

1223 **PH** Pecos Hall 1:45:46

1224 Excluding the debt severances that we listed in our Bone Springs applications.

1225

1226  McClure, Dean, EMNRD 1:45:54

1227 Oh, I see.

1228 So when you said excluding the the Bone Spring.

1229 Two, you were implying that.

1230 The that's the break between the Bone Spring one and the Bone Spring 3. Is that all you

1231 were referring to?

1232

1233 **PH** Pecos Hall 1:46:08

1234 Yes, that's correct.

1235

1236  McClure, Dean, EMNRD 1:46:12

1237 Do you know if avant?

1238 Would like the division to force pull the second bone spring carbonate.

1239

1240 **PH** Pecos Hall 1:46:21

1241 I do not believe so.

1242 Think they have been pooled by Katerra previously?

1243

1244  McClure, Dean, EMNRD 1:46:42

1245 Don't have a page reference here. Do you know for sure what your where your where

1246 your self affirm statement?

1247 Is occurring within the exhibit packet.

1248

1249 **PH** Pecos Hall 1:46:59

1250 Mr. McClure, I can help with that, and then I can pull it up on the screen in just a

1251 second. But herself of firm statement starts at Page 40 of 122.

1252 I'm sorry of 3/22.

1253

1254  **McClure, Dean, EMNRD** 1:47:07

1255 Thank you, miss Bennett.

1256

1257  **Pecos Hall** 1:47:25

1258 And I have it pulled up here on the screen if that's helpful.

1259

1260  **McClure, Dean, EMNRD** 1:47:30

1261 Yeah, I'm also looking at it on my monitor here.

1262 Hey, Miss Saratino's, I'm looking at page 46, where you start talking about case number

1263 25829. Paragraph 46 looks like it's the start of that section.

1264 Oh yeah, it looks like Miss Bennett has it pulled up.

1265

1266  **Pecos Hall** 1:48:08

1267 Yes.

1268

1269  **McClure, Dean, EMNRD** 1:48:12

1270 Do you see paragraph 47 where it seems?

1271 That avant is asking to force pull the entirety of the second Bone Spring.

1272 Do you see the sentence I'm referring to?

1273

1274  **Pecos Hall** 1:48:27

1275 Yes.

1276

1277  **McClure, Dean, EMNRD** 1:48:29

1278 Do you think that I just do you think that's accurate?

1279 Or not.

1280

1281  **Pecos Hall** 1:48:41

1282 Sure.

1283

1284  **McClure, Dean, EMNRD** 1:48:46

1285 OK.

1286

1287  **Pecos Hall** 1:48:46

1288 And.

1289

1290  **McClure, Dean, EMNRD** 1:48:46

1291 So is.

1292 It is.

1293 It possible that maybe what you meant was second Bone Spring sand.

1294

1295 **Pecos Hall** 1:48:57

PH

1296 Yes.

1297

1298  **McClure, Dean, EMNRD** 1:48:59

1299 OK.

1300 And which which of Avon's later expert witnesses.

1301 Would be able to best speak upon, I guess what Avon's intent is here.

1302

1303 **Pecos Hall** 1:49:11

PH

1304 Get up.

1305 He put his hand in front of his mail.

1306 This is core reporter.

1307 Can you repeat your question please? To put your hand up on your mouth. And then I I

1308 heard bumbling.

1309

1310  **McClure, Dean, EMNRD** 1:49:22

1311 Yes, ma'am. Miss Feratino's, which of Avant's later expert witnesses would best be able

1312 to address Avon's attendant proposed unit here.

1313

1314 **Pecos Hall** 1:49:37

PH

1315 I'll let them decide, but I assume they both are prepared.

1316

1317  **McClure, Dean, EMNRD** 1:49:40

1318 OK.

1319 And is it your belief that or?

1320 Which of Avon's later expert witnesses would be best able to speak on the death

1321 severances within the proposed units?

1322

1323 **Pecos Hall** 1:50:09

PH




1324 Probably our geologist John Harper.

1325

1326  **McClure, Dean, EMNRD** 1:50:14

1327 OK.

1328 OK.

1329 I'm looking at.
1330 Well, your break out of interest.
1331 Let's see the first one's on page 84.
1332 Looks like.
1333 Jose, to be fair, I don't know if we need the aid, but I'm looking specifically at the
1334 PETROLUX incorporated.
1335 Can you provide a little bit more detail as to what you mean when you say under
1336 contract?
1337
1338 **PH Pecos Hall 1:51:03**
1339 Yeah, we're, we're, we will be acquiring this interest.
1340
1341 **McClure, Dean, EMNRD 1:51:09**
1342  OK.
1343 But when you say it's under contract, is it currently under contract and what are the
1344 terms of those OK.
1345
1346 **PH Pecos Hall 1:51:14**
1347 It is.
1348 That's correct.
1349 It is currently under contract with plan plans to close, probably within the next week or
1350 so.
1351
1352 **McClure, Dean, EMNRD 1:51:24**
1353  Plans to close within the next week or so. So when you say it's under contract, what do
1354 you actually mean by that, I guess?
1355
1356 **PH Pecos Hall 1:51:37**
1357 I mean, we have no reason to believe this will not be closing.
1358 We've been working with these parties for a very long time.
1359
1360 **McClure, Dean, EMNRD 1:51:45**
1361  OK. But as of right now?
1362 What is currently executed?
1363
1364 **PH Pecos Hall 1:51:53**
1365 We have a letter agreement with them.
1366 It's just the diligence period that is is running right now.

1367

1368  **McClure, Dean, EMNRD** 1:52:02

1369 OK.

1370 So then you have a signed letter of agreement from this entity that states what.

1371

1372  **Pecos Hall** 1:52:12

1373 Confidential information, but that we intend to close for a set dollar amount.

1374

1375  **McClure, Dean, EMNRD** 1:52:18

1376 OK.

1377 So essentially.

1378 They've signed an agreement and I'm not worried about the details other than this

1379 agreement states that they intend to sell their interest to Avon.

1380 Is that correct?

1381

1382  **Pecos Hall** 1:52:34

1383 That is correct.

1384

1385  **McClure, Dean, EMNRD** 1:52:44

1386 Do they have the ability to back out of that deal?

1387

1388  **Pecos Hall** 1:52:49

1389 I would have to revisit the contract, but I do not believe so, no.

1390

1391  **McClure, Dean, EMNRD** 1:52:55

1392 I guess regardless of that, is it accurate to say that this entity was provided notice of this
1393 application?

1394

1395  **Pecos Hall** 1:53:04

1396 Yes, that is correct.

1397

1398  **McClure, Dean, EMNRD** 1:53:32

1399 In regards.

1400 The difference?

1401 In interest between Avant and permium.

1402 Is the entirety of that difference attributable to?

1403 This conversion between overriding royalty interest owners to working interest.

1404

1405 **PH** Pecos Hall 1:53:58

1406 It is not, no.

1407

1408  McClure, Dean, EMNRD 1:54:01

1409 And I believe you spoke on it a little bit earlier, but can you give me another brief
1410 summary as to?

1411 The other divergent I guess.

1412 Beyond the overriding royalty interest aversion.

1413

1414 **PH** Pecos Hall 1:54:17

1415 But I peek at that.

1416 Our CHEAT SHEET.

1417 I think what he's asking you is just to I'm. I'm not trying to.

1418 May I go ahead, assist the witness? Little, I think what he's asking you, Miss Sarantinos,
1419 is to run through your working interest.

1420 Recap to explain the difference in current title as between Avant and Permian in terms
1421 of the interest that you have under your control, OK, is that correct, Mr. McClure?

1422

1423  McClure, Dean, EMNRD 1:54:46

1424 I mean, I believe so.

1425 Essentially, I was asking for, well, let me restate my question and maybe miss Miss
1426 Bennett's might be more easier there for the expert witness to understand.

1427 But what's interesting my question was, is I asked if.

1428 All of the differences in what Permian believes, the working interest to be and what
1429 Avant believes, the working interest to be.

1430 If that can entirely be attributable to these override conversions, your response had
1431 been no, it cannot or does not address all the differences.

1432 My follow up question is what are the differences that are not explained by the
1433 conversion of overriding royalty interests to working interest?

1434

1435 **PH** Pecos Hall 1:55:38

1436 Let me ask the witness.

1437 Do you understand the question now? Not fully, no.

1438 Mr. McClure, it's not clear to the witness.

1439 I think I understand it, but I think.

1440 Do you remember the question where you answered no to just a little while ago where
1441 he asked you about how it's attributable and you said no, it's not attributable to that

1442 factor.
1443 You do remember that? Yes. OK. And and and you answered. And what did you mean
1444 when you said no?
1445 Let me hear your answer. I thought he was asking is our interest differential only
1446 attributable to the override document?
1447 And it is not. We still have a substantially higher working interest without any of those
1448 conversion scenarios.
1449 So Mr. McClure, were you talking about the interest differential or something else?

1450

1451  **McClure, Dean, EMNRD** 1:56:28

1452 I'm talking of the interests differential.

1453

1454  **Pecos Hall** 1:56:31

1455 OK, then, OK.

1456 You have the answer now, so why don't you ask a follow up to what she just said?

1457

1458  **McClure, Dean, EMNRD** 1:56:39

1459 Well, my follow up I guess is kind of.

1460 It's kind of my original question I guess is Miss Serra. Tino.

1461 You said that there is an additional change.

1462 An additional difference.

1463 In what Avant believes its interest to be.

1464 What are you referring to?

1465

1466  **Pecos Hall** 1:56:58

1467 Yes, just our acquisition of the Trainer Partners Ltd, which just increases our interest in
1468 the, I think we're looking at the 960 unit.

1469 By the additional 1.16% working interest.

1470

1471  **McClure, Dean, EMNRD** 1:57:15

1472 OK so.

1473

1474  **Pecos Hall** 1:57:15

1475 That was.

1476

1477  **McClure, Dean, EMNRD** 1:57:17

1478 Other than the acquisition of Trainer Partners Ltd.

1479 And consideration of conversion of overriding royalty interest owners to working interest

1480 owners.

1481 Is there any other differences between what Avant believes the interest to be and what

1482 Permian believes the interest to be?

1483

1484 **PH Pecos Hall 1:57:43**

1485 I think our only difference in title per Southeast is the Petrolux entity which is the 8 acres
1486 which is still not very substantial.

1487 It's less than 1% difference.

1488

1489  **McClure, Dean, EMNRD 1:57:57**

1490 And I'll I'll ask them this, but do you know who they believe that eight those eight acres
1491 to be attributed to?

1492

1493 **PH Pecos Hall 1:58:05**

1494 Yes, they believe it ends up with Earth Stone Permian.

1495

1496  **McClure, Dean, EMNRD 1:58:12**

1497 So then their interest is what you're saying, is that correct?

1498

1499 **PH Pecos Hall 1:58:16**

1500 That is what they are saying, correct?

1501

1502  **McClure, Dean, EMNRD 1:58:19**

1503 OK.

1504 They're just a few pages down, page 86.

1505 And this slide seems to be this is talking about your non standard spacing unit. Your

1506 NSP application you see here I'm referring to Miss Serotino's.

1507 In your depiction on the right hand side of this screen.

1508 Is there a reason that your particular depicting 2 separate spacing units? Or is this

1509 simply a typo?

1510

1511 **PH Pecos Hall 1:59:08**

1512 It must be a typo, because I think those are the approved CT VS.

1513 What that we have plans for?

1514

1515  **McClure, Dean, EMNRD 1:59:15**

1516 OK.

1517 So is it?

1518 It's it is accurate that to your understanding it is accurate that Ivana tends to have two
1519 central tank batteries though.

1520 Is that correct?

1521

1522 **PH** Pecos Hall 1:59:28

1523 I believe so, but I will defer that to reservoir.

1524 But yes.

1525

1526  McClure, Dean, EMNRD 1:59:34

1527 OK.

1528 So then of the typo here, potentially the only typo would be the Hsu.

1529 It should depict a single or Hsu rather than two of them, is that correct?

1530

1531 **PH** Pecos Hall 1:59:48

1532 Of the units.

1533 The the unit, the two separate units into one.

1534

1535  McClure, Dean, EMNRD 1:59:53

1536 Umm.

1537 Yes. Is it accurate to say that?

1538 It should only depict a single or non standard spacing unit.

1539 On the right hand depiction.

1540

1541 **PH** Pecos Hall 2:00:12

1542 Yes, yes.

1543

1544  McClure, Dean, EMNRD 2:00:15

1545 OK.

1546 Within any of your direct exhibits here, do you include a breakout of the cost associated
1547 with all proposed facilities and wells?

1548

1549 **PH** Pecos Hall 2:00:40

1550 I did not know.

1551

1552  McClure, Dean, EMNRD 2:00:43

1553 Oh, excuse me.

1554 I guess that would be your one later. Experts, I apologize.

1555 Yeah, that wouldn't be in your exhibits regardless.

1556

1557 **PH** Pecos Hall 2:00:49

1558 That's OK.

1559

1560  McClure, Dean, EMNRD 2:01:16

1561 Earlier you referenced that Avant has received.

1562 Written waiver from PEXP.

1563 Is that correct?

1564

1565 **PH** Pecos Hall 2:01:26

1566 Bexp. Yes, that's correct.

1567

1568  McClure, Dean, EMNRD 2:01:29

1569 And is that in regards to?

1570 All of the cases.

1571

1572 **PH** Pecos Hall 2:01:36

1573 Yes, yes, I believe we listed them all in the waiver notice.

1574

1575  McClure, Dean, EMNRD 2:01:41

1576 Yeah, very good.

1577 Mr. hearing examiner.

1578 Actually, let me make sure on my notes.

1579 Yeah, I think.

1580 I thank you, miss. Miss Santino's, Mr. Herring. Examiner. At this point, I don't have any

1581 more questions for this expert witness.

1582

1583 **PH** Pecos Hall 2:02:25

1584 Thank you, Mr. McClure, before we go to any redirect, let's take a 5 minute break, OK?

1585 Thank you.

1586 Thank you.

1587 We're off the record.

1588 Fix softly.

1589 I'm so sorry.

1590 Speak loud.

1591 Want to hear what you have all day?

1592

1593  McClure, Dean, EMNRD 2:09:05

1594 Mr.
1595 Hearing examiner when we do come back, I do have one more question for Miss Sarah
1596 Tinoz that we may want to address.

1597

1598 **Pecos Hall 2:09:07**

1599 **PH** Yes.

1600 OK, sounds good.

1601 Alright, it's 10:34 AM.


1602 We're back on the record and oops, but we were back on.

1603 Yes. Can we get back on the record?

1604 All right, 10:34 AM and Mr. McClure has another question for Miss Sorrentino's.

1605

1606 **McClure, Dean, EMNRD 2:09:33**

1607  Mr. Steering examiner. I miss Sarah tino's. Is it accurate to say that originally Avant was
1608 asking for a 800 series of wells to be dedicated to the proposed Wolfcamp unit?


1609

1610 **Pecos Hall 2:09:47**

1611 **PH** Yes, that is correct.

1612

1613 **McClure, Dean, EMNRD 2:09:49**

1614  Is it also accurate to say that Avant now wishes to no longer request those wells to be
1615 dedicated to the proposed Wolfcamp unit?

1616

1617 **Pecos Hall 2:10:01**


1618 **PH** Do intend to apply for them, but we were just correcting one from a previous case two
1619 weeks prior where we know it needed to have a correct pull code.

1620 So instead of having to address that issue here, we thought it would be in the divisions
1621 best interest to reapply with the appropriate pull code.

1622 But our intent is still to develop those 800.

1623

1624 **McClure, Dean, EMNRD 2:10:27**

1625  Now when you reference the appropriate pool code, do you mean to imply that?
1626 Avat will be requesting a force pooling case in the Cisco and Canyon formations.

1627

1628 **Pecos Hall 2:10:45**

1629 **PH** I believe that is the correct one, yes.

1630

1631 **McClure, Dean, EMNRD 2:10:50**

1632 

1632 OK. But for these cases that we're hearing today, is it accurate to say that avant is no
1633 longer requesting those 800 series wells?

1634

1635 **PH** **Pecos Hall** 2:11:02

1636 Yes, that's correct.

1637

1638  **McClure, Dean, EMNRD** 2:11:05

1639 OK, thank. Thank you, miss Sarah tinoz.

1640 Mr. Herring, examiner I.

1641 I now no longer have any more questions for this expert witness.

1642

1643 **PH** **Pecos Hall** 2:11:12

1644 Thank you. Mr. McClure. Miss Bennett.

1645 I just had two or one really brief redirect.

1646 Miss Sarantinos, do you recall being asked by Mr. McClure about the depth severances
1647 in the avant applications?

1648 Yes, and.

1649 Did you're generally familiar with the depth severances in the applications? Is that
1650 right?

1651 Yes, that's correct.

1652 Did you?

1653 And you deferred to Mr. Harper and Mr.

1654 Kelly to talk about those more later. Yes, correct.

1655 And is that because the Avant team worked on defining the depth severances together?

1656 Yes, that's correct.

1657 Thank you.

1658 Is there any recross on that one answer? No, Mr. McClure.

1659

1660  **McClure, Dean, EMNRD** 2:12:04

1661 Mr. herring, examiner. Maybe just one follow up on that.

1662

1663 **PH** **Pecos Hall** 2:12:08

1664 Ask as many as you like.

1665

1666  **McClure, Dean, EMNRD** 2:12:11

1667 Thank you, Mr. hearing examiner Amith Sarah Kino.

1668 Is it still accurate that it that Mister Harper would be able to buy a more detailed
1669 response as to Avon's intent and for those death severances?

1670

1671  **Pecos Hall** 2:12:28

1672 Yes, that's correct.

1673

1674  **McClure, Dean, EMNRD** 2:12:30

1675 OK.

1676 So do you have anything further from your review to add on that topic of death

1677 separerence?

1678

1679  **Pecos Hall** 2:12:38

1680 I do not.

1681

1682  **McClure, Dean, EMNRD** 2:12:40

1683 OK, thank thank you, Miss Serotino.

1684 Thank you, Mr. Herring examiner.

1685

1686  **Pecos Hall** 2:12:43

1687 All right.

1688 Thank you.

1689 May this witness be excused?

1690 Yes, thank you. Thank you.

1691 OK. And M's Bennett, through this witness, all of the exhibits, including the rebuttal

1692 exhibits, have been entered.

1693 Yes, I thought they had.

1694 Thank you.

1695 And you have some corrections to make.

1696 Yes, we do.

1697 And you've written them all down.

1698 You have a record of those I do.

1699 Sounds good.

1700 We'll deal with that at the end of the hearing.

1701 Do you wanna call your second witness?

1702 Yes, I'd like to call John Kelly.

1703 I'm sorry. John Harper. That's right.

1704 That's right. Thank you.

1705 Good morning, Mr. Harper. If you would please say your name for the record, John

1706 Harper, and by whom are you employed by operating and how long have you worked for

1707 Avon operating since inception of operating?

1708 So almost seven years this October and what is your title at Avon operating Senior Vice
1709 President of Assets and Exploration?
1710 And you prepared testimony and exhibits for the hearing today, did you not?
1711 I did.
1712 And are there any changes you need to make to your testimony?
1713 No. And do you adopt your testimony in exhibits?
1714 Yes, I'd like to ask you to give a brief summary of your direct testimony.
1715 So if you could give a brief summary of the geology in the area.
1716 Yes, I mean this.
1717 This shows our plan within Lee County, New Mexico.
1718 Showing the development plan of the Avalon.
1719 On the 1st Bone Spring sand, the second Bone Spring sand, the third bone spring sand
1720 the upper wolf camp and Lower wolf camp. And as Miss Sarantinas just discussed,
1721 we're planning on refileing the 800 series Cisco Canyon Wells later.
1722 What are you showing now?
1723 I'm getting ready to show his anexhibit, but I'm not quite there yet.
1724 I'm just getting lined up.
1725 And did you prepare a slide that shows an overview of the competing cases?
1726 Yes. And is that your slide?
1727 Right there.
1728 Is that your slide before?
1729 Yes. And is this a summary of what you just stated about the different targets that
1730 Yvonne is trying to Avon is seeking to pool that is correct and shows our development
1731 plan of the Avalon, the First Bone Spring sand, the Second Bone Spring sand, the Third
1732 Bone Spring.
1733 Sand, Upper Wolf Camp and Lower Wolfcamp versus parent resources.
1734 Exclusion of the Avalon.
1735 Only four wells and the first Bone Spring sand.
1736 A mixture of second bone spring.
1737 U turns and shales.
1738 And then various like third bone Springs, sand, upper wolf camp and no lower wolf
1739 camp development.
1740 And just really quickly on your geology slides that we went through a moment ago, very
1741 briefly, do you, is it your understanding or based on your opinion that all of the targets
1742 that you're seeking to pool in these benches are perspective, yes.
1743 And.
1744 Here what I'm pointing to here is the Permian resources.
1745 Opposed to A1H. Well, do you see that or upper Wolfcamp development? Do you see

1746 that?

1747 Yes. And do you see how the two 01812 is depicted at a a slant?

1748 I do and did.

1749 Why did you depict it that way? Based on their proposals?

1750 That's how they define their bottom hole location, stopping in lot C and stopping short
1751 of the full mile and a half units that I I just.

1752 Made it how they depicted it.

1753 Thank you.

1754 In.

1755 Earlier today or is it your opinion that Permian has properly pooled the second Bone
1756 spring interval in its applications?

1757 No, and I'm going to turn to an exhibit that I think might help us talk through this, which
1758 is.

1759 Your exhibit B8.

1760 Are you saying that exhibit?

1761 Yes. So and this is an exhibit you prepare, right?

1762 Yes. And is it an exhibit that shows the Hanson state?

1763 Well, yes.

1764 And why is the Hanson state well relevant to our discussion that we're about to have?
1765 It's a typed well that's in close proximity, but it's also the exact well that Permian
1766 Resources used in their proposals and pulling applications.

1767 To define their intervals of interest and do intervals, intervals of interest. Thank you.

1768 Can you pull the microphone closer to you?

1769 Sure. Sorry. Thank you.

1770 Do you recall?

1771 Have you reviewed Permian's second Bone Spring application?

1772 Yes, applications.

1773 And do you recall that in their second Bone Spring applications, they're seeking to pool
1774 from approximately?

1775 Should have had it right here in front of me, but I don't.

1776 But from approximately 9444.

1777 And below, yes, I believe that's correct.

1778 And we're and so just to Orient ourselves, this is a log of the Hanson and you've shown
1779 here the first Bone Spring.

1780 And then down below you start the second Bone spring sand.

1781 That's correct.

1782 Approximately where on this cross section would the top of the Second Bone Spring
1783 shale be using the Hansen well that they referenced in their applications?

1784 The depth marks are 100 foot.
1785 Intervals, I would say approximately 92 or 9190 feet TBD using Hanson.
1786 Well, that correlates to the snotty well at roughly.
1787 90 to 25.
1788 Is the top of the Second Bone Spring shell, also known as the Second Bone spring
1789 carbonate and so in your opinion the top of the Second Bone Spring shale is at
1790 approximately 929190 correct.
1791 And the second Bone Spring shale wells that Permian is seeking authority from the
1792 division to pool are at what depths do you recall approximately using the Hanson well
1793 right there, I believe approximately 93 ISH or 9250.
1794 I don't remember the exact depth, but within the second Bone Spring shale interval.
1795 So I if I can look back that I recall it's at 9330.
1796 Does that sound about right?
1797 That sounds all right.
1798 So in your opinion, is 9330 within the?
1799 Interval that Permian is seeking to pool for its second bone spring sand.
1800 Or excuse me, second Bone Spring wells, which starts at 9444.
1801 I would disagree with that.
1802 Their 140, their second bone spine, shell wells are well above the second Bone Spring
1803 enable as they defined it and so their second Bone Spring application does not include
1804 the Second Bone Spring well.
1805 That is correct.
1806 And those wells in fact are in the.
1807 Are those wells in the first Bone Spring then as they've defined it, which I believe is
1808 incorrect?
1809 And just I'm just going to pull look at one of their applications real fast.
1810 Actually, I'm looking at Mr. Paddock's direct testimony and he says in his direct
1811 testimony that the first phone spring applications will be from the top of the sorry, the
1812 top of the Bone Spring to the base of the first Bone Spring interval at approximately
1813 9440.
1814 Four and is the, in your opinion, is the base of the Bone Spring interval at 9444 Mr.
1815 Examiner.
1816 I have an objection to this line of questioning.
1817 Let's hear it.
1818 It's that this issue could and should have been addressed in Mr. Harper's direct
1819 testimony, and it was not.
1820 So this is unfair surprise.
1821 He had an opportunity to address that and that this has not been done.

1822 This is the first time we're hearing about any of this.
1823 So.
1824 So the concept of X should have been part of his direct what is X?
1825 This apparent argument that Permian Resources second Bone Spring applications don't
1826 include the correct depths for the Second Bone Spring.
1827 OK. And why should that have been in?
1828 I'm trying to understand the objection fully before I go to Miss Bennett. And why should
1829 that have been in his direct?
1830 Because Avant has had the depth of the wells.
1831 Since they received the well proposals and they're included in permian's applications,
1832 and so this would have been a topic appropriately addressed in direct testimony to
1833 which we could respond.
1834 It's also not included in the rebuttal testimony.
1835 This is completely new.
1836 I see it's not in the rebuttal testimony either, right?
1837 OK, Miss Bennett.
1838 Thank you.
1839 First avant.
1840 Did not have the opportunity to put this in their direct testimony.
1841 This became apparent to Yvonne after we submitted the direct testimony.
1842 And so it wasn't.
1843 It's not something that was intentionally left out of our direct testimony.
1844 It was upon review of Permian's exhibits that Avant realized the error in permian's
1845 applications.
1846 In fact, we have an exhibit in our direct testimony that.
1847 Is in line with what Avant thought.
1848 The Permian plan was so it wasn't as if we were trying to.
1849 Not put this in the direct testimony.
1850 In fact, during the direct testimony, we thought the plan was what I think Permian thinks
1851 the plan was and what and before you go, go on. You said you have an exhibit that
1852 shows what you were thinking before you got there exhibits and what exhibit is that.
1853 It's a reservoir engineering exhibit.
1854 I'll have to find it.
1855 I think the reservoir engineer is here.
1856 For Avon, do you wanna just tell her? What exhibit that would be?
1857 Its exhibit.
1858 I'm sorry.
1859 It's page 288 of 3/22.

1860 Perfect. Thank you.
1861 Let me know when you have it, Miss Bennett.
1862 It's right here. This is it.
1863 No, it's. Oh, sorry. No right here.
1864 Sorry, it just took a second to catch up.
1865 Yes, that's correct.
1866 This is the proper one.
1867 This is it.
1868 What exhibit number is this C3? I'm sorry. What C3?
1869 C3 and that's been admitted into evidence.
1870 It has been all right.
1871 So where? Show me where on here.
1872 This shows that you originally thought that.
1873 Well, what you said before, right?
1874 So I believe it's the.
1875 These.
1876 Actually, it's this these wells right here the.
1877 Do you see those upper?
1878 I don't see anything is too small.
1879 Can you make it a little bigger? Sure.
1880 OK.
1881 So do you see this 141 H?
1882 Well, not yet.
1883 My screen is just really slow today.
1884 Now, are you seeing the 141 I'm trying to circle it with my mouse.
1885 I do see it here, but what does it say over there on the left side in in second Bone Spring?
1886 Yes, OK.
1887 I see it here now.
1888 141 H that says OK, go ahead.
1889 So this is the plan that Avant thought was being proposed by.
1890 And and to be fair, this Permian is seeking to target the second Bone spring shale.
1891 That's not the question.
1892 The question is whether they're applications are.
1893 Legally sufficient because they do not. The second Bone Springs Shale application or
1894 the Second Bone Spring application does not include these steps.
1895 And in terms of unfair surprise, this is not an issue that it's avant's burden to prove that
1896 PRS applications are incorrect.
1897 It's not evidence duty to alert Permian to that. These in fact Permian has been

1898 repeating.

1899 This same era since 2023, I think when they first filed their applications before the
1900 division.

1901 So there's no reason that Yvonne would have had any knowledge that Permian was
1902 using the wrong depths until we started looking into it.

1903 And.

1904 So this is this is your exhibit.

1905 So this shows that you were thinking that the 141 H and the 143 H were in the Second
1906 Bone Spring. Yes, OK.

1907 And then what exhibit that they that Permian filed?

1908 Tipped you off to that?

1909 The depth the depths are not correct.

1910 I'm not certain if it was a particular exhibit, but more that when once Avant received
1911 permian's exhibits, it started really distilling and drilling down into the materials and
1912 that's when it realized that.

1913 The depths that Permian was seeking to pool do not correlate with the depths of the
1914 wells that Permian is proposing in the applications.

1915 Now the allegation in the objection was that Avant has had the deaths that that Permian
1916 was attributing to the Second Bone Spring in their well proposals and this would have
1917 been, of course, many months ago.

1918 What? What's the? What's your response to that?

1919 The well proposals do not include the same level of detail as the applications or the
1920 exhibits. The well proposals, in fact, just say 9330 Second Bone Spring.

1921 They don't, as far as I recall. The well proposals don't discuss the depth severance at
1922 all.

1923 So the well proposals themselves, which is what avant was using to build this slide off
1924 of, would not have identified any error in the pooling interval.

1925 Miss, Miss Hardy.

1926 You have any follow up to that?

1927 Yes. Then I think they should have included it in rebuttal because they had this
1928 information well, by the time we and and Miss Bennett, why is this just coming till late
1929 now? And why was this not in your rebuttal case, Mr. Examiner?

1930 Again, Avant does not need to identify.

1931 Legal deficiencies in its rebuttal case. These are deficiencies.

1932 This is akin to subject matter jurisdiction of the.

1933 Division. This could be raised at anytime. The division itself could find that this is a
1934 material deficiency in permian's applications.

1935 So whether Avant raised it in its rebuttal or today is irrelevant.

1936 It's a material deficiency in permian's applications and the division.
1937 There's no need for avant to have raised it in its rebuttal testimony.
1938 Yes, Hardy, I'm going to ask for one last follow up from you before I go offline for a
1939 minute and talk to Mr. McClure about what he thinks.
1940 But your your response to this to the similarities subject matter, jurisdiction that never
1941 goes away basically.
1942 Well, I don't.
1943 I don't think it's similar to subject matter jurisdiction, because I think it's an alleged
1944 leak.
1945 They're claiming it's a legal deficiency that they could raise in legal briefing.
1946 But.
1947 I don't think it's.
1948 I can't.
1949 The subject matter jurisdiction. OK. Sorry. Alright, let's take a 5 minute break. We'll be
1950 back.
1951 Thank you.
1952 We're off the record.
1953 Yeah.
1954 Maybe on the right, but you are ready.
1955 All right, we're back on the record.
1956 So 11:07 AM and Mr. McClure and I discussed the issue.
1957 My ruling is that this is not unfair surprise, so I'm going to overrule the objection and I'll
1958 explain why.
1959 Why this is an error in?
1960 The I won't call it the application.
1961 I'll call it the exhibits, or I'll call it the CPAC.
1962 This is an error in the CPAC.
1963 And it's not the sort of evidentiary issue that.
1964 I believe Permian would.
1965 Want to call another witness?
1966 To rebut in some way, if Miss Hardy does want to do that, she can explain herself and
1967 and and I'll give her wide latitude.
1968 Since this was a surprise to you, I understand that it was a surprise to you.
1969 I just don't see how you would have dealt with it with more evidence.
1970 It's a it's a.
1971 It's a.
1972 It's an error on the.
1973 It's an error on this document.

1974 It can be amended as far as I understand.
1975 Maybe I'm wrong about that.
1976 I don't know.
1977 But I don't find it unfair.
1978 Surprised to point out an error in your document.
1979 So did you ask your question and did you get an answer?
1980 I did, but I would like to make a clarifying remark to your ruling if possible.
1981 No, I'd prefer not to. Thank you for asking. But I remember you asked a question and the
1982 objection.
1983 Came so I don't believe you're a witness. Answered your question.
1984 So would you ask it again?
1985 I will and I will do my best to remember what my question was in your opinion is.
1986 Permian Resources seeking to pool the appropriate interval to capture the second bone
1987 springsale in its second Bone Spring application, no.
1988 And.
1989 In and you will understand that their applications in fact.
1990 Act, identify the depth. Severance right. Correct. OK.
1991 So it's not just an issue with the.
1992 Cpac, which you may not know what that is.
1993 OK. And so if I turn to their applications.
1994 Which I have one pulled up here.
1995 Am I sharing my screen?
1996 I'm not, am I?
1997 Let me share my screen real fast.
1998 Are you seeing this application in case 25833?
1999 Yes. And do you see that this is an application for the second Bone Spring interval?
2000 Yes. And is this an application for the one of the spicy chicken 2nd Bone Spring shale
2001 wells?
2002 Yes, they're 143.
2003 And.
2004 Just turning the page here. Do you see this?
2005 Paragraph 5.
2006 Yes, does it say due to a depth severance?
2007 In the Bone Spring app, formation applicant seeks to pool interests in the Bone Spring
2008 interval only from approximately 944 TBD to 9930 TBD, as shown on the Hanson State
2009 number one well log.
2010 Yes, at the Second Bone Spring interval only from the 9444 TBD to 9930 TBD from the
2011 Hanson stay well log.

2012 Yes. And in your opinion, does the 143 H Weld, which is the subject of this application.
2013 Fall within 944.
2014 TBD to 9930 TBD. It does not.
2015 And is that true for the remaining second Bone Spring shale application, the 1:41?
2016 In your opinion, does this same issue permeate the first Bone spring applications?
2017 Permian's first Bone Spring applications.
2018 Yes, the 1:41.
2019 The 143 fall within their first Bone Spring interval.
2020 And let me see if I can find one of those applications real fast.
2021 So we can look at it.
2022 In black and white.
2023 OK.
2024 So here is the application per case number 25838.
2025 Do you see that?
2026 Yes, and this is an application for the first one's bringing up all right? Yes.
2027 And here it has another snippet in the application itself about the depth severance right,
2028 doesn't it?
2029 Yes it does.
2030 And I'm paraphrasing here, but it says that the depth severance is from the top of the
2031 bones, from the top of the bone spring to the base of the Bone Spring interval at
2032 approximately 9444 TBD.
2033 Do you see that I do, in your opinion, is the base of the Bone Spring at 90 base of the
2034 first Bone Spring. Excuse me. At 9444 TBD. I would disagree with that.
2035 And is this interval here that's being described in paragraph 4.
2036 Is that the interval in which Permian is proposing to pool to actually drill the 1:41 and
2037 1:43 A twelves correct their second bone spring shale as they defined it are planned to
2038 be within the first Bone spring sand or first Bone Spring interval as.
2039 They defined it.
2040 And how? How do you know that? Based on the TVD that they provided and their
2041 application? And that's because the TVD for the first, I'm sorry for the second bone
2042 springsale wells, the 141 and 143, is that 9330 approximately correct and 90?
2043 3:30 would be between the base of the first Bone Spring.
2044 I'm sorry, the top of the first Bone Spring to the base of the first Bone Spring correct as
2045 they've defined it, yes.
2046 And so the same issue is permeates their first Bone Spring.
2047 Applications correct and have you undertaken to review their third Bone Spring
2048 applications.
2049 I have and in your opinion, does this issue also present itself in their third bone spring

2050 applications?
2051 I would disagree with their third Bone Spring applications as well.
2052 And that's because in your opinion, they do not accurately reflect the pooled interval.
2053 Is that correct correct?
2054 Thank you.
2055 I'd like to now turn to your.
2056 Rebuttal exhibits.
2057 And.
2058 Do you prepare rebuttal exhibits for these cases? I did.
2059 And did you prepare a self affirm statement in support of your rebuttal exhibits? Yes.
2060 And is that exhibit rebuttal exhibit C?
2061 Yes.
2062 OK.
2063 Let's talk about your first rebuttal exhibit which?
2064 Is rebuttal exhibit #1?
2065 So.
2066 You. I'm sorry you did. You reviewed their testimony and exhibits. Yes, I did.
2067 And what about their testimony and exhibits?
2068 LED you to prepare this.
2069 Rebuttal exhibit C1, which is entitled Avalon is being actively developed all around the
2070 AO2 spicy chicken unit. One of their exhibits in their direct stated that operators do not
2071 find the Avalon prospective in this area.
2072 Due to reservoir degradation.
2073 I would disagree with that statement. I think based on my research, six other or five
2074 other operators within a Six Mile radius would also disagree with that statement given
2075 by the 36 active producing ducks or permits all around the Spassy chicken unit and
2076 particularly directly above and.
2077 Directly below the spicy chicken unit itself.
2078 So I wholeheartedly disagree with.
2079 Their examination of the Avalon being not perspective.
2080 And I think a lot of other operators would also do that. Thank you.
2081 Another comment that you made on this slide is about the avant subsurface team and
2082 your experience with the Avalon.
2083 Did you want to provide some more information on that? Sure, current resources team
2084 went into great detail about the H2S concerns and you know I'm I think sure it's
2085 probably a concern to them.
2086 It's not a concern to us, the Avon subsurface team has been developing and delineating
2087 the Avalon formation.

2088 Almost for 10 years.

2089 Now, at EOG Resources and Centennial Resources, which is now primary resources.

2090 Myself and another Shane Kelly, who's here today has been drilling the Avalon further

2091 and further north in Lee County, New Mexico.

2092 We've drilled one of the furthest northern Lee County Avalon Wells to date.

2093 PR it is the pleasure of calling it out here in their exhibit.

2094 The screenshot to the bottom right, I believe it's the biggest well on there.

2095 It's the Sandra gene.

2096 So we have a graveyard.

2097 Great experience. Jill may have on we know.

2098 It's our we know the variations and how much H₂S is present. We have a good

2099 understanding of CO₂ and other inert gases and we are prepared for it.

2100 You know we've we've drilled the Avalon all through the county, at EOG. We knew it was

2101 our, we stopped drilling it because it was our to put sour gas gathering in place.

2102 When we started Avant, we partnered with the Midstream Gathering company

2103 specifically designed to take sour gas in this area, which allowed us.

2104 Drill the Sander. Jean. Well, we are currently drilling the quail. Avalon Wells and #11

2105 there. There are six wells per section. One mile laterals. It also allowed us to drill #12

2106 the lead unit wells which are six wells per second or six wells per section SP.

2107 They're also permitted the rest of the unit at 8 volts per section, spacing, all at to say is

2108 we love the Avalon we've drilled.

2109 It in avant one.

2110 We're drilling it now in Avant 2.

2111 There are a lot of other operators who also love drilling the Avalon in this area, so this

2112 was put together to refute their declaration that they Avalon is not prospective in this

2113 area.

2114 Thank you and.

2115 In your opinion, does this the fact that Permian has determined that the that the Avalon

2116 is not perspective in this area, does that have a negative impact on Avon's correlative

2117 rights?

2118 Yes, there's they're planning to leave those reserves behind by not actively developing

2119 them.

2120 Let's turn to your next rebuttal slide.

2121 Which is.

2122 Slide B2. Are you seeing that slide on your screen? Yes.

2123 Not sure why I'm getting so much feedback right now.

2124 I'm going to just keep turning my mic off and on to avoid the feedback, but really

2125 quickly.

2126 Would you mind or would you be able to tell the division why you prepared Avant
2127 rebuttal exhibit C2? Yes, permit resources made a version of this slide.
2128 We replicated it as best we could.
2129 And what it showed is perming resources great position in this area as being dominant
2130 and are in contrary are very little exposure to this area. I believe they showed only a
2131 couple of units that they attempted to find operating to information.
2132 However, I feel like they they either intentionally or not, or intentionally.
2133 I don't know, but I think they didn't look hard enough at avant.
2134 Operating to.
2135 The triple stamp pulling order, which is literally adjacent to this unit, they did.
2136 They left out. They also.
2137 Reference our event operating one position many times in their direct. So since they
2138 referenced it, we put it on this map to show in grey our previous position that Kotera
2139 purchased. Basically just depicting that you know we have a lot more experience in this
2140 area than they int.
2141 Let on.
2142 Thank you.
2143 And now let's turn to rebuttal exhibit.
2144 B3.
2145 And are you seeing that part of that anyway on the slide?
2146 Well, there we go.
2147 There it goes.
2148 Yes. And would you explain to the hearing examiners why you prepared rebuttal exhibit
2149 B3?
2150 Yes, after reviewing their exhibits, their proposed surface locations, pads, CTBS flow
2151 lines differed greatly than what was previously provided to Yvonne operating.
2152 So I wanted to address the the difference there.
2153 And this slide kind of shows a timeline, but basically in their own testimony, pairing
2154 resources, spicy Chicken, Beal Onsite was as far back as August of 2023.
2155 In in common course, whenever, whenever you're in the drill island post Drill Island
2156 area, surface locations are limited, so when other operators propose pads or proposed
2157 CTBS or proposed pipelines in the vicinity, it is customary to notify.
2158 Offset operators of, hey, we're gonna try to put a CTB here.
2159 Hope this doesn't interfere with your plans.
2160 And that's what the e-mail at the bottom left from Jim Rutley from the BLM dictates is
2161 Civitas, which is directly north of spicy chicken, was planning a CTB.
2162 So Jim Retly notified Avant Permian and Conoco Phillips.
2163 Which other offset operators of this activity to make sure they weren't affecting our

2164 plans?

2165 Roger Lowery, which is from Permian Resources in the top, promptly responded on
2166 October twenty 20th, 2025 of Jim.

2167 None of these proposed CTB locations will impact our spicy chicken.

2168 Pad plans and then I took a screenshot of the attachments that Roger Lauer from
2169 Permian Resources.

2170 Attached and that's what's depicted on the satellite view below.

2171 It shows 4 distinct Permian resources paths and believe one CTB and a a plethora
2172 pipeline across the whole area.

2173 So this was, you know, Roger Lowry was at Avantz BLM on site on September of 20
2174 September of 2025.

2175 Roger Lowry a month later, supplied PR and others.

2176 Their proposed plan on October 25, and that was the last we ever heard.

2177 Anything about permit resources plan, we had no reason to think that this plan has
2178 changed.

2179 So we we put a slide together that shows the cost differentials of all these pads and
2180 how much service disturbance it would be unnecessarily so. And then we got their
2181 exhibits and saw that they now proposed 2 pads and one CTB which is contrary to what
2182 they PROV.

2183 Us.

2184 It actually looks very similar to our plan that they were present for nearly identical.
2185 If you will.

2186 And this was just kind of show why we interpreted their plan originally, because that's
2187 how they gave it to us.

2188 And you know, trying to answer why they changed it. And we also found one of their own
2189 C1O twos.

2190 Updated in April of this year.

2191 I don't.

2192 I don't know what what that's about, but it seems like their plan is ever changing and
2193 looks like it's very similar to our plan.

2194 Thank you. A moment ago, you referenced the e-mail from Mr. Rutley at the BLM to
2195 avant NPR identifying the changes that Civitas was proposing.

2196 Do you recall that? I do.

2197 Is that and is that an e-mail that you would have expected to see as well?

2198 A communication from BLM if Permian Resources had changed its service facility
2199 location absolutely.

2200 A change of that magnitude would definitely warrant a follow up.

2201 E-mail, even potentially a A A re on site if you will. Changing from 4 pads to two pads

2202 and especially it would warrant at least an e-mail if not be on site. If their new pads
2203 directly overlap our pads.

2204 And as a competing operator, would you be entitled to notice of those changes? Yes.
2205 Those are the only questions I have.

2206 Is there anything you wanted to say before I pass you to the for cross examination?
2207 I don't think so.

2208 Thank you, miss Hardy. Yes, thank you.

2209 Good morning, Mr. Harper. Good morning.

2210 It's good to see you. You as well.

2211 Regarding the depths of Permian resources, applications and the wells that they're
2212 pulling, all of the wells are in the depths being pooled other than the second Bone
2213 spring shale wells in case numbers 25833 and 25844, correct?

2214 Correct.

2215 OK. And the tops and bottoms of formations are subject to geological interpretation,
2216 wouldn't you agree with me to some degree, yes.

2217 With respect to your direct testimony and exhibits, can we share?
2218 These options.

2219 You agree that the Avalon in this area produces significant amounts significant
2220 amounts of H₂S, correct?

2221 It produces H₂S, yes.

2222 And has avante at this point evaluated the amount of H₂S?
2223 We have a general understanding of how much H₂S it should produce.

2224 Yes. And is that amount significant in your opinion?
2225 Yes. And as you sit here today, does Yvonne have facilities in place to address the
2226 amounts of H₂S in the Avalon at this location?

2227 They are in process, not in place.

2228 Let's look at page paragraph 22 of your direct testimony affidavit.
2229 And Hughes State there, that Permian resources failure to develop the Avalon leaves
2230 reserves behind, correct?

2231 At this time, yes.

2232 And I think you said earlier in response to Miss Bennett that Permian Resources has
2233 determined that Avalon is not perspective.

2234 Do you recall that testimony?
2235 Yes, Premian resources doesn't actually say that the Avalon is not perspective, do they?
2236 I would have to reference their slide.

2237 They reference the degradation in reservoir quality.
2238 I don't know.

2239 You can turn to the slide if you would.

2240 I'd like to look at it.

2241 Well, my title to look at it from your I'm not sure which slide you're referring to.

2242 You can point me to it.

2243 Give me one second.

2244 I'll gladly find it.

2245 It's B20.

2246 Graph B20.

2247 And that slide, it doesn't say that the Avalon isn't perspective, does it?

2248 Not verbatim, no. Focusing on the degradation of raw quality would, in my opinion,

2249 apply the lack of perspectivity in their opinion.

2250 Permian resource could Permian Resources could develop the Avalan later, couldn't it?

2251 I don't know. I don't know.

2252 If they can, well, if it determined that the Avalon was perspective, it could develop it,

2253 couldn't it?

2254 If they chose to, potentially yes.

2255 If they have the right infrastructure in place and are able to handle it or.

2256 Avon's cut bow development is approximately 2 miles to the north, correct.

2257 Approximately yes, and avant did not develop.

2258 The Avalon at Kupo did it.

2259 Oh, we did not get a chance to, no.

2260 And in paragraph 23 of your statement, if we can go back to that.

2261 You state there that premium resources failure to develop the lower Wolfcamp leaves

2262 reserves behind, correct?

2263 At this time, yes.

2264 Permian Resources could develop the wolf, the Lower Wolf Camp later, couldn't it?

2265 Potentially.

2266 And again, regarding the kupo development, Avant did not develop the lower Wolfcamp

2267 at Kupbo did it?

2268 We did not get a chance to, no.

2269 And your testimony and exhibits don't discuss Avante, Alpha Wolf or Grayling

2270 developments, do they?

2271 Miko Terraz Alpha for Grayling developments.

2272 I believe the Grayling unit is referenced in the Avalon rebuttal slide. I just spoke on.

2273 And those units are approximately 7 to 10 miles north of this area, right?

2274 Approximately.

2275 Let's look at your rebuttal exhibit B1 regarding the Avalon.

2276 And this is the one of the slides or the slide you're using to show that the Avalon is

2277 perspective in this area, right?

2278 Yes, ma'am.

2279 OK. And this slide shows permitted wells?

2280 Correct, among others.

2281 Yes, yes. And permit wells may or may not be drilled, correct.

2282 I.

2283 I guess I mean operator spent money to permit these wells. They obviously plan to kill

2284 them, but technically they have the option to pursue drilling or not.

2285 And in fact, Devon has not drilled, did not drill all of the wells that permitted at cut bow

2286 correct.

2287 We did not drill the 503 H.

2288 Yes, I believe so.

2289 Isn't it true that Yvonne did not develop three of its permitted wells at Kupo?

2290 I wouldn't know off the top of my head.

2291 So you don't recall.

2292 I do not recall.

2293 In your exhibit here also includes drilled but uncompleted wells, right?

2294 Correct. Those are the wells you reference as docs, yes.

2295 And in fact, of the developments that you show here, and I'm gonna refer to the

2296 numbers only numbers 7912 and 13 include currently producing wells, right?

2297 7912 and 13.

2298 Yes, I believe that is correct.

2299 Terms of currently producing wells and #7, which is MRC Gaviion, is the closest

2300 development that you show here to the spicy chicken development, correct?

2301 Of a producing Avalon. Well, yes.

2302 And in that development, isn't it true that only the parent well is producing? I believe so.

2303 I believe they have additional permits.

2304 For filling the Avalon in that section or uni and that well is about 5 miles away from spicy

2305 chicken, right?

2306 Four or five, yes.

2307 And the other producing wells shown on your map are more than?

2308 Roughly, I think 12 miles away. Is that correct?

2309 I would prefer you to the standard gene, which is the larger well on the data set, if not

2310 the largest that is closer to five or six.

2311 And.

2312 I've got multiple screens here, so Sandra Jane #9.

2313 Sorry.

2314 Nine. And if we're calculating the distance.

2315 Roughly 5 miles, I would say 5:00 to 6:00.

2316 OK. And it's Sandra Jean, only the parent well has been drilled there, right?
2317 Correct. OK. The closest Avalon well to spicy chicken.
2318 That's been produced is the Big Eddy Anakin 203 H right?
2319 I would disagree.
2320 You just what? How? How far away is the Anakin? Well.
2321 About four miles, based on the slide here, and you can see it in the bottom right of your
2322 exhibit.
2323 Could we pause for a moment?
2324 I'm not sure who's testifying right now.
2325 You shouldn't ask questions to the attorney.
2326 Oh, oh, sorry. I was just trying to find where she's referencing.
2327 No, that's OK.
2328 That is a way of saying I don't know where you're.
2329 Apologies, we have to be careful that we create a record that is accurate.
2330 And what the attorney says is not evidence, but what you say is evidence.
2331 OK.
2332 So could we go back?
2333 Is there any way to strike that last exchange?
2334 You have no.
2335 And please strike that last exchange.
2336 So when you ask that question, we're gonna strike that and the answer.
2337 So now let her know that you don't understand where it is and let her let her help you.
2338 But it's not testimony understood.
2339 Sorry, go on.
2340 I.
2341 I don't know how far away the Anakin Willis OK and.
2342 We can zoom in here.
2343 It's a little bit blurry, but it's on the bottom right of your exhibit and there you're actually
2344 showing Permian Resources exhibit.
2345 Yeah, I see it.
2346 Yes, OK.
2347 And if you look at.
2348 The big Eddy? Well, we could also go to Permian Resources exhibit.
2349 That would be more clear but.
2350 It's shown there.
2351 Approximately.
2352 4-4 miles from spicy chicken.
2353 Is that fair?

2354 Sorry, having a hard time seeing it. For me it looks like that would be.
2355 Roughly 5 miles to the West and looks like the Gavlan will be roughly 4 miles to the east.
2356 Let's say the Gavlan well looks to be a little closer than the the Anakin while you're
2357 referencing.
2358 M's McLean, can you pull up Permian Resources exhibit?
2359 You can tell because I think it provides a a clearer image.
2360 And which exhibit number? Are we going to be looking at?
2361 C9, CC nine. Yes. Do you have a copy of C9 in front of you? Yes, Sir.
2362 I just found it.
2363 OK. Is it clear?
2364 Yes, Sir. OK.
2365 So I think we're ready to go.
2366 On that exhibit. OK, I see it now.
2367 Does it show that it's? I would agree with PRC nine that they are both 4 miles away.
2368 Anakin being 4 miles ish to the West and the Gavalon being 4 miles ish to the east.
2369 The Big Eddy Anakin well, only produced for about 3 months. Is that correct?
2370 It appears.
2371 Oh yes.
2372 And then it was plugged.
2373 Right, yes.
2374 And that, well is not shown on your exhibit that we were just looking at, correct?
2375 And don't believe so.
2376 I don't believe I went that far West.
2377 If we could please turn to paragraph nine of your rebuttal statement.
2378 And you state there that Mister Higginson's exhibit C4 regarding Avon's acreage position
2379 is too narrow, correct?
2380 Yes. And then let's look at your rebuttal, exhibit B2, which is your map of the acreage
2381 positions of Permian Resources in a bond.
2382 OK.
2383 And initially I wanted to make sure I'm correct.
2384 The scale is is different that you provided here for Yvonne versus Permian resources,
2385 right?
2386 In terms of like the spatial distribution between the two maps, I believe.
2387 So it's hard to exactly replicate replicate primary sources slide dimensions.
2388 But we tried to.
2389 And you've designated as Avant acreage lands that are currently operated by Kotera,
2390 right?
2391 Currently coterra.

2392 Previously avant, yes.

2393 Of all the acreage you've designated as AVONCE, only the blue acreage with black
2394 boxes is currently operated by Avon, right?

2395 The blue acreage in black boxes.

2396 Avant has operations in, yes, OK. And those are the only operations Avant currently has
2397 in this acreage, right?

2398 In this map view.

2399 I believe so.

2400 I could be missing some some vertical wells, but I believe this covers most of Avon's
2401 current operations inclusive of the.

2402 17 wells we're currently drilling, OK.

2403 And when Miss Bennett was questioning you, you mentioned the triple stamp pooling
2404 order.

2405 Do you recall that I do OK, and Avant doesn't currently have permits for those wells,
2406 does it?

2407 The triple stamp walls.

2408 I'm not sure if they're approved yet or not, to be honest with you.

2409 Certainly they haven't been drilled.

2410 They have not been drilled.

2411 No, they have submitted if not approved.

2412 Requirements.

2413 In paragraph 15 of your rebuttal statement, we could turn to that.

2414 You state that avant did not receive notice of a change in Permian resources surface
2415 facilities, correct, correct.

2416 And you also state that surface changes of this magnitude may require an additional
2417 onsite with a BLM, correct?

2418 Or like I say, they should require given the magnitude.

2419 Of the statement.

2420 The testimony.

2421 Oh yes, I see it.


2422 And there you stated May right. Correct.

2423 And here Permian Resources is significantly reducing the size of its service facilities.
2424 Correct. It appears that way, yes.

2425 Those are all of my questions.

2426 Thank you. Thank you, M's Hardy M's McClure.

2427

2428  **McClure, Dean, EMNRD** 3:16:19

2429 Thank you, Mr. Herring examiner.

2430 Mr. Harper, can you please describe for me?
2431 Where the death severances occur within the Bone Spring formation.
2432

2433  **Pecos Hall** 3:16:33

2434 Yes.
2435 Sorry, let me try to find a good slide to reference.
2436 I think I can talk off of exhibit B8.
2437 Yeah, I apologize.
2438 I don't have the exact depth definitions to define the depth separ.
2439 Ation identify them if that's what you're asking.

2440

2441  **McClure, Dean, EMNRD** 3:17:20

2442 Mr. Harper.
2443 I just want I'm asking is I are they let me maybe better define my question are the depth
2444 severances related to a particular top of a formation or a subset of a formation?

2445

2446  **Pecos Hall** 3:17:37

2447 Yes.

2448

2449  **McClure, Dean, EMNRD** 3:17:39

2450 And what is the what top are? Are they related to?

2451

2452  **Pecos Hall** 3:17:51

2453 And their second, I don't know if I'm answering that question right, Mr. McClure, the
2454 second Bone Spring interval that they've defined.
2455 Is that what you're asking?

2456

2457  **McClure, Dean, EMNRD** 3:18:04

2458 Well, let let me re ask my question I guess.

2459 Is it accurate that?

2460 There's a depth severance within the Bone Spring for which the top and base of is both
2461 within the Bone Spring.

2462

2463  **Pecos Hall** 3:18:24

2464 He.

2465 Sorry, can you repeat that question one more time? Apologize.

2466

2467  **McClure, Dean, EMNRD** 3:18:35

2468 Would it be accurate to say that the second Bone Spring interval has a different set of
2469 ownership than the rest of the Bone Spring?

2470

2471 **PH Pecos Hall 3:18:46**


2472 Yes, I believe so.

2473 For Hermian resources, I'm not sure I'm qualified to ask to answer about interests.

2474 Variance.

2475

2476 **McClure, Dean, EMNRD 3:18:59**

2477  I asked Miss Saratino's about this and she referenced you, Mr. Harper, as being the
2478 expert to ask.

2479 So is it accurate to say that you can?

2480 Provide me these additional details as to where the deaf severances occur.

2481

2482 **PH Pecos Hall 3:19:19**

2483 I believe so.


2484 I'm sorry, I'm struggling to understand the question fully, but it it appears that the depth

2485 references might fall within the Second Bone Spring Shale or Second Bone Spring sand

2486 interval or second Bone Spring interval I guess is a broader sense.

2487

2488 **McClure, Dean, EMNRD 3:19:38**

2489  No. Well, I'll provide additional context, I guess.

2490

2491 **PH Pecos Hall 3:19:42**

2492 OK.

2493

2494 **McClure, Dean, EMNRD 3:19:43**

2495  My my interest here is does the dev severance occur at the top of the Second Bone

2496 spring sand or the top of the Second bone spring carbonate?

2497 Do you have an answer to that?

2498

2499 **PH Pecos Hall 3:20:09**

2500 If I had the depths depth, I could be able to identify them in terms of whether it's the
2501 shale or the top of the second sand.

2502 I don't have the depths themselves right in front of me unless I'm missing them
2503 somewhere.

2504 Or if there's an exhibit that defines the depths themselves.

2505 Then I can identify where exactly they fall.

2506

2507  **McClure, Dean, EMNRD** 3:20:30

2508 What did? Did you assist Avant in deciding which intervals it would like the division to
2509 force pull for these cases?

2510

2511  **Pecos Hall** 3:20:41

2512 Yes.

2513

2514  **McClure, Dean, EMNRD** 3:20:43

2515 And how did you make those determinations?

2516

2517  **Pecos Hall** 3:20:47

2518 Based on the prospectivity of the target intervals or the formations of the time.

2519

2520  **McClure, Dean, EMNRD** 3:20:57

2521 How was depth severances considered in that review?

2522

2523  **Pecos Hall** 3:21:12

2524 We.

2525 We we propose to pull the the first Bone spring sand across the 960 and the second
2526 Bone spring sand across 640 based on existing depletion to the South and ownership.
2527 Does that answer your question?

2528

2529  **McClure, Dean, EMNRD** 3:21:40

2530 How does avant know what the ownership is in each of its proposed units if it doesn't
2531 know where the depths severance occurs?

2532

2533  **Pecos Hall** 3:21:49

2534 I just don't have the the depth severances in front of me at this time.

2535 I don't remember the exact depths that the depth references are referring to.

2536

2537  **McClure, Dean, EMNRD** 3:21:58

2538 Do the depth severances refer to specific depths, or do they refer to formation tops?

2539

2540  **Pecos Hall** 3:22:08

2541 I believe I've seen them at specific depths, but I again, I don't have that in front of me.

2542 Mr. McClure.

2543

2544  **McClure, Dean, EMNRD** 3:22:17

2545 Yeah, Mr. hearing. Zimmer, go ahead.

2546

2547  **Pecos Hall** 3:22:19

2548 I've heard the witness repeatedly say that he doesn't have certain information to be able
2549 to answer the question.

2550 So let me interject for a moment.

2551 What would it take for you to be able to answer the questions accurately, just to have
2552 the actual TBD depths that identify the depth severances.

2553 Just so I can.

2554 Reference them on the cover log and are are those available to you? I believe in the
2555 spinet might have them available.

2556 Oh, you have them, OK.

2557 I didn't know that anyone had them.

2558 So so maybe this would be a great time to break for lunch.

2559 It's 11:45. That way you Miss Bennett can give the witness this information. We'll ask
2560 you about what you've been given.

2561 Please make Miss Bennett.

2562 Please make sure that Miss Hardy and Miss McLean see whatever you're giving them so
2563 that they can object to it if they so choose.

2564 How long do the parties want for lunch?

2565 I would say about an hour and a half just because we have to travel, drive to a place for
2566 lunch.

2567 Oh, you have to travel.

2568 Well, there's nothing right around here.

2569 I guess we could go to.

2570 Well, it's true. In The Newsroom restaurants right across from Trader Joe's, there's a
2571 Asian Place, a Vietnamese place is also a Middle Eastern place right across the street,
2572 there's Maria's.

2573 I don't know if they're open for lunch.

2574 Sounds like you have a lot of good recommendations.



2575 Well, I mean, I just know that they're there maybe in an hour.







2576 Then I just wasn't thinking about all the close the places that are close by, but also
2577 interested in there. They probably know as well.

2578 But what do you want?

2579 I think until one would be fine.

2580 An hour and 15. Perfect and and there's places to eat right over there, right?

2581 OK, alright. Or you could buy something and you could heat it up.
2582 I think we have microwaves here in the building. If you wanna use one, you're more than
2583 welcome to.
2584 That goes for anyone here.
2585 OK, Mr. McClure, are you OK with 1:00?
2586
2587  **McClure, Dean, EMNRD** 3:24:17
2588 Mr. xamar? Yeah, I'm. I'm fine with that.
2589
2590  **Pecos Hall** 3:24:20
2591 I know the court reporter wanted 30 minutes, but we didn't even come.
2592 We didn't even come close to 30 minutes.
2593 I really don't care.
2594 OK, so that being the case, which witnesses do we have with us?
2595 I'm sure everyone traveled from somewhere, which witnesses that that are here. Now
2596 have a flight out at the end of the day.
2597 Two, I see two raised hands.
2598 Oh, I'm sorry.
2599 I didn't see, sorry.
2600 So basically, avant's witnesses all need to fly out.
2601 Well, good then.
2602 I'm glad you're putting on your case 1st and we're, you know, more than halfway
2603 through. So I think we'll get you on the plane later today.
2604 OK.
2605 Anything else before we break for lunch?
2606 Oh, I do want.
2607 I do want to raise something.
2608 Me too.
2609 First, I was just gonna return back to the Kotara case 25813 that you.
2610 Said was not going to be heard this morning, but could be heard later this afternoon.
2611 Is 1:00 OK? One of our witnesses is not available at 1:00 today. He's available.
2612 Starting at 1:30.
2613 So maybe I don't really want to know if we wanna take a break at 1:30 to return to that
2614 case.
2615 So whatever the divisions preference is, and I know Mr. Rankin had a case and he sent
2616 an e-mail a while ago and Mr. Rankin is one O clock.
2617 I don't know if you're still with us, Mr. Rankin, but maybe, maybe. Freya, you could send
2618 Mr. Rankin an e-mail.

2619 Yes, I would.
2620 You know what?
2621 I'll tell you what I'd like to do.
2622 We're gonna come back on the record 1/4 of.
2623 OK, one hour from now.
2624 You don't have to be here, but we'll hear Mr. Rankin's case at 12:45 and we'll be ready
2625 for this case to continue at 1:00 unless you come back earlier. And that's fine too.
2626 Mr. McClure, would you? Would that be OK with you to hear Mr. Rankin's case at 1:45 at
2627 12:45?
2628
2629  **McClure, Dean, EMNRD** 3:26:12
2630 And Mr. herna? Emma, that's fine with me.
2631
2632  **Pecos Hall** 3:26:14
2633 That's fine with you and Mr. McClure, do you think?
2634 I mean, because if we don't need to have.
2635 Miss Bennett's witnesses. And we're gonna take the case under advisement, which I
2636 don't know that we're gonna do, Mr. McClure.
2637 You could let me know that now as well and we could hear that at 12:45 as well.
2638
2639  **McClure, Dean, EMNRD** 3:26:37
2640 We can't speculate on that for sure.
2641
2642  **Pecos Hall** 3:26:38
2643 You don't know, OK.
2644 All right.
2645 Well, it's it's a possibility. We'll come back on the record at 12:45. If Mr. McClure says
2646 that the case can be taken on advisement.
2647
2648  **McClure, Dean, EMNRD** 3:26:41
2649 Yeah.
2650
2651  **Pecos Hall** 3:26:47
2652 You don't have to worry about your witnesses being available.
2653 If not, then maybe tomorrow, OK?
2654 Is there another thing that you wanted to address?
2655 Yes there is.
2656 And it was the motion you filed and it just, it occurred to me that me too, right.

2657 It occurred to me, and I don't know.
2658 I don't know how MIS Hardy or Miss McLean feel about did you see the motion?
2659 They didn't.
2660 They didn't see it.
2661 No, they didn't.
2662 Oh, they did.
2663 This was a few days ago.
2664 I haven't ruled on it.
2665 What is the motion?
2666 The motion to dismiss certain wells out of the application.
2667 Oh, there. Yes, there.
2668 Sorry, I was like what?
2669 I'm sorry.
2670 It's my fault, so I was not comfortable dismissing the wells on my own without
2671 evidence.
2672 OK. And I don't know why avant can't just file a notice of dismissal.
2673 But without having me file an order dismissing those wells, is there a reason?
2674 Not that I can think of off the top of my head.
2675 I was just following the same process that was directed to do the last time I saw that, so
2676 I know I know that you said that we've done that before, but I wasn't even sure that I
2677 actually signed an order in that case.
2678 But you're saying I did it.
2679 I I don't see the need for it.
2680 So unless you were gonna make an argument, you can do it tomorrow or later today
2681 about why I need to dismiss wells from your application.
2682 I think it's better left to you to do that on your own.
2683 So just wanted to address that for now.
2684 So is there I did file a motion.
2685 So are you suggesting that all I need to do is file a notice to remove the wells? Or what is
2686 the? I'm not suggesting anything that you should do, but this is not my place to give out
2687 that kind of advice.
2688 However, I think you should do whatever is in the best interest of your client, and you
2689 know far better than I what's in the best interest of your client.
2690 You are already going to be filing amended exhibits as it is, right?
2691 And I don't know if you could take care of that dismissal through a notice of dismissal.
2692 And then you amend your CPAC or whatever it is that you need to amend to show that
2693 those wells are not there anymore.
2694 That's really up to you.

2695 OK, as long as it's not objected to.
2696 By Permian and so far I'm hearing shaking heads but.
2697 That may.
2698 I don't know.
2699 Who knows what will happen later, but that's my feeling so far.
2700 Thank you. And I don't need to be involved in that, OK?
2701 Thank you.
2702 So let's all have lunch and we'll be back at 12:45.
2703 Whoever wants to be here can be here.
2704
2705 **OCD Special Docket April 21, 2026-20260421_182449UTC-Meeting Recording**
2706 April 21, 2026, 6:24PM
2707 3h 49m 46s
2708
2709 **PH Pecos Hall 21:02**
2710 No, I don't. That there'll be questions or not.
2711 It just hasn't been reviewed yet. OK, OK.
2712 So we'll call it first. Will you remind me to call it first?
2713 All right, good.
2714 All right, so we're back on the record, and I'm gonna call a case that we followed earlier
2715 and are in recess on.
2716 Thank you.
2717 I'm gonna call case 25951 hillcourt energy.
2718
2719 **AR Adam Rankin 21:36**
2720 Good afternoon, Mr. Hang, Officer Division Adam Rankin with the Santa Fe Office of
2721 Holland Heart appearing on behalf of the applicant and Hillc Energy Corporation.
2722
2723 **PH Pecos Hall 21:45**
2724 Good afternoon, Mr. Rankin.
2725 Are there any other parties?
2726
2727 **AR Adam Rankin 21:48**
2728 Not to our knowledge.
2729
2730 **PH Pecos Hall 21:49**
2731 Go right ahead.

2732

2733 **AR Adam Rankin 21:51**

2734 Thank you, Mr. acting officer. In this case, Hillcorp is seeking an exception to the well

2735 density requirements in the Gubernator Cliffs gas pool to allow it to complete an

2736 additional well in the spacing unit. There's an existing well producing and hillcorp is

2737 proposing to simultaneously dedicate an add.

2738 Well, the San Juan 29, five unit 6160, sixty 1C.

2739 Well, which would be in the southeast corner of Southeast, quarter of the existing unit.

2740 We provided an exhibit packet that includes exhibits A through E.

2741 Exhibit A is the application, B is a self affirm statement of hillcorp's Landman. Mr.

2742 Carlson, who was previously testified and has had his credentials accepted by the

2743 division his exhibits attached to a statement include notice here, identifying each of the

2744 trucks offsetting in space units identified that.

2745 Have been noticed and the owners of interests who are affected.

2746 To whom notice was provided?

2747 Exhibit C is a self affirm statement of Mr. Shane Smith, an engineer with hillcorp.

2748 He has previously testified before the division has also had his credentials accepted as

2749 a matter of record. As an engineer, he's got exhibit C1 through C5, which identify the

2750 basis for the requested approval to allow HILLCORP to complete an additional well in

2751 the spacing unit, which.

2752 Will allow it to recover additional reserves, preventing waste of resources.

2753 Exhibit D is the self affirm statement of the my colleague identifying that we have

2754 provided notice to each of the parties who are affected, along with an affidavit of

2755 publication showing that notice was published in a newspaper identifying each of the

2756 parties by name who are affected we.

2757 The case be taken under advisement and exhibits a through E be taken into the record.

2758

2759 **PH Pecos Hall 23:40**

2760 The exhibits are admitted without exception, Mr. McClure.

2761

2762 **McClure, Dean, EMNRD 23:45**

2763 I'll have questions for the land man.

2764

2765 **PH Pecos Hall 23:47**

2766 OK, Mr. Rankin.

2767

2768 **AR Adam Rankin 23:49**

2769 Mr. Carlson, I believe you are on the the system. If you would please make put your
2770 image up and you can be sworn in.

2771

2772 **PH Pecos Hall 24:04**

2773 Mr. Carlson, would you raise your right hand?

2774 Do you swear?

2775 Affirm under penalty of perjury, that the testimony you're about to give is the truth, the
2776 whole truth, and nothing but the truth.

2777 I can't hear you, Sir.

2778

2779 **AR Adam Rankin 24:17**

2780 Oh, you're on mute, Rob.

2781

2782 **PH Pecos Hall 24:21**

2783 Yeah, you have to unmute your microphone.

2784

2785 **RC Rob Carlson 24:23**

2786 Sir, I do.

2787

2788 **PH Pecos Hall 24:24**

2789 OK.

2790 Thank you, Sir.

2791 Would you state and spell your name?

2792

2793 **RC Rob Carlson 24:29**

2794 Robert Carlson ROBERTCARLS ON.

2795

2796 **PH Pecos Hall 24:35**

2797 OK.

2798 Thank you.

2799 And have you previously been admitted by this division as an expert?

2800

2801 **RC Rob Carlson 24:41**

2802 Yes, I have.

2803

2804 **PH Pecos Hall 24:42**

2805 In what field?

2806

2807  **Rob Carlson** 24:45

2808 Petroleum land matters.

2809

2810  **Pecos Hall** 24:47

2811 Thank you, Mr. McClure.

2812

2813  **McClure, Dean, EMNRD** 24:49

2814 Thank you, Mr. Herring, Examiner and Mr. Carlton.

2815 I'm looking at, well, I'm looking at a footnote in your exhibit number B. This is yourself
2816 affirmed statement on page 8 of 33.

2817 Are you familiar with the footnote I'm referring to?

2818 It's in regards to the spacing being standard.

2819

2820  **Rob Carlson** 25:08

2821 I assume.

2822 Yes, the division director.

2823 Approval dated September 2nd, 1955.

2824

2825  **McClure, Dean, EMNRD** 25:16

2826 Please provide me additional details in regards to that fertility.

2827

2828  **Rob Carlson** 25:23

2829 Yeah. So basically there was some discussion at the time in 1955 as to the spacing
2830 units that were applicable within the numbered federal units and the and I say
2831 numbered federal units, for example, the 29 and five, those unit agreements are unique
2832 because they act.

2833 Outline specifically what the spacing units should be.

2834 Above the base of the Mesa Verde, and they require them to be 320.

2835 Acres on either a W, half or E half stand up, and so inside of the number of federal units,
2836 depending on who actually worked up a particular project.

2837 In most cases you would see a stand up being assigned to pictured Cliffs producers,
2838 but there is.

2839 Kind of a mixed bag, again depending on who, which which land man worked up a
2840 particular recompletion or or neutral.

2841

2842  **McClure, Dean, EMNRD** 26:23

2843 Are you aware if the operator at the time ever actually requested and received approval
2844 for the non standard spacing units or to change the spacing of the pool at the time?
2845

2846  **Rob Carlson** 26:38

2847 Not no, not not that I'm aware of.

2848 Again, this is just the letter that I have that I've historically understood was the basis for
2849 the east half and West half stand ups for everything above the base of the Mesa
2850 verdant, which would include the picture cliffs.

2851 And this letter was received.

2852 It was in our files.

2853 It was received and it was provided by the Commissioner at the time.

2854

2855  **McClure, Dean, EMNRD** 27:09

2856 Is it your belief that all a hill cores, picture cliffs are on 3/20 per those unit agreements?
2857

2858  **Rob Carlson** 27:21

2859 Tough question to answer because I would say yes, it is my belief they should be all on
2860 320 acres. But again it is dependent upon whether the land man at the time for a
2861 particular recompletion was aware of the existence of this.

2862 Whether they assigned a 160 acre spacing unit to the PC or the appropriate 320 acre
2863 spacing unit to the PC, so you see.

2864 Mixed examples.

2865

2866  **McClure, Dean, EMNRD** 27:51

2867 Mr. Carlson, would it surprise you to know that 90% plus is on 160 acre spacing?
2868

2869  **Rob Carlson** 28:01

2870 Doesn't surprise me.
2871










2872  **McClure, Dean, EMNRD** 28:05

2873 But yeah, it's your belief that the standard spacing for this pool within these units is 320
2874 acres.
2875

2876  **Rob Carlson** 28:15

2877 That is correct as it is very specifically outlined in the unit agreement itself.

2878 And if you look at the exhibit for the plat which shows the notice area, you can see I
2879 know that 90% figure you're providing but you can see in this particular instance the
2880 three spacing units directly to the South which comprised of all of section 16 and.

2881 The West half of section 15.
2882 Those are all 320 acres facing units.
2883
2884  **McClure, Dean, EMNRD** 28:45
2885 Mr. Carlson, are you familiar with the Commission order where that unit was approved?
2886
2887  **Rob Carlson** 28:55
2888 I have not read it recently, no.
2889
2890  **McClure, Dean, EMNRD** 29:00
2891 Would it surprise you that this topic came up several years ago between Hillcore and
2892 the division in which this discussion has been had already?
2893
2894  **Rob Carlson** 29:10
2895 I was not aware of that discussion, no.
2896
2897  **McClure, Dean, EMNRD** 29:18
2898 If I were to tell you that your you would at hillcourt need the NSP before this
2899 simultaneous dedication can be approved. Do you understand what I'm saying?
2900
2901  **Rob Carlson** 29:34
2902 So we're disregarding the decision that was provided in writing by the Commissioner at
2903 that time was that was that the decision that was ultimately made recently in those
2904 discussions?
2905
2906  **McClure, Dean, EMNRD** 29:50
2907 To be fair, I guess we we'll we'll forward hillcore the opportunity to provide the note that
2908 it's referring to that the division director.
2909 Had apparently approved September 2nd, 1955.
2910 Do you have that available?
2911 Is that within the case file?
2912
2913  **Rob Carlson** 30:09
2914 I don't know if we actually included that as part of the case files.
2915
2916  **McClure, Dean, EMNRD** 30:14
2917 If I were to ask for you to provide what you're referring to, do you know what I'm asking
2918 for?

2919

2920 **RC** **Rob Carlson** 30:19

2921 Yes, I can absolutely provide you with a copy.

2922

2923  **McClure, Dean, EMNRD** 30:23

2924 OK.

2925 Directing your attention to page 12 of 33, this is your table breakout of like working

2926 interest owners and such.

2927

2928 **RC** **Rob Carlson** 30:38

2929 For notice.

2930 Yes.

2931

2932  **McClure, Dean, EMNRD** 30:42

2933 Mr. Carlson, I'm looking at well at the table, like halfway down where it references

2934 section 15 and it goes on to say E half.

2935 Is this a typo or am I misreading the map above I guess?

2936

2937 **RC** **Rob Carlson** 31:01

2938 That is a typo.

2939 Yes, that should be W half.

2940

2941  **McClure, Dean, EMNRD** 31:05

2942 OK. Do you think the?

2943 But the interest owner being hillcore is that accurate for the West half of section 15

2944 then?

2945

2946 **RC** **Rob Carlson** 31:16

2947 It is, yes.

2948

2949  **McClure, Dean, EMNRD** 31:18

2950 OK.

2951

2952 **RC** **Rob Carlson** 31:23

2953 That particular spacing unit, even though it's within the federal unit, is not part of the
2954 participating area.

2955 So the ownership is comprised on a space facing unit basis, which Hillcorp owns 100%.

2956

2957  **McClure, Dean, EMNRD** 31:44

2958 Just probably a question for Mr. Rankin, unless you're familiar with the notice, Mr.
2959 Carlson.

2960

2961  **Rob Carlson** 31:52

2962 I'm I'm probably pretty familiar with. Notice what's the question?

2963

2964  **McClure, Dean, EMNRD** 31:59

2965 Was one set of notice provided or more than one?

2966

2967  **Rob Carlson** 32:04

2968 It was two sets of notice, so the original notice that was sent there. There was some
2969 miscommunication between myself and.

2970 Miss Paula Vance again.

2971 It kind of stems from.

2972 The understanding that we were dealing with a 160 spacing versus 320 and so the initial
2973 notice that was sent out was for all adjoining spacing spacing units to the South.

2974 See to the southeast of Section 9 that inadvertently excluded the southwest of Section
2975 3 whenever you properly expanded the spacing to the 320 acre basis.

2976 And so we had to supplement the notice to also include Dugan in their ownership in the
2977 southwest of Section 3.

2978

2979  **McClure, Dean, EMNRD** 32:56

2980 Was all written notice received by each person.

2981

2982  **Rob Carlson** 33:01

2983 It was.

2984

2985  **McClure, Dean, EMNRD** 33:03

2986 Yeah. Does that include this?

2987 Oh, I don't know how to pronounce it, but like new Pizza Resources LLC.

2988

2989  **Rob Carlson** 33:13

2990 Nevada. Yes, that delivery was confirmed.

2991

2992  **McClure, Dean, EMNRD** 33:33

2993 Thank you, Mr. Carlson.

2994

2995  **Rob Carlson** 33:37

2996 Yep.

2997

2998  **McClure, Dean, EMNRD** 33:37

2999 For this case.

3000

3001  **Pecos Hall** 33:39

3002 How do you want to proceed?

3003

3004  **McClure, Dean, EMNRD** 33:41

3005 I think we'll need to continue it for him to bite us with that.

3006 I don't know if it's the director or the Commission at the time, but that approval letter.

3007

3008  **Pecos Hall** 33:52

3009 OK, Mr. rinkin.

3010

3011  **Adam Rankin** 33:55

3012 Thank you very much, Mr. hearing Officer.

3013 We'll plan to provide a revised exhibit packet that will include an exhibit referenced in

3014 the footnote one, the 1955 letter or approval from the Director of the Commission or

3015 Division at the time include, and we will also revise this exhibit B2. I believe, I believe.

3016 Mr. McClure, the line you're you're speaking to Mr. Carlson about is the one I'm

3017 highlighting here.

3018 Correct that.

3019

3020  **McClure, Dean, EMNRD** 34:25

3021 That is correct, Mr. Anken.

3022

3023  **Adam Rankin** 34:27

3024 OK.

3025 So we'll correct that to reflect W half and resubmit it with the addition of the.

3026 Approval from the 1955.

3027

3028  **Pecos Hall** 34:38

3029 Thank you, Mr. Rankin. And then?

3030 What docket do you propose to move this to?

3031

3032 **AR Adam Rankin 34:45**

3033 Well, I think we can do this with with the divisions approval to the May 7th docket if
3034 that's acceptable.

3035

3036 **PH Pecos Hall 34:53**

3037 OK.

3038 We'll do the best we can to accommodate it.

3039

3040 **AR Adam Rankin 34:57**

3041 Appreciate that if would you like us to file a a motion for continuance.

3042

3043 **PH Pecos Hall 35:02**

3044 No, definitely.

3045

3046 **AR Adam Rankin 35:04**

3047 OK.

3048 We'll get that filed.

3049 Expect to be able to do that today. Mr. Hang officer, Mr. McClure, and we'll we'll also file
3050 the motion for continuance to the May 7th docket. If there's some issue with that
3051 docket, just let us know and we'll, we'll, we'll take the next available hearing.

3052

3053 **PH Pecos Hall 35:27**

3054 OK.

3055 Thank you, Mr. Rankin.

3056 We're off the record. In that case, Mr. McClure, have you had a chance to take a look at
3057 case #5 on our docket?

3058

3059 **McClure, Dean, EMNRD 35:38**

3060 Unfortunately, I have not, Mr. Herring examiner.

3061 This case took longer than I expected.

3062

3063 **PH Pecos Hall 35:41**

3064 OK.

3065 So then, no worries.

3066 So then can we take it at the beginning of tomorrow's docket?

3067

3068  **McClure, Dean, EMNRD** 35:51

3069 That worked for me, Mr. Herring examiner.

3070

3071  **Pecos Hall** 35:53

3072 OK. And are your witnesses?

3073 Will they be available tomorrow morning? Yes, they will.

3074 All right.

3075 What Freya?

3076 What time are we gonna start tomorrow?

3077 You scheduled for 9:00.

3078 Are you planning on leaving?

3079 What does that say?

3080 I can't read that, yeah.

3081 Will you be taking your equipment home then?

3082 You do anyway.

3083 Yeah. So it would be virtual then tomorrow. No, I'll be coming back.

3084 You'll come back.

3085 I don't look at. I'm not gonna train way.

3086 Oh, I did OK.

3087 So after reading OK, you're OK with that, OK.

3088 All right. We will decide at the end of today what time we'll start tomorrow.

3089 I'm open to starting early if the parties are willing to start early.

3090 I'm our court reporter is willing to start at 8:00 in the morning.

3091 I know Mr. Mr. McClure gets in at 8, so maybe it would be 8:15 or something like that.

3092 But anyway, we'll talk about that at the end of today at where we last left off, we had a
3093 witness who's no longer here.

3094 Come on back.

3095 And Miss Bennett, you were gonna review some information with Mr. Harper.

3096 Have you done that?

3097 Yes, I have.

3098 And it turned out that we did not need to review the piece of paper I was holding up.

3099 Instead, what he brought up just now are copies of the applications that were filed that
3100 are part of our exhibit packet. OK.

3101 So what?

3102 What is the issue that we're gonna begin with here?

3103 The issue is the question that Mister McClure asked, which is how did avant determine
3104 the depth sever is for each of its respective bonespring applications.

3105 I remember and and Mr. Harper was unable to have the data in front of him. But you do
3106 now.
3107 Yes, yes. So tell me what you're looking.
3108 I'm looking at exhibit A1, which is our application OK for case #1A1.
3109 Yes, Sir. In all three cases.
3110 Yes, it's the same application for the three cases.
3111 Well, it's case number 25827. Perfect.
3112 And then another case or just that one case, there's there's three cases, 25829 and
3113 3131, right?
3114 But but is it the same application for all three cases?
3115 No, OK, the 25827 is the first Bone Spring application and identifies the first Bone spring
3116 perfect bone spring depth severance 25829 is the second Bone Spring application and
3117 25831 is the third Bone Spring application.
3118 Now, now Mr. McClure was really not able to get answers to his questions.
3119 So are you OK with Mr. McClure asking those questions again now that this witness
3120 that's informed? Definitely. OK, Mr. McClure, do you want to go back to your questions
3121 now?

3122

3123  **McClure, Dean, EMNRD** 38:49

3124 Thank. Thank you, miss Sharon Zamora. I do.

3125

3126  **Pecos Hall** 38:52

3127 Go right ahead.

3128

3129  **McClure, Dean, EMNRD** 38:53

3130 Mr. Harper.

3131 Where are the deaf severances located?

3132 At in the Bone Spring formation.

3133

3134  **Pecos Hall** 39:02

3135 For the first Bone Spring in Avalon, in our application, the depth references lie between
3136 the stratigraphic envelope of 7894 feet to roughly 9221 feet found on the Sam H Snotty
3137 Federal Norm 1.

3138 Well, that defines our Avalon and 1st Bone Spring sand interval.

3139 I do need to keep going.

3140

3141  **McClure, Dean, EMNRD** 39:25

3142 Hey, Mr. Mr. Harper.

3143 Is what is that related to?

3144 Is that related to a formation top or there's a specific well that that is tied back to?

3145

3146 **PH Pecos Hall 39:39**

3147 Technically both.

3148 It's tied to a specific well, which is the Sam H snotty federal #1 API, thirty 02527812, and
3149 for the Avalon, the first Bone Spring sand those depths again 7008 nine four to 9002 two
3150 one are ident.

3151 The top of the Bone Spring lime formation to the base of the first Bone Spring sand,
3152 which is the top of the Second Bone spring shell slash carp.

3153 In that well reference well.

3154

3155 **McClure, Dean, EMNRD 40:12**

3156 OK. So you believe the death severance to lay at the top of the first bone or excuse me?

3157 At the top of the Second Bone Spring sand. Is that correct?

3158

3159 **PH Pecos Hall 40:30**

3160 I've identified the second Bone spring sand.

3161 Using the same well to be 9519 to 10,172, which is the Second Bone Spring sand
3162 interval.

3163 It excludes the second Bone Spring shale interval based on that well.

3164 Does does that answer your question?

3165

3166 **McClure, Dean, EMNRD 41:00**

3167 The original, the way in which this original, the way in which this death severance was
3168 originally derived.

3169 Is it due to a formation top or is there a specific well that interest was sold in if that
3170 makes sense to you?

3171

3172 **PH Pecos Hall 41:24**

3173 The depth severances were originally derived per zone, IE the Avalon 1st and then the
3174 second bone and the Third Bone Spring. Based on my geologic stratographic correlation
3175 to identify the zones of interest.

3176 We identified those zones based on the snotty type log with given depths, and we we
3177 proposed or identified the Second Bone Spring sand interval.

3178 Based on that snotty but to be 640 acre unit joining one monolater is because there are
3179 existing second Bone Spring sand horizontals drilled in the North F of 26 by Kotera.

3180

3181  **McClure, Dean, EMNRD** 42:07

3182 Let me re ask my question I guess.

3183 ABBA itself is not who?

3184 Caused the difference in ownership.

3185 Is that correct?

3186

3187  **Pecos Hall** 42:20

3188 That's correct to my understanding.

3189

3190  **McClure, Dean, EMNRD** 42:23

3191 OK. What was the original cause of the death severance and what was that tied to?

3192

3193  **Pecos Hall** 42:34

3194 To the Kotera interest in the north half of 26, as depth 7 is.

3195

3196  **McClure, Dean, EMNRD** 42:41

3197 Well, I guess that's my question to you.

3198 That might be the source, but I'm not sure. It would have come up as a part of Avon's
3199 title.

3200

3201  **Pecos Hall** 42:50

3202 OK.

3203 I think I understand.

3204

3205  **McClure, Dean, EMNRD** 42:50

3206 Research.

3207

3208  **Pecos Hall** 42:53

3209 So the the way that in which we proposed and planned the spicy chicken 2nd Bone
3210 Spring sand as one mile lateral is because of the existing depletion that kotera
3211 established in the North HEPA 26 based on their second Bone Spring sand intervals that
3212 they defined their int.

3213 Based on their interest depths coverage.

3214

3215  **McClure, Dean, EMNRD** 43:16

3216 And is it your testimony that those could tear our wells in the north half of section 26 is
3217 what caused the break in ownership.

3218


3219 **PH Pecos Hall 43:26**

3220 I believe that's where the majority of their ownership lie is in the second Bone Spring
3221 sand interval in the north half 26.

3222 And that there are other owners who own above and below that interval.

3223

3224 **McClure, Dean, EMNRD 43:41**

3225  Do you think that Avante Landman might be able to provide me a little bit more insight
3226 on where this depth severance was derived?


3227

3228 **PH Pecos Hall 43:54**

3229 Potentially yes.

3230

3231 **McClure, Dean, EMNRD 43:58**

3232  For additional contexts, I understand the way you're tying it into the TVD of these wells,
3233 but what the division needs to know is where it was actually derived and where that top
3234 is. We're going to want your tie into a Welsh, yes, but first is going to come.


3235

3236 **PH Pecos Hall 44:12**

3237 OK.

3238

3239 **McClure, Dean, EMNRD 44:17**

3240  Where that depth severance actually occurs and what originated it.

3241

3242 **PH Pecos Hall 44:23**

3243 OK.

3244

3245 **McClure, Dean, EMNRD 44:26**

3246  I guess.

3247 Can you shed any additional light on that or should I ask a different expert witness that
3248 question?

3249

3250 **PH Pecos Hall 44:35**

3251 Probably best suited to discuss that specific specific depth reference with with Tiffany
3252 Sorrentino's.

3253

3254 **McClure, Dean, EMNRD 44:43**

3255  OK.

3256 Thank you, Mr. Harper.

3257 In any of your direct testimony, did you include a clean breakout of all the well costs
3258 and battery costs?

3259

3260 **Pecos Hall 45:05**

3261 **PH** Not in my direct testimony. No. I believe that was in our Reservoir engineering section.

3262

3263 **McClure, Dean, EMNRD 45:13**

3264  OK.

3265 In regards to Avon's Bone Spring 2 case.

3266 What vertical limit is avant?

3267 Asking the division to force pull.

3268 In regards to formation rather than TVD.


3269

3270 **Pecos Hall 45:43**

3271 **PH** Bone Spring sand interval.

3272

3273 **McClure, Dean, EMNRD 46:08**

3274  Thank. Thank you, Mr. Harper.

3275 Mr. herring, examiner. I don't.

3276 Have any further questions for this expert witness, but at some point I would like to talk
3277 to their land man, Miss Sorrentino's again.

3278

3279 **Pecos Hall 46:19**

3280 **PH** OK. Do you have redirect for this witness?

3281 Very limited. Go right ahead. Thank you.

3282 Mr. Harper, do you recall the questions you received from Miss Hardy regarding the
3283 Avalon slide that you prepared as a rebuttal slide?

3284 Yes. And do you recall that she asked you whether there were or that she clarified with
3285 you that some of the wells are producing and some of the wells are being drilled? Yes
3286 and?

3287 And.

3288 Are there wells that are being drilled that are in close proximity to the spicy Avalon wells
3289 being drilled in close proximity to the spicy chicken?



3290 Very, very close directly north by Sumitos.

3291 And is it?

3292 And those are currently being drilled, yes.

3293 And then you do, you recall being asked by Miss Hardy whether?

3294 Permian could come back in and develop the Avalon.
3295 Yes. And do you remember being asked if Permian could come back in and develop the
3296 lore Wolf camp?
3297 Yes, is sorry. Is Avon able to come back in and develop the second bone springsale?
3298 Yes. And would you intend to do that?
3299 Absolutely. I mean, given today's commodity price, it's probably a high likelihood that
3300 we could incorporate the second month spring shale into to this development or future
3301 development.
3302 And did you originally not include the Second Bone Spring shale in part because?
3303 Permian was not developing the second bone springshell right next door in Paxi.
3304 Yes, that's that was a factor.
3305 They excluded the second Bone Spring shell and their paxi development directly to the
3306 east.
3307 We didn't originally include into our development plan for two main reasons.
3308 One, you know, contrary to what they said at the Avalon, the Second Bone Spring shell
3309 is actually not being developed.
3310 Very close compared to the Avalon further testimony. But B the reservoir quality of the
3311 2nd moonspring shell in my opinion.
3312 Is not that great, but I think as commodity price and economics would help overcome
3313 that lack of reserved quality. Thank you.
3314 That's all the redirect I have.
3315 Thank you very much, Miss Hardy.
3316 Anything on that?
3317 I have a couple questions to follow up on Mr. McClure's questions, if I may. Thank you.
3318 Mr. Harper, regarding the DEP severances, if we could look at Avon's application in case
3319 number 25829.
3320 Which is the second Bone Spring application.
3321 Yes. And I think Miss McClain is pulling that.
3322 Up.
3323 Two by 82925829.
3324 OK. And that is Yvonne's application to pool the second Bone Spring, correct?
3325 Yes, OK.
3326 And isn't it true, though, that I think you you said this earlier, the actual depth that you're
3327 pooling only includes the second Bone spring sand?
3328 Yes, right.
3329 It excludes the second Bone spring carbonate, second bone spring shell slash
3330 carbonate. Yes, OK.
3331 But the application states you're pointing the entire second Bone spring.

3332 Based on the depths provided, yes.
3333 OK.
3334 And then and the depth goes down.
3335 The top.
3336 The top of the Second Bone Spring it defines as 9519 right 9159 feet, 9519 feet.
3337 Oh, sorry, my glasses are not, apparently.
3338 9519 feet yes, OK.
3339 And so that is for purposes of this application, how avant is defining the top of the
3340 second Bone spring, right?
3341 Yes, OK. And then if we can look at Avon's application in case 25827.
3342 Which is the application for the first Bone Spring.
3343 Yes, and that application states that Avon is pulling down to.
3344 9221 feet, right?
3345 Yes.
3346 And that, as provided here, is the base of the first Bone Spring, right?
3347 Yes, OK.
3348 So the two, when you look at the two applications together.
3349 The.
3350 The base of the first bone spraying, as provided in this application does not align with
3351 the top of the Second Bone Spring as provided in case 25829, right? Correct. And that's
3352 because case 25829 actually excludes the second bone string B.
3353 Spring carbonate, right?
3354 It does OK.
3355 Those are my questions. Thank you.
3356 Mr. McClure, did that raise anything for you?
3357
3358  **McClure, Dean, EMNRD** 51:49
3359 No, no, Mr. Examiner did not.
3360
3361  **Pecos Hall** 51:51
3362 All right, may this witness be excused? Yes, thank you.
3363 All right. Let's recall, miss the land person.
3364 Mr. Examiner, could we take a 5 minute break and just make sure she understands the
3365 question that she's about to be asked before we spend time on the stand?
3366 Sure. So any objection to that?
3367 Objection. OK.
3368 Very good. Thank you.
3369 OK. I remind you we're back on the record.

3370 It is.
3371 Let's see what time it is. It looks like it's 1:23 PM.
3372 We're back on the record and we have recalled Miss Sarantinos. Yes, OK.
3373 Close enough.
3374 Yes, I remind you, you're still on dhiru. Yes. OK.
3375 So Mr. McClure? Well, why don't you tell us, Miss Bennett, what you reviewed with the
3376 witness before I ask Mr. McClure to begin?
3377 What we were talking about was.
3378 Answering Mr. McClure's question, what I understand his question to be is, is there a
3379 title?
3380 Depth severance in addition to a geologic depth severance.
3381 And so that's what we talked about. OK. And and you were and Miss Sarah, you were
3382 here in the audience listening to Mr. McClure. Ask Mr. Harper these questions.
3383 So hopefully you understand where he's going with this. So Mr.
3384 McClure go right ahead.

3385

3386  **McClure, Dean, EMNRD** 59:57

3387 No, thank you, Mr. Herring. Examiner, miss santinas.

3388 Ortinos.

3389 Where was the DEP severance originally derived from?

3390 Presumably some sort of title exchange?

3391

3392  **Pecos Hall** 1:00:15

3393 Yes, obviously I don't.

3394 My full title opinion here, but I do recall there being a specific depth severance to
3395 katera.

3396 That is at the the base of the first Bone Spring to the bottom of the second bone.

3397

3398  **McClure, Dean, EMNRD** 1:00:32

3399 OK.

3400 And that's in relation to the north half of 26 you believe?

3401

3402  **Pecos Hall** 1:00:38

3403 Yes, that's correct for sure was there.

3404

3405  **McClure, Dean, EMNRD** 1:00:44

3406 OK. And just to confirm again, it's from the base of the first Bone Spring to the base of
3407 the Second Bone Spring, is that correct?


3408

3409 **PH Pecos Hall 1:00:52**

3410 That is correct.

3411

3412 **McClure, Dean, EMNRD 1:00:58**

3413  Hey, did you hear my question earlier to Mr. Harper in regards to what interval Avant
3414 would like the division to force pool for its Bone Spring 2 case?


3415

3416 **PH Pecos Hall 1:01:11**

3417 Yes.

3418

3419 **McClure, Dean, EMNRD 1:01:12**

3420  So if I were to ask for you to amend.

3421 Yourself, affirmed statement.

3422 To reflect.

3423 Mr. Harper's response?

3424 Do you understand what I'm asking for?


3425

3426 **PH Pecos Hall 1:01:29**

3427 Yes, I think so, yeah.

3428

3429 **McClure, Dean, EMNRD 1:01:32**

3430  OK, to confirm what is your understanding, I guess of what avant would like the division
3431 to force pull?

3432

3433 **PH Pecos Hall 1:01:38**

3434 I'm sorry. Can you repeat that?

3435

3436 **McClure, Dean, EMNRD 1:01:41**

3437  To your understanding what?

3438 Interval.

3439 Is Avant asking the division to force pull in the Bone Spring 2?

3440

3441 **PH Pecos Hall 1:01:53**

3442 We're excluding the top of the first bone to the bottom of the OR.

3443 Sorry, excuse me, the second bone.

3444 Top of the second bone to the bottom of the second bone shale.

3445

3446  **McClure, Dean, EMNRD** 1:02:08

3447 From the bunk spring two interval. Is that correct?

3448

3449  **Pecos Hall** 1:02:11

3450 That is correct.

3451

3452  **McClure, Dean, EMNRD** 1:02:13

3453 OK, thank. Thank you, miss.

3454

3455  **Pecos Hall** 1:02:16

3456 Sorrentino's. Yes, thank you.

3457

3458  **McClure, Dean, EMNRD** 1:02:16

3459 Sorrentino's Yep, no.

3460 No further questions, Mr. Herring examiner.

3461

3462  **Pecos Hall** 1:02:21

3463 OK, Miss Hardy or Miss McLean?

3464 I don't know who's directing this.

3465 Is it miss McLean? Yes. OK.

3466 Do you have any cross examination based on what you just heard?

3467 No, I don't.

3468 OK, Miss Bennett, is there any anything you need to clean up from what she just said?

3469 No, I I understand what Mr. McClure is requesting in terms of amending herself, a firm statement to reflect the second Bone Spring sand. OK, perfect. All right.

3470 May this witness be excused?

3471 Yes, thank you. Thank you.

3472 Let's call your last witness, Mr. Shane Kelly. Thank you.

3473 Mr. Kelly, I remind you, you're Underoath.

3474 Yes, thank you.

3475 Thank you.

3476 Good afternoon, Mr. Kelly.

3477 If you wouldn't mind.

3478 Excuse me.

3479 Stating your name and by whom you're employed.

3480 Yeah. My name is Shane Kelly.

3481 I'm employed by Avon operating and how long have you been employed by Avon?

3483 Since its inception in 2019, just about seven years.
3484 And what is your title?
3485 I'm the senior vice president of engineering.
3486 And was your you prepared direct testimony in this case?
3487 That's correct.
3488 And exhibits.
3489 That's correct.
3490 And I'm going to start sharing my screen in just a second here.
3491 But are there any exhibits there?
3492 There is a change that you need to make to one of your exhibits, right?
3493 Yes, on. I'm sorry, page 286.
3494 I don't see the exhibit number.
3495 I apologize.
3496 Oh C11.
3497 In the legend, I wrote that Paxi had an Avalon.
3498 Well, that should just be five first bone wells. OK, hold on just a minute while I get to
3499 that page.
3500 And so this exhibit here exhibit C1. That's correct. And it's this indicator right here that
3501 the paxi has one Avalon well, and it should be five first Bone Spring wells. That's correct.
3502 With that change to your testimony, do you adopt your testimony?
3503 It doesn't change anything in my testimony, is it?
3504 Oh, I'm sorry, exhibits.
3505 Oh yes. OK.
3506 So you adopt your testimony and exhibits? Yes, thank you.
3507 I'd like to.
3508 Go ahead and ask you to give a brief summary of your direct testimony.
3509 Including your rationale as to why you believe from reservoir engineering perspective,
3510 that avant's plan is superior to Permian Resources plan.
3511 Yeah, sure.
3512 Just going through on the 1st slide is kind of an overview of the two developments
3513 closest to spicy chicken between Permian Resources and Avon operating. We took a
3514 look at the total, yes.
3515 If you're gonna reference a slide, please tell us the slide number slide number. So 286
3516 or would you like that to be the page number, OK.
3517 But could we have the exhibit number C1C1 good and in the future, just every time. OK,
3518 C1, thank you. No problem.
3519 So on this slide, we're just showing the two developments in the past and as you can
3520 see from the chart on the right, we actually have pretty similar development even

3521 though.

3522 Our plans were slightly different in each unit.

3523 This is showing the both operators are have been consistent in the area.

3524 They know what they're doing and we've proven that we can operate in this area pretty

3525 well.

3526 Thank you.

3527 And then turning to exhibit C2, can you just give a brief summary of exhibit C2?

3528 Yeah, C2 is just a little recent history.

3529 We were.

3530 We've been operating this area for a long time under the.

3531 Yvonne, operating 1 tag, recently sold last year, just started up operations on Avant 2

3532 back actually February 14th, Valentine's Day.

3533 We have the same team in place as last company. Same group has drilled all of the

3534 wells at AO1 and the current wells at AO2.

3535 And just kind of showing our our history as an operator, we started off extremely well

3536 out of on to breaking a basin record for one mililator's.

3537 In 2025, with Liberty Frack, we were the best, most efficient operator out of 63

3538 operators in the entire US so proven operator in the area.

3539 And hope to continue to do that.

3540 Thank you. OK.

3541 Let's turn to your next slide.

3542 And this is exhibit C3. So if you could briefly explain this slide to the examiners.

3543 Yeah, exactly.

3544 At C3 is just the current pooling application wells for both Permian Resources and

3545 Yvonne operating two, as you can see and has has been discussed.

3546 We're we feel like there's going to be some significant reserves left behind by Permian

3547 resources, not.

3548 Pulling the Avalon or the deeper wolf camp at this time when Avant plans to do that in

3549 the in the near term to bring those reserves forward.

3550 So this is just a chart of what we feel the total reserves loss would be to avant as the

3551 majority working interest on her.

3552 And then turning to your exhibit C4, if you could briefly talk through this exhibit and.

3553 What your primary takeaways are from this exhibit sure on on C4. This is really a

3554 midstream overview, one of the most important pieces to the to the puzzle out here,

3555 we've already we've already been working right away for each gas, oil and water.

3556 Oil is pretty much under contract and right away is almost in hand.

3557 Gas. We've been working with multiple service providers.

3558 It's one of our main goals to set up more than one gas take away option just to secure

3559 flow on each of our new wells. This contract is we're kind of under ACA right now, so I
3560 can't discuss.

3561 The operator, but we are very close to signing this contract and this would allow us to
3562 flow sour gas through their system and down into their AGI.

3563 As well as our secondary option will also allow us to flow sour gas, which is a big deal
3564 with the Avalon.

3565 It's just too sour out here to treat, so that is going to save us a ton of money and make
3566 that formation extremely economic.

3567 With water, we ever since AO one and the Cup O when we got burned by midstream
3568 partner who was not able to take our water which affected our first couple wells pretty
3569 greatly.

3570 And they never really recovered.

3571 We have since taken water into our own hands as a company.

3572 We've been doing that for the last two years.

3573 We already have a pond built off to the east.

3574 Our quail state pond and then in progress recycling facility just east of spicy chicken
3575 that is fully permitted and ready to go.

3576 Pending this pooling hearing, we'll start building that immediately and be ready to
3577 operate.

3578 Thank you. And a moment ago, you were talking about sourgass.

3579 Is that the same thing as H₂S?

3580 That is yes.

3581 And so you, you avant already is planning for H₂S contingencies?

3582 Is that right? That's correct.

3583 Not only in the Avalon, but the first bone out here also has sour gas that can go down
3584 the line, and it sounded to me like and feel free to correct me if I'm wrong that you have
3585 two different paths forward for H₂S that's correct.

3586 We have multiple password not signed but very close on both and.

3587 Will those options be less expensive than what you understand?

3588 Permian Resources H₂S solutions to be at this time from their exhibits, they said.

3589 They're committed.

3590 To trace, I believe, and I don't believe they have a sour system or a sour AGI well in
3591 service. Yet I do think they're working on it, but it's not supposed to be ready for quite a
3592 while.

3593 And an AGI well, as an acid gas injector.

3594 That's correct. Acid gas injection.

3595 Almost like an SWD before sour gas and CO₂.

3596 And so you feel that? Do you feel that avant is ready to begin drilling the spicy chicken

3597 wells?

3598 Yes, we are.

3599 We should be ready within the next two to three months, depending on a couple of right
3600 of ways that we're waiting.

3601 On and do you have? Do you know if Avant has permits pending with the BLM Apds
3602 pending with the BLM?

3603 We do.

3604 They are at the final stage and they are just waiting on this pulling order and then they
3605 will be approved.

3606 I'm turning now to your exhibit C5.

3607 And I wanted to talk about this exhibit because Mr. McClure had some questions about
3608 the non standard unit exhibits that we showed earlier today in Miss Sarantinos
3609 testimony.

3610 Do you?

3611 Do you recall those questions?

3612 I do.

3613 And in her testimony we had shown.

3614 22 units instead of one non standard unit and two CT BS is this.

3615 Does this reflect the development plan that AO2 is proposing?

3616 This slide reflects our plan.

3617 Yeah, I believe Miss Santinos Miss spoke a little earlier.

3618 That was a mistake. On the slide. We only have one CTB and Full disclosure, this slide
3619 was made when we didn't have the full picture of what Herman resources new surface
3620 plan was.

3621 But now their surface plan is pretty much identical to our plan, if not right on top of it.

3622 So we're planning on doing, you know, the same thing as them, one battery and two
3623 pads.

3624 The telemat service deserverence, so a lot of these costs and numbers on here are are
3625 based on our previous understanding of what we thought they were doing.

3626 So and now. Oh, I'm sorry.

3627 I'm sorry, I think that's been discussed in the previous testimony, so.

3628 Great and so.

3629 You had mentioned.

3630 That the Avalon is prospective in this area, definitely 100%.

3631 And do you have concerns if the Avalon is not developed in this area?

3632 I would definitely have concerns just because it's a lot of reserves that are left behind.

3633 It's proven to be a really strong formation everywhere that it's been tested in the north
3634 and that's why every operator isn't doing it now and it took a while for midstream to

3635 catch up.

3636 With with the SOURGASS, but there's a lot of midstream providers that now have an ADI
3637 and it's possible to to drill up the Avalon in the near term instead of having to wait or or
3638 try the treating option, which we've had to do down South and it just.
3639 It just doesn't work.
3640 It's too expensive.
3641 And that's the main reason why that Exxon Wall just didn't work.
3642 They weren't prepared for the the sour gas, and we're trying to treat and it's too
3643 expensive.
3644 OK.
3645 Thank you for that.
3646 Is there anything else you wanted to say about your direct testimony before I turn to our
3647 rebuttal testimony? No.
3648 Great. So turning now to the rebuttal testimony that you prepared.
3649 You prepared a self affirm statement in support of your rebuttal testimony.
3650 Did you right, that's correct.
3651 And and C5 is not in evidence.
3652 Yes. And I have a chance to try to.
3653 Of course.
3654 Admit it, if I want to.
3655 Of course. OK.
3656 Thank you for the reminder though. So let's look first at your rebuttal, exhibit C1.
3657 Do you see that?
3658 Yes, I do.
3659 Can you say B1C1?
3660 Sorry, I'll try to enunciate a bit better.
3661 C.
3662 Mm-hmm. Say it again.
3663 CC as in cat. I wanna make sure the court reporter heard it, because I I just. Oh, you're
3664 looking at a screen.
3665 How clever of you.
3666 So C1 is in response to the Permian Resources exhibit.
3667 I think they're C11 slide 22.
3668 Where they try to point out that there was 45% degradation due to depletion off off their
3669 original paxewell in the first Bone Spring sand at 1600 feet.
3670 Working through the spacing for a long time.
3671 1600 feet.
3672 There has never been any kind of degradation like that, ever.

3673 If you were to say maybe 300 to 500 feet offset, you could see that kind of degradation.
3674 But at 1600 feet, that's more than enough to not have any kind of depletion effects,
3675 which we did at CU O directly north. We actually came in a little tighter at 1500 feet.
3676 And as you can see that child well, which is highlighted in green in.
3677 The top right chart was actually our second best well in the entire unit.
3678 Better than a couple of the edge wells.
3679 And that tells tells me there is absolutely no degradation from incoming in a 15 Hertz.
3680 So that claim is just not backed by fact in the basin.
3681 Been offsetting wells for 10 years and I've never seen that kind of degradation. So I'm
3682 just not sure where that's coming from.
3683 And I don't have all the backup data that he used to to come to that number. But I did
3684 look at the Paxi wells, their child well, that had the 45% degradation.
3685 If you were to see heavy depletion, you would have noticed it in the IP rates that well
3686 actually had pretty similar IP rates on public data than the than the next two wells next
3687 to it.
3688 So unless that original well was depleting the entire section, then there's just no
3689 evidence of of depletion.
3690 More likely with their downspacing pattern in that first bone dwells were just a little
3691 weaker than the original, but the wells are still very good and very economic at the 5%
3692 that they did.
3693 As well as our five well per section cupbo.
3694 Ards in the bottom right charge is showing cumulative oil plot a couple of units off to the
3695 east that only did four wells per section.
3696 You can see they're just not producing all the reserves in the first bone. So that kind of
3697 shows that that four well per section is just not the right number. And five is the best
3698 option out in this area. And just to reiterate, 5 is what avant is.
3699 Proposing. Is that right?
3700 That is correct.
3701 And what is PR proposing?
3702 They're proposing 4 with their first well coming in at 1320 spacing, which is tighter than
3703 the 1600 they claim to have 45% degradation. So if that was the case then I probably
3704 wouldn't do that, but.
3705 We have that same plan of coming in 1320 and that should be more than enough to not
3706 see much degradation at all.
3707 Great. And then is this the backup data that you prepared to support your exhibit C1?
3708 That's correct.
3709 OK, let's turn to your rebuttal, exhibit C2.
3710 Are you there with me on rebuttal, exhibit C2.

3711 Yeah, C2 is rebutting their C11 as well, but their slide 23 where they did the same.
3712 Kind of analysis in the Second Bone Spring sand, we again went up to our CUPO where
3713 we came in 1500 feet.
3714 You can see early time there's just no evidence of depletion.
3715 There's no muted IP compared to the Edgewell which tells me it's not a not a
3716 degradation issue. It's more of a well spacing issue as you start to see these wells
3717 diverge over time.
3718 That's because the the blue well there the five O 1 is a is an unbound well versus the
3719 502, which is obviously sandwiched between some some pretty old production and a
3720 legacy parent well there to the east. And then our new five O one well and.
3721 This these two wells even came in underneath.
3722 To East W 2nd Bone, Spring sand wells and we had to be careful with how we fracked
3723 that, but still with all that these wells are are very strong.
3724 Actually ahead of the pack.
3725 See second bone wells, which were at tighter spacing. So that does make sense, but.
3726 I'm just not seeing any kind of degradation, especially not the 48% that they're trying to
3727 claim. So.
3728 Great. Thank you.
3729 And I'm scrolling past page 37, but that's your backup data for the wells you used, that's
3730 correct.
3731 And now I'm on rebuttal, exhibit C3.
3732 Are you seeing that I am? And can you describe that exhibit, please?
3733 Yeah, this is an exhibit showing the Permian Resources pooling application plan in the
3734 first bone and 2nd bone shale, the second Bone shale has not been widely tested.
3735 In this area, this is one of the closest I think this was the closest place I could find where
3736 someone had done the four wells across the first bone and the two shells underneath it.
3737 And you can see where they're just not producing more oil by doing that, the first bone is
3738 just so prolific in this area, the paxi wells, the cup O wells have been really big.
3739 There's been some other ones off the east that have been very big first bone wells that
3740 by dropping a first bone from 5:00 to 4:00 and trying to replace that oil with two shells
3741 and a weaker target.
3742 It's just not working that we've seen.
3743 My know PR has had some success off to the east in there, Robin, Riddler, Batman units
3744 in the second shale. But you know the rock just looks a little bit different over there. I
3745 think as a team, John, I both agree that the 2nd shale is a VI.
3746 Option off to the east, but we just haven't seen it produced in this area yet so.
3747 That's why we haven't currently incorporated it into our development plan with the well,
3748 as John stated with the.

3749 Uptick in commodity price, you know, I think we may rethink that. But you never know
3750 what all those gonna do. So when we propose this, I think 5-6 months ago we were in a
3751 very different world in terms of oil price.
3752 And just.
3753 Sorry, this square here this table here that shows AO2 pooling with five.
3754 That's your current proposal, right? That's correct.
3755 And the PR pooling.
3756 That's their current proposal. Is that right?
3757 That's correct.
3758 Yes, is that replicated in paxi?
3759 No paxi they did the five wells per section in the first bone. And like I said, those are very
3760 strong wells, highly economic wells.
3761 So I'm surprised they're backing off that plan.
3762 And I'm scrolling past pages page 40.
3763 That's your backup data for the C3, that's correct.
3764 OK.
3765 Now we're looking at exhibit C4 and can you describe this exhibit and what your intent
3766 was with this exhibit?
3767 Yeah, this is just an exhibit showing.
3768 The four string Captain Capitan Aquifer R11Q map. This is the area highlighted in yellow
3769 and blue that we are required to run 4 strings of casing.
3770 This has been a known thing in the area.
3771 I believe paxi were four string as well, but we received the updated PRAFES that look
3772 suspiciously low to us and we started digging in and realized they are not accurate.
3773 They only have a three string design which casing can get quite expensive and that can
3774 cause your AP to to go up significantly so.
3775 They've had multiple opportunities to fix this issue and they've used a lot of these low
3776 AF E cost estimates.
3777 To try to make their wells looks far superior than ours.
3778 And that's just not the case.
3779 It's not accurate data.
3780 We've tried multiple times with the SLO and BLM to get a waiver on the four string, but
3781 they have told us they will not budget in this yellow area whatsoever. So.
3782 Unless they have different information, I'd be shocked if they could three string these
3783 wells, especially since Paxi wasn't three string. Thank you.
3784 And turning to exhibit C5, this is the rebuttal.
3785 Exhibit that is not yet been admitted, and so if I may, I could provide some information
3786 about why it's a proper rebuttal.

3787 Exhibit. Just to be clear, what's the objection to it?
3788 The objection to it is that these are adjusted AFV amounts that Yvonne is providing only
3789 here in this slide. For purposes of rebuttal and Mr. Kelly's statement states that they
3790 adjusted their AF ES because.
3791 Permian Resources sent out.
3792 Updated Faes a couple of weeks ago or a week or two ago.
3793 So the objection is that we don't have any actual AF ES from Avant that show the
3794 amounts in these tables.
3795 We can't do a line by line review.
3796 They haven't provided actual AF ES.
3797 I haven't sent them to any parties, so that's the objection.
3798 Thank you. Before I ask you to respond to the objection, why is this relevant?
3799 This is relevant because as Miss Hardy just noted.
3800 Permian did on April 10th.
3801 I think it was two days or three days business days before the hearing exhibits were due,
3802 sent out revised AFS with lower costs.
3803 And avant, of course, has lower costs, given the passage of time.
3804 And so this exhibit goes to show that Permian Resources comparison of costs does not
3805 reflect the current state of affairs.
3806 So the evidence is relevant.
3807 The question is its reliability.
3808 So let's hear some foundation for reliability.
3809 And then I'm going to let Miss Hardy wadeir the witness before I make a determination.
3810 Thank you.
3811 Go right ahead, Mr. Kelly.
3812 Did you prepare rebuttal exhibit C5?
3813 With the help of our drilling and completion engineer, yes, and are the figures that you
3814 show. So first of all there is a.
3815 A set of rows that are labeled avant.
3816 Do you see those? I do and.
3817 Those figures tell me how you derived those figures, or how those figures came to be on
3818 this exhibit.
3819 Yeah, we usually update AFS before we go drill.
3820 In this case, we decided to update them for the hearing because of the the fees we
3821 received and the exhibits where they were, you know, calling out a lot of our.
3822 If he isn't saying our wells were an economic and that we are wasting a lot of money
3823 which just wasn't true. So we felt like we needed to update the AFE sooner than we
3824 normally would. Like I said, we proposed these quite a while ago.

3825 We had set a little bit higher mark due to not knowing what tariffs were going to do to
3826 steal. Being a small company, we like to stay on the conservative side to make sure that
3827 we're doing the right thing for our investors and enjoying the best wells Poss.
3828 So.
3829 This just describes the world as it is today.
3830 Versus 6 months ago and we're in a very different price environment. And are these
3831 numbers that are reflected on this table numbers that you and the team developed
3832 and?
3833 Are are able to be verified internally at least.
3834 Yeah, that's correct.
3835 These are in line with what we're drilling right now as well as the most recent
3836 completion estimates that we've gotten from Liberty frac crew as well as we've already
3837 ordered most of the facilities for this area.
3838 So everything here should be.
3839 Be the most up to date as today and so these numbers are based on actual data. For
3840 example, based on the materials that you've already ordered. That's correct.
3841 Those are the only questions I have, Miss Hardin.
3842 Did you want to party either way?
3843 Yes, I do, Mr. Kelly.
3844 So the table does not include all costs that are shown in an AFE doesn't.
3845 It's not broken out, no.
3846 It only includes high level cost for each category.
3847 That's correct. That's correct.
3848 And you haven't provided anywhere in your exhibits a breakdown of the cost that would
3849 be listed under these categories in a complete AFE. Have you, no, OK.
3850 So there's no way at this point for Permian Resources to review the cost included under
3851 these categories to determine whether they're accurate, is there, that's correct.
3852 Those are my questions.
3853 Miss Hardy, does Permian have Afes in their exhibits?
3854 We do.
3855 We do.
3856 Are yours broken?
3857 They are broken down.
3858 Yes, they are.
3859 And Avant has AF ES as well in their original exhibits.
3860 But but then they provided this table that is not broken down.
3861 They've adjusted those costs.
3862 What would it take?

3863 Miss Bennett to for your witness.
3864 Maybe it would be tomorrow could present something more in the line the way Permian
3865 did.
3866 I don't mind.
3867 Revised AFES if that's the current state and he's willing to testify to it Underoath then so
3868 be it.
3869 But I am having a bit of a problem with the lump sum sort of number.
3870 What can you do about it?
3871 I would like to confer with my with the witness, but I if we if at all possible, we will
3872 provide revised AF ES tomorrow, that sound fair.
3873 Ms. Hardy.
3874 If, as long as we have an opportunity to review them and question the witness and
3875 understand that they still haven't been provided to the interest owners.
3876 Afe need to be provided to the interest owners who you are pooling and permits have
3877 been yes and the original ones were from Yvonne.
3878 They were.
3879 These are just revised ones.
3880 What? What is?
3881 How old?
3882 She asked the witness. Sure.
3883 The the AFS in your original exhibits.
3884 When were they calculated?
3885 Yeah, I believe those were back in October of last year. It's been awhile.
3886 Yeah, we proposed this pretty early, so.
3887 And M's Hardy? How old are your AFS?
3888 We sent updated a FESA couple of weeks ago.
3889 Oh, that's yeah. To the interest Downers. Yeah. Yeah. OK.
3890 I mean, I could.
3891 I'll discuss this with Mr. McClure.
3892 After.
3893 Or today's hearing is over and before we come back on the record tomorrow, I'm
3894 assuming we're going to.
3895 It's 2:00 so, but maybe we won't. I don't know.
3896 But I'm going to reserve.
3897 I'm going to reserve judgment.
3898 And I do see the value of Permian being able to look at the breakdown and form cross
3899 examination based on the breakdown where they cannot on lump sum numbers like
3900 this.

3901 Mr. Kelly.
3902 These numbers, for example the first one column three lateral length, row one, 7500.
3903 How did you come up with that?
3904 Well, that's the lateral length of the wells. That's yeah.
3905 OK.
3906 That makes sense.
3907 How about the next?
3908 The next column over the 3 million.
3909 Sure. I mean I think I can get you guys the F ES tonight that way you guys can review
3910 them.
3911 They're made.
3912 We just didn't have a chance to get him into the packet because of just the timing, but
3913 they are made.
3914 I'll have our engineers send them over later today so they can review them before
3915 tomorrow, if that helps.
3916 Well, I mean, you won't introduce them otherwise. So it may help you, I don't know.
3917 What? What about the Miss Bennett?
3918 Do you want to address the assertion that these have not been? These will not have,
3919 even if it's tomorrow, these will not have been provided to the mineral interest owners.
3920 Yes. So first of all, Permian only provided the revised AF, PS to avant on April 10th,
3921 which as I mentioned was like 3 days before the hearing exhibits were due.
3922 But even putting that aside, the working interest, I'm sorry the operator has an
3923 obligation to send out revised AFS or the current actual cost prior to drilling a well.
3924 So even if everyone was under order, assuming an order was issued.
3925 At that time, everyone will get a revised AFV.
3926 So it is.
3927 It's a matter of timing, not a matter of.
3928 Like legal insufficiency.
3929 All right, I understand. So as it is now, this exhibit is still not admitted into evidence.
3930 I understand the objection.
3931 I sustained the objection in the form that it is here.
3932 So why don't?
3933 So you're subject to recall, OK, if in fact you're able to provide this information tonight.
3934 That that Council for Permian gets it.
3935 They get a chance to review it.
3936 I mean, they have their witnesses so they can do that.
3937 And we can pick that.
3938 Part up tomorrow, virtually.

3939 You don't.

3940 You know you can be wherever you need to be.

3941 And we'll deal with that exhibit tomorrow and it's admissibility.

3942 Miss Bennett, is there anything more for this witness?

3943 Go right ahead.

3944 Yes, thank you.

3945 Go ahead.

3946 Thank you.

3947 So, Mr. Kelly, that I appreciate you walking through your rebuttal slides, but those

3948 weren't the only concerns you had with permian's slides, right?

3949 That's correct.

3950 So let's take a minute and walk through the Permian slides that you had.

3951 Questions or concerns about I think.

3952 The so I have C2 up here.

3953 Did you have a comment or concern about this slide?

3954 No, not on this one. Just.

3955 You know that their application wells aren't aren't covering the Avalon or that Lower

3956 Wolf camp, which is concerning to us.

3957 And weren't you?

3958 Intrigued by the fact that the avant proposal looks very similar to the passkey packs?

3959 Current plans.

3960 Yeah, they're pretty similar.

3961 You know, we've we've tested the five wells per section in the first bone and 2nd bone.

3962 No, it works.

3963 We just kept with that.

3964 We've drilled 6 wells in the section and the third bone.

3965 We did agree that, you know, the plan to drop a couple down in the wolf camp upper is

3966 the right play here.

3967 So we did that as well to to maximize reserves.

3968 This now is exhibit C3.

3969 Did you have any concerns with these slides or did you feel that these slides were?

3970 In fact, helpful to Yvonne.

3971 Yeah, no concerns here.

3972 I mean, just to point out the cup OS are, you know, the top wells on the on the left graph

3973 there and they're clearly going to overtake the paxi.

3974 So this just proves my point from earlier that we're both solid operators in the area and

3975 both have the experience and capability to drill spicy chicken.

3976 And would you say the same thing is true for?

3977 This is the second page of C3.
3978 Did you have any concerns or questions or comments?
3979 Not questions, but comments about this slide.
3980 No, this is just showing the second second month spring shale and you can see there's
3981 really not any wells that close to the back seat. Most of them are quite far away in in
3982 different rock.
3983 So, and do you feel like that is what's your take away from that in terms of the Avon
3984 development plan?
3985 I think we have the correct development plan for for the area. It's been proven to work in
3986 both Paxi and kupo.
3987 And the second shale is is something we can incorporate later if if we feel like we
3988 should. But as of today, I feel like we have the right plan.
3989 This is the third page of exhibit C3, and this is a comparison of PR Permian Second Bone
3990 Spring sand versus its peers.
3991 And did you have any comments or concerns with this slide?
3992 No, just the the CUP OS are clearly the best wells on there.
3993 I'm not sure if these were normalized correctly.
3994 In various, in no fault of Permian Resources has the wrong data.
3995 On lateral length so it does make it does screw with the normalization unless you dig
3996 into the.
3997 The frac well files, which is not normal to do on every single well, yeah.
3998 And this is the third big bone spring sand.
3999 Permian comparison to the peers. And did you have any takeaways from this slide that
4000 you wanted to point out?
4001 No, a lot of good.
4002 Well, it's pretty consistent.
4003 The Della EOG wells were actually drilled by myself and and John Harper.
4004 So we're very familiar with the third bone in the area.
4005 Those were pretty early on and and considered the Wolfcamp classes especially was
4006 considered.
4007 A bit of a step out at the time, so very familiar with both the Wolfcamp upper and 3rd
4008 Bone Spring targets.
4009 In the area.
4010 And just for the sake of reference that EOG, Delaware della well, is this top best
4011 performing well on this curve, is that right?
4012 I'm pretty sure the colors are.
4013 Yeah, the colors aren't coming in.
4014 It looks more purple than the the name, but yes, I'm for sure that one and that's the one

4015 that you were involved in drilling.
4016 That's correct.
4017 And then the Wolfcamp A quality versus peers. Was there anything on this that jumped
4018 out at you?
4019 No, not really.
4020 The Delaware is missing from here, which was one of the first classics. I think it was.
4021 It was a really strong well. It would have performed pretty well on this chart, but it's not
4022 on here.
4023 Besides that, we just had the Sandra Jean that we did off to the east in a pretty big
4024 package.
4025 But like I said, I think it's it's the right plan at.
4026 Spicy chicken and we plan to incorporate there, just like Permian Resources planning
4027 to.
4028 C4 skipping.
4029 So C5.
4030 This slide is entitled Permian creates much greater value across all primary targets.
4031 Did you have any concerns with this slide?
4032 Yeah, I just don't have the backup and I'm not quite sure where these numbers are
4033 coming from.
4034 On this slide and the next slide, especially the numbers just aren't making sense.
4035 If you Scroll down for me one slide.
4036 Their their PR recovery per well.
4037 Is more than double the Avance.
4038 I don't see any reasoning that would be true, and there's just no backup data, so I can't
4039 go in here and confirm what's going on.
4040 But this definitely is not making too much sense to me.
4041 And.
4042 Were you concerned at all about the footnote in footnote 1?
4043 Yeah, the footnote about actual results will differ materially.
4044 Yeah, that's.
4045 I mean, that's not very comforting.
4046 Obviously it's hard to trust the numbers on the page when that's on there, so I'd rather
4047 see the back up and see where this is coming from. Thank you.
4048 And then this is exhibit C6, which is EU turn.
4049 Well optimization. Did you have any concerns or comments on this Permian exhibit?
4050 Yeah, permian's been drilling a lot of uturns as of late.
4051 I know a lot of people are.
4052 But this is in section 23 where we control over 90% of the interest.

4053 We feel like we can get wells on the ground with less risk.
4054 And quicker at one mile and as well we could add an extra well here with EU turns.
4055 They're only doing 4 wells per section. The second bone is one of the best targets in this
4056 unit and I feel like they'd be creating quite a bit of waste.
4057 By not adding that that 5th lateral if you will in this section. And again I I don't know
4058 where these numbers are coming from observing a 25 decrease in time reduction in
4059 CapEx compared to what I there's no data to support any of these slides so.
4060 Thank you.
4061 Now we're looking at the AFE summary table which?
4062 I think we didn't have any comments on that one.
4063 Turning now to the exhibit C8.
4064 This is a slide that Hermion prepared that I understand is.
4065 Comparing and contrasting your first Bone Spring development plan with their first
4066 Bone Spring and 2nd Bone Spring development plan.
4067 Did you have anything you wanted to say about this slide?
4068 Not much. This is just pretty far away.
4069 My we haven't seen this done.
4070 Kind of in the the recent vicinity of AXI.
4071 I'm surprised that it incorporated the PAX.
4072 See if they like it so much. But for now, like I said, it's something that we're thinking
4073 about.
4074 We could come back and do, but we did not incorporate in the first in our initial
4075 application.
4076 This, I believe is a continuation of the slide C8.
4077 Sell your comments.
4078 Apply equally to this slide. Yeah, that's that's true.
4079 Does this show a moment ago you said that the Batman and Robin were a ways away?
4080 Does this help understand what you mean by a ways away?
4081 Yeah, it is.
4082 I mean, not only that the rock is just different. The second show does look quite a bit
4083 better over here.
4084 Like I said, I think we're gonna incorporate into our packages out to the east.
4085 But as you move the West, it does kind of degrade, so we're just not sure if it's going to
4086 work the same way as the slide is showing at this point in time. And when you say the
4087 second Bone Spring shell looks better over here, you mean over?
4088 In Bain and Batman.
4089 Yes, that's correct.
4090 Batman, Robin, Eileen, and Riddler. Yeah, OK.

4091 I just wanted to make sure that you weren't saying here, as in spicy chicken, but you
4092 were saying here, as in the wells that are identified on that side?
4093 That's correct. OK.
4094 OK.
4095 Now I'm at exhibit C9, which is a slide addressing the Avalon development in this area.
4096 And I know Mr. Harper spent a good amount of time talking about.
4097 The some closer.
4098 Wells, Avalon Wells that are being drilled that are being developed. But I wonder if in
4099 your review of this slide if there is anything you wanted to comment on with respect to
4100 this slide?
4101 No, I I think this shows with the lead unit and the Sandra Jean that we've you know we've
4102 been testing this probably the most aggressively out of any operator.
4103 And we we'd like to continue that, capo.
4104 We have the experience.
4105 We know exactly what to expect.
4106 And then you know, some of the numbers and their rebuttal exhibits about H2S and
4107 everything clearly shows that they're not sure what they're gonna get out there because
4108 they're not even close to being correct.
4109 But we have that data.
4110 We know exactly what to expect and we've prepared for it over the last six to eight
4111 months.
4112 Great.
4113 And.
4114 C10.
4115 On C10, did you have any comments on C10 and the addition of the Third Wolf camp?
4116 Well, yeah, they're they're adding this Wolfcamp well, but they're failing to put on the
4117 third Bone spring sand wells on the same map, which is going to come with depletion as
4118 well.
4119 And if they believe in that 45% degradation, then I don't know how they can say this is a
4120 full parent.
4121 Well, that's super far from an existing well. When you have a third bone producer right
4122 on the edge of that unit.
4123 So it just doesn't line with their the rest of their exhibits. And when you say a third bone
4124 producer it that's in the paxi unit, right? That's correct, yeah.
4125 Umm.
4126 Not sure if you this is the second page of that slide. Anything to. Oh, yeah. Yeah. The
4127 Cup OS we did operate, we did not operates.
4128 The Grayling, or alpha wolf, which I think is what they're pointing to again, I'm having

4129 trouble seeing some of the colors, but Kottera had already taken over the operations at
4130 that point and kupo is where we we struggled a lot with midstream providers not
4131 providing us with the.
4132 Service that they have promised we had to bring on wells.
4133 And then basically choke them back to nothing for six to eight months while we had to
4134 go build out our own pipeline in the area. 'cause we were one of the first kind of movers
4135 in the modern horizontal.
4136 There were some older wells, but it came with a lot of really old pipe that just could not
4137 support 3 new modern two mile wells.
4138 So that's really all I have to say about those wells and so.
4139 In your opinion, then, is the cut bow. Does the data here on the cut bow?
4140 Wells reflective of that wells potential.
4141 Probably not.
4142 No, definitely not.
4143 They should have been a lot better with the kind of pressure, but having to choke them
4144 back and we were never able to get enough water off to make those wells truly perform
4145 how they are, how they should have been, which was unfortunate. But like I said, we.
4146 Remedied that situation by completely taking over water ourselves.
4147 So we never have to deal with having to shut in again due to a midstream provider and
4148 so that.
4149 That constraint on cut bow is not an AO2 or an AO1 constraint.
4150 It was an external constraint. That's that's correct.
4151 On exhibit C11.
4152 They this is a Permian slide that is suggesting that your extra first Bone Spring well will
4153 create economic waste.
4154 Did you have any comments or oh, this is the one that you did a revival slide.
4155 Yeah, this is.
4156 But I mean one more thing on on these charts up here, I have no idea what they're
4157 normalizing these charts to.
4158 I don't know if they're two miles or if they're normalized to match the table, which is
4159 probably what I would expect.
4160 But if that's the case, the degraded well in blue here has already fumed more than the
4161 EUR they're trying to state for.
4162 For our avantwell, that's also at the same spacing they proposed.
4163 So this slide makes absolute no sense and is just trying to show that we're going to drill
4164 a super.
4165 Economic well without the backup data or any kind of fact.
4166 So.

4167 Kind of the same thing on the next slide.
4168 They did the same thing. You can see those wells.
4169 If this is normalized to two miles, that degraded well is made over 300 MBO.
4170 But they're saying are one mile is only gonna make 165.
4171 I mean, none of this makes any kind of sense.
4172 In the reservoir engineering world, so I'm not sure where these are coming from.
4173 Great. Thank you.
4174 And.
4175 You reviewed Permian's rebuttal slides, right? That's correct.
4176 And you understand that not those are have not yet been admitted into the record.
4177 That's correct.
4178 And except for C-12 and 13, I believe, which I'll pull up.
4179 Just one second.
4180 I need to stop sharing and then I'll find them.
4181 Let me look at them real fast to see if it's even worth sharing.
4182 OK.
4183 And let me just double check the note my notes, in which case we did not inject 2.
4184 I'm gonna go with C-12 and 13.
4185 I don't have my notes right in front of me.
4186 I think I might have been 1314, OK.
4187 That's right, 13 and 14.
4188 Thank you.
4189 So let's go.
4190 I'm gonna turn to C13.
4191 So you had a chance to review this rebuttal, slide C13.
4192 Yes, I did.
4193 And it's a a rebuttal slide that purports to.
4194 Some extrapolated volumes that you prepared, that's correct.
4195 It looks like he was throwing an extra 17%.
4196 On the three wells that we extrapolated at CUPO, but that 17%.
4197 Was noted to be when you go from 5 wells per section to the six wells per section, we
4198 are seeing a 17% degradation.
4199 So Pupo is only at the five balls per section, which is how I got to my 2%.
4200 So the the added 17% which is not necessary.
4201 So wasn't trying to mislead.
4202 I think it was just in one of my foot notes and maybe misunderstood.
4203 Thank you.
4204 But and with that misunderstanding, this does not accurately reflect.

4205 What your intent was in your slide is that.
4206 That's correct, yeah.
4207 And then turning to C-14.
4208 Is this a similar situation where there was a misunderstanding of your numbers or
4209 what?
4210 What's your? No, I mean this is.
4211 This is using the older AFEI.
4212 Think you know that's where the 44,000,000 is coming from, which is another reason we
4213 wanted to get the update in numbers because there's a lot of slides that are bringing.
4214 In value to the equation and using the wrong wrong numbers is, I think, unfair to us as
4215 an operator when that's not the reality that we're in today. As far as the delayed
4216 volumes, I mean they are correct like I spoke to a little bit earlier we had.
4217 A A really tough issue with the first couple 600 wells.
4218 We weren't able to open them up, and that's what's causing that, that issue that
4219 delayed volume.
4220 But like I also said, now that we control our own water, we have multiple.
4221 Gas midstream providers.
4222 That are gonna take our gas and and oil has always been solid in the area and if not, we
4223 can we can truck oil if needed. This shouldn't happen again so.
4224 I understand what he's saying.
4225 It's always nice to get money up front for your investors, but in this case we were put in
4226 a situation where that just wasn't possible.
4227 But that's not the go forward for Yvonne operating 2.
4228 And when you say the delayed value, that's the calculation that's at the in the lower
4229 right hand side of the slide.
4230 Yeah, I believe so.
4231 And with that also apply, in Avon's opinion to the delay in.
4232 Addressing or developing the Avalon, definitely.
4233 Like I said it it's hard to get a midstream provider out there that can take the sourgass.
4234 It's just not treatable.
4235 And you won't make any money during that. So by delaying that Avalon, which is a really
4236 strong formation and a very, very economic formation.
4237 Due to the lack of water that it produces.
4238 Would definitely hurt Avon as a working interest partner as well as the other working
4239 interest partners. And with that same calculation be present for the lower Wolfcamp.
4240 That's correct.
4241 Yeah. And the upper pen, that's correct.
4242 Being a smaller company, Avant we we like to produce whole units as quickly as we can

4243 to bring value forward for us as a company.
4244 It's usually not as important for the larger companies.
4245 They have a lot of money, but for us it's it's very important.
4246 So we get after units pretty quick once they get pulled.
4247 Thank you. Is before I turn you over for cross examination, is there anything else you'd
4248 like to add?
4249 No, not this time. Thank you.
4250 Miss McLean.
4251 Actually me, Mr. Examiner, I don't who to call, so I know that's fits fair.
4252 So this one is me.
4253 Good afternoon.
4254 How you doing?
4255 Good. Thank you.
4256 Mr. Kelly.
4257 Earlier, when Miss Bennett was first questioning you.
4258 Well, let me ask it this way.
4259 You agree?
4260 Or Permian Resources is pulling the Avalon here correct?
4261 I am not sure.
4262 And Permian Resources is pulling the Wolfcamp correct?
4263 I believe so, yes.
4264 And so.
4265 They could come back to develop the Avalon with infill wells.
4266 Correct, correct.
4267 And they could do the same with the Wolfcamp, right?
4268 Correct. OK. And avant here is not pulling the second Bone spring at all in the north half
4269 of section 26, is it?
4270 No, it's not OK. So Avant can't develop that acreage with infill wells.
4271 Yes, we can.
4272 Well, you'd have to come in and pull it first, right?
4273 Correct. OK.
4274 Avant has not provided.
4275 Well, you have not provided in your slides an economic analysis of your development
4276 plan in comparison to Permian Resources development plan, have you?
4277 No, that's not usually in these packets.
4278 You've only compared production volumes, correct? That's correct.
4279 And if we could please look at paragraph eight of your direct testimony affidavit.
4280 Miss McLain.

4281 We'll pull that up.
4282 Paragraph 8.
4283 Oh.
4284 And you stayed in paragraph eight, that avonce applications will result in greater total
4285 recovery, correct?
4286 That's correct.
4287 And in that statement you are assuming the Permian resources does not drill infill wells,
4288 correct, correct.
4289 And none of your reservoir engineering exhibits discuss avant's Grayling or alpha wolf
4290 developments. Is that correct?
4291 My ex was no and those are 7 to 10 miles north of this area, right?
4292 I.
4293 I guess I don't have a map in front.
4294 Me, I'm.
4295 Let's look at your direct exhibit C1.
4296 And.
4297 You're showing a comparison that you expect, or that you're projecting correct
4298 between.
4299 Permian Resources and Avon's developments, right?
4300 No, this is not a projection, OK.
4301 So this is what you're looking at historically?
4302 Yeah, this is actual production, OK. And you were relying there in the graph on the right
4303 on Avon's cut.
4304 Total oil, right, that's correct.
4305 And Avon did not develop the Avalon at Kupo, correct?
4306 Not before we sold.
4307 We were planning to and Avant did not develop the Wolfcamp ATKUP oh, either.
4308 Correct. That is also correct.
4309 We can look at paragraph ten of your affidavit.
4310 Please your direct affidavit.
4311 In paragraph 10, you state that Avon's plan resulted in less surface impacts.
4312 Correct. That's correct. And you refer to your direct exhibit C5, right?
4313 Yes, and I just want to be sure it's clear that you're relying there on Earthstones original
4314 development plan for this acreage, correct? As we understand now, yes. And you
4315 understand that that's been changed?
4316 Do now yes.
4317 And let's look at your exhibit C4, please, on direct.
4318 And avant shown in this exhibit does not have any existing operating units in adjacent

4319 sections to the spicy chicken development, right?

4320 We have two adjacent operated units.

4321 In the Thai Curry and triple stamp, the Thai Curry wells are not drilled though.

4322 Oh, sorry. Right. Correct. Yeah. OK.

4323 They're only permitted correct. OK. And the trip build stamp wells are not permitted.

4324 Actually they are permitted but not drilled.

4325 OK. And Permian resources paxi wells are operating in the adjacent section, correct,

4326 correct?

4327 You've testified regarding H2S and stated that Avant knows exactly what to expect.

4328 That's my understanding of your testimony.

4329 Is that correct? Yes. OK.

4330 What concentration of H2S does Yvonne expect here in the Avalon?

4331 I mean, that's proprietary information.

4332 We don't usually give out to people unless we're working a deal with.

4333 I'm not sure if I have to answer that.

4334 If it's proprietary, it's protected by the Trade Secrets Act and so would not be.

4335 Subject to a question on cross examination. OK are you saying that it is proprietary

4336 and it is proprietary? You are saying that? Yes, Miss Hardy, what do you think?

4337 Well, I guess I can question about the fact that they've made a a big point of knowing

4338 exactly what to expect and they're not saying what they expect.

4339 You can certainly bring that out.

4340 Oh yeah. OK, of course. OK.

4341 So, Mr. Kelly, it's noted.

4342 OK.

4343 So you can't state at this point on the record here.

4344 What Avant expects the H2S concentration to be, right. Correct. OK.

4345 And if you can look at your AFS for the Avalon Wells, which are in exhibit A-24.

4346 OK.

4347 So with respect to the casing for the Avalon wells that avant is proposing.

4348 Don't these Afes show that there will be P110 casing?

4349 That's correct.

4350 And P110 casing is not corrosion resistant, is it?

4351 We use a carbon steel version of the P110.

4352 Similar cost, but does help with.

4353 Some sour not all the way up to the.

4354 1995 but we don't use that unless we see 30,000 plus parts in Ace twice which.

4355 We have not seen in our avonmos yet.

4356 And with respect to the Avalon Wells you're referencing, none of those are located in

4357 the immediate adjacent sections, correct? That's correct.
4358 Is it your testimony that?
4359 The cost included in these AF ES.
4360 Cover the items that would be needed to address the levels of H2S, the expect they're
4361 expected to be seen here.
4362 Yes, I do.
4363 And H2S addressing H2S in a well can increase the cost, right?
4364 I'm sorry, would you say that again? Sure.
4365 The requirements that are needed to address H2S downhole can increase the cost,
4366 right? Yes, I can.
4367 And it's your testimony that those costs are already reflected in these AFS.
4368 Assuming you're using 110 casing, that's what we use, yes.
4369 For the other one, OK also what other operators are using in the area?
4370 And do you know if that's what Permian resource is using?
4371 I don't believe I know where their nearest Avalon well is.
4372 It's nowhere near spicy chicken as far as I'm aware.
4373 Regarding the Grayling wells.
4374 Avant did drill those wells correct.
4375 The six hundreds we were turning over drilling at that time, I'm not.
4376 I think our field staff was still on the rig, but we were not in control of drilling that
4377 anymore.
4378 Were you still the operator of those vessel?
4379 I think of record, yes, because we hadn't fully closed, but they had taken over
4380 operations before the closing date.
4381 In fact, to the H2S for a minute, you mentioned earlier the XTO Anakin, well that was
4382 plugged right.
4383 Correct.
4384 And that was plugged due to issues involving H2US.
4385 From my understanding, yes.
4386 And that will used P110 casing, didn't it? I believe so, yes.
4387 But I don't believe the issue was with the casing. As far as I'm aware.
4388 Let's look at your rebuttal, exhibit C1 through C3.
4389 We can go through each of these C1C2 and C3.
4390 But you're relying on Avon's CUPO development as your analog, correct?
4391 That's correct.
4392 OK. And CUPO is 2 miles to the north, right?
4393 Yes. OK. And Permian resources PAC C development is immediately adjacent to the
4394 spicy chicken development.

4395 Right, that's correct.

4396 And on rebuttal, exhibit C1, you compare cut, bow to matadors, davalon and silver
4397 development.

4398 That's right.

4399 Yeah. And those developments are about four miles away, aren't they?

4400 Yeah, it looks like that.

4401 And they're located to the east.

4402 Yes. Doesn't the rock change as you go to the east from spicy chicken?

4403 Yeah, rock changes as soon as you leave spicy chicken. OK. And you're showing here
4404 total cumulative oil production, right? That's correct.

4405 And CUPO would have more production than those other units because it includes
4406 more wells, right?

4407 Yeah, that's the point. OK.

4408 So this is not analyzing economics. No, no.

4409 Let's look at your rebuttal, exhibit C2.

4410 And there the graph on the right shows about a 13% difference between the undeleted
4411 and the depleted. Well, is that right?

4412 I think it was.

4413 I think I got pretty close to that.

4414 Yeah. OK.

4415 And you state that that is not material degradation, right? That's correct.

4416 And then looking down at your first bullet point, you state that Permian Resources does
4417 not provide an analog to support its 48% degradation determination, correct?

4418 Correct.

4419 And have you reviewed Permian Resources exhibit C11?

4420 In fact, I think you commented on it earlier when Miss Bennett was questioning you.

4421 That's correct.

4422 I did.

4423 And Permian Resources uses the adjacent paxi wells and analog, doesn't it?

4424 Yeah, I see that. I think this point would need to be amended. I'm not.

4425 I'm not sure why I put that to be completely honest.



4426 OK. And let's look at your rebuttal, exhibit C3.

4427 In here you're comparing avonce cutbow development to matador's dagger state unit
4428 and Anderson unit correct.

4429 That's correct.

4430 OK. And your, is it correct that your point that you're trying to make here is that Avon's
4431 density in the 1st and 2nd Bone Spring is preferable?

4432 I am.

4433 Dagger state and Anderson are roughly 12 miles away, right?
4434 That's correct.
4435 And at Dagger State, Matador drilled the wells in four phases.
4436 Is between April 2017 and October 2022 correct?
4437 I believe that's correct. Yes. At Dagger state, the first Bone Spring.
4438 At first, bone shale wells are child wells to the second bone sand wells.
4439 Isn't that true?
4440 Yeah, same situation that spicy chicken.
4441 And earlier, when you were testifying, you mentioned the Permian resources, Batman,
4442 Riddler and Robin developments.
4443 Do you recall that?
4444 Yes, OK. Those are not included in any of your exhibits, are they?
4445 In this exhibit, no.
4446 Are they?
4447 They're not included in any of your reservoir engineering slides, are they?
4448 No, they're not.
4449 They were in permits, right?
4450 OK.
4451 And you said earlier that if midstream services became unavailable, it's a possibility to
4452 truck oil, is that correct?
4453 Yep, trucking oil would add significant cost to the development, wouldn't it?
4454 Yep, it's just a backup plan. Unlikely to happen in the area.
4455 Those are all of my questions right now. Thank you.
4456 Thank you, Mr. McClure.
4457
4458  **McClure, Dean, EMNRD** 2:09:10
4459 Thank you, Mr. Herring examiner.
4460 Mr. Kelly.
4461 If a bond were to be the operator in these proposed units and they drill out the
4462 bonespring 1 sand and bonespring 2 sand.
4463 Would those completions interfere with avant drilling and completing and producing
4464 infill wells in the Bone Spring 2 shell?
4465
4466  **Pecos Hall** 2:09:45
4467 It hasn't been done very often. I know Matt or like Dana just stated down in the dagger,
4468 did it.
4469 And they did look to be slightly depleted, but not.
4470 That bad, and this is also like she said, 12 miles away. The rock does look a little bit

4471 different we have.
4472 Quite a bit of hype between our first bone target. I think it was around 350 feet between
4473 what we would target in the second shale.

4474 So I do think there is a good opportunity to come in and infill, but like I said.
4475 That it just has not been done in this area, especially not in the infill basis.

4476

4477  **McClure, Dean, EMNRD** 2:10:29

4478 If a if additional drilling completing were to be done, that would demonstrate that the
4479 Bone Spring 2 shell is productive.

4480 Do you believe that Avant would attempt to complete wells in the Bone Spring to
4481 carbonate?

4482

4483  **Pecos Hall** 2:10:44

4484 Yeah, 100% if the data's there, of course, depending on price environment right now, it's
4485 obviously taking a turn for the better for us. So like, like I said, we've kind of been
4486 thinking about if we need to add it here at this oil price. So defin.

4487 With more data around the area, we would start to include if it showed that it was
4488 economic formation to produce, but that's still yet to be seen in this area.

4489

4490  **McClure, Dean, EMNRD** 2:11:09

4491 Is that even taking into account if the Bone Spring 1 sand and Bone spring 2 sand had
4492 been producing for a number of years?

4493

4494  **Pecos Hall** 2:11:18

4495 Yeah, that is taking that into account.

4496 Like I said, there is quite a quite a height difference between the the three targets that
4497 we're drilling. There is some old second bone producers down in the north half of 26
4498 that P Rs plan is gonna have to deal with already.

4499 So that's kind of already factored into to the analysis in our opinion.

4500

4501  **McClure, Dean, EMNRD** 2:11:44

4502 But with the.

4503 Bone Spring 2 sand wells in the north half of section 26.

4504 Comparable to what Avant would be drilling.

4505 In these proposed units.

4506

4507  **Pecos Hall** 2:11:59

4508 It's comparable to our one mile laterals in the Second Bone Spring sand.

4509 The shale would obviously come in above quite a bit.

4510 I can't remember the footage off the top of my head.

4511 I think it is around the 2:50 to 300 range above.

4512 So no, we are drilling the second bone sand in the same target that the wells in the
4513 north half of 26 were drilled in.

4514

4515  **McClure, Dean, EMNRD** 2:12:30

4516 But or the completions within Avon's proposed wells comparable to the completions of
4517 those catera wells.

4518

4519  **Pecos Hall** 2:12:39

4520 Oh, I'm sorry, I misunderstood.

4521 No, those wells were 2012 through 2014.

4522 They were old gel fracks.

4523 You're gonna deal with a lot wider BI wing fractures.

4524 Not a lot of complexity like we see now with our you know, our high density slick water
4525 fracks.

4526 So yeah, different frac designs.

4527

4528  **McClure, Dean, EMNRD** 2:13:00

4529 So would it be fair to say that?

4530 Avonce wells in the Bone Spring 2 sand will have a higher accumulated volume than the
4531 katera wells in the north half of section 26.

4532

4533  **Pecos Hall** 2:13:16

4534 Yes, that is fair to say.

4535

4536  **McClure, Dean, EMNRD** 2:13:20

4537 Within your direct testimony, not your rebuttal, do you include?

4538 A summary of the costs associated with Evans developmental plan.

4539

4540  **Pecos Hall** 2:13:37

4541 In one slide, no. We have the the dated AFS like we discussed and you know we'll try to
4542 get the updated if he's over to Council this afternoon, but there's not a slide in my direct
4543 testimony with all that broken out.

4544

4545  **McClure, Dean, EMNRD** 2:13:53

4546 We'll talk about it more tomorrow, but just a initial question approximately how much
4547 was the cost reduced? In your rebuttal slide versus your original AFE costs?

4548

4549 **PH Pecos Hall 2:14:09**

4550 I didn't look at the exact number. I think it was.

4551 Dollars a well to account for the extra. A lot of it was the extra cost we were putting on
4552 the steel, the casing, the facility that we just haven't seen. And then we went ahead and
4553 ordered a lot of casing at a very good pricing environment for us.

4554 So a lot of that is just coming from straight supply chain issues. So hopefully we can see
4555 that when I get to AFE for you guys.

4556

4557 **McClure, Dean, EMNRD 2:15:14**

4558 Thank you, Mr. Kelly.

4559 Thank you, Mr.

4560 I have no further questions.

4561

4562 **PH Pecos Hall 2:15:18**

4563 Miss Bennett, thank you.

4564 I have one redirect OK.

4565 Mr. Kelly, do you recall when Miss Hardy asked you if Avant would have to come back in
4566 to pull the second bone springsale? Yes, and.

4567 Do you know if Kotera would have to come back in and pull the second Bone Spring
4568 shale?

4569 Or if it could drill infill wells now.

4570 I mean, they could drill in east to West well on top of their old second bones right now
4571 as far as I understand, they have 100% working interest.

4572 There's an old facility, old pad that you could expand and drill.

4573 AU.

4574 Turn East to West if they if they so chose. So. Thank you.

4575 That's all.

4576 Thank you very much. Anything further.

4577 No, thank you. Thank you.

4578 You may be excused, OK.

4579 Do you rest your case?

4580 Yes, OK.

4581 Miss Hardy? Miss McLean, who's gonna be presenting the case in Chief, Miss McLean.

4582 I will. Is there any particular like a short bathroom break?

4583 Of course, before you get, thank you 5 minutes.

4584 Yes, it's 241 will come back on the record of 246.
4585 Well, I'm having some difficulty myself.
4586 Where is Miss Bennett?
4587 Right outside the door.
4588 Would you grab Miss Bennett so we can start?
4589 Thanks for.
4590 All right, it is 246.
4591 We're back on the record before you begin your case in Chief, I just thought we'd hit a
4592 few high points here. I'm thinking about calling this at 4:30.
4593 It's obviously we're not going to get through all of your witnesses in the next well by 5:00.
4594 Do you disagree with that?
4595 I do not disagree. OK.
4596 All right.
4597 So we'll we'll break it 4:30 for the evening. Is there anything that you want to discuss?
4598 Because when we break, we're gonna stop.
4599 So if there's anything you wanna discuss now for tomorrow that you wanna bring up.
4600 The start time I think you mentioned that's a good, that's a great place to start.
4601 What time are you?
4602 I know you take your kids to school.
4603 Yeah, I see.
4604 What time can you be here by 8:15, 8/15.
4605 Thanks. If that works. I know that Miss Bennett though, has to come from Albuquerque.
4606 Yeah, exactly.
4607 Oh, you poor thing.
4608 You have to come all the way from Albuquerque.
4609 No, I'm spending the night here tonight. Oh, good.
4610 Yeah, good. All like fancy pants. Oh, yeah.
4611 That's good too, yeah.
4612 All right, so 815, I'm not hearing anything.
4613 Wrong with 8:15. So. Right, OK, good. So we'll start at 8:15 tomorrow, but is there
4614 anything?
4615 I know, I know.
4616 You're gonna get some AFES, some detailed AF ES to council for Permian for their
4617 review, for some cross examination and direct tomorrow.
4618 Is there anything you wanna talk about?
4619 No, no. OK.
4620 All right then.
4621 I don't have anything else to say, so let's make the most of the next.

4622 I do have one question for you.
4623 The Kotara case that's being called tomorrow morning. Oh, yes.
4624 So why don't we call?
4625 Well, we call it 815. OK, we'll call it.
4626 We'll start the day at 8:15. OK? Perfect.
4627 I can't imagine it would be very long.
4628 No, I hope not.
4629 Well, I hope not too.
4630 All right.
4631 So go right ahead and thank you, Herman. Resources calls.
4632 It's first witness Mark Haddock.
4633 Mr. Haddock, I remind you that you're Underoath. And if you'll just press that green
4634 button away, we go.
4635 Thank you. And can you please state and spell your name for the record?
4636 Mark Haddock, MARKHAJDIK.
4637 And by whom are you employed?
4638 In what capacity?
4639 Senior staff layman with Permian Resources.
4640 We're looking at for, OK.
4641 Clayman with Permian resources.
4642 And have you provided direct testimony and exhibits?
4643 In this case, yes.
4644 And are those documents and marked as exhibit A and so exhibits A1 through a 12.
4645 Yes. And are they true and correct to the best of my knowledge, yes.
4646 And you adopt your testimony here today, yes.
4647 Let's briefly discuss some of your exhibits.
4648 Let's go to your exhibit A6.
4649 You said six. A six, yes.
4650 And what exactly is shown on exhibit? Oh, forgot to share.
4651 And what is shown on exhibit A6?
4652 The spacing units are applications in the lease diagrams and let's go to page 2 of ASICS.
4653 Can you tell me what is shown here?
4654 It's a working interest breakdown by tract and then a full unit capitulation in wet tracks
4655 is Permian Resources seeking to pool?
4656 We're seeking to pull all of the Bone Spring formation and the wolf camp formation.
4657 In sections and all section 23 and the North Half, section 26.
4658 And is there any are there any differences between what Permian Resources seeks
4659 to pull and what Yvonne seeks to pull?

4660 Yes, Avant excludes the second bun spring portion.
4661 I guess in Section 23 and all of the second bone in section 23.
4662 It's like 26.
4663 In the north half of section 20, yes, the north half of section 26.
4664 Let's look at your exhibit A5.
4665 Can you tell me what this shows?
4666 It's a diagram showing the.
4667 The second one, how avant is excluding the second one spring from their development
4668 and how it will strand the North Avenue section 26 and why does this strand, the
4669 Second Bone Spring in the north half of section 26?
4670 The BLM revised the drill islands and development areas in light of this of the.
4671 Spicy chicken development area beginning granted and canceled the drill island that
4672 these snotty wells came from the.
4673 Northeast corner of the north half, section 26.
4674 So we ran them down.
4675 We ran to ground the option of self development of section 26 and that was the no
4676 longer viable by the BLM.
4677 So you Permian Resources looked at self developing the north half of section 26 and the
4678 BLM said no.
4679 Correct. And why is self development not possible?
4680 Due to the potash restrictions and the lack of drawings.
4681 You you're required to come from the north of section 23.
4682 So if Avant wins operatorship in these competing developments, what would happen to
4683 the Second Bone Spring in the north half of section 26?
4684 According to their applications, it would stay stranded.
4685 And could avant drill wells in the second Bone spring.
4686 In the north half of section 26 not currently. And why not?
4687 They don't own anything or they don't own any working interest.
4688 In the north half of section 26, correct. Let's look at your exhibit A10.
4689 What does this exhibit A10 show?
4690 It's a project development and communication timeline where we've been working on
4691 resolving disputes and BLM patas issues starting back in 2023 when we acquired it and
4692 our and our predecessor, ERSTONE had been working on it prior to this.
4693 In addition to communication with other parties throughout here, and let's go to exhibit
4694 A12.
4695 Of.
4696 And this is your communication timeline with Permian Resources and Yvonne, correct,
4697 correct.

4698 And have you had extensive communication to the Vant?
4699 And have you reviewed Evans communication summary? Yes.
4700 And do you believe Perman resources and Evans communication summaries are
4701 accurate?
4702 Yes, but for whatever they plan to add it.
4703 And why do you think that?
4704 That what they plan to add is, well, it's not inaccurate.
4705 I just don't know what they're gonna add.
4706 So it won't be 100% aligned.
4707 And do your exhibit A12 and advance exhibit A6. Show that negotiations have been
4708 extensive and ongoing between the parties, yes.
4709 What's your understanding of evawn's position in these cases?
4710 That they should be granted operatorship, soliano larger working interests.
4711 Should be granted an operator ship on a certainly on the larger working interest.
4712 And do you agree with that?
4713 I do not and have you provided a rebuttal exhibit which has been marked as exhibit A13.
4714 Yes, and I know this one has been objected to so.
4715 We'll try and use it at this point.
4716 Hold on.
4717 Let me just verify that.
4718 Let me think for a moment.
4719 I thought C13 and C-14 were admitted.
4720 Oh, not a.
4721 Why don't we deal with all the A's at the same time?
4722 Why don't you try to get them in?
4723 Let's find out first what the objection is.
4724 We have all of your direct exhibits have been admitted.
4725 No rebuttal exhibits except for C13 and C-14.
4726 So this witness here created which rebuttal exhibits the. It's just a 13. He only has one.
4727 When a rebuttal exhibits A13, hold on a second.
4728 Let me mark this down a 13 Miss Bennett.
4729 What is the objection to 813?
4730 Thank you, Mr. Herring. Examiner, A 13 is simply a compilation of what's already in the
4731 record.
4732 It's a comparison. A side by side comparison of Avon's chart of working interest
4733 ownership and permians.
4734 And so it adds nothing to the record and they already used it as a demonstrative for that
4735 purpose. In addition to that, the calculations that they are showing on exhibit A13 are

4736 irrelevant because they compare Avant's actual.
4737 Working interest ownership with the theoretical hypothetical working interest. If all of
4738 the overrides convert, and so the substance is, there's one tiny little bit of substance
4739 that's new.
4740 And it is irrelevant.
4741 So I'm just trying to make sure I understand number one, we have redundancy, right?
4742 OK, so we have redundancy, but that wouldn't stop it from being used as a
4743 demonstrable, right?
4744 #2 there was an issue about the actual data that is that is portrayed in the exhibit and
4745 you lost me. You said repeat what you said about.
4746 The about what they're showing and how it's.
4747 Not correct.
4748 Correct. Sure. And Miss McLean, would you be able to turn to that exhibit?
4749 Thank you.
4750 And it'll get a little bigger.
4751 Hit the plus.
4752 Just a couple times.
4753 Yeah, that's perfect, right?
4754 I can see it.
4755 Go ahead, Miss Ben. OK.
4756 So again, the two tables, the two primary tables are just recapitulation of what's already
4757 in the record and then the variance is what I'm referring to now.
4758 So the variance is showing a difference in yvon's calculated.
4759 Acreage and earth stones calculated acreage and number one, that's simple math.
4760 I don't think we need a rebuttal like exhibit to have simple math in the record, but #2 it's
4761 based only on the and it says here on the unaccounted for conversion of overrides and
4762 the conversion of overrides has not happened.
4763 So this is a speculative comparison using comparing Avant's actual record title against
4764 the speculative conversion that Permian is advancing in its case, OK, and your
4765 response?
4766 Yes. Well, I don't know about simple math because I went to law school 'cause. I was
4767 told there would be no math, but I think that this is particularly relevant and helpful,
4768 especially in light of the questions that Mister McClure asked.
4769 Their land witness earlier today to describe the differences in the calculations and the
4770 differences between the two working interest calculations between the parties.
4771 Furthermore, you know one of the cruxes of this entire case is should we be calculating
4772 these overrides?
4773 Avant says no.

4774 We say yes, it is of record.
4775 It's an option that everyone has and we believe that it's necessary. So we have an
4776 accurate portrayal of.
4777 You know what that working interest might be?
4778 And Permian Resources believes that they're pulling all potential working interest
4779 owners. So we do not have to waste the division's time and come back and reopen the
4780 cases to pull additional people should they convert their override into working interest.
4781 So we believe that this is relevant and you know, crucial to understanding the
4782 differences between the parties.

4783 OK.

4784 Let me ask Mr. McClure.

4785 Question Mr. McClure.

4786 I think I know which way I wanna go with this objection, but do you find this slide
4787 helpful?

4788 And if so, just let me know that you do or don't.

4789

4790  **McClure, Dean, EMNRD** 2:36:24

4791 I mean, I don't think it hurts to have it.

4792

4793  **Pecos Hall** 2:36:27

4794 Well, that wasn't the question that I asked, but if that's if that's the answer you wanna
4795 give me, I guess I'll have to be stuck with it.

4796 M's Bennett, when it comes to the redundancy factor, I can understand the objection.

4797 However, I think having everything as long as it's accurate and you have the ability to
4798 cross examine this witness to show any inaccuracies in this table.

4799 OK. But.

4800 I find that the table is helpful in gathering information that might be all over the different
4801 exhibits and bringing it into one.

4802 Exhibit so for that reason, I.

4803 I.

4804 I don't.

4805 I'm not supporting the redundancy argument.

4806 For the idea that it's comparing apples and oranges, basically, that's what you're saying
4807 here.

4808 You're saying that here in this bottom left table, the variance summary Permian is
4809 showing avant's current or I thought Avant actually was a little bit more than 90%
4810 anyway, wasn't it?

4811 Yes, I think that what they're showing in the variance there is the difference between

4812 what avant attributes to its working interest ownership based on title and what Permian
4813 attributes to its interest. Based on this hypothetical conversion. And then taking the two
4814 and subtracting them, so the 90%.
4815 Is not avant's interest, it's the delta.
4816 Between what avant shows and what Permian shows.
4817 Gee, I didn't even understand that.
4818 That I think that makes my point.
4819 We haven't had any testimony. I didn't.
4820 I didn't even understand that.
4821 Would you explain that one more time 'cause?
4822 I still don't understand it.
4823 Sure. And I'm happy to explain Mr. Hajik's testimony.
4824 But So what?
4825 What are they showing here?
4826 What? What's his numbers here?
4827 The 90 and the 41. That's the difference between.
4828 That's taking Avon's total acreage.
4829 That avant showed that it had on its slides and subtracting from that the acreage that
4830 Permian credits to Avon.
4831 To say that avant is inflating its acreage by 90 mineral acreage, this isn't working
4832 interest.
4833 This is acreage.
4834 It's acreage. I didn't understand that.
4835 Thank you.
4836 I I appreciate that and I didn't know that.
4837 I'm going to allow this exhibit in so this exhibit comes in and you can cross examine and
4838 show us how it's not reliable or inaccurate any way you like. But for me, I appreciate the
4839 fact that someone compiled all of this.
4840 Data. So I find it relevant.
4841 I just don't know how accurate it is, but we'll find out.
4842 Thank you.
4843 All right. So did you catch that?
4844 Michelle and her you did.
4845 So this exhibit comes in, and this exhibit is what number this is.
4846 Exhibit A13A13 Permian's, exhibit A13 rebuttal rebuttal of no. You just haven't listened.
4847 We just have it in sequential order.
4848 So go right ahead.
4849 So this has been admitted.

4850 Yes, it has been. Thank you.

4851 All right.

4852 Can you tell me what, in your words, is on exhibit A13?

4853 A 13 is the table's extracted from the original testimony that.

4854 Rolls up, does not take into account any conversions in their table, and then it

4855 compares it to the the potential for the parties to convert on our sable and table also

4856 shows the parties that.

4857 Were left off the bonds, pooling applications that have the opportunity to be working

4858 interest partners here.

4859 In the parties that were left off of Avon's working interest table, those are in red.

4860 And can you tell me which parties those are? Subtle energy, Blue star royalty.

4861 And then in looking at the comparison between these two working interest calculations,

4862 these are only the.

4863 Working interest ownership tables for the 1 1/2 mile first and Third Bone spring wealth

4864 correct well and Wolf camp in Wolf camp because all of that ownership interest is the

4865 same, correct?

4866 Yes, it's contiguous and it's the second Bone Spring that has the different ownership

4867 correct.

4868 And is there a big disparity between what Permian Resources is showing as ownership

4869 percentages and what Yvonne has?

4870 Correct. If the parties were to convert then.

4871 Yvonne's working interest is inflated by 90 acres. And why is that?

4872 Why would their? Why would their ownership interest be inflated?

4873 Without that conversion.

4874 Can you restate the questions?

4875 Why is?

4876 Why is there a disparity between what Permian resources showing and what Yvonne is

4877 showing?

4878 I mean, in my opinion it's advantageous for them to show the unconverted table

4879 because it makes their numbers look better.

4880 And Permian Resources table takes into account the ability of all parties that can

4881 convert to working interest percentages.

4882 Correct, correct and avonce does not correct.

4883 And why does premium resources take that conversion into account when making this

4884 calculation?

4885 It's a unique scenario so.

4886 We we thought it was the best approach to utilize.

4887 The ownership that could be the maximum potential working interest parties who are of

4888 record because they're right to convert is a record.
4889 As of the filing in this case.
4890 And have you reviewed Evans rebuttal exhibits? Yes.
4891 I'd like to draw your attention to Evan's rebuttal, exhibit A2.
4892 And can you tell me what this is?
4893 This is the the document of record that.
4894 Gives these parties the right to convert their working, convert their override to a working
4895 interest.
4896 At the time of drilling, subsequent wells and can you tell me what exactly this says? And
4897 I think avant called it out in their exhibit about the ability to convert an overriding royalty
4898 interest to a working interest.
4899 The parties are subject to this document, have the option of converting their override
4900 interests.
4901 Uh.
4902 I think you Scroll down.
4903 Sorry I can't see it right here.
4904 Oh, no, no. It's just up there.
4905 There we go.
4906 And then such option.
4907 Sorry, what was the question again?
4908 I lost my train of thought when you were on. Oh, just could if you could tell me what
4909 exactly this document says about the ability to convert an overwriting royalty interest to
4910 a working interest. These parties have the right to convert, and then they have to be
4911 given.
4912 Notice when they have setting out amount of time.
4913 By response to set notice.
4914 Just to clarify, not every overriding royalty interest owner that's listed on Permian
4915 Resources or Avon's overrides that are going to be pulled in this case have this option.
4916 Correct. There's there. There are overriding on royalty owners that are just straight
4917 override on her.
4918 This is a select few that are subject to this agreement.
4919 And if someone did convert from an overriding royalty interest to a working interest and
4920 you didn't list them as a pooled working interest owner, in this case, what would you
4921 have to do?
4922 Barring voluntary agreement, you'd have to come back to the Commission.
4923 To pool them, yeah.
4924 To re, you'd have to reopen the pooling cases. You would have to reopen the pooling
4925 cases.

4926 Do you have experience with people actually electing to convert from overwriting royalty
4927 to working interest?
4928 Yes, several parties in here.
4929 Well, we think it's premature to file a notice of.
4930 Intent to convert and as per main resources planning on converting its overwriting
4931 royalty interest to a working interest, yes.
4932 Once given, yes, we would plan, we intend to convert to an over convert override to a
4933 working interest.
4934 So would you call it hypothetical that someone can do this or realistic realistic?
4935 When would you anticipate parties to actually make this election in your experience?
4936 Well, there has been.
4937 There would have to be an operator named and then it would be.
4938 Pretty imminent to the actual speed of the well.
4939 And at that point, you should.
4940 You would get a based on the word. The verbiage we see here it would be. It would be
4941 then given an election.
4942 Any opportunity to convert?
4943 And is Permian Resources ability to convert its overwriting royalty interest to working
4944 interest ownership reflected in any of Avon's ownership interest breakdowns.
4945 And their initial ones from what I can recall.
4946 And why do you think Avant calculated the ownership interest in this way?
4947 As we saw in my rebuttal slide, it advantageously inflated their work interest.
4948 And do you believe premium resources calculation to be more realistic? Yes.
4949 In your opinion, will Permian resources development plan best prevent waste and
4950 protect quality rights?
4951 Yes. And would Yvonne's plan results in waste and violate permitting resources and
4952 others like koteras correlative rights? Yes.
4953 Can you please summarize the reasons for that? Permitting resources has been
4954 working diligently to develop our significant interests in a way that does not strand
4955 acreage and provides the best.
4956 Protection rights and value for the thank you.
4957 I have no further questions.
4958 Miss Bennett, thank you.
4959 Good afternoon, Mr. Hajjik haddock.
4960 Silent J.
4961 Thanks for being here. So I wanted to just start off with.
4962 Your declaration and your exhibits. They're meant to be accurate to the best of your
4963 knowledge, right?

4964 Yes.

4965 And they're meant to be complete to the best of your knowledge, correct.

4966 And did you prepare your exhibits? Yes.

4967 And are they all based on your personal knowledge?

4968 To the best of my knowledge, yes.

4969 So.

4970 You acknowledge right that the numbers you included in your ownership breakdown are

4971 based on the assumption that the overrides will convert.

4972 Under the maximum case, yes, that's that's the my tables accounts for.

4973 And just give me a second here, I'm gonna start sharing.

4974 Sure, why I can't share it again.

4975 OK.

4976 So this is your self affirm statement exhibit A, right?

4977 Yes. And I wanna look at.

4978 Your exhibit on page 130 of 278, which is your working interest summary.

4979 It's part of exhibit A6.

4980 Are you seeing that?

4981 Yes, I can.

4982 And this is your working interest summary for the for section 23 and the north half of

4983 Section 26, is that right? Yes.

4984 And.

4985 At the bottom in this asterisk here.

4986 It says and tell me if I'm not reading this correctly.

4987 The table above assumes the parties have elected to participate in the development

4988 with the working interest.

4989 Did I read that correctly?

4990 Yes, because it's the most complete way to look at the ownership of record and it's

4991 based on an assumption though in your own words.

4992 It is OK. Thanks.

4993 What?

4994 You testified a moment ago that you thought this was the best approach with respect to

4995 sidel and Blue Star as overrides that have not yet converted. Is that right?

4996 Correct, because they could be working interest parties.

4997 Have you had conversations with Siddle about it becoming working interest party?

4998 I have talked to all the most of the parties here.

4999 Does your communication record reflect a conversation with Siddhal?

5000 I would have to go back and look.

5001 That was a lot of conversations.

5002 And so you don't recall a conversation we settle, even though it's in your testimony.
5003 Yes, I if it's in there, then yes, I did talk to them.
5004 But do you recall what they said to you about converting their working interest?
5005 I don't recall if we discussed conversion. OK, give me just a second here.
5006 And I'll get to your summary of context.
5007 Do you see where I'm looking here on March 31st?
5008 April 7th, 2026.
5009 Yes. Is this a summary of your communication with citil?
5010 Yes. And could you read it for the division, please?
5011 E-mail change was still regarding their preference to signage, AOA, or support letter.
5012 Regarding their preference to sign a JOA or support letter set, a little extra may neutral
5013 due to marketing their assets to give the buyer the optionality to convert at their
5014 discretion.
5015 So Sidle did not want to convert at the time that you communicated with them, did
5016 they?
5017 There's no conversion until there's operator with a well. Did Siddle indicate that it was
5018 open to converting at the time you communicated with them?
5019 I don't think that's.
5020 I don't understand your question.
5021 Your e-mail exchange says that Syd elected to remain neutral.
5022 Is that did you write that to mean that they elected to remain neutral in terms of
5023 committing converting their override?
5024 I haven't wrote that to mean they still have the optionality to convert their over end.
5025 Have they converted their override?
5026 I think I said the answer to that question.
5027 I'm gonna go that there's no operator and no election given yet.
5028 Is that why Permian hasn't?
5029 Elected to convert its working interest, its override into a working interest.
5030 So we were named operator. We wouldn't need. Let me.
5031 So isn't Permian using the assumption in your slides to to show the working interest
5032 ownership in a light most advantageous to Permian showing you that in a light that
5033 captures the maximum number of potential working interest parties here?
5034 Do you think that?
5035 But is it in your discussions with Sidel? Did you let Siddh know that you were going to be
5036 pulling their override and their working interest in this case?
5037 They received notice of the manual proposals.
5038 So you're pooling a as of yet unelected working interest, right?
5039 They're a party of record that could have a working interest, so they were entitled to

5040 notice of the hearing and a well proposal.
5041 Have you so Permian has had this opportunity to?
5042 To convert its working interests.
5043 I'm sorry its override to a working interest.
5044 Since Earth Stone acquired this acreage, is that or Earth stone had the opportunity?
5045 Is that accurate?
5046 There was no subsequent wells that currently.
5047 Didn't Earth Stone proposed wells in 2023?
5048 Pre pooling proposals are not binding.
5049 Didn't Permian file a pooling application with the Earth stone file? A pooling application
5050 with the division in 2023-2024?
5051 I don't have the exact dates.
5052 Yes, we did.
5053 And did you elect to convert your override?
5054 Well, you didn't elect to convert your override before those pooling cases, did you?
5055 There was no post order proposal sent.
5056 So the answer is no.
5057 There's no subsequent wells to send an election on.
5058 OK.
5059 I wanted to take a look at your exhibit.
5060 Go back to your exhibit.
5061 A6.
5062 This exhibit does not compare and contrast permian's ownership to a Bond's
5063 ownership. Does it?
5064 What's the standard unit capitulation? And even under your assumption?
5065 You Permian has 40% owned and controlled.
5066 Right. And that's not the majority interest, is it?
5067 Oh, but we have a material interest here to protect, and so does Yvonne, right?
5068 Umm.
5069 Let's see.
5070 Oh, I wanted to turn to your next slide.
5071 This is sorry, this is your recap for the section 23 ownership.
5072 Do you see that?
5073 Yes. And could you walk the division through how you came to Permian owned and
5074 controlled 18.116%?
5075 I think we've already addressed that in the that this we use the numbers of maximum
5076 potential parties that can convert. And I'm sorry I'm trying to be a little more granular
5077 than that.

5078 I actually want to know how you.
5079 Added up the parties that are actually signed up with Permian to come up with the 18%.
5080 So that's WR non operate.
5081 Is WR non up under a contract to acquire?
5082 Yes, there might.
5083 There's possibly an error here.
5084 I don't have a calculator, but.
5085 But you think that these the 18% could be inaccurate?
5086 Yes, 'cause, I'm we are only. Yes, there's probably a typo there.
5087 And so it should be lower than 18.
5088 Is that what you're saying? Yes.
5089 And on the this is again the unit recap for just the 640 acres section 23 tracked, right?
5090 Correct. And yet for your for the first entry Earthstone Permian, it says that you have
5091 acreage in tracks one and two.
5092 Is that a typo as well?
5093 Yes, this is only tracked 1.
5094 I want to look at Avon's rebuttal exhibit.
5095 A.
5096 1.
5097 Sorry, there's a faster way I could do this, but it's not happening at the moment.
5098 OK, turning to A1.
5099 This is the assignment.
5100 And.
5101 Assignment of overriding royalty interest and options. Do you see that?
5102 Did why didn't you include this in your materials? If you were relying on it to support
5103 your assumption of working interest ownership?
5104 It wasn't initially included in yours either, but I'm not following the question.
5105 Well, Avant did not need to include it initially because they're not basing their
5106 calculations on an assumption, whereas Permian resources this is.
5107 Testimony by council at this point.
5108 OK. Sustained.
5109 Would you answer the question? She asked you, though, because she asked you a
5110 question and you said, well, it's not in permian's.
5111 Sorry, it's in Evans either, but that's not an answer to the question.
5112 So would you ask the question again? Yes, I will.
5113 So why did you not include rebuttal exhibit A1, which is the assignment of overriding
5114 royalty interest in options upon which you base your calculations in your exhibits. Title
5115 documents are not typically necessary for.

5116 Standard pulling exhibits what what title documents are typically not included as a
5117 standard pooling exhibits.

5118 A moment ago you testified, though, that this is an unusual circumstance, and so
5119 wouldn't this be outside of the normal pooling application when you're relying on an
5120 assumption of working interest ownership to support that assumption?

5121 I don't think there's a dispute that this exists, so I'm not sure what the necessity.
5122 Or what's the question? But you do have to answer the question, so instead.
5123 Sorry, the necessity of the question.
5124 Just answer it please.

5125 I'm at the of the document. I didn't mean. What's the question, sorry.
5126 The question is a moment ago.

5127 You testified that this is an unusual circumstance and also that it this type of exhibit is
5128 not normally submitted in a usual ruling case, but here where Permian is basing its
5129 affirmative case on an assumption related to a document. I'm asking why Permian did
5130 not include that Doc.
5131 In its original materials.

5132 I didn't think it was necessary. I thought that the table spoke for themselves.
5133 Now, you testified a moment ago that the assignment of overriding royalty interest in
5134 option agreement is of record and I don't think anyone's disputing that.
5135 What my question is is whether for example.
5136 The.

5137 Working interest that you've attributed to siddh, for example, is that of record that they
5138 own a working interest at this moment.
5139 They have the opportunity to own a working interest, according to this document.
5140 And that's all they have, right?
5141 Is the opportunity.
5142 But yes, they are.
5143 I mean, that's a yes. Thank you.

5144 I want to now look at Avant rebuttal exhibit.
5145 A three. Are you seeing that?
5146 Yes.
5147 And.
5148 Understanding that.
5149 Well, have you had a chance to review this exhibit?
5150 Yes. And do you have?
5151 In your opinion, does this exhibit reflect?
5152 The interest that will accrue if the hypothetical conversion is takes place of all overrides
5153 to working interest.

5154 I believe so.

5155 I don't check the actual calculations.

5156 Do you sitting here right now?

5157 Do you have any reason to doubt the interests that are reflected here as post
5158 conversion interests?

5159 No, and this rebuttal exhibit A3 shows Avant with 85.54% working interest control. Does
5160 it not?

5161 That's to a limited number of the wells. This is all of the wells in section 23, the 640
5162 acres.

5163 Spacing unit, isn't it?

5164 But not all.

5165 But that's a limited number of the wells.

5166 I understand it's a limited number of the wells I'm asking you about the wells in section
5167 23 limited to the wells in section 23. This is this would be the table and both Permian
5168 and Avonte are proposing wells in section 23 only, right? Yes and?

5169 Then turning to exhibit A4.

5170 Are you seeing exhibit A4?

5171 Yes. And again, this is Yvonne's calculation, assuming taking into account your
5172 assumption that all of the overrides that have the opportunity to do convert to a working
5173 interest, do you see that?

5174 Yes. And do you have any reason to doubt that these numbers reflect a total
5175 conversion? No.

5176 And at the bottom you see where avant calculated it's working interest control as
5177 57.86%.

5178 Do you see that?

5179 I do.

5180 So avant under either scenarios your scenario or avant scenario has the majority
5181 working interest.

5182 In the 1.5 mile.

5183 Acre, a 1.5 mile laterals. Don't think there's a dispute to that. I think there's more to the
5184 thank you case and protecting for all the rights. Thanks.

5185 Then I wanted to.

5186 You're aware that Avant operates a vertical well in section 23 already, right?

5187 I believe they purchased one.

5188 I have not confirmed it myself, but sure, I'll take your word for it.

5189 OK.

5190 Then turning back to your rebuttal exhibit, let me see if I can get that.

5191 It doesn't seem quite right to me.

5192 So originally I thought that what you had done was just taken avant's working interest
5193 ownership table and compared it to your working interest ownership table.
5194 But it doesn't look like that's what you did actually. Is Table 1 something you created?
5195 It was pulled.
5196 Manually manually created it off of y'all's exhibit.
5197 Avonts exhibit.
5198 OK and.
5199 So it shows.
5200 So it shows Avante as having 80.28% which I I know you dispute.
5201 I'm in the in the table one.
5202 Are you tracking with me?
5203 Yes. And then Chief Capital and then it shows WR Nonop force pool trainer force pool.
5204 And those were the interests that Avant was seeking to force pool right at the time.
5205 And so you now know that trainer, though, is being acquired by Pavan. Based on your
5206 rebuttal exhibits. Yes. And so.
5207 This calculation that you've put in here, it is no longer reflects the on the ground status
5208 of discussions with Ivan.
5209 With trainers, discussions with Yvonne.
5210 I wasn't Privy to those. I mean this.
5211 This was accurate at the time I made it.
5212 And then on your exhibit, the table that you created.
5213 I see sidal and Blue Star as identified in red italics and those are the potential working
5214 interest owners that Yvonne did not pool as working interest owners.
5215 Is that right?
5216 Yes, but that Permian prematurely pooled as working interest owners.
5217 Comprehensively pulled them.
5218 Then I wanted to.
5219 To.
5220 Umm.
5221 Oh, I wanted to talk a little bit about petrolux.
5222 So you have identified here that Petrolux was conveyed to a predecessor of earthstone.
5223 Do you see that?
5224 Yes. And were you here earlier today when Miss Sorrentino's testified that Petrolux
5225 actually this interest was not conveyed to earthstone? According to Avant's title review,
5226 our title opinion has accredited to test and so, but there can be differences in title
5227 opinions.
5228 Is that fair statement?
5229 Yes.

5230 And then I think that's it on those, OK, I wanted to next talk about your Wolfcamp 201 H
5231 application.
5232 Let me just get there.
5233 And that.
5234 Is.
5235 Sorry, I'm not sure which application number that is.
5236 OK.
5237 This is it. 25835. Are you seeing that?
5238 Yes. Are you familiar with your Wolfcamp 201 H application?
5239 Yes. Did you help prepare the Wolfcamp 201 H application?
5240 Yes.
5241 So the 201 H application here says that it is a 400 acre more or less standard horizontal
5242 spacing unit. Do you see that?
5243 Yes. And do you see in paragraph 2 where it says that it's going to start in unit D of
5244 section 23 to elastic point in unit C of section 26?
5245 Yes. Does that accurately reflect your exhibits?
5246 There was AI believe there was a typo.
5247 Umm. Regarding uh, unit C?
5248 So this your exhibits do not reflect what's in your application.
5249 Right, correct according to this.
5250 Well, do you have any reason to doubt that this is the application you filed?
5251 No, I'm sorry, correct.
5252 Yeah, just to confirm, this is your testimony.
5253 And this is your exhibit A. And you say NK in the case 25835, which we just established
5254 was the 201H case that Permian is seeking to pool uncommitted interest in a 480 acre
5255 spacing unit is is that differe?
5256 Than your application.
5257 Yes, I I saw there was an error in the application I believe.
5258 And then I wanted to look at the C1O2 for the 20201H well.
5259 See if I can find that.
5260 Do you think there's an error in the C-102 as well?
5261 That was a question.
5262 Yes, that is a question.
5263 I'm sorry I didn't have a chance to look at you.
5264 I was looking at for the C.
5265 One or two I don't.
5266 Yes, under highlighted part right there there's there.
5267 And So what I've highlighted here shows that this this C1O2 is purporting to say that the

5268 201A12 is going to be dedicated to a 400 acre unit.
5269 It should be for A and. Do you see here how it shows the first take point is in unit D and
5270 the last take point is in unit E?
5271 Yes.
5272 And do you see?
5273 Here on the drawing that the first take point is in D and the last take point is in East.
5274 Would that be a 400 acre unit?
5275 No, I said.
5276 It would be 480.
5277 So is this estimated acreage on here added after the fact?
5278 I don't do this.
5279 You don't prepare the C1O twos.
5280 No, I'm not a surveyor.
5281 Did you review it though before it's part of your exhibits, right?
5282 My review of the best I can, I don't.
5283 But you'd agree with me that this C1O2 does not accurate the dedicated acreage.
5284 On the C1O2 does not accurately reflect the drawing on the C1O2.
5285 Correct. I already stated that before that the 400 is incorrect.
5286 I noticed in your applications and you're actually on your C1O twos that you've
5287 identified.
5288 The Wolfcamp wells as being in the Oseuto Wolf Camp S gas pool, do you see that on
5289 the C1O2? Yes.
5290 Is it your understanding that the Wolfcamp wells are in the gas pool?
5291 I believe so.
5292 Dude.
5293 When was that?
5294 When did you start to have that understanding?
5295 I'm not sure.
5296 Was it before you submitted your applications or after you submitted your
5297 applications?
5298 It's been a long time since these applications were filed.
5299 I don't recall.
5300 Are you aware that your wolf camp applications are spaced off of oil spacing and not
5301 gas spacing?
5302 Yes, we plan to power administrative and cells.
5303 For administrative NSLS.
5304 NSP.
5305 Sorry, but you will have to file.

5306 So I saw that in your applications that you said that now you think these are non
5307 standard units when before you thought they were standard and now you think they're
5308 at one that they're you'll need to file an administrative application for non standard unit
5309 that's in your.
5310 Testimony, right?
5311 Yes. Do you know what the setbacks are for a gas pool? For the first and last take point
5312 and from the laterals?
5313 I'm not familiar these pool, but I think generally 330.
5314 So will you have to file for administrative approval for NSLS as well?
5315 Are your first, shall I show you AC102?
5316 That'd be helpful. I think I just said we would put, sorry, we ask your question again.
5317 Sure. So I understood from your testimony that you plan on filing administrative
5318 applications for non standard units.
5319 But what I'm asking you now is if you'll need to also file.
5320 Administrative applications for non standard locations. Given that your wells are
5321 spaced out, I think I'm non standard location not in SP. OK well your testimony says non
5322 standard unit.
5323 But that's neither here nor there, but you. You acknowledge that there's further steps
5324 that you have to take, whether it's correct in your testimony or not correct. In your
5325 written testimony.
5326 What am I?
5327 What am I correcting?
5328 What was the question?
5329 I'm saying my question is, you acknowledge that there are further steps that you'll have
5330 to take with the Wolfcamp applications as you understand them.
5331 Post this hearing, yes.
5332 A minute ago we talked about the fact that Avant owns or operates a well, the Bates 23
5333 well in the in in section 23 and you said you were generally aware of the existence of
5334 that well.
5335 Is that right?
5336 Yes. Are you aware of the requirements for?
5337 Seeking approval of overlapping spacing units.
5338 Yes. And is the bateswell within.
5339 The Section 23 is it within the West half of section 23?
5340 I don't know where it is.
5341 In just a second I if you don't mind, I'm gonna go ahead and pull up one of your geologist
5342 slides and I'll be able to show you where it is.
5343 It's in section 23.

5344 Let's we can leave it at that.

5345 For the moment, do you know if you're either of your section 23 applications identified
5346 that well as existing spacing unit?

5347 Oops. Believe it was in that wells dedicated to different pool.

5348 To a different pool.

5349 What pool do you believe that's dedicated to?

5350 I don't know pull.

5351 I don't know what pull it to, but I didn't believe it was the ones that are that were doing
5352 the horizontals. If it turns out that it is within the same pool or formation as your
5353 proposed.

5354 West.

5355 Half or E half section 23 application will you need to take additional steps to seek
5356 approval for an overlapping spacing unit.

5357 If there were, if it's in the same pool, then yes, we have to.

5358 And earlier.

5359 You were here earlier today when, and I think your testimony even references the three
5360 snotty wells that are in the north. Well in section 26.

5361 Do you recall those three wells?

5362 Yes, actually I think you have a an exhibit I can use to show.

5363 Those wells.

5364 So this is a representation of those 3 snotty wells, right? Yes and.

5365 The northernmost well traverses the entire N half of the north half of section 26, right?
5366 Yes.

5367 And the slant well traverses the east half and the West half of section 26, right?

5368 Yes. Do you know if you included those wells in your overlapping spacing unit approval
5369 requests in your applications?

5370 I think I made it.

5371 I haven't exhibited on regarding the overlapping spacing in.

5372 So I understand you might have an exhibit for that, and I'm happy to get to it. I don't
5373 think it adds much to this discussion.

5374 But what I'm asking is if you do you know if your applications all of your section 26, all of
5375 your applications that seek to pool section 26 in the Bone Spring, whether those
5376 applications identified the snowy wells as overlapping? I don't recall them, OK and
5377 based?

5378 On your knowledge of the overlapping.

5379 Spacing unit rule would you need to do additional?
5380 Steps after this hearing to correct that oversight if it is in fact an oversight.

5381 I'm not.

5382 Those are typical matters typically handled by Council.
5383 I don't know the exact procedures.
5384 I understand that you may not know the exact procedures, but do you have a general
5385 understanding that there would be additional procedure under your hypothetical? Yes.
5386 I wanted to look at your paragraph six of your declaration.
5387 OK, you say.
5388 Do you see where I am on paragraph six of your declaration?
5389 Yes.
5390 And in paragraph six, it's got a blanket statement that Avante is not seeking to pool or
5391 develop the second bond.
5392 Spring interval. Is that correct?
5393 No, it references exhibit A5, which would.
5394 Further, define that and I understand it.
5395 I'm sorry references A5, but is that statement in your declaration correct as written?
5396 You're taking it out of context.
5397 This shows Avante is drilling wells in section 23 in the Second Bone Spring, right?
5398 Correct.
5399 You mentioned earlier that you'd had discussions with the DLM about the inability.
5400 To use the existing drill pads and the what would those be the east half of section 26?
5401 Do you recall that testimony is anything about that?
5402 And did you provide any correspondence with BLM in, in your materials? No.
5403 Are you able to provide any correspondence with BLM to support your statement?
5404 I can.
5405 I can go back and look.
5406 I believe I have an e-mail from Jim Riley.
5407 And you said something that I thought was kind of interesting. You said that.
5408 You ran down the option of self development of section. The north half of section 26.
5409 Is that what you said?
5410 Correct and by self development you mean Permian developing it or did you mean
5411 kotara developing it?
5412 Oh Hermione developing it.
5413 So how is that self development?
5414 We would be drilling our acreage that we own in section 26.
5415 What acreage do you own in the north half of section 26 in the second bone springsale?
5416 We don't own. It was regarding all statements.
5417 Thanks or all wells.
5418 And.
5419 Earlier, oh, referencing the same exhibit you mentioned.

5420 Are you testified that Avon's plan would strand the North app of section 26?
5421 Do you recall that in the Bone Spring?
5422 Yes. And you were here earlier when Ivan said it could.
5423 Actually, go in and drill second shale wells.
5424 Right.
5425 Yes.
5426 And.
5427 You testified earlier that you've been diligently pursuing your acreage position in
5428 sections 23 and 26.
5429 Do you recall that testimony? Yes.
5430 And yet you have not converted your overriding royalty interest to a working interest,
5431 which is in your own control. Is that right?
5432 As we discussed earlier, that is premature at this point because there's no subsequent
5433 wells.
5434 I understand that's your answer, but I'm asking you a question about whether you have
5435 done it yet or not.
5436 And you haven't done it yet, right?
5437 There's nothing to convert for.
5438 There's no subsequent loss.
5439 Earlier, you spoke about the difference between the Avant operating the avant interest
5440 and the Permian interest, and you said that.
5441 Permian has a significant interest.
5442 Does that sound about right to you?
5443 Yes, and even under your scenario, though, it's not a majority interest, is it?
5444 It's a significant interest of 38 to 40 something percent, depending on what you say.
5445 And but it's not the majority, right?
5446 Earlier, you testified that the right to convert is of record when you were talking about
5447 the assignment of overrides and option.
5448 Do you recall that? Yes.
5449 And so it's your testimony that the right to convert being of record is the same as having
5450 converted being of record.
5451 Yes, 'cause that ride existed all times. Thank you.
5452 I think that might be it, but I just want to double check with my colleagues to make sure
5453 I didn't miss anything.
5454 Thank you.
5455 No, no further questions, Mr. McClure.

5456

5457  **McClure, Dean, EMNRD** 3:23:34

5458 Thank you, Mr. hurry, examiner.
5459 Mr. Haddock, I guess.
5460 Jumping into the topic about this conversion of overrides into working interest.
5461 I don't pretend to be a contract lawyer by any stretch.
5462 And I assume you're not either.
5463 But is it?
5464 Is it your under?
5465 What is your understanding as to when this conversion can take place?
5466
5467 **PH Pecos Hall 3:24:13**
5468 When there's a named operator that is eminently about to drill subsequent wells.
5469
5470 **McClure, Dean, EMNRD 3:24:21**
5471 Now, where are you getting that from though?
5472
5473 **PH Pecos Hall 3:24:24**
5474 The the agreement that says the agreements uses.
5475 Baskin as a as a reference, but it's you know you imply that there would have to be an
5476 operator that's going to drill well.
5477
5478 **McClure, Dean, EMNRD 3:24:43**
5479 Avant's rebuttal exhibit like A 2 here.
5480 Do you agree that this is an accurate representation of the contracts in place?
5481
5482 **PH Pecos Hall 3:24:56**
5483 Somebody pulled out, please, but it but is the exhibit number, Mr. McClure.
5484
5485 **McClure, Dean, EMNRD 3:25:01**
5486 Looks like looks like rebuttal exhibit A2 from Avonte.
5487
5488 **PH Pecos Hall 3:25:05**
5489 OK, I can.
5490 I can pull it up.
5491 Is this the exhibit?
5492
5493 **McClure, Dean, EMNRD 3:25:23**
5494 Yes, Ms. McLean.
5495 Are you with us, Mr. Haddock?

5496

5497 **PH Pecos Hall 3:25:29**

5498 Sorry, what was the question?

5499 I couldn't hear.

5500 Are you with us? Yes.

5501

5502 **McClure, Dean, EMNRD 3:25:34**

5503 I mean, do you see the exhibit that M's McLean has pulled up? Is the better question, I
5504 guess.

5505

5506 **PH Pecos Hall 3:25:39**

5507 Yes, I see it.

5508 Yes, I see it.

5509

5510 **McClure, Dean, EMNRD 3:25:42**

5511 Do you think that this is an accurate representation of the contracts in place?

5512

5513 **PH Pecos Hall 3:25:51**

5514 I think it might be misleading at best because these parties have the option to do that
5515 and.

5516 This agreement probably did not take into account the horizontal force pulling world
5517 back in 1978.

5518

5519 **McClure, Dean, EMNRD 3:26:08**

5520 Well, I guess let me ask the question again.

5521 Do you think ill regardless of whether the contract in place takes into account
5522 horizontal wells, is the con the snippet of a contract that we have on the screen right
5523 now is that representative of the contracts that are in place currently?

5524

5525 **PH Pecos Hall 3:26:32**

5526 Are we talking about the the black part or the red part?

5527

5528 **McClure, Dean, EMNRD 3:26:37**

5529 Well, I guess it would be the.

5530 Well, the black part that's on the left hand side of the screen. It has like a notary or
5531 something in the background on it.

5532 You see, when I went first, not the red text. That's a part of the exhibit, but.

5533

5534 **PH Pecos Hall 3:26:50**

5535 There we go.

5536

5537 **McClure, Dean, EMNRD 3:26:55**

5538 Like the text that's under assignment of overriding royalty interest in options.

5539 Do you see what I'm referring to?

5540

5541 **PH Pecos Hall 3:27:00**

5542 Oh yeah, paragraph 2.

5543

5544 **McClure, Dean, EMNRD 3:27:04**

5545 Well, the entirety of that like para, it has like paragraph 1-2 and three.

5546 There.

5547 Eric, do you see the text that I'm referring to kind of on the left side of the screen?

5548

5549 **PH Pecos Hall 3:27:14**

5550 Turn.

5551

5552 **McClure, Dean, EMNRD 3:27:15**

5553 Yeah. Do you?

5554 Do you have any reason to believe that this is not representative of the contracts in

5555 place?

5556

5557 **PH Pecos Hall 3:27:25**

5558 No, I don't think there's a dispute that the parties have the option to convert.

5559

5560 **McClure, Dean, EMNRD 3:27:33**

5561 Yeah, but the verbridge the languages included here, you think this is accurate to the

5562 contract that's in place? Is that correct?

5563

5564 **PH Pecos Hall 3:27:43**

5565 I mean that this is the, this is the contract, yes.

5566

5567 **McClure, Dean, EMNRD 3:27:46**

5568 OK. And do you agree like under option or paragraph two there?

5569 It discuss.

5570 When the occurrence of a payout to the operator takes place for the first well, do you
5571 see what I'm referring to?

5572

5573 **PH Pecos Hall 3:28:05**

5574 Yes.

5575

5576  **McClure, Dean, EMNRD 3:28:08**

5577 OK.

5578 So I guess what would be your interpretation of when the over when the conversion can
5579 take place?

5580

5581 **PH Pecos Hall 3:28:15**

5582 I believe the reference to payout was from the original.

5583 Well, that was drilled in the 1970s and it's no longer applicable here.

5584 Our position is that if you look at paragraph 3, is that subsequent wells, which is what
5585 these wells are.

5586 When they're commenced upon the premises.

5587 The that such option should be provided or provided that such.

5588 Excuse I can't read provided the such option should be exercised within 10 days of
5589 written notice.

5590

5591  **McClure, Dean, EMNRD 3:28:49**

5592 OK.

5593 So then it is your opinion that paragraph two is already taken place and that all the wells
5594 that's being considered today would fall under paragraph 3 then?

5595 Is that correct?

5596 If that were to be the case.

5597 Then hasn't the.

5598 Election letters.

5599 That references the.

5600 I guess quote UN quote infill wells already been provided to all the interest owners.

5601

5602 **PH Pecos Hall 3:29:27**

5603 But there's been no well commenced each subsequent well that is commenced on the
5604 premises.

5605 So to date, no.

5606 No subsequent wells have been commenced.

5607

5608  **McClure, Dean, EMNRD** 3:29:40

5609 So it'd be your interpretation that the subsequent wells need to be drilled before it
5610 could be converted.

5611 Is that correct?

5612

5613  **Pecos Hall** 3:29:50

5614 I read that yes.

5615

5616  **McClure, Dean, EMNRD** 3:29:56

5617 Now you're based in. You're making an assumption.

5618 That or let me backtrack.

5619 Is it accurate to say that you're assuming that all of the overriding royalty interest
5620 owners that have this option are going to take this option?

5621

5622  **Pecos Hall** 3:30:14

5623 We found it was necessary to take that assumption so that there was an accurate
5624 picture of all parties that could potentially be working interest parties to the wells.

5625

5626  **McClure, Dean, EMNRD** 3:30:30

5627 If that was your consideration, why did premium not provide two different sets of
5628 numbers, then one for if the option was taken and one for if the option was not.

5629

5630  **Pecos Hall** 3:30:43

5631 Because there's a number of parties, I mean that the hypotheticals could be endless
5632 under that kind of line of analysis.

5633

5634  **McClure, Dean, EMNRD** 3:31:00

5635 Well, assuming that none of the options.

5636 Are elected to occur.

5637 Do you agree with the interest breakout that avant?

5638 Has referenced for these proposed units.

5639

5640  **Pecos Hall** 3:31:19

5641 With the exception of the title dispute, yes, generally.

5642

5643  **McClure, Dean, EMNRD** 3:31:25

5644 And by title dispute, can you elaborate on just basically what your remaining what
5645 you're referring to by the title dispute?

5646

5647 **PH Pecos Hall 3:31:33**

5648 The discussion of petrole.

5649 Um, there's I think there's.

5650 The Gray area as to who owns that, but other than, other than that issue.

5651 There's no dispute with the tables.

5652

5653  **McClure, Dean, EMNRD 3:31:51**

5654 Again, who does who would you attribute?

5655 Petrole.

5656 Um, who would you attribute that interest to?

5657

5658 **PH Pecos Hall 3:32:08**

5659 Our title opinion has attributed to our Stone Permian.

5660 Up being Permian resources.

5661

5662  **McClure, Dean, EMNRD 3:32:46**

5663 Oh, I was on the.

5664 Trying to screw up to the Cpacs was on the wrong exhibit packet.

5665 Mr. Haddock, if I can draw your attention to.

5666 I think it's on all the Bone Spring cpacs.

5667 You may already be familiar with the issue, but if I were to ask you what the API number

5668 is for the Hanson State number one and make the corrections across the entire exhibits

5669 packet, do you understand what I'm asking for?

5670

5671 **PH Pecos Hall 3:33:25**

5672 There's an issue with the hands.

5673

5674  **McClure, Dean, EMNRD 3:33:29**

5675 Yeah. Miss. Miss McLean, if we can bring it up just to make sure Mr. Haddock knows

5676 what I'm referring to.

5677

5678 **PH Pecos Hall 3:33:30**

5679 Yeah. Yes.

5680 Yes, it sounds like we just had the wrong API number on that.

5681

5682  **McClure, Dean, EMNRD** 3:33:37

5683 I.

5684 Yeah, that's correct.

5685 Well, you're missing one of the digits.

5686 Essentially, I think it has a 7 at the end of.

5687 If I remember right.

5688 But whatever it happens to be, if we can correct it to be a correct API number, it sounds

5689 like you're aware of what we're talking about, Miss McLean.

5690

5691  **Pecos Hall** 3:33:57

5692 Yes, yes, we can correct that.

5693 I'm aware.

5694

5695  **McClure, Dean, EMNRD** 3:34:02

5696 OK.

5697 And based off your earlier testimony with.

5698 Under question by Miss Bennett, it sounds like Mr. Haddock that you're aware of the

5699 issue with the application for case number 25835 and the legal description. Is that

5700 correct?

5701

5702  **Pecos Hall** 3:34:33

5703 Yes.

5704

5705  **McClure, Dean, EMNRD** 3:34:36

5706 And you're aware that this pertains to all the notice, including the public notice that was

5707 conducted for this application.

5708

5709  **Pecos Hall** 3:34:44

5710 I believe so.

5711

5712  **McClure, Dean, EMNRD** 3:34:54

5713 For the first Bone Spring cases, what is the vertical limit?

5714 That.

5715 Permian Resources is asking the division to force pull.

5716

5717  **Pecos Hall** 3:35:08

5718 Believe that's a geology question.

5719 If you're asking the DVD's.

5720

5721  **McClure, Dean, EMNRD** 3:35:17

5722 I'm not asking for the TV DS.

5723 I'm asking for what in general formations or subset of the formation is.

5724 Permian requesting the division to force pull.

5725

5726  **Pecos Hall** 3:35:32

5727 I believe it was a top of the Bone Spring to the base of the first bone.

5728

5729  **McClure, Dean, EMNRD** 3:35:40

5730 I'm sorry. Could say that one more time, Mr. Haddock.

5731

5732  **Pecos Hall** 3:35:43

5733 I believe it was the top of the Bunspring formation to the base of the first Bone Spring
5734 formation.

5735

5736  **McClure, Dean, EMNRD** 3:36:02

5737 Can you please provide a brief description of where the deaf semences occur within the
5738 Bone Spring formation?

5739 In general, I don't need the TVD.

5740

5741  **Pecos Hall** 3:36:12

5742 Yep.

5743 The It's a title severance in the north half of section 26.

5744 Where the second Bone Spring is owned by kotera above and below the top of the first.

5745 Sorry above and below the top of the Second Bone Spring.

5746 The ownership is contiguous.

5747

5748  **McClure, Dean, EMNRD** 3:36:37

5749 OK.

5750 So then the DEF severances occur at the top of the bone of the Second Bone Spring and
5751 the base of the Second Bone Spring correct?

5752

5753  **Pecos Hall** 3:36:45

5754 Yes, as to the north half of section 26.

5755

5756  **McClure, Dean, EMNRD** 3:36:59

5757 Or was it just for the north half of the section 26 because the debt service goes across
5758 section 23, does it not?

5759

5760  **Pecos Hall** 3:37:07

5761 No, there's no. There's no depth.

5762 There's No title.

5763 Severance in section 20. Threes as to the Bone Spring and wolf camp.

5764 Just section 26.

5765

5766  **McClure, Dean, EMNRD** 3:37:29

5767 Well, I guess I was misunderstanding that part of it then, OK.

5768 So then the the entirety of the bonespring formation within section 23, it has identical
5769 interest.

5770

5771  **Pecos Hall** 3:37:41

5772 Yes.

5773

5774  **McClure, Dean, EMNRD** 3:37:44

5775 And it's only the north half of section 26 that has depth severance in it.

5776

5777  **Pecos Hall** 3:37:51

5778 Correct.

5779

5780  **McClure, Dean, EMNRD** 3:38:07

5781 Is it correct that you now understand that the Wolfcamp cases?

5782 Would be for oil pools rather than gas pools.

5783

5784  **Pecos Hall** 3:38:25

5785 I don't.

5786 I don't.

5787 Not familiar with the pool, I mean, sorry, I provided those pools for my regulatory
5788 department, so.

5789

5790  **McClure, Dean, EMNRD** 3:38:35

5791 OK, I understand.

5792 I just wasn't sure.

5793 I know you and Miss Ben or Miss Ben had a number of questions.

5794 I guess I was trying to confirm what your understanding was.

5795 I guess if I were to.

5796 Provide to you that.

5797 It is the wolf camp is in fact an oil pool in this area.

5798 Do you understand what I'm referring to?

5799

5800 **PH Pecos Hall 3:39:03**

5801 Can I ask Mr. McClure to provide what the full and full code is for the Wolfcamp?

5802 Yeah, let's let's bring it.

5803

5804  **McClure, Dean, EMNRD 3:39:09**

5805 Yes, absolutely, but.

5806

5807 **PH Pecos Hall 3:39:11**

5808 Let's wait till after the questioning is over. Then by all means, we'll do that last before

5809 we quit. Thank you.

5810

5811  **McClure, Dean, EMNRD 3:39:27**

5812 Yeah, I'm looking at page.

5813 1:30 this is one of your breakouts of ownership, and there's reference in this table to

5814 two different entities, which is under contract for premium.

5815 To acquire.

5816 Do you?

5817 Do you know what I'm referring to, Mr. Haddock?

5818

5819 **PH Pecos Hall 3:39:50**

5820 Yes.

5821

5822  **McClure, Dean, EMNRD 3:39:51**

5823 Can you provide a little bit more detail in regards to the contract?

5824

5825 **PH Pecos Hall 3:39:59**

5826 We have assigned a trade agreement with them that is set to close.

5827 Probably in the next week.

5828

5829  **McClure, Dean, EMNRD 3:40:08**

5830 OK.

5831 So is this.


5832 Well, I'm not to compare to Levant, I guess.

5833 Would it be accurate then to say that there's a signed agreement where these entities
5834 intend to sell their interest?

5835 To Permian, but that it has not actually.


5836 Traded hands yet?

5837

5838  **Pecos Hall 3:40:30**

5839 Correct.


5840

5841  **McClure, Dean, EMNRD 3:40:33**

5842 OK.

5843 Would it be accurate to do you believe that these entities could back out of that intent
5844 and not sell its interests to Permian?


5845

5846  **Pecos Hall 3:40:46**

5847 There's a signed agreement in place. I mean, no deal is ever complete until it's closed.
5848 But I mean the the probability of.

5849 There's not a really mechanism for them to back out.

5850


5851  **McClure, Dean, EMNRD 3:41:27**

5852 Clear it sounded like.

5853 Under questioning from Miss Bennett, you had saw there was a typo in your table on
5854 page 132 in regards to the tracks attributed to Earthstone.


5855 In this instance, is that correct?

5856

5857  **Pecos Hall 3:41:45**


5858 Yes.

5859

5860  **McClure, Dean, EMNRD 3:41:49**


5861 And if I were to ask you to correct that, you understand what I'd be asking for.

5862

5863  **Pecos Hall 3:41:53**

5864 Yes, we could. I could do that.

5865

5866  **McClure, Dean, EMNRD 3:42:06**

5867 I guess backing up just a little bit, the two entities that it states is under contract for

5868 premium resources to acquire that being.

5869 Well, I guess they're probably both Waterloo Resources. Is that correct?

5870

5871  **Pecos Hall** 3:42:23

5872 Yes, they're Waterloo's.

5873 They're collective parent company.

5874

5875  **McClure, Dean, EMNRD** 3:42:28

5876 OK. Was Waterloo provided notice of these cases?

5877

5878  **Pecos Hall** 3:42:33

5879 Yes, I believe so.

5880

5881  **McClure, Dean, EMNRD** 3:43:28

5882 Mr. Harrison, I don't recall if you included this in your testimony or yourself affirmed statement.

5883 Do you believe that Permian and Avant both negotiated in good faith?

5884

5885  **Pecos Hall** 3:43:42

5886 Yes, I do.

5887

5888  **McClure, Dean, EMNRD** 3:44:02

5889 Thank you, Mr. Haddock.

5890 I don't have any further questions for Mr. Haddock, Mr. Herring Examiner. But after cross examining, I wonder if I could ask Miss Hardy or Miss McLean a quick question before we get too far adrift.

5891

5892  **Pecos Hall** 3:44:14

5893 OK. And they have a question for you as well.

5894 I do, yeah. Yes. Oh, yes.

5895

5896  **McClure, Dean, EMNRD** 3:44:18

5897 Oh yeah, the pool. That's right.

5898

5899  **Pecos Hall** 3:44:21

5900 Go ahead.

5901

5904

5905  **McClure, Dean, EMNRD** 3:44:23

5906 Or do you want me to go ahead, Mr. Green?

5907

5908  **Pecos Hall** 3:44:24

5909 Mr. McCourt.

5910 Yes, go ahead.

5911

5912  **McClure, Dean, EMNRD** 3:44:25

5913 Examine or let. Oh, OK, miss. Miss Hardy. Do you believe or not, Miss Hardy?

5914

5915  **Pecos Hall** 3:44:26

5916 Let's let's take care of it.

5917

5918  **McClure, Dean, EMNRD** 3:44:31

5919 Miss McClain, do you believe it's accurate?

5920 That notice was provided to Waterloo.

5921 I just ask you because it's part of your notice and I don't recall as they were included.

5922

5923  **Pecos Hall** 3:44:40

5924 I believe so.

5925 And they were actually a party to this proceeding.

5926 They've been entered until yesterday.

5927 I believe they went through, so they've gotten notice of everything.

5928

5929  **McClure, Dean, EMNRD** 3:44:51

5930 Oh, this is the applicant.

5931 That, or the party that Miss Luck was representing, is that correct?

5932

5933  **Pecos Hall** 3:44:56

5934 Correct, correct.

5935

5936  **McClure, Dean, EMNRD** 3:44:59

5937 OK.

5938 OK.

5939 Thank you, M's Hardy. Let me.

5940 Bring up one of the Wolfcamp cases rather than just Bone Spring.

5941 OK, the correct pool for the wolf camp is going to be the hat, Mesa semi colon

5942 Wolfcamp. That pull code is.
5943 96438.
5944
5945 **PH Pecos Hall 3:45:32**
5946 Great. Thank you.
5947 OK, redirect.
5948 Yes, Sir. Thank you.
5949 Mr. Khadij, as far as you know, no one is denying that the conversion right exists,
5950 correct, correct.
5951 And you disclosed in the tables.
5952 I'm just gonna bring it up here.
5953 Share my screen.
5954 I think Miss Bennett showed you this exhibit as well.
5955 Exhibit what?
5956 This is exhibit A6, page two of exhibit A6.
5957 You disclose in the tables that you were basing the working interest calculations on the
5958 option to convert, right? Correct.
5959 And would you agree that because of the assignment, the contract that was put up on
5960 the screen?
5961 Each party has a right to exercise the option to convert, yes. So would you consider that
5962 right? More than just an opportunity.
5963 Yeah. Yes, it's a property, right? It's a property, right?
5964 Yes, that's filed with the county records, yes.
5965 And I think Miss Bennett walked you through the issues with the C1O twos and the
5966 acreage and you intend to correct that, correct?
5967 Yes. And now that you know that it is in fact an oil pull and not a gas pull, which we
5968 believed you won't have to file any NSL or NS PS no.
5969 So there's really nothing that you would need to do administratively to fix.
5970 That piece of the application is there no nothing aware of at this time.
5971 And in your applications, did you include everything you believe to be an overlapping
5972 well in these spacing units? Yes, based on the the pull codes that we were provided at
5973 the time.
5974 And has been as you about your discussions with BLM about the inability to drill in the
5975 north half of section 26.
5976 And you will if you can find it, you will provide that those communications with Mr.
5977 Rutley, yes.
5978 And it would be self development in your characterization of things.
5979 We could self develop all benches if that drawn existed.

5980 But because that drilling no longer exists, it's your understanding from BLM that that's
5981 not a possibility, correct?

5982 I think that's those are the only redirect questions.

5983 I have that raise any yes from Mr. McClure. I have a few follow up and also from Miss
5984 Mclean's recent questions.

5985 I'd like to look at the Avante exhibit rebuttal exhibit A1.

5986 If you don't mind stopping sharing, thank you.

5987 Thanks.

5988

5989 **OCD Special Docket April 21, 2026-20260421_221433UTC-Meeting Recording**

5990 April 21, 2026, 10:14PM

5991 10m 32s

5992

5993 **Pecos Hall 0:13**

5994 **PH** OK. Are you seeing this is actually A2?

5995 Are you seeing a 2 on the screen?

5996 Yes, and Mr. McClure and you discussed paragraph 3.

5997 Do you recall that conversation?

5998 Yes. And you indicated that.

5999 The election to drill would take place after a subsequent, well, well has been drilled.

6000 I believe it says well commenced, so after a subsequent well has been has commenced
6001 drilling.

6002 Is your interpretation of this.

6003 Yes. So would, if permian's interpretation of this is accurate, then Permian or awarded
6004 operatorship, does that mean that Permian would front the cost of all the wells pending
6005 the conversion of the over rights to working interests?

6006 Yes, that's the way. I mean you would have to be because the.

6007 You'd have to wait on the elections within 10 days.

6008 And why wouldn't you just then wait to pool them at the time they make the election?

6009 What's the benefit of, in your opinion, what's the benefit of pulling them if they don't
6010 have to elect until after you've already started commencing the wells?

6011 To not waste the time of the Commission.

6012 Have you had the opportunity to come back and pool additional parties before the
6013 division?

6014 On occasion and was it a significant lift on your part?

6015 It's a waste of time and resources, but was it a significant lift for you to do that?

6016 Yes, it can be OK.

6017 You're actually though asking the division to pool interest owners who have not yet

6018 converted, and that may never convert, right?

6019 Asking to pull the optionality of their convert for them to convert, yes.

6020 So if an A work if one of the parties on your list never converts, the division will have

6021 pooled an override as a working interest owner. Is that right?

6022 The title would speak for itself.

6023 They would roll up as a working overwrite on our the Commission is not forcing them to

6024 be in the working center.

6025 Well, then again, I guess I don't understand what the benefit of you seeking to pool

6026 them is today.

6027 If it's all for not at the end of the day, if they don't convert.

6028 Because we felt it was more comprehensive to include the maximum number of parties

6029 that could be here.

6030 This is a question I and I'm sorry I'm struggling with this one so much, but you said you

6031 can self develop all benches of the north half of section 26.

6032 Do you recall that testimony?

6033 Yes. And I haven't had a chance to look back at that.

6034 I'm sorry for that, but do you own in all benches of section 26?

6035 I think you answered asking that question earlier.

6036 We own an all but second Ben Spring.

6037 So could you self develop the second Bone spring?

6038 No.

6039 You mentioned that there's and maybe you and I were having a miscommunication

6040 about this.

6041 I'm going to pull up an exhibit and see if I can clarify what might be a

6042 miscommunication. When you were talking about the drill islands that have been

6043 canceled.

6044 Are those drill islands on the east side of section 26 or what?

6045 What drill islands were you talking about that have been canceled?

6046 I was talking about the drill ends that your witness, the engineer I believe, would

6047 reference the the snotty wells came from. That was my understanding.

6048 He was referencing, but are there other? I'm sorry, do you know if there are other drill

6049 islands that are active that are available for developing section 26?

6050 There are drillions there, but they would not be conducive to AU turn or.



6051 Single mile lateral well.

6052 But there are available drill islands to develop the north half of section 26.

6053 No, they're not.

6054 We was told by the BLM that you couldn't use those for that.

6055 I think we might still be having a miscommunication.

6056 What do you know what drill islands matador is using right now to drill its twinkle wells?
6057 Yes, I do. Where are those?
6058 Halfway in the middle of section 26 of the north, half 26 and so, could those be used to
6059 develop the north half of section 26?
6060 No. And why is that?
6061 It'll be on the information from the BLM is that those could not be used.
6062 To for north half development of section 26, those haven't been cancelled though,
6063 right?
6064 No. The one of those cancelled is the one that sauni wells are on.
6065 So there's different communication with BLM about two different sets of drill islands
6066 that you didn't provide.
6067 No. OK.
6068 So sorry, did you only have a single communication with BLM?
6069 The single communication answered both of those questions OK.
6070 Let's see.
6071 You're seeking to pool kotera in the second Bone Spring case in your second Bone
6072 spring cases. Is that right?
6073 Yes. Do you know approximately where Kotera's interest lies in the second Bone
6074 Spring?
6075 The top of the second month spring to the base of the second month, spring and N half
6076 section 26.
6077 Umm.
6078 Those are all the questions I have. Thank you.
6079 Mr. McClure, anything further for this witness?
6080
6081  **McClure, Dean, EMNRD 6:00**
6082 Mr. Hank Zamora, I do not.
6083
6084  **Pecos Hall 6:03**
6085 M's McClain.
6086 May he be excused.
6087 He may thank you. OK.
6088 Thank you, Mr. It's 4/20.
6089 PM It's close enough to 4:30 to give everyone 10 minutes back.
6090 Did anything else come up that you wanted to talk about before we break?
6091 No. OK.
6092 No. OK.
6093 See you tomorrow at 8:15 AM. Thank you. Thanks.

6094

6095 ● stopped transcription

6096