

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

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

CASE NOS. 24941-24942

**APPLICATION OF READ & STEVENS, INC.
FOR APPROVAL OF AN OVERLAPPING
HORIZONTAL WELL SPACING UNIT AND
COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 25145

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

CASE NOS. 25146-25148

**APPLICATIONS OF V-F PETROLEUM INC.
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

CASE NOS. 24994-24995 & 25116

**APPLICATIONS OF V-F PETROLEUM INC.
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

CASE NOS. 25117 & 25117

READ & STEVENS, INC.'S CONSOLIDATED PRE-HEARING STATEMENT

Read & Stevens, Inc. and Permian Resources Operating, LLC (collectively "Permian" or "Applicant"), the applicant in the above-referenced matters, submits this consolidated Pre-Hearing Statement pursuant to the rules of the Oil Conservation Division.

APPEARANCES

APPLICANT

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Permian Resources Operating, LLC
(collectively "Permian")

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APPLICANT'S STATEMENT OF THE CASE

Under these consolidated cases, Read & Stevens seeks orders pooling a portion of the Bone Spring formation (Tamano; Bone Spring [58040]), for the referenced acreage, all in Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico, as follows:

- Under **Case No. 24941**, Permian seeks to pool all uncommitted interests in a portion of the Bone Spring formation, from the top of the Bone Spring formation to the base of the Second Bone Spring formation, underlying a standard 320-acre, more or less, horizontal well spacing unit comprised of the S/2 N/2 of Sections 14 and 15, and initially dedicate the unit to the proposed **Slim Jim 14-15 Fed Com 122H** and **Slim Jim 14-15 Fed Com 123H** wells. This proposed spacing unit overlaps with V-F Petroleum's Case No. 25116 in Section 15;

- Under **Case No. 24942** Permian seeks to pool all uncommitted interests in a portion of the Bone Spring formation, from the top of the Bone Spring formation to the base of the Second Bone Spring formation, underlying a standard 640-acre, more or less, horizontal well spacing unit comprised of the S/2 of Sections 14 and 15, and initially dedicate the unit to the proposed **Slim Jim 14-15 Fed Com 124H**, **Slim Jim 14-15 Fed Com 125H** (proximity well), and **Slim Jim 14-15 Fed Com 126H** wells. This proposed spacing unit overlaps with V-F Petroleum's Case Nos. 24994 and 24995 in Section 15;
- Under **Case No. 25145**, Permian seeks an order (1) approving a 320-acre, more or less, overlapping horizontal well spacing unit in a portion of the Bone Spring formation, from the top of the Third Bone Spring formation to the base of the Bone Spring formation, underlying the N/2 N/2 of Sections 14 and 15, and initially dedicate the unit to the proposed **Slim Jim 14-15 Fed Com 131H** well. This proposed horizontal spacing unit will overlap an existing 160-acre spacing unit comprised of the N/2 N/2 of Section 15, T18S-R31E, dedicated to the Tamano 15 AD Federal 1H (API: 30-015-40868) well currently operated by Mewbourne Oil Company. This proposed spacing unit overlaps with V-F Petroleum's Case No. 25115;
- Under **Case No. 25146**, Permian seeks to pool all uncommitted interests in a portion of the Bone Spring formation, from the top of the Third Bone Spring formation to the base of the Bone Spring formation, underlying the S/2 N/2 of Sections 14 and 15, and initially dedicate the unit to the proposed **Slim Jim 14-15 Fed Com 132H** well. This proposed spacing unit overlaps with V-F Petroleum's Case No. 25117;
- Under **Case No. 25147**, Permian seeks to pool all uncommitted interests in a portion of the Bone Spring formation, from the top of the Third Bone Spring formation to the base of the Bone Spring formation, underlying the N/2 S/2 of Sections 14 and 15, and initially dedicate the unit to the proposed **Slim Jim 14-15 Fed Com 133H** well. This proposed spacing unit overlaps with V-F Petroleum's Case No. 24995; and
- Under **Case No. 25148**, Permian seeks to pool all uncommitted interests in a portion of the Bone Spring formation, from the top of the Third Bone Spring formation to the base of the Bone Spring formation, underlying the S/2 S/2 of Sections 14 and 15, and initially dedicate the unit to the proposed **Slim Jim 14-15 Fed Com 134H** well. This proposed spacing unit overlaps with V-F Petroleum's Case No. 24994.

An ownership depth severance exists in the Bone Spring formation within the proposed horizontal well spacing units. Accordingly, for the cases (Case Nos. 24941-24942) involving pooling the First and Second Bone Spring formation, Permian seeks to pool only a portion of the Bone Spring formation, from the top of the Bone Spring formation to the base of the Second Bone

Spring formation, measured from the top of the Bone Spring formation, to the stratigraphic equivalent of the base of the Second Bone Spring formation, as seen at 8,913 feet measured depth beneath the surface, as shown in that certain Dual Lateralog, Micro Laterlog, Gamma Ray well log in the Tamano 15 Fed Com #2 (API # 30-015-33398), located in Section 15, Township 18 South, Range 31 East, Eddy County, New Mexico. Permian will provide notice of this hearing to the vertical offset parties within the pool who are not subject to this pooling application. For the cases involving pooling the Third Bone Spring formation, Permian seeks to pool only a portion of the Bone Spring formation, from 9,397' where an ownership severance exists in the SE/4 SW/4 of Section 14 to the base of the Bone Spring formation, measured to the stratigraphic equivalent of the base of the Bone Spring formation, as seen at 8,913 feet measured depth beneath the surface, as shown in that certain Dual Lateralog, Micro Laterlog, Gamma Ray well log in the Tamano 15 Fed Com #2 (API # 30-015-33398), located in Section 15, Township 18 South, Range 31 East, Eddy County, New Mexico.

V-F Petroleum ("V-F Petroleum") has filed competing pooling applications that overlap with Permian's proposed applications in Section 15 of the subject acreage.

In each of its cases, Permian owns the majority of the working interest. Plus, Permian owns more than 50% of the interest in the majority of all of the cases filed by the parties, and owns the majority of the interest in the overlapping acreage. Further, Permian has received letters of support from several interest owners and anticipates additional voluntary agreement from other working interest owners (possibly prior to the contested hearing). On the other hand, V-F Petroleum owns 57.8 net acres in Section 15 from a term assignment; however, the reversionary rights owners to said term assignment support Permian as operator of that acreage.

Since Permian controls a majority of the working interest in the overlapping acreage, Permian should be awarded operatorship unless V-F Petroleum can demonstrate with convincing evidence that Permian's proposed initial development plans will cause waste or negatively impact correlative rights. *See* Applications of COG and WPX, Order R-21826 at ¶21 ("OCD concludes that the conflicting evidence over well and overall development proposals do not clearly favor one proposal, while the evidence on working interest control strongly favors the COG proposal. In the absence of other compelling factors, 'working interest control...should be the controlling factor in awarding operations.'"). The evidence will demonstrate that Permian's proposed initial development plan is prudent, follows what other operators have successfully done in this area, and will not cause waste or negatively impact correlative rights. The evidence will also demonstrate that:

- V-F Petroleum has very little development experience in Eddy County;
- V-F Petroleum has very little experience drilling two-mile wells in Eddy County;
- The few wells that V-F Petroleum has drilled in Eddy County underperform when compared to the wells drilled by Permian;
- V-F Petroleum's Third Bone Spring wells are not cost effective;
- V-F Petroleum's Second Bone Spring wells are not cost effect and their proposed development leaves reserves in the ground;
- It would be prudent for V-F Petroleum to drill one-mile wells in Section 16, which would allow Permian to drill its one- and two-mile wells in Sections 14 and 15; and
- V-F Petroleum's applications are merely a delay tactic.

Permian's application should therefore be granted so that it can develop acreage where it has the most working interest under control.

Permian believes the following facts are undisputed and material to the issues presented in these consolidated cases:

1. Permian owns and controls more working interest than V-F Petroleum in the overlapping acreage.
2. Permian has initiated the federal permitting approval process.
3. There are no faults, pinch outs, or other geologic impediments preventing Permian from efficiently and effectively developing the Bone Spring formation under the subject acreage with one- and two-mile horizontal wells.

FILED EVIDENCE

Pursuant to the Amended Prehearing Order entered for these consolidated matters, Permian has filed the following with this prehearing statement:

- Permian Exhibit A: The Application filed by Permian in Case Nos. 24941-24942 & 25145-25148
- Permian Exhibit B: The Compulsory Pooling Checklists for Case Nos. 24941-24942 & 25145-25148
- Permian Exhibit C: Self-Affirmed Statement of Travis Macha, Landman
 - Permian Exhibit C-1 through C-9: Slides referenced by the testifying witness
- Permian Exhibit D: Self-Affirmed Statement of Chris Cantin, Geologist
 - Permian Exhibit D-1 through D-6: Slides referenced by the testifying witness
- Permian Exhibit E: Self-Affirmed Statement of Sam Hamilton, Reservoir Engineer
 - Permian Exhibit E-1 through E-6: Slides referenced by the testifying witness
- Permian Exhibit F: Self-Affirmed Notice Statement for Case Nos. 24941-24942
- Permian Exhibit G: Notice of Publication for Case Nos. 24941-24942

The qualifications and direct testimony for each witness are contained in the self-affirmed statements filed with this prehearing statement.

PROCEDURAL MATTERS

Permian reserves the right to call these or other witnesses to address issues that arise with the filing of additional information or at the hearing.

Permian understands that the Division’s Prehearing Order leaves the record open to cure any notice defects for its timely filing of Case Nos. 25145-25148. Permian has concerns that these cases are not ripe since at the time of filing this prehearing statement and testimony, the notice for these cases has not been mailed or published in the newspaper, as required by 19.15.4.9(B) NMAC and 19.15.4.12(B) NMAC. That being said, Permian defers to the Division on its preference for handling the cases, and notes that it currently has a twelve-rig schedule and is prepared to move forward with its development plans in the subject acreage as soon as orders are issued.

Respectfully submitted,

HOLLAND & HART LLP

By:  _____

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CERTIFICATE OF SERVICE

I hereby certify that on January 22, 2025, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

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QUESTIONS

Action 423288

QUESTIONS

Operator: Permian Resources Operating, LLC 300 N. Marienfeld St Ste 1000 Midland, TX 79701	OGRID: 372165
	Action Number: 423288
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	3
Testimony time (in minutes)	60