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STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION
APPLICATIONS OF PERMIAN RESOURCES
OPERATING, LLC FOR COMPULSORY
POOLING, AND APPROVAL
OF OVERLAPPING SPACING UNIT
LEA COUNTY, NEW MEXICO
APPLICATIONS OF PERMIAN RESOURCES
OPERATING, LLC FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.
APPLICATIONS OF AVANT OPERATING II, LLC
FOR APPROVAL OF A NON-STANDARD UNIT,
COMPULSORY POOLING, AND,
TO THE EXTENT NECESSARY, APPROVAL
OF AN OVERLAPPING SPACING UNIT
LEA COUNTY, NEW MEXICO
APPLICATION OF AVANT OPERATING II, LLC
FOR APPROVAL OF A NON-STANDARD UNIT
AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

CASE NO. 25833-25834

CASE NO. 25835-25845

CASE NO. 25827, 25829, 25831

CASE NO. 25832

APRIL 22, 2022

8:16 A.M.

PECOS HALL

1220 SOUTH ST. FRANCIS DRIVE

SANTA FE, NEW MEXICO 87505

BEFORE: HEARING EXAMINER GREGORY CHAKALIAN

REPORTED BY: KIM KAY SHOLLENBARGER, NM CCR#236
VERITEXT MOUNTAIN REGION
ALBUQUERQUE, NEW MEXICO

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A P P E A R A N C E S

For Permian Resources Operating, LLC:

Hardy McLean, LLC
Dana S. Hardy, Esq.
Jaclyn M. McLean, Esq.
Yarithza Péna, Esq.
125 Lincoln Avenue, Suite 233
Santa Fe, New Mexico 87501
dhardy@hardymclean.com
jmclean@hardymclean.com
ypena@hardymclean.com

For Avant Operating II, LLC:

Modrall Sperling Roehl Harris & Sisk, PA
Deana Bennett, Esq.
Jeffrey Goldwin, Esq.
Post Office Box 2168
Albuquerque, New Mexico 87103
deana.bennett@modrall.com
jeff.goodwin@modrall.com

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1 HEARING OFFICER CHAKALIAN: Good morning. We are
2 back on the record at 8:16 a.m., one minute late. It is
3 April 22nd. We're going to hear a case a little out of
4 order. This is case number 5 on the docket, 25813. Entries
5 appearance, please.

6 MS. BENNETT: Good morning, Mr. Hearing Examiner.
7 Deana Bennett on behalf of Coterra Energy Operating, Co.

8 HEARING OFFICER CHAKALIAN: Good morning. Are there
9 any other parties?

10 MS. BENNETT: Not that I'm aware of.

11 HEARING OFFICER CHAKALIAN: Go right ahead.

12 MS. BENNETT: Thank you. In this case Coterra --
13 and I apologize for my voice in advance. Coterra Energy
14 Operating seeks approval of a non-standard unit, compulsory
15 pooling, and to the extent necessary, approval of an
16 overlapping spacing unit. This unit is going to be within
17 the southeast quarter of Section 12, the east half of
18 Sections 13 and 24, and the northeast quarter of Section 25,
19 Township 20 south, range 35 east. And we timely submitted
20 exhibits that included the self-affirmed statement of Keaton
21 Curtis, who's previously testified before the Division and
22 his credentials have been accepted as a matter of record.
23 And exhibits from the geologist, Stacy Fry, who previously
24 testified before the Division and her credentials have been
25 accepted as a matter of record. So with that, I'd ask that

1 the exhibits be admitted into the record and that the case be
2 taken under advisement.

3 HEARING OFFICER CHAKALIAN: Admitted without
4 exception. Mr. McClure, your questions.

5 MR. MCCLURE: Yes, Mr. Hearing Examiner, I have
6 questions for the landman.

7 MS. BENNETT: Thank you. Mr. Curtis, if you could
8 turn your camera on, please.

9 HEARING OFFICER CHAKALIAN: Mr. Curtis, please raise
10 your right hand.

11 MS. BENNETT: Apologies, Mr. Hearing Examiner.
12 There is another party in this case.

13 HEARING OFFICER CHAKALIAN: There is?

14 MS. BENNETT: Yes. It's Ichthys, and Kaitlyn Luck
15 had entered an appearance.

16 HEARING OFFICER CHAKALIAN: I think she's here.

17 MS. LUCK: Mr. Hearing Examiner, I am here, and I
18 did enter an appearance in this case yesterday when I was
19 called the first time, I apologize. Thank you.

20 HEARING OFFICER CHAKALIAN: So would you enter your
21 appearance now.

22 MS. LUCK: Yes. Kaitlyn Luck appearing again for
23 Ichthys Energy and no objection, just monitoring. We have
24 withdrawn and dismissed our case that was competing with this
25 application. Thank you.

1 HEARING OFFICER CHAKALIAN: Mr. Curtis, please raise
2 your right hand.

3 (Witness Sworn)

4 HEARING OFFICER CHAKALIAN: You can put your hand
5 down. Please spell your name.

6 MR. CURTIS: Keaton, K-e-a-t-o-n. Curtis,
7 C-u-r-t-i-s.

8 HEARING OFFICER CHAKALIAN: Thank you. And you've
9 been qualified as an expert before this Division?

10 MR. CURTIS: Yes, sir.

11 HEARING OFFICER CHAKALIAN: In what field?

12 MR. CURTIS: Petroleum land manager.

13 HEARING OFFICER CHAKALIAN: Thank you. Mr. McClure.

14 MR. MCCLURE: Thank you, Mr. Hearing Examiner. Mr.
15 Curtis, if I could draw your attention to Exhibit A8, page 40
16 of 74. This should be your NSP notice map.

17 MR. CURTIS: Yes, I'm here.

18 MR. MCCLURE: Can you describe for me the status of
19 the west half of Section 30, in terms of operator.

20 MR. CURTIS: So the west half of Section 30 doesn't
21 currently have any wells there, so we based it off of working
22 interest.

23 MR. MCCLURE: And is it accurate to say that Magnum
24 Hunter is the sole working interest owner for that tract?

25 MR. CURTIS: I'll need to go back and double check.

1 I can't say definitively.

2 MR. MCCLURE: I guess based on your table on the
3 following page, is it accurate to say that Magnum Hunter
4 Production, Incorporated is the working interest owner for
5 that tract?

6 MR. CURTIS: That would be correct, yeah.

7 MR. MCCLURE: Do you know if Magnum Hunter
8 Production, Incorporated was provided notice of this
9 application?

10 MR. CURTIS: So Magnum Hunter Production would be a
11 Coterra entity. So, maybe. I'm not sure if we actually got
12 a letter out in the mail, though. I don't think there's
13 really much of a necessity too.

14 MR. MCCLURE: So the relationship between Magnum
15 Hunter and Coterra is that Magnum Hunter is a subsidiary of
16 Coterra, is that accurate to say?

17 MR. CURTIS: That's correct.

18 MR. MCCLURE: Thank you, Mr. Curtis. Mr. Hearing
19 Examiner, I don't have any additional questions, but I do
20 have some guidance for Ms. Bennett in regards to that exhibit
21 tag.

22 HEARING OFFICER CHAKALIAN: Go right ahead.

23 MR. MCCLURE: Ms. Bennett, if I can draw your
24 attention to your self-affirmed statement on page 52, or
25 self-affirmed declaration, I guess it's listed.

1 MS. BENNETT: I'm there. Thank you.

2 MR. MCCLURE: You notice in the middle of that page
3 where --

4 MS. BENNETT: Oh, yeah.

5 MR. MCCLURE: Would you be able to submit an amended
6 application packet by the end of day, I guess, to get rid of
7 that tag?

8 MS. BENNETT: Yes, definitely. Thank you. Sorry
9 not to have noticed that before.

10 MR. MCCLURE: Mr. Hearing Examiner, I don't have
11 anything additional for this case and with consideration of
12 the relationship between Magnum Hunter and Coterra, I think
13 notice should be fine then for the NSP. So I think we can
14 just take it under advisement once that amended exhibit
15 packet is in there.

16 HEARING OFFICER CHAKALIAN: Okay, perfect. I'm just
17 reading something, give me a minute here. Do we still have
18 Mr. Curtis on?

19 MS. BENNETT: Yes. Mr. Curtis, could you turn your
20 camera back on?

21 MR. CURTIS: I'm here.

22 HEARING OFFICER CHAKALIAN: We don't see you yet, so
23 we're looking for you. So, Mr. Curtis, tell me if this is
24 correct, that Magnum Hunter Resources was acquired by Cimarex
25 in 2005 and Cimarex merged into what is Coterra in 2021. Is

1 that the connection?

2 MR. CURTIS: Yes.

3 HEARING OFFICER CHAKALIAN: With that clarification,
4 Mr. McClure, does that work for you?

5 MR. MCCLURE: It works for me, Mr. Hearing Examiner.

6 HEARING OFFICER CHAKALIAN: Okay, fantastic. Ms.
7 Bennett, we will leave the record open for that minor
8 correction and if you get it in today before five o'clock, we
9 will take the case under advisement. Thank you. Off the
10 record in that case. Let's go back to our contested hearing,
11 between Permian Resources and Avant. Yesterday we concluded
12 the testimony of Permian Resources landman. I see we have a
13 substitution of counsel at the table. Welcome, Ms. Pena.
14 Who will be conducting the examination of your second
15 witness?

16 MS. MCLEAN: I will be. And Ms. Hardy is in another
17 hearing today, so that's why Ms. Pena is joining us.

18 HEARING OFFICER CHAKALIAN: You'll do very well with
19 Ms. Pena. So thank you.

20 MS. MCLEAN: I need help with the exhibits. So many
21 of them.

22 HEARING OFFICER CHAKALIAN: Ms. McLean, would you
23 like to call your second witness.

24 MS. MCLEAN: Yes. Permian Resources calls Chris
25 Cantin.

1 HEARING OFFICER CHAKALIAN: Ms. McLean, while Mr.
2 Cantin is taking the witness stand and turning on the
3 microphone, do we have any rebuttal exhibits through Mr.
4 Cantin that have not been admitted?

5 MS. MCLEAN: No, we don't. He does not have any
6 rebuttal exhibits.

7 HEARING OFFICER CHAKALIAN: Trying to keep track of
8 the exhibits. Mr. Cantin, I remind you that you're under
9 oath.

10 EXAMINATION

11 BY MS. MCLEAN:

12 Q. Good morning, Mr. Cantin. Can you please state your
13 full name for the record.

14 A. Chris Cantin.

15 Q. By whom are you employed and in what capacity?

16 A. Permian Resources. I am a senior geologist.

17 Q. And have you provided direct testimony and exhibits
18 in this case?

19 A. Yes.

20 Q. And have those documents been marked as Exhibit B
21 with sub-Exhibits B1 through B20?

22 A. Yes, ma'am.

23 Q. Is everything submitted as Exhibits B and B1 through
24 20 true and correct?

25 A. That's correct.

1 Q. And do you adopt your testimony exhibits today?

2 A. I do.

3 Q. Thank you. And, in your opinion, how would the
4 Spicy Chicken project area best be developed?

5 A. One half mile standup with U-turns in Section 23.

6 Q. And have you reviewed Avant's geologist testimony
7 and accompanying exhibits?

8 A. I have.

9 Q. What's your understanding of Avant's position in
10 these cases?

11 A. Avant believes that drilling more initial wells,
12 just because they're drilling more initial wells, they have
13 the better development.

14 Q. And do you agree with Avant's position?

15 A. No.

16 Q. Let's look at Mr. Harper's, who's the Avant
17 geologist, testimony at paragraph 22. It's page 265 of their
18 PDF. Are you able to see paragraph 22?

19 A. Yes.

20 Q. He states that the Avalon is a prospective target
21 interval that Permian Resources has chosen not to develop and
22 Avant feels that this will leave significant reserves behind
23 by neglecting to pursue this target interval in the near
24 term. Do you agree with that statement?

25 A. No, I don't agree with that statement.

1 Q. And why not?

2 A. We do believe that Avalon over here is a prospective
3 target. We have chose not to include in our initial wells
4 because there is a risk involved within the Avalon moving
5 this far out. We believe that with all the additional
6 activity in this area with permits, that we have the
7 opportunity to sit and wait and see how the Avalon is going
8 to perform versus other operators offset. We will assess the
9 Avalon in the best possible development case based on the
10 offsets that come on.

11 Q. As a geologist, do you believe that you have to
12 co-develop the Avalon with the First Bone Spring?

13 A. No, we do not.

14 Q. I think you mentioned risk. Why is the Avalon a
15 risky target?

16 A. I put together a slide with cross-sections
17 demonstrating the degradation in the rock compared to where
18 the development in the Avalon to the east has been.

19 Q. Is that your Exhibit B20?

20 A. Yes, B20.

21 Q. Let's pull that up. Is this what you're referring
22 to?

23 A. Yes, it is. You can just see as you move to the
24 east, you have decreasing rock quality and moving to the
25 east is where the subject Spicy Chicken acreage is. And then

1 the developments, the closest developments to the east are in
2 increased quality rock. Again, we do not believe that just
3 because you have this quality, this is not a perspective
4 target. We just know that it's a risk and developing this at
5 the density that Avant is planning to develop at.

6 Q. Did you mean as you move west?

7 A. As you move west. As you move east, the rock
8 increases, correct.

9 Q. And as you move west it decreases?

10 A. It decreases, yes.

11 Q. Mr. Harper's testimony at paragraph 23, he says that
12 Lower Wolfcamp wells are prospective target interval that
13 Permian Resources has chosen not to develop and Avant feels
14 it will leave significant reserves behind by neglecting to
15 pursue this target in the near term. Do you agree with that
16 statement?

17 A. I do not.

18 Q. And why not?

19 A. The target that they're looking at, to my knowledge
20 and research, has not been tested. It has been drilled, this
21 lower section has been drilled, you know, 200, 300 feet above
22 and also below, but not in this section.

23 Q. And so, does Permian Resources have plans on coming
24 back and looking at this interval?

25 A. Maybe not that specific target, because we don't

1 know exactly how it's supposed to be drilled, because it
2 hasn't been delineated, but deeper targets eventually, as
3 data comes, as we learn more, we'll choose to delineate and
4 develop that.

5 Q. Let's look at Avant's Rebuttal Exhibit B1. Have you
6 reviewed Avant's Rebuttal Exhibit B1?

7 A. I have.

8 Q. I just want to draw your attention to what Avant has
9 illustrated on here as Avant developed wells and those are
10 identified as those points 9, 11, and 12. Do you see that?

11 A. I do.

12 Q. And do you believe that the Avalon is the same type
13 of rock in 9, 11 and 12 as you will encounter in Spicy
14 Chicken?

15 A. I do not.

16 Q. Why not?

17 A. As I said in my exhibit, as you move to the east,
18 the rock quality increases and all these rocks are -- all
19 these wells are further east.

20 Q. About how much further east than Spicy Chicken?

21 A. Looks like the number 9 is five, five-and-a-half
22 miles away, all the way to -- close to 12, 13, 14 miles away.

23 Q. And are any of the wells that Avant chose here, 9,
24 11 and 12, as having developed in the Avalon, do you know,
25 was that developed in the same density as what they're

1 proposing in Spicy Chicken?

2 A. Not at a full section development, no. Mostly at
3 Parent wells.

4 Q. Will that have any impact on the poor rock quality
5 to the west?

6 A. Yes. If you do try to go more dense and less
7 quality rock, you will see degradation in your production.

8 Q. Let's look at Avant's Rebuttal Exhibit C3. Have you
9 reviewed this exhibit?

10 A. I have.

11 Q. You see those bullet points below the graphs above,
12 the second bullet point down, it says, "these analogs
13 represent the closest real world comparison to Permian
14 Resources proposal." Do you agree with that?

15 A. I do not.

16 Q. Why not?

17 A. One, Permian Resources has drilled the Moran wells,
18 which are actually four miles south of that -- south of this,
19 in a very analogous six wells between the two targets, First
20 Bone and Second Bone shale versus the similar amount of wells
21 in the Dagger State, Anderson, but those are 12 miles away,
22 deeper rock. Whereas, the Matador, Dagger State I don't
23 believe is analogous. Maybe in the amount of wells that they
24 drilled, but the Dagger State was drilled in four different
25 phases between the Second Bone Spring being drilled first and

1 the First Bone Spring sand and shale, and Second Bone shale
2 being drilled second. I might add, that the Second Bone
3 Spring sand was also drilled in the Upper Second Bone Spring,
4 which is more proximal to the Second Bone shale target,
5 causing more degradation.

6 Q. You mentioned that Matador drilled in four different
7 stages, how is that different from what Avant is proposing to
8 do here?

9 A. Repeat the question, I'm sorry.

10 Q. You said that this was not -- one of the reasons why
11 these Dagger State wells are not analogous is because those
12 drilled across four different phases. Can you just explain
13 why that, you know, is different than what we're looking at
14 with Spicy Chicken.

15 A. Yeah. We believe that these targets need to be
16 co-completed together, especially the First Bone and Second
17 Bone shale being proximal to each other. You'll see
18 degradation between those targets if drilled in different
19 phases.

20 Q. And then you also mentioned that Permian Resources's
21 Moran wells, which are not shown on this map, and those are
22 only four miles away as opposed to 12.

23 A. That is correct.

24 Q. And Avant also says on the third bullet point down,
25 despite superior rock quality, cumulative recovery is

1 approximately the same. Do you agree with that?

2 A. I do not. I believe that statement is baseless and
3 they show no cross-section or maps to show that. My belief
4 is that if they're tying back Cutbow, Cutbow is in some of
5 the best First Bone Spring rock, as well as Spicy Chicken.
6 You would go a higher density in the First Bone Spring up
7 there. But, yeah, I do not believe that the rock is superior
8 down in the Matador wells that they call out.

9 Q. Yesterday we heard testimony from Avant talking
10 about how the Pakse wells are the closest offset wells
11 immediately offsetting the proposed Spicy Chicken spacing
12 unit and calling into question why Permian Resources hasn't
13 just mimicked the Pakse well spacing and well count. Do you
14 recall that?

15 A. I do.

16 Q. Can you explain why Permian Resources has chosen a
17 slightly different well configuration here.

18 A. Yes. Like I said, we haven't repeated it to date in
19 some of our offset developments, because as rock degrades we
20 do less wells because of less resource. We have since
21 self-delineated the Second Bone shale many times, especially
22 over the past year, and we believe that that is a highly
23 perspective target. And we believe that repeating that
24 target here with the First Bone Spring and Second Bone shale,
25 is highly creative to development.

1 Q. In your opinion, will Permian Resources development
2 best prevent waste and protect correlative rights?

3 A. I do.

4 Q. And would Avant's plan result in waste and violate
5 Permian Resources's and Coterra's correlative rights?

6 A. I do.

7 Q. Can you please summarize the reasons.

8 A. Yeah. PR has diligently worked to develop its
9 acreage, this acreage. We have based our development off of
10 offset production and similar analogous geologic targets and
11 our development does not strand any acreage.

12 MS. MCLEAN: Thank you. I have no further
13 questions.

14 HEARING OFFICER CHAKALIAN: Ms. Bennett.

15 EXAMINATION

16 BY MS. BENNETT:

17 Q. Good morning, Mr. Cantin. Nice to see you again.
18 And I apologize in advance, my allergies are terrible, so I
19 have this frog in my throat. So if you can't hear me or if I
20 don't make any sense, just stop me and let me know and I'll
21 repeat --

22 A. Loud and clear, I can hear you.

23 Q. Okay, good. Thank you. I wanted to ask you a few
24 questions about the testimony you just gave and then I'll
25 turn back to your slides. A moment ago you testified that

1 Permian does believe that the Avalon is prospective, right?

2 A. That is correct.

3 Q. And that you haven't chosen to include it in your
4 initial wells; is that right?

5 A. Yes, ma'am.

6 Q. And I believe what you said is that you're going to
7 sit and wait and decide whether to develop them, I'm quoting
8 you there. Is that what you said?

9 A. Yes, that's what I said.

10 Q. When do you anticipate that you would actually drill
11 the Avalon wells?

12 A. Since we don't feel like we need to co-complete them
13 with the First Bone Spring, as more developments come on
14 further to the east, like you-all have pointed out, we have
15 the opportunity to see how those productions perform
16 beforehand. So whenever those end up coming on, I believe
17 they're DUC'd right now, we can start developing our plan.
18 So as for actual timing, I'm not sure. But, yeah.

19 Q. So you don't have them on your drill schedule at the
20 moment?

21 A. We do not have them on a drill schedule, but we are
22 permitting.

23 Q. But you don't have a specific timeline that you
24 could provide about when you will develop the Avalon?

25 A. No, ma'am.

1 Q. You mentioned that you thought the Avalon -- or you
2 testified, I'm sorry, that you thought the Avalon was risky
3 because of degradation as you move from west to east -- or
4 east to west.

5 A. Yeah, east to west.

6 Q. East to west.

7 A. Yes.

8 Q. Thank you. And you also testified that you want to
9 sit and wait until other operators offset if you develop the
10 Avalon; is that right?

11 A. That's correct.

12 Q. Is the rock quality going to improve while you sit
13 and wait?

14 A. No.

15 Q. That's what I thought.

16 A. Okay.

17 Q. I have the same questions about the lower interval
18 of the Wolfcamp, but I just want to make sure we're talking
19 about the same thing here. That's the Wolfcamp D, right?
20 Not the Upper Pen.

21 A. It's you-all's seven-five series wells.

22 Q. Those wells, like the Avalon, are not part of your
23 initial plans; is that right?

24 A. That is correct.

25 Q. And you testified that you plan to drill those

1 eventually. When is eventually?

2 A. It would be my same answer with the Avalon I just
3 gave you. No perspective timeline, but we are setting up
4 permits to be able to drill that when we feel more confident
5 in that as a prospective target.

6 Q. But does that mean that you're essentially delaying?
7 Not you're not essentially delaying, you are delaying
8 development of the Avalon and the Wolfcamp D indefinitely?

9 A. Indefinitely, no. We do plan on coming back.

10 Q. But you can't say when?

11 A. We can't say when, no.

12 Q. And I apologize, my computer went to sleep, so give
13 me just a second while I put the slides.

14 MS. BENNETT: Mr. McClure, are you okay to hear me
15 too with this raspiness that I have going on?

16 MR. MCCLURE: Yeah, I'm able to hear you. It is
17 pretty scratchy, I won't lie, but we can hear you and
18 understand you.

19 MS. BENNETT: Yeah, I wish there was something I
20 could do about that myself, to be honest with you. Oh, my
21 gosh, why do I have such a hard time sharing. Are you seeing
22 my screen?

23 A. Not yet.

24 Q. It says that I'm sharing, but it's not showing my
25 screen, which is weird. Do you recall your testimony about

1 Rebuttal Exhibit C3?

2 A. I do.

3 Q. And you testified staggering the First and Second
4 Bone Spring is the optimal development plan.

5 A. First and Second Bone shale, yes.

6 Q. Yes. And you testified that, in your expert
7 opinion, those two need to be co-developed; is that right?

8 A. That is correct.

9 Q. But you didn't co-develop those at Pakse, did you?

10 A. That is correct.

11 Q. So does that mean that you -- Permian's development
12 plan in Pakse resulted in waste?

13 A. Not necessarily. I mean, we had not yet delineated
14 the Second Bone shale, because at that point in time the
15 Second Bone shale had been delineated elsewhere. But we had
16 not ourselves looked at it as a target until we had decided
17 to test it further away in analogous rock at one well. And
18 then from there we started testing it more at density and
19 found what we believe to be the best optimal development and
20 we're taking those learnings to Spicy Chicken where we
21 believe we do have analogous rock and can make additional
22 resource by drilling the development that we have.

23 Q. I understand that's your position about Spicy
24 Chicken, but what I'm asking is in Pakse where you didn't
25 co-develop, doesn't your logic about the reason that you need

1 to co-develop in Spicy Chicken mean that you left reserves
2 behind in the Second Bone Spring shale?

3 MS. MCLEAN: Objection, asked and answered.

4 MS. BENNETT: Mr. Examiner, he did not answer the
5 question I've asked. He did provide a statement, but it was
6 not an answer to my question about --

7 HEARING OFFICER CHAKALIAN: So I heard the question,
8 what was -- let me ask the court reporter.

9 (pause in stenographic record)

10 MS. BENNETT: My question was, you didn't co-develop
11 the First Bone Spring and the Second Bone Spring shale in
12 Pakse, did you? That's my question, if you're looking for
13 it. Something along those lines. I'm not sure those are the
14 exact words.

15 (audio last question)

16 MS. BENNETT: I asked if the development in Pakse
17 left behind reserves and results in waste.

18 HEARING OFFICER CHAKALIAN: What was the answer?

19 MS. BENNETT: The answer was, 'we hadn't yet
20 delineated the Second Bone Spring shale and we wanted to test
21 it further away,' and that is not an answer to what happened
22 directly at Pakse, what results in waste.

23 HEARING OFFICER CHAKALIAN: You do not agree with
24 the characterization?

25 MS. MCLEAN: No. I believe that her first question

1 was, does it result in waste? And he said, no, not
2 necessarily, and then went on to explain. And then she asked
3 it again, saying it a little bit different. Instead of
4 waste, she asked, does it leave reserves in the ground. But
5 his initial response was, no, not necessarily, and then she
6 allowed him to explain his answer.

7 HEARING OFFICER CHAKALIAN: Mr. McClure, did you
8 hear the exchange at all? Did you hear the witness say, no,
9 it did not result in any waste, and then explain himself?

10 MR. MCCLURE: Mr. Hearing Examiner, I believe that
11 he stated something about -- that he believed it had not led
12 to waste, but -- I mean, I would have to parse the transcript
13 --

14 HEARING OFFICER CHAKALIAN: Right, right.

15 MS. MCLEAN: -- provide a better response and
16 confirm that.

17 HEARING OFFICER CHAKALIAN: I thought we'd get more
18 clarity. I couldn't hear the recording properly. I could
19 always listen again.

20 MS. BENNETT: Mr. Examiner, I'm sorry, I was just
21 going to say, I'm happy to move on.

22 HEARING OFFICER CHAKALIAN: I've heard from both
23 parties and I understand that you're willing to move on.
24 Mr. McClure heard what he heard, he's the technical examiner.
25 So I think the most important thing is that Mr. McClure has

1 as much information as he needs and that's what he heard.

2 So, yes, please move on.

3 MS. BENNETT: Thank you.

4 Q. I am still looking at Rebuttal Exhibit C3. Do you
5 see that?

6 A. Yes, ma'am.

7 Q. And you testified that the rock in Spicy Chicken is
8 superior like at Cutbow, right?

9 A. In the First Bone Spring, I think I've stated that
10 the First Bone Spring Cutbow is in some of the best rock and
11 is superior to the Dagger State, as is in Spicy Chicken is
12 within kind of that same fairway.

13 Q. So you would agree then that the First Bone Spring
14 is superior in Cutbow and Pakse than it is in the Matador
15 further away.

16 A. Yes, yes. I believe that Cutbow was drilled in some
17 really good rock.

18 Q. So why are you only drilling four wells per section
19 in the Spicy Chicken when you drilled five wells per section
20 in Pakse?

21 A. Like I stated earlier, the Second Bone shale and the
22 First Bone Spring need to be co-developed together due to
23 their proximity. Similar, like they're part of the same
24 tank. We believe that drilling four wells in the First Bone
25 Spring makes better First Bone Spring wells and then with the

1 addition of the Second Bone shale, which we believe to be a
2 very viable target, adds even more to that.

3 Q. Why does the First Bone Spring shale and the Second
4 Bone Spring shale need to be co-developed?

5 A. Their proximity together and they're, you know, a
6 part of the same, like, flow unit. So they're very similar.
7 They're close distance. You're likely draining some of the
8 same tank.

9 Q. Thank you.

10 A. Yeah.

11 Q. Now I'd like to turn, if Ms. Pena won't mind helping
12 me, and I apologize. Once I can get back on the Internet,
13 I'll take over my own slides, but if you wouldn't mind
14 turning to Permian geology slides, that would be great. I'm
15 going to try again. I'm sorry about this. I think it's an
16 Internet problem, though. So if you wouldn't mind turning to
17 the cross-section, Exhibit B5. Are you seeing the
18 cross-section, Exhibit B5?

19 A. I am.

20 Q. And you prepared that, right?

21 A. I did.

22 Q. Why didn't you use the Hanson log to create your
23 exhibits?

24 A. What was that word, I'm sorry.

25 Q. Why didn't you use the Hanson well that you used to

1 define your applications to create your exhibits?

2 A. The Hanson well, I believe, did not have a full
3 suite of logs with density. I like to use a density porosity
4 along with a neutron porosity to show the logs. So this is
5 what I use, because these two logs had the full suite of
6 logs, yes.

7 Q. So there's nothing in your testimony or exhibits
8 that shows your referenced well TVDs for your applications.

9 A. That is correct.

10 Q. And do you have any reason to think that the Hanson
11 well has significantly different depths shown on it than the
12 Snoddy well?

13 A. Proximity, probably minimal.

14 Q. So looking at Exhibit B5, this cross-section that
15 you prepared shows the base of the First Bone Spring sand at
16 around -- and I'm not a geologist, but it's around 9,200; is
17 that right?

18 A. That's correct.

19 Q. It's not at 9444, which is what is in your First
20 Bone Spring application, right?

21 A. That is correct.

22 Q. And so, based on your own geological interpretation,
23 the First Bone Spring sand base is not at 9444; is that
24 right?

25 A. That is correct.

1 Q. And so, you don't disagree with Mr. Harper on his
2 reading of the logs.

3 A. I do not.

4 Q. And if we could turn to the Second Bone Spring shale
5 cross-section, Exhibit B8. On this one, it's sort of the
6 same cross-section as what we were just looking at, but
7 focusing on the Second Bone Spring shale. You show on this
8 one the Second Bone Spring shale starting at approximately
9 9,200 on the Sam Snoddy log rate.

10 A. That is correct.

11 Q. And you also show the base of the Second Bone Spring
12 sand at about 10,100. I'm extrapolating a little bit there.

13 A. The base of the Second, you said?

14 Q. Uh-huh.

15 A. Yes, ma'am.

16 Q. The Second Bone Spring in your applications -- or in
17 Permian's applications, they define the interval that Permian
18 is seeking to pool from 9444 to 9930 TVDs.

19 A. That is correct.

20 Q. So based on your own geological interpretation, the
21 top of the Second Bone Spring shale is at 9,200, right?
22 Approximately.

23 A. Top of the Second Bone formation, correct.

24 Q. Yes. Thank you. So it doesn't start at 9444; is
25 that right?

1 A. That's correct.

2 Q. And so you don't disagree with Mr. Harper on that
3 either?

4 A. I do not.

5 Q. I want to turn to Exhibit B20. And we might have
6 covered this already, I did want to ask you, though. I know
7 you testified that there's no analogous Avalon density in the
8 area, I believe that's what you testified to, that there's no
9 analogous density of Avalon development right near Spicy
10 Chicken.

11 A. Correct.

12 Q. Did you take into account the fact that Civitas is
13 drilling Avalon wells immediately adjacent to the Spicy
14 Chicken development area?

15 A. A well that's drilling, or DUC, does not give you
16 data on production.

17 Q. But does it show that the area is prospective, even
18 as of now?

19 A. No, because those wells could come on and be, you
20 know, unproductive or uneconomic.

21 Q. So you have no idea when you're going to drill the
22 Avalon wells, because you're not even willing to rely on
23 Civitas own development immediately north of Spicy Chicken?

24 MS. MCLEAN: Objection, asked and answered. We've
25 already talked about the fact that there is no timeline for

1 Permian Resources to develop the Avalon, although they intend
2 on doing it in the future. And Civitas is not our own wells,
3 So I don't know where she's going with that line of
4 questioning.

5 HEARING OFFICER CHAKALIAN: So it's already been
6 asked and answered, is that the basis of the objection?

7 MS. MCLEAN: Correct.

8 HEARING OFFICER CHAKALIAN: Ms. Bennett.

9 MS. BENNETT: I'll move on.

10 HEARING OFFICER CHAKALIAN: Okay.

11 MS. BENNETT: I'm sorry, Ms. Pena, would you mind
12 going to Exhibit B1, and I think it's your Exhibit B1. But
13 it might be Avant's Rebuttal Exhibit B1. Oh, yeah, it is
14 Avant's Rebuttal Exhibit B1. So on this exhibit you were
15 asked some questions about the development that is 9, 11 and
16 12. Do you remember that line of questioning?

17 A. Yes, Coterra's wells.

18 Q. There are a lot of closer Avalon development,
19 though, shown on this slide than 9, 11 and 12; is that right?

20 A. Yeah, it's mostly permits but, yes.

21 Q. And I think you said that 9 and 11 and 12 -- or this
22 is my takeaway and feel free to correct me if I'm wrong about
23 this, that 9, 11 and 12 are between 5 and 13 miles away. Do
24 you recall saying that?

25 A. I do.

1 Q. So is it your understanding that analogs that are 5
2 to 13 miles away are not necessarily the closest analog in
3 terms of rock quality, not necessarily proximity?

4 A. Sorry, can the repeat the question. I think I
5 missed the first part.

6 Q. Sure. So earlier you testified, and I think what
7 you were getting at is that 9, 11, and 12 on Exhibit B1 are 8
8 to 13 miles away and so they do not show the same sort of
9 rock quality that you would expect around Spicy Chicken. Is
10 that a fair --

11 A. Yes.

12 Q. -- recap? And so, I guess I just restated my
13 question, which was, in your opinion, rock that's 5 to 13
14 miles away is not necessarily analogous to the rock that's at
15 Spicy Chicken.

16 A. That's correct, yeah.

17 MS. BENNETT: I'm just going to take a quick look at
18 my notes and see if I got everything. That's everything.
19 Thank you.

20 HEARING OFFICER CHAKALIAN: Mr. McClure.

21 MR. MCCLURE: Thank you, Mr. Hearing Examiner.

22 EXAMINATION

23 BY MR. MCCLURE:

24 Q. Mr. Cantin, just to quickly run through some
25 questions here. I think you kind of sort of answered, to

1 some extent, but I guess just to put it all in one place
2 here, should Permian later decide to drill the Avalon, do you
3 believe that your Bone Spring 1 development would cause
4 issues?

5 A. No sir, I do not.

6 Q. Should Permian later wish to drill Cisco Canyon
7 wells, do you believe that your Wolfcamp wells would cause
8 issues?

9 A. The Wolfcamp XY was our initial development. No, I
10 do not believe they will.

11 Q. Did you review Avant's proposed 700 series wells?

12 A. Yes, I did.

13 Q. And should Permian decide to develop that horizon
14 later, do you believe that Permian's XY -- or Wolfcamp XY
15 wells would be problematic?

16 A. I have not taken a look at the distance between
17 their target and the XY target, because their target is not
18 the target that we would be looking at. From my
19 understanding, is deeper within the Wolfcamp. I think they
20 have it right on top of the Cisco Canyon pen top. With that
21 kind of distance, I don't believe so. But again, I haven't
22 seen that distance yet. I don't know exactly what that
23 distance is. But like I stated earlier, their target is
24 undelineated and nobody's landing that target. They're
25 planning on doing it at density, so we're not looking at that

1 as our perspective target. Our perspective target would be
2 deeper.

3 Q. I guess, would it assist you if we brought up one of
4 Avant's exhibits for you to look at their 700 series wells
5 again?

6 A. Yes.

7 MR. MCCLURE: I'm sorry, Mr. Hearing Examiner, I
8 don't know if your mic is on. I can't hear you.

9 HEARING OFFICER CHAKALIAN: I said, who's going to
10 do that, but it looks like someone's done it. So, there we
11 are.

12 MS. PENA: Mr. McClure, if you want to tell me what
13 exhibit you would like, I can bring it up.

14 MR. MCCLURE: Yes, Ms. Pena, maybe just an easy
15 representation might be page 288 of 322. It kind of shows
16 their 700 series. I don't know if maybe you can zoom in. I
17 don't know, maybe there's a better exhibit for it, but
18 essentially what I'm getting at is to show kind of the
19 distance, the vertical offset between the 700 series wells,
20 which I presume is in the XY, and then the -- I guess 750
21 series wells.

22 A. I can kind of see, but it looks like their
23 seven-five series wells are around eleven-four and their XYs
24 are closer to like maybe 1150 to 1,100, putting about 350
25 feet to 400 -- 300 to 400 feet of separation between. I

1 can't really see what kind of rock is in between that.

2 Q. Now, between --

3 HEARING OFFICER CHAKALIAN: Mr. McClure, hold on a
4 second. For the record, Mr. Cantin, what are you looking at
5 now?

6 MR. CANTIN: I'm looking at the same slide, but I
7 think it's a little clearer on this...

8 HEARING OFFICER CHAKALIAN: How is the slide
9 labeled? What slide are you looking at?

10 MR. CANTIN: It's the same slide that's up here. It
11 is labeled B3.

12 HEARING OFFICER CHAKALIAN: B3?

13 MR. CANTIN: Yes, sir.

14 HEARING OFFICER CHAKALIAN: Thank you. Go right
15 ahead. Mr. McClure, go ahead. I'm sorry.

16 MR. MCCLURE: Thank you, Mr. Hearing Examiner. How
17 does this completion or proposed development plan compare to
18 Permian's proposed development plan for the upper portion of
19 the Wolfcamp here?

20 A. I think the difference is, I think we have -- they
21 have three Bone Springs and two Wolfcamps and four -- we have
22 -- we are proposing three Wolfcamp XYs and they have two.

23 Q. So then, would it be accurate to say that Permian's
24 200 series of wells is roughly equivalent to the 701H and
25 702H of Avant's?

1 A. At depth, I believe, yes, they have the same target.

2 Q. So looking at the 750 series wells of Avant's,
3 should Permian later decide to develop that target, do you
4 believe that the 200 series wells have already been
5 completed, would interfere with that?

6 A. With that target at 350 feet of separation, again,
7 it's hard to say, because I can't really see or -- the rock,
8 what's in between the two. And again, we don't look at this
9 as a perspective target, so this is not our target. But with
10 that kind of distance, there's likely some, potentially some
11 degradation. But again, that's not the target that we're
12 going after. Our target is deeper.

13 Q. And by that you just mean the Cisco Canyon infill
14 wells, correct?

15 A. That's correct.

16 Q. If I were to ask you to correct the picks for the
17 Bone Spring 2 interval that Permian is asking the Division to
18 force pool, do you understand what I would be asking for?

19 A. Are you talking about the depth on the application
20 versus the Hanson well?

21 Q. Well, I was going to say you don't -- let me reask
22 the question, I guess. Would you agree that the total --
23 that the current vertical depths that are picked,
24 irregardless of which well they're picked for, is not
25 inclusive of the Second Bone Spring shale.

1 A. Yes, we do agree that there has been a mistake in
2 the applications and that they do not cover the depth of the
3 Second Bone shale that we're proposing.

4 Q. And if I were to ask for the exhibit package to be
5 corrected to reflect a pick that is inclusive of the entire
6 interval that Permian is asking the Division to force pool
7 for the Bone Spring 2, do you understand what I would be
8 asking for?

9 A. Yes.

10 MR. MCCLURE: Thank you, Mr. Cantin. Mr. Hearing
11 Examiner, I don't have any further questions for this expert
12 witness.

13 HEARING OFFICER CHAKALIAN: Ms. McLean, is there any
14 redirect?

15 MS. MCLEAN: I just have one question.

16 HEARING OFFICER CHAKALIAN: Please.

17 EXAMINATION

18 BY MS. MCLEAN:

19 Q. Ms. Bennett asked about, you know, there not being
20 like a firm timeline for development of the Avalon and the
21 Wolfcamp D, and I believe you had stated that you wanted to
22 wait and see what other nearby operators did, correct?

23 A. That's correct.

24 Q. So can you just explain for the Division, what are
25 the benefits of waiting to see what other nearby operators

1 get with production results before drilling these target.

2 A. Yeah, like I said, one of the risks here is being a
3 step out at integrated rock. At five wells per section, like
4 Avalon -- as Avant is proposing, nobody has done that in this
5 offset area with production. And by waiting and seeing, it
6 gives us the opportunity to learn from offset developers,
7 offset operators and really hone in and find out what is the
8 best practice for the Avalon in this particular kind of rock
9 at this particular depth at this -- you know, in this portion
10 of the fairway.

11 Q. And when you say, like what is the best thing to do,
12 does that mean like picking the number of wells you'll drill
13 there or those types of specifics?

14 A. That is correct. You know, how dense should we go
15 here. We know that it's a viable target. The question is,
16 you know, people drill this at a lot of different densities.
17 You know, like I stated in my exhibit, you know -- and I've
18 said previously, that with more resource, you drill more
19 wells. With the opportunity of having more activity in the
20 area, gives us the opportunity to learn exactly how many
21 wells we want to drill within the Avalon.

22 Q. And do you believe that a prudent operator would
23 wait and see offset production results prior to drilling at
24 these targets?

25 A. Yes, especially when -- really, the closest wells

1 are only Parent wells.

2 MS. MCLEAN: Thank you. No more questions.

3 HEARING OFFICER CHAKALIAN: Anything further, Ms.
4 Bennett?

5 MS. BENNETT: Yes, just a couple of things, and one
6 is based on Mr. McClure's questions and then one is a follow-
7 up to Ms. McLean's question.

8 EXAMINATION

9 BY MS. BENNETT:

10 Q. I am going to try to share, see if I have any
11 success. I know this isn't your exhibit, but are you
12 familiar with this Exhibit C2 of Permian Resources?

13 A. Yes, I am.

14 Q. And this exhibit shows that Permian is planning --
15 well, the PR DSU, that's the Spicy Chicken DSU that we're
16 talking about today, right?

17 A. That's correct.

18 Q. And it shows that you have three Upper Wolfcamp
19 wells, do you see that in sort of purple?

20 A. That's correct.

21 Q. And then you have four Lower Wolfcamp wells in teal,
22 do you see that?

23 A. The blue?

24 Q. Yeah, blue.

25 A. I don't think this one was put together by me, but I

1 do believe that if you're referring to those being Wolfcamp
2 wells, they are not, which we're not pooling anything deeper
3 than what we believe is the Wolfcamp.

4 Q. I was just going to clarify then, that even though
5 those are shown as Wolfcamp wells on this slide, it's your
6 testimony that those aren't Wolfcamp wells.

7 A. That's correct. As stated before, yeah, with that
8 pooling being question, we don't believe that those are
9 Wolfcamp wells, correct.

10 Q. Do you know if Permian has proposed those blue wells
11 or the pinkish wells below?

12 MS. MCLEAN: Objection. This isn't even his exhibit
13 and it's certainly not within his direct testimony or what
14 Mr. McClure asked about. I don't understand how this is,
15 you know, recross-examination at this point.

16 HEARING OFFICER CHAKALIAN: Ms. Bennett.

17 MS. BENNETT: Yes. Mr. McClure asked several
18 questions about the proximity between Avant's 700 and 750
19 wells and Mr. Cantin testified that the PR Wolfcamp wells are
20 not in the same depth and this slide shows that they are at
21 the same depth as the Avant Wells. So I wanted to clarify
22 for Mr. McClure's benefit that there is a difference between
23 what this slide shows and what Mr. Cantin just testified to,
24 which I think is proper recross. I'll take back my question
25 about the proposal letter. I do think that's outside of his

1 testimony.

2 HEARING OFFICER CHAKALIAN: Mr. McClure.

3 MR. MCCLURE: Mr. Hearing Examiner, I think I have a
4 full understanding of the 700 series wells versus the 750
5 wells, if that was what you were asking, I guess.

6 HEARING OFFICER CHAKALIAN: And that's what you're
7 looking for, right?

8 MS. BENNETT: Yes.

9 HEARING OFFICER CHAKALIAN: Okay. So can we move
10 on?

11 MS. BENNETT: Yes. And then a moment ago when Ms.
12 McLean was asking you about coming back in to drill the
13 Avalon, you said that it was prudent for an operator to wait
14 to see how the Avalon was being developed nearby. Do you
15 recall that?

16 MS. MCLEAN: Objection. That's not actually what
17 was asked. It was production, not how it's generally being
18 developed.

19 HEARING OFFICER CHAKALIAN: Ms. Bennett.

20 MS. BENNETT: I'll restate the question. I
21 certainly did not intend to mischaracterize the question.

22 HEARING OFFICER CHAKALIAN: Okay.

23 Q. So you were asked whether it's prudent to wait to
24 see how the Avalon is being drilled nearby before you drill
25 it yourself. And I'm not trying to like mischaracterize it,

1 I just didn't write it down word for word.

2 A. That's fine. Yeah, I think as a prudent operator in
3 a highly undelineated rock, especially at density, the
4 density that Avant is looking to develop at, it is prudent,
5 especially when you know other people are drilling in the
6 area, if you have the option and opportunity to more be a
7 fast follower and see how those wells produce, to best
8 develop your acreage with the correct amount of wells.

9 Q. Wouldn't that apply equally then to your Second Bone
10 Spring shale development that you noted you've just started
11 to delineate in this area?

12 A. We have been delineating it for probably going on a
13 year now and we had delineated it as a Parent well -- or as
14 an individual first with the First Bone Spring, seeing
15 success there. And we have since developed it at density
16 with success. So we believe that we do have a development
17 that works in analogous rock.

18 MS. BENNETT: Thank you.

19 HEARING OFFICER CHAKALIAN: May this witness be
20 excused?

21 MS. MCLEAN: He may.

22 HEARING OFFICER CHAKALIAN: Would you like to call
23 your third witness?

24 MS. MCLEAN: Yes. And could we take like a five
25 minute break.

1 HEARING OFFICER CHAKALIAN: Sure. Before we take a
2 break, let me also mention that I plan on quitting today at
3 11:45 for at least an hour and a half before we come back, if
4 necessary. So I want to let all the parties know my time
5 limits today. And then we had an issue yesterday in which we
6 had a table of data. Where are we with that issue?

7 MS. BENNETT: Thank you. Yesterday evening we did
8 receive the AFEs and I did forward those to Ms. McLean and
9 Ms. Hardy and Ms. Pena.

10 HEARING OFFICER CHAKALIAN: So you have the data now
11 to cross-examine, if necessary.

12 MS. MCLEAN: Yes. And we still maintain our
13 objection to them providing these -- we got them at eight
14 o'clock last night. There's many, many, many pages. The
15 parties had previously agreed to exchange rebuttal exhibits
16 by noon on Monday. If they had them at that time, which
17 they, you know, had the table that they provided in their
18 rebuttal exhibits, they could have provided them at that
19 time, not at that late hour last night, which was, you know,
20 several hours after we first objected. So we question why it
21 was so late in the evening.

22 HEARING OFFICER CHAKALIAN: I understand the
23 objection. Do you have one of your experts looking at these
24 AFEs at this point?

25 MS. MCLEAN: Yes, he's been able to, you know,

1 loosely review that, because he's here today too paying
2 attention.

3 HEARING OFFICER CHAKALIAN: And who is that expert?

4 MS. MCLEAN: Mr. Higginson.

5 HEARING OFFICER CHAKALIAN: Who hasn't testified.

6 MS. MCLEAN: Correct.

7 HEARING OFFICER CHAKALIAN: All right. Well, let's
8 see what progress he makes in looking at these AFEs. I
9 understand that there's a lot of data and it just came over.
10 Let's see what he has to say later. You want to take a five
11 minute break, go right ahead.

12 MS. BENNETT: Thank you.

13 (Recess at 9:21 a.m. to 9:30 a.m.)

14 HEARING OFFICER CHAKALIAN: We're back on the
15 record. There was a question about the AFEs. Ms. Bennett,
16 did you file those or just provide them to opposing counsel?

17 MS. BENNETT: I just provided them to opposing
18 counsel. I didn't have a chance to file them yet, I
19 apologize.

20 HEARING OFFICER CHAKALIAN: They're not filed. Mr.
21 McClure was asking.

22 MS. BENNETT: Oh, I'm sorry, Mr. McClure. I should
23 have filed them.

24 HEARING OFFICER CHAKALIAN: So they're not filed
25 yet. Let me review these. Let me review the timeline here.

1 Let's start with Permian. When did you file your AFEs?

2 MS. MCLEAN: So the AFEs were filed with the
3 exhibits.

4 HEARING OFFICER CHAKALIAN: What date?

5 MS. MCLEAN: The exhibits were due at 9:00 a.m.,
6 April 15th.

7 HEARING OFFICER CHAKALIAN: So that's when you filed
8 your AFEs. Were they the revised AFEs or were they the
9 initial AFEs?

10 MS. MCLEAN: They were the revised AFEs that were
11 sent out, I think the week before, on the 8th. April 8th,
12 the AFEs were sent to all interest owners, including Avant.
13 And Permian Resources actually emailed them to Avant that
14 day, in addition to putting them in the mail so they would
15 get them as quickly as possible.

16 HEARING OFFICER CHAKALIAN: Ms. Bennett, let me ask
17 you about your AFEs, when were they filed?

18 MS. BENNETT: Thank you. So just to clarify,
19 according to Permian's summary of contacts, they emailed the
20 AFEs to Avant on April 10th, which was shortly before the
21 exhibit hearing. Ours were filed also, our original AFEs
22 were filed timely with our exhibit packet, which would have
23 been filed before 9:00 a.m. on the 15th.

24 HEARING OFFICER CHAKALIAN: On the 15th or before.
25 When did you realize that you wanted to revise your AFEs?

1 MS. BENNETT: When they received Permian's revised
2 AFEs on the 10th.

3 HEARING OFFICER CHAKALIAN: How did you file your
4 revised AFEs?

5 MS. BENNETT: I apologize, Mr. Examiner, I did not
6 file the revised AFEs.

7 HEARING OFFICER CHAKALIAN: No, I mean -- but we've
8 seen some document that has lump sum figures.

9 MS. BENNETT: Yes, I did file that as a rebuttal
10 exhibit.

11 HEARING OFFICER CHAKALIAN: Right, okay. So that's
12 a rebuttal exhibit.

13 MS. BENNETT: Yes, it is.

14 HEARING OFFICER CHAKALIAN: And when did you file
15 the rebuttal exhibit?

16 MS. BENNETT: It was filed on Monday by noon.

17 HEARING OFFICER CHAKALIAN: Monday at noon, okay.
18 And the objection to the revised AFEs is that -- go ahead,
19 Ms. -- will you turn on your microphone and tell me what the
20 objection is.

21 MS. MCLEAN: Yes. Untimely. We have not had a
22 chance to fully and completely review them. AFEs are very
23 detailed documents, as you know from seeing them for every
24 pooling case. And if we would have had them in time, we
25 could have reviewed them. We question whether or not they

1 actually generated real AFEs or just put something together
2 for the table, because it's very odd that they sent them so
3 late at night when we -- I think their engineer went
4 yesterday before lunch and it was questioned at that time,
5 yet we got them eight, ten hours later. And we don't believe
6 it is proper rebuttal testimony. AFEs are always included
7 with your exhibits. And if they say that they knew they
8 wanted new AFEs as of April 10th, they had at least five days
9 at that point to do them. That's actually, you know, the
10 same amount of time that they would have had between
11 receiving our exhibits and when we exchanged rebuttal
12 exhibits. So we just do not believe it's proper at this time
13 to introduce these new AFEs or that a AFE summary table is
14 proper rebuttal testimony in a pooling proceeding.

15 HEARING OFFICER CHAKALIAN: Thank you. Ms. Bennett,
16 I have a question for you and you might ask your witness as
17 well. I don't know who provided you the -- who provided the
18 figures for you in your rebuttal exhibit that was submitted
19 on Monday.

20 MS. BENNETT: Multiple engineers under his
21 direction.

22 HEARING OFFICER CHAKALIAN: And his being?

23 MS. BENNETT: Mr. Kelly.

24 HEARING OFFICER CHAKALIAN: Mr. Kelly, okay. Is it
25 customary to provide AFEs in that format?

1 MS. BENNETT: I would say it's not customary, but I
2 would also say that as soon as the -- I understand Ms.
3 McLean's point, that we didn't email them until 8, but we
4 were also eating dinner and I did eat dinner before I emailed
5 them. So if that's a problem, I apologize for that.

6 HEARING OFFICER CHAKALIAN: What I'm trying to
7 understand is why Avant provided the revised AFEs in the
8 format that it did. I figured it was not customary. I
9 figured you would normally want to break it down so that the
10 technical examiner could evaluate them.

11 MS. BENNETT: Yes. And I'm sort of speculating
12 here, but the reason I think it was done that way is because
13 it was a very byte-size exhibit that we were able to put
14 together in a timely fashion. It was not meant to be
15 anything other than a summary.

16 HEARING OFFICER CHAKALIAN: Thank you, I appreciate
17 your honesty. Does Mr. Kelly have something else to say, why
18 it was provided in this format?

19 MR. KELLY: Yeah, we were just providing the slide
20 that they had in the exact same format.

21 HEARING OFFICER CHAKALIAN: So I'm going to go to
22 the rules here. I think ultimately what I really need to
23 focus on is the real basis behind the administrative process,
24 really. I think I have to go back to the ground rules. So
25 give me a minute here. I mean, procedural fairness is the

1 ultimate touchstone in an administrative hearing, and that
2 requires notice and an opportunity to be heard. It also
3 requires a meaningful cross-examination. However, our rules
4 are even more vague. I'm looking at 19.15.4.17. Ms. McLean,
5 I don't know if you want to look at 19.15.4.17, the Rules of
6 Evidence and Exhibits for Adjudicatory Hearings. You have
7 your rule book, okay. Do you want to take a second and look
8 at 19.15.4.17. So I'm just going to read it into the record
9 so that the parties who don't have it in front of them, can
10 just listen. "Presentation of evidence," that's A, "subject
11 to the provisions of," another part of the rule, "the
12 Commission or Division Examiner shall afford a full
13 opportunity to the parties at an adjudicatory hearing before
14 the Commission or Division Examiner to present evidence and
15 cross-examine witnesses. The Rules of Evidence applicable in
16 a trial before a Court shall not control, but Division
17 Examiner and the Commission may use such rules as guidance in
18 conducting adjudicatory hearings. The Commission or Division
19 Examiner may admit relevant evidence, unless it's immaterial,
20 repetitious, or otherwise unreliable. The Commission or
21 Division Examiner may take administrative notice of
22 authenticity and documents copied from the Division's files."
23 So, so far, this tracks with due process under the Fifth and
24 Fourteenth Amendment. So there I'm not surprised about
25 anything. "B, parties introducing exhibits at hearings

1 before the Commission or Division Examiner shall provide a
2 complete set of exhibits for the court reporter, each
3 Commissioner or Division Examiner, and other parties of
4 record." Now, in our prehearing order, which also controls
5 this hearing, it says that exhibits must be filed at least
6 four business days before the hearing, that was done. The
7 problem is that this exhibit is deficient, in my eyes,
8 because it's not complete. It doesn't allow Permian a
9 meaningful opportunity to cross-examine. Now, on the other
10 hand, it's relevant. There's no reason to think that it's
11 not reliable. We haven't had cross-examination on it yet.
12 And to afford Avant a full opportunity, as I need to afford
13 both parties a full opportunity, I need to find a way to let
14 this in and give Permian a meaningful opportunity to
15 cross-examine it. I haven't heard an objection that would
16 permit me to keep it out.

17 So the schedule today, we're dealing now -- who are
18 you calling next?

19 MS. MCLEAN: Mr. Higginson.

20 HEARING OFFICER CHAKALIAN: Mr. Higginson. We can
21 find out what Mr. Higginson has reviewed on the witness
22 stand, then we have Mr. Clements. Am I saying that right?
23 Clements, thank you. And I don't know if we're going to get
24 to Mr. Clements before 11:45. If not, we'll reconvene at
25 1:30. We have two more hours today, from 1:30 until 3:30,

1 that I can attend this hearing. Hopefully we'll wrap it up
2 during that time, but if we have to come back virtually
3 another day to give Permian's witness a meaningful
4 opportunity to review -- how many pages are we talking about?

5 MS. BENNETT: It's a number of pages and --

6 HEARING OFFICER CHAKALIAN: How many pages are we
7 talking about?

8 MS. BENNETT: Mr. Goodwin will be able to tell me in
9 just a minute. He's looking at them right now.

10 HEARING OFFICER CHAKALIAN: Let's just wait and
11 hear. I'm curious to see how many pages we're talking about.

12 MS. BENNETT: Could I just make a comment --

13 HEARING OFFICER CHAKALIAN: Yes.

14 MS. BENNETT: -- about the schedule? Mr. Kelly, who
15 would be the witness who would be cross-examined on the AFEs.

16 HEARING OFFICER CHAKALIAN: Okay.

17 MS. BENNETT: Does need to leave early today because
18 of the flight. So my suggestion would be, and I just
19 confirmed via head nod, that we could do a virtual hearing to
20 conclude, given the timing constraints, for the AFE portion
21 only.

22 HEARING OFFICER CHAKALIAN: That works for me. I
23 don't know how Ms. McLean feels about it, but that works for
24 me as well.

25 MS. MCLEAN: I guess it just depends when the

1 virtual --

2 HEARING OFFICER CHAKALIAN: At the parties
3 convenience. I'm not going to force a date on some. And the
4 witnesses availability. How many pages are we talking about?

5 MS. BENNETT: 96 pages.

6 HEARING OFFICER CHAKALIAN: 96 pages, that's a lot
7 of information. In your AFEs that you submitted timely, how
8 many pages of AFEs did you provide?

9 MS. MCLEAN: It's --

10 HEARING OFFICER CHAKALIAN: It's in my book?

11 MS. MCLEAN: Yes. 276.

12 HEARING OFFICER CHAKALIAN: Oh, wow. So more than a
13 hundred pages.

14 MS. MCLEAN: Yes. That was the original and
15 updates.

16 HEARING OFFICER CHAKALIAN: So you did both?

17 MS. MCLEAN: Both.

18 HEARING OFFICER CHAKALIAN: And was it Mr. Kelly
19 that reviewed these AFEs that came over from Permian?

20 MR. KELLY: Yes.

21 HEARING OFFICER CHAKALIAN: You did review them, and
22 you reviewed --

23 MR. KELLY: Yeah.

24 HEARING OFFICER CHAKALIAN: Okay. All right.

25 MS. MCLEAN: I would just like to make sure I was

1 clear for the record.

2 HEARING OFFICER CHAKALIAN: Sure.

3 MS. MCLEAN: And I believe I stated this earlier,
4 part of our objection is that AFEs are not proper rebuttal.
5 They are included for every single pooling case that comes
6 before the Division. To have rebuttal AFEs is just improper.

7 HEARING OFFICER CHAKALIAN: Well, okay, I can
8 understand part of that argument, but they did provide AFEs,
9 but the problem is the revised AFEs are not complete.

10 MS. MCLEAN: Well, I believe that what I'm saying is
11 the revised AFEs, we would have no objection if they were
12 included with their original exhibits, because we provided
13 ours, you know, five days before they would have had the same
14 amount of time to do these AFEs for their rebuttal. So what
15 we're saying is, these rebuttal AFEs should have been with
16 the original exhibits, as well as the table that they
17 provided as a rebuttal, that was in our direct evidence.
18 That is typically in everyone's direct evidence for these
19 contested hearings and it's really not proper rebuttal.

20 HEARING OFFICER CHAKALIAN: And I'll come to you in
21 a minute, Ms. Bennett. I don't know how much time we're
22 going to spend on this, but it's an important factor, so
23 we'll spend what time we need. What I understand from Mr.
24 Kelly was, that they didn't decide to revise their AFEs until
25 they saw your AFEs on the 10th.

1 MS. MCLEAN: Which was five days before exhibits
2 were due.

3 HEARING OFFICER CHAKALIAN: Right. I understand the
4 timeline. I get it. From what I've heard from them so far,
5 their revised AFEs were rebuttals to yours. And what you're
6 saying is, well, they're not rebuttals at all and they
7 shouldn't be rebuttals. And you're saying that they
8 shouldn't be allowed as a rebuttal. For what reason?

9 MS. MCLEAN: Because they're required standard
10 pooling exhibits that have to be submitted, and I could --
11 it's part of what the Division's requirements are for pooling
12 cases. So it should be in their original set of standard
13 pooling exhibits, and not rebuttal exhibits.

14 HEARING OFFICER CHAKALIAN: I totally get your
15 argument. What I'm struggling with here is, there's nothing
16 in the rule that says -- well, first of all, exhibits can be
17 literally provided at the hearing, that's what the rule says.
18 Now, we have a prehearing order, for fairness, and you've
19 complied with the prehearing order. And the allegation is,
20 well, they didn't comply with it, so they shouldn't be able
21 to submit their revised AFEs. They're saying it was a
22 rebuttal exhibit and that their original AFEs were provided
23 in their exhibits. However, they did provide a table. When
24 was your table with the revised AFEs submitted?

25 MS. BENNETT: It was submitted on Monday by noon.

1 HEARING OFFICER CHAKALIAN: And the AFEs that you
2 submitted by the 15th, before Monday, were the original AFEs.

3 MS. BENNETT: Right.

4 HEARING OFFICER CHAKALIAN: I have to think about
5 this. This one is a little tricky. It's a little tricky.
6 The rules don't help me. What does help me, though -- what
7 does help me is the bedrock principles of the administrative
8 process here, that does help me. I will confer with Mr.
9 McClure later. Let's continue with the hearing. I haven't
10 made a decision yet. Oh, but I do need to hear from Ms.
11 Bennett. I haven't heard from you, so go ahead.

12 MS. BENNETT: Thank you. Just going back to those
13 bedrock principles that you were just talking about and how
14 the Division's goal is to reach a result that reflects the
15 actual on the ground status quo. The updated AFEs are
16 important to the Division's overall review and the Division's
17 goal is to review the most up-to-date information and to make
18 a decision based on that information. So, in my opinion,
19 allowing the AFEs to come in would be appropriate, because it
20 advances the Division's overall goal of fair and complete
21 hearing processes. And I also just -- I don't mean to
22 belabor the point, but we -- Permian did email the AFEs on
23 April 10th, and sure we did have five days, but two of those
24 days were a weekend, and then the exhibits were due by 9:00
25 a.m. on Wednesday. So really, it's not as if we had five

1 full days to work through this. And I understand Ms.
2 McLean's point that if that time wasn't enough within the --
3 we should have done it with our rebuttal exhibits. At this
4 point though, I think that's neither here nor there. We're
5 ready to allow Permian as much time as they need to review
6 them and to cross-examine our witness on them, and that will
7 allow the Division to make a decision based on the accurate
8 state of affairs.

9 HEARING OFFICER CHAKALIAN: I appreciate the
10 argument. It's not a surprise to make that argument, as I've
11 just said. Avant knew that this data was important. I don't
12 understand why Avant did what it did. I don't understand
13 why, knowing -- as you just said, this data is customary and
14 it's important, why you provided a table instead of all of
15 the data the way Permian did. But I'm not here to berate the
16 parties or to scold them, that's not my role. My role is to
17 be fair and impartial, which I'm trying to do, even though I
18 don't understand why Avant did what it did. That being said,
19 I have not made a ruling yet. I have not decided how we're
20 going to proceed with these AFEs. I mean, I know Avant did
21 provide on the 10th a rebuttal exhibit with totals, you know,
22 just round numbers or whatever you provided, which is
23 insufficient for Permian. So I'll think about this some more
24 as we go along. But, Ms. McLean, would you call your third
25 witness, please.

1 MS. MCLEAN: Yes. Mr. Hank Higginson.

2 HEARING OFFICER CHAKALIAN: Good morning, Mr.
3 Higginson. Would you turn on your microphone, please. Thank
4 you.

5 MR. HIGGINSON: Good morning.

6 HEARING OFFICER CHAKALIAN: You were qualified
7 yesterday as a reservoir engineer before this Division. You
8 are still under oath. Please proceed.

9 EXAMINATION

10 BY MS. MCLEAN:

11 Q. Can you please state your name for the record.

12 A. Hank Higginson.

13 Q. And by whom are you employed and in what capacity?

14 A. Permian Resources as a senior reservoir engineer.

15 Q. Have you provided direct testimony and exhibits in
16 this case?

17 A. I have.

18 Q. And have those documents been marked as Exhibit C
19 with sub-Exhibits C1 through C11?

20 A. Yes.

21 Q. And is everything you've submitted as Exhibit C and
22 C1 through C11, true and correct?

23 A. To the best of my knowledge.

24 Q. And do you adopt your testimony here today?

25 A. I do.

1 Q. Let's first start with some testimony we heard
2 yesterday. Mr. Kelly took some issue with your economic
3 calculations yesterday. Do you remember that?

4 A. I do.

5 Q. Can you explain your type curve validation for the
6 Division. And we can put up Exhibit C5 as an example of
7 that. Can you walk me through the type curve validation with
8 respect to Exhibit C5.

9 A. Yes. So all the type curves were created as
10 described in the footnote. Similarly, between both Avant and
11 PR for the First Bone, Second Bone sand, Third Bone sand and
12 Wolfcamp A, I referenced existing Pakse volumes directly to
13 the east. There are 7.5k well there similar to the
14 development that we are both proposing from a lateral link
15 standpoint in Spicy Chicken. For the Second Bone shale,
16 given there was nearby analog, I referenced the other
17 analogous units that we have recently and historically
18 drilled in what we call our Jude area, which is further east.
19 That includes the very, very good Moran development that
20 Chris Cantin referenced earlier. That primary analog was
21 tied to the Robin well that we drilled, which was
22 co-developed with the First Bone, similar to what we plan in
23 Spicy Chicken. Lastly, for the Avalon I have a type curve
24 validation slide that uses the same or similar methodology
25 that Avant uses for spacing, as well as the base case well

1 that they claim is repeatable in the Avalon, which is the
2 Sandra Jean. And from a CAPEX standpoint, I utilized the
3 values within our AFEs.

4 Q. Can you also explain, for example, in this Exhibit
5 C5, you have a footnote that mentions, quote, actual results
6 may differ. What do you mean by that?

7 A. With any development it is challenging to predict
8 the exact outcome within a negligible margin, as any
9 reservoir engineer knows. If we were able to do that we
10 would not be here. I'd be sitting on a beach in Tahiti
11 drinking a Mojito because of all the money I made guessing
12 everything. So that's just a highlight. There is
13 variability in results, as you will see throughout the rest
14 of my slides.

15 Q. Thank you. So let's get back to kind of more
16 general matters. How many wells does Permian Resources
17 operate in the area surrounding Spicy Chicken?

18 A. Directly offset in our prolific Pakse unit, we have
19 19 wells across a number of benches. And then within a
20 hundred square mile radius we have another -- or we have a
21 total of 66 operated and active wells.

22 Q. And how is Permian Resources doing relative to other
23 operators in the area?

24 A. In line or better.

25 Q. And how does operating wells in the immediate

1 vicinity, those 19 wells immediately offsetting Spicy
2 Chicken, how does that help the efficiency of producing the
3 underlying reserves in the Spicy Chicken unit?

4 A. When developing Pakse we gained a lot of experience,
5 not only from an operational standpoint, but from a cost
6 standpoint. Given operations and costs are the two primary
7 drivers in any development plan, those two in tandem aided us
8 tremendously in our development plan for Spicy Chicken.

9 Q. So how does the Pakse development help with the
10 economics of the Spicy Chicken development?

11 A. Specifically, given we have drilled and have
12 operated those wells, we have an understanding of how the
13 rock performs during drilling operations, during completions
14 operations and during production operations. And as a
15 result, we know the costs that are tied to those and we are
16 able to aptly apply those to our subsequent unit.

17 Q. Does Avant have wells that are offsetting the Spicy
18 Chicken development?

19 A. Not active.

20 Q. When you say, "not active," do you mean not
21 producing?

22 A. Correct.

23 Q. And do you know if those wells have all been
24 permitted?

25 A. Not to my knowledge. I don't believe they have.

1 Q. Do you know how many rigs of Permian Resources is
2 running in New Mexico?

3 A. From what I could gather from public data, it looks
4 like one at their Quail unit.

5 Q. Do you mean Avant? That's Avant, has the Quail
6 unit.

7 A. Yes, correct.

8 Q. What about Permian Resources, how many rigs does
9 Permian Resources have?

10 A. It varies from time to time, but 9 to 12 generally,
11 depending on the area. We have a large acreage position.

12 Q. How many wells does Avant actually have operating
13 and producing in a hundred square miles of Spicy Chicken?

14 A. Zero horizontal wells, that I'm aware of.

15 Q. Let's look at your Exhibit C11. This was one of the
16 ones that Avant scrutinized yesterday. Can you explain to us
17 what this shows.

18 A. This is highlighting the degradation risk associated
19 with offsetting a Parent well at Pakse.

20 Q. Can you explain how you came up with the EUR here.

21 A. The EURs in the table are based on the type curves I
22 described before.

23 Q. And how did you come up with that 45 percent EUR
24 degradation?

25 A. The 45 percent EUR degradation was determined based

1 on the two wells highlighted on the left side of the screen.
2 Those are actual volumes on the top left table that is
3 normalized to 10,000 feet. And then I used decline curve
4 analysis to estimate the EUR, which is traditional for
5 reservoir engineering.

6 Q. What were the wells that you used for that graph at
7 the top?

8 A. The graph matches with the map on the bottom left.
9 Those were two Pakse wells, one Parent, one Child.

10 Q. And those are Permian Resources wells?

11 A. Yes.

12 Q. Let's look at your Exhibit C6. I think this was
13 another one that they took issue with yesterday. This talks
14 about the U-turn well optimization; is that correct?

15 A. That's correct.

16 Q. And does Avant plan on using in any U-turn wells in
17 this development?

18 A. No.

19 Q. Can you just briefly explain why U-turn wells, you
20 know, are beneficial when drilling nowadays.

21 A. U-Turn wells allow you to get creative with your
22 development plan and develop similar volumes of minerals at a
23 lower cost per lateral foot.

24 Q. Can you explain where you got that 25 percent
25 decrease in time on location and CAPEX?

1 A. Yes. As described in the bullet, it is a comparison
2 between two one-mile wells similar to what Avant is proposing
3 and one U-turn 10k well. These were pulled from our drilling
4 group based on actual results.

5 Q. And are you seeing a lot of just one-mile lateral
6 wells nowadays?

7 A. Less and less over time.

8 Q. And why is that?

9 A. They're inefficient.

10 Q. And are people replacing them with U-turn wells?

11 A. Yes.

12 Q. Have you reviewed the exhibits that were submitted
13 by Avant's engineer?

14 A. I have.

15 Q. What's your understanding of Avant's position in
16 these cases?

17 A. Drill as many wells as possible, and that's
18 essentially it.

19 Q. And have you provided rebuttal exhibits, which have
20 been marked as Exhibits C12 through C21?

21 A. Yes.

22 Q. And I just want to make sure, I think Avant has only
23 not objected to C12 and C13 rebuttal exhibits.

24 HEARING OFFICER CHAKALIAN: Let me look at my notes.
25 Permian at this point has A13, C13, and C14 admitted into

1 evidence.

2 MS. MCLEAN: Okay.

3 HEARING OFFICER CHAKALIAN: And the last witness
4 didn't have any rebuttals, that's why I asked.

5 MS. MCLEAN: Correct.

6 HEARING OFFICER CHAKALIAN: Does this witness have
7 rebuttal exhibits?

8 MS. MCLEAN: He does. They're Exhibits C12 through
9 C21.

10 HEARING OFFICER CHAKALIAN: Let me write that down.
11 So C12 through 21, and Avant has objected to all of them
12 except 13 and 14; is that right, Ms. Bennett?

13 MS. BENNETT: That's right.

14 HEARING OFFICER CHAKALIAN: And is Avant still
15 maintaining its objection to those other documents?

16 MS. BENNETT: To move the hearing along, Avant is no
17 longer objecting to those rebuttal exhibits. We find them
18 all objectionable, and I will ask Mr. Higginson questions
19 about them to show their irrelevance and that they're not
20 proper rebuttal. But to avoid a protracted discussion about
21 the admissibility, we will stipulate to the admission of all
22 the rebuttal exhibits.

23 HEARING OFFICER CHAKALIAN: Thank you.

24 MS. MCLEAN: Excellent.

25 HEARING OFFICER CHAKALIAN: Ms. Shollenbarger,

1 Permian's Exhibits C12 through C21 are all admitted into
2 evidence. Thank you, Ms. Bennett. Go right ahead.

3 MS. MCLEAN: Thank you. That will definitely help
4 shorten things. Let's go to your Exhibit C12. And I do want
5 to highlight this one, because we have heard quite a bit
6 about stranding, you know, the valuable Second Bone Spring in
7 the north half of Section 26 acreage. Can you just explain
8 what this exhibit shows.

9 A. This highlights the value that we are gaining over
10 Avant by developing the Second Bone shale, in addition to the
11 portion that they are stranding that is owned by Coterra, who
12 is supporting our proposals by the way.

13 Q. So by not including that extra half mile lateral
14 into the north half of Section 26, can you quantify how much
15 Avant is leaving behind?

16 A. Across the entire set of laterals, it's about \$20
17 million. Just within the stranded acreage, it's about \$7
18 million in PB10.

19 Q. And does that include royalties that would be paid
20 to the BLM in this instance?

21 A. Yes.

22 Q. Let's go to what's been marked as Exhibit C13. Can
23 you tell me what this shows.

24 A. This was in reference to one of the slides made by
25 Mr. Kelly, highlighting an immaterial difference in volumes

1 comparing the Pakse to the Cutbow. I essentially
2 back-calculated the volumes that he used, because part of
3 that process that he used was extrapolating hypothetical
4 Second Bone volumes. So I wanted to figure out how accurate
5 that was. And so, when I replicated the process I'm using a
6 similar methodology that they have highlighted in other
7 slides, I found the difference to be much more significant
8 than they highlighted originally.

9 Q. Thank you. Let's go to C14. I believe we looked at
10 this yesterday as well. What does this show?

11 A. This, once again, highlights the material nature of
12 these volume differences. In any development you need to
13 factor in the timing of when you get your cash flows, being
14 oil and gas revenue, and delaying that reduces your present
15 value significantly.

16 Q. Let's go to Exhibit C15. Can you explain what this
17 is.

18 A. Similarly to what we were discussing before, this is
19 further providing proof of the efficiency gains a number of
20 operators are gaining in New Mexico and how that's improved
21 over time, as well as highlighting the vast cost difference
22 between Avant and PR from a CAPEX standpoint.

23 Q. Where did you get the numbers in your table here?

24 A. These were pulled from AFEs.

25 Q. Avant's AFEs?

1 A. Both Avant and PR.

2 Q. And those were the original AFEs that they submitted
3 with their exhibits; is that correct?

4 A. That's correct.

5 Q. And then, let's just look at the bar chart that's on
6 the left. Can you tell me exactly what this bar chart is
7 showing?

8 A. I pulled this data from Enverus and this is
9 highlighting the efficiency gains PR and other operators
10 similar to PR are gaining by drilling longer.

11 Q. And Avant's only drilling the one-mile laterals in
12 the Second Bone Spring, correct?

13 A. Correct.

14 Q. So how does that impact the overall cost of the
15 project?

16 A. Increases it substantially. As you can see in the
17 difference rows, the cost difference between our two original
18 sets of AFEs are almost half.

19 Q. Thank you. Let's go to Exhibit C16. And this is
20 total volume comparisons. Can you tell me where you got this
21 information from?

22 A. So the original source of the majority of this
23 information was one of Shane Kelly's, Mr. Shane Kelly's
24 tables. So similarly to my other exhibit earlier on the
25 immaterial volume difference, I wanted to see the source of

1 the data. So I back-calculated the total volumes, given they
2 were trying to -- or they were showing us as producing
3 significantly lower volumes, not factoring in other benches
4 that we will develop in a different phase of development.
5 And for the Avalon specifically, given Mr. Kelly was not
6 explicit on how he broke out those volumes, I utilized the
7 same type curve that I showed in my type curve validation
8 slide for the Avalon, which is, in my opinion, an accurate
9 approach.

10 Q. And you mentioned the different phases of a
11 development, is that what you mean -- is the occupation
12 column the phases of development?

13 A. That is correct.

14 Q. So there's Phase 1, which Avant is planning to do
15 all Phase 1. And then there's Phase 1 and 2 and that shows
16 Permian Resources as developing the Bone Spring and the
17 shallow Wolfcamp in Phase 1, and then the Avalon and Wolfcamp
18 deep in Phase 2?

19 A. That is correct.

20 Q. So Permian Resources does intend at some point to
21 produce those targets?

22 A. That is correct. Assuming the risks associated are
23 not stark, that's why we want to delay.

24 Q. And what do the total volume comparisons show?

25 A. A very similar EUR difference in total with a

1 significantly lower CAPEX for PR.

2 Q. I think in the interest of time, because we don't
3 have to introduce each one separately, we can just go kind of
4 generally through Exhibits C17 through C21, which I believe
5 deal with the Avalon and the risk associated with that. In
6 your review of Avant's exhibits, did you see any mention of
7 risk associated with the Avalon development?

8 A. I don't believe I saw any mention of H2S at all.

9 Q. And do you believe, in your review of the exhibits,
10 that Avant has taken the potential for H2O -- sorry, H2S, in
11 consideration as part of this development?

12 A. From a cost standpoint, it was not evident. Based
13 on their testimony yesterday, there are some questions to be
14 raised on their ability to be ready for high levels of H2S.

15 Q. And so let's look at that cost standpoint first.
16 What did you review to determine if Avant had taken H2S into
17 account?

18 A. I compared their relative production casing cost by
19 bench.

20 Q. And was that from their first set of original AFEs?

21 A. It was.

22 Q. And did that take a considerable amount of time to
23 go through and determine?

24 A. Yes, there's a lot of data.

25 Q. What did you determine based on your review of their

1 original AFEs?

2 A. I determined there's significant risk at their
3 capital cost with drilling Avalon.

4 Q. And why is that?

5 A. Given the lack of delineation in the area, the
6 ability to effectively predict the exact outcome from EUR
7 standpoint is not necessarily possible at this current date.
8 Further, their costs do not necessarily -- or aren't
9 necessarily -- there's no guarantee their cost estimates
10 effectively capture the potential H2S concentrations.

11 Q. And why would cost estimates not take that into
12 account?

13 A. Could you rephrase the question.

14 Q. You said that you believe that their cost estimates
15 didn't show that they were taking the potential H2S into
16 account, so why would you look at the cost for something like
17 that?

18 A. Generally with high H2S wells, the production casing
19 is a higher cost relative to -- so in this case, you know,
20 the Avalon relative to the other benches from a cost per foot
21 standpoint would be expected to be significantly higher.

22 Q. Thank you. And I think we heard some mention
23 yesterday about the P110 casing versus P95; is that correct?

24 A. T95.

25 Q. Yes, sir. And which one is more expensive?

1 A. In our experience, T95 is roughly 30 percent more
2 expensive per foot.

3 Q. Does Permian Resources believe that the P110 casing
4 is sufficient for this area?

5 A. No. According to NACE, the National Association of
6 Corrosion Engineers in tandem with the ISO, the International
7 Organization of Standards, they are two organizational bodies
8 that put together committees on essentially guidelines for
9 different topics. In this case, metallurgy. They have an
10 exhibit MR0175 that highlights the risks associated with high
11 H2S in carbon steel, which was specifically noted by Mr.
12 Kelly yesterday, carbon steel production casing. Those risks
13 are associated with -- tied to a -- essentially that's the
14 gist of it.

15 Q. Has Permian Resources reviewed other developments
16 in its attempt to determine whether P110 casing is sufficient
17 for high H2S environments?

18 A. We look at a number of different units every time we
19 plan a development to properly factor in any external well
20 characteristics to then effectively plan for.

21 Q. I want to look at what we've marked as your Rebuttal
22 Exhibit C21. Sorry, it's C20. Is this one of the
23 developments Permian Resources reviewed when looking at
24 whether or not there would be H2S in Spicy Chicken?

25 A. Yes, as this is one of the most proximal Avalon

1 wells to Spicy Chicken.

2 Q. And what did you find here?

3 A. I found that they used P110 in their well that was
4 promptly shut in and later plugged within three years of POP.

5 Q. And what's your understanding of why that was shut
6 in and plugged?

7 A. Yesterday we heard that the assumption was strictly
8 tied to marketing. But given the dates, I suspect it was
9 more complicated than that. Although, marketing may have
10 been a factor, given they shut in the well and TA'd it for
11 multiple years ahead of plugging. It seemed like they were
12 waiting for some sort of potential -- you know, opportunity
13 to bring it back online. And when they plugged it, oil was
14 actually \$80, gas was \$6. In Avalon you produce a lot of
15 gas. So in an environment like that, assuming there was
16 nothing else wrong, a prudent operator would have put the
17 well back online, further highlighting there was probably
18 more going on than meets the eye.

19 Q. In your expert opinion, do you believe that the P110
20 casing could have been a factor here?

21 A. Potentially.

22 Q. And can you see from this, which is a publicly filed
23 document, that they used P110 casing?

24 A. Yes.

25 Q. And was this a high -- or is it your understanding

1 this is a high H2S environment?

2 A. I believe Mr. Harper called it significant
3 yesterday.

4 Q. And I think you said that this is the closest Avalon
5 producing well to the Spicy Chicken development; is that
6 correct?

7 A. I believe so.

8 Q. And is that why you believe in your expert opinion
9 P95 casing would be used by a prudent operator?

10 A. We use T95 casing, given the associated risks.
11 Because we want to maintain wellbore integrity while
12 maintaining surface safety and also not wasting money.

13 Q. In addition to the cost associated with H2S, can you
14 tell me what the other risks are if you do not account for
15 H2S properly?

16 A. I think the XTO well is potentially the perfect
17 example. It produced for three total months. It produced, I
18 believe, 380, give or take, barrels of oil. And at what I
19 can only assume was a substantial well cost. Even
20 referencing the AFEs that we have in front of us. So to get
21 essentially no revenue back from a huge capital cost, I would
22 consider economic waste. And with that in mind, Permian
23 Resources wants to make sure that we make the most data
24 driven decision ahead of development of the Avalon.

25 Q. Have you had a chance to review Avant's rebuttal

1 exhibits?

2 A. I have.

3 Q. Let's look at Avant's Rebuttal Exhibit B2. This
4 Rebuttal Exhibit B2 accompanies some of Mr. Harper's direct
5 testimony, which says that -- I think your Exhibit C4 is the
6 map on the right, correct?

7 A. I believe so.

8 Q. And Mr. Harper is using this to show that your
9 exhibit is based on overly narrow and intentionally
10 misleading comparison between Avant and Permian by limiting
11 what is depicted on your exhibit, to be based only on what
12 Avant has filed with the division. Do you remember reading
13 that?

14 A. I do.

15 Q. So can you tell me what your Exhibit C4, the one on
16 the right, which is -- you know, that was originally your C4,
17 it's now on Avant's Rebuttal Exhibit B2, what does that show?

18 A. This shows our understood operated acreage position.

19 Q. And why did you only include Avant Operating II on
20 your exhibit?

21 A. Because that is the current entity.

22 Q. And so all of the wells that we've seen, you know,
23 producing that Avant has been talking about during this
24 hearing, who are those wells operated by now?

25 A. Coterra.

1 Q. When did Coterra begin operating those wells?

2 A. January 1st, 2025, or around then, was the effective
3 date of the deal, as far as I understand.

4 Q. So really those have been under Coterra's control
5 for the last, like 16 months?

6 A. Something like that.

7 Q. So the one on the left, that's Avant's new depiction
8 in their Rebuttal Exhibit B2. Do you agree with this
9 representation?

10 A. Not based on the current Avant entity.

11 Q. And in your exhibit, the yellow one on the right,
12 does Avant -- or does Permian Resources actually have
13 operations and producing wells on this exhibit?

14 A. There are many operations and producing wells,
15 including active permits across this acreage position.

16 Q. And about how much of the percent of the yellow do
17 you think is actually operated and producing?

18 A. In the 90 percent range, in the zoomed in. It's
19 more variable in the entirety of New Mexico.

20 Q. For Avant I or II, I think they call out on their
21 exhibit that their actual operations are in the dashed black
22 outline; is that correct?

23 A. That includes historic operations as well, I
24 believe.

25 Q. So it's not currently producing Avant acreage.

1 A. I think it's a mix of different vintages of wells,
2 some of which are now operated by Coterra.

3 Q. Let's go to Avant's Rebuttal Exhibit C1. And in
4 that first bullet point underneath the graphs it says, that
5 Permian Resources assumes approximately 45 percent EUR
6 degradation with no supporting analog performance. Do you
7 agree with that?

8 A. No. As we've gone over earlier, there's a clear
9 analog that I pointed out at Pakse.

10 Q. And did you include that in one of your exhibits?

11 A. Yes.

12 Q. So you believe Pakse would be -- is the analog for
13 this?

14 A. Pakse provides critical detail for any Spicy Chicken
15 development plan.

16 Q. And what does Avant use as an analog?

17 A. Repeatedly Cutbow.

18 Q. And do you think that's analogous?

19 A. Not in every bench.

20 Q. Why not?

21 A. Because rock changes greatly in the sand ridge
22 position.

23 Q. And what about the Matador, Gavilon and Silver that
24 are in their picture up there?

25 A. I believe those are in lower quality rock.

1 Q. So would they be proper analogs?

2 A. Not in my opinion.

3 Q. And then let's go to that second bullet point. It
4 says there's no material Parent-Child degradation observed in
5 Cutbow. Do you agree with that?

6 A. I believe it's not as cut-and-dry as that statement
7 shows. So essentially First Bones were developed in two
8 phases. The eastern three were First. The western two were
9 Second. There was a very short pop-to-pop gap, if I remember
10 correctly, limiting the amount of cumulative volume offset
11 that would impact the Child well. Additionally, the
12 targeting between the two sets of wells was slightly
13 different. The western two wells were slightly shallower,
14 increasing the distance between Parent and Child.

15 Q. And on their chart here they also try to show that
16 five wells per section is better than four wells per section.
17 Do you agree with that?

18 A. I do not. I believe this plot is misleading, for a
19 number of reasons.

20 Q. And why do you think it's misleading?

21 A. Firstly, as I touched on earlier, I do not believe
22 the wells -- or the rock is analogous. Secondly, as noted by
23 one of my colleagues yesterday, I believe the total -- or the
24 graph on the top -- on the bottom right, excuse me, is
25 showing total unit cumulative volume. So even assuming the

1 rock was identical and the average well results were
2 identical, the five well per section unit would be higher on
3 that plot.

4 Q. Let's look at Avant's Rebuttal Exhibit C2. Do you
5 agree what Avant has set out on this slide?

6 A. I do not, for a number of reasons.

7 Q. Can you just tell me what those reasons are.

8 A. Bullet point one, similar to the last slide,
9 highlighting a lack of supporting analogues. There is a
10 Pakse well directly offset that highlights that degradation.
11 Bullet point two, the 500 MBO produced is misleading, as it
12 assumes the total volume produced from all three Parent wells
13 is impacting the Child. In reality, it's a portion of that.
14 The legacy Parent that they are pointing out that's 1,500
15 feet away, I believe only produced somewhere in the 200 to
16 250 MBO range. Further, the Child well performs in line with
17 an undepleted well, I do not agree with that. As you can see
18 on the plot on the right, the gap between the blue and green
19 lines is material.

20 Q. And has there already been a depletion impact
21 observed?

22 A. It appears that way.

23 Q. Let's go to Avant Rebuttal Exhibit C3. Do you agree
24 with this slide?

25 A. No.

1 Q. Can you just walk me through why not.

2 A. As our expert geologist highlighted, the rock
3 quality is not analogous in Dagger State or Anderson.
4 Additionally, the sequencing of development in the Dagger
5 State is not a fair comparison, giving it was developed in
6 multiple rounds.

7 Q. So do you believe that these are proper analogs for
8 the Spicy Chicken?

9 A. I do not.

10 Q. Let's go to Avant's Rebuttal Exhibit C5. And I
11 think this is the one that is in question about being
12 introduced and I just wanted to use it.

13 HEARING OFFICER CHAKALIAN: I'm sorry, what did you
14 say?

15 MS. MCLEAN: Avant's Rebuttal Exhibit C5. This is,
16 you know, the hot Spicy Chicken in the room, I guess you
17 would say. And I just wanted to use this as a demonstrative
18 at this point to kind of walk through why we believe it's not
19 proper rebuttal and why, you know, we would need to have seen
20 those AFEs in advance.

21 HEARING OFFICER CHAKALIAN: Then I need to make a
22 ruling on this at this point.

23 MS. MCLEAN: Well, it's just for demonstrative.

24 HEARING OFFICER CHAKALIAN: I still need to make a
25 ruling on it. I might as well make a ruling on it now.

1 Exhibit C5. Ms. Bennett, what is Exhibit C5?

2 MS. BENNETT: Exhibit C5 is the comparison between
3 Avant's revised AFEs and Permian Resources revised AFEs.

4 HEARING OFFICER CHAKALIAN: And this was filed when?

5 MS. BENNETT: That was filed on Monday, by noon.

6 HEARING OFFICER CHAKALIAN: Okay. Your objection to
7 this exhibit is what?

8 MS. MCLEAN: Our objection to this exhibit, well, it
9 was initially that we did not have backup for this rebuttal
10 slide to make the comparison and then -- at this point now
11 we're objecting to introducing new AFEs, because they are not
12 proper rebuttal. But what I would like to do is be able to
13 ask our engineer about -- you know, if he had the opportunity
14 to actually review all of the AFEs and all that, because I
15 think we need to get that into the record if we're going to
16 be able to get those AFEs introduced and us to be able to
17 cross him.

18 HEARING OFFICER CHAKALIAN: Well, I have to figure
19 out first what to do with Rebuttal Exhibit C5, and then I
20 have to rule on the objection through the revised exhibits.
21 I'm very comfortable with the decision I've made and I'm
22 going to explain it in length. I'm going to allow Rebuttal
23 Exhibit C5 into evidence, for whatever it's worth. And Mr.
24 McClure is well versed at putting the weight he thinks the
25 exhibit deserves based on its reliability and relevance.

1 However, I'm not going to allow the revised AFEs into
2 evidence. So I'm going to sustain the objection, but I'm
3 going to explain why. First of all, it's part of my ruling
4 that the prehearing order is clear and mandatory and binding.
5 I'm not going to go into why I feel that way, but it is.
6 Second of all, I don't believe AFEs are peripheral. I think
7 they're core. I think they're core evidence in a compulsory
8 pooling, and so does the rule. This I can actually find in
9 the rule under 19.15.4.12(A)(1)(b)9. It requires a copy of
10 the AFE. The applicant, if appointed operator, will submit
11 to the well interest owners. So everyone is on notice and I
12 think that's why Ms. Bennett said this is not customary the
13 way Avant did this. They knew it was a core element to the
14 application. Not only that, but it's not even legitimate
15 rebuttal evidence. I just think it's untimely affirmative
16 evidence and I'll explain that a little bit more. Permian
17 disclosed its revised AFEs timely. I'm going to go with what
18 Ms. Bennett said, April 10, even though you have --

19 MS. BENNETT: That don't count me on that. Also
20 that's my brother's birthday, so maybe it's...

21 HEARING OFFICER CHAKALIAN: All right. Even though
22 Permian produced its revised AFEs to Avant on April 10, Avant
23 had an opportunity to prepare and file its own revisions or
24 even a full response by the April 15 deadline. Instead, it
25 waited until April 20 to file a summary table. And then, for

1 lack of a better word, dumped 95 pages of detailed data at
2 8:00 p.m. last night. I mean, rebuttal is limited to
3 responding to evidence that could not reasonably have been
4 anticipated. Here the need to respond was known and
5 foreseeable. I also don't find the cure to be helpful.
6 Giving Permian time to review the argument doesn't cure a due
7 process violation. I think administrative due process
8 requires meaningful notice and an opportunity to prepare and
9 respond, not to a last minute data dump. So it may seem
10 harsh to Avant, but I'm not going to allow in the revised
11 AFEs. Their proposal plan will, I guess sink or swim for lack
12 of better word, on this Rebuttal Exhibit C5, which I am
13 admitting into evidence. With that, please continue.

14 MS. MCLEAN: Thank you. So Avant's Rebuttal Exhibit
15 C5, have you reviewed this?

16 A. In a cursory fashion.

17 Q. And I just want to draw your attention to one of the
18 bullet points here. It says that the new Permian Resources
19 AFEs, the ones that we included with our exhibits, were
20 incorrectly based on three-string casing design, despite
21 federal requirement for four-string casing in Spicy Chicken.
22 Do you see that?

23 A. I do.

24 Q. And were the AFEs that were sent out, did that show
25 three-string casing?

1 A. That's correct.

2 Q. Can you tell me what happened there?

3 A. So essentially the source of the CAPEX numbers on
4 the Permian Resources side is originally an Excel sheet,
5 during file conversion, because of a formatting issue,
6 somehow one of the casing strings was kicked out, leaving us
7 to three string and a roughly \$200,000 difference per well,
8 which is about three percent.

9 Q. And when you did the AFE summary table -- let's go
10 to your Exhibit C7. This was one of your original exhibits
11 and this shows a comparison between the AFEs that Avant has
12 as an exhibit and Permian Resources AFEs; is that correct?

13 A. That's correct.

14 Q. Is this, Exhibit C7 and the costs that are set out
15 in your Exhibit C7, based on three- or four-string casing?

16 A. These are based on four string, as are the rest of
17 my economics throughout the presentation. As I work directly
18 from the original Excel sheet when I was putting those
19 together.

20 MS. BENNETT: Objection, Mr. Hearing Examiner. This
21 is the exact same issue that Permian is complaining about
22 Avant, that Avant did not include its AFEs. And what I hear
23 Mr. Higginson testifying to is that the revised AFEs that
24 Permian provided are inaccurate and that he then used his own
25 costs to create exhibits, for which Avon would have had no

1 information in the record. So what's good for the goose is
2 good for the gander, in my opinion.

3 HEARING OFFICER CHAKALIAN: So what's the basis of
4 the objection?

5 MS. BENNETT: The basis of the objection is the same
6 ruling that you made just a moment ago, that it's irrelevant
7 or untimely and doesn't reflect the actual material in the
8 record. So PR's AFEs in the record do not reflect what's
9 shown on exhibit -- I can't see the exhibit number here. C7.

10 HEARING OFFICER CHAKALIAN: What exhibit number are
11 we talking about?

12 MS. MCLEAN: We're on his initial Exhibit C7.

13 MS. BENNETT: My understanding from Mr. Higginson is
14 that this exhibit is based on information only he had,
15 because it's representative of four-string casing and the
16 AFEs that Permian provided in the materials are based on
17 three-string casing. So there's no way that Avant could have
18 done an accurate comparison between what's in the record and
19 this exhibit, because the materials in the actual filed AFEs
20 do not reflect the information in the C7.

21 HEARING OFFICER CHAKALIAN: Okay. I'll come to you
22 in just a moment. So let's see, we've admitted C7 into
23 evidence, right?

24 MS. BENNETT: Yes.

25 HEARING OFFICER CHAKALIAN: This is C7 here.

1 MS. BENNETT: Correct.

2 HEARING OFFICER CHAKALIAN: And what is your
3 question to this witness about C7 that you just asked?

4 MS. MCLEAN: My question about C7 was, in Avant's
5 Rebuttal Exhibit C5.

6 HEARING OFFICER CHAKALIAN: Which I just let in.

7 MS. MCLEAN: Which you just let in. They have a
8 bullet point that says that our calculations in our AFE
9 summary table, which they're directly comparing in their
10 Exhibit C5, are incorrect and based on three-string casing.
11 So what I asked him was, was your AFE summary table actually
12 based on four-string casing, which he has said yes.

13 HEARING OFFICER CHAKALIAN: And that's where you
14 objected.

15 MS. BENNETT: Yes.

16 HEARING OFFICER CHAKALIAN: Because?

17 MS. BENNETT: Because there are no AFEs that Permian
18 filed that reflect four-string casing.

19 HEARING OFFICER CHAKALIAN: I understand. I got it
20 the first time, so you don't have --

21 MS. BENNETT: Oh, I'm sorry. I thought you were
22 asking me to restate my objection.

23 HEARING OFFICER CHAKALIAN: I got it the first time.
24 So then, the objection isn't to the question itself. It's
25 not to the answer. The objection is now, hey, we have a

1 document here, that you feel is unreliable because it's based
2 on the wrong type of casing, let's just say, three string,
3 four string, whatever it is. That's your objection.

4 MS. BENNETT: No, my objection really is that it's
5 based on data that was never provided to Avant.

6 HEARING OFFICER CHAKALIAN: Which data are you
7 talking about?

8 MS. BENNETT: In the revised AFEs. Permian's
9 revised AFEs do not include this information.

10 HEARING OFFICER CHAKALIAN: Permian's revised AFEs
11 do not take into consideration the four string or the three
12 string?

13 MS. BENNETT: The four string.

14 HEARING OFFICER CHAKALIAN: The four string. So
15 you're saying it's inaccurate. So why can't you bring that
16 out during cross-examination for the technical examiner?

17 MS. BENNETT: I will definitely do that.

18 HEARING OFFICER CHAKALIAN: I know you're going to
19 do it. So I'm not sure what the objection is at this point,
20 because I don't have an evidentiary objection to rule on.
21 We've admitted this here. She's asking a question of it.
22 The answer just illuminated the fact that the data in the
23 revised AFEs may not be accurate, you've obviously pointed
24 that out. Ms. McLean, do you have something to say about all
25 this?

1 MS. MCLEAN: Of course.

2 HEARING OFFICER CHAKALIAN: Of course. So what is
3 it?

4 MS. MCLEAN: I think that the AFEs that we submitted
5 are the AFEs that we submitted. What we're trying to show is
6 that the summary table that Avant has included as Rebuttal
7 Exhibit C5 has the correct data to compare, and that they say
8 that it's only three-string casing. In our AFE summary
9 table, Exhibit C7, it's actually four-string casing. They
10 have used our AFE summary table to make their Exhibit C5. So
11 it's not like they're even relying on our AFEs for that
12 information. We're just trying to show that their bullet
13 point on Exhibit C5 is not correct.

14 HEARING OFFICER CHAKALIAN: Ms. Bennett, I'd like to
15 turn -- I don't want you to change this exhibit that's on the
16 screen. I'm going to go to your C5 rebuttal exhibit. I just
17 have to find it. Ms. McLean and Ms. Bennett, would you also
18 please look at C5 with me for a moment. Okay, I have it
19 here, it's the last page. Literally the last page of Avant's
20 exhibits. AFE rebuttal slide two. Is this the document that
21 we're looking at?

22 MS. BENNETT: Yes, it is.

23 HEARING OFFICER CHAKALIAN: Okay, it is. Ms.
24 McLean, are you looking at this document?

25 MS. MCLEAN: Yes.

1 HEARING OFFICER CHAKALIAN: Okay. So there's a
2 bullet point here, three bullet points. New PR AFEs
3 incorrectly based on three-string case design, despite
4 federal requirement of four-string casing in Spicy Chicken.
5 And the question to your witness was, is this bullet point
6 correct, basically.

7 MS. MCLEAN: And he said --

8 HEARING OFFICER CHAKALIAN: And he said no.

9 MS. MCLEAN: No, he said, "yes, our AFEs are wrong."
10 And then I asked him, "could they have showed three-string
11 casing?" And then I asked him, "did you use those AFEs to
12 come up with your Exhibit C7," which is the AFE summary
13 table, and he said, no, he used the Excel spreadsheet. Then
14 I asked, "Does the Excel spreadsheet take into account the
15 four-string casing?" And he said, "yes."

16 HEARING OFFICER CHAKALIAN: So then, in other words,
17 Avant's witness -- which witness created C5?

18 MS. BENNETT: Kelly.

19 HEARING OFFICER CHAKALIAN: Kelly. He's here, isn't
20 he?

21 MS. BENNETT: He is.

22 HEARING OFFICER CHAKALIAN: Mr. Kelly, you spotted
23 this problem basically with the AFEs.

24 MR. KELLY: Yes.

25 HEARING OFFICER CHAKALIAN: Okay, fine. And that's

1 why you put this bullet point here saying that, hey, these
2 are incorrectly based on three strings, and you're basically
3 acknowledging that your what, original AFEs or your revised
4 AFEs are revised?

5 MS. MCLEAN: Our revised AFEs.

6 HEARING OFFICER CHAKALIAN: Are incorrectly...okay.
7 Okay.

8 MS. MCLEAN: But what's in this summary table, which
9 is derived from our C7 is correct.

10 HEARING OFFICER CHAKALIAN: So what exhibit are your
11 revised AFEs, so we can talk about them properly?

12 MS. MCLEAN: Those are All.

13 HEARING OFFICER CHAKALIAN: Your Exhibit All.

14 MS. MCLEAN: Correct.

15 HEARING OFFICER CHAKALIAN: Now, is All based on
16 three string or four string?

17 MS. MCLEAN: It shows three string.

18 HEARING OFFICER CHAKALIAN: It shows three string.
19 So then, what your witness is saying now is that those
20 numbers are unreliable.

21 MS. MCLEAN: Yeah, they're going to have to send out
22 new ones at some point, yes.

23 HEARING OFFICER CHAKALIAN: Now I understand Ms.
24 Bennett's -- it wasn't really an objection, but her comments.
25 Ms. McLean, how do you -- I'm going to ask you, how do you

1 propose to deal with this, before you go on to any questions,
2 and I'm going to ask Ms. Bennett how she proposes to move
3 forward with this, because at this point we have revised
4 AFES, even though timely submitted, they have a flaw to them.
5 How do you propose to move forward at this point?

6 MS. MCLEAN: I propose to ask him -- well -- oh,
7 shoot. He's already testified that it would be an additional
8 200,000 per well on the AFEs. What I had asked him here was,
9 if this Exhibit C7 is what the actual costs are anticipated
10 to be and that's what he had -- what Mr. Kelly put in this
11 Exhibit C5. What's in Exhibit C5 and C7 is actually higher
12 than the AFEs that were submitted as exhibits, right. And
13 he's going to just do a comparison between Permian and Avant
14 and then Avant's original AFEs and what they show on this
15 table, since now it's been allowed in.

16 HEARING OFFICER CHAKALIAN: Right. Based on round
17 gross number.

18 MS. MCLEAN: Exactly.

19 HEARING OFFICER CHAKALIAN: So the parties seem to
20 be in the same place at this point.

21 MS. BENNETT: That's my point, yes.

22 HEARING OFFICER CHAKALIAN: Thank you. So the
23 parties are now literally in the same place. Now,
24 ultimately, Ms. McLean, to be fair to both parties, we have
25 to make a decision on whether to accept any revised AFEs,

1 accurate or untimely, because they were untimely, there's no
2 question about it. That doesn't change my ruling that I made
3 before. Or none, and just go with round numbers, because
4 you're saying that this exhibit -- why do I go by what you're
5 saying. Mr. Higginson, did you prepare -- and I think it
6 says C7 up at the top. Did you prepare a C7?

7 MR. HIGGINSON: I did.

8 HEARING OFFICER CHAKALIAN: Okay, fine. And is C7
9 prepared under your control?

10 MR. HIGGINSON: Yes, sir.

11 HEARING OFFICER CHAKALIAN: Okay, fine. And does C7
12 accurately depict the revised AFES using a four-string
13 casing?

14 MR. HIGGINSON: Yes, this table identifies our CAPEX
15 with a four-string casing.

16 HEARING OFFICER CHAKALIAN: I think Mr. McClure
17 said, are you also comparing your revised four-string casing
18 AFES with Avant's revised AFES or their original AFES?

19 MR. HIGGINSON: This is a comparison to their
20 original four-string AFES to remain apples to apples.

21 HEARING OFFICER CHAKALIAN: Not the revised table
22 that they provided with their rebuttal C5.

23 MR. HIGGINSON: Correct.

24 HEARING OFFICER CHAKALIAN: Have you looked at their
25 rebuttal C5? Oh, I know you answered that, you said --

1 MR. HIGGINSON: A little bit, yeah. I was up very
2 late and that was a lot of data.

3 HEARING OFFICER CHAKALIAN: No, the revised table,
4 the rebuttal --

5 MR. HIGGINSON: Oh, yes, yes. I've seen that, yes.

6 HEARING OFFICER CHAKALIAN: You have seen --

7 MR. HIGGINSON: Correct. Just not the detail
8 associated with it.

9 HEARING OFFICER CHAKALIAN: I understand that. So,
10 Ms. McLean, if we are going to do a summary table of AFEs,
11 isn't it fair to have Avant's revised summary from their
12 rebuttal C5 being compared to your revised four-string
13 numbers?

14 MS. MCLEAN: That's what we're doing now.

15 HEARING OFFICER CHAKALIAN: You are doing --

16 MS. MCLEAN: They haven't been able to do that yet.

17 HEARING OFFICER CHAKALIAN: That's fine and I'm okay
18 with that, but I thought your witness just told me that this
19 table does not compare to the Avant Rebuttal Exhibit C5
20 numbers.

21 MS. MCLEAN: I don't want him to actually compare
22 anything. I just wanted to show that Avant got these numbers
23 on their Rebuttal Exhibit C5 from our AFE summary table C7,
24 which is our Exhibit C7, but then I was cut off from doing
25 anything.

1 HEARING OFFICER CHAKALIAN: Then we have a problem
2 then with Exhibit C7, because it's not a fair comparison at
3 this point.

4 MS. MCLEAN: It's comparing what they had in their
5 exhibits and then now because we have their Exhibit C5, we're
6 going to use that C7 to compare with their C5, that's
7 intention.

8 HEARING OFFICER CHAKALIAN: This exhibit will need
9 to be revised. C7 will need to be revised to be accurate.

10 MS. MCLEAN: I mean, I guess we could revise it to
11 put in the actual -- the AFE numbers.

12 HEARING OFFICER CHAKALIAN: The revised AFE --

13 MS. MCLEAN: The revised -- but that -- but I don't
14 -- I hesitate to do that, because this is what Mr. Higginson
15 created based on their AFEs and I think just using their C5,
16 which has their new numbers, would be more accurate.

17 HEARING OFFICER CHAKALIAN: But Mr. Higginson is
18 comparing Avant revised figures that were pointed out by --
19 let me start over. Mr. Higginson is using Permian's revised
20 AFEs once he learned from Mr. Kelly that they were based on
21 the wrong casing, but he's not using the revised AFE numbers
22 that were submitted on Monday in this chart.

23 MS. MCLEAN: Right, because this was submitted
24 before that.

25 HEARING OFFICER CHAKALIAN: I understand.

1 MS. MCLEAN: I think there's a little bit of
2 disconnect. Mr. Higginson did not realize that the Excel
3 spreadsheet and the PDF that Permian Resources had, did not
4 match until we saw Exhibit C5.

5 HEARING OFFICER CHAKALIAN: With the bullet points.

6 MS. MCLEAN: Yes.

7 HEARING OFFICER CHAKALIAN: I understand. Let me
8 ask Mr. McClure a question. Mr. McClure, do you find this
9 Exhibit C7 to be helpful the way it is or would you want it
10 revised to show Avant's numbers that I'm allowing in on their
11 Exhibit C5?

12 MR. MCCLURE: Well, I see what your concern is,
13 because essentially this is apples to oranges, I would say,
14 in this comparison.

15 HEARING OFFICER CHAKALIAN: Right.

16 MR. MCCLURE: I almost wonder if maybe the best
17 route would be is just to strip the other operator's numbers
18 from it and to have Permian's numbers and then we'll use the
19 Rebuttal Exhibit C5 for Avant's numbers.

20 HEARING OFFICER CHAKALIAN: Let me ask the parties.
21 Ms. Bennett.

22 MS. BENNETT: That seems workable to us. I think it
23 doesn't cure the issue that the AFEs that they provided in
24 their materials are inaccurate and probably should be
25 stricken as well. And those AFEs will also have to be resent

1 to the working interest owners to show four-string casing.
2 So while it might cure the issue for this particular exhibit,
3 it still leaves the issue of having inaccurate AFEs in their
4 hearing materials.

5 HEARING OFFICER CHAKALIAN: Does that argument not
6 then do the same thing for yours?

7 MS. BENNETT: Yeah, we're fine having our original
8 AFEs stricken from the exhibit packet. My main point is, I
9 appreciate that the Division is finding common ground here
10 and I definitely appreciate that. So the solution you're
11 proposing works for comparing apples to apples, and I
12 appreciate that. That's all I'm going to say about that.

13 HEARING OFFICER CHAKALIAN: Not knowing enough about
14 when AFEs need to be provided to the actual mineral interest
15 owners, although I thought you said yesterday that -- maybe
16 someone said yesterday, that that's at the time the well is
17 drilled or...

18 MS. MCLEAN: I think Ms. Bennett said that they
19 provide them again at the time.

20 HEARING OFFICER CHAKALIAN: That's it.

21 MS. MCLEAN: With the new elections that are sent
22 out after the pooling order.

23 HEARING OFFICER CHAKALIAN: That's what I remember.
24 That is what you said.

25 MS. BENNETT: Yes, that's what I said, but I was

1 also referring to your ruling earlier today when you said
2 that having AFEs is a core element of an affirmative case.
3 And I just looked back at the rule and it says that the AFEs
4 are those that will be provided to the working interest
5 owners and the AFEs that Permian has included in its
6 materials -- even if they were provided to the working
7 interest owners, they're no longer the ones that need to be
8 provided to the working interest owners, because they
9 don't reflect four-string casing.

10 HEARING OFFICER CHAKALIAN: That may very well be
11 the case and that seems an issue between Permian and the
12 working owner interest. I don't feel like that's my job
13 there. I feel like my job is to make sure that Mr. McClure
14 has accurate data to make a judgment on who he's going to
15 award the compulsory pooling order. So in that respect, I
16 find -- I've allowed in your rebuttal C5, even though it has,
17 you know, round numbers, and I will -- you know, you admitted
18 C7, but I have a problem now with C7, Permian C7, because
19 it's got numbers on here that I don't think is fair to Avant.
20 So I agree with Mr. McClure, I think the way to move forward
21 with this is to allow your revised numbers to come in, in
22 this sort of fashion, summary fashion, however you want to
23 call it, but remove Avant's part of the table here, that
24 would be rows 1, 2, 3 and 4 here.

25 MS. MCLEAN: Whatever would help Mr. McClure, we're

1 fine with doing.

2 HEARING OFFICER CHAKALIAN: So if you remove the
3 first four rows and only have Permian Resources, then I think
4 we've struck a good balance on how to be fair to both
5 parties. Now, what are you going to do about your AFEs, Ms.
6 McLean, because they're not accurate anymore?

7 MS. MCLEAN: Well, you know, those are what they are
8 and they're in the exhibits. If we're awarded operatorship,
9 we will do like we always do and send updated costs.

10 HEARING OFFICER CHAKALIAN: And you have your
11 original AFEs in the record. And Mr. McClure is well aware
12 now that your original AFEs are not your revised AFEs. He
13 has your numbers from C5, which you filed -- the way filed
14 them, and he now knows that Permian's are not accurate
15 either. So actually what you're saying, Ms. McLean, and
16 maybe your witness is saying, I don't know, is that these
17 numbers are actually inflated -- too inflated. They actually
18 should be lower, is that what you're saying? They're based
19 on three and not four or is it the other way around?

20 MS. MCLEAN: The other way around.

21 HEARING OFFICER CHAKALIAN: They're too low?

22 MS. MCLEAN: No, no, no, no. The ones that we have
23 in our table --

24 HEARING OFFICER CHAKALIAN: Not the table. I'm
25 talking about the documents. You know how you said you had

1 125 pages of AFEs.

2 MS. MCLEAN: Yeah, yeah.

3 HEARING OFFICER CHAKALIAN: Are the revised AFEs too
4 high or too low?

5 MS. MCLEAN: I think Mr. Higginson should answer. I
6 don't want to test -- I don't think it's proper for me to
7 testify.

8 HEARING OFFICER CHAKALIAN: Mr. McLean knows that
9 they're wrong, basically. And maybe he'll ask the question
10 to Mr. Higginson, your witness. So why don't you go on with
11 your questioning, and we didn't have an objection to the
12 actual question itself, but we needed to work out all of this
13 other...

14 MS. MCLEAN: Okay, I'll go back to that Avant
15 Rebuttal Exhibit C5. Have you reviewed Avant Rebuttal
16 Exhibit C5?

17 A. I have.

18 Q. And based on your review, did you determine the cost
19 difference between what's in this table and what Avant had
20 originally submitted for AFEs?

21 A. Roughly.

22 Q. And what was that?

23 A. Around 19 percent reduction in total costs.

24 Q. Do you know when Avant's original AFEs went out?

25 A. Not off the top of my head.

1 Q. I think yesterday they testified they were in
2 October of last year. And this table was given to us on
3 Monday, correct?

4 A. As far as I'm aware.

5 Q. Have you seen a 19 percent change in cost within
6 that period of time before?

7 A. It seems somewhat abnormal.

8 Q. And why is that?

9 A. Because that's a large change in a short amount of
10 time.

11 Q. And what's the difference between Permian Resources
12 original AFEs and the lump sum numbers that are set out in
13 Exhibit C5?

14 A. The delta is close to half of the Avant delta.

15 Q. So like eight percent?

16 A. 11-ish. It varies by bench.

17 Q. This shows a significant and somewhat out of the
18 ordinary price adjustment for Avant?

19 A. You could consider it out of ordinary.

20 Q. Yesterday Avant talked about Pakse and how
21 successful Permian Resources wells have been there and how
22 they're using that for their well layout here in Spicy
23 Chicken. Can you tell us why Permian Resources isn't just
24 completely replicating the layout of Pakse here in Spicy
25 Chicken?

1 A. Because it wasn't the optimal Gun Barrel and we've
2 learned a lot since then.

3 Q. Would you just say what Mr. Cantin said in terms of
4 like, what lessons learned from Spicy Chicken? From Pakse
5 and Spicy Chicken.

6 A. What specifically?

7 Q. In terms of replicating the layout and why you're
8 developing it the way you are.

9 A. Our plan, Spicy Chicken Gun Barrel we believe is
10 optimal for a number of reasons. It builds upon extensive
11 knowledge in the area, especially nearby at Pakse. Obviously
12 we are not copy pasting it because, like I said, that is not
13 the optimal Gun Barrel. And so based on our historic
14 learnings, we are going to apply those to improve our Spicy
15 Chicken development.

16 Q. In your opinion, will Permian Resources's
17 Development plan best prevent waste and protect correlative
18 rights?

19 A. Yes.

20 Q. And would Avant's plan result in waste and violate
21 Permian Resources and Coterra's correlative rights?

22 A. Yes.

23 Q. And can you please summarize the reasons.

24 A. Economics are the key driving point. They have a
25 pretty high density in benches that are offset pretty high

1 cumulative producing wells at Pakse. They are drilling wells
2 in the Avalon and Wolfcamp that are noted as step-outs.
3 Avant specifically noted their Sandra Jean and Lea unit as
4 step-outs, and this is even further away from core acreage.
5 And I believe they're not taking proper -- they're not
6 effectively assuming risk by going in this aggressively in
7 those benches.

8 MS. MCLEAN: Thank you. I have no further
9 questions.

10 HEARING OFFICER CHAKALIAN: Ms. Bennett.

11 MS. BENNETT: Thank you. Would it be possible to
12 take a short break before I start the cross, just to get some
13 water. My throat is just killing me.

14 HEARING OFFICER CHAKALIAN: Freya, can you grab some
15 water for Ms. Bennett.

16 MS. BENNETT: Thank you.

17 HEARING OFFICER CHAKALIAN: So she doesn't have to
18 stop, because we are going to break at 11:45.

19 MS. BENNETT: I appreciate that. Thank you, Freya.

20 EXAMINATION

21 BY MS. BENNETT:

22 Q. Good morning, Mr. Higginson.

23 A. Good morning.

24 Q. I apologize for my voice. If you can't hear me or
25 if you need me to repeat a question, please just let me know

1 and I'll do my best.

2 A. Will do.

3 Q. How long have you worked at Permian Resources?

4 A. Since November 2024.

5 Q. Did you work on the Pakse development?

6 A. I did not.

7 Q. How many Avalon wells have you been involved with in
8 drilling?

9 A. Two.

10 Q. And where are those two wells?

11 A. Our Aztec unit.

12 Q. Where is the Aztec unit?

13 A. Quite a few miles south of here. It's roughly near
14 the Dagger State that you guys have called out in some
15 exhibits.

16 Q. So that's your only Avalon experience?

17 A. Correct.

18 Q. Even though PR, Permian Resources, has had Avalon
19 wells drilled between the time that you started working at
20 Avalon and today?

21 A. Can you rephrase the question, please.

22 Q. Yes. When was the Permian Resources Batman well,
23 Avalon well drilled?

24 A. Batman Avalon?

25 Q. I'm sorry, First Bone, Second Bone Spring shale.

1 A. Over a year ago.

2 Q. You can disregard that question. My brain was
3 misfiring on that one. So I don't want to belabor the point,
4 but you understand now that your AFEs didn't show four-string
5 casing, I don't think we need to belabor that point.

6 A. The difference is marginal.

7 Q. \$200,000 per well.

8 A. Three percent.

9 Q. It's \$200,000 per well though, right?

10 A. Correct.

11 Q. Permian is only proposing two U-turn wells in the
12 Second Bone Spring sand; is that right?

13 A. Four wells per section spacing, correct.

14 Q. And Pakse has five wells per section; is that right?

15 A. It has six total Second Bone sand wells.

16 Q. So you're actually two off of Pakse then?

17 A. It appears so.

18 Q. And Avant is proposing five Second Bone sand wells,
19 right?

20 A. It appears that way, yes.

21 Q. Thank you. Actually, Avant is proposing less than
22 Pakse.

23 A. Correct.

24 Q. And so you're proposing even less than Avant is
25 proposing and that's only in Section 23, right?

1 A. Based on offset development, yes.

2 Q. And Section 23 is where Avant owns and controls more
3 than 90 percent of the working interest; is that right?

4 A. That would be a better question for my expert, Mark.

5 Q. You were present yesterday, weren't you?

6 A. I was.

7 Q. And did you hear the Avant witnesses testify that
8 they've had extensive Avalon and Wolfcamp experience?

9 A. I believe a lot of their experience tied to
10 Centennial and EOG. Centennial I don't believe drilled any
11 Avalons in this area and EOG's core acreage position is
12 pretty far away.

13 Q. Do you dispute that the AO I and the AO II teams are
14 the same?

15 A. I don't know.

16 Q. I want to start with your Exhibit C2. My computer
17 went to sleep, so give me just a second here and I'll wake it
18 up. Do you recognize this exhibit?

19 A. I do.

20 Q. The Avalon wells that you've identified in blue on
21 your DSU, do you see those?

22 A. I do.

23 Q. Those aren't on any pending applications pending for
24 the Division today, right?

25 A. I would not know that.

1 Q. When does Permian plan on drilling the Avalon wells?

2 A. When we can mitigate the risks that Avant is not
3 potentially taking into account.

4 Q. And when you say, "mitigate the risks that Avant is
5 not potentially taking into account," are you aware that
6 Avant has contracted with a sour gas takeaway company?

7 A. Based on what I heard yesterday, that is not a done
8 deal.

9 Q. Assuming it was a done deal, would you feel that
10 Avant's takeaway is appropriate?

11 A. I'd rather not assume.

12 Q. So you can't say one way or the other whether Avant
13 has actual plans in place?

14 A. Based on what I heard yesterday, it didn't sound
15 like they were a done deal.

16 Q. Do you have a done deal with Trace?

17 A. Well, it depends in what capacity.

18 Q. In any capacity.

19 A. We work with Trace.

20 Q. And does Trace take away sour gas?

21 A. For us not at Spicy Chicken currently.

22 MS. MCLEAN: Objection. This is going to be the
23 direct testimony, the takeaway situation for Mr. Clements,
24 who will be the next witness, he has several slides about
25 this, including specific as to Trace. So I don't think this

1 is really properly the subject of cross for this witness.

2 HEARING OFFICER CHAKALIAN: Ms. Bennett, are these
3 cross-examination questions based on the direct or rebuttal
4 testimony from this witness?

5 MS. BENNETT: Let me double check and see. And it's
6 completely fine if he says he doesn't know. I'm happy to
7 reserve the questions for someone --

8 HEARING OFFICER CHAKALIAN: I want to make a
9 ruling based on whether this is even within the scope of this
10 witness's direct or rebuttal testimony.

11 MS. BENNETT: It is the scope of his direct
12 testimony, because he has been testifying that Avant is not
13 properly prepared and that PR, Permian Resources, is properly
14 prepared to address sour gas. And so I believe that the
15 questions I'm asking are follow-up questions on his
16 comparison between the two operators.

17 HEARING OFFICER CHAKALIAN: Ms. McLean, did this
18 witness testify to what Ms. Bennett just said?

19 MS. MCLEAN: Yes, but as to the cost and the
20 materials used in the casing. And Mr. Clements is going to
21 testify as to the takeaway readiness.

22 HEARING OFFICER CHAKALIAN: I think they're fair
23 questions. If you don't have the answer, just say you don't
24 know, is the easiest. If you don't know, you don't know.
25 But I do think it's within the scope of your initial

1 testimony. But go ahead, Ms. Bennett.

2 MS. BENNETT: Thank you. On your Exhibit C2, you
3 show some lower Wolfcamp wells in blue. Do you see those?

4 A. Yes, I do, dark blue.

5 Q. Are those actually Wolfcamp wells or as your
6 geologist testified today, are those Upper Pen wells?

7 A. I will not claim which target it is. It was a crude
8 cartoon and I may have mislabeled it.

9 Q. So it could be inaccurate.

10 A. My cartoon could be inaccurate.

11 Q. Do you know when Permian plans on drilling those
12 blue wells?

13 A. Once we can reduce risk enough to safely develop
14 them and mitigate risks from an economic safety and
15 environmental standpoint.

16 Q. What are the safety risks associated with those blue
17 Wolfcamp wells?

18 A. It depends on the context of operations.

19 Q. So you haven't evaluated them yet?

20 A. In some capacity. There are exhibits that I show
21 with Avalon volumes and economics.

22 Q. I was asking about the Wolfcamp.

23 A. Oh, sorry. The Wolfcamp, we have looked at Wolfcamp
24 extensively across the Lea County area and currently don't
25 find it as a bench to develop in our first unit, due to the

1 lack of analogous nearby data.

2 Q. So do you know when Permian intends to develop that
3 bench?

4 A. Once we can reduce our risk in developing that
5 bench.

6 Q. And how about the -- to me they look pink, but if
7 they don't look pink to you, I understand that. But those
8 are what you're identifying as Upper Pen wells?

9 A. I'm not identifying them as Upper Pen wells. It's a
10 crude cartoon.

11 Q. Well, what are you upper identifying them as?

12 A. Deeper Wolfcamp wells. Or deeper wells, excuse me.

13 Q. And I'm definitely not trying to put words in your
14 mouth. I'm just trying to make sure we're talking the same
15 language here.

16 A. Yeah, this is more geology language.

17 Q. So on those deeper pink wells, do you know when
18 Permian intends to develop those?

19 A. No.

20 Q. I want to turn to your Exhibit C3 now. This is a
21 slide where you're comparing and contrasting Permian
22 Resources against peers in the area; is that right?

23 A. Roughly. Yes.

24 Q. Did you provide any backup data for any of the wells
25 that are on these slides?

1 A. In what form?

2 Q. A list of API, a list of rack components, prop and
3 used, lateral length, relative lateral length.

4 A. I did not.

5 Q. This Exhibit B -- or C3, does show that Cutbow is
6 doing quite well to the north, right?

7 A. Let's see. Yes, the volumes were pretty delayed,
8 but recent time it looks decent.

9 Q. And that's at five wells per section?

10 A. At slightly different targeting per -- First Bone
11 well, yes.

12 Q. And that's what Avant is proposing in its Spicy
13 Chicken well development plan, right?

14 A. I believe so.

15 Q. And yet, PR, Permian, is only proposing four wells
16 per section; is that right?

17 A. Due to our co-development planning with Sigma shale,
18 correct.

19 Q. Pakse is also on here. Do you think that Cutbow is
20 going to surpass Pakse in terms of development?

21 A. It's possible. As our expert Cantin, Chris Cantin
22 noted, that is some of the best First Bone rock in Cutbow.

23 Q. Turning to the next slide. This is still part of
24 your Exhibit C3. On this slide you're identifying Permian's
25 Second Bone Spring shale experience with your peers; is that

1 right?

2 A. Yes.

3 Q. And again, there's no backup data for this slide,
4 right?

5 A. That is correct. This is all public data, though.

6 Q. On this slide there's far fewer analogs for Second
7 Bone Spring shale; is that right?

8 A. Yes, because we've drilled most of them.

9 Q. And so other folks don't see the same value in the
10 Second Bone Spring shale --

11 A. I'd rather not assume what other folks think.

12 Q. In your Exhibit C3 though, you've identified that
13 Permian has drilled several Second Bone Spring shale wells
14 and the only other operator that's drilled Second Bone Spring
15 shale wells in this area is Matador; is that right?

16 A. This is an area highlighting analogous rock. So
17 there are other wells that might not be analogous rock
18 drilled by other operators.

19 Q. Thank you for that clarification. But on this slide
20 you're showing Matador and Permian Resources only.

21 A. Coincidentally, yes.

22 Q. Yes. And the last Permian Resources -- I'm sorry,
23 the last Matador Second Bone Spring shale development in this
24 area was in 2022; is that right?

25 A. It appears that way.

1 Q. I want to just compare the number of wells you have
2 here, and this is your second page of C3, with the number of
3 wells and operators you have on your third page of C3. Do
4 you see those?

5 A. I do.

6 Q. And would you say that the appetite -- and I'm not
7 trying to get you to speculate, let me ask you a question.
8 Have you identified more Second Bone Spring sand wells on
9 Exhibit C3 than you did on the Second Bone Spring shale?

10 A. There have been more Second Bone sand wells drilled
11 in the area than Second Bone shale, but that is not
12 necessarily indicative of appetite.

13 Q. On the Second Bone sand, and I'm not going to ask
14 you this question every time because you did not provide
15 backup data for the slides that we're going through now, I'm
16 not going to ask you that every time. The best performer on
17 this table though is Cutbow, right?

18 A. Had two wells.

19 Q. At Cutbow, you acknowledge was designed and drilled
20 by the same subsurface team as Avant Operating?

21 A. I mentioned earlier, I don't know if the leadership
22 team has changed.

23 Q. On this slide it shows that Batman, which is a
24 Permian development, you drilled six wells per section; is
25 that right?

1 A. In the Second Bone sand?

2 Q. Yes, this slide, right?

3 A. Yes.

4 Q. And Robin, Permian drilled six wells per section?

5 A. Yes, at slightly different spacing.

6 Q. And your Spicy Chicken development plan though is
7 only four wells per section; is that right?

8 A. Just four wells as a result of the offset depletion
9 from Pakse. Four wells equivalent. It's two U-turns.

10 Q. On the Third Bone Spring sand, I think that there's
11 really no dispute that Permian and AO II have complementary
12 development plans there.

13 A. The Third Bone is viable.

14 Q. On the Wolfcamp A, on this slide it shows that the
15 Pakse Wolfcamp A wells are doing well, right?

16 A. They're in line with the other analogs.

17 Q. And that's at two wells per section?

18 A. Co-developed with the Third Bone.

19 Q. And Avant is proposing two wells per section in
20 Wolfcamp as well, right?

21 A. At their Capital structure, yes.

22 Q. The Sandra Jean wells you've noted here were
23 operated by Avant until December of 2025. Do you see that?

24 A. Yes.

25 Q. And I think in your testimony though, you testified

1 that Avant AO II doesn't have any Wolfcamp experience. Is
2 that contradicted by your slide?

3 A. I said they don't actively operate any Wolfcamp
4 wells.

5 Q. Let's go to Exhibit C5. Now, on Exhibit C5 you've
6 identified this slide as a summary of primary targets. Do
7 you see that?

8 A. Correct.

9 Q. Those are Permian's primary targets, right?

10 A. These are the targets that have been delineated the
11 most in this general area of analogous rock.

12 Q. But this does not reflect Avant's determination of
13 what primary targets are.

14 A. I have no idea what Avant's determination of primary
15 targets are.

16 Q. But you did not include in this slide Avant's Avalon
17 development plan, did you?

18 A. Well, first of all, Avant has pointed out the Sandra
19 Jean and Lea South as a step-out -- or Lea unit as step-out.
20 Once again, this is a further step-out, so I wouldn't
21 consider that primary, even in Avant's assumed opinion.

22 Q. So you are comfortable assuming for Avant then.

23 A. In this one instance, sure.

24 Q. Well, do you think it's fair to say that Avant
25 considers the Avalon to be a primary target for it since it's

1 proposing those wells and is here today defending its
2 development plan?

3 A. It appears so.

4 Q. And would that be the same for the Lower Wolfcamp?

5 A. Based on the same line of thinking prior, yes.

6 Q. And so your chart, though, is limited to a subset of
7 what Avant has proposed; is that right?

8 A. Yes, but I have other tables that compare all the
9 benches.

10 Q. And we'll get to those in a minute. But this chart
11 here is limited only to a comparison of what Permian has
12 proposed versus a subset of what Avant has proposed.

13 A. Correct.

14 Q. And if you were to redo this slide and include the
15 Avant Avalon and additional the Wolfcamp and the Upper Pen,
16 would the values that you've calculated here be substantially
17 different?

18 A. Well, I would need to calculate our time delayed
19 values too, for whenever we potentially develop the Avalon
20 and Wolfcamp as well.

21 Q. And I do think in a later slide or in one of your
22 rebuttal slides, you did address the time value calculation,
23 right?

24 A. I did.

25 Q. And that time value calculation, and definitely not

1 a reservoir engineer, and as Ms. McLean said, we became
2 lawyers so we didn't have to do math, but my understanding of
3 that slide is that a delay in development is a delay in
4 economic value, is that a fair --

5 A. It brings your MPV closer to zero. So essentially
6 in the case of the Avalon, if that ends up being a negative
7 MPV, waiting actually makes it better.

8 Q. But how about the Wolfcamp?

9 A. Rephrase the question, please.

10 Q. Well, you were saying in your rebuttal slide that
11 delaying the Second Bone Spring shale has a negative impact
12 because of the delay in net value.

13 A. In a vacuum, that's the case. But with the
14 Wolfcamp, if you improperly develop it as well, given a lack
15 of data, you could create a lot of value destruction.

16 Q. I'll probably come back to that when we get to that
17 slide to make sure we're talking about the same calculation.
18 I want to look at footnote number 1. and in footnote number
19 1 you stated that actual results will differ materially due
20 to risks and assumptions. Do you see that?

21 A. That's true.

22 Q. And earlier today, and I'm trying to find my notes,
23 I think you said that -- let me find my notes so I don't
24 misquote you. I've lost an entire notebook. You said that
25 -- you used the words negligible margin. Do you remember

1 that earlier today when you were speaking with Ms. --

2 A. What is the context?

3 Q. It was in the context of addressing the rationale
4 for this footnote.

5 A. Can you ask that in a different way? I'm not
6 understanding the question.

7 Q. I'm asking if you remember using the words
8 negligible margin with Ms. McLean earlier today?

9 A. If you're claiming that, I'm sure I did. I don't
10 recall. I've said a lot of words.

11 Q. What do you intend to say by, actual results will
12 differ materially due to risks and assumptions?

13 A. As I noted before, it's extremely difficult to
14 estimate exact outcomes to a narrow margin.

15 Q. Is materially -- a material difference the same
16 thing as a narrow margin, in your mind?

17 A. Depends on the context.

18 Q. And then I wanted to ask you about the MBOE here.
19 How did you calculate the MBOE?

20 A. Cumulative oil plus cumulative gas divided by six.

21 Q. Where did you get the cumulative oil figure that you
22 used for this from?

23 A. From the type curves I described before.

24 Q. Where are those type curves?

25 A. They're not present on those slides, but I've

1 described them in the footnotes and also described them
2 during this hearing.

3 Q. I'm not trying to be difficult. I honestly just
4 don't know which ones you're referring to. Do you have a
5 specific -- if I scroll through your exhibits, would you be
6 able to say, "that's the type curve I'm talking about"?

7 A. I've mentioned I did not include them in the
8 exhibits, but I've noted them during this testimony.

9 Q. So the type curves aren't part of the exhibits.

10 A. Correct.

11 Q. So there's no way to validate the information that
12 you put in this table?

13 A. Can you repeat the question in a different way.

14 Q. There's no backup data? There's no type curve that
15 I could look at or that Mr. Kelly could look at to confirm
16 your MBOE calculation?

17 A. A type curve exists for every single bench, just not
18 within the exhibits. And as I described before, the volumes
19 used to compare the two operators are identical per bench.
20 With the exception of the two degraded wells that I stated as
21 well, the First Bone and the Second Bone sand, which I've
22 included details on.

23 Q. I thought, when I read your footnote 2, it says,
24 "actual examples that follow," and then earlier today when
25 you mentioned the type curve, I thought that was actually in

1 your testimony, but it's not.

2 A. Yes.

3 Q. Thank you. I think I was looking for something that
4 doesn't exist, so I have to have you clarify that for me.

5 A. It exists, just not in the exhibits.

6 Q. Thank you. The gross CAPEX here, based on the
7 changes to exhibits that we've talked about today, that
8 number would need to be revised; is that right?

9 A. Yes. As I mentioned, the average cost of Avant
10 dropped about 18 percent. So PR would still be materially
11 lower.

12 Q. But this does not reflect the new version of the
13 exhibits.

14 A. Correct.

15 Q. And then on value creation, can you explain that to
16 me?

17 A. That is present value. The same concept we were
18 describing before on the time value of money.

19 Q. And so, does this take into effect the fact that
20 Avant is presently going to develop the Wolfcamp D and the
21 Avalon?

22 A. As I mentioned before, if the Avalon economics are
23 negative, it could negatively bring down the PV10. But in
24 this specific table, it is only comparing what PR considers
25 primary targets.

1 Q. So it doesn't include any of Avant's other targets
2 in your calculations?

3 A. It does not include any of Avant's targets that PR
4 deems are risky at this time.

5 Q. This is a time when I shouldn't ask a question that
6 I don't know the answer to, but I'm going to take a risk
7 here. Why do you show Avant having lower recovery per well
8 when they have more wells, right?

9 A. Because that is resource recovery divided by well
10 count.

11 Q. So you're calculating that they'll have less
12 resource recovery?

13 A. Based on the type curves I've described before.

14 Q. Which aren't in the record.

15 A. Correct.

16 Q. I have a lot of the same questions for this slide,
17 so we'll go through it pretty quickly. This slide, again, it
18 doesn't take into account Avant's entire development plan
19 does it?

20 A. No. This is specific to the Second Bone, as noted
21 in the table.

22 Q. And again, Avant and Permian are proposing different
23 well counts for the Second Bone Spring; is that right?
24 Second Bone Spring sand.

25 A. That is correct.

1 Q. And here, how did you calculate the MBOE?

2 A. Same way I described before for the previous table.

3 Q. And how is it that Avant has 353 MBOE and PR 867
4 MBOE?

5 A. That is resource recovery divided by well count.

6 Q. And is there any information on this slide that
7 shows the number of the resource recovery?

8 A. Yes, resource recovery MBOE 1763, 3467.

9 Q. And is there any information on this slide that
10 shows where 1763 came from?

11 A. There are details in the footnotes on assumptions
12 that are input for those volumes.

13 Q. And on this slide, would the CAPEX need to be
14 revised to reflect the new AFE costs?

15 A. That is correct. But similarly, to the other table,
16 PR would still be materially lower.

17 Q. On Exhibit C6, I believe you talked about this with
18 Ms. McLean earlier today. And again, I'm not trying to put
19 any words in your mouth, but when you were talking about the
20 25 percent decrease in time on location, my recollection is
21 that was based on Permian drilling times and not other
22 operators?

23 A. That is correct.

24 Q. So it's not a comparison to an Avant one mile well
25 efficiency?

1 A. I don't think one mile well efficiency matters if
2 the costs tied to it are still higher.

3 Q. Are those 25 to 30 percent reductions in CAPEX,
4 costs that are reflected here also PR, Permian's costs that
5 you're relying on?

6 A. Yes, it's a relative cost between two, one mile
7 wells and one U-turn 10k Permian well.

8 Q. And so it's a purely Permian-only comparison?

9 A. Yes. Theoretically, Avant could be much lower.

10 Q. I believe Ms. McLean asked you a question about the
11 difference between your original AFEs and your revised AFEs.

12 A. Yes.

13 Q. And you said they were anywhere between 8 and 11
14 percent. That's a wild guess on my part. Do you recall what
15 you said?

16 A. That sounds roughly correct.

17 Q. Were there any that were higher than 11 percent, to
18 your recollection?

19 A. I don't recall.

20 Q. This is Exhibit C8.

21 MS. BENNETT: Mr. Examiner, did you want to break at
22 11:30?

23 HEARING OFFICER CHAKALIAN: No. We'll break at
24 11:40.

25 MS. MCLEAN: Okay. Thank you. So looking at

1 Exhibit C8, your title here is that the Second Bone Spring
2 shale adds value in tandem with the First Bone Spring.

3 A. That is the title, yes.

4 Q. And there's no backup data for any of these wells
5 provided, is there?

6 A. This is publicly accessible data, but I have not
7 included any tables that highlight this data in the exhibits.

8 Q. So I guess I'm still struggling to understand why
9 you didn't do the Second Bone Spring and First Bone Spring
10 co-development at Pakse.

11 A. I believe the timing of the developments at Pakse
12 relative to Robin were somewhat similar. Also, when we test
13 benches, we don't like to go in at five wells per section.

14 Q. In your opinion, as a reservoir engineer, do you
15 believe that there were reserves in Pakse that were left
16 behind in the Second Bone Spring shale?

17 A. If there were, it would be comparable to the
18 reserves left behind at Cutbow.

19 Q. So, is that a yes? I'm sorry, I'm not trying to be
20 snarky. I just --

21 A. There's always more reserves. The recovery factor
22 for these walls is pretty low.

23 Q. For the Second Bone Spring shale here, Robin, about
24 how far away is that from Pakse?

25 A. I'd say, without a wider scale map, six to eight

1 miles perhaps. You might want to confirm that.

2 Q. And if you had drilled the Second Bone Spring shale
3 at Pakse though, you'd have a closer analog, right?

4 A. Correct. But as I noted, the timing of these
5 developments relative to each other, I don't believe gave us
6 the opportunity to test one and then have the results ready
7 for the next development.

8 Q. I don't think I have a slide -- a question on this
9 one. It was the same questions all along. Oh, actually,
10 here I think you can see the -- does this help you with where
11 the Batman is?

12 A. It does. That is showing the Batman and Robin and
13 Eileen and Riddler developments that we have recently
14 developed within the last couple of year. And I have a
15 different slide, that you just skipped over, that shows their
16 really, really good performance.

17 Q. And Batman, again, is only one Second Bone Spring
18 shell shale?

19 A. Correct. As we wanted to test the Second Bone shale
20 in order to mitigate economic risk.

21 Q. Eileen and Riddler are both sixth Second Bone Spring
22 shale, is that what I'm seeing here? Or is that a -- that's
23 a combination of First and Second?

24 A. Correct.

25 Q. C9, I don't think I have anything on there. I have

1 a question for you on your rebuttal slide about C9. C10,
2 here you're saying that adding additional Wolfcamp well adds
3 value to Permian's plan. Is that the summary of this slide?

4 A. That is our understanding. That's our belief.

5 Q. What well is the westernmost Spicy Chicken well
6 there, what well is that?

7 A. The westernmost Spicy Chicken?

8 Q. Uh-huh.

9 A. You mean Pakse?

10 Q. No, I mean Spicy Chicken.

11 A. What do you mean the west -- I'm not understanding
12 the question.

13 Q. That green dotted line, is that a Spicy Chicken
14 well?

15 A. Well, that's easternmost.

16 Q. Oh, sorry. The green dotted line is easternmost?

17 A. Correct.

18 Q. What is the easternmost Wolfcamp well there in Spicy
19 Chicken?

20

21 A. What do you mean what is it? In what context?

22 Q. What's its name?

23 A. I don't know off the top of my head.

24 Q. Do you know how far it is from -- do you know where
25 the Pakse Third Bone Spring wells are?

1 A. Yes.

2 Q. Do you know how far this Wolfcamp, easternmost
3 Wolfcamp well is from the Pakse Third Bone Spring?

4 A. I have it in my notes. I don't remember off the top
5 of my head, but it is closer to the Third Bone Spring well.

6 Q. And you're staggering the Third Bone Spring in
7 Wolfcamp A, right?

8 A. That's correct, as we've done in many other
9 locations.

10 Q. Is that because you expect degradation from the
11 westernmost Pakse Third Bone Spring well?

12 A. We're staggering because we both think they are
13 viable targets. They are both viable targets.

14 Q. It has nothing to do with proximity then?

15 A. The stagger?

16 Q. Right.

17 A. I mean, in part, yes.

18 Q. So are you expecting some degradation from the
19 westernmost Pakse well?

20 A. Not as much as we're expecting in the First Bone and
21 Second Bone sand. If you look at the Pakse results you'll
22 see the western Wolfcamp A is actually better than the
23 eastern one, and that's closest to the Parent.

24 Q. Does that mean that Child wells and Parent wells can
25 actually benefit one from another?

1 A. I wouldn't necessarily say that. There are
2 potentially other geological factors at play.

3 Q. But you can't rule it out either?

4 A. I cannot rule it out.

5 Q. On Exhibit C11, here you are showing Avant's First
6 Bone Spring development plan; is that right?

7 A. Yes, that's correct.

8 Q. And your contention is that this Fifth Bone Spring
9 well is going to lead to degradation?

10 A. The easternmost well, regardless of development,
11 will -- in the First Bone and Second Bone sand -- likely be
12 impacted by some sort of degradation.

13 Q. And when you say, "regardless of development," do
14 you mean that could apply to Permian's easternmost Spicy
15 Chicken wells?

16 A. Yes, at different capital structure.

17 Q. So you are acknowledging that those Permian Spicy
18 Chicken wells will experience degradation?

19 A. It's possible.

20 Q. Do you anticipate that to be the same level of
21 degradation, 45 percent?

22 A. Potentially.

23 Q. Do you know how far your easternmost Spicy Chicken
24 First Bone Spring well is and the westernmost Pakse First
25 Bone Spring well is?

1 A. Not off the top of my head.

2 Q. So you didn't look at that when you created this
3 chart?

4 A. I did.

5 Q. But you just don't know off the top of your head --

6 A. There's a lot of numbers. Can't remember
7 everything.

8 Q. And I apologize for not knowing this, but what does
9 EUR stand for?

10 A. Estimated ultimate recovery.

11 Q. Is that over the life of a well?

12 A. Correct.

13 Q. Aren't you showing here that -- and so, the base
14 well, which one is that on the graph? Is that the orange
15 well?

16 A. These type curves aren't reflected on the graph,
17 because those are the type curves I described earlier that
18 are, as you stated, not included in the exhibits, but are
19 based roughly on the Pakse performance at different lateral
20 lengths.

21 Q. So there's no correlation between this 442 EUR and
22 the accum oil on the graph?

23 A. There's correlation. The accum oil on the graph is
24 normalized at 10,000 feet. The EURs on the table are
25 actuals. So non-normalized volumes.

1 Q. And so, are you saying the EUR for the orange well
2 is already -- or maybe it's the converse. Is the accum oil
3 for the orange well already surpassing its EUR?

4 A. That's not a fair comparison, because one's
5 normalized and one is not.

6 Q. Is there a way to compare the information in the
7 chart versus the graph?

8 A. It would be easier to compare if I included my type
9 curve slides in the exhibits.

10 Q. And so you can see how...

11 A. I understand.

12 Q. Yeah, all right. So you're not trying to say that
13 the Pakse Parent in this example has already made more in 20
14 months than your chart says it will make in the lifetime of
15 the well?

16 A. That was a confusing question. Can you restate it?

17 Q. I sure can. Is the orange the Pakse Parent?

18 A. The orange is the Pakse Parent.

19 Q. And how much in normalized over 20 months has it
20 made already?

21 A. Let's see, 20 months....roughly 400,000 normalized
22 barrels of oil.

23 Q. And you're not saying there's an equivalency there
24 between the normalized 400,000 and the EUR of 442?

25 A. Not directly. The type cursor based on

1 seven-and-a-half K wells.

2 HEARING OFFICER CHAKALIAN: Ms. Bennett, it's 11:38.
3 Let's break until 1:15, an hour and a half. Is there
4 anything else from the parties?

5 MS. BENNETT: Nothing for me. Thank you.

6 HEARING OFFICER CHAKALIAN: How much more cross-exam
7 do you have with this witness?

8 MS. BENNETT: I have only like one paragraph left on
9 his direct, and then I wanted to walk through his rebuttal
10 slides and that will take maybe half an hour, maybe 45
11 minutes.

12 HEARING OFFICER CHAKALIAN: And his rebuttal slides
13 are numbers what?

14 MS. BENNETT: Those are numbers...

15 HEARING OFFICER CHAKALIAN: C12 through C21?

16 MS. BENNETT: Yes.

17 HEARING OFFICER CHAKALIAN: All right. Mr.
18 Clements, you have a flight out today?

19 MR. CLEMENTS: Yes.

20 HEARING OFFICER CHAKALIAN: What time?

21 MR. CLEMENTS: 7:30.

22 HEARING OFFICER CHAKALIAN: Oh, good. Okay. Sounds
23 good. All right. So we'll be back on the record at 1:15.
24 Thank you.

25 (Recess at 11:38 a.m. to 1:11 p.m.)

1 HEARING OFFICER CHAKALIAN: It's 1:11 p.m.,
2 Wednesday, April 22nd. We're back on the record. I highly
3 recommend the parties use the next two hours very efficiently
4 and effectively, because I'm not sure when we'd be able to
5 continue this hearing. We last left off with Ms. Bennett
6 conducting cross-examination of Mr Higginson. If you will
7 resume the witness chair. Turn on the microphone. Sir, I
8 remind you you are under oath. Ms. Bennett.

9 CONTINUE EXAMINATION

10 BY MS. BENNETT:

11 Q. Good afternoon, Mr. Higginson.

12 A. Hello.

13 Q. When we left off we were talking about the slides
14 that you had prepared showing degradation, alleged
15 degradation from Avant's extra First Bone Spring well. Do
16 you remember that?

17 A. Yes.

18 Q. And this is your slide C11. Are you familiar with
19 the Pakse 111 well?

20 A. Yes.

21 Q. Is that a First Bone Spring well?

22 A. That is.

23 Q. Are you familiar with Permian's proposed Spicy
24 Chicken 114 well?

25 A. I don't recall the numbers of every well, but I'm

1 familiar with our general Gun Barrel.

2 Q. So if I said to you that the 114 was the First Bone
3 Spring well closest to Pakse, you wouldn't have any reason to
4 tell me?

5 A. No, ma'am.

6 Q. Do you know how far the Spicy Chicken 114 well is
7 from the Pakse 111 well?

8 A. No. I believe you asked me that this morning and I
9 cannot remember.

10 Q. If I showed you the Gun Barrel, would that help you?

11 A. Yes.

12 Q. I realize this isn't a slide that you prepared, but
13 does it help you?

14 HEARING OFFICER CHAKALIAN: Will you please, for the
15 record, tell him what you're showing him.

16 MS. BENNETT: Yes. I'm showing him the Gun Barrel,
17 which is Exhibit B15.

18 HEARING OFFICER CHAKALIAN: Permian's B15?

19 MS. BENNETT: It's Permian's B15 and it was prepared
20 by Permian's geologist. What I'm asking is about the
21 distance between the Pakse 111 well, which I'm circling right
22 here. Do you see that?

23 A. I do.

24 Q. And the Spicy Chicken 114, which I'm trying to
25 circle, somewhat ineffectively. Do you see that?

1 A. Yeah.

2 Q. Based on this Gun Barrel, how far apart would you
3 say this Pakse 111 is to your proposed Spicy Chicken 114?

4 A. 1320 feet.

5 Q. I'm back on your Exhibit C11 and your testimony at
6 the bottom is that you would anticipate a 45 percent EUR hit
7 at a 1,600 foot distance; is that correct?

8 A. Yes, potentially.

9 Q. And your proposed Spicy Chicken 114 is only at 1320
10 off Pakse 111; is that right?

11 A. Yeah. I believe it's a little bit further away than
12 you-all's easternmost First Bone.

13 Q. I'm happy to pull up Avant's Gun Barrel, but I
14 looked at it last night. I'm happy to pull it up for you,
15 but it's at 1320 as well. So would you anticipate that you
16 would experience the 45 percent degradation between your
17 Pakse 111 and the Spicy Chicken 114?

18 A. Potentially, at PR's cost structure.

19 Q. What does that mean, at PR -- I do recall you saying
20 that earlier today, and now I have the same question. What
21 do you mean by PR's cost structure?

22 A. Because the basis of any reservoir engineering
23 evaluation is primarily tied to economics, and so any volume
24 has an economic result and that's extremely important
25 context, in my opinion.

1 Q. So even with that caveat though, you would
2 acknowledge that your Spicy Chicken wells are potentially
3 susceptible to the same degradation factor that you're
4 pointing out with the Avant well, First Bone Spring well?

5 A. From an infill degradation standpoint, yes. But
6 less of a degradation standpoint from a density degradation
7 standpoint. Less of a degradation number from a density
8 standpoint, given we're at four wells per section.

9 Q. I wanted to walk through your rebuttal exhibits now.
10 I'm on your Rebuttal Exhibit C1. I'm sorry, it's C12. Do
11 you see that?

12 A. Yes, ma'am.

13 Q. On the side here, you've said that -- what I think
14 you're getting at here is that Avant is stranding Second Bone
15 Spring shale acreage worth seven million. Is that what
16 you're getting at?

17 A. Yes.

18 Q. And that's because Avant isn't drilling Second Bone
19 Spring shale in Section 23. Is that what you're getting at
20 there?

21 A. Correct.

22 Q. Were you here yesterday when Mr. Kelly and Mr.
23 Harper testified that Avant could go back in and drill the
24 Second Bone Spring shale?

25 A. Yes, which actually coincides with your prior

1 comment on appetite of the Second Bone shale.

2 Q. So if there was significant appetite, you agree that
3 Avant -- there's nothing that would keep Avant from drilling
4 the Second Bone Spring shale?

5 A. They might want to evaluate it economically, that
6 might change their appetite, given it might be degraded from
7 the First Bones, if they come back later.

8 Q. I understand what you're saying, but from a purely
9 reservoir engineering perspective --

10 A. That is reservoir engineering perspective.

11 Q. But if Avant did come back in and decided to -- and
12 by coming back in, I mean they would be developing I think at
13 the same time, not Parent and Child or whatever the correct
14 terminology is. Would that eliminate the stranding concern
15 that you've raised on this slide?

16 A. I'm not sure the land aspects that would potentially
17 prohibit that. I believe Mark had some comments on that
18 potentially during his testimony, on ability to develop the
19 Second Bone shale into the Coterra acreage.

20 Q. And he did have some comments on that, and I
21 apologize, that's not what I'm asking about. I was just
22 saying, if Avant were to co-develop the First Bone Spring and
23 Second Bone Spring shale, would that ameliorate your concerns
24 here about stranding the Second Bone Spring shale?

25 A. Once again, it ties back to economics, because their

1 First Bone is at higher density and so the total drainage of
2 the two in combination would be different than the Spicy
3 Chicken for PR.

4 Q. And I understand that it might be more nuanced than
5 the simple question I'm asking, but it would no longer be
6 stranded; is that right?

7 A. If there were wells in the acreage, it would not be
8 stranded.

9 Q. As you show on this slide -- or this is actually an
10 Avant slide that you've superimposed some additional
11 information on. And on this slide it shows that Permian
12 isn't drilling -- doesn't currently have any Avalon wells
13 proposed, is that -- or in any application. Do you see that?

14 A. I believe we've discussed this.

15 Q. We have.

16 A. I do see that.

17 Q. We haven't had a chance to discuss this particular
18 exhibit, so I'm just trying to get the context for this
19 exhibit.

20 A. Fair enough.

21 Q. And the same thing with the Wolfcamp lower?

22 MS. MCLEAN: Objection. This is duplicative and
23 unnecessary. He's been cross-examined numerous times on the
24 fact that Permian Resources isn't drilling Avalon wells.
25 They're not drilling the Lower Wolfcamp in their initial

1 development. They're going to do it as an infill at a later
2 date. I don't think we need this cumulative testimony.

3 HEARING OFFICER CHAKALIAN: Ms. Bennett, is there
4 something additional you're trying to get to, because --

5 MS. BENNETT: Yes.

6 HEARING OFFICER CHAKALIAN: -- if there is, again,
7 time is of the essence and I'd prefer not to go back over the
8 same ground that we've already gone over. What is the
9 additional information?

10 MS. BENNETT: The additional information is that he
11 -- Mr. Higginson did not include the same calculation for the
12 Second Bone Spring shale as he did for the Avalon and
13 Wolfcamp. And without sort of laying the foundation for
14 that, I felt like I needed to address the slide, but I'm
15 happy to just move forward with my question.

16 HEARING OFFICER CHAKALIAN: Perfect. Great. Thank
17 you.

18 Q. Mr. Higginson, you did not prepare the same
19 calculation for the Avalon, did you?

20 A. Same in what way?

21 Q. You did not prepare an acreage worth in PB10 for the
22 Avalon with Permian Resources not developing the Avalon?

23 A. On this slide I'm specifically trying to Second Bone
24 shale. I'm not talking about any other benches.

25 Q. Thank you. I think that answers my question on that

1 one. On C14, I'm sure I'm going to get an objection to this
2 one too. But on C14 you've included the net present value
3 for the -- is this for the Second Bone shale?

4 A. Is this C14? Is this not the second page of C13?

5 Q. This is C14, your rebuttal C14.

6 A. Okay. Sorry, I didn't see the bottom. Can you
7 repeat the question.

8 Q. Is this net present value a calculation of the loss
9 you're attributing to the Second Bone shale?

10 A. There's no net present value number on this slide.
11 That's just the general equation to highlight the theory.

12 Q. Thank you. Is this related to the Second Bone
13 Spring shale?

14 A. This is related to any bench that's drilled at any
15 time.

16 Q. And so this would be equally applicable to the delay
17 in drilling the Avalon that Permian is proposing?

18 A. As described earlier, negative cash flows would
19 potentially improve with more of a delay. So I think we've
20 touched on that, if I remember correctly.

21 Q. We did, and we touched on it generally, but not with
22 respect to this particular slide.

23 A. So what is the specific question then?

24 Q. This MPV calculation that you've identified on this
25 slide is equally applicable to Permian's delayed production

1 of the Avalon, right?

2 A. It is equally applicable to every well.

3 Q. And every bench?

4 A. Every developed.

5 Q. Yep. On this slide, this is slide C15. Are you
6 seeing the slide?

7 A. I am.

8 Q. What Avant slide where you were rebutting with this
9 slide?

10 A. I do not recall. Oh, actually, I do recall. It was
11 the efficiency slide claiming -- if I remember correctly,
12 claiming a bunch of efficiencies from recent operations.

13 Q. One mile operations?

14 A. Correct.

15 Q. But you didn't identify anywhere on this slide which
16 Avant slide you're rebutting, right?

17 A. I mentioned the word efficiency that's on that slide
18 multiple times.

19 Q. Is there any backup data that you provided to
20 support this chart?

21 A. The chart on the left?

22 Q. Yeah.

23 A. That is all publicly accessible data through
24 Enverus, but there is no table showing the data values. But
25 that can be shared, if needed.

1 Q. And how about the DNC total per foot in millions of
2 dollars, where did you calculate that from?

3 A. AFEs tied to the, I believe C7 econ tables.

4 Q. What is the C7 econ table?

5 A. C7 is one of the exhibits.

6 Q. And so this will need to be updated to reflect the
7 C7 and Avant Rebuttal C5?

8 A. Yes. And the numbers in the differential rows will
9 still be vastly in PR's favor.

10 Q. I was surprised by this slide. This is your slide
11 C16. On this one you identify here CAPEX for Avalon wells.
12 Did you provide any AFEs for Avalon wells in this hearing?

13 A. That is extrapolated based on the relative
14 difference in cost across the remaining AFEs.

15 Q. So you haven't prepared any AFEs for the Avalon
16 wells that is the basis for this number?

17 A. That would not be appropriate at this time, given we
18 are not drilling any Avalon wells in our first occupation.

19 Q. And that would be the same answer for the Wolfcamp
20 deep, that that's an extrapolation?

21 A. Correct. There's also very little data in the area
22 to create a type group off of.

23 Q. And would this slide also need to be updated to
24 reflect Avant Rebuttal Exhibit C5?

25 A. Correct. But once again, CAPEX for PR would be much

1 lower.

2 Q. And turning to your Rebuttal Exhibit C17, this
3 rebuttal exhibit is designed to show, in my opinion, and
4 correct me if I'm wrong, that H2S solutions are expensive.
5 Is that a fair summary of this slide?

6 A. It's meant to highlight the risk associated with
7 developing H2 -- wells with high H2S, specifically the Avalon
8 in this area.

9 Q. You say on this exact slide that economics tied to
10 the CAPEX quickly diminished with elevated H2S. Do you see
11 that?

12 A. That's correct.

13 Q. Due to high associated treatment expenses?

14 A. Yes, that's correct.

15 Q. And so, if Avant doesn't have treatment expenses,
16 would your assumptions in this slide be wrong?

17 A. If that were the case, yes. But currently Avant has
18 no sour takeaway, as you guys have noted multiple times.

19 Q. I don't think that's a fair statement of Avant's
20 testimony, but be that as it may. Have you determined at
21 what point Avalon wells become economic for Permian?

22 A. No, because we don't have a type curve for the
23 Avalon. Like I stated before, there's very limited data and
24 my type curve slide for the Avalon is in one of these
25 exhibits, if we need to discuss that as well, but it's tied

1 to the Sandra Jean as highlighted in one of Avant's prior
2 slides, as being a repeatable target, as well as spacing
3 methodology previously used by Avant as well for other
4 benches.

5 Q. So sitting here right now, you can't say at what
6 point the Avalon would be too expensive to drill.

7 A. Can you rephrase the question.

8 Q. This chart, I understand you're saying that H2S
9 makes the Avant Avalon wells uneconomic, that's what this
10 chart says?

11 A. There's a little bit more nuance to that based on
12 the details in the slide. For example, using Avant's CAPEX
13 and also type curves, which may or may not be accurate based
14 on the methodology that I pulled from Avant's earlier slides.

15 Q. So your own type curves may not be accurate, is that
16 what you just said?

17 A. Yes, I suspect they might be -- the volumes might be
18 significantly lower than this.

19 Q. And the economics that you used to create this slide
20 were based on the prior AFEs?

21 A. That is correct.

22 Q. This is your Rebuttal Exhibit C18. On this slide
23 you're showing P110 RY and what -- I'm sorry not to
24 understand this slide, but my takeaway is that you don't
25 believe that P110 RY is sufficient casing for this level of

1 H2S?

2 A. I believe that it is potentially risky to use a,
3 essentially what is commonly used in other benches, in a
4 highly corrosive well.

5 Q. Have you looked to see what the operators around
6 Spicy Chicken who are drilling Avalon wells in this H2S
7 atmosphere are using for their casing?

8 A. I'm not sure if any of those wells are online.

9 Q. So you don't know that Matador is using P110 for
10 miles away?

11 A. That doesn't mean it's the right decision.

12 Q. I understand that, but I'm just asking if you know
13 the answer to the question.

14 A. I do not know the casing for every well in the
15 region.

16 Q. So you didn't look into that before you prepared
17 your testimony?

18 A. I've not looked at every piece of data for every
19 well in the region.

20 Q. And I'm definitely --

21 A. So not specifically that either.

22 HEARING OFFICER CHAKALIAN: Ms. McLean, this is
23 going to waste time. If she asks a question and he doesn't
24 answer it, we're going to be going back and forth. Please
25 instruct your witness to answer the question that's asked,

1 even if he feels it's a redundant question or an irrelevant
2 question. Unless you make an objection, he should answer the
3 question just directly.

4 MS. MCLEAN: And is he still allowed to ask for her
5 to rephrase the question?

6 HEARING OFFICER CHAKALIAN: If he doesn't understand
7 the question, he can say, "I don't understand the question."

8 MS. MCLEAN: And I think some of -- I mean, some of
9 them aren't yes or no answers, so --

10 HEARING OFFICER CHAKALIAN: I completely agree, but
11 try --

12 MS. MCLEAN: Try your best to answer as Ms. Bennett
13 asks.

14 MR. HIGGINSON: My apologies. This is my first time
15 doing this, so...

16 HEARING OFFICER CHAKALIAN: It will help you to know
17 that the more that the fact finders -- you don't need to know
18 who the fact finders are, but your credibility is very
19 important during this process. If you come across
20 argumentative or seeming to duck the questions or avoid the
21 questions, it's going to damage your credibility. So I had a
22 feeling this was your first one, but try to hear what the
23 question is and answer it honestly, fully. But if you don't
24 understand the question, just say you don't understand.

25 MR. HIGGINSON: Yes, sir.

1 HEARING OFFICER CHAKALIAN: Thank you.

2 MS. BENNETT: Thank you.

3 HEARING OFFICER CHAKALIAN: What was the question
4 then?

5 MS. BENNETT: My question was whether he was aware
6 that Matador is using P110 four miles away.

7 A. No.

8 Q. Are you aware that EOG is using P110 one mile to the
9 northeast?

10 A. Are those wells drilled?

11 Q. Permitted with P110.

12 A. So that could be any bench.

13 Q. So you're not aware that they're using P110 for the
14 Avalon one mile away?

15 A. No, I was not aware of the P110 for a permit.

16 Q. Are you aware that Civitas is using P110 for the
17 Avalon just north of Spicy Chicken?

18 A. The DUC well that's one mile away, or directly
19 north?

20 Q. Directly north, yes.

21 A. I was not aware of that.

22 Q. Were you here yesterday when Mr. Harper -- I'm
23 sorry, Mr. Kelly explained that he thought that your 17
24 percent number here might have been based on a
25 misunderstanding of his slide?

1 A. I was here yesterday and I heard that comment.

2 Q. And do you agree that it's based on a
3 misunderstanding or do you feel like it's an accurate
4 representation of his --

5 A. I believe he described the -- sorry to overlap. I
6 believe he described that 17 percent spacing degradation hit
7 for a change in five to six wells per section. In this case
8 Avant would be going from one to five wells per section. So
9 realistically, that degradation number should be much higher.

10 Q. This is a slide that you prepared about the Anakin
11 well that was P&A'd after a short period of three years.
12 When you were discussing the causes for this well, I believe
13 you said that you thought it was fairly nuanced or that there
14 could be a number of circumstances that related to the need
15 to plug and abandon this well.

16 A. Yes, based on the timing from initial POP to
17 plugging.

18 Q. So you can't say with certainty that it was because
19 of the 110 casing?

20 A. No. There may have been multiple factors, though.

21 Q. Did you know whether -- and I'm honestly just asking
22 you whether you know this. Do you know if XTO had sour gas
23 gathering in place for the Anakin well?

24 A. I'm not privy to their information in that regard.

25 Q. Is that information that's publicly available or is

1 that information that you would have to be part of XTO to
2 know?

3 A. I'm not sure.

4 Q. I think I might be done, but I'd like to just double
5 check.

6 MS. BENNETT: Thank you very much, Mr. Higginson.

7 MR. HIGGINSON: Thank you, ma'am.

8 HEARING OFFICER CHAKALIAN: Mr. McClure.

9 MR. MCCLURE: Thank you, Mr. Hearing Examiner.

10 EXAMINATION

11 BY MR. MCCLURE:

12 Q. MR. Higginson, if I can draw your attention to
13 Exhibit C2. I have it as page 44 of 123.

14 MS. MCLEAN: Mr. McClure, would you like us to share
15 that? Is this Exhibit C2?

16 MR. MCCLURE: Yes, that's correct, yes. And if you
17 could share that, that would probably be easiest. Yes,
18 ma'am.

19 MS. MCLEAN: Perfect. Will do.

20 MR. HIGGINSON: I can see it, Mr. McClure.

21 MR. MCCLURE: Let me ask this question real fast. I
22 thought that I had asked Mr. Hajdik, but maybe not. Is it
23 accurate to say that Permian is requesting to force pool the
24 -- or requesting the Division to force pool the Avalon along
25 with the First Bone Spring?

1 A. I don't know that information personally.

2 Q. Would Mr. Hajdik know that information?

3 A. Most likely.

4 MR. MCCLURE: And I don't recall if I asked him
5 this. Mr. Hearing Examiner, would it be fine to go ahead and
6 recall him real fast before I continue questioning?

7 HEARING OFFICER CHAKALIAN: Is there an objection?

8 MS. MCLEAN: No. If it's helpful to the Division.

9 HEARING OFFICER CHAKALIAN: Is there an objection?

10 MS. BENNETT: Not at all. Thank you.

11 HEARING OFFICER CHAKALIAN: Mr. Higginson, will you
12 let Mr. Hajdik retake the stand. Mr. Hajdik, I remind you
13 you are under oath.

14 MR. HAJDIK: Yes.

15 HEARING OFFICER CHAKALIAN: Go right ahead, Mr.
16 McClure.

17 Q. (Mr. McClure) Mr. Hajdik, is it accurate that
18 Permian is requesting the Division to force pool the Avalon
19 and First Bone Spring?

20 Q. Yes, sir. We're pooling the full extent of the Bone
21 Spring -- from the top of the Bone Spring to the base of the
22 Bone Spring. It's in several different cases due to the
23 depth ownership. But yes, we're pooling the full extent.

24 MR. MCCLURE: Thank you, Mr. Hajdik. I don't have
25 any further questions for Mr. Hadjik at the moment.

1 HEARING OFFICER CHAKALIAN: Mr. Hadjik, before you
2 go, hold on. He's your witness, Ms. McLean, was there any
3 follow-up to that?

4 MS. MCLEAN: No follow-up.

5 HEARING OFFICER CHAKALIAN: Thank you, Mr. Hadjik.
6 Mr. McClure, we have Mr. Higginson back.

7 MR. MCCLURE: Thank you, Mr. Hearing Examiner. Mr.
8 Higginson, so you see your depiction on the right-hand side
9 there of this Exhibit C2?

10 A. Sir, I do.

11 Q. Would you agree that red box that you have
12 highlighted there, would you agree that it would be more
13 appropriate to have that include the Avalon as well?

14 A. That was only meant to highlight the wells within
15 our application.

16 Q. And looking down, I guess at the footnote down
17 there, I see where you say application wells. Is that what
18 you're referring to then?

19 A. Yes, sir.

20 Q. So the reason you drew your red box as you did, is
21 it accurate to say that reason is because you're showing four
22 Avalon wells, which are not included in the cases?

23 A. Yes, sir. I wanted to make sure that was a distinct
24 difference in targeting per well set.

25 Q. With that in mind then, I'm in agreement I guess

1 with the way you have this depicted here in regards to that
2 red box. But on this same table, are you in agreement that
3 your labeling of formations needs to be corrected?

4 A. Yes, sir.

5 Q. So if I were to ask for that to be corrected, then
6 you understand what I'm asking for specifically in regards to
7 the Wolfcamp, I guess?

8 A. Yes, sir, we can do that.

9 Q. Mr. Higginson, I'm on your cost breakout, page 55 of
10 123. This is your Exhibit C-7.

11 A. Yes, sir, I see it.

12 Q. You were understanding our earlier conversation
13 about removing Avant's wells from this exhibit, correct?

14 A. Yes, sir.

15 Q. In addition to that, there's a footnote kind of at
16 the bottom of the page there that references operator's
17 distributed proposal AFEs. Do you see where I'm referring
18 to?

19 A. Yes, sir. I do.

20 Q. I don't recall if this was brought up in earlier
21 discussion, but would you be in agreement that it would be
22 most appropriate, I guess, for that footnote to also be
23 removed?

24 A. Yes, sir. I can either do that or just change the
25 wording, whatever your preference is.

1 Q. I guess I don't have a preference, other than, to
2 make the statement accurate, what would you propose to change
3 it to if you're more amenable to doing an edit rather than
4 removal?

5 A. I think given the timing of AFE redistribution, I
6 can just remove it at this time.

7 Q. Okay.

8 MR. MCCLURE: Thank you, Mr. Higginson. Mr. Hearing
9 Examiner, I don't believe I have any further questions for
10 this.

11 HEARING OFFICER CHAKALIAN: Thank you, Mr. McClure.
12 Ms. McLean, any redirect?

13 MS. MCLEAN: Yes, I just have one question.

14 EXAMINATION

15 BY MS. MCLEAN:

16 Q. Looking at Avant's Rebuttal Exhibit C5, it's your
17 understanding that this has Avant's most recent AFE
18 calculations, correct?

19 A. I believe so.

20 Q. And looking at this, Permian Resources still has
21 lower costs than Avant; is that correct?

22 A. That is correct.

23 MS. MCLEAN: No more questions.

24 HEARING OFFICER CHAKALIAN: Thank you. Any cross on
25 that one question?

1 MS. BENNETT: No.

2 HEARING OFFICER CHAKALIAN: Thank you. May this
3 witness be excused? Thank you, Mr. Higginson. Would you
4 like to call your last witness.

5 MS. MCLEAN: Yes. Permian Resources calls Davro
6 Clements, please.

7 HEARING OFFICER CHAKALIAN: I believe there is one
8 exhibit that this witness has submitted that is objected to
9 at this point. So I'm just letting you know that I'm keeping
10 track.

11 MS. MCLEAN: Yes, Exhibit D10.

12 HEARING OFFICER CHAKALIAN: That's right.

13 EXAMINATION

14 BY MS. MCLEAN:

15 Q. Hello. Good afternoon.

16 A. Hello.

17 Q. Can you please state your name for the record.

18 A. Davro Clements.

19 Q. Do you want to spell that just --

20 A. Sure. D-a-v-r-o. C-l-e-m-e-n-t-s.

21 Q. By whom are you employed and in what capacity?

22 A. Permian Resources as a facilities engineer.

23 Q. And have you provided direct testimony and exhibits
24 in this case?

25 A. I have.

1 Q. And have those documents been marked as Exhibit D
2 and Sub-exhibit D1 through D9?

3 A. Yes.

4 Q. Is what you've submitted true and correct?

5 A. Yes.

6 Q. And do you adopt that testimony and exhibits today?

7 A. I do.

8 Q. Does Permian Resources have midstream services in
9 place?

10 A. Yes, we do.

11 Q. And can you tell me what those are?

12 A. Yes. We have oil, gas and water gathering dedicated
13 to midstream companies. For oil it's Salt Creek. For gas is
14 Trace and for water it's Select, and those individual
15 midstream companies are connected to the Pakse East
16 development.

17 Q. As a consequence of the Pakse development to the
18 east, are those services in place and can they be up and
19 running for Spicy Chicken?

20 A. Yes.

21 Q. How does operating wells in this vicinity with that
22 offset Pakse spacing unit help the efficiency of producing
23 the underlying reserves in the Spicy Chicken unit?

24 A. Yes. So we have two existing facilities over in the
25 Pakse unit. One was built in 2023. One was built later in

1 2024. The 2024 facility is a PR standard. It has all the
2 best facility designs and operational procedures worked into
3 the design process. So that, coupled with the midstream
4 takeaway, we also have a micro-grid there, which is able to
5 distribute power to the Pakse development as well as plans to
6 distribute that same power over to the Spicy Chicken
7 development. And then we also have H2S treatment there set
8 up for gas treatment. So all those things put together allow
9 us to quickly move on the Spicy Chicken development utilizing
10 those set assets.

11 Q. And then to confirm, you have power distribution
12 systems in place that can generate power for Spicy Chicken?

13 A. That's correct. Utility power in New Mexico is
14 challenging to get. So companies are now focused on
15 generating their own power through micro-grids. So we have
16 that at the Pakse East development and that is able to
17 generate power not only for that CTB and artificial lift
18 systems, but also the Spicy Chicken CTB and artificial lift
19 systems there.

20 Q. Have you seen anything from Avant about them having
21 their own power distribution system?

22 A. I have not.

23 Q. How long would it take to get something like that in
24 place?

25 A. The biggest challenge for a micro-grid is getting

1 the overhead electric power line right-of-way. So achieving
2 an easement, especially among federal lands, could take 9 to
3 12 months just to get the overhead electric right-of-way.

4 Q. Can you tell me a little bit more about the existing
5 Permian Resources facilities that have in the adjoining unit,
6 maybe like CTB facilities, that sort of thing.

7 A. Sure, yeah. I'll focus on the 2024 Pakse East CTB,
8 since Permian Resources built that. That facility consists
9 of 40-ounce storage tanks were best-in-class. You know,
10 storage tanks have grown from 8 ounce to 16, now 14. So that
11 14-ounce production storage tank allows for better emissions
12 control, better vapor recovery. There as well we have a
13 vapor recovery tower and then vapor recovery units to
14 increase the potential emissions. You know, those are
15 captured in the production storage tanks. We also have, as
16 mentioned, water gathering setup and then gas gathering and
17 gas treatment.

18 Q. Does Avant have any of these production handling
19 facilities or infrastructure near the Spicy Chicken spacing
20 unit?

21 A. Not that I'm aware of.

22 Q. Are there any area-specific challenges that you
23 believe Permian Resources is better prepared to handle?

24 A. At this day and time, midstream gathering, since we
25 do have it connected to the existing facilities, which we can

1 also use for the Spicy Chicken. And then just an
2 understanding of H2S in the area. Pakse East does have First
3 Bone wells with H2S at about 1,100 parts per million and
4 we're able to effectively treat that at a lower cost than
5 what sour gas takeaway would be in the area.

6 Q. Why are those challenges on the facility side of
7 things?

8 A. The two biggest challenges are time. You know,
9 getting a contract in place with a midstream company is a
10 process in itself, but once that's approved, then that
11 midstream company is to start building their facilities,
12 their compressor stations, and then they also need to acquire
13 right-of-way. And again, you know, with federal lands and
14 state lands, the right-of-way process can take, at minimum, 9
15 months. In some cases 12 to 16 months. So the timing
16 component of it is a big challenge, and then just the H2S
17 component and CO2 in the area, which we understand -- the
18 midstream companies have certain specs that you have to meet.
19 So we've talked a lot about gas takeaway and having the
20 option to have sour gas pipelines or having treatment
21 options. One thing that hasn't been mentioned today is oil
22 treatment. So in the oil phase there's going to be entrained
23 gas and that gas has H2S in it. There's not a midstream
24 company out there that's going to accept oil with that type
25 of spec, with that H2S in it, so you have to treat that,

1 which if you're not prepared to do so, can cost you a lot on
2 chemical treatment cost; whereas, we've developed a
3 mechanical process through the use of what we call a contact
4 tower.

5 Q. And is that a Permian Resources developed --

6 A. There's different operators that have used it,
7 largely in Canada, some in North Dakota. But we believe
8 we've pioneered and optimized it here in Permian.

9 Q. So with that H2S treatment method, do you have to
10 rely on midstream companies takeaway for sour gas?

11 A. So I was referring to the oil, you know. So with
12 that being said, we manage it ourselves. With gas treatment
13 that we have at the Pakse Seat, no, we can treat that
14 ourselves and get it into a sweet gas gathering pipeline.
15 And as I mentioned, today we're able to do that cheaper than
16 what sour gas gathering would be.

17 Q. And for the H2S in the oil phase, which is not
18 something that Avant has addressed, Permian Resources would
19 be up and running to handle that at Spicy Chicken.

20 A. That's right.

21 Q. Have you reviewed the exhibits submitted by Avant's
22 engineer?

23 A. I have.

24 Q. And what is your understanding of Avant's position
25 in these cases from the facilities perspective?

1 A. Listening to the testimony and looking at the
2 exhibits, my understanding is they are close to having
3 contracts in place for crude and gas gathering and are
4 pursuing other gas gathering connections, but nothing is
5 firm. And then as well, do not have any existing facilities
6 in the area.

7 Q. Have you provided a rebuttal exhibit, which has been
8 marked as Exhibit D10?

9 A. Yes.

10 MS. MCLEAN: And I know this is objected to, so do
11 we want to handle that now?

12 HEARING OFFICER CHAKALIAN: Yes, now would be a
13 great time.

14 MS. MCLEAN: I don't know what the objection is.

15 MS. BENNETT: I'm not objecting. I withdraw my
16 objection.

17 HEARING OFFICER CHAKALIAN: Objection has been
18 withdrawn. The exhibit is admitted into evidence. That
19 means that all of Permian exhibits, some need to be revised,
20 but all of Permian's exhibits have been admitted into
21 evidence. Do you concur, Ms. McLean?

22 MS. MCLEAN: I believe that's true at this point,
23 yes.

24 HEARING OFFICER CHAKALIAN: Ms. Bennett, do you
25 agree with that statement?

1 MS. BENNETT: I do.

2 HEARING OFFICER CHAKALIAN: Just to be clear, all of
3 Avant's exhibits have been admitted as well.

4 MS. MCLEAN: Correct.

5 HEARING OFFICER CHAKALIAN: Do you agree with that?
6 You do. And do you agree with that?

7 MS. BENNETT: I do. Thank you.

8 HEARING OFFICER CHAKALIAN: Okay. Fantastic. And
9 the court reporter got that too. Go ahead.

10 Q. Can you please explain what's shown on your Exhibit
11 D10. And there's two pages of that exhibit.

12 A. So on this slide here, I'm showing Avant's Exhibit
13 C5 on the bottom left, which addresses surface impact, a
14 comparison between PR's plan, Permian Resources, and Avant's.
15 And it was initially shown that Permian Resources would
16 impact about 32 acres of surface and Avant would impact 17.9.
17 But they are referencing the original development plan that
18 was on-sited by Earthstone in August of 2023. Earthstone had
19 some different development plans at the time. So they were
20 looking to utilize more space than what PR is today. And
21 another big important part of the on-site process with the
22 BLM is they want you to go out there and map out the maximum
23 impact of surface. So you don't need to come back and do
24 additional surveys after the fact to ask for more land. So
25 we followed the BLM's recommendation and on-site kind of

1 guidance to create the largest surface impact possible and
2 that provides flexibility, but then as it comes into PR's
3 ownership and we take a look at it, our goal is to reduce
4 surface impact. Obviously that's great for all stakeholders,
5 but it also has an economic impact as well. So as we're
6 able to reduce footprint and consolidate wells on two pads,
7 we're able to save money on the pad cost and save money on
8 flow lines.

9 Q. Let's go to the second page of D10. Can you tell me
10 what that shows.

11 A. So these are the said two well pads that we're
12 planning to put the full development on, the west and the
13 east. You can see that the west pad has, believe it's 16
14 surface hole locations, and then the east pad has 14. I
15 those numbers might be wrong, but I have them written down
16 somewhere. I believe it's a total of 29 surface locations
17 across these two pads. So this goes to show that we are
18 actively pursuing this option.

19 Q. What will Permian Resources total surface be, not
20 including flow lines?

21 A. Can you go back to exhibit? So without flow lines,
22 we are looking at 17 acres of surface impact versus Avant's
23 17.9.

24 Q. So there's really no material difference in surface
25 disturbance here.

1 A. That's correct.

2 Q. Let's look at Mr. Harper's testimony at paragraph
3 15. Mr. Kelly. Sorry, sorry. His rebuttal testimony. At
4 paragraph 15. I did this very late at night, I might have
5 put the wrong --

6 A. Is it the exhibit or is it going to be the
7 testimony?

8 Q. Let me just ask you, did you hear Mr. Kelly's
9 testimony yesterday that there have been additional on sites
10 required by BLM for the change in Permian Resources service
11 plan?

12 A. I heard them brought that up as a concern.

13 Q. And that was because it was a much smaller surface
14 disturbance than what was initially proposed?

15 A. Yes, I think smaller and different from what they
16 initially saw.

17 Q. It is Mr. Harper. Rebuttal paragraph 15, here Mr.
18 Harper says that Avant was not notified of any changes or
19 additional BLM on sites that included a different service
20 plan than what was emailed in October 2025. In my
21 experience, when an operator proposes changes to surface
22 facilities of this magnitude, a second on site with BLM may
23 be required and Avant would have been entitled to notice of
24 the on site. Do you agree with what he's stated there?

25 A. No.

1 Q. Would those changes, in your experience, trigger a
2 second on site with BLM?

3 A. The fact that we are making changes within the
4 confines of the approved boundaries by the on site, the
5 answer is no.

6 Q. Why not?

7 A. As I just mentioned, you do the on site, you want it
8 to be the biggest impact possible. You want to talk what the
9 BLM agreed to, what your surface disturbance is going to be.
10 And then when you look to downsize within those approved
11 boundaries, at that point in time you don't need to provide a
12 notification to the BLM or to other operators. If we were
13 going to change the development plan, adding new flow lines
14 or extending pads, moving pads, at that point in time I agree
15 that we would have to notify the BLM, do another on site,
16 notify their operators. But again, the fact that we are
17 working in the confines of approved boundaries and
18 downsizing, we don't need to make those notifications.

19 Q. And based on your review of Avant's exhibits and
20 listening to their testimony yesterday, did you hear any
21 discussion of whether Avant has midstream service contracts
22 currently in place?

23 A. Not currently.

24 Q. And Avant doesn't have any discussion of existing
25 facilities in the area?

1 A. No.

2 Q. And what does that tell you?

3 A. It tells me that they're not prepared to develop
4 this Spicy Chicken today.

5 Q. And based on your experience, how long might it be
6 before Avant is actually able to utilize midstream services
7 in this location?

8 A. From my experience, the contractual piece of it can
9 take some time. There's potentially some hiccups on how that
10 goes and when that finally gets inked. At that point in time
11 you kick off construction processes and right-of-way
12 acquisition processes, surveys, et cetera. Best case,
13 minimum nine months, but more typically 12 to 16 months.

14 Q. In your opinion, does Permian Resources have a
15 superior facility plan?

16 A. Yes.

17 Q. Can you please summarize the reasons for that.

18 A. We have an existing facility and facilities in the
19 area. We have existing infrastructure. Existing micro-grid
20 and power distribution, as well as an existing H2S treatment
21 setup or equipment that's able to effectively treat the H2S
22 that we have now and that we're planning for this initial
23 Spicy Chicken development.

24 Q. And will Permian Resources be ready to begin
25 producing in a much more timely and efficient manner than

1 Avant?

2 A. Yes.

3 MS. MCLEAN: Thank you. I have no further
4 questions.

5 HEARING OFFICER CHAKALIAN: Ms. Bennett.

6 EXAMINATION

7 BY MS. BENNETT:

8 Q. Good afternoon.

9 A. Hi.

10 Q. And as you've heard me say to everybody else, just
11 let me know if you can't hear me.

12 A. Sure.

13 Q. Or if I need to repeat something. My voice is
14 definitely, potentially degrading during the day. I want to
15 just talk about a few things that you just testified about.
16 A moment ago you testified that the Pakse facilities are
17 appropriate or planned for the initial Spicy Chicken
18 development. Do you remember saying that a moment ago?

19 A. Yes.

20 Q. When you talked about the H2S treatment plant that
21 you have at Pakse, is that capable of handling the H2S that
22 could be generated by Avalon development?

23 A. Avalon, no.

24 Q. So it's limited to First Bone Spring development?

25 A. First and second, yeah.

1 Q. What would Permian have to do in order to be
2 prepared to take Avalon H2S?

3 A. We would want to have sour gas gathering.

4 Q. So, in your opinion, sour gas gathering is the way
5 to go for Avalon H2S.

6 A. For Avalon, yes.

7 Q. I know we disagree about the certainty of what Avant
8 testified to yesterday, they did testify that they are
9 working on getting sour gas takeaway rate?

10 A. Yes. We are as well.

11 Q. How long do you anticipate that will take you to
12 get?

13 A. We are working -- Trace, who we're working with and
14 connected to, they are actively working on their permit.
15 They're working on their APDs and plan to have those
16 submitted by the end of the month. So I think 12 to 16
17 months we would have that online.

18 Q. So is it fair to say that it would take you at least
19 12 to 16 months to be able to produce the Avalon?

20 A. I think that's fair.

21 Q. So you're not planning on upgrading the Pakse H2S
22 treatment plant to handle the Avalon H2S?

23 A. So we have like two development strategies, which I
24 included in exhibit -- I believe D1 or D2. So we the
25 existing Pakse facility that we can bring this first phase of

1 wells into with the concentration expected from the First
2 Sone. That facility is well equipped to handle it. If the
3 reservoir team and the rest of the team decides that the
4 Avalon is a viable target, at that point in time we would
5 execute on building a new Spicy Chicken CTB that would be
6 better equipped to handle H2S and CO2 involved with the
7 Avalon development.

8 Q. And how long would it take you to develop and build
9 that new CTB?

10 A. We build facilities within 30 days.

11 Q. So really the lead time would be the takeaway that
12 you're waiting for now?

13 A. That's correct.

14 Q. I'm going to ask you a few questions about your
15 facilities exhibits. The first one is in your rebuttal
16 exhibits. This is your Rebuttal Exhibit D10; is that right?

17 A. Yes.

18 Q. And what slide of Avant's are you rebutting with
19 this Exhibit D10?

20 A. Exhibit C5 of Avant's.

21 Q. Oh, I see, because you were trying to show the
22 reason. Why were you using this as a rebuttal slide to Avant
23 C5?

24 A. Just C5 from Avant had showed what our service
25 impact was and provided a layout of our facility plans and

1 well pad plans, which showed the previous and initial on
2 site; whereas, I'm here showing that was old, this is new and
3 this is what our plan is today.

4 Q. In reviewing Avant's rebuttal slides, do you see
5 that they've acknowledged that this is what your current plan
6 looks like now?

7 A. Yes.

8 Q. And I think a moment ago you testified that your
9 current facility plan and their plan are essentially the
10 same?

11 A. From a surface --

12 Q. Yes. When did you make the decision to change from
13 the Earthstone development surface facility plan to the
14 surface facility plan that's shown on Exhibit D10?

15 A. A part of this process, preparing slides for this
16 hearing, we wanted to include like the updated plat, which I
17 showed on the exhibit. So we have been talking about this
18 for, I guess the last three to four weeks.

19 Q. So it's a relatively recent change?

20 A. Yes.

21 Q. Even though you've been planning on developing this
22 acreage diligently since 2024?

23 A. From a facility standpoint, the BLM on site is
24 handled with the regulatory and landmen. Once it gets down
25 to like actual well execution and surface facility planning,

1 that's where I involve myself and look to see if we can
2 optimize, which at this point in time requested my attention
3 and we provided our recommendation.

4 Q. Did you base your recommendation off of Avant's
5 development plan?

6 A. No.

7 Q. I'm just wanting to make sure that I understand that
8 there's only been one BLM on site for Earthstone/Permian; is
9 that right?

10 A. That's correct. In August of 2023.

11 Q. Why did you provide this as part of your rebuttal
12 exhibit?

13 A. I think just to add some additional context of how
14 many wells we would add to each of these pads to show the
15 full extent of the development.

16 Q. These are dated April 17th, do you see that right
17 down there?

18 A. Yes.

19 Q. So these are even more recent than your development
20 plans?

21 A. When we were preparing the slides for this, we
22 requested updated surveys.

23 Q. So you've been refining your plans in response to
24 this contested hearing?

25 A. We're always refining our plans to ensure that we

1 make the best economic decisions.

2 Q. Let me just get to your other exhibits here. I'm
3 showing C102 here and I know that this is outside of your
4 expertise, but this shows a survey date down here of
5 4/9/2026. If you don't know the answer to this, please just
6 feel free to say you don't know. But do you know why the
7 C102s were updated in April of 2026, was that in conjunction
8 with the updates to the development plan?

9 A. I'm not sure. I'm not a part of the form process.

10 Q. Earlier you testified that it would take some time
11 for Avant to get rights of way. Do you remember that?

12 A. Yes.

13 Q. You had a chance to review their exhibits, right?

14 A. Yes.

15 Q. This is Avant Exhibit C4. Do you see this?

16 A. Uh-huh.

17 Q. Do you see where it says, for gas, the service
18 provider right-of-way efforts are in process?

19 A. Yes.

20 Q. For crude, the service provider has the right-of-way
21 in hand.

22 A. That's what it says.

23 Q. Do you have any reason to doubt what it says?

24 A. I haven't seen a midstream company spend money on
25 acquiring right-of-way without a contract in place.

1 Q. But you don't --

2 A. From my experience, it wouldn't be prudent of an
3 operator to spend money to connect to a midstream company
4 without a contract in place. And it would make the right
5 business decision for a midstream company to connect to an
6 operator without a contract in place.

7 Q. The first bullet under crude says, "commercial
8 agreements and dedication in place." Is that the contract
9 that you're referring to?4?

10 A. That's what it says, but testimony yesterday said
11 that it was near completion.

12 Q. Do you recall if that testimony was about the sour
13 gas takeaway?

14 A. No. Mr. Kelly said that both crude and gas
15 gathering were not complete. Close to completion.

16 Q. I understand what you're saying, but your testimony
17 a moment ago was that it was going to take Avant some time to
18 get the rights-of-way, right. Yes?

19 A. Yes.

20 Q. Seeing this on this slide, does that change your
21 opinion about the timeline that it might take Avant to get
22 rights-of-way?

23 A. I have to take their, you know, sworn testimony as
24 face value.

25 Q. So does that change your mind about the amount of

1 time that it might take?

2 A. I just have a hard time making -- providing an
3 answer. seeing that bullet 1 says commercial agreements are
4 in place, but hearing something different yesterday.

5 Q. I understand this might be outside of your area of
6 expertise, but your testimony just now is that it's unusual
7 or you would be surprised if there was rights-of-way being
8 acquired if there wasn't an agreement in place. And have you
9 ever heard of a right-of-way reimbursement agreement?

10 A. I have, yeah.

11 Q. So it's not out of the ordinary to have alternative
12 pads forward for rights-of-way?

13 A. Premier Resources hasn't pursued that, but it's an
14 option.

15 Q. I understand you might not know the answer to this,
16 but yesterday I had an exchange with Mr. Hajdik about an
17 email from the BLM regarding not being able to use the
18 existing drill islands. Do you recall that?

19 A. Yes.

20 Q. Were you CC'd on those emails by any chance?

21 A. No.

22 Q. So you're not sure if those emails have been found
23 and could be provided?

24 A. I'm not sure, no.

25 MS. BENNETT: Those are all the questions I had.

1 Thank you.

2 HEARING OFFICER CHAKALIAN: Mr. McClure.

3 MR. MCCLURE: Mr. Hearing Examiner, I have no
4 questions for this expert witness.

5 HEARING OFFICER CHAKALIAN: Ms. McLean.

6 MS. MCLEAN: No more questions.

7 HEARING OFFICER CHAKALIAN: May this witness be
8 excused?

9 MS. MCLEAN: He may.

10 HEARING OFFICER CHAKALIAN: Thank you, Mr. Clements.
11 Does Permian Resources rest its case?

12 MS. MCLEAN: We do.

13 HEARING OFFICER CHAKALIAN: Perfect. Is there any
14 reason, Ms. Bennett, that you have additional evidence?

15 MS. BENNETT: No.

16 HEARING OFFICER CHAKALIAN: No.

17 MS. MCLEAN: No.

18 HEARING OFFICER CHAKALIAN: Sounds like the
19 evidentiary record is closed, with the exception of documents
20 that Mr. McClure is going to painfully illustrate. Now, Mr.
21 McClure, which party do you want to start with?

22 MR. MCCLURE: Half a dozen, one way, six the other.
23 I guess I'm holding the Permian one, but go ahead, Mr.
24 Hearing Examiner, if you had a recommendation.

25 HEARING OFFICER CHAKALIAN: Why don't we start with

1 the notice issue.

2 MR. MCCLURE: Works for me. I think already
3 discussed it. Do you want me to draw Ms. McLean's attention
4 specifically to what we're looking at, I assume?

5 HEARING OFFICER CHAKALIAN: I think so.

6 MR. MCCLURE: Ms. McLean, if I can draw your
7 attention to the application for case 25835. Looks like it's
8 page 55 of 278. I don't know if I can hear you, if you said
9 something, Ms. McLean.

10 MS. MCLEAN: I was just confirming, that was Permian
11 Resources exhibit.

12 MR. MCCLURE: Yes, ma'am.

13 MS. MCLEAN: Yes, case 25835.

14 MR. MCCLURE: We talked about it some there towards
15 the beginning, but specifically I'm looking at, see where it
16 says, north half of northwest quarter of Section 26.

17 MS. MCLEAN: Yes. It should just be northwest
18 quarter of Section 26.

19 MR. MCCLURE: Correct. And because of this we're
20 going to have to conduct new notice for this case. It
21 appears that this incorrect legal description had found its
22 way throughout the written notice here, the public notice
23 that was conducted, as well as the notice that the Division
24 had put out.

25 MS. MCLEAN: What we have previously done, just to

1 confirm that this is sufficient, is file an amended
2 application with the Division, send Ms. Tschantz a new
3 abstract to be published ahead of the next docket. We would
4 also send out notice to the interest owners, as well as
5 publish in the newspaper.

6 MR. MCCLURE: I would agree that would be our normal
7 procedure and that would be the way to rectify it here. My
8 only concern is, if there's any complications needed, because
9 of it being a competing case. I don't know if we would
10 continue it or -- I guess we would need to continue it. I
11 don't know if you have any thoughts, Mr. Hearing Examiner, on
12 how you'd like to proceed.

13 HEARING OFFICER CHAKALIAN: I do. First of all, let
14 me write down, so that I'm clear, which case numbers does
15 this affect?

16 MS. MCLEAN: Case number 25835.

17 HEARING OFFICER CHAKALIAN: So one of the three.

18 MS. MCLEAN: 1 out of 13 total applications.

19 HEARING OFFICER CHAKALIAN: 1 of 13, excuse me.

20 Okay. Ms. Bennett, any objection to their filing an amended
21 application and renoticing that case?

22 MS. BENNETT: I'm struggling a little with this.

23 HEARING OFFICER CHAKALIAN: I can see that.

24 MS. BENNETT: And I'm struggling with it because I'm
25 about to say something that's probably contrary to my own

1 interest.

2 HEARING OFFICER CHAKALIAN: No one's asking you to
3 say anything contrary to your own interest. Is there an
4 objection or isn't there?

5 MS. BENNETT: Is the only change they're going to
6 make to rectify the north half of the northwest quarter of
7 Section 26?

8 HEARING OFFICER CHAKALIAN: It's going to be the
9 northwest quarter, not the north half of northwest quarter.

10 MS. BENNETT: How does that pertain to paragraph 2
11 then?

12 HEARING OFFICER CHAKALIAN: I'm not looking at
13 paragraph 2, so I'm not sure what you're saying.

14 MS. BENNETT: Paragraph 2 says it's...

15 MS. MCLEAN: It has wrong last take point. If we're
16 going to be doing the entire northwest quarter, it should be
17 E of Section 26 as a last take point.

18 HEARING OFFICER CHAKALIAN: Mr. McClure, are you
19 listening to this?

20 MR. MCCLURE: I am, Mr. Hearing Examiner.
21 Historically the Division has not been requiring new notice
22 for details like that, I guess. Primarily we've been
23 focusing on the formation and a legal description as kind of
24 the red line.

25 HEARING OFFICER CHAKALIAN: So we would not be

1 requiring Permian to add that detail. We're just saying,
2 it's not the north half of the northwest quarter, it's the
3 northwest quarter.

4 MS. BENNETT: Mr. Hearing Examiner, with that, may I
5 add another...this application, as they're proposing to amend
6 it, is different than their proposal letter. The proposal
7 letter that Permian sent out reflects paragraph 2. So the
8 legal description that the Division and Permian are proposing
9 to include now have never been proposed to the working
10 interest owners. So I understand the desire to fix this
11 expeditiously, but I don't know that simply amending and
12 doing notice, does not account for the fact that the proposal
13 letter is incorrect and also does not account for the fact
14 that their current -- their application in the materials does
15 not match up with all of their testimony. So there's, you
16 know, a real disconnect between their application and their
17 testimony and the proposal letter that was sent out.

18 HEARING OFFICER CHAKALIAN: Before I go to you, Ms.
19 McLean. Mr. McClure, did you hear that part?

20 MR. MCCLURE: Yes, I did. Mr. Hearing Examiner.
21 Maybe just for clarification, are you saying, Ms. Bennett --
22 or, Ms. Bennett, are you saying that the proposal letters is
23 incorrect, is that what you're saying, Ms. Bennett?

24 MS. BENNETT: Yes, that's what I'm saying. The
25 proposal letter for the 201H is incorrect. I can share my

1 screen, if that would be useful.

2 MR. MCCLURE: It might be, if you want to show me
3 exactly what you're referring to.

4 MS. BENNETT: Here's the proposal letter for the
5 201H well and it says it's 1210 from the west line and 100
6 from the north line of Section 23. And then it says it's
7 1210 from the west line and 100 from the north line of
8 Section 26, which would not be the northwest quarter of
9 Section 26. It would be the north half of the northwest
10 quarter of Section 26.

11 HEARING OFFICER CHAKALIAN: North half of the
12 northwest quarter. So just help me understand this before we
13 go to Ms. McLean. So they have identified a well in a
14 particular area. You're saying that that well location is no
15 longer correct.

16 MS. MCLEAN: I don't know if it's correct or not.
17 This is what their proposal letter was and this is what their
18 application says and it's vastly different from -- not
19 vastly, I'm exaggerating. It's 80 acres different than
20 what's in their materials in their testimony.

21 HEARING OFFICER CHAKALIAN: So now they would be
22 noticing a larger area, right?

23 MS. BENNETT: They would be, which is a different
24 spacing unit altogether.

25 HEARING OFFICER CHAKALIAN: I'll let you interpret

1 this, Mr. McLean, because you're going to have to help me
2 with understanding the objection and your argument.

3 MS. MCLEAN: I mean, she is not wrong.

4 HEARING OFFICER CHAKALIAN: Right.

5 MS. MCLEAN: What I can say is that we drafted the
6 application based on the well proposed letter, which had the
7 last take point in Unit C. And that is also why we had this
8 as a 400-acre spacing unit with the west half of Section 23
9 and the north half northwest quarter of Section 26. It is
10 Permian Resources intention to have a 480-acre spacing unit.
11 If you see in all of our testimony and exhibits and our
12 checklist, we have it as 480 acres and the plat for the 201H
13 well. Although the total acreage says 400, the plat shows
14 480-acre spacing unit. We drafted our testimony based off of
15 that plat. So the testimony is correct. And the intention
16 of Permian Resources is to have not that wonky, weird, one
17 random Wolfcamp well that's shorter than the others, but with
18 a 480-acre spacing unit for that. I guess in the spirit of a
19 contested hearing, we are presenting our full development
20 plan and the full development plan includes that 480-acre
21 west half Wolfcamp well. I believe we have more than enough
22 time, based on how long it takes to get an order on a
23 contested hearing to cure all of this. and I don't think it
24 should impact, you know, what's been presented to the
25 Division during this hearing. And I believe the Division has

1 already indicated they're willing to allow us to cure this
2 deficiency. Whether that means we can send out a new
3 proposal letter for this just one, then 30 days after that we
4 do the admitted application, then 30 days after that you guys
5 notice it for hearing that will never happen, because we are
6 in a contested hearing right now.

7 HEARING OFFICER CHAKALIAN: Ms. Bennett, are you
8 suggesting then that what Ms. McLean just said, that they
9 should send out new proposal letters is the beginning of the
10 cure and not just filing an amended application.

11 MS. BENNETT: If the Division is inclined to
12 consider granting their application, then it needs to be done
13 correctly. So, yes.

14 HEARING OFFICER CHAKALIAN: Mr. McClure, you've
15 heard the arguments. What do you think?

16 MR. MCCLURE: I mean, the election letter is not
17 giving me heartburn at all. I mean, essentially they
18 proposed a shorter lateral than what -- let me back up. The
19 last take point is currently depicting a shorter lateral than
20 what they're actually proposing. They're going to have to
21 send out new election letters to update their AFEs
22 regardless, before they're going to be drilling any wells.
23 Assuming that they were reawarded -- or assuming that their
24 applications are approved. So I don't know what your
25 thoughts are, but it wouldn't give me any heartburn, I guess,

1 to proceed with just the written notice rather than new
2 election letters.

3 HEARING OFFICER CHAKALIAN: I'm trying to decide
4 whether -- Ms. Bennett, we're back to you. I understand that
5 you think the best route is A, I've heard from the technical
6 examiner, I've heard from Ms. McLean, it's their application.
7 Ultimately, it's their application and depending on how it's
8 handled, the Division will consider its strengths and
9 weaknesses, along with yours. The Division seems to feel as
10 though an amended application, renoticed properly and
11 published by the Division, is sufficient notice and does not
12 require a new proposal letter or Mr. McClure just called it
13 an election letter. I'm not sure if it's the same thing, but
14 I'll leave it alone. I don't even know that there is a legal
15 objection for me to deal with at this point, because both
16 parties have the burden of persuasion to show the Division
17 that they should be approved and not denied. You don't
18 have a notice problem. Theirs has a notice problem. So I
19 think at this point, thinking this through, I think this
20 really is between Mr. McClure and Ms. McLean, how this is
21 going to be handled. And I don't think it's open for
22 objection. I understand your position, that you think it
23 needs more, but it is what it is. So, Ms. McLean, you're
24 okay with what Mr. McClure wants you to do?

25 MS. MCLEAN: Yes, we're happy to do that.

1 HEARING OFFICER CHAKALIAN: This should take
2 approximately 60 days, it sounds like.

3 MS. MCLEAN: Yeah, I think we can apply for the June
4 docket. You know, do the new application in a timely manner
5 for the June docket notice.

6 HEARING OFFICER CHAKALIAN: Now, I want to be
7 careful here, Mr. McClure, because the Division can't be --
8 has to be neutral, has to be fair and impartial to both
9 parties. So I know you've identified a flaw in the notice.
10 So we've dealt with the notice. Now, what else do you want
11 the parties -- let's start with Permian Resources, what do
12 you want Permian Resources to fix or supplement or change in
13 their exhibit packet?

14 MR. MCCLURE: Thank you, Mr. Hearing Examiner. Ms.
15 McLean, starting with the CP-ACT. Let me actually get to one
16 of the pages here just so I have it directly in front of me
17 as well. I believe on all the Bone Spring CP-ACTS, do you
18 also happen to have one of your CP-ACTS in front of you, Ms.
19 McLean?

20 MS. MCLEAN: Yes, that was the API number.

21 MR. MCCLURE: Yeah, that's one of them. And you see
22 what I'm referring to, where it has like -- and you're
23 pooling this vertical extent. It says like Hanson State
24 number 1.

25 MS. MCLEAN: Yes, I see that. Just correcting the

1 API number there.

2 MR. MCCLURE: Yeah. You just missed the fifth
3 digit, I think. If I remember right, it's like 24997, but
4 you'll need to look it up and make sure you put the right one
5 in there.

6 MS. MCLEAN: Yes, we will do that.

7 MR. MCCLURE: In addition to that, for your Bone
8 Spring 1 and Bone Spring 2 cases, we need to correct the
9 vertical depth that is depicted in that vertical extent box.
10 Are you familiar with what I'm referring to?

11 MS. MCLEAN: And actually, I did have that as a
12 question. If we are correcting that to the -- I think it's
13 9444 TVD, do you still want the Hanson State number 1 as the
14 reference log?

15 MR. MCCLURE: It doesn't matter to the Division
16 which well you want to tie it to. If I remember right, this
17 well is kind of to the northeast of the proposed units and
18 the one that Avant uses I think is in Section 26, if I
19 remember right. But I know if the Division has a preference,
20 as long as it's right in the same area, I guess.

21 MS. MCLEAN: We can correct that TVD.

22 MR. MCCLURE: I believe it was the 9,400-something
23 needs to be corrected to like 9,100 or 9,200. I don't
24 remember now.

25 MS. MCLEAN: Yes, yes. Correct.

1 MR. MCCLURE: And then for your depth severance
2 field, I know currently you have, like you're discussing,
3 like the vertical limits, but that's not what we're looking
4 for, for this box. Instead, what we're looking for is a
5 description of the depth severances. So a more appropriate
6 description would be, you know, like the top of the Second
7 Bone Spring, the base of the Second Bone Spring in Section 26
8 in the north half Section 26, something along those lines.
9 And then also reference wherever those are going to hit.
10 Presumably at 993 TVD and then at this 9,100 or whatever it
11 is TVD.

12 MS. MCLEAN: Yes, we can do that.

13 MR. MCCLURE: For your Wolfcamp cases, we need to
14 correct the pool to the pool I provided you with yesterday.
15 I can provide it to you again right now if that would be
16 helpful.

17 MS. MCLEAN: We have a note of the Hat Mesa Wolfcamp
18 96438.

19 MR. MCCLURE: I don't have it directly in front of
20 me, but Hat Mesa would be correct. In addition to that, we
21 need to change the primary product field for those Wolfcamp
22 cases from oil to gas. Excuse me, from gas to oil. I
23 apologize, Ms. McLean. In addition to that, because of that
24 I guess, on your east half Wolfcamp cases you have two cases
25 in the east half. For those you would be changing it so it

1 now no longer needs an NSP. Are you in agreement with that
2 assessment?

3 MS. MCLEAN: Yes. And we're very happy to not have
4 to worry about that anymore.

5 MR. MCCLURE: In addition to that, and also because
6 of the gas to oil for your west half Wolfcamp case, you're
7 now going to need to identify that proxy well, which -- from
8 looking at it, it looks like it is centered. So it looks
9 like your well that's dedicated to it is a proxy well. But
10 if we could just correct the CP-ACT to properly identify it.
11 In addition to that, for your Bone Spring 1 cases, let me
12 actually scroll to one of those. Your top one is 838.
13 Currently it reads, "First Bone Spring interval," and then
14 comma, "from the top of the Bone Spring formation to the base
15 of the First Bone Spring interval." If we can correct it to
16 either -- we move the reference to solely the First Bone
17 Spring interval or change it to be like Avalon and First Bone
18 Spring interval, something along those lines. Essentially
19 what we need is, if you're going to include the First Bone
20 Spring interval, we also need to include the Avalon;
21 otherwise, you could remove reference and then just base it
22 off of top of Bone Spring to base of First Bone Spring.
23 That's essentially the same description.

24 MS. MCLEAN: Okay.

25 MR. MCCLURE: In your Exhibit A, the landman

1 statement, if we could fix any reference to that TVD
2 regarding the Bone Spring 1 and Bone Spring 2 cases division.
3 Again, referring to like this 9,400 being changed to whatever
4 it is.

5 MS. MCLEAN: Yes.

6 MR. MCCLURE: And then in your Exhibit A4, the
7 C102s. If we can correct the Wolfcamp cases to reference the
8 correct pool. And in addition to that, the C102 for your
9 201H, if you can correct your dedicated acreage from your 400
10 to your -- excuse me, from your --

11 MS. MCLEAN: 400 to 480.

12 MR. MCCLURE: Yeah, that is correct, yeah. I'm with
13 you. In your Exhibit A-6, in the summary breakout, we were
14 referencing one of your breakouts, the one on page 132,
15 there's just a simple typo where Permian is listed as owning
16 interest in tract 1 and tract 2, but that breakout only has
17 tract 1. So if we can correct that table.

18 MS. MCLEAN: Yes, we have already done that. So,
19 yes, we will do that one.

20 MR. MCCLURE: Very good. And I neglected to touch
21 base with your geologist on this, so it's possible we may
22 have to bring them back if you don't understand what I'm
23 looking at. In my note I have Exhibit B15. Let me see if I
24 can actually find the page.

25 MS. MCLEAN: We can share the screen, if that's

1 helpful.

2 MR. MCCLURE: It could be. Just make sure we're all
3 looking at the same thing. Yeah, there we go. Page 29 of
4 123. Yep, I'm with you. Maybe we should bring back the
5 geologist. I apologize, Mr. Hearing Examiner, maybe we
6 should bring back the geologist on this one.

7 HEARING OFFICER CHAKALIAN: Okay, he's coming back.
8 Thank you. I remind you, you're still under. Go right ahead,
9 Mr. McClure.

10 MR. MCCLURE: Thank you, Mr. Hearing Examiner.

11 EXAMINATION

12 BY MR. MCCLURE:

13 Q. Where you have the blue dotted box selected, do you
14 see where I'm referring to?

15 A. Yes, sir.

16 Q. Is it accurate to say that that's only depicting the
17 Bone Spring 1 sand?

18 A. In the entire blue box?

19 Q. Yeah, at the top of the blue box where you have like
20 your Spicy Chicken 11H.

21 A. Well, the entire blue box depicts just all the
22 application wells, including the Second Bone shale, the
23 Second Bone sand, the Third Bone Spring. I'm just showing
24 the application well, sir.

25 Q. I guess this would be the same argument or the same

1 discussion that I had with Mr. Higginson just a little bit
2 ago. With that in mind, it should be fine then.

3 MR. MCCLURE: I have no further questions. Thank
4 you, Mr. Hearing Examiner. Ms. McLean, we can leave this
5 exhibit as it is.

6 HEARING OFFICER CHAKALIAN: Okay, hold on, Mr.
7 McClure. Would you state your name again.

8 MR. CANTIN: Chris Cantin.

9 HEARING OFFICER CHAKALIAN: Thank you. Mr. McClure,
10 go ahead.

11 MR. MCCLURE: Thank you, Mr. Hearing Examiner.

12 HEARING OFFICER CHAKALIAN: So B15 is fine, it
13 sounds like.

14 MR. MCCLURE: That is correct, Mr. Hearing Examiner.
15 Ms. McLean can remove it from the list of amended exhibits.
16 Ms. McLean, Exhibit C-2, that is the Gun Barrel. we didn't
17 talk about it very much very long ago, but if we need to,
18 we can look at it again real fast. But this is in regards to
19 the formation labels in regards to like the Wolfcamp versus
20 Upper Pen or Cisco Canyon, however you want to identify
21 that, but...

22 MS. MCLEAN: We'll consult the geologist with that.

23 MR. MCCLURE: Well, do you want to bring back Mr.
24 Higginson to make sure he understood?

25 MS. MCLEAN: No, no, no.

1 MR. MCCLURE: I believe he said he did, but, okay.

2 MS. MCLEAN: Yeah, I think he knows what you want
3 fixed.

4 MR. MCCLURE: And then in addition to that, Exhibit
5 C-7, which is like that summary cost breakout.

6 MS. MCLEAN: Take Avant off in the footnote.

7 MR. MCCLURE: Yes, that is correct, Ms. McLean. I
8 believe that's everything I have for Permian. Was there
9 anything that I missed, that you're aware of Ms. McLean?

10 HEARING OFFICER CHAKALIAN: You miss nothing, ever.

11 MS. MCLEAN: No one has ever accused Mr. McClure of
12 missing something.

13 HEARING OFFICER CHAKALIAN: Go on to Ms. Bennett,
14 please.

15 MR. MCCLURE: Thank you, Mr. Hearing Examiner.
16 Ms. Bennett, are you there with me?

17 MS. BENNETT: I am.

18 MR. MCCLURE: Starting with your CP-ACT as well.
19 Let me get to one of them. Did you hear my guidance to Ms.
20 McLean in regards to the depth severance box and what I'd
21 like for you to have there?

22 MS. BENNETT: If you wouldn't mind repeating that
23 for me, I would appreciate it.

24 MR. MCCLURE: Yes, absolutely. What it looks like
25 what you currently have included is you kind of like broke

1 out like the unitized intervals that you're asking for. What
2 I'd rather see is kind of just a description of where both of
3 the depth severances is occurring. So it'd be something
4 along the lines of like the top of the Second Bone Spring at
5 blah, blah in blah, blah well. The base of the Second Bone
6 Spring at such and such depth and at such and such well.

7 MS. BENNETT: Just so I'm clear then, where we say
8 pooling this vertical extent, that's fine, but it's where we
9 got the row for depth severance, that's where you're asking
10 us to make this change.

11 MR. MCCLURE: Yes, that's absolutely correct. I
12 know a number of our applicants are kind of like duplicating
13 the pooling, this vertical extent into that depth severance
14 box, but that really wasn't the intent of the depth severance
15 box. Instead, we just want, you know, a simple list of the
16 different points that depth severances occur within the Bone
17 Spring formation is what we're looking for.

18 MS. BENNETT: I understand those words. Whether
19 I'll understand how to implement them is to be determined.

20 MR. MCCLURE: In the vertical extent for your Bone
21 Spring 2 case -- actually, it looks like that happens to be
22 the CP-ACT I'm on. So on page 10 of 322, do you see where it
23 currently says, "Second Bone Spring defined as the"...if we
24 could correct that to be the Second Bone Spring sand defined
25 at blah, blah.

1 MS. BENNETT: Will do.

2 MR. MCCLURE: And I know you had mentioned or Ms.
3 Sarantinos had mentioned that you wish to submit an amended
4 Exhibit A-6 to include additional offer to Permian; is that
5 correct?

6 MS. BENNETT: Yes, we want to amend the
7 communication summary to reflect that additional offer. And
8 then we also need to amend the -- and you may be getting to
9 this, but it's an exhibit before Exhibit A6, so I thought I
10 would just mention it. The ownership breakdown, to identify
11 the additional ownership interest that Avant is in the
12 process of acquiring.

13 MR. MCCLURE: Now, correct me if I'm wrong, but what
14 you're referencing is that Avant has acquired the Trainer
15 Partners, LTD interest; is that correct? Or that's what
16 you're referring to, correct?

17 MS. BENNETT: That's what I'm referring to, yes.

18 MR. MCCLURE: I believe that that falls in, and
19 correct me if it's in other exhibits, but I believe it is
20 Exhibit A-9, A-13, A-17 and A-21. Does that sound correct to
21 you, Ms. Bennett?

22 MS. BENNETT: It does, but it's also in exhibit --

23 MR. MCCLURE: Let me make a note of that. Which
24 other exhibit is it, Ms. Bennett?

25 MS. BENNETT: A4.

1 MR. MCCLURE: Oh, A4. Okay. And then, do you
2 recall the discussion that I had with your landman in regards
3 to the depicted HSUs for the NSP exhibit? The first one
4 appearing, like Exhibit A-11.

5 MS. BENNETT: I do.

6 MR. MCCLURE: If we can go ahead and correct those
7 depicted HSUs for each occurrence. I believe it's A-11,
8 A-15, A-19 and A-23. Does that sound correct to you?

9 MS. BENNETT: That does. Thank you.

10 MR. MCCLURE: And in addition, you planned on
11 submitting to us the waiver for the NSP from BEXP2, correct?

12 MS. BENNETT: Yes, I do. Thank you.

13 MR. MCCLURE: And you're going to submit that as
14 like a supplemental A-something; is that also correct?

15 MS. BENNETT: Yes, I will.

16 MR. MCCLURE: Okay, very good. Again, in regards to
17 the Trainer Partners LTD acquisition, if you could also
18 correct your commitment table found in Exhibit A25 to, I
19 guess now remove Trainer Partners from there.

20 MS. BENNETT: I will definitely fix that, whatever
21 needs to be done. I can't remember, I'm just looking at my
22 slide to see if I put committed and uncommitted. So I'll
23 just change them to committed, if I have both in there.

24 MR. MCCLURE: Well, correct me if I'm wrong, but now
25 they no longer own an interest, right? It's now owned by

1 Avant, was what the testimony was. Or am I wrong?

2 MS. BENNETT: No, you're right. It's pending
3 acquisition, so I suppose we would change them to just remove
4 them.

5 MR. MCCLURE: Oh, it's pending acquisition rather
6 than actually acquired? Maybe I misunderstood the testimony
7 then. So then, to your understanding, Avant doesn't
8 currently own Trainer Partners, Ltd.

9 MS. BENNETT: Not as of Monday, but I know it was
10 imminently going to close. So can I just ask for a little
11 leeway on figuring out how best to address that in the
12 committed/uncommitted?

13 MR. MCCLURE: Well, what I'm getting at is, I don't
14 know if it's even appropriate to take them out of the
15 breakout if that was what you were -- like we were just
16 discussing. I had thought Ms. Sarantinos had said that they
17 were actually acquired now. maybe I completely misunderstood
18 her testimony then.

19 MS. BENNETT: I believe her testimony was that they
20 were pending acquisition and it wasn't that we were proposing
21 to take them out of the breakout, but rather to show them as
22 committed to Avant. So Avant's overall interest would
23 increase.

24 MR. MCCLURE: Well, with that in mind then, I guess
25 we would leave it in there, and on the commitment table you

1 would put it to similar to the description that you have for
2 like Petro X, or whatever that other company was. Do you
3 recall what I'm referencing, Ms. Bennett?

4 MS. BENNETT: I do.

5 MR. MCCLURE: Then Exhibit C-1, there's reference to
6 the HSU to the east. I believe that you had brought up or
7 your expert witness had, that you intend on removing the
8 depiction of an Avalon well from that map there. Do you
9 recall what I'm referring to?

10 MS. BENNETT: I do.

11 MR. MCCLURE: Then the one last change is your
12 Rebuttal Exhibit C-5. If we could make a similar change to
13 it as what Permian is making to its similar exhibit; that
14 being, to remove reference of Permian's costs from that
15 table.

16 MS. BENNETT: So you want that exhibit to just be
17 Avant's revised AFE costs, not a comparison?

18 MR. MCCLURE: Well, would you be in agreement that
19 that would now be -- that removal of Permian's costs would be
20 the appropriate equivalence to what Permian did to its
21 exhibit?

22 HEARING OFFICER CHAKALIAN: Mr. McClure, I think it
23 depends on whether the costs are accurate or not. I think
24 the problem with the Permian exhibit was that it referred to
25 costs that were not accurate, which is why they're being

1 removed.

2 MR. MCCLURE: But I think it has the -- well, my
3 understanding was that the costs that are there are connected
4 to the AFEs that are inaccurate that Permian has. Is my
5 understanding correct, Ms. Bennett, on that?

6 HEARING OFFICER CHAKALIAN: It is.

7 MR. MCCLURE: Or Mr. Hearing Examiner.

8 MS. BENNETT: I do understand his concern. Sitting
9 here right now, I don't know the answer to that. But if it
10 is incorrect, I will remove it as he's suggesting.

11 HEARING OFFICER CHAKALIAN: Could you pull up a
12 copy?

13 MS. BENNETT: I can.

14 HEARING OFFICER CHAKALIAN: Hold on, we're going to
15 look at it.

16 MR. MCCLURE: Yeah, I was just going to ask if we
17 needed to bring back one of the expert witnesses and talk
18 about it or what you thought on that.

19 MS. BENNETT: Are you still logged in? I got kicked
20 out again. Do you mind holding up Rebuttal C5. Thank you.
21 Mr. Hearing Examiner.

22 HEARING OFFICER CHAKALIAN: Let me do this first.
23 Okay, here we have it. Now, Mr. McClure, are suggesting --
24 there's no suggestion here that Avant's numbers are wrong,
25 right?

1 MR. MCCLURE: No. I guess I had originally thought
2 they took these numbers from the AFEs, but I guess if they
3 duplicated the numbers from Permian's Exhibit C-7, then maybe
4 there is no concern actually. Is that what occurred here?
5 Does this have identical cost to the C-7?

6 HEARING OFFICER CHAKALIAN: Mr. McClure, we have the
7 witness still here who made this table. We can bring him
8 back and ask him.

9 MS. MCLEAN: Mr. Higginson made the Permian
10 Resources C7 that was copied by Avant to make this table. I
11 don't think there's any dispute that the bottom Permian
12 Resources number is identical to what is in Permian Resources
13 Exhibit C7.

14 HEARING OFFICER CHAKALIAN: But the C7 from Permian,
15 that is going to be retained or jettisoned?

16 MS. MCLEAN: The part that's retained.

17 HEARING OFFICER CHAKALIAN: I thought so.

18 MS. MCLEAN: Yes, because the PR cost, that's not
19 changing. It's just the Avant are not the most updated.

20 HEARING OFFICER CHAKALIAN: The Permian exhibit, the
21 Avant numbers were wrong because they made it --

22 MS. MCLEAN: They don't match this.

23 HEARING OFFICER CHAKALIAN: Hold a second. Are
24 these Permian numbers three-string or four-string numbers?

25 MS. MCLEAN: Four.

1 HEARING OFFICER CHAKALIAN: These are four-string
2 numbers, right? And he's nodding, and he's a witness under
3 oath still. So, Mr. McClure, these Permian numbers are
4 accurate, because these are the four-string numbers. Avant
5 used correct numbers from Permian, my understanding. And if
6 I'm wrong, someone please correct me.

7 MR. MCCLURE: Mr. Hearing Examiner, I'm the one that
8 was mistaken. I had thought that they used the AFE numbers,
9 which would have been the three-string numbers, which would
10 now be incorrect. But now looking at it, I am in agreement
11 that this is a duplicate of Permian's C-7. So this would be
12 the correct comparison. Ms. Bennett, we do not need to make
13 a correction to the Rebuttal Exhibit C-5.

14 MS. BENNETT: Thank you for that clarification.

15 HEARING OFFICER CHAKALIAN: And, Mr. McClure, that
16 concludes your list?

17 MR. MCCLURE: Mr. Hearing Examiner, it does.

18 HEARING OFFICER CHAKALIAN: Excellent. We have a
19 couple of minutes to talk about post-hearing submissions. So
20 let's start with, first of all, the transcript. When will
21 the transcript be ready? Is it two weeks?

22 MS. TSCHANTZ: 10 business days?

23 HEARING OFFICER CHAKALIAN: Perfect, thank you. So
24 the transcript will be ready in two weeks from today. What
25 is that, May -- I don't have a calendar in front of me. Does

1 anyone know what two weeks? May 6th. So if we don't count
2 May 6th, May 7 will be the first full day that the
3 transcripts are available. How much time do the parties want
4 to both revise and submit exhibits, which we've talked about
5 now, and for closing argument. I'll start with Ms. Bennett.

6 MS. BENNETT: Thank you, Mr. Examiner. First, I
7 would like to point out a few other exhibits that we
8 discussed during the hearing.

9 HEARING OFFICER CHAKALIAN: Yours or theirs?

10 MS. BENNETT: Theirs.

11 HEARING OFFICER CHAKALIAN: Theirs. Which ones?

12 MS. BENNETT: Well, these all relate to the Rebuttal
13 Exhibit C5 with the updated Avant AFE costs and there's a
14 number of Permian Resources exhibits that relied on the
15 earlier AFE costs. And so, in my view, all of those exhibits
16 would need to be revised to reflect the Exhibit C5. That's
17 number one.

18 HEARING OFFICER CHAKALIAN: Do you want to list them
19 so that Ms. McLean has the ability to object if she doesn't
20 think it's proper.

21 MS. BENNETT: I am happy to list them if I can have
22 a few minutes. I did raise them with their witness as we
23 were talking through each one and their witness agreed with
24 me that the -- they were incorrect based on the -- but I
25 would have to go back through. And I can definitely do that,

1 I just need a few minutes.

2 HEARING OFFICER CHAKALIAN: Are these some of the C
3 exhibits?

4 MS. BENNETT: Yes.

5 HEARING OFFICER CHAKALIAN: Are these C rebuttal
6 exhibits?

7 MS. BENNETT: I think it might permeate the whole C.

8 HEARING OFFICER CHAKALIAN: All of the C or parts of
9 the C?

10 MS. BENNETT: Yeah, parts of the C.

11 HEARING OFFICER CHAKALIAN: And was there something
12 else?

13 MS. BENNETT: Yes. I appreciate the Division's
14 solution for the First and Second Bone Spring wells in terms
15 of allowing Permian to modify its compulsory pooling
16 checklist and all of the testimony that relates to the
17 description of the wells. However, the description of the
18 depth severance is in the public notice that was provided.
19 And so, I don't know that -- and I definitely -- I'm not
20 trying to overstep my bounds here. It's just that the public
21 notice for all of those cases was incorrect. That's the
22 notice that was published on the OCD's website. This is also
23 true for the 201H Wolfcamp case. So if the Division is
24 inclined to allow Permian to redo all of -- to redo the
25 Wolfcamp case, then Permian needs to redo all of the First

1 and Second, and I leave it to Permian to decide whether they
2 need to redo the Third Bone Spring. But the legal
3 descriptions that showed up in the public notice are all
4 incorrect.

5 HEARING OFFICER CHAKALIAN: Ms. McLean.

6 MS. MCLEAN: They say First Bone Spring interval,
7 Second Bone Spring interval, Third Bone Spring interval. I
8 don't think that the footage is part of the, quote, legal
9 description. We are happy to do whatever the Division wants
10 us to do, is the bottom line, and whatever. We are willing
11 to do whatever Mr. McClure and the Division wants us to do.

12 HEARING OFFICER CHAKALIAN: Mr. McClure.

13 MR. MCCLURE: Mr. Hearing Examiner, unless you're
14 inclined to require notice, it wouldn't give me heartburn, I
15 guess, if we leave it as is.

16 HEARING OFFICER CHAKALIAN: Then we're going to
17 leave it as it is, because Mr. McClure being the technical
18 examiner, I'm going to let him make the final call on that.
19 To me, it's not a legal question. It's more of a technical
20 question.

21 MS. BENNETT: Mr. Examiner, in terms of the question
22 you did ask though about timing.

23 HEARING OFFICER CHAKALIAN: Yes.

24 MS. BENNETT: I think that -- and I haven't had a
25 chance to confer with Ms. McLean and Ms. Pena or Ms. Hardy

1 about this, but I think it would be premature to do briefing
2 until after we have a chance to reconvene on the new notice
3 and the application that's going to be filed. And also given
4 that Permian is getting wide latitude to move forward with
5 applications that in Avant's view or not properly noticed,
6 Avant may have some decisions to make about additional steps
7 it intends to take. And so it would be premature to set a
8 briefing schedule until at least the Division has had a
9 chance to review the revised notice for the Wolfcamp case and
10 that won't be until the June docket. So I would respectfully
11 request that we come back first for a hearing on the
12 revisions and then set the briefing docket after that,
13 because the transcript will not be complete until the notice
14 is cured.

15 HEARING OFFICER CHAKALIAN: Ms. McLean.

16 MS. MCLEAN: I am happy to take as long as Avant
17 wants for briefing. I was going to say like, what about
18 July?

19 HEARING OFFICER CHAKALIAN: You were, uh.

20 MS. MCLEAN: Well, like jokingly, but also
21 seriously, I'm happy to make it July.

22 HEARING OFFICER CHAKALIAN: You are?

23 MS. MCLEAN: Again, this is not something to us that
24 is super pressing.

25 HEARING OFFICER CHAKALIAN: Okay.

1 MS. MCLEAN: You know, there's no lease expirations,
2 and I think it's fine to push it.

3 HEARING OFFICER CHAKALIAN: Mr. McClure, you heard
4 this, right?

5 MR. MCCLURE: I did, Mr. Hearing Examiner. I
6 personally don't have a preference. However you would like
7 to proceed, Mr. Hearing Examiner, is fine by me.

8 HEARING OFFICER CHAKALIAN: I was going to set
9 something for a few weeks from the June hearing by affi --
10 well, it's not a hearing by affidavit, but the reopening of
11 the record for that June docket, but the parties don't seem
12 to be a hurry. So, okay, we'll postpone until the June
13 reopening of the evidentiary record for whatever we need to
14 do, and then at that time we can decide how much longer it's
15 going to take. I would hope that by June the parties would
16 have submitted these corrections here. I don't see any
17 reason to delay the corrections.

18 MS. MCLEAN: Oh, no. The corrections, we could do
19 that, no problem. I would suggest maybe we set this for the
20 June status conference docket, if we're going to be setting
21 additional deadlines and things of that nature, as opposed to
22 the new June docket, because I -- you know, there's always so
23 many cases and I think the status conference docket might be
24 more appropriate. I know you need to notice it for the June
25 docket, but perhaps we can file continuance to the June

1 status conference docket.

2 HEARING OFFICER CHAKALIAN: Well, it's getting later
3 and later. I mean, that's two months from now. What's the
4 matter with having a status conference as the first thing on
5 the hearing affidavit docket in June and then -- I mean, I
6 don't know what Ms. Bennett has up her sleeve, although there
7 may be --

8 MS. BENNETT: I have a few things.

9 HEARING OFFICER CHAKALIAN: She's got a smile on her
10 face. If the parties want to wait until the second docket,
11 I'm okay with that too.

12 MS. BENNETT: If you would permit a status
13 conference at the first June docket.

14 HEARING OFFICER CHAKALIAN: I would.

15 MS. BENNETT: Then I think that's perfectly --

16 HEARING OFFICER CHAKALIAN: So we will assign this
17 to the first June docket. We will set it as a status
18 conference instead of a -- I guess we should call this a
19 contested hearing, right, Freya?

20 MS. TSCHANTZ: I think so.

21 HEARING OFFICER CHAKALIAN: This is really a
22 continuation of a contested hearing. So we'll all know that
23 it's not a full-blown contested hearing, because we've
24 already had that. We'll have the benefit of the amended
25 exhibits. We'll have the amended application, the new

1 notice. Of course you'll have to, I guess, enter into
2 evidence that notice information, your affidavit, and the
3 documents for that. What else did you want to deal with, Ms.
4 Bennett?

5 MS. BENNETT: I think that's it. I'll send
6 Ms. McLean a list of the Permian exhibits that included a
7 discussion of the CAPEX and then --

8 HEARING OFFICER CHAKALIAN: Will you also sent it to
9 Mr. McClure as well, a copy to Mr. McClure.

10 MS. BENNETT: I will.

11 HEARING OFFICER CHAKALIAN: And then if there's any
12 objection, Ms. McLean, please respond and include me if
13 there's an objection to amending any exhibit that Ms. Bennett
14 points out to you, we'll deal with that as a --

15 MS. MCLEAN: I think Permian Resources position
16 would be, if Mr. McClure would like us to amend them, we're
17 happy to do so.

18 HEARING OFFICER CHAKALIAN: So what if we do this.
19 Ms. Bennett, why don't you send the list of suggested
20 amendments to Mr. McClure and copy Ms. McLean. Ms. McLean,
21 if you object, let me know. If you don't object, we'll let
22 Mr. McClure decide which of those exhibits he would like to
23 see amended because of those figures that may not be correct.

24 MR. MCCLURE: Mr. Hearing examiner, I think Ms.
25 Bennett's mic is off, so I didn't exactly hear the entirety

1 of the exchange, but I think I understand based off what you
2 just described. Ms. Bennett sending me an email and CC'ing
3 Ms. McLean with the referenced rebuttal exhibits; is that
4 correct?

5 HEARING OFFICER CHAKALIAN: Ms. Bennett, why don't
6 you reiterate why you feel certain other Permian exhibits
7 need to be amended, so Mr. McClure understands the rationale.

8 MS. BENNETT: Yes, thank you. So there are a lot of
9 Permian exhibits that were based -- the premise of the
10 exhibit was based off of the AFE costs that are now no longer
11 reflected in Rebuttal Exhibit C5. And so, my goal would be
12 to identify the Permian exhibits that were based off of the
13 now no longer accurate AFEs. And if a revision of those
14 exhibits would be helpful to Mr. McClure, then he could
15 decide. And so I would list the exhibits that identify the
16 incorrect AFE amounts or that are based off the incorrect AFE
17 amounts, and then that way Mr. McClure can review it. And if
18 it's something he'd like to see, then Ms. McLean could have
19 it reviewed.

20 MS. MCLEAN: Whatever Mr. McClure wants.

21 HEARING OFFICER CHAKALIAN: Mr. McClure, you heard
22 that now?

23 MR. MCCLURE: Yes, I did, Mr. Hearing Examiner. And
24 I guess I'll withhold judgment until I see this list, is kind
25 of where we're at, correct, Mr. Hearing Examiner?

1 HEARING OFFICER CHAKALIAN: It sounds like Ms.
2 Bennett has identified exhibits and cross-examined the
3 witness Mr. Higginson, about his assumptions when he created
4 those exhibits. And I think Mr. Higginson said that he used
5 the original -- well, he didn't even have the revised AFEs,
6 so he couldn't have known what they were. They weren't
7 submitted until Monday. So that is what you're suggesting,
8 is it not?

9 MS. BENNETT: It is, yes.

10 HEARING OFFICER CHAKALIAN: And we have admitted
11 those into evidence as rebuttal C5. So it'd be fair to have
12 that changed by Mr. Higginson. Anything else?

13 MS. BENNETT: Just in terms of submitting the
14 revised exhibit packet, I agree with Ms. McLean, that we will
15 do that as quickly as possible. Ms. McLean and I and Ms.
16 Pena and Ms. Hardy do have some impending deadlines, so I
17 would like some latitude on what as soon as possible means.

18 HEARING OFFICER CHAKALIAN: You have June, you have
19 six weeks.

20 MS. BENNETT: Thank you.

21 MS. MCLEAN: My thinking was like, we'll get it in
22 before, but at the very latest the day exhibits are due for
23 the June docket.

24 MS. BENNETT: Yes.

25 HEARING OFFICER CHAKALIAN: Perfect. That's

1 excellent.

2 MS. BENNETT: Perfect. Thank you.

3 HEARING OFFICER CHAKALIAN: And on the regular
4 docket, is that a week in advance or is that four days?

5 MS. MCLEAN: The week in advance.

6 HEARING OFFICER CHAKALIAN: It's a week in advance.

7 MS. MCLEAN: So May 28th.

8 HEARING OFFICER CHAKALIAN: Anything else, Ms.
9 McLean?

10 MS. MCLEAN: Nothing from Permian Resources. We
11 thank you for all of the time and attention you've spent on
12 this the last two days, and Mr. McClure and the court
13 reporter.

14 HEARING OFFICER CHAKALIAN: Thank you. Mr. McClure,
15 anything else?

16 MR. MCCLURE: Nothing from me, Mr. Hearing Examiner.

17 HEARING OFFICER CHAKALIAN: Thank you. Go ahead.

18 MS. BENNETT: Thank you. I also would like to
19 extend my gratitude to the Division, especially for this
20 that's happening today, I really appreciate your patience
21 with me, and so thank you very much for the time you spent.

22 HEARING OFFICER CHAKALIAN: Thank you. It was a
23 well-handled hearing. Thank you. And thank you for the
24 witnesses for traveling to Santa Fe.

25 (Recess at 3:11 p.m.)

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REPORTER'S CERTIFICATE

I, Kim Kay Shollenbarger, Certified Court Reporter, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a transcript of those proceedings that were reduced to printed form by me.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this case.

Kim Kay Shollenbarger

Kim Kay Shollenbarger, NMCCR 236

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New Mexico Rules of Civil Procedure for the
District Courts

Article 5, Rule 1-030

(e) Review by Witness; Changes; Signing.

If requested by the deponent or a party before completion of the deposition, the deponent shall have thirty (30) days after being notified by the officer that the transcript or recording is available in which to review the transcript or recording and, if there are changes in form or substance, to sign a statement reciting such changes and the reasons given by the deponent for making them. The officer shall indicate in the certificate prescribed by Subparagraph (1) of Paragraph F of this rule whether any review was requested and, if so, shall append any changes made by the deponent during the period allowed.

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ARE PROVIDED FOR INFORMATIONAL PURPOSES ONLY.
THE ABOVE RULES ARE CURRENT AS OF APRIL 1,
2019. PLEASE REFER TO THE APPLICABLE STATE RULES
OF CIVIL PROCEDURE FOR UP-TO-DATE INFORMATION.

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COMPANY CERTIFICATE AND DISCLOSURE STATEMENT

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