

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

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
PERMIAN RESOURCES OPERATING, LLC**

**CASE NO. 25511
ORDER NO. R-24082**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on September 11, 2025, and after considering the testimony, evidence, and recommendation of the Hearing and Technical Examiners, issues the following Order.

FINDINGS OF FACT

1. Permian Resources Operating, LLC (“Operator”) submitted an application (“Application”) to compulsory pool the uncommitted oil and gas interests within two (2) vertically separated intervals of the Bone Spring formation underlying the following lands situated in Lea County, New Mexico (“the Lands”):

Township 21 South, Range 34 East, N.M.P.M.
Section 2: Lots 1, 2, 7, 8, 9, 10, 15, 16 & SE/4 (E/2 equivalent)
Section 11: E/2
2. The Application differs from a standard compulsory pooling application as it includes two (2) vertically separated intervals.
 - a. Operator requested that OCD compulsory pool the Bone Spring formation from 8,076’ to 9,568’ TVD (“the Upper Proposed Bone Spring Interval”) and from 10,605’ to 11,340’ TVD (“the Lower Proposed Bone Spring Interval”) as identified at the Butkus 2 State No. 1 well (API No. 30-025-35325) underlying the Lands (collectively “the Proposed Bone Spring Intervals”). The Proposed Bone Spring Intervals are vertically separated by approximately 1,037’ of formation which has different ownership of oil and gas interests than the Proposed Bone Spring Intervals (“the Separating Interval”).
 - b. Operator proposed two (2) wells with completion targets in the Third Bone Spring horizon and within the Lower Proposed Bone Spring Interval underlying the Lands (“Unit”). Operator proposed zero (0) wells with a completion target within the Upper Proposed Bone Spring Interval.

3. Operator seeks to be designated the operator of the Unit.
4. Operator will dedicate the well(s) described in Exhibit A (“Well(s)”) to the Unit.
5. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
6. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
7. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

8. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
9. Operator is the owner of an oil and gas working interest within the Unit.
10. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
11. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.
12. Each standard horizontal spacing unit for horizontal oil wells shall comprise of one or more contiguous tracts that the horizontal oil well’s completed interval penetrates, under 19.15.16.15(B)(1)(a) NMAC.
 - a. The Proposed Bone Spring Intervals are not contiguous due to them being separated by the Separating Interval.
 - b. The Upper Proposed Bone Spring Interval is not penetrated by a horizontal oil well’s completed interval.
13. The Proposed Bone Spring Intervals are vertically separated by the Separating Interval, which has different ownership of oil and gas interests. Pooling across this depth severance would require compulsory pooling of the Separating Interval, for which notice was not provided and which OCD lacks jurisdiction to authorize under 19.15.4.12 NMAC.
14. Operator has the right to drill the Well(s) to a common source of supply at the depth(s) and location(s) described in Exhibit A.
15. The Unit contains separately owned uncommitted interests in oil and gas minerals.

16. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
17. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
18. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

ORDER

19. The uncommitted interests in the Unit are pooled as set forth in Exhibit A except the Unit shall consist of only the Lower Proposed Bone Spring Interval underlying the Lands.
20. Operator's request that OCD compulsory pool the uncommitted oil and gas interests in the Upper Proposed Bone Spring Interval underlying the Lands is denied.
21. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
22. Operator is designated as operator of the Unit and the Well(s).
23. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.
24. If the Unit is a non-standard horizontal spacing unit which has not been approved under this Order, Operator shall obtain the OCD's approval for a non-standard horizontal spacing unit in accordance with 19.15.16.15(B)(5) NMAC.
25. Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.
26. This Order shall terminate automatically if the Operator fails to comply with the preceding paragraph unless the Operator requests an extension by notifying the OCD and all parties that required notice of the original compulsory pooling application in accordance with 19.15.4.12.B and 19.15.4.12.C NMAC. Upon no objection after twenty (20) days the extension is automatically granted up to one year. If a protest is received the extension is not granted and the Operator must set the case for a hearing.
27. Operator may propose reasonable deviations from the development plan via notice to the OCD and all parties that required notice of the original compulsory pooling application in accordance with 19.15.4.12.B and 19.15.4.12.C NMAC. Upon no objection after twenty (20) days the

deviation is automatically granted. If a protest is received the deviation is not granted and the Operator must set the case for a hearing.

28. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.
29. Operator shall submit each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").
30. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."
31. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
32. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.
33. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."

34. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
35. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
36. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
37. Operator shall distribute a proportionate share of the costs and charges withheld pursuant to the preceding paragraph to each Pooled Working Interest that paid its share of the Estimated Well Costs.
38. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
39. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
40. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 et seq., and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 et seq.

41. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
42. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



**ALBERT C. S. CHANG
DIRECTOR**

AC/dm

Date: 12/1/2025

R-24082 EXHIBIT A

COMPULSORY POOLING APPLICATION CHECKLIST	
ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS	
Case: 25511	APPLICANT'S RESPONSE
Date: September 11, 2025	
Applicant	Permian Resources Operating, LLC
Designated Operator & OGRID (affiliation if applicable)	Permian Resources Operating, LLC (OGRID No. 372165)
Applicant's Counsel:	Hardy McLean LLC
Case Title:	Application of Permian Resources Operating, LLC for Compulsory Pooling and Approval of Overlapping Spacing Unit, Lea County, New Mexico.
Entries of Appearance/Intervenors:	Marathon Oil Permian, LLC
Well Family	Outland
Formation/Pool	
Formation Name(s) or Vertical Extent:	Bone Spring Formation
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	8,076' to 9,568' TVD and 10,605' to 11,340' TVD within the Bone Spring Formation
Pool Name and Pool Code:	Gramma Ridge; Bone Spring, North Pool (Code 28434)
Well Location Setback Rules:	Statewide
Spacing Unit	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	795.38 acres
Building Blocks:	quarter-quarter
Orientation:	North to South
Description: TRS/County	E/2 equivalent of irregular Section 2 and the E/2 of Section 11, Township 21 South, Range 34 East, Lea County.
Standard Horizontal Well Spacing Unit (Y/N), If No, describe <u>and is approval of non-standard unit requested in this application?</u>	Yes.
Other Situations	
Depth Severance: Y/N. If yes, description	Yes. Multiple depth severances exist within the Bone Spring Formation. Applicant seeks to pool uncommitted interests within the depth severance from 8,076' to 9,568' TVD. Applicant also seeks to pool the uncommitted interests within the depth severance from 10,605' to 11,340' TVD. These depths are shown on the type log for the Butkus 2 State #001 well (API No. 30-025-35325).
Proximity Tracts: If yes, description	Yes. The completed interval of the Outland State Unit 11-2 134H well will be located within 330' of the quarter-quarter section line separating the E/2 E/2 and W/2 E/2 of Sections 2 and 11 to allow for the creation of a 795.38-acre standard horizontal spacing unit.
Proximity Defining Well: if yes, description	Outland State Unit 11-2 134H
Applicant's Ownership in Each Tract	Exhibit A-3
Well(s)	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	Add wells as needed
Well #1	Outland State Unit 11-2 133H SHL: 363' FNL & 1,136' FEL (Lot 1), Section 2, T21S-R34E BHL: 100' FSL & 2,310' FEL (Unit O), Section 11, T21S-R34E Completion Target: Third Bone Spring (Approx. 11,350' TVD)
Well #2	Outland State Unit 11-2 134H SHL: 364' FNL & 1,103' FEL (Lot 1), Section 2, T21S-R34E BHL: 100' FSL & 991' FEL (Unit P), Section 11, T21S-R34E Completion Target: Third Bone Spring (Approx. 11,350' TVD)
AFE Capex and Operating Costs	
Drilling Supervision/Month \$	\$10,000
Production Supervision/Month \$	\$1,000
Justification for Supervision Costs	Exhibit A-4
Requested Risk Charge	200%
Notice of Hearing	
Proposed Notice of Hearing	Exhibit A-1
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibits C-1, C-2, C-3
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit C-4

Red strikethrough conducted by OCD post submission.

R-24082 EXHIBIT A

Ownership Determination	
Land Ownership Schematic of the Spacing Unit	Exhibit A-3
Tract List (including lease numbers and owners)	Exhibit A-3
If approval of Non-Standard Spacing Unit is requested, Tract List (including lease numbers and owners) of Tracts subject to notice requirements.	N/A
Pooled Parties (including ownership type)	Exhibit A-3
Unlocatable Parties to be Pooled	N/A
Ownership Depth Severance (including percentage above & below)	Exhibit A-3
Joinder	
Sample Copy of Proposal Letter	Exhibit A-4
List of Interest Owners (ie Exhibit A of JOA)	Exhibit A-3
Chronology of Contact with Non-Joined Working Interests	Exhibit A-5
Overhead Rates In Proposal Letter	Exhibit A-4
Cost Estimate to Drill and Complete	Exhibit A-4
Cost Estimate to Equip Well	Exhibit A-4
Cost Estimate for Production Facilities	Exhibit A-4
Geology	
Summary (including special considerations)	Exhibit B
Spacing Unit Schematic	Exhibit B-1
Gunbarrel/Lateral Trajectory Schematic	Exhibit B-6
Well Orientation (with rationale)	Exhibit B
Target Formation	Exhibit B
HSU Cross Section	Exhibit B-2
Depth Severance Discussion	Exhibits B, B-5
Forms, Figures and Tables	
C-102	Exhibit A-2
Tracts	Exhibit A-3
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit A-3
General Location Map (including basin)	Exhibit B-1
Well Bore Location Map	Exhibit B-2
Structure Contour Map - Subsea Depth	Exhibits B-3, B-4
Cross Section Location Map (including wells)	Exhibit B-2
Cross Section (including Landing Zone)	Exhibit B-5
Additional Information	
Special Provisions/Stipulations	N/A
CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.	
Printed Name (Attorney or Party Representative):	Dana S. Hardy
Signed Name (Attorney or Party Representative):	/s/ Dana S. Hardy
Date:	9/2/2025

Red strikethrough conducted by OCD post submission.