

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

**APPLICATION OF RILEY PERMIAN
OPERATING COMPANY, LLC FOR A
HORIZONTAL SPACING UNIT AND
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO**

CASE NO. 24093

RILEY PERMIAN OPERATING COMPANY, LLC'S PRE-HEARING STATEMENT

Riley Permian Operating Company, LLC ("Riley") submits this Pre-Hearing Statement pursuant to the rules of the Oil Conservation Division.

APPEARANCES

APPLICANT

Riley Permian Operating Company, LLC

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INTERESTED PARTY

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APPLICANT'S STATEMENT OF CASE

In this Case No. 24093, Riley seeks an order to create a standard 400-acre horizontal spacing unit ("HSU") comprised of the N/2 of Section 10 and the W/2NW/4 of Section 11,

Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and to pool all uncommitted mineral interest owners within the Yeso Formation, underlying said HSU. Riley seeks to dedicate the above-referenced Yeso Formation horizontal spacing unit to the following proposed wells:

- The **Walter 182710111 #11H** and **Walter 182710111 #22H Wells**, which are oil wells that will be horizontally drilled from a surface location in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 9 to a bottom hole location in the Yeso Formation in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 11; and
- The **Walter 182710111 #13H**, **Walter 182710111 #15H**, and **Walter 182710111 #24H**, which are oil wells that will be horizontally drilled from a surface location in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 9 to a bottom hole location in the Yeso Formation in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 11.

The wells are orthodox in location and the take points and laterals comply with Statewide Rules for setbacks. The completed interval for the Walter 182710111 #24H Well will be located within 330' of the quarter-quarter section line between the N/2N/2 and the S/2S/2 of Sections 10 and 11, to allow for the creation of a 400-acre standard horizontal spacing unit. The wells and lands are located approximately 10 miles from Artesia, New Mexico.

LIST OF MATERIAL FACTS NOT IN DISPUTE

1. Riley and Spur Energy Partners LLC (“Spur”) have been engaged in good faith negotiations since June of 2023 regarding multiple possible acreage trades.
2. On September 26, 2023, Spur filed its Compulsory Pooling Application (the “Spur Application”) in Case No. 23872, seeking to pool all uncommitted interests in the Yeso formation underlying a 320-acre, more or less, standard horizontal spacing unit comprised of the N/2 of Section 10, Township 18 South, Range 27 East in Eddy County and dedicate the unit to the Red Skies 10 Federal Com 10H, 11H, 12H, 50H, and 51H Wells (the “Red Skies Wells”).
3. Spur is the majority owner in its proposed 320-acre unit.

4. On October 30, 2023, Riley filed an entry of appearance, notice of intervention, and objection to presentation by affidavit.

5. Riley filed a competing Compulsory Pooling Application on December 5, 2023, seeking to pool all uncommitted interests in the Yeso formation within a 400-acre overlapping spacing unit that underlies the N/2 of Section 10 and the W/2 NW/4 of Section 11, Township 18 South, Range 27 East, in Eddy County.

6. Riley is the majority owner in its proposed 400-acre unit.

7. Riley and Spur are requesting the Division’s approval to develop the N/2 of Section 10.

LIST OF DISPUTED FACTS AND ISSUES

1. At issue is whether Riley or Spur should operate the N/2 of Section 10, based on which operator can better optimize development in their proposed unit.

2. Riley has the better development plan for prevention of waste and protection of correlative rights and will result in fewer surface disturbances and environmental impacts.

APPLICANT’S PROPOSED EVIDENCE

WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Mark Smith, Senior Landman	20 minutes	Approx. 7
Joe Stone, Operations Geologist	20 minutes	Approx. 4
Wes McAlister, Reservoir Engineer	10 minutes	Approx. 1
Dan Doherty, Senior Vice President of Operations and Engineering	10 minutes	Approx. 1

NARRATIVE OF THE DIRECT TESTIMONY AND EXHIBITS

Below is a full narrative of the direct testimony and exhibits of each of Riley’s proposed witnesses.

I. *Mark Smith, Senior Landman*

Riley Exhibit C-1 is a general location map showing the proposed Yeso Formation spacing unit. The acreage subject to the applications are federal lands, and a review of the Yeso

Formation underlying the subject lands indicated that there are no overlapping spacing units in the Yeso Formation.

Riley Exhibit C-2 outlines the proposed Yeso tracts and wells within the unit.

Riley Exhibit C-3 sets forth the parties being pooled, the nature of their interests, and their last known address. The exhibit identifies the tract number, tract percentage interest, and spacing unit percentage interest for each mineral owner. Notably, Riley Exhibit C-3 indicates Riley owns the majority working interest in the proposed 400-acre HSU.

Riley Exhibit C-4 contains the Form C-102s reflecting that the proposed Yeso wells to be drilled and completed in the subject unit. The location of each well is orthodox and meets the Division's offset requirements.

Riley Exhibit C-5 contains the well proposal letter sent in December 2023 to each mineral interest owner.

Riley Exhibit C-6 contains the AFE for each proposed well. The estimated costs of the wells set forth in the AFEs is fair, reasonable, and comparable to the costs of other wells of similar depths and lengths drilled in this area of New Mexico.

Riley Exhibit C-7 sets forth a chronology of the contacts with owners. Riley has made a good faith effort to obtain voluntary joinder of the interest owners in the proposed wells.

II. Joe Stone, Operations Geologist

Riley Exhibit D-1 is a base map of the lands showing the proposed Yeso formation spacing unit and wells. The target formation is present and continuous throughout the lands subject to the applications.

Riley Exhibit D-2 is a structure map showing the depth (subsea) to the top of the Yeso formation, a marker that defines the top of the target interval for the proposed wells. Contour

interval of 100'. The unit being pooled is outlined in bold, and the proposed wells are identified. The structure map shows regional down-dip to the southeast. Mr. Stone does not observe any faulting, pinchouts, or other geologic impediments to developing this target interval. The horizontal spacing and proration unit is justified from a geologic standpoint.

Riley Exhibit D-3 is a stratigraphic cross-section flattened on the top of the Yeso formation. Each well in the cross-section contains a gamma ray, resistivity, and porosity log. The cross-section demonstrates continuity and consistent thickness across the target zone, and the well logs on the cross-section give a representative sample of the targeted interval. The landing zone is highlighted on the exhibit.

Riley Exhibit D-4 illustrates how the reservoir presence and quality in the Yeso interval decreases as the reservoir moves southeast away from the shelf margin or structural high. The correlation across Riley's proposed HSU shows the Yeso interval losing porosity and oil saturation as it moves South and East toward the edge of structure. Riley will demonstrate that developing the remainder of Section 11 (being the E/2NW/4 and the NE/4) are not viable for development and that Riley's proposed unit allows for optimal recovery of oil within lands that are proven ripe for development. Riley's proposal will optimize regional development.

III. Wes McAlister, Reservoir Engineer

Riley Exhibit E shows the estimated projected recoverable reserves calculated using our original oil in place volumes and using a conservative recovery factor of 5%. Riley will demonstrate that by utilizing longer laterals of 1.25-miles, as compared with Spur's proposed 1-mile laterals, Riley's proposed unit will allow for the recovery of more oil and greater development.

IV. *Dan Doherty, Senior Vice President of Operations and Engineering*

Riley Exhibit F provides a map of Riley's extensive infrastructure within and near the unit. Riley will demonstrate it is in a better position to develop the resources and bring production to market, as it maintains active saltwater disposal wells and pipelines in the area.

PROCEDURAL MATTERS

If uncontested at the hearing, Riley intends to present this case by affidavit.

Dated this 25th day of January, 2024.

Respectfully submitted,

BEATTY & WOZNIAK, P.C.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the forgoing was served to counsel of record by electronic mail this 25th day of January 2024, as follows:

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QUESTIONS

Action 307971

QUESTIONS

Operator: EOG RESOURCES INC P.O. Box 2267 Midland, TX 79702	OGRID: 7377
	Action Number: 307971
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	4
Testimony time (in minutes)	15