

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

**APPLICATION OF AVANT OPERATING,
LLC FOR COMPULSORY POOLING AND
APPROVAL OF NON-STANDARD
SPACING UNIT, LEA COUNTY, NEW
MEXICO**

CASE NO. 24544

AVANT OPERATING, LLC’S AMENDED PRE-HEARING STATEMENT

Avant Operating, LLC, (“Avant”), submits this Pre-Hearing Statement pursuant to the rules of the Oil Conservation Division.

APPEARANCES

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APPLICANT'S STATEMENT OF CASE

In this Case No. 24544, Avant seeks an order to approve non-standard 1,280-acre, more or less, horizontal spacing unit ("HSU") composed of all of Sections 25 and 36, Township 18 South, Range 33 East, N.M.P.M., Lea County, New Mexico (the "Application Lands"), and to pool all uncommitted mineral interests in the Bone Spring formation, designated as oil pools, underlying said HSU. Avant seeks to dedicate the HSU to the following proposed wells:

- A. **Royal Oak 25 Fed Com #501H**, which is an oil well that will be horizontally drilled from a surface location in the NW/4NW/4 (Unit D) of Section 25 to a

bottom hole location in the Bone Spring Formation in the SW/4SW/4 (Unit M) of Section 36;

B. **Royal Oak 25 Fed Com #502H**, which is an oil well that will be horizontally drilled from a surface location in the NW/4NW/4 (Unit D) of Section 25 to a bottom hole location in the Bone Spring Formation in the SE/4SW/4 (Unit N) of Section 36;

C. **Royal Oak 25 Fed Com #301H and Royal Oak 25 Fed Com #601H**, which are oil wells that will be horizontally drilled from a surface location in the NE/4NW/4 (Unit C) of Section 25 to a bottom hole location in the Bone Spring Formation in the SW/4SW/4 (Unit M) of Section 36;

D. **Royal Oak 25 Fed Com #302 and Royal Oak 25 Fed Com #602H**, which are oil wells that will be horizontally drilled from a surface location in the NE/4NW/4 (Unit C) of Section 25 to a bottom hole location in the Bone Spring Formation in the SE/4SW/4 (Unit N) of Section 36;

E. **Royal Oak 25 Fed Com #303H, Royal Oak 25 Fed Com #503H, and Royal Oak 25 Fed Com #603H**, which are oil wells that will be horizontally drilled from a surface location in in the NW/4NE/4 (Unit B) of Section 25 to a bottom hole location in the Bone Spring Formation in the SE/4SW/4 (Unit O) of Section 36; and

F. **Royal Oak 25 Fed Com #304H, Royal Oak 25 Fed Com #504H, and Royal Oak 25 Fed Com #604H**, which are oil wells that will be horizontally drilled from a surface location in in the NW/4NE/4 (Unit B) of Section 25 to a bottom hole location in the Bone Spring Formation in the SE/4SE/4 (Unit P) of Section 36.

The wells are orthodox in their location as defined by 19.15.16.15.(C) NMAC, and the take points and laterals comply with Statewide Rules for setbacks under 19.15.16.15.(C) NMAC. Also to be considered will be the cost of drilling and completing the Wells and the allocation of the cost, the designation of Applicant as the operator of the Wells, and a 200% charge for the risk involved in drilling and completing the Wells. The wells and lands are located approximately 28 miles west from Hobbs, New Mexico.

On June 24, 2024, Prima Exploration, Inc. (“Prima”) filed an entry of appearance and objection to hearing by affidavit. Although Prima and Avant have had ongoing communications since March 2024, Prima did not raise concerns about Avant’s development plan until Avant filed the exhibits in preparation for the originally scheduled June 27, 2024, hearing. Since March 2024, the parties have engaged in extensive negotiations, and nearly an executed agreement regarding the development of the Bone Spring formation as proposed in Case No. 24544. Prima is a minor working interest owner, owning less than 3% working interest, and does not seek to become operator of the proposed unit.

APPLICANT’S PROPOSED EVIDENCE

WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Sophia Guerra, Senior Landman	30 minutes	Approx. 10
Josh Payne, Senior Geologist	30 minutes	Approx. 10
Shane Kelly, Vice President of Engineering	30 minutes	Approx. 10

WRITTEN TESTIMONY OF WITNESSES

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

- I. *Sophia Guerra, Senior Landman*

Ms. Guerra will present Avant Exhibit C-1, which is a general location map showing the proposed Bone Spring formation spacing unit. The acreage subject to the applications are federal and state lands.

Ms. Guerra will present Avant Exhibit C-2, which contains the Form C-102s reflecting that the proposed Bone Spring wells to be drilled and completed in the subject unit. The location of each well is orthodox and meets the Division's offset requirements.

A review of the Bone Spring formation underlying the subject lands indicated that there are no overlapping spacing units in these formation.

Ms. Guerra will present Avant Exhibit C-3, which outlines the proposed Bone Spring units and tracts therein.

Ms. Guerra will present Avant Exhibit C-4, which sets forth the ownership of the parties being pooled in the Bone Spring Formation and the nature of their interests. These exhibits identify the tract number and spacing unit percentage interest for each mineral owner.

Ms. Guerra will present Avant Exhibit C-6, which is a map depicting the non-standard spacing unit in relation to the outline of a standard spacing unit. The map also identified the interest owners in the tracts surrounding the proposed units, who were also provided notice of the applications.

Ms. Guerra will present Avant Exhibit C-7, which contains a sample well proposal letter sent in March and April of 2024 to each mineral interest owner.

Ms. Guerra will present Avant Exhibit C-8, which 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.

Ms. Guerra will present Avant Exhibit C-9, which sets forth a chronology of the contacts with owners and provides a detailed account of all discussions with Prima. Avant has made a good faith effort to obtain voluntary joinder of the interest owners in the proposed wells.

Ms. Guerra will conclude that approval of the proposed non-standard spacing unit will allow Avant to consolidate surface facilities and will consequently prevent surface, environmental, and economic waste. Approval of the proposed non-standard spacing unit is necessary to prevent waste and protect correlative rights.

II. Josh Payne, Senior Geologist

Mr. Payne will present Avant Exhibit D-1, which includes a base map of the lands showing the proposed Bone Spring formation spacing unit and wells, as well as a stress orientation map and the proposed well development plan.

Mr. Payne will present Avant Exhibit D-2, which are structure maps showing the depth (subsea) to the top of the Bone Spring formation, a marker that defines the top of the target interval for the proposed wells. Contour interval of 200'. The unit being pooled is outlined in bold, and the proposed wells are identified.

Mr. Payne will present Avant Exhibit D-4, which provide cross section locator maps that identify wells penetrating the targeted interval used to construct a structural cross-section from A to A'. These wells penetrate the targeted interval, are of good quality, and are representative of the geology in the area.

Mr. Payne will present Avant Exhibit D-5, which include stratigraphic cross-section flattened on the top of the proposed Bone Spring formation. Each well in the cross-section contains a gamma ray, resistivity, and porosity log. The cross-sections demonstrate 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.

Mr. Payne will conclude that target formation is present and continuous throughout the lands subject to the applications; non-standard horizontal spacing and proration unit is justified from a geologic standpoint; there are no structural impediments or faulting that will interfere with horizontal development; and that each quarter section in the unit and along the lateral will contribute more or less equally to production.

III. Shane Kelly, Vice President of Engineering

Mr. Kelly will present Avant Exhibit G-1, which shows a development timeline for the proposed Royal Oak wells. The timeline provides for when Avant submitted the wells for approval to the Bureau of Land Management, when Avant plans to spud the proposed wells, and the estimated completion dates. Avant plans to drill all the proposed Royal Oak wells by third quarter of 2025, within one-year of today's date, and plans to complete the wells approximately two to three months after their respective spud dates.

Mr. Kelly will present Avant Exhibit G-2, which provides a pad design schematic. Avant plans to lay out its pads in two rows, enabling Avant to simultaneously run multiple rig operations and ultimately drill the wells in a more timely and efficient manner.

Mr. Kelly will present Avant Exhibit G-3, which describes how Avant has unique access to gas takeaway that is necessary to support a prudent development plan that prevents flaring and reduces waste. Avant provides a map of the area, which depicts the gas gathering and transportation constraints in the area, and details how its contracts with third parties will alleviate the gas takeaway constraints.

Mr. Kelly will present Avant Exhibit G-4, which describes Avant's plans to invest \$50 million dollars in water gathering and recycling infrastructure. Despite third party water midstream companies' reluctance to expend the capital to address the growing need for improved

infrastructure, Avant has committed and approved in its budget a plan to alleviate water constraints in the proposed development area.

Mr. Kelly will present Avant Exhibit G-5, which provides an overview of Avant's commitments to connect produced oil volumes from the facility to pipelines. Avant has a dedication and marketing agreement in place for ten years, and the proposed Royal Oak unit lies within the Area A dedicated area.

Mr. Kelly will present Avant Exhibit G-6, which summarizes Avant's history and success as an operator in the Permian Basin, specifically in Lea and Eddy County, New Mexico, and details the collective, high-quality experience of the management team. Avant has extensive operating experience and in-depth knowledge of the area and secured midstream takeaway.

Mr. Kelly will present Avant Exhibit G-7, which details Avant's historic annual drilling activity and highlights Avant's drilling performance. Avant established operatorship in New Mexico in 2020 and has steadily increased its drilling program. Since January 2023, Avant has successfully managed a continuous drilling program, with two rigs currently running and plans to acquire a third rig in the fourth quarter of 2024. Avant further provided a chart of drill times for recently developed wells, which shows Avant's ability and consistency in drilling performance, averaging approximately 11, 12, and 13 days per well per pad.

Mr. Kelly will present Avant Exhibits G-8, which provides an overview of Avant's Sandra Jean Unit, demonstrating Avant's ability to execute high density, multiple bench development.

Mr. Kelly will conclude that Avant has extensive operating experience and in-depth knowledge of the area and secured midstream takeaway; Avant is capable of timely completion of the proposed Royal Oak development plan; Avant is the ideal operator for the proposed Royal Oak unit.

Mr. Kelly will further conclude that proposed Royal Oak development plan allows for multiple rig development. Furthermore, the plan comports with Avant's broader efforts to improve gas takeaway capacity and water gathering and recycling infrastructure in the development area.

PROCEDURAL MATTERS

If Prima's objection is withdrawn prior to or at the hearing, Avant intends to present this case by affidavit.

Dated this 14th day of August, 2023.

Respectfully submitted,

BEATTY & WOZNIAK, P.C.

By: _____



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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 14th day of August 2024, as follows:

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QUESTIONS
 Action 373721

QUESTIONS

Operator: Avant Operating, LLC 1515 Wynkoop Street Denver, CO 80202	OGRID: 330396
	Action Number: 373721
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	2
Testimony time (in minutes)	60