

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

**APPLICATION OF PERMIAN RESOURCES
OPERATING, LLC FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

CASE NO. 24890

HEARING EXHIBITS

Compulsory Pooling Checklist

Exhibit A Self-Affirmed Statement of Kevin Woolley

- A-1 Application & Proposed Notice
- A-2 C-102
- A-3 Plat of Tracts, Tract Ownership, Pooled Parties, Unit Recapitulation
- A-4 Sample Well Proposal Letter & AFE
- A-5 Summary of Communications

Exhibit B Self-Affirmed Statement of Cole Hendrickson

- B-1 Location Map
- B-2 Cross Section Location Map
- B-3 Subsea Structure Map
- B-4 Stratigraphic Cross Section
- B-5 Gun Barrel Development Plan

Exhibit C Self-Affirmed Statement of Dana S. Hardy

- C-1 Sample Notice Letter
- C-2 Notice Letter Chart
- C-3 Copies of Certified Mail Receipt and Return

COMPULSORY POOLING APPLICATION CHECKLIST	
ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS	
Case: 24890	APPLICANT'S RESPONSE
Date: October 31, 2024	
Applicant	Permian Resources Operating, LLC
Designated Operator & OGRID (affiliation if applicable)	Permian Resources Operating, LLC (OGRID No. 372165)
Applicant's Counsel:	Hinkle Shanor LLP
Case Title:	Application of Permian Resources Operating, LLC for Compulsory Pooling, Lea County, New Mexico.
Entries of Appearance/Intervenors:	N/A
Well Family	Mercury
Formation/Pool	
Formation Name(s) or Vertical Extent:	Bone Spring
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Bone Spring
Pool Name and Pool Code:	Corbin; Bone Spring, South (Code 13160)
Well Location Setback Rules:	Statewide
Spacing Unit	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	320 acres
Building Blocks:	quarter-quarter
Orientation:	North to South
Description: TRS/County	W/2 E/2 of Sections 26 and 35, Township 18 South, Range 33 East, Lea County, New Mexico.
Standard Horizontal Well Spacing Unit (Y/N), If No, describe and is approval of non-standard unit requested in this application?	Yes.
Other Situations	
Depth Severance: Y/N. If yes, description	No.
Proximity Tracts: If yes, description	No.
Proximity Defining Well: if yes, description	N/A
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	Mercury 26 35 Fed Com #123H (API # Pending) SHL: 297' FNL & 1,335' FEL (Unit B), Section 26, T18S-R33E BHL: 100' FSL & 1,665' FEL (Unit O), Section 35, T18S-R33E Completion Target: Bone Spring (Approx. 9,768' 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)	N/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)	N/A
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-5
Well Orientation (with rationale)	Exhibit B
Target Formation	Exhibit B
HSU Cross Section	Exhibit B-2
Depth Severance Discussion	Exhibit A
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	Exhibit B-3
Cross Section Location Map (including wells)	Exhibit B-2
Cross Section (including Landing Zone)	Exhibit B-4
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:	10/23/2024

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

**APPLICATION OF PERMIAN RESOURCES
OPERATING, LLC FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

CASE NO. 24890

**SELF-AFFIRMED STATEMENT
OF KEVIN WOOLLEY**

1. I am employed by Permian Resources Operating, LLC (“Permian Resources”) as a Senior Staff Landman. I am over 18 years of age, have personal knowledge of the matters addressed herein, and am competent to provide this Self-Affirmed Statement. I have previously testified before the New Mexico Oil Conservation Division (“Division”) and my credentials as an expert in petroleum land matters were accepted and made a matter of record.

2. I am familiar with the land matters involved in the above-referenced case. Copies of Permian Resources’ application and proposed hearing notice are attached as **Exhibit A-1**.

3. None of the parties proposed to be pooled in this case indicated opposition to this matter proceeding by affidavit; therefore, I do not expect any opposition at hearing.

4. Permian Resources seeks an order pooling all uncommitted interests in the Bone Spring formation underlying a 320-acre, more or less, standard horizontal spacing unit comprised of the W/2 E/2 of Sections 26 and 35, Township 18 South, Range 33 East, Lea County, New Mexico (“Unit”).

5. The Unit will be dedicated to the **Mercury 26 35 Fed Com #123H** well (“Well”), which will be drilled from a surface hole location in the NW/4 NE/4 (Unit B) of Section 26 to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 35.

6. The Well will be completed in the Corbin; Bone Spring, South pool (Code 13160).

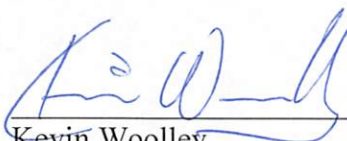
7. The completed interval of the Well is expected to be unorthodox.

**Permian Resources Operating, LLC
Case No. 24890
Exhibit A**

8. **Exhibit A-2** contains the C-102 for the Well.
9. **Exhibit A-3** contains a plat identifying ownership by tract in the Unit. This exhibit also includes any applicable lease numbers, a unit recapitulation, and the interests Permian Resources seeks to pool highlighted in yellow. All of the parties are locatable.
10. Permian Resources has conducted a diligent search of all county public records, including phone directories and computer databases, as well as internet searches, to locate the interest owners it seeks to pool.
11. **Exhibit A-4** contains a sample well proposal letter that was sent to interest owners for the Well. The estimated costs reflected on the AFEs are fair and reasonable and comparable to the cost of other wells of similar depth and length drilled in the subject formation in the area.
12. In my opinion, Applicant made a good-faith effort to reach voluntary joinder of uncommitted interests in the Well as indicated by the chronology of contact described in **Exhibit A-5**.
13. In order to allow applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in the Unit should be pooled and Permian Resources should be designated as operator of the Well and the Unit.
14. Permian Resources requests overhead and administrative rates of \$10,000 per month while the Well is being drilled, and \$1,000 per month while the Well is producing. These rates are fair and are comparable to the rates charged by Permian Resources and other operators in the vicinity.
15. The attached exhibits were either prepared by me or under my supervision or were compiled from company business records.

16. In my opinion, the granting of Permian Resources' application would serve the interests of conservation, the protection of correlative rights, and the prevention of waste.

17. I understand this Self-Affirmed Statement will be used as written testimony in this case. I affirm that my testimony above is true and correct and is made under penalty of perjury under the laws of the State of New Mexico. My testimony is made as of the date next to my electronic signature below.


Kevin Woolley

10/15/2024
Date

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

**APPLICATION OF PERMIAN RESOURCES
OPERATING, LLC FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

CASE NO. 24890

APPLICATION

Pursuant to NMSA § 70-2-17, Permian Resources Operating, LLC (“Applicant”) (OGRID No. 372165) applies for an order pooling all uncommitted interests in the Bone Spring formation underlying a 320-acre, more or less, standard horizontal spacing unit comprised of the W/2 E/2 of Sections 26 and 35, Township 18 South, Range 33 East, Lea County, New Mexico (“Unit”). In support of its application, Applicant states the following.

1. Applicant is a working interest owner in the Unit and has the right to drill wells thereon.
2. The Unit will be dedicated to the **Mercury 26 35 Fed Com #123H** well (“Well”), which will be drilled from a surface hole location in the NW/4 NE/4 (Unit B) of Section 26 to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 35.
3. The completed interval of the Well is expected to be unorthodox.
4. Applicant has undertaken diligent, good faith efforts to obtain voluntary agreements from all interest owners to participate in the drilling of the Well but has been unable to obtain voluntary agreements from all interest owners.
5. The pooling of uncommitted interests will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.
6. In order to allow Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in the Unit should be pooled and Applicant should be designated the operator of the Well and the Unit.

**Permian Resources Operating, LLC
Case No. 24890
Exhibit A-1**

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 31, 2024, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the Unit;
- B. Approving the Well in the Unit;
- C. Designating Permian Resources Operating, LLC as operator of the Unit and the Well to be drilled thereon;
- D. Authorizing Permian Resources Operating, LLC to recover its costs of drilling, equipping, and completing the Well;
- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- F. Imposing a 200% charge for the risk assumed by Permian Resources Operating, LLC in drilling and completing the Well against any working interest owner who does not voluntarily participate in the drilling of the Well.

Respectfully submitted,

HINKLE SHANOR LLP

/s/ Dana S. Hardy

Dana S. Hardy

Jaclyn M. McLean

Dylan M. Villescascas

P.O. Box 2068

Santa Fe, NM 87504-2068

Phone: (505) 982-4554

dhardy@hinklelawfirm.com

jmclean@hinklelawfirm.com

dvillescascas@hinklelawfirm.com

Counsel for Permian Resources Operating, LLC

Application of Permian Resources Operating, LLC for Compulsory Pooling, Lea County, New Mexico. Applicant seeks an order pooling all uncommitted in the Bone Spring formation underlying a 320-acre, more or less, standard horizontal spacing unit comprised of the W/2 E/2 of Sections 26 and 35, Township 18 South, Range 33 East, Lea County, New Mexico (“Unit”). The Unit will be dedicated to the **Mercury 26 35 Fed Com #123H** well (“Well”), which will be drilled from a surface hole location in the NW/4 NE/4 (Unit B) of Section 26 to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 35. The completed interval of the Well is expected to be unorthodox. Also to be considered will be the cost of drilling and completing the Well and the allocation of the cost, the designation of Applicant as the operator of the Well, and a 200% charge for the risk involved in drilling and completing the Well. The Well is located approximately 28.5 miles west of Hobbs.

Case No. 24890

<p>C-102</p> <p>Submit Electronically Via OCD Permitting</p>	<p>State of New Mexico Energy, Minerals & Natural Resources Department OIL CONSERVATION DIVISION</p>	<p>Exhibit A-2</p>	<p>Revised July 9, 2024</p>
		<p>Submittal Type:</p> <p><input checked="" type="checkbox"/> Initial Submittal</p> <p><input type="checkbox"/> Amended Report</p> <p><input type="checkbox"/> As Drilled</p>	

WELL LOCATION INFORMATION

API Number	Pool Code 13160	Pool Name Corbin; Bone Spring, South
Property Code	MERCURY 26 35 FED COM	
Well Number	123H	
OGRID No. 372165	Operator Name PERMIAN RESOURCES OPERATING, LLC	Ground Level Elevation 3,843.00'
Surface Owner: <input type="checkbox"/> State <input type="checkbox"/> Fee <input type="checkbox"/> Tribal <input checked="" type="checkbox"/> Federal		Mineral Owner: <input type="checkbox"/> State <input type="checkbox"/> Fee <input type="checkbox"/> Tribal <input checked="" type="checkbox"/> Federal

Surface Location

UL	Section	Township	Range	Lot	Ft. from N/S	Ft. from E/W	Latitude	Longitude	County
B	26	18S	33E		297' FNL	1,335' FEL	32.725078	-103.629516	LEA

Bottom Hole Location

UL	Section	Township	Range	Lot	Ft. from N/S	Ft. from E/W	Latitude	Longitude	County
O	35	18S	33E		100' FSL	1,665' FEL	32.697148	-103.630529	LEA

Dedicated Acres 320	Infill or Defining Well	Defining Well API	Overlapping Spacing Unit (Y/N)	Consolidation Code
Order Numbers.			Well setbacks are under Common Ownership: <input type="checkbox"/> Yes <input type="checkbox"/> No	

Kick Off Point (KOP)

UL	Section	Township	Range	Lot	Ft. from N/S	Ft. from E/W	Latitude	Longitude	County
B	26	18S	33E		297' FNL	1,335' FEL	32.725078	-103.629516	LEA


First Take Point (FTP)

UL	Section	Township	Range	Lot	Ft. from N/S	Ft. from E/W	Latitude	Longitude	County
B	26	18S	33E		100' FNL	1,665' FEL	32.725616	-103.630591	LEA

Last Take Point (LTP)

UL	Section	Township	Range	Lot	Ft. from N/S	Ft. from E/W	Latitude	Longitude	County
O	35	18S	33E		100' FSL	1,665' FEL	32.697148	-103.630529	LEA

Unitized Area or Area of Uniform Interest	Spacing Unit Type <input type="checkbox"/> Horizontal <input type="checkbox"/> Vertical	Ground Floor Elevation:
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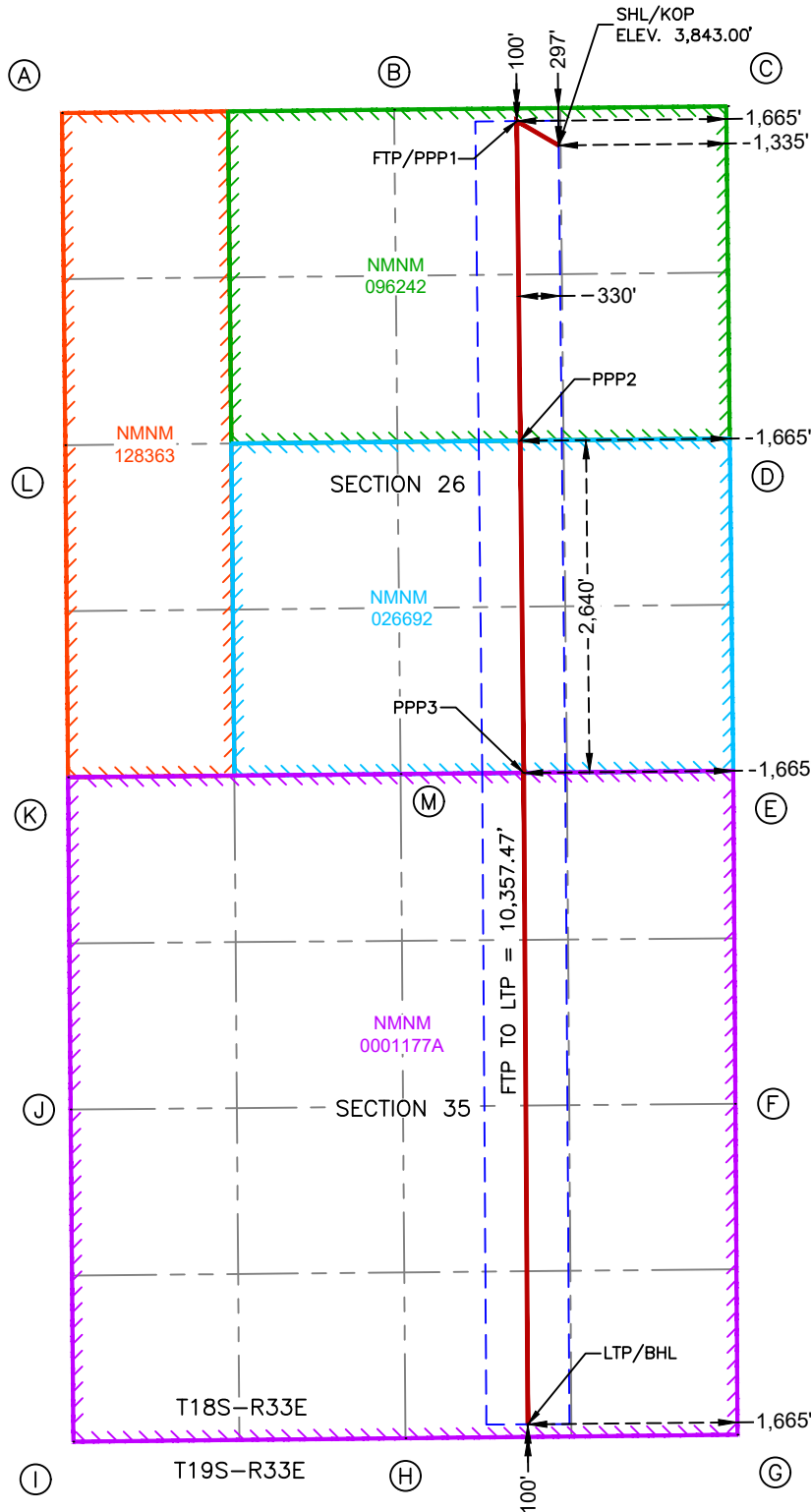
<p>OPERATOR CERTIFICATIONS</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and, if the well is a vertical or directional well, that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of a working interest or unleased mineral interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>If this well is a horizontal well, I further certify that this organization has received the consent of at least one lessee or owner of a working interest or unleased mineral interest in each tract (in the target pool or formation) in which any part of the well's completed interval will be located or obtained a compulsory pooling order from the division.</p>	<p>SURVEYOR CERTIFICATIONS</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <div style="text-align: center;">  <p>Date: 9/18/2024</p> </div>	
Signature _____ Date _____	Signature and Seal of Professional Surveyor	
Printed Name _____	Certificate Number 12177	Date of Survey 9/18/2024
Email Address _____		

Note: No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

ACREAGE DEDICATION PLATS

This grid represents a standard section. You may superimpose a non-standard section, or larger area, over this grid. Operators must outline the dedicated acreage in a red box, clearly show the well surface location and bottom hole location, if it is directionally drilled, with the dimensions from the section lines in the cardinal directions. If this is a horizontal wellbore show on this plat the location of the First Take Point and Last Take Point, and the point within the Completed interval (other than the First Take Point or Last Take Point) that is closest to any outer boundary of the tract.

Surveyors shall use the latest United States government survey or dependent resurvey. Well locations will be in reference to the New Mexico Principal Meridian. If the land is not surveyed, contact the OCD Engineering Bureau. Independent subdivision surveys will not be acceptable.



SURFACE HOLE LOCATION & KICK-OFF POINT
 297' FNL & 1,335' FEL
 ELEV. = 3,843.00'

NAD 83 X = 757,780.48'
 NAD 83 Y = 628,233.68'
 NAD 83 LAT = 32.725078°
 NAD 83 LONG = -103.629516°

FIRST TAKE POINT & PENETRATION POINT 1
 100' FNL & 1,665' FEL

NAD 83 X = 757,448.45'
 NAD 83 Y = 628,427.16'
 NAD 83 LAT = 32.725616°
 NAD 83 LONG = -103.630591°

PENETRATION POINT 2
 2,640' FSL & 1,665' FEL

NAD 83 X = 757,475.28'
 NAD 83 Y = 625,887.42'
 NAD 83 LAT = 32.718635°
 NAD 83 LONG = -103.630559°

PENETRATION POINT 3
 0' FSL & 1,665' FEL

NAD 83 X = 757,503.16'
 NAD 83 Y = 623,247.70'
 NAD 83 LAT = 32.711379°
 NAD 83 LONG = -103.630525°

LAST TAKE POINT & BOTTOM HOLE LOCATION
 100' FSL & 1,665' FEL

NAD 83 X = 757,536.32'
 NAD 83 Y = 618,070.08'
 NAD 83 LAT = 32.697148°
 NAD 83 LONG = -103.630529°

CORNER COORDINATES
 NEW MEXICO EAST - NAD 83

Corner	Description
A	IRON PIPE W/BRASS CAP N:628,490.86' E:753,833.94'
B	CALCULATED CORNER N:628,517.37' E:756,473.13'
C	IRON PIPE W/BRASS CAP N:628,546.48' E:759,127.86'
D	CALCULATED CORNER N:625,903.86' E:759,140.19'
E	IRON PIPE W/BRASS CAP N:623,263.84' E:759,168.08'
F	CALCULATED CORNER N:620,617.71' E:759,181.95'
G	IRON PIPE W/BRASS CAP N:617,987.59' E:759,201.89'
H	CALCULATED CORNER N:617,959.93' E:756,563.06'
I	IRON PIPE W/BRASS CAP N:617,932.13' E:753,924.04'
J	CALCULATED CORNER N:620,571.98' E:753,902.64'
K	IRON PIPE W/BRASS CAP N:623,212.70' E:753,882.51'
L	IRON PIPE W/BRASS CAP N:625,851.72' E:753,860.28'
M	CALCULATED CORNER N:623,238.22' E:756,525.17'

EXHIBIT A-3

MERCURY 26 35 FED COM #123H, #124H

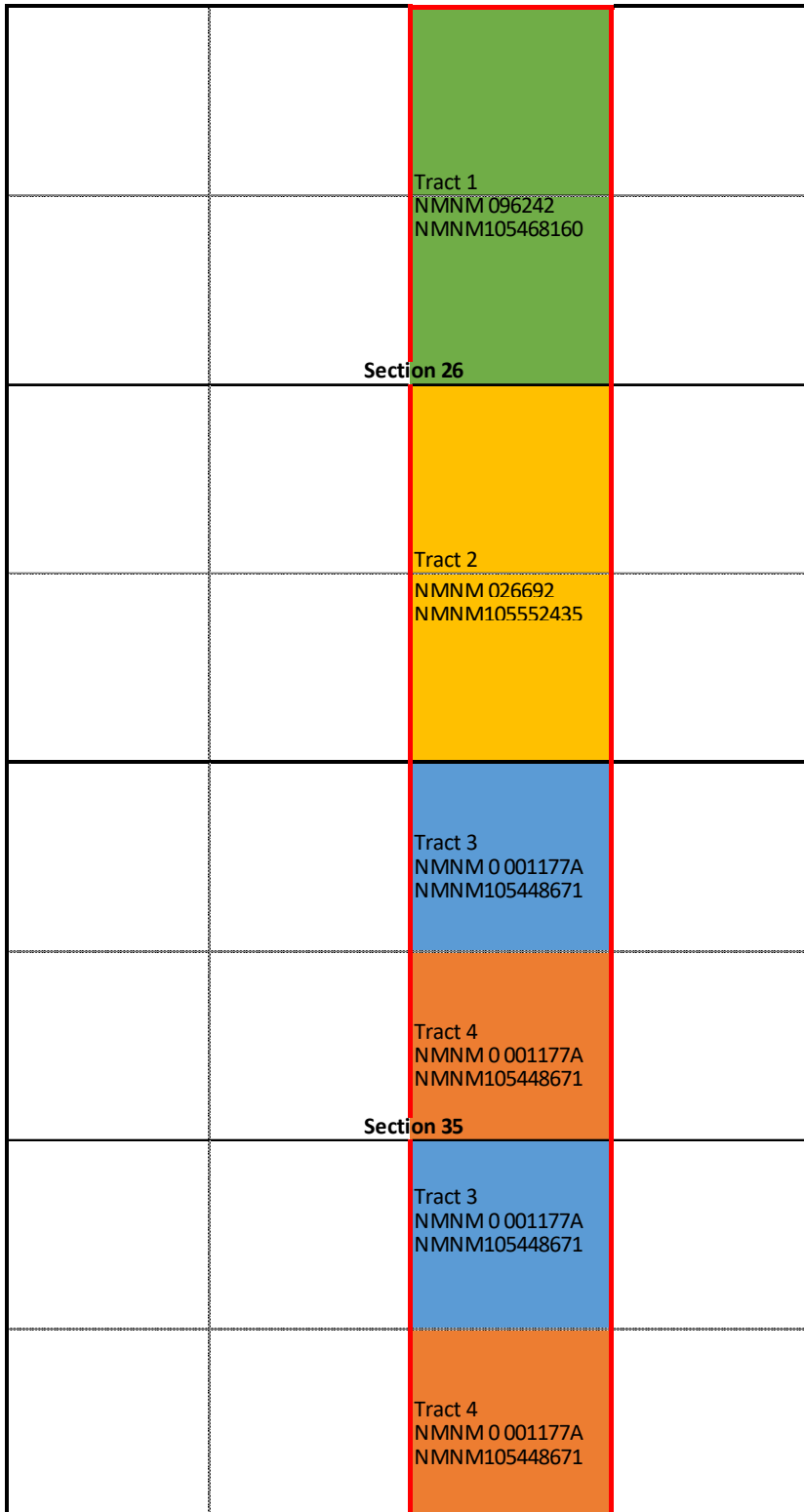
Township 18 South, Range 33 East, NMPM






Section 26: W/2E/2

Section 35: W/2E/2

Lea County, NM

320.00 acres, more or less



-  - DSU Outline
-  - Tract 1: NMNM 096242 (NMNM105468160)
-  - Tract 2: NMNM 026692 (NMNM105468160)
-  - Tract 3: NMNM 0 001177A (NMNM105448671)
-  - Tract 4: NMNM 0 001177A (NMNM105448671)

Permian Resources Operating, LLC
Case No. 24890
Exhibit A-3

WORKING INTEREST OWNERSHIP

Tract 1

Permian Resources Corporation	1.00000000
	1.00000000

Tract 2

Fasken Acquisitions 95-1, Ltd.	1.00000000
	1.00000000

Tract 3

Permian Resources Corporation	0.37500000
Occidental Permian, LP	0.12500000
ConocoPhillips Company	0.50000000
	1.00000000

Tract 4

Permian Resources Corporation	0.37500000
Occidental Permian, LP	0.12500000
ConocoPhillips Company	0.50000000
	1.00000000

Spacing Unit Ownership:

Permian Resources Corporation	0.43750000
Fasken Acquisitions 95-1, Ltd.	0.25000000
ConocoPhillips Company	0.25000000
Occidental Permian, LP	0.06250000
	1.00000000

TABLE 1: WI Parties To Be Pooled

ConocoPhillips Company	0.25000000
------------------------	------------



300 N. MARIENFELD STREET, SUITE 1000
MIDLAND, TX 79701

OFFICE 432.695.4222
FAX 432.695.4063

August 13, 2024

Via Certified Mail & Email

ConocoPhillips Company
600 W. Illinois
Midland, TX 79701

RE: Proposal To Drill
Mercury 26-35 Fed Com #223H, 224H
E2 of Section 26, T18S-R33E
E2 of Section 35, T18S-R33E
Lea County, New Mexico

To Whom It May Concern:

Permian Resources Operating, LLC, as operator (“Permian”), hereby proposes the drilling and completion of the following two (2) wells, the Mercury 26-35 Fed Com wells at approximate locations within the East Half (E/2) of Sections 26 and Section 35 of Township 18 South, Range 33 East, Lea Co., NM:

- 1. Mercury 26-35 Fed Com #223H**
 SHL: 297’ FNL & 1335’ FEL Section 26
 BHL: 50’ FSL & 1655’ FEL Section 35
 FTP: 100’ FNL & 1655’ FEL of Section 26
 LTP: 100’ FSL & 1655’ FEL of Section 35
 TVD: Approximately 9768’
 TMD: Approximately 20053’
 Proration Unit: W2E2 of Section 26 and Section 35
 Targeted Interval: Second Bone Spring
 Total Cost: See attached AFE

- 2. Mercury 26-35 Fed Com #224H**
 SHL: 297’ FNL & 1275’ FEL Section 26
 BHL: 50’ FSL & 345’ FEL Section 35
 FTP: 100’ FNL & 345’ FEL of Section 26
 LTP: 100’ FSL & 345’ FEL of Section 35
 TVD: Approximately 9768’
 TMD: Approximately 20053’
 Proration Unit: E2W2 of Section 26 and Section 35
 Targeted Interval: Second Bone Spring
 Total Cost: See attached AFE

The locations, TVDs, and targets are approximate and subject to change dependent on surface or subsurface issues encountered. Permian is proposing to drill these wells under the modified terms of the 1989 AAPL Operating Agreement and a form of said Operating Agreement is

Permian Resources Operating, LLC
Case No. 24890
Exhibit A-4

included in this packet. The Operating Agreement has the following general provisions:

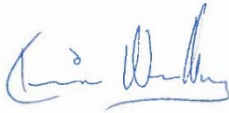
- 100%/300%/300% non-consent provisions
- \$10,000/\$1,000 drilling and producing rates
- Permian Resources Operating, LLC named as Operator

Please indicate your election to participate in the drilling and completion of the proposed wells in the space provided below. Please sign and return one copy of this letter, a signed copy of the proposed AFE, and your geologic well requirements.

In the interest of time, should we not reach an agreement within thirty (30) days of the date of your receipt of this letter, Permian will apply to the New Mexico Oil Conservation Division for compulsory pooling of your interest into a spacing unit for the proposed well. If you do not wish to participate, Permian would be interested in acquiring your interest in the subject lands which is subject to further mutually agreeable negotiation.

Thank you for your time and consideration, if you have any questions at all, please don't hesitate to contact me at 432.257.3886, by phone or by email at kevin.woolley@permianres.com; or contact Kimberly Smith by email at kimberly.smith@permianres.com.

Respectfully,



Kevin Woolley
Senior Staff Landman

Non-Operator hereby elects to:

_____participate in the drilling and completion of the Mercury 26-35 Fed Com #223H.

_____non-consent the drilling and completion of the Mercury 26-35 Fed Com #223H.

_____participate in the drilling and completion of the Mercury 26-35 Fed Com #224H.

_____non-consent the drilling and completion of the Mercury 26-35 Fed Com #224H.

ConocoPhillips Company

By: _____

Printed Name: _____

Date: _____

Participate / Rejection Declaration

Please return this page to Permian Resources by the date specified in the letter, signed indicating your election to either participate in or reject this insurance program. If you reject the insurance coverage arranged by Permian Resources, then, to the extent that Permian Resources has an obligation to secure any such insurance on your behalf under any applicable agreements or otherwise, Permian Resources will be relieved of such obligation, and Permian Resources will assume that you maintain appropriate levels of insurance and will provide a current Certificate of Insurance upon request. If you fail to make an election within 30 days from receipt of this notice, you will be deemed a participant in the program as detailed on the attached and billed for your percentage participation as such.

- I hereby elect to participate in the insurance coverage arranged by Permian Resources Operating, LLC, and understand that I will be charged for such participation.
- I hereby elect to reject the insurance coverage arranged by Permian Resources Operating, LLC.

Agreed this _____ day of _____, 2024 by:

ConocoPhillips Company

By: _____

Printed Name: _____

Title: _____

Permian Resources Operating, LLC

300 N. Mariefeld St., Ste. 1000 Midland, TX 79701
 Phone (432) 695-4222 • Fax (432) 695-4063

ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

DATE:	8/13/2024	AFE NO.:	800134KW
WELL NAME:	Mercury 26-35 Fed Com #223H		
LOCATION:	Section 26, T18S-R33E	MD/TVD:	9768'/20053'
COUNTY/STATE:	Lea County, New Mexico	LATERAL LENGTH:	10,000'
		DRILLING DAYS:	19.6
GEOLOGIC TARGET:	SBSG	COMPLETION DAYS:	18.6
REMARKS:	Drill a horizontal SBSG well and complete with 44 stages. AFE includes drilling, completions, flowback and Initial AL install cost		

INTANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	TOTAL COSTS
1 Land / Legal / Regulatory	\$ 48,916	-	-	\$ 48,916
2 Location, Surveys & Damages	250,959	15,739	-	266,698
4 Freight / Transportation	41,491	38,137	18,934	98,562
5 Rental - Surface Equipment	108,306	187,660	89,938	385,904
6 Rental - Downhole Equipment	178,954	52,099	-	231,053
7 Rental - Living Quarters	41,887	47,460	-	89,347
10 Directional Drilling, Surveys	374,195	-	-	374,195
11 Drilling	656,687	-	-	656,687
12 Drill Bits	87,268	-	-	87,268
13 Fuel & Power	164,590	631,634	-	796,224
14 Cementing & Float Equip	211,946	-	-	211,946
15 Completion Unit, Swab, CTU	-	-	14,201	14,201
16 Perforating, Wireline, Slickline	-	342,479	-	342,479
17 High Pressure Pump Truck	-	107,390	-	107,390
18 Completion Unit, Swab, CTU	-	127,609	-	127,609
20 Mud Circulation System	91,652	-	-	91,652
21 Mud Logging	15,271	-	-	15,271
22 Logging / Formation Evaluation	6,333	7,264	-	13,597
23 Mud & Chemicals	315,211	381,723	9,467	706,401
24 Water	37,859	576,371	236,679	850,909
25 Stimulation	-	709,142	-	709,142
26 Stimulation Flowback & Disp	-	105,937	142,008	247,945
28 Mud / Wastewater Disposal	168,222	53,271	-	221,493
30 Rig Supervision / Engineering	105,579	116,228	14,201	236,008
32 Drlg & Completion Overhead	9,080	-	-	9,080
35 Labor	133,597	60,535	14,201	208,333
54 Proppant	-	1,093,486	-	1,093,486
95 Insurance	12,771	-	-	12,771
97 Contingency	-	21,274	-	21,274
99 Plugging & Abandonment	-	-	-	-
TOTAL INTANGIBLES >	3,060,773	4,675,438	539,629	8,275,840

TANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	TOTAL COSTS
60 Surface Casing	\$ 106,484	-	-	\$ 106,484
61 Intermediate Casing	317,373	-	-	317,373
62 Drilling Liner	-	-	-	-
63 Production Casing	598,511	-	-	598,511
64 Production Liner	-	-	-	-
65 Tubing	-	-	132,540	132,540
66 Wellhead	56,467	-	37,869	94,336
67 Packers, Liner Hangers	12,834	-	18,934	31,768
68 Tanks	-	-	-	-
69 Production Vessels	-	-	-	-
70 Flow Lines	-	-	-	-
71 Rod string	-	-	-	-
72 Artificial Lift Equipment	-	-	85,205	85,205
73 Compressor	-	-	-	-
74 Installation Costs	-	-	52,595	52,595
75 Surface Pumps	-	-	-	-
76 Downhole Pumps	-	-	-	-
77 Measurement & Meter Installation	-	-	28,402	28,402
78 Gas Conditioning / Dehydration	-	-	-	-
79 Interconnecting Facility Piping	-	-	18,934	18,934
80 Gathering / Bulk Lines	-	-	-	-
81 Valves, Dumps, Controllers	-	-	-	-
82 Tank / Facility Containment	-	-	-	-
83 Flare Stack	-	-	15,779	15,779
84 Electrical / Grounding	-	-	36,817	36,817
85 Communications / SCADA	-	-	10,519	10,519
86 Instrumentation / Safety	-	-	5,260	5,260
TOTAL TANGIBLES >	1,091,669	0	442,853	1,534,523
TOTAL COSTS >	4,152,442	4,675,438	982,482	9,810,362

PREPARED BY Permian Resources Operating, LLC:

Drilling Engineer:	PS
Completions Engineer:	ML
Production Engineer:	DC

Permian Resources Operating, LLC APPROVAL:

Co-CEO	_____	Co-CEO	_____	VP - Operations	_____
	WH		JW		CRM
VP - Land & Legal	_____	VP - Geosciences	_____		
	BG		SO		

NON OPERATING PARTNER APPROVAL:

Company Name:	_____
Signed by:	_____
Title:	_____
Date:	_____
Approval:	<input type="checkbox"/> Yes <input type="checkbox"/> No (mark one)

The costs on this AFE are estimates only and may not be construed as ceilings on any specific item or the total cost of the project. Tubing installation approved under the AFE may be delayed up to a year after the well has been completed. In executing this AFE, the Participant agrees to pay its proportionate share of actual costs incurred, including, legal, curative, regulatory, brokerage and well costs under the terms of the applicable joint operating agreement, regulatory order or other agreement covering this well. Participants shall be covered by and billed proportionately for Operator's well control and general liability insurance unless participant provides Operator a certificate evidencing its own insurance in an amount acceptable to the Operator by the date of spud.

Chronology of Contacts Between Parties

ConocoPhillips Company

Date	Form of Comm.	From	To	Summary of Communication
8/14/2024	Cert. Mail	Permian Resources Office	ConocoPhillips Company	<p>Proposal to ConocoPhillips Company</p> <p>Reece, Permian Resources has applied for pooling on the Mercury and English Buffalo DSUs. We would prefer to have agreed operating agreements with partners. To that end, attached are proposed operating agreements for both DSUs, using the form of operating agreement which was agreed between PR and ConocoPhillips for the recent Delorean DSU.</p> <p>I understand this is not a top tier location for ConocoPhillips. We are prepared to offer terms for ConocoPhillips' interest in these units, either on a cash basis or a carry deal.</p> <p>Either way, please feel free to call or email to discuss details.</p> <p>Thanks, Kevin</p>
10/21/2024	Email	Kevin Woolley	Reece Cook	[Attached .pdf of complete operating agreement AAPL-610 1989 modified for horizontal wells]

**Permian Resources Operating, LLC
Case No. 24890
Exhibit A-5**

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

**APPLICATIONS OF PERMIAN RESOURCES
OPERATING, LLC FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

CASE NOS. 24890, 24891

**SELF-AFFIRMED STATEMENT
OF COLE HENDRICKSON**

1. I am a geologist with Permian Resources Operating, LLC (“Permian Resources”). I am over 18 years of age, have personal knowledge of the matters addressed herein, and am competent to provide this Self-Affirmed Statement. I have previously testified before the New Mexico Oil Conservation Division (“Division”) and my credentials as an expert in geology were accepted and made a matter of record.

2. I am familiar with the geological matters that pertain to the above-referenced cases.

3. **Exhibit B-1** is a regional locator map that identifies the Mercury project area, in proximity to the Capitan Reef within the Delaware Basin, for the Bone Spring horizontal spacing units that are the subject of these applications.

4. **Exhibit B-2** is a cross section location map for the proposed horizontal spacing units (“Units”) within the Bone Spring formation. The approximate wellbore paths for the proposed **Mercury 26 35 Fed Com #123H** and **Mercury 26 35 Fed Com #124H** wells (“Wells”) are represented by dashed lines. Existing producing wells in the targeted interval are represented by solid lines. This map identifies the cross-section running from A-A’ with the cross-section well’s name and a black line in proximity to the proposed Wells. The proposed spacing unit is defined by a blue box.

5. **Exhibit B-3** is a Subsea Structure map of the top of the Second Bone Spring formation in TVD subsea with a contour interval of 100 ft. The map identifies the approximate

**Permian Resources Operating, LLC
Case No. 24890
Exhibit B**

wellbore paths for the proposed Wells with an orange dashed line. It also identifies the location of the cross-section running from A-A' in proximity to the proposed Wells. The data points are indicated by red stars. The map demonstrates the formation is gently dipping to the south-southeast in this area. I do not observe any faulting, pinch-outs, or geologic impediments to developing the targeted intervals with horizontal wells.

6. **Exhibit B-4** is a stratigraphic cross-section from A to A' using the representative wells identified on Exhibit B-3. It contains gamma ray, resistivity, and porosity logs. The cross section is oriented from north to south and is hung on the base of the Second Bone Spring formation. The proposed landing zones for the Wells are labeled on the exhibit. The approximate well-paths for the proposed Wells are indicated by dashed lines with arrows indicating the drill direction across the unit. This cross-section demonstrates the target intervals are continuous across the Unit.

7. **Exhibit B-5** is a gun barrel diagram that shows the proposed Wells in the Bone Spring formation.

8. In my opinion, a standup orientation for the Wells is appropriate to properly develop the subject acreage because of consistent rock properties throughout the Unit and is the preferred fracture orientation in this portion of the trend.

9. Based on my geologic study of the area, the targeted interval underlying the Unit is suitable for development by horizontal wells and the tracts comprising the Unit will contribute more or less equally to the production of the Wells.

10. In my opinion, the granting of Permian Resources' application will serve the interests of conservation, the protection of correlative rights, and the prevention of waste.

11. The exhibits attached hereto were either prepared by me or under my supervision or were compiled from company business records.

12. I understand this Self-Affirmed Statement will be used as written testimony in this case. I affirm my testimony above is true and correct and is made under penalty of perjury under the laws of the State of New Mexico. My testimony is made as of the date identified next to my signature below.



Cole Hendrickson

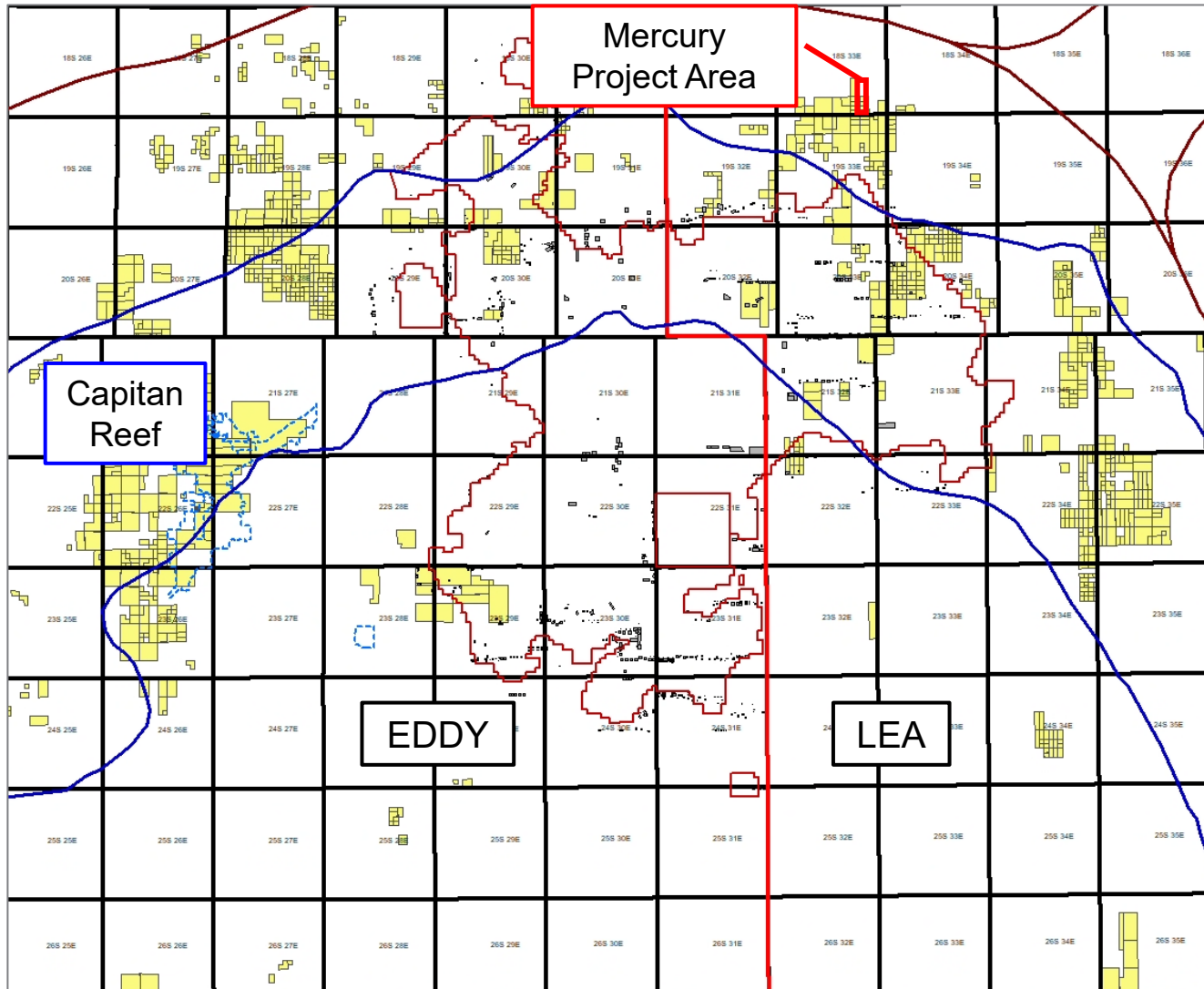
10/21/2024

Date

Mercury 26-35 Fed Com Bone Spring

Permian Resources Operating, LLC
Case No. 24890
Exhibit B-1

Exhibit B-1

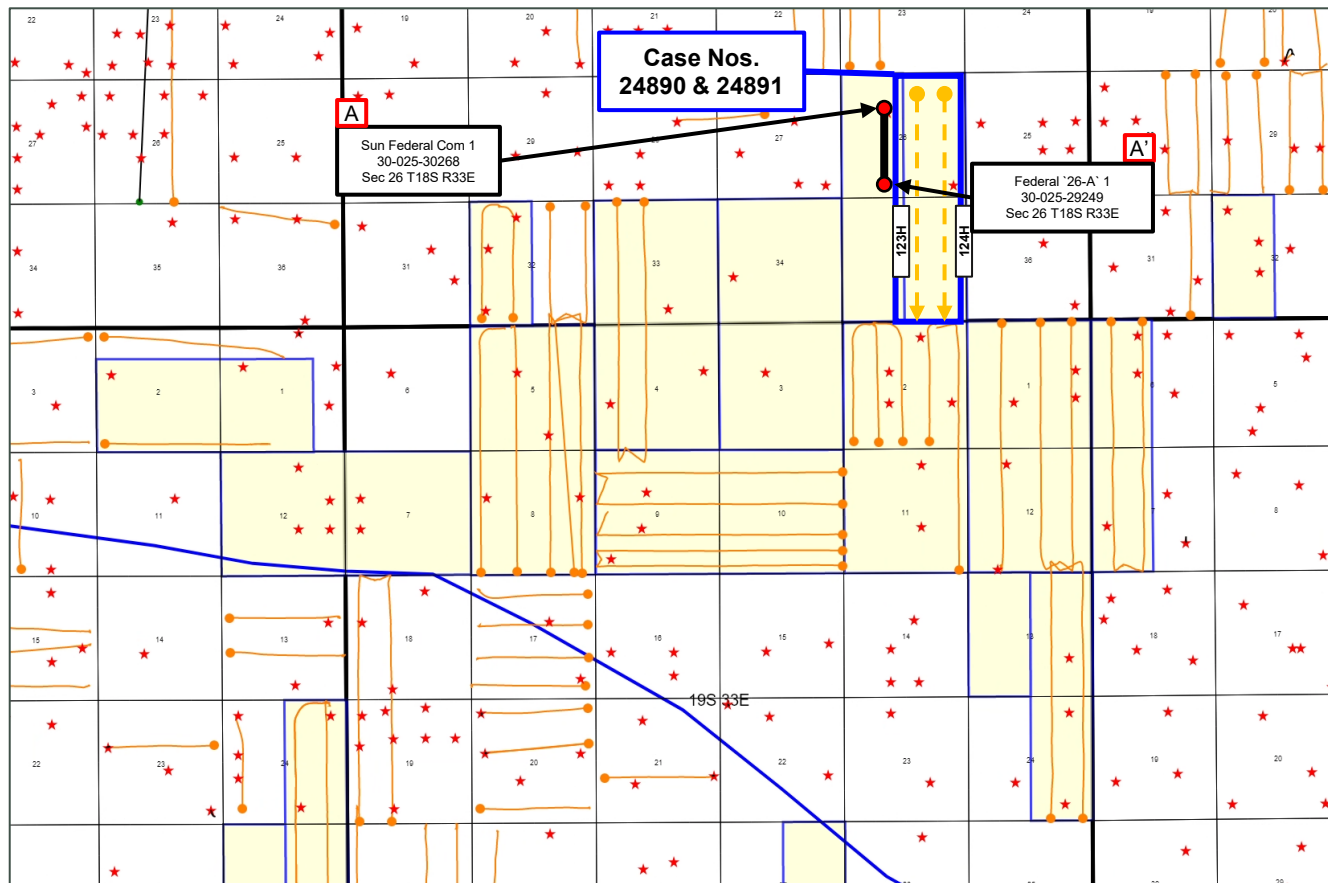


Cross-Section Locator Map

Mercury 26 35 Fed Com Second Bone Spring

Permian Resources Operating, LLC
Case No. 24890
Exhibit B-2

Exhibit B-2



Permian Resources

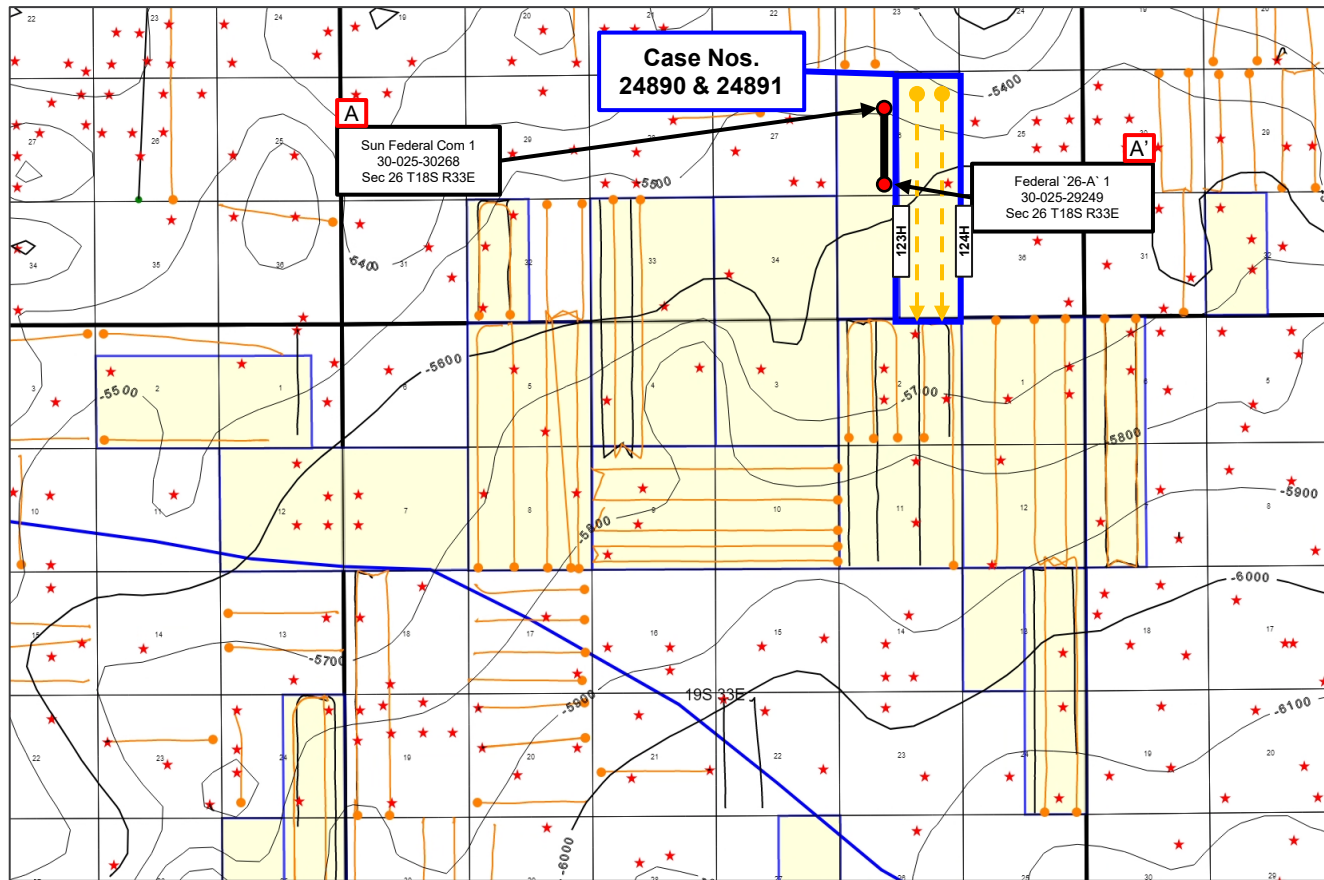
- Control Point
- Proposed Wells
SBSG
- Producing Wells
SBSG

Second Bone Spring – Structure Map

Mercury 26 35 Fed Com 123H & 124H

Permian Resources Operating, LLC
Case No. 24890
Exhibit B-3

Exhibit B-3



Permian Resources



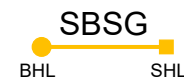
Control Point



Proposed Wells



Producing Wells

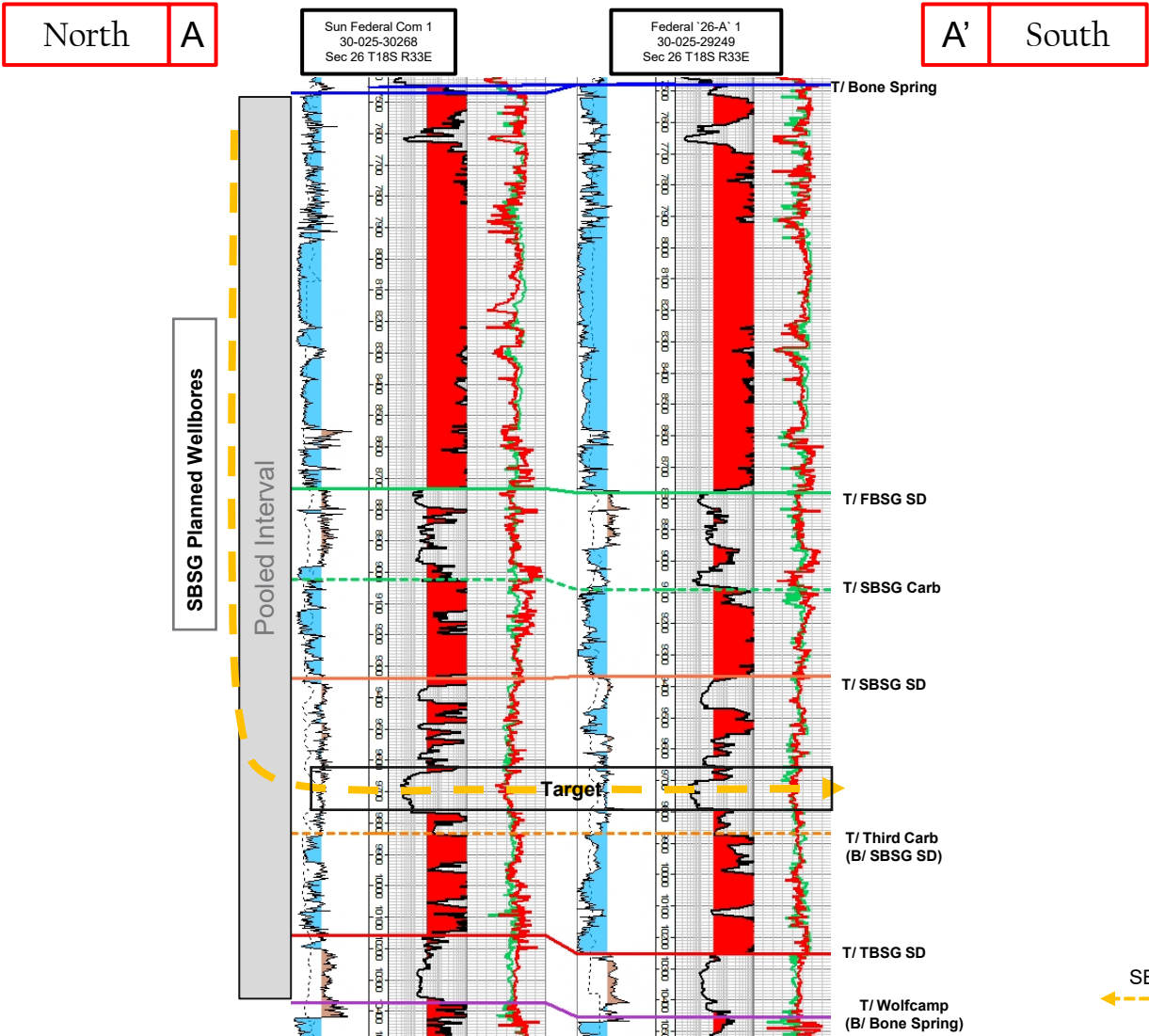


Stratigraphic Cross-Section A-A'

Mercury 26 35 Fed Com Second Bone Spring

Permian Resources Operating, LLC
Case No. 24890
Exhibit B-4

Exhibit B-4



Gun Barrel Development Plan

Mercury 26 35 Fed Com Second Bone Spring

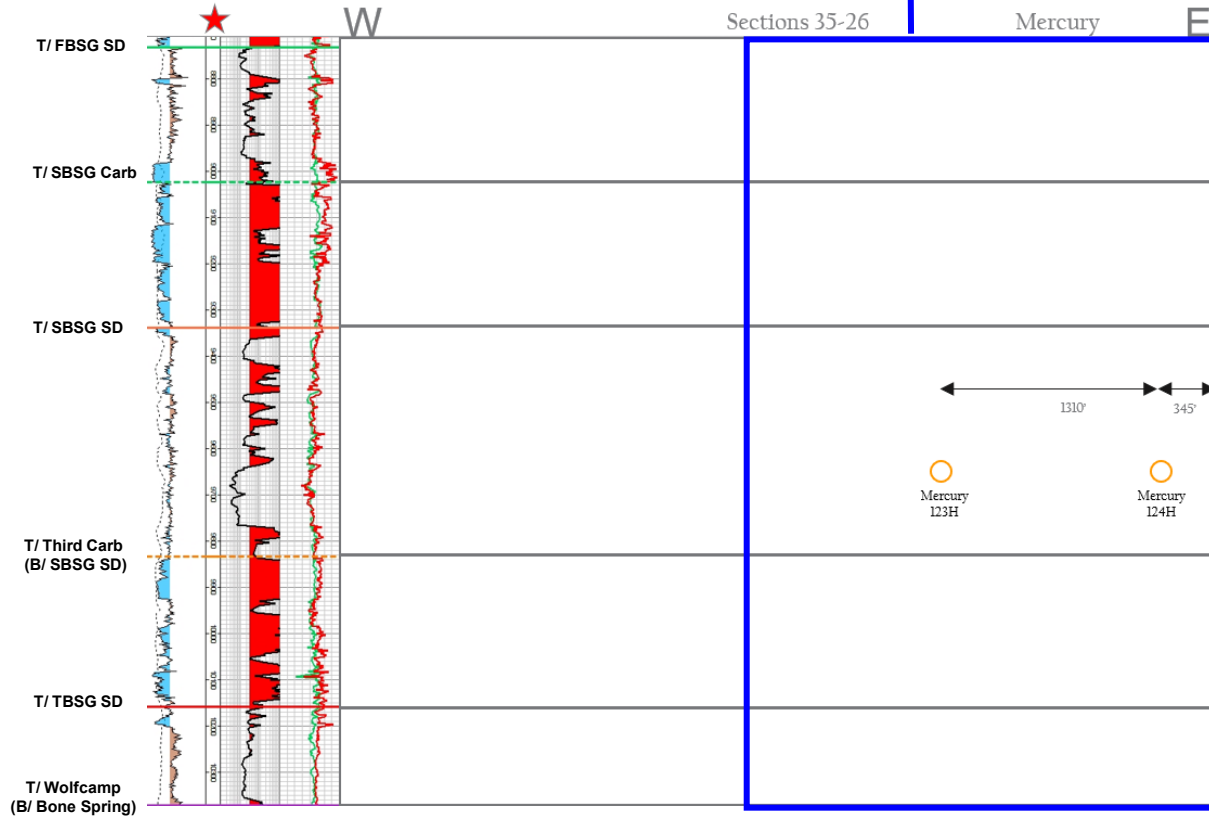
Permian Resources Operating, LLC
Case No. 24890
Exhibit B-5

Exhibit B-5



Case Nos.
24890 & 24891

- SBSG Proposed
- SBSG Producing



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

**APPLICATIONS OF PERMIAN RESOURCES
OPERATING, LLC FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

CASE NOS. 24890 & 24891

**SELF-AFFIRMED STATEMENT
OF DANA S. HARDY**

1. I am attorney in fact and authorized representative of Permian Resources Operating, LLC., the Applicant herein.

2. I am familiar with the Notice Letter attached as **Exhibit C-1** and caused the Notice Letter, along with the Applications in these cases, to be sent to the parties set out in the chart attached as **Exhibit C-2**.

3. Exhibit C-2 also provides the date each Notice Letter was sent and the date each return was received.

4. Copies of the certified mail green card and white slip are attached as **Exhibit C-3** as supporting documentation for proof of mailing and the information provided on Exhibit C-2.

5. I understand this Self-Affirmed Statement will be used as written testimony in the subject case. I affirm that my testimony above is true and correct and is made under penalty of perjury under the laws of the State of New Mexico. My testimony is made as of the date handwritten next to my signature below.

/s/ Dana S. Hardy
Dana S. Hardy

October 22, 2024
Date

**Permian Resources Operating, LLC
Case No. 24890
Exhibit C**



hinklelawfirm.com

HINKLE SHANOR LLP

ATTORNEYS AT LAW

P.O. BOX 2068

SANTA FE, NEW MEXICO 87504

505-982-4554 (FAX) 505-982-8623

WRITER:
Dana S. Hardy, Partner
dhardy@hinklelawfirm.com

October 2, 2024

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO ALL PARTIES ENTITLED TO NOTICE

Re: Case Nos. 24890 & 24891– Application of Permian Resources Operating, LLC for Compulsory Pooling, Lea County, New Mexico.

To whom it may concern:

This letter is to advise you that the enclosed application was filed with the New Mexico Oil Conservation Division. The hearing will be conducted on **October 31, 2024**, beginning at 8:15 a.m.

The hearing will be conducted in a hybrid fashion, both virtually and in-person at the Energy, Minerals, Natural Resources Department, Wendell Chino Building, Pecos Hall, 1220 South St. Francis Drive, 1st Floor, Santa Fe, NM 87505. To participate virtually, see the instructions posted on the OCD Hearings website: <https://www.emnrd.nm.gov/ocd/hearing-info/>. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Pursuant to Division Rule 19.15.4.13.B, a party who intends to present evidence at the hearing shall file a pre-hearing statement and serve copies on other parties, or the attorneys of parties who are represented by counsel, at least four business days in advance of a scheduled hearing, but in no event later than 5:00 p.m. Mountain Time, on the Thursday preceding the scheduled hearing date. The statement must be submitted through the OCD E-Permitting system (<https://wwwapps.emnrd.nm.gov/ocd/ocdpermitting/>) or via e-mail to ocd.hearings@emnrd.nm.gov and should include: the names of the parties and their attorneys, a concise statement of the case, the names of all witnesses the party will call to testify at the hearing, the approximate time the party will need to present its case, and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this application, please contact Kevin Woolley, Landman at Permian Resources Operating, LLC, via e-mail at Kevin.Wooley@permianres.com if you have any questions regarding this matter.

Sincerely,

/s/ Dana S. Hardy

Dana S. Hardy

Permian Resources Operating, LLC
Case No. 24890
Exhibit C-1

Enclosure

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

**APPLICATION OF PERMIAN RESOURCES
OPERATING, LLC FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

CASE NO. 24890 & 24891

NOTICE LETTER CHART

PARTY	NOTICE LETTER SENT	RETURN RECEIVED
Conoco Phillips Company 600 W. Illinois Midland, TX 79701	10/09/2024 9589071052701147071455	10/21/2024

**Permian Resources Operating, LLC
Case No. 24890
Exhibit C-2**

9589 0710 5270 1147 0714 55

**U.S. Postal Service™
CERTIFIED MAIL® RECEIPT**
Domestic Mail Only

For delivery information, visit our website at www.usps.com®.

OFFICIAL USE

Certified Mail Fee \$ _____

Extra Services & Fees (check box, add fee as appropriate)

Return Receipt (hardcopy) \$ _____

Return Receipt (electronic) \$ _____

Certified Mail Restricted Delivery \$ _____

Adult Signature Required \$ _____

Adult Signature Restricted Delivery \$ _____

Postage \$ _____

Total Postage and Fees \$ _____

Sent To

Street: Conoco Phillips Company
600 W. Illinois

City, St: Midland, TX 79701

24890-91 PRO Mercury

Postmark Here
OCT 09 2024

USPS

PS Form 3800, January 2023 PSN 7530-02-000-9047 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 		<p>A. Signature X <i>[Signature]</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p>	
<p>1. Article Addressed to:</p> <p>Conoco Phillips Company 600 W. Illinois Midland, TX 79701</p> <p>24890-91 PRO Mercury</p> <p>9590 9402 9022 4122 7743 23</p>		<p>B. Received by (Printed Name) <i>[Signature]</i></p> <p>C. Date of Delivery <i>10-15</i></p>	
<p>2. Article Number (Transfer from service label) 9589 0710 5270 1147 0714 55</p>		<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below:</p> <p>RECEIVED OCT 21 2024</p>	
<p>PS Form 3811, July 2020 PSN 7530-02-000-9053</p>		<p>3. Service Type</p> <p><input type="checkbox"/> Adult Signature <input type="checkbox"/> Priority Mail Express®</p> <p><input type="checkbox"/> Adult Signature Restricted Delivery <input type="checkbox"/> Registered Mail™</p> <p><input type="checkbox"/> Certified Mail® <input type="checkbox"/> Registered Mail Restricted Delivery</p> <p><input type="checkbox"/> Certified Mail Restricted Delivery <input type="checkbox"/> Signature Confirmation™</p> <p><input type="checkbox"/> Collect on Delivery <input type="checkbox"/> Signature Confirmation Restricted Delivery</p> <p><input type="checkbox"/> Collect on Delivery Restricted Delivery</p> <p><input type="checkbox"/> Insured Mail</p> <p><input type="checkbox"/> Insured Mail Restricted Delivery (over \$500)</p>	

Permian Resources Operating, LLC
Case No. 24890
Exhibit C-3