

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

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING AND APPROVAL
OF NON-STANDARD SPACING UNIT
SUBMITTED BY AVANT OPERATING, LLC**

**CASE NO. 24544
ORDER NO. R-23452**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on August 20, 2024, and August 21, 2024, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

1. Avant Operating, LLC (“Avant”) submitted an application (“Application”) to compulsory pool the uncommitted oil and gas interests within the spacing unit (“Unit”) described in Exhibit A.
2. The Application also seeks approval of a Non-Standard horizontal spacing unit for production from all Division-designated pools underlying the Unit.
3. Avant seeks to be designated the Operator of the Unit.
4. Avant will dedicate the well(s) described in Exhibit A (“Well(s)”) to the Unit.
5. Avant proposes the supervision and risk charges for the Well(s) described in Exhibit A.
6. Avant identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
7. Avant identified the owners of interest in the offset oil and gas minerals from the Unit and provided evidence that notice was given.
8. On June 24, 2024, Prima Exploration, Inc. (“Prima”) filed an entry of appearance and objection to hearing by affidavit.
9. In support of its application, Avant presented the testimony and exhibits of Sophia Guerra (Landman); Josh Payne (Senior Geologist); and Shane Kelly (Vice President of Engineering).
10. In support of its position, Prima presented the testimony and exhibits of David Rhodes (Petroleum Engineer).

11. Avant and its affiliates have a 41.80% working interest of record. See Avant's Exhibit C4.
12. Avant has obtained the commitment of 74.87% of the working interest owners to its development plan. See Avant's Exhibit C-4. 8.
13. Prima owns a 2.75% working interest of record. See Avant's Exhibit C-4.
14. Prima testified that Prima request Avant to develop the Unit at three wells per section for a total of nine wells instead of Avants plan of four wells per section for a total of twelve wells.
15. Avant presented evidence that its proposed four-well-per-section per bench development plan
 - a. is consistent with the spacing pattern used by the majority of operators in the general area. See Avant's Exhibit G-10; Tr. at 225:19-22;
 - b. is justified by the reservoir quality of the first, second, and third bench of the Bone Spring formation underlying the subject acreage. See Avant's Exhibits D-2, D-4, and D-5;
 - c. will yield enhanced economic efficiency for the initial wells. See Tr. at 246:14-17, Avant Ex. G-19; and
 - d. will yield a higher total recovery than Prima's suggested three-well-per-section per bench development plan. See, e.g., Tr. at 249:20-24.

CONCLUSIONS OF LAW

16. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
17. Avant is the owner of an oil and gas working interest within the Unit.
18. Avant satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
19. Avant has met the notice requirements for approval of non-standard horizontal spacing units in accordance with 19.15.16.15(B)(5) NMAC.
20. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.
21. Avant has the right to drill the Well(s) to a common source of supply at the depth(s) and location(s) in the Unit described in Exhibit A.
22. OCD's rules allow the approval of a non-standard horizontal spacing unit, after notice and opportunity for hearing, "if necessary to prevent waste or protect correlative rights" 19.15.16.15(B)(5)(a) NMAC.

23. While the OCD is authorized to approve a non-standard spacing unit, Rutter & Wilbanks Corp. v. Oil Conservation Comm'n, 1975-NMSC-006, OCD lacks the authority to approve unitization and will disapprove an application if it determines that it is actually unitization. Order R-13554 (May 18, 2012) (disapproving application for a non-standard spacing unit consisting of 16 standard spacing units).
24. Approval of the Non-Standard Spacing Unit promotes effective well spacing and allows the Avant to therefore prevent waste and protect correlative rights.
25. The Unit contains separately owned uncommitted interests in oil and gas minerals.
26. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
27. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
28. 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

29. The Unit is approved as a non-standard horizontal spacing unit.
30. Avant shall file Forms C-102 reflecting the correct acreage dedicated for each of the Wells.
31. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
32. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
33. Avant is designated as Operator of the Unit and the Well(s).
34. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Avant shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.
35. The Avant 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.
36. This Order shall terminate automatically if Avant fails to comply with Paragraph 35 unless Avant obtains an extension by amending this Order for good cause shown.

37. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.
38. Avant 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").
39. No later than thirty (30) days after Avant 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 Avant 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."
40. No later than one hundred eighty (180) days after Avant submits a Form C-105 for a well, Avant 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.
41. 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 Avant its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Avant 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.
42. 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."
43. No later than within ninety (90) days after Avant submits a Form C-105 for a well, Avant 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.

44. Avant 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.
45. Avant 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.
46. Avant shall distribute a proportionate share of the costs and charges withheld pursuant to paragraph 45 to each Pooled Working Interest that paid its share of the Estimated Well Costs.
47. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Avant 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.
48. 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.
49. Except as provided above, Avant 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.*
50. 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. Avant shall inform OCD no later than thirty (30) days after such occurrence.
51. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**




GERASIMOS RAZATOS
DIRECTOR (Acting)
GR/jag

Date: 10/10/2024

Exhibit A

COMPULSORY POOLING APPLICATION CHECKLIST	
ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS	
Case: 24544	APPLICANT'S RESPONSE
Date	
Applicant	Avant Operating, LLC
Designated Operator & OGRID (affiliation if applicable)	330396
Applicant's Counsel:	Miguel Suszo, Beatty & Wozniak, P.C.
Case Title:	Application of Avant Operating, LLC FOR Compulsory Pooling and Approval of Non-Standard Spacing Unit, Lea County, New Mexico
Entries of Appearance/Intervenors:	COG Operating LLC; EOG Resources, Inc.; Prima Exploration, Inc.
Well Family	Royal Oak Fed Com
Formation/Pool	
Formation Name(s) or Vertical Extent:	Bone Spring
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Entire Formation
Pool Name and Pool Code (Only if NSP is requested):	N/A
Well Location Setback Rules (Only if NSP is Requested):	N/A
Spacing Unit	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	1,280 acres, more or less
Building Blocks:	Quarter-Quarter sections
Orientation:	North-South
Description: TRS/County	All of Sections 25 and 36, T-18-S, R-33-E, Lea County, NM
Standard Horizontal Well Spacing Unit (Y/N). If No, describe and is approval of non-standard unit requested in this application?	No. Applicant seeks approval of non-standard unit.
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 C
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	Royal Oak 25 Fed Com #301H Well (API No. 30-025-52841) SHL: 320' FNL & 1,340' FWL (Unit C) of Section 25, Township 18 South, Range 33 East, N.M.P.M. BHL: 100' FSL & 990' FWL (Unit M) of Section 36, Township 18 South, Range 33 East, N.M.P.M. Completion Target: Bone Spring Formation Well Orientation: Standup Completion Location: Standard
Well #2	Royal Oak 25 Fed Com #302H Well (API No. 30-025-52843) SHL: 160' FNL & 1,340' FWL (Unit C) of Section 25, Township 18 South, Range 33 East, N.M.P.M. BHL: 100' FSL & 2,310' FWL (Unit N) of Section 36, Township 18 South, Range 33 East, N.M.P.M. Completion Target: Bone Spring Formation Well Orientation: Standup Completion Location: Standard
Well #3	Royal Oak 25 Fed Com #303H Well (API No. Pending) SHL: 320' FNL & 1,420' FEL (Unit B) of Section 25, Township 18 South, Range 33 East, N.M.P.M. BHL: 100' FSL & 990' FEL (Unit O) of Section 36, Township 18 South, Range 33 East, N.M.P.M. Completion Target: Bone Spring Formation Well Orientation: Standup Completion Location: Standard

Well #4	<p>Royal Oak 25 Fed Com #304H Well (API No. Pending) SHL: 160' FNL & 1,420' FEL (Unit B) of Section 25, Township 18 South, Range 33 East, N.M.P.M. BHL: 100' FSL & 330' FEL (Unit P) of Section 36, Township 18 South, Range 33 East, N.M.P.M.</p> <p>Completion Target: Bone Spring Formation Well Orientation: Standup Completion Location: Standard</p>
Well #3	<p>Royal Oak 25 Fed Com #501H Well (API No. 30-025-52844) SHL: 320' FNL & 1,300' FWL (Unit D) of Section 25, Township 18 South, Range 33 East, N.M.P.M. BHL: 100' FSL & 330' FWL (Unit M) of Section 36, Township 18 South, Range 33 East, N.M.P.M.</p> <p>Completion Target: Bone Spring Formation Well Orientation: Standup Completion Location: Standard</p>
Well #6	<p>Royal Oak 25 Fed Com #502H Well (API No. 30-025-52845) SHL: 160' FNL & 1,300' FWL (Unit D) of Section 25, Township 18 South, Range 33 East, N.M.P.M. BHL: 100' FSL & 1,650' FWL (Unit N) of Section 36, Township 18 South, Range 33 East, N.M.P.M.</p> <p>Completion Target: Bone Spring Formation Well Orientation: Standup Completion Location: Standard</p>
Well #7	<p>Royal Oak 25 Fed Com #503H Well (API No. Pending) SHL: 320' FNL & 1,460' FEL (Unit B) of Section 25, Township 18 South, Range 33 East, N.M.P.M. BHL: 100' FSL & 2,310' FEL (Unit O) of Section 36, Township 18 South, Range 33 East, N.M.P.M.</p> <p>Completion Target: Bone Spring Formation Well Orientation: Standup Completion Location: Standard</p>
Well #8	<p>Royal Oak 25 Fed Com #504H Well (API No. Pending) SHL: 160' FNL & 1,460' FEL (Unit B) of Section 25, Township 18 South, Range 33 East, N.M.P.M. BHL: 100' FSL & 990' FEL (Unit P) of Section 36, Township 18 South, Range 33 East, N.M.P.M.</p> <p>Completion Target: Bone Spring Formation Well Orientation: Standup Completion Location: Standard</p>
Well #9	<p>Royal Oak 25 Fed Com #601H Well (API No. 30-025-52846) SHL: 320' FNL & 1,320' FWL (Unit C) of Section 25, Township 18 South, Range 33 East, N.M.P.M. BHL: 100' FSL & 990' FWL (Unit M) of Section 36, Township 18 South, Range 33 East, N.M.P.M.</p> <p>Completion Target: Bone Spring Formation Well Orientation: Standup Completion Location: Standard</p>
Well #10	<p>Royal Oak 25 Fed Com #602H Well (API No. 30-025-52847) SHL: 160' FNL & 1,320' FWL (Unit C) of Section 25, Township 18 South, Range 33 East, N.M.P.M. BHL: 100' FSL & 2,310' FWL (Unit N) of Section 36, Township 18 South, Range 33 East, N.M.P.M.</p> <p>Completion Target: Bone Spring Formation Well Orientation: Standup Completion Location: Standard</p>
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Well #11	Royal Oak 25 Fed Com #603H Well (API No. Pending) SHL: 320' FNL & 1,440' FEL (Unit B) of Section 25, Township 18 South, Range 33 East, N.M.P.M. BHL: 100' FSL & 1,630' FEL (Unit O) of Section 36, Township 18 South, Range 33 East, N.M.P.M. Completion Target: Bone Spring Formation Well Orientation: Standup Completion Location: Standard
Well #12	Royal Oak 25 Fed Com #604H Well (API No. Pending) SHL: 160' FNL & 1,440' FEL (Unit B) of Section 25, Township 18 South, Range 33 East, N.M.P.M. BHL: 100' FSL & 330' FEL (Unit P) of Section 36, Township 18 South, Range 33 East, N.M.P.M. Completion Target: Bone Spring Formation Well Orientation: Standup Completion Location: Standard
Horizontal Well First and Last Take Points	Exhibit C-2
Completion Target (Formation, TVD and MD)	Exhibits C-7, C-8, D-2, and D-3
AFE Capex and Operating Costs	
Drilling Supervision/Month \$	\$8,000
Production Supervision/Month \$	\$800
Justification for Supervision Costs	Exhibit C
Requested Risk Charge	200%
Notice of Hearing	
Proposed Notice of Hearing	Exhibit B
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit E
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit F
Ownership Determination	
Land Ownership Schematic of the Spacing Unit	Exhibits C-3, C-4, and C-5
Tract List (including lease numbers and owners)	Exhibits C-3, C-4, and C-5
If approval of Non-Standard Spacing Unit is requested, Tract List (including lease numbers and owners) of Tracts subject to notice requirements.	Exhibit C-6
Pooled Parties (including ownership type)	Exhibits C-3, C-4, and C-5
Unlocatable Parties to be Pooled	N/A
Ownership Depth Severance (including percentage above & below)	N/A
Joinder	
Sample Copy of Proposal Letter	Exhibit C-7
List of Interest Owners (ie Exhibit A of JOA)	Exhibit C-4 and C-5
Chronology of Contact with Non-Joined Working Interests	Exhibit C-9
Overhead Rates In Proposal Letter	Exhibits C-7 and C-8
Cost Estimate to Drill and Complete	Exhibit C-8
Cost Estimate to Equip Well	Exhibit C-8
Cost Estimate for Production Facilities	Exhibit C-8
Geology	
Summary (including special considerations)	Exhibit D
Spacing Unit Schematic	Exhibits C-2, C-3, D-2, D-3, D-4
Gunbarrel/Lateral Trajectory Schematic	Exhibits C-3, D-2, D-3, D-4
Well Orientation (with rationale)	Exhibit D
Target Formation	Exhibit D
HSU Cross Section	Exhibit D-3, D-4, D-5
Depth Severance Discussion	N/A
Forms, Figures and Tables	
C-102	Exhibit C-2
Tracts	Exhibit C-3
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit C-4 and C-5
General Location Map (including basin)	Exhibits C-1 and D-1
Well Bore Location Map	Exhibits C-2, C-3, and D-4
Structure Contour Map - Subsea Depth	Exhibit D-2 and D-3
Cross Section Location Map (including wells)	Exhibit D-4
Cross Section (including Landing Zone)	Exhibit D-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):	Miguel Suazo
Signed Name (Attorney or Party Representative):	
Date:	6/20/2024