

**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 PERMIAN RESOURCES**

**CASE NO. 25948  
ORDER NO. R-24258**

**ORDER**

The Director of the Oil Conservation Division (“Division”), having considered the record developed at hearing on March 5, 2026, and being fully advised in the premises, hereby issues the following Order.

**FINDINGS OF FACT**

1. Applicant Permian Resources Operating, LLC (“Applicant” or “Permian”) filed an application seeking (a) compulsory pooling all uncommitted oil and gas interests under NMSA 1978, § 70-2-17, and (b) approval of a non-standard horizontal spacing unit (“NSP”) for production from the Wolfcamp formation. The Application expressly sought approval of an NSP as a prerequisite to pooling.
2. The Application proposes to form a 483.32-acre horizontal spacing unit composed of the following tracts (“Proposed Unit”):  
  
Township 19 South, Range 28 East: Section 7 – S/2 N/2  
Township 19 South, Range 27 East: Section 11 – S/2 N/2; Section 12 – S/2 N/2
3. Applicant proposes dedicating the Alpine Eagle 7-11 State Com 202H well to this Proposed Unit.
4. The Proposed Unit lies within the Millman; Wolfcamp, West (Gas) Pool, Pool Code 81395, originally established under Order No. R-8892.
5. Under 19.15.16.15(B)(3) NMAC, a standard horizontal spacing unit for a gas well must be constructed from governmental quarter sections (160 acres) unless a special pool order provides otherwise. Applicant seeks to construct the Proposed Unit from quarter-quarter sections (40 acres), which does not comply with the standard gas-well building blocks.
6. Applicant did not provide adequate evidence to support approval of the requested non-standard spacing unit. While the Division may approve an NSP within a compulsory-pooling proceeding, the Division may only do so upon a showing of good cause demonstrating that the requested spacing will prevent waste and protect correlative rights. Applicant provided no such evidence in this case.
7. Permian’s Application states that the NSP is being requested so that Permian “can optimize the spacing of the planned wells in this section” and “to avoid causing wasted resources, prevent waste and protect correlative rights”. See Permian Exhibit A.

8. At the March 5, 2026 hearing, Applicant's Landman Reker testified the NSP was sought because "we want this well to make oil, so we wanted it to be closer to oil spacing. That would be the reason for the NSP." Transcript, 70: 2410-2412; 71: 2413-2415. No geological or engineering evidence was submitted demonstrating that the Wolfcamp interval at this location is an oil reservoir or that quarter-quarter spacing is necessary to prevent waste or protect correlative rights.
9. Applicant provided no evidence that granting an NSP would:
  - optimize well spacing,
  - prevent waste, or
  - protect correlative rights, as required by 19.15.16.15(B)(5)(a) NMAC.
10. Because the pool at issue is a gas pool, the Proposed Unit must be formed from quarter sections unless the pool rules are amended. If Applicant believes quarter-quarter spacing is appropriate, the correct path is to seek amendment of Order R-8892 (a pool-rule/nomenclature proceeding), not to request an NSP inside a pooling case.

### **CONCLUSIONS OF LAW**

1. The Division has jurisdiction under NMSA 1978, § 70-2-17.
2. Under 19.15.16.15(A)(2) NMAC, a horizontal well may be dedicated only to (a) a standard horizontal spacing unit constructed with the required building blocks, or (b) an approved non-standard spacing unit. The Proposed Unit satisfies neither condition.
3. Under 19.15.16.15(B)(3) NMAC, a standard horizontal spacing unit for a gas well must be comprised of one or more governmental quarter sections. The Proposed Unit does not meet this requirement.
4. Under 19.15.16.15(B)(5)(a) and 19.15.15.11 NMAC, approval of a non-standard spacing unit requires a showing of good cause demonstrating that the NSP will prevent waste and protect correlative rights. Although the Division may approve an NSP within a compulsory pooling case, the applicant bears the burden to present sufficient technical evidence to justify the departure from standard spacing. In this case, Applicant failed to make that showing.
5. Because Applicant failed to justify the requested non-standard spacing unit, no valid spacing unit exists to which the proposed horizontal well may be dedicated.
6. Applicant failed to meet its burden to show that the NSP is necessary to prevent waste or protect correlative rights, as required by 19.15.16.15(B)(5)(a) NMAC.

### **ORDER**

The request for approval of a non-standard spacing unit is **DENIED**, without prejudice, because Applicant failed to demonstrate good cause that the use of 40-acre building blocks in a gas pool

requiring standard 160-acre building blocks is necessary to prevent waste or protect correlative rights.

Because the requested spacing unit is not approved, Applicant's request for compulsory pooling is also **DENIED**, without prejudice.

Applicant may re-apply after:

- proposing a standard spacing unit as required by this gas pool, or
- successfully petitioning to amend Order R-8892 (pool rules) to allow quarter-quarter spacing for this gas pool.

**STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION**



**ALBERT C.S. CHANG**  
**DIRECTOR**  
AC/asf

**Date:** 4/3/26