

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

**APPLICATION OF AVANT OPERATING, LLC  
FOR APPROVAL OF A NON-STANDARD UNIT,  
COMPULSORY POOLING, AND, TO THE  
EXTENT NECESSARY, APPROVAL OF AN  
OVERLAPPING SPACING UNIT,  
LEA COUNTY, NEW MEXICO.**

**CASE NO. 24632**

**APPLICATION OF MAGNUM HUNTER, LLC  
FOR APPROVAL OF AN OVERLAPPING  
HORIZONTAL WELL SPACING UNIT AND  
COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.**

**CASE NO. 24913-24916**

**CONSOLIDATED PRE-HEARING STATEMENT**

Avant Operating, LLC (“Avant”) submits its Consolidated Pre-Hearing Statement in accordance with the Third Amended Pre-Hearing Order (“Amended Pre-Hearing Order”) issued by the New Mexico Oil Conservation Division (“Division”) on October 17, 2024.

**APPLICANT**

Avant Operating, LLC

**ATTORNEYS**

Benjamin Bryan Holliday  
Holliday Energy Law Group PC  
107 Katherine Court  
San Antonio, TX 78209  
Phone: (210) 469-3187  
ben@helg.law

**OPPONENT**

Magnum Hunter Production, Inc.

**ATTORNEYS**

Jennifer L. Bradfute  
Bradfute Consulting & Legal Services  
d/b/a Bradfute & Sayers, PC  
PO Box 90233  
Albuquerque, NM 87199  
Phone: (505) 264-8740  
jennifer@bradfutelaw.com

**INTERESTED PARTY**

MRC Permian Co.  
Permian Resources, Inc.  
Foran Oil Co.

Franklin Mountain Energy 3, LLC

COG Operating, LLC,  
and Concho Oil & Gas Keri L. Hartley

EOG Resources, Inc.

---

**ATTORNEYS**

Michael H. Feldewert  
Adam G. Rankin  
Paula M. Vance  
PO Box 2208  
Santa Fe, New Mexico 87504-2208  
Phone: (505) 988-4421  
mfeldewert@hollandhart.com  
agrarkin@hollandhart.com  
pmvance@hollandhart.com

Deana M. Bennett  
Earl E. Debrine, Jr.  
Yarithza Pena  
PO Box 2168  
500 Fourth Street NW, Suite 1000  
Albuquerque, New Mexico 87103-2168  
Phone: (505) 848.1800  
deana.bennett@modrall.com  
earl.debrine@modrall.com  
yarithza.pena@modrall.com

Elizabeth Ryan  
600 W. Illinois Avenue  
Midland, Texas 79701  
Phone: (432) 685-4391  
Keri.Hatley@conocophillips.com

Jordan Kessler  
125 Lincoln Avenue, Suite 213  
Santa Fe, NM 87501  
Phone: (575) 748-4158  
Jordan\_kessler@eogresources.com

**STATEMENT OF THE CASE**

These matters involve competing pooling applications filed by Avant and Magnum Hunter Corporation (“Magnum Hunter”) to develop the Bone Spring formation underlying Section 32, Township 18 South, Range 34 East, Lea County, New Mexico.

In **Case No. 24632** (the “Avant Case”), Avant seeks an order: (1) establishing a 1,280-acre, more or less, non- standard horizontal spacing unit (“HSU”) comprised of all of Sections 29 and 32, Township 18 South, Range 34 East, Lea County, New Mexico (“Daytona BS Unit”); and (2) pooling all uncommitted interests in the First and Third Bone Spring formation underlying the unit. The unit will be dedicated to the following initial wells (“Daytona BS Wells”):

- **Daytona 29 Fed Com #301H, Daytona 29 Fed Com #601H**, which will be drilled from surface hole locations in the NE/4 NW/4 (Unit C) of Section 29 to bottom hole locations in the SW/4 SW/4 (Unit M) of Section 32;
- **Daytona 29 Fed Com #302H, Daytona 29 Fed Com #602H**, which will be drilled from surface hole locations in the NE/4 NW/4 (Unit C) of Section 29 to bottom hole locations in the SE/4 SW/4 (Unit N) of Section 32;
- **Daytona 29 Fed Com #303H, Daytona 29 Fed Com #603H**, which will be drilled from surface hole locations in the NE/4 NE/4 (Unit A) of Section 29 to bottom hole locations in the SW/4 SE/4 (Unit O) of Section 32;
- **Daytona 29 Fed Com #304H, Daytona 29 Fed Com #604H**, which will be drilled from surface hole locations in the NE/4 NE/4 (Unit A) of Section 29 to bottom hole locations in the SE/4 SE/4 (Unit P) of Section 32;

In addition to the Daytona BS Wells, Avant has separately proposed (4) Second Bone Spring one-mile laterals on a north to south orientation underlying Section 32. The Second Bone Spring underlying Section 29 was previously developed by four (4) one-mile laterals on a north to south orientation, which wells are currently operated by Prima Exploration, Inc. (“Prima Section 29 2BS Wells”). Thus, Avant proposes to fully develop the Bone Spring formation underlying the Daytona BS Unit by drilling and completing four (4) wells each in the First and Third Bone Spring intervals in addition to the proposed Second Bone Spring wells.

Production results in this area demonstrate that drilling wells on a north to south orientation as proposed by Avant will more efficiently and effectively produce the underlying reserves than a development plan proceeding from east to west, as proposed by Magnum Hunter. To that end,

Avant's proposed Daytona BS Wells will be completed from North to South (i.e. a stand-up HSU), and the completed intervals of the Wells will be orthodox. Avant requests approval of a non-standard spacing unit to reduce surface facilities, which prevents surface, environmental, and economic waste.

In addition, due to fact that the Prima Section 29 2BS Wells have fully developed the Second Bone Spring underlying Section 29, approving the proposed non-standard unit pooling the First and Third Bone Spring to the exclusion of the Second Bone Spring protects correlative rights.

As Avant will demonstrate, due to the Prima Section 29 2BS Wells having fully developed the Second Bone Spring underlying Section 29, the Daytona BS Unit as proposed will both protect correlative rights of owners in the Second Bone Spring Formation underlying Section 32 and allow for full Bone Spring formation development. Were the entire Bone Spring Formation to be included in the Daytona BS Unit, the fact of the Prima Section 29 2BS Wells would unduly dilute the interests of the Section 32 owners by approximately 1/2, and simultaneously increase the interest of the Section 29 owners by the same factor.

Also to be considered will be the cost of drilling and completing the Wells and the allocation of the costs, the designation of Avant as the operator of the Wells, and a 200% charge for the risk involved in drilling and completing the Wells.

Magnum Hunter has filed Case Nos. 24913-24916 (collectively the "Magnum Hunter BS Cases"), all of which have been consolidated for purposes of this hearing. In **Case No. 24913**, Magnum Hunter seeks an order: (1) approving a standard 320-acre, more or less, horizontal well spacing unit in the Bone Spring formation underlying the S/2 N/2 Sections 33 and 32, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted interests in this acreage. Magnum Hunter proposes to dedicate the unit to the following well:

- **Turnpike 33-32 State Com 213H** which will be drilled from a surface hole location in the SE/4 NE/4 (Unit H) of Section 33 to bottom hole locations in the SW/4 NW/4 (Unit E) of Section 32;

In **Case No. 24914**, Magnum Hunter seeks an order: (1) approving a standard 320-acre, more or less, horizontal well spacing unit in the Bone Spring formation underlying the N/2 S/2 of Sections 33 and 32, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted interests in this acreage. Magnum Hunter proposes to dedicate the unit to the following well:

- **Turnpike 33-32 State Com 212H** which will be drilled from a surface hole location in the SE/4 SE/4 (Unit P) of Section 33 to bottom hole locations in the NW/4 SW/4 (Unit L) of Section 32;

In **Case No. 24915**, Magnum Hunter seeks an order: (1) approving a standard 320-acre, more or less, horizontal well spacing unit in the Bone Spring formation underlying the S/2 S/2 of Sections 33 and 32, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted interests in this acreage. Magnum Hunter proposes to dedicate the unit to the following well:

- **Turnpike 33-32 State Com 211H** which will be drilled from a surface hole location in the SE/4 SE/4 (Unit P) of Section 33 to bottom hole locations in the SW/4 SW/4 (Unit M) of Section 32;

In **Case No. 24916**, Magnum Hunter seeks an order: (1) approving a standard 320-acre, more or less, horizontal well spacing unit in the Bone Spring formation underlying the N/2 N/2 of Sections 33 and 32, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted interests in this acreage. Magnum Hunter proposes to dedicate the unit to the following well:

- **Turnpike 33-32 State Com 214H** which will be drilled from a surface hole location in the SE/4 NE/4 (Unit H) of Section 33 to bottom hole locations in the NW/4 NW/4 (Unit D) of Section 32;

The Magnum Hunter BS Cases collectively propose four (4) laydown, or east to west orientation, 320-acre HSUs covering the Bone Spring formation for all of Sections 33 and 32, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico (the “Turnpike BS Units”),

which will be dedicated to the **Turnpike 33-32 State Com 212H-214H** wells (the “Turnpike BS Wells”). Both the Daytona BS Unit and the Turnpike BS Units seek to include Section 32.

Also consolidated with the Daytona BS Cases and Turnpike BS Cases herein are Case Nos. 24760-24763 (the “Bobby Pickard BS Cases”), filed by MRC Permian Co., (“MRC”) which seek to pool the Bone Spring formation underlying all of the eastern-adjacent Sections 28 and 33, Township 18 South, Range 34 East into four (4) separate 320-acre HSUs (the “Bobby Pickard BS Units”). Like Avant’s proposed Daytona BS Unit, the Bobby Pickard BS Units will be drilled and completed on north to south orientation (i.e. stand-up HSUs). The Daytona BS Unit and Bobby Pickard BS Units are directly adjacent to one another, the development plans do not conflict, and together will result in approximately double the amount of pooled and produced Bone Springs acreage.

Thus, both Avant and Magnum Hunter request approval of horizontal spacing units to develop portions of the Bone Spring Formation underlying the same acreage in Section 32. However, in contrast to Avant’s application(s), Magnum Hunter proposes to develop the Bone Spring formation underlying the acreage with only four (4) wells, as opposed to Avant’s eight (8). As a result, Magnum Hunter’s plan will result in waste by failing to effectively and efficiently produce the underlying reserves.

In evaluating competing development plans, the Division considers the following factors:

1. A comparison of geologic evidence presented by each party as it relates to the proposed well location and the potential of each proposed prospect to efficiently recover the oil and gas reserves underlying the property.
2. A comparison of the risk associated with the parties' respective proposal for the exploration and development of the property.
3. A review of the negotiations between the competing parties prior to the applications to force pool to determine if there was a "good faith" effort.
4. A comparison of the ability of each party to prudently operate the property and, thereby, prevent waste.
5. A comparison of the differences in well cost estimates (AFEs) and other operational costs presented by each party for their respective proposals.
6. An evaluation of the mineral interest ownership held by each party at the time the

application is heard.

7. A comparison of the ability of the applicants to timely locate well sites and to operate on the surface (the "surface factor").<sup>1</sup>

These factors weigh in Avant's favor here.

- Geologic Evidence: The First and Third Bone Spring is a proven productive formation in this area as demonstrated by offset production. Avant proposes to fully develop the First and Third Bone Spring formations by drilling four wells into each of the respective benches. Magnum Hunter does not propose any wells in the First or Third Bone Spring and only proposes to drill four wells Second Bone Spring. Magnum Hunter's proposal leaves reserves behind and will result in subsurface waste. In addition, the preferred orientation for wells in this area is north to south, as demonstrated by approximately 95% of all wells drilled in the area post-2016 having followed a similar orientation.
- Risk: Avant's combined development plan proposes to drill all undeveloped benches in the Bone Spring Formation underlying the Daytona BS Unit. Drilling the First and Third Benches simultaneously will minimize surface disturbance and reduce potential subsurface depletion risk. What is more, evidence suggests that wells drilled on a north to south orientation outperform those drilled on an east to west orientation by approximately 52%.
- Good Faith Negotiations: Avant, along with MRC to the east, made multiple attempts to engage in trade discussions with Magnum Hunter and proposed splitting the acreage, allowing all operators an opportunity to develop. The multiple proposals did not progress into meaningful discussion between the parties.
- Prudent Operator and Prevention of Waste: Avant has deployed significant capital, beginning in 2022, planning and permitting this and adjacent units to maximize efficiencies and minimize surface disturbance. Avant has crude, gas, and water gathering contracts in place to ensure all phases of production are on pipe rather than trucking or flaring. More broadly, Avant's management team has extensive experience drilling and operating wells in this area of southeastern New Mexico and Avant is an active driller in this area.
- Cost Estimates: Avant has established midstream contracts and control over its own water gathering system. Avant's takeaway capacity and existing infrastructure reduces operational costs, leading to better economics for all working interest owners.
- Ownership Interest: Approximately 47% of the working interest is committed to or supports the Daytona BS Unit, while Magnum Hunter controls approximately 8% of the working interest.
- Surface Factor: Avant's plan to simultaneously develop the First and Third Bone Spring, in addition to the Wolfcamp (see consolidated Case No. 24633), will greatly minimize surface disturbance. Avant is a proactive member of the CCA/A and has made significant investments in pad, pipeline, and takeaway capacity to prudently develop the Daytona BS Unit, in addition to other adjacent units. In addition, Avant's plan has a drastically lower surface footprint, resulting in approximately 25% of the surface use proposed by Magnum Hunter's development plan.

Because these factors weigh in favor of Avant, and Avant's proposal will best prevent

waste and protect correlative rights, Avant's development plan should be approved.

### **UNDISPUTED MATERIAL FACTS**

1. Avant seeks an order establishing a 1,280-acre, more or less, non-standard horizontal spacing unit comprised of Sections 29 and 32, Township 18 South, Range 34 East, Lea County, New Mexico and pooling all uncommitted interests in the First and Third Bone Spring formation underlying the unit.
2. Avant proposes to drill and complete eight (8) initial wells in the Daytona BS Unit, four (4) wells each in the First and Third Bone Spring intervals.
3. Magnum Hunter seeks an order approving a non-standard 1280-acre, more or less, horizontal well spacing unit in the entire Bone Spring formation underlying Sections 33 and 32, Township 18 South, Range 34 East, Lea County and pooling uncommitted interests in the unit.
4. Magnum Hunter proposes to drill and complete four (4) initial wells in the Turnpike BS Units, limited to the Second Bone Spring.
5. Magnum Hunter's application does not include any wells in the First or Third Bone Spring.
6. The parties agree that a 200% risk charge is appropriate.

### **DISPUTED MATERIAL FACTS AND ISSUES**

The disputed facts and issues involve whether Avant's or Magnum Hunter's proposed development plan will best prevent waste, protect correlative rights, and prevent the drilling of unnecessary wells based on the seven factors discussed above. Specifically, the parties dispute the following:

1. The optimal well orientation – north to south as opposed to east to west – for Bone Spring horizontal wells in this area; and
  2. Which proposal will fully and most efficiently develop the underlying reserves.
-

**PROPOSED EVIDENCE**

In accordance with the Amended Pre-Hearing Order, Avant is filing its direct testimony and exhibits contemporaneously with this Pre-Hearing Statement.

<b>Witness</b>	<b>Occupation</b>	<b>Estimated Time</b>	<b>Exhibits</b>
Sophia Guerra	Senior Landman	60 minutes	Approx. 15
John Harper	Vice President of Geosciences	45 minutes	Approx. 12
Shane Kelly	Vice President of Engineering	45 minutes	Approx. 8

**PROCEDURAL MATTERS**

These cases have been consolidated for hearing. Avant reserves the right to present rebuttal testimony and exhibits at hearing.

Respectfully submitted,

HOLLIDAY ENERGY LAW GROUP, PC

/s/ Benjamin B. Holliday

Benjamin B. Holliday

107 Katherine Court, Suite 100

San Antonio, Texas 78209

Phone: (210) 469-3197

ben@helg.law

*Counsel for Avant Operating, LLC*

---

**CERTIFICATE OF SERVICE**

I hereby certify that the foregoing Pre-Hearing Statement was sent to the following counsel of record on this 30th day of October, 2024.

Michael H. Feldewert      mfeldewert@hollandhart.com  
Adam G. Rankin            agrankin@hollandhart.com  
Paula M. Vance            pmvance@hollandhart.com

*Attorneys for  
Permian Resources Operating, LLC;  
Foran Oil Company;  
MRC Permian Co.*

Elizabeth Ryan            Beth.Ryan@conocophillips.com  
Keri L. Hartley            Keri.Hatley@conocophillips.com

*Attorneys for  
Concho Oil and Gas, LLC  
COG Operating, LLC*

Jennifer L. Bradfute      jennifer@bradfutelaw.com

*Attorney for  
Magnum Hunter Production, Inc.;  
Coterra Energy Inc.;  
Cimarex Energy;  
Cimarex Energy of Colorado*

Deana Bennet            deana.bennett@modrall.com  
Earl Debrine              earl.debrine@modrall.com  
Yarithza Pena            yarithza.pena@modrall.com

*Attorneys for  
Franklin Mountain Energy 3, LLC*

Jordan Kessler            Jordan\_kessler@eogresources.com

*Attorney for  
EOG Resources, Inc*

/s/ Benjamin B. Holliday

**District I**  
 1625 N. French Dr., Hobbs, NM 88240  
 Phone:(575) 393-6161 Fax:(575) 393-0720

**District II**  
 811 S. First St., Artesia, NM 88210  
 Phone:(575) 748-1283 Fax:(575) 748-9720

**District III**  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 Phone:(505) 334-6178 Fax:(505) 334-6170

**District IV**  
 1220 S. St Francis Dr., Santa Fe, NM 87505  
 Phone:(505) 476-3470 Fax:(505) 476-3462

**State of New Mexico**  
**Energy, Minerals and Natural Resources**  
**Oil Conservation Division**  
**1220 S. St Francis Dr.**  
**Santa Fe, NM 87505**

QUESTIONS  
 Action 397090

**QUESTIONS**

Operator: Avant Operating, LLC 1515 Wynkoop Street Denver, CO 80202	OGRID: 330396
	Action Number: 397090
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

**QUESTIONS**

<b>Testimony</b>	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	Not answered.
Testimony time (in minutes)	180