

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

**APPLICATIONS OF AVANT OPERATING II, 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. 25827, 25829, 25831

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

CASE NO. 25832

**AVANT OPERATING II, LLC's
CONSOLIDATED PRE-HEARING STATEMENT**

Avant Operating II, LLC ("AO II") submits this Consolidated Pre-Hearing Statement for the above-referenced cases pursuant to the rules of the Oil Conservation Division.

APPEARANCES

APPLICANT

Avant Operating II, LLC

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STATEMENT OF CASES

In these consolidated cases, AO II seeks orders from the Division (1) approving non-standard units in the Bone Spring and Wolfcamp formations, and (2) pooling all uncommitted interests within the units. The units will be dedicated to AO II’s Spicy Chicken 23-26 Fed Com wells. AO II’s Spicy Chicken Fed Com Development Area covers all of Section 23 and the N/2 of Section 26, Township 20 South, Range 32 East, N.M.P.M., Lea County, New Mexico (the “Spicy Chicken acreage”). AO II’s development plan includes both 1.5-mile laterals, extending from Section 23 into the N/2 of Section 26, as well as 1-mile laterals, only in Section 23.

AO II filed four applications as follows:

In Case No. **25827**, Avant Operating II LLC seeks an order from the Division approving a non-standard 960-acre, more or less, Avalon/First Bone Spring horizontal spacing unit defined as the stratigraphic equivalent of 7,894’ to 9,221’ found on the gamma ray log of the Sam H Snoddy Federal #1 (30-025-27812) and pooling all uncommitted interests in all of Section 23 and the N/2 of Section 26, Township 20 South, Range 32 East, N.M.P.M., Lea County, New Mexico in the Salt Lake; Bone Spring pool (Pool code 53560). This spacing unit will be dedicated to the following wells: **Spicy Chicken 23-26 Fed Com #201H, Spicy Chicken 23-26 Fed Com #301H, Spicy Chicken 23-26 Fed Com #302H** wells with proposed surface hole locations in the NE/4

NW/4 (Unit C) of Section 23, and proposed last take points in the SW/4 NW/4 (Unit E) of Section 26; **Spicy Chicken 23-26 Fed Com #202H, Spicy Chicken 23-26 Fed Com #303H** wells with proposed surface hole locations in the NE/4 NW/4 (Unit C) of Section 23, and proposed last take points in the SE/4 NW/4 (Unit F) of Section 26; **Spicy Chicken 23-26 Fed Com #203H, Spicy Chicken 23-26 Fed Com #204H, Spicy Chicken 23-26 Fed Com #304H** wells with proposed surface hole locations in the NW/4 NE/4 (Unit B) of Section 23, and proposed last take points in the SW/4 NE/4 (Unit G) of Section 26; and **Spicy Chicken 23-26 Fed Com #205H, Spicy Chicken 23-26 Fed Com #305H** wells with proposed surface hole locations in the NW/4 NE/4 (Unit B) of Section 23, and proposed last take points in the SE/4 NE/4 (Unit H) of Section 26. The wells will be drilled at orthodox locations. Applicant also seeks approval of an overlapping spacing unit, to the extent necessary. This proposed Unit will partially overlap the following spacing units: A 40-acre spacing unit dedicated to the Baetz 23 Federal #001 well (API 30-025-26414) located in the NE/SW of Section 23 operated by Fasken Oil & Ranch LTD;¹ and a 640-acre spacing unit comprised of Section 26 dedicated to the Snoddy Federal #20H (30-025-40447); Snoddy Federal #21H (API 30-025-40838), and Snoddy Federal #23H (API 30-025-40837) operated by Cimarex Energy Co. of Colorado. Also to be considered will be the cost of drilling and completing said wells, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Avant Operating II, LLC as operator of the wells, and a 200% charge for the risk involved in drilling said wells. Said area is located approximately 36 miles southwest of Hobbs, New Mexico.

In Case No. **25829**, Avant Operating II LLC seeks an order from the Division approving a non-standard 640-acre, more or less, Second Bone Spring horizontal spacing unit defined as the stratigraphic equivalent of 9,519' to 10,172' found on the gamma ray log of the Sam H Snoddy Federal #1 (30-025-27812) in the Salt Lake; Bone Spring pool (Pool code 53560) and pooling all uncommitted interests in all of Section 23, Township 20 South, Range 32 East, N.M.P.M., Lea County, New Mexico in the Salt Lake; Bone Spring pool (Pool code 53560). This spacing unit will be dedicated to the following wells: **Spicy Chicken 23 Fed Com #501H** well with a proposed surface hole location in the NE/4 NW/4 (Unit C) of Section 23, and a proposed last take point in the SW/4 SW/4 (Unit M) of Section 23; **Spicy Chicken 23 Fed Com #502H and Spicy Chicken 23 Fed Com #503H** wells with proposed surface hole locations in the NE/4 NW/4 (Unit C) of Section 23, and proposed last take points in the SE/4 SW/4 (Unit N) of Section 23; **Spicy Chicken 23 Fed Com #504H** well with a proposed surface hole location in the NW/4 NE/4 (Unit B) of Section 23, and a proposed last take point in the SW/4 SE/4 (Unit O) of Section 23; and **Spicy Chicken 23 Fed Com #505H** well with a proposed surface hole location in the NW/4 NE/4 (Unit B) of Section 23, and a proposed last take point in the SE/4 SE/4 (Unit P) of Section 23. The wells will be drilled at orthodox locations. Applicant also seeks approval of an overlapping spacing unit, to the extent necessary. This proposed Unit will partially overlap a 40-acre spacing unit dedicated to the Baetz 23 Federal #001 well (API 30-025-26414) located in the NE/SW of Section 23 operated by Fasken Oil & Ranch LTD. Also to be considered will be the cost of drilling and completing said wells, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Avant Operating II, LLC as operator of the wells, and a 200% charge for the risk involved in drilling said wells. Said area is located approximately 36 miles southwest of Hobbs, New Mexico.

¹ Shortly after AO II submitted its pooling applications in these cases, operatorship of this well was transferred to AO II.

In Case No. **25831**, Avant Operating II LLC seeks an order from the Division approving a non-standard 960-acre, more or less, Third Bone Spring horizontal spacing unit defined as the stratigraphic equivalent of 10,172' to 10,971' found on the gamma ray log of the Sam H Snoddy Federal #1 (30-025-27812) and pooling all uncommitted interests in all of Section 23 and the N/2 of Section 26, Township 20 South, Range 32 East, N.M.P.M., Lea County, New Mexico in the Salt Lake; Bone Spring pool (Pool code 53560). This spacing unit will be dedicated to the following wells: **Spicy Chicken 23-26 Fed Com #601H** well with a proposed surface hole location in the NE/4 NW/4 (Unit C) of Section 23, and a proposed last take point in the SW/4 NW/4 (Unit E) of Section 26; **Spicy Chicken 23-26 Fed Com #602H** well with a proposed surface hole location in the NE/4 NW/4 (Unit C) of Section 23, and a proposed last take point in the SE/4 NW/4 (Unit F) of Section 26; and **Spicy Chicken 23-26 Fed Com #603H** well with a proposed surface hole location in the NW/4 NE/4 (Unit B) of Section 23, and a proposed last take point in the SE/4 NE/4 (Unit H) of Section 26. The wells will be drilled at orthodox locations. Applicant also seeks approval of an overlapping spacing unit, to the extent necessary. This proposed Unit will partially overlap the following spacing units: A 40-acre spacing unit dedicated to the Baetz 23 Federal #001 well (API 30-025-26414) located in the NE/SW of Section 23 operated by Fasken Oil & Ranch LTD; and a 640-acre spacing unit comprised of Section 26 dedicated to the Snoddy Federal #20H (30-025-40447); Snoddy Federal #21H (API 30-025-40838), and Snoddy Federal #23H (API 30-025-40837) operated by Cimarex Energy Co. of Colorado. Also to be considered will be the cost of drilling and completing said wells, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Avant Operating II, LLC as operator of the wells, and a 200% charge for the risk involved in drilling said wells. Said area is located approximately 36 miles southwest of Hobbs, New Mexico.

In Case No. **25832**,² Avant Operating II LLC seeks an order from the Division approving a non-standard 960-acre, more or less, Wolfcamp horizontal spacing unit and pooling all uncommitted interests in all of Section 23 and the N/2 of Section 26, Township 20 South, Range 32 East, N.M.P.M., Lea County, New Mexico, in the Salt Lake; Wolfcamp pool (Pool code 53570). This spacing unit will be dedicated to the following wells: **Spicy Chicken 23-26 Fed Com #751H, Spicy Chicken 23-26 Fed Com #801H** wells with proposed surface hole locations in the NE/4 NW/4 (Unit C) of Section 23, and proposed last take points in the SW/4 NW/4 (Unit E) of Section 26; **Spicy Chicken 23-26 Fed Com #701H, Spicy Chicken 23-26 Fed Com #752H, Spicy Chicken 23-26 Fed Com #802H** wells with proposed surface hole locations in the NE/4 NW/4 (Unit C) of Section 23, and proposed last take points in the SE/4 NW/4 (Unit F) of Section 26; **Spicy Chicken 23-26 Fed Com #702H, Spicy Chicken 23-26 Fed Com #753H, Spicy Chicken 23-26 Fed Com #803H** wells with a proposed surface hole location in the NW/4 NE/4 (Unit B) of Section 23, and a proposed last take points in the SW/4 NE/4 (Unit G) of Section 26; and **Spicy Chicken 23-26 Fed Com #754H, Spicy Chicken 23-26 Fed Com #804H** wells with proposed surface hole locations in the NE/4 NE/4 (Unit B) of Section 23, and proposed last take points in the SE/4 NE/4 (Unit H) of Section 26. The wells will be drilled at orthodox locations. Also to be considered will be the cost of drilling and completing said wells, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Avant Operating II,

² On April 14, 2026, AO II filed a motion to dismiss the Spicy Chicken 23-26 Fed Com 800 series wells from Case No. 25832.

LLC as operator of the wells, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 36 miles southwest of Hobbs, New Mexico.

Permian Resources Operating, LLC (“Permian”) filed competing pooling applications under case numbers 25833-25845 that overlap AO II’s Spicy Chicken Development Area. In its applications, Permian’s development plan contemplates both 1.5 mile laterals, extending from Section 23 into the N/2 of Section 26, as well as u-turn wells, which are proposed only in Section 23. In other words, both AO II and Permian have applied for certain units that include Section 23 and the N/2 of Section 26 and other units that include only Section 23.

AO II should be granted operatorship of the Spicy Chicken acreage because AO II has the majority working interest control in the Spicy Chicken acreage overall, as well as in Section 23. Specifically, with respect to the competing cases that cover only Section 23, AO II has 93.07% working interest control, whereas Permian has 1.74%. With respect to the remaining competing cases, AO II has 62.88% working interest control whereas Permian only has 32.99% working interest.

The issue to be resolved at the contested hearing in these matters is who should be designated operator of the acreage and units at issue. The factors the Division evaluates when analyzing competing applications weigh in favor of granting AO II’s applications. *See* Commission Order R-21416-A. Those factors are:

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 was heard.
7. A comparison of the ability of the applicants to timely locate well sites and to operate on the surface (the "surface factor").

See Order R-21416-A, ¶ 9.

The Division has held that, in the absence of other compelling factors, “working interest control...should be the controlling factor in awarding operations.” See Order R-10731-B, ¶ 24 (8/31/21). Here, working interest control strongly favors AO II and, as AO II will demonstrate at hearing, the other factors the Division considers also weigh in favor of AO II’s development plan and against Permian’s.

With respect to working interest control, this factor weighs heavily in AO II’s favor in all aspects. First, with respect to the competing applications involving Section 23 (AO II Case No. 25831 and Permian Case Nos. 25836 and 25837), **AO II has 93.07% working interest control** and owns 80.28% of the working interest, whereas Permian has 1.74%. Second, with respect to the remaining competing 1.5-mile lateral cases, AO II controls **62.88%** of the working interests and owns 53.52%, whereas Permian only has 32.99%.

The Division’s other factors also weigh in AO II’s favor. AO II will also demonstrate at the contested hearing in these matters that AO II’s development plan is superior to Permian’s development plan. For example, AO II’s applications include more wells and target additional benches that Permian’s applications do not include. AO II also has planned third-party take-away and will demonstrate its readiness to develop the Spicy Chicken acreage, including that it has conducted an on-site with BLM, and has submitted APDs to BLM. AO II is active in this area, with its Triple Stamp and Thai Curry units adjacent to the Spicy Chicken acreage. Thus, AO II’s development plan will best prevent waste and protect correlative rights. As a result, AO II’s applications should be granted and Permian’s denied.

AO II believes that the following facts are undisputed and are material to the issue presented in these consolidated cases:

1. AO II has higher working interest and higher working interest control than Permian across the Spicy Chicken acreage.
2. In the Section 23 only competing cases, AO II owns 80.28% of the working interest and has 93.07% working interest control.
3. In the 1.5-mile lateral competing cases, AO II has 53.52% working interest and 62.88% working interest control.
4. AO II's applications include more wells than Permian's and target additional benches.
5. The preferred orientation for wells is standup due to the maximum horizontal stress direction in this area.
6. There are no faults, pinch outs or other geologic impediments to developing the Bone Spring formations.

The testimony and evidence at the hearing will address disputed facts and issues relating to the Division's evaluation of competing applications.

PROPOSED EVIDENCE

APPLICANT:

WITNESS	ESTIMATED TIME	EXHIBITS
Landman: Tiffany Sarantinos	Approx. 45 minutes	Approx. 25
Geologist: John Harper	Approx. 25 minutes	Approx. 15
Reservoir Engineer: Shane Kelly	Approx. 30 minutes	Approx. 5

PROCEDURAL ISSUES

Pursuant to the Pre-Hearing Order entered in these matters, AO II has filed self-affirmed statements containing the direct testimony for each witness, the exhibits discussed in those affidavits, and the hearing notice affidavits and exhibits. AO II reserves the rights to call rebuttal witnesses or submit rebuttal exhibits.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS
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By: /s/ Deana M. Bennett

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on counsel of Record by electronic mail on April 15, 2026:

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State of New Mexico
Energy, Minerals and Natural Resources
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QUESTIONS

Action 575537

QUESTIONS

Operator: Avant Operating II, LLC 1515 Wynkoop Street Denver, CO 80202	OGRID: 332947
	Action Number: 575537
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	3
Testimony time (in minutes)	<i>Not answered.</i>