

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
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 NOS. 25827, 25829,
25831**

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

CASE NO. 25832

**APPLICATIONS OF PERMIAN RESOURCES
OPERATING, LLC FOR COMPULSORY POOLING
AND APPROVAL OF OVERLAPPING
SPACING UNIT, LEA COUNTY, NEW MEXICO.**

CASE NOS. 25833-25834

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

CASE NOS. 25835-25845

CONSOLIDATED PRE-HEARING STATEMENT

Permian Resources Operating, LLC (“Permian Resources”) submits its Consolidated Pre-Hearing Statement in accordance with the Pre-Hearing Order issued by the New Mexico Oil Conservation Division (“Division”) on January 23, 2026.

APPLICANT

Permian Resources Operating, LLC

ATTORNEYS

Dana S. Hardy
Jaclyn McLean
Yarithza Peña
Hardy McLean LLC
125 Lincoln Ave., Suite 223
Santa Fe, NM 87501
505-230-4410
dhardy@hardymclean.com
jmclean@hardymclean.com
ypena@hardymclean.com

OPPONENT

Avant Operating II, LLC

ATTORNEYS

Deana M. Bennett
Earl E. DeBrine, Jr.
Modrall, Sperling, Roehl, Harris & Sisk,
P.A.
Post Office Box 2168
500 Fourth Street NW, Suite 1000
Albuquerque, NM 87103-2168
(505) 848-1800
deana.bennett@modrall.com
earl.debrine@modrall.com

INTERESTED PARTY

WR Non-Op LLC

ATTORNEY

Kaitlyn Luck
P.O. Box 483
Taos, NM 87571
(361) 648-1973
kaitlyn.luck@outlook.com

STATEMENT OF THE CASES

These matters involve competing development plans proposed by Permian Resources and Avant Operating II, LLC (“Avant”). Although both parties propose to develop the Bone Spring and Wolfcamp formations underlying 960-acres in Sections 23 and the N/2 of Section 26, Township 20 South, Range 32 East, Lea County, Permian Resources proposes to fully develop the acreage while Avant does not. Permian Resources proposes 12 one and a half mile wells, and two one-mile u-turn wells, and will subsequently test additional Bone Spring and Wolfcamp formation targets with infill wells. In contrast, Avant proposes to drill 18 Bone Spring and 6 Wolfcamp one and a half mile laterals but only seeks to pool the First and Third Bone Spring Intervals in Section 26, leaving the Second Bone Spring Interval undeveloped. In addition, Permian Resources has successfully developed surrounding acreage and has a significant advantage with respect to surface operations, and its reservoir engineering analysis demonstrates its plan will best develop the underlying reserves. As discussed below and as demonstrated by Permian Resources’ evidence,

Permian Resources' applications will best prevent waste and protect correlative rights and should be approved.

As a result of depth severances, Permian Resources seeks to separately pool each interval of the Bone Spring Formation. For the First Bone Spring interval, Permian Resources seeks to pool interests from the top of the Bone Spring formation to the base of the First Bone Spring interval, at approximately 9,444' TVD, as shown on the Hanson State #1 well log (API 30-025-2499). For the Second Bone Spring interval, Permian Resources seeks to pool interests from approximately 9,444' TVD to 9,930' TVD, as shown on the Hanson State #1 well log (API 30-025-2499). Lastly, for the Third Bone Spring interval, Permian Resources seeks to pool interests from the top of the Third Bone Spring interval, at approximately 9,930' TVD, as shown on the Hanson State #1 well log (API 30-025-2499) to the base of the Bone Spring formation.

In Case Nos. 25838, 25841, and 25844, Permian Resources seeks to pool all uncommitted interests in the First Bone Spring interval of the Bone Spring formation underlying all of Section 23 and the N/2 of Section 26, Township 20 South, Range 32 East, Lea County, New Mexico. These three spacing units will be dedicated to the **Spicy Chicken 23 Fed Com 11H**, **Spicy Chicken 23 Fed Com 112H**, **Spicy Chicken 23 Fed Com 113H**, and **Spicy Chicken 23 Fed Com 114H** wells (collectively referred to as the "Spicy Chicken First Bone Spring Wells"). The completed intervals of the Spicy Chicken First Bone Spring Wells will be orthodox.

The completed interval of the Spicy Chicken 23 Fed Com 114H well (Case No. 25841) will be located within 330' of the quarter-quarter section line separating the E/2 E/2 and W/2 E/2 of Sections 23 and 26 to allow for the creation of a 480-acre standard, horizontal spacing unit.

In Case Nos. 25833, 25834, 25836, and 25837, Permian Resources seeks to pool all uncommitted interests in the Second Bone Spring interval of the Bone Spring formation underlying all of Section 23 and the N/2 of Section 26, Township 20 South, Range 32 East, Lea County, New

Mexico. These four spacing units will be dedicated to the **Spicy Chicken 23 Fed Com 143H** and **Spicy Chicken 23 Fed Com 141H** horizontal wells, and the **Spicy Chicken 23 Fed Com 123H** and **Spicy Chicken 23 Fed Com 121H** u-turn wells (collectively referred to as the “Spicy Chicken Second Bone Spring Wells”). The completed intervals of the Spicy Chicken Second Bone Spring Wells will be orthodox.

The completed interval of the Spicy Chicken 23 Fed Com 143H well (Case No. 25833) will be located within 330’ of the quarter-quarter section line separating the E/2 E/2 and W/2 E/2 of Sections 23 and 26 to allow for the creation of a 480-acre standard, horizontal spacing unit. The spacing unit for the Spicy Chicken 23 Fed Com 143H will partially overlap with the spacing unit for the following wells, which are located in the E/2 E/2 of Section 26, Township 20 South, Range 32 East, and produce from the Salt Lake; Bone Spring pool (Code 53560): (1) Snoddy Federal #020H (API No. 30-025-40447); and (2) Snoddy Federal #021H (API No. 30-025-40838).

The completed interval of the Spicy Chicken 23 Fed Com 141H well (Case No. 25834) will be located within 330’ of the quarter-quarter section line separating the W/2 W/2 and E/2 W/2 of Sections 23 and 26 to allow for the creation of a 480-acre standard, horizontal spacing unit. The spacing unit for the Spicy Chicken 23 Fed Com 141H will partially overlap with the spacing unit for the Snoddy Federal #023H (API No. 30-025-40837), which produces from the Salt Lake; Bone Spring pool (Code 53560).

In Case Nos. 25842, 25843, and 25845, Permian Resources seeks to pool all uncommitted interests in the Third Bone Spring interval of the Bone Spring formation underlying all of Section 23 and the N/2 of Section 26, Township 20 South, Range 32 East, Lea County, New Mexico. These three spacing units will be dedicated to the **Spicy Chicken 23 Fed Com 133H**, **Spicy Chicken 23 Fed Com 131H**, and **Spicy Chicken Fed Com 132H** wells (collectively referred to as the “Spicy

Chicken Third Bone Spring Wells”). The completed intervals of the Spicy Chicken Third Bone Spring Wells will be orthodox.

The completed interval of the Spicy Chicken 23 Fed Com 133H well (Case No. 25842) will be located within 330’ of the quarter-quarter section line separating the E/2 E/2 and W/2 E/2 of Sections 23 and 26 to allow for the creation of a 480-acre standard, horizontal spacing unit.

In Case Nos. 25835, 25839, and 25840, Permian Resources seeks to pool all uncommitted interests in the Wolfcamp formation underlying all of Section 23 and the N/2 of Section 26, Township 20 South, Range 32 East, Lea County, New Mexico. These three spacing units will be dedicated to the **Spicy Chicken 23 Fed Com 201H**, **Spicy Chicken 23 Fed Com 203H**, and **Spicy Chicken 23 Fed Com 204H** wells (collectively referred to as “Spicy Chicken Wolfcamp Wells”). The completed intervals of the Spicy Chicken Wolfcamp Wells will be orthodox. Permian Resources intends to file administratively for approval of non-standard spacing units for the Spicy Chicken 23 Fed Com 203H and Spicy Chicken 23 Fed Com 204H wells.

Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs, the designation of Permian Resources as the operator of the Spicy Chicken Unit, and a 200% charge for the risk involved in drilling and completing the wells.

Permian Resources’ applications will best prevent surface, environmental, and economic waste, and prevent the drilling of unnecessary wells. 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").¹

These factors weigh in Permian Resources' favor here.

Geologic Evidence: The Second Bone Spring Shale is a proven productive interval in this area as demonstrated by Permian Resources' surrounding spacing units. Permian Resources proposes to fully develop the Bone Spring formation by drilling wells in the Avalon, First Bone Spring Interval, Second Bone Spring Shale, Second Bone Spring Sand, and Third Bone Spring Sand. Avant does not propose any wells in the Second Bone Spring in the N/2 of Section 26. Further, Avant's overly dense well spacing at its targeted intervals, particularly the Avalon, will result in well degradation due to the rock properties in this area.

Risk: Permian Resources has recently and successfully developed the First, Second, and Third Bone Spring intervals of the Bone Spring Formation, as well as the Wolfcamp formation, in the section adjacent to the Spicy Chicken Unit. Permian Resources operates two production handling facilities in the section adjacent to the Spicy Chicken Unit and operates a total of seven production handling facilities within a 5-mile radius of the Spicy Chicken Unit, while Avant does not own or operate any facilities in the township of the subject lands and does not own or operate any facilities near the Spicy Chicken Unit.

The Avalon in this area is expected to produce significant H₂S, and Permian Resources has experience, knowledge, and technology to reduce and/or remove these chemical compounds in a

¹ See, e.g., Order No. R-20223.

cost-effective manner, to achieve pipeline specifications set by the midstream companies in the area. Further, the Avalon development proposed by Avant poses a significant risk because of the unproven nature of the reserves in this formation. Permian Resources does not plan to drill Avalon wells as initial wells and has not included them in its Application, so that it may better evaluate the interval.

Permian Resources is already well underway with the regulatory process to develop the federal acreage at issue. Permian Resources has obtained NEPA approval and conducted its on-site with the Bureau of Land Management (“BLM”) in August 2023, and submitted Applications for Permits to Drill (“APDs”) to the BLM. Permian Resources expects that the APDs will be approved within the next 60 to 90 days. Thus, Permian Resources’ proposal involves less risk because it is a proven and successful operator in this area, is familiar with the associated geologic, engineering, and surface issues, and is prepared to proceed.

Good Faith Negotiations: Permian Resources has negotiated in good faith with Avant and made multiple attempts to engage in trade discussions.

Prudent Operator and Prevention of Waste: Permian Resources has successful Bone Spring and Wolfcamp wells in the adjacent section, and its proposal will capture 24% more reserves than Avant’s proposal in primary benches. Permian Resources has extensive experience drilling and operating wells in New Mexico, including 19 actively producing wells in the section directly offsetting the Spicy Chicken Unit. Permian Resources’ proposed development plan will also create much greater value across the Bone Spring and Wolfcamp due to reduced capital expenditures and optimal well design, such as the inclusion of U-Turn wells.

Cost Estimates: Permian Resources’ estimated costs are based on its well-established budgeting process, and confidence in its AFEs is bolstered by Permian Resources’ success in developing numerous spacing units in close proximity to the Spicy Chicken Unit, including in the

adjacent section. Further, Permian Resources' utilization of existing infrastructure will decrease development costs.

Ownership Interest: There is minimal difference in ownership interest between Permian Resources and Avant. See *Longfellow Energy LP*, Order No. R-21834 (finding that the difference in working interest control between the two parties was not significant, with the gap only being around 7 to 12 percent). Thus, operatorship should be awarded based on the other factors discussed herein.

Surface Factor: Permian Resources has significant development within a 5-mile radius of the Spicy Chicken Unit, while Avant does not. Permian Resources has existing gas, oil, and water takeaway, demonstrating development readiness. Permian Resources has had its on-site with the BLM, which has approved the locations of Permian Resources' well pads. Avant does not have existing modern infrastructure in this area.

Because these factors weigh in favor of Permian Resources, Permian Resources' proposal will best prevent waste and protect correlative rights and should be approved.

PROPOSED EVIDENCE

In accordance with the Pre-Hearing Order, Permian Resources is filing its direct testimony and exhibits contemporaneously with this Pre-Hearing Statement and will call the following witnesses to testify at the hearing.

<u>Witness</u>	<u>Occupation</u>	<u>Estimated Time</u>	<u>Exhibits</u>
Mark Hajdik	Landman	45 minutes	Approx. 12
Chris Cantin	Geologist	45 minutes	Approx. 20
Hank Higginson	Reservoir Engineer	45 minutes	Approx. 12
Davro Clements	Facilities Engineer	45 minutes	Approx. 10

PROCEDURAL MATTERS

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

Respectfully submitted,

/s/ Jaclyn M. McLean

HARDY MCLEAN LLC

Dana S. Hardy

Jaclyn M. McLean

Yarithza Peña

125 Lincoln Ave., Suite 223

Santa Fe, NM 87501

505-230-4410

dhardy@hardymclean.com

jmclean@hardymclean.com

ATTORNEYS FOR PERMIAN
RESOURCES OPERATING, LLC

CERTIFICATE OF SERVICE

I hereby certify that the foregoing Pre-Hearing Statement was sent to the following counsel of record on this 15th day of April, 2026.

Deana M. Bennett
Earl E. DeBrine, Jr.
Post Office Box 2168
500 Fourth Street NW, Suite 1000
Albuquerque, New Mexico 87103-2168
Telephone: 505.848.1800
deana.bennett@modrall.com
earl.debrine@modrall.com
Attorneys for Cimarex Energy Co.

Kaitlyn Luck
P.O. Box 483
Taos, NM 87571
(361) 648-1973
kaitlyn.luck@outlook.com
Attorney for WR Non-Op LLC

/s/ Jaclyn M. McLean
Jaclyn M. McLean

Sante Fe Main Office
Phone: (505) 476-3441

General Information
Phone: (505) 629-6116

Online Phone Directory
<https://www.emnrd.nm.gov/ocd/contact-us>

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

QUESTIONS

Action 575459

QUESTIONS

Operator: Permian Resources Operating, LLC 300 N. Marienfeld St Ste 1000 Midland, TX 79701	OGRID: 372165
	Action Number: 575459
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

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