

**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. 24633

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

CASE NO. 24756-24759

CONSOLIDATED PRE-HEARING STATEMENT

Avant Operating, LLC (“Avant”) submits its Consolidated Pre-Hearing Statement in accordance with the Third 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
Albu querque, 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 Wolfcamp formation underlying Section 32, Township 18 South, Range 34 East, Lea County, New Mexico.

In **Case No. 24633** (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 WC Unit”); and (2) pooling all uncommitted interests in the Wolfcamp formation underlying the unit. The unit will be dedicated to the following initial wells (“Daytona WC Wells”):

- **Daytona 29 Fed Com #006H**, which will be drilled from a surface hole location in the NE/4 NW/4 (Unit C) of Section 29 to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 32;
- **Daytona 29 Fed Com #007H**, which will be drilled from a surface hole location in the NE/4 NW/4 (Unit C) of Section 29 to a bottom hole location in the SE/4 SW/4 (Unit N) of Section 32;
- **Daytona 29 Fed Com #008H**, which will be drilled from a surface hole location in the NE/4 NE/4 (Unit A) of Section 29 to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 32;
- **Daytona 29 Fed Com #009H**, which will be drilled from a surface hole location in the NE/4 NE/4 (Unit A) of Section 29 to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 32;

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 WC 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.

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 Production, Inc. (“Magnum Hunter”) has filed Case Nos. 24756-24759 (collectively the “Magnum Hunter Cases”), all of which have been consolidated for purposes of this hearing. In **Case No. 24756**, Magnum Hunter seeks an order: (1) approving a standard 320-acre, more or less, horizontal well spacing unit in the Wolfcamp formation underlying the S/2 S/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 701H**, which will be drilled from a surface hole location in the SE/4 SE/4 (Unit P) of Section 33 to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 32;

In **Case No. 24757**, Magnum Hunter seeks an order: (1) approving a standard 320-acre, more or less, horizontal well spacing unit in the Wolfcamp formation underlying the N/2 S/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 702H**, which will be drilled from a surface hole location in the SE/4 SE/4 (Unit P) of Section 33 to a bottom hole location in the NW/4 SW/4 (Unit L) of Section 32;

In **Case No. 24758**, Magnum Hunter seeks an order: (1) approving a standard 320-acre, more or less, horizontal well spacing unit in the Wolfcamp 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 703H**, which will be drilled from a surface hole location in the SE/4 NE/4 (Unit H) of Section 33 to a bottom hole location in the SW/4 NW/4 (Unit E) of Section 32;

In **Case No. 24759**, Magnum Hunter seeks an order: (1) approving a standard 320-acre, more or less, horizontal well spacing unit in the Wolfcamp formation underlying the N/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 704H**, which will be drilled from a surface hole location in the SE/4 NE/4 (Unit H) of Section 33 to a bottom hole location in the NW/4 NW/4 (Unit D) of Section 32;

The Magnum Hunter Cases collectively propose four (4) laydown, or east to west orientation, 320-acre HSUs in the Wolfcamp formation covering all of Sections 33 and 32, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico (the “Turnpike WC Units”), which will be dedicated to the **Turnpike 33-32 State Com 701H-704H** wells (the “Turnpike WC Wells”). Both the Daytona WC Unit and the Turnpike WC Units seeks to include Section 32.

Also consolidated with the Daytona and Turnpike cases herein are Case Nos. 24764-24767 (the “Bobby Pickard WC Cases”), filed by MRC Permian Co., (“MRC”) which seek to pool the Wolfcamp formation underlying Sections 28 and 33, Township 18 South, Range 34 East into four (4) separate 320-acre HSUs (the “Bobby Pickard WC Units”). Like Avant’s proposed Daytona WC Unit, the Bobby Pickard WC Units will be drilled and completed on north to south orientation (i.e. stand-up HSUs). The Daytona WC Unit and Bobby Pickard WC Units are adjacent to one another, the development plans do not conflict, and together will result in approximately double the amount of pooled and produced Wolfcamp acreage.

Thus, both Avant and Magnum Hunter request approval of horizontal spacing units to develop portions of the Wolfcamp Formation underlying the same acreage in Section 32. However, in contrast to Avant’s application(s), Magnum Hunter proposes to develop the Wolfcamp formation underlying the acreage on an east to west orientation. 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").¹

These factors weigh in Avant's favor here.

- Geologic Evidence: 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 and Wolfcamp Formation underlying the Daytona WC Unit. Drilling the all benches and formations 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 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 46% of the working interest is committed to or supports the Daytona WC Unit, while Magnum Hunter controls approximately 14% of the working interest.
- Surface Factor: Avant's plan to simultaneously develop the First and Third Wolfcamp, in addition to the Wolfcamp, 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 in order to prudently develop the Daytona WC 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, Avant's proposal will best prevent waste and protect correlative rights and 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 Wolfcamp formation underlying the unit.
2. Avant proposes to drill and complete four (4) initial wells in the Daytona WC Unit.
3. Magnum Hunter seeks an order approving a non-standard 1280-acre, more or less, horizontal well spacing unit in the Wolfcamp 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 WC Unit.
5. 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 Wolfcamp 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.

| Witness | Occupation | Estimated Time | Exhibits |
|----------------|-------------------------------|-----------------------|-----------------|
| 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 397096

QUESTIONS

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| Operator: Avant Operating, LLC 1515 Wynkoop Street Denver, CO 80202 | OGRID: 330396 |
| | Action Number: 397096 |
| | Action Type: [HEAR] Prehearing Statement (PREHEARING) |

QUESTIONS

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| Testimony | |
| <i>Please assist us by provide the following information about your testimony.</i> | |
| Number of witnesses | 3 |
| Testimony time (in minutes) | 180 |