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

APPLICATION OF PRIDE ENERGY COMPANY FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO

Case No. 22853

APPLICATION OF CIMAREX ENERGY CO. FOR A HORIZONTAL SPACING UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO

Case No. 23295

Order No. R-23132

COTERRA ENERGY OPERATING CO.'S UPDATED CLOSING STATEMENT IN SUPPORT OF ITS DEVELOPMENT PLAN FOR THE WOLFBONE POOL

Coterra Energy Operating Co. ("Coterra"), pursuant to its change of name from Cimarex Energy Co. to Coterra,[1] and through its undersigned attorneys, submits its "Updated Closing Statement in Support of its Development Plan for the Wolfbone Pool." In support of its position that its development plan is the superior plan for developing the Wolfbone Pool , Cimarex provides the following:

I. Relevant Background and Procedural History.

1. The pooling applications filed by Coterra and Pride Energy Company ("Pride") in the above-referenced cases compete for development of the same lands, the W/2 W/2 of Sections 12 and 13, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico ("Subject Lands"). Coterra's application, filed on December 15, 2022, represents a plan that advocates drilling the Bone Spring formation, including the First and Second Bone Spring formations, and the Third Bone Spring within the Wolfbone Pool, thus developing the Wolfbone Pool and the entire Bone Spring, while Pride's application filed on May 3, 2022, a plan that advocates drilling the Upper Wolfcamp formation and developing only the Wolfbone Pool.

[1] Cimarex Energy Co. has changed its name to Coterra Energy Co., by Certificate of Amendment with the Secretary of the State of Delaware.

2. Coterra recognized that the Third Bone Spring and Upper Wolfcamp formations together constituted a single reservoir. At the contested hearing, Coterra raised this issue and geological fact as the basis for locating the well in the basal Third Bone Spring formation because, as Coterra demonstrated during the contested hearing, the Third Bone Spring formation is the primary contributor to production of single reservoir and common source of supply that includes both the Third Bone Spring and Upper Wolfcamp formations. *See* Exhibit B, ¶¶ 10-15, Cimarex Hearing Packet; *see also* Cimarex Energy Co.'s Closing Statement in Support of its Development Plan for the Third Bone Spring Formation ("Coterra's Original Closing Statement"), dated August 7, 2023, ¶¶ 5-13; Exhibit C, ¶ 4, Cimarex Hearing Packet.

3. After the hearing, the Division agreed that the Third Bone Spring and the Upper Wolfcamp formations constituted a single reservoir and common source of supply in its Order No. R-23132 and denied the applications of both applicants but invited the parties to submit an application for the creation of a Wolfbone Pool which would encompass both the Third Bone Spring and the Upper Wolfcamp formations as a single reservoir. In response, on or about September 17, 2024, Coterra and Pride submitted a joint application for the creation of a Wolfbone Pool underlying the Subject Lands. *See* Joint Amended Application for a Special Pool.

4. The challenge of developing the Wolfbone Pool is that it contains a depth severance located between the base of the Third Bone Spring formation and the top of the Upper Wolfcamp formation that creates nonuniform ownership across the depth severance. For example, Pride owns 25% working interest ("WI") in the Upper Wolfcamp but owns no interest in Third Bone Spring. *See* Landman Exhibits, Attachments B, pp. 10-11, Pride's Hearing Packet, Pt. 1. With open communication between the formations, Pride's Upper Wolfcamp well, given its location of only 100' from the base of the Third Bone Spring, would produce primarily from the Third Bone Spring formation in which it owns no WI. *See* Exhibit B, ¶¶ 10-15, Cimarex Hearing Packet. On the other hand, Coterra owns 50%

WI in the Third Bone Spring and 25% WI in Upper Wolfcamp formations. Coterra's proposed Third Bone Spring wells drilled into the Wolfbone would produce primarily from the Third Bone Spring formation but would also produce Pride's Wolfcamp interest. The Division confirmed that sharing between the formations would occur in its finding that both parties "acknowledged that wells completed in the Bone Spring and Wolfcamp formations will share production from both the Bone Spring and Wolfcamp formations." Order No. R-23132, ¶ 9. Thus, when Coterra and Pride submitted their joint application for the creation of the Wolfbone Pool in order to redefine and reconfigure the Bone Spring and Wolfcamp Pools, both parties expressed the legal necessity of using an allocation formula to account for the proper distribution of production from the Third Bone Spring and Wolfcamp formations encompassed within the Wolfbone Pool. *See* GoState/Showbiz Cases Transcript ("Tr.") (Cases 24721, 24736, dated 8-22-2024) 43: 10-25; 44: 1-25.

5. Pursuant to the Division's direction to exclude the allocation formula from the Wolfbone application, Coterra and Pride agreed to include the allocation formula in updated pooling applications and updated closing statements. *See id.* (the OCD directing the parties to place the allocation formula in the pooling applications and not in the joint application for the new pool).

6. On August 8, 2025, Coterra submitted its updated pooling applications. One updated application Coterra submitted is for its Showbiz 301H Well, located in the Wolfbone Pool. This updated pooling application includes Coterra's allocation formula that will best protect correlative rights, provide other updated application from Coterra is for its Showbiz 101H and 201H Wells located in the Bone Spring Pool (encompassing the First and Second Bone Spring formations) above and adjacent to the Wolfbone Pool. Thus, with its two updated pooling applications, Coterra's plan will develop the Wolfbone Pool and the remaining First and Second Bone Spring formations. In comparison, Pride with its one well located in the Upper Wolfcamp of the Wolfbone Pool will only develop the Wolfbone Pool and leave the First and Second Bone Spring formations undeveloped.

II. Coterra's Allocation Formula Provides Protection of Correlative Rights and the Prevention of the Illegal Taking of Hydrocarbons.

7. In its Original Closing Statement for the contested cases, Coterra had cited to a Brief it provided the Division for an overview of the legal issues that should be considered when addressing the original pooling applications. *See* Coterra's Original Closing Statement, ¶ 14, referencing Coterra's Brief Providing the Basis for Evaluating a Single Reservoir Situated in the Third Sand of the Bone Spring Formation in an Area that Lacks a Baffle Separating it from the Underlying Wolfcamp Formation ("Brief").[2] In this Brief, Coterra discussed the legal distinction between "drainage" and "production" should the Division wish to consider one potential ("Option I") described in the Brief, pp. 10-14, and Coterra discussed the need for an allocation formula in the Brief, pp. 15-19, should the Division consider the other option ("Option II"). In Order No. R- 23132, the Division rejected the approach provided by Option I, determining that drainage constituted, and therefore was not distinct from, production in its ruling that production, not drainage, would be shared between the Bone Spring and Wolfcamp formations. *See* Order No. R-23132, ¶ 9. Therefore, the Division should consider the only other option which requires the use of an allocation formula to account for the depth severance within the Wolfbone Pool in order to protect correlative rights and prevent the unlawful taking of hydrocarbons. *See* Coterra's Brief, pp. 15-19; *see also* Unopposed Motion Requesting Leave to Submit an Allocation Formula and Requesting Review of the Legal Necessity to Utilize an Allocation Formula When Producing the Wolfbone Pool to Protect Correlative Rights and Prevent the Unconstitutional Taking of Hydrocarbons Where There is Both Open Communication and Nonuniform Ownership Across a Depth Severance Within the Wolfbone Pool ("Allocation Motion"), dated July 29, 2025, ¶¶

[2] Coterra has made extensive good-faith efforts to provide pleadings and briefings that fully inform and assist the Division with the legal issues involved in the development of a single reservoir comprised of the Third Bone Spring and Upper Wolfcamp formations when encountering non-uniform ownership across a depth severance.

20-21. Accordingly, counsel for both Coterra and Pride conclude that use of an allocation formula is necessary as a matter of law in order to properly produce the Wolfbone Pool underlying the Subject Lands because it contains a depth severance that creates non-uniform ownership between the Third Bone and Upper Wolfcamp formations.

8. In its geological assessment of the Subject Lands, Coterra determined that the Third Bone Spring formation is the predominate contributor of hydrocarbons in the production of the Wolfbone. *See* Exhibit B, ¶¶ 10-15, Cimarex Hearing Packet. The predominance of hydrocarbons in the Third Bone Spring over the Upper Wolfcamp is consistent across the vicinity of related lands surrounding the Subject Lands ("Subject Area"), which explains why operators in this area have historically targeted the Third Bone Spring over the Wolfcamp. See Exhibit C, P 4, and Exhibit C-1, Cimarex Hearing Packet (showing that the overwhelming number of developments in the Subject Area targets the Third Bone Spring); *see also* Order No. R-23089, ¶ 6 (the OCD finding that lands in the Subject Area, just 5 miles to the southwest of the Subject Lands, have the same type of single reservoir comprised of the Third Bone and Upper Wolfcamp where the reservoir is "located predominately in the Third Bone Spring Sand.")

9. Therefore, Coterra respectfully submits that the allocation formula that would best protect correlative rights and prevent the unlawful taking of hydrocarbons would be the formula that accounts for the difference in the contribution of hydrocarbons from each formation. Based on her assessment of the geology using a PhiH factor, Coterra's geologist finds that the Third Bone Spring contributes approximately 66.4% of production from the Wolfbone Pool and the Upper Wolfcamp contributes approximately 33.6% of production from the Pool. *See* Exhibit B-5, Cimarex Hearing Packet. PhiH is a factor based on the porosity of the formation per vertical distance. Thus, the Third Bone Spring, with a higher PhiH factor of 18.3, is more porous than the Upper Wolfcamp, with a lower PhiH factor of 9.33; therefore, an operator would reasonably expect the Third Bone Spring formation

to contain and therefore contribute more hydrocarbons to the total amount of oil and gas produced from the Wolfbone Pool, and this additional contribution should be accounted for and distributed properly in order to protect correlative rights.

10. Therefore, to arrive at a formula that best allocates production to the owners in the Wolfbone Unit, one should use the formula previously used by the Oil Conservation Commissions ("OCC" or "Commission") in *Rutters & Wilbanks Corp. v. OCC,* 1975-NMSC-006, ¶ 27, 532 P.2d 582, 588, in which each owner in the Third Bone Spring formation within the spacing unit would receive a percentage of ownership in the Third Bone Spring as the owner's acreage bears to the acreage of the whole unit; and each owner in the Upper Wolfcamp formation within the spacing unit would receive a percentage of ownership in the Upper Wolfcamp as the owner's acreage bears to the acreage of the whole unit. In the present cases, these percentages would be further proportioned to reflect the contribution that formation provides to the Wolfbone Pool, so that the percentage owned by a party in the Third Bone Spring would be multiplied by 66.4% (the PhiH percentage for the Third Bone Spring) to determine the amount of Wolfbone production that should be allocated to the Third Bone Spring owner, and the percentage owned by a party in the Upper Wolfcamp would be multiplied by 33.6% (the PhiH percentage for the Upper Wolfcamp) to determine the amount of Wolfbone production that should be allocated to the Upper Wolfcamp.

11. Coterra submits that, although PhiH factor may not provide a perfectly precise calibration, using the PhiH factor is the only reasonable and logical means available to account for the predominance of the Third Bone Spring's contribution to the production from the Wolfbone. *See* Rutter, 1975-NMSC-006, ¶ 27 (the allocation formula used by the OCD needs only to be reasonable and logical and not the most complete or accurate method to be a valid formula for protecting correlative rights).

12. However, if the Division should find the use of the PhiH factor in an allocation formula

to be overly complicated, the Division could use an allocation formula that takes out the porosity component and use only the productive vertical extent of each formation. Under this alternative allocation formula, one would use the formula from the *Rutter* case to calculate the percentage owned by an owner in the Third Bone Spring formation and the percentage owned by an owner in the Upper Wolfcamp formation, as described above in Paragraph 10 above. Then, after obtaining the percentage an owner owns in the Third Bone Spring and Upper Wolfcamp, instead using the PhiH percentages of 66.4% for the Third Bone Spring and 33.6% for the Upper Wolfcamp, one would use the ratio of the productive vertical extent of the Third Bone Spring formation in the Wolfbone in relation to the productive vertical extent the Upper Wolfcamp formation in the Wolfbone. For the Wolfbone Pool underlying the Subject Lands, the productive vertical extent of the two formations are basically the same in height once the nonporous and nonproductive sections, such as the carbonite layers are excluded; therefore, under this alternative allocation formula using the productive vertical extent of the two formations as the metric, it would be reasonable to assume a 50/50 split of the production between the Third Bone Spring owners and Upper Wolfcamp owners, such that the percentage of ownership of the Third Bone Spring owner would be multiplied by 50% to arrive at the amount of Wolfbone production to allocate to the Third Bone Spring owner, and the percentage of ownership of the Upper Wolfcamp owner would also be multiplied by 50%.

13. The Division may find the allocation formula based on the 50/50 split simpler because the productive vertical extent of formations is a metric that can easily be determined. However, there will be a degree of inaccuracy in the 50/50 allocation formula because it does not account for the Third Bone Spring's predominance in and greater contribution to the Wolfbone Pool within the Subject Area.

14. Thus, there are advantages and disadvantages with either allocation formula, the one based on PhiH and the one based on a 50/50 split derived from the vertical extent. Coterra leaves it to the discretion and wisdom of the Division to choose which allocation formula to apply to the Wolfbone

Pool underlying the Subject Lands for the protection correlative rights and to prevent the unlawful taking of hydrocarbons.[3]

III. As the Only Applicant that Owns WI in both the Third Bone Spring and Upper Wolfcamp formations of the Wolfbone Pool as well as the Only Applicant Owning WI in the First and Second Spring formations of the remaining Bone Spring Pool above the Wolfbone Pool, Coterra Is Best Positioned to Fully Develop the Subject Lands and Prevent Waste.

15. Cimarex's Reservoir Engineer, Mark McCoy, provides the Division with a very clear picture of how the unique geology of the area determines which formations operators will target and focus on in the Subject Lands and Subject Area. *See* Cimarex's Exhibit C-1 for a graphic illustration that shows how the unique geology results in an overwhelming incidence of Third Bone Spring development in the Subject Lands and Subject Area compared to the paucity and lack of development in the Upper Wolfcamp formation. The contrast is both undeniable and dispositive, as Cimarex's Reservoir Engineer explains:

> The 3rd Bone Spring is an established, successful target near the Subject Lands, having been executed 222 times. Coterra/Cimarex had a large hand in this, drilling 35 3rd Bone Spring wells near the Subject Lands since 2020. Figure 1 in Exhibit C-1 is a visual demonstration of the prevalence of the 3rd Bone Spring as a target near the Subject Lands. It is obvious from the number of times this zone has been drilled that it is highly prolific. The Wolfcamp is a largely untested zone with moderate to poor results near the Subject Lands, having been executed only 22 times, or 10% as frequent as the 3rd Bone Spring.

Cimarex's Exhibit C, ¶ 4.

16. Coterra's production data substantiates the need to target the prolific Third Bone Spring

[3] The Division should be aware that in the *Rutter* case, the Commission, given the unique nature of the geology, had to use an allocation formula that varied to a certain degree from conventional application of the surface-acre language in NMSA 1978 § 70-2-17.C, and the New Mexico Supreme Court upheld this variation in the allocation formula because it was reasonable and logical and the only means to protect correlative rights under the Oil and Gas Act. *See Rutter,* 1975-NMSC-006, ¶¶ 12 and 27. In the Subject Lands of the present case, the Division is again encountering unique geology circumstances that requires a modified application of the surface-acre language in § 70-2-17.C. Because there is a depth severance that creates nonuniform ownership between the Third Bone Spring and Upper Wolfcamp, the surface tracts for the two formations will have different acreages and therefore a modified version of allocation, based on the approved formula in Rutters, will need to be incorporated and utilized. The *Rutter's* formula forms the basis of the allocation in the Wolfbone Pool whether the PhiH approach is utilized or whether the 50/50 approach is utilized. Both approaches require a modified application of the surface-acreage language.

formation within the Wolfbone Pool over the less productive Upper Wolfcamp formation. *See* Cimarex's Exhibit C-2 demonstrating that the best flow properties and majority of reserves of the Wolfbone are located within its Third Sand; *see also* Cimarex's Exhibit C-3 showing that in wells near the Subject Lands with similar completions, the Third Sand formation strongly outperforms the Wolfcamp. In contrast, Pride has failed to provide production data supporting its claim that the Upper Wolfcamp is the better development option. To put this data in perspective, Cimarex's plan has seized upon the superior productivity of the Third Sand to drill 35 successful Third Bone Spring units in the Subject Area and affirms that its plan for the Third Bone Spring as proposed in the Subject Lands will be just as successful. *See* Exhibit C, ¶ 4, Cimarex's Hearing Packet. A survey of offset units that Pride has drilled and developed in Section 13 of the Subject Lands reflects Cimarex's assessment that the overwhelming number (90%) of wells in the Subject Area are drilled in the Bone Spring formation, and a small minority of wells (10%) are drilled in the Wolfcamp. *See id.* Pride has drilled six offset wells, and all the wells target the Bone Spring, with two of the wells specifically targeting the 3rd Bone Spring. *See* Exhibit A, ¶ 11, Cimarex's Hearing Packet. None of Pride's offset wells target the Wolfcamp formation. *See* Tr. 111: 1-13. Thus, Coterra respectfully submits that in the present case, Pride is only targeting the Upper Wolfcamp formation – not because it would result in the optimal development of the Wolfbone Pool – but because it was the only formation at the time of the hearing in which Pride owned WI.

17. This data showing the productivity of the Third Bone Spring interval when it is the primary target within the Wolfbone Pool is consistent with and confirmed by Coterra's geological assessment of the Third Bone Spring when compared to the Upper Wolfcamp within the Wolfbone Pool: "The primary target that should be developed in the Subject Lands is the 3rd Bone Spring, not the Upper Wolfcamp with the goal of capturing 3rd Bone Spring Sand reserves. Attempting to develop the Wolfcamp as Pride is wanting to do results in the inefficient development of both the Wolfcamp and

the Bone Spring. Targeting the Wolfcamp Sands adds an unnecessary risk to capturing the Bone Spring reservoir from a drilling and geosteering perspective. The basal 3rd Bone Spring Sand lobe has consistent shale markers bounding both the top and base of the ~40ft drilling window; however, the Upper Wolfcamp stratigraphy gets complex in a proximal setting, with shale markers varying per section (see Exhibit B-8) and no clear Gamma-Ray correlation while drilling, which can cause the well to gout of zone." Geologist Statement, Exhibit C, ¶ 15, Cimarex's Hearing Packet; *see also* Exhibit 8, Cimarex's Hearing Packet.

18. Thus, Coterra's Geologist concludes, based on her full assessment of the Bone Spring and Wolfcamp formations within the Wolfbone Pool coupled with the lack of frac baffles and vertical distance of only 100' between Coterra's and Pride's targets, that Coterra "has proposed the superior development plan which captures most hydrocarbons within the combined 3rd Sand and Upper Wolfcamp reservoir, while Pride's well would undermine correlative rights and produce mostly from the 3rd Sand Reservoir." *See* Exhibit C, ¶14, Cimarex's Hearing Packet.

19. Because it owns substantial amounts of WI in both the Bone Spring formations, including the First, Second and Third Bone Spring Formations, and the Upper Wolfcamp formation, Coterra is able to present a development plan that will prevent waste by developing not only the Wolfcamp Pool but also the remaining First and Second Bone Spring formations. At the hearing, Coterra showed that it owned 50% WI in the Bone Spring formations and 25% WI in the Upper Wolfcamp formation. *See* Exhibit A-2 and Revised Exhibit A-2, Cimarex's Hearing Packet. In contrast, Pride only owns 25% WI in the Upper Wolfcamp and owns no interest in the First, Second and Third Bone Spring formations. Therefore, Pride can only develop the Wolfbone Pool with its minority interest and does this by targeting the Upper Wolfcamp formation which Coterra, as well as the history of development in this area by many operators, including Pride, has demonstrated to be a substandard target that would undermine optimal production of the Wolfbone reservoir.

IV. The Seven Factors Considered by the Division for Granting Operatorship Strongly Favors Coterra for Operatorship.[4]

20. Coterra had conducted extensive research in order to help the Division fully understand and classify the nature of the geology underlying the Subject Lands for proper development. *See, e.g.,* Paragraph 7, above, discussing Coterra's Brief on the unique geology; *see also* Exhibit B, Cimarex's Hearing Packet (Coterra's geologist explaining the open communication and lack of baffling between the Third Bone Spring and Upper Wolfcamp). In comparison, Pride's written geological testimony submitted as Exhibit 3 in Part I of Pride's Hearing Packet fails to mention the overriding characteristic of the Third Bone Spring and Upper Wolfcamp, that being the lack of baffling and therefore the open communication between the two formations that constitute a single reservoir. The First Factor the Division considers when awarding operatorship is a comparison of the geological 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. Coterra was the sole party in the contested hearing to recognize and forthrightly address the true geological characteristics at issue, underscoring that the distinctive geology and permeable interconnectivity of the formations are critical factors that must be accounted for in the production of a reservoir. Pride did not address the nature of the geology underlying the Subject Lands in its direct testimony but only acknowledged the lack of baffling and open communication when questioned on cross-examination, downplaying the evidence that the Third Bone Spring is the more prolific formation in the reservoir. *See* Tr. (July 20, 2025) 141: 13-25; 142: 1-25; 143: 1-8. Thus, Coterra respectfully asks the Division to acknowledge and credit Coterra's effort to provide an accurate analysis and assessment of the underlying geology that will provide for the proper development of the Third Bone and Upper Wolfcamp formations as a single Wolfbone reservoir.

[4] *See e.g.,* Order Nos. R-21834, R-20223 and R-21416 for listings of the seven factors.

21. Since it owned WI in both the Third Bone Spring (50%) and the Upper Wolfcamp (25%) formations, Coterra had the right to target and drill either the Third Bone Spring or the Upper Wolfcamp. Coterra chose to target the Third Bone Spring based on its geological and engineering analysis which showed that locating the wells in basal Third Bone Spring would fully develop the single reservoir. In contrast, Pride chose to target the Upper Wolfcamp not based on any geological or engineering evidence of the two formations but because it only owned WI in the Upper Wolfcamp formation prior to the creation of the Wolfbone Pool and not in the Third Bone Spring. Pride, prior to the creation of the Wolfbone Pool, only had the right to drill the Wolfcamp formation. Thus, Pride's plan appears to have been proposed based not on decisions regarding the best location of its wells for optimal production but based on the fact that its ownership and drilling rights limited Pride to drill the Upper Wolfcamp formation at the time of the hearing and not the Third Bone Spring formation. Consequently, Coterra is the only party who evaluated and assessed the geology of both the Third Bone Spring and Upper Wolfcamp in order locate wells for optimal production. Therefore, Coterra should prevail on the first factor through its understanding and utilization of the underlying geology that allows it to locate its wells in the horizon within the Wolfbone Pool that will promote optimal production.

22. The Second Factor (a comparison of the risk associated with the parties' respective proposal for the exploration and development of the property) also favors Coterra. Because it owns in all of the Bone Spring formation (First, Second, and Third Bone Spring) as well as in the Wolfcamp formation, Coterra is in a position to fully develop the Wolfbone Pool and develop all the remaining portions of the upper Bone Spring formations. Pride on the other hand only owns in the Wolfcamp formation and therefore can only develop Wolfbone Pool and not the First and Second Bone Spring, which would remain undeveloped under Pride's plan. In addition to its Showbiz 301H Well for producing the Wolfbone Pool, Coterra has also proposed the Showbiz 101H Well for development of

the First Bone Spring and the Showbiz 201H Well for development of the Second Bone Spring. If granted operatorship, Coterra would be able to develop the prolific Third Bone Spring formation and the Upper Wolfcamp in its development of the Wolfbone Pool, and by receiving the economic benefit of the Wolfbone's development, would also be able to develop the First and Second Bone Spring formations for additional production.

23. The Third Factor remains neutral because both parties negotiated in good faith.

24. The Fourth Factor -- a comparison of the ability of each party to prudently operate the property and thereby prevent waste -- favors Coterra. As described above, Coterra has the right and ability to develop and operate both the Wolfbone Pool and the upper Bone Spring formations. Furthermore, Coterra has been a pioneer and major player in the development of lands and units in the surrounding area of the subject lands with a long track record of prudent operatorship of the area that includes Subject Lands.[5] As a result, Coterra will bring its years of experience as a prudent operator and leader in the development of the Subject Area to the development and operation of the Subject Lands.

25. The Fifth Factor is the comparison on well cost estimates (AFEs) and operational costs: The AFEs between the two plans for the cost of a well differ by approximately 12.5%, with Cimarex just slightly higher but by an amount that is negligible given that these are initial estimations subject to market changes;[6] Cimarex is drilling three wells to optimally produce both the Wolfbone Pool and the vertical extent of the upper Bone Spring so its plan is more expensive, while Pride is drilling only one well in the Wolfbone Pool.

26. The Sixth Factor is the comparison of mineral ownership: As shown at the original hearing, Coterra, with 50% of the working interest in the Bone Spring, is the majority working interest

[5] *See* Cimarex's Exhibit C, ¶ 4.
[6] *See* Cimarex's Exhibit A-2 and Pride's Attachment D.

owner in Third Bone Spring formation. *See* Exhibit A-2, Cimarex's Hearing Packet. Furthermore, Coterra owns 25% of the working interest in the Wolfcamp, which is the same amount of working interest that Pride owns in the Wolfcamp formation. *See id.; see also* Attachment B, Pride's Hearing Packet. Thus, Coterra owns in all Bone Spring formations, First, Second and Third, while Pride owns zero interest in the Bone Spring formation, and would not be able to develop the First or Second Bone Spring formations under its proposed plan. Pride would only be able to develop and produce the Wolfbone Pool, with its minority 25% WI in the Upper Wolfcamp formation.

27. Furthermore, Pride only owns 8.4% WI in the Wolfbone Pool underlying the Subject Land when accounting for total Wolfbone Production pursuant to the Phi-H based allocation formula, and when applying the 50/50 allocation formula Pride only owns 12.5% WI in the Wolfbone Pool.

28. In comparison, Coterra, which owns 50% WI in the Third Bone Spring and 25% WI in the Upper Wolfcamp owns, 41.6% WI in the Wolfbone Pool based on the Phi-H based allocation formula and under the 50/50 allocation formula owns 37.5% WI in the Wolfbone Pool.

29. Finally, the Seventh Factor is the comparison of the ability to timely locate wells sites and to operate on the surface: Coterra having drilled 35 wells in the 3rd Bone Spring within the Subject Area demonstrates that it has the data and experience in the Subject Area to timely locate well sites and operate the surface of the Subject Lands.[7]

V. Conclusion:

For the reasons stated above, Coterra respectfully asks the Division to approve Coterra's application and development plan in Case No. 23295 and deny Pride's application and development plan in Case No. 22853.

Respectfully Submitted,

[7] *See* Cimarex's Exhibit C, ¶ 4.

ABADIE & SCHILL, P.C.

/s/ Darin C. Savage

Darin C. Savage

Andrew D. Schill
William E. Zimsky
214 McKenzie Street
Santa Fe, New Mexico 87501
Telephone: 970.385.4401
Facsimile: 970.385.4901
darin@abadieschill.com
andrew@abadieschill.com
bill@abadieschill.com

Attorneys for Coterra Energy Operating Co.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was filed with the New Mexico Oil Conservation Division and was served on counsel of record via electronic mail on August 8, 2025:

James Bruce – jamesbruc@aol.com
Attorney for Pride Energy Company

Elizabeth Ryan - beth.ryan@conocophillips.com
Keri Hatley – keri.hatley@conocophillips.com
Attorneys for ConocoPhillips Company, COG Operating LLC, Concho Oil & Gas, LLC, and Marathon Oil Permian LLC

Deana M. Bennett – deana.bennett@modrall.com
Yarithza Pena – yarithza.pena@modrall.com
Earl DeBrine – earl.debrine@modrall.com
Attorneys for Chevron U.S.A. Inc.

/s/ Darin C. Savage
Darin C. Savage