

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION FOR
THE PURPOSE OF CONSIDERING:**

ORDER NO. R-24080

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

CASE NOS. 23448-23455

**APPLICATIONS OF CIMAREX ENERGY CO.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

CASE NOS. 23594-23601

**APPLICATIONS OF READ & STEVENS, INC.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

CASE NOS. 23508-23523

**APPLICATION OF READ & STEVENS, INC.
FOR THE CREATION OF A
SPECIAL WOLFBONE POOL IN
SECTIONS 4, 5, 8 AND 9, TOWNSHIP 20
SOUTH, RANGE 34 EAST, NMPM, LEA
COUNTY, NEW MEXICO**

CASE NO. 24528

**APPLICATION OF CIMAREX ENERGY CO.
FOR THE CREATION OF A SPECIAL POOL, A
WOLFBONE POOL, PURSUANT TO ORDER NO.
R-23089 AND TO REOPEN NOS. 23448-23455,
23594-23601, AND 23508-23532, LEA COUNTY
NEW MEXICO**

CASE NO. 24541

**OCD ORDER NO. R-23089
OCD ORDER NO. R-23089-A**

OCC CASE NO. 25371

**ORDER GRANTING PERMIAN'S (READ & STEVENS) APPLICATIONS &
DENYING COTERRA'S (CIMAREX) APPLICATIONS**

COMES NOW, the New Mexico Oil Conservation Commission ("Commission") and
issues this ORDER in the adjudicatory hearing in the above-cited case numbers. Pursuant to

NMSA 1978, Section 70-2-13 and 19.15.4 NMAC, the hearing occurred on September 18-19, 2025. Pursuant to 19.15.4.24 NMAC, the Commission, upon reviewing the legal arguments, hearing testimony and exhibits, issues the following ORDER containing its statement of reasons:

Procedural History:

1. This matter was previously heard by a New Mexico Oil Conservation Division (“OCD”) Hearing Examiner from August 9, 2023, through August 11, 2023.
2. This matter involves competing compulsorily pooling applications with overlapping horizontal spacing units filed by Coterra (formerly Cimarex Energy Co.) and Permian Resources (formerly Read & Stevens, Inc.) involving the Third Bone Spring formation (“Bone Spring”) and Upper Wolfcamp formation (“Wolfcamp” which includes “Wolfcamp A” and “Wolfcamp XY”).
3. On April 8, 2024, the OCD, after considering the testimony, evidence, and recommendation of the Hearing and Technical Examiners, issued Order R-23089.
4. This Order stated: “OCD hereby denies both applications except insofar as either applicant or both applicants chose to propose a special pool, a Wolfbone pool, that would account for the lack of frac baffles between the Bone Spring and Upper Wolfcamp formations in this area.” Order R-23089, para 21. (Combining Wolfcamp and Bone Spring and formations.)
5. Coterra and Permian jointly filed a request for a special Wolfbone pool (Coterra under Case 24541; Permian under Case 24528).
6. On April 1, 2025, the OCD, after considering the testimony, evidence and recommendation of the Hearing and Technical Examiners, issued Order R-23751. This Order granted the joint request for a Wolfbone pool.

7. On April 1, 2025, the OCD, after considering the testimony, evidence and recommendation of the Hearing and Technical Examiners, also issued Order R-23089-A. Order R-23089-A (“OCD Order”) took up the issue of whether Coterra or Permian should be operator of the Wolfbone pool.
8. “[E]ach seeks to be named operator of its proposed wells and spacing units.” Order R-23089-A, para. 2.
9. The subject lands are: “Township 20 South, Range 34 East, N.M.PM. Section 4: Lots 1, 2, 3, 4 S/2N/2, S/2 (a/k/a All); Section 5: Lots 1, 2, 3, 4, S/2N/2, S/2 (a/k/a All); Section 8: All; Section 9: All.” Order R-23089-A, para. 3. Both parties divided the Subject Lands into two sections: Coterra’s naming nomenclature: “Mighty Pheasant” and “Loosey Goosey,” and Permian’s naming nomenclature: “Joker” and “Bane.”
10. “[Permian] submitted sixteen (16) applications under case numbers 23508 to 23523, each of which is to compulsorily pool the uncommitted oil and gas interests in” the subject lands. Order R-23089-A, para. 3.
11. “[Coterra] submitted sixteen (16) applications under case numbers 23448 to 23466 and 23594 to 23601 to compulsorily pool the uncommitted oil and gas interests in” the subject lands. Order R-23089-A, para. 4.
12. The OCD Order stated: “The Oil Conservation Commission (“Commission”) and OCD have developed several factors that they ‘may consider’ in evaluating competing compulsory pooling applications which are listed as follows:
 - a. 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.

- b. A comparison of the risk associated with the parties' respective proposal for the exploration and development of the property.
 - c. 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.
 - d. A comparison of the ability of each party to prudently operate the property and, thereby, prevent waste.
 - e. A comparison of the differences in well cost estimates ([Authorization for Expenditures]) and other operational costs presented by each party for their respective proposals.
 - f. An evaluation of the mineral interest held by each party at the time the application was heard.
 - g. A comparison of the ability of the applicants to timely locate well sites and to operate on the surface (the surface factor)." Order R-23089-A, para. 12.
13. The OCD Order, after reviewing and weighing each of the seven criteria, granted Permian's applications and denied Coterra's applications. Order R-23089-A, para. 59, 60.
14. The OCD Order concluded: "OCD finds [Permian's] proposal will result in a higher recovery of hydrocarbons and will produce the Wolfcamp portion of the Wolfbone which will prevent waste and protect the correlative rights of the interest owners who own interest in the Wolfcamp portion." Order R-23089-A, para. 44.
15. On April 17, 2025, Coterra filed an application for *de novo* hearing of Order R-23089-A.

16. On September 14, 2025, both parties agreed, in a pre-hearing stipulation, that the evidence from the record below from Order R-23089, Order R-23089-A and Order R-23751 was to be admitted into the record.
17. On September 14, 2025, both parties agreed, in a pre-hearing stipulation, that there was a depth severance resulting in nonuniform ownership between the base of the Third Bone Spring and top of the Upper Wolfcamp formation.
18. On September 18-19, 2025, the Commission held a *de novo* hearing in this matter with written exhibits, testimony and legal argument.

Evaluation of Competing Applications to Operate the Wolfbone Pool:

19. Based on the written exhibits, testimony and legal arguments presented to the Commission for its September 18-19, 2025 *de novo* hearing, the Commission made the following determinations regarding each of the seven criteria for evaluating competing compulsory pooling applications:

Criterion a--Geological evidence:

20. Order R-23089-A (OCD Order) concluded: "OCD finds that both the Applicants are attempting to develop the Subject Lands as part of a larger development plan and neither party found any faulting, pinch outs, or other geologic impediments that would impede production. OCD further finds that [Permian] has taken additional steps in securing knowledge of the geology of the Subject Lands." Order R-23089-A, para. 20.
21. At the COMMISSION hearing, there was no new evidence of substantive nature that altered the analysis of this criterion.
22. The evidence supports a determination that both parties are equal in the GEOLOGIC EVIDENCE criteria.

Criterion b--Risk and Development:

23. The OCD Order summarized Permian's position as follows: "[Permian's] Reservoir Engineer testified that co-development of the Wolfbone (Third Bond Spring Sand and the Wolfcamp A) is necessary to recover incremental reserves...that would otherwise risk being left unproduced if the acreage was only developed with wells in the Third Bone Spring Sand portion of the Wolfbone. Testimony further included that undeveloped reserves would harm correlative rights of owners who own a greater share of interest in the Wolfcamp or own only interest in the Wolfcamp." Order R-23089-A, para. 21.
24. The OCD Order summarized Coterra's position as follows: Coterra's development plan is different than Permian's development plan because Permian plans to have wells for the Wolfcamp, but Coterra believes these added wells would "produce negligible additional reserves." Order R-23089-A, para. 22.
25. The OCD Order concluded: "OCD finds [Permian's] proposal will result in a higher recovery of hydrocarbons and will produce the Wolfcamp portion of the Wolfbone which will prevent waste and protect the correlative rights of the interest owners who own interest in the Wolfcamp portion." Order R-23089-A, para. 23.
26. At the Commission hearing, Permian's Reservoir Engineer, Mr. David Sonka, testified that Permian's plan to recover reserves in the Wolfcamp XY area is supported by the data showing the adjacent Matador "XY well was best well in pattern, recovering significant additional resource over 6+ year producing life." Permian Exhibit F-8.
27. Mr. Sonka testified that there was a successful test of Bone Spring and XY co-development and Wolfcamp XY "performed in-line with [Bone Spring], driving significant, incremental value and resource recovery." Permian Exhibits F-10 to -14.

28. Mr. Sonka's testimony rebutted Coterra's argument that there were only "negligible additional reserves" in the Wolfcamp and Mr. Sonka's testimony demonstrated that Permian's proposed number of wells was consistent with and a logical outgrowth of successful adjacent oil projects. Permian Exhibits F-10 to -16.
29. Mr. Sonka testified Permian's plan would result in 39 million barrels of oil equivalent ("MMBOE") recovered; in contrast, Coterra's plan would likely recover only 22 MMBOE. Permian Exhibit F-2.
30. Mr. Sonka testified Permian's plan would result in \$641 million in value creation, compared to \$372 million under Coterra's Plan. Permian Exhibit F-2.
31. Mr. Sonka testified that Permian's plan would result in \$165 million in value creation to Bone Spring owners (as compared to \$120 million under Coterra's plan). Permian Exhibit F-2.
32. Mr. Sonka testified that Permian's plan would result in \$152 million in value creation to Wolfcamp owners (as compared to \$45 million under Coterra's plan). Permian Exhibit F-2.
33. Mr. Sonka testified that Permian's plan would result in \$187 million in severance and *ad valorem* taxes to the government (as compared to \$106 million under Coterra's plan). Permian Exhibit F-2.
34. Permian's testimony corroborated the OCD Order's finding that Permian's plan "is necessary to recover incremental reserves...that would otherwise risk being left unproduced." Order R-23089-A, para. 21.

35. Permian's testimony corroborated the OCD Order's finding that Permian's "proposal will result in a higher recovery of hydrocarbons and will produce the Wolfcamp portion of the Wolfbone which will prevent waste...." Order R-23089-A, para. 44.

36. The Commission finds that based on the evidence presented in this case, the RISK AND DEVELOPMENT criteria strongly favors awarding operatorship to Permian.

Criterion c--Negotiations:

37. The OCD Order concluded: "OCD finds that each Applicant made effort to negotiate with each party in the Subject Lands as each party gained support from various interest owners." Order R-23089-A, para. 25.

38. Under this criterion, the Commission favors operators who make good faith efforts to seek consensus, and to reach an allocation that strives to be fair to all interest holders.

39. The Commission finds that a proposed allocation formula in the case of a pool across a depth severance may be evidence of good faith negotiations and good faith attempts to reach common understanding of fairness with other interest owners in the pool.

40. On balance, the record is unclear whether the NEGOTIATIONS factor favors either party in this case.

Criterion d--Prudence of Operator:

41. The OCD Order concluded: "OCD finds that both Applicants are active operators in the Permian Basin and both Applicants are taking prudent steps to minimize surface and environmental impact." Order R-23089-A, para. 28.

42. At the COMMISSION hearing, there was no new evidence of substantive nature that altered the calculation of this criterion.

43. The evidence supports a determination that both parties are equal in the PRUDENT OF OPERATOR criteria.

Criterion e--Comparison of Cost:

44. The OCD Order summarized as follows: “[Coterra’s] applications have an associated total cost of just over \$283 million, with each individual well’s cost ranging from \$9.7 million to \$10.6 million.” Order R-23089-A, para. 31.

45. The OCD Order summarized that Permian proposed 48 wells and “[Permian’s] applications have an associated total cost of just over \$539 million....” Order R-23089-A, para. 32.

46. Coterra in its pre-hearing statement asserted that OCD disregarded and ignored the difference in the cost portion. Coterra claimed that: “[t]he Division found the difference in total development cost between the plans—\$256 million—was irrelevant to the question of operatorship.” Coterra’s Consolidated Prehearing Statement, pp. 4-5. Coterra also asserted that “the Division has contravened [its] obligation by disregarding and ignoring economic waste as a factor to be considered.” *Id.* at p. 23.

47. The OCD Order states that: “[Coterra’s] total development cost is lower than [Permian’s] total development cost. However, under Order-10731-B, differences in cost estimates ‘are not significant factors in awarding operations and have only minor significance in evaluating an operator’s ability to prudently operate the property.” Order R-23089-A, para. 33. (emphasis added)

48. Finding a criterion to have “minor significance” is not the same as finding it to be “irrelevant.” The OCD Order did not disregard or ignore this criterion; the order merely assigned this criterion less weight.

49. As to the difference in costs, Coterra originally proposed 20 wells to the OCD Hearing Officer. Permian Exhibit F-1.

50. Coterra then proposed 24 wells. Permian Exhibit F-2.

51. At the Commission hearing, Coterra's witness testified that it has further increased its proposed number of wells to "thirty wells in total." Weinkauff, 9/18/25, Transcript P. 102: 6.

52. While Coterra's proposed costs remain lower than Permian's proposed costs, this increase in Coterra's number of proposed wells has significantly increased Coterra's proposed costs from what it presented to the OCD Hearing Officer. These changes have greatly shrunk the cost difference between the two proposals from what was presented to the OCD Hearing Officer.

53. At the Commission hearing, Mr. Sonka testified that Permian's extra wells generated more MMBOE, revenue and taxes. Permian Exhibit F-2.

54. Mr. Sonka testified about the purpose and effectiveness of the spacing and location of the extra wells to create the additive impact. Permian Exhibit F-2.

55. Mr. Sonka rebutted Coterra's argument that extra wells would not generate additional revenues. Permian Exhibits F-20 to -24.

56. The Commission finds that Permian's higher costs do not constitute economic waste because the evidence shows that the increased costs will likely result in significant increased recovery of hydrocarbons. Nevertheless Coterra's costs remain slightly lower.

57. Therefore, The Commission finds that the evidence presented in this hearing supports a determination that the COMPARISON OF COST criteria slightly favors awarding operatorship to Coterra.

Criterion f--Working Interest:

58. The OCD Order summarized: “The ownership interest in the Bone Spring and Wolfcamp formations underlying the Subject Lands are not uniform. There is a difference in the percentage of ownership between the formations and in some circumstances are different between the formations.” Order R-23089-A, para. 34.
59. The OCD Order stated that: (a) Permian and its working interest support was 34.18% in the Bone Spring and 39.48% in the Wolfcamp, and (b) Coterra and its working interest support was 50.23% in the Bone Spring and 41.8% in the Wolfcamp. Order R-23089-A, para. 36.
60. The OCD Order concluded: “OCD finds the differences between Cimarex’s and Read’s working interest control are not very significant and that makes it difficult to use working interest control as the deciding factor in this case.” Order R-23089-A, para. 37.
61. However, at the Commission hearing, Mr. Hajdik testified that working interest support has shifted significantly towards Permian since the OCD Order was issued. Permian Exhibits C-14 to C-18.
62. Permian and working interest support has now grown to as high as 74% in the Bone Spring and as high as 80% in the Wolfcamp. Permian Exhibit C-11, p. 176.
63. “Several sizable owners have executed a JOA naming Permian Resources as the Operator or issued letters of support throughout the intervening years ... including working interest owners who previously supported Coterra, such as Zorro and Javalina.” Permian Exhibit C-11, p. 189.

64. The overwhelming percentage of working interest that is now in support of Permian's development plan demonstrate that these entities reject Coterra's allegation that Permian's plan will constitute "waste" of their capital.

65. Based on the evidence presented at the Commission hearing, the Commission finds that the WORKING INTEREST criterion now strongly favors awarding operatorship to Permian.

Criterion g--Surface Factor:

66. The OCD Order stated that Coterra's development plan consisted of 33.9 acres of surface disturbance and Permian's development plan consisted of 30.9 acres of surface disturbance. Order R-23089-A, para. 39-40. The OCD Order concluded: "OCD finds both Cimarex and Read have taken steps with the BLM to obtain approval to operate the Subject Lands." Order R-23089-A, para. 43.

67. At the COMMISSION hearing, there was no new evidence of substantive nature that altered the calculation of this criterion.

68. Based on the evidence presented at the Commission hearing, the Commission finds that the SURFACE FACTOR criterion very slightly favors awarding operatorship to Permian.

The Seven Factor Analysis Favors Permian

69. Based on the analysis above, (a) the Geological Evidence analysis results in a tie, (b) the Risk and Development analysis strongly favors Permian, (c) the Negotiations analysis does not clearly favor either party, (d) the Prudence analysis results in a tie, (e) the Comparison of Costs slightly favors Coterra, (f) the Working Interest analysis strongly favors Permian, and (g) the Surface Factor analysis slightly favors Permian. Therefore,

the Commission finds that on balance, the evidence presented favor Permian's applications to operate the Wolfbone Pool.

Allocation of Revenue Among Interest Owners:

70. The Commission is "empowered, and it is its duty, ... to protect correlative rights, as in this act provided." NMSA 1978, Section 70-2-11.

71. It is uncontested that: (1) the Wolfbone Pool consists of the base of the Third Bone Spring formation and the top of the Upper Wolfcamp formation; (2) due to a depth severance, there is nonuniform ownership between the base of the Third Bone Spring and top of the Upper Wolfcamp formation; and, (3) the "common source of supply [is] located predominantly in the Third Bone Spring Sand." Order R-23089, para. 6.

72. Permian proposed allocating revenue from the Wolfbone Pool based on the express language of NMSA 1978, Section 70-2-17(C): "[P]roduction shall be allocated to the respective tracts within the unit in the proportion that the number of surface acres included within each tract bears to the number of surface acres included in the entire unit."

73. Coterra argued that Permian's proposed allocation of revenue for the interest owners was not "equitable" nor "fair" to the correlative rights of the owners in the Bone Spring. Coterra argued Permian's allocation formula was so disproportionate as to constitute a "taking" because the "common source of supply [within the Wolfbone Pool is] located predominantly in the Third Bone Spring Sand." Order R-23089, para. 6.

74. Coterra cited to NMSA 1978, Section 70-2-17(A): "The rules, regulations or orders of the division shall, so far as it is practicable to do so, afford to the owner of each property in a pool the opportunity to produce his just and equitable share of the oil or gas, or both, in

the pool, being an amount, so far as can be practically determined, and so far as such can be practicably obtained without waste, substantially in the proportion that the quantity of the recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for this purpose to use his just and equitable share of the reservoir energy.” NMSA 1978, Section 70-2-17(A) (emphasis added).

75. Coterra asserted that since the supply was “predominantly” in the Bone Springs formation, it would be more just and equitable for the owners of the Bone Spring formation to “predominantly” receive the revenue.
76. Coterra’s geologist expert, Ms. Staci Frey, testified that Coterra’s proposed allocation formula was a percentage split of 70% to the Bone Spring owners collectively and 30% to the Wolfcamp owners collectively.
77. Ms. Frey testified that Coterra estimated the relative amount of the recoverable resource that exist between the Bone Spring and Wolfcamp formations using three different methods:
- a. Method #1 – $\Phi \cdot H$ (multiplying the porosity of each formation by its thickness); this method would estimate the Bone Spring formation to hold 73% of the resource and the Wolfcamp to hold 27% of the resource. Coterra Exhibit B-11.
 - b. Method #2 – Resistivity / Neutron (calculated based on resistivity and neutron density log cut offs); this method would estimate the Bone Spring formation to hold 79% of the resource and the Wolfcamp to hold 21% of the resource. Coterra Exhibit B-12.
 - c. Method #3— $S_o \cdot \Phi \cdot H$ original (multiplying saturation of oil by the porosity and thickness of the formation); there was a dispute of fact as to the results of this

method. One potential outcome would estimate the Bone Spring formation to hold 65% of the resource and the Wolfcamp to hold 35% of the resource. Coterra Exhibit B-13. This method could also estimate the Bone Spring formation to hold 74% of the resource and the Wolfcamp to hold 26% of the resource. Permian Rebuttal Exhibit F-27.

78. Ms. Frey testified that Coterra proposed a 70% / 30% allocation split because it was a rounded number in the range of the estimation methods Coterra considered.

79. Mr. Bradford and Mr. Sonka testified that Coterra's 70% / 30% calculations were not reliable because the results of the different models varied too widely. Permian Rebuttal Exhibit E-24 and F-27.

80. The Commission finds that there is insufficient evidence in the record to demonstrate that Coterra's proposed allocation is more just and equitable. The Commission was presented with four different estimates using three different methodologies, and Coterra's proposed allocation formula is different from all four estimates. This suggests that even Coterra finds that it is not "insofar as practicable" to determine with sufficient certainty what would constitute the most fair and equitable allocation formula. NMSA 1978, Section 70-2-17(A).

81. In addition, Permian's geology expert, Ira Bradford, testified there are oil reserves in the Wolfcamp A Shale portion of the pool that was not accounted for in Coterra's 70% / 30% calculation. Permian Rebuttal Exhibit E-31-34. Permian wrote: "Coterra's allocation formula thus ignores oil-bearing porosity in the Wolfcamp A Shale portion of the pool." Permian's Amended Pre-Hearing Statement, p. 17. In other words, Coterra's proposed allocation undervalues the reserves in the Wolfcamp A.

82. Permian argued that its proposed allocation formula for revenue for interest owners was fair to the correlative rights of all owners because it was based on the express language of NMSA 1978, Section 70-2-17(C). This law reads: “For the purpose of determining the portions of production owned by the persons owning interests in the pooled oil or gas, or both, such production shall be allocated to the respective tracts within the unit in the proportion that the number of surface acres included within each tract bears to the number of surface acres included in the entire unit.” NMSA 1978, Section 70-2-17(C) (emphasis added).
83. A rule of statutory construction is that a more specific statute controls over a more generally worded statute. State v. Arrellano, 1997-NMCA-074, para. 4.
84. Section 70-2-17(C) is more specific than Section 70-2-17(A) and therefore sets the statutory default for the allocation formula.
85. Certain previous division orders pooling across a depth severance have included an allocation formula that departs from the statutory default. See e.g. R-21165 and R-12094. However, in those cases, the allocation formula adopted was the one proposed by the prevailing applicant, without adversarial record. Therefore, these cases are distinguishable from this instant case.
86. However, even if, assuming arguendo, the Commission could impose an allocation formula that departs from the statutory default of NMSA 1978, Section 70-2-17(C), there are not sufficient grounds in this case to justify such departure.
87. Coterra’s request for an alternate allocation formula is based on the hypothesis that Permian’s allocation formula will undercut the correlative rights of entities that own a greater interest in the Bone Spring than the Wolfcamp. Permian’s Landman, Mr. Mark

Hajdik, provided a list of such entities: Highland, Avalon (PR), Javelina Partners, William Hudson II, Prime Rock and Magnum Hunter. Permian Exhibit C-11.

- a. Highland supports Permian's allocation plan.
- b. Avalon (PR) supports Permian's allocation plan.
- c. Javelina Partners entered into a Joint Operation Agreement with Permian.
- d. William Hudson II entered into a Joint Operation Agreement with Permian.
- e. Prime Rock is neutral. Permian Exhibit C-11.
- f. Magnum Hunter is the only entity that opposes Permian's plan. Coterra's witnesses stated that Magnum Hunter is owned by Coterra.

88. Coterra alleges in its prehearing statement that the OCD Order's acceptance of Permian's proposed allocation formula resulted in an unconstitutional "taking" from those entities that own a greater interest in the Bone Spring than the Wolfcamp. The government could cure this problem, according to Coterra, only if: "[T]he takings Clause mandates that states have made, at the time of the taking, reasonable, certain and adequate provision for obtaining compensation." Coterra's Consolidated Prehearing Statement, p. 14 (citing to Manning v. NM Energy, Minerals and Natural Resources Dep't, 2006-NMSC-027, para. 22).

- a. First, all above-cited entities (except Coterra's subsidiary, Magnum Hunter) side with Permian, which rebuts Coterra's assertion that Permian's proposed allocation formula is a "taking" from these entities.
- b. Second, Mr. Sonka testified that Permian's plan would result in \$165 million in value creation to Bone Spring owners. Permian Exhibit F-2. This is greater than the value creation from Coterra's plan (\$120 million) for Bone Spring owners.

Permian Exhibit F-2. This means Permian's proposed allocation formula provides a reasonable, certain and adequate provision to Magnum Hunter to receive adequate and reasonable revenues. Therefore, the Commission and OCD's acceptance of Permian's proposed allocation formula is not a violation of the Takings Clause under the Manning case law analysis.

89. In addition, Permian's Landman, Mr. Mark Hajdik, provided a list, which included whose entities with a greater interest in the Wolfcamp than the Bone Spring: MRC, Northern, First Century (PR), Read & Stevens (PR), CBR, CLM Production, Warren Associates, Cimarex Energy, Marks Oil, Wilbanks Reserve, HOG Partnership LP. Permian Exhibit C-11. This list represents those entities who will miss out on revenue if Coterra's development plan to avoid drilling in the Wolfcamp was adopted. All these entities support Permian's allocation formula. Permian Exhibit C-11. Mr. Hajdik's list of more than ten entities corroborated the OCD Order's conclusion that Coterra's plan would actually "harm correlative rights of owners who own a greater share of interest in the Wolfcamp or own only interest in the Wolfcamp." Order R-23089-A, para. 21.
90. The Commission finds that there was substantial evidence presented at the hearing and hearings below establish that on balance, the seven criteria analysis favor Permian as operator of the Wolfbone Pool.
- a. Permian's development plan will prevent "waste" of oil resources.
 - b. Permian development plan will create more value and revenue for all interest owners.
 - c. Permian's development plan will not "waste" the capital of the interest owners.

- d. Permian's allocation formula is based on the statutory formula and will not unfairly harm the correlative rights of interest owners.

ORDER

Based on the above, the Commission:

- a. **Grants** Permian's applications in **CASE NOS. 23508-23523**
- b. **Denies** Coterra's applications in **CASE NOS. 23448-23455** and **CASE NOS. 23594-23601.**
- c. All other pending motions are **denied.**
- d. This Order will go into effect 20 days from the date this order is filed and served, and all previously issued stays in this case will be lifted on that same date.

The vote for this Order was unanimous.



Albert C.S. Chang, Chairman
On behalf of the Commission

10/16/2025

Date