

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

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

**Case No. 25562**

**APPLICATION OF COTERRA ENERGY CO.  
FOR A COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO**

**Case No. 25564**

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**PRIDE ENERGY COMPANY'S  
CLOSING STATEMENT**

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The location of Pride's well will likely result in greater estimated ultimate recovery ("EUR"). For this reason alone, Pride's application should be approved and Coterra's denied. R-21800, ¶ 22. In addition, five of the remaining six pertinent factors weigh in favor of Pride. Pride's application is thus clearly superior.

The Division considers seven factors to evaluate competing proposals. R-24080 at 3-4, ¶ 12. These factors are not equally weighted: "[T]he *most important consideration* in awarding operations to competing interest owners is *geologic evidence as it relates to well location and recovery* of oil and gas and associated risk." R-10731-B at 9, ¶ 23(f) (emphasis added). Only when competing applicants propose development plans with similar recovery expectations does the Division give dispositive weight to the remaining factors. See R-21800, ¶ 22.

**Criterion a—Geology:** *Comparison of geologic evidence as it relates to the proposed well location and the potential of each proposed prospect to efficiently recover reserves.* Pride's well location will result in greater recovery of total reserves including both the Wolfcamp ("WC") and Third Bone Spring ("3BS"), thus likely delivering a higher EUR. Pride Ex. C, ¶ 5 (pdf 56); 1/27/26 TR at 130:21-25. The proposed depth of Pride's well is approximately 210' below the proposed depth of Coterra's well. Pride Ex. B, ¶ 11 (TVD 11,025'); Coterra Ex. A, ¶ 7 (TVD: 10,815'). Common industry knowledge is that fractures will grow up much more than down, because stress and pressure are greater towards the center of the earth. Pride Ex. C, ¶ 5 (pdf 56); 1/27/26 TR at 129:25-130:1; *id.* at 171:22-172:5. For this reason, a well located in the WC will more effectively capture reserves in both the WC and 3BS. *Id.*

Coterra contends that there is no evidence of any upper WCA wells outperforming 3BS wells in the area and that review of nearby wells shows the opposite. See, e.g., TR 012726 at 168:10-170:4; Coterra Ex. C, ¶ 15 (pdf 89-90); Coterra Ex. C-6 (pdf 97). However, there are no

WCA wells within a mile of the proposed development. TR 012726 at 177:21-178:8. Nonetheless, Coterra cherry picks wells in an effort to support Coterra's contention that its 3BS well will result in greater recovery than Pride's WC well. *See, e.g.*, Coterra Ex. C-6; TR 012826 at 350:20-23, 353:1-10, 354:9-14) (Mr. Weinkauff, explaining *inter alia* that Coterra excluded 27 "modern development" wells from the plot "Modern Offsetting Analogs" on Exhibit C-6 and that Coterra did not provide information regarding the wells excluded from the plot); *id.* at 338:24-340:7. Coterra failed to identify the wells depicted on the Ex. C-6 map and failed to identify the logs and surveys used to determine the formation in which each well was landed. *See, e.g.*, TR 012826 at 362:5-365:8. *See generally* Coterra's exhibits; TR 12726; TR 12826. Consequently, Mr. Weinkauff's opinion is not competent evidence. *See Walker v. L.G. Everist, Inc.*, 1985-NMCA-046, ¶ 33, 102 N.M. 783.

Moreover, Coterra claims that the Beefalo wells are comparable WC wells and that their performance compared to nearby BS wells indicates the 3BS is the better target. Coterra Ex. C, ¶ 15 (pdf 89-90); *see* Ex. C-6 & C-7 (pdf 97-98). Coterra fails to adequately explain how it identified the WC as the landing zone for the Beefalo wells. *See, e.g.*, TR 012826 at 337:12-338:3, 358:15-359:14, 363:7-9. Coterra could not compare the landing of the Beefalo wells with the landing of Pride's well proposed well. *See generally* Transcripts. Even if the Beefalo wells are WC wells, they appear to be significantly higher in the Upper Wolfcamp than Pride's proposed well and are about 1.5 miles northeast of Pride's proposed development here. *See* Pride Exs. B-4 & B-5; TR 012726 at 248:6-9; *see* Coterra Ex. C-6 (pdf 97) (identifying Beefalo wells by purple dashed line). Geology of the wells that Coterra relies on is significantly different from geology underlying the subject acreage. TR 012726 at 170:5-22. Coterra admits that "reservoir quality can vary within the area." Coterra Ex. C, ¶ 15 (pdf 89); *see* TR 012726 at 247:21-22 (Mr. Weinkauff, stating "the

reservoir quality is different amongst these projects”); *see also id.* at 252:17-18 (Mr. Weinkauff, stating that “the reservoir is a little bit better on the west”); TR 012826 at 354:21-25 (Mr. Weinkauff, stating “the reservoir quality is changing amongst all of these developments”).

Notably, Coterra’s engineer testified as to its comparison of production between surrounding developments and the subject acreage, but could not speak to the specific geological analysis supporting his opinion, deferring instead to Coterra’s geologist. *See, e.g.*, TR 012826 at 337:12-338:12; 339:24-341:21, 355:1-8, 358:15-359:14, 363:1-16. However, the only testimony offered by Coterra’s geologist was that “the thickness of the sand and shale can vary across the area.” Indeed, Coterra’s Exhibit B-3 shows how the thickness of the sand and shale can vary across the area. *See id.*; TR 012726 at 221:25-222:17. And Coterra’s geologist offered no testimony regarding her purported analysis underlying Mr. Weinkauff’s opinions. *See generally* Coterra Ex. B, TR 012726 at 220:16-228:24. In fact, the closest log to the Beefalo wells reveals that wells landed in the upper WC in that area are WC wells only and not Wolfbone wells. Pride’s Surrebuttal Ex. 2; TR 012826 at 391:6-394:17. Specifically, the WC in the area of the Beefalo wells “is considerably less developed in addition to having a carbonate barrier . . . right at the top of the [WC].” TR 012826 at 395:1-6. Thus, the Beefalo wells provide no support for Coterra’s position. TR 012826 at 396:19-397:18 (explaining that “a 50-foot thick, tight limestone” at the top of the WC would prevent WC wells in the area from draining the 3BS and “even if they did get into the [3BS], they probably wouldn’t do it very efficiently”).

In sum, geologic evidence based on well location weighs heavily in favor of Pride because Pride’s well will more effectively capture reserves in both the WC and 3BS. For this reason alone, Pride’s application should be approved and Coterra’s denied. *See* R-21800, ¶ 22 (recognizing that if there is evidence that one applicant’s plan will result in greater recovery of oil and gas, the OCD

need not “consider other factors including working interest control”).

**Criterion b—Risk and Development:** *Comparison of the risk associated with the parties’ respective proposals for the exploration and development of the property.* As discussed, Coterra’s proposal risks leaving reserves in the WC interval because fractures usually go up and recover reserves above the wellbore; fractures do not ordinarily go down to recover significant reserves below the wellbore. *See supra* at 2-3. The Wolfcamp A sands in our area would essentially be stranded if a frac in a 3rd BS landed well does not grow down sufficiently enough to efficiently drain it. There is no way to accurately predict this downward growth. The only way to frac the Wolfcamp A sands with 100% certainty is to land the well in this Wolfcamp A sand interval and let the frac grow up into the 3rd BS sand. This efficiently covers all of the productive rock and leaves no waste. This factor therefore weighs in favor of Pride’s proposal to target a lower interval.

**Criterion c—Good Faith and Negotiations:** *Review of the negotiations between the competing parties prior to the applications to force pool to determine if there was a “good faith” effort.* Coterra sat on its hands before proposing to drill, which ultimately resulted in a delay of almost four years. Pride first proposed its well on March 31, 2022 and filed an application to forcepool the subject acreage for the Go State 401H on May 3, 2022 in Case No. 22853. After two continuances and two status conferences, Case No. 22853 was set for a contested hearing on November 17, 2022, as agreed to by the parties. Pre-Hearing Order, Case No. 22853 (Sept. 16, 2022); *see* TR 091525 at 21:19-22:1, 23:8-11, Case No. 22853 (Mr. Savage, explaining Cimarex “doesn’t believe it has enough interest to launch a competing application,” but would appear at a contested hearing to do a presentation that Pride’s application should be denied or altered”). Throughout this time, Pride attempted to reach a voluntary agreement. *See* Pride Ex. A-4 (pdf 34);

*compare* Coterra Ex. A-4 (pdf 64) (referencing only communications in 2025-2026). Nonetheless, at the last minute, Coterra sought to vacate the prehearing order and delay the hearing in Pride's Case No. 22853, to allow it additional time to file a competing application. Motion for Continuance and to Vacate the Prehearing Order, Case No. 22853 (Nov. 9, 2022). The Division vacated the contested hearing and reset it for February 16, 2023. *See* Scheduling Order, Case No. 22853 (Nov. 10, 2022); Amended Pre-Hearing Order, Case No. 22853 (Nov. 17, 2022). Coterra (then Cimarex) filed its competing application seeking to drill the Showbiz 12 13 301H in the 3BS on December 15, 2022, Case No. 23295, which was consolidated with Pride's Case No. 23853. After two more continuances, these original applications were finally heard, on July 20, 2023, and both were denied. Amended Pre-Hearing Order, Case Nos. 22853 & 23295 (Apr. 13, 2023); TR 072023, Case Nos. 22853 & 23295; R-23132.

Notably, after hearing in the first two cases, Pride requested that the Division grant both applications and require that the wells be completed during the same week, to prevent drainage that is not equalized by counter-drainage. Closing Statement of Pride at 7, Case Nos. 22853 & 23295 (Aug. 7, 2023). On the other hand, Coterra urged the Division to grant Coterra's application only, without making any effort to consider the drainage of Pride's minerals in the WC. *See, e.g.,* Cimarex Energy Co.'s Closing Statement, Case Nos. 22853 and 23285 at 9, ¶¶ 16-17 (stating that wells in the 3BS are currently draining up to 26% from owners in the Upper WC, but arguing that they should not be required to compensate the WC owners). Coterra's conduct throughout the pendency of Pride's proposal, then and now, reveals a lack of good faith. This factor therefore weighs in favor of Pride.

**Criterion d—Prudent Operations and Prevention of Waste:** *Comparison of the ability of each party to prudently operate the property and thereby prevent waste.* Coterra does not

challenge Pride's prudence. Coterra Ex. C ¶ 9 (pdf 86). Both companies have a history of drilling and operating horizontal wells in the area. Pride has been in the oil and gas business for 45 years, since 1981. Pride operates more than 100 wells in eight different states and has been operating in New Mexico for over 25 years. 1/21/26 TR at 79:2-12, 89:19-21. Pride currently operates 35 wells in New Mexico, including 28 horizontal wells located in Lea and Eddy Counties. 1/21/26 TR at 89:2:6-15. Pride has drilled 16 horizontal wells in Lea and Eddy Counties, two of which were approximately 7,600 lateral feet. Coterra Ex. C ¶ 9 (pdf 86).

When drilling wells in New Mexico, Pride uses a third-party consulting company, Basin Engineering, for all drilling and completions. Basin Engineering has over 100 years of combined experience drilling hundreds of wells in this area of New Mexico, including two-mile laterals. Basin Engineering oversees the drilling and completion operations of the wells. Pride works closely with Basin Engineering on a day-to-day basis. 1/27/26 TR at 91:19-92:11.

On average, Pride has seen greater than 100 percent rate of return on the horizontal wells Pride has drilled in New Mexico. *Id.* at 135:16-21. Moreover, Pride has been at or below the authorization for expenditure for each of its horizontal well projects. *Id.* at 135:22-25.

Pride currently operates six wells in Section 13, which acreage is included in the proposed spacing unit for the well at issue, the Go State 401H. TR 1/27/26 at 85:22-25. Pride has an existing surface facility for the six nearby wells, which will be shared with the Go State 401H, resulting in less cost and less surface use. *Id.* at 86:1-13. The single flowline from the 401H would be buried and therefore have a very low impact to the surface. *Id.* at 86:13-21.

Moreover, Coterra risks leaving reserves in the WC interval by landing its proposed well in the 3BS creating waste. *See* Price Ex. C, ¶ 5, bullet 1 (pdf 56) ("It is not likely that a well landed in the [3BS] sand will be able to capture nearly the amount of reserves within the [WC] as

compared to landing a well in the [WC].”); 1/27/26 TR at 133:11-15. As discussed, this is because fracs usually go up and out, and not down. Pride Ex. C at 2, ¶ 5 (bullet 1); 1/27/26 TR at 129:25-130:1. Consequently, Pride’s proposed well will capture reserves in the 3BS as well as the WCA. Pride Ex. C at 2, ¶ 5 (bullet 1) ([T]he fractures generated in a well landed in the [WC] will almost certainly grow up into the [3BS] sand, thereby capturing its reserves.”). Coterra agrees. *See* Pride Ex. C-1 (pdf 59) (Coterra Ex. C-5 from Case No. 23295, stating that Pride’s plan to land in the top of the WC sands depletes the 3BS Sand and that “Pride will produce and sell large amounts of reserves from the 3<sup>rd</sup> Sand”); *see also* Pride Ex. C at 2-3, ¶ 5 (3rd bullet); 1/27/26 TR at 130:7-19.

In addition, Coterra’s proposed landing is near other wells already producing the 3BS Sand, resulting in pressure depletion in that area. Coterra’s fracture of the proposed well is not likely to go down because it will have a tendency to go out to the pressure depletion. 1/27/26 TR at 143:19-25. Thus, Coterra’s proposed well would not capture WC reserves. 1/27/26 TR at 143:19-144:3.

Coterra contends that it is prudent to drill its proposed well in the 3BS Sand because it has a forcepooling order that allows it to drill two wells, in the First and Second BS. However, at current oil prices, it is not economically prudent to drill First and Second BS wells. 1/27/26 TR at 101:12-20. When Pride drilled its BS wells in Section 13, oil was at \$100/barrel. *Id.*<sup>1</sup>

Moreover, Coterra’s prudence is questionable in light of its non-compliance with OCD rules here. Coterra sought an application for permit to drill (“APD”), which was approved, notwithstanding the fact that Coterra has no interest in Tract 2 in the Wolfbone Pool and has received no consent from the owner in Tract 2. *See* 19.15.16.15(A)(1) NMAC; TR 012726 at

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<sup>1</sup> Coterra’s Rebuttal Exhibits 2 and 3 purportedly prove that Coterra’s proposed well will outperform Pride’s Go State Bone Spring wells because “Pride . . . as far as Coterra’s concerned, has limited horizontal experience in this world and in the North Delaware area, compared to what we have.” TR 012726 at 253:5-254:8. Notably, Coterra does not include in its analysis, as reflected in Rebuttal Exhibits 2 and 3, the Bone Spring wells it currently operates nearby, the Quail 11 State 1H and the Teal 12 State Com 2H. Coterra’s Rebuttal Exhibit 4 simply reveals that Coterra has cherry picked the few wells that support its contentions.



208:16-210:24. For this reason, Coterra's APD should be withdrawn or cancelled. Similarly, in its C-102, Exhibit A-1, Coterra falsely certified that it "has received the consent of at least one lessee or owner of a working interest or unleased mineral interest in each tract (in the target pool or formation) in which any part of the well's completed interval will be located or obtained a compulsory pooling order." *See* Coterra Ex. A-1. However, Coterra as stated, has neither consent from the working interest owner in Tract 2 nor a compulsory pooling order for its proposed well in the Wolfbone pool. *See* TR 012726 at 211:15-212.

Finally, Coterra attempts to inflate its experience in New Mexico operations by double-counting wells in its misleading Exhibit C-1 (pdf 92). Coterra represents that it has "spudded or completed" a total of 42 wells in "North Lea County and a total of 123 wells in Lea and Eddy Counties in the first three quarters of 2025. *Id.*; *see* TR 012726 at 236:18-237:2 (Mr. Weinkauf, "[T]his is illustrating how many wells have been spudded and completed by Coterra[.]"). Mr. Weinkauf conceded that at least "some of the wells" spudded, if not all, are also counted as wells that were completed. Thus, the total number of wells spudded and completed in North Lea County could be as little as 24, as opposed to 42, and in Lea and Eddy Counties as little as 74, as opposed to 123. *See* TR 012726 at 322:8-326:7. Coterra's fuzzy math here simply shows that Coterra's representations throughout this matter are not reliable.

**Criterion e—Costs:** *Comparison of the differences in well cost estimates and other operational costs presented by each party for their respective proposal.* Pride currently operates six wells in Section 13, including the Go State Com #101H, #102H, #203H, #204H, #305H, and #306H, and can use the same facilities for the proposed Go State 401H. Consequently, Pride's proposal will result in less surface disturbance and significant cost savings to the working interest owners. A comparison of the applicants' AFEs reveals that Pride's updated AFE is \$1,418,364

less than Coterra's most recent AFE. Compare Pride Ex. A-4 at pdf 29-30 (\$9,341,780), with Coterra Ex. A-4 at pdf 62-63 (\$10,969,626). Moreover, the difference between facilities costs is approximately \$1,858,000. TR 012826 at 429:2-7 (explaining that Pride's facilities costs are about \$475,000, while Coterra's are about \$2,300,000). Coterra attempts to justify its extra costs by conflating the costs and production of drilling First and Second BS wells with the subject 3BS well in the Wolfbone pool. See, e.g., Coterra Ex. C, ¶¶ 10-13 (pdf 86-87); Exs. C-2; TR 012726 at 231:19-232:2. This convoluted testimony and accompanying irrelevant exhibits provide little to no support for Coterra's application. The proposed wells at issue here are Pride's proposed WC well and Coterra's proposed 3BS well and, as noted, drilling Coterra's proposed well will cost \$1,418,364 more than drilling Pride's well.

Coterra's conflation of anticipated oil recovery is similarly unavailing. Coterra provides no data in support of its total numbers, so the anticipated oil recovery of its proposed 3BS well is unknown. See Coterra Ex. C-2; TR 012726 at 237:15-238:24. Moreover, from a capital efficiency standpoint, at end of well life, Pride's proposed well should deliver more hydrocarbons than Coterra's, even if the AFE costs were identical. Pride Ex. C at 2, ¶ 5 (pdf 56) (second bullet). This factor therefore weighs in favor of Pride.

**Criterion f—Ownership:** *Evaluation of the mineral interest ownership held by each party at the time the application is heard.* Based on surface acreage, Pride's ownership interest in the proposed unit is 12.5%, and Coterra's ownership interest is 41.25%. Pride Ex. A, ¶ 15 (pdf 15). This factor would weigh in Coterra's favor only if there were no differences on the other six factors. See R-21800, ¶ 22; R-10731-B at 10, ¶ 24 (cautioning that working interest control is a controlling factor only "[i]n the absence of compelling factors such as geologic and prospect

differences, ability to operate prudently, or any reason why one operator would economically recover more oil or gas by virtue of being awarded operations than the other”).

**Criterion g—Surface:** *Comparison of the ability of the applicants to timely locate well sites and to operate on the surface (the surface factor).* As stated, Pride currently operates six wells in Section 13, including the Go State Com #101H, #102H, #203H, #204H, #305H, and #306H, and can use the same facilities for the proposed Go State 401H. Consequently, Pride’s proposal will result in less surface disturbance and significant cost savings to the working interest owners. The surface location is owned by the State of New Mexico. Upon approval of Pride’s application, Pride will promptly obtain the necessary approval from the State Land Office for the proposed surface location. This factor thus weighs in favor of Pride.

#### **Allocation of Revenue Among Interest Owners:**

Pride’s proposed allocation complies with the requirements of Section 70-2-17(C) to allocate production based on surface acreage. “Whenever it appears that the owners in any pool have agreed upon . . . a plan or method of distribution of any allowable . . . , which plan, in the judgment of the division, has the effect of preventing waste . . . and is fair to the royalty owners . . . , then such plan *shall be adopted by the division[.]*” *Id.* (emphasis added). The parties have stipulated that the 3BS and WCA Shale will contribute equally to production, with 50% attributed to the 3BS and 50% attributed to the WCA Shale. Pride Ex. A, ¶ 15 (pdf 14-15); Coterra Ex. A, ¶¶ 10-11. Based on this agreement, Pride determined that it has 50% of the total 80-acre Tract 3, *i.e.*, 40 acres, and that Coterra also has 50% of the total 80-acre Tract 3, *i.e.*, 40 acres. *Id.* Thus, Pride has a 40-acre interest and Coterra has a 132-acre interest in the proposed HSU. Based on surface acreage, Pride’s ownership interest in the proposed unit is 12.5%, and Coterra’s is 41.25%. *Id.*

In conclusion, six of the seven factors weigh in favor of Pride, and only one in favor of Coterra. Perhaps most importantly, only Pride's proposal satisfies the Division's duty to prevent waste. Pride's application should therefore be approved and Coterra's application denied.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that true and correct copies of the foregoing Closing Statement was served on the following counsel of record, by electronic mail on February 25, 2026.

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