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

**APPLICATIONS OF MRC HAT MESA, LLC**
**FOR APPROVAL OF A STANDARD OVERLAPPING**
**HORIZONTAL WELL SPACING UNIT**
**AND COMPULSORY POOLING,**
**LEA COUNTY, NEW MEXICO.** **CASE NOS. 26000-26001**

**APPLICATION OF MRC HAT MESA, LLC**
**FOR COMPULSORY POOLING,**
**LEA COUNTY, NEW MEXICO.** **CASE NO. 26002**

**APPLICATION OF COG OPERATING LLC**
**FOR COMPULSORY POOLING AND APPROVAL**
**OF NON-STANDARD SPACING**
**UNIT, LEA COUNTY, NEW MEXICO.** **CASE NO. 26368**

## COG OPERATING, LLC'S CONSOLIDATED PRE-HEARING STATEMENT

COG Operating LLC ("COG") submits its Consolidated Pre-Hearing Statement in accordance with the Pre-Hearing Order issued by the New Mexico Oil Conservation Division ("Division") on June 18, 2026.

| PARTIES | ATTORNEYS |
|---|---|
| COG Operating LLC | Dana S. Hardy<br>Jaclyn McLean<br>Jaime R. Fontaine<br>Yarithza Peña<br>Hardy McLean LLC<br>125 Lincoln Ave., Suite 223<br>Santa Fe, NM 87501<br>505-230-4410<br>dhardy@hardymclean.com<br>jmclean@hardymclean.com<br>jfontaine@hardymclean.com<br>ypena@hardymclean.com |

MRC Hat Mesa, LLC

Dalva L. Moellenberg
Serafina I. Seluja
Gallagher & Kennedy, P.A.
1239 Paseo de Peralta
Santa Fe, NM 87501
dlm@gknet.com
serafina.seluja@gknet.com

## STATEMENT OF THE CASES

### A. Overview of Applications

These matters involve the competing development plans of COG and MRC Hat Mesa, LLC ("MRC"). In Case No. 26368, COG proposes to fully develop the Bone Spring formation underlying a 1,600-acre, more or less, non-standard, horizontal spacing unit comprised of the S/2 of Section 4 and all of Sections 9 and 16, Township 21 South, Range 33 East, Lea County, New Mexico ("Corazon Unit"). COG plans to drill fifteen, 2.5-mile wells that will develop the Avalon, First Bone Spring, Second Bone Spring, and Third Bone Spring Carbonate intervals. The Corazon Unit will be dedicated to the following wells: **Corazon State Unit Com 201H**, **Corazon State Unit Com 301H**, **Corazon State Unit Com 501H**, **Corazon State Unit Com 601H**, **Corazon State Unit Com 302H**, **Corazon State Unit Com 502H**, **Corazon State Unit Com 503H, Corazon State Unit Com 202H**, **Corazon State Unit Com 602H**, **Corazon State Unit Com 303H**, **Corazon State Unit Com 504H**, **Corazon State Unit Com 203H**, **Corazon State Unit Com 304H**, **Corazon State Unit Com 505H**, and **Corazon State Unit Com 603H**.

In contrast, MRC only proposes to develop 640-acres underlying the E/2 of Sections 9 and 16, Township 21 South, Range 33 East with five Bone Spring wells, one of which is a Third Bone Spring u-turn well. MRC does not propose to develop the Avalon or Third Bone Spring Carbonate intervals, which will strand reserves.

COG's proposed development plan best prevents surface, environmental, and economic waste. COG also requests approval of a non-standard spacing unit, which will allow it to consolidate surface facilities and thereby prevent 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 COG as the operator of the Corazon wells, and a 200% charge for the risk involved in drilling and completing the wells.

**B. The factors considered by the Division in evaluating competing development plans weigh heavily in COG's favor.**

Section 70-2-17(C) of the Oil and Gas Act provides that when the owners of the interests in a spacing unit "have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a common source of supply, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interests or both in the spacing or proration unit as a unit."

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 COG's favor here.

- Geologic Evidence: COG's development plan includes wells in the Avalon and three benches of the Bone Spring in all of Sections 9 and 16 and the S/2 of Section 4, while MRC plans to develop only the E/2 of Sections 9 and 16 and would strand reserves by failing to develop the Avalon and Third Bone Spring Carbonate intervals. The Avalon and Third Bone Spring Carbonate are proven to add incremental value to the development, especially when combined with the First and Second Bone Spring production. Additionally, COG's Second Bone Spring Sand development at five wells-per-section, versus MRC's four wells-per-half-section, yields increased section-wide recovery (187,500 lateral feet vs. 50,000 lateral feet).

- Risk: COG is an experienced operator in this area and is developing this acreage consistent with that experience. MRC's plan risks in-bench degradation in the First and Second Bone Spring intervals and parent-child impacts. In addition, COG's analysis shows the Third Bone Spring Carbonate is economic and should be developed now. Drilling the Third Bone Spring Carbonate interval later through infill wells would result in waste.

- Good Faith Negotiations: COG has engaged in good faith discussions with MRC.

- Prudent Operator and Prevention of Waste: The denial of COG's application would result in waste on several levels. To begin with, approving MRC's application would not fully develop the reserves in the S/2 of Section 4 or the W/2 of Sections 9 and 16, Township 21 South, Range 33 East. because MRC does not plan to develop this acreage. Further, COG's plan develops the Avalon, First Bone Spring, Second Bone Spring, and Third Bone Spring Carbonate, which will yield more resource recovery section-wide, while MRC's plan will strand resources in the Avalon

[1] *See, e.g.,* Order No. R-20223.

and Third Bone Spring Carbonate intervals. The Avalon and Third Bone Spring Carbonate are proven to add incremental value to the development, especially when combined with the First and Second Bone Spring production. Failure to include the S/2 of Section 4 or the W/2 of Sections 9 and 16, while also failing to include the Avalon and Third Bone Spring Carbonate results in both economic and resource waste.

COG is consistently in the top tier of producers in each area that it has developed, speaking to its ability as an operator in New Mexico. COG has existing infrastructure and long-term contracts in place to handle oil, gas, and water takeaway from nearby wells and is ready to commence surface operations once the wells are drilled. In addition, COG has existing and planned water recycling facilities that significantly reduce waste.

- Cost Estimates: COG's proposal is capital-efficient for the working interest owners, with COG's AFEs showing a lower cost per foot at approximately $895.00/foot compared to MRC's $1,101/foot. When comparing COG's Corazon AFEs with MRC's B Byerley AFEs, COG's development creates greater value across the Avalon and Bone Spring intervals due to reduced capital expenditures and optimal well design.

- Ownership Interest: COG is the majority owner in five of the seven tracts in the Corazon Unit. COG holds 55.7% of the working interest in the Corazon Unit, while MRC holds 43%.

- Surface Factor: COG operates numerous other wells in this area. Thus, it has oil, gas, and water takeaway facilities in place and is prepared to commence surface operations. COG's plan also minimizes surface facilities and surface disturbance by creating new facilities and flowlines proximal to existing batteries and operations, while also taking advantage of the extensive infrastructure COG has in place in close proximity to the proposed spacing unit. COG's development plan minimizes surface disturbance by optimizing facilities for current and future development.

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

**PROPOSED EVIDENCE**

In accordance with the Pre-Hearing Order, COG is filing its direct testimony and exhibits contemporaneously with this Pre-Hearing Statement.

| Witness | Occupation | Estimated Time | Exhibits |
|---|---|---|---|
| Pascal Umekwe | Reservoir Engineer | 45 minutes | Approx. 8 |
| Chris Virant | Landman | 45 minutes | Approx. 12 |
| Ben Breyman | Geologist | 45 minutes | Approx. 6 |

**PROCEDURAL MATTERS**

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

Respectfully submitted,

*/s/ Dana S. Hardy*

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

ATTORNEYS FOR COG OPERATING LLC

**CERTIFICATE OF SERVICE**

I hereby certify that the foregoing Pre-Hearing Statement was sent to the following counsel of record on this 20th day of August, 2026.

Dalva L. Moellenberg
Serafina I. Seluja
Gallagher & Kennedy, P.A.
1239 Paseo de Peralta
Santa Fe, NM 87501
dlm@gknet.com
Serafina.seluja@gknet.com
*Attorneys for MRC Hat Mesa, LLC*

*/s/ Dana S. Hardy*
Dana S. Hardy

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

General Information
Phone: (505) 629-6116

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

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

QUESTIONS

Action 616175

## QUESTIONS

| | |
|---|---|
| Operator:<br>COG OPERATING LLC<br>600 W Illinois Ave<br>Midland, TX 79701 | OGRID:<br>229137 |
| | Action Number:<br>616175 |
| | Action Type:<br>[HEAR] Prehearing Statement (PREHEARING) |

**QUESTIONS**

**Testimony**

*Please assist us by provide the following information about your testimony.*

| | |
|---|---|
| Number of witnesses | *Not answered.* |
| Testimony time (in minutes) | *Not answered.* |